

Rotorua District Council
Te Kaunihera ā rohe o Rotorua

Amendment to Ten Year Plan 2009-19

Targeted Rate for Stormwater and Land Drainage



Audit Statement

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

**Statement to the readers of
Rotorua District Council's
adopted amendment to the Ten Year Plan on 30 June 2011
for the ten years commencing 1 July 2009**

Purpose of Statement

The primary purpose of this statement is to inform readers that we have no role to report, and do not give an opinion, on Rotorua District Council's (the District Council's) adopted amendment.

This statement informs readers about the District Council's process of amending its Ten Year Plan (TYP) for the ten years commencing 1 July 2009 and the extent, and limit, of our involvement in that process.

The District Council's process of amending its TYP commencing 1 July 2009 and our involvement

The District Council adopted its TYP for the ten years commencing 1 July 2009 on 29 June 2009. The Auditor-General appointed me, B H Halford, using the staff and resources of Audit New Zealand, to report on her behalf on the TYP adopted on that date.

We expressed an unqualified opinion on the District Council's TYP for the ten years commencing 1 July 2009 in our report dated 29 June 2009. We considered that the TYP adopted on 29 June 2009 provided a reasonable basis for long term integrated decision-making by the District Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the District Council.

In forming our overall opinion, we reported on specific matters required by section 94(1) of the Local Government Act 2002 (the Act). The current reporting requirements differ from the reporting requirements we had for the TYP for the ten years commencing 1 July 2009, due to recent changes to the Act.

In a Statement of Proposal dated 30 March 2011 the District Council proposed an amendment to its TYP for the ten years commencing 1 July 2009 to introduce a new targeted rate for stormwater and land drainage.

We expressed an unqualified opinion on this Statement of Proposal in our audit report dated 30 March 2011.

We considered that the information within the Statement of Proposal, about the proposed amendment to the TYP and any consequential amendments to the TYP that would be required if it was amended in the manner proposed, was fairly presented, and that the District Council had complied with the applicable requirements of the Act in preparing the Statement of Proposal.

In forming our overall opinion, we reported on specific matters required by section 84(4) of the Act.

Audit Statement **cont.**

On 30 June 2011 the District Council adopted the proposed amendment to its TYP for the ten years commencing 1 July 2009 as described in the Statement of Proposal mentioned above.

The District Council has prepared the adopted amendment to reflect the amendments to the TYP adopted by the District Council on the 30 June 2011, and any consequential amendments. The District Council has not prepared an amended TYP that incorporates the amendment adopted on 30 June 2011. Consequently, to form a view of the TYP of the District Council for the ten years commencing 1 July 2009, the content of the adopted amendment should be considered in conjunction with the TYP of the District Council adopted on 29 June 2009.

We do not give an opinion on the District Council's adopted amendment. There is no legislative requirement for us to report on the adopted amendment by the District Council and we have not performed an audit of the adopted amendment. Consequently we have not updated our audit report that was attached to the TYP adopted on 29 June 2009.



B H Halford
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand



AMENDMENT TO TEN YEAR PLAN 2009-19

TARGETED RATE FOR STORMWATER & LAND DRAINAGE

Introduction

As a result of submissions to the Ten Year Plan 2009-19 Rotorua District Council agreed to consider reducing the then 3.8 business differential (rates multiplier) on the general rate, by 0.2 per annum. The differential currently stands at 3.6.

As an alternative to reducing the business differential, the council created a new targeted rate for a portion of stormwater and land drainage activity, using undifferentiated capital value for its allocation. The effect is to retain a higher proportion of the cost of this activity within the residential sector and against properties of any type with higher capital values.

The targeted rate follows development of a statement of proposal which included:

- Three options for reallocation of rates
- Rating implications for farming, residential and business for the 2011/12 year
- A proposed Funding Impact Statement (FIS) for the 2011/12 year (appendix 1)
- Ten Year Plan financials and the proposed 2011/12 budget for stormwater and land drainage (appendix 2)
- A revised 'Funding and Financial Policies' section, replacing that contained in volume 2 of the current Ten Year Plan (appendix 3).

The statement of proposal is required under s84 of the Local Government Act before the council could make a final decision on whether to change the rating on stormwater and land drainage activity.

Council's final decision was to adopt Option 3, creating a new targeted rate for approximately 80% of the stormwater and land drainage net cost of service.

Reasons for the new Targeted Rate for Stormwater and Land Drainage

As part of the Council's revised rating framework in the 2009-19 Ten Year Plan, introduced after extensive consultation, the size of the land value allocated general rate was reduced by the creation of a roading targeted rate and a business and economic development targeted rate.

Business sector representatives have in the past maintained that they carry an unfair rating burden under the revised rating framework. In recognising this historic allocation, there was a commitment by Council to consider a reduction in the business differential by 0.2 per annum on the general rate.

However, because of the ongoing difficult economic environment Council considered establishing a new targeted rate for a portion of the stormwater and land drainage activity rather than reducing the business differential.

The reasons for this include:

- During the Ten Year Plan consultation process there were calls in many submissions, particularly those from Federated Farmers, for Council to consider other targeted rates.
- A targeted rate would hold a higher proportion of the cost of this activity within the residential sector and against properties of any type with a high capital value.
- There is less direct impact on the farming sector by using a targeted rate instead of simply adjusting the business differential on the general rate.

The stormwater and land drainage activity area was chosen as a possible targeted rate for a number of specific reasons, including:

- In terms of "who benefits (user/beneficiary pay principle) and across groups" the service is identified as having less benefit for the farming sector

- Benefits are predominantly in the urban area and the use of a targeted rate on undifferentiated capital value apportions the cost of the activity more specifically to those who benefit.
- The 2010 amendments to the Local Government Act mean that Council must make specific disclosures about the five major infrastructure services (water, sewerage, stormwater, roading and flood protection). All except stormwater and land drainage are identified to a high level with targeted rates.

Options considered

Council considered all options and balanced the community's ability to pay against the wider need to maintain a stable rating framework. Council also seeks to minimise the impact of change in creating a new targeted rate.

The funding approach adopted is to take approximately 80% of the cost of the activity out of the general rate and charge it as a targeted rate on undifferentiated capital value. This is intended to balance the drivers of the service (lower emphasis on land area) with more on improvements on the land (capital value being used).

Summary of options

The following table outlines the key aspects of all options considered in the original statement of proposal. The overall rating impacts are detailed in the table below. Please note that all models include the 3.1% increase in rates proposed for the 2011/12 annual plan budget.

| | Option 1: status quo | Option 2: reduce business differential by 0.2 | Option 3: new stormwater and land drainage targeted rate |
|-----------------------------|-------------------------|---|---|
| Urban residential (average) | 2.48% | 2.85% | 3.26% |
| Business (average) | 5.83% | 4.07% | 3.13% |
| Farming (average) | 2.19% | 3.38% | 2.36% |

More detail on the implications on the average rates for the farming and urban residential sectors, by suburb or area, and all business classifications, are set out below for each option.

The following table shows the impact of each option on the proportion of the total Rotorua District Council rates requirements.

| | Land Value 08 Valuations | Capital Value 08 Valuations | Rates Take 2008/09 | Rates Take 2009/10 | Rates Take 2010/11 | Rates Take 2011/12 Option 1 | Rates Take 2011/12 Option 2 | Rates Take 2011/12 Option 3 |
|-------------|--------------------------------|-----------------------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Farming | 39.6% | 26.9% | 13.0% | 13.1% | 13.6% | 13.5% | 13.6% | 13.5% |
| Business | 11.4% | 18.2% | 24.3% | 25.0% | 22.5% | 23.1% | 22.7% | 22.5% |
| Residential | 49.0% | 54.9% | 62.7% | 61.9% | 63.9% | 63.4% | 63.7% | 64.0% |

The impacts for each sector are set out in more detail for each rating classification through the section on options on pages 4, 6 and 8.

The assumption made is that the targeted rate will be adjusted by 3% per annum for the remaining years of the Ten Year Plan. Variations in the net cost of service for this activity beyond the 3% limit will be included in the portion allocated to the general rate. Appendix 2 details the current budget and the implication for the targeted rate and general rate for the remaining years of the current Ten Year Plan.

Detailed consideration of options

Consideration of each of the available options (as required by section 77 of the Local Government Act 2002) is set out below:

OPTION 1: status quo

This option involves the 3.1% increase in rates required for the proposed 2011/12 annual plan budget. As the increases for all rate types vary significantly the actual increase for each ratepayer would vary depending on their sector (or with sector specific rates such as the business and economic development targeted rate) and area of the district (e.g. impact of differing charges for urban and rural, and water and sewerage schemes). However, as many of the budget increases occur in the services attributed to the business and economic development targeted rate, those increases fall disproportionately on the business sector.

The advantages and disadvantages of this option include:

- Advantages
 - Current rating framework understood; no additional complexity
 - Targeted rates limited to major areas or specific beneficiary area
 - No major impacts for residential or farming ratepayers
- Disadvantages
 - With various budget changes, higher costs fall on business
 - Does not reduce the 0.2 differential sought by business and to be annually considered by Council
 - Does not address high business rates

All categories

| Description | Number of rateable properties 2011/12 | 2010/11 Rates Take (excl GST & BOPRC) (\$) | 2011/12 Rates Take (excl GST & BOPRC) (\$) | % change | |
|--|---------------------------------------|--|--|--------------|--|
| Business Rural - Accommodation | 16 | 129,805 | 137,608 | 6.01% | Business portion of rate take 23.1% |
| Business Rural - Commercial/Industrial | 5 | 7,338 | 7,798 | 6.28% | |
| Business Rural - Industrial | 25 | 107,900 | 110,409 | 2.33% | |
| Business Rural - Other | 66 | 159,000 | 170,729 | 7.38% | |
| Business Rural - Recreation | 3 | 10,388 | 10,796 | 3.93% | |
| Business Rural - Retail | 8 | 16,667 | 17,899 | 7.39% | |
| Business Urban - Accommodation | 149 | 1,676,257 | 1,776,290 | 5.97% | |
| Business Urban - General | 83 | 417,025 | 438,483 | 5.15% | |
| Business Urban - Halls/Clubs | 16 | 72,030 | 74,095 | 2.87% | |
| Business Urban - Industrial | 651 | 3,230,498 | 3,316,546 | 2.66% | |
| Business Urban - Other | 339 | 2,321,222 | 2,483,260 | 6.98% | |
| Business Urban - Recreation | 8 | 96,904 | 104,063 | 7.39% | |
| Business Urban - Rest Homes | 10 | 195,126 | 198,460 | 1.71% | |
| Business Urban - Retail | 137 | 876,416 | 934,021 | 6.57% | |
| Business Urban CBD - Retail | 124 | 1,171,995 | 1,258,836 | 7.41% | |
| Business Urban CBD - Accommodation | 34 | 873,868 | 933,102 | 6.78% | |
| Business Urban CBD - Club & Halls | 1 | 308 | 321 | 4.19% | |
| Business Urban CBD - Commercial/Industrial | 253 | 2,874,247 | 3,095,882 | 7.71% | |
| Business Urban CBD - Industrial | 9 | 50,792 | 52,161 | 2.69% | |
| Council Property Urban | 3 | 5,571 | 5,767 | 3.52% | |
| | 1,940 | 14,293,359 | 15,126,528 | 5.83% | |
| Res Rural Residual General Rate | 6 | 8,922 | 9,523 | 6.74% | Residential portion of rate take 63.4% |
| Res Urban Residual General Rate | 43 | 205,283 | 209,643 | 2.12% | |
| Residential Rural General Rate | 4063 | 5,692,757 | 5,828,002 | 2.38% | |
| Residential Urban 2 Unit General Rate | 681 | 1,540,949 | 1,576,323 | 2.30% | |
| Residential Urban 3 Unit General Rate | 53 | 172,520 | 176,910 | 2.54% | |
| Residential Urban 4 Unit General Rate | 53 | 218,934 | 224,893 | 2.72% | |
| Residential Urban General Rate | 18,446 | 30,467,873 | 31,215,384 | 2.45% | |
| Residential Urban Multi Unit General Rate | 73 | 659,403 | 690,592 | 4.73% | |
| Residential Vacant Rural General Rate | 527 | 479,872 | 491,870 | 2.50% | |
| Residential Vacant Urban General Rate | 860 | 1,054,635 | 1,082,108 | 2.60% | |
| | 24,805 | 40,501,148 | 41,505,248 | 2.48% | |
| Rural Farming General Rate | 1,985 | 8,318,903 | 8,497,603 | 2.15% | Farming portion of rate take 13.5% |
| Rural Farming Residual General Rate | 6 | 7,029 | 7,153 | 1.76% | |
| Urban Farming General Rate | 70 | 291,812 | 301,325 | 3.26% | |
| | 2,061 | 8,617,745 | 8,806,081 | 2.19% | |

OPTION 2: reduce business differential on general rate by 0.2 (from 3.6 to 3.4)

This option involves the 3.1% increase in rates required for the 2011/12 annual plan budget. As increases for all rate types vary significantly the actual increases for each ratepayer would vary depending on their sector and area of the district.

The advantages and disadvantages of this option include:

- Advantages
 - Continues the gradual reduction of general rate differential for business
 - Reduces rating burden to business sector
 - Minor impact on residential ratepayers
- Disadvantages
 - Moves majority of impact to farming sector because of high land value in general rate allocation

All categories

| Description | Number of rateable properties 2011/12 | 2010/11 Rates Take (excl GST & BOPRC) (\$) | 2011/12 Rates Take (excl GST & BOPRC) (\$) | % change | |
|--|---------------------------------------|--|--|--------------|--|
| Business Rural - Accommodation | 16 | 129,805 | 138,825 | 6.95% | Business portion of rate take 22.7% |
| Business Rural - Commercial/Industrial | 5 | 7,338 | 7,874 | 7.32% | |
| Business Rural - Industrial | 25 | 107,900 | 111,665 | 3.49% | |
| Business Rural - Other | 66 | 159,000 | 171,761 | 8.03% | |
| Business Rural - Recreation | 3 | 10,388 | 10,977 | 5.67% | |
| Business Rural - Retail | 8 | 16,667 | 17,983 | 7.89% | |
| Business Urban - Accommodation | 149 | 1,676,257 | 1,739,611 | 3.78% | |
| Business Urban - General | 83 | 417,025 | 430,660 | 3.27% | |
| Business Urban - Halls/Clubs | 16 | 72,030 | 72,570 | 0.75% | |
| Business Urban - Industrial | 651 | 3,230,498 | 3,245,149 | 0.45% | |
| Business Urban - Other | 339 | 2,321,222 | 2,440,885 | 5.16% | |
| Business Urban - Recreation | 8 | 96,904 | 102,312 | 5.58% | |
| Business Urban - Rest Homes | 10 | 195,126 | 198,757 | 1.86% | |
| Business Urban - Retail | 137 | 876,416 | 917,329 | 4.67% | |
| Business Urban CBD - Retail | 124 | 1,171,995 | 1,237,234 | 5.57% | |
| Business Urban CBD - Accommodation | 34 | 873,868 | 922,140 | 5.52% | |
| Business Urban CBD - Club & Halls | 1 | 308 | 309 | 0.19% | |
| Business Urban CBD - Commercial/Industrial | 253 | 2,874,247 | 3,051,847 | 6.18% | |
| Business Urban CBD - Industrial | 9 | 50,792 | 51,036 | 0.48% | |
| Council Property Urban | 3 | 5,571 | 5,690 | 2.13% | |
| | 1,940 | 14,293,359 | 14,874,614 | 4.07% | |
| Res Rural Residual General Rate | 6 | 8,922 | 9,529 | 6.81% | Residential portion of rate take 63.7% |
| Res Urban Residual General Rate | 43 | 205,283 | 210,221 | 2.41% | |
| Residential Rural General Rate | 4,063 | 5,692,757 | 5,861,445 | 2.96% | |
| Residential Urban 2 Unit General Rate | 681 | 1,540,949 | 1,581,445 | 2.63% | |
| Residential Urban 3 Unit General Rate | 53 | 172,520 | 177,858 | 3.09% | |
| Residential Urban 4 Unit General Rate | 53 | 218,934 | 226,408 | 3.41% | |
| Residential Urban General Rate | 18,446 | 30,467,873 | 31,323,070 | 2.81% | |
| Residential Urban Multi Unit General Rate | 73 | 659,403 | 682,023 | 3.43% | |
| Residential Vacant Rural General Rate | 527 | 479,872 | 494,419 | 3.03% | |
| Residential Vacant Urban General Rate | 860 | 1,054,635 | 1,088,145 | 3.18% | |
| | 24,805 | 40,501,148 | 41,654,562 | 2.85% | |
| Rural Farming General Rate | 1,985 | 8,318,903 | 8,596,903 | 3.34% | Farming portion of rate take 13.6% |
| Rural Farming Residual General Rate | 6 | 7,029 | 7,212 | 2.60% | |
| Urban Farming General Rate | 70 | 291,812 | 304,567 | 4.37% | |
| | 2,061 | 8,617,745 | 8,908,681 | 3.38% | |

OPTION 3: create new targeted rate for approximately 80% of the stormwater and land drainage net cost of service

This option involves the 3.1% increase in rates required for the proposed 2011/12 annual plan budget and has been selected by the council. As increases for all rate types vary significantly the actual increases on each ratepayer will vary depending on their sector and area of the district.

Creating a new targeted rate for approximately 80% of the net cost of service for stormwater and land drainage and allocated on undifferentiated capital value, moves some of the rating burden from the business sector to the residential and farming sectors. However, unlike the shift in the business differential most of the shift or impacts is on the residential ratepayers.

The advantages and disadvantages of this option include:

- Advantages
 - Higher rate reduction delivered to some businesses with lower capital value, than the 0.2 move in differential
 - Lower impact on farming sector
 - Some businesses receive new rate (utilities) and other high capital value businesses see very little reduction, reflecting higher benefit
- Disadvantages
 - Uneven distribution of benefit
 - Added complexity to rating framework
 - Some minor impact of residential and more impact on rural residential ratepayers

All categories

| Description | Number of rateable properties 2011/12 | 2010/11 Rates Take (excl GST & BOPRC) (\$) | 2011/12 Rates Take (excl GST & BOPRC) (\$) | % change | |
|--|---------------------------------------|--|--|--------------|--|
| Business Rural - Accommodation | 16 | 129,805 | 133,086 | 2.53% | Business portion of rate take 22.5% |
| Business Rural - Commercial/Industrial | 5 | 7,338 | 7,505 | 2.28% | |
| Business Rural - Industrial | 25 | 107,900 | 107,986 | 0.08% | |
| Business Rural - Other | 66 | 159,000 | 168,754 | 6.13% | |
| Business Rural - Recreation | 3 | 10,388 | 9,953 | -4.20% | |
| Business Rural - Retail | 8 | 16,667 | 17,812 | 6.87% | |
| Business Urban - Accommodation | 149 | 1,676,257 | 1,706,606 | 1.81% | |
| Business Urban - General | 83 | 417,025 | 424,843 | 1.87% | |
| Business Urban - Halls/Clubs | 16 | 72,030 | 72,377 | 0.48% | |
| Business Urban - Industrial | 651 | 3,230,498 | 3,207,698 | -0.71% | |
| Business Urban - Other | 339 | 2,321,222 | 2,419,403 | 4.23% | |
| Business Urban - Recreation | 8 | 96,904 | 102,680 | 5.96% | |
| Business Urban - Rest Homes | 10 | 195,126 | 205,130 | 5.13% | |
| Business Urban - Retail | 137 | 876,416 | 906,387 | 3.42% | |
| Business Urban CBD - Retail | 124 | 1,171,995 | 1,227,929 | 4.77% | |
| Business Urban CBD - Accommodation | 34 | 873,868 | 921,407 | 5.44% | |
| Business Urban CBD - Club & Halls | 1 | 308 | 291 | -5.54% | |
| Business Urban CBD - Commercial/Industrial | 253 | 2,874,247 | 3,045,192 | 5.95% | |
| Business Urban CBD - Industrial | 9 | 50,792 | 50,396 | -0.78% | |
| Council Property Urban | 3 | 5,571 | 5,631 | 1.08% | |
| | 1,940 | 14,293,359 | 14,741,067 | 3.13% | |
| Res Rural Residual General Rate | 6 | 8,922 | 9,799 | 9.84% | Residential portion of rate take 64.0% |
| Res Urban Residual General Rate | 43 | 205,283 | 213,577 | 4.04% | |
| Residential Rural General Rate | 4,063 | 5,692,757 | 5,938,023 | 4.31% | |
| Residential Urban 2 Unit General Rate | 681 | 1,540,949 | 1,584,194 | 2.81% | |
| Residential Urban 3 Unit General Rate | 53 | 172,520 | 175,032 | 1.46% | |
| Residential Urban 4 Unit General Rate | 53 | 218,934 | 220,547 | 0.74% | |
| Residential Urban General Rate | 18,446 | 30,467,873 | 31,432,309 | 3.17% | |
| Residential Urban Multi Unit General Rate | 73 | 659,403 | 683,453 | 3.65% | |
| Residential Vacant Rural General Rate | 527 | 479,872 | 490,629 | 2.24% | |
| Residential Vacant Urban General Rate | 860 | 1,054,635 | 1,073,247 | 1.76% | |
| | 24,805 | 40,501,148 | 41,820,811 | 3.26% | |
| Rural Farming General Rate | 1,985 | 8,318,903 | 8,511,838 | 2.32% | Farming portion of rate take 13.5% |
| Rural Farming Residual General Rate | 6 | 7,029 | 7,363 | 4.75% | |
| Urban Farming General Rate | 70 | 291,812 | 301,967 | 3.48% | |
| | 2,061 | 8,617,745 | 8,821,168 | 2.36% | |

Summary

The statement of proposal covering the three options was intended to highlight the problems being faced by the council with the allocation of the rating burden across the three key sectors of residential, farming and business.

Some adjustments have been made but the reduction in the business differential on the general rate is having a more pronounced effect on the farming sector. With the aim of rebalancing the current rating burden, Council is of the view that the creation of additional targeted rates provides the best opportunity to allocate more rates to those who specifically benefit, therefore council adopted option 3.

The approximately 80% portion of stormwater and land drainage to be allocated by undifferentiated capital value shifts a portion of the rating burden to more closely align to size (total capital value) and the urban areas.

Appendix 1: Funding Impact Statement for Council

Funding Impact Statement and internals at same proportion with option 3 chosen

A forecast for the ten years ending 30 June 2019

| Description | Annual Plan 2010/11 | Ten Year Plan 2011/12 | Annual Plan 2011/12 | Variance to Annual Plan 2010/11 |
|---|------------------------|--------------------------|------------------------|------------------------------------|
| <i>\$ in thousands</i> | | | | |
| Rating Mechanisms | | | | |
| Rates | 20,485 | 23,330 | 19,009 | -7.2% |
| Uniform Annual General Charge | 14,144 | 14,506 | 14,607 | 3.3% |
| Less RDC Rates | (1,575) | (820) | (1,587) | 0.8% |
| Water Rates | 3,321 | 3,522 | 3,387 | 2.0% |
| Sewerage Rates | 9,957 | 10,563 | 10,156 | 2.0% |
| Sewerage Capital Rates | 849 | 3,684 | 861 | 1.4% |
| Refuse Rates | 2,042 | 2,818 | 2,042 | 0.0% |
| Water by Meter | 3,521 | 3,627 | 3,592 | 2.0% |
| Water by Meter Penalty | 8 | 9 | 8 | 0.0% |
| Lakes Enhancement Rate | 419 | 432 | 427 | 2.0% |
| Urban Sewerage Development Rate | 57 | 124 | 58 | 2.0% |
| Lakes Community Board Rate | 50 | 53 | 50 | 0.0% |
| Business and Economic Development Rate | 4,673 | 4,876 | 5,358 | 14.7% |
| Roading Targeted Rate | 8,914 | 9,152 | 8,951 | 0.4% |
| Land Drainage Targeted Rate | - | - | 2,000 | |
| Less Water by Meter | (254) | (183) | (266) | 5.0% |
| Total From Rating Mechanisms | 66,612 | 75,693 | 68,653 | 3.1% |
| Development Contributions | 2,866 | 4,140 | 800 | -72.1% |
| Resource Management Contributions | 618 | 637 | 618 | 0.0% |
| Subsidies & Grants | 26,298 | 25,890 | 24,423 | -7.1% |
| Investment Revenue | 947 | 315 | 904 | -4.5% |
| Fees & Charges | 5,687 | 5,770 | 5,781 | 1.6% |
| Trading Revenue | 18,052 | 21,100 | 19,965 | 10.6% |
| Profit on Disposal | 6 | 6 | 136 | 2166.7% |
| Other Revenue Sources | 54,474 | 57,858 | 52,627 | -3.4% |
| Total Revenue Funding Mechanisms | 121,086 | 133,551 | 121,281 | 0.2% |

Appendix 2: Current Ten Year Plan and proposed 2011/12 budgets for Stormwater and Land Drainage with option 3 chosen

| Stormwater & Land Drainage | Previous Year Actual | Proposed 2011/12 Budget | Original TYP 2011/12 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------------------|-------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating Expenses | | | | | | | | | | |
| Direct Costs | 1,492 | 1,515 | 1,326 | 1,560 | 1,607 | 1,655 | 1,705 | 1,756 | 1,809 | 1,863 |
| Financial Costs | 440 | 482 | 560 | 637 | 675 | 704 | 650 | 661 | 657 | 563 |
| Depreciation | 1,120 | 2,200 | 1,131 | 2,214 | 2,223 | 2,237 | 2,245 | 2,241 | 2,253 | 2,253 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | 3,052 | 4,197 | 3,017 | 4,411 | 4,505 | 4,596 | 4,600 | 4,658 | 4,719 | 4,679 |
| Revenue | | | | | | | | | | |
| Capital Revenue | 7 | 54 | 186 | 191 | 197 | 203 | 209 | 215 | 222 | 228 |
| Fees and Charges | 77 | 111 | 110 | 114 | 117 | 121 | 124 | 128 | 132 | 136 |
| Investment Income | 0 | 1 | 27 | 42 | 58 | 75 | 94 | 115 | 137 | 162 |
| Subsidies and Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Targeted Rates | 0 | 2000 | 0 | 2,060 | 2,122 | 2,185 | 2,251 | 2,319 | 2,388 | 2,460 |
| Other Income | 420 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 504 | 2,166 | 323 | 2,407 | 2,494 | 2,584 | 2,678 | 2,777 | 2,879 | 2,986 |
| Internal Recoveries | | | | | | | | | | |
| Internal Recoveries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Internal Recoveries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cost of Service | 2,548 | 2,031 | 2,694 | 2,004 | 2,011 | 2,012 | 1,922 | 1,881 | 1,840 | 1,693 |
| Capital Costs | | | | | | | | | | |
| Renewals | 184 | 530 | 530 | 546 | 563 | 580 | 597 | 615 | 633 | 652 |
| Growth | 91 | 104 | 104 | 107 | 110 | 113 | 117 | 120 | 124 | 128 |
| Backlog | 854 | 415 | 415 | 427 | 440 | 454 | 467 | 481 | 496 | 510 |
| Level of Service | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Capital Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Capital | 1,138 | 1,049 | 1,049 | 1,080 | 1,113 | 1,147 | 1,181 | 1,216 | 1,253 | 1,290 |
| Operational Funding | | | | | | | | | | |
| Net Cost of Service of General Rate Activities | | 2,031 | 2,694 | 2,004 | 2,012 | 2,012 | 1,922 | 1,882 | 1,839 | 1,693 |
| Plus Capital Revenue | | 54 | 186 | 191 | 197 | 203 | 209 | 215 | 222 | 228 |
| Less Depreciation of General Rate Activities | | -2200 | -1131 | -2,214 | -2,223 | -2,237 | -2,245 | -2,241 | -2,253 | -2,253 |
| Depreciation Funded by General Rates | | 530 | 530 | 546 | 563 | 580 | 597 | 615 | 633 | 652 |
| Add back half share roading depreciation | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Self Funding/DC Reserve Movements | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operations Funded by General Rates | | 415 | 2,279 | 527 | 549 | 558 | 483 | 471 | 441 | 320 |
| Capital Funding | | | | | | | | | | |
| Funding from Depreciation (Rates) | 103 | 530 | 530 | 530 | 563 | 580 | 597 | 615 | 633 | 652 |
| Loans from/(to) Corporate Fund | 1035 | 519 | 519 | 519 | 550 | 567 | 584 | 601 | 619 | 638 |
| Total Capital | 1,138 | 1,049 | 1,049 | 1,049 | 1,113 | 1,147 | 1,181 | 1,216 | 1,252 | 1,290 |
| Percentage of cost of service funded by targeted rate | | 82.8% | 0.0% | 79.6% | 79.5% | 79.7% | 82.3% | 83.1% | 84.4% | 88.5% |

Note – it is anticipated that the targeted rate will increase by 3% pa with the remainder of funding coming from the general rate.

Appendix 3:

The tables below replace the Stormwater and Land Drainage part of the 'Funding Policy' tables on pages 54-55 Volume 2 of the Ten Year Plan 2009-19

| Activities | Who benefits (user/beneficiary pay principle) and across groups | | | | | | | | Period of benefit (Intergenerational Equity Principle) | Are there Exacerbators Y/N |
|--|---|-------------------|-------------------|---------|----------|------------------|---|-----------|--|----------------------------|
| | Total Community | Residential Urban | Residential Rural | Farming | Business | Individual Users | Users/Beneficiaries | | | |
| Infrastructural Group Stormwater and land drainage | ✓ | | Less | Less | | | Property owners where systems in place and community as whole | Long Term | No | |

| Will proposed funding allow residents access to facility or service | Are there any implications for specific groups e.g. community or business? | Is approach financially sustainable? | Does it provide incentive/disincentives e.g. environmentally friendly? | % funding from user fees and charges | % funding from targeted rates | % funded by general rate |
|---|---|--------------------------------------|--|--------------------------------------|-------------------------------|--------------------------|
| N/A | Moving a portion from general rate allocated on land value will reduce the impact on farming and rural residential. Businesses with high capital values may pay an increased share. | Yes | N/A | | 75-90% | 10-25% |

The table below replaces the 'Funding Policy Mechanisms (in summary) 2010' table on page 58 Volume 2 of the Ten Year Plan 2009-19

| Total Revenue: Fund Operational and Capital Expenditure | | | | | | |
|--|--|--|---|--|--|--|
| User Fees and Charges and Trading Revenue | Targeted Rates for Water | Targeted Rate for Wastewater | Uniform Annual General Charge (UAGC) | General Rates | Other Targeted Rates | Loans, Interest, Grants, Subsidy, Asset Disposal |
| <p>Fees and charges are to be increased regularly to ensure they are at least in line with CPI/inflation movements. New charging opportunities explored such as: parking on reserves, property file access. Reduces impact on rates.</p> | <p>Charged on a uniform basis to residents connected and capable of being connected to a council scheme. There are some users (mostly larger commercial operations) that are charged on the basis of usage as measured by meter. Rates calculated on basis of annual cost for each individual scheme. Alternative is an equalized rate over all water supply schemes in district. Consider wider use of metering in longer term to assist with conservation.</p> | <p>Charged on a uniform basis to residents connected and capable of being connected to the council scheme. Balanced budget will be important consideration in response to the \$32m grant and payment of lump sum contribution by some property owners on the establishment of the target rate to fund capital. Equalisation of operating costs will need to be monitored in a transparent manner.</p> | <p>Quantum as close to 30% cap (26% for 2008/09). Activities funded by the UAGC (previously simply a minimum contribution to Council services) Activities funded from the UAGC include:</p> <ul style="list-style-type: none"> • Democracy & Kaupapa Maori • Governance & Strategic Direction • Library • Aquatic Centre • Museum of Art and History (50%) • Events and Venues (50%) • Community Halls • Cemeteries and Crematorium • Animal Control • Emergency Management/Rural Fire <p>This is a change from what was included in the 2009-19 Ten Year Plan which had also included:</p> <ul style="list-style-type: none"> • Community Engagement and Support • Public gardens and reserves • Waste management • Land drainage • Road safety | <p>Lower amount with greater use of targeted rates and increase in the UAGC. Will retain the land value based system. Growth in rating base will continue at around 1.5% per annum which will allow increase in rates revenue without "rate in the dollar" of LV increasing.</p> | <p>Refuse collection rate for ratepayers receiving this service, also lake enhancement, urban sewerage development and lakes community board rates charged on a uniform basis. Targeted rates for roading, marketing, events promotion, CBD services and economic development. These rates will be charged on capital value (roading to all ratepayers and the other rates to the groups that benefit from these activities). These costs were previously funded from the general rate. The new stormwater and land drainage targeted rated is added here.</p> | <p>New capital mostly funded from loans – exception are grants and subsidies for specific projects such as roading and sewerage schemes. Rotorua Partners Programme will assist with capital for:</p> <ul style="list-style-type: none"> • Civic Theatre • Airport • Museum |
| \$25.7m | \$6.7m | \$11.1m | \$14.6m | \$17.4m | \$18.8m | \$33.8m |
| | | | | | | \$9.8m |

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The bottom of the page features two logos side-by-side. The left logo is on a dark blue background and consists of a white spiral icon followed by the text 'Shaping Rotorua' in white. The right logo is on a white background and consists of the text 'DESTINATION' in blue, a green wavy line, the text 'ROTORUA' in blue with a white spiral icon inside the 'O', and a dark blue rectangular box containing the text 'ROTORUA DISTRICT COUNCIL' in white.

Shaping Rotorua

DESTINATION
ROTORUA
ROTORUA DISTRICT
COUNCIL