



**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE  
COMMITTEE TO BE HELD AT WAITAKERE CENTRAL, 6 HENDERSON VALLEY  
ROAD, HENDERSON, WAITAKERE, ON MONDAY, 10 MARCH 2008  
COMMENCING AT 9.30 AM**

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**PART A - OPENING OF MEETING**

**1 APOLOGIES**



**2 URGENT BUSINESS**

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the Committee by resolution so decides; and
- (ii) the Chairman has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion and decision, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting.

The Committee may make a decision on a matter determined to be urgent.

**NOTE:** Urgent Business need not be dealt with now and may be delayed until later in the meeting.



**3 CONFLICTS OF INTEREST**

The Council has acknowledged in its Code of Conduct that Elected Members need to be vigilant to stand aside from decision making when a conflict arises between their role as a member of the Council and any private or other external interest they might have. This note is provided as a reminder to members to check that no such conflicts arise in relation to any items on this agenda.



**4 CONFIRMATION OF MINUTES**

Meeting Minutes – Monday, 11 February 2008

**RECOMMENDATION**

That the minutes of the Meeting of the Finance and Operational Performance Committee held on Monday, 11 February 2008, as circulated, be taken as read and now be confirmed.



**PART B - LEGAL AND CONSTITUTIONAL**

**5 AFFIXATION OF COMMON SEAL**

**EXECUTION OF DOCUMENTS: 31 January to 29 February 2008**

No	Name	Particulars
4358	WCC – Radmila Ristic	Warrant of Appointment & Evidence of Identity – No.WCC372
4359	WCC – Ian Duncan Freeman	Warrant of Appointment & Evidence of Identity – No.WCC373
4360	WCC – Her Majesty the Queen (NZ Railways Corporation)	Deed of Grant No.63376 for watermain installed on railway land at Dora Street (in duplicate)
4361	WCC – Her Majesty the Queen (NZ Railways Corporation)	Variation of Deed of Grant No.35401 for replacement of Council watermain at O’Neills Road (in duplicate)
4362	WCC – BBS 2006 Limited	Release of Bond No.7673703.5 – 12 Brook Street – RMA 20071279
4363	WCC – BBS 2006 Limited	Release of Bond 7673703.4 – 12 Brook Street – RMA 20071279
4364	WCC – Waitakere City Stadium Trust	Lease of Grandstand and amenities – Resolution 1980/2006
4365	WCC – Catileya Parata	Warrant of Appointment & Evidence of Identity – No.WCC374
4366	WCC – GNL Lincoln Road Limited	Water supply easement in gross – CTs.349506 & 349507 – 89 Central Park Drive
4367	WCC – GNL Lincoln Road Limited	Fencing Agreement – CT.349508 – 89 Central Park Drive
4368	WCC – ANZ National Bank Limited	Facility Agreement – Committed Standby cash advances 3 years revolving (in duplicate)
4369	WCC – ANZ National Bank Limited	Facility Agreement – Committed Standby cash advances 5 years revolving (in duplicate)
4370	WCC – Catileya Parata	Warrant of Appointment & Evidence of Identity – No.WCC374 (entered twice – refer No.4365 above)
4371	WCC – VB & TG Patel	Drainage easement in gross – CTs.366794 & 366795 – 12 Savoy Road, Glen Eden – RMA 20064347
4372	WCC – WA Kevey, KL Clark and Westvista Limited	Drainage easement in gross – CTs.381194 & 381195 – 77 Royal Road, Massey – RMA 20041399
4373	WCC – Ashnathi Properties	Consent by Encumbrancee to Variation of Mortgage – 8 Wally Nola Place – Rule 44.2 Standing Orders
4374	WCC – Ray Nanson	Warrant of Appointment & Evidence of Identity – No.WCC375
4375	WCC – Paul Wishnowsky	Warrant of Appointment & Evidence of Identity – No.WCC376
4376	WCC –Joa Sante	Warrant of Appointment & Evidence of Identity – No.WCC377
4377	WCC – Hayden Ngawaka	Warrant of Appointment & Evidence of Identity – No.WCC378
4378	WCC – Helen Biffin	Warrant of Appointment & Evidence of Identity – No.WCC379

No	Name	Particulars
4379	WCC – ANZ National Bank Ltd	Facility Agreement – Security Stock Certificate (in duplicate)
4380	WCC – DS MacKinven & R Berg (Aalbers Construction 1994 Ltd)	Water supply easement in gross – CT.341459 – 11 James Laurie Street - RMA 20061037
4381	WCC – P, AKS, SA Masters & Suijuris Trustee Co Ltd	Water supply easement in gross – CT.NA9C/825 – 11 James Laurie Street – RMA 20061037
4382	WCC – Aalbers Construction 1993 Ltd	Water supply easement in gross – CTs.341460 & 341461 – 11 James Laurie Street – RMA 20061037
4383	WCC – YX Liu	Drainage easement in gross – CT.323160 – 11 Grainger & 14 Vera Roads – RMA 2004711
4384	WCC – X Chen	Drainage easement in gross – CT.323161 – 11 Grainger & 14 Vera Roads – RMA 2004711
4385	WCC – X Chen	Surrender of drainage easement in gross – CT.NA1629/54 – 11 Grainger & 14 Vera Roads – RMA 2004711
4386	WCC – YX Liu	Surrender of drainage easement in gross – CT.NA1567/27 – 11 Grainger & 14 Vera Roads – RMA 2004711

### **RECOMMENDATIONS**

1. That the Affixation of Common Seal report be received.
2. That the action taken in affixing the Common Seal on the documents as set out in the Agenda report be adopted.

Report prepared by: Yvonne Donaldson, Team Leader: Legal Services.



## **PART C - FINANCE**

### **6 OPERATING AND CAPITAL EXPENDITURE SUMMARIES**

#### **PURPOSE OF THE REPORT**

The purpose of this report is to inform the Finance and Operational Performance Committee as to the level of operating and capital expenditure to date by unit compared to budget.

#### **BACKGROUND**

Through the Long Term Council Community Plan process, the Council approves operating and capital expenditure. The Council follows good practice for procurement of goods and services and ensures that funding has been provided from appropriate sources.

#### **ISSUES**

This report covers expenditure for the seven months to 31 January 2008. The financial summary is attached on page A1.

If any further information is required in respect of this report, other than of a general nature, please contact either the writer or the Director: Finance prior to the meeting to enable the query to be researched.

Capital expenditure is well below budget at this stage, as the summer construction season only represents January expenditure.

## **CONCLUSION**

Total net operating costs for the seven months to 31 January 2008 is within the approved operational budget.

## **RECOMMENDATION**

That the Operating and Capital Expenditure Summaries report be received.

Report prepared by: Bob Preston, Group Manager: Financial Management.



## **7 STATUS OF SPECIAL FUNDS**

### **PURPOSE OF THE REPORT**

The purpose of this report is to inform the Finance and Operational Performance Committee on the status of the Council's special funds.

### **BACKGROUND**

Special funds are those funds held or designated by the Council for a specific purpose or purposes. The balances of these funds are used to offset the Council's borrowing requirements. Interest is allocated to funds where applicable.

Special fund movements are recommended through the Long Term Council Community Plan and Annual Plan adoption process. Special funds are classified as either "Restricted Funds" or "Non-Restricted Funds". Restricted funds are those funds that have been received by the Council from a third party or parties and are to be used for a specific purpose or purposes. Non-restricted funds are funds established by a Council resolution to use and set aside its own funds and also to meet a specific purpose or purposes.

### **ISSUES**

A2 This report is separated into restricted and non-restricted funds. The balances and summary transactions for the period ended 31 January 2008 is attached at page A2.

If any further information is required in respect of this report, other than of a general nature, please contact either the writer or the Director: Finance prior to the meeting to enable the query to be researched.

### **CONCLUSION**

Special funds are being held or designated for a specific purpose or purposes. The fund balances have been reported as required.

## **RECOMMENDATION**

That the Status of Special Funds report be received.

Report prepared by: Bob Preston, Group Manager: Financial Management.



## **8 BORROWING AND INVESTMENT REPORT**

### **PURPOSE OF THE REPORT**

The purpose of this report is to provide an update on the estimated borrowing and investment activity for January 2008 and proposed changes to the Liability Management and Investment Policy.

### **BACKGROUND**

Waitakere City Council enters into treasury related financial contracts in the ordinary course of its business. It is the role of Council's Funds Management section to manage such contracts and the impact that they have on the organisation. All funds management transactions are governed by the Liability Management and Investment Policy, prepared in compliance with the Local Government Act 2002. As a requirement of that Policy this report informs the Committee on the current and future movements of Council's debt and cash investments, and provides a general commentary of financial market conditions.

A3-A8 The relevant portfolio and graphs reflect the estimated position as at 31 January 2008 and are attached at pages A3 to A8.

### **ISSUES**

Council's Funds Management function actively manages a large portfolio of various debt and investment instruments. The benefit of borrowing is that it enables Council to carry out the projects identified in the Annual Plan and Long Term Council Community Plan, while spreading the costs for those projects over time to recognise the future benefits. Borrowing funds therefore assist Council with its entire loans funded strategic initiatives. The Liability Management and Investment Policy requires that a report detailing the management of the portfolio be presented to the Finance and Operational Performance Committee on a regular basis. The report must include information on the following subjects:

- Cash/debt position;
- Forecasted borrowing profile;
- Interest rate profile;
- Risk management;
- Material transactions;
- Market commentary.

This report addresses the requirement of the Policy and may include other information that is relevant to the Funds Management function.

## FINANCIAL IMPLICATIONS

The active management of the treasury portfolio seeks to minimise Council's borrowing costs and maximise investment returns of liquid assets. The Funds Management function is also charged with seeking investors, thus ensuring that there is sufficient liquidity available for the Council to continue its work programme. New Zealand financial markets are significantly volatile and therefore interest rate risk management is a key responsibility of the Funds Management function. Detailed financial information included within this report is intended to give assurance of the prudent management of Council's portfolio.

Council maintains a Standard and Poor's Credit Ratings of A-1 short term, and A+ long term (stable).

## FINANCIAL MARKET COMMENTARY

### Market Overview

Credit and the cost of credit has become the topic of conversation in financial markets over the past few months. Over the past few years there has been plenty of cash and as a result demand for investment returns drove credit margins to unrealistic lows. The wake-up call came in the form of the US sub-prime mortgage market, where funds are lent to risky borrowers on the premise of an underlying asset, property in this case, continues to appreciate.

Credit risk is the risk that a borrower defaults on a financial instrument, either in part or in totality. The likelihood of default is often difficult to estimate. However, the rule is - the longer the term, the greater the risk. New Zealand has seen its share of defaults over the past year or so in the form of finance companies. Finance companies tend to be more involved in riskier types of lending. Like banks, finance companies are dependent on investor money, which they can lend to borrowers at a greater interest rate than what they borrowed the funds for. The problem is the price of credit risk and the flow-on effect that this can have on liquidity. If investors want greater reward recognition for the risk they are taking, it is not impossible for the investor's required rate of return to be greater than the rate of return actually being achieved from their funds.

Banks are subject to exactly the same risk. Investors seek greater and greater credit risk recognition through credit margins. The bank on-lends these funds hoping to achieve a return that is greater than what they are borrowing at. In the last few weeks some pricing on bank debt issues, both locally and internationally, has shown the increased credit margin expectations.

- Westpac issues USD750 million, for 13 months, at about 0.20% to 0.30% margin.
- Deutsche bank (AA) issues EUR4billion, 3year bond at swap + 0.72%.
- St George issues 1 year, AUD1billion, at a credit margin of 0.45%.
- Bank of Scotland (AA/Aa1) priced AUD\$900million of 2 year floating rate notes at bank bill swap plus a credit margin of 0.55%.
- ANZ National Bank and Bank of New Zealand propose to issue perpetual debt with 5 year interest rate re-sets with yields expected in around 10% that would be a credit margin of 2.0%.
- National Australia Bank issues AUD 250 million for 1 year at a margin of 0.25%.
- National Australia Bank issues EUR 1 billion for 3 years at a margin of 0.78%.

From this information it should not come as a surprise that bank interest rates are climbing. Local mortgage rates have been, over the past few years, largely pegged against the Reserve Bank's Official Cash Rate and the wholesale interest swap rate plus a relatively fixed margin. Now, the correction in credit pricing is having a greater influence on bank lending rates. This will increase the potency of the Reserve Bank's interest rate hikes to the Official Cash Rate over the past few years and will have ever increasing effects on consumer and business behaviour, and possibly local default rates.

### **Up-Coming Dates**

6 March 2008	Monetary Policy Statement and Official Cash Rate Announcement
24 April 2008	Official Cash Rate Announcement

### **CONCLUSION**

All transactions covered by this report have complied with the requirements of Council's Liability Management and Investment Policy.

### **RECOMMENDATION**

That the Borrowing and Investment report be received.

Report prepared by: Bruce Wilkin, Treasury Manager.



## **9 PAYMENTS FOR APPROVAL**

### **PURPOSE OF THE REPORT**

The purpose of this report is to advise the Finance and Operational Performance Committee of payments made by the Council.

### **BACKGROUND**

This report provides details of payments made to external suppliers in excess of \$5,000. In addition there is a summary listing, which aggregates payments made to various organisations and suppliers for the Finance and Operational Performance Committee's information. These payments have already been processed as allowed by delegations approved by the Council. If any Councillor requires information regarding the nature of any payment, that information can be provided.

### **STRATEGIC CONTEXT**

The Council makes various payments as provided for in its Long Term Council Community Plan and Annual Plans. The Council follows good practice for procurement of goods and services and ensures that funding has been provided from appropriate sources.

### **PAYMENTS**

*A9-A10*

A summary schedule of payments made for the period 7 January 2008 to 9 February 2008 is attached at pages A9 and A10. A further schedule of all payments of \$5,000 and above, together with the reason for the payment, is attached at pages A11 to A16.

*A11-A16*

If a Committee member wishes to ask specific questions relating to any of these payments prior to the meeting, then such questions can be directed to the Director: Finance.

## **CONCLUSION**

The summary schedule of payments is shown for the period 7 January 2008 to 9 February 2008. Payments have been provided for in accordance with approved budgets.

## **RECOMMENDATIONS**

1. That the Payments for Approval report be received.
2. That the contracts let and payments made be approved.

Report prepared by: Andrew Pollock, Director: Finance.



## **PART D - GENERAL**

### **10 WAITAKERE CITY HOLDING LIMITED AND SUBSIDIARIES – HALF YEARLY REPORT**

#### **PURPOSE OF THE REPORT**

The purpose of this report is to present to the Finance and Operational Performance Committee the Half Yearly Reports (6 months ended 31 December 2007) for Waitakere City Holdings Limited, Waitakere Properties Limited and the Waitakere Enterprise Trust Board.

#### **BACKGROUND**

Council has a 100% shareholding in Waitakere City Holdings Limited which in turn has a 100% shareholding in Waitakere Properties Limited. Waitakere Properties Limited has a 40% shareholding in Prime West Management Limited. Waitakere City Holdings Limited is tasked, by Council, with overseeing the operations of its subsidiaries and the Waitakere Enterprise Trust Board. Waitakere Properties Limited manages commercial property projects on behalf of Council. These projects are usually managed through a “deed of trust” individually set up for each project. Prime West Management Limited is responsible for managing the operations of the film studio facility located on Henderson Valley Road. On behalf of Council, the Waitakere Enterprise Trust is tasked with undertaking initiatives which accelerate the sustainable economic growth of the City.

Council, through the respective statements of intent, requires that Waitakere City Holdings Limited, Waitakere Properties Limited and the Waitakere Enterprise Trust Board, present to Council quarterly performance reports. Prime West Management Limited is not classed as a “council-controlled organisation” within the meaning of the Local Government Act 2002, and, as such, is not required to report formerly through to Council. However, it is likely that some form of formal reporting will be developed in the near future.

## STRATEGIC CONTEXT

Council has a financial investment in Waitakere City Holdings Limited and subsidiaries. These companies assist the Council in meeting its strategic outcomes through a return on investment, involvement in strategic projects, economic development and in the support of service delivery.

## ISSUES

A17-A54 The Half Yearly financial reports and management overview reports for Waitakere Properties Limited are attached at pages A17 to A54. Copies of financial statements, in respect of each of the Trust accounts administered by Waitakere Properties Limited, are available in the Councillors lounge.

A55-A99 The Half Yearly financial reports and management overview reports for the Waitakere Enterprise Trust Board are attached at pages A55 to A99.

Presentations will be made at this meeting by the boards and management of these organisations.

Waitakere City Holdings Limited does not prepare formal, quarterly reports as the company merely operates as a consolidating entity for its subsidiaries.

## CONCLUSION

The Half Yearly reports for Waitakere City Holdings Limited, Waitakere Properties Limited and the Waitakere Enterprise Trust Board are attached for this Committee's information and consideration. Board members and management from the respective organisations will be present at this meeting to present their reports and to field any question regarding the performance and operations of the organisations that they represent.

## RECOMMENDATION

That the Waitakere City Holdings Limited and subsidiaries Half yearly reports be received.

Report prepared by: Alec Third, Group Manager: Financial Operations.



## 11 DEFERMENT OF LOAN REPAYMENT FOR EARTHSONG CENTRE

### GLOSSARY

Earthsong Eco-Neighbourhood	(Earthsong)
Earthsong Centre	(Centre)

### PURPOSE OF THE REPORT

The purpose of this report is for the Finance and Operational Performance Committee to consider a request from Earthsong Eco-Neighbourhood (Earthsong) for an extension of time for the repayment of their interest free Council loan that is payable in June 2008.

## BACKGROUND

In December 2004, the Council provided an interest free loan to Earthsong to assist in the construction of a community type facility, known as the Earthsong Centre (Centre), at 457 Swanson Road, Ranui. The Centre will enable interaction between Earthsong and the wider community and will be a base where the wider community and individual visitors can learn about and become involved in exchanges, practical activities, information sharing, education and research related to eco-housing, permaculture practices and social sustainability. The Centre is administered by the Earthsong Charitable Trust and services two distinct but complimentary functions. These being a common house for Earthsong owners, residents and members and a centre from which the Trust can carry out its charitable and community activities. The Council, as part of its funding arrangements, has negotiated for the Centre to be available for public use for up to 500 hours per annum.

## STRATEGIC CONTEXT

The Council's Long Term Council Community Plan 2006-2016 sets the City's direction for sustainable management through to 2016. Earthsong's vision to establish a co-housing neighbourhood based on the principles of permaculture that will serve as a model of socially and environmentally sustainable community, aligns with all the Council's strategic platforms underpinning the City's direction.

## ISSUES

*A100-A105*

A request has been received from Earthsong for an extension of 12 months for repayment of the loan advanced by the Council for the Centre. The request is attached at pages A100 to A105. Representatives of Earthsong will update the Committee on the Centre and other developments on the site.

The Council advanced a loan of \$300,000 to Earthsong in June 2005 which is due for repayment by June 2008. The loan was advanced on an interest free basis as a result of a Memorandum of Understanding with Earthsong that provided for, amongst other things, 500 hours of community use of the Centre per annum.

There have been compounding factors that have hindered Earthsong from being in a position to repay the loan to Council by June 2008. The loan is fully secured and personal guarantees are in place that ensure the Council's financial exposure, if any, is minimal. Earthsong have provided financial statements which show that the loan in full can be paid by June 2009.

The deferral of the loan repayment for a further twelve months on an interest free basis would cost the Council approximately \$21,000 in interest cost. The Committee needs to consider whether the extension of time and what interest, if any, should be charged if an extension for repayment is approved.

## RESOURCES

The average cost of borrowing for the Council for 2008/2009 is estimated to be 7%. Deferral of the loan repayment on a continued interest free basis could potentially cost the Council \$21,000 for a full year.

## CONCLUSION

A request for an extension to the repayment of the \$300,000 loan provided to Earthsong to assist in the construction of the Centre has been received. There have been mitigating factors surrounding the timing of the repayment of the loan which have led to the request.

Consideration needs to be given to the request for a 12 month extension of the loan, which is fully secured, and the interest rate payable, if any.

### **RECOMMENDATIONS**

1. That the Deferment of Loan Repayment For Earthsong Centre report be received.
2. That the Finance and Operational Performance Committee determine whether to extend the repayment of the Earthsong Eco-Neighbourhood loan of \$300,000 for a 12 month period to 30 June 2009, subject to ongoing security, and whether interest, if any, should be charged.

Report prepared by: Andrew Pollock, Director: Finance.



## **12 THE ACCEPTANCE OF CREDIT CARDS FOR VARIOUS FEES AND CHARGES**

### **GLOSSARY**

Electronic Funds Transfer at Point of Sale	(EFTPOS)
Goods and Services Tax	(GST)
Compact Disk	(CD)
Over the Counter	(OTC)
Libraries for a Greater Auckland Region	(eLGAR)
Web based Pathway Application	(ePathway)
Electronic Commerce Services	(e-Commerce)
Waitakere City Council	(WCC)
Waitakere City Council	(Council)

### **PURPOSE OF THE REPORT**

The purpose of this report is to present options for the acceptance of credit cards for various fees and charges and as a prerequisite for implementation of online payments over the internet.

### **BACKGROUND**

At its meeting held 19 June 2007, the the Long Term Council Community Plan and Annual Plan Special Committee requested a report on the acceptance of Credit Cards for web based payments to be provided to the Finance and Operational Performance Committee for further consideration.

The Annual Plan 2007/2008 identifies a significant number of revenue sources. These are presented in the following table along with their proportion to total revenue. The figures presented are exclusive of government grants and subsidies, as it would be unlikely that these would ever be paid by credit card.

<b>Source of Revenue</b>	<b>Total \$ (incl. GST)</b>	<b>% of Total Revenue</b>
Rates	133,585	59.27%
Water Charges	21,624	9.59%
Consent Services	9,887	4.39%

Source of Revenue	Total \$ (incl. GST)	% of Total Revenue
Weighbridge & Transfer Station Fees	8,310	3.69%
Roading	5,417	2.40%
Westwave	4,716	2.09%
Transfer Station Revenue	4,698	2.08%
Parking Enforcement	3,664	1.63%
Cemetery Fees	1,647	0.73%
Development Services	1,406	0.62%
Testing Station	1,395	0.62%
Housing for Older Adults	1,384	0.61%
Animal Welfare	1,320	0.59%
Stormwater	1,172	0.52%
Partnerships	928	0.41%
Health & Other Licences	928	0.41%
Water Supply	844	0.37%
Wastewater	638	0.28%
Quarry	596	0.26%
Compliance & Enforcement	558	0.25%
Customer Services	546	0.24%
Strategy & Development	394	0.17%
Other Property Rentals	753	0.33%
Hireage of Leisure Facilities	473	0.21%
Active Democracy	323	0.14%
Libraries	273	0.12%
Unitech Car Park	254	0.11%
Parks & Green Assets	207	0.09%
Charge Carparking	180	0.08%
Parks & Green Assets	174	0.08%
Arts & Culture	174	0.08%
Emergency Services	98	0.04%
Legal & Insurance	84	0.04%
Consultancy Services	45	0.02%
Resource Management	35	0.02%
Information Management	5	0.00%
Cleaner Production	2	0.00%
Development Contributions	16,665	7.39%
<b>Total Income (Inclusive of GST)</b>	<b>225,401</b>	<b>100.00%</b>

In order to collect the revenue outlined above, the Council has a variety of payment options available to ratepayers and other users of Council services. The following table provides an outline of these options and their applications:

Option	Manual/Electronic Process	Application
Cheque (Posted)	Manual	For any Council service that has an invoice or other notice, such as infringement notice.
Cheque	Manual	Over the counter (OTC) at all Council service centres for all Council services.
Cheque (at Bank)	Manual	For rates and water charges.

Eftpos (OCT)	Partially Electronic	For all Council services.
Cash	Manual	For all Council services (excluding from extended service centres).
Automatic Payment	Electronic	Reoccurring transactions such as rates and water charges where a fixed sum is payable.
Direct Debit	Electronic	Reoccurring transactions such as rates and water charges where a fixed or variable sum is payable.
Bill Pay	Electronic	Initiated by the customer over the internet for rates and water charges.
Direct Lodgement	Electronic	Initiated by the customer over the internet for rates, water charges and debtors (limited application).
Credit Card	Electronic	Stand alone services such as Animal Welfare, the Cemetery, Vehicle Testing Station and the Refuse and Recycling Transfer Station.

The Council encourages direct debits which is a form of electronic payment. Technology changes over the years have led to ratepayers and customers having considerably more ability to control their financial transacting from personal computers based anywhere. While the Council does allow for Bill Pay for rates and water charges, and to a lesser degree, direct lodgements from larger organisations, the transaction is performed through the customer's own bank's website, not the Council's.

The growth in information and business accessibility on the internet over the past decade means many of today's customers choose the convenience of completing transactions, from ordering to payment, with a few strokes of a keyboard. As a result, the adoption of online credit card payments has become increasingly normal, globally. The move to online payments is typically driven by an organisation to provide "one stop shop" convenience to customers, who can work to their own schedule and not be hampered by the time constraints of traditional business. Online shopping does have other positive flow-on effects, such as providing customers with greater information - both product and identity, allowing for better customer choice, and the potential of freeing up the resources required to service traditional business transactions.

## STRATEGIC CONTEXT

Providing an additional channel to customers is of significant importance to the Council. There has been a very high uptake of online services from customers when councils have provided a robust and secure online service delivery channel. The following items fit within the current Council strategic direction:

1. Strong Economy – Choices - Waitakere City Council is a late adopter of online payment services across the Auckland regional councils and therefore is not providing the online payment channel option for its people and businesses. It is desirable that Waitakere City Council be seen as a smart and sophisticated organisation to do business with.
2. Strong Economy – Work Life Balance – With the advent of online services people are moving away from over the counter and cheque book transactions where possible. The need to pay over the counter with many people in full time employment outside the City is putting pressure on existing hours of service. The ability to pay online anytime is a choice many people are now looking for.

3. Sustainable Integrated Transport – Providing alternative options to over the counter transactions helps reduce journeys to the Council, whether by car or public transport.
4. Active Democracy – Providing online payment systems, ratepayers and other customers are likely to access other information from the Council's internet site, improving information flows and supporting greater community interaction with the Council.

## ISSUES

### Payment Methods

The Council offers a number of payment methods. Generally, the more manual the payment method, the greater the resources required to process the transaction and hence the greater the cost of the transaction.

Electronic transactions, such as direct debit and automatic payments, are exceptionally cost effective and efficient, requiring minimal intervention by Council staff for regular payments. These transactions could be regarded as “set and forget”, where the only time the customer might interact with the Council would be if they were moving or if their payment was dishonoured.

Transactions such as “bill pay”, which is a bank initiated electronic funds transfer, allows the customer to transfer funds directly from their bank account into the Council's bank account, based on a predefined template.

Self initiated electronic funds transfers are similar to bill pay payments, though the customer has complete discretion as to what information is sent to support the transaction. Due to the inconsistent information sent by the customer, self initiated electronic funds transfers are highly undesirable.

While the Council has provided numerous payment methods, customer demands and complaints have increased regarding the inability to pay rates and other fees and charges online. The Council has allowed credit card payments to be accepted for a number of years for some services, but not over the internet.

### **Online Payments**

Online payments can take two forms:

- An electronic funds transfer where the customer directs funds from their bank account into the Council's bank account. This is currently in place for rates and water charges through the bill pay approach.
- Online payment initiated through the Council's own website. This means that the customer accesses the Council's website and is stepped through the process of making the payment. The steps ensure the customer is supplying the correct information to the Council so that the transaction can be processed with minimal (if any) staff intervention.

To initiate an online payment through the Council's website, the transaction must be completed using a credit card.

## The Council's Website

Historically, visitor numbers to the Council's website have been increasing over the past few years and this trend appears likely to continue. This trend is demonstrated in the following graph:



By allowing online payments through the Council's website, it is likely to reinforce the increasing trend in the number of site visitors. The benefit of increased traffic through the website to initiate payments is the increased exposure and interaction the customer may have with the Council. As more customers interact with the Council in this manner, additional services could be introduced to customers through this electronic medium, with the possibility of increasing utilisation of the information available.

## Credit Card Acceptance and Merchant Services Fees

Accepting credit cards results in a cost referred to as the "merchant services fee". This fee is charged to the Council on a percentage basis of the gross transaction value initiated by the customer. The percentage charged varies and is dependent on the average value and volume of all credit card transactions accepted. For example, high value and high volumes will attract a lower merchant services fee than low value and low volume transactions would. Generally the fee will range from 1.5% to 5%. However, a flat percentage fee would be negotiated for all of the Council's credit card transactions.

An organisation accepting credit cards cannot charge a surcharge to recover the merchant services fee from the customer because they have adopted to pay by credit card. This is included in the Merchant Services Agreement, agreed by the merchant prior to being allowed to accept credit cards and states:

*"You agree not to levy a surcharge on a Cardholder for a Credit Card Transaction or EFT Transaction by that Cardholder. Such conduct is prohibited under the Credit Card International Operating Regulation. You will be liable for the cost of compensating and Card Issuer, which successfully effects a Chargeback against us for the amount of the surcharge applied."*

As a result, the merchant services fee is normally absorbed by the organisation accepting credit cards and can be built into all cost of sales, effectively spreading the merchant services fee over all sales transactions.

## Convenience Fees

Over the past few years a process whereby the customer can be charged a surcharge has developed. While they are not being charged the merchant services fee directly, they

are being charged a “convenience” fee. The payment process involves a third party who “brokers” the credit card transaction and thus charges the cardholder a fee for that service. The fee is greater than the merchant services fee of both the original merchant and the “broker”, and as a result the convenience fee collected is used to cover both merchant services fees. This process has become widely adopted by organisations that can have significant volumes of online payments, such as the Inland Revenue Department, New Zealand Police and a number of local authorities for rates and water charges. A minimum charge of \$3.00 is applicable to any transaction being processed in this manner to eliminate the possibility of customers making multiple small transactions over time for the same goods or services. This is the obvious choice for rates and water charges, as the merchant services fees that would be generated from these would be substantial.

### **Over the Counter Credit Card Transactions**

The Council has accepted credit cards over the counter (OTC) for a number of years at Animal Welfare, the Cemetery, the Vehicle Testing Station and the Refuse and Recycling Transfer Station. If credit card acceptance was to be extended to other Council services for online payments, excluding payments that attract a convenience fee, it would be logical to allow credit cards to be accepted OTC for the same services. If an online payment was to attract a convenience fee, the transaction must be handled by a third party, so OTC transactions are not possible for these services.

### **Library Services**

Regional Library Services involved in the Libraries for a Greater Auckland Region (eLGAR) consortium are intending to offer online payment for Library fines and charges by early/mid 2008. It is planned for North Shore City, Rodney District, Auckland City and Manukau City Councils to introduce a number of enhanced customer service options, such as the home delivery of reservations placed online. Access to online payment options are a pre-requisite for these value-added services.

### **Savings**

As already stated in this report, transactions that are electronic in nature tend to be less expensive than transactions requiring manual interactions. The implementation of online payments opens another avenue to the Council’s customers to initiate electronic payments. However, the management of electronic transactions shifts from front desk counter services or mail rooms to back office accounting. As such, quantifying cost savings is relatively difficult and is dependent on uptake.

There are secondary savings that can be attributed to online payments, however. The Council is considering the ability for customers to self-help by allowing them to search and obtain digitalised property information. An online payment method would be mandatory for such a process to work. The greater the uptake of customer self-help suggests that staff time is freed up for other duties, decreasing the short-to-medium term requirement to employ more staff. Again, it is impractical to measure the savings that may be attributed to this.

### **Other Councils**

A survey was conducted on a number of councils, mainly Auckland based, which demonstrated no consistency in the acceptance of credit cards.

**Auckland Regional Council** accepts credit card payments for rates without convenience fees, but not for any other fees or charges.

**Auckland City Council** accepts credit cards for most fees and charges without convenience fees except rates, which do attract the convenience fee.

**Manukau City Council** are in a similar position to Waitakere City Council, with the acceptance of credit cards for miscellaneous activities such as pools and recreation facilities and is currently working towards the introduction of accepting credit cards with convenience fees for rates and other services.

**Rodney District Council** allows credit cards to be used for all fees and charges other than rates and water charges provided that the amount was less than \$5,000 including GST and the card holder was present. Rodney has introduced the payment of rates and water charges by credit card with convenience fees attached.

**Tauranga City Council** allow credit card payments for rates and water charges with convenience fees attached and are intending to increase this payment method for other charges such as consents.

### Options for Payments Attracting Convenience or Merchant Services Fees

#### Option One – All Payments Can Be Paid By Credit Card

In the table presented earlier in this report, if all revenue were to be allowed to be paid by customers online and OTC by credit cards, the cost of merchant services fees would be significant. However, it is more likely that a smaller proportion of customers would adopt this approach over the approaches they are currently taking. In the following table we can consider the value of merchant services fees based on a variable percentage uptake and a fixed fee of 1.5%. A merchant services fee of 1.5% represents the lowest fee identified. The Council may be subject to a higher fee at the time of negotiating the contract.

% Uptake On Total Revenue	Value Of Uptake	Fee
5%	\$11,270,025	\$169,050
10%	\$22,540,050	\$338,101
15%	\$33,810,075	\$507,151
20%	\$45,080,100	\$676,202

A 15% uptake in the use of credit card payments represents costs to the Council of \$507,151 if a merchant service fee of 1.5% was applicable, which represents close to half a percentage of additional rates funding.

#### Option 2 – All Payments Except Rates and Water Charges

A second alternative could be to separate the rates and water charges component out and allow these to be receipted using the convenience fee approach. The remaining revenue sources would incur a merchant services fee. This would result in the following possible outcome:

% Uptake On Total Revenue	Value Of Uptake	Fee
5%	\$3,509,606	\$52,644
10%	\$7,019,213	\$105,288
15%	\$10,528,819	\$157,932
20%	\$14,038,425	\$210,576

The merchant services fee in this case would be borne mainly by areas of the Council that are user pays, and therefore some fees and charges may need to increase proportionately to cover the additional cost. The Council currently accepts credit cards, OTC, for Animal Welfare, Refuse and Recycling Transfer Station, Vehicle Testing Station

and the Cemetery. OTC transactions for all services could be implemented in a short time frame. If the Council wishes to introduce online payments, this would require a staged approach. It has been identified that the first six services suitable for online payments through the Council's website should be:

1	<b>Payment of Parking Infringements</b>	This online payment type is arguably the best return on investment of all the proposed online payments. Currently, the Council issues between 50,000-60,000 parking infringements per year ranging from \$12 to \$600 per infringement with an average of approximately \$100. Other councils such as North Shore City and Auckland City have seen very high levels of uptake of this service. Due to the statutory requirements, this is a strong candidate to be managed in-house with the merchant fee being paid by the Council.
2	<b>Ordering of Land Information Memorandums (LIMs)</b>	This is a time-critical function and by providing it online reduces processing and staff costs. It also provides the potential to introduce a more expensive urgent option. The real savings will come when the LIM can be delivered electronically; this requires the information to be digitised and data quality to be 100% accurate. Currently between 2,500 to 3,000 LIMs are ordered annually. Other council's again have seen a strong uptake of this service. Due to the level of integration this service is a strong candidate to be managed in-house with the merchant fee being paid by the Council.
3	<b>Annual Dog Registration</b>	There are approximately 15,000 dogs registered in Waitakere City each year. Given the size of the fee and the fact this is a user pays service, it is an appropriate service to be managed in-house with the merchant fee being paid by the Council. It also allows information to be passed back to the Council from the customer seamlessly.
4	<b>Animal Infringements</b>	Apart from volume, this is very similar to item 1 (parking infringements), with the infrastructure in place for parking this is a straight forward service to offer. Due to the level of integration and similarity to Parking Infringements, this service is a strong candidate to be managed in-house with the merchant fee being paid by the Council.
5	<b>Property Compact Discs (CD's)</b>	This is a new service and revenue stream for the Council. Currently it is not practical or cost effective to offer this service. The back scanning of existing paper based files is progressing well and it is likely that files being scanned as they appear in local property publications will be candidates for this and/or the LIMs service. Due the automated nature of the process required to produce and deliver this service, it is a strong candidate to be managed in-house with the merchant fee being paid by the Council.
6	<b>Payment of Library Fees and Charges</b>	Although the introduction of this service is being managed by Waitakere Libraries, the infrastructure required for processing of the online payment will be delivered by the Council as part of the implementation of the in-house eBusiness architecture (ePathway and uTransact).

The convenience fee attaches itself to rates and water charges. While there is little encouragement for property owners to pay rates and water charges early, the 10%

penalty on rates not paid by the due date may be an incentive for customers to pay by credit card by the due date, incurring a possible 3% convenience fee, but still providing up to 55 days additional interest free credit.

#### Option 3 – Payments By Convenience Fee

Excluding payments already accepting credit cards, a third alternative is to allow all payments to be performed by the third party by way of a convenience fee so that no merchant services fees are incurred by the Council. This alternative may not lead to a desired outcome of encouraging online payments, as the convenience fee charged back to the customer would be prohibitive. This would also mean that sites already accepting OTC credit card transaction would not be able to offer the third party online service at all.

The convenience fee structure requires the greater of \$3.00 or a percentage of the transaction to be charged. If the convenience fee was 3%, the transaction would need to be greater than \$100.00 before the customer starts to be charged the percentage convenience fee. In transactions less than \$100.00 the \$3.00 fee applies.

If the customer was wishing to pay a library fine of \$8.00 or a parking fine of \$40.00, the \$3.00 fee may be prohibitive for the customer to complete the transaction online.

It is important to note that some receipting through a convenience fee approach may not be practical. Parking infringements for instance are transferred to the Courts after the infringement payment period lapses. If the infringement has been transferred to the Courts, payment through the convenience fee channel would still be available. However, as the debt collection process after 28 days is a court matter, the Council cannot accept payment and must refund the payee. Attempting to pay an expired ticket through the Council's website directly would be prevented due to the inability for the infringement number to be matched against an outstanding item in the Council's systems. This can also be the case for preventing duplicated receipting of the same item.

#### Option 4 – Status Quo

Continue to offer the same payment methods already presented in this report.

This has already resulted in complaints regarding why ratepayers and customers have to be reliant on opening hours, collection locations or the postal system. Some ratepayers and customers have become much more technologically advanced and prefer to transact in their own time in the comfort of their home or office.

### **RESOURCES**

There would likely be no cost implementing OTC credit card acceptance.

The cost of implementing online payments with a convenience fee varies, based upon the approach taken. The costs to the Council are low. A basic establishment and development cost of \$2,250.00 would be required for each transaction type as well as a \$170.00 monthly web hosting fee for each transaction type. Accepting rates and water charges only would result in two charges of the establishment fee. The monthly web hosting fee would be an ongoing cost to the Council. These costs are exclusive of any labour costs required by the Council to link the websites, though this cost is also likely to be minimal.

Information Management has estimated the cost for the implementation of an online electronic payments platform and introduction of six online services at \$362,000. This funding would be provided from the Capex budget allocated to the 2007/2008 financial year.

No allowance has been made within the Long Term Council Community Plan 2006/2016 for additional credit card merchant services fees. If credit card acceptance were to be expanded, provision may need to be made in the 2008/2009 Annual Plan.

## **CONCLUSION**

The Council has a diverse range of revenue sources and a wide range of payment methods. While these payment methods have traditionally been acceptable, technology changes and customer preferences have changed, resulting in increased demand for online payment choices. If the Council wishes to encourage online payments in a manageable manner, allowing for online payments through the Council's website is required. To enable this to happen, the Council must make a decision on accepting credit card payments for various services and those that can be paid online through the Council's website. As a staged approach, this could include parking infringements, ordering a LIM, annual dog registrations, animal infringements, property CD's and payment of library fees and charges.

Credit card payments incur a merchant services fee. To avoid significant merchant services fees, rates and water charges would be preferably paid through a third party attracting convenience fees to the customer and not merchant services fees to the Council.

## **RECOMMENDATIONS**

1. That the Acceptance of Credit Cards for Certain Fees and Charges report be received.
2. That payment for rates and water charges be accepted with a credit card through the convenience fee approach.
3. That the Finance and Operational Performance Committee determine what additional services can be paid by credit card over the counter.
4. That services that can be paid by credit card over the counter be extended to online payments on a staged approach.

Report prepared by: Bruce Wilkin (through a working party of Paul Tate, Su Scott, Bruce Wilkin, Paul Stoneman and Mark Scott).



## **13 AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED UPDATE**

### **GLOSSARY**

Auckland Regional Transport Network Limited	(ARTNL)
Auckland Regional Transport Authority	(ARTA)

### **PURPOSE OF THE REPORT**

The purpose of this report is to update the Finance and Operational Performance Committee on Auckland Regional Transport Network Limited's (ARTNL) activities and approve the shareholder resolutions required at ARTNL's annual shareholders meeting.

## BACKGROUND

Waitakere City Council owns 13 per cent of the shares in ARTNL. The Auckland and Manukau City Councils hold the remaining shares of ARTNL, following a buy-out of the Franklin, Papakura and Rodney District Council shareholdings in 2006.

The six councils established the ARTNL group of companies on 2 July 2001 as part of their commitment to improving public passenger transport in the Auckland region. The ARTNL group played a key role in providing integrated passenger transport infrastructure for the Auckland region, owning certain ferry and rail station assets in the Auckland region, and holding the lease to run the Britomart Transport Centre on behalf of Auckland City Council.

ARTNL's ferry and metro train station assets transferred to the Auckland Regional Transport Authority (ARTA) on 1 October 2007. Negotiations regarding Britomart were put on hold in 2006, pending completion of the ferry and metro station asset transfer. The shareholders negotiation team have proposed to ARTA and the Auckland Regional Council that the parties review the draft Britomart transfer and lease agreements prepared previously, and meet over the next two months to discuss and resolve the outstanding issues. Once the Britomart transfer is completed, it is intended that the ARTNL group of companies will be liquidated.

In the meantime, ARTNL remains a council-controlled organisation, and must comply with Companies Act 1993 and Local Government Act 2002 requirements, such as holding annual meetings and providing annual reports to its shareholders.

ARTNL has provided its 2007 annual report to its shareholders for consideration.

## STRATEGIC CONTEXT

Waitakere is committed to urban growth management, focussing on developing vital town centres that are well served by public transport and easily accessible to pedestrians and cyclists. These town centres and their surrounding residential areas are designed to be well-served by a high-frequency rail service and a network of bus services. The Council has adopted a vision for transport - *A sustainable multi-modal transport system that is integrated with land use and contributes to Waitakere as an eco city.*

Public ownership of key infrastructure is critical to achieving this vision. ARTA is the public agency in the region which is responsible for upgrading and maintaining rail stations and ferry terminals.

The activities of ARTNL contribute to nearly all of the Council's strategic platforms, being integrated transport and communications; urban and rural villages; strong innovative economy; green network; strong communities; and sustainable energy and clean air.

### **Integrated transport and communication, *Te Whakaurunga Waka Te Whakawhiti korero***

Rail is the passenger transport spine for Waitakere and an integral part of the region's rapid transit network. It connects two of Waitakere's three main town centres and a significant number of other town centres to each other and to the rest of the region.

### **Urban and rural villages, *Nga kainga taone, tuawhenua***

The ongoing development of rail strongly supports town centres that are thriving places, providing exciting options for people to live, work and play.

### **Strong innovative economy, *He tupuranga kaha ihi wana***

The upgrade of the Waitakere rail line provides an alternative to travel by road. This will support Waitakere as an even more attractive place to live and work and create opportunities for intensification around train stations.

**Green Network, *He tuituitanga kakariki***

Over time, the Waitakere rail line will be transformed from a graffiti-ridden weed corridor to a key part of the city's green network, linking suburbs and town centres with bush and trees.

**Strong Communities, *He iwi kaha***

Rail in particular, and passenger transport in general, is a strong tool for community cohesion and development. It also provides critical access to jobs, housing, retail, health, welfare, leisure and social opportunities for people who, whether by choice or not, do not have access to a car.

**Sustainable energy and clean air, *He kaha motuhake. He hau ora pai***

There are benefits to the general population and the environment as people choose to use passenger transport rather than cars. These include lower fuel consumption and lower carbon dioxide emissions, reduced runoff from roads into the stormwater system and reduced health impacts of the transport sector.

**ISSUES**

ARTNL is proposing to hold its 2007 annual shareholders meeting by way of written resolution in lieu of a physical meeting. The simple administrative nature of the business to be placed before the annual meeting means it is more efficient to pass written resolutions instead of holding a physical meeting. This practice is also followed for Metro Water Limited and Watercare Services Limited.

The ARTNL shareholders must vote on the annual meeting resolutions. Officers recommend that Council votes in favour of ARTNL's 2007 annual meeting resolutions. One of the resolutions relates to ARTNL's financial statements in its annual report. Officers also recommend that ARTNL's annual report be received, and that Council recommends to ARTNL's directors that it be adopted.

ARTNL will hold its 2007 annual meeting by way of written resolution in lieu of a physical meeting.

ARTNL's shareholders must consider the annual report and vote on the annual meeting resolutions. Officers recommend that ARTNL's 2007 annual report be received and that Council recommends to ARTNL's directors that it be adopted. Officers further recommend that Council votes in favour of ARTNL's 2007 annual meeting resolutions:

1. *To receive, consider and adopt the Company's and the group's consolidated financial statements for the year ended 30 June 2007 together with the auditor's report and the director's report.*
2. *To re-appoint by way of ordinary resolution the Controller and Auditor General as auditor of the company and the consolidated group until the conclusion of the next annual meeting, and to authorise the directors to fix the auditors fees.*

**Financial statements and reports**

A106-A141

The 2006/2007 annual report is included in attachment at pages A106 to A141. Highlights are summarised below.

*Review of financial information*

ARTNL performed well over the year ending 30 June 2007, and achieved earnings before interest, tax, depreciation and amortisation surplus of \$735,000, an improvement on the 2006 surplus of \$678,000. Assets valued at \$10.7 million were written off, reflecting the board's prudent anticipation of the transfer of ARTNL's ferry and metro station assets in October 2007 for no consideration.

As at 30 June 2007, shareholders' equity comprised share capital of \$4.8 million, and an accumulated net surplus of \$939,000.

The financial statements have been prepared on the basis that the ARTNL group is a going concern. The directors have reviewed budgets, projected cash flows and other relevant material and are confident that the group has adequate resources to continue operating in the foreseeable future.

Shareholders' equity in ARTNL's subsidiary ARTNL Metro Limited totals a deficit of \$5.018 million. This is because capital improvement works such as rail track de-stressing and signalling equipment carried out since the company's inception provides no economic benefit for ARTNL Metro Limited and the works were therefore written off. All other assets created by grants have also been written down to reflect the transfer for no consideration. The main write-off occurred on 30 June 2006. The shareholders have undertaken to provide financial assistance to the company, if necessary, to ensure the company meets its debts as they fall due. No request for funding assistance was received before the transfer on 1 October 2007. Officers consider that the risk to the shareholders from the equity deficit is very low.

*Review of non-financial information*

ARTNL and ARTA have worked in co-operation over the year, despite the complexities of responsibilities associated with the transfer process. The Papakura station and overbridge, Panmure station and Middlemore overbridge were completed during the year. ARTNL identified restoration work required at the Downtown ferry terminal, and this work will be carried out shortly, funded by ARTA.

Ross Jewell retired as a director on 30 June 2006. Ross Keenan and George Green are the remaining directors and share the responsibility for chair.

The Auditor-General has issued a qualified opinion on the annual report, due to ARTNL not having a statement of intent for the period commencing 1 July 2006, which meant there were no performance targets by which ARTNL could be measured. Uncertainty surrounding the transfer arrangements contributed to a delay in issuing the statement of intent, and the statement of intent was issued and approved by the shareholders later in 2006. The statement of intent for the period commencing 1 July 2007 has subsequently been issued and approved. No particular penalties apply in relation to this breach (other than that it could be picked up in audit, as has happened).

Previously the ARTNL Shareholders' Representative Group, which included elected representatives from each of the shareholding councils, considered and recommended ARTNL's annual report be adopted. Given the present reorganisation of ARTNL, and ARTNL's reduced responsibilities, the Shareholders' Representative Group no longer meets. Officers therefore recommend that each of the shareholding councils separately considers and recommends that ARTNL's annual report be adopted.

Officers recommend that the Finance and Operational Performance Committee delegate authority to a Councillor to vote on behalf of Waitakere City Council and sign documents

required to give effect to the proposed resolutions of ARTNL's annual shareholders meeting.

### **Auditors**

The Local Government Act 2002 requires that the Auditor-General is the auditor of council-controlled organisations and their subsidiaries. It is therefore recommended that Auckland City Council vote in favour of the resolution to reappoint the Controller and Auditor-General as auditor of the ARTNL group.

Officers also consider it appropriate that the directors of ARTNL fix the auditors fees.

### **Statutory requirements**

The Companies Act 1993 requires every company to hold an annual meeting of shareholders once in each calendar year. Generally, the meeting must be no later than six months after the end of the company's financial year, and no later than 15 months after the previous annual meeting.

The Local Government Act 2002 requires council-controlled organisations to provide their annual reports to shareholders within three months of the end of the financial year.

ARTNL's financial year ended 30 June 2007. ARTNL gave notice of its annual meeting and provided its annual report to Auckland City Council in mid-December 2007, too late to arrange the appropriate resolutions from the three shareholding councils in the 2007 calendar year.

ARTNL is therefore in breach of the statutory timeframes for holding its annual meeting, and for providing its annual report to shareholders. Again, no particular penalties apply for these breaches, and officers recommend no action be taken given the stage ARTNL is at in the transfer process.

### **RESOURCES**

No financial resources are required in relation to the matters raised in this report, apart from time required of an officer and Councillor.

### **CONCLUSION**

ARTNL achieved satisfactory results in the year of operations to 30 June 2007. It is appropriate for the Finance and Operational Performance Committee to delegate authority to a Councillor to vote on behalf of Waitakere City Council and sign documents required to give effect to the proposed resolutions of ARTNL's annual shareholders meeting.

### **RECOMMENDATIONS**

1. That the Auckland Regional Transport Network Limited Update report be received.
2. That Auckland Regional Transport Network Limited's 2007 annual report be received, noting that Auckland Regional Transport Network Limited made an earnings (before interest, tax, depreciation and amortisation) surplus of \$735,000.
3. That it be recommended to Auckland Regional Transport Network Limited's directors that the Auckland Regional Transport Network Limited's 2007 annual report be adopted.

4. That Waitakere City Council votes in favour of the following resolutions for Auckland Regional Transport Network Limited's 2007 annual shareholders meeting, to be held by way of written resolution in lieu of a physical meeting:
  - i) to receive, consider and adopt the financial statements and reports for the year ended 30 June 2007;
  - ii) to re-appoint the Controller and Auditor-General as the auditor and authorise the directors to fix the auditors fees.
5. That Councillor [to be determined by the Finance and Operational Performance Committee] be delegated authority to vote on behalf of Waitakere City Council and sign documents required to give effect to the proposed resolutions of Auckland Regional Transport Network Limited's annual shareholders meeting.

Report prepared by: Kevin Wright, Manager Transport Strategy



## 14 **TOWN CENTRE STRATEGIC PARTNERSHIP PROGRAMME: TE ATATU PENINSULA BUSINESS IMPROVEMENT DISTRICT POLL RESULT**

### **GLOSSARY**

Business Improvement District	(BID)
Business Improvement District Association	(BIDA)
Business Improvement District Policy	(BID Policy)
Local Government Act 2002	(LGA 02)
Te Atatu Peninsula	(TAP)
Te Atatu Peninsula Business Association	(TAPBA)

### **PURPOSE OF THE REPORT**

The purpose of this report is to present to the Finance and Operational Performance Committee the results of the targeted rate poll relating to the proposed Business Improvement District (BID) undertaken in Te Atatu Peninsula town centre as at 30 November 2007.

### **BACKGROUND**

The town centre strategic partnership programme was endorsed by the City Development Committee at their September 2006 meeting, where it was resolved:

- “1. That the Town Centre Strategic Partnership Programme report be received.
2. That the City Development Committee endorses the proposed implementation of the Town Centre Strategic Partnership Programme within the City Development 2006/2007 programme.”

1758/2006

The town centre Business Improvement District Policy (BID Policy) and Model Rules were adopted by the Finance and Operational Performance Committee at their September 2007 meeting, where it was resolved:

- “1. That the Town Centre Strategic Partnership Programme: Business Improvement District Policy and Model Rules report be received.
2. That the Business Improvement District Policy and Business Improvement District Model Rules be adopted).”

3486/2007

The Town Centre Strategic Partnership Programme is designed to establish a mutually beneficial partnership structure in Waitakere between the Council and stakeholders in each town centre. The area that this structure applies to is known as a BID. The stakeholders form an Incorporated Society and are known as a Business Improvement District Association (BIDA).

The process will be applied over time to all Waitakere town centres ranging from the large centres right through to small villages and strip-shopping precincts, linked to a programme of strategic planning for each of the City's town centres as identified in the Growth Management Strategy. Preparatory work is being undertaken in Te Atatu Peninsula, Henderson, Ranui, New Lynn and Glen Eden town centres.

### STRATEGIC CONTEXT

This initiative contributes directly to a large number of Waitakere's Community Outcomes and Priorities.

Community Outcome	The BID's contribution
Strong Communities: <i>He iwi kaha</i>	
Priority: Enabling ways for people to contribute to their community	Provides the organisation and resourcing to enable local businesses to contribute to their local community
Priority: Creating and supporting places and local focal points	Provides the organisation and resourcing to enable town centre focal point development
Priority: Facilitate ways to bring people together around projects, events, issues and ideas	Provides the organisation and resourcing to enable the businesses to come together to organise events, progress projects and identify issues and solutions
Priority: Support community identification of common interests, priorities and needs	Provides the organisation and resourcing to enable local identification of issues and solutions
Strong Economy: <i>He tupurangu kaha ihi wana</i>	
Priority: Good design of spaces	Provides the organisation and resourcing to enable community engagement in the town centre planning
Priority: Foster a strong business voice	Provides the organisation and resourcing to enable a strong local business voice
Urban and Rural Villages: <i>Nga kainga taone, tuawhenua</i>	
Priority: All are relevant	Organised local businesses with direct involvement in planning and implementation enables thriving, well connected and identifiable centres
Vibrant Arts and Culture: <i>Toi me nga Tikanga Taketake</i>	
Priority: More arts in infrastructure and built environment	Organised businesses facilitate and promote better acceptance of public art in their town centres as part of their business plan
Priority: More events and festivals	Organised businesses with their own funding

Community Outcome	The BID's contribution
	generate more activities like events and festivals in their town centres as part of their business plan
Working together: <i>Te mahi tahi</i>	
Priority	Provides increased opportunities for business people to communicate and engage with one another and achieve outcomes together

Waitakere's community outcomes are strongly aligned to achieving the City's strategic direction. The linkages with the key platforms are outlined as follows:

- **Urban and Rural Villages**

The Council alone is not responsible for the delivery of vibrant and thriving town centres. This programme involves working with all the town centre stakeholders to harness their contributions towards achieving strategic goals.

- **Integrated Transport and Communication**

It is important to engender support amongst town centre stakeholders for public transport. An understanding of the Council's sustainable transport policies, and how these might be achieved, will be embedded with the stakeholders and can flow on to their business practices.

- **Strong Innovative Economy**

Through support for strong business associations and active stakeholder participation in addressing local issues in partnership with Council, there will be the flow-on effects of a strengthened local economy and job creation.

- **Strong Communities**

There are several benefits from increasing the ability of stakeholders in town centres to work collaboratively amongst themselves on local issues such as safety and accessibility, and to work co-operatively with the Council on town centre projects.

- **Active Democracy**

By creating a mutually beneficial partnership the door is opened to enhance civic participation, improved communication, and stakeholder willingness to get involved.

- **Green Network**

"Greening" Waitakere's town centres is an objective of this project, to be implemented in business plans as the process evolves.

In addition to working across the above strategic platforms, the programme also facilitates the implementation of several of the Council's key strategies including:

- Town Centre strategy;
- Growth Management strategy;
- Transport strategy;
- Social infrastructure; and
- Economic Development strategy.

The programme is an integral part of the Council's support for business growth in Waitakere, and as such sits alongside other Council work, as well as Waitakere Enterprise's work on business enhancement and recruitment. It has been identified in the Long Term Council Community Plan 2006-2016.

## ISSUES

A BID is the identified area (town centre) in which Council and stakeholders work together to improve and enhance business retention and performance. An incorporated society, the BIDA was established to enable collective stakeholder participation and manage activities and projects within the BID.

In order to fund these programmes, it is intended that the BIDA proposes a targeted rate on the business sector properties. The Council would then set the rate, collect the funding for the BIDA via the targeted rate, grant it to the BIDA in quarterly payments throughout the rating year, and monitor the financial operation of the BIDA. Audited accounts would be provided to the Council at the end of each year.

*A142-A143* As an intending BIDA, the Te Atatu Peninsula Business Association (TAPBA) held their Annual General Meeting in September 2007, according to the requirements of the BID Policy (attached at pages A142 to A143). At that meeting it was unanimously agreed that:

- the TAPBA continues the process of becoming a BID;
- the TAPBA adopts the BID Model Rules;
- the TAPBA adopts the proposed town centre boundary (attached at page A144);
- and the TAPBA adopts the 2008/2009 Business Plan (attached at pages A145 to A146).

*A144*

*A145-A146*

*A147-A148* Following those agreements, a motion was passed unanimously by the TAPBA to request the Waitakere City Council Electoral Officer to conduct a BID Establishment Poll in the Te Atatu Peninsula Town Centre (minutes attached at pages A147 to A148).

Council conducted the establishment poll on 30 November 2007, with the TAPBA members in accordance with the provisions of the Local Electoral Act 2001.

The poll results were:

Total Votes Posted	118
Total Returned Votes	43

**Return %** **36.44%**

Total of "Yes" votes	31
Total of "No" votes	11
Informal votes	1

**Yes %** **72.09%**

Council's BID Policy requires that a minimum of 60% of the returned ballot papers are in favour of the BID, with no minimum return required from the total eligible voters returning valid votes.

As comparisons, here are the most recent Auckland City and Manukau City figures:

### Returns for the latest four Manukau town centres were:

Mangere East	39.1% return, 100% voted yes	BID established
Dawson Road	35.9% return, 92.86% voted yes	BID established
Manukau Central	21.3% return, 78.85% voted yes	BID established
Manurewa	30.2 % return, 87.14% voted yes	BID established

**Returns for the latest Auckland City town centres were:**

Pt Chevalier	48.6% return, 57.41% voted yes	BID failed
Royal Oak	38.10% return, 49.17% voted yes	Bid failed
Rosebank Road	42.5% return, 63.28% voted yes	BID established

**The first return for Waitakere City (30 November 2007) was:**

Te Atatu Peninsula 36.44% Return, 72.09% voted yes

As TAP is the first BID to be proposed in Waitakere, two things should be kept in mind. In Manukau there is a very high level of agreement despite low returns in the four towns listed above, which were established last year. Manukau established its first 7 BID's between 2003 and 2006 which generated high energy and support among those few who have heard about them. Hence, the high level of agreement, but the low return. Auckland on the other hand has had "Mainstreets" (BIDS by another name) for more than 15 years now. The data from Auckland demonstrates widespread awareness of the long established programmes across the city in the high level of return.

As a rule, BID's require an acceptance level of 60% or more. With 72.9% of the returned valid votes voting "yes" in Te Atatu Peninsula, Council has an indication that there is a high level of acceptance of the benefits inherent in the BID from those who are currently participating. Although the 36.44% return is only a little more than that achieved across the City in the recent local government elections, it is far higher than that achieved for Manukau Central, and close to that achieved in Royal Oak.

Since the polling took place, ongoing communications and feedback from key stakeholders in the TAP process has been consistently positive. Should Council accept the recommendations put forward in this report, a further round of consultation will occur through the Annual Plan process.

**Decision Making**

Under Section 77 of the Local Government Act 2002 (LGA 02) a local authority must seek to identify all reasonable and practical options to achieve the stated objective. The following options have been identified and considered:

- i. Do nothing. Under this option it is left to the market to determine what happens in our town centres. This is what has happened historically in Waitakere, with limited (if any) success. Council has already endorsed the Town Centres Strategic Partnership process which is designed as a relationship and community intervention to enhance town centres. The "do nothing" option is not therefore considered to be a practical option.
- ii. Leave it to the BIDA to collect its own revenue from amongst its own members. This was attempted in the early days of Mainstreets and BID's in NZ with varied success. The 80/20 rule (pareto's principle) usually applies, and approximately 20% of the stakeholders fund activities for the whole BIDA. Self-funding BIDA's do not generally achieve the same level of success and effectiveness as those which are fully funded either through a grants system or a targeted rate. This option is practicable, but is not the recommended option.
- iii. Fund the BIDA through the general rate. For example, in Manukau City, the policy is that no BIDA can operate effectively with less than \$50,000 pa funding, and if a town centre does not have a large enough business base to generate \$50,000, the Council provides a top-up from the general rate. An alternative is to make grants to the BIDA from funds sourced through the general rate. This can be done by

matching the contribution from BIDA members towards annual operating budget on a \$1 for \$1 subsidy basis, or to provide grants to fund specifically approved projects. Or, the entire BID budget could be funded from the general rate, on the basis that all communities need a well-functioning town centre as their meeting and trading place. However, because major benefits accrue to the individual businesses in the town centre where a BID has been established, the public good in this instance will not outweigh the private good. Including the funding in the general rate is a relatively cost effective way to collect the required funding but there are overhead costs involved in the consideration and approval of grants funding. Those costs are likely to be similar to the costs associated with the approval of the annual budgets of BIDA's funded through a targeted rate (see below). Funding this expenditure through general rates is not a recommended option.

- iv. Fund the approved annual budget requirements of the BIDA through a targeted rate. The Council may use a targeted rate to fund if those activities are identified in the Council's Revenue and Financing Policy as activities for which a targeted rate is to be set (s16 of the Local Government (Rating) Act 2002. If a targeted rate is to be used for this purpose it will be necessary to amend the Council's Revenue and Financing Policy to enable this to occur. Amendment to this policy will require the use of the special consultative procedure. The most convenient way to do that would be as part of the annual plan process. The costs of raising the targeted rate are in place within the budget. And the Council's rating section is confident that it can administer and collect the targeted rate(s) in town centres within existing complement and budget.
- v. The anticipated annual cost of the targeted rate at around \$10 per week is considered affordable for small retailers, with correspondingly larger amount to be paid by major property owners. Consultation undertaken to date has confirmed that view. (The annual cost of the targeted rate for a small retailer is approximately the cost of a single quarter page advertisement in a suburban newspaper). It has been clearly demonstrated that stakeholders who are enabled and properly resourced to address their own needs and issues, are empowered to respond directly. This BID structure follows the broad outline of other comparable BID structures both in New Zealand and overseas, set up to achieve the above outcomes. When a BID is established, the 80/20 rule (the pareto principle mentioned in (ii) above), does not hold true. More than 20% vote, stand for the committee of the Incorporated Society and offer full participation in the ongoing BID. This demonstrates that when a stakeholder makes a financial contribution, with that comes (mostly) a sense of participation, responsibility and commitment. Hence, all stakeholders are empowered (at least in principle) by the striking of a targeted rate. A targeted rate, set at an achievable financial level for businesses in the town centre is an appropriate response to the desire of those town centre business people to improve their performance, their working environment and their economic situation. It is therefore recommended that this expenditure be funded through a targeted rate.

A149-A151 Under s78 of LGA 02 the Council is required to have regard to the community's views and preferences. The approved BID establishment process requires close consultation with the BID community at all stages of the process and this has occurred in relation to the current proposal to date. Two samples of consultation material are attached at pages A149 to A151.

The proposed targeted rate affects only 118 rate payers and involves a sum of approximately \$70,000 per annum. There has been close consultation to date with those ratepayers who will be affected. The proposal is not therefore considered to be significant for the purposes of the Council's significance policy or for the purposes s76 LGA 02. It is also consistent with previous decisions of this Council in relation to the

establishment of BIDA's so that s80 LGA 02 (which requires the identification of inconsistent decisions) is not relevant.

In addition to the decision making requirements the Council is also required under s76(5) LGA 02 to give consideration to any other relevant provisions of LGA 02 in respect of the matter under consideration. The proposal to use a targeted rate gives rise to a consideration of financial management issues generally, some of which have already been discussed above, and to the requirements of s101(3) LGA 02 in particular. That section requires an analysis of the following matters in relation to each activity to be funded:

- a) The community outcomes to which the activity contributes. These have been set out at the beginning of this report. The proposed targeted rate is intended to promote and maintain a vibrant and thriving town centre, through a strong business association and active business stakeholder participation in local town centre and community matters. The expected outcomes are a strengthened local economy and job creation.
- b) The distribution of benefits to an identified part of the community. The primary benefit will accrue to the payers of the rate, through the joint action they take and activities they generate. Their business turnover will increase, and their property value will increase. Although positive community outcomes (improved business performance and a more desirable town centre environment) will arise from this, and will generate public benefit, in general the private good outweighs the public good.
- c) The period over which those benefits accrue. There are the immediate benefits of advocacy and leadership in the business community which provide a more cohesive voice, and therefore a community benefit, and there are the longer term benefits of improved business performance, and a safer cleaner environment (benefiting both businesses and local community), and overall economic growth which assists the entire city as well as the participants and their local community.
- d) The extent to which the actions or inaction of a group of individuals contribute to the need to undertake the activity. This has been discussed in the various Decision Making options, particularly in (v).
- e) The costs and benefits of funding the activity distinctly from other activities, including the consequences for transparency and accountability. The costs of raising and collecting the targeted rate have been covered in Decision Making (iv). The benefits have been discussed in Decision Making (v) and in (i), (ii) and (ii) of this section. The BID Policy requires the BIDA Executive Committee to write an annual business plan and budget which conforms to Council's requirements and is adopted by the BIDA members at an AGM. The Council subsequently approves this plan and budget prior to including the budget in the Draft Annual Plan 2008/2009 for consultation.
- f) The impact of the proposed targeted rate on the quadruple bottom line. The 4 well-beings will be promoted by this proposal, as discussed earlier in this report under Community and Strategic Context.

A145-A146

The proposed targeted rate has been set at \$70,000 as an achievable budget for both small and larger business stakeholders in the Te Atatu Peninsula town centre. With \$70,000 the BIDA can achieve a number of tangible and relevant actions which will benefit themselves and their community. (See the Business Plan attached at pages A145 to A146).

## RESOURCES

Budget has been provided for the implementation of the BID programme for the 2007/2008 and the 2008/2009 year.

## CONCLUSION

This report presents the result of the Te Atatu Peninsula BID establishment poll. As a consequence of this result, the Council may, at its discretion according to the BID Policy, consult formally on a targeted rate for the Te Atatu Peninsula BIDA.

## RECOMMENDATIONS

1. That the Town Centre Strategic Partnership Programme: Te Atatu Peninsula Business Improvement District Poll Result report be received.
2. That it be recommended to the Long Term Council Community Plan and Annual Plan Committee that a targeted rate be set as a rate in the dollar on the land value on the business sector properties situated in the Te Atatu Peninsula town centre that will yield \$70,000 in the 2008/2009 rating year, and that this be included in the draft Annual Plan 2008/2009 for consultation.
3. That it be recommended to Council that the Council's Revenue and Financing Policy be amended to permit the raising of a targeted rate to fund the budget requirements of Business Improvement Districts within the City and that a Statement of Proposal be prepared for Council's consideration.

Report prepared by: Robin Jenkin-Winter, Principal Advisor: Town Centre Liaison and Andrew Pollock, Director: Finance



## 15 WAITAKERE HISTORY PROJECT

### GLOSSARY

Going West Trust (GWT)

### PURPOSE OF THE REPORT

The purpose of this report is to bring before the Finance and Operational Performance Committee issues relating to the funding of the Waitakere History project and to request that a part of the budget, targeted for external funding, is underwritten by Council until funding can be found.

### BACKGROUND

The proposal to publish a comprehensive history of Waitakere City was initiated in 2005. The writing of this history has, in itself, a long history. Attempts have been made since 1972 to achieve such a publication and some significant writing and documentation has been done in this time but nothing has ever made it to print. The publishing in 2006 of a history of the Waitakere Ranges by the Waitakere Ranges Protection Society covers in depth part of the geography and history of the area but is not the comprehensive story of human settlement and endeavour proposed for this official publication.

The timeline approved for this project allows for it to be published in early 2009 as a part of the twenty year celebrations of Waitakere City.

In 2005, funding was targeted towards a review of the literature and sources to date and the creation of a project plan in collaboration with Random House Publishers. This resulted in an extensive register of existing documentation and potential sources of heritage material and a project plan and costings.

In August 2006, a detailed project plan was presented to the Culture, Arts and Events Special Committee. The report identified a potential partner in the project, the Going West Trust, which had been set up to support the literary arts in Waitakere in general and the Going West Books and Writers Festival in particular.

The resolutions from that meeting are as follows:

1. *That the Waitakere City History Project report be received.*
2. *That the Waitakere City History Project be endorsed and that the history project with other options and further detailed costings be brought back to the Culture, Arts and Events Special Committee.*

1518/2006

A revised project plan and information regarding other publishing options was brought back to the Culture, Arts and Events Special Committee in December 2006. Included in this revised plan was a budget which clearly identified the Licensing Trusts as a key potential funder. The report also recommended the setting up of a Project Advisory Group with Councillor representation.

The resolutions from that meeting are as follows:

1. *That the Waitakere City History Project report be received.*
2. *That the Culture, Arts and Events Special Committee appoints Councillor Lawley as its representative to the Project Advisory Group of the Waitakere City History project.*
3. *That the Culture, Arts and Events Special Committee endorses the Waitakere City History Project with an initial print run of 3,500 soft cover copies and 250 hardback copies as described in the revised project plan and further, endorses option A as outlined in the agenda report with costs to Council of \$96,250 over three years and the balance to be covered by funding organisations.*
4. *That the Culture, Arts and Events Special Committee endorses the option to approach the Going West Trust as a project and funding partner for the Waitakere City History project.*

2459/2006

During 2007, the agreement to partner with the Going West Trust was confirmed, a Memorandum of Understanding with Random House completed and signed, the project manager's contract extended, content plans developed and confirmed and a general editor and writers selected and contracted pending funding targets being achieved.

Funding applications were completed and submitted by the Going West Trust in the latter part of the year to the ASB Trust, Lotteries Heritage Fund and the Portage and Waitakere Licensing Trusts as per the project plan.

## STRATEGIC CONTEXT

The recording of a history of Waitakere City is appropriate under both the Arts and Cultural Strategy (2002) and the Heritage Strategy.

The publication of a Waitakere history will serve a profiling and promotional role for the City and enhance a sense of identity for residents.

## ISSUES

All applications to funding bodies made it transparently clear that this was a partnership project with Waitakere City Council and that Council would administer the contracts and overall development of the project through its contracted project manager. It was anticipated that the Going West Trust would gift grants to Council for the implementation of its objective to support the literary arts in Waitakere.

The ASB Trust has granted \$35,000 for the commissioning of a General Editor. The gifting of this grant from the Going West Trust to Waitakere City Council to implement the objectives of the Going West Trust is not in contention.

In December 2007 the Portage Licensing Trust granted \$29,500 to the Going West Trust for the purpose of contracting twenty four chapter writers. An identical application to the Waitakere Licensing Trust was declined but the Going West Trust was advised that the application should be resubmitted in early 2008. In February 2008, the application was declined as ineligible on the grounds that the Going West Trust was not the contracting party. This has resulted in the Portage Licensing Trust grant, approved in December 2007, now also being withheld.

The following attachments chart the course of this process:

*A152-A172*  
*A173-A179*

1. Application to the Portage Licensing Trust (attached at pages A152 to A172);
2. Letters confirming the granting of \$29,500 from the Portage Licensing Trust (attached at pages A173 to A179).

An email from the General Manager of The Trusts Charitable Foundation on 19 February 2008 confirmed that the decision to allow the original grant to proceed would not occur until the documentation was changed.

The implications of this for the project and for the Going West Trust are significant. The trust is made up of voluntary individuals all experts in their fields in the literary sector. The trust has complied with all the legal and structural requirements for a sound advisory and funding body but does not currently have the administrative capacity to manage complex contracting processes.

In order to meet the publishing date in 2009 the deadline for the delivery of finished text to the general editor is the end of April. It is imperative that writers are able to continue with research and writing at this time to meet those deadlines.

Advice has been sought from Council's Legal Services. Whilst it is possible that the withholding of the Portage Licensing Trust grant is contestable, this is not a recommended course of action.

It is requested that Council considers the underwriting of those contracts to the amount of \$60,000 while either a solution is found to the structural issues around Licensing Trust support or alternative funding from corporate sponsors and other funding bodies is sought.

## RESOURCES

The 2007/2008 Annual Plan allocation from the Council for this project is \$52,000. A further \$53,000 has been provided for in the 2008/2009 Draft Annual Plan to complete the project.

The funding of this project was, and is, reliant upon \$155,735 being sourced from external partners.

## CONCLUSION

The Waitakere City History project has been progressing as planned and to a timeline that will allow publication of the book for the twentieth anniversary of Waitakere City. Funds granted by the Portage Licensing Trust towards the project in December 2007 have now been withheld. The underwriting of the writers' fees by Council while a solution is found would allow work to continue to meet publishing deadlines.

## RECOMMENDATIONS

1. That the Waitakere City History Project report be received.
2. That Council underwrites the Waitakere City History Project for a sum of \$60,000 in order to meet editing deadlines for a 2009 publication.

Report prepared by: Naomi McLeay; Manager: Arts



## 16 HOANI WAITITI MARAE CARETAKER REQUEST

### GLOSSARY

Hoani Waititi Marae (the Marae)  
Hoani Waititi Marae Trust (the Trust)

### PURPOSE OF THE REPORT

The purpose of this report is for the Finance and Operational Performance Committee to consider a request for funding assistance, received from the Hoani Waititi Marae Trust (the Trust).

### BACKGROUND

*A180-A182*

Late last year, an approach was made to the Council by the Trust seeking financial assistance for caretaking and maintenance of the Hoani Waititi Marae (the Marae). A letter has now been received formally seeking such assistance, attached at pages A180 to A182.

### STRATEGIC CONTENT

The Marae is a community-based facility with strong and ongoing links to Council.

A decision to support this request for assistance with funding would be in line with Council's Strong Communities strategic platform. The desire to use the funding for a caretaker to clean up the stream and to institute a 'waste minimisation' plan are in line

with the Zero Waste and the Green Networks platforms. Furthermore, the desire to bring the Marae buildings and grounds up to safety standards accords with the Safe City strategic priority.

## ISSUES

The Trust wish to appoint a caretaker for the Marae. This role would focus on safety and maintenance as well as instituting a number of projects for the Marae, including stream restoration, waste minimisation and sustainable housing, and as such have written to the Council requesting Council's financial assistance with this work. The letter asks Council to consider a one-off \$60,000 grant for this purpose. The letter also notes that the Trust will submit to Council through the Annual Plan submissions process to request an annual grant for the same purpose.

In support of the request for a grant, the letter points out that the Marae is a community facility, widely used by external agencies including the Council for events, special occasions and meetings. Council concurs with the view that the facilities are accessible to the community, and as such it is important that the Marae buildings and grounds are maintained in a safe condition.

## RESOURCES

The annual process of identifying budget that will be unspent in 2007/2008 is currently underway. Should Council wish to support this request from the Trust, officers are confident that existing funding can be redirected through that process.

## CONCLUSION

The Marae has a history of collaboration with Council and is a widely used community resource. The Trust has approached Council with a request for funding assistance to be used for a caretaker for the Marae. If this request were granted, the funding would enable the Marae to give an improved level of focus on safety issues as well as issues of sustainability.

## RECOMMENDATIONS

1. That the Hoani Waititi Marae Caretaker Request report be received.
2. That consideration be given to supporting the Hoani Waititi Marae Trust request for \$60,000 for maintenance and caretaking of the Hoani Waititi Marae.
3. That the Finance and Operational Performance Committee note that a submission will be brought to the Long Term Council Community Plan and Annual Plan Committee to consider ongoing financial support for maintenance and caretaking of Hoani Waititi Marae.

Report prepared by: Sue Bidrose, Director: Strategic Performance.



17 **PROPOSAL FOR THE GUARANTEE OF WATERCARE SERVICES LIMITED'S DEBT**

**GLOSSARY**

Waitakere City Council	(WCC)
Watercare Services Limited	(Watercare)
Watercare Shareholder Representative Group	(SRG)
Officers Working Group	(OWG)
Local Government Act	(LGA)
Asset Management Plan	(AMP)
Funding Plan	(FP)
Local Network Operators	(LNOs)
Funds From Operations	(FFO)
Long Term Council Community Plan	(LTCCP)
Australia New Zealand Bank	(ANZ)

**PURPOSE OF THE REPORT**

The purpose of this report is to seek the Finance and Operational Performance Committee's final approval of the proposal by the Watercare Shareholder Representative Group (SRG) to provide a guarantee or, as a fall back option, a central borrowing service to Watercare Services Limited (Watercare).

**BACKGROUND**

Watercare is the bulk water and wastewater service provider for much of the Auckland region. It's main responsibilities are the collection, treatment and supply of drinking water, and the collection, treatment and disposal of bulk wastewater. Watercare is classified as a "Council organisation" and is governed by specific legislative provisions set out in the Local Government Acts 1974 and 2002.

Watercare's primary customers are six water and wastewater retailers, five of which (including EcoWater) are owned by or are part of the local Councils. United Water, which services the Papakura District is a franchised operation.

The six local Councils are Watercare's shareholders. The Councils have appointed a SRG which appoints the Board of Watercare, provides input to Watercare's Statement of Corporate Intent, and monitors the performance of the Board of Watercare against the Statement of Corporate Intent. Watercare negotiates the Statement of Corporate Intent with the SRG each year. The Statement of Corporate Intent is effectively the Board of Watercare charter for running Watercare on the shareholders' behalf. It lays out the activities to be undertaken by Watercare and sets specific environmental, social and economic objectives for Watercare for a three year period. It also sets performance targets that will be used to measure Watercare's performance.

Waitakere City Council has two representatives on the SRG, Councillors Clow and Clews. An Officers Working Group (OWG) with representatives from the shareholder Territorial Authorities supports the SRG. The Local Network Operators Group (Auckland Water Group), comprising the six retailers often provides advice to the OWG on matters of common interest.

On 6 December 2007, the SRG passed a resolution endorsing Auckland City Council to provide a guarantee or, as a fall back option, a central borrowing service to Watercare Services Limited subject to approval by the shareholding Councils, and development of satisfactory agreements with the Board of Watercare, and between shareholding Councils (including back to back guarantees). Under the back to back guarantee arrangement, the other shareholding Councils (including Waitakere) will guarantee Auckland City Council for their respective share of the Watercare guarantee, allocated based on shareholding percentages.

On the 11 February 2008, representatives of the OWG (supporting SRG) presented the business case supporting the Watercare Guarantee proposal to Council's Finance and Operational Performance Committee.

At the same meeting, Council officers presented a report seeking the Finance and Operational Performance Committee's approval of the guarantee proposal in principle.

The Finance and Operational Performance Committee resolved:

- 1. That the Proposal for Guarantee of Watercare Services Limited's Debt report be received.*
- 2. That the Finance and Operational Performance Committee approves in principle the proposal by the Watercare Shareholder Representative Group (SRG) for Auckland City Council to provide a guarantee or, as a fall back option, a central borrowing service to Watercare Services Limited.*
- 3. That the current review of Council's Liability Management and Investment Policy include an amendment to allow guarantees to Council Organisations.*
- 4. That a further report be brought back to the Finance and Operational Performance Committee, alternatively the Long Term Council Community Plan and Annual Plan Committee for a final decision on the Watercare Shareholder Representative Group (SRG) Watercare guarantee proposal, once updated price information has been received from Watercare Services Limited.*

100/2008

## **STRATEGIC CONTEXT**

The Council's strategic goal of sustainable management of the three waters (water supply, wastewater and stormwater) is integral to its relationship with Watercare, and to its role on the SRG.

The Council has two major roles in connection with Watercare, one as shareholder/owner, the other as customer. The extent to which this Council can add strategic input to the governance of Watercare through its ownership and governance role heavily influences the extent to which it can supply retail services to the City's ratepayers that meet the Council's own strategic goals, and at the most efficient price possible.

## **ISSUES**

Forecast expenditure for the 20-year planning period in Watercare's December 2006 asset management plan (AMP) has increased by \$1,064 million (30%) from the estimates presented in the previous AMP. The AMP outlines Watercare's capital expenditure, a key driver on borrowing and interest cost. Watercare's capital expenditure is considered in a separate review of its AMP being commissioned by the SRG.

Watercare's December 2006 draft FP outlined significantly higher price paths for water and wastewater. The increase was most notable in the 2008/2009 financial year, where the forecast percentage change in the unit price for water was 30% and the percentage change in revenue for wastewater was 43.5%. The FP outlines Watercare's financing decisions.

To smooth price increases while maintaining its Standard and Poor's "A" credit rating, Watercare proposed a hybrid-equity issue (method of financing) in its February 2007 final funding plan. Under this option, in 2008/2009 the forecast percentage change in the unit price for water is 18% and the percentage change in revenue for wastewater is 34%.

However, compared to the draft funding plan scenario, overall price increases over the ten-year period are higher.

At its 21 March 2007 meeting, the SRG requested the OWG to work with Watercare to examine financing options including the potential for a hybrid-equity issue. The analysis by the OWG identified the Guarantee option as the most preferred option because it's lower impact on water and wastewater price changes. Under the guarantee option, the forecast 2008/2009 percentage change in the unit price for water is 13% and the percentage change in revenue for wastewater is 17.5%.

The SRG seeks Waitakere City Council's final approval of its proposal for Auckland City Council to provide a guarantee or, as a fall back option, a central borrowing service to Watercare Services Limited subject to the development of satisfactory agreements with the Board of Watercare, and between shareholding Councils.

### **Options Considered by the SRG**

Given the size of the proposed price increases required to fund investment and maintain Watercare's credit rating, several alternatives to Watercare's present funding arrangements have been considered. These are:

- Shareholders guarantee of Watercare's debt;
- Central borrowing service;
- Hybrid equity;
- Status Quo;
- Watercare operating at a lower credit rating.

### **Guarantee**

Under this scenario, Auckland City Council would guarantee Watercare's debt under agreement with other shareholding Councils. Auckland City Council would be liable for the debt in the first instance with the other shareholding Councils providing a guarantee to Auckland City Council proportionate to their shareholding to cover the event of Watercare defaulting. The arrangement would be structured to ensure Auckland City Council does not increase its relative level of influence over Watercare's operations.

Watercare would remove the credit rating from considerations of revenue requirements and be charged a fee for the guarantee to recoup costs to the shareholders. It is anticipated that the guarantee fee that will be charged to Watercare will be offset by the lower marginal cost of debt accessed by Watercare by leveraging off Auckland City Council's higher credit characteristics.

Auckland City Council providing the guarantee to Watercare would be simpler and more attractive to investors, than the shareholding Councils collectively providing the guarantee. This is because debt providers would be exposed to the risk of one shareholding Council defaulting rather than six. Auckland City Council's relative level of risk would be higher under this option given that it would be exposed to the risk of the other shareholding Councils defaulting.

The potential of shareholders providing a guarantee was identified in Watercare's 2005 funding plan for further consideration. Precedence exists in the collective guarantee provided by Councils to the Auckland Regional Council for regional expenditure in the event of a group civil defence declaration.

Under the guarantee option, Waitakere City Council's share of the guarantee is calculated as a percentage of its shareholding in Watercare, which is 16.7%. The table below

provides an estimate of the value of the guarantee over the next ten years. The guarantee will be treated as a contingent liability, which will be disclosed as a note in Council's financial statements.

Estimate of WCC's Share of the Guarantee \$M	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	95.29	103.98	111.01	114.97	127.07	152.35	177.13	193.94	211.09	215.08

Watercare is required to maintain a Funds From Operations (FFO) ratio of 3.5 to maintain its "A" credit rating from Standard and Poor's. The FFO ratio is derived by dividing Watercare's total cash surplus by the interest cost, a measure of Watercare's ability to pay borrowing costs. The key reason for Watercare maintaining a credit rating is to enable easier access to funds in the event of a natural disaster, due to limited sources of funding including potential equity injection by shareholders.

Under the guarantee option, Watercare would remove the credit rating from considerations of revenue requirements. It enables it to lower its FFO ratio, resulting in lower water and wastewater wholesale charges.

To be feasible, the guarantee option would require:

- Preparedness by Auckland City Council to provide the guarantee;
- An appropriate supporting agreement with other shareholders;
- Agreement with the board of Watercare with appropriate assurances in place for shareholders and directors.

### Central Borrowing Service

Under this option, Auckland City Council would provide Watercare with a borrowing service under agreement with other shareholding Councils. Auckland City Council would be liable for the debt in the first instance with the other shareholding Councils providing a guarantee to Auckland City Council proportional to their shareholding to cover the event of Watercare defaulting. The arrangement would be structured to ensure Auckland City Council does not increase its relative level of influence over Watercare's operations.

Watercare would remove the credit rating from considerations of revenue requirements and be charged a fee for the service to recoup costs to the shareholders. For similar reasons to the guarantee option, it is anticipated that the guarantee fee that will be charged to Watercare will be offset by the lower marginal cost of debt accessed by Watercare by leveraging off Auckland City Council's higher credit characteristics. However, the fee would be higher than the guarantee option given the borrowing service would require more resources to implement and maintain.

Auckland City Council providing the borrowing service (rather than all the shareholding councils providing it collectively) would be more attractive to investors and Watercare for similar reasons to that outlined under the shareholder guarantee option. Furthermore, it is impractical for shareholders to provide this type of service collectively. Auckland City Council has relatively good credit characteristics and has the experience and organisational structures to provide this service efficiently.

The potential of shareholders providing a central borrowing service was discussed in the Marsden Jacobs Associates and ABN AMRO review of Watercare's funding plan and price paths reported in May 2005. While the report noted significant potential benefits from such a service, it concluded that it was impractical at the time partly due to the need

to negotiate with multiple shareholders. The arrangement proposed in this report attempts to address this.

To be feasible, the central borrowing service option would require:

- Preparedness by Auckland City Council to provide the guarantee or borrowing service;
- An appropriate supporting agreement with other shareholders;
- Agreement with the Board of Watercare with appropriate assurances in place for shareholders and directors.

### **Hybrid-equity**

This is a type of debt where fifty percent of interest repayments are treated as principal repayments by the rating agencies. Enabling Watercare to borrow more but at a higher cost. The hybrid equity method also enables the smoothing of price spikes observed in the draft funding plan of Watercare.

The scenario outlined by Watercare in its February 2007 final FP and is premised on the principles of no accounting losses, meeting a target FFO ratio of 3.5 (on a hybrid-equity basis) from 2008/2009 and equalising the gearing of water and wastewater such that they both achieve a FFO ratio of 3.5 by 2012/2013.

The proposal involves replacing \$200 million of existing debt with a hybrid-equity issue in December 2007 repaid five years later at a cost of 105 basis points more per annum than Watercare's current cost of core debt (i.e. an additional interest cost of \$2.1 million per annum over five years totalling \$10.5 million). This option has been approved by the Board of Watercare.

To delay the implementation of the Hybrid equity issue and provide the opportunity for shareholders to consider the guarantee option, the SRG agreed for Auckland City Council to lend Watercare \$200M from 1 December 2007 as a temporary measure. The temporary financial arrangement is in place and will expire in June 2008.

### **Status Quo (Base Case)**

This was the scenario outlined by Watercare in its December 2006 draft funding plan and is premised on the principles of no accounting losses, meeting a target FFO of 3.25 from 2008/2009.

This is not considered a viable alternative by Watercare given the unacceptable price increases particularly in 2008/2009 and is provided for comparison purposes only in this report.

### **Watercare Operates at a Lower Credit Rating**

A further possibility is that Watercare operates at a lower credit rating. This option has been rejected by Watercare as it would mean that it could not be assured of access to debt funding in the event of a disaster (uninsurable event). Watercare's Board have expressed strong opposition to this option in the past and to implement it would require extensive discussions with the Board and might therefore take considerable time to put into effect. For these reasons this option is not discussed further.

### Comparison of Options

The key criteria for assessing the options is the impact of the options in smoothing and lowering the increase of water and wastewater charges, benefiting Waitakere's ratepayers and water users.

The guarantee option and central borrowing option as the backup are the preferred options over the base case and hybrid-equity options because of:

- Lower increase in water and wastewater charges;
- They providing greater flexibility to smooth price paths and balance other considerations such as intergenerational equity and minimise tax (see attachments at pages A183 to A185 of this report);
- Enables Watercare to save on the marginal cost associated with the hybrid-equity issue (\$10.5 million);
- Lowering Watercare's cost of debt.

A183-A185

The guarantee is preferred as the first option over the central borrowing option because it is:

- Simpler and less expensive to implement and maintain;
- It will enable Watercare to adequately compensate shareholders administration costs;
- Enables Watercare to maintain control over its borrowing (a key requirement by Watercare);
- Potentially has less impact on the balance sheet of shareholding Councils;
- Will not impact significantly on shareholding Councils ability to raise debt.

Table 1 below provides a summary of advantages and disadvantages of each option to the shareholding Councils

Pros/ cons	Option 1: Base case	Option 2: Hybrid-equity	Option 3: Guarantee	Option 4: Central borrowing service
Advantage	Lower revenue required from LNOs and overall price increases than hybrid-equity	Smoothing price paths than base case with significant reductions in 2008/09 Supports maintenance of Watercare's A credit rating on senior debt	Lower Watercare's cost of debt, revenue requirements resulting in the lowest wholesale price of water and wastewater compared to other options. <b>(Refer to Appendix A of this report)</b> Uncouples the credit rating from revenue requirements and permits a lower FFO Greater flexibility to balance other considerations such as intergenerational equity and tax Saves hybrid-equity costs	Same as 3 but potential to lower cost of debt is less (see below)
Disadvantage	Unacceptable price spikes particularly in 2008/09 Some risk of credit rating downgrade resulting in reduced access to, and increased cost of, debt Strong negative public	Higher revenue required from LNOs and overall price increases than base case Costs 105 basis points more than core debt (\$10.5m) Strong negative	Requires negotiation of satisfactory agreements with multiple parties May result in slightly increased cost of debt to shareholders Requires long term commitment	Same as 3 but: <ul style="list-style-type: none"> <li>• debt would be reflected in the balance sheet of Auckland City Council</li> <li>• it would cost shareholders more to</li> </ul>

	reaction to price increases	public reaction to price increases	Some potential for negative public reaction if rationale not understood	implement, increasing the size of the fee relative to the guarantee <ul style="list-style-type: none"> <li>it would potentially reduce Auckland City Council's ability to raise its own debt</li> </ul>
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### Benefits and Costs to Waitakere City Council

In evaluating the final impact on Waitakere City Council, the cost savings of the guarantee option over the Hybrid equity option (last option approved by the Board) are evaluated as percentage of Waitakere City Council's forecast water revenue and total rates revenue as per the Long Term Council Community Plan (LTCCP).

Table 2 below summarises the benefits or cost savings to Waitakere City Council.

	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	Total
WCC savings on water cost pa (\$M)	.39	.71	1.17	2.03	2.47	3.05	3.62	4.17	2.98	2.28	22.87
WCC savings on waste water cost pa (\$M)	2.36	3.48	3.58	3.18	3.48	4.04	4.48	4.38	4.45	3.03	36.46
WCC Total cost savings pa (\$M)	2.75	4.19	4.75	5.21	5.95	7.09	8.10	8.55	7.43	5.31	59.33
Lower cost of water as % of WCC's water revenue pa (per LTCCP)	2%	3%	5%	8%	9%	11%	13%	14%	12%	9%	9%
Lower cost of waste water as % of WCC's total rates revenue pa (per LTCCP)	1.79%	2.42%	2.28%	1.86%	1.86%	1.98%	2.01%	1.81%	1.68%	1.05%	1.81%

### Impact on WCC's borrowing cost

The major drawback for Waitakere City Council of the guarantee is the potential for an increase in Waitakere City Council's cost of borrowing resulting from the contingent liability.

It is difficult to get a definitive response in terms of the impact of the guarantee on the cost of funds.

In discussions with the Australia New Zealand Bank (ANZ) and Westpac last year, Auckland City Council has been advised that its credit rating could fall as a result of providing a guarantee to Watercare, although any fall is not likely to be substantial. Advice is that there is likely to be a two basis point difference in the marginal cost of debt between a "AA" and "BB+" rated local authority (i.e. \$20,000 per annum on a debt of \$100 million).

Auckland City Council Officers believe a significant downgrade for shareholders is unlikely and note that even if the estimated marginal cost of debt between an “AA” and “BB+” rated local authority increased by as much as five times to 10 basis points, the additional cost on a \$100 million debt would be \$100,000 per annum. The benefits outlined above still compare favourably to this cost.

In calculating the additional cost of debt to Waitakere City Council, a ten basis point difference is used as a conservative number.

Table 3 below summarises the potential cost of the guarantee on Waitakere City Council.

The net cost of the guarantee to WCC is derived by deducting the additional cost of debt from the sum of the guarantee fee that will be charged by the shareholding Councils on Watercare.

	2008/ 2009 (\$M)	2009/ 2010 (\$M)	2010/ 2011 (\$M)	2011/ 2012 (\$M)	2012/ 2013 (\$M)	2013/ 2014 (\$M)	2014/ 2015 (\$M)	2015/ 2016 (\$M)	Total
Increase in WCC borrowing costs	0.13	0.10	0.11	0.08	0.05	0.03	0.04	0.01	0.55
WCC share of guarantee fee income from Watercare	0.08	0.08	0.09	0.09	0.10	0.12	0.14	0.16	0.86
Net of increase in borrowing costs and guarantee fee	0.05	0.02	0.02	-0.01	-0.05	-0.09	-0.10	-0.15	-0.31

Watercare advises that margins on debt will change over time and current margins are near a low point in the cycle. It believes, based on historical evidence, credit margins could increase to two to three times above their current levels. This might therefore add to the costs to councils but would also magnify the cost of alternative options as spreads for corporates would increase as well.

Regardless, increases in credit margins would apply at least equally to corporate entities such as Watercare. Consequently, Auckland City Council estimated a 11 to 15 basis point lower cost of debt than Watercare (which the company could leverage under the guarantee or central borrowing options) should at worst remain the same if not widen.

### Risks and Mitigation

The risk of Watercare defaulting on it's debt repayments in case of business as usual is low. This is because of a number of business environmental factors and governance processes that already exist. These include:

- Watercare being a natural monopoly, providing essential services in an environment with stable market demand;
- Watercare having control over forward price setting resulting in low revenue risk;
- Watercare's main customers being shareholding Councils, resulting in low counter party risk;
- Watercare has a strong risk management framework involving the Board; and

- Watercare being subject to governance processes prescribed by legislation, which includes:
  - the consideration of its AMP and FP by the SRG;
  - the requirement for shareholders approval of the statement of corporate intent;
  - Quarterly and annual reporting to the shareholders;
  - Shareholder sign-off on major capital expenditure projects;
  - Shareholder right to appoint, review and remove directors;
  - Shareholder right to question management on the running of the business;
  - Financial covenants can be included in future guarantee documents.

Presently the key risk to Watercare defaulting relates to a disaster occurring and Watercare not being able to raise additional capital to continue its operations. This point links to Watercare's current position of maintaining an "A" grade credit rating to ensure it has suitable access to debt in such an event. With the guarantee in place, Watercare's access to funds would be enhanced as it would be able to borrow the funds required based on the guarantee.

The extent to which the provision of the guarantee exposes the local authorities to any greater risk than they currently have in regards to Watercare defaulting is debateable. Given the local authorities own Watercare and are legislatively responsible for the provision of water and wastewater services it is most likely that they would assist Watercare in such a situation, albeit not directly legally obliged to do so.

If Watercare's assets were affected by a natural disaster under the present arrangements, ratepayers or water consumers would still bear the cost of recovery of water services directly or indirectly over time through price adjustments passed on by Watercare. This will affect council via rate increases or increase in water charges.

### **Risk of Change in Ownership or Structure of Watercare**

There is a possibility of future change in ownership or structure of Watercare as a result of the Royal Commission findings. This risk has been considered as part of risk assessment and can be mitigated via clauses within the guarantee documents, such as the termination or transfer of the guarantee should the ownership of Watercare change.

### **Other Local Government Act 2002 Requirements**

#### **Liability Management and Investment Policy**

The Waitakere City Council Liability Management and Investment Policy will need to be amended to permit the Council to provide the proposed guarantee. The special consultative procedure must be followed to make that change. This procedure can be undertaken as part of the 2008/09 annual plan process.

#### **Significance Policy**

The Watercare guarantee is a significant decision under the Council's Significance Policy because of its potential value and level of public interest. Council must therefore consult on this proposal using the special consultative procedure. As noted above, this can be undertaken as part of the 2008/09 annual plan process.

## **Review of Guarantee Documents**

The various parties involved in the Watercare guarantee arrangement are carrying out preliminary discussions on terms and conditions to be included in the guarantee documents. The Shareholding Councils (other than Auckland) have retained a common solicitor to advise on issues relating to the guarantee and the draft guarantee documentation. The advice provided, and the guarantee documentation will also be peer reviewed by the Legal Services Manager.

## **RESOURCES**

There will be initial costs in carrying out a review of the guarantee documents, which will be budgeted for in 2008/2009 Annual Plan. The ongoing guarantee administration costs will be offset by future guarantee fees charged to Watercare.

## **CONCLUSION**

Watercare has proposed the use of the hybrid equity method of financing in its 2007 final FP, which would result in a significant increase of wholesale water and wastewater prices, affecting shareholding Councils.

The SRG considered Watercare's FP, and passed a resolution approving Auckland City Council providing a guarantee (as a fall back option, a central borrowing service) to Watercare subject to approval by the shareholding Councils, and development of satisfactory agreements with the Board of Watercare, and between shareholding Councils.

Auckland City Council has provided a loan of \$200M to Watercare from 1 December 2007 as a temporary measure while the SRG seeks approval of the guarantee from Shareholding Councils and Watercare.

The updated financial information received from Watercare confirms significant cost savings to Waitakere City Council under the guarantee option.

The various financing options have been discussed in this report including their advantages and disadvantages. Overall the guarantee option and the central borrowing option (as the back up option) are the preferred options because of they produce the lowest increase in the wholesale price of water and wastewater for WCC.

The risks relating to the guarantee option have been considered. The guarantee will make explicit Council's obligation as a shareholder of Watercare, including the legislative requirement for Council to provide water services.

## **RECOMMENDATIONS**

1. That the Proposal for the Guarantee of Watercare Services Limited's Debt report be received.
2. That the Finance and Operational Performance Committee provide final approval of the proposal by the Watercare Shareholder Representative Group (SRG) for Auckland City Council to guarantee the debt of Watercare Services Limited and that Waitakere City Council indemnifies Auckland City Council for its share of the Watercare Services Limited guarantee, subject to acceptance of the proposal by shareholding Councils.
3. That the Chief Executive Officer be delegated authority to sign the relevant documentation to give effect to the above.

4. That a further report is brought to the Finance and Operational Performance Committee once the arrangement has been entered into.

Report prepared by: Kingsha Changwai, Manager: Quality Assurance



## **PART E - REPORTS FROM THE SUBCOMMITTEES**

### **18 TENDERS SUBCOMMITTEE**

#### **1 CONTRACT NO. PK07030A – PIHA DOMAIN FOOTBRIDGE CONSTRUCTION**

**The Subcommittee Recommends (subject to the outcome of its meeting scheduled on Friday, 7 March 2008):**

That funding of \$162,522.00 from the Waitakere River Protection Measure Budget be allocated to Contract No. PK07030A – Piha Domain Footbridge Construction to fund the budget shortfall.

#### **2 OTHER MATTERS CONSIDERED**

*A186-A191*

The Subcommittee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meetings held on Friday, 8 February 2008 and Friday, 22 February 2008 are attached at pages A186 to A191.

**The Subcommittee Recommends:**

That the Meeting reports of the Tenders Subcommittee held on Friday, 8 February 2008 and Friday, 22 February 2008 be received.

RI Clow  
**CHAIRMAN**



## **PART F - PUBLIC EXCLUDED MATTER**

### **19 PROPOSED ACQUISITION OF LAND FOR ROADING PURPOSES – 22 AND 26 EDMONTON ROAD, HENDERSON**

This item will be considered in the Confidential Supplement of the agenda, and has been circulated to members separately with this agenda.

#### **PROCEDURAL MOTION TO EXCLUDE THE PUBLIC**

That the public be excluded from the following part of the proceedings of this meeting, namely, Proposed Acquisition of Land for Roading Purposes – 22 and 26 Edmonton Road, Henderson.

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution in relation of the matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of the matter to be considered.	Reason for passing this resolution in relation to the matter.	Ground under Section 48(1)(a) for the passing of this resolution.
<ul style="list-style-type: none"> <li>Proposed Acquisition of Land for Roading Purposes – 22 and 26 Edmonton Road, Henderson</li> </ul>	The withholding of information is necessary in order to: <ul style="list-style-type: none"> <li>enable any local authority holding the information to carry on without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</li> </ul>	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 7(2) (i) of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public as follows:

- The report contains information which if released could affect the Council's negotiations.*

