

CHAIRMAN'S ANNUAL REPORT – 2020

Overview of 2020 Financial Results: Water Revenues were up by **31%** following increases in demand (drought) and new pricing for WDC bulk water from July 2019. Sundry Income was again down with fewer recoveries. Operating and Overhead Expenses were down (**23%**) with fewer non-recurring items. After Depreciation (**\$336,000**), there was a Net Surplus of **\$108,000** compared to a loss of **\$131,000** last year.

As expected, low interest rates have cut Interest Received. The Committee sought professional investment advice but has resolved to retain these funds as bank deposits. Interest provides the funds for the annual charitable donations made by the Association.

Waikato District Council: There have been (and we are still negotiating) significant issues with WDC.

- *Due Diligence Process:* Council did not proceed. As agreed, the Association was reimbursed for its costs.
- *Headworks Maintenance:* WDC has terminated this contact. We are in the process of appointing a competent local party to provide the necessary oversight. Costs are not expected to materially change from earlier years.
- *Supply Contract:* The contract for WDC bulk water is currently being renegotiated. The term and pricing will have a material effect on the future of the Association.
- *Abstraction Resource Consent:* This Waikato Regional Council consent is up for renewal in 2024. Our overriding priority is to ensure the Association retains the existing right to take 22,900m³ per day. We are actively exploring options with WDC and Watercare.
- **Note:** These negotiations have required a greater level of commitment than has been needed in the past.

Capital Works Undertaken: New Asset acquisitions during the financial year totalled **\$302,000**. The largest project was the replacement of the Surge Tank (\$193,000). This was a very time critical installation successfully completed within the "6 hour" window. Other headworks expenditure included Security fencing at the Pumphouse (\$21,000), Jetty and Log Boom strengthening (\$16,000) and Switchboard upgrading (\$40,000). The Association continues to ensure all of its assets are fully maintained to provide continuity of supply.

Subdivisions: No material work was undertaken on new subdivisions or extensions during this year.

Reticulation: The scheme is now 35 years old. The need to replace old components continues. As usual, there have been some major leaks requiring significant and difficult repairs. These works often require shut-downs - some with little warning. While inconvenient to Users, our contractors work with urgency to restore supply.

Charitable Distributions: As a registered charity, the Association makes donations in accordance within its Rules. No distributions were made during this financial year.

Cash Reserves: It is critical for the long-term financial health of the Association that sufficient cash reserves are held to meet any contingency. The 2018 revaluation highlights the costs of replacement. Because horizontal assets are uninsurable, the Committee has exercised its prudent judgement to reserve **\$1,000,000** of the cash deposits as an "**Adverse Event Reserve**". This will be increased as additional surpluses are available.

What the Future Holds: Since July, the Association has commenced planning for a number of significant projects.

1. **Headworks:** No major works are currently required. However, should volumes materially increase, an upgrade to the Filters (>\$150,000) and reconfiguration of the pipework at the Header Tank (>\$250,000) will need to be considered.
2. **Reticulation:** There is a continuous program of "heavy" maintenance addressing longstanding issues. This includes renewing scour and isolating valves and installing additional ones. Shut downs will be required.
3. **Extensions:** This year to date we have reticulated a new subdivision in Wayside Road (14 sections). Another is planned for Moorfield Road (13 sections). A 300m extension is being considered for Plantation Road.
4. **BeforeUDig:** The Association has decided to join this organisation to ensure the integrity of its reticulation. Plans of pipelines and fittings will be available on line for contractors to access before undertaking works.
5. **Price of Water to Users:** The current price of water to Users was set in March 2016. Once Supply Contract negotiations with WDC are finalised, the Committee will review pricing including water and DSE.
6. **Association's Rules:** These will be reviewed to take into account various changes to the environment we operate in. A Special General Meeting will be called to ratify the changes.

Administration: Emma Adams is our Administration Manager. Being locally based and proactive, this had been really useful. Thank you Emma for your role.

I also want to thank the Committee for their interest and our Executive Officer for his professional commitment and pro-active way he has overseen the Association's affairs and best interests. These financial results reflect the planning and effort put in to achieving a very successful outcome.

I also welcome the new Members and Users to the Association. Thank you all for your continued support. We trust the Association can continue to provide your water needs for the future. I look forward to meeting you at our Annual General Meeting.

Mike Peters Chairman