

STATEMENT OF PROSPECTIVE CAPITAL EXPENDITURE AND CAPITAL EXPENDITURE FUNDING

	Forecast 2008/09 \$000
CAPITAL EXPENDITURE	
Renewals	61,718
New assets	57,869
Total annual capital expenditure programme	119,587
RENEWALS FUNDED BY	
Depreciation	56,363
Borrowings	5,355
NEW ASSETS FUNDED BY	
Borrowings	31,469
Housing grants	11,599
Development contributions	2,357
LTNZ subsidies	10,364
Bequest and trust funding	2,080
Total capital expenditure funding	119,587

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
GENERAL RATE	Capital Value	Base differential use	\$34,713,579,000	¢0.163763	56,848
	Capital Value	Commercial, industrial & business use	\$10,825,828,000	¢0.623924	67,545
	TOTAL				124,393
SEWERAGE RATE	Fixed charge	Base differential use / connection status	63039 properties	\$112.50	7,092
	Capital Value	Base differential use / connection status	\$36,136,112,000	¢0.039854	14,401
	Capital Value	Commercial, industrial and business use / connection status	\$9,362,122,000	¢0.145243	13,598
	TOTAL				35,091
WATER RATE	Fixed charge	Base differential use/connection status	57056 properties	\$112.50	6,419
	Capital Value	Base differential use/connection status	\$30,329,485,000	¢0.043930	13,323
	Consumption unit charge	Base differential use/connection status	n/a	\$1.58 / m ³	394
	Capital Value	Commercial, industrial and business use /connection status	\$988,866,000	¢0.231738	2,292
	Consumption unit charge	Commercial, industrial and business use /connection status	n/a	\$1.58 / m ³	11,132
	TOTAL				33,560
STORMWATER RATE	Capital Value	Base differential use (excluding rural)	\$34,212,208,000	¢0.033485	11,456
	Capital Value	Commercial, industrial and business use (excluding rural)	9,816,573,000	¢0.029175	2,864
	TOTAL				14,320
INDOOR COMMUNITY SPORTS CENTRE RATE	Capital Value	Base differential use	\$34,212,208,000	¢0.002887	987
	Capital Value	Commercial, industrial and business use	9,816,573,000	¢0.002911	286
	TOTAL				1,273

Rate	Factor	Differentiation	Total Value of Factor	Rate/charge	Rates yield GST Inclusive 000's
Base sector targeted rate	Capital Value	Residential use	\$34,713,579,000	¢0.021999	7,636
Commercial sector targeted rate	Capital Value	Commercial, industrial & business use	\$10,825,828,000	¢0.019305	2,090
Downtown levy	Capital Value	Commercial, industrial & business use / central city location	\$7,613,605,000	¢0.146946	11,188
Tawa driveways levy	Fixed charge	Shared residential access driveways in the suburb of Tawa and maintained by the Council	247 properties	\$100.00	25
Marsden Village levy	Capital Value	Commercial, industrial & business use located in Marsden shopping village	\$12,164,000	¢0.132420	16
TOTAL RATES REQUIREMENT (INCLUDING GST)					229,592

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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	56,848	67,545	124,393
Water Rate (incl. water meters & UAC)	20,136	13,424	33,560
Sewerage Rate (incl. UAC)	21,493	13,598	35,091
Stormwater rate	11,456	2,864	14,320
Targeted sector rates	7,636	2,090	9,726
Downtown Levy	-	11,188	11,188
Indoor Community Sports Centre targeted rate	987	286	1,273
Tawa driveways	25		25
Marsden Village		16	16
Total Rates	118,581	111,011	229,592

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	837	1%	5%	9%	13%
300,000	1,143	1%	5%	10%	14%
400,000	1,449	1%	6%	10%	15%
500,000	1,755	1%	6%	10%	15%
600,000	2,061	1%	6%	11%	15%
700,000	2,366	2%	6%	11%	16%
800,000	2,672	2%	6%	11%	16%
900,000	2,978	2%	6%	11%	16%

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	2,051	-9%	-3%	3%	9%
500,000	4,103	-9%	-3%	3%	9%
750,000	6,154	-9%	-3%	3%	9%
1,000,000	8,206	-9%	-3%	3%	9%
1,500,000	12,308	-9%	-3%	3%	9%
2,000,000	16,411	-9%	-3%	3%	9%
5,000,000	41,028	-9%	-3%	3%	9%
10,000,000	82,056	-9%	-3%	3%	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	2,998	-9%	-3%	2%	8%
500,000	5,996	-9%	-3%	2%	8%
750,000	8,995	-9%	-3%	2%	8%
1,000,000	11,993	-9%	-3%	2%	8%
1,500,000	17,989	-9%	-3%	2%	8%
2,000,000	23,986	-9%	-3%	2%	8%
5,000,000	59,964	-9%	-3%	2%	8%
10,000,000	119,929	-9%	-3%	2%	8%

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	2,419	-8%	-2%	3%	9%
500,000	4,838	-8%	-2%	3%	9%
750,000	7,256	-8%	-2%	3%	9%
1,000,000	9,675	-8%	-2%	3%	9%
1,500,000	14,513	-8%	-2%	3%	9%
2,000,000	19,350	-8%	-2%	3%	9%
5,000,000	48,375	-8%	-2%	3%	9%
10,000,000	96,750	-8%	-2%	3%	9%

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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

Included 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:

- a) 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
- b) Vacant land zoned residential
- c) 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
- d) 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:

- a) Separately rateable land used for a commercial or industrial purpose
- b) Vacant land zoned commercial, industrial or rural industrial under the District Plan administered by the Council
- c) Land used for offices, administrative and/or associated functions
- d) Land used for commercial accommodation for which a tariff is charged and where the principle purpose is the provision of short stay accommodation
- e) Business-related premises used principally for private pecuniary benefit
- f) Utility networks
- g) 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:
 - a) The total capital value of the rating unit is above \$800,000 or
 - b) 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:
 - a) The time at which the Council gives final approval of the completed works, or
 - b) 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.

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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 meter 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 meter 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.

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PROSPECTIVE STATEMENT OF FINANCIAL PERFORMANCE

	Forecast 2008/09 \$000
INCOME	
Revenue from rates and levies	204,081
Revenue from operating activities	121,764
Revenue from investment property leases	10,907
Finance income	5,673
Other revenues and gains	4,515
Total operating income	346,940
EXPENDITURE	
Finance expense	22,656
Expenditure on operating activities	235,313
Depreciation and amortisation	69,577
Total operating expenditure	327,546
Net surplus / (deficit) for the year	19,394

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
EQUITY - OPENING BALANCES	
Accumulated funds and retained earnings	4,727,246
Revaluation reserves	1,042,203
Hedging reserve	5,468
Restricted funds	22,874
Total equity - opening balance	5,797,791
CHANGES IN EQUITY	
RETAINED EARNINGS	
Transfer from retained earnings	(964)
Transfer to retained earnings	2,348
RESTRICTED FUNDS	
Transfer from restricted funds	(2,348)
Transfer to restricted funds	964
Net income recognised directly in equity	-
Net surplus/(deficit) for the year to retained earnings	19,394
Total recognised income and expense for the year	19,394
Total changes in equity	19,394
EQUITY - CLOSING BALANCES	
Accumulated funds and retained earnings	4,748,024
Revaluation reserves	1,042,203
Hedging reserve	5,468
Restricted funds	21,490
Equity - closing balance	5,817,185

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	Forecast 2008/09 \$000
ASSETS	
Current assets	
Cash and cash equivalents	1,883
Trade and other receivables	32,529
Inventories	1,005
Total current assets	35,417
Non-current assets	
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	213,361
Property, plant & equipment	5,924,337
Total non-current assets	6,193,659
TOTAL ASSETS	6,229,076
LIABILITIES	
Current liabilities	
Trade and other payables	54,833
Borrowings	95,267
Employee Benefit Liabilities	6,528
Provision for other liabilities	4,811
Total current liabilities	161,439

Non-current liabilities	
Borrowings	233,046
Employee benefits	1,480
Provisions for other liabilities	15,926
Total non-current liabilities	250,452
TOTAL LIABILITIES	411,891
EQUITY	
Accumulated funds and retained earnings	4,748,024
Revaluation reserves	1,042,203
Hedging reserve	5,468
Restricted funds	21,490
TOTAL EQUITY	5,817,185
TOTAL EQUITY AND LIABILITIES	6,229,076

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PROSPECTIVE SEGMENTAL ANALYSIS BY STRATEGY

	Forecast 2008/09 \$000
NET SURPLUS/(DEFICIT) BY STRATEGY	
Urban Development	(14,268)
Transport	(19,504)
Economic Development	(16,378)
Environment	(107,441)
Cultural Wellbeing	(12,771)
Social and Recreation	(41,203)
Governance	(13,229)
Total	(224,794)
Council	244,188
Net Surplus/(deficit)	19,394
CAPITAL EXPENDITURE BY STRATEGY	
Urban Development	10,457
Transport	29,069
Economic Development	2,195
Environment	30,222
Cultural Wellbeing	3,010
Social and Recreation	34,284
Governance	-
Total	109,237
Council	10,350
Total Annual Capital Expenditure Programme	119,587
Capital Expenditure Carried Forward from 2007/08	21,775
Total Capital Expenditure	141,362

PROSPECTIVE STATEMENT OF CASH FLOWS

	Forecast 2008/09 \$000
Cash flows from operating activities	
Cash receipts from rates and levies – Council	204,681
Cash receipts from activities and other income	99,730
Cash receipts from Government grants and subsidies	25,949
Cash receipts from investment property leases	10,907
Cash paid to suppliers and employees	(210,535)
Grants paid	(25,277)
Net cash flow from operating activities	105,455
CASH FLOWS FROM INVESTING ACTIVITIES	
Dividends received	4,750
Interest received	100
Loans made/repaid	(5,000)
Purchase of property, plant and equipment	(141,362)
Asset Proceeds	3,900
Net cash flow from investing activities	(137,612)
Cash flow from financing activities	
Increase in borrowings	54,813
Interest paid on borrowings	(22,656)
Decrease in borrowings	-
Net cash flow from financing activities	32,157
Net increase / (decrease) in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	1,883
Cash and cash equivalents at end of year	1,883