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What is this document all about?

Ma te mahi tahi ka tutuki – working together, we will succeed.

This is the 2015-2025 Long-term Plan public consultation document for Rotorua Lakes Council (the operating name of the Rotorua District Council). The document summarises the key challenges the council faces while considering the next 10 years, to be addressed in the Long-term Plan, Council’s road map and budget for the next decade. The Long-term Plan is due to be finalised and adopted in June 2015.

During the last 18 months there has been a strong drive to bring about real change for the district. Through Council’s ongoing commitment to the Rotorua 2030 vision and from engagement with residents, Council believes it has a good understanding of the community’s expectations and of the challenges it faces in delivering them. These conversations have come together in this proposal.

This document identifies those key challenges for the council, and it explains how they will be addressed.

Council needs resident’s guidance to ensure it is on the right track for achieving the Rotorua 2030 goals. In particular Council wants to hear the community’s views on proposals, including:

- Funding services, achieving a balanced budget and rates increases
- Wastewater
- Waste Strategy and the draft waste minimisation plan
- Maintaining community infrastructure
- Keeping pace with Rotorua 2030 priorities

Please read through this document and take the opportunity to share your thoughts with Council. This consultation process will run until 2 June 2015. You can make a submission on any topic. Details on how to make a submission are included at the back of this document.

Remember the Long-term Plan impacts everyone in Rotorua.

Tātau tātau – we together
Five challenges we think Rotorua faces

- **Challenge 1**: Funding council services
  - Page 6

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- **Challenge 5**: Keeping pace with 2016 priorities
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Challenge 1
Funding council services

During the lead-in to the 2013 election there was a community view that debt levels were unsustainable and operations could be more efficient. So a rapid course of action saw the financial position reviewed to gain a true picture. The review concluded that:

- Revenue had been reducing for the previous five years while costs had been rising.
- There was an historical pattern of not achieving budget.
- Some activities had become underfunded so Council was borrowing to fund the gap between revenue and costs.
- Debt levels rose and were now constraining future projects and proposals.
- Rates increases had been kept low to assist residents during the challenging economic times.

This graph shows how, between 2010-2014, Council has not lived within its means.
By focusing excessively on detail, decisions were made at a micro-level to achieve desired outcomes without understanding the wider financial implications. Many of those decisions constrained revenue while Council’s cost base increased. This has meant Council has not had a balanced budget for the last three years.

Council’s response was to develop a sustainable financial framework to be used as the foundation for the Annual Plan 2014/15.

### Sustainable financial framework key points:
- Hold debt increases to a minimum and progressively reduce the current level
- Annual rates increases approximately 3%
- Business differential rate decreased
- Property sales to balance capital spend
- Capex ceiling of $22 million – significantly constraining capital spending
- Targeted rates and charges for water, wastewater, and refuse fully funded net of other revenue

Council also removed $8.3m in operating costs within the organisation during an 18 month period (December 2013 to June 2015), through efficiency gains. The focus was on balancing cash flows to ensure funds going out did not exceed funds coming in.

A balanced budget is when operating expenditure does not exceed operating revenue.

In 2013 Council moved to an unbalanced budget.

Prior years were balanced because of capital subsidies. This masked the fact that the budget for operations was not balanced.

Masking the Balanced Budget:
The budget was balanced from 2010 to 2012 but operations were significantly underfunded as Council did not actually achieve budget.

Council had to borrow to fund the cash flow shortfall.

During an 18 month period $8.3m in costs were removed.
Council developed a high level strategic model to focus on three key levers, being funding, capital spend, and levels of debt. The model enables a focus on balancing all three levers to ensure the future sustainability of services and finances.

While council finances may appear complicated, in simple terms they involve balancing the three levers. Adjusting one of these levers impacts on the other two. For example, if you reduce spending you are able to either reduce rates or debt. Alternatively, reducing funding means you need to either spend less or take on more debt.

**Strategic lever one - funding**
Funding is made up of rates and other revenue. The level of rate is essentially the result of operating expenditure less other revenue (user fees), leaving the balance to be funded by rates. Rates must be set at a level where capital spend and debt are sustainable to deliver the levels of service sought by our community.

**Strategic lever two - debt**
Council’s debt level is determined by deciding on a prudent level that can be serviced without putting pressure on Council’s finances. Council has determined a prudent level based on a multiplier of 1.75 times (175%) revenues. This is a limit set by the Local Government Funding Agency which Council predominately borrows through. If borrowing goes above this level, the cost of borrowing increases. This is similar to a person taking out a low equity mortgage on a house and paying a higher interest or an additional fee on borrowing.

Council’s debt to revenue ratio is currently at 162% and is forecast to reduce 142% in 10 years’ time.

If you do not agree that these levels are prudent and would prefer to see debt reduce, Council could sell assets, or consider the other two levers, i.e. increasing funding by putting up rates and fees and / or reducing capital spending.

For example, a debt reduction of $790,000 would require a commensurate reduction in spending, or a 1% increase in rates.

**Strategic lever three - capital spend**
Council is considering a capital expenditure programme that maintains infrastructure and resolves current issues identified with waste water. Reducing this spend would have a positive effect on either rates or debt, but it would have a negative impact on levels of service and would increase the risk of asset failure.

**Modelling the three levers**
When considering a financial strategy all three levels need to be carefully balanced to ensure all three are set at sustainable levels.
Into action 2015...

The development of a fresh financial strategy based on the framework prepared for the 2014/15 Annual Plan now provides Council with the opportunity to set the direction for the next 10 years. This strategy commits to working within the limits to bring balance back.

Analysis of the Annual Plan 2014/15 financial framework highlighted two elements needing change:

- $22 million ceiling on capital spend was not sustainable as this would reduce levels of service and increase the risk of failure of assets
- 3% rate increases were insufficient to close the current funding gap. A higher level of rates rises is needed in the early years to close the funding gap

Reviewing Fees and Charges (i.e. non-rates funding)

Revenue from fees and charges comes from things such as library book rental charges, admissions to the Aquatic Centre and Museum, liquor licences and fees for building and resource consents.

Over the last six years revenue from fees and charges has declined as a proportion of income, mainly in the landfill, parking fees, and events and venues areas where costs are generally fixed. In 2010 rates provided 57% of revenue, increasing to 68% in 2014. This means the council is reliant on rates revenue to pay operating costs.

The financial strategy has been modelled to retain the current funding proportions relative to increases in the cost of services. This means that fees and charges will increase in proportion to any increases in the costs of providing services. As an example, a 5% increase in the cost of providing building consents will result in a 5% increase in user fees.

If the community wanted higher revenue from fees and charges, then an additional 4% increase in existing fees would equate to a 1% decrease in overall rates. However, a high increase in fees could see a reduction in use of those services with their costs largely fixed. Potentially this could lead to a higher rate requirement to pay for costs in the future.

Some of the fees and charges are set by legislation and cannot be increased by Council.

Reviewing levels of service

During the last 18 months Council removed $8.3m of operating expenditure. This has been achieved by improving efficiency and effectiveness. This is an approximate 8% efficiency gain across all operating costs, excluding finance costs.

Council will continue to push for improved efficiencies, targeting a further $1m of savings in our corporate services. The current view is that any further reduction in costs will have an impact on levels of service. A list of these activities and their approximate net cost to rates is on page 14.
If the community prefers more cost reductions to help balance the budget this would require a reduction in levels of service.

To address the imbalance between Council’s funding and expenditure, service levels would need to be fundamentally changed. This would not be achieved by minor changes.

Council’s current view is that the current levels of service should be maintained. However, ultimately the community can offer a view through submissions on this document about maintaining current levels of service, or identifying areas where service levels could decrease or increase?

Activities we provide

<table>
<thead>
<tr>
<th>Governance and Engagement</th>
<th>Planning and Policy</th>
<th>Emergency Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aquatic Centre</td>
<td>District Library</td>
<td>Events and Venues</td>
</tr>
<tr>
<td>Gardens, Reserves and Sportsgrounds</td>
<td>Pensioner Housing</td>
<td>Rotorua Museum</td>
</tr>
<tr>
<td>Economic Development</td>
<td>Consenting Services</td>
<td>Regulatory Services</td>
</tr>
<tr>
<td>Roads and Footpaths</td>
<td>Sewerage and Sewage</td>
<td>Stormwater and Land Drainage</td>
</tr>
<tr>
<td>Waste Management</td>
<td>Water Supplies</td>
<td>Council controlled organisations</td>
</tr>
</tbody>
</table>

- Do you think Council’s current levels of service are appropriate?
- If not, what levels of service would you like to see increase/decrease, and why?
- What services would you pay more/less for and why?

Reviewing Rates

Rates are categorised as either general or targeted rates. Targeted rates are used to fund specific activities where there is a clearly identifiable group benefiting from that specific activity. This includes refuse, wastewater and water supply. General rates are used to fund council activities where the benefits of the service lie across the whole of the community. Examples are the Museum, parks and reserves and animal control.

Analysis shows there needs to be a significant adjustment to rates. This is a response to historic under-funding of services rather than an increase in costs or levels of service. The following analysis on rates should be read in this context.
Three Council activities funded by targeted rates do not currently have the right level of funding. These are refuse, wastewater and water. The amounts of refuse being landfilled during the last six years has been in decline and at the same time costs have increased while rates to fund the service have remained the same. For water and wastewater the funding challenges relate to the level of capital spending undertaken in recent years, and the need to fund additional capital spending to maintain the network during the next 10 years.

**Council proposes that activities funded by targeted rates be fully funded by those targeted rates.**

This means a 15% increase for wastewater rates, a 10% increase in water rates and a 79% increase in the refuse rate.

<table>
<thead>
<tr>
<th>Impact per year</th>
<th>Wastewater</th>
<th>Water</th>
<th>Refuse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>$51*↑</td>
<td>$19**↑</td>
<td>$63-$126***</td>
</tr>
<tr>
<td>Rural</td>
<td>$51↑</td>
<td></td>
<td>$66↑</td>
</tr>
<tr>
<td>Residential</td>
<td>$51↑</td>
<td>$18↑</td>
<td>$63↑</td>
</tr>
</tbody>
</table>

* dependant on the number of toilets  
** dependant on the volume of water used  
*** higher rate for businesses in the CBD

If funding was at sustainable levels, increases in water, wastewater and refuse would be reflected by corresponding reductions in the general rate. However this is not occurring due to the general under-funding of services.

**Rotorua Lakes Council rates on own utilities infrastructure - $1.3m**

Council properties and infrastructure are subject to rates just like all other rateable properties in the district. Several years ago Council changed the way it rates its utilities infrastructure, in particular in applying the economic development rate. The purpose of this rate is to fund economic projects and tourism, and it is collected via a targeted rate to business.

Council wastewater and water activities incurred these rates and the costs were passed onto other ratepayers via the targeted rate of those activities, predominately residential ratepayers who are not actually the target ratepayers.

Council is considering removing the business differential and economic development rate from its utilities infrastructure. This will not increase the amount of overall rates collected but will result in $1.3m of rates from residential ratepayers moving back to the targeted ratepayers. This will mean an average increase of $428.00 to a business ratepayer.

**Other Rates**

The increases considered for wastewater, water and refuse targeted rates equates to an overall 5.7% rate increase in rates revenue. This corrects the funding for these activities but still leaves Council short of achieving an overall balanced budget. Council is considering increases to other rates to provide an overall 7% one-off rates increase. This allows future rates increases to remain at levels more in line with inflation.
We want to hear from you
Do you support a 7% general rate increase to be used to return the council to a balanced budget by 2017?

The changes being considered to Council’s rates, fees and charges and levels of service will provide a balanced budget in 2017. 2016 would not be balanced as Council is not planning to fund all depreciation expenses. Ideally this should be fully funded but the funding gap in 2016 has no significant impact on the capital programme or debt. Council would require an additional 1% increase in revenue to balance the budget in 2016.

Capital spend – replacing assets and new builds
Past under-funding of activities and not living within past budgets has meant Council has had to borrow more to fund capital spend. In 2014, to ensure Council lived within its means asset, spending was constrained. This means some assets were not replaced due to a lack of funds.

The rates increases now being considered means the current constraints are removed and Council is able to fund up to $405m of assets. The only cap to this annual spend will be to live within the borrowing limits and funding available. (Refer the page 16 for the capital spend breakdown).

Debt
Council’s current level of debt is sustainable but is high when the level of capital work required over the next 10 years. Council believes a prudent level of debt for a local authority is less than 175% of its total revenue. The increases to funding and the levels of spending on assets being considered would mean debt will increase at the rate of inflation over the next 10 years. Debt will increase from $148.8m (146% of total revenue) to approximately $205m (143% of total revenue). Note: opening debt of $148.8m excludes $18.6m transferring to the Airport Company on 30 June 2015.

Due to prior level of funding of services and the amount of capital expenditure ahead Council does not believe it is prudent to significantly reduce debt at this stage.
The critical element in balancing the three levers has been to provide appropriate funding for the capital programme to ensure Council’s infrastructure is effective and sustainable.

To achieve this, Council is considering a one-off overall rate increase of 7% (lever one) and the rate of inflation in following years. For the next 10 years this will provide for:

- A balanced budget in year 2;
- $405m for the capital programmes (lever two); and
- A $56m debt increase (lever three)

Council considers that there is minimal scope to change the capital programme (lever two) because of expectations in relation to levels of service. This effectively means the other two levers are available to change.

If the community prefers a different rate increase to the 7% being considered, it would mean a change in debt levels. As an example, a 1% decrease in rates in year one equal a $27 reduction for the average ratepayer, but would increase debt by approximately $14 million across 10 years.

So if the community felt that a 6% increase is more appropriate, this would mean the balanced budget would be achieved only in years where Council received significant capital subsidies, and debt would increase by $69.6 million rather than $56m over the next 10 years.

**Proposed Rates Rises: 2015-2025**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rates Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.00%</td>
</tr>
<tr>
<td>2015</td>
<td>1.00%</td>
</tr>
<tr>
<td>2016</td>
<td>7.00%</td>
</tr>
<tr>
<td>2017</td>
<td>3.00%</td>
</tr>
<tr>
<td>2018</td>
<td>2.00%</td>
</tr>
<tr>
<td>2019</td>
<td>3.00%</td>
</tr>
<tr>
<td>2020</td>
<td>4.00%</td>
</tr>
<tr>
<td>2021</td>
<td>5.00%</td>
</tr>
<tr>
<td>2022</td>
<td>6.00%</td>
</tr>
<tr>
<td>2023</td>
<td>7.00%</td>
</tr>
<tr>
<td>2024</td>
<td>8.00%</td>
</tr>
<tr>
<td>2025</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

Do you agree with Council’s preferred option of a one-off 7% overall rates increase or would you like to see a lower rates increase, meaning more debt?
### Draft 10-year budget at a glance

<table>
<thead>
<tr>
<th>Area of spend</th>
<th>Annual Operating Cost</th>
<th>10 year Capital Spend</th>
<th>How activity is funded</th>
<th>Rate value per $100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aquatic Centre</td>
<td>$2.78m</td>
<td>$20.17m</td>
<td>Rates 62% Other 38%</td>
<td>$62.35</td>
</tr>
<tr>
<td>Consenting Services</td>
<td>$1.15m</td>
<td>-</td>
<td>Rates 32.67% Other 67.33%</td>
<td>$32.67</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>$13.92m</td>
<td>$35.8m</td>
<td>Rates 0% Other 100%</td>
<td>$0</td>
</tr>
<tr>
<td>Economic Development</td>
<td>$9.06m</td>
<td>$13.99m</td>
<td>Rates 72.51% Other 27.49%</td>
<td>$72.51</td>
</tr>
<tr>
<td>Emergency Management</td>
<td>$0.38m</td>
<td>$0.58m</td>
<td>Rates 100% Other 0%</td>
<td>$100</td>
</tr>
<tr>
<td>Events and Venues</td>
<td>$7.11m</td>
<td>$21.15m</td>
<td>Rates 67.95% Other 32.05%</td>
<td>$67.95</td>
</tr>
<tr>
<td>Gardens, Reserve and Sports grounds</td>
<td>$9.60m</td>
<td>$43.03m</td>
<td>Rates 85.67% Other 14.33%</td>
<td>$85.67</td>
</tr>
<tr>
<td>Governance and Engagement</td>
<td>$5.51m</td>
<td>-</td>
<td>Rates 86.44% Other 13.56%</td>
<td>$86.44</td>
</tr>
<tr>
<td>Library</td>
<td>$4.08m</td>
<td>$8.97m</td>
<td>Rates 93.40% Other 6.6%</td>
<td>$93.40</td>
</tr>
<tr>
<td>Area of spend</td>
<td>Annual Operating Cost</td>
<td>10 year Capital Spend</td>
<td>How activity is funded</td>
<td>Rates value per $100</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------------------</td>
<td>-----------------------</td>
<td>------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Museum</td>
<td>$4.19m</td>
<td>$10.24m</td>
<td>Rates 58.09%</td>
<td>$58.09</td>
</tr>
<tr>
<td>Pensioner Housing</td>
<td>$0.77m</td>
<td>$3.16m</td>
<td>Other 41.91%</td>
<td>$6.70</td>
</tr>
<tr>
<td>Planning</td>
<td>$2.52m</td>
<td>-</td>
<td>Rates 6.70%</td>
<td>$100</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>$2.76m</td>
<td>$0.09m</td>
<td>Other 93.30%</td>
<td>$0</td>
</tr>
<tr>
<td>Roads and footpaths</td>
<td>$15.73m</td>
<td>$99.52m</td>
<td>Rates 0%</td>
<td>$77.62</td>
</tr>
<tr>
<td>Waste Water</td>
<td>$12.43m</td>
<td>$75.76m</td>
<td>Other 100%</td>
<td>$95.88</td>
</tr>
<tr>
<td>Stormwater</td>
<td>$3.96m</td>
<td>$32.23m</td>
<td>Rates 22.38%</td>
<td>$98.66</td>
</tr>
<tr>
<td>Waste Management</td>
<td>$7.77m</td>
<td>-</td>
<td>Other 98.66%</td>
<td>$70.81</td>
</tr>
<tr>
<td>Water Supply</td>
<td>$5.78m</td>
<td>$32.17m</td>
<td>Rates 1.34%</td>
<td>$100</td>
</tr>
</tbody>
</table>

Long-term Plan - Consultation Document
2015 – 2025
What we will spend

Capital Expenditure by Activity

- Governance and Engagement 9%
- Economic Development 4%
- Aquatic Centre 5%
- Gardens, Reserves and Sportsgrounds 11%
- Regulatory Services 0.02%
- Pensioner Housing 1%
- Library 2%
- Emergency Management 0.15%
- Events & Venues 5%
- Museum 3%
- Roads and Footpaths 25%
- Sewerage and Sewage 19%
- Storm Water and Drainage 8%
- Water Supplies 8%

Capital Expenditure by Type

Note: The above capital expenditure does not yet reflect techniques to smooth the level of spending in each year. This smoothing will have no impact on rates and debt.
Challenge 2  
Wastewater

Wastewater is an important issue for Rotorua due to the water quality of lakes in the district that have been impacted by sewage treatment and disposal methods. Council is considering projects that will address issues for the urban wastewater system and also for four rural/lakeside schemes.

‘Out-of-the-forest by 2019’ Project

Project Objective
To find an alternative system for wastewater treatment that restores the ‘mauri’ (spirit) and life supporting capacity of the water, and meets nutrient removal requirements of the Rotorua Te Arawa Lakes Programme and anticipated consent requirements.

Background
In 2013 the Environment Court directed Council to begin investigating alternative disposal methods for its treated urban wastewater. As a result Council and CNI Iwi Holdings (forest owner) signed an agreement which will see an end to the spraying of treated wastewater in Whakarewarewa Forest by the end of 2019. The forest land disposal system is now considered unsustainable as it is less effective than when first implemented. Concerned stakeholders, including iwi, are now working together to find a suitable alternative.

The current Rotorua Wastewater Treatment and Disposal System is among the best in the world for the removal of nutrients from wastewater. While the system removes phosphorous as it was designed to do, its nitrogen stripping efficiency is not as effective as originally expected.
Reasons for the project
- Inefficiencies with nitrogen-stripping in the existing Land Disposal System (LDS) since 1995;
- Areas in some low-lying areas of the forest becoming saturated causing impaired tree growth;
- The deed of understanding (May 2014) between the Council and CNI Iwi Holdings Ltd requires an alternative location for treated water discharge.

Benefits of the project
A new method of discharging treated wastewater to the environment would:
- be life-sustaining and restore the ‘mauri’ of the water
- satisfy regulatory requirements and secure resource consents in partnership with tangata whenua and the wider community
- achieve a high level of public health and environmental protection
- be the best practicable option for Rotorua’s future wastewater management

Options being considered (and costs)
Five options (listed below) have been identified for consideration. A final preferred option is expected to be identified by the end of the 2015. Meanwhile a review of new options and technologies is continuing. A key factor in the various options and costs imposed is the level of nitrogen, measured in parts per million (PPM). A linkage between nitrogen and phosphorus and algal bloom risk is widely acknowledged, but the absolute quantification of the impacts are not certain.

<table>
<thead>
<tr>
<th>OPTION 1</th>
<th>OPTION 2</th>
<th>OPTION 3</th>
<th>OPTION 4</th>
<th>OPTION 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Upgrade</td>
<td>Base Upgrade</td>
<td>Base Upgrade</td>
<td>Dual Discharge</td>
<td>New Land</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Treatment System</td>
</tr>
<tr>
<td>Removes dissolved</td>
<td>+ Particulate</td>
<td>+ Denitrifying</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P + UV disinfection</td>
<td>Filtration</td>
<td>Filtration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N approx. 6ppm</td>
<td>N approx. 5ppm</td>
<td>N approx. 4ppm</td>
<td>ppm=parts per million</td>
<td></td>
</tr>
<tr>
<td>Approx. $14M</td>
<td>Approx. $20m</td>
<td>Approx. $24M</td>
<td>Greater than $30m</td>
<td>Greater than $30m</td>
</tr>
<tr>
<td>Discharge to</td>
<td>Discharge to</td>
<td>Discharge to</td>
<td>New Land</td>
<td>New Land</td>
</tr>
<tr>
<td>Water</td>
<td>Water</td>
<td>Water</td>
<td>Treatment</td>
<td>Treatment</td>
</tr>
</tbody>
</table>

Option 2 is included in Council’s proposed capital programme for the next 10 years.

Council currently has a short-term resource consent that is around 5-6ppm. This is allowed while options are being investigated. Nitrogen stripping under the old resource consent condition was 4ppm.
New sewerage schemes
East Rotoiti/Rotoma, Tarawera, Mamaku, Rotoehu

These schemes are a response to communities’ wishes to improve water quality of the lakes, and provide an opportunity for communities to collaborate on community schemes rather than individually meet the costs of on-site effluent treatment.

So far, subsidy funding for the community wastewater scheme at East Rotoiti/Rotoma has come from Ministry for the Environment, Ministry of Health, Bay of Plenty Regional Council and Rotorua Lakes Council.

Tarawera, Rotoehu and Mamaku communities do not yet have approved subsidy funding.

<table>
<thead>
<tr>
<th>Scheme Area</th>
<th>Number of properties to be serviced</th>
<th>Total estimated scheme costs</th>
<th>Cost/property (subsidised or without subsidy)</th>
<th>Reasons for the scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Rotoiti/Rotoma</td>
<td>Approx 710</td>
<td>$32m</td>
<td>$12,000 (Subsidised)</td>
<td>To improve lake water quality and remove public health issues associated with septic tanks</td>
</tr>
<tr>
<td>Tarawera</td>
<td>Approx 440</td>
<td>$13.5m</td>
<td>$30,700 (without subsidy)</td>
<td>To improve lake water quality and remove public health issues associated with septic tanks</td>
</tr>
<tr>
<td>Rotoehu</td>
<td>Approx 75</td>
<td>$3.5m</td>
<td>$46,700 (without subsidy)</td>
<td>To improve lake water quality and remove public health issues associated with septic tanks</td>
</tr>
<tr>
<td>Mamaku</td>
<td>Approx 360</td>
<td>$11.0m</td>
<td>$30,600 (without subsidy)</td>
<td>To improve lake water quality and remove public health issues associated with septic tanks</td>
</tr>
</tbody>
</table>

NOTE: If wastewater schemes are not provided in these areas, the Bay of Plenty Regional Council On-site Effluent Treatment Plan will require private property owners to install complying on-site nutrient removal treatment plants on each property or obtain Resource Consent.

Note: Tarawera, Rotoehu and Mamaku are not included in the proposed capital programme for the next 10 years.

- General rates provide a $1500 contribution to each property with a new sewage scheme. Should general ratepayers subsidise more or less of the costs?
- Should individual ratepayers in the areas above fund the projects as a targeted rate or should they be considered part of a network of treatment plants and have an equalised targeted rate across our district? This would cost approximately $130 per ratepayer.
- Do the individual communities believe that waste treatment plants are required and are they prepared to meet the required capital cost through a targeted rate
Challenge 3
Waste Strategy

Council is notifying the results of its Waste Assessment 2015 and consulting on the draft Waste Management and Minimisation Plan (WMMP)

Project Objective
To develop a Waste Management and Minimisation Plan (WMMP) that:

- maximises the recovery of resources (materials, nutrients, energy) from our waste;
- minimises the impact of waste and the amount of waste we dispose of;
- protects public health and aims to meet community expectations;
- meets Council’s legal requirements and includes a recent Waste Assessment.

The WMMP considers options for the collection, recycling, and disposal of Rotorua’s waste and proposes a number of changes to address the following main issues:

- Significantly less waste is going to the landfill, which has reduced external revenue;
- The cost of operating transfer stations is high with users not covering their cost;
- 10% of properties do not have a kerbside collection;
- Rotorua rubbish contains a lot of material that could be recycled;
- Demand for a council kerbside recycling collection remains high.
The current level of service
The current level of service costs on average $226 per rate paying property year. This cost to ratepayers has been increasing as landfill revenue has reduced over time. Increases in the targeted rate have not kept pace with decreases in landfill revenue. This activity has been under-funded, and the increase to the refuse rate being considered on page 11 corrects funding for the current service.

Did you know?
The current annual cost of operating the landfill is $2.2m of which $600,000 is for monitoring and treating leachate. Profit has been reducing.

Almost 80% of residents surveyed supported a kerbside recycling service to encourage waste reduction
(Perceptions survey, backed by Ideas Shop 2014)

Do you support a kerbside recyclables collection?

Current quantities of refuse in the landfill
What is in Rotorua Household Refuse?

Did you support partnership proposals from commercial operators for the Atiamuri landfill?
Future of waste collection and disposal

In considering what a future waste management service could look like, collection, transfer, recycling, minimisation and disposal methods need to be considered. The table below shows the cost of different kerbside collection and landfill options.

<table>
<thead>
<tr>
<th>Option 1 Refuse – paper bag weekly</th>
<th>Option 2 Refuse – plastic bag weekly</th>
<th>Option 3 Refuse – MGB* fortnightly</th>
<th>Option 4a Refuse &amp; recyclables fortnightly</th>
<th>Option 4b Refuse &amp; recyclables weekly</th>
<th>Option 5 Refuse recyclables &amp; organic</th>
<th>Option 6 Baseline services only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling services, litter, waste minimisation</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Refuse collection</td>
<td>Paper bag weekly</td>
<td>Plastic bag weekly</td>
<td>240 L MGB fortnightly</td>
<td>140L MGB fortnightly</td>
<td>140 L MGB weekly</td>
<td>140 L MGB fortnightly</td>
</tr>
<tr>
<td>Recyclables collection</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
</tr>
<tr>
<td>Food-waste collection and processing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Greenwaste collection and composting</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
</tr>
<tr>
<td>Other services</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
<td>User pays</td>
</tr>
<tr>
<td>Business as usual</td>
<td>$226</td>
<td>$216</td>
<td>$200</td>
<td>$196</td>
<td>$213</td>
<td>$275</td>
</tr>
<tr>
<td>Close landfill</td>
<td>$297</td>
<td>$287</td>
<td>$271</td>
<td>$266</td>
<td>$283</td>
<td>$345</td>
</tr>
</tbody>
</table>

*MGB = Mobile Garbage Bin = Wheelie bin

Proposed level of service

Council’s preferred option for refuse collection is to move away from weekly bag collections (option 1) to kerbside wheelie bins for refuse and recyclables (option 4a). This would lead to a reduction in cost of $30 per ratepayer.

Further consideration needs to be given to how refuse and recyclables would be disposed of. This is currently done via the landfill and recycling centre. Closing the landfill would mean all refuse would be disposed of initially via transfer stations, with the refuse transported out of the district to alternative landfills. This would lead to a $70 increase per ratepayer.

There may be an opportunity to partner with a commercial operator for the provision of collection, disposal and landfill operations. If this could be done at a price comparable to our business as usual option, should Council do so?

Other options to consider

Inorganic recyclables (option 4b)

The proposal is for a commercial operator to collect and process with plastics (excluding film and expanded foam), cans, paper, cardboard and glass. However, there would still be a need for disposal of inorganic materials such as whiteware, e-waste etc. Should Council continue...
to provide a location for these inorganic recyclables (such as the current recycling centre) or should a kerbside recyclables contractor provide this service?

**Kitchen waste processing (option 5)**

Should Council consider kitchen-waste processing such as either a separate kitchen waste collection or a combined garden and kitchen waste collection?

In the meantime, would you like Council to provide for a greenwaste kerbside collection as a separate optional extra on your rates?

**Transfer stations**

Transfer stations cost Council around $0.5m per year. Should they be closed, or operated on a user-pays basis? Or should the council seek proposals from the communities they service for operating transfer stations in a way that best serves those communities?

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**Waste Strategy and Draft Waste Management and Minimisation Plan (WMMP)**

- Every six years Council must review its WMMP.
- Refer to council’s website rotorualakescouncil.nz to view a copy of the draft plan and to provide feedback.
Challenge 4

Maintaining community infrastructure

Funding constraints during recent years have seen some infrastructure not replaced when it should have been. In some cases this meant Council deferred maintenance and only undertook essential repairs, and asset replacements were delayed to prioritise funding for other projects.

Council now faces a backlog of repairs and renewals required to maintain the assets to the level the community expects. Council is proposing to spend up to $405 million during the next 10 years on maintaining and improving assets.

Council is looking to address maintenance issues and, earthquake prone issues, and may explore new partnerships to enable the provision of services such as a community/social services hub, public Library, Aquatic Centre, and Kuirau Park.

Community House

Community House is a three-storey 1963 office building at 1115 Haupapa Street (between the i-SITE and library). It was purchased by Council in 1993 to help accommodate local volunteer organisations providing a range of community services.

Over the last decade building repairs and renewals have been delayed and are now overdue. Complaints regarding the state of the building are frequently received from tenants and visitors.

Repairs now required include:

- Roof replacement; to fix leaks and water damage;
- Cladding; on façade to repair damage from leaking roof;
- Plumbing services;
- Replacement lift;
- Corrective work to address asbestos content; and
- Possible improvements required around earthquake strengthening (current assessment meets acceptable to government standards, but may not meet tenant’s expectations).
Community House currently provides office accommodation to social service and community groups. The building is usually fully tenanted, and there is a long waiting list of social service groups. However, favourable lease agreements and subsidised rentals means there is little turnover in occupancy.

Tenants provide invaluable services to the Rotorua community and this is recognised by Council. The building’s community value is being able to provide complementary services from a single location that reduces barriers to access issues. The issue is however about the state of the building itself.

Options being considered (and costs)

1. **Status quo** – minimum of $67,000 in maintenance per annum. No impact to rates. However, this option does not address deferred maintenance issues which will likely lead to increased costs in future years.

2. **Undertake repairs and renewals** – estimated at $2.4m (option modelled) – would require tenants to vacate for around nine months while repairs undertaken. With an annual income of $105,000 and current maintenance costs of $67,000 a year, spending $2.4m on the building may be a poor investment.

3. **Sell the property** – desktop valuation by a registered valuer is approximately $1m (land and building). Realistically sale price could be less because of repairs needed.

4. **Demolish the building, relocate tenants and extend Jean Batten Square (preferred option)** – the council would demolish the building and retain the land at a cost of approximately $300,000. In considering this option Council would explore with the existing tenants new opportunities to co-locate services to another property and would continue to offer the same total amount of rental subsidy (up to $70,000 per annum). The benefits of this option include:
   - Opportunities for better visitor flow between the i-SITE & Visitor Centre, and the Library
   - Opportunities to explore, in collaboration with tenants, more clustering of social services
   - Opportunities to create more vibrancy in Jean Batten Square
   - Visually connect Haupapa Street and Arawa Street

**Rotorua District Library**

The library, located at 1127 Haupapa Street, is a four storey building that opened in 1991 to allow for a growth in library services. During the last couple of years planned maintenance has been kept to a minimum. This has resulted in several issues, the most significant being a leaking roof.

Options being considered (and the costs):

1. **Replace and repair** roof, cladding, and windows at approximately $1.5m in capital spend.

2. **Stage repairs over a number of years** approximately $300k per year for 4-5 years.

3. **Partner with Lakes District Health Board to establish Child Health and Library Hub within the library building, and reconfigure library to successfully interact with children’s space (Council’s preferred and modelled option, approx. $5m-6m)** – see Child Health and Library Hub projects (page 32). Repairs would be completed within 12 to 18 months.
Aquatic Centre

Project Objective
To provide a complete refurbishment of the aging Rotorua Aquatic Centre.

Background
The Rotorua Aquatic Centre’s heated outdoor 50m pool was built in 1975 with community-based funding, as stage one of the facility. Indoor pools and the main building (stage 2) were completed in 1988. A million dollar upgrade (stage 3) was completed in 2003 to add indoor and outdoor spas, a splash pad and lazy river complex. Since completion of these components maintenance of the plant and buildings has taken place but the complex is showing its age and now requires major refurbishment.

Future developments of the Aquatic Centre are now part of the overall master plan for Kuirau Park.

The Project
The centre is highly valued by the community and is the only aquatic facility in the district offering the current range of activities. It attracts approximately 350,000 visits per year and is increasingly utilised by learn-to-swim programmes and swimming clubs.

A number of aquatic centre development plans have been completed over the last decade, with the most recent in 2013 (SGL Feasibility Study). This recommended a $13.7m upgrade to modernise the facilities, provide more learn-to-swim space and to better integrate the aquatic centre with Kuirau Park.

Options being considered (and costs):
1. **Minor upgrades to the aquatic centre** - approximately $5m, to include re-roofing the indoor pool, redesigning reception and changing rooms, and adding more play structures to indoor areas.

2. **Refurbishment of the aquatic centre (Council’s preferred and modelled option)** – approximately $15m. Creation of a dedicated learn-to-swim pool and upgrade of the outdoor pool to bring it up to national competition standard. Development of a café and a gym to provide a wider recreation experience. A significant community and/or commercial contribution would be expected for the project (50%-66%) before it could proceed (i.e. approximately $7.5m from council and $7.5m from a partner). This option would mean Council would borrow $2.5m more than option 1. Repaying this over 15 years would see ratepayers pay an additional $8.50 each a year on average.

3. **A total rebuild of the Aquatic Centre** – approximately $25 million. Other recent new developments such as the Baywave complex in Tauranga and Coastlands Aquatic Centre in Paraparaumu have cost $18 million and $19.3 million respectively but do not feature an outdoor 50m pool.

We want to hear from you
1. Do you support an upgrade of the Aquatic Centre?
2. Do you support council seeking community/commercial contribution for approximately 50% of the project cost?
3. Are there other projects that you would like to see deferred or stopped to ensure that this project goes ahead?
Kuirau Park (for information)

Project Objective
To improve quality and use of this inner city park by linking the aquatic centre with the city through a boulevard and cycleway, developing a steam kitchen, and increasing appreciation of the exceptional cultural and geothermal values of the park.

Background
Kuirau Park is one of the city’s premium open spaces, alongside Government Gardens and the Lakefront Reserve. At least three development proposals during the last two decades have failed to reach the necessary level of support to proceed. As a result, upgrading of a large number of assets within the park have been deferred. In the 2014/15 Annual Plan Council committed funding for linking Kuirau Park and the aquatic centre, and investigating the feasibility of a spa development. This funding has been supplemented by some external funding (Francis Moss Boord Charitable Trust grant and NZTA Green Corridor funding) and from other council initiatives such as the Inner City Revitalisation Strategy.

The Project
Linking Kuirau Park and the aquatic centre through creation of a boulevard. Kuirau Park is an attraction and destination; a space where locals and tourists come together. The geothermal activity, local markets, and the close proximity to the aquatic centre make this park a gem within the inner city. Creating a boulevard will connect the park’s activities and allow people to explore the park, navigated by interactive and cultural signage. Along the boulevard, footpaths and toilets will be upgraded, and the potential for providing a steam kitchen is being explored.

Options being considered (and the cost)
All the projects listed below are included in Council’s budgets.

<table>
<thead>
<tr>
<th>Projects</th>
<th>Timing</th>
<th>Total cost of project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beppu Steam Kitchen</td>
<td>2016 &amp; 2017</td>
<td>$1.5-$2m 50% council 50% community/commercial</td>
</tr>
<tr>
<td>Renewing foot pools</td>
<td>2016</td>
<td>$250k</td>
</tr>
<tr>
<td>Upgrade toilets</td>
<td>2016-2017</td>
<td>$300k-$350k</td>
</tr>
<tr>
<td>Boulevard</td>
<td>2021-2023</td>
<td>$190k</td>
</tr>
<tr>
<td>Viewing towers/lookouts</td>
<td>2021-2023</td>
<td>$200,000</td>
</tr>
</tbody>
</table>
Earthquake prone buildings (for information)

Lessons from the Christchurch earthquakes raised questions throughout New Zealand about the condition of buildings and their ability to withstand a significant earthquake.

Many of the services discussed earlier in this document are provided through ownership and maintenance of these buildings. Many of the buildings are iconic; they are landmarks that Rotorua is known for. Council considers that undertaking the work required to bring the buildings up to the specified level, is essential. At this point all the issues and costs are not yet fully understood. The following sites are currently being addressed or will need addressing in the short term:

<table>
<thead>
<tr>
<th>Building</th>
<th>Location description</th>
<th>Timeline</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>i-SITE / Visitor Centre</td>
<td>Cnr Haupapa and Fenton Streets</td>
<td>2016-17</td>
<td>$2.4m</td>
</tr>
<tr>
<td>Museum</td>
<td>Government Gardens</td>
<td>2016-21</td>
<td>$5.5m</td>
</tr>
<tr>
<td>Sir Howard Morrison Performing Arts Centre</td>
<td>Cnr Fenton and Arawa Streets</td>
<td>Not known at this point.</td>
<td></td>
</tr>
</tbody>
</table>

The proposed capital works programme provides $16m for earthquake prone strengthening over the next 10 years.
Challenge 5

Keeping pace with 2016 priorities

Rotorua 2030 goals
To bring the Rotorua 2030 vision and goals to life, real change is essential. And real change means everyone coming together and sharing the vision, or as our district crest succinctly puts it ‘tātau tātau – we together’. Both long-term goals and shorter term priorities have been identified.

Long Term Goals

| A RESILIENT COMMUNITY                        | He hāpori pūmanawa... inclusive, liveable and safe neighbourhoods give us a sense of place, and confidence to be involved. |
| HOMES THAT MATCH NEEDS                       | Kāinga noho kainga haumaru... quality, affordable homes are safe and warm, and available to meet everyone’s needs. |
| OUTSTANDING PLACES TO PLAY                   | Papa whakatipu... recreation opportunities are part of our lifestyle, connecting us, transporting us and surrounding us. |
| VIBRANT CITY HEART                           | Waahi pūmanawa... our inviting and thriving inner city reflects our unique heritage and lakeside location. |
| BUSINESS INNOVATION AND PROSPERITY           | Whakawhanake pākihi... we boast a diverse and sustainable economy energised by our natural resources and innovative people. |
| EMPLOYMENT CHOICES                           | He huarahi hōu... we are a prosperous connected community; growing our education, training and employment opportunities. |
| ENHANCED ENVIRONMENT                         | Tiakina to taio... we are known globally for our clean, natural environment, air quality and healthy lakes. |

‘Game changers’ for each goal are being progressively developed and implemented to bring about real change. Examples, such as the Inner City Revitalisation Strategy, feedback from the recent Ideas Store and Progress 2014 showing what has been achieved to date are all on the council website www.rotorulakescouncil.nz.

Shorter Term Priorities
The council has identified four key priorities which they want to see substantially achieved by the end of 2016. In summary these are:

1. Develop a vibrant city heart that attracts people and activity;
2. Develop our economic base by growing existing, and attracting new, businesses to our region;
3. Support reinvigorated neighbourhoods and the creation of healthy homes; and
4. Sustainable infrastructure and affordable, effective council services.
Priority No.1 - Develop a vibrant city heart that attracts people and activity

Inner City Revitalisation Strategy

Since December 2013, revitalising the inner city has been discussed at a number of workshops and meetings with councillors. What followed was the development of a draft Inner Revitalisation Strategy. This was released for feedback in November 2014, with feedback received on 31 January 2015. That feedback has now been summarised and included within the final draft strategy.

More than 130 separate responses were received and 261 ideas were lodged at the Ideas Store. Feedback indicated strong support for the strategy and the projects identified. To undertake the projects in the strategy, Council is considering the allocation of $1.2m per annum for the first three years of the Long-term Plan and $800k per annum for subsequent years. This funding would mainly sit within the roading and sport and recreation budgets.

Summary of key changes to the draft strategy

• Following receipt of the report ‘Economic Impact of City Focus’, the strategy now recommends that City Focus be considered for removal. The economic impact assessment says removal would encourage reinvestment back into Hinemoa Street to achieve a north-south traffic flow, and encouraging reinvestment into both sides of Tutanekai Street. Removal of the sails and pillars is expected to encourage more pedestrian activity.
• The New Zealand Transport Agency has endorsed the strategy and by partnering with Council, is undertaking a study to determine what measures could support the strategy.
• Retain the Pukuatua Street toilet facility and install an additional facility at Eruera Street (Hinemoa Street toilets to close).
• Campervan parking at Kuirau Park near Pukuatua Street has been moved north towards Arawa Street where considerations need to be given to extending the existing parking bay.
• CCTV coverage to be extended to link coverage across the city.
• Changing the right-of-way so Tutanekai Street becomes the main traffic flow to be considered after Amohau Street and Arawa Street are upgraded.
• Introduce a parents’ room in the central city toilet facilities.
Survey Results
Levels of support for projects identified in the draft Inner City Revitalisation Strategy:

We want to hear from you
1. Do you support the Final Draft Inner City Revitalisation Strategy?
2. Do you support the level of funding identified?
3. Should we implement the projects faster (i.e. provide more funding)?

Options being considered (and the costs):

1. Continue with proposed funding (preferred option) – $1.2m per year for the first three years and $800k for the remaining seven years of the Long-term Plan. This option has been included in our capital programme.

2. Increases the level of funding and move faster on proposed projects – this option would include spending $2m per year for the first three years and then $800k for each of the remaining seven years. It would involve spending an additional $2.4m in the first three years of the Long-term Plan. This option would cost on average an extra $8.46 more a year for each ratepayer than option 1.
Child Health and Library Hub

Council is working with the Lakes District Health Board to consider creation of a hub on Haupapa Street, incorporating a one-stop child health centre, the city’s library and a family-friendly plaza.

The preferred option is for health services for children and young people to be co-located within a refitted Rotorua Library building to meet both child/youth health and modern library needs.

Refitting of Rotorua Library is the focal point of the development to co-locate children’s health services with library amenities. This integrated public service hub would involve redeveloping the library and clustering children’s health services within the shared facility. The development would help futureproof library services to better meet the changing needs of the community.

This development would result in improvements to the library building to bring it up-to-date with current weather tightness and seismic standards.

Vision
To develop a hub that responds to the needs of children, whanau and communities we serve by providing a coordinated, efficient and shared service that focuses on integrated health, library and children’s services and a shared family-friendly plaza.

Goals
1. One-stop shop - Providing child services in an integrated, co-located facility offering a range of health, education and library services for children, families and the wider community.
2. Accessible services - Services that are centrally located, convenient and accessible to all.
3. Meeting needs - Child-related services that meet the needs of children and their families/whanau.
4. Adding vibrancy - Contribute towards Rotorua 2030 goals to create a vibrant city heart and resilient communities, by working innovatively through community partnerships.

Options being considered (and the costs):
1. Continue partnership negotiations with Lakes District Health Board to create a shared space for child services (preferred option) – approximately $5m-6m and progress towards Rotorua 2030 goals. This option would cost on average an extra $4.60 more a year for each ratepayer than option 2 and is included in our capital programme.
2. Discontinue partnership arrangements and invest in upgrade of library building only – approximately $1.5m. This option does not contribute towards Rotorua 2030 goals.
Priority No.4
- Sustainable Infrastructure and affordable, effective Council services

Sir Howard Morrison Performing Arts Centre

Project Objective
To become the performing arts hub for the Rotorua community, to be more accessible for community and performing arts groups to showcase their arts, and bring vibrancy and use back to the centre.

Background
Over the last three years, the utilisation level of the Sir Howard Morrison Performing Arts Centre (previously Rotorua Convention Centre) has been only 18%. Feedback from the community shows the current pricing structure, existing configuration of spaces, and the support and technical services available are barriers to community groups using the centre.

Utilisation by room over time

The proposed concept would involve modifications to the Concert Chamber to allow use of the spaces by community and local performing arts groups in and around commercial productions and major public ticketed events. A project has been scoped that would:

- Modify backstage areas, dressing rooms, kitchen, and storage areas
- Redesign storage area for chairs etc
- Create a sprung floor (stage 8m depth x 11m width)
- Create fully retractable seating allowing 220 seats
- Allow an additional 40 free-standing chairs
- Develop theatre services infrastructure

Options being considered (and costs)

1. Status quo – continue to operate the centre in its current form, accepting underutilisation of the venue and increasing operational costs.

2. Create the performing arts hub (preferred option) – invest the capital and return vibrancy to the centre; approximately $2.5m (supported by possible community fundraising of $1.5m). This cost would be offset by increased utilisation of the facility. If this does not occur and Council borrowed $1m over 15 years, this would cost ratepayers an average $3.40 more each per year.
Creation of a new Council Controlled Organisation (CCO) – Rotorua Contracting

Introduction
Councils can establish or become a shareholder in a council controlled organisation (CCO). Setting up a CCO provides more commercial discipline and specialist expertise through board appointments. With specialist skills, board members are able to add value and help CCOs to achieve their objectives and the council’s long-term goals.

Council is currently considering a proposal to establish a new CCO – Rotorua Contracting - to drive greater efficiencies and commercial discipline.

Purpose
The purpose of a new council controlled organisation (CCO) – Rotorua Contracting - will be to drive greater efficiencies and commercial discipline, and to increase opportunities for delivering future collaborative services across the region.

Background
During the last 18 months Council has reviewed the delivery of services currently provided by Castlecorp, the nursery, and the landfill. Those services include:

- **Castlecorp** - the servicing and maintenance arm for council infrastructure assets. This includes water, wastewater, storm water, litter, refuse, parks, public gardens, janitorial, sports fields, the stadium and cemeteries.
- **Rotorua Nursery** - the nursery grows all the plants and shrubs for the district’s street plantings and amenity planting
- **Fleet Management** - maintains vehicle fleet and machinery for Council and Castlecorp.

The review highlighted that the current financial model is based on revenue from other areas of Council and only covers the costs for operating the business.

This model provides little opportunity to grow the business or to look for future potential business opportunities across the region.

Late in 2014 a decision was made to group these activities into a business unit, establish an interim board, and appoint a chief executive. The goal was to assess current operations and to provide a recommendation to the Council on a model that could better serve the needs of Council, provide new opportunities and look to future collaborative service delivery options across the region.

The recommendation of the interim board was that a CCO be established.
Proposed Structure
- Rotorua Contracting would be 100% owned by Rotorua Lakes Council and would operate as a Council Controlled Organisation (CCO).
- The new CCO would have an independent skills-based board of four to six members plus a chairperson, and employ its own CEO and staff.
- The new CCO would operate under a Statement of Intent agreed to by its directors and Rotorua Lakes Council.
- The new CCO would be primarily funded by Rotorua Lakes Council.

It is projected that in the first three to five years there will be no impact to the ratepayer. It currently costs approximately $16m to provide these services. Setting up a CCO would see that level of funding provided to the CCO to undertake its operations and fund its board and CEO. In the future the goal would be for new business opportunities to be created which would see the level of funding from Council reduced as new sources of revenue come on line.

Key Performance Indicators
There would be a defined set of key performance indicators (KPIs) measuring the contribution towards achievement of the objectives outlined. These KPIs would be renegotiated on an annual basis as part of the Statement of Intent process.

The new CCO would report to the council and other stakeholders on the KPIs on an annual basis.

Disclosure statement
It is anticipated that a contract would be established between Council and the CCO for the supply of a number specific services. These services and the contract(s) would be specified in a statement of intent to be developed if and when the CCO is established.
Your Rates

So what does all this mean for your rates?

At the heart of rates affordability is the question of how much people are willing to pay to make Rotorua a better place to live. As discussed earlier, Council needs to allocate more money to properly fund services, and to maintain current levels of service. This means Council needs to increase its revenue sources.

Council did consider a 3% rates increase next year along with subsequent increases of 2.5%. However, this would mean services would remain underfunded (unbalanced budget) and would constrain the capital programme. Therefore an average one-off 7% increase in the general rate has been modelled for the first year of the Long-term Plan. This helps Rotorua move more quickly to a balanced budget situation.

What does this mean for individual rates?
What else needs to be addressed?

Rates for individual properties vary depending on a range of factors including property revaluations, targeted rates that may apply, and whether the property is used for business, residential or farming purposes.

Rates are a combination of a tax and a charge for service. Targeted rates, while not being a true charge for service, are proxy for a user fee, in that the charge is made to people who directly receive the service or benefit from the service. Water, sewage and refuse targeted rates fit this proxy user charge. General rates, a combination of uniform Annual General Charge and capital value component, are a tax on property.

Determining the share of rates to be paid by each household and business property can be a complex process.

The share paid is largely based on a property’s value – the higher the property value (relative to others), the higher the rates bill. Recent property revaluations have had an impact on how rates will be shared across ratepayers because not all properties have experienced the same percentage changes in property values.

Comparison between the district or cities average residential rates (2014/15)

Note: All rates have been analysed and adjustments made to ensure apples are compared with apples, e.g. all water, sewerage and refuse charges have been included.
The other two elements that help determine the rates each property owner will pay are:

- A fixed charge called the Uniform Annual General Charge (UAGC); and
- The proportion that business properties contribute in rates compared to residential properties.

### Overview of revaluation 2014

<table>
<thead>
<tr>
<th>Property type</th>
<th>Average property value change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Residential</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Dairying</td>
<td>19.9%</td>
</tr>
<tr>
<td>Pastoral</td>
<td>-8.4%</td>
</tr>
<tr>
<td>Average</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

### Targeted Rates – water, wastewater, refuse

Council has reviewed activities for which a targeted rate applies (i.e., those who receive a service, pay for it). These activities will now be fully funded net of revenue.

This will mean a 15% increase for wastewater rates, a 10% increase in water rates and a 79% increase in the refuse rate. To see how this equates per household refer to page 11.

### General Rates

Council is proposing to collect $81.3m in targeted and general rates from Rotorua residents in 2015/16, approximately 73% of the Council’s total annual revenue. Most rates are collected from property owners in the form of general rates.

While the proposed overall average rates increase is 7%, the proposed general rates increase is 2.3%. However, the overall average increase for different types of properties is markedly different (see page 38).
### Average % increase by property category

<table>
<thead>
<tr>
<th>Average rates impact</th>
<th>Business</th>
<th>Residential</th>
<th>Farm</th>
<th>Residential Rural</th>
<th>Average total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/16</td>
<td>11%</td>
<td>6%</td>
<td>19%</td>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>

### How general rates are calculated (2015/16)

<table>
<thead>
<tr>
<th>How much money we need from rates to run the district</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>• $75.2m total rates</td>
<td>$47.9m general rates</td>
<td>$81.3m total rates</td>
</tr>
<tr>
<td>• $27.3 other rates</td>
<td>$32.0 other rates</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Determine what proportion of General Rates is paid by business</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Residential 51%</td>
<td>Business 20%</td>
<td></td>
</tr>
<tr>
<td>• Business 20%</td>
<td>Farming 15%</td>
<td></td>
</tr>
<tr>
<td>• Farming 15%</td>
<td>Rural residential 12%</td>
<td></td>
</tr>
<tr>
<td>• Rural residential 12%</td>
<td>Other 2%</td>
<td></td>
</tr>
<tr>
<td>• Other 2%</td>
<td>Residential 48%</td>
<td></td>
</tr>
<tr>
<td>• Residential 48%</td>
<td>Business 21%</td>
<td></td>
</tr>
<tr>
<td>• Business 21%</td>
<td>Farming 17%</td>
<td></td>
</tr>
<tr>
<td>• Farming 17%</td>
<td>Rural residential 12%</td>
<td></td>
</tr>
<tr>
<td>• Rural residential 12%</td>
<td>Other 2%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Set the fixed amount paid by all ratepayers</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>• $540</td>
<td>$410</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remaining portion is split across all ratepayers</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business 1.9</td>
<td>$540</td>
<td></td>
</tr>
<tr>
<td>• Rural residential 0.85</td>
<td>$32.0 other rates</td>
<td></td>
</tr>
<tr>
<td>• Rural residential 0.85</td>
<td>$32.0 other rates</td>
<td></td>
</tr>
<tr>
<td>• Other 2%</td>
<td>$32.0 other rates</td>
<td></td>
</tr>
</tbody>
</table>

*Note the rates for 2015/16 include water by meter charges and rates paid by council*

### Determining the distribution of general rates across ratepayer types

The general rate is used to fund council activities that are generally considered to benefit all residents of Rotorua. The rate has two components, a uniform annual general charge and a rate calculated on capital value across residential, business, and rural properties. Ideally the collection of this rate from each of these sectors should be similar to their portion of the total capital value of the district.

The rate in the dollar is determined by two things:

- **The level of the uniform annual general charge, which reduces the amount to be collected based on value.**
- **Whether a differential rate in the dollar will apply to different sectors.**
The current distribution of the general rate does not align with capital values and is skewed towards residential and business ratepayers. This is due to the level of Council’s uniform annual general charge (UAGC) and differentials applied to business and rural residential properties.

The council is considering changes to the UAGC and differentials to move the distribution of the general rate more in line with the capital value distribution. Currently, residential and business ratepayers pay 71% of the general rate but only make up 60% of the capital value of the district. At question is whether the rating base should determine the relative proportions of rates to be collected or whether differentials and UAGC should modify the allocation. The argument for using that rating base, i.e. relative proportions of the capital value, is that rates are a tax. If the activities funded by the funding source generally benefit all ratepayers why would the split be modified? This then opens up the debate whether capital value is the appropriate base for spreading the burden of rates, on leading to more services being rated on a uniform charge basis.

**Moving services from general rate funding to targeted rate funding**

Rotorua’s library, museum, aquatic centre and parks and reserves are currently general rate funded.

It can be argued that these could be rated via a targeted uniform annual charge on the basis that the activities are more influenced by the existence or number of properties rather than the value of the properties. A charge like this would see a shift from capital value based rating to a uniform annual charge.

The contra view is that they form part of a portfolio of services for our community as a whole. The value to the community is as amenity services that enhance the overall value of Rotorua which is reflected in the capital values of the district, therefore supporting capital value rating.

If more services were undertaken on a targeted rates basis that would raise a question of whether a uniform general charge should be applied, and if it were, should they be allowed to distort the allocation of funding proportions between different sectors? If they were not allowed to do so, a differential would be imposed only to bring the general rate back to capital value proportions. As more targeted rates are applied, the basis for differentials reduces because it introduces a principle that the rating base determines the spread of rates.

**Differentials**

A differential is where a multiplier is applied to the general rate so that some ratepayers will pay more or less of this rate. The main reasons for applying a rates differential are to reflect differences in the levels of services received or used, and to reflect the different ability of groups of ratepayers to pay. Current differentials are 1.9 for business and 0.85 for rural residential. Council is considering a programme where these will move towards 1.0 over a period of time.
In 2012 Council started a process of reducing the business differential and it intends continuing this with a further 0.1 reduction being considered for each of the next three years. This change will see a portion of the general rate currently paid by business moved to other property types.

Rural residential properties currently have a 0.85 differential, and the council intends to move this up to 1.0, with a 0.05 increase being considered in each of the next three years. This change will see rural residential properties pay a larger portion of the general rate.

At question is whether differentials should be used to modify that allocation of funding burden or simply be used to correct allocation distortions created by the UAGC.

**Setting the fixed charge (UAGC) for each property**

The uniform annual general charge (UAGC) is the fixed portion of rates that every ratepayer pays regardless of property value. A fixed charge ensures that every ratepayer pays the same minimum contribution for council services. The amount of rates collected via the UAGC cannot exceed 30% of our total rates income. Residential properties account for 75% of the properties in the district and therefore pick up this share of rates collected via the UAGC.

The level at which the UAGC is set can affect the proportion of rates collected, or differentials can be applied to correct the distortion. Because of the high proportion of residential properties, a high UAGC has the effect of shifting more general rates to residential properties, in particular low to middle value properties. On the other hand, a lower UAGC would see general rates shift back to the proportions of our district’s capital value. This would see the general rate for residential ratepayers shift to rural ratepayers, as well as seeing a shift from low value to high value properties.

Council is considering reducing the uniform annual charge from $560 to $410. This is to assist with the affordability of rates and to ensure residential and business ratepayers are paying a fair share of the general rate. A UAGC of $410 has been included in the budget modelling. This change would see a greater proportion of general rates charged on capital value.

**What this would mean for your rates**

<table>
<thead>
<tr>
<th>UAGC option</th>
<th>Value max of house $150k</th>
<th>Value max of house $250k</th>
<th>Value max of house $450k</th>
<th>Value max of house $600k</th>
<th>Value max of house $1m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower value than now $410</td>
<td>1,592</td>
<td>1,873</td>
<td>2,434</td>
<td>2,855</td>
<td>3,978</td>
</tr>
<tr>
<td>Status quo $540</td>
<td>1,675</td>
<td>1,925</td>
<td>2,424</td>
<td>2,798</td>
<td>3,796</td>
</tr>
</tbody>
</table>

*Figures exclusive of Bay of Plenty regional rates and GST.*
Consider other targeted rates
Over the years the inner city and economic activities benefitted from general rates. Is it time to consider a targeted rate for those who benefit most from these activities?

What do you think of the changes being considered to the general rate?
The values at which the uniform annual general charge and differentials are set do not impact on how much general rates Council collects, but they affect the distribution of the general rate across ratepayer types. Council believes these should be set at a level that does not overly distort the distribution of the general rate from the capital value base.

How much will it cost the ratepayer?
The table below shows a set of sample ratepayers and the impact of the latest capital revaluation (completed in 2014) along with the changes to rates being considered.

<table>
<thead>
<tr>
<th>Category</th>
<th>CV 2011</th>
<th>CV 2014</th>
<th>%CV change</th>
<th>Total RDC 2014/2015 Rates</th>
<th>Total RDC 2015/16 Rates</th>
<th>Increase/ (decrease) in total RDC rates</th>
<th>% Increase/ (decrease) in total RDC rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower capital value</td>
<td>$255,000</td>
<td>$265,000</td>
<td>4%</td>
<td>$2,965</td>
<td>$3,296</td>
<td>$331</td>
<td>11.2%</td>
</tr>
<tr>
<td>Medium capital value</td>
<td>$459,000</td>
<td>$442,000</td>
<td>-4%</td>
<td>$4,408</td>
<td>$4,734</td>
<td>$326</td>
<td>7.4%</td>
</tr>
<tr>
<td>Upper capital value</td>
<td>$895,000</td>
<td>$755,000</td>
<td>-16%</td>
<td>$8,587</td>
<td>$8,585</td>
<td>-2</td>
<td>0.0%</td>
</tr>
<tr>
<td>Farming General</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower capital value</td>
<td>$326,000</td>
<td>$436,000</td>
<td>34%</td>
<td>$1,417</td>
<td>$1,754</td>
<td>$337</td>
<td>23.8%</td>
</tr>
<tr>
<td>Lower capital value</td>
<td>$522,000</td>
<td>$413,000</td>
<td>-21%</td>
<td>$1,916</td>
<td>$1,686</td>
<td>-$230</td>
<td>-12.0%</td>
</tr>
<tr>
<td>Medium capital value</td>
<td>$837,000</td>
<td>$742,000</td>
<td>-11%</td>
<td>$2,735</td>
<td>$2,682</td>
<td>-$53</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Upper capital value</td>
<td>$1,580,000</td>
<td>$1,180,000</td>
<td>-25%</td>
<td>$4,611</td>
<td>$3,969</td>
<td>-$641</td>
<td>-13.9%</td>
</tr>
<tr>
<td>Upper capital value</td>
<td>$2,610,000</td>
<td>$2,880,000</td>
<td>10%</td>
<td>$7,497</td>
<td>$9,492</td>
<td>$1,995</td>
<td>26.6%</td>
</tr>
<tr>
<td>Residential Rural General</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower capital value</td>
<td>$214,000</td>
<td>$204,000</td>
<td>-5%</td>
<td>$1,094</td>
<td>$1,111</td>
<td>$17</td>
<td>1.6%</td>
</tr>
<tr>
<td>Medium capital value</td>
<td>$360,000</td>
<td>$360,000</td>
<td>0%</td>
<td>$1,270</td>
<td>$1,320</td>
<td>$50</td>
<td>3.9%</td>
</tr>
<tr>
<td>Upper capital value</td>
<td>$570,000</td>
<td>$555,000</td>
<td>-3%</td>
<td>$2,154</td>
<td>$2,387</td>
<td>$233</td>
<td>10.8%</td>
</tr>
<tr>
<td>Residential Urban General</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower capital value</td>
<td>$172,000</td>
<td>$178,000</td>
<td>3%</td>
<td>$1,579</td>
<td>$1,671</td>
<td>$92</td>
<td>5.8%</td>
</tr>
<tr>
<td>Medium capital value</td>
<td>$222,000</td>
<td>$211,000</td>
<td>-5%</td>
<td>$1,699</td>
<td>$1,764</td>
<td>$65</td>
<td>3.8%</td>
</tr>
<tr>
<td>Upper capital value</td>
<td>$315,000</td>
<td>$308,000</td>
<td>-2%</td>
<td>$1,920</td>
<td>$2,036</td>
<td>$116</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Revenue and financing policy
Council is consulting on its revenue and financing policy – see the council website – www.rotorualakescouncil.nz for a copy of the policy.
Auditor’s Report

Independent auditor’s report on Rotorua District Council’s Consultation Document for its proposed 2015-25 Long-Term Plan

I am the Auditor-General’s appointed auditor for Rotorua District Council (the Council). Section 93C of the Local Government Act 2002 (the Act) requires an audit report on the Council’s consultation document. I have carried out this audit using the staff and resources of Audit New Zealand. We completed this audit on 29 April 2015.

Opinion

In my opinion:

- the consultation document provides an effective basis for public participation in the Council’s decisions about the proposed content of its 2015-25 long-term plan, because it:
  - fairly represents the matters proposed for inclusion in the long term plan; and
  - identifies and explains the main issues and choices facing the Council and city, and the consequences of those choices; and

- the information and assumptions underlying the information in the consultation document are reasonable.

Basis of Opinion

We carried out our work in accordance with the Auditor-General’s Auditing Standards, relevant international standards and the ethical requirements in those standards.¹

We assessed the evidence the Council has to support the information and disclosures in the consultation document. To select appropriate audit procedures, we assessed the risk of material misstatement and the Council’s systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan whether in printed or electronic form;

- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long term plan that meet the purposes set out in the Act; and

¹ The International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and The International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.
ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

I am responsible for reporting on the consultation document, as required by section 93C of the Act. I do not express an opinion on the merits of any policy content of the consultation document.

**Independence**

We have followed the independence requirements of the Auditor-General, which incorporate those of the External Reporting Board. Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.

Clarence Susan  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand
Making your submission is easy

Rotorua Lakes Council (operating name of Rotorua District Council) wants to know what residents and ratepayers think of the proposals being put forward for the next ten years.

Check out the full supporting documents available from the council’s Customer Centre in Haupapa Street, District Library, or read them online from the council website rotorualakescouncil.nz.

There is a defined process to ensure submitters’ views and suggestions are appropriately considered, researched and presented to the mayor councillors for their consideration:

- Submissions received by council
- Submission acknowledged and hearing time confirmed (if requested)
- After submissions close, staff compile and analyse submissions
- Submitters speak to mayor and councillors at hearing (if requested)
- Staff consider all submission information and prepare recommendations for elected members
- Councillors consider all submissions and recommendations and make decisions
- Submitters advised of final decisions in writing

Online submission
Go to rotorualakescouncil.nz and complete an online submission form

Email submission
Email your submission to info@rotorualc.nz
Enter ‘Long-term Plan’ in the subject line

Written submission
Fill in the freepost submission form in this document and post or deliver it to Rotorua Lakes Council.

Rotorua Lakes Council is also accepting feedback on its Long-term Plan 2015-25 via Facebook. Comments and suggestions will be considered, discussed and form part of decision-making. However receipt of feedback provided via social media cannot be acknowledged, and those commenting via social media will not be able to speak at the hearings or receive letters advising of decisions. If you wish to make a formal submission please use the submission processes above (ie online, written or by email).