

2017/2018 | Annual Plan

Council in good financial position

If the community supports what is proposed for the Annual Plan, Council will need to borrow \$5.5m in the 2017/18 financial year.

This includes \$3m for proposed earthquake strengthening and upgrading of the Sir Howard Morrison Performing Arts Centre.

The remainder of the increase is for projects which align with the district's long-term goals and aspirations and are an investment in planning and development to help the district move forward.

"Council is in a good financial position, supported by prudent financial management, savings created during the past two years and sustainable debt," says Rotorua Lakes Council Chief Financial Officer Thomas Collé.

Council debt is projected to be \$164.1m at the end of the current financial year.

Mr Collé says the organisation will maintain its focus on debt reduction and continue to actively look for savings and alternative sources of income.

"Cost savings and debt repayment in the past few years has given us the ability to borrow \$5.5m without impacting on our long term debt projections," he says.

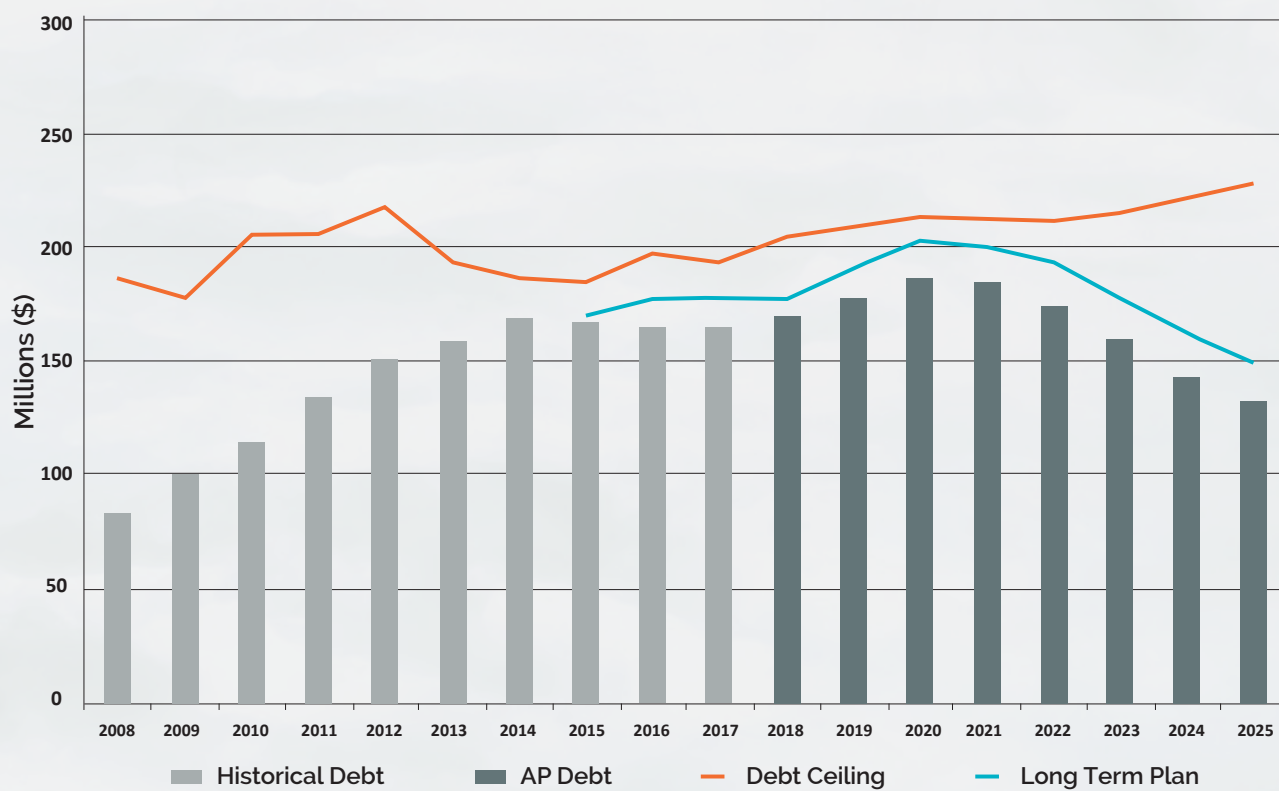
Council has a credit rating of AA- from international agency Fitch which provides an additional external view of the organisation's financial management.

Fitch has described Rotorua Lakes Council's financial management as "a strength" and says the council's long-term projections are consistent with local peers and well above similarly rated international peers.

The agency says the council has addressed previously weak performance and it believes financial forecasts, as outlined in council's annual and long-term plans, are achievable.

The graph below shows Council's long-term "debt profile". The "debt ceiling" – the orange line – represents the limits set on Council borrowing and the blue line shows what was projected in the Long-term Plan with the bars representing the level of debt.

Debt profile:



Proposed capital spend 2017/18

- KEY PROJECT**
Performing Arts Centre
- KEY PROJECT**
Destination management.
- KEY LONG TERM PLAN PROJECT**
City Focus.
- LONG TERM PLAN PROJECT**
Commenced 2016. Due to open Nov 2017.
- KEY PROJECT**
Proposal to upgrade facilities for hockey, soccer and rugby to enhance the sporting experience at those venues.

- KEY PROJECT**
Focus on district revitalisation in lake and rural areas. May include reserve enhancement, jetty/boat ramps, local shopping area beautification, and community entrance ways.

COMMUNITY SAFETY	\$000
Animal control asset renewals	6
Total	\$6

COMMUNITY FACILITIES	\$000
Aquatic Centre building and plant renewals	280
Sir Howard Morrison Performing Arts Centre	3,050
International Stadium renewals	7
Library and Children's health hub	4,695
Library renewals	180
Ngongotaha Hall renewals	45
Rotorua Energy Events Centre renewals	40
Rotorua Museum building & Government Gardens	675
Sir Howard Morrison Performing Arts Centre renewals	115
Total	\$9,087

INNER CITY SERVICES	\$000
CBD Refresh	1,170
Total	\$1,170

ROADS AND FOOTPATHS	\$000
Devolved funding	255
Lighting, safety, other transport network renewals	3,361
Rural seal extensions	595
Transport renewal programme	5,249
Urban street upgrades	210
Total	\$9,670

GOVERNANCE	\$000
Civic Centre Renewals	1,119
Core software and hardware renewals	1,025
Information technology system renewals	2,120
Vaughan Road Depot renewals	70
Vehicle Replacements	255
Total	\$4,589

SEWAGE DISPOSAL	\$000
Sewerage renewal programme	2,391
Wastewater treatment and disposal upgrade	1,362
Total	\$3,753

WATER SUPPLIES	\$000
Pipes replacement, backflow prevention, pressure management	2,934
Water supply renewal programme	3,125
Total	\$6,059

OPEN SPACES + RECREATION	\$000
Carpark upgrades	360
Cemetery developments and improvements	40
City gateways	300
Tourism lakes pressures	265
Jean Batten park upgrade	200

Parks and Reserves	\$000
Parks and reserve development	1,348
Parks and reserves renewal programme	310
Sports facility funding	1,280
Total	\$4,103

STORMWATER	\$000
Stormwater renewal programme	1,555
Total	\$1,555

GRAND TOTAL \$39,992

Your rates

The proposed total increase in rates for the 2017/18 financial year, across the whole district, is an average 3.8%.

The proposed increase is higher than the 2.6% average rates increase which was anticipated in the 2015-25 Long-term Plan for 2017/18 (year 3 of the Long-term Plan). The additional 1.2% includes 0.5% for a targeted rate to cover the museum operating shortfall and 0.7% to enable Council to keep its debt increase for the financial year to a more prudent level by funding a portion of key proposed projects through operating cashflows.

These key projects are highlighted in the consultation document and include the earthquake strengthening and upgrade of the Sir Howard Morrison Performing Arts Centre.

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

The rates will be set when Council adopts the annual plan at the end of July.

Differentials

A differential is a multiplier applied to the general rate so that some ratepayers pay more or less of this rate.

The main reasons for applying a rates differential are to reflect differences in levels of services received or used, and to reflect the different ability of groups of ratepayers to pay.

Council committed to progressively returning rating differentials to 1.0 to ensure even distribution across all categories but has decided to defer any shift until a full review is undertaken.

This is likely to occur as part of development of the 2018-28 Long-term Plan.

This decision means rural differentials will remain at 0.93 times the general rate and business differentials at 1.7 times the general rate.

Farming remission

Meanwhile, the farming remission introduced in the 2015/16 year will reduce by 50% in 2017/18 to prepare the farming community for its likely removal in the next long-term plan.

Proposed removal of community board targeted rate

A targeted rate was introduced to help fund the Lakes Community Board when it was established in 2007.

Since then two other boards have been established – Te Tatau o Te Arawa and the Rural Community Board – and currently these are funded through the general rate.

For consistency, Council proposes removing the lakes board targeted rate and funding all boards from the general rate.

Annual Plan timeline

