

FINANCE AND CORPORATE COMMITTEE AGENDA

WEDNESDAY 13 JUNE 2018

Edinburgh Room, Municipal Chambers,
The Octagon, Dunedin
8:30am

Membership

Cr Doug Brown	<i>(Chairperson)</i>
Cr Andrew Noone	<i>(Deputy Chairperson)</i>
Cr Graeme Bell	
Cr Michael Deaker	
Cr Carmen Hope	
Cr Trevor Kempton	
Cr Michael Laws	
Cr Ella Lawton	
Cr Sam Neill	
Cr Gretchen Robertson	
Cr Bryan Scott	
Cr Stephen Woodhead	

Disclaimer

Please note that there is an embargo on agenda items until 8:30 am on Monday 11 June 2018. Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

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1. APOLOGIES

Cr Woodhead

2. LEAVE OF ABSENCE

Cr Kempton

3. ATTENDANCE

4. CONFIRMATION OF AGENDA

Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

5. CONFLICT OF INTEREST

Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

6. PUBLIC FORUM

Alpine Lakes Research Centre proposal

7. PRESENTATIONS

8. CONFIRMATION OF MINUTES

Recommendation

That the minutes of the (public portion of the) meeting held on 2 May 2018 be received and confirmed as a true and accurate record.

Attachments

1. Minutes of the Finance and Corporate Committee - 2 May 2018 [8.1.1]

9. ACTIONS

Status report on the resolutions of the Finance and Corporate Committee.

Report No.	Meeting	Resolution	Status
10.2 Passenger Transport Update	21/3/18	That the changes to the Waikari and Helensburgh services outlined in Option 5 are endorsed and implemented as soon as practicable	CLOSED. Scheduled for 2 July 2018
10.2 Director's report – Peninsula Bus Service	2/5/18	That the Council immediately take proactive steps in addressing the misinformation that has been publishing relating to the peninsula bus service issue.	

Attachments

Nil

10. MATTERS FOR COUNCIL DECISION

10.1. 2018-2018 Long Term Plan Hearing Committee recommendations

Prepared for: Finance and Corporate Committee
Activity: Community - Long Term Planning and Annual Plan Report
Prepared by: Mike Roesler, Manager Corporate Planning
Date: 31 May 2018

1. Précis

The purpose of this report is to present the Hearing Committee's recommendations on public submissions to the Consultation Document for Council's Long Term Plan 2018 -28 'For Our Future'. This report supports Council in its decision to adopt the Long Term Plan 2018-28 (LTP) as final at its 27 June 2018 meeting.

The Council has completed an important step in consulting on the LTP having heard 55 submitters that choose to present at the 23-24 May 2018 Dunedin, Queenstown and Alexandra Hearing Committee meetings. Deliberation followed on 25 May with the Hearing Committee discussing and recommending potential change to the LTP based on the 569 written submissions received and submitter presentations.

The recommendations from the deliberation meeting are captured in this report and it is now the role of the Finance and Corporate Committee to direct staff to prepare the Long Term Plan 2018-28 for Council adoption at its 27 June 2018 meeting.

2. Background

Consultation on the LTP began on 11 April 2018 and was based on the 'For Our Future' document that was circulated to households around the region. It sought feedback on three significant proposals including:

- Preparing for climate change
- Water monitoring – extended programme
- Urban water quality

Additionally, the Consultation Document invited feedback about ongoing projects, projects currently in planning phase and financial and rating information to assist the community to weigh-up the cost versus desirability of the proposed work.

Submitters had 30 days to provide feedback and could do so through digital or hard copy mail channels via a submission form. Between May 23–25 a Council appointed Hearings Committee consisting of six Councillors heard submitters across 3 meetings. They then considered what changes, if any, were required to the proposed LTP. There recommendations are reflected in this report.

These steps complete an important component of the 'Special Consultative Procedure' (SCP) required under the Local Government Act 2002. The Council is now at a stage in the process where it decides and adopts the LTP and this must occur prior to 1 July 2018.

3. Consultation Feedback

Attachment 4 provides a detailed summary of the matters raised by submitters and considered by the Hearings Committee. The matters raised have been assessed and ordered under the following subject headings. Attachment 3 provides a broader overview of the consultation feedback.

- Preparing for Climate Change
- Water monitoring – extended programme
- Urban water quality
- Water
- Transport
- Biodiversity and Pests
- Air quality
- Safety (Flood protection, Hazards, Harbour management, Civil defence & emergency management)
- Financial (Rates, Financial Strategy & Policy)
- Regional leadership
- Other matters

Attachment 5 provides a compilation of the detailed 369 submissions that are provided for formal acknowledgement by this committee meeting.

4. Hearing Committee Recommendations

Attachment 1 provides the recommendations for changes to the LTP provided by the Hearing Committee from their 25 May 2018 meeting that deliberated on the public submissions on the LTP. They are provided for the Finance and Corporate Committee's consideration and final recommendations to Council on the LTP.

5. Financial implications

5.1. Impact on Estimates

The recommendations from the Hearing Committee have resulted in changes to the estimates presented in the Consultation Document and draft LTP as follows:

Activity	Funding	LTP Year 1 2018/19 \$'000s	LTP Year 2 2019/20 \$'000s	LTP Year3 2020/21 \$'000s
State of the Environment				
• Water monitoring	General Rates	50,000	51,250	52,400
Air				
• Cosy Homes	Clean Heat Reserve	45,000	46,125	47,160
Pest Control				
• Lagarosiphon	General Rate Regional	25,000	25,265	26,800
Environmental Enhancement				
• Lake Hayes	General Reserve	100,000		
• Predator Free Dunedin	EEF Reserve	150,000		
• Yellow Eyed Penguins	General Reserve Reserves	76,000	77,900	79,648
River Management – Wakatipu (Rees/Dart)				
• River works	River Mgt Reserve	50,000	51,250	52,400
• Hazards review	General Rates		41,000	41,920

Natural Hazards				
• Dukes/Riccarton Road	General Rates	20,000		
Total		666,000	293,150	299,728

This summary for the full 10 years of the LTP is shown in Appendix 2.

Total expenditure for the first 3 years of the LTP is now estimated and shown below.

Activity	Annual Plan 2017/18 \$'000s	LTP Year 1 2018/19 \$'000s	LTP Year 2 2019/20 \$'000s	LTP Year3 2020/21 \$'000s
Policy and Planning				
• Regional Plans and Policies	3,547	3,390	3,646	3,543
• Strategies and Plans	858	764	670	962
Total	4,404	4,154	4,316	4,505
Environmental				
• Water	3,575	3,351	3,527	3,956
• Air	118	300	309	347
• Coast	386	80	84	252
• State of the Environment	3,019	3,950	4,285	4,323
• Biodiversity	2,020	1,935	1,748	1,018
• Pests	1,840	1,740	1,666	1,876
• Environmental Incident Response	1,491	1,671	1,807	1,827
Total	12,449	13,027	13,427	13,600
Community				
• Governance and Democracy	1,692	1,772	1,975	1,810
• Public Awareness	1,284	1,240	1,369	1,303
• Financial Contributions	595	450	359	367
• Response to Issues	320	316	311	318
• Head Office Replacement	665	82	-	-
Total	4,555	3,860	4,013	3,797
Regulatory				
• Consent Processing	1,798	1,696	1,870	1,915
• Compliance Monitoring	1,289	1,312	1,244	1,325
• Regulatory Effectiveness	-	219	380	381
• Harbour Management	327	559	682	699
Total	3,414	3,786	4,177	4,321
Flood and River Management				
• Flood Protection	7,334	8,608	6,526	7,014
• River Management	1,934	2,230	2,243	2,387
Total	9,271	10,837	8,769	9,400
Safety and Hazards				
• Emergency Management	2,412	2,452	2,416	2,460
• Natural Hazards	1,329	1,586	1,385	1,294
Total	3,741	4,040	3,801	3,754
Transport				
• Public Transport Dunedin	14,307	16,138	17,049	16,800
• Public Transport Wakatipu	4,741	6,623	6,766	6,673
• Public Transport Regional	5,309	1,391	1,388	1,446
• Stock Truck Effluent Disposal	509	125	121	123
Total	24,866	24,276	25,325	25,042

Total Expenditure	62,699	63,981	63,828	64,419
Previous – as per consultation LTP		63,315	63,535	64,119
Increase		666	293	300

The sources of revenue budgeted to cover the cost of our activities are as follows:

Funding	Annual Plan 2017/18 \$'000s	LTP Year 1 2018/19 \$'000s	LTP Year 2 2019/20 \$'000s	LTP Year3 2020/21 \$'000s
General Rates	7,275	8,808	10,507	11,237
Targeted Rates	13,635	14,366	15,180	16,234
Grants	11,926	9,790	10,187	9,145
Other Income	8,428	9,266	9,730	10,074
Fees and Charges	3,426	3,310	3,415	3,407
Reserves	7,838	8,827	5,722	5,000
Dividend and Investment Income	10,172	9,614	9,087	9,321
Total Revenue	62,699	63,981	63,828	64,419

Previous – General Rates (as per CD)		8,713	10,389	11,116
Increase		95	118	121

Previous – Reserves (as per CD)		8,256	5,547	4,821
Increase		571	175	179

5.2. General Rates

The general rate increases for the first 3 years of the LTP are shown below.

	Annual Plan 2017/18 \$'000s	LTP Year 1 2018/19 \$'000s	LTP Year 2 2019/20 \$'000s	LTP Year3 2020/21 \$'000s
General Rates for Activities	17,447	18,422	19,594	20,558
Less:				
Dividend from Port Otago	(7,500)	(7,700)	(7,900)	(8,100)
Interest and Investment Income	(1,172)	(1,164)	(1,187)	(1,221)
Special Dividend	(1,500)	(750)	-	-
General Rates Payable	7,275	8,808	10,507	11,237
% increase		21.1%	19.3%	6.9%

Each year Council receives a dividend from its subsidiary company, Port Otago Limited and this together with other investment income is used to reduce the general rate requirement.

Our work program is increasing, and the work we are proposing to do is necessary and important for our region. Submitter feedback was supportive of this increased work and understanding the necessity for rates to increase as a result. We are proposing to increase our general rates each year over the next three years to get it to a level that will support our ongoing work program going forward.

Given the increase in the work program, ORC is receiving a special dividend of \$1.5 million from Port Otago in the current 2017/18 year. It is proposed that a further special dividend of \$750,000 will be received in the 2018/19 year so that by 2019/20 our general rates will be at a sustainable level. By 2020/21, with no special dividend in that year or the prior year, the general rates increase is reduced to 6.9%.

Based on estimated rateable units of 115,871, 116,746, and 117,630 for years 1 to 3 of the LTP the average general rate payable for each year is \$76.02, \$89.99 and \$95.53 respectively. The increase in year 1 of \$1,533,000 is an average of \$13.23 per rateable unit. Note this increase would be \$6.76 (10.8%) if the reduction in special dividend of \$750,000 was removed.

Council's financial strategy sets rates affordability benchmarks, in terms of total rates and rate increases. The strategy advises that total rates will not exceed \$35 million in each year of the LTP, and that total rate increases will be capped at 12.0% per annum for years 1 and 2, 7.0% for year 3 and reduce by 0.5% each year thereafter to 3.5% in year 10.

The estimates, after adjustment for the hearing recommendations, do not impact these rate limits and total rates for years 1 to 3 remain under the limits set at 10.7%, 10.8% and 6.9% respectively.

5.3. Targeted rates

Targeted rates have not changed as a result of the hearing recommendations. The additional works proposed in the Rees/Dart area will be funded from the Wakatipu River Management Reserve and as this reserve already hold sufficient surplus no additional rating has been added.

Targeted rates are made up as follows:

Funding	Annual Plan 2017/18 \$'000s	LTP Year 1 2018/19 \$'000s	LTP Year 2 2019/20 \$'000s	LTP Year3 2020/21 \$'000s
Emergency Management	2,412	2,452	2,416	2,460
Wilding Trees	200	209	213	210
Water Quality Rates				
Rural Water Quality	1,194	1,104	1,141	1,442
Dairy Inspection	187	188	188	188
Transport Rates				
Transport – Dunedin	3,632	3,977	4,384	4,774
Transport - Queenstown	600	718	845	948
River Management Rates				
Central Otago District	300	300	300	300
Clutha District	365	300	330	360
Dunedin City	150	200	250	300
Wakatipu	150	150	150	150
Wanaka	167	180	180	180
Waitaki District	400	400	400	400
Flood and Drainage Scheme Rates				
Leith	1,365	1,461	1,461	1,461
Lower Clutha	600	650	700	750
Lower Taieri	700	750	800	800
West Taieri	517	550	600	650

East Taieri	425	450	475	500
Tokomairiro	95	105	122	134
Shotover Delta	150	80	80	80
Lower Waitaki	126	142	144	148
Total Targeted Rates	13,635	14,366	15,180	16,234

5.4. Balancing the budget

Council is required to ensure that our estimated revenue is sufficient to cover the estimated operating costs. However, Council can set revenue at a different level, if Council resolves that it is financially prudent to do so. It is estimated that for the years 1 to 3 of the LTP, the estimated revenue will not cover estimated operating costs. The deficits are estimated to be \$3,765,000 for year 1, \$2,415,000 for year 2 and \$926,000 for year 3. The primary reason for the shortfall in revenue is the use of reserves to fund operating expenditure. Special rating district activity is funded via reserves and rating set to recover over a longer period to ensure rates consistency and fairness. This applies to flood and drainage activity and transport. In addition, a number of one-off activity is funded via reserves and this contributes to the total shortfall.

The one-off activity that are reserve funded and contribute to the shortfall for years 1 to 3 are as follow:

Activity	LTP Year 1 2018/19 \$'000s	LTP Year 2 2019/20 \$'000s	LTP Year3 2020/21 \$'000s
Targeted Rate Reserves			
Air – Clean Heat	145	149	152
Asset Reserve			
Water – SOE	308	374	419
General Reserve			
Predator Free Dunedin	300	-	-
Yellow Eyed Penguin Trust	76	78	80
Environment Enhancement Fund	250	256	262
Lake Hayes	100	-	-
Designations and Bylaws	147	124	138
Public Awareness	100	103	
Climate Change Adaption	100	103	
Water – SOE (monitoring buoys)	40	123	
Rural Water Quality	158	158	162
Kuriwao Reserve			
Climate Change Adaption	138	140	143
Water Management Reserve			
Deemed Permit Renewal	498	492	474
Total Revenue Deficit	2,359	2,099	1,829

6. Next Steps (Legal & Risk)

The recommendations from this 13 June Finance and Corporate Committee meeting represent the Councillors final directive to staff on the LTP. Following this meeting Council staff, along with the external auditors 'Deloitte', will complete the LTP for Council adoption at its 27 June 2018 meeting. This enables the Council to then approve the Rates Resolution and fund its planned services for the 2018-19 financial year.

Any other decision-making scenario introduces an unnecessary level of risk to the Council and ratepayers across the Otago Region.

7. Recommendations

That the Finance and Corporate Committee:

- a) Receives the public submissions to the Consultation Document for Council's Long Term Plan 2018-28 'For Our Future'*
- b) Notes attachment 4 provides a council staff summary of the public submissions to the Consultation Document for Council's Long Term Plan 2018-28 'For Our Future'*
- c) Notes attachment 1 provides the Hearing Committee recommended changes to complete the Otago Regional Council Long Term Plan 2018 -28*
- d) Notes attachment 2 shows the financial impacts of the Hearing Committee recommended changes*
- e) Endorses the Hearing Committee recommendations contained in attachment 1 of this report*
- f) Directs Council staff to implement the recommendations in attachment 1 along with any amendments decided at the 13 June 2018 Finance and Corporate meeting to complete the Long Term Plan for Council approval at its 27 June 2018 meeting*
- g) Notes that the Council's external auditors will complete the legal requirement of auditing and reporting on the Long Term Plan 2018-28 based on the recommendations of the 13 June Finance & Corporate Committee meeting*
- h) Notes that the Council Rates Resolution will be put to the 27 June Council meeting following adoption of the Long Term Plan 2018-28.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

1. Attachment 1 - HC Recommended changes LTP 2018-28 1 **[10.1.1]**
2. Attachment 2 - LTP Financial Impacts **[10.1.2]**
3. Attachment 3 - LTP Overview of Public Feedback **[10.1.3]**
4. Attachment 4 - LTP Summary of Submissions Report **[10.1.4]**

Public submissions are available to view on Council's website at
<https://yoursay.orc.govt.nz/forourfuture/documents>

10.2. Director's Report

Prepared for: Finance and Corporate Committee
Activity: Governance Report
Prepared by: Nick Donnelly, Director Corporate Services
Date: 1 June 2018

1. Précis

This report informs the Finance and Corporate Committee of significant financial and corporate activity and presents account payments to the Committee for endorsement.

2. Peninsula Bus Service Petition

At the 16 May Council meeting a petition regarding "Improving the Peninsula Bus Service" was presented by Paul Pope and Jason Graham on behalf of the Peninsula community.

The petition asked for three specific requests to be considered:

1. Timetable – Have one bus leave Portobello 10 minutes earlier at 7:47am.
2. Timetable – Add a 3:08pm bus from the city.
3. Route – Make a small adjustment to the route of both of these two buses to significantly reduce the safety risk-factor. Two route options were presented:
 - a. Shore Street, Musselburgh Rise, Bay View Road, King Edward Street and Macandrew Road.
 - b. Shore Street, Musselburgh Rise.

It was noted that option a. was preferred but option b. was considered more likely to be considered.

The background to this issue has previously been reported to the Finance and Corporate Committee meeting on 2 May 2018. That report included:

- Background on the RPTP and a summary of the service changes which occurred in September 2017, including the number of services before and after those changes.
- Transfers.
- Commercial and chartered school services.
- Timetable and route review.
- Communications with the community.

Staff have considered the requests in the petition and have the following comments:

1. Changing a single trip as proposed goes against the principles of the RPTP which aims to operate routes and frequencies that are stable and simple to remember. Variations are contrary to this principle. If a change in scheduled departure time was to be considered it would need to be adopted across the entire day to ensure the principles of the RPTP were maintained.

As previously stated, a review of the timetables across the network is planned, and any changes that may occur as a result of this review will be implemented as part of the operational introduction of the bus hub. The review needs to consider the network as a whole and not a single route or trip in isolation. There are likely to be other timetable adjustments when the bus hub begins operation so making all changes at the same time is more efficient and minimises confusion for users.

Changing timetables across a complex integrated network is not a simple task. Staff need sufficient time to undertake this exercise and the flow-on effects of any change have to be carefully considered as moving a bus departure to ensure one commuter arrives at their desired time might mean disruption to many others.

Recommendation: That the variation to the 7:57am inbound departure time is declined and that any changes to the timetable as a whole are considered as part of the timetable review that will occur as part of the bus hub introduction.

2. The introduction of a 3:08pm bus is feasible. Outbound buses currently depart the city on an hourly frequency up to 3:38, and then half hourly at 4:08, 4:39 and so on. The 2:38pm departure arrives at the causeway just before 3:00pm, meaning students miss that service and have to wait for the 3:38pm service which arrives around 4:00pm. Starting the half hour service an hour early would reduce this wait time and as a minor service review this can be accommodated without any impact on the RPTP.

Ideally this change would be introduced at the same time as any other changes that may occur out of the proposed bus hub timetable review. However, it is noted that the bus hub is now expected to be completed in October so the addition of this service should be investigated now to see if an earlier introduction can be achieved. Negotiations will be required with the operator and the additional cost determined and approved by this Council and NZTA.

Recommendation: That the introduction of a 3:08pm service is investigated further, including undertaking negotiations with the operator and seeking NZTA funding approval and this be brought back to Council for approval.

3. As previously stated, staff consider a route review is not required as the schools in question are serviced in close proximity by the current routes providing transfers are utilised as intended. There are already two services (Shiel Hill and Waverley) travelling along Musselburgh Rise, with the No.18 (Peninsula) and No.3 (Ocean Grove) services covering either side of that corridor. Prior to September 2017 the outbound Peninsula service used Midland Street and the inbound route continued on Portobello Road to the BP roundabout. The change has only been to the inbound service, which now provides route consistency and ensures the Edgar Centre is serviced in both directions.

As stated in point 1, the introduction of a variation is contrary to the principles of the RPTP which aims to operate routes and frequencies that are stable and simple to remember. If a route change was to be considered it would therefore need to be a change to all services on that route to comply with the RPTP or alternatively the RPTP itself would require amendment to allow variations. If Council were of the mind to consider either of these options, staff would need to fully assess the options and the requirements under the RPTP for consultation

and report back to Council. Any route changes would also have to be assessed from a cost perspective and NZTA funding approved before any change could be implemented.

Staff note that subsequent to the presentation of the petition, the DCC have advised that the bus stop proposed for Marne Street is no longer feasible due to safety concerns. This means the interim in-lane stop will need to remain in service until a suitable permanent alternative is identified. The causeway location is not a feasible long-term solution and the DCC have indicated there may be safety issues in locating a bus stop at or near the Shore Street / Portsmouth Drive intersection. As a result, the DCC has raised the question of whether a route change may be a better long-term solution. Staff will continue discussions with the DCC and report back if a route change is assessed as the preferred solution to this issue.

Discussions with the DCC will include alternative locations for bus stops and other infrastructure changes that may be required if a route change was made. It may be necessary to add pedestrian crossings and / or alter road / intersection layouts. A potential route alternative may also be reinstating the use of Portobello Road towards the BP roundabout, and as this now includes a cycleway, the feasibility of this route will need to be assessed.

Recommendation: That the request for a variation / route change is declined and that discussions will continue with the DCC regarding the causeway bus stop location, and if a route change is subsequently identified as the preferred solution to this issue, a proposal will be reported back to Council for consideration.

3. Account Payments

Schedules of payments made are referred to the Finance and Corporate Committee for endorsement. The financial commitments and payment authorisation are made in accordance with Council's financial delegations and internal control procedures.

Payment Category	March 2018
Trade payments	2,115,036.72
Payroll	857,963.05
Total	2,972,999.77

4. Recommendation

- a) *That this report is received.*
- b) *That the payments summarised in the table above and detailed in the payments schedule, totalling \$2,972,999.77, be endorsed.*
- c) *That the response to the "Improving the Peninsula Bus Service" petition is endorsed as follows:*
 - (i) The variation to the 7:57am service is declined, noting that any changes to the timetable as a whole are considered as part of the timetable review that will occur as part of the bus hub introduction.
 - (ii) That the introduction of a 3:08pm is investigated further including negotiations with the operator and NZTA and this is brought back to Council for approval.

- (iii) That the request for a variation/route change is declined, noting that discussions will continue with the DCC regarding the causeway bus stop location, and if a route change is subsequently identified as the preferred solution to this issue, a proposal will be reported back to Council for consideration.

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments
Nil

10.3. Wanaka Depot leasing proposal

Prepared for: Council
Activity: Internal Projects: Corporate - Operational Property
Prepared by: Nick Donnelly, Director Corporate Services
Date: 1 June 2018

1. Précis

This report outlines a proposal received from the Alpine Lakes Research and Education Centre (ALREC) Board to lease Council's Wanaka depot to facilitate the creation of an alpine lakes research and education centre in Wanaka and requests Council give direction on whether this initiative should be considered and progressed.

2. Background

The attached proposal provides detail about ALREC and their objectives.

ALREC's establishment board is chaired by Cr Ella Lawton and is made up of representatives from the Lake Wanaka Trust, Otago Fish and Game, Otago University and the ALREC steering group.

Once established, the board will hand over governance of ALREC to the Lake Wanaka Trust (LWT). The trustees on the LWT are Russell McGeorge, Jeff Donaldson, Calum MacLeod and Don Robertson.

3. Proposal

ALREC is requesting the use of the old concrete building on the depot site. As this building would require some financial investment to make it fit for purpose the group is requesting a 10 year lease period at a peppercorn rental.

4. Evaluation

The Wanaka depot is 11,432 m² and has two buildings on site. One to the north is an older brick building that has previously been used for mixing poison. This building includes kitchen and toilet facilities. The other is a newer three bay long run shed with an office on one end. This building has no water services connected to it. One operations staff member operates out this location although this staff member could be based out of Cromwell. The site is shown below.



Earlier this year staff also received a request from GoBus to lease space on the site to park buses. The area being considered for this is the area north of the old building which is almost completely fenced off from the rest of the site (indicated with an "i" in the photo). Unlike the ALREC request this proposal is on commercial terms with no impact on Council operations and is being dealt with by staff as an operational matter.

The GoBus request is being progressed on the conditions that they will lease the land north of the old building, they obtain any consents required, they establish a separate entrance, they fence off the remainder of that portion of the site and that they pay all costs in relation to meeting these conditions.

The area being considered, once fully fenced with a separate entrance, ensures that their operations are segregated from those of Council. They have been offered a 2 year lease term with rolling 6 month renewal periods after that. Market rental has been assessed at \$10,400 pa excluding GST with a review at the end of two years if the extension option is given. GoBus are in the process of completing due diligence with QLDC.

There are a number of things to be considered in relation to ALREC's proposal:

- a. Length of the lease term – the term requested is 10 years. Unless provision is made to break the lease this term limits Council's ability to use or dispose of the site for a considerable period of time should Council's requirements change. By comparison the GoBus agreement is for a much shorter initial period and will then continue on a rolling 6 month basis which allows Council flexibility over the future use of the site.
- b. Non-market rental – the proposal requests a peppercorn rental. Council needs to consider whether it is comfortable with granting a lease at a non-market rental.

The market rental has been assessed at \$42,000 per annum excluding GST and outgoings for the old building and immediate surrounding area. The whole site (excluding the area under consideration by GoBus) has been assessed at \$70,000 per annum excluding GST and outgoings.

This means Council is effectively funding ALREC activities to that extent and over 10 years that equates to \$420,000 as per their request. Before this particular proposal is considered Council should first consider whether it wishes to be involved in funding groups of this nature regardless of whether that is in the form of cash or in-kind services. Supporting this group may set a precedent should other similar groups approach Council with similar proposals or for cash to support similar activity there will be an increased expectation that Council will fund that activity.

Assuming Council was comfortable funding community groups of this nature, Council would then need to determine if it should fund this particular group in the way proposed. There may be synergies or opportunities to facilitate Council's own work program from entering into this type of arrangement that would potentially justify the non-market rental however these are not clear from the proposal and have not been explored further at this time.

It should also be noted that the facility will be used by the University of Otago and NIWA both of which have their own significant sources of funding. Again, ORC's involvement in facilitating this activity and what the benefit is for Council and ratepayers needs to be considered and understood.

- c. ORC's operational requirements and whether sharing the site is feasible or desirable – Council currently have one staff member based out of this location although this is largely due to them living in the area rather than an operational requirement. This staff member and services could be provided from the Cromwell depot which can adequately service the Wanaka area.

Council has previously indicated the site should be retained as Council's future operational requirements are unknown at this time especially as the pest management plan is currently being reviewed. If Council was to retain operational capability on the site then some form of segregation from ALREC should be considered. Assuming Council retained use of the newer building then services will either need to be added to this building or an agreement may need to include access to the services in the old building. There may also be a

need to fence off ORC's activity if operations continued from a shared site. If required, the cost of these works and who should pay, also needs to be considered. Alternatively, Council could discontinue use of the site and effectively grant sole use to ALREC which may remove the requirement for any additional expenditure.

There is a cost to Council of retaining the site with the current limited operational use, so leasing some or all of the site if it is surplus to requirements is beneficial while Council's long term requirements are being determined. Commercial lease terms provide a return on the asset however even a non-market rental may be beneficial if other costs ie. rates and insurance are passed on to the leasee. This minimises the cost to Council in the short term while still maintaining the longer term benefits of ownership. The current annual cost of rates is \$2,009.36. Insurance on that site is not separated in Council's insurance and would need to be requested from Council's insurers.

- d. Suitability of the site for accommodation – the proposal indicates a desire to add a relocatable building onto the site for accommodation purposes. Suitability of the site for this purpose and whether this should be permitted, especially if ORC operations continue needs to be considered.

5. Recommendation

- a) *That this report is received, and*
- b) *That Council considers whether it wishes to financially support community groups such as ALREC either financially or in-kind, and*
- c) *If the above is supported, that Council considers the ALREC proposal to lease some or all of the Wanaka depot and determines whether such an agreement should be entered into, and*
- d) *If an agreement is to be entered into with ALREC, authorise the Chief Executive to under take negotiations, and*
- e) *Provide guidance as to acceptable lease term and rental to be paid if an amount other than market is to be considered.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

- 1. ORC Wanaka Depot for ALREC Proposal final **[10.3.1]**
- 2. Questions reply 280518 **[10.3.2]**

10.3. Passenger Transport Update

Prepared for: Finance and Corporate Committee
Activity: Transport – Public Passenger Transport
Prepared by: Julian Phillips and Stephen Patience
Senior Transport Operations Officers
Gerard Collings, Manager Support Services
Date: 7 June 2018

1. Précis

This report provides the Finance and Corporate Committee with an update on significant public passenger transport activity.

2. Changes to Wakari and Helensburgh Routes

The changes to the Wakari and Helensburgh routes are scheduled to commence on Monday 2 July. While this is slightly later than intended, it is necessary to ensure the operator has adequate time to ensure all measures are in place, including driver training, to ensure a smooth transition.

The changes will be promoted to the local community through a variety of media including a mailbox drop to properties in the Wakari–Helensburgh areas in June.

3. Peninsula Bus Stop

An interim stop has been operating at the Andersons Bay causeway while a stop was being put in place at the Marne Street intersection, however, DCC have subsequently identified a potential rockfall hazard at this location, meaning that an alternative solution is being sought. Discussions with the DCC are ongoing on this issue.

4. Central City Bus Loop – investigation

Dunedin City Council have requested that Council investigate the potential for a central city bus loop to compliment the public transport network services. In response to this request, Ian Wallis & Associates were engaged to investigate the feasibility of the service. A copy of the report provided by the consultant is attached.

The investigation concludes:

“The investigation has found that such a route would largely duplicate existing and future services and that the investment required to deliver a CBD Circular bus route may be better used to boost service levels on existing core routes. Alternatively, the CBD Circular route could be considered for tourist purposes, in which case this is not generally the core business for regional councils.”

In light of the conclusion it is recommended that the concept of a central city loop not be advanced further at this time and that the DCC be advised accordingly.

5. Recommendation

- a) That this report be received.
- b) That no further action be taken on the development of a central city bus loop and the DCC advised of this decision and provided a copy of the attached report.

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

- 1. Attachment - Dunedin CBD routes **[10.3.1]**

11. MATTERS FOR NOTING

11.1. Financial Report to 30 April 2018

Prepared for: Finance and Corporate Committee
Activity: Financial report to 30 April 2018
Prepared by: Stuart Lanham, Finance Manager
Date: 29 May 2018

1. Précis

The purpose of this report is to provide a summary of the Council's financial performance compared to budget for the ten months ended 30 April 2018, and a summary of the financial position as at that date.

2. Statement of Comprehensive Revenue and Expenses

The following Statement of Comprehensive Revenue and Expenses shows income from all external revenue sources, and all external operating expenditure for the period of the report.

Otago Regional Council					
Statement of Comprehensive Revenue and Expenses					
for the ten months ended 30 April 2018					
Description	Note	\$000's			
		Annual Budget	Year to date 30 April 2018		
		Budget	Actual	Variance	
Revenue:					
Rate revenue		20,910	17,425	17,421	(4)
Government subsidies	2.1	11,926	10,079	7,820	(2,259)
Other revenue	2.2	11,449	9,381	8,353	(1,028)
Dividend from Port Otago Ltd	2.3	9,000	7,500	7,500	-
Interest & investment income	2.4	1,512	1,260	1,806	546
Rental income		1,002	835	875	40
Investment property revaluation gain	2.5	333	-	-	-
		56,132	46,480	43,775	(2,705)
Less expenses:					
Operating expenses	2.6	39,748	33,178	31,490	1,688
Employee benefits expense		15,311	12,759	12,532	227
Depreciation & amortisation		2,014	1,678	1,690	(12)
Finance expenses		2	2	2	-
		57,075	47,617	45,714	1,903
Surplus/(deficit)		(943)	(1,137)	(1,939)	(802)
Income tax benefit		115	96	82	(14)
Surplus/(deficit) after tax		(828)	(1,041)	(1,857)	(816)
Other comprehensive revenue & expense:					
Revaluation gain on POL shares	2.7	10,000	-	-	-
Net Comprehensive Revenue and Expense		9,172	(1,041)	(1,857)	(816)

In the statement above, bracketed variances indicate revenue less than the budgeted level, and expenditure in excess of the budgeted level.

Note 2.1 – Government subsidies

Council receives subsidies from Government agencies on eligible expenditure. The level of subsidy income is therefore directly related to the level of eligible expenditure.

Subsidy income from the Public Passenger Transport project is down \$1,717,000 on the budget of \$8,489,000.

The main variance in this activity group is the electronic ticketing system replacement project. The annual budget anticipated the project would be funded from NZ Transport Agency subsidies of \$2,003,000 and drawings on transport reserves. This is a complex project involving a consortium of nine regional councils and the project is running behind the budgeted timeline. Consequently, revenue from government subsidies is down \$1,293,000 on the year to date budget of \$1,669,000.

Subsidy income related to contracted bus services in Dunedin and Queenstown are also lower than budgeted due to services commencing later in the year than provided for in the budgets.

Dunedin has a variance of \$162,000 against a budget of \$3,612,000, and Queenstown has a variance of \$176,000 against a budget of \$791,000.

The Wilding Pines project has actual income of \$761,000 against the budget of \$1,200,000 resulting in a variance of \$439,000. Funding from Ministry for Primary Industries (MPI) for the full year of \$1,185,000 (GST exclusive) has been received, however the amount of revenue reflected in the Statement of Revenue and Expenditure is only the amount required to match the project expenditure incurred to date that is eligible for the subsidy – and currently that expenditure is running behind the budgeted timeline.

Note 2.2 – Other revenue

The amount of other revenue earned of \$8,353,000 is \$1,028,000 less than the budgeted amount of \$9,381,000.

The budgeted other revenue income category largely comprises revenue that is directly related to the level of activity undertaken. The projects contributing significantly to the variance, and being largely due to lower levels of activity, are the resource consents and compliance monitoring projects, with a combined variance of \$728,000 against budgets totaling \$1,963,000, and external pest control contracting with a variance of \$277,000 against the budget of \$367,000 due lower demand in that activity.

Note 2.3 – Dividend income from Port Otago Limited

The total dividend budgeted for the year, and expected to be received for the year, amounts to \$9.0 million. This includes a special dividend of \$1.5 million.

In the financial statements, dividend income is accrued evenly during the year based on the total dividends expected to be received in the year to 30 June 2018.

Note 2.4 – Interest and investment income

This revenue line comprises interest earned on term deposits and bank accounts of \$931,000, and an increase in fair value of the managed fund portfolio of \$875,000.

The increase in fair value of the managed fund incorporates income received, and changes in the market value of investments due to price changes, and foreign exchange rates where applicable. The overall change in fair value is subject to monthly fluctuations due to movements in the market valuation factors.

Note 2.5 – Investment property revaluation gain

Investment property is revalued annually, with the next revaluation date being 30 June 2018. Accordingly, the year to date budget and actual amounts reflect nil values.

Note 2.6 – Operating expenses

Operating expenses are \$1.688 million less than the budgeted amount of \$33.178 million. This is largely the result of external project expenditure being less than budgeted. This variance forms part of the activity expenditure variances reported further on in section 4 of this report.

Note 2.7 – Revaluation gain on Port Otago Ltd shares

The annual budget makes provision for an increase in the valuation of the Council's 100% shareholding in Port Otago Limited. The shares are valued annually, with the next revaluation date being 30 June 2018. Accordingly, the year to date budget and actual amounts reflect nil values

3. Statement of Financial Position

A Statement of Financial Position follows, and shows the Council's financial position at 30 April 2018, along with budgeted amounts for the financial position at 30 June 2018, and comparative amounts as at 30 June 2017.

**Otago Regional Council
Statement of Financial Position
as at 30 April 2018**

Description	Note	\$000's		
		Budget 30 June 2018	Actual 30 April 2018	Actual 30 June 2017
Current assets				
Other financial assets	3.1	41,198	46,770	54,057
Cash and cash equivalents	3.1	3,765	6,391	4,433
Trade and other receivables	3.2	3,286	5,079	3,568
Dividends receivable	3.3	-	3,500	-
Property held for sale		1,284	214	1,093
Other current assets		207	314	261
		49,740	62,268	63,412
Non-current assets				
Shares in Port Otago Ltd	3.4	438,239	439,037	439,037
Property plant and equipment		93,922	89,252	86,313
Investment property	3.5	11,431	10,825	10,825
Intangible assets		3,357	2,218	2,066
Deferred tax asset		98	82	98
		547,047	541,414	538,339
Total assets		596,787	603,682	601,751
Liabilities – all current				
Revenue in advance	3.6	-	4,027	-
Trade and other payables		4,134	7,058	7,159
Employee entitlements		1,483	1,554	1,665
		5,617	12,639	8,824
Net assets		591,170	591,043	592,927
Public equity and revaluation reserves				
Public equity		133,746	130,780	133,549
Available-for-sale revaluation reserve	3.4	418,239	419,037	419,037
Asset revaluation reserve	3.5	9,370	8,764	8,764
		561,355	558,581	561,350
Other reserves				
Building reserve		13,770	13,493	13,614
Kuriwao endowment reserve		6,339	6,419	6,361
Asset replacement reserve		4,560	6,747	5,820
Emergency response reserve		4,168	4,158	4,033
Water management reserve		736	1,121	1,427
Environmental enhancement reserve		242	524	322
		29,815	32,462	31,577
Total equity and reserves		591,170	591,043	592,927

Note 3.1 – Other financial assets and cash and cash equivalents

Funds surplus to the Council's immediate and short-term requirements are managed on Council's behalf by the BNZ. An investment portfolio and term deposits with durations of 4-12 months are included in the classification 'Other financial assets'. Current bank balances and term deposits with durations of less than four months are included in 'Cash and cash equivalents'.

Note 3.2 – Trade and other receivables

The receivables amount at 30 April of \$5.079 million, includes rate receivables of \$1.180 million, and \$1.917 million in transport subsidies from NZ Transport Agency and transport receivable accruals.

Note 3.3 – Dividends receivable

The dividend receivable amount of \$3.5 million reflects the year to date accrual of income of \$7.5 million, less the dividends received to date amounting to \$4.0 million.

Note 3.4 – Shares in Port Otago Ltd and available-for-sale revaluation reserve

The shares in Port Otago Ltd are revalued annually and are included at the 30 June 2017 valuation date. The available-for-sale revaluation reserve reflects the revaluation amount of the shares as at that date.

Note 3.5 – Investment property and asset revaluation reserve

Investment property is revalued annually and is included at the 30 June 2017 valuation. The asset revaluation reserve reflects the revaluation amount of the investment property at 30 June 2017.

Note 3.6 – Revenue in advance

Rate revenue is allocated evenly over the twelve-month period to 30 June 2018. The revenue in advance amount includes \$3.487 million being the portion of rate revenue invoiced in August 2017, that will be released to the statement of revenue and expenses over the remaining two months of the financial year.

4. Activity Expenditure

The following Statement of Activity Expenditure includes capital and internal expenditure and summarises expenditure for the ten months ended 30 April 2018.

The notes to the Statement identify and provide brief comment on projects that have contributed significantly to the major overall activity variances.

**Otago Regional Council
Statement of Activity Expenditure
for the ten months ended 30 April 2018**

Activities	Note	\$000's			
		Annual Budget	Year to date 30 April 2018		Variance
		Budget	Budget	Actual	
Environment					
Air		423	323	370	(47)
Environmental Incident Response		1,412	1,171	1,319	(148)
Land	4.1	4,113	3,568	2,748	820
Rivers and Waterway Management		1,889	1,653	1,304	349
Water	4.2	9,848	8,173	6,725	1,448
		17,685	14,888	12,466	2,422
Community					
Democracy		1,570	1,304	1,279	25
Public Information and Awareness		2,012	1,662	1,713	(51)
Financial Contributions		350	292	292	0
Land Air Water Aotearoa		427	355	403	(48)
Dunedin Head Office Replacement	4.3	665	554	45	509
Regional Economic Development		0	-	9	(9)
		5,024	4,167	3,741	426
Regulatory					
Policy Development		191	160	494	(334)
Consents		1,798	1,475	1,137	338
Compliance		1,289	1,060	845	215
Harbour Management		406	334	683	(349)
		3,684	3,029	3,159	(130)
Flood Protection and Control Works					
Leith Scheme	4.4	2,993	2,279	3,451	(1,172)
Taieri Schemes	4.5	2,014	1,701	2,341	(640)
Clutha Schemes	4.6	1,977	1,663	1,246	417
Other projects		398	342	259	83
		7,382	5,985	7,297	(1,312)
Safety and Hazards					
Emergency Management		2,412	1,991	2,137	(146)
Natural Hazards		1,329	1,107	1,299	(192)
		3,741	3,098	3,436	(338)
Transport					
Regional Land Transport Planning		318	262	251	11
Public Passenger Transport	4.7	24,357	20,029	18,110	1,919
Stock Truck Effluent Disposal Sites		508	364	126	238
		25,183	20,655	18,487	2,168
Total		62,699	51,822	48,586	3,236

* Variances – bracketed variances denote expenditure that exceeds the budget.

Note 4.1 – Land

The most significant variance in the Land projects is the Wilding Pines project which is underspent by \$402,000 against the budget of \$1,407,000. MPI funding for the project has been approved and received, however the seasonal weather change is beginning to impede further work and will now likely result in a significant underspend by year end.

The Pest Management Strategy compliance monitoring project is underspent by \$243,000 against the budget of \$1,130,000 and is largely attributable to staff vacancies earlier in the year, which impacted the animal and rabbit work component of the project.

The pest contract work is underspent by \$183,000 against the budget of \$278,000 due to less rabbit contracts being undertaken.

The Control of Pests project is overspent by \$132,000 against the budget of \$55,000 due to K5 virus monitoring work being undertaken.

Note 4.2 – Water

Water related projects with expenditure of \$6,725,000 are \$1,448,000 under-expended against the budget of \$8,173,000.

The rural water quality implementation project is underspent by \$958,000 against the budget of \$2,506,000, with the two most significant areas of under-expenditure noted below.

Delays on delivery of the Good Water Project with a change in approach with developing a pilot for the onsite assessments and getting this delivered by an external consultant mean that this element of the project is behind budget. That work is progressing with desktop assessments in progress and the Shag River pilot project underway. Dairy farm inspections were deferred following the July 2017 flood event and the Mycoplasma Bovis outbreak.

The Regional Plan: Water project is underspent by \$540,000, against the budget of \$915,000.

Commencement of some plan changes has been reliant on the adoption of the Urban Water Quality Strategy which was delayed but is now progressing. Additionally, a timing variance with the science-related work, the majority of which is yet to be incurred, will reduce following the commencement of external contracts which have now been awarded.

The Coastal Strategy project is underspent by \$398,000 against a budget of \$488,000. The priority of this activity has been reconsidered as part of the 2018-28 Long Term Plan and it is now proposed that preparation of the coastal strategy will be undertaken in later years.

The minimum flows project is overspent by \$500,000 against the budget of \$1,707,000 due to an acceleration of work on the project over the timing reflected in the budget, and additional unbudgeted costs to ensure sufficient hydrological information is available.

Note 4.3 - Dunedin Head Office Replacement

The annual budgeted expenditure of \$665,000 was forecast to be incurred evenly throughout the year, with a year-to-date budget of \$554,000. The acquisition process for the Council's preferred site in Dowling Street has not proceeded in the timeframe envisaged in the budget, and accordingly costs incurred to date have only amounted to \$45,000.

Note 4.4 – Leith Scheme

The Leith Scheme is overspent by \$1,172,000 against the budget of \$2,279,000.

Expenditure of \$2,554,000 has been incurred on the ITS Bend section of the scheme, however the budget for all the ITS Bend work was included in the previous year's budget. In 2016/17 the scheme budget was underspent by \$2,622,000.

The Dundas Street Bridge section of the scheme is underspent by \$1,536,000 against the budget of \$1,854,206. Construction work on this section of the scheme has been deferred until the following financial year.

Note 4.5 – Taieri Schemes

The West Taieri scheme is overspent by \$375,000 against the budget of \$719,000 and the Lower Taieri scheme is overspent by \$276,000 against the budget of \$423,000.

The main cause for the additional expenditure in these schemes is the unbudgeted costs incurred in responding to the significant flood event in late July 2017 and subsequent remediation work.

Repair costs were incurred in relation to the Mill Creek and Ascog pump stations, as well as additional portable pumping being deployed. The nature of flood events of this magnitude is that there is no budgetary provision for the costs of responding to such events. The costs are allocated to the appropriate scheme reserve and will be recovered over time.

Note 4.6 – Clutha Schemes

The Clutha schemes are underspent by \$417,00 against a budget of \$1,663,000.

The Lower Clutha Scheme accounts for \$384,000 of the variance against a budget of \$1,539,000. The scheme comprises a field operations and maintenance element which is overspent by \$112,000 against a budget of \$559,000, whereas the engineering element of the project is underspent by \$496,000 against the budget of \$979,000.

Note 4.7 – Public Passenger Transport

The Public Passenger Transport project is underspent by \$1,919,000 against the budget of \$20,029,000.

The most significant area of under-expenditure is in the cost of contracted bus services, with Dunedin services costing \$788,000 less than the budgeted amount of \$10,417,000 and Wakatipu services costing \$757,000 less than the budgeted amount of \$3,150,000.

Bus services improvements were implemented in Dunedin in September 2017 and Wakatipu services commenced in November 2017. These were budgeted to occur in

July 2017 and October 2017 respectively, and the later commencement dates have resulted in the under-expenditure referred to above.

5. Recommendation

- a) *That this report is received.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

12. NOTICES OF MOTION

12. CLOSURE