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The Annual Plan 2011/12 has been prepared in accordance with the requirements of the Local Government Act 2002. This Annual Plan (which includes prospective financial statements) was adopted at the extraordinary meeting of Rotorua District Council on Thursday 30 June 2011.

Message from the Mayor

*E te iwi whānui o te rohe o Rotorua.
Ngā mihi nui ki a koutou katoa.
Ko te mahere ā tau tenei e whaia ana i te mahere tekau tau.
He whakatau tikanga e paana ki ngā tirohanga me ngā tūmānako a Te Kaunihera ā rohe o Rotorua mo te hāpori o Rotorua*

*To the people of Rotorua, warm greetings to you all.
This document is our annual plan and it follows on from our longer ten year plan.
It establishes the direction Rotorua District Council has determined for Rotorua in line with the aspirations of the community.*



His Worship the Mayor, Kevin Winters JP

Kia ora koutou

Welcome to Rotorua District Council's Annual Plan for the 2011/12 financial year. This plan has been developed with valuable input from the Rotorua community and other interested parties following a comprehensive programme of consultation when the document was in draft form. I extend our thanks to everyone who engaged with the council during the consultation phase and contributed to the final plan for the 2011/12 financial year.

New Zealand's Best City

It's not surprising that Rotorua is the current holder of the title 'New Zealand's Best City' and that we have been accorded this honour a record six times in the last eleven years. Effective planning and management by your council is a major factor in these successes, as are our strong partnerships with local residents, iwi, businesses and other organisations that help make Rotorua a special place. This plan sets out to ensure we maintain our reputation as one of the best places in New Zealand - to live, to visit and to conduct business in.

Some of the key points of public interest in the annual plan are:

Rates increase kept below inflation

The plan has again been prepared in the face of a very challenging national and international economic environment. For that reason the council has taken a cautious and responsible approach in determining its programme and budgets for the 2011/12 year. While inflation for the coming year is forecast to be between 4% and 5% we will be holding our overall rates increase to just 3.1%. This will be the third year in a row we have achieved a sub-inflation rates increase and it means we are fulfilling the commitment we made in our ten year plan. In each of these three years we have produced the lowest, or at least one of the lowest, rates increases of any council in the country.

New tourism direction

Our recently formed Rotorua Tourism Committee comprises some of the best tourism brains from around the country and is ably chaired by former Pacific Blue CEO Tony Marks. The committee is well down the track in developing a comprehensive strategy for defining a new tourism direction for the district. This annual plan retains a strong commitment to destination tourism marketing and provides a range of other support for developing this important sector of our local economy.

Rotorua Airport and trans-Tasman services

The airport company's refreshed board of directors is working very well under the competent chairmanship of local businessman Ray Cook, and is well positioned to take advantage of new opportunities as world economies improve. The appointment of Tauranga mayor Stuart Crosby to the board is recognition that the airport is a truly regional facility with increasing utilisation by travellers from throughout the Bay of Plenty and neighbouring regions.

A recent independent economic impact report reveals the airport contributes between \$50 million and \$100 million to the regional economy each year.

The direct trans-Tasman Sydney-Rotorua service has now passed its first year milestone with loadings in line with expectations, and growing.

Much of the airport's recent infrastructural development has been financed by the council from loans and we will service this year's \$4 million interest payments from operational savings across departments, avoiding the need for additional rates specifically for this purpose.

We are also committing \$1 million to a joint venture marketing programme with Air New Zealand to attract more Australian visitors to Rotorua.

Message from the Mayor **cont.**

Museum development

Shortly we will celebrate the conclusion of a major \$22 million project to extend the iconic Rotorua Museum building to the original plans prepared by the building's architect more than a hundred years ago. A hugely successful fundraising programme by the Museum Centennial Trust, led by Lyall Thurston, means this project will be completed on time and within budget. Without question, our museum will be a world class cultural facility and one of our country's most important visitor attractions.

Improving lakes water quality

Rotorua District Council, in partnership with the Te Arawa Lakes Trust, the Bay of Plenty Regional Council and the Crown, is continuing its substantial programme of developing new sewerage schemes in lakeside communities. These projects are a significant investment in improving and protecting the water quality of the district's all-important lakes.

Support for homeless shelter

We have included a \$30,000 operational grant in the annual plan as assistance for the development of a night shelter for homeless residents. This will be the first of its kind for Rotorua.

CBD revitalisation

Our urban design framework adopted last year will move into its next phase in 2011/12 with a number of projects incorporated in the annual plan, aimed at revitalising the CBD. This programme will be rolled out over a number of years.

District Plan to be notified

During the 2011/12 financial year Rotorua's second-generation district plan will move from being a draft document to being formally notified as the Proposed District Plan 2011. This important document will play a major role in guiding the district's future development.

New parking pricing

A new parking policy in this plan aims to achieve between 70% and 90% occupancy in all parking spaces. This will be controlled by pricing rather than by time restrictions. Parking prices could vary from 50 cents per half hour in the most sought-after CBD locations to 50 cents for eight hours in significantly less busy places or free in some locations.

Tree replacements

The annual plan also signals the council's intention to remove a number of pin oak trees on Hinemaru St outside the council Civic Centre, as they have grown larger than expected and are affecting other more important trees in Government Gardens. These trees will be replaced with species that grow to lesser dimensions.

Maintaining service levels

Your council is very conscious of and sensitive to the difficult times most people in New Zealand are experiencing as a result of a tight economy. The annual plan therefore sets out to balance expenditure restraint with targeted support for programmes that will help create a positive environment for economic progress. At the same time we have consciously provided for a continuation of the services and the quality levels of service that this community has enjoyed over past years.

Conclusion

This introduction offers a simple snapshot of some of the wide range of activities and developments planned by the council for the 2010/11 financial year. More detail is provided elsewhere in this document.

Finally I extend appreciation to my colleagues on the council, to our committees, our community board and to chief executive Peter Guerin and his staff for their efforts in developing this responsible and progressive annual plan. Residents can be assured that we are committed to ensuring that Rotorua District Council retains its reputation as one of the best performing councils in New Zealand and that the quality of life enjoyed by Rotorua residents remains the envy of many.



Kevin Winters JP
Mayor

Mayor and councillors



Left to right: Cr Maggie Bentley, Cr Geoff Kenny, Chief Executive Peter Guerin, Cr Julie Calnan JP, Cr Mike McVicker, Cr Glenys Searancke, Cr Karen Hunt, His Worship the Mayor Kevin Winters JP, Cr Charles Sturt, Deputy Mayor Cr Trevor Maxwell MNZM, Cr Mark Gould JP, Cr Maureen Waaka MNZM JP, Cr Janet Wepa, Cr Dave Donaldson QSM

Rotorua lakes community board

(Left to right)
Geoff Palmer,
Leo Meharry,
Maggie Bentley,
Brentleigh Bond (chair),
Dave Donaldson,
Neil Callaghan



Te Arawa standing committee



Standing (L to R):
Arapeta Tahana,
Kingi Biddle,
Eraia Kiel,
Mauriora Kingi (Director Kaupapa Maori),
Cr Trevor Maxwell,
Roku Mihinui,
Potaua Biasiny-Tule

Seated (L to R):
Rene Mitchell,
His Worship the Mayor Kevin Winters (chair),
Cr Maureen Waaka,
Bella Tait (Policy Analyst/Maori Research Officer)

Chief Executive: major issues for 2011/12



Chief Executive, Peter Guerin

Kia ora,

The 2011/12 Annual Plan continues to apply the three overriding themes established in our current Ten Year Plan - economic growth, sustainability and affordability.

In the plan for next year we are presenting a programme of activities and budgets that will:

- sustain, protect, and where possible improve, our physical environment
- help develop a positive environment for economic growth, and
- acknowledge the ongoing difficult economic environment while maintaining service levels.

This plan supports all three broad aspirations of the mayor and councillors, and complements the provisions of the current Ten Year Plan.

For the 2011/12 financial year economists are forecasting inflation to be in the range of 4% to 5%. Local government inflation is likely to be even higher. However our council is again keeping its overall rates increase to well below inflation levels and with an increase of just 3.1%. This will be the third year in a row Rotorua District Council has achieved a sub-inflation rates increase, and the third year in a row Rotorua has had one of the lowest increases of all local authorities in New Zealand.

This means our budgets will be extremely tight with little allowance for contingency expenditure in the case of unforeseen events affecting revenue or increasing costs. However our management and staff have risen to the challenge issued by the mayor and councillors to maintain the services we provide to the community at similar levels to previous years, regardless of reduced budgets in many cases.

A recent restructuring of senior management of the council has better equipped us to manage the wide-ranging demands of the foreseeable future and this has been complemented by a parallel review of governance arrangements at committee level, resulting in a new committee structure now in place.

Our sustainability and procurement programmes remain an ongoing focus of attention in all our activities. In the coming year the operational arm of the council will embark on a major organisation-wide programme to improve efficiency processes by applying some of the principles developed by the Toyota corporation in their highly successful efficiency improvement programme known as 'Lean Thinking.' In short the principles of 'Lean Thinking' are about a process of continuous improvement - doing things *better, faster, quicker and cheaper*.

Following, in summary form, is commentary on major issues and changes in this Annual Plan for the 2011/12 financial year. I add my thanks to those of his Worship the Mayor, for the helpful community feedback we received on these issues as part of the public consultation programme we undertook in developing the plan.

Peter Guerin
Chief Executive

Fresh Vision for the District

A new vision statement for the district is being incorporated into a new economic development strategy currently being developed in partnership with local business and other community leaders. The new vision statement is:

ROTORUA - LIVING THE DREAM *world class in every way!*

The key elements of the new vision statement are:

- **Living the dream** - promotes lifestyle, prosperity, sustainability and vibrancy. It encompasses a wide variety of ideas into a concise statement, describing aspirations for an ideal community, environment, economy and infrastructure.
- **World Class** - sets a benchmark for businesses and organisations to strive for. It builds on Rotorua's reputation for world class sectors such as tourism and forestry, and challenges stakeholders to set similar standards.

New Organisational Structure

A major review of the council's organisational structure was undertaken in 2010. As a result of these changes the number of key operational groups at RDC has reduced from four to three, with new senior management appointments made. These three new groups and their respective activities are reflected in the layout of this annual plan. The council is placing greater emphasis on growing and strengthening local economic opportunities and the realignment of some council activities will help achieve this focus. The three management groups now in place are:

- Corporate & Customer Services Group
- Infrastructure Services Group, and
- Economic and Regulatory Services Group.

Chief Executive: major issues for 2011/12

New Tourism Committee and strategy

During 2010 the council undertook a major review of its involvement in tourism. As a proactive response to the local tourism sector's request for a greater involvement in decision-making around RDC's tourism spend and marketing activities, a new tourism committee was formed. Six leading tourism practitioners from around the country were appointed along with one district councillor, and the committee is well down the track in reviewing Rotorua's tourism direction and developing a major new tourism strategy. This is an exciting opportunity for this vital sector of our economy and it will support a new future for our visitor industry.



Rotorua Tourism Committee members from left:

Oscar Nathan, deputy chairman (Rotorua) – principal director Renosc Group, director Waka Digital, director On Tourism/24 Seven Consultants

Maureen Waaka, Rotorua District Councillor

Tony Marks, chairman (Auckland) – inaugural CEO Pacific Blue Airlines; former CEO Origin Pacific Airlines; former CEO Zespri; former commercial general manager Air New Zealand International

Stewart Brown (Rotorua) – regional general manager Ngai Tahu Tourism, responsible for Rainbow Springs, Kiwi Encounter and Huka Falls Jet; vice president ITOC (Inbound Tour Operators Council)

Elizabeth Valentine (Wellington) – chief executive ATTTO (Aviation, Tourism, Travel Training Organisation)

Karl Johnstone (Rotorua) – general manager, New Zealand Māori Arts and Crafts Institute; former head of Maori & Indigenous Development, Waiariki Institute of Technology; former concept leader, Te Papa

Marcus Keenan (Rotorua) – general manager Holiday Inn Rotorua

Supporting a homeless shelter

For a number of years the issue of homeless people in Rotorua has struggled to gain momentum. A trust was formed some time ago for the purposes of developing a night shelter and two years ago the council pledged support to the trust conditional on securing a suitable property and developing an acceptable plan. These have now both been achieved and the council has allowed funding for an operating grant of \$30,000 per annum for three years in support of this important community initiative.

Airport development funding

Over recent years the council has invested significantly in the development of Rotorua's airport in response to community expectations and to meet higher requirements and standards for domestic operations, particularly those related to new generation jet aircraft. Infrastructure investment also prepared the airport to meet direct trans-Tasman capability. Loans for this work have been separated from the rest of Council's infrastructure development debt, traditionally serviced directly from rates contributions.

Our Ten Year Plan shows that debt for the airport development was expected to increase over a number of years as interest compounded, until additional airport revenue generated from increased airline services and other related income reached the point where funds would be available for reducing the overall debt.

However factors unforeseen at that time have subsequently meant that this debt has risen higher than anticipated and forecast levels of airport revenue have not been realised for a number of reasons. These factors include the withdrawal of domestic jet services to Christchurch and Queenstown, the end of Qantas NZ domestic services, the world economic recession and a major downturn in international visitor numbers. Additionally, budgeted expectations for external partners to contribute up to \$12m for the airport's capital costs have to date not materialised.

The council is therefore paying this years interest on the loans of approximately \$4 million from operational savings across all departments rather than from additional rates. Operational budgets will therefore be extremely tight and there is some increased risk of budget over-run from unexpected events. However the council is confident that present service levels as set out in the 2009-19 Ten Year Plan can be maintained.

Tourism and economic strategic planning

Separate strategies are being developed for the district's tourism marketing and for economic growth. There is considerable input from the tourism sector into the tourism strategy, and from representatives of the wider business community into the economic growth alignment strategy. This annual plan includes budget provision to allow implementation of these strategies.

Chief Executive: major issues for 2011/12

Joint Venture marketing for trans-Tasman air services



An amount of \$1m has been included in the economic activity budget for 2011/12 for a joint venture marketing programme with Air New Zealand, around Rotorua's direct trans-Tasman service from Sydney. This also provides marketing opportunities to be complemented by the wider regional 'Central Park' brand activity with marketing support from neighbouring regional tourism offices. This extra expenditure is to be accounted for by way of the business and economic development targeted rate.

Parking changes

In September 2010 the council adopted a report called Parking Policy Review, with two major elements:

- Policy recommendations to be included in the District Plan review.
- Establishment of a new public parking policy.



District Plan recommendations will be included in the new District Plan development process but the second recommendation regarding public parking (ie on-street parking, parking buildings etc.) is controlled by formal council policy. Since then further work has identified how such a policy can be implemented and how it might work. Key features of the policy are:

- **Occupancy:** Target occupancy is to be between 70% and 90%. This will be measured on average throughout the day.

- **Pricing:** Pricing will be the only control. It may be that the parking price is zero and in fact it will be if occupancy drops below 70% where the lowest price is in place. A pricing regime will be based around the following principles:
 - Prices to be based on 50 cent units and half hour periods. This means that the minimum period purchased is half an hour but could cost 50 cents, \$1, \$1.50 etc. At the other end of the scale the lowest possible charge would be 50 cents for eight hours or free in some locations. Traditional 'lollipop' meters will be phased out over many years and replaced by 'pay & display' units.
 - Reviews and price adjustments will be undertaken annually but only in areas considered to not be meeting occupancy targets.
 - Changes to parking prices will be managed as a regulatory matter and delegated to the chair of the Infrastructure Services Committee and the Group Manager, Infrastructure Services.

The policy is relatively straight forward. The effect is to manage demand much better than at present and to favour short term use in high demand retail areas, ie to favour retail and business customer parking over all day workers' parking.

The same policy will apply to suburban shopping centres, but at this stage none would justify anything other than zero parking charges.

The report covers the CBD at this stage but could in due course apply to other centres.

The adopted policy was included with the draft Annual Plan (separate volume) for consultation.

CBD Revitalisation - Urban Design Framework

The council developed a draft Urban Design Framework in 2010. It has been useful for prompting discussion about the future form and development of the CBD and to traverse some of the problems currently being experienced with high levels of shop and upper floor vacancies, and continued business 'drift' out of the CBD.

Many of the key elements of the Urban Design Framework are now incorporated into the draft District Plan, which has recently been undergoing statutory consultation processes. In addition, the council will be promoting its Urban Design Implementation Strategy, which includes a number of projects and initiatives to promote development in the CBD. This plan is particularly important considering the ongoing recessionary environment.

Chief Executive: major issues for 2011/12

Rotorua Museum development on track

As key milestones in the \$22 million Rotorua Museum Centennial Project are ticked off, and the 20 August 2011 grand opening draws closer, the project remains on time and on budget.

When the Museum of Art & History opens its newly expanded areas, entry fees for non-residents will increase, off-setting increased costs for the much larger exhibition areas and an additional 3.7 FTE (full time equivalent) staff. However admission will remain free for Rotorua residents.



The new Don Stafford Wing, as it will be known, will feature a permanent exhibition on the ground floor, called *Nga Pumanawa o Te Arawa – The Beating Hearts of Te Arawa*. Spanning eight galleries, this major exhibition will follow the journey of Te Arawa people from their origins in Hawaiiki to their descendants today. Upstairs there will be two new art galleries hosting a range of regularly changing exhibitions. On opening, the galleries will feature a selection of works from the Rotorua Energy Charitable Trust collection, and works by Charles Blomfield.

New District Plan

During the 2011/12 financial year the second-generation district plan will progress from being a draft document to being formally notified as the Proposed District Plan 2011. With recent amendments to the Resource Management Act 1991, the council will need to decide which rules of the Proposed District Plan have immediate effect. Factoring in the demands of hosting Rugby World Cup matches and associated visitors to the city means the hearing of submissions and decisions by elected members are most likely to be in early 2012, as will the period for appeal to the Environment Court.

Lakefront Development Plan

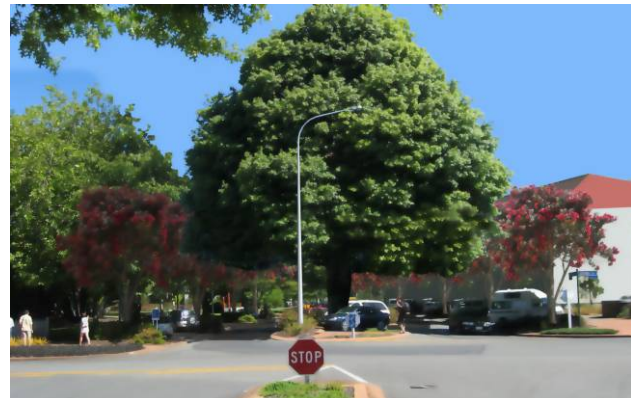
Year 3 of our Ten Year Plan includes \$8m for development of a new pier structure identified in the Lakefront Development Plan for Lake Rotorua. To date, discussions with owners of the lakebed have not concluded and detailed designs and consenting are yet to be completed. This part of the project has therefore been deferred until the 2012/13 year.

Pin Oak tree replacements near Civic Centre

The council intends replacing a number of large pin oak trees currently growing on Hinemaru Street, adjacent to the council Civic Centre and near Government Gardens. These trees are growing much larger than was predicted when first planted and are now adversely affecting existing more valuable tree specimens in Government Gardens. The pin oaks therefore needed to be either extensively pruned or replaced. The council believes that the best decision for the long term is to progressively replace the pin oaks with species that will grow to about 10 to 12 metres in height (rather than the 23 metre height and 20 metre width that the existing pin oaks reach). Any adverse effects from replacing these trees will be temporary.



Visualisation of Hinemaru Street with mature street trees following replacement (looking north)



Visualisation of Hinemaru Street with mature street trees following replacement (looking south)

Chief Executive: major issues for 2011/12

Debt over ten year period

Councils regularly borrow funds for major infrastructure development so that the cost of these services rests not only on the ratepayers of today but are shared with future generations of citizens who will also benefit from these developments. Local authorities in good financial shape, like Rotorua District Council, have access to very competitive interest rates for borrowing.

Rotorua District Council has a policy that sets its debt levels in terms of a maximum debt amount and interest payments as a proportion of revenue. The debt levels identified in this draft annual plan remain well under those thresholds set by council policy.

In short our debt will be approximately \$155 million by the end of the 2011/12 year, will peak at \$170 million in 2013/14 and will progressively reduce down to \$136 million by the end of the current Ten Year Plan term (2018/19).

Development Contributions Policy

A number of minor amendments have been made to the council's Development Contributions policy. In summary, these include:

- Revised Transportation Factors adopted in December 2009 and back-dated to July 2009
- Transfer of historic credits between activities
- Deferral of payments by Private Developer Agreement subject to security for non payment.
- Change default methodology to development contributions by demand assessment rather than by use of policy factors associated with gross floor area.

The full Development Contributions Policy is included in the Annual Plan.

Spectator Charges for the Aquatic Centre

Revenue estimates for the Aquatic Centre included a new fee for spectators in the draft Annual Plan. This \$1 charge was estimated to increase revenue by \$50,000 per annum. However as a result of submissions from people opposing introduction of the fee, the council has decided not to proceed with its introduction.

Removing Rubbish Bins from Reserves

A two year litter bin-free trial is being undertaken on selected reserves to determine the practical outcomes of implementing a reserves litter bin-free policy. Permanent changes will only be considered if trial results reveal that litter bin-free reserves are a practical option. Consultation will be undertaken if Council ultimately decides to proceed with implementing a litter bin-free policy.

Litter in parks and reserves is currently collected by Castlecourt at an annual cost of \$480,000. Litter bin-free parks require people to take responsibility for their own

rubbish by taking it away for recycling rather than leaving it on a reserve where it ultimately ends up in the landfill. The trial is to be undertaken on the following reserves for the period 1 March 2011 to 28 February 2013:

- Centennial Park, Tihiotonga Domain (Tree Trust)
- Murray Linton Park
- Pullar Park (West)
- Elliott Park
- Ray Boord Park
- Sheaf Park
- Warwick Drive Reserve
- Lake Okaro Reserve.

'Before and after' rubbish bin removal comparisons will then be made and reported back to Council for a decision on whether the approach should be applied to other reserves.

New cemetery/cremation fees

Cemetery and cremation fees are to be increased. Fees will now be more in line with other districts in the Bay of Plenty region. A full list of cemetery and cremation fees is included in the 'fees and charges' section of this draft plan. This reflects the first major review of fees in four years and takes into account the increasing costs of providing these services in the future. These substantial increases also reflect a recognition that the cemeteries must be maintained in perpetuity. Therefore costs of cemetery plots have to reflect not only the cost of the land but maintenance over an extended period of time.

Sewerage schemes

Hamurana/Awahou sewerage scheme

The funding policy for this scheme has been adopted, and it includes the option of making a lump sum contribution of \$10,154.10 (plus GST). At this stage it is estimated that the targeted rate (over 25 years) for those being connected to the scheme would be \$805.53 (excluding GST) per annum. Central government continues to provide up to 50% subsidy towards the cost of sewerage schemes at four priority Lakes. The community also receives a contribution to the sewerage scheme of nearly \$1.5m from the Bay of Plenty Regional Council.

With external funding from the government and the regional council the cost of connecting all properties in the defined area to the council's waste water treatment plant is considerably less than individual property owners would incur if installing complying septic tanks.

Okere Falls/Otaramarae/Whangamarino sewerage scheme

This scheme is scheduled for completion in early 2012. It will be funded from a combination of subsidies from Rotorua District Council, the crown and the regional council. The remainder will be funded from a targeted rate of \$623.28 (plus GST) per annum over 25 years.

Chief Executive: major issues for 2011/12

Lake Okareka sewerage scheme

This scheme is now complete and the overall cost of \$10.23m was \$1.64m below original estimates of \$11.87m. For those property owners choosing to pay the targeted rate over the next 25 year period, the annual cost will be \$876.45 (excluding GST) from 1 July 2011.

These projects continue this council's commitment to improving the water quality of Rotorua's iconic lakes.

Capital expenditure

In our current Ten Year Plan capital expenditure of \$59m is identified for the 2011/12 financial year. However in the draft plan for the coming year we indicated we were proposing to reduce the capital programme by \$11.6m, to \$47.4m.

The council carefully reviewed all items in the proposed capital programme and where work was not essential for renewing an asset and its current condition could be safely maintained, the capital expenditure was removed for that item. A number of other projects can only be completed following formal consultation or on securing resource consent. Where these processes are unlikely to be completed within the financial year the capital expenditure has been moved out to 2012/13. Full details of these changes are provided on page 160.

The two most significant changes in this area are \$8m for the new pier as part of the Rotorua Lakefront development and this has been moved out a year, and \$440,000 identified for Westbrook Field development which has also been moved out to the 2012/13 year.

Changes to Rates Framework

Rotorua District Council will increase its overall rates requirements (from all rating sources) by 3.1%, well under inflation forecasts at 4% to 5%. This increase follows sub-inflation increases of just 1.9% and 1% in the two previous two years - significantly lower than most councils in New Zealand over this period.

It is important to note that each property and each sector (business, farming and residential) will be subject to increases that vary from the overall 3.1% figure. Different targeted rates apply to different properties and these will result in variations above or below the 3.1% overall increase (eg water schemes, or where the business and economic development targeted rate applies.) Details of changes in each type of rate charged are set out in the Funding Impact Statement (FIS) on page 81 of this document. The targeted rates used by Council are detailed below.

Uniform Annual General Charge (UAGC)

The council is increasing the UAGC from \$511 to \$525 (plus GST) per property. The list of council activities and services attributed to this fixed element of the general rate is also being changed. This list now includes:

- 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.

Changes to business and economic development targeted rate

The council has agreed to enter into a \$1m joint venture with Air New Zealand for visitor marketing around Rotorua's direct trans-Tasman services from Australia. This expenditure is included in the economic development activity. The \$1m has been included within the business and economic development targeted rate.

Business differential

In the current Ten Year Plan the council proposed to consider reducing the business differential (currently sitting at 3.6) by 0.2 per annum on the general rate. However it has now been decided to not make this change in the 2011/12 financial year.

New targeted rate for stormwater and land drainage

Because of the ongoing difficult economic environment Council has resolved to establish a new targeted rate for a portion of the stormwater and land drainage activity rather than reducing the business differential.

The reasons for this are:

- 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.

Chief Executive: major issues for 2011/12

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.

Under this targeted rate, approximately 80% of the cost of this activity will be pulled from the general rate and charged to all ratepayers as a targeted rate using undifferentiated capital value.

The Ten Year Plan amendment is included with this Annual Plan as a separate volume.

Targeted rates for 2011/12

Targeted Rates	Annual Plan 2010/11	Ten Year Plan 2011/12	Annual Plan 2011/12	Variance
	<i>\$ in thousands</i>			
Water Rates	3,321	3,522	3,387	(135)
Sewerage Rates	9,957	10,563	10,156	(407)
Sewerage Capital Rates	849	3,684	861	(2,823)
Refuse Rates	2,042	2,818	2,042	(776)
Water by Meter	3,521	3,627	3,592	(35)
Water by Meter Penalty	8	9	8	(1)
Lakes Enhancement Rate	419	432	427	(5)
Urban Sewerage Development Rate	57	124	58	(66)
Lakes Community Board Rate	50	53	50	(3)
Business and Economic Development Rate	4,673	4,876	5,358	482
Roading Targeted Rate	8,914	9,152	8,951	(201)
Stormwater and Land Drainage Targeted Rate	-	-	2,000	2,000
	33,811	38,860	36,890	(1,970)
Less Water by Meter	(254)	(183)	(266)	(83)
Total targeted rates	33,557	38,677	36,624	(2,053)

Mobile Shop Fees

Mobile shop fees have been reviewed to recognise the potential and popularity of prime trading sites along the arterial routes of Fenton Street and Ngongotaha Road. Sites on each of these roads have substantial traffic flows providing a trader with high product exposure to local and regional travellers and visitors.

For mobile shops the amended fees introduce some balance and parity with other competing ratepayer businesses nearby.

New Mobile Food Shops Fee

	2010/2011	2011/2012
Keeper of mobile and travelling food shops	\$102.22 ¹	A) Fenton Street and Ngongotaha Road sites: i) \$150 per year ¹ ii) \$150 per month, maximum of 2 consecutive months ¹ , plus one-tenth food premise registration per month B) Balance of Rotorua District \$200 per year ¹

¹ Plus food premise registration fee

Chief Executive: major issues for 2011/12

New Mobile Shops (Non Food) Fee

	2010/2011	2011/2012
Keeper of mobile and travelling shops (non food)	\$102.22	A) Fenton Street and Ngongotaha Road sites: i) \$1500 per year ii) \$150 per month, maximum of 2 consecutive months B) Balance of Rotorua District \$200 per year

Changes to draft Annual Plan

During deliberations on the draft Annual Plan, and following consideration of public submissions, the council made a number of changes to the draft plan. These included:

- Phase 2 of the Pressure on the Lakes Study. This is estimated to cost \$30,000 with council committing \$15,000. The remainder of the funding will need to come from other sources, including the Bay of Plenty Regional Council.
- Contributing to a CBD community safety programme in partnership with Police and retailers. This requires \$100,000 extra.
- Increasing RDC's grant to the local mountain bike club to provide \$20,000 for track maintenance.
- Not proceeding with the previously proposed \$1 spectator admission fee at the Aquatic Centre, therefore reducing revenue by \$50,000.
- Allocating an additional \$80,000 for improving public toilet services, to be funded through loans in line with standard practice for capital items. Therefore this will not impact on rates for 2011/12.
- Allocating an additional \$500,000 for insurances as a result of significant premium increases following the Canterbury earthquakes.
- Reducing the amount allocated for an Okareka fire appliance by \$30,000 as a result of updated information relating to the cost of the appliance.
- Harvesting storm damaged trees from the Tokorangi Triangle which is budgeted to provide an extra \$641,000 in revenue.
- Harvesting pine trees from council land at the district landfill to provide an additional \$125,000.
- Selling land no longer required on Apirana Road, originally purchased for developing a cemetery. This will provide a profit estimated to be \$100,000 in 2011/12.
- Not proceeding with sole catering for the Convention Centre, reducing revenue by \$185,000 for 2011/12.

Conclusion

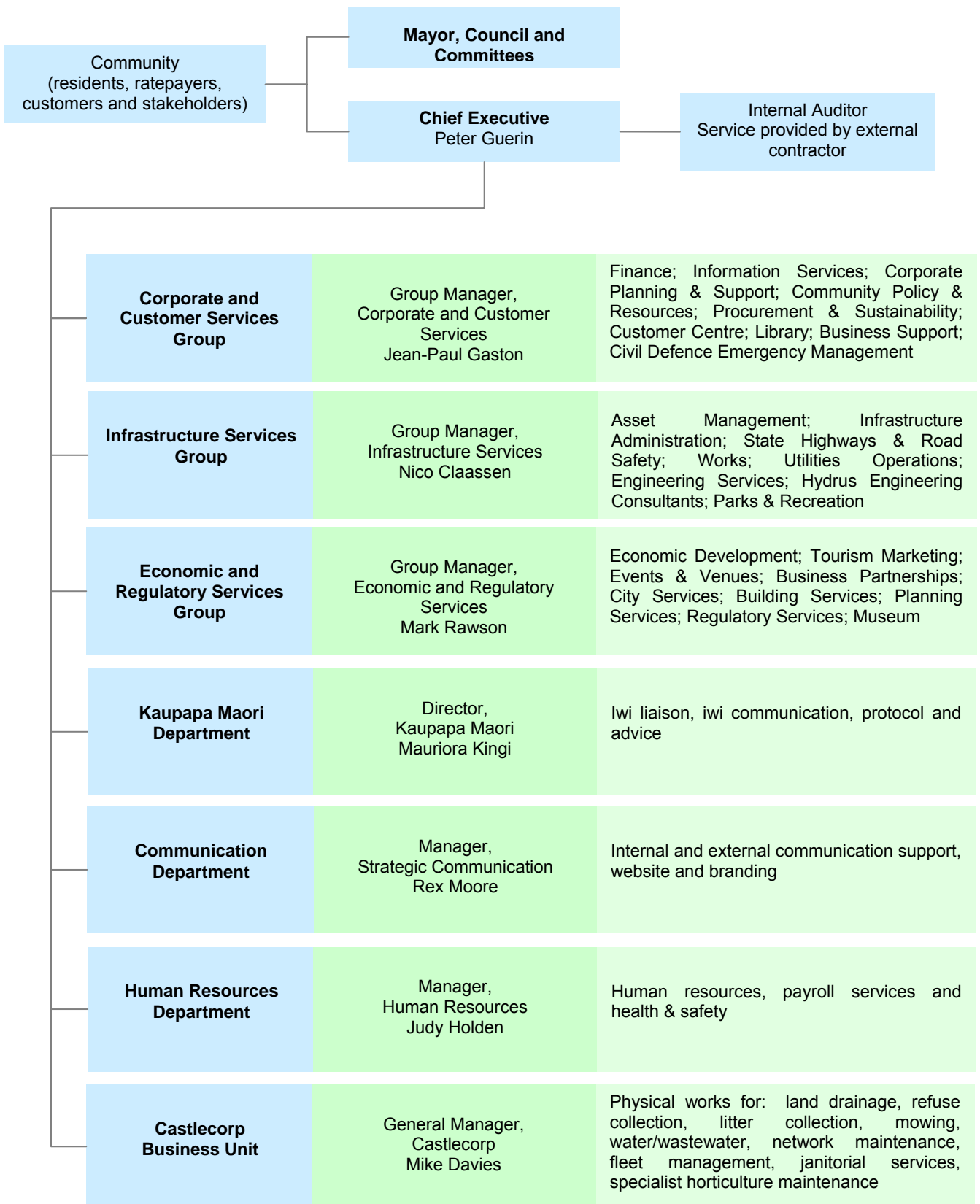
The changes made to the draft Annual Plan have involved a mix of additional expenditure and additional revenue. The effect is that we have been able to retain the originally proposed rates increase at 3.1%, a level that is below inflation.

Budgets for this Annual Plan are sustainable for the coming 12 month period but will put pressure on the council to exercise very careful budgetary controls throughout that period. It should be noted that many budget contingencies have been removed to keep budgets as low as possible. The relatively low 3.1% rate increase has been achieved with some difficulty given the expectation to maintain services at current levels.

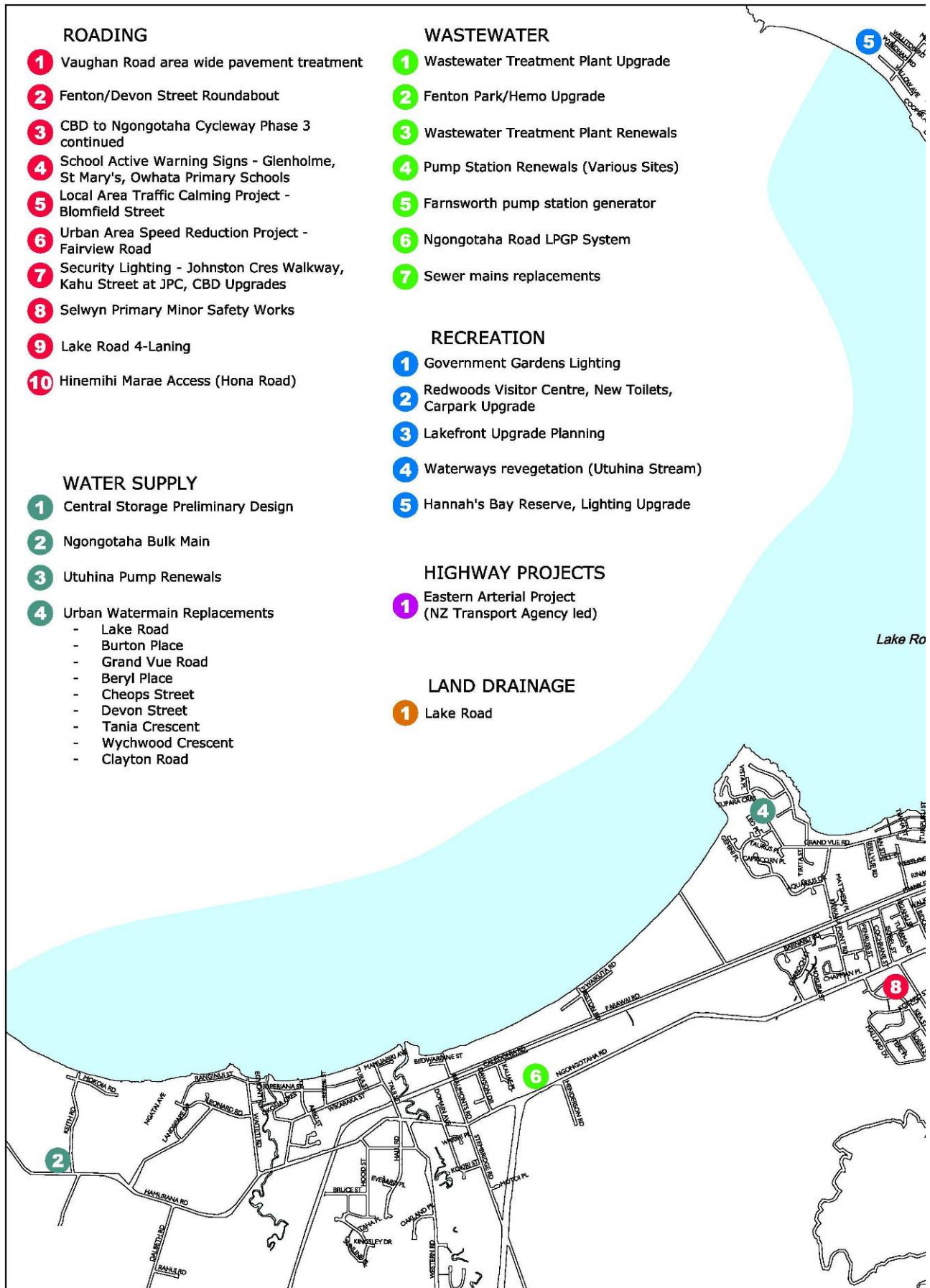
The Chief Executive has warned that low sub-inflation rates increases are not sustainable for the medium term. In the future there will be a need to change the way some of the business of the council is carried out. Some of these changes are expected to include:

- Introduction of the highly respected Lean Thinking continuous improvement programme throughout the organisation to improve levels of service and efficiencies
- Continued improvements in procurement processes to achieve efficiency gains
- Further exploration of shared services with other local authorities
- A comprehensive review of levels of service as part of Asset Management Plan reviews
- Investigating a range of different service delivery options

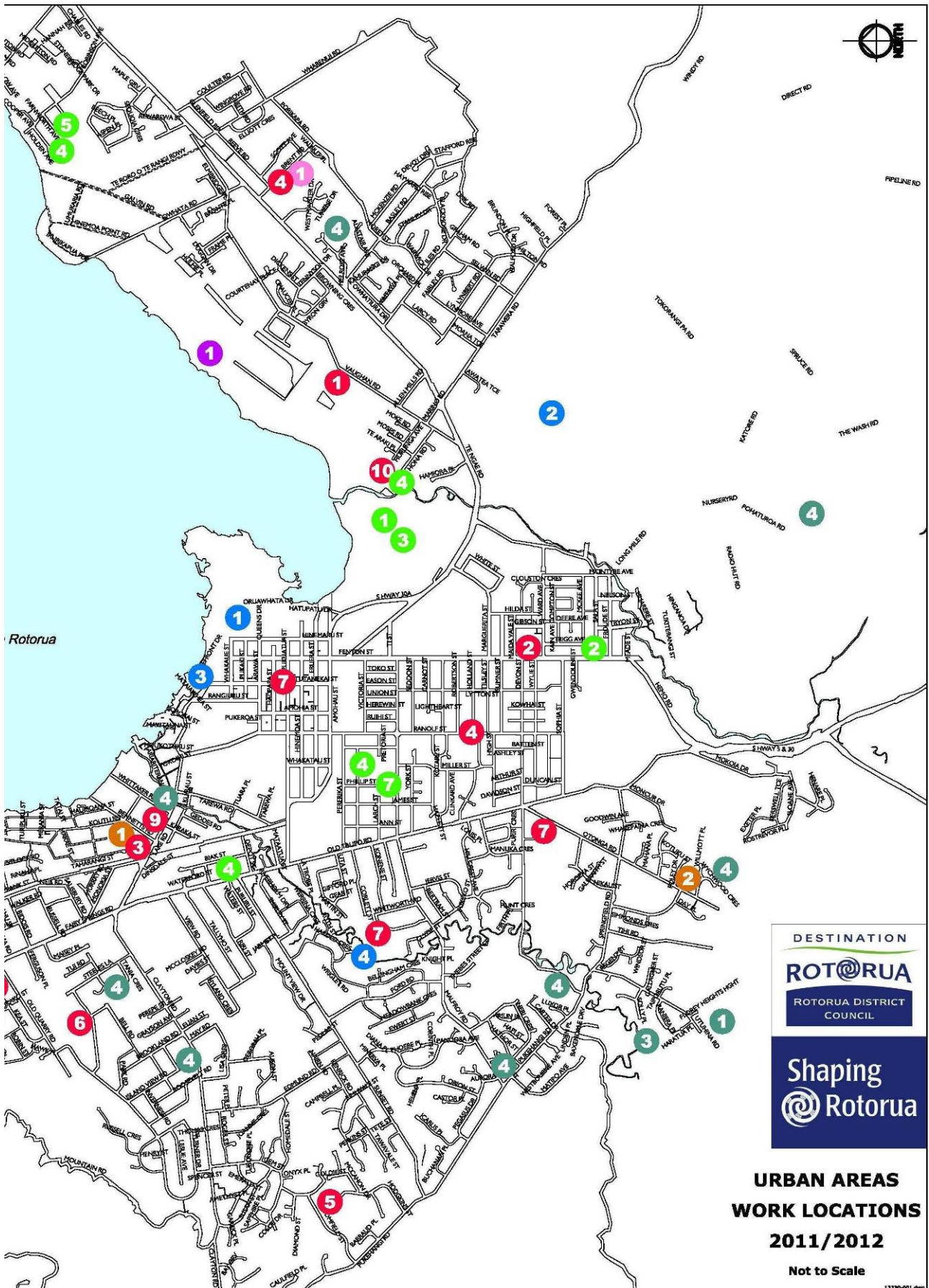
Senior management structure



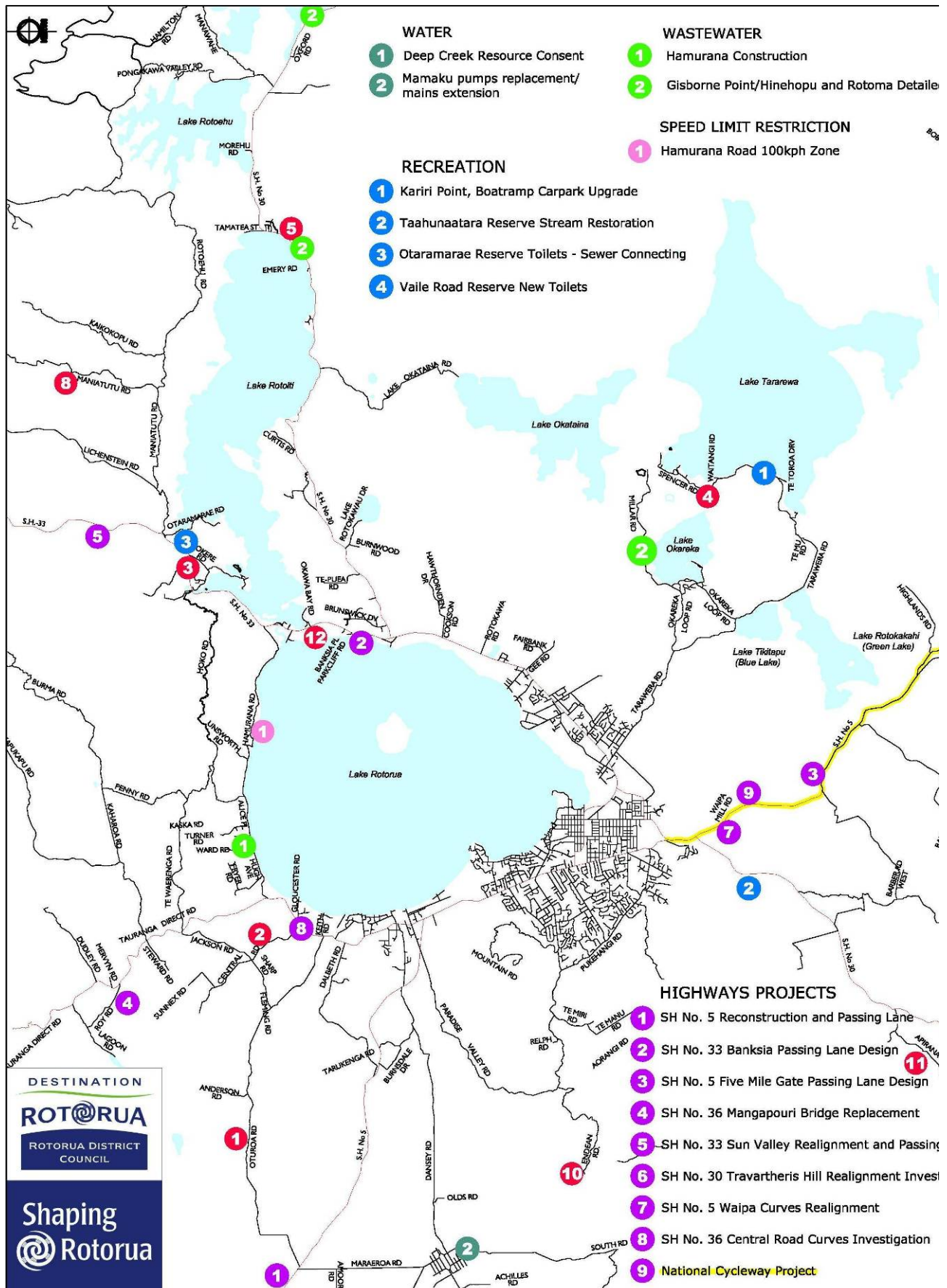
Capital works programme - urban



Capital works programme – urban cont.



Capital works programme - rural



Capital works programme – rural **cont.**

