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Committee Council  
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## **Proposed 2009-19 Long-Term Council Community Plan (LTCCP) and 2009/10 Annual Plan**

### **1. Purpose**

To seek approval for the proposed rate and levy numbers for inclusion in the Council's proposed 2009-19 LTCCP.

### **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 the 2009-19 LTCCP and the 2009/10 Annual Plan will include use of the special consultative process. The proposed 2009-19 LTCCP (including the 2009/10 Annual Plan) will be considered by Council on 9 March and will cover the options considered and the consultative process the Council is undertaking.

### **3. Background**

Over the last nine months councillors and management have been working towards the Council's 2009-19 LTCCP which also includes the 2009/10 Annual Plan. A number of workshops have been held with Councillors on which projects should be included in the LTCCP. This culminated with the detailed numbers and projects for the ten years being presented to Councillors on 9 December. The changes arising from that workshop have been incorporated into the business plans for each division. These business plans provide the detail underlying the 2009-19 LTCCP and were sent to Councillors prior to Christmas.

As noted above, the Council is approving the rate and levy numbers for inclusion in the proposed LTCCP. The proposed LTCCP (including policies) and the summary LTCCP document will be considered by Council at its meeting on 9 March.

As was the case with the previous LTCCP, the detailed (and summary) 2009-19 LTCCP document will be audited by Audit New Zealand. Currently,

they are auditing the draft document which includes the forecast 10 year figures.

Audit New Zealand will give their audit opinions on both documents at the meeting on 9 March.

#### **4. Changes to the rate and levy numbers**

Councillors considered the rate and levy numbers for the next 10 years at their workshop on 9 December 2008. As a result of that workshop and changes to the economic environment the following adjustments have been made to the rate and levy numbers previously given to Councillors.

##### **4.1 Wairarapa wetlands**

An additional \$25,000 has been added in 2009/10 and subsequent years resulting in a total spend per annum of \$100,000.

##### **4.2 Tranz Metro**

The latest budget estimate for 2009/10 received from Tranz Metro in the last few days has an additional \$2,210,000 of costs over and above that previously budgeted. Approximately \$884,000 of this will be funded from rates. These new estimates will be reviewed by Greater Wellington; however, it is recommended that these new estimates are included in the LTCCP and an additional amount is transferred from transport reserves.

##### **4.3 Transport reserves**

The use of transport reserves has changed as follows:

	<b>Workshop 9 December</b>	<b>Current Assumptions</b>
<b>2009/10</b>	500,000	1,500,000
<b>2010/11</b>	1,000,000	2,000,000
<b>2011/12</b>	1,500,000	500,000

The diesel bus contract expenditure is forecast to be \$4.2 million under budget (rate impact \$2.1 million) for 2008/09 due to the lower oil price, partly offset by the lower NZ\$.

The transport reserve balance is now forecast to be \$4.0 million by year end compared with the forecast last year of \$3.0 million. This increase is largely due to the lower oil price. This has allowed a further \$1.0 million to be used to reduce rates.

The use of reserves in a year reduces the rate requirement for that year. Therefore, transport rates in 2009/10 have been reduced by \$1,500,000.

If Councillors wished to reduce the rate impact in any particular year they could increase the transfer from reserves. For example, an additional transfer from reserves of \$1,000,000 (giving a total of \$2,500,000) in 2009/10 would reduce the rate increase from 3.43% to 2.12%. However, this would increase the rates required in later years for two reasons:

- There will be less reserves available to offset future rate rises
- The increase from 2009/10 to 2010/11 will be larger as 2009/10 would be starting from a lower number.

#### **4.4 Wellington regional rail plan – RS2**

This has now been eliminated from the last four years of the plan.

#### **4.5 Wellington regional rail plan – RS1**

The timing of this expenditure has been reviewed and the phasing has been changed, delaying some of the expenditure until later years.

#### **4.6 Maintenance on the Matangi trains**

The maintenance expenditure on these trains has been reviewed but no changes have been made to the numbers given at the workshop as it is considered that these are still the best estimate.

#### **4.7 Diesel price index**

The assumptions used in December were based on an oil price of US\$70 and an exchange rate of the NZ\$ to the US\$ of 0.55. This has been reviewed in light of the falling oil price (currently US\$41.68) and the weakening NZ\$ (currently 0.51). The current assumptions used in 2009/10 are for an oil price of US\$50 and an exchange rate of 0.50. This has had minimal impact on the rates compared with the previous assumptions.

#### **4.8 Interest rates**

The previous assumptions used an external interest rate for 2009/10 of 6.75% and an internal interest rate of 7.50%. This has now been changed to an external interest rate of 6.25% and an internal interest rate of 7.0%. This has reduced the contribution from Investment Management to rates for 2009/10 by \$0.55, million but has benefited the other divisions by a similar amount. Overall the rate impact is minimal.

### **5. Assumptions**

The major assumptions used in the 2009-19 LTCCP are attached (refer **Attachment 1**).

## 6. Projected rates and water levy increases for 2009-19

### 6.1 Regional rates

The rate increases for the 10 years are noted below. The major reasons for these increases over this period are the Council's investment in public transport infrastructure, particularly rail and the completion of major flood protection works.

The rate increase for 2009/10 is 3.43%, including an increase of \$500,000 for the Wellington Regional Strategy. The water levy remains unchanged from 2008/09. The overall increase for rates and the water levy for 2009/10 is 2.62%.

The projected rate requirements for the next 10 years, excluding inflation, are:

#### Rates Required

(base \$000's)	Transport	Flood Protection	WRS	Investment	Other	Total
2009/10	40,966	12,202	4,600	-7,706	28,750	78,813
2010/11	44,953	12,840	5,100	-7,089	29,140	84,945
2011/12	51,003	13,216	5,200	-5,983	29,311	92,746
2012/13	53,344	13,098	5,100	-5,514	29,198	95,226
2013/14	58,708	12,966	5,100	-5,975	28,943	99,743
2014/15	62,958	13,018	5,100	-5,987	29,155	104,244
2015/16	64,964	13,416	5,100	-6,248	29,139	106,370
2016/17	66,760	14,007	5,100	-6,199	29,475	109,144
2017/18	68,178	14,307	5,100	-5,801	29,347	111,131
2018/19	68,935	14,611	5,100	-5,582	26,964	110,028

#### Rates increase

(on previous year)	Transport	Flood Protection	WRS	Investment	Other	Total
2009/10	0.48%	2.74%	12.20%	-7.24%	3.57%	3.43%
2010/11	9.73%	5.22%	10.87%	-8.01%	1.36%	7.78%
2011/12	13.46%	2.93%	1.96%	-15.60%	0.58%	9.18%
2012/13	4.59%	-0.89%	-1.92%	-7.85%	-0.38%	2.67%
2013/14	10.06%	-1.00%	0.00%	8.36%	-0.87%	4.74%
2014/15	7.24%	0.40%	0.00%	0.20%	0.73%	4.51%
2015/16	3.19%	3.06%	0.00%	4.37%	-0.06%	2.04%
2016/17	2.77%	4.40%	0.00%	-0.79%	1.15%	2.61%
2017/18	2.12%	2.14%	0.00%	-6.42%	-0.43%	1.82%
2018/19	1.11%	2.13%	0.00%	-3.77%	-8.12%	-0.99%

The projected rate requirements for the next 10 years, including inflation, are:

#### Rates Required

(inflated \$000's)	Transport	Flood Protection	WRS	Investment	Other	Total
2009/10	40,966	12,202	4,600	-7,706	28,750	78,813
2010/11	45,853	13,023	5,110	-7,546	29,916	86,356
2011/12	52,899	13,588	5,225	-6,111	30,750	96,352
2012/13	56,382	13,670	5,129	-6,020	31,307	100,467
2013/14	63,258	13,747	5,137	-6,193	31,702	107,651
2014/15	69,234	14,014	5,145	-5,972	32,594	115,015
2015/16	72,988	14,681	5,154	-6,189	33,298	119,933
2016/17	76,439	15,552	5,164	-6,140	34,539	125,554
2017/18	79,603	16,141	5,174	-5,711	35,174	130,381
2018/19	82,209	16,785	5,184	-5,457	33,816	132,537

## Rates increase

(on previous year)	Transport	Flood Protection	WRS	Investment	Other	Total
2009/10	0.48%	2.74%	12.20%	-7.24%	3.57%	3.43%
2010/11	11.93%	6.72%	11.09%	-2.08%	4.05%	9.57%
2011/12	15.37%	4.34%	2.25%	-19.01%	2.79%	11.58%
2012/13	6.58%	0.60%	-1.84%	-1.49%	1.81%	4.27%
2013/14	12.20%	0.57%	0.16%	2.87%	1.26%	7.15%
2014/15	9.45%	1.94%	0.17%	-3.57%	2.81%	6.84%
2015/16	5.42%	4.76%	0.18%	3.63%	2.16%	4.28%
2016/17	4.73%	5.93%	0.18%	-0.80%	3.72%	4.69%
2017/18	4.14%	3.78%	0.19%	-6.98%	1.84%	3.84%
2018/19	3.27%	3.99%	0.20%	-4.45%	-3.86%	1.65%

## 6.2 Comments

6.2.1 'Other' includes the following:

Environment

Parks & Forests

Emergency Management

Elected members

Land management

Biosecurity.

6.2.2 The small rise in Transport rates for 2009/10 is due to the lower oil price assumption when compared with 2008/09 and the use of reserves to reduce the rate. The significant rate rises in subsequent years are due mainly to:

- the purchase of the new Matangi trains
- rail infrastructure upgrades
- the use of transport reserves in 2009/10, 2010/11 and 2011/12
- the increased maintenance cost of the new Matangi trains.

6.2.3 The fall in the contribution from Investment Management is a result of the lower internal interest rate charged to the divisions and the construction of the new Masterton building.

The divisional breakdowns for 2009/10 are noted below.

## Rates comparison

(000's)	2008/09	2009/10	% increase
Environment Division	10,422	11,000	5.55%
Catchment Division	16,664	17,277	3.68%
Public Transport Division	38,915	39,370	1.17%
Transport Policy & Strategy Division	1,857	1,597	-14.03%
Parks & Forests Group	5,595	5,610	0.27%
Investment Management.	-5,372	-4,770	-11.20%
WRS	4,100	4,600	12.20%
Rates Collection, Council Support	4,019	4,129	2.74%
Total	76,200	78,813	3.43%

### 6.3 Water levy

The water levy will remain at \$23.6 million for 2009/10, but is forecast to increase from 2010/11. The proposed increases (including inflation) are as follows:

	\$000's	%
2009/10	23,460	0.00%
2010/11	24,234	3.30%
2011/12	24,791	2.30%
2012/13	26,402	6.50%
2013/14	28,034	6.18%
2014/15	29,797	6.29%
2015/16	31,702	6.39%
2016/17	33,729	6.39%
2017/18	35,919	6.49%
2018/19	38,291	6.60%

Increases in the water levy from 2010/11 are due to an increasing capital expenditure programme.

## 7. Capital Expenditure and Debt

Greater Wellington's debt and capital expenditure over the next 10 years are detailed in **Attachment 2**.

Greater Wellington is expected to spend substantial amounts in capital expenditure over the 10 year period.

The additions which relate to rail will have significant funding from the Government with a smaller share funded by Greater Wellington.

In brief, the major items over the 10 years, including Greater Wellington's financial contributions, are:

- New rolling stock, \$23 million
- Ganz Mavag refurbishment, \$10 million

- Rail infrastructure, \$20 million
- MacKays to Waikanae rail improvements, \$5 million
- Real time information, \$1 million
- Flood Protection – Waiwhetu, Hutt/Boulcott and Hutt City Centre stopbank upgrades, Lower Wairarapa Valley Development Scheme, \$56 million
- Water Supply - ongoing capital expenditure programme, \$93 million.

Further details are given in the divisional business plans.

The above expenditure results in Greater Wellington’s debt increasing from \$60 million currently, to a peak of \$206 million in 2016/17.

## 8. Process from here

The process from here regarding the completion of the LTCCP is:

<b>10 February</b>	Council approves the overall rates and levies for inclusion in the proposed LTCCP
<b>28 February</b>	Proposed detailed, policies and summary LTCCP documents given to Office of the Auditor General for review. The Office reviews all of the LTCCPs to ensure consistency in the audit approach
<b>9 March</b>	Council approves the proposed detailed, policies and summary LTCCP documents  Audit New Zealand issues their opinion  Council adopts the proposed LTCCP
<b>23 March – 24 April</b>	Public submission period
<b>13-15 May (18 May spare day if required)</b>	Hearings of submissions
<b>9 June</b>	Council approves the overall rates and levies
<b>30 June</b>	Approval of final LTCCP and striking of rates and levies.

## 9. Communications

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

## 10. Recommendations

*That the Council:*

1. **Receives** the report.
2. **Notes** the content of the report.
3. **Approves** for inclusion in the Council's Proposed 2009-19 LTCCP and 2009/10 Annual Plan, the projected rates and levies included in this report (as may be amended by the Council).

Report prepared by:

Report approved by:



**Barry Turfrey**  
Chief Financial Officer

**David Benham**  
Chief Executive

**Attachment 1:** Assumptions for the LTCCP

**Attachment 2:** Projected debt and capital expenditure