



**TO THE MAYOR AND COUNCILLORS OF THE
MACKENZIE DISTRICT COUNCIL**

Membership of the Finance Committee:

Cr Graham Smith (Chairman)
Claire Barlow (Mayor)
Cr Russell Armstrong
Cr Murray Cox
Cr Noel Jackson
Cr James Leslie
Cr Evan Williams

*Notice is given of a meeting of the Finance Committee to be
held on Tuesday, November 24, 2015, at 9.30am.*

VENUE: Mackenzie District Council Chambers, Fairlie

BUSINESS: As per agenda attached

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER



FINANCE COMMITTEE

Agenda for Tuesday, November 24, 2015

APOLOGIES

DECLARATIONS OF INTEREST

VISITORS:

At 11.30am Mark Wells and representatives from the YHA will attend the meeting to present their concept plan for the Tekapo building.

CONFIRM MINUTES:

Confirm and adopt as the correct record the minutes of the Finance Committee meeting held on October 13, 2015, including those parts held in public excluded.

Confirm and adopt as the correct record the minutes of the Extraordinary Finance Committee meeting held on October 27, 2015.

RECEIVE SUB-COMMITTEE MINUTES:

Receive the minutes of the Tekapo Property Group meeting held on November 10, 2015, including such parts as were taken with the public excluded.

REPORTS:

1. Financial Report (attached).
2. Bancorp Quarterly Report (attached)
3. Preparation for Annual Plan 2016-17 (attached).
4. Alps2Ocean Cycleway (attached).

PUBLIC EXCLUDED RESOLUTION:

Resolve that the public be excluded from the following part of the proceedings of this meeting namely:

1. Finance Committee minutes from the meeting October 13, 2015.
2. Tekapo Property Group minutes from the meeting November 10, 2015.

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Finance Committee minutes October 13	Commercial Sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Finance committee minutes October 13 and Tekapo Property Group minutes November 10* under section 7(2)(b)(ii)

ADJOURNMENTS: 10.30am - Morning Tea
12pm - Lunch

**MACKENZIE DISTRICT COUNCIL
MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN
THE MACKENZIE COUNCIL CHAMBERS, FAIRLIE, ON TUESDAY,
OCTOBER 13, 2015, AT 11.54am**

PRESENT:

Cr Graham Smith (Chair)
Cr Murray Cox
Cr Evan Williams
Cr James Leslie
Cr Russell Armstrong

IN ATTENDANCE:

Wayne Barnett, Chief Executive
Garth Nixon, Community Facilities Manager
Arlene Goss, Committee Secretary

APOLOGIES:

Apologies were received from Mayor Claire Barlow, Cr Noel Jackson and Finance Manager Paul Morris.

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

The chairman noted that on page 5 of the agenda there was a statement that reads "someone" will look into reducing zone committee costs. He changed this to "the chief executive".

Resolved that the minutes of the meeting of the Finance Committee held on September 1, 2015, including those parts taken in public excluded, be confirmed and adopted as the correct record of the meeting with the change noted above.

Cr Cox/Cr Williams

SUB-COMMITTEE MINUTES:

Resolved that the minutes of the meeting of the Tekapo Property Group held on August 25, 2015, including those parts taken in public excluded, be received.

Cr Cox/Cr Williams

Resolved that the minutes of the meeting of the Tekapo Property Group held on September 29, 2015, including those parts taken in public excluded, be received.

Cr Cox/Cr Williams

The Finance Committee meeting adjourned for lunch at 12pm and reconvened at 12.34pm.

REPORTS:

TWIZEL TEKAPO VEHICLE TRUST SHARED COUNCIL GARAGE:

This report was To endorse the Twizel Community Board's approval to locate a new garage for storage of Twizel Tekapo Vehicle Trust vehicles, and council vehicles, in the vicinity of the Twizel Events Centre. Also to approve spending approximately \$20,000 of unbudgeted expenditure to contract two additional garage bays to provide car parking for council vehicles in Twizel.

Community Facilities manager Garth Nixon said the finished garage would be owned jointly by the vehicle trust and council. Cr Leslie asked if there was an internal wall to separate the two parts of the garage. Yes. Remote control door openers are not included in the quote but could be. Cr Smith asked if the community board are happy with the site. Yes. Access to the site is behind the supermarket. The chairman questioned whether the vehicle account was the best way to fund the unbudgeted expenditure. The Twizel councillors said they were happy with the proposal. Cr Leslie asked about the gaps between buildings and whether they would be sealed off. Yes the area behind the garage will be sealed.

Resolved:

1. That the report be received.

Cr Williams/Cr Armstrong

2. That the Finance Committee recommends to Council that Rec A Zoned land be provided to the Twizel Tekapo Vehicle Trust as identified in the plan.

Cr Armstrong/Cr Leslie

3. That the Finance Committee approves the estimated \$20,000 unbudgeted expenditure to construct an additional two bays on the garages to provide for council car parking in Twizel.

Cr Armstrong/Cr Leslie

The chairman expressed disappointment that the Finance Committee was not producing a financial report for councillors.

PUBLIC EXCLUDED RESOLUTION:

Resolve that the public be excluded from the following part of the proceedings of this meeting namely:

1. Finance Committee minutes from the meeting September 1, 2015.
2. Tekapo Lakefront Development – stage 2 construction.

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Finance Committee minutes September 1	Commercial Sensitivity	48(1)(a)(i)
Tekapo Lakefront Development – stage 2 construction	Commercial Sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Finance committee minutes September 1, Tekapo Lakefront Development stage 2 construction and presentation from Michael Burtscher under section 7(2)(b)(ii)*

Cr Armstrong/Cr Leslie

The Finance Committee resumed in open meeting.

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 1.20PM

CHAIRMAN: _____

DATE: _____

**MACKENZIE DISTRICT COUNCIL
MINUTES OF AN EXTRAORDINARY MEETING OF THE FINANCE
COMMITTEE HELD IN THE MACKENZIE COUNCIL CHAMBERS,
FAIRLIE, ON TUESDAY, OCTOBER 27, 2015, AT 9.30AM**

PRESENT:

Cr Graham Smith (Chair)
Mayor Claire Barlow
Cr Noel Jackson
Cr Murray Cox
Cr Evan Williams
Cr James Leslie
Cr Russell Armstrong

IN ATTENDANCE:

Wayne Barnett, Chief Executive
Paul Morris, Finance Manager
Arlene Goss, Committee Secretary
Chris Hyde, Reporter, Timaru Herald.

APOLOGIES:

There were no apologies.

DECLARATIONS OF INTEREST:

There were no declarations of interest.

FINANCIAL REPORT:

This report was the financial report for Council for the period ended August, 2015.

Resolved that the report be received.

Cr Williams/Cr Jackson

The discussion of the accounts included, but was not limited to, the following points:

Most of the variances are due to the financial period being for the first two months of the year and this has created timing issues.

On page 5 of the agenda the internal income line variance relates to vehicle charge out rates. Discussion was held on the proposal to build a garage for the vehicles at Twizel. The Mayor asked if council insurance was affected by garaging the vehicles. It will only affect the excess rather than the premium.

Regarding employment expenses - they are lower than anticipated because increased assistance in the finance department has been budgeted for but not yet spent.

On page 6 under website development, this is now complete and has come in under the \$28,000 amount budgeted. The Mayor noted that someone tried to download forms for resource consent from the website and the forms were not there, only the cover page. She asked for someone to check that the appropriate planning forms were available on the website.

On page 8, financial contributions were unexpected and are positive result for Council.

On page 10, there are five items that don't appear to have budgets. They belong in the two items above, where the budget sits. The chairman said he expected coding difficulties to be addressed.

Roading on page 16 - consultancy expenses relate to the roading collaboration. The chief executive said the roading collaboration expenses will be unbudgeted expenditure. The Mayor asked for a break down of how much it has cost Council for the roading collaboration and the chief executive agreed to provide this.

On page 20, solid waste income is down slightly. This is seasonal and is affected by holiday home owners not being at their homes. The Mayor asked if it was possible to see a trend graph over the last few years to see how solid waste is trending over the years.

On page 22 under planning. Reserve Contributions are behind budget. The balance of the capital reserve is higher than expected but there is a plan in place to pay this debt.

On page 23, the variance under operational maintenance is high. This is due to payment for rural fire.

On page 24, spending on vehicles for rural fire has happened faster than expected.

On page 27 under recreational facilities - employment expenses relate to cleaning the Fairlie campground and the costs for the Twizel Events Centre.

On page 29, other gains and losses relates to the sale of land at Market Place, Twizel. Investment income is down and will continue to be down unless interest rates rise. A review of investment policy will be required and will need a public consultation process. The chairman said over the past five years there has been a reduction in investment income. The Mayor asked if it would be better to put the money into capital expenditure rather than wait for interest rates to improve. Discussion was held on this point. The chairman said a workshop will be needed to discuss this further.

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 10.03am

CHAIRMAN: _____

DATE: _____

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE TEKAPO PROPERTY GROUP HELD IN THE LAKE TEKAPO COMMUNITY HALL, TEKAPO ON TUESDAY, NOVEMBER 10, 2015, AT 1.21PM

PRESENT:

Cr Murray Cox (Chair)
Mayor Claire Barlow
Cr Graham Smith
Cr Russell Armstrong

IN ATTENDANCE:

Wayne Barnett, Chief Executive
Paul Morris, Finance Manager
Nathan Hole, Planning & Regulations Manager
Arlene Goss, Committee Secretary
Stephen Gubb, Hughes Developments (by teleconference)

APOLOGIES:

Resolved that an apology be received from Richie Smith.

Cr Armstrong/Cr Smith

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

Resolved that the minutes of the meeting of the Tekapo Property Group held on Tuesday, September 29, 2015, be confirmed and adopted as the correct record of the meeting, including those matters taken in public excluded.

Mayor/Cr Armstrong

PUBLIC EXCLUDED:

Resolved that the public be excluded from the following part of the proceedings of this meeting namely:

1. Previous minutes Tekapo Property Group, September 29, 2015.
2. Hughes Report to Tekapo Property Group (attached).
3. Stage 1 Construction Contract (attached).
4. Stage 2 Construction Contract (to be tabled at the meeting).
5. Update on sale of Lot 6 (to be tabled at the meeting).

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Previous minutes Tekapo Property Group, July 14, 2015	Commercial sensitivity	48(1)(a)(i)
Stage 1 Construction Contract	Commercial sensitivity	48(1)(a)(i)

Stage 2 Construction Contract	Commercial sensitivity	48(1)(a)(i)
Update on sale of Lot 6	Commercial sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *All matters under section 7(2)(b)(ii).*

Cr Armstrong/Cr Smith

The property group resumed in open meeting.

**THERE BEING NO FURTHER BUSINESS
THE CHAIRMAN DECLARED THE MEETING CLOSED AT 2.51pm**

CHAIRMAN: _____

DATE: _____

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE
SUBJECT: FINANCIAL REPORT
MEETING DATE: NOVEMBER 24, 2015
REF: FIN 1/2/1
FROM: MANAGER – FINANCE AND ADMINISTRATION
ENDORSED BY: CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:

Attached is the financial report for Council for the period ended September, 2015

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
MANAGER – FINANCE

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	GOVERNANCE	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
89,586	General Rates	98,987	98,988	(1)	✗		395,947
6,372	Targeted Rates	6,300	6,300	-	✓		25,200
-	Other Income	-	9,189	(9,189)	✗	1	36,750
95,958	Total Income	105,287	114,477	(9,190)			457,897
	Expenses						
16,948	Employment Expenses	14,097	14,760	663	✓		59,034
81,624	Members Expenses	74,869	80,367	5,498	✓		321,450
720	Consultancy Expenses	-	6,627	6,627	✓		26,500
12,677	Administration Expenses	17,633	11,550	(6,083)	✗	2	46,200
-	Internal interest Expense	-	60	60	✓		239
72	Depreciation	-	-	-	✓		-
648	Internal Charges	1,032	1,119	87	✓		4,474
112,689	Total Expenses	107,631	114,483	6,852			457,897
(16,731)	Operating Surplus/(Deficit)	(2,344)	(6)	(2,338)			-

Variance Analysis:

1. Revenue billed for water Zone committees recorded in October. Will correct next month
2. Advertising is \$2,464 higher than budget along with subscriptions which is \$4,650 higher than budget. This is expected to be a budget timing issue

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014		GOVERNANCE		YTD Actual September 2015	YTD Budget September 2015	Variance		Full year Budget June 2016
Operating and Capital Reserves								
72	Add back Non Cash Items		-	-				-
(72)	Transfer Funded Depreciation to Capital Reserve		-	-				-
(16,731)	Operating Surplus/(Deficit)		(2,344)	(6)				-
(16,731)	Total Operating Reserves		(2,344)	(6)				-
	Equity							
(4,771)	Opening Balance		(3,945)	(4,771)				(4,771)
72	Transfer Funded Depreciation from Operating Reserves		-	-				-
(4,699)	Total Capital Reserves		(3,945)	(4,771)				(4,771)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	CORPORATE SERVICES	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
465,507	General Rates	546,835	546,834	1	✓		2,187,340
45,247	Other Income	34,094	32,339	1,755	✓		129,350
27,138	Internal Income	26,948	30,939	(3,991)	✗		123,751
(94)	Internal Interest Income	603	63	540	✓		247
537,798	Total Income	608,479	610,175	(1,695)			2,440,688
	Expenses						
311,168	Employment Expenses	362,599	343,242	(19,357)	✗	1	1,387,381
44,576	Consultancy Expenses	62,013	36,024	(25,989)	✗	2	149,605
62,985	Administration Expenses	90,420	63,825	(26,595)	✗	3	377,270
59,949	Operational and Maintenance	69,933	74,817	4,884	✓		299,261
1,676	Internal interest Expense	1,823	2,496	673	✓		9,974
30,678	Depreciation	38,343	38,343	-	✓		153,378
16,143	Internal Charges	13,632	15,540	1,908	✓		62,153
527,176	Total Expenses	638,763	574,287	(64,476)			2,439,022
10,622	Operating Surplus/(Deficit)	(30,284)	35,888	(66,171)			1,666

Variance Analysis:

1. Includes costs of staff review that should sit in Governance. Also includes contractor wages for LTP back-fill and Front desk staff
2. Consultancy costs include \$15,000 assistance with Month end work which was unbudgeted along with unbudgeted \$14,223 legal exp for the Twizel waste water project
3. Includes additional LTP Audit Costs \$12,500 coupled with full years rates on Council buildings charged compared to an evenly phased budget

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	CORPORATE SERVICES	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Operating and Capital Reserves						
10,622	Operating Surplus/(Deficit)	(30,284)	35,888				1,666
10,622	Total Operating Reserves	(30,284)	35,888				1,666
	Equity						
(112,900)	Opening Balance	(91,619)	(167,936)				(167,936)
30,663	Transfer Funded Depreciation from Operating Reserves	38,328	38,064				152,261
(8,959)	Transfer Capital Expenditure from Operating Reserve	(3,294)	(28,502)				(112,000)
-	Transfers between Reserves	312	468				1,866
(91,196)	Total Capital Reserves	(56,273)	(157,906)				(125,809)
	Capital Expenditure						
	Council Building - Fairlie						
444	Corporate Services	1,669	750	(919)	✗		3,000
444	Total Council Building - Fairlie	1,669	750	(919)			3,000
	Council Building - Twizel						
-	Corporate Services	-	501	501	✓		2,000
-	Total Council Building - Twizel	-	501	501			2,000
	Information Technology Support						
5,656	Information Technology	2,250	27,251	25,001	✓		79,000
5,656	Total Information Technology Support	2,250	27,251	25,001			79,000
	Plant Operations						
-	Corporate Services	-	-	-	✓		28,000
-	Total Plant Operations	-	-	-			28,000
6,101	Total Capital Expenditure	3,919	28,502	24,583			112,000

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	WATER	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
241,114	Targeted Rates	227,932	228,033	(101)	✗		912,119
-	Investment Income	-	1,143	(1,143)	✗		4,568
(1,646)	Other Income	10,063	17,097	(7,034)	✗	1	155,388
6,000	Financial Contributions	12,632	-	12,632	✓	2	-
750	Internal Income	750	750	-	✓		3,000
12,982	Internal Interest Income	2,256	783	1,473	✓		3,128
259,199	Total Income	253,634	247,806	5,828			1,078,203
	Expenses						
-	Employment Expenses	-	2,751	2,751	✓		11,000
1,550	Consultancy Expenses	-	501	501	✓		2,000
3,292	Administration Expenses	6,115	9,093	2,978	✓		36,354
82,016	Operational and Maintenance	144,466	114,942	(29,524)	✗	3	459,751
-	Finance Expense	-	852	852	✓		3,412
14,828	Internal interest Expense	6,908	13,797	6,889	✓		55,194
118,098	Depreciation	123,954	123,954	-	✓		495,827
750	Internal Charges	750	750	-	✓		3,000
220,534	Total Expenses	282,193	266,640	(15,553)			1,066,538
38,665	Operating Surplus/(Deficit)	(28,560)	(18,834)	(9,726)			11,665

Variance Analysis:

- Other Income is below budget due to inclusion of the budget for Albury water supply. Council does not receive accounts until year end. Therefore a timing difference will occur throughout the year
- Unbudgetd financial contributions received during the period.
- Operational and maintenance costs are ahead of budget due to seasonal increase in contractor spend associated with works in Twizel and the Kimbell lines.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	WATER	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
Operating and Capital Reserves							
38,665	Operating Surplus/(Deficit)	(28,560)	(18,834)				11,665
38,665	Total Operating Reserves	(28,560)	(18,834)				11,665
Equity							
1,014,566	Opening Balance	236,321	-				(1,819,897)
6,000	Transfer - Financial Contributions	-	-				-
-	Transfer - from Operating Reserve	-	-				800
111,399	Transfer Funded Depreciation from Operating Reserves	116,103	113,136				452,543
(140,830)	Transfer Capital Expenditure from Operating Reserve	(766,699)	(603,267)				(1,451,400)
-	Transfers between Reserves	2,384	3,576				14,305
991,135	Total Capital Reserves	(411,891)	(486,555)				(2,803,649)
Capital Expenditure							
Fairlie Community Water Supply							
15,894	Water	-	-	-	✓		-
15,894	Total Fairlie Community Water Supply	-	-	-			-
Manuka Terrace Water Supply							
12,474	Water	-	-	-	✓		-
12,474	Total Manuka Terrace Water Supply	-	-	-			-
Urban Water Supply							
-	Combined Water	766,699	603,267	(163,432)	✗		1,451,400
-	Total Urban Water Supply	766,699	603,267	(163,432)			1,451,400
28,368	Total Capital Expenditure	766,699	603,267	(163,432)			1,451,400

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	SEWER	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
115,163	Targeted Rates	110,856	110,829	27	✓		443,309
1,674	Other Income	843	1,500	(657)	✗		6,000
-	Financial Contributions	6,372	-	6,372	✓	1	-
9,334	Internal Interest Income	14,198	11,553	2,645	✓		46,211
126,171	Total Income	132,269	123,882	8,387			495,520
	Expenses						
-	Consultancy Expenses	4,582	-	(4,582)	✗	2	-
2,096	Administration Expenses	2,169	2,631	462	✓		10,521
42,427	Operational and Maintenance	37,628	36,735	(893)	✗		146,944
1,075	Internal interest Expense	-	1,476	1,476	✓		5,905
74,097	Depreciation	80,844	80,844	-	✓		323,369
119,695	Total Expenses	125,224	121,686	(3,538)			486,739
6,476	Operating Surplus/(Deficit)	7,045	2,196	4,849			8,781

Variance Analysis:

1. Unbudgetd Financial Contributions received in the first quarter of the year
2. Unbudgeted consultancy expenses have arisen due to late invoices for valuation fees relating to the prior year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	SEWER	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
Operating and Capital Reserves							
6,476	Operating Surplus/(Deficit)	7,045	2,196				8,781
6,476	Total Operating Reserves	7,045	2,196				8,781
Equity							
1,399,313	Opening Balance	1,622,816	1,320,313				1,320,313
74,097	Transfer Funded Depreciation from Operating Reserves	80,844	80,841				323,369
(20,370)	Transfer Capital Expenditure from Operating Reserve	(61,543)	(391,000)				(902,000)
1,453,039	Total Capital Reserves	1,642,117	1,010,154				741,682
Capital Expenditure							
Fairlie Community Sewerage							
14,227	Sewer	-	-	-	✓		-
14,227	Total Fairlie Community Sewerage	-	-	-			-
Twizel Community Sewerage							
6,143	Sewer	-	-	-	✓		-
6,143	Total Twizel Community Sewerage	-	-	-			-
Urban Sewerage							
-	Combined Sewer	61,543	391,000	329,457	✓	1	902,000
-	Total Urban Sewerage	61,543	391,000	329,457			902,000
20,370	Total Capital Expenditure	61,543	391,000	329,457			902,000

Variance Analysis:

1. Twizel sewer pond work not proceeding in time with budget allowance due to issues with surrounding landowner

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	STORMWATER	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
20,388	Targeted Rates	19,822	19,821	1	✓		79,288
2,314	Internal Interest Income	3,651	2,112	1,539	✓		8,443
22,702	Total Income	23,473	21,933	1,540			87,731
	Expenses						
291	Administration Expenses	449	162	(287)	✗		650
9,611	Operational and Maintenance	5,133	6,324	1,191	✓		25,300
15,483	Depreciation	15,447	15,447	-	✓		61,781
25,386	Total Expenses	21,029	21,933	904			87,731
(2,684)	Operating Surplus/(Deficit)	2,444	-	2,444			-
	Operating and Capital Reserves						
(2,684)	Operating Surplus/(Deficit)	2,444	-				-
(2,684)	Total Operating Reserves	2,444	-				-
	Equity						
397,208	Opening Balance	402,334	241,229				241,229
15,483	Transfer Funded Depreciation from Operating Reserves	15,447	15,444				61,781
(1,202)	Transfer Capital Expenditure from Operating Reserve	-	-				-
411,489	Total Capital Reserves	417,781	256,673				303,010
	Capital Expenditure						
	Tekapo Stormwater						
1,202	Stormwater	-	-	-	✓		-
1,202	Total Tekapo Stormwater	-	-	-	✓		-
1,202	Total Capital Expenditure	-	-	-			-

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	ROADING	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
329,682	Targeted Rates	238,024	237,993	31	✓		951,968
260,307	Subsidies and Grants	301,974	360,871	(58,897)	✗	1	1,584,000
3,083	Other Income	4,717	6,375	(1,658)	✗		25,500
1,599	Internal Interest Income	-	1,620	(1,620)	✗		6,484
594,671	Total Income	544,715	606,859	(62,144)			2,567,952
	Expenses						
30,121	Employment Expenses	33,724	37,989	4,265	✓		151,958
16,887	Consultancy Expenses	30,358	15,249	(15,109)	✗	2	95,000
723	Administration Expenses	3,373	-	(3,373)	✗	3	-
341	Internal interest Expense	2,568	441	(2,127)	✗		1,764
334,458	Roading	260,839	281,325	20,486	✓		1,172,640
471,621	Depreciation	470,253	470,253	-	✓		1,881,006
2,402	Internal Charges	4,699	3,423	(1,276)	✗		13,690
856,553	Total Expenses	805,815	808,680	2,865			3,316,058
(261,881)	Operating Surplus/(Deficit)	(261,100)	(201,821)	(59,279)			(748,106)

Variance Analysis:

1. Lower Opex and capex to date has resulted in lower than anticipated NZTA claims. This is only a timing difference
2. Consultancy expenses are ahead of budget due to database updates relating to prior year.
3. Unbudgeted administration expenses have arisen due to advertising costs relating to unforeseen road closures.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	ROADING	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
Operating and Capital Reserves							
(261,881)	Operating Surplus/(Deficit)	(261,100)	(201,821)				(748,106)
(261,881)	Total Operating Reserves	(261,100)	(201,821)				(748,106)
Equity							
580,439	Opening Balance	141,469	149,973				149,973
471,621	Transfer Funded Depreciation from Operating Reserves	470,253	228,888				915,553
-	Transfer NZTA Capital Subsidy	-	185,544				857,128
(119,746)	Transfer Capital Expenditure from Operating Reserve	(89,740)	(344,851)				(1,871,140)
-	Transfers between Reserves	-	131,832				527,331
932,314	Total Capital Reserves	521,983	351,386				578,845
Capital Expenditure							
District Roothing							
110,676	Roothing	88,421	343,601	255,180	✓		1,866,140
110,676	Total District Roothing	88,421	343,601	255,180			1,866,140
Roothing Professional Services							
13,192	Roothing	1,069	1,250	181	✓		5,000
13,192	Total Roothing Professional Services	1,069	1,250	181			5,000
123,869	Total Capital Expenditure	89,490	344,851	255,361			1,871,140

MACKENZIE DISTRICT COUNCIL
 DETAIL ROADING EXPENSES
 For the period ended September 2015

LYTD Actual September 2014		YTD Actual September 2015	YTD Budget September 2015	Variance			Full Year Budget June 2016
46,380	2546111. Sealed Pavement Mtce	16,137	48,249	32,112	✓		193,000
103,301	2546112. Unsealed Pavement Mtce	67,167	83,799	16,632	✓		335,200
38,295	2546113. Routine Drainage Mtce	14,070	23,751	9,681	✓		95,000
6,178	25461131. Drainage Mtce - St Cleaning	6,274	6,249	(25)	✗		25,000
17,418	2546114. Structures Maintenance Bridges	15,837	25,875	10,038	✓		103,500
260	25461141. Structures Maintenance Cattlestops	490	2,667	2,178	✓		8,000
61,226	2546121. Environmental Mtce	37,075	32,301	(4,774)	✗		129,200
7,774	2546122. Traffic Services Mtce	7,474	11,184	3,710	✓		44,740
14,146	25461221. Street Lighting - Maintenanc	26,285	9,999	(16,286)	✗		40,000
15,186	25461222. Street Lighting - Electricit	15,275	12,501	(2,774)	✗		50,000
-	2546140. Minor?Events	-	-	-	✓		50,000
-	2546288. Emergency Reinstatement	36,849	-	(36,849)	✗	1	-
2,856	2546301. Street Lights - Mtce - Trans	3,053	1,500	(1,553)	✗		6,000
3,213	2546302. Street Lights-Elect - Transi	2,478	3,000	522	✓		12,000
5,731	2546303. Drainage Mtce - St Cleaning Transit	5,820	1,875	(3,945)	✗		7,500
12,496	2546304. Footpaths	6,556	8,751	2,195	✓		35,000
-	2546305. New Year Road Sweep	-	9,624	9,624	✓		38,500
334,458		260,839	281,325	20,486			1,172,640

Variance Analysis:

- Emergency reinstatement costs relate to the snow event in the prior financial year. These costs are not budgeted however they have been approved for NZTA subsidy. There are additional costs still to be incurred as works are not yet complete.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	SOLID WASTE	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
33,015	General Rates	41,773	41,772	1	✓		167,090
125,649	Targeted Rates	147,566	146,766	800	✓		587,062
24,856	Other Income	35,468	36,273	(805)	✗		145,100
-	Internal Interest Income	149	3	146	✓		12
183,520	Total Income	224,956	224,814	142			899,264
	Expenses						
5,271	Employment Expenses	13,860	8,418	(5,442)	✗	1	33,677
695	Consultancy Expenses	410	6,852	6,442	✓		27,400
4,984	Administration Expenses	5,463	2,595	(2,868)	✗	2	10,390
171,519	Operational and Maintenance	205,949	187,428	(18,521)	✗	3	749,700
2,992	Internal interest Expense	9,445	9,033	(412)	✗		36,133
5,115	Depreciation	4,863	4,863	-	✓		19,455
687	Internal Charges	432	1,518	1,086	✓		6,068
191,263	Total Expenses	240,422	220,707	(19,715)			882,823
(7,742)	Operating Surplus/(Deficit)	(15,466)	4,107	(19,573)			16,441

Variance Analysis:

1. Employment expenses are over budget due to a mismatch between leave accrual and budget allocation. This will be corrected next period.
2. Administration expenses are over budget due to rates expenses resulting from a timing issue that will be corrected next month.
3. Operational and maintenance costs are ahead of budget due to seasonal increases in waste volumes. This is expected to correct by year end.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	SOLID WASTE	YTD Actual September 2015	YTD Budget September 2015	Variance	Full year Budget June 2016
	Operating and Capital Reserves				
(7,742)	Operating Surplus/(Deficit)	(15,466)	4,107		16,441
(7,742)	Total Operating Reserves	(15,466)	4,107		16,441
	Equity				
(448,033)	Opening Balance	(431,927)	(792,054)		(792,054)
3,969	Transfer Funded Depreciation from Operating Reserves	3,867	3,867		15,469
-	Transfers between Reserves	(341,410)	4,056		16,227
(444,064)	Total Capital Reserves	(769,471)	(784,131)		(760,358)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	PLANNING	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
58,977	General Rates	98,429	98,430	(1)	✗		393,716
23,862	Other Income	25,992	30,825	(4,833)	✗		123,300
2,701	Reserve Contributions	7,200	30,000	(22,800)	✗	1	120,000
4	Internal Interest Income	-	6	(6)	✗		25
85,543	Total Income	131,621	159,261	(27,640)			637,041
	Expenses						
66,647	Employment Expenses	69,452	106,071	36,619	✓	2	424,277
60,670	Consultancy Expenses	91,107	98,751	7,644	✓		395,000
5,587	Administration Expenses	913	4,125	3,212	✓		16,500
253	Operational and Maintenance	355	1,875	1,520	✓		7,500
-	Internal interest Expense	17,063	14,091	(2,972)	✗	3	56,366
6	Depreciation	9	9	-	✓		30
1,873	Internal Charges	1,100	1,761	661	✓		7,039
135,036	Total Expenses	179,999	226,683	46,684			906,712
(49,492)	Operating Surplus/(Deficit)	(48,378)	(67,422)	19,044			(269,671)

Variance Analysis:

1. Lower than anticipated Reserve Contributions based on developer activity. This may correct by year end
2. Employment costs are lower due to planning numbers being lower and SNA budgeted staff member not being employed
3. Higher than anticipated internal interest due to higher than anticipated opening Capital reserve deficit balance

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014		PLANNING		YTD Actual September 2015	YTD Budget September 2015	Variance	Full year Budget June 2016
Operating and Capital Reserves							
(49,492)	Operating Surplus/(Deficit)	(48,378)	(67,422)				(269,671)
(49,492)	Total Operating Reserves	(48,378)	(67,422)				(269,671)
	Equity						
631	Opening Balance	-	(1,235,398)				(1,235,398)
6	Transfer Funded Depreciation from Operating Reserves	9	9				30
-	Transfers between Reserves	(1,425,165)	12,360				49,444
637	Total Capital Reserves	(1,425,156)	(1,223,029)				(1,185,924)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	REGULATORY	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
9,969	General Rates	6,729	6,729	-	✓		26,916
38,718	Targeted Rates	41,278	41,277	1	✓		165,110
55,040	Other Income	162,811	125,325	37,486	✓	1	501,280
144	Internal Interest Income	167	252	(85)	✗		1,007
103,871	Total Income	210,985	173,583	37,402			694,313
	Expenses						
75,122	Employment Expenses	73,919	78,915	4,996	✓		315,652
7,864	Consultancy Expenses	2,709	9,249	6,540	✓		37,000
12,568	Administration Expenses	4,255	15,471	11,216	✓	2	61,900
(6,544)	Operational and Maintenance	34,225	51,249	17,024	✓	3	205,000
1,377	Internal interest Expense	1,305	1,131	(174)	✗		4,525
11,343	Depreciation	10,383	10,383	-	✓		41,530
5,562	Internal Charges	6,052	7,206	1,154	✓		28,828
107,291	Total Expenses	132,849	173,604	40,755			694,435
(3,420)	Operating Surplus/(Deficit)	78,136	(21)	78,157			(122)

Variance Analysis:

1. Building control revenue is \$29,000 higher than budgeted due to the high level of building work being undertaken in the district
2. Lower than anticipated costs of insurance associated with the building activity has resulted in this favourable variance
3. Costs associated with Liquor licensing are budgeted during the year. The actual costs come through at the end of the year from TDC who manage the contract for Council

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	REGULATORY	YTD Actual September 2015	YTD Budget September 2015	Variance		Full year Budget June 2016
Operating and Capital Reserves						
(3,420)	Operating Surplus/(Deficit)	78,136	(21)			(122)
(3,420)	Total Operating Reserves	78,136	(21)			(122)
Equity						
(86,294)	Opening Balance	(51,967)	(64,751)			(64,751)
11,343	Transfer Funded Depreciation from Operating Reserves	10,383	10,008			40,035
(4,154)	Transfer Capital Expenditure from Operating Reserve	(62,500)	(11,000)			(86,000)
-	Transfers between Reserves	228	342			1,373
(79,106)	Total Capital Reserves	(103,856)	(65,401)			(109,343)
Capital Expenditure						
4,154	Regulatory	-	10,000	10,000	✓	25,000
4,154		-	10,000	10,000		25,000
-	Regulatory	62,500	1,000	(61,500)	✗	61,000
-		62,500	1,000	(61,500)		61,000
4,154	Total Capital Expenditure	62,500	11,000	(51,500)		86,000

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	RECREATIONAL FACILITIES	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
28,800	General Rates	37,039	36,987	52	✓		147,953
343,209	Targeted Rates	321,823	321,795	28	✓		1,287,178
4,455	Subsidies and Grants	4,455	4,263	192	✓		17,048
91,718	Other Income	59,042	45,262	13,780	✓		207,260
943	Internal Interest Income	2,843	1,881	962	✓		7,535
469,126	Total Income	425,202	410,188	15,014			1,666,974
	Expenses						
1,823	Employment Expenses	3,883	59,976	56,093	✓	1	95,763
146,712	Administration Expenses	152,592	60,387	(92,205)	✗	2	252,826
143,131	Operational and Maintenance	133,294	293,392	160,098	✓	3	1,078,084
6,762	Internal interest Expense	8,864	7,788	(1,076)	✗		31,149
58,431	Depreciation	62,505	62,490	(15)	✗		249,921
-	Internal Charges	-	375	375	✓		1,499
356,858	Total Expenses	361,138	484,408	123,270			1,709,242
112,268	Operating Surplus/(Deficit)	64,065	(74,220)	138,285			(42,268)

Variance Analysis:

1. Timing of pool staff included in budget two months early. Will correct next month
Includes full years rates while budget has been phased. Will correct
2. budget phasing for the balance of the year
3. Township project work not yet commenced. Expect this to pick up over the construction season.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	RECREATIONAL FACILITIES	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
Operating and Capital Reserves							
112,268	Operating Surplus/(Deficit)	64,065	(74,220)				(42,268)
112,268	Total Operating Reserves	64,065	(74,220)				(42,268)
Equity							
(589,269)	Opening Balance	(470,451)	(529,034)				(529,034)
31,731	Transfer Funded Depreciation from Operating Reserves	37,044	18,519				74,075
(10,287)	Transfer Capital Expenditure from Operating Reserve	-	-				-
-	Transfers between Reserves	15,182	22,773				91,087
(567,825)	Total Capital Reserves	(418,225)	(487,742)				(363,872)
Capital Expenditure							
-	Recreational Facilities	6,392	-	(6,392)	✗		-
-		6,392	-	(6,392)			-
80	Recreational Facilities	-	-	-	✓		-
80		-	-	-			-
10,207	Recreational Facilities	-	-	-	✓		-
10,207		-	-	-			-
9,327	Recreational Facilities	-	-	-	✓		-
9,327		-	-	-			-
19,614	Total Capital Expenditure	6,392	-	(6,392)			-

**MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015**

LYTD Actual September 2014	COMMUNITY FACILITIES	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
82,050	General Rates	78,175	78,177	(2)	✗		312,701
757	Subsidies and Grants	-	165	(165)	✗		660
31,245	Other Income	29,707	32,064	(2,357)	✗		130,750
680	Internal Interest Income	1,246	1,164	82	✓		4,658
114,731	Total Income	109,128	111,570	(2,443)			448,769
	Expenses						
20,843	Administration Expenses	21,501	7,191	(14,310)	✗	1	28,764
107,506	Operational and Maintenance	64,455	87,291	22,836	✓	2	361,110
2,673	Internal interest Expense	5,242	5,130	(112)	✗		20,523
12,306	Depreciation	15,207	15,207	-	✓		60,823
143,328	Total Expenses	106,405	114,819	8,414			471,220
(28,596)	Operating Surplus/(Deficit)	2,722	(3,249)	5,971			(22,451)

Variance Analysis:

1. Rates paid for the full year while the budget has been phased evenly. This will be corrected in the next month.
2. Lower than anticipated contractor costs for toilet cleaning (\$12,579) along with lower than anticipated costs of cemetery maintenance (\$5,494) has contributed to this favourable variance

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	COMMUNITY FACILITIES	YTD Actual September 2015	YTD Budget September 2015	Variance		Full year Budget June 2016
	Operating and Capital Reserves					
(28,596)	Operating Surplus/(Deficit)	2,722	(3,249)			(22,451)
(28,596)	Total Operating Reserves	2,722	(3,249)			(22,451)
	Equity					
8,745	Opening Balance	(303,939)	(277,370)			(277,370)
12,306	Transfer Funded Depreciation from Operating Reserve	15,042	9,594			38,373
(282,234)	Transfer Capital Expenditure from Operating Reserve	(29,889)	(215,000)			(465,000)
(261,183)	Total Capital Reserves	(318,786)	(482,776)			(703,997)
	Capital Expenditure					
282,234	Community Facilities	29,889	215,000	185,111	✓	465,000
282,234	Total Community Facilities	29,889	215,000	185,111		465,000
282,234	Total Capital Expenditure	29,889	215,000	185,111		465,000

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014	COMMERCIAL ACTIVITIES	YTD Actual September 2015	YTD Budget September 2015	Variance			Full year Budget June 2016
	Income						
(267,684)	General Rates	(207,627)	(207,657)	30	✓		(830,633)
55,726	Targeted Rates	103,657	107,904	(4,247)	✗		431,633
148,484	Investment Income	128,745	157,449	(28,704)	✗	1	629,792
32,744	Other Income	50,399	42,924	7,475	✓		171,700
-	Other Gains and Losses	102,438	-	102,438	✓	2	3,923,144
-	Internal Income	-	0	0	✓		(30,641)
35,955	Internal Interest Income	65,876	38,154	27,722	✓		204,482
-	Asset Impairment	-	-	-	✓		(72,000)
5,225	Total Income	243,487	138,774	104,713			4,427,477
	Expenses						
(14,306)	Other Gains and Losses	-	-	-	✓		(3,235,422)
21,319	Employment Expenses	9,330	9,069	(261)	✗		36,273
5,077	Members Expenses	5,077	5,001	(76)	✗		20,000
37,125	Consultancy Expenses	30,786	27,750	(3,036)	✗		111,000
62,603	Administration Expenses	83,535	21,762	(61,773)	✗	3	87,060
82,984	Operational and Maintenance	145,059	168,627	23,568	✓	4	674,475
32,137	Internal interest Expense	37,769	23,760	(14,009)	✗		95,040
19,665	Depreciation	20,430	20,430	-	✓		81,707
246,604	Total Expenses	331,987	276,399	(55,588)			(2,129,867)
(241,379)	Operating Surplus/(Deficit)	(88,499)	(137,625)	49,126			6,557,344

Variance Analysis:

1. Lower than anticipated investment income due to fall in interest rates
2. Unbudgeted Sale Market Place section. Expected to complete last year.
3. Rates charged for full year compared to budget phasing over 12 months. Will correct next month.
4. Lower than anticipated spend on Tourism and Economic Development. This is expected to be a timing issue and the spend will catch up over the year

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended September 2015

LYTD Actual September 2014		COMMERCIAL ACTIVITIES		YTD Actual September 2015	YTD Budget September 2015	Variance	Full year Budget June 2016
Operating and Capital Reserves							
(241,379)	Operating Surplus/(Deficit)	(88,499)	(137,625)				6,557,344
(241,379)	Total Operating Reserves	(88,499)	(137,625)				6,557,344
Equity							
(431,554)	Opening Balance	(1,327,145)	(4,625,533)				(4,625,533)
-	Transfers between Reserves	-	-				3,880,400
(431,554)	Total Capital Reserves	(1,327,145)	(4,625,533)				(745,133)
Capital Expenditure							
284,160	Rental	1,851	-	(1,851)	✗		-
284,160	Total Rental	1,851	-	(1,851)			-
95,405	Real Estate	197,058	-	(197,058)	✗		-
95,405	Total Real Estate	197,058	-	(197,058)			-
379,565	Total Capital Expenditure	198,908	-	(198,908)			-

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: BANCORP QUARTERLY REPORT – SEPTEMBER 2015

MEETING DATE: 24 NOVEMBER 2015

REF: FIN 9/1/9

FROM: MANAGER – FINANCE AND ADMINISTRATION

PURPOSE OF REPORT:

The report has been tabled to inform Councillors of the performance of the Council's investment portfolio, which is managed by Bancorp Treasury Services Limited.

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
MANAGER – FINANCE AND ADMINISTRATION

ATTACHMENTS:

Appendix 1: Quarterly report from Bancorp Treasury Services to 30 September 2015.

PARTICULAR POINTS TO NOTE:

Comparison with the Benchmark

The Council's portfolio increased in value by 1.98%. The benchmark portfolio also increased in value by 1.98% over the quarter.

Movements in the Portfolio

The portfolio stands at \$2.20 million. The portfolio remained the same over the period.

At the end of December the weighted average running yield of Council's bond portfolio was 5.97%. \$4.5m has been reinvested in term deposits.

Policy Adherence

- All financial market investments comply with the counterparty exposure limits as outlined in the Treasury Policy.
- All investments are readily tradable (liquid) on the secondary market.
- The duration of MDC's portfolio at 2.46 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.66 years.
- Assets category percentages are as follows (excluding the call deposit):
 - Registered Banks 75.33%
 - Local Authorities 24.67%

Financial Market Movements

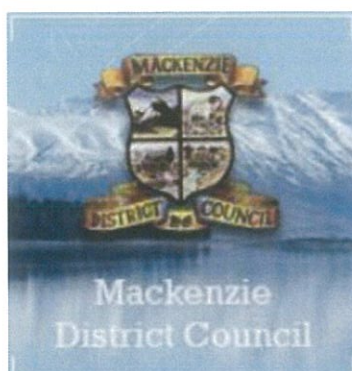
The Official Cash Rate fell 0.50% during the period and is now 2.75%.

Re-Entry Into The Bond Market

With the comments from the Minister of Finance regarding the outlook for interest rates it is now appropriate to re-enter the bond market to gain better rates over the next 2 years than is available in the retail market.

QUARTERLY PORTFOLIO REPORT

PREPARED FOR



For the quarter ended 30 September 2015

PREPARED BY BANCORP TREASURY SERVICES LIMITED



BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

PORTFOLIO REPORT

Below is a summary of the performance of Mackenzie District Council's ("MDC") Long Term Funds Portfolio ("LTFP") and the benchmark portfolio for the quarter ended 30 September 2015.

MDC's LTFP, on an open to close valuation basis with coupons received during the quarter included, increased in value by 1.98%.

MDC portfolio value at 30 June 2015	\$ 2,161,003
MDC portfolio value at 30 September 2015	\$ 2,172,303
Add coupon payments	\$ 31,500
Net purchases/sales/maturities	\$ Nil
Total	<u>\$ 2,203,803</u>
Percentage change in effective cash value	+ 1.98%

The benchmark portfolio, on an open to close valuation basis with coupons received during the quarter included, increased in value by 1.98%.

Benchmark portfolio value at 30 June 2015	\$11,865,253
Benchmark portfolio value at 30 September 2015	\$11,912,160
Add coupon payments	\$ 187,800
Total	<u>\$12,099,960</u>
Percentage change in effective cash value	+ 1.98%

OVERVIEW

A summary of the performance of MDC's LTFP during the September 2015 quarter is as follows:

- The LTFP's performance was exactly the same as the benchmark portfolio's performance, both increasing in value by 1.98% during the quarter
- The running yield of the portfolio as at 30 September 2015 was 5.97%.
- The nominal value of the portfolio remained constant at \$2.027 million. However, \$4.5 million has been invested in a term deposit.

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
30 Jun 15	3.25%	3.26%	3.10%	3.17%	3.43%	3.69%	3.90%
30 Sep 15	2.75%	2.84%	2.71%	2.78%	3.04%	3.26%	3.50%
Change	-0.50%	-0.42%	-0.39%	-0.39%	-0.39%	-0.43%	-0.40%

During the September quarter interest rates fell across the yield curve, short term rates pushed lower by two further 25 basis point cuts to the Official Cash Rate ("OCR") and medium and longer term rates by falling yields in overseas bond markets as low global inflation became more entrenched and world economic growth was adversely affected by the slowdown in China.

Credit spreads were relatively stable during the quarter despite the ructions in the equity markets. However the contraction in spreads which started in early 2009 has seemingly ended as a realisation emerged that credit became too cheap. A sharp up-move in credit spreads is unlikely though given the amount of liquidity in the financial system. The chart below shows credit spreads for the Corporate 'A' Grade Bond index dating back to 2007.



PORTFOLIO ACTIVITY

The LTFP and the benchmark portfolio produced identical returns for the September 2015 quarter, both increasing in value by 1.98%. The LTFP was able to match the benchmark despite it having a shorter duration (2.46 years) than the benchmark (2.66 years). Normally over a period of declining interest rates a portfolio with a longer duration will outperform a portfolio with a shorter duration. However the LTFP was able to match the benchmark despite its shorter duration due to the specific makeup of its portfolio, as at a micro level some of the bonds in the LTFP produced a slightly better return for the quarter than similar bonds in the benchmark portfolio.

Looking at the longer term performance of the LTFP, the industry standard for assessing a fund manager's performance is to use the return over the previous three years, thus smoothing out any short term aberrations. The LTFP has returned 5.72% per annum over the past three years, while the benchmark index has returned 5.17%. The S&P/NZX 'A' Grade Corporate Bond Index which most closely approximates these two portfolios has returned 5.67% over the last three years. The return on this index includes coupon reinvestment which is not factored into the LTFP or the benchmark. If it was, both would produce higher returns.

As at 30 September 2015, MDC had one term deposit of \$4.5 million for 120 days maturing on 17 November 2015 at a rate of 3.69%. The table below shows the yields on various corporate bonds rated 'A-' or better as at 30 September 2015 in which MDC would be able to invest in. This indicates that the interest rate for MDC's term deposit of 3.69% is considerably higher than equivalent bond yields. To obtain a bond yield close to 3.69% MDC would have to invest in either the Rabobank March 2019 bond at 3.66% or the Fonterra February 2020 bond at 3.67%.

Security	Maturity	Coupon	Rating	Yield
ANZ	16-02-16	6.31%	AA-	3.06%
Tauranga CC	15-04-16	6.25%	A +	3.07%
Dunedin City Treasury	15-11-16	6.79%	A +	2.95%
ASB Bank	08-06-17	6.06%	AA-	3.09%
Transpower	30-11-18	5.14%	AA-	3.34%
BNZ	20-12-18	6.10%	AA-	3.40%
Rabobank	19-03-19	6.10%	AA-	3.66%
Fonterra	25-02-20	5.52%	A +	3.67%
Auckland Airport	28-05-21	5.52%	A-	3.78%
Spark Finance	25-03-22	4.50%	A-	3.98%

Recently Mackenzie DC amended its Treasury Policy to allow it to invest in corporate bonds with a Standard and Poor's rating of 'BBB' or 'BBB+', provided that the total invested in entities with either of these ratings does not exceed 25% of the total of the LTFP. Below is a list of

bonds which fall within the 'BBB' or 'BBB+' categories and the applicable yields as at 30 September.

Security	Maturity	Coupon	Rating	Yield
Genesis Energy	15-03-16	7.65%	BBB +	3.38%
Meridian Energy	15-03-17	7.55%	BBB +	3.38%
Contact Energy	13-04-17	7.855%	BBB	3.54%
Contact Energy	15-04-18	4.80%	BBB	3.70%
PowerCo	20-12-18	6.31%	BBB	3.88%
ASB Bank (subordinated)	15-06-19	6.65%	BBB +	4.57%
Christchurch Airport	06-12-19	5.15%	BBB +	3.88%
Genesis Energy	23-06-20	8.30%	BBB +	4.12%
Wellington Airport	15-05-21	6.25%	BBB +	4.13%
Mighty River Power	06-03-23	5.79%	BBB +	4.70%

This above table indicates that MDC would need to invest in 'BBB' or 'BBB+' bonds with a maturity of approximately 2½ three years to get an equivalent yield to that of its term deposit. The ASB subordinated June 2019 bond offers the highest yield but it is not a senior ranking bond. Additionally there is a reluctance to invest in a 'BBB' bond, as a one sub notch downgrade would place the bond outside of policy. The strategy of having a one sub notch buffer has been used for a considerable period of time.

The running yield of the LTFP at 5.97%, excluding the term deposits, still delivers considerable benefits over the interest rates available for shorter term money market investments.

Global Markets Overview

One of the main focal points for the markets over the quarter was the 17 September US Federal Reserve ("Fed") meeting. In the lead-up to the meeting, global financial markets were sideswiped by a fresh sell-off in Chinese equities in the last week of August (a 15.0% selloff in one week alone, seemingly without any new developments to trigger it), precipitating a meltdown in global markets. Global equity indices tumbled, bond yields fell sharply and commodities markets were rocked again - Brent crude fell below USD42.00/barrel for the first time since January, while copper, another key indicator of global industrial activity, hit a six year low.

At that September meeting the Fed kept its benchmark policy interest rate unchanged and showed a reluctance to raise interest rates as global downside risks rise and inflation slows. The decision not to raise the Fed Funds rate highlighted the Fed's concerns about the

slowdown in China and how that could impact on the growth outlook for US. The Fed said *"recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term."* After the meeting Federal Reserve Chair Janet Yellen sought to ease market and economic fears about higher interest rates in the US by saying that any rate-hiking cycle will be slow and dependent on the performance of the US economy. Unless there is a SE Asian implosion the focus into year-end will continue to be on US monetary policy and 'will they or won't they'.

On-going market ructions and uncertainty will test the Fed's conviction that the US economic recovery is robust enough to weather the global maelstrom, especially with the strengthening USD weighing on the US export sector. Earlier in the year as expectations rose for the Fed to start its rate hiking cycle in September, the yield on the benchmark 10 year Treasury bond rose to 2.50% in June, but fading market confidence of a Fed hike was confirmed in September and this saw yields fall. With risk aversion helping to drive yields lower as well as the market weighing up the probability of the Fed starting its monetary tightening cycle later than previously thought, the 10 year Treasury bond yield fell once again, retesting levels below 2.00% and ended the quarter at 2.04%.

While data out of China continued to show a weakening economy, the reaction of the government and central bank to stabilise the share market and currency took some of the immediate concerns of an implosion away and markets now expect Chinese authorities to do whatever it takes to ensure a 'soft landing'. As expected, Chinese authorities stepped in to arrest the fall in Chinese equities, cutting interest rates and lowering bank reserve requirements, which alone will inject approximately CNY650 billion (USD100 billion) into the economy. However, the damage might have been done – investor sentiment is fragile and there are fresh concerns as to whether Chinese authorities fully understand the wider implications. Markets had been rattled after a surprise devaluation of the renminbi by the Peoples Bank of China, with debate around whether the intervention was done to stimulate the economy or was a larger move to make the currency more market driven and transparent.

NEW ZEALAND MARKET OVERVIEW

The September quarter confirmed the transformation of the New Zealand economy from one that was only last year afforded a 'Rock Star' status to a much more subdued 'Goldilocks' version. The wide reaching influence of China's slowdown and headwinds from the dairy sector started to have flow on effects to the economy in general, with the domestic outlook deteriorating from the perspective of both businesses and consumers. Concerns over China sent global as well as domestic markets into a tailspin, with the New Zealand 10 year swap touching an all-time low of 3.44% in August, finishing the quarter only marginally higher at 3.50%, while equities struggled to remain in positive territory for the year to date.

While the dairy sector suffered overall, there was a welcome rebound in prices from the last three GlobalDairyTrade auctions for the quarter, with the index rallying almost 48% from the mid-August lows. This prompted Fonterra to lift its forecast payout from \$3.85 to \$4.60 per kgMS for the 2015/2016 season, which unfortunately is still below breakeven for many farmers.

There were however a number of bright spots in the economy, with other categories of exports helping to underpin the domestic economy, and the depreciation in the exchange rate over the preceding year lending a helping hand. Many export classes recorded significant increases in volumes over the past year, especially fruit, meat and wool. Also the tourism industry is enjoying a boom, with the lower exchange rate making New Zealand a more attractive travel destination. International visitor arrivals have reached 3 million on an annual basis, with little sign of a let up in the forthcoming summer season.

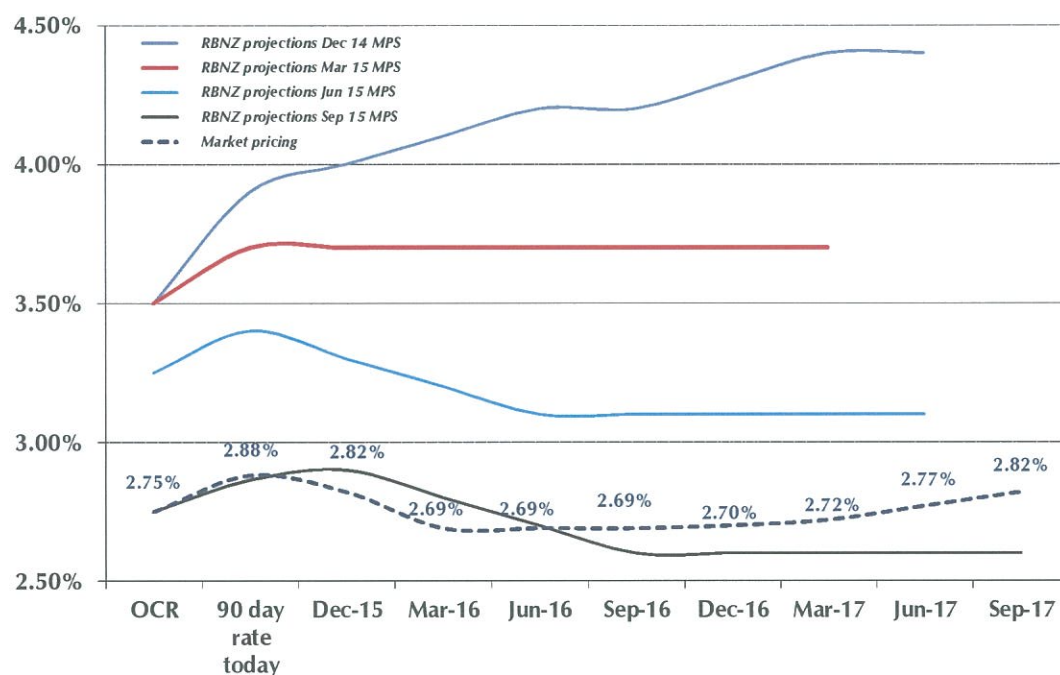
In the August ANZ Business Outlook Survey, business confidence fell to levels last seen at the beginning of the Global Financial Crisis. The key driver of business pessimism is the uncertain global outlook, which is weighing on commodity prices and inflation and in turn profit forecasts, despite some relief in the form of accommodative policy settings as well as a depreciating New Zealand dollar. GDP data for the June quarter did little to rein in the sense of pessimism in the business community, growth expanded by a less than expected 0.4%, producing an annual increase of 2.4%, the lowest in nearly two years.

At its September announcement, the Reserve Bank of New Zealand ("RBNZ") delivered a widely anticipated 25 basis point cut to the Official Cash Rate ("OCR"), taking it to 2.75%. The RBNZ's statement continued a dovish shift that began in June with the RBNZ seeing the OCR bottoming at 2.50% in the current cycle, and the low cash rate being sustained for at least the next couple of years. The RBNZ sees risks to the global outlook as well as slowing domestic activity due to *"the plateauing of construction activity in Canterbury, and a weakening in business and consumer confidence"*.

US Treasury bond yields continue to be a key influence for both medium and long term domestic swap rates. These yields remain under pressure, reflecting expectations of lacklustre long term growth and inflation prospects both globally and in New Zealand. Our 'lower for longer' mantra remains the consensus view for interest rates while the benign growth and inflation outlook prevails.

The chart on the following page depicts the RBNZ's projections for the 90 day bank bill rate from the last four MPSs, together with pricing from the 90 day bank bill futures market as at 30 September.

NZD - 90 day bank bill futures



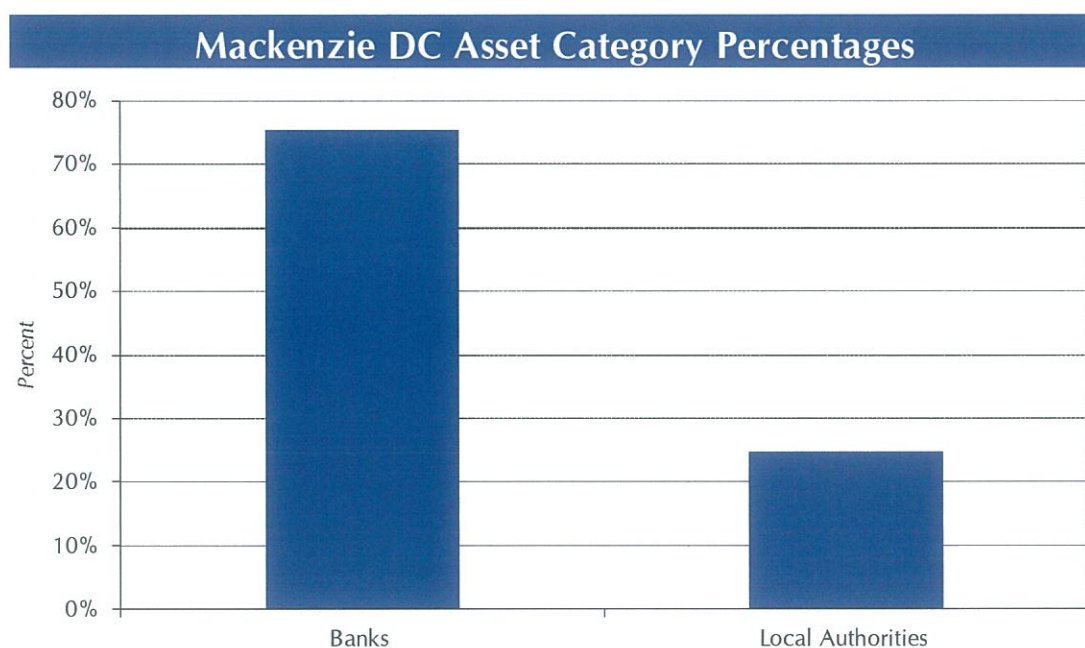
LOCAL AUTHORITY SECTOR

The Local Government Funding Agency ("LGFA") held its last tender for the quarter on 23 September. In total, \$140 million of bonds and Floating Rate Notes ("FRN") were issued. Details of the tender were as follows:

- 15 April 2020 maturity - \$20 million issued at a margin of 49 basis points over swap for an unrated borrower.
- 15 April 2023 maturity - \$20 million issued at a margin of 62 basis points over swap for an unrated rated borrower.
- 15 April 2027 maturity - \$100 million issued at a margin of 75 basis points over swap for an unrated borrower.

POLICY ADHERENCE

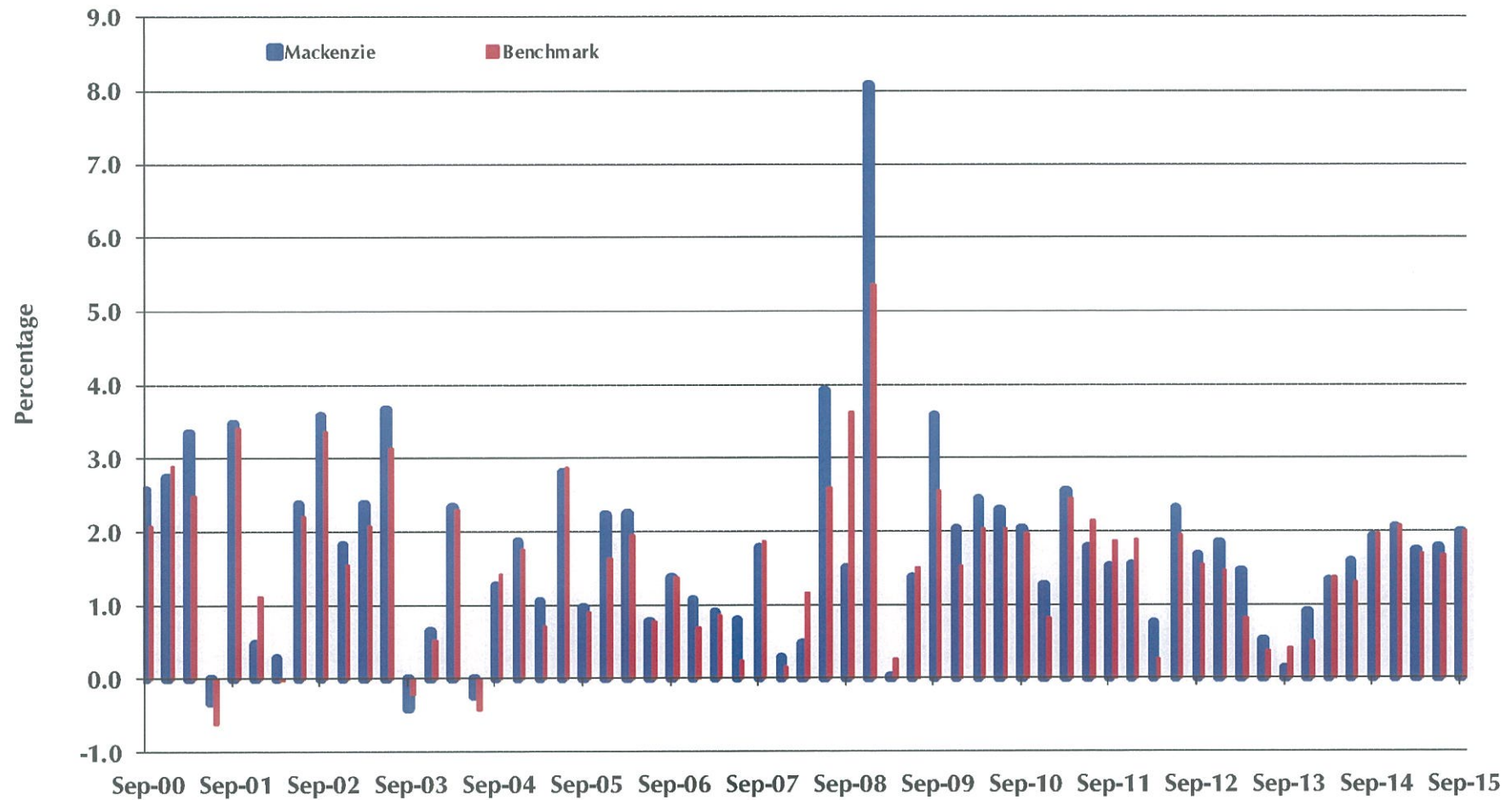
- As at 30 September 2015, MDC was compliant with the investment parameters contained in its Treasury Policy.
- The duration of the LTFP at 2.46 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.66 years.
- As far as liquidity is concerned, all of the bonds in the LTFP portfolio have been traded regularly on the secondary market during the September quarter. We are confident that the portfolio would be able to be sold at short notice if required.
- As at 30 September 2015, the asset category percentages, as detailed below and illustrated in the chart, complied with the Treasury Policy.
 - Banks 75.33%
 - Local Authorities 24.67%



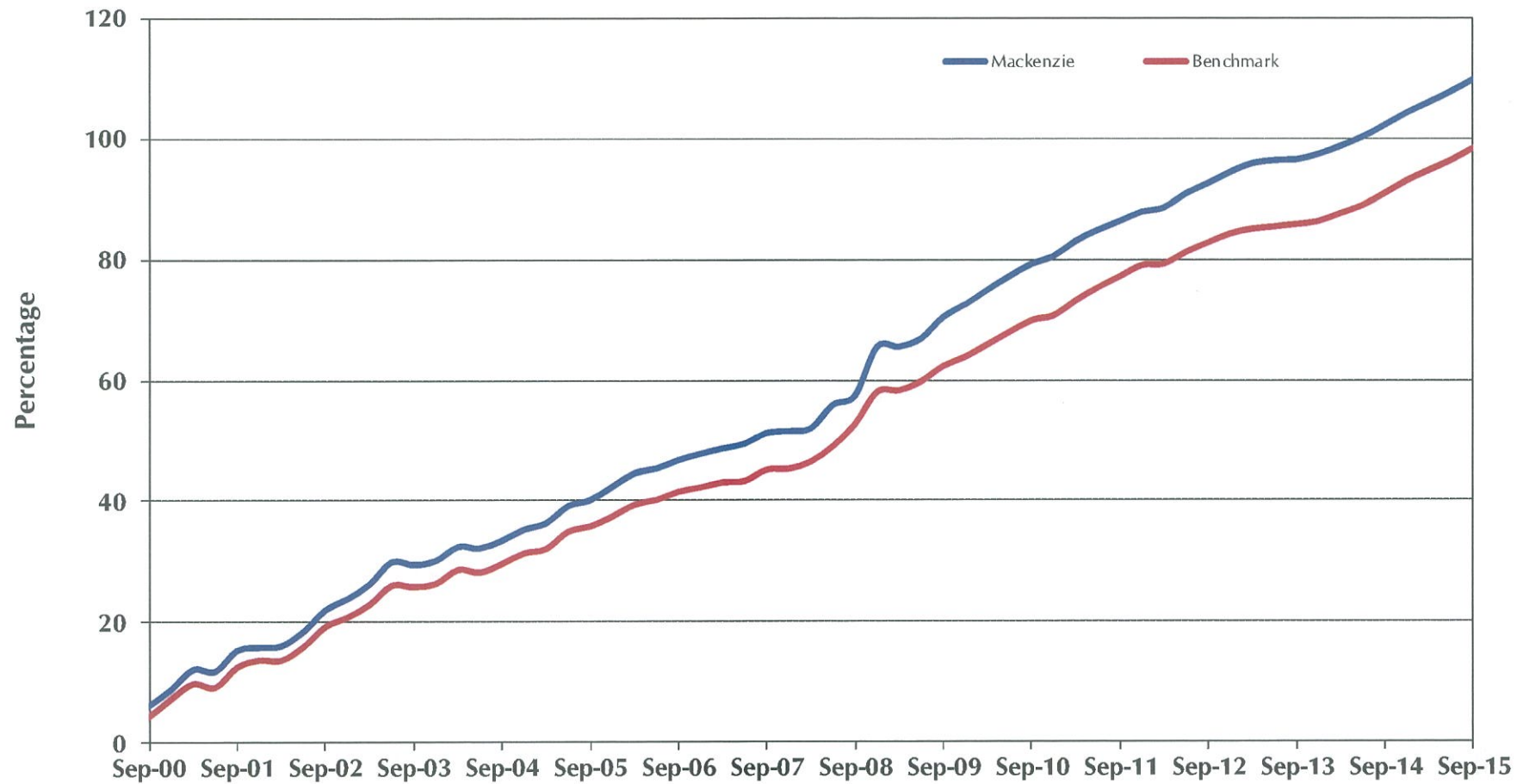
Benchmark											
Security	Issue Date	Maturity Date	Coupon	<u>30-Jun-15</u> Nominal \$	Yield	Value \$	<u>30-Sep-15</u> Nominal \$	Coupons 01/07 to 30/09 \$	Yield	Value \$	Effective cash 30/09/2015 \$
90 Day Bank Bill	30-Sep-15	31-Dec-15		1,000,000	3.26	991,948	1,000,000		2.84	992,975	992,975
NZ Post	15-Nov-11	15-Nov-16	5.22	1,000,000	3.57	1,028,431	1,000,000		3.20	1,041,683	1,041,683
Telstra	15-Jul-12	11-Jul-17	7.51	1,000,000	3.60	1,111,148	1,000,000	\$37,550	3.19	1,090,633	1,128,183
Auckland Council	20-Apr-04	29-Sep-17	6.52	1,000,000	3.36	1,084,261	1,000,000	\$32,600	2.92	1,069,532	1,102,132
ANZ/National Bank	16-Feb-11	16-Feb-18	6.85	1,000,000	3.65	1,104,849	1,000,000	\$34,250	3.31	1,088,632	1,122,882
ASB	19-Jul-12	18-Jul-18	5.06	1,000,000	3.70	1,061,646	1,000,000	\$25,300	3.29	1,057,086	1,082,386
Rabobank NZ	19-Mar-12	19-Mar-19	6.10	1,000,000	4.07	1,086,425	1,000,000	\$30,500	3.66	1,080,661	1,111,161
BNZ	25-Jun-14	25-Jun-19	5.57	1,000,000	3.95	1,059,967	1,000,000		3.57	1,084,057	1,084,057
Fonterra	25-Feb-15	25-Feb-20	5.52	1,000,000	3.95	1,085,164	1,000,000	\$27,600	3.67	1,079,934	1,107,534
Transpower	10-Jun-12	10-Jun-20	6.95	1,000,000	3.96	1,136,864	1,000,000		3.54	1,167,482	1,167,482
LGFA	15-May-12	15-May-21	6.00	1,000,000	3.94	1,114,550	1,000,000		3.31	1,159,486	1,159,486
				<u>\$11,000,000</u>		<u>\$11,865,253</u>	<u>\$11,000,000</u>	<u>\$187,800</u>		<u>\$11,912,160</u>	<u>\$12,099,960</u>
Value as at 30/06/2015						\$11,865,253			30/09/2015		11,912,160
									Coupons		187,800
									Net Purchases/Sales		Nil
											12,099,960
									Effective change in cash		\$234,708
									% change		1.98%
									Duration-years		2.66

Mackenzie District Council											
Security	Issue Date	Maturity Date	Coupon	<u>30-Jun-15</u> Nominal \$	Yield	Value \$	<u>30-Sep-15</u> Nominal \$	Coupons 01/07 to 30/09	Yield	Value \$	Effective Cash 30/09/2015
AUCKLAND COUNCIL	27-Sep-10	27-Sep-17	6.52	500,000	3.35	542,341	500,000	16,300	2.92	534,851	551,151
ANZNATIONAL	18-Apr-08	18-Apr-18	5.28	500,000	5.03	508,454	500,000		4.68	519,019	519,019
ANZNATIONAL	20-Sep-11	20-Sep-18	6.08	500,000	3.74	543,606	500,000	15,200	3.33	539,438	554,638
BNZ	20-Dec-11	20-Dec-18	6.10	527,000	3.82	566,603	527,000		3.40	578,995	578,995
				<u>2,027,000</u>		<u>2,161,003</u>	<u>2,027,000</u>	<u>31,500</u>		<u>2,172,303</u>	<u>2,203,803</u>
Value 30/06/2015						<u>\$2,161,003</u>					
										Value 30/09/2015	2,172,303
										Coupons	31,500
										Net maturities and adjustments	Nil
											<u>2,203,803</u>
										Effective change in cash	\$42,800
										% change	1.98%
										Duration-Years	2.46

Mackenzie DC vs Benchmark - Quarterly



Mackenzie DC vs Benchmark - Cumulative



MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: ANNUAL PLAN 2016/17

MEETING DATE: 24 NOVEMBER 2015

REF: PAD/ANNUAL PLAN 2016/2017

FROM: PAUL MORRIS, FINANCE MANAGER
TONI MORRISON, SENIOR POLICY PLANNER

PURPOSE OF REPORT:

To provide background information to the Committee on the upcoming annual plan process.

STAFF RECOMMENDATIONS:

1. That the report be received.
2. That the Committee recommend to Council that the rates limits and borrowing limits identified in the 2015-2025 Long Term Plan are reconfirmed as the limits set for the development of the 2016/17 Annual Plan.

PAUL MORRIS
FINANCE MANAGER

ATTACHMENTS:

None.

BACKGROUND:

Annual plan Process – Exceptions Approach

Under the Local Government Act 2002 (LGA) the Council is required to prepare and adopt an annual plan for each financial year. The annual plan is the statutory link between the Long Term Plan (LTP) and the annual setting of rates.

The purpose of an annual plan is to—

- (a) present the annual budget and funding impact statement for the year to which the annual plan relates; and
- (b) identify any variation from the financial statements and funding impact statement included in the Council's LTP in respect of the year;
- (c) provide integrated decision making and co-ordination of the resources of the Council; and
- (d) contribute to the accountability of the Council to the community.

In 2014 the LGA was amended to reduce the statutory requirements relating to annual plans, in an attempt to streamline the process and to remove unnecessary duplication with LTPs.

One of the key changes is the removal of the requirement to prepare information that duplicates LTP content, if that content is unchanged from the LTP. This means that only information that is different from the LTP is contained in the annual plan (the 'exceptions' approach).

The other key change is the removal of the requirement to undertake consultation on the annual plan, unless the differences from the LTP are 'significant' or 'material', or if the Council chooses to consult.

The changes mean that once the budgets are developed by managers, where there are any differences from that outlined in Year 2 of the LTP, there will be an additional internal process undertaken to analyse whether those differences are 'significant' or 'material'.

The Council's Significance and Engagement Policy will be used as a basis for determining whether any changes are 'significant'. S95A of the LGA notes that a difference, variation, or departure is 'material' *"if it could, itself or in conjunction with other differences, influence the decisions or assessments of those reading or responding to the consultation document"*.

This is a two pronged approach. Where a variation in itself may not be material, like variations across the business when accumulated may trigger a significant variation.

If there are 'significant' or 'material' differences from Year 2 of the LTP, the Council must undertake consultation, but only on those differences. As with the LTP process, the Council is required to produce a Consultation Document, but unlike that process, there is no requirement for the Consultation Document for an annual plan to be audited.

The proposed approach is to treat year 2 of the LTP 2015-2025 as the starting point for Council and report/workshop variances from this position (refer timeframe table below).

This approach is suggested due to the significant amount of work that went into the Long Term Plan and the level of comfort Council may have with the first three years of the LTP along with its supporting documentation (30 year Infrastructure Strategy and 10 year AMPs) and the input Council had in preparing those strategies.

The LGA also now provides flexibility as to how and who is consulted. It is no longer mandatory to use the Special Consultative Procedure. The nature of the consultation will depend on the nature of the variances and who is affected.

This paper also seeks Council's views on the proposed rates increases and debt levels highlighted in the LTP (fiscal envelope) and whether it considers the fiscal envelope appropriate. Determining this will give staff a great deal of guidance in setting budgets.

Amendments to the LTP

Depending on the nature of any variances identified above, an amendment to the LTP itself may be required.

Circumstances in which this may arise include:

- significant alterations to a level of service for a significant activity that is not already provided for in the LTP
- the transfer of ownership or control of a strategic asset not already provided for in the LTP
- changes to the rating system or amendments to the Revenue & Financing Policy or the Financial Strategy in the LTP

In making any amendment to the LTP the Council must follow the Special Consultative Procedure, and a Consultation Document is required for the matter/s being amended. Auditing of the CD and review of the initial audit report is required.

If an amendment to the LTP is required, as well as consultation on the annual plan, these processes can be run concurrently and a single Consultation Document can be adopted which addresses the requirements for consultation on both.

Approximate Timeframe

24 November	Committee meeting outlining exception-type annual plan and process
24 November – 18 December	Managers to complete draft budgets and identify variances and options
18 December	Council workshop – annual plan variances & confirmation as to whether any LTP amendment required Agree issues and options for consultation

December 2015 - January 2016	Draft Consultation Document Workshop/s with Council
1 - 11 February 2016	Audit of any LTP amendments (if required)
16 February	Council meeting to adopt Consultation Document
29 February – 1 April	Consultation period/submissions
13 -14 April	Hearing of submissions
28 April	Council deliberations/decisions (<i>committee reserve day</i>)
May 2016	Adopt annual plan/LTP amendment

Council Workshop

The Committee will note from the above table that staff propose a workshop on the 18th December 2015 to go through the budgets, confirm exceptions, and identify the issues and options for consultation. At the meeting staff will seek confirmation from the Committee that this date is suitable.

Financial Strategy: Borrowing and Rating Limits

The Council's Financial Strategy sets limits on rates, rates increases and borrowing. These limits may be breached but any breach must form part of the CEO's pre-election report. Also an amendment to the LTP would need to be undertaken.

Council has set the following limit on rates increases:

2016/2017	6%
2017/2018	6%
2018/2019	6%
2019/2020	6%

Council has the following limits in relation to debt

	Maximum Debt \$M	LTP Proposed Debt \$M
2016/2017	11.763	0.959
2017/2018	14.762	1.907
2018/2019	13.557	2.770
2019/2020	14.929	3.509

POLICY STATUS:

As described above, the Financial Strategy sets limits on rates, rates increases and borrowing. If these limits were to be exceeded then an amendment to the LTP would be required.

The statutory process to develop an annual plan for the 2016/17 year is set down in the Local Government Act 2002.

SIGNIFICANCE OF DECISION:

In accordance with Council's Significance and Engagement Policy, this matter has been assessed as significant because it relates to the development of the 2016/17 Annual Plan.

ISSUES & OPTIONS:

Council has two options available to it when deciding on its course of action in relation to its budget.

1. Reconfirm both rates and debt levels for 2016/2017 and instruct staff to prepare its budget within that financial envelope.
2. Change the parameters of the financial envelope and instruct staff to prepare its budget within the new financial envelope.

Option 1 provides ratepayers with consistency and continuity as these parameters were consulted on during the last LTP.

Option 2 would almost certainly require an amendment to the LTP if the financial strategy limits were proposed to be breached (higher rates increases) or levels of service were to be reduced (potentially lower rates increases).

CONCLUSION:

The above paper outlines the new requirements and a proposed process and timeline for developing the 2016/17 Annual Plan. Staff seek confirmation from the Committee that it will recommend to Council that the limits on borrowing and rates set in the Council's Financial Strategy in the LTP 2015-2025 are the limits to be applied in the development of the Annual Plan, and that the Committee also supports the budget being prepared on the foundation of year 2 of the LTP and that exceptions that may be classified as significant variances are put before the Council.

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: A20 CYCLEWAY HAYMAN ROAD IMPROVEMENTS

MEETING DATE: 24 NOVEMBER 2015

REF:

FROM: GARTH NIXON COMMUNITY FACILITIES MANAGER

PURPOSE OF REPORT:

To seek approval from the Finance Committee to establish a capital reserve for the Alps2Ocean work.

STAFF RECOMMENDATIONS:

1. That the report be received.
2. That a capital reserve be established for the A20 Cycleway off-roading of the Hayman road section as a means to fund the consents easements and access agreements, prior to project commencement in 2017.
3. That Council approve unbudgeted expenditure of up to \$75,000.00 to commence this work.

GARTH NIXON
COMMUNITY FACILITIES MANAGER

BACKGROUND:

In August Council accepted the feasibility study as a means to off road the A20 Cycleway off Hayman road. They also approved the Commencement of this project as funding becomes available subject to a more in depth report on the financial impacts.

Council Long term Plan provides for 1.5 Million dollars of expenditure over three years commencing in the 2017. Over the following three years Council intends to fund one third of the amount from existing rate sources. The remaining costs are planned to come from grants fundraising from the likes Lotteries Community Trusts etc.

POLICY STATUS:

N/A

SIGNIFICANCE OF DECISION:

Not significant under the Significance and Engagement policy

ISSUES:

The main issue is that in order to be ready and access other funding sources over construction period. We need to ensure that Council has in place Access agreements, Permissions, and Resource consents to enable commencement of work. Typically these pre construction processes can take some time to complete and are show stoppers when it comes to sourcing external funding. There for if we want to commence this work as identified in the Long term plan then we need start these pre construction process soon.

OPTIONS:

Option 1 Establish a capital reserve to fund this preliminary work and allocate \$75,000 unbudgeted expenditure to start the preconstruction process.

Option 2 Wait till 2017 and commence the preconstruction process then

CONSIDERATIONS:

Legal

Financial

The feasibility study estimates costs in the region of \$75,000.00 to undertake the necessary resource consent access agreements and permissions. This would be deficient funded through the capital reserve. Indications from last years maintenance costs suggest that there will be surplus funds from the track maintenance to tip into this reserve which will should cover off interest costs. The amount available to tip into the capital reserve will depend on how the existing track stands up in relation to specific weather events in relation to maintenance requirements.

Potential cost of this proposal will be interest on the capital reserve. Worst case 5% on \$ 75,000 = \$ 3750.00 per annum on gain as well as the unbudgeted \$ 75,000

Other

Timing is a key issue. As highlighted and discussed at the recent A20 meeting with Waitaki Councillors.

Last year no a lot of physical work took place due to two areas. These being accessible funding and the necessary consent and permissions not being in place. To maintain the momentum of this project we need to start soon to keep the ball rolling.

Staffs intention, if this is successful, would be to use Rob Young of Te Manahuna Consulting . Rob has an intimate knowledge of area having undertaken original Safety Assessment of the Trail and Feasibility Study for this work.

ASSESSMENT OF OPTIONS:

- Option 1 By establishing a capital reserve it will possibly incur an additional cost of up to \$3,750 in interest costs
It will however allow the project to be ready to roll when the funding becomes available. The capital reserve will also provide the flexibility to allow more or less work to be done in any one financial year. Should the opportunity arise through funding opportunities or economies of scale of works.
There is currently a level of enthusiasm around this project. Landowners have already been approached at the beginning of the year as part of the feasibility study. It would be good to keep things moving as there is always the opportunity for things to change ie land ownership.
- Option 2 Essentially this would be the status quo and we would commence the consent and access agreements in 2017. There would be no additional interest costs. The risk revolves around losing the current momentum.

CONCLUSION:

The Finance Committee should agree to the creation of a capital reserve for the A20 off roading of Hayman road. To allow the preparation of consents licences and access agreements which will allow this project to proceed when funds become available. They should also approve the unbudgeted expenditure of \$75,000