

# MACKENZIE DISTRICT COUNCIL

## MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON FRIDAY 7 MAY 2010 AT 11.00 AM

### **PRESENT:**

Simon McDermott (Chairman)  
John O'Neill (Mayor)  
Graham Smith  
Leon O'Sullivan  
Graeme Page  
Dave Pullen  
Evan Williams

### **IN ATTENDANCE:**

Paul Morris (Manager – Finance and Administration)  
Rosemary Moran (Committee Clerk)

### **II MINUTES:**

Resolved that the Minutes of the meeting of the Finance Committee held on 26 March 2010 be confirmed and adopted as the correct record of the meeting.

**Graham Smith/Leon O'Sullivan**

### **III REPORTS:**

#### 1. FINANCIAL REPORT – JANUARY 2010

This report from the Manager – Finance and Administration was accompanied by the financial reports for the period to March 2010.

Resolved that the reports be received.

**Graeme Page/Graham Smith**

The Manager – Finance and Administration spoke to the report and undertook to advise members of the details of variances.

#### 2. MACKENZIE TOURISM AND DEVELOPMENT BOARD STATEMENT OF INTENT:

The Chairman welcomed Lesley O'Hara, Chairman of the Mackenzie Tourism and Development Trust, and Philip Brownie, General Manager of Destination Mt Cook Mackenzie.

The Committee considered a report from the Manager – Finance and Administration which was accompanied by the draft Statement of Intent for the Trust for the year ended 30 June 2011 and budgets for the Trust, Lake Tekapo I-SITE, Lake Pukaki Visitor Centre, Twizel Information centre and Mackenzie Winter Marketing.

Resolved that the report be received.

**Graham Smith/Evan Williams**

Ms O'Hara said the Trust was happy with the way things had gone in the previous 12 months. She said the District was the only region in Canterbury with continued growth in guest nights from month to month and was second highest in the country behind Queenstown. The Statement of Intent was designed to build on that success for the next three years. She acknowledged the support of Council, noting that its faith in, and commitment to tourism was starting to pay dividends.

Mr Brownie referred to the targeted tourism rate and said more operators were being included and further gaps had been identified, eg operators who were not doing business from rateable properties. He anticipated that by the end of the year the Trust would have a new targeted rate recommendation for Council to consider for the 2011/2012 year.

Cr McDermott referred to the burden of dealing with waste on the District as a whole and suggested there could be an opportunity to target tourism operators who generated significant waste streams.

It was noted that freedom campers and holiday house rental properties were also cases in point.

Ms O'Hara said that the Tourism Industry Association was promoting a change in legislation to limit freedom camping to users of self-contained vehicles. She encouraged Council to support the TIA initiative and push for legislative change.

Mr Brownie referred to the *Alps to Ocean* cycleway project, noting that the feasibility study was progressing well and on target to be completed by 31 May 2010. There had been couple of challenges to do with access issues on properties near Oamaru; about eight parties had already expressed interest in establishing commercial operations for the cycleway and the Prime Minister was to open the last two kilometres in Oamaru on 21 May 2010.

Mr Brownie said that the second draft budget for the project was \$3.3m of which \$330,000 was a contingency and there was \$270,000 worth of associated costs. The grant from government was \$2.75m. Work to reduce the costs was ongoing and the Working Party was comfortable that the final cost would be within 10% of the target.

In response to a question from Cr McDermott about the risk, Mr Brownie said that the ownership of cycleways would rest with TLAs in the long term. He noted that the Council had vested the Mackenzie Tourism and Development Trust with responsibility for the project and the Working Party would have to make it work.

The Mayor suggested that ongoing maintenance costs could post a greater risk than a possible over run in the construction budget.

Mr Brownie said that the Council had already made it clear that the Working Party had to find a way to maintain the cycleway. The Waitaki District Council had undertaken to pick up some maintenance costs but the Working Party was not looking to the Mackenzie District Council to do the same. He said a plan he been put in place which was not about Council paying for maintenance; it was about users and beneficiaries, however there would naturally be some crossovers. He noted that the Working Party was working with a technical advisory group from the Ministry of Tourism.

Cr Smith asked if the Working Party was adamant that the project would cost no more than \$2.75m. Mr Brown said that was the case, and sponsors would have to be found if it did cost more. He said the Department of Conservation was contributing about \$70,000.

Cr McDermott asked that the Council be kept informed of any issues earlier rather than later.

Resolved that the Council adopts the Statement of Intent for the Mackenzie Tourism and Development Trust for the year ended 30 June 2011.

**Dave Pullen/Graeme Page**

^ The Mayor thanked the visitors who left the meeting at 12.00 pm.

3. PUKAKI AIRPORT COMMITTEE STATEMENT OF INTENT:

This report from the Manager – Finance and Administration was accompanied by the draft Statement of Intent for the Pukaki Airport Board for the year ended 30 June 2011 and the subsequent two years.

Resolved that the report be received.

**Evan Williams/Graeme Page**

The Chairman welcomed Pukaki Airport Committee members Derek Kirke (Chairman), Bruce Anderson and Rick Ramsay.

Mr Kirke noted that the supplementary information dated 17 April 2010 had been circulated which was the response to an email from Cr McDermott.

He said the key issues in the paper referred to a recent survey of the average cost of subdivisions, the summary of achievements to date and dividend to Council

He also noted the minutes of the teleconference of directors held on 17 April 2010. He referred in particular the discussion on the importance of having building activity at the airport to illustrate to prospective buyers what could be achieved.

Rick Ramsay said that although there had been some activity towards the development of hangars it was likely to be some years before any building began. He said the directors felt it was of major importance to have some activity on the airfield to encourage more section sales. They had proposed that a hanger/accommodation be built on one of their lots on the site.

Mr Kirke said that the cost was expected to be between \$120,000 and \$200,000 and that it could be rented for between \$20,000 to \$25,000 pa.

Cr McDermott said the proposal might not yield a qualitative return on investment but would have the object of encouraging further investment. It was the same motivation which had prompted the decision to install the BP fuel tank.

In response to a suggestion that a joint venture be investigated, Mr Ramsay said that the reality was that they owned a number of unsold sections and had no need to rely on a partnership arrangement which could limit flexibility in choosing the right place for a hangar.

He said that both the Omarama and Waitaki airfields were trying to emulate the development at the Pukaki Airfield. Pukaki's competition would come from those airfields which already enjoyed significant activity. It was time to act to avoid the potential for users to shift south.

Resolved that a proposed design and budget for a purpose-built asset at the Pukaki Airfield be developed.

**Dave Pullen/Evan Williams**

The Chairman noted that the directors' fees were to be reduced by \$5,000 per annum.

He referred to the provision which had been made in the budget for general maintenance work to be done at the airport and the decision to delay consideration of the appointment of an airport manager until activity had increased significantly.

Mr Kirke said that a dividend to Council would have to come from capital reserves. He reminded the Council that when the airport company had been dissolved the Council had made it clear that it wanted its money back as soon as possible. That money had been repaid. Secondly it had been decided that capital revenue and income from the airfield was to be retained in a separate account for the purpose of running the airfield. The Council had made it clear that no future capital or ratepayer funds would be invested in the airport. Thirdly the Board had to retain autonomy within its Statement of Intent and Terms of Reference to run the business. Therefore the directors considered it would be unwise in terms of the future of the airfield, to pay out dividends from the capital reserve account. He noted that more sales were needed and that the Board was running a deficit due to the current low interest rates.

Cr Page said he was worried that the Council might never see a return from the airport.

Mr Ramsay said the Council set up an independent company to run the airfield because it didn't want ratepayers to have any risk. Public airfields cost money just like swimming pools. He said in addition many people had bought sections on the understanding they were on an independently run airfield. The rules were changed and new ones set up and now there was a move to change the rules again with the suggestion that Council wanted a dividend. He said that didn't send a good signal to either the buyers or the directors. It needed to be noted that the confidence of buyers would be tested if they saw a company with no funds, eg when the day came to reseat the runway it couldn't be done because the Council had taken out the capital.

Cr Page suggested it had always been intended that the Council would be paid a dividend at some stage.

Mr Kirke reiterated that the Terms of Reference stated that once Council had been repaid the original capital it had invested, all income and capital reserves from the airfield should remain in an airfield account. A dividend would be paid out only when

the airfield was making a profit. He said that while it was impossible to foretell when the airfield might generate a surplus; any dividends paid out now would have to come out of capital reserves which he considered would be irresponsible.

Bruce Anderson said the directors wanted to emphasise the importance of ring-fencing the funds at this stage. He referred to the interest paid on the reserve of which the Council was taking a small margin; in effect gaining a return.

Cr McDermott asked if the directors could foresee a surplus being available.

Mr Kirke said if the airfield was used by a regular, scheduled air service there would be a reasonable chance of that happening. At the moment the airfield generated about \$6,000 per annum in revenue from aviation - growing that would take time.

The Mayor agreed that currently there was too much to do at the airfield to expect Council would get a return. Council's original intention was to retain a public airfield for the District and that had not changed. He said all being well into the future some return might be possible. He said that the directors were well aware that the Council would not be pouring money into the activity.

Mr Anderson said the Council needed to be aware of the interest rate issue, and the substantial fees which the Board had been paid for legal and tax advice. There was no free ride or preference given to them and the directors were comfortable with that.

Resolved:

1. That the report be received.
2. That Council adopts the Statement of Intent for the Pukaki Airport Board for the year ended 30 June 2011 and the subsequent two years.

**Dave Pullen/Graham Smith**

The Mayor thanked the visitors and invited them to have lunch with the Committee.

The meeting was adjourned at 12.59 pm for lunch and reconvened at 1.22 pm.

4. ALPINE ENERGY LTD – STATEMENT OF INTENT:

This report from the Manager – Finance and Administration was accompanied by Alpine Energy Limited's Draft Statement of Corporate Intent 2010/2013.

Resolved that the report be received.

**Graeme Page/Evan Williams**

The Councillors discussed potential opportunities for the District through support of the Aoraki Foundation.

The Councillors unanimously support in principle the concept of supporting the Foundation.

The Manager – Finance and Administration undertook to develop a report on the effect of diverting dividends from Alpine Energy Ltd to the Aoraki Foundation.

Resolved that Alpine Energy Limited's Draft Statement of Corporate Intent for 2010 and two succeeding years be approved.

**Graeme Page/Evan Williams**

5. BANCORP QUARTERLY REPORT:

This report from the Manager – Finance and Administration advised Councillors of the performance of the Council's investment portfolio managed by Bancorp Treasury Services Limited.

Resolved that the report be received.

**Leon O'Sullivan/Graham Smith**

6. 2010/11 FEES AND CHARGES – PLANNING, BUILDING, ANIMAL CONTROL AND HEALTH AND LIQUOR:

This report from the Manager – Planning and Regulations presented proposed fees for Planning, Building, Animal Control and Health and Liquor activities for the 2010/2011 year. The report was accompanied by the existing 2009/10 fees.

Resolved:

1. That the report be received.
2. That the existing 2009/2010 fees for Planning, Building, Animal Control and Health and Liquor activities for the 2010/2011 year be approved.
3. That the following new charges be introduced:
  - \$20 for a Certificate of Title search, and
  - \$300 fee for issuing an abatement notice.

**The Mayor/Dave Pullen**

Cr Pullen suggested the rates and use pays proportions of the fees be reviewed.

7 FEES AND CHARGES REVIEW PENSIONER HOUSING:

This report from the Community Facilities Manager sought to establish new rental rates for pensioner housing in Fairlie and Twizel.

Resolved that the report be received.

**Leon O'Sullivan/Evan Williams**

Resolved that that from 1 July 2010, the following rentals be charged for Council's Pensioner Housing

Single Unit	\$105.00
Double Unit	\$135.00
Single person in a double unit	\$ 120.00

**Simon McDermott/ Graeme Page**

8. TPDA TWIZEL PUBLIC TOILET BUILDING:

This report from the Community Facilities Manager referred to redevelopment opportunities for the Twizel Public Toilets/TPDA building.

Resolved that the report be received.

**Graeme Page /Dave Pullen**

Resolved:

1. That the existing tenants be advised of Council's intentions to consider the redevelopment of the Twizel Public Toilets/TPDA building to enable it to be let for commercial purposes, following the proposed relocation of the public toilets to the Twizel Events Centre site.
2. That Registrations of Interest be sought from potential lessees of the building.

**Dave Pullen/The Mayor**

9. MEDICAL FACILITIES:

This report from the Community Facilities Manager referred to the use of funds available from any sale of doctors' residences.

Resolved that the report be received.

**Graham Smith/Evan Williams**

Resolved:

1. That Council agrees to amend the Long Term Council Community Plan to remove medical houses from the list of Strategic Assets.
2. That Council establishes a capital reserve for medical facilities in the District and that the proceeds of the sale of doctors' residences be credited to this account.
3. That the principal amount within the capital reserve be protected for possible future requirements and that interest be accumulated and directed as appropriate to the needs of the District.

**Graham Smith/Leon O'Sullivan**

10. THE ACQUISITION OF THE TEKAPO 1 INTAKE SHED LAND AND THE GRANTING OF TUNNEL EASEMENTS:

This report from the Asset Manager referred to a request received from the Crown (The Treasury) to obtain Council's consent to:

- i) The acquisition, under the Public Works Act, of the Tekapo intake shed land adjacent to Lake Tekapo.
- ii) Agree in principle to the granting of two easements in gross over Council owned land in favour of meridian Energy Limited to protect the Tekapo A power station tunnel. The easements are required over;
  - a. Council freehold land RD 40370-1
  - b. Lakeside Road vested in Council.

Resolved that the report be received.

**Graeme Page/Simon McDermott**

Resolved:

1. That the Council:

- i) **Consents** to the Crown acquiring under the Public Works Act, the Tekapo intake shed, Part of RD 30471 shown as F on SO 20291 – area 91 square metres, for the generation of electricity.
- ii) **Agrees** in principle to grant Meridian Energy an easement, a right to convey water, to protect the Tekapo tunnel within the Council owned land RD 30470 and RS 40371 contained in CFR CB28F/929.
- iii) **Agrees** in principle to grant an unregistered Easement Deed to meridian Energy, a right to convey water, to protect the tunnel under Lakeside Drive.
- iv) **Notes** that once agreement in (ii) and (III) is given Meridian will submit the easements to the Council for consideration.
- v) **Notes** the preparation of the legal documentation, including costs, is a Crown responsibility.

**Leon O’Sullivan/Dave Pullen**

11. LONG TERM LEASE RESERVE 3587:

This report from the Manager – Finance and Administration referred to an opportunity to lease Reserve 3587, Spur Road, Fairlie, over a term of 50 years..

Resolved:

1. That the report be received.
2. That Council approves entering into a lease for Reserve 3587 subject to its being on a ‘no cost to Council’ basis and final Council approval

**The Mayor/Evan Williams**

**IV PUBLIC EXCLUDED:**

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

1. Property Sale – Fox View Road

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under Section 48(1) for the passing of this resolution</b>
Property Sale Fox View Road	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: *Property Sale Fox View Road* - section 7(2)(b)(ii) - to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied it.

**Graham Smith/Evan Williams**

**THERE BEING NO FURTHER BUSINESS THE  
CHAIRMAN DECLARED THE MEETING CLOSED AT 2.30 PM**

**CHAIRMAN:** \_\_\_\_\_

**DATE:** \_\_\_\_\_