

Annual Plan 2025/26

LTP Year 2 Delivery - 5 February 2025

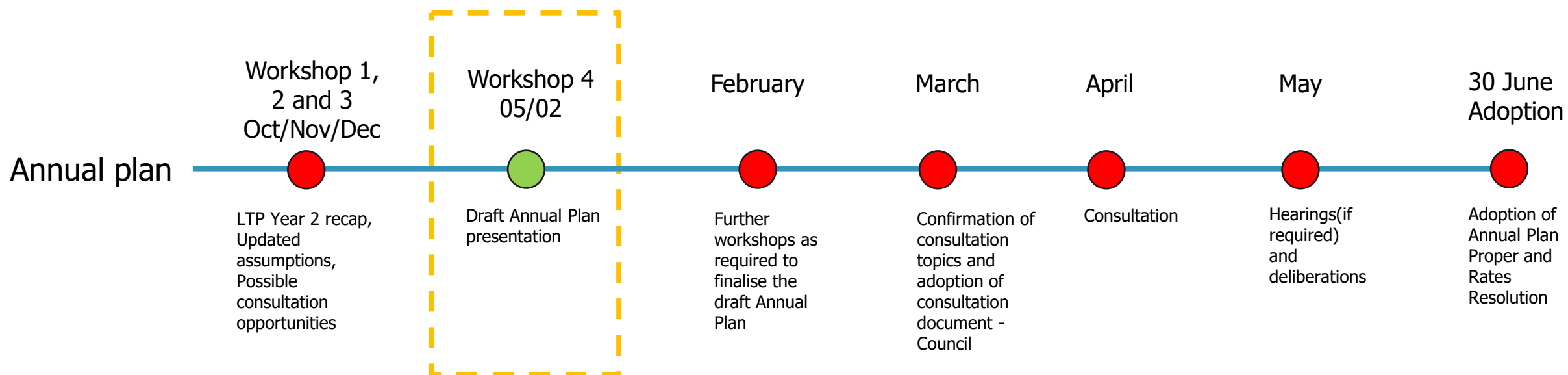
Workshop



Workshop Purpose

- Provide Elected Members with a draft work programme for LTP Year 2
- Provide a draft rates increase and debt profile for LTP Year 2
- Seek direction from elected members on the draft consultation topics and for the Consultation Document

Annual Plan Timeline

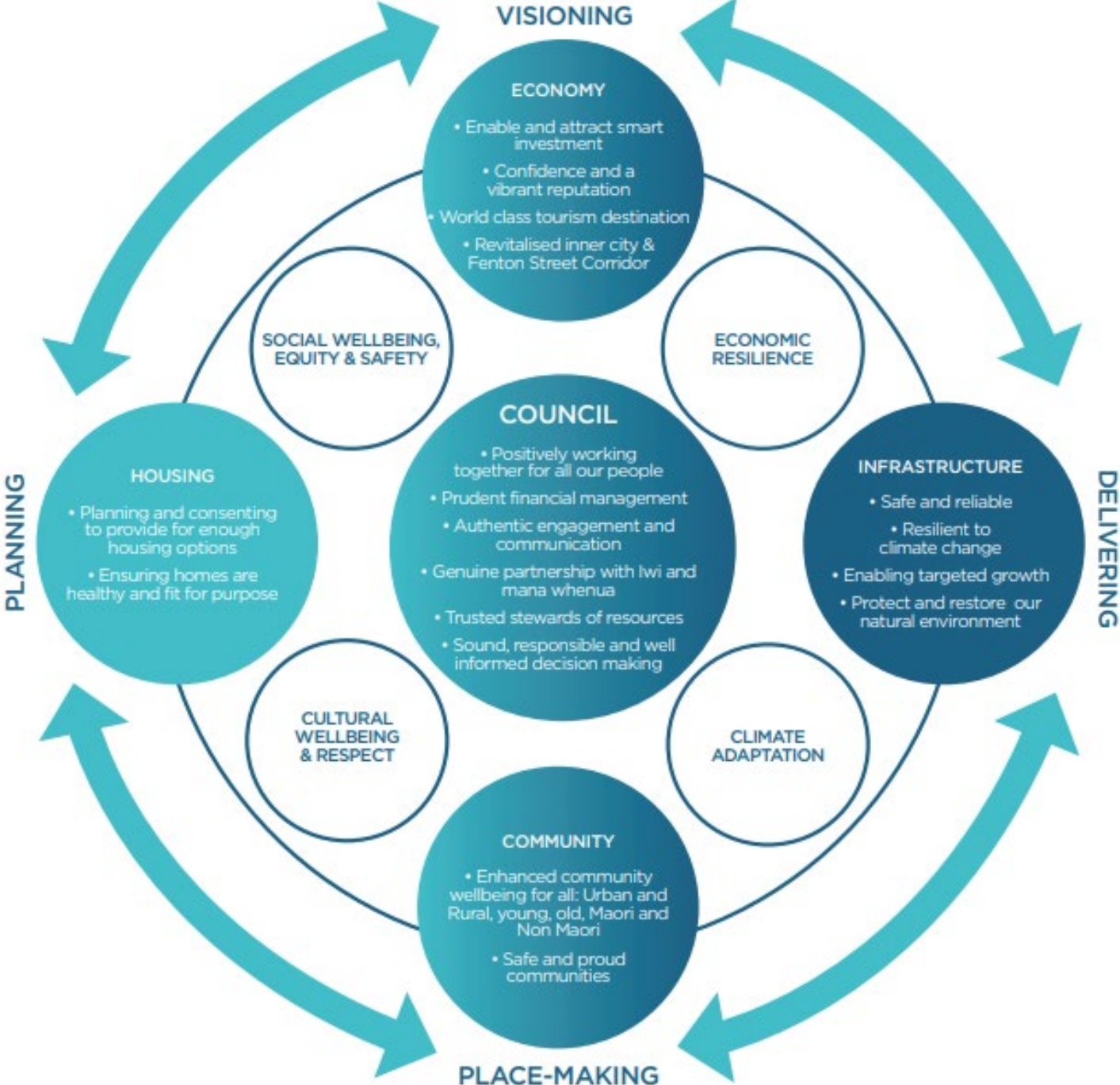


LTP Context

One of the most difficult LTPs ever

- Uncertainty on Local Government and 3 waters reform
- Regulatory and compliance pressure continue to increase
- Contractor and Labour shortages
- Higher interest rate environment
- Annual inflation still tracking above 6% - impacting both opex and capex
- LTP adopted – June 2024 (7 months ago)

Council Priorities



LTP Financial Strategy

AP to align to Council's overarching Financial Strategy

Council's financial strategy aims to deliver the following:

- **Maintaining existing infrastructure** so it is fit for purpose now and into the future
- Providing infrastructure to **accommodate a growing district**
- Investing in the future of the district to **deliver community outcomes**
- Being **good stewards** of our assets
- Balancing delivery with **affordability**
- **Prudent use of debt** to support infrastructure and growth
- Managing debt

Annual Plan Recap – Journey so far

- Workshops held over October, November and December
- Recapped what was in LTP Year 2
- Outlined what has changed since LTP adoption
- Discussion on Elected Member Ideas
- Presentation on Tarawera rate and Airport opportunities

Annual Plan Recap – October

- Recap of the development of the LTP highlighting context within which the LTP was developed
- Highlighted the foundation of the financial strategy
- Outlined the capital projects in Year 2
- Outlined pressures (upward and downward) on current plan

Annual Plan Recap – November

Elected members brainstormed potential opportunities. These opportunities were classified under three groups:

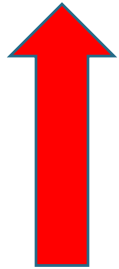
- Immediate Opportunities
 - Organisation Reset 2024
 - Future Strategic Opportunities
-
- These were grouped and discussed at the 18 November workshop

Annual Plan Recap – December

- Tarawera Sewerage Scheme Targeted Rate
- Airport business park proposal discussion
- Affordability discussion held with elected members
- Acknowledgment that this is a LTP Year 2 lift and shift with known changes
- Minor changes to levels of service will be required (not requiring consultation)

LTP Rates Year 2

LTP Year 2 = 9.8%

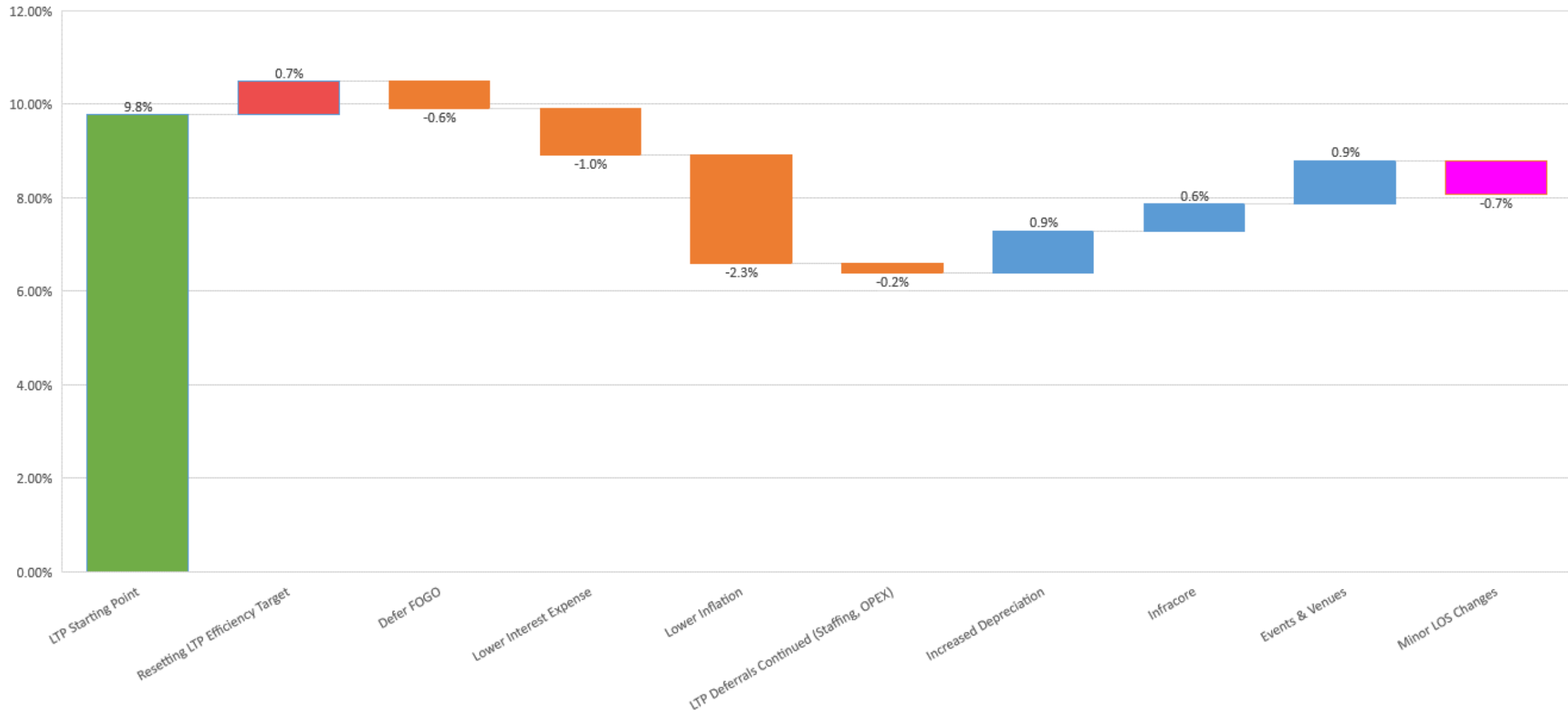


- Infracore moving back to Council
- Events and Venues moving to RotoruaNZ
- Increased depreciation due to asset revaluation
- Bringing forward Parawai Rising Main Wastewater CAPEX



- Lower Inflation
- Lower Interest Rates
- Deferral of FOGO
- Minor LOS changes
- LTP deferrals continued such as staffing and opex deferrals

Draft Rates Increase - 8.1%



Note: sum of changes vary slightly due to rounding

Annual Plan Rates Drivers

Deferral of FOGO – One year deferral of the Food Organic & Green Organic waste project.

Interest Rates – Reflects current borrowing costs.

Inflation – Changes in the Local Government Cost Index (prepared by BERL). Subject to revision later in the financial year to reflect price changes since publication of the draft 2024 report.

Depreciation – Impacted by asset revaluations (3 waters - \$113m), which changes the calculation of depreciation (additional \$4m) used to fund the replacement of existing assets.

Infracore – Conservative additional funding associated with the operations of Infracore now in house.

Events & Venues – Funding to derisk revenue shortfall associated with the transfer of Events & Venues to RotoruaNZ.

Minor LOS changes – detail to follow in an upcoming workshop

Annual Plan Risks

- Delivery of the plan (8.1%) carries risks
 - Ex-Infracore Level of Service gap
 - Open spaces – Plant and equipment, gardens and janitorial
 - Reactive response to water leaks
 - Parking contract renewal and revenues
 - Aquatic centre contract renewal
 - Local waters done well (DIA approval)
 - RMA reform – potential for plan changes
 - Challenges meeting service levels for building services, regulatory and animal control

Examples of known ex-Infracore levels of service adjustments

Open spaces:

- Gardens: currently approximately 25% below Level of Service delivery e.g. high profile gardens maintained less frequently than specifications
- Mowing: currently approximately 15% below Level of Service delivery e.g. We have stopped mowing 1 Star (rural and drainage) reserves at typical summer frequencies and these are only mowed when we have availability. Other mowing-associated tasks like edging, weed eating etc on non-premiere reserves is also only done once every 2-4 rotations when they should be done every time.

Examples of known ex-Infracore levels of service adjustments

- Janitorial: currently approximately 40% below Level of Service delivery 2 cleans/day have been reduced to 1 clean/day frequencies. Other facilities, such as BBQ areas, are not cleaned as regularly as scheduled (1 x fortnight) or to the required standard.
- Cemeteries: currently approximately 25% below Level of Service delivery (Maintenance), 70% below Level of Service delivery (Administration) e.g. Cemetery administration tasks (registration of plots, indemnity forms, invoicing, plot management, general inquiries etc) have been reduced.

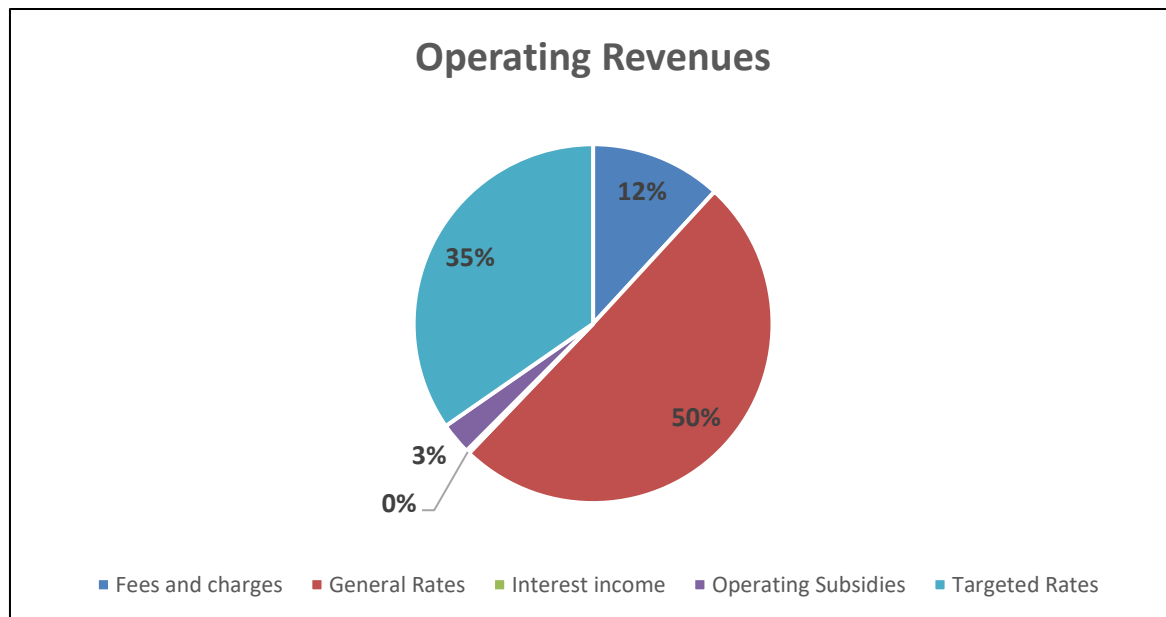
Note: this is not an exhaustive list

What is in Year 2

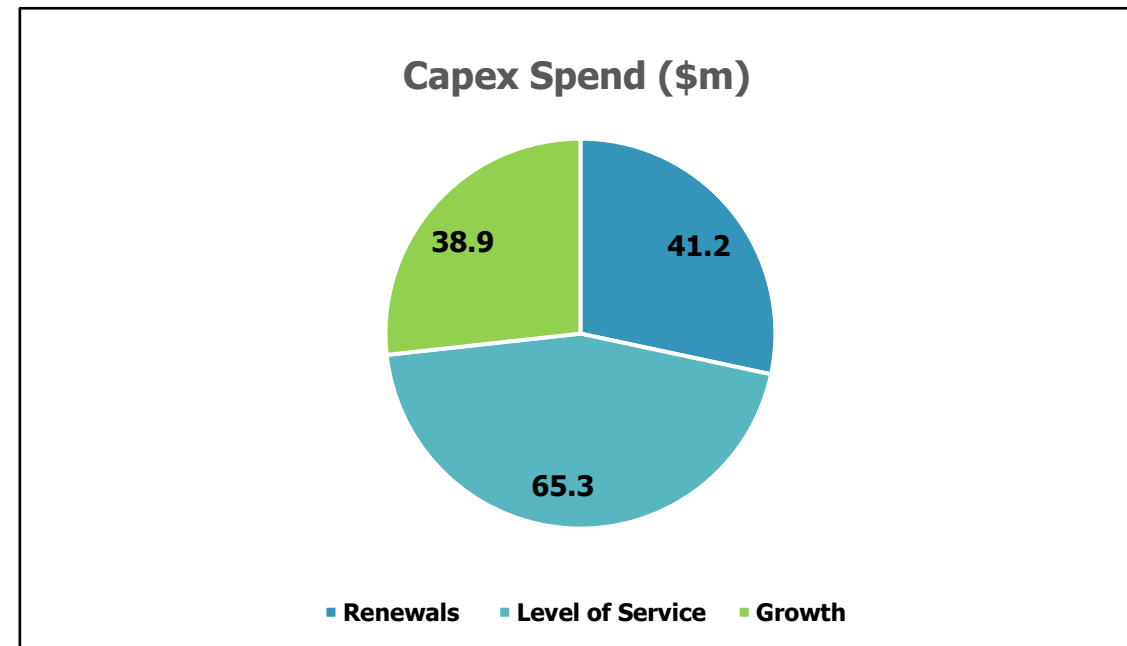
Rates = \$160m

TR = 7%

GR = 11%



Total Capital works = \$145,4m



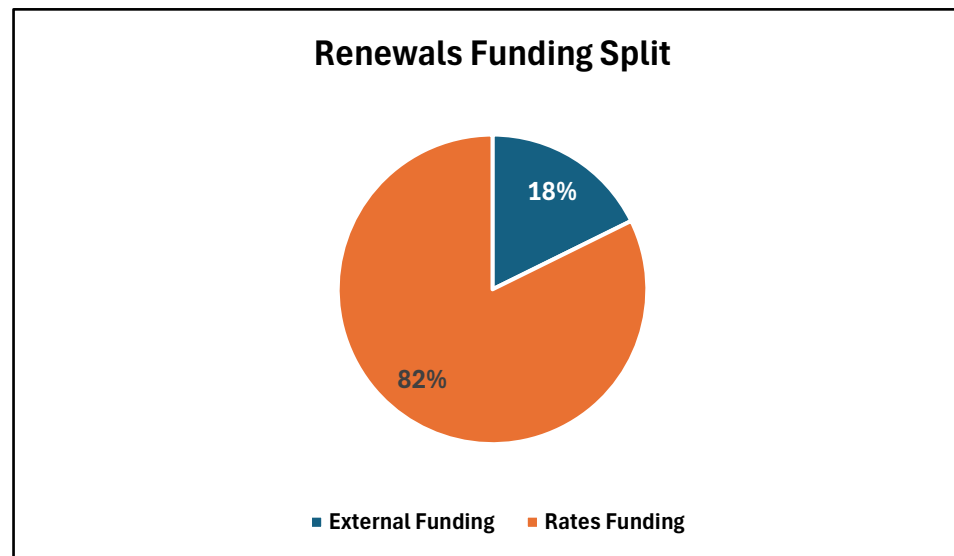
Debt Increase = \$41m

Development Contributions = \$9.6m

Capital Subsidies = \$59.4m

Capital Works - Renewals

Renewal Project Capital Expenditure & Funding (\$)	Total
Transport Operation Renewal	9,461,517
Waste Water Network Renewals	6,264,000
District Water Supply Renewal	4,437,000
Fleet Purchases	3,280,550
Civic Centre Renewals	3,156,950
Stormwater Network Renewal	3,132,000
Park Structures Renewals	2,987,000
Energy Event Centre Renewals	2,544,100
IT Renewals	1,083,560
Digital Customer Enhancements	929,342
Information Solutions Improvements	816,790
Library Renewals	772,500
Public Toilet Renewals	435,859
Infracore Buildings Renewals	309,000
Unsubsidised Transport Renewals Program	226,600
Community Halls Renewals	206,000
International Stadium Renewals	154,500
Rotorua Museum Renewals	154,500
Museum offsite facility Renewals	106,512
Aquatic centre Renewals	103,000
iSite Renewal	103,000
Other < \$100k	544,050
Total	41,208,331



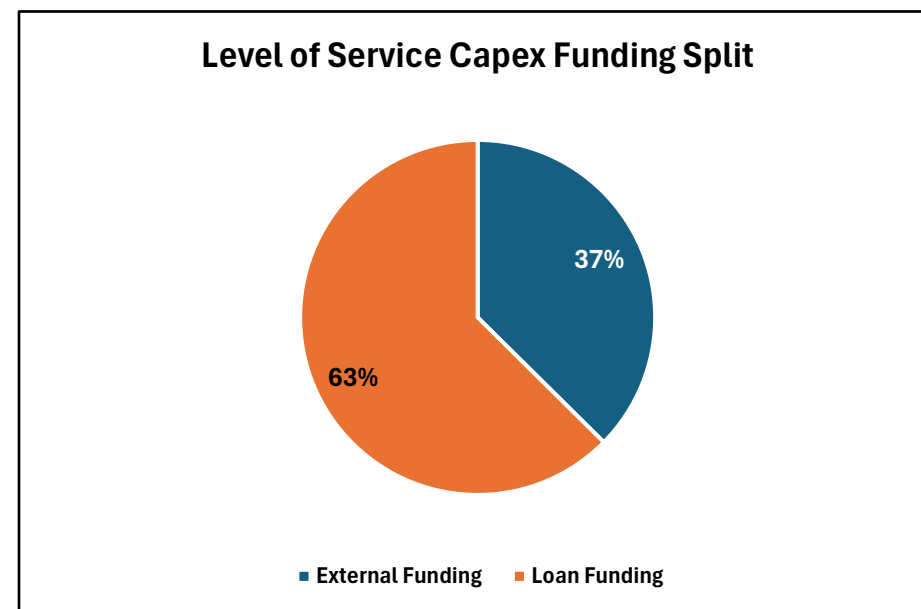
Notes:

Civic Centre Renewals include Civic Centre roof repair and Galleria Toilets refurbishment.

Energy Events Centre Renewals include funding for exterior recladding & lift replacement.

Capital Works – Level of Service

Level of Service Capital Expenditure & Funding 2025/26 (\$)	Capex
Rotorua Museum Enhancements	26,265,000
Waste Water Treatment Plant Upgrade	11,395,260
Tarawera Sewerage Scheme	6,525,000
District Sewerage Scheme Enhancements	6,132,456
District Water Supply Enhancements	3,781,368
Rotorua Museum Exhibition	3,343,216
Pensioner Housing Renewals	1,133,000
Chapel - Sala Street	1,044,000
Titoki Place Improvements	1,030,000
Minor Safety Improvements	927,000
Stormwater Network Enhancements	835,200
Waste Water Network Expansion	835,200
Rural Seal Extensions	648,900
Active Recreation Enhancement	257,500
Devolved Funding	257,500
IT Enhancements	255,440
Reserves Erosion Control	154,500
Maori Roadlines and unformed roads	123,600
CCTV Enhancements	103,000
Other < \$100k	237,930
Total	65,285,070



Capital Works – Growth

Growth Capital Expenditure & Funding 2025/26 (\$)	Capex
Stormwater Masterplan IAF Projects	28,914,956
Waste Water Network Expansion	4,967,352
District Water Supply Expansion	2,714,400
Stormwater Network Expansion	2,072,340
Transport - Support for growth	206,000
Total (adjusted for inflation)	38,875,048

Waste Water Expansion:

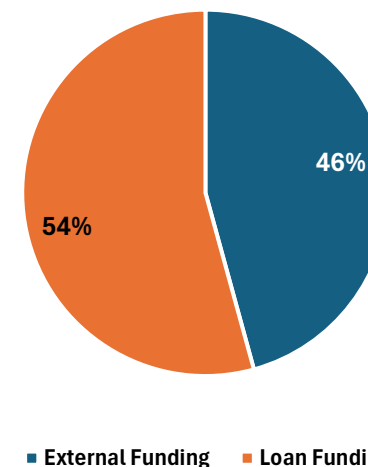
\$754k growth portion of Depot St
 \$3.835m growth portion WWTP
 \$130k Ngati Whakaue tribal lands development plan – Brent Block
 \$39k Upgrading of DN150 gravity main along Wikaraka Rd

Water Supply Expansion:

\$2m new 3,500m³ tank at eastern reservoir No. 2 site – Tarawera Rd

 \$300k Develop Hemo Spring Pump Station & connecting rising main
 \$300k Alternative water sources investigation & development of the urban area (Central & Eastern)

Growth Capex Funding Split



Stormwater Expansion:

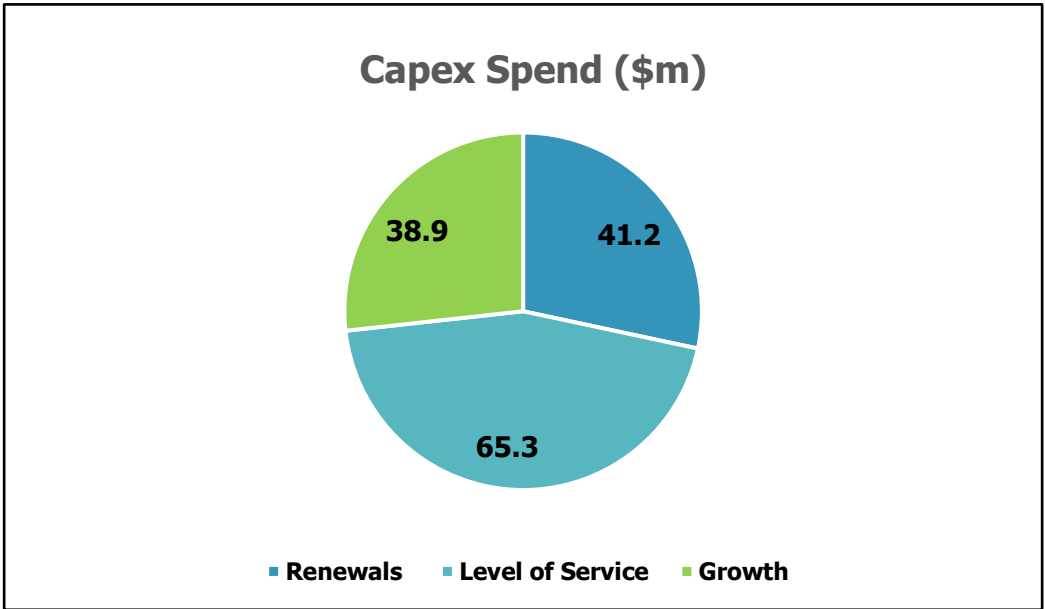
\$370k East 03 (Galvin Rd, Hinemoa Point, Umurakia Rd, Vaughn Rd ext, Te Roro Te Rangi Rd) to resolve Stormwater issues in this area.

 \$165k East 11 Owhatiura South 5 open channel upgrade
 1.4m Melrose PI open channel upgrade
 \$50k Morey St culvert upgrade

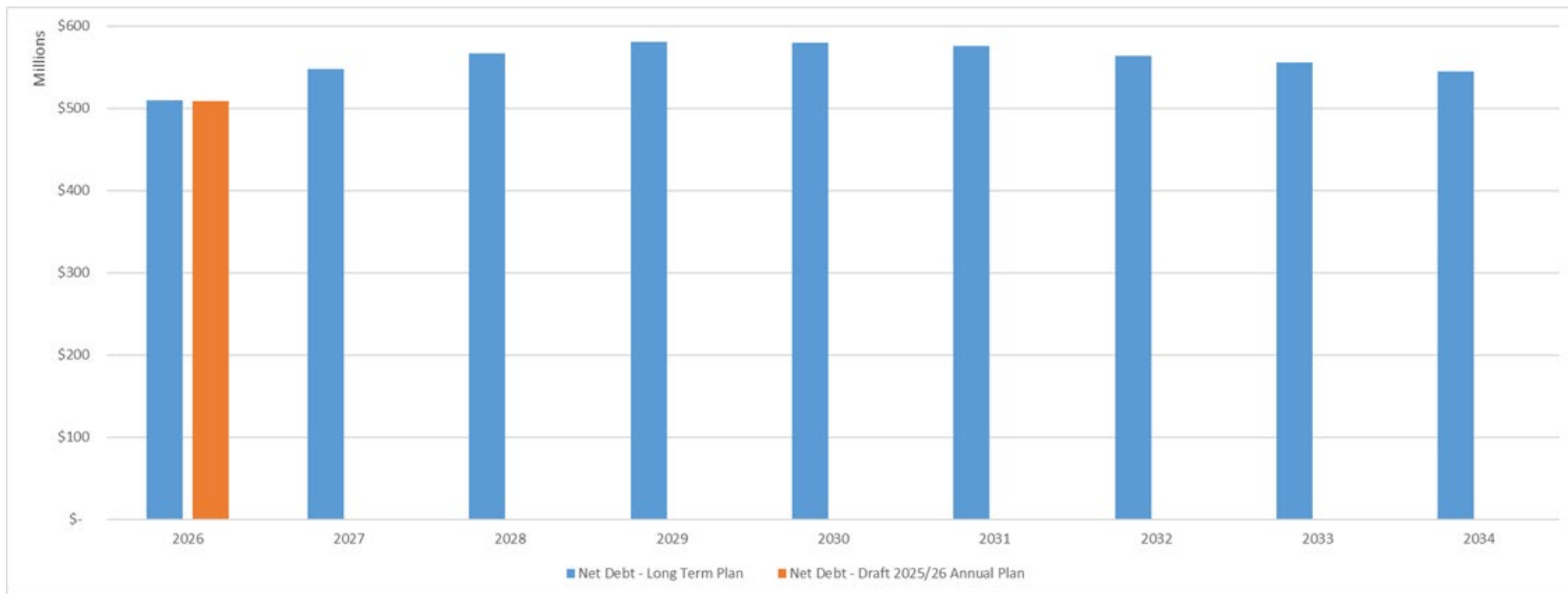
Capital Works – Summary

Total Capex & Funding Summary 2025/26 (\$)	Capex	External Funding	Rates Funding	Loan Funding
Renewals	41,208,331	18%	82%	0%
Level of Service	65,285,070	37%	0%	63%
Growth	38,875,048	46%	0%	54%
Total	145,368,449			

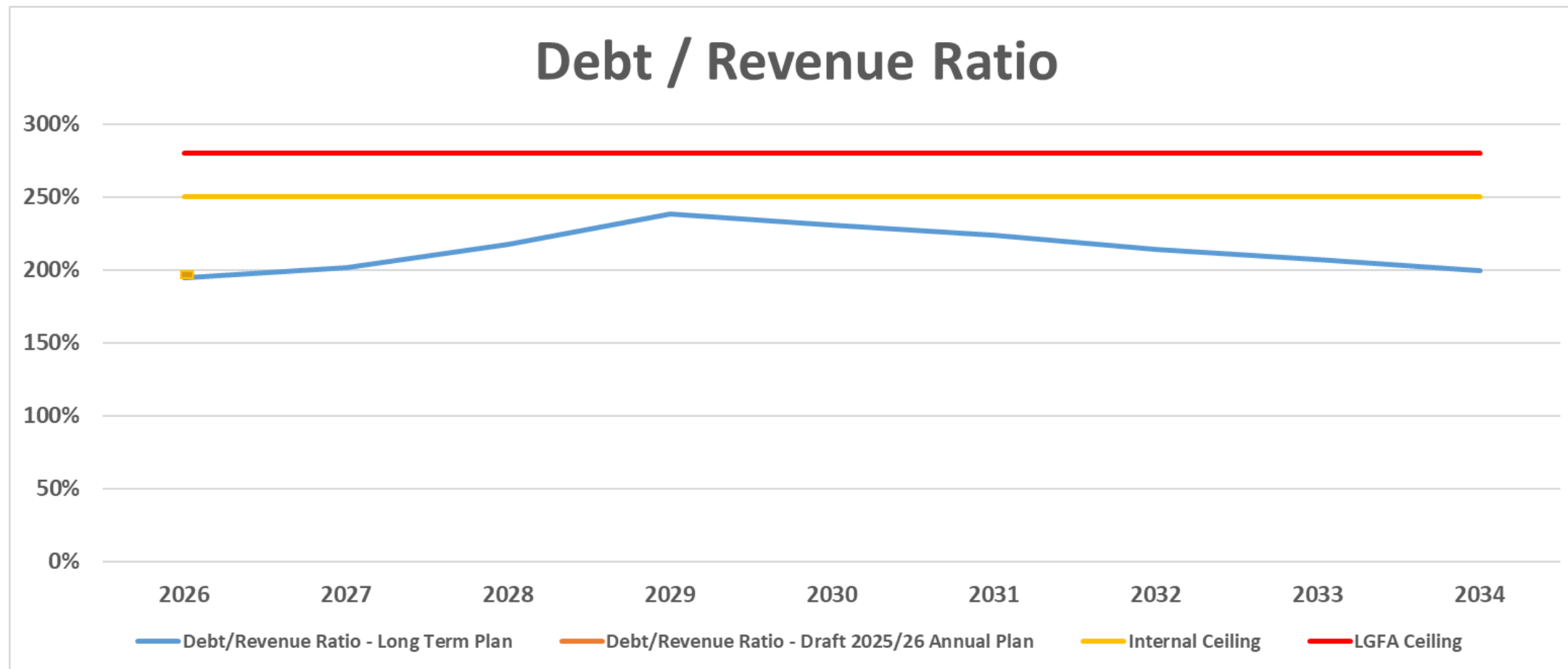
Total Capex = \$145.4m
 Total External Funding = \$49.4m
 Total Capex Debt Funding = \$62m
 Total depreciation funding for renewals = \$34m



Year 2 - Debt



Year 2 – Debt Ceiling



Consultation

Consultation to be held over the month of April

Potential topics to consult with community:

- Tarawera Sewerage Scheme Targeted Rate
- Local Waters Done Well
- Airport Business Park

Tarawera Sewerage Scheme

Context & Background to the project

- BOPRC issued the OSET rule. This meant that from 2017 all Tarawera properties would require a resource consent for septic tanks OR install an OSET compliant system
- Based on RLC understanding of the above, 170 out of 450 existing properties would not be able to comply with the OSET rules.
- In 2021 RLC consulted with the public and decided to proceed with the reticulation project for all properties (550 properties)
- BOPRC indicated that once a reticulated scheme was available in the proximity to a property, resource consent for a septic tank system is very unlikely to be granted.

Questions asked of Elected Members

The below questions were asked of Elected Members on 5 December

- Should staff progress with preparing material for public consultation with proposed changes to the capital funding plan as part of the Annual Plan?
- Does RLC intend to set the rate on 1 July 2025 (and doing so require property owners to pay from 1 July 2025 onwards)?
- **Direction received: Consult on changing the capital funding plan**

Context & Background to the project

- Workshop held on 5 December
- Covered current situation, other considerations and change of funding options

Change in Funding		\$ 1,000,000	
Funding Source	Ratepayers affected	Impact	Rates %
Property Owner	550	\$ 1,818.18	
Lake Enhancement rate (25 years)	27,312	\$ 2.80	0.1%
Sewerage Targeted Rate (25 Years)	22,576	\$ 3.40	0.1%

Proposed methodology for implementation

1. Any increase in funding from the wider ratepayer via AP, as well as funding from BoF, goes towards property owners who sign off locality plans by 1 June 2025.
2. For those who do not sign up by 1 June 2025, the originally consulted capital funding plan will apply. (~\$48,000 per property)
3. For those who do not sign up by 1 June 2025, only the main scheme availability rate will be changed (~\$15k), and RLC will not offer on-site installations and connections. Reticulation will not be provided to these properties.
4. Properties without reticulation, and who do not have an OSET compliant system will be required to apply to BOPRC for a resource consent. RLC will not support any such applications.
5. Should these properties then seek to connect to the RLC sewerage system, they will do so at their own cost via an RLC approved contractor and to RLC approved specifications.

Local Waters Done Well

Local Waters Done Well

Option 1: An internal business unit within Council

Option 2: A Council-owned water organisation (council-controlled organisation)

Option 3: A multi-council owned water organisation (council-controlled organisation)

Airport Business Park

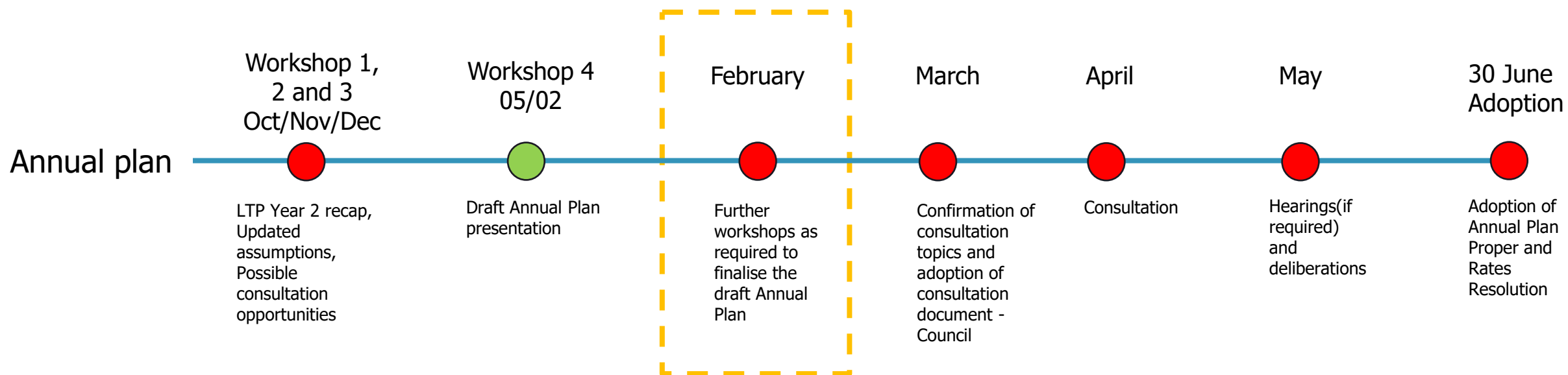
Airport Business Park

- Staff currently working with airport staff on detail of this proposal
- Anticipated that this could form part of the Annual Plan consultation
- Complete masterplan could be consulted on

Direction

- Seeking direction from Elected Members around consultation topics
- A formal paper will be brought to Council at the end of February for adoption of preferred options and formal inclusion of topics into the Consultation Document

Annual Plan Timeline



Questions