

The Council is releasing the confidential Waimea Dam revised funding report of 6 September.

The report was discussed in the confidential section of the meeting in light of the ongoing commercial negotiations with our joint venture partners who were present at the meeting. The Council had to take account of the other parties' commercial needs and their desire for confidentiality. Also, Council had not had the opportunity to discuss the revised funding offer developed as part of the ongoing negotiations. Now that the Council has accepted the offer, the principles underlying it are able to be made public.

The decision to release the report was made after very careful consideration of the commercial sensitivity of the negotiations between the dam's funding partners and the need to provide information to ratepayers. Council has sought and gained the consent of the other joint venture partners to the release of the report containing the principles underlying the funding offer. The finer details of the offer are still subject to ongoing commercially sensitive negotiations and must remain confidential.

The Council has always been aware of the high level of public interest in the Waimea dam project and continues taking steps to share whatever information it can.

8.2 WAIMEA COMMUNITY DAM - CONFIDENTIAL

Decision Required

Report To:	Full Council
Meeting Date:	6 September 2018
Report Author:	Janine Dowding, Chief Executive Officer; Mike Drummond, Corporate Services Manager
Report Number:	RCN18-09-02

This report is confidential in accordance with the Local Government Official Information and Meetings Act 1987 (s7(2)(i)) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

1 Summary

- 1.1 At its meeting on 28 August 2018, Full Council passed a resolution (Attachment 1) on the Waimea Community Dam (the Dam). Council should now reconsider this decision in light of new information and a revised funding offer from our Joint Venture partners.
- 1.2 The revised funding offer includes:
 - 1.2.1 extending the term of the Crown Irrigation Investments Limited (CIIL) Environmental Zero interest rate loan from 10 to 20 years, freeing up funding that would have been used to repay this loan to reduce the proposed rates increase;
 - 1.2.2 Waimea Irrigators Limited (WIL) increasing its contribution to environmental and public good capacity by meeting the finance costs on \$5.75m of the \$11.5m that was presented as 'Council's share' of the cost increase in the last Council paper for the 28 August 2018 meeting. This will be funded through Local Government Funding Agency (LGFA) borrowings and on-lent from Council to the CCO;
 - 1.2.3 WIL undertaking to meet 50% of finance costs on any cost overruns (up to \$3m);
 - 1.2.4 agreement that the potential hydroelectric generation can be included in the project subject to it being self-funding, a Council led and managed project, and it not impacting on the risk profile and primary purpose of the Dam.
- 1.3 Under this revised proposal, irrigators through WIL are now servicing 75% of the additional borrowing costs to close the \$23m funding gap.
- 1.4 The impact of the funding offer on rates is set out in table 2. In short, the District wide fixed charge and the capital value targeted rate in the zone of benefit (ZOB) can be kept at the same level as was in the October 2017 Consultation Document. There will be a small increase in the proposed water rates of circa 50 cents a week, for a typical residential user in the water club.

- 1.5 Council has the options of:
- 1.5.1 Option 1: agreeing to revoke the resolutions on the Dam it made at its meeting on 28 August 2018 and agreeing to the revised funding model outlined in this report, as the basis of progressing the proposal to financial close; or
 - 1.5.2 Option 2: having considered the implications of the new information and revised funding offer from the Joint Venture partners, confirms its decisions on the Dam made at the 28 August meeting.
- 1.6 The key advantages and disadvantages of these options are summarised in section 5 of this report.
- 1.7 As the Chief Executive, I recommend that Council adopts Option 1 as it significantly responds to a number of the concerns raised at the 28 August 2018 meeting.
- 1.8 The 28 August report on the Dam contains a great deal of information, which is relevant to consideration of this report. I recommend that Councillors re-read that report.
- 1.9 Under this revised approach (6 September), the funding gap has been closed and the financial risks to Council significantly reduced. This is primarily achieved through the introduction of a large institutional investor in WIL. As advised by the Engineering Manager and presented at the 28 August meeting, the revised estimates and contingency provisions have been set at a robust level.
- 1.10 Staff are continuing to give effect to the Waimea Dam resolution passed on the 28 August with significant planning, discussion and legal advice being sought. This paper is consistent with part 16 of the resolution, which provided for the continuation of the work streams to financial close pending a final decision following public consultation.

2 Draft Resolution

That the Full Council:

- 1. receives the Waimea Community Dam report RCN18-09-02; and**
- 2. revokes resolution CN18-08-26 made at the Full Council meeting on 28 August 2018; and**
- 3. re-confirms its decision of 27 July 2017 (CN17-07-20) that the proposed Waimea Community Dam in the Lee Valley is the best solution for meeting the community's need for good quality, local water supply infrastructure; and**
- 4. agrees, that for financial modelling and Joint Venture negotiations purposes, that Council's share (51%) of the \$23 million(m) projected capital cost increases in the proposed Waimea Community Dam Project will be funded by:**
 - a. borrowing through the Local Government Funding Agency of approximately \$11.5m and back to back on-lending of \$5.75 m to the proposed Council Controlled Organisation (CCO), with the CCO finance for the costs for that \$5.75m being met by a CCO finance charge to Waimea Irrigators Limited (WIL); and**
 - b. accepting an increase in the term from 10 years to 20 years for the zero interest rate \$10m Crown Irrigation Investments Limited (CIIL) Environmental Loan with four equal \$2.5m repayments at five yearly intervals; and**

- c. utilising approximately \$150,000 per annum of the money saved by the reduced repayments on the CILL Environmental Loan, to service finance costs in relation to the environmental and public benefit Council loans.
5. instructs staff to progress negotiations and work streams through to a final agreement for Council approval as part of the project financial close in late November 2018; and
 6. notes that the reason for reviewing the Council's funding position is the offer of additional financial support by Waimea Irrigators Limited and Crown Irrigation Investments Limited;
 7. agrees that the reasons for supporting the Dam include:
 - the broad range of benefits offered by the proposed Waimea Community Dam compared to the alternatives, including addressing Council's water management obligations under the Resource Management Act; the National Policy Statement on Freshwater Management; and the National Policy Statement on Urban Development Capacity;
 - the costs, lower level of benefits, risks and uncertainty associated with the alternatives; and
 - the obligation to provide good quality infrastructure that is most cost effective for households and businesses; and
 8. notes that Waimea Irrigators Limited and Crown Irrigation Investments Limited have reviewed their position and funding in order to directly address concerns raised by Council and to facilitate reaching financial close and that all parties to the Joint Venture will make their final decision at that time.

3 Purpose of the Report

- 3.1 The purposes of this report are to:
- 3.1.1 allow Council to reconsider its decisions in relation to the Waimea Community Dam (the Dam) made at its meeting on 28 August 2018, in light of new information and a revised funding model and offer from the Joint Venture partners; and
 - 3.1.2 enable Council to revoke the decisions it made on the Dam at its meeting on 28 August 2018 in light of the new information if it so chooses; and
 - 3.1.3 allow Council to decide whether to proceed with the Waimea Community Dam project through to financial close.

4 Background and Discussion

- 4.1 At its meeting on 28 August 2018, Full Council considered report CN18-08-16. The Council passed a resolution in relation to the report, which I am asking that it reconsider in light of new information and a revised funding offer. This is resolution CN18-08-26.
- 4.2 Standing Order 23.6 “Revocation or alteration by recommendation in report” states:
- The local authority, on a recommendation in a report by the Chairperson, chief executive, or any committee or subcommittee, local or community board, may revoke or alter all or part of a resolution passed by a previous meeting. The chief executive must give at least two clear working days’ notice of any meeting that will consider a revocation or alteration recommendation.*
- 4.3 I am asking the Council to reconsider its decision on 28 August in light of new information and a revised offer from our Joint Venture partners to help close the \$23 million funding gap for the Waimea Community Dam project. I am recommending that Council revokes its decisions on the Dam made at the last meeting and passes the recommendations outlined in section 2 of this report, which will allow the Dam project to proceed to financial close based on the revised funding model.

5 Options

- 5.1 Council has the following options:
- 5.1.1 Option 1: agreeing to revoke the resolution on the Dam it made at its 28 August 2018 meeting and agreeing to the revised funding model outlined in this report (refer to section 8 for details); or
 - 5.1.2 Option 2: having considered the implications of the new information and revised funding offer from the Joint Venture partners, confirming its decisions on the Dam made at the 28 August meeting.
- 5.2 **Under Option 1**, Council would revoke the resolution on the Dam made on 28 August 2018 and agree to the revised funding model outlined in this report. This option would enable the Dam project to proceed through to financial close. At that time, all the Joint Venture partners will make their final decision.

- 5.3 The advantages of option 1 are that it would have the least cost to Council and ratepayers. It would be the easiest option to achieve given the Dam project is well scoped, consented and Council has a firm tender price for the Dam construction. This option is largely consistent with proposals Council has previously consulted the public on. It would enable Council to provide a secure urban water supply to the Waimea Plains at the earliest time and build resilience into the water management system necessary to face the future. The revised funding model has greatly reduced the impact of the increased project costs on the ratepayers in our District. It has also reduced the risk associated with Council's underwrite of the Waimea Irrigators Limited (WIL) loan.
- 5.4 The Dam also achieves wider benefits to the region, including to irrigators and public good outcomes such as improving the health of the Waimea River, recreational opportunities, employment opportunities, opportunities for growth and benefits to the local economy. Please refer to the 28 August 2018 report for further information on the advantages and disadvantages of progressing with the Dam. Council will make a final decision on whether to proceed with the Dam at financial close. At this point, all the agreements will need to have been concluded successfully and all the other parties have to agree to proceed.
- 5.5 The main disadvantages of this option are the increased costs of \$23 million associated with the project. These are above what Council has provided for in its Long Term Plan 2018-2028. However, the latest funding model offered by our joint venture partners has greatly reduced the impact of increased costs on ratepayers.
- 5.6 We expect that the additional \$11.5m in Local Government Funding Agency (LGFA) borrowing will be accommodated within the overall capital works programme. It is usual for this Council (and local authorities in general) to have a tail of capital works not completed within the budgeted year. For that reason, Council debt often does not reach the levels predicted in the (then) current Long Term Plan. For the 2017/18 year, that tail of carryovers will be in the order of \$17-\$20m. Our opening debt balance on 1 July was \$141m, instead of \$159m as forecast in the 2018-28 LTP.
- 5.7 At the meeting on 28 August, several councillors expressed concern that the increase in cost would displace other planned works. There is a slight chance that Council may need to reprioritise other projects to bridge a portion of the cost increase. Council regularly reprioritises its capital works programme, in the short term. Such reprioritisation allows Council to react to the contractor market conditions, tender outcomes, unforeseen infrastructure issues, staff resourcing, and programme delivery constraints.
- 5.8 Council's senior managers consider the Dam one of our highest priority works in the Long Term Plan 2018-2028, even with the additional funding requirement. The role the Dam will play in securing the water supply to 40% of our District and the scale of benefits it will bring our community makes the case for the Dam very compelling. Few projects in the Long Term Plan are as closely aligned to our community outcomes or contribute as meaningfully to Council's vision for Tasman, for such a large proportion of our District, as the Dam.
- 5.9 On the flip side, no other projects will have the wide scale repercussions for our community and economy if they do not proceed.
- 5.10 The constraints around the third party funding and the Tasman Resource Management Plan also mean the Dam is effectively a one off opportunity. We do it now, or it ceases to be an option due to the loss of significant funding from other parties. This is not the case with most other projects in the Long Term Plan – which Council can choose to defer and undertake later.

- 5.11 In the unlikely event that projects need to be pushed out, staff have identified water supply and stormwater capital projects (in that order) in Richmond that Council could defer if needed. These projects are more than adequate to cover any reprioritisation needed to keep within Council's rates and debt limits. No other projects in the District will need to be deferred.
- 5.12 Agreement has been reached that the potential hydro generation can be included in the project. This hydro generation is subject to it being self-funding, and a Council led and managed project. The operation of any hydro power scheme is also subject to it not impacting on the risk and primary purpose of the Dam or negatively on costs to other parties. If Council agrees to proceed further, Council will need to resource and manage that as a separate sub-project
- 5.13 **Under Option 2**, Council would confirm its decisions of 28 August 2018. The advantages of this option are it will defer the cost of the Dam in the short term. However, not proceeding with the Dam is ultimately likely to incur greater cost to ratepayers in the longer term, as other options to augment Council's water supply are expected to be considerably greater than its contribution to the Dam, particularly under the revised funding model. Sections 4 and 9 of the 28 August report outline details of the disadvantages of this option. In summary, the key disadvantages of Option 2 include:
- 5.13.1 the loss of a solution that addresses river health, urban water supply, industry, and horticulture and agriculture needs, which no other alternative water augmentation option does;
 - 5.13.2 Any potential alternative water supply options are likely to take several years to develop to the stage of securing land and consents (if they can be secured), and being implementable.
 - 5.13.3 Most of the potential options fall short of being able to provide adequate flow, storage, or drought security - especially for stage 5 restrictions, where the vast majority of the supply needs to come from other sources. Only the large pond option shows any promise of being able to deliver adequate flows for all rationing steps and the medium-term urban water needs, for under \$100m.
 - 5.13.4 Council and ratepayers will need to fully fund any alternative because will lose approximately \$73 million of funding towards the Dam from other sources;
 - 5.13.5 the Tasman Resource Management Plan (TRMP) rules under a no Dam scenario will come into effect. These rules will bring in greater likelihood of rationing and stricter controls on water use for all users and will mean restrictions on residential, industrial and business growth in the Waimea Plains, unless an alternative water source is developed;
 - 5.13.6 there will be a substantial economic loss to the Nelson-Tasman region;
 - 5.13.7 a decision not to proceed with the Dam would also result in the lost opportunity for hydroelectricity generation.

6 Strategy and Risks

- 6.1 The revised funding model is more closely aligned with the proposals and rating impacts contained in the Long Term Plan 2018-2028, than the model considered on 28 August. It is more affordable for our community, and more affordable and effective than the other options for providing urban water supply. It also enables us to meet our river health obligations as a regional council.
- 6.2 There is now the introduction of a New Zealand institutional investor into WIL through the issue of \$11m of Convertible Preference Shares (CPS) these will deliver net capital of \$10.5m) to WIL (Refer Attachment 2). This is a change in strategy that advantages Council.
- 6.3 The risks of this funding model are lower, due to our Joint Venture partners contributing additional capital and debt servicing funding to the project. The risk to Council of underwriting the Crown Irrigation Investments Limited (CIIL) loans to WIL is also greatly reduced under this option. (See Section 8)
- 6.4 Nelson City Council have confirmed their commitment to \$5m in funding to the project as set out in their 2018-2028 Long Term Plan. They have also confirmed that should the project not proceed any water supply from Nelson City into Tasman would be challenging, very short term and restricted.
- 6.5 This is a critical point in the project. If the project is to proceed successfully to financial close, parties need to have confidence in each other to meet their commitments.
- 6.6 Please refer to sections 6 and 18 of the 28 August report for further discussion on strategy and risks.

7 Policy / Legal Requirements / Plan

- 7.1 Please refer to sections 7 and 12 of the 28 August report for discussion on policy, planning and legal requirements.
- 7.2 There may be questions as to why this report and the revised funding model is being presented to Council. The reasons include:
 - 7.2.1 part 16 of the resolution passed on 28 August mandated work to continue on the project until financial close;
 - 7.2.2 the facts and funding model have changed. I have a statutory responsibility to bring the information and revised funding model to Council, particularly as it addresses many of the concerns expressed on 28 August;
 - 7.2.3 some Councillors indicated at 28 August meeting that they were not philosophically opposed to the Dam, but had concerns about the funding model, its affordability for ratepayers, and the perceived risks associated with the WIL underwrite. WIL has listened to those concerns and this revised model has been developed to address those concerns; and
 - 7.2.4 given Council's investment to date in the project and exit costs in the order of \$8m, I consider it would be imprudent to fail to consider the new information and revised funding model.

- 7.3 The resolution passed by Council on 28 August 2018 creates, from a legal and practical perspective, a number of challenges for Council in properly implementing the decision, notably:
- 7.3.1 the requirement for the Council to put in process a Long Term Plan 2018-2028 (LTP) amendment and conduct an associated special consultative procedure before making a final decision not to proceed with the Dam. This means that existing work-streams in furtherance of the Dam proposal must continue. To do otherwise would pre-empt the outcome of the consultation process; and
 - 7.3.2 it is not practically possible, however, to carry out the required consultation and LTP amendment before \$73 million of central government and other external funding is lost; and
 - 7.3.3 Council is left in the difficult position of continuing to work (and incur costs) on the Waimea Dam project, whilst simultaneously working on the proposed form and content of the amendments to the Long Term Plan, alternative water management proposals and implications for the Tasman Resource Management Plan. This is a huge undertaking and it will be a challenge to prevent it from being significantly time consuming, inefficient, complicated and costly. This places enormous pressure on my statutory responsibilities to implement decisions and ensure the effective and efficient management of the Council's activities.

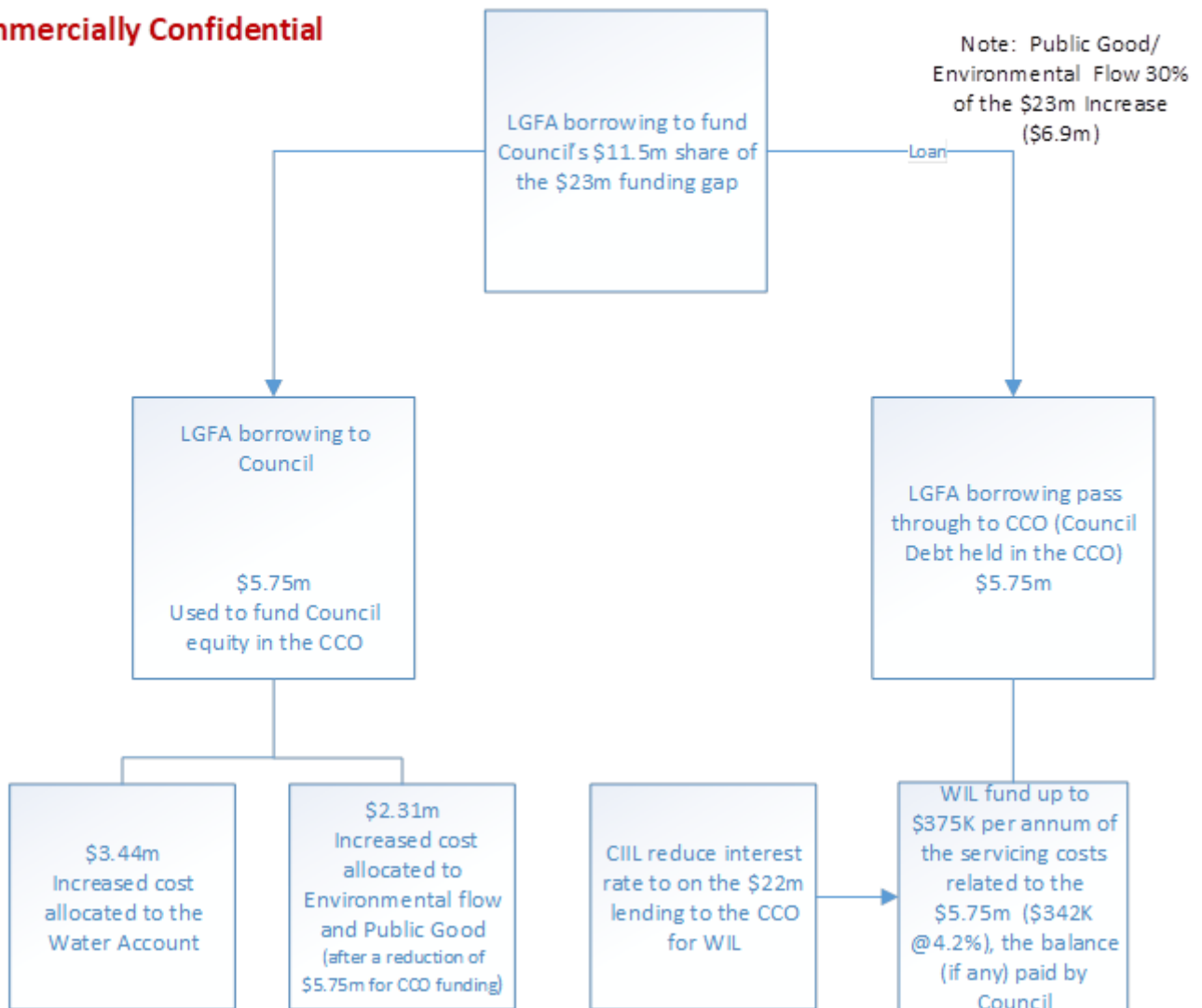
8 Consideration of Financial or Budgetary Implications

- 8.1 The proposed Dam is among the larger single investments the Tasman community is proposing to make in its core infrastructure. As a water augmentation project it provides a range of benefits across the community – water supply benefits, public good benefits like economic, environmental, recreational, social and cultural benefits and irrigation benefits. This makes the division of Council's costs more complex than a pure irrigation or urban water supply scheme. However, it is but a proportion of the total infrastructure budget allocated in the LTP.
- 8.2 WIL have committed to meet their share of the increased project costs and have confirmed they will also meet the agreed 50% of the financing costs of the first \$3m in any cost overrun post financial close, as previously agreed.
- 8.3 In order to fund the proposed increase in our share of the Dam costs of \$23m, we propose to use the funding structure set out below. This proposal does not include any funding from the Provincial Growth Fund (PGF), which could reduce the costs further.

8.4 TABLE 1 – Proposed Funding

Waimea Dam Alternative
Funding Model 31 August 2018
Version 2.5

Commercially Confidential



- 8.5 The change in the proposed funding model does not require any change in the Council's Revenue and Financing Policy and it is consistent with the allocation of costs determined after the October 2017 public consultation.
- 8.6 The extractive user contribution through the Urban Water Club would increase to \$13.4m (including \$1.9m in development contributions, which is still to be revised upwards to reflect the increased project costs).
- 8.7 The community and environmental benefits share of the project costs funded by Council would increase from \$4.29m to \$6.6m (without any PGF funding). The increase in loan funding costs is being fully offset by \$150,000 of income from the Enterprise activity.
- 8.8 The increase in term from 10 years to 20 years for the CIIL \$10m environmental loan will release income, as the repayments are spread over a longer period. This reduction in annual repayments would be used to help service the increased community and environmental benefits loan costs. The interest savings over the life of the loan will be \$5.7m. This is an increase in savings of \$2.6m over the previous proposal's \$3.1m.

- 8.9 This funding proposal does not include a contribution to the project from the PGF. Such funding is only likely to occur in a very modest amount, if at all,) and only after Council has fully committed to the project. One option for central government would be to provide additional funding at a future date if an unexpected event occurred that could not be met within the contingencies and other provisions in the project budgets.
- 8.10 There is now the introduction of a New Zealand institutional investor into WIL through the issue of \$11m of Convertible Preference Shares (CPS) these will deliver net capital of \$10.5m to WIL (Refer Attachment 2).
- 8.11 The introduction of CPS will greatly de-risk the project and the credit support for Council. Having their involvement will improve the financial security of WIL. An institutional investor has financial strength and can be expected to act to protect their substantial investment. Having the 2,000 CPS on top of the 3,050 ordinary shares issued will also de-risk the commercial refinancing when the CIIL loans are due in 15 years. That is because by then those CPS shares will have converted to ordinary shares and will attract a share of the operating and financing costs. That will make the transition away from CIIL funding and Council credit support much easier.
- 8.12 Under this proposal, irrigators through WIL are now servicing 75% of the additional borrowing costs to close the \$23m funding gap.
- 8.13 Even with the proposed changes to the funding model, the Joint Venture will retain the governance model Council consulted on and agreed. Council retains 51% of the shares and controls the majority of the Board appointments.

Rating impacts

- 8.14 This revised proposal would see the District wide rate remain at the 2017 level of approximately \$29 per rateable rating unit, per year.
- 8.15 The Typical Rates table below sets out a comparison between the rates proposed in the October 2017 Consultation Document, the proposed rates considered on 28 August, and current estimates (without any PGF funding).
- 8.16 The revised rates are based on the final zone of benefit (ZOB) area and property values post the 2017 District wide revaluation.
- 8.17 The Typical Rates table also reflects a number of assumptions and changes from the table set out in the October 2017 consultation document. We have assessed the rates impact using the 2018/19 property valuations post the recent three yearly valuation cycle. We have also used the current ZOB and ratable property numbers. Finally, we have used inflation adjusted operating costs with an additional \$100kpa to be conservative. Under this proposal, the District wide fixed targeted rate remains at \$29 per property. There will be a small increase in water rates, which for a typical urban household would be in the order of \$25 per year or less than 50c per week.

8.18 TABLE 2 – Typical Rates (Inc GST)

Revised rates funding under the revised proposed

Comparison with CD & August report

<u>Typical annual Rates Inc GST Under the Proposed Funding Model</u>						<u>Comparison with the 2017 Consultation Document and the 28 August 2018 proposal</u>			
		\$000s			\$000s				
Total Project Capital Cost	\$	99,172		less PGF Funding	-				
Total Project Annual Operational Costs	\$	1,691							
						<u>Revised Proposal Peak Annual Cost</u>		<u>Old Proposal 28 Aug Report Cost</u>	<u>Typical 2018/19 rates</u>
Example Properties (Incl GST)	Property CV	Fixed Water Charge	Vol Water Charge	Fixed Charge	ZOB Charge		2017 CD Proposal Cost	Inc Spa	
Richmond / Best Island	325,000	41	61	29	13	\$ 143	\$ 119	\$ 24	\$ 169
Richmond	975,000	41	61	29	39	\$ 170	\$ 147	\$ 23	\$ 212
Mapua	780,000	41	61	29	32	\$ 162	\$ 138	\$ 24	\$ 199
Brightwater/Hope	522,400	41	61	29	21	\$ 151	\$ 127	\$ 24	\$ 182
Kaiteriteri	1,300,000	41	61	29	n/a	\$ 130	\$ 105	\$ 25	\$ 148
Murchison, Wakefield, Pohara	430,000	41	61	29	n/a	\$ 130	\$ 105	\$ 25	\$ 148
Upper Moutere, Motueka and Takaka (excluding Upper Takaka)	500,000	n/a	n/a	29	n/a	\$ 29	\$ 29	-\$ 0	\$ 46

9 Significance and Engagement

- 9.1 Given the reduction in the rating impact, the significance of the decision we are asking Council to make is, at most, moderate. The rating impact, under the revised proposal, is now largely in line with what Council consulted on through its Long Term Plan 2018-2028. As Council is aware of the community's views on rates impact, debt levels, the Dam, etc, due to its previous consultation, further consultation is unlikely to raise any information Council is not already aware of and therefore is not needed prior to Council making the decisions sought in this report.
- 9.2 Please refer to section 9 of the 28 August report for further discussion on Significance and Engagement.

10 Conclusion

- 10.1 The Council is being asked to reconsider its decisions on 28 August 2018 in light of new information and a revised funding proposal from WIL to help close the \$23 million funding gap for the Waimea Community Dam project.
- 10.2 In summary, the revised proposal provides for WIL to meet half of Council's debt servicing costs as a result of the project cost increases, restores their contribution to cover half of the first \$3m of any cost overruns, and allows Council to leverage an increase in the term of the CIIL environmental loan. These combine to reduce the District wide fixed rate to the \$29 per annum proposed in the Long Term Plan 2018-2028 Consultation Document and for there to be a small circa \$25 per annum increase in the water rates.
- 10.3 In light of this revised proposal, I recommend that Council revokes its decision on the Dam made at the 28 August meeting and passes the recommendations outlined in section 2 of this report, which will allow the Dam project to proceed to financial close based on the revised funding model.

11 Next Steps / Timeline

- 11.1 If Council agrees to proceed with the Dam project, staff will continue negotiations with our Joint Venture partners to finalise the agreements and other matters to achieve financial close, a position that that will further involve Council.
- 11.2 Staff will also continue working on the workstreams needed to get the project to financial close.

12 Attachments

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|----|--|----|
| 1. | Resolutions from 28 August 2018 Full Council Meeting Relating to the Waimea Community Dam Project Report | 15 |
| 2. | Waimea Irrigators Ltd. Position Statement | 17 |

Resolutions from 28 August 2018 Full Council Meeting Relating to the Waimea Community Dam Project Report

The following amendment to point 15 of the draft resolution was put:

Moved Cr King/Mayor Kempthorne

CN18-08-24

15. notes that staff will report back on the status of Plan Change 67 to the Tasman Resource Management Plan and complete the renewal and issue of the 329 Resource Consents, on a 'no dam' basis; and

CARRIED

The amended motion became the substantive motion and was put in its entirety:

Moved Cr Greening/Cr Wensley

CN18-08-25

That the Full Council:

1. receives the Waimea Community Dam Project Report; and
2. in principle does not support the current Waimea Dam proposal.
3. agrees in principle to not fund its share (51%) of the \$23m projected capital cost increases in the proposed Waimea Community Dam Project; and
4. notes that an in principle decision to not fund the Council's share of the projected capital cost increases:
 - a. will result in the availability of \$55 million of external funding towards the project being lost with no future opportunity to access that external funding;
 - b. will effectively preclude the project proceeding under the current funding allocation model;
 - c. therefore constitutes a decision not to proceed with the Dam project under the current funding allocation model; and
5. notes that a final decision to not proceed with the Dam would require a Long Term Plan amendment under section 97 of the Local Government Act 2002, as it would mean a significant change to the levels of service for water supply and security currently signalled in the Long Term Plan 2018-2028; and
6. notes that in order to amend the Long Term Plan to authorise a final decision to not proceed with the Dam, Council is required to consult the public on the proposed amendment using the Special Consultative Procedure; and
7. notes that a decision to not proceed with the Dam project would be of a high level of significance; and
8. asks staff to report back on the content, process and timing for undertaking an amendment to the Long Term Plan 2018-2028 to accommodate Council's intention

to not proceed with the Dam and to exit the joint venture partnership for the Dam;
and

9. notes that the Tasman District Council (Waimea Water Augmentation Scheme) Bill will need to proceed through the Parliamentary process until such time as Council has completed its consultation on the Long Term Plan amendment and made a final decision on the Dam; and
10. notes that Council will need to consult concurrently with the Long Term Plan amendment on changes to the Revenue and Financing Policy to address an equitable distribution of the loan funded unrecoverable and sunk costs on the community; and
11. asks staff to prepare a section 101(3) analysis on the distribution of costs in 9. above; and
12. request that staff inform Council's joint venture partners, Waimea Irrigators Limited and Crown Irrigation Investments Limited, of its decision in principle (and subject to the outcome of the Special Consultative Procedure at part 5 above) to not fund Council's share of the capital cost increases for the Dam and in principle to not proceed to financial close; and
13. requests that staff inform the Ministry for the Environment that (subject to the outcome of the Special Consultative Procedure at part 5 above) Council is unlikely to proceed with the Dam and will therefore be unlikely to require the \$7 million Fresh Water Improvement Fund contribution to the Dam project; and
14. notes that staff will report back on the status of the application to the Provincial Growth Fund for a contribution towards the Dam; and
15. notes that staff will report back on the status of Plan Change 67 to the Tasman Resource Management Plan and complete the renewal and issue of the 329 Resource Consents, on a 'no dam' basis; and
17. notes that, as a consequence of parts 3 and 7 above, staff will continue the current work streams related to the Dam project pending a final decision (pursuant to the Special Consultative Procedure referred to at part 5 above); and
18. notes that there will be costs associated with a final decision to withdraw from existing contracts and agreements relating to the Dam project.

On a show of hands 8 were in support.

CARRIED

Waimea Irrigators Ltd (WIL), position Statement 30 August 2018

At the Council meeting on Tuesday 28 August, John Palmer briefed councillors on a recent funding development. This statement incorporates that development and some further opportunities that have been agreed with its funding partners.

Waimea dam funding available from WIL:

Subscribed equity	\$16.0m
Convertible Preference shares (CPS)	\$10.5m
Debt	\$22.6m
Total available capital	\$49.1m

CPS

A term sheet has been agreed with an external New Zealand based investor of high standing. The terms are agreed subject to final due diligence.

The key terms are:

- subscription of \$11m to yield \$10.5m
- issuance of 2000 CPS
- an agreed coupon rate for the CPS
- available for conversion to water shares at any time
- mandatory conversion to water shares at year 13
- incentive to convert from year 8.

The mandatory conversion means that the financial security of WIL is significantly improved, with an assurance of 5000 water shares being available to service the refinance of residual debt at year 15. This significantly improves the risk position for Tasman District Council.

WIL has agreed with its funders that there will be sufficient capital to meet \$11.5m of the cost increase to the agreed position of the PDS issued on 2 February 2018. This agreement includes provision for sharing half of the first \$3m of cost overrun.

WIL has further agreed with funders to provide 50% of the cost of servicing the \$10m Tasman District Council debt associated with additional construction budget costs. It is expected that by WIL contributing effectively 75% of the servicing costs of the extra project capital required, the impact on ratepayers can be minimal.

WIL has ensured that its operation costs of these additional contributions, can be met within small acceptable variations to the PDS costs that subscribers have accepted. Financial modelling has confirmed that.