

# MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Hobson Room, Jubilee Building, 545 Parnell Road, Parnell, Auckland
DATE	27 February 2014
TIME	09:00
STATUS	Open Session

	<b>Present:</b>	<b>In Attendance:</b>	<b>Public in Attendance:</b>
	M Allen D Clarke (Chairman) P Drummond C Harland J Hoare S Huria  A Delany (Board Observer)	R Chenery R Fisher D Hawkins R Jaduram T Langridge B Monk A Nama J Redwood D Sellars N Toms G Wood D Worsnop	None
	<b>Apologies</b> <ul style="list-style-type: none"> <li>M Ford</li> <li>T Lanigan</li> </ul>		
1.	<ul style="list-style-type: none"> <li>The Chairman welcomed Board Observer, Alexandra Delany, who has been appointed for a period of 12 months until 28 February 2015.</li> </ul> <p>The Board Observer role is to participate, observe and learn; she is not a Director and will not vote on any Board decision making.</p> <p>However, Alex Delany is required to meet the same ethical standards as Directors and will be required to declare any conflicts that are or become apparent, including anything that could be perceived as a conflict.</p> <p>Alex has signed a confidentiality agreement with both Council and Watercare.</p>		
2.	<b>Minutes of Previous Meeting</b> <ul style="list-style-type: none"> <li>The Board <b>resolved</b> that the Minutes of the public section of the Board meeting held on 19 December 2013 at 09:00 be confirmed as correct.</li> </ul>		
3.	<b>Directors Corporate Governance Items</b> <ul style="list-style-type: none"> <li>Corporate Planner 2014</li> </ul> <p>The Corporate Planner for 2014 was noted.</p> <p>The Chairman drew attention to the very important Board Workshop on 13 March 2014. <ul style="list-style-type: none"> <li>Disclosure of Interests</li> </ul> <p>There were no changes to the Disclosure of Interests.</p> <ul style="list-style-type: none"> <li>Organisational Chart</li> </ul> <p>The Organisational Chart was noted.</p> </p>		

4.	<p><b>Chief Executive's Report</b></p> <ul style="list-style-type: none"> <li>• Customer Services</li> </ul> <p>The Customer Services team met all performance targets for January 2014.</p> <ul style="list-style-type: none"> <li>• Infrastructure and Planning</li> </ul> <p>Infrastructure performance year-to-date is running at 100%, expenditure for the balance of the year is expected to be close to that figure by year end.</p> <p>A series of Stage One Capex Approvals will be referred to the Capital Projects Working Group in March to meet the required programme.</p> <ul style="list-style-type: none"> <li>• Operations</li> </ul> <p>Trish Langridge advised that if there was any prolonged suspension of service, then information was placed on the website.</p> <p>David Worsnop advised that dam levels were 69% as at 27 February 2014. The current take from the Waikato River was 105MLD. The increase in level of take to 150MLD would be available in approximately one month.</p> <p>There has been some increase in the levels of algae in the Waitakere dams due to climatic conditions.</p> <p>Catherine Harland enquired whether we were going to monitor the impacts of the Council initiative on the collection of organic waste which will reduce organic load to the WWTP; and was assured this was in hand.</p> <ul style="list-style-type: none"> <li>• Finance</li> </ul> <p>Brian Monk advised that revenue was down in January 2014, and demand was also a little soft in February 2014.</p> <ul style="list-style-type: none"> <li>• Non Domestic Wastewater Tariff</li> </ul> <p>Trish Langridge advised that letters to customers would go out in the next week as the start of a communications process which would continue through to the introduction of the new tariff on 1 July 2014.</p> <ul style="list-style-type: none"> <li>• Customer Billing and Asset Programme</li> </ul> <p>Trish Langridge spoke to the proposed governance model and programme structure mentioning that there will be a strong emphasis placed on probity. She said the budget was an estimate only at this stage and it will be firmed up.</p> <p>Trish Langridge said that Watercare took the best of all material available from the legacy councils and entities at the time of transition.</p> <p>Hansen has proven reliable; however it is outdated and cannot provide the features we require to provide an even better customer service. PWC are providing guidance on the process.</p> <p>Trish Langridge will report to the Board on the outcome of the RFI process and provide a high level business case in May 2014.</p>
5.	<p><b>LTP Process Update</b></p> <ul style="list-style-type: none"> <li>• Brian Monk spoke to the paper; he had attended the Council Scene Setting Workshop on the LTP process. He advised that Council has yet to deal with the new statutory requirement to produce a 30 year infrastructure strategy which includes water, wastewater, stormwater and transport. He advised that Watercare already sets its own AMP for a 20 year period which we will need to extend to 30 years.</li> </ul> <p>Brian Monk drew attention to the broad key process guidelines set out in Appendix 5. These will be refined over time.</p> <ul style="list-style-type: none"> <li>• The Board noted the report.</li> </ul>

6.	<p><b>2014/15 Annual Plan</b></p> <ul style="list-style-type: none"> <li>• Brian Monk spoke to the report noting that approval was required to the headline 2014/15 financials which are required by Council on 7 March 2014 for inclusion in the LTP.</li> <li>• The financials set out modest increases in price and a lift in the IGC receipts.</li> <li>• He referred to the P&amp;L noting only 35% of required capital expenditure funding is proposed from debt, the balance coming from revenue.</li> <li>• The capital expenditure items have yet to be approved with a projected spend of \$323.4m. Graham Wood advised that it was not proposed to cut any capital projects of significance. He said there were price pressures coming on now as a result of increased construction being undertaken.</li> <li>• Brian Monk said other CCOs could move into profit as well as POAC, for example the Waterfront Development Agency, and this could have implications for Watercare losses.</li> <li>• Raveen Jaduram said management were looking to improvements in the procurement process and all opportunities for cost savings will be taken.</li> <li>• Mike Allen summarised the discussion by saying that approximately \$5b of capex is proposed with a very low increase in debt.</li> <li>• The Board <b>resolved</b> to approve: <ul style="list-style-type: none"> <li>➢ The proposed 2014/15 financials, including the proposed price increases, for submission to Auckland Council for inclusion in the 2014/15 Annual Plan and inclusion in the draft 2014-17 SOI;</li> <li>➢ The 2015/16 and 2016/17 financial projections which had been approved in February 2013 be included in the 2014/17 Watercare SOI.</li> </ul> </li> </ul>
7.	<p><b>2014-24 Draft AMP and 10 Year Financials</b></p> <ul style="list-style-type: none"> <li>• Brian Monk spoke to the report. He emphasised that the level of capital expenditure was only that shown as Category 3 and below on the graph in Appendix 4 (page 25).</li> <li>• The Board will receive requests for approval in Categories 4 and above at the appropriate time.</li> <li>• He spoke to the variations made to the scenario previously presented on 4 February 2014, being <ul style="list-style-type: none"> <li>➢ Allow a reduction in FFO to 2.3 over the ten year period.</li> <li>➢ Bring interest costs in line with current Auckland Council interest rate projections.</li> <li>➢ Assume tax loss sale to Ports of Auckland Limited in all years.</li> <li>➢ Hold capex in line with the Draft AMP 2014-24</li> <li>➢ Reduce price increases in FY16 and FY17 to 2.5%.</li> <li>➢ Reduce the level of price spikes in FY18 and FY24.</li> <li>➢ Reduce the level of price increases in other years (to extent allowed by constraint of the FFO).</li> <li>➢ Match IGC increases to same level as average water and wastewater price increases.</li> </ul> </li> <li>• The Board <b>resolved</b> to: <ul style="list-style-type: none"> <li>➢ Note the revised capital expenditure forecasts for the year period from 1 July 2014 to 30 June 2014;</li> <li>➢ The underlying investment programme, and</li> <li>➢ Approve the investment programme for the 2015 financial year (2014/15).</li> </ul> </li> </ul>
8.	<p><b>Draft 2014/17 Statement of Intent</b></p> <ul style="list-style-type: none"> <li>• Rebecca Chenery advised that the format of the SOI was similar to that of past years as Council had requested a 'refresh' rather than a rewrite.</li> </ul> <p>It is proposed to provide the draft by 1 March to Auckland Council and it is expected that the response from Council will be received on 1 April 2014.</p> <ul style="list-style-type: none"> <li>• The Board <b>resolved</b> to: <ul style="list-style-type: none"> <li>➢ Note the report.</li> <li>➢ Approve the submission of the draft 2014/17 SOI to the Auckland Council.</li> </ul> </li> </ul>

9.	<p><b>IGC Pricing Policy</b></p> <ul style="list-style-type: none"> <li>• Graham Wood advised that the IGC projections would only recover 35 – 40% of the costs of growth.</li> <li>• The Chairman noted it had been suggested that a key principle was for separate IGCs for Metropolitan and Rural.</li> <li>• The Board noted the report.</li> </ul>
10.	<p><b>Unaccounted For Water Update</b></p> <ul style="list-style-type: none"> <li>• David Worsnop advised that about 50% of the retail network (4,000km) has been surveyed and numerous leaks detected.</li> </ul> <p>However, it is considered that a greater contribution to losses than expected is coming from un-metered properties, illegal connections and older meters which under-record usage.</p> <p>David Worsnop said that following an internal and external review, no change is recommended to the SOI target of 14% for the 2014/15 year.</p> <p>He advised that we are looking at 'smart' metering.</p> <p>Marlon Bridge says our research shows the cost of smart meters is reducing and the new technology is now more proven.</p> <p>An approach paper will be prepared for the Board for the meeting in September.</p> <ul style="list-style-type: none"> <li>• The Board noted the report.</li> </ul>
11.	<p><b>Communications Strategy for CI / Waikato / Non Domestic Wastewater Tariff and Trade Waste Bylaw</b></p> <ul style="list-style-type: none"> <li>• John Redwood spoke to the communications strategy for the Central Interceptor, Waikato second take projects.</li> <li>• The Board noted the report.</li> </ul>
12.	<p><b>General Business</b></p> <ul style="list-style-type: none"> <li>• There was no general business.</li> <li>• The meeting closed at 11:30.</li> </ul>

CERTIFIED AS A TRUE AND CORRECT RECORD

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D J Clarke  
Chairman