

# MIN-4565 Meeting with Mayor Nick Smith, 22 July 2024

18 July 2024

This memo provides some potential discussion points for your meeting with Nelson Mayor Nick Smith on 22 July.

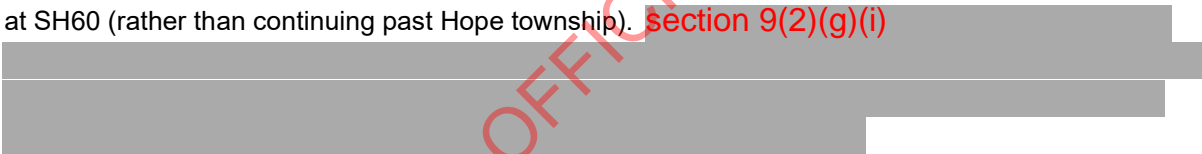
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## Transport content

### Capital projects recently completed

- NZTA has recently completed a range of capital projects in Nelson, including SH60 Ruby Bay Bypass safety improvement works (median barrier, new side barrier, road widening and new drainage) and two pedestrian refuges on SH6.

### Capital projects

- The Hope Bypass Roads of National Significance project is in a very early development phase with costs and construction start dates not yet confirmed. There is a Mayoral request for NZTA to consider changing the scope of the Hope Bypass and consider four-laning SH6 from Quarantine Road (the road to the airport) in Nelson along the Whakatu Drive and Richmond Deviation sections, while ending the new road at SH60 (rather than continuing past Hope township). **section 9(2)(g)(i)**  

- Work due to be completed in July 2024 on improving the Whakatu Coastal Pathway alongside SH6.

### Resilience / emergency works

- NZTA is investigating ways to improve resilience between SH6 Hope Saddle and SH65 Higgins Bluff, the SH60 Tākaka Hill underslip, SH60 Birds Hill overslip, SH63 Windy Point and SH65 Higgins rockfall, and SH6 Kawatiri to Owen River Erosion.

### Summer maintenance programme 2023/24 (Nelson/Tasman)

- NZTA spent approximately \$9.5 million for renewals programme in the region in 2023/24.
- There were approximately 82 lane kilometres of chipseal and asphalt sections addressed.

### Public transport

- Following the introduction of the new Nelson-Tasman bus network in August 2023, boardings have increased by 107%, with a monthly average of 78,000 boardings compared to 45,000 boardings per month on the old network.

- The new bus network also introduced 17 fully electric buses, which comprise 52% of the Nelson-Tasman urban bus fleet.
- Note the Millers Acre bus hub (an election promise by Nelson Mayor) business case was not sufficiently evidenced, however was submitted into NLTP process. We wrote to the Nelson Transport Manager in June 2024 that we cannot support co-investment until NLTP inclusion for the projects is confirmed, or not.
- NZTA has already written to local councils on these matters and will continue to engage with senior managers in the lead up to funding decisions being finalised later this year.

**Indicative funding allocations for 2024-27 National Land Transport Programme period**

- NZTA Board has endorsed the following indicative allocations for Nelson City Council’s continuous programmes as part of developing the 2024-27 National Land Transport Programme (NLTP):

Activity Class	2024-27 indicative funding allocation	2021-24 allocation at NLTP adoption	2024-27 allocation compared to 2021-24 allocation (%)
Local Road Pothole Prevention	\$13,725,000	\$7,618,000	+80%
Local Road Operations	\$19,813,000	\$13,159,000	+51%
Public Transport Services	\$6,492,000	\$5,985,000	+8%
Public Transport Infrastructure	\$377,000	\$141,000	+167%

*The figures above are in total cost which is both local and NLTF share.*

- Indicative allocations for the state highway activity classes for Nelson/Tasman region are as follows:

Activity Class	2024-27 indicative funding allocation
State Highway Pothole Prevention	\$44,231,000
State Highway Operations	\$17,100,000

- The final investment levels for all continuous programmes will be confirmed by the Board when it adopts the NLTP in August 2024.

**BACK POCKET**

***Other matters of contention***

- Rocks Road - The Nelson Future Access study (2021) was the latest look at the seawall and options for Rocks Road. The Rocks Road project includes replacement of the seawall, widening of the state highway corridor in sections, a shared path atop the new seawall, and sections of priority lanes for congested sections of the corridor. It was not included in the NZTA SHIP.
- Some local groups continue to advocate for a new State Highway (the Southern Link) being constructed on an inland route (on an old rail corridor, owned by NZTA). This was not identified as a priority in the

Nelson Future Access Study, but the corridor has been retained as a very long-term future resilience option if Rocks Road was no longer able to be maintained in a major seismic event or sea level rise.

## **Local Water Done Well Content**

- As of 30 April 2024, S&P rated the council as + AA (neg outlook).
- The content below provides commentary / background on Mayor Smith's opinion piece in the Sunday Star Times on 30 June 2024: We must confront issues causing rates rises to be a bitter pill for ratepayers - Fuseworks (fuseworksmedia.com).

### **Local Government (Water Services Preliminary Arrangements) Bill**

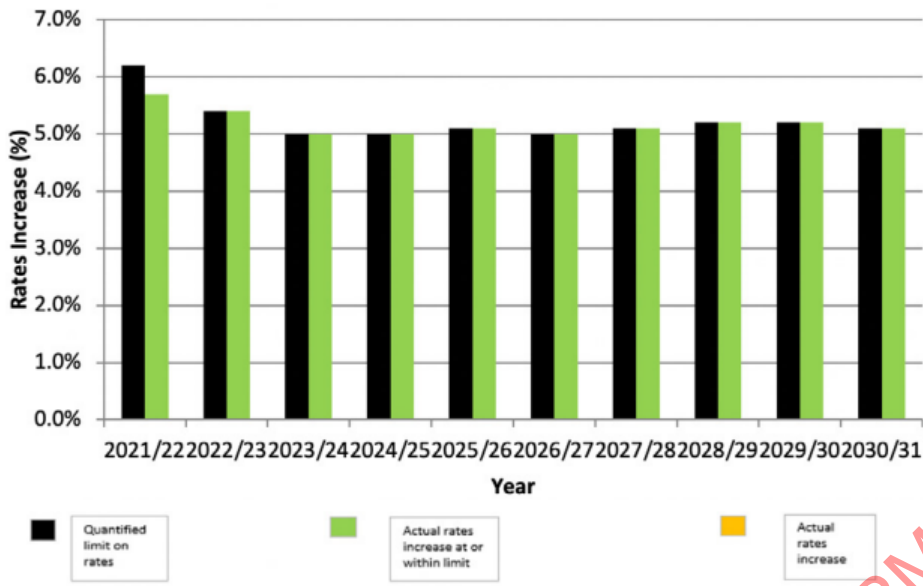
- Neither Nelson City Council nor the Mayor made a submission to Finance and Expenditure Committee (Committee) on the Bill.
- The Committee will report the Bill back to the House on 18 July 2024.
- For Nelson City Council, the two key provisions of the Bill are most likely to be:
- Water services delivery plans; and
- Easing the process to establish joint council-controlled organisations for water services.
- The wastewater standards amendment to the Water Services Act 2021/4 is progressing at the same time as the Bill.
- The Bill is expected to be passed in August 2024.

### **Water related rate rises and council expenditure commitments**

- In the article, the Mayor confirmed that rates would rise by 8.2 percent, and the council had imposed a \$300 storm recovery charge.
- The combined financial impact is a 15 percent rise for ratepayers.
- The council has proposed spending \$523m on wastewater, drinking water and stormwater over the next decade.
- Whilst the Council accepts the need to invest in infrastructure, it is more cautious on accepting the regulatory costs resulting from the environmental and water services regulators, where the cost of regulation may outweigh the benefits.

### **Long-term plan**

- The long-term Plan was adopted on 27 June 2024.
- The rates increase in the 2024 Annual Plan is 7.2 percent against the 2021-31 long-term plan forecast increase of 5.0 percent.
- Council is forecasting much larger 2 waters spend than in the previous long-term plan.
- Growth capital spend is \$98m compared to the \$40m in previous long-term plan.
- Growth is forecast to be a cumulative 13.5 percent over 10 years.
- Debt to Revenue is limited by policy to 2. Debt is projected to rise from \$229m to \$612m. This additional debt is adding significantly to the costs of the organisation.
- Water and sewage revenue is forecast to rise by 100% while residual rates are forecast to rise 81%.
- There are 23,538 rateable units in the city.
- The rates increase in the draft 2024-34 long-term plan for 2025 is 15.3 percent (8.2% plus a \$300 (inc. GST) Storm Recovery Charge) against the 2021-31 long-term plan forecast of 5.0 percent.



section 9(2)(f)(iv)

section 9(2)(f)(iv)

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section 9(2)(f)(iv)

[Redacted]

**Opportunities to increase standardisation and reduce cost through the system, including use of modular design and national engineering standards**

- section 9(2)(f)(iv)  
[Redacted]
- We advised the Minister of Local Government on the use of standard and modular design for water infrastructure, as well as risks, benefits, and challenges to uptake. The use of modular design for drinking water and wastewater plants in New Zealand is gaining momentum, but there are a range of regulatory, technical, and cultural barriers that limit their uptake.
- section 9(2)(f)(iv)  
[Redacted]
- This may generate discussion, noting the Mayor's engineering background.

**Opportunities for Nelson to work with other councils**

- In the article, the Mayor made the case for better collaboration between councils.
- We understand Nelson continues to be in discussions with the Tasman District Council and Marlborough District Council about providing water services to their region.
- We understand Tasman District Council is also in discussion with Buller District Council.
- section 9(2)(g)(i)  
[Redacted]

**Nelson City Council – Funding summary**

- Nelson City Council has \$133,500 remaining to be paid of sector support funding. It has returned a new funding agreement allowing it to put the funds towards Local Water Done Well implementation. The Department is waiting for further details on intended spend before releasing the funds.
- Of the \$667,500 paid under the previous Transition Support package, the Council has retained a significant portion that is now available to use for Local Water Done Well work (approximately \$345,000 based on previous reporting).
- Nelson City Council is due \$5.180 million of Better Off funding, of which \$2.598 million has been paid to date.
- In response to the letter from the Department to council chief executives in April 2024 about the next steps for Better Off funding arrangements, section 9(2)(f)(iv)  
[Redacted]
- Projects (as at 12 July 2024) are outlined below:

Project	Classification	Contract Value	Paid	Remaining
Te Ara Ō Whakatū City Centre Playspace	Community infrastructure	section 9(2)(f)(iv)	\$250,000.00	section 9(2)(f)(iv)
Railway Reserve Lighting: Annesbrook to Saxton Field	Transport and roading		\$1,100,000.00	
He Tātai Whetū –Arts and Creativity Strategy	Placemaking		\$975,400.00	
Iwi Capacity Building	Community services		\$175,000.00	
Community Car Sharing	Transport and roading		\$15,000.00	
Whai Oranga Wellbeing Centre	Community infrastructure		\$41,250.00	
Nelson Tasman Urban Development Agency	Housing		\$41,250.00	
Total		\$5,180,000	\$2,597,900	\$2,582,100

## Local Government Content

### Nelson background

- Slightly older population, lower growth.
- The overall distinguishing factor is its connection with Tasman DC.
- A lot of housing growth is occurring in Tasman DC, also much of the primary industry growth as that is where the land is (except again, for fishing /processing and the port).
- Relatively small council by area = 422 km<sup>2</sup> (10/67) – therefore highly urban in comparison
- Population estimates (2023)
- 55,600 (24/67 – moderate sized) – 1.1% growth (moderate)
- Population density = 131 people/km<sup>2</sup> (12/67) relatively dense population)
- (2023) – mean household income = \$ 105,900 - (NZ = \$132,800) – lower than national
- (2018) - Deprivation index = 5.4 (5.6 NZ) not particularly deprived, but like anywhere, there will be big variations between parts of the city
- (2024) – Mean house value = \$775,000 (\$NZ = 905,600) – lower than average
- Median age = 44 years (22/67 councils, slightly older demographic), but also a relatively low number of people under 15 years
- Major fishing port - \$3,443 M GDP (3.0% growth)
- The average rates rise is expected to be 8.2% plus a \$300 (including GST) Storm Recovery Charge in 2024/25.

### Key issues identified in the Long-Term Plan

- Nelson City Council (the Council) adopted its Long-Term Plan on 27 June 2024.
- Key issues important to the Local Government portfolio include rates affordability, buy-out of private properties affected by slips and proposed Council Controlled Organisation (CCO) Marina Proposal.

- The Council is aiming to keep rates rises as low possible while maintaining core services, pay for the recovery following the August 2022 severe weather event, and invest in the projects that will make the most difference to the city.
- The Council's proposal is to balance rates rises with providing services, some new projects and accept some reductions in services and maintain standards and frequency.
- Central Government has offered to buy out properties that were severely affected by the August 2022 severe weather event. The offer to contribute to buy-outs is based on the \$6 million cap from Central Government with the Council contributing the other 50%. The cost of the buy outs will be less any Earthquake Commission and insurance settlements owners have or will receive and will be voluntary for owners.
- The Council is also proposing to move the Marina to an Asset-Owning CCO by 1 July 2025 to provide a better structure which will help navigate its development into a thriving, community accessible Marina.

**City and Regional Deals**

- **section 9(2)(f)(iv)** [Redacted]
- The Minister of Local Government has led the development of a draft strategic framework for regional deals. The framework outlines the Government's expectations, including what central government's expectations are of regions entering into deals. Together with the Minister of Infrastructure, the Minister of Local Government will be taking the draft strategic framework to Cabinet at the end of July, and the Prime Minister will make formal announcements at the Local Government New Zealand Conference from 21 to 23 August 2024.
- **section 9(2)(f)(iv)** [Redacted]

Talking points (if required)

**section 9(2)(g)(i)**

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section 9(2)(g)(i)

Noted by Minister

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