

Amendments to the Long Term Council Community Plan 2006-2016

TAURANGA MUSEUM PROJECT

In 1969 a Tauranga District Museum committee was formed by the Historical Society to liaise with the Council on the establishment of a Museum for the District. Since then, this project has been in different stages of planning.

The development of a museum in Tauranga was included in Council's first Long Term Council Community Plan (Ten Year Plan 2004-14) and subsequently in the Ten Year Plan 2006-16.

For the Ten Year Plan 2006-16, the vision for the Tauranga Museum was for a:

- New museum that will reflect the Bay of Plenty's growing cultural and economic importance as one of this country's fastest growing regions.
- Museum that acts as a gateway to other significant cultural and historic facilities/sites within the Tauranga Moana and will be the focal point guiding people to the regions other stories and identities.
- Range of visitor experiences, enabling them to learn in depth or simply browse the region's offerings, pop in for a quick look at the latest exhibition, or spend a whole day. Visitors will leave having a deeper knowledge of themselves and of the Western Bay of Plenty community and environment.

The total cost of the museum was estimated at \$21 million. Taking inflation into account for the opening year being 2010/11, this equated to a total project cost (including inflation) of \$23.5 million. The main condition on funding for this project was that 50% of the funding would come from external sources equalling a total of \$11.75 million.

Local Government Triennial Elections

The elections were held on 13 October 2007 with 9 of the 11 elected having very publicly stated that they did not support the current museum project. In consultation with the Mayor-elect the Chief Executive in November 2007 took the following actions:

- Withdrew the resource consents
- Advised the external funders that the museum project was unlikely to proceed
- Advised the museum staff of the likelihood of redundancy.

On 14 November 2007 a Notice of Motion and associated staff report was considered by the Council. At this meeting, the Council agreed to:

- cease all expenditure on the proposed waterfront museum immediately;
- consider an amendment to the Long Term Council Community Plan (Ten Year Plan) to remove the proposed museum project through the Draft Annual Plan 2008/09 processes; and
- look to work with private interests to find a way forward to display and preserve local history and culture at minimum ratepayer expense.

Draft Annual Plan 2008/09 Process

Following this resolution, as part of the workshops with elected members on the development of the Draft Annual Plan 2008/09, an evaluation was presented and discussed. This evaluation was split into two decisions. Within each decision a number of options were outlined including the financial implications and advantages and disadvantages of each option.

The two decisions required for consultation were:

1. A Tauranga Museum Exhibition Facility; and
2. Museum Collection Management and Access

For the purposes of this section, only decision 1 has resulted in an amendment to Council's Ten Year Plan 2006-16. For further information on the Tauranga Museum Project please refer to Section 3 - Major Focus.

Tauranga Museum Exhibition Facility

The four options outlined in the Draft Annual Plan 2008/09 for the development of a Tauranga Museum Exhibition Facility included:

- Option 1** - Status Quo (Ten Year Plan 2006-16)
Eliminated as not viable
- Option 2** - Modified status quo
- Option 3** - Transfer project to external entity
- Option 4** - No museum in Ten Year Plan 2006-16
(agreed direction)

For the purpose of consultation on the Draft Annual Plan 2008/09, elected members approved Option 4 as the preferred option, which included the removal of the museum exhibition facility project from the Ten Year Plan 2006-16.

Amendments to the Long Term Council Community Plan 2006-2016

4 OPTIONS

Following is a brief summary on the adopted direction (Option 4) for the amendment to the Long Term Council Community Plan 2006-16 as well as the other 3 options (1, 2 and 3) outlined to elected members.

Option 1 - Status Quo Ten Year Plan 2006-16

- Option Eliminated as Not Viable

Option 1 included the current museum exhibition facility project as outlined in Council's adopted Ten Year Plan 2006-16.

This option was eliminated due to the November 2007 decision by Council to stop the current project which resulted in the withdrawal of external funders. Therefore the 50% external funding target was no longer achievable.

Option 2- Modified Status Quo

This option included the building of a museum exhibition facility within the Tauranga City Centre and required firm commitment from Council in order to progress development of external funding options, maintain existing community support and retain museum staff expertise.

Option 3 - Transfer Project to External Entity

Under this option Council would enable an external entity to progress the project, site assessment, funding, and concept design.

For full information on options 1, 2 and 3 including advantages, disadvantages and financial summaries,

please refer to the amendments section in the Draft Annual Plan 2008/09 Part A document.

ELECTED MEMBER DIRECTION FOR THE AMENDMENT TO THE LONG TERM COUNCIL COMMUNITY PLAN 2006-16

No museum in the Ten Year Plan 2006-16

The Council resolved to remove the museum capital project (and associated operating costs) from the Ten Year Plan 2006-16 period. This constitutes an amendment to the adopted Ten Year Plan 2006-16.

Advantages

- Capital expenditure removed.
- Long term operational expenditure reduced.

Disadvantages

- Will not address strategic and community aims as set out in Tauranga Tomorrow and SmartGrowth
- Does not honour past commitments to the community including Tangata Whenua.
- No contribution to Tauranga CBD revitalisation including no partner for the Art Gallery and CBD Cultural Heart.
- Lack of educational resources for community – have to travel outside to seek or miss out.
- Loss of opportunity to return significant local treasures to the region and provide public access to them and other collection items.
- No addition to existing tourism and visitor attractions
- Limits the attraction of talented people to the region including skills in the museological area.

- Significant capital and operational expenditure to date has been for nil outcome to the community.
- Significant time input from community will have been wasted.

Summary Financials

The capital and operational costs including interest and depreciation will be nil as there will be no museum facility project.

Amendments to the Long Term Council Community Plan 2006-2016

CONSEQUENCE OF THE AMENDMENT TO THE TEN YEAR PLAN 2006-16

Non-Financial

The removal of the museum from the Ten Year Plan 2006-16 does not deliver on actions contained in Council's adopted strategies including SmartGrowth, SmartEconomy, and Tauranga Tomorrow.

Financial

The following table shows the Ten Year Plan 2006-16 (adopted June 2006) and the amended Ten Year Plan 2006-16 (adopted June 2008 as part of the Annual Plan 2008/09 process). Also, the decision by Council to remove the Tauranga Museum project from the Ten Year Plan 2006-16 means \$876,000 of expenditure which previously was to be loan funded, as part of the capital project, now needs to be funded by rate revenue. Council will seek to fund this over two years (2007/08 and 2008/09).

TAURANGA MUSEUM OPERATIONAL PROJECT

The Council also resolved to include an amount of \$75,000 per annum for a period of two years to plan for a community led, Council facilitated, new museum proposal. This will occur in 2008/09 and 2009/10.

CAPITAL EXPENDITURE (FOR FACILITY ONLY)											
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Ten Year Plan 2006-16 (adopted June 2006)	\$350,000	\$1,625,000	\$42,500,000	\$10,770,000	\$3,720,000	\$250,000	\$25,000	\$25,000	\$25,000	\$25,000	\$21,065,000
Amended Ten Year Plan 2006-16 (adopted June 2008)			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Note: Dollars do not include inflation.

NET OPERATIONAL EXPENDITURE											
The net operational expenditure adopted in the Ten Year Plan 2006-16 included costs associated with the facility and collection. The Amended Ten Year Plan 2006-16 costs are for the collection only.											
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	
Ten Year Plan 2006-16 (adopted June 2006)	\$848,000	\$952,000	\$1,158,000	\$1,817,000	\$2,264,000	\$2,067,000	\$2,028,000	\$2,000,000	\$1,968,000	\$1,943,000	
Amended Ten Year Plan 2006-16 (adopted June 2008)			\$534,000	\$534,000	\$534,000	\$534,000	\$534,000	\$534,000	\$534,000	\$534,000	

Note: Dollars do not include inflation.

Amendments to the Long Term Council Community Plan 2006-2016

MOUNT GREENS SPORTS PROJECT

The Mount Greens Sports project has been in the planning phase for eight years, since the formation of the original working party in 2000. The original intent behind Mount Greens Sports (previously known as United Greens) was a strategic intervention to issues faced by greens-based sports to ensure the future of these sports in the Tauranga area.

This integrated model for sports is supported through many of Council's strategic documents including Tauranga Tomorrow, SmartGrowth and the Sport and Active Living Strategy. Components of the Mount Greens Project are also identified in the Coronation Park Reserve Management Plan and the Active Reserves Management Plan.

Through the Ten Year Plan 2006-16 process Council allocated \$4.42 million (2006/07 dollars) of capital funding to the United Greens Project (now known as Mount Greens Sports). The original funding package was:

- \$3.0 million Development Contributions (Mount Infill)
- \$1.17 million Development Contributions (Building Impact Fees (BIF))
- \$250,000 Loans funding

Other direction provided by Council at that time included:

- Council ownership of the facility (due to the level of financial contribution required)
- Mount Greens Sports to pay an annual lease of \$50,000 to \$60,000 to Council to cover a portion of the ongoing depreciation and debt servicing costs of the complex;
- Agreement in principle to transfer the value of May St land to the project;

- Clubs involved in the project were required to have unconditional mandate, develop and sign a constitution and secure the club's proportion of funding.

During 2007 detailed planning by the Mount Green Sports steering committee identified an issue regarding the ability of Mount Green Sports to sustain the ongoing operational costs associated with the project in the above proposal. The depreciation and debt servicing costs were so significant that the ongoing viability was questioned.

Subsequently the Mount Green Sports steering committee identified an opportunity to work with The Cosmopolitan Club Mount Maunganui towards a combined development on the Totara Street block of land.

In October 2007 Council considered a range of options including:

- staged development
- an alternative site within Blake Park
- do nothing

These three options were eliminated as not viable and Council resolved that staff should continue negotiations with the Cosmopolitan Club Mount Maunganui and present the outcomes of negotiations as part of the Annual Plan 2008/09 process.

DRAFT ANNUAL PLAN 2008/09 PROCESS

As part of the workshops with elected members on the development of the Draft Annual Plan 2008/09, an issues and options paper was presented and discussed. A number of options were outlined including the financial implications and advantages and disadvantages of each option.

The two components that Council gave direction on included:

1. The strategic land purchase of the Mount Maunganui Cosmopolitan Club site and adjoining residential property
2. The development of a Mount Greens facility including playing surfaces and multi-use clubroom facilities.

For the purposes of this section, only component 1 resulted in an amendment to Council's Ten Year Plan 2006-16. For further information on component 2 to this project, please refer to the Major Focus section in this document.

COMPONENT 1

Following is a brief summary on the adopted direction (Option A) for the amendment to the Ten Year Plan 2006-16 as well as the other 2 options (B and C) outlined to elected members.

- Option A** - Combined Development with Cosmopolitan Club Mount Maunganui (agreed direction)
- Option B** - Simple Club Relocation including Cosmopolitan Bowling Club
- Option C** - Simple Club Relocation excluding Cosmopolitan Bowling Club

Amendments to the Long Term Council Community Plan 2006-2016

Option B – Simple club relocation including Cosmopolitan Bowling Club

This option included:

- Mount Green Sports development to cater to three clubs (Mount Maunganui Bowling Club, Mount Papamoa Croquet Club, Cosmopolitan Bowling Club)
- Council to develop the site & playing facilities including 3 - 4 bowling greens, 6 croquet lawns, utility building (green keeper, storage, toilets), landscaping, infrastructure upgrades and public car parking
- Council to develop clubrooms building of 650m2
- Pay out the Cosmopolitan Bowling Club lease on existing site
- Mount Green Sports clubs to provide capital funding of \$200,000 if a fourth bowling green was required.

Option C – Simple club relocation excluding Cosmopolitan Bowling Club (CBC)

This option included :

- Mount Green Sports development to cater to two clubs only (Mount Maunganui Bowling Club & Mount Papamoa Croquet Club)
- Council to develop the site and playing facilities including 3 - 4 bowling greens, 6 croquet lawns, utility building (green keeper, storage, toilets), landscaping, infrastructure upgrades and public car parking
- Council to develop clubrooms building of 650m2
- No capital funding requirement of Mount Green Sports

ELECTED MEMBER DIRECTION FOR THE AMENDMENT TO THE LONG TERM COUNCIL COMMUNITY PLAN 2006-16

Combined Development with Cosmopolitan Club Mount Maunganui

The Council resolved to purchase the existing Cosmopolitan Club Mount Maunganui site at current market value of \$6.3 million in 2009/10. This means there is no cost to ratepayers for this part of the project in 2008/09.

This option includes the following key components:

- Council purchase existing Cosmopolitan Club Mount Maunganui site with this site to be used for further development of Blake Park (car parking likely) at a cost of \$6.3 million
- Cosmopolitan Club Mount Maunganui lease a portion of the Totara Street site off Council to develop a new combined facility for the Cosmopolitan Club Mount Maunganui and Mount Green Sports groups at a cost of \$35,000 per annum
- Cosmopolitan Club Mount Maunganui manage development of building within a total building budget of \$5 million
- Council to contribute to the new building to provide Mount Green Sports clubs ongoing use of the facility at a cost of \$1.8 million
- Council to develop the site and playing facilities including 3 bowling greens, 6 croquet lawns, utility building (green keeper, storage, toilets), landscaping, infrastructure upgrades and public car parking at a cost of \$3.2 million

- Mount Green Sports clubs to work with Council staff to secure external funding for a portion of facility costs at a cost of \$300,000. Council to own and lease the playing surfaces to Mount Green Sports
- Remove existing Cosmopolitan Bowling Club (cost yet to be determined)
- Assess the future of the Cosmopolitan Club Mount Maunganui building

May Street Reserve

The decision on the future of May Street Reserve has not been made as part of this Annual Plan, however Council has been open with the community (especially adjoining neighbours) that this land may eventually be sold if the Council proceeds towards reserve revocation. A full public submission and independent hearing process must be completed before Council can seek revocation of the reserve status from the Minister of Conservation. The revocation process could take between two and three years to complete.

Amendments to the Long Term Council Community Plan 2006-2016

Summary Financials

The total cost to Council of this option including inflation is \$11 million. The capital development components of the project, funding sources and ongoing operational costs are detailed in the following table:

Advantages

Land

- Coronation Park land freed from leases which currently constrain this reserve.
- Allows redevelopment of Coronation Park in line with adopted reserve management plan
- Future use of May Street Reserve to be investigated. Reserve revocation may be an outcome.

- Lease issue with the Cosmopolitan Bowling Club will no longer exist
- Potential removal of existing Cosmopolitan Bowling Club building and green will open up access to the central core of Blake Park in line with existing reserve management plan
- Enhances Blake Park functionality including for events use

4

SUMMARY FINANCIALS

CAPITAL EXPENDITURE	2008/09	2009/10	Total Cost
Council contribution to Mount Green Sports for access to use the new Mount Maunganui Cosmopolitan Club		\$1,800,000	\$1,800,000
Site Development	\$900,000	\$2,300,000	\$3,200,000
Purchase of existing Mount Maunganui Cosmopolitan Club site		\$6,300,000	\$6,300,000
TOTAL	\$900,000	\$10,400,000	\$11,300,000
REVENUE			
External funding from Mount Green Sports clubs		(\$300,000)	(\$300,000)
TOTAL		(\$300,000)	(\$300,000)
TOTAL COST TO COUNCIL	\$900,000	\$10,100,000	\$11,000,000

OPERATIONAL EXPENDITURE	2008/09	2009/10	2010 ongoing
Council costs associated with Mount Green Sports ongoing access to the new Mount Maunganui Cosmopolitan Club building (allocation of \$1.8m cost over 50 years)		\$36,000	\$36,000
Debt Servicing on Council contribution to building access (as above)		\$64,500	\$124,200
Revenue from the annual lease of the Totara Street site used to offset loan amount resulting in savings in interest costs ¹			(\$35,000)
Interest on loan funding of site development	\$31,800	\$144,900	\$218,200
Depreciation on site development			\$38,000
Interest on loan funding ² (used to purchase existing Mount Maunganui Cosmopolitan Club site)		\$225,700	\$434,700
TOTAL	\$31,800	\$471,100	\$816,100

Note: All dollars from the 2009/10 year and onwards include inflation.

Notes to Summary Financials Table

- ¹ The Council resolved during deliberations on the Annual Plan that prior to an agreement on the Totara Street site being reached with the Mount Maunganui Cosmopolitan Club, the appropriate mechanism by which to sell or lease the land would be considered by Council. As these discussions are yet to be held and for the purposes of this document, the above table shows the current position within the heads of agreement which is for the Mount Maunganui Cosmopolitan Club to lease the land from Council. There is strong preference from the Council to sell the land, however, if agreement is not reached on this approach, then the lease option as outlined in the table would be the likely outcome.
- ² This notional interest charge would need to be funded should the purchase of the Mount Cosmopolitan Club site not be fully funded from the release of relevant reserve land at Coronation Park and Blake Park, the change in use or sale of May Street Reserve and development contribution revenue.

Note the future of the Mount Maunganui Cosmopolitan Club building once purchased has yet to be determined. If Council direction was for the demolition of the building and consequent carpark development then an amount of \$255,000 would be required to undertake this. Until such time that this has been agreed, interest costs have not been calculated on this amount and are not shown in the summary financials table.

Amendments to the Long Term Council Community Plan 2006-2016

Sportville

- Enhances the Sportville model as includes multiple clubs
- Facility suitable for club, regional and tournament activities.
- Sports clubs and associations working together in the efficient use of limited resources (land, financial and people/volunteers)
- Improved delivery of services to sports club members through enhanced facilities (eg. number of croquet lawns, artificial bowls surface)

Advantages

- Provides a sustainable business model for Mount Greens Sports

Disadvantages

- Significantly higher capital cost
- Ongoing rate funded financial commitment from Council is required.

↳ CONSEQUENCE OF THE AMENDMENT To THE TEN YEAR PLAN 2006-16

Non-Financial

This option would allow for an integrated Sportville model which supports the efficient use of resources and ongoing support for local clubs and community use.

Financial

The financial implications of this are outlined in the previous table.

For further information on the Mount Greens Sports Project, please refer to the Major Focus section in this document.

Amendments to the Long Term Council Community Plan 2006-2016

GREERTON LIBRARY AND COMMUNITY FACILITIES

In the Ten Year Plan 2006-16 Council proposed to extend the Greerton Library to cater to existing and future growth of the Greerton area and to meet Council's level of service for library development. The extension was due to commence in 2006/07.

Our Community Places (the Community Facilities Strategy) and Smart Living Places (residential intensification strategy) have since provided an opportunity to look

strategically at future opportunities for the development of community facilities in Greerton.

These strategies have highlighted the need to provide a hub of multi use community facilities located in a central and accessible place for the Greerton community. The development of the Greerton Library co-located with a community centre will help to achieve this objective. The community centre will provide flexible and multi use spaces for community groups to use. Once the community centre is constructed, Council will assess the future of the

existing Greerton Hall and site, given that many of the uses of the hall are planned to relocate to the new centre.

OPTIONS CONSIDERED

Following is a brief summary on the adopted direction (Option 2) for the amendment to the Long Term Council Community Plan 2006-16 as well as the other option (1) outlined to elected members.

4

OPTION	CAPITAL COSTS			PROS	CONS
	TOTAL	INCLUDED IN 2006-16 LTCCP (08/09)	ADDITIONAL FUNDING REQUIRED		
Option 1 - Library Only <ul style="list-style-type: none"> Development of library on existing library site fronting Greerton Rd. 	\$6,402,295	\$5,540,115	\$862,180	<ul style="list-style-type: none"> Library development required to meet level of service and growth demands in this area, existing library is at capacity Will improve look, feel, visibility and safe use of library 	<ul style="list-style-type: none"> Existing library site remains relatively hidden in the overall context of Greerton Adds value but not to the extent that a more comprehensive redevelopment project might
Option 2 - Library, Community Centre and small retail <ul style="list-style-type: none"> Development of library as above including land purchase Development of community centre on corner of Chadwick Rd and Greerton Rd, fronting onto Village Square Retail area of 250m² gross floor area 	\$11,352,295	\$5,540,115	\$5,812,180	<ul style="list-style-type: none"> Need for community centre identified in Community Facilities Strategy and Greerton Neighbourhood Plan Long term replacement for the Greerton Hall Co-location model with library viewed positively and successfully eg Papamoa Library and Community Centre Retains active edges, demand for retail space and retail integrity 	<ul style="list-style-type: none"> If community centre was to not go ahead or was pushed out a number of years (say over 5+ years) then thought would need to be given to the upgrade of the Greerton Hall.

Amendments to the Long Term Council Community Plan 2006-2016

↘ ELECTED MEMBER DIRECTION FOR THE AMENDMENT TO THE LONG TERM COUNCIL COMMUNITY PLAN 2006-16

The Council resolved to develop a library and community centre. The cost for this would be spread over two financial years to recognise the time it takes to build the facility. (see table right).

↘ OPERATIONAL COSTS

The total ongoing operational costs (including depreciation and debt servicing) for the community centre component will be \$248,262 per annum from 2010/11. Taking into account predicted revenue of \$50,000 per annum from user fees and charges, this will equate to a total net operational cost of \$198,262 per annum to be funded from rates.

↘ CONSEQUENCE OF THE AMENDMENT TO THE TEN YEAR PLAN 2006-16

Non-Financial

The extension of the Greerton library has been delayed to 2008/09 to ensure that the planning and design for the library incorporates the community centre components and some of the objectives of Smart Living Places. Costs for the development of the community centre have now been incorporated into the total costs for this community facility project.

Financial

The Ten Year Plan 2006-16 included an amount of \$4.75 million in 2006/07 dollars in the 2006/07 financial year. This

SUMMARY FINANCIALS						
		2006/07	2007/08	2008/09	Total Project Cost	Project Cost (excl land purchase)
Ten Year Plan 2006-16 (adopted June 2006)	Project	\$948,000	\$3,804,000			
	Land Purchase		\$1,729,000		\$6,481,000	\$4,752,000
Annual Plan 2007/08	Project	\$948,000	\$1,361,000	\$3,231,000		
	Land Purchase		\$1,729,000		\$7,269,000	\$5,540,000
Amended Ten Year Plan 2006-16 (adopted June 2008)	Project	\$948,000	\$1,361,000	\$1,600,000	\$11,352,000	\$9,623,000
	Land Purchase		\$1,729,000			

Note: Dollars do not include inflation. As the land acquisition costs remain the same, they are not subject to the amendment.

amount was increased to \$5.54 million in the Annual Plan 2007/08 to recognise increased land and building costs.

This figure has now been adjusted for the Annual Plan 2008/09 to recognise costs associated with building a community centre (estimated at \$4.95 million) and increased land and building costs (an increase of \$862,000).

The total project cost for the development of the library and community centre in Greerton (including land purchase) is now \$11.35 million to be split over 2008/09 and 2009/10. This is an increase of \$4.08 million from the adopted Annual Plan 2007/08 (year 2 of the Ten Year Plan 2006-16).

As a consequence of the increased capital expenditure, there will be an increase from 2010/11 in the interest costs

attributed to servicing the loan and an increase in the depreciation costs (\$58,500 per annum) attributed to the community centre component. These increases would be funded from rates.

The funding for the library development is by rate funded loan. A proportion of the community centre costs will be funded by development contributions, however this amount is yet to be determined.

Amendments to the Long Term Council Community Plan 2006-2016

SOUTHERN PIPELINE

In the Ten Year Plan 2006-16 Council funding of \$85 million was allocated to construct a new wastewater pipe to transport wastewater to the existing Te Maunga Wastewater Treatment Plant for treatment.

This pipeline would transport wastewater from :

- Developing areas of Pyes Pa and Tauriko
- Tauranga Central including; CBD, Greerton, Avenues, Gate Pa, Pyes Pa, Pyes Pa west, Pyes Pa South, Maleme.
- Tauranga South including; Maungatapu, Welcome Bay, Hairini, Ohauti, Kaitemako, Poike, Pukemapu, Neewood

The Ten Year Plan 2006-16 included funding for the pipeline to be completed in the 2009/10 financial year. A total of \$34 million of this was to be in the 2008/09 financial year.

Selection of the best route, including how and where the pipeline will cross the harbour was more difficult than initially anticipated. This has resulted in taking much longer time to lodge the applications for resource consents. These were not lodged until late 2007. Construction of the pipeline cannot commence until the necessary resource consents are granted. This is expected to take between 12 and 18 months.

The budget and timing of the project have been revised to reflect this. The final project cost will be \$106.1 million (2008/09 dollars) with construction not being completed until 2012/13. The impact of these changes on the 2008/09 budget is a reduction from \$34 million to \$9 million.

The following table summarises these changes.

CAPITAL EXPENDITURE	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Total Project Cost (excl inflation)
Per 2006/07 (Year 1) Ten Year Plan 2006-16	\$7,000,000	\$20,000,000	\$34,000,000	\$24,000,000				\$85,000,000
Per Annual Plan 2007/08	*\$5,600,000	\$10,400,000	\$30,000,000	\$30,000,000	\$9,000,000			\$85,000,000
Per Annual Plan 2008/09	*\$5,600,000	**\$4,500,000	\$9,012,000	\$13,988,000	\$28,000,000	\$28,000,000	\$17,000,000	\$106,100,000

* Actual spent up to 2006/07 (Year 1 of the Ten Year Plan 2006-16)

** Expected Actual

The total project cost of \$106.1 million is in 2008/09 dollars. Please note all dollars do not include inflation. Councils Ten Year Plan 2006-16 outlined Council's assumptions on inflation. Taking these adopted assumptions into account equates to a total project cost (including inflation) for completion in the 2012/13 year of \$112,358,000.

CONSEQUENCE OF THE AMENDMENT TO THE TEN YEAR PLAN 2006-16

Non-Financial

The construction of the Southern Pipeline is to maintain the levels of services as detailed in Council's Ten Year Plan 2006-16. The delays to completion until 2013 will result in an increase in the number of wastewater overflows during wet weather events and the consequential reduction in the desired levels of service. These wet weather overflows are expected to start around 2011 and will continue until the Southern Pipeline has been commissioned.

Financial

The Southern Pipeline is funded substantially by development contributions with the balance funded from rates. Further delays to the project will increase the risk of pressure on Council to install high cost short term solutions to manage the expected wastewater overflows. There will also be consequential inflation related costs increasing the total project price.

As a consequence of the overall project being delayed and further work being undertaken, the timing of the capital expenditure has changed. This has resulted in a decrease of \$25 million for the 2008/09 year (year 3 of the Ten Year Plan 2006-16) and a total reduction of \$42 million up to and including year 3 of the Ten Year Plan 2006-16.

As a consequence of the increased capital expenditure for the whole project, there will be an increase from

Amendments to the Long Term Council Community Plan 2006-2016

2013/14 in the interest costs (\$1,455,000 per annum) attributed to servicing the loan and an increase in the depreciation costs (\$405,000 per annum) attributed to the pipeline. These increases would be funded from rates revenue and development contributions.

Deferring expenditure has advantages in reducing Council's level of borrowing and the interest costs associated with servicing that debt.

STRAND CITY CARPARK DEVELOPMENT PROJECT

Council is currently in negotiations on the sale of Council owned land for the construction of a private development. The land is located on Devonport Road and includes the car park site behind the properties at 98 Devonport Road and has a combined land area of 4411 square metres. The development will create a large commercial centre in the City Centre as well as, additional parking, retailing and office space.

The sale and redevelopment of this site, is supported through Council's City Centre Strategy 2007, which seeks to revitalise the City Centre through the provision of high quality office space and retain the City Centre as a niche retail hub.

At the time of the adoption of the Ten Year Plan 2006-16, this development was not being discussed, therefore was not included in the 2008/09 year of the Ten Year Plan.

Due to ongoing negotiations, exact revenue received from this sale is to remain confidential at this time to enable the Council to carry on negotiations (including commercial and industrial) without prejudice or disadvantage. However, due to the amount being over our significance policy threshold there is a need for this project to be identified in the amendments section of the Annual Plan 2008/09.

The project includes the proposed sale of the land in

the 2008/09 financial year, with a proportion of the sale price being paid back by Council in 2010/11 financial year for 150 public car parks to be established within the redeveloped site.

➤ CONSEQUENCE OF THE AMENDMENT TO THE TEN YEAR PLAN 2006-16

Non- Financial

During construction of this development, there will be a short term decrease in parking in that specific locality. The redevelopment of the site may impact on adjacent businesses however this matter will be addressed by the developer as part of the resource consent process.

Financial

The overall net revenue received (if the deal is completed in 2008/09) will be used to offset recent property acquisitions within the Strategic Property Activity Area and the remainder will be used for further property acquisition - this will all remain in the Strategic Property Activity Area.

Council would also have a reduction in interest costs associated with loan repayments with the revenue being used to offset recent property acquisitions.

The 'repayment' won't take place until 2010/11 which would be included in the Ten Year Plan 2009-19.

Amendments to the Long Term Council Community Plan 2006-2016

DEVELOPMENT CONTRIBUTIONS POLICY

The Development Contributions Policy is Part B of the Annual Plan 2008/09 and the Amendments to the Long Term Council Community Plan 2006-16. Copies are available from Council by request as well as on our website.

Funding the costs of growth remains one of the key issues facing Tauranga City Council. One of the key principles behind the Development Contributions Policy is that fair and reasonable costs of growth should be met by growth, i.e. activities that create the need for and require the services.

A number of significant changes have therefore been made to the Development Contributions Policy. Key changes are:

➤ A. INFLATION

From 1 July 2008, all projects except city wide active and neighbourhood reserves projects and city wide and local community infrastructure projects will be included in the Policy at their inflation adjusted amount. This is a variation from the previous approach of including them at their current dollar values and reflects the fact that because of inflation their actual costs are likely to be greater than the cost of building them today. The inflation rate used is 2%, a deliberately conservative level.

In order to implement this policy change there is a 2.4% increase to Building Impact Fees and an increase of between 1.7% and 7.5% to Subdivision Impact Fees.

It is currently the intention to include city wide active and neighbourhood reserve projects in the 2009/10 policy at their inflation adjusted amounts as the review of Reserve Levels of Service will be complete by this time.

➤ B. COST OF CAPITAL

The introduction of the cost of capital (financing costs associated with loan-funded projects) across all development contribution funded projects in the 2008/09 financial year (as signalled by Council) has been delayed for one year to allow for more discussion with the development community.

➤ C. POLICY FORMAT

Council's Development Contributions Policy has been significantly reformatted to make it easier to navigate and to clarify some aspects of the wording in the policy. This includes a new introductory section and an executive summary which includes the policy changes and the development contribution fee tables.

The construction rates used to calculate the estimated cost of growth related projects, in Part B of the policy, are updated each year to reflect the actual cost of construction. The new rates used for the 2008/09 budget are based on the average actual cost of construction from the 2006/07 year.

➤ D. TRANSITIONAL PAYMENT PROVISIONS

From 1 July 2008, the transitional payment provisions have been removed from the Development Contributions Policy. This means that developers are no longer able to secure the previous financial year's fees in cases where their developments are completed in the subsequent

financial year within the timeframes outlined in the transitional payment provisions. This does not effect the transitional payment provisions in the 2007/08 Development Contributions Policy.

This amendment results in no dollar impacts to the fee schedules. It does however better ensure that the growth-related costs are borne by the development community and not the ratepayer which aligns with Council's philosophy that "growth pays for growth".

For further information on the other variations to the Policy please refer to Part B of the Annual Plan 2008/09 – Development Contributions Policy.

➤ CONSEQUENCE OF THE AMENDMENT TO THE TEN YEAR PLAN 2006-16

Non-Financial

The changes to Council's Development Contributions Policy ensure, to the extent possible, that the development community meet the cost of growth-related infrastructure and reserves in a fair and equitable manner.

Financial

The changes to Council's Development Contributions Policy results in Building Impact Fees decreasing by 1.0% (\$99.92) per residential dwelling and increasing by 5.9% (\$346.53) per 100m² of Gross Floor Area (GFA) for industrial and commercial development.

Changes to residential Subdivision Impact Fees, which are calculated on a per lot basis, range from a decrease of 11.1% (\$2,871.75) in West Bethlehem to an increase

Amendments to the Long Term Council Community Plan 2006-2016

of 37.0% (\$4,534.33) in Wairakei (not including reserve contributions). Changes to industrial/commercial Subdivision Impact Fees, which are calculated on a per hectare basis, (except in Papamoa where they are calculated on a per 900m2 basis) range from a decrease of 31.1% (\$128,812.39) in Tauriko (stormwater catchment area other) to an increase of 28.2% (\$96,034.43) in Wairakei.

Council is predicting that there will be a decline in the pace of development and therefore recognises that the amount of development contributions revenue in 2008/09 will be less than predicted in the Ten Year Plan 2006-16.

DEVELOPMENT CONTRIBUTION FUNDED PROJECTS OUTSIDE THE 10 YEARS OF THE ADOPTED TEN YEAR PLAN 2006-16

The Local Government Act allows development contributions to be collected against relevant capital expenditure set out in the Ten Year Plan 2006-16.

Council collects development contributions against all projects that it considers are growth-related. Some of these projects are not expected to be completed until after the current Ten Year Plan period i.e. after 30 June 2016. While these projects are identified in Part B of the Ten Year Plan 2006-16 (the Development Contributions Policy), they are

not specifically noted in Part A of the Ten Year Plan 2006-16. This amendment seeks to correct that situation.

The following projects:

- are included in the calculation of development contributions, and
- include capital expenditure that will be incurred after June 2016

The reason for this amendment is to provide clarity and further disclose information within Part A that is already included in Part B of the Ten Year Plan 2006-16.

Group of Activities	Project Name	Total Project Cost	Funding Source	Start date	End Date	Cost (Post 30 June 2016)
Open Space	Harris St Reserve - Development	\$110,000	MT Infill 100%	July 2019	June 2021	\$110,000
Open Space	Taylor's Reserve Improvements	\$210,000	PAP SIF 100%	July 2017	June 2019	\$210,000
Open Space	Smith Farm Sportsfield Development	\$7,697,580	BIF 100%	July 2026	June 2027	\$7,697,580
Open Space	Papamoa East Active Reserve Stage 1 Development	\$6,054,000	BIF 100%	July 2021	June 2025	\$6,054,000
Open Space	Papamoa East Active Reserve Stage II Development	\$14,360,000	BIF 100%	July 2025	June 2027	\$14,360,000
Open Space	Merricks Farm Active Reserve Development	\$13,607,514	BIF 100%	July 2015	June 2022	\$13,388,324
Open Space	Ohauti Reserve Development	\$2,718,527	BIF 100%	July 2016	June 2019	\$2,718,527
Open Space	Wells Ave Reserve Playground	\$50,000	MT Infill 100%	July 2017	June 2018	\$50,000
Open Space	Active Reserve Land Purchase (2020/21)	\$15,000,000	BIF 100%	July 2020	June 2021	\$15,000,000
Open Space	Marine Parade Reserve Development	\$380,000	Mt Infill 100%	July 2015	June 2018	\$196,125
Open Space	Aspen Reserve - Pergola	\$25,000	TGA Infill 50%, Loan 50%	July 2017	June 2018	\$25,000
Wastewater	Te Maunga WWTP Stage 4 Upgrade	\$4,024,836	BIF 100%	July 2017	June 2020	\$4,024,836
Water	Cambridge Rd Reservoir 4	\$2,996,902	BIF 100%	October 2017	September 2018	\$2,996,902
Water	Oropi WW Reservoir 3	\$3,565,069	BIF 100%	September 2021	August 2022	\$3,565,069
Water	Pyes Pa RL60 Reservoir 2	\$3,565,069	BIF 100%	October 2016	November 2017	\$3,565,069
Water	Chadwick to Church/Cameron main	\$1,219,400	BIF 100%	July 2024	May 2025	\$1,219,400
Water	Wairakei Reticulation Mains	\$1,193,174	Pap East SIF 100%	July 2008	June 2018	\$238,638
Water	Subregional Water Resource	\$1,000,000	BIF 36%, Loan 64%	July 2008	June 2018	\$200,000
TOTAL		\$77,777,071				\$75,619,470

Key: MT – Mount, PAP – Papamoa, TGA – Tauranga, BIF – Building Impact Fee, SIF – Subdivision Impact Fee

Amendments to the Long Term Council Community Plan 2006-2016

TREASURY POLICY

As part of the Local Government Act 2002, Tauranga City Council must include in its Ten Year Plans all Funding and Financial Policies. These were included and adopted through Council's Ten Year Plan 2006-16. Since the Ten Year Plan 2006-16 was adopted, Council has passed a number of resolutions regarding changes to the Treasury Policy to ensure financial risk management practices are consistent with current good market practice.

The Treasury Policy is available on Council's website: www.tauranga.govt.nz

Amendments to the existing policy include:

Section 5.1.1

- Changing the 'sub-limit' for minimum interest rate cover level from 20% to 10% for maturity bands 1 to 3 and 3 to 5 years.
- Increasing the maximum term on forward start interest rate swaps from 2 to 5 years.

Section 5.1.2

- Changing 'sub-limit' maturity bands to 2 years (0 to 2 and 2 to 4 years) consistent with 2 year interest rate maturity bands above.

Section 5.2.5

- Increasing the 'Off' balance sheet credit limit for registered banks to \$40 million from \$20 million to manage interest rate exposures arising from increasing debt levels from \$167 million (30 June 2007) to approximately \$300 million by 30 June 2009.

Section 6

- Including a specific delegation to Council to amend interest rate management sub-limits as appropriate, debt maturity sub-limits as appropriate and counterparty limits as appropriate.

CONSEQUENCE OF THE AMENDMENT TO THE TEN YEAR PLAN 2006-16

The changes made to the Treasury Policy are to make it consistent with market practices. The changes also give staff more flexibility to manage the risks associated with managing council's interest budgets. In addition, council's credit limits need to be adjusted to align with the forecast Annual Plan debt levels.

COUNCIL LEAD POLICY

Treasury Policy

1. POLICY OBJECTIVES

To ensure investments and liabilities are managed in a prudent, effective and efficient manner. As a net borrower, to achieve the lowest possible net interest costs obtainable within the policy parameters by proactively managing funding and interest rate exposures.

2. PRINCIPLES

Council's management of treasury activities is primarily a risk management function focused on managing financial risks, protecting the Council's budgeted interest costs and stabilising the Council's cash flows.

3. DEFINITIONS

Annual Operating Revenue includes development contributions, earnings from rates revenue, government grants and subsidies, user charges, interest and other revenue (excluding vested assets).

Approved Corporate Investments comprises of corporate bonds and promissory notes. Corporate bonds are generally issued by companies with good credit ratings. These bonds can be registered securities or bearer instruments. A fixed or floating rate coupon payment is made quarterly or semi-annually to the holder of the security. They are priced on a yield basis and are issued at a discount or premium to face value. Corporate bonds are negotiable and can be bought and sold in the secondary market.

Net External Debt is defined as total external debt less liquid financial assets/investments.

Amendments to the Long Term Council Community Plan 2006-2016

Promissory Notes or commercial paper, are issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the notes to be issued without endorsement or acceptance by a bank. The notes are usually supported by financial institutions to ensure that the borrower obtains the desired amount of funds. Promissory notes are generally issued with maturities of around 90 days. The face value of the note is repaid in full to the holder on maturity. Promissory notes are negotiable and can be bought and sold in the secondary market.

Bond Options is an agreement between two counterparties whereby the buyer (Call) has the right but not the obligation to buy a specified government bond maturity on an agreed date and time and at an agreed rate.

Cap A series or string of interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the "capped rate." A cap is normally for more than one 90-day funding period.

Collars Two option contracts linked together into the one transaction or contract. A borrower's collar is always a "cap" above current market rates and a "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates.

Counterparties The contracting party to a financial transaction or financial instrument.

Credit Risk is the risk that an organisation will suffer a financial loss due to the unwillingness or inability of a

counterparty to meet its obligations as they fall due.

Fixed Rate Debt is defined as debt with interest rate repricing beyond 12 months forward on a continuous rolling basis.

Floating Rate Debt is defined as debt with interest rate repricing within 12 months.

Floating Rate The interest rate on a loan, debt or investment instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90-days).

Floor means Interest Rate Floor. The opposite of a "cap." An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. The buyer pays a fee (premium) for the arrangement.

Foreign Exchange Contracts is an agreement to buy or sell one currency for another for specified future delivery at a specified rate.

Foreign Exchange Risk (also referred to as Currency Risk) is a risk that an organisation may suffer financial loss due to a movement in foreign exchange rates relative to its functional currency (New Zealand dollar for Council).

Forward Rate Agreements ("FRA") is an obligation to buy or sell a given asset on a specified date at a price agreed at the time of transaction. Generally, the buyer of a FRA is attempting to protect against a rise in interest rates and the seller is protecting against a fall in rates.

Interest Rate Options is an interest rate option (i.e. cap or floor) where the buyer has the right, but not the obligation, to either borrow or invest an amount at an agreed interest rate.

Interest Rate Risk is the risk that profitability in current or

future periods can be adversely affected by interest rate movements.

Interest Rate Swaps is an agreement between two counterparties to exchange interest rate obligations from a fixed or floating rate basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.

Investment is money or capital that Council has committed to achieve an expected return or further the needs of the community.

Liquidity is the ability to access funds at short notice.

Liquidity Risk is the risk that a business will find itself short of funds and unable to meet obligations in an orderly manner when they fall due, resulting from differences in the timing of cash receipts and disbursements. Liquidity risk increases when unanticipated obligations arise and when anticipated receipts do not eventuate.

Stock/Debentures is the debt issued to third parties by an organisation.

Strong Issuer Credit Rating is credit rating issued by Standard and Poor's of:

Short-term	A1 or better.
Long-term	A- or better.

Swaption is an agreement between two counterparties whereby the buyer has the right, but not the obligation to enter into a predetermined interest rate swap. The buyer pays a premium amount for the contract.

Yield, interest rate, always expressed as a percentage.

Yield Curve The plotting of market interest rate levels from short term (90-days) to long term 10 year rates on a graph i.e. the difference in market interest rates from one term (maturity) to another.

Amendments to the Long Term Council Community Plan 2006-2016

4. BACKGROUND

This policy provides the policy framework for all of the Council's treasury activities (including Tauranga City Council Sinking Fund Commissioners) and defines the operating framework within which borrowing, investment and risk management activities are to be carried out.

It specifically covers financial risks such as funding, interest rate, liquidity risk and credit risk arising from investment and liability management activities. All other relevant operating procedures and associated internal controls are included in the Treasury Policy and Procedures document.

5. POLICY STATEMENT

5.1. Liability Management (Section 104 LGA 2002)

Council has a large number of infrastructural assets which have a long economic life and long term benefits. Council also has a significant strategic investment holding. Council sees the use of debt as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to Council's assets and liabilities.

5.1.1 Interest Rate Exposure (Section 104 (a))

Council is exposed to interest rate fluctuations on existing and future borrowings.

Council will minimise interest rate risk by managing its floating and fixed interest rate exposures as per the following control limits:

Master Fixed/Floating Interest Rate Risk Control Limits

Minimum Fixed Rate	Maximum Fixed Rate
55%	95%

The percentages are calculated on the rolling 12 month projected net debt level calculated by management. Net debt is the amount of total debt net of liquid financial assets/investments (including external sinking funds).

This allows for pre-hedging in advance of projected physical draw downs of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to comply with the policy minimums and maximums.

The following sub-limit maturity bands apply for fixed interest rate debt management:

Fixed Interest Rate Maturity Profile Limit

Period	Minimum Cover	Maximum Cover
1 to 3 years	10%	60%
3 to 5 years	10%	60%
5 years plus	10%	60%

The following interest rate risk management instruments may be utilised to protect interest costs and to change the interest rate profile:

- Fixing through physical borrowing instruments - loan stock, debentures, medium term notes, bank term loan.
- Floating through physical borrowing instruments - short term revolving stock, bank borrowing, and short-term borrowing programme. Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Forward rate agreements.

- Interest rate swaps, including extendable interest rate swaps as long as it is not transacted for the sole purpose of generating premium income.
- Forward start swaps (start date no more than 5 years).
- Purchase of interest rate option products including caps, floors, bond options and swaptions. Interest rate options will not be sold outright. Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months, that have a strike rate (exercise rate) higher than 1.00% above the appropriate swap rate, will not be counted as part of the fixed rate cover percentage calculation.
- Interest rate collar type option strategies. 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both will be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money"

Any other financial instrument will be separately approved by Council on a case-by-case basis.

5.1.2 Liquidity (Sections 104 (b))

Liquidity risk arises when there are insufficient funds to meet obligations in an orderly manner when they fall due resulting from differences in the timing of cash receipts and disbursements. Liquidity risk increases when unanticipated obligations arise and when anticipated receipts do not eventuate.

Amendments to the Long Term Council Community Plan 2006-2016

Cash management (cash receipts and disbursements) activities will be undertaken to ensure that:

- Net cash surpluses will be invested to:
 - Achieve a targeted optimal daily balance of zero for Council net bank balance (group net); and
 - Ensure Council's overdraft is only utilised in exceptional circumstances.
- Debt Maturity Limit
 - Total term debt plus committed debt facilities > 110% of net debt.

The following sub-limit debt maturity bands apply for all term debt and committed facilities management:

Period	Minimum	Maximum
0 to 2 years	20%	60%
2 to 4 years	20%	60%
4 years plus	10%	60%

- A maturity schedule outside these limits requires specific Council approval.
- Disaster recovery requirements will be met through the liquidity ratio.

5.1.3 Credit Exposure (Sections 104 (c))

Council will manage its credit exposure by borrowing margins by ensuring that a 'Strong' issuer credit rating is maintained.

Credit exposure will be managed by:

- Ensuring net external debt as a percentage of annual operating revenue does not exceed 200% for up to 3 years at the commencement of any financial year; and

- Compliance with the borrowing limits outlined in 5.1.5 of this policy.

5.1.4 Debt Repayment (Sections 104 (d))

Council will repay borrowings from general funds, proceeds from the sale of investments and assets, or from the specific sinking fund allocated to that specific borrowing.

5.1.5 Borrowing Limits (Sections 104 (e))

In managing debt, Council will adhere to the following limits:

- Net interest expense (after interest rate risk management costs/benefits) on external debt as a percentage of annual operating revenue (excluding development contributions) will not exceed 20%; and
- Net external debt as a percentage of annual operating revenue (including development contributions) will not exceed 200%, and
- Net cash flows from operating activities (excluding interest expense) exceed total interest expense by 2.5 times.

5.1.6 Security (Sections 104 (f))

Council will generally offer security for its general borrowing and interest rate risk management activities by way of a charge over rates revenue. Council recognises that utilising rates revenue as security lowers the risk involved for lenders and, therefore, will lower the cost of borrowing to the Council.

Council offers security through a Debenture Trust Deed which allows Council to provide security over rates revenue from time to time made by Council under the

Local Government (Rating) Act 2002.

There may be occasions where the Council will borrow without offering security.

In the normal course, Council will not offer security over any assets other than rates revenue. However, where doing so would help further the Council's community goals and objectives, Council may offer such security on a case by case basis.

Council may offer security for both long and short term borrowing and for appropriate incidental arrangements (including approved interest rate risk management instruments).

5.2. Investment (Sections 105)

5.2.1 Objectives (Sections 105 (a))

Council will seek to:

- Optimise returns in the long-term while balancing risk and return considerations;
- Ensure investments are liquid;
- Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

Council recognises that:

- As a responsible public authority any investment that it holds should be low risk;
- Lower risk generally means lower returns.

Amendments to the Long Term Council Community Plan 2006-2016

5.2.2 Investment Mix and Associated Specific Objectives (Sections 105 (b))

Council has a significant portfolio of investments including:

Property:

- Council's overall objective is only to own property that is necessary to achieve its strategic objectives and where it relates to a primary output of Council.
- Investment property may be retained to achieve diversification of investments and to provide flexibility to manage strategic property initiatives.

Forestry:

- Forestry assets are held to protect water catchment areas. These are regarded as long term investments for the benefit of the Water Activity.

Financial:

- The primary objective of financial investing is the protection of its investment. Council maintains financial investments primarily to allow:
 - investment of surplus cash; and
 - investment of amounts allocated to special funds, sinking funds and trust funds.

Council may also hold small investments of other types from time to time for the short or medium term, where such investments are convenient for the achievement of Council's other goals (eg holdings of co-operative company shares while Council owns land temporarily supporting an activity which requires the holding of such shares).

Council will not hold financial investments other than those involving special funds, sinking funds and cash management balances.

5.2.3 Acquisition of New Investments (Sections 105 (c))

All acquisitions and disposals of property and forestry assets are to be approved by Council on a case by case basis. All property activities are managed by the Property Department.

All financial investments and interest rate risk management instruments are to be undertaken with institutions that are of high quality credit to ensure amounts owing to the Council are paid in full and on due date.

All new financial investment acquisitions are:

- Required to comply with credit rating requirements criteria outlined in 5.2.5 below; and
- Restricted to the following instruments:
 - Government Investments;
 - State Owned Enterprises Investments (SOE);
 - Registered Bank Investments;
 - Local Authority Investments; and
 - Approved Corporate Investments.

Examples of approved investment instruments include;

- Short term bank deposits
- Bank bills
- Certificate of deposit
- Treasury bills
- Corporate and government bonds

- Local authority stock and SOE bonds
- Promissory notes

5.2.4 Management and Reporting Procedure for Investments and Borrowing (Sections 105 (d))

Reporting in relation to property and forestry assets is to be generally monthly by the Property Department to Council, and management of such assets will be on a case by case basis.

The Monitoring Committee (MC) will, on a quarterly basis, discuss the activity for the previous quarter together with likely activity for the coming months. Council is responsible for approving investment and liability management strategies on at least a semi-annual basis.

The following reports will also be produced:

- Cashflow Report
- Exception Reports
- Treasury Report
- Treasury Review
- Limits Exceptions Report
- Debt Maturity Profile
- Statement of Public Debt
- Statement of Sinking Funds

5.2.5 Assessment and Management of risks associated with Financial Investments (Sections 105 (e))

Assessment and management of risks associated with property and forestry assets will be on a case by case basis by Council.

Amendments to the Long Term Council Community Plan 2006-2016

The Council's primary objective when making financial investments is the protection of its investment.

Accordingly, only credit worthy counterparties are selected on the basis of their current Standard and Poor's credit rating.

Council will minimise its credit exposure by:

- Ensuring all investments, cash management, interest rate risk management and any foreign exchange transactions are undertaken with entities that comply to the credit ratings below;
 - Limiting total exposure by spreading investments and limiting to prescribed amounts; and
 - Regular monitoring of compliance against set limits.

Institution	Minimum S&P Short Term Credit Rating	Minimum S&P Long Term Credit Rating	Total Exposure Limit for each counterparty
Government	N/A	N/A	Unlimited
Local Authorities (on B/S exposures only)	N/A	N/A	\$10 million*
Registered Bank			
On B/S exposures	A1	A	\$10 million
Off B/S exposures	A1	A	\$40 million
Strongly Rated Corporates and SOEs (on B/S exposures only)	A1	A	\$5 million*

*Subject to a maximum of 70% of the portfolio invested in corporate and local authority paper at any one time once the portfolio is greater than \$20 million.

Exposures to each counterparty are computed as follows:

- On-balance sheet:
 - Total amounts invested with that counterparty.
- Off-balance sheet:
 - Credit exposure on interest rate contracts computed by multiplying face value of outstanding transactions by an interest rate movement factor of 4% per annum;
 - Credit exposure on foreign exchange contracts computed by multiplying face value of outstanding transactions by an exchange rate movement factor of 10% for contracts up to one year maturity, and 20% for contracts greater than a year.

Credit ratings are reviewed quarterly. If any counterparty's credit rating falls below the minimum specified level in the above table then all practical steps will be taken to reduce the credit exposure to that counterparty to zero as soon as possible. Counterparties exceeding limits will be reported to Council.

The following interest rate risk management instruments are approved for use for investment within the above credit constraints:

- Forward rate agreements
- Interest rate swaps, including extendable interest rate swaps as long as it is not transacted for the sole purpose of generating premium income.
- Purchase of interest rate options products including floors, bond options, and swaptions.
- Interest rate collar type option strategies.

5.3. Sinking Funds (Section 299)

Council currently has a number of sinking funds that were established under the Local Authorities Loans Act 1956. These sinking funds are scheduled to mature in conjunction with the existing debt maturities. These sinking funds have now been lent to Council by way of internal loans at market interest rates. The Local Government Act 2002 does not require the establishment of sinking funds for new borrowings.

5.4. Foreign Exchange (Section 112)

Council has foreign exchange exposure through the occasional purchase of foreign exchange denominated plant and equipment.

Generally, all significant commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved.

Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

Amendments to the Long Term Council Community Plan 2006-2016

4

ACTIVITY	DELEGATED TO:
Approve policy document	Council (as required by the LGA)
Alter policy document	Council (as required by the LGA)
Acquisition and disposition of investments other than financial investments	Council (or appropriate Committee)
Approval of borrowing programme for the year	Council (or appropriate Committee)
Approval for charging assets as security over borrowing	Council (or appropriate Committee)
Approve interest rate risk management instruments	Council (or appropriate Committee)
Open/close bank accounts	Chief Executive
Approve authorised cheque/electronic signatories	Chief Executive
Transfer of stock, register new debt issues	Seal register signatories
Governance Overview of Documentation	Council (or appropriate committee)
Approve Treasury Strategy	Council (or appropriate committee)
Amend sub-limit for debt and interest rate maturity bands	Council (or appropriate committee)
Amend counterparty limit exposures	Council (or appropriate committee)
Implement Policy	Chief Executive and sub delegated to Group Manager : Business Services
Refinance, rollover, re-negotiate existing debt on more favourable terms.	Chief Executive and sub delegated to Group Manager: Business Services

6. RELEVANT DELEGATIONS

7. REFERENCES AND RELEVANT LEGISLATION

Local Government Act 2002 (LGA 2002).

Revenue and Financing Lead Policy and Supporting Policies.