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| **7.4** | **Franz Josef Joint Committee Rating District - Proposed Debt Merge** |
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| **Public Excluded** | No  |
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**Report Purpose**

The purpose of this report is to recommend that all historical debt related to the previous Franz Josef and Lower Waiho Rating Districts be bought into a single repayment schedule, supported by one targeted rate under the current Franz Josef Joint Committee Rating District.

**Report Summary**

1. The recommendation of this report is that FJJCRD should accept the merging of all loan repayments (past and future) into 1 rating method.
2. This will cut down on administrative costs of Council, increase rate affordability for the community by broadening the rating base, and support future investment opportunities as it relates to the repayment of local share borrowings.
3. Creating single rating lines for all ratepayers within the FJJC boundaries will create transparency and certainty for the community and bring financial management more uniformly under the single umbrella governance of the JC.
4. Any decisions taken due to this paper will only take effect in a future financial year, and will start 1 July 2025.

**Recommendations**

***It is recommended that the Committee resolve to:***

*1. Receive the report.*

*2. Note the preferred option of Council (option 2 discussed below)*

*3. Resolves either option 1 or 2 as the preferred way forward for the rating of loan repayments that will come into effect from 1 July 2025.*

**Issues and Discussion**

### **Background**

1. Franz Josef and Lower Waiho were previously 2 separate rating districts (RD) and were responsible individually for their financial decisions and recommendations to Council.
2. One of the historic outcomes of this approach was the inclusion of borrowings attributable to the Lower Waiho RD for historic works that were to be repaid over 25 years in line with Council policy.
3. Franz Josef did not have a loan balance as at 30 June 2023, but with project works currently underway that includes a portion to be paid through local share, it is expected that financials as at 30 June 2024 will show new debt related to this RD.
4. In 2021, these 2 RDs were merged under 1 Joint Committee. However, the Lower Waiho debt was deemed ‘ring fenced’ to be paid exclusively by the Lower Waiho RD community through a historic targeted rating method using capital value. This is still the case today.
5. It should be noted that it was a condition of the government’s investment in the flood protection scheme upgrade currently underway that the Franz Josef and Lower Waiho rating districts be merged and managed as a single rating district and governed by a Joint Committee.

### **Current situation**

1. Currently, the FJJCRD is now responsible for community representation for matters related to the catchment’s asset management and investment, decision making including maintenance and capital work approvals, and recommendations to Council.
2. The committee is overseeing the delivery of projects within the catchment and have agreed to a local share contribution funding of $1,914,055 for Stage 1 of the current flood protection scheme upgrade, which is to be debt funded for intergenerational purposes. Note that the value of the debt arising from Stage 1 will be subject to change, depending on the final cost of the current works.
3. Further investment opportunities from Central Government are being lobbied for by Council in relation to proposed future projects, and it is expected that a local share will be required to unlock this funding.
4. Council is looking to simplify their rates administration requirements, and is wanting to merge the Lower Waiho and Franz Josef debt repayments into a single rating method to underpin the investment in the community and better support the rates increase for debt repayment related to future projects.

### **Options Analysis**

1. Do nothing and maintain status quo. This will have the effect of maintaining segregation of the 2 RDs in question despite the governance structure being a united umbrella. It will also increase the rating impact to individual communities as new local share debt is required rather than sharing the investment base. It will also require Council to maintain and administer multiple rating lines even though they are related to a single JC representative group.
2. Merge all debt repayments into 1 rating method in line with the single Joint Committee representation and governance structure. This will better support affordability of rates as debt for the JC increases, and cut down the number of rating lines and administration required by Council. This will benefit Lower Waiho initially as the full JC will support the repayment of historic loans, and will in turn support FJ community by broadening the rating base to support new borrowings.

**Option 2 is the preferred position for Council** and is recommended as the way forward. Should there be the change proposed, rating impacts would only come into effect for the 2025/26 financial year starting 1 July 2025.

It can be noted that the intention for having a joint representation and governance structure would best be served by integration of financial matters and management.

**Considerations**

### **Implications/Risks**

Implications for the 2 options are discussed above.

### **Significance and Engagement Policy Assessment**

This paper does not trigger the Significant and Engagement Policy of Council.

However, this report brings the subject matter for local consultation and decision-making given the likely level of interest by the local community and rating implications discussed.

### **Tangata whenua views**

The views of tangata whenua have not been sought in the preparation of this paper. However, Te Rūnanga o Makaawhio are represented on the Joint Committee and have the opportunity to make their views known at the Joint Committee meeting.

### **Views of affected parties**

N/A

### **Financial implications**

*Current budget –* No impact or change within the 2024-25 financial year.

*Future implications –* Introduction of the FJJCRD targeted rate for loan repayments. This would include repayments for historical loans and any new loans that would be drawn down for current project works and any future local share investments funded through debt. The rate would be payable by all ratepayers within the FJJCRD boundaries, based on capital value.

### **Legal implications**

This is a local democracy decision and neither option 1 nor 2 is deemed to have inherent legal risk.