

AGENDA

Downlands Water Supply Committee Meeting

Monday, 15 June 2020

Date Monday, 15 June 2020

Time 12.30pm

Location Meeting Room 1
District Council Building
King George Place
Timaru
1344373

Downlands Water Supply Committee

Notice is hereby given that a meeting of the Downlands Water Supply Committee will be held in the Meeting Room 1, District Council Building, King George Place, Timaru, on Monday 15 June 2020, at 12.30pm.

Downlands Water Supply Committee Members

Clrs Richard Lyon, John McDonald, Sally Parker, Nigel Bowen, Paddy O'Reilly, Sandy McAlwee, Stuart Barwood and Bill Wright

Quorum – each elected member of the Councils and two (2) other appointed members

Local Authorities (Members' Interests) Act 1968

Committee members are reminded that if you have a pecuniary interest in any item on the agenda, then they must declare this interest and refrain from discussing or voting on this item and are advised to withdraw from the meeting table.

Ashley Harper

Senior Project Delivery Manager

Order Of Business

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- 1 Apologies**
- 2 Identification of Items of Urgent Business**
- 3 Identification of Matters of a Minor Nature**
- 4 Declaration of Conflicts of Interest**
- 5 Chairperson's Report**

6 Confirmation of Minutes

6.1 Minutes of the Downlands Water Supply Committee Meeting held on 2 December 2019

Author: Kate Walkinshaw, Executive Assistant, Infrastructure

Recommendation

That the Minutes of the Downlands Water Supply Committee Meeting held on 2 December 2019 be confirmed as a true and correct record of that meeting.

Attachments

- 1. Minutes of the Downlands Water Supply Committee Meeting held on 2 December 2019**

MINUTES

Downlands Joint Standing Committee Meeting

Monday, 2 December 2019

**Minutes of Timaru District Council
Downlands Joint Standing Committee Meeting
Held in the Meeting Room 1, District Council Building, King George Place, Timaru
on Monday, 2 December 2019 at 9am**

Present: Cr Richard Lyon, Mr John McDonald, Cr Sally Parker, Mayor Nigel Bowen, Cr Paddy O'Reilly, Cr Sandy McAlwee, Cr Stuart Barwood, Cr Bill Wright

In Attendance: Drainage and Water Manager (Grant Hall), Group Manager Infrastructure (Ashley Harper), Downlands Secretary (Kate Walkinshaw)

1 Apologies

Nil

2 Identification of Items of Urgent Business

The committee agreed to discuss the questions that have arisen out of the audit as a matter of urgent business.

3 Identification of Matters of a Minor Nature

The committee agreed to discuss a progress report on the Downlands Scheme, submission to Environment Canterbury's Plan Change 7 and the new government water regulations as matters of a minor nature.

4 Declaration of Conflicts of Interest

There were no conflicts of interest.

5 Reports

5.1 Election of Chairperson

The Group Manager Infrastructure opened the meeting and called for nominations for the Chairperson of the Downlands Joint Standing Committee. Mr John McDonald nominated Cr Richard Lyon as Chairperson, seconded Cr Sally Parker.

Mayor Nigel Bowen nominated Cr Sally Parker as Deputy Chairperson and seconded by John McDonald.

Committee Resolution 2019/1

Moved: Mr John McDonald

Seconded: Cr Sally Parker

That Cr Richard Lyon be elected as the Chairperson of the Downlands Joint Standing Committee.

Carried

Committee Resolution 2019/2

Moved: Mayor Nigel Bowen

Seconded: Mr John McDonald

That Cr Sally Parker be elected as the Deputy Chairperson of the Downlands Joint Standing Committee.

Carried

5.2 Proposed Meeting Dates 2020

This is the last meeting for 2019. The 2020 Downlands Joint Standing Committee meetings are proposed for –

- 17 February, including a tour of the scheme
- 15 June
- 30 November

It was agreed that Monday was still the preferable day to have meetings. It was agreed that the meetings would begin in the afternoon starting with lunch at 12:30pm.

The Tour of the scheme was confirmed to start at 9:00am on 17 February 2020 and to endeavour to do the full tour in one day.

Committee Resolution 2019/3

Moved: Cr Sally Parker

Seconded: Cr Stuart Barwood

That the proposed Downlands Joint Standing Committee meeting dates be approved.

Carried

6 Consideration of Urgent Business Items

Auditors approached the Group Manager Infrastructure in regards to the Downlands account which are run separately to Timaru District Council accounts. Auditors raised the question 'do TDC own 82% of the whole scheme or 100% of the 82% that is within the Timaru District Council boundary?'. The committee discussed the matter and resolved that it is a Council constitutional issue and each Council will need to address and answer the audit questions.

The committee discussed the matter and resolved that it is a Council constitutional issue and each Council will need to address and answer the audit questions.

The Downlands Joint Standing Committee acknowledge that they have been informed of the questions raised from the auditors and recommend that Council address the questions arising from the audit.

Committee Resolution 2019/4

Moved: Cr Stuart Barwood

Seconded: Cr Sally Parker

That the Downlands Joint Standing Committee acknowledge that they have been informed of the questions raised from the auditors and recommend that the individual Councils address the questions arising from the audit.

Carried

7 Consideration of Minor Nature Matters**Scheme update report**

The Committee was provided with an update of the Downlands scheme report.

Te Ana Wai Pipeline upgrade (Davison Road to Cave)

Methodology for Contract 2338 – Te Ana Wai Pipeline upgrade (Davison Road to Cave) is discussed. The pipe runs at 25 bar, the highest pressure in the district. The contract works plan to install the trunk main in 5 sections with works beginning in February 2020. The technology is a first for New Zealand and a site visit will be held when works are underway so the committee can see how it works.

Raw Water Storage Ponds

The land purchase has been confirmed for the raw water storage ponds. Construction documents are currently being drafted and will go up for Tender before Christmas.

The raw water ponds will allow water to be turned off if the quality levels drop and will hold 10 days storage. There will also be a treated reservoir on site which has not been sized yet.

Intake

The design of the intake is well advanced. The raw water storage ponds will be completed first so they can be filled and potentially used while upgrading the intake in case of a decline in water quality.

Treatment plant

The consultants design was peer reviewed as requested and the recommendation was to proceed with the design which is to use raw water storage as a buffer which then allows Timaru District Council to just UV and chlorinate for 80 – 90% of the time. At other times the membrane filtration plant would be used. A report on the procurement process/strategy will be going to Tenders and Procurement committee on 10 December 2019.

Plan Change 7

It was noted that the previous Downlands Joint Standing Committee made submissions on Environment Canterbury Plan Change 7 to the Canterbury Land and Water Regional Plan through Timaru District Council as opposed to separate submission from Downlands.

Government proposal on water

The Government is proposing to have a single focused drinking water regulator based in Wellington overseeing 150 staff including 70 Drinking Water Assessors. It would be a single purpose entity.

The Government has also said after that it will review the style of the provision of water – whether council should still control or if a more regional approach would be beneficial.

The newly formed Aoraki Waters Collaboration have met and will have further consultation around the water issues.

Management Support

The Group Manager Infrastructure - Ashley Harper, explained his role and history within the Council and as adviser to the committee and his transition into a new role with Council in 2020. The Chair acknowledged and thanked Ashley for his contribution to the committee over the last 30 years.

The Meeting closed at 10:31am.

.....
Chairperson

7 Reports

7.1 Water Infrastructure Asset Revaluation

Author: David Codyre, Chief Financial Officer

Authoriser: Erik Barnes, Acting Group Manager Infrastructure

Recommendation

That the Committee

1. Note and receive the report, and
2. Adopt the fair value method of measuring assets for water infrastructure assets from 1 July 2019

Purpose of Report

- 1 The purpose of the report is for the Committee to consider the revaluation of its Water infrastructure assets at fair value from 1 July 2019.

Assessment of Significance

- 2 The assessment of significance is low.

Background

- 3 The Downlands Water Supply Committee currently measure the value of their water infrastructure assets at Deemed Cost. The Assets were valued in 2005 using optimised depreciated cost, and subsequently depreciated. Asset additions since 2005 have been added at cost and depreciated accordingly.
- 4 Using the Deemed Cost method of measurement results in significant variance in the fair value of the asset and the cost the asset is carried in Downlands financial statements.
- 5 Downlands produces a management set of financial statements for the three participating Councils in the scheme. These are used to support the preparation of the individual Councils compilation of their respective financial statements. The Downlands financial statements do not comply with Generally Accepted Account Principles, (GAAP), as no notes to the accounts are produced.
- 6 The three participating Councils in the scheme measure their water infrastructure assets with Timaru moving from deemed cost from 1 July 2019. Council considered Asset Management advice from Waugh's Asset Management Ltd and Accounting advice from EY in their decision to change from using the deemed cost method. Downlands assets are managed in the IPS system administered by Timaru District Council that also holds the Council's water infrastructure assets.

Discussion

- 7 Revaluing water infrastructure assets using fair value measurement provides more relevant information to the users of the financial statements and is more aligned to how water infrastructure is revalued throughout the local government sector. In using the fair value

method, Council has used standard unit rates that have been assessed by WSP Limited and the revaluation peer reviewed by Brian Smith Advisory.

- 8 At 30 June 2019, Downlands had water infrastructure assets excluding land of \$12,803,614. Draft figures provided as part of the revaluating the assets at 1 July 2019 provisionally indicate an increase in value to \$28,937,229. As at 30 June 2019 Downlands had accumulated depreciation of \$6,277,529. This results in a draft asset revaluation increase of \$22,411,144, (\$28,937,229-\$12,803,614+\$6,277,529) on 1 July 2019. This appears in the Statement of Comprehensive Income under the Net Operating Surplus for the year and is retained as part of the revaluation reserve held in equity.
- 9 Subsequent decisions around the frequency of and timing of revaluation in future years are still required to be made. These will brought before the Committee after liaising with the three member Councils.
- 10 Adopting the fair value revaluation measurement for water infrastructure assets will bring Downlands in line with how Timaru, Mackenzie and Waimate District Council measure their water infrastructure assets.

Options and Preferred Option

- 11 The Downlands Committee adopt the fair value method of measurement for its Water infrastructure assets excluding land as it provides more relevant information to the users of the financial statements and is more aligned to how water infrastructure is revalued throughout the Council sector. (Preferred option)
- 12 The Downlands Committee continue to use the deemed cost method of measuring water infrastructure assets.

Financial and Funding Implications

- 13 With the revaluation of water infrastructure, depreciation is calculated on the revaluated value of the assets. Draft figures indicate the depreciation excluding additions and disposals for 2020 will be \$813,130. The 2019/20 included depreciation costs of \$511,300 and depreciation funding of \$846,282. This indicates a slight shortfall in funding but the forecast funding for 2019/20 is \$468,046 based on the changing Capex programme.

Attachments

Nil

7.2 Draft Budget 20/21

Author: Grant Hall, Drainage & Water Manager

Authoriser: Erik Barnes, Acting Group Manager Infrastructure

Recommendation

That the 2020/2021 Draft Budget be considered.

Purpose of Report

- 1 Draft Budget 2020/2021.

Attachments

1. Draft Downlands Budget 2020/2021  

**Downlands Water Supply
2020-2021 Draft Budget
Funding Requirement**

	2019-2020 Budget	2019-20 Rereforecast	2020-2021 Budget	2020-2021 LTP	Variance to LTP \$	%	Notes
Operating Income							
21000.110.102 User Charges	0	4,500	0	0	0		
21000.120.190 Interest Received Banks and Other	0	31,310	36,000	0	36,000		
21000.120.191 Interest Received Special Funds	94,900	106,549	100,000	61,000	39,000		
21000.121.242 SC Electricity Trust Dividend	1,200	1,420	1,200	1,200	0		
21000.130.220 Other Sundry Income	1,000	2,500	1,000	1,000	0		
21000.140.173 Capital Contributions - New Source	0	0	0	100,000	-100,000		
21000.140.824 Capital Contributions	0	11,000	0	0	0		
21000.199.999 Inflation Adjustment	0	0	0	4,500	-4,500		
	97,100	157,279	138,200	167,700	-29,500	-18%	
Operating Expenditure							
23000.380.613 Bank Fees and Charges	500	0	500	500	0		
23000.410.636 Other Insurance	7,500	500	15,000	6,500	8,500		
23000.415.520 Electricity Charges	68,800	13,000	94,800	68,800	26,000		
23000.415.660 Rates	12,500	74,800	12,500	12,500	0		
23000.450.506 Materials Purchased	0	12,500	0	0	0		
23000.450.692 Rate Refunds	0	0	0	0	0		
23000.450.971 Efficiency Savings	-9,882	0	0	0	0		
23000.470.702 Interest Expenses	326,700	0	0	915,100	-915,100		
23000.575.401 Reticulation - General Maintenance and Operation	310,500	315,500	315,500	310,500	5,000		
23000.575.405 Reticulation - Other Consultants	0	0	0	0	0		
23000.575.410 Reticulation - Other External Services	0	0	0	0	0		
23000.575.423 Reticulation - Sampling and Testing	19,000	0	35,000	30,000	5,000		
23000.575.492 Reticulation - Internal Labour Charge	17,000	16,000	16,000	17,000	-1,000		
23000.575.506 Reticulation - Materials Purchased	0	16,000	0	0	0		
23000.575.667 Reticulation - Telemetry	10,000	0	5,000	10,000	-5,000		
23000.585.518 Scheme Wide - Water Purchase	39,200	5,000	39,600	34,200	5,400		
23000.590.401 Treatment and Pump Station Maintenance and Operation	31,500	39,436	52,000	34,000	18,000		
23000.590.423 Treatment and Pump Station Maintenance - Sampling and Testing	0	46,000	0	0	0		
23000.590.492 Scheme Wide - Internal Labour	32,000	0	32,000	32,000	0		
23000.590.506 Treatment and Pump Station Maintenance - Materials Purchased	0	32,000	0	0	0		
23000.591.401 Pumps - General Maintenance and Operations	41,200	0	29,600	32,000	-2,400		
23000.591.506 Fixed Plant & Equipment Maintenance - Materials Purchased	0	26,600	0	0	0		
23000.595.401 Treatment - Chemicals - Chlorine	23,000	0	26,400	25,500	900		
23000.595.506 Fixed Plant & Equipment Maintenance - Contractors	0	25,400	0	0	0		
23000.595.506 Chemicals / Materials Purchased	0	0	0	0	0		
23000.670.490 Overheads Allocated	78,900	74,391	70,000	70,000	0		
23000.670.491 Overheads Allocated - Engineering Design and Supervision	52,500	42,145	42,400	42,400	0		
23000.680.740 Depreciation	511,300	468,046	458,055	776,800	-318,745		
23000.699.999 Inflation Adjustment	0	0	0	27,300	-27,300		
	1,572,218	1,207,318	1,244,355	2,445,100	-1,200,745	-49%	
Capital Income							
27001.940.940 Loans Raised - Development Loan	12,753,000	0	19,560,500	5,013,500	5,013,500		
	12,753,000	0	19,560,500	5,013,500	5,013,500		
Capital Expenditure							
27000.780.401 Mains, tanks, intake renewals, leak detection, jets	11,130,000	487,000	11,235,000	313,300	10,921,700		
27000.780.401 Maintenance Generated Renewals	40,000	150,000	40,000	41,800	-1,800		
27000.780.401 Reservoir Cover and Pipework	0	0	400,000	0	400,000		
27000.780.401 Opihi River Crossing Pipeline	0	0	200,000	0	200,000		
27000.780.506 Water Reticulation Capital Works - Materials Purchased	0	0	0	0	0		
27000.791.401 Pumps	3,000	20,000	30,000	31,300	-1,300		
27000.791.401 Telemetry	10,000	0	10,000	10,400	-400		
27000.791.401 Instrumentation (including Chlorination)	10,000	10,000	10,000	10,400	-400		
27000.791.401 Network Analysis and Metering	0	15,000	0	0	0		
27000.791.401 Te Ana Wai Infiltration Gallery and Low Lift Pumps	838,000	95,000	743,000	0	743,000		
27000.791.401 Te Ana Wai Water Treatment Plant Upgrade	5,000,000	310,000	10,990,000	5,013,500	5,976,500		
27000.791.401 Te Ana Wai Raw Water Storage	1,100,000	155,000	1,460,000	0	1,460,000		
27000.791.401 Springbrook Treatment Upgrade	250,000	100,000	150,000	0	150,000		
27000.945.945 Loan Repayments	72,100	0	0	541,300	-541,300		
	18,453,100	1,342,000	25,268,000	5,962,000	19,306,000		
Reserve Transfers							
23500.9600.9652 Transfer to Asset Replacement Reserve	846,282	468,046	1,551,900	738,400	813,500		
23500.9600.9653 Transfer to Downlands Capital Contribution Reserve	0	11,000	0	0	0		
23500.9600.9699 Transfer to Reserve - Special Funds Interest	94,900	0	100,000	61,000	39,000		
23505.9601.9652 Transfer from Asset Replacement Reserve	-5,700,100	-1,342,000	-5,707,500	-929,700	-4,777,800		
23505.9601.9653 Transfer from Downlands Capital Contribution Reserve	0	843,961	0	-18,800	18,800		
	-4,758,918	-18,993	-4,055,600	-149,100	852,500		

Funding Requirement						
Operating Income	-97,100	-157,279	-138,200	-167,700	-92,958	
Operating Expenditure	1,572,218	1,207,318	1,244,355	2,445,100	1,950,559	
Reserve Movements	-4,758,918	-18,993	-4,055,600	-149,100	-260,819	
Funded Depreciation	-511,300	-468,046	-458,055	-776,800	-561,890	
Capital Income	-12,753,000	0	-19,560,500	-5,013,500	-5,013,500	
Capital Expenditure	18,453,100	1,342,000	25,268,000	5,962,000	5,381,726	
	<u>1,905,000</u>	<u>1,905,000</u>	<u>2,300,000</u>	<u>2,300,000</u>	<u>1,403,118</u>	61%
21000.100.042	Rates and Charges - Urban Water Annual Charge	1,905,000	1,905,000	2,300,000	2,300,000	
Check		0	0	0	0	
Rates Calculation						
				2,645,000	GST inclusive	
3.5 Domestic				903	769.00	
1 Unit				5,565	220.00	
6 School				6	1,317.00	
2.5 Service				5,580	549.00	
				<u>12,054</u>		
				219.43	per unit	

7.3 Verbal Report on Te Ana Wai Water Supply Upgrade

Author: Ange Lumsden, Executive Assistant

Authoriser: Erik Barnes, Acting Group Manager Infrastructure

Recommendation

That the update be received.

Purpose of Report

- 1 A verbal report on Te Ana Wai Water Supply Upgrade.

Attachments

Nil

- 8 Consideration of Urgent Business Items**
- 9 Consideration of Minor Nature Matters**