

Report No:	RCN11-05-05
File No:	S311
Date:	3 May 2011
<b>Decision Required</b>	

## REPORT SUMMARY

**Report to:** Tasman District Council  
**Meeting Date:** 19 May 2011  
**Subject:** Nelson Regional Sewerage Business Unit Surplus  
**Report Author:** Murray Staite, Corporate Services Manager

### EXECUTIVE SUMMARY

At its meeting on 25 March 2011 the Joint Shareholders Committee agreed, subject to the agreement of Nelson City Council and Tasman District Council, that future Nelson Regional Sewerage Business Unit surpluses be returned to shareholders, subject to adequate provisions being in place to repay debt.

### RECOMMENDATION/S

It is recommended that Council accepts the recommendation of the Joint Shareholders Committee.

### DRAFT RESOLUTION

**THAT the Tasman District Council:**

- a) **accepts the Joint Shareholders Committee's recommendation that the Nelson Regional Sewerage Business Unit establish a principle that future operating surpluses be returned to the shareholders providing there is a provision to repay loans over 30 years; and**
- b) **this resolution be subject to the Nelson City Council passing a similar resolution**

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## 1. Purpose

- 1.1 The purpose of the report is to seek Council's support for the recommendation from the Joint Shareholders Committee.

## 2. Background

- 2.1 The Joint Shareholders Committee considered a report at its meeting of 25 March 2011 in regard to establishing a principle surrounding future operating surpluses. This report is attached as Appendix A.
- 2.2 This report is of the view that the principle of intergenerational equity is compromised by the current practice surrounding surpluses.
- 2.3 After some discussion, the following resolution was passed:

***"THAT the Nelson Regional Sewerage Business Unit's Proposal to establish a principle that future operating surpluses be returned to the shareholders providing that there is a provision to repay loans over 30 years as set out in document 1033037 be approved."***

## 3. Options

- 3.1 That Tasman District Council approve the recommendation of the Joint Shareholders Committee regarding the Nelson Regional Sewerage Business Unit.
- 3.2 That Tasman District Council not approve the recommendation of the Joint Shareholders Committee regarding the Nelson Regional Sewerage Business Unit.

#### **4. Pros and Cons of Options**

- 4.1 If Council accepts Option 3.1 it would put in place a principled approach and methodology that ensures future surpluses (if any) are appropriately returned to the shareholders, while still allowing for appropriate repayment of debt.
- 4.2 If Council accepts Option 3.2 future surpluses (if any) are likely to be returned on an ad hoc basis, rather than through established principles. Additionally, as noted by the attached report, the principle of intergenerational equity would be compromised.

#### **5. Significance**

- 5.1 In accordance with Council's Significance Policy, this decision is not considered significant.

#### **6. Recommendation**

- 6.1 It is recommended that Council accepts the recommendation of the Joint Shareholders Committee.

#### **7. Draft Resolution**

**THAT the Tasman District Council:**

- a) accepts the Joint Shareholders Committee's recommendation that the Nelson Regional Sewerage Business Unit establish a principle that future operating surpluses be returned to the shareholders providing there is a provision to repay loans over 30 years; and**
- b) this resolution be subject to Nelson City Council passing a similar resolution**

#### **Appendices:**

*Appendix 1 – Report – Proposal to Distribute Future Business Unit Surpluses*

*Appendix A: History of Debt and Equity*

*Appendix B: Ten year Projection of Debt and Equity without Owners' Distribution*

*Appendix C: Ten year Projection of Debt and Equity with Owners' Distribution*

*Appendix D: Ten year forecast of Total contributions, Council contributions, and distributions to owners.*