



**NAPIER**  
CITY COUNCIL  
*Te Kaunihera o Ahuriri*

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# ORDINARY MEETING OF COUNCIL

## Open Minutes

Meeting Date:	Thursday 19 December 2019
Time:	10.00am-11.57am 12.05pm-1.03pm
Venue	Council Chambers Hawke's Bay Regional Council 159 Dalton Street Napier
Present	Mayor Wise, Deputy Mayor Brosnan, Councillors Boag, Browne, Chrystal, Crown, Mawson, McGrath, Price, Simpson, Tapine and Taylor
In Attendance	Chief Executive, Director Corporate Services, Director Community Services, Director City Services, Director City Strategy, Manager Communications and Marketing, Manager Asset Strategy, Manager Environmental Solutions, Chief Financial Officer, Manager City Development, Manager Building Consents, Team Leader 3 Waters, Procurement Lead, Waste Minimisation Lead
Administration	Governance Team

## Apologies

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### Council resolution

Councillor Boag / Dep. Mayor Brosnan

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That the apology from Councillor Wright be accepted.

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Carried

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## Conflicts of interest

Nil

## Public forum

Nil

## Announcements by the Mayor

The Mayor acknowledged and thanked Council for their hard work, professionalism and integrity over the last few months and year, noting it has been a busy year with a number of hefty issues to consider and they had represented the community well. She wished everyone a merry Christmas.

## Announcements by the management

The Chief Executive acknowledged and thanked staff and Council for their efforts over the last year, and wished everyone a safe and enjoyable break.

## Confirmation of minutes

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### Council resolution

Councillors Price / Crown

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That the Draft Minutes of the Extraordinary meeting held on 5 December 2019 be confirmed as a true and accurate record of the meeting.

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Carried

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# AGENDA ITEMS

## 1. HAWKE'S BAY AIRPORT LTD ANNUAL REPORT 2019

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*Type of Report:* Procedural

*Legal Reference:* Local Government Act 2002

*Document ID:* 877128

*Reporting Officer/s & Unit:* Caroline Thomson, Chief Financial Officer

### 1.1 Purpose of Report

To present to Council the Hawke's Bay Airport Ltd Annual Report 2019.

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#### At the meeting

Tony Porter, Chairman and Stuart Ainslie, Chief Executive Officer presented the 2019 Hawke's Bay Airport Limited Annual Report to Council (*presentation **attached** – Attachment A*).

Mr Porter provided a brief overview of the financials for the 2018/19 year noting that due to the financial uncertainty following the departure of Jetstar and Arrow going into voluntary administration, it was decided that it would not be prudent to pay out a dividend this year. He also spoke to notable highlights of the year, including the continued success of the Watchman Road project.

Mr Ainslie spoke to the key challenges moving forward and provided an overview of the operations strategy and sustainability framework.

In response to questions from Councillors, the following points were clarified:

- Typically, a dividend of around 40% of EBIT would be paid out. Government understands the decision to not pay a dividend at this time.
- A number of factors attributed to the departure of Jetstar from Hawke's Bay, including the Jetstar operating model not being a good fit for the Turbo Prop service. The door remains open for Jetstar to return.
- The sustainability framework sits across the strategic plan.

**ACTION:** To arrange a joint meeting with Hastings District Council and Hawke's Bay Airport Limited in the new year, in order to provide further background information and bring new Councillors up to speed on airport matters.

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**Council resolution** Councillors Simpson / Tapine

That Council:

a. Receive the Hawke's Bay Airport Ltd Annual Report 2019.

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Carried

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## 2. WATER REVIEW PROCUREMENT STRATEGY

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	877290
<i>Reporting Officer/s &amp; Unit:</i>	Catherine Bayly, Manager Asset Strategy

### 2.1 Purpose of Report

The purpose of this report is to outline the procurement strategy and processes to engage skilled consultancy services that will support Council's review of options for provision of safe chlorine free drinking water to our communities and compare to current requirements and anticipated regulatory change. The review will provide advice on capital and operational work requirements, residual health risk, indicative costs and indicative timeframe to achieve the targeted reticulation standard and make recommendations on an appropriate chlorine free option.

The options that will be assessed are:

1. Maintain the current Council planned programmes of work with Chlorine as a barrier against contamination under the new Water Safety Plan (WSP) framework, or
2. Enhance the water network to a standard where disinfection residual can be removed with no negative impact on water quality or public safety to consumers.

#### Outcome of Review:

The output of the review will be two fully costed options for the delivery of safe water supplies in Napier that can be consulted upon within the community with feedback sought to help inform Council on whether we continue with a safe network with chlorine or commit to developing a network that enables chlorine to be removed safely. The two options will be based around the requirements of the new Water Safety Plan Framework and the chlorine free option will be developed with guidance from the Ministry of Health to ensure that any future chlorine free option would be acceptable to them.

The additional benefits of completing the project include a peer review of the financial modelling in the 3 Waters Review along with providing clarity around future staffing requirements and operational costs for both options.

#### At the meeting

The Manager Asset Strategy, Team Leader 3 Waters and Procurement Lead spoke to the report and also provided further background for the benefit of the new Councillors. It was noted that a communications strategy will be developed in the new year to better inform the public around what is being done in this space, and reiterated that people should not drink the dirty water as this contains high levels of manganese, instead run taps until the water runs clear.

In response to questions from Councillors, the following points were clarified:

- It was confirmed that the works currently underway will be required whether the network is chlorinated or not.
- Acoustic sensors will be considered; however, they do not reduce risk. Acoustic sensors will allow Council to better understand the network once it is zoned and to

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better manage leakage and flow. Zoning the network is part of Council's three year work programme.

- Christchurch City Council (CCC) has submitted their water safety plan and officers assume that the plan excludes chlorination. The Ministry of Health will make their decision based on recommendations from the panel, who must first consider how CCC plans to manage the risks in their network.
- Council has been running a pigging programme for over 10 years; this is an ongoing process. It was noted that parts of the network cannot be accessed.
- The major projects will run concurrently, with an optimistic view for some of these projects to be completed over two years, others will take longer.
- Council may need to attract consultants and contractors from outside Hawke's Bay as well to complete works, noting that Hastings District Council are also undertaking a large work programme.
- Before chlorination can be removed from the network, Council must demonstrate how risks in the network will be managed. Removing chlorination at this time would be against the approved water safety plan and would not be supported by the HBDHB.
- Council has demonstrated that there is no protozoa risk by achieving bore security status. UV treatment will also be installed in the new bore fields.
- The expectation moving forward under the new water safety drinking guidelines is that property owners with a private bore or storage tank feeding more than two dwellings will need to produce their own water safety plan. Council will be required to assist property owners with this.

Councillors suggested that Councillor Simpson be appointed as an observer for the Registration of Interest (ROI) process and that officers approach the Ministry in relation to potential funding options.

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#### **Officer's Recommendation**

That Council:

- a. Note the report titled "Procurement Strategy to engage a consultant to complete a chlorine free drinking water review" be received.
- b. Adopt the Review outcome, being to develop two defensible options for safe drinking water to take to the community.
- c. Approve the procurement strategy to engage a consultant to complete a drinking water review for Napier City Council which includes a two stage procurement process including a Registration of Interest followed by a Request for Proposal.

#### **Council resolution**

Dep. Mayor Brosnan / Councillor Simpson

Substitute Motion

That Council:

- a. Note the report titled "Procurement Strategy to engage a consultant to complete a chlorine free drinking water review" be received.
  - b. Adopt the Review outcome, being to develop two or more defensible options for safe drinking water to take to the community.
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- c. Approve the procurement strategy to engage a consultant to complete a drinking water review for Napier City Council which includes a two stage procurement process to provide a solution that addresses the review outcomes including a Registration of Interest followed by a Request for Proposal.
  - d. Note the inclusion of an independent probity advisor in the process.
  - e. Investigate Ministry of Health funding opportunities for the report noting the implications of being leaders in the investigation of a chlorine free network under the new regulations, noting all works will continue as scheduled while this is undertaken.
  - f. Note that a communications strategy will be developed for all drinking water and presented to Council in early 2020.
  - g. That Councillor Simpson be appointed as observer on ROI process.

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Carried

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*The Mayor adjourned the meeting at 11.57pm for a short break, and reconvened at 12.05pm.*

### 3. CIVIC BUILDING DEMOLITION

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	877988
<i>Reporting Officer/s &amp; Unit:</i>	Paulina Wilhelm, Manager City Development

#### 3.1 Purpose of Report

To seek Council approval to demolish the Civic building in 2020. Officers also propose investigating if there are any cost savings in demolishing the Library building at the same time and reporting the findings back to Council for considering the future plans for the Civic Precinct Area (the area including the civic building, the library building and the civic court, refer to attachment). It is noted that no decision has been made on the future of the Library building at this time.

Note: this report was initially taken to the Council meeting held on 5 December 2019 where it was laid on the table, to be brought back to this meeting.

#### At the meeting

Councillors confirmed that since the report was last on the table, they have had an opportunity to speak with representatives from Strata Group and Aurecon and have had access to further reports, enabling them to consider the full issue. It was noted that although a lot of the information had been around seismic assessments, a comprehensive report and business case around site optimisation had also been considered.

A number of Councillors noted they were satisfied that the information provided since the last meeting addressed their concerns and they were now able to move forward with the decision. It was also noted that the 2017 cost estimate for full refurbishment of the building was \$75M, and that Council officer's had confirmed there was no safety risk to passersby.

#### Council resolution

Councillors Taylor / Crown

That Council:

- a. Approve going to tender for the demolition of the Council Civic Administration building in 2020 and ring-fence the associated costs of demolition to be recovered from the future use of the site either through the sale or a long term lease

Carried

#### 4. KERBSIDE RECYCLING CRATE REPLACEMENT POLICY

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	877541
<i>Reporting Officer/s &amp; Unit:</i>	Rhett van Veldhuizen, Waste Minimisation Lead

##### 4.1 Purpose of Report

To seek Council's approval for establishing a policy and a charge and methodology for the replacement of recycling crates which have been stolen, lost or damaged while using the new service.

##### At the meeting

The Manager Environmental Solutions spoke to the report and clarified the following points, in response to questions from Councillors:

- There are a number of reasons that receptacles go missing, including moving house and taking the receptacles, whether purposely or not.
- The cost for replacements was foreseen but the replacement fee could only be set through fees and charges, which needs to be set at a particular time each year.
- Replacement fees will be assessed on a case by case basis, ie. replacement fees for receptacles broken by contractors will not be charged to residents; it was noted that the new methodology reduces this risk.
- The fee will be reviewed year on year as part of the fees and charges process. Council officers are satisfied that the fee is set at an appropriate level, and have taken into account replacement fees set by other Councils.
- Each crate has a unique code for tracking and audit purposes and contractors will only collect the maximum of three crates from each property.

##### Council resolution

Dep. Mayor Brosnan / Councillor Chrystal

That Council:

- Approve the establishment of a fee of \$15.00 including GST for each crate supplied to replace any or all of the three crates provided to each household at the beginning of the service rollout.
- Agree to Waste Minimisation Officers developing a policy with regards to the charges related to kerbside collection receptacles that incorporates the contract parameters, fairness and looking after our assets.

Carried



## 5. ACTIONS FROM PREVIOUS MEETINGS

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*Type of Report:* Procedural

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*Legal Reference:* N/A

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*Document ID:* 878880

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*Reporting Officer/s & Unit:* Devorah Nícuarta-Smith, Team Leader Governance

### 5.1 Purpose of Report

To present the actions from previous meetings for awareness.

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#### At the meeting

Councillor Taylor advised that Sport HB confirmed there is no council appointment to Sport HB.

Mayor Wise advised that the financial risk of removing the Napier Conference Centre signage item can be closed out as the signage has already been removed.

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#### Council resolution

Councillors Tapine / Crown

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That Council:

- a. Note the actions from previous meetings along with their current status.

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Carried

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# REPORTS / RECOMMENDATIONS FROM THE STANDING COMMITTEES

## REPORTS FROM AUDIT AND RISK COMMITTEE HELD 5 DECEMBER 2019

### 1. HEALTH AND SAFETY REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	871748
<i>Reporting Officer/s &amp; Unit:</i>	Sue Matkin, Manager People & Capability

#### 1.1 Purpose of Report

The purpose of the report is to provide the Audit and Risk Committee with an overview of the health and safety performance as at 31 October 2019.

#### At the meeting

There was no discussion on this item.

<b>Council resolution</b>	Councillors Tapine / Boag
	That Council:
	a. Receive the Health and Safety report as at 31 October 2019.
	Carried

## 2. RISK MANAGEMENT REPORT NOVEMBER 2019

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<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	873301
<i>Reporting Officer/s &amp; Unit:</i>	Ross Franklin, Consultant

### 2.1 Purpose of Report

To provide the Audit and Risk Committee with an update on progress with risk management work and to report on the highest paid risks.

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### At the meeting

There was no discussion on this item.

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### Council resolution

Councillors Tapine / Boag

That Council:

- a. Note the Risk Management Work being undertaken by Napier City Council staff and management.
- b. Note the current Major risks.
- c. Receive the Risk Report dated 22 November 2019.

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Carried

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### 3. AUDIT AND RISK COMMITTEE CHARTER

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*Type of Report:* Procedural

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*Legal Reference:* N/A

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*Document ID:* 873943

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*Reporting Officer/s & Unit:* Adele Henderson, Director Corporate Services

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#### 3.1 Purpose of Report

The purpose of this report is to advise the incoming committee of the committee charter and of the recommendation for the charter to be reviewed over the next 12 months.

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#### At the meeting

There was no discussion on this item.

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#### Council resolution

Councillors Tapine / Boag

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That Council:

- a. Note and discuss the current Audit and Risk Committee Charter and make any recommended changes
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Carried

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#### 4. PROPOSED AUDIT AND RISK COMMITTEE 2020 MEETING CALENDAR

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 871747

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*Reporting Officer/s & Unit:* Caroline Thomson, Chief Financial Officer

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##### 4.1 Purpose of Report

To consider the proposed timetable of meetings for the Audit and Risk Committee in 2020, as detailed below.

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##### At the meeting

There was no discussion on this item.

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**Council resolution** Councillors Tapine / Boag

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That Council:

- a. Receive the proposed timetable of meetings for the Audit and Risk Committee for 2020.
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Carried

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## 6. SENSITIVE EXPENDITURE: MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Operational and Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	871750
<i>Reporting Officer/s &amp; Unit:</i>	Caroline Thomson, Chief Financial Officer

### 6.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

#### At the meeting

There was no discussion on this item.

<b>Council resolution</b>	<u>Councillors Tapine / Boag</u>
	That Council:
	a. Receive the report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.
	<u>Carried</u>

## 7. EXTERNAL ACCOUNTABILITY: AUDIT NEW ZEALAND MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	871746
<i>Reporting Officer/s &amp; Unit:</i>	Caroline Thomson, Chief Financial Officer

### 7.1 Purpose of Report

To consider the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2019 (to be tabled at the meeting).

#### At the meeting

There was no discussion on this item.

<b>Council resolution</b>	<u>Councillors Tapine / Boag</u>
	That Council:
	a. Receive the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2019.
	<u>Carried</u>

## 8. EXTERNAL ACCOUNTABILITY: INVESTMENT AND DEBT REPORT

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 871749

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*Reporting Officer/s & Unit:* Caroline Thomson, Chief Financial Officer

### 8.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 31 October 2019.

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#### At the meeting

There was no discussion on this item.

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#### Council resolution

Councillors Tapine / Boag

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That Council:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 31 October 2019.
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Carried

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## 9. INTERNAL AUDIT: COMMUNITY GRANTS MANAGEMENT

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*Type of Report:* Operational

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*Legal Reference:* Local Government Act 2002

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*Document ID:* 872363

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*Reporting Officer/s & Unit:* Caroline Thomson, Chief Financial Officer

### 9.1 Purpose of Report

To table to the Committee the internal audit on community grants management undertaken by Council's internal auditors, Crowe Horwath.

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### At the meeting

There was no discussion on this item.

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**Council resolution** Councillors Tapine / Boag

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That Council:

- a. Receive the report from Crowe Horwath titled 'Community Grants Management'.
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Carried

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## 5. FINANCIAL DELEGATION

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Type of Report:	Legal and Operational
Legal Reference:	Local Government Act 2002
Document ID:	869923
Reporting Officer/s & Unit:	Adele Henderson, Director Corporate Services

### 5.1 Purpose of Report

To review and approve the Chief Executive's financial and non-financial delegation

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#### At the meeting

It was noted that the recommendation taken to the Audit and Risk Committee was to increase the Chief Executive's financial delegation from \$500,000 to \$1M. The committee did not make a recommendation to Council; however, noted that the independent members supported the increase. The other members of the Audit and Risk Committee, Councillors Simpson and Taylor, confirmed that they also supported the original recommendation, noting that it was reasonable for that level of expenditure to be increased. The Mayor expressed concerns around the public perception of any increase, with regard to process and transparency.

In response to questions from councillors, the following points were clarified:

- The delegation has not been reviewed for at least 10 years. Officers confirmed that the delegation could be reviewed at any time.
- Hastings District Council Chief Executive's financial delegation is \$5M and the Chief Executive Officer of EIT is \$1M.
- The financial delegation only applies to items within Council's approved plans and budgets, anything outside of this would be required to come back through Council.
- Council sets the financial delegation for the Chief Executive and the Chief Executive then sets the financial delegations for staff.
- Any large projects go through the Tenders committee.

Councillors noted their preference that the Chief Executive's financial delegation be brought back to Council for review say every three years.

*Councillor Browne left the meeting at 12.54pm, part way through the discussion on this item, and did not participate in the vote.*

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#### Committee's recommendation

That Council:

- a. Note the recommendation of the report to increase the financial delegation to the Chief Executive from \$500k to \$1M, and provide feedback that the independent members support this recommendation while the Mayor's preference is to retain the current delegation
  - b. Approve the Delegation to the Chief Executive document dated 5 December 2019 subject to Council financial delegation approval
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**Council  
resolution**

Councillors Taylor / Price

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Substitute motion

That Council:

- a. Approve an increase of the financial delegation to the Chief Executive from \$500k to \$1M.
- b. Approve the Delegation to the Chief Executive document dated 5 December 2019.

*The motion was **carried** by 7 votes to 4 votes the voting being as follows:*

***For:***                    *Councillors Price, Taylor, Chrystal, Crown, Mawson,  
Simpson and Tapine*

***Against:***            *Mayor Wise, Deputy Mayor Brosnan, Councillors Boag  
and McGrath*

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Carried

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# REPORTS UNDER DELEGATED AUTHORITY

## 1. RESOURCE CONSENTS

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*Type of Report:* Information

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*Legal Reference:* N/A

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*Document ID:* 877879

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*Reporting Officer/s & Unit:* Cheree Ball, Governance Advisor

### 1.1 Purpose of Report

To present the report on Resource Consents issued under delegated authority for the period 6 November – 30 November 2019.

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### At the meeting

There was no discussion on this item.

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### Council resolution

Councillors Price / Tapine

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That Council:

- a. Resolves to receive the report titled 'Resource Consents approved 6 November - 30 November 2019'.

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Carried

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## 2. TENDERS LET

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<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	877927
<i>Reporting Officer/s &amp; Unit:</i>	Cheree Ball, Governance Advisor

### 2.1 Purpose of Report

To report the Tenders let under delegated authority for the period 6 November – 5 December 2019.

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#### At the meeting

There was no discussion on this item.

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<b>Council resolution</b>	<u>Councillors Price / Tapine</u>
	That Council:
	a. Receive the report for Tenders Let under delegated authority for the period 6 November – 5 December 2019.
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### 3. DOCUMENTS EXECUTED UNDER SEAL

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<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	877923
<i>Reporting Officer/s &amp; Unit:</i>	Cheree Ball, Governance Advisor

#### 3.1 Purpose of Report

To report on the Documents Executed under Seal for the period 6 November – 5 December 2019.

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#### At the meeting

There was no discussion on this item.

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<b>Council resolution</b>	<u>Councillors Price / Tapine</u>
	That Council:
	a) Receive the report for Documents Executed under Seal for the period 6 November – 5 December 2019.
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	Carried

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# PUBLIC EXCLUDED ITEMS

## Council resolution

Dep. Mayor Brosnan / Councillor Mawson

That the public be excluded from the following parts of the proceedings of this meeting.

Carried

## Agenda Items

1. C1225 - Kerbside Waste Collection Services Contract
2. Actions From Previous Meetings - Public Excluded Items

The general subject of each matter to be considered while the public was excluded, the reasons for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to:	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist:

## Agenda Items

1. C1225 - Kerbside Waste Collection Services Contract	<p>7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities</p> <p>7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist:</p> <p>(i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official</p>
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		Information and Meetings Act 1987.
2. Actions From Previous Meetings - Public Excluded Items	7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.

The meeting moved into committee at 1.03pm.

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Approved and adopted as a true and accurate record of the meeting.

Chairperson .....

Date of approval .....



Attachment A – HBAL Presentation



## AGENDA

### Review of Half Year to 31 December 2018

- Financial Performance
- Financial Position

### DRAFT Statement of Intent

- Revenue, EBIT & Profit
- Financial Position & Cash flow
- Capex Projects
- Strategic Plan



## Financials – Half Year to 31 Dec 2018

	THIS YEAR			LAST YEAR		FY19 Budget FY 2018/19	
	HY Actual Dec 18	HY Budget Dec 18	Variance %	HY Actual Dec 17	Variance %		
Passenger Numbers	380,323	359,142	5.9%	354,565	7.3%	705,598	✎ Passenger movements +7.3% above LY
TOTAL REVENUE	3,871,038	3,316,630	16.7%	3,372,642	14.8%	6,633,623	✎ Total Revenue increased 14.8% above LY, and 16.7% above budget
Operating Expenses	1,751,052	1,619,007	8.2%	1,386,084	26.3%	3,238,014	✎ Expenses 8.2% above budget and 26.3% ahead of LY.
EBITDA	2,119,986	1,697,623	24.9%	1,986,558	6.7%	3,395,609	✎ YOY increase in expenses was budgeted and primarily due to additional HR requirements.
Profit before Tax	1,426,971	1,022,771	39.5%	1,298,755	9.9%	1,837,257	
PROFIT AFTER TAX	1,008,307	736,395	36.9%	933,430	8.0%	1,322,926	✎ NPAT 36.9% above budget and 8% above LY



Draft SOI 2020 | Q3 2019

## Financials – Statement of Financial Position as at 31 December 2018

	As at 31 Dec 18	As at 31 Dec 17	As at 30 Jun 18	
<b>Assets</b>				✎ Increased assets primarily associated with terminal expansion to date
Property, plant and equipment	39,242,233	31,511,155	34,912,723	
Investment property	4,455,230	4,586,182	4,535,317	
Intangibles	2,135	2,032	3,384	
<b>Total non-current assets</b>	<b>43,699,598</b>	<b>36,099,369</b>	<b>39,451,424</b>	✎ Non-current liabilities – bank debt circa \$8m @ 31/12/18
<b>Total current assets</b>	<b>1,032,291</b>	<b>777,635</b>	<b>1,075,434</b>	
<b>Total Assets</b>	<b>44,731,889</b>	<b>36,877,004</b>	<b>40,526,858</b>	
<b>Total equity</b>	<b>30,576,381</b>	<b>29,571,914</b>	<b>30,144,566</b>	
<b>Total non-current liabilities</b>	<b>12,657,583</b>	<b>5,910,168</b>	<b>8,785,052</b>	
<b>Total current liabilities</b>	<b>1,497,925</b>	<b>1,394,922</b>	<b>1,597,241</b>	
<b>Total liabilities</b>	<b>14,155,508</b>	<b>7,305,090</b>	<b>10,382,292</b>	
<b>Total equity and liabilities</b>	<b>44,731,889</b>	<b>36,877,004</b>	<b>40,526,858</b>	



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## Financials – Full Year Forecast v Budget

	FY18 Actual	SOI	FY19 Forecast	SOI v FY19 Forecast
PAX	697,143	705,598	750,000	44,402
Revenue	6,649,168	6,633,261	7,751,136	1,117,875
YOY			17%	
Expenses	3,041,665	3,238,013	3,543,767	(305,754)
YOY			-9%	
EBITDA	3,607,502	3,395,247	4,207,369	812,122
YOY			24%	
NPAT	\$1.45m	\$1.32m	\$1.89m	

- ✈ Current YOY growth 8%- expected to continue to full year.
- ✈ Forecast Revenue 17% above SOI. Predominantly aviation revenue - from landing charge increase 12.7% from July 18 and revenues associated with pax growth.
- ✈ Increased expenditure reflective of strategy since SOI set in early 2018. Predominantly HR cost associated with head count growth.
- ✈ EBITDA 24% above SOI; 17% above LY
- ✈ Forecast NPAT uplift circa \$440k on LY & \$570k above SOI



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## Outlook 2020 Onwards

- Duopoly - Air New Zealand/Jetstar – Price Wars
- 2<sup>nd</sup> Tier Regional Route Development
- Softening of International Traffic – Slowing of Domestic?
- Revenue Diversification – Property/Air Freight Development
- Critical Infrastructure
- Maximise Regional Economic Impact
- A sustainable airport business.



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## DRAFT Statement of Intent Revenue, EBIT & Profit Targets

	FY2020	FY2021	FY2022
<b>Passenger Numbers</b>	<b>772,358</b> 4.0%	<b>807,114</b> 4.5%	<b>839,399</b> 4.0%
<b>FINANCIAL PERFORMANCE (\$)</b>			
Airside Revenue	4,386,229	4,580,432	5,215,149
Landside Revenue	3,523,641	4,193,679	4,352,381
Business Park Revenue	423,266	432,356	443,212
<b>Group Revenue</b>	<b>8,333,136</b>	<b>9,206,467</b>	<b>10,010,741</b>
<b>Operating Expenses</b>	<b>3,874,048</b>	<b>3,980,527</b>	<b>3,764,150</b>
<b>EBITDA</b>	<b>4,459,088</b>	<b>5,225,941</b>	<b>6,246,591</b>
Depreciation & Amortisation	1,486,001	1,844,950	2,116,142
<b>EBIT</b>	<b>2,973,087</b>	<b>3,380,991</b>	<b>4,130,450</b>
Interest Paid (interest charged to P&L)	370,216	624,373	596,355
<b>Profit before Tax</b>	<b>2,602,871</b>	<b>2,756,617</b>	<b>3,532,095</b>
Tax	728,804	771,853	988,987
<b>Profit after Tax</b>	<b>1,874,067</b>	<b>1,984,764</b>	<b>2,543,108</b>

- ✎ 4% - 4.5% year on year annual growth in passenger numbers
- ✎ FY20-22 revenue growth of \$1.67m (+20%)
- ✎ FY20-21 revenue aligned with pax growth & associated revenues such as car parking & retail concessions.
- ✎ Significant increase in landing fees anticipated in FY22.
- ✎ Expenditure reasonably static with the exclusion of depreciation increase related to new terminal and other capex.



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## DRAFT Statement of Intent Financial Position & Cash flow Targets

	FY2020	FY2021	FY2022
<b>FINANCIAL POSITION</b>			
Net Debt	19,145,590	18,218,545	17,418,446
Total Assets	57,428,494	57,785,351	58,945,090
Shareholders Funds	32,579,571	33,814,709	35,563,911
Ratio of Shareholders Funds to Total Assets	57%	59%	60%
<b>CASHFLOW SUMMARY</b>			
Operating Cashflow	2,976,010	4,028,872	5,044,005
Investing Cashflow	8,099,536	2,352,200	3,450,000
Dividend	749,627	793,906	1,017,243
<b>FINANCIAL METRICS</b>			
Return on Equity	5.8%	5.9%	7.2%
Net Gearing Ratio	37%	35%	32%
Equity	57%	59%	60%
Leverage Ratio	4.26	3.42	2.69

- ✎ Significant CAPEX investment will be largely bank funded with net debt forecast to peak in FY20
- ✎ Strong operating cash flows continue and facilitate continued asset investment and debt reduction post terminal expansion
- ✎ Annual dividend distributions based on 40% NPAT



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## CAPEX Projects

	FY2020	FY2021	FY2022
	\$	\$	\$
Terminal (incl WIP movement)	5,382,936	-	-
Roading Development	604,400	300,000	250,000
Car Parking	130,000	-	500,000
Business Park	-	-	-
Airfield Infrastructure	720,200	1,220,200	710,000
Buildings	662,000	12,000	-
Aviation Security & Fencing	-	805,000	1,000,000
Land Development/Property	340,000	-	475,000
Office Equipment	5,000	5,000	5,000
Plant and Equipment	210,000	10,000	510,000
Vehicles	45,000	-	-
	<b>8,099,536</b>	<b>2,352,200</b>	<b>3,450,000</b>

✈ FY20 - Rooding development and apron improvement

✈ FY21 - Apron expansion and aviation security

✈ FY22 - Aviation security, air freight infrastructure and car parking capacity FY22



## Strategic Plan 2019 - 2024



### VISION

New Zealand's most vibrant and successful regional airport welcoming 1 Million Passengers by 2025

### MISSION

To enable safe, customer focused and sustainable air transport services in and out of Hawke's Bay

#### OPERATIONS

Ensuring a safe, rewarding and delightful journey for our travelers. Striving for Excellence in everything we do

#### COMMERCIAL

Maximising the returns across our Aeronautical Business whilst delivering greater value and a strong sense of place.

#### PROPERTY

Making the best use of our land whilst safeguarding our airport to optimise returns and increase value to our shareholders.

#### PARTNERS

Engaging with our Customers, Stakeholders, Business Partners and Community to grow our airport in a way which benefits everyone. A great place to do business.

#### PEOPLE

Working together to get the best outcomes from our people in a great place to work and live.

### SUSTAINABILITY FRAMEWORK

Financial Return – Environmental Excellence – Social Opportunity – Operational Efficiency

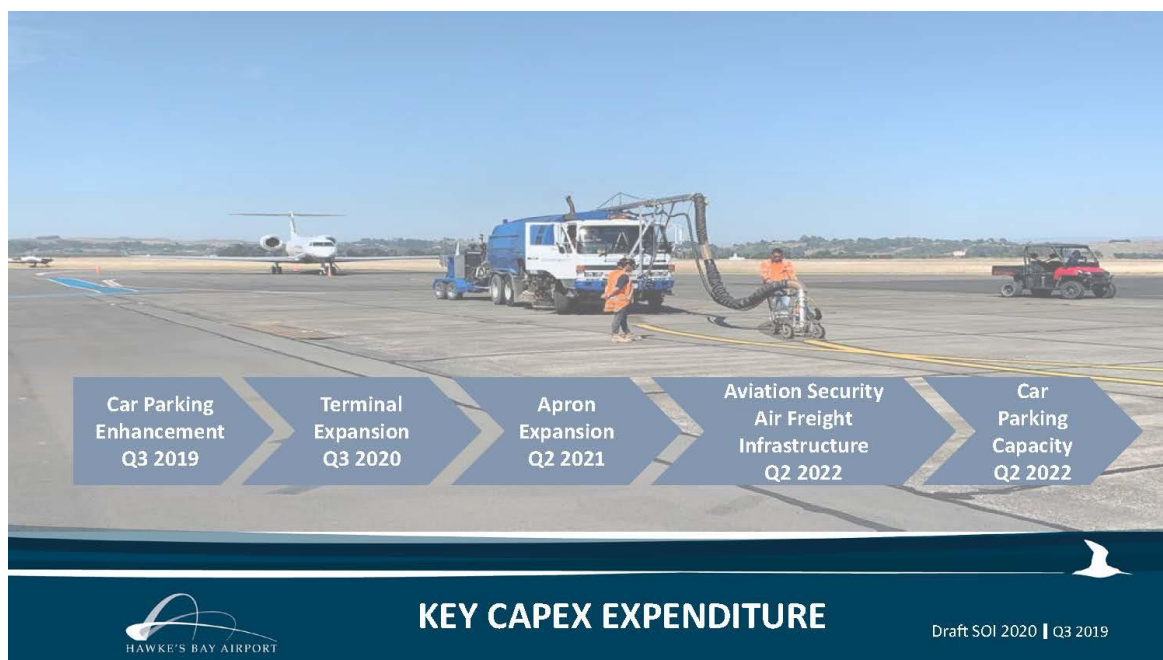




## Operations

"Ensuring a safe, rewarding and delightful journey for our travelers. Striving for Excellence in everything we do"

- Insourcing Fire Service
- Safety Management System
- Digital Strategy
- Infrastructure Development
  - Terminal
  - Car Park
  - Aircraft Parking
- Terminal Expansion
- Operational Readiness



## TERMINAL EXPANSION UPDATE

- Arrow Voluntary Administration Recovery
- Completion by end August 2020
- Stage 2 Complete October 2019
- Forecourt Plaza Redesign

3 April 2019



HAWKE'S BAY AIRPORT

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## Commercial

"Maximising the returns across our Aeronautical Business whilst delivering greater value and a strong sense of place."

- Retail
- Advertising
- Route Development
- Car Parking & Ground Transport

## RETAIL CONCESSIONS – A STRONG REFLECTION OF HAWKE'S BAY

### Central F&B – Food, Wine, Beer, Coffee



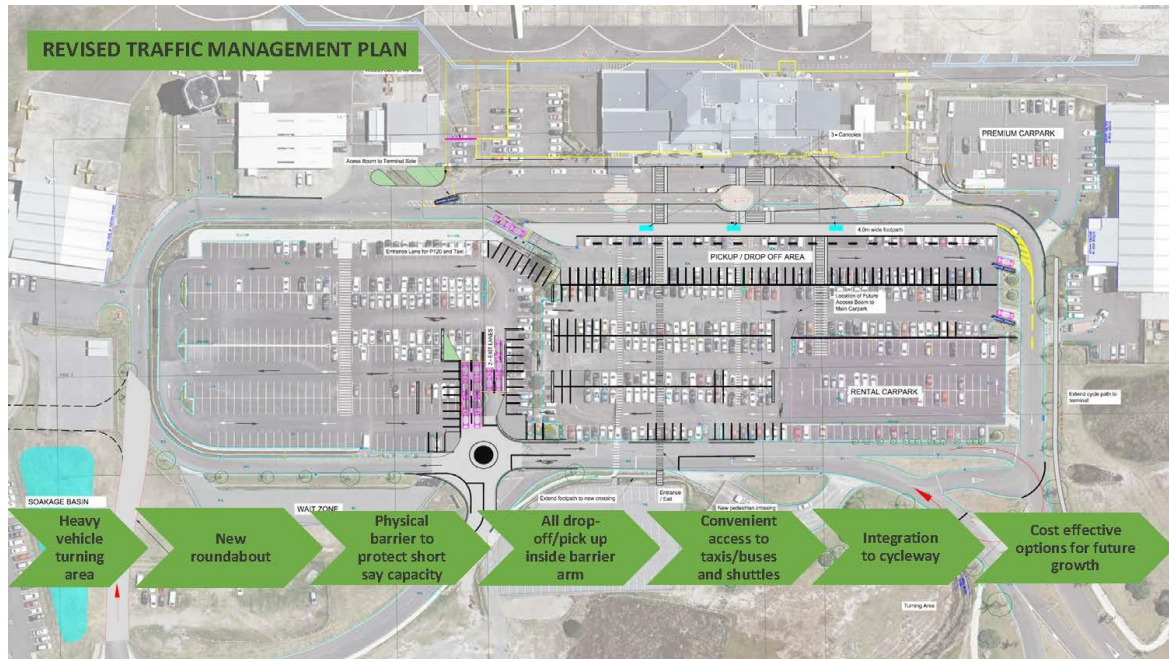
### Secondary F&B Coffee and Grab 'n Go



### Anchor Retail – Screams Hawke's Bay



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## Carpark Technology

- S&B selected via public RFP process
- Installation August 2019
- No more magnetic strips
- Staged introduction of new payment options
- Tap and go on exit
- Online booking integration
- Options for License Plate Recognition

**SCHEIDT & BACHMANN** 





## Property

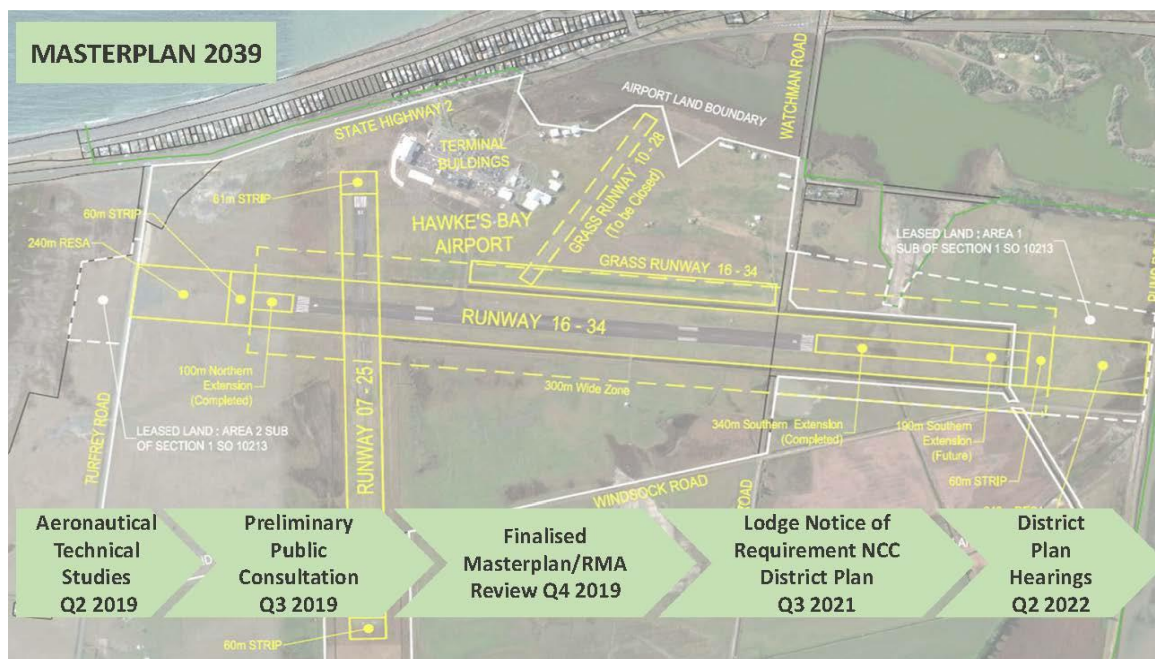
"Making the best use of our land whilst safe guarding our Airport to optimise returns and a increase value to our shareholders"

- 2039 - 20 Year Masterplan
- Sustainability Framework
  - Carbon & Energy
  - Energy Baseline
  - 3 Waters
- Commercial Precinct Reset
- Development Guidelines
- Freight Development
- Appropriate RMA Framework to support all development opportunities
- Pipeline of Development Opportunities

## Sustainability Framework - Target SDG's







## Partners

"Engaging with our Customers, Stakeholders, Business Partners and Community to grow our airport in a way which benefits everyone. A great place to do business."

- Customer Service
- Airport Service Quality Survey
- Airline Collaboration
- CIAL Forecasting
- Sponsorship & Donations
  - Biodiversity Hawke's Bay
  - Hawke's Bay Wine Growers
  - Export NZ Awards
  - Napier Aeroclub
  - HB Air Ambulance Charitable Trust



## People

“Working together to get the best outcome from our people in a great place to work and live.”

- Organisation Capacity Review
- Insourcing Mission Critical Services
- >35 Airport Ambassadors
- A working place conducive to good welfare and productivity
- Farewell to Jeanette Yule (CFO)