

**Wanaka Community Board**  
**30 November 2017**

**Report for Agenda Item: 1**

**Department: Finance and Regulatory**

**Wanaka Swimming Pool Funding**

**Purpose**

The purpose of this report is to agree on a recommendation to the Council regarding the proposed funding allocation from the Wanaka Asset Sale Reserve to the Wanaka Swimming Pool in the draft 10 Year Plan 2018-28 (LTP) budgets.

**Recommendation**

That the Wanaka Community Board:

1. **Notes** the content of the report; and
2. **Recommends to Council** that a sum of \$6m be allocated in 2018/19 from the Wanaka Asset Sale Reserve to repay Wanaka Swimming Pool debt in the draft 10 Year Plan 2018-28 (LTP) budgets.

Prepared by:



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GM Finance and Regulatory

16/11/2017

Reviewed and Authorised by:



Mike Theelen  
Chief Executive Officer

16/11/2017

**Background**

- 1 The Wanaka Swimming Pool project was the subject of community consultation in November 2014 and again as part of the 2015-25 LTP.
- 2 As part of the consultation exercise, indicative forecast capital and operating costs were developed. In short, the November 2014 information referred to \$11.8m of capital cost (\$9.0 debt) and an annual rates impact of \$184 per residential ratepayer.

- 3 The outcome of the consultation was to agree to the project proceeding at 3 Parks with a commencement date in the 2016/17 year. An extract from the 2015-25 LTP is attached as Attachment A which summarises the position taken.
- 4 The following quotation from Attachment A shows that Council clearly expected that further fundraising or asset sale proceeds would be undertaken to offset the capital and operating costs: *“Council has agreed to include funding for the pool in 2017 but continues to have a level of discomfort over the rate impact of \$184 per annum. Council expects that significant fundraising will be undertaken to offset this cost and will do further work to consider potential offset from Council-owned Wanaka land sales.”*
- 5 In May 2016, Council agreed to accept the cash unconditional tender from Universal Developments Limited to purchase the Scurr Heights land for \$15,650,000 plus GST.
- 6 In June 2016, Council resolved the following:
  - a. ***Confirm that the net sale proceeds from the recent sale of the Scurr Heights Land be credited to the Wanaka Asset Sale Reserve in line with previous practice, and***
  - b. ***Confirm the following guiding principles relating to future distributions from the Wanaka Asset Sale Reserve:***
    - ***Distributions may be used to fund qualifying capital expenditure approved in the LTP or Annual Plan which benefits the residents of the Wanaka ward.***
    - ***Distributions may not be used to fund operating expenditure.***
    - ***Qualifying capital expenditure refers to capex which funds an increase in level of service for the Wanaka ward. This excludes capex required because of growth (otherwise funded from development contributions) and renewal capex (otherwise funded by depreciation).***
    - ***Qualifying capital expenditure may include repayment of debt incurred on capex which has funded an increase in level of service for the Wanaka ward.***
    - ***It excludes purchase of assets which are primarily acquired for speculative purposes.***

## **Current Status**

- 7 The Wanaka Swimming Pool project is expected to be completed in May 2018 at a cost of around \$12.4m. This represents a relatively minor overspend against the approved revised budget of \$12.3m.
- 8 A detailed operating budget has been developed as part of the 2018-28 LTP process. A summarised copy is attached as Attachment B. This shows that the operating deficit to fund is \$1.55m which results in an annual rate of \$220 per residential ratepayer. This rate is \$36 higher than signalled in the 2014/15 consultation.

- 9 The reason for the movement is partly explained by inflationary movements in both the capital and operating budgets, but the majority of the difference comes from the impact of the recent detailed operating budget based on the known features of the new facility compared to the 2014 budget estimates based on a generic design.
- 10 The main areas of difference are energy costs \$192k; overhead allocation \$150k; cleaning/security \$110k and maintenance \$30k. Revenue assumptions have also been downgraded by \$51k.
- 11 These negative variances can be offset if debt servicing costs can be reduced. The forecast debt on the facility for the end of the 2018/19 year is \$9.14m. The projected interest cost for 2018/19 is \$438k. This cost element can be reduced by \$300k per annum if a debt repayment of \$6m is made on 1 July 2018. This would reduce the annual rate of \$220 to around \$178 per residential ratepayer. The revised detailed operating budget is attached as Attachment C.
- 12 The proposed funding source for such a debt repayment would be the Wanaka Asset Sale Reserve. The current balance of this reserve is \$15.05m and this proposed allocation is in line with the purpose and guidelines for the use of funds from this reserve. Recommending such a transfer would also be consistent with the Council's expectations espoused in the 2015 LTP to reduce the annual rates impact.
- 13 The following table shows the impact of a range of possible debt repayments:

	<b>Debt</b>		<b>Reduction</b>	
	<b>Debt</b>	<b>Servicing</b>	<b>Rates</b>	<b>in Annual rates</b>
Per Consultation	9,030,000	656,020	\$184.05	
Per Latest	9,100,000	437,959	\$220.49	
Additional \$2m debt repaid	7,100,000	337,959	\$206.30	\$14.19
Additional \$4m debt repaid	5,100,000	237,959	\$192.10	\$28.39
Additional \$6m debt repaid	3,100,000	137,959	\$177.91	\$42.58
Additional \$8m debt repaid	1,100,000	37,959	\$163.71	\$56.78
Additional \$9.1m debt repaid	0	0	\$158.32	\$62.17

- 14 The highlighted line represents the recommended position, which indicates an annual rate of \$178, which is slightly lower than the \$184 consulted on in 2014.

### ***Options***

- 15 Option 1 WCB recommend that Council approves the \$6m funding allocation from the Wanaka Asset Sale Reserve to the Wanaka Swimming Pool in the draft 10 Year Plan 2018-28 (LTP) budgets:
- **Advantages:** Allows the debt servicing costs to be reduced by \$300k which enables a reduction to the annual rate by \$43 to \$178; an amount much closer to the \$184 per annum used in the 2014 consultation.
  - **Disadvantages:** This funding allocation depletes the current balance of the Wanaka Asset Sale Reserve to \$9.05m

16 Option 2 WCB does not recommend that Council approves the \$6m funding allocation from the Wanaka Asset Sale Reserve to the Wanaka Swimming Pool in the draft 10 Year Plan 2018-28 (LTP) budgets:

- Advantages: The current balance of the Wanaka Asset Sale Reserve is preserved at \$15.05m.
- Disadvantages: The annual rate for the Wanaka Swimming Pool is set at \$220 per annum, which is \$36 more than the \$184 per annum used in the 2014 consultation. Some members of the Upper Clutha community will find this increase difficult to afford and inconsistent with the 2014 consultation material. Council may decide to allocate the funding
- This report recommends **Option 1** for addressing the matter.

### ***Significance and Engagement***

- 17 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because the recommendation involves a funding allocation recommendation of \$6m. The proposed recommendation is in line with the previous outcome of the 2014/15 consultation process, and the 2018 LTP will in itself be subject to statutory consultation.
- 18 This matter relates to the strategic risk SR1 (Current and future development needs of the community), as documented in the Council's risk register. The risk is classed as moderate. This matter relates to this risk because it provides for the affordability of the new aquatic facility to the Wanaka community, which has been developed to meet the community's needs.

### **Financial Implications**

- 19 The Wanaka Asset Sale Reserve has an uncommitted balance of \$15.05m which will reduce to \$9.05m after the proposed funding allocation.

### **Council Policies, Strategies and Bylaws**

- 20 The following Council policies, strategies and bylaws were considered:

- 10 Year Plan 2015-25,

- 21 The recommended option is consistent with the principles set out in the named policy/policies.

### **Local Government Act 2002 Purpose Provisions**

- 22 The recommended option:

- 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

by providing for the delivery of a new aquatic facility to the Wanaka community;

- Is consistent with the Council's plans and policies; and
- 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.

### **Consultation: Community Views and Preferences**

23 The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community, particularly those of the Wanaka ward.

### **Attachments**

- A. An extract from the 2015-25 LTP
- B. Operating budget for Wanaka Swimming Pool (2018/19 year)
- C. Revised Operating budget for Wanaka Swimming Pool (2018/19 year)

## KEY ISSUE: Wanaka Pool

Construction of Wanaka's new sports facility will begin shortly, with siteworks already underway at Three Parks and the complex due to be open in July 2016. Last year following community consultation and the discovery that the existing Wanaka Community Pool has engineering and structural issues, the Council resolved to build an 8 lane lap pool and learners pool alongside indoor courts to achieve efficiencies of co-location. There will be a shared foyer and administration, carparking and integrated services.

The condition of the existing pool (Plantation Road) precludes it being upgraded without significant costs of \$370,000 (this option is a cost per household per annum of \$3.06 to 2023 and does not include a learners pool). If we deferred the new pool and start building in eight years' time (2023) the cost would be \$184 per household per annum plus 26% to factor in inflation.

Alternative locations, timing and pool configurations were canvassed with the community during the consultation in November 2014. The outcomes of submissions and an independent survey were that the majority (that responded) supported an eight lane pool and learners pool at Three Parks.

The Council is not revisiting the issues of location or pool size. Those decisions have been made. Based on the results of previous consultation we have allocated \$12.3m. The pool will include an eight lane lap pool and learners pool at Three Parks.

The proposed timetable is for the pools to be designed in 2015-16 with construction in 2016-17. That means that new swimming facilities would be open by the middle of 2017. Council sought further guidance on whether the project should commence in year 2016-17 or be deferred until year 2023. Please refer to the 2014 Consultation Material on our website for more information about the impact of deferring construction.

The pools will be paid for by the Wanaka Ward, in the same way that Wakatipu Ward ratepayers pay for Alpine Aqualand at Frankton. The Council's policy is to recover the cost of swimming facilities from the ward where they are located, to reflect the direct benefit to that community.

### CAPITAL FUNDING SPLIT

Debt	Potential land sales/grants
85%	15%

The Council received 260 submissions on the pool with 75.4% agreeing to funding the pool in 2017 and 24.6% wanting to fund it at the later date of 2023. Council has agreed to include funding for the pool in 2017 but continues to have a level of discomfort over the rate impact of \$184 per annum. Council expects that significant fundraising will be undertaken to offset this cost and will do further work to consider potential offset from Council-owned Wanaka land sales.

24.6%  
WANT TO  
FUND AT  
LATER DATE  
OF 2023



75.4%  
AGREE TO  
FUNDING  
IN 2017

B

## WANAKA POOL OPERATING COST

### Option 1A - 3 Parks (8 Lane)

DC's Not Available

Ward Funded

	Draft LTP 18/19 Wanaka Pool	Draft LTP 18/19 Swim School
<u>Revenue</u>		
Direct Revenue	285,000	269,500 (assumes QLDC run with \$11.50 per lesson)
<u>Expenditure</u>		
staff	513,653	186,695
chemicals	31,200	0
power/gas	396,640	0
cleaning/security	140,000	0
R&M	65,000	9,575
insurance	18,101	0
marketing	7,500	0
admin/sports consumables	12,130	0
Ohead allocation	150,292	84,901
Direct Operating Costs	1,334,516	281,171
Depreciation Funded	54,082	0
Annual Debt Servicing - Interest Only	437,959	0 Assumes \$0m repayment
<b>Operating Deficit</b>	<b>-1,541,557</b>	<b>-11,671</b>

### Rate Funding of Deficit

Funding by way new targeted Annual Charge (Ward based)

	<u>Ward based</u>
Estimated Deficit From above	-1,553,228
Wanaka ward chargeable properties:	8,101
Additional Amount to Charge (excl GST)	\$191.73
Additional Amount to Charge (incl GST)	\$220.49

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## WANAKA POOL OPERATING COST

### Option 1A - 3 Parks (8 Lane)

DC's Not Available

Ward Funded

Draft LTP 18/19   Draft LTP 18/19  
Wanaka Pool   Swim School

#### Revenue

Direct Revenue	285,000	269,500 (assumes QLDC run with \$11.50 per lesson)
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#### Expenditure

staff	513,653	186,695
chemicals	31,200	0
power/gas	396,640	0
cleaning/security	140,000	0
R&M	65,000	9,575
insurance	18,101	0
marketing	7,500	0
admin/sports consumables	12,130	0
Ohead allocation	150,292	84,901
Direct Operating Costs	1,334,516	281,171

Depreciation Funded	54,082	0
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Annual Debt Servicing - Interest Only	137,959	0 Assumes \$6m repayment
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<b>Operating Deficit</b>	<b>-1,241,557</b>	<b>-11,671</b>
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#### Rate Funding of Deficit

Funding by way new targeted Annual Charge (Ward based)

	<u>Ward based</u>
Estimated Deficit From above	-1,253,228

Wanaka ward chargeable properties:	8,101
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Additional Amount to Charge (excl GST)	\$154.70
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Additional Amount to Charge (incl GST)	\$177.91
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