

TASMAN DISTRICT COUNCIL – ADDITIONAL AND AMENDED ASSUMPTIONS

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Population growth: The overall population of Tasman is expected to increase by 7,700 residents between 2021 and 2031, to reach 64,300. The District will experience ongoing population growth over the next 30 years but the rate of growth will slow over time.¹ Population growth will be distributed across 15 settlements and five Ward Remainder areas based on the direction from the Nelson Tasman Future Development Strategy and on demographic and development trends for each Ward.</p> <p>The growth assumption also considers non-resident demand for holiday home properties and assumes the current proportion of dwellings which are used as holiday homes.</p> <p>Based on these assumptions, Council is planning a further 4,300 dwellings and 160 new commercial or industrial buildings² will be required by 2031.</p> <p>The number of new dwellings expected to meet Tasman’s population growth assumes that Nelson City Council will provide adequately for Nelson’s expected population growth, in line with recent growth trends.</p>	<p>That population growth and development are higher or lower, due to a range of factors, including migration patterns, housing demand, and landowner/developer decisions.</p> <p>Positive net migration is the major contributor to the District’s population growth and increasingly offsets natural decrease (more births than deaths). Migration patterns could be affected by:</p> <ul style="list-style-type: none"> • International border restrictions • An increase in the number of returning New Zealanders • House prices and incomes relative to other regions and countries • Housing supply in other regions, particularly Nelson City. <p>The demand and supply of new commercial and industrial buildings are influenced by a range of factors, including the economic and employment trends.</p>	<p>Medium</p>	<p>If population growth is higher than assumed, debt incurred by Council to fund the growth related portion of infrastructure will be repaid more quickly than assumed. Higher growth than planned could also result in an insufficient amount of serviced land (including infrastructure) for development and a worsening of housing affordability. Council may be required to undertake further changes to the Tasman Resource Management Plan and/or increase its investment in infrastructure to make more land for development available.</p> <p>If population growth is lower than assumed it may take longer for Development Contributions to pay off debt incurred to fund growth related infrastructure. Council may need to revise its capital programme for growth related infrastructure. The forecast increases in rates and development contributions may be smaller than anticipated.</p>

¹ [Tasman District Population Projections, Natalie Jackson Demographics, November 2019, using the medium scenario](#)

² Estimated using Property Economics business land forecasting model, using the medium population scenario.

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<p>Staff numbers and accommodation: That the Council's staff numbers increase from 307 full time equivalent in 2019/2020 to 473 by end of 2030/2031. This growth in staff numbers is associated with population growth, changing local government responsibilities and increasing customer expectations.</p> <p>That the Council's office building in Richmond is not adequate to meet the need for the existing staff to operate productively and the future growth in staff numbers. A strategic study will be carried out in 2021/2022 to consider options to either move to a new site or demolish and rebuild on the existing site. No budget provision has been made in the Long Term Plan (LTP) 2021 – 2031 for a substantial change in the Richmond office. Budget has been provided for basic and affordable changes to the Richmond office to maintain its functionality in the meantime.</p> <p>That Council will not occupy the Richmond office building by 2031 and therefore does not expect to incur additional earthquake-strengthening costs (estimated at \$4 million). We have not budgeted for these earthquake strengthening costs in the LTP 2021 – 2031. The reasons for making this assumption are that based on known earthquake strengthening cost information, we anticipate developing a new building on the current site</p>	<p>Council's staffing requirement grows to a lesser extent or more slowly as a result of efficiencies, improved information technology or changes to Council's functions.</p> <p>Council's staffing requirement grows to a greater extent or more rapidly than assumed.</p> <p>There becomes an urgent need to relocate from the Richmond office more quickly than anticipated or supplement the existing capacity through additional office accommodation.</p> <p>Council continues to occupy the Richmond office building and has to carry out the necessary additional earthquake strengthening work.</p>	<p>Medium</p>	<p>Council carried out workforce planning to inform its LTP 2021 – 2031. We decided to scale back the increases in staff numbers forecast through this planning in the LTP budget. This is in anticipation of IT and other efficiencies. There are also likely to be changes to the range of services Council will provide in the next few years.</p> <p>If the number of staff employed increases less than anticipated, Council may be able to reduce rates or fees and charges revenue or consider increasing discretionary levels of service.</p> <p>If the number of staff employed increases more than anticipated, Council may need to increase rates or fees and charges revenue to fund these or consider reducing discretionary levels of service.</p> <p>If Council has to relocate from the Richmond office earlier than assumed, it could be necessary to increase borrowing (if Council owns the replacement building) and/or rates (to either lease a building or service the debt).</p>

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or moving to an alternative site and disposing of the current site.			If Council has to carry out the additional earthquake strengthening work on the Richmond office building it may need to increase debt levels or reprioritise other capital projects.
<p>Holding Company Proposal Due to the uncertainty of the Holding Company Proposal proceeding, no provision has been made in the LTP 2021 – 2031 financial estimates for any increase in dividends or release of equity from Nelson Airport Limited (NAL) and Port Nelson Limited (PNL)</p>	Dividends may be higher or lower than forecast in the LTP 2021 – 2031.	Medium	<p>If revenue from dividends is lower than assumed, Council may need to consider increasing rates and/or reducing levels of service.</p> <p>If revenue from dividends is higher than assumed, Council may choose to reduce rates, pay down debt or invest further to improve levels of services.</p>

<p>Waimea Community Dam:</p> <p>The Waimea Community Dam is on track to meet the May 2022 completion date, will be ready for the planned 2022/2023 irrigation season and will be completed within the budgetary provision made in the LTP 2021-2031.</p> <p>Recognising there is residual uncertainty in Covid-19 costs and geology, the risk range of costs is between \$148 million to \$164 million. The forecast cost to completion provided by the Waimea Water Limited (WWL) Board of \$158.4 million, increased for hydro power provision and rounded to \$159 million, has been included in the LTP 2021-2031 budget. This is the Company’s best estimate, and takes into account that the risk of uncertainty is now somewhat reduced due to the Dam being 50% complete, with its foundations mostly exposed and adapting the design to the conditions largely complete.</p> <p>Council understands these estimates were prepared by the Company management (including reviews by internal Chartered Professional Engineers and external peer</p>	<p>That the Dam construction -is not operational complete by Marchy 2022. Those reliant on Council water supply on the Waimea Plains and surrounds will be exposed to drought risk for longer than expected.</p> <p>Costs exceed budgets and contingencies of \$159 million, requiring additional funding from Council and ratepayers.</p> <p>Affordability issues may require Council to reconsider the proposed funding allocation between the wider District and the properties with affiliated consents (irrigators³).</p> <p>The funding negotiations for where the cost overruns will be held have not yet commenced, therefore there is uncertainty as to their outcome. Other than when the debt resides with Council, the negotiations will require agreement by WWL, Waimea Irrigators Ltd, Crown Irrigation Investments Ltd.</p>	<p>Medium</p>	<p>Summer time restrictions may impact businesses, residents and Council’s ability to service growth until the Dam is complete.</p> <p>If the Dam costs are more than budgeted, Council would negotiate with the Government for additional funding. Increased costs could impact on Council’s financial position and debt level. Rates levels may have to be reconsidered and other projects and programmes may need to be delayed, and/or levels of service standards lowered to accommodate the additional costs.</p> <p>Affordability issues may require council to change the allocation of costs between the wider District, irrigators and other beneficiaries.</p> <p>If the negotiations are unsuccessful in creating a financial asset, Council may need to recognise the circa \$18 million used to purchase non-voting shares in WWL as an expense.</p>
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³ [The use of the term ‘irrigator’ in this document also covers other rural extractive water users who have an ability now or in the future to affiliate a water take consent through Waimea Irrigators Ltd.](#)

<p><u>reviewers), and reviewed and approved by the Company’s Board for issue to Shareholders.</u></p> <p><u>Of this \$159 million, the Council has assumed it will collect \$54.5 million of cost overruns.</u></p> <p><u>For the total cost overruns of \$54.5 million the funding sources will be \$25.2 million from irrigators, \$11.5 million from water supply activity and \$16.3 million from District-wide ratepayers including an additional charge to the Zone of Benefit. Waimea Irrigators Limited will be funding \$1.5 million directly to WWL.</u></p> <p><u>We will borrow for Council’s share of the increased costs (\$31 million with repayments over 35-40 years and \$22 million interest only). Council is not planning to repay the \$22 million principal in the LTP 2021-2031.</u></p> <p><u>Based on the current subscription agreement, Council will not acquire WWL shares with voting rights associated with circa \$18 million of cost overruns. The Council has assumed that it will negotiate an approach to funding this that will create an asset for Council, rather than receiving non-voting shares leading to an operating expense.</u></p>			
<p>Development Contributions (DC’s): Assumptions on the development contributions are included in our Development and Financial Contributions Policy – copies are available on Council’s website. Council expects to collect \$767 million in Development</p>	<p>That Council receives development contributions more slowly than assumed.</p>	<p>Low in Years 1-3, Medium in Years 4-10</p>	<p>If development contributions are received more slowly, Council will hold debt for growth related infrastructure investment for longer. This may put pressure on Council’s net debt limit in its Financial Strategy. It will also raise the cost of future development contributions</p>

Contributions over the next ten years.			as interest accumulates. Council may have to consider either reducing other debt, or revising the debt limit in its Financial Strategy.
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