

three key themes

Three key themes for the future

This section provides a high level overview of the key themes that underpin this Ten Year Plan. Under each of the key themes we have identified a number of specific issues that Council sees as critical to its direction and which underpin much of this plan. These issues have implications for our community and for the services Council delivers.

A large part of the funding is directly from communities through rates and debt.

Council has tried to keep rate increases as low as possible and over the last 10 years has consistently achieved some of the lowest increases in the country. However, our community expects excellent facilities and this places significant pressure on council funding. Council has been very successful in obtaining external funding for a range of projects and has benefited from substantial local support through the Rotorua Partner Programme.

Council believes this approach must continue if we are to progress some of the key issues outlined in this section. In particular, we believe we must work more closely with the private sector through public/private partnerships, to deliver a number of critical projects proposed over the coming ten years.

This Ten Year Plan sets out activities that will be achieved while holding overall rates increases in 2009/10 to just 2%*, and fees and charges to within the levels of inflation (CPI). The remaining nine years of this plan will see overall rates and fee increases limited to between 3.5% - 4% (or within 1% of the Consumer Price Index).

* adjusted for growth of 1.5%

Three key themes have influenced the decisions in this Ten Year Plan:

- Economic Growth
- Sustainability
- Affordability



three key themes **cont.**

1. Economic Growth: Stimulating the local economy

Exactly how the global recession will affect the Rotorua economy is as yet unclear. However, it is unlikely that the tactical responses that have served us well over the last three years will still be as effective, or indeed valid, in the future. Flexibility in responding to changing circumstances will be critical.

A proposal in the draft Ten Year Plan signalled the possibility of Council purchasing the crown forest licence for the Whakarewarewa Forest from the present owners as a means of protecting public recreational opportunities in the forest. However the council acknowledges subsequent opposition to this proposal by the new land owners and will not proceed with the licence purchase. Instead the council intends liaising with the land owners and licence holders with the aim of ensuring that recreational and amenity values of this iconic area continue to be available to future generations. Retention of commercial recreational opportunities in local forests is seen as a significant opportunity for enhancing Rotorua's economy.

During consultation on the draft plan there was strong support within the community for the council to take a much more proactive leadership role to stimulate the local economy, and for this to be given appropriate priority and funding commitment because of the recessionary environment being experienced. In principle this was supported by both the Chamber of Commerce and Bright Economy Advisory Board. The strategic goals set out in the draft Ten Year Plan have not changed in the final plan but the mechanisms to achieve those goals have.

Attracting inwards investment and wealth creation initiatives

What we are going to do:

The council has decided to address this important issue by attracting inwards investment and economic initiatives - budget \$150,000 in 2009/10 year. The goal is to create jobs and entrepreneurial activity by attracting investment and employment from outside. The first stages of this project will include:

- Analysing emerging global and national growth industry sectors.
- Identifying the competitive advantages of Rotorua's economy.
- Reviewing recent industry development and planning initiatives, including 'greenfield' and 'brownfield' development.
- Liaising with key business and industry sectors to review development opportunities.
- Determining priority areas for attracting investment and business opportunities.
- Developing an action plan for attracting inwards investment and wealth creation initiatives.
- Developing resources and materials necessary to support the plan.
- Engaging fixed-term contractors or employees to implement the action plan.

CBD revitalisation and Lakefront development integration

What we are going to do:

The council has decided to address this important issue by increasing the budget for CBD revitalisation and Lakefront integration programmes - \$200,000 in 2009/10. The increase in CBD revitalisation investment will be used to ensure progress can be made on a range of CBD revitalisation projects, including:

- Developing additional themed precincts to follow-on from the successful Eat Street precinct.
- Creating a night market to attract people into the CBD in evenings.
- Adding professional urban design to all CBD development work.
- Integrating themes and principles already identified in the Lakefront concept plan, into CBD developments.
- Developing a master plan for the CBD.
- Identifying potential CBD redevelopment projects in association with equity partners.

The Rotorua community is fortunate to have the large format retail area, Rotorua Central mall co-located with the CBD and main street retail strip. This provides a unique opportunity that does not exist in many cities. However it comes with challenges and pressures on the existing retail areas.

At the other end of the CBD we have the magnificent Lakefront which has not had the level of attention, in terms of its design and integration with the CBD, that perhaps it should have. Over the last 12 months Council has had consultants exploring new design opportunities with key Lakefront opinion leaders and wider-community leaders.

The goal of this project is to ensure the Lakefront makes a proper contribution to the social and economic well-being of our city. Integration with the CBD and a cohesive linkage through Tutanekai Street to Rotorua Central is critical.

The Lakefront development will be a long term project. However the vision will be established early to ensure there is a consistent and committed contribution by Council over many years.

It is likely that some of the development, particularly the Lakefront, will require public/private partnerships through joint ventures with Iwi and others. These joint ventures will be of a very long term nature and require a level of understanding of commercial elements of the Lakefront development, not previously explored by this community. If done well, these development opportunities can make an enormous contribution to the city's economic growth.

three key themes **cont.**

Two projects have been included in the Ten year Plan. \$8m has been allocated in 2011/12 for a new pier and \$1m in 2016/17 for reserve upgrades.

Council has not included any other funding in the draft Ten Year Plan as it believes that much of the development can be funded through public/private partnerships. This kind of approach has been successfully applied in Auckland's Viaduct Basin and along the Wellington waterfront.

Grow Rotorua Development Fund

What we are going to do:

The council has decided to address this important issue by establishing a Grow Rotorua Development Fund - \$3.5m in each of 2009/10 and 2010/11 years. Establishment of the Grow Rotorua Development Fund is a proactive response on Council's part to submissions to the draft Ten Year Plan. While the objectives of the fund have been identified as follows, actual investment projects will be determined once a robust policy with clear rules is developed during the first three months of the 2009/10 financial year. The fund is to be used specifically for:

- a) Reducing the impact of the economic recession on businesses and the community.
- b) Improving local GDP and growth beyond the recession period.
- c) Improving community capacity by growing the economy, population, new business and recreation opportunities.

The policy setting out how this fund will operate, will address such matters as:

- The likely scale of any new enterprise that may be attracted to the district.
- The number of new jobs that any new enterprise would create, including related skills, qualifications and experience.
- The unique potential of any new enterprise to add vitality and variety to the district's economy and community.
- The ability of a new enterprise to complement existing businesses.
- The previous track record of a new enterprise (and those associated with it) in other communities and/or countries.
- Compatibility with the district's current economy (including tourism, forestry, farming and associated service industries).

Establishment of the Grow Rotorua Development Fund will allow strategic investment decisions to be made on behalf of, and for the benefit of, the wider community. Decisions will be taken that help counter the effects of the current economic downturn, and in a more proactive way than would have otherwise been possible within the parameters of the earlier draft Ten Year Plan.

Rotorua District Council is looking forward to working with business sector representatives and the wider community to develop detailed policy for the Grow Rotorua Development Fund.

District marketing

What we are going to do:

The introduction of trans-Tasman scheduled air services creates a range of new opportunities for marketing Rotorua. A brand and marketing campaign is being developed for the wider region. Once complete Destination Rotorua Tourism Marketing and other regional tourism organisations will fund various campaigns. The current marketing spend (to be funded predominantly by businesses through the proposed Business and Economic Development Targeted Rate - (see rates review section), is being refocused on the Australian market.

For 2009/10 Council has not increased its annual marketing spend within the Destination Rotorua Tourism Marketing budget. This may mean a slower start to visitor levels from trans-Tasman services than expected, and less immediate economic benefit to the district.

Council has been conservative in budgeting for marketing activities. Funding for marketing campaigns in eastern Australia will come from a reduction in marketing expenditure in areas such as North America and Europe.



three key themes **cont.**

2. Sustainability: Sustainable development approach to activities and services

The council must take a 'sustainable development' approach to its activities, as required by the Local Government Act 2002, recognising the well-being of the community today and for future generations. Through its Ten Year Plan Council shows how it is supporting and developing the community, directly and through partnerships, in a way that protects the interests and needs of future generations. While most people associate the term 'sustainability' with environmental issues, the council is also committed to an approach that is economically sustainable for the duration of the Ten Year Plan. At the start of this Ten Year Plan phase, the country is in a recessionary period. Therefore planning and rating requirements for the next three years reflect the community's ability to afford proposed activities and services.

Council's 'leadership' approach to sustainability also reflects the current social, economic and political setting in New Zealand including fluctuating energy costs, global financial market crises, national targets for pollution control and greenhouse gas emissions, and debate over such legislation as the Emissions Trading Scheme and the Waste Minimisation Act 2008.

Energy and geothermal use

What we are going to do:

Council is a member of the Communities for Climate Protection (CCP) programme run by the International Council for Local Environmental Initiatives (ICLEI). Council has now adopted emission targets and developed a corporate action plan to reduce energy use. It has contracted a part-time Energy Manager to help deliver a major reduction in energy usage across all services. In addition, Council has six consents for geothermal use and they provide energy for the museum, Energy Events Centre, nursery, aquatic centre and wastewater treatment plant.

The council will explore the opportunity for greater commercial use of geothermal consents, including partnering with other interested organisations to develop efficient geothermal energy use applications. The benefits of this would include making Council more self-sufficient and reducing the cost of operations. It would also help reduce the risks associated with electricity outages. Areas of major concern are the wastewater treatment plant (pumping of effluent) and museum (management of air-conditioning to protect artworks and taonga from hydrogen sulphide gases), event venues (in operating conferences, concerts, sports events etc) and operation of Council's Civic Centre during civil defence emergencies.

This is a new area of interest for Council and one that has the potential to significantly reduce the cost of operations, reduce risks and improve services.

No specific budgets have been included in the Ten Year Plan. Council has assumed that public/private partnerships may be used to progress these projects or new expenditure will be funded from direct savings in operational spending.

Waste 2 Gold

What we are going to do:

The wastewater treatment plant (WWTP) is an efficient system for treating sewage from the city's 58,000 residents and 5,600 business premises. The outputs of the wastewater treatment plant are:

- Water containing nutrients, including nitrogen and phosphorus, which is pumped to settling ponds in the Whakarewarewa Forest and then spray irrigated on parts on the forest on a rotational basis.
- Sludge, which is sediment that cannot be treated any further. Currently, the sludge is 'de-watered' and then transported to the landfill for disposal. This process will be prohibited from 2012 onwards under a National Environmental Standard.

Scion was engaged to identify alternative options for the treatment of the sludge and has now proposed a solution that has very high levels of sustainability. This has been branded 'Waste 2 Gold'.

The underlying principle of the Waste 2 Gold programme is to promote the conversion of waste carbon into useable energy. It involves developing technology platforms to maximise recovery of embodied energy from low-value carbon substrates, generate added value co-products, and minimise the environmental footprints of waste carbon generators and energy users.

three key themes **cont.**

This project, if successful, will provide a sustainable long term solution for the disposal of the wastewater treatment plant's sludge. Council believes it is important to progress this project over the next ten years.

Council is working closely with Scion and has to date funded approximately \$500,000 for research. We are committed to building a small scale pilot plant during the 2009/10 year. Council and Scion are jointly seeking a central government grant from the landfill waste levy scheme currently being set up, to pay for the cost of the pilot plant.

A pilot plant will enable Council and Scion to confirm whether a full scale plant will be effective. At this stage there is some risk that the pilot would not be successful and Council would need to consider other options. If that occurs Council will need to move quickly to comply with the prohibition on sludge being landfilled, that will come into effect in 2012.

\$7 million has been included in 2011/12 to build an operational plant. It may cost more to build a plant to service this community, but Council is confident that a private partner can be found to help fund this project.

Waste minimisation

What we are going to do:

As a result of feedback during the consultation phase on the draft Ten Year Plan the council has called for a detailed investigation and report into the best way to deliver recycling services for the future. This report will also consider options for a kerbside recycling collection service. The report will be completed in the early part of the 2009/10 year so that any decisions to amend existing waste policy and current practice can be implemented from the commencement of the 2010/11 year.

The council is conscious that over recent years there have been many requests for a kerbside recycling service. However to date the prevailing view has been that existing recycling options were working well and with lower costs than if a kerbside collection service had been introduced. Additionally the In-Town Recycling Centre's five year management contract and is not due for retendering until 2010 and this has to be taken into consideration. However the new report will help the council to decide what changes, if any, need to be made to waste minimisation programmes in the district.

In anticipation of a possible increase in recycling service levels, the council has included \$800,000 in each year of the Ten Year Plan with effect from 2010/11. But prior to this, considerably more analysis will be undertaken to help determine exactly what changes need to be put in place.

Recycling options:

Included in the waste minimisation investigation and report to be undertaken in 2009/10 will be a consideration of a number of recycling issues and options, including:

Recycling Issues	Some Options
<ul style="list-style-type: none"> Frequency of service 	<ul style="list-style-type: none"> Weekly 2 weekly Monthly
<ul style="list-style-type: none"> Collection container 	<ul style="list-style-type: none"> 50 litre bin, 120 litre, 240 litre Wheelie bins Households supply own
<ul style="list-style-type: none"> Contractor 	<ul style="list-style-type: none"> Castlecorp (ie in-house) or tender out
<ul style="list-style-type: none"> Sorting of material 	<ul style="list-style-type: none"> Household sorting at the kerb At time of collection At recycling centre
<ul style="list-style-type: none"> Pricing of service 	<ul style="list-style-type: none"> Separate targeted rate Include with current rubbish collection rate General rate Pay contractor directly
<ul style="list-style-type: none"> Future of current In-town Centre 	<ul style="list-style-type: none"> Continue on a reduced scale Close and refer those without kerbside service to landfill recycling site
<ul style="list-style-type: none"> Business 	<ul style="list-style-type: none"> No service Extend to commercial premises

three key themes **cont.**

3. Affordability: Holding rates rises to an affordable level over the 10 years.

A major effort has been made to reduce costs, taking advantage of savings that will accrue from an internal procurement review and being especially conservative with budgeting. This has seen an overall cost reduction in excess of \$1.3 million. The effect of these savings has been to hold the general rate increase to 2% for 2009/2010 (after adjusting for growth in the rating base of 1.5%). The economic recession is seen as an important factor in determining the affordability of rates and other fees and charges set by Council to fund services.

Maintaining levels of service

What we are going to do:

Council will maintain current levels of services, except where there is already a commitment to change the level of service, or a commitment to build new facilities. These development commitments include:

- Civic Theatre (back stage redevelopment)
- Museum stage 3
- Lakeside communities' wastewater schemes
- Aquatic centre redevelopment.

Council will continue the current approach of seeking to secure substantial funding from external sources, such as central government, Rotorua Trust or the Rotorua Partner Programme, to support major investments in community facilities. This approach has been successful to date, although the current economic environment may make it more challenging.

Council committed \$4 million to the Civic Theatre backstage redevelopment in the 2006-16 Ten Year Plan. The project, previously forecasted at \$8.2 million, has been scaled down to \$5.7 million. A fundraising working group is charged with finding private partners for the remaining \$1.9 million. The council will also explore public/private partnerships to extend facilities and services at the aquatic centre.

This plan also provides for a reduction in the levels of some community grants - the only proposed service level decrease.

Maintaining service levels identified in this plan mean that the general rates will increase by 2% (after allowing for growth in the rating base) for 2009/10 and limited to between 3.5% - 4% (or within 1% of the Consumer Price Index) for the remaining 9 years of this plan.

Increasing user pays

What we are going to do:

User charges are an important funding mechanism for Council, which has resolved to identify new user charges where available and increase user charges by at least CPI levels each year. Areas where charges are expected to rise for 2010 are:

- Aquatic Centre
- Building and planning fees
- Animal control
- Environmental health inspections

Funding renewals and a balanced budget

What we are going to do:

Section 100 of the Local Government Act 2002 requires councils to budget each year's operating revenue to meet the year's operating expenses (a balanced budget). Financial information must be prepared in accordance with Generally Accepted Accounting Practice (GAAP). GAAP includes NZ International Financial Reporting Standards, (NZIFRS) and these standards require that a provision for depreciation be included.

Therefore a balanced budget may mean Council collects more revenue (rates from the community) because calculated depreciation on council assets may be higher than the funding actually required to keep it adequately maintained (renewal spending).

Council has chosen to rely on its asset management plans to set annual funding requirements so as to maintain assets in their current condition, rather than identified depreciation. Council does not want to generate cash reserves.

Council has set its revenue prudently, ensuring:

- assets are adequately maintained throughout the Ten Year Plan
- levels of service are maintained for those assets
- there is 'inter-generation equity' between current and future ratepayers.

Council does not fully fund depreciation, therefore it is not building up 'cash reserves' to replace assets or to deal with future problems. From an accounting perspective council does not operate a 'balanced budget' across all 10 years of this plan.

Some examples of why this approach is prudent include:

- Council's subsidy rate from NZ Transport Agency (NZTA) for renewals is 53% meaning ratepayers will only be required to fund 47% of renewal costs. Therefore only 47% of subsidised roading asset depreciation will be funded. Consequently the unfunded portion will be 53% of depreciation.
- The Energy Events Centre (EEC) should last well in excess of 50 years and any decisions about how it will be replaced will be made then. Council's contribution to build the EEC was less than 25% of the \$28 million cost. Council believes that a similar approach would be used in the future to replace the EEC, so does not see it as prudent to build up large depreciation reserves from current ratepayers in order to fund its future replacement.
- The new sewerage schemes being constructed in the district over the next ten years will require only minor expenditure over the next 20 – 25 years. Therefore, not funding depreciation on the lakeshore schemes will have no effect on the service over the next 20 – 25 years.

three key themes **cont.**

Airport capital expenditure funding

What we are going to do:

The single largest investment Council has made for many years is in developing the Rotorua Regional Airport infrastructure to accommodate trans-Tasman scheduled services. This capital expenditure is due for completion in July 2009, and work is well underway on developing branding for a wider-Bay of Plenty marketing initiative.

The capital development is self funding and there is no general rates income used. Previous Council decisions identified that this activity would be funded entirely from the Airport Development Levy, lease payments from Rotorua Regional Airport Limited (RRAL) and other external sources. Those other external funding sources are:

- Borrowing
- Share issues
- Grants.

A range of scenarios has been prepared using a mix of the above funding sources, and they are:

- A potential funding source may include assistance from Environment Bay of Plenty's Regional Infrastructure Fund in the form of grant, loan or equity investment
- A loan, or equity, from Rotorua Trust (Rotorua Energy Charitable Trust) on commercial terms
- Equity capital from a share issue to the Rotorua business sector, particularly the visitor industry, and the wider community.

Council believes the airport will be a financially successful asset over the next 10 to 15 years. In the more immediate term, as trans-Tasman services build, net income will be used to fund interest costs and therefore any equity issues will be with little or no dividend for the initial 2 to 5 years. Some sensitivity analysis has been undertaken to show that it is important to have a range of funding sources over and above borrowing by the council.

A significant portion of Council's medium term debt is associated with the airport development. However, Council's overall debt levels are low and will reduce over the ten years of the plan.

This investment will make a significant difference to the level of employment and economic value added to the Rotorua district and wider Bay of Plenty region.

Changes to rating system

What we are going to do:

Council signalled in the last Ten Year Plan that it would review its rating policy and that it saw merit in considering a system based on capital value.

Council received significant feedback on the proposed capital value model released for public consultation in 2008. This feedback included 1400 formal submissions and a petition.

Council abandoned proposals to move the rating system to one based solely on capital values but identified a number of key themes from submissions that would assist in developing a new rating proposal.

A new rating system has now been developed. The major changes to the new system are:

1. Increasing the Uniform Annual General Charge (UAGC) to \$550 (close to the legal maximum).
2. Targeted rates charged to all properties to pay for urban and rural roads. These rates to be charged on capital value.
3. Targeted rates applied to business properties to fund business and economic development. Included in this targeted group will be short term accommodation providers (B&Bs, lodges etc) that operate from residential properties.
4. A much smaller general rate, allocated using land values.

The policy around other targeted rates, such as refuse collection, sewerage and water, remain unchanged.

More information on changes to the rating system is detailed in the rating policy (see volume 2, page 59).

The new rating system reduces some of the impact of major changes resulting from the 2008 revaluations eg. less significant increases for farming properties.

The new targeted rate means businesses will now pay a separate rate to fund most of Council's spending on economic development, Destination Rotorua Tourism Marketing, Rotorua Travel Office, and Events & Venues. However, there will also be a decrease in the general rate differential paid by business. Overall, the proportions of rates paid by different sectors (residential, farming and business) remain largely unchanged although individual impacts may vary because of changes to the rating system or revaluations.

Other changes signalled for the future are a progressive increase of the UAGC towards the legal limit (30% of general rate), and a progressive decrease of the general rate differential paid by business over time.