

# STATEMENT OF PROSPECTIVE CAPITAL EXPENDITURE AND CAPITAL EXPENDITURE FUNDING

	Forecast 2008/09 \$000
<b>CAPITAL EXPENDITURE</b>	
Renewals	61,825
New assets	55,853
<b>Total annual capital expenditure programme</b>	<b>117,678</b>
<b>RENEWALS FUNDED BY</b>	
Depreciation	55,813
Borrowings	6,012
<b>NEW ASSETS FUNDED BY</b>	
Borrowings	28,833
Housing grants	11,599
Development contributions	2,357
LTNZ subsidies	10,484
Bequest and trust funding	2,580
<b>Total capital expenditure funding</b>	<b>117,678</b>

Note that the annual capital expenditure programme excludes expenditure carried forward from 2007/08

# RATES FUNDING STATEMENT

Rate	Factor	Differentiation	Total Value of Factor	Rate/charge	Rates yield GST Inclusive (\$'000's)
<b>GENERAL RATE</b>	Capital Value	Base differential use	\$35,048,760,000	¢0.166209	58,254
	Capital Value	Commercial, industrial & business use	\$10,794,766,000	¢0.631565	68,176
	<b>TOTAL</b>				126,430
<b>SEWERAGE RATE</b>	Fixed charge	Base differential use / connection status	63923 properties	\$112.50	7,191
	Capital Value	Base differential use / connection status	\$36,750,829,000	¢0.038314	14,081
	Capital Value	Commercial, industrial and business use / connection status	\$9,340,196,000	¢0.144003	13,450
	<b>TOTAL</b>				34,722
<b>WATER RATE</b>	Fixed charge	Base differential use/connection status	57985 properties	\$112.50	6,523
	Capital Value	Base differential use/connection status	\$30,949,910,000	¢0.042356	13,109
	Consumption unit charge	Base differential use/connection status	n/a	\$1.58 / m <sup>3</sup>	394
	Capital Value	Commercial, industrial and business use / connection status	\$924,397,000	¢0.240007	2,219
	Consumption unit charge	Commercial, industrial and business use / connection status	n/a	\$1.58 / m <sup>3</sup>	11,132
	<b>TOTAL</b>				33,377
<b>STORMWATER RATE</b>	Capital Value	Base differential use (excluding rural)	\$34,537,488,000	¢0.032397	11,189
	Capital Value	Commercial, industrial and business use (excluding rural)	9,783,482,000	¢0.028592	2,797
	<b>TOTAL</b>				13,986
<b>INDOOR COMMUNITY SPORTS CENTRE RATE</b>	Capital Value	Base differential use	\$35,048,760,000	¢0.002826	991
	Capital Value	Commercial, industrial and business use	\$9,783,482,000	¢0.002893	283
	<b>TOTAL</b>				1,274

Rate	Factor	Differentiation	Total Value of Factor	Rate/charge	Rates yield GST Inclusive (\$'000's)
<b>BASE SECTOR TARGETED RATE</b>	Capital Value	Residential use	\$35,048,760,000	¢0.020931	7,336
<b>COMMERCIAL SECTOR TARGETED RATE</b>	Capital Value	Commercial, industrial & business use	\$10,794,766,000	¢0.019361	2,090
<b>DOWNTOWN LEVY</b>	Capital Value	Commercial, industrial & business use / central city location	\$7,567,062,000	¢0.147884	11,190
<b>TAWA DRIVEWAYS LEVY</b>	Fixed charge	Shared residential access driveways in the sub-urb of Tawa and maintained by the Council	251 properties	\$100.00	25
<b>MARSDEN VILLAGE LEVY</b>	Capital Value	Commercial, industrial & business use located in Marsden shopping village	\$12,453,000	¢0.126100	16
<b>TOTAL RATES REQUIREMENT (INCLUDING GST)</b>					230,446

# INDICATIVE RATES FOR 2008/09

The tables below provide a guide for rates for 2008/09 (inclusive of GST). Indicative rates are shown for different types of properties depending on the increase in the property's value since last year. Residential rates include a Uniform Targeted Rate of \$225 (including GST) per property for water and sewage. This assumes you have no water meter - if you do have a water meter, your rates bill will not include the Uniform Targeted Rate for water. Greater Wellington - The Regional Council rates are excluded from these figures.

## TOTAL RATES 2008/09 (INCLUDING GST)

	Base (residential) share \$000	Commercial share \$000	Total Rates \$000
General Rate	58,254	68,176	126,430
Water Rate (incl. water meters & UAC)	20,026	13,351	33,377
Sewerage Rate (incl. UAC)	21,272	13,450	34,722
Stormwater rate	11,189	2,797	13,986
Targeted sector rates	7,336	2,090	9,426
Downtown Levy	-	11,190	11,190
Indoor Community Sports Centre targeted rate	991	283	1,274
Tawa driveways	25	-	25
Marsden Village	-	16	16
<b>Total Rates</b>	<b>119,093</b>	<b>111,353</b>	<b>230,446</b>

## INDICATIVE RESIDENTIAL PROPERTY (WITHOUT A WATER METER)

2008/09 Capital Values \$	2008/09 Rates \$	Percentage change in capital value from last year			
		5%	10%	15%	20%
Expected percentage change in rates					
200,000	831	1%	4%	8%	12%
300,000	1,134	1%	5%	9%	13%
400,000	1,437	1%	5%	9%	14%
500,000	1,740	1%	5%	10%	14%
600,000	2,043	1%	5%	10%	15%
700,000	2,346	1%	5%	10%	15%
800,000	2,649	1%	5%	10%	15%
900,000	2,952	1%	6%	10%	15%

## INDICATIVE SUBURBAN COMMERCIAL PROPERTY RATES (WITH WATER METER)

2008/09 Capital Values \$	2008/09 Total Rates \$	Percentage change in capital value from last year			
		5%	10%	15%	20%
Expected percentage change in rates					
250,000	2,066	-8%	-2%	4%	9%
500,000	4,132	-8%	-2%	4%	9%
750,000	6,198	-8%	-2%	4%	9%
1,000,000	8,264	-8%	-2%	4%	9%
1,500,000	12,396	-8%	-2%	4%	9%
2,000,000	16,528	-8%	-2%	4%	9%
5,000,000	41,321	-8%	-2%	4%	9%
10,000,000	82,641	-8%	-2%	4%	9%

## INDICATIVE DOWNTOWN COMMERCIAL PROPERTY RATES (WITHOUT WATER METER)

2008/09 Capital Values \$	2008/09 Total Rates \$	Percentage change in capital value from last year			
		5%	10%	15%	20%
Expected percentage change in rates					
250,000	3,036	-8%	-2%	3%	9%
500,000	6,072	-8%	-2%	3%	9%
750,000	9,107	-8%	-2%	3%	9%
1,000,000	12,143	-8%	-2%	3%	9%
1,500,000	18,215	-8%	-2%	3%	9%
2,000,000	24,286	-8%	-2%	3%	9%
5,000,000	60,715	-8%	-2%	3%	9%
10,000,000	121,431	-8%	-2%	3%	9%

## INDICATIVE DOWNTOWN COMMERCIAL PROPERTY RATES (WITH WATER METER)

2008/09 Capital Values \$	2008/09 Total Rates \$	Percentage change in capital value from last year			
		5%	10%	15%	20%
Expected percentage change in rates					
250,000	2,436	-7%	-2%	4%	10%
500,000	4,871	-7%	-2%	4%	10%
750,000	7,307	-7%	-2%	4%	10%
1,000,000	9,743	-7%	-2%	4%	10%
1,500,000	14,614	-7%	-2%	4%	10%
2,000,000	19,486	-7%	-2%	4%	10%
5,000,000	48,715	-7%	-2%	4%	10%
10,000,000	97,430	-7%	-2%	4%	10%

# RATING MECHANISMS

## RATES

Rates are assessed under the Local Government (Rating) Act 2002 on all rateable rating units in the Rating Information Database. Where rates are based on value, the capital value of the property as assessed annually by Quotable Value New Zealand Limited will apply. The latest revaluation was carried out as at 1 September 2007 and will be effective for the 2008/09 rating year.

Policy Objective

- To provide the Council with adequate income to carry out its mission and objectives.
- To support the Council's achievement of its strategic objectives.
- To be simply administered, easily understood, allow for consistent application and generate minimal compliance costs.
- To spread the incidence of rates as equitably as possible, by balancing the level of service provided by the Council with ability to pay and the incidence of costs in relation to benefits received.
- To be neutral in that it does not encourage people to redirect activity in order to avoid its impact.
- To reflect the decisions of the Council's policies and rating reviews.

## GENERAL RATES

General rates are set under section 13 of the Local Government (Rating) Act 2002 on all rateable rating units in the City of Wellington.

The Council proposes to set a general rate based on the capital value of each rating unit within the city.

The general rate will be set on a differential basis, based on land use. All rating units (or part thereof) will be classified for the purposes of General rates within one of the following rating differentials:

## DIFFERENTIAL RATING CATEGORIES NON-RATEABLE

Includes any land referred to in Part 1, Schedule 1 of the Local Government (Rating) Act 2002. This land is non-rateable with the exception of targeted rates for sewerage and water where rates are applicable.

### 50 PERCENT NON-RATEABLE

Includes all land referred to in Part 2, Schedule 1 of the Local Government (Rating) Act 2002. This land is 50 percent non-rateable in respect of the rates that would have applied had the property not been classified as non-rateable, with the exception of targeted rates for sewerage and water for which the land is fully rateable.

## BASE DIFFERENTIAL

This includes:

- Separately rateable land used solely for one or more household units; excluding those properties that provide short stay (28 days or less) commercial accommodation for which a tariff is charged
- Vacant land zoned residential
- Rural land (including farmland and lifestyle blocks) under the District Plan that is administered by Council, but excluding any rating unit that is zoned rural industrial
- Separately rateable land occupied by a charitable organisation, which is deemed by the Council to be used exclusively or principally for sporting, recreation or community purposes and that does not generate any private pecuniary profit.

## COMMERCIAL, INDUSTRIAL AND BUSINESS DIFFERENTIAL

This includes:

- Separately rateable land used for a commercial or industrial purpose
- Vacant land zoned commercial, industrial or rural industrial under the District Plan administered by the Council
- Land used for offices, administrative and/or associated functions
- Land used for commercial accommodation for which a tariff is charged and where the principle purpose is the provision of short stay accommodation
- Business-related premises used principally for private pecuniary benefit
- Utility networks
- Any property not otherwise categorised within the Base differential.

## ANNUAL UNIFORM GENERAL CHARGE

The Council does not assess a Uniform Annual General Charge.

## DIFFERENTIAL RATING CATEGORY CONDITIONS

- The Council has resolved to achieve a target in 2011/12, which modifies the differential apportionment so that the commercial, industrial and business sector pay 2.8 times the General rate per dollar of capital value payable by those properties incorporated under the Base (Residential) differential. For 2008/09 the General rate differential ratio will be 3.8:1.
- The separated parts of a rating unit will be differentially rated where a part of the property is non-rateable or the property fits under one or more rating differential and either:
  - The total capital value of the rating unit is above \$800,000 or
  - Minority use(s) account for more than 30 percent of the total capital value of the rating unit.

In any other case, the General rate differential is determined by principal use.

- In regard to the rates attributable to a rating unit during the transition period between two differential rating categories, a ratepayer may apply for a change in rating category at any time between the lodgement of a consent application with the Council (on the condition that the principal prior use has ended) and the earlier of either:
  - The time at which the Council gives final approval of the completed works, or
  - The property is deemed (by the Council) to be available for its intended use.

In situations where the change in land use does not require a Council consent, but warrants a change in differential rating category, the onus is on the ratepayer to inform the Council prior to the property being utilised under the new use.

- The rating differential classification of all rating units must be set prior to the commencement of a rating year and will remain in place for that entire rating year. Any change in circumstances that results in a change of differential classification during a rating year will apply from 1 July of the following rating year.
- Any property eligible for mandatory 50 percent non-rateability under Part 2, Schedule 1, of the Rating Powers Act will be first classified under the appropriate General rate differential classifications and the non-rateability applied to that rate.

# RATING MECHANISMS CONTINUED...

## TARGETED RATES

Targeted Rates are set under section 16 of the Local Government (Rating) Act 2002.

## SEWERAGE RATE

A targeted sewerage rate is to be apportioned 60 percent: 40 percent between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the sewerage treatment facilities for the city.

For the purposes of these rates the sewerage collection and disposal service is treated as being provided if the rating unit is connected to a public sewerage drain (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Local Government (Rating) Act 2002.

The targeted Sewerage rate is calculated as follows:

*For rating units incorporated in the Commercial, Industrial and Business differential:*

A rate per dollar of capital value on all rating units connected to a public sewerage drain, to collect 40 percent of the required rates funding, after having deducted the total dollar amount budgeted to be collected through Trade Waste Charges (excluding consent fees).

*For rating units incorporated in the Base differential:*

A fixed amount of \$112.50 (incl. GST) and a rate per dollar of capital value on all rating units connected to a public sewerage drain, to collect 60 percent of the required rate funding.

## WATER RATE

A targeted rate for water is to be apportioned with the aim of achieving a 60 percent: 40 percent split between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy.

This rate pays for water collection and treatment facilities, the water distribution network and water conservation for the city.

This rate is set on all rating units serviced by a water connection. For the purpose of these rates, the water service is treated as being provided if the rating unit is connected to the public water supply (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Local Government (Rating) Act 2002.

The targeted water rate is calculated as follows:

*For rating units incorporated in the Commercial, Industrial and Business differential, either:*

- a) A fixed water meter charge of \$1.58 (incl. GST) per cubic metre of water used by all rating units connected to the public water supply with a water meter installed, plus an administrative charge of \$84.37 (incl. GST) per annum, or
- b) A rate per dollar of capital value on all rating units connected to the public water supply, without a water meter installed.

*For rating units rated incorporated in the Base differential, either:*

- a) A fixed water meter charge of \$1.58 (incl. GST) per cubic metre of water used by all rating units connected to the public water supply with a water meter installed, plus an administrative charge of \$84.37 (incl. GST) per annum, or
- b) A fixed amount of \$112.50 (incl. GST) per rating unit and a rate per dollar of capital value on all rating units connected to the public water supply without a water meter installed, to collect the required Base differential contribution.

## STORMWATER NETWORK RATE

A targeted stormwater rate is to be apportioned 80 percent to the non-rural rating units incorporated under the Base differential and 20 percent to the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the stormwater collection/disposal network for the city.

Properties classified as "rural" under the Council's operative District Plan are excluded from the liability of this rate.

The targeted Stormwater network rate is calculated as follows:

*For non-rural rating units incorporated in the Commercial, Industrial and Business differential:*

A rate per dollar of capital value to collect 20 percent of the required rates funding.

*For non-rural rating units incorporated in the Base differential:*

A rate per dollar of capital value to collect 80 percent of the required rates funding.

## COMMERCIAL, INDUSTRIAL AND BUSINESS SECTOR TARGETED RATE

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed to the commercial, industrial and business sector and where the activity is not incorporated in other service related targeted rates. This incorporates the following:

- 100% of the cost of the events attraction and support activity

This rate is levied on all properties incorporated in the commercial, industrial and business sector and is calculated on a rate per dollar of rateable capital value.

## BASE SECTOR TARGETED RATE

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed to properties incorporated under the Base differential rating category (incorporating residential ratepayers). This incorporates the following activities:

- 100% of the facilitation of community environmental initiatives, cultural grants, facilitation of recreation partnerships and community advocacy activities.

- 80% of the provision of community centres and halls activities.

This rate is levied on all properties incorporated under the Base differential rating category and is calculated on a rate per dollar of rateable capital value.

## DOWNTOWN LEVY

This rate pays for tourism promotion, facilitation of suburban and city centres vitality and the New Zealand International Arts Festival. It also pays for 70% of the visitor attractions activity and 25% of the provision of galleries and museums activity.

This rate is levied on all commercial, industrial and business properties in the downtown area and is calculated on a rate per dollar of rateable capital value. For the purpose of this rate, the downtown area refers to the area designated as the "Central Area" under the operative Wellington City District Plan.

## TAWA DRIVEWAYS LEVY

This rate pays for the maintenance of a specified group of residential access driveways in the suburb of Tawa, overseen by the Council. This rate is levied on a specific group of rating units in the former Tawa Borough at a fixed amount of \$100 (including GST) per annum.

## MARSDEN VILLAGE LEVY

This rate is collected by the Council on behalf of the Marsden Village Association on all commercial, industrial and business properties in the Marsden shopping village and is calculated on a rate per dollar of capital value.

## INDOOR COMMUNITY SPORTS CENTRE TARGETED RATE

A targeted rate was introduced from 2007/08 to cover \$11 million of the capital cost of the new indoor community sports centre. Over a ten year period this rate is levied on rateable properties and is calculated based on a rate per dollar of rateable capital value.

## RATES REMISSION AND POSTPONEMENT POLICIES

Refer to the Council's Remission and Postponement Policies.

## PROSPECTIVE STATEMENT OF FINANCIAL PERFORMANCE

	Forecast 2008/09 \$000
<b>INCOME</b>	
Revenue from rates and levies	204,841
Revenue from operating activities	122,048
Revenue from investment property leases	10,907
Finance income	5,673
Other revenues and gains	4,515
<b>Total operating income</b>	<b>347,984</b>
<b>EXPENDITURE</b>	
Finance expense	22,656
Expenditure on operating activities	235,832
Depreciation and amortisation	69,577
<b>Total operating expenditure</b>	<b>328,065</b>
<b>Net surplus / (deficit) for the year</b>	<b>19,919</b>

The surplus reflects the impact of funding received for capital purposes, unfunded depreciation and accounting for fair value changes.

## PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

	Forecast 2008/09 \$000
<b>EQUITY – OPENING BALANCES</b>	
Accumulated funds and retained earnings	4,727,246
Revaluation reserves	1,042,203
Hedging reserve	5,468
Restricted funds	22,874
<b>Total equity – opening balance</b>	<b>5,797,791</b>
<b>CHANGES IN EQUITY</b>	
<b>RETAINED EARNINGS</b>	
Transfer from retained earnings	(1,464)
Transfer to retained earnings	2,348
<b>RESTRICTED FUNDS</b>	
Transfer from restricted funds	(2,348)
Transfer to restricted funds	1,464
<b>Net income recognised directly in equity</b>	<b>–</b>
Net surplus/(deficit) for the year to retained earnings	19,919
<b>Total recognised income and expense for the year</b>	<b>19,919</b>
<b>Total changes in equity</b>	<b>19,919</b>
<b>EQUITY – CLOSING BALANCES</b>	
Accumulated funds and retained earnings	4,748,049
Revaluation reserves	1,042,203
Hedging reserve	5,468
Restricted funds	21,990
<b>Equity – closing balance</b>	<b>5,817,710</b>

# PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	Forecast 2008/09 \$'000
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	1,883
Trade and other receivables	32,529
Inventories	1,005
<b>Total current assets</b>	<b>35,417</b>
<b>Non-current assets</b>	
Derivative financial instruments	5,468
Other financial assets	15,611
Investment in subsidiaries	6,509
Investment in associates	19,558
Intangibles	8,815
Investment properties	215,282
Property, plant & equipment	5,924,407
<b>Total non-current assets</b>	<b>6,195,650</b>
<b>TOTAL ASSETS</b>	<b>6,231,067</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Trade and other payables	54,833
Borrowings	96,733
Employee Benefit Liabilities	6,528
Provision for other liabilities	4,811
<b>Total current liabilities</b>	<b>162,905</b>

<b>Non-current liabilities</b>	
Borrowings	233,046
Employee benefits	1,480
Provisions for other liabilities	15,926
<b>Total non-current liabilities</b>	<b>250,452</b>
<b>TOTAL LIABILITIES</b>	<b>413,357</b>
<b>EQUITY</b>	
Accumulated funds and retained earnings	4,748,049
Revaluation reserves	1,042,203
Hedging reserve	5,468
Restricted funds	21,990
<b>TOTAL EQUITY</b>	<b>5,817,710</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,231,067</b>

## PROSPECTIVE SEGMENTAL ANALYSIS BY STRATEGY

	Forecast 2008/09 \$000
<b>NET SURPLUS/(DEFICIT) BY STRATEGY</b>	
Urban Development	(14,610)
Transport	(19,064)
Economic Development	(16,744)
Environment	(106,709)
Cultural Wellbeing	(12,693)
Social and Recreation	(41,014)
Governance	(12,783)
<b>Total</b>	<b>(223,617)</b>
Council	243,536
<b>Net Surplus/(deficit)</b>	<b>19,919</b>
<b>CAPITAL EXPENDITURE BY STRATEGY</b>	
Urban Development	8,478
Transport	29,189
Economic Development	2,539
Environment	30,400
Cultural Wellbeing	3,010
Social and Recreation	34,098
Governance	-
<b>Total</b>	<b>107,714</b>
Council	9,964
<b>Total Annual Capital Expenditure Programme</b>	<b>117,678</b>
<b>Capital Expenditure Carried Forward from 2007/08</b>	<b>21,775</b>
<b>Total Capital Expenditure</b>	<b>139,453</b>

## PROSPECTIVE STATEMENT OF CASH FLOWS

	Forecast 2008/09 \$000
<b>Cash flows from operating activities</b>	
Cash receipts from rates and levies – Council	204,841
Cash receipts from activities and other income	100,614
Cash receipts from Government grants and subsidies	25,949
Cash receipts from investment property leases	10,907
Cash paid to suppliers and employees	(211,054)
Grants paid	(25,277)
<b>Net cash flow from operating activities</b>	<b>105,980</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Dividends received	4,750
Interest received	100
Loans made/repaid	(5,000)
Purchase of property, plant and equipment	(139,453)
<b>Net cash flow from investing activities</b>	<b>(139,603)</b>
<b>Cash flow from financing activities</b>	
Increase in borrowings	56,279
Interest paid on borrowings	(22,656)
Decrease in borrowings	-
<b>Net cash flow from financing activities</b>	<b>33,623</b>
Net increase / (decrease) in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	1,883
<b>Cash and cash equivalents at end of year</b>	<b>1,883</b>