

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN THE SERVICE CENTRE, TWIZEL, ON TUESDAY 28 OCTOBER 2008 AT 9.00 AM

PRESENT:

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

IN ATTENDANCE:

Bernie Haar (Acting Chief Executive Officer)
Paul Morris (Manager – Finance and Administration)
Rosemary Moran (Committee Clerk)

I MINUTES:

Resolved that the Minutes of the meeting of the Finance Committee held on 16 September 2008 including such parts as were taken with the Public Excluded, be confirmed and adopted as the correct record of the meeting.

Dave Pullen /Leon O'Sullivan

MATTERS UNDER ACTION:

5. **Mackenzie County Scholarship Trust:**
Cr McDermott suggested that interviews of scholarship applicants from Twizel be held in Twizel.

II REPORTS:

1. **FINANCIAL REPORTS TO 30 SEPTEMBER 2008:**

This report from the Manager – Finance and Administration was accompanied by the financial reports for the Council for the quarter ended September 2008.

Resolved that the report be received.

Evan Williams/Dave Pullen

- The Manager – Finance and Administration undertook to investigate the draw down for the Tekapo sewer.
- The Manager – Finance and Administration undertook to recommend action for reducing the general rate deficit.
- The Manager – Finance and Administration advised that future reports would be circulated when they had been completed.

2. **CENTRAL SOUTH ISLAND REGIONAL COUNCIL:**

This report from the Chief Executive Officer provided the opportunity for the elected members to consider the Morrison Low report on the financial business case for a Central South Island Regional Council.

Resolved that the report be received.

G Smith/Graeme Page

Resolved:

1. That the Council accepts that the independent analysis shows a sustainable financial business case exists for a Central South Island Regional Council.
2. That the Council agrees to undertake further joint work to advance the concept of a Central South Island Regional Council to the next stage.
3. That the Council notes that up to \$100,000 (Mackenzie District Council share being 5% of total invoice) may be needed to advance this work to completion but that a detailed programme of work and budgets will be presented for consideration in due course
4. That the Mackenzie District Council's ongoing commitment to the process be contingent on each of the Central South Island councils remaining involved.

Graeme Page/Evan Williams

6. MACKENZIE TOURISM AND DEVELOPMENT TRUST – STATEMENT OF INTENT FOR THE YEAR ENDING 30 JUNE 2009:

This report from the Manager – Finance and Administration was accompanied by the Statement of Intent for the Mackenzie Tourism and Development Trust, with budgets for the year ended 30 June 2009.

Resolved that the report be received.

Graeme Page/Evan Williams

The Chairman welcomed Mackenzie Tourism and Development Trustee Kieran Walsh to the meeting.

Mr Walsh advised that the Statement of Intent and budgets had been approved by the Trust.

The potential effects of the economic downturn were discussed. Cr O'Sullivan said the Chairman and General Manager realised there would be difficult times ahead and he expected the situation would be addressed at the next meeting of the Trustees.

Cr Page asked what progress had been made with respect to the development aspect of the Trust's responsibilities. Cr O'Sullivan said that the Trust was working with the Pukaki Airport and was also in the process of developing a brief to produce an economic snapshot of the District.

Resolved that the Mackenzie Tourism and Development Trust Statement of Intent and Budgets for the year ended 30 June 2009 be adopted.

Dave Pullen/Graham Smith

Mr Walsh left the meeting at 10.13 am

3 LEASE REVIEW:

This report from the Manager – Finance and Administration provided details of the Council's leases which were currently in place and the status of each one.

Resolved that the report be received.

Graham Smith/Graeme Page

The need was noted to update the list and investigate the following issues:

- Land below Fairlie sewerage ponds
- Is Albury Domain vested in Council?
- Kindergartens
- Medical Centres

Resolved that the Chairman and Cr Page, with the Manager – Finance and Administration, review and provide recommendations on Council's leases.

The Mayor/Evan Williams

5. MACKENZIE FORESTRY BOARD STATEMENT OF INTENT:

This report from the Manager – Finance and Administration was accompanied by the draft Statement of Intent for the Mackenzie Forestry Board and 2008/09 Budget.

Resolved that the report be received.

Graeme Page/The Mayor

The Chairman referred to the need for a 10 year plan to illustrate the impact of, and support the Board's request to Council that the annual lease rate on land used by the Forestry Board be reduced from 4% to 3%.

It was agreed that the consideration of the recommendations in the Manager – Finance and Administration report be deferred until after the next meeting of the Mackenzie Forestry Board.

The Chairman requested that information on the Emissions Trading Scheme to be circulated to Councillors.

The meeting was adjourned at 10.36 am for morning tea and reconvened at 11.00 am.

6. BANCORP QUARTERLY REPORT:

This report from the Manager – Finance and Administration was accompanied by the quarterly report to September 2008 on the performance of the Council's investment portfolio managed by Bancorp Treasury Services Limited.

Resolved that the report be received.

The Mayor/Evan Williams

4 REVIEW OF INVESTMENTS POLICY:

This report referred to the Council's Long Term Funds Portfolio and was accompanied by the Investment Policy and two letters from Bancorp dated 24 October 2008 which provided a review of the Council's Treasury Policy and commentary on the two American Investment Bank 'Kauri' bonds currently held by the Council in its Long Term Funds portfolio.

Resolved that the report be received.

The Mayor/Evan Williams

Cr Page expressed a preference for Council's funds to be invested only in NZ based institutions with concrete assets. However, it was also noted that such a policy could reduce the opportunity for maximum returns.

Resolved:

- 1 That the report be received.
2. That following table relating to 'Fixed Rate Hedging Percentages' be incorporated into the 'External Liability Management Policy'.

FIXED RATE HEDGING PERCENTAGES

	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 to 2 years	50%	100%
2 years to 5 years	30%	80%
5 years to 10 years	0%	50%

- 3 In the TP under the heading 'Financial Investments' and sub-heading 'Risk Management' counterparties can be selected on the basis of their 'Standard and Poor's ("S&P") ratings, or the Moody's Investor Services ("Moody's") or Fitch Ratings ("Fitch") equivalents'.
3. That the table titled 'Authorised Investment Criteria' in the current TP be replaced with the following table which aggregates both short and long term investments.

Authorised investment Criteria for Short Term and Long Term Portfolios

Authorised Asset Classes	Overall Portfolio Limit As a percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents	Limit for each issuer subject to overall portfolio limit for issuer class
NZ Govt or Government Guaranteed	100%	- Government Stock - Treasury Bills	Not Applicable	Unlimited
Local Authorities where rates are used as security	70%	- Promissory Notes - Bonds/MTNs/FRNs	Not Applicable	\$3.0 million \$3.0 million

NZ Registered Banks	100%	- Call/Deposits/Bank	Short term S & P Rating of A1 or better	\$10.0 million
		- Bills/Promissory Notes		
		- Bonds/MTNs/FRNs	Long term S & P rating of A+ or better	\$5.0 million
State Owned Enterprises	60%	- Commercial Paper	Short term S & P rating of A2 or better	\$2.0 million
		- Bonds/MTNs/FRNs	Long term S & P rating of BBB+ or better	\$2.0 million
			Long term S & P rating of A+ or better	\$3.0 million
Corporates	60%	- Commercial Paper	Short term S & P rating of A1 or better	\$3.0 million
		- Bonds/MTNs/FRNs	Long term S & P rating of A or better	\$1.0 million
			Long term S & P rating of A +or better	\$3.0 million

5. That the provision relating to non qualifying investments (due to a ratings downgrade) be changed to state 'Investments that no longer comply with minimum rating criteria due to a rating downgrade must be referred to the Manager – Finance and Administration in the first instance and must be sold within one month of the downgrade being notified unless Council formally approves the continued holding of the investment.

6. That based on current market conditions, (especially the determination of central governments to resolve the credit market crisis) and the specific situation regarding the Morgan Stanley and Merrill Lynch bonds, that the Mackenzie District Council continues to hold these bonds. (Note – Bancorp will however continue to monitor market conditions, and the two issuers, and should there be any change to this recommendation we will inform MDC immediately.)

The Mayor /Dave Pullen

**THERE BEING NO FURTHER BUSINESS THE
CHAIRMAN DECLARED THE MEETING CLOSED AT 11.30 PM**

CHAIRMAN: _____

DATE: _____