

Responses to MCH questions (1)

Confirmation of project cost figures on page 101 of the Feasibility Report.

The sums listed in this table do not appear to add up to the total project figure of \$32.412 million and they do not readily reconcile with the figures contained in the Capex project budget spreadsheet (dated March 2012). The entry discrepancy appears to total \$45k.

The table on page 101 of the Feasibility Study contains a typo. The figure of \$10,649,000 for the Phase 1 New Build should be \$10,694,000 as in the spreadsheet breakdown – the 4 and 9 have been transposed. The total is correct.

Fundraising Plan

Achieved fundraising assists applicants to demonstrate that their projects have wide community support and that their projects will be financially achievable without delay (should government decide to make an RMP grant towards the project).

The Wanganui District Council has submitted its RMP application before it has secured resource consents and before it has achieved significant fundraising for its project from other known sources. The project budget spreadsheet (dated March 2012) currently indicates that the Council will not be seeking funding from other known community sources until 2015/16. These combined factors suggest that the application is premature at this time.

Our advice has been that the Community Fundraising should start when the project construction begins, as that is the most effective time to raise community funds. However, it is planned that the *Thousand Stars* (\$5 per week club) will be launched at the same time as the planned Sarjeant Foundation (which will target major private donations). This is aimed to launch later this year.

It should be noted also that an application to Lottery is being compiled now for around \$500,000 towards the storage equipment and transition costs, since a move to a temporary location is being proposed to protect the collection and enable access to the collections to continue in the interim period. Other fundraising has also been brought forward, in particular an application to the Powerco Wanganui Trust.

It would be helpful, therefore, if you could please provide us with a copy of the more detailed fundraising plan that sits under the high-level fundraising plan already submitted as part of the RMP application. Such a plan is needed to form a more informed opinion on how achievable the fundraising plan is. A more detailed fundraising plan will identify which individuals and organisations are to be approached for funding support for each phase, the amounts to be sought, any progress achieved to date, and the timing of any pending or yet to be submitted funding applications. This plan should also indicate any mitigation measures available to the Council in case part of its fundraising plan can not be achieved (e.g. Council's ability to secure a loan or to underwrite the project in some other way).

Greg Anderson will provide a more detailed breakdown of our plans in a separate email.

Please be assured, we appreciate the commercial sensitivity of the information that is typically contained in these more detailed fundraising plans and we will respect confidentiality.

Further clarification is needed on whether the new building and the original Gallery building will both achieve an IL4 rating on the completion of this upgrade project.

It is not clear, from the material submitted, whether both the New Wing and the original Gallery building will achieve IL4. Can you please confirm what rating will be achieved through the planned base-isolation and strengthening work for the old gallery specifically? Could you also please confirm whether base-isolation is to be fitted to both buildings?

The new wing will be built to IL4 level and will use slotted-beam connection, not base isolation. As noted in the report from Holmes Consulting (Appendix 6), the slotted-beam connection system results in lower floor accelerations and less shaking damage to contents. This will provide enhanced security for the collection which is stored in this part of the facility, ensuring its protection and continued post-event accessibility. In addition it will enable the building to operate as part of the Council's business continuity infrastructure in the aftermath of a major seismic event.

Base isolation will, I understand, bring the original building to a level greater than IL3, but achievement of IL4 standard will require further investigation. See Appendix 8, page 2:

"Performance levels for the strengthened base isolated building will be full code levels for an Importance Level 3 building as a baseline minimum. As design proceeds, greater performance objectives will be considered (and can likely be achieved) including the provision of business continuity function post earthquake."

The ability to achieve this level of performance has still to be determined (but see Appendix 8, page 3: "It is implicit in the design of a base isolated facility that a higher level of seismic performance (between IL3 and IL4) might be considered"). At present we can only confirm that IL3 will be achieved, but we are hopeful that we will be able to achieve IL4 (or near to it).

Updated project timetable.

In light of the Council's recent decision to decamp the Gallery (for health and safety reasons) to a temporary building as soon as possible, we consider it will be technically possible for the Council to review the order and timing of its project's phases, particularly, the timing for the planned earthquake strengthening work on the original building. Can you please indicate any changes to your project's revised timetable.

Transition of the operation to a temporary location over the course of 2013 (and for the collection running on into 2014) will mean that when the time comes to move the collection into the store under the new building in Queens Park we will have all the packing, transport and storage materials and equipment already in hand. In addition the collection will have been comprehensively re-inventoried, recorded and labelled. This means that the transition into the new storage should be able to take place within a shorter time frame.

The early removal of the collection from the basement of the original Gallery building means that the building would be accessible for the base isolation work to be undertaken sooner than would be the case otherwise. Ideally, this work would be undertaken at the same time as the new build (or rather as part of a single continuous construction project). This might compress the construction timeframe by up to one year, but will also affect the order in which work is undertaken. The likelihood is then that the construction would begin (assuming the timeline in the application, which may be brought forward by successful fundraising) in 2016/17 and be completed in 2017/18. The key to this will be success in achieving external funding for this element of the project. This would include bringing forward the application to Lottery for the protection and restoration of the heritage building.

Resource Consents.

Resource consents have not been secured. The project's Budget spreadsheet (dated March 2012), as submitted with the application, indicates that resource consent related costs are expected to be incurred in 2014/15. It would be helpful if you could please confirm the likely dates for seeking Resource Consents for your project.

Application for building consent will require building plans at a more advanced stage than we currently have. It was estimated that moving from our current plans to this stage will take up to twelve months, taking us to the end of 2013. In addition, resource consents would be needed for any modifications to the heritage building, the removal of protected trees and the necessary excavations on what is a significant archaeological site. Exact plans will be required and we have adopted a conservative timeline. It may be that we will be in a position to apply for consents earlier, bearing in mind that the building consent will have a time limit on it.

Budget Spreadsheet (dated March 2012): Council's capital contribution and other budget line entries.

The RMP funding model positions government as a funder of last resort, with the maximum government contribution towards a project's capital construction costs being around a third.

Further clarification is needed on what will be the Council's actual capital contribution to this project in that:

- It appears that Council's only planned capital funding contribution is \$0.500 million, and these funds are tagged to Phase Three costs (to retro-fit air-conditioning into the original gallery building once the other major capital construction phases have been finished).

The Council is also committing \$1.7 million to bring the new building up from IL3 to IL4 compliance. As noted above, this will provide an enhanced level of protection for the collection with the added bonus that in the unlikely event of a major earthquake the building would be able to function as a temporary location for council's business continuity.

I would note also in relation to the 2011/2012 column in the spreadsheet, the costs of the professional fees (fundraising) were met from a combination of the Sarjeant Gallery budget and Sarjeant Gallery Trust funds. This money has not been included in the 'funding' section.

The \$500,000 was in the previous ten year plan for the installation of environmental control in the original building. When Council resolved to apply for funding for the redevelopment project, the \$500,000 was re-allocated to the development project as the environmental control project was now part of the bigger redevelopment.

I am awaiting further information on the \$500k and the \$200k for professional fees.

- There appears to be a number of non-RMP-qualifying line items in this estimated project budget including some non-capital contribution costs (e.g. the \$130k Council has assigned as a land value contribution for land it has not had to purchase to enable the project to proceed; costs associated with the Council providing its normal services (which it would be required to perform in any case) - e.g. the provision of utilities services; road closures, roading, parking, landscaping costs, and some council labour; the inclusion of some Council-specific Business Continuity costs and equipment; and \$125k in fundraising fees incurred by the Council).

The costs included under this heading are not part of the normal council operation but are additional costs incurred solely in the delivery of this project and would not otherwise be incurred – for example, the installation of service/utilities for the new building, removal of protected trees and the closure of the road running to the north of the current gallery building. The project budget includes all of the costs incurred and planned for the delivery of the project. This includes the fees incurred in the use of external expertise in putting together the funding applications and the fundraising collateral which will support the project fundraising effort. The business continuity technology costs of \$60,000 will contribute to the Gallery's operation, but are included to ensure the building's ability to function as a council operations centre in a civil defence seismic emergency. Regarding the \$1.7M 'business continuity contribution', see below.

- It would be helpful if you could please clarify whether the phase one-assigned collection transition costs of \$0.200 million (shown near the top of the table) are being partially met by the relocation cost contribution figure of \$0.097 million (from opex) which features near the bottom of the table. It would also be helpful to understand how the remaining \$103k will be met?

The \$97,000 is elements from the public programmes budget over at least two financial years, on the planning assumption that during the transition public programmes will be significantly reduced, or may cease for a short period. The remaining \$103,000 will be sourced from other fundraising.

- Could you please confirm what the \$1.7 million of Council funding shown in the Business Continuity Facility budget line will be expended on as it is not clear from the budget line description whether this sum relates to soft fit-out, removable emergency equipment, or actual construction costs specific to the Gallery.

The \$1,700,000 relates to the cost of bringing the new building from IL3 compliance to IL4. While this means the building is then able to function as part of the council's business continuity in the event of a seismic emergency, the aim is to ensure a high level of protection for the collection which is stored in the basement of this building. As noted in the report from Holmes Consulting (Appendix 6), the slotted-beam connection system results in lower floor accelerations and less shaking damage to contents.

- 10YP - A council contribution figure of \$0.200 million is shown in this table in a line called 10YP. This 10 Year Plan sum is shown against the 2018/19 year without the inclusion of a description explaining what these funds will be applied to. It would be helpful to understand how this figure relates to the published 10 year plan and this project?

I am awaiting further information on the \$200,000 in 2018/2019.

7) Officer time calculation

It would be helpful if you could please indicate how the non-capital contribution figure of \$4.349 million being - Council officer time - has been calculated and what Council/Gallery roles/activities are captured within that figure?

The officer time calculation includes Sarjeant Gallery staff time only during the transition of the collection to the new store, where it is envisaged that the vast majority of the staff will be directly involved in the transition for a whole year (split over two financial years). The remainder of the costs principally relate to project management and project delivery roles where staff time allocated to the project will need to be back-filled. The roles involved are:

Name	Project Role	Job title
Pete Gray	Gallery Management	Deputy Community & Cultural Manager
Greg Anderson	Gallery Management	Senior Curator
Sian van Dyk	Gallery Expertise	Curator of Collections
Kritzo Venter	Project Management	Projects Engineer
David Boothway	Project Management	Deputy Infrastructure Manager
Mike Fermor	Financial Accounting	Deputy Finance & Corporate Services Manager
Claire Williamson	Financial Accounting	Projects Manager
Greg Morris	Property Management	Deputy Property Manager
Bruce Falk	Property Management	Technical Manager
Kevin Ross	Management	Chief Executive
Sally Patrick	Management	Community & Cultural Manager
Sue Dudman	Communications	Communications Coordinator
Sandy Nepia	Iwi liaison	Māori Services Manager

The figures are based on a varying number of hours per person over the duration of the project. This may in itself be subject to fluctuation, depending on the success of the fundraising effort and the effect this has on the project timeframe. In addition, as noted above, one year of the rest of the Gallery staff has been allocated to the transition process. The total of hours over nine years amounts to 55,270, which includes approximately 21,120 hours of Gallery staff time for the transition to the new store. Sian van Dyk has a key role in the design and development of the collections storage and Greg Anderson is our lead fundraiser over the course of the project. For general project management we are making use of the skills in the Council's Infrastructure Department, while property and building issues will be overseen by Property team staff. Finance staff will also be assisting with the management and operation of the fundraising effort.

MCH(2)

...This plan should also indicate any mitigation measures available to the Council in case part of its fundraising plan can not be achieved (e.g. Council's ability to secure a loan or to underwrite the project in some other way).

In the event of part of the fundraising plan not being achieved, Council's options could be:

- The council could take out a loan to cover the balance of the project costs. This would need a further resolution from Council, particularly since such a situation would be arising after the next local body elections in 2013. There is scope within Council's existing loans policy to allow for this eventuality. The Council's position has been that as much external funding should be sourced as possible to minimise the impact of the capital project on ratepayers. The necessarily increased operating costs of the redeveloped Sarjeant Gallery will be borne by Wanganui ratepayers.
- Some elements of the project may have to be delayed - for example the repair work on the Sarjeant Gallery parapets, which is a significant expense and does require to be completed, could nevertheless be delayed without immediate prejudice to the overall project.
- Council could choose to underwrite the outstanding costs while still continuing the fundraising effort over an extended period, enabling the project to complete while still keeping the eventual burden on rates within manageable levels.

There may also be the opportunity for the Council to approach one of at least four banks who may be able to act as underwriters, however this is far from being confirmed so early in the project. ASB and Westpac have been mentioned in the spreadsheet but the Council's main bank is ANZ and RaboBank has recently opened in Wanganui and may present a fourth option.

MCH(3)

- It appears that Council's only planned capital funding contribution is \$0.500 million, and these funds are tagged to Phase Three costs (to retro-fit air-conditioning into the original gallery building once the other major capital construction phases have been finished).

- 10YP - A council contribution figure of \$0.200 million is shown in this table in a line called 10YP. This 10 Year Plan sum is shown against the 2018/19 year without the inclusion of a description explaining what these funds will be applied to. It would be helpful to understand how this figure relates to the published 10 year plan and this project?

As you know, Wanganui is culturally-rich, with a major inheritance of buildings and nationally-significant collections that require substantial expenditure for the services that provide public access to them and for their care and maintenance. At the same time the city is relatively poor, with average incomes sitting well below the national average. This acts as a severe constraint on Council's ability to raise income through the rates. The consequence of this is that Wanganui has a substantial number of important heritage public buildings that pose a risk to the services delivered from them and to the people and collections in them in the event of a significant seismic episode, but lacks the resources to deal with the problem alone. Within the Queen's Park precinct the Sarjeant Gallery (5%), Whanganui Regional Museum (6% to 30%), Alexander Heritage & Research Library (11%); the War Memorial Hall (22%); and the nearby Royal Wanganui Opera House (10%) are all to varying degrees earthquake-prone (defined as less than 33% of the current new building standard).

Nonetheless, Council has established a fund of \$20 million over ten years from a rates levy to enable work to be undertaken to strengthen key earthquake-prone public buildings in the city. Given the scale of the problem the likely cost of making all of the earthquake-prone buildings safe is certain to exceed the funds available from the levy, and external funds will be sought where possible to ensure the preservation of Wanganui's significant built heritage and the continued ability to deliver the services and protect the collections associated with these buildings. The timing and prioritising of this fund has still to be confirmed, but at Council workshops leading to the Ten Year Plan the Sarjeant Gallery was identified as the top priority.

Council is currently investigating options to temporarily relocate the Gallery operation and the collection to another building pending the full redevelopment, in order to mitigate the risk to the collection while providing ongoing access to the service (collection/exhibitions/education/events). The proposed building will provide public access, improved storage of the collections in a more stable environment and a facility meeting at least 67% of the current new building standard for Importance Level 3 buildings. A decision on this will be made by Council on 23 October 2012. The cost of the relocation is estimated at \$2.7million to \$3.0 million, all of which, apart from the cost of some storage equipment (principally the shelving and picture racking) which can be re-used, is in addition to the amount already allocated by Council.

Wanganui District Council has not shown all the \$7m allocation to the Sarjeant project in the current 10 year plan because the outcome of the application to the Regional Museums Fund was unknown at the time of the plan being developed (and adopted) and the time frame for fundraising is such that the immediate impact of any expenditure could be accommodated within the budgets for the 2012/2013 year. Council has developed a fund raising strategy to secure the balance of the money. Council's commitment to the project is shown by the allocation referred to in the 10 year plan and will modify the future Annual Plan/LTP to reflect project rollout progress.

As noted previously, the \$500,000 that was in the Annual Plan for the installation of environmental control for the Sarjeant Gallery was re-purposed by Council as a contribution to the overall development project. This sum, which would be loan-funded, has been rolled over into the project budget, but will not be drawn down until needed.

In the March 2012 budget spreadsheet it was assumed that part of this sum would cover professional fees relating to the development of designs, including those relating to the seismic strengthening of the old and new buildings. In the event these were covered by other council funding in 2011/2012 (and this comprises the bulk of the \$200,000 for development of the preliminary design noted in the Ten Year Plan amounting to some \$130,000). The figures were correct at the time the spreadsheet was produced, but additional work undertaken has increased the amount. The figures for 2012/2013 onwards are estimates of the breakdown over time of the fees based on the overall project costs.

The \$200,000 in 2018/2019 is in the wrong place and should be in 2011/2012, representing as it does expenditure already undertaken. The assumption regarding the \$500,000 being used to cover development costs in the early years of the development project has been re-assessed and the money will be drawn down as needed (rather than council taken out loans before they are required). The money is notionally tagged to the final phase of the project, but it should be noted that

considerable expenditure will be required on that phase (as with all phases) before work begins on site.

MCH(4)

Please find attached a spreadsheet detailing the approaches made and intended towards funding for the SG Redevelopment Project. You will see that the total which might be achieved if this fundraising effort is successful, could be significantly in excess of \$17m. This of course assumes we are successful in many of the approaches though, and in reality it is not always possible to reach 100% of the target.

The list I've provided you with is updated, reviewed and changed almost daily as the project progresses. I will contact you when any significant events occur by way of fundraising. Your question relating to any mitigating measure taken by the Council in case part of the fundraising plan cannot be completed, is still under discussion. We will update you about that very shortly. I hope all of this provides you with enough information in the meantime.