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**Report 01.86**

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Report to the Utility Services Committee  
from David Benham, Divisional Manager, Utility Services

**Utility Services Division: Proposed Operating Plans 2001-2010**

1. **Purpose**

To provide a summary of the Operating Plans for the Utility Services Division. The attached Operating Plans (**Attachment 1**) provides a more detailed overview of the 2001/02 budgets

2. **Water Supply Operating Plan for 2001/02 and Projections to 2010 and Beyond**

The Water Supply operating plans presented reflect very much a 'business as usual' situation with no major variations. Generally speaking income, expenditure and operating surplus budgeted for 2001/02 are pretty much on line with both 2000/01 budget and forecasts.

It should be noted however that these budgets are prepared on the basis of status quo with wholesale water and the contract with Wellington City Council (WCC) continuing. The Water Services Agreement with WCC expires on 30<sup>th</sup> June 2001.

Given various views of our customers on debt levels we asked Bancorp to further review our debt levels. Their report is attached (**Attachment 2**).

Attached also are debt projections giving various levy reduction options and Bancorp's recommended target level (**Attachment 3**).

3. **Plantation Forestry Operating Plan for 2001/02 and Projections to 2010 and Beyond**

The projected returns from Plantation Forestry have deteriorated significantly from those presented last year. The reasons for this is that various adjustments made to our assumptions have all combined to produce a considerably increased debt loading in future years. As a result the numbers include a proposed reduction in the dividend to the Council of \$150,000 from the current figure of \$300,000. My personal view is that it would be inappropriate to keep the contribution even at the \$150,000 level at this stage.

4. **Recommendations**

- (1) *That the report be received, contents noted.*
- (2) *That the Water Group Operating Plan be approved in principle.*
- (3) *That Plantation Forestry Operating Plan be approved in principle.*
- (4) *That draft operating plans for the above activities be recommended to the Policy and Finance Committee for inclusion in the Councils proposed Long Term Financial Strategy 2001-2010*

DAVID BENHAM  
Divisional Manager, Utility Services

Attachments:

1. Water Supply (excl. Network and Intragroup Revenues/Costs)
2. Bancorp's Regional Water Supply Debt Repayment Strategy Report
3. Debt Scenarios Using an Interest Rate of 8.50% Graph