

## **STAFF REPORT**

**TO:** Mayor and Councillors  
**FROM:** Accounting Manager  
**DATE:** 7 February 2011  
**SUBJECT:** **Disaster Fund Replenishment – RCN11-02-05**

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### **1 PURPOSE**

- 1.1 To consider the proposed rate for replenishment of the General Disaster Fund, and the funding options for the replacement of the James Road Bridge, for inclusion in the Draft Annual Plan 2011/2012.

### **2 FUND ESTABLISHMENT**

- 2.1 Council has two separately invested Disaster Funds:
- The Classified Rivers Protection Fund
  - The General Disaster Fund.
- 2.2 These funds were established in 1997 to enable Council to contribute to the costs of reinstatement of Council owned/serviced assets following a major unforeseen event, an event such as the Aorere and Murchison Flood which occurred on 28 December 2010.

### **3 CLASSIFIED RIVERS PROTECTION FUND**

(As reported to the Engineering Services Committee on 3 February 2011, in the report on the Flooding Event).

- 3.1 The flood event on 28 December 2010 removed significant sections of rock wall and other protection works that were put in place to meet Council's level of service as stated in the Activity Management Plans and Ten Year Plan 2009-2019.
- 3.2 The expected costs of repair to this classified river will be around \$1,400,000 with some \$600,000 being spent just south of the Rockville Bridge on the bend at Riley's farm.
- 3.3 Upon application the Ministry of Civil Defence Emergency Management (MCDEM) will fund up to 60% for repairs to Council assets. Accordingly around \$800,000 will be covered from Central Government, subject to the application meeting MCDEM criteria.
- 3.4 This will lead to a local share "shortfall" of around \$560,000 that will need to be found from other funding sources.

- 3.5 There are two options for addressing this shortfall. These are to make a claim to the Local Authority Protection Programme (LAPP) Fund to cover the shortfall of 40%. The other option is to use the Classified River Protection Fund.
- 3.6 A claim to the LAPP Fund will require a \$450,000 excess to be paid. The funds to pay the excess could be sought from the Classified Rivers Protection Fund. This would result in around \$110,000 of the river works being funded by a claim from the LAPP Fund.
- 3.7 The current balance in the Classified Rivers Protection Fund is around \$1,350,000. The LAPP fund option would deplete the Classified Rivers Protection Fund by \$450,000 to pay the excess.
- 3.8 The balance of the Classified Rivers Protection Fund is sufficient that it will manage the excess of the Local Authority Protection Programme (LAPP), of \$450,000, and return to the policy level, \$1,000,000, within the year.

#### **4 RIVER Z WORKS**

Please refer to a separate report on River Z funding, in this agenda

#### **5 GENERAL DISASTER FUND**

The fund is currently replenished at the rate of \$43,800 per annum from the General Rate. The balance of the fund for 2010/2011 is \$820,000.

- 5.1 In 1996 Council resolved that the maximum of this fund be \$1,500,000.
- 5.2 The magnitude of the event on 28 December 2010 is still being quantified however current cost estimates have identified a total local share of \$1,200,000. Under the General Disaster Fund's policy the first \$200,000 is to come from within operations budgets, leaving \$1,000,000 to be funded from the General Disaster Fund. Included in these costs is the replacement of the James Road Bridge at \$1,200,000 (this equates to \$564,000 being Council's share).
- 5.3 Engineering Services budgets contain an item of \$700,000 to meet roading emergencies however there is little of this remaining for the current financial year, due to the timing of charges coming to hand from previous events (e.g. the Tapawera flood event in mid 2010). To fund the \$200,000 above will require cutbacks to programmed maintenance activities. Council staff will endeavour to ensure this does not reduce levels of service, however it will put extreme pressure on maintenance works.
- 5.4 Assuming a complete restoration of the works identified, the Council share of the flood damage will completely deplete the General Disaster Fund and effectively put it into overdraft by \$180,000.
- 5.5 To replenish the Disaster Fund to the level previously determined by Council the "overdraft" needs to be repaid, and the fund has to be re-established.
- 5.6 Whilst the fund is being re-established there remains the risk that another severe event will occur, requiring a further drawdown of the fund. The greater the time taken to replenish the fund the greater the risk of such an event occurring in the

interim. The average cost over the past six years is around \$130,000, however it is noted that this average is climbing over the past three years, with the last time there was no expenditure on emergency works being the 2004/2005 financial year.

- 5.7 To this end, replenishment periods of between two and four years have been quantified to provide guidance as to the effect on the General Rate.
- 5.8 Options on the funding of the restorative works and replenishment periods are summarised in the tables below. Each table includes the cost to replenish the fund and repayment of loans as appropriate. Should Council suffer such an event before the Disaster fund is restored again, Council can arrange overdraft facilities complete necessary restorative work. Given the uncertainty of the occurrence of disaster events, the most expedient replenishment period would reduce the risk to Council of such an event occurring as the fund is being replenished.

**Option 1** – Complete replacement of the James Road Bridge together with full restorative works, repayment of the short-term loan to cover the fund shortfall, and replenishment of the General Disaster Fund. This option reduces Councils reliance on debt to carry out all repairs, but is the most expensive alternative.

**Option 2** – Fund the replacement of the James Road Bridge over a 20 year loan. This option would mean the General Disaster Fund would have a balance of \$340,000, and therefore require less funds to replenish. The loan of \$564,000, (being Council's share), would increase the General Rate by 0.19%. In addition, general rate funds would be required to re-build the General Disaster Fund. This option sits with Council's philosophy of debt funding capital works, and reduces the call on the General Rate.

**Option 3** - Fund the replacement of the James Road Bridge over a 20 year loan, with private contributions funding 50% of the Council's 'share'. The cost effect would be to reduce the loan required by Council to \$282,000 and would increase the General Rate by 0.10%. In addition, general rate funds would be required to re-build the General Disaster Fund. This option places reliance on land owners being in a position to contribute to the bridge replacement, and would require negotiation with the landowners.

**Option 4** – Do not fund the replacement of the bridge. The costs here are solely the amounts required to replenish the General Disasters Fund.

**Option 1 - Complete replacement of James Road Bridge**

<b>Years</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Rate Requirement \$</b>	793,419	502,464	366,021
<b>Rates % Increase</b>	2.86%	1.81%	1.32%

**Option 2 - Replacement of Bridge over 20 years**

<b>Years</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Rate Requirement \$</b>	548,825	356,825	260,825
<b>Rates % Increase</b>	1.98%	1.29%	0.94%

**Option 3 - Replacement of Bridge over 20 years and Private Contribution at 50% of Council's 'share'**

<b>Years</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Rate Requirement \$</b>	522,413	330,413	234,413
<b>Rates % Increase</b>	1.89%	1.19%	0.85%

**Option 4 - No Bridge Replacement**

<b>Years</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Rate Requirement \$</b>	496,000	304,000	208,000
<b>Rates % Increase</b>	1.79%	1.10%	0.75%

**Recommendation**

**That the Tasman District Council:**

- a) Agrees to fund the replacement of the James Road Bridge by way of a 20 year loan.**
- b) Agrees to replenish the General Disasters Fund over a two year period.**
- c) Agrees that a) and b) above will lead to an increase in the General Rate of 1.98%, for inclusion in the Draft Annual Plan 2011/2012.**

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