

# Regional Council

## NOTICE IS GIVEN

that the next meeting of the **Regional Council** for the purposes of deliberation on the Draft Long Term Plan 2018-2028 will be held in **Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga:**

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**Commencing at 9.30am on Tuesday, 22 May 2018 and 9.30am on Wednesday, 23 May 2018.**

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### Supplementary Agenda Reports as Follows:

- Financial Issues and Implications (Item 8.2 of Main Agenda)
- Consultation Topic 1 – Rivers and Drainage (Item 10.1 of Main Agenda)
- Consultation Topic 2 – Public Transport (Item 10.3 of Main Agenda)

Mary-Anne Macleod  
Chief Executive  
18 May 2018





# Regional Council

## Terms of Reference

### Purpose

- Enable democratic local decision-making and action by, and on behalf of, Bay of Plenty communities.
- Meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Set the overarching strategic direction for Bay of Plenty Regional Council as an organisation.
- Hold ultimate responsibility for allocating financial resources across the Council.

### Membership

All councillors are members of the Regional Council.

### Quorum

In accordance with Council standing order 10.1(a), the quorum at a meeting of the Regional Council is seven members, consisting of half the number of members.

### Meeting frequency

Six-weekly.

### Role of Council

- Address Local Electoral Act matters and Local Government Rating Act matters.
- Oversee all matters relating to identifying and contributing to community outcomes.
- Consider and agree on matters relating to significant new activities or areas of involvement such as infrastructure which are not the responsibility of a specific committee.
- Provide regional leadership on key issues that require a collaborative approach between a number of parties.
- Develop, adopt and review Council's Policy on Significance and decision-making policy and processes.
- Develop, adopt and implement the Triennial Agreement and the Code of Conduct.
- Consider and agree on matters relating to elected members' remuneration matters.
- Appoint the Chief Executive Officer, and review their contract, performance and remuneration at least annually.
- Approve all delegations to the Chief Executive, including the authority for further delegation to staff.
- Establish committees, subcommittees, and working parties and appoint members.
- Receive and consider recommendations and matters referred to it by its committees, joint committees, subcommittees and working parties.

- Approve membership to external bodies and organisations, including Council Controlled Organisations.
- Develop, adopt and review policies for, and monitor the performance of, Council Controlled Organisations.
- Review and approve strategic matters relating to the sale, acquisition and development of property for the purposes of meeting Council's organisational requirements and implement approved Regional Council policy.
- Address strategic corporate matters including property and accommodation.
- Institute any proceedings in the High Court that are not injunctive proceedings.
- Exercise the powers and duties conferred or imposed on Council by the Public Works Act 1981.
- Consider and agree on the process to develop the Long Term Plan, Annual Plan and Annual Report.
- Adopt Council policies as required by statute (for example Regional Policy Statement and Regional Land Transport Strategy) to be decided by Council or outside of Committee delegations (for example infrastructure policy).
- Delegate to commissioners to exercise the powers, functions and duties of the Council as a consent authority under the Resource Management Act 1991 including to hear and decide a consent application.
- Monitor Council's financial and non-financial performance in-year.
- Develop, review and approve Council's Financial Strategy and funding and financial policies and frameworks.

## Delegations from Council to Committees

- Full Council has a role to monitor the functioning of all committees.
- Full Council will consider matters not within the delegation of any one Council committee.
- Full Council may at any time, revoke or modify a delegation to a Council committee, either permanently, for a specified time or to address a specific matter, if it considers there is good reason to do so.
- The delegations provided to committees may be further delegated to subcommittees unless the power of further delegation is restricted by Council or by statute.

It is accepted in making these delegations that:

- The committees, in performing their delegated functions, powers or duties, may, without confirmation by the Council, exercise or perform them in a like manner and with the same effect as the Council itself could have exercised or performed them.
- The delegated powers given shall at all times be subject to their current policies and principles or directions, as given by the Council from time to time.
- The chairperson of each committee shall have the authority to exercise their discretion, as to whether or not the delegated authority of the committee be used where, in the opinion of the chairperson, circumstances warrant it.

## Powers that cannot be delegated

Under Clause 32 Schedule 7 of the Local Government Act 2002, Full Council must make the following decisions:

- Make a rate.
- Make a bylaw.
- Borrow money or purchase or dispose of assets, other than in accordance with the long-term plan.
- Adopt the long-term plan, annual plan, or annual report.
- Appoint a chief executive.
- Adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement.
- Adopt a remuneration and employment policy.



## Public Forum

1. A period of up to 15 minutes may be set aside near the beginning of the meeting to enable members of the public to make statements about any matter on the agenda of that meeting which is open to the public, but excluding any matter on which comment could prejudice any specified statutory process the council is required to follow.
2. The time allowed for each speaker will normally be up to 5 minutes but will be up to the discretion of the chair. A maximum of 3 public participants will be allowed per meeting.
3. No statements by public participants to the Council shall be allowed unless a written, electronic or oral application has been received by the Chief Executive (Governance Team) by 12.00 noon of the working day prior to the meeting and the Chair's approval has subsequently been obtained. The application shall include the following:
  - name of participant;
  - organisation represented (if any);
  - meeting at which they wish to participate; and matter on the agenda to be addressed.
4. Members of the meeting may put questions to any public participants, relevant to the matter being raised through the chair. Any questions must be asked and answered within the time period given to a public participant. The chair shall determine the number of questions.





# Membership

<b>Chairman:</b>	D Leeder
<b>Deputy Chairman:</b>	J Nees
<b>Councillors:</b>	N Bruning, W Clark, J Cronin, S Crosby, D Love, T Marr, M McDonald, A Tahana, P Thompson, L Thurston, A von Dadelszen, K Winters
<b>Committee Advisor:</b>	T Nerdrum-Smith

Recommendations in reports are not to be construed as Council policy until adopted by Council.

## Agenda

*E te Atua nui tonu, ko mātau ēnei e inoi atu nei ki a koe, kia tau mai te māramatanga ki a mātau whakarite mō tēnei rā, arahina hoki mātau, e eke ai te ōranga tonu ki ngā āhuetanga katoa a ngā tangata ki tō mātau rohe whānui tonu. Āmine.*

*“Almighty God we ask that you give us wisdom in the decisions we make here today and give us guidance in working with our regional communities to promote their social, economic, environmental and cultural well-being. Amen”.*

### 1 Reports

<b>1.1 Long Term Plan 2018-2028 - Deliberations Position Paper - Financial Issues and Implications</b>	<b>13</b>
APPENDIX 1 - Appendix 1 LTP2018-2028 Budget changes since consultation	27
APPENDIX 2 - Appendix 2 LTP2018-2028 Capital Budget carried forward from 2017-18	31
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<b>1.2 Long Term Plan 2018-2028 - Deliberations Position Paper - Consultation Topic 1 - Rivers and Drainage</b>	<b>39</b>
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# Reports





**Report To:** Regional Council

**Meeting Date:** 22 May 2018

**Report From:** Mat Taylor, General Manager, Corporate Performance

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## **Long Term Plan 2018-2028 - Deliberations Position Paper - Financial Issues and Implications**

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### **Executive Summary**

At its meeting on 15 February 2018 Council adopted the draft Consultation Document 'Today, Tomorrow, Together' and supporting documents including the draft Financial Strategy and Revenue and Financing Policy for the Long Term Plan 2018-2028 (LTP 2018-2028) for public consultation.

Council's journey to develop a sustainable and prudent budget for the next ten years has followed an extensive process over the preceding twelve months, involving complex financial analysis and discussion, and independent reviews to establish the most efficient way of funding Council's expenditure. This was in response to Council's intention to deliver many of our existing services to the same or similar level of service with significant increases in some areas including passenger transport, data services, sciences, flood protection and control and emergency management.

To ensure Council provided the best value to the community, funding methods focused on affordability, fairness and equity leading to a stronger focus on the money collected from fees and charges and from targeted rates. Council forecast to borrow to fund capital expenditure and to optimise the interest costs incurred for the benefit of the Council Group through on-lending to Quayside Holdings Limited (Quayside) and achieving a formal credit rating. As well as clearly setting out the benefits to the general rate payer of using the dividend from Quayside to keep rates low, Council strongly signalled its move away from using its investment reserves to fund operating expenditure as unsustainable (forecast \$5.5 million operating deficit in AP17/18).

The public consultation was open from 19 February to 19 March 2018. In total, 57 items of written feedback was received on 'Our Budget Approach' as discussed in the Consultation Document. A summary of key submission points is included in this report. In addition our key consultation topics in the Consultation Document were mainly based on making sure we have the right funding approach for the LTP 2018-2028. It is considered that Council should proceed with the overall funding approach proposed through consultation.

The underlying information to the Consultation Document included financial forecasts for operating expenditure, capital expenditure and revenue for the next ten years. Some amendments have been made to the draft LTP 2018-2028 financial forecasts which overall have a minor effect on the ten year estimates but which improve our confidence of delivering

our capital work programme in the early years of the LTP 2018-2028 (Section 3).

There are a number of deliberation issues which individually have a financial impact. The financial implications of the various staff recommendations are discussed in each of the individual deliberations reports. However, this report summarises these and other financial issues including targets for budgeted efficiency savings in Year One of the LTP 2018-2028 (Section 4).

If all staff recommendations are adopted by Council, the total operating expenditure remains \$1.4 billion; capital expenditure increases by \$10 million to \$188 million for the next ten years. It is estimated that the net overall impact, if all staff recommendations are adopted, is that the budgeted general rates increases will be at the levels proposed in the Consultation Document for LTP Year One, while Years Two to Ten would require additional general rates funding. Some minor increases to targeted rates would be needed if all staff recommendations are adopted, however Council could use targeted rates reserves to lower the targeted rates increases in LTP Year One of LTP 2018-2028.

An unbalanced budget has been proposed by Council in the early years but balanced over the ten years of LTP 2018-2028, primarily due to Council's previous commitment to contribute to third party infrastructure projects through the Infrastructure (PPS) Fund and moving forward, from its Regional Fund; and the use of its targeted rates reserves to fund specific operating expenditures to help reduce targeted rates increases. This remains unchanged as a result of the budget changes and recommendations discussed in this report.

Whilst the current operating environment continues to be disruptive and to contain uncertainty, Council has responded to its submissions and provided robust financial recommendations for Council LTP 2018-2028 deliberations consistent with the parameters of the draft Financial Strategy and Revenue and Financing Policy. Council is cognisant of the calling for greater regional leadership however this is unquantified and therefore remains unbudgeted. As Council adapts its responses to the strategic challenges including climate change, it will quantify its resourcing requirements and consult on any proposed budget changes as necessary.

The LTP 2018-2028 including the Financial Strategy and Revenue and Financing Policy will be updated for direction from Council at deliberations, and presented for adoption in June 2018.

## **Recommendations**

**That the Regional Council:**

- 1 Receives the report, Long Term Plan 2018-2028 - Deliberations Position Paper - Financial Issues and Implications; and**
- 2 Reviews the recommendations within each of the deliberations papers.**
- 3 Notes the overall financial position set out in this report.**

## 1 Introduction

At its meeting on 15 February 2018 Council adopted the draft Consultation Document 'Today, Tomorrow, Together' and supporting documents for the Long Term Plan 2018-2028 (LTP 2018-2028) for public consultation. Public consultation was open from 19<sup>th</sup> February to 19<sup>th</sup> March 2018.

The underlying information to the Consultation Document included financial forecasts for operating expenditure, capital expenditure and revenue for the next ten years. Some amendments have been made to the LTP 2018-2028 financial forecasts to reflect the latest forecasts for 2017/18. This process has included estimating likely capital carry forwards from 2017/18 to LTP 2018-2028, and a risk based review of the deliverability of the LTP 2018-2028 capital work programme. Further changes to the forecasts were required as a consequence of Council decisions, and more recent financial information becoming available. A summary of the draft LTP 2018-2028 budget for deliberations is set out below in Section 3.

There are a number of deliberation issues which have a financial impact. These implications may affect operating expenditure and revenue, capital expenditure and the use of targeted rates reserves. The financial implications of the various staff recommendations are discussed in each of the individual deliberations papers. Together with other financial issues including budgeted efficiency savings, these are summarised in Sections 4 and 5.

In total, 57 items of written feedback was received on 'Our Budget Approach' as discussed in the Consultation Document. A summary of submissions is included in Section 6. In addition our key consultation topics in the Consultation Document were mainly based on making sure we have the right funding approach for LTP 2018-2028. It is considered that Council should proceed with the overall funding approach proposed through consultation.

## 2 Appendices

The following three appendices are attached to this report:

Appendix 1 – LTP Budget changes since consultation

*This is a detailed schedule of changes required as a consequence of Council decisions, new information and internal reviews*

Appendix 2 – 2017/18 Capital Expenditure Carried Forward to LTP 2018-2028

*This is a complete record of capital projects that are included in the LTP as 'carry forwards' from 2017/18*

Appendix 3 – LTP Deliberations - Summary of Financial Recommendations

*This is a detailed schedule of all the financial implications included in the LTP deliberation papers for this meeting*

## 3 Draft budget overview

### 3.1 LTP 2018-2028 budget for public consultation ("Our Budget Approach")

For public consultation, Council proposed spending \$1.4 billion of operating expenditure over the next ten years. Operating expenditure for LTP 2018-2028 Year

One had increased by \$7 million compared to Annual Plan 2017/18 to \$135 million delivering many of its existing services to the same levels, while increasing investment some others including passenger transport, along with data services, sciences and emergency management. Council's consultation budget included for the first time, borrowing costs associated with Council's capital works programme, as well as maintaining a commitment to community project funding of \$500,000 per annum.

Council forecasted significant increases in its capital work programme particularly in the first years of LTP 2018-2028, budgeting \$178 million of capital expenditure over the next ten years as a result of the necessary but costly repairs of our flood protection and control schemes following the April 2017 flood events in the eastern Bay.

To ensure Council provided the best value to the community, a detailed funding review was carried out focused on affordability, fairness and equity. This led Council to put a stronger focus on the money collected from fees and charges and from targeted rates, where it is easier to identify who is benefiting from the services provided by Council, making it clearer to everyone where their money is spent. Council sought feedback from the community on its approach to funding the LTP 2018-2028.

Council's budget had fully allocated the Infrastructure Fund (PPS monies), and forecast to borrow in excess of \$150 million to fund capital expenditure meaning the cost could be spread out over time so that future generations pay for the benefit they will receive. Council also proposed to use its debt headroom to on-lend up to \$50 million of borrowing to Quayside Holdings Limited (Quayside) to help optimise the interest costs incurred for the benefit of the Council Group.

The Consultation Document clearly set out the benefits to the general rate payer of using the dividend from Quayside to keep rates low. Council signalled however its move away from using its investment reserves to fund operating expenditure as unsustainable (forecast \$5.5 million operating deficit in AP17/18 funded from investment reserves).

Council proposed in the Consultation Document a real general rates increase of 12% in Year One of LTP 2018-2028 (an average of \$32 per household) along with increases in targeted rates depending on the area and the services provided.

In addition an unbalanced budget was proposed by Council in the early years but balanced over the ten years of LTP 2018-2028, primarily due to Council's previous commitment to contribute to third party infrastructure projects through the Infrastructure (PPS) Fund and moving forward, from its Regional Fund; and the use of its targeted rates reserves to fund specific operating expenditures to help reduce targeted rates increases. This remains unchanged as a result of the budget changes and recommendations discussed in this report.

### **3.2 LTP 2018-2028 Budget updated for Council deliberations**

As part of the review of the draft LTP 2018-2028 budget, and in preparation for deliberations, there are, and will continue to be, a number of amendments and changes that are required to the budget forecasts. The changes to operating and capital expenditure have resulted from Council decisions made after the adoption of the Consultation Document for public consultation, new information which has arisen, and internal reviews.

Overall operating expenditure remains at the same level as proposed through consultation of \$1.4 billion over the next ten years whereas capital expenditure has



risen by \$10 million to \$188 million as a result of capital budget from 2017/18 being carried forward to LTP 2018-2028 and also additional funding resulting from Council decisions.

These changes are including in Appendix 1 and summarised below.

**Table 1: LTP 2018-2028 Forecast Operating Expenditure summary of changes since consultation**

Operating expenditure	Year 1 LTP 2018/19 \$000	Year 2 LTP 2019/20 \$000	Year 3 LTP 2020/21 \$000	Years 4-10 LTP 2021/22 – 2027/28 \$000
Total operating expenditure – LTP consultation (V6)	135,191	143,295	148,582	1,008,830
Net increase / (decrease) in expenditure	(557)	(578)	1,401	16,088
<b>Total <u>operating</u> expenditure – LTP deliberations (V7)</b>	<b>134,634</b>	<b>142,717</b>	<b>149,983</b>	<b>1,024,918</b>

**Table 2: LTP 2018-2028 Forecast Capital Expenditure summary of changes since consultation**

Capital expenditure	Year 1 LTP 2018/19 \$000	Year 2 LTP 2019/20 \$000	Year 3 LTP 2020/21 \$000	Years 4-10 LTP 2021/22 – 2027/28 \$000
Total capital expenditure – LTP consultation (V6)	63,757	45,215	14,737	53,948
Net increase / (decrease) in expenditure	(11,068)	4,419	15,921	(423)
<b>Total <u>capital</u> expenditure – LTP deliberations (V7)</b>	<b>52,689</b>	<b>49,634</b>	<b>30,658</b>	<b>53,525</b>

### 3.3 Major items included in Appendix 1 LTP 2018-2028 Budget changes since consultation

The following list is the major items included in the summary above:

- Deferred Regional Infrastructure direct funding from 2018/19 to 2020/21
- Increased investment income due to re-phasing of capital expenditure
- Changes to the borrowings cost due to receipt of Council’s credit rating

In addition, a deliverability review of Council's capital works programme has resulted in a revised capital expenditure budget for LTP 2018-2028 Year One of \$53 million. This represents an \$10 million decrease on the consultation budget as a result of:

- Rivers and Drainage flood recovery project - the programme will complete all repairs by December 2020 using in-house resources and local contractors and suppliers who are currently under contract. The associated adjustment to forecast insurance recoveries was also incorporated
- Kaituna River Re-diversion project – additional funding approved following a successful tender award to procure a main construction contractor, with work commencing in August 2018 and phased over LTP 2018-2028 Year One and Year Two reflecting a 20 month project delivery schedule
- Buildings Upgrade Project - capital carry forwards, and budget movement from Year One into Year Two to align with the approved main construction milestones for Tauranga and Whakatāne; and
- Total forecast capital carry forwards from AP2017/18 to LTP 2018-2028.

### 3.4 Capital carry forward from 2017/18 to LTP 2018-2028

There are a number of approved 2017/18 unspent capital projects that are requested to be included in the LTP 2018-2028 as “carry forwards”. A number of these were already previously included in the draft LTP 2018-2028 and others have since been approved to be deferred.

Total forecast capital carry forwards from AP2017/18 to LTP 2018-2028 is \$7 million in both LTP Years One and Two. Information relating to these items is included in Appendix 2.

## 4 Deliberation issues

### 4.1 Summary of financial Implications from deliberations papers

The Council deliberation papers set out requests for additional expenditure or potential funding and are summarised in the tables in Appendix 3. These tables and the analysis in the following sections of this report, assume all of the recommended requests/potential funding are approved, and will be included in the LTP 2018-2028 to be adopted on 28 June 2018.

For further details of new funding requests for LTP 2018-2028, please refer to the individual deliberation papers.

Whilst the current operating environment continues to be disruptive and to contain uncertainty, Council has responded to submissions and provided robust financial recommendations for Council deliberations consistent with the parameters of the draft Financial Strategy and Revenue and Financing Policy. This includes identifying opportunities to work more efficiently and effectively while still providing the same levels of service to the community. In addition to the new budgeted expenditure requested through the deliberations papers, staff recommend a budgeted efficiency target within the Corporate Services Group of Activities of \$780,000 in LTP Year One.

Council is cognisant of the calling for greater regional leadership, however this is unquantified and therefore remains unbudgeted. As Council's adapts its responses to

the strategic challenges including climate change, it will quantify its resourcing requirements and consult on any proposed budget changes as necessary.

What this means for LTP 2018-2028 is that the forecast net overall impact, if all staff recommendations are adopted, is that the budgeted general rates increases will be at the levels proposed in the Consultation Document for LTP Year One, while Years Two to Ten would require additional general rates funding. Some minor increases to targeted rates would be needed if all staff recommendations are adopted, however Council could use targeted rates reserves to lower the targeted rates increases in LTP Year One. The deliberations issues papers for Tauranga Passenger Transport and Rivers and Drainage addresses these options.

The following tables provide a summary of all the financial implications included in the Council deliberation papers, as detailed in Appendix 3. These adjustments are funded by a variety of sources such as general funds, targeted rates, other revenue and reserves.

Estimates have been based on assumptions which will need to be reviewed prior to the finalisation of the LTP 2018-2028 at the 28 June 2018 meeting. These tables do not include any use of the targeted rates reserves.

**Table 4: Summary of LTP 2018-2028 deliberations recommendations budget changes**

	Change to Year 1 \$000	Change to Year 2 \$000	Change to Year 3 \$000	Change to Years 4-10 \$000
Total increase/(decrease) in <i>operating</i> revenue and expenditure	528	1,392	1,704	10,785
Total increase/(decrease) in <i>capital</i> revenue and expenditure	2,300	2,481	50	(2,623)

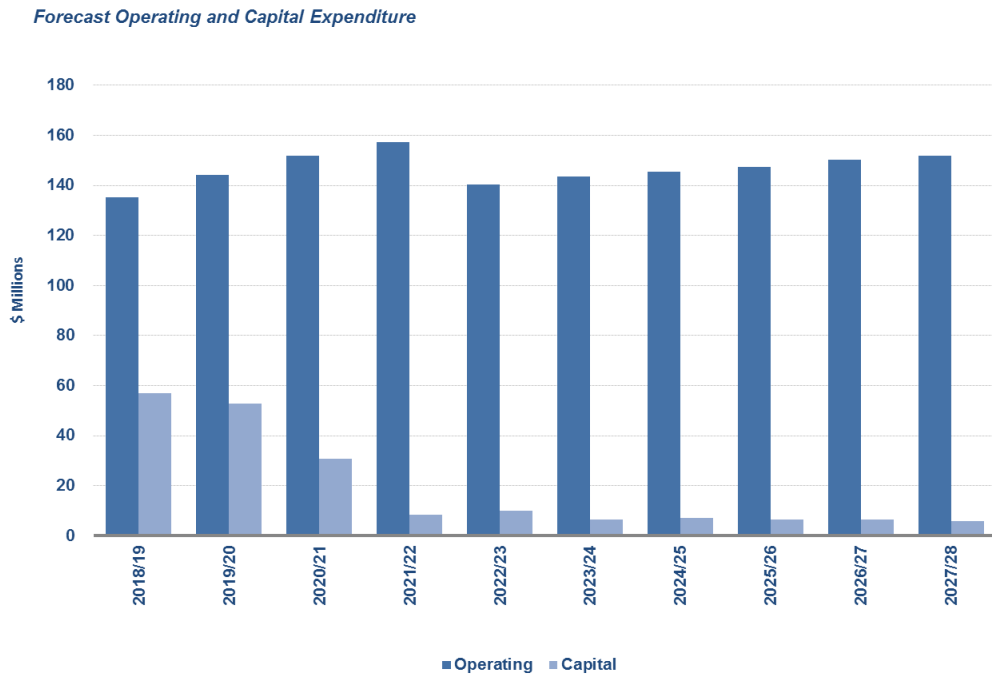
**Table 5: Rate funding impact for the LTP 2018-2028 deliberations recommendations budget changes**

	Year 1 \$000	Year 2 \$000	Year 3 \$000	Years 4-10 \$000
General Rates increase	0%	5.21%	5.75%	Less than 4% per year
Targeted Rates – R&D increase	0.3%	2.2%	2.1%	Less than 0.1% per year
Targeted Rates – Transport increase	6.3%	0%	0%	0% per year

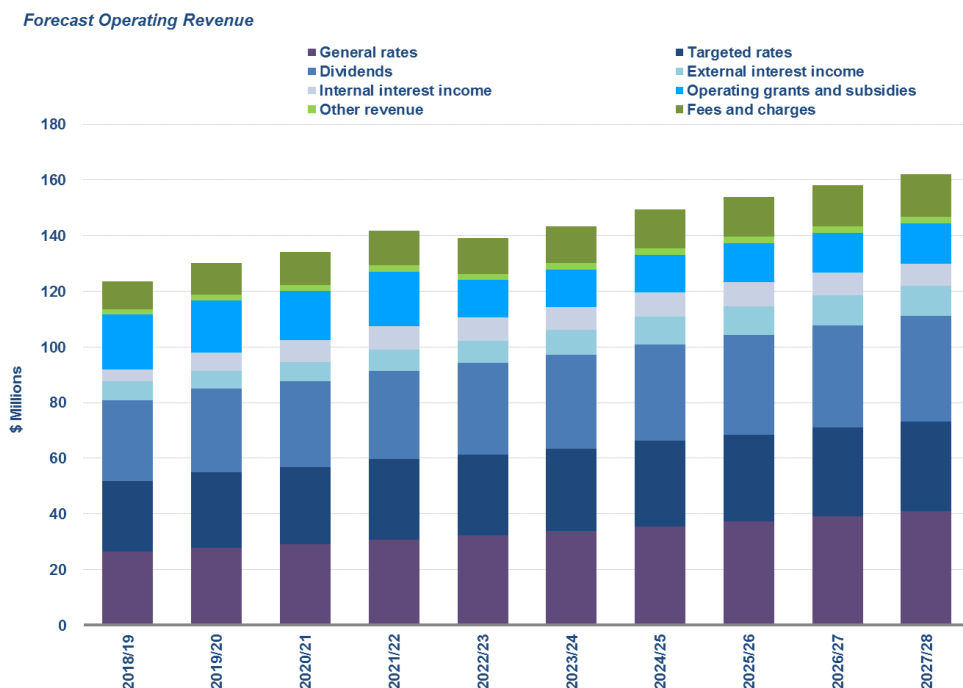
In addition to the above, our key consultation topics in the Consultation Document were mainly based on making sure we have the right funding approach for LTP 2018-2028. It is considered that Council should proceed with the overall funding approach proposed through consultation.

#### 4.2 Forecast LTP 2018-2028 financials assuming all of the deliberations recommended requests are approved

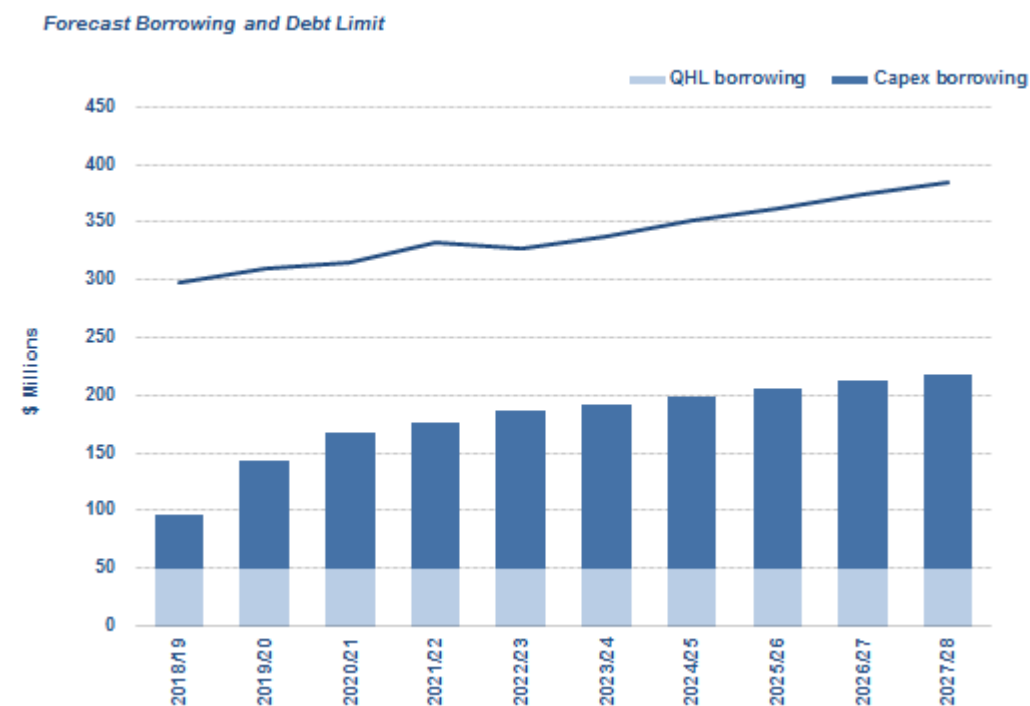
The following diagram shows total forecast **operating and capital expenditure**, assuming all of the recommended requests/potential funding are approved:



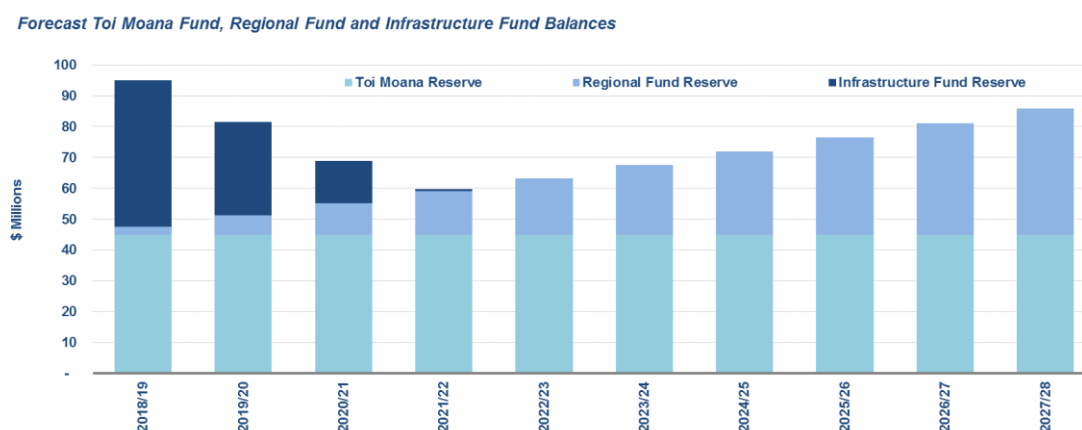
The following diagram shows total **forecast revenue**, assuming all of the recommended requests/potential funding (excluding the use of the targeted rates reserves) are approved:



The following diagram shows total **forecast borrowings and debt limits**, assuming all of the recommended requests/potential funding are approved:



The following diagram shows total **forecast investment reserves**, assuming all of the recommended requests/potential funding are approved:



## 5 Targeted rate reserves

For *Rivers and Drainage*, *Rotorua Air*, *Rotorua Lakes*, and *Passenger Transport* targeted rate increases in the draft LTP 2018-2028 for Public Consultation assumed no use of reserves.

The monitoring of revenue and expenditure during 2017/18 has identified anticipated available balances in *Rivers and Drainage*, and *Passenger Transport* that could be applied to reduce the increases. The use of the forecasted reserve balances is discussed in more detail in the individual deliberations papers.

Direction from Council is sought on the use of the targeted rates reserves to reduce the targeted rate increases. Staff apply the approach of applying reserve balances to reduce targeted rates where the reserve balance is available; and to transition to increased targeted rates in stages as far as possible, so that year-on-year increases are not too large.

## 6 Summary of submissions

57 submissions were received on the 'Our Budget Approach' section of the consultation document. All submission points and presentations at hearings for the LTP 2018-2028 have been assessed and considered. The Financial Strategy and draft general rates increases are recommended to remain unchanged.

We had a number of submissions over a broad range of financial issues. These submissions have been grouped into the following 5 categories:

- Rates
  - Primarily focused on affordability and cost, with support for alternative rate schemes
- Financial Strategy
  - General support of the financial principles with a request for more information on the certainty of forecast income increases
- Investment
  - Focus and emphasis on the use of dividends
- Expenditure
  - Related to rates points on affordability and reviewing overall expenditure increasing
- Borrowing
  - General support for moving to borrowing

### 6.1 Surf lifesaving New Zealand

Surf Lifesaving New Zealand submitted on our LTP 2018-2028 stating that the model we currently have is taxing on their organisation and not equitable for the ratepayer. Preferably we would like Bay of Plenty Regional Council to show some leadership and provide an opportunity to have a targeted rate levy across the BOP Region that encompasses regional support services \$30,000, regional lifeguard wages \$352,000 and club sustainability grants \$70,000.

The introduction of a targeted rate that had not been consulted on as part of the draft LTP 2018-2028 is not recommended. However, it could be proposed as part of the draft Annual Plan 2019/20.

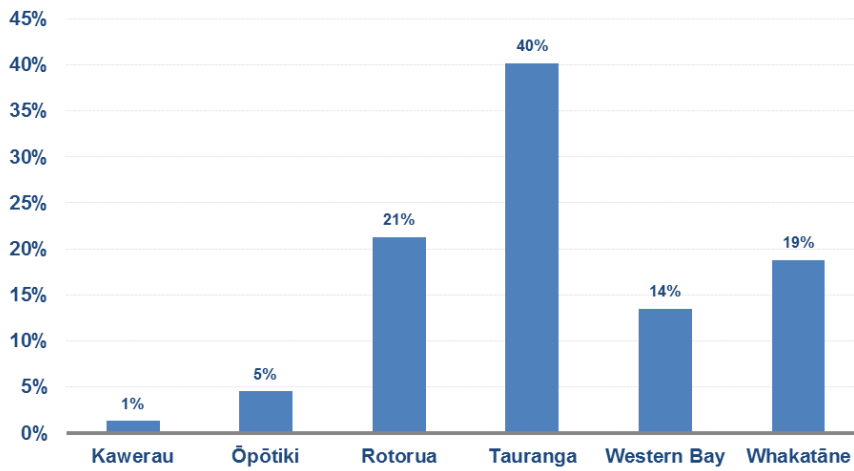
## 7 Geographical analysis

Council have requested an indicative forecast of total rates revenue by Territorial Authority and forecast total expenditure for the next ten years.

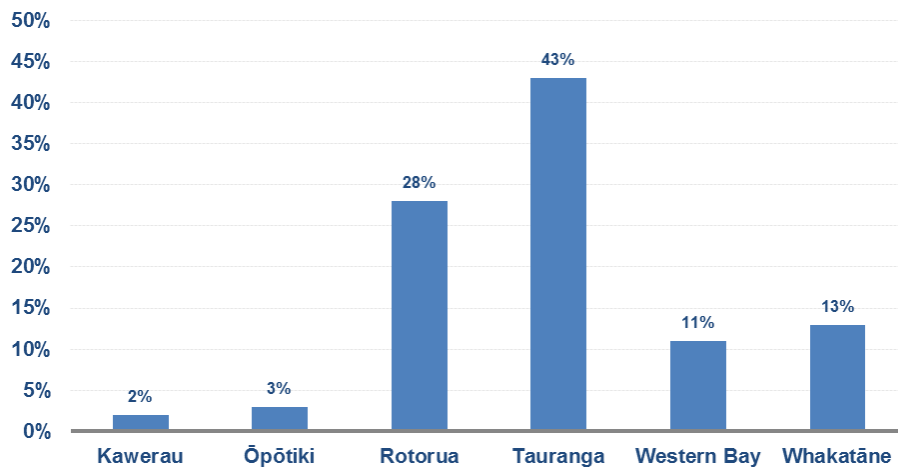
Staff have produced this analysis through the application of a high level allocation methodology based on rating units as an appropriate driver for some non-geographic cost allocation.

The following diagrams show total **forecast rates revenue** and total **operating expenditure** for 2018/19 as a percentage, by sub-region:

*Total Rates Revenue*

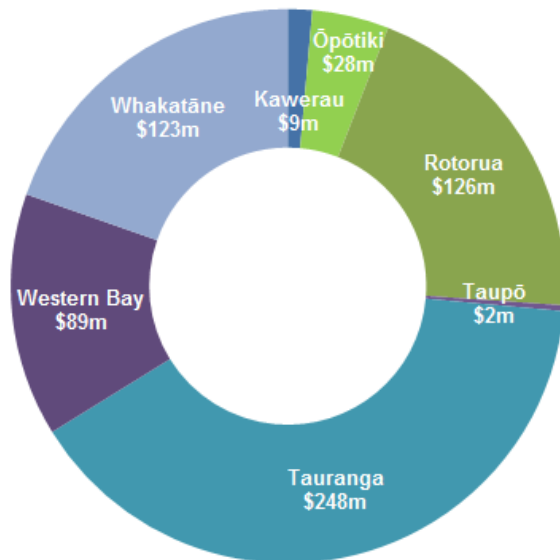


*Operating Expenditure 2018/19*

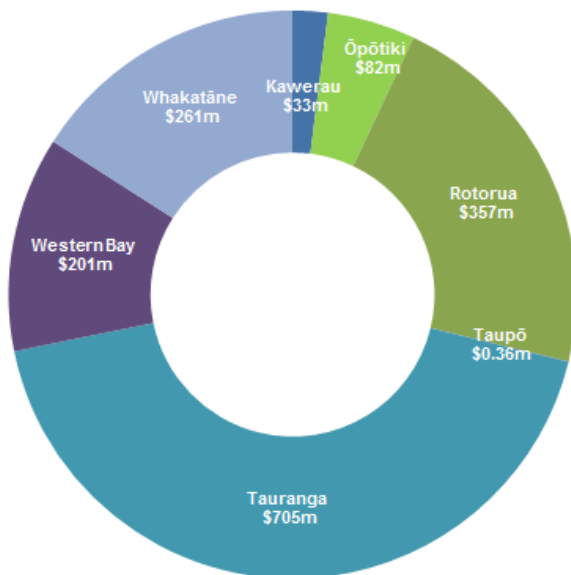


The following diagrams show total **forecast rates revenue and total operating/capital expenditure** for the next ten years in millions, by sub-region:

**Forecast total rates revenue per region for the next 10 years**



**Forecast total expenditure per region for the next 10 years**





## **8 Next steps**

The draft LTP 2018-2028 including the Financial Strategy and Revenue and Financing Policy will be updated following direction from Council at deliberations, and presented for adoption in June 2018.

## **9 Council's Accountability Framework**

### **9.1 Community Outcomes**

This paper directly contributes to the all four Community Outcomes in the Council's LTP 2018-2028.

### **9.2 Long Term Plan Alignment**

This work is planned under the Finance and Corporate Planning Activity in the LTP 2018-2028.

Debbie Hyland  
**Finance and Corporate Planning Manager**

**for General Manager, Corporate Performance**

**18 May 2018**



# **APPENDIX 1**

## **Appendix 1 LTP2018-2028 Budget changes since consultation**



**APPENDIX 1: Budget Changes (Long Term Plan 2018-2028) INFLATED**

Operating Expenditure and Revenue			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 Year
Group of Activities	Activity	Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
			\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Regional Development	Regional Infrastructure	Carry forward Ongare Point Sewerage; rephasing of Tertiary Campus payments and Eastern Bay Routes \$300K Year 3.	(282)	-	300	-	-	-	-	-	-	-	18
All Activities		Loan Repayments	247	282	720	844	758	657	631	984	855	724	6,702
All Activities		Depreciation	(97)	(74)	(102)	(202)	(204)	(235)	(322)	(312)	(302)	(311)	(2,162)
All Activities		External Interest Paid	(875)	(1,328)	(194)	448	775	1,025	1,220	1,022	944	833	3,871
Technical Services	Data Services	Reduction in air monitoring costs from contract savings	(102)	(102)	(107)	(109)	(111)	(114)	(116)	(119)	(122)	(126)	(1,127)
All Activities		Other small movements	552	644	782	1,071	827	979	790	827	1,244	1,336	9,051
<b>TOTAL OPERATING CHANGES</b>			<b>(557)</b>	<b>(578)</b>	<b>1,401</b>	<b>2,052</b>	<b>2,045</b>	<b>2,313</b>	<b>2,202</b>	<b>2,402</b>	<b>2,619</b>	<b>2,456</b>	<b>16,353</b>
<b>Funded by</b>	Revenue	External Interest Received	467	1,423	777	428	445	442	198	1,382	1,886	3,128	10,577
		Internal Interest Received	(247)	(282)	(720)	(844)	(758)	(657)	(631)	(984)	(855)	(724)	(6,702)
		Other Revenue	(714)	(16)	(32)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(1,021)
	Targeted Rates		(480)	(1,017)	602	(1,177)	(941)	(859)	(1,100)	(1,148)	(1,205)	(1,035)	(8,361)
	General Rates		496	(211)	(232)	(760)	(1,041)	(1,483)	(1,311)	(2,290)	(3,085)	(4,467)	(14,385)
	Reserve Funds		1,035	680	(1,795)	336	285	281	678	677	679	682	3,538
<b>TOTAL OPERATING FUNDING</b>			<b>557</b>	<b>578</b>	<b>(1,401)</b>	<b>(2,052)</b>	<b>(2,045)</b>	<b>(2,313)</b>	<b>(2,202)</b>	<b>(2,402)</b>	<b>(2,619)</b>	<b>(2,456)</b>	<b>(16,353)</b>

**APPENDIX 1: Budget Changes (Long Term Plan 2018-2028) INFLATED**

Capital Expenditure		Description		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 Year
Group of Activities	Activity			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
				\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
														-
Transportation	Passenger Transport	Real Time Capex - carry forward from 17/18		518	-	-	-	-	-	-	-	-	-	518
Transportation	Passenger Transport	Rotorua Passenger Transport Wifi & CCTV		194	-	-	-	-	-	-	-	-	-	194
Integrated Catchment Management	Kaituna	Kaituna Re-diversion carry forward & rephasing		753	4,283	-	-	-	-	-	-	-	-	5,036
Flood Protection and Control	Rivers & Drainage	Update Kopeopeo Canal		(1,500)	-	-	-	-	-	-	-	-	-	(1,500)
Flood Protection and Control	Rivers & Drainage	Rangitaiki Floodway		(2,944)	386	2,558	-	-	-	-	-	-	-	(0)
Flood Protection and Control	Rivers & Drainage	Flood Recovery Project		(7,609)	(5,483)	13,445	(109)	(691)	(57)	-	-	-	-	(503)
Regional Development	Regional Parks	Reschedule capital works at Pāpāmoa Hills Regional Park. (woolshed & yards)		92	-	(96)	-	-	-	-	-	-	-	(4)
Corporate Services	Corporate Property	2017/18 carry forward Regional House/Quay Street.		(571)	5,233	13	14	14	14	15	15	15	16	4,778
Corporate Services	Corporate Property	Vehicle Replacement - correction in year 8		-	-	-	-	-	-	-	301	-	-	301
		Minor Adjustments		-	-	1	2	3	4	4	4	6	6	30
<b>TOTAL CAPITAL CHANGES</b>				<b>(11,068)</b>	<b>4,419</b>	<b>15,921</b>	<b>(93)</b>	<b>(674)</b>	<b>(39)</b>	<b>19</b>	<b>321</b>	<b>21</b>	<b>22</b>	<b>8,849</b>
<b>Funded by</b>	Capital Grants/Revenue			544	5,016	(5,701)	-	-	-	-	-	-	-	(141)
	Reserve Funds			-	-	-	-	-	-	-	(15)	-	-	(15)
	Loans			10,524	(9,435)	(10,220)	93	674	39	(19)	(305)	(21)	(22)	(8,693)
<b>TOTAL CAPITAL CHANGES</b>				<b>11,068</b>	<b>(4,419)</b>	<b>(15,921)</b>	<b>93</b>	<b>674</b>	<b>39</b>	<b>(19)</b>	<b>(321)</b>	<b>(21)</b>	<b>(22)</b>	<b>(8,849)</b>
<b>OTHER</b>														
Corporate Services	Corporate Property	Sprinker System - GECC	appd by cncl	0	290	0	0	0	0	0	0	0	0	0

## **APPENDIX 2**

### **Appendix 2 LTP2018-2028 Capital Budget carried forward from 2017-18**





APPENDIX 2: Carry Forward Capital Projects <b>INFLATED</b>													
Capital Expenditure			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 Year
Group of Activities	Activity	Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
			\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Carry forward capital projects (Version7)</b>													-
Integrated Catchments	Kaituna	Kaituna River Re-diversion	753	4,572	-	-	-	-	-	-	-	-	5,325
Flood Protection and Control	Rivers & Drainage	Kopeopeo Canal Remediation	1,500	-	-	-	-	-	-	-	-	-	1,500
Transportation	Passenger Transport	Real Time Passenger Information	712	-	-	-	-	-	-	-	-	-	712
Corporate Services	Corporate Property	Property Upgrades	2,728	2,372									5,100
<b>Carry forward capital projects not included.</b>													-
Flood Protection and Control	Kaituna	Kaituna Mole, delayed to coincide with the road closure for the rediversion work	263	-	-	-	-	-	-	-	-	-	263
Emergency Management	Emergency Management	Emergency Management	36	-	-	-	-	-	-	-	-	-	36
Corporate Services	ICT	Website Development	160	-	-	-	-	-	-	-	-	-	160
Corporate Services	ICT	NDMS, Accela, BSM	300	-	-	-	-	-	-	-	-	-	300
Corporate Services	ICT	Technology 1 Projects (cfwd to be confirmed)	185										185
<b>TOTAL CAPITAL CHANGES</b>			<b>6,637</b>	<b>6,944</b>	-	-	-	-	-	-	-	-	<b>13,581</b>



# **APPENDIX 3**

## **Appendix 3 LTP2018-2028 Deliberations recommendations budget changes**



APPENDIX 3: Deliberations Recommendations Budget Changes (Long Term Plan 2018-2028) **INFLATED**

Operating Expenditure				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 Year	
Community Outcomes /Strategic Challenges	Group of Activities	Activity	Description	Deliberations Position Paper	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
					\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
The way we work	Corporate Services	All	Budgeted Efficiency Savings	Overview	(778)										(778)
	Corporate Services	Corporate Property	Kaituna Depot – cost of relocating prefab \$20k Yr 1, and leasing cost \$70k per annum.	Corporate Property	90	73	75	76	78	80	82	84	86	88	811
	Corporate Services	Corporate Property	Regional House – additional rates from TCC \$20k per annum.	Corporate Property	20	20	21	21	22	22	23	23	24	25	222
	Corporate Services	Corporate Property	Depreciation & interest– additional operating costs associated with capital expenditure \$1.24m TCC Waterfront and \$200k Edgcombe shed in Yr 2; \$50k Regional House lift upgrade.	Corporate Property	-	58	60	60	60	60	60	60	60	60	538
Safe and resilient communities	Flood Protection and Control	Rivers and Drainage	Waioeka - Otara Scheme - additional operating costs resulting from additional capital projects in Yr1.	Topic 1: Rivers and Drainage	2	4	4	4	4	4	4	4	4	4	38
	Flood Protection and Control	Rivers and Drainage	Waioeka - Otara Scheme - Rating Review	Topic 1: Rivers and Drainage	30	-	-	-	-	-	-	-	-	-	30
	Flood Protection and Control	Rivers and Drainage	R&D Schemes - Rating Review	Topic 1: Rivers and Drainage	-	250	250								500
	Flood Protection and Control	Rivers and Drainage	Rangitāiki floodway project - <b>Option 2:</b> additional interest costs resulting from moving completion date to Yr2.	Topic 1: Rivers and Drainage	2	16	32	35	36	37	38	39	40	41	316
A vibrant region	Transportation	Transport Planning	Project plan for the establishment of a Tauranga-Western Bay of Plenty Centre for Transport - funded by general funds.	Topic 2: Public Transport	126	-	-	-	-	-	-	-	-	-	126
	Transportation	Passenger Transport	Investigation and trial a trial of Welcome Bay School Bus Service.	Topic 2: Public Transport	465	-	-	-	-	-	-	-	-	-	465
	Transportation	Passenger Transport	Additional service for Waihī Beach.	Topic 2: Public Transport	23	-	-	-	-	-	-	-	-	-	23
	Regional Development	Regional Infrastructure	That \$750,000 is budgeted in 2021/22 towards infrastructure costs for Tarawera Sewerage - to be funded from reserves.	Third Party Infrastructure Funding	-	-	-	750	-	-	-	-	-	-	750
	Regional Planning and Engagement	Regional Planning	Provides additional staff resourcing in the Regional Planning activity to enable Council to suitably plan, respond and implement urban policy issues. Additional staff, reduce consultant budget	A Vibrant Region	-	-	-	-	-	-	-	-	-	-	-
	Regional Planning and Engagement	Regional Planning	Interest costs resulting from removal of capital budget for pedestrian / cycle bridge across the lower Kaituna River. Yr5 to Yr8.	A Vibrant Region	-	-	-	-	(2)	(7)	(57)	(105)	(107)	(109)	(387)
A healthy environment	Resource Regulation and Monitoring	Biosecurity	<b>Option 2</b> , focus on increasing effort for Catfish (note, haven't included provision proposed Community coordinator), washdowns and awareness for boat ramps, wallabies, alligator weed and low incidence pests (new incursions, exclusion/eradication pests.	Topic 3: Biosecurity	-	261	533	544	557	570	583	598	614	630	4,889
	Flood Protection and Control	Rivers and Drainage	Kopeopeo Canal Remediation Project - interest costs resulting from additional capital cost \$1.95m Yr 1.	Kopeopeo Canal Remediation Project	78	156	159	162	166	169	172	176	179	183	1,600
	Resource Regulation and Monitoring	Consents	Approves three additional FTEs (2 permanent, 1 fixed term for 3 years) and associated budget for the Resource Consents Activity in Council's 2018-2028 Long Term Plan. Net impact \$0.	Resource Consents Resourcing	-	-	-	-	-	-	-	-	-	-	-
Freshwater for life	Integrated Catchment Management	Regional ICM	<b>Option3:</b> Additional scientist to support Mātauranga Māori and NPSFM	Freshwater for Life	50	52	53	54	56	57	58	60	61	63	565
	Regional Planning and Engagement	Regional Planning	<b>Option 3:</b> One additional Māori RMA planner, allocated to the water policy team.	Freshwater for Life	90	94	100	109	121	138	161	193	237	298	1,541
	Regional Planning and Engagement	Regional Planning	<b>Option 2:</b> Request for funding additional monitoring and enforcement of consents. Additional resourcing; partially recoverable.	Freshwater for Life	155	158	161	49	50	51	52	53	55	56	840
Strategic challenges	Regional Planning and Engagement	Regional Planning	<b>Option 2:</b> Enhanced Council responsiveness.	Climate Change	175	208	213	218	223	228	233	239	245	252	2,235
	Regional Planning and Engagement	Māori Policy	<b>Options 1:</b> • An additional \$40,000 is sought in years 2 and 3 of the LTP to support the implementation of He Korowai Mātauranga (Mātauranga Māori Framework).	Maori Participation	-	42	43	-	-	-	-	-	-	-	84
	Regional Planning and Engagement	Māori Policy	<b>Option 2:</b> An additional \$27,000 is sought in years 2 and 3 to facilitate wānanga with Māori across the region. Funding to support wānanga with Māori across the region is recommended to be sourced from the Community Initiatives Fund (CIF), pending Council decisions in that paper.	Maori Participation	-	27	27	-	-	-	-	-	-	-	54
Community initiatives fund	Regional Planning and Engagement	Community Engagement	Community Initiatives: Savings in years 2 and 3 to could be transferred to partially offset Option 2 in the Maori Policy paper.	Community Initiatives - Funding Requests	-	(27)	(27)	-	-	-	-	-	-	-	(54)
<b>TOTAL OPERATING CHANGES</b>					<b>528</b>	<b>1,392</b>	<b>1,704</b>	<b>2,083</b>	<b>1,370</b>	<b>1,409</b>	<b>1,410</b>	<b>1,424</b>	<b>1,498</b>	<b>1,591</b>	<b>14,409</b>
<b>Funded by</b>															
	Revenue				-	-	-	-	-	-	-	-	-	-	-
	Targeted Rate	Rivers & Drainage; Western Bay Passenger Transport			(528)	(16)	(29)	(31)	(32)	(33)	(34)	(34)	(35)	(36)	(808)
	General Rates				-	(1,376)	(1,675)	(1,302)	(1,338)	(1,376)	(1,376)	(1,390)	(1,462)	(1,555)	(12,851)
	Reserve Funds				-	-	-	(750)	-	-	-	-	-	-	(750)
<b>TOTAL OPERATING FUNDING</b>					<b>(528)</b>	<b>(1,392)</b>	<b>(1,704)</b>	<b>(2,083)</b>	<b>(1,370)</b>	<b>(1,409)</b>	<b>(1,410)</b>	<b>(1,424)</b>	<b>(1,498)</b>	<b>(1,591)</b>	<b>(14,409)</b>

APPENDIX 3: Deliberations Recommendations Budget Changes (Long Term Plan 2018-2028) **INFLATED**

	Capital Expenditure		Description		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 Year	
					2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total	
					\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Safe and resilient communities	Flood Protection and Control	Rivers and Drainage	Connor-Peterson stopbank restoration. Waioeka-Otara River Scheme renewals.	Topic 1: Rivers and Drainage	100	-	-	-	-	-	-	-	-	-	-	100
	Flood Protection and Control	Rivers and Drainage	Rangitāiki floodway project - Option 2: Move completion date to Yr2.	Topic 1: Rivers and Drainage	-	791	-	-	-	-	-	-	-	-	-	791
	Flood Protection and Control	Rivers and Drainage	Allowance for significant storm damage repair works are required in Kaituna Scheme stream's in year 1 and 2 of LTP.	Topic 1: Rivers and Drainage	250	250	-	-	-	-	-	-	-	-	-	500
	Flood Protection and Control	Rivers and Drainage	Kopeopeo Canal Remediation Project	Kopeopeo Canal Remediation Project	3,900	-	-	-	-	-	-	-	-	-	-	3,900
A vibrant region	Regional Development	Regional Parks	Removal of capital budget for pedestrian / cycle bridge across the lower Kaituna River. Yr5 to Yr8.	A Vibrant Region	-	-	-	-	-	(114)	(117)	(2,392)	-	-	-	(2,623)
The way we work	Corporate Services	Corporate Property	Edgecumbe Shed	Corporate Property	-	200	-	-	-	-	-	-	-	-	-	200
	Corporate Services	Corporate Property	Waterfront Development	Corporate Property	-	1,240	-	-	-	-	-	-	-	-	-	1,240
	Corporate Services	Corporate Property	Regional House - Lift Upgrade	Corporate Property	-	-	50	-	-	-	-	-	-	-	-	50
<b>TOTAL CAPITAL CHANGES</b>					<b>4,250</b>	<b>2,481</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>(114)</b>	<b>(117)</b>	<b>(2,392)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,158</b>
<b>Funded by</b>																
	Capital Grants	Ministry for the Environment funding			(1,950)	-	-	-	-	-	-	-	-	-	-	(1,950)
	Reserve Funds				-	-	-	-	-	-	-	-	-	-	-	-
	Loans				(2,300)	(2,481)	(50)	-	-	114	117	2,392	-	-	-	(2,208)
<b>TOTAL CAPITAL FUNDING</b>					<b>(4,250)</b>	<b>(2,481)</b>	<b>(50)</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>117</b>	<b>2,392</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,158)</b>



**Report To:** Regional Council

**Meeting Date:** 22 May 2018

**Report From:** Chris Ingle, General Manager, Integrated Catchments

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## **Long Term Plan 2018-2028 - Deliberations Position Paper - Consultation Topic 1 - Rivers and Drainage**

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### **Executive Summary**

The draft Long Term Plan 2018-2028 (LTP 2018-2028) consultation topic on Rivers and Drainage focused on the funding approach for flood repairs from the April 2017 floods. Of the two options proposed, the preferred option was to carry out all repairs as soon as possible resulting in higher rates increases in years one, two and / or three depending on the scheme involved. The second option proposed rates increases over a longer period.

The second option was supported by 58% (73/127) of submitters. However, if the responses are limited to those identified as being from Whakatāne or Ōpōtiki districts then the preferred option was supported by 52% of submitters. With support for both options by those impacted by the decision being relatively even, it is considered that Council should proceed with the option proposed through consultation and use the range of options for smoothing the rates impact that are within the scope of the draft Financial Strategy and Revenue and Financing Policy.

The appropriate rates smoothing mechanisms are:

1. Full use of flood repair reserves for capital funding
2. Full use of insurance and government funding support for capital funding
3. 20 year loans for capital funding

Several comments from submitters identified that Council should provide more funding support, either in the form of Quayside dividends, reserve funding, borrowing or general rates. Each of these mechanisms would increase the proportion of general rates funding for the Flood Protection of Control Group of Activities and/or compromise intergenerational equity.

Therefore, it is proposed that the funding mechanisms used for the preferred consultation option are appropriate. However, further explanation of what Council has done to smooth the impact of rates should be provided to the community.

This report also considers other submissions and items related to Flood Protection and Control and makes a number of recommendations in relation to the Flood Protection and Control work plan and additional budget expenditure requirements over the next ten years.

## Recommendations

That the Regional Council:

- 1 Receives the report, Long Term Plan 2018-2028 - Deliberations Position Paper - Consultation Topic 1 - Rivers and Drainage;
- 2 Proceeds with Rivers and Drainage flood recovery project Option 1: Carry out all identified repairs as soon as possible. Resulting in a higher rates increase in year one and two and then smaller increases from year three. Noting that available levers discussed in the report to reduce the rates impact on affected ratepayers are applied to the LTP financial estimates for deliberations.
- 3 Adopts recommended Kaituna Scheme expenditure of \$500,000 (\$250,000 in Year 1 and \$250,000 in Year 2) for storm damage repairs resulting from April 2018 flood event in Rotorua (subject to the works being assessed and firm estimates prepared).
- 4 Adopts recommended expenditure for rating reviews of \$530,000 and directs staff to:
  - a. Undertake a project to scope the process for delivering targeted rate reviews under the Local Govt. Rating Act and estimate costs for a targeted rate review, the indicative cost for this scoping work is \$30,000.
  - b. Subject to above, undertake targeted rate reviews in 2019/20 and 2020/21, the indicative cost for this work is \$250,000 per annum.
- 5 Adopts that a capital works sum of \$100,000 be added to year 1 of the LTP 2018-2028 for the Waioeka-Otara Rivers Scheme to investigate and rebuild the Connor-Peterson stopbank and Baird's Drain outlet structure.
- 6 Approves the increase in cost estimates for the Rangitāiki Floodway budget of \$791,000.

Notes the recommended changes to the LTP budget estimates are summarised in the table below

Item	Description	Financial implications
Rotorua Lakes Council submission (refer 4.3)	Allowance for significant storm damage repair works are required in Kaituna Scheme stream's in year 1 and 2 of LTP	Year 1: \$250,000 Year 2: \$250,000
Targeted rate review scoping project (refer 4.4)	Scope the process for targeted rate reviews under the Local Govt. Rating Act and estimate costs	Year 1: \$30,000
Targeted rate review project (review 4.4)	Undertake targeted rate reviews under the Local Govt. Rating Act	Year 2: \$250,000 Year 3: \$250,000
Ian Connor (refer 4.5)	Connor-Peterson stopbank restoration. Waioeka-Otara River Scheme renewals works activity	Year 1: \$100,000
Rangitāiki Floodway (refer 4.10)	Revised costs estimates for project.	Year 2: \$791,000



**7 Gives direction on the proposed use of the forecast targeted rates reserves as discussed in section 3.4.**

**1 Consultation Topic – Rivers and drainage flood recovery project**

Between 3 and 14 April 2017, the Bay of Plenty was impacted by ex-Tropical Cyclone Debbie and Cyclone Cook. Severe rainfall hit the region hard and particularly the Whakatāne and Rangitāiki River catchments. The first storm event caused record high water flows in both rivers.

With the catchments already saturated from high rainfall in March 2017, the elevated river levels in the Rangitāiki River resulted in a breach in the stopbank at College Road in Edgecumbe. The flood waters damaged many properties and a Civil Defence emergency was declared for the Whakatāne district. Significant damage also occurred across the other river schemes with more than 500 sites identified for repairs across all schemes.

The Consultation Document identified two options for managing the flood repairs from the April 2017 floods:

Option 1: Carry out all identified repairs as soon as possible. Resulting in a higher rates increase in year one and two and then smaller increases from year three. *(Councils preferred option)*

Option 2: Carry out all identified repairs as soon as possible, with rates increases spread out over a longer period (e.g. 10 years)

Option one was the preferred option in the Consultation Document and as such was the option included in draft budgets for consultation.

**2 Submissions Received**

Council received 127 submissions that identified a preferred option for this topic. Of these 73 (58%) preferred option two. As the major affected areas were Whakatāne and Ōpōtiki districts, further analysis on responses for these two districts were analysed separately.

Only 25 submitters were identified as being from Whakatāne or Ōpōtiki districts. This result is limited as some submitters did not provide addresses, or may own or have an interest in a secondary property in these areas. Of these 25 submitters, 4 did not identify a preferred option, 11 supported option one and 10 supported option two.

Written submissions were received from the Waioeka-Otara and Kaituna Scheme's Advisory Groups and they both selected option 2 to spread loan repayment costs and smooth the impact of rates as much as possible.

The Ōpōtiki District Council and Whakatāne District Council both spoke to their submissions and emphasised affordability as a significant challenge for many of their ratepayers. Both Council's requested spreading of loan repayment costs and smoothing the impact of rates rises as much as possible.

A qualitative review of feedback highlighted proposed funding ideas that have already been incorporated, or will have impacts that the submitter is possibly unaware of. Staff funding analysis has considered many different funding options given there was marginal support for option two. It is important that these funding considerations are understood by Councillors and the community.

### **3 Funding Options**

The flood repair project is comprised of capital expenditure. This section discusses how this is funded and other options that may be considered. If any of the other options fall outside the scope of the draft Financial Strategy and/or the draft Revenue and Financing Policy, it is clearly noted.

Both the draft Financial Strategy and draft Revenue and Financing Policy were prepared and approved by Council following a robust and legislatively compliant process. Staff have prepared robust recommendations to help strengthen the justification and understanding of the proposed funding approaches.

#### **3.1 Capital Funding**

Capital funding has an indirect impact on rates. As capital projects provide long term benefits, the rates impact is spread over time through principal repayments, interest, and depreciation costs.

The capital components of the work are funded in three ways. These are through use of flood damage reserves, insurance and government funding, and loans. Several submitters have proposed other options such as direct use of Quayside dividends or use of Council reserves. These options are discussed, however, not recommended as they have the effect of increasing the general funding ratio for this group of activities and are therefore inconsistent with the draft Revenue and Financing Policy.

##### **3.1.1 Flood Reserves**

Flood reserves are specifically accumulated to provide for repair from flood events. This creates a smoothing effect on rates impact of floods by 'pre-paying' contributions towards flood recovery. Flood reserves will be applied to costs for the flood repair project. All schemes, except for the Kaituna Catchment Control Scheme, will exhaust flood reserves at the completion of the project.

Council has continued to rate to replenish flood reserves. While replenishing these reserves could be put on hold, this would reduce provision for future events and is not recommended.

##### **3.1.2 Insurance and Government Funding**

Council has already budgeted fully for insurance recovery and government funding under current disaster recovery policy. There may be some scope for further government funding for 'betterment' works, however, this requires special discretionary policy and a cabinet decision. It is not considered prudent to include discretionary funding within Council long term plan financial statements until the external funding is confirmed by the provider.

### 3.1.3 Loan funding

The remainder of the capital costs are funded through loans. This approach spreads the cost to the ratepayer over time and is consistent with the draft Financial Strategy and the draft asset management plan.

Generally, Council has used 10 year loans for Flood Protection works. A longer loan would reduce the cost per annum, but result in a high total cost to ratepayers. In addition, a longer term loan increases the risk of another flood event occurring while this one is still being paid for.

Based on these factors, Council directed staff to use a 20 year loan for this case due to the scale of the flood damage. It was also directed this was a one-off edict and not standard practice. Staff consider that this is still appropriate.

### 3.1.4 Possible use of reserve or dividend funding

Several submitters provided comments that Council could use other funding sources such as reserves or Quayside dividends. Currently, Quayside dividends and interest on reserves are designated as general funds and reduce the general rates requirement. The use of these funding sources is outlined in the draft Financial Strategy, which does not provide for these to be direct sources of capital projects.

Using either of these funding sources for capital works would also increase the general rates requirement. In effect, this changes the ratio of general funds and targeted rates for the group of activities which is contrary to the draft Revenue and Financing Policy. As the draft Revenue and Financing Policy has been set following full analysis in accordance with the Local Government Act (2002) s101(3), this is not recommended.

Overall, while this is an area that submitters correctly identify for consideration, the level of support for this is not considered to be sufficient to over-turn the process and decision making that led to the draft Financial Strategy and Revenue and Financing Policy. Similar arguments could be made for using reserves or dividends for operating funding, however, the same counter-arguments and conclusions apply.

## 3.2 Operating Funding

Operating funding is required to cover operating costs and the indirect costs of capital (e.g. interest, loan repayments and depreciation). The funding sources for these operating costs have been set out in the draft Revenue and Financing Policy. Under this policy, 80% of funding comes from targeted rates and 20% from general funds.

Submitters identified reasons why they should not have to pay for the flood repairs and loan funding the operating costs.

### 3.2.1 Consideration of exacerbators

Several submitters have stated that the flood was not their fault, therefore they should not have to pay. Further, some have stated that the Council should pay rather than the ratepayer. Council holds all funds on behalf of ratepayers. There is no Council funding source that does not have an effect on ratepayers as discussed in section 3.1.4.

The considerations for funding sources is set out in the Local Government Act (2002) s101 (3), which states:

*The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—*

*(a) in relation to each activity to be funded,—*

*(i) the community outcomes to which the activity primarily contributes; and*

*(ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and*

*(iii) the period in or over which those benefits are expected to occur; and*

*(iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and*

*(v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and*

*(b) the overall impact of any allocation of liability for revenue needs on the community.*

Whilst it is correct that residents in flooded areas did not contribute to the need to undertake the activity (iv), neither did the general ratepayer from across the region. However, the residents serviced by the flood protection scheme are generally those that benefit from the repairs (ii). This analysis was undertaken in the development of the draft Revenue and Financing Policy, and staff consider that the opinions presented do not outweigh the analysis completed to date.

### **3.2.2 Budgeting for an operating deficit**

The final discussion pertains to whether it is appropriate to budget for an operating deficit (i.e. not to fully rate for operating costs) and fund these deficits using investment reserves or debt.

The maintenance of reserves for intergenerational equity is an important consideration in this Long Term Plan. That is, investment returns are expected to provide benefits to ratepayers over the long term whereas using reserves to pay for operating expenditure benefits current ratepayers.

Furthermore as a local authority, Council is generally obliged to balance its budget so debt is not used to fund operational expenditure. Council's approach for the LTP 2018-2028 is that it should only borrow to invest in infrastructure/assets and not to fund current spending. This is consistent with intergenerational equity in that any debt inherited by future generations is matched by assets passed on. In this Long Term Plan, Council is borrowing is proposed to spread the cost of long lived assets across generations.

The draft Financial Strategy and draft Revenue and Financing Policy is based on the above approach, to ensure a sustainable budget and levels of service for the next ten years. As a result, using borrowing or investment reserves to fund operating expenditure for the flood repair project is not recommended.

### 3.3 Conclusions

The Consultation Document identified two options for managing the flood repairs from the April 2017 floods:

Option 1: Carry out all identified repairs as soon as possible. Resulting in a higher rates increase in year one and two and then smaller increases from year three. *(Councils preferred option)*

Option 2: Carry out all identified repairs as soon as possible, with rates increases spread out over a longer period (e.g. 10 years).

There was a slight preference amongst submitters for option 2. However, some of the submissions indicated that what Council has done to reduce rates requirements, is not fully understood.

Council has taken a number of steps to reduce the rates impact on affected ratepayers by using longer than normal loan terms, flood reserves, insurance and government funding. Council's preferred option for the funding of the flood recovery project is also consistent with intergenerational equity.

With support for both options by those impacted by the decision being relatively even, it is considered that Council should proceed with the preferred option 1 proposed through consultation. However, it is considered that more effort is required by Council to communicate the steps taken to reduce the rates impact on affected ratepayers.

### 3.4 Use of targeted rates reserves

The rate increases for the preferred option (Option 1) across the ten years had no adjustments for the use of the targeted rates reserves to reduce rates.

The table below sets out the forecast targeted rates reserves and options for their use in the LTP 2018-2028. The targeted rates presented in the table below are indicative, based on the updated financial estimates for LTP 2018-2028 deliberations. The rates increases however do not reflect any additional expenditure requested through this deliberations position paper.

	Kaituna	Rangitāiki / Tarawera	Whakatāne / Tauranga	Waioeka / Otago
<b>Opening Balance - forecast</b>	<b>\$893,000</b>	<b>\$147,000</b>	<b>\$109,000</b>	<b>\$501,000</b>
Year One T/Rate increase	5%	26%	1%	10%
T/Rate increase with reserve use	4%	23%	8%	6%
Increase (Decrease) in reserve	(\$26,000)	(\$77,000)	(\$112,000)	(\$124,000)
Year Two T/Rate increase	1%	18%	36%	29%
T/Rate increase with reserve use	2%	18%	9%	7%
Increase (Decrease) in reserve	\$5,000	(\$75,000)	(\$324,000)	(\$193,000)
Year Three T/Rate increase	15%	8%	-12%	9%
T/Rate increase with reserve use	5%	10%	8%	6%
Increase (Decrease) in reserve	(\$188,000)	\$5,000	\$124,000	(\$71,000)
<b>Balance of Reserve</b>	<b>\$684,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$114,000</b>

## **Recommendation**

Agreement in principle is sought by Council to reduce the targeted rate increases for each of the schemes by using some of the forecast reserves balances over the first three years of the LTP 2018-2028.

Staff will provide up to date balances for the targeted rates reserves and recommendations for their use as part of the adoption of the LTP 2018-2028 in June 2018.

## **4 Other Flood Protection and Control Submissions**

### **4.1 Whakatāne District Council**

Whakatāne District Council (WDC) raised a number of issues related to the Flood Protection and Control Activity.

**Affordability and River Scheme Sustainability:** WDC submitted on affordability of the flood protection schemes for their ratepayers, particularly Edgecumbe and the smaller Rangitāiki Scheme townships whose targeted rates to the schemes are a significant proportion of their property rates.

The recommendation to fund the major flood repair project by 20 year loans will help minimise this impact. The ongoing River Scheme Sustainability Review Project involves ongoing collaboration with WDC and covers the themes raised in the WDC submission.

### **4.2 Ōpōtiki District Council**

Ōpōtiki District Council (ODC) raised a number of issues related to the Flood Protection and Control Activity.

**Affordability and River Scheme Sustainability:** ODC also submitted on affordability of the flood protection schemes for their ratepayers, particularly their Ōpōtiki urban ratepayers, noting that their district targeted rates are the highest in the region and that the Waioeka-Otara Scheme catchment has a significant proportion of Department of Conservation (DoC) estate land that is non-rateable.

The recommendation to fund the major flood repair project by 20 year loans will help minimise this impact. The ongoing River Scheme Sustainability Review Project involves collaboration with ODC and covers the themes raised in the ODC submission. In addition, the proposed River Scheme Targeted Rates Review may offer some assistance.

**Duke Street Pump Station Upgrade:** ODC requested joint modelling of urban stormwater in the Duke Street pump catchment be carried out collaboratively to reduce internal urban stormwater issues.

Discussions between ODC and BOPRC regarding this project have already commenced and the BOPRC LTP 2015-2025 includes funding for investigation modelling and reconstruction of the Duke Street Pump Station in year one and two.

#### 4.3 Rotorua Lakes Council

Rotorua Lakes Council (RLC) raised a number of issues related to the Flood Protection and Control Activity.

Utuhina Stream Flood Protection Stopbanks: RLC supports the inclusion of funding in the Asset Management Plan for upgrading the flood protection standard of Utuhina Stream to 1% AEP.

Flood conveyance and vegetation control in the urban streams: RLC request a higher priority be given to proactively managing vegetation growth in the Kaituna Scheme tributaries within the Rotorua Urban area similar to work already carried out in Utuhina and Ngongotahā Streams.

The Rotorua catchment received a significant rainfall event in the weekend of 29 April 2018 that resulted in many of the tributary streams through the urban area suffering erosion damages, debris blockages and tree falls. Immediate clearing of debris blockages and urgent erosion repairs are underway and will be completed this financial year (2017-2018). Significant expenditure will be required in year one of the LTP 2018-2028 for a large number of erosion repairs, asset replacements, and stopbank reinstatement. Assessment of damage and repair options is progressing with urgency but firm cost estimates are not available at this stage.

While the repair costs will create significant expenditure against the Kaituna Scheme budget, the expenditure is unlikely to exceed 'excess' thresholds for the Ministry of Civil Defence & Emergency Management or asset insurance claims. As a placeholder, staff recommend that \$250,000 budget allowance be included in both year's one and two for repair works across Ngongotahā, Utuhina and Puarenga Streams.

Funding for routine vegetation clearance work is included in the Kaituna Scheme maintenance budget in the LTP 2018-2028 and staff continue to work closely with RLC to systematically manage these waterways.

Targeted rate contribution from RLC District: RLC considers the current contribution toward the Kaituna Catchment Control Scheme is too high in relation to scheme works carried out in their district.

The existing Kaituna Catchment Control Scheme targeted rate system was adopted by Council in 2002 following a public consultative procedure under the Rating Powers Act. Similar submissions were considered by Council though the rate adoption process when the existing rating system was adopted. Staff consider there have been no significant changes to benefit and exacerbator relationships within the scheme since that time. However, Council is looking at options to manage increased stormwater in the Te Puke area and Bell Road catchment (both also within the Kaituna Catchment Control Scheme area) in the near future (refer "Te Puke Stormwater Project investigation" in year's one & two of AMP and LTP 2018-2028). This is likely to include some significant capital expenditure in the future that will alter benefit and exacerbator relationships between properties and it would be prudent at that time to review the scheme targeted rating system.

#### 4.4 River Scheme Targeted Rates Review

Presentations and written submissions from ODC and WDC both emphasised affordability as a significant challenge for many of their ratepayers. As part of the hearings discussion, it was noted that a significant proportion of the Waioeka/Otara

river scheme catchment area included significant areas of the DoC estate which is non-rated, placing increased burden on local ratepayers. RLC also questioned the incidence of targeted rates for their district.

While a rate review was not specifically requested, this may provide an additional mechanism for reviewing and considering their targeted rates.

Council has not carried out a rating review since changes to the Local Government Ratings Act 2002 (LGRA). Changes in the LGRA mean there is some uncertainty around the cost and likely options that may result from carrying out a targeted rates review.

It is proposed that a project to scope rates review is developed in 2018/19 with an estimated cost of \$30,000, with a view to delivery of targeted rates reviews in 2019/20 and 2020/21. Based on previous rate reviews, costs for targeted rates reviews are likely to be in the range of \$250,000 to \$500,000 for each review.

The reviews would provide information that could be applied across other schemes. As a result, it is anticipated that the cost of the scoping project and the reviews would be funded through general funds.

#### 4.5 **Ian Connor Submission – OL120:**

Mr Connor raised a number of submissions points as follows:

**Historic river alignment issues:** Mr Connor raises concerns around historic river alignment works that were undertaken by our predecessors in 1960's. The works undertaken by the river managers are now part of the natural environment and cannot be rectified.

**Areas of river bank erosion:** The areas of river erosion identified by Mr Connor are on the flood repair programme of works currently underway and included in the draft LTP 2018-2028 funding. All sites are prioritised using a risk-based approach.

**Frequency of use of Waioeka Floodway:** Mr Connor raises concerns around the frequency of operation of the Waioeka Floodway that crosses his property. He refers to a document from the 1960's that categorises the frequency of the floodway to be a one-in-twenty year event.

A scheme review and remodelling of the Waioeka-Otara flood protection scheme was carried out in 1990 soon after Council inherited the scheme in the 1989 Local Government Reorganisation process. Remodelling of the inherited scheme indicated that most of the promised levels of flood protection (e.g. 300 year protection for Ōpōtiki Township), did not exist. Significant reconstruction works were carried out on the scheme in the 1990's, following the scheme review, with new levels of service being applied in many areas across the scheme. A new level of service – 50% AEP, 'two year' standard – was established for the floodway at that time.

**Connor-Peterson stopbank restoration:** The Connor-Peterson stopbank, located along the Huntress Creek estuary of Waioeka River, forms part of the Waioeka floodway that has activated regularly over the past couple of decades. Recent events have caused damage and identified discrepancies in the level of the stopbank crest creating uneven depths of flow. Staff recommend that a capital works sum of \$100,000 be added to year one of the LTP 2018-2028 for the Waioeka-Otara Rivers Scheme to investigate and rebuild the Connor-Peterson stopbank and Baird's Drain outlet structure.



Waioeka Estuary seagrass losses: Mr Connor raised concerns around progressive loss of seagrass beds in the Waioeka estuary at the outlet of Huntress Creek.

Council is also concerned about the loss of seagrass habitat that is happening in harbour and estuary environments across the region. This decline is happening across New Zealand, due to increasing sediments, nutrients and disturbances from land use. Our teams have been working hard with landowners to reduce those impacts, particularly at the top of catchments. Staff will contact Mr Connor to discuss and assess the current state and extent of the seagrass.

#### **4.6 Ford Road Pump Station Renewal**

Capital funding for the Ford Road pump station renewal is currently included in year one of the LTP 2018-2028. Following recent preliminary modelling results and initial consultation, it is recommended that capital works be deferred to year three of the LTP 2018-2028. Funding for planning and investigation, consenting and design will be budgeted in years one and two of the LTP 2018-2028. There are a number of parallel projects that impact this renewal including, sustainability and climate change decisions, the Kaituna Re-diversion project currently in progress and plan change 12 implications.

#### **4.7 Rivers and Drainage Asset Management Plan**

The Rivers and Drainage AMP was included in the LTP 2018-2028 consultation process and open for comments and submissions. No submissions were received on the draft AMP, including its review process, levels of service, planned works or other contents. Presentations and explanation of the draft AMP were specifically included at each of the scheme advisory group meetings in November 2017 and February 2018.

#### **4.8 River Scheme Sustainability (RSS)**

There were several submissions in support of the above project. There were also many submissions received that requested Council to pursue themes that align with the RSS project.

No change in funding is proposed to the RSS project as provided for in the consultation document and supporting documentation.

#### **4.9 Rangitāiki River Scheme Review (Cullen Report)**

There were several submissions received that are covered in the above review. All of the suggestions within the submissions are already underway so no change in funding is proposed.

#### **4.10 Rangitāiki Floodway**

There was only one submission received on the Rangitāiki floodway project. This is being managed through a consent process.

Given the Community interest and recommendations within the RRSR (Cullen Report) Council staff are working through revised timing for delivery of this project, it should also be noted that there have been some increases to the costs associated with delivering this project and these are outlined below.

1. **Bridge design and construction** – increases are as a result of bridge design code changes. These were brought about at a national level following findings of investigations into issues identified post Christchurch earthquakes. This relates to the Bifurcation portion of the floodway project.
2. **Road reconstruction** – an increase in scope of the road reconstruction as agreed with Whakatāne District Council and proposed with an adjacent landowner has had a subsequent increase in cost. This relates to the Bifurcation portion of the floodway project.
3. **Land purchase (wetland)** – It is proposed to purchase a small parcel of land that a landowner previously wanted to maintain. The purchase of the small parcel of land will allow the enhancement of a planned white-baiting spawning area. This relates to the Bifurcation portion of the floodway project.
4. **Spillway design and construction** – Further investigations following last year’s floods revealed that the conceptual designs need alteration. Thus updates to the options design will need to be undertaken.

The cost estimates shown below are dependent on proposed consent changes that are currently being consulted on. If the consent changes are not successful then an increase to estimates will be necessary.

Item	Additional cost (est.)
Bridge and road design	\$85,000
Bridge construction	\$90,000
Road reconstruction	\$200,000
Land purchase (wetland)	\$76,000
Spillway design and construction	\$200,000
Miscellaneous	\$8,000
<b>Sub-total</b>	<b>\$659,000</b>
Contingency	\$132,000
<b>TOTAL</b>	<b>\$791,000</b>

#### 4.11 Summary of recommended changes to LTP 2018-2028 funding

Item	Description	Financial implications
Rotorua Lakes Council submission (refer 4.3)	Allowance for significant storm damage repair works are required in Kaituna Scheme stream’s in year 1 and 2 of LTP	Year 1: \$250,000 Year 2: \$250,000
Targeted rate review scoping project (refer 4.4)	Scope the process for targeted rate reviews under the Local Govt. Rating Act and estimate costs	Year 1: \$30,000
Targeted rate review project (refer 4.4)	Undertake targeted rate reviews under the Local Govt. Rating Act	Year 2: \$250,000 Year 3: \$250,000

Ian Connor (refer 4.5)	Connor-Peterson stopbank restoration. Waioeka-Otara River Scheme renewals works activity	Year 1: \$100,000
Rangitāiki Floodway (refer 4.10)	Revised costs estimates for project.	Year 2: \$791,000

## 5 Council's Accountability Framework

### 5.1 Community Outcomes

This project/proposal directly contributes to the Safe and Resilient Communities Community Outcome in the council's Long Term Plan 2018-2028.

### 5.2 Long Term Plan Alignment

This work is planned under the Flood Protection and Control Group of Activities in the Long Term Plan 2018-2028.

## 6 Financial Implications

The recommended additional operating and capital expenditure recommended in this report has the net cost to Council as set out in the following table.

Financial Impact (Inflated numbers)

	LTP YR1 2018/19	LTP YR2 2019/20	LTP YR3 2020/21	LTP YR4 2021/22	LTP YR5 2022/23	LTP YR6 2023/24	LTP YR7 2024/25	LTP YR8 2025/26	LTP YR9 2026/27	LTP YR10 2027/28	Total
<b>Revenue</b>											
Minor Rivers and Drainage targeted rates	13	-	-	-	-	-	-	-	-	-	13
<b>Operating Expenditure</b>											
Kaituna - repairs for May 2018 flood	250	250	-	-	-	-	-	-	-	-	500
Waioeka-Otara targeted rate review scoping	30	-	-	-	-	-	-	-	-	-	30
Targeted rate review	-	250	250	-	-	-	-	-	-	-	500
Interest cost of additional capital expenditure	2	20	36	39	40	41	42	43	44	45	350
<b>Total Operating Expenditure</b>	<b>282</b>	<b>520</b>	<b>286</b>	<b>39</b>	<b>40</b>	<b>41</b>	<b>42</b>	<b>43</b>	<b>44</b>	<b>45</b>	<b>1,380</b>
<b>Net Benefit / (Cost) to Council</b>	<b>(269)</b>	<b>(520)</b>	<b>(286)</b>	<b>(39)</b>	<b>(40)</b>	<b>(41)</b>	<b>(42)</b>	<b>(43)</b>	<b>(44)</b>	<b>(45)</b>	<b>(1,367)</b>

Capital expenditure

Conner-Peterson stopbank restoration	100	-	-	-	-	-	-	-	-	-	100
Rangitāiki Floodway	-	791	-	-	-	-	-	-	-	-	791
<b>Total capital expenditure</b>	<b>100</b>	<b>791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>891</b>

Rates Impact

	LTP YR1 2018/19	LTP YR2 2019/20	LTP YR3 2020/21	LTP YR4 2021/22	LTP YR5 2022/23	LTP YR6 2023/24	LTP YR7 2024/25	LTP YR8 2025/26	LTP YR9 2026/27	LTP YR10 2027/28
Targeted Rates	13.9%	12.0%	0.9%	1.0%	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%
General Rates	0.2%	1.1%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Roger Waugh  
Rivers and Drainage Assets Manager

for General Manager, Integrated Catchments

18 May 2018





**Report To:** Regional Council

**Meeting Date:** 22 May 2018

**Report From:** Fiona McTavish, General Manager, Strategy & Science

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## **Long Term Plan 2018-2028 - Deliberations Position Paper - Consultation Topic 2 - Public Transport**

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### **Executive Summary**

The draft Long Term Plan 2018-2028 (LTP 2018-2028) consultation topic on passenger transport focused on how the Bay of Plenty Regional Council (Council) should fund increased bus services across the region. This followed on from recent increases to the extent and frequency of bus services across the region, particularly in the western parts of the region in response to population growth.

However, a range of feedback wider than just the consultation topic was provided, which requires Council to make decisions at a regional and western Bay Sub-regional levels and factoring in SmartGrowth. Recommendations from the 11 May Public Transport Committee also need to be considered by Council.

At a regional level is the question of how Council funds its bus services across the region. Council's preferred funding option was to move from a mix of general funding and targeted rates to a full targeted rates system, with the exclusion of small rural areas where the targeted rates revenue is too small to collect efficiently. Approximately half the submitter's region-wide supported this change, as well as half of Tauranga based submitters. Therefore, it is recommended that Council continue to implement the preferred option.

At a western Bay Sub-regional level, the paper notes that since the budget for LTP 2018-2028 consultation was prepared, the bus tender for the Tauranga and Te Puke contracts is lower than the forecasted LTP budget estimates. Staff recommend that Council maintain the current financial estimates for the Long Term Plan to enable it to finalise the network, expand the provision of electric buses and other initiatives, and fund an investigation in to free school student bus travel in Tauranga.

Council has agreed to contribute to the Tauranga-Western Bay of Plenty Centre for Transport and to utilise the expertise of SmartGrowth to prepare a project plan. Council's contribution to this initiative will require additional budget in the Long Term Plan. Funding the Centre offers the opportunity for a review of the alignment of the region and sub-region's transport and land use policy.

At the May Public Transport Committee, the Committee recommended Council investigate free school student bus travel in Tauranga, and fast track a trial in Welcome Bay. This will require additional budget in the Long Term Plan.

## Recommendations

That the Regional Council:

- 1 Receives the report, Long Term Plan 2018-2028 - Deliberations Position Paper - Consultation Topic 2 - Public Transport.

### Region-Wide Decisions (Section 2)

- 2 Proceeds with Option 2: Fully fund Tauranga, Rotorua, Western Bay and Whakatāne District Council's bus services through a targeted rate.
- 3 Engages further with the relevant communities that have requested new bus services in the first year of the LTP 2018-2028, with a view to Council considering funding those requests in Year Two of the Plan.
- 4 Consider the opportunity for park and ride as part of future multi-modal investigations.
- 5 Notes that the Draft Regional Land Transport Plan contains an activity to investigate the feasibility of passenger rail.

### Western Bay of Plenty Sub-region Decisions (Section 3)

- 6 Re-examines funding levels to support the Tauranga Programme Business Case when it develops the Long Term Plan 2021-2031, at which time it is expected further detailed planning will have been completed.
- 7 Notes the bus tender for the Tauranga and Te Puke contracts was lower than the forecasted LTP budget estimates, and agrees to maintain the LTP 2018-2028 budget for Tauranga and Te Puke bus services at current levels to:
  - a. Finalise the network and fund the Tauranga student fare-free bus services investment case in LTP Year One.
  - b. Support initiatives in LTP Year Two and Year Three such as more investment in electric bus provision, given the strategic intent, level of funding support available and the interest from Council's partners to support an application to the Low Emission Vehicle Contestable Fund. Notes that after the Low Emission Vehicle Contestable Fund application round in August 2018, further decisions will be requested from Council as part of Annual Plan 2019/20.

### SmartGrowth Decisions (Section 4)

- 8 Contribute \$126,000 in LTP Year One to the Tauranga-Western Bay of Plenty Centre for Transport and budget for the additional expenditure within the Transport Planning Activity.
- 9 Recommend to SmartGrowth that the Centre of Transport undertake a project to identify the implications of aligning the Western Bay of Plenty Public Transport Blueprint, Bay of Plenty Regional Public Transport Plan and Tauranga Programme Business Case to the 2018 Government Policy Statement on Land Transport, the Provincial Growth Fund and the National Policy Statement on Urban Development Capacity, resourced from the \$300,000 identified for the local government partners to establish the Centre.

- 10 Recommend to SmartGrowth that it fund a research project on engaging older people in transportation planning, with an estimated cost of \$12,000 in Year One.**

**May 2018 Public Transport Committee Recommendations (Section 5)**

- 11 Considers the recommendations from the Public Transport Committee on 11 May to Council that it:**
- a. Investigate the cost and benefits and wider implications of providing free school transport in Tauranga. This will require approximately \$100,000 of additional budget in LTP Year One (an additional \$1.80 per rating unit for Tauranga) and that this cost will be offset by the bus contract savings referred to in recommendation 7.**
  - b. Fast track an investigation to trial school student fare-free Welcome Bay bus services, and that Council allocate an estimated \$465,000 funding for the trial to be implemented in LTP Year One providing agreement can be reached with Tauranga City Council on:**
    - the level of funding it will provide for fare revenue foregone;
    - the implementation of appropriate bus priority; and
    - the timing and term of the trial.
- 12 Extend the Waihi Beach trial service to 12 months and continue to provide a two day per week passenger transport service for Waihi Beach and that Council will allocate an estimated \$23,000 of additional budget in LTP Year One (approximately \$0.52 (GST exclusive) additional per rating unit).**

**Tauranga targeted rates reserve (Section 6)**

- 13 Agrees to use \$465,000 from the Tauranga targeted rate reserve to fund the additional costs recommended to implement the school student fare-free Welcome Bay bus services trial.**
- 14 Agree to use the remaining available funds in the Tauranga targeted rate reserve to further reduce the targeted rates increases in LTP Year One.**

## **1 Introduction**

The draft Long Term Plan 2018-2028 (LTP 2018-2028) consultation topic on passenger transport focused on how the Bay of Plenty Regional Council (Council) should fund increased bus services across the region. This followed on from recent increases to the extent and frequency of bus services across the region, particularly in the western parts of the region in response to population growth.

However, a range of feedback wider than just the consultation topic was provided, which requires Council to make decisions at a regional and western Bay Sub-regional levels and factoring in SmartGrowth. Recommendations from the 11 May Public Transport Committee also need to be considered by Council.

These considerations are covered in the following sections of this report:

### Section 2: Region-Wide Decisions

- Section 2.1 How do we fund increased bus services across the region (Consultation Topic)
- Section 2.2 New bus services
- Section 2.3 Park and ride
- Section 2.4 Passenger Rail
- Section 2.5 Passenger Wi-Fi
- Section 2.6 Rotorua CCTV

### Section 3 – Western Bay of Plenty Sub-region Decisions

- Section 3.1 Tauranga Programme Business Case
- Section 3.2 Western Bay of Plenty Transport Blueprint bus contracts award

### Section 4: SmartGrowth Decisions

- Section 4.1 Tauranga-Western Bay of Plenty Centre for Transport
- Section 4.2 Engaging older people in transportation planning

### Section 5: May 18 Public Transport Committee Recommendations

- Section 5.1 Free travel for students using contracted bus services in Tauranga
- Section 5.2 Trial of Welcome Bay school bus service
- Section 5.3 Waihi Beach bus service

### Section 6: Tauranga targeted rates reserves

## **2 Region-Wide Decisions**

### **2.1 How do we Fund Increased Bus Services Across the Region (Consultation Topic)**

The consultation topic focused on a change in how Council funds bus services, as Council begins to deliver the increased service levels that have already been agreed to. What this means will depend on where individuals live, but for many it means more buses, more frequently, on improved routes.

This growth and improvement to bus services across the region, particularly in the western Bay, means Council need to do things differently. The aim is to make the funding simpler, with clearer links to areas where a higher level of service is provided. This would mean using a higher proportion of targeted rates and reducing the amount that comes from general funds; this is consistent with how other regions fund bus services.

The Consultation Document outlined three options:

1. Stay with the current funding mix.
2. Change funding of the Tauranga and Rotorua bus services to be fully funded through targeted rates, change funding of the western Bay and the Whakatāne urban service from general funds to a targeted rate.



3. A staged introduction of option two, with contribution from general funding reduced in 2018/19 and then removed completely in 2019/20 for Tauranga, Rotorua, western Bay and Whakatāne.

Option two was highlighted as Council's preferred option in the Consultation Document.

### 2.1.1 Submissions Received

Council received 131 submissions that identified a favoured option for this topic. As the rates impact of the proposed change was highest for Tauranga, submissions from Tauranga addresses were analysed separately. The results are shown in Table 1 below.

Table 1: Submission responses

Option	All submitters	Tauranga submitters
One (status quo)	37 (28%)	14 (22%)
Two (full targeted rate) (Council's preferred option)	70 (54%)	34 (52%)
Three (staged introduction)	24 (18%)	17 (26%)

Option two was the most popular amongst submitters, both for the region as a whole and for Tauranga-based submitters.

The over-arching sentiment from submitters is to make progress on delivering improved passenger transport. While the submission topic was about funding, there were comments on service and routes, which are discussed in this report.

### 2.1.2 Conclusions

Over 50% of submitters supported the preferred option (Option 2) with the remainder of submissions fairly evenly split across Options 1 and 3. Staff consider that there is not sufficient community opinion to consider revising the draft Revenue and Financing Policy which was developed following full analysis in accordance with the Local Government Act (2002) s101(3).

#### Recommendation:

Proceed with Option 2: Change the funding of the Tauranga and Rotorua bus services to be fully funded through targeted rates and change the funding of Western Bay of Plenty and Whakatāne District Councils bus services from general funds to a targeted rate.

### 2.2 New Bus Services

As a result of consulting on the draft LTP 2018–2028, the Council has received over one dozen submissions requesting new or enhanced bus services, including:

Sub-region	Service Request
Rotorua	<ul style="list-style-type: none"> <li>• Seasonal service from Rotorua to Lakes Okareka and Blue.</li> <li>• At least commuter service to Lakes Rotomā, Rotoehu, Rotoiti.</li> <li>• Mamaku to Rotorua.</li> </ul>

Eastern Bay	<ul style="list-style-type: none"> <li>• Murupara to Whakatāne.</li> <li>• Commuter service between the eastern Bay and Tauranga.</li> </ul>
Western Bay	<ul style="list-style-type: none"> <li>• More service for Maketū, Te Puke, Tauranga, Aongatete, Katikati and Waihi Beach.</li> </ul>

Through the last Long Term Plan process, Council received (and agreed to) requests for three new rural services. In implementing those requests, it became apparent (particularly in light of the Waihi Beach service) that the new services have the greatest chance of success if, in planning the service, Council engages early and fully with the community seeking the service.

For this reason, staff propose that engagement exercises be undertaken in the first year of the LTP 2018-2028, with a view to Council considering funding for those requests in Year Two of the LTP 2018-2028.

Some of the requested services have previously been trialled (for example Murupara to Whakatāne), but were unsuccessful, while others will be addressed through implementation of the Western Bay of Plenty Public Transport Blueprint (for example, a more frequent service will be provided for Te Puke).

**Recommendation:**

It is recommended that Council engage with the relevant communities that have requested new bus services in the first year of the LTP 2018-2028 with a view to Council considering funding those requests in Year Two of the LTP 2018-2028.

**2.3 Park and Ride**

A few submissions requested investment in park and ride facilities, primarily in the western Bay of Plenty sub-region, to complement either bus or rail services.

Park and ride facilities can enable public transport for users who are too far from a regular bus service and can reduce parking demand in the central business district (CBD) where the cost of providing parking is high.

The opportunity for park and ride facilities in the western Bay sub-region was considered during the development of the Western Bay of Plenty Public Transport Blueprint and generally discounted for the start of the new network. For park and ride to be successful:

1. Bus services need to provide a time and/or cost advantage over private vehicles
2. Bus services need to be aligned with the destinations people want to access
3. The safety and security of people and property is assured

In regard to the first bullet point above, journey to work statistics from the 2013 Census show that people in the western Bay (and probably the region) travel across the City in the morning peak. A significant number are not traveling to the same destination (the CBD).

The draft Regional Public Transport Plan suggests that the Council’s approach should be to “*support the development of park and ride facilities by providing appropriate bus services where the facilities:*

- *make use of existing underutilised parking*
- *there is a strong identifiable demand; or*
- *park and ride is being implemented as a transition towards transit oriented development.”*

In the longer term, park and ride may have a role to fulfil, but that should be determined as part of future multi-modal investigations.

**Recommendation:**

It is recommended Council consider the opportunity for park and ride as part of future multi-modal investigations.

## 2.4 Passenger Rail

A few submissions also requested investment in passenger rail services.

Passenger rail could play an important part in providing greater choice for inter- and intra- regional journeys, as well as playing a major role in improving public transport within the western Bay sub-region. Rail could support intensification and provide development opportunities that assist with the funding of transport infrastructure.

In 2002, SmartGrowth commissioned Booz Allen Hamilton to prepare a report on 'Public Transport Viability - Western Bay of Plenty Sub region'. This study identified:

*“International experience has shown that relatively high passenger demand is required for a rail service to be 'viable' in economic or financial terms. A light rail service, for example, requires loadings of 5,000 - 10,000 passengers per hour in the peak direction to be viable, which is much higher than the expected loadings for a Tauranga public transport service.”*

Current Tauranga patronage in the peak periods is about 1,000 passengers an hour.

In the longer term, passenger rail may have a place and to that end, the draft Regional Land Transport Plan (which was consulted on in parallel with the LTP 2018-2028) contains an activity to investigate the feasibility of passenger rail.

**Recommendation:**

It is recommended Council note that the draft Regional Land Transport Plan contains an activity to investigate the feasibility of passenger rail.

## 2.5 Passenger Wi-Fi

At the Council meeting on 15 February 2018, the Council resolved:

*“to implement and fund passenger Wi-Fi on Rotorua and eastern Bay bus services (excluding Ruatāhuna, Matatā and Pōtaka) from the start of the 2018/19 financial year at a cost of approximately \$69,500 with the operational cost to be funded from targeted rates being approximately \$33,500 per year”.*

In accordance with the resolution, the project has been included in the LTP 2018-2028.

## 2.6 Rotorua CCTV

At the Council meeting on 15 February 2018, the Council resolved:

*“To implement and fund CCTV on Rotorua Cityride urban buses from the start of the 2018/19 financial year at an estimated cost of approximately \$164,000 with the operational cost to be funded from targeted rates being approximately \$21,300 per year.”*

In accordance with the resolution, the project has been included in the LTP 2018-2028.

## 2.7 Financial implications

Members should note that there are no additional financial implications arising from the decisions recommended in Section 2 of this report.

# 3 Western Bay of Plenty Sub-region Decisions

## 3.1 Tauranga Programme Business Case

In regards to the Tauranga Programme Business Case, Tauranga City Council (TCC) noted that there were changes to the funding of bus services and to the level of bus service in the first three years, but was unsure whether the Council’s LTP 2018-2028 included sufficient investment to fully support the public transport investment specified in the Tauranga Programme Business Case.

Members may recall that this matter was discussed as part of the Business Case presentation by TCC to the Public Transport Committee on 9 February 2018.

At that meeting, staff advised “the Business Case aligns with the Blueprint for the first three year period of the LTP 2018-2028, however after this point, the two programmes diverge with the Tauranga Programme Business Case seeking much higher levels of investment in spending for both public transport infrastructure and services.”

Staff noted:

*“If the preferred programme is implemented, following consultation and without change, additional expenditure of \$195 million within Years 4 to 10 of the LTP 2018-2028 will be required.*

*These costs are largely outside of the next three year period and can be re-examined in the Long Term Plan 2021-2031 when further detailed planning has been completed.”*

### **Recommendation:**

It is recommended that Council re-examine funding levels to support the Tauranga Programme Business Case when it develops the Long Term Plan 2021-2031, at which time it is expected further detailed planning will have been completed.

## 3.2 Western Bay of Plenty Public Transport Blueprint Bus Contracts Award

As previously reported to Council, we have awarded the Tauranga urban and school and Te Puke bus contracts to NZ Bus. The winning price for the contracts is \$14.8 million (2017 dollars).

A number of changes to the awarded contracts are required ahead of implementation of the new network in December 2018. Some of these are required due to infrastructure not being available or having changed from the original concepts. Some are to take advantage of opportunities for service enhancements.

The changes are outlined in the Blueprint Progress update and Public Transport Technology reports that will be considered by Public Transport Committee on 11 May 2018 and are summarised in the table below.

Variations	Estimated Cost (per annum)
Goldline	- \$ 5,000
Maketū, Paengaroa, Pukehina Beach	+ \$10,000
Additional school services	+\$152,000
Hairini interchange changes	no cost
Route 60 variation	+ \$100,000
City loop variation	+ \$10,000
Wi-Fi (capital)	+ \$120,000
Total	+ \$387,000

Accounting for the variations above (not including Wi-Fi) the awarded contract is less than draft budgets, with a net savings of \$255,000 in Year One and approximately \$1.3 million per annum in the following years. This is shown in the table below.

	Year 1			Year 2			Year 3		
	Draft LTP Budget (Inflated, \$000)	New contract (\$000)	Difference (\$000)	Draft LTP Budget (Inflated, \$000)	New contract (\$000)	Difference (\$000)	Draft LTP Budget (Inflated, \$000)	New contract (\$000)	Difference (\$000)
Contract work	16,133	15,482	651	18,310	15,712	2,597	18,714	16,059	2,655
Fees and Charges	-3,415	-3,287	-127	-3,861	-3,861	0	-4,231	-4,231	0
NZTA revenue	-6,209	-5,943	-266	-7,094	-5,769	-1,325	-7,111	-5,757	-1,354
Miscellaneous Revenue	-544	-541	-3	-539	-539	0	-539	-539	0
<b>Net Cost</b>	<b>5,965</b>	<b>5,710</b>	<b>255</b>	<b>6,816</b>	<b>5,543</b>	<b>1,273</b>	<b>6,833</b>	<b>5,532</b>	<b>1,301</b>

When the estimated cost of Wi-Fi is added in and deducted from the net cost in Year One, the net cost reduces to about \$185,000 and in Year's Two and Three to about \$1.2 million.

### 3.2.1 Maintaining current LTP budget estimates for Tauranga and Te Puke bus contracts

From the above analysis, it appears there could be a budgeted expenditure reduction in LTP Year One. However until Council finalises the network and the consequent contract variations, this cannot be confirmed. In addition, Section 5 of this report discusses in more detail the opportunity to fund a Tauranga student fare-free bus services investment case.

#### Recommendation:

It is recommended that Council retain the draft LTP 2018-2028 Year One Tauranga and Te Puke bus contract budget at its current level, to enable the network to be finalised and to fund the Tauranga student fare-free bus services investment case (see Section 5.1).

### 3.2.2 Increase Electric Bus Provision

The Council's vision is to have a fully electric bus fleet; however, this is currently prohibited by cost and funding.

The Energy Efficiency and Conservation Authority (EECA) runs a Low Emission Vehicle Contestable Fund (LEVCF) to encourage innovation and investment to accelerate uptake of electric and other low emission vehicles in New Zealand. This fund provides up to a 50% subsidy to a maximum of \$500,000.

From the above analysis, it appears there could be significant budgeted expenditure reduction in LTP Year Two and Three. Council could use the anticipated reduction in expenditure due to the bus tender, to expand the fleet of electric buses with support from the LEVCF. NZTA have indicated that they would support an application to the LEVCF.

The next LEVCF round is likely to open in August 2018. Staff are preparing a draft application, and work is underway with NZ Bus to prepare prices and options of how many extra buses could be delivered at certain price points. This application is being prepared with a preferred option to fully use the contract savings to expand electric bus provision. If an application is unsuccessful, Council could progress a smaller roll out of electric buses.

#### **Recommendation:**

It is recommended that Council retain the draft LTP 2018-2028 Year Two and Year Three Tauranga and Te Puke bus contract budget at its current level, for initiatives such as greater electric bus provision, given the strategic intent, level of funding support available and the interest from Council's partners to support the application.

After the LEVCF application round in August 2018, further decisions will be requested from Council as part of Annual Plan 2019/20.

## **4 SmartGrowth Decisions**

### **4.1 Tauranga-Western Bay of Plenty Centre for Transport**

On 29 March 2018, Council considered a report discussing the "decisions of the SmartGrowth Leadership Group on the Proposed Tauranga-Western Bay of Plenty Centre for Transport" from its meeting on 21 March 2018.

Council resolved to receive the report and:

- "2 Notes the resolutions of the SmartGrowth Leadership Group on 21 March 2018 and their implications for Bay of Plenty Regional Council's transport functions including that additional resourcing may be required ...*
- 4 Agrees that an appropriate (independent) resource be recruited to prepare a project plan for the establishment of a Tauranga-Western Bay of Plenty Centre for Transport (in accordance with SLG resolution 7, 21 March 2018)".*

The cost of developing the project plan has been estimated amongst the SmartGrowth partners to be approximately \$300,000. Based on the current SmartGrowth funding

model, the Council's share will be \$126,000 and this contribution is not budgeted in the draft LTP 2018-2028.

The Centre for Transport will consider matters that are wider than public transport and it would be appropriate that the project sit in the Transport Planning Activity. If it does, the project will be wholly funded by General Funds and would increase general rates by 0.6%.

For the project to be funded from a targeted rate, the beneficiaries of the project must align to the area over which the targeted rate is struck. If the Centre of Transport only applies to the western Bay sub-region, that geographic area is the same as for the two public transport targeted rates in that area. However, the level of service for those targeted rates relates to public transport delivery and that may not align with the Centre of Transport.

On a related matter, at the 11 May 2018 Public Transport Committee meeting, the Committee resolved that Council:

*"2 Identifies the implications of aligning the Western Bay of Plenty Public Transport Blueprint, Bay of Plenty Regional Public Transport Plan and Tauranga Programme Business Case to the 2018 Government Policy Statement on Land Transport, the Provincial Growth Fund and the National Policy Statement on Urban Development Capacity."*

Staff believe that as this piece of work is generally sub-regional in nature and it should sit with the new Tauranga-Western Bay of Plenty Centre for Transport for delivery.

### **Recommendations:**

It is recommended that Council:

- Fund \$126,000 in Year One of the Long Term Plan 2018-2028 as its agreed contribution to the Tauranga-Western Bay of Plenty Centre for Transport and note this will add an approximate general rate increase of 0.6%.
- Recommend to SmartGrowth that the Centre of Transport undertake a project to identify the implications of aligning the Western Bay of Plenty Public Transport Blueprint, Bay of Plenty Regional Public Transport Plan and Tauranga Programme Business Case to the 2018 Government Policy Statement on Land Transport, the Provincial Growth Fund and the National Policy Statement on Urban Development Capacity, resourced from the \$300,000 identified for the local government partners to establish the Centre.

Note that if the Centre of Transport is to continue in years two through ten then it will be dealt with in future Annual and Long Term Plans, starting at Annual Plan 2019/20.

## **4.2 Engaging Older People in Transportation Planning**

One submitter, SUPA-NZ, sought about \$12,000 in funding from Council through the Community Initiatives Fund (CIF) to conduct a case study *"to engage older people in conversations on using the public transport system in the Western Bay of Plenty sub-region"*.

Against the assessment criteria of CIF, the project did not rank high enough to be funded. However, the western Bay of Plenty is experiencing transport stress and a rapid increase in the number of mature, older and older-old people.

It is claimed that people over 85 years of age are the fastest growing demographic in the Western Bay of Plenty and that there will be a 23% increase in the number of SuperGold Card holders in Tauranga City in the next ten years and a 33% increase in Western Bay of Plenty.

Given the demographic trends that are emerging in regard to our older citizens, there is value in undertaking some research along the lines recommended by the submitter.

As the geographic area proposed for the research is the only the western Bay of Plenty Sub-region, it would be more appropriate for the project to be funded by SmartGrowth.

**Recommendation:**

It is recommended that Council recommend to SmartGrowth that it fund a research project on engaging older people in transportation planning, with an estimated cost of \$12,000 in year 1.

## **5 May 2018 Public Transport Committee Recommendations**

### **5.1.1 Free Travel for Students Using Contracted Bus Services in Tauranga**

A number of submissions requested that students, particularly in Tauranga, be able to travel for free on Council's bus services. For the most part, submitters believe doing so would fix Tauranga traffic congestion and lessen the financial burden of families getting children to school.

This matter was considered by the Public Transport Committee on 11 May 2018, as the Committee Chairman had agreed to a request prior to the LTP 2018-2028 consultation process, that the Committee consider the matter.

The Committee recommended to Council that it:

*"2 Agrees as part of LTP 2018-2028 deliberations continue to allocate additional budget of about \$100,000 in the 2018/19 financial year to further investigate the cost and benefits and wider implications of providing free school transport in Tauranga."*

Council's school transport survey indicated that if students could travel for free on Tauranga buses it would likely remove some car trips and car travel from the morning peak period. However, without further analysis and modelling there is no way of knowing the level of actual travel savings that would accrue.

Without further modelling, it is unclear whether or not those bus services would still be caught in traffic congestion, and therefore, if there is a need for bus prioritisation.

While free-fares would lessen the financial burden on families of school students, the cost of the foregone fare revenue would be about \$1.2 million per annum. However, without more detailed analysis, it is unknown how much Council would forgo from displaced passengers or the additional cost of having to provide more bus capacity.



Staff recommend that Council partner with TCC and the New Zealand Transport Agency (NZTA) to prepare a robust case for investment in a fare-free school transport initiative. Staff anticipate that the Council would need to fund the project, which is currently unbudgeted, and would cost approximately \$100,000 (an additional \$1.80 (GST exclusive) per rating unit for Tauranga if targeted rate funded). Ideally, such a case would be completed in time to be used as an input to preparation of a 2019/20 Annual Plan.

**Recommendation:**

That Council investigate the cost and benefits and wider implications of providing free school transport in Tauranga and fund the project from the draft LTP 2018-2028 Year One Tauranga and Te Puke bus contract budget (see recommendations under section 3.2.1 noting recommendation will be cost neutral).

## 5.2 Trial of Welcome Bay School Bus Service

As noted above, at the 11 May 2018 Public Transport Committee meeting, the Committee considered free travel for Tauranga school students using contracted bus services. As part of that discussion, the Committee considered whether to trial a fare-free service for Welcome Bay and recommended to Council that it:

*“Agrees to fast track an investigation to trial a school student fare-free Welcome Bay bus services, and that TCC and BOPRC consider allocating funding in their 2018 – 2028 Long Term Plans to implement a trial in 2018/19.”*

Staff estimate that the annual fare revenue that the Council would forgo from free travel would be about \$242,000 (GST exclusive) and on top of that, perhaps another \$32,000 in lost adult revenue. Staff believe that as TCC is requesting such a trial, it should fund the lost revenue as it is a TCC cost, not a Council cost.

Precedence exists for such an arrangement. In the Queenstown Lakes District, the District and Regional Councils and the Transport Agency have partnered to implement a more effective transport solution, involving parking supply and cost and public transport levels of service and pricing. From those increased parking charges, the District Council will fund some of the cost of the enhanced bus service (especially the revenue foregone from the cheaper flat fare).

To cater for extra student patronage as a result of free fares, Council would need to contract another five or more buses. A rough order of cost for this is approximately \$375,000 per annum. In the spirit of partnership, this should be a cost the Council meets and at this stage, it is unlikely that the NZTA would contribute but that would have to be confirmed.

Similarly, to assess the success of the trial, both TCC and Council will need good data. In terms of passenger numbers, the best way of collecting such data will be to use the new electronic ticketing system. Of course there will be an additional cost to do so for ticketing hardware, bus wiring, and the supply and distribution of smartcards among others). Again, staff think this should be a Council cost of approximately \$75,000.

A measure of success should be the reliability of getting students to school on time, therefore, it is important that buses are not caught in traffic congestion. From Council's experience, at the start of the current school year, Welcome Bay buses were caught in traffic, resulting in students being late to school. This resulted in some

parents making decisions that their children would stop using public transport and to travel by car instead, further adding to congestion.

There is little point in a trial proceeding if TCC and Council have not addressed the issue of getting students to school on time. As this is a road controlling authority responsibility, being TCC, the cost of bus priority should sit with TCC.

In terms of the cost to the Council for a one year trial, it is:

	Expenditure	Revenue
Additional buses	375,000	
Additional ticketing	90,057	
Fare revenue foregone		274,000
Fare reimbursement (TCC)		-274,000
NZTA Subsidy		0
<b>Total</b>	<b>465,057</b>	<b>0</b>
<b>Net cost to Council</b>		<b>465,057</b>

As illustrated in the table above, to conduct a one-year Welcome Bay trial the estimated cost is \$465,000. This would need to be funded from the Tauranga public transport targeted rate and would add approximately \$8.37 (GST exclusive) per rating unit for Tauranga.

**Recommendation:**

That Council agree to fast track an investigation to trial school student fare-free Welcome Bay bus services, and that Council consider allocating an estimated \$465,000 (an additional \$8.37 (GST exclusive) per rating unit) funding in the LTP 2018 – 2028 to implement a trial in 2018/19, providing agreement can be reached with Tauranga City Council on:

- the level of funding it will provide for fare revenue foregone
- the implementation of appropriate bus priority
- the timing and term of the trial.

**5.3 Waihi Beach Bus Service**

At the Council meeting on 15 February 2018, Council resolved:

“In regard to the recommendations relating to ‘Waihi Beach Trial Service’, agrees to make the Waihi Beach trial service permanent and extend it to two days of operation per week from 1 July 2018, at an estimated total cost of \$41,600 per annum.”

The draft LTP 2018-2028 includes a budget allocation that matched this decision.

Since the Council decision, further work has been undertaken to procure the service and it is likely the total annual cost will be up to \$23,000 higher than budgeted expenditure in the draft LTP 2018-2028.

As a result, this matter was considered by the Public Transport Committee on 11 May 2018 and the Committee recommended to Council that it continue the trial for another 12 months on a two day per week passenger transport service for Waihi Beach.

Given the draft LTP 2018-2028 proposal to establish a 100% targeted rate for Western Bay of Plenty District public transport services, the increase that is sought would increase the amount payable per rating unit to approximately \$12.02, instead of \$11.50.

**Recommendation:**

That Council agrees to extend the Waihi Beach trial service to 12 months and continue to provide a two day per week passenger transport service for Waihi Beach and note this will add about an additional \$23,000 to the LTP budget in Year One (or \$0.52 (GST exclusive) per rating unit).

## 6 Tauranga targeted rates reserve

Passenger Transport has reserves established for surplus targeted rates from previous years that are available to use for reducing rate increase impacts. As at 30 June 2018 it is forecast that only the Tauranga Passenger Transport reserve will have funds available to use.

If the recommendations of this paper are agreed it is recommended that the additional costs for the Tauranga Passenger Transport services are covered by the funds available in the reserve.

The table below indicates how the reserve funds can be used to cover the costs of the recommended additional costs and then a further reduction of the rate for year 1.

Tauranga Targeted Rate Reserve – Recommended Use			
	Year 1	Year 2	Year 3
<i>Draft LTP Proposed Targeted Rate (Consultation)</i>	132.42	139.28	137.66
Targeted rate including deliberation's recommendation (+\$0.465m)	140.69		
Targeted rate after using the targeted rate reserve to fund the additional \$0.465m	132.42		
Targeted rate after using a further \$0.233m from the targeted rate reserve to reduce Year 1	128.29		
Targeted rate after using the remaining \$0.092m from the targeted rate reserve to reduce Year 2		137.66	

**Recommendation:**

Agreement in principle is sought by Council to reduce the targeted rate increases for Tauranga by using some of the forecast reserves balances over the first two years of the Long Term Plan.

Staff will provide up to date balances for the targeted rates reserves and recommendations for their use as part of the adoption of the LTP 2018-2028 in June 2018.

## 7 Council's Accountability Framework

### 7.1 Community Outcomes

This project/proposal directly contributes to the Vibrant Region Community Outcome in the council's LTP 2018-2028.

### 7.2 Long Term Plan Alignment

This work is planned under the Transportation Group of Activities in the LTP 2018-2028.

#### Future Budget Implications

The financial implications of the recommendations are discussed within the body of the report and summarised in the table below:

Financial Impact (Inflated numbers)												
\$000	Report Section	LTP YR1 2018/19	LTP YR2 2019/20	LTP YR3 2020/21	LTP YR4 2021/22	LTP YR5 2022/23	LTP YR6 2023/24	LTP YR7 2024/25	LTP YR8 2025/26	LTP YR9 2026/27	LTP YR10 2027/28	Total
<b>Revenue</b>												
	Welcome Bay school bus trial- revenue forgone	5.2	(274)									(274)
	Welcome Bay school bus trial - TCC fare reimbursement	5.2	274									274
	<b>Total Operating Revenue</b>		-	-	-	-	-	-	-	-	-	-
<b>Operating Expenditure</b>												
	<b>Tauranga (100% targeted rate)</b>											
	Investigate implications of a free school bus service	5.1	100									100
	Contract savings offset	5.1	(100)									(100)
	Welcome Bay school bus trial	5.2	465									465
	<b>Western Bay (100% targeted rate)</b>											
	Additional Service Waihi Beach - 1 year trial.	5.3	23									23
	<b>Region Wide (100% general rate)</b>											
	Tauranga-Western Bay Bay of Plenty Centre for Transport	4.1	126									126
	<b>Total Operating Expenditure</b>		<b>614</b>									<b>614</b>
<b>Net Benefit / (Cost) to Council</b>			<b>(614)</b>									<b>(614)</b>

Rates Impact												
%		LTP YR1 2018/19	LTP YR2 2019/20	LTP YR3 2020/21	LTP YR4 2021/22	LTP YR5 2022/23	LTP YR6 2023/24	LTP YR7 2024/25	LTP YR8 2025/26	LTP YR9 2026/27	LTP YR10 2027/28	
	Targeted Rates - Western Bay	9.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
	Targeted Rates - Tauranga	6.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
	General Rates	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

If the recommendations of this paper are agreed it is recommended that the additional costs for the Tauranga Passenger Transport services are covered by the funds available in the reserve as set out in Section 6 of this report.

Garry Maloney  
Transport Policy Manager

for General Manager, Strategy & Science

18 May 2018