

## WORKSHOP MATERIAL

Workshop: Long Term Plan 2024-2034 – Financials (second cut)

Date: Thursday, 9 November 2023

Item	Released Information
1.	LTP 2024-2034 9 November 2023 - Presentation



# LTP 2024-2034

## 9 November 2023

*Thriving and resilient Tasman communities*



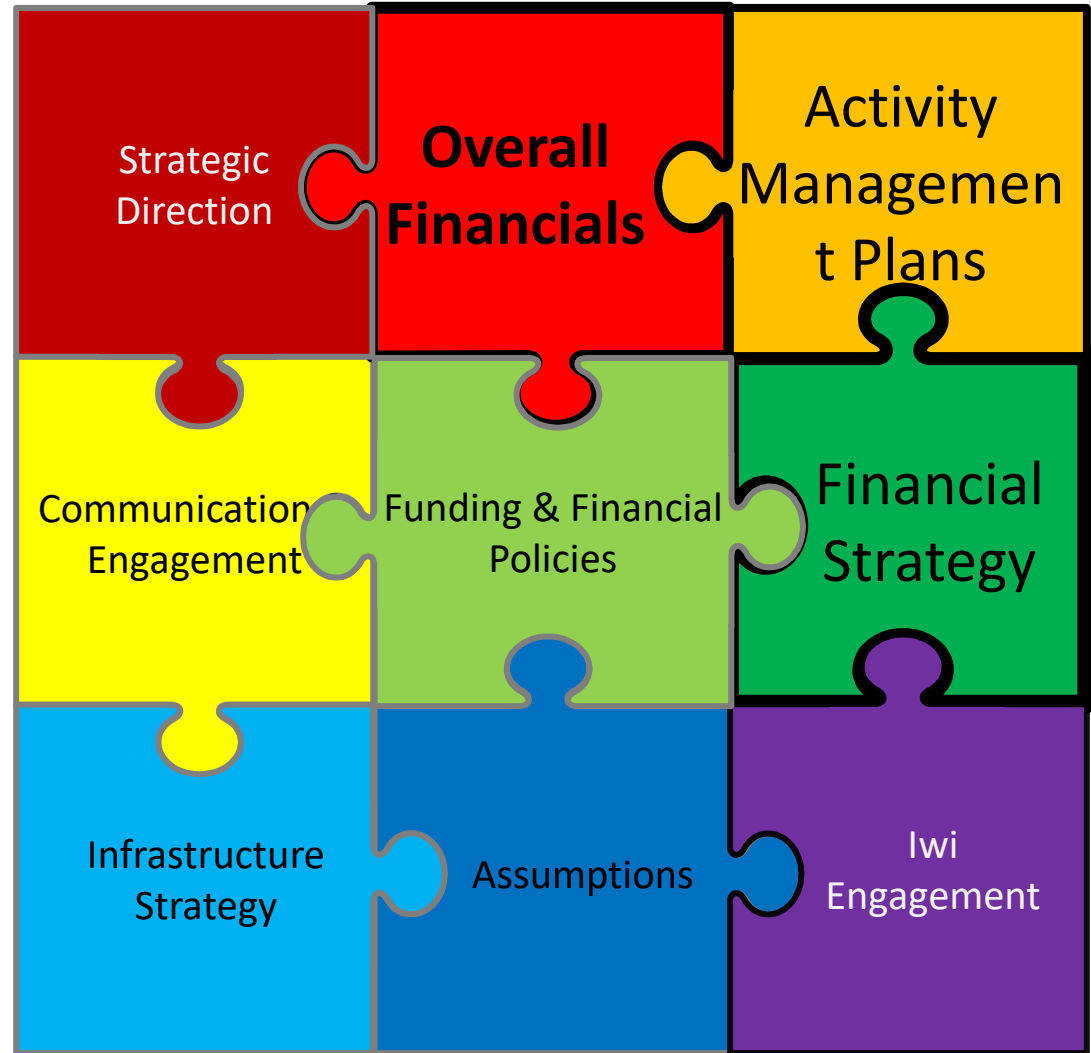
# Contents

- Updated financial picture
- Responses to information requests
  - Rivers - Motueka and Wakefield bridges
  - Governance
  - Aquatic facility fees
- TCAP budgets
- Rural and Motueka water
- Financial Strategy
- Next steps

# Purpose

Further develop the overall programme and financials.

Provide input to the development of the Financial Strategy



# Updated Overall Financials



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# What has changed

<b>Rates to Council 1 November</b>	<b>110,398</b>	<b>10.03%</b>
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Vistor Centre/NTBT	95	0.10%
RRC no General Rate	-145	-0.15%
Phased in Recycling Bins	0	0.00%
Bio Diversity Back in	250	0.25%
Port Tarkohe General Rate Removed	-500	-0.51%
Reduced Speed Management	-10	-0.01%
<b>Total Changes</b>	<b>-310</b>	<b>-0.32%</b>

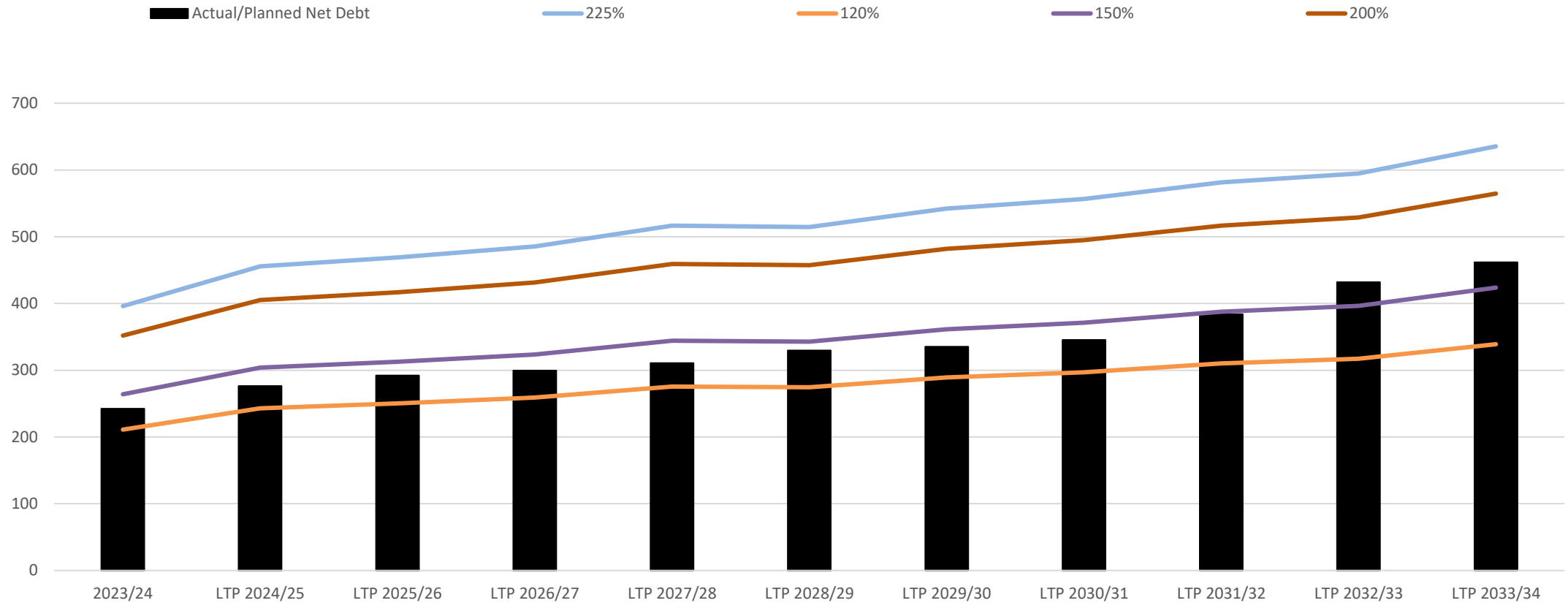
<b>Rates to Council 9 November</b>	<b>110,088</b>	<b>9.71%</b>
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# Rates revenue increases



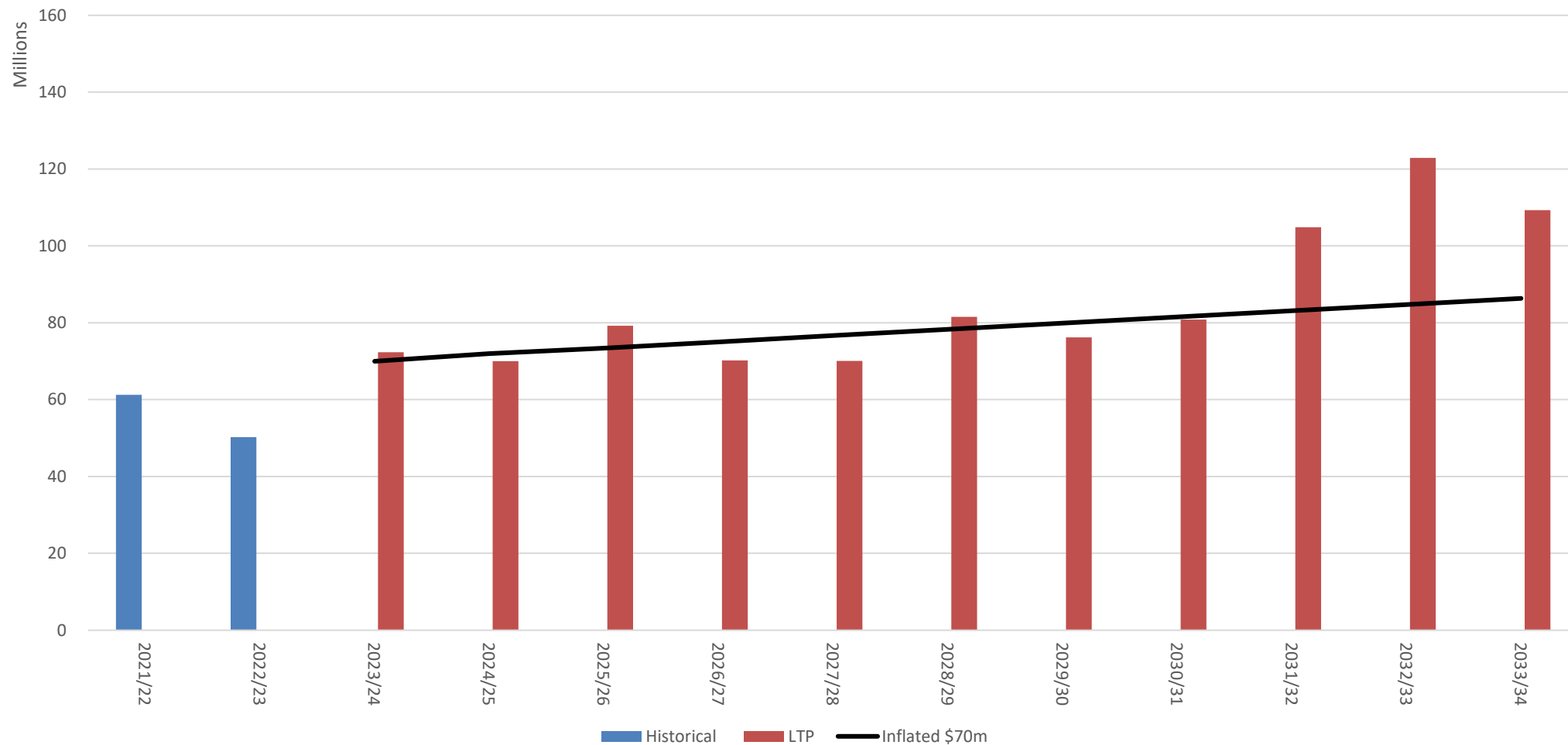
# Net Debt

Dynamic Net Debt Cap - Net Debt to Revenue %





# Capital



# Outstanding

Building Impact\* *May have updated figures for Thursday*

Saxton Field Costings

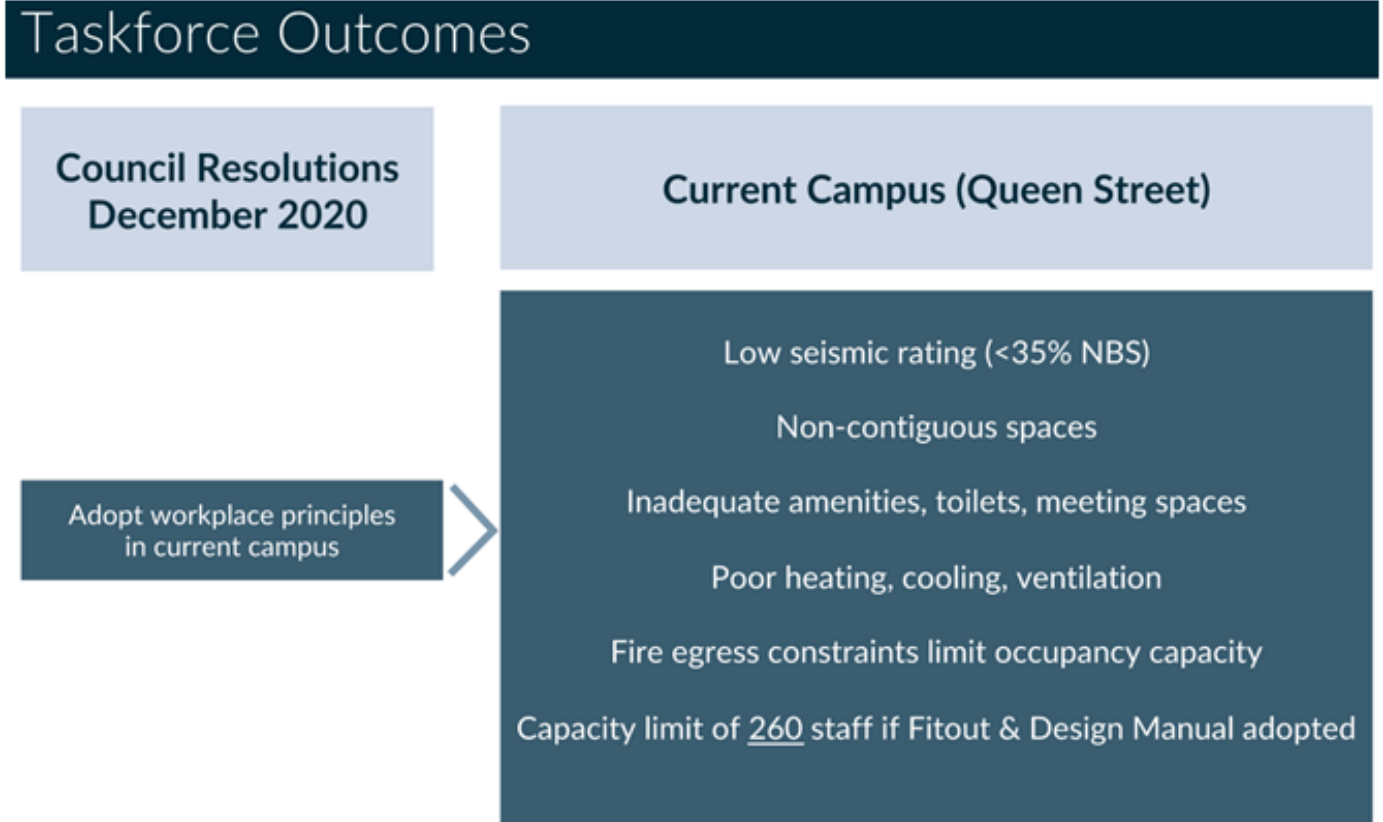
TCAP – to be discussed later in presentation

Community Boards – to be discussed later in presentation

Capital Phasing – small changes

# Provision for the Richmond Office Building in the LTP

- \$50m Council built and loan funded building no longer in LTP
- Alternative not yet included
- October 2021 Strategic Workplace Taskforce Report
  - Low Seismic Rating for parts of building
  - Limited capacity
  - Other issues



# Options

## Option A. Strengthen and expand (\$25m)

- Strengthen \$13.3m. Do minimum to occupy current site. Years 7-8
- Expansion – \$11.5m. Provides 1,190 m<sup>2</sup> of floor space on current site for forecast staff numbers. Years 11+

\*\*condition assessment being completed which may bring to light new issues

# Options

## **Option B. Lease new building (\$2.8m-3.4m p.a.)**

- Lease new 4,500m<sup>2</sup> building
- Build on, redevelop or dispose of current site
- One off capital cost of \$1.7m (mainly fit out – Yr 7)

## Recommended option

- Option B. Lease new building (\$2.8-3.4m p.a.)
- Include as preferred option and budget in LTP – now included in updated figures
- Do not consult on as strategic issue in LTP
- Complete investigation work, and finalise decision as part of LTP 2027

# Further Information Requests



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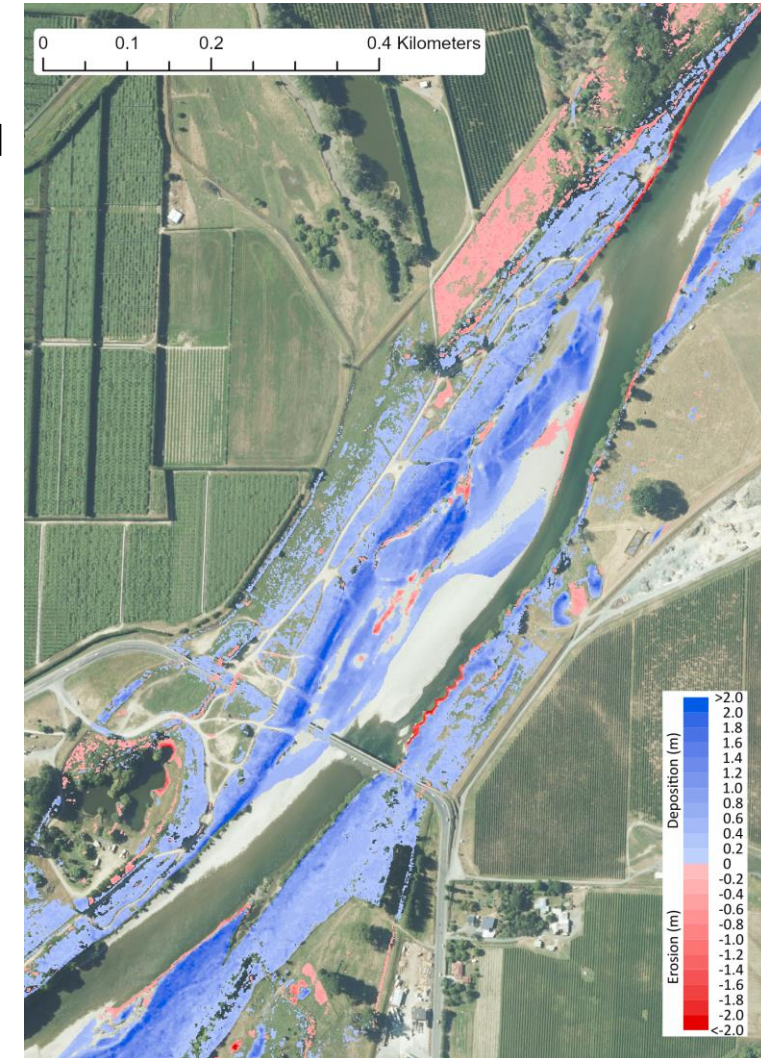


# Rivers

Freeboard Motueka and Wakefield bridges (BAU operations)

- No immediate concerns in the Wai-iti – the May 2023 flood was ~50 yr flood and the bridge had freeboard
- The Motueka has accumulated gravel on the beach since 2008 – no record of accumulation further west but we will follow up

We have very recently updated a govt funding bid for further Motueka stopbank works – \$12m Years 1-3 (40% Council contribution, not budgeted at present)





# Governance

## What's Included

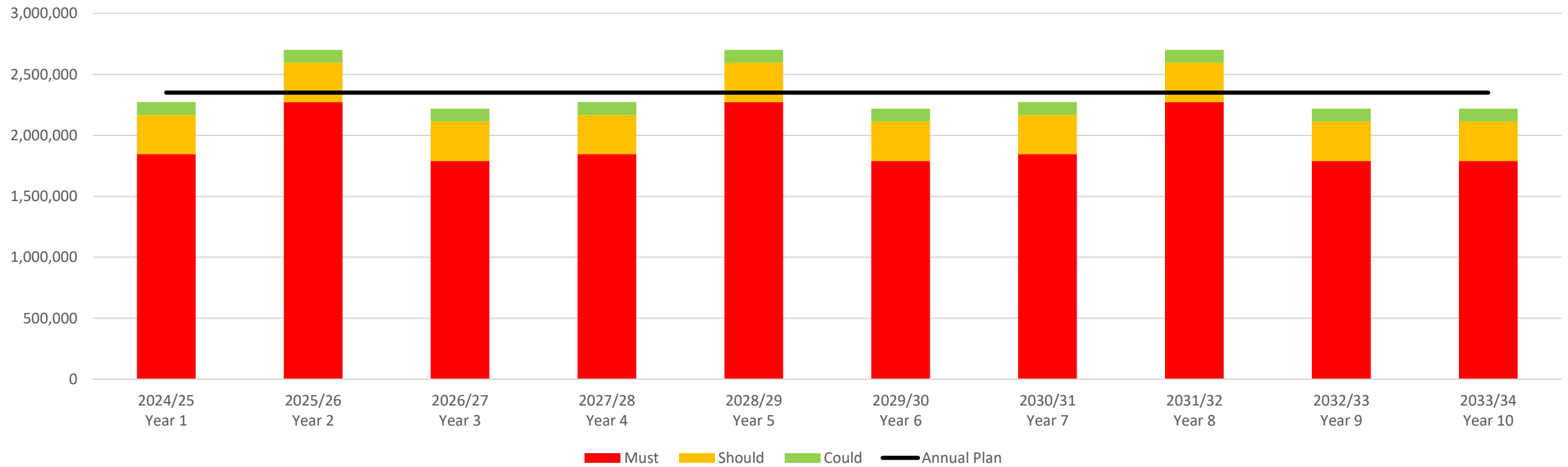
- Elections and setting up new Council
  - End of Triennium, Start of Triennium – Organise swearing in and inaugural meetings
  - Myriad of reports required under legislation in the new Council term – Schedule meeting dates
- Management of Governance Documents (e.g. Standing Orders, Delegations) and multiple policies
- Management of Council, Committee meeting and hearings
- Support Community Boards – meetings
- Governance Advice
- Members/ reps (51) = support, rem, expenses, interest declarations, appointments
- Motueka and Takaka visitor centres \$70k, Nelson Tasman Business Trust \$25k (included in 1 Nov workshop)

## What's not included

- Community Board funding for special projects \$70k
- Community Board support staff overheads – never been included in the targeted rate
- Community Board Member - Training, induction, conferences and seminars for EMs \$81k
- Motueka and Golden Board Special Projects and Discretionary Funds
- Litter Cart \$4.4k, Sculpture maintenance \$1k
- Youth Development Fund \$1k
- Mayoral Donations and Taskforce \$23k

# Governance Operating

Operating Expenditure by Priority



# Governance - Representation

- **29** - Total number of appointed members (including Iwi Representatives and Joint Committees)

<b>Tasman District Council bodies</b>	<b>Current</b>	<b>Vacant</b>	
Iwi Representatives on Standing Committees and Council		4	
Independent Members on Council Committees	5		
District Licensing Committee Commissioners	3		
Other Committees/Groups (non-remunerated appointments)	8		
<b>Total Tasman District Council appointed members</b>			<b>20</b>
<b>Joint Committee/Working Group Appointments</b>			
Iwi representatives	2	4*	
Members	3		
<b>Total Tasman Joint Committee/Working Group appointed members</b>			<b>9</b>

- **30** - Total number of Directors/Trustees on CCOs

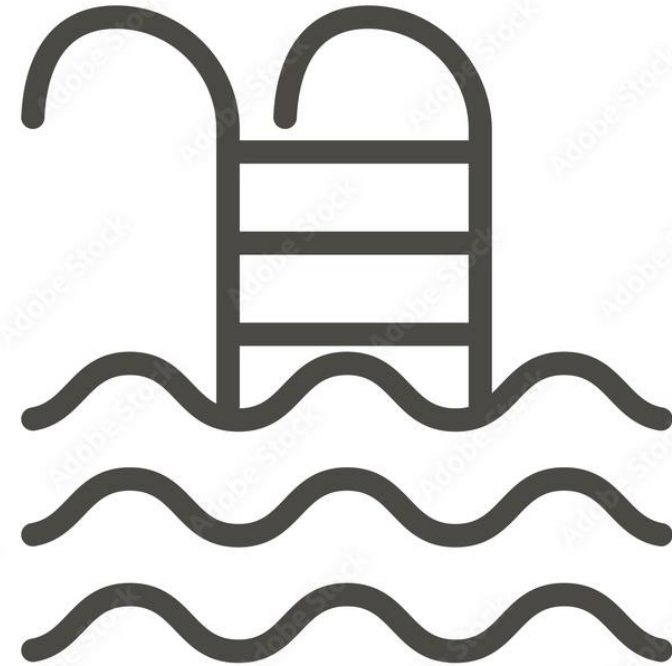
# Aquatic Facility Fees

At a previous workshop councillors indicated interest in how the Aquatic Centre fees compare with other councils.

In summary:

- The specific service offerings in different pools vary.
- Our fees are towards the higher end of the range.
- We anticipate applying a further 10% increase as part of fees and charges adjustment for 2024/2025.

Staff recommendation is not to increase these fees further.



# TCAP budget matters



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# Resilience planning for roading network

“Should” item \$800k - resilience planning for the roading network

i.e. \$80k pa on roading assessment to identify climate vulnerability.

Infrastructure resilience requires a coordinated approach and a clear plan, to be effective.

Resilience planning exercises are important for all types of infrastructure managed by Council.



# TCAP actions currently excluded from LTP budget

In (\$)	Wish-list (\$)	Out (\$)	TCAP ACTIONS
<b>MITIGATION ACTIONS</b>			
0	1.5m	1.5m	Energy efficiency/solar initiatives for Council assets (assumes 3 waters assets stay)
0	725k	725k	Reducing emissions from Richmond Aquatic Centre
0	75k	75k	Contribution to Warmer Healthier Homes for retrofitting insulation
<b>ADAPTATION ACTIONS</b>			
0	800k	800k	Planning for resilience of roading network
0	250k	250k	Biosecurity and pest management programmes targeted at readjustment to climate change
0	100k	100k	Habitat restoration programmes targeted at readjustment to climate change
<b>LEADERSHIP ACTIONS</b>			
0	223k	223k	Partner on projects with others (e.g. NTCF)
0	150k	150k	Contribution towards business projects for climate action (e.g. Mission Zero projects)
0	100k	100k	Support local champions to transition to low-carbon business models
0	85k	85k	Develop and maintain a climate change dashboard
0	60k	60k	Create economic risk assessment report for Nelson-Tasman regions
<b>INFORMATION ACTIONS</b>			
0	300k	300k	Communication and <u>behaviour</u> change programme and promotion of community initiatives
0	300k	300k	Comms and promotion of Nelson-Tasman Climate Risk Explorer tool and application of tool in adaptation planning
0	150k	150k	Contribution to Nelson-Tasman climate change hub
0	60k	60k	Reporting on climate change actions against four <u>wellbeings</u> and SDGs
0	20k	20k	Develop an identity to improve climate change communications

# Recommended additions to budget

	TCAP actions	\$	Timing
Adaptation	Planning for resilient infrastructure (3 waters + roads + property + facilities)	\$200k (x 2 years)	Years 4 and 5
Mitigation	Energy efficiency/solar initiatives for Council assets (3 waters + property)	\$100k p.a. (ongoing)	Years 4-10
Leadership	Partnering with community and businesses on projects	\$50k p.a. (ongoing)	Years 4-10
Information	A small budget to progress all relevant actions requiring funding for Years 2 and 3.	\$50k (x 2 years)	Years 2 and 3



# Energy efficiency/renewable energy initiatives

Demand for renewable energy is increasing.

Council can contribute, while at the same time being cost neutral (or even beneficial) to the ratepayer:

- **Energy efficiency** - general rule of thumb: new energy efficiency projects are 'better' than new electricity generation projects, as the returns are higher.
- **Electricity generation** – Council can produce electricity at a price marginally cheaper than purchasing from a retailer. We already do this through grid-tied solar PV arrays installed at various Council facilities. We could expand the number of sites where solar PV's are installed.

# On Demand, Restricted and Rural Water Supplies - Harmonisation Options



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# Water Supply – District Wide Harmonisation

## The Current Challenge:

- (Un)sustainability of two rural water schemes. Rural water schemes have a high cost per customer to meet regulatory requirements, driving disconnections and reductions in demand which further reinforce the downward cycle.

# Water Supply – Harmonised Charges

## Other factors:

- Rural Water scheme costs are unaffordable and unsustainable into the future
- Other Council infrastructure services are harmonised across the district
- Each of the 5 current water accounts have different charging mechanisms
- Large users are subsidised by smaller users in the Dovedale and 88 Valley schemes
- Richmond subsidises the other water schemes in the Water Club
- The Dovedale and 88 Valley schemes are subsidised by the General Rate
- High costs causing people to leave the rural water schemes or reduce units
- We already have harmonised charges across the district for connections, disconnections and replacing restrictors.

# Water Supply – District Wide Harmonisation

## Options:

1. Do nothing
2. General Rate subsidy towards all water schemes
3. Consolidate scheme accounts with differential pricing to send economic signals
4. **Consolidate accounts and harmonise the costs of delivering water to customers across the district, based on the type of water service received by each customer.**

# Water Supply – District Wide Harmonisation

## Table of current supplies status

Scheme	On-Demand	Line Charge	Firefighting	Restricted
Urban On Demand	✓	✓		
Urban Extension				✓
Motueka	✓	✓	✓	
Dovedale				✓
88 Valley		✓		✓
Redwood				✓

Dovedale – Rate A for 1 to 2 Units, Lesser rate B for 3 or more units

88 Valley – Line charge, single rate for units

Redwood – Single rate for units

# Water Supply – District Wide Harmonisation

## Table of Connections per Scheme

No. of Units	Dovedale	88 Valley	Redwoods
<b>1</b>	52	97	73
<b>2</b>	169	37	251
<b>3</b>	8	12	10
<b>4</b>	43	11	67
<b>5 – 10</b>	26	15	14
<b>11 +</b>	6	8	3

# Water Supply – Harmonised across District

## The draft LTP 2024-54 includes funding for upgrades to meet compliance:

- Redwood single source and combined new WTP (Yr 1 - 3);
- Dovedale – new source and pipeline to existing WTP, also WTP upgrade (Yr 2 – 4);
- 88 Valley – incorporating majority of customers into harmonisation (Yr 1)
- Waimea Water Strategy – Brightwater to Wakefield trunk water mains, Clover Road new source and WTP, and extension of Wakefield supply to incorporate bulk of 88 Valley Scheme (Yr 1 – 10);
- Motueka – interconnecting and distribution pipelines to serve areas that have gaps or where services have been requested (beyond Yr 10).



# Water Supply – Harmonised across District

## Modelling Scenarios

- All upgrades (up to Year 6 of proposed LTP) are undertaken with status quo arrangements.
- All upgrades are undertaken with all schemes in a harmonised, single water account

## Scenarios NOT modelled

- Retain status quo scheme arrangements with General Rate subsidy to ensure rural water scheme remain affordable.
- Any other options

# Water Supply – Harmonised across District

## Modelling Assumptions

- ***Caveat - The figures shown have been calculated via a spreadsheet. While the spreadsheet is robust the chosen scenario will need to flow through the overall TDC model. Changes will occur to the figures presented as a result.***
- Modelled for comparison of relative costs
- Year 6 projections do not include growth, therefore charges should reduce with growth
- Does not account for any other changes in operating costs
- On Demand (100%) and Restricted Potable (80%)

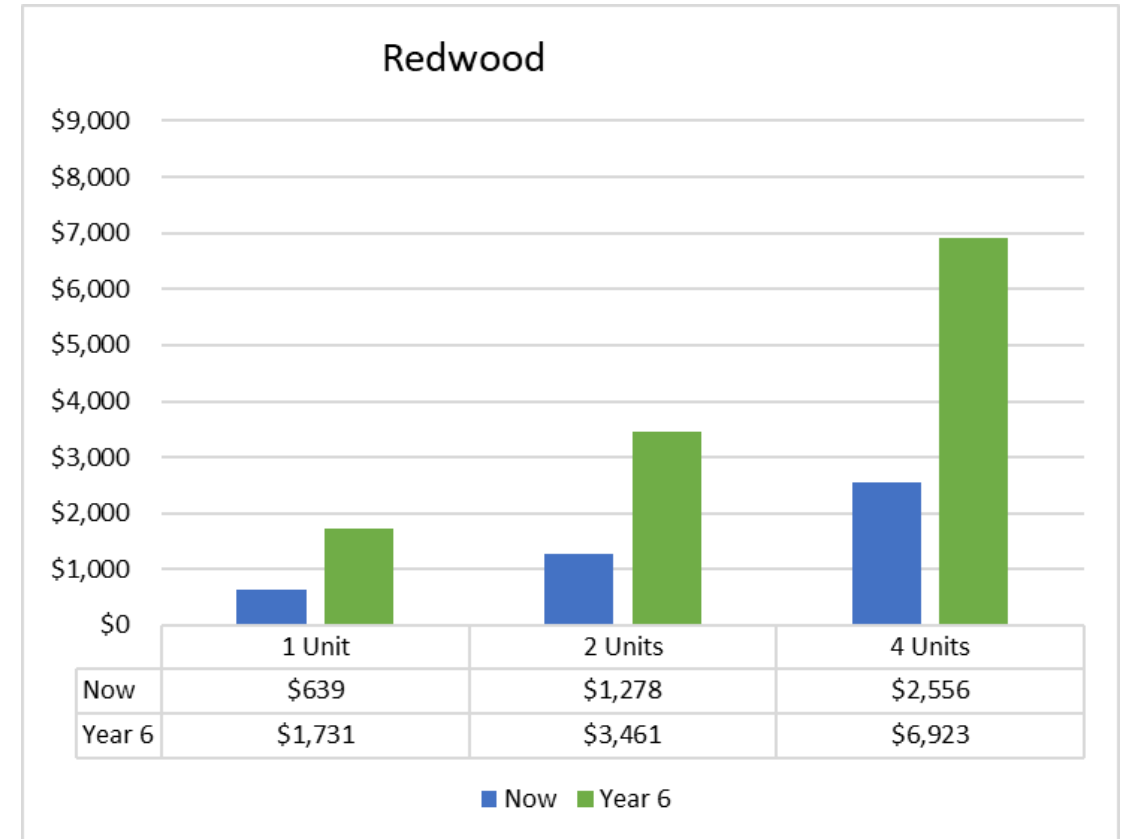
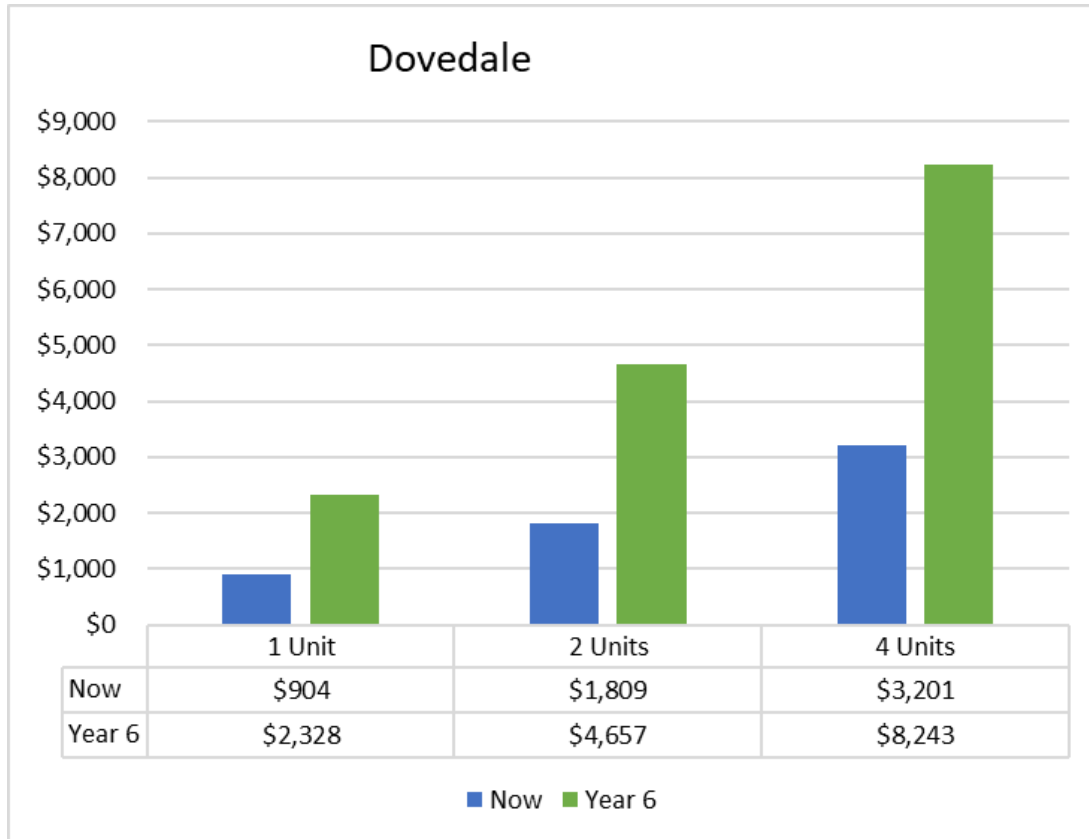
# Water Supply – Harmonised across District

## Modelling Assumptions

- The full Waimea Strategy will extend over 10 years, this modelling only covers 6 years
- Includes all current and planned capital expenditure and the effect that has on loan repayments and interest costs
- Includes new operating expenditure associated with the new assets
- Does not account for the effect of loans paid off over the five years

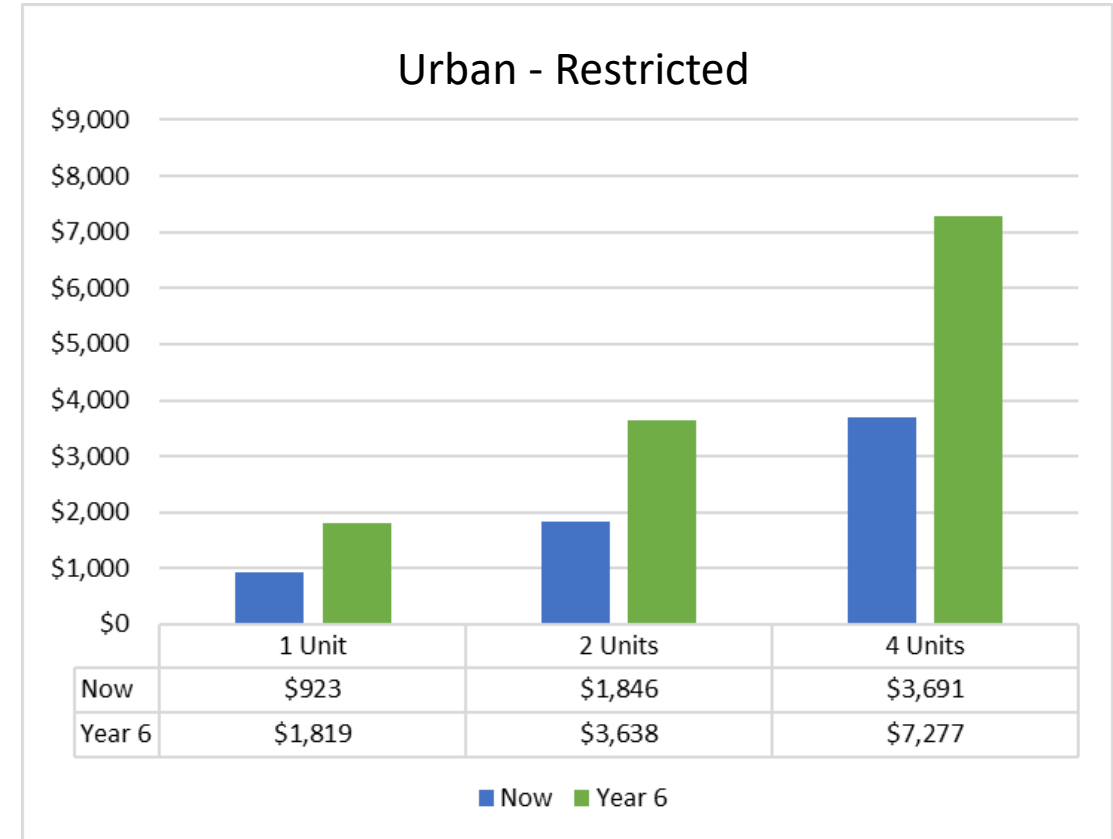
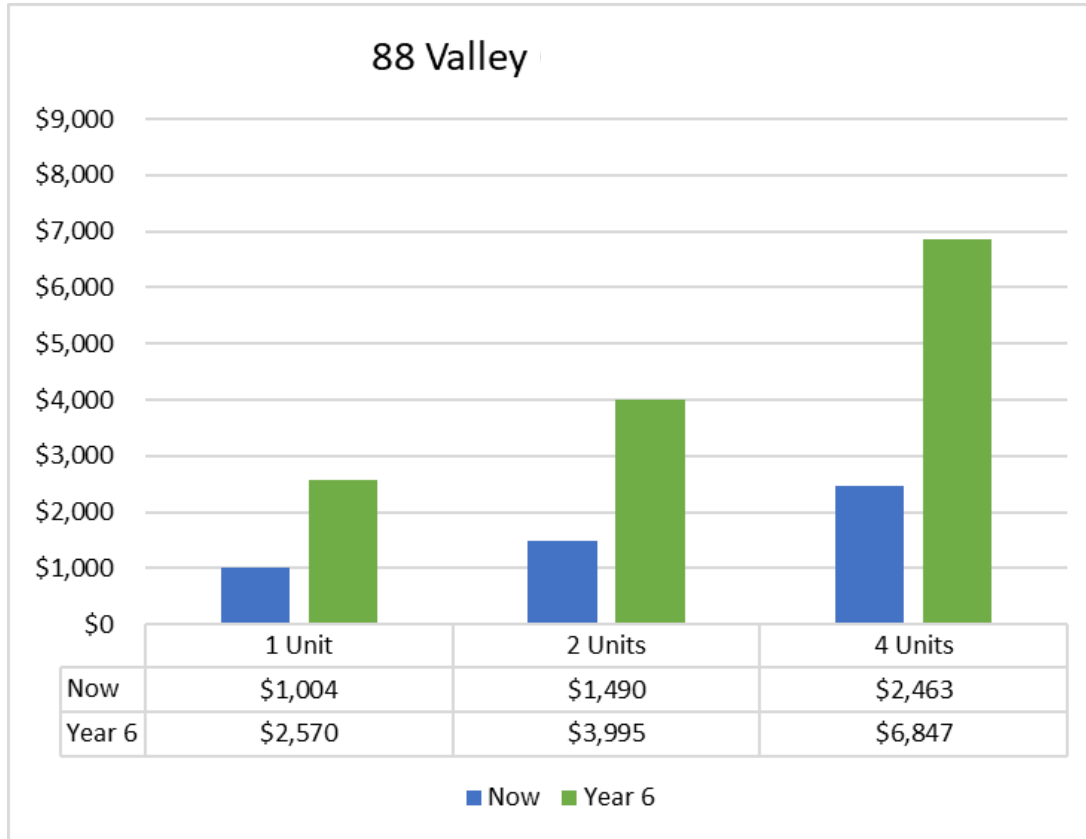
# Water Supply – Current Status

## Rural Schemes (Current Status)



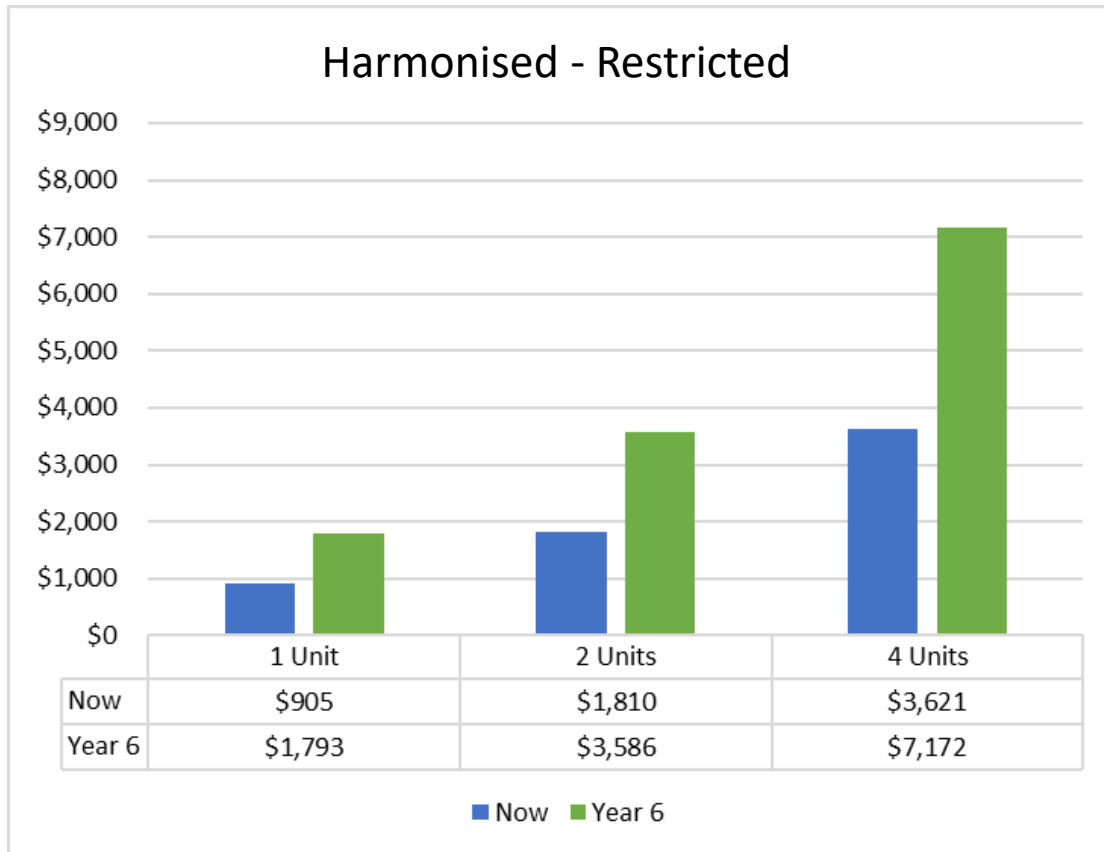
# Water Supply – Current Status

## Rural Schemes (Current Status)



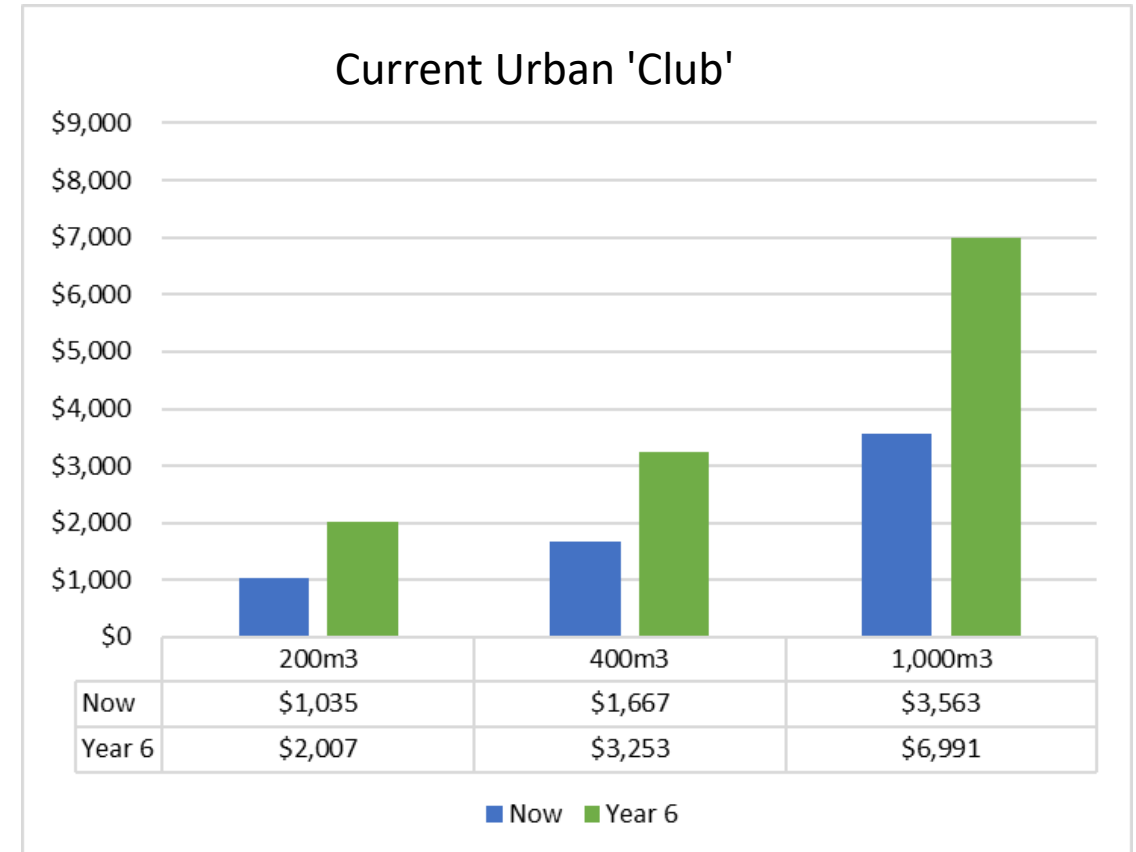
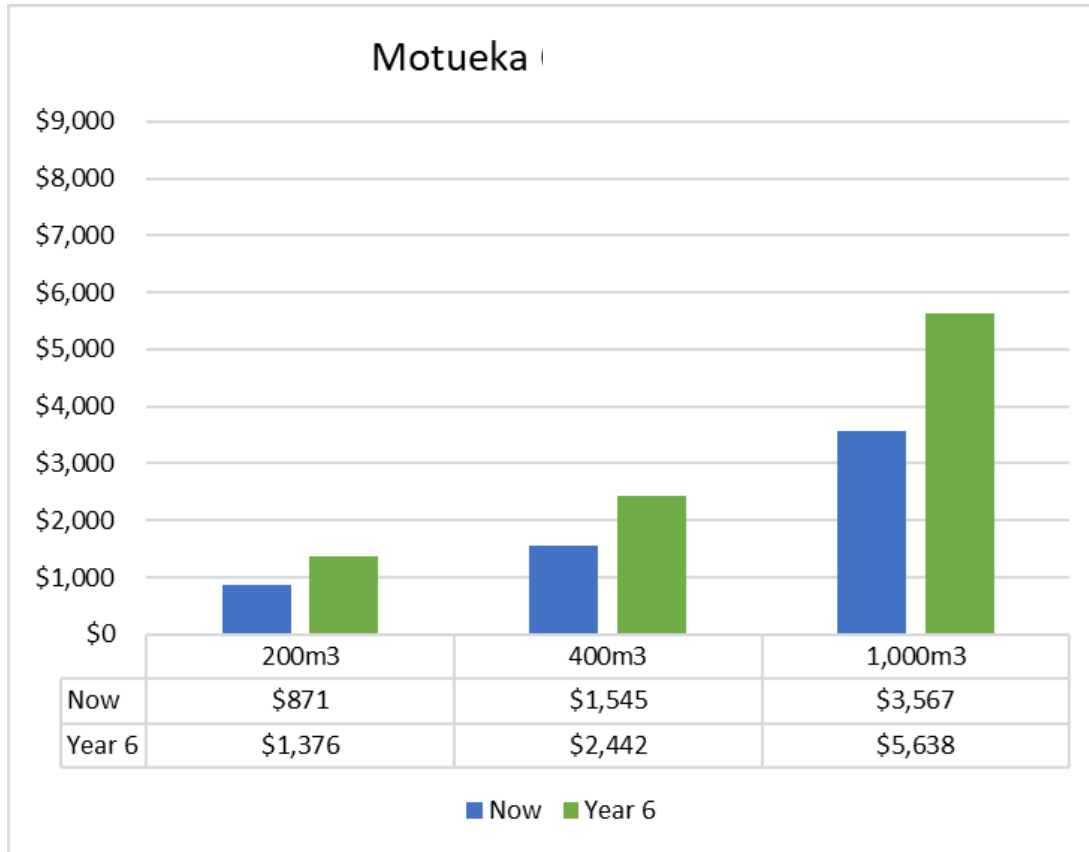
# Water Supply – Harmonised Restricted

## Rural Schemes



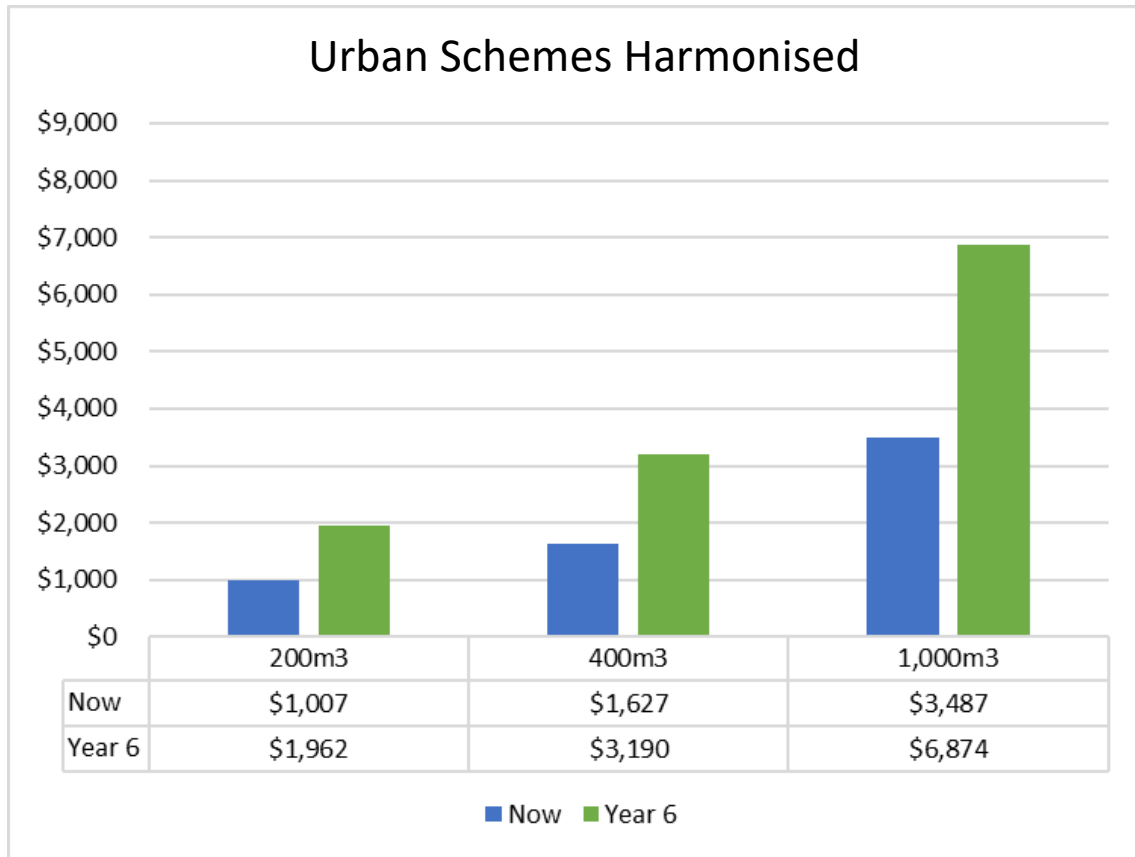
# Water Supply – Current Status

## On-Demand (urban) schemes



# Water Supply – Harmonised across District

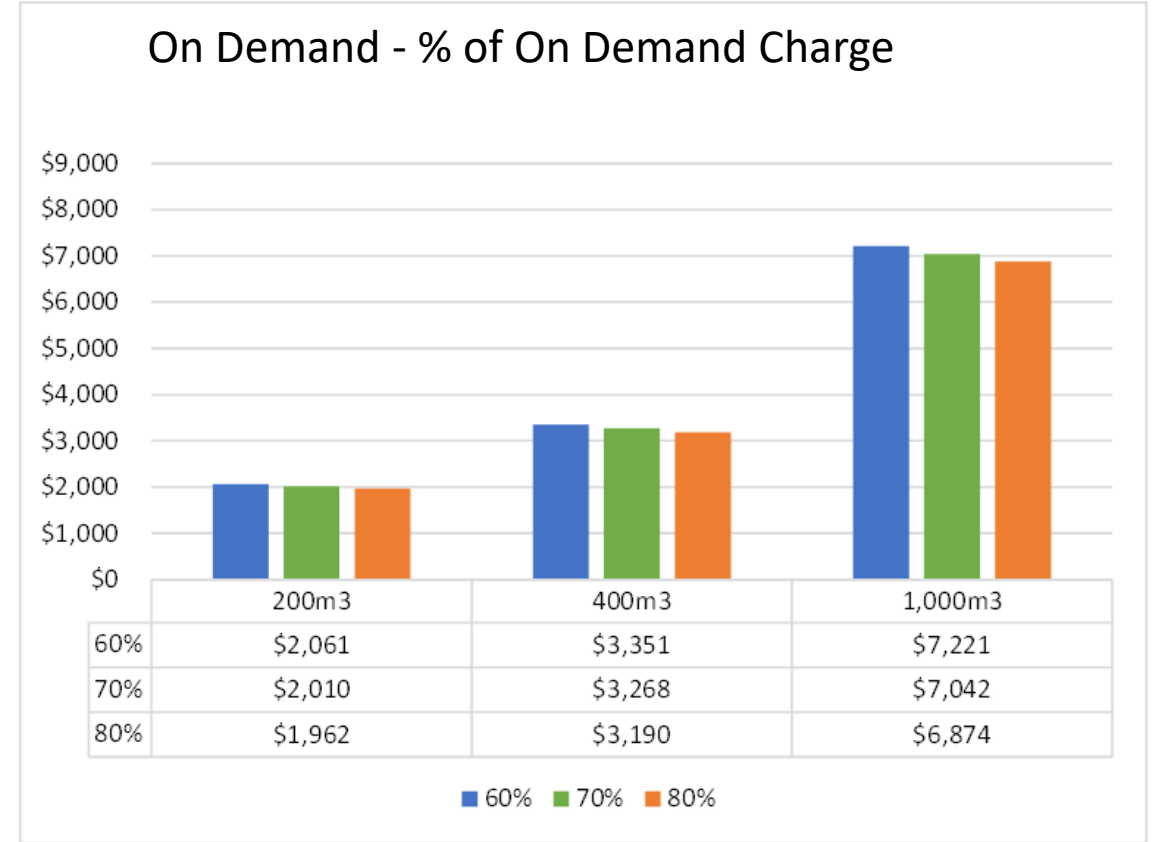
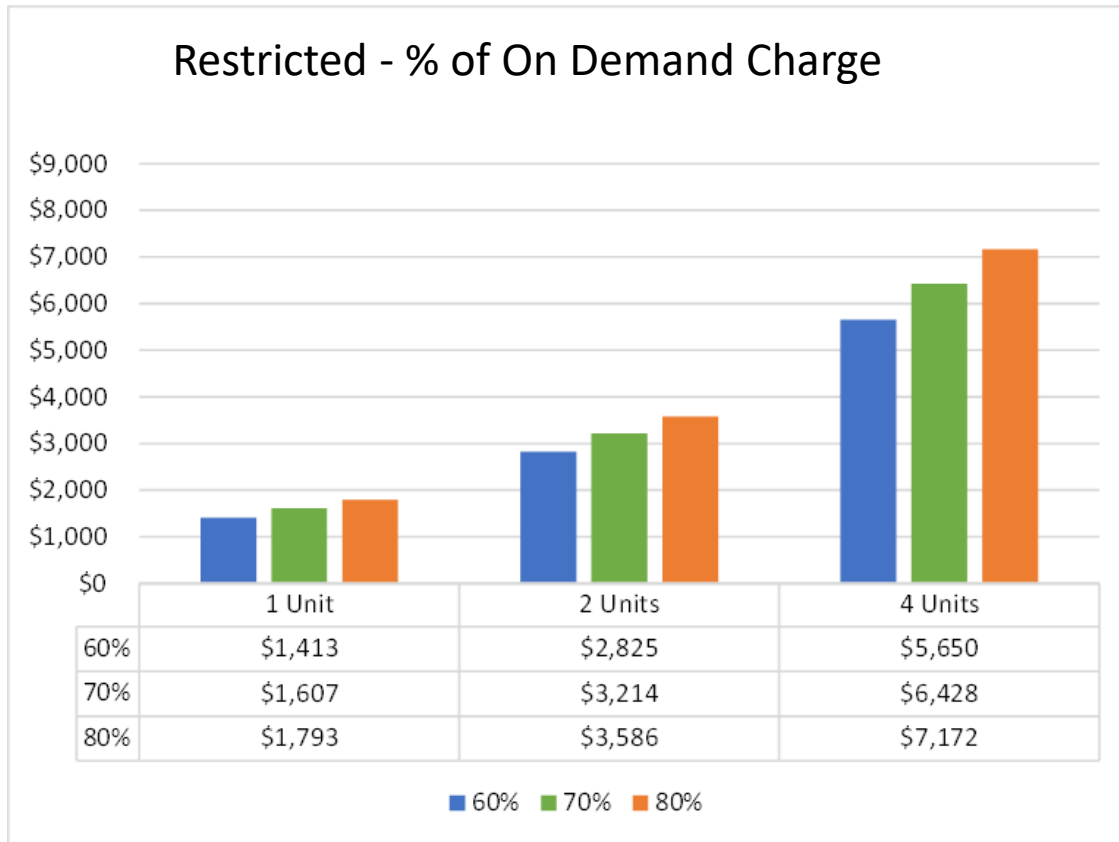
## On-Demand (urban) schemes





# Water Supply – Harmonised across District

## Restrictor Rates % Options



# Water Supply – District Wide Harmonisation

## Summary of current vs harmonised costs (at 80%)

### Restricted

	Dovedale	88 Valley	Redwoods	Urban Extension	Harmonised Schemes	Harmonised Schemes Year 6
<b>1 Unit</b>	\$904	\$1,004	\$639	\$923	\$905	\$1,793
<b>3 Units</b>	\$2,505	\$1,977	\$1,917	\$2,769	\$2,716	\$5,379
<b>5 Units</b>	\$3,897	\$2,950	\$3,195	\$4,614	\$4,526	\$8,964

### On Demand

	Motueka	Urban	Harmonised Schemes	Harmonised Schemes Year 6
<b>200m3</b>	\$871	\$1,035	\$1,007	\$1,962
<b>400m3</b>	\$1,545	\$1,667	\$1,627	\$3,190
<b>1,000m3</b>	\$3,567	\$3,563	\$3,487	\$6,874

# Water Supply – Other points to note

- The large farms in Zone 1 and 2 of the 88 Valley Scheme and the Hamama Scheme would either be handed back to that community or become a stock water scheme on a **targeted rate**.
- The rest of the zones in the 88 Valley Scheme will be connected to the end of the Wakefield scheme and harmonised when the Waimea Strategy is implemented.
- Other private schemes may want to join the public network will become part of the harmonisation but may be required to pay an equity buy in.

# Steps...

- Revenue and financing policy analysis – s.101 (3) a and b LGA
- Validate rates modelling
- Consult on in-principle proposal in the LTP
- Rates proposal consultation in year 1
- Implementation from year 2

# Water Supply – Direction on Options

- **Should we consolidate and harmonise water rates across the district as outlined?**
  - Include all schemes?
  - Retain on demand and restricted service and rates?
  - Set restrictor rate to be less than 80% of on-demand rate?
  - General Rates subsidy ceases for rural schemes?
- If decision is made not to harmonise rates and charges, should the inconsistency of Dovedale and 88 Valley current subsidy from General Rates subsidy cease?

# Drafting the Financial Strategy



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# Context

TDC Financial Strategy - Taituarā Good Example

Not BAU – state of Flux

## Continued themes:

- Large district and dispersed population centres
- Providing for growth
- Renewing ageing infrastructure
- Responding to climate change
- Improving freshwater quality
- Continued three waters improvements
- Completion of Waimea Community Dam
- Implementing Digital Innovation

## Changes:

- Wording change - modest rates increases for an extended period (until the last couple of years)
- Removing – responding to Covid 19 impacts

## Potential additions:

- Cost pressures and inflation expected to continue for the first part of the LTP
- Local Government funding model unsustainable – FfLG
- Central government reforms, economic, international uncertainties



# Goals

## Retain existing goals:

- Provide good stewardship of community resources
- Deliver value for current and future residents
- Use debt as a tool for intergenerational equity and retain borrowing headroom

## Potential additional goal:

- Establish a sustainable funding model with central government

# Principles

## Key updates and changes:

- to be financially resilient
- to focus on the medium to long term [removing focus on COVID recovery]
- noting our regional council functions
- responding to economic conditions, reforms and uncertain operating environment
- Make the most of external funding – where they benefit the community and council

# Change to dynamic caps

The Financial Strategy will highlight the change to our approach to the caps since the last LTP – static to dynamic.

- Explain the proposed new caps and advantages/disadvantages

Note: the caps need to have a reasonable free-board to avoid minor changes triggering Annual Plan consultation.

**Current LTP working budget - Year 1 – above the cap**

# Feedback/Discussion

Do you agree with the changes and additions to the:

- Context?
- Goals?
- Principles?

# What next?

Date	Topic
16 November	Further refinement of programme and financials
30 November	Final direction on programme and financials, Financial Strategy, Assumptions, Te Ture Whenua
13 December	Wash up – various topics
14 December	Agree programme and financials for consultation via a Council report