
Growth Challenges – Current Financial Issues

Part 2: Growth and
Financial Analysis

August 2009

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1. Summary of Council Growth and Financial Analysis

1.1 Introduction

Part 2 of this *Growth Challenges – Current Financial Issues* paper provides a summary of the growth and financial analysis provided by each Council participating in this work. This analysis supports the overview provided in Part 1.

The detail behind this summary is attached for each Council as Appendices 1 through to 4.

1.2 Consistent Themes

The following table provides a summary of the consistent themes that have emerged from the data provided by each Council.

	Hamilton	Queenstown Lakes	Tauranga	Western Bay
Population growth	√	√	√	√
Percentage of capex that is growth-related	31	49	55	50
Significant capex deferred from first three years	√	√	√	√
Significant capex deferred beyond 2019	√	√	√	√
Debt increasing significantly from 2009 level	√	√	√	√
Ratios of debt to revenue increasing significantly	√	√	√	√
Rates revenue (after growth) growing ahead of inflation	√	√	√	√

The following sections contain a summary of the information provided by each Council.

1.3 Summary of Tauranga City Council Data

Population

Population expected to grow by 2.2% per annum from 2009 (109,805) to 2019 (136,998).

Growth Management Strategy

SmartGrowth Strategy (sub-regional)

Capital Expenditure

- 55% of capex is growth-related.
- \$308 million of capex removed from LTCCP between first draft and published version.
- Significant value of stormwater and open space projects deferred.
- Library and open space levels of service reduced, so reducing capex requirements.

Debt

- Growth-related debt to increase to \$133 million (38% of total debt) by 2019.
- Total debt increases from \$261 million in 2009 to \$457 million in 2016.
- Debt per capita peaks at \$3,754 in 2014.

Revenue and funding sources

- Development contributions (year one) range from \$16,728 (infill) to \$47,994 (small greenfield node) with an average of \$27,302.
- Average rate increases (after growth) of 8% over the ten years (includes inflation).

Audit opinion

Unqualified.

1.4 Summary of Queenstown Lakes District Council Data

Population

- Usually resident population not used for planning purposes as Queenstown Lakes due to the high number of visitors staying in the district.
- Average day population expected to grow by 2.9% per annum from 2006 (35,777) to 2029 (68,305).
- Peak day population expected to grow by 2.5% per annum from 2006 (77,453) to 2029 (137,404).

Growth Management Strategy

- A Growth Management Strategy for the Queenstown Lakes District April 2007

Capital Expenditure

- Identified capex requirements are 42% more than in 2006 LTCCP:
 - Upgrading wastewater and water supply systems to meet resource consent conditions and water treatment standards.
- 49% of capex required to meet growth.
- Significant value of projects have been deferred or omitted because of funding and financial constraints.
- First three years of capex programme is deliverable, but years four to ten may not be.

Debt

- Debt increases by a factor of almost five over the ten years (\$82 million to \$393 million).
- Debt at end of ten years is more than three times what was anticipated in the last LTCCP.
- Debt/equity ratio exceeded from year five; debt/revenue ratio exceeded from year eight.
- Maximum net debt per capita peak of \$11,836 (year ten).
- Not currently credit rated.

Revenue and funding sources

- Development contributions (year one): \$17,299 to \$25,832 plus the value of 27.5m² of land for reserve land.
- Rates increasing by 3.2% (targeted) to 2.4% (general) per annum after growth.

Audit Opinion

- Qualified: not financially prudent.

1.5 Summary of Hamilton City Council Data

Population

- Usually resident population expected to grow by 1.6% per annum from 2006 (134,400) to 2021 (171,738).

Growth Management Strategy

- Hamilton Urban Growth Strategy
- FutureProof (sub-regional)

Capital Expenditure

- 31% of capex is growth-related.
- Majority of growth-related capex relates to transportation, water supply, wastewater and stormwater infrastructure.
- Majority of growth-related capex relates to the extension of the current major Greenfield growth cell in Rototuna as well as opening up the next major industrial growth cell in Rotokauri.
- Major capex relating to other growth cells (Peacocke) lie just outside the ten years.
- Adoption of just-in-time principles to growth-related capital projects, reducing growth-related capex in the LTCCP by 40%.
- “Concerned that ultimately we are just delaying the point at which Council’s overall debt program becomes unsustainable”.

Debt

- Total debt forecast to increase by 95% between June 2010 (\$357 million) and June 2019 (\$699 million).
- Growth-related debt increasing from 34% of total debt to 52% of total debt over the same period.

- Maximum net debt per capita peak of \$3,795 (year seven).
- Credit rating expected to be received in August 2009.

Revenue and Funding Sources

- Average district rates increases of 5.7% per annum (including inflation). After growth this equates to 4.5%.
- Development contributions (year one): residential - greenfields of \$31,629 and residential – infill of \$10,619.
- Financial pressures of growth-related infrastructure may result in service levels being reduced beyond 2019.

Audit Opinion

- Unqualified.

1.6 Summary of Western Bay of Plenty District Council Data

Population

- Usually resident population expected to grow by 1.9% per annum from 2006 (42,075) to 2026 (over 60,000).

Growth Management Strategy

- SmartGrowth Strategy (sub-regional)

Capital Expenditure

- 44% of capex is growth-related.
- 54% of capex relates to additional roading requirements, 28% relates to water, wastewater and stormwater.
- \$60 million of capex deferred to 2020 and beyond.
- Council cannot continue to defer projects indefinitely; recognises that if it wishes to maintain levels of service alternative sources of funding are required.

Debt

- Total debt increases by almost 50% between 2009 (\$132 million) and 2016 (\$196 million).
- 65% of the increase in debt is attributable to growth.
- Debt per capita peaks at \$4,056 in 2014.

- Not currently credit rated.

Revenue and Funding Sources

- Development contributions (year one): average district-wide of \$36,967 (urban) and \$38,448 (rural).
- Average district rates increases (after growth) of 1.8%.

Audit opinion

- Unqualified.

Appendix 1: Tauranga City Council

1. Growth Rate and Growth Strategy

The western Bay of Plenty sub-region has had a history of rapid population growth since the 1950's. Past growth management initiatives did not take a sufficiently long-term view of growth issues and failed to place adequate emphasis on the relationships needed between agencies for successful strategy implementation. This led to the development of the SmartGrowth Strategy which is a 20 to 50 year action plan to manage future growth in the western Bay of Plenty.

The population of the sub-region has increased by 14.5% in the period between 1996 and 2001 and is predicted to rise to 198,000 by 2021 and to 284,000 by 2051, as illustrated below.

	2001	2021	2051
Population	130,000	198,000	284,000
Households	49,000	80,000	119,000

Currently the area contains 3.4% of the nation's population and this is set to rise to 5.2% by 2051. This would result in the area becoming the fourth to fifth largest region in New Zealand.

Tauranga City Council's annual average growth rate has, for a long period of time, been in the vicinity of 2.5%.

A cornerstone of the SmartGrowth Strategy is the integration of land use with infrastructure and funding requirements. This type of integration involves considering the impact of development on infrastructure and identifying funding for this so that infrastructure is provided in a timely manner, and that development does not have a negative impact on existing infrastructure.

In the past, infrastructure in Tauranga City and the Western Bay of Plenty District has not kept pace with the growth that has occurred. The sub-region is now faced with major upgrade, improvements and infrastructure investment.

SmartGrowth takes a long term planning approach to land use which ensures that the rate and location of development is integrated with the provision of strategic infrastructure and associated funding mechanisms. The main objectives of taking this approach to managing the growth are to:

- Provide sufficient land for the population and economic growth of the western Bay of Plenty sub-region.
- Ensure timely, efficient and integrated provision of infrastructure to support the growth.
- Allow for consolidation of existing urban areas and townships.

- Encourage urban development to occur within areas that already have or can easily be provided, with essential infrastructure, and have convenient access to existing and planned community and commercial facilities.
- Minimise "out-of-sequence" development.

2. Costs of Growth

Main Growth Areas and Period of Capacity

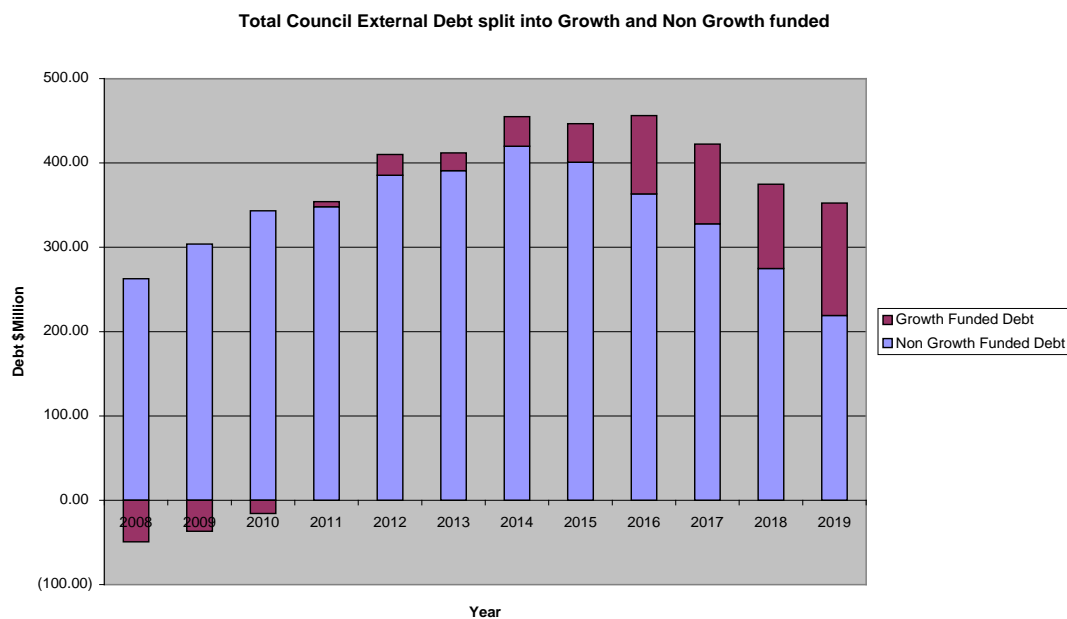
Tauranga has substantial growth areas at Pyes Pa West and five other urban growth areas. Further growth of Wairakei, east of Papamoa, will further increase demand for infrastructure.

% of Capex in Ten Year Plan which is Growth Related

Growth related expenditure is predicted to be 55% of the \$1.2 billion planned capital expenditure programme (including vested assets).

% of Growth Funded Debt over the 10 Years

Growth funded debt is predicted to increase to \$133m or 38% of total debt by 2019.



Large Infrastructure Projects Required Last 5 and Next 10 Years

Last 5 Years

- Strategic Land Purchases - \$24,237,088
- Aquatic Centre - \$18,645,548
- Mount Industrial Stormwater Upgrades - \$11,461,747
- 2005 Flood Stormwater Upgrades - \$28,133,938
- Courtney Rd Drains - \$4,676,683
- Stormwater SIF Projects - \$10,610,741
- Vested Assets - Stormwater - \$15,466,264

- Stormwater land Purchases - \$5,926,532
- Wastewater Treatment Plant Upgrades - \$24,215,725
- Wastewater Renewals - \$6,922,753
- Wastewater Vested Assets - \$11,129,324
- Wastewater Consents - \$2,380,104
- Wastewater Reticulation Increase Projects - \$11,902,334
- Southern Pipeline - \$14,959,320
- Water Renewals - \$13,147,112
- Water Vested Assets - \$7,104,363
- Water Treatment Plant Upgrades - \$2,135,983
- Water Reticulation Increase Projects - \$19,062,539
- Cycleway & Walkway Construction - \$4,129,740
- Pyes Pa Bypass - \$8,140,830
- Transportation Renewals - \$21,183,743
- Transportation Land Purchases - \$17,583,896
- Transportation Vested Assets - \$71,738,608
- Transportation Network Increase Projects - \$23,293,070
- Sports & Exhibition Centre - \$8,207,517
- K Valley Reserve Development - \$1,544,446
- Reserve Land Purchases - \$15,387,788
- Vested Reserves - \$3,325,756
- Beachside Holiday Park Upgrade - \$3,241,308
- Library Stock Renewals - \$8,469,847
- Airport Expansion - \$6,583,027
- Property Land Purchases - \$38,517,470
- 2005 Flood Land acquisitions - \$5,483,187
- Civic Centre - \$5,767,565
- Takitimu to Tasman Quay - \$41,156,852
- Strand Upgrade - \$6,887,738
- QEYC Upgrade - \$2,653,037
- Papamoa Library - \$9,058,924
- Zespri Building Improvements - \$1,315,851

Next 10 Years

- Mount Hot Pools upgrade - \$9.4 million
- Redevelopment of the Strand and waterfront - \$18.4 million
- Community centre - Wairakei - \$3.6 million
- Community centre - Lakes / Pyes Pa - \$3.6 million
- Indoor sports and exhibition centre - \$32.6 million (plus carry-forwards)
- Mount Greens Sports purchase and development - \$10.1 million
- Arataki community centre - \$3.2 million
- Greerton library extension and community centre - \$9.0 million
- New neighbourhood library - \$7.6 million
- Library stock purchases - \$20.3 million
- Purchase of land for neighbourhood reserves - \$17.0 million
- Purchase of land for active reserves - \$6.5 million
- Development of Parau Farms as an active reserve - \$17.7 million
- Development of TECT All Terrain Park - \$3.5 million
- Development of the Kopurererua Valley - \$4.2 million
- Renewal of infrastructure assets in parks and reserves - \$14.5 million

- Stormwater infrastructure (including land purchases) in Papamoa East (Wairakei) - \$30.8 million
- Stormwater infrastructure (including land purchases) in Papamoa - \$10.0 million
- Stormwater infrastructure for Tauriko Business Estate - \$6.2 million
- Stormwater recovery programme - \$50 million (with a further \$120 million yet to be programmed)
- Mangatawa stormwater drain upgrade - \$8.2 million
- Strategic land purchases (net of land sales) - \$12.3 million
- Vehicle fleet replacements - \$3.6 million
- Computer and printer replacements - \$4.8 million
- Construct Te Okuroa Drive - \$35.2 million
- Reconstruction of Tara Road - \$12.4 million
- Sandhurst Drive / State Highway 2 intersection - \$17.7 million
- Extension of Sandhurst Drive - \$5.2 million
- Reconstruction of Domain Road - \$7.4 million
- New roads and associated infrastructure in Tauriko Business Park - \$19.0 million
- Upgrade Belk Road and intersection with State Highway 2 - \$9.2 million
- City-wide land purchases for road widening - \$5.0 million
- Extension of Route K to Pyes Pa Road - \$8.2 million
- City-wide walking and cycling facilities - \$6.9 million
- Purchase car parks in Strand City development - \$3.6 million
- Minor safety works (roading) - \$9.0 million
- Road pavement rehabilitations - \$22.7 million
- Road resealing - \$29.9 million
- Southern Pipeline - \$90.3 million
- Upgrades to the Te Maunga wastewater treatment plant - \$54.4 million
- Increasing the capacity of the wastewater ocean outfall - \$14.4 million
- Upgrading Chapel Street wastewater treatment plant - \$10.7 million
- New wastewater pumping stations to service Wairakei - \$26.1 million
- Upgrading wastewater pump stations - \$14.3 million
- Duplication of sewer mains - \$10.2 million
- Wastewater reticulation renewals - \$19.0 million
- Wastewater treatment plant renewals - \$4.1 million
- Wastewater pumping station renewals - \$4.2 million
- Remove sludge from Te Maunga wastewater ponds - \$5.0 million
- Waiari water treatment plant - \$67.6 million
- Reservoir construction - \$17.6 million
- New water reticulation for Wairakei - \$11.5 million
- New watermains in Papamoa - \$25.6 million
- Water reticulation for Tauriko Business Estate - \$3.5 million
- Other new watermains across the city - \$12.4 million
- Install pre-treatment processes at Oropi water treatment plant - \$3.5 million
- Water pipe renewals - \$22.0 million
- Water meter renewals - \$5.6 million
- Replace membrane modules at water treatment plant - \$8.2 million

3. Key Financial Ratios & Information

Key Financial Ratios over 10 Years

- a. Debt/ Revenue.
- b. Interest / Revenue.

c. Debt per Capita (take into account projected increase in population).

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ratios												
External Interest to Operating Revenue (inc DC's)	8.8%	11.5%	13.0%	13.9%	13.4%	12.0%	12.4%	12.4%	11.9%	10.9%	9.4%	8.3%
External Interest to Operating Revenue (exc DC's)	10.1%	13.1%	14.1%	14.9%	15.8%	15.2%	15.5%	15.3%	14.9%	13.4%	11.5%	10.1%
Net External Debt to Operating Revenue (inc DC's)	149.3%	179.3%	217.5%	214.5%	207.4%	177.9%	186.7%	174.3%	166.4%	145.2%	123.0%	111.9%
Net External Debt to Operating Revenue (exc DC's)	172.2%	204.5%	235.5%	230.6%	244.2%	226.3%	234.3%	216.0%	207.9%	179.3%	150.3%	135.7%
Net External Debt (net of liquid investments)	213,291	261,292	327,635	353,993	410,023	411,970	455,022	447,154	456,896	423,373	376,154	354,215
Net External Debt per capita	\$1,962	\$2,380	\$2,954	\$3,160	\$3,589	\$3,501	\$3,754	\$3,582	\$3,553	\$3,212	\$2,798	\$2,586
Population	108,718	109,805	110,903	112,012	114,253	117,680	121,211	124,847	128,592	131,807	134,443	136,998
Growth	2.4%	1.0%	1.0%	1.0%	2.0%	3.0%	3.0%	3.0%	3.0%	2.5%	2.0%	1.9%

Standard & Poors Rating Now and Projected

TCC currently has an A rating. It is expected that this will be maintained into the future.

Current Value of Fixed Asset Base

The Annual Report for 2007/08 reported a fixed asset base of \$2.6 billion which is expected to increase by 80% to \$4.7 billion by the end of the Ten Year Plan period.

4. Revenue & Funding Sources

Development Contributions

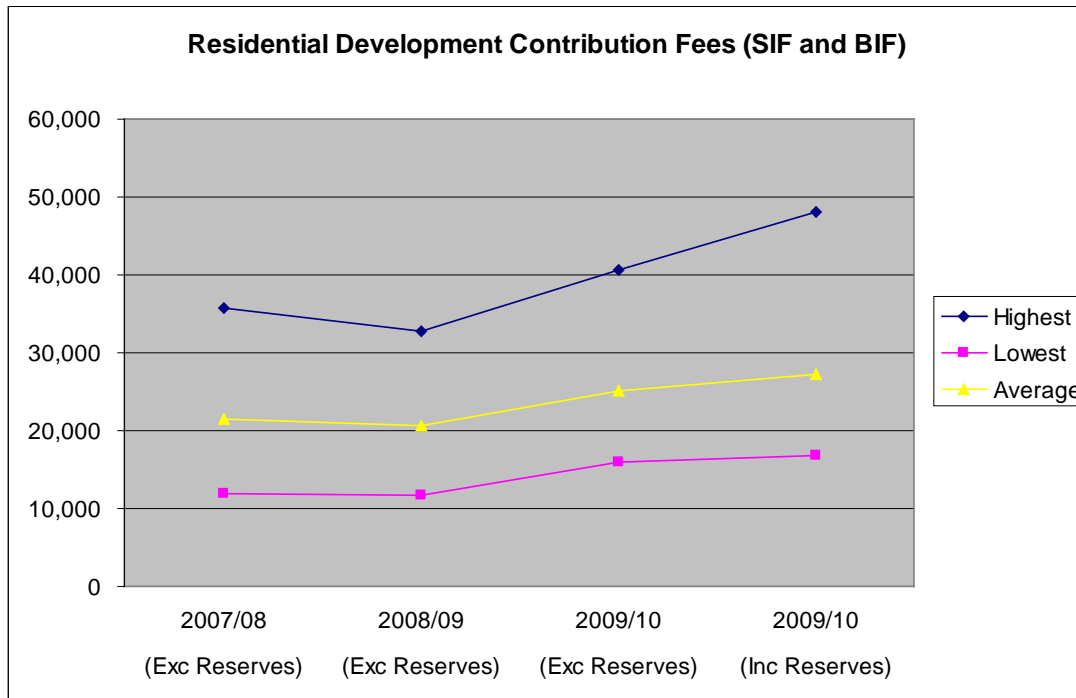
Residential Development Contribution Fees (Subdivision Impact Fees and Building Impact Fees)

	(Exc Reserves)	(Exc Reserves)	(Exc Reserves)	(Inc Reserves)	
	2007/08	2008/09	2009/10	2009/10	UGA
Highest	\$35,651	\$32,679	\$40,572	\$47,994	West Bethlehem
Lowest	\$11,839	\$11,760	\$15,855	\$16,728	Mount Infill
Average	\$21,419	\$20,734	\$25,007	\$27,302	

Note:

1. Data includes SIFs and BIFs.
2. All fees exclude GST.
3. Residential fees only - Tauriko Business Estate excluded.
4. Excludes Wairakei UGA.
5. The reserves contribution is calculated differently in the 2009/10 year and is included in the fee.

In prior years the reserve contribution was calculated as a percentage of the value of the land. Two sets of data have been included for the 2009/10 year. One excluding reserves and the other including reserves.



Funding Mix

The funding mix for the current budget year is as follows:

Revenue and Financing Sources – Operational Expenditure	2008/9 Budget
Rates Revenue	
General Rates	47%
Wastewater UAC	11%
Water UAC	1%
Other Revenue	
Water by Meter	11%
User Fees & Charges	26%
Grants & Subsidies	3%
Other	1%

Revenue and Financing Sources – Capital Expenditure	2008/9 Budget
Development Contributions	23%
Sale of Assets	4%
Loans Raised	67%
Grants & Subsidies	6%

Relative Rates

Projected rate revenue and average household rates for the 10 years are:

Year	Rate Before Inflation (\$millions)	Requirement Inflation	Rate After Inflation (\$millions)	Requirement Inflation
2008/09	\$72.3		\$72.3	
2009/10	\$81.0		\$78.9	

2010/11	\$87.4	\$89.9
2011/12	\$99.2	\$104.9
2012/13	\$96.4	\$115.0
2013/14	\$106.1	\$124.3
2014/15	\$111.5	\$133.6
2015/16	\$116.8	\$141.0
2016/17	\$119.8	\$152.9
2017/18	\$126.2	\$156.9
2018/19	\$127.2	\$163.0

The average household rates for the same period would be:

Year	Median Rates (Before Inflation)	Median Rates (After Inflation)
2009/10	\$1,522	\$1,522
2010/11	\$1,625	\$1,672
2011/12	\$1,808	\$1,912
2012/13	\$1,877	\$2,036
2013/14	\$1,916	\$2,136
2014/15	\$1,949	\$2,230
2015/16	\$1,941	\$2,285
2016/17	\$1,994	\$2,416
2017/18	\$1,953	\$2,431
2018/19	\$1,935	\$2,478

5. Fiscal Sustainability Actions

Projects Deferred to Remain Fiscally Sustainable

The capital expenditure programme has been reduced by \$308 million from the first working draft of the Ten Year Plan to that approved by Council on 23rd June 2009. A range of projects have been deferred but particularly in the stormwater and parks and leisure activities. The library level of service and parks and leisure level of service have been reduced. A range of other projects have been deferred which is a mixture of the timing of growth being reassessed, water supply peak demand assumptions being reduced by 5% and initiation of more efforts to reduce stormwater infiltration into the wastewater system.

Strategies Adopted to Remain Fiscally Sustainable

The treasury management policy requires Council to remain fiscally sustainable and principally that the relationship between debt and revenue (excluding development contribution revenue) should not exceed 250% and interest to revenue should not exceed 20%.

When the draft Ten Year Plan was prepared Council assessed it was not in a fiscally sustainable position.

Council recognised both the fiscal responsibilities and the need to provide for current and future communities under the Local Government Act. Council was of the view that the level of expenditure required to provide the level of essential services was such that Council had insufficient borrowing capacity to prudently fund this level. Council also

noted that reducing expenditure to within prudent borrowing levels would not be delivering responsible outcomes to the community and would merely result in exacerbating an existing and known fiscal issue.

As a consequence of this position, TCC received a qualified audit opinion from Audit NZ on the draft Ten Year Plan.

Following the public consultation process, Council addressed the financial sustainability issue by:

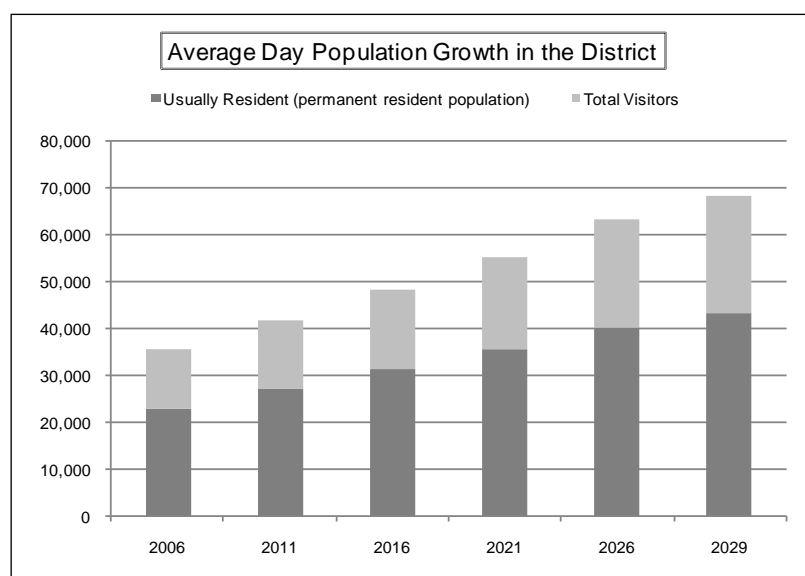
- Approving total savings of \$3.5 million in the operational costs of Council,
- Using the funding that would have been raised to cover these operational costs to reduce debt (rather than subsidise rates), and
- Adopting a staged increase in rates revenue which generates an additional \$20 million of revenue by 2012 and \$129 million by 2019.

These approaches have ensured that Council can prudently fund its debt requirements. Consequently, Council received an unqualified opinion from Audit NZ on its final Ten Year Plan.

Appendix 2: Queenstown Lakes District Council

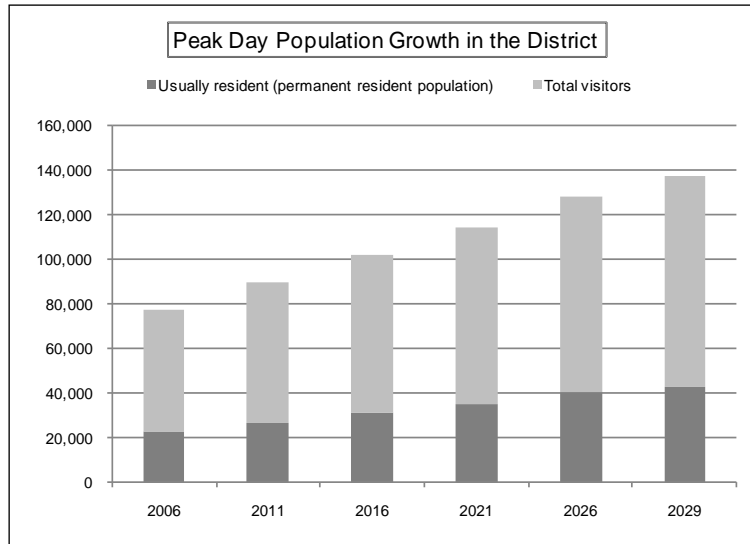
1. Growth Rate and Growth Strategy

Growth is a major issue for the district and Council has spent considerable time and effort in developing comprehensive growth projections. The Queenstown Lakes District Council was the fastest growing District in NZ between 2001 and 2006, with the usually resident population increasing 30% over that five year period. The usually resident population alone is of limited use to Council for long term strategic planning due to the high numbers of visitors staying in the District. The visitor population is estimated to add a further 13,000 people to the District population on an average day and a further 55,000 people on the peak day.



The average day population data for the District as a whole is expected to increase from an estimated 35,777 people in 2006 to an estimated 68,305 people in 2029 which is a growth rate of 2.9% per annum. This figure is comprised of residents, visitors staying in both commercial accommodation and private residences, and day visitors. Of the average day population:

- Approximately 65% is made up of usually resident population.
- Around 70% will stay/live in the Wakatipu ward and the remainder will be in the Wanaka ward.



The peak day population data for the District as a whole is expected to increase from an estimated 77,543 people in 2006 to an estimated 137,404 people in 2029 which is a growth rate of 2.5% per annum. This figure is comprised of residents, visitors staying in both commercial accommodation and private residences, and day visitors. Of the peak day population:

- Approximately 30% is made up of usually resident population.
- Around 60% will stay/live in the Wakatipu ward and the remainder will be in the Wanaka ward.

The peak population information is particularly important for Council's infrastructure planning as the infrastructure such as roads, water, and sewage need to be designed to cope at those times.

Financial Issues

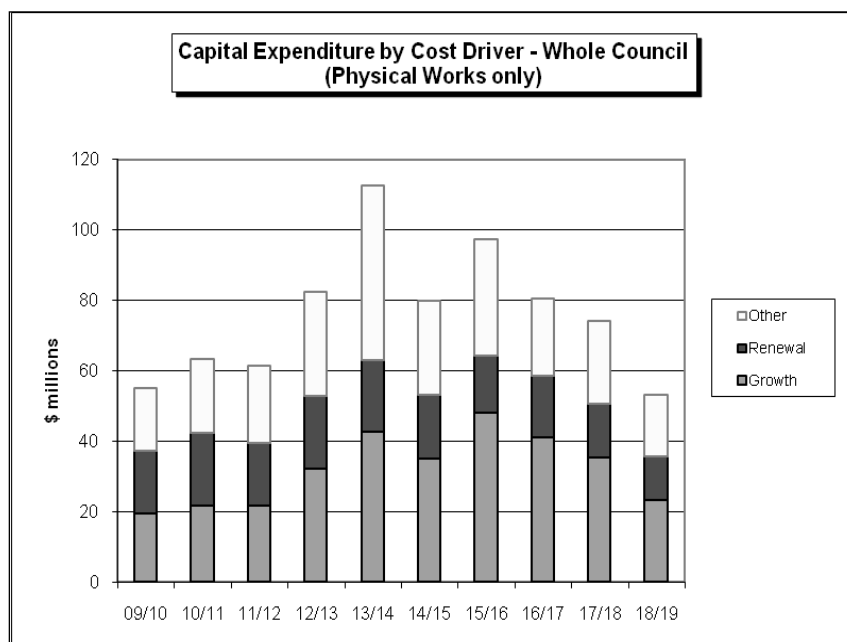
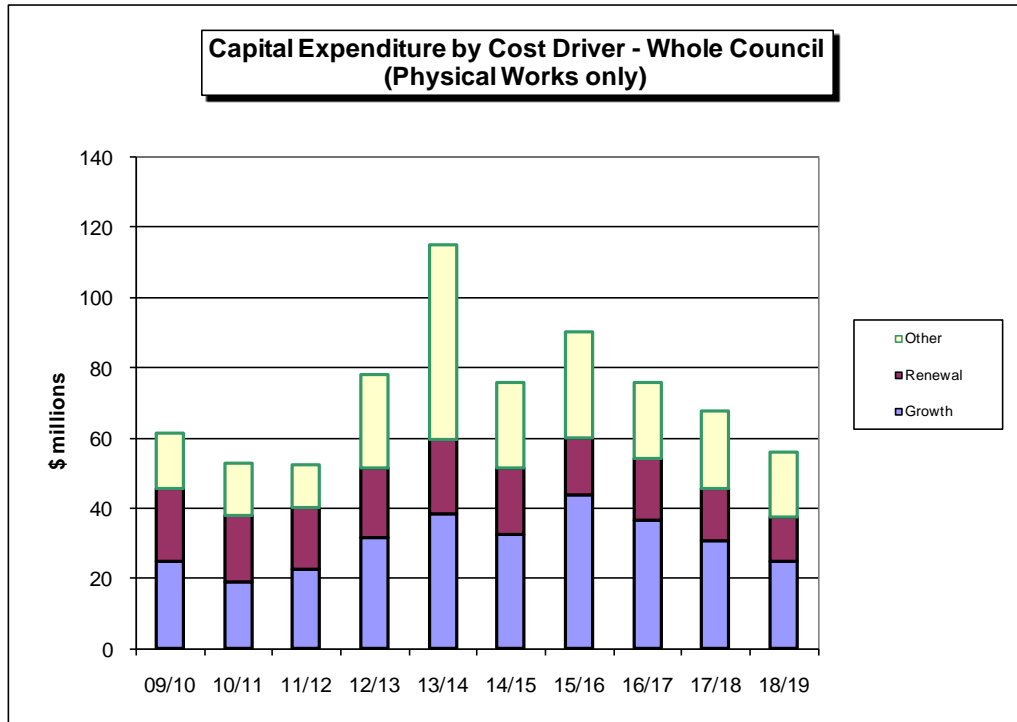
The various programmes and projects described in this plan are aimed at meeting the needs of our communities. In formulating the Council Community Plan, the Council must attempt to balance the inevitable financial cost against the well-being of the community. In the current economic environment, this is a difficult task.

Capital Works

We continue to be faced with a major investment programme to maintain the standards that our residents, ratepayers and visitors aspire to in the face of continuing growth. The Capital Works programme included in this plan is significantly larger than those projected in previous years.

Over the 10 years, we have identified around \$832m (2006:\$587m) (adjusted for future inflation) of capital expenditure required, which is 42% more than that estimated in the 2006 10-Year-Plan. The main reasons for this are the costs associated with upgrading wastewater & water supply systems in the light of more demanding consent conditions and water treatment standards. There is \$151m of wastewater upgrades including \$37m for Project Shotover; a new sewerage disposal system for the wider Queenstown area

and water supply projects account for \$171m over the 10 years and \$24.5m for water treatment plants in Queenstown, Wanaka and Arrowtown which may be required under new water treatment legislation. There are \$297m of roading and parking projects allowed for in this plan, with a large proportion of those attracting subsidy from Land Transport New Zealand. There is also \$128m of recreational asset expenditure included over the 10 years. This includes \$10m for an indoor sports facility for Wanaka.



Just under 49% of the total capital expenditure is required to provide infrastructure to meet the demands of strong growth. This is illustrated in the graph above. In

time, most of this expenditure will be recovered from developers through the charging of development contributions.

Debt

In order to deliver the large capital programme included in this plan, Council will need to rely on borrowing. The amount of borrowing required is well in excess of the amount anticipated in previous plans. Council has spent some time working through the capital programme to ensure that it is deliverable. This has meant that a number of projects have been deferred or omitted because of funding and financing constraints. Council is confident that the programme for the first 3 years is deliverable but acknowledges that some of the capital expenditure in years four to ten may not be undertaken unless additional sources of funding are secured. Options for this include central government assistance or some form of public/private partnerships to deliver key infrastructure.

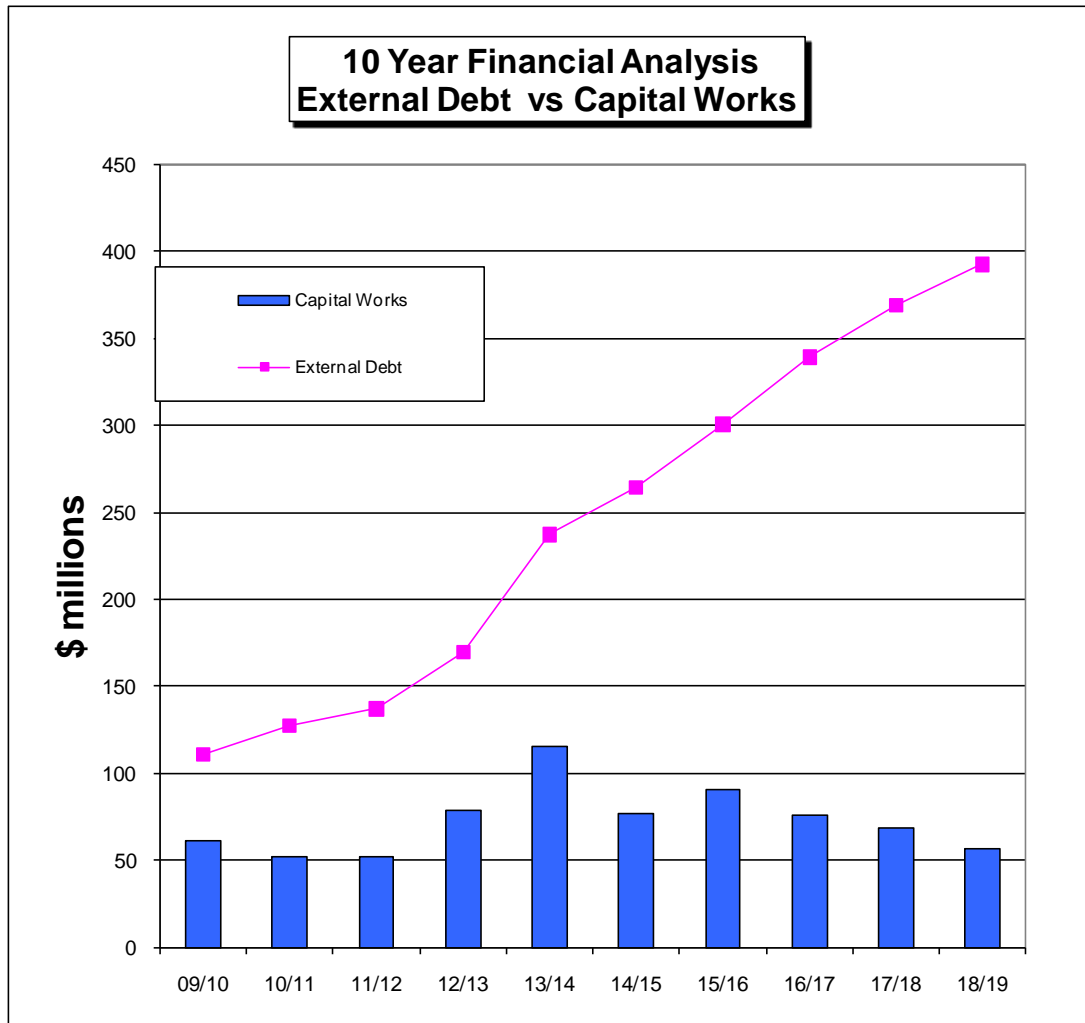
It is expected that by the end of year three, external debt will have risen to \$137m and by the end of the 10-year period; it will have reached \$393m. This is over three times the amount anticipated for in the last CCP and Council recognises that this is not a realistic proposition for our community. It raises the fundamental issue which a number of “growth” councils are facing around the country at this time: how to reconcile the opposing statutory objectives to promote community well-being on the one hand whilst remaining financially prudent on the other. Council intends to make a joint presentation to the new Government regarding this issue.

The growth portion of the Capital Programme (some \$407m) will be funded by development contributions as growth occurs, but must be funded largely by debt in the first instance. This allows for Council to spread the cost of large infrastructural projects over the expected life of the asset. Using debt in this way means that future residents and ratepayers contribute a fair share to the use they make of a facility.

This level of borrowing exceeds some of the debt parameters in Council’s Liability Management Policy for years five to ten:

Debt Parameters	Estimates				
	Limit	30 Jun 10	30-Jun 11	30-Jun 12	30-Jun 19
Interest Expense/ Operating Revenue	<20%	6.6%	7.7%	8.1%	16.4%
Interest Expense/ Total Revenue	<15%	6.0%	7.0%	7.5%	14.5%
Net Debt /Total Revenue	<200%	112.2%	117.2%	118.1%	250.5%
Net Debt/Equity	<20%	14.4%	14.6%	15.2%	30.9%

Clearly this is of concern and Council has taken the approach of deferring all non-essential capital works past the first 3 years. This will allow time to evaluate other options for capital expenditure and to investigate alternative funding arrangements. This may mean that projects that are currently included within the 10 year timeframe are not delivered because they are subsequently deemed to be unaffordable.



2. Costs of Growth

Main growth areas and period of capacity

Over 10 years Utilities shows \$369m of capital works with Water Supply (\$171m) & Wastewater Upgrades (\$151m) the main components. Roading also shows \$297m of capital works.

% of capex in LTCCP which is growth related

In total 49% of the total capex is growth driven. This equates to 59% for Utilities, 49% for Community facilities & 42% for Roading.

% of growth funded debt over the 10 years

Total external debt is expected to rise from \$82m (2009) to \$393m (2019). \$232m (59%) of this will relate to growth.

Large infrastructure projects required last 5 and next 10 yrs

Project Pure (Wanaka Wastewater Treatment) \$19m (2008)
 Queenstown Aquatic Centre \$18.5m (2008)
 Project Shotover (Queenstown Wastewater Treatment) \$41m (2009-19)
 Queenstown Wastewater Reticulation Upgrades \$14.5m (2009-11)
 Wanaka Wastewater Pump Stn Upgrades \$13.1m (2009-19)
 New Wastewater Schemes \$17.1m (2014-19)
 Queenstown Water Supply (Jardine Intake) \$48.2m (2012-18)
 New Water Supply Schemes \$11.6m (2014-19)
 Queenstown Inner Links (CBD By-pass) \$19.4m (2017-19)
 Queenstown - New Roads \$22.5m (2013-19)
 Wanaka - New Roads \$18.0m (2015-19)
 Wakatipu – Road Rehab projects \$43.9m (2009-19)
 Wanaka Indoor Sports Facility \$10.0m (2011-13)
 Queenstown Events Centre extensions \$29.1m (2013-15)

3. Key Financial Ratios & Information

Key financial ratios over 10 years

- a. Debt/ Revenue
- b. Interest / Revenue
- c. Debt per capita (take into account projected increase in population)

Financial Ratios:	2009/10	2010/11	2011/12	2014/15	2018/19
Interest/Revenue (excl DC's)	6.8%	7.9%	8.4%	11.0%	16.4%
Interest/Revenue (incl DC's)	6.0%	7.0%	7.5%	9.7%	14.5%
Net Debt /Revenue (excl DC's)	126.3%	131.4%	132.6%	203.8%	283.4%
Net Debt /Revenue (incl DC's)	112.2%	117.2%	118.1%	178.7%	250.5%
Net Debt per capita (usually resident)	4,329	4,832	5,055	8,937	11,836

Standard & Poors rating now and projected

QLDC Currently not rated

Current value of fixed asset base

Expected value of non current assets as at 1 July 09 is \$833m

4. Revenue & Funding Sources

Development Contributions

Charges – lowest, highest & average across all UGA's

Range of DC's payable for single dwelling equivalent is \$17,299 to 25,832 (excl GST) plus 27.5m2 for Reserve land. Average is around \$20,711 plus 27.5m2 for Reserve land.

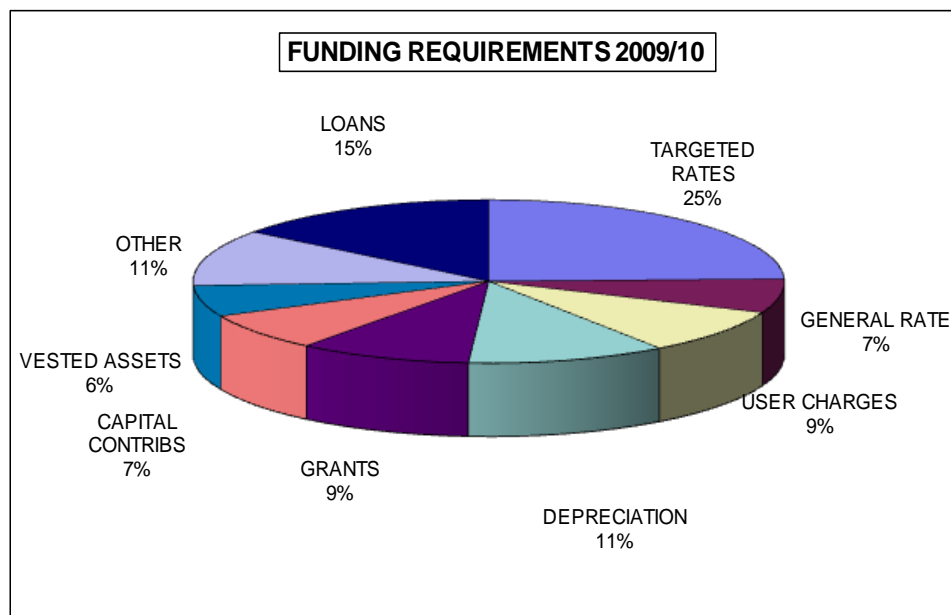
Trend last 3 years & going forward

Average development contribution payable has increased by 40% over past 3 years.(from \$14,725 plus land to \$20,711).

Any transparent cross-subsidisation by rates

Not since we introduced Rooding DC in 2006.

Funding mix



Revenue from targeted rates shows an average annual increase of around 6.2 % per annum. After allowing for growth in the rating base the effective rates increase is around 3.2% per annum. However, increased depreciation charges and operating costs in relation to the new sewerage treatment plant in Wanaka (Project Pure) and Project Shotover in Queenstown are likely to have a significant local impact.

Revenue from general rates shows an average annual increase of around 5.4% per annum (before growth), which translates to an annual rates reduction of 2.4% per annum after allowing for growth.

5. Fiscal Sustainability Actions

Projects deferred to remain fiscally sustainable:

- New Wastewater Schemes \$17.1m (2014-19)
- New Water Supply Schemes \$11.6m (2014-19)
- Queenstown Inner Links (CBD By-pass) \$19.4m (2017-19)
- Queenstown - New Roads \$22.5m (2013-19)
- Wanaka - New Roads \$18.0m (2015-19)
- Wanaka Indoor Sports Facility \$10.0m (2011-13)
- Queenstown Events Centre extensions \$29.1m (2013-15)
- Organic Waste Composting facility \$3.9m (2012)
- Town Centre Streetscape Improvements \$16.0m (2012-19)
- Remarkables Centre (performing arts) Stg 1 \$17.0m (not funded)
- Wanaka Aquatic Centre \$11.5m (not funded)
- Council Offices \$30.6m (not funded)

Strategies adopted to remain fiscally sustainable

Council has taken the approach of deferring all non-essential capital works past the first 3 years. The Council will need to undertake a review of the projects in years 4 to 10 during the next three years. This will allow time to evaluate other options for capital expenditure and to investigate alternative funding arrangements. This may mean that projects that are currently included within the 10 year timeframe are not delivered because they are subsequently deemed to be unaffordable.

Whether the projects are essential, whether the levels of services are in fact unavoidable, alternative technical solutions and innovative funding methods will all be assessed. For all of the projects this work has already been undertaken on a project by project basis. The cumulative effect of the programme drives us to the need for a further in depth re-assessment.

Among the projects being referred to are several very expensive growth driven investments: roading (Inner Links \$51 million), water supply (Jardines intake and main \$48 million), wastewater (Project Shotover Stage 2 \$35 million), stormwater (\$5 million) and community projects (Queenstown Events Centre extensions and developments (\$29 million).

Appendix 3: Hamilton City Council

Prepared 10 July 2009 Based on the Adopted 2009-19 LTCCP

1. Growth Rate and Growth Strategy

Hamilton has a long history of steady population growth, as evidenced by the 35.2% increase over the 15 year period between 1991 (99,414) and 2006 (134,400) – this equates to an annual average growth rate of 2.3%. The number of houses also recorded a similar growth in the same period of 33.3%.

Over the next 45 years Hamilton's population is projected to increase by 107,259 (from 134,400 in 2006 to 241,659 in 2051).

	1991	1996	2001	2006	2021	2051
Population	99,414	111,700	120,900	134,400	171,738	241,659
Houses	34,704	38,067	41,832	46,251	61,243	91,929

The city's growth is strongly influenced by Hamilton's location at the centre of New Zealand's golden 'growth triangle' (comprising the Waikato, Auckland and Bay of Plenty regions). Hamilton is also at the centre of the county's premier agricultural and pastoral region.

Hamilton City Council has been involved in the development of a number of strategies which are designed to ensure that growth of both the city and the surrounding region is carefully managed. Two such strategies include the Hamilton Urban Growth Strategy (HUGS) which takes a long term view of the city's development through to 2051 and also FutureProof which was developed in conjunction with the Waikato Regional Council as well as two surrounding district councils and focuses on the development of a coordinated strategy to managing sub-regional growth.

One of the underpinning principles of FutureProof includes the need to protect existing and future infrastructure and transport corridors.

The HUGS strategy is underpinned by four growth propositions that set the broad framework for land use planning within the city's boundaries:

- Proposition 1 - Facilitating a move towards more choices for compact living environments in the existing city - with a greater focus on quality. This is to occur over the next 10-20 years, with regeneration to focus in and around key nodes. i.e. the central city, transport hubs, town centres and areas of high public amenity such as parks and the river.
- Proposition 2 - In the short to medium-term (2009 - 2023), recommitting to the development of Rototuna as the preferred residential growth cell, plus 900 sections in Rotokauri and 500 sections in Peacocke. The development of these areas will include greater choice in living environments. For instance, more

compact type developments in key areas such as town centres or around parks and open spaces.

- Proposition 3 - In the longer-term (beyond 2023) prioritising the development of the remainder of the Peacocke residential area. Proposition 3 outlined two options for future greenfield residential development. i.e. continuing development of Rotokauri in the north-west of the city or making Peacockes in the south the primary long-term growth cell. The proposed strategy outlined the potential benefits and opportunities as well as the indicative financial costs of both options for the community to consider and provide feedback on, and following submissions the Council determined the Peacocke cell as the next greenfield development area.
- Proposition 4 - The transfer of Ruakura land from Waikato District Council to Hamilton City Council be used as an innovation/employment area rather than residential (from around 2016).

2. Costs of Growth

Hamilton City has a total proposed capex budget for the 09 – 19 LTCCP period of \$1000million, approximately 31% of which relates to projects which, at least in part, are required to meet the demands of the city’s growing population.

The majority of Hamilton City’s growth related capex projects for the 09 – 19 period result from the need to extend the capacity of the City’s existing transportation, water supply, waste-water and stormwater infrastructure assets. Most of these projects are designed to provide growth capacity for the city for between 10 and 20 years.

In the development of its proposed 09 – 19 LTCCP, Hamilton City has budgeted to fund its growth related capex from debt which will be serviced and repaid from development contributions (DCs) charged to developers. The remainder of Councils debt (from non-growth related projects) will be funded from rates and other revenue funding sources.

A combination of the relative size of the growth related capex budget as well as the profile of the DC revenue stream means that by 2019 52% of the City’s total debt (including internal borrowing) is forecast to be DC rather than rates funded. This compares with a forecast figure of 37% as at 30/6/10. The table below illustrates:

	09/10		18/19	
	\$M	% of total	\$M	% of total
Rates funded Debt	235	66%	335	48%
DC funded Debt	122	34%	364	52%
Total Debt	357	100%	699	100%

During the last 5 years Hamilton City Council has completed a number of capital works projects associated with the ongoing development of the City’s main residential growth cell to the north east of the city, Rototuna. Included in these works has been the construction of major arterial transport routes and associated trunk mains for water and wastewater as well as storm water management systems.

During the next 10 years Hamilton City Council is planning to complete further capital works projects associated with the continued development of the Rototuna growth cell as well as the opening up of a new growth cell to accommodate further residential and industrial expansion in the North West of the city (Rotokauri cell).

3. Key Financial Ratios & Information

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Net external debt / operating revenue	220%	240%	234%	248%	267%	271%	270%	262%	254%	244%
Net external debt / operating revenue plus DCL revenue	207%	221%	208%	220%	237%	240%	241%	233%	225%	215%
Interest expense / operating revenue	12.5%	14.1%	15.6%	16.6%	18.7%	19.4%	19.6%	19.5%	19.5%	19.3%
Interest expense / operating revenue plus DCL revenue	11.7%	13.0%	13.9%	14.8%	16.6%	17.2%	17.5%	17.3%	17.3%	17.0%
Net external debt per capita \$000	2,364	2,686	2,844	3,131	3,513	3,677	3,795	3,794	3,756	3,687

Note:

1. Hamilton City Council is currently unrated. The Council is planning to obtain a credit rating in 2009 (expected by August 2009).
2. The expected value of Hamilton City Council's fixed asset base as at 30/6/10 is \$3.4 billion.
3. Total rates income (including consumption-based water rates) outlined in the LTCCP rises from \$109m (09/10) to \$180m (18/19).

4. Revenue & Funding Sources

As discussed in section 2 above, Hamilton City Council funds its growth related capex program from debt that is budgeted to be serviced and repaid from development contributions (DCs) charged to developers. It should be noted that some growth projects have elements which cannot be attributed to the development community, and this portion is funded from debt serviced by rates and other revenue funding sources.

The table below summarises the DCs that Hamilton City Council has charged developers (per single household equivalent unit of demand) for residential Greenfield and Infill development. Commercial and Industrial development is charged a DC fee based on the conversion of the residential charges to 100m² areas. These are available if required.

From the current base levels of \$31,629 (excl GST) for greenfields and \$10,619 (excl GST) for infill (09/10), Council is forecasting a required long-term 2.6% pa increase in order to maintain the forecast DC revenue stream at a level sufficient to service and repay current and forecast growth related debt.

Hamilton City Council Development Contribution Levies (ex GST)		
	Residential - Greenfields	Residential - Infill
2006/07	\$21,824	\$8,132
2007/08	\$26,005	\$9,620
2008/09	\$25,142	\$9,440

2009/10 (proposed)	\$31,629	\$10,619
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Note:

1. These levies are for a single household equivalent unit of demand
2. The city is split into 2 DC rating areas – greenfield (new growth cells) and infill (existing developed area of the city)

Non-growth capex costs are funded from a mixture of operating revenue, grants, subsidies, loans, reserves and rates.

Projected rate revenue (excluding consumption-based water rates) and rating growth including inflation, are as follows:

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10
Total rates levy in \$m*	103	109	116	124	132	141	150	158	164	171
Rates levy (total increase)	4.99%	5.57%	6.53%	7.07%	6.53%	6.82%	6.38%	5.14%	4.12%	4.08%
less rating growth (new ratepayers) in \$m	(0.4)	(0.9)	(1.0)	(1.6)	(1.7)	(1.7)	(1.8)	(2.0)	(2.1)	(2.3)
Rates levy increase to existing ratepayers	4.38%	4.66%	5.52%	5.69%	5.19%	5.51%	5.10%	3.81%	2.79%	2.70%

* Excludes consumption based rates

5. Fiscal Sustainability Actions

Hamilton City Council recognises that it does not have unlimited balance sheet capacity. In order to manage its finances prudently and to ensure it can always access capital in a timely manner and at reasonable cost, the Council needs to carefully manage its aggregate debt position relative to the size of its current and projected revenue base.

Accordingly, during the course of developing its proposed 09 – 19 LTCCP the Council has recognised the need to adopt a more flexible approach to the management of its growth orientated capex program to ensure that prudent debt limits are adhered to. This more flexible approach includes the adoption of just in time principles when undertaking growth related infrastructure works as well as a recognition that if development revenue slows, and/or DC funded debt grows beyond prudent levels then some programs will be cut and/or put on hold.

The adoption of just in time principles when undertaking growth related infrastructure works means that Council is focused on minimising the lag time between when major DC funded capital expenditure is required and when significant DC revenue resulting from that capex is likely to be received.

Council's more flexible approach to the management of its growth orientated capex program is designed to mitigate the financial risk that Council is exposed to when faced with large and uncertain time lags between the incurrence of capital works expenditure and the generation of DC revenue required to fund both the initial cost of the works as well as the likely ongoing financing costs.

Although the adoption of just in time principles helps to mitigate the financial risk that Council is exposed to, this approach does involve some risk that the city's development

could be hindered by delays in the delivery of core infrastructure services. We are concerned that ultimately we are just delaying the point at which Council's overall debt program becomes unsustainable. Council is fortunate that during the 09-19 LTCCP, no new significant residential greenfield cell is budgeted to be established. The majority of growth capex costs are relating to the extension of the current major greenfield growth cell, the opening of smaller greenfield developments and the creation of a new industrial growth cell. We are aware that if the LTCCP was for a 20 year period, the financial outcome may be different.

Looking beyond the period of the 09 – 19 LTCCP, Council has considered some of the financial impacts of continued city growth. For example, under the Hamilton Urban Growth Strategy, the next residential growth cell most likely to be opened up in order to provide growth capacity for the city from 2028 is the Peacocke area to the south of the city. Peacocke related infrastructure works are scheduled to begin in 2023/2024 (subject to the capacity of the existing Rototuna growth cell which is dependant on the demand for residential greenfield land). The long lead in time reflects the scale of some of the initial infrastructure works required to develop the Peacocke area. These works include a new bridge, major arterial roading development as well as significant wastewater trunk mains works to connect Peacocke to the City's wastewater treatment plant. A combination of the long lead in times plus the high costs associated with these works results in significant projected increases in DC levies associated with this catchment as well as a 9 year period during which time the city's existing ratepayers will need to carry the additional cost of the non DC funded portion of these works.

We are concerned that the financial pressure that the Council's growth related infrastructure program places on the organisation is likely to impact adversely the levels of service Council can afford to maintain within its core activities. Over the course of the 09 – 19 LTCCP Council is not expecting to have to reduce service levels, but beyond 2019 such a response may be the only way in which Council can offset the financial pressure resulting from City growth and the significant costs involved in opening up the next major residential growth cell in the Peacocke area.

During the development of the proposed 09 – 19 LTCCP, the size of the capex program funded by development contributions was cut by over 40%. The debt to be raised over the 09-19 LTCCP relating to growth capex (which is budgeted to be funded via development contributions) is \$312million. At the start of the budget process this figure was in excess of \$500million.

The majority of the budget cuts were achieved by either delaying the start and/or significantly slowing the staging of infrastructure works programs associated with the City's greenfields residential, industrial and commercial growth cells.

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Appendix 4: Western Bay of Plenty District Council

Prepared July 2009 based on adopted LTCCP (2009/2019)

1. Growth Rate and Growth Strategy

The Western Bay of Plenty District is one of the fastest growing areas in New Zealand. Between 1996 and 2001 the rate of growth was 9.3% and between 2001 and 2006 this increased to 10.1%. The District remains among the higher growth areas in the country (14th fastest as compared with other territorial local authorities).

The majority of this growth is due to people moving into the district from other parts of the country. This growth trend is anticipated to continue over the next 20 years, with the District's population projected to increase from 42,075 in 2006 to over 60,000 in 2026.

The District's growth is strongly linked to the development occurring in Tauranga City and as a result a sub-regional approach to growth issues known as SmartGrowth has been in place for some years now. Western Bay, Tauranga City and Bay of Plenty Regional Council are the three partners to this 50 year growth management strategy.

2. Costs of Growth

Main growth areas, percentage of capex growth related and period of capacity

Western Bay has a total proposed capex budget for the 2010/19 LTCCP of \$337 million, approximately 44% of which is growth related.

Roading	\$183m
Wastewater	\$31m
Stormwater	\$38m
Water	\$24m
Parks and reserves	\$39m
Other activities	<u>\$22m</u>
	\$337m

The majority of Council's growth related capex is driven by additional roading requirements and, to a slightly lesser extent, the need for new wastewater and stormwater infrastructure.

Major capital works are expected to last between 10 and 25 years.

% of growth funded debt over the 10 years

Council has resolved to fund growth related capex from debt, which will be serviced and repaid (over 25 years) from financial contributions charged to developers. Other major capital expenditure that is not growth related but also funded from debt is recovered from rates and other revenue sources. Total external debt is projected to increase \$64 million from \$132 million in 2009 to a peak in 2016 of \$196 million. Approximately 65% of this increase is attributable to growth.

Large infrastructure projects required last 5 and next 10 years

Omokoroa Wastewater Scheme \$32 million
 Waihi Beach Wastewater scheme
 Omokoroa Peninsula Structure Planning Works Stage 1 to date \$20 million
 Across the district additional 100km of urban seal extension
 Move to ground water bores for district water supply
 Stormwater reticulation to urban areas commenced

Next ten years:

Omokoroa Structure Plans (greenfields infrastructure) \$40m (2010-2019)
 Maketu/Little Waihi Wastewater Treatment \$15 million (2011-2012)
 Stormwater Omokoroa/Waihi Beach \$6m (2012-2013)
 Stormwater upgrades district wide \$17m (2010-2019)
 Waihi Beach seawall \$5m (2010-2012)
 Te Puke structure planning \$8 million (2011)
 TECT All Terrain Park development \$9m (2010-2019)
 District wide water metering \$8m (2010-2019)

3. Key Financial Ratios & Information

Key financial ratios over 10 years

- a. Debt/Revenue
- b. Interest/Revenue
- c. Debt per capita (taking into account projected increase in population from 19,670 ratepayers in 2010 to 23,570 in 2019)

Financial Ratios	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19
Interest/Revenue (excl FCs)	13.00 %	12.04 %	13.97 %	14.96 %	15.65 %	16.20 %	16.01 %	15.53 %	13.09 %	11.64 %
Interest/Revenue (incl FCs)	11.84 %	11.00 %	11.91 %	12.65 %	12.99 %	13.43 %	13.57 %	12.50 %	10.66 %	9..37%
Net Debt/Revenue (excl FCs)	206%	202%	218%	240%	246%	246%	238%	206%	181%	154%
Net Debt/Revenue (incl FCs)	188%	185%	186%	203%	204%	204%	201%	166%	147%	124%
Net Debt per Capita (resident)	\$3,099	\$3,233	\$3,438	\$3,774	\$4,056	\$3,864	\$3,904	\$3,497	\$3,268	\$2,910

Council's Standard & Poors rating now and projected

Western Bay is currently not rated.

The current value of Council's fixed asset base is \$950 million.

4. Revenue & Funding Sources

Western Bay primarily charges financial contributions under the RMA for capex attributable to growth. However a very small proportion of funding is also recovered from rates for the development of the district's strategic roading network. Council does not charge development contributions.

The level of financial contributions varies considerably across the district, as evidenced below. The following table is a yearly average across the whole district.

Average	2006/07 \$	2007/08 \$	2008/09 \$	2009/10 \$
Urban	29,803	31,452	31,681	36,967
Rural	28,895	28,895	31,544	38,448

	2006/7	2007/08	2008/09		2009/10	
Water	\$	\$	\$		\$	
Western	3,711	3,711	3,105	per additional lot	3,503	per additional lot
Central	2,805	2,805	3,399		3,337	
Eastern	4,762	4,762	4,461		5,587	
Wastewater	\$	\$	\$		\$	
Waihi Beach	5,824	5,824	6,311	per additional lot	9,173	per additional lot
Katikati	4,134	4,134	5,018		5,714	
Omokoroa	7,587	7,587	7,500		7,347	
Te Puke	4,101	4,101	5,640		4,237	
Stormwater	\$	\$	\$		\$	
Waihi Beach	2,913	2,913	3,065	per additional lot	4,028	per additional lot
Katikati	2,678	2,678	2,741		3,481	
Omokoroa	3,292	3,292	2,570		2,788	
Te Puke	9,774	9,774	10,556		5,987	
Transportation					\$	
District Wide					954	
				Without District wide		
Urban	\$	\$	\$		\$	
Waihi Beach	7,057	7,057	7,327	per additional lot	6,570	7,544 per additional lot
Katikati	10,919	10,919	10,995		12,532	13,506
Omokoroa	10,998	13,938	10,406		9,264	10,238
Te Puke	3,051	3,051	3,051		4,705	5,679
Omokoroa						
Road specific	\$	\$	\$			
Hamurana Road		1,590	2,633	per 100m ²	1,872	per 100m ²
Hamurana Road						
Stage 2			1,792	per 100m ²	1,792	per 100m ²
Lynley Park link		496	4,702	per 100m ²	2,971	per 100m ²
Goldstone Block		166	166	per 100m ²	129	per 100m ²
				Without District wide		
Rural	\$	\$	\$		\$	
Waihi Beach /						
Katikati Wards	5,475	5,475	6,023	6,625	11,842	12,816 Per additional lot
Kamai Ward	7,636	7,636	8,400	9,240	11,842	12,816

Te Puke /									
Maketu Wards	8,184	8,184	9,002	9,902	11,842	12,816			
Ecological	448		464			483	Per additional lot		
Recreation and leisure			5.01% of section's sale price		4.65% of section's sale price – capped at section price of \$250,000				

All figures are exclusive of GST.

Funding mix

Total funding requirements for the 2009/10 financial year (includes capital works funding)

Funding	Percentage
General Rates	20%
Targeted rates	30%
User fees and charges	19%
Vested assets	2%
Financial contributions	9%
Loans	18%
Other revenue	2%
Total	100%

Projected annual rates increases

Increase per year	2009 /10	2010 /11	2011 /12	2012 /13	2013/ 14	2014 /15	2015 /16	2016 /17	2017 /18	2018 /19
Total district rates increase	4.71 %	5.04 %	4.69 %	1.51 %	4.50 %	4.00 %	3.70 %	1.51 %	5.44 %	2.41 %
Total district rates increase per ratepayer (after growth)	4.10 %	3.90 %	2.63 %	-0.48 %	2.15 %	1.76 %	1.77 %	-0.87 %	3.07 %	0.30 %

5. Fiscal Sustainability Actions

The current economic situation is expected to slow the rate of population growth and development in the District, so Council has revised its growth assumptions in the short term and assumed an accelerated growth period in the later years of the LTCCP. Those projects that were originally planned to proceed at certain population levels have therefore been deferred as a direct result of this change in the growth assumption. Council's critical focus in the short term will be to remain financially sound, while still delivering essential levels of service, and to ensure the District can resume its growth and development as soon as economic conditions improve.

Council has taken a flexible and market responsive approach to infrastructure development, with the overarching philosophy being that development pays for growth so that existing ratepayers are not overly burdened with the costs of this development. As a result when the economic situation deteriorates, growth related infrastructure projects will either be halted (if practical) or slowed, with only essential staging occurring. Complicating the issue is that within the district there are a number of discrete urban development nodes that are growing at varying rates. Council has therefore decided to make these developments a priority over other areas with lower rates of growth.

Council cannot continue to defer projects indefinitely and recognises that if it wishes to maintain levels of service (as described in its asset management plans) and develop the district as envisaged, alternative sources of funding will need to be found.

Projects deferred in the LTCCP

Approximately \$60m of capex has been deferred to 2020 and beyond, but essential works/renewals programmes have been retained in the 2010/19 LTCCP. Council has also avoided deferring some projects that would cost future residents too much if they were postponed for a significant period of time. This approach is consistent with SmartGrowth, the 50 year plan to manage growth in the western Bay of Plenty sub-region.