

Extraordinary Council Meeting

9 April 2021

Separately Circulated Attachment

(as indicated this is circulated separately to the Agenda)

This attachment relates to Item 4
in your Agenda

*Attachment 4.1 –
2021-31 Long Term Plan Consultation Document*

Long Term Plan Consultation Document

2021 - 2031



Message from the Mayor

The challenges presented in preparing our Long Term Plan have been like no other. While we have fared better than other parts of the world, and other parts of New Zealand, Marlburians are still living in a period of uncertainty caused by the global Covid-19 pandemic.



When it was clear that we were confronted with a global crisis right here at home, the Council took decisive action, keeping our rates increase below inflation at 1.88%. These interventions included amongst other things, increased grants to community organisations and facilities providers, funding campaigns to support Marlborough businesses, easing car parking costs to encourage activity in our town centres and continuing planned infrastructure expenditure. We also amended our procurement policy to enable faster, more locally focussed tendering processes. We were able to do this by delaying some expenditure, and now we're able to smooth rates increases over the next few years due to our strong financial management and low level of debt.

Like many other councils, we are now playing catch up. The spending that we put off last year is still needed for Marlborough to move forward. And free parking in the Blenheim town centre, while popular, isn't actually free. It comes at a projected revenue loss of over \$550,000 in this financial year for the Council, keeping that account in a deficit. This is one of many issues outlined in this document that's awaiting your feedback.

This year's rise in rates is likely to be higher than what Marlburians are used to, but still lower than many councils across New Zealand, with some proposing double-digit increases. Currently, we're proposing a rates increase for the coming financial year from 1 July 2021 of 5.73% - that's about \$160 per year or \$3 per week for the average Marlborough household.

It will, however, be difficult to get our proposed increase much lower than 5.73% because of the costs driving this increase:

- Inflation, advised each year by the Local Government Cost Index (LGCI);
- Increased infrastructure investment due to growth and increasing Government and community requirements;
- Covid-19 recovery work and revenue impacts; and
- New Government regulations, which impact virtually every aspect of Council.

Our proposed rates increase is 5.73% - that's about \$160 a year or \$3 per week for the average Marlborough household.

Marlborough's growth is higher now than in the past and is contributing to a greater need for infrastructure investment – primarily pipes in the ground, water treatment and roads. Our infrastructure programme will see a record \$80 million budgeted for 2021/2022, and an average of \$74 million in each of the following 10 years.

Our capital expenditure programme has increased significantly and this means we will take on more debt. But borrowing is affordable right now, and it spreads the cost fairly across the generations, a principle known as intergenerational equity. This means today's ratepayers do not bear all the costs of tomorrow's infrastructure.

We have six key aims to achieve our financial outcomes over the next decade, which you can read about in our financial strategy on page 34. While we may take on more debt, we plan to maintain a minimum AA stable credit rating from S&P Global, as well as cap our debt at \$230 million, which is less than 10% of our assets. We're also maintaining our investments in Port Marlborough, Marlborough Airport and accessible funds for emergencies.

This proposal is all about positive outcomes for our community - namely our people, environment, economy, connectivity and how we live. These outcomes can only be underpinned by strong governance and community participation. That's where we need your help.

This consultation document outlines our key priorities for the next decade, which affect our rates, debt and levels of service for our community. Please take the opportunity to have your say. Help us shape Marlborough's future and how we get there, together.

John Leggett
Mayor of Marlborough

Contents

| | |
|-----------|----------------------------------|
| 4 | Have your Say |
| 6 | Investing in Infrastructure |
| 8 | Investing in the Economy |
| 11 | Investing in the Environment |
| 14 | Investing in the Community |
| 17 | Rates |
| 21 | Housing |
| 26 | Development Contributions Policy |
| 28 | Parking |
| 30 | Infrastructure Strategy Summary |
| 34 | Financial Strategy Summary |
| 39 | Report from the Auditor General |

Have your Say

Council is reviewing what we plan to deliver in our community over the next 10 years, and submissions are open 9 April to 10 May for your feedback.

All local authorities are required by the Local Government Act 2002 to prepare a 10-year Long Term Plan every three years, outlining the what, when and how of their planned spending over the next decade. This consultation document sets out a plan for our works and services, budgets and rates for the next 10 years, but with a particular focus on the next three years.

These updates ensure our Long Term Plan is still relevant, accurate and moving us towards our community outcomes and aspirations. As none of the individual areas/issues for feedback contained in this document meet the criteria defined in Council's Significance and Engagement Policy, we are not undertaking formal consultation as defined in the Local Government Act. However, we are still keen to hear your views on any of Council's Activities whether or not they're contained in this document

Excluded from this consultation

At the time of preparing this consultation document, there were two major initiatives that are ongoing and where impacts are uncertain for Council. Central Government water reform and a redevelopment of the Picton Ferry Terminal are specifically excluded from this consultation document and the 2021-2031 Long Term Plan due to uncertainties regarding the timing and clarity of their impacts for Council.

In July 2020, the Government launched its Three Waters Reform Programme to review local government's role in water, sewerage and stormwater across New Zealand. The Government expects to make substantive decisions in April/May 2021. It is expected that Councils will be asked to consult with their communities in late 2021 whether they should join one of the new water service delivery entities. For Councils that participate in the reforms, the transfer of responsibilities, assets, liabilities and related obligations is likely to occur from 1 July 2024.

The other major initiative to impact Council over the period of the Long Term Plan is the redevelopment of the Picton Ferry Terminal. KiwiRail is progressing plans to replace the current fleet of three Cook Strait ferries with two new, large rail-enabled ferries from 2024. The Picton terminal is ageing and together with the wharves will need to be upgraded to meet the requirements of the new ships. The planning for this redevelopment is in its early stages and KiwiRail is working with Port Marlborough, which is owned by Council, on the many complexities of this project.

While both of these initiatives could have a significant financial impact on Council, they have been excluded from the 2021-2031 Long Term Plan and this consultation document because there is insufficient information at this time.

Both initiatives will be separately consulted upon when there is clarity and certainty on impact to Council finances and services for the community.

Financial and infrastructure strategies

In addition to existing and new levels of service provided by Council, this consultation document also includes summaries of two key strategies. The Financial Strategy provides a 10-year outlook and the Infrastructure Strategy provides a 30-year outlook.

Infrastructure is Council's core service, delivering it for today while planning for future generations. This strategy considers key challenges over the next three decades, from climate change to population growth, and how Council will maintain and grow its infrastructure to overcome these challenges. For more on this strategy, visit page 30.

Council must manage its revenues, expenses, assets, liabilities and general financial dealings prudently, and in a manner that promotes the current and future demands of the community. As a result, the Financial Strategy is an important component of the Long Term Plan that demonstrates, in financial terms, how Council will meet these growing demands.

How much our activities cost per household per day on average

| | | | |
|---|-------------------------------------|---|--------------------------------|
|  | \$1.16 Roads and Footpaths |  | \$1.15 Community Facilities |
|  | 47cents Flood Protection |  | 95cents Water Supply |
|  | 92cents Environmental Management |  | 81cents Sewerage |

In this consultation document, we outline our proposed initiatives to deliver our goals and aspirations as a community. For a detailed view of key projects and operating expenses in the 2021-2031 Long Term Plan, please see the 25 February 2021 Council Budget Meeting Agenda and other supporting documentation on Council's website.

Auditor's Report

Section 93(4) of the Local Government Act requires that this document includes a report from the Auditor General on whether the document achieves the purpose set in the Act, the quality of the information in the document and the underlying assumptions. The opinion draws attention to one issue, Government's proposal on delivery of Three Waters (drinking water, sewerage and Stormwater) as has been done for all local authorities. Otherwise, the opinion is unmodified. See page 39 for the full report.

To ensure your voice is counted, we need your feedback no later than 10 May 2021.

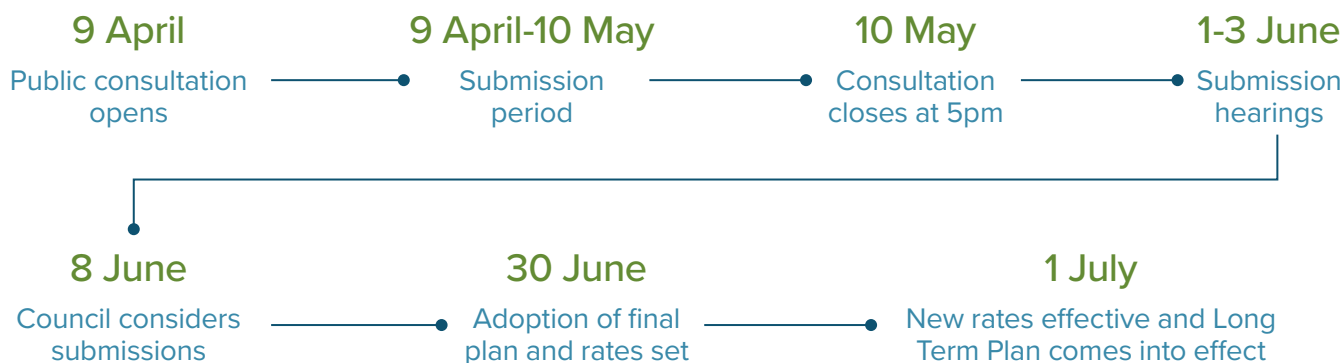
Having your say

Council encourages a strong community that's passionate about participating, connecting with and helping shape our future. Each section of this document features questions for your consideration. These questions can be found in the submission forms, available online with hard copies available at Council offices.

All submissions, including names and contact details, will be available to Councillors and the public through Council's website. If you'd like to speak to Council about your views, please tell us on your submission and Council will contact you to arrange a time for a public hearing.

We're keen to hear your views on our 10-year budget proposal. Please make a submission from 9 April to 10 May. Submissions will be heard by Council on 8 June and the Long Term Plan adopted on 30 June. New rates become effective on 1 July.

Timeline



How to submit

Online form

The online form is the quickest and easiest way to make a submission. Simply go to marlborough.govt.nz and follow the online prompts. Please indicate in your submission if you'd like to speak at a public hearing.

Hard copy

A hard copy of our submission form can be printed from our website, or collected from Council's Blenheim or Picton offices, or Marlborough District Libraries. All hardcopies must be returned before close of business on 10 May.

Email

Please send your submission to: longtermplan@marlborough.govt.nz

Investing in Infrastructure

We rely on infrastructure for the basics of everyday life, from clean tap water and flushing toilets to a safe drive to school or work. Sewers, pipes and roads aren't top of mind until something goes wrong or an everyday convenience is interrupted, such as having to change a normal route due to roadworks.

The infrastructure owned and operated by Council delivers core services, such as roads, wastewater, water supply, river and land drainage and urban stormwater drainage. Providing these services is essential for our community outcomes, especially our environment, economy and standard of living in Marlborough. Continuing Council's investment in infrastructure was one of the key strategies followed by Council to keep the Marlborough economy going following the Covid-19 outbreak. This strategy is continuing for the 2021-2031 Long Term Plan. Our infrastructure programme will see a record \$80 million budgeted for 2021/2022, and an average of \$74 million in each of the following 10 years. There are several reasons for increased infrastructure investment: Marlborough's growth, increasing Government standards, community expectations (particularly environmental outcomes), the need to renew our networks in a timely manner and ensuring resilience to climate change.

Roading is Council's biggest expenditure at around 20% of total capital spend. It's also partially subsidised by Waka Kotahi NZ Transport Agency, which is currently reviewing our bid for 2021-2024 funding of \$53.7 million, up from \$39 million in 2018-2021. At the time of this consultation document, the outcome for our bid is not yet known. The Waka Kotahi roading subsidy is currently set at 51% with costs to Council at 49%.

At the time of this consultation document, Council is aware of the following risks that are being explored to inform options and cost estimates:

- Marlborough Roads is seeing significant traffic growth and will undertake a comprehensive transport study over the next two to three years. It is likely this study will result in recommendations requiring future community input and budgeting.
- The Elmslie Bay (French Pass) jetty is coming to the end of its life. Consultants are exploring options for either a major maintenance project or a replacement. The outcome of this work, including cost estimates, will be brought to the Assets and Services Committee.
- Marlborough Roads is fielding more requests for dust suppressant and seal extensions, particularly to deal with dust from logging trucks. Dust suppressant is currently funded from unsealed roads budgets. Seal extensions are seen as a level of service increase where the area of benefit is expected to contribute. It is unlikely that all this work can continue without a budget increase.

It is not intended to formally consult on the entire programme of infrastructure works, as much of what is included in Council's capital expenditure budget is regarded as essential to:

- Meet current standards for infrastructure;
- Fulfil Central Government requirements and obligations on local councils;
- Renew infrastructure on a timely basis;
- Meet the potential impacts of climate change;
- Enhance environmental outcomes; and
- Enable growth.

Council has no option but to undertake these works and consultation on many of the projects has already happened in previous years. The exceptions are the two new expenditures for increased levels of service outlined later in this section. However, Council still welcomes and values comments from the community about our programme of work and approach to infrastructure challenges.

To learn more about Council's approach to infrastructure challenges, visit the section on our infrastructure strategy on page 30. For a more detailed view of key projects in the 2021-2031 Long Term Plan, please see items 4.2, 4.3 and 4.4. in the 25 February 2021 Council Budget Meeting Agenda.

Increased levels of service

Council is proposing two new infrastructure projects in the draft Long Term Plan - an upgrade to the Redwood Street/Town Branch stormwater system and new weighbridges for waste management. In the stormwater project, the initial design of the proposed new outfall to the Ōpaoa River is now complete, including input and feedback from affected landowners. This \$17.4 million outfall upgrade will enable permanent stormwater diversions from the current Redwood Street stormwater main at Muller Road and Stephenson Street and bring the catchment up to current standards. With \$7 million already earmarked for the project, Council proposes an increase of \$10.4 million in the capital budget to complete this stormwater upgrade in future years. This increase would be funded from a combination of river rates, development contributions and Blenheim stormwater rates. There is no rating impact for 2021-2022, but there will be an increase in 2027 when the work will be undertaken.

From 2022, the Government has signalled that Councils will be required to report the tonnes of waste and diverted material from all transfer stations. While these regulations are still awaiting approval, Council recommends two new weighbridges are installed at the Greenwaste Acceptance Facility and Resource Recovery Centre. Weighing rather than volumetric estimation is preferred by users. On-site weighbridges are not practical for the other transfer stations in Marlborough because of site layout or low volumes. While a weighbridge measurement is more reliable and accountable, the new Government rules allow for manual estimates of converting volume to tonnes.

Council proposes \$600,000 in the capital budget for two new weighbridges. Weighbridge gate fees would be calculated based on operational and capital expenses associated with the two sites, with cost recovery through gate fees (75%) and general rates (25%). This has an average rating impact of \$2.79 per rateable property for 2021-2022.

The Proposal

The Council proposes an upgrade to the Redwood Street/Town Branch stormwater system and new weighbridges for waste management:

Do you support the Council's plan to undertake these two investments?

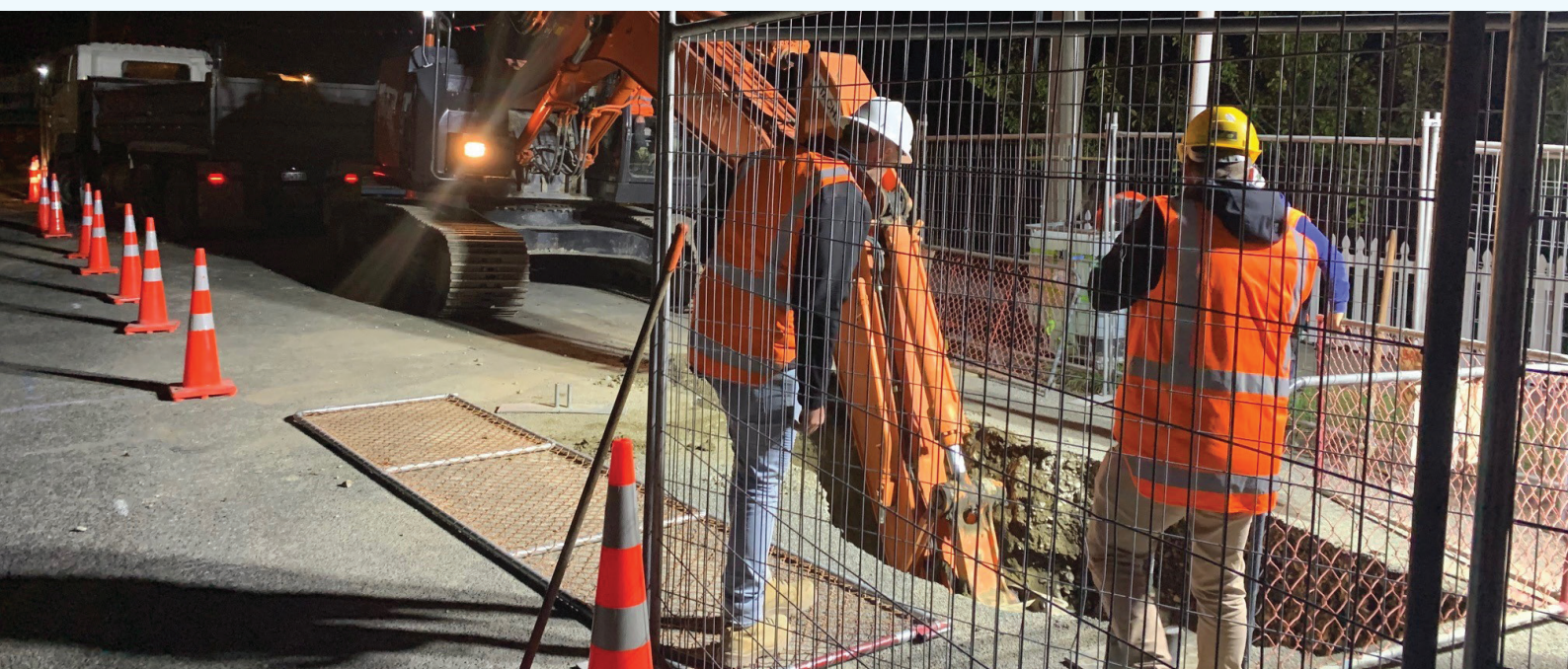
In the submission form you will be asked to provide comments. If you did not answer "Yes", please specify which aspects of the proposed infrastructure investments you do not support.

How to submit

Online form: Go to marlborough.govt.nz and follow the online prompts.

Email: Please send your submission to: longtermplan@marlborough.govt.nz

Hard copy: A hard copy of our submission form can be printed from our website, or collected from Council's Blenheim or Picton offices, or Marlborough District Libraries. All hardcopies must be returned before close of business on 10 May.



Investing in the Economy

Council is the lead economic development organisation for the Marlborough region. In 2018, an external review of Council's economic development, tourism and events services recommended an 'enhanced status quo', continuing the current delivery of services with some enhancements. The increases in levels of service proposed in this year's Long Term Plan address some of these enhancements, in addition to helping with Covid-19 recovery and addressing continued uncertainties.

Economic development

In recent years, Council's economic development team has focussed on delivering two main programmes: Smart Business Marlborough and Marlborough Smart+Connected. The latter won national recognition at the 2019 Economic Development New Zealand Awards. Council is proposing to continue these programmes and continue supporting its key economic sectors, while adding the screen, food and technology industries.

These new sectors would join wine, aquaculture, forestry, retail, and tourism and hospitality as key industries for Marlborough's future. The new sectors were chosen for their potential growth, their fit for our region and the external resources available for these sectors to leverage and thrive.

- Screen Marlborough is a three-year partnership with Screen Wellington that ends in June 2021. It established a hub for activities, such as film permitting, and to promote Marlborough for film projects. Council proposes to continue this work when the formal partnership expires, creating a standalone Screen Marlborough office to connect with the national network of regional film offices.
- Marlborough is home to small and large food producers, bringing the opportunity to help these businesses grow, export and highlight the region as a tourist destination. Council can help this industry to develop its story and connect businesses with Government support through the Ministry for Primary Industries and Ministry of Business, Innovation and Employment.
- Technology is disrupting jobs, business models, industries and organisations. All sectors will be impacted by innovation and disruption that technology brings. Council's role would help build the much needed connections, confidence, collaboration and knowledge to build this sector locally.

Council proposes an operating budget increase of \$100,000 per year to support an enhanced economic development programme to grow the technology, food and screen sectors with an average rating impact of \$3.75 per rateable property for 2021-2022.

Marlborough Events Centre

Scenic Hotel Group has managed and operated the Marlborough Convention Centre for 13 years. With the lease now expired, Council is negotiating with Marlborough Civic Theatre Trust (MCTT) to manage the centre in the future. Both Destination Marlborough and the MCTT recommend renaming the facility to the Marlborough Events Centre, which better describes the range of activities it hosts. Because of ongoing negotiations and uncertainty of events due to Covid-19, Council proposes allocating \$1.05 million (\$550,000 in 2021-2022, and \$250,000 for each of the next two years) from the Forestry and Land Development Reserve for deferred maintenance and to cover fixed operating costs over the next three years. Bookings for the Centre have continued through this transition and are currently being managed by MCTT. The economic benefit of just one such booking is estimated at over \$900,000.

The Aunties
Zone
— Manaaki Styles



Te Pātaka o Wairau Night Market

Regional events

Council's role in regional events was established in 2012 at the request of the events community. Today, Council provides a variety of services from managing the Follow-ME platform to promoting Marlborough events, supporting event organisers and managing the Commercial Events Fund. A large part of promoting regional events is the production and distribution of the quarterly events guides.

Currently, the summer guide is printed and distributed locally and nationally as this is the main events season. Fewer guides are printed in spring, autumn and winter and only distributed in Marlborough. To target domestic tourists, Council is proposing to increase the number of spring and autumn guides and distribute them in larger markets, such as Christchurch. The cost of increasing the print run for spring and autumn, distributing the guides nationally and promoting them would be \$30,000 per year. The first year will be funded from the Covid recovery TEAM budget. In subsequent years, the average rating impact would be \$1.12 per rateable property.

Council is undertaking detailed economic impact assessments for major events across the region. These assessments include the number of visitors, where they spend their money and how event operations benefit local businesses. The information for each event is unique, and Garden Marlborough is the last of the major events awaiting assessment. Council proposes to spend \$20,000 from the Forestry and Land Development Reserve on a one-off assessment for Garden Marlborough in 2022.

Blenheim Business Association (BBA)

Council considers the BBA to play an important role in assisting the retail community in a post Covid-19 environment. It is run by volunteers and a Council representative, sharing information and relaying feedback from Blenheim's central-area businesses to Council. Since Covid-19, the BBA has been active in working with and providing support to Blenheim's retailers in the area. Since 2018, it has employed a part-time coordinator to support the association, from pop-up parks and Christmas decorations to updating the website and social media. Council proposes an annual allocation of \$30,000 to the BBA to continue the group's operations, especially the coordinator role. This annual budget would replace the uncertainty of requesting annual grants and have an average rating impact of \$35.89 per Blenheim commercial/industrial rateable property for 2021-2022.

The Proposal

The Council proposes the following additional investments in our economy and regional events:

- Continue current economic development activities and increase spending by \$100,000 per annum to foster growth in the technology, food and screen sectors.
- Increase the printing of the spring and autumn events guides and distribute nationally at a cost of \$30,000 per annum.
- Commission, at a cost of \$20,000, an economic evaluation of Garden Marlborough to better understand its benefits.
- Allocate \$1.05 million over three years from reserves to the Marlborough Events Centre for deferred maintenance and fixed operating costs.
- Allocate \$30,000 per annum to assist the operation of the Blenheim Business Association.

In the submission form you will be asked to provide comments. If you did not answer "Yes", please specify which aspects of the proposed investments in the economy you do not support.

How to submit

Online form: Go to marlborough.govt.nz and follow the online prompts.

Email: Please send your submission to: longtermplan@marlborough.govt.nz

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Investing in the Environment

From recreation to the economy, freshwater and our coastline play key roles for our quality of life in Marlborough. The Marlborough Sounds is a destination for visitors and locals alike, for its scenic beauty and the flora and fauna that's only found here. The quality of our freshwater impacts how we live today, as well as future generations, from rural agriculture to our town centres.

New Government rules

New Government rules for freshwater management are one of the main drivers of the proposed rates increase in this Long Term Plan. In August 2020, the Government released its Essential Freshwater package, which aims to stop further degradation of freshwater across the country; takes immediate actions to see improvements within five years; and seeks to reverse past damage to bring waterways and ecosystems back to a healthy state within a generation.

The good news is that Marlborough's water quality is in much better shape than most other regions, largely due to our proactive approach to catchment management with local communities. The unfortunate news is that all Regional and Unitary Councils, regardless of current water quality, must comply with the national requirements. The Government's package includes several new and amended pieces of law, and Councils across the country are still assessing the resources needed to implement the new requirements. This Long Term Plan is addressing the known costs of the monitoring and reporting requirements of these new rules, the National Policy Statement for Freshwater Management 2020 (NPS-FM), which expands Council's current monitoring and reporting obligations.

To carry out these monitoring and reporting obligations under the NPS-FM, Council estimates costs of \$1.2 million over the next three years, including \$197,000 operating expenditure and \$95,000 capital expenditure for 2021-2022, with an average rating impact of \$7.57 per rateable property. Further increases are anticipated in 2022-2023 and 2023-2024. Please see item 4.25 in the 25 February 2021 Council Budget Meeting Agenda.



The Marlborough Sounds

Council is responsible for one-fifth of New Zealand's coastline, most of which is in the Marlborough Sounds, managing a variety of activities from marine farming to recreational boating. To better understand our coastal marine area, attract coastal research to the region and enhance the effectiveness of our coastal management, Council has partnered with Land Information New Zealand (LINZ) on extensive seabed mapping over the past few years. The Queen Charlotte Sound/Tōtaranui survey was completed in 2017 and mapping in the Pelorus Sound/Te Hoiere wrapped up last year.

This innovative seabed mapping captures the mountains and valleys, canyons and plains, and ridges and reefs that make up the unique underwater landscape at the top of the South Island. University researchers and the public are already using this information, available online via the Council's Smartmaps service, for safer navigation of our waterways and tracking plastic pollution in sediment, for example. There are many other potential uses for the data.

However, a funding shortfall has meant that some of the data collected has not been processed from the Pelorus/Te Hoiere survey, which also mapped French Pass and Admiralty Bay. The data collection and partial processing of the data, including navigational charts, was funded by a \$3 million investment from Council, with additional financial and operational support from LINZ. Now, a further \$1.2 million over the next six years is needed to process the vast amounts of data relating to the science layers of the mapping. The Pelorus/Te Hoiere survey was more complex than Queen Charlotte/Tōtaranui, due to its remote nature and more resource is needed to fully realise Council's \$3 million investment.

Originally, Council received estimates of \$3 million from external vendors to process the science data. However, Council staff found savings in a staged approach to processing the data to bring the cost down to \$1.2 million over six years, resulting in better value for ratepayers and enhanced scientific outcomes. This approach also enables a significant component of the funding to be deferred until 2023, so the average rating impact is \$0.14 per rateable property for 2021-2022 with further increases in 2022-2023 and the remaining years of the project.

The processing of this data will assist with carrying out the Proposed Marlborough Environment Plan, provide high-quality digital resources and information for the community, and enable better monitoring of the overall trends and health of this coastal marine area.

The Proposal

The Council proposes significant investments to enhance and protect our environment over the next 10 years to:

- Fulfil obligations under the National Policy Statement for Freshwater Management 2020 at a cost of \$1.2 million over the next three years, including \$197,000 operating expenditure and \$95,000 capital expenditure for 2021-2022.
- Process remaining environmental data to realise the benefits from seabed mapping at an estimated cost of \$1.2 million over the next six years.

Do you support Council increasing its investments in our environment?

In the submission form you will be asked to provide comments. If you did not answer "Yes", please specify which aspects of the proposed investments in the environment you do not support.

How to submit

Online form: Go to marlborough.govt.nz and follow the online prompts.

Email: Please send your submission to: longtermplan@marlborough.govt.nz

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Investing in the Community

Council undertakes and funds a number of community initiatives to enhance the Marlborough region as a destination to live, work and play. From sporting and recreation facilities to safety and public conveniences, these projects and related costs are required to meet our current levels of service and to increase this service in response to community expectations, growth and the timely renewal of our assets.

For a detailed view of key community projects and operating expenses in the 2021-2031 Long Term Plan, please see items 4.18 through to 4.22 in the 25 February 2021 Council Budget Meeting Agenda.

Providing these services - sport and recreation, cultural, heritage, and more - is essential for achieving our community outcomes, especially People and Living. Increases to levels of service for our community are proposed in the following activities:

Budget provision, sporting and recreation facilities

Council proposes an additional \$9.1 million over the next 10 years for several significant projects related to the provision of sporting and recreation facilities across Marlborough. Some projects have come through public submissions to our annual plan process, while others have been identified in the Sports Facilities Strategic Plan 2020. Some of these items will be funded from the Land Subdivision Account, and many projects have other funding partners. The top two items for Council would be pavilions at A&P Park (\$2.2 million) and Horton Park (\$2.09 million). While there is no rates increase in 2021-2022, there will be rates increases in subsequent years as projects are completed.

Community facilities, capital expenditure

Council proposes an additional \$4.49 million funding for capital projects, which are needed to improve current levels of service in our community facilities. This increased budget is needed to address user demand, community requests and to ensure areas are fit for purpose. The biggest item over the next two years is \$900,000 to further develop the responsible camping site at the Wairau Diversion. The funding will also provide a much-needed improvement to the day user area and complement the natural environment of the location. Enhancements would include landscaping, a public toilet and amenities. The average rating impact is \$5.19 per rateable property for 2021-2022 with further rates increases in subsequent years as projects are completed.

Community facilities, Blenheim area

Council proposes an increase in annual expenditure of \$87,000 from 2021-2022 to maintain new facilities and bring other areas up to a consistent standard. These include Grovetown Reserve and Lagoon, Blackmore Place Reserve, Taylor River Reserve and the Wither Hills Farm Park. The average rating impact is \$3.26 per rateable property for 2021-2022.

Community facilities, Picton and surrounds

Council proposes an increase in annual expenditure of \$108,000 from 2021-2022. The Picton community has made public submissions requesting an increased level of maintenance in the town to meet the expectations of a 'destination town'. The bulk of the increase, an estimated \$80,000, is expected when contract services for maintenance are tendered on the open market this year. The average rating impact is \$4.04 per rateable property for 2021-2022.

Community facilities, other areas

Council proposes additional funding of \$287,000 in 2021-2022 for maintenance of newly established parks, tracks and facilities within Marlborough, outside Picton and Blenheim. The biggest drivers of this cost are National Environmental Standards, other Government requirements (such as traffic management) and the Proposed Marlborough Environment Plan, as they affect parks and open spaces. Council estimates \$58,000 annually is needed to manage trees, contaminated soil, water allocations (water meters and data loggers) and consents for activities on parks and open spaces. The second-largest increase at \$55,000 per year is for animal pest control, working alongside the Department of Conservation to improve biodiversity and recreational enjoyment. The average rating impact is \$10.75 per rateable property for 2021-2022.



Council welcomes and values comments about our programme of work and approach to funding community facilities and activities. Below is a list of additional proposals in the draft Long Term Plan 2021-2031 relating to our community.

Other increased levels of service

Extending CCTV and free Wi-Fi: This proposal would expand both of these networks in Blenheim and Picton to enhance safety and convenience. The CCTV expansion, which was a request by Police, would be funded by reserves in 2021-2022. Increased maintenance and management of both services would be funded from general rates. The rates impact in 2021-2022 would be \$32,865 or \$1.23 on average per rateable property.

Small Townships Programme: This proposal extends \$500,000 in annual funding for this programme by three years to 2031 to create unique identities and attractive central spaces in small towns throughout Marlborough. Funding comes from Blenheim vicinity and rural areas that are part of the programme. There would be no immediate rating impact as this programme was already approved through to 2028.

Renwick Museum earthquake strengthening: This proposal seeks \$130,000 from reserves for seismic strengthening of the museum. In October 2020 a detailed seismic assessment was undertaken on the building, which identified it as a high-risk, earthquake-prone building. Built in 1931, it was scheduled to be fixed or removed by 2035. There is no impact on rates as it would be funded from reserves.

Enhancing Council communication: This proposal would fund an additional \$25,000 per year for online video communications to residents and ratepayers about our key assets, projects, initiatives and items of public interest. The impact would be \$25,000 per year from general rates or \$0.94 on average per rateable property from 2021-2022.

Reassigning Pouārahi funding: This proposal would shift previously approved \$30,000 to fund six Marlborough marae to develop individual emergency preparedness plans this year. The money was originally approved to fund one-third of a Pouārahi (adviser) position with Tasman and Nelson, which is no longer possible. This proposal would directly fund resilience plans, which was an original outcome for the funds. There is no impact on rates.

Innovating Streets: This proposal would fund CBD improvements in Picton and Blenheim to enhance the community and visitor experience. The \$821,600 project in Blenheim could be funded from existing budgets, and \$960,250 for Picton would be funded from Forestry and Land Development Reserve. This proposal builds on plans developed as part of Waka Kotahi NZTA's urban improvement initiative, an economic stimulus response to Covid-19. There is no rating impact.

Loan guarantee for the Stadium 2000 Trust: This proposal would reduce interest rates for Stadium 2000 when borrowing from the bank. The facility is seeking to replace its air handling units, which are at the end of their useful life. These units are central to providing a healthy and safe operating environment for the facility. Stadium 2000 would borrow directly from the bank with a secured Council guarantee. This proposal has no impact on rates or Council's credit rating to guarantee the loan up to \$300,000 for five years.

The Proposal

The Council proposes significant community spending over the next 10 years to:

- Support safety in the community.
- Continue our Covid-19 response and enhance community outcomes for our economy.
- Renew community facilities on a timely basis.
- Enhance community outcomes for connectivity and our standard of living.
- Enhance the region as a desirable destination for visitors.

Do you support the Council's plan to increase investment in our community?

In the submission form, you will be asked to provide comments. If you did not answer "Yes", please specify which aspects of the proposed community investments you do not support.

How to submit

Online form: Go to marlborough.govt.nz and follow the online prompts.

Email: Please send your submission to: longtermplan@marlborough.govt.nz

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Rates

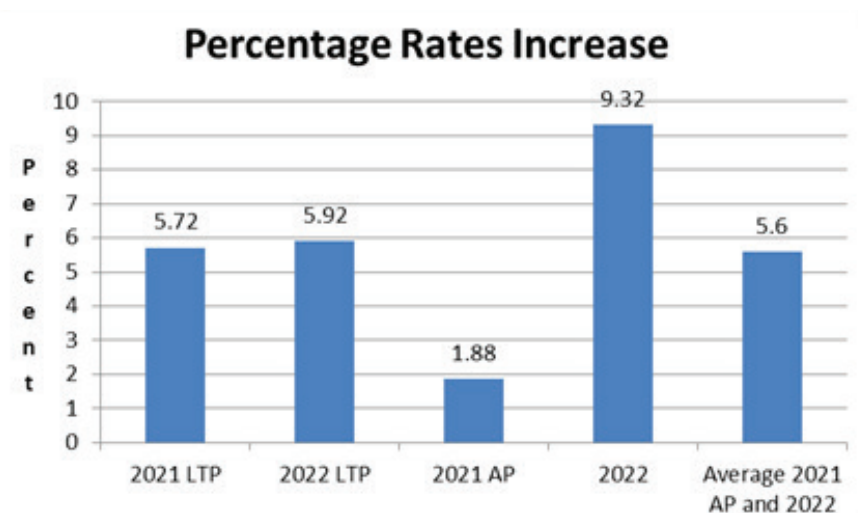
Council begins each Long Term Plan by examining our areas of spending to ensure budgets are set appropriately and to minimise the impact on rates. A key priority is to keep rates as fair and affordable as possible, while delivering the level of service that Marlborough needs. Council has prioritised, explored ways to keep costs down, and scheduled a programme of work in the coming years that reflects the needs of our community.

At the time of writing this document and during our own consultation period, some councils across the country are asking their ratepayers for double-digit rates increases in the wake of Covid-19. While our proposal is lower than many councils, it is still higher than many Marlburians are used to paying. For 2021-2022, the proposed increase is 5.73%, about \$160 per year or \$3 per week for the average Marlborough household. This proposal follows a historic low in 2020-2021 of 1.88%.

As to how Council arrived at this percentage, it is important to understand the steps it takes to get there.

The first is reviewing levels of service. Council, consistent with the expectations conveyed by the community, has decided to maintain its existing levels of service. The cost of these levels of service form the base budget considered by Council and yielded a possible rates increase of 9.32%.

In part, the reductions by Council last year to lessen the impacts of Covid-19 have translated to a higher rate increase in the coming financial year. The following graph identifies the forecast rates increases for the 2021 and 2022 years included in the 2018-2028 Long Term Plan. It's compared with the rates increase for 2021 (1.88%) and the rates increase necessary to maintain existing levels of service (9.32%). Also included is the average of these last two figures, which is comparable to base Long Term Plan figures.



What are the key drivers for the increase?

- **Reinstated expenses:** Since the start of Covid-19, some work was postponed, slowed or simply couldn't move forward due to lockdown. This important work is now being reinstated, including personnel costs. To achieve the 2020-2021 reduction in rates to 1.88%, a number of budgeted vacancies were not filled and staff forwent an annual salary review. Council does not view this short-term solution as viable for the longer term.
- **Capital expenditure:** This 10-year plan's proposed capital expenditure budget is \$739 million, which is \$194 million higher than the \$525 million budgeted in the 2018-2028 Long Term Plan. The following graph shows where Council is proposing to spend this additional funding. The majority will be spent on Council's core activities, which are roads and footpaths, sewerage, water supply, flood protection and community facilities. Compared to three years ago, the cost of providing water supply has more than doubled from \$62.9 million to \$165 million over the next 10 years due to new Government rules under the NZ Drinking Water Standards.

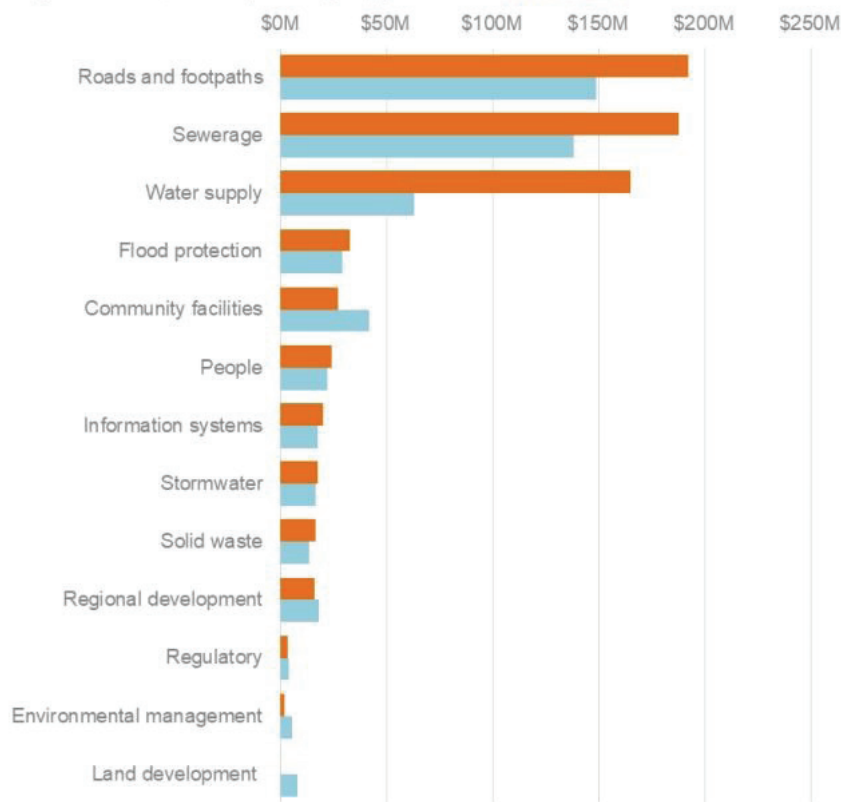
- **Central Government:** New Government regulations impact virtually every aspect of Council. The exact values of these additional costs are difficult to quantify as they impact the whole of Council, including the NZ Drinking Water Standards, traffic management requirements, National Environmental and Policy Statements, even down to specifying the level of training required by Building Control Officers. There is no sign that the pace of Government reforms will slow. As Council has no control over these additional requirements, it agreed that an additional component be added to its “Rates Cap” calculation, “Government Requirements”. Currently, we estimate a 1% rise in rates each year of the Long Term Plan for Government Requirements.
- **Inflation:** The majority of councils in New Zealand, including Marlborough, use inflation projections prepared by Business and Economic Research Ltd (BERL), which takes into account the rising costs of the materials and labour required for infrastructure construction and maintenance. These are consolidated into an overall Local Government Cost Index (LGCI). The LGCI differs from the Consumer Price Index (CPI), in that it forecasts the movements in bitumen, diesel, concrete and other costs specific to local government. The CPI measures household goods prices such as food, clothing and housing. Inflation is a significant portion of the proposed rates increase over 10 years of the Long Term Plan. For 2021-2022, the LGCI is 3.7% and it’s projected to rise by at least 2.5% every year.

Council then considers other levels of suggested increases, which are outlined throughout this document. Many of these items are included in the Long Term Plan because they have come from the community through the annual plan process or other strategic plans, such as the Sports Facilities Strategic Plan. In other words, the increases in levels of service are either a reflection of legal obligations by Central Government or services requested by the community. The resulting rates increase from these considerations was 11.28%.

For a detailed view of key projects and operating expenses in the 2021-2031 Long Term Plan, please see the 25 February 2021 Council Budget Meeting Agenda. Feedback from the community is encouraged and welcome on the increases. Under this section of the consultation document, your comments can address areas wider than the specific projects being consulted upon elsewhere in this document. For ratepayer information a \$70,000 reduction in rate-funded operating expenses approximates to a 0.1% reduction in rates.

10 years 2021-31 LTP capital expenditure against 2018-28 LTP

The 2021-31 LTP budget is proposing an inflated capital expenditure budget of \$705M. This is \$180M higher than the \$525M capital budget approved in the 2018-28 LTP.



Covid-19 Rates Relief Reserve: An affordable rates increase

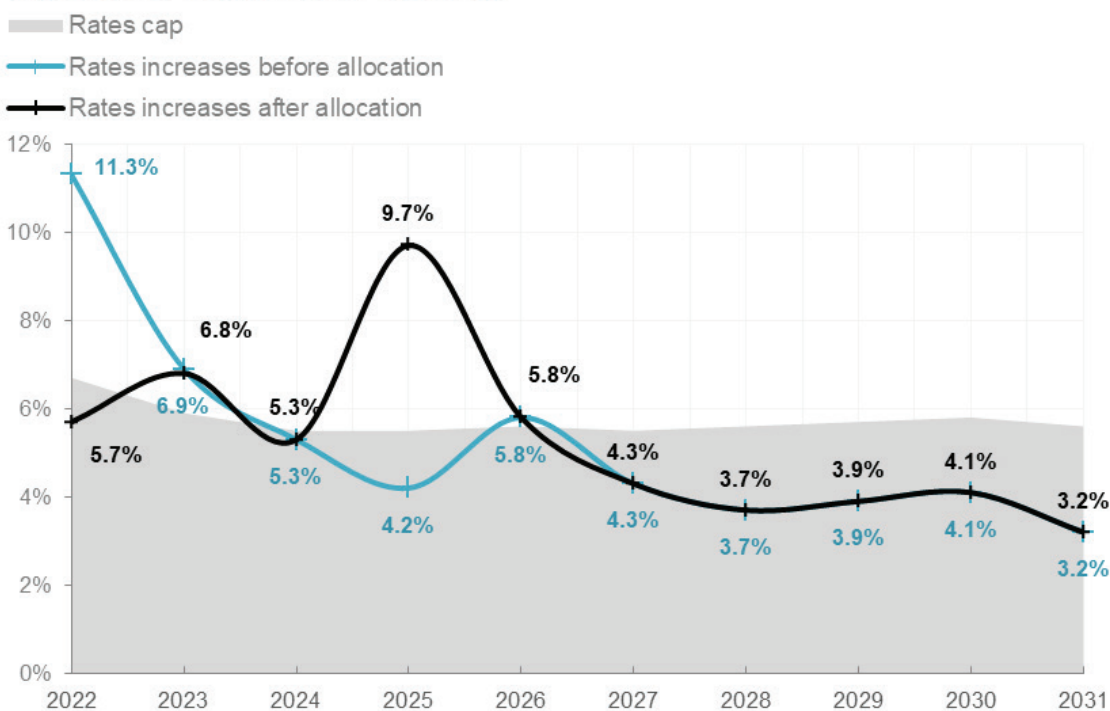
Council was unanimous in its view that an 11.28% rates increase was unaffordable during the continued uncertainty of Covid-19. As a result, Council explored ways to minimise the impact on ratepayers. Council proposes to create a separate reserve, the Covid-19 Rates Relief Reserve. As Covid-19 generated the need for emergency responses on many fronts, initial thinking was that funding could come from the Emergency Events Reserve. However, as the scale of the pandemic became clearer, so did the need for a better solution. Creating a separate reserve more transparently identifies the level of rates assistance provided; allows a new reserve to draw from other revenue sources; and preserves the Emergency Events Reserve for other emergencies, such as earthquakes.

This proposal would reduce the rates increases on general rates over the next three years, as shown in the graph below. The proposal is to reduce general rates only, as it benefits all ratepayers more equitably than targeted rates. It would be funded from forecast unallocated revenue to the Infrastructure Upgrade Reserve (IUR). This reserve is funded by revenue from vineyard leases and dividends from MDC Holdings Ltd, which owns Port Marlborough NZ Ltd and Marlborough Airport Ltd. These assets are owned by all Marlburians, hence the allocation to general rates.

Currently, there are two initiatives which have the potential to increase the unallocated funds in the IUR, the Picton Ferry Terminal redevelopment (increased revenue) and Government-led Three Waters Reform (reduced demand). For more information on these two initiatives, visit page 4.

Council proposes funding the Covid-19 Rates Relief Reserve for three years resulting in a short term increase in debt of \$12.8 million. It would be re-visited at the next Long Term Plan. The following graph shows Council's forecast rates increases both before and after the proposed allocation from the Covid-19 Rates Relief Reserve and a comparison with Council's rates cap.

Indicative rates increases percentages **before** and **after** allocation from the COVID Rates Relief Reserve



Benchmark property information and impact of revaluation

Council maintains a standard list of more than 100 representative benchmark properties. The list remains unchanged from year to year, to enable proper comparisons to be made. For this Long Term Plan, comparisons are difficult because there are two factors that contribute to a property's rates movement:

1. The 2020 revaluation undertaken by Quotable Value on Council's behalf; and
2. The additional costs of maintaining existing levels of service, funding the large capital expenditure programme, and the cost of the increased levels of service and additional projects proposed in this document.

The following table, using 12 of the benchmark properties, illustrates the impacts of the two contributing factors above to a property's rates movement, starting with property's 2020-2021 rates and finishing with the proposed rates for 2021-2022.

A property's rates will increase or decrease depending on whether the particular property's valuation increased or decreased at a greater percentage than the average for the Geographic Rating Area within which the property is located. Some of the biggest movements occurred in the Blenheim Vicinity Geographic Rating Area where residential values increased more than vineyard values.

| Benchmark Property | Current Land Value | Revaluation | Land Value % Movement | 2020-21 Total Rates and Charges | Valuation Change Impact | 2021-22 Cost Impact | 2021-22 Total Rates and Charges | \$Incr/Decr on 2020-21 | % Movement | \$Incr/Decr on 2020-2021 | % Movement |
|-----------------------------------|--------------------|-------------|-----------------------|---------------------------------|-------------------------|---------------------|---------------------------------|------------------------|------------|--------------------------|------------|
| 02-Blenheim Residential | 185,000 | 270,000 | 45.9% | 2,735 | 119 | 179 | 3,033 | 298 | 10.9% | 292 | 10.7% |
| 07-Blenheim Commercial | 134,000 | 134,000 | 0.0% | 3,525 | -378 | 208 | 3,356 | -170 | -4.8% | -99 | -2.8% |
| 09-Picton Residential | 135,000 | 220,000 | 63.0% | 2,805 | 220 | 123 | 3,147 | 342 | 12.2% | 338 | 12.0% |
| 12-Picton Commercial | 290,000 | 305,000 | 5.2% | 4,789 | -529 | 109 | 4,369 | -420 | -8.8% | -426 | -8.9% |
| 18-Blenheim Vicinity | 7,440,000 | 9,100,000 | 22.3% | 30,262 | 1,186 | 1,682 | 33,130 | 2,868 | 9.5% | 2,677 | 8.8% |
| 19-Renwick Residential | 175,000 | 240,000 | 37.1% | 2,525 | 51 | 183 | 2,760 | 235 | 9.3% | 230 | 9.1% |
| 25-Picton Vicinity | 1,570,000 | 1,790,000 | 14.0% | 5,347 | -366 | 425 | 5,407 | 60 | 1.1% | 230 | 9.1% |
| 26-Ngakuta Bay - bach | 155,000 | 235,000 | 51.6% | 1,156 | 91 | 25 | 1,272 | 116 | 10.0% | 111 | 9.6% |
| 29-General Rural - Oporuri Valley | 2,930,000 | 2,780,000 | -5.1% | 9,435 | -2,270 | 502 | 7,667 | -1,769 | -18.7% | 111 | 9.6% |
| 31-Havelock Residential | 178,000 | 205,000 | 15.2% | 2,278 | -107 | 237 | 2,408 | 131 | 5.7% | 111 | 9.6% |
| 34-Sounds Admin Rural - farm | 4,900,000 | 5,350,000 | 9.2% | 8,467 | -1,017 | 807 | 8,256 | -211 | -2.5% | -323 | -3.8% |
| 36-Sounds Admin Rural - bach | 270,000 | 320,000 | 18.5% | 852 | -22 | 47 | 877 | 25 | 2.9% | 18 | 2.1% |

The Proposal

The Council proposes to create a Covid-19 Rates Relief Reserve:

- To continue our Covid-19 response
- To smooth rates increases over the first three years of this Long Term Plan
- To use surplus or unallocated funding from the Infrastructure Upgrade Reserve to fund this reserve
- To close this reserve upon achieving a positive balance.

Do you support the Council's plan to create this new reserve and smooth rates increases over the first three years of the 2021-2031 LTP?

In the submission form, you will be asked to provide comments. If you did not answer "Yes", please specify which aspects of the proposed Covid-19 Rates Relief Reserve you do not support.

How to submit

Online form: Go to marlborough.govt.nz and follow the online prompts.

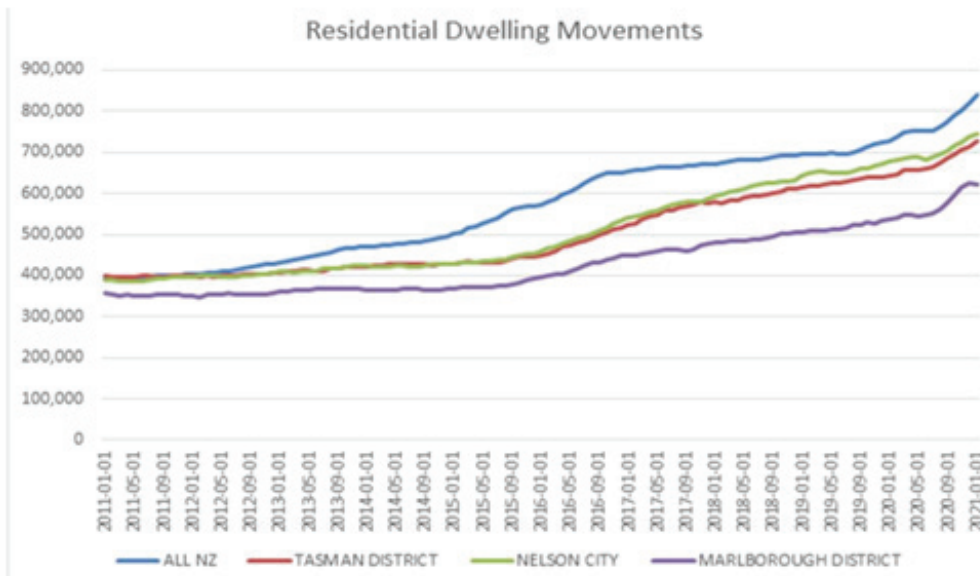
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Housing

Housing affordability and supply is a key challenge across New Zealand, including Marlborough. This has been recognised by Government in the housing package announced 23 March 2021.

While Marlborough is faring better in affordability than many other regions, there's concern in the community from social agencies and employers that the current trend could worsen. The first graph shows how average housing prices have moved over the past 10 years compared to Tasman, Nelson and New Zealand. The second shows the relative affordability of housing in Marlborough compared to the rest of the country.



Housing affordability, 2006-2020

Compare area:



The good news is that more than 1,900 lots (plus infill possibilities) are zoned for housing in Blenheim. This equates to about 15 years' supply at the current rate of 125 lots of consented houses per year. Over the past year, this rate has continued as building consents haven't slowed, despite the lockdown and continued Covid-19 uncertainties.

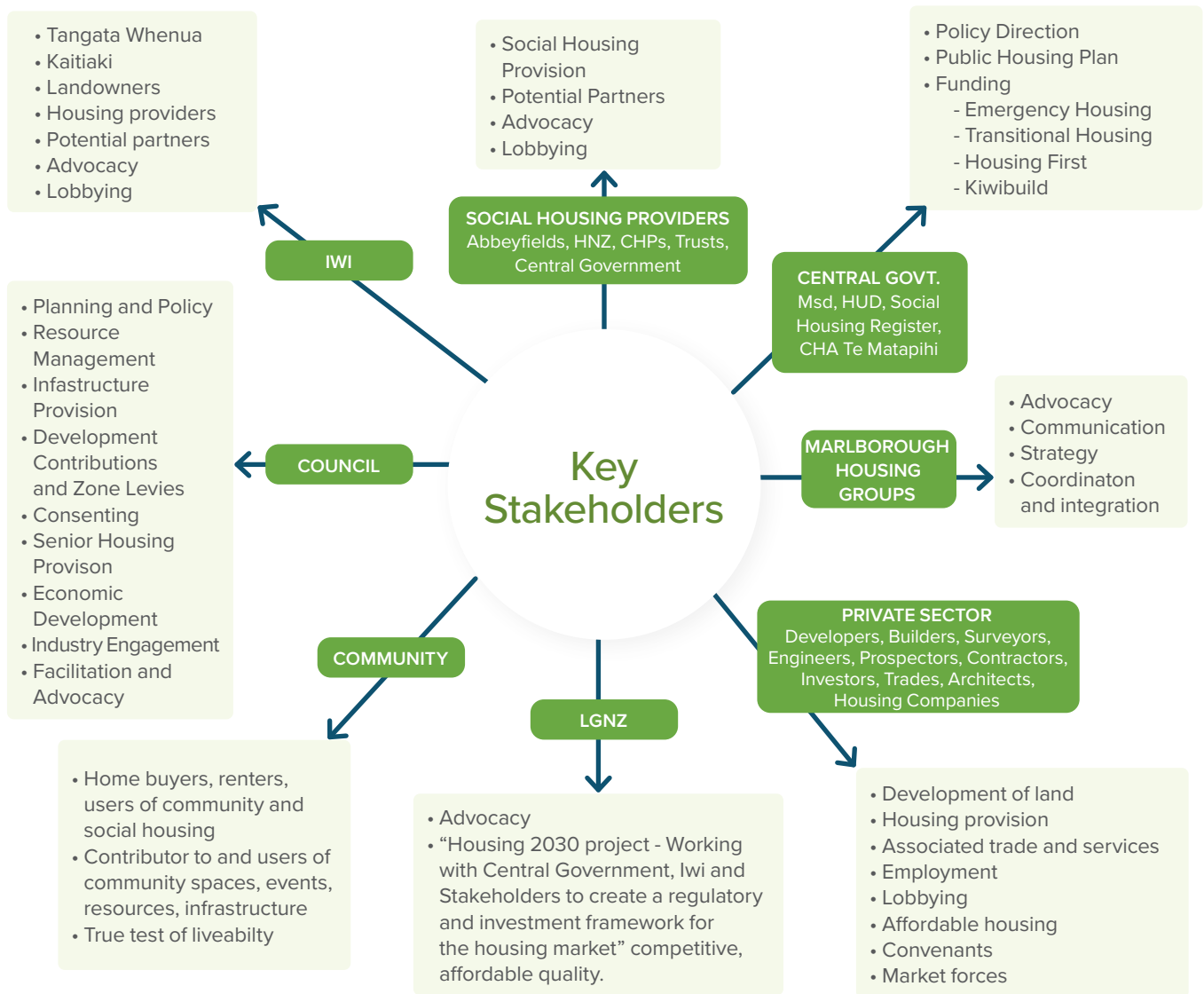
The challenge, however, is that most of the key variables that influence housing supply and prices are out of Council control, as summarised in the table below.

The issues for housing, shown in the table, have resulted in demand exceeding supply and price increases.

| Council can assist with | Council does not control |
|---|---|
| <ul style="list-style-type: none"> • Zoned land supply and its infrastructure provisions • Appropriate Resource Management Act 1991 policies, providing clear direction and encouragement to developers • Fair and efficient process for resource and building consents • Provision and maintenance of Council's Senior Housing Portfolio • Development Contributions policy, which helps fund required infrastructure • Zone levies to help efficiently service development sites where multiple developers need to coordinate infrastructure design • Rating policy to encourage the subdivision of zoned land | <ul style="list-style-type: none"> • House construction costs • Electricity supply costs • Availability of skilled, trained professionals and tradespersons to design, engineer and build subdivisions and houses • Monetary policy affecting interest rates, loan-to-value ratios and bank lending • Bank lending policies • Taxation policies (bright-line property rules and capital gains tax) • Resource Management Act 1991 (which the Government is reviewing), including National Policy Statements • Landowner aspirations • Developers' timing of releasing land to the market • Covenants on development • The type of houses built • Supply and demand market movements • Purchaser incomes and willingness to invest in housing |



The following diagram illustrates the roles housing stakeholders currently have.



What could Council do to improve housing and land availability, resulting in more affordability?

Council has options that it is exploring to ease housing and land supply. Several studies and reports will inform a clear strategy and way forward. The following are known options Council could consider which would be guided by the findings of the proposed studies and reports:

- Increase the areas of land available for residential development by zoning additional land;
- Acquire land for section development similar to what it has done in the past on Boulevard Park on Taylor and earlier subdivisions. The downside is that developers may withdraw from the market;
- Utilise its powers under the Resource Management, Local Government and Public Works Acts to accelerate the provision of infrastructure into areas adjacent to current developments to enable further subdivision to take place;
- Become a house builder. Currently Council’s only house building is to meet the requirements of our Senior Housing Portfolio;
- Amend its rating policies. Currently much of the land zoned residential in North West Blenheim is rated on the basis of it being rural land as compared to it being Blenheim Residential. Residential valuations and rating will exceed that of rural land which may incentivise development. However, for Council to do this would require it to change the agreements reached with landowners in 2014 to permit the zoning change to Blenheim Residential to be achieved. Council will review this option based on subdivision progress as part of the 2022-23 Annual Plan;
- Further encourage infill development by increasing the discounts provided on Development Contributions
- Consider the measures taken by some other councils to provide more affordable “social” housing. For example, Queenstown developers must provide lots in a subdivision to a community housing trust, who in turn provide a long-term lease to qualifying low-income tenants.

All of these options, and there may be more, have resulting impacts and consequences.

The Proposal

The challenges in today's housing market present an opportunity for Council to explore the expansion of its core role and help ease the pressure on supply. Council is underway and funding several feasibility studies. It will also utilise the National Policy Statement on Urban Development (NPS-UD) based methodology to better understand housing demand and supply, developer intentions and development viability. These investigations will provide insight into Council's potential housing options, alternatives and interventions in the Marlborough housing market.

By investing in these studies and reports, we will get independent information to give a clearer picture around desired outcomes and the rationale for any Council intervention in housing matters, beyond its mandated role.

This work will also provide insight as to the types of homes needed for our community. To date, builders or developers have not provided many lower cost houses, such as smaller one- or two-bedroom units or apartments or many small sections, although there are recent signs in Blenheim that this might be changing.

Council's Proposed Marlborough Environment Plan's policies and rules may also be considered to provide assistance for the provision of smaller lots and houses.

In other parts of New Zealand, the Ministry of Housing and Urban Development is working in high-growth areas to fast track rezoning and infrastructure provision. Marlborough isn't currently scoped in this Central Government intervention and our issue has not been rezoning or infrastructure funding. Our challenge in recent years has been the speed of consultant designs and infrastructure work completed. We are now catching up on this work.

There are a host of options for Council to explore if we're going to expand our role to assist with housing supply. But first, we are collecting better data and independent information to guide the way forward.

Questions

1. Do you support Council expanding its core role in housing matters?

2. Do you recommend any other Council-funded work on the housing issue?

In the submission form, you will be asked to provide comments on your answer to assist Council to better understand your views.

How to submit

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Email: Please send your submission to: longtermplan@marlborough.govt.nz

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Senior Housing Development on George Street

The proposed Long Term Plan 2021-2031 also includes upfront costs for new senior housing, which would be paid back through rental income. A 12-unit, two-storey development would be built on an 800-square-metre site that Council has owned since 2012 and sits adjacent to existing senior housing.

After approaching potential partners to develop this land over the past two years, Council was asked by its Housing for Seniors Sub-Committee to pursue a concept development with Council as the developer. This sub-committee, comprising Councillors and a Grey Power representative, is responsible for Council's Senior Housing Portfolio under the Planning, Finance and Community Committee.

Staff prepared a concept plan and a planning assessment, along with a construction cost estimate and financial feasibility assessment. The \$3.6 million development would pay for itself with rents charged to tenants of 80% of the market median rent. The current median market rate for a Blenheim one-bedroom unit is \$280 per week, according to supplied data from the Ministry of Business, Innovation and Employment.

Pending approvals, development would begin in May 2021 and is scheduled to be completed by July 2022.

Do you support Council investment of this nature in Senior Housing?



Paying for Growth – Development Contributions Policy

Council encourages the continued growth and development of the District because of the greater opportunities it brings for our communities. Growth, however, does require Council to spend money to improve its infrastructure, such as roads, water, sewerage, stormwater and community facilities. The question is: Who should pay this additional expense? Council has determined that property developers should pay their fair share of those costs, which are outlined in our [Development Contributions Policy](#).

Council is required to review this Development Contributions Policy every three years, and much of it is unchanged since 2018. However, Council is proposing to make some changes in the 2021-2031 Long Term Plan, which are outlined below.

Option 1

Council's proposal is to adopt the draft Development Contribution Policy ([Reference/Link](#)). The most significant changes are to:

- Simplify the calculation of the Reserve Contribution by applying fixed amounts per Household Equivalent Unit (HEU) for each Geographic Rating Area;
- Update Development Contribution Levy values to reflect budgeted capital expenditure levels;
- Make the amounts charged for water and sewerage the same across the district;
- Include a small-home apportionment; and
- Extend the Burleigh Zone Levy to include an amount for roading.

[Reasons for Option 1, the proposed approach, are outlined below.](#)

Reserve contributions

The following fixed amounts are proposed per HEU for each Geographic Rating Area:

| | |
|------------------------------|----------------|
| Blenheim & Picton | \$14,500 + GST |
| Blenheim & Picton Vicinities | \$11,600 + GST |
| General Rural | \$8,700 + GST |
| Sounds Admin Rural | \$7,250 + GST |

Previously Reserve Contributions were based on 6% of the HEU's land value and required a registered valuation. The amount was capped at \$13,000 and variations of applicability were based on the former Wairau, Awatere and Marlborough Sounds resource management plans, which have now been replaced by the Proposed Marlborough Environment Plan. This new approach makes it simpler to apply as the land's rating area is identified on the rates invoice, improving certainty for the developer. It also removes the cost of a valuation and makes it easier to administer. If a developer expects that the proposed amounts will exceed 6% of the land value per HEU for their particular development, they can ask for a reconsideration. This will require a valuation from a registered valuer.

Water and sewerage levies

As water and sewerage are both rated on a combined basis, it is considered logical that the same Development Contribution levies also apply across the district. From 1 July 2022 it is proposed that wastewater will be charged at \$12,500 per HEU and \$5,500 per HEU for water. Both amounts are plus GST and continue Council's historic practice of recovering 50% of the modelled costs for providing this infrastructure.

Updating development contribution levy values

Council's capital expenditure budget for the 2021-2031 Long Term Plan is \$739 million, up from \$525 million in the previous 2018-2028 Long Term Plan. Much of this budget increase relates to growth and it is appropriate that developers pay a fair share.

Small-home apportionment

One of the cornerstones of the Development Contribution Policy is the Household Equivalent Unit. However, with the drive for smaller more affordable housing, future developments may provide for smaller homes placing a lower demand on Council services. To that end, Council has identified that smaller properties should pay a smaller amount as shown in the following table. The apportionment values in this table are consistent with those used by Tasman District Council.

| Small-Homes Special Assessment Guidance | | |
|---|--------|---------|
| | Minor | Small |
| Criteria "A": Dwelling Size (Gross floor area m2) | < 65m2 | < 110m2 |
| Criteria "B": Number of Bedrooms | 1 | 2 |
| Discount (all levies*) | 50% | 25% |
| *Proportion Payable for all charges | 0.50 | 0.75 |

Burleigh Zone Levy

When Council considered the funding of the Battys Road roundabout, it decided that 18% of the project's cost should be funded by means of a levy on the Burleigh Zone. This cost share is based on Council's assessment of the benefit to the newly zoned land compared to that of the wider district.

Option 2 - Alternative Approach

Retain the current Development Contributions Policy.

This option is not supported because it would increase the share of growth funded by ratepayers and remove the initiatives proposed to simplify the operation of the policy.

NB, As Council has yet to finally decide on which Option will be adopted, a conservative approach has been adopted and the only the revenue from Option 2 has been included in Council's financial forecasts.

The Proposal

The Council proposes to adopt the draft Development Contributions Policy, which includes a number of changes to the current approach.

Do you support Option 1?

In the submission form you will be asked to provide comments. If you did not answer "Yes", please specify which aspects of the proposed Development Contributions Policy you do not support.

How to submit

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Parking

Last year when it became clear that we were confronted with a global Covid-19 pandemic right here at home, the Council took decisive action to stimulate the Marlborough economy and ease the burden on ratepayers. One of these actions, as the community came out of lockdown, was reducing car parking costs to encourage activity in our town centres.

In May 2020, Council agreed to provide two hours of free parking in Picton and Blenheim CBDs to stimulate the economy and revitalise town centres. In September 2020, Council reduced free parking from two hours to one hour and extended the measure to 30 June 2021.

Unfortunately, free parking in the town centre isn't actually free. It has come at a projected revenue loss of over \$550,000 in the 2020-2021 financial year for the Council, keeping the Parking Account in deficit. While this loss of revenue has been offset in part by increased infringements, it is not appropriate public policy to rely on infringement revenue to balance the books. It is also expected that infringement revenue will drop as the public become more familiar with the system. This year, the parking deficit was also partially offset by the Council's Emergency Reserves account, which again is not a viable long-term solution.

Both of Council's parking campaigns for two free hours and one free hour have been received positively in the community. Visual observations and CBD occupancy reports suggest that parking levels across all CBD zones are back to pre-pandemic levels with the Wynen Street all-day car park frequently tracking at 80% occupancy. However, rebounding occupancy and activity has largely happened across New Zealand, regardless of changes in parking policy.

In 2014, Council increased parking fees, eliminated all rate-funded subsidies and concluded that parking activity would be based on a user-pays model. This policy has balanced the books. However, Council is now re-visiting the user-pays model with the community in a post-Covid world. Because one-hour free parking has been so popular, Council has explored implications of continuing the subsidy. These include an increase in parking fees, targeted and region-wide rate increases and ending the free parking subsidy. For more information on these options, please see item 4.15 in the 25 February 2021 Council Budget Meeting Agenda.

Council welcomes and values your comments about the current user-pays model and our proposal below to retain one-hour free parking. Under Council's proposal, users would pay an indicative 50% increase when parking past the free hour, and ratepayers would see an average rating impact of \$9.33 per rateable property for 2021-2022. The parking increase would be across kerbside parking, off-street parking, leases, permits and the Alfred Street car park. This would fund the projected parking account shortfall of \$550,000 with \$300,000 from increased parking fees and \$250,000 from ratepayers.



The Proposal

Option 1

The Council proposes changes to parking in Blenheim and Picton town centres to:

- Continue one-hour free parking in Picton and Blenheim town centres for on-street and off-street car parks for the foreseeable future.
- Fund the forecasted shortfall from free parking with an indicative increase of 50% in parking fees within the Picton and Blenheim CBD areas, with the balance funded by an average rating impact of \$9.33 per rateable property for 2021-2022.

Option 2

The alternative option would return town centre parking to the pre-Covid state, removing one-hour free parking. This would result in no increase in parking fees or rates.

This option is not supported by Council as the uncertainty of Covid-19 continues. Council encourages activity in the CBD and supports removing barriers for the community to visit own centres.

Do you support Option 1, for the Council to continue one-hour free parking, with the shortfall funded by an indicative 50% increase in parking fees and an average rating impact of \$9.33 per rateable property for 2021-2022?

In the submission form you will be asked to provide comments. If you did not answer “Yes”, please specify which aspects of the parking proposal you do not support.

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Infrastructure Strategy Summary

Planning for change is an essential business practice — to identify potential risks and ensure Council is well placed to make the most of opportunities.

The purpose of this strategy is to consider how Council's infrastructure assets will continue to support the community and our economy over the next 30 years. Changes over this time period are likely to include:

- Population growth slightly above the midpoint of Statistics NZ regional population projections supplemented by recent development experience;
- Opportunities to use technology and increasing automation to be even smarter and more connected; and
- Enhancing the resilience of our infrastructure to climate changes and natural disasters.

Our overall approach to asset management is to maintain flexibility wherever possible, enabling us to take action when circumstances change, our knowledge improves and as technology develops.

The Council's strategic priorities for infrastructure are:

- Maintain our target levels of service and make improvements where required.
- Extend our infrastructure as efficiently as possible to meet demand.

The challenges vary by asset type and are based on several factors from our unique landscape to our economy. For example, Marlborough Roads is fielding more requests to seal roads and suppress dust, mainly from logging. And our wastewater flows are increasing in areas of growth for the wine industry. Meanwhile, the demand continues for new houses, and climate change brings bigger questions about impacts to our land drainage system, sea levels and flood flows.

While the assets vary, the general principles guiding our solutions are consistent and summarised below.

Legislation

Changes in legislation particularly affect our water-related assets. We intend to complete existing water treatment plant upgrades for Renwick and Havelock and install treatment to Wairau Valley and Riverlands and point-of-entry treatment devices for each household in Awatere Rural, all of which are required to meet the anticipated Water Services Bill and regulatory requirements of the newly formed Taumata Arowai.

National guidance on environmental standards will continue to be provided through the National Policy Statements. These include the National Policy Statement for Freshwater Management, National Coastal Policy Statement and the National Policy Statement on Urban Development Capacity. Council implements these policies through the Proposed Marlborough Environment Plan.

Improving the quality and the quantities of water used and discharged back into the natural environment will require ongoing investment in our wastewater and stormwater assets. The work in this area includes progressive implementation of the Blenheim Stormwater Strategy and its extension to other urban areas in the region.

An upgrade of the Blenheim Wastewater Treatment Plant is needed to meet increasing volumes of wastewater particularly from the wine industry, but also to meet higher standards for effluent discharge. There are also cultural requirements to avoid or restrict the volume of waste returned to the aquatic environment, which we must consider across all wastewater treatment plants as resource consents require renewal.

Government's Three Waters Review

Government is currently reviewing the way water, sewerage and stormwater will be delivered across New Zealand. The outcome of this review is currently uncertain, but it could take effect from as early as 1 July 2024. The Infrastructure Strategy and Council Long Term Plan have both been prepared on the assumption that the status quo will continue.

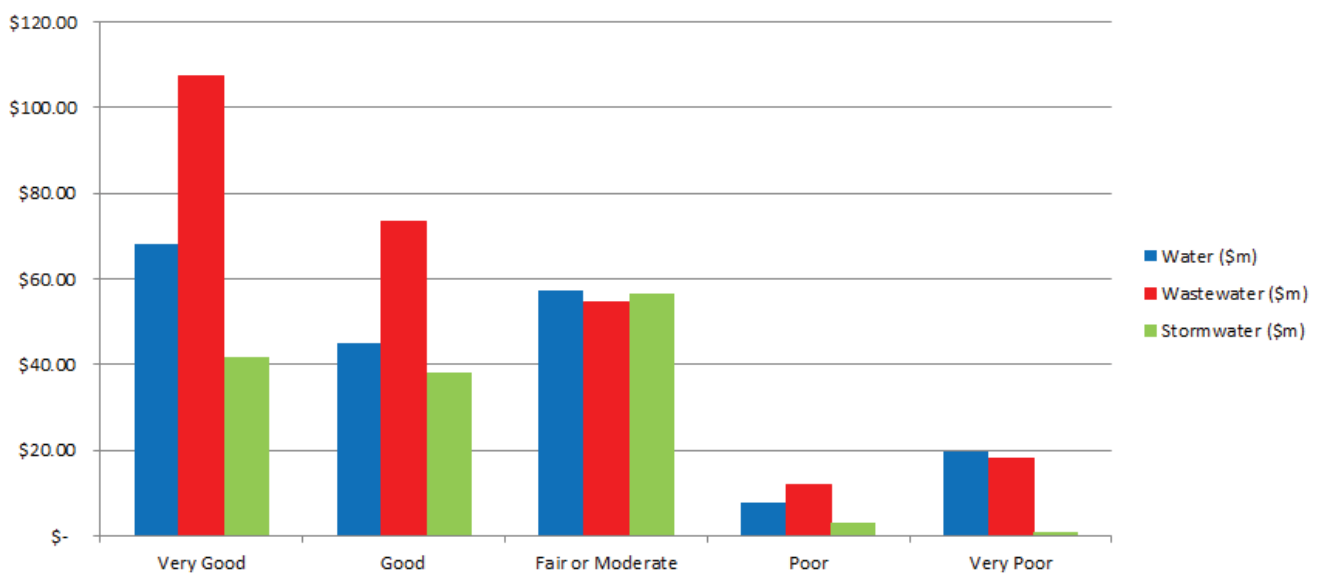
Renewals

For all assets, the preferred option is to have a proactive, planned renewals programme and invest in more condition assessment technology, field data collection and data management. This will enable informed decision making on the most cost-effective timing of renewals. Enhanced condition assessments will be particularly valuable for our underground assets. Where possible, Council is also deploying management tools to promote more efficient water supply, reduce leakage and ensure water resources are sustained for future generations.

Council currently employs software such as AMIS, which collates asset date information and also records work orders to track maintenance on assets. With this information we are able to analyse when an asset is nearing end of life and, as such, requires replacement/renewal. Tracking of water/wastewater quality testing data through our SCADA system also assists to pinpoint when issues are occurring in assets to identify replacement/renewals.

Asset condition assessment

With the use of the tools referred to above in the Renewals section, Council has been able to calculate an asset condition assessment for its Three Waters assets based on guidelines provided by the Institute of Public Works Australasia (IPWEA). This is shown in graphical form below and shows 85% or higher of Three Waters assets are rated as being in a moderate condition or higher based on IPWEA guidelines.



Resilience

With the forecast impacts of climate change, (increasing sea levels and greater frequency of major rain events) and the increase in earthquake activity over recent years it is very important that Council continues to improve the resilience of its critical assets.

Ongoing investment in our resilience plan will ensure roads are reopened as soon as possible after a major natural event or other disruption.

The Council will soon begin a review of the core Wairau River Floodway Management Plan. The review will examine the current level of service, customers' expectations and land use changes. It will also model flood flows under different conditions so that the range of effects that may result from climate change and sea-level rise can be more accurately predicted. Minor upgrades will be sufficient to preserve existing levels of service to about 2050. After that time, other options may need to be considered, including accepting increased flood risk or a managed retreat from some low-lying areas.

Building infrastructure to the latest standards and with the most suitable materials increases resilience to floods, earthquakes and changes in the climate. We are also prioritising the replacement of pipework and other assets made of older materials that are susceptible to natural hazards or have deteriorated more quickly than anticipated.

Our financial planning is another way we will ensure the quickest possible recovery after emergencies.

This planning includes adequate reserves, flexible capital programmes and insurance to meet the expected losses.

Growth

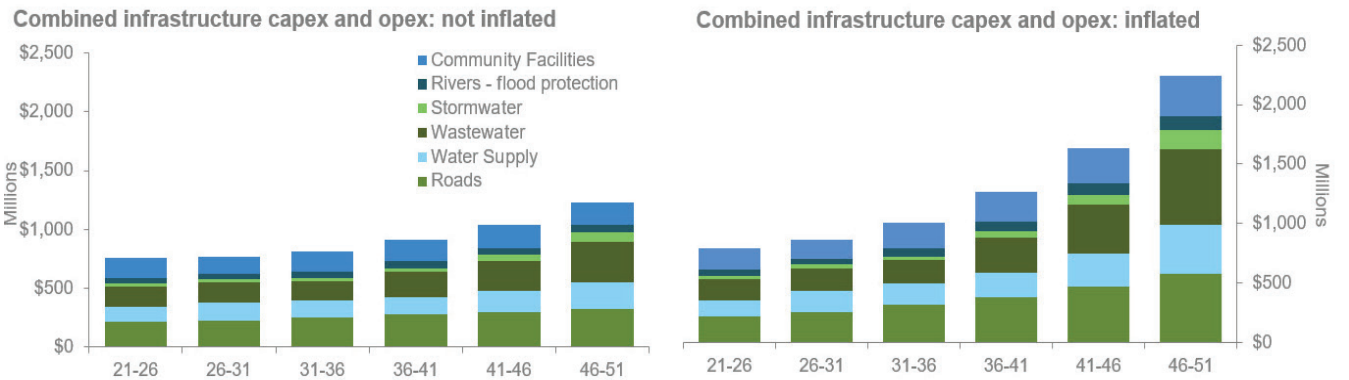
Statistics NZ projections from 2018 predict continued growth in Marlborough to 2030. At the time of writing this consultation document, Council is awaiting new projections from Statistics NZ. To meet anticipated demand over the next decade, Council has proactively zoned land for future development. However, sequential development and good planning are keys to the efficient expansion of infrastructure to meet the needs of this growth. Council currently plans for growth levels slightly ahead of Statistics NZ’s mid-point projection. There is always a high degree of uncertainty in statistical projections into the future. It is therefore expedient for the Council to plan for slightly higher than the mid-point, particularly when planning for assets that will continue to serve the community beyond the current projections.

Some of the other key features to efficient infrastructure provision are:

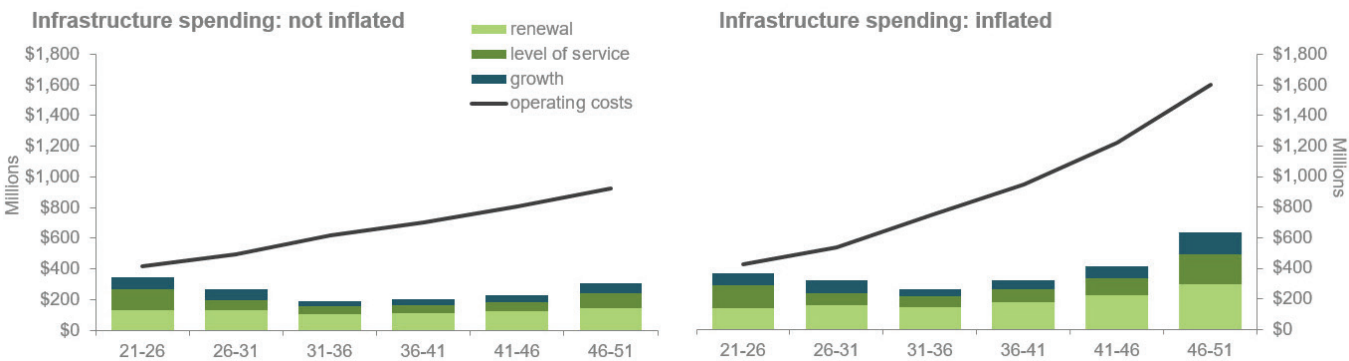
- Planning in advance, but installing ‘just in time’;
- Incorporating flexibility wherever possible to ensure unforeseen circumstances can be accommodated; and
- Favouring sequential development, to avoid installing under-utilised assets past empty paddocks to remote developments.

What will it cost?

Council looks at future infrastructure in both inflated and non-inflated projections. The two graphs below give quite different views because of the compounding effect of 30 years’ inflation. To put this in context, think about how much butter, milk and electricity cost 30 years ago. The capital works contained in this strategy totals \$853 million over the next 30 years – with associated operating expenditure totalling \$3.007 billion – to operate and maintain existing and new infrastructural assets. The operating expenditure is spread fairly evenly across the years, and the capital expenditure is concentrated in the earlier years.



The above charts show the total infrastructure spending (capital and operating combined) by activity, and the charts below show the underlying drivers for these costs. Growth and levels of service expenditure are driving the high levels of capital expenditure in the first 10 years of the strategy. This is consistent with forecast population growth and the possibility of it peaking in 2026-31, plus the current push to meet new standards. After that, the focus is on renewing existing assets.



Given the constant challenges to provide affordable and timely service — and the demand on internal and external project management and construction resources — the renewals expenditure based on expected useful life has been budgeted to “fill the gaps” between the major projects.

The Proposal

The Council proposes to adopt the draft Infrastructure Strategy 2021-2051.

Do you support the proposed strategy?

In the submission form, you will be asked to provide comments. If you did not answer “Yes”, please specify which aspects of the draft Infrastructure Strategy 2021-2051 you do not support.

How to submit

Online form: Go to marlborough.govt.nz and follow the online prompts.

Email: Please send your submission to: longtermplan@marlborough.govt.nz

Hard copy: A hard copy of our submission form can be printed from our website, or collected from Council’s Blenheim or Picton offices, or Marlborough District Libraries. All hardcopies must be returned before close of business on 10 May.



Marlborough District Council Key Financial Outcomes



Maintain at least an
AA (stable)
credit rating
from S&P Global



Generate sufficient funds
to deliver the levels of
service and undertake the
capital investments
in the 2021-2031 LTP



**Minimise the
impact on ratepayers**
through the appropriate use
of reserves and debt



Remain within our caps
Debt cap of \$230 million.
Rates cap of the Local
Government Cost
Index plus 3%.

Financial Strategy Summary

The financial strategy outlines our overall approach to managing our finances. It sets our limits on rates increases and debt, illustrates the overall financial impacts of decisions made in the Long Term Plan and is key in demonstrating prudent financial management.

Throughout this consultation document, the Council outlines the increased demand to maintain and enhance service levels, particularly core infrastructure. As a result, the Financial Strategy is an important component of the Long Term Plan that demonstrates, in financial terms, how Council will meet these growing demands.

Council Key Financial Outcomes

Council aims to achieve the following financial outcomes over the next 10 years:

- Maintain a credit rating of at least AA (stable) from S&P Global.
- Generate sufficient funds to deliver the levels of service and undertake the capital investments within the 2021-2031 Long Term Plan.
- Minimise the impact on ratepayers through the appropriate use of reserves and debt, while ensuring intergenerational equity.
- Remain within a rates cap of the Local Government Cost Index plus 3%. The 3% comprises 1% for the cost of rising Government requirements and 2% for growth and improved levels of service.
- Remain within a debt cap of \$230 million, which is currently less than 10% of total assets, for the period covered by the 2021-2031 Long Term Plan.
- Maintain investments in MDC Holdings Ltd, Marlborough Regional Forestry, Local Government Funding Agency, and set aside easily accessible funds for emergencies.

A balanced budget

A balanced budget is essential to achieving these financial outcomes, and Council has considered how to balance:

- The levels of service to be provided and the cost of achieving and maintaining them during periods of growth;
- The priorities and timing of expenditure across all activities, especially expenditure of a capital nature and the link to the Infrastructure Strategy;
- The proposed levels of rates and charges across the full 10-year period of the Long Term Plan and their impact on the community;
- The proposed level of borrowing that current and future ratepayers will need to service.

Overall, Council considers that it has successfully balanced these four key elements in preparing the draft Long Term Plan 2021-2031. Community input is welcome on how the current result contained in this Long Term Plan can be improved. For more information on the 2021-2031 Financial Strategy, visit www.marlborough.govt.nz.

Achieving a balanced budget

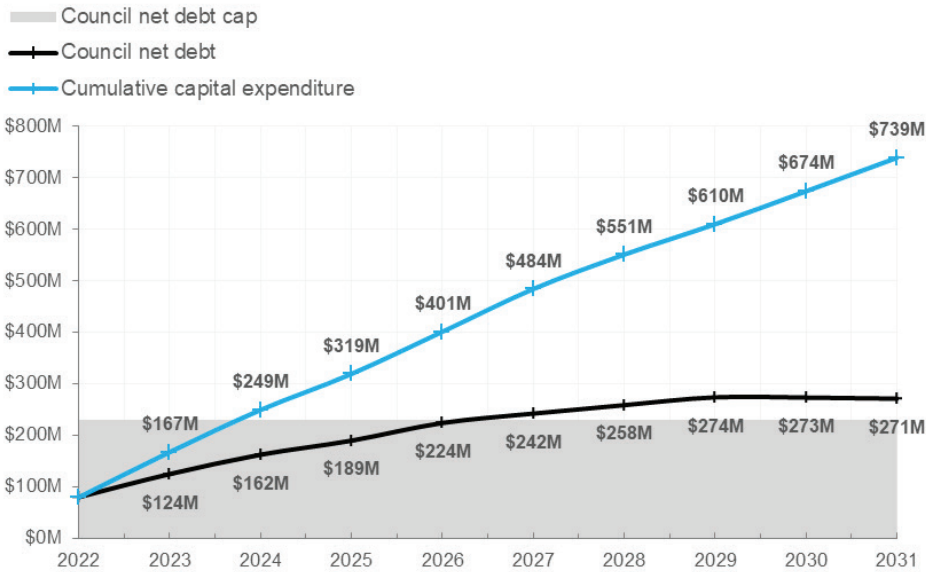
To achieve a balanced budget, in addition to the above and testing the need for additional expenditure, Council has adopted a number of strategies. Many of these are a continuation of the strategies adopted in the 2018-2028 Long Term Plan. These are outlined below.

Setting caps on rate increases and value of net debt

These caps are set by Council and provide tests on whether it can justify to ratepayers why it has exceeded these thresholds, if or when it happens. For rates increases the cap is the Local Government Cost Index + 3%. The 3% comprises 1% for the cost of increasing Government requirements and 2% for growth and improved levels of service. This is 1% higher than the 2018-2028 Long Term Plan and recognises the growing costs to meet additional Government requirements that are impacting virtually all Council activities.

The cap for net debt has been increased in this Long Term Plan to \$230 million from the \$140 million set in 2018. This change recognises the effects of inflation and an increased capital expenditure budget. Council is anticipating that it may be outside this “cap” from 2027 onwards, but in reality this should not occur if the Three Waters assets and related debt are transferred to new entities as currently proposed by Government. Also, based on the experience gained from Council’s previous plans actual requirements are likely to be less than currently forecast.

Council net debt compared to cumulative capital expenditure (in millions)



Recognising timing, including delays, of major projects

Council recognises factors that can delay the proposed timing of projects and have a significant impact on the overall capital programme. Capital project timing has previously been delayed due to:

- Finalising community consultation;
- Obtaining land access;
- Obtaining resource consents;
- The limited availability of external professional expertise;
- Receiving an acceptable contract price and contractor availability.

These factors have contributed to actual expenditure falling below budget in prior years. As a result, a strategic decision was taken to limit the financing of capital expenditure to approximately \$70 million for the first three years of the Long Term Plan for core Council assets. To achieve this, adjustments have been made to reduce the capital expenditure budget in the first three years of the Long Term Plan. These adjustments are not specific to projects, and Council still aims to complete all of them over the next 10 years.



Adopting a funding hierarchy

Council has adopted a funding hierarchy for capital expenditure that's designed to reduce the impact on rates. The hierarchy is outlined below:

- Use development contributions for growth-related projects: Council is proposing an updated Development Contributions Policy as part of this consultation.
- Use Depreciation Reserves if available for the activity to which the specific asset being acquired belongs: Inherent in this approach is Council continuing to fund depreciation for core infrastructure assets.

The exceptions are:

- o Community facilities such as cemeteries, street trees, plots and berms, halls and reserves where Council has decided to continue the previously established policy of not fully funding depreciation, as the replacement of those assets is not guaranteed at the end of their economic life;
- o Roading where depreciation is only half funded because of an NZTA subsidy of 51%; and
- o Depreciation for river stopbanks, quarries and drains.

Continued funding of depreciation will be a key part of funding the renewals identified in the Infrastructure Strategy.

- Use other reserves, for example, the Infrastructure Upgrade Reserve (IUR) and Forestry and Land Development Reserve: In this Long Term Plan, with the increase in revenue going to the IUR and the impact of reduced interest rate assumption, greater use is being made of this reserve than previously. The forecast balance at the end of 2031 remains a positive.

Use the Emergency Events Reserve to replace/repair infrastructure damaged from recent emergencies:

This applies in particular to roads, river protection, earthenware sewerage pipes and community facility strengthening. The balance of this reserve is lower than it has been previously, but Council aims to rebuild its balance. However, in the interim Council can call upon all its reserves should it need to, to address the financial impact of an emergency. Council continues to maintain easily accessible cash reserves of just over \$12 million.

- Use rate-funded debt: Council infrastructure typically has long economic lives and the use of debt is a means by which the cost of the asset can be spread over both current and future beneficiaries, with either 20- or 30-year repayment terms. The alternative is to have the capital expenditure programme funded by current ratepayers via rates. Given the size of the programme, outlined in this document, not only would this be unaffordable but also fail the statutory requirement placed on Council to consider intergenerational equity.

Use reserves as a one-off to smooth rates

In this consultation document, Council has proposed to use reserves for a one-off expenditure to smooth the impact on rates. Also as part of this Long Term Plan, Council has recognised the unique effects of Covid-19 on the community and used funding from a newly established Covid-19 Rates Relief Reserve to further smooth the impacts on rates.

Review the "Interest Rate Assumption"

Council has reviewed its interest rate assumption to ensure the cost relates to current long-term interest rates and is anticipated to be sustainable for the period of the Long Term Plan. For this Long Term Plan, Council decided to drop its interest rate assumption to 4%. In the 2018-2028 Long Term Plan, the interest rate assumption was 5.5%. This has generated an immediate benefit to ratepayers, although it has reduced the largest source of funds to the General Revenues Account, the surplus from which is used to fund the Emergency Events Reserve.

Equity investments and other interests

Council is required to outline its rationale for holding investments. Council holds investments in:

- MDC Holdings Ltd and its subsidiaries, Port Marlborough NZ Ltd and Marlborough Airport Ltd: The purpose of establishing MDC Holdings Ltd was to separate Council's commercial activities from its other functions. As a result, the focus is on generating a commercial return of at least 7%, after tax. Council also sees these investments as key to the district's continuing economic development.
- Marlborough Regional Forestry (MRF): The Council has an 88.5% ownership interest in approximately 5,000 hectares of commercial forest. Kaikoura District Council owns the remaining share. Over recent years, MRF has generated significant surpluses, which have been credited to Council's Forestry and Land Development Reserve.

However, these will cease 2021-2022 to 2027-2028 due to the lack of mature trees available for harvest.

MRF's primary aim is to provide the best financial return on a sustainable basis. While an annual target is difficult to predict because of the variability of harvested log prices, a long-term return of 7% is expected.

- Investment bonds and term deposits are held to provide Council with an easily realisable source of cash should an emergency occur.



The Proposal

The Council proposes to adopt the draft Financial Strategy 2021-2031 including:

- Setting a rates cap at the movement of the Local Government Cost Index plus 3%;
- Increasing the debt cap from \$140 million to \$230 million of net debt to take account of inflation;
- Establishing a Covid-19 Rates Relief Reserve and using funding from that Reserve to reduce general rates; and charges for a period of three years as discussed in the “Rates” section of this document.
- Implementing the funding hierarchy outlined in the draft Financial Strategy.

Do you support this proposed strategy?

In the submission form, you will be asked to provide comments. If you did not answer “yes”, please specify which aspects of the draft Financial Strategy 2021-2031 you do not support.

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