WAIMEA COMMUNITY DAM

CONSULTATION DOCUMENT

Statement of Proposal for Governance and Funding Arrangements

OCTOBER 2017

tasman district council

CONSULTATION CLOSES: SUNDAY 26 NOVEMBER 2017

This Consultation Document (Statement of Proposal) summarises the key decisions and options for Council regarding the ownership and governance of the Waimea Community Dam and how Council proposes to fund its share of the project costs.

Supporting information on this consultation document can be found on Council's website:
www.tasman.govt.nz/feedback
You can also phone us on 03 543 8400, or visit your local Council service centre or library. Section 4 of this document lets you know how you can make a submission, the dates and locations of public meetings, and proposed hearing dates.

Your feedback will help Council make important decisions on how we manage and fund the Dam project to ensure continued urban and rural water supplies for the Waimea area and to improve the health of the Waimea River. Decisions on the matters covered in this Statement of Proposal will be made in late February 2018 and will be available on Council's website after that date.

HAVE YOUR SAY

Make your submission online or use the pull-out submission form in our Summary document. Tell us if you support our proposed options or if you prefer any of the alternative options.

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SECTION ONE

INTRODUCTION

A MESSAGE TO TASMAN'S RESIDENTS AND RATEPAYERS

Securing a reliable supply of good quality water to meet the needs of people and our community now and for the next 100 years or more is our top priority. Doing that in a manner that restores the Waimea River ecosystem and its ability to sustain life in nature and in human kind is just as important. The proposal to build a water augmentation scheme, the Waimea Community Dam, would achieve those outcomes.

While this consultation is not a yes/no vote for the Dam per se, if the proposal to form the joint venture with Waimea Irrigators Limited does not proceed, nor would the Dam, at least in the short term.

Council and irrigators have been investigating augmenting the flow in the Waimea River for the past 15 years. During our increasingly dry summer months, there is currently insufficient water in the river and aquifer systems to provide a secure urban water supply for the Richmond, Mapua and Brightwater areas. There is also not enough water for irrigators on the Waimea Plains. If we are to ensure a continued water supply and meet the minimum river flow requirements, doing nothing is not an option.

All our 'Plan B' options have been investigated, and in comparison to the Waimea Community Dam they are not cost effective and do not deliver the range of benefits (i.e. environmental, water supply and irrigation), so have been discounted. We need an augmented water supply to ensure the continued viability of our Region. The Waimea Community Dam is our preferred option, and one which provides security of water supply for next 100 years.

After several years of negotiations, we have now developed a preferred funding model for the Dam in partnership with Crown Irrigation Investments Ltd (CIIL), Waimea Irrigators Ltd (WIL) and Nelson City Council (NCC). What we are consulting on and asking for your views on is how the Waimea Community Dam should be owned and managed, and how under a partnership arrangement with Waimea Irrigators Limited, we should fund Council's share of the Dam project costs ($26.8 million). We also want to know your views on Council's credit support of CIIL's loan to WIL through the dam company (acknowledging that this provides access to considerable funding for the project).

The ultimate decision to proceed with the construction of the Dam will depend on the outcomes of this consultation, all parties securing their funding contributions and related approvals, and on the tender price to build the Dam.

Under our funding proposals a $600,000 capital value residence in Richmond using the average amount of water would expect to pay a maximum $139 per year, (expected by 2021/2022 when debt repayments would potentially reach their peak). For those residents who live outside the Zone of Benefit, and do not belong to the Urban Water Club, their contribution is estimated to be $29 per year.

We think the proposed funding model is the best we can achieve to secure an augmented water supply for our Region, to deliver on environmental outcomes, and the one that represents best value for our ratepayers.

Richard Kempthorne
Mayor

Lindsay McKenzie
Chief Executive Officer

EXECUTIVE SUMMARY

Public consultation on a proposal to build a dam in the Lee Valley was undertaken in 2014, and again through the Long Term Plan (LTP) 2015–2025. A total of $25 million was allocated in the LTP towards funding a water augmentation solution for the Waimea Plains.

It was recognised that a dam in the Lee Valley was needed not just to augment water for irrigation purposes, but that a secure water supply was required for current and future urban water users, and to improve the health of the Waimea River.

After several years of investigation and negotiations, Council now has a proposed funding model in partnership with irrigators (Waimea Irrigators Limited (WIL) and Central Government (via Crown Irrigation Investments Limited (CIIL) and Ministry for the Environment (MFE)). For the Waimea Community Dam (Dam) project to proceed it is likely that Council will need to agree to the overall funding package and Council's contribution of $26.8m. WIL have made it clear through the funding negotiations that they are at their potential shareholder affordability limit with this funding model.

The motivation for Council to agree to this funding model is that the alternative water augmentation solutions to provide water security for the Waimea area will be significantly more expensive and have a much larger impact on our ratepayers. Overall, it is a funding model that delivers the best value for our community and the best arrangement that can be achieved for funding the Dam.

UNDER THE FUNDING PROPOSAL:

a. A dam company would be formed as a Council Controlled Organisation and owned by WIL and Council. As majority shareholder, Council would hold at least 51% of the shares in the company at all times, and would appoint four of the seven board members. Of the other board members two would be appointed by WIL and one would be an iwi representative.

b. The total estimated capital cost of the Dam (excluding incurred project-related costs of $2m – $2.7m to financial close) is $75.9 million (m) (See table 1). This would be funded/allocated on the following basis:

   - $50.22m by extractive users, where a secure water supply is guaranteed. Irrigators (WIL) will be responsible for $37.12m; Council $9.58m, and Nelson City Council (NCC) $3.52m for urban water supply.
   - $22.77m – for benefits that would be achieved from the Dam to the environment and community generally. This would be funded through a $7m grant from the Ministry for the Environment's Freshwater Improvement Fund (FIF Grant), a $10m interest free loan from CIIL (that Council would need to repay), and the remainder from Nelson City Council (subject to confirmation) and through Tasman District Council rates and charges.
   - $2.91m – Council's share of additional/future water capacity in the Dam.

c. This report has been prepared on the basis of a $5m contribution from NCC which has been nominally apportioned between the extractive water use and benefits that would accrue to the environment and community. This contribution is subject to public consultation and confirmation by NCC.

d. Council would provide credit support of up to $29m for the CIIL of up to $25m loan to the dam company for WIL. The actual potential maximum liability to Council would be the lesser of the balance of the loan and $29m. The $29m figure includes an allowance for capitalised interest, legal and recovery costs, and a $1.5m buffer required by CIIL.

The proposal sees Council responsible for funding $26.8m of the projects' total capital costs, which would have a rates and revenue implication. Council proposes to use commercial dividends and surpluses to pay some of those costs. Of Council's proposed contribution $25m is budgeted for in the LTP 2015 – 2025, leaving an additional $1.8m to fund. The dam company's annual operating expenses are currently estimated at $1.4m to $1.5m, of which Council would meet 51% ($715,000).

This Consultation Document is about how Council will fund its share of the Dam costs and how the dam company should be owned and managed. We propose that our share of the Dam costs are spread across the District to recognise the direct and indirect benefits that the Dam will bring to urban water users, to our community generally, and to the environment.

Based on the proposal to fund the required revenue by way of targeted rates for the Dam Project, the total rate increases for most ratepayers would range between $29 to $160 per property per year. The amount of estimated rate increase would depend on property location, property value, and connection to an urban water scheme (in the Urban Water Club). These rate increases are based on 2017/2018 figures and would be stepped in over time potentially reaching these increases in year three after dam construction (2021/2022). For example a ratepayer subject to the $29/year charge may pay $15 in year one, $20 in year two, and so on. All the rates examples provided include GST.

WIL affiliated (irrigation) water users would pay the most towards the Dam. They would pay the ratepayer charges, as proposed in this document, and also the WIL affiliated costs. Waimea irrigators (through WIL) would be invited to buy shares in the Dam estimated to be between $5,000 to $5,500 a share (one share equals one hectare of irrigation). The final share price would be determined and set out in a product disclosure statement, which would require sign-off from both the WIL Board and the Financial Markets Authority. Shareholders would also pay an estimated annual water user charge of $550 to $600 per share, with the exact amount yet to be confirmed.

Overall, the Dam joint venture funding partnership would enable us to deliver water for the Region at a lower cost than any other alternative. It would bring benefits to the environment in terms of increased river flows and recharged aquifers, and it would provide water security for current and future demands.

The proposed governance model provides Council with a majority shareholding (51%) and majority of board members. The proposed distribution of our share of the Dam costs ($26.8m) across our ratepayers, recognises the direct benefits that extractive users would gain, and the general benefits to the community and environment.

FUNDER	AMOUNT	SHARE OF DAM
Tasman District Council	$16.78m	Council 51.1%
Loan to Council from Crown Irrigation Investments Ltd	$10m	
Grant to Council from Ministry for the Environment (FIF Grant)	$7m	
Nelson City Council (to be confirmed)	$5m	
Waimea Irrigators Ltd – subscription from irrigators	$15m	WIL 48.9%
Loan to WIL from Crown Irrigation Investments Ltd (via the dam company and underwritten by Council)	$22.12m	
Total	**$75.9m**	**100%**

Table 1 – Dam Project Funding Proposal

INTRODUCTION

The purpose of this Consultation Document (Statement of Proposal) is to enable public participation in the Waimea Community Dam decision-making process. Council is responsible for the sustainable management of water resources throughout the District.

This responsibility includes meeting statutory requirements under the Local Government Act 2002, the Resource Management Act 1991, the National Policy Statements for Freshwater Management (2014) and Urban Development Capacity (2016), and the Tasman Resource Management Plan. In this context, it also must consider the future prosperity of the area, growth opportunities, environmental health, social and cultural wellbeing and the provision of essential services to its community. Supply of drinking water is one such essential service.

Council is seeking your feedback on the proposals and proposed options set out in this Consultation Document.

WHAT ARE WE CONSULTING ON?

This Consultation Document relates to decisions that Council must make in relation to the ownership, governance and management of the Waimea Community Dam (Dam). It also deals with how Council proposes to fund its share of the Dam project costs. The proposed funding mechanisms that Council would adopt as a result of this consultation process would be confirmed through the Long Term Plan (LTP) 2018–2028 and our Revenue and Financing Policy.

After several years of negotiations, Council has now developed a preferred funding model for the Dam in partnership with Crown Irrigation Investments Limited (CIIL), Waimea Irrigators Ltd (WIL) and Nelson City Council (NCC). The ultimate decision to proceed with the construction of the Dam will still depend on this consultation, all parties securing their funding contributions, completing due diligence and obtaining approvals, and a favourable tender price to build the Dam. That final decision cannot be made until financial close (see Glossary) in May 2018.

We want to hear your views on the following elements of the Dam proposal that are outlined in this consultation document.

1. The ownership, governance and management of the proposed Dam
2. How Council's share of the Dam project costs would be funded across the District
3. Council's proposed credit support of CIIL's loan to the dam company for WIL's project contribution (acknowledging that this provides access to considerable concessionary funding for the Dam project).

WHAT IS DIFFERENT THIS TIME AROUND?

The funding model in this document is a different proposition to what was put to our community in 2014. The Dam project now has proposed funding contributions from Central Government by way of a $7m grant from the Freshwater Improvement Fund (FIF), a $10m interest free loan to Council from CIIL, and up to $25m low interest loan to WIL via the dam company from CIIL as part of their contribution. Irrigators, through WIL, would also contribute $15m in equity towards the Dam project.

There are changes to the way we now propose to fund the benefits that would accrue to our environment and community generally from the Dam, and the associated dam company operating costs.

In 2014, as in previous proposals, 30% of the dam project costs were apportioned to the benefits that would generally be achieved by the community and the environment. The funding proposal was for Council to fund 66% of the environmental and community benefits, with 34% being funded by extractive users. Under the current proposal Council is responsible for funding the full cost of those benefits, which would be funded by the Government's $7m FIF grant, along with the CIIL $10m interest free loan. This means to some extent the extractive user contribution is satisfied. Council has only accepted this position because it gets the full benefit of the $10m interest free loan, saving Council approximately $500,000/year in interest costs.

Operating costs associated with the project have also been revised and are now more in line with realistic costs associated with managing and owning a dam. Operating costs include such things as insurance, repairs and maintenance, property rates, servicing the Board, and resource consent requirements.

http://www.legislation.govt.nz/act/public/2002/0084/latest/DLM172358.html

INTRODUCTION (CONT)

The way we propose to fund operating costs has also changed since we last consulted in 2014. A share of these costs is now being apportioned to the general environmental and community benefits that accrue from the Dam. As our joint venture partners (WIL) do not have the financial capacity to service these additional costs, we propose that Council funds these costs to ensure the project continues. Under section 101(3)(b) Local Government Act 2002 (LGA) , Council has a responsibility to consider the overall impact of the allocation of costs on the community. As the costs associated with the alternative water supply solutions are significantly higher, Council proposes to fund these additional costs.

Overall the 2014 estimated Dam project costs have also risen from $67.6m to $75.9m. That results from adopting a P_{95} risk approach over the previous P_{50}. This total excludes amounts that have already been spent and also project costs that each funding partner must carry. Under the new proposal, Council's funding contribution to the Dam project is now proposed to be $26.78m; in addition to this amount there is also credit support to WIL of $29m. This is in comparison to the $25m without credit support we had allocated to the project in our LTP 2015 – 2025. Our proposed total contribution excludes additional project-related management and funding negotiations costs of between $2m to $2.7m that we must also fund.

WHERE CAN YOU GET MORE INFORMATION?

Section 5/Page 52 sets out the list of supporting documents. This includes:

- an analysis of alternative water augmentation options
- a Summary of Information provided,
- our analysis under Section 101(3) of the Local Government Act 2002
- other related reports.

This supporting information is available to view or download from Council's website www.tasman.govt.nz/feedback or view copies at any of our District libraries and service centres. Alternatively, contact us on info@tasman.govt.nz, or phone your local Council office for more information.

This Consultation Document (Statement of Proposal) draws on information from Council and official Project sources. The information is current and reliable. Wherever possible the content of the Consultation Document and the material it relies on is supported by peer review and/or the professional and ethical obligations of the originator. The financial information contains estimates; uses the best information available and relies on the funding parties commitments and processes.

HOW CAN YOU MAKE A SUBMISSION?

You can make a submission online at www.tasman.govt.nz/feedback or in hard copy by downloading the form off our website, or filling in the form in our Summary document and sending it to Council by post or email. See page 44 for more details.

WHAT HAPPENS NEXT?

Submissions must be received by Sunday 26 November 2017

Your submission will be considered by Council. You will be able to support your written submission at one of the scheduled hearing times, which are being held in mid-December 2017. Decisions will be finalised in February next year. See Section Four for the list of public meetings and hearing dates and venues.

The Council cautions against the use of outdated information, information that has not been subject to review through a professional or statutory process, and information sources that may be subject to biases.

WHY DO WE NEED AN AUGMENTED WATER SUPPLY?

The Waimea Plains aquifer system supplies water for residential, commercial and industrial use to Richmond, Mapua, Brightwater, and Nelson South. Water is also extracted via individual bores for horticultural use, domestic supply and other uses.

With changing climatic conditions, our Region is projected to experience more extreme and more frequent drought conditions. Without a dam, we would currently have some form of water rationing for nine out of ten years. NIWA predicts that due to changing climatic conditions, parts of the Tasman Region, including the Waimea Plains, will by the year 2070 –2090, experience a 10% increase in the frequency of droughts that it currently experiences. For more information see the NIWA report on the Tasman Region: http://www.tasman.govt.nz/environment/environmental-education/sustainable-communities/climate-change/

Based on population growth and current water use, we can expect significant water shortages and restrictions for residents, businesses, industries and irrigators during dry periods without an augmented water supply. Our monitoring data shows that during these dry conditions, we generally experience peak water demand. So when we should be conserving water, water use is at its highest.

Security of water supply, particularly over the summer period with peak water demands, is essential for the local economy. A third of all employment in the Tasman District is in the primary industries and manufacturing sectors. Based on Statistics NZ information we are anticipating population growth of 9% in the District between 2018 and 2038 (based on medium series of projections). Recent figures indicate growth is likely to be higher than the Statistics NZ medium growth scenario. Due to the increase in our population, and a trend for smaller households, we expect that housing demand will grow at a higher rate over this period placing more pressure on our water supply. The Government's National Policy Statement for Urban Development Capacity (NPS-UDC) also requires us to plan and provide the necessary infrastructure such as water and wastewater to meet projected housing demand.

From 1 November 2018, as a result of national requirements and changes to our resource management plan, if there is no augmented water supply and river flows are low, some water take permits from the Waimea aquifers and river system could be cutback by as much as 100%, but most would be cut back by a lesser amount. This is required in order to protect the health of the Waimea River by maintaining a minimum river flow of 800 litres per second (l/s) at a measuring point in Appleby above the State Highway Bridge.

In the event that we do not have an augmented water supply (by way of a dam or other option), consented water users on the Waimea Plains have been notified (August 2017) what their new allowed levels of water allocation will be. These new allocation amounts will take effect in November 2018 (or earlier if a decision is made not to proceed with the Dam) and are based on 'bona fide' or actual and reasonable use for each water permit holder over 10 years to 2013. In a 'no dam' situation, it is likely that low flows in the Waimea River will also trigger further substantial reductions in water takes over most irrigation seasons. These rationing cuts will also include Council's urban water supply take. This will have significant implications for our residential, business and irrigation users.

WHAT ARE THE BENEFITS OF THE DAM?

The Waimea Community Dam would have significant benefits, direct and indirect for the Region. These benefits focus mostly around providing security of water supply for our urban water users in the Waimea area, increasing the flows in the Waimea River to improve ecosystem health and meet national freshwater standards; providing enough water capacity to meet current and future primary production needs, and securing and boosting our regional economy. Some of the benefits in these areas include:

Environmental

- Preservation of recreational use of the river during summer
- Improved and protected Catchment diversity e.g. in stream fauna and aquatic life
- A healthy river with minimum flows that reduce the risk of algae infestations

Economic (flow on effects to the economy as opposed to direct benefits to landowners)

- More jobs created across the District
- Business development and expansion
- Existing economic activity and jobs retained because of security of water supply

Community

- Security of water supply for users in the Waimea area
- Increased rating base through residential development and new business to spread costs
- Viability of community infrastructure maintained e.g. schools and halls
- Improved recreational and economic benefits as listed above

FACTS ABOUT THE DAM

The proposed Dam would provide the water supply needs for existing urban households and businesses, future residential and business growth, and rural irrigators and domestic users in part of the District.

The Dam would be able to store 13.4 million cubic metres (m^3) of which 12.4 million m^3 is active storage. The Dam scheme involves capture of river flows into storage in the reservoir behind the Dam, but leaving a required residual flow in the river below the Dam at all times. The stored water in the reservoir can then be released in a controlled manner during periods of high water demand and/or low natural river flows. This flow release augments the river flows to meet instream requirements in the river to Appleby and the sea, with water also available to recharge the aquifers connected to the river.

Pumping from the aquifers causes enhanced recharge as it causes more river flow losses and buffers aquifer storage. Water abstraction can either happen from the aquifers connected to the river or directly from the river. The maintenance of higher minimum flows in the river enables continued through flow (recharge) of water in the interconnected aquifers and also reduces seawater intrusion pressure along the coast, whilst also improving coastal spring fed stream flows.

Water from the Dam via the aquifers would be provided to residential, business, and rural users including:

- Urban households and businesses in Richmond, Brightwater and Mapua including those with a low flow restricted water connection
- Urban households and businesses in Nelson City South, which currently represents 2,150m^3/day
- Irrigators on the Waimea Plains within a 5,000 hectare (ha) delineated area, of which 3,800 ha is currently irrigated

The Dam is being designed to cater for part of the Region's needs for the next 100 years and to protect against a one in 60 year drought. This means that if we do experience a drought greater than a one in 60 year, there will be cutbacks on the water available to extractive users. The design capacity allows the flexibility for future generations to respond appropriately to growth pressures, any national changes to the allocation of water and protection of our waterways, and to the impacts of climate change.

Dam construction	Concrete faced rockfill dam
Size of reservoir	13.4 million cubic metres
Lake size	65.9ha (total footprint 87ha)
Dam height	53m
Construction period	Approx. 3 years
Time to fill	1 – 3 months

Table 2 - Dam Facts

Some in our community have suggested that we should reduce the size of the dam in order to reduce costs. As demonstrated in Figure 1 below, when building a dam the bulk of the construction costs are in the foundations, whereas the bulk of the water is held at the top of the dam. Therefore reducing the size of the dam does not significantly reduce the associated costs.

Figure 1 – Dam Costs and Dam Capacity

FACTS ABOUT THE DAM (CONT)

The budget for the base construction of the Dam is around $50m. There is an additional $13.5m contingency in the budget for changes in scope and unexpected costs. This sets the overall construction costs at the P_{95} confidence level which means there is only a 5% probability that the Dam construction would exceed estimated construction costs and a 95% probability that the Dam construction costs would be at or less than estimated. We expect to have a more accurate indication of the construction cost early in 2018.

The total design capacity of the Dam (7,765ha) has been used for the purposes of allocating extractive user costs across the joint venture partners (see Table 3). For funding purposes, the urban water supply is expressed as hectare equivalents (hae). This ensures that the required urban capacity can be compared on the same basis as irrigation needs, which is set on a per hectare basis. Hectare equivalents are used to convert consented volumes of water into an equivalent area of land. It is based on 300 cubic metres of water per hectare per week (300m^3/ha/wk). The remaining 30% of dam project costs have been attributed to the benefits that would be achieved by the community and environment generally.

BENEFICIARY	DAM CAPACITY HA / HAE	DAM CAPACITY %
Irrigators	5,425 ha	69.9%
Council Urban Supply	1,825 hae	23.5%
NCC – Urban Supply	515 hae	6.6%
Total Capacity Allocated	**7,765 ha**	**100.0%**

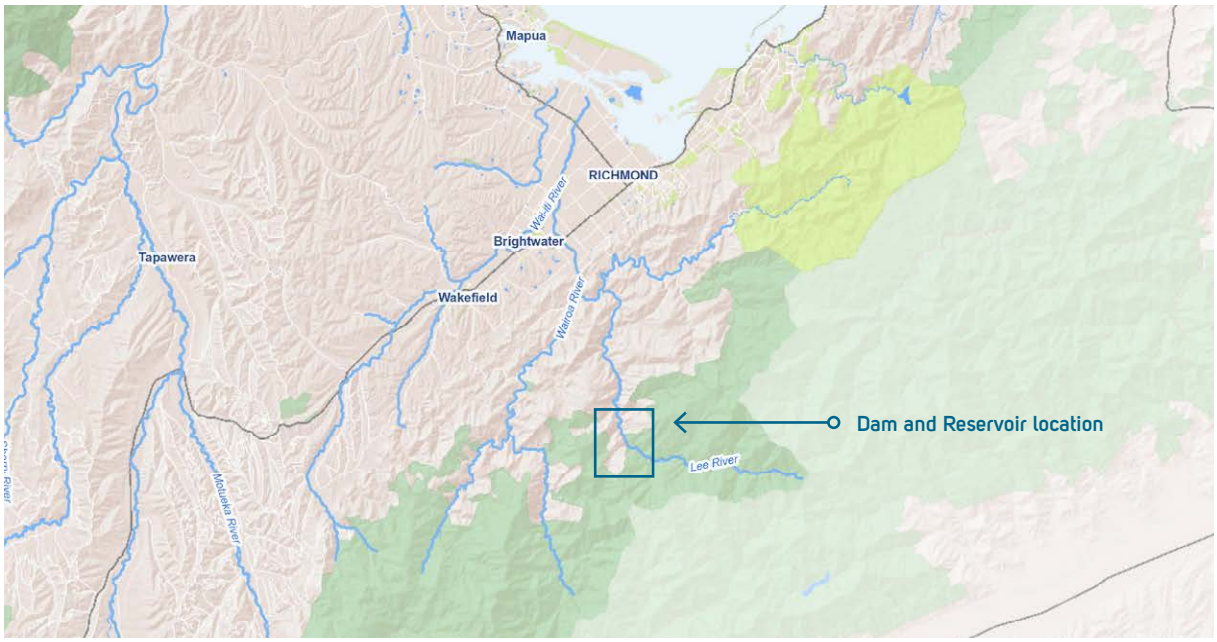
Table 3 – Dam design capacity and allocation of extractive user costs

RESOURCE CONSENTS

The construction and operation of the dam in the Lee Valley was consented in 2015. This followed a publicly notified application and a hearing before Independent Commissioners. The resource consents are subject to a series of conditions designed to manage both construction and operational risks and issues and to promote the efficient release of water when it is required.

WHERE IS THE DAM SITE?

The following map shows where the Dam and reservoir would be located in our District.



Map 1 – Location of Proposed Waimea Community Dam

ALTERNATIVES TO THE DAM

Since 1991, we have been investigating water supply augmentation options for the Waimea Basin. Many reports have been commissioned over the years including a feasibility study undertaken between 2004 and 2007 that looked at 18 different sites. Of all of the water augmentation options investigated, a dam in the Lee Valley was the preferred option.

Ten years on and Council has reinvestigated several of those alterative options to ensure the proposed Dam is still the best solution for the District. The review confirmed that of all the reasonable alternatives for solving the Nelson Tasman region's summer water shortages, the Waimea Community Dam would provide the most advantages in terms of water augmentation and environmental gains, and would be the most cost effective solution.

The alternative water supply augmentation options reviewed included:

1. a high dam on the Roding River
2. transfer of water from the Motueka aquifer
3. storage ponds beside the Waimea River
4. water supply from Nelson City Council

The option of a dam at Teapot Valley was also included for comparison of the costs of a smaller dam in that locality.

Dam on the Roding River

A high dam on the Roding River could have a storage volume of between 1.2 million m^3 and 5.1 million m^3. Volumes above 2.3 million m^3 storage capacity would meet our estimated water for 100 years. The estimated capital cost ranges between $95m and $145m and operating cost of $3.4m to $3.8m. This option would require the construction of a new dam, extensive pipe installation, and a new water treatment plant. Risks raised included the consenting process and time delays, while disadvantages compared to the Waimea Dam were that with these smaller volumes it would not improve the health of the Waimea or Roding River or provide irrigation water security.

Motueka Aquifer

This option comprises the drilling of pumping bores in Motueka and piping water to storage tanks in Old Coach Road. This option included various scenarios; supplying water needs for Mapua only, and for Mapua as well as for Richmond and Brightwater. The only supply scenario that would meet the wider areas water needs for the next 100 years (at 31,000 m^3/day), was estimated to cost at least $160m to construct, with $2.8m of annual operating expenses. Aside from the significant cost, other disadvantages included the installation of a pipeline across the Moutere inlet, and its consentability and processing costs. This option would not provide any irrigation water security nor improve to the health of the Waimea River.

Riverside Storage

To meet current water demands during times of water rationing, we would require ponds capable of storing between 500,000 m^3 to 800,000m^3 of water, which have a project estimated cost of $24.6m to $54m. In order to cater for future growth and demand to the year 2117 (to be comparable to the Dam), we would need to build additional storage ponds to a cumulative storage capacity of 2.3 million m^3. This would come at an estimated cost of $108m, which would be spread over time as more water was needed. The annual operating costs would be in the order of $5m.

There were significant risks associated with this option, including consentability, land acquisition, neighbour interest, geological constraints, and maintaining water quality. The storage ponds also did not offer the benefits of the Dam, as they would provide only for our urban water demand. There would be no irrigation water security nor improvements to the health of the Waimea River.

Nelson City Water Supply

This option utilises the Nelson City Council water supply. Nelson City has indicated that its Tantragee Water Treatment plant will have 50,000m^3/day capacity once some upgrade works are undertaken. The indicative costs of these upgrades are $19m to $24m and comprise renewing the membranes, additional on-site storage and upgrading the pump station on the Maitai dam duplicate raw water main. Nelson City has also advised that it needs to retain some headroom over its current use which leaves around 5 – 10,000m^3/day available to service Richmond. The reticulation would need to be upgraded to deliver this volume of water from Tantragee Water Treatment Plant. This is estimated to cost up to $10m. With these upgrades it is likely that the capital investment to Council to deliver the 5–10,000m^3/day would be $12m to $14.8 million. This would meet the current water gap of 4,900m^3/day for Step 3 rationing, however it would not meet the 13,300m^3/day Step 5 water gap. So it does partially provide short term relief but not for severe droughts or for long-term relief. This option does not contribute to the health of the Waimea River nor improve the irrigation water security. It reduces the capacity that Nelson has invested in its water supply and increases the reliance on the Maitai Dam and the associated infrastructure as a raw water source.

See www.tasman.govt.nz/feedback for a copy of the report on alternative options.

WHY DON'T WE JUST USE RAINWATER TANKS TO SOLVE OUR URBAN WATER PROBLEM?

Rainwater harvesting and the use of storage tanks, while an option that residents could consider to conserve water, will not be sufficient to protect against rationing. Onsite rainwater harvesting is normally only used for flushing toilets and for watering gardens. It would not be connected to the Council supply as it would be a potential source of contamination. If every property in Richmond, Brightwater and Mapua installed rainwater storage it is likely to only reduce demand by 12.8% or 2041m^3/day. This is insufficient to meet current and future water demands. For stage 3 water rationing, in times of drought, we require an additional 4,900m^3 per day, by 2047 this is predicted to rise to 11,800m^3 per day.

Individual owners installing rainwater tanks is also an expensive option, costing about $5000 per property for storage and plumbing. Tank sizes would vary depending on individual owner demand, but most would need around 20m^3 to 22.5m^{3}of storage. If every home installed a rainwater storage tank there would be a collective cost of $32.4 million for the urban properties in the Waimea catchment. Unfortunately rainwater tanks would not prevent the need for rationing as they only provide water for toilets and gardens.

THE WAIMEA COMMUNITY DAM PROJECT

DAM PROJECT FUNDING

Council's proposed capital contribution of $26.8m is greater than the $25m allocated in the LTP 2015 – 2025. The increase in costs has mostly arisen from Council now proposing to fund operating costs for the environment and community benefits that would generally be achieved by the Dam. To ensure there are no new additional rates funding impacts on ratepayers above the $25m, Council proposes to use revenue and surpluses from its commercial activities to fund these additional capital costs. In addition to the Dam project costs shared by the funding partners, we have also incurred additional costs estimated to be between $2m and $2.7m for our project management and funding negotiations. We have included $2.7m of these estimated costs in the rating and charges calculations and apportioned these across the beneficiaries as discussed in this Consultation Document.

Beyond the construction of the Dam, in the short term, there are no other infrastructure costs for Council associated with the distribution of the water. Traditional irrigation and water distribution schemes generally require additional piping, pumping, and/or water races. Users on the Waimea Plains, including, Council, irrigators and domestic users mostly take their water from the aquifers via groundwater bores.

As discussed on page 30, 30% of the dam projects' capital costs are proposed to be apportioned to the environmental and community benefit that will come from the Dam. This portion is to be funded by the $7m FIF grant, the $10m interest free loan from CIIL (which Council would repay), a portion of NCC's contribution, and by Council through rates and revenue. The remaining 70% of capital costs under this proposal would be shared amongst the extractive users and beneficiaries.

	TOTAL CAPITAL COST %	$/ MILLION
Extractive users		
Irrigators	48.9%	$37.12*
Councils'	21.1%	$16.01*
Sub total	**70%**	**$53.13**
Environmental/ Community Benefit	30%	$22.77
Grand Total	**100%**	**$75.90**

*including additional Dam capacity of $2.91m each

Table 4 – Dam Funding Proposal

Under the funding proposal the total estimated cost of the Dam (excluding incurred costs to 2014) is $75.9m. This figure also excludes unrecoverable project-related costs that each joint venture party has borne from 2014. These costs cannot be funded through the dam company and relate mainly to project management and funding negotiations through to financial close (expected May 2018). These costs for Council are expected to total between $2m to $2.7m.

The funding partners propose to fund capital costs on the following basis and as shown in Table 4:

The portion that provides a secure water supply would be funded by extractive water users:

a. Irrigators through WIL would be responsible for funding $37.12m. Their share would be funded from $15m of irrigator equity, and $22.12m from a low interest loan from CIIL

b. Council would fund $12.49m for extractive use, of which we propose $9.58m is shared across the Urban Water Club, and $2.91m is funded from Council's commercial revenue and surpluses.

c. Although NCC's $5m contribution is still to be confirmed, we propose that $3.52m is used to fund extractive user costs.

As part of the funding proposal, Council and WIL would contribute 50/50 to the additional water capacity in the Dam. This equates to funding 425ha or hectare equivalents $2.91m each. Because our additional capacity would be for future use, we propose to include our share of this cost in with the environmental and community benefits that will come from the Dam. This is because the additional water capacity provides us with the opportunity to raise the minimum flow in the river if required, and for future use.

Council considers that 30% of the benefits that would be achieved from the Dam, are benefits to the community and environment generally. We propose to fund these costs ($22.77m) by:

a. a $7m grant from the Government's Freshwater Improvement Fund (FIF Grant),

b. a $10m interest free loan from CIIL (that Council would need to repay),

c. NCC funding $1.48m from their $5m contribution; and

d. Council funding $4.29m through targeted rates and charges.

DAM PROJECT FUNDING (CONT)

The proposal to fund the Dam includes the $5m contribution from NCC. However, this contribution is still subject to public consultation and confirmation by NCC. In the event that NCC do not contribute, alternative funding options are discussed on page 19 of this document.

The total amount of capital costs in Table 5 excludes costs that each dam funding partner has borne from 2014. A portion of these costs cannot be funded through the dam company as they relate to each partner's individual project management and funding negotiations.

FUNDER	AMOUNT	SHARE OF DAM
Tasman District Council	$16.78m	Council 51.1%
Loan to Council from Crown Irrigation Investments Ltd	$10m	
Grant to Council from Ministry for Environment (FIF Grant)	$7m	
Nelson City Council	$5m	
Waimea Irrigators Ltd Subscription from irrigators	$15m	WIL 48.9%
Loan to WIL from Crown Irrigation Investments Ltd (via the dam company, underwritten by Council)	$22.12m	
Total	**$75.9m**	**100%**

Table 5 – Proposed capital funding for the Dam

COUNCIL'S FINANCIAL CONTRIBUTION TO DATE

Over the last 10 –15 years, the Council and its partners have explored the options for an augmented water supply for the Waimea Plains. That work has ultimately resulted in this proposal. During that time, the Council has co-funded a range of investigative and design work. It has also contributed funding towards obtaining the resource consent for the current project and incurred costs in relation to consultation, project management and ongoing negotiations. Our partners and other groups have also contributed to these costs and have incurred their own costs over this extended time frame. The table below sets out the Council funding for costs to the end of September 2017. These costs include land and access for the proposed dam of approximately $1.8m, incurred primarily in the 2017/18 year. Some of the $6.5m in costs were loan funded and $4.7m remains outstanding on that loan. The funding for the outstanding loan, after the recovery of some costs from the main project budget, has been included in the rates and fees examples.

PRE JUNE 2014	2014/15	2015/16	2016/17	2017/18	TOTAL
$000s	$000s	$000s	$000s	$000s	**$000s**
2,871	517	552	1,004	1,558	**6,502**

Supplementary Table – Council's Financial Contribution to date

[2] Includes all urban reticulated water supply users (except Motueka).

CREDIT SUPPORT

Council proposes to provide credit support of up to $29m for the CIIL loan of up to $25m to the dam company for WIL. The reason why the credit support is more than the loan, is because of capitalised interest, legal and recovery costs, and a $1.5m buffer required by CIIL. The CIIL loan is up to $25m to allow WIL to fund its share of the first $3m of any cost overruns. The terms discussed with CIIL include the credit support. Council is the only party that has the financial strength to provide that support. In the event of WIL defaulting, we would be most likely step in to protect our investment, to secure the wider community benefits, and to meet our financial obligations under the Public Works Act. It also means that funding comes at a lower interest cost to the project compared to commercial interest rates and provides the necessary security to allow lending.

In combination with this credit support CIIL proposes to provide a $10m interest free loan to Council over 11 years. The favourable loan terms from CIIL reflects Council providing credit support. The credit support also enables Council to leverage more than $15m of private sector investment from irrigators through WIL to the Dam project.

A condition of the CIIL $10m interest free loan is that it must be allocated to the environment and community benefits accruing from the Dam. It cannot be used to help fund extractive water use.

We propose to repay the loan in two $5m repayments at years 6 and 11. We propose to fund these repayments from returns on Council's commercial activities, rather than through rates.

OPERATING COSTS

There would be annual management costs associated with the governance, maintenance and operational oversight of the dam company. Costs have been assessed to be in the order of $1.4m – $1.5m per year and are in addition to the capital costs. It is proposed that these would be met based on the ultimate level of shareholding in the dam company. That is, 49% of operational costs would be funded by WIL, and 51% funded by Council. Our contribution would be in the order of $715,000 per year.

The operational costs include, but are not limited to, public liability and material damage insurance, property rates, ongoing repairs and maintenance, resource consent requirements and auditing of accounts. A portion of the operating costs are also associated with servicing the Board of seven directors.

It will be critical that during the construction phase, the appointed directors have the necessary expertise and experience to guide the project to its completion. Once the Dam is fully operational and it is business as usual, we expect that there would be a decrease in those costs.

Council proposes to apportion a share of these operational costs across the extractive users (33.8%) and environmental and community benefits (66.2%). These costs have been factored into the total amounts that our Tasman ratepayers would pay in their rates and charges for the Dam project. See section three to see how these costs would affect your rates.

PROJECT COSTS

Prior to 2017 project costs of approximately $6.6m were incurred by the parties involved in the dam project including NCC, Fish and Game, Waimea Water Augmentation Committee, WIL/Waimea Community Dam Ltd, and the Council. The project costs included such expenses as the consenting of the Dam, expert reports, legal advice, and public consultation.

Since that time the funding partners have each incurred additional costs that are outside the dam company project budget and must be met individually. These project costs for Council are estimated to be approximately $2m –$2.7m through to financial close, which is expected to occur in May 2018. This is when we would have a final price for the construction of the Dam, and all parties would have committed their project funding. We intend to loan fund our additional project costs over 30 years and repay this loan using rates and charges. $2.7m of these costs has been included in the calculations used to derive the proposed rates and charges in this Consultation Document.

PROJECT COST OVERRUNS

The Dam's estimated construction costs are based on a P_{95} confidence level. This provides the Council with a 95% confidence level that the Dam would be constructed at or below the proposed cost. Within the total budget for the Dam Project there is a $13.5m contingency for changes in scope and unexpected costs.

The financial modelling proposes that cost overruns of up to $3m will be shared 50/50 between WIL and the Council. In the unlikely event of cost overruns above $3m, it is proposed that Council would need to meet these.

Should the project come in under budget, the first $3m of project cost under runs are shared 50/50 between WIL and Council. The next $3m of project cost under runs go to Council. Any subsequent under runs are shared 50/50 between WIL and Council.

NCC FUNDING

Under the current funding model, it sees NCC contributing $5m towards the Dam project. NCC are yet to consult with their community and to confirm their funding commitment. They are also to decide if they would provide their funding by way of a grant or become a shareholder in the dam company. If they decide to become a shareholder, they would be charged a share of the annual operating costs and we would jointly appoint one of our four board members.

In the event NCC decided not to invest, Council would have to loan a further $5m to offset their contribution if the project were to continue. It is likely that Council would fund this through a 30 year Table loan and apportion the repayments between the extractive users via the Urban Water Club ($3.52m) and to the wider environmental and community benefits of the dam ($1.48m). Alternatively, if the cross-boundary water supply agreement with NCC were to continue, Council would recoup some of these costs through the fees and charges for water supplied to NCC, or some other funding offset. If available, we could also offset some of the funds required through Council's commercial revenue or operational surpluses.

HYDRO POWER GENERATION

Council is investigating the Dam having a hydro power generator. The design and construction of the Dam allows for this in the future. The proposed financial arrangements with the joint venture partners precludes the dam company from owning or operating a hydro power scheme. The arrangements also preclude the dam company owning or operating irrigation infrastructure.

Concerns have been raised by our partners about the lack of a strong business case for a hydro power scheme, the risk of delays in completing the project and the priority for water release.

Council is proposing to complete a full business case for investing in a hydro power scheme. This business case would be focused on operating hydro power within the water release regimes required for the primary users of the water; namely river flow, irrigation, and urban water requirements. Early indications suggest that a viable business case around a $5m investment is likely. Whether this can be achieved, and the timing of any investment in hydro power is still to be confirmed.

SECTION TWO

PROPOSALS

MAJOR PROPOSALS FOR DECISION MAKING

There are three major proposals that Council must focus on as it makes its decisions for the Dam project.

PROPOSAL ONE

Ownership, Governance and Management of the Dam

PROPOSAL TWO

Funding Council's Proposed Share of the Dam Project

Part a)
Extractive Capacity – Urban Water users

Part b)
Environment and General Community Benefits

PROPOSAL THREE

Credit Support of CIIL's loan to the dam company for WIL

OWNERSHIP, GOVERNANCE AND MANAGEMENT OF THE DAM

PROPOSAL ONE

Why is a Company structure proposed?

Council is proposing to fund its contribution to the project using its powers in the Local Government Act 2002 (LGA) and Local Government (Rating) Act 2002 (LGRA). This limits our governance and ownership options. As the land for the Dam is being acquired under the Public Works Act 1981, the Dam can only be owned by Council or a Council Controlled Organisation (CCO). To be a CCO Council must appoint 50% or more of the Board and/or hold 50% or more of the shares.

The original 2014 Dam funding proposal saw Council setting up a CCO and funding the entire Dam on its own almost entirely by rates. This was strongly opposed by the community and Council did not proceed with that part of the proposal.

Council has worked with WIL and CIIL to develop a partnership model and to confirm proposed funding contributions. Each party has their own needs, but a governance and/or funding model that works satisfactorily for all partners is necessary.

We have limited options under the LGA. Council has discounted some options as a result of previous public consultation rounds on the Dam project and also those that pose risks of commercialisation as they are profit driven. The proposed option is to establish a dam company that would be a CCO. Having a joint partnership CCO structure is consistent with the Public Works Act. The CCO would own and operate the Dam. Establishing a CCO would allow Council to leverage $37.12m of private irrigator contribution (capital plus debt) through WIL, and also a $10m interest free loan from CIIL.

The CCO, referred to as the dam company, would be incorporated under the Companies Act. As a CCO, the dam company would not be able to trade for profit, unlike a Council Controlled Trading Organisation (CCTO), which does allow trading for profit.

Figure 2 outlines the proposed ownership and governance model for the dam company, its board of directors, shareholders, and the legal and accountability requirements between the shareholders and board. These requirements include an annual letter of expectation from the shareholders to the board, a corresponding statement of intent from the board to which they report against in terms of operational and financial performance. The dam company would have in place a shareholders agreement that would regulate certain matters between shareholders and would constrain some of the powers of the board.

DAM COMPANY SHAREHOLDERS

From day one the shareholding in the dam company would be in majority Council ownership. The exact percentage of shareholding is still to be finalised. Whatever is the case on day one, the Council's shareholding will never drop below 51%.

Initially there would be seven professional directors on the board of the dam company. This would include one iwi representative, two WIL appointed directors, and four Council appointed directors. Council's Policy on Director Appointments would apply when appointing our board members.

ASSESSMENT OF OWNERSHIP AND GOVERNANCE OPTIONS

The options considered by Council in relation to the ownership, governance and management of the Dam are outlined in the following table. The Council's proposed option is a company in the form of a CCO jointly owned by the Council and WIL. The proposed model provides us with the best option to meet our legislative requirements, and it provides us with the majority shareholding and members on the Board. It also facilitates favourable funding terms from CIIL with the $10m interest free loan, the up to $25m concessional loan to irrigators, and the $7m grant from Government's Freshwater Improvement Fund. The Dam project would be most unlikely to proceed without this additional Government support.

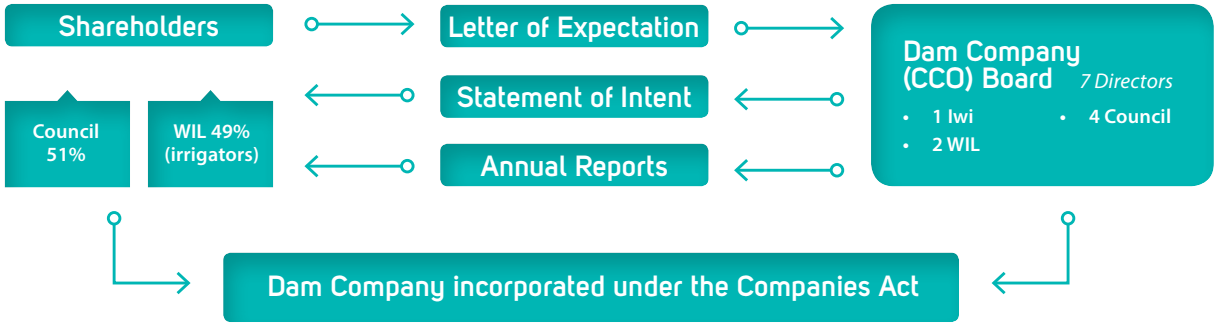


Figure 2: Governance Structure for the Dam Company

Proposed Governance options

OPTION	HOW	ADVANTAGES AND DISADVANTAGES
Proposed Option Joint venture company in the form of a Council Controlled Organisation (CCO) owned by Council and WIL to fund, own and operate the Dam	**Company structure** Council owns at least 51% shares in the dam company WIL owns a maximum of 49% shares (once WIL has funded repayment of the CIIL loan to the dam company) Additional shares are issued to WIL as it repays the CIIL loan. Council Controlled Organisation Seven Board members: • 1 iwi representative • 2 WIL appointed • 4 Council appointed Board appoints chair. Chair would not have the casting vote Council meets 51% operating costs, WIL 49% 50/50 share of project savings or cost overruns up to $3m Council responsible for project cost overruns over $3m Council receives the benefit of cost savings between $3m and $6m Cost savings beyond $6m are shared 50/50	**Advantages** • the project attracts external funding – the Freshwater Improvement Fund grant of $7m, low interest rate loans from CIIL (nil interest of $10m to Council, low interest $25m for WIL) and equity investment from WIL ($15m), and $5m from NCC (subject to public consultation). This is the most cost effective way to meet the present and future needs of water users. • Council has majority shareholding, and appoints the majority of directors • meets legal requirements that Council must operate under, namely the Local Government Act 2002, Local Government (Rating) Act 2002, and the Public Works Act 1981 • is consistent with purpose of the proposal to provide a public benefit by constructing a dam for water augmentation on behalf of the community • the financial position of the CCO is reported regularly • the current and future water consent holders, and other financial contributors (NCC and WIL) can share the capital and operating costs of the Dam, reducing the burden and risk on Tasman ratepayers **Disadvantages** • establishment and compliance costs in setting up the CCO as well as ongoing administration costs including CCO governance costs • Council provides full credit support to the dam company, and in turn, irrigators to obtain reduced cost funding from CIIL • in the event of default by partners in the project, Council is funder of last resort to protect its investment, wider community benefits, and financial responsibility obligations under the Public Works Act

ALTERNATIVE OPTIONS	HOW	ADVANTAGES AND DISADVANTAGES
Alternative Option 1: **Council fully funds, owns, governs and operates the Dam**	Council fully funds and operates the Dam This could be done either in-house or under the CCO model	**Advantages** • Council has full control and management of the asset • Meets Council's legal requirements under the provisions of the Local Government Act 2002, Local Government (Rating) Act 2002, and the Public Works Act 1981 • costs of a board structure are removed if an in-house model is adopted • an advisory board could be set up to represent other interests including those of iwi, and other stakeholders including irrigators and environmental groups **Disadvantages** • This model does not attract external funding. This means we could not access the low interest rate loans from CIIL (nil interest of $10m to Council, low interest on $25m to WIL, and grants to WIL for project costs) and $15m equity investment from WIL and $5m from NCC (subject to public consultation) • Not the most cost-effective way to meet the present and future needs of water users • existing projects in the LTP would need to be postponed or removed to ensure there are sufficient funds available for the project • this option was strongly rejected during the consultation in 2014, and therefore may not be an acceptable option to the community

ALTERNATIVE OPTIONS	HOW	ADVANTAGES AND DISADVANTAGES
Alternative Option 2: **Dam company set up as a Council Controlled Trading Organisation**	Company trades as a profit generating entity	**Advantages** • Would allow the dam company to trade for a profit and charge market rates for water consumption **Disadvantages** • Does not attract external funding, meaning we could not access the low interest rate loans from CIIL (nil interest of $10m to Council, low interest on $25m to WIL, and grants to WIL for project costs) and $15m equity investment from WIL and $5m from NCC (subject to public consultation) • not a cost-effective way to meet the present and future needs of water users (including urban water supply)
Alternative Option 3: **Private ownership model**	Private entity constructs, owns and operates the Dam	**Advantages** • the owner/operator of the Dam bears all construction, management, operational and uptake risk **Disadvantages** • no private sector entity has shown interest in the project • Council would be significantly reliant on a private owner/operator of the Dam to meet its legal obligations to supply drinking water to the community and to satisfy its obligations under the National Policy Statements for Freshwater Management 2014 and Urban Development Capacity 2016 • Council would have no control over the price charged for the water • The Public Works Act could not be used by Council to help facilitate the necessary land acquisition for the Dam • The establishment of an advisory board could not be guaranteed to represent the interests of iwi and stakeholders including irrigators and environmental groups • Council would lose access to concessional government funding

FUNDING COUNCIL'S SHARE

PROPOSAL TWO

After consideration of the various options that meet the provisions in the LGA, Council has selected its preferred funding model which is being consulted on as part of this Consultation Document. The model that we are consulting on and which is discussed below relates only to Council's funding contribution to the Dam project ($26.8m).

WHY IS COUNCIL PROPOSING THIS FUNDING MODEL FOR THE DAM?

The funding model proposed is the best Council believes can be achieved with our funding partners. The proposal secures additional funding for the project to help fund our share, including a $7m grant from the Government's Freshwater Improvement Fund (FIF Grant), and a $10m interest free loan from CIIL (with a savings estimated to be in the order of $500,000 per annum in interest costs).

Costs to the urban water users who are part of the Urban Water Club would be reduced through the use of development contributions (DC's) for water infrastructure. This is currently estimated to be around $1.9m over 30 years.

APPORTIONING CAPITAL COSTS

Council's total capital contribution is $26.8m. Figure 3 below shows how we propose to apportion these costs across our ratepayers. Under the proposal a total of $9.58m has been allocated to current and future urban water extractors, and $17.2m towards benefits generally gained by the environment and community.

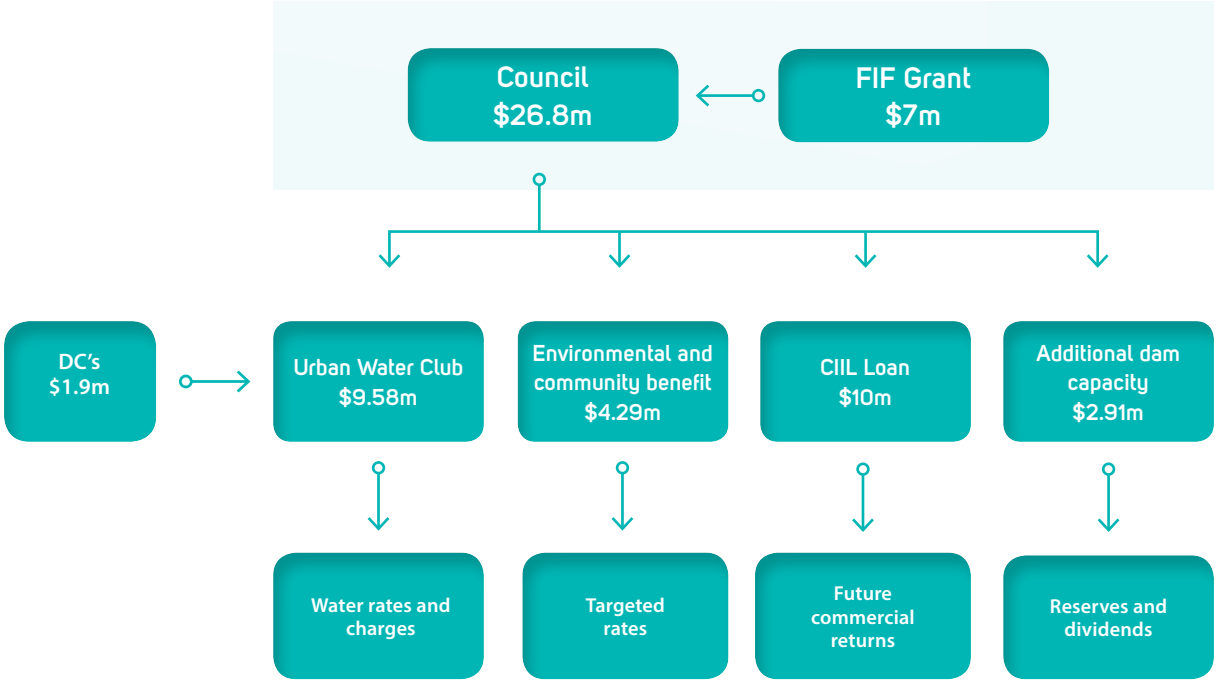


Figure 3 – Council's Proposed Funding Model

The costs/rate increases included in this proposal are only in relation to the Dam project. They do not include other rates charges that may occur due to other revenue requirements or changes such as revaluation. All rate increases in this document are estimates and are based on 2017/18 figures.

PART A) EXTRACTIVE CAPACITY – URBAN WATER USE

FUNDING SHARE: $9.58M CAPITAL AND $242,000 ANNUAL OPERATING COSTS

Based on hectare equivalent shares, Council's extractive allocation that is proposed to be funded by our urban water users is 1,400 hae. This equates to $9.58m as Council's extractive use share of the capital costs. We propose to fund the costs through a 30 year Table loan, which would be repaid using the rating options as discussed below.

An estimated $1.9m of this would be funded through development contributions for water infrastructure. Of the proposed dam company annual operating costs that Council would be required to fund ($715,000 per year), we propose that 34% ($242,000 per year) is funded by the extractive urban water users.

Council extracts water from the Waimea River and aquifers to supply the reticulated urban areas including Richmond, Mapua and Brightwater. This grouping is included within the Urban Water Club[3]. Urban water account metered users are charged a fixed service charge and a volumetric charge based on water use and rural extensions are charged based on water restrictor volume. Council also has separate agreements with large commercial and industrial water users, and NCC for urban water supply to residential properties in Nelson South. In the absence of a dam, future urban growth in the Waimea Basin is confined to the urban zone boundaries as existed in 2013.

It is proposed that the costs associated with augmenting the community water supplies are funded through the Urban Water Club. The Dam would provide a more secure water source for both existing and future residents and businesses with the incidents of water rationing being greatly reduced to a one in 60-year drought. The Dam would also provide the opportunity for further residential and business development and ensure there are no constraints within the next 100 years on future growth and development within the wider Waimea area.

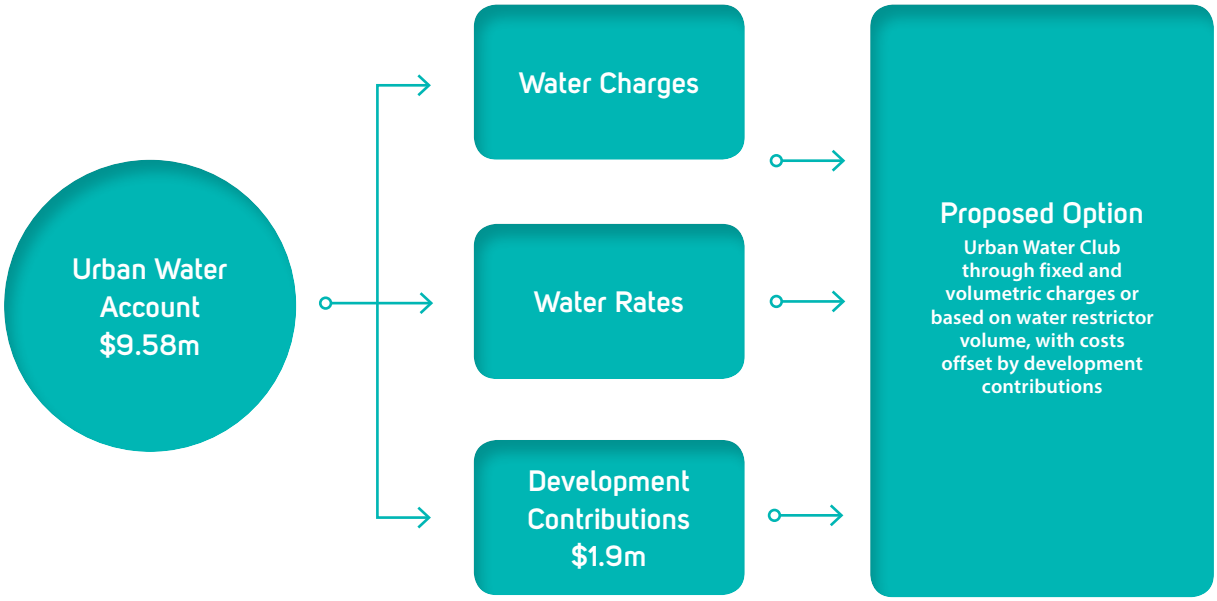


Figure 4 – Proposed Funding for Extractive Urban Water Use

[3]Includes 10 urban water supply schemes and their rural extensions, NCC water supply area and large industrials, and excludes Motueka urban water supply.

ASSESSMENT OF OPTIONS

Council's proposed option is to fund some of our Dam project costs through the existing Urban Water Club in the same manner as costs are currently apportioned via a fixed service charge and volumetric charge.

This approach is consistent with Council's practice of funding District-wide water infrastructure through the Urban Water Club. A portion of future costs may be offset by including urban water supply development contributions (DC's) for all new residential and commercial developments. These would ordinarily attract some form of infrastructure cost sharing under Council's policies and resource management plan, and have been estimated to cover approximately $1.9m of the capital amount. This income and the annual operating charge of $242,000 have been included in the rates and charges indicated below.

Repaying the loan for extractive use (including capital and operating) increases the Urban Water Club costs by around 10% to both the fixed water rate and the volumetric charge. In order to model the costs of the proposal we have used the 2017/2018 rates as a basis for comparing expected revenue requirements. Under the proposal the fixed water rate would increase by $31 – from the current $320 per year to approximately $351 per year, while the volumetric charge would increase by 20 cents per cubic metre –up from $2.08/m^3 to $2.28/m^3.

Based on metered water usage in 2017/2018, the full cost of the additional volumetric water user costs per year are set out below. For most water users, the expected or planned average use of water across the Urban Water Club is 225m^3 per connection per year.

VOLUMETRIC WATER USE (M^3)/YEAR	50M^3	100M^3	*225M^3	400M^3
Extra volumetric charge (incl. GST)	$10	$21	$46	$81
Total = Fixed + Volumetric charge (incl GST)	$41	$51	$76	$111

Table 6 – Proposed Urban Water Club charges

Proposed funding options and alternatives

OPTION	HOW	ADVANTAGES AND DISADVANTAGES
Proposed Option **Funding Council's extractive use capital contribution of $9.58m and operational of charges of $242,000/ year through the Urban Water Club**	Fixed service charge plus volumetric charge to meet the full costs Includes all users in the Urban Water Club Estimated fixed fee increase by $31 per connection/ year and volumetric charge per cubic metre increase by 20 cents ($0.2/m^3) Rural water extensions to urban water schemes estimated rate increase would be from $605.92/ 1m^3 of restrictor volume to ~$664.81/1m^3 of restrictor volume	**Advantages** • Maintains the current funding mechanism • Consistent with current Council practices for funding urban water supply • Table loan repaid over 30 years to ensure intergenerational fairness • Development Contributions (DCs) would reduce the rates and charges • In the same way that other water supply infrastructure is provided across the District, most of the District helps meet the Dam project costs rather than just those who directly benefit. **Disadvantages** • Increases charges by 10% to pay for water security and future demand

Proposed funding options and alternatives (cont)

ALTERNATIVE OPTIONS	HOW	ADVANTAGES AND DISADVANTAGES
Alternative Option 1: **Funding through the existing Urban Water Account with differentials**	Fixed service charge plus volumetric charge remains unaffected by costs of the Dam for properties outside the Zone of Benefit (See page 32) There would be a higher charge (called a differential) to cover the Dam project for all properties in the Zone of Benefit. This would also include Rural water extensions to urban water schemes This would result in a 12-13% fee increase. The fixed charge would increase by $41. The volumetric charge per cubic metre would increase by 25 cents. Based on expected average water use of 225m^3/year an increase of $97 would be typical. Rural water extensions to urban water schemes estimated rate increase would be from $605.92/ 1m^3 of restrictor volume to ~$677.99/1m^3 of restrictor volume	**Advantages** • Based on the current funding mechanism • Can target direct beneficiaries **Disadvantages** • Undermines the current basis of charging through the Urban Water Account, potentially requiring Council to move to a catchment based approach for all catchments in the water account. • Creates a precedent for future urban water projects in the District being funded by the community directly benefitting • Would require a fundamental change to or disestablishment of the Urban Water Account policy and practices. This would adversely impact on the smaller settlements in the District • Creates significant added complexity and adds increased costs in the administration
Alternative Option 2: **Targeted rate for the Waimea Community Dam project**	Targeted rate based on cents in dollar of capital value. Applied District wide or to properties in Zone of Benefit excluding properties which are classified as non-rateable by the Local Government Rating Act 2002 For District wide the calculated rate would be $0.000065/dollar of capital value. Example charges would range from $16 for a $250k CV to $65 for a $1m CV. Applied only to the Zone of Benefit, rate would be $0.000174/dollar of capital value. Charges would range from $44 for a $250k CV to $174 for a $1m CV	**Advantages** • Could be used with differentials • Relatively simple to apply **Disadvantages** • New targeted rate to be established • Doesn't incentivise water conservation as no increase in volumetric charge • If only on the Zone of Benefit, it creates precedent for future urban water schemes in the District being funded by the community directly benefitting. It would also create a precedent for future projects to be funded outside the Urban Water Account.

PART B) ENVIRONMENTAL AND COMMUNITY BENEFITS

FUNDING SHARE: $17.2M CAPITAL AND $473,000 ANNUAL DAM COMPANY OPERATING COSTS

It is proposed that thirty percent of the benefits that would be achieved by the Dam are benefits to the environment and community generally. These benefits have a proposed capital contribution of $22.77m, which would be partly funded by the Government's FIF Grant of $7m, and NCC's nominally proposed contribution of $1.48m.

The remaining portion for Council to fund is $14.29m, of which we propose $10m is funded through the interest fee CIIL loan, and $4.29m by the Urban Water Club. In addition, Council's proposed share of the additional dam capacity of $2.91m has been allocated to this area, making our total funding share $17.2m.

Of the proposed dam company operating costs that Council would be required to fund ($715,000 per year), we propose that 66% ($473,000 per year) is funded by those that gain environmental and general community benefits. We propose to take out a 30 year Table loan to fund the $4.29m and to repay this loan using the rating options proposed below.

Councils' fund community benefits where the whole community can benefit to a greater or lesser degree. In these situations a form of targeted rate is applied. We already do this for example, for flood protection; and funding of economic development through the Nelson Regional Development Agency.

While the current and future community and environment benefits are shared by all in the District to some degree, it could be considered that for the Dam project, properties in the Waimea basin ie in a Zone of Benefit (see page 32) are likely to benefit to a greater degree. Therefore Council is proposing to use a combination of a fixed District wide targeted rate, and a targeted rate based on capital value for properties in the Zone of Benefit (ZOB) to fund part of the loan ($4.29m). The remainder ($10m loan from CIIL, and Council's share of additional Dam capacity) would be funded through Council's commercial activity dividends and surpluses.

The proposed funding model for capital costs attributed to the benefits that would be derived by the environment and general community is shown below in Figure 5.

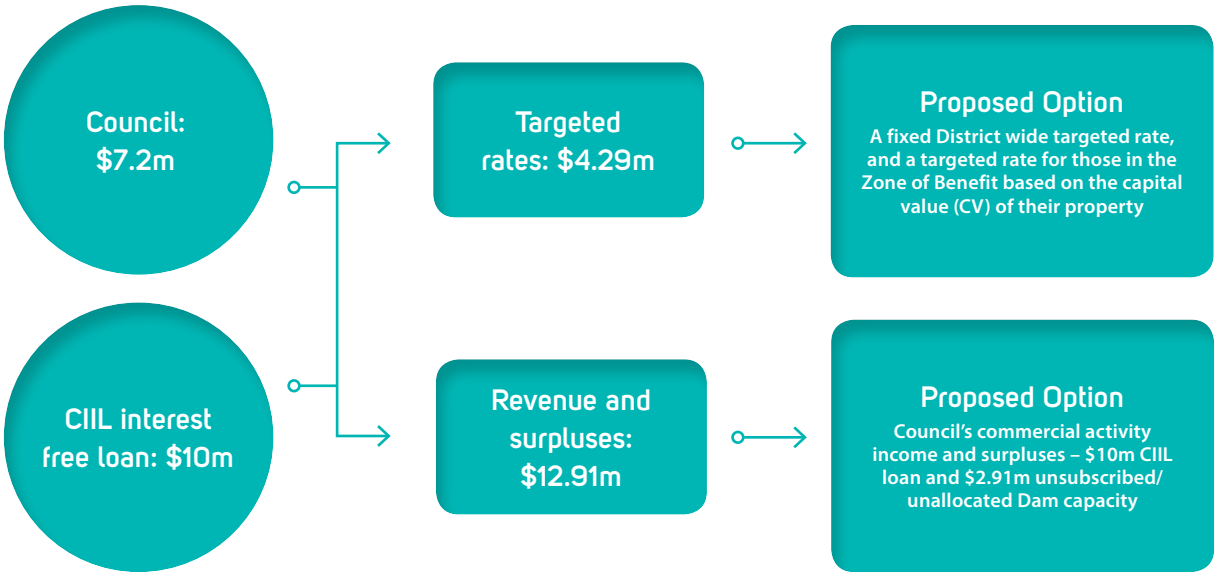


Figure 5 - Options for Funding the Environmental and Community Benefits from the Dam

WHO IS IN THE ZONE OF BENEFIT?

It is proposed that the Zone of Benefit includes those properties in the Waimea area with water available or supplied from the river and aquifers of the Waimea Plains. It would include the reticulated urban water supply for Richmond, Best Island, Mapua, Brightwater and their rural extensions, and areas of low flow connections including some Redwood Valley properties. Proximity to where more direct benefits would be achieved from the dam, such as additional employment, economic opportunities, social, cultural, and recreational benefits have also been considered in defining the aerial extent of this Zone. Figure 6 shows the properties that Council proposes to include in the Zone of Benefit.

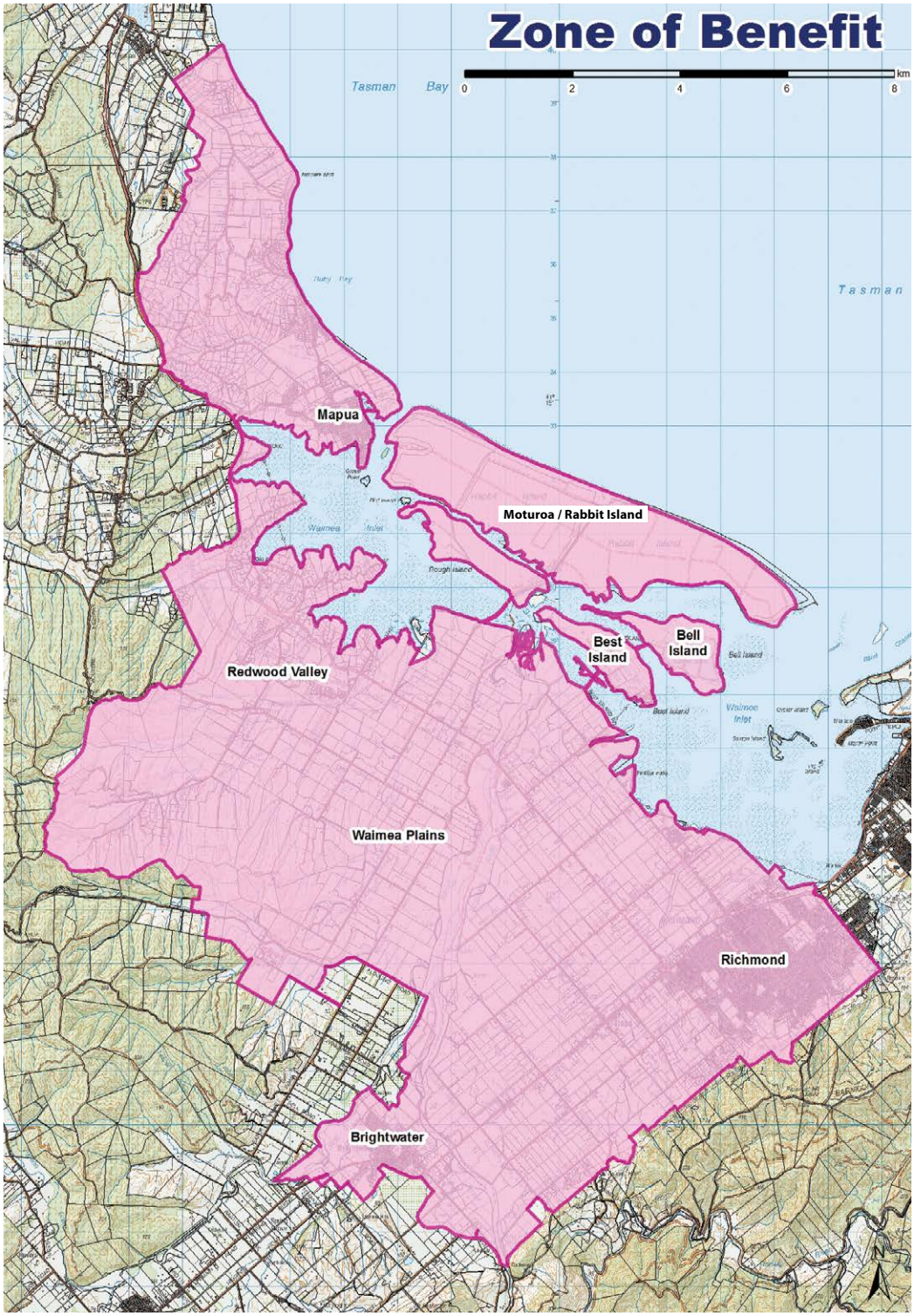


Figure 6 – Proposed Zone of Benefit

FUNDING PROPOSAL

In order to fund the costs associated with the benefits that would be gained from the Dam by the environment and general community ($4.29m), Council proposes that capital and operating costs are apportioned 70% to all ratepayers within our District as a fixed charge, and 30% to the Zone of Benefit ratepayers based on the capital value (CV) of their property.

Tables 7 and 8 below shows the impact on Tasman ratepayers across the range of scenarios reviewed to arrive at the proposed option. These include the total costs ($4.29m capital and $473,000 operating) being spread across all ratepayers in the District as a fixed District wide targeted rate (which would equate to $42 per property per year), a 50/50 cost share (50% would be funded through a fixed District wide rate and 50% by ratepayers in the Zone of Benefit based on the property CV), and the proposed option of a 70% District wide charge and 30% Zone of Benefit cost share.

To calculate the Zone of Benefit rates, we have used current rating property valuations. The District is currently undergoing a district-wide revaluation with values being released in December. The effects of the revaluation on any rates set based on capital value will be incorporated into the rates set from 1 July 2018.

Please also note that the rates and charges are not likely to reach these levels until after three years (2021/2022), when the Dam is fully operational.

Under Council's proposed option (70/30 cost share), the fixed District wide targeted rate would be $29 per property per year. For those in the Zone of Benefit with properties with a capital value between $250,000 to $1m, they would pay between $43 to $85 including the fixed District wide targeted rate.

For someone in the Zone of Benefit with a property capital value of $600,000, under this proposal they would pay a total of $63. This includes the fixed District wide rate of $29 plus the Zone of Benefit CV charge of $34. For all other Tasman ratepayers that receive an indirect benefit from the Dam, they would only pay the fixed District wide charge estimated to be $29.

Note: as discussed above in Proposal 1, if a Tasman ratepayer has their drinking water supplied through Council's urban reticulated network or through a rural extension to that network and they are in the Urban Water Club, they would also pay additional charges.

COST SHARE %	FIXED DISTRICT WIDE TARGETED RATE (INCL. GST)
50%	$21
70%	$29
100%	$42

Table 7 – Zone of Benefit charging options

ZONE OF BENEFIT		CAPITAL VALUE				
COST SHARE %	RATE PER $ OF CV (INCL GST)	$250,000	$400,000	$600,000	$750,000	$1M
50%	0.000092	$23	$37	$55	$69	$92
Total		$44	$58	$76	$90	$113
30%	0.000055	$14	$22	$34	$42	$56
Total		$43	$51	$63	$71	$85

Table 8 – Funding Options for Environmental and Community Benefits

ASSESSMENT OF OPTIONS

As discussed, Council's proposed option to fund the Dam project charges that are allocated to this area include:

- a fixed District wide targeted rate
- a targeted rate on properties in the Zone of Benefit based on property CV
- the use of Council's accumulated surpluses and revenue from its commercial activities.

Although there is no precise analytical approach for apportioning a differential in the benefits achieved by the Dam to the environment and community generally, the funding proposal recognises that those properties in the Zone of Benefit realise these environmental and community benefits to a greater degree, so should fund a higher proportion of those costs.

Proposed funding options and alternatives

OPTION	WHAT	ADVANTAGES AND DISADVANTAGES
Proposed Option **A Fixed Charge across the District and a Targeted Rate on those in the Zone of Benefit**	A flat fixed targeted rate on all District ratepayers ($29/property/year) plus a targeted rate on properties in the Zone of Benefit based on the properties capital value Applied only to the Zone of Benefit, the capital value targeted rate would be $0.000055/dollar of capital value. Example charges range from $14 for a $250,000 CV to $56 for a $1m CV. These totals exclude the additional fixed rate of $29	**Advantages** • Easy to administer alongside existing rating mechanisms • Accounts for value/scale of activity per rateable unit • Provides a fair mechanism to apportion the environmental/ community benefit costs • Consistent with current District wide funding of activities **Disadvantages** • Depending on how the costs are apportioned, the cost share may not be viewed as fair and reasonable • Some Tasman ratepayers outside the Zone of Benefit may object to contributing towards the Dam costs

ALTERNATIVE OPTIONS	HOW	ADVANTAGES AND DISADVANTAGES
Alternative Option 1: **Funded through the Uniform Annual General Charge (UAGC)**	A flat fixed charge on all District ratepayers The increase in the UAGC would be $42 per property per year	**Advantages** • Easy to administer alongside existing rating mechanisms **Disadvantages** • Does not recognise the nature or scale of additional benefits to those who also directly benefit from the augmented water supply.
Alternative Option 2: **Funded through a General Rate across the District based on Capital Value (CV)**	The rate based on CVs across the District The general rate increase would be ~2.6%	**Advantages** • Easy to administer alongside existing rating mechanisms **Disadvantages** • No differentiation between land use or location from a beneficiaries' perspective • Likely to arouse wide debate and objection from the community • High value properties in outlying areas of the District, eg Golden Bay, would pay significant rates
Alternative Option 3: **General rate with differential for land use activity**	A different amount per $ CV for unit type. eg residential, commercial, rural, tourist services	**Advantages** • Recognises benefits of the Dam project to different activities. eg businesses and tourist services are more likely to benefit • Accounts for scale/value of activity **Disadvantages** • Requires evidence and justification that would be relatively difficult to provide • Difficult to prove benefits to areas further away from the Zone of Benefit eg Golden Bay and Murchison • Likely to arouse wide debate and objection from the community • High value properties in outlying areas of the District would pay significant rates

ALTERNATIVE OPTIONS	HOW	ADVANTAGES AND DISADVANTAGES
Alternative Option 4: **General rate – with location differential**	General rate (CV) with a differential for Golden Bay and Lakes Murchison Wards. For example, these areas pay 50% of the rate paid by other Wards ratepayers	**Advantages** • Recognises accessibility of community benefits based on furthest distance from Zone of Benefit **Disadvantages** • Shifts rates burden more to the areas of direct benefit and does not recognise wider environmental and community benefits of the project • Major shift in Council's Rating Policy which is likely to have flow on effects to other general rates funded activities, for example roading
Alternative Option 5: **Targeted rate on extractive water users**	Targeted fixed rate on extractive users including irrigators on the Waimea Plains and the Urban Water Account	**Advantages** • Shifts rates burden to the area of direct benefit **Disadvantages** • May not meet the requirements of the Local Government (Rating) Act if based on a volumetric charge. • Apportions all costs to direct beneficiaries and does not recognise that there are wider benefits to the environment and community generally of the Dam project • Would be difficult to administer as it would be based on water permits for irrigation • Would be unaffordable for WIL affiliated members with current costs in the top quartile of what irrigators could meet ($5000 – $5500 per hectare/share plus initial operating costs of $550–$600/ha/year) • Would significantly increase costs for those ratepayers in the Urban Water Club

PROPOSAL 3 – CREDIT SUPPORT OF CIIL'S LOAN TO THE DAM COMPANY FOR WIL

PROPOSAL THREE

Why Is Council Proposing to Provide Credit Support for this Loan?

Council proposes to provide credit support of $29m for CIIL's loan of up to $25m to the dam company for WIL. The reason why the credit support is $29m for a $25m loan is because from day one, the potential maximum liability of the loan would be $29m once the costs and interest are capitalised. Credit support for CIIL is one of the terms negotiated by the parties. Council's proposed option is to provide the guarantee as we are is the only party that has the financial strength to do so, and in the unlikely event of WIL defaulting, we would be most likely to step in to protect our investment, to secure the wider community benefits, and to meet our financial obligations under the Public Works Act. Provision of the guarantee means that project funding comes at a much lower interest cost to the project compared to commercial interest rates and enables the project to leverage $15m of private sector investment from irrigators through WIL.

Council would need to provide credit support to CIIL if there was a widespread failure of payment of water charges from WIL shareholders. This is considered to be unlikely as WIL propose to have significant remedies available in the event of non-payment by individual shareholders. This would be in accordance with its Constitution and shareholder agreement.

As a result of Council providing full credit support, CIIL is providing a $10m interest free loan to Council over 11 years, which would result in a $500,000 savings for Council in interest costs. The favourable loan terms from CIIL reflects Council providing credit support. The credit support also enables Council to leverage $15m of private sector investment from irrigators through WIL to the Dam project.

A condition of the CIIL $10m interest free loan, is that the funds must be allocated to the environment and general community benefits accruing for the Dam. It cannot be used to fund our extractive water use costs.

We propose to repay this loan in two $5m repayments at years 6 and 11 by using revenue and budgeted surpluses from our commercial activity portfolio.

WHAT HAPPENS IF WIL CANNOT REPAY THEIR LOAN?

In the situation where WIL is unable to service the CIIL loan to the dam company, then Council as guarantor for this loan would be required to pay the outstanding amount to CIIL. Council's preferred option in this scenario would be to refinance the outstanding loan amount through the Local Government Funding Agency (LGFA) with all costs and repayments recovered from WIL affiliated property owners via a targeted rate.

ALTERNATIVE OPTIONS TO PROVIDING CREDIT SUPPORT

There are five potential options by which Council could fund its allocation to capital costs for the Dam, without the need to provide credit support for the CIIL loan. It has previously discounted three including:

1. fully rate funding the Dam project -this was consulted on in 2014 and rejected both by the community and Council. Taking this approach would mean losing the low interest rate loans from CIIL ($10m plus $25m), and equity investment from WIL ($15m).
2. a partnership with a private investor - the risks associated with a commercially driven model for water pricing, and potential conflicts with Council's regulatory roles were assessed as too high.
3. Council providing partial credit support capped at $12 -$15m. This was rejected as CIIL requires a high degree of control over procurement and construction of the Dam project as it is taking a higher project risk, as is customary for this type of funding. This option also exposes Council to paying expensive compensation should it exercise a number of its regulatory and LGA powers deemed to be to the detriment of WIL or CIIL as a lender.

The remaining two viable options are summarised in the following table.

CIIL Credit Support – Proposed Funding Options And Alternatives

PROPOSED OPTION	HOW	ADVANTAGES AND DISADVANTAGES
Proposed Option **Council provides full credit support of the CIIL Loan**	CIIL's funding of WIL through the dam company would have full credit support from Council of $29m	**Advantages** • Has support of all funding partners • Council has majority shareholding and control of the Dam project • Other CIIL funding is not put at risk • Funding comes at a lower interest cost to the project **Disadvantages** • Council faces risks associated with any loan default by WIL in the event that there is widespread failure of WIL Shreholders to pay their water user charges • WIL has recourse to the Council should the Council act in a manner that materially changes the relationship between affiliated and unaffiliated users.
ALTERNATIVE OPTIONS	**HOW**	**ADVANTAGES AND DISADVANTAGES**
Alternative Option 1: **Council directly funds WIL**	Council would loan $22.12m - $25m to WIL (via the dam company) We would fund this loan through the Local Government Funding Agency (LGFA)	**Advantages** • Water charges to irrigators would be used to repay the loan • Council would have full control of the Dam project • Loan agreement would be simplified and also avoids financing and oversight costs in the CIIL arrangements **Disadvantages** • Council would not be able to access the concessional loans from CIIL or their irrigation accelerator grant funds • WIL would incur more expensive borrowing and other associated costs, and therefore likely to reject this option • Council would need to raise additional funds through the LGFA • WIL is very unlikely to accept this approach as it increases their costs significantly.

SECTION THREE

EFFECT ON RATES AND CHARGES

HOW DO THE PROPOSED FUNDING PROPOSALS AFFECT YOU AND YOUR RATES?

By adopting the proposed rating options, this means Council would fund its share of the Dam project costs (capital and operating) via a layering approach as shown in Figure 7. Under this proposed scenario it means that:

- Every ratepayer in the District would contribute to the fixed District wide targeted rate of $29 per property per year
- Those in the Zone of Benefit would pay the fixed District wide targeted rate plus an additional charge based on their property CV, plus the fixed and volumetric water charges if they are in the Urban Water Club.
- Those in the Urban Water Club and those on low flow supplies, outside the Zone of Benefit, would pay the fixed District wide targeted rate, and the fixed service charge and volumetric charges for their water. This is consistent with other projects funded through the Urban Water Club.
- For irrigators on the Waimea plains affiliated to WIL, they would pay the fixed District wide targeted rate, plus the Zone of Benefit additional charge based on their property CV, plus the WIL subscription costs. If they are also in the Urban Water Club or on a rural water extension to an urban water scheme, they would also pay the fixed service charge and volumetric water charges.

(All the rates and charges in this section are inclusive of GST).

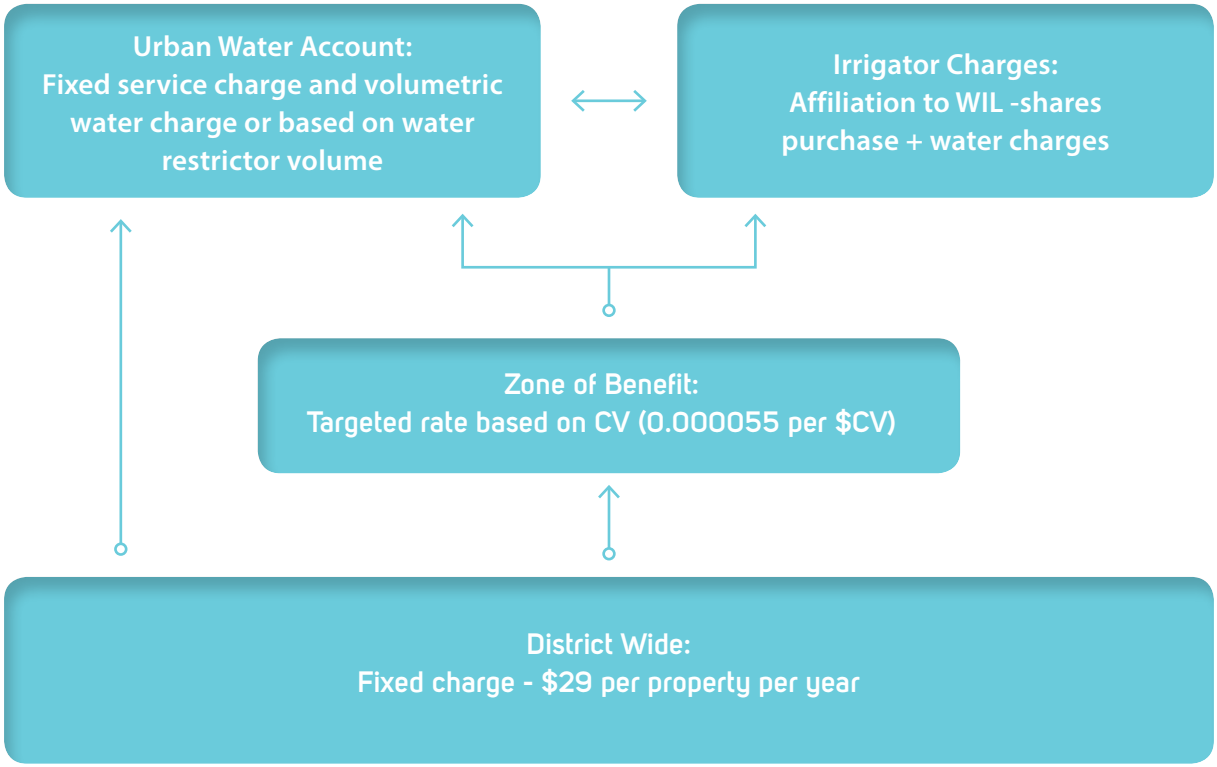


Figure 7 – Proposed Rating Methods and Charges

CHARGES FOR THE GENERAL BENEFITS TO THE ENVIRONMENT AND COMMUNITY

To fund the costs apportioned to the environmental and community benefits generally, Council is proposing that every ratepayer in the District would contribute a fixed District wide targeted rate which is estimated to be $29 per property per year. For those in the Zone of Benefit (see Figure 6) they would also pay an additional charge based on the capital value of their property. Examples of the range of costs ratepayers could expect to pay, if they are in the Zone of Benefit are shown below.

Capital value	$250,000	$400,000	$600,000	$750,000	$1m
Total cost $ (incl. GST)	$43	$51	$63	$71	$85

Table 9 – Zone of Benefit Examples of Cost

WATER RATES AND CHARGES

The proposed increase in costs to the Urban Water Club would be in the range of 10%. Water rate charges have been calculated taking into account an expected income from development contributions of $1.9m.

Based on a 10% increase:

- the fixed water rate would increase by $31 – from the current $320 per year to approximately $351 per year
- the volumetric charge would increase by 20 cents per cubic metre from the current $2.08/m^3 to $2.28/m^3

Based on metered water usage in 2017/2018, the additional volumetric water user costs per year are set out below. For most water users, the expected or planned average use of water across the Urban Water Club is 225m^3 per connection per year.

WAIMEA IRRIGATOR CHARGES

Waimea irrigators (through WIL) would be invited to buy shares in the dam company. The share price is estimated to be between $5,000 to $5,500 per share (One share equals one hectare of irrigation). The final share price will be determined and set out in a product disclosure statement, which will require sign-off from both the WIL Board and the Financial Markets Authority.

Shareholders will also pay an estimated annual water user charge of between $550 to $600 per share, with the exact amount yet to be confirmed. Each share and annual charge relates to a prescribed amount of water to extract, set at 300 m^3/ha/week. The more water required by an irrigator, and/or the larger the land area to irrigate, the more shares they would need to purchase.

All irrigators, affiliated or unaffiliated, would also pay the proposed Council rates and charges applicable to their properties. That is, the fixed District wide targeted rate estimated at $29 per property per year, the Zone of Benefit CV costs, and if they are on Council's reticulated network, the Urban Water Account fixed fee and volumetric charges. Those on rural water extensions to the urban water schemes would also pay increased charges.

Volumetric water use (m^3)/year	50m^3	100m^3	225m^3	400m^3
Total Cost $ (incl. GST)	$41	$51	$76	$111

Table 10 – Volumetric Water Charges

WHAT CHARGES WOULD YOU PAY?

The table below provides some examples of the estimated charges a range of properties would pay towards the Dam project for Council's share of the Dam costs including our capital and operating contributions. The charges are based on whether or not your property is in the ZOB and whether you receive water as part of the Urban Water Club. The rates and charges also include the Council's proposed share of the annual operating costs for the dam company and $2m of Council project costs.

EXAMPLES (INCL. GST)	PROPERTY CV	URBAN WATER CHARGE*	FIXED DISTRICT CHARGE	ZOB CHARGE	PEAK ANNUAL TOTAL
Richmond/Best Island	$250,000	$76	$29	$14	$119
Richmond	$750,000	$76	$29	$42	$147
Mapua	$600,000	$76	$29	$33	$138
Brightwater/Hope	$400,000	$76	$29	$22	$127
Kaiteriteri	$1 million	$76	$29	n/a	$105
Murchison, Wakefield, Pohara, Collingwood & Tapawera	n/a	$76	$29	n/a	$105
Upper Moutere, Motueka and Takaka (excluding Upper Takaka)	n/a	n/a	$29	n/a	$29

* Urban Water Club – based on average volumetric water use of 225 cubic metres per property per year. A user on a rural extension with a $1m^3$ restrictor volume would have an urban water charge increase of $59, as they pay 80% of the volumetric rate multiplied by 365, per $1m^3$ of restrictor volume.

Table 11 – Estimated impact of Rates and Charges

Online calculator: Head to www.tasman.govt.nz/feedback to work out the likely effect of the proposals on your rates and charges. You may need to know your property capital value and annual water usage.

SECTION FOUR

YOUR SUBMISSION

YOUR SUBMISSION

You can make a submission on any part or all of this Consultation Document (Statement of Proposal). Tell us what you think of our proposal and proposed options. Either use the form in our Summary Document or make your submission online at www.tasman.govt.nz/feedback

Please note:

All submissions, including names and contact details will be made available to Councillors and the public through Council's website.

Please send your submission to:

Waimea Community Dam submissions, Tasman District Council, Private Bag 4, Richmond 7050

Or drop your submission into Council at 189 Queen Street, Richmond, or to your local library or service centre.

We must receive your submission by Sunday 26 November 2017.

HEARING DATES AND TIMES

Richmond	11 December 2017	9.00 am – 4.30 pm	6.00 pm – 9.00 pm
	13 December 2017	9.00 am – 4.30 pm	6.00 pm – 9.00 pm
Takaka	12 December 2017	1.00 pm – 3.00 pm	3.30 pm – 6.30 pm
Motueka	15 December 2017	9.30 am – 12.30 pm	1.00 pm – 5.30 pm

PUBLIC MEETINGS

WHERE	WHEN	TIME AND PLACE
Tasman Area Community Assn Meeting	Wednesday 25 October 2017	7.30 pm, Tasman School
Rotoiti	Tuesday 31 October 2017	1.00 – 3.00 pm Drop-in Session, Lake Rotoiti Hall
Murchison	Tuesday 31 October 2017	6.00 – 8.00 pm Drop-in Session, Murchison Recreation Centre
Motueka Market	Sunday 5 November 2017	9.00 am – 12.00 pm Drop-in Session
Brightwater	Monday 6 November 2017	5.30 pm – 7.00 pm Drop-in Session Brightwater School 7.30 pm – Community Assn meeting BGW School
Richmond	Thursday 9 November 2017	5.30 – 7.00 pm Drop-in Session, Council Chamber, Tasman District Council office
Mapua	Saturday 11 November 2017	10.00 am – 12.00 pm Drop in Session, Mapua Wharf Precinct
Mapua Districts Community Assn Meeting	Monday 13 November	7.00 pm, Mapua Hall

PUBLIC MEETINGS (CONT)

WHERE	WHEN	TIME AND PLACE
Golden Bay Community Board Meeting	Tuesday 14 November 2017	10.00 am, GB Service Centre, Takaka
Collingwood	Tuesday 14 November 2017	12.00 pm – 2.00 pm Drop-in Session, St Cuthbert's Anglican Church, Collingwood
Takaka	Tuesday 14 November 2017	4.00 pm – 5.30 pm Drop-in Session, Golden Bay Service Centre meeting room
Moutere Hills Residents Assn Meeting	Thursday 16 November 2017	7.00 pm, Upper Moutere Community Centre
Richmond Mall	Saturday 18 November 2017	10.00 am – 12.00 pm Drop-in Session
Wakefield Community Council meeting	Monday 20 November 2017	7.30 pm, St John's Centre, Wakefield
Motueka	Tuesday 21 November 2017	3.00 pm – 4.00 pm Drop-in Session Motueka Service Centre 4.00 pm, Motueka Community Board meeting, Motueka Service Centre.
Tapawera and District Community Council meeting	Tuesday 21 November 2017	8.00 pm, Tapawera Community Centre
Richmond A & P Show	Saturday and Sunday 25 and 26 November 2017	Richmond, all day

SECTION FIVE

QUESTIONS AND ANSWERS

QUESTIONS AND ANSWERS ON THE WAIMEA COMMUNITY DAM

QUESTIONS	ANSWERS
Why do we need a Dam?	Water security is a vital for urban water supply, economic and environmental sustainability and growth. Water rationing has occurred in dry months in urban areas most years since 2001, we lack water security for irrigators and other businesses in Summer, the health of the Waimea River is declining, and we face constraints on growth. If we do not build the Dam there would be significant new water restrictions for businesses, irrigators and residential users most years.
What are the water rationing rules under the Tasman Resource Management Plan?	Details of these can be found in the TRMP Step 3 rationing – which according to the MWH study could occur 9 out of every 10 years (based on the last 16 years of data) – would require the greater of a 25% reduction in urban water consumption and a 50% reduction in water for those with consented takes. Step 5 rationing – which could occur one out of every 6 – 10 years based on last 16 years of data (MWH) – would allow for water takes of only 0.125 m^3 per day for essential human health.
Do we really have an urban water shortage problem?	Council engaged consultants MWH this year (2017) to provide an update on their 2011 work on our 100 year water demand and supply modelling. The MWH report concluded that of the areas reliant on Waimea water supply for urban use, including Richmond, Waimea basin, Brightwater, and Hope, in nine out of every 10 years there would be significant water rationing. This is based on Step 3 rationing where there would need to be a 25% reduction in urban water consumption and a 50% reduction in any consented take.
Who will benefit from the Dam?	• Current and future households and businesses who would have their water supplied through the Waimea urban water scheme including Richmond, Brightwater, Hope and Mapua. • Irrigators on the Waimea Plains • Businesses and homes in Nelson South (as Council supplies 2150 m^3/day to Nelson) • Water users in the wider Nelson Tasman region in the case of an emergency • The Waimea River with increased flows improving and protecting the life supporting capacity of the river. • Recreational users of the river and its environs with the improved river flows and river health

QUESTIONS AND ANSWERS ON THE WAIMEA COMMUNITY DAM

QUESTIONS	ANSWERS
What happens if there is no Dam?	• A less stable, less healthy river • Less water for urban use and more frequent and greater water restrictions • Less water for irrigation, reduced security of supply • Future growth would be constrained in the District • The New Zealand Institute of Economic Research (2017) report suggests that the Nelson-Tasman economy would be $20 million smaller each year on average with water allocation cuts of 20%, and $49 million smaller with cuts of 35%. • The Northington Partners Report (2017) estimated the potential financial and economic loss from a no dam option at $859m assuming a 20% water take cut, or $1,132m assuming a 35% water take cut. Of this total, an estimated $29m was the lost opportunity cost of environmental improvement in the river system. • Council would need to find an alternative water augmentation method. The alternative methods reviewed are more expensive and would take many years to develop.
How did we decide that the Waimea Community Dam was the best option?	There's been research and debate around water augmentation since 1993. Following the drought of 2001, the Waimea Water Augmentation Committee (WWAC) was established to find a solution to the acute water shortage in the Waimea Plains. Many alternatives have been explored and evaluated against water demand needs, engineering, social and environmental concerns, consentability and impact on affected residents. Council has concluded that the most affordable solution for the community and funders is the Waimea Community Dam.
Can we solve the problem by being more efficient with our water use?	Council staff and external analysts have studied the benefits that could be achieved by greater water conservation efforts. While there are savings to be made with such efforts, they are not enough to solve the Region's water problems. Savings from implementing water saving devices have been included in calculations for future water demand.

QUESTIONS AND ANSWERS ON THE WAIMEA COMMUNITY DAM

QUESTIONS	ANSWERS
What are the costs of the Dam?	The current estimate of capital cost to complete the Dam project is $75.9 million, including Dam construction costs of $50m. Total annual operating costs for the dam company have been assessed at $1.4 – $1.5m per year.
What is the final price to build the Dam?	The budget for the base construction of the Dam is around $50m. There is an additional $13.5m contingency in the budget for changes in scope and unexpected costs. This sets the overall construction costs at the P95 confidence level which means there is a 5% probability that the Dam construction would exceed estimated construction costs and a 95% probability that the Dam construction costs would be at or less than estimated. We expect to have a more accurate indication of the construction cost early in 2018.
Why is Council's contribution greater than $25 million in the Long Term Plan 2015 – 2025?	Estimated costs have increased and Council is now funding all costs attributed to benefits received to the environment and community generally.
Why should Council provide credit support for the WIL loan from CIIL?	Credit support is critical to securing the CIIL funding of up to $25m to the dam company. Providing credit support significantly reduces interest costs and assists irrigators to pay back the loan quicker.
Have enough irrigators committed to paying for the project?	WIL has obtained expressions of interest from irrigators over the 3000 shares required. These figures have been independently verified. See www.tasman.govt.nz/feedback WIL is due to issue a Product Disclosure Statement (prospectus) in November 2017 to formally seek irrigator interest.
What happens if irrigators can't pay their way?	In the event that WIL does not raise the full $15m in subscriptions from irrigators (current and potential), then Council, WIL, and CIIL would need to fully re-evaluate the project economics. Without the minimum 3000ha irrigator support the entire project is at risk. If irrigators default on the loan from CIIL, Council would be required to pay the outstanding balance to CIIL plus any CIIL costs. Council's preferred option would be to recover the amount through a targeted rate on all WIL affiliated property owners.

QUESTIONS AND ANSWERS ON THE WAIMEA COMMUNITY DAM

QUESTIONS	ANSWERS
Do we have a resource consent for the Dam?	Yes, the resource consent was granted on 26 February 2015. See www.tasman.govt.nz/feedback The consent covers the construction, operation and maintenance of a dam and associated infrastructure on the Lee River in Tasman District, as part of the Waimea Water Augmentation Project.
How does the Dam work?	The Dam scheme involves capture of river flows into storage in the reservoir behind the Dam but leaving a required residual flow in the river below the Dam at all times. The stored water in the Dam reservoir can then be released in a controlled manner, during periods of high water demand and/or low natural river flows. This flow release augments both the river flows to meet instream requirements all the way down the river to Appleby and the sea, with water also available to recharge the aquifers connected to the river. Water abstraction can either happen from the aquifers connected to the river, or directly from the river. Most current users are from the adjacent aquifers.
What is the risk of Dam failure?	Extensive work has been carried out on the seismic conditions at the Dam site. Dam design is required to meet new engineering standards following knowledge gained after the Canterbury, Seddon and Kaikoura earthquakes. Tonkin & Taylor Ltd have recently commissioned an updated research from GNS, and this has in turn has been independently peer reviewed by OPUS. Detailed design would take the risk of an earthquake and seismic activity into account. The proposed concrete faced rockfill dam design has a very high level of resilience to seismic loading.
How will the dam affect river habitat?	The Dam would mean that some of the river and its riparian habitat would be submerged. The resource consent conditions for the Dam require regular monitoring of water levels and quality in the lake as well as in the river downstream of the Dam. There are also requirements for restoration and re-establishment of various native plant-life in the area.

QUESTIONS AND ANSWERS ON THE WAIMEA COMMUNITY DAM

QUESTIONS	ANSWERS
Would the Dam negatively impact water quality and swimming sites?	The Dam would improve water quality and swimming sites by maintaining regular flows that flush water through the river system. The minimum river flow requirements would mean an improved river and ecosystem which is healthier and better able to be used and enjoyed by recreational users. Improved flows in the river would also better protect against salt water intrusion into the aquifers, the risk of which could increase with our changing climate.
Does building the Dam increase nitrate levels from more intensive land use?	Building the Dam would mean current water users would have improved security of water supply. There would also be the opportunity to increase the scale of irrigation. This may impact on nitrate levels, but this risk would be managed through nutrient management plans provided for in the Tasman Resource Management Plan. The increased flow in the river would also improve river water quality. Ongoing monitoring of groundwater would also better inform impacts of increased recharge to groundwater due to Dam flow releases. The environmental effects of the Dam were considered during the resource consent process and consent conditions address these issues.
How can I make a submission?	You can make a submission online through our website www.tasman.govt.nz/feedback, or by filing out the form in our Summary Document www.tasman.govt.nz/feedback
Why don't we reduce the size of the Dam to save money?	Reducing the size of the Dam does not significantly reduce costs associated with constructing the Dam (see page 12 SOP) The design capacity of the Dam is designed to meet predicted water supply needs for next 100 years and protect against a one in 60 year drought.
Is my property in the Zone of Benefit?	See page 32 of this Consultation Document
How much are irrigators paying?	Irrigators are paying 48.9% of the capital costs to complete the Dam project. This equates to $37.12 million which would be funded through a loan of $22.12m from CIIL (which must be paid back in 15 years), and $15m of irrigator equity.
Why don't irrigators pay for the whole cost?	Only a proportion of the Dam's water is required for irrigation, the rest is needed for urban water supply and to augment the flows in the Waimea River.

QUESTIONS AND ANSWERS ON THE WAIMEA COMMUNITY DAM

QUESTIONS	ANSWERS
Who would control the Dam?	Under the proposal Council has the majority shareholding and would appoint the majority of the Board directors of the Dam.
Will the Dam provide water in all drought conditions?	The Dam is designed to secure supply in a one in 60 year drought. This means that during those droughts our urban water consumption would be restricted and there would be potential cut-backs in water supply.
Why don't we extract water directly from the Dam and/or Waimea River?	To do this would involve installing new infrastructure to extract the water from the River. The plan is to use existing groundwater bores to take the water from the aquifers, therefore avoiding the need for new pipes, pumping stations etc. Using existing bores also avoids the need for further water treatment costs, as river water would need a higher level of treatment. The water in the river would still need to be augmented by the Dam.

WHERE CAN YOU FIND MORE INFORMATION?

Please go to our website to view any of the following reports
www.tasman.govt.nz/feedback

- Summary of the Consultation Document (Statement of Proposal)
- Section.101(3) Local Government Act 2002 analysis
- Assessment of Alternative Options to the Waimea Community Dam
- Resource Consent for the Waimea Community Dam
- More frequently asked questions
- Seismic Assessment Reports
- Economic Assessment Reports
- Waimea Community Dam Submission form

GLOSSARY

CCO:	Council Controlled Organisation
CCTO:	Council Controlled Trading Organisation (i.e. a CCO that is trading for profit)
CIIL:	Crown Irrigation Investments Limited
Equivalent hectare (hae):	This is used to convert consented volume of water into an equivalent area of land, based on an allocation of 300m^3 of water per hectare per week
FIF Grant:	Freshwater Improvement Fund Grant of $7m from Ministry for the Environment
Financial Close:	When tender price has been confirmed and all parties have committed their funding, expected May 2018
LGFA:	Local Government Funding Agency
Litres per second (l/s):	1 l/s equals 86.40 cubic meters per day (m^3/d)
LTP:	Long Term Plan
M^3:	Cubic Metre. (1m^3 equals 1000 litres)
NCC:	Nelson City Council
TRMP:	Tasman Resource Management Plan
UAGC:	Uniform Annual General Charge (a 'Flat Rate' charged to all properties as part of general rates).
Urban Water Club:	Includes 10 urban water supply schemes (excluding Motueka), rural extensions to urban schemes through a low flow restricted water connection, NCC water supply and large industrial users. They are grouped together for the purpose of allocating the costs of urban water supply and related infrastructure.
Volumetric Charge:	A charge for the cubic metres of water used
WIL:	Waimea Irrigators Limited
Water Augmentation:	The process of storing water when it is plentiful and then releasing it to improve water flows, commonly during periods of drought
Zone of Benefit:	The area which receives a more direct benefit from water augmenting the Waimea River and its aquifers (page 32)
Unit Calculator:	https://www.convertunits.com/from/(cubic+meters)+per+day/to/litres+per+second

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