

#### 4. FUNDING FOR CANTERBURY MUSEUM REVITALISATION PROJECT

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The purpose of this report is to consider a request from Canterbury Museum for a review of the level of Council commitment to the funding of the Museum revitalisation project.

##### BACKGROUND

The Canterbury Museum revitalisation project has previously been considered and supported by the Council with a commitment of \$8 million being promised over a period of seven years. This project involves a major internal restructuring of the Museum layout and incorporation of the space of the Robert McDougall building.

The proposed project has a total estimated cost of \$34.1 million although when added to the earthquake strengthening projects which have already been completed the total is more in the order of \$49 million. It is this latter figure which was used to persuade Central Government to make a contribution of \$14 million.

This Council made its commitment to contribute \$8 million to this stage of the project in response to a request from Canterbury Museum for \$10.5 million to be contributed by Canterbury local authorities. It was essential that a significant major commitment was made locally in order to attract Government support.

The Canterbury Museum is now in the process of approaching other contributing local authorities to obtain a commitment towards the balance which is needed.

Attached is a letter received from the Canterbury Museum which sets out the request that this Council increase its contribution from \$8 million to \$9.44 million.

##### COMMITTED CONTRIBUTIONS

This Council has already agreed to contribute the following amounts to the project:

	2001/02 \$000	2002/03 \$000	2003/04 \$000	2004/05 \$000	2005/06 \$000	2006/07 \$000	2007/08 \$000
Ordinary Grants	1,000	1,000					
Capital Endowment Fund		532.5	532.5	732.5	732.5	732.5	250
Capital Expenditure				2,500			

The Canterbury Museum Act provides a funding formula for contribution to the annual levy which is based on population adjusted for distance from Christchurch. Based on current populations the formula provides that contributions are:

Christchurch City	89.9%
Banks Peninsula District	1.0%
Hurunui District	0.84%
Selwyn District	3.50%
Waimakariri District	4.72%

In addition to the regular operating levy this Council pays an ex-gratia payment to Canterbury Museum of \$515,887 which is not contributed by the other local authorities. This dates back a few years when there was need for additional capital for the earthquake strengthening. This Council agreed that if the Museum raised a loan for the work that it would pay a special ex gratia payment to service the loan.

## REQUESTED FURTHER CONTRIBUTION

This Council agreed at an earlier date to contribute \$8 million to the new project in order to assist the fund raising campaign with Central Government and also to leave opportunity to request the adjoining local authorities to agree to contribute as well. It was expected that there would be a further call for assistance once other fund raising avenues had been explored.

The Museum has made initial approaches to the other contributing local authorities and there has been a tentative indication that they would contribute if this Council increased its share of the requested \$10.5 million to \$9.44 million which is 89.9% of the total (our normal percentage share of the levy). This would require an additional funding of \$1.44 million from this Council which could be spread over several years.

## DISCUSSION

If this Council agrees to contribute the additional \$1.44 million over the remaining five years of the other promised funding it would mean an average contribution of \$289,000 per year. This would add approximately 0.19% to the rates next year. There are alternatives which could involve lower amounts in earlier years with a balloon payment in the final year. There is also the possibility that more of the project will take place on Council-owned land in conjunction with joining the existing building to the Robert McDougall building. (Currently it is assumed that \$2.5 million will fall into this category.) If this is so then some more of the contribution could be capitalised which would have a lesser immediate impact on rates. The best method of funding needs to be assessed in the context of the annual plan review in February/March.

Payments made to an outside body such as the Museum are operating grants and therefore they impact directly on the level of Council rates. Capital expenditure on Council-owned assets can be treated as capital in the Council's accounts.

The Council has already made a very significant allocation of the income of the Capital Endowment Fund to this project over a period of six years. This exceeds the normal guidelines for the fund but was done after public consultation. It would, however, be inappropriate to make a further contribution from this source unless the Council is prepared to forego consideration of other community projects from this source for the next year or so.

The other contributing local authorities have been quick to note that this Council's promised \$8 million is less than its normal proportionate contribution (89%). However, they have failed to recognise that this Council has for several years been voluntarily contributing a significantly greater amount in the form of a special annual ex gratia payment to service loans. These loans are effectively part of the local funding for the wider project which helped to attract the major contribution from Central Government. To put things back onto a level playing field again I consider that the other local authorities should be requested to agree to incorporate the annual ex gratia payment of \$515,887 made by this Council into the normal levy. This would mean that, in future, approximately \$52,000 would be contributed by the other local authorities. This could ease the impact of the new contributions on our rating levels.

Before this Council makes a final commitment it will need to consider the request in the context of its overall annual plan for 2003/04. For this reason the issue should be referred to the Annual Plan Subcommittee for consideration. However, in order to assist the Museum in its fundraising it would be reasonable to give an indication of support if that is the will of the Committee.

### Staff

- Recommendation:**
1. That the Annual Plan Subcommittee be requested to give favourable consideration to providing for an increased contribution to this project.
  2. That Canterbury Museum be advised of recommendation 1 and asked to request the other contributing local authorities to agree to incorporate the ex gratia payment (currently made only by this Council) into the annual levy.

### Chair's

**Recommendation:** That the above recommendation be adopted.