

STAFF REPORT

TO: Chairman and Members, Corporate Services Committee
FROM: Bryce Grammer, Financial Accountant
DATE: 2 June 2009
SUBJECT: **Loan Funding**

1 PURPOSE

The purpose of this report is to seek approval from the Corporate Services Committee for funding reallocations as well as funding approvals from over spends or changes in the timing of projects.

2 COMMENT

The reason for funding reallocations is to ensure the continuation of work that commenced in the 2007/2008 financial year as well as to reallocate funding where projects may exceed their approved budgets or have not been budgeted for. Some of the changes documented in this report have already been approved by other Council committees and have therefore been brought to the Corporate Services Committee for final funding approval. The reason for the funding approvals is to ensure that Council's cash flow is maintained when projects have exceeded their approved budgets or where projects over multiple years are ahead of schedule.

3 ST ARNAUD STORMWATER AND WASTEWATER UPGRADE

Council was required to replace the 100mm diameter wastewater sewer with a 150mm diameter sewer as part of the adjacent subdivision and the upgrading of the Transit (now the New Zealand Transport Agency – NZTA) highway in the St Arnaud township. The cost of this work was 100% funded by Council. The old pipework had failed in part and was undersized. As this is capital work it is proposed that it be loan funded.

The stormwater work was done in conjunction with the above wastewater project. The cost of this work was a cost share arrangement with NZTA where their share was about 80% of the cost. The new stormwater reticulation is now owned by Council and was unscheduled capital works. These upgrades have been previously identified in the Utilities report for the Engineering Services Committee.

Council's share of the cost of the upgrades is \$154,000 and it is proposed to be loan funded.

Recommendation

That Council's share of the cost of the St Arnaud upgrades of \$154,000 be loan funded.

4 NEW BRIGHTWATER RESERVOIR OVER BUDGET

The new Brightwater reservoir project has been completed, at a cost of \$391,000 in the current financial year. There was \$349,000 of loan funding carried forward from the 2007/2008 year which was approved by the Engineering Services Committee meeting held on Thursday 27 November 2008. It is proposed that the over spend of \$42,000 be loan funded, which will increase the loan funding for the project from \$349,000 to \$391,000.

Recommendation

That Council's loan funding for Brightwater Reservoir be increased from \$349,000 to \$391,000.

5 TAPAWERA WASTEWATER TREATMENT PLANT OVER BUDGET

The total expenditure for this capital works was required as part of the Tapawera Wastewater Treatment Plant project. There was \$565,000 of loan funding carried forward from the 2007/2008 year which was approved by the Engineering Services Committee meeting held on Thursday 27 November 2008. The total cost of the project was \$775,000 and we propose that the extra costs of \$210,000 be loan funded. The extra costs associated with the project were due to the extra land costs and desludging of the wastewater pond. These additional have been previously identified in the Utilities Reports for the Engineering Services Committee. It is proposed that it be loan funded.

Recommendation

That Council's loan funding for Tapawera Wastewater Treatment Plant be increased from \$565,000 to \$775,000.

6 WASTEWATER DEVELOPMENT CONTRIBUTIONS

The 2008/2009 Annual Plan contains a budget for development contribution loans of \$4,186,843. This budget is to allow for short term funding of development contribution projects due to the timing of the receipt of development contributions and cashflow management. [Currently there is approximately \$130,000 to be borrowed against this budget].

Recommendation

That Council's loan funding for wastewater development contributions as identified in the 2008/09 Annual Plan of \$4,186,843 be approved.

7 PORT MOTUEKA ENDOWMENT LAND – BUILDING PURCHASES

Council has purchased buildings on several Port Motueka Endowment land properties as detailed in the Confidential Minutes of a meeting of the Council's Enterprises Subcommittee held on Wednesday 15 October 2008. The funding for the purchase of these properties is currently being met from the closed account balance until the properties have been sold. For cashflow purposes, we propose that Council raises a short term loan to fund the purchase cost of \$402,000 which is repaid on the sale of these properties.

Recommendation

That Council approves short term loan funding to fund Port Endowment Land Building Purchases of \$402,000, on the condition that sale proceeds from the sale of any Port Endowment Land properties be used to repay the short term loan funding.

8 SAXTON FIELD STADIUM

The 2008/2009 Annual Plan identified Council's share of this project at \$3.5m which is to be loan funded. There was \$1.5m allocated in the 2008/2009 Annual Plan for the current year's share of the project. The \$1.5m was approved by Council in the Minutes of a meeting of the Corporate Services Committee held on Thursday 21 August 2008. The project is ahead of schedule and therefore, more of the costs have occurred in the 2008/09 year. Council at their workshop on 27th May 2009 agreed that the final cost of the project be increased to \$3.838m. This project is loan funded.

Recommendation

That Council's loan funding for their share of the entire Saxton Field Stadium project as identified in the 2008/09 Annual Plan be approved, and increased to \$3.838m.

9 MURCHISON SPORT RECREATIONAL AND CULTURAL CENTRE

The 2008/2009 Annual Plan identified Council's share of this project as \$2.6m which is to be loan funded. Council at their workshop on 27 May 2009 agreed that the final cost of the project be increased to \$2.82m.

Recommendation

That Council's loan funding for its share of the Murchison Sport Recreational and Cultural Centre project be increased to \$2.82m as approved.

10 RESERVOIR CREEK UPGRADE – TEMPLEMORE DRIVE

In the Minutes of a meeting of the Engineering Services Committee held on Thursday 24 July 2008 it was resolved:

Moved Crs Bryant/Wilkins
WK08/07/08

THAT the Engineering Services Committee approve the transfer of \$125,000 from the Headingly stormwater project to the Reservoir Creek upgrade project.
CARRIED

This funding is a transfer within the stormwater account. The approved transfer will increase the loan funded budget for the Reservoir Creek – Templemore Drive project from \$80,000 to \$205,000.

Recommendation

That the Corporate Services Committee approve the increase in loan funding from \$80,000 to \$205,000 for the Reservoir Creek – Templemore Drive project.

11 UTILITIES BUDGET CARRYOVERS

In the Minutes of a meeting of the Engineering Services Committee held on Thursday 16 October 2008 it was resolved:

Moved Mayor Kempthorne/Cr Ensor
WK08/10/10

THAT the Engineering Services Committee approve the 2007/2008 Utilities budget carryover of \$6,270,537 into the 2008/2009 financial year.

CARRIED

Scheme	Project Name	Carryover
Wastewater		
Motueka	Wastewater Treatment Upgrade	\$1,090,000
Collingwood	Wastewater Treatment Upgrade	\$273,000
Tapawera	Wastewater Treatment Upgrade	\$565,000
Upper Takaka	Wastewater Treatment Upgrade	\$170,000
Richmond	Reticulation Replacement	\$28,500
Pohara	Cassidy's corner Pumping station upgrade	\$1,365,000
Stormwater		
Richmond	Bird/ Elizabeth Street Reticulation Upgrade	\$780,000
Richmond	Reservoir Creek Improvements	\$80,000
Motueka	Lammas Drain	\$16,000
Mapua	Causeway and Stream Improvements	\$360,000
Tata beach	Cornwall place	\$159,000
Water		
Waimea	Waimea Water Strategy	\$104,000
Motueka	Motueka Water main Installation	\$324,000
Brightwater	Construct New Reservoir	\$349,000
Mapua	Water Abstraction for CTA & Motueka	\$158,000
Mapua	Advance design for CTA	\$95,000
Tapawera	Reticulation and Treatment Upgrade	\$64,000
Tapawera	Reticulation and Treatment Upgrade	\$64,557
Takaka Firewell	Takaka Fire Wells and study	\$57,800
Solid Waste		
Mariri RRC	Drainage improvements	\$78,000
Closed landfills	Closed landfill construction	\$27,540
Murchison landfill / RRC	Site development and flood proofing	\$57,000
Collingwood RRC	Telephone line / data link	\$5,140
		\$6,270,537

All of the above carry overs were to be loan funded.

Recommendation

That the Corporate Services Committee approve the loan funding for the carryover of \$6,270,537 of 2007/2008 utilities projects into the 2008/2009 financial year.

12 STORMWATER FUNDING TRANSFER

In the Minutes of a meeting of the Engineering Services Committee held on Thursday 27 November 2008 it was resolved:

Moved Crs Higgins/Currie
WK08/11/14

THAT the Engineering Services Committee, approves the reallocation of funding within the stormwater budget, so that the upgrade of Salisbury Road and Park Drive stormwater works can be undertaken in the 2008/2009 financial year.
CARRIED

The stormwater capital projects approved in the 2008/09 Annual Plan included at total of \$1,514,392 for the construction of the Poutama Drain and Hunt Lowry reticulation. These projects were loan funded. The Engineering Services Committee approved the transfer of \$760,000 of these budgets to the Salisbury Road stormwater upgrade, and \$700,000 to the Park Drive stormwater upgrade.

Recommendation

That:

- a) the Corporate Services Committee approve the reallocation of funding within the stormwater budget so that the upgrade of Salisbury Road stormwater of \$760,000 and the upgrade of Park Drive stormwater of \$700,000 can be undertaken in the 2008/2009 financial year;**
- b) the Corporate Services Committee approve a loan funded budget of \$760,000 for the Salisbury Road stormwater upgrade, and a loan funded budget of \$700,000 for the Park Drive stormwater upgrade.**

13 STORMWATER AND WATER FUNDING TRANSFERS

In the Minutes of a meeting of the Engineering Services Committee held on Thursday 2 April 2009 it was resolved:

Moved Crs King/Glover
WK09/04/07

THAT:

- a) the Engineering Services Committee approves the reallocation of funding within the stormwater account so that the works associated with Gladstone Road, Kingsley Place and Upper Gibbs Road can be undertaken in the 2008/2009 financial year;

- b) the Engineering Services Committee approves the reallocation of funding within the water account so that the works associated with Gladstone Road and Talbot Street can be undertaken in the 2008/2009 financial year;
- c) a further report will be presented to the May 2009 Engineering Services Committee to review the scope of the works proposed in Park Drive and Salisbury Road.

CARRIED

- a) Summary of funding required for stormwater.

Stormwater	Approved budget	Estimated cost	Shortfall to be funded
Upper Gibbs Road	\$100,395	\$300,000	\$199,605
Kingsley Place	\$250,034	\$370,000	\$119,966
Gladstone Road	-	\$400,000	\$400,000
Total shortfall requiring funding in the stormwater account			\$719,571

In the minutes of the meeting of the Engineering Services Committee held on Thursday 27 November 2008, it was resolved to transfer \$1.46 million from the construction of the Poutama Drain and Hunt/Lowry Street reticulation projects to the Salisbury Road and Park Drive stormwater upgrades. Subsequent to this resolution, Engineering Services Committee has decided to reallocate \$719,571 of the funding transferred to the Salisbury Road and Park Drive stormwater upgrades to fund the shortfall in the Upper Gibbs Road, Kingsley Place and Gladstone Road stormwater projects noted in a) above. This has reduced the funding available for the Park Drive and Salisbury Road stormwater improvements from \$1.46m to \$740,429. All of the above projects are loan funded projects.

- b) Summary of funding required for water

Water Main	Approved budget	Estimated cost	Shortfall to be funded
Gladstone Road	-	\$180,000	\$180,000
Talbot Street	-	\$120,000	\$120,000
Total shortfall requiring funding in the water account			\$300,000

Council has three projects nearing completion that have not expended their full capital budget and these unspent budgets are to be used to fund the shortfall:

Project	Estimated budget unspent
New reservoir investigations – Richmond	\$160,000
Richmond West preliminary design	\$100,000
Improvement works at Murchison	\$40,000
Total	\$300,000

These projects are all loan funded.

Recommendation

That the Corporate Services Committee approve the increases in loan funding from \$100,395 to \$300,000 for the Upper Gibbs Road stormwater project, from \$250,034 to \$370,000 for the Kingsley Place stormwater project, and from \$Nil to \$400,000 for

the Gladstone Road stormwater project. This is to be funded by a reduction in the loan funding for the Park Drive and Salisbury Road stormwater improvements.

That the Corporate Services Committee approve a loan funded budget of \$180,000 for the Gladstone Road water project and a loan funded budget of \$120,000 for the Talbot Street water project. This is to be funded by a reduction in the loan funding for the Richmond Reservoir investigations of \$160,000, a reduction in the loan funding for the Richmond West preliminary design of \$100,000 and a reduction in the loan funding for the improvement works at Murchison of \$40,000.

14 STORMWATER FUNDING TRANSFER

In the Minutes of a meeting of the Engineering Services Committee held on Thursday 14 May 2009 it was resolved:

Moved Crs King/Glover
WK09/05/07

- 1 THAT the proposed stormwater reticulation upgrades of Salisbury Road and Park Drive be amended as detailed in the report to best utilise the remaining capital expenditure budgets in the current financial year; and
- 2 THAT the Salisbury Road stormwater project budget be approved for a total expenditure of \$700,000; and
- 3 THAT the Park Drive stormwater project budget be approved for a total capital expenditure of \$60,000.

CARRIED

This resolution approves the reduction in funding available for the Park Drive and Salisbury Road stormwater improvements that was identified in Item 13.

Recommendation

That the Corporate Services Committee approve the decrease in loan funding from \$760,000 to \$700,000 for the Salisbury Road stormwater project, and from \$700,000 to \$60,000 for the Park Drive stormwater project.

15 PROPERTY ACQUISITION – FITTAL STREET, RICHMOND

In the Confidential Minutes of a meeting of the Engineering Services Committee held on Thursday 4 September 2008 it was resolved:

Moved Mayor Kempthorne/Cr Bryant
WK08/09/11

THAT Council staff be authorised to enter into negotiations for the lease or purchase of 11 Fittal Street (Lot 1 DP 20137) for use as future re-use shop.

CARRIED

In the report that accompanied this agenda “the property manager has indicated that if necessary, an immediate purchase of the property could be funded by funds in the

property account". In order to preserve Council's cash flow it is proposed to fund this purchase by way of a loan over 20 years, charged back to the property account until year 2 of the upcoming LTCCP.

The property account will fund the loan until year 2 of the upcoming LTCCP, when the refuse account will take over the loan.

Recommendation

That the Corporate Services Committee approve the loan funding for the Fittal Street Property acquisition from the property account.

Bryce Grammer
Financial Accountant