



Report 09.775
Date 27 January 2010
File CFO/07/06/18

Committee Council
Author Barry Turfrey Chief Financial Officer

Proposed Rates and Levies for 2010/11

1. Purpose

To seek approval for the proposed rates and levies for inclusion in the Council's proposed 2010/11 Annual Plan.

2. Significance of the decision

The subject matter of this report will lead to the Council making a 'significant' decision within the meaning of the Local Government Act 2002. The process of adopting an Annual Plan will include use of the special consultative process. The documentation to be considered on 4 March 2010 will cover the consultative process the Council is undertaking.

3. Background

Over the last three months management has been developing the Council's 2010/11 Annual Plan. Councillors were taken through the first draft numbers in October. Prior to Christmas the detailed business plans for each Group were circulated to Councillors.

As noted above, the Council is approving the rates and levies for inclusion in the proposed 2010/11 Annual Plan. The approval of the proposed 2010/11 Annual Plan will be at the Council meeting on 4 March.

4. Proposed Rates and Water Levy Increases for 2010/11

Excluding the impact of future contractual and committed items, Greater Wellington rates for 2010/11 will decrease by 2.4%, when compared with 2009/10.

Including the contracted and committed items the overall rate increase for 2010/11 is 2.2%. This compares with the rate increase signalled in the 2010/11 LTCCP of 10.9%. Further details on the changes from the LTCCP are included in section 6. There is no increase in the water levy. Overall, the increase in rates and water levy is 1.7%, as detailed below.

The major assumptions used to prepare the budget are attached (**refer Attachment 1**). It should be noted that all numbers in this report exclude GST unless otherwise stated.

Proposed Rates for 2010/11	2009/10 Budget \$' 000	2010/11 Budget \$' 000	% Increase
Transport rates	40,834	38,808	-5.0%
Non Transport rates	38,259	38,365	0.3%
Rates Required	79,093	77,173	-2.4%
Contractual or committed expenditure			
Matangi EMUs/KiwiRail Network projects			
Debt servicing costs		1,204	
Operational costs		574	
Other debt servicing costs Public Transport		854	
Flood protection debt servicing costs		822	
	79,093	80,627	1.9%
Transport rates	40,834	41,440	1.5%
Non Transport rates	38,259	39,187	2.4%
	79,093	80,627	1.9%
Additional items			
Masterton building		152	
WRS		50	
Rates Required	79,093	80,829	2.2%
Transport	40,834	41,440	1.5%
Non Transport	38,259	39,389	3.0%
	79,093	80,829	2.2%
Water levy	23,460	23,460	0.0%
Rates and Levy	102,553	104,289	1.7%

Summary of changes in rates from 2009/10 to 2010/11	\$'000'
Rates 2009/10	79,093
Debt servicing costs Public Transport	2,058
Rail rolling stock maintenance increases	577
Rail contract increases	963
Trolley buses overhead network increases	224
Fare increases	-691
Real time information savings	-197
Hutt Valley bus savings	-1,500
Transport reserves	-500
Public Transport other savings	-198
Transport Policy savings	-130
Debt servicing costs Flood Protection	822
Masterton building	152
WRS increases	50
Investment Management	56
Porirua Harbour strategy	50
Rates Required 2010/11	80,829

The major changes from 2009/10 are:

4.1 Debt servicing costs, \$2,880,000

The debt servicing costs (which consist of principal and interest payments) in 2010/11 is expected to increase by \$2,880,000. This is due mainly to the increased capital expenditure and investment programmes in Public Transport (\$2,058,000) and Catchment Management (flood protection, \$822,000). Capital expenditure (excluding the Water Group) in 2009/10 is budgeted at \$22.8 million and \$15.3 million in 2010/11.

Capital expenditure is detailed in section 7.

4.2 Rail rolling stock maintenance, increase of \$577,000

The cost of maintaining rail rolling stock is forecast to increase because of increases in the fleet size with the arrival of the new Matangi EMUs in 2010/11, and the maintenance requirements of those trains.

4.3 Rail contract, increase of \$963,000

The latest budget estimates from Tranz Metro show increased costs of \$2.4 million, Greater Wellington's share is \$963,000. Further work is to be undertaken to agree a budget with Tranz Metro.

4.4 Trolley bus overhead network, increase of \$224,000

The latest budget estimates from Wellington Cable Car Limited show increased costs of \$448,000. Greater Wellington's share is \$224,000. Further work is to be undertaken to agree a budget with Wellington Cable Car Limited.

4.5 Fare increases, saving of \$691,000

For budget purposes, a 3% fare revenue increase has been forecast in 2010/11.

4.6 Real time information, saving of \$197,000

With the signing of the real time information contract there is more certainty around the amount and timing of the related operational costs.

4.7 Hutt Valley bus contract, saving of \$1,500,000

The commercial registrations of key routes in the Hutt Valley and renegotiation of the residual Hutt Valley contracts is forecast to save \$1,500,000 per annum in rates.

4.8 Transport reserves, saving of \$500,000

The proposed budget includes an increase of \$500,000 in the use of transport reserves compared with 2009/10.

4.9 Masterton building, increase of \$152,000

The 2010/11 budget assumes that planning for the Masterton building will commence in 2010/11 with construction starting in late 2010/11.

4.10 Wellington Regional Strategy (WRS), increase of \$50,000

In 2010/11 Greater Wellington is required to undertake an independent review of Grow Wellington and its activities, this is estimated to cost \$50,000. Grow Wellington have indicated there may be some other items which may require additional funding. These will be considered as part of the consultation for the Annual Plan.

4.11 Porirua Harbour strategy, increase of \$50,000

An additional \$50,000 has been added to assist in the development of the Porirua Harbour strategy.

5. Water Levy

The water levy is proposed to remain unchanged for 2010/11, at \$23,460,000. The LTCCP for the corresponding year had an increase of 5.5%. The reduction is due to efficiency gains in power and chemicals usage coupled with lower price increases than expected for those items. This has allowed the water levy to remain unchanged for 2010/11.

6. Changes from the 2010/2011 LTCCP

The 2009-19 LTCCP had a rate increase for 2010/11 of 10.9%, the proposed increase is now 2.2%. The increase in the water levy in the LTCCP was 5.5%, the proposed budget has a zero increase. The details of the changes are noted below.

Proposed Rates and Levies	Budget	Plan	% change	LTCCP	LTCCP
	2009/10 \$000s	2010/11 \$000s		2010/11 \$000s	% change
Public Transport	39,295	40,031	1.9%	44,623	13.6%
Transport Policy and Strategy	1,539	1,409	-8.4%	1,479	-3.9%
Proposed Transport Rate	40,834	41,440	1.5%	46,102	12.9%
Catchment Management	17,046	17,845	4.7%	18,275	7.2%
Environmental Management	10,925	11,063	1.3%	11,299	3.4%
Parks and Forests	5,510	5,478	-0.6%	5,730	4.0%
Emergency Management	784	847	8.0%	848	8.2%
WRS	4,595	4,645	1.1%	5,104	11.1%
Investment Management	(4,269)	(4,163)	-2.5%	(3,359)	-21.3%
Elected Members & Maori Relations	2,792	2,959	6.0%	2,981	6.8%
Rates Collection	876	715	-18.4%	751	-14.3%
Total Proposed Rates	79,093	80,829	2.2%	87,731	10.9%
Water Levy	23,460	23,460	0.0%	24,743	5.5%
Total Proposed Rates & Levies	102,553	104,289	1.7%	112,474	9.7%

A number of the changes from the LTCCP, which are detailed below, are not permanent savings but are delays in a number of projects, the costs of which will be incurred in 2011/12. Currently the rate increase for 2011/12 is 9.4%.

The major changes from the equivalent year for the LTCCP are:

	\$' 000
Rates Required 2010/11 LTCCP	87,731
Savings bus contract Hutt Valley	-1,500
Savings rail rolling stock insurance	-207
Real time savings	-576
Rail rolling stock maintenance, savings	-691
Debt servicing Public Transport	-468
Lower diesel bus inflation	-612
Public Transport other	-209
Rail contract	-166
Rail renewals	-162
Transport Policy	-70
WRS	-459
Environment Management savings	-236
Parks & Forests savings	-42
Investment Management	-804
Catchment Management	-429
Other savings	-271
Proposed Rates Required 2010/11	80,829

6.1 Bus contracts Hutt Valley, saving of \$1,500,000

The commercial registrations of key routes in the Hutt Valley and renegotiation of the residual Hutt Valley contracts is forecast to save \$1,500,000 per annum in rates.

6.2 Rail insurance, saving of \$207,000

A change in the type of insurance cover for Matangi EMUs, together with an update on the expected delivery dates, has resulted in a saving of \$207,000.

6.3 Real time information, saving of \$576,000

The letting of the real time information contract was later than budgeted, and this fact coupled with the contract price being lower than expected, has resulted in savings of \$576,000.

6.4 Rail rolling stock maintenance, saving of \$691,000

Changes in the expected delivery dates of the Matangi EMUs have reduced the forecast maintenance expenditure on these trains.

6.5 Debt servicing Public Transport, saving of \$468,000

The lower level of capital expenditure in Public Transport (partly due to changes in the expected delivery dates for the Matangi EMUs and the timing of the rail infrastructure upgrades) has reduced debt servicing costs.

6.6 Diesel bus inflation, saving of \$612,000

Estimated diesel bus inflation payments have been re-forecast with new assumptions of the USD/NZD exchange rate; an updated USD oil price; and to incorporate all available NZTA index data. This re-forecast has resulted in a saving of \$612,000 in rates.

6.7 Wellington Regional Strategy (WRS), saving of \$459,000

The LTCCP assumed a rates contribution for the WRS of \$5,104,000, the 2010/11 budget assumes \$4,645,000, a saving of \$459,000.

6.8 Environment Management, saving of \$236,000

There are a number of cost reductions, in particular, materials, \$131,000 and contractors, \$157,000.

6.9 Parks and Forests, saving of \$42,000

Savings in sundry maintenance and lower capital expenditure.

6.10 Investment Management, saving of \$804,000

The 2010/11 budget assumes lower interest rates when compared with the LTCCP. This coupled with lower debt (due to delays in capital expenditure which reduces Greater Wellington's borrowings) has improved the contribution from Investment Management by \$804,000.

6.11 Catchment Management, saving of \$429,000

There are a number of cost reductions across all operations, in particular, rook control, pest plant contractors, housing maintenance and lower overheads. There is also increased revenue from gravel reserves and lower contributions to the flood contingency reserve.

7. Capital Expenditure

Proposed Capital expenditure	Budget 2009/10 \$000s	Plan 2010/11 \$000s	LTCCP 2010/11 \$000s
Public Transport	9,392	5,620	8,803
Transport Policy and Strategy	-	410	1,011
Total Transport	9,392	6,030	9,814
Catchment Management	9,347	7,030	6,531
Environmental Management	1,120	-	-
Parks and Forests	500	166	168
Investment Management	685	1,308	3,919
Finance and Support	1,800	825	646
	22,844	15,359	21,078
Water Levy	7,708	11,267	10,463
Total capital expenditure	30,552	26,626	31,541

The detailed capital expenditure programmes are included in the business plans given to Councillors prior to Christmas.

In addition to the capital expenditure noted above, Greater Wellington will also be funding part of the following improvement projects:

- \$53.0 million on KiwiRail projects, 10% funded by Greater Wellington
- \$4.5 million on trolley bus infrastructure renewals, 50% funded by Greater Wellington
- \$132.8 million on the new Matangi EMUs (owned by Greater Wellington Rail Limited), 10% funded by Greater Wellington
- \$8.4 million on Ganz Mavag refurbishment project, 10% funded by Greater Wellington
- \$3.4 million on heavy maintenance, 40% funded by Greater Wellington.

8. Financial Risks

As in previous years, there are a number of risks surrounding this year's budget. The major ones are:

- Increases in the oil price and/or decreases in the NZ dollar/US dollar exchange rate impacting the NZTA index.
- Potential increases in rail track access charges and rail infrastructure renewal costs

- Higher interest rates
- Lower consents revenue
- Inflation higher than expected
- Major flood event.

9. Impact on residential ratepayers

The calculations to give the cents in the dollar of capital value that will be charged to ratepayers will be done once the Council has approved the proposed rate increase and the capital values for each Territorial Authority have been equalised.

However, based on the average rate per residential property for 2009/10 the increase will range from \$2.48 to \$8.25 (including GST) per property, per annum, depending on the location of the property.

It is important to note that the rate increase in each Territorial Authority will vary from the average increase of 2.2% depending on the relative movements in capital values between the Territorial Authorities.

The proposed allocation between general and targeted rates is detailed below:

	2009/10 Budget \$000s	2010/11 Plan \$000s	Change \$000s	Change %
General Rates				
Flood protection	6,996	7,181	185	2.6%
Environment, Parks and Council costs	20,981	21,282	301	1.4%
Biosecurity and Land Management	4,796	4,868	72	1.5%
Investment management	(6,945)	(6,838)	107	1.5%
Total General rates	25,828	26,493	664	2.6%
Targeted rates:				
River management rates	3,794	4,208	414	10.9%
Transport rates	40,835	41,440	605	1.5%
Stadium rates	2,676	2,676	-	0.0%
EDA rates	4,500	4,500	-	0.0%
Bovine Tb rates	142	142	-	0.0%
South Wairarapa District - river rates	99	83	(16)	-16.2%
Wairarapa scheme and stopbank rates	1,220	1,288	68	5.6%
Total targeted rates	53,265	54,337	1,072	2.0%
Total regional rates	79,093	80,830	1,736	2.2%
Water levy	23,460	23,460	-	0.0%
Total rates and levies	102,553	104,289	1,736	1.7%

10. Process from here

The process from here regarding the completion of the Annual Plan is as follows:

4 February	Council approves the overall rates and levies for inclusion in the proposed 2010/11 Annual Plan
4 March	Council adopts the proposed 2010/11 Annual Plan
23 March – 23 April	Proposed 2010/11 Annual Plan submission period
12-14 May	Hearings of submissions
8 June	Council approves the overall rates and levies for inclusion in the Annual Plan
29 June	Council approval of the final Annual Plan and striking of the rates/levies

11. Communications

A press release has been prepared and will be circulated to Councillors separately.

12. Recommendations

That the Council:

1. ***Receives the report.***
2. ***Notes the content of the report.***
3. ***Approves for inclusion in the Council's Proposed 2010/11 Annual Plan, the rates and levies included in **Section 6** (as may be amended by the Council).***

Report prepared by:

Report approved by:

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David Benham
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Attachment 1: Major assumptions