

WHAT WE DECIDED FOR OUR KEY CHOICES

Through Tasman's 10-Year Plan 2021–2031 Consultation Document we sought public feedback to inform our decision-making process on four key choices. This section discusses each of those choices, the decision we made, and the reasons why. All the options are not repeated in this document – further information on the options for each choice can be found in Tasman's 10-Year Plan Consultation Document.

HOMES FOR OUR COMMUNITY

We know housing availability and affordability are a real concern for our communities. We cannot solve the affordability problem alone, but along with the government and other agencies, we can be part of the solution. We plan to do this by ensuring we have the right land zoning and infrastructure in place to at least meet forecast demand, and by changing our planning rules to make it easier to build smaller homes at higher densities.



We expect our population to keep growing over the next 10 years, meaning we need to make sure there is zoned and serviced land available for at least 7,700 residents, 4,300 homes and 160 business lots. We plan to provide for additional capacity in our urban environment, over and above the expected demand, to support choice and competition, which meets our obligations under the National Policy Statement on Urban Development.

This is based on a medium-growth scenario. We know the situation may change – especially with Covid-19 border restrictions and the return of New Zealand citizens. We will continue to monitor the situation to make sure our planning information is up to date and that we are adaptable and flexible as demand changes.

We asked the community – do you support the Council's proposal to provide the necessary infrastructure to meet housing and business demand across the entire District?

We decided to proceed with our preferred option which is to invest in infrastructure that enables sufficient serviced land to at least meet the forecast demand for new housing and businesses, based on a medium-growth scenario in line with recent population trends.

The majority of submitters agreed with our preferred option to meet demand, rather than our alternative option of supplying additional capacity for growth.

We have planned \$122.5 million of infrastructure over the next 10 years to enable both greenfield development and infill housing/intensification. The infrastructure programme is staged throughout the decade to enable enough housing supply to meet demand District-wide, while making the best use of available land and planned infrastructure. This approach should also enable the debt associated with planned growth infrastructure in places, such as Motueka West, to be largely paid off through development contributions prior to investing in new locations. The cost of growth infrastructure projects across the District will largely be met by developers through development and financial contributions.

The rate and location of future growth will be regularly reviewed throughout Council's planning cycle, including the review of the Future Development Strategy, Tasman Resource Management Plan and future Long Term Plans.

WHAT WE DECIDED FOR OUR KEY CHOICES

WAIMEA COMMUNITY DAM – ALLOCATION OF ADDITIONAL IRRIGATOR CAPACITY COSTS

The Waimea Community Dam (Dam), currently under construction in the Lee Valley, will provide a secure and sustainable water supply for our communities of the Waimea Plains for the next 100 plus years. It will also improve the health of the river and bring economic benefits to Tasman District.

Since the decision to proceed was finalised in 2018, project costs to build the Dam have risen from the initial estimate of \$104.5 million to \$129.4 million in 2020. On 22 February 2021, Waimea Water Limited presented a revised cost estimate range of \$148 million to \$164 million to complete the Dam, with an expected cost of \$158.5 million. The cost is based on the best information currently available and makes some allowance for the cost uncertainty associated with the project. A lot of work has been completed to date and the project is approximately 50% complete. This means Waimea Water Limited has a good understanding of the project risks based on what it has experienced so far and how it has responded to unexpected geological conditions. Going forward, most of the work is above ground level reducing the likelihood of further geological risks. However, costs could be higher than the estimated range. Key risks are the costs associated with any further Covid-19 related delays, and the scale of work required on unexposed geological features.

We included a budget in the Consultation Document that provided for a total project cost of \$159 million. This amount covered the expected cost to complete of \$158.5 million and allowed for necessary work to provide for a future hydro option. This reflected a total project budget increase of \$54.5 million since 2018.

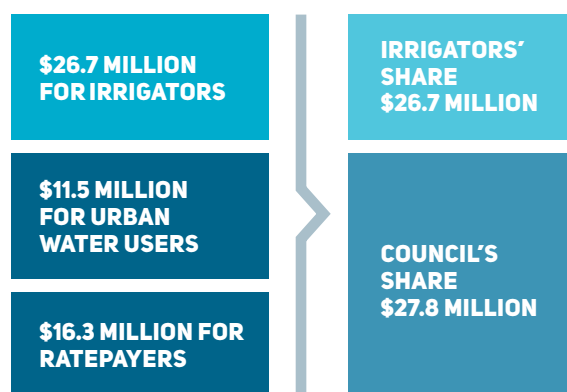
Under the project agreements the first \$3 million of cost overruns are shared 50:50 between Waimea Irrigators Limited and the Council. The Council is contractually obliged to meet all cost overruns above the first \$3 million. The Joint Operation partners have subsequently agreed a funding approach, which shares the cost of the funding better between irrigators and the Council.

There is an existing formula in place for sharing the costs of the Dam among everyone living and running businesses on the Waimea Plains, irrigators who have

purchased shares in the Dam or who will benefit from that water, and the wider Tasman community – everyone benefits from the economic and environmental gains the Dam will provide.

To date the costs of the Dam have been apportioned across those who benefit with:

- 49% assigned to irrigators
- 21% to urban water users, and
- 30% to ratepayers for the environment and public good benefits such as increased jobs, economic gains, and the ability to meet growth demands.



Based on this method, the additional \$54.5 million was split as shown above. The first \$3 million of additional cost is funded 50% by Waimea Irrigators Limited and 50% by Council. This means Council needed to decide how to collect the balance of the irrigators' share, being \$25.2 million (\$26.7 million less \$1.5 million).

We asked the community – do you support the Council's preferred option to share the \$25.2 million cost of the irrigators' share across affiliated irrigators as well as general ratepayers?

We decided to adopt a revised version of Option A. The revised approach still shares the cost of the irrigators' share across affiliated irrigators and general ratepayers (for the first five years only, after which the full cost will be covered by affiliated irrigators).

WHAT WE DECIDED FOR OUR KEY CHOICES

For Original Option A, the \$25.2 million irrigators' share of the cost overruns were to be split \$14.6 million to irrigators through a targeted rate and the balance of \$10.6 million to the general ratepayer. The split remains much the same under Revised Option A, however the funding and collection mechanisms change in a way that is more favourable for both irrigators and general ratepayers.

The contractual negotiations to give effect to Revised Option A were based on the latest information available from Waimea Water Limited. The estimated cost to complete is \$158,487,000 (\$158.5 million). These amounts are more precise than the amounts used in the Consultation Document due to increased rounding accuracy and review.

This results is a minor change to the amounts allocated to the joint venture partners after the first \$3 million has been deducted – as set out in the table below.

Irrigators' Capacity	48.9%	\$24.8 million
General Ratepayers and Urban Water Users	51.1%	\$25.9 million
Total	100%	\$50.7 million

Based on these refined amounts, the split of the irrigators' share (\$24.8 million) under Revised Option A is \$14.6 million fully funded by irrigators through Waimea Irrigators Limited and Waimea Water Limited, and the *interest cost* on the balance of \$10.2 million is being funded by the general ratepayer for the first five years of Tasman's 10-Year Plan. After the first five years, the full cost will be met by affiliated irrigators under the agreements we have in place with Waimea Irrigators Limited and other parties.

The overall project has an additional \$350,000 which allows for necessary work to provide for a future hydro option. This makes the overall cost of the project \$158,837,000 (\$158.8 million).

Revised Option A means some of the Council debt and all of the irrigators' debt to fund the overruns will be held in Waimea Water Limited, a joint venture company of the Council, and Waimea Irrigators Limited.

The respective shares of the interest cost on that debt will be paid through Waimea Water Limited water charges to the Council and to irrigators through Waimea Irrigators Limited.

Of the debt held in Waimea Water Limited, interest on \$10.2 million of the \$24.8m irrigator capacity cost will be met by Council through the water charges from Waimea Water Limited for the first five years of Tasman's 10-Year Plan. We have decided that we will use the general rate as a means for collecting funding for these interest costs. This approach is consistent with the Original Option A, but with the difference being that the general ratepayer is paying a share of the borrowing costs through the Waimea Water Limited water charges, rather than directly.

Under the Original Option A, the share of the borrowing costs that were to be funded by irrigators were to be collected through a targeted rate. Under Revised Option A, the targeted rate will not be required as irrigators will be charged directly by Waimea Water Limited and the Council does not need to pass the cost on.

Revised Option A provides for a more favourable impact on the general ratepayer than the Original Option A the public was consulted on. That initial option preferred by the Council would have seen the general ratepayer funding a portion of the irrigators' share of overruns until no longer required, i.e. when the loans are fully repaid, or an alternative agreement is reached. Where Revised Option A limits the period to five years with an estimated average cost to residential ratepayers of \$5 a year. Noting that this \$5 per year only relates to the Council's part funding of interest on the irrigators' share of the overruns.

The total amount that any individual ratepayer contributes to the Dam project will vary depending on the location of their property and whether they are connected to an urban water supply or not. This is because of the cost sharing model described above. A range of rating scenarios, including GST, for the 2021/2022 financial year are summarised in the following table.

WHAT WE DECIDED FOR OUR KEY CHOICES

LOCATION	RATEPAYERS' CONTRIBUTION TO THE IRRIGATORS' SHARE	URBAN WATER USERS	DISTRICT WIDE RATE	ZONE OF BENEFIT	TOTAL
BASIS FOR RATE	CAPITAL VALUE \$660,000	FIXED CHARGE + VOLUMETRIC CHARGES (215M ³ /YEAR)	FIXED CHARGE	CAPITAL VALUE \$660,000	
Wakefield	\$1.87	\$882.86	\$28.78	\$0	\$913.51
Richmond	\$1.87	\$882.86	\$28.78	\$21.78	\$935.29
Motueka	\$1.87	See note	\$28.78	\$0	\$30.65
Tākaka	\$1.87	See note	\$28.78	\$0	\$30.65
Murchison	\$1.87	\$882.86	\$28.78	\$0	\$913.51

Note:

- Users connected to the Council's supply in Motueka do not contribute to the funding of the Dam as they are not part of the urban water club.
- Urban Water Charges do not apply in Tākaka as the Council does not provide a public drinking water supply within the Tākaka township.

At the same time as shifting the irrigators' debt into Waimea Water Limited, we also agreed to move across some of the Council's debt associated with our share of the Dam. This allowed for cheaper borrowing arrangements for the Council's share that effectively reduced the cost to the general ratepayer. This was an additional benefit of Revised Option A.

We appreciate the importance of the Dam within our community, and the mixed views on who benefits from it and who should fund the project. We also acknowledge that most submitters preferred Option D, which was a new targeted rate solely on irrigators for the full cost of the irrigators' share of overruns.

This was a complex and challenging decision to make. Our decision required careful consideration of a wide range of factors, information and constraints, alongside the public views and preferences. Our decision strikes a balanced approach for the whole District, now, and in the future.

We also acknowledge and share the frustration surrounding the recent cost overruns and have recently agreed to proceed with an independent investigation to ensure we, and others, can learn from this project.

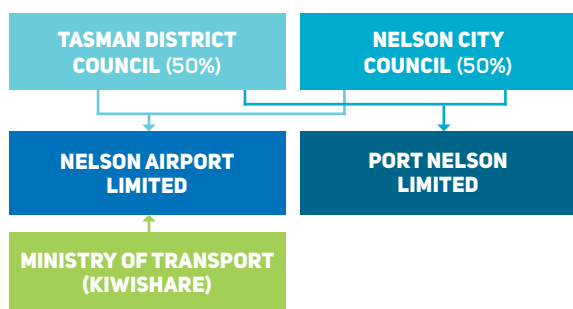


WHAT WE DECIDED FOR OUR KEY CHOICES

A NEW COMPANY MODEL FOR NELSON AIRPORT AND PORT NELSON

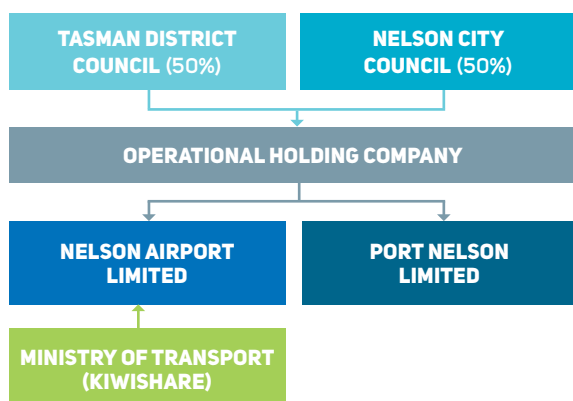
Nelson Airport and Port Nelson provide key gateways to the Nelson Tasman region and are jointly owned by us and Nelson City Council.

CURRENT OWNERSHIP MODEL



Together with Nelson City Council, we proposed to transfer our shareholdings in both Nelson Airport Limited and Port Nelson Limited into a single new company. The company was proposed to be set up as an operational holding company and would have been 50% owned by us and 50% owned by Nelson City Council. The Ministry of Transport would have continued to own one share in Nelson Airport, the 'kiwishare'.

PROPOSED (OPTION A) OWNERSHIP MODEL



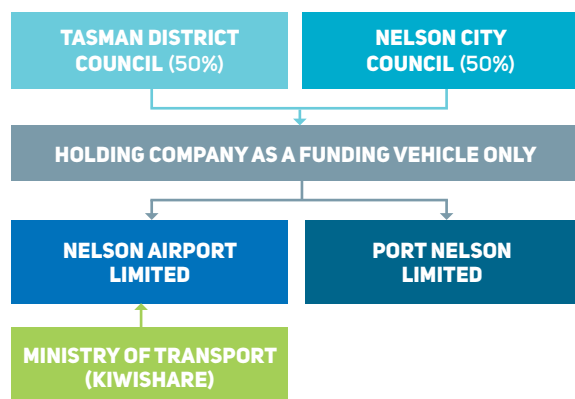
The proposed operational holding company would have had a single Board of Directors, with the necessary range of skills and expertise to operate both the Airport and the Port. The new single Board would replace the two existing Boards. Under the proposal, one Chief Executive Officer and one Chief Financial Officer would be appointed, removing the current duplication across the two companies. A Chief Operating Officer would have also been appointed to Nelson Airport, mirroring the existing role in Port Nelson. All other operational aspects of the Airport and Port were to remain the same.

The reason for the proposed change was the many positive benefits that could arise from the proposed structure, both to the companies and to the Council shareholders. These included operational efficiencies, cheaper borrowing, tax efficiencies and increased resilience for the two companies. The benefits to the Councils were better governance, debt reduction, and increased future dividends.

We asked the community – do you support the Councils’ proposal to establish a joint parent company for Nelson Airport and Port Nelson?

We decided to proceed with an alternative option – Option C. Option C is the establishment of a new company as a funding vehicle only. Nelson City Council also decided to proceed with this option.

AGREED OWNERSHIP MODEL



WHAT WE DECIDED FOR OUR KEY CHOICES

The majority of submitters indicated that they preferred the status quo arrangements, or were not sure.

A holding company that acts as a funding vehicle only is operationally somewhat similar to the status quo arrangements. The companies and the Council shareholders still expect to receive some benefits through implementing this option:

- savings through access to lower cost financing from the Local Government Funding Agency, and
- potential for shareholders to retire debt through equity release.

This decision carries less risk and change than the proposed Option A.

A working group comprising staff from each council and the two companies will develop a transition plan over the next 6-12 months.

RESPONDING TO CLIMATE CHANGE

Our natural environment, our homes, workplaces and the areas we spend our free time are already feeling some of the consequences of our changing climate. We are experiencing more frequent weather extremes and effects, including floods, droughts and fires. We have a large coastline, inhabited by thousands of residents. Adding to the complexity, much of our public infrastructure is built near the coast.

Current risks relating to climate change in Tasman District include:

- damage to/loss of assets, property, infrastructure and facilities from coastal storm inundation events, sea level rise, flooding and/or wildfire
- issues with water supply security
- increased wastewater overflows
- increased periods of drought, and
- increased biosecurity incursions and impacts on biodiversity.

We do not yet know how quickly climate change will affect our communities, or how severe those effects will be, but legislation (e.g. the Climate Change Adaptation Act currently under development), and the Government's decision to declare a nationwide climate

emergency, has committed New Zealand to taking action now.

The Climate Change Response Act 2002 provides a framework for New Zealand to reduce our carbon emissions and prepare for and adapt to the effects of climate change.

Many of the activities we have planned to help us adapt to, and mitigate the effects of climate change, are things that we would do as part of our business as usual programme – such as tree planting, waste reduction programmes and new cycle paths.

The key business as usual actions included in Tasman's 10-Year Plan that are likely to have a positive impact on reducing the effects of climate change include:

- continuing to manage our commercial forests as a way of partially offsetting our emissions
- waste management and minimisation
- new or improved walking and cycling facilities
- improved public transport services
- tree planting to help store carbon
- work to identify the vulnerability of critical infrastructure to natural hazards and climate change
- continuing the Coastal Management project, looking at long-term adaptive planning for sea level rise and coastal hazards
- investigating more options for a more agile response to biosecurity and pest management issues, and
- continuing to grant consents in recognition of climate change risks.

Over the next 10 years, in addition to the business as usual activities above, we also proposed the following new initiatives to implement our Tasman Climate Action Plan:

- \$0.3 million for monitoring Council's greenhouse gas emissions and reduction planning
- \$0.6 million for energy efficiency and renewable energy initiatives for Council buildings, and
- \$1.2 million for energy efficiency initiatives in Water Supply and Wastewater.

WHAT WE DECIDED FOR OUR KEY CHOICES

We asked the community – do you support the Council’s proposed response for adapting and responding to climate change?

We decided to proceed with our preferred option A – an affordable level of investment spread over the next 10 years.

The majority of submitters indicated that the proposed investment was about right, while many felt that we should be doing more.

In relation to reducing emissions, it is currently difficult to determine the best investments for Council to make, as we have not yet measured our baseline emissions. This work commenced in June 2021 and will be used to determine where the Council can make the biggest impact in reducing its emissions.

The Tasman Climate Action Plan is designed to be a living document. Suggestions from submitters and new knowledge can be incorporated into a review of the Action Plan. The financial implications can then be worked through in further detail and consideration given to including them in future Annual or Long Term Plans.

