

## Notice of Meeting:

I hereby give notice that an ordinary Meeting of Hamilton City Council will be held on:

**Date:** Monday 23 May 2016  
**Time:** 9:30am  
**Meeting Room:** Committee Room 1  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

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## Business and Investment Subcommittee OPEN LATE AGENDA

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### Membership

Chairperson Her Worship the Mayor J Hardaker  
Members Cr M Forsyth  
Cr A King  
Cr A O'Leary  
Cr R Pascoe

**Quorum:** Three members

**Meeting Frequency:** Quarterly – or as required

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Becca Brooke  
Committee Advisor

19 May 2016

Telephone: 07 838 6768  
Becca.Brooke@hcc.govt.nz  
www.hamilton.govt.nz

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**Committee:** Business and Investment  
Subcommittee

**Date:** 23 May 2016

**Report Name:** Municipal Endowment Fund  
Investment Policy

**Author:** Kelvyn Eglinton

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Hamilton Plan Economic Development Agenda</i>
<b>Financial status</b>	<i>There is budget allocated Amount \$60,000</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is considered not to have a high degree of significance</i>

## 1. Purpose of the Report

2. To approve the review of the Municipal Endowment Fund Investment Policy.

## 3. Executive Summary

4. Various workshops have been held with elected members to discuss options for how the management of the Municipal Endowment Fund might be best structured such that it is utilised to support municipal purposes across the city. From these workshops there is sufficient support to re-evaluation of the current policy to achieve this.

## Recommendations from Management

That:

- a) the report be received; and
- b) staff report back to the Business and Investment Subcommittee with:
  - A recommended option for administration and management of the Municipal Endowment Fund that includes a Hamilton Properties Limited model, or similar, to administer the fund to better support municipal purposes across the city; and
  - A revised Municipal Endowment Fund Investment Policy that supports the staff recommendation.

**5. Attachments**

6. Attachment 1 - Municipal Endowment Fund Investment Policy

7. Background

8. The Strategy and Policy Committee delegated review of the Municipal Endowment Fund Investment Policy to the Business and Investment Subcommittee. This policy sets out the criteria for the investment and management of the Municipal Endowment Fund (MEF). The policy was first established in 1998 and has remained unchanged since then. The last review was in April 2009.

9. Endowment properties were originally given to a number of councils by the government in the 1870s. Management of the endowment assets is to be undertaken in accordance with the Local Government Act 2002 and they are to be used for municipal purposes.

10. The fund is administered by Council staff within the property unit and consists of property and cash with a total value of approximately \$42mil. Between 1989 and 1998 the MEF was administered by Hamilton Properties Limited (HPL) a 100% council owned CCO. During that time HPL undertook commercial and community developments and investments including the Tainui Novotel, BNZ building and several library developments.

11. PWC have been engaged to review the management and investment approach of the MEF and provide options for Council to consider that could better maximise the fund’s benefits to Hamilton. This review includes historical information and case studies on how other councils have used their municipal endowment funds. PWC is currently finalising their report.

12. Two workshops and a Councillor briefing have been held to discuss potential options to better utilise the MEF and to provide guidance to staff for the policy review. Based on this, staff will report back to the next B&I Subcommittee with a revised policy that includes an HPL or similar model to administer the MEF to better support municipal purposes across the city.

13. With the assistance of PWC, staff will consider the following as part of the policy review and provide recommendations to the subcommittee:

- the expected levels of return from investment
- the requirement to use the fund for municipal purposes aligned to the strategic objectives of the Council
- the types of investment activities acceptable to Council
- the most suitable governance/management structure
- dividends

**14. Financial and Resourcing Implications**

15. \$39,697 has been spent on the project for consultant support

**Signatory**

Authoriser	Kelvyn Eglinton, General Manager City Growth
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# Municipal Endowment Fund Investment Policy

**Sponsor:** Deputy Chief Executive

**Date Approved:** 26 August 1998

**Date Reviewed:** 8 April 2009

**File Reference:** 22/10

**Community Outcome: Intelligent and Progressive City**

6.5 - Attracts and retains people and investment and grows great ideas.

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## Objective

To provide criteria for the investment and management of the Municipal Endowment Fund and to ensure that objectives of the Municipal Endowment Fund Investment Policy are consistent with the Council's objectives and with the Long Term Council Community Plan.

## Policy Scope

The Municipal Endowment Fund is invested in commercial properties and income from the fund is used to reduce the rates requirement of the City. The fund is required by legislation to be invested in commercial property in order to maximise the return to the City. Specific objectives are to:

1. Maximise the returns on the Municipal Endowment Fund Investment through property rental income and capital appreciation.
2. Maintain the real value of the Municipal Endowment Fund Investment and distribute maximum returns to Council or in accordance with guidelines as otherwise determined by Council from time to time.
3. Manage properties in a professional and ethical manner ensuring compliance with legal and best practice requirements.
4. Manage the Municipal Endowment Fund Investment in a prudent manner to minimise specific property and portfolio risk exposures.
5. At the time of new acquisition have an investment plan which provides clear guidance covering types of properties, their location and approved activities of tenants.
6. Operate sound control practices to prevent unauthorised transactions.
7. Provide timely, accurate and understandable information to Council on financial and other matters relating to the Municipal Endowment Fund Investment.

The Municipal Endowment Fund Investment resources are to be principally held in property, however, money will be available from time to time for internal borrowing or be deposited in a bank account while awaiting re-investment. All property is to be wholly owned by the Hamilton City Council and be capable of sustaining returns as required by the objective of this policy.

All rental income and interest earned on any funds deposited in a bank account or invested in internal borrowing will be recorded as Council income, and used to contribute to the rates requirement of the city.

## Acquisition and Disposition of Property

Open market transaction evidence, accompanied by independent registered valuations and

financial analysis supporting the recommendations are necessary. Disposal of property will be in accordance with any requirements of the Local Government Act 2002.

Council may dispose of property held in trust or as an endowment if it has first included in the long-term council community plan a statement of its intention to sell the property (and the use to which the proceeds will be put) and has adopted that plan.

The Council will look to take advantage of market conditions or commercial opportunities (if necessary by amending the LTCCP using the special consultative procedure). Any sale shall be at current market value based on independent valuation.

**Principles for Investment**

Property investment (purchase or sale) decisions will be made taking into account the following factors.

- The need to provide a financial return consistent with market lease returns.
- The financial worthiness of the tenant.
- The potential to provide future value growth.
- Investment within Hamilton City Council boundaries including the precincts of Hamilton
- International Airport, Innovation Park and Horotiu Industrial Corridor.
- Portfolio balance between property sectors.

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**Previous Review Dates**

10 December 2008

10 March 2008

6 July 2005

6 November 2002