

How we got to this point

Severe weather events in 2021 and 2022 resulted in extensive damage to the transport network in the Marlborough Sounds. While road access for residents has been reinstated, the Sounds road network remains fragile in places.

- Marlborough District Council and engineering consultancy Stantec embarked on the Marlborough Sounds Future Access Study (MSFAS) with the community to support the case for funding safe and resilient long-term access solutions for the Sounds, before central Government's level of investment could be confirmed.
- Five geographic areas in the Sounds – now called 'Zones' for funding purposes – were studied, recognising their distinct access issues.

Council and Stantec developed a programme business case (PBC) to identify the activities in each Sounds Zone (network repairs, replacement and improvements) that would represent the best whole of life, value-for-money changes for the Sounds transport network.

These include road and marine infrastructure improvements:

Road Improvements

- Improving the capacity of the roadside drainage systems – side drains and culverts with adequate capacity and improved culvert entries and discharges.
- Where practical, stabilising uphill banks to reduce slips; and
- Providing adequate spoil sites so following storm events, roads can be cleared and opened quickly.

Marine Improvements

- Protecting and upgrading Picton and Havelock (primary hubs),
- Constructing a new arterial hub on the northern side of Kenepuru Sound (near Goulter Bay or Waitaria Bay),
- Protecting and upgrading Torea, Portage and Elaine Bay (arterial hubs); and
- Protecting and upgrading local hubs across the Sounds (Bulwer Bay, Cissy Bay, Penzance Bay, Duncan Bay, Double Bay, Fish Bay, Punga Cove, Te Mahia Bay and Moetapu Bay).

In December 2023, the NZTA board endorsed the PBC and indicated it is likely to fund **71% of the road repairs, 51% of road improvements and 0% of marine improvements** as their financial assistance rates, subject to further detailed design work.

Proposed work:

	Council's share	NZTA share	Total
MSFAS	\$8.22M	\$1.53M	\$9.75M
Road repairs	\$41.2M	\$100.8M	\$142M
Road improvements	\$21.8M	\$22.7M	\$44.5M
Marine improvements	\$33.5M	-	\$33.5M
Total	\$104.72M	\$125.03M	\$229.75M

After NZTA contribution, the total 'local share' of \$104M from Marlborough ratepayers is required to fund the programme of works*.

*The uninflated numbers in the table above are slightly lower than those published in the Council's Budget reports on 26 February 2023 because \$5M of the Sounds roading repairs programme has now been included in Tranche 2 funding, with a 95% NZTA financial assistance rate.

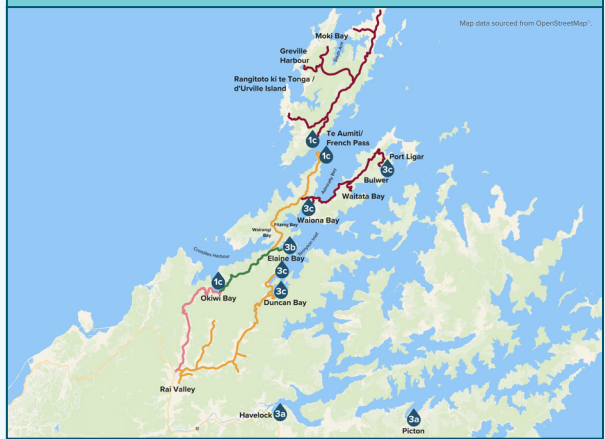
What future access looks like

➤ These are Council's preferred options for transport solutions for each of the Sounds geographic Zones.

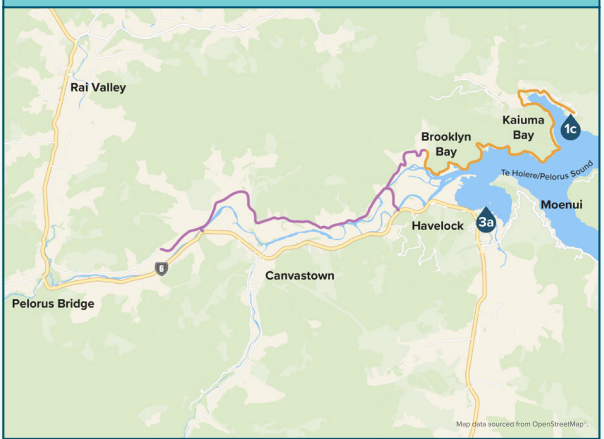
For most of the Sounds, excluding Kenepuru, the bulk of the investment would be on roading infrastructure, but there would still be improvements made to the marine infrastructure.

The preferred option for Kenepuru is a balanced approach between roading and marine infrastructure. This is largely because the underlying geological instability along much of Kenepuru Road makes long-lasting repairs unaffordable.

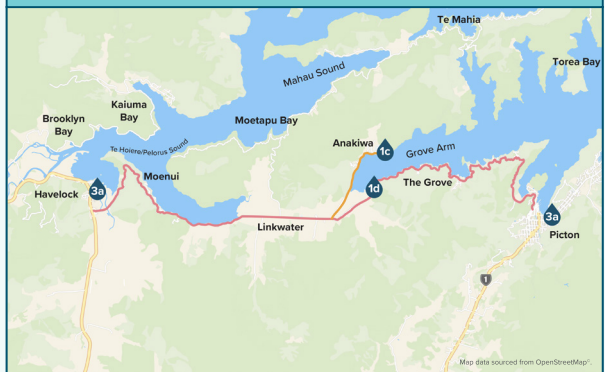
Rai Valley to Te Aumiti / French Pass



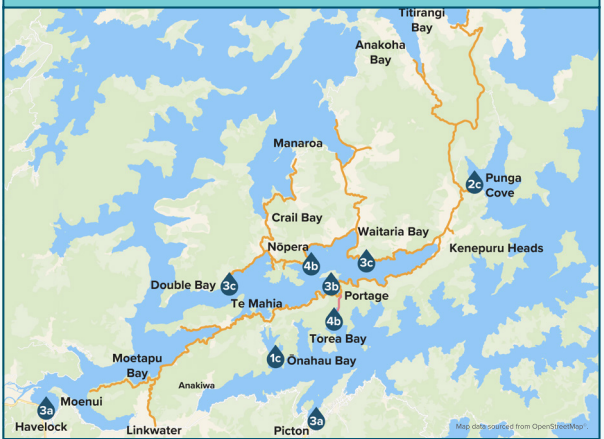
Te Hoiere / Pelorus



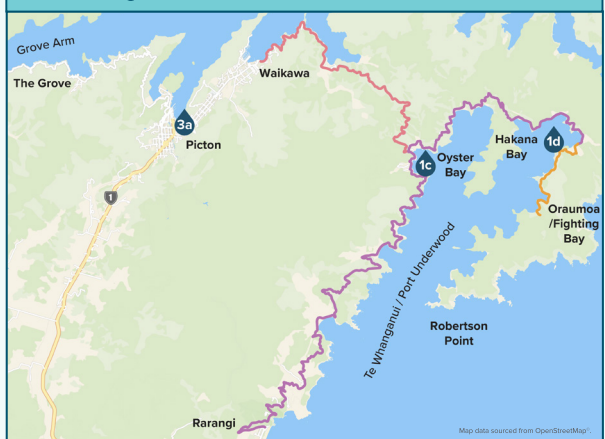
Queen Charlotte Drive



Kenepuru



Te Whanganui / Port Underwood



Roading approach key

- **Protect**
Build back stronger
(No additional restrictions)
- **Protect**
Build back stronger
(Additional restrictions)
- **Accommodate**
Build back with targeted
improvements
(No additional restrictions)
- **Accommodate**
Build back with targeted
improvements
(Additional restrictions)
- **Accommodate/retreat**
Build back with
essential repairs only

Marine key

Maintain & protect existing marine hubs

- 1c Local Marine Hub
- 1d Emergency Ramp

Protect & upgrade existing hubs (Passengers only)

- 2c Local Marine Hub

Protect & upgrade existing hubs (All users)

- 3a Primary Marine Hub
- 3b Arterial Marine Hub
- 3c Local Marine Hub

New infrastructure or upgrade of level (All users)

- 4b Arterial Marine Hub

Funding overview

How the funding requirements were calculated

Long Term Plan 2024-34

The three-step process to identify funding requirements and options was:

1

Determining the costs to be recovered,

2

Identifying the Zones over which costs will be recovered; and

3

Identifying different rating options to service the debt needed to fund Council's share of the cost.

Estimated costs (\$M) for repairs and improvements in each of the Sounds Zones are outlined below:

Allocation of costs to Zones based on projected expenditure	Road repairs	Road improvements	Allocation of study	Total improvements	Marine improvements	Allocation of study	Total improvements	Total roads and marine	Total
Sounds wide studies		3.00	-3.00		6.75	-6.75		0.00	0.00
Rai Valley to Te Aumiti/French Pass	25.12	15.00	1.00	16.00	9.00	1.84	10.84	26.84	51.96
Te Hoire/Pelorus	1.93	4.00	0.27	4.27				4.27	6.20
Tōtaranui/Queen Charlotte	13.52	6.00	0.40	6.40	6.00	1.23	7.23	13.63	27.15
Kenepuru	90.80	12.00	0.80	12.80	18.00	3.68	21.68	34.48	125.28
Te Whanganui/Port Underwood	10.63	8.00	0.53	8.53				8.53	19.16
Total	142.00	48.00	0.00	48.00	39.75	0.00	39.75	87.75	229.75

The total investment cost was calculated by Stantec and has been peer-reviewed.

➤ NZTA is likely to fund 71% financial assistance on repairs, 51% on roading improvements and 0% for marine improvements. This totals \$125M of central government funding.

Council is now consulting on how the 'local share' of \$104M will be paid by Marlborough ratepayers.



How Council will pay for the local share

The local share of the investment will be debt-funded, meaning Council will borrow the cost and then pay it off over time. Modelling assumes a 5.5% interest rate for the 10 years of the Long Term Plan 2024-34.

The forecast for project completion is 25 years, with \$177.78M of the total \$229.75M occurring in the first 10 years. After 2024-34, there will be further rates increases, but they will be smaller as the annual value of work drops significantly following the programme to June 2027.

Each of the respective funders will make their funding decisions following the conclusion of the LTP 2024-34 consultation and decision-making process, and more detailed site investigation, design and procurement work.

Budgets will be reconsidered at a minimum of every three years and possibly annually as part of Council's normal planning processes. Budget changes may initiate amendments to the Sounds roading access cost allocation(s), depending on the final funding option adopted by Council.

Council's rates weighting system

Long Term Plan 2024-34



Council uses a weighting system to allocate costs to its six Geographic Rating Areas and between residential/rural and industrial/commercial property types.

Weightings are determined by Council under S101 of the Local Government Act 2002. Council last amended its weightings for roads in the Long Term Plan 2018-28.

- Where a weighting shows as zero, there is no contribution from that area or Zone.
- If all areas have a weighting of 100, the rate in the dollar or charge (as the case may be) will be the same for all areas.
- Where a weighting is between zero and 100 that area will pay a percentage rate or charge matching the weighting of any area that has a weighting of 100. *E.g., a weighting of 70 means that area will pay 70% of the rate in the dollar that a 100 weighting area pays.*

The rating options Council is consulting on:

The Council's preference is that the first 10 years of the works are included in the LTP 2024-34. A number of rating options have been identified to service the debt needed to meet Council's share of the project's cost:

Option 1

Under this option no further work – outside that undertaken already as part of Tranche 1 and 2 funding already provided by NZTA – will take place. The funding provided by NZTA was at 95%, with the balance financed from Council reserves.

Option 2(a)

Apply a weighting of 100 for all properties in Marlborough (including Sounds Admin Rural).

Option 2(b)

Maintain the current rates weighting of 100 for all properties within the five Sounds Zones and a reduced weighting for the balance of Marlborough and Sounds Admin Rural properties.

Option 2(c)

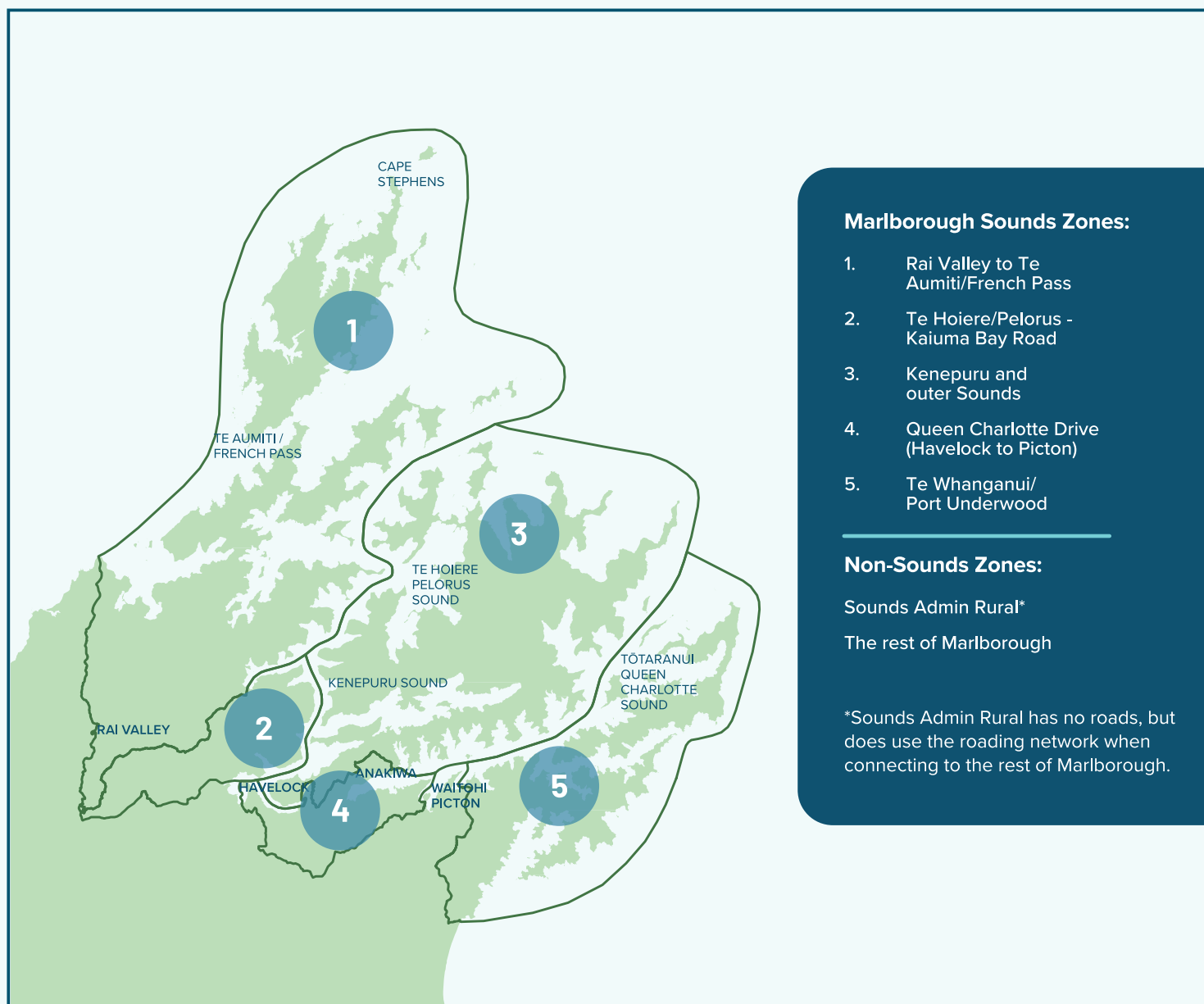
Allocate the Sounds portion of the costs from Option 2(b) in proportion to the forecast value of work to be undertaken in each Sounds Zone (i.e., a Zone-based allocation and recovery).

Option 2(d)

Apply a Uniform Annual Charge (UAC) to all non-Sounds properties in Marlborough and then having the remainder of the costs recovered by way of Option 2(c) above.

Rating Zone boundaries

Long Term Plan 2024-34



Marlborough Sounds Zones:

1. Rai Valley to Te Aumiti/French Pass
2. Te Hoiere/Pelorus - Kaiuma Bay Road
3. Kenepuru and outer Sounds
4. Queen Charlotte Drive (Havelock to Picton)
5. Te Whanganui/ Port Underwood

Non-Sounds Zones:

Sounds Admin Rural*

The rest of Marlborough

*Sounds Admin Rural has no roads, but does use the roading network when connecting to the rest of Marlborough.

Refer to Zone boundary principles in the consultation document, or a Smart Map is available on Council's website to identify each Zone and which Zone your property is in:

View the map at bit.ly/find-my-zone



Option 1: Do minimum

Not preferred by Council.

Long Term Plan 2024-34

Under this option, roads would remain as they are as of early 2024, with no further work, except what can be done with complete use of the NZTA Tranche 1 and 2 funding already allocated.

This funding covered 95% of costs, with the \$7M balance financed from district-wide Council reserves.

Key outcomes:

- No additional debt to fund Council's local share of the programme cost.
- NZTA will not provide additional funding.
- No benefits as identified in the PBC would be realised for the community.
- No increase in rates for Council's share of the programme cost.
- The level of service across the Sounds transport network is expected to deteriorate over time.
- No provision of marine alternatives to improve Sounds transport network resilience.





Option 2(a): Equal weighting

Long Term Plan 2024-34

In Option 2(a), the costs of repair are weighted equally across all Marlborough properties, including Sounds Admin Rural – i.e., all properties have a weighting of 100 and pay the same rate in the dollar of land value.

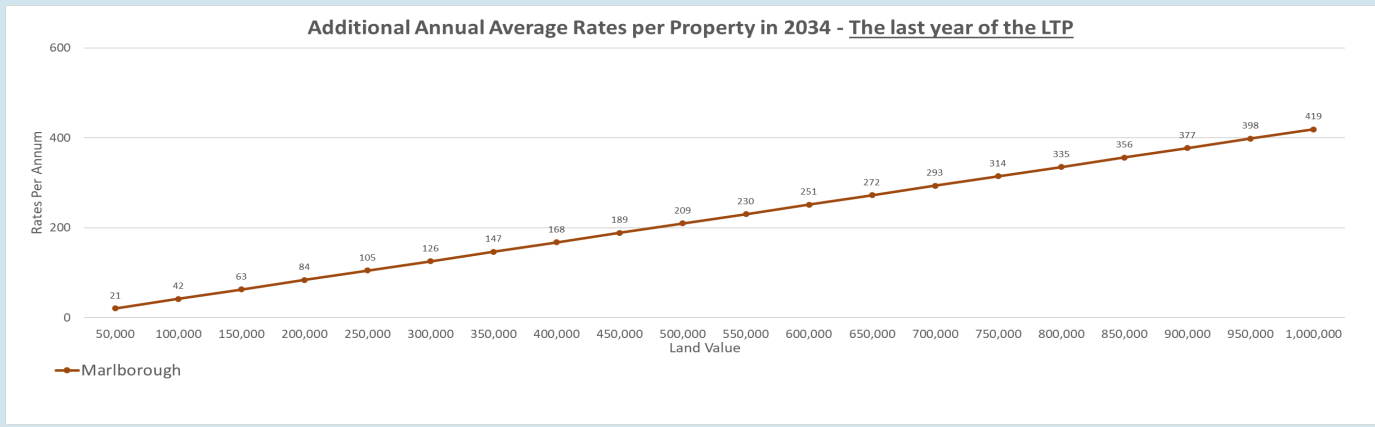
Key outcomes:

- Everyone is treated equally.
- This approach is similar to the current system (except for Sounds Admin Rural, which currently has a weighting of 25).
- Sounds Admin Rural’s weighting of 25 is increased to 100 for this work programme.
- This option does not recognise that, with no roads, Sounds Admin Rural properties receive different levels of benefit from the transportation network.
- The unique 2021/2022 storm events were significantly larger than other emergency events, and could be assessed differently from day-to-day road funding.

Rating impact:

The table below identifies the projected average rates increase for each property in Marlborough from 2024-2034 if a 100 weighting was applied to all Zones:

	Number of properties	Average rate (\$)									
		Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Jun-33	Jun-34
All Marlborough	26,787	13.74	49.94	98.25	152.17	229.61	258.09	265.92	273.92	282.05	290.35





Option 2(b): Reduced weighting for non-Sounds / Sounds Admin Rural

Long Term Plan 2024-34

In Option 2(b), all Sounds properties have a weighting of 100, while Sounds Rural Admin and non-Sounds properties both have a weighting of 25 each.

➤ This acknowledges the direct benefits Sounds properties receive from the Sounds roading network when compared to other Marlborough ratepayers.

Key outcomes:

- Recognises Sounds Admin Rural properties receive a different benefit from the rest of Marlborough, as they have no roads, and retains their usual weighting of 25.
- Recognises non-Sounds properties only receive indirect benefits from the Sounds transport network, so the average rate in the dollar of land value charged to non-Sounds properties is less than properties located within the Sounds.
- Due to the number and value of non-Sounds and Sounds Admin Rural properties, even with a lower weighting of 25, properties in these areas still contribute 74% of the total rates required.

Share of rates:

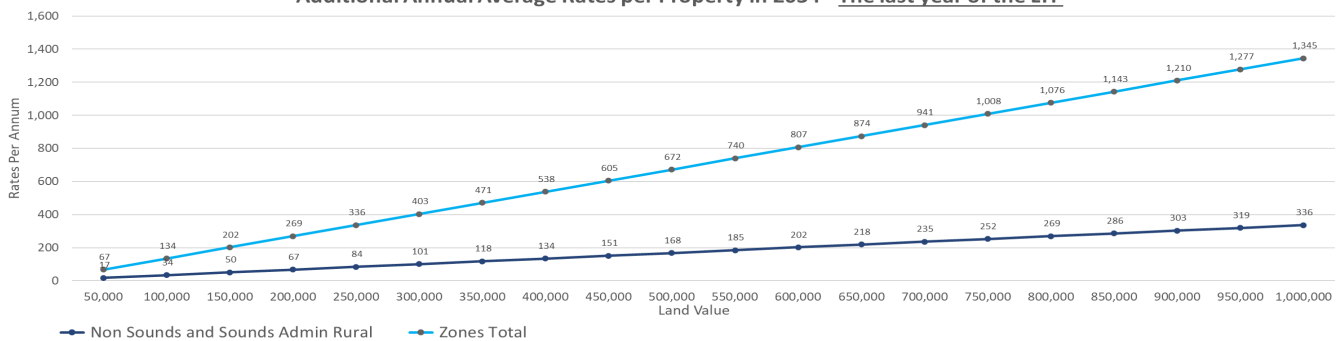
Non-Sounds	71%
Sounds Admin Rural	3%
Sounds Zones	26%

Rating impact:

The table below identifies the average projected rates for Sounds Zone properties (weighted 100) versus non-Sounds and Sounds Admin Rural properties (weighted 25 each) for 2024-2034:

	Number of properties	Average rate (\$)									
		Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Jun-33	Jun-34
Zones	3,039	31.91	116.01	228.21	353.47	533.33	599.48	617.67	636.25	655.13	674.41
Sounds Admin Rural	1,451	6.93	25.18	49.53	76.72	115.76	130.12	134.07	138.10	142.20	146.39
Non-Sounds	22,297	11.71	42.55	83.71	129.65	195.62	219.88	226.56	233.37	240.30	247.37

Additional Annual Average Rates per Property in 2034 - The last year of the LTP





Option 2(c): Zone-specific weighting

Long Term Plan 2024-34

Option 2(c) allocates the rates across properties in each Zone in proportion to the estimated cost of works in the Zone.

➤ This means that the amount paid per annum by equally valued Zone properties in different Zones would vary according to the total repairs, roading and marine improvements expenditure required within their particular Zone (relative to other Zones) and the total land value in those Zones.

This table identifies the estimated cost percentage for each Sounds Zone.

Zone	Share of cost (%)
Rai Valley to Te Aumiti/French Pass	22.5
Te Hoiere/Pelorus	2.7
Tōtaranui/Queen Charlotte	11.8
Kenepuru	54.7
Te Whanganui/Port Underwood	8.3
Total	100.0

Key outcomes:

- Rates are distributed to properties in proportion to the direct benefit received.
- Due to the high estimated cost of repair in the Kenepuru Zone, Kenepuru property owners would pay a higher rate.
- Properties in Zones with low levels of estimated costs of repair and improvement would pay less.
- Sounds Admin Rural and non-Sounds properties are each weighted at 25, recognising they only receive indirect benefits from the Sounds transport network.



Option 2(d): Non-Sounds Uniform Annual Charge

This is Council's preferred funding option.

Option 2(d) retains the tailored weighting for each Sounds Zone – as in Option 2(c) above – but changes the rating for the rest of Marlborough properties from a Land Value rate to a fixed Uniform Annual Charge (UAC) that would be the same for all properties in the rest of Marlborough.

➤ Under this option, Kenepuru ratepayers would pay more compared to other Sounds Zones and the rest of Marlborough, as they are the main users and beneficiaries of the Kenepuru Road. By comparison, Pelorus residents, who have the cheapest road to fix, would pay only slightly more than the rest of Marlborough's ratepayers.

➤ The average value for non-Sounds properties' rates identified in Option 2(c) becomes the UAC. I.e., starting at \$11.71 in 2025 and rising to \$247.37 for 2034.

Key outcomes:

- Recognises that benefits to road recovery are not necessarily related to a property's size, use or value.
- All non-Sounds properties would pay the same fixed amount (UAC) per year.
- Costs are distributed to properties in proportion to the direct benefit received.
- Properties in Zones with low levels of estimated costs of repair would pay less, and those with more costs would pay more.
- Non-Sounds and Sounds Admin Rural properties would contribute about 74% of the cost to fix the Sounds road networks, and Sounds Zone property owners would contribute about 26%.

➤➤➤ See the rating impacts of 2(c) and 2(d) on the next board ➤➤➤

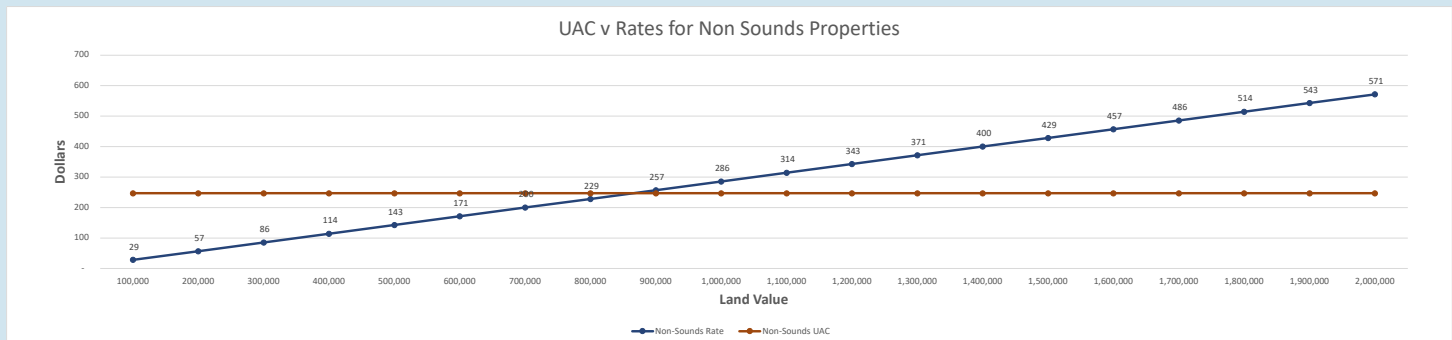
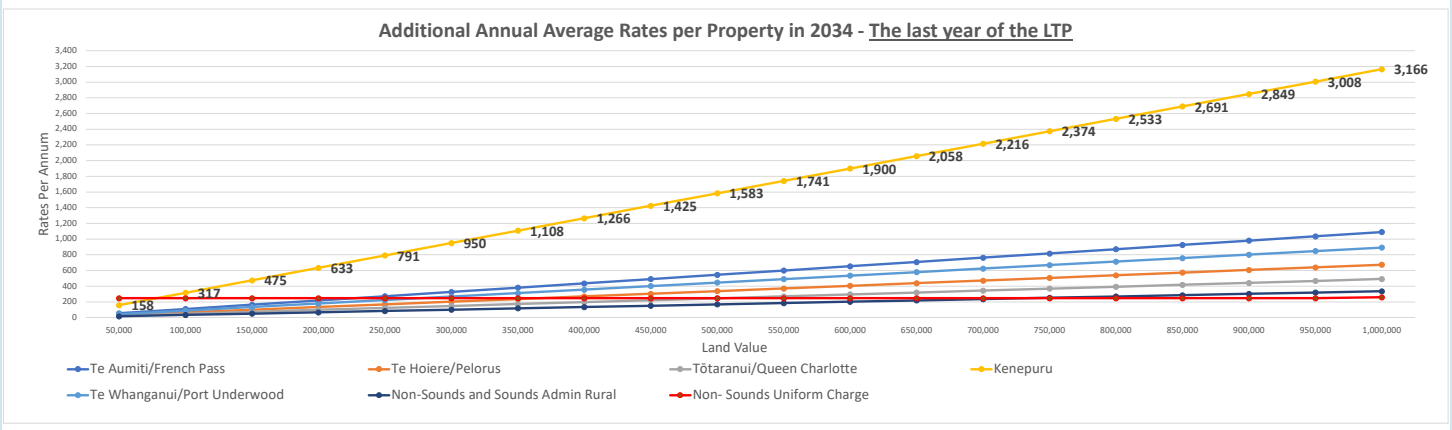
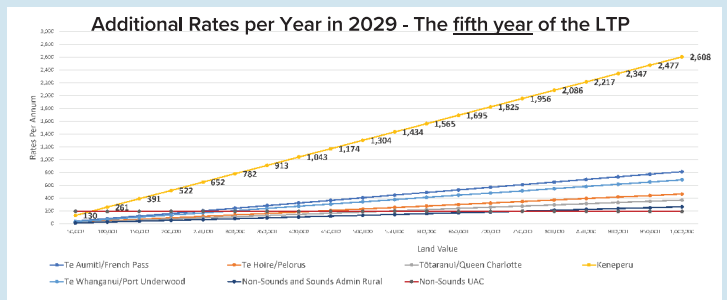
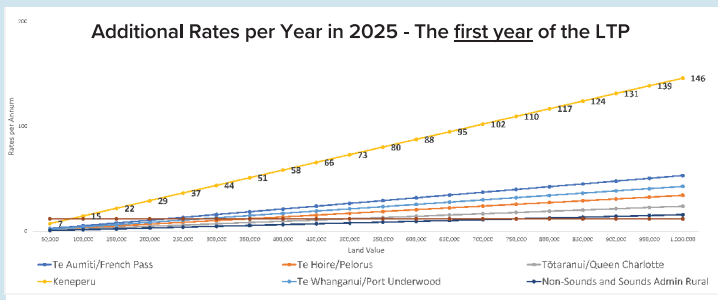
Rating impacts of Option 2(c) and Option 2(d)

Long Term Plan 2024-34

The table below identifies the average projected rates for Sounds Zone properties (based on share of cost per Zone) versus non-Sounds and Sounds Admin Rural properties (weighted 25 each) for 2024-2034:

	Number of properties	Average rate (\$)									
		Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Jun-33	Jun-34
Rai Valley to Te Aumiti/French Pass	896	24.68	86.31	165.04	253.53	377.58	429.51	447.86	466.60	485.66	505.12
Te Hoiere/Pelorus	162	16.46	54.71	100.49	152.50	222.65	257.93	273.73	289.86	306.30	323.06
Tōtaranui/Queen Charlotte	712	16.22	56.95	109.25	167.99	250.57	284.63	296.38	308.38	320.59	333.05
Kenepuru	930	56.49	211.63	425.06	662.23	1,008.34	1,124.00	1,148.32	1,173.18	1,198.39	1,224.15
Te Whanganui/Port Underwood	339	23.95	85.50	166.01	256.17	384.24	434.24	449.85	465.80	482.02	498.58
Sounds Admin Rural	1,451	6.93	25.18	49.53	76.72	115.76	130.12	134.07	138.10	142.20	146.39
Non-Sounds	22,297	11.71	42.55	83.71	129.65	195.62	219.88	226.56	233.37	240.30	247.37

These graphs show the possible rates movement and UAC for non-Sounds and Sounds Admin Rural properties with a land value of up to \$1M for years one, five and 10 of the LTP*.



*BERL's Local Government Cost Index inflation rate has been applied over the 10 years of the LTP.