



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

Membership of the Finance Committee:

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

Notice is given of a meeting of the Finance Committee to be held on Tuesday 19 July, 2016, following the Asset and Services Committee Meeting.

VENUE: Mackenzie District Council Chambers, Fairlie

BUSINESS: As per agenda attached

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER



FINANCE COMMITTEE

Agenda for Tuesday 19 July 2016

APOLOGIES:

DECLARATIONS OF INTEREST:

CONFIRM MINUTES:

That the minutes of the Finance Committee meeting held on June 7, 2016, including such parts taken with the public excluded, be adopted and confirmed as a correct record of the meeting.

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VISITORS:

10:45am Mark Wells, Chief Executive, YHA New Zealand National Office

12:30pm Jason Beck, Manager Support Services and Scott Linton, IT Services Manager, Hurunui District Council.

REPORTS:

- | | |
|---|----|
| 1. YHA Concept Plans (report attached) | 10 |
| 2. Financial Report (attached). | 12 |
| 3. Bancorp Report (attached) | 41 |
| 4. Vehicle Replacement Policy Review (attached) | 57 |
| 5. Grant for Fire Fighting Equipment Lake Alexandrina Outlet (attached) | 63 |
| 6. IT Services Presentation | |

PUBLIC EXCLUDED RESOLUTION:

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

1. Chief Executive Officer Review – distributed to Councillors prior
2. Previous Public Excluded Minutes of the Finance Committee 7 June 2016

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
Chief Executive Officer Review	Commercial Sensitivity	48 (1)(a)(i) 48(1)(a)(i)
Previous minutes Public Excluded Minutes of the Finance Committee 7 June 2016	Commercial Sensitivity	

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: *Previous Finance Committee minutes, Chief Executive Review 7(2)(b)(ii)*.

ADJOURNMENTS: 10:30am - Morning Tea
12:30pm - Lunch

**MACKENZIE DISTRICT COUNCIL
MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD
IN THE MACKENZIE COUNCIL CHAMBERS, FAIRLIE, ON
TUESDAY JULY 19 2016, AT 10:38AM**

PRESENT:

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

IN ATTENDANCE:

Wayne Barnett, Chief Executive Officer
Paul Morris, Finance Manager
Toni Morrison, Projects and Administration Manager left 10:47am.
Keri-Ann Little, Committee Secretary

APOLOGIES:

Resolved: that an apology be received from Cr Evan Williams

Mayor/ Cr Armstrong

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

Resolved: that the minutes of the meeting of the Finance Committee held on 26 April, 2016, be confirmed and adopted as the correct record of the meeting.

Resolved: that the minutes of the meeting of the Tekapo Property Group held on 24 May 2016, be confirmed and adopted as the correct record of the meeting, including such parts as were taken with the public excluded.

Resolved: that the minutes of the meeting of the Pukaki Airport Board held on 4 May 2016, be confirmed and adopted as the correct record of the meeting, including such parts as were taken with the public excluded.

The Chair asked that the Committee accept all committee and subcommittee minutes as resolved above.

Cr Leslie/ Cr Cox

REPORTS:

EMERGENCY GENERATOR FOR TEKAPO COMMUNITY CENTRE:

The purpose of this report from Ms Morrison was for the Committee to consider whether it is necessary to buy a generator for Lake Tekapo.

Ms Morrison noted that the back-up system in place from the use of a generator supplied by Alpine Energy is sufficient with no cost to the ratepayers. She added that in an emergency event residents are encouraged to stay in their homes, the Tekapo Community Hall would not be a civil defence emergency core centre, however it would be used if resident's homes became uninhabitable.

Ms Morrison informed the Committee that in the next financial year there is no available budget for capital works.

The Chair stated that confirmation was required regarding the position of the generator. He said Council must assure residents that the generator from Alpine Energy will not be removed if it is required elsewhere in a civil defence emergency.

Mr Morris said the electricity companies have placed generators in place to remove criticism from the public.

Cr Cox noted that Tekapo Emergency Services have their own generator for ambulance, fire and fuel.

Resolved:

1. that the report be received.

Cr Jackson/ Mayor

2. that the Finance Committee do not purchase a generator for the Tekapo Community Centre at this time subject to confirmation from Alpine Energy for the use of their generator.

Cr Cox/ Mayor

FINANCIAL ACTIVITY REPORT FOR THE PERIOD ENDING APRIL 2016:

Mr Morris provided the financial report for Council for the period ending February 2016.

Resolved that the report be received.

Cr Jackson/ Cr Armstrong

BANCORP QUARTERLY REPORT – MARCH 2016:

The purpose of this report from Mr Morris was to inform the Committee of the performance of the Council's investment portfolio, which is managed by Bancorp Treasury Services Limited (Bancorp), accompanied by the quarterly report from Bancorp to 31 March 2016.

Resolved: that the report be received.

Mayor/ Cr Jackson

Mr Morris asked the Committee to note an application for purchase of Genesis Energy bonds was scaled back due to high demand.

PUBLIC EXCLUDED RESOLUTION:

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

1. Development of Land at Lakeside Drive, Lake Tekapo
2. Tekapo Lakefront Development
3. Previous Minutes Finance Committee 26 April 2016
4. Previous Minutes Tekapo Property Group 24 May 2016
5. Previous Minutes Pukaki Airport Board 4 May 2016

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
Development of Land at Lakeside Drive, Lake Tekapo	Commercial Sensitivity	48(1)(a)(i)
Previous minutes Finance Committee 26 April 2016	Commercial Sensitivity	48(1)(a)(i)
Previous minutes Tekapo Property Group 24 May 2016	Commercial Sensitivity	48(1)(a)(i)
Previous minutes Pukaki Airport Board 4 May 2016	Commercial Sensitivity	48(1)(a)(i)
Tekapo Lakefront Development	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: *Development of Land at Lakeside Drive Lake Tekapo, Tekapo Property Group minutes; Pukaki Airport Board, Previous Finance Committee minutes and Tekapo Lakefront Development 7(2)(b)(ii).*

Cr Leslie/ Cr Armstrong

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 10:15AM

CHAIRMAN: _____

DATE: _____

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: YHA CONCEPT PLANS FOR TEKAPO DEVELOPMENT

MEETING DATE: 19 JULY 2016

REF:

FROM: WAYNE BARNETT, CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:

For Council to approve the YHA proposed backpacker development amended concept plans on Lot 4 of the Lakefront Development.

STAFF RECOMMENDATIONS:

1. That the report be received.
2. That the Finance Committee recommend Council to grant approval of the amended concept plans for YHA's proposed backpacker development, as per clause 62c of the Sale and Purchase Agreement.

OR

3. That the Finance Committee recommend Council not to grant approval of the amended concept plans for YHA's proposed backpacker development, as per clause 62c of the Sale and Purchase Agreement.

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

ATTACHMENTS:

- Concept Plans to be presented to the meeting by YHA.

BACKGROUND:

As part of the Sale and Purchase Agreement that Council has with the YHA, clause 62c requires the YHA to provide Council with a concept design plan, and to seek their approval.

An initial version of the proposed concept design was approved by the Finance Committee on 24 November 2015 and subsequently approved by Council on 18 December 2015.

YHA wish to alter their design largely to accommodate District Plan requirements. They are now seeking approval of the amended concept design.

CONCLUSION:

It is recommended that the Committee confirm its approval of the updated concept plans for the YHA development.

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: FINANCIAL REPORT

MEETING DATE: 19 JULY 2016

REF: FIN 1/2/1

FROM: MANAGER – FINANCE AND ADMINISTRATION

ENDORSED BY: CHIEF EXECUTIVE OFFICER

PURPOSE OF REPORT:

Attached is the financial report for Council for the period ended May 2016.

STAFF RECOMMENDATIONS:

1. That the report be received.

WAYNE BARNET
CHIEF EXECUTIVE OFFICER

**Mackenzie District Council
Finance Report
For The Period Ended May 2016**

LYTD Actual May 2015	GOVERNANCE	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
328,482	General Rates	362,951	362,951	-	✓		395,947
23,364	Targeted Rates	23,100	23,100	-	✓		25,200
22,241	Other Income	27,938	33,687	(5,749)	✗	1	36,750
374,087	Total Income	413,989	419,738	(5,749)			457,897
	Expenses						
56,300	Employment Expenses	56,055	54,114	(1,941)	✗		59,034
274,318	Members Expenses	282,599	294,661	12,062	✓	2	321,450
720	Consultancy Expenses	10,330	24,291	13,961	✓	3	26,500
42,753	Administration Expenses	46,640	42,350	(4,290)	✗	4	46,200
-	Operational and Maintenance	16	-	(16)	✗		-
-	Internal interest Expense	-	219	219	✓		239
264	Depreciation	-	-	-	✓		-
4,858	Internal Charges	9,937	4,101	(5,836)	✗	5	4,474
379,214	Total Expenses	405,577	419,736	14,159			457,897
(5,127)	Operating Surplus/(Deficit)	8,412	2	8,410			-

Variance Analysis:

1. Recoverable services are less than budget due to the timing of the water zone committee reimbursements.
2. Members expenses for conferences, training and election expenses less than budgeted year to date. Election costs are expected to increase over the next three months. The budget for election costs is spread over the prior three years.
3. Consultancy expenses are \$9,000 less than budgeted. We also had a budget for legal fees of \$4,583 with nothing incurred to date.
4. Administration expenses are ahead of budget year to date due to a number of smaller annual subscription charges not phased across the year and mobile telephone costs of \$4,352.87 higher than the budget of \$2,750.
5. Internal charges for mileage higher than forecast due to increased vehicle use. This is however a rate less than the costs of reimbursement under the remuneration authority guidelines.

Operating and Capital Reserves

264	Add back Non Cash Items	-	-				-
(264)	Transfer Funded Depreciation to Capital Reserve	-	-				-
(5,127)	Operating Surplus/(Deficit)	8,412	2				-
(5,127)	Total Operating Reserves	8,412	2				-

	Equity						
(4,771)	Opening Balance	(3,945)	(4,771)				(4,771)
264	Transfer Funded Depreciation from Operating Reserve	-	-				-
(4,507)	Total Capital Reserves	(3,945)	(4,771)				(4,771)

Mackenzie District Council
Finance Report
For The Period Ended May 2016

LYTD Actual May 2015	CORPORATE SERVICES	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
1,706,859	General Rates	2,005,062	2,005,062	-	✓		2,187,340
94,143	Other Income	116,563	105,737	10,826	✓	1	129,350
100,885	Internal Income	114,529	113,438	1,091	✓		123,751
(692)	Internal Interest Income	2,844	226	2,618	✓		247
(3,643)	Gain on Sale - Assets	-	-	-	✓		-
1,897,552	Total Income	2,238,998	2,224,463	14,535			2,440,688
	Expenses						
1,146,428	Employment Expenses	1,292,575	1,273,292	(19,283)	✗	2	1,387,381
211,188	Consultancy Expenses	226,547	137,597	(88,950)	✗	3	149,605
300,936	Administration Expenses	323,588	355,995	32,407	✓	4	377,270
205,771	Operational and Maintenance	272,767	274,322	1,555	✓		299,261
8,281	Internal interest Expense	6,352	9,142	2,790	✓		9,974
113,349	Depreciation	140,591	140,597	6	✓		153,378
55,866	Internal Charges	55,042	56,973	1,931	✓		62,153
(14,948)	Loss On Sale and Assets Written Off	-	-	-	✓		-
2,026,871	Total Expenses	2,317,461	2,247,918	(69,543)			2,439,022
(129,320)	Operating Surplus/(Deficit)	(78,463)	(23,455)	(55,008)			1,666

Variance Analysis:

- Other Income is higher than budgeted as rates penalties received are much higher this year. This is due in part to the slower payment of rates this year, and the amount of penalties is higher as the rates increase.

2. Employment expenses are over budget in the administration area due to additional staff employed and the final pay for an employee, and at this stage over budget in the Asset Management area due to the allocation of Bernie Haar's time to the roading business unit yet to be made. This is offset by savings made in the IT department due to the IT Manager position being disestablished. Consultancy expenses will increase due to the collaboration with Hurunui for IT services. \$10,000 has been paid to Hurunui in June for IT services. Savings have also been made in the finance department with the Management Accountant being paid most of the year through consultancy expenses above.
3. Consultancy expenses are ahead of budget due to additional legal fees incurred for the Fairlie Camping Ground, and the Twizel WWTP. Extra costs were also associated with the High Country Medical Trust, and the monthly management reporting.
4. Administration expenses are less than budget due to the timing of the audit fees. They are expected to be on budget for the full year.

Operating and Capital Reserves

(129,320)	Operating Surplus/(Deficit)	(78,463)	(23,455)				1,666
(129,320)	Total Operating Reserves	(78,463)	(23,455)				1,666

	Equity						
(112,900)	Opening Balance	(91,619)	(167,936)				(167,936)
112,431	Transfer Funded Depreciation from Operating Reserve	140,536	139,573				152,261
(137,122)	Transfer Capital Expenditure from Operating Reserve	(56,129)	(110,166)				(112,000)
-	Transfers between Reserves	1,560	1,710				1,866
(137,590)	Total Capital Reserves	(5,651)	(136,819)				(125,809)

Capital Expenditure

	Administration - District						
535	0018925. Plant and Equipment	-	-	-	✓		-
535	Total Administration - District	-	-	-	✓		-
	Council Building - Fairlie						
782	0088935. Furniture & Fittings - Admin	4,741	-	(4,741)	✗	1	-
1,681	0088940. Furniture & Fittings - Other	3,766	2,750	(1,016)	✗	2	3,000
2,463	Total Council Building - Fairlie	8,507	2,750	(5,757)	✗		3,000

	Council Building - Twizel						
13,112	0098916. Building Renovations	-	-	-	✓		-
2,731	0098940. Furniture & Fittings - Other	1,054	1,833	779	✓		2,000
15,843	Total Council Building - Twizel	1,054	1,833	779	✓		2,000
	Information Technology Support						
2,399	0788001. Records Mngt Program	375	7,000	6,625	✓		8,000
-	0788002. PC Server	-	0	0	✓		0
-	0788004. Virtual Server	20,994	20,000	(994)	✗		20,000
-	0788006. GIS Aerials	13,775	-	(13,775)	✗	3	-
174	0788010. Network Infrastructure	-	1,833	1,833	✓		2,000
482	0788011. Communications Equipment	-	-	-	✓		-
19,600	0788012. Software	12,049	18,000	5,951	✓	4	18,000
-	0788014. Web site development	-	28,000	28,000	✓	5	28,000
-	0788925. Plant and Equipment	-	2,750	2,750	✓		3,000
22,656	Total Information Technology Support	47,193	77,583	30,390	✓		79,000
	Plant Operations						
80,821	2658930. Vehicles	34,060	28,000	(6,060)	✗	6	28,000
80,821	Total Plant Operations	34,060	28,000	(6,060)	✗		28,000
122,318	Total Capital Expenditure	90,813	110,166	19,353			112,000

Variance Analysis:

- 1 Higher than anticipated costs associated with office furniture from additional staff employed.
- 2 Higher than anticipated costs associated with office furniture from additional staff employed.
- 3 A payment for GIS aerials was required this year due to being part of the consortium. This had been budgeted for in subsequent years.
- 4 Software spending is under budget year to date, however further costs have been incurred in June, expected to be on budget at year end.
- 5 Website development costs budgeted for but not required due to the website being reskinned in the previous year. \$19,000 is planned to be spent in June on the Info Council software. This will allow the creation of templated reports, minutes and resolutions.
- 6 Purchase of Roding vehicle made in advance of budget timing. The appropriate vehicle was \$6,000 over the budget allowance.

**Mackenzie District Council
Finance Report
For The Period Ended May 2016**

LYTD Actual May 2015	WATER	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
884,330	Targeted Rates	835,952	836,108	(156)	✗		912,119
-	Investment Income	-	4,187	(4,187)	✗		4,568
(6,135)	Other Income	(10,048)	149,689	(159,737)	✗	1	155,388
11,649	Financial Contributions	123,649	-	123,649	✓	2	-
2,750	Internal Income	2,750	2,750	-	✓		3,000
44,441	Internal Interest Income	5,246	2,867	2,379	✓		3,128
937,035	Total Income	957,549	995,601	(38,052)			1,078,203
	Expenses						
-	Employment Expenses	-	10,083	10,083	✓		11,000
3,618	Consultancy Expenses	-	1,833	1,833	✓		2,000
10,428	Administration Expenses	55,179	33,323	(21,856)	✗	3	36,354
387,638	Operational and Maintenance	537,480	421,437	(116,043)	✗	4	459,751
-	Finance Expense	-	3,128	3,128	✓		3,412
53,760	Internal interest Expense	43,518.54	50,595	7,076	✓		55,194
433,026	Depreciation	454,498	454,509	11	✓		495,827
2,750	Internal Charges	2,750	2,750	-	✓		3,000
891,221	Total Expenses	1,093,425	977,658	(115,767)			1,066,538
45,814	Operating Surplus/(Deficit)	(135,876)	17,943	(153,819)			11,665

Variance Analysis:

- Other income has a debit balance due to a refund of rates levied in error. Also budget for Council share of the Albury water supply is spread evenly across the year but is not received until year end.
- Financial Contributions are not budgeted for as they are dependent upon developer activity.

3. Administration expenses are ahead of budget due to rates expenses being charged to the activity that incurs them. These are paid in full for the year and have not been budgeted for. Insurance is also higher than budget this year by \$5,882.
4. Operational and maintenance costs are ahead of budget due to seasonal increase in contractor spend associated with the Twizel tobies felling, breaks in the Kimbell line and Whitestone collecting more data for consent compliance. Electricity costs were higher than budgeted due to costs for The Drive booster. Maintenance costs on the Allandale Water Supply are over budget by \$14,746 due to didymo blocking the intake filter and restrictors of tanks, autumn leaf litter blocking the intake screen and a number of leaks within the reticulation.

Operating and Capital Reserves

45,814	Operating Surplus/(Deficit)	(135,876)	17,943				11,665
45,814	Total Operating Reserves	(135,876)	17,943				11,665

	Equity						
1,014,566	Opening Balance	236,321	(1,819,897)				(1,819,897)
11,649	Transfer - Financial Contributions	123,649	-				-
-	Transfer - from Operating Reserve	-	800				800
408,463	Transfer Funded Depreciation from Operating Reserve	425,912	414,831				452,543
(1,008,123)	Transfer Capital Expenditure from Operating Reserve	(2,148,468)	(1,450,533)				(1,451,400)
-	Transfers between Reserves	11,920	13,113				14,305
426,555	Total Capital Reserves	(1,350,667)	(2,841,686)				(2,803,649)

Capital Expenditure

	Fairlie Community Water Supply						
110,000	0118201. Town Reticulation - Renewal	-	-	-	✓		-
303	0118204. Head Works - Renewal	-	-	-	✓		-
15,449	0118206. Service Connections - Renewal	-	-	-	✓		-
14,365	0118211. Treatment - New	-	-	-	✓		-
140,116	Total Fairlie Community Water Supply	-	-	-	✓		-
	Manuka Terrace Water Supply						
13,860	0238210. Headworks	-	-	-	✓		-
13,860	Total Manuka Terrace Water Supply	-	-	-	✓		-
	Tekapo Community Water Supply						

5,100	0128211. Treatment - New	-	-	-	✓		-
2,213	0128251. Reticulation - Renewal	-	-	-	✓		-
7,313	Total Tekapo Community Water Supply	-	-	-	✓		-
	Twizel Community Water Supply						
25,876	0138206. Service Connections - Renewal	-	-	-	✓		-
70,288	0138210. HeadWorks - New	-	-	-	✓		-
753,804	0138211. Treatment - New	-	-	-	✓		-
536	0138212. Servie Connections - New	-	-	-	✓		-
303	0138251. Fire Hydrant Markers	-	-	-	✓		-
3,578	0138807. Resource Consent Costs	-	-	-	✓		-
3,390	0138980. Community Assets- Water Supply	-	-	-	✓		-
444	0138984. Water Meters	-	-	-	✓		-
858,218	Total Twizel Community Water Supply	-	-	-	✓		-
	Combined Water						
-	0248201. Town Reticulation - Renewal	500,334	511,000	10,666	✓	1	511,000
-	0248204. Head Works - Renewal	36,933	-	(36,933)	✗	2	-
-	0248205. Treatment - renewal	523,618	930,000	406,382	✓	3	930,000.00
-	0248206. Service Connections - Renewal	48,507	-	(48,507)	✗	4	-
-	0248211. Treatment - New	847,244	-	(847,244)	✗		-
-	0248251. Fire Hydrant Markers	2,160	-	(2,160)	✗		-
-	0248281. Reticulation - Renewal	189,673	-	(189,673)	✗	5	-
-	0248980. Community Assets- Water Supply	-	9,533	9,533	✓		10,400
-	Total Combined Water	2,148,468	1,450,533	(697,935)	✗		1,451,400
1,019,507	Total Capital Expenditure	2,148,468	1,450,533	(697,935)			1,451,400

Variance Analysis:

1. Budget in this area was originally for the renewal of the Twizel line, however the actual spend to date was on replacement of the Kimbell line.
2. These costs are for the sealing of the Tekapo Reservoir.
3. There is further expenditure to come in this area with a power cable to be laid in Glen Lyon Road (through Grant Hocking's property). This will now occur in September.
4. This is replacement of the Twizel tobies. These costs will be ongoing and were not budgeted for.
5. These costs are for the renewal of the Twizel line.

**Mackenzie District Council
Finance Report
For The Period Ended May 2016**

LYTD Actual May 2015	SEWER	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
422,619	Targeted Rates	406,361	406,366	(5)	✗		443,309
6,699	Other Income	5,329	5,500	(171)	✗		6,000
9,536	Financial Contributions	162,674	-	162,674	✓	1	-
35,714	Internal Interest Income	65,258	42,360	22,898	✓	2	46,211
474,568	Total Income	639,623	454,226	185,397			495,520
	Expenses						
-	Consultancy Expenses	11,407	-	(11,407)	✗	3	-
6,870	Administration Expenses	37,866	9,644	(28,222)	✗	4	10,521
134,806	Operational and Maintenance	145,119	134,699	(10,420)	✗	5	146,944
4,159	Internal interest Expense	-	5,413	5,413	✓		5,905
271,689	Depreciation	296,428	296,421	(7)	✗		323,369
417,523	Total Expenses	490,820	446,177	(44,643)			486,739
57,044	Operating Surplus/(Deficit)	148,803	8,049	140,754			8,781

Variance Analysis:

1. Financial Contributions are not budgeted for as they are dependent upon developer activity.
2. Internal interest income is ahead of budget year to date, due to the capital expenditure being behind schedule.
3. Unbudgeted consultancy expenses have arisen due to late invoices for valuation fees relating to the prior year and legal expenses for the Twizel Waste Water Treatment plant.
4. Administration expenses are ahead of budget due to rates expenses paid in full for the year and not budgeted.
5. Operational and maintenance expenses are ahead of budget year to date due to higher than forecast contractor expenses resulting from the sewer spill in December, unbudgeted sewer blockages and other work correcting the low dissolved oxygen level in Tekapo and Twizel.

Operating and Capital Reserves

57,044	Operating Surplus/(Deficit)	148,803	8,049				8,781
57,044	Total Operating Reserves	148,803	8,049				8,781

	Equity						
1,399,313	Opening Balance	1,622,816	1,320,313				1,320,313
9,536	Transfer - Financial Contributions	162,674	-				-
271,689	Transfer Funded Depreciation from Operating Reserve	296,428	296,422				323,369
(79,945)	Transfer Capital Expenditure from Operating Reserve	(268,778)	(775,000)				(902,000)
1,600,592	Total Capital Reserves	1,813,140	841,735				741,682

Capital Expenditure

	Fairlie Community Sewerage						
7,648	0278401. Sewer Reticulation Renewal	-	-	-	✓		-
13,366	0278403. Sewer Pump Station Renewal	-	-	-	✓		-
862	0278410. New Reticulation - Eversley	-	-	-	✓		-
21,875	Total Fairlie Community Sewerage	-	-	-	✓		-
	Tekapo Community Sewerage						
5,837	0288265. Pump Station - new work	-	-	-	✓		-
5,762	0288401. Sewer Reticulation - Renewal	-	-	-	✓		-
11,598	Total Tekapo Community Sewerage	-	-	-	✓		-
	Twizel Community Sewerage						
1,073	0298410. Sewer Reticulation - New	-	-	-	✓		-
45,399	0298411. Sewer Treatment - New	-	-	-	✓		-
46,472	Total Twizel Community Sewerage	-	-	-	✓		-
	Urban Sewerage						
-	0258401. Sewer Reticulation Renewal	9,767	775,000	765,233	✓		902,000
-	0258411. Sewer Treatment - New	241,998	-	(241,998)	✗		-
-	Total Urban Sewerage	251,765	775,000	523,235	✓	1	902,000
79,945	Total Capital Expenditure	251,765	775,000	523,235			902,000

Variance Analysis:

1. Project has now commenced. Behind schedule year to date.

Mackenzie District Council
Finance Report
For The Period Ended May 2016

LYTD Actual May 2015	STORMWATER	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
74,756	Targeted Rates	72,668	72,681	(13)	✗		79,288
1,062	Financial Contributions	2,086	-	2,086	✓	1	-
8,694	Internal Interest Income	17,503	7,739	9,764	✓	2	8,443
84,512	Total Income	92,256	80,420	11,836			87,731
	Expenses						
291	Administration Expenses	9,587	596	(8,991)	✗	3	650
27,069	Operational and Maintenance	13,570	23,192	9,622	✓		25,300
56,771	Depreciation	56,639	56,632	(7)	✗		61,781
84,131	Total Expenses	79,795	80,420	625			87,731
381	Operating Surplus/(Deficit)	12,461	-	12,461			-

Variance Analysis:

1. Financial Contributions are not budgeted for as they are dependent upon developer activity.
2. Internal interest income received on capital reserves is ahead of budget year to date due to higher levels of reserves held than forecast.
3. Administration expenses are higher than budgeted as the rates have been paid in full this year, and were not budgeted for.

Operating and Capital Reserves

381	Operating Surplus/(Deficit)	12,461	-				-
381	Total Operating Reserves	12,461	-				-

	Equity						
397,208	Opening Balance	402,334	241,229				241,229
1,062	Transfer - Financial Contributions	2,086	-				-
56,771	Transfer Funded Depreciation from Operating Reserve	56,639	56,633				61,781
(58,042)	Transfer Capital Expenditure from Operating Reserve	(1,976)	-				-
397,000	Total Capital Reserves	459,082	297,862				303,010

Capital Expenditure

	Tekapo Stormwater						
58,042	0578456. S/Water Structure - New	-	-	-	✓		-
58,042	Total Tekapo Stormwater	-	-	-	✓		-
	Combined Stormwater						
-	0598807. Resource Consent Costs	1,976	-	(1,976)	✗		-
-	Total Combined Stormwater	1,976	-	(1,976)	✗		-
58,042	Total Capital Expenditure	1,976	-	(1,976)			-

Mackenzie District Council
Finance Report
For The Period Ended May 2016

LYTD Actual May 2015	ROADING	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
1,208,834	Targeted Rates	872,581	872,637	(56)	✗		951,968
2,017,954	Subsidies and Grants	1,784,665	1,114,527	670,138	✓	1	1,584,000
28,411	Other Income	31,404	23,375	8,029	✓		25,500
5,413	Internal Interest Income	-	5,944	(5,944)	✗		6,484
3,260,612	Total Income	2,688,649	2,016,483	672,166			2,567,952
	Expenses						
101,293	Employment Expenses	111,901	139,295	27,394	✓	2	151,958
83,573	Consultancy Expenses	97,872	64,917	(32,955)	✗	3	95,000
1,817	Administration Expenses	11,438	-	(11,438)	✗	4	-
2,175	Internal interest Expense	13,889	1,617	(12,272)	✗	5	1,764
1,036,823	Roadings	1,051,480	1,012,504	(38,976)	✗	6	1,172,640
1,729,319	Depreciation	1,724,261	1,724,257	(4)	✗		1,881,006
9,084	Internal Charges	11,170	12,549	1,379	✓		13,690
2,964,083	Total Expenses	3,022,010	2,955,139	(66,871)			3,316,058
296,529	Operating Surplus/(Deficit)	(333,361)	(938,656)	605,295			(748,106)

Variance Analysis:

- Subsidies and grants income is higher than forecast due to more LTNZ capital works subsidy claimed than forecast year to date. \$64,456 of petrol tax has been received year to date, this was not budgeted for in 2016.
- Employment expenses are less than forecast year to date due to the lower oncharge of management time. This will be corrected at year end.
- Consultancy expenses are over budget \$33,000 due to \$26,000 in collaboration costs associated with roading tenders and an extra \$5,253 on legal fees for the Clayton Road realignment and roading tenders, which were not budgeted for.
- No budget had been allowed for administration fees however costs have been incurred for advertising, insurance, subscriptions and telephone.
- Internal interest expense is over budget due to higher capital reserve balances than forecast.
- Roadings expenses - more detailed variance explanation is provided with the detailed roading expenses report.

Operating and Capital Reserves

296,529	Operating Surplus/(Deficit)	(333,361)	(938,656)				(748,106)
296,529	Total Operating Reserves	(333,361)	(938,656)				(748,106)

	Equity						
580,439	Opening Balance	141,469	149,973				149,973
1,729,277	Transfer Funded Depreciation from Operating Reserve	1,476,353	839,257				915,553
-	Transfer NZTA Capital Subsidy	505,424	454,932				857,128
(2,488,512)	Transfer Capital Expenditure from Operating Reserve	(1,808,733)	(1,126,333)				(1,871,140)
-	Transfers between Reserves	-	483,387				527,331
(178,796)	Total Capital Reserves	314,514	801,216				578,845

Capital Expenditure

	District wide Roding						
456,995	2548211. Unsealed Road Metalling	596,000	596,000	-	✓		596,000
482,545	2548212. Sealed Road Resurfacing	671,312	-	(671,312)	✗		671,540
44,661	2548213. Drainage Renewal	54,107	60,000	5,893	✓		60,000
155,283	2548214. Sealed Road Pavement Rehabilitation	210,139	173,000	(37,139)	✗		173,000
40,267	2548215. Structures Component replacements bridges	-	15,000	15,000	✓		20,000
-	25482151. Structures Component replacements cattels	-	6,400	6,400	✓		6,400
39,253	2548222. Traffic Services Renewals	37,417	63,433	26,016	✓		69,200
3,120	2548231. Associated Improvements	-	-	-	✓		-
76,278	2548310. Footpaths - Surfacing	-	20,000	20,000	✓		20,000
415,330	2548341. Minor Improvements	237,917	187,500	(50,417)	✗		250,000
80,000	2548396. Manuka Terrace	-	-	-	✓		-
683,630	2548451. Walking and Cycling Projects	-	-	-	✓		-
2,477,362	Total District wide Roding	1,806,891	1,121,333	(685,558)	✗	1	1,866,140
	Roding Professional Services						
17,511	0868001. Computers	1,592	-	(1,592)	✗		-
532	0868925. Plant and Equipment	-	5,000	5,000	✓		5,000
18,043	Total Roding Professional Services	1,592.16	5,000	3,408	✓		5,000
2,495,405	Total Capital Expenditure	1,808,483	1,126,333	(682,150)			1,871,140

Variance Analysis:

1. Within the District Roading split there are budget alignment issues, but actual total expenditure will match to budgeted total expenditure at year end.

Mackenzie District Council
Detailed Roding Activity
For The Year Ended May 2016

LYTD Actual May 2015		YTD Actual May 2016	YTD Budget May 2016	Variance	Notes	Full Year Budget 30/06/16
184,730	2546111. Sealed Pavement Mtce	178,249	176,917	(1,332)	✗	193,000
301,899	2546112. Unsealed Pavement Mtce	275,183	307,267	32,084	✓	335,200
96,344	2546113. Routine Drainage Mtce	72,711	87,083	14,372	✓	95,000
22,198	25461131. Drainage Mtce - St Cleaning	14,415	22,917	8,502	✓	25,000
52,249	2546114. Structures Maintenance Bridges	103,738	77,625	(26,113)	✗	103,500
9,902	25461141. Structures Maintenance Cattlestops	1,795	8,000	6,206	✓	8,000
157,074	2546121. Environmental Mtce	142,054	118,433	(23,621)	✗	129,200
58,407	2546122. Traffic Services Mtce	25,678	41,012	15,334	✓	44,740
33,023	25461221. Street Lighting - Maintenanc	65,588	36,667	(28,921)	✗	40,000
38,726	25461222. Street Lighting - Electricit	40,991	45,833	4,842	✓	50,000
-	2546140. Minor Events	-	-	-	✓	50,000
-	2546288. Emergency Reinstatement	65,780	-	(65,780)	✗	-
10,052	2546301. Street Lights - Mtce - Trans	7,423	5,500	(1,923)	✗	6,000
8,821	2546302. Street Lights-Elect - Transi	8,791	11,000	2,209	✓	12,000
21,229	2546303. Drainage Mtce - St Cleaning Transit	13,660	6,875	(6,785)	✗	7,500
24,634	2546304. Footpaths	30,115	32,083	1,968	✓	35,000
-	2546305. New Year Road Sweep	5,311	35,292	29,981	✓	38,500
17,535	2546306. Alps2ocean	-	-	-	✓	-
1,036,823		1,051,480	1,012,504	(38,976)		1,172,640

Variance Analysis:

- The total years budget has been spent on Bridge maintenance with no further costs to be incurred this year.
- Costs for environmental maintenance include snow clearance/ice gritting costs from July/August last year. Ongoing vegetation control, therefore will reduce spend in other areas to reduce the impact on this budget.
- Street lighting maintenance expenses are ahead of budget for the full year due to an unbudgeted full street light audit required by the Electricity Authority costing \$8,463. Further work is to be carried out arising from the audit with costs coming through in April. Maintenance is also tracking higher than usual due to the replacement cost of Low Pressure Sodium bulbs. The LED replacement programme should address this issue over time.
- Emergency reinstatement costs relate to the snow event in the prior financial year. These costs were not budgeted however they have been approved for NZTA subsidy. There are additional costs still to be incurred as works are not yet complete.

**Mackenzie District Council
Finance Report
For The Period Ended May 2016**

LYTD Actual May 2015	SOLID WASTE	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
121,055	General Rates	153,166	153,166	-	✓		167,090
464,555	Targeted Rates	542,677	538,140	4,537	✓		587,062
133,818	Other Income	226,833	133,009	93,824	✓	1	145,100
-	Internal Interest Income	687	11	676	✓		12
500	Gain on Sale - Assets	-	-	-	✓		-
719,928	Total Income	923,363	824,326	99,037			899,264
	Expenses						
31,293	Employment Expenses	39,307	30,871	(8,436)	✗	2	33,677
17,244	Consultancy Expenses	13,160	25,116	11,956	✓	3	27,400
8,290	Administration Expenses	9,822	9,525	(297)	✗		10,390
641,040	Operational and Maintenance	825,877	687,224	(138,653)	✗	4	749,700
10,993	Internal interest Expense	34,248	33,122	(1,126)	✗		36,133
18,755	Depreciation	17,831	17,834	3	✓		19,455
2,973	Internal Charges	5,275	5,562	287	✓		6,068
730,587	Total Expenses	945,520	809,254	(136,266)			882,823
(10,659)	Operating Surplus/(Deficit)	(22,158)	15,072	(37,230)			16,441

Variance Analysis:

- Other income is ahead of budget due to increased income from RRP gate sales. \$46,311 in funding was received for a glass stockpile utilisation project, this amount is countered under operational expenses, as noted under point 4. below.
- Employment expenses are over budget due to a mismatch between leave accrual and budget allocation. This will be corrected at year end.
- Consultancy expenses are less than budgeted as only a portion of the education programme and contributions have been incurred this financial year.
- Operational and maintenance costs are ahead of budget due to an increase in waste being received that exceed forecasted volumes, an increase in disposal costs associated with metal and reduced return on recyclable materials. \$46,311 was also paid out for the glass utilisation project mentioned in 1. above.

Operating and Capital Reserves

(10,659)	Operating Surplus/(Deficit)	(22,158)	15,072				16,441
(10,659)	Total Operating Reserves	(22,158)	15,072				16,441

	Equity						
(448,033)	Opening Balance	(431,927)	(792,054)				(792,054)
14,553	Transfer Funded Depreciation from Operating Reser	14,179	14,179				15,469
-	Transfers between Reserves	(330,594)	14,872				16,227
(433,480)	Total Capital Reserves	(748,343)	(763,003)				(760,358)

**Mackenzie District Council
Finance Report
For The Period Ended May 2016**

LYTD Actual May 2015		YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
216,249	General Rates	360,906	360,906	0	✓		393,716
96,131	Other Income	135,213	113,025	22,188	✓	1	123,300
16,440	Reserve Contributions	127,240	110,000	17,240	✓	2	120,000
11	Internal Interest Income	-	23	(23)	✗		25
328,831	Total Income	623,359	583,954	39,405			637,041
	Expenses						
228,138	Employment Expenses	295,617	388,920	93,303	✓	3	424,277
199,212	Consultancy Expenses	384,411	362,083	(22,328)	✗	4	395,000
10,110	Administration Expenses	4,975	15,125	10,150	✓	5	16,500
753	Operational and Maintenance	2,419	6,875	4,456	✓	6	7,500
0	Internal interest Expense	61,614	51,669	(9,945)	✗	7	56,366
22	Depreciation	33	27	(6)	✗		30
4,576	Internal Charges	5,959	6,452	493	✓		7,039
442,811	Total Expenses	755,027	831,151	76,124			906,712
(113,980)	Operating Surplus/(Deficit)	(131,669)	(247,197)	115,529			(269,671)

Variance Analysis:

1. Other income is ahead of budget due to higher than forecast levels of LIM Reports.
2. Reserve contributions are higher than budget as more subdivisions were completed than anticipated.

3. Employment Expenses are under budget due to delays in employing planning staff. There is currently a vacancy for a policy planner.
4. Consultancy expenses are currently over budget due to larger spends associated with the District Plan review and Plan Change 13.
5. Administration expenses are less than forecast due to publication and legislation costs that are incurred later in
6. Operational and maintenance costs are less than forecast due to the budget for the Heritage Fund spread evenly across the year but not paid until year end.
7. Internal Interest Expense is over budget due to higher capital reserve balances than forecast. This has resulted in the planning activity incurring higher interest expense.

Operating and Capital Reserves

(113,980)	Operating Surplus/(Deficit)	(131,669)	(247,197)				(269,671)
(113,980)	Total Operating Reserves	(131,669)	(247,197)				(269,671)

	Equity						
631	Opening Balance	-	(1,235,398)				(1,235,398)
22	Transfer Funded Depreciation fr	33	27				30
0	Transfers between Reserves	(1,392,205)	45,324				49,444
653	Total Capital Reserves	(1,392,172)	(1,190,047)				(1,185,924)

Mackenzie District Council
Finance Report
For The Period Ended May 2016

LYTD Actual May 2015	REGULATORY	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
36,553	General Rates	24,673	24,673	-	✓		26,916
141,966	Targeted Rates	151,351	151,351	-	✓		165,110
369,475	Other Income	538,611	459,505	79,106	✓	1	501,280
487	Internal Interest Income	646	923	(277)	✗		1,007
548,481	Total Income	715,281	636,452	78,829			694,313
	Expenses						
268,502	Employment Expenses	269,704	289,347	19,643	✓	2	315,652
30,537	Consultancy Expenses	80,705	33,917	(46,788)	✗	3	37,000
49,135	Administration Expenses	18,786	56,743	37,957	✓	4	61,900
113,639	Operational and Maintenance	123,139	187,917	64,778	✓	5	205,000
4,503	Internal interest Expense	4,878	4,148	(730)	✗		4,525
41,591	Depreciation	38,071	38,069	(2)	✗		41,530
23,706	Internal Charges	27,503	26,426	(1,077)	✗		28,828
531,613	Total Expenses	562,786	636,567	73,781			694,435
16,868	Operating Surplus/(Deficit)	152,495	(115)	152,610			(122)

Variance Analysis:

- Other income is ahead of budget with Building consents and LIMS up approximately \$140,000 year to date. This is offset by the Liquor licencing revenue yet to be received for the 2016 year.
- Employment expenses are under budget as there were vacant positions in the building department.
- Consultancy expenses are higher than forecast year to date as this now includes all costs to be oncharged to clients, with the corresponding income showing in the Other Income line above. This month the BCA Fee of \$16,202 was incurred which was not budgeted for this year. This building audit was brought forward due to the staffing changes that have occurred this year.
- Administration expenses are less than budget due to insurance costs not yet incurred.
- Operational and maintenance expenditure is currently less than forecast due to the Health and Liquor Licencing contract yet to be received.

Operating and Capital Reserves							
16,868	Operating Surplus/(Deficit)	152,495	(115)				(122)
16,868	Total Operating Reserves	152,495	(115)				(122)

Equity							
(86,294)	Opening Balance	(51,967)	(64,751)				(64,751)
41,591	Transfer Funded Depreciation from Operating Reserve	38,071	36,699				40,035
(9,246)	Transfer Capital Expenditure from Operating Reserve	(62,500)	(70,000)				(86,000)
0	Transfers between Reserves	1,140	1,259				1,373
(53,949)	Total Capital Reserves	(75,256)	(96,793)				(109,343)

Capital Expenditure							
Civil Defence							
9,246	0108925. Plant and Equipment	-	10,000	10,000	✓	1	25,000
9,246	Total Civil Defence	-	10,000	10,000	✓		25,000
Rural Fires							
-	0838925. Plant and Equipment	7,500	5,000	(2,500)	✗	2	6,000
-	0838930. Vehicles	55,000	55,000	0	✓		55,000
-	Total Rural Fires	62,500	60,000	(2,500)	✗		61,000
9,246	Total Capital Expenditure	62,500	70,000	7,500			86,000

Variance Analysis:

- 1 There was provision in the budget for a generator to be installed at the Tekapo Community Centre. This will now not go ahead.
- 2 Rural fire spend is over budget due to the timing of the budget spread and expenditure of \$1500 for the purchase of a GPS unit. This level of spending was approved by Council.

Mackenzie District Council
Finance Report
For The Period Ended May 2016

LYTD Actual May 2015	COMMUNITY FACILITIES	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
300,850	General Rates	286,643	286,642	1	✓		312,701
757	Subsidies and Grants	757	605	152	✓		660
113,461	Other Income	112,862	120,062	(7,200)	✗	1	130,750
2,592	Internal Interest Income	4,730	4,270	460	✓		4,658
417,660	Total Income	404,991	411,579	(6,588)			448,769
	Expenses						
28,409	Administration Expenses	31,885	26,367	(5,518)	✗	2	28,764
328,595	Operational and Maintenance	345,143	342,022	(3,121)	✗		361,110
13,213	Internal interest Expense	18,960	18,813	(147)	✗		20,523
45,122	Depreciation	55,985	55,754	(231)	✗		60,823
415,338	Total Expenses	451,972	442,956	(9,016)			471,220
2,321	Operating Surplus/(Deficit)	(46,981)	(31,377)	(15,604)			(22,451)

Variance Analysis:

- Other income is less than forecast as burial fees are less than budget by \$9,409, while the rental from the Fairlie Pensioner Housing is greater than budget by \$4,493.
- Administration expenses are over budget as the rates and insurance for the Twizel Medical Centre of \$3,297 were unbudgeted, the insurance for the Fairlie Pensioner Housing was up \$3,894 this year, and the rates and insurance for the Twizel Pensioner Housing was up by \$3,000. This is offset by a reduction in public toilet spend with rates and insurance overbudgeted of \$3,194 and Fairlie Medical Centre insurance over budgeted by \$1,455.

Operating and Capital Reserves							
2,321	Operating Surplus/(Deficit)	(46,981)	(31,377)				(22,451)
2,321	Total Operating Reserves	(46,981)	(31,377)				(22,451)

Equity							
8,745	Opening Balance	(303,939)	(277,370)				(277,370)
45,122	Transfer Funded Depreciation from Operating Reserve	37,571	35,175				38,373
(303,006)	Transfer Capital Expenditure from Operating Reserve	(35,844)	(465,000)				(465,000)
(249,139)	Total Capital Reserves	(302,213)	(707,195)				(703,997)

Capital Expenditure							
Public Toilets							
349,021	1518916. Buildings	34,105	465,000	430,895	✓	1	465,000
349,021	Total Public Toilets	34,105	465,000	430,895	✓		465,000
Pensioner Housing - Twizel							
-	1918925. Plant and Equipment	1,739	-	(1,739)	✗	2	-
-	Total Pensioner Housing - Twizel	1,739	-	(1,739)	✗		-
349,021	Total Capital Expenditure	35,844	465,000	429,156			465,000

Variance Analysis:

1. Tekapo public toilet project is unlikely to proceed so no further capital expenditure expected this financial year.
2. New stoves were purchased for the Pensioner Flats.

Mackenzie District Council
Finance Report
For The Period Ended May 2016

LYTD Actual May 2015	RECREATIONAL FACILITIES	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
105,600	General Rates	135,532	135,624	(92)	✗		147,953
1,258,387	Targeted Rates	1,179,594	1,179,913	(319)	✗		1,287,178
18,411	Subsidies and Grants	18,411	15,627	2,784	✓	1	17,048
189,431	Other Income	224,559	191,802	32,757	✓	2	207,260
4,217	Internal Interest Income	6,086	6,908	(822)	✗		7,535
1,576,046	Total Income	1,564,182	1,529,874	34,308			1,666,974
	Expenses						
86,544	Employment Expenses	86,450	78,676	(7,774)	✗	3	95,763
170,076	Administration Expenses	182,881	232,747	49,867	✓	4	252,826
896,432	Operational and Maintenance	966,415	980,120	13,705	✓	5	1,078,084
23,520	Internal interest Expense	30,935	28,553	(2,382)	✗		31,149
214,247	Depreciation	229,185	229,091	(94)	✗		249,921
-	Internal Charges	-	1,374	1,374	✓		1,499
(87)	Loss On Sale and Assets Written Off	-	-	-	✓		-
1,390,733	Total Expenses	1,495,866	1,550,561	54,695			1,709,242
185,313	Operating Surplus/(Deficit)	68,316	(20,687)	89,003			(42,268)

Variance Analysis:

1. Subsidies and grants income is ahead of budget due to Sport and Recreation NZ grant received in January however budget has been spread evenly across the year. The Creative New Zealand grant is \$1,362 higher than budgeted.
2. Other income is ahead of budget due to extra income received from freedom camping infringements (\$14,409), Fairlie Motor Camp rentals (\$17,854), Lake Alexandrina hut rentals (\$14,000) and rental of the Twizel Community Centre (\$9,361). This extra income was offset by reduced income for the hire of the Lake Tekapo Hall (\$3,881 under budget), Fairlie Swimming pool income (\$10,075 under budget, further income to come in from the schools) and contributions and rentals for the Tekapo township of \$8,983 were budgeted for, with nothing received to date. Twizel Township had budgeted for lease rentals of \$5,796 again nothing has been received to date.
3. Employment expenses are currently showing higher than budget due to Twizel Community Centre costs of \$5,206 which were unbudgeted, and higher Twizel swimming pool staff costs than budgeted, however this is a timing issue due to the budget spread. These are offset by lower than expected costs for the Mackenzie Community Centre (down \$2,336) and the Fairlie Swimming Pool (down \$3,351).
4. Administration expenses are ahead of budget year to date as a grant of \$45,000 was made to the Lake Tekapo Footbridge Committee, this extra expenditure was offset by District rates being charged to other areas. The donation to the Mackenzie Community Enhancement Board of \$6,750 will be made later in the year, a donation budget of \$8,250 in rural works & services has yet to be made, while the Twizel township was charged a further \$8,500 for rates than was budgeted.
5. The maintenance spend has been lower than budget to date with District- General underspent by \$31,949, Twizel Townships down \$43,837 (carpark works and sealing of greenways is unable to proceed until weather permits and will need to be carried through to next year), Twizel Reserves down \$14,839 and the Twizel Community Centre down \$45,292 this has been offset by overspends in the Tekapo township projects (\$59,500 - this will be covered by the Tekapo Township reserve), \$13,000 overspend in the Reserves due to the Autumn planting project at Lake Alexandrina and the litterbin collections (up \$20,000) due to an extra set of bins installed, the Twizel Swimming Pool overspend of \$5,000 related to the pool painting, and an over spend at the Fairlie Swmming Pool due to repairs and replacement of the pump.

Operating and Capital Reserves

185,313	Operating Surplus/(Deficit)	68,316	(20,687)				(42,268)
185,313	Total Operating Reserves	68,316	(20,687)				(42,268)

	Equity						
(589,269)	Opening Balance	(470,451)	(529,034)				(529,034)
116,347	Transfer Funded Depreciation from Operating Reserve	67,914	67,902				74,075
(10,786)	Transfer Capital Expenditure from Operating Reserve	(3,269)	-				-
-	Transfers between Reserves	75,910	83,496				91,087
(483,708)	Total Capital Reserves	(329,896)	(377,636)				(363,872)

Capital Expenditure							
	Fairlie Domain						
-	0958940. Furniture & Fittings - Other	6,392	-	(6,392)	✗	1	-
-	Total Fairlie Domain	6,392	-	(6,392)	✗		-
	Fairlie Township						
80	0528965. Comm Asset - Public Amenities	-	-	-	✓		-
80	Total Fairlie Township	-	-	-	✓		-
	Mackenzie Community Centre						
499	1228925. Plant and Equipment	-	-	-	✓		-
499	Total Mackenzie Community Centre	-	-	-	✓		-
	Tekapo Community Hall						
10,207	1248940. Furniture & Fittings - Other	-	-	-	✓		-
10,207	Total Tekapo Community Hall	-	-	-	✓		-
	Twizel Community Centre						
-	1268925. Plant and Equipment	3,269	-	(3,269)	✗	2	-
-	Total Twizel Community Centre	3,269	-	(3,269)	✗		-
	Twizel Reserves						
18,418	1068192. Other Projects	-	-	-	✓		-
22,462	1068925. Plant and Equipment	-	-	-	✓		-
40,880	Total Twizel Reserves	-	-	-	✓		-
51,666	Total Capital Expenditure	9,661	-	(9,661)			-

Variance Analysis:

1. Washing machines were purchased for the Holiday Park to get this operational again. Rental income will be received to offset this spend due to no budget allocation.
2. A replacement fridge was purchased for the Twizel Community Centre. As there is no budget allocation for this area, this will be covered by an underspend in the repairs and maintenance budget.

**Mackenzie District Council
Finance Report
For The Period Ended May 2016**

LYTD Actual May 2015	COMMERCIAL ACTIVITIES	YTD Actual May 2016	YTD Budget May 2016	Variance			Full year Budget 30/06/16
	Income						
(981,508)	General Rates	(761,324)	(761,414)	90	✓		(830,633)
204,814	Targeted Rates	391,161	395,660	(4,499)	✗		431,633
630,257	Investment Income	442,833	577,307	(134,474)	✗	1	629,792
128,927	Other Income	429,102	157,392	271,710	✓	2	171,700
-	Other Gains and Losses	2,583,127	687,722	1,895,405	✓	3	687,722
134,405	Internal interest Income	261,904	186,001	75,903	✓	4	204,482
-	Asset Impairment	903,066	72,000	831,066	✓	5	72,000
116,895	Total Income	4,249,868	1,314,668	2,935,200			1,366,696
	Expenses						
(41,386)	Other Gains and Losses	-	-	-	✓		0
76,778	Employment Expenses	43,155	33,250	(9,905)	✗	6	36,273
18,385	Members Expenses	16,385	18,333	1,948	✓		20,000
199,901	Consultancy Expenses	153,796	101,750	(52,046)	✗	7	111,000
81,510	Administration Expenses	128,088	79,806	(48,282)	✗	8	87,060
281,857	Operational and Maintenance	404,274	618,282	214,008	✓	9	674,475
114,678	Internal interest Expense	150,509	87,120	(63,389)	✗	10	95,040
72,168	Depreciation	74,910	74,897	(13)	✗		81,707
803,890	Total Expenses	971,117	1,013,438	42,321			1,105,555
(686,995)	Operating Surplus/(Deficit)	3,278,751	301,230	2,977,521			261,141

Variance Analysis:

- Investment income is less than forecast due to the timing of the budget spread evenly across the year, while dividend income from Alpine Energy is received quarterly. Lower than average interest rates are resulting in less interest income received than budgeted.
- Other income is ahead of budget due to an increase of 14,587 in carbon units held, insurance proceeds of \$8,319 received from the snow damaged Pukaki Airport hanger, and real estate income from the Post Office units and income associated with section sales.
- Other gains and losses income of \$2,583,127 relates to proceeds from the sale of land at Tekapo Lakefront Development. Yet to be bought to account is the share of the subdivision costs that relate to this land as well as the land itself. This will occur at year end.
- Internal interest income received on capital reserves is ahead of budget year to date due to higher levels of forestry reserves held than forecast.

5. Asset impairment relates to the revaluation of Carbon credits held at 30 June 2015. The prices of carbon credits have increased significantly from \$6.65 in June 2015 to \$15.75 at the end of May.
6. Employment expenses are over budget due to higher costs in the Tourism area than budgeted, this is from the increase in hours from taking on the NZ Post operation in Twizel. There will be income generated to offset these additional costs.
7. Consultancy fees are over budget due to legal fees arising from the Tekapo development, additional unbudgeted property sales and engineering costs related to the High Country Medical Trust. This is offset by reduced fees in the forestry area.
8. Administration expenses are showing as ahead of budget year to date as the rates expense was higher than budgeted due to rates now being charged to the areas where they belong. There were also unbudgeted payments of \$25,846 for rental for the minigolf site until this land was purchased. This occurred at the end of May.
9. Operational and maintenance expenditure is below budget due to the timing of contribution payments for tourism and economic development that have not yet been made. This is offset by a payment of \$23,675 to Cone Peak Farms for work done in North West Arch in Twizel. This expenditure was approved by Council.
10. Internal Interest Expense is over budget due to higher capital expenditure spent at the beginning of the year which has resulted in capital reserve balances costing the commercial activity higher interest expense.

Operating and Capital Reserves

(686,995)	Operating Surplus/(Deficit)	3,278,751	301,230				261,141
(686,995)	Total Operating Reserves	3,278,751	301,230				261,141

	Equity						
(431,554)	Opening Balance	(1,327,145)	(4,625,533)				(4,625,533)
-	Transfer from Operating reserves	609,360	-				-
-	Transfers between Reserves	-	3,880,400				3,880,400
(431,554)	Total Capital Reserves	(717,785)	(745,133)				(745,133)

Capital Expenditure

	Rental						
670,599	0668920. Building - Renewal	-	-	-	✓		-
670,599	Total Rental	-	-	-	✓		-
	Real Estate						
1,160,657	0818906. Subdivision Costs	2,538,162	-	(2,538,162)	✗	1	-
1,160,657	Total Real Estate	2,538,162	-	(2,538,162)	✗		-
1,831,256	Total Capital Expenditure	2,538,162	-	(2,538,162)			-

Variance Analysis:

1. Tekapo lake front development budgeted for in the prior year. Delayed due to resource consent issues around stormwater. Also costs for the Glen Lyon Road subdivision.

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: BANCORP QUARTERLY REPORT – JUNE 2016

MEETING DATE: 19 JULY 2016

REF: FIN 9/1/9

FROM: CHIEF FINANCIAL OFFICER

PURPOSE OF REPORT:

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

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
CHIEF FINANCIAL OFFICER

ATTACHMENTS:

Appendix 1: Quarterly report from Bancorp Treasury Services to 30 June 2016

PARTICULAR POINTS TO NOTE:

Comparison with the Benchmark

The Council's portfolio increased in value by 1.18%, whereas the benchmark portfolio increased in value by 0.84% over the quarter, therefore the Council's Portfolio outperformed compared to the benchmark.

The main reason why Council's portfolio outperformed the benchmark index is as follows;

Council's portfolio had a longer duration of 2.40 years compared to the benchmark portfolio of 2.08 years. With its longer duration Council's portfolio had a great sensitivity to interest rate movements than the benchmark portfolio and this was able to better capture the value from the fall in yields occurring at the medium and longer end of the yield curve.

Movements in the Portfolio

The portfolio nominally stands at \$3.302 Million. There were no changes to the portfolio during the quarter.

At the end of June the weighted average running yield of Councils bond portfolio was 5.41%.

Policy Adherence

- All financial market investments comply with the counterparty exposure limits as outlined in the Treasury Policy.
- All investments are readily tradable (liquid) on the secondary market.
- The duration of MDC's portfolio at 2.40 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.08 years.
- Assets category percentages are as follows (excluding the call deposit):
 - Registered Banks 76.53%
 - Local Authorities 15.14%
 - State Owned Enterprises 8.33%

Financial Market Movements

The Official Cash Rate remained at 2.25% during the period.

QUARTERLY PORTFOLIO REPORT

PREPARED FOR



For the quarter ended 30 June 2016

PREPARED BY BANCORP TREASURY SERVICES LIMITED



BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

PORTFOLIO REPORT

Below is a summary of the performance of Mackenzie District Council's ("MDC") Long Term Funds Portfolio ("LTFP") and the benchmark portfolio for the quarter ended 30 June 2016.

MDC's LTFP, on an open to close valuation basis with coupons received during the quarter included, increased in value by 1.18%.

MDC portfolio value at 31 March 2016	\$ 3,459,603
MDC portfolio value at 30 June 2016	\$ 3,446,997
Add coupon payments	\$ 53,348
Net purchases/sales/maturities	Nil
Total	<u>\$ 3,500,345</u>
Percentage change in effective cash value	+1.18%

The benchmark portfolio, on an open to close valuation basis with coupons received during the quarter included, increased in value by 0.84%.

The benchmark portfolio, on an open to close valuation basis with coupons received during the quarter included, increased in value by 0.84%.

Benchmark portfolio value at 31 March 2016	\$11,863,175
Benchmark portfolio value at 30 June 2016	\$11,843,558
Add coupon payments	\$ 118,700
Total	\$11,962,258
Percentage change in effective cash value	+0.84%

OVERVIEW

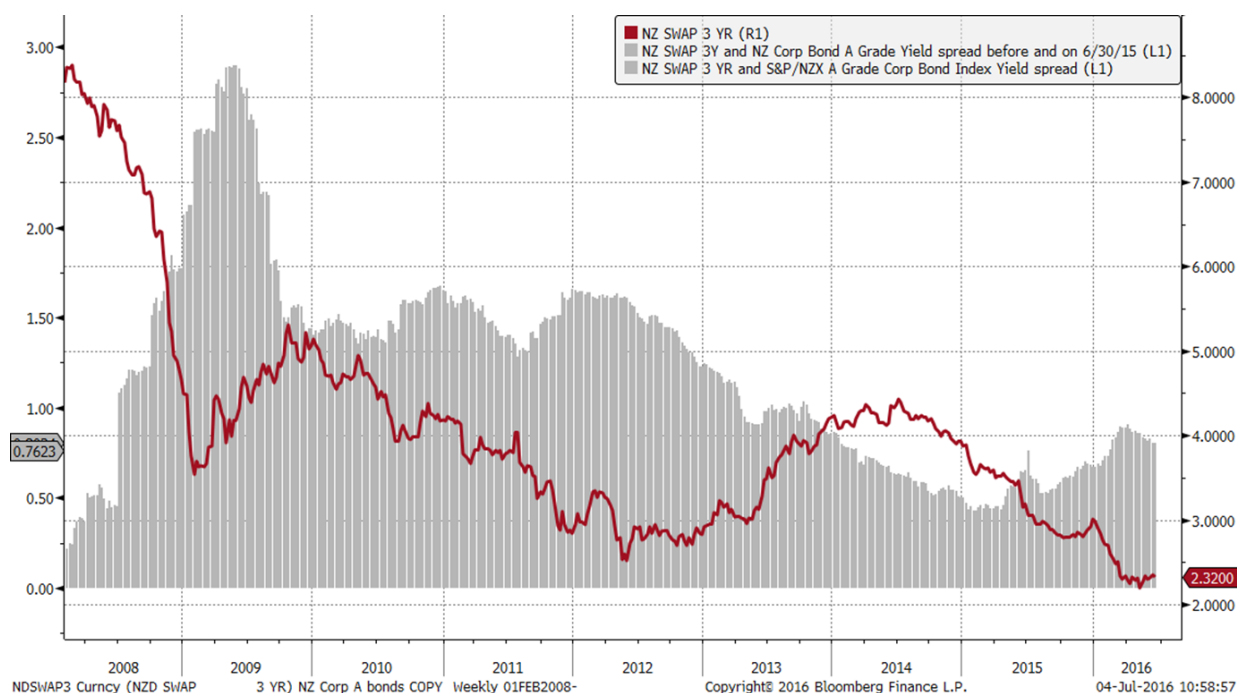
A summary of the performance of MDC's LTFFP during the June 2016 quarter is as follows:

- The LTFFP portfolio outperformed the benchmark index, increasing in value by 1.18% compared to the benchmark portfolio's increase of 0.84%.
- The running yield of the portfolio as at 30 June 2016 was 5.41%.
- The nominal value of the portfolio remained constant at \$3.302 million during the quarter with no maturities and no purchases. Additionally, MDC had \$2.0 million on deposit with Westpac as at 30 June 2016.

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
31 Mar 16	2.25%	2.34%	2.20%	2.27%	2.51%	2.73%	2.98%
30 Jun 16	2.25%	2.41%	2.23%	2.24%	2.33%	2.47%	2.66%
Change	Nil	+0.07%	+0.03%	-0.03%	-0.18%	-0.26%	-0.32%

During the June 2016 quarter, interest rates at the short end of the yield curve were relatively stable, while those at the longer end fell sharply as low global inflation and growth became more entrenched. This resulted in even more sovereign debt trading at a negative yield, while a few highly rated corporates also saw the market yields on their debt slide into negative territory.

The chart below shows credit spreads for the S&P/NZX Corporate 'A' Grade Bond index (the grey shaded area) and the three year swap rate (red line) dating eight years. After increasing during the December 2015 and March 2016 quarters, spreads fell slightly in the June 2016 quarter. At the end of March 2016, the average credit spread of the S&P/NZX Corporate 'A' Grade Bond index was 90 basis points, but fell to 86 basis points by the end of June 2016.



PORTFOLIO ACTIVITY

The LTFP outperformed the benchmark index during the June 2016 quarter, increasing in value by 1.18%, compared to the benchmark's increase of 0.84%.

The LTFP was able to outperform the benchmark index in the June 2016 quarter as it had a longer duration (2.40 years) than the benchmark (2.08 years). With its longer duration, the LTFP had a greater sensitivity to interest rate movements than the benchmark portfolio and thus was able to better capture the value from the fall in yields that occurred at the medium to longer end of the yield curve.

There were no maturities during the quarter and no new bonds were purchased. At 30 June 2016, MDC had \$2.0 million on deposit with Westpac. During the quarter we monitored term deposit rates and bond yields to keep updated on the relativity of the two types of investments so we could advise MDC on the most appropriate form of future investments.

The table below shows the yields on various corporate bonds rated 'BBB' or better as at 30 June that MDC would be able to invest in under its existing Treasury Policy.

Security	Maturity	Coupon	Rating	Yield
----------	----------	--------	--------	-------

Dunedin City Treasury	15-11-16	6.79%	A+	2.67%
Meridian Energy	15-03-17	7.55%	BBB+	3.24%
ASB Bank	08-06-17	6.06%	AA-	2.81%
Contact Energy	24-05-18	4.80%	BBB	3.42%
Transpower	30-11-18	5.14%	AA-	3.03%
PowerCo	20-12-18	6.31%	BBB	3.41%
Rabobank	19-03-19	6.10%	A+	3.31%
ASB sub	15-06-19	6.65%	BBB+	4.84%
Christchurch Airport	06-12-19	5.15%	BBB+	2.94%
Fonterra	25-02-20	5.52%	A-	3.51%
Genesis Energy	23-06-20	8.30%	BBB+	3.39%
Auckland Airport	28-05-21	5.52%	A-	3.08%
Wellington Airport	15-05-21	6.25%	BBB+	3.68%
Spark Finance	25-03-22	4.50%	A-	3.58%

At the end of the June quarter, term deposit rates for 180 day tenors were between 3.20% and 3.25%. When these interest rates are compared to the bond yields in the table above, it is clear that term deposits provide a higher return when similar tenors are analysed. To obtain higher yields from bonds, MDC would have to invest for a significantly longer term and/or invest in entities with a S&P Global Ratings of either 'BBB' or 'BBB+'. However, MDC takes a conservative approach to its investment activities and is limited in the amount that it can invest in these entities.

The running yield of the LTFP as at 30 June 2016 was 5.41%, which delivers considerable benefits over the interest rates available for shorter term money market investments.

GLOBAL MARKETS OVERVIEW (AS AT 30 JUNE 2016)

The June 2016 quarter is one that will be remembered for generations to come, but it did not start out that way. Normality was slowly returning after a rocky start to the year, with volatility subsiding.

Both the Bank of Japan ("BoJ") and European Central Bank ("ECB") held off adding more stimulus and the US Federal Reserve ("Fed") was positioning itself for a potential Fed Funds rate hike in the September quarter. Equities remained elevated and global bond yields continued to drift lower. Commodity prices, particularly oil, halted their downward spiral and were showing signs of life. That all changed a week before the end of the quarter when the UK sent shockwaves throughout global markets with a referendum in which the majority voted to leave the European Union ("EU").

The GBP/USD exchange rate traded at both its highest and lowest levels for the year on the day of the referendum as the projected outcome swung between remain and leave. The

eventual outcome was a vote to leave the EU ('Brexit'), which was a surprise to financial markets and caused the GBP/USD to drop as much as 17 cents to its lowest level since 1985. The referendum result hit stockmarkets hard, as Europe and Asia's main equity indices saw high single digit percentage losses, with double digit losses seen in the banking sector. The referendum has also thrown UK politics into disarray with changes likely at the top of the government and opposition parties.

Central bank action quietened down during the quarter, with the Reserve Bank of Australia ("RBA") the only central bank of note to ease policy. Both ECB and the BoJ refrained from adding to their already sizeable stimulus packages. Surprisingly, the Bank of England ("BoE") remained quiet despite speculation that it would cut interest rates and add further Quantitative Easing thanks to the Brexit result, although it may be waiting for the dust to settle to see what will be the effect on the economy.

As usual, the market monitored the Fed meetings closely as the talk turned slightly more hawkish. The Fed appeared to be priming markets for a Fed Funds rate rise in the coming quarter but any hopes were dashed with the Brexit outcome and an extremely poor non-farm payrolls result of just 38,000 jobs added in May. Financial markets have shifted from at the end of May pricing in a 72% chance of a Fed Funds rate hike by July, to currently pricing a 24% chance of a rate cut. This fact highlights just how much has changed recently.

The volatility and uncertainty have caused an unprecedented tidal wave of capital flow into low yielding government bonds. The yields on all Japanese Government Bonds ("JGB") are below 0.10% yield for the first time ever, including 40 year JGBs whose yields fell to as low as 0.07% while the yield on 10 year JGBs hit negative 0.233%. US Treasuries also saw a flattening of the yield curve, with yields hitting their lowest since 2012 at 1.40%.

The International Monetary Fund ("IMF") re-affirmed its pessimistic outlook for the global economy as it once again downgraded its global growth forecast. Its view is that growth has been "*too slow for too long*" and now expects the world's GDP to expand at 3.2% in 2016 and 3.5% in 2017, a downward revision of 0.2% and 0.1%, respectively. It also sees the US economy expanding at 2.2%, down from 2.4% previously.

The IMF also warned of "*looming vulnerabilities*" in China's economy, in particular spiralling corporate debt. China's growth in the June quarter has been buoyed by recent policy support, according to the IMF but uncertainties remain. Growth in the UK is likely to suffer thanks to Brexit although the extent is yet to be quantified, although the ECB expects it to knock 0.1% off EU growth over the next three years.

NEW ZEALAND MARKET OVERVIEW (AS AT 30 JUNE 2016)

The Reserve Bank of New Zealand (“RBNZ”) kept monetary policy steady throughout the quarter, despite the market being split on whether or not the central bank would cut at its April meeting. In his statement announcing the June Official Cash Rate (“OCR”) decision, RBNZ Governor Wheeler removed the language from previous statements jawboning the New Zealand dollar lower, although he said it was still *“higher than appropriate”*. He also said that *“short term inflation expectations appear to have stabilised”* and *“domestically, the main uncertainties relate to inflation expectations, the possibility of continued high net immigration, and pressures in the housing market.”*

RBNZ Governor Wheeler said that one further OCR cut was built into the bank’s projections *“but that could change and there could be no further cut or more cuts”*. For now though, *“we felt at this stage that we don’t need further monetary stimulus for the economy.”* Further upbeat comments came on the output gap, which Wheeler said was *“basically closed now”* and that the economy is likely to keep growing at 2.5% to 3.0%. Market pricing is slightly over 50% for an OCR cut at the August OCR announcement.

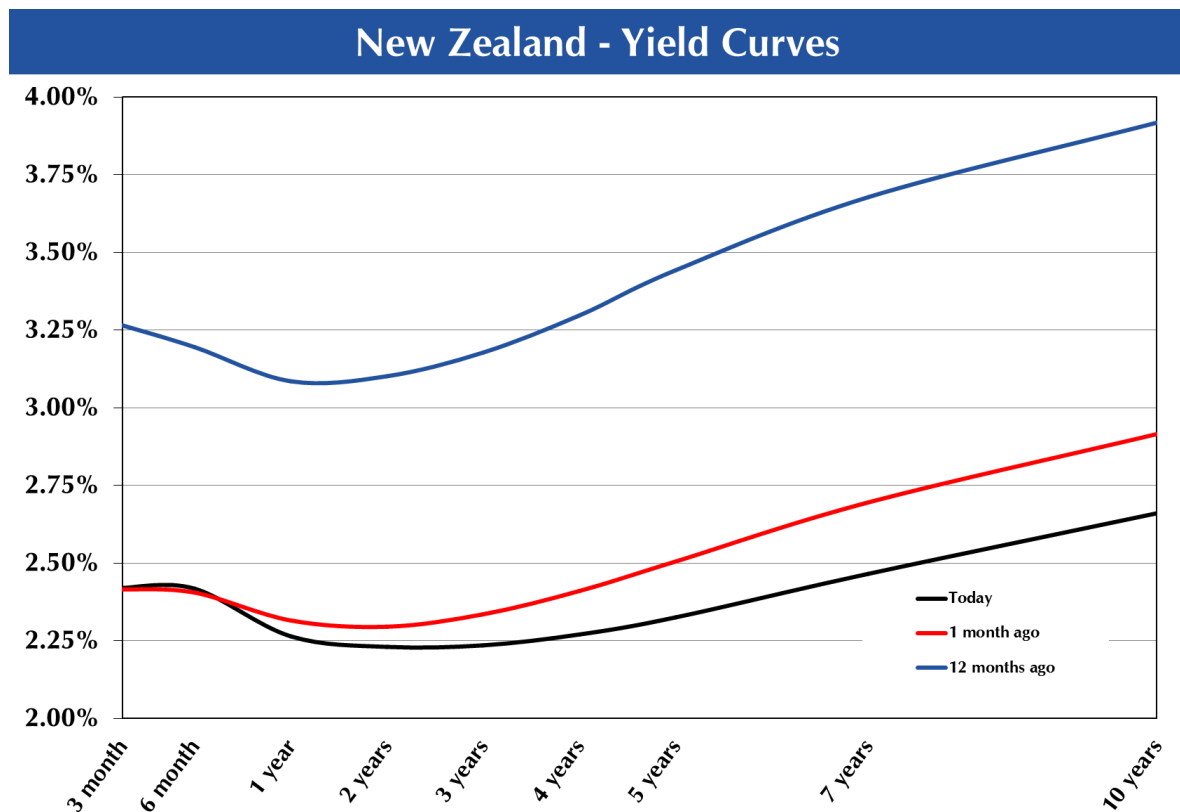
Dairy has remained subdued, although slightly less frustratingly so during this quarter compared to the previous quarter. Of the six GlobalDairyTrade (“GDT”) auctions during the quarter, four returned positive results, one negative and one returned no change. The GDT index rose 10.8% in the June quarter compared to a fall of 14.0% in the March quarter. Fonterra announced its opening forecast for the 2016/17 season (12 months to 31 May 2017) at \$4.25 per kgMS, which compares to the \$3.90 payout for the 2015/16 season. The dairy sector still has a long way to go before the majority of farmers’ cashflows are above water, with estimates putting the breakeven forecast in the \$5.00-5.50 region.

As with the previous quarter, migration and tourism played an important role in supporting the economy amid the dairy slump. Record annual migration numbers were seen in each month of the June quarter even though the monthly gains appear to have peaked. Tourism remains solid, with arrival figures up 10.6% in the year to May. Short term visitor arrivals came in at 3.29 million in the 12 months to May, up on the 3.27 million in April.

The New Zealand yield curve flattened considerable in the latter part of the quarter, due in large part to the uncertainty and volatility created by the Brexit vote. Investors rushed into government bonds across the globe which put pressure on the longer end of the New Zealand swap curve. The 10 year swap rate fell to yet more record lows during the quarter, dropping from 2.98% to 2.66% at the close of the period, a solid 32 points lower, and staggering 109 points lower so far in 2016. The shorter end of the swaps curve remained



relatively unchanged as the expectation for an OCR cut was largely unchanged. The chart below shows the changing shape of the New Zealand yield curve over the past twelve months, especially the lower outright rates now compared to a year ago.



LOCAL AUTHORITY SECTOR

The Local Government Funding Agency ("LGFA") held its last tender for the quarter on 15 June 2016. In total, the LGFA issued \$160 million of bonds and Floating Rate Notes ("FRN"); details of the tender are as follows:

- 15 March 2019 maturity - \$40 million issued at a margin of 40 basis points over swap for an 'AA' rated borrower.
- 15 April 2023 maturity - \$40 million issued at a margin of 60 basis points over swap for an 'AA' rated borrower.
- 15 April 2025 maturity - \$100 million issued at a margin of 71 basis points over swap for an 'AA' rated borrower.

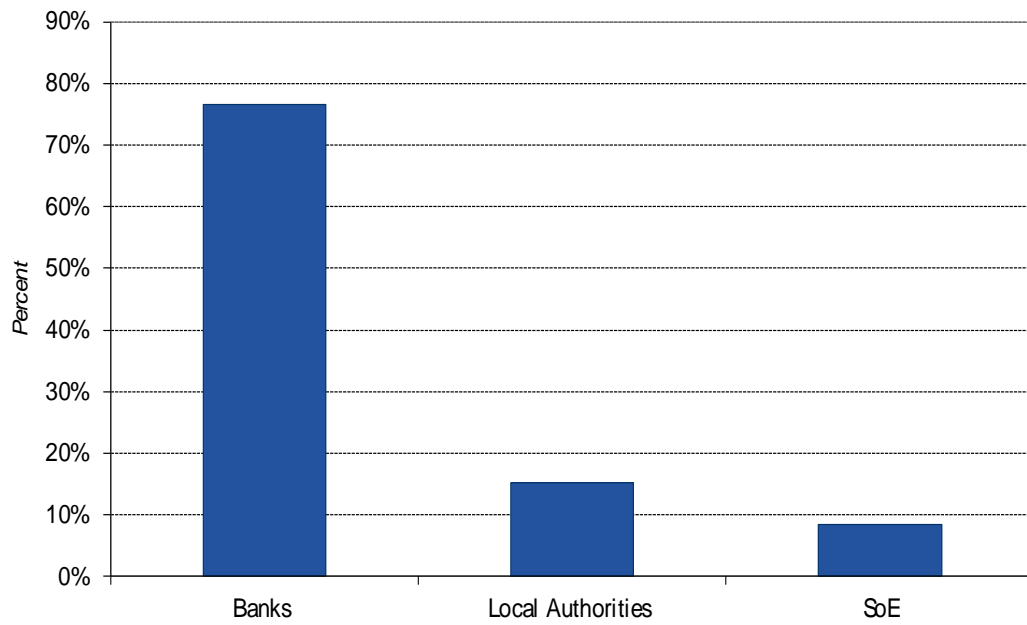
Spreads over swap for LGFA debt narrowed during the June quarter, in line with an overall contraction in spreads for non-sovereign debt, but in the LGFA's case receiving an added impetus from a desire by investors to buy high quality debt.

POLICY ADHERENCE

- As at 30 June 2016, MDC was compliant with the investment parameters contained in its Treasury Policy. This is based on an assumption that the total nominal amount of the LTFP used to calculate investment percentages is \$5.302 million, i.e. including the \$2.0 million deposit with Westpac.
- The duration of the LTFP at 30 June 2016, at 2.40 years, was within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.08 years.
- As far as liquidity is concerned, all of the bonds in the LTFP portfolio have been traded regularly on the secondary market during the June 2016 quarter. We are confident that the portfolio would be able to be sold at short notice if required.
- As at 30 June 2016, the asset category percentages, as detailed below (and illustrated in the chart on the following page), complied with the Treasury Policy.

- Banks	76.53%
- Local Authorities	15.14%
- State Owned Enterprises	8.33%

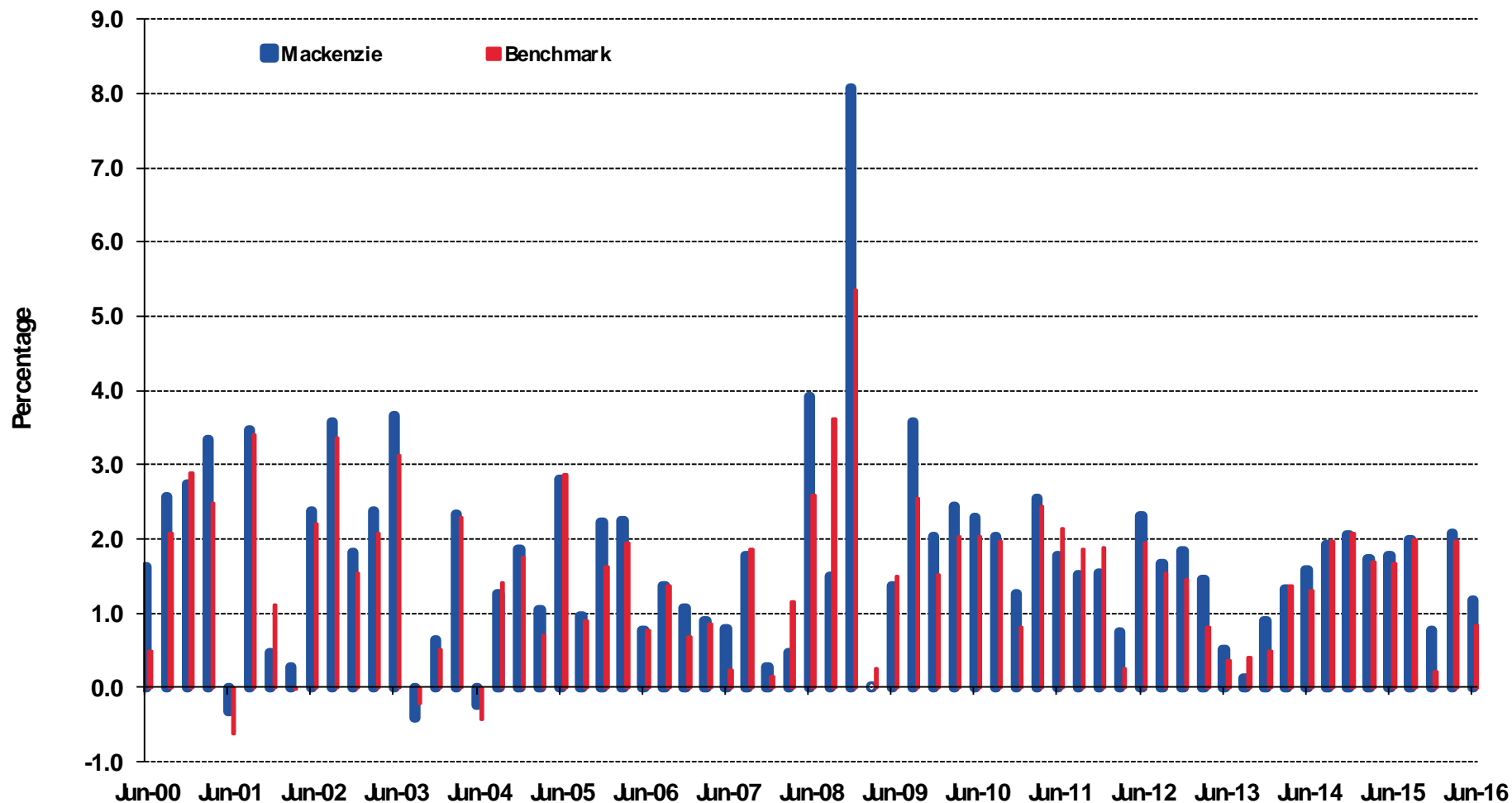
Mackenzie DC Asset Category Percentages



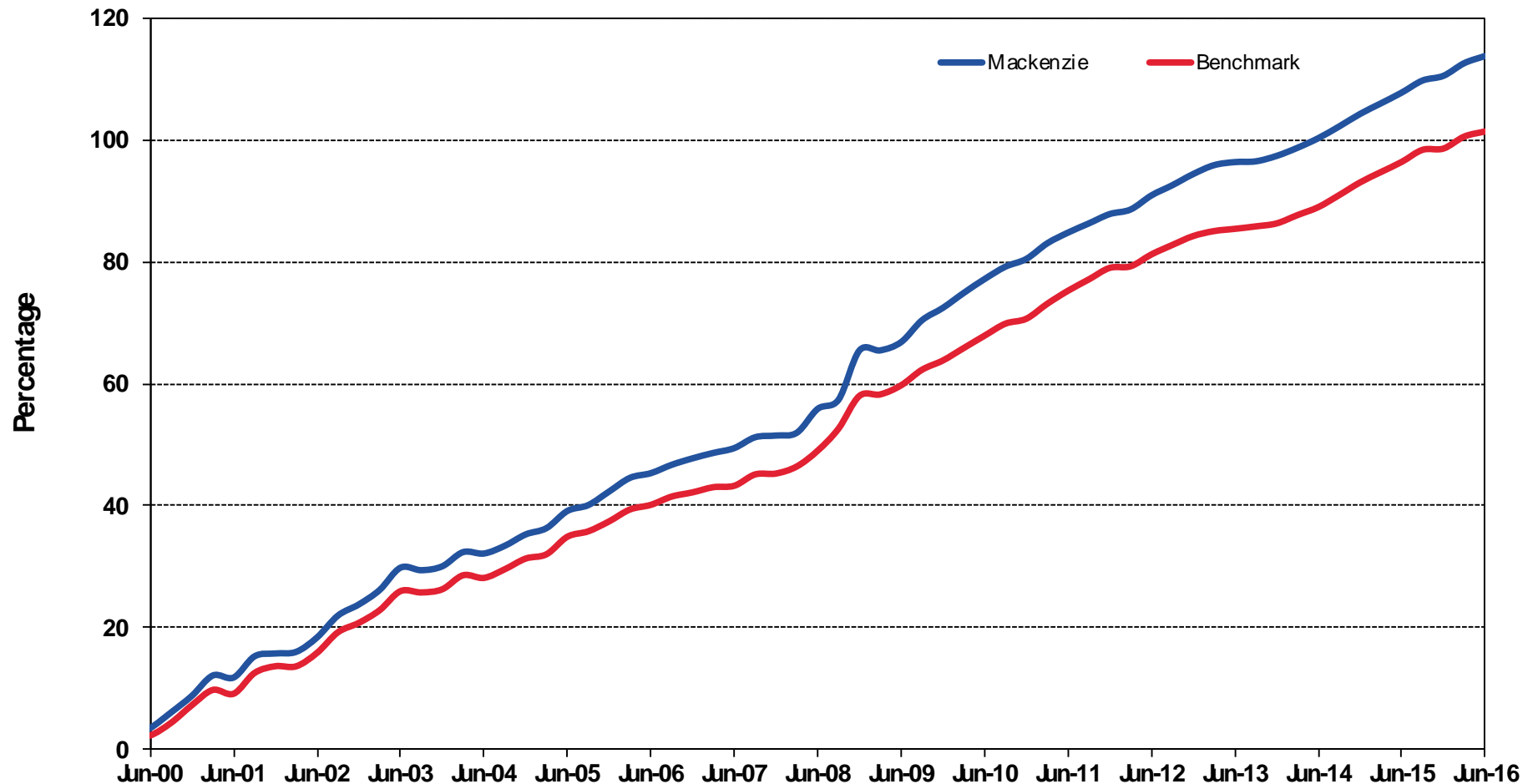
Benchmark											
Security	Issue Date	Maturity Date	Coupon	31-Mar-16	Yield	Value	30-Jun-16	Coupons	Yield	Value	Effective cash
				Nominal			Nominal				01/04 to 30/06
				\$		\$	\$			\$	\$
90 Day Bank Bill	30-Jun-16	30-Sep-16		1,000,000	2.34	994,232	1,000,000		2.41	994,029	994,029
NZ Post	15-Nov-11	15-Nov-16	5.22	1,000,000	2.79	1,034,533	1,000,000	\$26,100	2.88	1,015,156	1,041,256
Telstra	15-Jul-12	11-Jul-17	7.51	1,000,000	2.70	1,076,572	1,000,000		3.03	1,080,370	1,080,370
Auckland Council	20-Apr-04	29-Sep-17	6.52	1,000,000	2.57	1,057,906	1,000,000		2.63	1,063,850	1,063,850
ANZ/National Bank	16-Feb-11	16-Feb-18	6.85	1,000,000	2.94	1,079,209	1,000,000		3.06	1,085,140	1,085,140
ASB	19-Jul-12	18-Jul-18	5.06	1,000,000	3.07	1,053,959	1,000,000		3.07	1,062,017	1,062,017
Rabobank NZ	19-Mar-12	19-Mar-19	6.10	1,000,000	3.27	1,081,389	1,000,000		3.31	1,089,019	1,089,019
BNZ	25-Jun-14	25-Jun-19	5.57	1,000,000	3.32	1,083,182	1,000,000	\$27,850	3.19	1,068,039	1,095,889
Fonterra	25-Feb-15	25-Feb-20	5.52	1,000,000	3.52	1,077,628	1,000,000		3.51	1,087,424	1,087,424
Transpower	10-Jun-12	10-Jun-20	6.95	1,000,000	3.30	1,163,071	1,000,000	\$34,750	3.15	1,143,721	1,178,471
LGFA	15-May-12	15-May-21	6.00	1,000,000	3.05	1,161,493	1,000,000	\$30,000	2.75	1,154,794	1,184,794
				<u>\$11,000,000</u>		<u>\$11,863,175</u>	<u>\$11,000,000</u>	<u>\$118,700</u>		<u>\$11,843,558</u>	<u>\$11,962,258</u>
Value as at 31/03/2016						\$11,863,175			30/06/2016		11,843,558
									Coupons		118,700
									Net Purchases/Sales		Nil
											11,962,258
									Effective change in cash		\$99,083
									% change		0.84%
									Duration-years		2.08

Mackenzie District Council											
Security	Issue Date	Maturity Date	Coupon	31-Mar-16	Yield	Value	30-Jun-16	Coupons	Yield	Value	Effective Cash
				Nominal			Nominal				
				\$		\$	\$	01/04 to 30/06		\$	30/06/2016
AUCKLAND COUNCIL	27-Sep-10	27-Sep-17	6.52	500,000	2.57	529,026	500,000		2.63	532,001	532,001
ANZNATIONAL	18-Apr-08	18-Apr-18	5.28	500,000	4.99	514,679	500,000	13,200	4.72	510,008	523,208
CHINA CONSTRCTN	18-Jun-15	18-Jun-18	4.32	500,000	3.56	514,107	500,000	10,800	3.76	505,935	516,735
ANZNATIONAL	20-Sep-11	20-Sep-18	6.08	500,000	3.12	535,825	500,000		3.10	540,165	540,165
BNZ	20-Dec-11	20-Dec-18	6.10	527,000	3.15	576,170	527,000	16,073	3.09	565,356	581,429
BNZ SUB DEBT	17-Dec-15	17-Dec-20	5.31	500,000	5.15	510,974	500,000	13,275	4.99	507,345	520,620
GENESIS	15-Mar-16	15-Mar-22	4.14		3.91	278,823	275,000		3.58	286,186	286,186
				3,027,000		3,459,603	3,302,000	53,348		3,446,997	3,500,345
Value 31/03/2016						<u>\$3,459,603</u>	Value 30/06/2016				3,446,997
							Coupons				53,348
							Net maturities and adjustments				Nil
											<u>3,500,345</u>
							Effective change in cash				\$40,741
							% change				1.18%
							Duration-Years				2.40

Mackenzie DC vs Benchmark - Quarterly



Mackenzie DC vs Benchmark - Cumulative



MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE
FROM: ASSET MANAGER
SUBJECT: VEHICLE REPLACEMENT POLICY REVIEW
MEETING DATE: 7TH June 2015
REF: PAD 9
ENDORSED BY: CHIEF EXECUTIVE OFFICER

REASON FOR REPORT

To request the Finance Committee confirm the suggested review the current Vehicle Policy particularly in relation to reducing the kilometres travelled before replacement.

RECOMMENDATION:

1. That the report be received.
2. That Council confirms the change to the Vehicle Policy as recommended.

BERNIE HAAR
FLEET MANAGER

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

BACKGROUND

Council has an operative Vehicle Policy that came into effect on the 1st August 2010. Its purpose is to provide guidelines for the purchase, operation and disposal of Council vehicles.

ATTACHMENTS

VEHICLE POLICY (1st August 2010)

INTRODUCTION:

To provide guidelines for the purchase, operation and disposal of Council vehicles.

TYPES OF VEHICLES:

CEO's vehicle

The provision of a vehicle to the CEO will be governed by the CEO's contract with the Council which may be amended by the parties from time to time.

Historically the Council's policy allowed for a vehicle up to 4.0 litres replaced every four years or at 120,000kms whichever occurred first.

Employment Related Vehicles

Council has agreed to phase out this category of vehicles. Previous policy allowed for a car of up to 2.3 litres with replacement after the earlier of four years or 120,000kms.

As a transitional move, the replacement is now extended to six years and 180,000kms.

Employment related vehicles will no longer be offered to new managers as part of their employment.

Fleet Vehicles

These are cars of up to 2.0 litres or utility vehicles to suit their intended purposes. Replacement of these will be at the earlier of six years or 180,000 kms; however earlier replacement may be considered by Council where a financially advantageous case can be made. Any such variation will require formal Council endorsement. Fleet vehicles will preferably be white and bear the Council logo on both doors.

PURCHASE OF VEHICLES:

- *The current Council vehicle fleet comprises seven vehicles (2010).*
- *The size of the fleet may be altered by Council at any time in order to meet changing business needs.*
- *Planned purchases of vehicles will require to be reported to Council for approval before purchases are made.*
- *Vehicle replacement will be governed both by the age, mileage and reliability of the vehicle and the adequacy of funds in the replacement account.*
- *Vehicles purchased will be appropriate for the duties they are tasked for.*
- *Vehicles may be purchased new or second hand taking into account the total cost of ownership. Total cost of ownership will be influenced by dealer discounts, service warranties, running costs, anticipated resale values etc.*
- *The procurement of vehicles will be on the basis of the most suitable and cost effective vehicle for the task. The selection of the make and model of vehicle will also include consideration of extra safety features including airbags, side intrusion bars, air conditioning etc. The Regular Driver may have input into the make and model of fleet*

vehicles on condition that their preferences do not materially impact on the price of the vehicle.

GENERAL CONDITIONS OF OPERATION:

The following general conditions will apply to all vehicles within the Council Fleet:

- 1. Where possible, vehicles should be garaged or parked off the street for safekeeping.*
- 2. Employees taking vehicles home for garaging are required to accept responsibility for ensuring the day-to-day maintenance and efficient operation of the motor vehicle is carried out. This includes regular checking of oil, water, tyre pressure etc. The Council will be responsible for all maintenance and operating costs.*
- 3. Vehicles shall be kept clean and tidy (inside and out).*
- 4. Fines for driving offences, including parking and speeding, are the responsibility of the driver and will not be paid for or reimbursed by Council. See employment manual for further information.*
- 5. It is the responsibility of the regular driver to ensure that all persons driving the vehicle hold an appropriate and current driver's licence (copy to be kept on the personnel file). Fleet vehicles are to be driven by staff members only.*
- 6. Employees must not drive Council vehicles while under the influence of alcohol or drugs. The consequences of doing this are noted in the employment manual.*
- 7. FBT – Council will comply fully with Fringe Benefit Tax legislation in terms of vehicle availability for private use and garaging vehicles away from the worksite.*
- 8. While private vehicle benefits remain, these will be valued consistently according to guidelines issued by Strategic Pay (35% of purchase price + GST for full private use, 25% for regional private use, 10% for commuting). These figures take into account operating costs including fuel as well as standing charges.*
- 9. Council vehicles will be made available for the Mayor and elected members where required for Council business.*
- 10. Where practicable vehicles will be recycled through the fleet as they age.*

DISPOSAL OF VEHICLES:

The objective in disposing vehicles is to maximise the resale value. As a result, vehicles may be offered for sale in any of the following manners:

- Trade-in.*
- Sale to registered motor vehicle dealers.*
- Public to tender.*
- Auction.*

IMPLEMENTATION OF THE NEW POLICY:

- Appropriate consultation will first be undertaken with affected staff.*
- A car pooling arrangement will be introduced for travel between Fairlie and Timaru, Fairlie and Tekapo and Fairlie and Twizel.*
- The weekly mileage run will be monitored to stay within the annual target of 229,000km (4,400km/week).*
- All vehicles to be made available for pooling during work days.*
- Vehicle fleet will be reduced to seven for 2010/11.*
- Vehicles to be phased out as part of management employment packages. Additional funding of the Plant Reserve Account will be made through extra depreciation or by charging interest on book value to restore the account to a positive balance within a reasonable timeframe.*

CONSIDERATION/REVIEW

The Vehicle Policy that came into effect on the 1st August 2010 has generally served its purpose but with the change in vehicle requirements and the ability to purchase replacement vehicles through the "All of Government" agreement there are key aspects of this policy that should be reviewed.

In particular, the aspects that I propose Council review are the provisions around vehicle replacement.

The policy states "*replacement is now extended to six years and 180,000kms*". It also notes "*Vehicles may be purchased new or second hand taking into account the total cost of ownership. Total cost of ownership will be influenced by dealer discounts, service warranties, running costs, anticipated resale values etc.*"

RECOMMENDATION

Prior to the availability of the "All of Government" contract, there was a lot of staff time required to source the best deal both purchase and trade in or disposal when replacing any vehicle within the fleet. One of the concerns with replacing vehicles was the staff time sourcing the best deal, managing the fleet and getting the most value out of it once purchased.

With the AoG agreement the staff time involved in sourcing the best deal is reduced significantly as that work to get the best deal has already been done and is updated on a three month cycle. So once the discussion has been had with the appropriate manager on their vehicle requirements it is a simple matter of matching that need to the list, confirm with the CEO, then placing the order with the supplier. It is that simple.

Our current disposal method has been to advertise the vehicle for sale on Trade-me and if this is not successful we dispose of it through Turners car auction.

My recommendation is that Council replace its vehicle fleet prior to 100,000km as this will maximise the return on the vehicle, it will avoid more costly maintenance as the kilometres increase and will also be within the warranty period.

The AoG agreement allows Council to purchase new vehicles at prices significantly below retail and by turning them over sooner the changeover cost is also reduced accordingly.

When to change?

Three mileage markers have a greater impact on a used car's price.

First Turning Point: 50,000-60,000 Kilometres

Most cars come with a bumper-to-bumper factory warranty that expires at either 100,000 kilometres or three years, whichever comes first. This is the point at which many cars are returned to the dealer from the first "owner," meaning the person who leased the car.

In addition, a car's first major service visit usually comes in the range of 50,000-60,000 Kilometres. This is when the carmaker calls for more than just an oil change and tyre rotation, and it's not uncommon for this major service to cost more than \$600. In addition,

certain "wear items" may soon need service. Wear items are things such as brakes and tyres that are expected to wear out, as opposed to things that break and need to be repaired.

Second Turning Point: 100,000 – 110,000 Kilometres

The second major service visit is often even more expensive than the first. This is particularly true of cars that have timing belts, which co-ordinate the turning of the pistons and the camshaft. If this belt is not changed, it will eventually snap and could cause engine damage. This service item alone costs at least \$300-400.

By the time a car has 100,000 kilometres it will almost certainly need another set of tyres and brakes, although more modern cars are going farther with less maintenance.

Third Turning Point: 170 - 180,000 Kilometres

Twenty years ago, if a car had 100,000 miles on it, it was likely to be running on borrowed time. But cars are becoming more reliable and long-lived, so today's 160,000-kilometre car is likely still in its prime. Perceptions haven't kept pace with engineering, however, and at the 160,000- kilometre mark, there is a significant drop in a car's value.

CONSIDERATIONS

Given that the "All of Government" procurement price is so sharp it makes no sense to procure second hand vehicles as we have in the past and therefore the policy should be amended to reflect that and as such all vehicles should be purchased new.

Also taking into account the sharp procurement price and the cost of ownership increasing beyond the 100,000 kilometre mark it would seem sensible to replace the vehicle around that mark. As the procurement process is so efficient, the purchase price is so sharp and as a consequence the value at disposal is around the purchase price it makes sense to turn the fleet over at this time. The budget to allow this to happen has been allowed for in 2016/17, subject to Council approval.

There is another part of the policy that should be reviewed if we are looking at efficiency of the procurement process. The policy states:

- *Planned purchases of vehicles will require to be reported to Council for approval before purchases are made.*

This requires Council to not only approve the budget allocation as part of the "Annual Plan" process but also consider a report just prior to purchase. With a sound policy in place and the budget approved it should be a streamlined procurement process that follows.

I recommend that the policy be changed so that Council approves the budget, which in effect approves the annual replacement programme, the Fleet Manager discusses the vehicle needs with the future users and then prepares a memo to the Chief Executive detailing the available vehicles from AoG list along with a recommendation for approval.

FINANCIAL

The vehicles in the fleet are depreciated over five years and this should stay in the meantime until the first round of replacements are complete using the AoG procurement. This could be reduced in the future, particularly if the predicted savings in changeover are realised.

As noted above, budget has been allowed to achieve the change to replacement at 100,000kms in 2016/17.

In considering the change in the procurement aspects of the policy we should consider;

- Is there a compelling reason to change
- Is the best value for money option achievable
- Is the best value for money affordable, and
- Does it optimise value for money

I believe that the answer is yes to all of the above, particularly in light of the “AoG” procurement package.

RECOMMENDATION

It is recommended that the Vehicle Policy be amended thus.

Replacement of all Council vehicles is reduced to 100,000kms or five years.

Vehicles shall be purchased new using the “All of Government” procurement process.

Provided there is budget available planned purchases be approved by the Chief Executive Officer.

MACKENZIE DISTRICT COUNCIL

REPORT TO: MACKENZIE DISTRICT COUNCIL

SUBJECT: GRANT FOR FIREFIGHTING EQUIPMENT LAKE
ALEXANDRINA OUTLET

MEETING DATE: 19 JULY 2016

REF:

FROM: PAUL MORRIS, CHIEF FINANCIAL OFFICER

PURPOSE OF REPORT:

For Council to decide whether to make a grant to the Lake Alexandrina Outlet Hutholders Society Inc, for firefighting equipment at Lake Alexandrina.

STAFF RECOMMENDATIONS:

1. That the report be received.
2. That the Council grant the Lake Alexandrina Outlet Hutholders Society Inc \$7,591.73 or, if prices have increased since the original application was made, sufficient funds to achieve the request.
3. That this money be granted upon securing an appropriate site to erect the equipment.

PAUL MORRIS
CHIEF FINANCIAL OFFICER

ATTACHMENTS:

- Appendix A – Letter from Lake Alexandrina Outlet Hutholders Society

BACKGROUND:

The Council has been approached by the Lake Alexandrina Outlet Inc (hutholders) to fund a 30,000 litre capacity firefighting solution for the Hutholders.

Council collects both rates and rentals from the Hutholders and implemented a policy in relation to the use of the rental money collected from the Hutholders.

It is expected that there will be approximately \$390,000 in reserves at year end 30 June 2016.

It is anticipated that total rentals for the 2017 year will be \$73,500 Council policy includes a “first call” on the reserve funds by the Hutholders.

The Council has budgeted \$18,400 in the 2016/17 year to be spent on maintenance in the Lake Alexandrina reserve. The amount requested would be in addition to this amount and unbudgeted but would fit within Council’s parameters for allocation of the reserve funds.

SIGNIFICANCE OF DECISION:

The decision is not considered to be significant.

ISSUES & OPTIONS:

Council has two options:

1. Not fund the purchase of firefighting equipment.
2. Council funds the purchase.

Council would choose not to fund the equipment. The request complies with Council policy in relation to Lake Alexandrina and is a use of the rentals collected which are used in the first instance for maintenance at the lake.

It is not recommended that this option be taken.

Council’s final option is to fund the project. This is consistent with other decisions in relation to Lake Alexandrina.

It should be noted that agreement has not been negotiated with the occupier at Lot number 52.

Council could make acceptance of this grant application conditional upon the successful negotiations with the occupier of Lot 52.

CONCLUSION:

Approval of the funding of this request while unbudgeted is entirely within Council's policies in relation to Lake Alexandrina. It is therefore appropriate that Council grant the request.

LAKE ALEXANDRINA OUTLET HUTHOLDERS SOCIETY INC.

Secretary: Lyn George
1127 Beaconsfield Road
R.D. 2
TIMARU

Telephone: 03 686 4975 (private)
E-mail: george.lyn@gmail.com

Friday, April 29, 2016

The Chief Executive Officer
Mackenzie District Council
P O Box 52
Fairlie

Dear Sir,

Over the last few years through the efforts of hutholders fire-fighting equipment has been collected. Currently we have a pump on a trailer and hoses as well as a water supply tank. This equipment was demonstrated at New Year and while it worked brilliantly it can only protect huts close to a suitable water supply. The pump suction hose cannot easily access water in hutholders individual supply tanks.

The Committee proposes siting a 30,000 litre water supply tank on a site to the west of huts 52 & 53 the most preferable site being on the North East corner of lot number 52. This has not yet been negotiated with the occupier.

It occurs to the Committee that rents paid to the Council may be available to fund this project and accordingly we apply for a grant to cover the following expenditure:

30,000 litre tank delivered	\$3,329.00
Site preparation	650.00
4 hoses (total 200 metres)	2,357.50
Tank exit valve	1,049.95
Jet spray nozzle	<u>205.28</u>
	<u>\$7,591.73</u>

The prices above have been quoted over the last couple of months and may no longer be entirely accurate.

We await your advice in due course.

Russell Dockrill

Chairman Lake Alexandrina Outlet Hut Committee