

**MINUTES OF MEETING OF THE BOARD OF
OPUHA WATER LIMITED
HELD 8.00AM, FRIDAY 19TH DECEMBER 2014
AT THE BOARDROOM OF OPUHA HOUSE, PLEASANT POINT**

- PRESENT:** T Lambie (Chair), M Horne, J Boys, A Reid, N Hyslop, N Gormack, D O’Sullivan.
Also in attendance were T McCormick (CEO) and A Bennett (Minutes).
- APOLOGIES:** Nil.
- AGENDA:** The agenda was distributed by email on 17th December 2014 along with a copy of the minutes of meeting from 24th November 2014. As this was a special meeting organised for the new Board to meet, there was no management report or financials presented.
The Chairman welcomed Mr Milne Horne to the Board.
- PREVIOUS MINUTES:** The previous minutes were circulated by email with the meeting agenda.
It was **Resolved** that the Minutes of Meeting of the Board on 24th November 2014 be confirmed as a correct record of that meeting. This was moved by Mr O’Sullivan and seconded by Mr Gormack. The motion was carried.
Mr Reid asked that a copy of Health & Safety pack provided to Directors at a meeting on 23rd September 2014 be forwarded to himself and Mr Horne.
Action Point: Ms Bennett
- CONFLICTS OF INTEREST:** No amendments were made to the Conflicts of Interest register other than a note for Mr Horne to advise Ms Bennett of his conflicts of interests to be added to the register.
Action Point: Mr Horne
- CHANGES TO SHAREHOLDING:** The Changes to Shareholding list was provided at the meeting for approval by the Board.
The following sale and transfer agreements were recorded:
- H R & J M McGillivray to William Risk 2W, 2L
 - Kakahu Farm Ltd to Slater Farms Ltd 10W, 10K
 - J R & A C Bruce to Four Bruggemans Family Trust 4W, 4L
 - Tonemace Farming Co Ltd to Falvey Orchards LP 14W, 14L
 - J V & J Nicholas to R R & V A Moffitt 12W, 12L
- The following lease agreements were recorded:
- S C & J M Grigg to Mill Farm (2005) Ltd 18W
 - S C & J M Grigg to Kemford Farm Ltd 18W
- Mr McCormick advised that there are no operational issues arising from the share transfers and leases above, other than Mill Farm would need to obtain further “L” class shares to utilise the lease from Simon Grigg.
- Advertised Shares for Tender
- During the week in the Timaru Herald, 10 “water” shares and 10 “L” class shares were advertised for sale by way of tender. It is possible that if a party outside of Levels area purchased the shares then the “L” class shares could be sold to Mill Farm who have brought some shares into Levels.
- A discussion was held on the value of the “L” class shares. The Chairman recommended that a consistent policy needs found around infrastructure shares and checking the capital cost could be a good start. Mr McCormick to prepare a paper on infrastructure share values, Peter Seed valuation can assist with the market value and include this as an option.
Action Point: Mr McCormick
- It was **Resolved** that the share transfers and leases listed above be approved subject to receiving signed water agreements (if they haven’t been received to date). This was moved by Mrs Hyslop and seconded by Mr O’Sullivan. The motion was carried.

**GENERAL
BUSINESS:**

Election of Chairman

A discussion was held on the position of Chairman. It is important that both the Chairman and Vice Chairman are available to support Mr McCormick and assist with projects. Both positions will be reviewed on an annual basis.

In the absence of any other nominations, it was **Resolved** that Mr Lambie be appointed as Chairman for a 12 month term. This was moved by Mr Gormack and seconded by Mr Reid. The motion was carried.

The Chairman called for nominations for Vice Chairman. Mr O'Sullivan previously held this position and commented that he did not wish to continue due to his involvement with the Zone Committee.

Mrs Hyslop was nominated for Vice Chairman. In the absence of any other nominations, it was **Resolved** that Mrs Hyslop be appointed as Vice Chairman for a 12 month term. This was moved by Mr O'Sullivan and seconded by Mr Boys. The motion was carried.

The Chairman commented that Mr Horne may be interested in attending the Irrigation NZ scheme forums.

Water Storage and Restrictions

Mr McCormick provided a copy of the paper prepared to send as an update to OEFRAG this afternoon on the Lake Opuha storage, current situation and assessment. The paper included charts indicating the lake level trend and actual flow at Saleyards Bridge for the week.

A Water Shortage Direction was approved and published in the Timaru Herald on 13th December. From the issue date on Tuesday 16th December, 50% restrictions were implemented (25% for Above Dam users), with the minimum environmental flow in the river 3.5 cumecs (normal December minimum is 6 cumecs).

Mr McCormick commented that setting up the schemes for the restrictions has been more difficult than thought and operationally has been difficult to implement and manage. The current water shortage direction ends on 29th November and Mr McCormick proposed that water users remain at 50% for another 8 day cycle (8/9th January) and then review if no significant rain - by mid-January the users will be on 50% under the Plan rules if there is no significant rain in the dam catchment.

Under the Plan, full restrictions for irrigation are imposed when the lake level reaches 370m – outflows from the lake are to match inflows (this must be until the minimum environmental; flows can be maintained and then outflows restricted to store the water and recover the lake level) No irrigation abstractions allowed until the lake level recovers above 370m. Mr McCormick believes that there would be around 8 million cubic metres in the lake at 370m.

The original ORR Plan was deemed to be unsuitable and OEFRAG have worked on setting new rules with ECan, which allows 25% restrictions at 385m (50% lake level), 50% restrictions at 380m and 75% restrictions at 375m (100% at 370m). These rules normally kick in in the New Year so it is early in the season we have decided to implement restrictions. The Plan states 50% restrictions at 375m.

Mr McCormick was challenged with his proposal of remaining at 50% and it was suggested that restrictions be decreased back to 25% (allowing 75% water take). Mr Horne commented that there might be questions why we went from 50% back to 25% however he felt that on farm economics were being adversely affected under a 50% regime. Mr Gormack commented that the priority needs to be minimum flow before irrigators. Mr Boys added that we changed the environmental flow on a one-for-one basis with irrigation savings and the Board needs to sure that the perception of the community is not one of prioritising irrigators over the river flow. Mr McCormick and Mr O'Sullivan suggested that OEFRAG had been advised previously that after the Water Shortage Direction ends, irrigators would go back to 25% restrictions. The Directors felt we need to support farmers - especially the grain and crop farmers who will be harvesting in the new year.

Mr Gormack asked if the difference can be graphed between going back to 25% for two weeks vs remaining on 50% (noting with no significant rain in the catchment that 50% restrictions will be implemented anyway). Mr McCormick commented that the most water savings come from being able to manage the change in restriction regime to retain the lake storage. The incremental change is water use on farm can easily be lost through distribution and

operational difficulties of the on-off regime. Mr McCormick advised that, if we reverted to 25% restrictions, then a 2 days on – 6 days off regime would be implemented as the 1 in 4 days off has been messy and inefficient.

Mr Horne commented that now would be a good time to review whether the minimum flows are right - if in December a reduced minimum flow still gives good water quality, then isn't it better to keep with the smaller flow?

A discussion was held on above dam users who are currently on 25% restrictions (when other users are on 50%) which was authorised by OEFRAG. As a gesture of goodwill they have relief through the Water Shortage Direction. The relief comes off on 29th December and they will then follow Opuha restrictions. If their rivers (North or South Opuha or Opihi) drop below minimum flow then they would be on restrictions anyway.

Collett property is on 50% restrictions, the same as shared water users. Within the agreement OWL has discretion regarding the level of restriction and it was felt that a clearer policy needs to be established. Based on the discussion recorded in the previous minutes, the Collett property should be on 100% restrictions while the Water Shortage Direction is in place. In January when the flow is not restricted he will be on the same as shared water users. Mr McCormick to contact Mr Ellis.

It was agreed that Mr McCormick inform OEFRAG that following the end of the Water Shortage Direction, the restrictions would change from 50% to 25%.

A policy for the Collett property needs drafted and then reviewed by Directors prior to meeting and discussing with Mr Ellis.

Action Point: Mr McCormick

Directors Fees

The distribution of Directors fees was discussed. The total remuneration approved at the AGM was \$90k and the current unallocated amount is \$9,000.

Mr Lambie commented that he is not seeking an increase in Chairman remuneration.

It was **Resolved** that the unallocated amount be divided equally (\$1,500) between the remaining 6 Directors. This was moved by Mr O’Sullivan and seconded by Mrs Hyslop. The motion was carried.

Saleyards Bridge Flow Recording & Compliance

Mr McCormick provided a graph of flows at Saleyards Bridge, the actual flow vs 24hr moving average flow vs minimum flow requirement. Mr McCormick advised that he hopes to trial the rolling 24 hour regime for operational experience in the new year as it is unknown whether it would save water. The team involved with the proposed regime has been working with OEFRAG, they are not looking to change the consent, just an opportunity to trial it to see the benefits, opportunities and difficulties.

Mr Horne commented that reviewing minimum flows to water quality suggested earlier should be incorporated with this, a sense of urgency is here at the moment.

Fish & Game have suggested changes to the proposal and would like to see it operated with a buffer. Mr McCormick is meeting with Arowhenua this afternoon to discuss.

Financial System Upgrade - Xero Implementation

Mr McCormick advised that we are working with Mr Andrew Johnstone at Quantum Advantage on Phase 2 of the implementation (fixed assets, resource consents) and he would come back in January with any outstanding issues that need approval by the Board.

Rateable Valuation of Schemes

Mr McCormick advised that a couple of months ago irrigation schemes received letters from QV to say that we had to start paying rates on scheme infrastructure. We were asked to provide QV with ODRC valuation information, however we do not use this method for our asset valuation. Mr McCormick engaged with QV and has been working with them on a valuation of the Opuha schemes. OWL has received a valuation made up as follows:

Land Value	\$7,500,000
Value of Improvements	\$9,300,000
Capital Value	<u>\$16,800,00</u>

There has been considerable discussion at an irrigation industry/scheme level and Irrigation NZ has taken up the issue with the Valuer General directly.

Can they legally do this? Mrs Hyslop replied yes they can, the question is the methodology and Irrigation NZ has had an independent report done. An industry forum is to be held with QV early in the new year to discuss the approach and especially to consider whether the cost is already being captured in rates - almost all infrastructure is on private land, the irrigated properties have increased value and therefore attract higher rates, i.e. are they double dipping. Mr McCormick commented that there is no consistency through the councils and there needs to be.

The issue is to be parked until the industry forum but OWL will need to file an objection to the valuation received before 23rd January 2015.

Key Priorities for 2015

The Board held a discussion on key priorities and projects for 2015, the following were noted:

- Downstream Weir modifications (need to be able to manage the lake at higher levels)
- Treasury Policy
- Tekapo/new water
- Water quality
- Strategic planning (revisit in March?)
- Water Use measurement/telemetry (how we are going to obtain information and then what we are going to do with that information, water trading?)
- Health and Safety (audit in April 2015)
- Meetings during the year with key partners

Mr Boys commented that projects need allocated resourcing and sub-committees should be assigned to each main topic. Sub Committees will be formed at the next Board meeting.

Action Point: All Directors

Board Meeting Dates for 2015

Board meetings during the 2015 year will be scheduled for 8.30am on the first Tuesday of every month starting on February 3rd. Some months may be reassigned for special Board forums such as strategic planning sessions but Directors were requested to book the first Tuesday of every month in diaries. Ms Bennett to send out calendar invites.

Action Point: Ms Bennett

Christchurch Office Rental

Mr McCormick noted that Irrigation NZ are moving from the Sonter Road location to new building at Lincoln at the end of February 2015. There is an option to move back to a home office. Mr McCormick to discuss with the Chairman.

There being no further business, the meeting closed at 10.30am.

Chairman

Date