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Committee Council
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Finalisation of the 10-Year Plan 2009-19 (incorporating the 2009/10 Annual Plan)

1. Purpose

- To note the latest position in relation to the projected level of regional rates and the bulk water levy.
- To seek approval of new items and other adjustments to be made to the 10-Year Plan 2009-19 (incorporating the 2009/10 Annual Plan) arising from the public consultation process, or as a result of changes in circumstances since the proposed document was adopted.
- To seek approval to rebudget expenditure from 2008/09 to the 2009/10 Annual Plan.
- To seek approval of the level of regional rates and the bulk water levy for 2009/10 and the following nine years, to be incorporated into the final version of the 10-Year Plan 2009-19 (incorporating the 2009/10 Annual Plan).

2. Significance of Decision

The content of this report is the result of the Council's consultation with the public which took the form of submissions being made on the Proposed 10-Year Plan 2009-19 (incorporating the 2009/10 Annual Plan). The Proposed 10-Year Plan 2009-19 triggered section 76 (3)(b) of the Local Government Act 2002 and triggered the Council's own policy on significance. The formal submission process undertaken by the Council complied with the decision-making and special consultative procedures set out in sections 76 to 79 and 83 to 85 of the Local Government Act 2002.

3. Background

The process of preparing the 10-Year Plan 2009-19 started over a year ago with a series of Council workshops on identifying key strategic issues, fleshing out options, reviewing service levels and reviewing all key policies. Councillors were presented with resulting detailed financial numbers on 9 December 2008 and proposed divisional business plans were completed and distributed to all Councillors before the holiday break.

On 10 February 2009, Council approved the rate and water levy numbers for inclusion in the Proposed 10-Year Plan 2009-19. The Proposed Plan had a rates increase of 3.4% for 2009/10 with no increase in the bulk water levy.

It was approved for public consultation by Council on 9 March 2009. The consultation period ran from 23 March to 24 April 2009, although submissions were received up to 1 May 2009. A total of 464 submissions were received. The 10-Year Plan Hearings Committee heard 84 oral submissions and considered all submissions on 13, 14 and 15 May 2009. As a result the Hearings Committee noted some changes to be made to the Proposed 10-Year Plan 2009-19 and asked the Chief Executive to report further on the implications of these.

It has been our normal practice each year, before the final 10 Year Plan is adopted, for officers to recommend to Council those items that are required to be rebudgeted. The general principle followed is that if expenditure on a project cannot be completed in a given year, it can be rebudgeted in another year (normally the following year), provided it is still a Council priority and there is sufficient funding available.

In addition, any new items of expenditure and other adjustments which have arisen since the Proposed 10-Year Plan 2009 (incorporating the 2009/10 Annual Plan) was prepared, also need to be considered.

Once the proposed rates and bulk water levy have been approved by Council, they will be incorporated into the final 10-Year Plan 2009-19 (incorporating 2009/10 Annual Plan) for adoption by Council on 30 June 2009, subject to any amendments requested by Council.

4. Results of the Public Consultation process, including the Hearing Committee meeting on 13,14 and 15 May 2009

Following public submissions and the recommendations of the Hearings Committee, it is proposed to include the following in the final 10-Year Plan 2009-19 (incorporating the 2009/10 Annual Plan):

4.1 Akura Conservation Centre – Stage II Expansion, additional rates \$15,000

The Akura Conservation Centre – Stage II Expansion proposal involves the development of the existing nursery, either adjacent to the current Akura site or at a new site where appropriate soils and water resources are available. One

possible new site includes land incorporated within the Masterton District Council wastewater plant at Homebush, east of Masterton. This site would provide access to treated wastewater throughout the summer months. Discussions are underway with Masterton District Council.

Expansion of the nursery is required to meet the forecast demand for soil conservation plantings predicted to follow implementation of the new Wellington Region Erosion Control Initiative (WRECI). The erosion initiative aims to add a further one hundred new farm sustainability plans over the next seven years. This will double the current rate of progress to protect the most erosion prone soils in the region.

4.2 EnviroSchools Regional Co-ordinator, additional rates \$60,000

A total of \$60,000 has been provided for a Regional Co-ordinator for the EnviroSchools programme. This is to allow a range of school based environmental programmes to be better integrated.

4.3 Energy Efficiency and Conservation Authority (EECA) – initiative for home insulation retrofitting.

This is a programme whereby the Council will fund retrofitting through a voluntary targeted rate as part of the EECA insulation scheme. A paper detailing how the scheme will work, and a recommendation on whether Greater Wellington will proceed with the scheme, will be considered by Council at a later meeting.

The Revenue and Financing Policy will be amended to provide for this activity should it proceed. It is intended that this activity would be cost neutral to the Council.

4.4 Transport Reserves

The Transport reserve arises from unbudgeted funding surpluses or deficits in Transport during the year. For example, if Transport achieves an unbudgeted funding surplus of \$1.0 million, this is added to the balance in the reserve. Similarly a funding deficit will reduce the balance in the reserve.

Currently, it is estimated that there will be \$4.0 million in the Transport reserve at 30 June 2009. Approximately \$1.7 million of this \$4.0 million has arisen this year due to the budget estimate for the oil price and exchange rate being higher than the actuals to date. The remainder of the balance has arisen from surpluses in prior years.

While we have overestimated the oil price and exchange rate in respect of 2008/09, we underestimated these factors in 2007 and 2008 by approximately \$1.6 million.

Currently, the surplus in the Transport Reserve has been allocated against rates for the first three years of the Proposed 10-Year Plan 2009-19 as follows:

\$000	2009/10	2010/11	2011/12
Rates reduced by	1,500	2,000	500
Rate increase	3.80%	11.04%	11.23%

Councillors should note that there is no guarantee that there will be \$4.0 million available in the Transport reserve to offset rates in the next three years. Movements in the oil price and exchange rate could easily eliminate or significantly increase the balance in the Transport reserve. It is important to note that the amount transferred for 2009/10 does set the rate for the coming year. Future transfers from the transport reserve should be seen as estimates at this point in time.

The Hearings Committee requested a number of different options for the use of the Transport Reserve and the impact of those options on rates. These options are shown in the table below.

\$000	2009/10	2010/11	2011/12
Rates reduced by	0	2,000	2,000
Rate increase	5.78%	8.95%	9.52%
Rates reduced by	500	2,000	1,500
Rate increase	5.12%	9.63%	10.09%
Rates reduced by	1,000	1,500	1,500
Rate increase	4.47%	10.94%	9.47%
Rates reduced by	1,000	3,000	0
Rate increase	4.47%	9.06%	13.09%
Rates reduced by	2,000	1,000	1,000
Rate increase	3.15%	12.99%	9.42%

Other changes to be made to the text of the document as a result of submissions are:

- Include a reference that wireless broadband will be appropriate in rural areas
- Recognise the significance of the Porirua Harbour catchment and Greater Wellington's support for remediation work

- Acknowledge the contribution that volunteers make to our regional parks
- Acknowledge the importance of “quality rural communities” under the Land Management section
- Change the water quality objective under Resource Management to “Maintain or enhance water quality in **all** streams, rivers and aquifers”.

5. Other matters for Council attention

Other modifications to the Proposed 10-Year Plan 2009-19 (including the 2009/10 Annual Plan) as a result of new information and changed assumptions are as follows:

5.1 Changes to Water Supply levy

A recent review of the Stuart Macaskill Lakes identified the need for remedial work on the upper levels of the reservoirs to meet today's earthquake standards and the new dam safety legislation. The cost of such seismic enhancement and protection work has been estimated at some \$10 million. We plan to spread the work over the next four years. As a consequence, it is proposed to increase the water levy from the 2010-11 year. The increases are noted in section 8 of this report.

5.2 Reduced dividend from CentrePort, additional rates \$900,000

Since the Proposed 10-Year Plan 2009-19 was prepared, we have received updated forecast numbers from CentrePort. The forecast for 2009/10 assumes the same level of dividend as in 2008/09. However, for 2010/11 and 2011/12 CentrePort is forecasting a reduction in the dividend of \$900,000 due to the current economic environment. As a result, there is some uncertainty whether the same level of dividend will be paid out in 2009/10 as for 2008/09. It is considered prudent at this stage to reduce the dividend expected from CentrePort by \$900,000 for each of the three years 2009/10, 2010/11 and 2011/12.

5.3 Reduction in interest rate assumption, saving of \$166,000 in rates

The Proposed 10-Year Plan 2009-19 assumed an external interest rate of 6.25% for 2009/10. This has been reduced to 3.5%, resulting in lower finance costs of \$166,000.

5.4 Bus services

5.4.1 Bus services, impact of diesel price

When calculating the inflation on diesel bus contracts for the 2009/10 year in the Proposed 10-Year Plan 2009-19, an oil price of US\$50 per barrel and a NZ/US exchange rate of \$0.50 had been assumed. Based on the current situation, the assumptions have been updated to US\$65 per barrel and a NZ/US

exchange rate of \$0.60. These changes offset each other with a net saving in rates of \$1,495. We note that there remain risks around these numbers.

5.4.2 Changes to a bus service, saving of \$100,000 in rates

We have recently negotiated a change to a bus service that results in an operational saving of \$100,000 in rates from the next financial year. This surplus has been retained to allow modifications and enhancement of diesel bus services where there is a clearly demonstrated need and funding cannot be found from changes to existing services. The only new funding for enhanced bus services in the original budget commenced in 2011/12.

5.5 Rail, additional rates \$527,000

We have recently received an updated budget from KiwiRail for the rail operating contract for 2009/10. Included in the new numbers are additional line charges for the new substations that are being built for the Matangi trains and additional service charges for radios and ditch lights (both required to meet new safety standards). The net result is an additional \$527,000 in rates for 2009/10. We will be working with KiwiRail to see if any savings can be found within the budget and to improve budgets in the later years. This will involve looking at how the new Matangi fleet is introduced into service and the resulting implications for the existing fleet.

We have also reviewed and updated our proposed maintenance and insurance expenditure for Greater Wellington-owned rolling stock and adjusted numbers downwards, giving a rates savings of \$165,000 in 2009/10.

5.6 Metlink service centre, saving of \$33,000 in rates

Councillors will recall that we have reduced the operating hours of the Metlink Service Centre and taken all operations back in-house. The net result is a saving in rates of \$33,000 for 2009/10 and a corresponding saving in later years.

5.7 Capital expenditure, saving of \$400,000 in rates

Capital expenditure budgets have been adjusted in accordance with the latest forecasts. This has resulted in a rates saving of \$400,000 for 2009/10. Primarily these changes relate to the Matangi trains and rail infrastructure upgrades.

5.8 Rugby World Cup

We note that some commitments have been made to fund public transport for quarter-final matches in the 2011 Rugby World Cup; this will impact the 2011/12 budget year. No budget allowances have been included at this time.

5.9 Beacon Hill redevelopment, saving of \$79,000 in rates

The Beacon Hill redevelopment has been delayed, saving \$79,000 in rates.

5.10 Catchment Management Division, saving of \$70,000 in rates

The timing of a number of work programmes have been reviewed, saving \$70,000 in rates.

5.11 Personnel costs, saving of \$300,000 in rates

With the current economic climate, personnel costs have been reduced by \$300,000 for 2009/10.

6. Total changes required to proposed 2009/10 rates

The addition and changes outlined above have the following impact on the 2009/10 rates:

	\$000	% Change
Rates in Proposed LTCCP 2009/10	78,814	3.43%
Changes arising from public submission process		
Enviroschools	60	0.08%
Akura Development	15	0.02%
EECA	0	0
Other changes		
Reduced dividend from CentrePort	900	1.1%
Lower interest rates	(166)	(0.21%)
Reduction in personnel costs	(300)	(0.38%)
Delay in Beacon Hill	(79)	(0.10%)
Catchment Management	(70)	(0.09%)
Public Transport	(39)	(0.05%)
Other sundry adjustments	(32)	(0.04%)
Proposed Final Rates	79,103	3.80%

7. Rebudgets of 2008/09 Expenditure

The list of projects which the divisions are seeking to rebudget by transferring the unspent monies to 2009/10 is detailed in **Attachment 1** (operating expenditure) and **Attachment 2** (capital expenditure).

The proposed rebudgets are given to Council at this stage for consideration to enable the completion of the final 10-Year Plan 2009-19 (incorporating the 2009/10 Annual Plan).

Rebudgets total some \$565,750 in respect of operating expenditure and \$24,215,028 for capital expenditure.

The rebudgets have been reviewed by senior management to ensure that the projects will be completed in 2009/10. Management are satisfied that the projects are still required.

8. Final 10-year Plan rates and water levy requirements

The final 10-Year Plan 2009-19 (incorporating the final 2009/10 Annual Plan) will provide for the following level of regional rates and bulk water levy (including inflation) for the next ten years.

8.1 Regional Rates

As noted previously, the rates for 2009/10, and the projected rates for 2010/11 and 2011/12 years have been impacted by the reduced dividend from CentrePort. This has been partly offset in 2009/10 by a lower forecast interest rate of 3.5%. The previous forecast assumed an external interest rate of 6.25%.

In respect of 2010/11, forecast interest rates have not been changed from the Proposed 10-Year Plan 2009-19 assumption of 6.75%. This, coupled with the reduced dividend from CentrePort, has increased the final rate requirement for 2010/11 from 9.57% to 11.04%.

The projected rates for 2010/11 will be a matter for further consideration by the Council during the 2009/10 year.

'\$000'	Proposed LTCCP	Proposed Rate Increase %	Final LTCCP	Final Rate Increase %
2009/10	78,814	3.43%	79,103	3.80%
2010/11	86,357	9.57%	87,815	11.04%
2011/12	96,354	11.58%	97,678	11.23%
2012/13	100,470	4.27%	103,641	6.10%
2013/14	107,654	7.15%	110,756	6.87%
2014/15	115,018	6.84%	117,833	6.39%
2015/16	119,935	4.28%	123,691	4.97%
2016/17	125,556	4.69%	128,786	4.12%
2017/18	130,382	3.84%	131,392	2.02%
2018/19	132,538	1.65%	134,761	2.56%

8.2 Bulk Water Levy

In respect of the bulk water levy, the increases have changed from the Proposed 10-Year Plan 2009-19 because of the work required on the Stuart Macaskill lakes, outlined in section 5.1 of this report. The changes are as follows:

'000'	Proposed LTCCP	Proposed Levy Increase %	Final LTCCP	Final Levy Increase %
2009/10	23,460	0.00%	23,460	0.00%
2010/11	24,234	3.30%	24,647	5.06%
2011/12	24,791	2.30%	26,376	7.02%
2012/13	26,402	6.50%	28,227	7.02%
2013/14	28,034	6.18%	30,178	6.91%
2014/15	29,797	6.29%	32,233	6.81%
2015/16	31,702	6.39%	34,394	6.70%
2016/17	33,729	6.39%	36,663	6.60%
2017/18	35,919	6.49%	39,045	6.50%
2018/19	38,291	6.60%	41,582	6.50%

9. Audit

The Proposed 10-Year Plan 2009-19 (incorporating the 2009/10 Annual Plan), including the summary sent to all ratepayers, was audited by the Audit Office. Unqualified opinions were obtained.

The final 10-Year Plan 2009-19 (incorporating the 2009/10 Annual Plan) will also be audited. However, the majority of audit work was completed at the time of the proposed plan, and so work on the final 10-Year Plan 2009-19 will focus on any changes from the proposed plan and the process for consulting with ratepayers.

This work will be completed by the time the Council approves the final 10-Year Plan 2009-19 on 30 June 2009.

10. Communications

The Council's final position in respect of rates and levies will be reported by way of a media release.

11. Recommendations

That the Council:

- (1) **Receives** the report.
- (2) **Notes** its contents.
- (3) **Approves** the operating expenditure items listed within Attachment 1 of this report (as amended by the Committee) to be rebudgeted within the 2009/10 Annual Plan.
- (4) **Approves** the capital expenditure items listed within Attachment 2 of this report (as amended by the Committee) to be rebudgeted within the 2009/10 Annual Plan.
- (5) **Approves** the additional items of operating expenditure and other adjustments within this report (as amended by the Committee) for inclusion within the 2009/10 Annual Plan.
- (6) **Notes** that the impacts of the rebudgeting and other adjustments, as approved in recommendations 3-5 above, have been reflected in section 8 of this report.
- (7) After having considered the items contained within this report, and any other matters which could impact on the finalisation of the 2009/10 Annual Plan, **approves** the level of regional rates and the bulk water levy for the 2009/10 year (and the following nine years) as contained in this report (as amended by the Council).

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Attachment 1: Operating Expenditure Rebudgets

Attachment 2: Capital Expenditure Rebudgets