

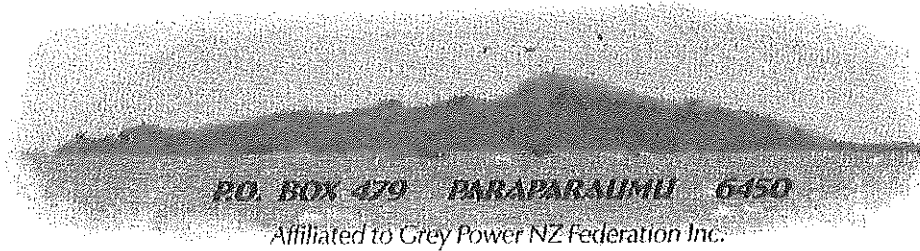
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KAPITI COAST GREY POWER ASSOCIATION INC.



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**Kapiti Coast Grey Power Association Inc.
Submission on
Proposed 2011 amendment to the 2009
Long Term Council Community Plan**

September 2011

**Address for response:
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Waikanae 5036, Kapiti.
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21 SEP 2011

86, Kapanui Rd,
Waikanae 5036.
Kapiti.

September 19th 2011.

Re: Proposed 20211 AMENDMENT TO THE KAPITI COAST DISTRICT COUNCIL LONG TERM COUNCIL COMMUNITY PLAN 2009.

Statement of proposal to amend the Treasury Management Policy in the 2009 LTCCP; and invest in NZ Local Funding Agency Ltd as a establishment shareholder, and to borrow From the LGFA.

Introduction.

This Submission is written on behalf of Kapiti Coast Grey Power Association.

The Kapiti district has the highest percentage of persons 65+ years of age; at 25% of the population it is twice the national average.

Statistics NZ advise us that this figure will grow by 500 per year for the next five years (baby boomers). We estimate that at least one-third of all residential ratepayers in the District are superannuitants.

The proposal concerns all ratepayers whose properties will be security for the borrowing.

Kapiti Grey Power notes that KCDC has received an unqualified Audit opinion on the proposed amendment to the LTCCP 2009.

Reasons for proposal; and other information are given.

Executive summary

While Kapiti Grey Power applauds Council's efforts to reduce costs, it believes that the current proposal does not fully explain the risks associated with this enterprise.

Particular concerns are: the extent of the guarantee, the effects of currency fluctuations, and management by a CCTO

Considerations:

- The justifications for the amendment are regarding the benefits that local shareholding authorities will be able to borrow at lower interest margins than would be available otherwise. And also, there will be a return on the capital investment made.
- The NZ Local Government Funding Agency Ltd which will be a CCTO is to be established by a group of eight participating Local Authorities, and the Crown.
- Fifteen other Local Authorities are currently considering participation.
- The LGFA will be recognised by legislation.
- In the setting up of a CCTO, members will be appointed, not elected, and there will be administrative costs.

- The CCTO will be unaccountable to ratepayers whose property will be the security for the Scheme.
 - What evidence is there that the Local authorities will have any control over the CCTO?
 - Generally all Local Authorities borrowing from LGFA will be required to have some shareholding and enter into guarantees in favour of LGFA and other Local Authorities.
- Our view is that this guarantee will expose KCDC with its lack of income other than rates to an unacceptable risk in the of default by another authority*

Comments in document:

- The Council is proposing to participate as an Establishment Shareholding Local Authority, and to join the LGFA scheme as an establishment shareholder at the minimum subscription level of \$100,000. *Is this the only shareholder payment?*
- Up to 15 other Local Authorities are considering participating as Establishment shareholders; and this is Council's recommended option.
- Some of the advantages and disadvantages are set out in

Section a)

Advantages are predicted, especially the net savings and long term funding at reasonable rates.

One stated advantage is:

- Influence over governance of the Local Government Funding Agency,

As the LGFA will be an unelected appointed CCTO, Kapiti Grey Power has some reservations on the correctness of this statement. As yet the 'company' that will be lending to Local Authorities has not been established, how much this will cost, will there be a borrowing fee as well as interest payments?

This information is not included in the document.

Section b) deals with participating as a borrower only stating advantaging and disadvantages.

- The current borrowings of \$62 million and the projected growth to \$184 million by 2015/16 are given.
- Council believes that being a participating shareholder the benefit in savings will outweigh the costs.

Consequently KCDC is proposing that Option (a) be adopted.

Because of this, parts of Council's Treasury Management Policy needs to be amended:

- An outline of these amendments is set out as New Zealand LGFA Ltd Investment, and Borrowing from LGFA Ltd.

- The amendments will make clear that Council's investment activity includes participating as an Establishment Shareholder in LGFA.
- There are inter related transactions that may be entered into featured in the Borrowing section which contain:
 - (b) Provide guarantees of the indebtedness of other local authorities to the LGFA and secures this on the Council's rates without a cap.
- Borrowings will be on the international market but the risk of currency fluctuations seems to have been overlooked.

Conclusion:

At this stage, whilst being presented with potential loan savings benefits that may be made increasing to over \$300,000pa by 2014/15; there is little information given on the estimated annual costs to a Local Authority belonging to the LGFA.

There isn't any information on how the new Standards and Poor's' Credit Rating of AA- that, we are told, will have a beneficial affect on the interest rates Council will pay on current and future borrowing. This, according to the Corporate Business Committee Chairperson, has the potential savings in interest costs of up to \$400,000 per year.

Questions are raised regarding the guarantee commitment and what will be the cost to Kapiti ratepayers.

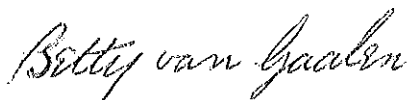
There isn't any information on who will be the company provider of the loans money. Will foreign currency be in the mix, what happens if there are fluctuations in exchange rates?

Kapiti Coast Grey Power Association does not believe that Council has given enough information for us to support KCDC signing up as a founding member.

We believe to do so would be to expose ratepayers to what we see as unexplored risks.

Thank you for the opportunity to make a presentation on this submission at the Hearing to be held on September 27th 2011.

Kia Ora Tatou,



Betty van Gaalen.
Spokesperson
For Local Body Affairs.



Helene Donaldson,
Secretary, Kapiti
Coast Grey Power
Association Inc.