

/ Financial Strategy /

/ Te Rautaki Ahumoni /

Introduction

QLDC's Financial Strategy is aimed at responding to the needs of our district today and into the future in a responsible and affordable way.

It is important Council continues to invest in its core infrastructure to ensure statutory compliance of three waters services and improve transportation outcomes for residents and visitors alike. As the proposed programme has been developed, Council has tried to balance the need to borrow with the aim of minimising rates increases, while continuing to invest in infrastructure and services on behalf of our communities.

If realised, the following outcomes should be achieved:

- >> Prioritised capital programme
 - o delivering the 'right' projects in order to achieve compliance with water supply and wastewater services within statutory deadlines
 - o delivering the 'right' projects ahead of growth so that development is supported in areas identified in the Spatial Plan
- >> Alternative funding methods – potential use of the Infrastructure Funding and Financing Act (IFFA) for new growth infrastructure is fully investigated over the next two years and is implemented if found appropriate
- >> Alternative funding methods – the use of Developer Agreements which require higher up-front payments from developers for new growth infrastructure, or for developers to provide trunk infrastructure in exchange for development contribution credits is fully investigated over the next two years and implemented if found to be appropriate
- >> Rates increases are minimised for the period whilst recognising the need to increase rates and other operating revenue to “balance the budget” and to maintain compliance with borrowing limits

- >> Debt levels are maintained within borrowing limits
- >> Debt levels at the end of the 10 year period have stabilised
- >> Excellent service continues to be provided within financial constraints.

Purpose

The Financial Strategy is a requirement of the Long Term Plan as per Section 101A of the Local Government Act 2002.

The purpose of the strategy is to:

- 1) facilitate prudent financial management by providing a guide for the local authority against which to consider proposals for funding and expenditure; and
- 2) provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt and investments.

The strategy also provides additional information to allow ratepayers to understand Council's overall financial position, and the main issues or factors that have a significant impact in this area.

Many of the elements of Council's financial strategy are included in the various funding and financial policies required under Section 102 of the Local Government Act 2002. As such this financial strategy will not attempt to replicate the detail contained within these policies, but rather will summarise the important principles.

Significant factors

There are several factors that are expected to have a significant impact on the district for the 2024-2034 period. Each of the factors is discussed in more detail in the following sections:

- >> Financial constraints – the impact of high inflation and significant cost escalation has increased both operational and capital expenditure budgets. This means the proposed budgets have been developed with an emphasis on getting the basics right, to ensure that:
 - o the impact on rates is kept to a minimum
 - o borrowing limits are not exceeded
 - o and user fees for services are set appropriately
- >> Growth and changes in land use – we’re growing faster than expected. Demand projections indicate this will continue at levels well above any other urban centre in Aotearoa New Zealand²³. This puts pressure on existing services and infrastructure as well as traditional funding models which aren’t well suited to enable growth infrastructure
- >> Capital expenditure to maintain levels of service – a proportion of the capital programme is required for renewals of core infrastructure: roading; water supply; wastewater and stormwater
- >> Capital expenditure to improve current levels of service – central Government reforms in recent years have resulted (or will result) in obligations to deliver new services and infrastructure at a higher standard than in the past, and to upgrade existing services and infrastructure to meet these higher standards.

²³ <https://www.qldc.govt.nz/community/population-and-demand/>

(A) FINANCIAL CONSTRAINTS

The impact of high inflation and significant cost escalation has increased both operational and capital expenditure budgets. This is a significant issue for the whole local government sector, with the cost escalation for capital work increasing by 30-50% over the past four years. Operating costs are also under significant upward pressure with continued high interest rates and inflation across the board impacting insurances; energy; labour and maintenance contract costs. The budgets within the proposed Long Term Plan have been developed with an emphasis on getting the basics right to ensure that the impact on rates is kept to a minimum and that borrowing limits are not exceeded and that user fees for services are set appropriately.

Finding an acceptable balance for the Long Term Plan 2024-2034 has proved extremely difficult as Council has had to work within the limits set on borrowing by the Local Government Funding Agency (LGFA) Te Pūtea Kāwanatanga ā-Rohe. The most challenging debt parameter to maintain is the debt to revenue ratio; which effectively limits Council’s borrowing to 2.8 times its annual income. All councils experiencing high growth in Aotearoa New Zealand are facing difficulties in this regard, as revenue needs to increase to keep pace with the increased borrowing required to provide expensive growth infrastructure. This puts significant upward pressure on rates and other council revenue. In this LTP, Council has attempted to balance increasing debt with increasing revenue including rates.

The table below and graph on the following page summarise some of the key financial metrics over the next 10 years.

10 year key financial metrics

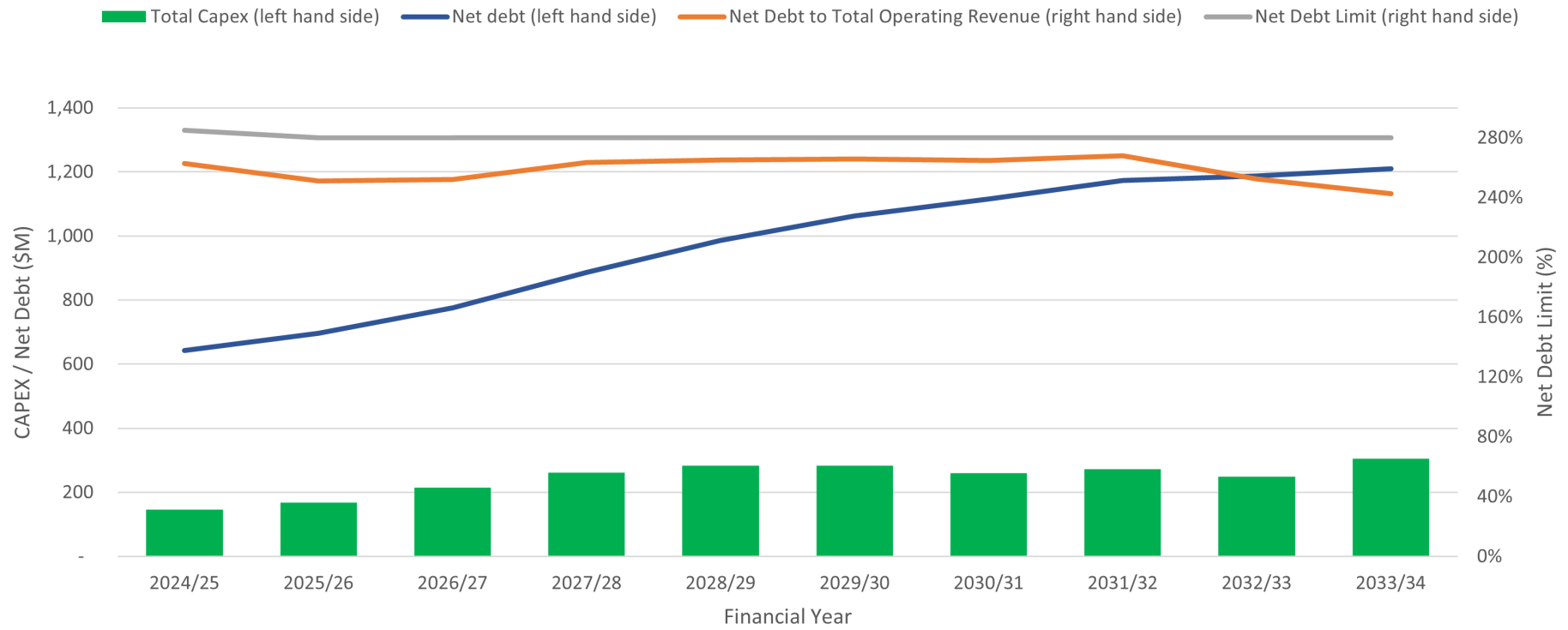
10 Year Key Financial Metrics	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Net Debt	642.9	696.5	776.7	886.3	986.8	1,063.3	1,115.8	1,173.6	1,188.2	1,210.4
Net Debt to Total Operating Revenue	263.0%	251.1%	252.0%	263.4%	265.0%	265.7%	264.9%	268.0%	252.4%	242.5%
Headroom by Year	54	80	86	56	56	57	64	52	130	187
Total Capex	146.7	168.3	214.6	261.0	283.6	283.2	259.7	272.6	249.4	305.0
Rates Increase (after Growth)	15.8%	13.5%	11.6%	8.5%	11.1%	5.1%	2.7%	3.4%	2.3%	1.3%

Capital expenditure over the next ten years is higher than previously forecast. It amounts to \$2.44B (2021: \$1.67B) which represents an increase of \$772M or 46% more than the 2021-2031 Long Term Plan. So, to deliver a plan with acceptable average rates increases whilst remaining within borrowing limits, this has meant a number of projects within the capital programme have been reprioritised to later or beyond this Long Term Plan.

The capital programme has been fully re-prioritised. Council has used its strategic framework and investment priorities to build a proposed capital investment programme for the district. The first two years of the capital programme focus on getting the basics right, with other strategic investments only being included in addition to these from year three. The first two years programme is made up of 'must do' projects; these are primarily core infrastructure projects to which council is committed or projects that must be done for compliance or risk mitigation reasons. This approach limits borrowing in the first two years to a minimum where pressure on rates is at its highest.

Debt increases steadily over the 10 year period from \$642.9M in 2024-2025 to \$1.21B in 2033-2034. During this time, there are no debt limit breaches with the debt to revenue ratio staying in the range of 242.5% to 268.0%. The average over the 10 years is 258.8%. It is also important to provide an adequate amount of debt headroom to allow for unforeseen events. The debt headroom over the 10 years ranges from \$52M to \$187M and averages \$82M.

Forecast debt to capital expenditure 2024-2034



Unfortunately, it is necessary for rates to increase significantly over the first five years of the plan. The average increase after growth for this period is 12.1%. These increases are required to cover increased operating expenditure described above, but also to increase the level of depreciation funding and increased rate funded debt servicing. It's important to note that the combined impact of increased interest costs and increased depreciation funding account for over half of the proposed rates increase for 2024-2025 (15.8%). Council is very aware of the pressure on household incomes and has mitigated the impact of higher rates increases by spreading them over successive years. Council has also strived to achieve savings in its budgets and has successfully reduced the proposed rates increase in the first year from over 19.5% down to 15.8%. The proposed increases for years 6-10 are much lower and average 3.0% per annum after growth.

With the aim of taking the pressure off local rates, Council has advocated to central Government for a visitor levy over the past 5 years. Unfortunately, after making significant progress with the previous Government, it appears that the new coalition Government is less supportive of introducing a visitor levy at present. This means that rates will continue to cover visitor related costs.

Council will, however, continue to investigate different financing tools for growth related infrastructure. This will include consideration of the Infrastructure Funding and Financing Act (IFFA), which allows new growth infrastructure to be delivered and financed without the debt showing on Council's balance sheet. Under the IFFA, the beneficiaries of the infrastructure are charged by way of an annual levy. Council will also look to make Developer Agreements which require higher up-front payments from developers towards growth servicing costs or for developers to provide trunk infrastructure in exchange for credits on future development contributions.

This means we have not been able to invest as extensively in our strategic priorities as we would like. Capital expenditure over the next ten years is much higher than previously forecast. It amounts to \$2.44B (2021: \$1.67B) which represents an increase of \$772M or 46% more than the Long Term Plan 2021-2031.

Our ability to do more is constrained by:

Increased costs to deliver our services – councils across the motu are facing increasing interest rates, high inflation, compliance costs and high demand. These costs are outside of Council control and are further affected by continuing high resident and visitor growth, which is funded by a small ratepayer base.

Workforce shortages – in recent years it has been challenging to secure the market capacity to deliver infrastructure projects on time due to workforce shortages. QLDC is a small organisation, with limited personnel available to plan and oversee the completion of projects.

Limited capital – capital availability has been significantly affected by the settlement of large building defect and weather tightness claims (often referred to as 'leaky buildings'), and the visitor levy sought in 2019 not being currently available. This means a higher-than-expected level of debt has been carried forward into this LTP and limits our ability to borrow.

Limited, unproven alternative funding tools – our ability to support growth in resident and visitor numbers through rates alone is not sustainable. There are alternative funding tools available through the IFFA, but these are largely untested. The Government is planning on introducing more alternative funding tools, and a new National Infrastructure Agency to direct how these should be used. We will pursue these as they become available, so we can mitigate rates increases for residents as much as possible. We will continue to pursue a visitor levy for the district.

Capital Expenditure 2024-34 Significant Projects > \$5M (Inflated to Funding year \$'s)											
DESCRIPTION	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	TOTAL 24-34
COMMUNITY SERVICES AND FACILITIES											
516 Ladies Mile Stage 1	-	1,848,780	3,351,360	-	-	-	-	-	-	-	5,200,140
Ballantyne Rd Site Remediation Works	-	-	-	-	-	5,717,241	-	-	-	-	5,717,241
Ballantyne Rd Sports Hub Stage 1	-	-	-	-	-	-	3,809,620	3,883,990	-	-	7,693,610
Ballantyne Rd Sports Hub Stage 2	-	-	-	-	-	-	-	751,291	1,531,354	7,801,272	10,083,917
Coronet Forest Revegetation	-	2,254,269	3,029,874	1,674,214	419,704	205,416	129,176	131,698	-	-	7,844,350
Jetty Refurbs & Replacements	-	-	-	1,383,795	1,413,810	1,731,038	2,059,754	2,099,963	2,445,912	-	11,134,271
Lakeview Development - Plaza	-	-	-	2,291,565	4,006,738	-	-	-	-	-	6,298,302
QEC - Energy Upgrade	-	969,518	4,189,200	-	-	-	-	-	-	-	5,158,718
QEC Building Renewals	414,000	303,903	1,323,666	564,559	700,248	86,226	1,712,857	783,096	144,060	1,116,130	7,148,745
QEC Indoor Courts, Carpark, Sports Field	250,000	770,325	4,189,200	20,183,352	20,621,136	-	-	-	-	-	46,014,013
QEC Shared Clubrooms/Fitness Centre expansion	-	-	-	-	1,092,800	4,460,000	5,686,000	-	-	-	11,238,800
Queenstown Gardens Development	-	-	-	-	-	-	-	1,159,400	4,726,400	-	5,885,800
Southern Corridor Pool Planning	-	-	-	-	-	-	-	-	-	6,019,500	6,019,500
Strategic Land Acquisition	-	-	-	-	-	-	-	3,594,348	3,663,590	3,729,726	10,987,664
Wānaka Airport Upgrades	-	-	541,978	2,214,072	2,827,620	362,364	-	-	-	-	5,946,034
Wānaka Eely Point Jetty/Ramp	-	-	-	-	-	-	-	-	601,105	5,512,044	6,113,149
Wānaka Lakefront Development Plan Stg 4	-	-	-	-	-	-	-	579,700	2,245,040	2,889,360	5,714,100
Wānaka Pool extension	-	-	-	-	-	-	-	1,739,100	7,089,600	9,029,250	17,857,950
Wānaka Recreation Centre Masterplan	-	-	-	-	-	-	-	-	1,181,600	4,815,600	5,997,200
Wildfire Mitigation Programme	-	-	1,066,528	1,426,162	3,270,051	3,569,951	3,641,030	3,634,719	3,924,882	3,744,129	24,277,452
Balance of Projects less than \$5M	13,549,393	11,905,296	17,699,760	10,030,309	14,583,586	10,990,958	11,122,356	12,361,913	18,060,960	26,337,707	146,642,238
ECONOMY											
Lynch Block Cabin Removal & Site Works	-	-	-	-	-	-	-	-	642,052	5,887,522	6,529,574
Balance of Projects less than \$5M	462,434	116,935	119,235	66,422	67,863	69,242	70,620	1,417,498	1,296,333	1,320,799	5,007,381
FINANCE & SUPPORT SERVICES											
Manawa Stage 1 (CAB)	-	-	-	-	2,307,338	4,708,422	18,008,131	28,199,507	7,435,572	-	60,658,970
Solar Energy Conversion	-	-	-	-	-	-	-	5,999,895	-	-	5,999,895
Balance of Projects less than \$5M	3,401,808	2,693,148	3,194,445	1,691,067	2,932,070	2,058,286	1,691,729	2,991,305	1,661,548	2,026,378	24,341,784
REGULATORY FUNCTIONS & SERVICES											
Balance of Projects less than \$5M	89,653	97,597	25,142	725,393	32,973	35,093	35,228	64,432	4,116	93,150	1,202,778

Capital Expenditure 2024-34 Significant Projects > \$5M (Inflated to Funding year \$'s)											
DESCRIPTION	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	TOTAL 24-34
STORMWATER											
Kingston New Scheme (SW)	7,761,286	43,976	-	-	-	76,228	3,899,791	3,908,765	-	-	15,690,046
Ladies Mile New Scheme (SW)	-	-	457,543	1,879,465	3,375,022	14,822,437	15,166,273	14,477,308	-	-	50,178,048
Major Improvements - Upper Clutha (SW)	-	-	-	-	1,183,104	10,911,514	1,240,514	11,418,694	1,295,916	11,917,311	37,967,052
Major Improvements - Whakatipu (SW)	-	-	-	1,152,971	10,647,932	1,212,390	11,164,628	1,268,744	11,663,245	1,324,146	38,434,056
Renewals - Upper Clutha (SW)	369,456	386,662	982,788	982,362	910,087	423,655	433,483	190,853	233,473	396,061	5,308,881
Renewals - Whakatipu (SW)	837,723	620,847	1,385,772	1,376,710	1,527,201	672,205	940,226	735,305	729,894	929,540	9,755,422
Rockabilly Gully Erosion Protection (SW)	500,325	4,665,928	-	-	-	-	-	-	-	-	5,166,253
Stone Street Upgrades (SW)	-	-	1,100,342	10,169,800	-	-	-	-	-	-	11,270,143
Balance of Projects less than \$5M	2,359,678	1,827,314	6,229,048	1,485,629	1,374,268	1,716,152	1,368,806	1,363,033	1,834,383	1,461,087	21,019,398
TRANSPORT INCLUDING ROADING, PARKING & FOOTPATHS											
Active Travel LCLR - Upper Clutha (TR)	-	-	817,503	612,690	627,019	640,778	653,966	667,154	680,912	694,100	5,394,123
Active Travel LCLR - Whakatipu (TR)	-	-	599,502	612,690	627,019	640,778	653,966	667,154	680,912	694,100	5,176,122
Additional Street Lighting (TR)	-	-	-	-	1,816,726	-	-	3,221,686	-	-	5,038,412
Arterial Early Land Acquisition (TR)	-	-	-	-	-	-	-	1,116,026	3,417,124	6,966,612	11,499,761
Arterial Stage One (TR)	21,742,717	958,622	418,126	-	-	-	-	-	-	-	23,119,464
Arthurs Point Bridge Crossing (TR)	308,770	954,006	1,945,434	4,639,202	16,956,085	20,793,783	21,221,738	2,164,969	-	-	68,983,988
Drainage Renewals - Whakatipu (TR)	452,679	466,214	475,358	485,815	497,177	508,087	518,544	529,001	539,910	550,367	5,023,153
Hāwea Network Optimisation (TR)	-	-	-	-	-	-	331,036	225,141	689,351	5,855,856	7,101,383
Ladies Mile Network Optimisation (TR)	-	-	-	-	-	-	331,036	225,141	689,351	5,855,856	7,101,383
Minor Improvements - Upper Clutha (TR)	2,257,882	2,325,392	2,371,001	2,423,159	2,479,831	2,534,246	2,586,403	2,638,560	2,692,975	2,745,132	25,054,583
Minor Improvements - Whakatipu (TR)	2,335,074	2,404,893	2,452,061	2,506,002	2,564,612	2,620,887	2,674,827	2,728,768	2,785,043	2,838,983	25,911,150
PT Interchange - Land Acquisition (TR)	-	-	-	-	-	-	-	375,942	12,406,150	-	12,782,093
Public Transport Assets - Whakatipu (TR)	551,375	567,861	578,999	591,736	605,575	618,864	631,600	644,337	657,625	670,362	6,118,335
Public Transport Network Optimisation (TR)	-	-	109,000	334,194	342,011	466,020	594,515	1,091,706	1,114,220	1,135,800	5,187,467
Quail Rise to Hawthorne Link Road (TR)	-	-	-	140,514	719,002	5,143,456	1,349,823	-	-	-	7,352,796
Road 10 Formation (TR)	-	-	-	-	-	-	-	127,529	650,797	5,837,936	6,616,263
Sealed Road Rehabs - Wānaka (TR)	454,644	468,238	477,422	536,716	549,269	561,322	630,162	642,869	656,127	735,718	5,712,487
Sealed Road Rehabs - Whakatipu (TR)	1,132,458	1,166,318	1,189,194	1,336,889	1,368,156	1,398,178	1,569,649	1,601,302	1,634,326	1,832,577	14,229,049
Sealed Road Resurfacing - Wānaka (TR)	1,575,684	1,622,797	1,654,626	1,691,024	1,730,574	1,768,548	1,804,946	1,841,344	1,879,318	1,915,717	17,484,578
Sealed Road Resurfacing - Whakatipu (TR)	2,666,622	2,746,354	2,800,220	2,861,819	2,928,751	2,993,017	3,054,616	3,116,214	3,180,480	3,242,079	29,590,171
Southern Corridor Network Optimisation (TR)	-	-	-	-	-	-	331,036	225,141	689,351	5,855,856	7,101,383
Unsealed Road Metalling - Wānaka (TR)	661,650	681,434	694,799	710,083	726,691	742,636	757,920	773,205	789,150	804,434	7,342,002
Unsealed Road Metalling - Whakatipu (TR)	942,852	971,043	990,089	1,011,868	1,035,534	1,058,257	1,080,037	1,101,816	1,124,539	1,146,319	10,462,353
Wānaka Network Optimisation (TR)	-	-	-	-	-	-	326,505	1,332,356	6,799,165	8,663,562	17,121,588
Wānaka Primary Cycle Network (TR)	-	-	-	-	-	-	114,436	583,720	2,978,790	3,036,482	6,713,428
Balance of Projects less than \$5M	4,668,379	7,543,583	5,970,050	7,707,776	4,445,011	4,635,436	6,948,503	6,236,426	5,920,752	11,550,143	65,626,061

Capital Expenditure 2024-34 Significant Projects > \$5M (Inflated to Funding year \$'s)											
DESCRIPTION	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	TOTAL 24-34
WASTE MANAGEMENT											
New Waste Facilities (WM)	1,480,598	6,136,782	19,653,085	28,357,969	16,567,889	4,244,504	-	-	-	-	76,440,827
Wānaka Waste Facilities (WM)	3,872,650	5,211,195	619,672	-	-	-	-	-	-	-	9,703,517
Balance of Projects less than \$5M	1,367,626	2,880,148	1,104,995	897,177	1,046,809	1,330,871	964,920	1,530,874	2,450,456	1,416,965	14,990,842
WASTEWATER											
Biosolids Disposal - Queenstown (WW)	-	-	-	-	-	112,596	460,830	3,534,873	4,814,104	3,074,358	11,996,760
Biosolids Disposal - Wānaka (WW)	-	-	-	-	-	62,626	256,314	1,966,102	2,677,612	1,709,962	6,672,616
Cardrona Scheme Upgrades (WW)	-	-	-	-	119,001	694,247	5,922,484	3,891,537	-	-	10,627,269
CBD to Frankton Conveyance (WW)	2,922,181	13,099,028	13,423,912	7,877,404	-	-	-	-	-	-	37,322,525
Conveyance Upgrade - Arrowtown (WW)	-	-	-	-	-	153,717	786,414	3,860,686	3,286,140	-	8,086,956
Conveyance Upgrade - Lake Hayes (WW)	-	-	-	-	-	153,717	786,414	3,860,686	3,286,140	-	8,086,956
Frankton Beach to Shotover Conveyance (WW)	304,509	631,065	2,910,227	9,962,027	13,629,843	6,285,258	-	-	-	-	33,722,930
Hawthorne Drive Capacity (WW)	-	-	-	115,435	592,261	5,340,913	-	-	-	-	6,048,609
Kingston New Scheme (WW)	1,111,928	12,443,236	8,884,306	-	-	405,060	1,657,824	-	-	15,117,560	39,619,914
Kingston Reticulation Extension (WW)	-	-	-	-	-	84,247	344,807	617,144	2,701,546	5,336,764	9,084,509
Ladies Mile New Scheme (WW)	-	-	311,898	1,281,191	2,300,681	10,104,142	10,338,528	9,868,875	-	-	34,205,315
LoS Performance - Wānaka (WW)	-	1,762,244	1,805,951	1,854,591	1,903,060	1,950,169	1,995,407	2,040,815	2,084,523	2,129,931	17,526,692
Luggate Reticulation Extension (WW)	-	-	-	-	-	116,913	598,126	3,058,685	2,374,386	-	6,148,111
North Wānaka Conveyance Stage 2 (WW)	306,040	7,927,965	7,799,611	-	-	-	-	-	-	-	16,033,616
Project Pure Aeration Grid Renewal (WW)	5,092,800	-	-	-	-	-	-	-	-	-	5,092,800
Project Pure Future Works (WW)	-	72,535	1,391,201	3,959,687	13,084,938	20,358,447	6,513,317	-	-	-	45,380,124
Project Shotover Future Works (WW)	-	-	-	285,184	4,974,830	854,933	1,305,453	11,903,367	629,026	2,410,230	22,363,022
Project Shotover Stage 3 (WW)	20,374,093	10,555,818	3,605,875	-	-	-	-	-	-	-	34,535,786
Remarkables Park Pump Station (WW)	-	-	-	-	168,941	865,616	7,794,120	-	-	-	8,828,677
Renewals - Queenstown (WW)	2,521,917	2,656,011	2,963,434	3,166,268	2,330,192	2,627,505	2,989,347	2,644,583	2,839,493	2,828,775	27,567,524
Renewals - Wānaka (WW)	895,367	1,061,281	1,080,403	1,225,129	1,269,560	3,842,955	3,993,578	2,789,575	2,802,469	1,278,508	20,238,825
Robins Road Conveyance (WW)	2,483,321	3,538,174	329,630	-	-	-	-	-	-	-	6,351,125
Shotover Disposal Field (WW)	350,821	3,271,689	5,215,520	26,779,943	27,479,832	14,482,324	-	-	-	-	77,580,130
Southern Corridor New Scheme (WW)	-	-	161,529	165,879	851,071	3,488,554	6,246,587	27,380,299	27,966,694	26,289,833	92,550,446
Southwest Wānaka Conveyance Scheme (WW)	472,208	2,446,507	10,028,744	12,358,616	-	-	-	-	-	-	25,306,075
Upper Clutha Conveyance Scheme (WW)	4,014,187	24,957,006	25,575,993	26,264,828	4,491,876	-	-	-	-	-	85,303,890
Balance of Projects less than \$5M	3,079,662	6,284,796	3,999,616	2,867,180	5,893,548	3,008,555	3,453,350	4,254,151	5,034,700	4,398,711	42,274,269

Capital Expenditure 2024-34 Significant Projects > \$5M (Inflated to Funding year \$'s)											
DESCRIPTION	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	TOTAL 24-34
WATER SUPPLY											
Arrowtown Scheme Upgrades (WS)	-	-	212,378	436,196	671,393	5,733,443	4,458,496	-	-	-	11,511,906
Arthurs Pt Reservoir (WS)	-	-	-	178,159	914,076	4,683,518	3,642,043	-	-	-	9,417,796
Beacon Point Supply Upgrades (WS)	206,462	588,325	2,466,478	9,850,196	11,551,577	3,847,197	-	-	-	-	28,510,236
Compliance Response - UV Treatment (WS)	8,287,789	-	-	-	-	-	-	-	-	-	8,287,789
Demand Mgt - Queenstown (WS)	101,085	314,231	2,576,200	3,306,980	3,393,408	4,172,891	4,269,689	4,852,057	-	-	22,986,541
Demand Mgt - Wānaka (WS)	72,537	225,489	1,848,656	2,373,056	2,435,076	2,994,425	3,063,887	3,481,788	-	-	16,494,914
Filtration - Wānaka (WS)	58,355	544,207	5,577,046	-	-	-	-	-	-	-	6,179,608
Hāwea Scheme Upgrades (WS)	217,914	903,210	2,314,028	4,752,702	9,753,826	4,997,638	1,278,392	-	-	-	24,217,709
Historic Land Encroachments (WS)	-	-	-	-	-	-	141,639	579,449	14,056,638	-	14,777,726
Kingston New Scheme (WS)	9,379,078	4,077,670	-	325,720	3,046,678	-	-	-	399,962	3,678,067	20,907,173
Kingston Reticulation Extension (WS)	-	-	-	-	-	-	-	153,361	783,228	7,042,552	7,979,142
Ladies Mile New Scheme (WS)	-	-	267,139	1,097,335	1,970,524	8,654,158	8,854,908	8,452,652	-	-	29,296,716
LoS Performance - Queenstown (WS)	-	-	156,066	1,602,691	1,644,578	1,685,288	1,724,381	1,763,622	1,801,393	1,656,571	12,034,590
Los Performance - Wānaka (WS)	-	182,594	1,871,231	1,921,628	1,971,850	2,020,661	2,067,535	2,114,584	2,159,872	1,986,229	16,296,184
Luggate Scheme Upgrades (WS)	-	198,274	812,768	6,259,930	4,282,355	5,485,452	3,367,619	1,148,084	-	-	21,554,481
Quail Rise Reservoir (WS)	-	-	-	266,274	2,459,096	11,199,863	11,459,666	2,930,111	-	-	28,315,009
Renewals - Queenstown (WS)	533,248	666,252	811,077	909,557	875,384	889,279	2,188,677	1,583,791	1,998,526	2,104,594	12,560,385
Renewals - Wānaka (WS)	443,355	565,437	550,663	779,936	673,396	872,441	708,967	710,153	890,833	1,093,214	7,288,393
Southern Corridor New Scheme (WS)	31,830	401,315	2,429,320	7,509,653	20,768,438	14,303,216	2,885,158	12,646,345	12,917,187	12,142,683	86,035,146
Two Mile Supply Upgrades (WS)	-	-	-	-	-	-	361,847	1,480,324	4,536,083	17,380,856	23,759,111
Wānaka Storage Upgrades (WS)	-	-	-	326,531	3,015,579	15,451,139	15,809,559	3,593,184	16,515,619	16,875,387	71,586,997
Balance of Projects less than \$5M	7,007,620	3,340,339	9,372,225	4,225,027	4,119,247	4,667,362	6,622,242	7,239,320	5,360,033	6,053,680	58,007,095
Grand Total	146,735,724	168,324,075	214,560,143	261,040,105	283,563,408	283,178,947	259,658,005	272,563,140	249,434,072	304,984,135	2,444,041,756

(B) GROWTH AND CHANGES IN LAND USE

The Council has completed detailed population projections for the district as part of the long term planning process. This information is updated annually and considers growth in ratepayers (usually resident), as well as visitors which contribute to peak day figures.

The growth in the usually resident population is assumed to occur in areas which can provide additional capacity based on proposed district plan zoning rules. The Council's dwelling capacity model and historic growth rates have been used to apportion the expected growth into each census area unit.²⁴

The cost impacts of growth in population have been assessed for the next ten years. Just over 40% or \$979M (2021: 36%) of the total capital expenditure is required to provide infrastructure to meet the demands of future growth.

The 2024-2034 capital programme is very large but is fundable and deliverable with the continued assistance of our investment partners, particularly the Crown and NZTA. Over the ten years we have assumed \$222M of capital subsidies to be available primarily through the Crown or NZTA for improvements to transport infrastructure.

There is significant growth related capital investment planned for the following growth areas Ladies Mile (\$113.7M) and Southern Corridor (\$178.6M). Most of this investment is related to three waters and is planned from year 4 onwards which allows time for investigation of different financing tools for this growth-related infrastructure. This will include consideration of the IFFA, which allows new growth infrastructure to be delivered and financed without the debt showing on Council's balance sheet. Under the IFFA, the beneficiaries of the infrastructure are charged by way of an annual levy. Council will also look to make Developer Agreements which require higher up-front payments from developers towards growth servicing costs or for developers to provide trunk infrastructure in exchange for credits on future development contributions.

Other significant growth-related investment is going ahead at Kingston (\$77.6M) and in the Upper Clutha (\$275M) which includes water supply scheme upgrades at Hāwea and Luggate, and Beacon Point, wastewater Cardrona scheme upgrade, Stone Street stormwater supply upgrades, Upper Clutha and Southwest Wānaka conveyance schemes, and Project Pure future works. This also comprises mainly three waters infrastructure and is supported by central Government through the Housing Infrastructure Fund (HIF) for Kingston and the Infrastructure Acceleration Fund (IAF) in the Upper Clutha.

The largest portion of capital expenditure due to increased growth is core infrastructure which totals \$866M (89%) and relates to the following activities in the Long Term Plan:

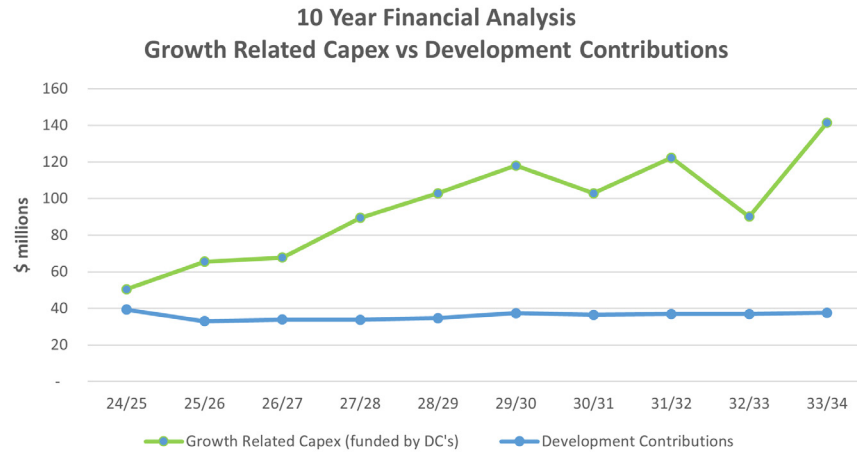
- > Roading \$145M
- > Stormwater \$116M
- > Water supply \$245M
- > Wastewater \$360M.

Growth related CAPEX (excluding vested assets) vs development contributions

The Council is subject to debt constraints based on a proportion of revenue. This results in funding issues particularly when the timing of growth is uncertain. In time, most of this expenditure will be recovered from developers through the charging of development contributions, however in the interim a large proportion of this cost must be borrowed. In cases, where Council is unable to fund the construction of new infrastructure to support growth within optimal timeframes, Council will look to accelerate the delivery through the use of third party financing as provided for under new legislation IFFA or any other alternative financing tool.

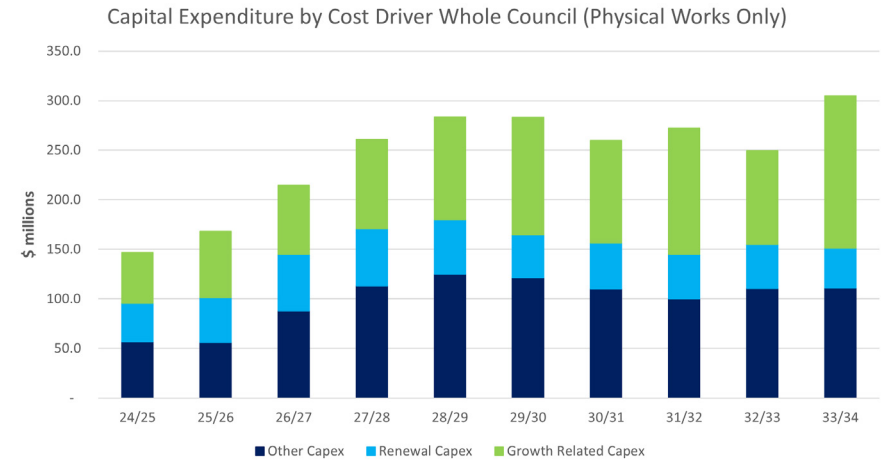
²⁴ The district-wide results used to inform the Long Term Plan are available here: <https://www.qldc.govt.nz/community/population-and-demand/>

The graph below shows growth related capital expenditure and forecast development contribution income:



Of the total capital cost of \$2.44B for the period, \$979M (40%) is required due to expected growth. Not included in this figure is \$336.2M of vested assets (infrastructure assets transferred to the Council through the subdivision approval process). Around 19% of the total capital expenditure is required to renew or replace existing assets and around 41% is required to provide increased levels of service.

In terms of operating expenditure, growth does have a direct impact on many expenses. As the population grows and more land is developed to accommodate the new arrivals, costs increase as there are more roads and footpaths to maintain or reserves to mow. It is estimated that growth accounts for approximately 24.5% of the increase in direct operating costs over the period. The total increase in direct operating costs is \$63.8M or 39% over the ten years.

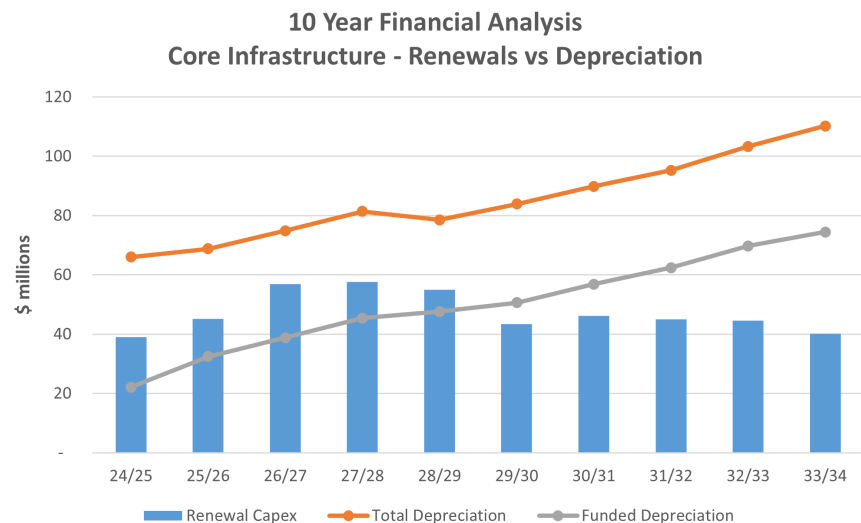


In periods of slow growth or where growth is less than forecast, it is recognised that development contribution income will not be sufficient to fund the full cost of servicing 'growth' loans. In these circumstances, Council will fund the shortfall by a combination of:

- > additional internal loans (repayments funded by general rates);
- > utilising the Housing Infrastructure Fund available via the central government; and
- > utilising 'excess' depreciation funds (especially roading).

(C) CAPITAL EXPENDITURE TO MAINTAIN EXISTING LEVELS OF SERVICE

The cost impacts of renewing or replacing existing assets have been assessed for the next ten years. Of the total capital cost of \$2.44B for the period, \$473M (19%) is required due to renewals.



Most of the renewal expenditure is funded from rates or debt. The graph demonstrates that there is sufficient funded depreciation to meet the forecast renewal spend for core infrastructure (i.e. three waters and roading) with a significant increase in the proposed level of depreciation expense being provided for in the rates levied on properties in the district. The funding of depreciation is discussed further in Balancing the Budget on page 152.

The largest portion of renewal expenditure is providing for certain core infrastructure totalling \$276M. This is spread across the relevant core activities as follows:

- > Roading \$136M
- > Water supply \$34M
- > Wastewater \$91M
- > Stormwater \$15M.

This amounts to 58% of the total renewal expenditure over the ten year period (\$473M).

(D) CAPITAL EXPENDITURE TO IMPROVE EXISTING LEVELS OF SERVICE

The cost impacts of capital expenditure to improve existing levels of service have been assessed for the next ten years. Of the total capital cost of \$2.44B for the period, \$992M (41%) is required for this purpose. It is not uncommon for a capital project to have a mixture of reasons for construction (known as cost drivers).

The largest portion of capital expenditure due to increased levels of service totals \$799M and relates to the following activities in the Long Term Plan:

- > Roading \$128M
- > Community \$132M
- > Water supply \$251M
- > Wastewater \$288M.

This amounts to 80% of the total of \$992M for this category over the ten year period. The main projects in Community Facilities and Services which are providing levels of service are the Council Offices (\$60.7M), Wildfire Mitigation Project (\$24.3M) and Queenstown Events Centre indoor courts, carpark & sports field (\$23M).

The water supply projects include proposals to Wānaka storage upgrades (\$71.6M), upgrades to Two Mile supply (\$15.3M) and Beacon Point supply (\$16.1M) and new reservoir at Quail Rise (\$18.3M). The wastewater projects includes Project Shotover Stage 3, future works and disposal field works (\$105.3M), Upper Clutha conveyance field (\$42.3M) and Project Pure future works (\$24.5M) The roading projects total includes the Arthurs Point Bridge Crossing (\$30.4M), network optimisation for Wānaka's roading network (\$12.3M) and completion of Queenstown Arterial Stage 1 (\$10.6M). This also represents the portion of overall capital expenditure not attributable to growth or renewal. Often this reflects an improvement made to enhance the road or footpath, for example widening or improved surface.

BALANCING THE BUDGET

The Local Government Act 2002 (the Act) contains a requirement to balance the budget. Section 100 states:

- 1) A local authority must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses.
- 2) Despite subsection (1), a local authority may set projected operating revenues at a different level from that required by that subsection if the local authority resolves that it is financially prudent to do so, having regard to:
 - a) The estimated expenses of achieving and maintaining the predicted levels of service provision set out in the long term Council community plan, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life.
 - b) The projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity to assets throughout their useful life.
 - c) The equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life.
 - d) The funding and financial policies adopted under section 102.

Council meets these requirements over the timeframe of the plan based on key assumptions around external funding sources. The forecast Statement of Financial Performance over the next ten years shows consistent operating surpluses, which demonstrates the Council is balancing its budget requirements though there is a minor breach of this requirement in 2024-2025.

Funding of depreciation

The funding of depreciation is an implied requirement of the "balanced budget" provision. It requires that Council fully fund all operating costs, including reductions in the useful life or quality of assets. The requirement arises from Government concern that some local authorities were not adequately maintaining infrastructure assets. In instances where this occurred, current ratepayers were paying too little and leaving a major financial burden for future generations.

Council has provided adequately for asset renewal in recent years. A major effort has been made over the past decade or so to address deferred maintenance and the budgets have provided appropriately for the renewal of infrastructure. Council now has far more reliable asset information and a much better understanding of the life cycle of its assets. The Act provides a more flexible approach in the requirement to fully fund depreciation. This has allowed some flexibility which Council has taken advantage of in four key areas in preparing the Long Term Plan:

- i. Council needs to fund depreciation only on its share of roading expenditure. The component attributable to NZTA should not be funded as the NZTA subsidy funds this. Allowing for all subsidisable costs, 33% of roading depreciation will be funded in 2024-2025 (2021-2022 - 32%). This increases to around 49% by year 10. There is no impact on current levels of service from this approach, as the cash collected over the 10 years will fully fund the local share of renewal programmes.
- ii. Depreciation on community facilities may not need to be funded as they are often funded by non-Council sources and are not expected to be replaced in the same form at the end of their useful life. Depreciation on buildings such as halls, libraries, and other facilities (including the Queenstown Events Centre and Wānaka Recreation Centre) will therefore not be funded.
- iii. Council accepts that it is unreasonable to fund depreciation where a community has funded a water or sewerage scheme by lump sum contributions or loan charges as that community ends up paying twice – for loan charges and depreciation.
- iv. As we have generally maintained the value of our infrastructure, Council will use funded depreciation to finance renewal projects and repay loans. It will not be used to fund new assets or asset improvements. The impact of the above approach has led to the following depreciation amounts not being funded:

	Total Depreciation 2024-2025	Total Depreciation not funded 2024-2025	Funded %	Total Depreciation 2033-2034	Total Depreciation not funded 2033-2034	Funded %
Roading	24,500	16,388	33%	29,694	15,025	49%
Wastewater	13,570	10,300	24%	25,308	4,179	83%
Water Supply	9,463	5,812	39%	17,576	3,868	78%
Stormwater	8,944	6,334	29%	12,141	1,821	85%
Community/Other	9,534	5,015	47%	25,560	10,949	57%
Total	66,012	43,849	34%	110,279	35,842	67%

Council meets the balanced budget requirements over the timeframe of the Long Term Plan except for a minor breach of this requirement in 2024-2025 which sees a result 93.5%. This is largely due to the council's approach to increasing the level of funded depreciation.

- > QLDC has historically funded up to 50% of depreciation expense in order to provide adequate budgets for asset renewals. The large increase in infrastructure asset values over the past five years as well as the large capital programme has seen the funded percentage drop to 30.6% in 2023-2024. We have determined that we need to increase the funded percentage to 47% by 2025-2026 and to 67% by 2033-2034 to fund the various renewal programmes required over the next ten years. This strategy allows us to progressively increase the funded amount which avoids a large spike in rates required in a single year.
- > In the first year (2025) there is a significant 19% increase in depreciation expense which is primarily due to increased revaluations of roading and water asset values. Although the gross increase is \$10.5M, the rates impact is limited to the amount of depreciation funded. This represents a \$5.2M increase to \$22.2M, which represents a 3.8% rates impact. The overall funded depreciation increases to 34% in 2024-2025, which represents a minimum acceptable amount to fund currently planned renewals programmes.

Revenue & Financing Policy

Section 103 of the Act outlines that the revenue and financing policy must state Council's policies in respect of the funding of both operating expenses and capital expenditure.

FUNDING SOURCES – OPERATIONAL EXPENDITURE

The 'revenue' part of the title 'revenue and financing policy' relates to funding of operating expenditure. The following sources of income are recognised by the Council:

1. Rates

A number of the Council activities are funded by a combination of revenue types. Council practice is to initially account for income from fees and charges, grants and subsidies or other income sources. If the activity still requires additional funding, the remaining balance is usually funded by way of a rate which is applied to relevant properties within the district.

The Council uses a capital value rating system across the district. Capital value is preferred to land value as Council believes that it generally provides a better method for the fair allocation of cost for the Council services. Rates are generally used where it is economically impractical to use fees and charges.

There are two classification types for rates:

- > General rates – include uniform annual general charge (UAGC) and capital valued based rate

- > Targeted rates - include capital valued based roading rate, tourism promotion rate, governance rate, recreation and events rate, regulatory rate, water supply rate and stormwater rate; fixed annual charges for sewerage, water supply, waste management, recreation and events, governance and regulatory, Queenstown Aquatic Centre, Wānaka Aquatic Centre and sports, halls and libraries; and proposed capital value based transport improvements rate.

Generally, the policy indicates that where a private benefit exists, the cost of this should be recovered by user fees or a targeted rate. The cost of public benefits is usually general rate funded, with the capital value rate used to fund 'property' related activities and the UAGC used to fund 'people' related activities.

2. Fees and charges

There is a wide range of revenue in this category. Generally, the Council will look to user fees and charges to recover the 'private benefit' costs of a particular activity if it is economically viable to do so.

3. Grants and subsidies

Some of the Council activities qualify for a grant or subsidy from the Crown. In particular, the Council receives a subsidy from NZTA for qualifying roading expenditure. Other smaller grants are also received from the Crown, e.g. Creative NZ.

4. Interest and dividends from investments

Interest income is recognised from all investment sources but is very minor. The majority of investment income is used to offset rates. Council receives a regular dividend from Queenstown Airport Corporation (QAC) via its 75.01% ownership stake. It is proposed to continue to utilise forecast dividends from QAC to repay generally funded debt.

5. Other sources of income

Other sources of income include parking infringement fines, petrol tax, rates penalties and concession income. Council is open to considering all alternative funding options/tools that may become available. This is a catch-all classification and the income is treated in the same way as fees and charges.

FUNDING SOURCES – CAPITAL EXPENDITURE

Funding to pay for new assets will come from a mix of borrowing, development contributions, grants and subsidies, capital revenue, reserves and asset sales. Generally the costs of new assets will not be met from rates; however a portion of the costs of servicing loans will be funded by rates.

Funding for new capital works will depend on the nature of the work, in particular the reasons (cost drivers) which have made the work necessary. There are three main cost drivers recognised by the Council:

- > Growth
- > Renewal
- > Level of service shift.

Capital expenditure due to growth

The Queenstown Lakes district has experienced significant growth in its resident population, visitors, housing and commercial development and the local economy. This growth generates high levels of subdivision and development activity which places increasing pressure on the assets and services provided by the Council. Significant investment in additional assets and services is therefore required to meet the demands of growth. Council intends to fund the portion of capital expenditure that is attributable to growth

from development contributions wherever it is reasonable to do so. In cases, where Council is unable to fund the construction of new infrastructure to support growth within optimal timeframes, Council will look to accelerate the delivery through the use of third party financing as provided for under new IFFA legislation.

Council considers that development contributions are the best mechanism available to ensure the cost of growth (net of any external funding) is funded by those who have created the need for that cost. Council considers it inappropriate to burden the community as a whole, by way of rating or other payment means, to meet the cost of growth. Council has adopted a policy on Development Contributions (DC Policy) as part of the Long Term Plan since 2004. This is updated on a three yearly basis.

Types of assets included in the DC Policy are:

- > network infrastructure for water supplies, wastewater, stormwater and roading; and
- > community infrastructure including the development and acquisition of reserve land to use as reserve, and facilities needed on that reserve, along with other public amenities such as halls, libraries, public toilets and parking facilities.

Funding sources for growth capital expenditure in order of priority:

- i. Vested assets
- ii. Development contributions or where appropriate IFFA
- iii. Capital grants and subsidies attributable to growth portion
- iv. Borrowing.

Capital expenditure due to renewals

Renewal works are those capital expenditure costs that are incurred in restoring an asset to previous service levels, usually reflected in the amount that an asset has depreciated. Therefore, by using depreciation funds, the council will be maintaining infrastructural networks to at least their existing service level. The funding of depreciation is an implied requirement of the 'balanced budget' provision of the Act (see above). It requires that the Council fully fund all operating costs.

Funding sources for renewal capital expenditure in order of priority:

- i. Depreciation reserves or where appropriate IFFA
- ii. Borrowing
- iii. Rates.

Capital expenditure due to shifts in levels of service, statutory requirements or other reasons, but not including growth or renewals

The cost driver for some of the capital works within the Queenstown Lakes District relates to increasing levels of service for the community. Sometimes these improvements to levels of service are required because of changes to legislation or resource consent conditions, which means that there is often little discretion with regard to the decision. An example of this would be the requirement to provide additional water treatment facilities as a result of the introduction of new Water Treatment Standards.

In other cases, the increase in level of service is a community-driven decision. An example of this would be the construction of aquatic centres. The Council's approach to funding for this type of capital expenditure is to apply for grants from national and local funding organisations initially and to apply the proceeds of land sales from the Commonage in Queenstown or Scurr Heights in Wānaka.

Funding from the Commonage in Queenstown is restricted by statute to be applied for the benefit of the Old Queenstown Borough for the purposes of water and sewerage upgrades. Proceeds from Scurr Heights land in Wānaka is restricted for use to the Wānaka-Upper Clutha ward and can be applied to a variety of infrastructure purposes including water, wastewater, roading or community (recreational) purposes.

Funding sources for other capital expenditure in order of priority:

- i. Capital grants and subsidies or where appropriate IFFA
- ii. Capital revenues and asset sale proceeds
- iii. Capital reserves
- iv. Borrowing
- v. Rates.

Quantified limits on borrowing

In order to deliver the substantial capital programme included in this plan, the Council will need to rely on borrowing. The amount of borrowing required is significantly above the amount anticipated in the 2021 plan. Council has maintained a credit rating of AA- which will facilitate a higher borrowing limit and has spent a considerable amount of time and effort working through the capital programme to ensure that it is affordable, necessary and deliverable.

This has meant that a number of projects have been deferred or omitted because of funding and financing constraints. It is expected that by the end of year five, net debt will have risen to \$987M and by the end of the ten year period it will peak at \$1.21B (2021: \$732M).

The growth portion of the capital programme (some \$979M) will be largely funded by development contributions (DCs) in the long run, but must be funded primarily by debt in the first instance. This allows for the Council to spread the cost of large infrastructure projects over the expected life of the asset. Using debt in this way means that future residents and ratepayers contribute a fair share to the use they make of a facility. The downside of this approach is that Council has no certainty as to when the development will take place and may have to carry large portions of growth-related debt for considerable periods. This means that it is difficult for Council to stay within its debt parameters set by its major lender the Local Government Funding Agency (LGFA).

The most challenging debt parameter to maintain is the debt to revenue ratio; which effectively limits the Council's borrowing to 2.8 times its annual income. All councils experiencing high growth in NZ are facing difficulties in this regard, as revenue needs to increase to keep pace with the increased borrowing required to provide expensive growth infrastructure. This puts significant upward pressure on rates and other Council revenue. In this LTP, Council has attempted to balance increasing debt with increasing revenue including rates.

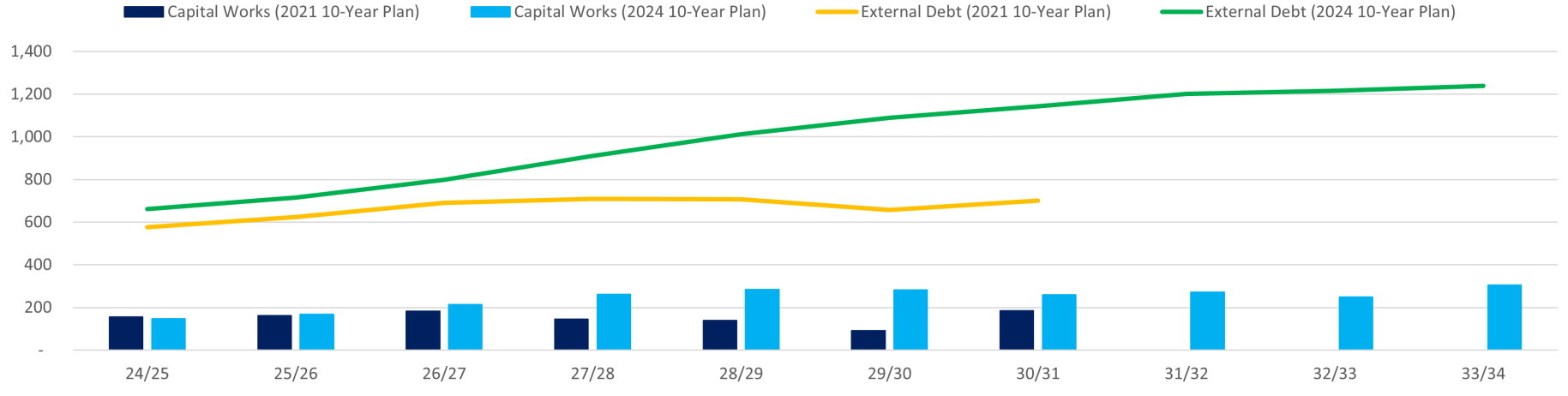
The proposed level of borrowing is within the debt parameters in the Council's Liability Management Policy. The borrowing limits were increased as a result of a change to debt covenants for borrowers with the LGFA. This was introduced to recognise the changed economic environment as a result of COVID-19.

LGFA Borrowing Limits (%)	Actual 2022/23	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2033/34
Interest Expense/Rates < 30%	17.50%	20.08%	16.94%	15.98%	16.31%
Interest Expense/Total Revenue < 20%	8.80%	12.27%	10.72%	10.51%	11.76%
Net Debt/Total Revenue <280%*	253.4%	263.0%	251.1%	252.0%	242.5%
*Limit was increased to 300% for 2021/22; 295% for 2022/23; 290% for 2023/24; 285% for 2024/25; and 280% thereafter					

The Council is within all of the debt parameters, which means that the affordability of the Long Term Plan can be demonstrated. Council is within all of the debt limits provided by the LGFA for the full ten years; this is important because compliance with these limits is an important requirement for continued financing. The debt ratios show that debt headroom increases from an average of \$73M over the first 3 years to \$187M in year 10.

The following graph shows a comparison of the Long Term Plan 2024-2034 to the Long Term Plan 2021-2031 for capital works and external debt over the ten years. The increase in the debt position at the end of 2030-2031 is \$442M.

TEN YEAR FINANCIAL ANALYSIS EXTERNAL DEBT VS CAPITAL WORKS



Security for borrowing

Council generally does not offer assets other than a charge over rates or rate revenue as security for general borrowing. This is achieved through a debenture trust deed which is a legal mechanism that provides assurance to lenders and is administered by an independent trustee.

Quantified limits on rates

Operating expenditure (excluding interest and depreciation) is shown to increase over the ten year period by an average of 3.9% (2021: 4.7%) per annum. The forecasts do include a provision for inflation after the first year as well as increases as a result of projected growth within the district. Operating revenue for the same period increases by an average of 8.9% (2021: 5.2%) per annum. With the significant increase in capital expenditure and debt, forecast rates increases are also higher. The average net annual increase over the ten years (after allowing for growth) is now 7.5% up from 4.3% (2021).

The graph below shows that rates are increasing at a higher rate than operating costs over the ten year period. As discussed earlier, rates are influenced by a number of factors including core recurring operating costs; growth in the district; inflation and the capital programme. The capital expenditure in previous years will affect rates through the impact of depreciation and interest costs. For the 2024-2025 year the combined impact of increases in depreciation and interest account for over 50% of the proposed rates increase of 15.8%.

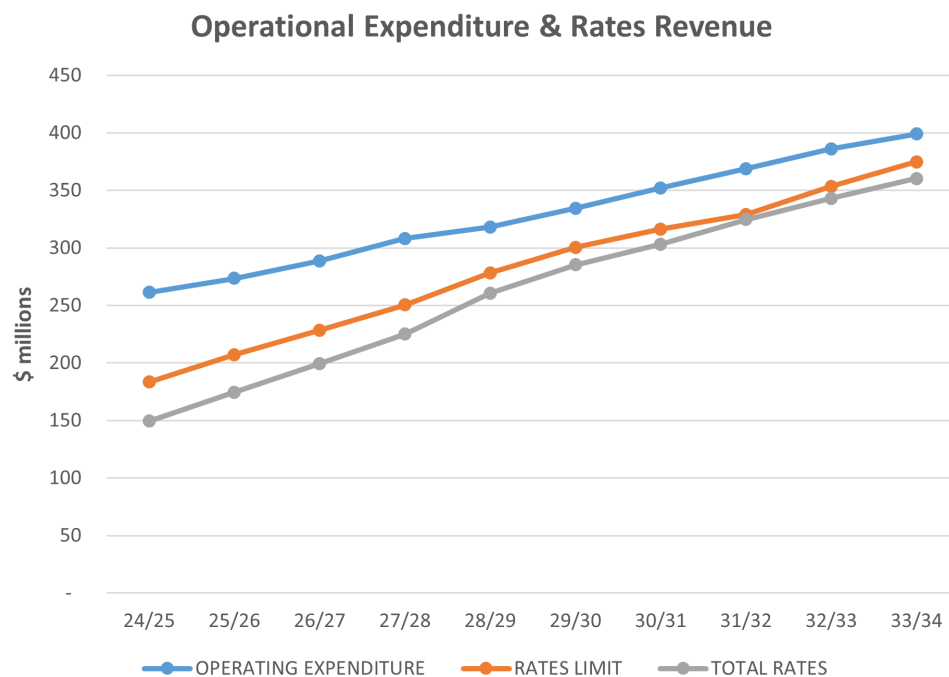
Rates can also be affected if the community demands or central government requires an improvement in levels of service for a particular activity. Where there is a significant rates impact for a proposal of this nature (i.e. CBD Queenstown transportation improvements), Council will disclose the rating impact as part of its consultation process.

In order to determine a sensible quantified limit on rates, it is necessary to take account of the various influences on rating levels. The limit should also be easily understood. The table below shows that rates are increasing by an average of 7.5% (after growth) over the ten years. Council has attempted to smooth the impact of rates increases as the increased costs associated with new infrastructure and borrowing is recognised. The forecasted average rates increases for the first five years are higher at 12.1% (after growth) as they reflect higher operating costs and the impact of increased depreciation and interest.

It is proposed therefore to set a rates increase limit of 20% gross (15.8% net) per annum for the first 2 years; 16% gross (11.9% net) per annum for the next 3 years and 10% gross (7.4% net) per annum for the last 5 years (subject to changes in growth forecasts). It is also proposed that rates income will not exceed 75% of total revenue. The average growth rate in the district is 3.5% per annum and this will reduce the impact of any rates increase for existing properties.

10 Year Rates Increase										
Financial YE 30 June	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Net Rates Increase (after growth)	15.8%	13.5%	11.6%	8.5%	11.1%	5.1%	2.7%	3.4%	2.3%	1.3%
Gross Rates Increase (before growth)	19.6%	17.5%	15.5%	12.3%	15.0%	8.8%	6.3%	7.0%	5.9%	4.9%
	limit	limit	limit	limit	limit	limit	limit	limit	limit	limit
	20%	20%	16%	16%	16%	10%	10%	10%	10%	10%

Operating expenditure and rates revenue



FINANCIAL INVESTMENTS AND EQUITY SECURITIES

The Council holds very few financial investments as we are a net borrower. Surplus cash will be invested for short periods from time to time in line with the Council's Investment Policy.

The Council does hold equity securities (shares) in several controlled entities. These Council Controlled Organisations (CCOs) exist or have been established to perform specific important functions within our community. Shares are held in the following entities:

Name	Ownership Interest
Queenstown Airport Corporation	75.01%

The shareholding in Queenstown Airport Corporation is both commercially and community oriented. Council continues to hold a controlling interest in QAC as the airport is seen as a critical piece of local tourism infrastructure. The airport is the fastest growing in Australasia and it is seen as essential that it remain under community control to ensure that it continues to make decisions in the best interests of the district. Until 2010, Council was the sole shareholder but with the equity investment from Auckland International Airport Ltd, regular dividends have been paid until the impact of COVID-19 has temporarily halted dividend payments for 2020-2021 and 2021-2022.

Over the next ten years, \$104.4M of dividend income is forecast to be received. Council intends to use this income to repay existing debt.