

Commercial Activities

Sub Activities:

Commercially Leased Properties
Investments
Forestry
Harbour Facilities
Airport

Goal

To manage the District's forestry resources, investments, and property portfolio in a cost effective manner so as to provide the optimum financial return on these assets. Harbour and Airport Facilities are to be developed in the most appropriate manner to provide for the needs of its commercial and recreational users.

Key Issues for 2007/2008

Lengthy delays in consent processing of the New Wharf proposal has meant that the wharf's construction has been deferred another year. The resource consent has now been granted, however Council now needs to obtain costs for the final design, before any construction can commence.

The proposed boat parking protection works at South Bay is currently on hold, pending consensus from the community on the need and the nature of these works.

Export logging prices are improving, and therefore the Council will be progressing with logging at the Clarence forest. Revenues from the Marlborough Regional Forestry joint venture are anticipated to provide in excess of \$50,000 by way of capital distributions in 2008, and Council's share of that ventures activities will boost revenue by a further \$130,000 if current projections prove true.

What's changed since the 2006-2016 LTCCP?

The LTCCP had provided for the New Wharf to be constructed in 2007, and the boat park protection works at South Bay to have been completed. Both of these works are now carried over to 2007/2008, but without support from the community there is some doubt over the boat parking protection progressing at all.

Provision had been made to develop aircraft hangars at the Airport and lease these to the operators; however the Council has opted to lease land at one end of the existing site to enable private companies to develop these at their own cost.

Community Outcome	How Commercial Activities Contribute	Performance Measure	2007/2008 Target	10 Year Target
Safe, Efficient Transport Network	By developing airport facilities as required to service passenger traffic	Annual capital spend on airport upgrading	Develop land at end of existing airport site to provide for hangars	Full implementation of the adopted Airport Development Plan
Affordable Access to Quality Community Facilities	Upgrade harbour structures	Annual capital spend on harbour upgrading	Complete rebuild of North Wharf, re-establish Boat Parking protection, and investigate potential location for a new marina	Develop new marina if investigations consider that one is required (currently no provision made in the budget for this to take place)
	By disposing of two commercial properties to fund the development of the combined community complex	Disposal of 25 Beach Road and the existing library building	N/A	Sale of the two buildings completed

Capital Works 2007/2008

Work	Location	Cost
Develop land to provide for aircraft hangars	Airport	\$51,450
Boat Parking Protection	South Bay Marina	\$190,000 (Carried over from 2006/2007)
New Wharf	North Wharf Wakatu Quay	\$300,000 (Carried over from 2006/2007)
Planting, Pruning and Thinning	Clarence Forestry	\$8,000

Although it has been acknowledged that the Harbour facility is already under pressure to cope with the increasing number of users and size of boats, there is no provision in either this Annual Plan or the LTCCP for any significant upgrading or development of the marina. Instead Council will initiate a working party to investigate options for harbour facilities, slipways and boat parking.

How Capital Works are to be Funded

Any land development and runway extension at the Airport, and also replacement of the New Wharf, and boat parking protection at South Bay will be funded initially by loan. Commercial fisherman will be required to pay an increased annual fee for the use of the facility, with the remainder being funded by way of the Harbour Rate.

Council's commercially leased properties are self-funding, and any capital works on these properties will be undertaken according to the terms of the leases in place. Council currently has no plans to upgrade any of these properties.

Forestry revenues are sufficient to fund any planting, pruning and thinning costs, and provide an offset to the rates requirement, from its logging sales and Marlborough Forestry capital distributions.

How will the cost of Commercial Activities affect my Rates?

It is the intention that all of Council's commercial activities should in the long term be entirely self-funding, and provide a return to Council on their investment. Harbour facilities, however, are far from self funding, and the deficit from operations is funded by the Harbour Rate.

The Airport is fully self-funding, requiring no input from rates. Council's Forestry and commercially leased properties provide sufficient returns to reduce the rates requirement and establish cash reserves to reduce the need for borrowing in the future.

Forecast Cost of Service Statement – Commercial Activities

	LTCCP 2006/2007	LTCCP 2007/2008	Annual Plan 2007/2008		LTCCP 2006/2007	LTCCP 2007/2008	Annual Plan 2007/2008
Operating Expenses				Capital Expenditure			
<u>Airport</u>				<u>Airport</u>			
Operations	23,368	15,892	20,183	New/Upgrade Assets	150,000	51,450	51,450
Loan Interest	14,831	18,431	6,641	Renewals	-	-	-
Depreciation	3,261	4,982	3,993	Increasing Level of Service	-	-	-
	<u>41,460</u>	<u>39,305</u>	<u>30,816</u>		<u>150,000</u>	<u>51,450</u>	<u>51,450</u>
<u>Harbour</u>				<u>Harbour</u>			
Operations	94,421	86,667	88,153	New/Upgrade Assets	640,000	-	-
Loan Interest	82,359	80,958	85,778	Renewals	-	-	-
Depreciation	29,856	36,256	36,256	Increasing Level of Service	-	-	-
	<u>206,636</u>	<u>203,881</u>	<u>210,187</u>		<u>640,000</u>	<u>-</u>	<u>-</u>
<u>Leased Properties</u>				<u>Forestry</u>			
Operations	61,162	26,294	44,523	New/Upgrade Assets	8,000	8,248	8,000
Loan Interest	19,800	16,741	19,066	Renewals	-	-	-
Depreciation	11,957	15,499	12,423	Increasing Level of Service	-	-	-
	<u>92,919</u>	<u>58,534</u>	<u>76,012</u>		<u>8,000</u>	<u>8,248</u>	<u>8,000</u>
<u>Forestry</u>				<u>Capital Debt Servicing</u>			
Operations	19,472	19,967	346,174	Loan Principal	85,965	93,745	90,050
Loan Interest	-	-	-				
Depreciation	-	-	-	Total Capital Expenditure	<u>883,965</u>	<u>153,443</u>	<u>149,500</u>
	<u>19,472</u>	<u>19,967</u>	<u>346,174</u>				
Total Operating Expenses	<u>360,487</u>	<u>321,688</u>	<u>663,190</u>	Funded by:			
Funded by:				General Rates (Offset)	(76,249)	(77,118)	(22,196)
User Fees & Charges	332,963	314,345	325,852	Reserves	18,000	(56,752)	(186,249)
Forestry Revenues	100,000	100,000	496,370	Loans	725,000	50,000	50,000
Targeted Rates	111,621	103,418	108,664	Depreciation	33,117	41,238	40,249
	<u>544,584</u>	<u>517,763</u>	<u>930,886</u>	Activity Surplus/(Deficit)	184,097	196,075	267,697
Activity Surplus/(Deficit)	<u>184,097</u>	<u>196,075</u>	<u>267,697</u>		<u>883,965</u>	<u>153,443</u>	<u>149,500</u>