

Part Four – Funding and Financial Policies

FUNDING IMPACT STATEMENT

Various sections of the Local Government (Rating) Act 2002 refer to the Funding Impact Statement. These sections require:

- the basis of setting the general rate i.e. land, annual or capital value (Section 13).
- any category or categories that will be used for differentiating the general rate (Section 14)
- the function or functions for which a targeted rate will be set (Section 16).
- any category or categories of land that will be used to set a targeted rate on a differential basis or determine whether a property will be liable for a targeted rate (Section 17).
- any factor that will be used to calculate liability for a targeted rate (Section 18).
- an indication that Council wishes to set a charge for water supply by volume of water consumed if Council is intending to do so (Section 19).

The total rates requirement included in the plan is \$7,789,990 (exclusive of GST), which represents an increase of \$475,263 or 6.50% from the rates for the 2005-2006 Annual Plan. The largest increases in net expenditure are in subsidised roading of \$537,400 and non-subsidised roading of \$94,370.

Council has reviewed the likely impact of these changes on the incidence of rates. Forestry properties will incur additional rates of up to 20% due to two factors. The increase in the rural roading rate of 15% will contribute 10.2%; and the new-targeted forestry rate of 1.18, will contribute 9.8%. Rates at Tuai are estimated to increase by approximately 5.2%, due to the sewerage charge being subsidised by \$45,000 from the Tuai Fund for 2006-07.

Rural Utilities and Heavy Industrial properties with large capital values will have decreases of up to 24%, resulting from the replacement of the targeted rate for waste management (based on capital values) with an increase in the UAC charge for Waste Management of \$43.70.

Other properties are estimated to have increases or reduction in rates of up to 10%, with reductions in the rural townships of Nuhaka, Raupunga and Frasertown ranging from 3% to 9% in the sample of properties reviewed.

DIFFERENTIAL RATING FACTORS

The Local Government (Rating) Act 2002 reinforces the concept of rates being charged at different rates in the dollar for different categories of rateable land, as defined in schedule 2 of the act. The rates are split into differentials to recognize the different classification and uses of land within the district, and the differing consumption of Council resources relative to other ratepayers in the district.

The Wairoa District Council proposes that the following differential rating structure applies for the period from 1 July 2006 to 30 June 2007: -

- A 0.65 differential rating factor for Mahia and Tuai, which applies a factor of 65% to the standard rates. The reason for this differential is to recognize the relatively high property values that unfairly penalize ratepayers in the district. Also, Council is collecting the same dollar value as was previously collected.
- A 3.5 factor for urban commercial and industrial ratepayers to reflect the relative advantage this group has relative to other ratepayers located in the same urban area. The benefits derive from the proximity to and the usage of Council services provided and the occupation of the Council developed precinct of the district.
- A 2.5 factor for high capital urban commercial and industrial ratepayers, in recognition of the relative unfair burden of rates relative to services received for these properties.
- A 2.7 factor for high capital rural commercial and industrial ratepayers to reflect the advantage this group has compared to other ratepayers located in the same rural area, by consuming greater Council resources relative to other rural properties.
- A factor of 0.5 for urban properties with a land value of over \$19,999 in recognition of the relative unfair burden of rates relative to services received for these properties.
- A factor of 0.7 for urban properties over 1.5 hectares with a land value of less than \$19,999 in recognition of the relative unfair burden of rates relative to services received for these properties.
- A factor of 1.18 for roading for rural forestry to reflect the additional maintenance costs as a result of forestry activities.
- A factor of 0.94 for rural roading for those non-forestry properties with land values from \$50,000 to \$500,000 classified as rural 1.
- A factor of 0.88 for rural roading for those non-forestry properties with land values over \$500,000 classified as rural 1.

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The differential rating settings are as follows: -

Wairoa Rural (all properties not included in Mahia/Tuai)	=	1.0
Residential One (Mahia/Tuai)	=	0.65
Residential Two (> 1.5 hectares)	=	0.7
Residential Three (LV > \$19,999)	=	0.5
Wairoa Township (excluding Commercial/Industrial)	=	1.0
Commercial and Industrial (Wairoa Township)	=	3.5
Commercial and Industrial (Wairoa Township CV > \$200K)	=	2.5
Commercial and Industrial (Rural CV > \$200K)	=	2.7
Forestry Roding Rate	=	1.18
Rural Non-Forestry Roding Rate	=	0.94
Rural Non-Forestry Roding Rate	=	0.88

TARGETED RATES

The following factors may be used in calculating liability for targeted rates: -

1. The annual value of the rating unit.
2. The capital value of the rating unit.
3. The land value of the rating unit.
4. The value of improvements to the rating unit.
5. The area of land within the rating unit.
6. The area of land within the rating unit that is sealed, paved, or built on.
7. The number of separately used or inhabited parts of the rating unit.

8. The extent of provision of any service to the rating unit by the local authority, including any limits or conditions that apply to the provision of the service.
9. The number or nature of connections from the land within each rating unit to any local authority reticulation system.
10. The area of land within the rating unit that is protected by any amenity or facility that is provided by the local authority.
11. The area of floor space of buildings within the rating unit.
12. The number of water closets and urinals within the rating unit.

Notes:

- For the purposes of clauses 1 to 5, 8, and 10, rating unit includes part of a rating unit.
- For the purposes of clause 8, the extent of provision of a service to the land must be measured objectively and be able to be verified.
- For the purposes of clause 12, a rating unit used primarily as a residence for 1 household must not be treated as having more than 1 water closet or urinal.

Important: At various points in this statement a level of rate or charge is specified. These are final adopted figures based on the first year (2006-07) of the Long Term Council Community Plan 2006-16. All charges are GST inclusive, and funds raised GST exclusive.

GENERAL RATE

Council proposes to set a general rate under section 13 based on the land value of each rating unit within the district. This rate uses factor 3. The estimated rates (in cents per dollar of land value) for 2006/2007 are 0.0005308 for rural 1.0 (increase of 26%) and 0.0070616 for urban 1.0 (increase of 63%), raising \$384,826. General rates will be used to fund all activities that are not covered by the uniform annual general charge, targeted rates or other funding mechanisms outlined in the Revenue and Financing Policy.

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UNIFORM ANNUAL GENERAL CHARGE

Council proposes to set a uniform annual general charge under section 15 in respect of every separately used or inhabited part of rating units within the district.

The estimated uniform annual general charge for 2006/2007 is \$259.70, raising \$1,178,931 a decrease of 12.0% over 2005/2006.

The uniform annual general charge will be used to fund community representation, Maori Liaison and 50% of Library costs.

TARGETED RATE - ROADING

Council proposes to set a targeted rate under section 16 in respect of roading on the basis of a differential charge based on the land value of the property. This rate uses factor 3.

The estimated roading rate under section 16 for 2006/2007 is \$0.0048253 for rural 1.0 (15% increase) and \$0.0261884 (17% increase) for urban 1.0 raising \$2,859,350 in total.

The roading rate will be used to fund the roading activity.

TARGETED RATE – STORMWATER/DRAINAGE

Council proposes to set a targeted rate under section 16 in respect of stormwater and drainage on the basis of a differential charge based on the land value of the property. This rate uses factor 3. The estimated rate under section 16 for 2006/2007 is \$0.0000205 for rural 1.0 (65% decrease) and \$0.0007986 (63% decrease) for urban 1.0, raising \$22,142 in total.

The stormwater/drainage rate will be used to fund the stormwater/drainage activity.

TARGETED RATE – RECREATION

Council proposes to set a targeted rate under section 16 in respect of parks and reserves on the basis of a differential charge based on the capital value of the property. This rate uses factor 2. The estimated rate under section 16 for 2006/2007 is \$0.0002753 for rural 1.0 (11% reduction) and \$0.0017808 (4% decrease) for urban 1.0, raising \$556,300 in total.

The recreation rate will be used to fund the parks and reserves activity.

TARGETED RATE – SERVICES

Council proposes to set a targeted rate under section 16 in respect of other services, which includes regulatory services, economic development and community support, on the basis of a differential charge based on the capital value of the property. This rate uses factors 3 and 7. The estimated rate under section 16 for 2006/2007 is \$0.0002460 for rural 1.0 (9% increase) and \$0.0013729 (26% increase) for urban 1.0, raising \$459,654 in total.

The services rate will be used to fund the regulatory services, economic development and community support activities.

TARGETED RATE - WATER SUPPLY

Council proposes to set a targeted rate under section 16 in respect of water supply on the basis of a charge per each separately used or inhabited part of a rating unit to which water is supplied in the Wairoa Township Supply Area, the Frasertown Supply area, the Mahanga Supply Area, the Tuai Supply Area, and the Wairoa Environs Supply Area This rate uses factor 8. The estimated water supply rates and revenue collected for 2006/2007 is as follows: -

	Rates	% Increase	Revenue
Wairoa Township Supply Area	\$445.40	17%	\$682,895
Frasertown Supply Area	\$594.10	6%	\$50,564
Mahanga Supply Area	\$335.90	-1%	\$17,150
Tuai Supply Area	\$494.10	23%	\$24,810
Wairoa Environs	\$383.90	19%	\$68,620

The Water supply rates will be used to fund the water supply activities in the Wairoa Township, Frasertown, Mahanga, Tuai and Wairoa Environs.

TARGETED RATE - SEWERAGE DISPOSAL

Council proposes to set a targeted rate under section 16 in respect of sewerage disposal on the basis of a charge per each separately used or inhabited part of a rating unit to which sewerage is supplied in the Wairoa Township and the Tuai Supply Area. This rate uses factor 8.

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The proposed rates for 2006-07 are \$287.20 for Wairoa township (23% increase), raising \$559,200 and \$363.70 for Tuai (7% decrease), raising \$19,190 in revenue.

The sewerage disposal rate will be used to fund the sewerage disposal activity.

TARGETED RATE – REFUSE COLLECTION

Council proposes to fund refuse collection on the basis of a user charge per sticker from which Council is prepared to collect a refuse bag, as part of its normal refuse disposal service in the Wairoa Township, Mahia – Nuhaka, Tuai and other rural Supply Areas.

TARGETED RATE – WASTE MANAGEMENT

Council proposes to set a targeted rate under section 16 in respect of waste management on the basis of a charge per each separately used or inhabited part of a rating unit in the Wairoa Township Area and the Wairoa Rural Area.

This rate uses a fixed charge based on a location differential. This rate uses factor 8. The estimated waste management rate for 2006/2007 is \$178.80 for Wairoa Township Area (1% increase), raising \$304,302 in revenue, and \$134.90 for Wairoa Rural Area (48% increase) raising \$383,298 in revenue. Total revenue from waste management is \$687,600.

\$507,170 of the waste management rate will be used to fund the landfill operations in Wairoa. The balance of \$180,430 will be used to fund green waste disposal, annual dry goods collections and recycling in rural areas, which was previously charged as a targeted rate on the basis of a differential charge based on the capital value of the property.

TARGETED RATE – DRAINAGE

Council proposes to set a targeted rate under section 16 in respect of Drainage on the basis of a charge per each separately used or inhabited part of a rating unit, as part of its normal drainage service in the Wairoa Township and the Mahia Area. This rate uses factor 8.

The rates proposed are \$103.10 for Wairoa (58% increase), raising \$174,489 and \$133.50 for Mahia (71% increase) raising \$44,270 in revenue.

The drainage rate will be used to fund the drainage activity.

Set out below are schedules detailing the funding tools, and amount of funding estimated over the 10 years of the plan, for both rural and urban residents, and a summary of revenue for the Wairoa district as a whole over the 10 years of the plan:-

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Funding Impact Summary
for the Year Ended 30 June 2007 to 2016

<u>2005/06</u>				<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Annual Plan	Source	Category	Explanation	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$													
Rural													
\$226,160	General Rate	District	0.0005308 per \$ Land Value	\$286,940	\$288,062	\$303,881	\$310,837	\$321,295	\$332,779	\$338,380	\$345,860	\$357,268	\$361,783
\$493,317	Uniform Annual General Charge	District	\$259.70 per portion of rating unit	\$737,440	\$759,437	\$784,039	\$801,983	\$828,971	\$858,602	\$873,052	\$892,352	\$921,783	\$933,432
\$197,060	Uniform Annual Charge - Waste Management	District	\$134.90 per portion of rating unit	\$383,298	\$381,283	\$408,464	\$417,813	\$431,871	\$447,308	\$454,836	\$464,890	\$480,225	\$486,293
Targeted Rates													
\$20,178	Water Supply Tuai	Connected	\$494.10 per portion of rating unit	\$24,810	\$25,110	\$26,600	\$27,209	\$28,124	\$29,130	\$29,620	\$30,275	\$31,273	\$31,668
\$16,979	Water Supply Mahanga	Connected	\$335.90 per portion of rating unit	\$17,150	\$21,470	\$22,620	\$23,138	\$23,916	\$24,771	\$25,188	\$25,745	\$26,594	\$26,930
\$57,450	Water Supply Wairoa Rural	Connected	\$383.90 per portion of rating unit	\$68,620	\$62,639	\$64,526	\$66,003	\$68,224	\$70,662	\$71,852	\$73,440	\$75,862	\$76,821
\$47,620	Water Supply Frasertown	Connected	\$594.10 per portion of rating unit	\$50,564	\$46,398	\$50,032	\$51,177	\$52,899	\$54,790	\$55,712	\$56,944	\$58,822	\$59,565
	Water Supply Mahia	Connected				\$5,550	\$5,677	\$5,868	\$6,078	\$6,180	\$6,317	\$6,525	\$6,608
\$21,300	Sewerage Tuai	Connected	\$363.70 per portion of rating unit	\$19,190	\$56,230	\$57,081	\$58,388	\$60,352	\$62,509	\$63,561	\$64,966	\$67,109	\$67,957
	Sewerage Mahia	Connected	\$5\$ per portion of rating unit	\$0	\$14,668	\$409,347	\$418,717	\$432,805	\$448,275	\$455,819	\$465,895	\$481,263	\$487,345
\$52,000	Refuse Collection Mahia/Nuhaka	Serviced	User Pays by Sticker	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$25,800	Drainage Mahia	Area	\$133.50 per portion of rating unit	\$44,270	\$35,385	\$43,181	\$44,169	\$45,656	\$47,287	\$48,083	\$49,146	\$50,767	\$51,409
\$191,662	Services	District	0.0002460 per \$ Capital Value	\$223,760	\$321,324	\$365,398	\$373,601	\$385,793	\$409,413	\$416,198	\$424,654	\$438,417	\$443,549
\$2,263,571	Roading	District	0.0048253 per \$ Land Value	\$2,496,253	\$2,867,481	\$2,789,806	\$2,853,662	\$2,949,679	\$3,055,108	\$3,106,527	\$3,175,198	\$3,279,931	\$3,321,381
\$31,640	Stormwater/Drainage	District	0.0000205 per \$ Land Value	\$11,071	\$11,218	\$11,918	\$12,191	\$12,601	\$13,051	\$13,271	\$13,564	\$14,012	\$14,189
\$264,015	Recreation	District	0.0002753 per \$ Capital Value	\$250,335	\$259,092	\$271,250	\$277,459	\$286,794	\$297,045	\$302,044	\$308,721	\$318,904	\$322,934
\$293,650	Waste Management	District	0.0002253 per \$ Capital Value	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4,202,402				\$4,613,701	\$5,149,797	\$5,613,693	\$5,742,022	\$5,934,849	\$6,156,807	\$6,260,324	\$6,397,967	\$6,608,756	\$6,691,865
Urban													
\$63,910	General Rate	District	0.0070616 per \$ Land Value	\$97,886	\$96,295	\$105,987	\$108,413	\$112,061	\$116,066	\$118,020	\$120,628	\$124,607	\$126,182
\$640,100	Uniform Annual General Charge	District	\$259.70 per portion of rating unit	\$441,490	\$454,660	\$469,387	\$480,131	\$496,286	\$514,024	\$522,676	\$534,229	\$551,851	\$558,825
\$295,590	Uniform Annual Charge - Waste Management	District	\$178.80 per portion of rating unit	\$304,302	\$310,378	\$306,773	\$313,795	\$324,353	\$335,946	\$341,600	\$349,152	\$360,668	\$365,226
Targeted Rates													
\$582,733	Water Supply Wairoa	Connected	\$445.40 per portion of rating unit	\$682,895	\$666,702	\$705,575	\$721,659	\$745,654	\$772,322	\$785,016	\$802,408	\$828,355	\$838,943
\$458,100	Sewerage Wairoa	Connected	\$287.20 per portion of rating unit	\$559,200	\$610,434	\$630,340	\$644,768	\$666,462	\$690,283	\$701,901	\$717,417	\$741,081	\$750,446
\$87,500	Refuse Collection - Wairoa & Frasertown	Serviced	User Pays by Sticker	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$110,220	Drainage Wairoa	Area	\$103.10 per portion of rating unit	\$174,489	\$184,935	\$190,625	\$194,988	\$201,549	\$208,753	\$212,266	\$216,958	\$224,115	\$226,947
\$190,578	Services	District	0.0013729 per \$ Capital Value	\$235,894	\$333,286	\$377,635	\$386,118	\$398,729	\$422,810	\$429,338	\$438,333	\$452,357	\$457,899
\$329,269	Roading	District	0.0261884 per \$ Land Value	\$363,097	\$410,209	\$414,913	\$424,410	\$438,690	\$454,370	\$462,017	\$472,230	\$487,807	\$493,971
\$31,640	Stormwater/Drainage	District	0.0007986 per \$ Land Value	\$11,071	\$11,218	\$11,918	\$12,191	\$12,601	\$13,051	\$13,271	\$13,564	\$14,012	\$14,189
\$322,685	Recreation	District	0.0017808 per \$ Capital Value	\$305,965	\$316,669	\$331,527	\$339,115	\$350,526	\$363,054	\$369,165	\$377,325	\$389,771	\$394,697
\$3,112,325				\$3,176,289	\$3,394,786	\$3,544,680	\$3,625,588	\$3,746,911	\$3,890,680	\$3,955,270	\$4,042,245	\$4,174,623	\$4,227,325
\$7,314,727				\$7,789,990	\$8,544,583	\$9,158,373	\$9,367,610	\$9,681,760	\$10,047,487	\$10,215,594	\$10,440,212	\$10,783,379	\$10,919,191

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Funding Impact Summary
for the Years Ended 30 June 2007 to 2016

<u>2005/06</u> Annual Plan \$	<u>2006/07</u> \$	<u>2007/08</u> \$	<u>2008/09</u> \$	<u>2009/10</u> \$	<u>2010/11</u> \$	<u>2011/12</u> \$	<u>2012/13</u> \$	<u>2013/14</u> \$	<u>2014/15</u> \$	<u>2015/16</u> \$
Rates Revenue										
290,070 General Rate	384,826	384,357	409,868	419,250	433,356	448,845	456,400	466,488	481,875	487,965
1,133,417 Uniform Annual General Charge	1,178,930	1,214,097	1,253,426	1,282,114	1,325,257	1,372,626	1,395,727	1,426,581	1,473,634	1,492,257
492,650 Uniform Annual Charge - Waste Management	687,600	691,661	715,237	731,608	756,224	783,254	796,436	814,042	840,893	851,520
Targeted Rates										
724,960 Water Supply	844,039	822,319	874,903	894,863	924,686	957,753	973,567	995,127	1,027,431	1,040,535
479,400 Sewerage	578,390	681,332	1,096,768	1,121,872	1,159,619	1,201,067	1,221,282	1,248,279	1,289,453	1,305,748
139,500 Refuse Collection	0	0	0	0	0	0	0	0	0	0
136,020 Drainage	218,759	220,320	233,806	239,158	247,204	256,040	260,350	266,105	274,882	278,356
382,240 Services	459,654	654,610	743,033	759,718	784,522	832,223	845,536	862,987	890,774	901,448
2,592,840 Roading	2,859,350	3,277,690	3,204,719	3,278,072	3,388,369	3,509,477	3,568,545	3,647,428	3,767,737	3,815,352
63,280 Stormwater/Drainage	22,142	22,436	23,836	24,382	25,202	26,103	26,542	27,129	28,024	28,378
586,700 Recreation	556,300	575,761	602,777	616,574	637,320	660,099	671,209	686,046	708,675	717,631
293,650 Waste Management	0	0	0	0	0	0	0	0	0	0
7,314,727	7,789,990	8,544,583	9,158,373	9,367,610	9,681,760	10,047,487	10,215,594	10,440,212	10,783,379	10,919,191
Other Revenue										
7,050,124 Subsidies	4,803,010	4,823,787	9,001,386	5,206,289	5,326,122	5,436,442	5,541,894	5,637,743	5,719,300	5,804,754
70,000 Petrol Tax	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
1,459,810 Fees and Charges	1,716,789	1,756,824	1,559,938	1,590,819	1,643,851	1,677,937	1,699,885	1,756,946	1,753,859	1,777,690
1,132,290 Investment income	1,577,461	1,475,517	1,518,416	1,546,148	1,587,674	1,631,143	1,770,587	1,794,236	1,792,911	1,869,819
17,026,951 Total Operating Income	15,957,250	16,670,711	21,308,113	17,780,866	18,309,407	18,863,009	19,297,960	19,699,137	20,119,449	20,441,454
Loans Raised	990,000	723,245	5,466,356	333,400	312,600	306,600	393,660	906,560	272,000	255,300
Asset Sales	75,000	1,395,000	45,000	75,000	15,000	35,000	85,000	15,000	10,000	85,000
Sale of Investments	2,218,832	1,611,997	1,708,346	1,779,172	1,583,071	1,759,459	2,090,106	1,559,560	1,620,010	1,652,118
	19,241,082	20,400,953	28,527,815	19,968,438	20,220,078	20,964,068	21,866,726	22,180,257	22,021,459	22,433,872