

9.0 FINANCIAL SUMMARY

9.1 Process of Determining Financial Forecast

The provisional financial forecast for Solid Waste was determined by identifying new works, and the continuation/evaluation of current maintenance and renewal strategies within each of the components, i.e. service delivery and waste facilities. Changes to the operations (OPEX) and capital projects (CAPEX) expenditure for items within each of the asset types were generally due to maintaining current level of services and changes to contract rates.

Level of service consultation carried out in the previous LTP indicated that the community were generally satisfied with Councils current spending within the various asset groups. This feedback was also used when determining provisional budgets. Refer to table 9.4 for the 10 year financial forecasts for both OPEX and CAPEX budgets. A Council wide 10yr expenditure review is carried out. The strategy for this review is to:

- Assign realistic timing to projects given the resources available under Councils current funding sources and in relation to impacts in other Asset Management Plans.
- Optimise timing of projects.
- Generate consistent budgeting philosophies across all Council divisions.
- Align expenditure with growth predictions.

Consultation on the final 10yr financial forecast will be carried out via the 2018-2028 TYP process.

9.2 Funding of Expenditure

9.2.1 FUNDING STRATEGY

The focus of this AMP is to identify the optimum (lowest lifecycle) cost for Solid Waste and to identify the cost for each asset group necessary to produce the desired level of service. How this cash flow will be funded is outlined in Council's long term financial strategy.

Current funding sources available for Solid Waste include:

- Rates – income generated by the collection of general, separate and differential rates.
- Fees and charges (ref Web site for current Fees & Charges).
- Govt allocated funds under the Waste levy

Funding the Cost Centre

In order to provide for on-going operation of the Solid waste facilities and services Council will need to continue to invest Capital expenditure within the District.

Currently the existing services are funded through a split between user charges at facilities and a rating portion, the funding split being 51% to 49%. Kerbside refuse collection is funded fully by user pays while the kerbside recycling service is incorporated in the rating portion. The reason for a user pay and rating split is to enable a significant cost differential between refuse disposal and recycling services which are perceived as being free (rates funded) by the community. This policy has seen a marked increase in recycling participation through the whole community, and continues to see participation rates in the service at over 90%.

Central Government, in terms of the NZ Waste Strategy have promoted the change to full cost accounting and full cost at facilities and for services, thus making the NZ community aware of the costs involved in the Waste sector. This not only allows Councils to charge the full cost but it also supports the recycling industry by increasing the cost to dispose and incentivising the market place to look for alternatives to disposal.

Councils current funding split is a reflection of the public good involved in keeping the price of Solid Waste services affordable to reduce the amount of illegal dumping experienced throughout the district and also in recognition of the amount of out of district home ownership and the responsibility of this set of rate payers to help fund the solid waste infrastructure and services.

The funding split also enables Council to set fees and charges at a level that avoids competition and waste flight away from the Broadlands Rd Landfill.

Costs for Solid Waste assets and services are forecast to remain static as Council has entered into long term contracts but there will be contract escalations, depreciation, and new landfill cells at the Broadlands Rd Landfill as well as new Legislation.

Emissions trading costs have increased to be between \$15-\$25 per emission credit, which has meant an increase in operational cost of around \$250,000 per year. This cost has been funded by gate fee increases in 2017. There is uncertainty as to the value of emission credits in the short and medium term.

Council is not considering the use of development contributions on new subdivisions as a funding option for solid waste assets as the cost is already partly recovered by fees and charges and the revenue recovered from development contributions would be minimal.

9.2.2 ALLOCATION OF FUNDS

The process of allocating funds is generally based on:

- Maintenance and operations are funded from General Rates and fees and charges.
- Renewal works are funded by Depreciation.
- New Works are funded by Loans.

The funding strategy can be found within the Long Term Plan.

9.3 Historical and Forecast Expenditure

Historic expenditure for each asset group is included within the lifecycle section for that asset.

Budgeted Solid Waste expenditure for the next 10 years is summarised on the following pages.

9.3.1 OPEX: OPERATING AND MAINTENANCE EXPENDITURE

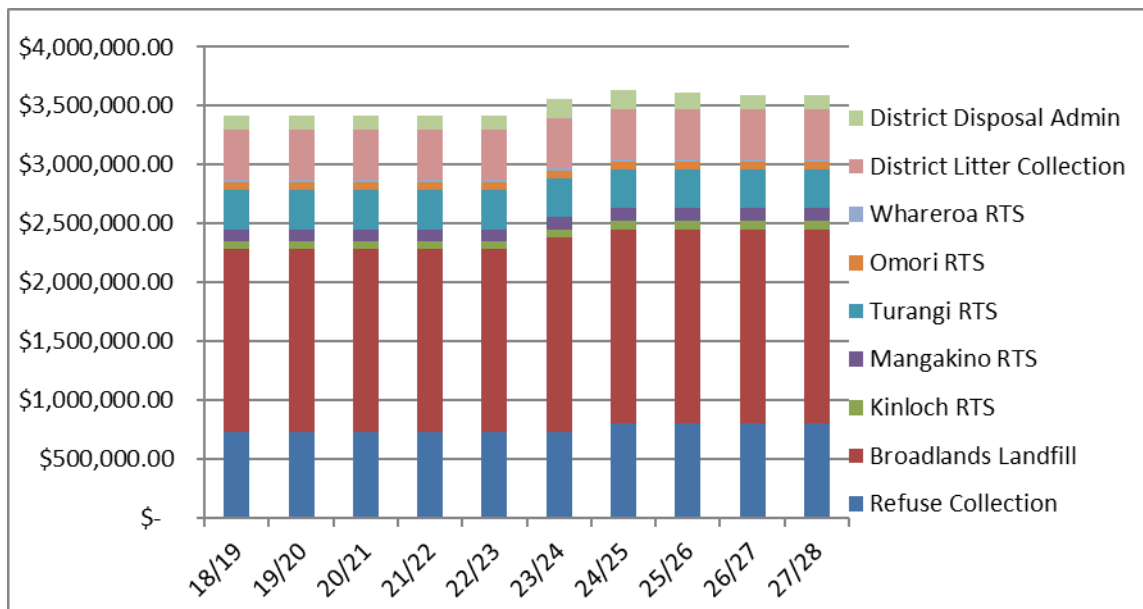


Figure 9-1: Operating and Maintenance Expenditure (\$,000)

Operation and maintenance costs average approximately \$3.5M/year for the next 10 years. The cost centre has remained fairly static with a slight reduction in cost as Council has entered into longer term contracts for refuse and recycling collection as well as the operation of the Broadlands Rd site but has had increase ETS cost.

Maintenance requirements are carried out by contractors who are appointed in accordance with Council’s procurement policy.

Operational costs shown in the above graph do not include TDC administration and allocation of internal costs or Interest and depreciation.

The total cost breakdown is included in the Total Expenditure and funding section (see appendix for work papers showing how the Opex and maintenance costs have been determined).

9.3.2 OPEX: INCOME

Operational income is generated from the gate fees at district facilities and sticker and coupon sales for refuse collection.

Opex income will be adjusted to reflect the current funding policy for solid waste which has rates at 51% and gate revenue at 49%,

9.3.3 RENEWAL EXPENDITURE

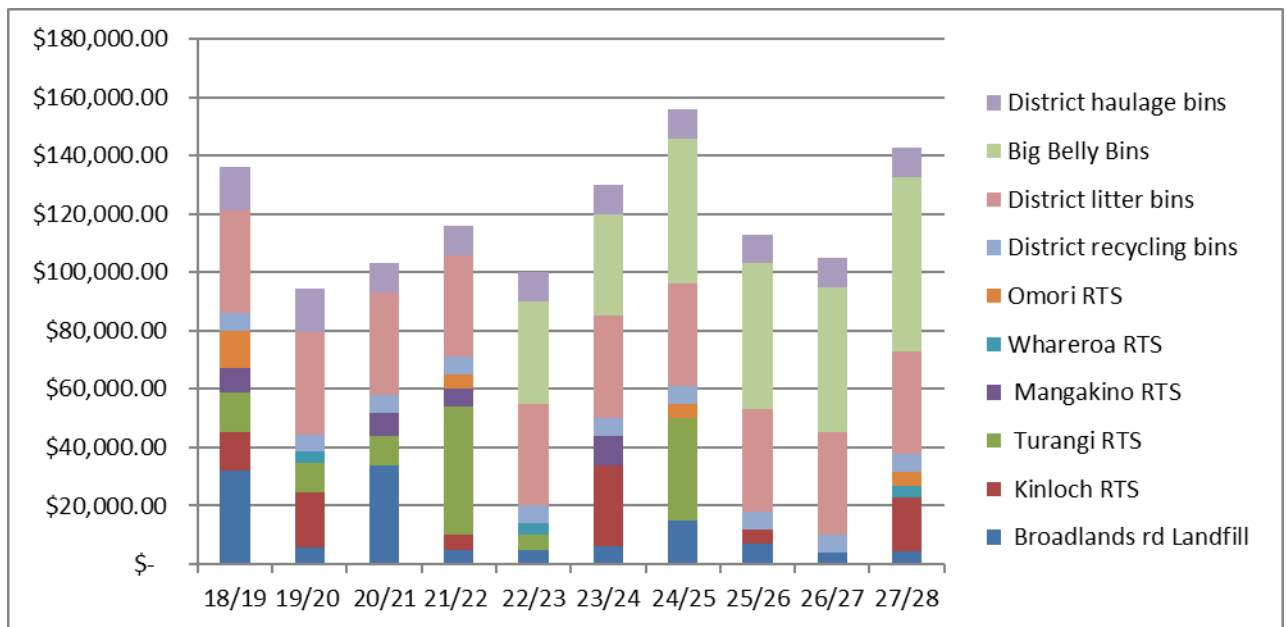


Figure 9-2: Renewals Expenditure (\$,000)

Renewals include any items where an existing asset is replaced for example pumps or compactor motors etc. Renewal costs are based on packaged renewal program for each district facility.

Generally, the timing of renewal for an asset is based on assessment as the asset is nearing the end of its useful life. Loss in service potential is calculated by straight-line depreciation with the exception of land which is not depreciated. The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component.

Component	Useful Life (years)
Compactors	25
Barrier arms	7
pavement	10
Pumps	8
Buildings	50
Signage	4
Fencing	12
Kiosk Furnishings	4
Recycling containers	4
Cash registers	4

Table 9-1: Solid Waste Asset Useful Lives

A summary of the depreciation of Solid Waste assets is presented in the Taupō District Council Annual Report.

Project sheets for renewals are included in the appendix and table 8.5 in section 8 itemises the renewal projects.

9.3.4 CAPEX: NEW WORKS EXPENDITURE

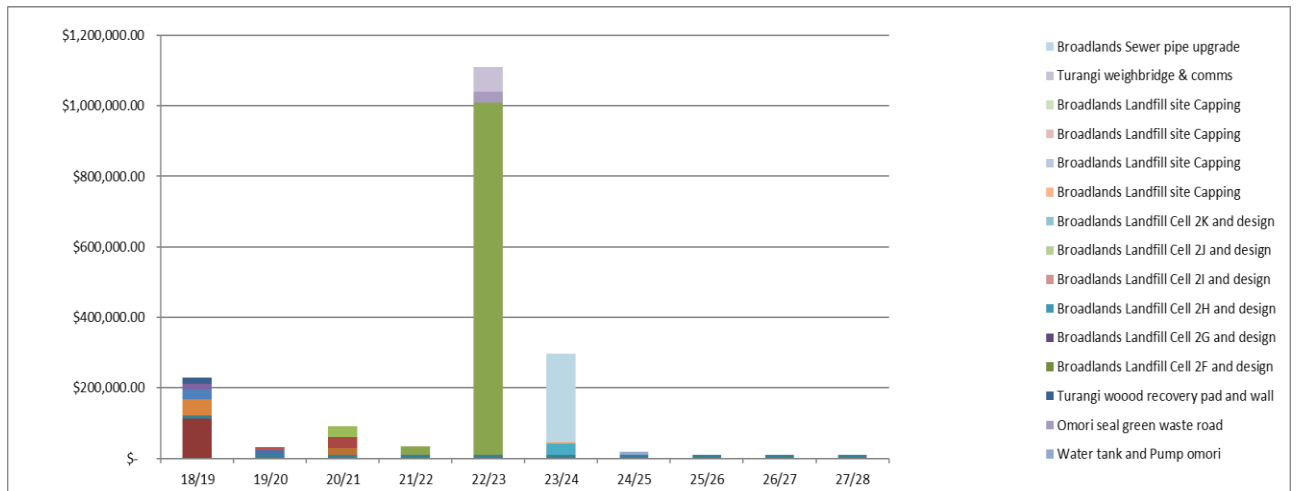
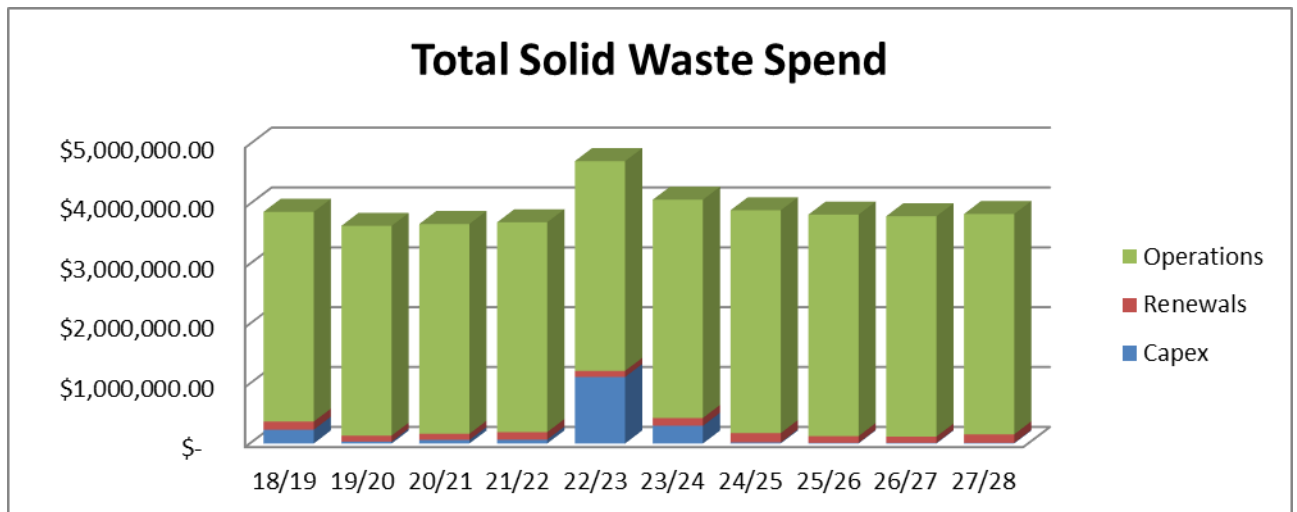


Figure 9-3: New Works Expenditure (\$,000)

New works expenditure is governed by works required to meet resource consent requirements and on-going cell development at the Broadlands Rd landfill.

Peaks in spending are due to the new cells being provided at the Broadlands Rd Landfill.

Project sheets for each project are included in the appendix and table 8.6 and section 8 has the new works projects.



Total solid waste cost centre spend asset controlled expenses only average just over 3.5 million with peak showing for the creation of landfill cell.

9.3.5 EXPENDITURE LINKAGES TO LEVEL OF SERVICE

Section 5 (LOS) outlines how each of the budgeted items relates back to the level of service being provided.

9.4 Total Expenditure and Funding

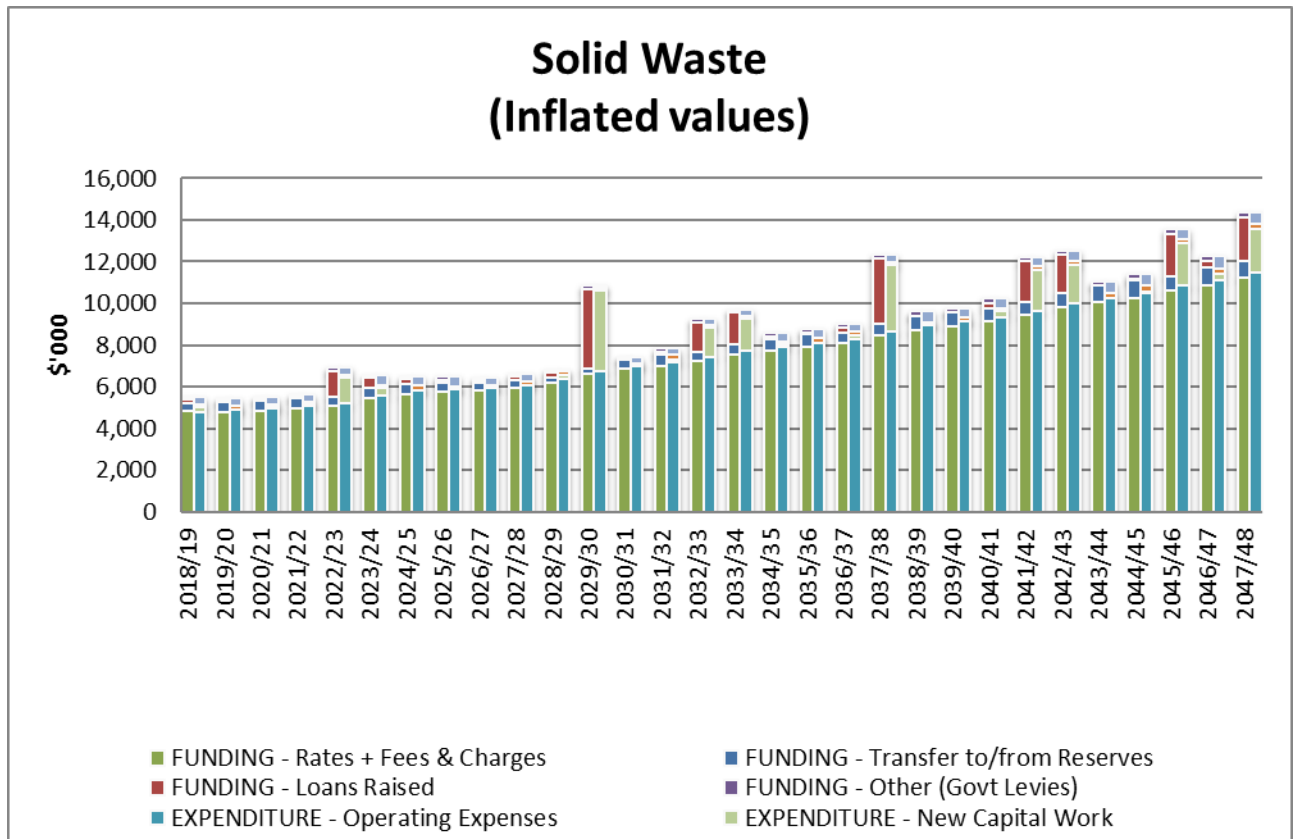


Figure 9-4: Total Funding & Expenditure (\$,000)

Overall, the total budget fluctuates depending on the capital projects, however the average spend over the 30 year LTP period is approximately \$8M per annum.

9.5 Valuation of Solid Waste Assets

Solid Waste assets provide a continuing service to the community and are not generally regarded as tradable. The cost to replace an asset with the Modern Equivalent Asset (MEA) is used as a basis to determine replacement value.

Refer to Section 4 (Asset Data), for a summary of the valuation of Solid Waste assets. A full valuation report is available on request.

Rates for renewal costs are taken from current operational contract rates. These rates are compared to like contracts in NZ. Rates for specific items are identified and compared from various suppliers

9.6 Financial Assumptions

The financial assumptions are included in the Introduction Section (section 1).

9.7 Financial Confidence Levels

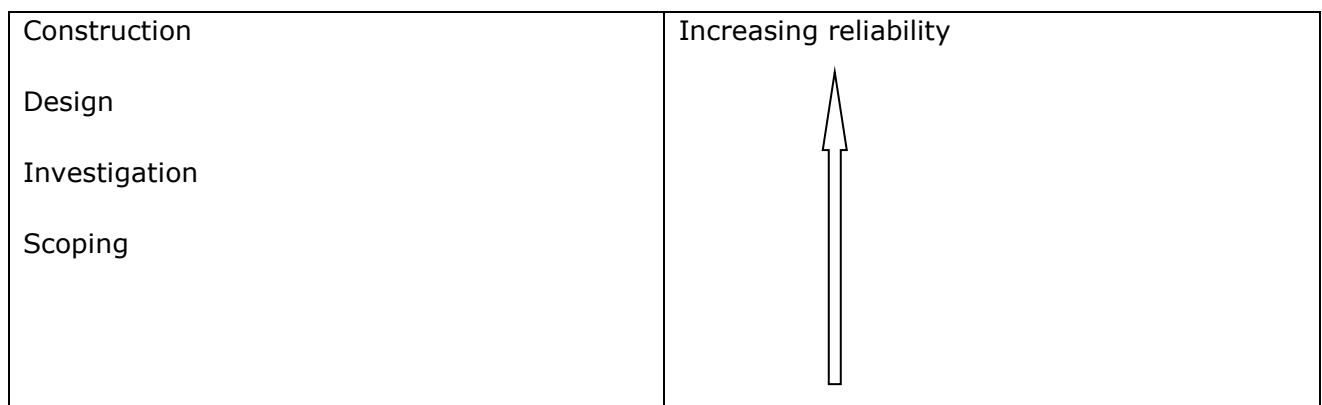
The confidence in the asset data used as a basis for the financial forecasts has been assessed using the following grading system from the International Infrastructure Management Manual – Australia/New Zealand Edition, April 2000.

Confidence Grade	General Meaning
A	Highly reliable. Data based on sound records, procedure, investigation and analysis, documented properly and recognised as the best method of assessment
B	Reliable. Data based on sound records, procedures, investigation and analysis, documented properly but has minor shortcomings, for example the data are old, some documentation is missing, and reliance is placed on unconfirmed reports or some extrapolation.
C	Uncertain Data based on sound records, procedure, investigation and analysis which is incomplete or unsupported, or extrapolated from a limited sample for which grade A or B data are available
D	Very Uncertain. Data based on unconfirmed verbal reports and/or cursory inspection and analysis.

Table 9-2: Confidence Grading Table

The confidence level is B+ overall.

Financial forecasts within the first three years are seen as reliable with the reliability decreasing with time. Also the reliability depends on the phase of the project, with reliability increasing as the project moves from scoping to construction.



	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Revenue										
General Rates	-780	-808	-825	-844	-863	-881	-900	-920	-942	-964
Targeted Rates	-1,225	-1,141	-1,146	-1,159	-1,245	-1,521	-1,621	-1,608	-1,586	-1,603
Govt Levy for waste minimisation	-120	-122	-125	-128	-130	-133	-136	-140	-143	-147
Fees and Charges	-2,821	-2,809	-2,866	-2,927	-2,993	-3,062	-3,131	-3,208	-3,282	-3,368
Total Revenue	-4,946	-4,880	-4,962	-5,058	-5,231	-5,597	-5,789	-5,876	-5,953	-6,081
Operating Expenses										
Maintenance Costs	60	61	62	63	65	66	68	69	71	73
Operations Costs	3,707	3,780	3,859	3,939	4,029	4,279	4,461	4,547	4,630	4,749
Interest on Borrowings	212	195	175	160	172	196	183	158	133	123
Depreciation	374	386	389	393	455	535	544	563	570	577
Overheads	449	459	477	503	511	522	533	540	549	560
Total Operating Expenditure	4,801	4,880	4,962	5,058	5,232	5,598	5,789	5,877	5,953	6,081
Net Deficit (Surplus) of Operations	-145	0	0	0	1	1	0	1	0	0
Funded by:										
Transfers to/from Reserves	-145	0	0	0	0	0	0	0	0	0
Renewals	136	138	125	134	112	145	251	140	125	175
Capex										
Big Belly Bins	112	0	0	0	0	0	0	0	0	0
Street recycling bins	10	10	10	11	11	11	11	12	12	12
mangakino concrete pad	0	0	21	0	0	0	0	0	0	0
Mangakino Kiosk & Electrical	0	12	0	0	0	0	0	0	0	0
Broadlands intermediate capping	0	0	0	32	0	0	0	0	0	0
Broadlands Landfill Cell 2E	0	0	0	27	1,087	0	0	0	0	0
Kinloch site upgrade	45	0	0	0	0	0	0	0	0	0
Kinloch water supply	30	0	0	0	0	0	0	0	0	0
Turangi Glass bays	0	10	0	0	0	0	0	0	0	0

Turangi Building extension	0	0	31	0	0	0	0	0	0	0	0
landfill capping turangi	15	0	0	0	0	0	0	0	0	0	0
power supply Omori	0	0	0	0	0	33	0	0	0	0	0
lighting / eftpos Omori	0	0	0	0	0	7	0	0	0	0	0
Water tank and Pump omori	0	0	0	0	0	0	9	0	0	0	0
Omori seal green waste road	0	0	0	0	33	0	0	0	0	0	0
Turangi wood recovery pad and wall	18	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill Cell 2F and design	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill Cell 2G and design	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill Cell 2H and design	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill Cell 2I and design	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill Cell 2J and design	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill Cell 2K and design	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill site Capping	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill site Capping	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill site Capping	0	0	0	0	0	0	0	0	0	0	0
Broadlands Landfill site Capping	0	0	0	0	0	0	0	0	0	0	0
Turangi weighbridge & comms	0	0	0	0	76	0	0	0	0	0	0
Broadlands Sewer pipe upgrade	0	0	0	0	0	278	0	0	0	0	0
new landfill cells	0	0	0	0	0	0	0	0	0	0	0
landfill capping	0	0	0	0	0	0	0	0	0	0	0
gas infrastructure	0	0	0	0	0	0	0	0	0	0	0
Total New Capex	230	33	62	69	1,207	329	20	12	12	12	12
Total Capex	366	171	188	203	1,319	474	272	152	137	187	187
Funded by:											
Loans raised	230	33	62	69	1,247	474	260	137	102	142	142
Loans repaid	-365	-379	-367	-367	-352	-472	-436	-449	-363	-360	-360
Transfer from reserve(s)	501	518	492	501	424	472	447	465	398	405	405
	366	171	188	203	1,319	474	272	152	137	187	187
	0	0	0	0	0	0	0	0	0	0	0
Check to LTP Model	366	171	188	203	1319	474	272	152	137	187	187
	0	0	0	0	0	0	0	0	0	0	0

