
Pre-Election Report 2016



**MARLBOROUGH
DISTRICT COUNCIL**







Contents

Purpose.....	5
Key Dates.....	5
What is the Marlborough District Council.....	6
Document Information.....	7
Major Issues Facing Council.....	7
Major Projects 2017-2020.....	8
Forecast Rates Movements.....	10
Forecast Debt Levels.....	12
Return on Investments.....	13
Financial Statements - Basis of Preparation.....	14
Summary Cash Flows.....	14
Summary Balance Sheet.....	15
Funding Impact Statement.....	16

To promote public discussion about the issues facing Council and encourage informed debate in the lead-up to the October 2016 local body elections



Purpose

The purpose of a Pre-Election Report (the Report) is for the Chief Executive to provide information to promote public discussion about the issues facing Council. It is also to encourage informed debate in the lead-up to the October 2016 local body elections. It is your right to either agree or disagree with the issues raised.

You may be considering standing for Council. The role of councillor is demanding, challenging and rewarding and those with an interest in community are encouraged to get involved and stand for election.

Key dates in the election process



Nomination day:
Nominations close at
12.00 noon



Delivery of
voting papers



Election day:
Voting closes at 12.00
noon



Declaration of
results

What is Marlborough District Council

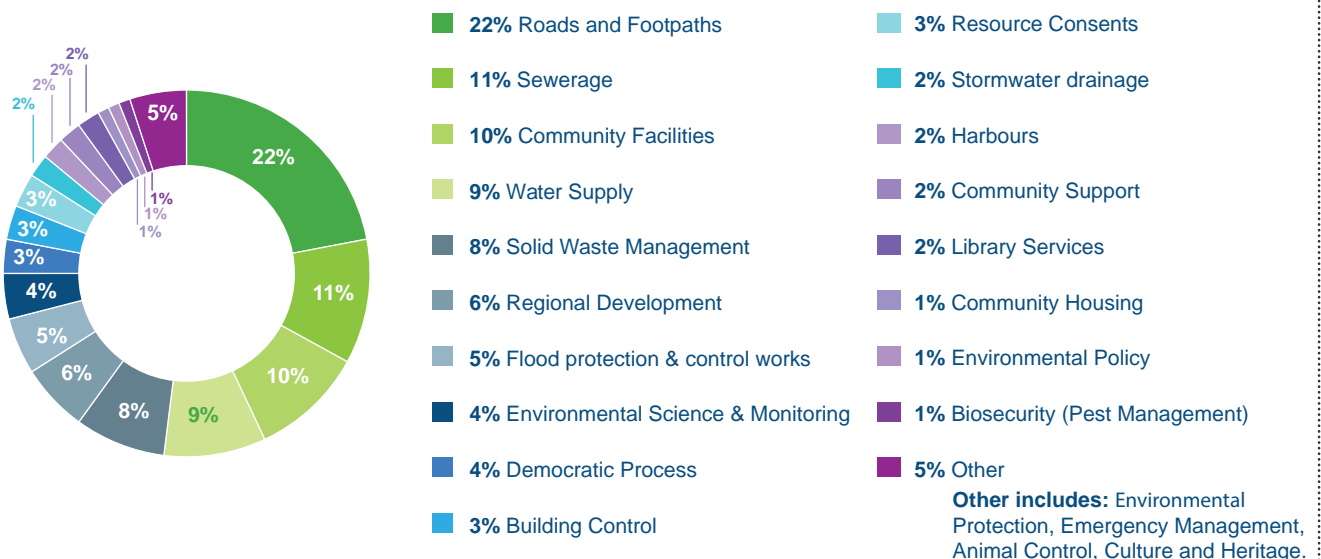
Marlborough District Council (MDC) is a unitary authority, which combines the functions of a Regional Council and Territorial Local Authority. MDC has a land area of 17,517 kilometres² making it one of the largest Councils in New Zealand, in terms of area. It also has the country's longest coastline.

The Council is comprised of the Mayor and 13 Councillors. The Council is responsible for the governance of and setting the strategic direction for the region. It also ensures that MDC focuses on delivering the community outcomes set out in the Long Term Plan (LTP) under the statutory mandate of the Local Government Act (2002) and other legislation. MDC has an overall budget of approximately \$100 million and

manages \$1.4 Billion of assets, on behalf of residents and ratepayers. This includes 409km of water pipelines, 306km of sewerage pipelines, 364 bridges 238km of urban footpaths and 1,535km of roads.

As well as providing core infrastructure such as water and waste services, roads and footpaths, MDC provides and maintains assets like swimming pools, libraries, monuments, parks, playgrounds, cemeteries, community halls, sports grounds and street lights. MDC performs regulatory functions like planning, building control, harbour control and environmental health and is also responsible for regional economic development initiatives. As such, Council comes in contact with all residents either directly or indirectly.

2016-17 Operating Expenditure



Information contained in this document

The Pre-Election report contains the following information:

- The Chief Executive’s assessment of the major issues facing Council
- Details of the major projects proposed in the three years following the election
- Forecast future Rates increases and Debt levels
- A Cash Flow Statement for the three financial years preceding the election and a forecast for 2016-17
- A summary Balance Sheet based on information in:
 - ◊ the annual reports for each of the three financial years preceding the election; and
 - ◊ the Long Term Plan for each of the three financial years following the election; plus updated forecasts from the 2016-17 Annual Plan updated for 2016 estimated actuals
- A Funding Impact Statement (FIS) for each of the three financial years following the election.

Major issues facing Council

The following major issues are being addressed by Council:

1. Coordinating infrastructure upgrades, particularly sewerage and stormwater, with rapid short-term residential development demand, including that for viticulture worker accommodation.

The required upgrades will not impact on ratepayers, but do enable economic growth for Marlborough.
2. Providing core services, effective regulatory processes and facilitation to take advantage of economic development opportunities.
3. Achieving a balance between increased community and central government expectations for the environment, infrastructure and community amenities and facilities levels of service. This includes engaging with key stakeholders

to develop the aquaculture provisions of the Marlborough Environment Plan and completing a fair and robust process for considering and evaluating submissions on the entire Plan to assist the making of sound decisions.

4. Limiting rates and charges increases, while keeping debt at prudent levels and still achieving the Community’s desired levels of service.
5. Planning for forecast demographic changes – an ageing and increasingly fixed income population.
6. Commencing medium to long-term planning for climate change impacts.

Major Projects 2017-2020

The following major projects are proposed for the years 2017-18 to 2019-20.

Major projects for the current year (2016-17) can be seen in the 2016-17 Annual Plan on the Council website:

www.marlborough.govt.nz/Council-Publications/Plans-Policies-and-Documents/2016-2017-Annual-Plan

Project	2017-18 \$000's	2018-19 \$000's	2019-20 \$000's
Roads and Footpaths			
Roading infrastructure – programmed renewals including drainage, traffic services (LED street lighting conversion), pavement rehabilitation, reseals and unsealed road metalling	5,938	6,550	6,781
Northbank road seal extension	1,181		
Kenepuru road seal extension	811		
Footpaths, kerb and channel, cycle facilities etc	1,186	1,226	1,260
CBD and Small Township Upgrades			
Blenheim CBD improvements	1,533	1,045	1,069
Small township upgrades	511	523	535
Sewerage			
Blenheim upgrades			
Upgrading of under capacity sewers and pump stations including McLauchlan Street and Budge Street catchments to enable growth and reduce occurrence of overflows	7201	7,067	
Design for replacement of main outfall pump station Alabama Road			486
Pipeline renewals	327	545	560
Total Blenheim	7,528	7,612	1,046
Havelock upgrades - UV disinfection at treatment plant	418		
Total Havelock	418		
Picton upgrades - replacement of ageing trunk sewer and pump station infrastructure to improve capacity and reduce wet weather overflows	868	6,013	437
Total Picton	868	6,013	437
Riverlands upgrades - Industrial treatment plant capacity upgrade	1,886	4	32
Total Riverlands	1,886	4	32
Seddon upgrades – improve effluent quality for discharge to land	94	738	
Total Seddon	94	738	
St Andrews upgrades – new community sewer reticulation system		1,086	
Total St Andrews		1,086	
Water Supply			
Blenheim upgrades			
Pipeline upgrades in Old Renwick Road to provide additional capacity		503	
Upgrading and seismic strengthening of Wither reservoir	1,359		
Total Blenheim	1,359	503	0
Havelock upgrades			
Install universal water metering for demand management, subject to further consultation with the community	209	105	
Locate and commission a new water source from the Pelorus catchment to replace the existing source near the Kaituna River, which has been affected by saltwater intrusion in dry summers			5,399
Construction of a second reservoir to increase storage capacity	52	473	
Provide treatment to new and existing water sources that will meet the Drinking Water Standards		158	3,725
Total Havelock	261	736	9,124
Picton upgrades			

Project	2017-18 \$000's	2018-19 \$000's	2019-20 \$000's
Install universal water metering for demand management, subject to further consultation with the community		158	2,214
Total Picton	0	158	2,214
Renwick upgrades			
Install universal water metering for demand management, subject to further consultation with the community	498	158	
Construction of new water reservoir to replace the existing cluster of small capacity reservoirs	2,320		
Commission the Conders Bend Road bores and connecting pipeline to township		1,896	
Provide treatment of the Conders Bend Road water source that will meet the Drinking Water Standards	376	5,933	
Total Renwick	3,194	7,987	0
Awatere upgrades			
Completion of treatment system for Seddon township that will meet the Drinking Water Standards	562		
Pipeline upgrades in Waterfalls Road to provide additional capacity and pressure	155		
Installation of point of entry treatment systems for Awatere rural households that will meet the Drinking Water Standards			1,620
Total Awatere	717	0	1,620
Flaxbourne Irrigation Scheme			
Completion of the Flaxbourne Community Irrigation Scheme, which proposes to source water from the Awatere River for storage and distribution to irrigate 2200 hectares of land (to be funded by users of the Scheme)	19,859	2,367	
Total Flaxbourne	19,859	2,367	0
Stormwater			
Blenheim			
Caseys Creek channel enlargement	2,090		
Blenheim stormwater strategy related upgrades		1,052	1,080
Flood Protection and Control Works			
Drainage – Wairau floodplain			
Pump stations	84	626	194
Drainage channels	209	63	65
Rivers in the Wairau floodplain			
Stopbanks	340	195	108
Land purchase	209	210	216
Rock and gabion protection	763	337	572
Rock and gabion protection			
Community Facilities			
Swimming pools – Stadium 2000 foundation stabilisation works	713		
Reserves			
Lansdowne Park field lighting and reconfiguration	510		
Lansdowne Park sports house construction		5,093	
A & P Park new grandstand			1,591
Other reserve development (note 1)	998	1,637	1,638
Note 1: Other reserve development (district wide) is subject to the availability of funding contributions from land subdivision and subsequent prioritisation.			
Libraries			
New Blenheim library (scheduled for completion in 2021/22)		1,039	3,182
Land Development			
Blenheim (note 2) – Taylor Pass Road subdivision	1,656	1,584	
Note 2: Development is self-funding, no rates impact. Surpluses are generally applied to the development of community facilities.			

Budgeted, but uncompleted work from previous years are estimated to total \$35M in addition to the above.

Forecast Rates Movements



Each year Council reviews its forecast rate movements as part of either the Long Term or Annual Plan processes. This provides Council with the opportunity to review levels of service, expenditure priorities and the timing of capital projects.

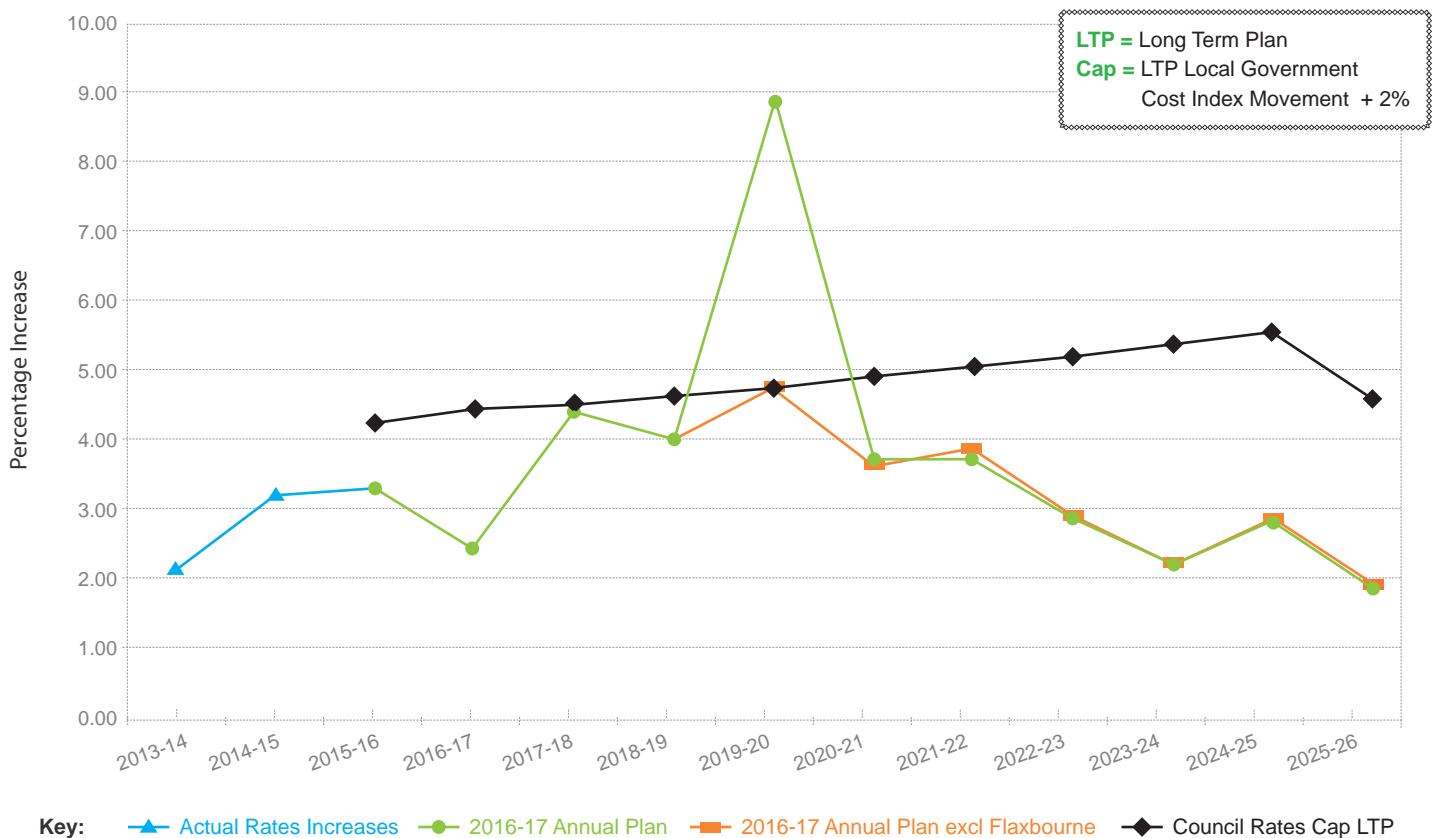
As a result, Council updates its rates forecasts annually. A rolling 10-year forecast is prepared because of the long term impact of the decisions it makes, particularly in regard to infrastructure investment.

The following two graphs show in percentage and dollar terms, the historic rate increases from 2013-14, the updated forecasts as a result of the 2016-17 Annual Plan (AP) and the statutorily required "Rates Cap" that it set when finalising its Financial Strategy for inclusion in its 2015-25 LTP. The main points to note are that:

Graph 1: % Rates Increases

Council is planning to be below its "Rates % Cap" in all but one year. The biggest contributor to the 2020-21 increase is the rating of the Flaxbourne Irrigation Scheme. The rates relating to this Scheme will only be paid by members of the Scheme and not by other ratepayers. Removing the rating impact of the Scheme shows the remaining increase for 2020-21 is marginally above the Council self-determined "Rates % Cap". Management and previous Councils have established a track record through the review process outlined above, of bringing rates increases back within the "Cap".

Forecast and Actual Rates Percentage Increases 2013-2026



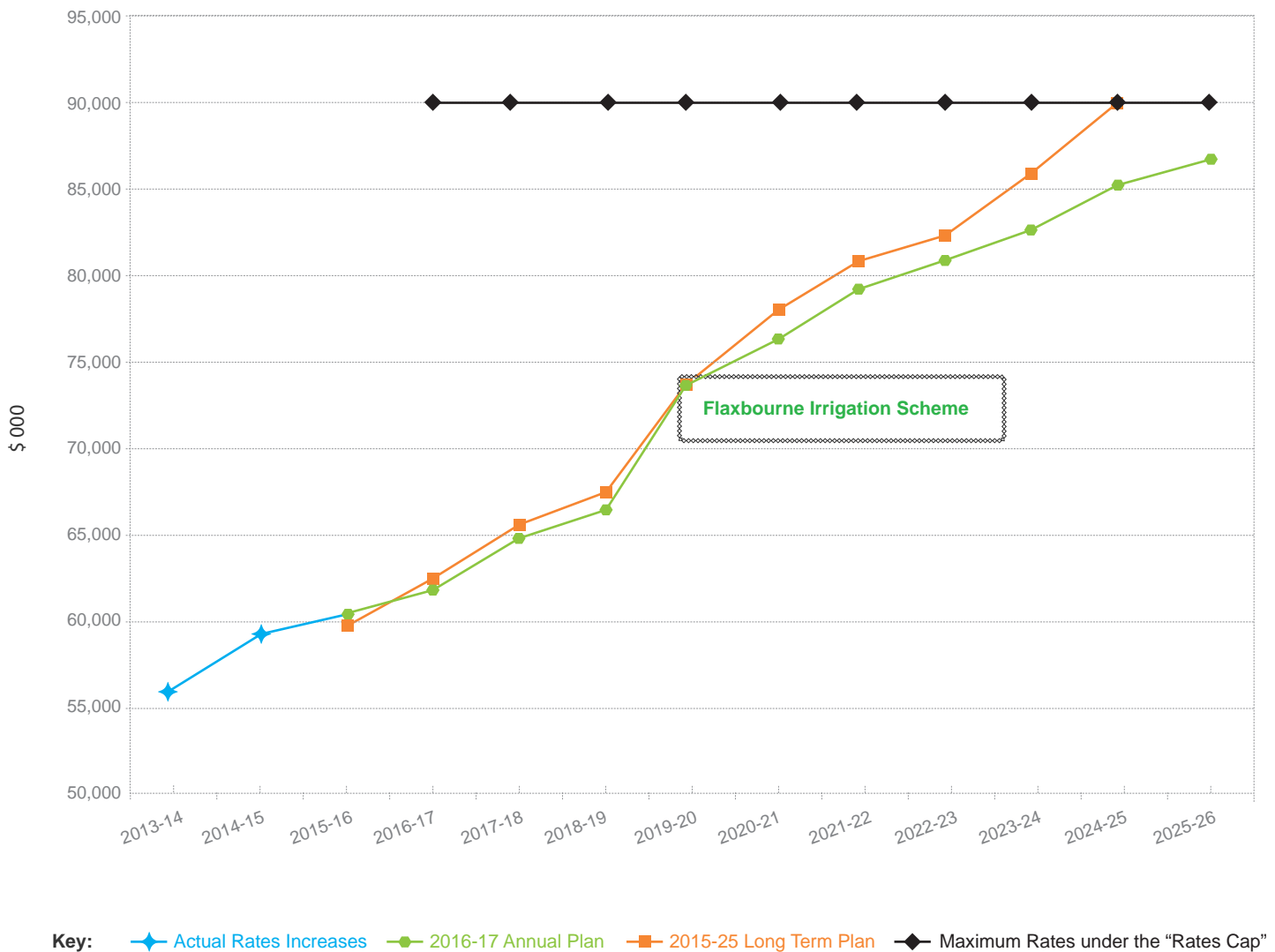


Graph 2: \$ Value of Rates

Council is also required to set a further rates cap relating to the maximum \$ value of rates. Council set this “Cap” at \$90M. The forecast rates in the 2015-25 Long Term Plan showed Council hitting that “Cap” in 2024-25. Since that time, with the reviews undertaken

by Council, forecast rates for 2024-25 are now almost \$5M below the “Cap”, reinforcing that historically, actual rates increases are consistently below those initially forecast.

Forecast Total Rates and Charges



Forecast Debt Levels

Council is in very good financial health as evidenced by the recently received “AA Long Term – Stable” credit rating provided by Standard and Poors, an independent, internationally recognised credit rating agency. The AA rating received by Council is the highest rating available to local authorities in New Zealand and will benefit Marlborough in both the short and long terms.

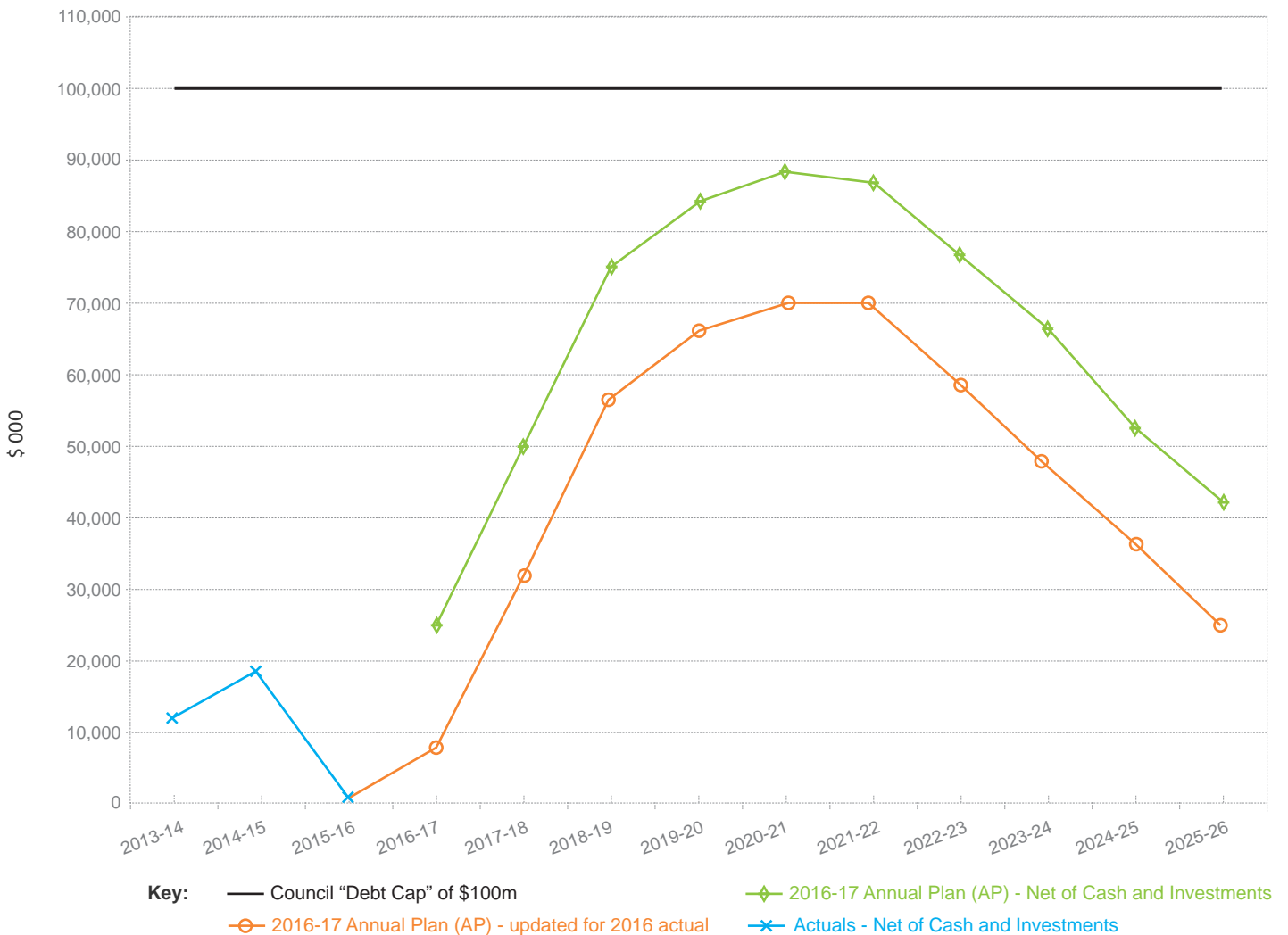
The following graph shows:

- Council’s decision to establish a “debt cap” of \$100M, a statutorily required component of its Financial Strategy;
- Council’s forecast net debt level over the next 10 years as shown in

its 2016-17 Annual Plan, net of investments and cash;

Council’s actual and forecast debt as at 30 June 2016, net of investments and cash holdings. The reduction in net debt is largely as a result of the accelerated sections sales programme, the excellent returns received from forestry and unforeseen delays in Council’s Capital Expenditure Programme. Council’s net debt is now forecast to reach a maximum of \$70M in the 2020-21 financial year.

Council Debt Net of Investment and Cash



In addition to the Net Debt shown above, Council has guaranteed the Marlborough Civic Theatre Trust’s debt of \$5.1M

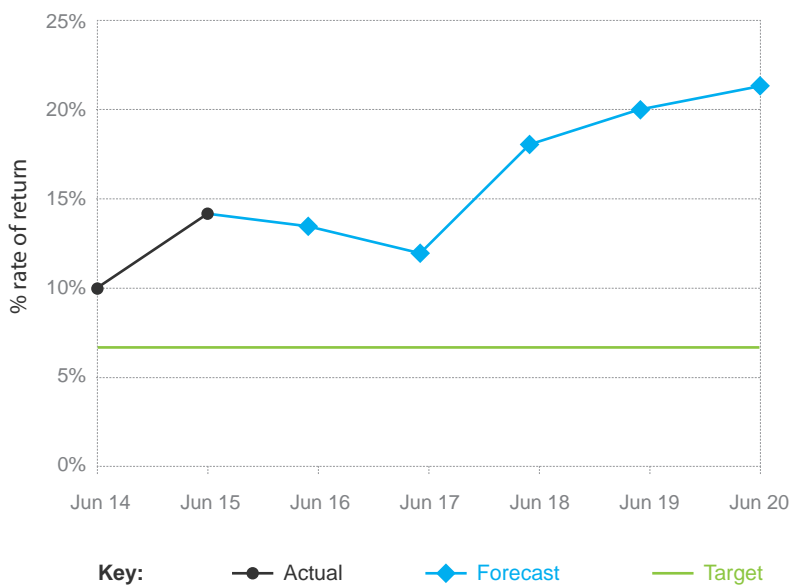
Return on Investments

Council has one major investment, its shares in MDC Holdings Ltd (MDCH).

MDCH owns 100% of Port Marlborough NZ Ltd and Marlborough Airport Ltd and is targeted with generating a tax paid return on opening shareholder's funds of at least 7%.

MDCH has achieved this target to date and is forecasting to achieve it in the future as shown in the following graph.

Return after tax on opening shareholders' funds (>7%)



Financial Statements - Basis of Preparation

The financial statements included in this Report are provided for the specific purpose of meeting the requirements of section 99A of the Local Government Act 2002.

The financial statements are a consolidation of Marlborough District Council and the 88.5% of the Marlborough Regional Forestry Joint Operating Committee it owns with Kaikoura District Council. The statements exclude the financial results and position of Council's subsidiary MDC Holdings and its subsidiaries Port Marlborough NZ Ltd and Marlborough Airport Ltd. This same basis is used for Council's Long Term and Annual Plans and for the "Council" columns in the Annual Reports.

The financial information contained in Summary Balance Sheet, Cash Flow and Funding Impact Statements in this Report has been sourced as follows:

1. The 2014 and 2015 financial years' information is extracted from audited Annual Reports;
2. 2016 is based on estimated actual results for the financial year; and
3. The 2017, 2018, and 2019 financial years' forecast information is extracted from the audited 2015-25 Long-Term Plan and 2016-

17 Annual Plan updated for 2016's estimated financial results.

Council updates its financial forecasts for the next 10 years every year to see the long term financial effect of the decisions it makes. As a result it has been able to forecast the future financial information needed to prepare the above statements and estimate future Rates and Debt levels.

Council's Annual Reports, 2015-25 Long Term Plan and 2016-17 Annual Plan are available on Council's website:

- Annual Report: www.marlborough.govt.nz/Council-Publications/Plans-Policies-and-Documents/Annual-Report
- 2015-25 LTP: www.marlborough.govt.nz/Council-Publications/Plans-Policies-and-Documents/2015-25-Final-Long-Term-Plan
- 2016-17 Annual Plan: www.marlborough.govt.nz/Council-Publications/Plans-Policies-and-Documents/2016-2017-Annual-Plan

Summary Cash Flows

Summary Cash Flows	Actual		*Estimate
	2013-14	2014-15	2015-16
	\$000's	\$000's	\$000's
Cash at the beginning of the year	1,252	5,341	1,519
Receipts from rates revenue	56,465	58,934	61,070
Receipts from other revenue	37,074	41,100	47,558
Interest received	756	787	700
Payments to suppliers and employees	(70,152)	(77,685)	(77,309)
Interest paid	(1,320)	(1,593)	(1,277)
Net cash flow from operating activities	22,823	21,543	30,742
Receipts from sale of assets	4,420	2,241	13,050
Sale / (acquisition) of investments	(331)	(451)	(14,849)
Advances Received	-	906	-
Dividends received	1,337	236	1,158
Capital purchases	(29,660)	(28,797)	(28,811)
Net cash flow from investing activities	(24,234)	(25,865)	(29,453)
Net borrowings	5,500	500	(500)
Net increase / (decrease)	4,089	(3,822)	789
Cash at the end of the year	5,341	1,519	2,308

Summary Balance Sheet

Summary Balance Sheet	Actual		*Estimate	from 2015-25 LTP			Forecast			
	2013-14	2014-15	2015-16	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	
Cash and cash equivalents	5,341	1,519	2,308	853	789	492	2,381	2,512	2,401	2,244
Debtors and other receivables	8,036	8,787	6,395	7,851	8,056	8,278	6,395	6,395	6,375	6,395
Inventory (including non-current assets held for sale)	2,437	8,549	8,306	2,464	2,475	2,486	1,799	1,799	1,799	1,799
Other financial assets	6,528	7,762	22,999	6,528	6,528	6,528	6,999	6,999	6,999	6,999
Total current assets	22,342	26,617	40,009	17,696	17,848	17,784	17,575	17,706	17,575	17,438
Other financial assets	12,506	11,819	11,431	12,348	12,348	12,348	12,061	12,061	12,061	12,061
Intangible assets	1,131	1,925	1,391	605	625	652	1,409	1,434	1,459	1,480
Biological assets	16,333	15,837	15,837	13,333	12,587	11,773	15,837	15,191	14,450	13,664
Property, plant and equipment	1,344,069	1,378,573	1,393,885	1,544,971	1,612,771	1,672,390	1,437,884	1,499,897	1,563,090	1,614,267
Total non-current assets	1,374,039	1,408,154	1,422,544	1,571,257	1,638,331	1,697,163	1,467,191	1,528,583	1,591,060	1,641,472
Creditors and other payables	14,370	15,027	14,574	13,630	13,985	14,370	14,574	14,574	14,574	14,574
Total current liabilities	14,370	15,027	14,574	13,630	13,985	14,370	14,574	14,574	14,574	14,574
Borrowings	28,000	28,500	28,000	82,500	106,500	118,500	39,000	63,500	88,000	97,750
Other liabilities	1,542	1,417	1,505	2,706	2,740	2,776	1,523	1,542	1,563	1,585
Total non-current liabilities	29,542	29,917	29,505	85,206	109,240	121,276	40,523	65,042	89,563	99,335
Net assets	1,352,469	1,389,827	1,418,473	1,490,117	1,532,954	1,579,301	1,429,668	1,466,672	1,504,497	1,545,000
Total equity	1,352,469	1,389,827	1,418,473	1,490,117	1,532,954	1,579,301	1,429,668	1,466,672	1,504,497	1,545,000

Contingencies: As well as being guarantor for a small number of community organisation bank loans, the council has a loan guarantee for the Marlborough Civic Theatre Trust for a total of \$5.1 million.

Funding Impact Statement

Funding Impact Statement	Actual		*Estimate				from 2015-25 LTP				Forecast		
	2013-14	2014-15	2015-16	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Sources of operating funding													
General rates, uniform annual general charges, rates penalties	33,361	35,133	25,188	40,522	42,168	43,789	39,246	40,990	42,021	43,770			
Targeted rates (other than a targeted rate for water supply)	20,548	20,956	20,571	23,178	24,678	25,912	20,337	21,284	22,702	26,734			
Subsidies and grants for operating purposes	4,894	4,383	5,022	5,597	5,951	6,128	5,323	5,390	5,780	5,941			
Fees, charges, and targeted rates for water supply	14,317	16,457	15,311	16,551	17,226	17,858	15,959	16,610	16,972	17,506			
Interest and dividends from investments	2,074	1,007	1,858	1,660	1,710	1,710	1,596	1,710	1,810	1,910			
Other receipts including fuel tax, fines and infringement fees	15,618	18,617	28,597	16,370	16,793	17,143	15,986	15,836	16,073	16,053			
Total operating funding	90,812	96,553	96,547	103,878	108,526	112,540	98,446	101,820	105,359	111,913			
Applications of operating funding													
Payments to staff and suppliers	60,830	62,353	63,806	73,713	76,530	78,760	73,940	75,148	76,400	78,645			
Finance costs	1,211	1,660	1,277	5,571	6,765	8,029	2,157	3,225	4,698	5,729			
Other operating funding applications	12,021	10,273	4,924	3,019	2,967	3,017	3,594	3,322	3,220	3,224			
Total applications of operating funding	74,062	74,286	70,007	82,303	86,262	89,806	79,692	81,695	84,318	87,599			
Surplus (deficit) of operating funding	16,750	22,267	26,540	21,575	22,264	22,734	18,754	20,126	21,041	24,315			
Sources of capital funding													
Subsidies and grants for capital expenditure	2,496	2,967	6,196	3,427	3,454	3,582	4,294	3,642	3,351	3,469			
Development and financial contributions	1,629	2,620	2,104	1,305	1,377	1,451	1,410	1,423	1,441	1,455			
Increase (decrease) in debt	5,500	500	(500)	10,000	24,000	12,000	11,000	24,500	24,500	9,750			
Gross proceeds from sale of assets	4,504	2,241	9,396	1,901	2,835	2,016	10,835	2,223	1,999	2,384			
Total sources of capital funding	14,129	8,328	17,196	16,633	31,666	19,049	27,540	31,789	31,292	17,057			
Applications of capital funding													
Capital expenditure to meet additional demand	5,215	6,413	7,495	9,962	19,846	8,145	19,814	18,388	16,652	12,203			
Capital expenditure to improve the level of service	11,315	17,090	9,209	10,858	16,665	6,730	23,967	22,243	20,143	14,761			
Capital expenditure to replace existing assets	9,008	12,766	10,496	20,332	25,980	22,459	21,306	19,773	17,906	13,122			
Increase (decrease) in reserves	5,633	323	1,687	(2,944)	(8,561)	4,449	(2,792)	(8,489)	(2,369)	1,287			
Increase (decrease) of investments	(292)	(5,997)	14,849	-	-	-	(16,000)	-	-	-			
Total applications of capital funding	30,879	30,595	43,736	38,208	53,930	41,783	46,294	51,915	52,333	41,372			
Surplus (deficit) of capital funding	(16,750)	(22,267)	(26,540)	(21,575)	(22,264)	(22,734)	(18,754)	(20,126)	(21,041)	(24,315)			
Funding balance	0	0	0	0	0	0	0	0	0	0			