

**7. BUDGET REQUESTS - CANTERBURY MUSEUM AND CANTERBURY DEVELOPMENT CORPORATION**

<b>General Manager responsible:</b>	Director of Strategic Investment
<b>Officer responsible:</b>	Director of Strategic Investment
<b>Authors:</b>	Bob Lineham, DDI 941-84; Ian Hay DDI 941 8474

**PURPOSE OF REPORT**

1. The purpose of this report is to advise the Council on a suitable approach to funding the requests from the Canterbury Museum and CDC for additional funding in the LTCCP.

**CANTERBURY MUSEUM – REQUEST FOR AN ADDITIONAL LEVIES**

2. The Canterbury Museum has requested the Council to make provision in its LTCCP for increased funding for both its operations and the revitalisation project. There is a statutory process which will commence next month for consultation with contributing local authorities on their annual plan. In the meantime the Museum advanced the request for funding so that the provisions can be made in the LTCCP. The detailed background was presented to the Council in a seminar on 21 February 2006 and detail will not be revisited in this report.
3. The request for increased operating levies is driven primarily by increased operating costs associated with commissioning the new project and the depreciation on the project. The amounts are summarised as follows:

<b>Year</b>	<b>2004-2014 Plan</b> <b>\$</b>	<b>New request</b> <b>\$</b>	<b>Increased Request</b> <b>\$</b>	<b>Extra Impact on Rates</b> <b>%</b>
Current year	4,448,000	-		
2006/07	4,656,266	4,688,061	31,795	0.02
2007/08	4,871,336	5,152,079	280,743	0.13
2008/09	5,060,082	6,172,920	1,112,838	0.45
2009/10	5,284,404	6,479,172	1,194,768	0.04
2010/11	5,515,637	6,800,737	1,285,100	0.05
2011/12	5,784,950	7,138,380	1,353,430	0.03
2012/13	-	7,492,906		

4. It can be seen that there will be minimal impact on the rates for 2006/07 but this will have a growing impact in subsequent years as the Museum faces up to full provision of depreciation.
5. Owing to delays in the commencement of the revitalisation project the costs have increased from \$34.1 million in 1999-2001 to \$48 million in 2005-2011 dollars. The contribution from local government was previously \$10.5 million (CCC share \$9.5 m) but the Museum are requesting that it be increased to \$15.5 million.
6. The Museum has identified that the additional funding for the capital project is required as follows:

2007/08	\$1,500,000
2008/09	\$1,500,000
2009/10	\$1,500,000
2010/11	\$500,000
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Total additional	\$5,000,000
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7. The Council currently provides ordinary operating funding to the Museum by way of a levy and two ex gratia payments. The levy and one of the ex gratia payments are funded with three neighbouring local authorities according to an agreed formula in the Museum legislation. The second ex gratia payment of \$515,887 is funded by CCC alone having been agreed on that basis around 10 years ago. It would be appropriate at some stage to attempt to get this rolled into the main operating levy and this would save approximately \$50,000 for this Council.

- 8 The funding for the revitalisation project which has been previously committed by this Council amounts to \$9.5 million. This has been provided from direct grants from rates, contributions from then capital endowment fund income, provision for capital expenditure on the McDougall building and a special capital levy. The following table summarises this:

Source of Funding	Previous years	2006/07	2007/08	2008/09	Total
Ordinary Grants 01/02 and 02/03	2,000,000				2,000,000
Capital Endowment Fund	2,580,000	732,500	200,000		3,512,500
Capital Expenditure			1,250,000	1,250,000	2,500,000
Special Levy (includes BPDC)	1,073,703	361,668	361,668		1,471,559
					<b>9,484,056</b>

9. As the Museum is a separate entity, any direct payment must be treated as a grant and as such is operating expenditure and adds directly to the rates in the year in which each payment is made. As a result, if the new capital funding requests were to be provided to the Museum as direct grants the impact would be to add 0.8% to the rates in 2007/08 and it would progressively reduce the rates in 2010/11 and 2011/12. This is a reasonably significant addition.
10. This project is a major one for the city and will have a benefit over many years ahead. There is therefore merit in using a funding scheme which reflects more intergenerational equity. This could be achieved by the Museum funding the capital needs by way of loan and levying the local authorities for the debt servicing cost over the term of the loan. It is quite reasonable that this funding should be over a 30 year period. The following table illustrates the funding which would be required if the Council supports this approach. The annual cost column shows the amount the Council would pay if it met the whole amount and the second column shows the amount CCC would bear if the other local authorities also contribute:

Year	Annual Cost \$	CCC Share \$	Rates Increase Impact %
<b>2007/08</b>	118,822	108,128	0.06
<b>2008/09</b>	237,644	216,256	0.06
<b>2009/10</b>	356,466	324,384	0.05
<b>2010/11</b>	396,073	364,387	0.04
<b>Later years</b>	396,073	364,387	nil

11. If the Council agrees to support this method of funding then the Council could provide the funding for the Museum loan by way of an investment of Council reserve funds thus avoiding the need for the Museum to go on the market. This would be a completely separate transaction from the contribution and would not affect the rates. This has been done in the past for the Museum and other associated public bodies.
12. The Museum should be encouraged to get the other contributing local authorities to also agree to this additional funding. However, it is possible they may not be prepared to do this and therefore the full amount should be provided for initially in the LTCCP. This can be reduced later if the other TLA's do not agree. Should they not agree the Museum should advise them that it intends to incorporate the \$515,887 ex gratia payment into the main operating levy.

#### RECOMMENDATIONS

- (a) That the requested operating levies be provided for in the LTCCP.
- (b) That the Canterbury Museum be advised that this Council will support the increased local authority funding provided the Museum raises the funds by way of loan and recovers the cost by a special levy equivalent to the debt servicing costs of the loan.

- (c) That the Museum be advised that the Council expects the other local authorities to be approached to provide their proportionate share of the needed support for this approach and that if they don't the Museum should absorb the ex gratia payment of \$515,887 into the ordinary levy.
- (d) That if this method of funding is accepted by the Museum the Council authorise staff to make an investment of its reserve funds in the Museum loan for this project.

**CANTERBURY DEVELOPMENT CORPORATION – EMPLOYMENT DEVELOPMENT FUNDING**

- 12. As requested, Chris Pickrill from CDC attended the Council seminar on Tuesday 21 February to provide detailed information on the \$2.270m employment development component of their budget. Chris also answered specific questions raised by Councillors and gave his views on where reductions could be made if the Council was of a mind to reduce funding in the employment development area.
- 13. The current LTCCP includes core funding for CDC at last year's level of \$3.587m, split between employment development and economic development initiatives.

**RECOMMENDATION**

That core funding for CDC in the 2006/16 LTCCP remain at \$3.587m.