



Te Kaunihera-ā-Rohe o Ngāmotu

NEW PLYMOUTH DISTRICT COUNCIL

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MEETING AGENDA

FINANCE SUBCOMMITTEE

Wednesday 8 October 2014

at 10am

Council Chamber

Chairperson

Cr Richard Handley

Members:

Cr Keith Allum

Cr Colin Johnston

Cr Craig McFarlane

Cr Marie Pearce

Mayor Andrew Judd

FINANCE SUBCOMMITTEE WEDNESDAY 8 OCTOBER 2014

Addressing the subcommittee

Members of the public have an opportunity to address subcommittees during the public forum section or as a deputation.

A *public forum section* of up to 30 minutes precedes all subcommittee meetings. Each speaker during the public forum section of a meeting may speak for up to 10 minutes. In the case of a group a maximum of 20 minutes will be allowed.

A request to make a *deputation* should be made to the secretariat within two working days before the meeting. The chairperson will decide whether your deputation is accepted. The chairperson may approve a shorter notice period. No more than four members of a deputation may address a meeting. A limit of 10 minutes is placed on a speaker making a presentation. In the case of a group a maximum of 20 minutes will be allowed.

Purpose of Local Government

The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. Unless otherwise stated, the recommended option outlined in each report meets the purpose of local government and:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.



**FINANCE SUBCOMMITTEE
WEDNESDAY 8 OCTOBER 2014**

APOLOGIES

Cr Keith Allum

PUBLIC FORUM

None advised.

DEPUTATIONS

None advised.

A ITEMS FOR DECISION BY COMMITTEE

A1 MINUTES

Recommendation

That the minutes of the Finance Subcommittee meeting held on 7 August 2014 be confirmed as a true and accurate record.

B ITEMS FOR RECOMMENDATION TO COUNCIL

B1 FINANCIAL UPDATE REPORT AUGUST 2014

The purpose of this report is to present the financial results of the Council for the two months to the end of August 2014.

B2 REVIEW OF AERONAUTICAL CHARGES NEW PLYMOUTH AIRPORT

The purpose of this report is to provide a progress update and timing for a review of aeronautical charges at New Plymouth Airport (last fixed in 2007) pursuant to the Airport Authorities Act 1966, as background to a presentation by Peter Seed of AirBiz Aviation Strategies Limited on pricing methodology and consultation processes.

B3 PERPETUAL INVESTMENT FUND (PIF) ANNUAL RELEASE RULE

The matter for consideration by the Council is to receive and consider the release rule advice from TIML.



**FINANCE SUBCOMMITTEE
WEDNESDAY 8 OCTOBER 2014**

FINANCE SUBCOMMITTEE

FILE REFERENCE: DP-14-02 DM 1600196
MEETING DATE: Thursday 7 August 2014 at 4.30pm
VENUE: Council Chamber
MEMBERS PRESENT: Councillor Richard Handley (Chairperson); Mayor Andrew Judd, Councillors Keith Allum, Craig McFarlane, Colin Johnston, Marie Pearce

NON-MEMBERS PRESENT: Councillors Gordon Brown, John McLeod, Murray Chong, Richard Jordan

STAFF IN ATTENDANCE: Jan Higley, Cathy Thurston, Phil Armstrong

PART A**MATTERS FINALLY DETERMINED BY THE COMMITTEE UNDER DELEGATED AUTHORITY AND REFERRED TO THE COUNCIL FOR INFORMATION AND RECORD**1. **Minutes**

File Reference: DP-14-02 DM 1577939

Finance Subcommittee Resolution:

Cr Johnston)

Cr Pearce)

That the minutes of the Finance Subcommittee meeting held on Monday 25 June 2014 be confirmed as a true and accurate record.

Carried

2. **Finance Subcommittee Meeting Frequency**

File Reference: DM 1578364

The matter for consideration by the Council is to determine the frequency of meetings for the Finance Subcommittee.

Finance Subcommittee Resolution:

Cr Pearce)

Cr Johnston)

That having considered all matters raised in the report, the following schedule of meetings be adopted:

Wednesday 8 October 2014

Wednesday 3 December 2014

Six weekly meetings in 2015/16 – dates to be determined

Carried

ITEM A1**ITEM FOR DECISION****PART B****ITEMS FOR FINAL DETERMINATION BY THE COUNCIL****3. Financial Update Report May 2014****FILE REFERENCE:** DM 1577940

The purpose of this report is to present the financial results of the Council for the 11 months to the end of May 2014.

Finance Subcommittee Recommendation:

Cr Allum)

Cr Pearce)

That having considered all matters raised in the report the Council notes and receives the report.

Carried**4. Financial Prudence Regulations****FILE REFERENCE:** DM 1561277

The purpose of this report is to provide the Finance Sub Committee with a brief overview of recently introduced Financial Reporting and Prudence Regulations 2014, together with an initial summary of the measures and what the results are like for the New Plymouth District Council.

Finance Subcommittee Recommendation:

Mayor Judd)

Cr Johnston)

That having considered all matters raised in the report the Council notes the matters raised.

Carried**5. Perpetual Investment Fund Release for 2013/14****FILE REFERENCE:** DM 1577191

The purpose of this report is to put forward a proposal to the Council to defer the quarter 3 and 4 release payments and leave the funds in the Perpetual Investment Fund (PIF) and not transfer the release into general funds.

Finance Subcommittee Recommendation:

Cr Allum)

Mayor Judd)

That having considered all matters raised in the report the 2013/14 quarter 3 and 4 releases totalling \$5.181 million be cancelled and not taken from the PIF.

Carried

Cr McFarlane & Johnston requested that their votes against the motion be recorded.

The Finance subcommittee meeting closed at 5.20pm.

FINANCIAL UPDATE REPORT AUGUST 2014

PREPARED BY: Phil Armstrong (Acting General Manager Business Services)
 TEAM: Finance
 APPROVED BY: Barbara McKerrow (Chief Executive)
 WARD/COMMUNITY: District Wide
 DATE: 25 September 2014
 FILE REFERENCE: DM 1600203

PURPOSE

The purpose of this report is to present the financial results of the Council for the two months to the end of August 2014.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE

This report is provided for information purposes only, and has been assessed as having low significance.

DISCUSSION

The Financial reporting pack is a monthly high level financial report, highlighting the performance and forecast of the Council's finances. The report covers operational expenditure and revenue, capital expenditure, treasury and debt management of the Council. Reporting of the PIF (Perpetual Investment Fund) will be provided separately by TIML.

FINANCIAL AND RESOURCING IMPLICATIONS

This report is produced monthly within existing resources and budgets.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;

ITEM B1**ITEM FOR RECOMMENDATION**

- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES

Financial Reporting Pack attached.



NPDC
Finance Committee Financial Performance
Report
August 2014



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Monthly Overview

- From a total organisation perspective total operating costs are currently tracking under budget, primarily due to timing and budget phasing. A full year forecast and a YTD summary by activity will be provided for the September quarter.
- Total borrowing is likely to be lower than budget as the detailed review of year end budget carryovers identified a number of projects that could be pushed out to the 2015/25LTP. In a particular the Bell Block growth projects and the sewerage upgrade sludge treatment solution.



Financial Performance Highlights

- Operational performance forecasted to be inline with budget. 
- Capital projects tracking to budget 
- Borrowing and Treasury limits within policy. 
- Rating and debt collection on target to meet internal KPI's. 



Balance Sheet

	Date 31/08/2014	Date 31/08/2013	Variance \$	%
CURRENT ASSETS				
Cash, Bank and Investments	45,236,880	55,185,953	(9,949,073)	(18.0)
Sundry Debtors	74,258,597	71,857,198	2,401,399	3.3
Other Current Assets	98,764	115,283	(16,519)	(14.3)
Total Current Assets	119,594,241	127,158,434	(7,564,193)	(5.9)
INVESTMENTS				
Other Investments	225,872,033	218,185,660	7,686,373	3.5
Total Investments	225,872,033	218,185,660	7,686,373	3.5
FIXED ASSETS	1,974,215,961	1,964,561,423	9,654,538	0.5
	2,319,682,235	2,309,905,517	9,776,718	0.4
CURRENT LIABILITIES				
Sundry Creditors	756,892	545,657	(211,235)	(38.7)
Annual Leave / Other Accruals	21,747,528	23,182,387	1,434,859	6.2
Total Current Liabilities	22,504,420	23,728,044	1,223,624	5.2
TERM LIABILITIES				
Public Debt	112,070,793	124,243,569	12,172,776	9.8
Total Term Liabilities	112,070,793	124,243,569	12,172,776	9.8
PUBLIC EQUITY				
Special Funds and Reserves	79,307,725	76,215,607	(3,092,118)	(4.1)
Asset Revaluation Reserves	593,715,327	590,897,336	(2,817,991)	(0.5)
Retained Earnings	1,512,083,970	1,494,820,961	(17,263,009)	(1.2)
Total Public Equity	2,185,107,022	2,161,933,904	(23,173,118)	(1.1)
	2,319,682,235	2,309,905,517	(9,776,718)	(0.4)



Balance Sheet Commentary

The Statement of Financial Position is a snap shot of the Councils financial position at a particular point in time. It reflects the changes that have occurred during the last 12 months, which straddles the Councils last financial year end on 30 June 2014

Sundry debtors include rates outstanding for the remainder of the financial year, and this year also include dog registrations.

Other Investments of \$226 million consist primarily of the PIF \$218 million but also include the Councils share of the Airport JV \$2.8 M, longer term bonds, the Investment in the LGFA and the VTR scheme. The increase from the prior year is primarily a result of a increased PIF balance which was \$212 million in August 2014.

Borrowing as higher this time last year due to the timing of a maturing bond.

The Council's current ratio (the ratio of current assets to current liabilities – a measure of liquidity) stands at 5.3 to 1 as at 31 August 2014. This reflects a very strong position for the Council. The Council also has significant “stand by” facilities, so has no liquidity concerns.



Capital Works - Including Significant Projects

Description (Including Significant Projects)	Annual Plan Revised	Total Current Year to Date	Projected Year End Outcome	Variance \$	Variance %
Puke Ariki	1,727,530	219,551	1,727,530	0	0%
Govett Brewster Art Gallery	10,871,753	771,830	10,871,753	0	0%
Community Development	79,300	749	79,300	0	0%
Recreation & Event Venues	862,665	59,736	862,665	0	0%
Parks	4,749,200	198,852	4,749,200	0	0%
Roads	14,457,900	438,037	14,457,900	0	0%
Solid Waste Management	3,014,700	7,858	3,014,700	0	0%
Storm Water	1,853,400	66,033	1,853,400	0	0%
Flood Control and Protection	46,000	0	46,000	0	0%
Water	4,057,770	93,372	4,057,770	0	0%
Wastewater	9,141,600	630,428	9,141,600	0	0%
Regulatory Services	26,600	3,993	26,600	0	0%
Support Services	5,181,800	951,202	5,181,800	0	0%
Total	56,070,218	3,441,638	56,070,218	-	



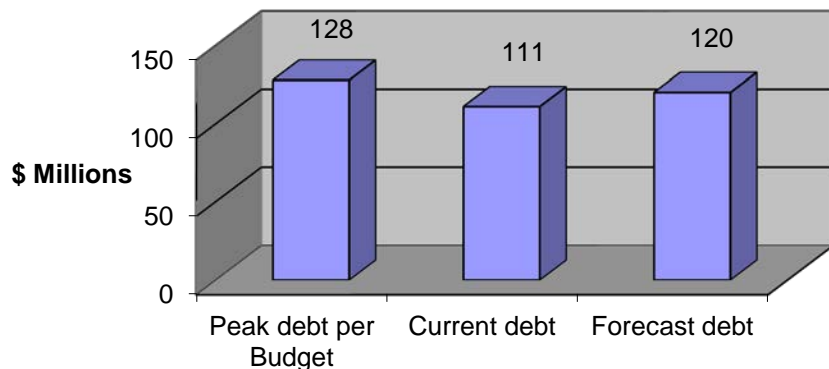
Treasury Report

August 2014



Borrowing Summary

Borrowing Position External Debt 2014/15



•Overall Position

- Our current external debt stands at \$111 million, with our weighted average borrowing rate at 5.7%.

- Due to the deferral of sewerage and growth related projects from 2013/14 our year end borrowing position is likely to be less than budget.

- As per the compliance scorecard we are within all treasury policy settings.



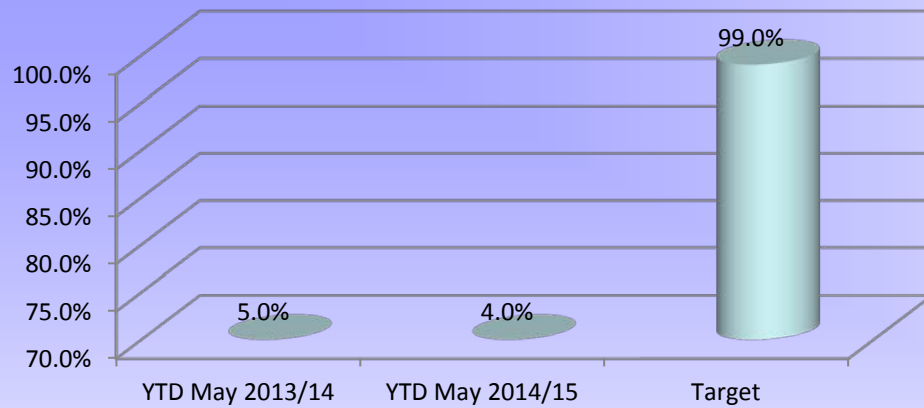
Compliance Scorecard

New Plymouth District Council Interest Rate Position			
12 month forecast core debt:	\$120m	31-Aug-14	
Policy Limits	55%-90%		
Overall Fixed:Floating Mix	89%		
Policy Compliance	Y		
Liquidity Ratio:	110%		
Actual	126%		
Policy Compliance	Y		
Fixed Rate Maturity Profile:			
Years	1 - 3 years	3 - 5 years	5 years plus
Policy Limits	15%-60%	15%-60%	15%-60%
Actual Hedging	15%	33%	53%
Policy Compliance	Y	Y	Y
Funding Maturity Profile:			
Years	0 - 3 years	3 - 5 years	5 years plus
Policy Limits	15%-60%	15%-60%	10%-40%
Actual Hedging	39%	47%	14%
Policy Compliance	Y	Y	Y

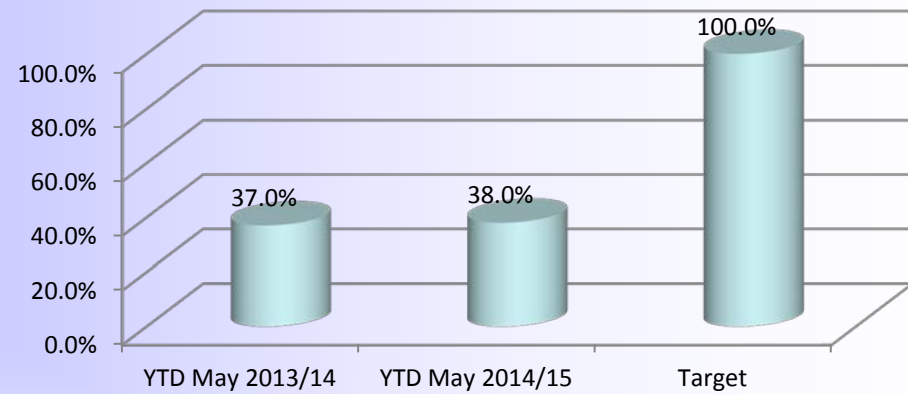


Rates and Debtors Summary

Collection Run Rate August 14



Arrears Collection August 14



Sundry Debtors

	Current	30 Days	60 Days	90 Days	Total
	\$ 000,s				
Current Month	1,746	771	48	417	2,982
Aging	58.6%	25.9%	1.6%	14.0%	
Previous Month	2,908	92	70	441	3,511
Aging	82.8%	2.6%	2.0%	12.6%	



REVIEW OF AERONAUTICAL CHARGES NEW PLYMOUTH AIRPORT

PREPARED BY: Kevin Hill (Airport Manager)
 TEAM: Property Assets
 APPROVED BY: Peter Handcock (Manager Property Assets)
 WARD/COMMUNITY: Waitara
 DATE: 29 September 2014
 FILE REFERENCE: RT 06 02 05 01, ID 7105, DM 1601150

PURPOSE

The purpose of this report is to provide a progress update and timing for a review of aeronautical charges at New Plymouth Airport (last fixed in 2007) pursuant to the Airport Authorities Act 1966, as background to a presentation by Peter Seed of AirBiz Aviation Strategies Limited on pricing methodology and consultation processes.

RECOMMENDATION

That having considered all matters raised in the report, it is noted that:

- a) **Aeronautical charges at New Plymouth Airport were last reviewed and fixed seven years ago in September 2007.**
- b) **Aeronautical charges include landing charges for fixed wing aircraft, helicopters, aircraft parking charges and use of the international place of first approval facility.**
- c) **This report outlines a progress update on commencement of a review of aeronautical charges in accord with the Airport Authorities Act 1966, as more particularly signalled in the Statement of Intent and the consultation that has been initiated and undertaken with stakeholders to date.**
- d) **The update will be undertaken by a presentation by Peter Seed of AirBiz Aviation Strategies Limited on pricing mythology.**
- e) **The proposal is to work to set in place a new fee structure to take effect 1 May 2015.**
- f) **The final pricing determination will be the subject of a further report and recommendation before an application is submitted to the Ministry of Transport for the approval of the Minister of Transport.**

SIGNIFICANCE

This report is provided for information purposes only, and has been assessed as having low significance in terms of the Local Government Act 2002. However the review of aeronautical charges at the airport is significant to maintain its economic viability and safe operation.

DISCUSSION**Council's Operation of the New Plymouth Airport**

New Plymouth Airport is operated by the Council on a 50/50 joint venture basis with the Crown through Ministry of Transport under the Airport Authorities Act 1966. The Council holds the aerodrome operator's certificate and operates the airport on behalf of the joint venture, as a Council controlled organisation under the Local Government Act 2002.

Authority to Fix Aeronautical Charges under the Airport Authorities Act 1966

The Council has statutory power under the Act to set and review charges. Charges for landing fees were last reviewed and fixed in September 2007 and in accord with the Statement of Intent the decision has been made to review the fee structure commensurate with maintaining the ongoing operational viability of the airport and to provide funding for the likes of the terminal expansion. The intention is to complete the review to be able to set in place the new fee structure to take effect from 1 May 2015.

The setting of any new fee structure requires the Council to first undertake a robust consultation process with stakeholders in accord with the legislation.

Consultation Process Undertaken with Parties to Date

Parties required to be consulted under the legislation are those who are defined as substantial customers and for the year 2014 these are Mount Cook Airlines Limited, Eagle Airways Limited, Air Nelson Limited and Helicopters NZ Limited.

Letters on consultation were sent to substantial customers on 27 August 2014, along with 49 other customers indicating the process and timetable for the review.

In addition the Ministry of Transport and 19 other New Zealand airports were advised.

It will be noted that customers defined as substantial under the Act can decide to not participate in the process review by way of written agreement under Section 4B(3) but may also withdraw that agreement.

Although yet to be formulated, the key issues arising out of the consultation process are:

- The charging approach to be adopted for the aeronautical component of the passenger terminal; and
- The charging approach to be adopted for airfield activities.

Consultation Timetable

Action	Proposed Timing
Initial letters to substantial airline customers advising of intention to commence consultation.	26 August 2014
Comments from consultees on draft consultation procedure document.	12 September 2014
NP Airport presents its initial pricing proposal (IPP) and related information to consultees.	10 October 2014
Consultees respond to IPP.	7 November 2014
NP Airport considers and responds to consultees' comments with revised pricing proposal (RPP).	5 December 2014
Further consultee comments.	16 January 2015
NP Airport consideration of responses, amendments and notification of Final Pricing Proposal (FPP).	13 February 2015
Further consultees' comments.	13 March 2015
NP Airport consideration of airline comments and promulgation of recommended charges.	Late March 2015
Issue final pricing determination.	Late March 2015
Notified charges set to commence.	1 May 2015

Initial Pricing Proposal (IPP)

This is programmed for release to affected parties on 10 October.

FINANCIAL AND RESOURCING IMPLICATIONS

A review of aeronautical charges has been factored into revenue projections for the financial performance targets contained with the Statement of Intent as follows:

	2014/15	2015/16	2016/17
Operating revenue	2,093,600	2,877,100	3,195,700
Operating expenditure	2,201,700	2,604,200	3,124,600
Net (loss)/profit before tax	(108,100)	272,900	71,100

Landing charges are the major source of revenue for the airport and for the year ended 30 June 2014, comprised 48% of total revenue.

Income	Actual
Landing Charges	865,751
Rent	404,504
Parking fees	494,291
Other	27,910
Interest income	10,082
Total income	1,802,538

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002 and Airport Authorities Act 1966. Specifically:

- The current aeronautical charges at the airport were last fixed and approved seven years ago by the Minister of Transport on 7 September 2007 pursuant to clause 13(1) of the Civil Aviation Charges Regulations 1991 (No 2).
- The report recommends a review of aeronautical charges to have new charges in place by 1 May 2015, as the only practicable option to maintain the commercial viability, operational and safety requirements of the airport. No other options are recommended.
- There are no direct impacts on tangata whenua noting that the review of charges is a commercial operational matter but noting that Puketapu hapu have been included in the consultation process associated with the new Airport Master Plan.
- The review is consistent with Council's plans and policies.
- The review supports current and future needs of communities for good-quality local infrastructure that is most cost-effective for households and businesses.
- The review has been factored into the revenue projections for the financial performance targets contained in the Statement of Intent as outlined in this report.

PERPETUAL INVESTMENT FUND (PIF) ANNUAL RELEASE RULE

PREPARED BY: Phil Armstrong (Acting General Manager Business Services)
 TEAM: Financial Services
 APPROVED BY: Barbara McKerrow (Chief Executive)
 WARD/COMMUNITY: District Wide
 DATE: 30 September 2014
 FILE REFERENCE: DM 1602410

MATTER

The matter for consideration by the Council is to receive and consider the release rule advice from TIML.

RECOMMENDATION FOR CONSIDERATION

That having considered all matters raised in the report the Council accepts the release rule advice from TIML as a basis for its long term financial strategy and includes the revised release rule in the Treasury Management Policy for consideration as part of the draft Long Term Plan 2015 – 25.

COMPLIANCE	
Significance	This matter is of medium significance.
Options	<p>This report identifies and assesses the following reasonably practicable options for addressing the matter:</p> <ol style="list-style-type: none"> 1. The Council notes and receives the Report and adopts the revised release rule advised by TIML for incorporation into the 2015/25 LTP. 2. The Council does not adopt the revised release rule and further reviews what release should be taken from the PIF.
Affected persons	The General community will have interest in the report.
Recommendation	This report recommends option 1 for addressing the matter.
Long-Term Plan / Annual Plan Implications	The release rule has a significant impact on the LTP process and the long term nature of the PIF.
Significant Policy and Plan Inconsistencies	The adoption of a revised release rule will required an amendment to the Treasury management policy.

EXECUTIVE SUMMARY

The PIF is an important asset of the Council providing substantial investment income. Historically the dividend release to the Council from the PIF has proven to be too high. As at 30 June 2014 releases have been greater than investment returns by the amount of \$41 million, thus eroding the Capital base of the PIF. The Council has significantly reduced the release over recent years and this step to take formal advice from TIML on a further reduced release should greatly assist to ensure the perpetual nature of the PIF.

BACKGROUND

The PIF was set up in December 2004 from the sale proceeds from the Council's shareholding in Powerco Limited. The PIF is managed by Taranaki Investment Management Limited (TIML).

The two key goals of the PIF were as follows:

1. The key measurable goal of TIML is to at least maintain the real value of the initial settled capital of the PIF over a perpetual timeframe;
2. TIML seeks to deliver a return to meet the obligations of the founding principle and a sustainable release to the shareholder

Due to a variety of reasons, including initial very high releases, volatile investment returns (especially around the global financial crisis - GFC), the slowness of the smoothing impact of the original release rule, and the Council's desire not to have a negative impact on rate payers has meant the release has not been adjusted to a sustainable level fast enough.

Over the last couple of years the Council has made significant steps to return the release to a sustainable level. To further embed a sustainable release rule the Council has requested TIML provide firm, formal advice on the annual release.

TIML have now provided that advice which is attached as appendix 1.

Effectively the advice from TIML takes the release to a flat 3.3% inflation adjusted. This will have the impact of taking the release from \$9.07 million for 2014//15 to \$7.16 million for 2015/16 which will have a rating impact of approximately 2.5%.

The advice from TIML will be challenging to manage in 2015/16 but it will put the fund on a firm perpetual footing and will give the Council a strong likelihood of increasing releases in the future.

SIGNIFICANCE

In accordance with the Council's Significance Policy, this matter has been assessed as medium significance as the PIF is a key asset of the Council and the level of release has both an impact on the PIF and also on the level of rates.

OPTIONS

- Option 1** The Council notes and receives the Report and adopts the revised release rule advised by TIML for incorporation into the 2015/25 LTP, as this will help ensure the sustainability of the PIF.
- Option 2** The Council does not adopt the revised release rule and further reviews what release should be taken from the PIF.

Recommended Option

This report recommends option 1 for addressing the matter.

APPENDICES

- a) TIML Release Rule recommendation

2 October 2014

Cr Richard Handley
Finance Committee Chairperson
New Plymouth District Council
Private Bag 2025
NEW PLYMOUTH 4342

Dear Richard

RELEASE RULE RECOMMENDATIONS

Introduction

1. Further to our recent workshop discussions, this paper provides Taranaki Investment Management Limited's (**TIML's**) formal advice to New Plymouth District Council (**NPDC**) on the adoption of resolutions to put in place a sustainable release payment programme which further enhances the long term sustainability of the Perpetual Investment Fund (**PIF**).

Recommendations

2. To achieve long term sustainability of the PIF, TIML strongly recommends the adoption of the following recommendations and resolutions in full:
 - TIML strongly recommends the release rule calculation be amended per item 4 below for a period of five years.
 - TIML notes the main change to the existing release rule is the removal of the "smoothing adjustment" from the current release rule.
 - TIML strongly recommends the proposed release rule be reviewed next in five years to consider its success in meeting the sustainable release payment and sustainable Perpetual Investment Fund objectives of NPDC.
 - TIML strongly recommends NPDC delegate to the TIML Board authority to set and amend the release rule to enable achievement of the founding principles of the PIF.
3. If portions of the advice are not adopted, then the sustainability of the PIF will be diluted.
4. The interim release formula is described mathematically below:

$$\text{Interim Release Payment}_t = \text{PIF Opening Value}_{t-1} \times (1 + \text{CPI}_{t-1}) \times 3.30\%$$

Release Payment LTP Forecast

5. The table below is the recommended release payment forecast for LTP purposes based on the interim five year adjustment and is valid from the date of this letter.

Financial Year End	LTP Release Forecast (\$m)	Remarks
FY 2015	\$9.07	Adopted in the FY2015 Annual Plan
FY 2016	\$7.34	Interim five year release rule
FY 2017	\$7.42	Interim five year release rule
FY 2018	\$7.57	Interim five year release rule
FY 2019	\$7.73	Interim five year release rule
FY 2020	\$7.89	Interim five year release rule
FY 2021	\$8.05	Revert to original release rule
FY 2022	\$8.23	Revert to original release rule
FY 2023	\$8.45	Revert to original release rule
FY 2024	\$8.69	Revert to original release rule
FY 2025	\$8.95	Revert to original release rule

6. TIML notes actual release payments may vary from this table and are dependent on the investment returns over the forecast period and many other economic and market related factors which may affect the PIF balance over the defined period.

Proposed Resolution

7. Resolved:

- For a period of five years from July 2015 the release rule calculation be calculated as follows:

$$\text{Interim Release Payment}_t = \text{PIF Opening Value}_{t-1} \times (1 + \text{CPI}_{t-1}) \times 3.30\%$$

- The release rule be reviewed in five years time after considering the outcomes achieved by the PIF, and to test the reasonableness of the formula in continuing to meet the sustainable release payment and sustainable Perpetual Investment Fund objectives of Council.
- Council delegates authority to set and amend the release rule to the TIML Board in accordance with the founding principles of the PIF.
- Council notes the KPI is to rebuild the real value of the PIF to the \$227 million level authorised in 2012.

- Council notes the main change to the current formula is the removal of the “smoothing adjustment” from the current release rule for a period of five years.

Yours faithfully



Keith Sutton
Chairman

CC Mayor Andrew Judd
Barbara McKerrow