Welcome and Introductions

Purpose, Objectives and Agenda

Purpose:

Enable elected members to explore three Land Transport network investment options and express an in-principle preferred way forward for development through the 2027–2037 Long Term Plan (LTP), with the reasons, conditions and level of support clearly recorded.

Objectives

- **Understand the starting point** by reviewing the background, current network condition and financial position.
- **Compare three network options** including investment, funding, service levels, risk and alignment with the ILM and Strategic Directions.
- **Hear every elected member** through structured discussion of preferences, concerns and trade-offs.

Welcome and Introductions

Agenda and Defining the Preferred Way Forward

Name Elected Member	Preference Network Investment Option	What do you LIKE about this option	What DON"T YOU LIKE about this option	What would IMPROVE this option

Background and Current State

How did we get here financially

- Under funding depreciation – low rates
- NZTA underfunding
- Delivering excellent LOS
- Using debt to fund renewals and capital expenditure
- Catchup growth investment, without growth revenue or developer investment

Financial Strategy

Direction for LTP Modelling

20 October 2026

Background and Current State

Current Organisational Financial Projections

Balanced Budget

Straight no smoothing Balanced budget	Annual Plan 26/27	Draft 2027/28	Draft 2028/29	Draft 2029/30	Draft 2030/31	Draft 2031/32	Draft 2032/33	Draft 2033/34
Revenue	114,318,470	120,863,123	126,151,978	129,656,719	132,520,622	135,794,918	139,342,451	142,322,588
Vested Assets	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Financial Contributions	(45,567)	(46,706)	(47,874)	(49,071)	(50,297)	(51,555)	(52,844)	(54,165)
Adjusted Revenue	112,272,903	118,816,417	124,104,104	127,607,648	130,470,325	133,743,363	137,289,607	140,268,423
Expenditure	112,318,470	118,863,123	124,151,978	127,656,719	130,520,622	133,794,918	137,342,451	140,322,588
Operating surplus/(deficit)	(45,567)	(46,706)	(47,874)	(49,071)	(50,297)	(51,555)	(52,844)	(54,165)
Balanced budget no smoothing	99.96%	99.96%	99.96%	99.96%	99.96%	99.96%	99.96%	99.96%
Rates increase no smoothing	9.33%	6.97%	8.73%	3.67%	3.93%	2.51%	2.72%	2.00%

Rates increase Capped 4% Balanced budget	Annual Plan 26/27	Draft 2027/28	Draft 2028/29	Draft 2029/30	Draft 2030/31	Draft 2031/32	Draft 2032/33	Draft 2033/34
Revenue	114,318,470	118,775,599	120,428,789	123,977,034	126,673,963	131,025,173	135,536,477	140,213,907
Vested Assets	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Financial Contributions	(45,567)	(46,706)	(47,874)	(49,071)	(50,297)	(51,555)	(52,844)	(54,165)
Adjusted Revenue	112,272,903	116,728,893	118,380,915	121,927,963	124,623,665	128,973,618	133,483,633	138,159,742
Expenditure	112,318,470	118,863,123	124,151,978	127,656,719	130,520,622	133,794,918	137,342,451	140,322,588
Operating surplus/(deficit)	(45,567)	(2,134,230)	(5,771,063)	(5,728,756)	(5,896,957)	(4,821,300)	(3,858,818)	(2,162,846)
Balanced budget capped 4%	99.96%	98.20%	95.35%	95.51%	95.48%	96.40%	97.19%	98.46%
Rates increase capped 4%	9.33%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Background and Current State

Current Organisational Financial Projections

Financial Strategy

Direction for LTP Modelling

20 October 2026

Funding Renewals

Excluding Waters	Annual report 2021/22	Annual report 2022/23	Annual report 2023/24	Annual report 2024/25	Annual report 2025/26	Annual Plan 26/27	Draft 2027/28	Draft 2028/29	Draft 2029/30	Draft 2030/31	Draft 2031/32	Draft 2032/33	Draft 2033/34	Draft 2034/35	Draft 2035/36	Draft 2036/37
Capital Expenditure:																
-to meet additional demand	$665	$192	$506	$463	$513	$0	$3,484	$3,561	$3,636	$3,713	$3,787	$3,863	$3,936	$0	$0	$0
-to improve the level of service	$7,173	$15,942	$11,628	$6,073	$19,649	$52,991	$12,230	$17,249	$11,607	$10,685	$10,613	$6,528	$8,656	$7,510	$7,563	$6,317
-to replace existing assets	$30,432	$19,908	$30,674	$25,865	$36,406	$31,772	$35,297	$33,479	$34,411	$32,648	$32,806	$40,179	$31,085	$29,654	$26,514	$26,263
	$38,270	$36,042	$42,808	$32,401	$56,568	$84,763	$51,012	$54,290	$49,654	$47,045	$47,206	$50,570	$43,677	$37,165	$34,077	$32,580
Renewals	$30,432	$19,908	$30,674	$25,865	$36,406	$31,772	$35,297	$33,479	$34,411	$32,648	$32,806	$40,179	$31,085	$29,654	$26,514	$26,263
Depreciation	$22,266	$22,464	$25,816	$25,542	$24,520	$27,696	$29,385	$31,856	$32,388	$32,936	$33,500	$34,082	$34,681	$35,297	$35,933	$36,587
Diff between depreciation & spend	$(8,166)	$2,556	$(4,858)	$(323)	$(11,886)	$(4,077)	$(5,912)	$(1,623)	$(2,023)	$288	$694	$(6,097)	$3,596	$5,643	$9,419	$10,324

Financial Strategy

Direction for LTP Modelling

20 October 2026

Background and Current State

Current Organisational Financial Projections

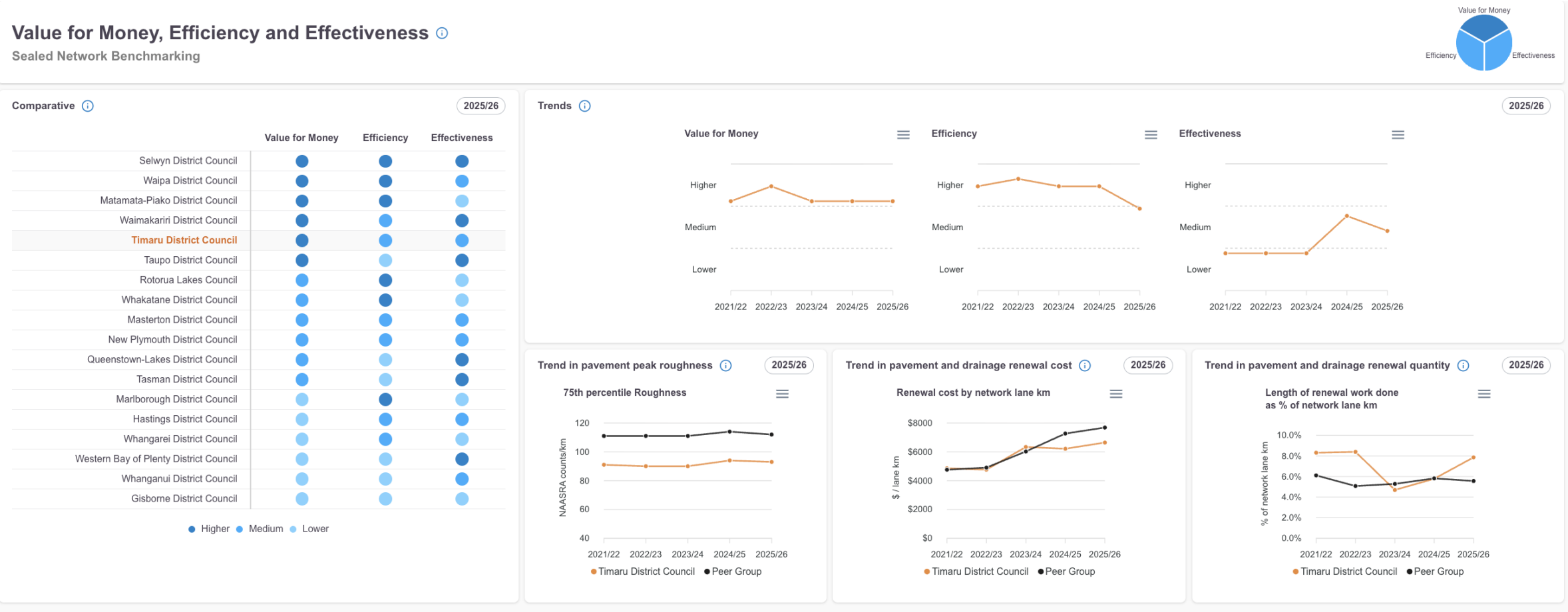
Capital Funding

		AP 26/27	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Grand Total
Capital Expenditure													
Growth		0	3,484,448	3,561,258	3,636,116	3,712,600	3,786,807	3,862,641	3,935,871	0	0	0	25,979,740
Levels of service		52,990,548	12,230,297	17,249,216	11,607,108	10,684,507	10,613,491	6,528,230	8,656,006	7,510,363	7,563,030	6,316,824	98,959,075
Renewals		31,772,424	35,296,962	33,479,039	34,410,849	32,647,508	32,806,021	40,179,056	31,084,683	29,654,495	26,513,596	26,263,326	322,335,533
		84,762,971	51,011,708	54,289,513	49,654,073	47,044,615	47,206,319	50,569,927	43,676,560	37,164,858	34,076,626	32,580,150	447,274,348
New borrowings		52,990,548	12,230,297	17,249,216	11,607,108	10,684,507	10,613,491	6,528,230	8,656,006	7,510,363	7,563,030	6,316,824	98,959,075
Loan balance	153,182,018	206,172,566	218,402,863	235,652,079	247,259,187	257,943,694	268,557,186	275,085,416	283,741,422	291,251,785	298,814,816	305,131,640	
Interest	4.25%	8,762,334	9,282,122	10,015,213	10,508,515	10,962,607	11,413,680	11,691,130	12,059,010	12,378,201	12,699,630	12,968,095	
Cash on hand		28,001,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	
Net Borrowing		178,171,566	198,402,863	215,652,079	227,259,187	237,943,694	248,557,186	255,085,416	263,741,422	271,251,785	278,814,816	285,131,640	

Background and Current State

Value for Money

See REG Transport Insights: https://transportinsights.nz/performance/dashboard (Select Timaru DC Top Left)

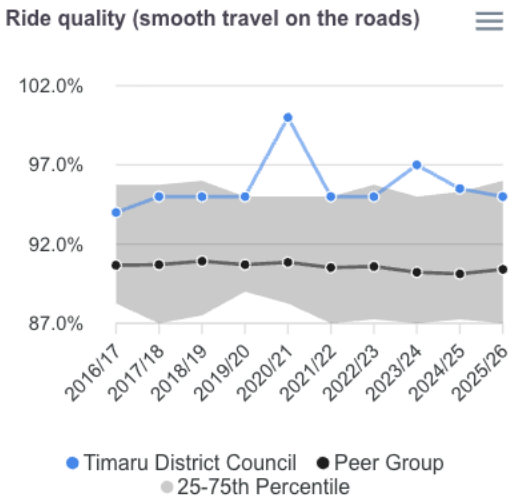


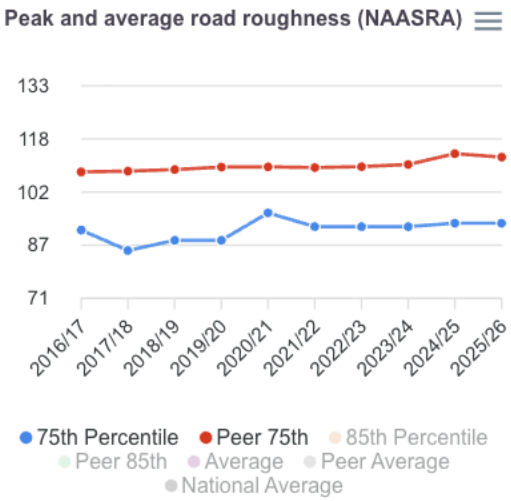
Background and Current State

Network Condition – Transport Insights

Road Condition

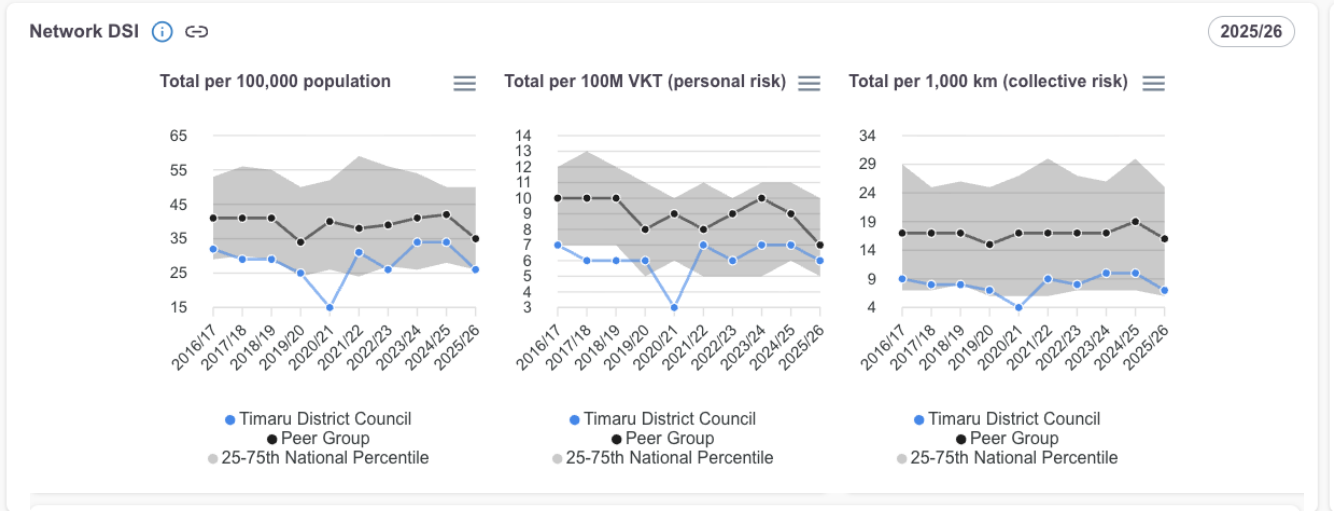
Ride Quality and Road Condition

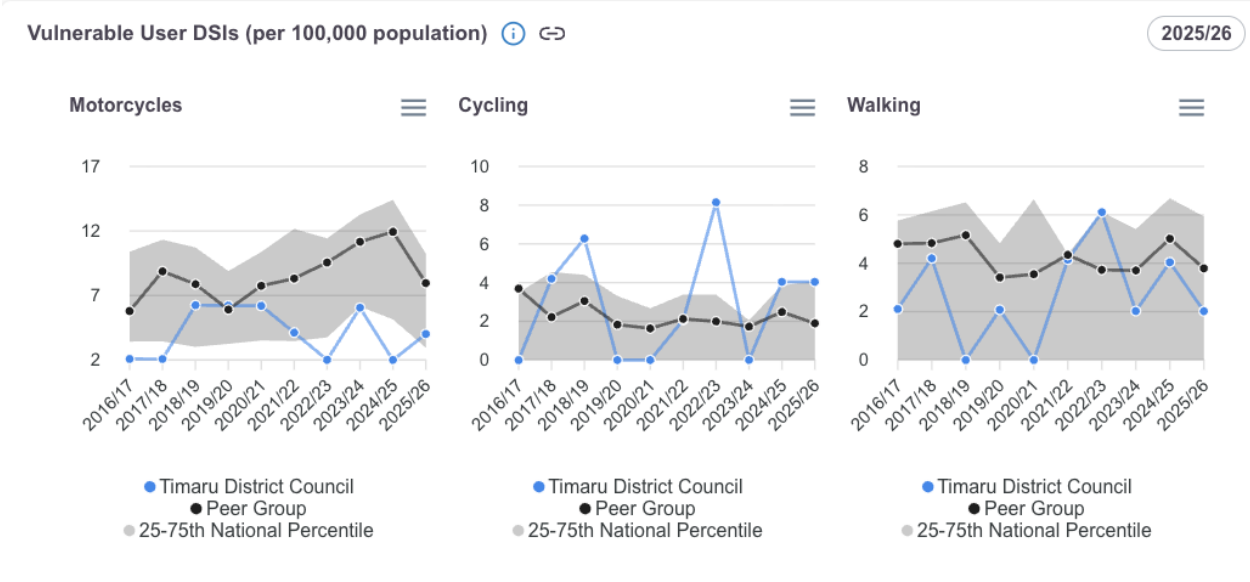




Background and Current State

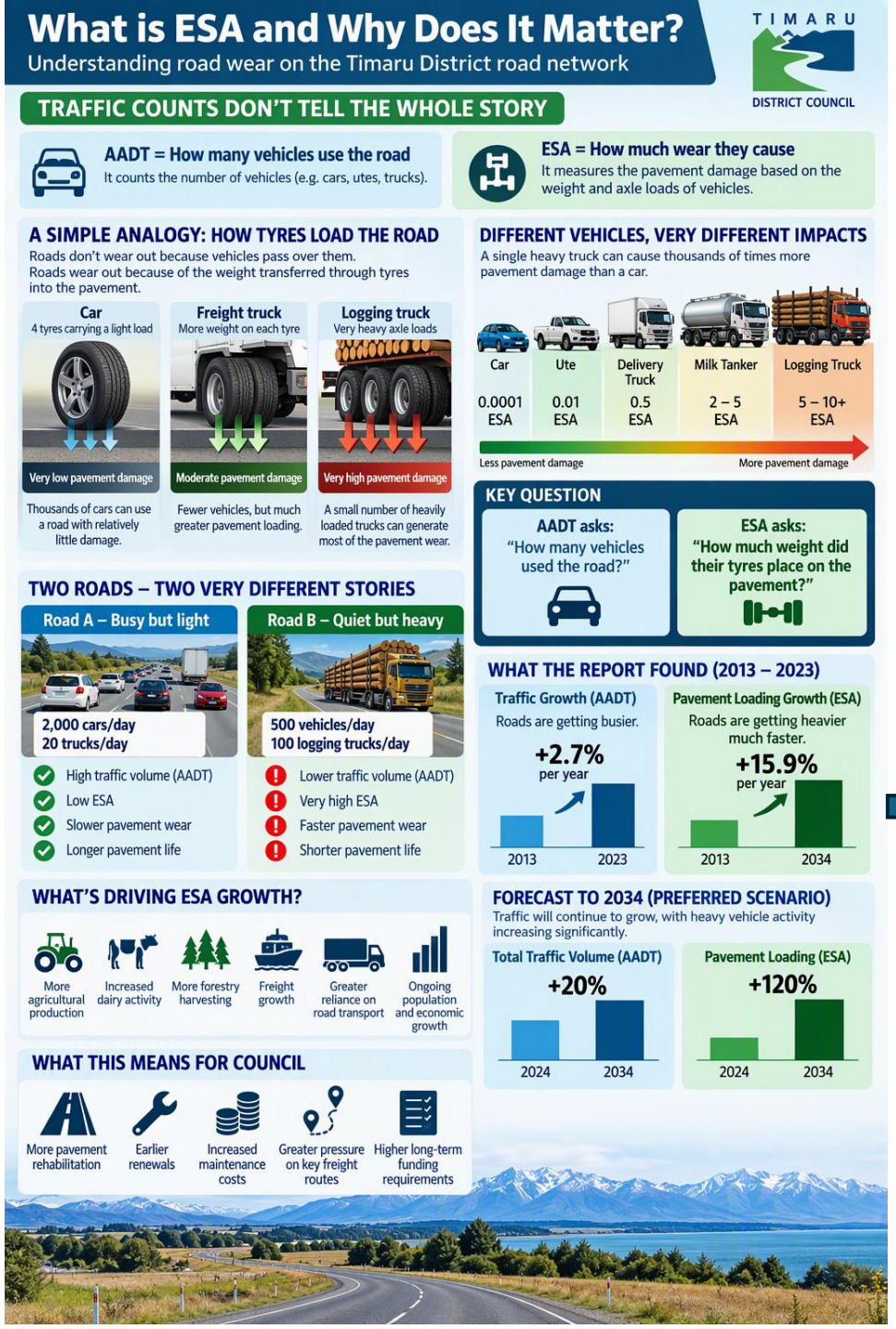
Safety – Network Insights

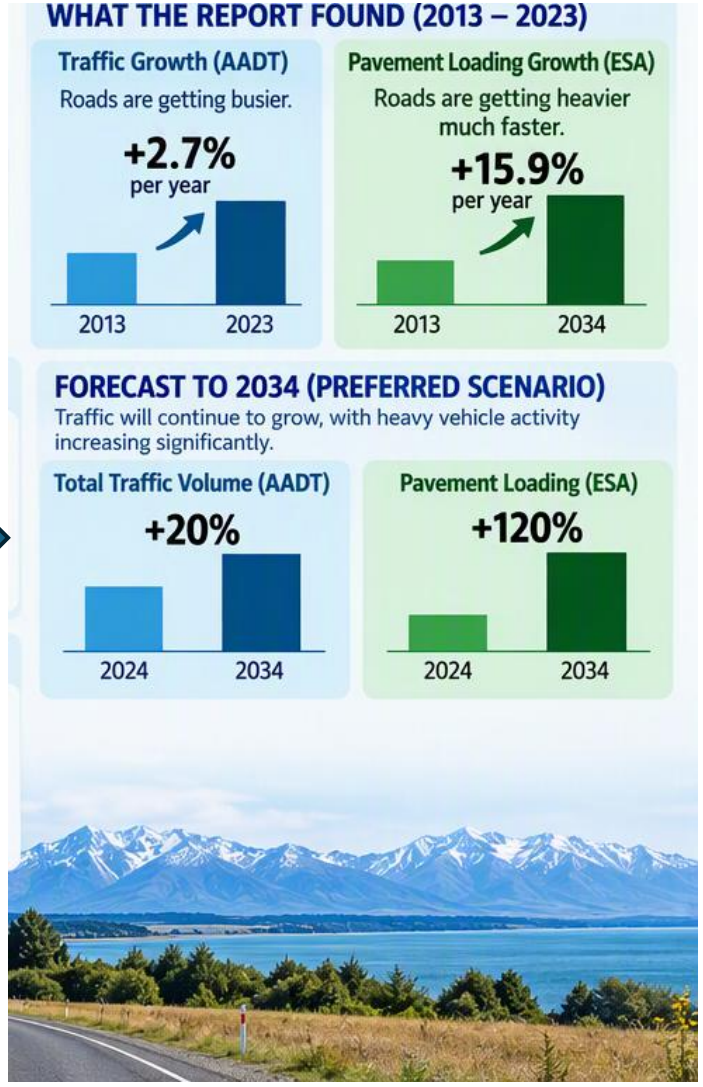




Background and Current State

Growth and Network Implications





Background and Current State

NZTA Under Funding

Transport funding falls short of regional contribution

Canterbury accounts for 13.1 per cent of New Zealand's population

13.9 per cent of all vehicle kilometres travelled

15.3 per cent of the country's goods exports.

Yet in the year to June 2025, the region received just 5.5 per cent of National Land Transport Fund expenditure.

Background and Current State

NZTA Under Funding

Growth and exports depend on resilient connections

South Canterbury alone generates an estimated $3.8 billion in food and fibre exports each year, accounting for 6.2 per cent of New Zealand's total food and fibre exports, despite being home to only 1.2 per cent of the country's population.

Elected Member Directions

TIMARU DISTRICT COUNCIL
Te Kaunihera ā-Rohe o Te Tihi o Maru

Timaru District Council - Strategic Directions

VISION

Timaru District is New Zealand's best place to live, work and invest - providing a great future for all

PURPOSE

Provide the infrastructure, services and leadership that enables people, communities and businesses to prosper. Make practical decisions, deliver value for our ratepayers and plan for the long term.

BEHAVIOURS

BE RESPONSIBLE
We spend ratepayer money carefully, act with integrity and invest to deliver lasting value.

DELIVER
We focus on getting the basics right and delivering what we plan.

BE AMBITIOUS
We support investment and create the conditions for businesses and communities to succeed.

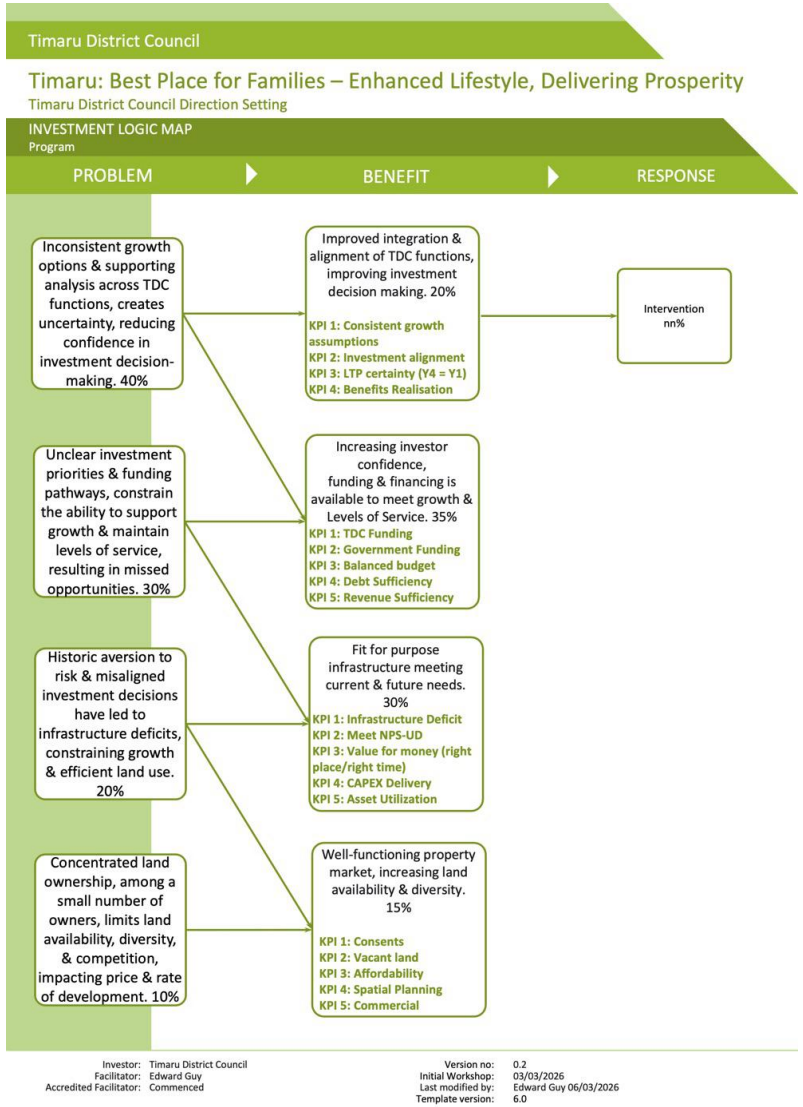
THINK LONG TERM
We make decisions that strengthen our communities for future generations.

WORK TOGETHER
We achieve better outcomes by building trusted partnerships.

STRATEGIC PRIORITIES

	RELIABLE INFRASTRUCTURE	A GROWING DISTRICT	STRONG COMMUNITIES	LOOK AFTER OUR ENVIRONMENT	TRUSTED LEADERSHIP
	Invest wisely in the infrastructure our district needs today while preparing for tomorrow.	Support investment, housing, jobs and productive land use.	Provide quality services and places that people value.	Care for our natural environment while supporting productive land use for future generations.	Lead with integrity, make informed decisions and advocate for the future of Timaru District.
FOCUS AREAS	1. Enhanced Asset Management 2. Safe & efficient transport network 3. Successful Central South Island Water 4. Well maintained community facilities	1. Spatial planning 2. Remove barriers, promote and enable growth 3. Appropriate land availability 4. Funding and financing of growth	1. Provide vibrant, clean, safe community spaces (incl. CBDs) 2. Community engagement & inclusive participation 3. Celebrate arts, culture, identity, sports 4. Community development & leadership	1. Waste management & minimisation 2. Protect water quality & stormwater management 3. Climate resilience and hazard preparedness 4. Improving biodiversity, education and community support	1. Evidence-based decision making, transparency & communication 2. Advocate for Timaru at a local, regional, national, international level 3. Preparation for reform 4. Improving ratepayer confidence 5. Financial sustainability

Elected Member Directions - Problems



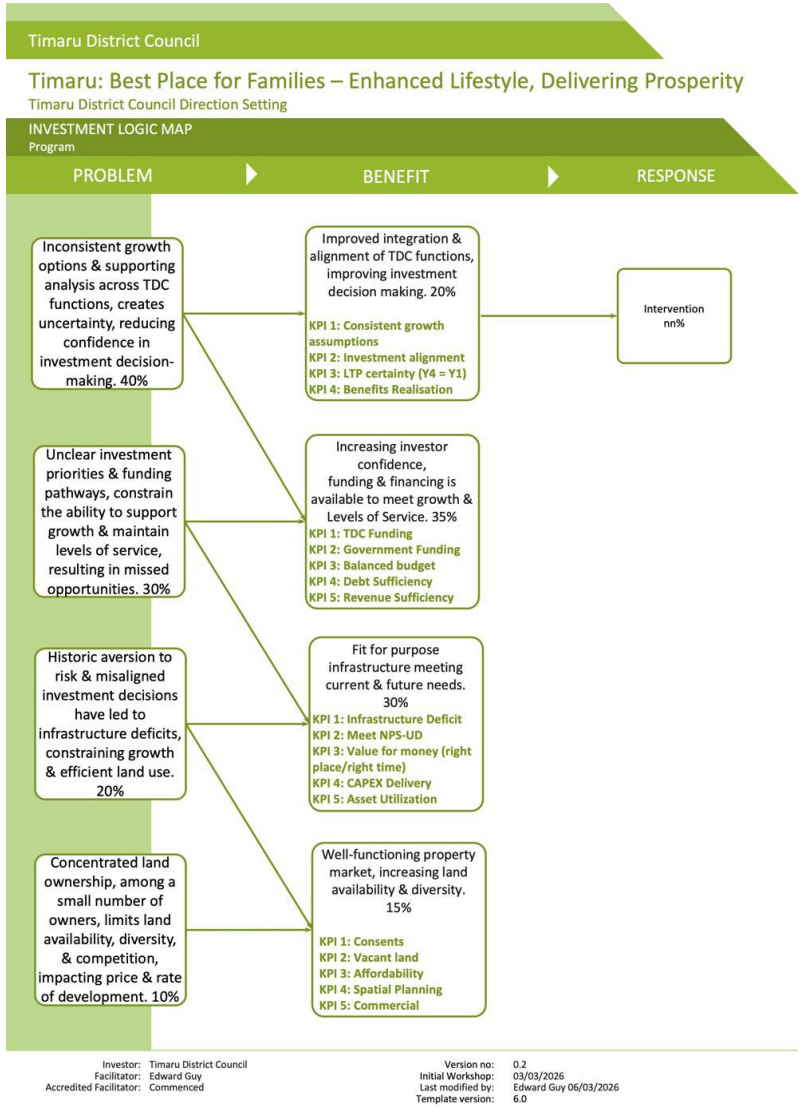
Inconsistent growth options & supporting analysis across TDC functions, creates uncertainty, reducing confidence in investment decision-making. 40%

Unclear investment priorities & funding pathways, constrain the ability to support growth & maintain levels of service, resulting in missed opportunities. 30%

Historic aversion to risk & misaligned investment decisions have led to infrastructure deficits, constraining growth & efficient land use. 20%

Concentrated land ownership, among a small number of owners, limits land availability, diversity, & competition, impacting price & rate of development. 10%

Elected Member Directions - Benefits



Improved integration & alignment of TDC functions, improving investment decision making. 20%

Increasing investor confidence,
funding & financing is available to meet growth & Levels of Service. 35%

Fit for purpose infrastructure meeting current & future needs. 30%

Well-functioning property market, increasing land availability & diversity.

Elected Member Directions

DRAFT – NO ELECTED MEMBER INPUT

LTP 10 YEAR PROGRAMME OPTIONS

1 AUSTERITY	2 RATIONALISATION & DIVESTMENT	3 STATUS QUO	4 REVENUE & SUPPORTED GROWTH	5 GROWTH & ECONOMIC PROSPERITY
Hold revenue. Cut expenditure and service levels. Prioritise debt repayment.	Reduce the footprint. Sell selected assets and consolidate services to lower ongoing costs and debt.	Maintain the existing service offer and expenditure approach. Fund growth through rates and debt.	Lift rates, fees and contributions to sustain services, fund selected growth and repay other debt.	Combine revenue measures and rationalisation with a larger, targeted growth investment programme.
No revenue increase	Rates increase <5%	Rates increase <10%; debt ~250% of revenue	Rates: ability to pay; debt ~250% of revenue	Options 4 + 2, plus significant growth investment

Option 1 - Maintain current levels of service

Overview

- This option is about maintaining what we have
- Balanced option – OPEX and CAPEX increase from previous LTP, but this is to maintain service levels
- Investment is focused on preserving asset condition, reducing backlogs in key areas, maintaining freight and community access, and managing risks from ageing infrastructure and climate impacts.
- With this investment, customers will see steady state of asset condition
- Without this investment, the risk of accelerated deterioration, higher future costs, and reduced network resilience would increase.

Option 1 - Maintain current levels of service

How this option would differ from previous LTP period

- Increase in resurfacing spend so we can re-asphalt CBD areas
- Increase in metalling spend on unsealed roads, addressing increased demand from heavy vehicles
- Increase in bridge maintenance and component replacement spend, to address backlog and control wave of upcoming renewals
- More drainage renewals to improve asset resilience (but less maintenance!)
- Reintroduction of reserve for emergency event response
- Slight increase in footpath maintenance spend to maintain asset condition
- Increase in OPEX to support increased system costs
- Additional CAPEX to support CBD tile replacement

Option 1 - Maintain current levels of service

Strong strategic fit

- Supports Council's strategic direction
- Meets Government's policy outcomes
- Aligns with AMP investment logic

Deliverable and partially affordable

- Affordability is dependent on Council's appetite for debt
- Delivery achievable with current market and internal capacity

Risk profile

- Asset risk: Low/medium
- Network risk: Low
- No significant increase in service risk

Value for money

- Strong whole-of-life value
- Deferring investment would increase future cost and risk

Broader impacts

- No discernible environmental impact
- Some positive climate adaptation/mitigation impact
- Supports demand and some growth
- Supports compliance
- Positive social impact (compared to other options)

Understanding the financial implications of each option

Each option answers the same questions:

Matter	What we need to understand
Capital investment	What will we spend renewing existing assets and providing for growth?
Operating costs and interest	What will it cost to run and maintain the network, including interest on debt?
Depreciation and revaluations	How do asset use and updated valuations affect the accounts? These accounting movements are non-cash, but funding depreciation affects the revenue required.
Revenue and rates	How much funding comes from NZTA, fees and other income, and how much must ratepayers contribute?
Cash flow	After cash receipts, operating payments, interest and capital investment, is there a funding gap or cash available to repay debt?
Assets	What happens to network condition and service levels, and how does this relate to the assess condition of the network and future investment needs?
Debt	How much borrowing will be required now and in future?

Lower spending today may reduce rates and borrowing requirements, while leaving more maintenance or renewal work for the future.

Option 1 - Maintain current levels of service

Capital Expenditure

Capital Expenditure ($'000's)	Option 1 - Maintain Current Levels of Service										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Road/Street Landscapes	30	31	31	32	32	33	34	34	35	36	328
Subsidisable Roading	34,255	34,020	27,941	27,080	26,277	27,101	27,074	31,248	28,683	28,607	292,287
Non-Subsidised Roading	244	249	255	260	265	270	276	-	-	-	1,819
Street Lighting	252	257	262	268	273	279	284	115	117	120	2,227
Parking	377	505	28	34	35	36	36	37	38	39	1,165
Total Capital Expenditure	**35,158**	**35,063**	**28,517**	**27,674**	**26,883**	**27,719**	**27,704**	**31,434**	**28,873**	**28,801**	**297,826**
Meet additional demand	11,649	13,263	9,372	8,388	7,669	7,753	7,837	7,468	7,547	7,628	88,573
Improve level of service	-	-	-	-	-	-	-	-	-	-	-
Replace existing assets	23,509	21,800	19,146	19,286	19,214	19,966	19,867	23,967	21,326	21,173	209,253
Total Capital Expenditure	**35,158**	**35,063**	**28,517**	**27,674**	**26,883**	**27,719**	**27,704**	**31,434**	**28,873**	**28,801**	**297,826**
By major project:											
Sealed road resurfacing	6,037	6,158	6,281	6,406	6,534	6,665	6,798	6,934	7,073	7,214	66,101
Rehabilitation	5,619	5,731	5,846	5,963	6,082	6,204	6,328	6,455	6,584	6,715	61,527
Footpath renewals	2,085	2,127	2,169	2,212	2,257	2,302	2,348	2,395	2,443	2,492	22,829
Response to industrial growth	2,500	3,300	2,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	22,300
Drainage renewals (kerb & channel)	1,499	1,529	1,560	1,591	1,623	1,655	1,688	1,722	1,757	1,792	16,416
Bridge structure component replacement	1,380	1,408	1,436	1,464	1,494	1,524	1,554	1,585	1,617	1,649	15,111
Bridge and large culvert renewals	1,529	757	1,229	1,433	1,004	1,392	921	4,106	1,067	1,067	14,506
Unsealed roads	1,024	1,045	1,066	1,087	1,109	1,131	1,154	1,177	1,200	1,224	11,217
Response to urban growth	500	1,235	765	1,000	1,000	1,000	1,000	1,000	1,000	1,000	9,500
Tile replacement	4,900	3,000	-	-	-	-	-	-	-	-	7,900
Traffic services renewal	521	1,032	1,052	553	564	575	587	1,135	1,158	623	7,800
Other roading improvement projects	6,568	6,604	3,940	3,177	2,415	2,453	2,492	2,531	2,572	2,613	35,364
Other	996	1,138	674	786	802	818	834	395	403	411	7,256
Total Capital Expenditure	**35,158**	**35,063**	**28,517**	**27,674**	**26,883**	**27,719**	**27,704**	**31,434**	**28,873**	**28,801**	**297,826**

Option 1 - Maintain current levels of service

Operating Expenditure, Finance Costs, Depreciation and Revaluations

Total Expenditure ($'000's)	Option 1 - Maintain Current Levels of Service										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Salaries and wages	1,214	1,238	1,263	1,288	1,314	1,340	1,367	1,394	1,422	1,451	13,290
Defined contribution plans	162	165	168	172	175	179	182	186	190	193	1,771
Other Employee Benefits	11	11	11	11	12	12	12	12	13	13	117
Other operating expenses	10,773	11,091	11,419	11,756	12,104	12,461	12,830	13,209	13,600	14,002	123,245
Internal charges	2,312	2,381	2,453	2,526	2,602	2,680	2,760	2,843	2,929	3,016	26,503
Total Operating Expenditure	**14,471**	**14,886**	**15,314**	**15,754**	**16,206**	**16,672**	**17,151**	**17,645**	**18,152**	**18,675**	**164,926**
Finance costs	2,302	3,121	3,878	4,332	4,728	5,039	5,363	5,664	6,071	6,344	46,842
Depreciation expense	15,887	17,241	17,831	18,359	19,576	20,090	20,611	21,873	22,437	22,969	196,873
Total Expenditure	**32,660**	**35,248**	**37,023**	**38,444**	**40,510**	**41,800**	**43,125**	**45,182**	**46,660**	**47,988**	**408,641**
Forecast Revaluation Gains	**40,000**	**-**	**-**	**40,000**	**-**	**-**	**40,000**	**-**	**-**	**40,000**	**160,000**
Annual % movements											
Total operating expenditure		2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
Finance costs		35.6%	24.3%	11.7%	9.1%	6.6%	6.4%	5.6%	7.2%	4.5%	
Depreciation expense		8.5%	3.4%	3.0%	6.6%	2.6%	2.6%	6.1%	2.6%	2.4%	
Total expenditure		**7.9%**	**5.0%**	**3.8%**	**5.4%**	**3.2%**	**3.2%**	**4.8%**	**3.3%**	**2.8%**	

Key assumptions:

- **Operating expenditure** – Annual increases allow for CPI inflation only. Contracting costs within other operating expenses include a $5.5M allowance (total 10 years) for emergency works and higher allowances for bridge, culvert, roading and sign maintenance.
- **Finance costs** – Increases reflect forecast borrowing requirements and assumed interest rates.
- **Depreciation** – Reflects forecast capital expenditure and estimated asset revaluations.
- **Revaluations** – Based on PY actuals, the model assumes a $40M uplift every 3 years to reflect current replacement costs, adjusted for age, condition and remaining service potential. Actual revaluation amounts and timing may differ.

Option 1 - Maintain current levels of service

Revenue

Revenue ($'000's)	Option 1 - Maintain Current Levels of Service										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
External Revenue											
Fees & charges	1,368	1,402	1,437	1,473	1,510	1,548	1,587	1,626	1,667	1,709	15,327
Grants received	12,514	11,471	11,815	12,169	12,534	12,910	13,298	13,697	14,107	14,531	129,045
Other revenue	288	295	303	310	318	326	334	342	351	360	3,227
Total External Revenue	**14,170**	**13,168**	**13,555**	**13,953**	**14,362**	**14,784**	**15,218**	**15,665**	**16,125**	**16,599**	**147,599**
Total Expenditure	**32,660**	**35,248**	**37,023**	**38,444**	**40,510**	**41,800**	**43,125**	**45,182**	**46,660**	**47,988**	**408,641**
Rates Funding Requirement	**18,491**	**22,080**	**23,468**	**24,492**	**26,148**	**27,016**	**27,907**	**29,517**	**30,535**	**31,389**	**261,042**
General Rates at 4% growth factor	18,107	18,831	19,585	20,368	21,183	22,030	22,911	23,828	24,781	25,772	217,394
Additional Rates above 4% breakeven	384	3,249	3,884	4,124	4,965	4,986	4,996	5,689	5,754	5,617	43,648
Total Rates Funding Provided	**18,491**	**22,080**	**23,468**	**24,492**	**26,148**	**27,016**	**27,907**	**29,517**	**30,535**	**31,389**	**261,042**

External revenue components and assumptions:

- **Fees and charges** – Parking fees, fines and infringements, assumed 2.5% CPI increase
- **Grants received** – NZTA opex and infrastructure funding
- **Other revenue** – Lease revenue assumes 2.5% CPI increase

Increasing the 2026/27 Annual Plan roading rates allocation by 4% annually would provide $217.4 million over ten years. **Option 1** requires $261.0 million of rates funding to achieve operating breakeven—an additional $43.6 million above that allowance.

Option 1 - Maintain current levels of service

Impact on cash flow

Forecast Statement of Cash Flow ($'000's)	Option 1 - Maintain Current Levels of Service										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Cashflows from Operating											
Receipts from Rates	18,491	22,080	23,468	24,492	26,148	27,016	27,907	29,517	30,535	31,389	261,042
Receipts from Grants	12,514	11,471	11,815	12,169	12,534	12,910	13,298	13,697	14,107	14,531	129,045
Receipts from Other Income	1,656	1,698	1,740	1,783	1,828	1,874	1,921	1,969	2,018	2,068	18,554
Payments to Suppliers and Employees	(14,471)	(14,886)	(15,314)	(15,754)	(16,206)	(16,672)	(17,151)	(17,645)	(18,152)	(18,675)	(164,926)
Interest Paid	(2,302)	(3,121)	(3,878)	(4,332)	(4,728)	(5,039)	(5,363)	(5,664)	(6,071)	(6,344)	(46,842)
Net Cash Flow from Operating	**15,887**	**17,241**	**17,831**	**18,359**	**19,576**	**20,090**	**20,611**	**21,873**	**22,437**	**22,969**	**196,873**
Cashflows from Investing											
Receipts from Sale of PPE	-	-	-	-	-	-	-	-	-	-	-
Purchase of PPE	(35,158)	(35,063)	(28,517)	(27,674)	(26,883)	(27,719)	(27,704)	(31,434)	(28,873)	(28,801)	(297,826)
Net Cash Flow from Investing	**(35,158)**	**(35,063)**	**(28,517)**	**(27,674)**	**(26,883)**	**(27,719)**	**(27,704)**	**(31,434)**	**(28,873)**	**(28,801)**	**(297,826)**
Cashflows from Financing											
Receipts from Borrowings	19,271	17,822	10,686	9,315	7,307	7,629	7,093	9,561	6,436	5,832	100,952
Repayment of Borrowings	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow from Financing	**19,271**	**17,822**	**10,686**	**9,315**	**7,307**	**7,629**	**7,093**	**9,561**	**6,436**	**5,832**	**100,952**
Net Increase (Decrease) in Cash	0	0	(0)	(0)	(0)	(0)	(0)	(0)	0	(0)	(1)
Opening Cash	0	1	1	1	0	0	(0)	(0)	(0)	(0)	**0**
Closing Cash Balance	**1**	**1**	**1**	**0**	**0**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	(0)

Operating cash flows of $196.9 million—including $43.6 million of additional rates funding above the assumed 4% annual increase—contribute towards the $297.8 million capital programme. A further $101.0 million of borrowing is required over ten years.

Option 1 - Maintain current levels of service

Road related Assets and Debt

Roading - Property, Plant and Equipment and Debt Related Balances ($'000's)	Option 1 - Maintain Current Levels of Service										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Summary
Property, Plant and Equipment											
Opening Balance	958,979	1,018,249	1,036,071	1,046,757	1,096,073	1,103,380	1,111,009	1,158,102	1,167,663	1,174,099	958,979
Capital expenditure	35,158	35,063	28,517	27,674	26,883	27,719	27,704	31,434	28,873	28,801	297,826
Depreciation	(15,887)	(17,241)	(17,831)	(18,359)	(19,576)	(20,090)	(20,611)	(21,873)	(22,437)	(22,969)	(196,873)
Revaluation	40,000	-	-	40,000	-	-	40,000	-	-	40,000	160,000
Closing Property, Plant and Equipment	**1,018,249**	**1,036,071**	**1,046,757**	**1,096,073**	**1,103,380**	**1,111,009**	**1,158,102**	**1,167,663**	**1,174,099**	**1,219,932**	**1,219,932**
Debt											
Opening Balance	54,157	73,428	91,250	101,936	111,251	118,558	126,187	133,280	142,841	149,277	
Increase/(Decrease) In Debt	19,271	17,822	10,686	9,315	7,307	7,629	7,093	9,561	6,436	5,832	
Closing Debt	**73,428**	**91,250**	**101,936**	**111,251**	**118,558**	**126,187**	**133,280**	**142,841**	**149,277**	**155,109**	
Cumulative Increase in Debt	19,271	37,093	47,779	57,094	64,401	72,030	79,123	88,684	95,120	100,952	
Debt to Assets Ratio	**7.2%**	**8.8%**	**9.7%**	**10.1%**	**10.7%**	**11.4%**	**11.5%**	**12.2%**	**12.7%**	**12.7%**	
Total Roading Revenue	32,660	35,248	37,023	38,444	40,510	41,800	43,125	45,182	46,660	47,988	
Closing debt to annual roading revenue (times)	**2.2**	**2.6**	**2.8**	**2.9**	**2.9**	**3.0**	**3.1**	**3.2**	**3.2**	**3.2**	

- Roading debt increases by $101.0 million over ten years, from $54.2 million to $155.1 million, despite the additional rates funding.
- Funding collected to cover depreciation provides $196.9 million towards the $297.8 million capital programme - approximately 66% - with the remaining 34% funded through additional borrowing.
- The closing asset value of $1.22 billion includes an additional $160 million of revaluation gains. These adjustments have no direct cash-flow impact, but increase future depreciation expense and, where funded, the revenue required to cover it.

Option 2 - Maintain current Council spend

Overview

- This option is about maintaining Council's current level of spending
- OPEX and CAPEX increase for inflation only, this will cause a level of service drop in some areas
- Investment will preserve condition of pavements and minor assets but will see increases in the maintenance backlog for bridges and culverts, will not keep up with growth/demand and risk medium-long term LOS drops if the District sees a major flooding event
- With this investment, today's customers will mostly see a steady state of asset condition, but tomorrow's customers will foot the bill or see a decline
- This option will see accelerated deterioration of bridges, higher future costs, and reduced network resilience.

Option 2 - Maintain current Council spend

How this option would differ from previous LTP period

- Funding for bridge and culvert maintenance would no longer meet asset needs (about half of what is required to keep up)

Option 2 - Maintain current Council spend

Moderate strategic fit

- Partially supports Council's strategic direction
- Partially meets Government's policy outcomes
- Does not align with AMP investment logic

Deliverable and partially affordable

- Affordability is dependent on Council's appetite for debt
- Delivery achievable with current market and internal capacity

Risk profile

- Asset risk: Some low/medium, some high
- Network risk: High
- Increase in service risk

Value for money

- WOL value for investment in pavements and minor assets OK, poor for bridges
- This option would increase future cost and risk

Broader impacts

- Potentially negative environmental impact
- Negative climate adaptation/mitigation impact
- Supports some demand and growth
- Generally supports compliance
- Potentially negative social impact (if bridges are posted)

Option 2 - Maintain current Council spend

Capital Expenditure

Capital Expenditure ($'000's)	Option 2 - Maintain Current Council Spend										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Road/Street Landscapes	30	31	31	32	32	33	34	34	35	36	328
Subsidisable Roading	23,925	24,008	23,417	24,107	23,255	24,028	23,950	28,071	25,452	25,322	245,535
Timaru Non-Subsidised Roading	244	249	255	260	265	270	276	-	-	-	1,819
Street Lighting	252	257	262	268	273	279	284	115	117	120	2,227
Parking	377	505	28	34	35	36	36	37	38	39	1,165
Total Capital Expenditure	**24,828**	**25,051**	**23,993**	**24,701**	**23,861**	**24,646**	**24,580**	**28,257**	**25,642**	**25,516**	**251,074**
Meet additional demand	7,849	7,914	6,543	7,145	6,412	6,480	6,549	6,164	6,227	6,291	67,573
Improve level of service	-	-	-	-	-	-	-	-	-	-	-
Replace existing assets	16,978	17,137	17,449	17,556	17,449	18,166	18,031	22,094	19,415	19,225	183,501
Total Capital Expenditure	**24,828**	**25,051**	**23,993**	**24,701**	**23,861**	**24,646**	**24,580**	**28,257**	**25,642**	**25,516**	**251,074**
By major project:											
Sealed road resurfacing	5,136	5,238	5,343	5,450	5,559	5,670	5,783	5,899	6,017	6,137	56,233
Rehabilitation	5,619	5,731	5,846	5,963	6,082	6,204	6,328	6,455	6,584	6,715	61,527
Footpath renewals	2,085	2,127	2,169	2,212	2,257	2,302	2,348	2,395	2,443	2,492	22,829
Response to industrial growth	1,500	500	2,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	18,500
Drainage renewals (kerb & channel)	1,499	1,529	1,560	1,591	1,623	1,655	1,688	1,722	1,757	1,792	16,416
Bridge structure component replacement	691	705	719	733	748	763	778	794	809	826	7,565
Bridge and large culvert renewals	1,529	757	1,229	1,433	1,004	1,392	921	4,106	1,067	1,067	14,506
Unsealed roads	1,024	1,045	1,066	1,087	1,109	1,131	1,154	1,177	1,200	1,224	11,217
Response to urban growth	500	1,500	765	1,000	1,000	1,000	1,000	1,000	1,000	1,000	9,765
Tile replacement	-	-	-	-	-	-	-	-	-	-	-
Traffic services renewal	521	1,032	1,052	553	564	575	587	1,135	1,158	623	7,800
Other roading improvement projects	3,768	3,790	1,112	1,934	1,157	1,180	1,203	1,227	1,252	1,277	17,899
Other	956	1,097	632	744	759	774	789	349	356	363	6,818
Total Capital Expenditure	**24,828**	**25,051**	**23,993**	**24,701**	**23,861**	**24,646**	**24,580**	**28,257**	**25,642**	**25,516**	**251,074**

Option 2 - Maintain current Council spend

Operating Expenditure, Finance Costs, Depreciation and Revaluations

Total Expenditure ($'000's)	Option 2 - Maintain Current Council Spend										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Salaries and wages	1,214	1,238	1,263	1,288	1,314	1,340	1,367	1,394	1,422	1,451	13,290
Defined contribution plans	162	165	168	172	175	179	182	186	190	193	1,771
Other Employee Benefits	11	11	11	11	12	12	12	12	13	13	117
Other operating expenses	9,281	9,559	9,846	10,141	10,446	10,759	11,082	11,414	11,757	12,109	106,394
Internal charges	2,312	2,381	2,453	2,526	2,602	2,680	2,760	2,843	2,929	3,016	26,503
Total Operating Expenditure	**12,979**	**13,354**	**13,741**	**14,139**	**14,548**	**14,969**	**15,403**	**15,850**	**16,309**	**16,782**	**148,075**
Finance costs	2,302	2,634	2,978	3,257	3,547	3,752	3,971	4,168	4,469	4,639	35,718
Depreciation expense	15,794	16,964	17,422	17,879	19,039	19,494	19,956	21,158	21,661	22,130	191,498
Total Expenditure	**31,075**	**32,953**	**34,141**	**35,275**	**37,134**	**38,216**	**39,331**	**41,176**	**42,439**	**43,551**	**375,291**
Forecast Revaluation Gains	**40,000**	**-**	**-**	**40,000**	**-**	**-**	**40,000**	**-**	**-**	**40,000**	**160,000**
Annual % movements											
Total operating expenditure		2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
Finance costs		14.5%	13.0%	9.4%	8.9%	5.8%	5.8%	4.9%	7.2%	3.8%	
Depreciation expense		7.4%	2.7%	2.6%	6.5%	2.4%	2.4%	6.0%	2.4%	2.2%	
Total expenditure		**6.0%**	**3.6%**	**3.3%**	**5.3%**	**2.9%**	**2.9%**	**4.7%**	**3.1%**	**2.6%**	

Key assumptions:

- **Operating expenditure** – Annual increases allow for CPI inflation only. Contracting costs within other operating expenses include no allowance for emergency works and lower allowances for bridge, culvert, roading and sign maintenance.
- **Finance costs** – Increases reflect forecast borrowing requirements and assumed interest rates.
- **Depreciation** – Reflects forecast capital expenditure and estimated asset revaluations.
- **Revaluations** – Based on PY actuals, the model assumes a $40M uplift every 3 years to reflect current replacement costs, adjusted for age, condition and remaining service potential. Actual revaluation amounts and timing may differ.

Option 2 - Maintain current Council spend

Revenue

Revenue ($'000's)	Option 2 - Maintain Current Council Spend										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
External Revenue											
Fees & charges	1,368	1,402	1,437	1,473	1,510	1,548	1,587	1,626	1,667	1,709	15,327
Grants received	12,514	11,471	11,815	12,169	12,534	12,910	13,298	13,697	14,107	14,531	129,045
Other revenue	288	295	303	310	318	326	334	342	351	360	3,227
Total External Revenue	**14,170**	**13,168**	**13,555**	**13,953**	**14,362**	**14,784**	**15,218**	**15,665**	**16,125**	**16,599**	**147,599**
Total Expenditure	**31,075**	**32,953**	**34,141**	**35,275**	**37,134**	**38,216**	**39,331**	**41,176**	**42,439**	**43,551**	**375,291**
Rates Funding Requirement	**16,905**	**19,785**	**20,586**	**21,322**	**22,772**	**23,432**	**24,112**	**25,510**	**26,314**	**26,952**	**227,692**
General Rates at 4% growth factor	18,107	18,831	19,585	20,368	21,183	22,030	22,911	23,828	24,781	25,772	217,394
Additional Rates above 4% breakeven	-	954	1,002	954	1,589	1,402	1,201	1,683	1,533	1,180	11,499
Total Rates Funding Provided	**18,107**	**19,785**	**20,586**	**21,322**	**22,772**	**23,432**	**24,112**	**25,510**	**26,314**	**26,952**	**228,893**

External revenue components and assumptions:

- **Fees and charges** – Parking fees, fines and infringements, assumed 2.5% CPI increase
- **Grants received** – NZTA opex and infrastructure funding
- **Other revenue** – Lease revenue assumes 2.5% CPI increase

The model provides $228.9 million of roading rates funding over ten years, including $11.5 million above the assumed 4% annual increase. This supports operating breakeven from 2028/29 onwards, with a $1.2 million surplus in 2027/28, due to additional NZTA funding.

Option 2 - Maintain current Council spend

Impact on cash flow

Forecast Statement of Cash Flow ($'000's)	Option 2 - Maintain Current Council Spend										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Cashflows from Operating											
Receipts from Rates	18,107	19,785	20,586	21,322	22,772	23,432	24,112	25,510	26,314	26,952	228,893
Receipts from Grants	12,514	11,471	11,815	12,169	12,534	12,910	13,298	13,697	14,107	14,531	129,045
Receipts from Other Income	1,656	1,698	1,740	1,783	1,828	1,874	1,921	1,969	2,018	2,068	18,554
Payments to Suppliers and Employees	(12,979)	(13,354)	(13,741)	(14,139)	(14,548)	(14,969)	(15,403)	(15,850)	(16,309)	(16,782)	(148,075)
Interest Paid	(2,302)	(2,634)	(2,978)	(3,257)	(3,547)	(3,752)	(3,971)	(4,168)	(4,469)	(4,639)	(35,718)
Net Cash Flow from Operating	**16,996**	**16,964**	**17,422**	**17,879**	**19,039**	**19,494**	**19,956**	**21,158**	**21,661**	**22,130**	**192,699**
Cashflows from Investing											
Receipts from Sale of PPE	-	-	-	-	-	-	-	-	-	-	-
Purchase of PPE	(24,828)	(25,051)	(23,993)	(24,701)	(23,861)	(24,646)	(24,580)	(28,257)	(25,642)	(25,516)	(251,074)
Net Cash Flow from Investing	**(24,828)**	**(25,051)**	**(23,993)**	**(24,701)**	**(23,861)**	**(24,646)**	**(24,580)**	**(28,257)**	**(25,642)**	**(25,516)**	**(251,074)**
Cashflows from Financing											
Receipts from Borrowings	7,831	8,086	6,571	6,822	4,822	5,152	4,624	7,099	3,982	3,386	58,375
Repayment of Borrowings	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow from Financing	**7,831**	**8,086**	**6,571**	**6,822**	**4,822**	**5,152**	**4,624**	**7,099**	**3,982**	**3,386**	**58,375**
Net Increase (Decrease) in Cash	(0)	(0)	0	0	0	0	0	(0)	0	(0)	0
Opening Cash	0	(0)	(0)	(0)	(0)	0	0	1	1	1	**0**
Closing Cash Balance	**(0)**	**(0)**	**(0)**	**(0)**	**0**	**0**	**1**	**1**	**1**	**1**	**1**

Operating cash flows of $192.7 million, comprising $191.5 million corresponding to depreciation and a $1.2 million operating surplus, fund approximately 77% of the $251.1 million capital programme. Additional borrowing of $58.4 million funds the remaining 23%.

Option 2 - Maintain current Council spend

Road related Assets and Debt

Roading - Property, Plant and Equipment and Debt Related Balances ($'000's)	Option 2 - Maintain Current Council Spend										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Summary
Property, Plant and Equipment											
Opening Balance	958,979	1,008,012	1,016,098	1,022,669	1,069,491	1,074,313	1,079,464	1,124,088	1,131,187	1,135,169	958,979
Capital expenditure	24,828	25,051	23,993	24,701	23,861	24,646	24,580	28,257	25,642	25,516	251,074
Depreciation	(15,794)	(16,964)	(17,422)	(17,879)	(19,039)	(19,494)	(19,956)	(21,158)	(21,661)	(22,130)	(191,498)
Revaluation	40,000	-	-	40,000	-	-	40,000	-	-	40,000	160,000
Closing Property, Plant and Equipment	**1,008,012**	**1,016,098**	**1,022,669**	**1,069,491**	**1,074,313**	**1,079,464**	**1,124,088**	**1,131,187**	**1,135,169**	**1,178,555**	**1,178,555**
Debt											
Opening Balance	54,157	61,988	70,074	76,645	83,467	88,289	93,441	98,065	105,164	109,146	
Increase/(Decrease) In Debt	7,831	8,086	6,571	6,822	4,822	5,152	4,624	7,099	3,982	3,386	
Closing Debt	**61,988**	**70,074**	**76,645**	**83,467**	**88,289**	**93,441**	**98,065**	**105,164**	**109,146**	**112,532**	
Cumulative Increase in Debt	7,831	15,917	22,488	29,310	34,132	39,284	43,908	51,007	54,989	58,375	
Debt to Assets Ratio	**6.1%**	**6.9%**	**7.5%**	**7.8%**	**8.2%**	**8.7%**	**8.7%**	**9.3%**	**9.6%**	**9.5%**	
Total Roading Revenue	32,277	32,953	34,141	35,275	37,134	38,216	39,331	41,176	42,439	43,551	
Closing debt to annual roading revenue (times)	**1.9**	**2.1**	**2.2**	**2.4**	**2.4**	**2.4**	**2.5**	**2.6**	**2.6**	**2.6**	

- Roading debt increases by $58.4 million over ten years, from $54.2 million to $112.5 million, despite the additional rates funding.
- Funding collected to cover depreciation provides $191.5 million towards the $251.1 million capital programme. Additional borrowing of $58.4 million funds the remaining 23%.
- The closing asset value of $1.18 billion includes an additional $160 million of revaluation gains. These adjustments have no direct cash-flow impact, but increase future depreciation expense and, where funded, the revenue required to cover it.

Option 3 - Limit spending to NZTA supported budgets

Overview

- This option limits expenditure to the budget level that NZTA subsidises, with no additional Council funding
- OPEX and CAPEX will be maintained in some areas, but significantly decrease in others, causing a level of service drop
- Investment will preserve condition of pavements and some minor assets but see a decrease in the condition of bridges and culverts, footpaths, unsealed roads, roadsides (e.g. less weed clearance/mowing), street lights & street signs
- This option will also see a general decrease in road safety, significantly exacerbate the bridge backlog, and will not keep up with growth or current demand
- With this investment, today's customers will see a slow deterioration of asset condition, and tomorrow's customers will face a deteriorated/reduced network that is unaffordable to resolve or return

Option 3 - Limit spending to NZTA supported budgets

How this option would differ from previous LTP period

- Funding for bridge and culvert maintenance and renewal would no longer meet asset needs (about half of what is required to keep up)
- Less spend on metalling unsealed network
- Less spend on drainage renewal works e.g. kerb and channel, culverts
- Less spend on environmental maintenance and renewals
- Less spend on footpath maintenance and no budget to improve our active transport network
- No budget for improvement/upgrade projects outside of what has already been approved by NZTA

Option 3 - Limit spending to NZTA supported budgets

Poor strategic fit

- Does not support Council's strategic direction
- Does not meet Government's policy outcomes
- Does not align with AMP investment logic

Deliverable and affordable

- This is the most affordable option for Council and minimises debt
- Delivery achievable with current market and internal capacity

Risk profile

- Asset risk: Some low/medium, some high
- Network risk: Very high
- Significant increase in service risk

Value for money

- WOL value for investment in pavements and some minor assets OK, poor for the rest
- This option would significantly increase future cost and risk

Broader impacts

- Potentially negative environmental impact
- Negative climate adaptation/mitigation impact
- Does not support demand and growth
- Does not support compliance (stormwater and/or traffic signals)
- Negative social impact

The accounting result and the cash required

Before we look at the options, it helps to distinguish the accounting result from the cash required.

Accounting Result

- Capital expenditure pays for assets.
- Depreciation spreads the cost of using those assets over their useful lives.
- When calculating cash flow from the accounting result, we add depreciation back because it is not a cash payment.
- Revaluation gains also provide no cash.

Cash Required

- We then look at the actual money coming in and going out, including capital expenditure and interest.
- A funding shortfall requires borrowing or another funding source.
- Cash remaining can help repay debt.

Alongside those figures, we need to consider what each option means for the condition of the roads and the services the community receives.

Option 3 - Limit spending to NZTA supported budgets

Capital Expenditure

Capital Expenditure ($'000's)	Option 3 - Limit Spending to NZTA Budgets										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Road/Street Landscapes	30	31	31	32	32	33	34	34	35	36	328
Subsidisable Roading	17,563	17,884	15,512	15,916	16,252	16,595	16,947	17,304	20,670	21,047	175,689
Timaru Non-Subsidised Roading	244	249	255	260	265	270	276	-	-	-	1,819
Street Lighting	252	257	262	268	273	279	284	115	117	120	2,227
Parking	377	505	28	34	35	36	36	37	38	39	1,165
Total Capital Expenditure	**18,465**	**18,926**	**16,088**	**16,510**	**16,858**	**17,213**	**17,576**	**17,490**	**20,861**	**21,241**	**181,229**
Meet additional demand	4,822	4,866	2,210	2,256	2,302	2,349	2,396	1,989	5,030	5,072	33,290
Improve level of service	-	-	-	-	-	-	-	-	-	-	-
Replace existing assets	13,644	14,061	13,878	14,254	14,556	14,865	15,180	15,501	15,831	16,170	147,939
Total Capital Expenditure	**18,465**	**18,926**	**16,088**	**16,510**	**16,858**	**17,213**	**17,576**	**17,490**	**20,861**	**21,241**	**181,229**
By major project:											
Sealed road resurfacing	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975	54,749
Rehabilitation	5,619	5,731	5,846	5,963	6,082	6,204	6,328	6,455	6,584	6,715	61,527
Footpath renewals	600	612	624	637	649	662	676	689	703	717	6,570
Response to industrial growth	-	-	-	-	-	-	-	-	2,000	2,000	4,000
Drainage renewals (kerb & channel)	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	10,950
Bridge structure component replacement	650	663	676	690	704	718	732	747	762	777	7,117
Bridge and large culvert renewals	750	780	811	844	877	912	949	987	1,026	1,067	9,005
Unsealed roads	750	765	780	796	812	828	845	862	879	896	8,212
Response to urban growth	-	-	-	-	-	-	-	-	1,000	1,000	2,000
Other	4,096	4,255	1,108	1,213	1,239	1,264	1,290	859	877	898	17,099
Total Capital Expenditure	**18,465**	**18,926**	**16,088**	**16,510**	**16,858**	**17,213**	**17,576**	**17,490**	**20,861**	**21,241**	**181,229**

Option 3 - Limit spending to NZTA supported budgets

Operating Expenditure, Finance Costs, Depreciation and Revaluations

Total Expenditure ($'000's)	Option 3 - Limit Spending to NZTA Budgets										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Salaries and wages	1,214	1,238	1,263	1,288	1,314	1,340	1,367	1,394	1,422	1,451	13,290
Defined contribution plans	162	165	168	172	175	179	182	186	190	193	1,771
Other Employee Benefits	11	11	11	11	12	12	12	12	13	13	117
Other operating expenses	8,975	9,245	9,522	9,808	10,102	10,405	10,717	11,039	11,370	11,711	102,893
Internal charges	2,312	2,381	2,453	2,526	2,602	2,680	2,760	2,843	2,929	3,016	26,503
Total Operating Expenditure	**12,673**	**13,040**	**13,417**	**13,805**	**14,204**	**14,615**	**15,039**	**15,474**	**15,923**	**16,384**	**144,574**
Finance costs	2,302	2,351	2,450	2,399	2,331	2,230	2,101	1,943	1,735	1,621	21,463
Depreciation expense	15,736	16,793	17,126	17,438	18,461	18,787	19,120	20,156	20,511	20,900	185,029
Total Expenditure	**30,711**	**32,184**	**32,992**	**33,642**	**34,997**	**35,633**	**36,260**	**37,573**	**38,169**	**38,906**	**351,066**
Forecast Revaluation Gains	**40,000**	**-**	**-**	**40,000**	**-**	**-**	**40,000**	**-**	**-**	**40,000**	**160,000**
Annual % movements											
Total operating expenditure		2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
Finance costs		2.1%	4.2%	(2.1%)	(2.9%)	(4.3%)	(5.8%)	(7.5%)	(10.7%)	(6.6%)	
Depreciation expense		6.7%	2.0%	1.8%	5.9%	1.8%	1.8%	5.4%	1.8%	1.9%	
Total expenditure		**4.8%**	**2.5%**	**2.0%**	**4.0%**	**1.8%**	**1.8%**	**3.6%**	**1.6%**	**1.9%**	

Key assumptions:

- **Operating expenditure** – Annual increases allow for CPI inflation only. Contracting costs within other operating expenses include no allowance for emergency works and lower allowances for bridge, culvert, roading and sign maintenance.
- **Finance costs** – Movement reflects forecast borrowing requirements and assumed interest rates.
- **Depreciation** – Reflects forecast capital expenditure and estimated asset revaluations.
- **Revaluations** – Based on PY actuals, the model assumes a $40M uplift every 3 years to reflect current replacement costs, adjusted for age, condition and remaining service potential. Actual revaluation amounts and timing may differ.

Option 3 - Limit spending to NZTA supported budgets

Revenue

Revenue ($'000's)	Option 3 - Limit Spending to NZTA Budgets										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
External Revenue											
Fees & charges	1,368	1,402	1,437	1,473	1,510	1,548	1,587	1,626	1,667	1,709	15,327
Grants received	12,514	11,471	11,815	12,169	12,534	12,910	13,298	13,697	14,107	14,531	129,045
Other revenue	288	295	303	310	318	326	334	342	351	360	3,227
Total External Revenue	**14,170**	**13,168**	**13,555**	**13,953**	**14,362**	**14,784**	**15,218**	**15,665**	**16,125**	**16,599**	**147,599**
Total Expenditure	**30,711**	**32,184**	**32,992**	**33,642**	**34,997**	**35,633**	**36,260**	**37,573**	**38,169**	**38,906**	**351,066**
Rates Funding Requirement	**16,541**	**19,016**	**19,438**	**19,689**	**20,634**	**20,849**	**21,042**	**21,908**	**22,044**	**22,307**	**203,467**
General Rates at 4% growth factor	18,107	18,831	19,585	20,368	21,183	22,030	22,911	23,828	24,781	25,772	217,394
Additional Rates above 4% breakeven	-	-	-	-	-	-	-	-	-	-	-
Total Rates Funding Provided	**18,107**	**18,831**	**19,585**	**20,368**	**21,183**	**22,030**	**22,911**	**23,828**	**24,781**	**25,772**	**217,394**

External revenue components and assumptions:

- **Fees and charges** – Parking fees, fines and infringements, assumed 2.5% CPI increase
- **Grants received** – NZTA opex and infrastructure funding
- **Other revenue** – Lease revenue assumes 2.5% CPI increase

Increasing the 2026/27 Annual Plan roading rates allocation by 4% annually would provide $217.4 million over ten years, compared with $203.5 million required for operating break even. No additional rates above the 4% annual increase are modelled. This generates a cumulative operating surplus of $13.9M.

Option 3 - Limit spending to NZTA supported budgets

Impact on cash flow

Forecast Statement of Cash Flow ($'000's)	Option 3 - Limit Spending to NZTA Budgets										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Total
Cashflows from Operating											
Receipts from Rates	18,107	18,831	19,585	20,368	21,183	22,030	22,911	23,828	24,781	25,772	217,394
Receipts from Grants	12,514	11,471	11,815	12,169	12,534	12,910	13,298	13,697	14,107	14,531	129,045
Receipts from Other Income	1,656	1,698	1,740	1,783	1,828	1,874	1,921	1,969	2,018	2,068	18,554
Payments to Suppliers and Employees	(12,673)	(13,040)	(13,417)	(13,805)	(14,204)	(14,615)	(15,039)	(15,474)	(15,923)	(16,384)	(144,574)
Interest Paid	(2,302)	(2,351)	(2,450)	(2,399)	(2,331)	(2,230)	(2,101)	(1,943)	(1,735)	(1,621)	(21,463)
Net Cash Flow from Operating	**17,302**	**16,609**	**17,273**	**18,116**	**19,010**	**19,969**	**20,990**	**22,075**	**23,248**	**24,366**	**198,956**
Cashflows from Investing											
Receipts from Sale of PPE	-	-	-	-	-	-	-	-	-	-	-
Purchase of PPE	(18,465)	(18,926)	(16,088)	(16,510)	(16,858)	(17,213)	(17,576)	(17,490)	(20,861)	(21,241)	(181,229)
Net Cash Flow from Investing	**(18,465)**	**(18,926)**	**(16,088)**	**(16,510)**	**(16,858)**	**(17,213)**	**(17,576)**	**(17,490)**	**(20,861)**	**(21,241)**	**(181,229)**
Cashflows from Financing											
Receipts from / (Repayment of) Borrowings	1,164	2,318	(1,184)	(1,607)	(2,152)	(2,755)	(3,413)	(4,585)	(2,387)	(3,124)	(17,725)
Net Cash Flow from Financing	**1,164**	**2,318**	**(1,184)**	**(1,607)**	**(2,152)**	**(2,755)**	**(3,413)**	**(4,585)**	**(2,387)**	**(3,124)**	**(17,725)**
Net Increase (Decrease) in Cash	0	0	0	(0)	0	0	0	0	0	0	3
Opening Cash	0	1	1	1	1	1	1	2	2	3	**0**
Closing Cash Balance	**1**	**1**	**1**	**1**	**1**	**1**	**2**	**2**	**3**	**3**	3

Over the ten years, operating cash flows of $199.0 million cover the $181.2 million capital programme and enable a net debt reduction of $17.7 million.

Option 3 - Limit spending to NZTA supported budgets

Road related Assets and Debt

Roading - Property, Plant and Equipment and Debt Related Balances ($'000's)	Option 3 - Limit Spending to NZTA Budgets										
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	10 Year Summary
Property, Plant and Equipment											
Opening Balance	958,979	1,001,708	1,003,841	1,002,804	1,041,876	1,040,272	1,038,698	1,077,154	1,074,488	1,074,837	958,979
Capital expenditure	18,465	18,926	16,088	16,510	16,858	17,213	17,576	17,490	20,861	21,241	181,229
Depreciation	(15,736)	(16,793)	(17,126)	(17,438)	(18,461)	(18,787)	(19,120)	(20,156)	(20,511)	(20,900)	(185,029)
Revaluation	40,000	-	-	40,000	-	-	40,000	-	-	40,000	160,000
Closing Property, Plant and Equipment	**1,001,708**	**1,003,841**	**1,002,804**	**1,041,876**	**1,040,272**	**1,038,698**	**1,077,154**	**1,074,488**	**1,074,837**	**1,115,179**	**1,115,179**
Debt											
Opening Balance	54,157	55,321	57,639	56,455	54,848	52,696	49,941	46,528	41,943	39,556	
Increase/(Decrease) In Debt	1,164	2,318	(1,184)	(1,607)	(2,152)	(2,755)	(3,413)	(4,585)	(2,387)	(3,124)	
Closing Debt	**55,321**	**57,639**	**56,455**	**54,848**	**52,696**	**49,941**	**46,528**	**41,943**	**39,556**	**36,432**	
Cumulative Increase / (Decrease) in Debt	1,164	3,482	2,298	691	(1,461)	(4,216)	(7,629)	(12,214)	(14,601)	(17,725)	
Debt to Assets Ratio	**5.5%**	**5.7%**	**5.6%**	**5.3%**	**5.1%**	**4.8%**	**4.3%**	**3.9%**	**3.7%**	**3.3%**	
Total Roading Revenue	32,277	31,999	33,139	34,321	35,545	36,814	38,129	39,493	40,906	42,371	
Closing debt to annual roading revenue (times)	**1.7**	**1.8**	**1.7**	**1.6**	**1.5**	**1.4**	**1.2**	**1.1**	**1.0**	**0.9**	

- From 2029/30 roading debt reduces to $36.4 million in 2036/37. A $17.7 million reduction from 2026/27.
- Operating cash flows of $199.0 million – comprising $185.0 million corresponding to depreciation and $13.9 million of operating surpluses - cover the $181.2 million capital programme and enable the debt reduction. The closing asset value of $1.12 billion includes an additional $160 million of revaluation gains. These adjustments have no direct cash-flow impact, but increase future depreciation expense and, where funded, the revenue required to cover it.

Option Comparisons – Capital Expenditure

Capital Expenditure ($'000's)	10 Year Total		
	Option 1 - Maintain Current Levels of Service	Option 2 - Maintain Current Council	Option 3 - Limit Spending to NZTA Budgets
Road/Street Landscapes	328	328	328
Subsidisable Roading	292,287	245,535	175,689
Timaru Non-Subsidised Roading	1,819	1,819	1,819
Street Lighting	2,227	2,227	2,227
Parking	1,165	1,165	1,165
Total Capital Expenditure	**297,826**	**251,074**	**181,229**
Meet additional demand	88,573	67,573	33,290
Improve level of service	-	-	-
Replace existing assets	209,253	183,501	147,939
Total Capital Expenditure	**297,826**	**251,074**	**181,229**
By major project:			
Sealed road resurfacing	66,101	56,233	54,749
Rehabilitation	61,527	61,527	61,527
Footpath renewals	22,829	22,829	6,570
Response to industrial growth	22,300	18,500	4,000
Drainage renewals (kerb & channel)	16,416	16,416	10,950
Bridge structure component replacement	15,111	7,565	7,117
Bridge and large culvert renewals	14,506	14,506	9,005
Unsealed roads	11,217	11,217	8,212
Response to urban growth	9,500	9,765	2,000
Tile replacement	7,900	-	-
Traffic services renewal	7,800	7,800	816
Other roading improvement projects	35,364	17,899	5,880
Other	7,256	6,818	10,403
Total Capital Expenditure	**297,826**	**251,074**	**181,229**

- Ten-year capital investment ranges from $297.8 million under Option 1 to $251.1 million under Option 2 and $181.2 million under Option 3.
- Compared with Option 1, Option 3 provides $61.3 million less for replacing existing assets and $55.3 million less for additional demand.
- The reductions affect specific investment programmes. Compared with Option 1, Option 2 halves bridge component replacement funding. Option 3 also reduces footpath renewals by $16.3 million (71%) and traffic services renewals by $7.0 million (90%). Reductions also impact the response to industrial and urban growth, and tile replacements.

Option Comparisons – Operating Results

Forecast Statement of Comprehensive Revenue and Expenditure ($'000's)	10 Year Total		
	Option 1 - Maintain	Option 2 - Maintain	Option 3 - Limit Spending to
Revenue			
General rates	261,042	228,893	217,394
Fees & charges	15,327	15,327	15,327
Grants received	129,045	129,045	129,045
Other revenue	3,227	3,227	3,227
Total Revenue	**408,641**	**376,493**	**364,994**
Expenditure			
Salaries and wages	13,290	13,290	13,290
Defined contribution plans	1,771	1,771	1,771
Other Employee Benefits	117	117	117
Other operating expenses	123,245	106,394	102,893
Finance costs	46,842	35,718	21,463
Internal charges	26,503	26,503	26,503
Depreciation expense	196,873	191,498	185,029
Total Expenditure	**408,641**	**375,291**	**351,066**
Surplus (deficit) before tax	**0**	**1,202**	**13,927**
Property, plant and equipment revaluation	160,000	160,000	160,000
Total comprehensive revenue and expense	**160,000**	**161,202**	**173,927**

- Operating expenditure includes modest annual inflation allowances only. Lower operating expenditure in Options 2 and 3 reflects the removal of the $5.5 million emergency works allowance included in Option 1, together with reduced maintenance provision for walking and cycling, bridges and culverts, and the roading environment.
- Finance costs and depreciation expenses reflect the reduced forecast capital expenditure in Options 2 and 3.
- Options 1 and 2 require additional rates funding above the assumed 4% annual increase to support operating breakeven: $43.6 million and $11.5 million respectively over ten years. Other revenue is unchanged across all options.
- Option 3 generates a cumulative operating surplus of $13.9 million, compared with $1.2 million under Option 2 and breakeven under Option 1.
- Lower borrowing under Option 3 reduces ten-year finance costs to $21.5 million, compared with $46.8 million under Option 1.

Option Comparisons – Cash Flow

Forecast Statement of Cash Flow ($'000's)	10 Year Total		
	Option 1 - Maintain Current Levels of Service	Option 2 - Maintain Current Council Spend	Option 3 - Limit Spending to NZTA Budgets
Cashflows from Operating			
Receipts from Rates	261,042	228,893	217,394
Receipts from Grants	129,045	129,045	129,045
Receipts from Other Income	18,554	18,554	18,554
Payments to Suppliers and Employees	(164,926)	(148,075)	(144,574)
Interest Paid	(46,842)	(35,718)	(21,463)
Net Cash Flow from Operating	**196,873**	**192,699**	**198,956**
Cashflows from Investing			
Receipts from Sale of PPE	-	-	-
Purchase of PPE	(297,826)	(251,074)	(181,229)
Net Cash Flow from Investing	**(297,826)**	**(251,074)**	**(181,229)**
Cashflows from Financing			
Receipts from / (Repayment of) Borrowings	100,952	58,375	(17,725)
Net Cash Flow from Financing	**100,952**	**58,375**	**(17,725)**
Net Increase (Decrease) in Cash	(1)	0	3
Opening Cash	**0**	**0**	**0**
Closing Cash Balance	(0)	1	3

- Operating cash flows fund approximately 66% of capital expenditure under Option 1 and 77% under Option 2, requiring additional borrowing of $101.0 million and $58.4 million respectively.
- Under Option 3, operating cash flows cover the capital programme and enable a net debt reduction of $17.7 million.
- These outcomes include each option's modelled rates funding. Option 3 retains the assumed 4% annual increase.

Option Comparisons – Road related Asset and Debt

Roading - Property, Plant and Equipment and Debt Related Balances ($'000's)	2036/2037		
	Option 1 - Maintain	Option 2 - Maintain	Option 3 - Limit Spending to
Property, Plant and Equipment			
Opening Balance	1,174,099	1,135,169	1,074,837
Capital expenditure	28,801	25,516	21,241
Depreciation	(22,969)	(22,130)	(20,900)
Revaluation	40,000	40,000	40,000
Closing Property, Plant and Equipment	**1,219,932**	**1,178,555**	**1,115,179**
Debt			
Opening Balance	149,277	109,146	39,556
Increase/(Decrease) In Debt	5,832	3,386	(3,124)
Closing Debt	**155,109**	**112,532**	**36,432**
Cumulative Increase / (Decrease) in Debt	100,952	58,375	(17,725)
Debt to Assets Ratio	**12.7%**	**9.5%**	**3.3%**
Total Roading Revenue	47,988	43,551	42,371
Closing debt to annual roading revenue (times)	**3.2**	**2.6**	**0.9**

- By June 2037, roading debt reaches $155.1 million under Option 1 and $112.5 million under Option 2, compared with $36.4 million under Option 3.
- From the common opening debt of $54.2 million, this represents additional borrowing of $101.0 million and $58.4 million under Options 1 and 2, and a net reduction of $17.7 million under Option 3.
- Closing debt equates to 3.2 times annual roading revenue under Option 1, 2.6 times under Option 2 and 0.9 times under Option 3.
- Option 3's lower debt accompanies a substantially smaller investment programme. Council needs to weigh this financial outcome against the implications for network condition and service levels.

Preferred Way Forward

Whiteboard

Name Elected Member	Preference Network Investment Option	Why do you prefer this option	What don't you like about this option	What Could we do better