



2010 AMENDMENT TO LONG TERM COUNCIL COMMUNITY PLAN

This document contains the 2010 amendment to the Revenue and Financing Policy of the 2009 Long Term Council Community Plan.

This amendment was adopted by the Council on 24 June 2010.

**2010 Amendment to
the 2009 Long Term Council Community Plan**

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Introduction

On 24 June 2010, the Kāpiti Coast District Council adopted an amendment to the 2009 Long Term Council Community Plan (LTCCP).

This amendment was required as a result of a change to Council's Revenue and Financing Policy for Water Management.

2010 Amendment to the 2009 Revenue and Financing Policy

The following 2010 amendment to the Council's Revenue and Financing Policy published in the 2009 Long Term Council Community Plan (LTCCP) was adopted on 24 June 2010.

2010 Amendment to the Water Management Section of the 2009 Revenue and Financing Policy

The main reason for the 2010 amendment to the 2009 LTCCP in relation to the water management activity was the addition of a new funding mechanism compared to the disclosure in the LTCCP.

A targeted rate was approved for private beneficiaries of a Council provided interest free loan used to fund Council approved water conservation solutions which reduce the use of Council's potable water supply.

The Council decided to provide interest free loans to be repaid over a period of 10 years by way of a targeted rate for each (affected) rateable property. This is part of Council's strategy to reduce water consumption down to 400 litres per person per day. Although loans up to a total budgeted amount of \$210,000 will be available in the 2010/11 year the targeted rates will not commence until 1 July 2011. (More details are provided in the next section - Opportunities for Water Conservation Initiatives).

The total maximum amount for the provision of these interest free loans is \$4.7million which is reached in year 5 (2014/15). The interest free loans will be made available in the five year period starting from 2010/11 through to 2014/15 and the final repayment of these loans by year 15 (2024/25). The interest budget which Council will meet each year for the next 15 years based on an average interest rate of 7.5% is set out on the following table, together with the amount of targeted rates to be levied each year on those private beneficiaries (loan borrowers) to recover the annual loan repayments until the final loans are repaid in year 15 (2024/25).

Grants will be provided for eligible water users who provide evidence of use of specific Council approved water conservation solutions (a detailed policy on this will be developed during 2010/11). These grants will not commence until 1 July 2011 to allow time for establishing the criteria and the method of verifying qualifying recipients.

These amendments to the 2009 LTCCP have no material impact on Council's compliance with its 20% nett debt / equity ratio or the maximum limit of debt servicing costs not exceeding 25% of operating income.

Opportunities for Water Conservation Initiatives

This is one of the water conservation initiatives referred to under the Water Management Activity in Section 4 of the 2010/11 Annual Plan.

These interest free loans will assist with providing other water supply options for non potable water use and reduce the need to use Councils potable water for non essential use.

The main reason for the 2010 amendment to the 2009 LTCCP in relation to this water conservation initiative was the introduction of interest free loans compared to the disclosure in the LTCCP.

Interest Free Loans for Water Conservation Initiatives

Eligible participants – Residential ratepayers with properties connected to Councils potable water supply.

Opportunities – Interest free loans over 10 years for approved water conservation devices that reduce the use of Councils potable water supply. (Note: under the present proposal only one device per property would be eligible).

Period of interest free loans available – 2010/11 to 2014/15.

Loan repayment – Loans repaid over a period of 10 years via a targeted rate on affected properties plus GST.

Loan registration – Loan registered on each property's Land Information Memorandum (LIM).

Examples of water conservation devices include –

Greywater trickle feed garden irrigation device

Rain water tank (10,000 litres)

Rain water tank (5,000 litres)

Retro fit old water tank

Sand Trap Bore⁽¹⁾

⁽¹⁾ Must have a resource consent from Greater Wellington Regional Council.

Costs of providing water conservation initiatives

The costs and impacts are shown in table (1) on the next page.

Note:

1. The interest rate implied in the loan calculations is based on long term average interest rates of 7.5%.
2. The interest costs will be spread across all Council potable water consumers.
3. Annual loans will be capped at the proposed budget level for each year in line with the budgeted total nett public debt at year end as set out in table (1). The estimates are based on greywater systems and assume that the average number installed per year is 458 (2,290 units over 5 years), to achieve a peak water level target of 400 litres per person per day (lppd). The estimates are based on lower demand initially and as ratepayers become aware of the opportunities demand is expected to increase over the five year period loans are available. These estimates are based on the installation targets for Waikanae, Paraparaumu and Raumati area. Restricted numbers of loans will be available to residential households outside these central areas.
4. Costs are based on an estimate provided by a local supplier.
5. Other options including installing 10,000 litre and 5,000 litre tanks, retrofitting existing water tanks and sand trap bores are also available. The Council expects a combination of these devices will be installed over the 5 year period. Please note loans will only be available for sand trap bores when a resource consent has been issued by Greater Wellington Regional Council. The options will be funded each year within the total annual budget cap for interest free loans.

Level of service

Initially there will be no impact on service levels for potable water users.

These interest free loans will assist with providing other water supply options for non potable water use and reduce the need to use Councils potable water for non essential use.

10 year impact

The 10 year financial impact of the water conservation measures is estimated to cost \$1.94million in interest costs. The goal is to reduce the average water consumption to 400 lppd to meet the capacity of the proposed water supply option.

Next Steps:

Council will develop the detailed criteria, policy and processes in order to make the water conservation initiative available by mid-December 2010.

Table (1) Interest and debt repayment (10 year impacts)

Number of Units	2010/11 '000s	2011/12 '000s	2012/13 '000s	2013/14 '000s	2014/15 '000s	2015/16 '000s	2016/17 '000s	2017/18 '000s	2018/19 '000s	2019/20 '000s	Total '000s
Annual loans extended (nett of repayments)	\$211	\$611	\$1,179	\$1,053	\$1,559	(\$526)	(\$527)	(\$527)	(\$526)	(\$527)	\$1,980
Total public debt at year end	\$211	\$822	\$2,001	\$3,054	\$4,613	\$4,087	\$3,560	\$3,033	\$2,507	\$1,980	\$1,980
Yearly interest on outstanding loan balance	\$16	\$62	\$150	\$229	\$346	\$306	\$267	\$227	\$188	\$148	\$1,939
Rates impact %	0.03%	0.14%	0.17%	0.12%	0.16%	(0.09)%	(0.06)%	(0.07)%	(0.05)%	(0.04)%	-
Loan repayments	\$0	\$21	\$84	\$211	\$337	\$527	\$527	\$527	\$527	\$527	\$3,288

Revenue and Financing Policy Incorporating 2010 Amendment

The Local Government Act 2002 requires the Council to adopt a range of policies that outline how operating and capital expenditure for each Council activity will be funded. These policies include a Revenue and Financing Policy. The reason for having such policies is to ensure the Council provides predictability and certainty about sources and levels of funding for the Council's activities.

This Long Term Council Community Plan (LTCCP) is constructed around the following seven community outcomes identified by the community, and adopted on 3 June 2009:

- Outcome 1: there are healthy natural systems which people can enjoy;
- Outcome 2: local character is retained within a cohesive District;
- Outcome 3: the nature and rate of population growth is appropriate to community goals;
- Outcome 4: the community makes wise use of local resources and people have the ability to act in a sustainable way;
- Outcome 5: there is increased choice to work locally;
- Outcome 6: the District is a place that works for young people;
- Outcome 7: the District has a strong, healthy and involved community.

The Council manages a range of activities to support the achievement of the Council's role in that area to give effect to the Community Outcomes.

Funding Considerations

In determining the most appropriate funding source for each activity the Council is required under section 101(3) of the Local Government Act 2002 to consider the following factors:

First Step Considerations:

- the Community Outcomes to which the activity primarily contributes;
- the distribution of benefits between the community as a complete unit, any identifiable part of the community and individuals;
- the period in, or over which, those benefits are expected to occur;
- the extent to which the actions, or inactions, of particular individuals, or a group, contribute to the need to undertake the activity;
- the cost and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

Second Step Considerations:

- The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community.

This is the Council's third Long Term Council Community Plan (LTCCP) with a commencement date of 1 July 2009. The following table provides a summary of the funding considerations for the 16 Council activities.

Note: The only table shown is the Water Management Activity which is where the Revenue and Financing Policy has changed. It also identifies the Community Outcomes that activity contributes to.

Some of the rating mechanisms included in the Revenue and Financing Policy are subject to differentials for equity purposes for various groups of ratepayers such as retirement villages, community organisations, large scale commercial operations and motels. Some of these differentials are referenced in the Revenue and Financing Policy but the full details are included in the Funding Impact Statement.

Water Management – Incorporating 2010 Amendment	
Community Outcomes	<ol style="list-style-type: none"> 1. There are healthy natural systems which people can enjoy; 3. The nature and rate of population growth is appropriate to community goals; 4. The community makes wise use of local resources and people have the ability to act in a sustainable way; 7. The District has a strong, healthy, safe and involved community.
Overall impact	<ul style="list-style-type: none"> • protection of community health and safety; • provision of safe drinking water to the community; • provision of water services for fire fighting promoting a safe and caring community.
Nature of benefit/activity	<ul style="list-style-type: none"> • efficient use of water and management of effects on the environment; • efficient use of potable water; • maintenance of safe and efficient provision of drinking water; • maintenance of health standards; • services provided for commercial and fire fighting purposes also.
Who/what creates need?	<ul style="list-style-type: none"> • individuals and households for essential and agreed non-essential needs; • exacerbators – excessive users of potable water for non-essential needs; • entire community creates the need for a safe urban environment where water services are adequately provided and health standards maintained; • commercial and industrial enterprises create need for water services applicable to their business; • fire fighting services create need for water services to carry out their job.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole?	<ul style="list-style-type: none"> • entire community benefits from safe and efficient provision of drinking water; • direct household benefit; • commercial businesses benefit specifically from the provision of water services; • entire community benefits from provision of water services by ensuring fire fighting capabilities are maintained; • ongoing benefits for the period the infrastructural assets are being maintained and renewed.
Can the beneficiaries be identified?	Yes – where measurement of consumptions is used.
Public benefits?	Public benefits from management of water use to reasonable/ responsible levels – deferred impacts on the environment, deferred need for infrastructure investment.
Period of benefits	For period of active water management and life of water assets.
Costs and benefits of separate funding	Water is funded from separate water supply charges for each water supply system throughout the District.

**Water Management –
Incorporating 2010 Amendment**

<p>How do benefits relate to funding?</p>	<p>Primarily private benefit but individual benefit cannot be accurately measured without measurement of consumption. Private benefit funded through rates using a fixed charge per property as a proxy for private benefit.</p> <p>Grants provided for water users who provide evidence of use of specific Council approved water conservation solutions (detailed policy being developed) that reduce the use of Council's potable water supply.</p>
<p>Funding source allocation and funding source</p>	<p><u>Operating Costs</u></p> <ul style="list-style-type: none"> • private water user 100% operating and financing costs; • shift to Districtwide funding over five years; • present – flat charges <ul style="list-style-type: none"> ◦ fixed charge for each separately used or inhabited part of a rating unit; ◦ half fixed charge for non-connected properties where services available; ◦ Some direct charges through metering of businesses. • targeted rates set for private beneficiaries who take up Council's interest free loan offer for Council approved water conservation purposes that reduce the use of Council's potable water supply (detailed policy being developed); • targeted rate set to recover loan repayments over a 10 year period and will commence from 1 July 2011; • interest costs of the interest free loans are to be met by all Council potable water users. <p><u>Capital Costs</u></p> <ul style="list-style-type: none"> • development contributions; • loans; • fixed charges for water (depreciation). <p><u>Funded by</u></p> <ul style="list-style-type: none"> • fixed water supply charges per connection.

Matters relating to the District Council's adopted amendment to the LTCCP subsequent to this report.

This report dated 25 June 2009 relates to the Long Term Council Community Plan (the LTCCP) for the 10 years commencing 1 July 2009, approved by the District Council on 25 June 2009. Subsequent to this, the District Council adopted an amendment to its LTCCP for the 10 years commencing 1 July 2009 to amend the Revenue and Financing policy on 24 June 2010. The District Council has not prepared an amended LTCCP that incorporates the amendment adopted on 24 June 2010. Consequently, to form a view of the LTCCP of the District Council, the content of the LTCCP to which this report relates should be considered in conjunction with the District Council's adopted amendment. There is no legislative requirement for us to report on the adopted amendment and we have not done so.

Matters relating to the electronic presentation of the report to the readers of the Long-Term Council Community Plan

This report relates to the LTCCP of Kapiti Coast District Council for the ten years commencing 1 July 2009 which was approved by the District Council on 25 June 2009 included on Kapiti Coast District Council's web-site. The Kapiti Coast District Council's management is responsible for the maintenance and integrity of the Kapiti Coast District Council's web site. We have not been engaged to report on the integrity of the Kapiti Coast District Council's web site. We accept no responsibility for any changes that may have occurred to the LTCCP since it was initially presented on the web site.

The report refers only to the LTCCP named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the LTCCP, including the adopted amendment to the LTCCP published by the District Council and which has not been incorporated with the content of the LTCCP to which this report relates. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the LTCCP incorporating parts 1 to 2 approved on 25 June 2009 and the related audit report dated 25 June 2009 to confirm the information included in the LTCCP presented on this web site.

The preparation and dissemination of the LTCCP is governed by New Zealand legislation.



This document can be viewed on the Council's website at:
<http://www.kapiticoast.govt.nz/planning>
Additional copies are also available from the Kāpiti Coast District Council on request.

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