

Comprehensive Report: 2022/23 Out of Cycle Storm Event Summary

Timeline of Events

On 26 January 2023 staff reported to Council the effects of storm events up to, and including, the storm events on 11 November 2022. At the time that report was submitted, the Coromandel Peninsula had already suffered further storm events in December 2022, and a sequence of three heavy storm events in January 2023 culminating in Cyclone Hale.

In February 2023 Cyclone Gabrielle hit New Zealand from 12 to 16 February, with a national state of emergency being declared on 14 February 2023. The Coromandel Peninsula was severely impacted by the cyclone with both the state highway and local roads damaged.

When any event such as a storm, flood or earthquake occurs there are three phases for the works, response, recovery and repair.

Damage

For the first three weeks after Cyclone Gabrielle council staff and contractors were engaged in immediate response to the storm effects. This involved removal of debris and over slips from the road network. Approximate numbers from Ventia for that period were approximately 20,400m³ or 2,550 truck loads of material cleared from 216 over slips, with some sites continuing to move. At that time 128 under slips for future repair were identified, with approximately 80 requiring detailed investigation and remedial works.

Investigations are continuing and are not expected to be fully completed until June 2023.

Costs

Shortly after Cyclone Gabrielle, initial rough order costs for the Rooding related damage across the district were prepared. At that time, with limited detailed information, it was estimated that costs sat between \$40M to \$50M. As investigations are being progressed more detailed information is available to refine cost estimates. The estimates based on the best available information at the time of writing this report, sit at just under \$28M. It is likely that costs may increase due to unfavourable site conditions and market rate increases. These factors will become evident during the detailed design and tender phases for the works. It is estimated that costs could increase by between 10% and 20%. This would take the total costs to somewhere between \$30M and \$33M.

Waka Kotahi NZTA - Financial Assistance Rate (FAR)

The Financial Assistance Rate (FAR) is the rate at which government, via Waka Kotahi, co-funds TCDC's roading activities. The normal FAR for TCDC is 51%. If in any given financial year, the cost of storm damage exceeds 10% of a council's operational Rooding budget, an increased FAR is approved for the storm damage response and repair costs. This increase provides an additional 20% on top of the normal FAR. For TCDC this is 71%. During the first half of 2022/23, TCDC qualified for the higher FAR of 71% for damage incurred prior to January 2023.

When more severe emergency events are experienced, the FAR can be increased up to a maximum of 95%. For all emergency response works for the January storm events (Cyclone Hale and others) and Cyclone Gabrielle, an emergency FAR rate of 91% has been agreed with Waka Kotahi. This funding is available

through to 30 June 2023 and has been approved by the Waka Kotahi Board for immediate response activities only. This includes immediate response, site investigation and surveys and 'practitioner' repairs (those that can be carried out with minimal design to restore the network).

As noted in the earlier report presented to Council as part of this agenda; "Recovery Progress and Introduction to Development of Recovery Plan", a close working relationship has been established between TCDC and Waka Kotahi. A key deliverable from this relationship is an integrated approach to the roading networks in the district, both state highway and TCDC. As part of the ongoing engagement with Waka Kotahi, TCDC have advocated for the enhanced 91% FAR to continue for the repair and reinstatement of all storm damage sites across the district, including post-30 June 2023. Confirmation has been received from Waka Kotahi on 9 May 2023 that they have approved a 91% FAR rate for storm works covered by this report for the 2023/24 financial year. This has been factored into the draft 2023/24 Annual Plan. We will continue to work with Waka Kotahi regarding the works indicated to be completed in 2024/25. This could involve bringing the works forward to 2023/24 or the possibility of extending funding at the 91% FAR rate.

Staff are proposing that a FAR of 91% is assumed for all works covered by this report. There is some risk associated with this approach, as works completed after 30 June 2024 may only be co-funded at the 71% rate. If these works cannot be bought forward or Waka Kotahi does not fund the works at 91% post 30 June 2024, there would be a difference of between \$0.7M and \$2.6M that TCDC would need to loan fund.

Moving Forward

For the sites across the district, each site has been:

- Identified and made safe to enable its use by traffic.
- Assessed by geotechnical engineers to identify severity of failure and potential method of collapse.
- Prioritised and an assessment made of potential risks.

Staff are now working on these sites, undertaking:

- Continuing discussions with Waka Kotahi on funding for repairs, categorising sites by practitioner repair or detailed design (sites requiring further geotechnical investigation and detailed structural design).
- Programming practitioner repair sites through existing maintenance contract utilising available local sub-contractors where possible.
- Detailed geotechnical investigation (potentially requiring bore holes etc.)
- Detailed design of more complex sites, preparation of tender document and external contracts.

A number of high priority sites, such as the under slip on the Tapu-Coroglen Road have been progressed as a priority moving through the steps above. The proposed permanent solution is currently being peer reviewed before documents are prepared and the work tendered.

Funding

The costs included in the table, in Appendix B, cover all known sites that need remediation across the TCDC roading network. The TCDC share of funding, when assuming a 91% Waka Kotahi FAR, amounts to approximately \$2.5M to \$3M. As can be seen in Appendix B, this is a mix of operational expenditure (OPEX) and capital expenditure (CAPEX) funding.

The Disaster Reserve, funds storm damage to Roothing and other infrastructure assets damaged by natural disaster. However, the last 24-months of continuing storm events has depleted that reserve. Therefore, it is proposed to loan fund this amount.

It is not usual to fund OPEX by loan because Council must balance its budget (Section 100(1) of the Local Government Act). However, Council recognises there will be situations, particularly for one-off large OPEX projects that benefit both current and future ratepayers. This distributes the cost of the service more equitably across those ratepayers that will benefit from it. Council's Financial Strategy allows funding of OPEX when Council considers it is financially prudent to do so.

It is financially prudent to fund the works covered in this report by loan. The costs are incurred as a result of storms, rather than routine use and deterioration, and the repairs will benefit both current and future ratepayers. The rating impact can be seen in the table in Appendix B.

Based on likely timeframes to secure contracts and physically construct the works, the costs will be incurred over three financial years; the current year, 2023/24 and 2024/25. Timing will be dependent on many factors, but best estimates of timing have been made in the table in Appendix B.

Options Analysis

The two matters being considered by this report are the approval of out-of-cycle funds to complete the remediation of the damaged sites, and the assumption in relation to the Waka Kotahi FAR; 71% or 91% for the 2024/25 financial year.

Regarding the first matter, there are two options available to Council:

- Option 1 – Do minimum – Fund initial response works only - \$9,186,000 (TCDC Share \$893,940).
- Option 2 – Fund Initial response and permanent reinstatement works to return the network to its previous level of service of service - \$32,960,400 (TCDC Share - \$3,066,036 comprising \$951,240 OPEX and \$2,114,796 CAPEX).

Option 2 is the preferred option. Option 1 would result in a permanent level of service change by not returning the network to its previously service level. This has not been consulted on with customers and is highly unlikely to find support. Option 1 could also affect the Waka Kotahi subsidy TCDC receives. Waka Kotahi will fund networks that have been restored to an appropriate service level and are being maintained. If the damage to the TCDC network was left as it is currently, it would be more expensive to maintain due to the higher incidence of slips and deterioration experienced by a damaged network. Waka Kotahi are unlikely to invest money into areas of a network where a conscious decision has been made to not reinstate to an accepted standard.

Regarding the second matter, there are two options:

- Option 1 – Assume TCDC will be unsuccessful in securing the higher 91% FAR from Waka Kotahi for reinstatement of storm damaged Roding assets after 30 June 2024.
- Option 2 – Assume TCDC will be successful securing the continued application by Waka Kotahi of the higher 91% FAR to assist in the rebuild and reinstatement of the TCDC Roding network.

Option 2 is the preferred option. Whilst there is an element of risk associated with this assumption, indications from Waka Kotahi have been very positive to date regarding government funding to assist TCDC with the large task ahead of repairing and reinstating the roading network over the next 24-months. As noted earlier in the report, we have received confirmation that they will fund the 2023/24 work at 91%. TCDC continue to work with Waka Kotahi and Government to ensure the FAR rate remains at the higher 91% rate for the 2024/25 financial year.

A decision on funding for the 2024/25 financial year will be part of the 2024-2034 Long Term Plan.