

---

**ORDINARY MEETING**

**OF**

**WELLINGTON CITY COUNCIL**

**SEPARATELY ENCLOSED**

**ATTACHMENTS**

**Time:** 1:00pm  
**Date:** Thursday, 5 April 2018  
**Venue:** Committee Room 1  
Ground Floor, Council Offices  
101 Wakefield Street  
Wellington

---

**Business**

**Page No.**

---

**3. Committee Reports**

**3.1 Report of the Long-term and Annual Plan Committee Meeting of 7 March 2018**

15	Draft Consultation Document	3
16	Financial and Infrastructure Strategy 2018-2048	51



*Consultation document*

# Our 10-Year Plan

Wellington City Council

WELLINGTON CITY COUNCIL'S DRAFT LONG-TERM PLAN 2018–28

This document includes:

- an overview of the priority areas and proposals we need your feedback on
- our preferred options for each priority area
- a description of the impact these issues will have on rates, debt and levels of service.

This is a **draft consultation document**. It is subject to change.

The purpose of this document is to provide information on Wellington City Council's Draft Long-term Plan 2018-28 and encourage community feedback. It is prepared in accordance with the Local Government Act 2002.

It reflects our intentions at the time of publication. As with any budget or plan, the actual results may vary from those forecast. They may also change as a result of consultation. We will finalise this draft plan in June after we've heard the view of Wellingtonians. We will review progress on our plan annually.

## Contents

Part one.....	4
Mayor’s introduction.....	4
CEO overview.....	5
The purpose of this plan.....	6
We want your feedback.....	6
How Wellington is performing.....	7
Our challenges as a city.....	7
Part two.....	9
Our vision.....	9
Priority areas.....	10
Resilience and environment.....	11
Housing.....	16
Transport.....	21
Sustainable growth.....	25
Arts and culture.....	30
Part three.....	33
Where we have come from.....	33
Looking after our assets – our infrastructure strategy.....	34
Responding to growth.....	35
Renewing our assets.....	35
Responding to demands for improved service levels.....	36
Overall capital expenditure.....	37
Our financial strategy.....	39
Borrowing.....	39
Spending in activity areas.....	40
Paying for the proposed programme.....	41
Can we sustain this level of investment?.....	41
Fees and charges.....	42
Rates limits.....	42
How this plan will affect your rates.....	44
Your Mayor and Councillors.....	45
Auditor’s report.....	46
Have your say.....	47
What happens next?.....	47
To find out more:.....	47

## Part one

---

### Mayor's introduction

This is an ambitious plan – let us know what you think

Wellington is a city of ideas, imagination and people. It's a city where people want to work and live. But to maintain our enviable living standards, we need to prepare ourselves for challenges. Our population is growing and this, alongside other factors of change, means we need to invest in our future.

To adequately meet the challenges we face, we've identified five areas we believe we need to focus our spending on over the next 10 years – resilience and environment, housing, transport, sustainable growth, and arts and culture.

Up to 280,000 people are expected to call Wellington home by 2043 and we need to make sure there is enough safe and affordable housing for everyone. As part of our response, we've agreed to build 750 social and affordable houses, and we're taking steps to simplify consents. In partnership with others, we're also investing in an accommodation option for people who have experienced chronic homelessness and long-term addiction problems.

A growing population means we need to improve our transport network. We're doing this in partnership with the NZ Transport Agency and Greater Wellington Regional Council. As part of the consultation process, thousands of submitters have already made their feelings known, with Wellingtonians indicating they want to see improved public transport, walking and cycling routes and reduced congestion.

Since the November 2016 earthquake, we've made resilience a priority. We're already working in several areas, from undertaking major earthquake-strengthening work to exploring alternative sources of water supply, but we will need to continue to invest to make the city safe.

Resilience is also about making sure our growth is sustainable. Our aim is to make Wellington a place where businesses can thrive and connect with others, locally and globally.

Wellington is New Zealand's creative capital, and we want to keep it that way. We want to invest in our arts and culture to create jobs, attract world-class acts and support local talent.

To undertake this programme of work and keep our rates low has required a strong commitment from Councillors and officers. We've been able to keep our rates increase for 2018/19 to 3.9 percent, which compares favourably to what other cities are proposing.

These are challenging and exciting times. We're investing in the city's future, laying the foundations now for a better tomorrow. We have work to do, but we're on the right track.

*Justin Lester*

*Mayor*

## CEO overview

### We're up for the challenge

When I started as Chief Executive in 2013, the Council's focus was on stimulating economic growth. Wellington is now a high growth city with a strong economy and continues to be recognised as one of the world's most liveable cities.

While there is an upside to growth, there are also challenges. Growth needs to be sustainable and managed well to ensure Wellington is a successful city for all. We need to make our city more resilient as the earth moves, climate changes and sea levels rise.

The Mayor and Councillors have set an ambitious plan for the next 10 years. The capital investment programme alone totals \$2.31 billion. The plan is focused on improving the city's resilience, developing our transport network, enhancing our cultural facilities, helping to increase the number of homes and securing growth by continuing with our economic development agenda. It also aims to maintain and renew our existing assets, such as libraries and playgrounds.

This plan will result in an increase in the Council's debt from \$528 million to \$1.147 billion over 10 years. We will borrow to fund the initial investment, and then spread the cost across the years the asset is in use via rates. The Council has the balance sheet capacity to undertake this investment (reflected in our AA credit rating) while remaining within prudent debt levels. Because we fund depreciation that cost alone adds \$6 million before we even start.

We are also delivering improved service levels in a number of operational areas without any service level cuts elsewhere.

This plan is not without risk, both in our ability to deliver the capital programme and to meet the service level expectations of Councillors and the public.

The impact of asking officers to deliver more for less is going to be a huge challenge and the task set by our Councillors is daunting. But we wouldn't have it any other way. Our councillors need to be clear on the outcomes they want us to achieve, and this plan helps set those priorities. We need to be even more agile and innovative in how we deliver those outcomes. We're up for the challenge. Let's do this... together!

*Kevin Lavery*

*Chief Executive*

## The purpose of this plan

We're investing in Wellington's future.

This document explains what we propose to invest in over the next 10 years to make our city more resilient, vibrant and competitive, and to make sure our residents continue to live well. It gives Wellingtonians the

opportunity to join the conversation by telling us what matters to them.

The feedback we get during this consultation will help us shape Our 10-Year Plan.

### Supporting information

This consultation document outlines the major matters that we are asking for feedback on. More detail that supports this consultation document is available on our website [insert link]. This includes:

- Significance and Engagement Policy
- Housing Strategy
- Revenue and Financing Policy
- Finance and Infrastructure Strategy
- Rates Remission Policy
- Rates Postponement Policy
- Investment and Liabilities Policy
- Summary of Significant Accounting Policies
- Statements of Service Provision (includes information on outcomes, performance measures and CCOs, development of Māori capacity to contribute toward decision-making)
- Funding Impact Statements
- Three-Year Draft Waterfront Plan
- Fees and Charges

## We want your feedback

Some of the challenges we face are significant, and how we deal with them through this plan will affect the city for generations to come.

As you read on, think about the choices we're proposing. Have we got the balance right? Should we be doing more, or less, in each of these areas?

While we won't be able to please everyone and improve everything, our aim is to do our very best by Wellington – while keeping rates manageable.



## How Wellington is performing

Three years ago, our city's economy was underperforming and we invested in a range of economic stimulus projects as part of the Long-term Plan 2015-25.

The situation has evolved since 2015. While our economic growth is still behind that of other major cities, it has significantly improved.

While a strongly performing economy continues to be a priority, we also now need to manage the impact of growth.

What does a well-performing city look like? A healthy, thriving city is one that does the basics well, is clear about its future and how to get there, brings the Council and its stakeholders together to deliver on that future, and has strong commitments to better environmental, economic and social outcomes.

By many standards, our city is doing well. Wellingtonians enjoy a quality of life that's among the highest in New Zealand, and the capital consistently places among the world's top 30 cities in international surveys that measure liveability and quality of life. In 2017, a Deutsche Bank study rated Wellington number one in the world for liveability.

We have low deprivation levels compared to other cities in New Zealand. Nationally, we also have the highest percentage of people with a tertiary education, and the highest average household incomes.

The Council's overall financial position is healthy. This is reflected in our AA credit rating with Standard & Poor's, the highest for

a public sector entity in New Zealand. Our services are also value for money. In 2018/19 it will cost about \$6.46 per resident per day to deliver all Council services.

While there is much to celebrate, as with all cities, there are also challenges.

## Our challenges as a city

While Wellington is performing strongly, it does have challenges ahead. We can – and should – use resources more efficiently and effectively, and continue to reduce harmful impacts on the environment.

We can do more to inform and engage with residents. While according to many indicators the city is doing very well, we recognise that not everyone in Wellington enjoys high living standards.

Homelessness and street begging are on the rise – and while we provide support and play a role through a variety of outreach programmes, there is more work to do.

These are challenges we share with other cities throughout New Zealand, and indeed globally. Throughout Our10-Year Plan you will see projects that seek to address these challenges.

There are also some very specific challenges that we face as a city that we have decided to make a priority in this plan.

These include:

### Managing the demands of growth

More people want to live here, and our population is growing rapidly. Up to 280,000 people are expected to call Wellington home

by 2043. This will put pressure on transport, infrastructure, and housing – particularly in the inner city. This will require up to 30,000 more housing units, investment in transport infrastructure, and higher capacity in water and wastewater infrastructure.

### Making the city more resilient

In November 2016, we experienced a significant earthquake that tested our city. It responded well, but there is more work to do. The climate is also changing and we need to find ways of living with more severe and frequent extreme weather events. We also need to factor in rising sea levels. In this plan, one of the key challenges will be to improve core infrastructure and invest in the city's resilience. We're proposing increased investment in Council buildings and core infrastructure to make the city more resilient.

### Developing areas where we have a competitive advantage

We've invested extensively in the arts over many decades and our city has an enviable reputation as a centre of culture. That didn't happen by accident: we, along with the government and others, have been supporting and investing in the sector for years. But other cities are also investing in these areas, and we need to make sure investment levels are high enough to support a thriving arts and culture sector in the city. A key area of investment for this plan is in earthquake strengthening key cultural facilities such as the Town Hall and the St James Theatre and increasing funding support for the city's arts and cultural activities.

### Maintaining economic growth

Wellington offers a very high quality of life, provides a good range of quality services and

facilities, and looks after its people and the environment.

This requires a healthy economy as a foundation. Without a strong economy, the Council cannot sustain the services that are provided.

Our economy generally performs very well, but in terms of GDP growth it still lags behind the New Zealand average and other major cities in New Zealand. Our challenge is to maintain the current growth and support the diversification of the economy so it is sustainable. As a result, this plan includes investment in an indoor arena, and the Movie Museum and Convention Centre.

As outlined above, meeting these challenges will involve a significant programme of work in the next 10 years and beyond. Many of our infrastructure assets for example, have useful lives beyond 60 years.

In planning the proposed investment programme in this plan we have also considered:

- the Mayor's and Councillors' Triennium Plan (three-year work programme)
- the delivery of a number of large and complex priority-area projects in the next 10 years
- our infrastructure asset management plans that look at the next 30 years and beyond.

*Do you agree these are the key challenges facing the city?*

## Part two

---

### Our vision

#### Our long-term vision

Our 10-Year Plan continues our work toward the strategic vision we have adopted for the city, as defined by Wellington Towards 2040: Smart Capital. This vision sets out our aim to grow and sustain the city as “an inclusive place where talent wants to live”.

The strategic vision is supported by four city outcomes or long-term goals that determine our core activities and set the long-term vision:

#### People-centred city

People are the city’s greatest asset. Wellington’s shape and character will continue to reflect the people who live in, work in, and visit the city. The city will be healthy, vibrant, affordable and resilient, with a strong sense of identity and place expressed through urban form, openness and accessibility.

#### Eco city

Developing Wellington as an eco-city means proactively responding to environmental challenges. It is important that Wellington takes an environmental leadership role, as the capital city of clean and green New Zealand. Our many natural assets give the city a head-start and opportunities as part of a green economy.

#### Connected city

Wellington is a connected city, with easy access to regional, national and global networks. Connections are physical, allowing for ease of movement of people and goods; virtual, in the form of world-class ICT infrastructure; and social, enabling people to connect with each other and their communities.

#### Dynamic central city

Wellington is a city with a dynamic centre – a place of creativity, exploration and innovation. The central city will be a vibrant and creative place, helping Wellington to offer the lifestyle, entertainment and amenity of a much bigger city. The city centre will continue to drive the regional economy.

## Priority areas

We want our city to continue to thrive. To achieve this, we need to understand and address the challenges we face. How we do this through Our 10-Year Plan will potentially shape the city for generations to come.

With the challenges in mind, we have identified the following priority investment areas:

- **Resilience and environment** – investing in core infrastructure, looking after the environment and making our city more resilient against future shocks
- **Housing** – investing in quality and affordable housing to accommodate our growing population
- **Transport** – investing in transport options to maintain easy access in and out and around our city, promoting alternatives to private car usage, and reducing congestion
- **Sustainable growth** – investing in economic projects that stimulate growth and diversification, and planning for population growth in ways that recognise the city’s special character
- **Arts and culture** – investing in arts and culture to maintain our position internationally as a vibrant, edgy capital

Even as we investigate and pursue these priorities, investing in our core business – what we also call “business as usual” – will remain a strong focus.

*The following pages summarise the issues, options and our proposed responses for each of our key priority areas. For indicative purposes in the Financial Implications sections we refer to the impact on the average rates bill. This is based on the indicative additional rates for a suburban residential property with a capital value \$600,000. The relative impact on other property types will depend on a range of factors, including relative change in capital value, our rating differential and funding policies. For the overall impact of our proposals on other property types and capital values refer to the tables on page (45) of this document. The borrowing impacts of each priority reflect that capital expenditure (after accounting for any external funding) will increase closing borrowings; and that the cost of depreciation attributable to that capital expenditure and funded through rates over the life of the asset will decrease borrowings over the life of the asset.*

Priority area

## Resilience and environment

*We want our city to be stronger, our people better prepared.*

### The issues

We have obligations as kaitiaki (guardians) of this city. Preparing the city to better cope with shocks and making our infrastructure and communities more resilient is at the heart of that.

Investing in our environment, whether we're dealing with predator species or coastal erosion, reducing waste, or strengthening core infrastructure such as pipes and heritage buildings, helps create stronger communities and make the city more resilient. Natural events like earthquakes and events caused by human-induced climate change, such as rising sea levels, highlight a greater urgency around environmental concerns. We need to be better prepared and stronger as cities and communities. While our city responded relatively well to the November 2016 earthquake, we need to guard ourselves better against the next one. At the same time, our population is growing in and this affects our housing supply (see the Housing section), the environment, and buildings.

For this priority area, we have a specific proposal for consultation and some projects we would like your feedback on.

### Our proposal

While we have a better understanding of the risks facing our city, we expect that natural events and growth will continue to challenge our city's infrastructure.

The main issue is improving the ability of our infrastructure to cope with challenging natural events, accommodate growth and at the same time preserve what we have. Ensuring that our drinking, storm and waste water infrastructure can cope with both natural events and future growth is a primary focus for this priority.

We are proposing to increase investment – and levels of service – in our 'three waters' infrastructure to:

- improve water storage in the city (to increase security of supply after an event)
- improve wastewater capacity in the central city (to allow for growth); and
- upgrade stormwater in the city to better deal with adverse weather events (to reduce flooding events).

This investment would increase the city's resilience.

**The options**

There are two options available to address the issue.

	Key Projects	Levels of Service	Financial Implications
<b>Option 1:</b>  Increase levels of service	<b>Water storage capacity and network improvement*</b> <ul style="list-style-type: none"> <li>• <i>Central city:</i> \$32.2 million to increase water storage capacity by constructing the new Prince Wales/Omāroro reservoir. \$21.6 million capital investment in improving the resilience of existing reservoirs and \$39.6 million increasing capacity and improving resilience of the water pipe network.</li> <li>• <i>Upper Stebbings:</i> \$12.4 million of capital expenditure in years 4 to 7 to develop more water storage to meet the growth and resilience needs of the northern suburbs.</li> <li>• <i>Horokiwi:</i> \$12.7 million of capital expenditure for water storage from years 5 to 8.</li> </ul>	This project is expected to increase the resilience and capacity of the water storage facilities and pipe network for the central city and northern suburbs to cope with population growth and unpredictable natural disaster events.	For <b>water storage capacity and network improvement projects</b> , by year 10 of this plan this would add: <ul style="list-style-type: none"> <li>• 22.7 percent or \$109.9 million additional borrowings by year 10 (after \$5.2m of anticipating Omaroro reservoir funding from Greater Wellington Regional Council and \$3.4m of debt repayment)</li> <li>• \$171 (7.1 percent) to the average annual rates bill (equivalent to an average increase of \$17.11 per year over the 10 years).</li> </ul>
	<b>Central city wastewater network improvement</b> <ul style="list-style-type: none"> <li>• CBD: \$8.9m to upgrade parts of the central city wastewater network to make it more resilient and able to accommodate population growth.</li> <li>• \$3.4m to upgrade the wastewater network in Miramar</li> <li>• \$13m to increase network capacity in other parts of the network</li> <li>• Inclusion of a provisional amount of \$34.6m to address sewage sludge disposal</li> </ul>	This project is expected to increase the capacity of the central city wastewater network to accommodate growth and provide capacity to address future sewage sludge disposal – we will consult in more detail on this in future plans.	For <b>wastewater projects</b> , by year 10 of this plan, this would add: <ul style="list-style-type: none"> <li>• 10.9 percent or \$55.1 million additional borrowings by year 10 (after \$4.8m of debt repayment)</li> <li>• \$28 (2.0 percent) to the average annual rates bill (equivalent to an average increase of \$2.82 per year over the 10 years).</li> </ul>
	<b>Tawa and Miramar Peninsula stormwater networks improvements</b> <ul style="list-style-type: none"> <li>• \$10.8 million to upgrade Tawa’s stormwater network’s capacity to cope with storms and flooding.</li> <li>• \$3.4 million of capital expenditure to upgrade the Miramar Peninsula stormwater network and \$10 million for core infrastructure at Shelly Bay.</li> <li>• \$42.4 million to upgrade capacity and resilience as we undertake renewal of parts of our stormwater network</li> </ul>	This project is expected to increase the capacity of the: <ul style="list-style-type: none"> <li>• Tawa stormwater network to cope with unpredictable events causing flooding (Resilience)</li> <li>• Miramar Peninsula stormwater network and Shelly Bay infrastructure to cope with future growth.</li> <li>• Improve resilience &amp; capacity of the existing city-wide network</li> </ul>	For <b>storm water projects</b> , by year 10 of this plan this will have added: <ul style="list-style-type: none"> <li>• 10.8 percent or \$54.8 million additional borrowings by year 10 (after \$1.8m of debt repayment) **</li> <li>• \$27 (1.1 percent) to the average annual rates bill (equivalent to an average increase of \$2.74 per year over ten years).</li> </ul>

	Key Projects	Levels of Service	Financial Implications
<b>Option 2:</b> Keep current levels of service	None of the above projects would receive increased funding. We would continue with current programmes to reduce our carbon emissions and raising our defences against climate change-induced events and the risk of another earthquake. We would continue our renewal programmes for green spaces, our water network, and our buildings.	Our water storage capacity, central city waste water network and both local (e.g. Tawa) and citywide stormwater networks would come under increasing pressure as the city's population grows and would be less resilient to unpredictable natural future events.	Existing budget levels would be kept. The increase in rates and borrowing identified in Option 1 would not be added to the rates and borrowing position.
<p><b>Notes:</b> *Our proposed work to improve water storage in the city aligns with the proposed investment by the Greater Wellington Regional Council to improve the water network infrastructure and to improve security of supply in the region. See page XX for more information.</p> <p>In addition to improving the resilience of the water network, we have also reviewed the Havelock North Water Enquiry findings. Wellington currently purchases water in bulk from the Greater Wellington Regional Council. This water is chlorinated to meet water health standards. We anticipate that increased water standards are possible in the future, but are not in a position to make any provision in our plans until the potential impacts are known.</p>			

**Preferred option**

Our proposed option is Option 1. Do you agree with the extra investment to enhance our resilience, provide for growth and improve the environment?

**Why we think this is the best option**

Since the 2016 earthquake, the likelihood of another significant earthquake has increased, and we have a better understanding of the risks facing our city. We are also experiencing more significant and frequent storm and flooding events. To better cope with these, we believe it is prudent to improve our core infrastructure.

**Other key resilience and environment projects we would like your feedback on**

The following projects also support our resilience and environment objectives. Many have funding implications and are included in this plan for your feedback. In addition to these projects, we also intend to continue with our efforts to reduce carbon emissions across the city through investment in sustainable transport such as electric vehicle charging and car sharing, by supporting the city to grow in a compact and walkable way, and through better managing the city's waste streams. We will be reviewing the Low Carbon Capital Plan, our carbon reduction strategy, in 2019.

We would like to hear what you think about the projects below before we make final decisions.

- Built Heritage Incentive Fund**

Our Built Heritage Incentive Fund (BHIF) helps owners maintain their heritage buildings. In 2015, the fund was allocated \$3 million over 3 years. We have currently allocated \$450,000 in the draft budget towards the BHIF and \$1 million of funding to support the repair of unreinforced masonry in the city. The Council will consider bringing the BHIF back up to \$1 million per year subject to finding commensurate expenditure reductions elsewhere so as to retain the proposed 2018/19 rates increase to 3.9 percent.

- ***Building accelerometers***  
Installing accelerometers in buildings across the city would provide us with better information immediately after an earthquake. This would mean decisions about the safety of buildings could be made more quickly, and would inform the initial response phase and subsequent recovery phase. We would not own the hardware, but some resourcing would be needed for us to monitor and analyse data. We're developing a detailed business case in the coming year. Funding implications have not yet been determined and will likely be confirmed in year 2. We will consult further on this proposal at that time.
- ***Predator Free Wellington***  
This project aims to gradually eradicate predators across the city and create the world's first predator-free capital city. The programme starts on the Miramar Peninsula. It is proposed that we fund the project in partnership with Greater Wellington Regional Council, the NEXT Foundation and central government, as well as other partners and contributors, via the Predator Free 2050 Fund. Our proposed contribution is \$2.6 million over the next 10 years.
- ***Community-led trapping***  
We are proposing to increase our support for community groups active in predator control and provide compost subsidies to manage the impacts of poor food waste management (including residential composting) on rat populations. We propose to provide \$890,000 per year to support community groups installing and managing traps in our city's reserves, and \$220,000 a year in compost subsidies over the 19 years of the plan. This investment is necessary to support the goals of Predator Free Wellington.
- ***Resilience of the transport corridor***  
Wellington has an extensive transport network. Much of it is on steep hills that require substantial retaining walls below and above the carriageway. A number of these, including some tunnels and bridges, need to be strengthened in the coming years. This work is explained further in the 'Transport' section (see page X for more information).
- ***Strengthening Council buildings***  
During the first years of Our 10-Year Plan, a number of Council facilities will be earthquake-strengthened. Many of these facilities support cultural activities and this work is discussed further in the 'Arts and Culture' priority area of the plan (see page 30). Staff will also be moving to temporary office accommodation on The Terrace to allow for strengthening work to happen and ensure we occupy accommodation that is able to continue to function following a significant natural event such as an earthquake.
- ***Water security of supply***  
Plans to make the regional network more resilient in coming years and to improve the security of supply for Wellington city will mean that the cost of bulk water is expected to rise with the planned investment in additional water sources from the aquifer under Wellington Harbour and/or cross harbour pipeline, as a backup to the existing supply pipe



network. While it is Greater Wellington Regional Council who is planning to make this investment, operational costs are contained within our budgets. As a result the cost of supplying water to Wellington homes and businesses is proposed to rise from \$17.4 million in year 1 to \$31.9 million by year 10. Overall, we expect to spend \$248.2 million over the 10 years for the supply of water to the city. We would like to hear people's feedback on the resilience programme for the water network and also encourage people to make a submission on the Greater Wellington Council's long-term plan.

- **Waste management and minimisation**

Through the regional Waste Management and Minimisation Plan, Wellington is committed to reducing the volume of waste disposed of in landfills. The purpose of this plan, which involves all councils in the Wellington region, is to reduce the region's waste to landfill by one third over the next 9 years. We plan to use existing waste minimisation funding to investigate the strategic future of landfills, better resource recovery and options to divert household kitchen waste from the landfill. There are no additional costs for this work at this time.

- **Storm clean-up**

The climate is changing and this is resulting in more frequent and severe weather events. We have put a \$2 million capital fund aside for year 1 to address the impact of significant weather events on our parks, reserves and other network infrastructure. Altogether, \$400,000 of capital expenditure will be allocated over the next 2 years to reduce the impact of erosion from last year's storms, and around \$100,000 of operational funding per year (from year 4) to support storm clean-ups for our roading team starting in 2021/22. A further \$300,000 of capital expenditure is proposed for coastal resilience work in Worsler Bay, Seatoun Beach and Evans Bay in the coming year.

- **Addition of land to the Wellington Town Belt**

In 2017, the Council acquired a 4221 square metre vegetated gully between Aro Street and Devon Street to add to the Wellington Town Belt. The land has ecological connections to the nearby Zealandia and provides habitat for a wide range of native birds. A track will be built through the area connecting Abel Smith Street and Devon Street. It was identified as a priority for acquisition in the Wellington Town Belt Management Plan 2017 (page 110). For further information on this item please visit <https://wellington.govt.nz/your-council/plans-policies-and-bylaws/policies/wellington-town-belt-management-plan>

The Council proposes to formally gazette this land as Wellington Town Belt and requires feedback as required under the Wellington Town Belt Act 2016.

Priority area

## Housing

*We want all Wellingtonians to be well housed.*

### The issues

Our population has been growing steadily and more people are calling Wellington home than ever before. This growth has recently escalated, and this trend is forecast to continue.

Up to 280,000 people are expected to call Wellington home by 2043. This means we will need up to 30,000 more housing units to accommodate new arrivals.

In recent years, housing in Wellington has been relatively affordable compared to what it can cost in Auckland. We've been fortunate. But there is evidence of increasing pressure on our housing market, which will intensify as our population grows.

We want people to have good housing choices and be able to afford to buy homes in our city. To make this possible, we propose to be more actively involved in making sure there is enough high-quality housing stock in the city in the future.

For this priority area we have a specific proposal for consultation and some projects we would like your feedback on.

### Our proposal

We are proposing to take a more active role to avoid an Auckland style housing crisis in Wellington. This means moving beyond our traditional consenting regulatory role and direct social housing provision, to more actively managing the land and housing portfolio we own to increase both social and affordable housing on those sites. This is likely to involve partnering with developers and other housing providers. We also propose to work with central government to explore introducing more Special Housing Areas into the city (with affordability as a measure).

Our Strategic Housing Investment Programme – and the broader Housing Strategy – aims to deliver on the above objectives. We are proposing \$22 million of capital expenditure and \$10.7 million of operational funding over the next 10 years to help make this work happen. This includes:

- identifying new land for development and existing Council housing sites for redevelopment and intensification
- undertaking master planning work, geotechnical work, and site clearance for redevelopment
- leveraging surplus land / sites to attract investment from other housing providers, developers and/or central government– to deliver affordable housing.

At this stage we want to know whether Wellingtonians want the Council to increase its involvement in availability and provision of housing, beyond the social housing service it currently provides, to better support the availability of affordable housing across the city. We will consult specifically about individual projects as part of future annual plans.

**The options**

There are two options available to address the issue:

	Key Projects	Levels of Service	Financial Implications
<p><b>Option 1:</b></p> <p>Increase levels of service</p>	<p><b>The Strategic Housing Investment Plan (SHIP)*</b> Make better use of existing Council housing sites (and other Council land) to increase social and affordable housing in the city.</p> <ul style="list-style-type: none"> <li>• We have an existing programme to upgrade existing Council social housing throughout the city. We are approximately half way through this programme of work and have \$147.4 million in the budget over the next ten years to upgrade our remaining social housing portfolio.</li> <li>• As we progress this work, we propose to leverage a proportion of those land/sites we own – either through lease arrangements or divestment –to attract investment from other housing providers, central government and developers to deliver affordable housing on those sites (in conjunction with council’s social housing). Once more detail is developed for each site, further engagement on the arrangements and funding options with stakeholders will take place.</li> <li>• We are proposing \$22.1 million of capital expenditure and \$10.7 million of operational funding over the next 10 years to get SHIP’s development programme going. Funding will be used for master planning, geotechnical work, developing partnership proposals, and preparing sites ready for development.</li> </ul>	<p>This project will make better use of existing Council land and housing sites to increase the number of quality:</p> <ul style="list-style-type: none"> <li>• social housing units (funded by Council)</li> <li>• affordable housing units (funded by development partners)</li> </ul> <p>This work will deliver towards our goal of providing 750 new social and affordable housing units over the next ten years.</p> <p>The ratio of social housing units to affordable housing units is still to be determined and will be guided by specific site proposals and discussions with partners.</p>	<p>For the <b>Strategic Housing Investment Plan (SHIP)</b>, by year 10 of this plan, this would add:</p> <ul style="list-style-type: none"> <li>• \$13 (0.5 percent) to the average annual rates bill (equivalent to an average increase of \$1.30 per year over the 10 years).</li> <li>• 4 percent or \$20.1 million additional borrowings by year 10 (after \$2m of debt repayment).</li> </ul> <p>Assumptions:</p> <ul style="list-style-type: none"> <li>• Construction of the Council’s <i>social</i> housing units will be funded through the existing Social Housing Upgrade Programme (and any divestment / lease of surplus land)</li> <li>• The \$10.7 million operational funding , services borrowings and resources a team to facilitate the development of partnerships, prepare development proposals and make sites ready for the development (SHIP programme)</li> <li>• Construction of <i>affordable</i> housing units will be funded and delivered by development partners.</li> </ul>

	Key Projects	Levels of Service	Financial Implications
<b>Option 2:</b> Keep current levels of service	Maintaining current levels of service for this would see the Council continue to provide social housing, upgrade existing housing stock and facilitate housing development through its regulatory functions (building consents and resource consents).	This option would mean that the Council would not leverage its land and asset ownership to increase the city’s supply of affordable housing, and would rely to a greater extent on the private market and central government to resolve the issue.	Existing budget levels would be kept. The increase in rates and borrowing identified in Option 1 would not be added to the rates and borrowing position.
<b>Notes:</b> * Funding for planning for population growth and associated district planning work is outlined in the ‘Sustainable growth’ section. That work will outline how and where the city will grow over time to accommodate more people. Please see page 25 for more information.			

**Preferred option**

Our proposed option is Option 1. Do you agree with the Council making better use of existing council land and to leverage third party investment for more affordable housing in the city?

**Why we think this is the best option**

We want a city where everyone is well housed. For some people, it’s become increasingly difficult to live in the city because of the cost and quality of housing. We can do more, and delivering on Option 1 would make sure more and better quality housing is available.

**Other key housing projects we would like your feedback on**

The following projects and strategies also support our housing objectives. Some have funding implications, and others may have funding implications in the future. They are included in this plan for your feedback. We would like to hear what you think before we make final decisions.

- **Wellington Housing Strategy**

We have developed a draft housing strategy that sets a framework for all housing in Wellington. The broad aim of the strategy is for “all Wellingtonians to be well housed”. The strategy covers the full spectrum of housing – from emergency housing, social housing, assisted rental, private rental, and assisted ownership, right through to private ownership. It sets four goals to be achieved over a 10-year period:

- Wellington has a well-functioning housing system
- Homes in Wellington are of good quality and are resilient
- Homes meet the needs of Wellingtonians
- The housing system supports sustainable, resilient and connected communities

The draft strategy provides a framework for the proposals listed below. The full draft strategy can be found online at [\[insert link\]](#).

- ***Special Housing Areas (SHA's)***  
In the coming year, we propose to work with central government to explore opportunities for developing new Housing Accord/Special Housing Areas in Wellington. SHA's are areas where we can offer qualifying developments a streamlined resource consenting path and several incentives. We believe that additional Special Housing Areas are crucial to fast-track the supply of additional housing in Wellington. We will explore an accord with housing affordability as a component and an approach that speeds up consent processes. This work will be delivered from within existing budgets.
- ***Inner-city building conversions***  
Our approach to growth has always focused on intensification of existing urban areas. As part of this 10-year plan we want to take a serious look at how we can make better use of the inner city for housing by working with commercial building owners on an exemplar project to convert them to residential apartments. The first step is to explore options. This will be carried out in the first year and we only propose to continue with specific proposals if we are confident it will not impact on rates.
- ***Special Housing Vehicle (Urban Development Agency)***  
In recent years, we've consulted the community on taking a more active approach to housing and city shaping. The feedback was positive. As part of this plan, we are considering the establishment of a Special Housing Vehicle to deliver our housing and urban regeneration plans. The purpose of the Special Housing Vehicle is to enable us to take a more active approach towards delivering major housing capital projects, and more broadly urban regeneration projects in our city. This agency's establishment is still under consideration. Central government is currently considering legislation relating to urban development authorities. Once this legislation is introduced, more detailed funding and operating models will be considered and consulted on with the community.
- ***Rental warrant of fitness***  
Housing quality is not always great in Wellington, particularly in the rental market. Last year, we initiated a voluntary warrant of fitness system, in partnership with the University of Otago, Wellington. Central government has also recently passed its Healthy Homes legislation, which requires higher standards from rental homes. In the coming year, we will evaluate the results of the Rental Warrant of Fitness. Taking the government's changes into account, we will look at whether Wellington needs a standard to lift the quality of housing. There are no cost implications for the Council at this time.
- ***Te Whare Oki Oki***  
Taking a housing First approach, we are working in partnership with Housing NZ and the Ministry of Social Development to establish supported living options for our most vulnerable homeless population. This initiative will align with and add to the work we are already supporting across the city to reduce homelessness. This year, though our grants funding, we will continue to support agencies such as the Night Shelter. We also take a collaborative approach towards reducing homelessness through tenancy support and

street outreach services. There are no funding implications for the Council as we are supporting and facilitating the work. We will also review our Te Mahana Strategy (Ending Homelessness in Wellington) to ensure we align with a Housing First Approach and we are able to respond to current trends.

Priority area

## Transport

*We want a safe, efficient and reliable transport system.*

### The issues

A good transport system should do more than just move people and goods efficiently. It should benefit people's overall quality of life, support economic productivity, help create healthy urban neighbourhoods that are people focused, and reduce the city's carbon emissions.

Wellington is starting from a reasonably strong position. We already have high public transport use and more people walk and cycle to work here than in any other city in New Zealand and many other cities globally. Our low carbon use per person is in part due to how compact the city is and a high take-up of public and active transport modes.

But all of these transport modes rely on a network that is already significantly congested at peak times. As our population grows and more people start living in the inner city, the pressure will increase. Commuters and inner city residents are already experiencing this, and public satisfaction with peak-hour traffic congestion is declining.

In the face of growing transport demand and population growth, we need a joined-up solution that makes our network more efficient while also allowing for the regeneration of parts of the inner city for more people to live in high-quality urban environments.

This challenge is not new and has been the key focus of the Let's Get Wellington Moving (LGWM) programme of work, which we're delivering in partnership with Greater Wellington Regional Council (GWRC) and the NZ Transport Agency.

GWRC manages the Metlink public transport network with support from central government.

Wellington City Council supports public transport options by maintaining and developing bus routes and bus shelters.

For this priority area we have a specific proposal for consultation and some projects we would like your feedback on.

### Our proposal

The Let's Get Wellington Moving programme of work is focused on the inner city – the Ngauranga to airport corridor. Getting more people to walk and cycle to work to help address growing transport demand and population growth also requires improvements to the network outside this area.

There is a Cycling Master Plan for the city and we are proposing to accelerate the delivery of that programme so it is rolled out over 20 years rather than 35. This includes a proposal for \$72.6 million of capital investment over the next 10 years. Having better infrastructure and a more integrated network in place will encourage more people to cycle and help reduce congestion.

Of the \$72.6 million, we expect a contribution from NZTA of around \$33 million. NZTA funding for the first 3 years will be confirmed in June 2018. Beyond year 3, we have made assumptions on the level of NZTA funding, based on future funding assistance rates.

We are also proposing to introduce a discounted hourly parking charge in the city centre during the weekend. This has no impact on levels of service, but transfers the cost from businesses paying the Downtown Levy to those parking.

Provisional funding for the Let’s Get Wellington Moving programme of work is also included in this plan and funding for safety improvements and bus priority measures are provided for to make the necessary improvements to the network in the coming years. See page X for more information.

**The options**

There are two options available to address the issue.

	Key Projects	Levels of Service	Financial Implications
<b>Option 1:</b> Increase levels of service	<b>Cycling Master Plan</b> Invest \$72.6 million in delivering the Cycling Master Plan over a 20-year period. This project relates to cycling improvements outside the city centre only*.  The work includes: <ul style="list-style-type: none"> <li>• <b>Years 1-3:</b> Completing the Urban Cycleway Improvement plans including Hutt Road, Evans Bay, Cobham Drive, Kilbirnie and Miramar, starting The Parade redesign and the Berhampore, Newtown and Mt Cook network, and engagement on projects to be completed in years 4-10.</li> <li>• <b>Years 4-10:</b> Evans Bay stage 2, Newtown, Brooklyn, and Miramar Avenue stage 2</li> <li>• <b>Years 10+:</b> Completion of the network including routes to and networks within Wadestown, Ngaio, Khandallah, Johnsonville, Newlands, Tawa, and Middleton Road, and the Great Harbour Way around the south coast.</li> <li>• a contribution of \$5 million of funding towards the Great Harbour Way project, which is being led by the NZ Transport Agency.</li> </ul>	This option would see us: <ul style="list-style-type: none"> <li>• deliver the Cycling Master Plan for the city over a 20 year period, 15 years earlier than planned.</li> <li>• encourage more people to cycle as their preferred mode of transport.</li> </ul>	For the <b>Cycling Master Plan</b> , by year 10 of this plan, this would add: <ul style="list-style-type: none"> <li>• 3.4 percent or \$18.3 million of additional borrowings by Year 10 (after \$33m of anticipated NZTA funding and \$26.3m of debt repayment)**.</li> <li>• \$24 (1 percent) to the average annual rates bill (equivalent to an average increase of \$2.42 per year over the 10 years)</li> </ul>
	<b>Introduction of weekend parking fees:</b> Replace free on-street parking in the city centre during the weekend with a discounted (\$2.50 per hour) user pays weekend parking fee.**	Introducing weekend parking fees would: <ul style="list-style-type: none"> <li>• encourage increased use of public transport and more active modes of transport in the central city in the weekend.</li> <li>• have an expected flow on effect over time to reduce central city congestion and significant demand for</li> </ul>	Currently, to offset any resulting parking revenue losses, a special rate (Downtown Levy) of \$1.4 million is charged to city centre businesses. This will be removed and a parking charge of \$2.50 per hour introduced in the city centre during the weekend. There is no impact to rates and



	Key Projects	Levels of Service	Financial Implications
		parking spaces from weekend shoppers.	borrowings.
<b>Option 2:</b> Keep current levels of service	This option would see us deliver the Cycling Master Plan over a longer period of time (35-year period) and retain weekend parking	It would take longer to: <ul style="list-style-type: none"> <li>• implement an integrated cycling network and encourage people to cycle, walk and use public transport to ease congestion</li> <li>• ease parking weekend congestion in the central city</li> </ul>	Existing budget levels would be kept. The increase in rates and borrowing identified in Option 1 would not be added to the rates and borrowing position.
<b>Notes:</b> * Cycling improvements in the city centre are also being considered a part of Let's Get Wellington Moving ** Free weekend parking was put in place to support the Wellington retail sector, as malls in Porirua and Lower Hutt offered free parking. To offset any resulting parking revenue losses, a special rate (Downtown Levy) of \$1.4 million is charged to city centre businesses. We are not fully recovering lost parking revenue through the special rate.			

**Preferred option**

Our proposed option is Option 1. Do you agree?

**Why we think this is the best option**

These projects aim to improve the transport network and encourage more options that support active transport modes.

**Other key transport projects we would like your feedback on**

The following projects also support our transport objectives. They have funding implications and are included in this plan for your feedback. We would like to hear what you think before we make final decisions.

- **Let's Get Wellington Moving (LGWM)**  
Through this programme, which we're delivering in partnership with Greater Wellington Regional Council and the NZ Transport Agency, we've engaged with the community on scenarios to improve all forms of transport in the city. The community was consulted on four scenarios in late 2017. Detailed information on the four scenarios can be found at <http://getwellymoving.co.nz/our-scenarios/>.

The choices are:

- providing more safe spaces for people walking and cycling around the central city
- focusing on public transport through the central city, to the airport
- a range of roading improvements
- a mix of the above.

The feedback received from the community to date will be worked through in the coming months and a preferred option presented to decision-makers in May. We're including a provisional figure in Our 10-Year Plan budget. This would see \$3.3 million of operational funding over the next 3 years, for design and feasibility work, as well as a provisional \$122

million of capital expenditure from 2022/23 to 2027/2028. Once a final decision has been made later in 2018 and we've worked out the funding in detail, we will amend Our 10-Year Plan accordingly.

- *Transport-related initiatives*

As well as Let's Get Wellington Moving, there are a number of transport-related initiatives that:

- are related to the renewal or resilience of our transport infrastructure assets
- have been previously planned for implementation in this 10-year Plan
- link to Let's Get Wellington Moving options.

These supporting initiatives total \$111.9 million over 10 years. They are:

- renewal- and resilience-related roading projects such as retaining walls, viaducts rock bluff stabilisation – \$60.2 million over 10 years
- bus shelters – \$2.4 million
- a programme of bus priority improvements – for example, bus advance signals to allow buses to beat the traffic at traffic lights could be introduced into areas such as the Golden Mile (between the Railway Station and Kent/Cambridge Terraces), Karori, Victoria, Willis and Taranaki streets and Adelaide Road – \$36.0 million
- safe speed limits – \$13.2 million.

Underpinning these initiatives are ongoing travel demand management measures such as education, promotion and provision of space to encourage greater use of active modes and public transport, and charging road users to manage demand on certain parts of the network.

#### Priority area

## Sustainable growth

*We want to grow and diversify the city's economy.*

### The issues

Up to 280,000 people are expected to call Wellington home by 2043. As the city's population grows, the commercial sector will also expand. We expect an extra 28,000 people to work here by 2047.

With much of the population growth predicted to be in the inner city, and the city centre being the economic hub of the region, good planning that accommodates for both while also taking into account the effects of climate change will be crucial.

The District Plan is long and complicated, which adds to compliance costs and uncertainty for residents and developers. We must make sure our planning environment is set up to support delivery rather than being a barrier, and need to deliver a comprehensive plan that looks at how and where the city will grow over time.

We also need a sustainable economy to support our quality of life and provide jobs for our growing population. Our economy is generally doing well, but our growth is still behind that of the New Zealand average and other major cities in the country. We've started a programme to boost economic growth and need to continue building a resilient, sustainable and more diverse economy as a base to support our high quality of life.

We have an edge in "smart" and creative industries which are likely to provide a basis for future economic growth, and we have more potential in tourism that we want to unlock.

For this priority area we have a specific proposal for consultation and some projects we would like your feedback on.

### Our proposal

We have higher-than-expected growth and we need to manage this in a way that allows housing, employment and infrastructure investment in the right places, while maintaining the qualities that make Wellington such an attractive place to be.

We are proposing to increase funding to undertake a comprehensive plan for how and where the city will grow over time to meet projected population increases. This will inform the Wellington Urban Growth Plan, District Plan settings and consenting processes. We are proposing to spend an extra \$15.1 million of operational funding over the next 10 years to set in place a plan that will accommodate growth projections.

We are also proposing to continue to invest in major economic catalyst projects (such as the Movie Museum and Convention Centre and indoor arena) to attract visitors and support economic growth. These are economic catalyst projects that will support a sustainable economy.

### The options

There are two options:

	Key Projects	Levels of Service	Financial Implications
<p><b>Option 1:</b></p> <p>Increase levels of service</p>	<p><b>Planning for Growth</b> Wellington’s population growth is placing pressure on housing and core infrastructure. The city also has limited options in terms of how and where it will grow.</p> <p>This option involves increasing funding to undertake a comprehensive and accelerated review of our planning and regulatory environment– in partnership with the community and stakeholders – to determine how and where the city will grow over time to meet projected population growth.</p> <p>It would focus on three core areas:</p> <ul style="list-style-type: none"> <li>• <b>Strategic planning:</b> The development of a plan for growth that sets our policy direction and is the backbone for a District Plan review.</li> <li>• <b>District Plan review:</b> A comprehensive review of our plan (as opposed to the minimum legislative requirements) that takes into account our existing residential and business capacity across the city and what demand will be like over the next 3, 10 and 30 years.</li> <li>• <b>Streamlined consenting:</b> A new structure that will seek to make consenting and compliance functions faster, easier, safer and more sustainable.</li> </ul> <p>We’ve budgeted \$15.1 million of operating expenditure over the next 10 years to review the urban growth and district plans and to make changes to our consenting processes. There are no cost implications from streamlining consenting.</p>	<p>This review would:</p> <ul style="list-style-type: none"> <li>• result in an updated Wellington Urban Growth Plan and District Plan to better coordinate where growth will occur in the future. It will also deliver improved consenting processes.</li> <li>• allow the Council to have (for example) consenting processes that allow a more efficient response to residential and commercial demand and provide greater certainty for investment.</li> </ul>	<p>For the <b>Planning for Growth</b> programme, By year 10 of this plan, this would add:</p> <ul style="list-style-type: none"> <li>• \$5 (0.2 percent) to the average annual rates bill (equivalent to an average increase of \$0.50 per year over the 10 years).</li> </ul>
	<p><b>Movie Museum and Convention Centre</b> Continue with our proposal to develop a Movie Museum and Convention Centre on land adjacent to Te Papa at a capital construction cost of \$140 million, after \$25 million request for funding from central government. In years 6-10 of our plan (once fully opened) Council’s net operating expenditure is</p>	<p>This option will provide the infrastructure needed to protect and grow our place in the business events market enabling Wellington to compete nationally and internationally supporting increased visitor numbers and economic activity. It will also add the largest new cultural attraction to the city since Te Papa was opened to drive increased</p>	<p>For the <b>Movie Museum and Convention Centre</b> by year 10 of this plan this would add:</p> <ul style="list-style-type: none"> <li>• 23% or \$117 million of additional borrowings by year 10 (net of a \$23 million of debt repayment)</li> <li>• Based on</li> </ul>

	Key Projects	Levels of Service	Financial Implications
	forecast to average \$7.4 million per year and over the next 25 years \$5.4 million per year.	visitor numbers to the city and encourage them to stay longer. We expect this proposal to inject construction benefits of \$43.6 million and 540 jobs, and once operational \$37.5 million GDP and 568 jobs annually into Wellington's economy.	proposed funding policies the bulk of this proposal will be funded by commercial and downtown ratepayers either through the downtown levy or their share of the general rate. We anticipate the use of \$1-\$2m per annum over the first five year of the plan from the City Growth Fund to reduce the impact of this proposal to ratepayers.
<b>Option 2:</b>  Maintain current levels of service	<b>Planning for Growth:</b> <ul style="list-style-type: none"> <li>The Council would rely on our work on the National Policy Statement or urban capacity (a requirement set by legislation) as an alternative guide for how and where the city will grow.</li> <li>This option would see a minimum of changes to the District Plan on a 'rolling review' basis to make sure that the capacity required is met.</li> </ul>	This option would result in it taking longer to provide certainty for how and where the city will respond to accommodate population growth. This may result in reduced or deferred investment by developers and others to respond to commercial and residential demand.	Existing budget levels would be kept. The increase rates identified in Option 1 would not be added to the rates position.
	<b>Movie Museum and Convention Centre:</b> <ul style="list-style-type: none"> <li>The investment would not proceed. It would result in no economic stimulus investment in new convention facilities to maintain or grow Wellington's position in the competitive convention market. It would also see Wellington not grow its range of museums or visitor attractions.</li> <li>This will significantly reduce the city's overall competitiveness to attract conventions or visitors to the city with an overall opportunity cost of \$37.5m GDP and creation of 568 jobs.</li> </ul>	This option would result in Wellington's convention facilities being limited to Shed6 and TSB Arena and the private providers offering small venues to the market. Other cities investing significantly in convention facilities will mean Wellington will lose significant economic benefit of \$6.4 million GDP per annum and 85 jobs as our current business will move to those regions investing in improved modern facilities.  No new visitor attractions or museum facilities would be built meaning the city will miss the opportunity to have a world class Movie Museum celebrating and showcasing Wellington's	. The increase rates identified in Option 1 would not be added to the rates position.

	Key Projects	Levels of Service	Financial Implications
		contribution to the international film sector.	

**Preferred option**

Our proposed option is Option 1. Do you agree?

**Why we think this is the best option**

We’ve worked hard in recent years to get our city to where it is. Now, we have higher-than-expected growth and we need to manage this in a way that allows housing, employment and infrastructure investment in the right places, while maintaining the qualities that make Wellington such an attractive place to be.

**Other key sustainable growth projects we would like your feedback on**

The following projects also support sustainable growth objectives. Many have funding implications and are included in this plan for your feedback. We would like to hear what you think before we make final decisions.

- Extend the life of Kiwi Point Quarry**

Kiwi Point Quarry provides rocks and aggregate for the maintenance and construction of core infrastructure in the city – everything from retaining walls to footpaths. Estimates suggest that in the area we are currently quarrying, rock resources will run out in the next 3 to 4 years, so we’re proposing a District Plan change to open up another section of the quarry to access additional rock resources. We believe it is important to have raw materials necessary for a growing city in close proximity as this reduces freight costs and emissions from the transportation of these materials.

We’re budgeting \$266,000 in operational funding and \$2.3 million in capital expenditure over the next 10 years. The funding will go towards consents, planning, planting, visual screening (from the highway), fencing, and development of an access road and bridge to the new quarry area.
- Conservation attractions – Wellington Zoo upgrades**

Wellington Zoo is an important tourism and conservation attraction that has more than 200,000 visitors per year. The Zoo has completed stage 1 of its upgrade programme over the last few years. This has seen the Zoo transform itself into a vibrant attraction with facilities that meet modern standards. Stage 2 involves further improvements to facilities to home additional animal attractions – snow leopards in the first half of this plan, and cheetahs in the later half.

We’re proposing to spend \$3.7 million of capital expenditure in years 2–4, and a further \$6 million in the last 3 years to upgrade facilities at the Zoo to accommodate new attractions. The Zoo will contribute \$875,000 and \$1.25 million towards these projects respectively.
- Funding of economic and tourism initiatives**

This plan includes a broad range of investments that will support economic growth. A number of these investments – such as the Movie Museum and Convention Centre, the

planned indoor arena, and the Decade of Culture programme – are strongly focused on the tourist economy. In the coming year, we will explore options around how the Wellington visitor industry might assist or contribute from year 3 of this plan to fund activities that support the visitor economy. Further consultation will happen when a detailed proposal has been developed. This is likely to be in next year’s annual plan.

- ***Economic catalyst projects***

The economic catalyst projects we presented as part of the Long-term Plan 2015-25 received strong community support. We are part-way through delivering these projects, which are at different stages of development. These projects include the Movie Museum and Convention Centre (\$164.8 million of capital expenditure), the indoor arena (\$85.7 million of capital expenditure), and the runway extension being progressed by Wellington International Airport Ltd. They are significant in scale and are being progressed in partnership with regional partners and the private sector. These projects are expected to draw visitors and boost economic growth, and also raise Wellington’s profile as an arts and culture capital.

Priority area

## Arts and culture

*We want Wellington to be the undisputed cultural capital of New Zealand.*

### The issues

Wellington is known as the cultural capital of New Zealand, reflecting the presence of national arts organisations and vibrant arts and events in the city. It is a city of unique cultural moments, experienced by residents and visitors alike. This did not happen by accident. It is the result of deliberate investment over recent years by the Council and other partners.

But we can't stand still. Other cities are investing and Wellington is now facing increased competition to its reputation. To secure it, we need to build on our strengths and improve our offering.

For this priority area we have a specific proposal for consultation and some projects we would like your feedback on.

### Our proposal

We are proposing to embark on a "Decade of Culture" that will emphasize and enhance the city's unique creative strengths. This coordinated programme will be built around the following projects:

- Earthquake-strengthening cultural facilities – investing funding to earthquake-strengthen cultural facilities such as the Town Hall and St James Theatre so that Wellington has a good range of supporting facilities to allow the arts and culture sectors to thrive.
- Expanding the reach of major festivals and events – redirecting existing economic grant funding towards cultural events and festivals to boost the city's profile as a cultural destination. It will complement our existing cultural activities by amplifying the unique strengths that make Wellington one of the world's most liveable cities and attract more visitors.

### The options

There are two options:

	Key Projects	Levels of Service	Financial Implications
<b>Option 1:</b>  Increase levels of service	<b>Strengthening cultural facilities:</b> Earthquake-strengthening Council cultural facilities so they can continue to support our arts and culture sector: <ul style="list-style-type: none"> <li>• <b>St James Theatre:</b> \$11.5 million of capital expenditure in years 1 and 2.</li> <li>• <b>Town Hall:</b> \$88.7 million of capital expenditure.</li> <li>• <b>Wellington Museum:</b> Strengthening and upgrade in years 3 and 4, at an estimated cost of \$10 million</li> </ul>	Investing in these facilities now will ensure that the city's arts and culture institutions have a range of facilities available to them for shows and events. Investing in these facilities also preserves important heritage buildings in the city for future generations to enjoy.	For <b>earthquake-strengthening cultural facilities</b> , by year 10 of this plan this would add: <ul style="list-style-type: none"> <li>• 20.4 percent or \$103.6 million to total borrowings by year 10 (after \$14.1m of debt repayment)</li> <li>\$79 (3.3 percent) to the average annual rates bill (equivalent to an average increase of \$7.87 per year over the 10 years)*.</li> </ul>



	Key Projects	Levels of Service	Financial Implications
	of capital expenditure. • <b>Other venues:</b> \$7.5m of capital expenditure		
	<b>Additional support for the arts</b> This option would see the Council invest \$16 million over 10 years to support a coordinated programme of events, activities, theatre and public art to position the city as a global cultural destination. It also involves growing key festivals like Matariki into large-scale national festivals.	Securing Wellington’s reputation as New Zealand’s cultural capital helps us continue: <ul style="list-style-type: none"> <li>• improving residents’ quality of life</li> <li>• attracting more overseas visitors</li> <li>• creating a sense of excitement in the city</li> <li>• creating high-quality jobs and attracting and retaining talent in the cultural sector</li> <li>• telling our story to the world.</li> </ul>	Funding for expanding the reach of major festivals and events would come from existing funding (Wellington’s Regional Amenities fund and the City Growth fund) and there would be no additional impact on rates or borrowings.
<b>Option 2:</b>  Maintain current levels of service	We have done a lot over the years to position Wellington as the cultural capital of New Zealand and this is reflected in our national arts organisations and vibrant arts and events reputation.  This option would see us keep existing levels of service and funding support for the arts and culture sector.	With other cities investing in their cultural programme and infrastructure, and without securing key facilities for the future, it is likely Wellington’s reputation as New Zealand’s cultural capital would decline.	Existing budget levels would be kept. The increase rates and borrowing identified in Option 1 would not be added to the rates and borrowing position.

**Proposed option**

Our proposed option is Option 1. Do you agree?

**Why we think this is the best option**

Wellington’s status as New Zealand’s cultural capital is regarded as an important comparative advantage for the city. A December 2016 survey commissioned by the Council found that 89 percent of respondents agreed it was important to have a vibrant and diverse performing arts scene in the city.

**Other art and cultural initiatives we want your feedback on**

The following projects also support our arts and culture objectives. Some have funding implications and are included in this plan for your feedback. We would like to hear what you think before we make final decisions.

- **Investment in the arts**

We will continue our investment in community arts and cultural projects. This includes:

- Te Whare Hēra: This is an international artist residency programme that brings artists to live, work and exhibit in Wellington for 3 to 6 months at a time. It has been carried out in collaboration with Te Whiti o Rehua (Massey University School of Art) since 2014. It is proposed that this programme continue to be delivered at a cost of \$45,000 per year.
- Arts and Culture Fund: As previously agreed, we would add \$195,000 to the Arts and Culture fund over the next 10 years. This would maintain our support for important arts organisations with 3-year funding contracts. This fund currently supports Orchestra Wellington, Circa Theatre, Kia Mau Festival and others.

- *Investment in cultural and visitor attractions*

In the Long-term Plan 2015-25, we agreed – after receiving positive feedback from the community – to invest in a Movie Museum and Convention Centre and a new indoor arena to host major events and musical acts. Funding was allocated to progress these initiatives. The Movie Museum and Convention Centre are expected to draw visitors and boost economic growth, and also raise Wellington’s profile as an arts and culture capital. We will continue to work on this project in the coming year.

## Part three

---

Our proposed budget strikes a balance between looking after what we have, providing infrastructure and services to our community and investing in our priority areas. We have focused on achieving a balanced budget with an overall spending programme that is sustainable, affordable and fair.

### Where we have come from

In the Long-term Plan 2015-25, our strategy focused on investing in projects that would grow the economy and the rating base, while broadly maintaining other assets to deliver existing service levels.

Some of our major projects like the Movie Museum and Convention Centre, and the airport runway extension are yet to be realised, and the economy, the population, and the ratings base are growing in line with broad-based growth across the rest of New Zealand.

While our vision and community goals, as outlined in Wellington Towards 2040: Smart Capital, remain (see page 9), our operating environment has changed. Population growth, more frequent storms and the November 2016 earthquake have placed the city's urban development and overall resilience under the spotlight. Together, these and the other challenges described earlier (see page 7) have meant that the strategic focus for this 10-year plan has changed. The change is reflected in our five priority areas as they relate to improving the city's resilience and a shift in emphasis from stimulating growth to managing its impact, with proposed measures to relieve pressure on housing and improve the transport network. The priority area projects are the stepping stones towards our vision and community outcomes over the next 30 years.

We are proposing an ambitious programme of work in the next 10 years in the five priority areas supported by \$2.31 billion in capital expenditure.

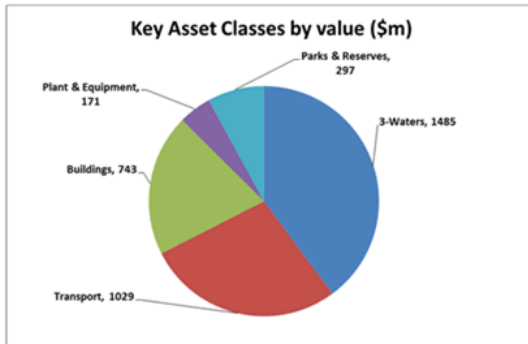
Together, our financial and infrastructure strategies guide how we propose to manage our budget. In particular:

- funding and timing the renewal, upgrade or growth of our infrastructure assets, maintaining existing service levels to meet the pressures that flow from the challenges faced by the city
- supporting the investment programme in our priority areas
- financially managing for future generations in a way that is prudent and fair.

## Looking after our assets – our infrastructure strategy

Council manages a portfolio of \$3.72 billion of built assets on behalf of the community.

The following graphs detail our main assets classes by proportion and value:



Our asset condition information shows our assets are well maintained and in reasonable condition. However, we have some challenges around accommodating the forecast growth and ensuring our assets are resilient to earthquakes and storms. The table below outlines a summary of our main asset classes and their condition.

	Value \$000s ODRC	Condition	Performance
Transport	\$1,029m	3 -Maintenance Required	2 –Good minor shortcomings
Water	\$377m	2- Minor defects only	2- Good
Stormwater	\$419m	3- maintenance required	3 Moderate
Wastewater	\$689m	4- Assets require renewal/ upgrade	3 Moderate
Parks, Sport and Recreation	\$187m	2- Minor defects only	2- Good
Waste Operations	\$84m	3 -Maintenance required	2 - Good minor shortcomings
City Housing	\$369m	3 -Maintenance required	3 Moderate
Corporate property (excluding. CAB)	\$553m	3 -Maintenance required	2- Good
Community centres, halls & childcare facilities	\$1m	3 -Maintenance required	3 Moderate
Libraries	\$17m	2 - Minor Defects Only	2 -Good minor shortcomings

While our infrastructure strategy covers 30 years, the significant expenditure on capital upgrades to responds to growth and level of service demand that are planned, occur in the first ten years. Years 11-30 are mainly concerned with capital expenditure on asset replacements (renewals) and their profile which is reflected in detail in section 8 of the 'Financial and infrastructure strategy' document.

## Responding to growth

We expect population growth to continue strongly over the short-to-medium term. We forecast a population of 250,000 to 280,000 by 2043. Over 40 percent of this growth is expected to be accommodated in the central city. As the city's population increases, the commercial sector will also expand. We expect an additional 28,000 people to work in the city by 2047.

Over the next three years a key priority for Council will be having discussions with our community about how and where the city will grow in the future. This will inform investment in core infrastructure for years 11 to 30. Our growth projections may also be influenced by regional infrastructure investment (e.g. the development of the Transmission Gully route) that may impact the distribution of growth in the region. More detail on this priority area is outlined in the sustainable growth priority area of this document.

We will cater for much of our inner city growth in conjunction with renewal and level of service upgrades (including the Let's Get Wellington Moving programme, and operationally through the review of our District Plan. As a result the expenditure categorised as 'responding to growth' primarily relates to growth in the 'greenfields' area to the north of the city. The capital expenditure on asset growth for the proposed plan is \$186 million over 10 years and \$61 million is for core water and transport infrastructure. In the latter years (11-30) covered by this infrastructure strategy current planning assumes growth will occur within existing urban areas. We propose to cater for growth as we renew our assets.

## Renewing our assets

Our asset management plans guide the renewal of our assets. Over the 10 years of this plan we propose to invest a similar amount each year in renewing our three waters infrastructure (which appears in the 'Resilience and environment' section) and Transport assets. These account for 27 percent and 31 percent of total renewals. Our capital expenditure renewal in the Social and Recreation strategy is forecast to increase in the 2<sup>nd</sup> 5 years of our plan with stage two of our social housing renewal

### Major 'growth' projects include

- *Core infrastructure* – \$25 million for new water reservoirs in Horokiwi and Upper Stebbings, \$10 million for waters infrastructure in Miramar, and public space development in Newlands
- *City shaping / transport*- \$122 million for Let's Get Wellington Moving and \$23.3 million for new roads in the northern suburbs

### Major renewal projects

- *Social and Recreation* – \$19.2 million for aquatic facility renewals, \$25.5 million for library collection renewals and \$13.1 million for waterfront renewals
- *Transport* – \$63.4 million for tunnel, wall and bridge renewals
- *Housing* – \$185.6 million for housing renewals

:

programme. Overall we will spend \$1.2 billion renewing our assets over the next 10 years, of which \$574 million is for core transport and three waters infrastructure. Over the 30 years covered by this infrastructure strategy we propose to spend a total of \$3.3 billion renewing this core infrastructure. This renewal expenditure is spread across the various assets in similar proportions to their overall value.

### Responding to demands for improved service levels

The challenges facing the city also signal demand for investment to improve the level of service in a number of areas. We will invest \$928 million over the next 10 years on improving levels of service in the city. Of this \$575m is proposed to be invested in improving core transport and three waters infrastructure. We propose to invest a total of \$920m in improving this core infrastructure over the 30 years of our Infrastructure Strategy. Significant investment in improving levels of service is proposed in the areas in the table below.

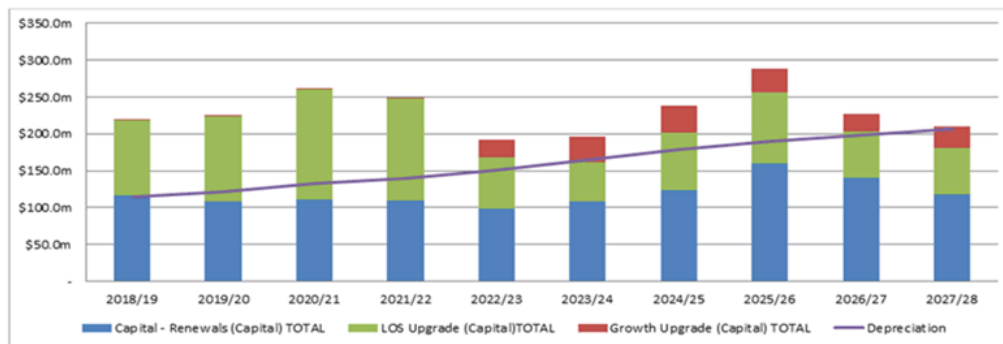
Activity area	Investment	Level of service impacts
<b>Environment</b>	\$58m for upgrading water reservoirs (2019/20 – 2021/22)	Improved level of service – once these two reservoirs are built, it is expected that the volume of water storage will be increased to provide emergency water supply for 50 days.
	\$46m for stormwater improvements	Improved level of service – stormwater infrastructure improvements in Miramar (years 5-7) Kilbirnie (year 1) and Tawa (in years 7-9) will reduce the frequency and severity of floods.
	\$34m in years 9 & 10 for an initiative to deal with sewage sludge	Maintain level of service – with the predicted increase in population and the limitations of our current consent, our landfill will not be able to deal with the level of sewage sludge in 10 years. Alternative means of dealing with this sludge is required to maintain the level of service.
	\$343m for upgrades to three waters infrastructure in years 11-30. This will be carried out in conjunction with asset renewals.	Increase level of service to improve resilience of the water, stormwater and wastewater pipe network, and increased capacity to respond to infill housing in the city.
<b>Economic Development / Culture</b>	\$140m for Movie Museum / Convention Centre in years 2-5 and \$85m for Indoor Arena in years 5-8. Wellington Museum building upgrade (\$10m) in years 3 & 4.	Improved service level to attract visitors to the city, boost economic growth and raise Wellington’s profile as an arts and culture capital.
<b>Social &amp; recreation</b>	\$17m to complete the new Johnsonville library and community hub (Years 1 & 2)	Improved level of service – the new library and community hub will provide an enhanced community facility in Johnsonville. It will provide greater capacity and enhanced opportunities for education, community events, and knowledge sharing.
<b>Urban Development</b>	Wellington Town Hall (\$88.7m in years 1-3), St James Theatre (\$11.5m in year 1) , and	Improved level of service – allowing public access to be reinstated and a music hub to be established in the Town Hall.
<b>Transport</b>	\$122m for the Lets Get Wellington Moving programme (years 5 - 10)	Improved level of service – the new level of service will depend on which package of options is progressed; this will be confirmed later in 2018. The programme is seeking to provide a transport system that: <ul style="list-style-type: none"> <li>– Enhances liveability of the central city</li> <li>– Provides more efficient and reliable access</li> <li>– Reduced reliance on private vehicle travel</li> <li>– Improves safety for everyone</li> <li>– Is adaptable to disruptions and future uncertainty</li> </ul>

	<ul style="list-style-type: none"> <li>– \$73m to improve the cycleway network (\$32m in year 1, and \$5m per year across years 3-10)</li> </ul>	<p>Improved level of service – Council has developed a plan for active transport infrastructure which, at proposed level of funding, will be completed in 20 years. The level of service for those using the active transport infrastructure will improve, as the programme is progressed.</p> <p>The improved level of service will see:</p> <ul style="list-style-type: none"> <li>– Safe connections between suburbs and the central city</li> <li>– Safe spaces for people on bikes, that are separated if the traffic speeds and volumes are high – in line with NZTA guidelines</li> <li>– Good signage to facilitate wayfinding for people on bikes</li> <li>– Good lighting to facilitate cycling at night</li> <li>– Safe clean and comfortable riding surfaces</li> </ul>
	<p>\$25m for bus priority improvements (across years 1- 10)</p>	<p>Improved level of service – bus priority routes will facilitate the stated outcomes of the Let’s Get Wellington Moving and the routes for bus priority improvements will be confirmed later in 2018.</p>
	<p>\$36m for retaining walls and structures to strengthen our roadways (across years 1- 10)</p>	<p>Maintain level of service – with the increase in frequency and severity of severe storms, additional funding is required to ensure we maintain the level of service provided by our retaining structures and roads.</p>
	<p>\$12m allocated to improve the resilience of the Ngaio Gorge roadway (years 1 – 3)</p>	<p>Maintain level of service – with the increase in frequency and severity of severe storms, additional funding is required to ensure we maintain the level of service provided by our retaining structures and roads.</p>

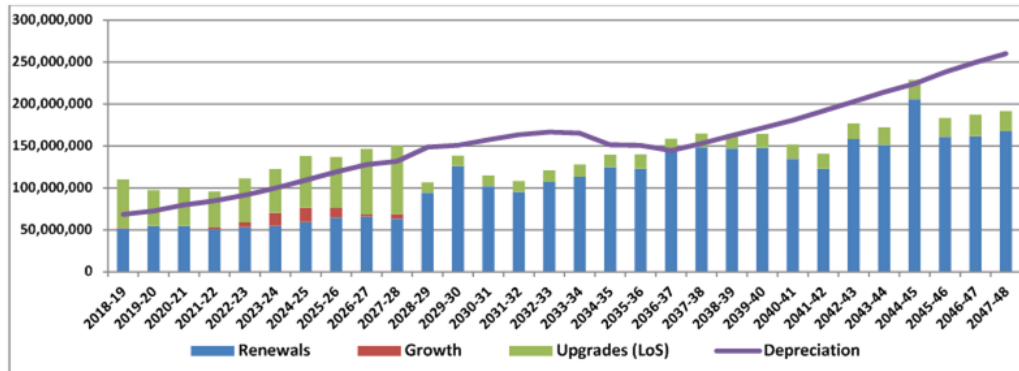
### Overall capital expenditure

Over the period of Our 10-Year Plan, the Council proposes to invest a total of \$2.31 billion of capital expenditure, including \$1.3 billion for core transport and three waters infrastructure.

Approximately \$1.2 billion of the total investment is proposed to be spent renewing existing assets, \$928 million improving service levels and \$186 million responding to the growth needs of the city.



Over the 30 years covered by this strategy we plan to invest a total \$4.6 billion on core transport and three waters infrastructure, incorporating \$3.3 billion for renewing assets and \$981 million upgrading and improving and service levels. As illustrated in the graph below years in years 11-30 we propose to place increased focus on renewing three waters and transport infrastructure assets.



The graph illustrates the relationship between anticipated renewal and upgrade requirements and depreciation over the 30 years of our infrastructure strategy. Through most years depreciation is above the level of renewals, because our long-life assets are expected to continue to meet service level requirements with modest renewal expenditure over the term covered by this strategy. We are not forecasting any major challenges as a result of individually significant asset renewals. This provides some financial flexibility to invest in upgrades to level of service particularly in the first 10 years covered by this strategy. In years 11 to 20 depreciation funding exceeds renewals due to extra depreciation from new assets built in the first ten years, including indicative investment in the Lets Get Wellington Moving project. Assumptions made on both asset life and renewal requirements for this project will be reviewed once we have more certainty over the physical works the Council will be funding.



## Our financial strategy

The proposed ambitious investment programme in this plan has increased levels of service in most of our priority areas. This investment programme and the supporting financial and infrastructure strategies [insert link] are responding to the key challenges for the development of our city.

It is important that we carefully consider the appropriate levels of borrowing, income and expenditure that will allow us to invest wisely in our city. In planning the proposed investment programme we have considered both our ability to deliver the planned capital programme and meeting the on-going service level expectations of our residents and ratepayers. Our financial and infrastructure policies and strategies guide how we manage our budget for our proposed priorities and investment in our infrastructure assets. We will be revisiting our programme each year to ensure we are striking the right balance.

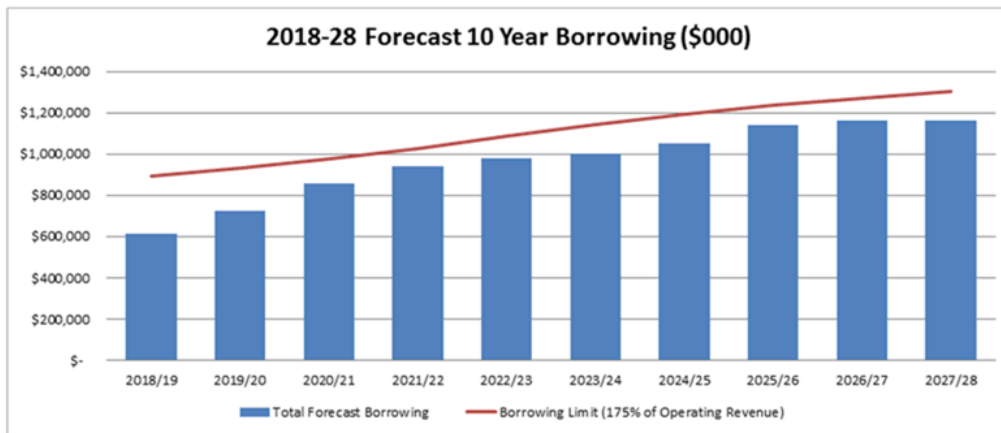
### *Our financial strategy aims to:*

- achieve a balanced budget
- maintain prudent financial management by the Council
- ensure affordable rates
- manage net debt within borrowing limits
- continue to fund the depreciation cost of assets we build or buy.
- ensure we can fund infrastructure assets that allow the city to develop when needed
- ensure we have the financial capacity to fund priority programmes

## Borrowing

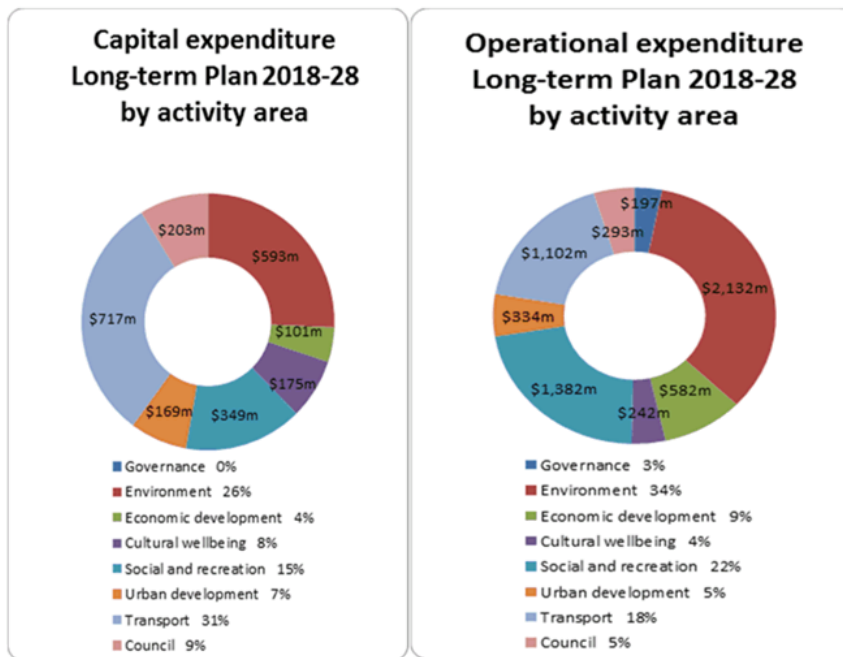
Our debt position is conservative. We have far less debt (measured as debt to income) than most metropolitan local authorities. Our debt levels range from 121 percent to 162 percent of our annual income, which is below our limit of 175 percent. Our starting borrowing position of \$507 million equates to \$2,394 per person in Wellington. This borrowing position will move to \$1.16 billion by year 10 and will equate to \$5,477 per person in Wellington.

This draft plan includes increases in rates and a significant increase in borrowing over the first 10 years of our 30 year infrastructure strategy. The key cost drivers for our increased borrowing is the significant upgrade programme that relates to our transport, resilience and economic growth programmes. Key capital projects are outlined in the priority areas of this Consultation Document. Our strong financial position means we can afford the projects outlined in this plan. Our approach is to keep borrowing levels within the 175 percent debt-to-income limit set out in our Financial Strategy. We have achieved this by maintaining 15% capacity within our debt to income ratio threshold, whereby our forecast maximum ratio through the duration of the 2018-2028 LTP is 162% and our limit is 175%. This equates to approximately \$140m of borrowing capacity in 2028. This provides further capacity to borrow in the event of a natural disaster. This is in addition to the insurance cover we have on our assets and available government assistance. We also maintain bank standby facilities in excess of this amount to ensure the Council as sufficient liquidity if this situation were to arise. Based on current asset upgrade, renewal and depreciation funding assumptions for our core infrastructure, we will reduce borrowing by approximately \$340 million over the 30 years of this strategy and will therefore maintain sufficient capacity to remain within our 175% debt to income ratio limit. Should demand for additional asset investment occur in subsequent plans, we expect the Council will have capacity to either accommodate these within the limit and/or sufficient balance sheet strength to amend its ratio limit to at least 200% without affecting its credit rating.

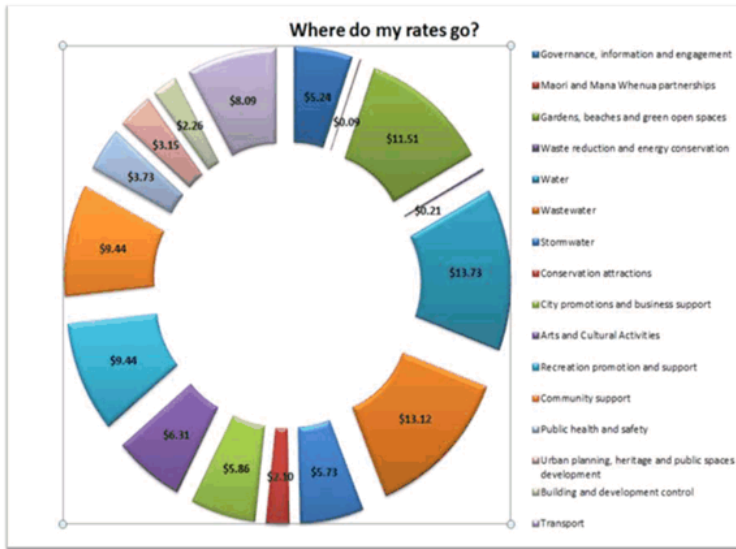


### Spending in activity areas

We will invest \$2.3 billion over the next 10 years in our assets. This investment is spread across a range of activities, with the major spending areas being the environment, social and recreation, and transport. In total, we will plan to spend \$6.3 billion of operational expenditure on delivering services and meeting the costs of depreciation and interest from our borrowings.



The following graphic illustrates the proposed 2018/19 rates funding for the service areas the Council provides per \$100 of total rates.

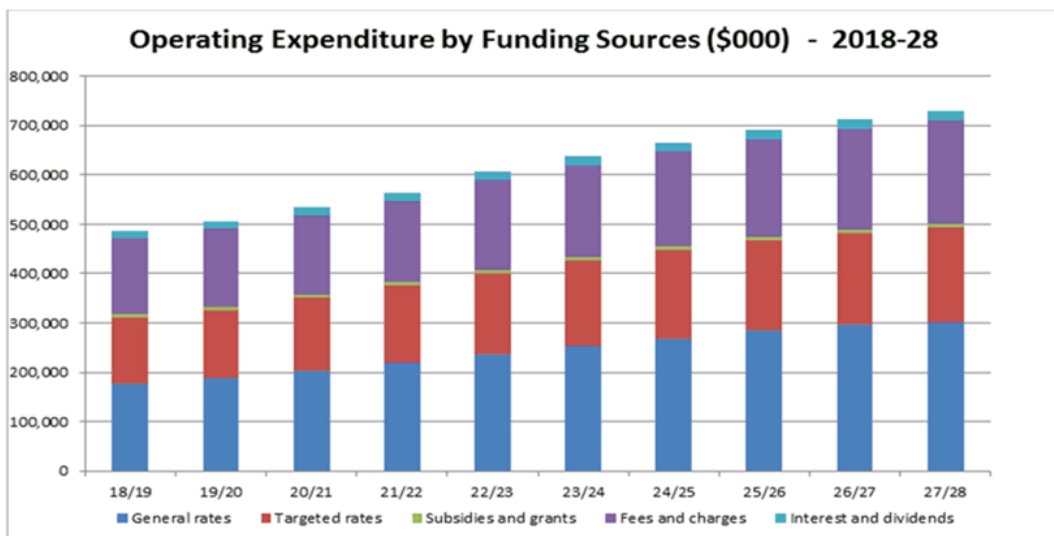


## Paying for the proposed programme

Can we sustain this level of investment?

*We have balanced deliverability, affordability and meeting service level expectations*

The following table shows the sources of income that we propose to use to finance the plan and Council services over the next 10 years.



## Fees and charges

Our Revenue and Financing Policy guides our decisions on how to fund Council services. We take into account who benefits from a service (for example individuals, parts of the community or the community as a whole) to help determine how the service should be funded. The policy also sets the targets for each Council activity indicating the proportion that should be funded from user charges, general rates, targeted rates and other sources of income. As part of this plan we have reviewed our fees and charges and are proposing to increase some fees and charges for Council services. The key categories of services are;

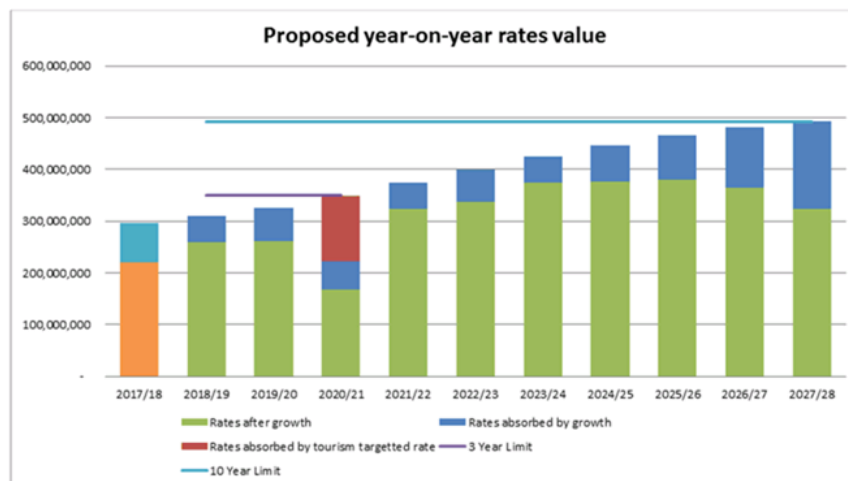
- waste minimisation, disposal and recycling management
- sewage collection and disposal network
- sports fields
- marinas
- municipal Golf Course
- burials and cremations; and
- parking (see the 'Transport' section for further details)

Detailed information on the fees and charges for specific services can be found in our Revenue and Financing Policy document [insert link]

## Rates limits

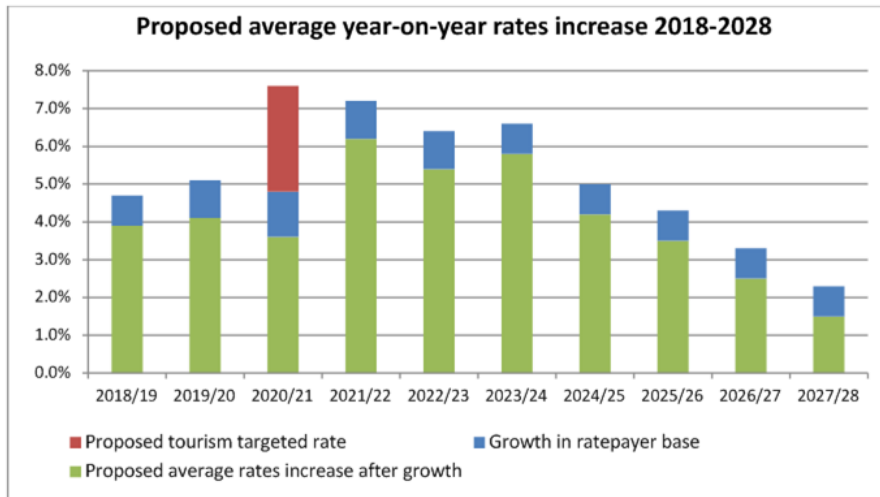
Our strategy provides limits to rates increases. These limits are:

- An annual limit of \$350 million of rates funding for each of the first three years of the 2018-2028 Long Term Plan.
- An annual limit of \$495 million of rates funding for years 4 to 10 of the plan.
- An annual year on year rates increase limit equal to the rates limit less the rates funding requirement set for the prior financial year.



This annual rates limit and rates increase limit are the equivalent of an average rates increase of 3.9% over the first three years and 4.1% over the ten years of the proposed 10 year plan. The

average rates increase assumes average growth in the ratepayer base of 0.9% per year across the 10 years of the plan. If there was no growth in the ratepayer base the average rates increase would be 4.9% for the first three years and an average of 5% over 10 years.



We have proposed the introduction of a targeted rate for the tourism sector from 2020/21. If introduced this will lower the rates imposed on other ratepayers equivalent to 2.8% of total rates. If this rate was not introduced (and the activity continued) the average rates increase would be 4.9% across the first three years of the plan and an average of 4.4% over 10 years. The details of the targeted rate for the tourism sector are yet to be worked through, however further consultation will occur on any specific proposal in the relevant Annual Plan year before implementation.

## How this plan will affect your rates

We are well placed to deliver core services as well as invest in the priority areas identified in this consultation document.

The following table illustrates the indicative residential and commercial property rates, inclusive of GST for a selection of billing categories for the 2018/19 plan.

Indicative <i>residential</i> property rates (for properties without a water meter)			Indicative <i>suburban commercial</i> property rates (for properties with a water meter)**			Indicative <i>downtown commercial</i> property rates (for properties with a water meter) **		
Capital Values	2018/19 Rates	Increase over 2017/18	Capital Values	2018/19 Rates	Increase over 2017/18	Capital Values	2018/19 Rates	Increase over 2017/18
\$	\$	%*	\$	\$	%*	\$	\$	%*
200,000	1,212	4.82%	1,000,000	10,683	3.81%	1,000,000	12,616	1.59%
300,000	1,664	4.83%	1,250,000	13,316	3.80%	1,250,000	15,732	1.57%
400,000	2,117	4.84%	1,500,000	15,950	3.79%	1,500,000	18,849	1.56%
500,000	2,569	4.85%	1,750,000	18,583	3.78%	1,750,000	21,965	1.56%
600,000	3,022	4.85%	2,000,000	21,216	3.78%	2,000,000	25,082	1.55%
700,000	3,474	4.85%	2,250,000	23,850	3.78%	2,250,000	28,198	1.55%
800,000	3,927	4.86%	2,500,000	26,483	3.77%	2,500,000	31,315	1.55%
900,000	4,379	4.86%	2,750,000	29,116	3.77%	2,750,000	34,431	1.54%
1,000,000	4,832	4.86%	3,000,000	31,750	3.77%	3,000,000	37,548	1.54%
1,100,000	5,284	4.86%	3,250,000	34,383	3.77%	3,250,000	40,664	1.54%
1,200,000	5,737	4.86%	3,500,000	37,016	3.77%	3,500,000	43,781	1.54%
1,300,000	6,189	4.86%	3,750,000	39,650	3.77%	3,750,000	46,897	1.54%
1,400,000	6,642	4.86%	4,000,000	42,283	3.77%	4,000,000	50,014	1.53%
1,500,000	7,094	4.86%	4,250,000	44,916	3.77%	4,250,000	53,130	1.53%
1,600,000	7,547	4.86%	4,500,000	47,550	3.76%	4,500,000	56,247	1.53%
1,700,000	7,999	4.87%	4,750,000	50,183	3.76%	4,750,000	59,363	1.53%
1,800,000	8,452	4.87%	5,000,000	52,816	3.76%	5,000,000	62,480	1.53%

\*This is the indicative percentage rates increase, taking into account average increases in property valuations for the relevant billing category.

\*\* Excludes water by consumption which is charged on actual usage.

## Your Mayor and Councillors

# Your Mayor and Councillors

<p><b>Citywide</b></p>  <p><b>Justin Lester</b> (Mayor)</p> <p>04 499 4444 mayor@wcc.govt.nz</p> <p><b>Chair:</b> Council</p> <p><b>Portfolio Leader:</b> Arts and Culture, Major City Projects, Governance</p>	<p><b>Northern Ward</b></p>  <p><b>Jill Day</b> (Deputy Mayor)</p> <p>027 262 3181 jill.day@wcc.govt.nz</p> <p><b>Chair:</b> Long-term and Annual Plan Committee</p> <p><b>Portfolio Leader:</b> Māori Partnerships, Children and Young People, Governance, Recreation</p>	<p><b>Onslow-Western Ward</b></p>  <p><b>Diane Calvert</b></p> <p>029 971 8944 diane.calvert@wcc.govt.nz</p> <p><b>Portfolio Leader:</b> Community Planning and Engagement</p>	<p><b>Eastern Ward</b></p>  <p><b>Chris Calvi-Freeman</b></p> <p>027 803 0015 chris.calvi-freeman@wcc.govt.nz</p> <p><b>Portfolio Leader:</b> Transport Strategy and Operations</p>
<p><b>Lambton Ward</b></p>  <p><b>Brian Dawson</b></p> <p>027 413 5809 brian.dawson@wcc.govt.nz</p> <p><b>Portfolio Leader:</b> Social Development, Living Wage</p>	<p><b>Eastern Ward</b></p>  <p><b>Sarah Free</b></p> <p>021 121 6412 sarah.free@wcc.govt.nz</p> <p><b>Chair:</b> Grants Subcommittee</p> <p><b>Portfolio Leader:</b> Public Transport, Cycling and Walking</p>	<p><b>Southern Ward</b></p>  <p><b>Fleur Fitzsimons</b></p> <p>027 803 0515 fleur.fitzsimons@wcc.govt.nz</p> <p><b>Portfolio Leader:</b> Living Wage, Recreation, Social Development; City Safety, Community Facilities</p>	<p><b>Onslow-Western Ward</b></p>  <p><b>Andy Foster</b></p> <p>021 227 8537 andy.foster@wcc.govt.nz</p> <p><b>Chair:</b> Finance, Audit and Risk Management Subcommittee</p> <p><b>Portfolio Leader:</b> Urban Development, Finance, Predator Free Wellington, Karori Framework</p>
<p><b>Northern Ward</b></p>  <p><b>Peter Gilberd</b></p> <p>027 614 1416 peter.gilberd@wcc.govt.nz</p> <p><b>Portfolio Leader:</b> Natural Environment, City Scientist</p>	<p><b>Southern Ward</b></p>  <p><b>David Lee</b></p> <p>021 220 2357 david.lee@wcc.govt.nz</p> <p><b>Portfolio Leader:</b> Technology, Innovation &amp; Enterprise, Climate Change</p>	<p><b>Eastern Ward</b></p>  <p><b>Simon Marsh</b></p> <p>021 922 196 simon.marsh@wcc.govt.nz</p> <p><b>Portfolio Leader:</b> Economic Development, Small Business (joint)</p>	<p><b>Lambton Ward</b></p>  <p><b>Iona Pannett</b></p> <p>021 227 8509 iona.pannett@wcc.govt.nz</p> <p><b>Chair:</b> City Strategy Committee</p> <p><b>Portfolio Leader:</b> Infrastructure, Sustainability</p>
<p><b>Northern Ward</b></p>  <p><b>Malcolm Sparrow</b></p> <p>027 232 2320 malcolm.sparrow@wcc.govt.nz</p> <p><b>Chair:</b> Regulatory Process Committee</p> <p><b>Portfolio Leader:</b> Community Resilience</p>	<p><b>Onslow-Western Ward</b></p>  <p><b>Simon Woolf</b></p> <p>027 975 3136 simon.woolf@wcc.govt.nz</p> <p><b>Chair:</b> Council Controlled Organisations Subcommittee</p> <p><b>Portfolio Leader:</b> Wellington Ambassador, Tourism, Small Business (joint), Sport</p>	<p><b>Lambton Ward</b></p>  <p><b>Nicola Young</b></p> <p>021 654 844 nicola.young@wcc.govt.nz</p> <p><b>Portfolio Leader:</b> Central City Projects, Education Partnerships</p>	

## Auditor's report

[To be inserted post 5April adoption of statement of proposal]



## Have your say

There are three main ways you can have a say:

- Online – make a submission or post your thoughts [www.wellington.govt.nz](http://www.wellington.govt.nz).
- Make a written submission — write a letter or use the form in this document and post to Our 10-Year Plan, Wellington City Council, PO Box 2199, Wellington
- Come to a meeting to discuss our plans (see below).

You can make a submission from 15 April to 15 May 2018.

## What happens next?

We appreciate the submissions we get, and we do take them seriously.

The Mayor and councillors are given copies of all submissions. We also prepare reports on the submissions, so that Councillors know things like how many there are, and what issues are coming up often.

The final plan is scheduled to be adopted on 28 June 2018.

## To find out more:

Visit our website to find out more information, including our:

- Financial and Infrastructure Strategy
- Significance and Engagement Strategy
- Statements of Service Provision
- Housing Strategy
- Significant assumptions



Wellington City Council

Financial and Infrastructure Strategy

*2018-2048*

DRAFT

**Table of Contents**

Section 1. Overview - Our integrated Infrastructure and Financial Strategies.....	3
Section 2. Component A - Strategic Direction, challenges and priorities.....	4
2.1 What’s changing?.....	4
2.2 Where are we going?.....	<b>Error! Bookmark not defined.</b>
2.3 City growth assumptions.....	<b>Error! Bookmark not defined.</b>
Section 3. Component B - Operating environment Challenges and opportunities.....	5
Section 4. Component C - How will we get there our priorities.....	12
Section 5. Component D - Financial Strategy Settings.....	13
5.1 Overview – our financial strategy.....	13
5.2 Financial Health.....	13
5.3 Financial Policies and Assumptions.....	13
5.4 Uncertainty and risk.....	18
Section 6. Component E - Maintaining and improving infrastructure.....	19
6.1 Summary of key strategies & likely asset management scenario.....	19
6.2 Context.....	19
6.3 How we manage our assets.....	20
6.4 The State of assets.....	23
6.5 Levels of Service.....	24
6.6 Investment snapshot –balancing renewals, service level improvements and response to growth.....	24
6.8 Investment in our key strategic areas.....	29
Section 7. Impact on rates and debt.....	33
Section 8. Key strategies for significant assets – 3 Waters.....	35
8.1 Introduction.....	35
8.2 Asset condition and data confidence.....	36
8.3 Issues, options and responses.....	36
8.4 Contribution to City Priorities.....	38
8.5 Financial impacts.....	40
8.6 30 year projections.....	42
Section 9. Key strategies for significant assets – Transport.....	47
9.1 Introduction.....	47
9.2 Asset condition and data confidence.....	47
9.3 Issues, options and responses.....	48
9.4 Contribution to City Priorities.....	49
9.5 Summary financial impacts.....	50
9.6 30 year projections.....	51

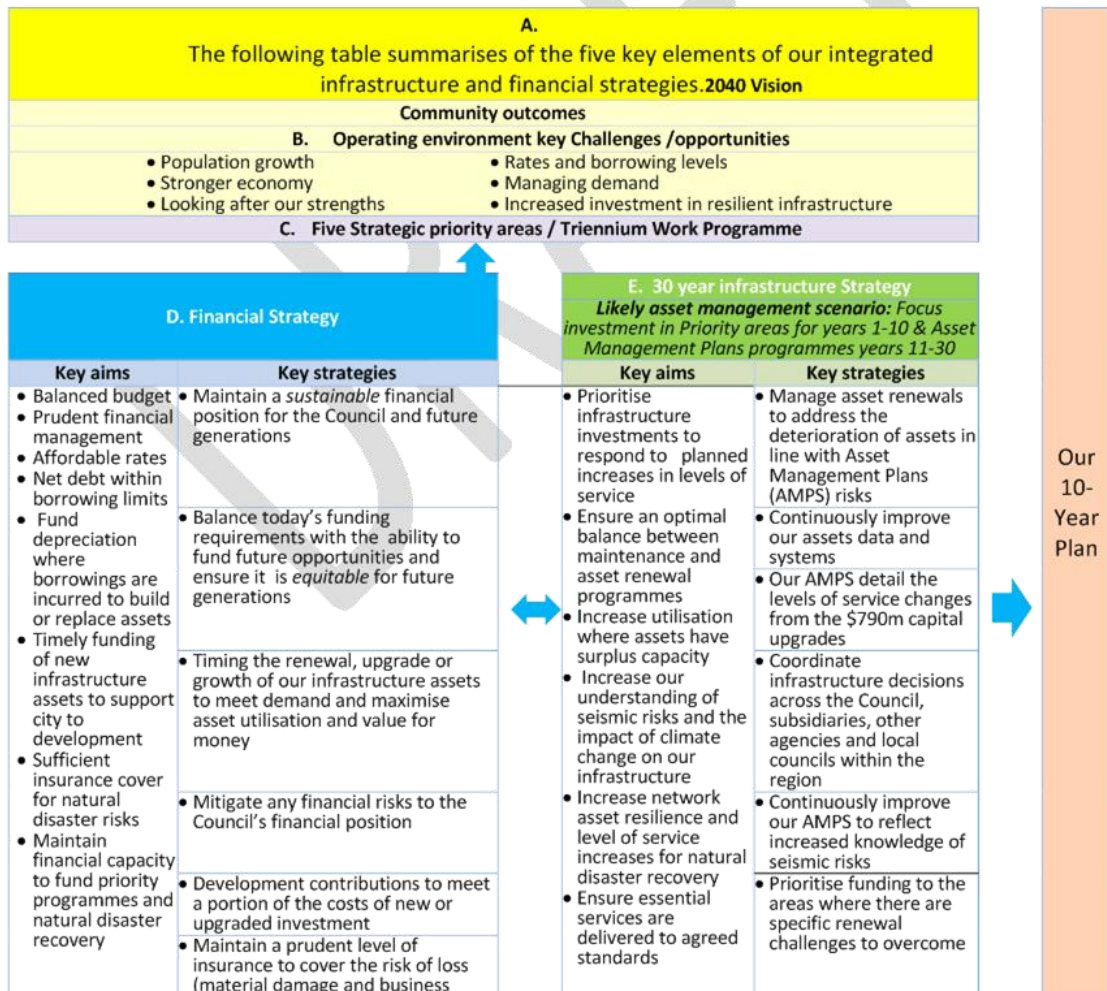
## Section 1. Overview - Our integrated Infrastructure and Financial Strategies

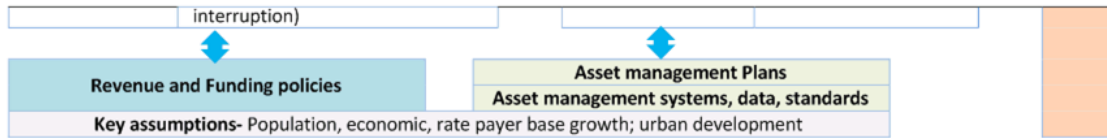
This strategy has been directly guided by the city’s vision *Wellington towards 2040: smart capital* and asset management plans. It aligns with the 10-year priorities that are the foundation for the proposed 2018-28 long-term plan, and underpins progress towards our city’s vision and long-term city outcomes.

The integrated infrastructure and financial strategy describes how Council intends to manage its infrastructure assets over 30 years and how our financial settings will allow for the required investment on our infrastructure. We have significant investment proposed over the next 30 years, integration with our financial strategy is crucial to maintaining a healthy financial position while delivering on our long-term city outcomes.

The purpose of the integrated strategy is to:

- identify significant infrastructure challenges for City and any options for managing those challenges
- enable prudent and sustainable financial management by forecasting future costs (30 years), showing how it is intended to fund these, and setting limits to the funding
- provide a context for consulting with the community on Council’s proposals for expenditure, and how this will be funded.



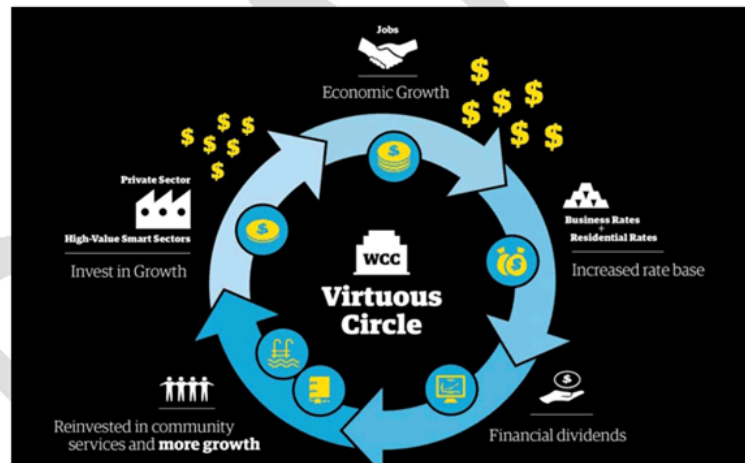


## Section 2. Component A - Strategic Direction, challenges and priorities

### 2.1 What's changing?

#### *Our current context*

The challenges the Council is facing are evolving. Three years ago, when we last reviewed our infrastructure and financial strategies and produced a long-term plan, our strategies and plan focused around stimulating growth. We focused on projects that would have a 'catalyst' effect on improving the economy while ensuring we continued to maintain our assets and existing service levels. Some of our major projects like the Convention Centre and Movie Museum and airport runway extension are yet to be realised, but both the economy and population are growing, and delivering on what we term the 'virtuous circle'.



Our proposed 2018 Financial and Infrastructure strategy continues to focus on investment in priority areas that will help us grow while also ensuring we have the resources and financial capacity to consider, and where prudent, address the challenges we face.

Our proposed 10-Year Plan, underpinned by this Financial and Infrastructure Strategy, incorporates an ambitious capital expenditure programme. A programme that focuses on resilience of buildings and our water network, provides a transport system that allows for easy access in, out and around our city, and manages and maintains its growth. It also ensures we continue to do the basics well; we maintain and renew our assets across the existing transport and water networks as well as our networks of community facilities like libraries, parks and playgrounds.

In response to a range of challenges (which we discuss in section 3 of this document) we are planning to deliver improvements to our levels of services both in operational areas and in provision of supporting

infrastructure (see section 8). In areas not specifically referenced in this document we plan to maintain levels of service at current levels.

Increasing our asset investment puts extra pressure on Council’s finances and results in an increase in debt. This is because we fund investment in assets to improve our infrastructure by borrowing - we then spread the cost via rates across the years the asset is utilised – ensuring that those who use the asset pay for the asset. We have the balance sheet capacity to undertake this investment while remaining within prudent debt parameters. From an affordability perspective, we are in a strong position because we already fund depreciation over the life of the assets we have built (and initially funded through debt). This means the increased rates impact of the proposed investment is included in the 4% average rates increase forecast across the 10 years of our long-term plan. It also means that by funding depreciation, we will have the capacity to fund the asset renewals that are forecast in the later years of our 30 year infrastructure strategy.

Our proposed 2018-2028 Long-Term Plan is not without risk, both in our ability and to deliver the prodigious capital programme planned and to meet growing service level expectations, but it is backed by a sound financial and infrastructure strategy – we think we have the balance right.

### **Section 3. Component B - Operating environment challenges and opportunities**

The following outlines the challenges and opportunities that we face as a city and organisation and how we propose to respond.

#### **Managing the demand for increasing levels of service**

<b>The Challenge</b>	<p>Wellington has made significant investment in its facilities over many years. There has been a new indoor community centre, investment in our sports fields, the roll-out of artificial playing surfaces and investment in pools. Funding has also gone to other areas of Council activity including core infrastructure, the arts, and the environment.</p> <p>And, as with many other Councils in New Zealand, and indeed abroad, community expectations for improving services is constant and the willingness to pay for ever increasing / improving services is low.</p> <p>Overall 70% of Wellington residents consider that Council provides value for money services. However, pressures on maintaining levels of service delivery (and value for money services to residents) are expected to increase. These pressures are expected to come from:</p> <ul style="list-style-type: none"> <li>• The need to accommodate an increasing population - and more people in the central city</li> <li>• Awareness of risk from natural disasters</li> <li>• Changing lifestyles and transport modes</li> <li>• More people accessing Council services</li> <li>• Maintaining infrastructure upgrade and renewal cycles for significant assets; and</li> <li>• Increasing regulatory demands – particularly for the built environment</li> </ul>
----------------------	---

<b>Our response</b>	<p>Our approach is to ensure essential services are delivered to agreed standards (do the basics well) and prioritise funding to the areas where there are specific renewal challenges to overcome. We have also reviewed our performance measures and targets to ensure we are able to tell a cohesive story about our performance, being clear about how well we are delivering our services and whether we are meeting community expectations. We have allocated more funding, in our Plan to those areas where we think we are not currently meeting expected levels of service, including playgrounds, housing, arts &amp; culture, waste management, cycling and our transport network. This also includes an extra \$0.8bn extra capital funding for new asset based responses to increase levels of service.</p> <p>We assume that:</p> <ul style="list-style-type: none"> <li>• the current demand for Council services and customer expectations regarding business as usual levels of service will not significantly decrease during the planning period; and</li> <li>• beyond that specifically planned and identified later in this Strategy, there will be no significant additional impact from above pressures on asset requirements or operating expenditure.</li> </ul>
---------------------	--

**Cost pressures**

<b>The Challenge</b>	<p>Costs are currently increasing at a faster rate than both CPI (the general consumer inflation index) and LGCI (local government inflation index) due to a combination of resource constraints for specific services and level of service increases.</p> <p>We have identified a number of cost pressures and initiatives, reflecting increased asset ownership (construction and purchase), community demand for increased / improved services, the need to invest in Council infrastructure and facilities to earthquake strengthen them, new health and safety standards, and increasing unplanned costs that arise from more severe and frequent storm events as a consequence of climate change.</p>
----------------------	---

<b>Our response</b>	<p>Cost pressures– apart from those that relate to levels of service –are largely unavoidable. We have made provision for inflation and will revisit these assumptions on an annual basis, to test whether the budgets we have indicated remain achievable. We will continue to manage the city’s assets prudently, fund their replacement (through depreciation) and meet the other associated operating costs relating to responsible asset stewardship so that future generations inherit city assets in a good condition.</p>
---------------------	---

**Managing the demands of population and ratepayer base growth**

<b>The Challenge</b>	<p>As the city’s population increases, the commercial sector will also expand. We expect an additional 28,000 people to work in the city by 2047. With much of the population growth predicted to be in the inner city, and the city centre being the economic hub of the region, good planning that accommodates for both while also taking into account the effects of climate change will be crucial.</p>
----------------------	--



<b>Our response</b>	<p>We propose to:</p> <ul style="list-style-type: none"> <li>• Asset management planning – City growth assumptions and district plan setting underpin the Council’s Asset Management Plans, and direct capital expenditure on network infrastructure and facilities toward growth areas. We propose that infrastructure and facility investment related to growth continues to be provided for through development contributions.</li> <li>• Council investment in housing – we propose to invest to deliver 750 new social and affordable homes in the city over the next ten years and will take an active role in improving residents’ housing choices, by working with central government and other partners on a range of projects to improve housing standards and supply in the city</li> <li>• Further detailed planning for growth – New housing is limited by topography, knowledge of likely sea level rise impacts, ground quality and space to put pipes and roads in. Consequently, to accommodate a growing population we are focusing growth towards existing urban areas and the inner city. We propose an initial three year focus on a city planning review to respond to forecast levels of population growth and intensification. This will be through the review of the district plan settings, and spatial planning which will model needs and include impact assessments. This will better inform the decisions of requirements in the future.</li> <li>• Invest in new infrastructure in the ‘Northern Growth’ greenfields development areas. This includes new water reservoirs for horokiwi and stebbings, and \$23m of new roads . Also Public space development to provide extra capacity in Newlands is planned.</li> <li>• Growing the ratepayer base – A growing population also results in a growing ratepayer base which provides the ability to spread increased costs in future years across a bigger rating base. We have conservatively forecast average growth in the ratepayer base (increase in Capital Value of the city as a result of development) of 0.9% per year.</li> </ul>
---------------------	---

**Making the city more resilient**

<b>The Challenge</b>	<p>In November 2016, we experienced a significant earthquake that tested our city. It responded well, but there is more work to do to improve the city’s resilience. With the climate also changing, we need to find ways of living with more severe and frequent extreme weather events. And we also need to factor in rising sea levels.</p>
----------------------	--

<b>Our response</b>	<p>We propose to:</p> <ul style="list-style-type: none"> <li>Regulate and facilitate strengthening work in the city – in addition to the Resilience Strategy, in July 2017 timelines for strengthening priority earthquake-prone buildings were shortened from 15 to 7 ½ years. Earthquake-prone buildings on strategic routes must also be strengthened within 7 ½ years. Other earthquake-prone buildings must be strengthened within 15 years. Council monitors the strengthening programme of earthquake prone buildings in the city and provides funding support.</li> <li>Congruent with the regionally set Wellington Resilience Strategy we propose to strengthen Council infrastructure through the renewal programme – Wellington has been strengthening buildings for over 20 years and each year a proportion of our underground pipes for water, stormwater and sewage pipes are renewed using ductile (earthquake resilient) materials. We have provided the financial capacity within our 10-Year Plan to continue this work.</li> <li>Focusing on critical lifeline areas – We are also planning to fund increased water storage in the city and secure water supply to the central city following a natural disaster event. Two key reservoirs are the new Omaroro reservoir and the upgraded replacement of the existing reservoir in Bell Rd at a cost of \$58.5m. Both situated in the Prince of Wales Park in Mt Cook, these reservoirs will significantly increase the resilience and capacity of stored water volumes for the CBD, the Wellington Regional Hospital and the areas of Mt Cook, Aro Valley and Kelburn.</li> <li>Most of our buildings are not earthquake prone, but some are, and require strengthening. We have provided \$88.7m in our draft plan to strengthen the Town Hall and \$11.5m for St James Theatre in the next few years. We have also sourced alternative office accommodation for the next five years to allow time for a permanent solution to be found for the Council’s Civic Administration Building, which was damaged in the 2016 earthquake and for the adjacent Municipal Office Building which the Council will be exiting in late 2018 to allow for the Town Hall strengthening work to commence.</li> <li>Additional funding to respond to climate change impacts – we have provided a new \$2 million dollar capital fund in our draft plan to respond to the impacts of more severe weather events on our land and assets and included additional funding for coastal resilience work.</li> </ul>
---------------------	--

**Maximising our cultural advantage and tourism attractions**

<b>The Challenge</b>	<p>We’ve invested extensively in the arts over many decades and our city has an enviable reputation as the capital of culture – it is one of the areas that sets us apart from other cities and provides us with a competitive advantage in terms of visitor attraction.</p> <p>Other cities are also investing in these areas, and we need to make sure investment levels are high enough to support a thriving arts and culture sector in the city. At the same time, much of our cultural sector relies on facilities that we own as a Council – and some of these are earthquake prone.</p>
----------------------	---

<b>Our response</b>	<p>Our response to this challenge involves:</p> <ul style="list-style-type: none"> <li>Investment in tourism facilities – we are planning for investing in facilities to increase Wellington’s visitor offering including the construction of a Convention Centre, Film Museum and indoor arena. We are also planning to help part-fund investment in other infrastructure like the airport runway extension. This would help facilitate this growth and diversification of the wellington economy.</li> <li>Investment in the arts – to maintain and strengthen the reputation of Wellington as the cultural capital of New Zealand, we are promoting a ‘decade of culture’. Capital funding related to the cultural outcomes is to support the sector with high quality venues. The strengthening and refurbishment to allow for future use of the Town Hall and St James theatre, and \$85.7m of funding towards construction of an indoor arena will provide a significant boost in support of this sector.</li> <li>Funding of economic and tourism initiatives – the long-term plan includes a broad range of investments that will support economic growth. A number of these investments, as mentioned above are strongly focused on the tourist economy. In the coming year, we will explore options around how the Wellington visitor industry might assist or contribute financially from year 3 of the plan to fund activities that support the visitor economy.</li> </ul>
---------------------	---

**Transport - Getting Wellington Moving**

<b>The Challenge</b>	<p>The current transport network is already significantly congested at peak times. And as our population grows over time and more people start living in the inner city, the pressure on our network and inner city neighborhoods’ will increase. Commuters and inner city residents are already experiencing this, and public satisfaction with peak-hour traffic congestion is declining.</p>
<b>Our response</b>	<ul style="list-style-type: none"> <li><i>Let’s Get Wellington Moving (LGWM)</i> - we are working with the Greater Wellington Regional Council and the New Zealand Transport Agency on the Let’s Get Wellington Moving programme of work. This work is taking a holistic look at how improve traffic along the Ngauranga to airport corridor. Four separate scenarios were consulted on with the community in late 2017 and these included a range of active travel mode solutions coupled with better public transport and roading improvements along the network. Decisions on a preferred scenario will not occur until later in 2018 and consequently we have provided provisional funding of \$122 million in the later years of this plan only at this time. Depending on the final scenario that is adopted, funding levels and the timing for when it will be required may have to change. Should this be the case further consultation may be required.</li> <li><i>Cycling Master Plan</i> – As cycling improvements in the city centre are being considered a part of LGWM, this project relates to cycling improvements outside of the city centre only. We are proposing a budget of \$72.6 million of capital funding over the next 10 years which is expected to continue and see the full city cycling programme completed in 20 years.</li> <li><i>A more resilient network</i> – we support a more resilient transport network in the region which provides more resilient critical, and alternative routes in, out and around the city. We support both Transmission Gully and the proposed Petone to Grenada link road, which are being delivered by the NZ Transport Agency. Additionally, we are proposing to increase funding for our transport network in the coming year to strengthen retaining walls below and above roads throughout the network, as well as tunnel and bridge strengthening work.</li> </ul>

**Managing the rates and borrowing impact of improving the city’s infrastructure**

<b>The Challenge</b>	<p>Our Plan outlines some significant investments that we believe are necessary to make. They include, at a high level:</p> <ul style="list-style-type: none"> <li>• Strengthening civic and city venues such as the Town Hall and St James Theatre</li> <li>• Improving the resilience of the three waters network</li> <li>• Investment in cycling and transport infrastructure to ‘Get Wellington Moving’.</li> <li>• Economic development &amp; visitor attraction projects such as the Convention Centre/Movie Museum and an indoor arena</li> <li>• A new library &amp; community centre in Johnsonville</li> </ul> <p>The Council is also committed to ensuring we continue to maintain and renew the assets we already have.</p> <p>As a result the most significant driver of rates increases across the 10 years of the proposed Long-term Plan is the funding of the Council’s capital investment programme of \$2.3b.</p>
<b>Our response</b>	<p>The Council has one of the strongest balance sheets of any Council in New Zealand, reflected in its AA credit rating. This means we have the ability to borrow to fund this capital expenditure programme and remain within the key limits the Council set in its last long-term plan. Our debt to income ratio is expected to peak at 160%, within our existing Financial Strategy threshold of 175% and significantly below that of other metropolitan councils, some of whose ratios exceed 200%.</p> <p>By borrowing for the upfront cost we can then spread the impact across those who use the asset over its life. We do this by including funding depreciation and interest costs through rates. This funding is included in the average 4% rates increase forecast across the 10 years of the plan. This funding repays the borrowings incurred to build new assets. This means we are funding the true cost of the investment and not delaying costs for future ratepayers.</p> <p>We are also putting greater focus on ensuring we can deliver the capital investment programme we set in our plan and have reforecast the deliverability of our existing capex programme. This has seen some projects being phased over later years of the plan, reflecting realistic deliverability and as a result we have lowered our starting borrowing position and therefore our interest budgets for the 2018-28 LTP. We will only start to fund capital projects through rates once construction is completed and the facility is in use.</p> <p>We are also reviewing the make-up of our budget for bulk water supply from Greater Wellington Regional Council and exploring options around how the Wellington visitor industry might be able to contribute to the costs of some of our investments in projects that will benefit the tourism economy, as a means of reducing the impact on rates increases across the term of the LTP.</p>

Our strategic priorities have proposed investment in projects that target these challenges. Some of these investments – particularly in the resilience priority, have renewals or upgrades to infrastructure asset. most of the investment in priority area

Table 1: Summary - our response to challenges

Challenges	Levels of service – increased demands	Cost pressures	Managing for a growing population	Making the City more resilience	Maximising our economic & cultural advantage	Getting to from and around the city	Funding improved infrastructure
<b>Strategic priorities</b>	<ul style="list-style-type: none"> <li>• Strategic Housing investment Plan (SHIP)</li> <li>• Rental warrant of fitness</li> <li>• Te Whare Oki Oki – supported living options for the most vulnerable</li> <li>• Housing upgrades</li> </ul>		<ul style="list-style-type: none"> <li>• Development Partnerships</li> <li>• New Housing Accord</li> <li>• Inner-city building Conversions</li> <li>• Urban Development Agency (UDA)</li> </ul>				
<b>Housing</b>	<ul style="list-style-type: none"> <li>• Bus planning - bus shelters, priority planning</li> </ul>	<ul style="list-style-type: none"> <li>• Storm clean-up</li> </ul>		<ul style="list-style-type: none"> <li>• Road Corridor improvements - strengthening road walls, tunnel, bridges</li> </ul>	<ul style="list-style-type: none"> <li>• Let's Get Welly Moving</li> <li>• Cycling improvements – Northern, southern eastern corridors; Island bay</li> </ul>		
<b>Transport</b>	<ul style="list-style-type: none"> <li>• Waste management &amp; minimisation</li> <li>• Sludge reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Water Reservoir renewals</li> <li>• Wastewater Network renewals</li> </ul>		<ul style="list-style-type: none"> <li>• Water Reservoir upgrades</li> <li>• Wastewater Network upgrades</li> <li>• Earthquake and road risk Mitigation</li> <li>• Predator control support &amp; community lead trapping</li> </ul>			<ul style="list-style-type: none"> <li>• Strengthen the Town Hall &amp; St James Theatre, Wellington</li> <li>• Gallery &amp; Museum upgrade</li> </ul>
<b>Resilience &amp; environment</b>	<ul style="list-style-type: none"> <li>• Kiwi Point Quarry Upgrades</li> <li>• Zoo habitat sustainability upgrades</li> </ul>	<ul style="list-style-type: none"> <li>• City centre weekend parking fees</li> </ul>			<ul style="list-style-type: none"> <li>• Film Museum</li> <li>• Convention Centre</li> <li>• Indoor Arena</li> </ul>		<ul style="list-style-type: none"> <li>• Airport runway</li> </ul>
<b>Sustainable Growth</b>	<ul style="list-style-type: none"> <li>• Expanding the reach of major festival events</li> <li>• Invest in community arts projects</li> </ul>						<ul style="list-style-type: none"> <li>• Strengthened facilities (theatre, Town Hall, Museum) – see also resilience</li> </ul>
<b>Arts &amp; Culture</b>							

## Section 4. Component C - How will we get there our priorities

### *Our Long-term Plan priorities*

We have set five priorities to make sure our decisions continue to contribute to a city that is dynamic, sustainable and connected, with people at its heart. For more information on these priorities and the key projects that will deliver on these priorities, see the long-term plan consultation document. The five priority areas are:

**Housing** – investing in quality and affordable housing to accommodate our growing population.

**Transport** – investing in good transport options to maintain easy access in and out and around our city, promoting alternatives to private car usage, and reducing congestion.

**Resilience and environment** – investing in core infrastructure, looking after the environment and making our city more resilient against future shocks and stresses.

**Sustainable growth** – investing in economic projects that stimulate growth and diversification, and plan for population growth in ways that recognises the special character of the city.

**Decade of Culture** – investing in arts and culture to maintain our position internationally as a vibrant, edgy capital.

These priorities guide our core activities and drive our new activities.

DRAFT

## **Section 5. Component D - Financial Strategy Settings**

### **5.1 Overview – our financial strategy**

Our Financial Strategy provides a guide against which consideration of proposals for funding and expenditure can occur

### **5.2 Financial Health**

#### **Wellington City is in a strong financial position**

Our financial position can be measured in a number of ways but will include an assessment of income and borrowing levels. Our level of borrowings compares favourably with other metropolitan Councils whose equivalent ratios range from over 175% to around 200%. Our debt to income ratio is currently less than 100% and is expected to peak at 162% over the course of the long-term plan, this is within our limit of 175%. The Council also holds investments in Wellington Airport and a substantial ground lease portfolio that are valued at nearly our \$425m level of borrowings. So the Council could theoretically sell these assets and have very little debt at all.

#### **Highest possible credit rating**

In its 2017 review of the Council's credit rating, the independent credit rating agency Standard & Poors judged Wellington City's long term issuer credit rating at AA, meaning we have a very strong capacity to meet our financial obligations and commitments. Our stand-alone credit profile is the highest of Local Government in New Zealand, and even higher than the government, but has been capped by the government level. The assessment states that the Council has 'very strong financial management and budgetary flexibility, strong budgetary performance and liquidity and low contingent liabilities' supports our view that our credit strength and institutional framework will allow higher debt burdens as we progress our strategy to invest in projects to grow the capital's economy.

### **5.3 Financial Policies and Assumptions**

To ensure the continuation of robust and prudent financial management, the policies that underpin our Financial Strategy are based on being:

#### **Affordable**

The Council experiences significant and unrelenting demand from the community (and through legislative requirements) to increase the service offering and to increase the levels of service. It would be imprudent to attempt to do everything to meet this level of demand as the cost of all the additional initiatives would be unaffordable when rate funding is used to pay for the majority of the additional expense. The strategy attempts to narrow the focus to areas of greatest effect after reviewing the current level of investment, outcomes and value for money. Expenditure levels are moderated and projects are prioritised to areas of most benefit. Limits are set on the key funding tools (rates and debt) to ensure expenditure and funding controls are in place.

#### **Fair – achieving intergenerational equity**

Debt is used to initially fund assets. This debt is repaid over the life of the asset through depreciation funding. This ensures that ratepayers only pay the cost of a service when they benefit from a service. This is

an equitable approach that effectively pays for the assets as they are being used, by those who are using them.

### **Sustainable**

Economic sustainability is based on investment priorities being included in areas that grow the economy and rating base. This enables growth of Councils rating revenue base. This growth of the capital value of rateable properties (adding new developments and rating units) reduces the cost allocation over each rating unit. Financial sustainability for the Council leverages off this cycle and sets policy parameters to:

### **Maintaining a balanced budget**

Council will raise sufficient income each year to fund the costs of providing services consumed by the city that year. No profit is budgeted or rated for. Note that our financial statements will show a surplus because revenue received for capital expenditure is required to be shown as income.

We will continue to fund depreciation to repay borrowings on assets that the Council will be responsible for renewing when they reach the end of their useful life. This is an important pillar of our financial strategy as it helps ensure we have sufficient financial capacity to pay for asset renewal in the future.

### **Managing our investments and equity securities**

The Council currently maintains equity interests valued at \$407m.

The primary objective of holding and managing investments and equity securities is to optimise the return on the overall investment portfolio. Investments are also held for the purpose of achieving Council's strategic objectives and to provide diversity to the Council's revenue sources. For non-strategic investments, the target return for investment is to achieve an average return over time greater than Council's long term cost of funds, currently forecast at 4.9% per year. The Council's investment policy sets out the mix of investments, strategies and other policy considerations in greater detail.

The Council operates on a "net debt" basis, and does not separately maintain significant long term cash investments. The general policy with respect to surplus short term cash is to invest any short term surplus cash or to temporarily reduce borrowings.

The equity and financial investments are divided into 5 categories:

#### **Cash and Cash Equivalents**

- Cash is held for liquidity purposes like the pre-funding of debt maturing within 12 months, or short term cash surplus investments.
- Income generating commercial debt instruments  
These are principally loans to other organisations (on commercial terms) to deliver a cash-flow return to the Council.
- Income generating commercial equity investments  
The Council currently maintains a 34% shareholding in Wellington International Airport Limited (WIAL).
- Income generating commercial property investments  
The Council's ground leases and land and buildings are held primarily for investment purposes. The Council periodically reviews its continued ownership of investment properties by assessing the benefits of continued ownership in reference to strategic benefit, financial return, risk and opportunity cost.

The Council does not target a financial return from its strategic investments. These are divided into two



categories:

- **Non income generating investments**  
This includes loans to other organisations, and equity investments in Council Controlled Organisations. The Council's non income generating investments are held for strategic or ownership reasons.
- **New Zealand Local Government Funding Agency Limited**  
The Council invests in shares and other financial instruments (including borrower notes) of the New Zealand Local Government Funding Agency Limited (LGFA) and may borrow to fund that investment. The Council's objective is to ensure that the LGFA has sufficient capital to remain viable, enabling it to continue as a source of debt funding for the Council. The Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

The Council's investment policy sets out the mix of investments, strategies and other policy considerations in greater detail.

### **Operate a policy on securities**

To be able to borrow money we need to offer security to the lenders. Security is a guarantee which can be redeemed in case of default, like a house as mortgage security. Our borrowings are secured by creating a charge over our rates revenue. This security relates to any borrowing and to the performance of any associated obligations to borrowing. As a shareholder and borrower from the New Zealand Local Government Funding Agency we also use rates revenue as security over all borrowing from the agency.

### **Manage risk**

Our insurance policy aims to achieve an adequate level of insurance with a balance of insurers from NZ and international markets. Our insurance is mainly for material damage and business interruption. Material damage covers catastrophe losses only, with an internal \$10m insurance reserve fund (being increased over time) to cover excesses and day to day working losses. The insurance coverage includes natural disasters to a limit of liability of \$563m material damage (buildings, infrastructural assets and contents) and Business Interruption combined over an asset portfolio of \$5.8bn. Our earthquake cover and other natural disasters are informed by Geological and Nuclear Sciences (GNS) on potential losses caused by these events.

### **Maintain transparency**

A key outcome of the Long-term plan and Financial and Infrastructure strategies is that they make the Council's plans simple to understand. The plans are costed, and the methods and tools for funding the plans are made clear. This enables an informed process of engagement with the community on these proposals, and their implications.

We have been able to limit the impact of depreciation and interest on proposed rates increases by reviewing the timing and delivery of our capex programme. In some cases we have brought capex forward, such as the Omāroro reservoir project which will improve the city's water resilience. In others, like the Indoor Arena and Movie Museum/ Convention Centre we have pushed budgets out to indicate a more realistic delivery timeline.

### **How we fund capital expenditure**

Capital expenditure represents expenditure on property, plant and equipment. Property, plant and equipment are tangible assets that are held by the Council for use in the provision of its goods and services

(for example: bridges, libraries, swimming pools), for rental to others or for administrative purposes, and may include items held for the maintenance or repair of such assets.

Capital expenditure is funded from rating for depreciation, development contributions, capital funding, and restricted funds or through new or extended borrowings as outlined below:

- If the capital expenditure relates to the replacement (renewal) of an existing asset, that expenditure will be temporarily funded by borrowings. These borrowings will be repaid by rating for depreciation over the life of the asset. Any surplus rate funded depreciation, after paying for the replacement of Council assets, will be used to repay borrowings.
- If the capital expenditure relates to the construction or purchase of a new asset or to the upgrade or increase in service potential of an existing asset, that expenditure will usually be funded from new or extended borrowings. Borrowing is the most cost-effective and equitable way to do this as it spreads the cost of the asset over all the generations who will benefit from it, making it affordable to ratepayers today.
- On projects where on the basis of financial prudence, the Council considers it appropriate to do so, it may impose a targeted rate to repay borrowings on an asset at a faster rate than over the full life of the asset.
- The Council will use capital funding from third parties to fund investment in new or upgraded assets (e.g. funding received from NZTA).
- The funding of capital expenditure from the sale of surplus assets is decided on a case-by-case basis. Funds received from the sale of surplus assets that are not applied to the funding of capital expenditure shall be used to repay borrowings.
- The funding of capital expenditure from restricted or special funds is decided on a case-by-case basis and is subject to the specified purposes and conditions governing the use of those restricted funds.
- If an approved capital expenditure project is not completed by the end of the financial period, the unspent funds may be carried forward to the next financial period to enable the project to be completed.
- The Council has agreed that Development Contributions are to be used as the primary funding tool for capital expenditure resulting from population and employment growth for water, wastewater, stormwater, roads, and reserves. The Council will continue to collect residual RMA based Financial Contributions on developments consented prior to 2005/06. In some circumstances. Funds collected under either the Development Contributions Policy or the Financial Contributions Policy in the District Plan will result in a corresponding decrease in the amount to be funded from new borrowings.

## How we fund operating expenditure

### *Establishing the level of operating revenue required to fund operating expenditure*

Operating expenditure pays for the Council's day-to-day operations and services, from collecting rubbish and providing street lighting to maintaining gardens and issuing building consents. The Council will set its projected operating revenue at a level sufficient to meet the current year's projected operating expenditure, except where the Council resolves that it is financially prudent not to do so. When setting projected operating revenue at a level that is different from the level of projected operating expenditure the Council will have regard to:

- The estimated expenses of achieving and maintaining the predicted levels of service provision set out in the LTP, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life.
  - The projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life.
  - The equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life.
  - The funding and financial policies adopted under section 102 of the Local Government Act 2002.
- In accordance with these principles, the Council has determined that the following items will not be funded:

*Accounting for fair value changes.* Under New Zealand International Financial Reporting Standards (NZIFRS), changes in the fair value of certain assets must be accounted for within the Statement of Financial Performance. In accordance with Section 100 of the Local Government Act 2002, the Council does not consider it financially prudent to fund changes in the fair value of assets or liabilities as these are essentially unrealised accounting adjustments.

- *Non-funding of depreciation on Council assets.* The Council may elect not to fund all or part of the depreciation expenditure on specific assets in those circumstances where it is not financially prudent to do so. In accordance with section 100 of the Local Government Act 2002, the Council considers that it is not financially prudent to fund depreciation in the following circumstances:
- Where the original asset purchase was not funded by borrowings, or the original borrowings have been repaid, and
- Where, on an ongoing basis, the replacement of the asset at the end of its useful life will be funded by a third party, or
- Where the Council has elected not to replace the asset at the end of its useful life.
- Where a third party has a contractual obligation to either maintain the service potential of the asset throughout all or part of its useful life (or to replace the asset at the end of its useful life) and the Council already effectively funds this through operating grants/tariffs payable to the third party.

*Non-funding of depreciation on waterfront assets.* The Council has transitioned the waterfront project 'in-house' during 2014/2015. This acquisition has necessitated a transition toward funding the depreciation of all waterfront assets by 2024/25. This transition funding will link the cost of funding to the benefits received over time.

### *Options available for funding Council services*

- The Council uses the following mechanisms to fund operational expenditure requirements: **General**

**rates.** General rates are used to fund public goods where it is not possible and/or practical to clearly identify customers or users. The general rate is also used to fund activities where, for reasons of fairness, equity and consideration of the wider community good it is considered that this is the most appropriate way in which to fund an activity.

- **Targeted rates.** This form of rate is used where an activity benefits an easily identifiable group of ratepayers (such as the commercial or residential sectors) and where it is appropriate that only this group be targeted to pay for some or all of a particular service. For example, sewage disposal, water supply and the downtown targeted rate.

**Fees and charges.** User charges are direct charges to people and/or groups who use certain Council services such as swimming pools. In these instances, an identifiable benefit exists to clearly identifiable people and/or groups and they are required to pay for all or part of the cost of using that service. It is noted that since 2006 Councils have been required to inflation adjust all income and expenditure within their LTP. Where appropriate and with consideration to 'ability to pay' principals, user charges will be increased by the rate of inflation to achieve continued alignment with the proposed funding policy targets. Grants and subsidies apply to some activities when income from external agencies is received to support that particular activity.

- **Borrowings.** In general Council does not fund operating expenditure by borrowing. The exception is to fund the impacts on ratepayer's intergenerational equity or to fund expenditure over the period which benefits are received, such as weathertightness payments. Any borrowings associated with these expenses will be repaid over time.
- **Other sources of funding.** The Council also funds operating expenditure from other sources, including income from interest and dividends from investments held by the Council, lease income and proceeds from asset sales. Other sources of funding include:

*Use of surpluses from previous financial periods.*

Where the Council has recorded an actual surplus in one financial period it may pass this benefit on to ratepayers in a subsequent financial period. A surplus arises from the recognition of additional income or through savings in expenditure. Council considers that passing this benefit on to ratepayers in future financial periods improves the principle of intergenerational equity, in that any financial benefit is passed on to those ratepayers who shared the rates-funding burden in the financial period that the surplus was generated.

The amount of any surplus carried forward from previous financial periods will be accounted for as an operating deficit in the year the benefit is passed on to ratepayers. A surplus will be available for use in future financial periods if the actual surplus/ (deficit) is improved when compared to the budgeted surplus/ (deficit). In calculating the level of surplus to be carried forward, consideration will be given to the nature of the factors giving rise to the surplus (for example, whether they are cash or non-cash in nature). Generally, only those factors that are cash in nature will be available for use in determining the level of surplus to be carried forward.

The Council will not carry forward surpluses in relation to:

- The sale of assets. Such surpluses shall be used for repayment of borrowings.
- Trust and bequest revenue. Such surpluses shall be applied in accordance with the terms on which they are provided.
- Revenue received for capital purposes. Such surpluses shall be retained to fund the associated capital expenditure.
- Unrealised gains arising from fair value adjustments to assets and liabilities. These gains are unrealised accounting adjustments in the period in which they are recognised.

## 5.4 Uncertainty and risk

Every three years we are required to revalue our assets. Because revaluation is based on what it would cost to replace the asset in its current state, a buoyant construction market, with high inflationary pressures pushes up asset values. This in turn increases depreciation, which is funded through rates. There is a risk that higher inflation might push up amount of depreciation required to be funded by rates in the later years of the plan. Our Plan carefully balances the provision of funding to renew existing assets with funding to pay for new or improved assets that increase service levels. Overall our asset management plans show that our existing city infrastructure is in reasonable shape which means over the next 10 years we have the financial capacity to fund some crucial service level increases that improve the city’s resilience. Beyond the 10 years of the 2018-2028 LTP we will likely have to review our 175% debt to income policy limit as asset renewal requirements increase. The most significant impact is out beyond 30 years, when our ageing underground infrastructure will need to be renewed.

## Section 6. Component E - Maintaining and improving infrastructure

This section forms part of the 30 year infrastructure strategy however the significant expenditure on capital upgrades to respond to growth and level of service demand that are planned occur in the first ten years. Years 11-30 are mainly concerned with capital expenditure on asset replacements (renewals) and their profile which is reflected in detail in section 8 across the key infrastructure network assets.

### 6.1 Summary of key strategies & likely asset management scenario

The following table summarises the most likely scenario that the Council expects to adopt in managing its asset portfolio over the next 30 Years. The table also summarises the key aims of our asset management programme and the main supporting strategies. The key inputs to infrastructure decisions come from our Asset Management Plans (AMPS).

30 year infrastructure Strategy	
<i>Likely asset management scenario: Focus investment in Priority areas for years 1-10 &amp; Asset Management Plans programmes years 11-30</i>	
Key aims	Key strategies
<ul style="list-style-type: none"> <li>• Priority infrastructure investments achieve approved increased levels of service</li> <li>• Maintenance and renewal programmes are optimally set</li> <li>• maximise benefits from any under-utilised assets</li> <li>• increase our understanding of seismic risks climate change on our infrastructure</li> <li>• Improve resilience in network infrastructure</li> <li>• core essential services are delivered to agreed standards</li> </ul>	<ul style="list-style-type: none"> <li>• Manage asset renewals to address the deterioration of assets in line with Asset Management Plans (AMPS) risks</li> <li>• Continuously improve our assets data and systems</li> <li>• Unless otherwise stated in our AMPS all levels of service remain unchanged</li> <li>• coordinate infrastructure decisions are across the Council, subsidiaries, other agencies and local councils within the region</li> <li>• Continuously improve our AMPS to reflect increased knowledge of seismic risks</li> <li>• Prioritise funding to the areas where there are specific renewal challenges to overcome</li> <li>• Plan for changes in population and demand</li> </ul>

### 6.2 Context

Collectively the Council has over \$6.9 billion invested in physical assets – everything from waste, roads and footpaths (network infrastructure) through to libraries, pools and social housing (social infrastructure). Our infrastructure strategy consists of two key strands:

- investment to maintain and renew our existing infrastructure
- investment in new and upgraded infrastructure in response to growth and meet demand for increased service levels

Our infrastructure programme is linked to our strategic priority areas where we have a number infrastructure projects (particularly resilience related projects) where we propose to invest vesting in core infrastructure and making our city more resilient against future shocks. Other infrastructure related projects in strategic priority areas include Housing and Transport. (See Table Table 1: Summary - our response to challenges page 11 for further details)

In areas we have not specified a specific service level improvement or growth response we plan to maintain current network infrastructure at existing levels of service. This involves replacing assets in the network as the old ones become redundant (unfit for their purpose).

The replacement of assets (components within the network) depends on a number of factors. Things like condition, utilisation, capacity and criticality help determine when to replace individual assets. Therefore the replacement rate is not a constant amount each year but fluctuates based on the need to replace at the end of their useful lives which is the most cost effective approach.

We have been improving the quality of our asset data to help us make better decisions on when to replace assets, to become more cost effective.

We are also in the process of implementing a new system to better convert the improved data into information for decision making. This is referred to as Strategic Asset Management. This enables us to have better confidence in our asset replacement programme (Renewal profile). Greater confidence in the renewal profile, in turn, enables us to better forecast the timing and cost of asset replacements. We currently have in place 30 year asset management plans for our Three Waters and Transport assets. Once established this will provide us with similar clarity across our social infrastructure providing a greater level of accuracy in determining and managing our replacement cycles and ensuring sustainable asset management across generations.

### 6.3 How we manage our assets

Our approach to managing our infrastructure asset portfolio is guided by the following principles:

Principle	Descriptions
<b>Fit for purpose</b>	<i>What:</i> Provide quality infrastructure that can deliver services in a manner that meets the community expectations now and into the future <i>How:</i> we will maintain and renew infrastructure and facilities against best practice.
<b>Asset utilisation</b>	Improve our understanding of the capacity and utilisation of our assets. Where assets are under-utilised, we will develop strategies to increase utilisation to maximise benefits derived from our investment. This will be done by utilising technology like hydraulic modelling of the waters networks.
<b>Long-term view</b>	<i>What:</i> We will consider the long-term implications of investment in infrastructure and make sure the level of contribution from each generation is set at a fair and reasonable level. <i>How:</i> Continually scrutinise our asset performance with an eye on service outcomes and investment value, with a distinct focus on whole-of-life costs and long-term affordability.
<b>Improved knowledge and data</b>	<i>What:</i> Continually increase the level of understanding of our assets to ensure maintenance and renewal programmes are optimally set. <i>How:</i> Quality information and data will enable us to accurately link the relationships between costs, benefits and risks.
<b>Coordinated</b>	<i>How:</i> Ensure infrastructure decisions are coordinated across the Council, its subsidiaries,

<b>approach</b>	other agencies and local councils within the region.
<b>Resilient</b>	<i>What:</i> Ensure our infrastructure can deal with significant disruption of natural hazards. We have a good understanding of seismic risk to Council assets from earthquakes. We will continue to utilise technological advances like accelerometers, to both measure the impact of events on our infrastructure and to increase the resilience of assets, using more ductile materials, as we renew and add. We will increase our understanding of climate change on our infrastructure networks to improve management of our assets and guide future infrastructure investment.
<b>Managed risk</b>	<i>What:</i> Maintain an insurable risk management strategy to appropriately manage the physical and financial impacts of potential damage to our infrastructure. Improve resilience across the network infrastructure. <i>How:</i> Comply with all national standards that apply to infrastructure and service provision.

We structure our operations into eight strategy areas. In these areas there is responsibility for managing particular assets. (Each year in our Annual Report we report our overall performance in these strategy areas).

Strategy area	Asset management plans
<b>1. Governance</b>	Corporate property
<b>2. Environment</b>	Water supply, wastewater, stormwater (incl. flood protection), southern landfill, and parks and open spaces
<b>3. Economic development</b>	Venues
<b>4. Cultural wellbeing</b>	Corporate property
<b>5. Social &amp; recreation</b>	City housing, libraries, community services, pools and recreation, cemeteries and crematorium, public toilets and pavilions, and outdoor sports facilities
<b>6. Urban development</b>	Corporate property and waterfront
<b>7. Transport</b>	Transport (incl. roads, footpaths & cycling)
<b>8. Corporate</b>	Corporate property

We have continued our substantial data collection programme across all core infrastructure assets (Transport, 3 Waters). This information has been used to determine asset value, asset life and the forecast renewal programmes which are captured in the expenditure graphs on the following pages. Our forecasting assumptions are based on deterministic modelling on available information on asset quantity, condition, life, value to inform our depreciation and renewal programme (*based on previous strategy*).

We have maintained a prudent approach in continuing to fund depreciation where it is anticipated that Council will be responsible for renewing the asset in future. We have also mitigated the risk that if there is a need for renewal expenditure above that determined by our models, to respond to urgent or emergency situations. We have achieved this by maintaining 15% capacity within our debt to income ratio threshold, whereby our forecast maximum ratio through the duration of the 2018-2028 LTP is 162% and our limit is 175%. This equates to approximately \$140m of borrowing capacity in 2028. This is in addition to the insurance cover we have on our assets and available government assistance. We also maintain bank standby facilities in excess of this amount to ensure the Council as sufficient liquidity if this situation were to arise.

### **Lifecycle Management**

The life cycle management approach, guided by our asset management plans, covers the full life of our assets. It defines the monitoring, operations and maintenance of our assets, as well as renewal and upgrade of assets at the end of their useful lives. The objective is to strike the right balance between maintaining ageing assets and renewing or replacing those assets, to achieve the lowest long-term cost.

### **Asset data**

Good quality asset management relies on good quality asset knowledge. It is important that asset managers can analyse how particular assets perform, understand the lifecycle costs and the risks associated with failure. Uncertainty about data for an asset can impact on financial sustainability. Data confidence gives us the ability to quantify the relationship between any given levels of service (benefit), its associated funding requirements (cost).

### **Renewals cycle**

Renewals address deterioration of assets, toward the end of their useful life. Prioritisation for renewals is established using a risk-based approach. In general terms, assets are maintained and rehabilitated until they reach the end of their useful life. Assumptions about an asset's useful life are made upon construction and consequently updated periodically based on:

- Age and condition profile;
- Performance and customer service issues;
- Growth and changing demands;
- Criticality and risk
- Ongoing maintenance requirements, and
- The differing economic lives of individual assets.

The Council uses updated condition and performance assessment data with relevant asset life expectancy rates to forecast an asset's likely end of life.

### **Asset criticality**

Asset criticality is a fundamental driver of the renewal cycle of an asset. It determines whether an asset can continue being used until signs of failure are present or if the asset must be renewed before failure can occur. Put simply, the criticality of an asset is a measure of the consequence of the assets failure to deliver its expected level of service.

For non-critical assets, where failure has a minimal impact on the level of service, the asset can be allowed to fail before renewal is required. Whereas, for critical assets, renewal of the asset will be carried out prior to the end of its useful life, in order to avoid its failure. As a result critical assets must be assessed regularly and their useful lives updated based on current state, in order to reduce the risk of failure.

Detail on the criticality of each of our assets can be found within individual asset management plans. Criticality is assessed based on the risk and impact of asset failure. It takes into account issues like health safety, the number of customer impacted and the environment. This is important to enable targeting investment and renewal timing of highly critical assets.

### **Lifecycle management risks**

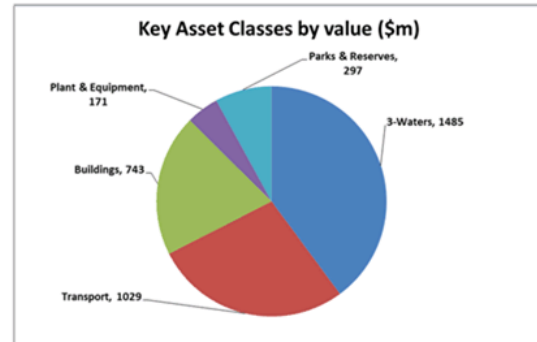
There are risks associated with our lifecycle management approach. The asset management plans assess the risks, management and mitigation measures associated with specific assets.

The condition of assets must be managed effectively for the assets to continue delivering services. Long-term deferring of asset maintenance and renewals can lead to more breakdowns and service disruption, substandard services, and, in the end, failure of services.



## 6.4 The State of assets

The following graphs detail our main assets classes by proportion and value



According to the best information we have, our assets are well maintained and in reasonable condition. However, as noted in section 3, we have some challenges around accommodating the forecast growth and ensuring our assets are resilient to earthquakes and storms. Further details of these are discussed in section 8.

	Value \$000s ODRC	Condition	Performance	Data confidence	AM Maturity
Transport	\$1,014m	3 -Maintenance Required	2 –Good minor shortcomings	B-Reliable	Intermediate
Water	\$377m	2- Minor defects only	2- Good	B–Reliable	Intermediate
Stormwater	\$419m	3- maintenance required	3 Moderate	B-Reliable	Intermediate
Wastewater	\$635m	4- Assets require renewal/ upgrade	3 Moderate	B-Reliable	Intermediate
Parks, Sport and Recreation	\$187m	2- Minor defects only	2- Good	B-Reliable/ C - uncertain	Core
Waste Operations	\$84m	3 -Maintenance required	2 - Good minor shortcomings	B-Reliable / C - uncertain	Basic
City Housing	\$369m	3 -Maintenance required	3 Moderate	B-Reliable	Basic
Corporate property (excluding. CAB)	\$809m	3 -Maintenance required	2- Good	B-Reliable / C - uncertain	Core
Community centres, halls & childcare facilities	\$1m	3 -Maintenance required	3 Moderate	B-Reliable / C - uncertain	Basic

Libraries	\$17m	2 - Minor Defects Only	2 -Good minor shortcomings	B-Reliable	Basic
-----------	-------	------------------------	----------------------------	------------	-------

The scale and measures in the above table have been taken from the international infrastructure asset management manual (2015)

Scale	Condition	Performance	Data confidence	A.M Maturity
High	1 Very Good	1 Very Good	A-Highly reliable	Advanced
	2 Good	2 Good	B -Reliable	Intermediate
	3 Fair	3 Moderate		Core
Low	4 Poor	4 Poor	C-Uncertain	Basic
	5 Very Poor	5 Very poor	D-Very uncertain	Aware

### 6.5 Levels of Service

Service levels for the Council’s assets are agreed through the development of the long-term plan, as informed by asset management plans for each group of assets. Asset management plans set the maintenance, renewal and upgrade programmes for our assets. These plans detail the levels of service from a technical and operational perspective. They link levels of service to performance measures that will inform how well we are delivering against these stated levels of service.

Proposed programmes of improvements have been identified as part of our Plan. The proposed improvements align to the five priority areas of housing, transport, resilience and environment, sustainable growth, and arts and culture. Some of the projects within these priority areas provide an increase to the level of some services. Unless otherwise stated in our asset management plans, all other levels of service remain unchanged.

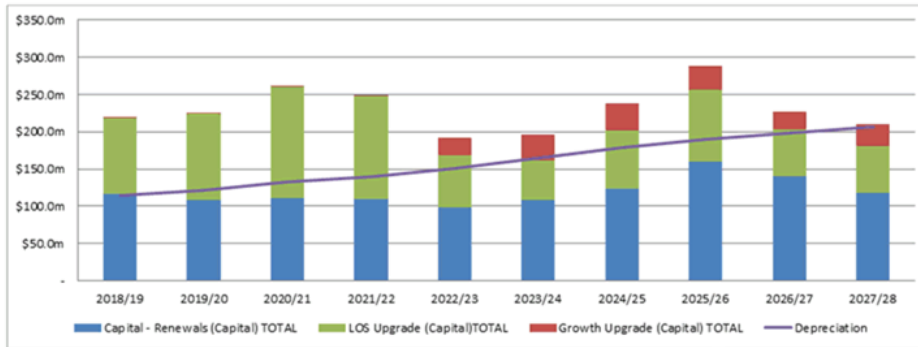
In reviewing levels of service, through development of the asset management plans, the Council has considered changes in demand based on predicted growth, within the context of expected economic and urban growth. Through the first 10 years of the strategy (the 2018-28 LTP period), we expect to meet the required levels of service, meet community expectations, regulation, and provide well maintained, fit for purpose assets.

### 6.6 Investment snapshot –balancing renewals, service level improvements and response to growth

#### Projected capital expenditure

Over the period of the 2018-28 Long-term Plan the Council proposes to invest a total of \$2.3 billion of capital expenditure, including \$1.3 billion for core transport and three waters infrastructure... Approximately \$1.2 billion of the total investment is proposed to be spent renewing existing assets, \$840 million improving service levels and \$272 million responding to the growth needs of the city.

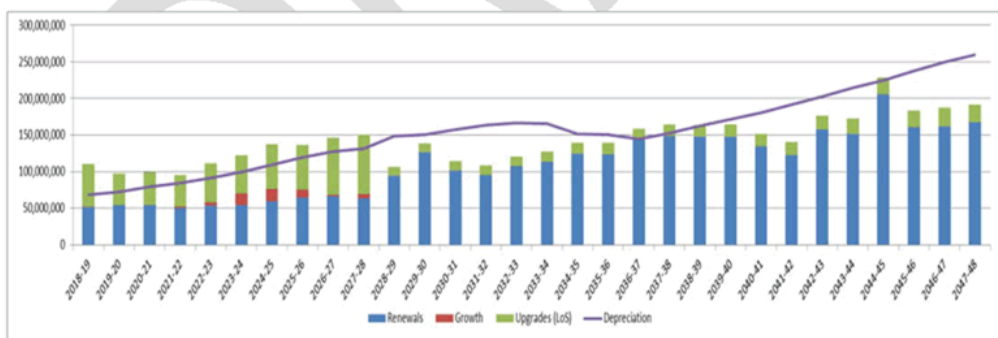
2018-2028 Projected Capital Expenditure



Over the period of the plan the amount we provision for depreciation is expected to grow significantly. This is mainly because we are planning significant investment in new assets. We have budgeted for ratepayers and users of our assets to continue to fund depreciation on assets that the Council has initially funded through borrowings. We see this as the fairest way to spread the cost of the asset across those who use an asset over its life. Exactly who pays for each asset/ service is set out in our Revenue and Financing Policy.

**2018-2048 Projected Core Infrastructure Capital Expenditure**

The capital expenditure on core infrastructure (3 waters and Transport) is focused on the renewal programme to maintain the level of service of from the network of assets. The investment programme in new assets is more certain in the first 10 years of the plan in response to current challenges as detailed below. Over the 30 years covered by this strategy we plan to invest a total \$4.6 billion on core transport and three waters infrastructure, incorporating \$3.3 billion for renewing assets and \$981 million upgrading and improving and service levels. As illustrated in the graph below in years 11-30 we propose to place increased focus on renewing three waters and transport infrastructure assets.

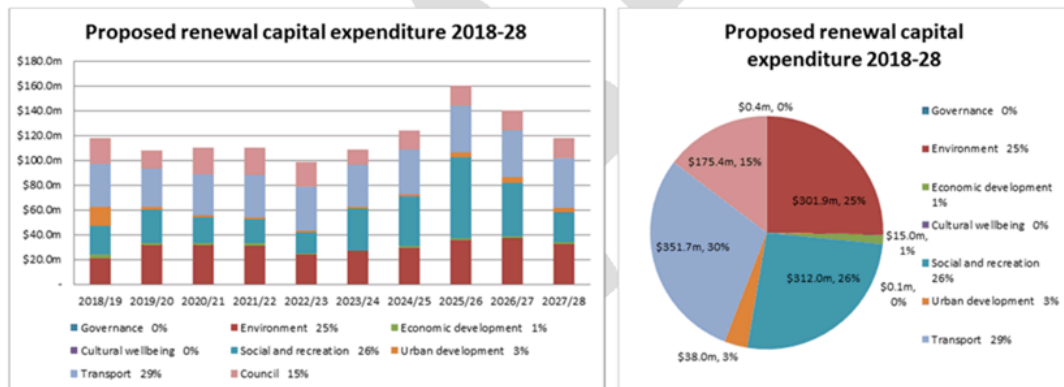


The graph illustrates the relationship between anticipated renewal and upgrade requirements and depreciation over the 30 years of our infrastructure strategy. Through most years depreciation is above the level of renewals, because our long-life assets are expected to continue to meet service level requirements with modest renewal expenditure over the term covered by this strategy. We are not forecasting any major challenges as a result of individually significant asset renewals. This provides some financial flexibility to invest in upgrades to level of service particularly in the first 10 years covered by this strategy. In years 11 to 20 depreciation funding exceeds renewals due to extra depreciation from new assets built in the first ten years, including indicative investment in the Lets Get Wellington Moving project. Assumptions made on

both asset life and renewal requirements for this project will be reviewed once we have more certainty over the physical works the Council will be funding.

**Our response to asset renewal requirements**

The renewal of assets is heavily guided by our asset management plans. Over the period of 2018-2028 Long-term Plan we propose to invest \$1.2 billion renewing our assets, of which \$574 million is for core three waters and transport infrastructure. These account for 25% and 29% of total renewals. Over the 30 years covered by this infrastructure strategy we propose to spend a total of \$3.3 billion renewing this core infrastructure. This renewal expenditure is spread across the various assets in similar proportions to their overall value. The main exception to this is the housing upgrade programme which is forecast to increase in the 2<sup>nd</sup> five years of our plan with stage two of our social housing renewal programme and peaks in year 8 with \$42m.



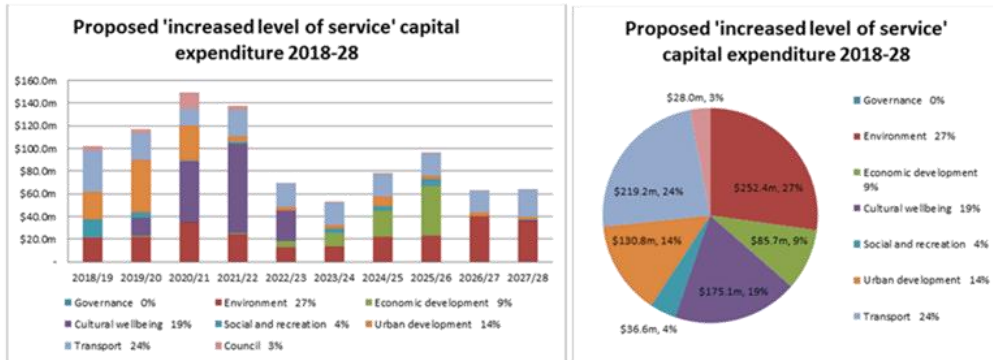
**Our response to demands for improved service levels**

The challenges identified earlier in this document and highlighted in the Councils Long Term Plan consultation document signal demand for investment to improve the level of service in a number of strategy areas. We propose to invest \$842 million over the next 10 years on improving levels of service in the city. Of this \$575 million is proposed to be invested in improving core transport and three waters infrastructure. We propose to invest a total of \$920m of capital expenditure in core infrastructure over the 30 years of this strategy.

Significant investment in 2018-2028 our Long-term Plan is proposed in:

<b>Environment</b>	\$58m for upgrading water reservoirs (2019/20 – 2021/22)	Improved level of service – once these two reservoirs are built, it is expected that the volume of water storage will be increased to provide emergency water supply for 50 days.
	\$46m for stormwater improvements	Improved level of service – stormwater infrastructure improvements in Miramar (years 5-7) Kilbirnie (year 1) and Tawa (in years 7-9) will reduce the frequency and severity of

	\$34m in years 9 & 10 for an initiative to deal with sewage sludge	floods. Maintain level of service – with the predicted increase in population and the limitations of our current consent, our landfill will not be able to deal with the level of sewage sludge in 10 years. Alternative means of dealing with this sludge is required to maintain the level of service.
	\$343m for upgrades to three waters infrastructure in years 11-30. This will be carried out in conjunction with asset renewals.	Increase level of service to improve resilience of the water, stormwater and wastewater pipe network, and increased capacity to respond to infill housing in the city.
<b>Economic Development / Culture</b>	\$140m for Movie Museum / Convention Centre in years 2-5 and \$85m for Indoor Arena in years 5-8. Wellington Museum building upgrade (\$10m) in years 3 & 4.	Improved service level to attract visitors to the city, boost economic growth and raise Wellington’s profile as an arts and culture capital.
<b>Social &amp; recreation</b>	\$17m to complete the new Johnsonville library and community hub (Years 1 & 2)	Improved level of service – the new library and community hub will provide an enhanced community facility in Johnsonville. It will provide greater capacity and enhanced opportunities for education, community events, and knowledge sharing.
<b>Urban Development</b>	Wellington Town Hall (\$88.7m in years 1-3), St James Theatre (\$11.5m in year 1), and	Improved level of service – allowing public access to be reinstated and a music hub to be established in the Town Hall.
<b>Transport</b>	\$122m for the Lets Get Wellington Moving programme (years 5 - 10)	Improved level of service – the new level of service will depend on which package of options is progressed; this will be confirmed later in 2018. The programme is seeking to provide a transport system that: <ul style="list-style-type: none"> <li>• Enhances liveability of the central city</li> <li>• Provides more efficient and reliable access</li> <li>• Reduced reliance on private vehicle travel</li> <li>• Improves safety for everyone</li> <li>• Is adaptable to disruptions and future uncertainty</li> </ul>
	<ul style="list-style-type: none"> <li>• \$73m to improve the cycleway network (\$32m in year 1, and \$5m per year across years 3-10)</li> </ul>	Improved level of service – Council has developed a plan for active transport infrastructure which, at proposed level of funding, will be completed in 20 years. The level of service for those using the active transport infrastructure will improve, as the programme is progressed. The improved level of service will see: <ul style="list-style-type: none"> <li>• Safe connections between suburbs and the central city</li> <li>• Safe spaces for people on bikes, that are separated if the traffic speeds and volumes are high – in line with NZTA guidelines</li> <li>• Good signage to facilitate wayfinding for people on bikes</li> <li>• Good lighting to facilitate cycling at night</li> <li>• Safe clean and comfortable riding surfaces</li> </ul>
	\$25m for bus priority improvements (across years 1- 10)	Improved level of service – bus priority routes will facilitate the stated outcomes of the Let’s Get Wellington Moving and the routes for bus priority improvements will be confirmed later in 2018.
	\$36m for retaining walls and structures to strengthen our roadways (across years 1- 10)	Maintain level of service – with the increase in frequency and severity of severe storms, additional funding is required to ensure we maintain the level of service provided by our retaining structures and roads.
	\$12m allocated to improve the resilience of the Ngaio Gorge roadway (years 1 – 3)	Maintain level of service – with the increase in frequency and severity of severe storms, additional funding is required to ensure we maintain the level of service provided by our retaining structures and roads.



### Our response to population growth

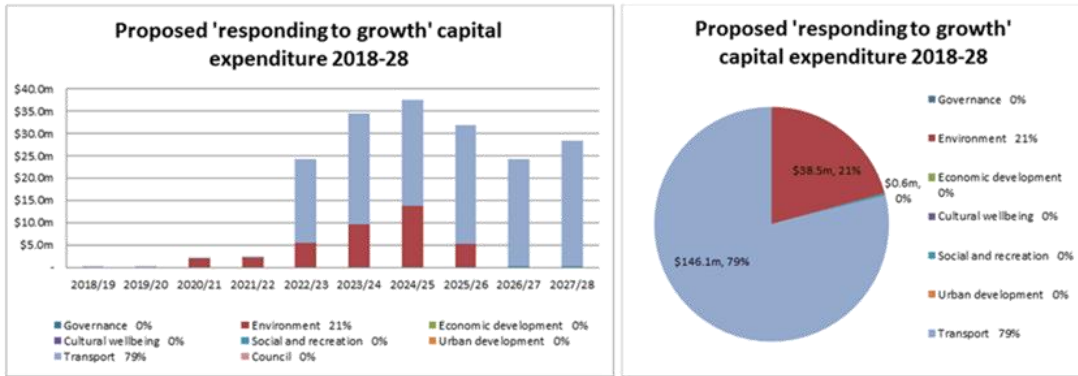
Wellington’s population is currently growing at around 2.0% per annum which is double the 10 year average. We expect growth to continue over the next 10 years but scale back towards historical rates. It is expected that Wellington will have a population of 250,000 to 280,000 by 2043. Demographically, Wellington has a relatively young population compared to other New Zealand cities, with only 6.2% over the age of 70. We are expecting a slow increase of around 0.3% per year over the 30 years covered by this strategy and do not think we need specific strategies to address this change.

Over 40% of the city’s growth is expected to be accommodated in the central city. As the city’s population increases, the commercial sector will also expand. We expect an additional 28,000 people to work in the city by 2047.

We will cater for much of our inner city growth in conjunction with renewal and level of service upgrades (including the Lets Get Wellington Moving project and operationally through the review of our District Plan. As a result the expenditure categorised as ‘responding to growth’ is primarily relates to suburban growth and specific major projects, including:

- 
- \$25m for new water reservoirs in Howokiwi and Stebbings
- \$10m for waters infrastructure in Miramar
- \$1.5m for Public space development in Newlands.
- \$122m for Let’s Get Wellington Moving
- \$23.3m for new roads in the northern suburbs

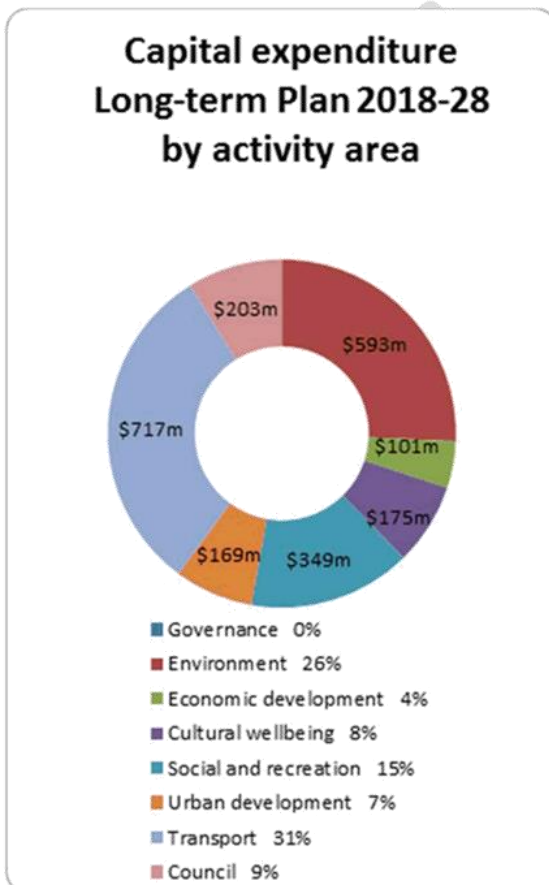
As current planning assumes that the majority of growth will occur within existing urban areas, we propose to cater for growth in the later years (11-30) covered by this infrastructure strategy as we renew our assets.



### 6.7 Investment in our key strategic areas

The previous section illustrated our planned balance of investment between renewal and responding to demand for increased level of service and population. Below we consider that investment by key strategic area.

Over half of our capital expenditure is proposed to be invested into Environment (which incorporates, water, waste water and storm water) and Transport strategic areas.

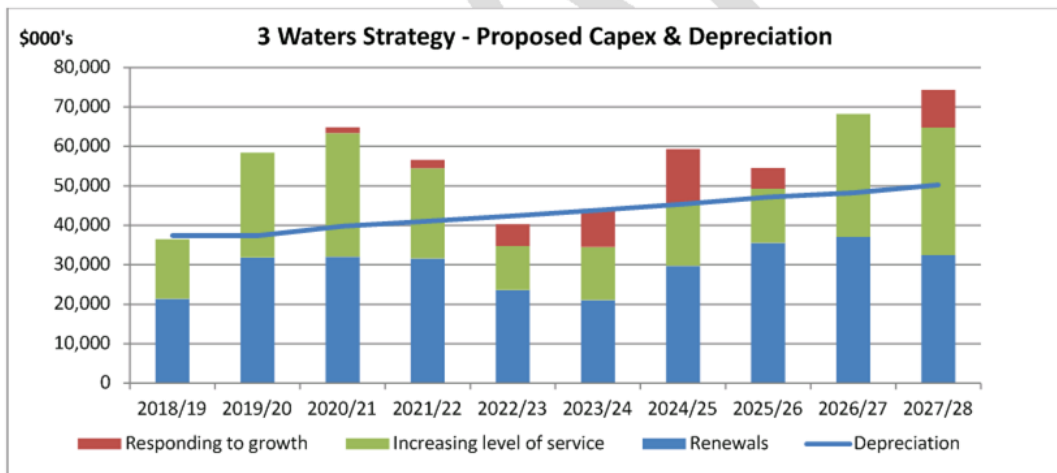


**Investment in three waters**

Community demand for safe, reliable infrastructure has increased because of the November 2016 earthquakes and remains high with Wellington’s current earthquake risk, recent storms, commuter transport congestion, and experience of failures in the railway network.

Resilience to natural disasters is a top priority for the Council due to community demand, which has heightened awareness because of the November 2016 earthquake. Better resilience means the network infrastructure is more reliable and the city can bounce back faster following significant natural events. Investment is planned to strengthen Council owned buildings, like the town hall (\$87m) and St James’ theatre (\$17.5m). Also new infrastructure is planned to be built to:

- increase water storage and therefore water supply to the central city following a natural disaster event. Two key reservoirs are the new Omaroro reservoir and the upgraded replacement reservoir in Bell Rd at a cost of \$58.5m – both in the Prince of Wales Park in Mt Cook which will significantly increase stored water volumes for the CBD and the Wellington Regional Hospital.
- Invest \$53m in increasing the capacity and management of the stormwater network, particularly in areas that are currently incurring more frequent flooding events due to increased storm frequency and severity. This includes targeted projects on the Miramar peninsula and Tawa as well as general upgrades to improve drainage across the city
- These increases in levels of service have a significant impact on debt levels and therefore flow on impacts on operational costs and rates funding.



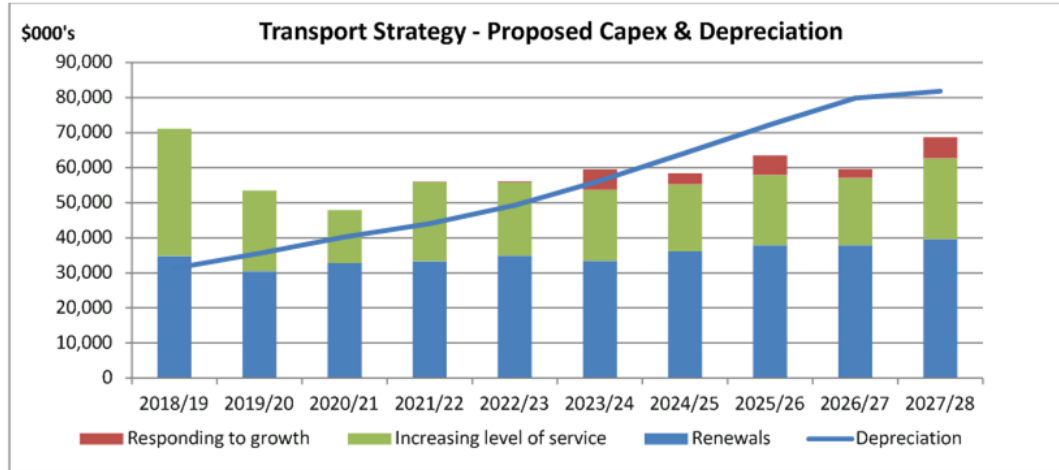
A significant amount of new assets will be added to the waters networks for resilience, and to cater for population growth. These will impact on the extra depreciation required to be funded for the new asset replacements. This operating cost will increase from 37 to 50m over the ten years of the plan.

**Investment in transport**

There is \$219m of investment planned to increase the utilisation and the capacity of transport across and throughout the city. This investment focuses on changing transport modes, with mechanisms to assist greater utilisation of more effective public transport (provided by the regional council), and a \$73m



investment in the provision of new cycle ways. In the latter half of the 10 year plan there is \$120m provided for the project alliance between WCC, the New Zealand Transport Agency & the Greater Wellington Regional Council - 'Let's get Wellington Moving'.

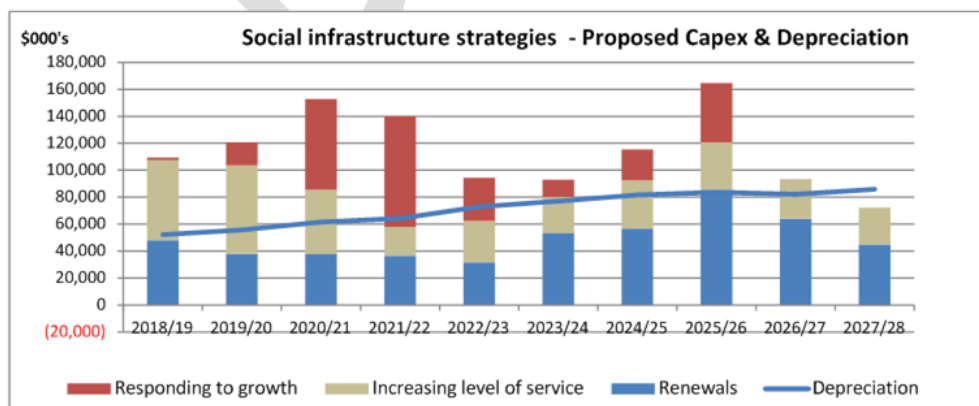


The impact of this significant proposed investment programme is that the level of depreciation significantly increases to over \$80m from \$31m due to the extra value of the assets added to increase service levels. This will provide for the replacement of the new assets when they come to the end of their useful lives.

**Investment in social infrastructure (all other assets not in 3 waters & transport)**

Wellington is currently experiencing a reasonable level of population growth of 2% per annum which is well above the long term average of 0.7% per annum. As a result, up to 280,000 people are expected to call Wellington home by 2043. This requires new and greater capacity infrastructure to enable new developments to house and support this level of population.

There is a big push in this plan to build community and infrastructure assets to support this growth, spending \$341m. There is also a focus on city planning in the first 3 years of this plan on the details and settings of how to facilitate this level of population growth and intensification. This will be through mechanisms of a review of the district plan settings, and spatial planning including modelling of needs and impact assessments. This will better inform the decisions of requirements in the future.



Note: For the purposes of the above graph social & infrastructure strategies refer to all non-water and transport capital expenditure.

DRAFT

## Section 7. Impact on borrowings and rates

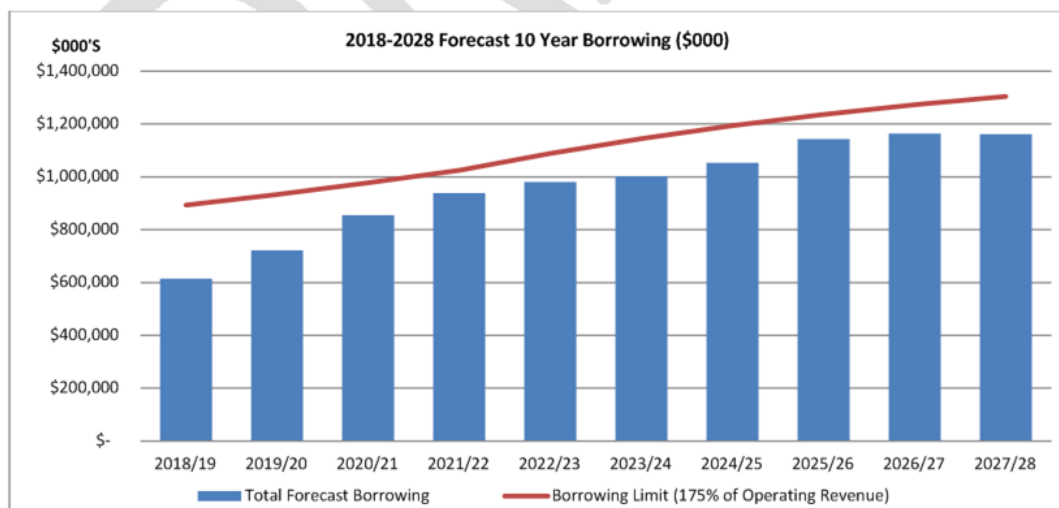
### Borrowing

Our debt position is conservative. We have far less debt (measured as debt to income) than most metropolitan local authorities. Our debt levels range from 121 percent to 162 percent of our annual income, which is below our limit of 175 percent. Our starting borrowing position of \$507 million equates to \$2,394 per person in Wellington. This borrowing position will move to \$1.16 billion by year 10 and will equate to \$5,477 per person in Wellington.

This draft plan includes increases in rates and a significant increase in borrowing over the first 10 years of our 30 year infrastructure strategy. The key cost drivers for our increased borrowing is the significant upgrade programme that relates to our transport, resilience and economic growth programmes

Our strong financial position means we can afford the projects outlined in this plan. Our approach is to keep borrowing levels within the 175 percent debt-to-income limit set out in our Financial Strategy.

We have achieved this by maintaining 15% capacity within our debt to income ratio threshold, whereby our forecast maximum ratio through the duration of the 2018-2028 LTP is 162% and our limit is 175%. This equates to approximately \$140m of borrowing capacity in 2028. This provides further capacity to borrow in the event of a natural disaster. This is in addition to the insurance cover we have on our assets and available government assistance. We also maintain bank standby facilities in excess of this amount to ensure the Council as sufficient liquidity if this situation were to arise. Based on current asset upgrade, renewal and depreciation funding assumptions for our core infrastructure, we will reduce borrowing by approximately \$340 million over the 30 years of this strategy and will therefore maintain sufficient capacity to remain within our 175% debt to income ratio limit. Should demand for additional asset investment occur in subsequent plans, we expect the Council will have capacity to either accommodate these within the limit and/or sufficient balance sheet strength to amend its ratio limit to at least 200% without affecting its credit rating.



This strategy ensures we retain financial capacity throughout the 10-year period. The first three years of the plan is detailed and reflects a work programme that is deliverable within the timeframe. A rolling three-year forecast provides flexibility for the Council to respond to unanticipated changes, new

opportunities and to accommodate projects we know will require funding, such as the 'Let's Get Welly Moving' project, but the level is not yet decided. **Investments**

The Council holds equity investments to the value of \$407m. The two most significant holdings are a 34% shareholding in the Wellington International Airport Limited and a wholly owned portfolio of ground lease properties. These investments are held to diversify the Council's income and reduce its reliance on rates, with the aim of providing a return on investment greater than the Council's cost of funds. A secondary benefit of this investment portfolio is that its semi-liquid nature provides a notional offset to the Council's borrowing.

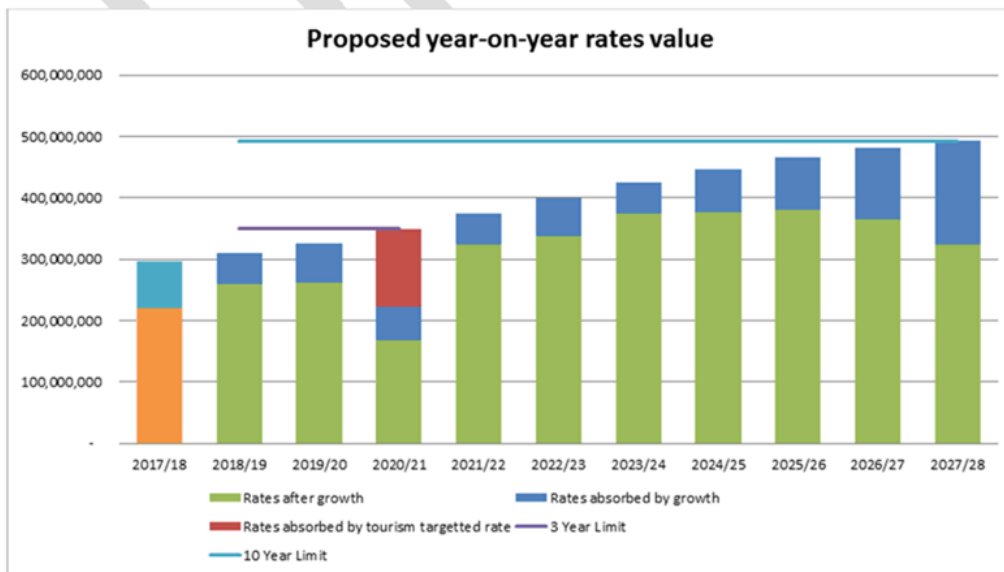
**Rates limits**

Our strategy provides limits to rates increases. These limits are:

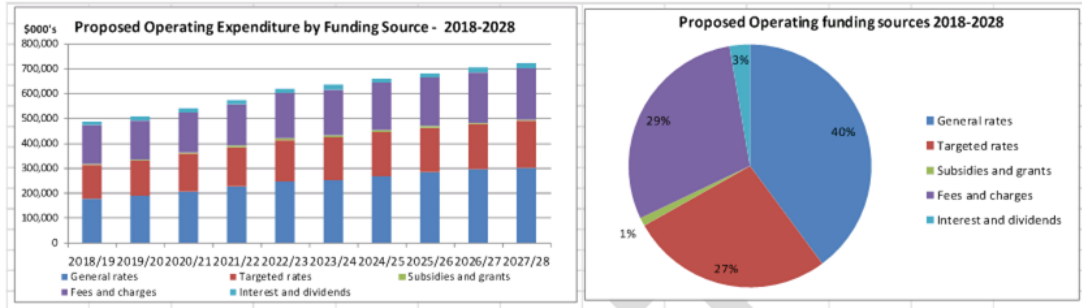
- An annual limit of \$350 million of rates funding for each of the first three years of the 2018-2028 Long Term Plan.
- An annual limit of \$495 million of rates funding for years 4 to 10 of the plan.
- An annual year on year rates increase limit equal to the rates limit less the rates funding requirement set for the prior financial year.

This annual rates limit and rates increase limit are the equivalent of an average rates increase of 3.9% over the first three years and 4.1% over the ten years of the proposed 10 year plan. The average rates increase assumes average growth in the ratepayer base of 0.9% per year across the 10 years of the plan. If there was no growth in the ratepayer base the average rates increase would be 4.9% for the first three years and an average of 5% over 10 years.

We have proposed the introduction of a targeted rate for the tourism sector from 2020/21. If introduced this will lower the rates imposed on other ratepayers equivalent to 2.8% of total rates. If this rate was not introduced (and the activity continued) the average rates increase would be 4.9% across the first three years of the plan and an average of 4.4% over 10 years. The details of the targeted rate for the tourism sector are yet to be worked through, however further consultation will occur on any specific proposal in the relevant Annual Plan year before implementation.



Council uses debt to spread the cost of buying assets and services across those who will benefit from the use of the asset over its life. This means we also need to consider the impact of servicing debt on the affordability of rates. In developing the financial strategy we have ensured that the cost of servicing and repaying borrowing for each asset is catered for within the proposed rating limits.



## Section 8. Key strategies for significant assets – 3 Waters

### 8.1 Introduction

Clean, reliable water is essential for the city’s quality of life wellbeing and prosperity. This service is delivered by Wellington Water Ltd (WWL), a Council Controlled Organisation (CCO). WWL supplies about 140 million litres of safe and reliable drinking water per day (on average) for Upper Hutt, Lower Hutt, Porirua and Wellington.

The Council provides services that help manage and control stormwater flows, while minimising the risk of flooding and the impact of runoff on the environment.

The stormwater network helps keep people and property safe from flooding and weather events. Stormwater catchment planning and water sensitive urban design aims to maintain and improve fresh and coastal water quality and ecology.

Collection, treatment and disposal of the city’s sewage minimises the public health risks and environmental harm that would arise without collection and treatment. The Council provides efficient wastewater services, while protecting our waterways from these harmful effects.

As with all our core infrastructure services, we have a large inventory of physical assets and therefore a large funding requirement for operation, renewal and development.

### 8.2 Asset condition and data confidence

The current condition of our three waters assets is reasonable and the quality of our data of these assets is graded as reliable. Our existing assets are being managed and renewed in line with our asset management plans. Accordingly we have no backlog of renewal works. We have sufficient operating budgets in place to ensure assets are maintained at least to current service levels.

The table reflects the quantities and costs of the assets by sub-group. These contribute to the confidence in the longer range forecasting that informs this strategy.

Asset Group	Asset Sub-group	Asset Class	Cost Rate	Quantity	Total Life	Remaining Life	Current Value (ODRC)
3 WATERS	Water	Pipework	A	A	A	B	A
		Fittings & Fixtures	A-B	A	A	B	A-B
		Pump Stations	A-B	A	A	A-B	A-B
		Reservoirs	A-B	A	A	B	A-B
	Wastewater	Pipework	A	A	A	B	A-B
		Fittings & Fixtures	A	A	A	B	A-B
		Pump Stations	A-B	A	A	A-B	A-B
	Stormwater	Pipework	A	A	A	B	A-B
		Fittings & Fixtures	A-B	A	A	B	A-B
		Pump Stations	A-B	A	A	A-B	A-B
	Treatment Plants, and other assets	WW Treatment Plants, and Drainage Tunnels and Outfall	B	B	A-B	A-B	B

#### Confidence Ratings

Grade	Label	Description	Accuracy
A	Accurate	Data based on reliable documents	±5%
B	Minor inaccuracies	Data based on some supporting documentation	±15%
C	Significant data estimated	Data based on local knowledge	±30%
D	All data estimated	Data based on best guess of experienced person	±40%

### 8.3 Issues, options and responses

Where specific challenges and risks to the provision of three waters infrastructure do exist, these are largely being managed through the high prioritisation given to resilience within our 2018-2028 Long Term Plan. These are specifically identified in Council’s asset management plans and in section 3 of this document.

Summary of issues and options for three waters assets:

Asset group	Level of service	Issues	Options	Most likely scenario	Impact on levels of service

Asset group	Level of service	Issues	Options	Most likely scenario	Impact on levels of service
Water	Security of supply of potable water and firefighting supply for public safety	Our assets are in reasonable condition and are performing to agreed levels of service, but their age will mean an increased investment in renewals from 2030 through to 2050.	We have the option of advancing the renewals programme, but risking not getting full value from our past investment or maintaining our water supply at current service levels and renewing assets once they near the end of their useful life.	We propose to renew our water assets based on age, condition and performance	Maintain
		We rely on water sourced and piped from outside the city's boundary. Areas of the city could be without water for 100+ days following a severe earthquake. Few houses are self-sufficient in terms of rain water collection.	We can respond by investing in new reservoirs and water supply network infrastructure, accept the risk of major water outages or ask private property owners to invest in their own resilience solutions.	We proposed increased investment in the new Omāroro reservoir and a replacement and upgrade of the Bell Road reservoir. Increased investment in water supply infrastructure by Greater Wellington Regional Council, reflected through Wellington City Council's bulk water supply project.	Improve
		Maintaining public health and environmental outcomes	Our water supply is currently treated using chlorination and ultraviolet treatment to provide a safe and healthy water supply.	We will maintain current service levels	Maintain
	Responding to increased water network requirement as a result of population growth	We are forecasting increasing population growth in the northern and eastern suburbs of city.	We can either respond to these growth requirements by increasing the provision of water infrastructure or risk limiting growth by delaying investment.	We propose to invest in new growth related infrastructure including in Shelly Bay, and through reservoirs in Upper Stebbings and Horokiwi. We will also continue to assess future requirements in Karori & Kilbirnie.	Improve
Wastewater	Collection, treatment and disposal of the city's wastewater to minimise the public and environmental health risks that would arise without it.	Greater intensification of population in the central city and new developments increasing the demand on the wastewater networks.	We can upgrade our CBD network which is nearing capacity and reduce overflows and we can continue to develop our flow modelling to ensure we prioritise our asset upgrade programme.  Alternatively we could allow service levels to decline.	We plan to: Ensure urban development planning is cognisant of current and future infrastructure limitations and compliance with legislation.  Complete hydraulic modelling to prioritise upgrade projects.  Maintain our infrastructural renewal programme and target CBD improvements.  We will continue to ensure the quantity and quality of the discharge effluent is monitored, along with	Maintain/ Improve

Asset group	Level of service	Issues	Options	Most likely scenario	Impact on levels of service
				beach water and stream water quality and overflow volume occurrences.	
		The sludge that remains following our wastewater treatment and dewatering process is currently landfilled. The impending end of the current resource consent means we need to seek an alternative means of disposal.	We can either work towards an alternative to landfill disposal for wastewater bio solids or risk not complying with our consent in from 2026.	We plan to develop and invest in an alternative to landfill disposal of wastewater sludge.	Maintain/improve
Stormwater	Keep people and property safe from flooding, while maintaining fresh and coastal water quality.	Urban growth will create more run off and place pressure on aquatic receiving environments.  Our growth agenda and a healthy environment (natural capital) are not mutually exclusive, but do pose urban planning challenges.	We can minimise impacts to exist stormwater infrastructure through planning controls in moving towards a more water sensitive city and continue with our hydraulic modelling programme to assess risk and prioritise projects. We can also address specific flooding issues in Kilbirnie and Tawa.  Alternatively we could defer upgrade work and accept a lower level of service.	We propose to limit the impact of flooding over time through our planning controls.  We will reduce flooding risk by constructing a new stormwater pump station in Kilbirnie and upgrading the stormwater network in Tawa.  We will also maintain our asset renewal programme to ensure we maintain current levels of service in other areas	Improve

Further details including costings and timing of these options can be seen on page 27 in the 'Our response to demands for increased service levels' section.

### 8.4 Contribution to City Priorities

We have comprehensive asset management plans for our water, wastewater and stormwater networks. These drive our maintenance and asset renewal plans for our existing assets. In addition we plan to respond to a number of issues and challenges that contribute to the Housing and Resilience priorities highlighted in the Council's 2018-28 LTP Consultation Document.

#### Resilience

##### Water

Areas of Wellington are at risk of being without water for 100+ days after a major earthquake so we are increasing water storage and availability to increase our level of service should this be called upon. We have several projects proposed to reduce risk.



- *The Omāroro Reservoir* is one significant project to provide a more resilient water supply for the CBD and Newtown; it also caters for increased population in the CBD. Construction of the 35ML capacity reservoir is proposed for 2018/19 – 2012/22.
- *The Bell Road Reservoir* project involves the replacement and slight upsizing of an existing reservoir in poor condition (100 years old). This reservoir will provide a more resilient water supply to lower Karori and the CBD.
- *The Community Infrastructure Resilience (CIR)* project will create 12 community water stations in city by July 2018. This will supply 20 litres per person from day 8 onwards within a maximum 1 km walking distance. The project is funded in partnership with central government.
- *Over the last two years Greater Wellington Regional Council (GWRC) has been investigating alternative water source options to provide water to the Eastern Suburbs of Wellington after a seismic event. The final decision between drilling of harbour bores as an alternative water source or constructing a pipeline across the harbour will be made mid-2018. Although this is a GWRC project there are significant benefits to Wellington. WCC pays for this project through the payment of the bulk water levy which is an operational cost based on actual water use.*
- *Renewals programme* – improving the overall network resilience by using advanced technology and materials. e.g. by replacing brittle pipes with ductile pipes

#### **Reduction of wastewater overflows**

Wastewater overflows generally occur when stormwater or ground water enters the wastewater system as well as wastewater. This results in the pipe reaching capacity and needing to overflow into the environment. There are constructed overflows to reduce the direct impact on people from this diluted wastewater. As our city's population is growing more wastewater needs to enter the pipes resulting in more overflows. We have work programme included in the long term plan and infrastructure to reduce these occurrences.

- Completion of the hydraulic model and associated flow monitoring – completion of this model will help prioritise projects by understanding the worst affected areas and enabling targeting of work.
- Wastewater upgrades in the CBD – this area is experienced high growth and the current wastewater system is at capacity. Upgrading areas of this network will reduce overflows as well as cater for growth. The specific projects will be identified once modelling has been completed but provision has been allowed for.

#### **Sludge Reduction**

Sludge is a by-product of the wastewater treatment process from Mōa Point Wastewater Treatment Plant. Once the sludge is dewatered (some of the water removed) it is landfilled. This is becoming an issue for the landfill as our objective to reduce waste to landfill means that future we have an insufficient proportion of landfill waste to mix with the sludge and the associated resource consent expires in 2026. We have set aside \$34.6m in our plan to implement a solution.

#### **Reducing the effect of flooding**

The changes in climate include more intense rain events and there are areas in Wellington where the impact from these events has a significant effect on the community. There are multiple solutions to addressing these problems from infrastructure construction, planning changes or operational solutions. There are projects identified to reduce the impacts of these events.

- Completion of hydraulic modelling to identify areas of risk and to prioritise projects.

- *Kilbirnie Stormwater Upgrade* - Construction in 2018/19 of a stormwater pump station in Kilbirnie, this following on from the pipeline construction in 2017/18. This project addresses flooding near the Kilbirnie Recreation Centre.
- *Tawa Stormwater Upgrade* – This suite of projects are scheduled to reduce the incidents of flooding in Tawa during rain events.

### Supporting housing growth

To address growth it is important to have an understanding of the effects on the network. To help guide these decisions hydraulic modelling is being undertaken on all three water networks. This work will improve our ability to assess the effects of population growth on our network as well as helping prioritise projects. There are two areas we have specifically provided for in our current plans.

- *Horokiwi and Upper Stebbings reservoirs*: where we intend to provide additional water storage in response to planned growth. These projects will be primarily funded by development contributions.
- *Miramar Peninsular Upgrades*; when development occurs in this area upgrades to downstream wastewater infrastructure and additional water supply infrastructure is required. The specific timing of this work is dependent on when growth starts to occur. We have provisionally included \$7m within the next 10 years of our plan for this.

## 8.5 Financial impacts

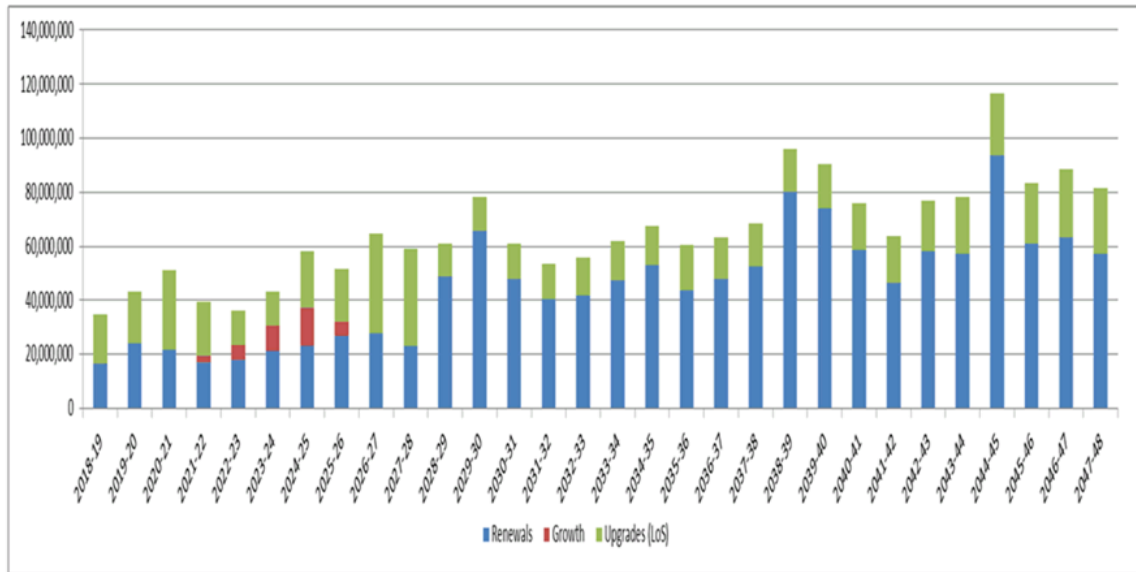
The combined value of the Council’s three waters assets is \$1.485 billion. Over the period of the 2018-28 Long Term Plan the Council plans to spend \$1.3 billion maintaining these assets and ensuring the provision of the related services. We also plan to invest \$220m renewing existing assets, \$226m improving the level of service we provide and \$36m building capacity in the network to respond to population growth.

	2019 \$m	2020 \$m	2021 \$m	2022-28 \$m	LTP Total	2029-33 \$m	2034-38 \$m	2039-43 \$m	2044-48 \$m	30 Year Financials
Operating Expenditure	71,204	76,282	81,741	697,444	926,672	543,436	602,983	671,015	748,741	3,492,848
Income	(0,877)	(0,895)	(0,913)	(6,957)	(9,642)	(5,802)	(6,519)	(7,338)	(8,273)	(37,573)
<b>Total Operating Projects</b>	<b>70,327</b>	<b>75,388</b>	<b>80,828</b>	<b>690,487</b>	<b>917,031</b>	<b>537,634</b>	<b>596,464</b>	<b>663,677</b>	<b>740,467</b>	<b>3,455,274</b>
Capital Activity Renewals	16,512	24,141	21,688	157,574	219,916	245,038	244,647	317,333	332,811	1,359,744
Capital Activity Upgrades (Lo)	18,473	19,019	29,649	158,764	225,906	64,357	77,126	85,761	116,097	569,247
Capital Activity Growth	0,000	0,000	0,000	36,425	36,425	0,000	0,000	0,000	0,000	36,425
<b>Total Capital Activities</b>	<b>34,986</b>	<b>43,160</b>	<b>51,337</b>	<b>352,763</b>	<b>482,246</b>	<b>309,395</b>	<b>321,774</b>	<b>403,094</b>	<b>448,908</b>	<b>1,965,416</b>

In the first ten years covered by this infrastructure strategy the planned capex has been managed to enable a pragmatic mix of renewal work that ensures existing service levels are maintained and risks managed, while also addressing the priority areas that will result in improvement to service levels. The capital expenditure renewal profile for years 11-30 is based on a combination of known condition and information based on asset age, quality and performance data.

As we continuously improve our condition data so will our understanding of the condition of the assets increase. This will further improve our ability to identify and reforecast the renewals and balance the risks of not replacing the asset with renewals investment. Improving condition information also underpins confident renewal or upgrade decision making when balancing the remaining asset life with asset performance, material, location and consequence of failure.

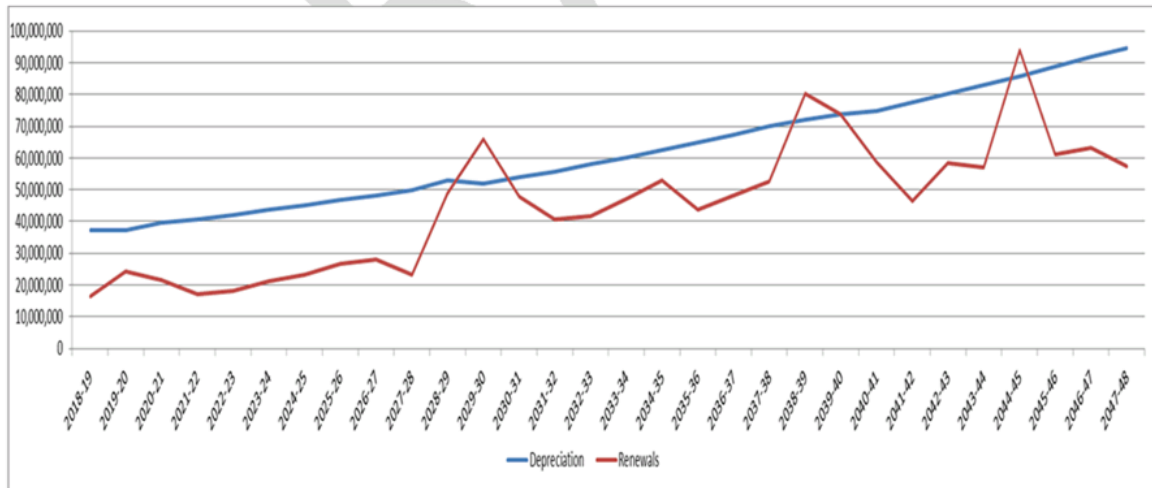
**Prospective 30 year capital expenditure – Three waters assets**



Note: The 5 year units of cost have been annualised.

The prospective forecasts for asset renewal and depreciation across the 3 waters network over the 30 years of this strategy are indicative of the age of our network. A comparatively low level of investment is required over the first 10 years, with increases forecast to reflect the periodic installation dates of the existing network. It is expected that this capital expenditure profile will be smoothed over time as we continue to monitor the performance of the network as it ages and improve the quality of our asset information.

**Prospective three waters renewal and depreciation 2018-2048**



## 8.6 30 year projections

### Stormwater

Over the period of the 2018-28 Long Term Plan the Council plans to spend \$238m maintaining these assets and ensuring the provision of the related services. We also plan to invest \$42m renewing existing assets, \$53m improving the level of service we provide and \$3m building capacity in the network to respond to population growth.

	2019	2020	2021	2022-28	LTP Total	2029-33	2034-38	2039-43	2044-48	30 Year
	\$m	\$m	\$m	\$m		\$m	\$m	\$m	\$m	Financials
Operating Expenditure	11.005	12.036	13.224	110.979	147.244	82.127	88.436	95.643	103.878	517.328
Income	(0.163)	(0.163)	(0.165)	(1.165)	(1.656)	(0.842)	(0.852)	(0.863)	(0.876)	(5.088)
<b>Total Operating Projects</b>	<b>10.842</b>	<b>11.873</b>	<b>13.059</b>	<b>109.814</b>	<b>145.588</b>	<b>81.285</b>	<b>87.584</b>	<b>94.780</b>	<b>103.002</b>	<b>512.240</b>
Capital Activity Renewals	3.081	8.445	3.694	26.780	42.000	36.492	38.542	102.224	62.196	281.454
Capital Activity Upgrades (Lo)	6.460	0.902	0.554	45.259	53.174	37.795	44.734	53.517	64.227	253.446
Capital Activity Growth	0.000	0.000	0.000	3.365	3.365	0.000	0.000	0.000	0.000	3.365
<b>Total Capital Activities</b>	<b>9.541</b>	<b>9.347</b>	<b>4.248</b>	<b>75.404</b>	<b>98.539</b>	<b>74.286</b>	<b>83.276</b>	<b>155.741</b>	<b>126.423</b>	<b>538.266</b>

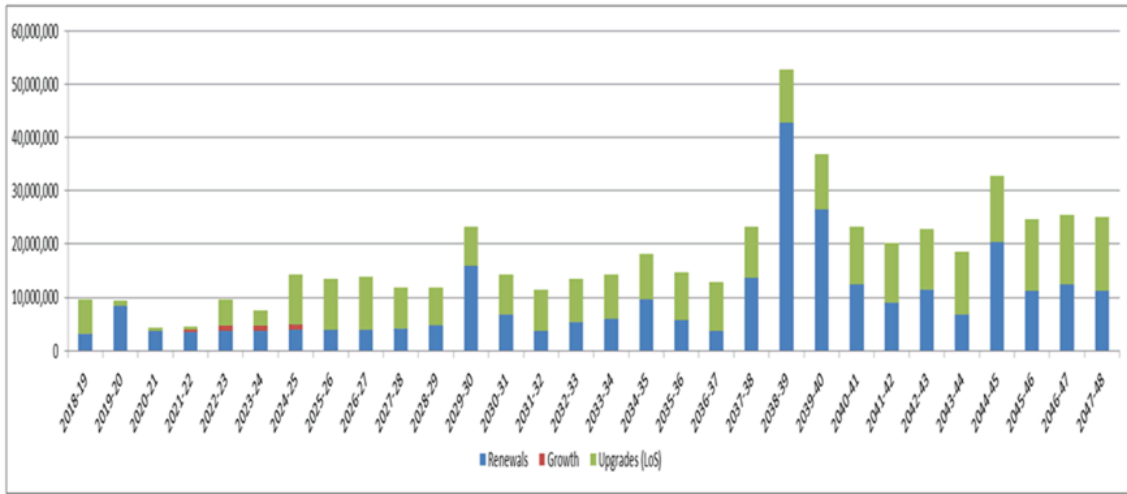
There are key elements of work identified to be completed in years 1-10 predominantly to address known flooding issues and to complete high priority renewals. There is an element of information collection involved especially at the start of the LTP period as this information will help prioritise both upgrade and renewal projects throughout the 30 year timeframe. Specific projects that will be under in years 1-10 include;

- Completion of hydraulic modelling to identify areas of risk and to prioritise projects.
- *Kilbirnie Stormwater Upgrade* - Construction in 2018/19 of a stormwater pump station in Kilbirnie, this following on from the pipeline construction in 2017/18. This project addresses flooding near the Kilbirnie Recreation Centre.
- *Tawa Stormwater Upgrade* – This suite of projects are scheduled to reduce the incidents of flooding in Tawa during rain events.

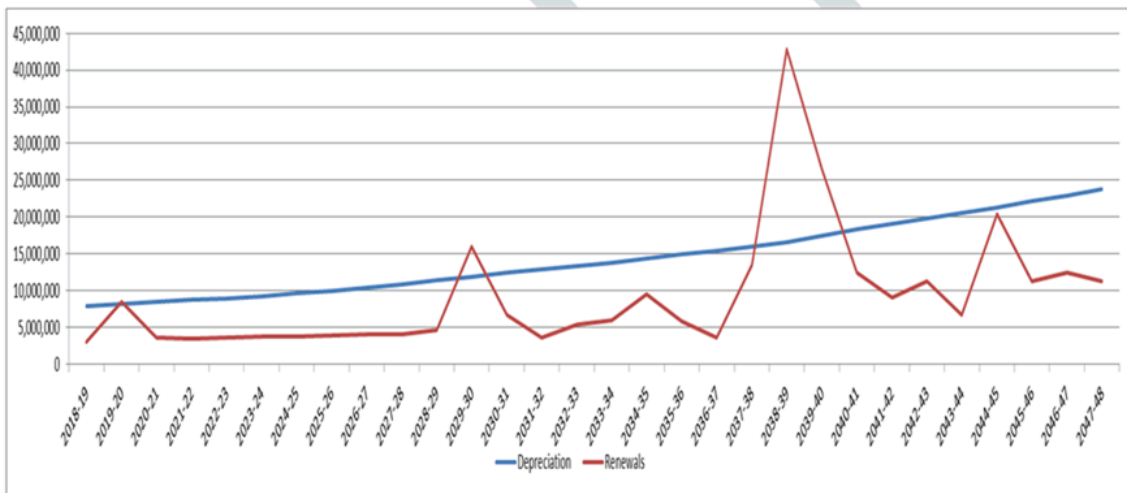
The majority of the work in years 11-30 is at this stage targeted at renewals. This data shows three distinct peaks where the model has predicted end of life of large stormwater assets. More information will be gathered over the next few years to understand more around the condition of the asset to reforecast the renewals requirement and the risks of not replacing the asset.

In years 11-30 a potential funding requirement has been identified to upgrade the stormwater system based on the results of the hydraulic modelling that will be completed in first few years of the LTP. As a result of this a consistent investment in improvements is shown in the budget.

**Stormwater - Prospective Capital Expenditure 2018-48**



**Stormwater – Prospective Renewals vs Depreciation 2018-48**



**Wastewater**

Over the period of the 2018-28 Long Term Plan the Council plans to spend \$515m maintaining these assets and ensuring the provision of the related services. We also plan to invest \$82m renewing existing assets, \$57m improving the level of service we provide and \$3m building capacity in the network to respond to population growth.

	2019	2020	2021	2022-28	LTP Total	2029-33	2034-38	2039-43	2044-48	30 Year
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	Financials
Operating Expenditure	30.447	32.074	33.755	268.459	364.735	213.076	235.511	261.142	290.426	1,364.889
Income	(0.677)	(0.694)	(0.709)	(5.492)	(7.572)	(4.703)	(5.373)	(6.139)	(7.013)	(30.800)
<b>Total Operating Projects</b>	<b>29.770</b>	<b>31.381</b>	<b>33.045</b>	<b>262.967</b>	<b>357.163</b>	<b>208.373</b>	<b>230.138</b>	<b>255.003</b>	<b>283.412</b>	<b>1,334.089</b>
Capital Activity Renewals	5.332	8.965	11.026	56.414	81.737	92.909	100.892	118.006	143.728	537.271
Capital Activity Upgrades (LoS)	2.975	0.901	1.450	51.194	56.520	6.925	7.912	9.040	11.882	92.279
Capital Activity Growth	0.000	0.000	0.000	3.365	3.365	0.000	0.000	0.000	0.000	3.365
<b>Total Capital Activities</b>	<b>8.307</b>	<b>9.866</b>	<b>12.476</b>	<b>110.972</b>	<b>141.622</b>	<b>99.835</b>	<b>108.804</b>	<b>127.046</b>	<b>155.609</b>	<b>632.915</b>

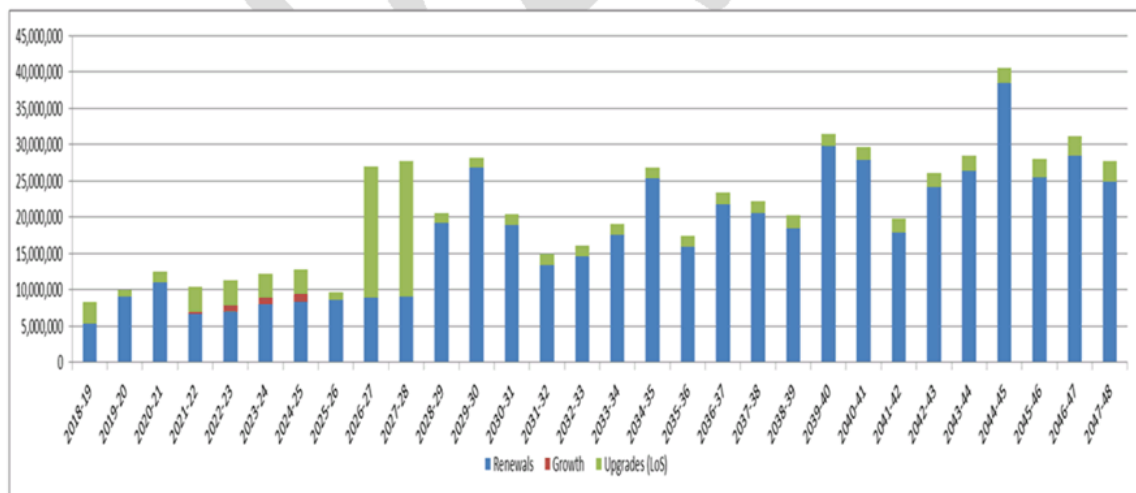
There are key elements of work identified to be completed in years 1-10 predominantly to address growth, to reduce wastewater overflows and to complete high priority renewals. One significant renewal is the replacement of the Western (Karori) Wastewater Treatment Plant outfall which is required. There is also an element of information collection involved especially at the start of the LTP period as this information will help prioritise both upgrade and renewal projects throughout the 30 year timeframe. Specific projects that will be under in years 1-10 include;

- Completion of the hydraulic model and associated flow monitoring – completion of this model will help prioritise projects by understanding the worst affected areas and enabling targeting of work.
- Wastewater upgrades in the CBD – this area is experienced high growth and the current wastewater system is at capacity. Upgrading areas of this network will reduce overflows as well as cater for growth. The specific projects will be identified once modelling has been completed but provision has been allowed for.
- *Miramar Peninsular Upgrades*; when development occurs in this area upgrades to downstream wastewater infrastructure and additional water supply infrastructure is required. The timing of this work is dependent on when growth starts to occur.
- *Sludge minimisation project* – to reduce the volume of wastewater sludge that goes to landfill.

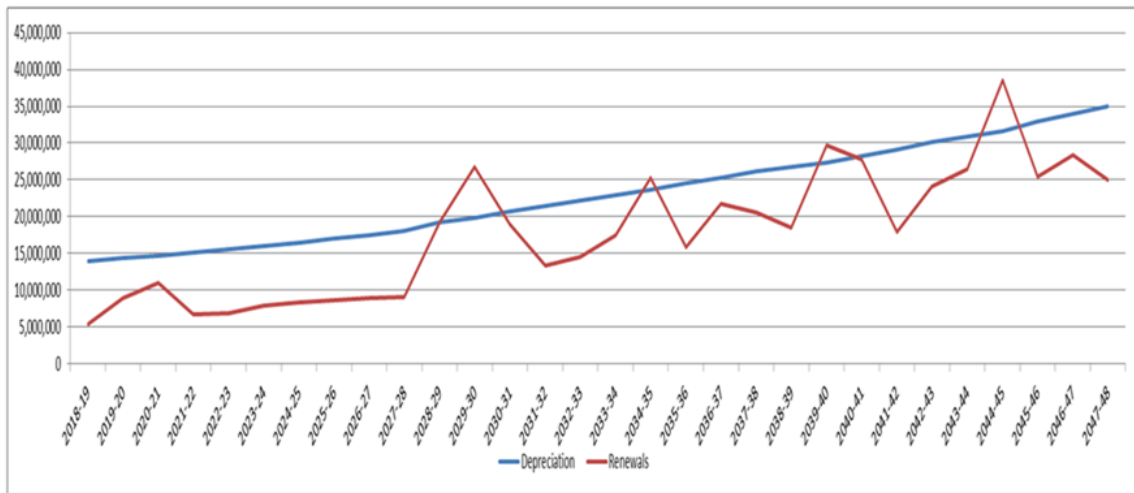
The majority of the work in years 11-30 is at this stage targeted at renewals. This data shows four peaks where the model has predicted end of life of larger volume of wastewater assets. More information will be gathered over the next few years to improve understanding around the condition of the asset to reforecast the renewals requirement and the risks of not replacing the asset.

In years 11-30 a funding requirement has been identified to upgrade the wastewater system based on the results of the hydraulic modelling being completed in first few years of the LTP.

**Wastewater - Prospective Capital Expenditure 2018-48**



**Wastewater - Prospective Renewals vs Depreciation 2018-48**



**Water**

Over the period of the 2018-28 Long Term Plan the Council plans to spend \$451m maintaining these assets and ensuring the provision of the related services. We also plan to invest \$96m renewing existing assets, \$116m improving the level of service we provide and \$30m building capacity in the network to respond to population growth.

	2019 \$m	2020 \$m	2021 \$m	2022-28 \$m	LTP Total	2029-33 \$m	2034-38 \$m	2039-43 \$m	2044-48 \$m	30 Year Financials
Operating Expenditure	29.752	32.172	34.763	318.007	414.693	248.233	279.037	314.230	354.437	1,610.630
Income	(0.037)	(0.038)	(0.039)	(0.301)	(0.414)	(0.257)	(0.294)	(0.336)	(0.384)	(1.686)
<b>Total Operating Projects</b>	<b>29.715</b>	<b>32.134</b>	<b>34.724</b>	<b>317.706</b>	<b>414.279</b>	<b>247.976</b>	<b>278.743</b>	<b>313.894</b>	<b>354.053</b>	<b>1,608.945</b>
Capital Activity Renewals	8.099	6.731	6.968	74.381	96.179	115.637	105.213	97.103	126.887	541.019
Capital Activity Upgrades (Lo)	9.038	17.216	27.645	62.312	116.212	19.637	24.480	23.204	39.988	223.522
Capital Activity Growth	0.000	0.000	0.000	29.694	29.694	0.000	0.000	0.000	0.000	29.694
<b>Total Capital Activities</b>	<b>17.138</b>	<b>23.947</b>	<b>34.613</b>	<b>166.387</b>	<b>242.085</b>	<b>135.274</b>	<b>129.693</b>	<b>120.307</b>	<b>166.875</b>	<b>794.234</b>

There are key elements of work identified to be completed in years 1-10 predominantly to address resilience, growth and to complete high priority renewals. The construction of two reservoirs in central Wellington is planned to improve resilience and to cater for growth in the CBD. There is also an element of information collection involved especially at the start of the LTP period as this information will help prioritise both upgrade and renewal projects throughout the 30 year timeframe. Specific projects that will be under in years 1-10 include;

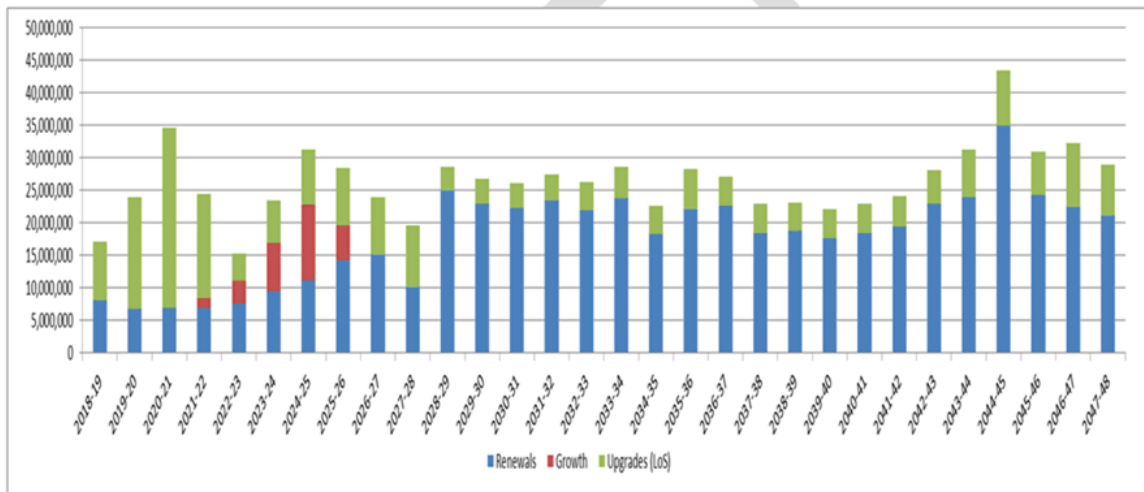
- *The Omāroro Reservoir* is one significant project to provide a more resilient water supply for the CBD and Newtown; it also caters for increased population in the CBD. Construction of the 35ML capacity reservoir is proposed for 2018/19 – 2012/22.
- *The Bell Road Reservoir* project involves the replacement and slight upsizing of an existing reservoir in poor condition (100 years old). This reservoir will provide a more resilient water supply to lower Karori and the CBD.
- *The Community Infrastructure Resilience (CIR)* project will create 12 community water stations in city by July 2018. This will supply 20 litres per person from day 8 onwards within a maximum 1 km walking distance. The project is funded in partnership with central government.
- Over the last two years Greater Wellington Regional Council (GWRC) has been investigating alternative water source options to provide water to the Eastern Suburbs of Wellington after a seismic event. The

final decision between drilling of harbour bores as an alternative water source or constructing a pipeline across the harbour will be made mid-2018. Although this is a GWRC project there are significant benefits to Wellington. WCC pays for this project through the payment of the bulk water levy which is an operational cost based on actual water use.

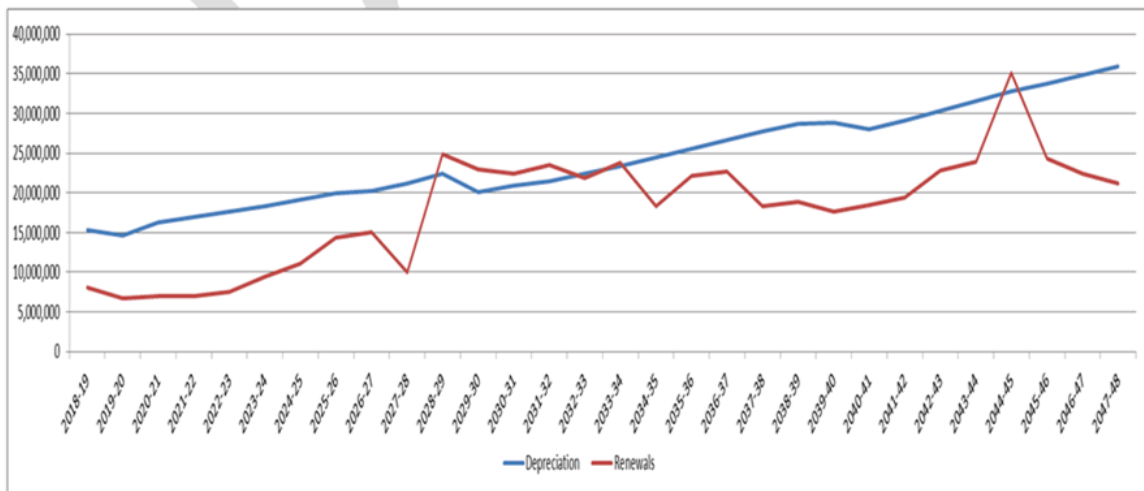
- *Horokiwi and Upper Stebbings reservoirs:* Due to the increasing growth in these areas additional water storage is required. As growth projects they would be subject to development contributions.
- *Miramar Peninsular Upgrades;* when development occurs in this area upgrades to downstream wastewater infrastructure and additional water supply infrastructure is required. The timing of this work is dependent on when growth starts to occur.

The majority of the work in years 11-30 is at this stage targeted at renewals. This data shows the forecast level of investment is reducing in the outer 20 years with one peak of expenditure in 2044/45. This is due to a forecast reservoir renewal and a large quantity of water pipes due for replacement. More information will be gathered over the next few years to understand more about the condition of the assets to reforecast the renewals requirement and the risks of not replacing the asset.

**Water - Prospective Capital expenditure 2018-48**



**Water – Prospective Renewals vs Depreciation 2018-48**





## Section 9. Key strategies for significant assets – Transport

### 9.1 Introduction

With our partners, we help provide a safe, efficient and reliable transport system for people who travel in and out of, and around Wellington.

#### *Structures*

Retaining walls and sea walls support and protect transport corridors. Tunnels and bridges enable safe and efficient connections. Shelters provide weather protection for pedestrians and people waiting for buses.

#### *Network control and management*

Signs, markings, traffic lights and street lighting services are very high value for money provisions which significantly enhance safety and efficiency for users of our transport networks.

Parking meters enable valuable space to be shared and generate over \$26 million in annual revenue, which significantly off-sets the cost of our transport system.

#### *Vehicle and Pedestrian network*

The road network accommodates more than 40,000 people driving to work and generally travelling around the city each day.

Kerbs and channels perform a vital function in managing stormwater so that it doesn't damage the underlying pavement or neighbouring property.

The pedestrian network accommodates nearly 25,000 walking or cycling commuters each day, and allows people to get around our city safely and easily.

### 9.2 Asset condition and data confidence

Asset condition is assessed on a cyclic basis depending on the asset type and whole of life investment decisions are made with regard to the information provided from these surveys, assessment of risk profiles and economic benefits. Our current operations and renewal programmes are adequate to sustain at least the current level of service over the short and medium-term (a 10-30 year horizon).

The current condition of our transport assets is reasonable and the quality of our data of these assets is graded as reliable. We have sufficient operating budgets in place to ensure assets are maintained at least to current service levels.

The table reflects the quantities and costs of the assets by sub-group. These contribute to the confidence in the longer range forecasting that informs this strategy.

Asset Group	Asset Sub-group	Asset Class	Cost Rate	Quantity	Total Life	Remaining Life	Current Value (ODRC)
ROADS	Structures	Bridges	A	A	A	A	A
		Tunnels	A-B	A	A	A-B	A-B
		Shelters	A	A	A	A-B	A-B
		Retaining Walls	A	A	B	A-B	A-B
		Sea Walls	A	A	B	A-B	A-B
		Accessway Walls	A	A	B	A-B	A-B
		Culverts	A	A-B	B	A-B	A-B
	Vehicle Network	Carriageway (formation)	A	A	n/a	n/a	A
		Top surface	A	A	B	B	B
		Subsurface	A-B	A	B	B	B
		Kerbs and Channels	A	A	B	B	A-B
		Sumps & Leads	A	A-B	B	A-B	A-B
	Pedestrian/ Cycleway	Footpaths & Boardwalks	A	A	B	A-B	A
		Cycleways	n/a	n/a	n/a	n/a	n/a
		Access paths	A	A	B	A-B	A
	Network	Handrails and fences	A-B	A	A-B	A	A-B
		Pedestrian ramps	A	B	A-B	A-B	B
		Street furniture	A	A	B	A-B	A
	Parking Network	Parking Facilities	A	A	A	A	A
		Traffic signals	A	A	A	A	A
	Network Control & Management	Road Marking	A	B	A	A	A-B
		Signs & Posts	A	A	A-B	A	A
		Street lights	A	A	A-B	A	A
		Guardrails	A	A	A-B	A	A-B
		Traffic Control	A	A	A-B	A	A-B

### 9.3 Issues, options and responses

#### Summary of issues and options for transport assets

Asset group	Level of service	Issues	Options	Most likely scenario	Impact on levels of service
Vehicle & Pedestrian Network	<p>The road network accommodates people driving to work and generally travelling around the city each day on a safe and reliable network.</p> <p>The pedestrian and cycleway network accommodates walking or cycling commuters each day, and allows people to get around our city safely and easily.</p>	<p>Growing traffic congestion and unreliable journey times</p> <p>Poor and declining levels of service</p> <p>Safety issues, especially for cycling and walking</p>	<p>Accept declining levels of service</p> <p>Let's Get Wellington Moving investment programme</p> <p>Multi-modal transport</p> <ul style="list-style-type: none"> <li>- Cycleways</li> <li>- Walking</li> <li>- Bus priority lane</li> </ul> <p>Accept declining level of service</p> <p>Optimise renewals programme</p> <p>Increase investment in renewals</p> <p>Let's Get Wellington Moving investment programme to create a safe space relevant to the mode of transport</p> <p>Education/Partnership with communities</p> <p>Investment in additional traffic calming measures e.g. safer speed zones</p>	<p>We propose to invest in the Let's Get Wellington Moving.</p> <p>We propose to increase the investment if the different modes of transport.</p> <p>We propose to continue with our optimised renewals programme.</p> <p>We propose to continue with a strong focus on Education programmes.</p> <p>We propose to continue to invest in our safety programmes.</p>	Maintain / Improve

Structures	Retaining walls, sea walls and accessway walls support and protect transport corridors.  Tunnels and bridges enable safe and efficient connections.  Shelters provide weather protection for pedestrians and people waiting for buses.	Vulnerability to disruption from unplanned events e.g. storms  Route reliability and resilience of; - failed slopes and high risk walls - bridges and tunnels	Accept risk of disruption  Invest in coastal protection of roads and walls, and increasing need for road drainage  Invest in the management of increased soil erosion and slips  Accept increase in poor condition structures and risk of asset failure  Optimise renewals programme prioritising investment in poorer condition assets.	We propose to target investment in coastal protection of roads and walls.  We propose to continue with our optimised renewals programme.	Maintain/ Improve
Network Control & Management	Signs, traffic lights and street lighting services significantly enhance safety and efficiency for users of our transport networks.	Deteriorating condition of signage, streetlights and traffic light assets.	Accept declining levels of service  Optimise renewals programme prioritising investment in poorer condition assets.	We propose to continue with our optimised renewals programme.	Maintain

### 9.4 Contribution to City Priorities

We have comprehensive asset management plans for our transport assets. These drive our maintenance and asset renewal plans for our existing assets. In addition we plan to respond to a number of issues and challenges that contribute to the Housing and Resilience priorities highlighted in the Council’s 2018-2-28 LTP Consultation Document.

There is \$219m of investment planned to increase the utilisation and the capacity of transport across and throughout the city. This investment focuses on changing transport modes, with mechanisms to assist greater utilisation of more effective public transport (provided by the regional council), and a \$73m investment in the provision of new cycle ways. In the latter half of the 10 year plan there is \$120m provided for the project alliance between WCC, the New Zealand Transport Agency & the Greater Wellington Regional Council - ‘Let’s get Wellington Moving’.

The impact of this significant proposed investment programme is that the level of depreciation significantly increases to over \$80m from \$31m due to the extra value of the assets added to increase service levels. This will provide for the replacement of the new assets when they come to the end of their useful lives.

**Transport** is itself a priority for the Council. Our priorities within this enable us to address the challenges of population growth, stimulating economic growth and increasing the resilience of core infrastructure to shocks.

Our transport infrastructure is in good condition. Growth and demand in the transport service is very closely aligned with population and economic growth, which are expected to moderately increase in the future. Greater demand is putting pressure on our current levels of service.

### 9.5 Summary financial impacts

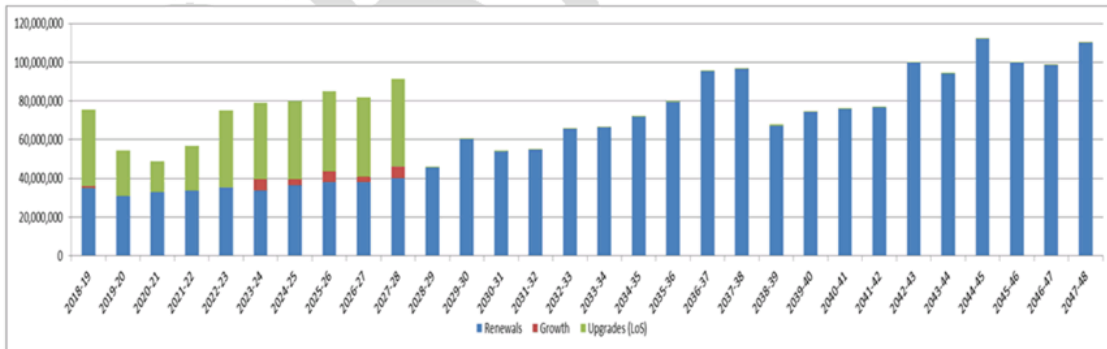
The combined value of the Council’s transport assets is \$1.029 billion. Over the period of the 2018-28 Long Term Plan the Council plans to spend \$678 million maintaining these assets through operating expenditure and ensuring the provision of the related services. \$197m of these operating costs are forecast to be funded by the New Zealand Transport agency (NZTA). We also plan to invest \$354m renewing existing assets, \$350m improving the level of service we provide and \$24m building capacity in the network to respond to population growth. \$170m of these capital costs are forecast to be funded from the NZTA.

	2019	2020	2021	2022-28	LTP Total	2029-33	2034-38	2039-43	2044-48	30 Year
	\$m	\$m	\$m	\$m		\$m	\$m	\$m	\$m	Financials
Operating Expenditure	55.584	61.002	64.893	496.883	678.361	401.715	446.472	497.606	556.026	2,580.180
Income	(63.608)	(60.100)	(59.718)	(434.297)	(617.722)	(347.721)	(375.671)	(407.603)	(444.085)	(2,192.801)
<b>Total Operating Projects</b>	<b>(8.024)</b>	<b>0.902</b>	<b>5.175</b>	<b>62.586</b>	<b>60.639</b>	<b>53.994</b>	<b>70.801</b>	<b>90.003</b>	<b>111.941</b>	<b>387.379</b>
Capital Activity Renewals	35.033	30.693	33.002	254.965	353.693	254.033	379.408	359.676	475.973	1,822.783
Capital Activity Upgrades (LoS)	39.427	23.727	15.581	271.020	349.755	0.086	0.098	0.810	0.156	350.905
Capital Activity Growth	0.943	0.006	0.015	23.310	24.274	0.000	0.000	0.000	0.000	24.274
<b>Total Capital Activities</b>	<b>75.403</b>	<b>54.426</b>	<b>48.598</b>	<b>549.295</b>	<b>727.723</b>	<b>254.119</b>	<b>379.506</b>	<b>360.486</b>	<b>476.129</b>	<b>2,197.963</b>

In the first ten years covered by this infrastructure strategy the planned capex has been managed to enable a pragmatic mix of renewal work that ensures existing service levels are maintained and risks managed, while also addressing the priority areas that will result in improvement to service levels.

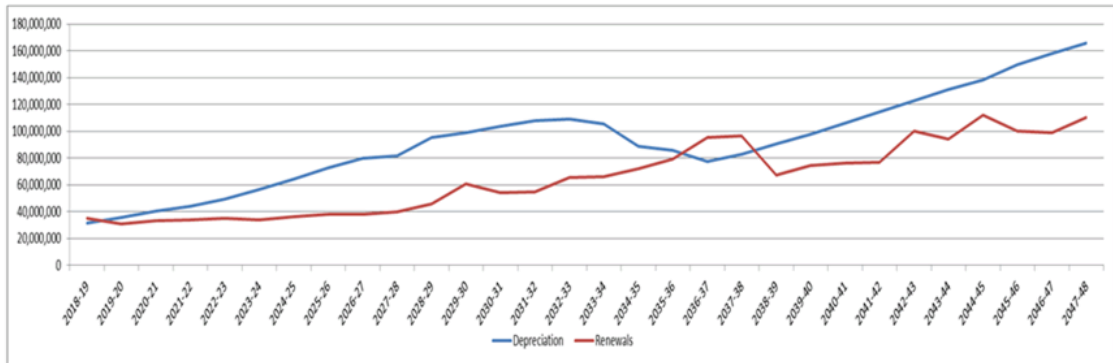
The majority of the expenditure signalled in years 11-30 are renewals. These renewal figures have been generated using a model that forecasts asset renewal based on life. We will continue to improve our understanding of the condition of the asset to reforecast the renewals requirement and the risks of not replacing the asset. This will include condition information to provide more confidence in the remaining asset life which will be linked to asset performance, material, location and consequence of failure which builds on existing asset knowledge.

#### Transport - Prospective 30 year capital expenditure



The prospective forecasts for asset renewal and depreciation across the transport network over the 30 years of this strategy are indicative of the age of our network. As a result of significant investment in transport assets in the first 10 years in Let’s Get Wellington Moving (LGWM) and cycleways the depreciation increases to reflect this investment. The renewals of this are planned from year 11 onwards. It is expected that this capital expenditure profile will be smoothed over time as we continue to monitor the performance of the network as it ages and improve the quality of our asset information.

**Transport - Prospective renewal and depreciation 2018-2048**



### 9.6 30 year projections

#### Structures

Over the period of the 2018-28 Long Term Plan the Council plans to spend \$159m maintaining these assets and ensuring the provision of the related services. We also plan to invest \$71m renewing existing assets and \$29m improving the level of service.

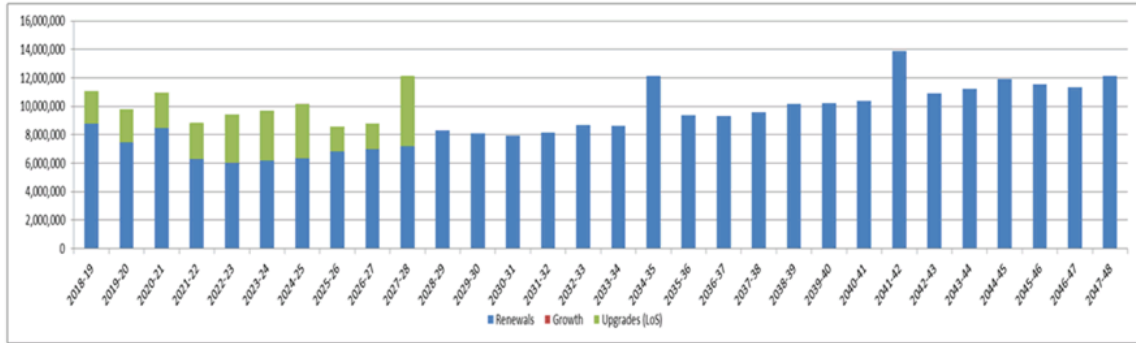
	2019	2020	2021	2022-28	LTP Total	2029-33	2034-38	2039-43	2044-48	30 Year
	\$m	\$m	\$m	\$m		\$m	\$m	\$m	\$m	Financials
Operating Expenditure	7.947	8.408	8.993	73.709	99.057	59.052	65.923	73.773	82.741	380.545
Income	(2.353)	(2.347)	(2.359)	(16.784)	(23.843)	(12.108)	(12.241)	(12.394)	(12.568)	(73.154)
<b>Total Operating Projects</b>	<b>5.594</b>	<b>6.061</b>	<b>6.634</b>	<b>56.925</b>	<b>75.214</b>	<b>46.944</b>	<b>53.682</b>	<b>61.379</b>	<b>70.173</b>	<b>307.391</b>
Capital Activity Renewals	8.791	7.466	8.472	45.816	70.544	15.048	19.190	21.473	19.257	145.513
Capital Activity Upgrades (LoS)	2.267	2.319	2.474	21.867	28.927	0.000	0.000	0.000	0.000	28.927
Capital Activity Growth	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total Capital Activities</b>	<b>11.057</b>	<b>9.784</b>	<b>10.946</b>	<b>67.684</b>	<b>99.471</b>	<b>15.048</b>	<b>19.190</b>	<b>21.473</b>	<b>19.257</b>	<b>174.440</b>

There are key elements of work identified to be completed in years 1-10 predominantly to complete high priority renewals within walls, tunnels and bridges. There is an element of information collection involved especially at the start of the LTP period as this information to help prioritise both upgrade and renewal projects throughout the 30 year timeframe. Specific projects that are included in years 1-10 include;

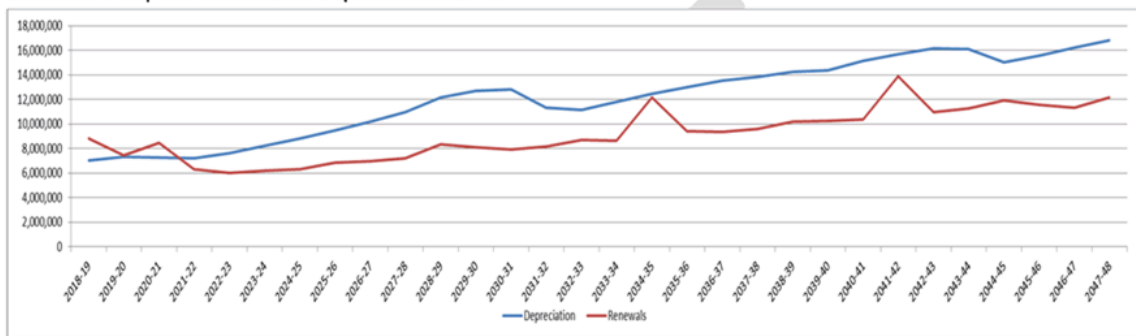
- ongoing priority renewals of significant retaining walls across the city
- a 10 year \$5m programme of resilience work to renew high risk failing seawall
- Kelburn viaduct and other ongoing programme of bridges informed by the 5 yearly survey in accordance with the NZTA bridge inspection and maintenance guide.

The majority of the work in years 11-30 is at this stage targeted at renewals which includes an upgrade component. More information will be gathered over the next few years to understand more around the condition of the asset to reforecast the renewals requirement and the risks of not replacing the asset.

**Structures – Prospective Capital Expenditure 2018-48**



**Structures – Prospective Renewals vs Depreciation 2018-48**



**Network Control & Management**

Over the period of the 2018-28 Long Term Plan we plan to invest \$45m renewing existing assets and \$1m improving the level of service.

	2019	2020	2021	2022-28	LTP Total	2029-33	2034-38	2039-43	2044-48	30 Year
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	Financials
Operating Expenditure	35.968	39.139	40.311	280.361	395.780	241.939	273.432	309.412	350.519	1,571.083
Income	(59.234)	(55.706)	(55.282)	(402.420)	(572.642)	(323.842)	(350.851)	(381.710)	(416.965)	(2,046.010)
<b>Total Operating Projects</b>	<b>(23.266)</b>	<b>(16.566)</b>	<b>(14.971)</b>	<b>(122.059)</b>	<b>(176.862)</b>	<b>(81.902)</b>	<b>(77.419)</b>	<b>(72.298)</b>	<b>(66.446)</b>	<b>(474.928)</b>
Capital Activity Renewals	6.014	3.255	3.370	32.396	45.034	21.336	22.708	28.518	22.614	140.210
Capital Activity Upgrades (LoS)	0.171	0.130	0.121	1.022	1.443	0.000	0.000	0.000	0.000	1.443
Capital Activity Growth	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total Capital Activities</b>	<b>6.185</b>	<b>3.384</b>	<b>3.491</b>	<b>33.417</b>	<b>46.477</b>	<b>21.336</b>	<b>22.708</b>	<b>28.518</b>	<b>22.614</b>	<b>141.653</b>

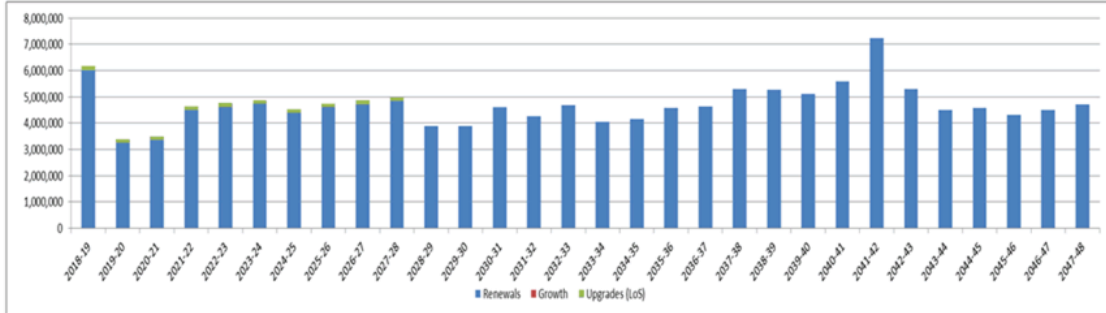
There are key elements of work identified to be completed in years 1-10 predominantly to focus on the poor condition assets and assets reaching end of life. The key assets are traffic signals, signs and street lights. There is an element of information collection involved especially at the start of the LTP period as this information to help prioritise both upgrade and renewal projects throughout the 30 year timeframe. Specific projects that are included in years 1-10 include;

- ongoing renewals of traffic signals across the city informed by condition
- a programme for signage replacement as a result of defective, damaged, missing and end of life signage
- streetlights renewals to fund the replacement of poles, outreach arms, lanterns and luminaires.

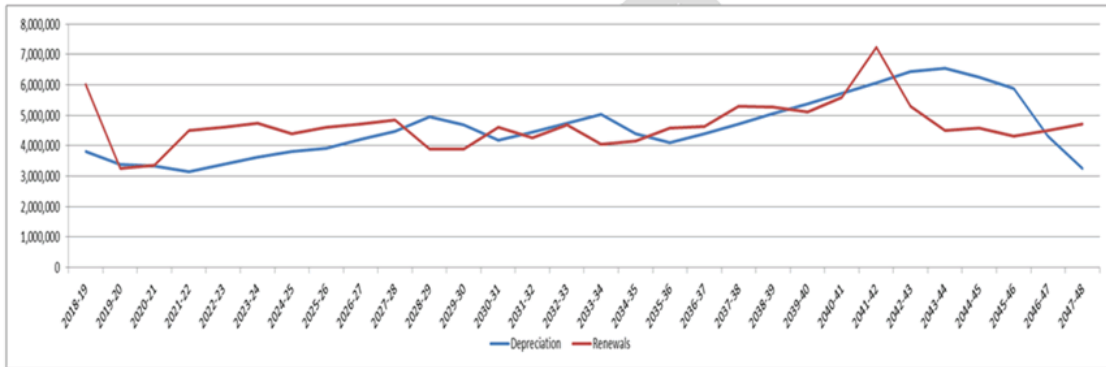
The majority of the renewals programme is relatively flat in profile and the condition assessments inform the programme.

The majority of the work in years 11-30 is at this stage targeted at renewals which includes an upgrade component.

**Network Control & Management– Prospective Capital Expenditure 2018-48**



**Network Control & Management – Prospective Renewals vs Depreciation 2018-48**



### Vehicle & Pedestrian Network

Over the period of the 2018-28 Long Term Plan the Council plans to spend \$596m maintaining these assets and ensuring the provision of the related services. We also plan to invest \$238m renewing existing assets, \$319m improving the level of service and \$24m building capacity in the network to respond to population growth.

	2019 \$m	2020 \$m	2021 \$m	2022-28 \$m	LTP Total	2029-33 \$m	2034-38 \$m	2039-43 \$m	2044-48 \$m	30 Year Financials
Operating Expenditure	11.668	13.455	15.589	142.813	183.525	100.723	107.117	114.421	122.766	628.553
Income	(2.021)	(2.047)	(2.077)	(15.093)	(21.238)	(11.771)	(12.578)	(13.499)	(14.552)	(73.637)
<b>Total Operating Projects</b>	<b>9.647</b>	<b>11.408</b>	<b>13.512</b>	<b>127.720</b>	<b>162.287</b>	<b>88.952</b>	<b>94.539</b>	<b>100.922</b>	<b>108.215</b>	<b>554.916</b>
Capital Activity Renewals	20.228	19.973	21.161	176.753	238.115	217.649	337.511	309.684	434.102	1,537.060
Capital Activity Upgrades (LoS)	36.990	21.279	12.986	248.131	319.385	0.086	0.098	0.810	0.156	320.535
Capital Activity Growth	0.943	0.006	0.015	23.311	24.274	0.000	0.000	0.000	0.000	24.274
<b>Total Capital Activities</b>	<b>58.161</b>	<b>41.258</b>	<b>34.161</b>	<b>448.194</b>	<b>581.774</b>	<b>217.735</b>	<b>337.609</b>	<b>310.494</b>	<b>434.258</b>	<b>1,881.870</b>

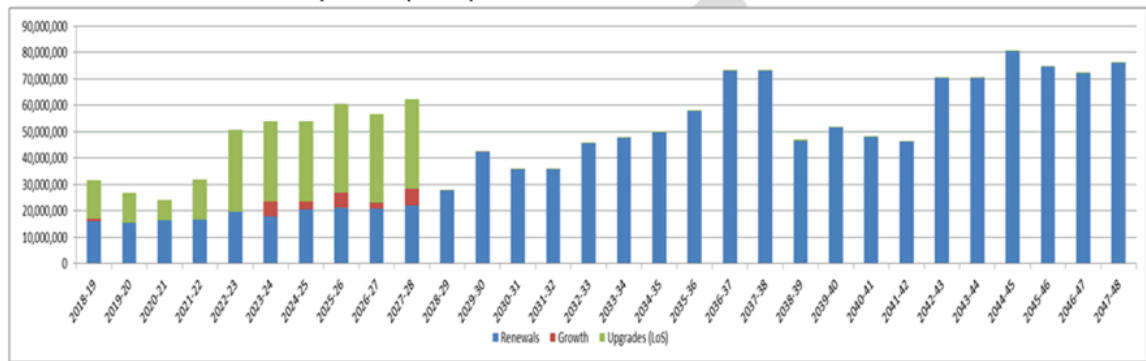
The renewals work identified to be completed in years 1-10 predominantly to focus on assets reaching end of life. The key assets are road corridor and pavement, kerb and channel, street furniture and footpaths. There is an element of information collection involved especially at the start of the LTP period as this information to help prioritise both upgrade and renewal projects throughout the 30 year timeframe. The majority of the renewals programme is relatively flat in profile and the condition assessments inform the programme.

Specific upgrade projects that are included in years 1-10 include;

- **Let’s Get Wellington Moving (LGWM)** is the most significant decision for transport assets. It will increase levels of service for capacity, efficiency and reliability. The majority of the renewals programme is relatively flat in profile and the condition assessments inform the programme. This is planned from 2022/23.
- Improvement of the level of service by investing in cycleways development though the establishment of a safe, connected network of cycleways and continued development of priority routes.

The majority of the work in years 11-30 is at this stage targeted at renewals which includes an upgrade component.

**Vehicle & Pedestrian Network – Prospective Capital Expenditure 2018-48**



**Vehicle & Pedestrian Network – Prospective Renewals vs Depreciation 2018-48**

