
**Project title: THE WELLINGTON ZOO TRUST 2005-2006
OPEX AND CAPEX BUDGET**

KAA: RECREATION AND LEISURE

1. Purpose of Report

To seek approval from the Strategy and Policy Committee re the request from the Wellington Zoo Trust (the Trust) for an increase in the 2005-2006 operating budget C046 and for the reallocation of the 2005-2006 Capex budget CX340. This report also provides a summarised history of the funding from the Council to the Trust, with particular emphasis on the urgent Chimp Quarters project.

2. Executive Summary

The Trust has requested that the Council provide \$129k additional operating funding for salaries and for feasibility studies in relation to the Long Range Development Plan. Officers recommend that the \$65k for salaries be approved. However, officers recommend that the \$64k for feasibility studies be considered during November 2005 as part of the Long Range Development Plan, (LRDP) as the two are inextricably linked.

The Trust has also requested that the contribution from the Council for the Chimp Quarters capex project be increased due to cost escalation, additional project components and unachieved sponsorship target. This can be managed through the reallocation of the 2005-2006 capex funding. Officers believe that due to the health and safety risks relating to the project, the Council should approve the increased contribution of \$852k and allow the reallocation of funding to take place. The balance of \$1.9m (after provision for the Chimp Quarters project) should be used for other projects that require priority due to health and safety issues. Officers will work with the Trust on finalising projects for 2005-2006.

In terms of future focus the Trust plans to present its business case for the LRDP in November as part of the 2006-2007 Annual Plan.

3. Background

The Trust was formed 1 July 2003 to manage and administer the Zoo assets on behalf of the Wellington City Council. The history of the budgeted funding from the Council is set out in the table below:

APPENDIX 3K

	2003/2004	2004/2005	2005/2006 LTCCP	2005/2006 DAP
C046				
Operating grant to Trust	\$1,974,500	\$2,392,500	\$2,362,500	\$2,298,500
Other Costs ¹	\$482,500	\$720,391	\$808,451	\$814,580
Total Project	\$2,457,000	\$3,112,891	\$3,170,951	\$3,113,080
CX340 Capex Upgrades	\$605,000	\$1,160,000	\$2,920,000	\$2,750,000
CX125 Capex Renewals ²	50,000	\$406,000	\$82,000	\$195,000

Opex C046

The Trust was set up with an increase in operating funding of \$493k which allowed for additional costs such as governance, increase in staffing, marketing, and the centenary project. The Planning and Performance Committee on the 22 June 2003 agreed to this increase taking the total operating grant to \$1,974,500 for the newly formed Trust.

At the meeting on 22 June 2004 the Planning and Performance Committee agreed to increase further the operating funding for 2004-2005 by \$418k taking the total to operating grant to \$2,392,500. This allowed the Trust to: increase the salary budget by \$202k which included roving guides, a new keeper and funds to remedy the imbalance in remuneration for Zoo staff; increase the level of maintenance by \$75k; improve security and technical advice using \$40k and acquire additional animals \$180k. This would in turn generate additional revenue to offset some of the increased expenditure. At this time the 2005/2006 LTCCP budget was set at \$2,362,500

As part of the Asset Management Plan (AMP) process for 2005-2006 the building related costs were updated in this resulted in a net reduction of \$64k in the operating budget. During the discussions with the Trust it was agreed that \$155k for LRDP feasibility studies would be excluded until the LRDP bid was presented to the Council for consideration. The LRDP is now scheduled for November 2005. The impact of the net reduction of \$64k meant the proposed 2005-2006 Draft Annual Plan operating grant was \$2,298,500 for the Trust. The Trust has requested a reinstatement of \$64k of the \$155k on the grounds that some pre-project planning must continue during 2005-06 for projects designed to address identified health and safety (including animal welfare) concerns. In particular, the Trust's view is that the hospital and bird aviaries must progress regardless of the Council's eventual decision relating to the LRDP.

At the Draft Annual Plan deliberations 9-11 March 2005, the Trust requested an increase of operating funding of \$65k. The Strategy and Policy Committee declined this request on the basis of advice from officers stating that the Trust should operate a stretch revenue target to meet the increased cost of salaries. Therefore, the budget approved for the 2005-2006 Draft Annual Plan for consultation was \$2,298,500

¹ Other costs relate to financing costs such as depreciation, interest and overhead costs.

² The capex funding fro CX125 relates to general capex renewals.

APPENDIX 3K

operating funding. The Trust has argued that stretch revenue targets are inappropriate in an operation which is in a set up phase.

The Trust has requested operating funding of \$2,427,500, which is an increase of \$129k (\$65k+\$64k) above the current 2005-2006 Draft Annual Plan.

Capex CX340 Upgrades

At its meeting of 15 April 2004, the Community Health and Recreation Committee agreed the Wellington Zoo Trust Draft Strategic Plan and Summary Asset Management Plan (AMP) for the Wellington Zoo Buildings and Infrastructure. This was later confirmed by the Planning and Performance Committee at its meeting 22 June 2004. Within the AMP the 2003-2004 capex budget was agreed at \$605k for the Café, Red Panda exhibit and the Hunting Dogs.

The Trust requested the release of \$330k for the café project and the Community Health and Recreation Committee agreed to this on the 5 August 2003. Subsequently, the Trust managed to successfully raise \$260k sponsorship funding for the planned Red Panda exhibit and as a result the Community Health and Recreation Committee agreed at its meeting on the 4 December 2003 to the release the remainder of the \$605k capex funding to allow the Trust to progress the completion of additional legacy projects and to fund the overspends relating to the Café and the Red Panda exhibit.

As part of the 2004-2005 Annual Plan the Planning and Performance Committee agreed capex funding of \$1,160,000 for the Chimp Quarters (\$650k); Zebra Stables (\$200k) and other Health and Safety issues (\$310k).

Following an engineers assessment of the most urgent project, the Chimp Quarters, it was found that the existing building was not able to structurally support the required upgrade work and as a result the Trust has recommended a new building rather than renovating the existing one. The updated cost estimate was \$1,585,000 of which \$670k was to be raised as sponsorship by the Trust. At its meeting on the 10 February 2005 the Strategy and Policy Committee agreed to the re-allocation of the 2004-2005 capex funding to allow the Trust to deal with the increased cost, proceed with the Chimp Quarters project (\$930k) and other health and safety projects (\$230k), which meant the delay of the Zebra Stables project.

A more recent update of the Chimp Quarters project by Quantity Surveyor, Dave Monastra reflects a new cost estimate of \$1,911,690. The table below shows the history of this project.

Decision point for the Council	Total Cost Quantity Surveyor	Council Contribution	Trust Sponsorship (minimum)
June 2004	\$938,000	\$650,000	\$288,000
February 2005	\$1,585,000	\$930,000	\$655,000
June 2005	\$1,911,690	\$1,781,690	\$130,000

4. Discussion

Whilst background section provides a summarised history of funding for the Zoo Trust it is important to put this into the context of the requirement to upgrade the Zoo to ensure all health and safety risks are mitigated. The Council has been very supportive in providing the increased funding to the Trust and to allow the upgrade of exhibits and generally make the Zoo a safe and better place to visit for Wellingtonians.

Opex

For 2005-2006 the Trust requires \$65k for additional salaries and \$64k for feasibility studies in relation to the LRDP.

Officers support the request for the \$65k funding as this relates mainly to a new staff position for a Chimpanzee Keeper (this is in accordance with advice from Stephen Standley, a Zoo expert) and to provide for the cost of living increase as the Trust confirms it has no provision for this. As highlighted in the background section the Council as part of the 2004-2005 Annual Plan approved additional operating funding to help remedy the imbalance of staff remuneration. Officers understand from the Trust that this was only a partial remedy, hence the need for further funding.

Regarding the \$64k for the feasibility studies, officers believe that the Trust should present this as part of its LRDP funding bid during 2006-2007 Annual Plan round in November. The two are inextricably linked and should be presented as an overall package.

Capex CX340 Upgrades

Chimp Quarters

The Trust wishes to progress the Chimp Quarters project urgently as the current state of this exhibit presents a future health and safety risk. The Trust has provided the Council with the assurance that all risks have been mitigated until such time that the new exhibit is complete. This has been confirmed by engineering consultant Tom Newell who has stated, while workarounds will hold in the interim period, the Trust should proceed with the project as soon as practicably possible. Stephen Standley, a Zoo expert also recommended that the Chimp Quarters project be completed urgently.

The Trust has managed to raise sponsorship funding of \$130k. The current market conditions are such that the original target of \$670k is no longer feasible. The Trust also provided a revised quantity surveyors report which stated the current cost of the project is now estimated at \$1,911,960m, an increase of \$327k against the previous estimate of \$1.585m which was provided in February 2005. The construction market conditions are such that cost has escalated and additional requirements such as drainage and CCTV have also pushed costs up.

Officers agree that this project should be given urgent priority and wish to facilitate this through recommending that the unspent funds within 2004-2005 be carried forward to 2005-2006 and the \$2,750,000 capex funding within 2005-2006 be reallocated to meet the shortfall in funding. This is summarised below:

APPENDIX 3K

Revised cost of the Chimp Quarters project	\$1,911,960
Funding allocated 2004-2005 CX340	\$930,000
Spend to date within 2004-2005	\$165,000
Carried Forward required 2005-2006	\$765,000
Sponsorship raised by the Trust	\$130,000
Funding required 2005-2006 CX340	\$852,000

Should the Council agree to the reallocation of the 2005-2006 this would result in a balance of \$1.9m. Officers recommend that this be used to progress other projects that require health and safety works. The Trust has suggested that the following projects be given priority: Archibald Centre refurbishment; Temporary aviaries; Fern Gully; Amphitheatre; Zebra/Giraffe/Ostrich development and Sunbear cubbing area. This is consistent with the advice from Stephen Standley during the review of health and safety at the Zoo.

Officers would work with the Trust to reallocate the balance of funding during 2005-2006. This will create additional flexibility for the Trust and if there is a further price variance for the Chimp Quarters project the balance can be used, given the level of urgency of this project.

The Trust continues to be committed to raising sponsorship to create additional value in developing the capex projects.

LRDP

The Trust planned to present its LRDP funding bid during March 2005. However, this has now been scheduled for November 2005 and will form part of the 2006-2007 Annual Plan. Officers wrote to the Trust in April to clarify the requirements of the Council so that a comprehensive review can be undertaken. Further discussions are planned to further clarify the expectations of both parties. In the interim the Trust will continue to progress the development of the business plan for the LRDP.

5. Conclusion

The Trust has requested that the Council provide additional operational funding of \$129k and wish to reallocate \$2,750,000 funding within the 2005-2006 project CX340 Zoo Upgrades, to allow the new Chimp Quarters project to proceed urgently.

Officers recommend that the Trust be provided \$65k additional opex funding for 2005-2006 and for the reallocation of \$2,750,000 within 2005-2006 capex funding to be undertaken.

6. Recommendations

It is recommended that the Committee:

Agree to a \$65,000 increase in the 2005-2006 operating funding for C046 project, to allow the Wellington Zoo Trust to meet increased salary costs.

Agree to the reallocation of \$2,750 million within the 2005-2006 CX340 Capex budget to cover the increased cost of the Chimp Quarters project and to allow the balance to be allocated for urgent health and safety(including animal welfare) projects to be agreed with officers.

Note that within 2004-2005 Capex project CX340 \$930,000 was allocated for the Chimp Quarters project, of which \$165,000 has been spent to date. The remainder will be carried forward to 2005-2006.

Note that the Long Range Development Plan from the Wellington Zoo Trust will be presented to the Council as part of the 2006-2007 Annual Plan during November 2005.