



446TH MEETING OF THE
MACKENZIE DISTRICT COUNCIL

TO THE MAYOR AND COUNCILLORS OF THE MACKENZIE DISTRICT COUNCIL

Membership of the Council:

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

Notice is given of an Extraordinary Meeting of the Mackenzie District Council to be held on Tuesday, April 28, 2015, following Asset & Services Meeting at 9.30am.

VENUE: Council Chambers, Fairlie

BUSINESS: As per the attached agenda.

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER



MACKENZIE DISTRICT COUNCIL

Agenda for Tuesday April 28, 2015, at 9.30am

OPENING AND APOLOGIES

DECLARATIONS OF INTEREST

REPORTS:

- A) LONG TERM PLAN: REVENUE AND FINANCING REPORT & POLICY
- B) LONG TERM PLAN: TOURISM, ECONOMIC DEVELOPMENT REPORT & AMP
- C) LAND SALES AT ALBURY

PUBLIC EXCLUDED:

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

- A) SALE OF LAND – LAKESIDE DRIVE, TEKAPO
- B) SALE OF LAND - LAKEFRONT DEVELOPMENT, TEKAPO
- C) SALE OF LAND - LOT 2 (MINI GOLF SITE)
- D) SALE OF LAND – LOT 4, MT NESSING RD

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
Sale of Land-Lakeside Drive, Tekapo	Enable commercial negotiations	48(1)(a)(i)
Sale of Land-Lakefront Development, Tekapo	Enable commercial negotiations	48(1)(a)(i)
Sale of Land-Lot 2 (mini golf site)	Enable commercial negotiations	48(1)(a)(i)
Sale of Land-Lot 4, Mt Nessing Rd	Enable commercial negotiations	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)(i)*

ADJOURNMENTS:

10.30AM MORNING TEA
12.00PM LUNCH 3:00PM AFTERNOON TEA

MACKENZIE DISTRICT COUNCIL

REPORT TO: MACKENZIE DISTRICT COUNCIL

SUBJECT: REVENUE AND FINANCING POLICY
LONG TERM PLAN SUPPORTING INFORMATION

DATE: April 28 2015

FROM: Toni Morrison, Senior Policy Planner
Paul Morris, Finance Manager

REASON FOR REPORT

To provide and adopt the draft Revenue and Financing Policy for public consultation simultaneously with consultation period for the LTP Consultation Document, as part of the framework for the 2015-2025 Long Term Plan.

RECOMMENDATIONS:

1. That the report be received.
2. That the final draft Revenue and Financing Policy be adopted by Council for public consultation, subject to audit changes.

WAYNE BARNETT

CHIEF EXECUTIVE OFFICER

ATTACHMENTS:

Attachment 1: Draft Revenue and Financing Policy.

BACKGROUND:

The Local Government Act 2002 requires the Council to include a Revenue and Financing Policy in the Long Term Plan. The Council must consult with the public on its draft Revenue and Financing Policy prior to adopting it for inclusion in the LTP.

At its 31 March meeting the Council reviewed a draft policy and adopted it for consultation. However since that time the Council has made further decisions on rating for its tourism and economic development activities, and it was necessary to update the policy to include those.

It is recommended that the Council adopt the revised draft policy for consultation alongside the consultation for the LTP Consultation Document. The public consultation period is proposed to run from May 8 to June 8. Copies of the policy will be made available in the community and on our website.

POLICY STATUS:

N/A

SIGNIFICANCE OF DECISION:

In accordance with Council's Significance and Engagement Policy, this matter has been assessed as significant because the decision relates to consulting with the public on a draft policy that is to be included in the Long Term Plan 2015-25.

ISSUES & OPTIONS:

This process is currently progressing under tight timeframes. Council must adopt the draft Policy to enable the consultation period to take place in May-June, so the final Policy can be included in the Long Term Plan to be adopted on June 30. The consequences of not adopting the Long Term Plan by June 30 include a delay in striking the rates for the new financial year, resulting in a loss of income to Council.

The options available to Council are to either:

1. Approve the draft Revenue and Financing Policy as contained in this report, subject to updates following the adoption of the draft budget and audit approval, OR
2. Amend and approve the draft Revenue and Financing Policy, subject to updates following the adoption of the draft budget and audit approval.

CONSIDERATIONS:

Legal

This process is guided by the Local Government Act and its amendments.

Financial

As stated above there is a financial risk to Council if the Long Term Plan process does not meet its tight deadlines and adoption is delayed until after June 30, 2015.

CONCLUSION:

The Council is required to have adopted a final Revenue and Financial Policy prior to the adoption of the LTP. The LGA requires that the Council consult with the public on the draft Policy prior to adopting it. This paper seeks the adoption of the final draft Policy, to enable public consultation to be undertaken simultaneously with the period of consultation on the Consultation Document for the LTP.

Revenue and Financing Policy

Introduction

The Local Government Act 2002 provides that a local authority must include a revenue and financing policy as part of its long-term plan.

The policy must state the funding sources for both Council's operating expenses and capital expenditure.

In determining the funding sources for each activity, in relation to each of its activities the Council must consider -

- the community outcomes to which the activity primarily contributes; and
- the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- the period in or over which those benefits are expected to occur; and
- the extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity; and
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

The Council must also consider the overall impact of any allocation of liability for revenue needs on the community.

The Council is able to fund operating expenditure from the following sources:

- General rates, including uniform annual general charge
- Targeted rates
- Fees and charges
- Interest and dividends from investments
- Grants and subsidies from central government and other external sources
- Other operating revenue

Council has determined the proportion of operating expenditure to be funded from each of the sources listed above, and the method for apportioning rates and other charges. This policy explains how those decisions have been made and provides information on how operating expenditure is funded for each activity – see Group Activity Tables section.

Council usually funds capital expenditure from capital reserves. These capital reserves are built up from funded depreciation and any shortfalls in funding capital expenditure are treated as internal loans.

Other funds are available to finance capital expenditure. These other funds include:

- Borrowing
- Financial contributions levied under the Resource Management Act 1991
- Contributions towards capital expenditure from external parties, such as the NZ Transport Agency
- Proceeds from the sale of assets
- Operating surpluses

Our Approach

The Council will manage its financial affairs prudently and in a manner that promotes the current and future interests of the community. The aim of this policy is to promote consistent, prudent, effective and sustainable financial management of the Council and to fund its activities from the most appropriate source after consideration of who benefits from each activity.

The Group Activity Tables on the following pages show the rationale that Council has used to determine how the costs are funded. In general, the funding hierarchy for the activity is:

- Fees and charges
- Any other income
- Targeted rates
- General rates

In determining its selection of funding tools, the Council has been guided by the following principles.

Costs for each activity are collected unless the Council believes that to do so would not be fair or not be in the interest of residents and ratepayers or is in conflict with Council policy. As an elected representative body, the Council has the responsibility to make the final decision.

Where it is realistic to collect fees and charges for a particular activity, the Council will attempt to recover a proportion of operating costs equal to its assessment of the % of private good that the activity provides.

Given there are four distinct communities of interest in the Mackenzie, rates for general township and rural activities are targeted geographically into four works and services rates. However, the Council has assessed long term sustainable needs in relation to roading, and this activity is funded through a district wide targeted rate.

The use of a uniform annual general charge for general rates and fixed amounts for targeted rates (including works and services rates) is based upon a judgment on how regressive or progressive the incidence of rates should be.

Water and wastewater services are provided directly to rating units in defined areas of benefit, and are funded through targeted rates for each activity. The charges are further differentiated into treatment and infrastructure costs, to target those rating units receiving the service and those rating units capable of receiving the service. Apart from extraordinary usage, the services are provided equally to each property (defined as a separately used and inhabited part of a rating unit), making a fixed amount charge most appropriate.

The use of the general rate is generally reserved for activities of a district wide nature or for activities where the Council has judged that the service is better funded by way of a form of local taxation rather than a type of targeted rating.

In some instances, ratepayer sector groups may fund more of the costs of an activity than they may directly benefit from. Council has taken into account the overall impact of any allocation of liability for revenue needs on the community in its considerations. In general, operating expenditure is for the current year and will be funded over the current year. In some exceptional cases reserve funding may be used to ease and spread the rate burden. All capital expenditure is funded from capital reserves. These capital reserves are built up from funded depreciation and any shortfalls in funding capital expenditure are treated as internal loans.

Valuation System

Councils are able to rate properties based on land value or capital value. The Council has chosen to use a capital value basis for its rating system, following consideration of the following advantages and disadvantages:

Capital Value Rating	
Advantages	Disadvantages
<ul style="list-style-type: none"> • It is easy to establish capital values for property. The use of this capital value reflects the ratepayers' total investment in the property. • There is a larger growth factor in the rating base during the years through new development. • Ratepayers understand how capital values relate to their property. • In newly developing areas the ability to pay principle is more relevant, as ratepayers will not generally purchase in areas they cannot afford. • Capital values reduce the need for differentials, as the market values are relative to the size, use and marketability of land and property. 	<ul style="list-style-type: none"> • Capital value rating requires more frequent roll maintenance. Property improvements require a revaluation. • Capital value rating is thought to be a deterrent to improvements. This could result in illegal buildings or improvements being made. • There is no encouragement for landowners to develop their land. • There is an assumption being made that those with the greater capital value have a greater ability to pay and as such a portion of the rates charged by way of capital value is seen as a tax, rather than a direct charge for the provision of a service.

Council's Differentials

Council's main differential is the one set for its three main hydro dams owned by Genesis Energy Limited and Meridian Energy Limited, which is described in detail in the rating policies. The only other differentials relate to the funding of the Council's tourism and economic development activities.

The Funding Mix

Each activity of Council has been identified and grouped with similar activities under one "significant" activity. A significant activity may not necessarily be financially significant in terms of its overall expenditure, but the significance recognises the importance of the activity to the residents and ratepayers.

The following table shows how the Group Activities are funded. Further detail is provided in the Group Activity Tables below.

Group Activity	General Rate	Targeted Rate	Fees, Charges and Other Income (incl Use of Reserves)
Governance	√	√	
Water Supply		√	√
Sewerage		√	√
Stormwater		√	√
Roading		√	√
Solid Waste	√	√	√
Building Control			√
Resource Management	√		√
Regulatory Services	√	√	√
Community Services	√	√	√
Recreational Facilities	√	√	√
Commercial Activities	√	√	√
Corporate Services	√		√

GROUP ACTIVITY TABLES

Group Activity or Sub-Activity	Strategic Aim	Identified Benefits	Considerations - Supporting and Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Governance	Democracy and consultation for Mackenzie District as a whole	Overall Benefits <ul style="list-style-type: none"> ▪ All individuals can become involved. ▪ Equitable representation and recognition of communities. ▪ Elected members are available to all ratepayers. ▪ Community board members are available to all ratepayers within the relevant urban areas. ▪ Liaison with central government and other agencies occurs on behalf of residents. ▪ Community board liaison with the District Council on issues relating to the particular urban area. 	<p>This is a core activity with a high impact on community well-being. The cost of the Council will be collected by way of general rate.</p> <p>The cost of the community boards will be collected as part of the works and services rate for each township.</p> <p>This activity is classified as providing 100% public benefit.</p>	Ongoing and long term	Operating Current <ul style="list-style-type: none"> ▪ All ratepayers benefit from the activities of Council, so it is appropriate to fund the activity from general rates assessed on capital value. ▪ The benefits of community boards are more localised so the township works and services rates are the more appropriate funding sources. ▪ External borrowing when specifically authorised by Council resolution.

Group Activity or Sub-Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Water Supply	Provision of utility services	<p>Overall Benefits</p> <ul style="list-style-type: none"> Allows community to further develop. Assists economic development of the area. Safeguards public health. Fire protection measure. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Households connected to potable water supply. Systems in place to cope with heavy draw downs by large users e.g. industrial and commercial users. Systems in place to cope with provision of water for stock and agricultural use. <p>For funding purposes, the Council believes 100% of the costs should be recovered from the beneficiaries.</p>	<p>The urban water supply activity covers the following urban areas: Twizel, Lake Tekapo, Fairlie, and Burkes Pass. There is a proposal to establish a community supply for Manuka Terrace which is presently being consulted on. This proposal is included in the LTP.</p> <p>The increased requirements to meet desired standards for drinking water and upgrade ageing infrastructure place an exceptional burden on individual townships' water supply schemes. To fund the increased costs associated with meeting standards, the Council proposes to spread the cost of the four urban water supplies across all those connected to an urban scheme, to ensure their long term sustainability. This will be done via a uniform targeted rate.</p> <p>Connection fees are charged to meet the actual costs of each new connection.</p> <p>The costs relating to the treatment of the urban water supplies will be charged as a fixed amount to those properties¹ that are physically connected to a supply in the district.</p> <p>The infrastructural costs relating to urban water supply, including depreciation, interest, reticulation maintenance, staff</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> Excess water charges and recoverable services. Fixed amount per targeted rate for water treatment costs, assessed per separately used and inhabited parts of rating units that receive the service across all townships. Fixed amount targeted rate to fund water infrastructural costs assessed per separately used and inhabited parts of rating units able to connect to an urban water supply scheme within a township <p>Capital – Future Generations</p> <ul style="list-style-type: none"> Financial contributions. Capital reserves with the provisions to allow shortfalls in capital

¹ For the purposes of this policy, references to the term 'property' mean a separately used and inhabited part of a rating unit.

			<p>support costs etc, are charged as a fixed amount per property that have the ability to connect to an urban water supply in the District.</p> <p>All costs relating to the rural water supplies are charged a fixed amount targeted rate in accordance with the resolution of the individual water supply committees.</p> <p>Use of water meters is recognised as one of the most effective means of assisting water conservation, by valuing water and ensuring that those who use it in greater quantities are charged accordingly. Metered water connections are utilised for high users.</p>		<p>funding to be funded by internal borrowing.</p> <p>External borrowing when specifically authorised by Council resolution.</p>
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Group Activity or Sub-Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Wastewater	Provision of utility services	<p>Overall Benefits</p> <ul style="list-style-type: none"> ▪ Maintains sanitation which safeguards health of District. ▪ Environmental protection. ▪ Treatment process avoids significant adverse effects on land and waterbodies. ▪ Recognises cultural sensitivity and values. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> ▪ Reticulation allows removal of sewage from individual property. <p>For funding purposes, the Council believes that 100% of costs should be recovered from beneficiaries.</p>	<p>Exacerbator:</p> <ul style="list-style-type: none"> ▪ Potential for dangerous substances to be discarded through wastewater system. ▪ Urbanisation. <p>There are four separate sewerage systems within the District: Twizel, Lake Tekapo, Burkes Pass and Fairlie.</p> <p>The increased requirements to meet environmental standards and replace deteriorating infrastructure place an exceptional burden on individual townships' wastewater schemes. To fund the increased costs associated with meeting standards the Council proposes to fund all urban wastewater services across the four schemes, to ensure their long term sustainability. This will be done via uniform targeted rates.</p> <p>The costs relating to urban wastewater treatment will be charged a uniform fixed amount to all properties connected to an urban wastewater system in the district.</p> <p>All urban wastewater infrastructural costs, including depreciation, interest, reticulation maintenance, and staff support costs are charged to all properties with that have the ability to connect to an urban wastewater system in the district.</p> <p>Non-residential properties have a higher usage and are therefore charged a separate targeted rate per water closet or urinal for both infrastructural and treatment costs.</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> ▪ Connection fees recover the actual cost of each new connection. ▪ Targeted rate for wastewater treatment assessed per separately used and inhabited parts of a rating unit connected to any urban wastewater system. ▪ Targeted rate for wastewater infrastructural costs assessed per separately used and inhabited parts of a rating unit able to connect to any urban wastewater scheme. ▪ Use of reserves to offset rate requirement and accrual of interest to capital reserves. <p>Capital – Future Generations</p> <ul style="list-style-type: none"> ▪ Financial contributions. ▪ Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing. ▪ External borrowing when specifically authorised by Council resolution.

Group Activity or Sub-Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Stormwater	Provision of utility services	<p>Overall Benefits</p> <ul style="list-style-type: none"> Enhanced public health and safety. Protection of roading network. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individual property owners. Provides protection of private property. Enhanced land development / opportunities. 	<p>While it is theoretically possible to identify the private beneficiaries of any one project, it is very difficult to quantify the value of the benefit derived from each individual and as a result, the amount of benefit cannot be accurately measured and charged for.</p> <p>In the same way, while it may be theoretically possible to determine the source of the water, and thereby charge the exacerbator to control their own negative effects, in practice, this is rarely possible. In most instances, surface water accumulates from a wide range of properties, and is collected together at the lowest point.</p> <p>As a result, although most of the beneficiaries of a stormwater system could be considered private, there is no practical way of quantifying the benefit and charging for it. The service therefore defaults to being a 100% public good.</p> <p>The increased requirement to meet environmental standards for stormwater discharges place a significant burden on individual townships. To fund the increased costs associated with meeting standards the Council will fund all urban stormwater systems across all urban stormwater schemes, to ensure their long term sustainability. This will be done via a uniform targeted rate per property. .</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> The costs of operating all stormwater systems funded from a fixed amount targeted rate. Other income. <p>Capital – Future Generations</p> <ul style="list-style-type: none"> Financial contributions. Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing. External borrowing when specifically authorised by Council resolution.

Group Activity or Sub-Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Roading	Provision of utility services	<p>Overall Benefits</p> <ul style="list-style-type: none"> ▪ Universally available. ▪ Part of national network. ▪ Provides access corridors for services e.g. electricity, water, sewer and telecommunications. ▪ Provides access. ▪ Provides emergency services access. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> ▪ Individual property access ▪ High tourist traffic benefits tourism. <p>The Council's view is that the ideal split between the public and private benefits of roading is 23% to 77%. However, proxies for user charges such as Land Transport New Zealand subsidies are insufficient and Council has had to settle for a lesser split.</p>	<p>Exacerbator:</p> <ul style="list-style-type: none"> ▪ Number of vehicles and cyclists utilising local roads. ▪ Different costs incurred to maintain network particularly with heavy goods vehicles, for example those in the forestry and rural sectors. ▪ Council considers that the rural, industrial and commercial properties largely benefit from roading. ▪ Footpath network including street lighting in urban areas is essential for the social well-being of the community. ▪ Car parking places are provided to benefit individuals and commercial businesses. ▪ In order to secure long term funding sustainability and to achieve a more efficient spend of ratepayer and subsidy dollars, Council funds all of its roading activity from a targeted rate. This recognises that the roading network is open to all and the costs of maintenance are better met if they are widely spread as possible. 	Ongoing and long term.	<p>Operating Current</p> <ul style="list-style-type: none"> ▪ Targeted rates. ▪ NZ Transport Agency subsidy. ▪ Petroleum tax and other contributions. <p>Capital – Future Generations</p> <ul style="list-style-type: none"> ▪ Annually recurring capital costs will be funded from the targeted roading rate. ▪ NZ Transport Agency subsidy. ▪ Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing. ▪ External borrowing when specifically authorised by Council resolution.

Group Activity or Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Solid Waste	Provision of utility services	<p>Overall Benefits</p> <ul style="list-style-type: none"> Helps promote clean green environment, which is a common national initiative. Environmental protection. Enhances social responsibility. Ability to sort and recycle material at resource recovery parks. Public health. Regional waste studies undertaken on behalf of District. Prevention of leakage and environmental contamination. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individuals depositing solid waste. Household waste recycled/reused and/or minimised. Individuals do not have to dispose of waste. Individuals refuse collected. Controlled disposal of rubbish. <p>Benefits for future generations</p> <ul style="list-style-type: none"> Future generations do not have to clear up waste caused by previous generations. 	<p>Council provides wheelie bins for household refuse collection, and contracts out the service to a private supplier. It has determined that the costs of the wheelie bin collection should be met 100% by those able to utilise it and that the remaining costs should be met by a contribution from the General Rate which recognises a degree of public benefit in encouraging recycling and litter removal in the area. Currently the General Rate portion has been calculated at 26%.</p> <p>The full cost of the collection and disposal service is regarded as a private benefit and is met through a uniform targeted rate levied on properties within the area of benefit and those who are able to use the service. The balance comes from the General Rate.</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> General rate assessed on capital value. Targeted uniform rate assessed per separately used and inhabited part of a serviced rating unit within all urban areas for refuse collection. Fees and charges for the disposal of refuse at the resource recovery parks. <p>Capital – Future Generations</p> <ul style="list-style-type: none"> Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing. External borrowing when specifically authorised by Council resolution.

Group Activity or Sub-Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Building Control	Protection of the environment	<p>Private or other sector benefits</p> <ul style="list-style-type: none"> Present and future owners of buildings and their insurance companies e.g. work is undertaken to required standards. <p>Overall Benefits</p> <ul style="list-style-type: none"> Neighbours, visitors can rely on safety standards; public safety standards on buildings are met. General advice provided to all irrespective of building. 	For funding purposes, the Council believes 100% of the costs of processing and monitoring building consents should be recovered from the consent applicants. The building consent fees are set to recover as close to 100% of the operating costs as it is possible to predict.	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> Fees and charges and other income.

Group Activity or Sub-Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Resource Management	Protection of the environment	<p>Overall Benefits</p> <p>Resource Management</p> <ul style="list-style-type: none"> Controls in District Plan. Contributes to sustainable use of resources. Environmental safeguards to the public as a whole e.g. consents for discharge. Contributes to protection and enhancement of environment. Planning staff available to provide advisory service. <p>District Plan</p> <ul style="list-style-type: none"> Utilised for resource management issues. Enhances public health and safety. Contributes to environmental management. Monitoring impact of development. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individuals who apply for consents or plan changes. <p>Inter-Generational Benefit for Future Generations</p> <ul style="list-style-type: none"> Benefits fall over life of plan. 	<p>Council has to ensure compliance with statutes specifically the Resource Management Act 1991 and other sustainable policies.</p> <p>The costs associated with District Plan review and Council initiated plan changes will be recovered from the general rate. This decision reflects that the benefits of planning accrue across the District and in different proportions to different people. The public benefit is met by way of the general rate levied on capital value.</p> <p>For funding purposes, the Council believes 100% of the costs of processing resource consents and privately initiated plan changes should be recovered from the applicants as the beneficiaries.</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> Fees and charges. General rate assessed on capital value. <p>Capital – Future Generations</p> <ul style="list-style-type: none"> Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing. External borrowing when specifically authorised by Council resolution.

Group Activity or Sub-Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Regulatory Services	Provision of safety services	<p>Civil Defence</p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Trained teams to react if emergency occurs. Public health and safety. Provides certainty and assurance. Recovery programmes are put in place for civil defence. <p>Rural Fire Control</p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Trained teams to react if emergency occurs. Public health and safety. Fire stopped from spreading to residential areas. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Services able to assist out of control fire on property. <p>Animal Control</p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Management of dogs and stock in public places and an ability to respond to community complaints. Dog owner accountability. Stock control. Provide community safety. Address nuisance of fouling. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individuals do not suffer nuisance or danger from stray or out of control animals. Registration allows legal ownership of dogs. Designated dog exercise areas for owners use. 	<p>Council recognises that civil defence has a high impact on the community.</p> <p>The Council will meet the cost of civil defence from the general rate. This decision reflects the area over which the benefit is received (property and stock), which can be protected if sufficient warning is given.</p> <p>The cost of rural fire control will be funded from the rural works and services rate. This decision reflects that the service is only delivered to the rural area.</p> <p>Exacerbator – Some owners allow animals to stray and become a nuisance and/or a road safety hazard. Wandering stock issues are managed under the Impounding Act, and wandering dogs under the Dog Control Act.</p> <p>Council will charge a reasonable fee but recognises the social value of having a dog. Farm dogs create less of a nuisance than urban dogs and charges reflect this.</p> <p>Its current policy is to recover 90% of the costs of the operation from dog fees and other recoveries. The public component will come from the</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> General rate assessed on capital value. The cost relating to rural fire control will be funded from the rural works and services rate Registration fees to dog owner and other income Fees and charges. <p>Capital – Future Generations</p> <ul style="list-style-type: none"> Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing. External borrowing when specifically authorised by Council resolution.

		<p><u>Sale of Alcohol and Environmental Health</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Public health and safety. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individuals who apply for licenses 	<p>general rate.</p> <p>For funding purposes, the Council believes 100% of the costs of processing licenses should be recovered from the applicants as the beneficiaries.</p>		
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Group Activity or Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Community Services	Provision of community services and promotion of community well-being	<p><u>Grants</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Increased opportunity for social interaction. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individuals and groups who received money. <p><u>Pensioner Housing</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Retains the character of the community and also social mix. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individuals who rent the properties. Access to affordable accommodation for elderly people. <p><u>Cemeteries</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Provision of burial sites. Controlled land utilisation. Recognises historic/cultural reserve needs of visitors. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Space provided for an individual and descendants. Presentable maintained grounds for family visits. <p>Benefits for future generations</p> <ul style="list-style-type: none"> Records maintained for future generations. Maintenance of plots. 	<p>Included in community services are grants made to groups by the District Council as a whole though the general rate and by community boards through works and services rates.</p> <p>Mackenzie like other districts has an ageing population, and there is an expectation that older people will continue be able to live in the District. Council recognises the need to retain the character of the community, which is derived from a balanced social mix.</p> <p>The Council does make a cash surplus on the operation of the facilities. The depreciation expense is funded and deposited in capital reserves. Any further surplus is offset against the general rate. Any deficits are funded by the general rate.</p> <p>The Council considers that the public input to cemeteries will be made from the general rate as it recognises the general benefit to all persons. Such benefits are best funded through a type of general rating taxation rather than a targeted charge. Fees are set to recover 70% of operational costs.</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> General rate assessed on capital value Works and services rates Rental income and other income <p>Capital – Future Generations</p> <ul style="list-style-type: none"> Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing. External borrowing when specifically authorised by Council resolution.

Group Activity or Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Community Services Cont...	Provision of community services and promotion of community well-being	<p><u>Medical Centres</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Provides incentives for the medical practices to retain their service in Twizel and Fairlie. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> The medical practices which lease the medical centre buildings <p><u>Public Toilets</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Minimise adverse effects on the environment and avoid pollution. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individuals using toilet receives benefit. Supports increase of visitors 	<p>The Council owns the medical centres in Fairlie and Twizel, and has been providing the facilities to the medical practices at a discounted rental. The High Country Medical Trust is currently constructing a new medical centre at Twizel. The Council has agreed to provide support to this and will retain a financial interest in the new building.</p> <p>Excluding depreciation, the rentals received covers most of the costs associated with the medical centres. Funded depreciation is now being introduced in a staged manner. The public share of expenditure is funded by the general rate.</p> <p>Council wants public toilet facilities to be available to all. There is a public expectation that these will be provided. The public share of the toilets will be funded by the general rate. This decision reflects the fact that the rate contribution is made for environmental and public health reasons and should be collected like a tax.</p> <p>Some public toilets have donation boxes, encouraging donations towards the cost of operating the toilets.</p>		

Group Activity or Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Recreational Facilities	Provision of community services and promotion of community well-being	<p><u>Swimming Pools</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> ▪ Opportunities for recreation and leisure. ▪ Enhanced health and well-being of community. ▪ Opportunity for social interaction and meetings near to where people reside. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> ▪ Individuals or groups utilising facilities e.g. pool users. ▪ Enhanced water education and leisure for individuals. <p><u>Halls and Community Centres</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> ▪ Opportunities for recreation and leisure. ▪ Enhanced health and well-being of community. ▪ Opportunity for social interaction and meetings near to where people reside. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> ▪ Individuals or groups utilising facilities e.g. hall users. 	<p>Council considers that the primary users of these facilities are the residents of the townships.</p> <p>The public share of operating the community centres and halls throughout the District will be borne by the community works and services rates. This policy recognises the varying standards each community will have for their centre or hall and the investment each community has made in the facility.</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> ▪ General rate assessed on capital value. ▪ Works and services rates. ▪ Rental income, pool charges, hall charges and other income. <p>Capital – Future Generations</p> <ul style="list-style-type: none"> ▪ Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing. ▪ External borrowing when specifically authorised by Council resolution.

Group Activity or Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Recreational Facilities Cont...	Provision of community services and promotion of community well-being	<p><u>Parks, Reserves and Amenities Areas</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Preserve public areas. Opportunity for social interaction. Enhance beauty and image of the District Provision for leisure and passive recreational activities for residents and tourists. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Those individuals utilising reserves. <p><u>Alps 2 Ocean Cycleway</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Opportunity for social interaction. Enhance beauty and image of the District. Provision for leisure and passive recreational activities for residents and tourists. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Those individuals utilising the cycleway. <p><u>Libraries</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Increases literacy and educational levels of the population. Access to information irrespective of social, cultural or economic circumstances. <p>Private or other sector benefits</p> <ul style="list-style-type: none"> Individuals accessing books and information. Researchers. 	<p>The Council considers that different communities within the District had different expectations and aspirations for their reserves. As such the Council collects the public portion of the cost of maintaining the reserves through community works and services rates.</p> <p>Some of the reserve land is leased and the private portion of funding comes from rent.</p> <p>The Council considers that the provision of the Alps 2 Ocean cycleway is of equal benefit to all ratepayers and should be funded partly by the general rate and partly from a uniform targeted rate.</p> <p>Council recognises the benefit of libraries to community well-being over the whole District. The Council has entered into agreements with Mackenzie College and Twizel Area School for the provision of community libraries in both Fairlie and Twizel in which the Council contributes approximately half of the operational costs through the general rates.</p>		<p>Operating Current</p> <ul style="list-style-type: none"> General rate assessed on capital value. Fixed amount targeted rate for Alps 2 Ocean Cycleway assessed per separately used and inhabited parts of a rating unit.

Group Activity or Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Commercial Activities	Economic growth for the District	<p><u>Investments</u> Overall Benefits</p> <ul style="list-style-type: none"> Increases health/wealth of District. Increases the cash reserves of the Council. <p><u>Forestry Board</u> Overall Benefits</p> <ul style="list-style-type: none"> Increases health/wealth of District. Increases the cash reserves of the Council. Increases the value of the District. <p><u>Real Estate</u> Overall Benefits</p> <ul style="list-style-type: none"> Increases health/wealth of District. Increases the cash reserves of the Council. Increases the value of the District. <p><u>Rental Properties</u> Overall Benefits</p> <ul style="list-style-type: none"> Increases health/wealth of District. Increases the Cash Reserves of the Council. Increases the value of the District. 	<p>The investment income derived from the Council's cash and equity investments is actively used to offset the general rate requirement. This is split per rating area in proportion to the rating area's capital value as opposed to the rest of the District.</p> <p>There are no rating inputs for the Forestry Board although a rental charge is paid to Council and distributed to communities. The Council is proposing to sell two blocks of forestry land and use this money to offset the costs of infrastructure.</p> <p>There are no rating inputs for the real estate activity.</p> <p>The surpluses gained from the Council's rental properties are simply used to offset the general rate.</p>	Ongoing and long term	<p>Operating Current</p> <ul style="list-style-type: none"> General rate assessed on capital value Targeted rates Sales of real estate, rental charged, sale of timber, interest & dividends and other income

Group Activity or Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Commercial Activities Cont...	Economic growth for the District	<p><u>Economic Development and Tourism</u></p> <p>Overall Benefits</p> <ul style="list-style-type: none"> Increases health/wealth of District. Increases employment opportunity and growth of business. Facilitates sustainable growth. Increase the value of the District. <p>Private or other sector benefits.</p> <ul style="list-style-type: none"> Increased tourism means increased sales and opportunities for the commercial sector. <p>Private or other sector benefits.</p> <ul style="list-style-type: none"> Increased tourism means increased sales and opportunities for the commercial sector. 	<p>Whilst bringing positive benefits to the community, tourists place additional burdens on Council infrastructure. Council has to balance this with the high impact on community well-being.</p> <p>The costs associated with Tourism and Economic development activities will be recovered partly from uniform fixed amount targeted rates across the district and fixed amount targeted rates from rating units deemed to have a wider benefit.</p>		<p>Operating Current</p> <ul style="list-style-type: none"> Targeted rates

Group Activity or Activity	Strategic Aim	Identified Benefits	Considerations - Supporting Transparency and Accountability of Council	Period of Benefit	Council Funding Mechanism
Corporate Services		Overall Benefits <ul style="list-style-type: none"> The efficient running of the local authority. 	<p>Council believes these costs are not related to any one activity and should be distributed throughout the activities as overheads. Income is first used to offset this expenditure.</p> <p>Such costs include: administration; information technology support; Council buildings; Chief Executive Officer's department; asset management; roading business unit; and community facilities management.</p>	Ongoing and long term	Operating Current <ul style="list-style-type: none"> Fees and charges (minimal) General rate assessed on capital value. Any balance is funded by allocation of overheads to other activities. Capital – Future Generations <ul style="list-style-type: none"> Capital reserves with the provisions to allow shortfalls in capital funding to be funded by internal borrowing External borrowing when specifically authorised by Council resolution.

Revenue & Financing Policy

Adopted by: **Council**

Adopted date: **XX**

Review date: **XX**

MACKENZIE DISTRICT COUNCIL

REPORT TO: MACKENZIE DISTRICT COUNCIL

SUBJECT: TOURISM, ECONOMIC DEVELOPMENT AND COMMERCIAL
ACTIVITIES ACTIVITY MANAGEMENT PLAN

DATE: April 28, 2015

FROM: Paul Morris, Finance Manager

REASON FOR REPORT

To provide and adopt the Tourism, Economic Development and Commercial Activities Activity Management Plan as supporting information for the 2015-2025 Long Term Plan and consultation document.

RECOMMENDATIONS:

1. That the report be received.
2. That the Tourism, Economic Development and Commercial Activities Activity Management Plan be adopted as supporting information for the 2015-2025 Long Term Plan and consultation document, subject to audit changes.

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

ATTACHMENTS:

Activity Management Plan for Tourism, Economic Development and Commercial Activities 2015 – 2025.

BACKGROUND:

As part of its Long Term Plan (LTP) process, the Council puts together activity management plans (AMPs) for each of its groups of activities. AMPs form part of the supporting information during the consultation phase in developing the LTP.

Attached is the Tourism, Economic Development and Commercial Activities AMP which describes current activities and levels of service, and identifies future proposals with associated performance measures and targets, and financial information.

The Tourism, Economic Development and Commercial Activities AMP largely provides for a continuation of current activities and levels of service. No significant changes to activities or levels of service are identified in the AMP.

The Council is asked to consider and adopt the Tourism, Economic Development and Commercial Activities AMP as a basis for activities to be included in the Long Term Plan.

POLICY STATUS:

N.A.

OPTIONS:

1. To adopt the Tourism, Economic Development and Commercial Activities Activity Management Plan as supporting information for the LTP and the Consultation Document, subject to audit changes.
2. To amend and adopt the Tourism, Economic Development and Commercial Activities Activity Management Plan as supporting information for the LTP and the Consultation Document, subject to audit changes.

ASSESSMENT OF OPTIONS:

Option 1 is recommended. No significant changes to activities or levels of service are proposed in the Tourism, Economic Development and Commercial Activities Activity Management Plan. The AMPs form part of the supporting information in developing the LTP, and are therefore publicly available during the consultation phase of the Consultation Document.

CONCLUSION:

The Council is required to adopt the supporting information that the Consultation Document relies on, including the AMPs, which are subject to audit. This paper seeks that the Council adopt the Tourism, Economic Development and Commercial Activities Activity Management Plan as attached.



MACKENZIE DISTRICT COUNCIL

Activity Management Plan for Tourism, Economic Development and Commercial Activities 2015 - 2025

1. INTRODUCTION

1.1 Background

This Activity Management Plan covers the tourism, economic development and commercial activities of Council.

The Council's tourism and economic development activity consists of:

- promotion of the Mackenzie district as a tourist destination
- economic development services, including business support, training, promotion of education opportunities
- Alps 2 Ocean cycle trail tourism business and operations¹

The Council's commercial activities are:

- Cash & Equity Investments
- Forestry Investments
- Real Estate
- Rental Properties
- Pukaki Airport

1.2 Rationale for Council's Involvement

1.2.1 Commercial Activities

The Council is involved to ensure maximum commercial returns are generated for the benefit of Mackenzie's ratepayers and residents.

The Council holds cash and equity investments that provide interest and dividend returns that are used to offset the rate requirement. Council's current policy is that between 40-50% of the total general rate requirement can be funded through the application of investment income.

The Council holds equity investments in Alpine Energy Ltd. It has a 4.96% shareholding.

In 1996, the Council formed the Mackenzie Forestry Board, whose purpose was to actively manage and grow the Council's Forestry Estate as a commercial operation. The Board, a committee of Council, pays a rent to the Council for the freehold land that it occupies, which is used to offset the rate requirement.

The Council is a significant land owner in the district. Much of the land has potential for development for commercial, residential and agricultural purposes. The Council holds this land to develop, sell or lease as it sees fit, to provide the best possible return for the District as a whole.

The Council owns land and buildings that it leases on a commercial basis. The rental received from these leases is used to offset rate requirements.

¹ In conjunction with Waitaki District Council.

The Council operates Pukaki Airport through the Pukaki Airport Board to undertake Council's strategy to provide an airport facility for the district. Council intends that the development of the airport will be funded through land sales. The ongoing operation of the airport will be funded through a combination of commercial returns and income from investment derived from land sales.

1.2.2 Tourism and Economic Development

The Council is involved in promotion of the district and support for its businesses because it considers the economic wellbeing of the district to be of fundamental importance. The Council has a role in promoting sustainable development for tourism and business in the Mackenzie district. Economic growth creates employment and assists business prosperity. This in turn allows a wider range of social, cultural and recreational facilities, and spreads the rating requirement across a wider base. The Council also supports growth by providing the necessary infrastructure and other services.

The Council's tourism and economic development activity consists of:

- promotion of the Mackenzie district as a tourist destination through Christchurch & Canterbury Tourism (CCT).
- economic development services provided through Aoraki Development Business and Tourism (ADBT), including business support, training and events; promotion of education opportunities; website and visitor/attraction promotion.
- Employing Tourism Waitaki to operate and manage the Alps 2 Ocean cycle trail tourism business and operations².

Tourism is a crucial industry in the district and the Council views its support through district wide promotion as a core activity. This is implemented through a contract with Christchurch and Canterbury Tourism.

Council also supports tourism in the Mackenzie through the maintenance and promotion of the Alps 2 Ocean cycle trail. The trail attracts multiple-night visitors to the district as well as providing a quality recreational facility for local communities. Promotion of the trail and development of business opportunities associated with it is undertaken through a contract for service with Tourism Waitaki.

Council also has a contractual arrangement with Aoraki Development Business and Tourism to provide business advice and support to new, developing and established businesses in the district.

The Council considers that these services provide a catalyst for growth and economic development.

1.3 Community outcomes to which the Activity Contributes

² In conjunction with Waitaki District Council.

The principal Community Outcome to which this activity contributes is a thriving economy.

1.4 Activity Goals

To manage the Council's commercial activities and investments wisely. The prime responsibility is to obtain the best economic return on its investment. Having said that, Council is committed to investing within the District and wherever possible acting as a catalyst for the development of the District.

To foster the economic development of the District as a whole, and to provide a strong marketing strategy and a focus on district promotion and branding.

1.5 Principal Objectives

1.5.1 Commercial Activities

Investments

To manage the Council's investments to maximise Council's returns in accordance with the Investment Policy.

Mackenzie Forestry Board

To actively manage the Council's forestry estate wisely as a successful commercial operation, by:

- Ensuring that forestry achieves the best possible economic return
- Ensuring that forestry contributes positively to the Mackenzie District economy

Real Estate

The Council Real Estate Portfolio is to be reviewed on an on-going basis to assess possibilities for development, sale or lease. Properties within the portfolio may be realised whenever it is considered appropriate by the Council.

Rental Properties

To act as a commercial lessor on the Rental Properties that the Council owns.

1.5.2 Tourism and Economic Development

The principal objectives of Council's investment in tourism and economic development activity are as follows:

- Promote the growth of new and existing businesses in the district.
- Provide support for the development of the agricultural bases of the Mackenzie.
- Promote the Mackenzie as a highly desirable place to visit.
- Promote opportunities for tourism development.

2. LEVELS OF SERVICE AND PERFORMANCE MEASURES

2.1 Commercial Activities

Investments

The community expects the investments of the Council to be managed wisely. To set the ground rules for investments, the Council has adopted an Investment Policy, which schedules the policies for borrowing (both internal and external) and investments. Compliance with the provisions of the Investment Policy provides assurance that the Council is managing its investments wisely.

Mackenzie Forestry Board

The Board is required to operate and administer the Mackenzie District Council's forestry estate as a successful business. As such, the Board will be responsible for:

- Implementation and review of the long term forestry strategy.
- Providing recommendations for the sale/purchase of land to meet the strategy.
- Approval of planting & harvesting programmes.
- Approval of annual financial budgets and physical targets.
- Approval of wood sale contracts.
- Approval of the annual operating programme.

Real Estate

The community expects the Council to achieve the best economic return for any land that the Council deems appropriate to place on the market. The Council is required to actively market areas of land that have been explicitly identified for sale and be aware of opportunities to develop or sale other areas of land that have been identified as surplus to Council requirements.

Rental Properties

The Council will ensure that the relevant conditions placed upon a commercial lease agreement have been adhered to. All lease agreements are reviewed on a regular basis.

Pukaki Airport Board

The Board is required to develop and operate a successful airport operation. To achieve this, the Board has the responsibility for:

- Developing and selling land around the airfield.
- Constructing airport facilities.
- Operation of a successful airport facility.
- Ensuring the airport operation is self-funded through landing fees etc. and interest income from investments derived from the land sale proceeds.

2.2 Tourism and Economic Development

CCT and ADBT are required to deliver a schedule of activities and be accountable for the implementation and delivery of work schedules approved by the Council. Each organisation provides quarterly progress reports to the Council.

Tourism Waitaki is required to achieve a set of performance indicators and projects and provide financial administration and project reporting to Council.

3. THE EXISTING SITUATION DESCRIBED

As noted above, the Forestry Board and the Pukaki Airport Board are committees of Council. The Forestry Board have no dedicated staff, but are supported through the corporate and administration services of Council. The Pukaki Airport Board has a contracted accountant and provides its own administration.

The commercial activities of Council including managing the real estate portfolio, rental properties, and cash and equity investments do not have dedicated staff. These activities are managed through either full Council or the Finance or Assets and Services Committees, depending on the matter being dealt with, and subject to each Committee's Terms of Reference. The Council and committees are supported by management and administration staff, with consultants and advisors used as required. The Council has engaged Hughes Developments to project manage Council's Tekapo lakefront commercial development.

The Council's tourism and economic development activities are the subject of contracts for delivery of those services. Reports from contracted organisations are provided to Council committees whose role it is to monitor the performance of the organisations in carrying out their delegated functions. As with the above activities, the Council and its committees are supported by management and administration staff.

4. MAINTENANCE AND OPERATING

Investments

It is anticipated that Council's cash reserves will grow over time, due to the effect of real estate sales and developer contributions. For the Council to obtain the best possible return from the cash reserves, it is essential that it invests in longer-term investments. The problem Council foresees, at least in the next three to five years, is that the current economic situation has resulted in extremely low longer term interest rates. Council has taken the view that it is better to accept lower short term returns than lock investments in over a longer term at a marginally higher investment rate. The short term option gives Council options to move quickly when longer term rates begin to rise.

The Council intends to undertake a general review of its investments in the upcoming year. This review may result in a change of policy in terms of its investments.

Mackenzie Forestry Board

It is anticipated that the Council will retain its forestry activities over the ten year period. In the current financial year to June 2014, the Forestry Board has met its

previous performance target of holding 900 hectares of planted forests, the actual figure being 1040 hectares. However as part of the LTP 2015-2025, the Council is proposing to sell two blocks of forestry land in the Opuha ward. These total 390 hectares in size. Following this sale, land remaining to the forestry board would total 650 hectares.

The Council intends to undertake a general review of its investments in the upcoming year, and this review will include forestry. Following that review the Forestry Board's performance targets are likely to be amended and updated. The Council will work with the Board as the review is undertaken.

Real Estate

For any piece of land identified for disposal, Council will consider the most appropriate method of dealing with the land that would meet the objectives.

Rental Properties

It is anticipated that Council will retain ownership of the commercial properties it holds and continue to lease them over the ten year period.

Tourism and Economic Development

The Council anticipates remaining involved in these activities over the term of the LTP.

Alps 2 Ocean

The term of the contract with Tourism Waitaki setting out the current arrangements is for 3 years, from 2013 – 2016. Part of the focus for Tourism Waitaki is to seek additional revenue streams such as sponsorships and merchandise sales. These may contribute additional revenue within the term of the 2015-2025 LTP over time. The Council has not included additional revenue from these sources in its budgets at this stage, but will move to do so as more development work is done and specific information becomes available.

Council currently allocates \$50,000 per annum to the upkeep of this project, as well as sharing an additional \$100,000 in marketing and promotional costs. Council will continue to contribute \$50,000 for maintenance of the cycleway over the period of the LTP.

It is anticipated that the cost associated with councils contribution to the Hayman Road improvement works will be funded from the reallocation of the above funding. \$50,000 will be put towards the costs of off-roading a section of the cycleway that presently runs along Hayman Road, as Council's contribution to the costs of those works. The remaining two-thirds of the costs of off-roading will be contributed from external sources.

5. FUTURE DEMAND

The significant future demands affecting the Council's commercial activities in the Mackenzie District are:

- Growth Trends – trends in population growth impact levels of developer contributions and real estate sales.

- Economic Changes – changes in economic factors impact returns on investments, forestry returns and levels of real estate activity.

Investments

The cash flow forecasts of Council over the ten year period show that the level of cash reserves will steadily increase, allowing it to maintain its continued support of the general ratepayer and to re-invest surplus cash into long term investments which derive a higher rate of return. As a result, the investment function of Council will continue to grow.

Mackenzie Forestry Board

Council's Forestry Estate is seen as an important long term investment. The Council will continue to retain areas of forestry and will ensure that there are the appropriate areas of land to plant.

Real Estate

Council has significant land holdings and will always look to develop and sell areas of land that is deemed appropriate. Given current market conditions, real estate will provide the Council an income stream that will allow the cash reserves to build up over time.

Rental Properties

It is anticipated that Council will retain ownership of the commercial properties and continue to lease them over the ten year period.

Tourism and Economic Development

Population growth is likely to increase slightly over the next 20 years, from 4300 (2013 census) to 4762 in 2033. It is not anticipated that there will be a significant impact on these sub-activities in relation to population over the term of the LTP.

Tourism data for the year ended February 2015 compared with the previous year shows³:

- Guest nights rose 14% to 551,745
- International guest nights rose 20% to 382,910
- Domestic guest nights rose 2.3% to 168,834
- The overall occupancy rate rose from 38.5% to 44.5%

Ongoing growth in tourism activity is expected. Council's role in promotion and marketing of the district and the cycle trail is anticipated to continue at its present level over the period of the LTP. Support for businesses and enterprises is also proposed to remain at its present level, but any increases in demand for this activity will be assessed on an ongoing basis.

6. CAPITAL EXPENDITURE

6.1 Proposed Future Capital Works Programme.

³ Statistics New Zealand (2015). Commercial Accommodation Monitor: February 2015– Mackenzie. Wellington: Statistics New Zealand.

Capital expenditure over the next 10 years is listed below.

		Actual 2014 (000)	Budget 2015 (000)	Yr 1 2016 (000)	Yr 2 2017 (000)	Yr 3 2018 (000)	Yr 4 2019 (000)	Yr 5 2020 (000)	Yr 6 2021 (000)	Yr 7 2022 (000)	Yr 8 2023 (000)	Yr 9 2024 (000)	Yr 10 2025 (000)
Commercial Activities													
Real Estate													
Capex													
0818905. Land - Administrative, Operato		23	-	-	-	-	-	-	-	-	-	-	-
0818906. Twizel Industrial Subdivision		226	3,700	-	-	-	-	-	-	-	-	-	-
0818999. Transfer to Assets	-	249	-	-	-	-	-	-	-	-	-	-	-
Total Capex		-	3,700	-	-	-	-	-	-	-	-	-	-
Total Real Estate		-	3,700	-	-	-	-	-	-	-	-	-	-
Tourism													
Capex													
1348007. Offroad A20 Cycle trail Hayman Road	-	-	-	-	-	526	540	556	-	-	-	-	-
Total Capex		-	-	-	-	526	540	556	-	-	-	-	-
Total Tourism		-	-	-	-	526	540	556	-	-	-	-	-
Total Commercial Activities		-	3,700	-	-	526	540	556	-	-	-	-	-

6.2 Funding of Capital Works

Alps2 Ocean

Capital Reserves

- ❖ A Capital Reserve will be established for the Alps2Ocean.
- ❖ Rates that have been levied for that activity will be lodged into the Capital Reserve on a monthly basis.
- ❖ Funds from other reserves or financial contributions including third party contributions can also be deposited into the Capital Reserve.
- ❖ All capital expenditure will be paid from the Capital Reserve effective at the end of each month.
- ❖ Capital Reserves may go into overdraft at any stage with prior approval of Council.

Capital Expenditure

- ❖ All Capital Expenditure must be approved by Council through the budget process or by an explicit resolution.

Interest Component

- ❖ The balance of the Capital Reserve will be monitored by the Manager – Finance & Administration on a quarterly basis.
- ❖ If the balance of the Capital Reserve is overdrawn, the community of interest for the relevant activity will be charged an interest rate set at 100 basis points greater than the Official Cash Rate determined by the Reserve Bank. Such interest will be charged as a cost to the activity operating expenses and be rated for.
- ❖ If the balance of the Capital Reserve is in funds, then the Council will pay the community of interest in the relevant activity an interest payment set at 25 basis points less than the Official Cash Rate determined by the Reserve Bank. Such interest will accrue to the activity's Capital Reserve.

The capital expenditure for the Council's Tekapo lakefront commercial development will be funded out of land sales.

7. FUNDING THE ANNUAL NET COST

7.1 Funding Impact Statement for Tourism, Economic Development and Commercial Activities

Mackenzie District Council Funding Impact Statement for 10 Years to 30 June 2025 for Commercial Activities												
	Annual Plan	LTP Year 1	LTP Year 2	LTP Year 3	LTP Year 4	LTP Year 5	LTP Year 6	LTP Year 7	LTP Year 8	LTP Year 9	LTP Year 10	
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	
Sources of operating funding												
General rates, uniform annual general charges, rates penalties	1,071	728	1,076	1,048	1,155	1,104	1,076	948	898	831	730	
Targeted rates (other than a targeted rate for water supply)	224	322	329	338	347	356	367	378	390	403	417	
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-	
Fees, charges, and targeted rates for water supply	-	-	-	-	-	-	-	-	-	-	-	
Internal charges and overheads recovered	1,375	983	1,376	1,370	1,559	1,500	1,468	1,275	1,218	1,130	1,008	
Local authorities fuel tax, fines, infringement fees, and other receipts	1,211	841	4,151	1,523	1,535	2,274	1,654	1,690	1,601	1,343	1,396	
Total operating funding (A)	1739	1418	4782	2184	2285	3027	2413	2395	2311	2046	2091	
Applications of operating funding												
Payments to staff and suppliers	649	729	714	730	730	750	848	880	864	899	909	
Finance costs	-	-	-	-	-	-	-	-	-	-	-	
Internal charges and overheads applied	81	112	170	214	198	238	256	313	350	389	460	
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-	
Total applications of operating funding (B)	730	841	884	944	928	988	1104	1193	1214	1288	1369	
Surplus (deficit) of operating funding (A - B)	1009	577	3898	1240	1357	2039	1309	1202	1097	758	722	
Sources of capital funding												
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-	
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-	
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-	
Total sources of capital funding (C)	0	0	0	0	0	0	0	0	0	0	0	
Applications of capital funding												
Capital expenditure												
to meet additional demand	3,700	-	-	-	-	-	-	-	-	-	-	
to improve the level of service	-	-	-	526	540	556	-	-	-	-	-	
to replace existing assets	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in reserves	-2691	577	3898	714	817	1483	1309	1202	1097	758	722	
Increase (decrease) in investments	-	-	-	-	-	-	-	-	-	-	-	
Total applications of capital funding (D)	1009	577	3898	1240	1357	2039	1309	1202	1097	758	722	
Surplus (deficit) of capital funding (C - D)	-1009	-577	-3898	-1240	-1357	-2039	-1309	-1202	-1097	-758	-722	
Funding balance ((A - B) + (C - D))	0	0	0	0	0	0	0	0	0	0	0	

8. SIGNIFICANT NEGATIVE EFFECTS

There are no significant negative effects associated with this activity.

9. SIGNIFICANT FORECASTING ASSUMPTIONS, UNCERTAINTIES AND RISK MANAGEMENT

9.1 Assumptions and Uncertainties

Inflation

In preparing the long-term plan, the Council is required to use *best estimates* in determining the level of costs to be budgeted in the future. As a result, Council is required to account for the effect of price changes or inflation that is expected to occur over the ten year period.

To develop a consistent approach for local government to account for inflation, the Society of Local Government Managers (SOLGM) contracted Business and Economic Research Limited (BERL) to construct forecasts for inflation.

Council has endorsed the rates produced by BERL and has used these rates as the assumption for accounting for inflation for the preparation of the long-term plan.

	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25
Road	1000	1014	1036	1061	1088	1117	1148	1185	1217	1260
Property	1000	1024	1050	1077	1107	1139	1175	1211	1251	1260
Water	1000	1038	1019	1103	1140	1180	1223	1270	1321	1376
Energy	1000	1038	1078	1123	1171	1224	1281	1344	1413	1487
Staff	1000	1019	1039	1061	1085	1109	1136	1165	1195	1227
Other	1000	1025	1052	1080	1111	1145	1180	1219	1261	1306
Earthmoving	1000	1026	1051	1072	1094	1119	1146	1175	1209	1246
Pipelines	1000	1025	1052	1081	1112	1147	1184	1224	1267	1312

The table above represents the inflation rate increase relative to the base year of June 2015.

Risk and Uncertainties:

Inflationary costs in some areas may increase at a rate different to that forecast. Some types of costs (eg roading and transport costs) have been subject to fluctuations in recent years, so it is inherently difficult to predict trends with accuracy. However, these costs will be mitigated through the annual plan process where the annual adjustment can be made.

Interest Rates

The movement in interest rates has a wide ranging effect on the Council. The Council's cash investments have derived interest at the market rates.

Council assumptions on interest rates are based on the Official Cash Rate (OCR). That rate will be used for calculating interest rates in the table below and will be adjusted annually.

%	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25
OCR Pre 30 June 2012 internal	4.75	5.0	5.25	5.5	5.75	6.0	6.0	6.0	6.0	6.0
Capital reserves in funds	3.5	3.75	4.0	4.25	4.5	4.75	4.75	4.75	4.75	4.75

Post 30 June 2012 Capital Reserves deficits	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
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Risks and Uncertainties:

The interest rates may not move as predicted, and the interest received may be different to that assumed in the forecast financial statements.

Forestry Assets

The Council revalues its forestry assets so that the carrying value is maintained at fair value. It is assumed that the value of the investment will be maintained at its current value.

Risks and Uncertainties:

There is a risk that the value of the forestry asset may change. This would change the Council's financial performance in the year it occurs. It will not have a direct impact on the level of rates or expenditure.

Dividends Received

Alpine Energy Limited:

It has been forecast that the dividend flow from Alpine Energy will be set at \$396,000 for the first year of the long-term plan, rising to \$437,000 by year 10 of the plan. This has been based on the historical performance of the company, and indications from the company as to levels of dividends it is likely to pay.

Risks and Uncertainties:

The actual dividend flow from any of the Council's equity investments is subject to a number of external factors, which the Council may or may not have the ability to influence. As a result, the dividends received may be different to those assumed in the forecast financial statements and will impact the level of rates required as dividends from Alpine Energy Ltd are used to offset the General Rate.

Property Sales and Land Development

This plan assumes that land held by Council considered to be surplus to requirements will be disposed of. Council assumes that any costs of development that may arise will be funded from those sales. The sales income where appropriate has been based on independent valuation.

Risk and Uncertainties:

Council may not attract interested parties willing to purchase or lease land it has for sale.

There is also a risk that the value may vary from that assumed for this plan. Since we have relied on external valuations to quantify the values included, we consider this to be low. However, should the land values fall, Council will postpone sales meaning costs of development and sales will be moved into future years.

9.2 Risk Management

Risk is managed through various Council processes. These include Council policies such as the Investment Policy and controls through Council committees. The Finance Committee has established an Audit and Risk subcommittee which reports to the Finance Committee and Council.

10. PLAN REVIEW / PUBLIC CONSULTATION

Public Consultation of the Activity Management Plan for Tourism and Commercial Activities

The Activity Management Plan for Tourism, Economic Development and Commercial Activities has been prepared as supporting information for the Mackenzie District Council's 2015-2025 Long Term Plan and the associated Consultation Document. The LTP will be adopted following consultation under the special consultative procedure as required by the Local Government Act 2002.

Review of the Activity Management Plan for Tourism and Commercial Activities

A full review of the Activity Management Plan for Tourism, Economic Development and Commercial Activities will be conducted as part of the preparation for the next Mackenzie District Council Long Term Plan.

SCHEDULE 1: REAL ESTATE PORTFOLIO: SURPLUS LAND AS AT MARCH 2015

Mackenzie District Council owns land that it has identified as surplus to council's requirements. The Council holds this land in its Real Estate Portfolio to develop, sell or lease as it sees fit to ensure the best possible return for the District as a whole.

Within the Real Estate Portfolio, the areas of freehold land that the Council has identified for disposal are listed on the Council's website:

http://www.mackenzie.govt.nz/Site/Documents_and_Policy/key_documents/Council_Surplus_Land.aspx

These are as follows:

Fairlie/Cave

- Three parcels of land on Mount Nessing Road.
- Industrial land behind the Fairlie industrial area on Dobson View Road.
- Industrial land on the corner of the Geraldine/Fairlie Highway and Fox View Road.
- A section on Argyle Street.

Tekapo

- Several lots of land bordered by the Twizel-Tekapo Highway, Lakeside Drive and the Tekapo Motor Camp.
- Land between the lakefront and the current business area, described as the Tekapo Lakefront Development. This is a two-stage development with work underway on stage one.

Twizel

- Land bordered by Ohau Road and North West Arch.
- A section of land on Ohau Road.
- Five lots of land on Glen Lyon Road.
- Land in Market Place between the shops and Two Thumb Drive.
- Land currently occupied by the old public toilets (no longer in use) and the early learning centre (planning to move).
- Multiple lots of land at Pukaki Airport.

It should be noted that some of this land is currently under negotiation with potential buyers.

Council may review its portfolio and make decisions from time to time that other land may be surplus to the Council's requirements. Such land may be also disposed of at any time that the Council deems appropriate⁴. The Council will update its list on the website, at least annually.

⁴ Depending on the status of the land, separate consultation may be required as part of the decision-making process (for example any decision to dispose of a strategic asset such as recreation land or a portion of road). Any decisions regarding those certain types of land will be made in accordance with the Council's Significance and Engagement Policy and the Local Government Act, if relevant.

MACKENZIE DISTRICT COUNCIL

REPORT TO: MACKENZIE DISTRICT COUNCIL
SUBJECT: LAND SALES AT ALBURY
MEETING DATE: 28 APRIL 2015
REF: LAN 4/1
FROM: WAYNE BARNETT, CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:

To obtain Council's confirmation in relation to an exemption under Section 40(1)(a) of the Public Works Act 1981.

STAFF RECOMMENDATIONS:

1. That the report be received.
2. That Council resolve that it would be unreasonable, impractical or unfair to offer Lots 1, 2, 3 or 4 DP 406550 back to a previous owner on the basis that the land is subject to a consent notice that prohibits building development until such time as the lots are amalgamated with a neighbouring allotment.

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

ATTACHMENTS:

- Email from Murray Weakley of Anthony Harper dated 20 April 2015.
- Consent notice 7874580.2

BACKGROUND:

Council has identified Lots 1, 2, 3 and 4 DP 406550 as being surplus to requirements and staff are preparing to dispose of the lots.

The extent of offer back obligations under the Public Works Act has been reviewed to determine if it is appropriate that the land be offered back to previous owners.

POLICY STATUS:

Not applicable.

SIGNIFICANCE OF DECISION:

This decision is not significant in terms of Council's Significance and Engagement Policy.

ISSUES & OPTIONS:

The attached email sets out that the Lots are subject to restrictions contained in Consent Notice 787458012 (see attached).

The restrictions justify an exemption to Sec 40(2)(a) of the Public Works Act 1981.

The Public Works Act requires a resolution from a local authority to confirm an exemption.

CONCLUSION:

This is essentially an administrative procedure that enables staff to proceed with Council's intention that the Lots be sold.

From: Murray Weakley [<mailto:Murray.Weakley@ah.co.nz>]

Sent: Monday, 20 April 2015 4:31 p.m.

To: Wayne Barnett

Subject: RE: Sale of Surplus Land - Gravel pits

Wayne

I have obtained searches of the titles for the three gravel pits you identified on Mt Nessing Road. I am sending copies of the titles for your information as attachments to this email.

I confirm that the lots are all held by MDC in its own right as estates in fee simple and Council is therefore free to sell these lots.

I note that all three lots are subject to consent notice 7874580.2 (a copy of which is also attached). This consent notice specifies that "No building development of the lot shall take place until such time as the lot is amalgamated with a neighbouring allotment."

I consider that the lots when taken in conjunction with the consent notice make it impractical, unreasonable or unfair to sell the land in accordance with the provisions of section 40 of the Public Works Act and Council is therefore entitled to proceed with the sale of these lots to the neighbouring owner in each case.

Regards

Murray Weakley

Partner - Property

| DDI: +64 3 364 3801 | MOB: +64 21 363 885

Linked 

CONO 7874580.2 Cons

Cpy - 01/01, Pgs - 001, 10/07/08, 12:01



DocID: 21222329



CONSENT NOTICE

In the matter of the subdivision of PT RS 15921, PT RS 15923, PT RS 15924, PT RS 17517 & PT RS 17518:

Pursuant to Sections 220 and 221 of the Resource Management Act 1991, the Mackenzie District Council on 29 April 2008, approved the subdivision consent application for PT RS 15921, PT RS 15923, PT RS 15924, PT RS 17517 & PT RS 17518 in RM080029 subject to Lots 1, 2, 3, 4 and 5 LT 406550 incorporating the following condition:

“No building development of the Lot shall take place until such time as the Lot is amalgamated with a neighbouring allotment.”

Dated at Fairlie this 21st day of May 2008

CHIEF EXECUTIVE OFFICER