

# **Notes of a Meeting with Flaxbourne Irrigation Scheme Governance Group Representatives held on Thursday 9 November 2017 in the Kenepuru Room of Council at 4.00 pm**

**Present:** Clr Geoff Evans, Kevin Loe, (FCIL Representatives). Luke Van Velthooven (APL Property Limited), Mark Wheeler, Richard Coningham, Martin Fletcher, Bernadette MacDonald (Secretary), (Marlborough District Council)

**Apologies:** Clr Mark Peters, Phil Muir, Bruce Pattie, John Hickman (FCIL Representatives), John Patterson (Executive Finesse Limited)

**Moved Clr Evans/Seconded Mr Loe:** “That the apologies be received.”

Carried

## **1. Minutes of the Previous Meeting – 26 April 2017**

**Moved Clr Evans/Seconded Mr Loe:** “That the minutes of the previous meeting held on 26 April 2017 were a true and accurate record of the meeting.”

Carried

## **2. Matters Arising from the Minutes**

It was noted that Item 3 - Draft Council Paper did not go ahead.

## **3. Monadelphous Contract, Design Update and Programme Update**

Luke gave an update on these items noting that:

- Contract negotiation was undertaken with Monadelphous after they had been appointed through a selection process.
- Key aspects of that negotiation were ownership of intellectual property and costs incurred through the design stage.
- In the meantime they have undertaken some design work in good faith and have presented FCIL with various concepts.
- Based on the projected irrigation uptake and hydrological investigations to date the Project Group is looking at direct pumping from the Ure without any storage.
- Pumping undertaken with John Butt under the supervision of Opus was positive but to gain surety an extensive summer pump test needs to be undertaken before resource consents are applied for.

In answer to a query from Clr Evans as to the number of hectares it was noted that the scheme is currently designed to 1119ha, 859ha of which is direct off-take to committed farmers and 260ha are 3 off-takes that have been allocated to future undefined land areas called ‘Crown/community’

Monadelphous presented three draft concepts:

- Option F.1 – pumping to a high point and gravity feeding to all 1119ha.
- Option F.2 – similar to F1 but does not take it quite so high and involves a smaller re-pump to maintain pressure at a point further down.
- Option C is designed to a theoretical 1600ha.

- Under the draft contract which is yet to be signed there are two provisions:
  - (i) An abandonment fee of \$15,000 open to June next year
  - (ii) A design fee of \$256,000.
- FCIL have maintained with Crown Irrigation Investments Ltd (CIIL) that the scheme is sized to supply 2200ha. 2200 will now look to be delivered in two distinct stages that de-risk the scheme and more importantly take away future liability to those initially contracted by:
  - a) delivering 1119 ha via direct pumping from the Ure to the farmers gate and via a pressurised pipe system and
  - b) utilising the installed infrastructure to fill storage reservoirs over the winter months with those reservoirs to supply an additional 1201 ha.
- This provides farmers who buy-in initially with no risk associated to funding future capacity but maintaining potential for someone to build a dam in the future and link into this infrastructure.
- Monadelphous will also be asked to develop a further concept delivering water directly to 2200ha to enable FCIL to see if there is willingness for anyone to fund the bigger scheme from the start thereby creating a comparable risk/cost option.

In answer to a query from Clr Evans whether CIIL is happy with the reduced area it was noted that the storage is still there; it is just staged.

- The scheme is still very susceptible to resource consent, getting enough farmers signed up and committed and the Ure being able to deliver the quantum of required water.

Clr Evans noted he would like to see a meeting with farmers to which Luke replied there would be one in the summer and gave an outline of what that will involve. It was noted that the next stage will then be to go around farmers and get formal agreement and that with the current viticulture positivity Kevin is confident of the ability to maintain numbers. It was pointed out that if we do not find we can get enough farmers the scheme will be abandoned by June next year.

Clr Evans suggested a gateway be added to the Concept Programme and a meeting held with farmers to go down the more causal route.

**“That the Monadelphous contract as negotiated be accepted based on the addition of a gateway being added to the Concept Programme.”**

**Mr Loe/Clr Evans  
Carried**

#### **4. Financial Model**

Martin presented the following financial model in which he attempted to equalise all the options. He highlighted that if you based each option around 1264ha there was little difference in the cost per hectare between option C and the other 2 options. He also indicated 1350ha as being the ideal target to proceed.

It was noted that according to these figures the farmers coming in second would pay around an extra \$250 per hectare to belong to the scheme.

<b>Base Scheme Costs</b>					
	<b>Revision C</b>	<b>Revision C - 1264</b>	<b>Revision f.1</b>	<b>Revision F.2</b>	
Scheme Capital Cost	16,704,523	16,704,523	15,344,777	14,384,603	
Hectares	1,622	1,264	1,264	1,264	
Cost per Hectare	10,299	13,216	12,140	11,380	
<b>Debt Servicing</b>					
Debt Servicing per hectare - 5% - 30 years P&I	<b>660.84</b>	<b>848.00</b>	<b>778.97</b>	<b>730.24</b>	Westpac Loan Calc
<b>Operating Cost</b>					
Maintenance	67,802	52,837.07	62,625	62,260	
Summer Pumping	488,750	380,875.46	380,937	357,062	
Winter Pumping - Not needed for base hectares	-	-	-	-	
On Farm Pumping	21,912	17,075.69	43,250	65,569	Suspicious error in letter
	578,464	450,788	486,812	484,891	
	<b>357</b>	<b>357</b>	<b>385</b>	<b>384</b>	
Annual cost per hectare	<b>1,017</b>	<b>1,205</b>	<b>1,164</b>	<b>1,114</b>	
Hectares required to approx equal f.1 and f.2		1,350			
These costs are Revision C prorated down for a reduced hectareage					
<b>Extension</b>					
	<b>Revision C</b>		<b>Revision f.1</b>	<b>Revision F.2</b>	
Dam Cost	11,463,959		16,995,087	16,955,087	
	Two Dams				
Hectares	742		1,100	1,100	
Cost per Hectare	15,450		15,450	15,414	
On top of this would be the cost of "buying into" the base scheme. When does it become prohibitive?					
<b>Debt Servicing</b>					
Debt Servicing per hectare - 5% - 30 years P&I	<b>991.40</b>		<b>991.38</b>	<b>991.38</b>	
<b>Operating Cost</b>					
Maintenance	31,017		54,499	54,182	
Summer Pumping					
Winter Pumping - Not needed for base hectares	225,973		338,400	317,191	
On Farm Pumping	10,024		43,250	65,569	
	267,013		436,149	436,942	
	<b>360</b>		<b>396</b>	<b>397</b>	
Annual cost per hectare + possible buy in cost	<b>1,351</b>		<b>1,388</b>	<b>1,389</b>	
NB, "buy in" cost would reduce base cost					
<b>Weighted Average Cost per Hectare - 236</b>	<b>1,122</b>		<b>1,268</b>	<b>1,242</b>	

## 5. John Hickman Resignation

Attached to the agenda was an email from John Hickman tendering his resignation from the Flaxbourne Irrigation Scheme.

**"That the resignation be accepted and a letter sent to John acknowledging his service to this scheme."**

Clr Evans/ Mr Loe  
**Carried**

## 6. General Business

There was no general business.

The meeting closed at 5.00 pm

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