



Report 08.80
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Proposed Rates and Levies for 2008/09

1. Purpose

To seek approval for the proposed rates and levies for inclusion in the Council's proposed 2008/09 Annual Plan.

2. Significance of the decision

The subject matter of this report will lead to the Council making a "significant" decision within the meaning of the Local Government Act 2002. The process of adopting an Annual Plan will include use of the special consultative process. The documentation to be considered on 19 March 2008 will cover the consultative process the Council is undertaking.

3. Background

Over the last three months management has been developing the Council's 2008/09 Annual Plan. Councillors were taken through the first draft numbers in December. Prior to Christmas the detailed business plans by Division were circulated to Councillors. In the new year, Councillors discussed the detailed financials and projects.

As noted above, the Council is approving the rates and levies for inclusion in the proposed 2008/09 Annual Plan. The approval of the proposed 2008/09 Annual Plan will be at the Council meeting on 19 March.

4. Proposed Rates and Water Levy Increases for 2008/09

The overall rate increase for 2008/09 is 6.8%. There is no increase in the water levy. Including the water levy, the increase in rates and levies is 5.1%. The 6.8% rate increase is largely due to increases in Transport and to a lesser extent Flood Protection (Catchment Management) as detailed below.

Proposed Rate Increase by Activity

	%
Transport	3.4
Catchment Management	1.2
Environment	0.7
Parks and Forests	0.2
Investment Management	0.8
Other	0.5
Proposed Rate Increase	6.8

In respect of Transport, the major portion of the increase is due to the rise in world oil prices. This in turn increases the cost of the various diesel bus contracts in respect of public transport, entered into by Greater Wellington. Each of the diesel bus contracts is linked to the Land Transport New Zealand index. The index tracks the movement in a number of costs, with the current high oil prices having the greatest impact on the index.

Further details on the above increases are given in Section 4.2.

The table below shows the impact of the oil price increase, transport and flood protection expenditure on the total rate increase i.e. 4.6% of the 6.8% rate increase comes from those particular areas.

	2007/08	2008/09
	%	%
Transport (oil price impact)	3.5	2.7
Transport (excluding oil price impact)	2.8	0.7
Catchment Management	1.7	1.2
	8.0	4.6
Investment management	(1.7)	0.8
Other rated activities	0.5	1.4
Non Transport/Catchment rate increase/(decrease)	(1.2)	2.2
EDA rate	6.5	-
Total Rates	13.3	6.8
Water Levy	3.0	-
Total Rates and Levy	10.3	5.1

4.1 Rates and Water Levy compared with Budget 2007/08 and the LTCCP

The table below excludes GST.

Rates & Levies	2007/08	2008/09	% change	LTCCP 2008/09	LTCCP % change
	\$000's	\$000's		\$000's	
Transport	36,761	39,280	6.9%	41,183	10.0%
Catchment	15,753	16,627	5.5%	16,345	3.4%
Environment	9,941	10,424	4.8%	10,820	5.3%
Parks & Forests	5,473	5,596	2.2%	6,032	1.3%
Emergency Management	650	712	9.5%	715	3.3%
Wellington Regional Strategy	4,100	4,100	0.0%	4,600	12.2%
Investment Management	(6,017)	(5,441)	(9.6%)	(5,318)	4.15%
Elected Members	2,623	2,731	4.1%	2,766	3.3%
Rates Collection	705	700	(0.7%)	656	(7.1%)
Total Rates	69,989	74,729	6.8%	77,799	7.2%
Water Levy	23,460	23,460	0%	25,635	6.0%
Total Rates & Levies	93,449	98,189	5.1%	103,434	6.9%

The major changes from 2007/08 are:

4.2 Transport

As noted previously, the major contributor to the Transport rate increase of 6.9% is the rise in the world oil price impacting on the various diesel bus contracts that Greater Wellington is a party to.

These, together with increases in rail, trolley buses and the ferry contracts, have added \$3.0 million to Transport's rate requirements. This represents 4.3% of the proposed total rate increase of 6.8%.

Offsetting the above and other minor increased costs is a proposed fare revenue increase which will reduce the rate requirement by \$1.5 million. This results in a 3.4% rate increase for Transport.

4.3 Catchment Management

The major component of the 5.5% increase is the rise in debt servicing costs for current and previous capital expenditure in flood protection.

This reflects the costs of servicing the \$6 million of capital expenditure in 2007/08 and the \$5 million of capital expenditure budgeted for 2008/09. The majority of this expenditure is on the Hutt Valley flood schemes with smaller amounts being spent on Otaki, Waikanae and the Lower Valley scheme.

4.4 Environment

The 4.8% increase in Environment comprises:

- Waiwhetu cleanup, \$155,000
- Air quality, \$72,000
- Dam safety, \$30,000
- Exide monitoring, \$20,000
- RPS implementation, \$65,000
- Wairarapa groundwater model, \$35,000
- Operational increases, \$344,000.

The above increases have been partly offset by a proposed rise in consent fees of \$330,000.

4.5 Parks and Forests

The 2.2% increase is largely attributable to operational increases.

4.6 Investment Management

The contribution from Investment Management has declined from 6.0 million to \$5.4 million.

The decrease is attributable to:

- A gain of \$200,000 from the sale of forward swaps was included in the 2007/08 budget. No sales have been budgeted for 2008/09.
- The impact of higher interest rates.

4.7 Elected Members

The 4.1% increase in Elected Members is the result of:

- Increases in Councillor remuneration
- Additional advisory committee

4.8 Water Levy

The Water Levy is proposed to remain unchanged for 2008/09, at \$23,460,000. The LTCCP for the corresponding year had an increase of 6.0%.

5. Impact on residential ratepayers

The calculations to give the cents in the dollar will be done once the Council has approved the proposed rate increase. In addition the capital values for each territorial authority have to equalised.

However, based on the average rate per residential property for 2007/08 the increase will range from \$7 to \$23 per property depending on the location of the property.

It is important to note that the rate increase in each Territorial Authority will vary from the average increase of 6.8% depending on the relative movements in capital values between the Territorial Authorities.

6. Process from here

The process from here regarding the completion of the Annual Plan is as follows:

25 February	Council approves the overall rates and levies for inclusion in the proposed 2008/09 Annual Plan.
19 March	Council adopts the proposed 2008/09 Annual Plan.
5 April – 7 May	Proposed 2008/09 Annual Plan submission period.
21-22 May	Hearings of submissions.
10 June	Council approves the overall rates and levies for inclusion in the Annual Plan
30 June	Council approval of the final Annual Plan and striking of the rates/levies

7. Communications

A press release is being prepared and will be circulated to Councillors separately.

8. Recommendations

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Approve for inclusion in the Council's Proposed 2008/09 Annual Plan the rates and levies included in Section 4.1 (as may be amended by the Council).*

Report prepared by:

Report approved by:

Barry Turfrey
Chief Financial Officer

David Benham
Chief Executive Officer