
Finance Committee

OPEN MINUTES

Minutes of a Meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 19 May 2016 at 2.00pm.

PRESENT

Chairperson	Cr R Pascoe
Deputy Chairperson	Cr G Mallett
Members	Her Worship the Mayor J Hardaker
	Cr G Chesterman
	Cr M Forsyth
	Cr M Gallagher
	Cr A King
	Cr D Macpherson
	Cr A O’Leary
	Cr L Tooman
	Cr P Yeung

In Attendance:	Chief Executive – Richard Briggs
	General Manager Corporate – David Bryant
	General Manager Infrastructure – Chris Allen
	General Manager Community – Lance Vervoort
	General Manager Growth – Kelvyn Eglinton
	General Manager Strategy and Communications – Sean Hickey
	Executive Director Special Projects – Blair Bowcott
	City Waters Manager – Andrew Parsons
	Director of Operations Waikato Stadiums – Chad Hooker
	Project Development Manager – Chris Barton
	Acting Chief Information Officer – Charles Burns
	Financial Controller – Tracey Musty
	Community Group Business Manager – Helen Paki
	Water Operations Manager – Maire Porter
	Senior Communication Advisor – Diane Crawford
	Communication Coordinator – Nicola Walsh

Committee Advisors:	Mrs B Brooke, Mrs M Birch and Mr I Loiterton.
---------------------	---

1. Apologies

Resolved: (Crs Forsyth/Chesterman)

That the apologies from Cr Wilson and Cr O'Leary (leaving early) be received and accepted.

2. Confirmation of Agenda

Resolved: (Crs Mallett/Tooman)

That the Agenda be confirmed, noting that page 79 in the Open Agenda and page 13 in the Public Excluded Agenda had been replaced, and that Item 15 (Waikato Road Asset Technical Accord (RATA) Contract) Attachment 1 had, been circulated under separate cover.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

No members of the public wished to speak.

5. Finance Committee Meeting - Open Minutes - 18 February 2016

Resolved: (Her Worship the Mayor Hardaker/Cr Mallett)

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Finance Committee Meeting held on 18 February 2016.

6. Finance Committee Meeting - Open Minutes - 21 April 2016

Resolved: (Crs Pascoe/Mallett)

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Finance Committee Meeting held on 21 April 2016.

7. Finance Committee Open Action List - 19 May 2016

Resolved: (Crs Pascoe/Mallett)

That the Report be received.

8. Recommended dates for reports to be presented to Finance Committee

Resolved: (Crs Pascoe/Chesterman)

That the Report be received.

9. 10-Year Plan Monitoring Report - YTD April 2016

The Financial Controller took the Report as read, outlining the below points:

- Hamilton was continuing to experience strong growth with increased building consent revenue, development contributions revenue and the value of assets being vested by Council. This had a positive effect in the operating results and debt balance ratio.
- Operating results were showing a favourable variance of \$11.3m against an actual year to date (YTD) result of \$17.0m compared to a budget of \$6.0m. The variance for the month was an unfavourable movement of \$5.0m due to a correction in the accounting treatment of the disposal of the pensioner housing assets.
- The total overall debt to date was now \$348.7m, \$58.1m below the LTP budgeted target.
- There were 27 deferred projects worth approximately \$21.0m that had been identified as not being able to start or finish on time mainly due to third party reasons.
- There was an error on page 66 of the Agenda regarding the variance reasons. It should say the value of assets *decreased* hence favourable depreciation variation.

Staff responded to questions from Committee Members concerning:

- **Hardship Rates Remissions:**

There was concern that the Hardship Remission was not being fully utilised by those needing it. The reason suggested may be insufficient communications of the availability of the remission scheme.

***Action:** Further information to be supplied to Committee Members concerning the Hardship Rates Remission and how the availability of the remission fund is communicated to ratepayers.*

- **Pensioner Housing Asset Sale Timing Impact:**

Committee Members expressed concern around the figures concerning the sale of the Pensioner Housing Assets.

***Action:** Further information and clarity to be included in the next 10-Year Plan Monitoring Report to the Finance Committee on 14 July 2016, concerning the calculations for the adjustment to the loss on the sale of the Pensioner Housing Units.*

- **'Other Expenses' classification in the 10 Year Plan Monitoring Report:**

Committee Members suggested that the 'other expenses' highlighted in the variance sections of the 10 Year Plan Monitoring Report needed greater visibility and explanation if the amounts were significant.

***Action:** Committee Members requested that there be greater transparency around the 'other expenses' section of the variance reports. Staff are to work with Cr Mallett on how 'other expenses' might be categorised and expanded on for the next 10-Year Plan Monitoring Report to the Finance Committee on 14 July 2016.*

- **Deferrals:**
Committee Members raised concerns around the current approach to deferrals and how they are categorised. Better understanding and clarification was needed regarding why projects were being put off or moved forward.

Action: Consideration to be given on a better approach to categorisation of deferrals for future 10 Year Plan Monitoring Reports and through the annual plan process.

- **Rates revenue increase:**
Rates revenue was up around \$1.0m due to growth and development in the City.

Resolved: (Crs Pascoe/Gallagher)

That the Report be received.

Cr Macpherson joined the Meeting (2.10pm) during the above Item. He was present when the matter was voted on.

Deputy Mayor Cr Chesterman (2.40pm) and Cr O'Leary (2.45pm) left the Meeting during the above Item. They were not present when the matter was voted on.

The Meeting adjourned (3.00pm – 3.30pm).

10. Key Projects Monitoring Report - April 2016

Resolved: (Her Worship the Mayor Hardaker/Cr Chesterman)

That the Report be received.

Deputy Mayor Cr Chesterman re-joined the Meeting (3.30pm) at the start of the above Item. He was present when the matter was voted on.

11. Contract 15066 for HVAC and Plumbing Services

The General Manager Corporate took the Report as read, and clarified that only one Tenderer had provided a presentation to the Tender Evaluation Team.

Resolved: (Cr Tooman/Her Worship the Mayor Hardaker)

That:

- a) the report be received;
- b) the tender submitted by DTZ Group New Zealand Limited (trading as Cushman and Wakefield) for Contract 15066 for HVAC and Plumbing Services is accepted by Hamilton City Council;
- c) the Chief Executive is delegated to negotiate and approve final contract terms with DTZ Group New Zealand Limited (trading as Cushman and Wakefield);
- d) the Approved Contract Term is set at three years with a right of renewal of three years at Council's sole discretion; and
- e) the Approved Contract Sum for the first three years of the contract is set at Three Million Three Hundred and Ten Thousand Dollars (\$3,310,000) being the estimated total spend over the first three years of the contract.

12. **Municipal Endowment Lease - Freeholding - 58 Willoughby Street**

The Strategic Property Manager took the Report as read and responded to questions from Committee Members concerning:

- **Interest rate received on the Municipal Endowment Fund:**
The Municipal Endowment Fund's current interest rate was 5.9%
- **Remaining Municipal Endowment Leases to sell:**
There were six leases left, with four of those being residential.
- **Reasons for the sale of the Leases:**
There was a low rate of return on the leases due to being restricted because of the perpetual nature of the leases. The leases were being sold at a rate of roughly one lease per year.

Resolved: (Crs Chesterman/Mallett)

That:

- a) the report be received;
- b) Council sells the freehold interest in the land described in the Schedule to the lessee for a price of \$415,000 (Four Hundred and Fifteen Thousand Dollars) including GST (if any) plus all Council's costs associated with the sale; and
- c) Council authorises the Chief Executive Officer to (1) prepare and execute an Agreement for Sale and Purchase and (2) any other instruments required to give effect to this resolution.

SCHEDULE

ALL THAT LAND described as an Estate in Fee Simple comprising Lot 11 Deposited Plan 33796 contained in Computer Freehold Register Identifier SA10A/72 of 586 square meters more or less and physically located at 58 Willoughby Street, Hamilton

13. Masters Avenue Shops - Extension of Leases

The Strategic Property Manager took the Report as read and responded to questions from Committee Members concerning:

- **Consideration given to selling the shops:**
Sale of the shops had not been considered due to Council wanting to allow for a potential extension of the Hillcrest Library in the future.

The General Manager Community advised that there were currently no plans for a library extension as there had been no funds allocated for this through the 10 Year Plan. He noted that there needed to be a wider discussion on the direction of the libraries future, however, Council needed to give certainty to the current tenants of the shops in terms of extending their respective leases for a period time.

- **Return on investment:**
The return on investment for the property was currently at 8.4%.

The Meeting adjourned (4.10pm – 4.20pm) prior to the resolution of the Item.

Resolved: (Crs Forsyth/Chesterman)

That

- a) the report be received;
- b) Council approves a variation of lease for the three tenants located at 58 Masters Avenue, Hamilton:
 - (i) Masters Avenue Pharmacy Limited (Pharmacy);
 - (ii) Charn and Chuan Leong (Jin Wing Takeaways); and
 - (iii) Mohammad Azfar and Hishat Farooqui (Superette)
- c) the existing leases be varied to:
 - (i) Extend the current term from three years to six years with final expiry on 30 April 2021;
 - (ii) Include an additional rent review on 1 May 2019; and
 - (iii) Tenants to pay all costs relating to the lease variation; and
- d) Council authorises the Chief Executive to execute all instruments required to give effect to this resolution.

Cr O'Leary re-joined the Meeting (3.40pm) during the above Item. She was present when the matter was voted on.

14. Borman Road Eastern Extension Contract Award

The General Manager Infrastructure took the Report as read and responded to questions from Committee Members concerning:

- **Why a contingency fund was needed:**
There were a range of reasons as to why a contingency fund was needed including weather disruptions. It was common practice to have a specific contingency amount stipulated in contracts so that Council would have some control over the amount of overspend.
- **Risk of project being deferred and costs involved:**
The risk of deferral was reasonably high due to the complicated storm water issues involved and the fact that this was a large project.

Resolved: (Crs Pascoe/Yeung)

That:

- a) the report be received;
- b) Contract 15397 for Borman Road East Extension is awarded to West Construction Ltd. in the tendered sum of \$1,844,705.74 excluding GST; and
- c) the Approved Contract Sum for Contract 15397 is set at \$2,100,000 excluding GST comprised of the tender amount of \$1,844,705.74 plus a contingency allowance of \$255,294.26.

15. Waikato Road Asset Technical Accord (RATA) Contract

The General Manager City Infrastructure took the Report as read, noting that the contract was coming to the Committee for approval as it exceeded the Chief Executive's delegation. The contract was a good collaboration project for Hamilton City Council and would deliver tangible and intangible benefits and savings to Council.

Staff responded to questions from Committee Members concerning:

- **Collaboration benefits and similar model successes:**
Other similar models such as the infrastructure alliance had proved successful . The collaboration benefits came from more of a planning/management level rather than a 'physical works' level. It was about alignment of roading projects across the region.
- **The need for a Political Advisory Group:**
Committee Members expressed concern that there was a Political Advisory Group included as part of the agreement. The contract was a technical collaboration and it was viewed that a Political Advisory Group would not be needed.

Resolved: (Her Worship the Mayor Hardaker/Cr Gallagher)

That

- a) the report be received;
- b) the Chief Executive is to raise the role and membership of the Political Advisory Group with LASS at the 10 June Meeting and report back to the Finance Committee before the 14 July 2016 Meeting. and
- c) an Approved Contract Sum of \$120,000 is approved for the first 2 years of operation until 30 June 2018, which includes a contingency amount of \$18,000 if any additional work is instructed.

Cr Forsyth and Cr O'Leary retired from the Meeting (5.00pm) at the conclusion of the above Item. They were present when the matter was voted on.

16. Information Systems (IS) Key Activity Update

The General Manager Corporate and the Acting Chief Information Officer spoke to the Report and responded to questions from Committee Members concerning:

- **Key projects:**
IS was currently working on solutions for the voting board, fixes for Infocouncil, technology issues with Committee Room 1, Call Centre technology to collect data, among other projects.

***Action:** Staff were asked to provide more detailed information and explanation in the next Information Systems Key Activity Update Report to the Finance Committee and ensure issues raised by stakeholders have been adequately covered. Staff are also to include allocated budget amounts in the relevant area of the Report.*

Resolved: (Crs Pascoe/Chesterman)

That the Report be received.

Cr Mallett Dissenting.

17. Refuse Transfer Station - Proposed Fee Changes

The General Manager City Infrastructure took the Report as read and responded to questions from Committee Members concerning:

- **Whether Council had ever turned down a fee increase:**
Council had never turned down a fee increase. The the lease agreement with Waste Management stipulated that a fee increase could only be turned down if Council were to provide a subsidy for the difference.
- **The relationship between the Refuse Transfer Station and the Recycling Centre:**
The two organisations operated separately at this stage, but there could be potential to align some services in the future.
- **The amount of the fee increase:**
The fee increase was considered to be appropriate to recover costs associated with increased operational costs for the management of the site. Benchmarking had been carried out across the region and the proposed fees were very comparative with competitors.

Resolved: (Her Worship the Mayor Hardaker/Cr Chesterman)

That:

- a) the Report be received; and
- b) Council notes the increase in RTS fees proposed by Waste Management to be implemented 1 July 2016 and declines the opportunity to offer a Council funded subsidy of these fees.

Cr Macpherson Dissenting.

18. Fees and Charges 2016-17

The General Manager Corporate and the Financial Controller took the Report as read and responded to questions from Committee Members concerning:

- A range of fee discrepancies and differences including, mileage, photocopying and hourly rates.
- Clarification on what some of the fees and charges were, how often they were used and whether benchmarking had been carried out.
- Committee Members were advised that the proposed fees and charges increase was part of the 10 Year Plan which went out for consultation.

Action: Chief Executive to investigate and review the accessibility and ease of use of the fees and charges information on the Hamilton City Council Website.

Action: Committee Members requested that the General Manager Community provide the information concerning the work that was carried out for Sports Areas Fees and Charges. Democracy Staff to provide the previous resolution pertaining to providing this information to Elected Members.

Resolved: (Cr King/Her Worship the Mayor Hardaker)

That:

- a) the report be received;
- b) the attached fees and charges schedule for 2016-17 be approved; and
- c) any changes on the commission for sales of art at Artspost be deferred until the Artspost Report is presented at the 14 July 2016 Finance Committee Meeting.

Crs Gallagher and Macpherson Dissenting.

Cr Macpherson retired from the Meeting (6.20pm) at the conclusion of the above Item. He was present when the matter was voted on.

19. Six Monthly Reports from the Chairs of the Subcommittees Reporting to the Finance Committee

External Funding Subcommittee Update:

Deputy Mayor Cr Chesterman spoke to the Report (in the absence of Cr Forsyth, Chair of the External Funding Subcommittee) noting that the External Funding Subcommittee had had some major achievements in securing funding for a number of Council projects, most notably the Hamilton Gardens Development Project. He thanked and congratulated Her Worship the Mayor Hardaker for her leadership and hard work in helping to secure further funds for the Gardens project.

He suggested that the chair of the Subcommittee provided a report to Council outlining the major successes of the Subcommittee in securing funds prior to the end of the triennium.

Resolved: (Crs Chesterman/Gallagher)

That the External Funding Subcommittee Chairperson's Report be received.

Events Sponsorship Subcommittee Update:

Deputy Mayor Cr Chesterman (Chair of the Events Sponsorship Subcommittee) spoke to the Report. Options for the remaining Events Sponsorship Funds were discussed.

Resolved: (Crs Chesterman/Yeung)

That the Events Sponsorship Subcommittee Chairperson's Report be received.

Council Controlled Organisations (CCO) Subcommittee Update:

Cr Mallett (Chair of the Council Controlled Organisations (CCO) Subcommittee) spoke to the Report, noting that an update concerning the Titanium Park Joint Venture with Waikato Regional Airport Ltd (WRAL) had been circulated to Elected Members previously.

Resolved: (Crs Pascoe/Mallett)

That the Council Controlled Organisations (CCO) Subcommittee Chairperson's Report be received.

20. Resolution to Exclude the Public

Resolved: (Crs Tooman/Yeung)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each 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 follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Finance Committee Meeting - Public Excluded Minutes - 21 April 2016) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Finance Committee Public Excluded Action List - 19 May 2016) Official Information and Meetings Act 1987	
C3. Report on overdue debtors as at 30 April 2016 & Bad Debts Writeoffs 2015/16)	
C4. Ruakura Private Developer Agreements)	

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 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to protect the privacy of natural persons	Section 7 (2) (a)
Item C4.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

The Meeting went into a Public Excluded Session (6.45pm – 7.50pm).

The Meeting was declared closed at 7.50pm.

