

Report No:	RCN12-05-12
File No:	
Date:	16 May 2012
<b>Decision Required</b>	

## REPORT SUMMARY

**Report to:** Full Council  
**Meeting Date:** 24 May 2012  
**Report Author:** Peter Thomson  
**Subject:** **Jackett Island Erosion Project - Funding**

### EXECUTIVE SUMMARY

This report considers the budget and funding requirements for the Jackett Island Erosion Project.

### RECOMMENDATION/S

That the report is received.

### DRAFT RESOLUTIONS

**THAT the Jackett Island Erosion Project Funding report, RCN12-05-12 be received; and**

**THAT the Jackett Island Erosion Project operations budget for the 2012/2013 financial year be set at \$650,000 in the Long Term Plan 2012-2022 and be funded from the balance remaining from the \$1.2 million proceeds from recent sales of Council property that was land reclaimed for Motueka harbour works prior to 1917 as noted in the report RCN12-05-12; and**

**THAT the Jackett Island Erosion Project capital budgets for the 2013-2015 financial years remain unchanged from the budgets in the Draft Long Term Plan as noted in the report RCN12-05-12.**

Report No:	RCN12-06-12
File No:	
Report Date:	16 May 2012
<b>Decision Required</b>	

**Report to:** Full Council  
**Meeting Date:** 24 May 2012  
**Report Author:** Peter Thomson  
**Subject:** **Jackett Island Erosion Project - Funding**

## 1. PURPOSE

- 1.1 This report considers the budget expenditure and funding requirements for the Jackett Island Erosion Project for inclusion in the Council's Long Term Plan 2012-2022.

## 2. BACKGROUND

- 2.1 As Councillors will be aware these issues stem from the Environment Court Interim Decision (ENV-2010-WLG-000080 & 81) in the matter between the Van Dyke Family Trust and the Tasman District Council issued in March 2011. The Court found that the placement of the Port Motueka geotextile groyne structure on the Motueka sand spit by the Council in 1996 has led to the formation of the spit in its present form which in turn, has brought about the erosion on Jackett Island.
- 2.2 In the current financial year there was an approved provisional expenditure budget of \$150,000 funded from the proceeds from recent sales of Council property that was land reclaimed for Motueka harbour works prior to 1917. A legal opinion previously reported to Council has determined that these funds should be spent as general funds, and so can be spent on the Jackett Island erosion project. Total proceeds available from these sales are approximately \$1.2 million.
- 2.3 Expenditure to date in the current financial year is at \$800,000. Further costs are still to come this financial year including the practicable option investigations, modelling and reporting; stakeholder consultations; the removal of the existing groyne; ongoing maintenance of the interim works and monitoring, legal costs and staff costs. Total expenditure is expected to reach \$1 million by 30 June 2012.

- 2.4 Council has also included provisional expenditure budgets in the Draft Long Term Plan. In Year 1 there is a budget of \$400,000 for operational costs to complete the investigations into a long term sustainable protection solution; complete the removal of the groyne; resolution of the further additional costs claimed by the Van Dyke Family Trust through Court assisted mediation; ongoing maintenance of the interim works and monitoring, legal costs and staff costs. This expenditure is to be funded from the proceeds from recent sales of Council property that was land reclaimed for Motueka harbour works prior to 1917.
- 2.5 Also in the Draft Long Term Plan is an indicative capital works budget of \$2.86 million provided in 2013-2015 (Years 2 and 3) to implement the preferred option. This capital project is to be loan funded and costs met from general rates.

### **3. PRESENT SITUATION/MATTERS TO BE CONSIDERED**

#### **Financial Year 2011/2012**

- 3.1 Corporate Services staff have advised that Council has insurance coverage for costs associated with dealing with the adverse effects arising from the original groyne construction. We have sought legal advice to confirm this view. A suitable claim will be lodged with our insurers for relevant costs incurred in the current financial year.
- 3.2 A final assessment for the insurance claim has yet to be completed, but a preliminary assessment based on costs to date suggests approximately \$440,000 could be covered by an insurance claim. This would still leave a year end cost overrun in the order of \$400,000 as at 30 June 2012.

#### **Financial Year 2012/2013**

- 3.3 The Draft LTP budget for Year 1 (2012/13) of \$400,000 for ongoing project operational costs has been re-assessed in terms of the Environment Court's enforcement orders, and project progress to date. Several variables make it difficult to establish this budget without having a considerable contingency.
- 3.4 The first variable is the extent of completion of the groyne removal works by 30 June 2012, and the final cost of these works. Some of the cost is expected to "spill over" into the new financial year. The methodology and efficiency of removal has yet to be determined by trials on-site, although work will be starting on this very soon.

- 3.5 The second variable is the extent of further modelling and investigation work that will be necessary to refine options, assess sustainability or feasibility of any preferred option, and to fulfil the Enforcement Order obligations to investigate longer term protection. Additional investigation work and consultation with stakeholders could drive up the cost of this part of the project.
- 3.6 The third variable is uncertainty regarding Court resolution and settlement of the further additional costs claimed by the Van Dyke Family Trust totalling \$252,197. Court assisted mediation has been requested but to date no work has commenced on this mediation.
- 3.7 The fourth variable is to what extent the Environment Court could make and impose further Interim Enforcement Orders that would incur additional cost to Council.

### **Financial Years 2013-2015**

- 3.8 The Draft Long Term Plan capital works budget of \$2.86 million provided in 2013-2015 (Years 2 and 3) to implement a preferred option is indicative only. This budget is simply a place-holder until investigations and decisions regarding a sustainable and feasible solution are identified. It demonstrates that Council is being financially prudent by making some allowance for this possible future cost. The adoption of a preferred solution will almost certainly require the capital budget to be amended through the Annual Plan process in subsequent years.

## **4. OPTIONS**

### **Financial Year 2012/2013 Funding**

- 4.1 Option 1 – Retain the existing Draft Long Term Plan operational budget of \$400,000 in the final Long Term Plan.
- 4.2 Option 2 – Increase the Long Term Plan operational budget to \$650,000.

### **Financial Years 2013-2015**

- 4.3 Option 1 – Retain the existing Draft Long Term Plan capital budgets totalling \$2.86 million in the final Long Term Plan.
- 4.4 Option 2 – Increase the Long Term Plan capital budgets to cover the rough order cost of the option identified currently for hydrodynamic and sediment transport modelling, being \$5 million (non-inflated).

- 4.5 Option 3 – Delete the capital budget value from the Long Term Plan and include commentary regarding the uncertainty of identifying any sustainable long term solution at this stage.

## **5. PROS AND CONS OF OPTIONS**

### **Financial Year 2012/2013 Funding**

- 5.1 Option 1 may provide sufficient budget to cover all expenditure, however, there would be no contingency to allow for any variation in costs. In the event of cost overruns Council would need to identify an uncommitted funding source.
- 5.2 Option 2 provides a reasonable contingency for cost variations and issues that can't be nailed down at present. The budget of \$650,000 would require the commitment of the balance of funding remaining from the \$1.2 million proceeds from recent sales of Council property that was land reclaimed for Motueka harbour works prior to 1917.

### **Financial Years 2013-2015 Funding**

- 5.3 Option 1 confirms the budget that has been through public consultation, and can be defended by Council as showing financial prudence by having a placeholder budget even though great uncertainty exists over any final capital cost of this project.
- 5.4 Option 2 may suggest to stakeholders and ratepayers generally that a \$5 million capital solution (plus any ongoing maintenance costs) is deemed affordable by Council. Council is unlikely to be able to make that assessment for some time yet.
- 5.5 Option 3 would be seen as contrary to the budget consulted on in the Draft Long Term Plan and could be challenged that Council is not being financially prudent by having a nil budget commitment in light of the Environment Court Interim Enforcement Orders.

## **6. EVALUATION OF OPTIONS**

### **Financial Year 2012/2013 Funding**

- 6.1 Option 2 is preferred because it makes a reasonable and realistic assessment for contingencies and project variations, and it commits funding for this

purpose. Option 1 is likely to result in cost overruns for which Council may not have any uncommitted funding.

## **Financial Years 2013-2015 Funding**

6.2 Option 1 is preferred as this capital budget has been consulted on publicly and could form part of an overall affordable capital works programme being loan funded. Options 2 and 3 are not financially prudent for the Council to adopt given the preliminary stage of the project and development of options.

## **7. SIGNIFICANCE**

7.1 This is not a significant decision according to the Council's Significance Policy, also the matter has been through a Special Consultative procedure through the Long Term Plan process.

## **8. RECOMMENDATION**

8.1 That the report is received.

## **9. DRAFT RESOLUTIONS**

**9.1 THAT the Jakkett Island Erosion Project Funding report, RCN12-05-12 be received; and**

**9.2 THAT the Jakkett Island Erosion Project operations budget for the 2012/2013 financial year be set at \$650,000 in the Long Term Plan 2012-2022 and be funded from the balance remaining from the \$1.2 million proceeds from recent sales of Council property that was land reclaimed for Motueka harbour works prior to 1917 as noted in the report RCN12-05-12; and**

**9.3 THAT the Jakkett Island Erosion Project capital budgets for the 2013-2015 financial years remain unchanged from the budgets in the Draft Long Term Plan as noted in the report RCN12-05-12.**