

**CHRISTCHURCH CITY COUNCIL LONG TERM COUNCIL COMMUNITY
PLAN 2004/2013**

**SUBMISSION BY CENTRAL PLAINS WATER TRUST
in association with
CENTRAL PLAINS WATER LTD**

SUBJECT : PROSPECTUS FUNDING

1. PURPOSE OF THIS SUBMISSION

This submission highlights for the Council a funding difficulty being experienced by the Central Plains Water Trust and its associated Company, Central Plains Water Ltd, as they prepare a prospectus to raise the finance needed to acquire resource consents. It points out an imbalance between the contributions to date from the two Councils and seeks a contribution from the City Council to remedy that imbalance but more importantly to ensure a successful prospectus launch.

2. REFERENCE

The **Central Plains Water Trust** was established by the Selwyn District and Christchurch City Councils in early 2003 to continue the work of its predecessor, a joint special committee of the two Councils, in investigating the feasibility of water enhancement schemes in the Central Plains area. One of its objectives is to:

encourage, support and facilitate sustainable development of the water resources of the Regions for the benefit of the inhabitants;

Central Plains Water Limited, established on the recommendation of the Trust, is jointly owned by Selwyn District and Christchurch City Councils and is referred to on pages 144 of Volume Two of the LTCCP where its key performance targets for the coming year are stated as :

*to raise 4.5 million in capital and
to undertake investigations to support lodging applications for the necessary resource consents, in anticipation of being able to apply for the necessary consents in the 2005/06 financial year.*

3. BACKGROUND

Prior to the establishment of the Central Plains Water Trust in early 2003, the work of investigating the feasibility of water enhancement schemes in the Central Plains area was undertaken by the Central Plains Water Enhancement Steering Committee, established jointly by Christchurch City and Selwyn District Councils in March 2000.

The Steering Committee constitution envisaged joint and equal funding provision by the two Councils¹ and this principle was followed up until the Christchurch City Council, in February 2002, transferred its funding role for consideration by the Canterbury Economic Development Fund (CEDF).

In late 2002 the CEDF agreed to provide funding of \$625 000 in three tranches of \$208 333, each tranche only becoming available when certain conditions were met. In March 2003 the two Councils established the Central Plains Water Trust, replacing the Steering Committee. The CEDF funding agreement was taken over by the Trust and eventually transferred to Central Plains Water Limited, a company established by the two Councils to fund and carry out the resource consenting work.

Recently the Trust has been in negotiation with CEDF trustees seeking earlier release of the second and third tranches to allow work to proceed on raising the funds required for Resource Consent processes (\$4.5 million). CEDF has agreed to release the second tranche conditional on the third tranche lapsing. The Trust has had little alternative but to accept this. However, it does leave an imbalance in the levels of funding provided by Selwyn District Council and Christchurch City.

4. HISTORY OF FUNDING

Fund provision by the two Councils for the Steering Committee and more recently the Trust, have been :

DATE	CITY COUNCIL	CEDF	SELWYN DISTRICT
2001/2002	\$494,000		\$489,500
2002/2003		\$208,333	\$530,000
2003/2004		\$208,333	\$ 62,043
Total	\$494,000	\$416,666	\$1,081,543

It can be seen from the table that while Selwyn District Council has contributed \$1,081 543 to date the combined contribution of CCC and CEDF amounts to \$910,666 a difference of \$170 877.

5. CURRENT PROGRAMME AND FUNDING

The Central Plains Trust, through Central Plains Water Ltd, is aiming to issue a prospectus in August this year seeking to raise the \$4.5 million it needs to complete the Resource Consent phase of the proposed water enhancement scheme. It has provided detailed costings to the CEDF estimating that the cost of preparing and marketing the prospectus would amount to \$573 750, and has reported to CEDF that, with the provision of its second tranche of \$208 333, there would be sufficient funding to cover prospectus preparation, largely through a \$250 000 contribution from farmer members of the Ritso Society.

¹ Joint Special Steering Committee Constitution, clause 14(a)
 "Costs incurred by the Committee shall be shared equally by the two Councils".

Since making those estimates in December 2003, which allowed for technical, legal, communication/marketing, publishing and project management work, the Trust has encountered a number of delays and complications which have led to cost increases. These include:

(a) Delays

The Trust established a programme that aimed at a prospectus launch in April 2004. Owing to a number of factors the current programme is now to make the prospectus available by August 30 2004. Trustee, director, administration and general expenses are being actively controlled but they contain a significant portion of fixed costs and the delay will cause an increase of \$ 60 000.

(b) Prospectus Management

The trust initially underestimated both the need for and cost of a Prospectus Manager. This was remedied with the appointment in April of Mr Brian Kreft and the Trust/Company is already seeing the benefit of his experience. However the activity will add \$58 000 to the total prospectus costs.

(c) Alternative Project Funding Proposal

The Trust has been made aware of a funding proposal to finance scheme construction which, while it would not be activated until construction was imminent, has a significant influence on the way the current prospectus is framed. The idea offers major benefits to scheme users and cannot be set aside without thorough investigation. This has contributed to delays and incurred unbudgetted costs of \$15 000.

(d) Other costs

A glance at the Trust's May agenda, which runs to 155 pages, indicates a wide range of complex issues which the Trust must engage with but which are not directly related to the prospectus. These take time and cost money. Examples include possible inclusion of hydro-electric generation, co-operation with adjoining irrigation schemes north of the Waimak and south of the Rakaia, discussions with the Water Rights Trust, proposals by a group of enthusiastic farmers to build a stage one scheme ahead of the main scheme and involvement with Central Government's Major Regional Initiative discussions.

A detailed analysis of all likely costs up to the prospectus closure date of 31 October indicates that in a total remaining cost of \$374 500 the likely shortfall is \$163 260, which includes the \$133 000 detailed above. The Trust has added a 10% contingency of \$37 000 to the total cost and is therefore actively looking for an additional \$200 260.

To summarise these costs:

	\$
Total remaining costs to 31 October 2004	374,500
Plus 10 % contingency	<u>37,000</u>
Likely required funding	411,500
Funding available	<u>211,240</u>
Shortfall	<u>200,260</u>

In summary, while the Trust will continue to be actively engaged in fund raising to support its work, a contribution from Christchurch City Council would both ensure the work of prospectus preparation and marketing was done in a manner to maximise the likelihood of success and restore equality of contribution between the two Councils.

6. Submission: That the Council, noting

(a) that the Central Plains Water Trust and its associated company face a funding shortfall of \$200 260 for the preparation and marketing of their prospectus, and

(b) that the withdrawal of a portion of the CEDF funding, amounting to \$208 333 has led to an imbalance of contribution between the Selwyn District and Christchurch City Councils, and

(c) that as previously resolved, City Council contributions to the work of the Trust will be treated as equity in a scheme should one proceed,

resolves to meet the shortfall through a contribution of \$200 260 in the 2004/05 financial year.

The Trust wishes to be heard in support of this submission.

On behalf of the Trust

Doug Marsh
Chairman.