



Report           06.503  
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Committee       Landcare  
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## Chrystalls Extended Stopbank - Funding Agreement with the Kapiti Coast District Council

### 1. Purpose

To advise the Committee of Kapiti Coast District Council's (KCDC) request for a review of their direct funding contribution towards the project and to make a recommendation on the request.

### 2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

### 3. Background

KCDC, in a submission on Greater Wellington's (GW) 2004/05 Annual Plan, asked for the construction of the Chrystalls Extended stopbank to be brought forward 3 years, commencing in 2005/06. This matter was considered at the Policy and Finance Committee Meeting on 14 June 2004 (Report No 04.328) and the following recommendation was adopted:

*That the Chrystalls bend extended stopbank capital project (project cost \$1.3 million) be brought forward by 3 years for commencement in 2005/06, subject to receiving direct contribution of \$520,000 from Kapiti Coast District Council, noting there would be no impact on regional rates in 2004/05.*

It was noted in the report that the direct contribution of \$520,000 is expected to change the funding ratio for this project from 50:50 to 70:30 (local share:general rate).

The estimated cost of the project is now \$2.11 million (refer Report 06.362) and was considered at the last Landcare Committee meeting. If the 70:30 local share:general rate funding ratio is to remain the direct contribution from KCDC will increase from \$520,000 to \$844,000. As a result of this projected increase KCDC has asked that the amount of the direct contribution be reconsidered.

Alan Milne, Mayor of KCDC, has written to GW seeking a review and a copy of the letter is included as **Attachment 1** to this report.

This report considers the KCDC letter, what level of direct contribution is appropriate and makes a recommendation accordingly.

#### **4. The KCDC Letter**

The letter from KCDC Mayor Alan Milne was prepared following the presentation of Landcare Report 06.362 to KCDC at their 24 August meeting and KCDC's further consideration at its 30 August Meeting. Resolution 5 from Report 06.362 seeks KCDC's agreement to an increased direct funding contribution as a result of the increased project budget.

The primary thrust of the letter is the request that the funding contributed by KCDC to allow the project to be brought forward be set at \$576,000. The justification for the amount of the additional funding being sufficient is based on the original letter from GW outlining the issues related to bringing the project forward. In the funding section the letter indicates that the cost of bringing the work forward should be born by the Kapiti ratepayers. A copy of Barry Harris's letter of December 2003 is provided as **Attachment 2**.

KCDC also highlight the fact that the works will benefit all of the Otaki community, which has a high proportion of fixed incomes and a limited ability to pay any increased cost.

KCDC has indicated that the offer of \$576,000 is made on the basis of the project being completed in the 2007/08 year as originally planned. Any funding agreement would have to be on the basis that GW cannot guarantee the completion date but would make its best endeavours to complete the project by June 2008. There has to be an acknowledgement that some aspects, such as land access and consents may be delayed by factors outside GW's control.

#### **5. Consideration of the request**

GW staff have reviewed the analysis provided by KCDC and can confirm that the financial data provided is correct. The financial data can be summarised as follows:

- The additional costs, over the next 5 years, of bringing the project forward is \$434,000 in today's dollar terms.
- The cost of bringing the works forward over the 20 year term of the loan decreases to \$272,000, once you take into account the reduced debit servicing in the later years.
- KCDC has budgeted for, and are prepared to pay, a contribution of \$441,000 in the 2006/07 financial year, and a further \$135,000 in the 2007/08 financial year, giving a total contribution of \$576,000. The contribution exceeds the total loan servicing costs in today's dollar terms,

by approximately \$300,000 over the 20 year term of the loan or by \$130,000 if just the next 5 years is considered.

- The KCDC contribution of \$576,000 equates to a 64:36 local share, general rate split, assuming the balance of the work is funded 50:50 as per normal.
- KCDC agreed to contribute \$520,000 towards the project in 2004 and then increased their budget allocation to \$576,000 following advice from GW officers in February 2006 that the estimated cost of the project had risen to \$1.5 million.

Officers have reviewed the correspondence that lead to the June 2004 agreement to bring forward the Chrystalls Extended project 3 years. It is clear our original intention was that the additional cost of bringing the project forward should be born by the Kapiti rate payers (see **Attachment 2**). By the time the funding agreement was finalised (through two annual plan submissions from KCDC and consideration by Council), it was agreed that the funding contribution should be \$520,000. There is no policy relating to how much direct contribution should be made to bring such a community project forward but this level of direct contribution equates to a funding split of 70:30 (local share:general rate) and was seen as “good value” to GW.

KCDC has also indicated that there may not be sufficient support for increasing their direct funding for the project over the \$576,000 budget currently approved and they would have to consult further with the community. The time required to do this consultation would effectively delay the project.

## 6. Options for the Committee

The Committee has two main options for proceeding from here.

### **Option 1 : Require a contribution from KCDC based on a 70:30 split basis.**

This option would involve confirming with KCDC that if they still want the Chrystalls Extended project to progress ahead of the original LTCCP programme then they would need to provide a local share contribution that would equate to 70:30 local share:general rate split as previously agreed (see **Attachment 3**). The key issues relating to this option are:

- The project would almost certainly be delayed by 12 months while KCDC consulted with the community on the additional funding required from KCDC. The time required to gain the approval may only be 6 months but the stage the project is at is such that it is likely to delay construction until the next summer construction period meaning a 12 month delay.
- The Committee would need to feel comfortable that the 70:30 split is a reasonable benchmark for requesting works be done ahead of programme. At this stage there is no clear documentation indicating what the criteria are.
- The original programmed start date for the project is now less than two years away and if the project start is delayed another year the community

may decide not to proceed ahead of schedule, in which case there would be no additional direct contribution from KCDC and the project would proceed on the normal 50:50 local share:general rate basis.

**Option 2: Accept the contribution of \$576,000 from KCDC to bring forward construction.**

The contribution now offered by KCDC of \$576,000 represents a 64:36 local share:general rate split. The key issues related to this option are:

- There is a net saving to the regional ratepayer of some \$300,000 over the 20 year term of the project.
- The implementation of the project as soon as is possible is seen as sensible from a flood protection point of view as it represents a saving in average annual flood damages of \$150,000 with a benefit cost ratio of 2.2 based on the 1998 OFMP figures. It is likely that the benefit cost ratio and saved flood damages of the project are now significantly higher as the Otaki community has grown at a faster rate than average. In addition to this the Otaki community does have a high number of fixed or low income families meaning the social benefits of undertaking the works are greater than those in other areas.
- The 10 year capital works programme on the Kapiti Coast will have to be adjusted to allow for the increased expenditure. The budgets currently assume a project cost of \$1.5 million. The additional \$610,000, assuming it is all funded by GW, would require some of the future works on the Otaki to be pushed further out to compensate.

## **7. Communication**

KCDC will be advised of the Landcare decision following the meeting and then confirmed in writing once Council has considered the matter. A press release will also be prepared following the Council decision on 12 October 2006. The project has a particularly high profile on the Kapiti Coast and there will be opportunities for GW Councillors and KCDC Councillors to meet to show unified support for this project.

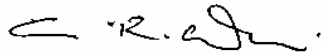
## 8. Recommendations

*That the Committee:*

1. **Receives** the report.
2. **Notes** the content of the report.
3. **Recommends** to Council that:
  - (a) *The direct contribution from KCDC for bringing the Chrystalls Extended Stopbank project forward 3 years (starting June 2005) be agreed at \$576,000.*
  - (b) *Officers be instructed to proceed with lodging the necessary Notice of Requirement and Resource Consent applications subject to agreement from KCDC that the contribution of \$576,000 is made on the basis that it accepts the current project completion date of June 2008 may be subject to delays.*

Report prepared by:

Report Approved by:



**Graeme Campbell**  
Consultant, Flood Protection

**Geoff Dick**  
Divisional Manager, Catchment Management

### Attachments

1. Letter from KCDC requesting a review of the Direct funding Contribution
2. Letter from Barry Harris to KCDC of 20 December 2003
3. Letter from KCDC Funding of Chrystalls Bend Extension Programme