


TE KAUNIHERA-Ā-ROHE O TARATAHI
CARTERTON
DISTRICT COUNCIL

Workshop Two
Revenue & Financing Policy
22 July 2020

1



Agenda of workshop

- Recap
- What tools do you have available?
- Review existing funding needs analysis or step one by each activity
- Next workshop

2

2

Section 101 (3) requirements

Step one section 101 (3)(a)

Requires the Council to form a view on each of the following for each activity to be funded:

1. Community outcomes to which the activity primarily contributes
2. Distribution of benefits – who gets the benefit whole/part of community or individuals?
3. Period the benefits are expected to occur
4. Extent actions or inactions contribute to need to undertake the activity (exacerbators)
5. Costs and benefits of funding the activity separately from other activities

Step two section 101 (3)(b)

Overall impact of the allocation of liability for revenue needs on on the current and future social, economic, environmental and cultural well-being of the community

3

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Outcomes of step one

- Document Council's (unmodified) view on how the operational and capital costs for each activity should be recovered by:
 - Completing the eight steps
 - Formally adopting its conclusions

4

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Council funding (tools) options

Revenue or “funding sources”

- Rates
 - General, UAGC, targeted
- Fees and charges for the *performance* of a function and levied for the *provision* of a service
- Interest and dividends
- NZTA and other subsidies
- *Debt funding*
- *Use of Reserves*
- *Development & Financial Contributions*
- *Capital sums from any source*

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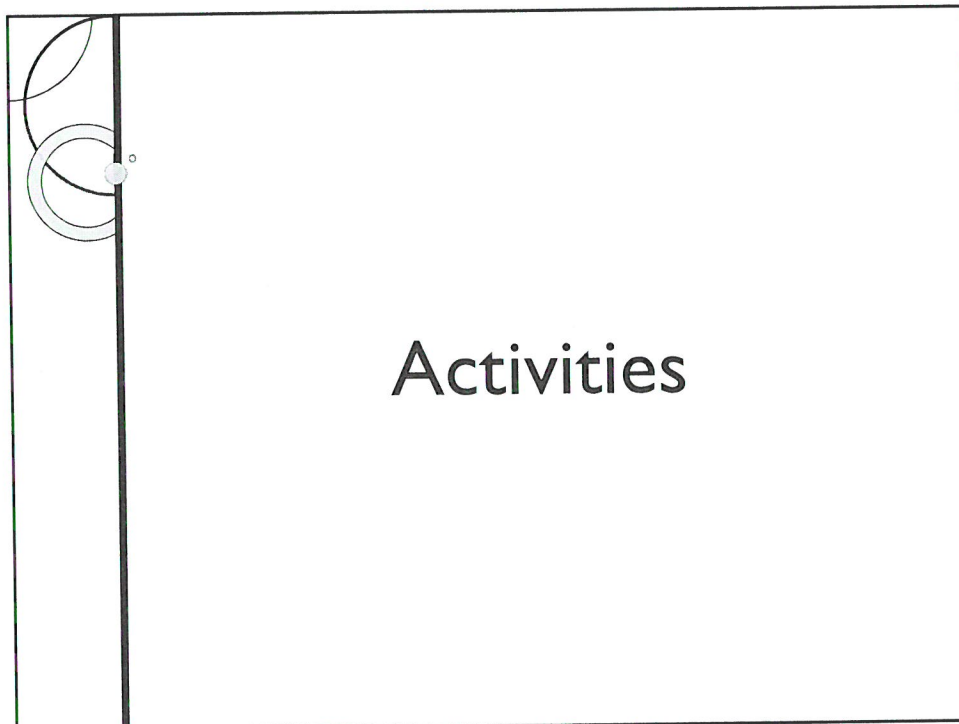
Options for calculating Targeted Rates

- a fixed dollar amount per rating unit and or separately used or inhabited part
- a fixed charge per factor e.g. per dollar of property value
- a differential charge per factor e.g. different rates per dollar, per hectare, per number of connections or other factor in schedule 3
- if a targeted rate is levied differentially, local communities can use different bases for charging e.g. for parks, and swimming pools

6

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Activities

7

Section 101 (3) requirements

Step one section 101 (3)(a)

Requires the Council ***to form a view on each*** of the following for ***each activity*** to be funded:

1. **Community outcomes to which the activity primarily contributes**
2. **Distribution of benefits – who gets the benefit whole/part of community or individuals?**
3. **Period the benefits are expected to occur**
4. **Extent actions or inactions contribute to need to undertake the activity**
5. **Costs and benefits of funding the activity separately from other activities**

Step two section 101 (3)(b)

Overall impact of the allocation of liability for revenue needs on on the current and future social, economic, environmental and cultural well-being of the community

8

8

Section 101 (3) requirements

1. Community outcomes to which the activity *primarily* contributes

Current outcomes

Social Well-being

- A strong and effective council providing trusted leadership
- A caring community that is safe, healthy and connected
- An empowered community that participates in Council and community-based decision making
- Awesome public facilities, spaces and parks

9

9

Current outcomes (2)

Environmental Well-being

- Safe and resilient water supply, wastewater and stormwater systems
- Healthy, sustainable waterways
- An environmentally responsible community committed to reducing our carbon footprint and adapting to the impacts of climate change
- A resilient community capable of responding and recovering from environmental shocks

Economic Well-being

- Quality, fit for purpose infrastructure and services that are cost-effective and meet future needs
- A vibrant and prosperous business and primary sector investing in and supported by the community
- A community that is productively engaged in employment, education and community service

Cultural Well-being

10

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Current outcomes (3)

Cultural Well-being

- Te Āo Māori/Māori aspirations and partnerships are valued and supported
- A community that embraces and encourages our cultural diversity and heritage
- A community that fosters and promotes our quirkiness and creativity

11

11

Section 101 (3) requirements

2. Distribution of benefits – who gets the benefit whole/part of community or individuals?

Often referred to a public versus private

Question to be asked:

Is it the whole or part(s) of the community or individuals

12

12

	<p>Section 101 (3) requirements</p> <p>3. Period the benefits are expected to occur</p> <p>Often referred to as intergenerational benefit</p> <p>Question to be asked</p> <p>What period over which the expenditure will provide benefit</p>
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13

	<p>Section 101 (3) requirements</p> <p>4. Extent actions or inactions contribute to need to undertake the activity</p> <p>Often referred to as exacerbators</p> <p>Question to be asked</p> <p>Who or what by their actions or inactions cause indefinable cost to Council</p>
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14

Section 101 (3) requirements

5. Costs and benefits of funding the activity separately from other activities

Could be the first the question to be asked

Question to be asked

Do we want to aggerate or disaggregate this activity?

15

15




Activities

- Governance
- Community support – community development
- Community support – parks and reserves
- Community support – community amenities (covers library etc.)
- Regulatory and planning – resource management and planning

16

16




Activities

- Regulatory and planning – regulatory services (this includes animal control)
- Roads and footpaths
- Sewerage and the treatment and disposal or sewage
- Stormwater drainage
- Waste management – refuse collection and recycling
- Waste management – transfer station
- Water supply

17

17



Activities – examining today

1. Community support – parks and reserves
2. Community support – community amenities (covers library etc.)
3. Regulatory and planning – regulatory services (this includes animal control)
4. Roads and footpaths

18

18



Agenda for next workshop

4 August 2020

1. Review last workshop's outputs
2. Remaining activities:
 - Governance
 - Community support – community development
 - Regulatory and planning – resource management and planning
 - Sewerage and the treatment and disposal of sewage
 - Stormwater drainage
 - Waste management – refuse collection and recycling
 - Waste management – transfer station
 - Water supply

19

Financial Policies Workshop

22 July 2020

1

Agenda

- ▶ How this fits into LTP work and the rates review
- ▶ Legislative requirements
- ▶ Our proposed approach

2

How this fits into LTP work and the Rates Review

- ▶ Financial Policies form part of the suite of documents associated with the LTP. We're reviewing these in parts, as we progress with our LTP work.
 - ▶ Revenue & Financing Policy
 - ▶ Investment Policy
 - ▶ Liability Management Policy
 - ▶ Development Contributions or Financial Contributions Policy
 - ▶ Remission and Postponement of Rates Policies (includes Maori freehold land)
 - ▶ Significance and Engagement Policy
- ▶ First, we will look at the Investment and Liability Management Policies, then we will do the remission and postponement policies later once we are further into the rates review (these can be used effectively to smooth changes to the Revenue and Financing Policy, so should be considered together). Significance and Engagement and Contributions Policies will be looked at another day.

3

Legislative requirements - Contained in Part 6 of the Local Government Act 2002

102 Funding and financial policies

- (1) A local authority must, in order to provide predictability and certainty about sources and levels of funding, adopt the funding and financial policies listed in subsection (2).
- (2) The policies are—
 - (a) a revenue and financing policy; and
 - (b) a liability management policy; and
 - (c) an investment policy; and
 - (d) a policy on development contributions or financial contributions; and
 - (e) a policy on the remission and postponement of rates on Māori freehold land; and
 - (f) in the case of a unitary authority for a district that includes 1 or more local board areas, a local boards funding policy.
- (3) A local authority may adopt either or both of the following policies:
 - (a) a rates remission policy;
 - (b) a rates postponement policy.
- (4) A local authority—
 - (a) must consult on a draft policy in a manner that gives effect to the requirements of section 82 before adopting a policy under this section;
 - (b) may amend a policy adopted under this section at any time after consulting on the proposed amendments in a manner that gives effect to the requirements of section 82.
- (5) However, subsection (4) does not apply to—
 - (a) a liability management policy;
 - (b) an investment policy.

4

Legislative requirements - Contained in Part 6 of the Local Government Act 2002

104 Liability management policy

A policy adopted under section 102(1) must state the local authority's policies in respect of the management of both borrowing and other liabilities, including—

- (a) interest rate exposure; and
- (b) liquidity; and
- (c) credit exposure; and
- (d) debt repayment.
- (e) *[Repealed]*
- (f) *[Repealed]*

105 Investment policy

A policy adopted under section 102(1) must state the local authority's policies in respect of investments, including—

- (a) *[Repealed]*
- (b) the mix of investments; and
- (c) the acquisition of new investments; and
- (d) an outline of the procedures by which investments are managed and reported on to the local authority; and
- (e) an outline of how risks associated with investments are assessed and managed.

5

Our proposed approach

- ▶ A combined Treasury Management Policy (this is a common approach among other local authorities)
- ▶ Incorporating both the Investment and Liability Management policies
- ▶ More succinct, and easier to read - creating improved continuity of policy
- ▶ We will consult on these policies alongside the LTP consultation, and adopt final policies with the LTP next June.
- ▶ Early draft text has been written for your consideration - you will have copies in front of you and we will workshop these together now.

6

Things to consider?

- ▶ How do you feel about this more simplified approach?
- ▶ Do you want to change any of the underlying principles, e.g. would you be interested in considering ethical investment considerations?

Revenue and Financing Policy, and Rating System Workshop – Phil Jones

Carterton District Council

20 August 2020

1. Revenue and Financing Policy Workshop

Workshop 4 – step 2 connection with Community Wellbeings.

Crs worked through remaining items on spreadsheet.

The following items are noted for action.

Action: Investigate the possibility of introducing a Targeted Rates specifically for Forestry (Tracey and Tyson)

Other Councils that have done this:

- Waitaki – Paul Hope is he contact here
- Southland (Rural Differential)
- Wanganui
- Rangitikei

Action: Check if there has been an update to the FAR rate (Jane)

2. Rating System Discussion

Q: What is important? (establishing principles)

A: A simple cost-effective rating system (general discussion and agreement)

Principle	UAGC	Commercial Differential
All wellbeings are important		
Affordability		*
Cost effective		*
Consistency	√	
Equality	√	
Fairness	√	*
Certainty	√	
Simplicity	√	*
East to communicate about		*
Accountability/transparency	√	
Sensibility		*
Flexibility to change and adapt		
Defensibility		*
Environmental Care		*

Social Responsibility		
Consistent with TOW Obligations		
Enabling Cultural Activity		

UAGC

After some discussion it was noted that Councillors are comfortable with a 30% UAGC. There is no appetite for change.

ACTION: Include a definition of the UAGC on the Rates Invoice. Develop key messages for EMS to assist with community queries. (Tracey and Tyson)

Commercial Differential

After some discussion it was agreed to keep the current Commercial Differential of 2.0.

Action: Develop key messages for EMS to assist with community queries and justifying the Commercial Differential. (Tracey and Tyson and Comms personnel)

Rural Differential

After some discussion regarding benefits and impacts it was decided to investigate increasing the current Rural Differential of 0.8. Options of 0.9 and 1.0 to be presented back to EMs.

Action: Model the impacts of increasing the Rural Differential to 0.9 and 1.0 and report back to EMs. (Tracey and Tyson)

Residential Differential

Remain status quo at 1.0

Stormwater Activity

Discussion about the impacts of moving properties from capital value to land value for the purposes of charging for the Stormwater Activity.

Action: Prepare stormwater modelling charges on the impact of moving from capital to land value and report back to EMs. (Tracey and Tyson)

Volumetric Charging/Pan Charges

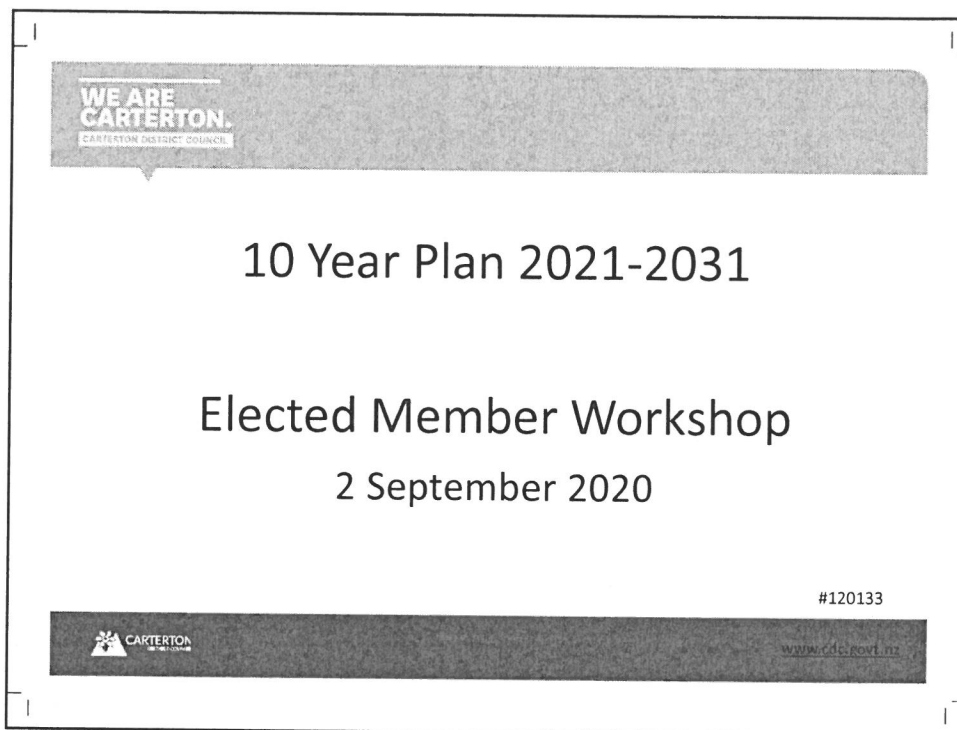
Discussion about the quantity of "free" water currently provided (2.25m³) and whether there was appetite for change and/or change to the number of pans provided before additional charges were incurred.

Action: Further investigation required. To be considered alongside Water Conservation Strategy and possible Rain Water Tank project. (Jane)

Connected vs Disconnected Properties

After some discussion EMs decided this was not an area of the Rating System they wished to pursue.

Next steps 2nd September.



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10 Year Plan 2021-2031

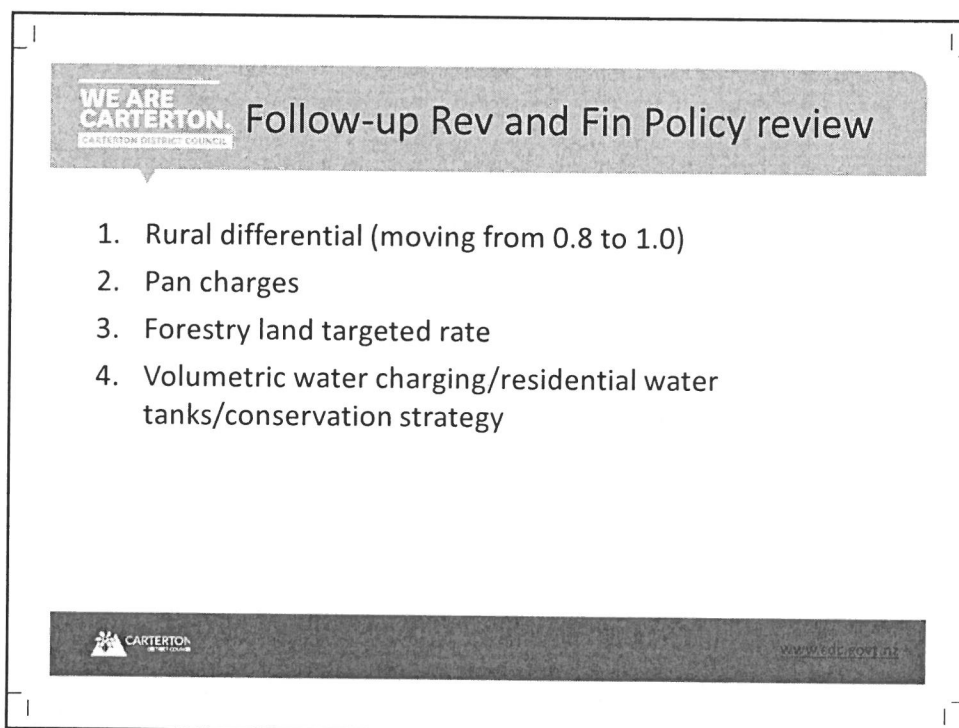
Elected Member Workshop

2 September 2020

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Follow-up Rev and Fin Policy review

1. Rural differential (moving from 0.8 to 1.0)
2. Pan charges
3. Forestry land targeted rate
4. Volumetric water charging/residential water tanks/conservation strategy

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High level modelling of shift from 0.8 differential to 0.9 and then 1.0

Current situation is:

	# of ratepayers	Current 0.8	
		0.8 Diff Total	Average
Residential	2,529	\$ 2,014,167	\$ 796
Commercial	227	\$ 451,120	\$ 1,987
Rural	2,092	\$ 3,213,457	\$ 1,536
		\$ 5,678,744	


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Shifting to a 0.9 differential would see a 6.6% drop for residential and commercial, and a 5.1% increase for rural

	# of ratepayers	0.9 Diff		Change
		Total	Average	
Residential	2,529	\$ 1,881,108	\$ 744	-\$53
Commercial	227	\$ 421,318	\$ 1,856	-\$131
Rural	2,092	\$ 3,376,318	\$ 1,614	+\$78
		\$ 5,678,744		

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Shifting to a 1.0 differential would see a 12.4% drop for residential and commercial, and a 9.5% increase for rural (for that part of the rates mix, compared to current)

	# of ratepayers	1.0 Diff		Change
		Total	Average	
Residential	2,529	\$ 1,881,108	\$ 698	-\$99
Commercial	227	\$ 421,318	\$ 1,741	-\$246
Rural	2,092	\$ 3,376,318	\$ 1,682	+\$146
		\$ 5,678,744		

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Those figures were averages, but the impact on individual ratepayers will vary quite significantly. For example, one ratepayer will face a nearly \$3,300 increase if shifting to a 1.0 differential (19 will face \$1,000+).

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What is the problem being solved?

- Is there a particular group of rural ratepayers to focus on?
- Is it a general equity view?
- Would this tie to a particular District project?
- What timeframe would any change be introduced over?
- Is it possible to take smaller incremental steps?

More modelling could look at:


- Total impact on rates for residential/commercial/rural
- Particular segments of rural ratepayers (e.g. size of property)

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1. Current: \$748.36 per pan (commercial)
2. Exemptions: none
3. Do you want to remove pan charges?
4. Provide more exemptions?


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Wairoa District Council

- 27% of rateable land area is forestry
- <100ha block = 1, >100ha = 5 differential (i.e. only targets the largest blocks)
- Backed by a very detailed Opus and BERL reports on pavement impact by rural industry
 - Calculated impact by industry (forestry, pastoral, dairy)
 - Calculated cost specific to District

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WE ARE CARTERTON. Forestry targeted rates
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Whanganui District Council

- Raises c.\$155,000 a year (all rating units with QV code 'forestry exotic')
- Whanganui Rural Community Board been pushing for targeted rate for number of years
- Federated Farmers had proposed the rate in previous LTPs

Ruapehu District Council

- Raises c.\$200,000 a year (all rating units with QV code 'forestry exotic')
- Backed by a Road Controlling Authority Forum NZ report key issues around impact of forestry heavy vehicles, and guidelines for fair and equitable distribution of costs

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Carterton District Council

- Two large forestry owners (Forest Enterprises, JNL), lots of smaller blocks (so more like Wairoa)
- Not currently identified as an infrastructure issue – not seen as significant impact on roading budgets
- Whanganui lesson for CDC = is rural community pushing for this as an issue?
- Wairoa & Ruapehu lesson for CDC = is scale of issue sufficient to warrant commissioning reports to confirm?
- Wairoa lesson #2 for CDC = consider whether issue relates to only forestry at scale (>100ha blocks)

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DRAFT

LTP Workshop

DRAFT NOTES OF SESSION

Carterton District Council

2 September 2020

R&F Policy follow-ups

More information on roading cost for rural. Discussion on whether urban are paying more than rural for roading.

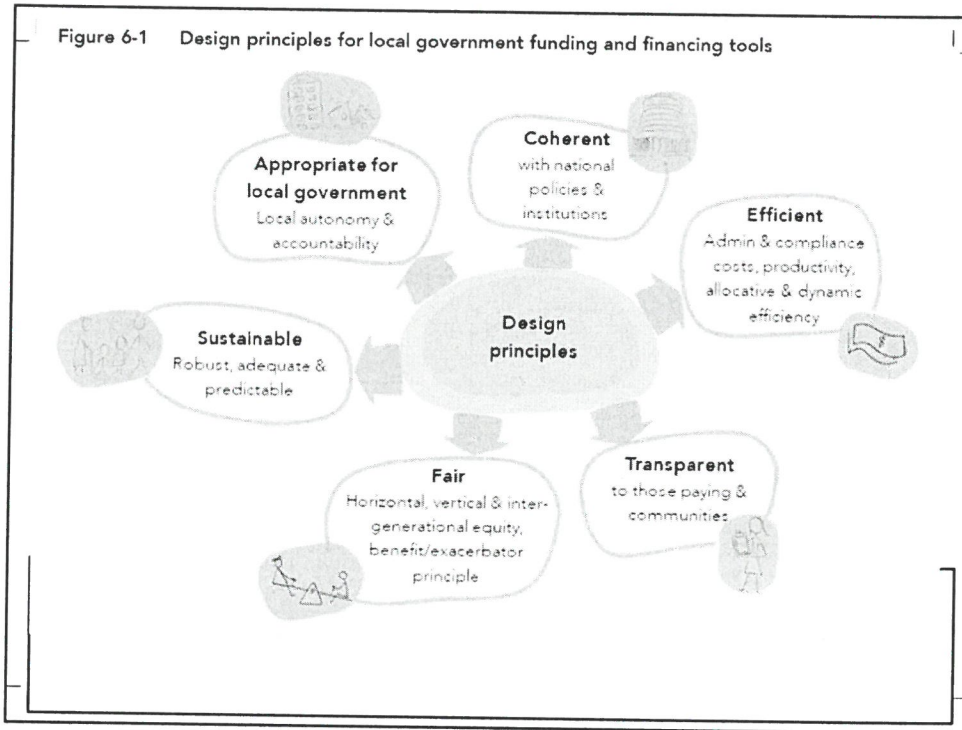
Discussion on pan charges. No interest in changing.

Discussion on forestry targeted rates. No interest in progressing further.

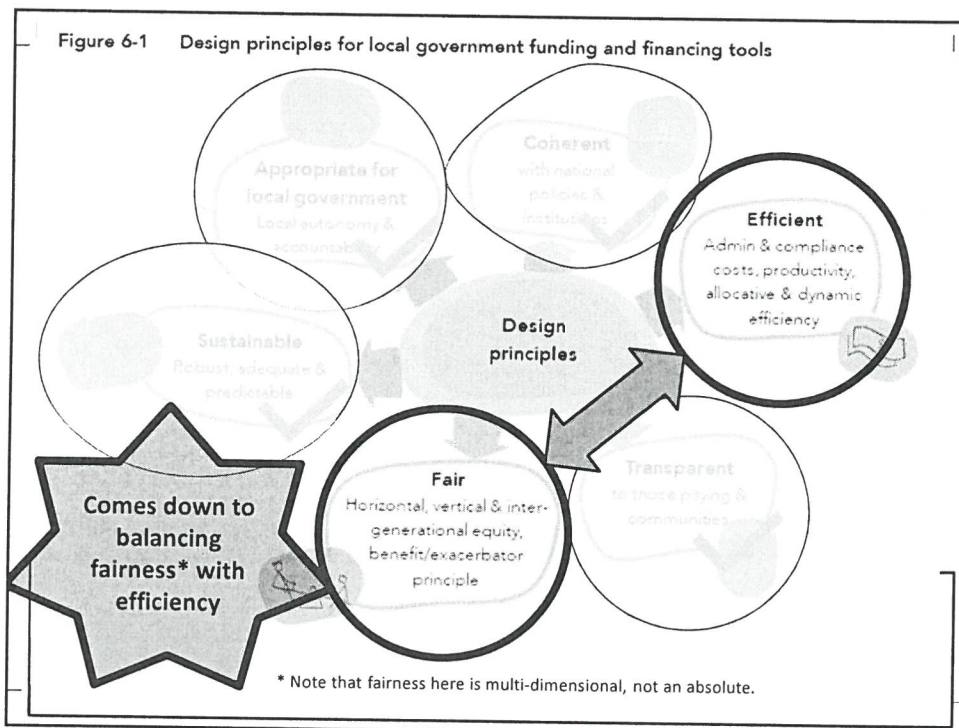
Dave led a discussion on water tanks. Information provided by Wilkes suggested it would no save water usage. Is some 'feel good' factor benefits around requiring for new builds. Volumetric charging is a better tool in terms of water conservation. No interest in changing.

Action: Geoff to determine % of ratepayers receiving invoices for water.
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Workshop 16 Sept 2020



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ProdComm main points

“But what is fair? Tax scholars have developed several concepts and categories to aid thinking about fairness. Inevitably, fairness involves value judgements – objectively correct answers to what is fair are not possible..”

	<i>ProdComm thinks of fairness...</i>	<i>CDC application...</i>
1	Benefit principle (user charges, targeted rates, differentials)	CDC applies a range of these tools, limiting use of general rates
2	Exacerbator principle	CDC applies charges in key areas
3	Horizontal equity ('sameness')	CDC uses CV across general rates
4	Vertical equity (ability to pay)	Can only use property tax (not income)
5	Intergenerational equity	Borrowing for long-term assets

EFFICIENCY = “...minimise compliance and administration costs (these last two properties need instruments to be reasonably simple).”


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Core debates

Fairness re services used/ cross-subsidisation (benefit principles)	CDC apply a range of fees & charges, targeted rates, and differentials to achieve this. Marginal gains from tweaking further until efficiency principle suffers. Could play with %'s under general rates (sewerage (10%), waste mgmt (5%), and water supply (10%)), but again likely to be marginal overall.
CV's as a wealth tax (vertical equity)	Really only CV or LV to achieve 'vertical equity' (since you are stuck with property tax). Only way to fully remove is to have no general rates - but this requires successfully assessing 'fair' spread of charges & targeted rates objectively.

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Workshop 23 Sept 2020


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Treasury Mgmt Policy

- Merging of the Investment Policy and Liability Mgmt Policy

TWO MAIN CHANGES

- Additions to cover Local Government Funding Authority (LGFA)
- No longer lists all funds and equity investments held by CDC

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Treasury Mgmt Policy

SMALLER CHANGES

- Rather than specifying monthly reporting on investments, now just say 'regular' (Council can define)
- Removed statement on disposal of assets needing Council approval (covered in Sig & Eng Policy)
- Have updated for recent legislative changes (LGA tweaked policy coverage – minor shifts)


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FINAL UPDATES

- Please refer to worksheets
- Replacing the “tick”
- Being clear about % public and private funding components

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LTP Workshop

DRAFT NOTES OF SESSION

Carterton District Council

23 September 2020

Agenda

1. Financial Policies Review Pt 2
 - a. Treasury Management Policy
 - b. DC & FCs
2. Non-financial performance measures
3. Revenue & Financing Policy

1. Treasury Management Policy

Question whether loan to Wairarapa Water would be covered. Tyson clarified that it would be seen as achieving community goals so not purely commercial. Fit with policy can be determined before LTP is finalised.

Comment on whether the policy would allow a reverse mortgage situation run by Council, based on recent media comment from Wellington. Not aware of other Councils that do similar schemes – tend to be delivered by third parties.

Question why 90 days used for internal borrowing rates. Fairly standard given nature of loans.

General view was that list of funds is provided elsewhere and did not need to be included in the Policy.

Question about level of detail in paragraph 39 re bank reconciliation and whether that is needed.

Action: Check Wairarapa Water fits policy as the lending arrangement progresses. Jane

Action: Check whether para 39 detailed required. Tyson
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2. Revenue & financing policy

Clarified re no interest in developing targeted rate for forestry.

No macron in Te Ao Māori.

Discussion re definition of general rates and limits under Rating Act, confirming discussion at last workshop.

Comment re using zoning update due to creep to cover access to services rather than adjusting differentials.

Should UAGC be included in the R&F policy across the Governance and Community Support areas?
Want to maximise UAGC where possible.

Went through the funding mix table:

- Governance 100%
- Discussion whether community development should be general rates rather than UAGC
- Add Civil Defence to list at same level for community development – 100% General rate and/or UAGC
- Parks and reserves – user charges right
- Community amenities – question re events centre % (would be higher, but this is average), leave as is
- RM & planning – fine as is
- Reg services – fine as is
- Roads & footpaths – fine as is
- 10:90 consistency across all activities (i.e. waste management goes up from 5% currently)
- Transfer station – is the recent increase in weight charging meaning that the % fees is now higher? Does Council include it as net or gross. Check what the recent impact will be. Cost of contract sits in the transfer.
- Water supply – fine as is.
- Refuse collection and recycling – shift to 10:90 as above.
- Additional community amenities same as current community amenities – not separately identified
- Cyclepaths etc – same as roads and footpaths 100% general
- Regulatory split items – keep same, don't rate differently. Discussion on whether to increase % of user charges, consensus given Covid and growth future to keep same.
- Water races, keep as 10:90 as now but show separately. Discussion re interaction with Wairarapa Water. Discussion on nature of wider community benefits from water races. Discussion on whether general rate differential should be removed for water races – keep same.

Discussion re events centre % of user charges.

Discussion on out-of-District people using Carterton transfer station. Can be looked at in fees & charges.

Discussion on how the rates discussion is had with the public. Anyone can submit on LTP. Could put as part of consultation document but since no shift being proposed that would be unusual. Also chance for public to comment when position is formally adopted at Council.

The following key items are noted for action.

Action: Update refuse collection and recycling to 10:90.
Action: Split out water races.
Action: Check whether weighbridge charging has changed transfer centre user charges %

Action: Check contract for transfer station re current increases and whether than is passed to Council (e.g. net vs. gross figure in funding mix)

3. FC & DC Policy

Discussion held on appetite for developing a DC policy. Given likely shifts in 3 waters and RM reform, and that District Plan will consider FCs, no desire to develop DC policy at this stage.

DRAFT

