

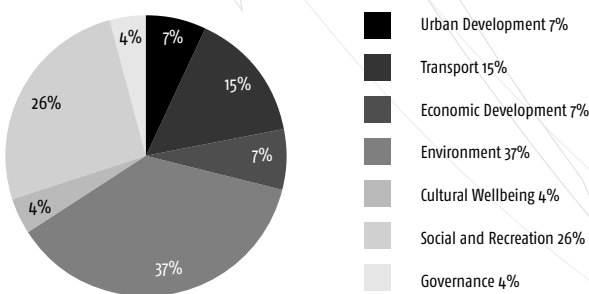
RATES, CHARGES AND SPENDING

OPERATIONAL SPENDING

We're forecasting total operational spending of \$328 million during 2008/09.

Operational spending provides for all of our day-to-day operations and services – things like waste disposal, water supply, operating the transport network, issuing building and resource consents, maintaining parks and gardens and so on.

OPERATIONAL SPENDING



37% of our operational spending relates to the Environment strategy area. This includes expenditure in relation to the provision of water, wastewater and stormwater, as well as green open spaces. Other significant areas of operational spending include transport, and social/recreation services.

RATES

We're proposing a 4.8% real increase in Council rates for 2008/09.

The Council receives operational spending from a combination of general rates, targeted rates, user charges, grants/subsidies, and other income (such as dividends).

The Council sets targeted rates to fund costs associated with the Council's water, sewerage and stormwater systems. Separate targeted rates are set for Marsden Village, Downtown, and Tawa driveways.

There are two categories of general rates: the base general rate, and the commercial sector general rate. The Council has a rates differential in place that decides the share of general rates paid by residents and businesses. It is proposed to gradually reduce this differential over time. In 2007/08, the commercial sector general rate was 4.2 times higher than the base rate for a property of the same value. We propose to reduce this differential so that the commercial sector will contribute 3.8 times more general rate than the residential ratepayer for a property of the same value in 2008/09. By 2011/12, we aim to reduce this differential to 2.8:1.

When we decide whether to fund a service from rates or other sources, we consider a wide range of factors including who benefits.

Decisions about how to fund a service are guided by our Revenue and Financing Policy. Under the policy, for each activity we consider the following criteria:

- who benefits – individuals, an identifiable part of the community, or the whole community
- whether the people or groups who benefit could be excluded from the service if they don't pay, and whether excluding them would be fair and equitable
- whether the benefits will extend to future generations as well as current ones
- the 'polluter pays' principle – that people and groups should pay for harm they directly cause
- overall impact on social, economic, cultural and environmental well-being.

We then agree the proportion of funding that each sector will contribute to pay for each activity. For instance, tourism promotion is funded through the downtown levy (the retailers, restaurants, bars, hotels and other businesses located in the downtown area who benefit from visitors' spending), while our city safety programme, which benefits everyone, is funded through the general rate.

The rates increase for 2008/09 is lower than we had previously forecast.

In our amended 2006-2016 long term plan, we had forecast a rates increase of 7.1% for 2008/09. The lower-than-previously-forecast figure reflects our efforts to manage the city's finances efficiently and prudently. While we're proposing some new projects, we've also sought operational efficiencies and rescheduled some of our work programme to keep the rates increase below previously forecast levels.

The actual rates changes affect each household or property differently, depending on changes in capital value.

The rateable capital value for the average residential property has increased by 13% to \$530,000 over the past year. The rates on this property for 2008/09 will be about \$1,846. Rates for your property will be higher or lower than this depending on the value of your property. It is important to note that an increase in the capital value of properties in the city does not mean that the Council automatically collects more rates. We set the overall level of rates to cover the operating expenditure of the Council less any external income (from sources other than rates) we receive. We then use, in most cases, the capital value of all properties to allocate the rates requirement.

➡ We're proposing a 4.8% increase in Council rates and some increases in user charges.

The final rates increase for an individual property will depend on:

- the overall increase in the Council's rateable budget
- any changes in the rates differential or uniform rates applying to that property
- the growth in the number of rateable properties in the city (e.g. due to construction of new houses, apartments and business premises)
- the change in a particular property's capital value compared to the average change in capital value for other properties.

Indicative residential property rates (without a water meter)

2008/09 Capital Values \$	2008/09 Rates \$
200,000	837
300,000	1,143
400,000	1,449
500,000	1,755
600,000	2,061
700,000	2,366
800,000	2,672
900,000	2,978

We're going to re-introduce three-yearly property valuations in line with other local authorities around the country.

Valuations were originally produced five-yearly then three yearly until 1995, when we moved to annual valuations in response to particularly volatile property market conditions in the late 1980's and early 1990's. The move to annual valuation was done to reduce the impact on property owners in areas that had experienced above average increases for several years in a row.

We're moving back to three-yearly valuations because the conditions that originally drove yearly valuations have changed. The move back to a three-year cycle will save the city more than \$750,000 over three years.

The next revaluation of Wellington properties will be in 2009, with three-yearly valuations after that.

Water Rates

This year we are proposing to increase the per cubic meter charge for ratepayers who have a water meter installed.

The last increase in the metered water charge was in 2004/05. This year we propose to increase the charge for those ratepayers with a water meter installed from \$1.37 per cubic meter to \$1.58 per cubic meter to ensure that those with a water meter continue to pay their fair share of the costs of the water activity.

REVENUE AND FINANCING POLICY

We are proposing the following variations from our Revenue and Financing Policy.

We are increasing the proportion of the Building Control and Facilitation activity to be funded by user charges from 60% to 65%, to better reflect the proportion of costs the Council is seeking to obtain from the direct beneficiary.

We are decreasing the proportion of the Promoting and Hosting Cultural Events activity funded from non-rates revenue from 25% to 20% to reflect a transfer of events into this activity. This is fiscally neutral at an overall Council level. These changes will be formalised into the Revenue and Financing Policy when the long term plan is revised next year.

USER CHARGES

We're also proposing to change fees and charges for some of our services.

We are proposing to raise fees in a number of areas this year. The majority of these increases are minor and reflect cost pressures. Increasing fees by a little each year ensures that ratepayers are not over-subsidising services the Council provides, and helps to avoid larger increases in future. Activities for which fee increases are proposed include:

- Development control and facilitation (resource consent fees etc.)
- Sandwich boards
- Landfill charges (recycling levy)
- Marinas
- Sports fields
- Burials and cremations.

A full list of changes to fees and charges is included in the appendices.

Decisions about user charges and ratepayer funding of each service are made in accordance with our Revenue and Financing Policy, and depend on a range of factors including who benefits from the service (see above).

Trade Waste Charges

This year we propose to introduce a trade waste charging regime. This will mean that businesses that discharge trade waste into the sewer will pay charges that better reflect the cost of transporting, treating and disposing of this waste. It will also provide an incentive for these disposers to reduce the level of trade waste they produce.

The Council will not collect any more money overall from the introduction of these charges. It just means that all commercial ratepayers will pay a little less in sewerage rates. The full draft trade waste policy is included in the appendices.

Draft

CAPITAL SPENDING

We're continuing to invest in the infrastructure of the city.

Capital spending pays for property, plant and equipment. This includes buying, building, developing and upgrading assets such as buildings, roads, bridges, water and stormwater pipes, and so on.

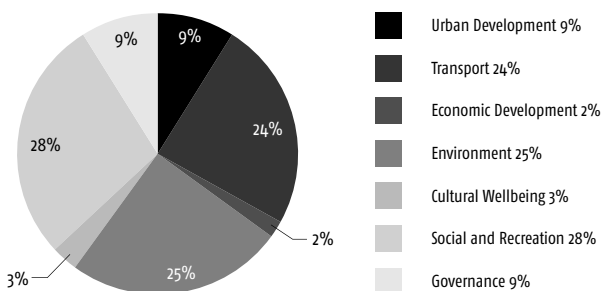
We fund capital expenditure from depreciation, borrowings, reserves and bequests, Land Transport NZ and other subsidies, and development contributions. For asset renewals, the main funding source is depreciation. For new assets, the main funding source is borrowings.

We aim to manage our borrowing within the following targets:

- total Council borrowing is less than 10% of equity and less than 150% of income
- net interest is less than 15% of income and less than 20% of rates income
- liquidity is greater than 110%.

We're forecasting capital spending (excluding carried forward expenditure and loans to other organisations) of \$120 million for 2008/09. That's an increase of \$21 million from 2007/08, but compares favourably with our previous forecast for 2008/09 of \$145 million. This change reflects the reprioritisation of some capital works we'd budgeted for in our long-term plan – further information is provided in the "Our Activities in Detail" chapter.

CAPITAL SPENDING



VARIANCES FROM LONG-TERM PLAN

Each year we review the underlying assumptions and costs that make up each activity. For each activity we consider the impact of a number of factors, including:

- changes in direct costs
- updated forecasting assumptions (including changes to the forecast timing of projects)
- the allocation of indirect and organisational costs/efficiencies
- the appropriateness of inflation and CPI adjustments
- changes affecting our opening position (e.g. updated borrowings forecasts)

This means that the proposed costs for each activity may differ from those we had originally forecast for 2007/08 in the long term plan.

Further information is provided in the "Our Activities in Detail" chapter.

CONSULTATION

What do you think of our proposals?

You can make comments online or write to us.

Comments can be made online at www.Wellington.govt.nz. Or you can write a submission, send a letter or email, or use the comments form in this annual plan or our *Absolutely Positively Wellington* newspaper.

Send comments to:

- Annual Plan, Wellington City Council, PO Box 2199, Wellington
- Annual.Plan@wcc.govt.nz

You also have the opportunity to present your submission in person to a subcommittee of councillors.

We need to hear your views before 5pm on 19 May.

Come to a meeting.

You can find out more about our proposals and the thinking behind them by coming to a meeting. We have the following public meeting scheduled:

- 2008/09 draft annual plan meeting – on Tuesday 6 May at 7pm.

The meeting will be held in Committee Room One in the Council buildings at 101 Wakefield Street.

If you are a member of a resident association, sports club or any other organisation or group and would like to talk about the draft plan at one of your meetings during the consultation period please contact 499 4444.

Your views do matter.

Every year, we change or confirm our plans in response to public input. We appreciate the submissions we get, and we do take them seriously.

The Mayor and councillors will get copies of every submission. A subcommittee will listen to oral submissions in late May and they'll report to our Strategy and Policy Committee in June. The committee will discuss your views and start finalising the work programme for the year. Then, on 27 June, the full Council will meet to finalise the programme.

If you've made a submission, we'll write to you and let you know what was decided. Our annual plan will be published in July.

COPIES OF THIS PLAN

You can get extra copies of this annual plan from libraries, service centres, or Council offices. If you phone 499 4444 we'll send you a copy. You can also download copies from www.Wellington.govt.nz.