

9.0 FINANCIAL SUMMARY

9.1 Process of Determining Financial Forecast

The provisional 30year financial forecast for Stormwater was determined by identifying new works, and the continuation/evaluation of current maintenance and renewal strategies within the reticulation network. Changes to the operations (OPEX) and capital projects (CAPEX) expenditure are generally due to maintaining current level of services and increased contract rates.

Level of service consultation carried out in the previous LTP indicated the community were generally satisfied with Councils current spending within the various asset groups. This feedback was also used when determining provisional budgets. Refer to table 9.4 for the final version of the 10-yr financial forecasts for both OPEX and CAPEX budgets. A Council wide 10yr expenditure review is carried out. The strategy for this review is to:

- assign realistic timing to projects given the resources available under Councils current funding sources and in relation to impacts in other Asset Management Plans.
- optimise timing of projects.
- generate consistent budgeting philosophies across all Council divisions.
- align expenditure with growth predictions.

Funding Strategy

The focus of this AMP is to identify the optimum (lowest lifecycle) cost for the Stormwater cost centre and to identify the cost for each asset group necessary to produce the desired level of service. How this cash flow will be funded is outlined in Council's long term financial strategy.

Current funding sources available for stormwater include:

- Rates – income generated by the collection of general, separate and differential rates.
- One off capital contribution – contributions made by individual developers for projects that are of particular benefit to them that are being constructed by TDC
- Private (developer) funded works – projects completely built and funded by developers where ownership is handed over to TDC on completion (vested assets).
- Interest on general funds.

The Stormwater service provision is funded by Council, 100% through general rate which reflects the general public good of having properties not being flooded and good quality stormwater entering receiving environments.

In order to provide for on-going operation of the Stormwater network Council will need to continue to invest capital expenditure within the district.

Council will also receive infrastructure from developers which will fall under Councils Comprehensive discharge consent prior to Council accepting the new infrastructure.

The provision of Capital expenditure for growth projects can be undertaken through deed of arrangement with developers as Council has made the decision not to apply development contributions.

The overall Stormwater cost centre is currently funded by general rate as urban stormwater infrastructure protects private property from flooding and erosion. There is clearly a public

component in relation to the run off of water onto roads and to ensure access to properties during periods of high flooding. There is also an intergenerational component.

9.1.1 ALLOCATION OF FUNDS

The process of allocating funds is generally based on:

- Maintenance and operations are funded from General Rates.
- Renewal works are funded by Depreciation.
- New Works are funded by either or a combination of Loans, Individual Contributions (e.g. to increase downstream pipe capacity) and Depreciation (if it has not all been used for Renewal Works).

9.2 Historical and Forecast Expenditure

Detailed historic expenditure for each asset group is included within the lifecycle section for that asset.

Budgeted stormwater expenditure for the next 10 years is summarised on the following pages.

9.2.1 OPEX: OPERATING AND MAINTENANCE EXPENDITURE

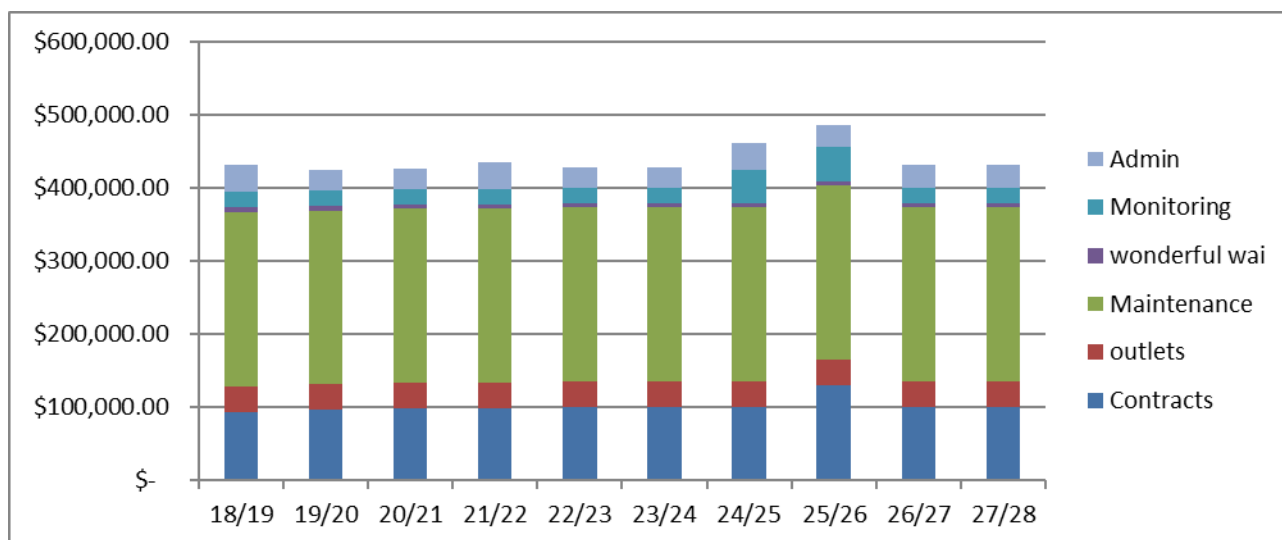


Figure 9-1: Operating and Maintenance Expenditure (\$,000)

Operation and maintenance costs average approximately \$420k/year for the next 10 years and this is similar to the preceding years. 30yr operational costs can be found in the appendices. Increase in 23/24 is to allow for a catchment management plan and 25/26 for consent renewals.

The maintenance is carried out by contractors who are appointed in accordance with Council’s procurement policy.

CAPEX: RENEWAL EXPENDITURE

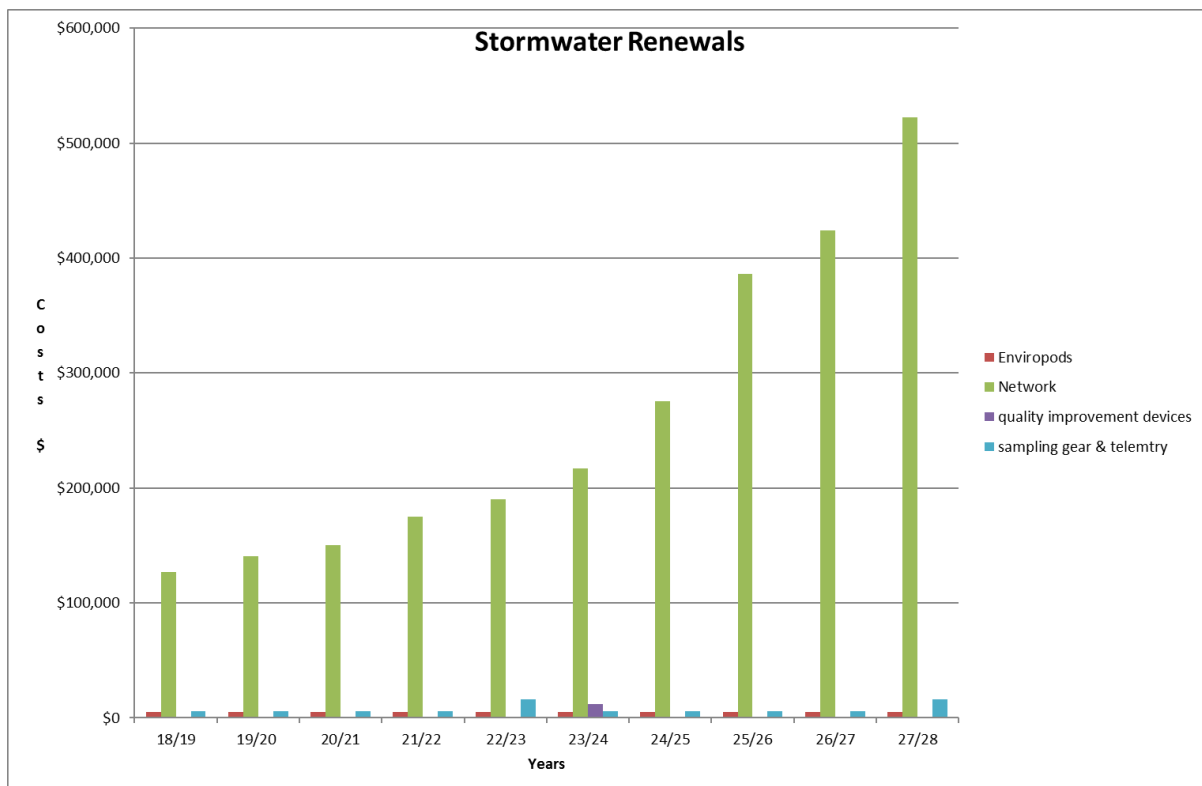


Figure 9-2: Renewals Expenditure (\$,000)

Renewals include any items where an existing asset is replaced for example outlet structures pipe etc. Council has also invested in EnviroPods to improve the quality of its lake discharges these will need ongoing renewal expenditure.

Council also has a number of larger sized quality improvement devices which require renewal expenditure during the 10 year period.

Generally, the timing of renewal for an asset is based on condition assessment data gathered by CCTV or by visual inspection, the criticality of the asset, past maintenance history and the age of the asset compared to its useful life. Loss in service potential is calculated by straight-line depreciation with the exception of land which is not depreciated. The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component. The total useful lives have been updated and are assumed as follows as per Asset Valuation report.

Component	Useful Life (years)
Manholes & cesspits	75 -100
Pipes	80- 100
Flood control systems	50- 100

Table 9-1: Stormwater Asset Useful Lives

A summary of the depreciation of stormwater assets is presented in the Taupō District Council Annual Report.

9.2.2 CAPEX: NEW WORKS EXPENDITURE

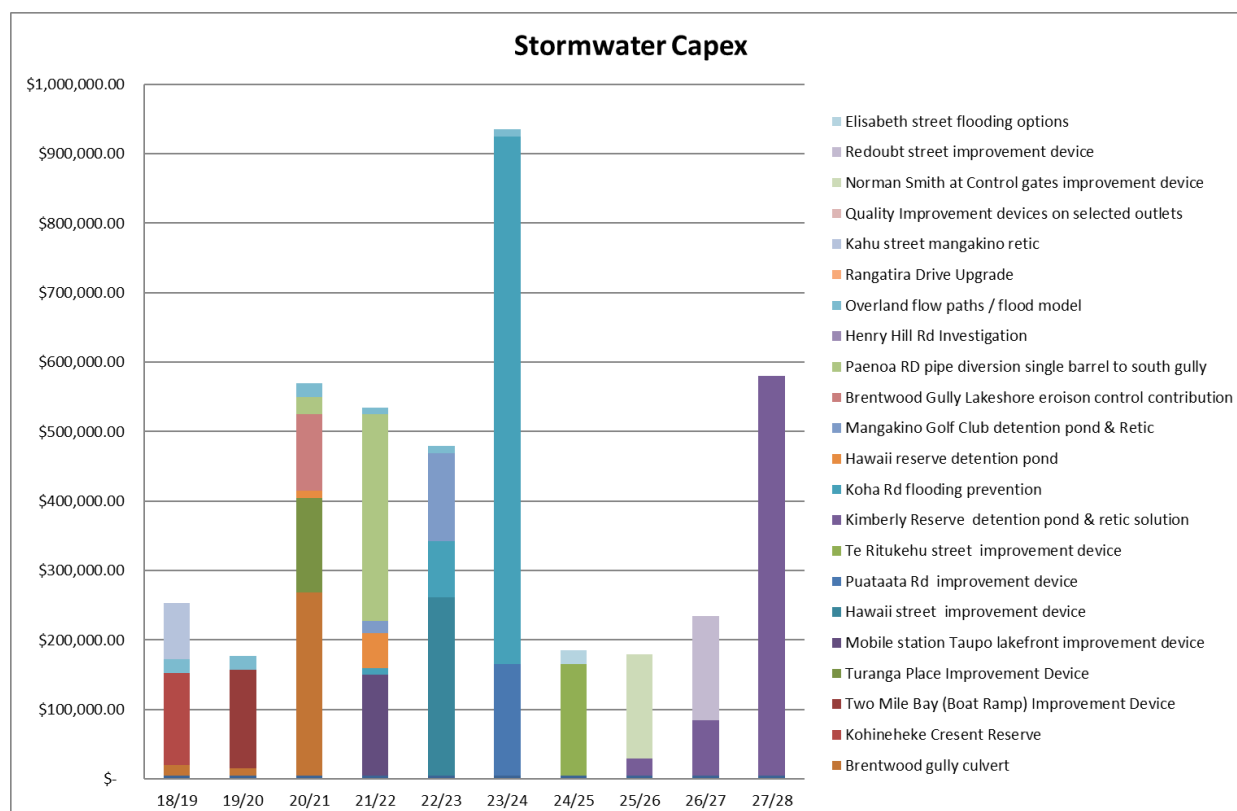


Figure 9-3: New Works Expenditure (\$,000)

New works expenditure is governed by works required to meet resource consent requirements, risk and levels of service. Structure Planning documents have been and will continue to be used to support the assessment of future expenditure.

Peaks show the provision of quality improvement devices and the Brentwood Gully culvert works. The timing for the Brentwood culvert work is fully dependant on the adjacent developer developing his land so timing of this project may change.

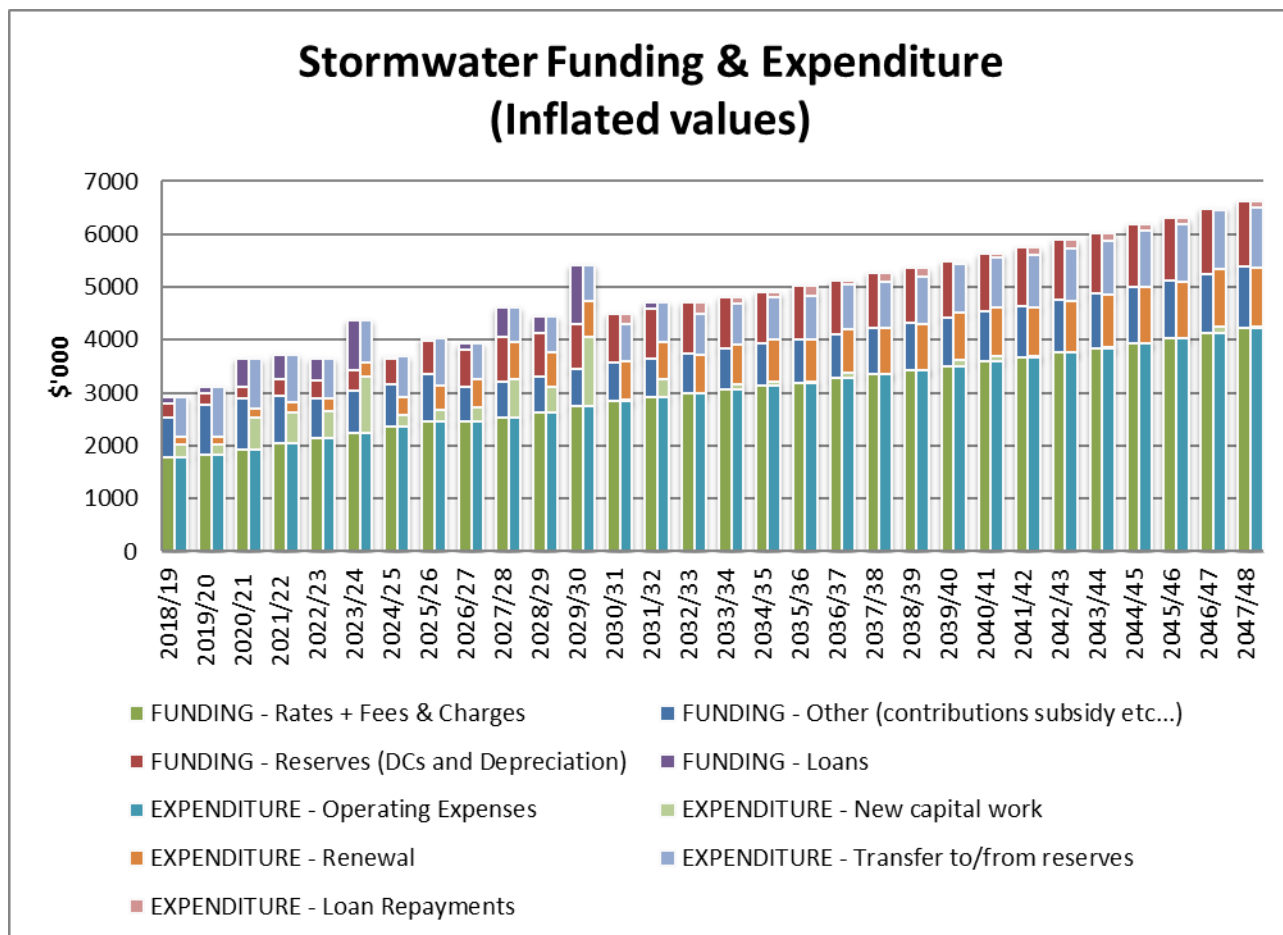
9.2.3 CAPEX: DISPOSAL

Council will not be disposing of any Stormwater assets over the period of this AMP. The disposal of Stormwater assets needs to be supported by a business case signed off by the senior leadership group.

9.2.4 EXPENDITURE LINKAGES TO LEVEL OF SERVICE

Section 5 (LOS) outlines how each of the budgeted items relates back to the level of service being provided.

9.3 Total Expenditure and Funding



9.4 Valuation of Stormwater Assets

Stormwater assets provide a continuing service to the community and are not generally regarded as tradable. The cost to replace an asset with the Modern Equivalent Asset (MEA) is used as a basis to determine replacement value.

Refer to Section 4 (Asset Data), for a summary of the valuation of Stormwater assets. A full valuation report is available on request.

Rates for renewal costs are taken from current operational contract rates. These rates are compared to like contracts in NZ. Rates for specific items are identified and compared from various suppliers

9.5 Financial Assumptions

The financial assumptions are included in the Introduction Section (section 1).

9.6 Financial Confidence Levels

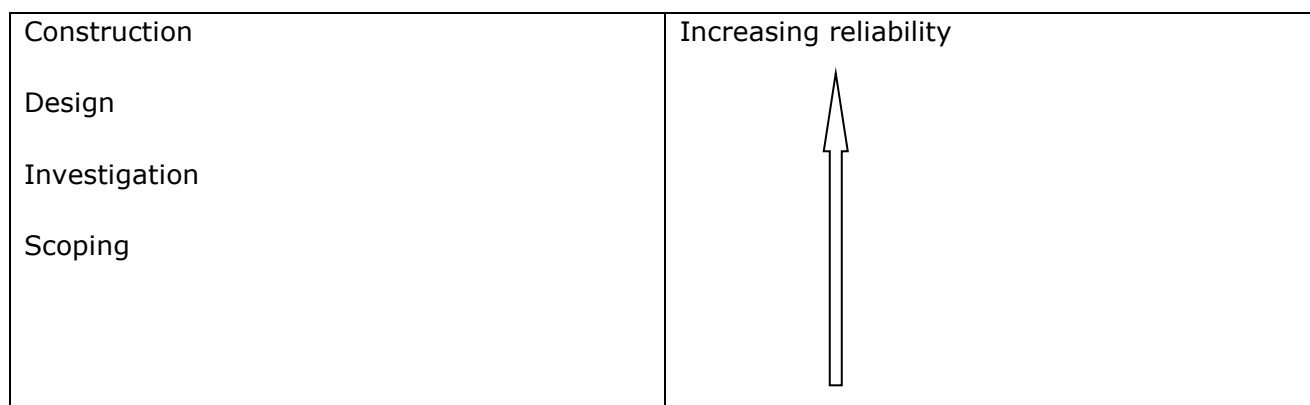
The confidence in the asset data used as a basis for the financial forecasts has been assessed using the following grading system from the International Infrastructure Management Manual – Australia/New Zealand Edition, April 2000.

Confidence Grade	General Meaning
A	Highly reliable. Data based on sound records, procedure, investigation and analysis, documented properly and recognised as the best method of assessment
B	Reliable. Data based on sound records, procedures, investigation and analysis, documented properly but has minor shortcomings, for example the data are old, some documentation is missing, and reliance is placed on unconfirmed reports or some extrapolation.
C	Uncertain Data based on sound records, procedure, investigation and analysis which is incomplete or unsupported, or extrapolated from a limited sample for which grade A or B data are available
D	Very Uncertain. Data based on unconfirmed verbal reports and/or cursory inspection and analysis.

Table 9-2: Confidence Grading Table

The confidence level is A overall.

Financial forecasts within the first three years are seen as reliable with the reliability decreasing with time. Also the reliability depends on the phase of the project, with reliability increasing as the project moves from scoping to construction.



	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35	35/36	36/37	37/38	38/39	39/40	40/41	41/42	42/43	43/44	44/45	45/46	46/47	47/48	
Revenue																															
General Rates	-1,769	-1,839	-1,931	-2,045	-2,131	-2,241	-2,365	-2,456	-2,448	-2,541	-2,633	-2,755	-2,843	-2,917	-2,986	-3,053	-3,125	-3,195	-3,269	-3,344	-3,419	-3,501	-3,588	-3,673	-3,758	-3,846	-3,937	-4,030	-4,132	-4,234	
Targeted Rates																															
Vested Assets	-756	-924	-952	-908	-752	-796	-791	-891	-662	-660	-678	-697	-717	-737	-757	-779	-800	-823	-846	-870	-894	-919	-945	-971	-998	-1,026	-1,055	-1,085	-1,115	-1,146	
Total Revenue	-2,525	-2,764	-2,883	-2,953	-2,883	-3,037	-3,156	-3,347	-3,111	-3,201	-3,311	-3,453	-3,560	-3,654	-3,743	-3,832	-3,925	-4,017	-4,115	-4,214	-4,313	-4,420	-4,533	-4,644	-4,756	-4,872	-4,992	-5,115	-5,247	-5,380	
Operating Expenses																															
Maintenance Costs	364	375	386	395	407	417	428	474	451	464	477	490	504	518	532	547	562	578	594	611	628	646	664	682	702	721	741	762	783	805	
Operations Costs	45	46	47	48	49	50	81	83	55	56	58	59	61	63	64	66	68	70	72	74	76	78	80	83	85	87	90	92	95	97	
Interest on Borrowings	51	57	76	106	128	163	181	170	158	171	190	222	242	240	238	231	228	220	214	208	200	195	192	187	180	173	167	161	157	154	
Depreciation	974	1,022	1,070	1,121	1,170	1,225	1,279	1,330	1,378	1,432	1,479	1,543	1,583	1,630	1,671	1,715	1,761	1,805	1,853	1,900	1,949	2,001	2,054	2,106	2,159	2,214	2,270	2,328	2,390	2,451	
Overheads	335	339	352	374	377	385	396	399	406	418	430	442	454	467	480	493	507	521	536	551	566	582	598	615	632	650	668	687	706	726	
Total Operating Expenditure	1,769	1,839	1,931	2,045	2,131	2,241	2,365	2,456	2,448	2,541	2,633	2,755	2,843	2,917	2,986	3,053	3,125	3,195	3,269	3,344	3,419	3,501	3,588	3,673	3,758	3,846	3,937	4,030	4,132	4,234	
Net Deficit (Surplus) of Operations	-756	-924	-952	-908	-752	-797	-791	-891	-663	-660	-678	-697	-717	-737	-757	-779	-800	-823	-846	-870	-894	-919	-945	-971	-998	-1,026	-1,055	-1,085	-1,115	-1,146	
Funded by:																															
Transfers to/from Reserves	-756	-924	-952	-908	-752	-796	-791	-891	-662	-660	-678	-697	-717	-737	-757	-779	-800	-823	-846	-870	-894	-919	-945	-971	-998	-1,026	-1,055	-1,085	-1,115	-1,146	
Check balance																															
Renewals	138	155	169	200	232	270	331	471	529	681	658	677	716	715	735	756	777	799	821	869	868	892	917	942	969	996	1,054	1,053	1,082	1,112	
												50	1,287				88						102								120
Total New Capex	253	181	598	575	527	1,054	214	213	286	727	469	1,294	27	336	7	104	95	8	112	8	8	122	111	9	9	10	10	10	130	11	
Total Capex	391	337	767	774	759	1,324	545	685	816	1,408	1,127	1,971	743	1,051	742	859	872	806	933	877	876	1,014	1,028	952	978	1,006	1,064	1,063	1,212	1,123	
Funded by:																															
Loans raised	110	119	528	481	409	924	51	49	114	546	303	1,116	-195	121	-212	-108	-111	-194	-82	-183	-175	-55	-63	-163	-156	-150	-143	-137	-12	-131	
Transfer from reserve(s)	281	217	239	293	350	400	494	635	702	862	824	854	938	930	955	967	984	1,001	1,015	1,060	1,051	1,069	1,092	1,115	1,135	1,155	1,207	1,224	1,254		
Check balance	0	0	0	0	0	0	0	0	0	1,408	1,127	1,971	743	1,051	742	859	872	806	933	877	876	1,014	1,028	952	978	1,006	1,064	1,063	1,212	1,123	