



# FINANCE AND CORPORATE COMMITTEE AGENDA

Thursday, 1 August 2019

Held in the Council Chamber at 1 p.m.,  
Level 2 Philip Laing House, 144 Rattray Street,  
Dunedin

## **Membership**

Cr Doug Brown	<i>(Chairperson)</i>
Cr Andrew Noone	<i>(Deputy Chairperson)</i>
Cr Graeme Bell	
Cr Michael Deaker	
Cr Carmen Hope	
Cr Trevor Kempton	
Cr Michael Laws	
Cr Ella Lawton	
Cr Sam Neill	
Cr Gretchen Robertson	
Cr Bryan Scott	
Cr Stephen Woodhead	

## **Disclaimer**

Please note that there is an embargo on agenda items until 48 hours prior to the meeting. Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

*For our future*

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## **1. APOLOGIES**

No apologies have been notified.

## **2. LEAVE OF ABSENCE**

No leaves of absence have been requested.

## **3. ATTENDANCE**

## **4. CONFIRMATION OF AGENDA**

*Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.*

## **5. CONFLICT OF INTEREST**

*Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.*

## **6. PUBLIC FORUM**

No requests from members of the public to speak under Public Forum have been received.

## **7. PRESENTATIONS**

No presentations are scheduled.

## **8. CONFIRMATION OF MINUTES**

### **8.1. Minutes of the 12 June 2019 Finance and Corp Meeting**

#### **Recommendation**

*That the minutes of the (public portion of the) meeting held on 12 June 2019 be received and confirmed as a true and accurate record.*

#### **Attachments**

1. Finance and Corporate Minutes 20190612 [**8.1.1** - 5 pages]

### **8.2. Minutes of the 12 June 2019 Public-excluded Finance and Corp Meeting**

#### **Recommendation**

*That the minutes of the public-excluded meeting held on 12 June 2019 be received and confirmed as a true and accurate record.*

#### **Attachments**

1. Finance and Corporate PE Minutes 20190612 [**8.2.1** - 2 pages]

## **9. ACTIONS**

### **Status report on the resolutions of the Finance & Corporate Committee**

There are no outstanding resolution actions for the Finance and Corporate Committee.

## 10. MATTERS FOR COUNCIL DECISION

### 10.1. Port of Otago Statement of Corporate Intent

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1906  
**Activity:** Governance Report  
**Author:** Nick Donnelly, General Manager Corporate Services  
**Endorsed by:** Nick Donnelly, General Manager Corporate Services  
**Date:** 24 July 2019

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#### PURPOSE

- [1] To receive Port Otago's Draft Statement of Corporate Intent and provide comment back to the Port for their consideration in the finalisation of the document. The Chair and Chief Executive of Port Otago Limited will be in attendance to answer any questions.

#### EXECUTIVE SUMMARY

- [2] Each year the Board of Port Otago Limited is required to provide, for the comment of Council as shareholder, a Draft Statement of Corporate Intent (SCI). The Draft Statement of Corporate Intent for the three years to 30 June 2022 has been received and is attached for Council's consideration and comment.
- [3] The Draft Statement of Corporate Intent sets out the objectives of the Port Otago group, and the intended nature and scope of activities for the three-year period to 30 June 2022. The three-year scenario covered by the Draft Statement is reviewed annually on a rolling basis.
- [4] The Statement of Corporate Intent process is the formal opportunity for Council, as 100% shareholder of the Port Otago Group, to have input into the intended activities of the company and its subsidiaries.

#### RECOMMENDATION

*That the Finance and Corporate Committee:*

- 1) **Receives** this report and the attached Draft Statement of Corporate Intent for Port Otago Limited.
- 2) **Endorses** the Statement of Corporate Intent.

## DRAFT STATEMENT OF CORPORATE INTENT

[5] Key aspects of the objectives included in the SCI are:

- To continue to improve the safety culture across all aspects of the business and progress critical risk elimination efforts to achieve our Zero Harm Objective.
- To provide a quality service to cargo owners (Customers) and shipping lines (Partners) by way of a competitive choice in the supply chain.
- To provide staff with a safe working environment, satisfying rewards and training within the Group.
- To continue to review activities and services focusing on continuous improvements and optimum utilisation of staff and resources to meet the demands of changing trade patterns.
- To implement pricing and cost management strategies so that long term profits are earned to give shareholders an appropriate return on the port infrastructure and to provide funds for future development of the Group.
- To recognise in all aspects of the Group's activities the environmental sensitivity of the Otago Harbour and the impact on local communities.
- To conduct itself as a good corporate citizen consulting on matters of public interest
- To communicate the Company's plans and achievements to staff, shareholders and the wider community and to be receptive to constructive comment.
- To manage the investment property portfolio through active acquisition, development and, at times, divestment to produce a diversified portfolio by property type and location.
- To manage investment property holdings to achieve the best long-term value gain while limiting exposure to undeveloped land.

[6] Specific activities for the year ending 30 June 2020 include:

### *Port Otago – port operations*

- a) Continue to build the safety culture across all aspects of the business.
- b) Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate infrastructure to enable sustainable cargo flows for future generations.
- c) Continue to invest in cruise infrastructure and resources to accommodate the expected 130 cruise ship visits.
- d) Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
- e) Continue to evaluate and where practical, implement technology solutions to deliver improved environmental outcomes, such as electric light vehicle fleet, automation solutions and shore power for vessels.

- f) Complete the Boiler Point fishing wharf to enable the public to enjoy this new public amenity.
- g) Obtain resource consent for the new beach project at Te Rauone and start construction of the groynes.
- h) Construct Port Otago office at Port Chalmers.
- i) Complete the removal of material from the Flagstaff Hill.
- j) Removal of all remaining asbestos from Port Otago facilities to move to an asbestos free workplace.
- k) Continue to work constructively with community consultative groups including supporting the independent chair of the Noise and Environment Committee to better understand neighbourhood issues and develop practical solutions.
- l) Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.

*Chalmers Properties Limited, subsidiary and joint ventures*

- a) Continue to implement the strategy for enhancement of the property portfolio.
- b) Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- c) Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

## **PERFORMANCE TARGETS**

- [7] Performance targets in relation to trade, container terminal productivity, environmental, health and safety, and financial measurement and performance are also set out in the document.

## **SHAREHOLDERS FUNDS AND DIVIDENDS**

- [8] The expected level of shareholders' funds as at June 2020 is \$525 million.
- [9] The dividend policy is to maintain ordinary dividends at least at \$7.5 million, increasing over time to within the range of 50% to 70% of the group's normalised operating surplus after tax.
- [10] Dividend amounts budgeted in Council's Long-Term Plan are; 2020 \$7.9m, 2021 \$8.1m, and 2022 \$8.3m.

## **CONSIDERATIONS**

### **Policy Considerations**

- [11] There are no Policy considerations.

### **Financial Considerations**

[12] Forecast dividends align with Council's LTP assumptions and are included in budgeted revenue calculations. Dividends are used to offset general rate funded activities.

### **Significance and Engagement**

[13] There are no significance and engagement considerations.

### **Legislative Considerations**

[14] The Port Companies Act 1988 requires the draft SCI to be delivered to Council within one month of the commencement of each financial year and for the completed document to be finalised within three months of the commencement of the financial year.

### **Risk Considerations**

[15] The primary risk is financial and relates to the Port's actual performance meeting the targets set out in the SCI and the Port's ability to pay dividends to Council. This includes underlying market risk which is inherent in the Port's commercial activities and dividends therefore not guaranteed and are dependent upon the Port's underlying financial performance.

### **NEXT STEPS**

[16] The Board of the Port will consider comments and feedback from Council and deliver the completed SCI by the end of September 2019 as required under the Port Com.

### **ATTACHMENTS**

1. Draft SCI June 2020-22 [**10.1.1** - 7 pages]



## 10.2. General Manager's Report

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1908  
**Activity:** Governance Report  
**Author:** Nick Donnelly, General Manager Corporate Services  
**Endorsed by:** Nick Donnelly, General Manager Corporate Services  
**Date:** 18 July 2019

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### PURPOSE

- [1] This report informs the Finance and Corporate Committee of significant financial and corporate activity and presents account payments to the Committee for endorsement.

### RECOMMENDATION

*That the Finance and Corporate Committee:*

- a) **Receives** this report.  
b) **Endorses** the May and June 2019 payments summarised and detailed in the payments schedule, totalling \$15,438,619.35.

### ACCOUNT PAYMENTS

- [2] Schedules of payments made are referred to the Finance and Corporate Committee for endorsement. The financial commitments and payment authorisation are made in accordance with Council's financial delegations and internal control procedures.

Payment Category	May 2019	June 2019	TOTAL
Trade payments	7,619,653.10	6,188,062.15	13,807,715.25
Payroll	818,966.89	811,937.21	1,630,904.10
<b>Total</b>	<b>8,438,619.99</b>	<b>6,999,999.36</b>	<b>15,438,619.35</b>

### ATTACHMENTS

Nil

## 11. MATTERS FOR NOTING

### 11.1. Public Transport Update

**Prepared for:** Finance and Corporate Committee  
**Report No.** CS1905  
**Activity:** Transport: Public Passenger Transport  
**Author:** Julian Philips, Team Leader Public Transport - Dunedin  
Stephen Patience, Senior Public Transport Officer - Queenstown  
**Endorsed by:** Gavin Palmer, General Manager Operations  
**Date:** 16 July 2019

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#### PURPOSE

[1] To update council on the following matters:

- Dunedin Network Performance
- Queenstown Network Performance
- Real time information - Queenstown
- Lake Hayes Estate service - Queenstown
- Relocation of Camp Street bus hub
- Employment Relations Act (ERA) Regulations
- NZTA Annual Customer Satisfaction Surveys

#### RECOMMENDATION

*That the Council:*

1. **Receives** this report.

#### DUNEDIN NETWORK PERFORMANCE

- [2] Full year revenue and patronage has shown a month-on-month upward trend compared to the previous financial year, up 7% and 8% respectively for the 2018/19 financial year (Appendix 1). This compares favourably to the 3% annual plan targeted growth for patronage.
- [3] The exception to the trend is June 2018/19, which has a very small increase in patronage and for the first time in this financial year, a reduction in revenue of 2%. This is likely attributable to disruption caused by major works at the Bus Hub, the closure of a major 5- way junction at Pitt Street and a temporary failure of the 'Tickits' Electronic Ticketing System for Ritchies Services. Staff will review the ticketing system and revise the figures for June for the next report, should data be recoverable.

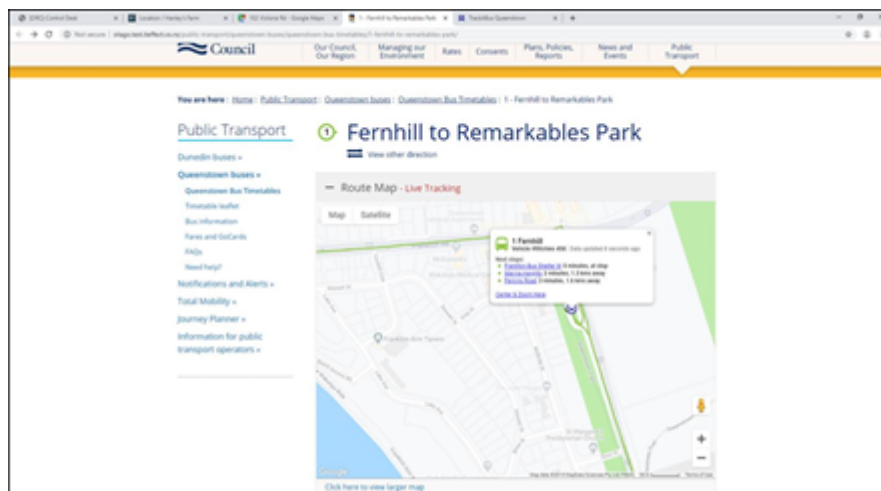
#### QUEENSTOWN NETWORK PERFORMANCE

- [4] Full year revenue and patronage has shown a month-on-month upward trend compared to the previous financial year, up 17% and 64% respectively for the 2018/19 financial year (Appendix 2). Year to date patronage is tracking at 182% of calendar year 2017, exceeding the annual plan target of 105%.

- [5] The reason for this high percentage is the comparison of a financial year-to-date 2018/19 figure versus a calendar year 2017 figure. The ORC public transport service was delivered in mid-November 2017; therefore, the comparison includes approximately 10.5 months of the previous, commercial network, prior to the introduction of Orbus. Future reporting will be restricted to calendar year comparisons as per the Dunedin network, which provides a truer representation of network performance, being a measure of Orbus network growth rather than a comparison to the previous network.

## REAL TIME INFORMATION, QUEENSTOWN

- [6] A real time bus tracking trial service will be launched in Queenstown, provided by TrackABus. The service, which will launch on 23<sup>rd</sup> July, includes tracking via desktop and mobile phone, together with a text service for passengers without smart phones. Large on-street display screens at the Frankton Hub will also be reactivated. The 2019/20 Annual Plan provides for these initiatives.
- [7] The Transport team will continue to work with other partners to deliver improved digital information, for example the Choice Journey Planning App being developed by the NZTA.



## LAKE HAYES ESTATE SERVICE – QUEENSTOWN

- [8] A timetable for the Lake Hayes Direct service has been developed by our consultant. Costs to operate the service are currently being worked through and we expect that this will be made with a variation to our existing contract with Ritchies. We are aiming to bring this to council in August, with a Q4 2019 implementation.
- [9] Transport staff have created a data feed to ensure that this service operates within the forthcoming Regional Integrated Ticketing System (RITS) environment.

## RELOCATION OF CAMP STREET BUS HUB

- [10] QLDC, NZTA and ORC are progressing with the requirements to relocate the bus stops currently in Camp Street over to Stanley Street on State highway 6A. While a start date has yet to be confirmed, it is expected that this will be complete and in place in Spring. It is not anticipated that there will be any impact to the operation of services.

## **ERA REGULATIONS**

- [11] Transport staff continue to work with operators to manage and minimise the potential impacts of new Employment Relations Act 'meal break' regulations that were introduced in May 2019. Operators are expected to confirm this month (July) their requirements to comply with legislation.
- [12] To date, no services have been dropped but there have been additional costs incurred to maintain levels of service. This is primarily because the new regulations require a ten-minute break every two hours, which affects the timetabling of services and driver scheduling. Replacement drivers may be shuttled between services and/or buses that were previously held at termini may be returned to the bus depot to fit with revised driver duties.
- [13] NZTA have advised that for ERA-associated costs in May/June of FY 2018/19, the intention is to either:
- [14] Use 2018/19 budget surpluses where available to offset rest and meal break related costs; or
- [15] If there isn't a surplus, bring forward monies from the 2019/20 budget to meet costs and then top up the 2019/20 budget for the difference.
- [16] A full ERA update should be available for the next committee meeting.

## **NZTA ANNUAL CUSTOMER SATISFACTION SURVEYS**

- [17] Annual surveys conducted for the NZTA have been completed and are attached to this report. The surveys are only required to be conducted biennially, however ORC have chosen to annually survey passengers for the past 5 years.
- [18] The results are used to advise operators and the transport team of the public's views on key performance areas, and to assist the NZTA with an informal view of how the service is performing, outside of patronage and financial statistics.
- [19] Measurements that are less tangible than those driven by collectible data, such as bus cleanliness and reasons for bus use, are compared against previous years (2017 and 2018 for Dunedin, 2018 for Queenstown) and used as a basis for highlighting service improvement requirements.
- [20] Whilst both surveys show high levels of overall satisfaction, there are some noticeable drops in the Dunedin results, albeit remaining at a high level. It is anticipated that the results for the 2019/20 survey will improve due to the completion of the Bus Hub and infrastructure works that have caused congestion in the city.

## **ATTACHMENTS**

1. Dunedin and Wakatipu Transport Network Performance June 2019 [**11.1.1** - 5 pages]
2. Wakatipu Stats [**11.1.2** - 1 page]
3. Dunedin Stats [**11.1.3** - 1 page]

## 12. NOTICES OF MOTION

No Notices of Motion were submitted.

## 13. RECOMMENDATIONS OF MEETINGS

### 13.1. Recommendations of the 20 June 2019 Audit and Risk Subcommittee Meeting

Recommendations of the public portion of the Audit and Risk Subcommittee meeting held on 20 June 2019 for adoption.

#### 10.1. A&R1868 Treasury Report - March 2019

##### Resolution

*That the Audit and Risk Subcommittee:*

- a) **Receives** this report.

Moved: David Benham

Seconded: Cr Brown

CARRIED

#### 10.2. A&R1869 Annual Report Timetable and Matters under Consideration

##### Resolution

*That the Audit and Risk Subcommittee:*

- a) **Receives** this report.  
b) **Endorses** the Fixed Assets and Capitalisation Policy.

Moved: Cr Kempton

Seconded: David Benham

CARRIED

### 13.2. Recommendations of the 20 June 2019 Public-excluded Audit & Risk Subcommittee Meeting

Recommendations of the public-excluded portion of the Audit and Risk Subcommittee meeting held on 20 June 2019 for adoption.

#### 3.1. Audit Plan

##### Resolution

*That the Audit and Risk Subcommittee:*

- a) **Receives** this report and the attached Deloitte Audit Planning Report.

Moved: Cr Woodhead

Seconded: Cr Brown

CARRIED

### 3.2. Managed Fund Report - March 2019

#### Resolution

*That the Audit and Risk Subcommittee:*

- a) *Receives*** this report and the attached JB Were Premium Custody Report and JB Were Income and Expense Summary.

Moved: Cr Brown  
Seconded: Cr Woodhead  
CARRIED

### 3.3. Investment Manager Transfer Update

#### Resolution

*That the Audit and Risk Subcommittee:*

- a) *Receives*** this report.

Moved: David Benham  
Seconded: Cr Brown  
CARRIED

### 3.4. Insurance Renewal

#### Resolution

*That the Audit and Risk Subcommittee:*

- a) *Receives*** this report.  
**b) *Requests*** staff to circulate the final position for insurance renewal at 30 June and report on the review to the next Audit and Risk Subcommittee meeting.

Moved: David Benham  
Seconded: Cr Woodhead  
CARRIED

### 3.5. Risk Report

#### Resolution

*That the Audit and Risk Subcommittee:*

- a) *Receives*** this report.  
**b) *Requests*** staff to add risk to the Terms of Reference for all committees in new triennium.

Moved: David Benham  
Seconded: Cr Woodhead  
CARRIED

## 13. CLOSURE

## Finance and Corporate Committee 20190801 Attachments

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Minutes of a meeting of the  
Finance and Corporate Committee held in the  
Council Chamber on Wednesday 12 June 2019, commencing at  
11:00 am

**Membership**

Cr Doug Brown	<i>(Chairperson)</i>
Cr Andrew Noone	<i>(Deputy Chairperson)</i>
Cr Graeme Bell	
Cr Michael Deaker	
Cr Carmen Hope	
Cr Trevor Kempton	
Cr Michael Laws	
Cr Ella Lawton	
Cr Sam Neill	
Cr Gretchen Robertson	
Cr Bryan Scott	
Cr Stephen Woodhead	

**Welcome**

Cr Doug Brown welcomed Councillors, members of the public and staff to the meeting.



## **1. APOLOGIES**

No apologies were made.

## **2. LEAVE OF ABSENCE**

No leaves of absence were submitted.

## **3. ATTENDANCE**

Sarah Gardner      *(Chief Executive)*  
Nick Donnelly      *(General Manager Corporate Services and CFO)*  
Gavin Palmer      *(General Manager Operations)*  
Sally Giddens      *(General Manager People, Culture and Communications)*  
Peter Winders      *(Acting General Manager Regulatory)*  
Andrew Newman    *(Acting General Manager Policy, Science and Strategy)*  
Liz Spector        *(Committee Secretary)*  
Stuart Lanham      *(Manager Finance)*

## **4. CONFIRMATION OF AGENDA**

The agenda was confirmed.

## **5. CONFLICT OF INTEREST**

No conflicts of interest were advised.

## **6. PUBLIC FORUM**

No public forum was held.

## **7. PRESENTATIONS**

No presentations were held.

## **8. CONFIRMATION OF MINUTES**

### **Resolution**

*That the minutes of the (public portion of the) meeting held on 1 May 2019 be received and confirmed as a true and accurate record.*

Moved:        Cr Hope

Seconded:    Cr Neill

**CARRIED**

## **9. ACTIONS**

There are no outstanding actions for the Finance Committee.

## **10. MATTERS FOR COUNCIL DECISION**

### 10.1. General Manager's Report

Cr Brown asked Nick Donnelly, GM Corporate Services to speak to his GM Report. Mr Donnelly summarised the report, noting the upcoming deadlines related to the October Election, an update on rates collection for 2018/19 and the schedule of payments made by the ORC for the 3rd quarter of financial year 2018/19. There were no questions and Cr Brown asked for a motion.

#### Resolution

*That the Finance and Corporate Committee:*

- a) **Receives** this report.
- b) **Endorses** the April 2019 payments summarised and detailed in the payments schedule, totalling \$5,789,382.98.

Moved: Cr Noone  
Seconded: Cr Hope

#### **CARRIED**

Cr Laws asked for clarification around the recently-circulated elected member election protocols. He requested a discussion of the protocols be had around the governance table as he said there is no legal or policy sanction of the protocols unless adopted by Council. Chief Executive Sarah Gardner said she consulted with other chief executives about the protocols and said they have been set through consultation with Auditor General and are part of the election process run from an operational perspective rather than governance perspective. Cr Kempton agreed that the protocols should not come to the governance table. He said the protocols have been put together as a practical interpretation of the requirements of the Local Government Act in relation to election rules. He said if an elected member chooses not to follow the protocols it will be at their own risk. Cr Laws stated the Office of the Auditor General advises that Councils adopt the protocols. Cr Brown moved to adopt the Election Protocols for Elected Members as provided by the electoral officer and staff.

#### Resolution

*That the Finance and Corporate Committee:*

- a) **Adopt** the ORC Election Protocols for Elected Members.

Moved: Cr Brown  
Seconded: Cr Noone

Cr Deaker questioned the guideline that states "any Elected Members' radio slots will be suspended." He asked if this applied to his Sunday Morning radio program. Cr Laws asked if his weekly radio slot and weekly column in a community newspaper would be considered contrary to the protocol as he has no intention of stopping those two items during the election period. Cr Deaker asked if they could have clarification on that protocol. Cr Noone suggested the mentioned protocol is directed to radio slots paid for or sponsored by the Council, not independent programming. Cr Scott asked if the protocols should be brought to a Council Meeting for noting. Cr Brown said it would be up to the integrity of an individual to follow the

protocols or not. Cr Laws moved that the motion to adopt the protocols lie on the table to the 26 June Council Meeting. Cr Hope seconded that motion and the vote was unanimous.

### **Resolution**

That the motion to adopt the ORC Election Protocols for Elected Members lie on the table until the 26 June 2019 Council Meeting to allow further discussion and clarification.

Moved Cr Laws

Seconded Cr Hope

**CARRIED**

### **10.2. Annual Plan 2019-20**

Mike Roesler, Manager Corporate Planning, addressed his report presenting the draft final Annual Plan 2019/20 to the Committee. Cr Deaker suggested that the Annual Plan language be tailored to resonate with the community and to use more plain language. Cr Noone asked about the timing of the review of fees and charges and if the elected members will have an opportunity to provide input into that process. Mr Donnelly said a team across Finance and Consents are reviewing the fees, charges, rates and deposit requirements and if the team highlights any increases, public consultation will be required. Cr Noone then asked about the Funding Impact Statement which was attached to the report. He noted that the capital valuation amounts noted for the Shotover Delta Rates were all quoted as \$1.19 and thought this might need proofreading. Mr Donnelly said he will make sure this gets updated. Cr Lawton suggested that for the sake of clarity, when referencing the water plan in different documents that they be titled similarly, water plan implementation rather than water policy. Mr Roesler said he will review to ensure clarity of labels for water implementation and make consistent with the council document. Cr Bell said people are concerned over fee changes and rising costs. He asked that staff ensure public consultation occurs prior to any increases. Cr Woodhead noted that one of the recommendations arising from the Consents Review was to conduct a review of fees and charges. He said a goal of the Annual Plan publication is to ensure the community understands how the costs are determined, acknowledging the rates rise and growing costs for the same priorities. There was no further discussion and Cr Brown asked for a motion

### **Resolution**

*That the Council:*

- 1) **Adopts** the proposed Annual Plan 2019-20 as circulated with this committee report
- 2) **Notes** that council staff will complete a final proof edit of the Annual Plan 2019-20 version as provided to this committee and a publish version will be presented for adoption at the 26 June 2019 Council meeting.

Moved: Cr Woodhead

Seconded: Cr Noone

**CARRIED**

## **11. NOTICES OF MOTION**

No Notices of Motion were filed.

## **12. RESOLUTION TO EXCLUDE THE PUBLIC**

## Resolution

Moved: Cr Brown

Seconded: Cr Noone

**CARRIED**

The following resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 7 of that Act.

*On the grounds that matters will be prejudiced by the presence of members of the public during discussions on the following items, **it is resolved:***

1. *That the following items are considered with the public excluded:*

Meeting Item	Grounds for excluding the public
1.1 Confirmation of the minutes of the 1 May 2019 Public-Excluded Finance and Corporate Committee Meeting.	To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (Section 7(2)(h))  To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Section 7(2)(i))

## Resolution

*That the meeting resume in public session at 11:50 am.*

Moved: Cr Brown

Seconded: Cr Hope

**CARRIED**

## 13. CLOSURE

The meeting was declared closed at 11:50 am.

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Chairperson

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Date



Minutes of a public excluded meeting of the  
Finance and Corporate Committee held in the  
Council Chamber at Level 2 Philip Laing House  
144 Rattray Street, Dunedin on 12 June 2019

**Membership**

Cr Doug Brown

*(Chairperson)*

Cr Andrew Noone

*(Deputy Chairperson)*

Cr Graeme Bell

Cr Michael Deaker

Cr Carmen Hope

Cr Trevor Kempton

Cr Michael Laws

Cr Ella Lawton

Cr Sam Neill

Cr Gretchen Robertson

Cr Bryan Scott

Cr Stephen Woodhead

**Welcome**

Cr Brown welcomed Councillors and invited staff to the meeting.

## 1. CONFIRMATION OF MINUTES

### Resolution

*That the minutes of the public excluded portion of the Finance and Corporate Committee meeting held on 1 May 2019 be received and confirmed as a true and accurate record.*

Moved: Cr Robertson

Seconded: Cr Hope

**CARRIED**

## 2. CLOSURE

There was no further business and the public excluded Finance and Corporate Committee meeting was declared closed.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date

## For three years to 30 June 2022

This statement is presented by the Directors of Port Otago Limited in accordance with the requirements of Section 9 of the Port Companies Act 1988 and reflects the intentions of Port Otago Limited, its subsidiaries and associates (“the Group”) for the three years of the Company’s operations from July 2019 to June 2022.

### 1. Objectives of the Group

- 1.1. To continue to improve the safety culture across all aspects of the business and progress critical risk elimination efforts to achieve our Zero Harm Objective.
- 1.2. To provide a quality service to cargo owners (Customers) and shipping lines (Partners) by way of a competitive choice in the supply chain.
- 1.3. To provide staff with a safe working environment, satisfying rewards and training within the Group.
- 1.4. To continue to review activities and services focusing on continuous improvements and optimum utilisation of staff and resources to meet the demands of changing trade patterns.
- 1.5. To implement pricing and cost management strategies so that long term profits are earned to give shareholders an appropriate return on the port infrastructure and to provide funds for future development of the Group.
- 1.6. To recognise in all aspects of the Group’s activities the environmental sensitivity of the Otago Harbour and the impact on local communities.
- 1.7. To conduct itself as a good corporate citizen consulting on matters of public interest.
- 1.8. To communicate the Company’s plans and achievements to staff, shareholders and the wider community and to be receptive to constructive comment.
- 1.9. To manage the investment property portfolio through active acquisition, development and, at times, divestment to produce a diversified portfolio by property type and location.
- 1.10. To manage investment property holdings to achieve the best long-term value gain while limiting exposure to undeveloped land.

### 2. Nature and scope of activities

- 2.1. The activities of the Company, its subsidiaries and associates are to comprise generally:
  - 2.1.1. The efficient operation and promotion of the Port Otago Group.
  - 2.1.2. Provision of integrated container and bulk cargo handling, warehousing, container depot and cruise services.

- 2.1.3. Provide pilotage and towage services to facilitate the safe navigation of commercial shipping requiring pilotage within the Otago Harbour and Fiordland.
  - 2.1.4. Grow the investment property portfolio, evaluate and take up new investment and development opportunities to improve asset values, and rates of return. Sales of leasehold land will be considered where a sale advances development and employment opportunities in Dunedin.
  - 2.1.5. Evaluate opportunities considered likely to add value to, or enhance the competitiveness of, the Company.
  - 2.1.6. Such other actions that may be required to meet the objectives of the Company recorded under item (1) above.
- 2.2. The following table details the company's trading subsidiaries and joint ventures:

Name	% owned	Principal Activity
<b>Subsidiaries</b>		
Chalmers Properties Limited	100%	Property investment
Te Rapa Gateway Limited	100%	Property investment
Fiordland Pilot Services Limited	100%	Shipping services
<b>Joint ventures and associates</b>		
Icon Logistics Limited	50%	Transport company
Hamilton Porter Joint Venture	66.6%	Property investment

- 2.3. The specific activities of the Group for the three years under review to June 2022 are expected to include the following:

2.3.1. Year ending June 2020

Port Otago – port operations

- a) Continue to build the safety culture across all aspects of the business.
- b) Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate infrastructure to enable sustainable cargo flows for future generations.
- c) Continue to invest in cruise infrastructure and resources to accommodate the expected 130 cruise ship visits.
- d) Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
- e) Continue to evaluate and where practical, implement technology solutions to deliver improved environmental outcomes, such as electric light vehicle fleet, automation solutions and shore power for vessels.
- f) Complete the Boiler Point fishing wharf to enable the public to enjoy this new public amenity.
- g) Obtain resource consent for the new beach project at Te Rauone and start construction of the groynes.
- h) Construct Port Otago office at Port Chalmers.



- i) Complete the removal of material from the Flagstaff Hill.
- j) Removal of all remaining asbestos from Port Otago facilities to move to an asbestos free workplace.
- k) Continue to work constructively with community consultative groups including supporting the independent chair of the Noise and Environment Committee to better understand neighbourhood issues and develop practical solutions.
- l) Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.

Chalmers Properties Limited, subsidiary and joint ventures

- a) Continue to implement the strategy for enhancement of the property portfolio.
- b) Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- c) Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

2.3.2. Year ending June 2021

Port Otago – port operations

- a) Continue to build the safety culture across all aspects of the business.
- b) Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate infrastructure to enable sustainable cargo flows for future generations.
- c) Continue to invest in cruise infrastructure and resources to handle the expected 140 cruise ship visits.
- d) Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
- e) Continue to evaluate and where practical, implement technology solutions to deliver improved environmental outcomes, such as electric light vehicle fleet, automation solutions and shore power for vessels.
- f) Complete the new Port Otago office at Port Chalmers and demolish the current office building.
- g) Construction of the groynes and sand re-nourishment at Te Rauone beach
- h) Continue to work constructively with community consultative groups including supporting the independent chair of the Noise and Environment Committee to better understand neighbourhood issues and develop practical solutions.
- i) Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.

Chalmers Properties Limited, subsidiary and joint ventures

- a) Continue to implement the strategy for enhancement of the property portfolio.

- b) Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- c) Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

### 2.3.3. Year ending June 2022

#### Port Otago – port operations

- a) Continue to build the safety culture across all aspects of the business.
- b) Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate infrastructure to enable sustainable cargo flows for future generations.
- c) Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
- d) Continue to evaluate and where practical, implement technology solutions to deliver improved environmental outcomes, such as electric light vehicle fleet, automation solutions and shore power for vessels.
- e) Continue to work constructively with community consultative groups including supporting the independent chair of the Noise and Environment Committee to better understand neighbourhood issues and develop practical solutions.
- f) Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.

#### Chalmers Properties Limited, subsidiary and joint ventures

- a) Continue to implement the strategy for enhancement of the property portfolio.
- b) Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- c) Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

### 3. Ratio of Consolidated Equity to Total Assets

Financial Year ending 30 June	Actual or estimate	Consolidated Shareholders funds (equity)	Total assets	Ratio of Shareholders Funds to Total Assets (equity ratio)
2018	Actual	\$468m	\$583m	80%
2019	Estimate	\$507m	\$600m	84%
2020	Estimate	\$525m	\$642m	82%
2021	Estimate	\$540m	\$658m	82%
2022	Estimate	\$555m	\$677m	82%

Equity comprises the issued and paid up capital together with retained earnings, the property revaluation reserve and any other reserves. Total assets represent all assets of the Group determined in accordance with the accounting policies as set out in the 2019 Annual Report.

The preferred range over time for the equity ratio is between 70% and 85%. The timing of capital expenditure, the income yields on Company investments and prevailing market conditions may mean it is prudent for the Company to operate outside the preferred equity ratio range for periods of time.

#### 4. Accounting Policies

The Company's accounting policies are detailed in the 2019 Annual Report which is available from the Company's website located at [www.portotago.co.nz](http://www.portotago.co.nz)

#### 5. Performance Targets

The performance of the Company in relation to its objectives may be judged by comparing actual results with budgeted targets of the following nature:

##### 5.1. Health & Safety

The Company has a Zero Harm strategy in place whereby it endeavours to be an industry leader in setting new standards of health and safety. With the involvement of every team member it is planned we'll thoroughly understand and manage our critical risks, to progressively improve health and safety performance across the business.

The key health and safety performance measures are:

- Maintain a Total Recordable Injury Frequency Rate (TRIFR) of < 10 for every 1 million man hours worked.
- Leadership undertake a minimum of 40 Visual Safety Leadership Audits / Observations each month.
- Identification and management of critical risks.

##### 5.2. Trade

Port Otago's 2020 financial year budgeted container throughput is 180,000 twenty foot equivalent units (TEU) and the budgeted conventional cargo throughput is 1.7 million tonnes.

The expected number of cruise vessel arrivals in the year to 30 June 2020 is 123 vessels.

##### 5.3. Container terminal productivity

The Company aims to achieve average gross container crane productivity for the year ending 30 June 2020 of 27.5 lifts per crane hour.

##### 5.4. Sustainability

The Company aims to minimise the impact of port operations on the environment and our neighbours.

*The key Sustainable Performance targets are:*

- No Harbour pollution discharge occurrences
- No breaches of consent conditions

- Reduction in energy usage and adoption of new technology such as electric vehicles

## 5.5. Financial measurement and performance

The performance measures to be used are:

Earnings before interest, taxation, realised and unrealised investment property gains (EBIT) return on average total assets.

Return on equity	Profit, including unrealised fair value movements, divided by average shareholders' equity.
Equity ratio	The percentage that equity represent of total assets with the target range between 70% and 85%.
Debt servicing ratio	The number of times interest is covered by the profit before tax, interest, unrealised fair value movements and unrealised impairment charges. Unrealised fair value movements include investment property revaluations, changes in the value of interest rate swaps and changes in the value of foreign exchange contracts.

The budgeted targets for Port Operations, Chalmers Properties Ltd (excluding property revaluations) and the Port Otago Group for the year ending 30 June 2020 are:

### Port Operations

EBIT return on average assets	6.7%
Return on average equity	5.9%

### Chalmers Properties Ltd

EBIT return on average assets	5.3%
Return on average equity	4.4%

(Property revaluations not included)

### Port Otago Group

EBIT return on average assets	6.0%
Return on average equity	5.0%
Equity ratio at 30 June 2020	82%
Debt servicing ratio	10.9 times

## 6. Dividend Policy

The return to the shareholders from shares held in Port Otago Limited will include dividends from trading profits earned.

The intention is to maintain ordinary dividends at least at \$7.5 million, increasing over time to within the range of 50% to 70% of the group's normalised operating surplus after tax.

## 7. Information for Shareholder

Sufficient information will be made available to the Company's shareholder so that they may properly assess the value of their investment in the Company, in particular any change in value.

An Interim Report covering the six months to 31 December of each year shall be provided by 28 February of each year. The report shall include a commentary on activities and unaudited financial statements for the period.

The Annual Report for each year ending 30 June shall be provided by 30 September of each year. The annual report shall include a commentary on activities; a comparison with performance targets set out in the Statement of Corporate Intent and audited financial statements for the year.

In conjunction with the Interim and Annual Reports the Company shall report to the shareholder on progress with implementing the Objectives and the Specific Activities set out in the Statement of Corporate Intent.

## 8. Procedures for business acquisition

The Group will only invest in shares of another company or business if the acquisition will produce shareholder added value over the longer term.

If any Company within the Group intends to subscribe for or otherwise acquire a financial interest in any company or business where the cost of that interest or acquisition exceeds 10% of Group shareholders' funds it will have prior consultation with its shareholders.

## 9. Activities subject to Compensation

The Company will provide the following services for the Otago Regional Council for which the company expects to be remunerated or reimbursed by the Regional Council:

- a) Assistance in matters of good navigation and safety on Otago Harbour.
- b) Provision of such services as may be requested by the Regional Council.

# Appendix 1 - Dunedin Public Transport Report

June 2019

Dunedin fare revenue for June is showing a very slight decrease compared to June 2018, this may be due to an issue in the ticketing system for some routes last month's so not all trips were reported in the system. Patronage for the month of June has levelled out and is only showing at very slight .1% increase. Fare revenue for the 2018/19 financial year shows an increase of 7% for the months July 2018 – June 2019.

**2018/2019 Patronage Target = 3% increase**

**Year to date = 8% increase**

Fare Revenue June 2019

**\$460,906**

▼ -2% vs June 2018

2018/19 Fare Revenue  
financial year to date

**\$5,876,622**

▲ 7% vs 2017/18

Patronage June 2019

**204,028**

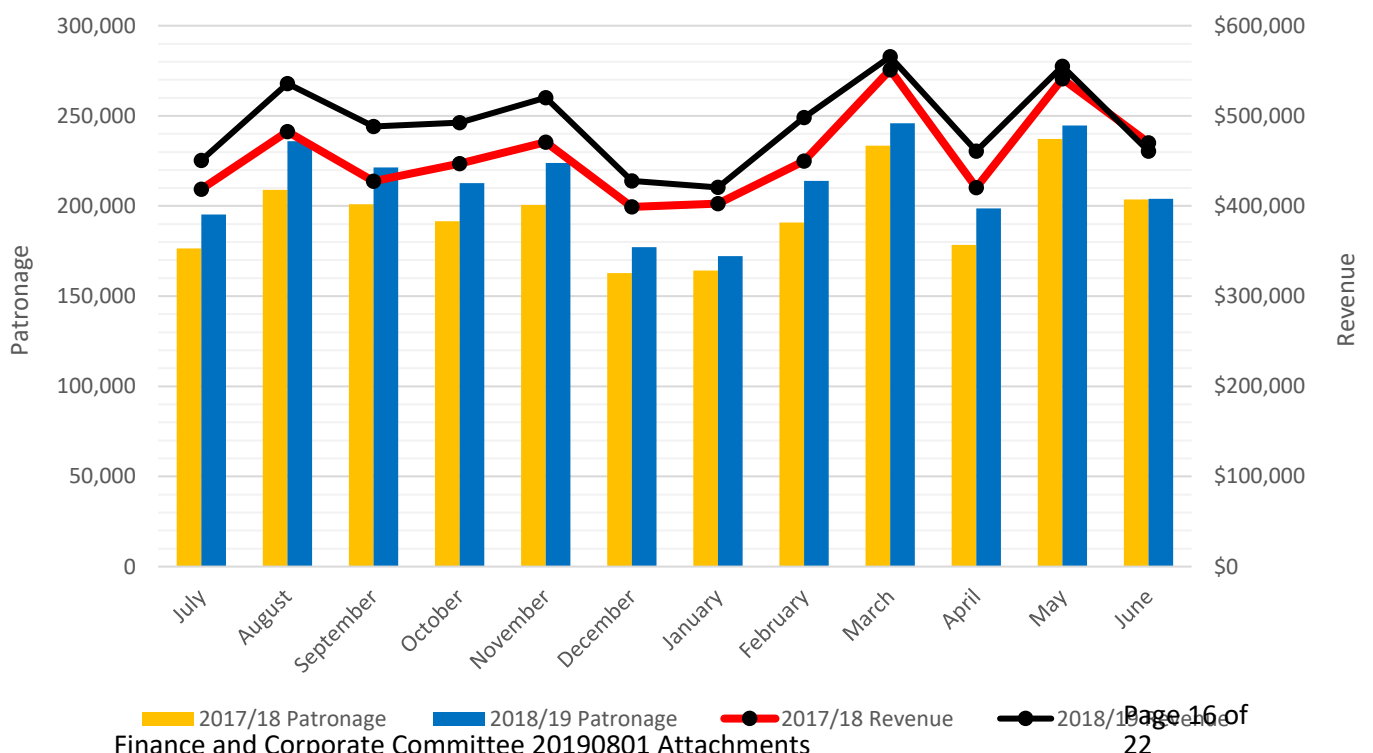
▲ 0.14% vs June 2018

2018/19 Patronage  
financial year to date

**2,545,726**

▲ 8% vs 2017/18

Dunedin Patronage and Revenue



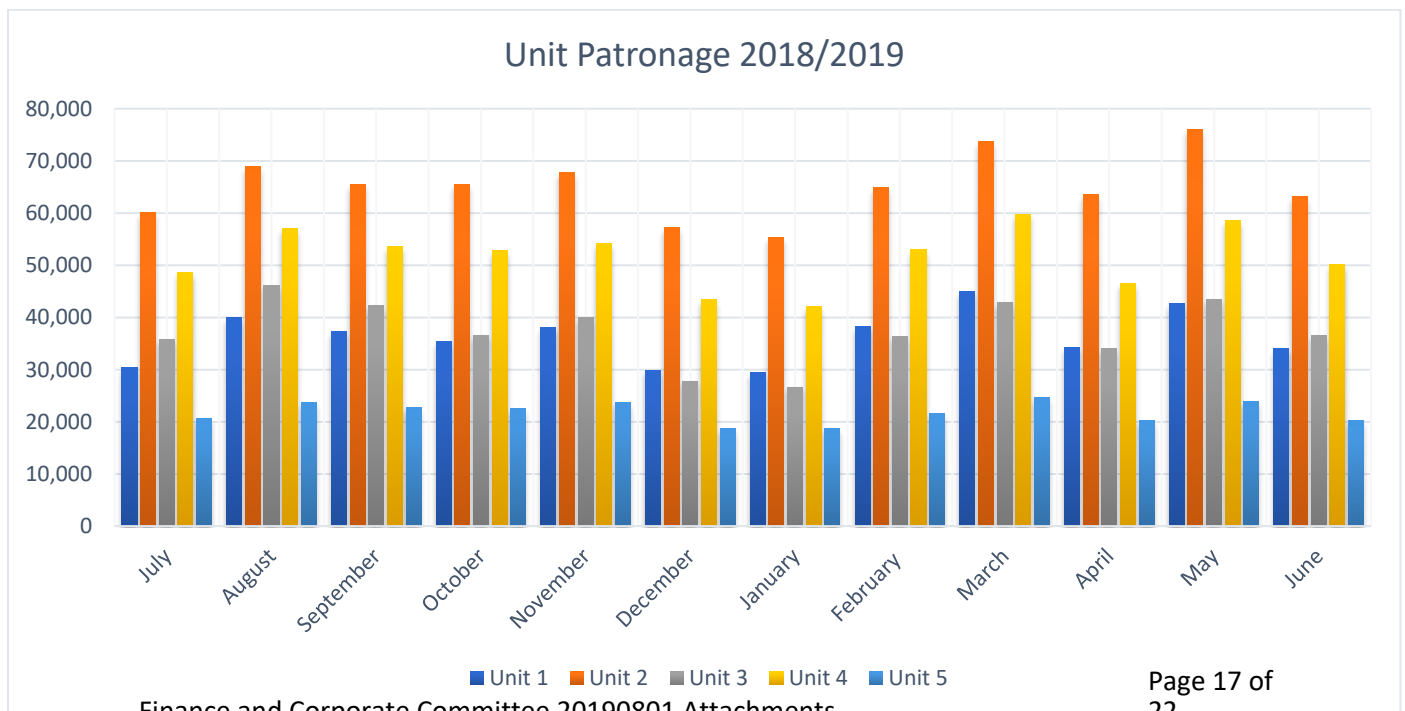
The graph above shows revenue and patronage for the 2018/2019 financial year (blue bar = patronage and black line = revenue) compared to the previous financial year.

<b>Unit 1</b> <ul style="list-style-type: none"> <li>Balaclava</li> <li>Logan Park</li> <li>Concord</li> <li>Port Chalmers</li> <li>Northern services</li> <li>Peninsula</li> </ul>	<b>Unit 2</b> <ul style="list-style-type: none"> <li>St Clair</li> <li>Normanby</li> <li>Corstorphine</li> <li>Wakari</li> <li>St Clair Park</li> <li>Helensburgh</li> </ul>	<b>Dunedin Transitional Services</b> <ul style="list-style-type: none"> <li>Pine Hill</li> <li>Lookout Point</li> <li>Shiel Hill</li> <li>Opoho</li> <li>Ridge Runner</li> </ul>	<b>Unit 4</b> <ul style="list-style-type: none"> <li>Brockville/Half. Bush/St Kilda</li> <li>Waverley</li> <li>Ocean Grove</li> <li>Ross Creek</li> <li>Belleknowes</li> <li>Kenmure</li> </ul>	<b>Unit 5</b> <ul style="list-style-type: none"> <li>Mosgiel</li> <li>Mosgiel Loop</li> <li>Abbotsford</li> </ul>
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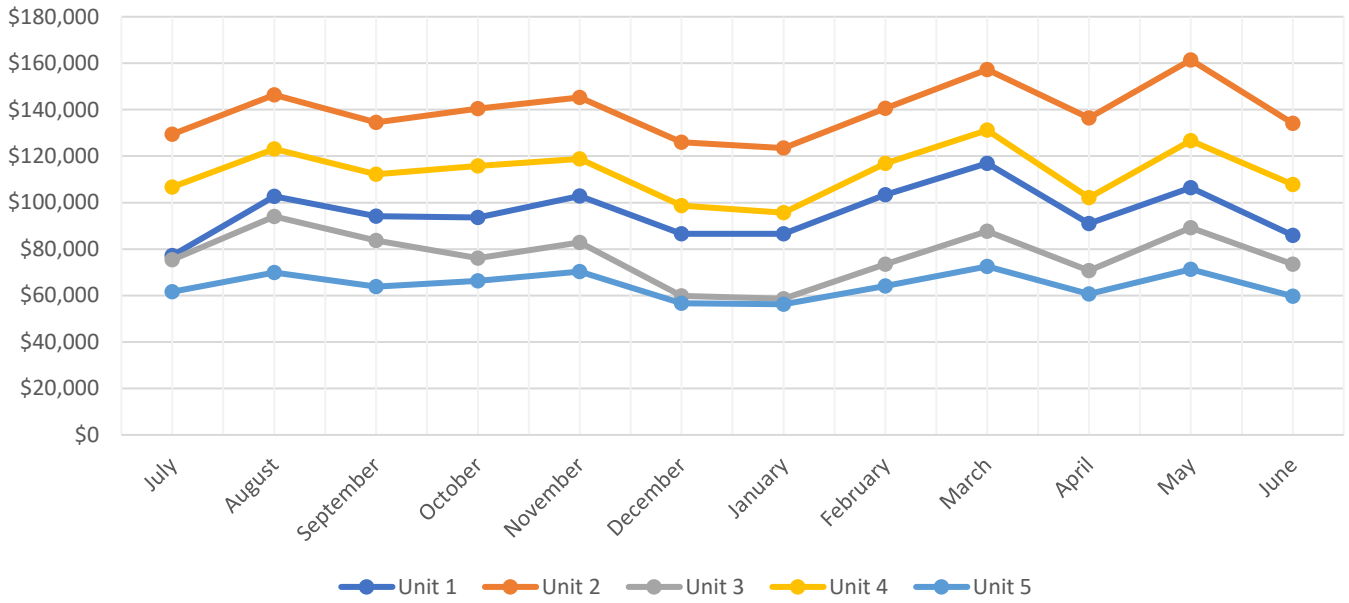
<p><b>Unit 1 Revenue</b> June 2019 <b>\$85,918</b> ▼ -5% vs June 2018</p> <p><b>Unit 1 Patronage</b> <b>33,953</b> ▼ -3% vs June 2018</p>	<p><b>Unit 2 Revenue</b> June 2019 <b>\$134,065</b> ▲ 2% vs June 2018</p> <p><b>Unit 2 Patronage</b> <b>63,218</b> ▲ 3% vs June 2018</p>	<p><b>Transitional Services Revenue</b> June 2019 <b>\$73,459</b> ▼ -7% vs June 2018</p> <p><b>Unit 3 Patronage</b> <b>36,553</b> ▼ -6% vs June 2018</p>
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<p><b>Unit 4 Revenue</b> June 2019 <b>\$107,754</b> ▲ 1% vs June 2018</p> <p><b>Unit 4 Patronage</b> <b>50,089</b> ▲ 1% vs June 2018</p>	<p><b>Unit 5 Revenue</b> June 2019 <b>\$59,707</b> ▼ -2% vs June 2018</p> <p><b>Unit 5 Patronage</b> <b>20,215</b> ▼ -3% vs June 2018</p>
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Patronage and Revenue for all Dunedin units have decreased from last month (May 2019).



### Unit Revenue 2018/2019





# Appendix 2 - Queenstown Public Transport

June 2019

Queenstown fare revenue and patronage continues to rise compared to the previous year. Fare Revenue from the 2018/19 financial year shows an increase of 17%. Patronage for the financial year is showing an 64% increase compared to July-June 2017/18.

**Patronage Target = 105% increase on 2017**

**Year to date = 182% increase**

Fare Revenue June 2019

**\$279,199**

▲ 11% vs June 2018

2018/19 Fare Revenue  
financial year to date

**\$3,519,571**

▲ 17% vs 2017/2018

Patronage June 2019

**124,514**

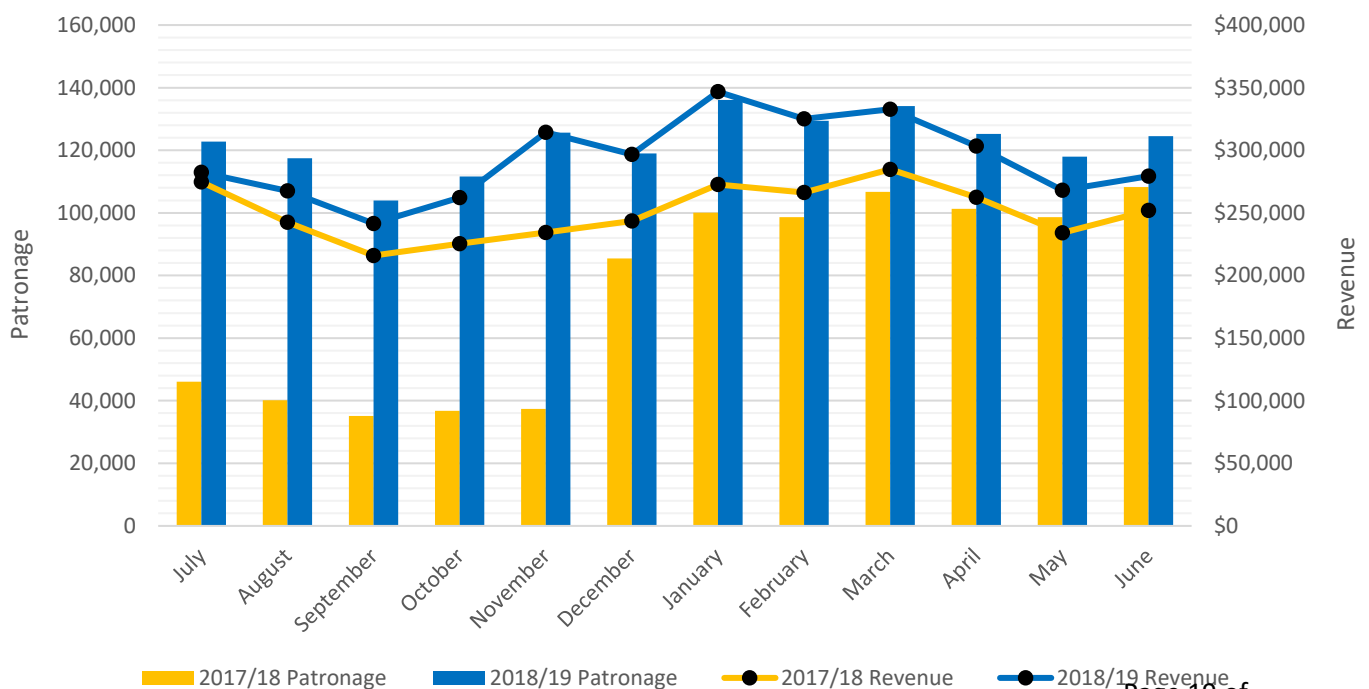
▲ 15% vs June 2018

2018/19 Patronage  
financial year to date

**1,467,778**

▲ 64% vs 2017/2018

Wakatipu Partronage and Revenue



The graph above shows revenue and patronage for 2018/2019 compared to the previous year 2017/2018.

- | Unit 6  | Unit 7   |
|---|--|
| <ul style="list-style-type: none"> <li>Fernhill – Remarkables Park</li> <li>Lake Hayes – Jacks Point</li> </ul> | <ul style="list-style-type: none"> <li>Arthurs Point – Arrowtown</li> <li>Kelvin Heights – Frankton Flats</li> </ul> |

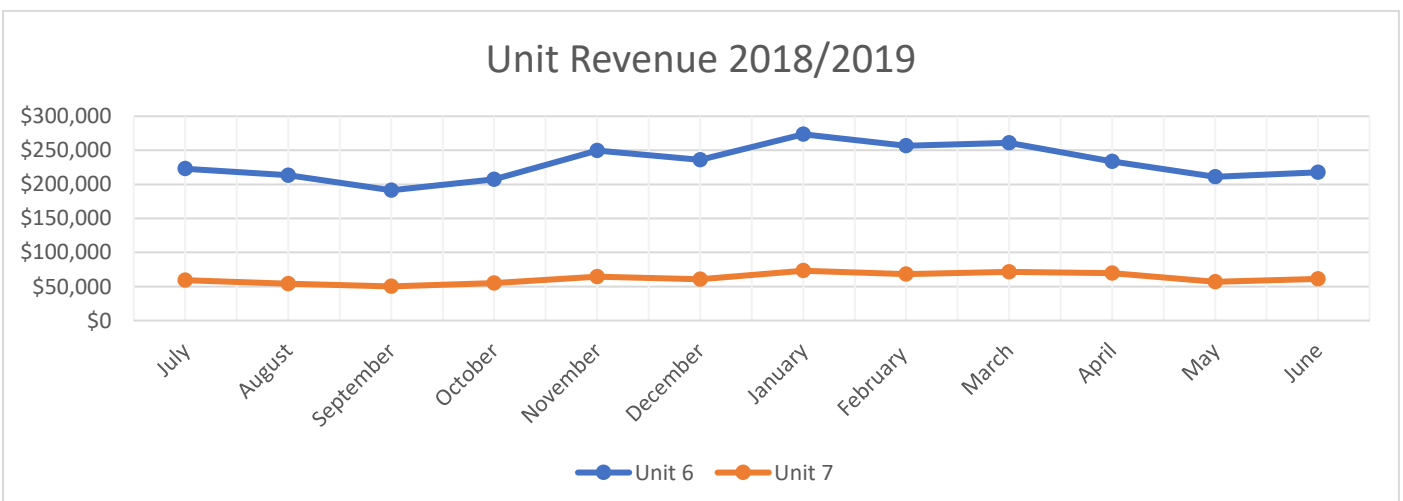
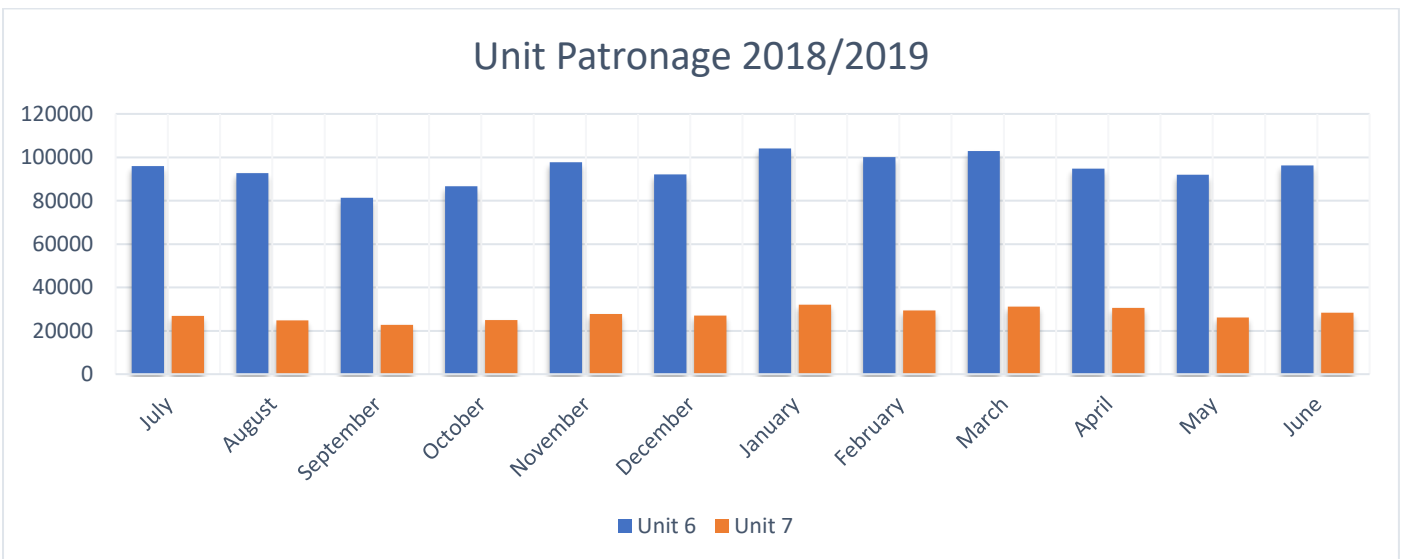
**Unit 6 Revenue June 2019**  
**\$217,945**  
 ▲ 10% vs June 2018

**Unit 6 Patronage**  
**96,237**  
 ▲ 15% vs June 2018

**Unit 7 Revenue June 2019**  
**\$61,254**  
 ▲ 17% vs June 2018

**Unit 7 Patronage**  
**28,277**  
 ▲ 23% vs June 2018

Revenue and patronage for the Queenstown units continues to track evenly following previous years trends.



# Public Transport Satisfaction Survey Wakatipu

Survey taken from 22 May - 25 May 2019

## Overall satisfaction

**97 %**

The overall level of satisfaction with the Wakatipu public transport system has increased from 2018.

 Increase from 95% in 2018



## Participants

**48 %** 25 - 34 years

48% of participants were aged between 25-34, followed by 27% aged between 18-24.



**97%** not supergold cardholders

97% of participants were not using a supergold card.



**59 %** travelling to work

59% of participants used the bus to get to work.



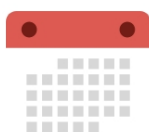
**95 %** would recommend using bus

95% of participants would likely or very likely recommend public transport to friends or colleagues



**36 %** use the bus for 5 or more trips per week

36% of participants use the bus for 5 or more trips per week, followed by 27% using the bus for 2 or more trips per day.



## Passenger satisfaction

**95 %** exterior of the bus  
No increase from 95 % in 2018

**97 %** interior of the bus  
Increase from 95 % in 2018

**81%** bus is on time  
Decrease from 85 % in 2018

**84 %** how often the services run  
Increase from 78 % in 2018

**95 %** value for money of fare  
Decrease from 96 % in 2018

**98 %** having enough seats available  
Decrease from 99 % in 2018

**98 %** ease of getting on and off the bus  
Decrease from 99 % in 2018

**92 %** comfort of inside temperature  
Decrease from 97 % in 2018

**94 %** helpfulness and attitude of driver  
Increase from 92 % in 2018

**99 %** personal security during trip  
Increase from 95% in 2018

**99 %** satisfaction with current trip  
Increase from 98 % in 2018

**75 %** information about services and delays  
Increase from 71 % in 2018

**96 %** travel time  
Increase from 94 % in 2018

**89 %** convenience of paying  
Decrease from 92 % in 2018

**93 %** ease of getting route information  
Decrease from 95 % in 2018

# Public Transport Satisfaction Survey Dunedin

Survey taken from 22 May - 25 May 2019

## Overall satisfaction

**88 %**

The overall level of satisfaction with the Dunedin public transport system has decreased from 2018.



▼ 93% in 2018 ▲ 77% in 2017

## Passenger satisfaction

**91 %** exterior of the bus  
▼▲ 94% in 2018 / 80% in 2017

**92 %** interior of the bus  
▼▲ 96% in 2018 / 84% in 2017

**79 %** bus is on time  
▼▲ 87% in 2018 / 69% in 2017

**86 %** how often the services run  
▼▲ 90% in 2018 / 70% in 2017

**82 %** value for money of fare  
▼▲ 88% in 2018 / 71% in 2017

**94 %** having enough seats available  
▼▲ 98% in 2018 / 92% in 2017

**94 %** ease of getting on and off the bus  
▲ 92% in 2018 / 92% in 2017

**94 %** comfort of inside temperature  
▲ 92% in 2018 / 92% in 2017

**91 %** helpfulness and attitude of driver  
▼▼ 95% in 2018 / 93% in 2017

**95 %** personal security during trip  
▼▼ 97% in 2018 / 96% in 2017

**95 %** satisfaction with current trip  
▼▲ 98% in 2018 / 93% in 2017

**70 %** information about services and delays  
▼▲ 76% in 2018 / 54% in 2017

**85 %** travel time  
▼▲ 96% in 2018 / 83% in 2017

**84 %** convenience of paying  
▼▲ 88% in 2018 / 75% in 2017

**85 %** ease of getting route information  
▼▲ 92% in 2018 / 73% in 2017

## Participants

**31 %** aged 18-24

31% of participants were aged 18-24 followed by 21% aged 65+.



**21 %** supergold cardholders

21% of participants were supergold card holders.



**32 %** travelling to work

32% of participants used the bus to get to work. 26% used the bus for shopping and 19% used the bus to get to University or study.



**77 %** would recommend using bus

77% of participants would likely or very likely recommend public transport to friends or colleagues



**30 %** use the bus for 2 or more trips per day

30% of participants use the bus for 2 or more trips per day. 29% use the bus for 5 or more trips per week.

