

Our Corporation

2024/25 Long Term
Financial Plan (LTFP)

Capital Discussion including
Renewals and
New and Upgraded Assets

6 August 2024
Acting Chief Operating Officer



Operating Budget 2024/25 LTFP Roadmap



| Date | Forum | Role | Topic | |
|-----------------------|------------------------------|--------------|--|-------------------------------------|
| 23 July (Special) | CFG (Workshop) | Discuss | Introduction and foundation to building a LTFP (Roadmap) What underpins the build of the proposed 2024/25 LTFP (Parameters, Assumptions and Levers) | <input checked="" type="checkbox"/> |
| 6 August (Special) | CFG (Workshop) | Discuss | Capital - AMP impacts; Rundle UPark; Adelaide Bridge / Weir; New and upgrade | |
| 9 August (Special) | ARC (Workshop) | Discuss | Introduction and foundation to building a LTFP (Roadmap) What underpins the build of the proposed 2024/25 LTFP (Parameters, Assumptions and Levers) Capital - AMP impacts; Rundle UPark; Adelaide Bridge / Weir; New and upgrade | |
| 20 August | CFG (Workshop) | Discuss | Lever settings - Revenue Assumptions, Service Delivery, Borrowings Market Expansion Assumptions (Operating Impacts) | |
| 17 September | CFG | Endorse | Finalise and endorse consultation draft | |
| 24 September | Council | Approve | Approve consultation draft | |
| 25 September | Begin public consultation | Consultation | 21 days public consultation (Strategic Management document) | |
| 27 September | ARC | Consultation | Feedback on consultation draft 2024/25 LTFP | |
| 15 October | CFG | Endorse | Seek Committee feedback on draft 24/25 LTFP | |
| 16 October | End public consultation | Consultation | 21 days public consultation (Strategic Management document) | |
| 22 October | Council | Approve | Adopt 24/25 LTFP Including consultation feedback | |

Key Discussion Points

What are Council Members' views...

regarding the transition of the Asset Renewal Funding Ratio from 92.5% to 100%?

What are Council Members' views...

on the recommended assumptions in relation to Significant Renewals?

What are Council Members' views...

on the level of investment in New and Upgraded Assets?

Challenges for long term financial planning

- Continue to deliver to community expectations and the process of budget repair
- Increased cost to maintain existing assets (as per adopted AMPs)
- Cost to renew significant assets
- Existing commitments for New & Upgrade projects
- Allowance for New & Upgrade projects into the future
- Constraints within existing Prudential Borrowing Limits
- Balances long term financial sustainability with sustainable rate increases

Asset Renewal Funding

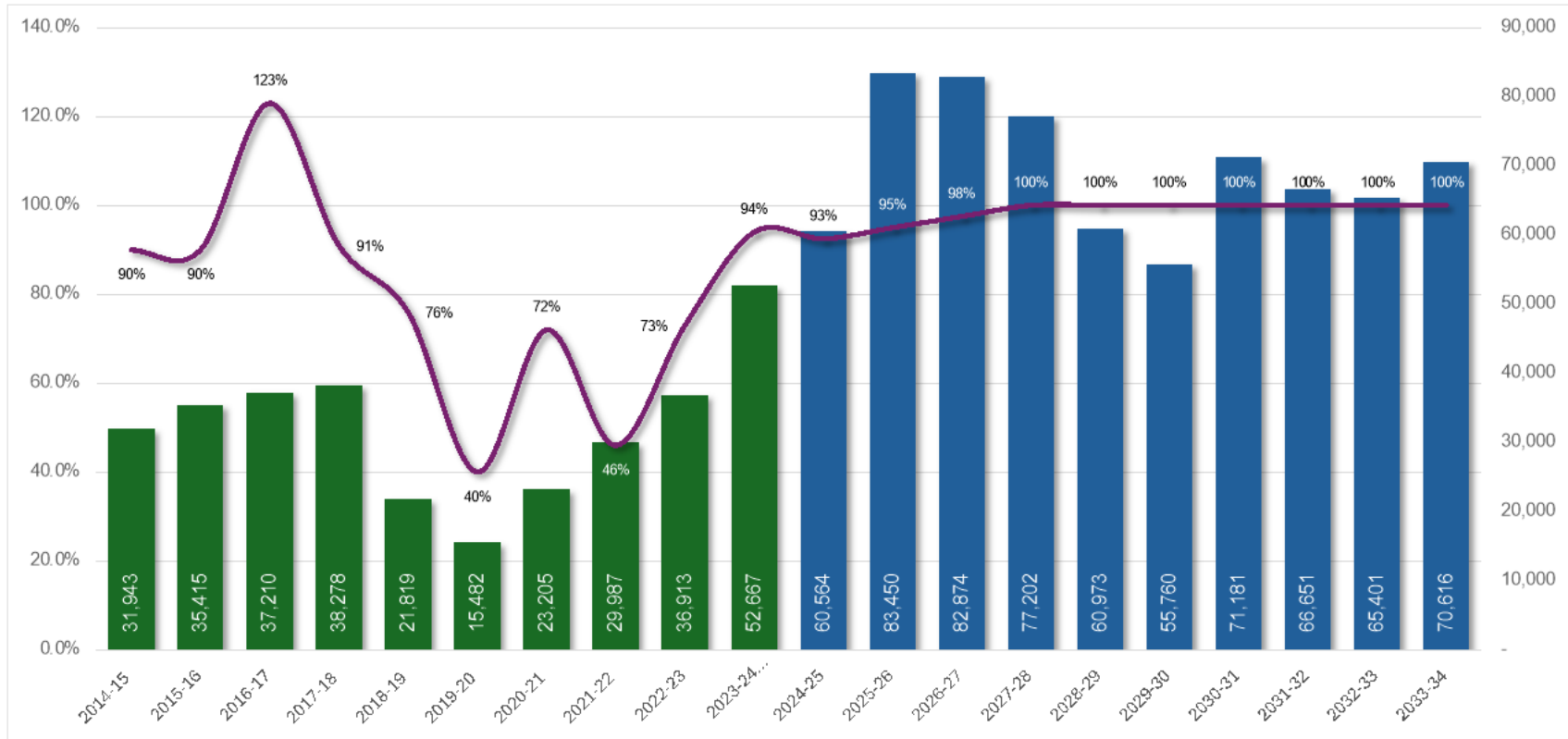
- The **unindexed** 10-year forecast expenditure based on revised AMPs at 100% ARFR is \$69.5m
- Current assumption sees a transition of the Asset Renewal Funding Ratio (ARFR) to 100% over a 4-year period
- Commitment to upgrade Mainstreets requires associated renewals to be brought forward

| 2024 AMP Forecasts (\$'000s) | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 | 10 Year average |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Transportation | 21,577 | 25,475 | 24,239 | 26,322 | 29,978 | 29,748 | 32,948 | 29,298 | 28,298 | 28,323 | 27,621 |
| Buildings | 12,114 | 15,200 | 16,585 | 12,200 | 12,160 | 8,050 | 8,050 | 9,050 | 9,050 | 8,050 | 11,051 |
| Water Infrastructure | 4,800 | 5,584 | 5,261 | 9,494 | 3,472 | 3,472 | 13,472 | 13,472 | 13,472 | 13,472 | 8,597 |
| Urban Elements | 3,270 | 5,300 | 2,470 | 3,550 | 4,443 | 4,893 | 6,688 | 5,393 | 5,393 | 7,420 | 4,882 |
| Lighting & Electrical | 1,914 | 4,150 | 3,100 | 4,900 | 5,783 | 5,783 | 5,783 | 5,783 | 5,783 | 5,783 | 4,876 |
| Park Lands & Open Space | 2,095 | 3,599 | 4,335 | 4,793 | 2,710 | 1,507 | 1,787 | 1,330 | 1,078 | 5,241 | 2,848 |
| Total Infrastructure Renewals | 45,770 | 59,308 | 55,990 | 61,259 | 58,546 | 53,453 | 68,728 | 64,326 | 63,074 | 68,289 | 59,874 |
| Delivery Resources | 6,124 | 6,124 | 6,124 | 6,124 | 6,124 | 6,124 | 6,124 | 6,124 | 6,124 | 6,124 | 6,124 |
| Plant, Fleet & Equipment Replacement | 3,547 | 3,546 | 3,415 | 3,400 | 3,529 | 3,409 | 3,555 | 3,427 | 3,429 | 3,429 | 3,469 |
| Total Renewal of Assets (exc Mainstreets) | 55,441 | 68,978 | 65,529 | 70,783 | 68,199 | 62,986 | 78,407 | 73,877 | 72,627 | 77,842 | 69,467 |
| Mainstreet Impact | 5,123 | 14,472 | 17,345 | 6,419 | (7,226) | (7,226) | (7,226) | (7,226) | (7,226) | (7,226) | 0 |
| Total Renewal & Replacement of Assets | 60,564 | 83,450 | 82,874 | 77,202 | 60,973 | 55,760 | 71,181 | 66,651 | 65,401 | 70,616 | 69,467 |

* Excludes Significant Renewals

Asset Renewal Funding

- The chart provides the **Asset Renewal Funding Ratio** over a 20-year period, illustrating:
 - Historical 10-year actuals
 - 10-year forecast expenditure based on revised AMPs



Renewals & ARFR

FEEDBACK

| | |
|--------------------------------------|---|
| Current State of Play | <ul style="list-style-type: none"> • AMPs recently adopted • Requires significant funding to reach 100% ARFR • Likely focus of ESCOSA review |
| Options | <ol style="list-style-type: none"> 1. Maintain current position to reach 100% ARFR over 4 years 2. Transition to 100% over a longer period (eg 8 years) 3. Target a lower ARFR, say 92.5%, over the life of the LTFP (subject to monitoring condition of assets) 4. Normalise impact of Mainstreet Renewals |
| Preferred Assumption for LTFP | <ol style="list-style-type: none"> 1. Maintain current position - transition to 100% over 4 years 2. Adjust program to fund \$69m per annum average |
| Why | <ul style="list-style-type: none"> • Meets ESCOSA expectations • Delivers on the AMPs with appropriate level of funding |
| Implications | <ul style="list-style-type: none"> • Without larger increase in rates, debt will need to be utilised to fund the AMP with Mainstreets |

| | 2025-26 | | 2026-27 | | 2027-28 | | Total Increase | |
|---|---------------|-------------|--------------|-------------|--------------|-------------|----------------|--------------|
| \$000's | \$ | % | \$ | % | \$ | % | \$ | % |
| Asset Renewal Repair Fund (exc ARFR Increase) | 9,938 | 7.2% | - | 0.0% | - | 0.0% | 9,938 | 7.2% |
| Asset Renewal Funding Ratio Increase | 1,514 | 1.1% | 1,776 | 1.2% | 1,776 | 1.1% | 5,065 | 3.4% |
| Total Rates Impact | 11,452 | 8.3% | 1,776 | 1.2% | 1,776 | 1.1% | 15,003 | 10.5% |

Significant asset renewals

- There are 3 significant assets reaching their theoretical end of useful lives:
 - **Adelaide Bridge**
 - **Torrens Weir**
 - **Rundle UPark**
- Given the quantum of funds anticipated, it is recommended to remove these from the usual day-to-day renewal program, and develop a specific assumption for each asset within the LTFP
- Various approaches for each asset are discussed on the following slides

| Significant Renewals (un-indexed) | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 | Total 10 years |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|
| Adelaide Bridge | | | | 30,000 | 30,000 | | | | | | 60,000 |
| Torren's Weir | | | | | 20,000 | 20,000 | | | | | 40,000 |
| Rundle Upark | | | | | | | | 30,000 | 30,000 | | 60,000 |
| Total Significant Renewals | - | - | - | 30,000 | 50,000 | 20,000 | - | 30,000 | 30,000 | - | 160,000 |

Adelaide Bridge

FEEDBACK

| | |
|---|---|
| <p>Current State of Play</p> | <ul style="list-style-type: none"> • Council adoption of 2020/21 LTFP assumed like for like replacement • Adopted Transportation AMP assumes full replacement on a like for like basis • Options analysis being undertaken (complete Dec 2024) • Useful life to 2027/28 |
| <p>Options</p> | <ol style="list-style-type: none"> 1. Extend current useful life 2. Renew to support current load bearing 3. Upgrade to increase load bearing |
| <p>Preferred Assumption for LTFP</p> | <ol style="list-style-type: none"> 1. Renew with existing load bearing 2. CoA funds 50% (net \$30m) over 2 years 3. Advocate for financial assistance for 50% funding contribution |
| <p>Why</p> | <ul style="list-style-type: none"> • Provides a definitive funding position for inclusion in LTFP • Options analysis will provide more detailed approaches & costs • Provides advocacy time to secure a clear funding assistance outcome • Upgrade meets Council’s preferred option as part of transport strategy |
| <p>Implications</p> | <ul style="list-style-type: none"> • Reliant on 50% contribution, yet to be secured |

Torrens Weir

| | |
|--------------------------------------|--|
| Current State of Play | <ul style="list-style-type: none"> • Council adoption of 2020/21 LTFP assumed like for like replacement • Adopted Water Infrastructure AMP assumes full like for like replacement • Options analysis being undertaken (complete Dec 2024) • Useful life to 2028/29 |
| Options | <ol style="list-style-type: none"> 1. Extend current useful life 2. Renew like for like 3. Alternative solution (eg retain for heritage with a new functional weir behind it) |
| Preferred Assumption for LTFP | <ol style="list-style-type: none"> 1. Renew like for like 2. Assume 100% funding by CoA, over 2 years 3. Advocate for financial assistance |
| Why | <ul style="list-style-type: none"> • Provides a definitive funding position for inclusion in LTFP • Options analysis will provide more detailed approaches & costs • Provides advocacy time to secure a clear funding assistance outcome |
| Implications | <ul style="list-style-type: none"> • \$40m requirement from 2028/29 to 2029/30 • Alternative solution would be considered new and upgrade and increase debt |

Rundle UPark

FEEDBACK

| | |
|---|---|
| <p>Current State of Play</p> | <ul style="list-style-type: none"> • Council resolved not to undertake like-for-like replacement, remove from LTFP and conduct EOI process in future for redevelopment (13 April 2021) • Removed from LTFP (costs & revenues) • Adopted Buildings AMP assumes full replacement like for like • Useful life to 2030/31 • Further Council discussions to identify asset priorities and recommendations, through a CoA Strategic Property workshop (29 August 2024) |
| <p>Options</p> | <ol style="list-style-type: none"> 1. Extend current useful life 2. Replace the asset like for like 3. Redevelop the site and / or sell the asset |
| <p>Preferred Assumption for LTFP</p> | <ol style="list-style-type: none"> 1. Reinstate in LTFP 2. Extend useful life (assume \$15m over 2 years) 3. Reinstate associated revenue whilst considering 4. Redevelopment opportunities |
| <p>Why</p> | <ul style="list-style-type: none"> • Accounts for asset in LTFP & provides a definitive funding position • Recognises the net revenue generated by the asset • Provides time to develop options to redevelop |
| <p>Implications</p> | <ul style="list-style-type: none"> • Need for shorter term leases upon renewal |

Significant Renewals

- The following table provides the cash flow of the preferred assumptions in the LTFP (unindexed dollars).
- Rundle UPark renewals are planned to be brought forward to ensure its structural integrity. The timing of this will be subject to Council decision on the future use of the site, as well as ongoing structural reviews.

| Significant Renewals (un-indexed) | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 | Total 10 years |
|--|---------|---------|---------|---------------|---------------|---------------|--------------|---------|---------|---------|----------------|
| Adelaide Bridge | | | | 30,000 | 30,000 | | | | | | 60,000 |
| Torren's Weir | | | | | 20,000 | 20,000 | | | | | 40,000 |
| Rundle UPark | | | | | | 7,500 | 7,500 | - | - | | 15,000 |
| Total Expenditure on Significant Renewals | - | - | - | 30,000 | 50,000 | 27,500 | 7,500 | - | - | - | 115,000 |
| Assumed External Grant Funding | | | | (15,000) | (15,000) | | | | | | (30,000) |
| Net Expenditure on Significant Renewals | - | - | - | 15,000 | 35,000 | 27,500 | 7,500 | - | - | - | 85,000 |

New and Upgraded Assets

| Capital Expenditure: New and Upgraded Assets | 2024-25 Budget | 2025-26 Plan | 2026-27 Plan | 2027-28 Plan | 2028-29 Plan | 2029-30 Plan | 2030-31 Plan | 2031-32 Plan | 2032-33 Plan | 2033-34 Plan | Total 10 years |
|---|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Central Market Arcade Redevelopment | 15,918 | 8,778 | - | - | - | - | - | - | - | - | 24,696 |
| Hindley Street Upgrade | 4,980 | 9,240 | - | - | - | - | - | - | - | - | 14,220 |
| Gouger Street Upgrade | 1,250 | 4,000 | 9,250 | - | - | - | - | - | - | - | 14,500 |
| O'Connell Street Upgrade | 1,000 | 1,500 | 1,000 | 11,450 | - | - | - | - | - | - | 14,950 |
| Melbourne Street Upgrade | 100 | 1,400 | 1,000 | 4,000 | - | - | - | - | - | - | 6,500 |
| Hutt Street Upgrade | 1,250 | 5,000 | 6,200 | - | - | - | - | - | - | - | 12,450 |
| Brown Hill Keswick Creek | 320 | 320 | 320 | 320 | 320 | 320 | 320 | 320 | 320 | 320 | 3,200 |
| Aquatic Centre Community Playing Field | | 6,157 | - | - | - | - | - | - | - | - | 6,157 |
| 218-232 Flinders Street | | 500 | 500 | - | - | - | - | - | - | - | 1,000 |
| Public Realm Greening Program | 1,700 | - | - | - | - | - | - | - | - | - | 1,700 |
| Charles Street | 5,925 | - | - | - | - | - | - | - | - | - | 5,925 |
| Upgrade to Park Lands Buildings (1.5% Rates Revenue) | 1,763 | 2,161 | 2,257 | 2,337 | 2,418 | 2,498 | 2,580 | 2,668 | 2,763 | 2,860 | 24,305 |
| Other ^ | 22,604 | - | - | - | - | - | - | - | - | - | 22,604 |
| Assumed forward Commitment | | - | - | - | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 90,000 |
| Total Capital Expenditure: New and Upgraded Assets | 56,809 | 39,055 | 20,527 | 18,107 | 17,738 | 17,818 | 17,900 | 17,988 | 18,083 | 18,180 | 242,206 |
| Confirmed External Funding | 6,026 | - | - | - | - | - | - | - | - | - | 6,026 |
| Net Capital Contribution | 50,783 | 39,055 | 20,527 | 18,107 | 17,738 | 17,818 | 17,900 | 17,988 | 18,083 | 18,180 | 236,180 |

^ one-off funding for New and Upgraded Assets in 2024/25

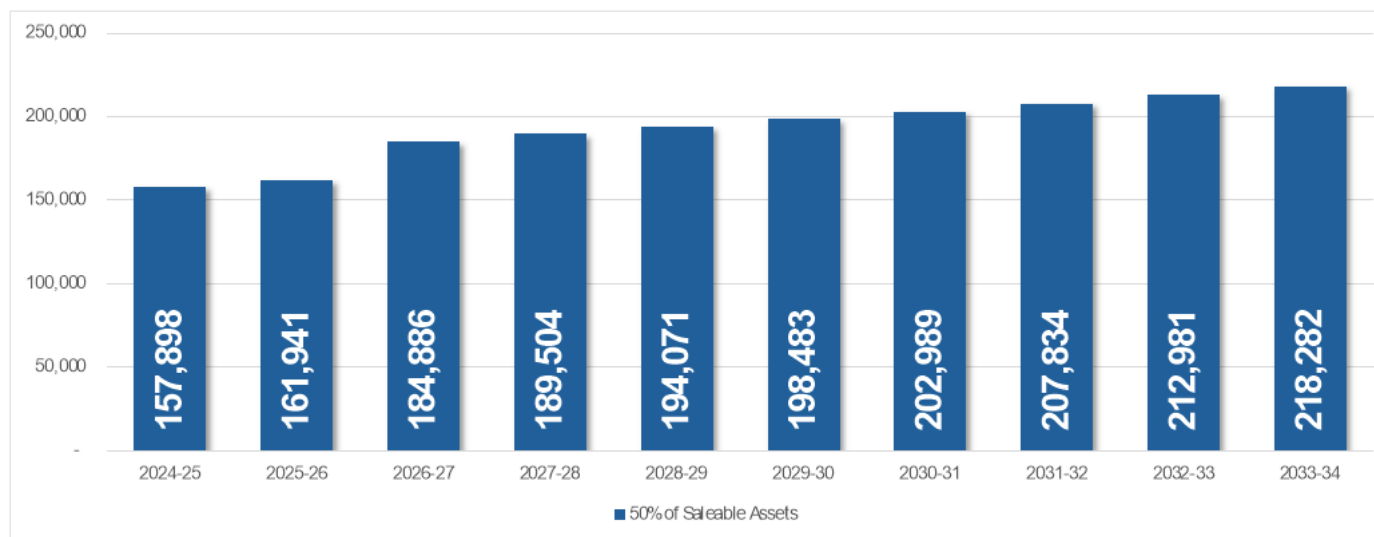
FEEDBACK

New & Upgraded Assets

| | |
|---|--|
| <p>Current State of Play</p> | <ul style="list-style-type: none"> • \$67.4m for existing commitments • \$62.62m committed investment for Mainstreets, for next 4 years • Assumes \$24.3m for upgrades to Park Lands buildings (1.5% rates) • Assumes \$90m (\$15m pa) investment for balance of LTFP |
| <p>Options</p> | <ol style="list-style-type: none"> 1. Maintain current approach 2. Prioritise current commitments 3. Adjust program in outer years to manage level of borrowings 4. Increase operating revenue to offset need for borrowings 5. Revise Prudential Borrowing Limits |
| <p>Preferred Assumption for LTFP</p> | <ol style="list-style-type: none"> 1. Maintain current commitments (including Mainstreets & Park Lands buildings) 2. Adjust program in outer years to fit within current Prudential Borrowings Limits (after considering all other LTFP components) 3. Assumed allowance subject to Business Cases |
| <p>Why</p> | <ul style="list-style-type: none"> • Delivers on Council’s commitments to community • Park Lands buildings are funded from Rates & do not impact borrowings • Outer years program has no formal commitments in place & can be adjusted |
| <p>Implications</p> | <ul style="list-style-type: none"> • Unfunded requirements from adopted strategies |

Prudential Borrowing Limits

- The Prudential Borrowing Limit adjusts on an annual basis through the calculation of 3 indicators as per the current Treasury Policy:
 - Asset Test Ratio
 - Interest Expense Ratio
 - Leverage Test Ratio
- The limit is set based on the lowest figure derived from the above calculations
- Currently, the Asset Test Ratio is the calculation setting the upper limit



Questions on Notice

| | |
|--|---|
| <p>1.Per asset class what is the current maintenance levels against our AMPs;</p> | <ul style="list-style-type: none"> • Slide 5 presents the Renewal funding per Asset Class within the AMPs over the 10 year period. • If the question about “maintenance” is beyond Renewals, then a further response will be provided subject to clarification of the question. |
| <p>2.Which major assets are being brought forward for renewal before they reach their end of their life as per the AMPs;</p> | <ul style="list-style-type: none"> • Overall impact of the bring forward of Mainstreets-related renewal funding is included in slide 5. • The individual Streets and asset classes will be provided as Mainstreet projects progress. |
| <p>3.What is the loss per asset to bring these renewals forward?</p> | <ul style="list-style-type: none"> • Question noted. Work with the Councillor to understand “loss”, in order to provide a response. |

Next Steps

- Seek ARC feedback on Key Assumptions
- Further workshop on lever settings and revenue assumptions
- Develop LTFP based on feedback from Council Members
- Present preliminary LTFP to CFG (17 September 2024)

Operating Budget 2024/25 LTFP Roadmap



| Date | Forum | Role | Topic |
|-----------------------|------------------------------|--------------|--|
| 23 July (Special) | CFG (Workshop) | Discuss | Introduction and foundation to building a LTFP (Roadmap) What underpins the build of the proposed 2024/25 LTFP (Parameters, Assumptions and Levers) |
| 6 August (Special) | CFG (Workshop) | Discuss | Capital - AMP impacts; Rundle UPark; Adelaide Bridge / Weir; New and upgrade |
| 9 August (Special) | ARC (Workshop) | Discuss | Introduction and foundation to building a LTFP (Roadmap) What underpins the build of the proposed 2024/25 LTFP (Parameters, Assumptions and Levers) Capital - AMP impacts; Rundle UPark; Adelaide Bridge / Weir; New and upgrade |
| 20 August | CFG (Workshop) | Discuss | Lever settings - Revenue Assumptions, Service Delivery, Borrowings Market Expansion Assumptions (Operating Impacts) |
| 17 September | CFG | Endorse | Finalise and endorse consultation draft |
| 24 September | Council | Approve | Approve consultation draft |
| 25 September | Begin public consultation | Consultation | 21 days public consultation (Strategic Management document) |
| 27 September | ARC | Consultation | Feedback on consultation draft 2024/25 LTFP |
| 15 October | CFG | Endorse | Seek Committee feedback on draft 24/25 LTFP |
| 16 October | End public consultation | Consultation | 21 days public consultation (Strategic Management document) |
| 22 October | Council | Approve | Adopt 24/25 LTFP Including consultation feedback |

Key Discussion Points

What are Council Members' views...

regarding the transition of the Asset Renewal Funding Ratio from 92.5% to 100%?

What are Council Members' views...

on the recommended assumptions in relation to Significant Renewals?

What are Council Members' views...

on the level of investment in New and Upgraded Assets?

Financial Principles

Council endorsed the following Financial Principles to guide financial strategy and decision-making, and ensure long term financial sustainability:

- **Capitalise on external funding**, fast-tracking projects that attract such funding, recognising the potential need for increased borrowings to respond to external funding opportunities
- **Capital renewal expenditure will be based on asset management plans**
- **Borrowings will be used to fund new and upgrade capital projects** and not used to fund operations, expenses or capital renewal projects

Infrastructure Asset Management Plans (IAMP)

PRE-READING

- The table provides a 10-year average forecast expenditure based on revised AMPs prepared in 2024, compared to the previous AMPs, both of which are in current day dollars (that is, no inflation has been applied)
- The average annual increase is \$14.9m (or 23%)

The AMPs are funded through operating revenue. The levers available to fund the increase in renewals are:

- **Rate revenue**
- **Fees and Charges**
- **Service level settings**
- **ARFR targets**

| 10-Year Average \$000's | Revised IAMPs ^ | Previous IAMPs ^ | Movement | % |
|--|-----------------|------------------|---------------|------------|
| Transportation * | 27,621 | 19,284 | 8,337 | 43% |
| Buildings * | 11,051 | 10,409 | 641 | 6% |
| Water Infrastructure * | 8,597 | 5,540 | 3,057 | 55% |
| Urban Elements | 4,882 | 4,020 | 862 | 21% |
| Lighting & Electrical | 4,876 | 1,826 | 3,050 | 167% |
| Park Lands & Open Space | 2,848 | 4,351 | (1,503) | (35%) |
| Total Infrastructure & Asset Management Plans | 59,875 | 45,431 | 14,444 | 32% |
| Delivery Resources | 6,124 | 5,665 | 459 | 8% |
| Plant, Fleet & Equipment Replacement | 3,469 | 3,460 | 8 | 0% |
| Total | 69,467 | 54,556 | 14,911 | 23% |

^ 100% Asset Renewal Funding Ratio (ARFR)

* Excludes Significant Renewals

Significant Renewals

- There are significant renewals identified within the life of the current AMPs

| Significant Renewals | Financial Year | \$'000s |
|------------------------|-------------------|---------|
| Adelaide Bridge | 2027/28 - 2028/29 | 60,000 |
| Torrens Weir Structure | 2028/29 – 2029/30 | 40,000 |
| Rundle UPark | 2030/31 – 2031/32 | 60,000 |

- Rundle UPark, in line with its most recent useful life assessment (June 2030) is assumed to cease operations in 2029/30 - a like-for-like Renewal, incorporated within the AMP, is expected to cost \$60m from 2030/31
- These renewals are effectively “once in a generation” projects, and funding levers beyond operating revenue alone should be considered:

- **Advocacy and external grant funding**
- **Asset ownership**
- **Borrowings (fixed principal and interest structure)**

New and Upgraded Assets

A **New Asset** is additional to Council's previous asset complement. An **Upgraded Asset** replaces a previously existing asset with enhanced capability or functionality.

- Council has committed funding to Mainstreet Revitalisation Upgrades and CMAR
- Capital and operational expenditure, and income is incorporated into the LTFP
- Current LTFP assumes forward commitment of \$15m per year, beyond 2027/28
- Adoption of the 2024-2028 Strategic Plan, and the Integrated Climate Strategy, may require additional funding for New and Upgraded Assets
- 1.5% Rates revenue to upgrade buildings in the Park Lands

The levers available to Council to deliver New and Upgraded Assets are:

- **Surplus cash from operating and renewal activities**
- **External grant funding**
- **Borrowings**
- **Prioritise commitment**

Levers and Level of Influence

- Full discretion on all levers in the long term
- Renewal program based on evidence – difficult to change in short term but can change service levels in longer term
- Asset upgrades can be deferred (subject to need)
- Borrowings result from decisions relating to new capital spend

| | Lever |
|--------------------|--|
| Short Term | <ul style="list-style-type: none"> • Asset Renewal Funding Ratio Different ARFRs by Asset Class • Alter rate revenue • Borrowing settings |
| Medium Term | <ul style="list-style-type: none"> • Renewal service level settings • Review asset upgrades • Borrowing settings |
| Long Term | <ul style="list-style-type: none"> • Review new assets investment • Review major projects • Borrowing settings |