

CHAIRMAN'S ANNUAL REPORT – 2018

Another relatively wet summer has seen the gross volume of water pumped remain static in spite of the growth of the town. Gross Water Revenues increased (10%) reflecting the full effect of the updated pricing. But, the loss of 2 significant rural users will impact future growth. This arises from inevitable changes to land use. Sundry Income was down with lower recoveries from subdivisions, new connections and damage recoveries – that's good!

Routine Operating Expenses and Overhead Expenses were slightly up. However, both Gross Profit (11%) and EBITDA (2%) increased after adjusting for NZTA receipts in previous years.

Lower interest rates, together with the short-term nature of the term deposits, has affected Interest Received notwithstanding an increase in deposits.

The Waikato District Council, as our maintenance contactor, continues to operate the scheme efficiently. Their "after hours" responses, particularly to those caused by contractor negligence, continue to be exceptional.

Capital Works Undertaken:

New Asset acquisitions during the financial year totalled \$200,000. The principal items were finalising works on SH1, the reconstruction of the Te Kauwhata Road Spur increasing its capacity to 150mm, and the refurbishment of Pump #3 and associated infrastructure. The Association continues to ensure its assets are fully maintained to ensure continuity of supply.

Subdivisions:

The rapid growth rural life-style sections has stalled while developers resolve planning issues with WDC. It is not expected there will be any significant activity

until the summer of 2019/20. The Orchard and Moorfield Road Spur lines may also require upgrading to meet future demand.

Reticulation:

As noted in previous years, the scheme is now 33 years old. The need to replace old components continues. The replacements last longer and are less prone to damage. These works are ongoing

requiring periodic shut-downs - some with little warning. While this is inconvenient, our contractors work with urgency to restore supply.

Charitable Distributions:

As a registered charity, the Association makes donations in accordance within its rules. To date, more than **\$120,000** has been distributed helping

organisations in our community. We hope this makes a difference.

Cash Reserves:

It is critical for the long-term financial health of the Association that sufficient cash reserves are held to meet any contingency. Recent works on SH1 highlighted current costs associated with capital works. Because the horizontal assets are uninsurable, the Committee has exercised its prudent judgement to put aside **\$900,000** 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 a number of significant projects.

1. The reticulation plans have been converted from the original (and out of date) paper plans into digital format. To assist contractors locate our pipes, this information will shortly be added to our web site.
2. We have obtained a replacement valuation of all Association assets. On completion, it will enable our insurances to be updated, depreciation to be recalculated, future pricing to be better assessed and the value of additional DSE to be re-evaluated.
3. We are holding discussions with WDC to assess of points of concern where there could be a material risk of failure – i.e. where there is no redundancy. This will lead to significant capital works when agreement is reached.
4. The pressure vessel at the Pumphouse on Churchill East Road has reached the end of its economic life requiring replacement. We have briefed a consulting engineer to advise the Association of the process.

Administration Manager:

In July, the Committee decided it was time to appoint a locally based Administration Manager. We welcome Emma Adams (Vineyard Road) to assist the Association maintain its affairs.

I want to especially thank the Committee for their interest and our Executive Officer for the professional and pro-active way he has conducted the Association's affairs. These financial results reflect the planning and effort committed to achieve a successful outcome.

I also welcome the new members and users to the Association. Thank you to all users and members 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