

Report 99.309

4 June 1999

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

Divisional Report

1. Purpose

- To comment on the Utility Services Division's performance for the ten months ended 30 April 1999.
- To outline various other relevant areas of interest or activity.
- To receive the attached activity reports to 30 April 1999 (Attachment 1).

2. Divisional Performance for 10 Months Ended 30 April 1999

The division continues to perform well with an operating surplus in water supply \$1,885,300 ahead of budget. This is also \$549,400 better than at the same stage last year. Savings are being generated from reduced debt servicing costs and operating costs.

Plantation Forestry is \$305,300 behind budget. April was a much better month as we were logging superior trees. We continue to expect to almost break even for the final quarter.

Capital expenditure is slightly behind schedule. Financially we are \$1,526,800 under budget for water supply and \$90,400 under budget for Plantation Forestry. Forecast position of \$900,000 under budget for water remains the expectation to June 1999.

The summarised financial position is as follows:

1997/98		1998/99	1998/99	1998/99	1998/99
Year to Date		Year to Date	Year to Date	Year End	Year End
Actual		Actual	Budget	Outlook	Budget
\$000s		\$000s	\$000s	\$000s	\$000s
Water Supply					
28,585.0	Income	27,744.8	27,288.0	33,218.0	32,745.7
25,085.6	Expenditure	23,696.0	25,124.5	28,933.9	30,127.2
3,499.4	Operating Surplus	4,048.8	2,163.5	4,284.1	2,618.5
(Operations	427.4	(54.0)	334.9	(69.9)
3,300.4	Strategy and Assets	876.5	(26.7)	919.5	0
(Support Services	2,506.4	2,010.2	2,786.2	2,409.4
82.4	Engineering Consultancy	109.9	138.1	115.9	165.6
116.6	Laboratory Services	128.6	95.9	127.6	113.4
3,499.4	Operating Surplus	4,048.8	2,163.5	4,284.1	2,618.5
Plantation Forestry					
768.4	Income	684.5	1,011.1	999.0	1,213.3
1,296.4	Expenditure	1,451.2	1,472.5	1,781.2	1,767.7
(528.0)	Operating Deficit	(766.7)	(461.4)	(782.2)	(554.4)

3. Fluoridation

A special meeting was held with Hut City to discuss fluoride issues on 11 May 1999. From that meeting and subsequently we have been asked to cost various options with regard to getting unfluoridated water to the new Rahui Reservoir. Those have or are in the process of being provided. We in essence now await Hutt City's decision as to whether the water delivered to Rahui is to be fluoridated or unfluoridated. Should the decision be to provide unfluoridated water then the likely interim position will require fluoridated water to be delivered until the necessary changes are made – given the perilous state of the Buick Street pumps. We also note that the reservoir is now unlikely to be commissioned before September.

4. **Water Pricing**

At the last Utility Services Committee meeting the committee asked for a workshop to be arranged involving representatives of the four cities and the Regional Council to discuss wholesale water pricing. At this stage a date in July is likely, as our customers have several commitments in June for annual plan hearings. Therefore any change to our pricing cannot be implemented before 1 July 2000.

Officers were also asked to check the legal aspects of the pricing proposal, which involved a 70 percent fixed charge and a 30 percent variable charge. Our legal advisors have indicated that this charging mechanism complies with the Wellington Regional Water Board Act 1972.

5. **Communications**

All Divisional Managers have been asked to report on publicity of divisional issue since the last meeting. Attached to the manager's reports are copies of the various news releases in the period.

6. **American Water and Wastes Association Conference – Chicago 20 – 24 June 1999**

The General Manager has approved Dan Roberts and my attendance at this conference. AWWA was founded in 1881 and is one of the worlds' leading authorities on drinking water. With headquarters in Denver, Colorado, its members included scientists, engineers, environmentalists, public water experts, educators and water utility managers throughout USA, Canada and Mexico. The organisers expect some 12,000 attendees, the logistics of which will be interesting in itself. The programme contains a vast array of programmes under the following themes: management, legislative and regulatory, public affairs, water resources, water conservation, water quality, research, engineering and construction, distribution and plant operations, small systems, international and special topics. In addition, the Sunday includes a variety of workshops. Various visits are also available to water plants around Chicago. We certainly appreciate the opportunity to attend such a programme. The cost is approximately \$6,000 each.

I will be taking a few days leave either side of the conference and will therefore be away from the evening of 15 June to 30 June. Dan will be away from 19 – 30 June. Murray Kennedy will be standing in for me and Chris Laidlow will be deputising for Dan.

7. **Departures**

It is with regret that I advise that Helen Sillars, our Laboratory Manager, has resigned. She is taking a job at an Agriquality Laboratory in Wallaceville where her responsibilities will include managing that lab with a staff of some 28 people.

Helen has been with the Council for 14 years and has been managing the Laboratory since 1987. Helen will be sorely missed by us for both her water quality knowledge and experience, and the business acumen she brings to our management group. The Laboratory, as you will be aware, is a very profitable enterprise and the credit for that is Helens.

I am sure you will join with me in thanking Helen sincerely for her efforts and contribution over the years and wish her well for the future. Helen leaves the Council on 16 July.

It is also with regret that I advise Greg Williams, our Economist/Business Analyst, has resigned. Greg has made a significant contribution to, amongst other things, the development of the complex sustainable yield model, benchmarking, pricing and information recording, over his four years with us. Greg has accepted a role with Transpower. My thanks again to Greg for his valued contribution.

8. Workshop

We have arranged a one hour workshop after this meeting to update the Committee on the 1998 Microbiological Survey Report and preliminary results of pilot plant trials at Te Marua.

9. Recommendation

That this report be received and contents noted.

DAVID BENHAM
Divisional Manager, Utility Services

Attachment 1: Monthly Reports for Period Ended 30 April 1999