Long Term Plan 2024-2034

Tuesday 5th December

Christchurch City Council

Purpose

- Share current position in LTP development with Councillors and the public
- Seek Councillor feedback and guidance
- Share thinking about some key issues
- Confirm preferred approach

Agenda

1. Introduction & background
2. Current rates position
3. Proposals and savings options
4. Rating issues
5. Proposed capex / renewals
6. Next steps

Introduction & Background

- Like all of NZ, facing significant, non-controllable cost increases in insurance, inflation, interest
- Highest impacts likely in years 1-2 of LTP
- Add to that significant Te Kaha rates impacts Year 1 and 2 of LTP
- Complex challenge, limited options around non-controllable costs
- *What Matters Most* city-wide survey prioritised retaining services and maintaining assets
- Extensive briefings with councillors since July, many in public
- Draft LTP work focused on Letter of Expectation from Council.

Current rates position

Current rates position

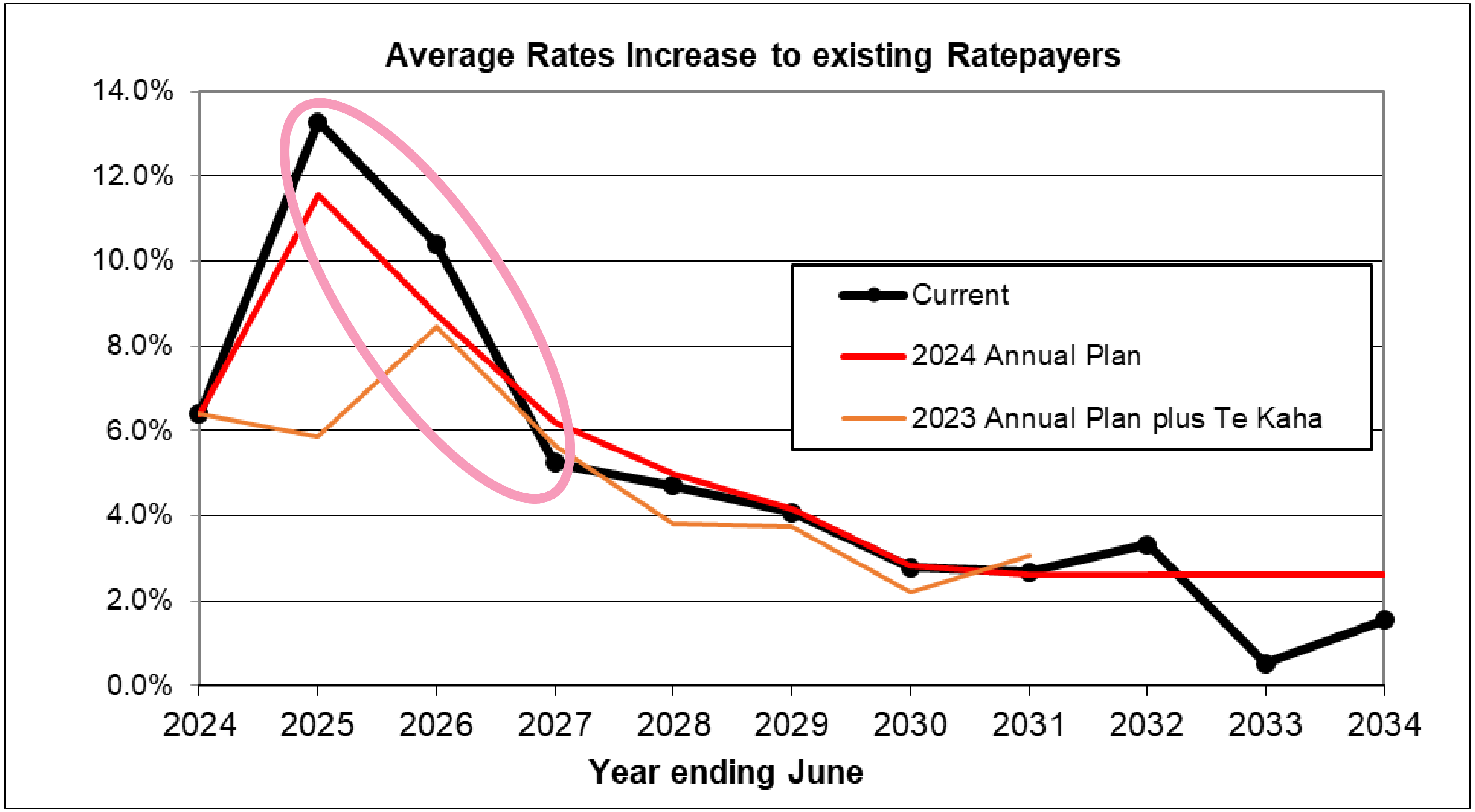
	24/25	25/26	26/27	Cum 3 years
23/24 Final Annual Plan	11.6%	10.2%	6.2%	30.6%
Non-controllable changes	1.7%	0.1%	-1.0%	
Total	13.3%	10.3%	5.2%	31.5%
Base	10.6%	9.1%	4.8%	
plus Te Kaha (capex only)	2.7%	1.2%	0.4%	
Opex proposals	5.9%	-2.2%	-0.3%	
Saving options	-4.2%			

Rates 24/25 increase analysis

Rates Increase Driver	2024/25	
Inflation	5.3%	Including insurance market conditions
Increase in rating for renewals per Financial Strategy	2.1%	
Increase in opex / decrease in revenue	2.2%	
Reversal of one-off subventions benefit	1.9%	Increase deferred from 23/24
Debt servicing driven by 23/24 borrowing	3.5%	Incl Te Kaha
Debt servicing driven by 24/25 borrowing	1.4%	Incl Te Kaha
Lower interest due to repayment of Debt	(0.8)%	
Dividend growth	(1.1)%	Transwaste
Rating base growth	(1.2)%	
Total Rates Increase	**13.3%**	

Note there is limited option around key drivers of the FY25 rates increase.

Current rates position



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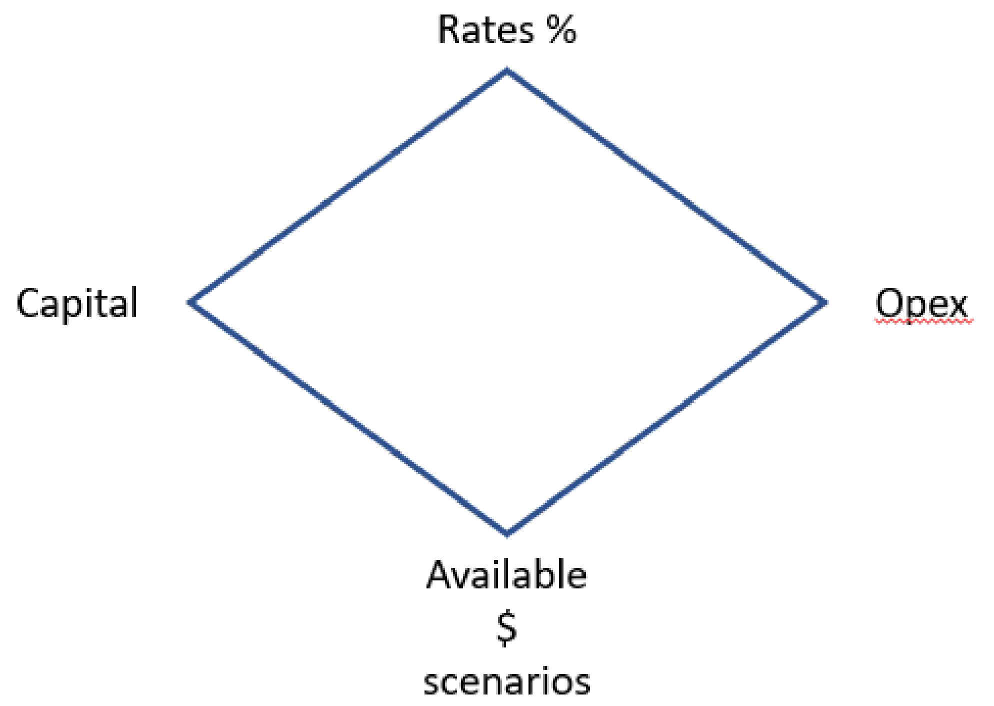
Proposals and savings options

Setting the scene

LTPs contain an immense amount of detail and process, but the core issue is always the same – understanding the major drivers, then striking the right balance.



Opex proposals being considered

	24/25 $m	24/25 %	25/26 %	26/27 %
External funding requests	6.6	0.7		
CCO's (VO, ChChNZ & potential CCHL dividend reduction)	36.6	5.1	-2.1	-0.5
Internal	0.8	0.1	-0.1	0.2
Total	$44.0m	5.9%	-2.2%	-0.3%

What is the appropriate rates target?

Based on 13.3% assumptions no proposals accepted

Rates Increase in 24/25	6%	9%	12%	15%	18%
Opex savings required Sm	50	30	9	-12	-32

Based on 19.2% assumption all proposals accepted

Rates Increase in 24/25	6%	9%	12%	15%	18%
Opex savings required Sm	91	70	50	29	8
Legend	Savings reasonably achieveable				
	Challenging level of savings				
	Extremely difficult level of savings				

Opex savings options being considered

LTP 2024-2034 Potential Opex Savings Options	OPEX savings	REVENUE Initiatives	Total	Year 1* Rates impact
Efficiencies	12,743,750	(1,265,000)	11,478,750	1.7%
Revenue	-	7,395,000	7,395,000	1.1%
Low LoS Impact	4,329,250	-	4,329,250	0.6%
High LoS Impact	7,135,900	(3,015,000)	4,120,900	0.6%
Concept	4,000,000	(2,553,000)	1,447,000	0.2%
Total Potential Savings Options Identified	$28,208,900	$562,000	$28,770,900	4.2%

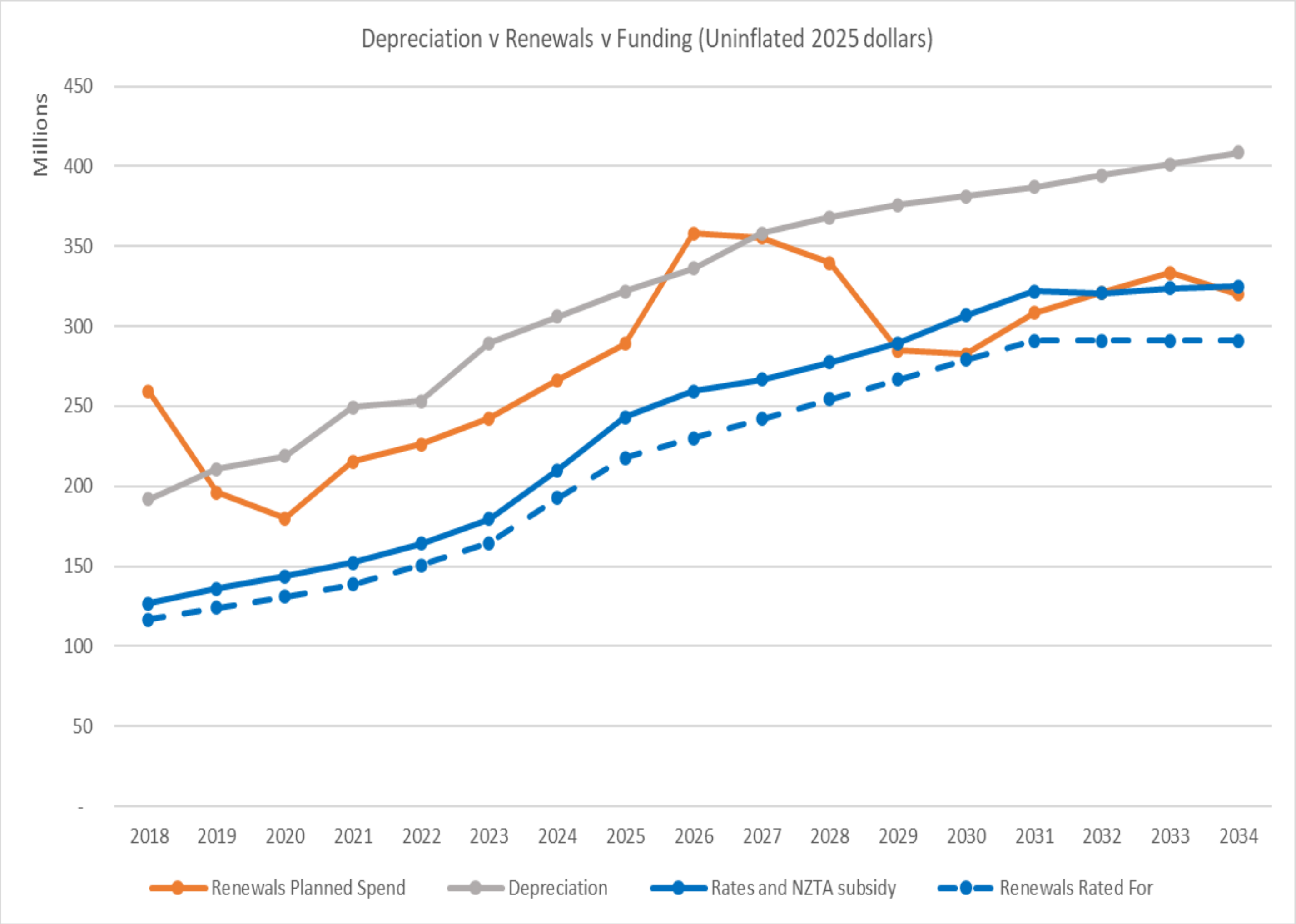
* NB not all potential savings are permanent

Rating for renewals

- Current strategy is to move to funding 100% of renewals from Rates and NZTA subsidy by 2031 (currently at 75%).
- A similar but alternative approach to funding depreciation.
- Increases introduced in 2015 LTP
- Affects borrowing level, debt ratio, balanced budget, rates, intergenerational equity.

- A reduction of $1.9m (-0.25% rates) has been made for 2025 on, there is no further room to reduce rating for renewals or debt repayment without impacting Council's balanced budget prudence benchmark.

Renewals v Depreciation



- Renewals increase in real terms to 2031 at which point ten year average renewals are funded from current ratepayers.

- Higher renewal levels post 2034 are expected.
- Funding will target a 20 year average when data available.

Rating for renewals - Balanced budget

- excerpt from LGNZ - Depreciation in the Local Government context

LGA S100 (1) A local authority must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses.

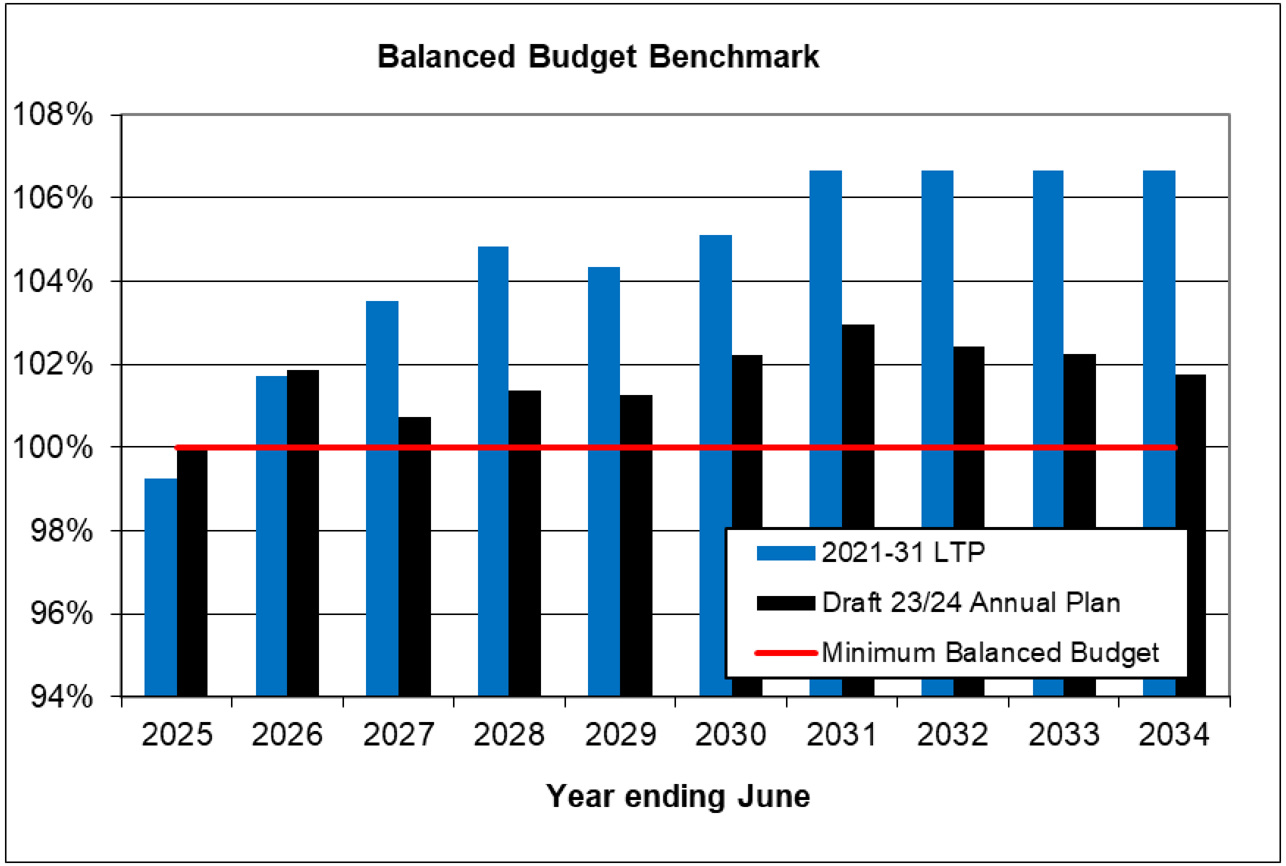
The LGA provides local authorities with a set of exceptions where they may depart from the requirements of the balanced budget. However these exceptions do not provide a licence for any local authority to depart at will from a balanced budget.

For example:

- a political decision to hold back on the amount of depreciation a council may "fund" to keep rates down in an election year does not meet the criteria of a valid exemption.

The stipulations of the LGA require careful thought and analysis of the funding needs and the overall financial strategy to best deliver sustainable community services over the long term.

Rating for renewals – Balanced budget



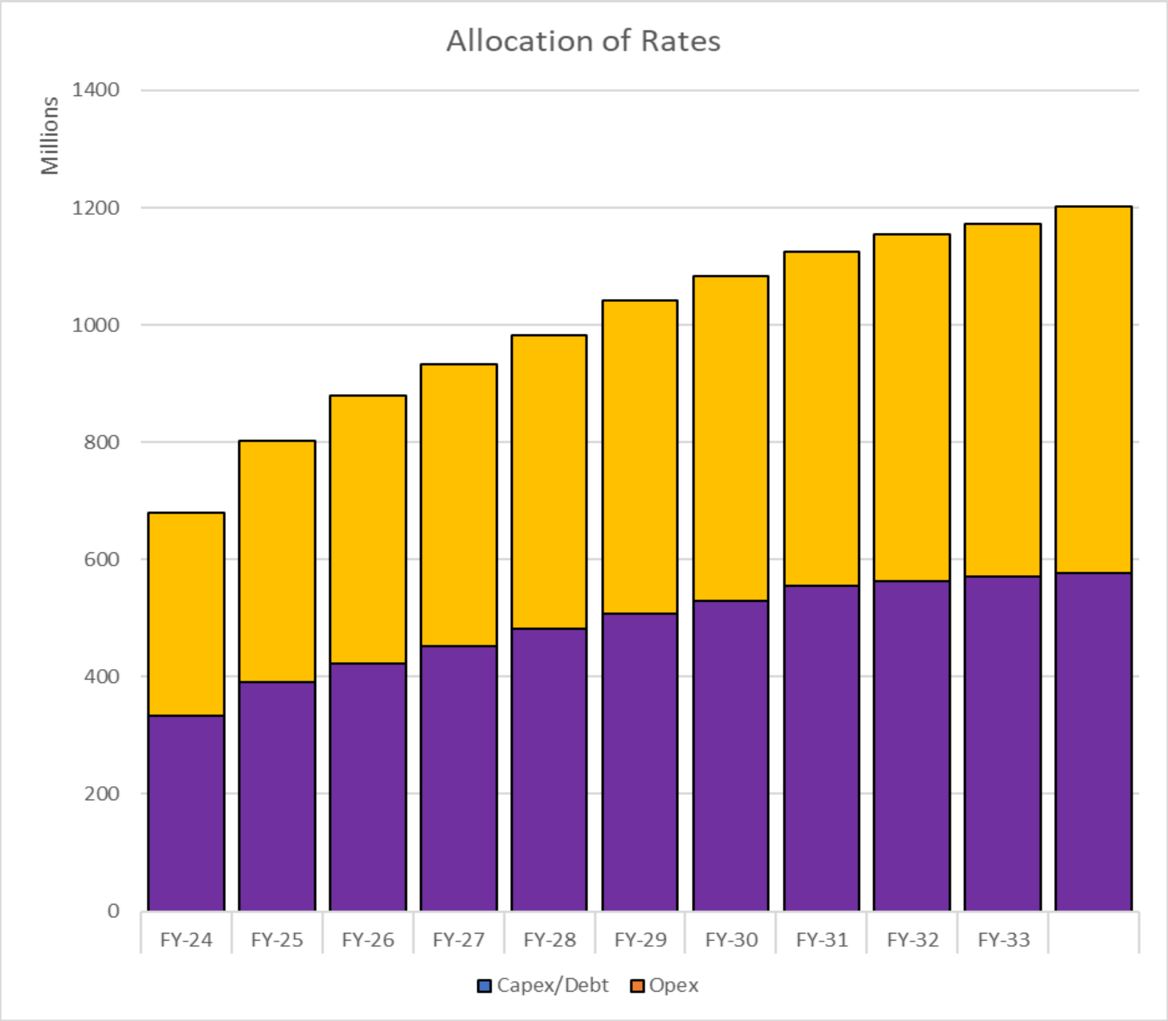
- Based on 13.3% rates increase in FY25
- Benchmark much more marginal than previous LTP due to:
  - 23/24 reduction in rates increase for renewals
  - Higher depreciation with Te Kaha as a Council asset

- 2025 marginal, may become a breach as forecast in the last LTP.
- Longer term breach suggests pushing costs onto future ratepayers.

Review of current strategy for Rating for renewals

- Status quo is recommended:
  - Maintains a well set course to getting to an appropriate level of capex funding
  - Maintains balanced budget benchmark (noting 2025 at risk)
  - Maintains headroom at an acceptable level
  - Financially prudent
  - Avoids additional rates pressure going forward from increased borrowing costs if rating for renewals is slowed down
  - Avoids capex related costs consuming a larger share of rates than current.

Capex/Debt has a significant impact on Rates



- Capex borrowing has a low immediate impact on rates, but a significant cumulative impact over time.
- Rates pay for interest costs and debt repayment, as well as a growing proportion of renewals.
- The Status quo option keeps the split at around 51% opex.

Rating for renewals – alternatives considered

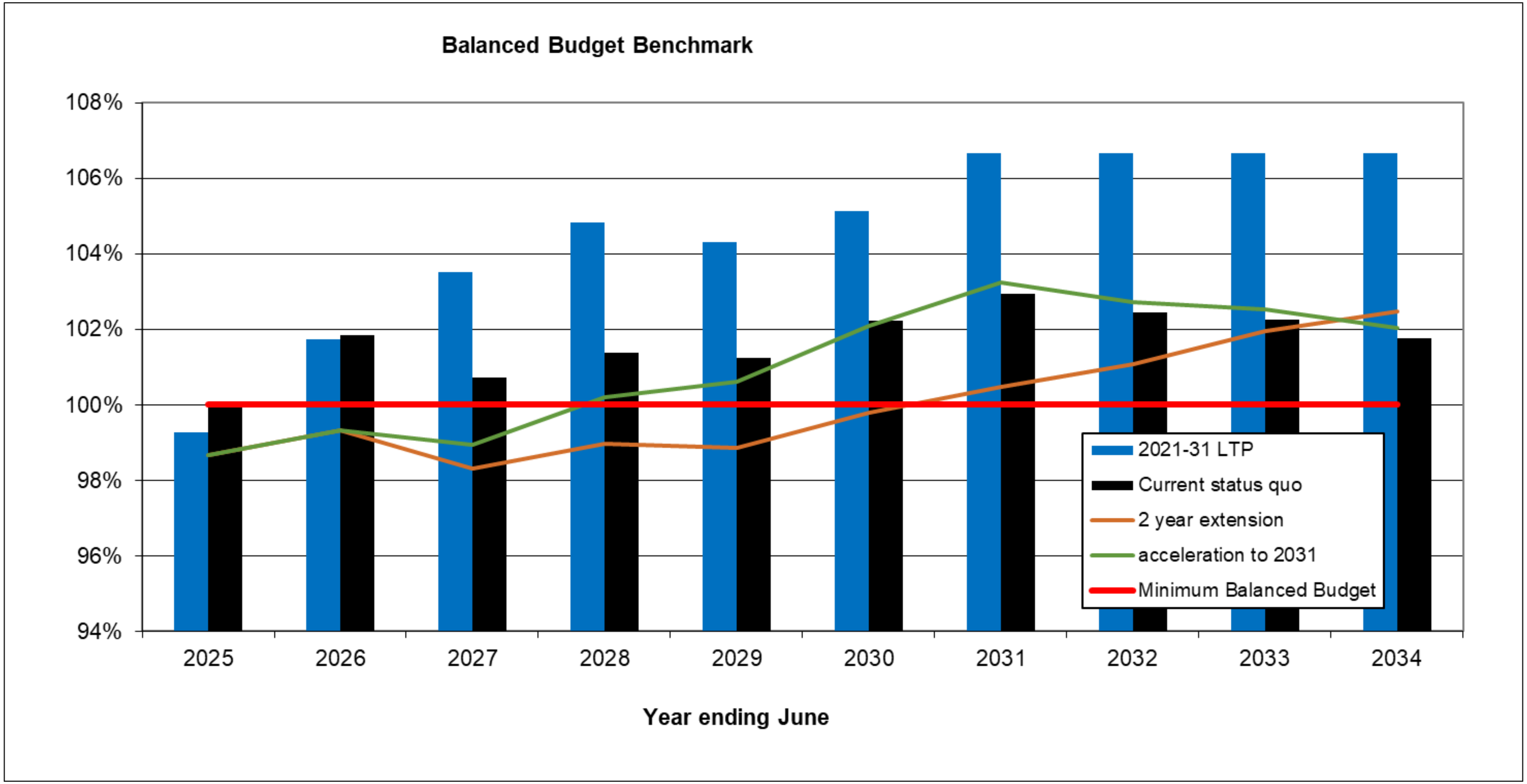
1 – defer increase for 2 years and extend timeframe

- Requires 3 year extension due to inflationary impact of deferral
- Unbalanced budget benchmark for 6 years, and
- Additional borrowing of $267m causing net extra 2.7% rates increase over LTP, and
- Decrease in headroom of $184m in 2028 to $981m

2 – defer increase for 2 years and then accelerate increase thru to 2031

- Unbalanced budget benchmark for 3 years, and
- Additional borrowing of $102m causing net extra 1.1% rates increase over LTP, and
- Decrease in headroom of $117m in 2028 to $1,048m, and
- Annual rates increase 2027-2031 for renewals approaching 3%

Rating for renewals – Balanced budget



Rating issues

Rating issues

- Councillors have recently been briefed on eight rating issues
- Indicative direction was to support six for inclusion in the Draft LTP
- A targeted rate for Te Kaha and Land Value rating were two issues not supported for inclusion in this LTP

Proposals for discussion

1. Extend city vacant differential to 4 suburban commercial centres, namely:
    - commercial core zones areas of New Brighton, Lyttelton, Sydenham and Linwood Village. These areas have more than 10 per cent of their land vacant. This was supported in the 23/24 Annual Plan consultation.

2. Rates remissions for charities
    - move away from automatic 100% remission for qualifying charities to a graduated scaling of remissions focussing on their financial and community need, alignment to Council's strategic priorities, Christchurch focus etc. Include a transition period where needed.

3. Visitor accommodation in a residential unit – rate as business
    - From 1 July 2024 rate as business any residential property that is used for unhosted short term accommodation for more than 60 nights per year, or which has a resource consent for that purpose.
    - Any residential property providing hosted short-term accommodation would also be rated as a business if it is used predominantly for that purpose.

Proposals for discussion

4. Merging the Active Travel targeted rate into the Uniform Annual General Charge (UAGC). No impact on ratepayers.

5. Merging the Heritage targeted rate into the CV based General rate. Timing impact on ratepayers (24/25 -0.3%)

6. Rates postponements – removing automatic qualification for those over 65. Assess all applications based on need going forward.

   - Council only has 10 current postponements in place.

Questions & Discussion

Proposed Capital Programme (including renewals)

Christchurch City Council

Purpose

- To update the Community on DRAFT Capital Programme after four months of initial build and development.
- To present DRAFT (5) in support of the **Letter of Expectation** and Feedback from Councillor Workshops.
- To give staff final guidance on the formulation of the capital programme which Councillors will see again before adoption of the DRAFT for CONSULTATION on 14 February 2024.

Updated Capital Schedules and Orbviz support the Content of these Slides and DRAFT (5).

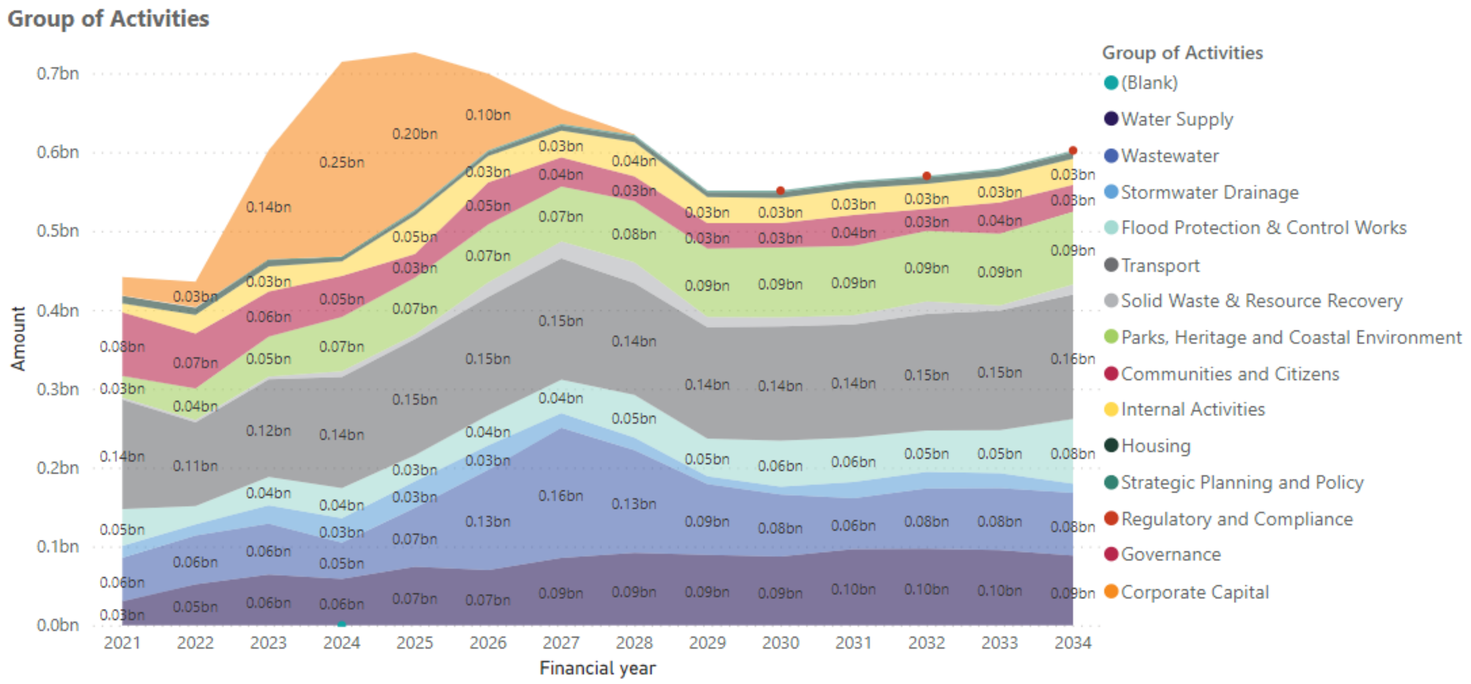
ccc.govt.nz/draftbudget

Summary Position

- ✓ $6.164 billion over ten years
- ✓ Deliverable programme across ten years
- ✓ Leverages external funding
- ✓ Balances increase in renewals against total programme
- ✓ Total Renewals investment over ten years $3.437 billion
- ✓ Climate and resilience built in
- ✓ Community board top priorities largely addressed
- ✓ Mana whenua priorities being addressed

- o Does not address all needs in timeframes desired
- o Pending government decisions and priorities (funding)
- o Some hard decisions to be made
- o Some Transport MCR considerations still to be made

Total CAPITAL Programme (DRAFT 5)



2021 – 2023 shows the actual spend. 2024 onwards shows the budget.

A total Capital Programme of $6.164 billion over ten years (2025-2034) comprised as follows:

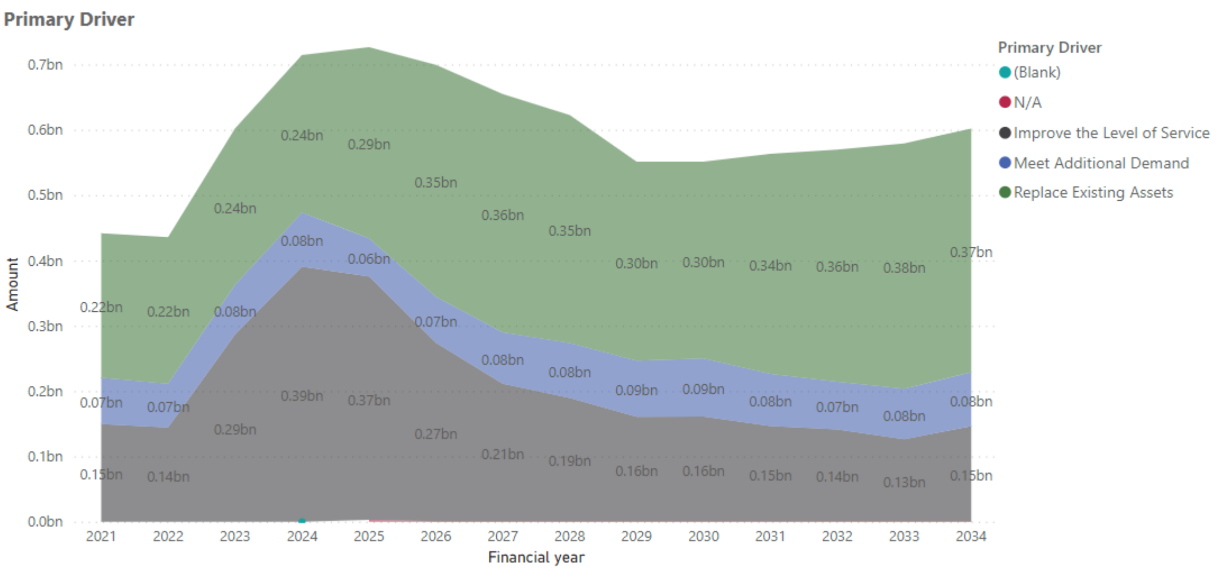
Transport	$1.485 billion
Water Supply	$0.876 billion
Wastewater	$0.964 billion
Stormwater and Flood Protection	$0.710 billion
Parks, Heritage and Coastal	$0.867 billion
Community & Citizens	$0.355 billion
Solid Waste & Resource Recovery	$0.143 billion
Other (incl $286m for Te Kaha)	$0.763 billion

Updated Capital Schedules and Orbviz also support the above high level summary.
ccc.govt.nz/draftbudget
All amounts expressed in 2025 dollars and inflated across planning period.

Key Features and Notes

1. Letter of Expectation : Deliverable and Affordable.
2. Infrastructure Strategy : $3.437 billion in replacements and renewals of our existing Asset Portfolio - strong responsibility and stewardship of our Assets.
3. Includes both the Organics Processing Plant (OPP) and the CWTP Trickling Filter Restoration, however these two significant Projects are yet to finalised in terms of scope and extent and final funding arrangements.
4. Detailed Schedules showing the build-up and the changes from the Current LTP (2022-2031).
5. Inflated for 2025-dollar values and provisions made for inflation across the planning period based on economic forecasts.
6. In the Transport portfolio there are still some remaining options to be discussed with Councillors, (additional cycleways that are currently excluded from the 10Y programme and further inclusion of Safety and Speed Management Programmes – refer Scenarios in later slides).
7. See **Appendix 1** for more detail by portfolio.

Overall Approach to Renewals & Replacements



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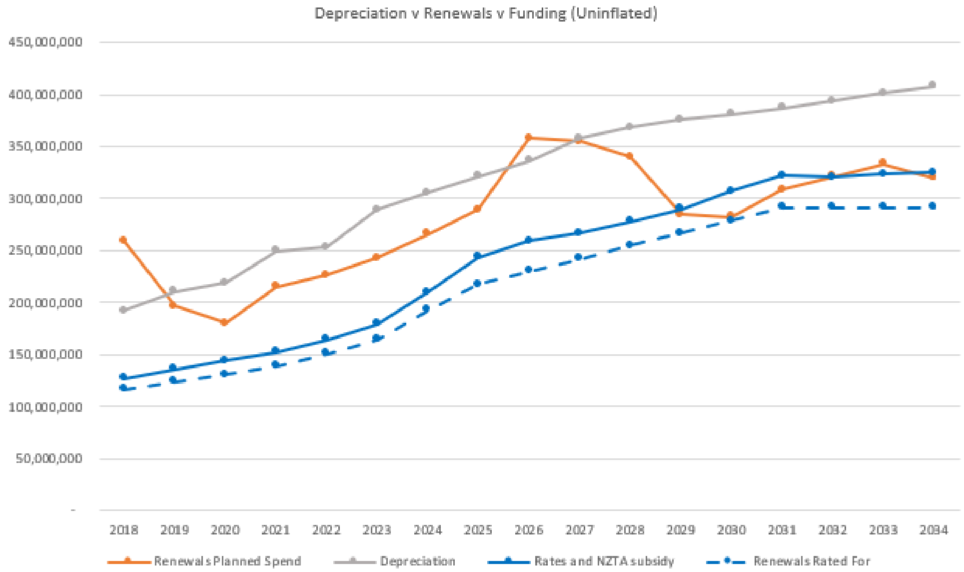


Strong emphasis on renewals and replacements - looking after what we have already got. $3.437 billion investment.

Renewals balanced with depreciation rates, but outer five years may need some rebalancing over time as Asset Management Plans (AMPs) mature. Further detail below.

Benchmarking from OAG Report 2021 https://oag.parliament.nz/2022/local-govt

Figure 10
Renewal capital expenditure compared with depreciation for all councils combined by infrastructure asset category, 2015/16 to 2020/21

Source: Analysed from information collected from councils' annual reports.

The results are consistent with what we saw for renewals spending as a proportion of the depreciation expense, in that the spending as a proportion of budget was higher for water supply, and roading and footpaths, than wastewater.

However, in this case, performance was better for stormwater than wastewater, and wastewater was the only area where actual spending was less than budget (noting that the budget for wastewater was six times higher than the budget for stormwater).

In 2020/21 All NZ Councils (on average) Capex for Renewals as a percentage of depreciation was:

Water Supply	94%
Roading & Footpaths	80%
Wastewater	64%
Stormwater	42%

In later slides (Appendix 1) we measure CCC Performance and changes planned across ten years, however CCC's LTP 2025-34 *approximate* comparisons to above are:

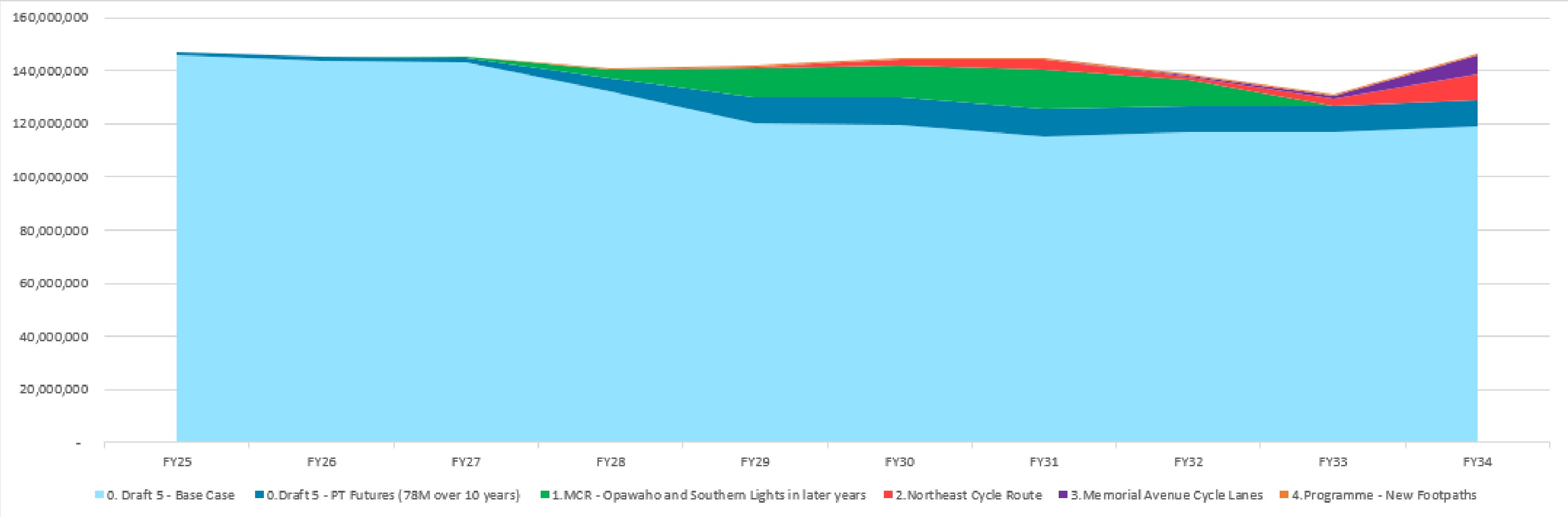
Water Supply	100+%
Transport General	95%
Wastewater	60%
Stormwater	60%

CCC's correlation to depreciation is relatively good when compared to All NZ Council averages. However, Asset Management Plan (AMP) development will continue to refine this and consider all relevant asset management issues.

Scenario Model for Transport

Potential Transport Additions – Options for Cycleways and New Footpaths

Variable	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
0. Draft 5 - Base Case	145,781,076	143,493,567	143,017,542	131,958,705	119,882,756	119,717,657	115,361,555	116,771,739	116,649,683	118,812,011
0.Draft 5 - PT Futures (78M over 10 years)	1,000,000	1,500,000	1,600,000	4,880,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
1.MCR - Opawaho and Southern Lights in later year	-	-	513,088	3,482,779	10,794,874	12,514,491	14,891,803	10,000,000	-	-
2.Northeast Cycle Route	-	-	-	-	800,000	2,200,000	4,000,000	1,000,000	3,000,000	10,000,000
3.Memorial Avenue Cycle Lanes	-	-	-	-	-	-	-	300,000	800,000	6,900,000
4.Programme - New Footpaths	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
Total	**147,156,076**	**145,368,567**	**145,505,629**	**140,696,484**	**141,852,630**	**144,807,149**	**144,628,358**	**138,446,739**	**130,824,683**	**146,087,011**
Target	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000



Variable

- 0. Draft 5 - Base Case
- 0.Draft 5 - PT Futures (78M over 10 years)
- 1.MCR - Opawaho and Southern Lights in later years
- 2.Northeast Cycle Route
- 3.Memorial Avenue Cycle Lanes
- 4.Programme - New Footpaths

PMO - Transport Scenarios

Transport Additional Options

	Option	Description
1	PT Futures - 78M over 10 years	Currently selected option, the most deliverable option, least impact on LTP
2	MCR - Opawaho and Southern Lights in later years	In current LTP, Push back From FY25-29 to FY28-32, Completes the MCR network
3	Northeast Cycle Route	New Project, Council requested this be considered as part of the LTP
4	Memorial Avenue Cycle Lanes	New Project, Council requested this be considered as part of the LTP

Confirm Council Guidance on Capital Programme

- ✓Confirm $6.164 billion total Capital Programme over ten years (incl Renewals)
- ✓Confirm Total Renewals investment over ten years of $3.437 billion
- ✓Supported by Capital Schedules provided
- ✓Guidance on Additional Transport Options to build DRAFT for CONSULTATION

Amendments Process & Tool

- A new process/form is being developed to assist Councillors submit amendment proposals.
- While this is being developed an interim solution has been put in place which currently involves an email form / emailing LTPAPQuestions@ccc.govt.nz
- A drop-in session on how to use the tool is scheduled on Dec 7th, 12.30-1pm, Elected Members Lounge

Questions & Discussion

Christchurch City Council

Background Information

Capital Programme Schedules List

Schedule 1 – By Group of Activity – Current Y1, Y2, Y3, Y4-10, Total and DRAFT Y1, Y2, Y3, Y4-10, Total

Schedule 2 – By Group of Activity – Changes by each Year (current vs DRAFT) – Total Current, Total DRAFT, Total Changes

Schedule 3 – By Ward – Current Y1, Y2, Y3, Y4-10, Total and DRAFT Y1, Y2, Y3, Y4-10, Total

Schedule 4 – By Ward – Changes by each Year (current vs DRAFT) – Total Current, Total DRAFT, Total Changes

Orbviz Budget Interactive Tool – demonstrated at Drop In Sessions – multiple viewpoints and functionality.

Home | CCC Consultation for Long Term Plan and Annual Plan - Projects | Christchurch City Council (orbviz.com)

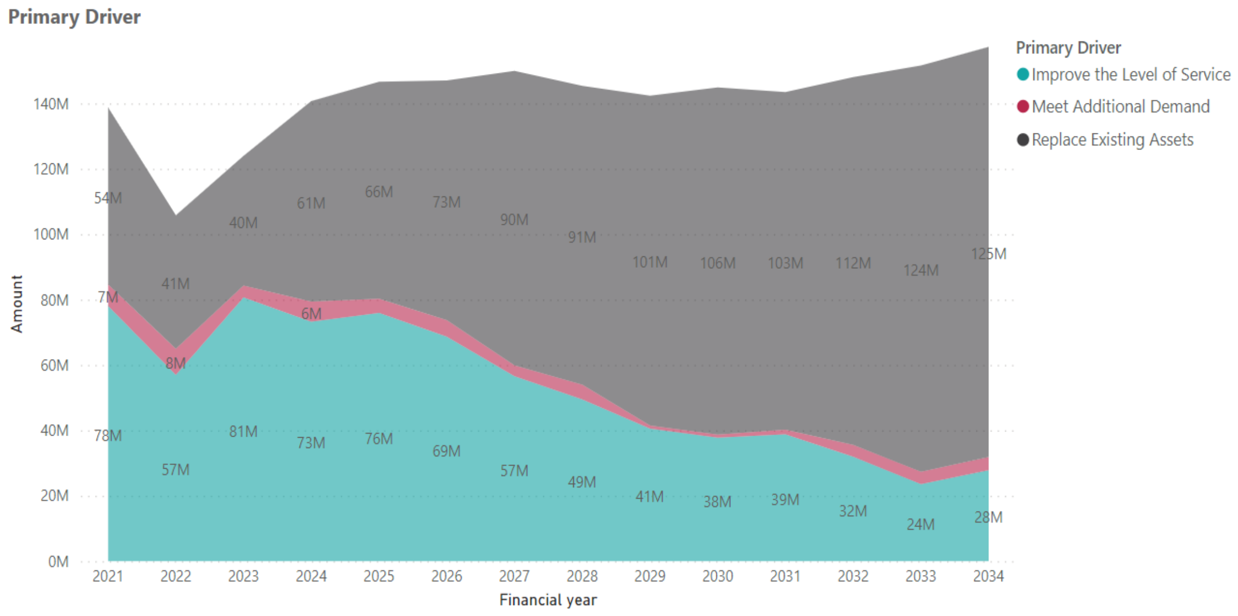
Definitions and Terminology - Reminder

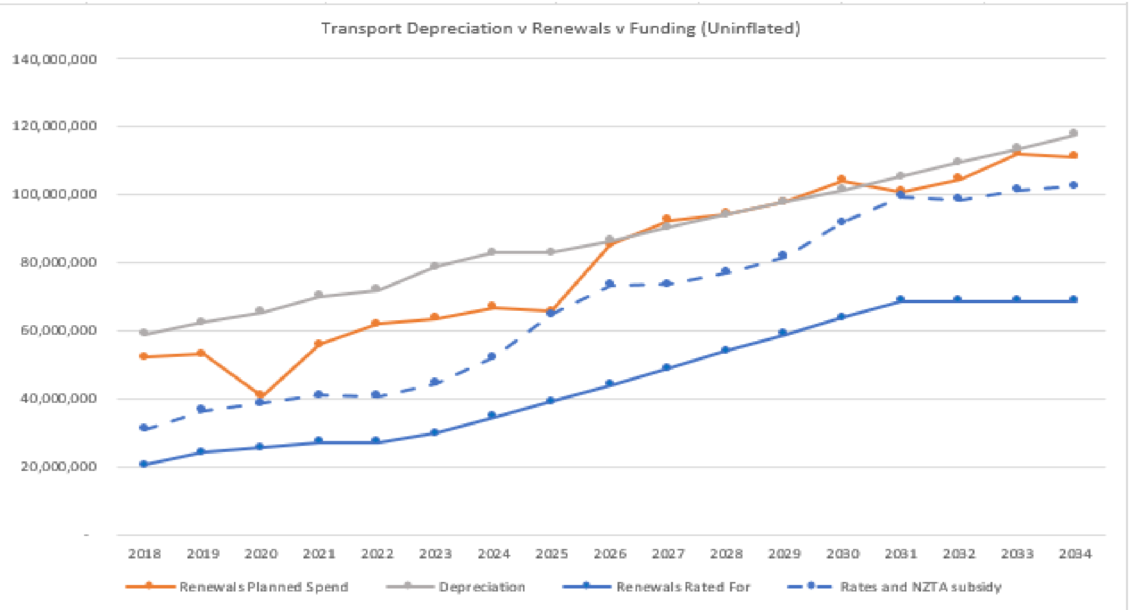
- ‘Current’ = Current LTP2021 amended by 2 Annual Plan cycles.
  We are in Y3 (final) of the Current LTP2021.
- ‘Proposed’ = The DRAFT being worked upon presently.
  - DRAFT 1 was 25 July “unconstrained”.
  - DRAFT 2 was 5 Sept “moderated” version.
  - DRAFT 3 was 17 October refinements (more to do on Transport)
  - DRAFT 3.5 – limited WIP schedules shared with Elected Members 27 October
  - **DRAFT 4** – Deliverable Total Programme schedules shared with Elected Members 7 November
  - FINAL DRAFT – 5 Dec following above feedback
  - DRAFT for Consultation – 20 Dec for LTP Build and finalisation. Amendments close
  - Release to public 14 February 2024 as official DRAFT for Consultation

Appendix 1 - Capital Programme Supporting Information by Major Activity Areas

Christchurch City Council

Transport by Primary Driver – DRAFT 5

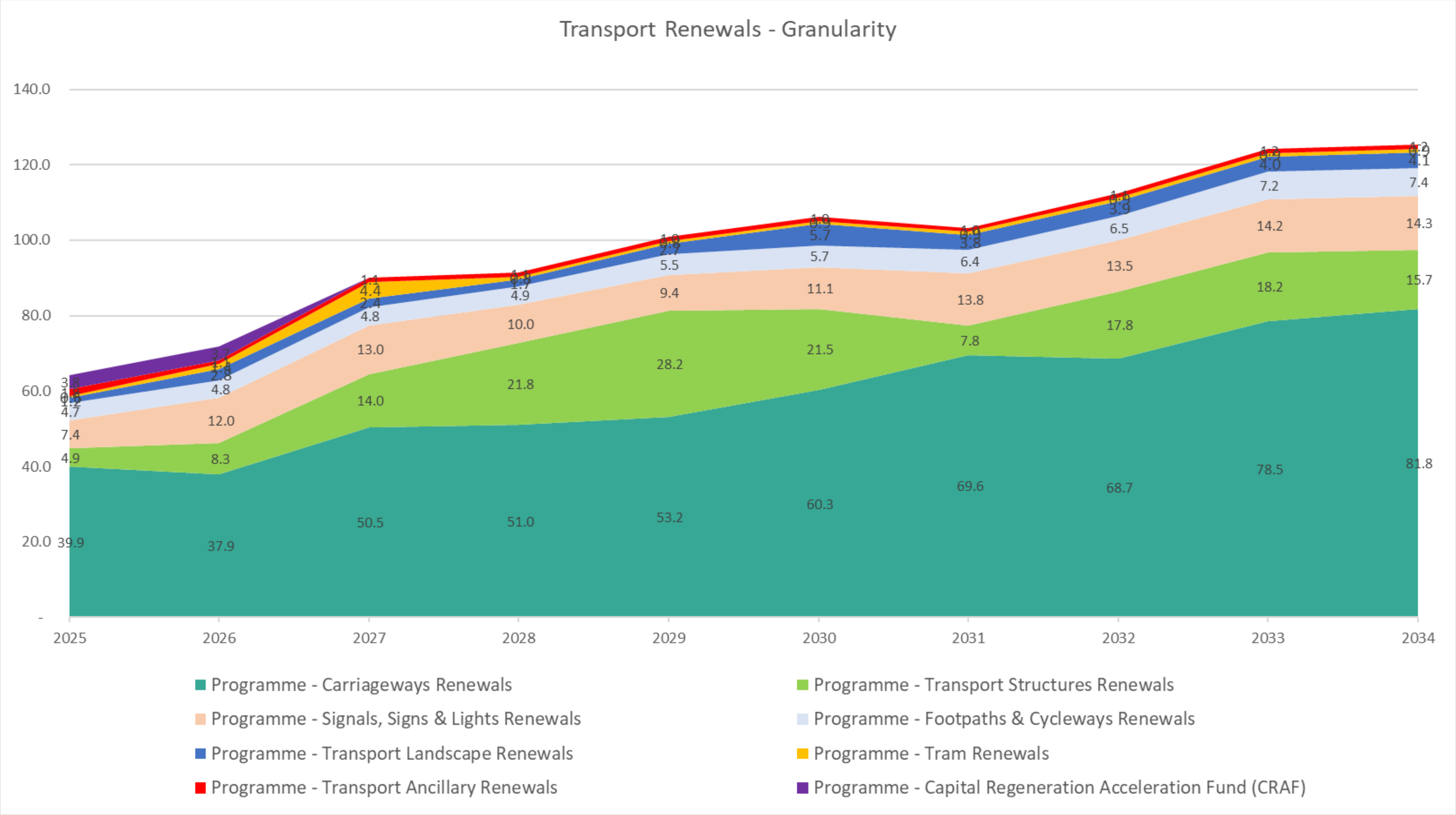




Renewals is proposed to increase over the ten years to $993m (from Current provision of $701m).

AMPs have relatively good alignment with depreciation rates. Other LOS factors taken into account, eg carriageway resurfacing rate, smoothness, footpath condition etc. Our AMP addresses a balanced approach to renewals. OAG national average is 80% for Roads & Footpaths (renewals as % of depreciation) compared to overall Transport renewals of 95% approx. average for CCC.

Transport - Renewals Granularity

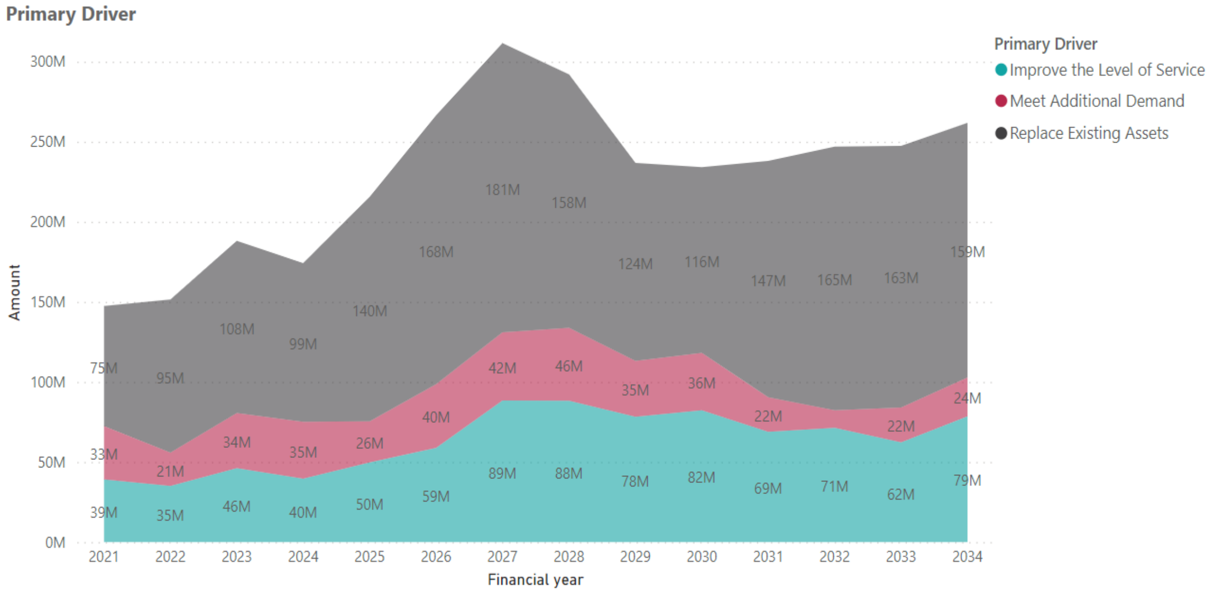


Current to DRAFT 5 Movements:

- Increase over the next three years, continued increase over later 7 years
- Key driver : Carriageway Renewals
- Two special projects under Structures Renewal
  - Pages Road Bridge FY 26-29
  - Fitzgerald Ave Twin Bridge Renewal FY28-34

Christchurch City Council

Three Waters by Primary Driver



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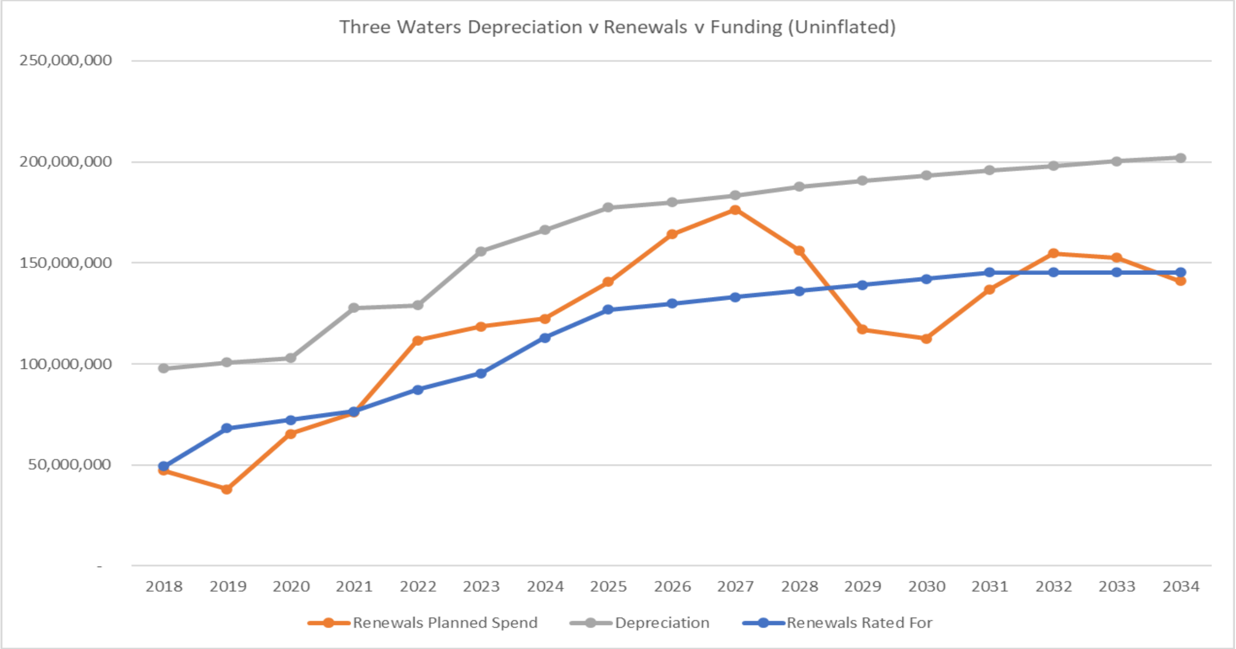


Peaks driven by Wastewater investment in 2026-2028 are:

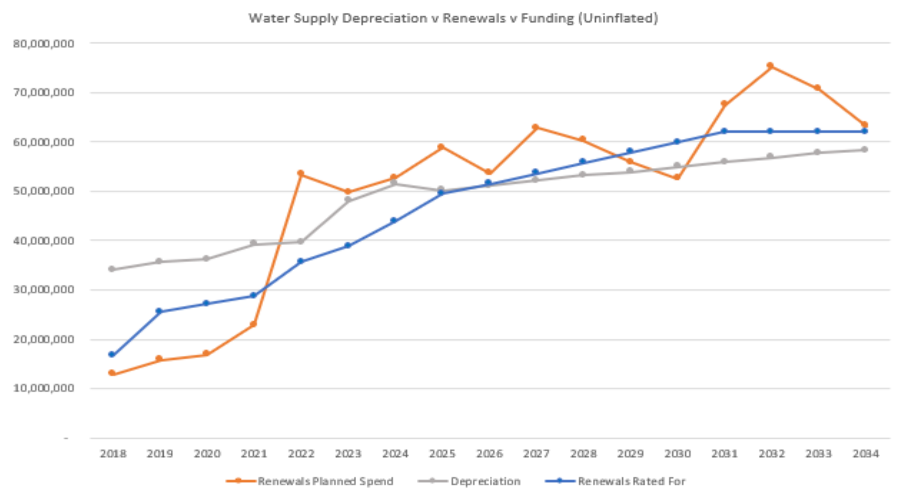
- Wastewater Treatment Plant Restoration
- WW Akaroa Reclaimed Water Treatment & Reuse Scheme
- Selwyn New Pump Station and Mains Upgrade
- Grassmere Wet Weather Storage Facility (supports new development)

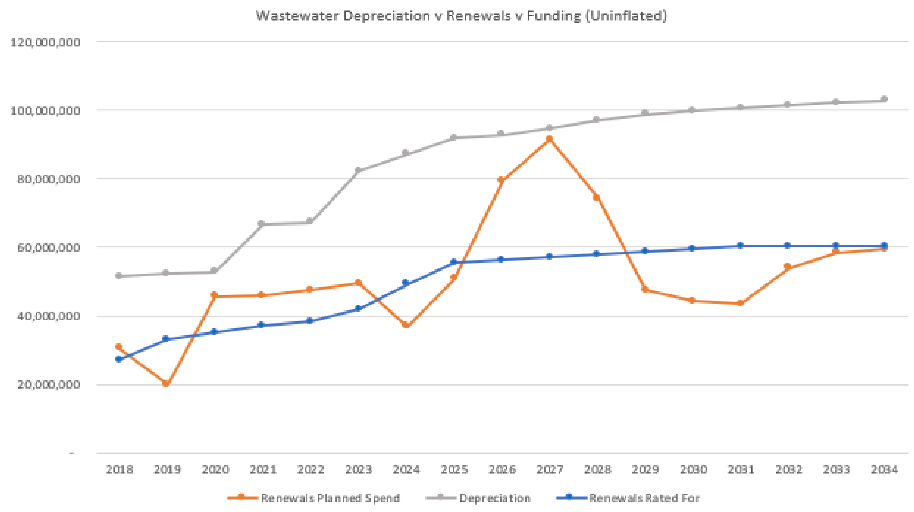
Total renewals $1.52 billion over ten years (slight reduction from Current $1.65 billion).

Asset Management Plans (AMPs) development take a broad risk based approach across many levers – incl depreciation.

CCC's overall 3 Waters renewals as % of depreciation is approximately 75%. Splits on next graphs.

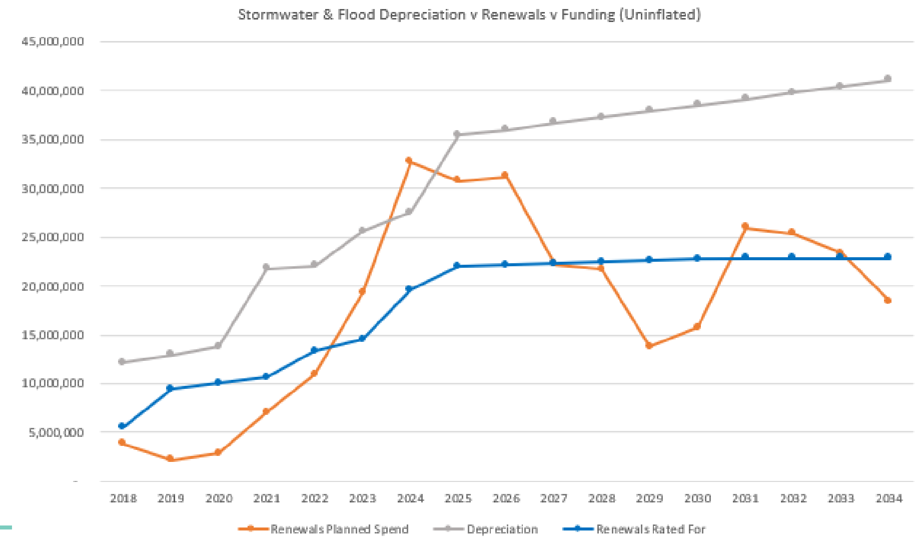
Three Waters Renewals by Activity



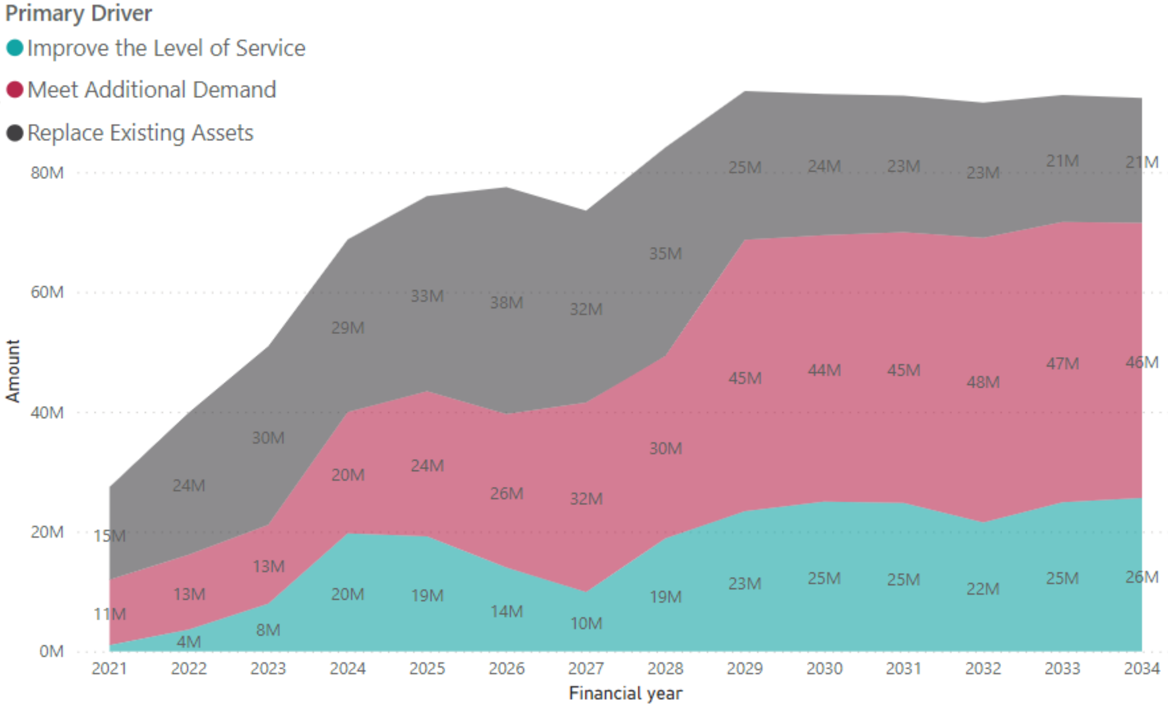


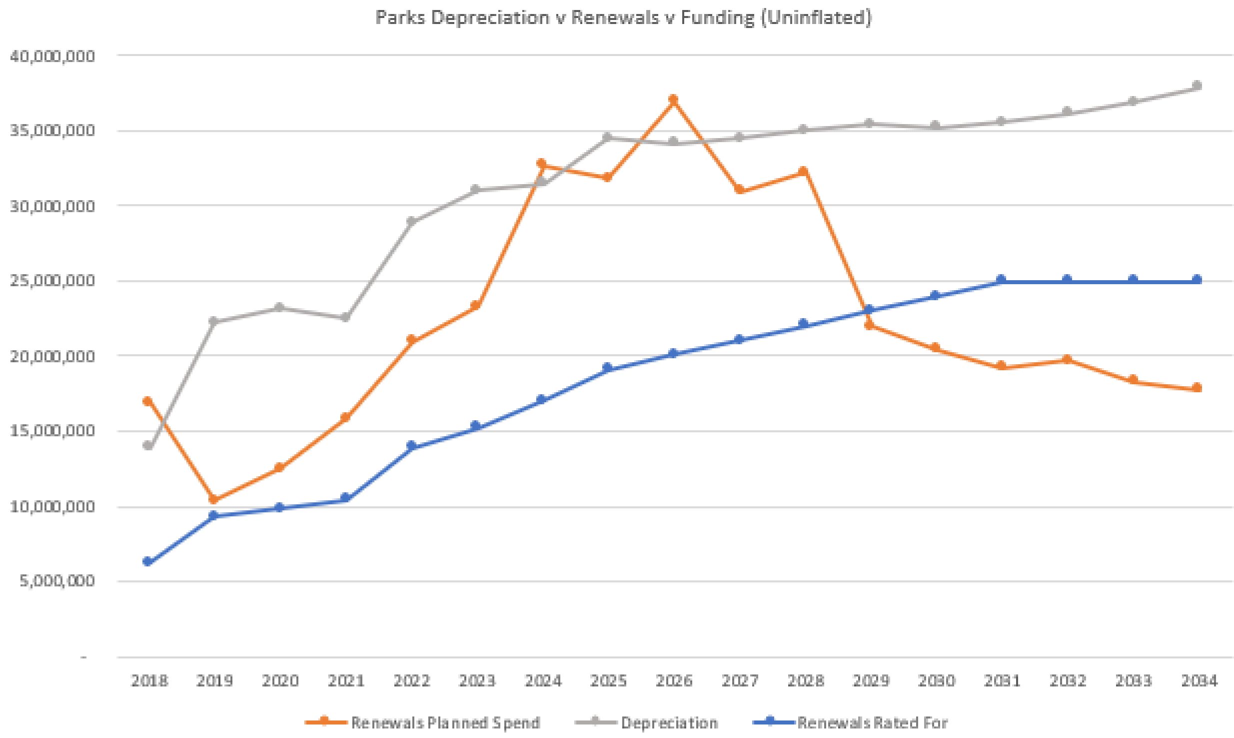
Depending on Activity renewals rate to depreciation can vary.
AMPs under development to address a range of complex issues such as condition, age, leaks, performance, material type, etc.
OAG National Averages as a percentage of renewals to depreciation compared to CCC:

WS Water Supply	94%, compared to approx. 100+% for CCC
WW Wastewater	64%, compared to approx. 60% for CCC
SW Stormwater	42%, compared to approx. 60% for CCC



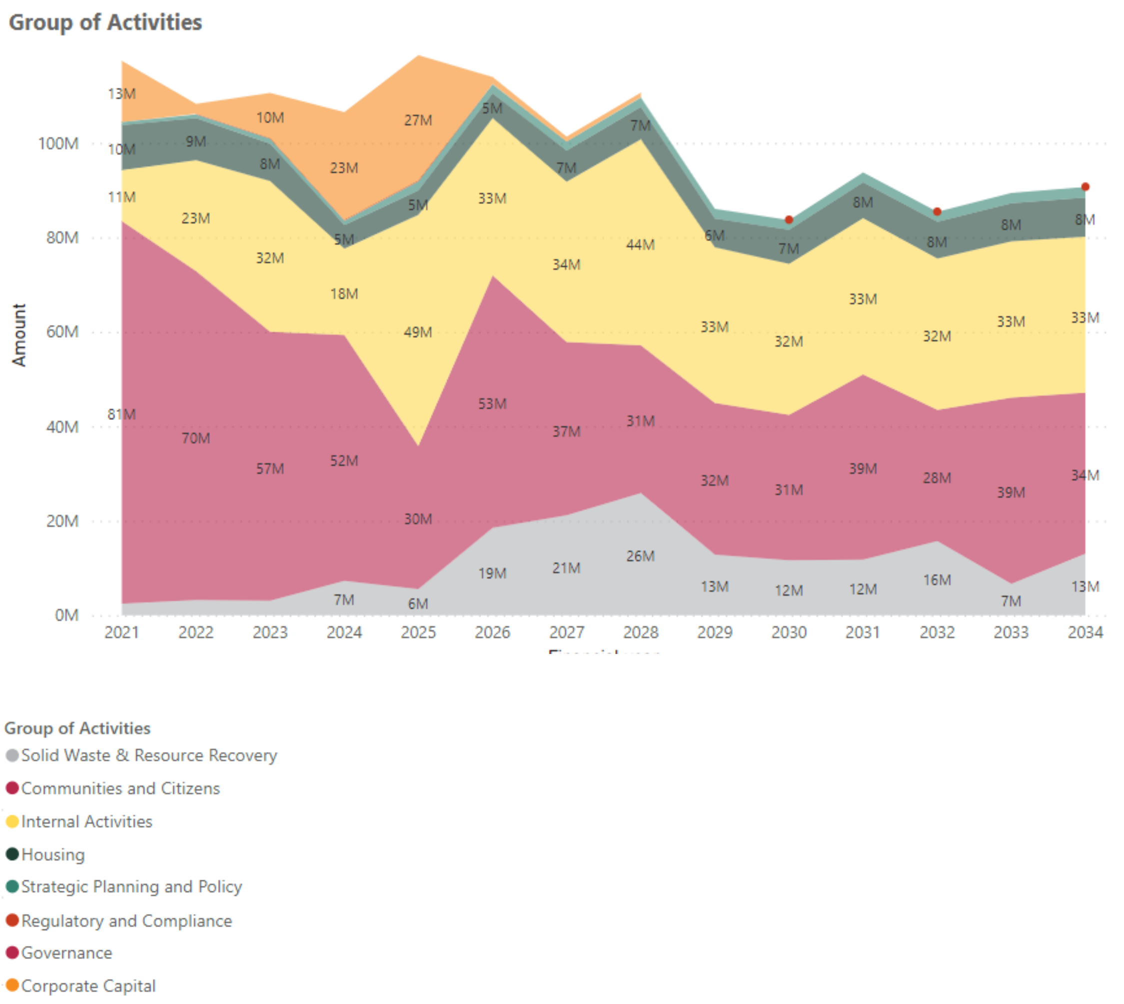
Parks, Heritage & Coastal Environment by Primary Driver

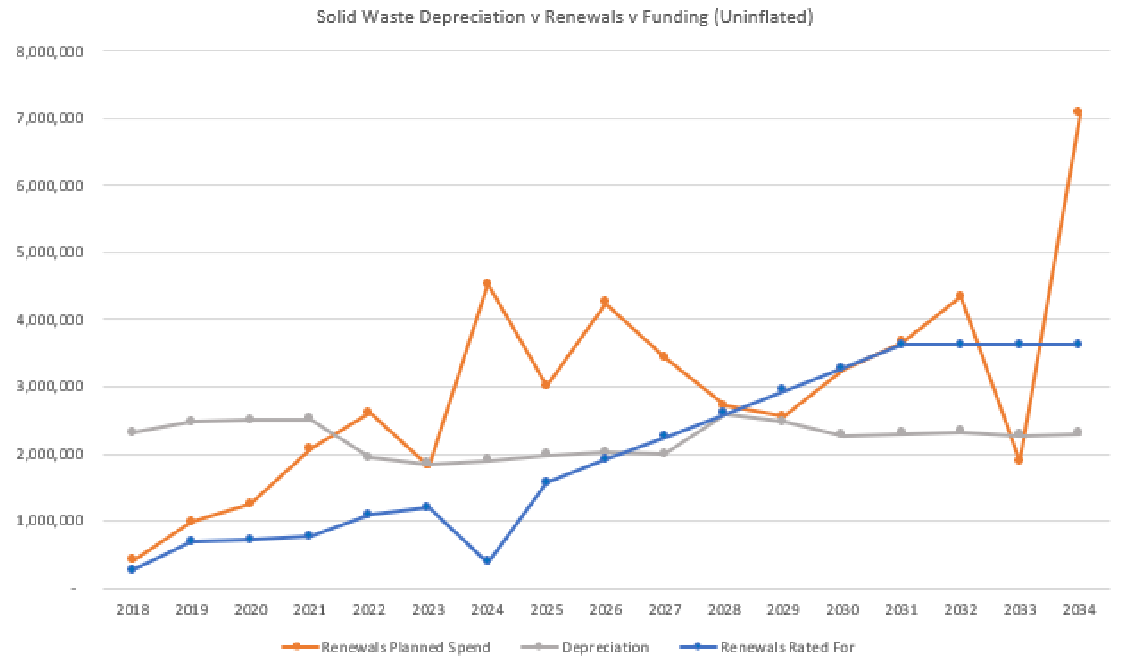




Renewals investment is lower in outer years - more work required to balance out the planned expenditure.
This is still a work in progress through AMP and once delivery is proven through capacity uplift.

Community & Other by Activity





Renewals shown for Solid Waste as most significant asset class

Community & Other by Primary Driver