



**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE  
COMMITTEE TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE,  
LINCOLN, WAITAKERE CITY, ON MONDAY, 13 FEBRUARY 2006,  
COMMENCING AT 9.30 AM.**

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**PART A - OPENING OF MEETING**

**1 APOLOGIES**



**2 URGENT BUSINESS**

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the Committee by resolution so decides; and
- (ii) the Chairperson has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion and decision, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting.

The Committee may make a decision on a matter determined to be urgent.

**NOTE:** Urgent Business need not be dealt with now and may be delayed until later in the meeting.



**3 CONFIRMATION OF MINUTES**

Meeting Minutes - Monday, 12 December 2005

**RECOMMENDATION**

That the minutes of the Meeting of the Finance and Operational Performance Committee held on Monday, 12 December 2005, as circulated, be taken as read and now be confirmed.

The public excluded minutes are included in the confidential supplement.



**PART B - LEGAL AND CONSTITUTIONAL**

**4 AFFIXATION OF COMMON SEAL**

**EXECUTION OF DOCUMENTS: 5 December 2005 - 3 February 2006**

N <sup>o</sup>	NAME	PARTICULARS
3533	WCC - EG & DE Hunt	Deed of Waiver - Section 40 Public Works Act - 24 Lucinda Place - Resolution 1348/2005
3534	WCC - Te Akoranga Playcentre Association Inc	Lease of part of Glen Norman Reserve - Resolution 1268/2005
3535	WCC - Ministry for the Environment	Deed Sustainable Cities Programme - Payment to Council for Services
3536	WCC - PL & CJ Jones	Memorandum of Encumbrance - road encroachment - 27 Opou Road, Titirangi
3537	WCC - VM Cook & AL Jones	Deed of Waiver under s.40 Public Works Act for 1/61 Savoy Road, Glen Eden - Resolution 1348/2005
3538	WCC	Notification of Condition under s.73 Building Act 2004 - CT NA106C/843 - 1/92 Kaurilands Road re ABA20052239
3539	WCC - TFRF Limited	Drainage easement in gross - CTs.254743 & 744 - 27 Essex Street - SPW 21962
3540	WCC - Waitakere City Wardens Inc	Lease of 3090 Great North Road - Approved by Ross McLeod
3541	WCC - NZ Guardian Trust Co Ltd	Transfer of 1 Rangiwai Road - CT.NA121A/948 - s.40 Public Works Act 1981 - Resolution 1841/2004
3542	WCC - Compass Group New Zealand Ltd	Deed of Lease - Aquatic Centre Cafeteria - from 27 June 2005
3543	WCC - Satire Holdings Ltd	Deed of Waiver - s.40 Public Works Act - 89 Smythe Road - Resolution 2480/2005
3544	WCC - JC & SF Bates	Deed of Waiver - s.40 Public Works Act - 12 John F Kennedy Place - Resolution 2480/2005
3545	WCC - F Cummings & JM Brown	Deed of Waiver - s.40 Public Works Act - 8B Woodglen Road - Resolution 1348/2005
3546	WCC - Teriaki Tiraha	Warrant of Appointment & Evidence of Identity - No.WCC211
3547	WCC - Mosaia Lavemaau	Warrant of Appointment & Evidence of Identity - No.WCC208
3548	WCC - Lee Mair	Warrant of Appointment & Evidence of Identity - No.WCC209
3549	WCC - Tauati Siolo	Warrant of Appointment & Evidence of Identity - No.WCC210
3550	WCC - Sacred Lodge Investments Ltd	Drainage Easement in gross - CTs.232656-658 - 49 Rua Road - SPW 21385
3551	WCC - I Bridges, BJ England & RG & K Large	Memorandum of Encumbrance - CT.NA76B/408 - 1069 Huia Road
3552	WCC - KH Song & SW Kim	Memorandum of Encumbrance - CT.NA106D/480 - 32 Mansion Court
3553	WCC - Telecom NZ Ltd	Lease of Telecom land at Ratanui Street - Resolution 2451/2005
3554	WCC - JM Ross	Deed of Waiver under s.40 Public Works Act - 72 Savoy Road - Resolution 1348/2005
3555	WCC - Anderson Building Consultants Ltd	Drainage Easement in gross - CTs.242095 & 96 - 279 Henderson Valley Road - SPW 22253
3556	WCC - Andreas Lilley	Warrant of Appointment & Evidence of Identity - No.WCC212
3557	WCC - Robert John McDougall	Warrant of Appointment & Evidence of Identity - No.WCC213
3558	WCC - Dean Robert Allen	Warrant of Appointment & Evidence of Identity - No.WCC214

3559	WCC - Sunil Gulati	Warrant of Appointment & Evidence of Identity - No.WCC215
3560	WCC - Hubertus Petrus Maria Verstegen	Warrant of Appointment & Evidence of Identity - No.WCC216
3561	WCC - Brandon Guttery	Warrant of Appointment & Evidence of Identity - No.WCC218
3562	WCC - Malcolm Bruce York	Warrant of Appointment & Evidence of Identity - No.WCC219
3563	WCC - Sarah Anne Nicolls	Warrant of Appointment & Evidence of Identity - No.WCC220
3564	WCC - Cassel Holdings Ltd & Auckland Regional Council	Deed of Agreement - CT.NA139D/829 vested as reserve in the ARC to form part of Waitakere Ranges Regional Park
3565	WCC - Kiwi Property Rentals Ltd	Drainage Easement in gross - CTs.228165 & 166 - 10 Karepo Street - SPW 22182
3566	WCC - WM Robertson & AH Waru	Deed of Waiver - s.40 Public Works Act - 331 Henderson Valley Road - Resolution 770/2004
3567	WCC - PL Mitchell	Deed of Waiver - s.40 Public Works Act - 2A Woodglen Road - Resolution 1348/2005
3568	WCC - NZ Motor Caravan Assn Inc	Lease of part of Tui Glen - Resolution 1703/2005
3569	WCC - A, A & N Kumar and SDM Trustee Co (2005) Ltd	Drainage Easement in gross - CT.239734 - 10 Kaponga Street - SPW 22136
3570	WCC - Camalot Projects Ltd	Drainage Easement in gross - CTs.151883 & 884 - 47A Stottholm Road - SPW 21562
3571	WCC - CF Tate & JD Svrcek	Memorandum of Encumbrance - CT.NA1346/84 - 12 Tinopai Road
3572	WCC - GS Wolfe	Drainage Easement in gross - CTs.257631 & 632 - 47 Mildmay Road - SPW 22445
3573	WCC - Home Investments Ltd	Surrender of Consent Notice under s.221 RMA - CTs.212412 & 413 - 431 West Coast Road - SPW 22233
3574	WCC - DH & LE Mete	Drainage Easement in gross - CTs.250722 & 723 - 11 Lydford Place - SPW 22054
3575	WCC - DH & LE Mete	Fencing Agreement - CTs.250722 & 723 - 11 Lydford Place - SPW 22054

### **RECOMMENDATIONS**

1. That the Affixation of Common Seal report be received.
2. That the action taken in affixing the Common Seal on the documents as set out in the agenda report be adopted.

Report prepared by: Magdalene Conceicao, Executive Officer (Legal).



## **PART C - FINANCE**

### **5 OPERATING AND CAPITAL EXPENDITURE SUMMARIES**

#### **PURPOSE OF THE REPORT**

The purpose of this report is to inform the Finance and Operational Performance Committee as to the level of the year to date operating and capital expenditure by unit compared to budget.

#### **BACKGROUND**

Through the Long Term Council Community Plan processes, the Council approves operating and capital expenditure. The Council follows good practice for procurement of goods and services and ensures that funding has been provided from appropriate sources.

#### **ISSUES**

A1 This report covers expenditure for the six months to 31 December 2005. The financial summaries are attached at page A1.

If any further information is required in respect of this report, other than of a general nature, please contact either the writer or the Director: Finance prior to the meeting to enable the query to be researched.

#### **CONCLUSION**

Expenditure for the 6 months to 31 December 2006 is on track as per the operational budget.

#### **RECOMMENDATION**

That the Operating and Capital Expenditure Summaries report be received.

Report prepared by: Bob Preston, Group Manager: Financial Management.



### **6 STATUS OF SPECIAL FUNDS**

#### **PURPOSE OF THE REPORT**

The purpose of this report is to inform the Finance and Operational Performance Committee on the status of Council's Special Funds.

#### **BACKGROUND**

Special funds are those funds held or designated by Council for a specific purpose or purposes. With the exception of the Auckland Regional Services Trust funds which are held in a separate bank account, the balances of these funds are used to offset Council's borrowing requirements. Interest is allocated to funds where applicable.

Special fund movements are recommended through the Long Term Council Community Plan and Annual Plan adoption process. Special funds are classified as either "Restricted Funds" or "Non-Restricted Funds". Restricted funds are those funds that have been received by Council from a third party or parties and are to be used for a specific purpose or purposes. Non-restricted funds are funds established by a Council resolution to use and set aside its own funds and also to meet a specific purpose or purposes.

## ISSUES

A2 The Special Fund report is separated into restricted and non-restricted funds. The balances and summary transactions for the six months ended 31 December 2005 are attached at page A2.

If any further information is required in respect of this report, other than of a general nature, please contact either the writer or the Director: Finance prior to the meeting to enable the query to be researched.

## CONCLUSION

Special Funds are being held or designated for a specific purpose or purposes. The fund balances have been reported as required.

## RECOMMENDATION

That the Status of Special Funds report be received.

Report prepared by: Bob Preston, Group Manager: Financial Management.



## 7 BORROWING AND INVESTMENT REPORT

### PURPOSE OF THE REPORT

The purpose of this report is to provide the Finance and Operational Performance Committee with an update on the estimated borrowing and investment activity for December 2005.

### BACKGROUND

Waitakere City Council enters into treasury related financial contracts in the ordinary course of its business. It is the role of Council's Funds Management section to manage such contracts and the impact that they have on the organisation. All funds management transactions are governed by the Liability Management and Investment Policy, prepared in compliance with the Local Government Act 2002. As a requirement of that Policy this report informs the Committee on the current and future movements of Council's debt and cash investments and provides a general commentary of financial market conditions.

A3-A8 The relevant portfolio and graphs reflect the estimated position as at 31 December 2005 and are attached at pages A3 to A8.

### ISSUES

Council's Funds Management function actively manages a large portfolio of various debt and investment instruments. The benefit of borrowing is that it enables Council to carry out the projects identified in the Annual Plan and Long Term Council Community Plan, while spreading the costs for those projects over time to recognise the future benefits.

Borrowing funds therefore assist Council with its entire loans funded strategic initiatives. The Liability Management and Investment Policy requires that a report detailing the management of the portfolio be presented to the Finance and Operational Performance Committee on a regular basis. The report must include information on the following subjects:

- Cash/Debt position;
- Forecasted borrowing profile;
- Interest rate profile;
- Risk management;
- Material transactions;
- Market commentary.

This report addresses the requirement of the Policy and may include other information that is relevant to the Funds Management function.

### **FINANCIAL IMPLICATIONS**

The active management of the treasury portfolio seeks to minimise Council's borrowing costs and maximise investment returns of liquid assets. The Funds Management function is also charged with seeking investors, thus ensuring that there is sufficient liquidity available for the organisation to continue its work programme. New Zealand financial markets are significantly volatile and therefore interest rate risk management is a key responsibility of the Funds Management function. Detailed financial information included within this report is intended to give assurance of the prudent management of Council's portfolio.

Council approved a new loans funded capital works programme for the 2005/2006 year, including carry forward projects from the 2004/2005 year, through the 2005/2006 Annual Plan to a maximum gross debt of \$296.681 million. Interest expense for the 2005/2006 year is budgeted to be \$10.166 million.

Council maintains Standard and Poor's Credit Ratings of A-1 short term, and A+ long term (stable).

### **ESTIMATED SUMMARY OF BORROWING AND INVESTMENT MOVEMENTS TO DECEMBER 2005**

Council's estimated gross term debt position has increased by \$8.342 million since November 2005, with an estimated closing balance at December month end of \$197.604 million. Estimated working capital borrowings of \$14.844 million as at 31 December 2005 have been funded using unsecured bank facilities and internal borrowing.

### **SIGNIFICANT FUNDING TRANSACTIONS ENTERED INTO DURING NOVEMBER AND DECEMBER 2005**

- Amend Swap 01, extend termination date from 17 March 2014 to 3 December 2015 decreasing the fixed interest payable from 6.955% to 6.90%.
- Amend Swap 05, extend termination date from 3 March 2014 to 3 December 2015 decreasing fixed interest payable from 6.9575% to 6.895%.

## AMENDMENTS TO THE LIABILITY MANAGEMENT AND INVESTMENT POLICY

Council has been approached by Kiwibank Limited on a basis that they would like to provide competitive investment rates for any investment funds the Council has. The Liability Management and Investment Policy lists approved counterparties for credit risk purposes. Kiwibank Limited is a registered New Zealand bank and has a AA- Standard and Poor's credit rating. The addition of Kiwibank Limited to the Liability Management and Investment Policy would comply with the policy requirements while adding additional competitiveness when Council invests funds.

## FINANCIAL MARKET COMMENTARY

### Market Overview

Interest Rates over the past month have been relatively stable, though 90 day bank bills have trended downward from highs of 7.70% to a current 7.55%. This trend began soon after Governor Bollard of Reserve Bank of New Zealand issued his 26 January 2006 Official Cash Rate announcement which read:

*"The Official Cash Rate will remain unchanged at 7.25 per cent.*

*Reserve Bank Governor Alan Bollard said: "The economy has continued to slow in recent months, broadly in line with the outlook contained in our December Monetary Policy Statement. GDP growth slowed in the third quarter of 2005, due to the impact of the high exchange rate on the export and import-competing sectors, and a fall in construction. Looking to 2006, while there are some early indications, we are yet to see hard evidence of a sustained slowdown in domestic demand. To date, strong domestic demand has been fuelled by strong employment, wage growth, rising house prices, and growth in Government spending. Overall, total spending continues to outstrip growth in production, contributing to an unsustainably large current account deficit.*

*Over recent years, considerable pressures have built up on resources, leading to the current high level of inflation. While capacity and resource constraints appear now to be easing, inflation pressures remain of concern. Annual CPI inflation stands at 3.2 per cent, and our forecasts point to inflation remaining toward the upper end of the target band over the next couple of years. Continuing increases in wages, energy prices and other business costs suggest that inflation pressures will not subside quickly. Of particular concern, inflation expectations remain uncomfortably high.*

*Given this situation, we do not expect to raise the Official Cash Rate further in this cycle; however, this possibility cannot be ruled out until we see clear evidence of a sustained weakening in domestic demand. Certainly we see no prospect of an Official Cash Rate easing, given the relatively high medium-term inflation outlook. An early decline in interest rates, as expected by some in the financial markets, would risk reigniting spending and hence inflation pressures."*

### Up Coming Dates

Monetary Policy Statement                      9 March 2006

## CONCLUSION

All transactions covered by this report have complied with the requirements of Council's Liability Management and Investment Policy.

## **RECOMMENDATIONS**

1. That the Borrowing and Investment report be received.
2. That Kiwibank Limited be added as an approved counterparty for credit risk purposes contained in section 5.3 of the Liability Management and Investment Policy.

Report prepared by: Bruce Wilkin, Treasury Manager.



## **PART D - GENERAL**

### **8 WATERCARE SERVICES LIMITED STATEMENT OF CORPORATE INTENT 2005**

#### **PURPOSE OF THE REPORT**

A9-A25

The purpose of this report is to present the Watercare Services Limited Statement of Corporate Intent for the three-year period commencing 1 July 2005 for the Finance and Operational Performance Committee's approval. The Statement of Corporate Intent is attached at pages A9 to A25.

#### **BACKGROUND**

Watercare Services Limited (Watercare) is the bulk water and wastewater service provider for much of the Auckland Region. Its main responsibilities are the collection, treatment and supply of drinking water, and the collection, treatment and disposal of bulk wastewater. Watercare is classified as a "council organisation" and is governed by specific legislative provisions set out in the Local Government Acts 1974 and 2002.

Watercare's primary customers are six water and wastewater retailers, five of which (including EcoWater) are owned by, or are part of, the local councils. United Water, which services the Papakura District, is a franchised operation.

The six local councils are Watercare's shareholders. The councils have appointed a Shareholders Representative Group which appoints the Board of Watercare, provides input to Watercare's Statement of Corporate Intent and monitors the performance of the Board against the Statement of Corporate Intent. Watercare negotiates the Statement of Corporate Intent with the Shareholders Representative Group each year. The statement is effectively the Board's charter for running the company on the shareholders' behalf. It lays out the activities to be undertaken by Watercare and sets specific environmental, social and economic objectives for the company for a three-year period. It also sets performance targets that will be used to measure the company's performance.

Waitakere City Council has two representatives on the Watercare Shareholders Representative Group, Councillors Clews and Lawley. An Officers Working Group with representatives from the shareholder Territorial Authorities supports the Shareholders Representative Group. The Local Network Operators Group, comprising the six retailers, often provides advice to the Officers Working Group on matters of common interest.

In September 2004, the shareholding councils suggested priorities for Watercare for 2005. All of the proposed priorities were taken up by the Shareholders Representative Group and conveyed to Watercare. The Shareholders Representative Group then requested that Watercare address these priorities during its preparation of the Draft Statement of Corporate Intent.

## STRATEGIC CONTEXT

The Council's strategic goal of sustainable management of the three waters, water supply, wastewater and stormwater is integral to its relationship with Watercare and to its role on the Shareholders Representative Group.

The Council has two major roles in connection with Watercare - one as shareholder/owner, the other as customer. The extent to which this Council can add strategic input to the governance of Watercare, through its ownership and governance role, heavily influences the extent to which it can supply retail services to the City's ratepayers that meet the Council's own strategic goals, and at the most efficient price possible.

## ISSUES

Comments from the Local Network Operators, Watercare and shareholding councils were presented to the Shareholders Representative Group at its 27 April 2005 meeting.

At the 27 April 2005 meeting, the Shareholders Representative Group resolved that the Financial Performance targets in the Statement of Corporate Intent should be retained in the current form until the 2006 Statement of Corporate Intent, by which time a substantial funding plan review would have taken place. The Shareholders Representative Group also resolved that suggestions by the Local Network Operators, Waitakere and North Shore City Councils for the targets to be amended using "SMART" objectives would be conveyed to Watercare for the 2006 Statement of Corporate Intent.

SMART objectives are defined as:

- Specific:** what do you want to happen?
- Measurable:** will you know when you've achieved it?
- Achievable:** is it possible to achieve given your resources and time?
- Relevant:** is it relevant to all stakeholders and the real problem?
- Time-bound:** when do you want it to happen.

The Shareholders Representative Group also asked Watercare to modify the Economic Performance target relating to the commissioning of targeted/focused cost efficiency reviews every three to five years. This was accepted and is the only amendment incorporated into the final Statement of Corporate Intent.

Watercare has now distributed its final Statement of Corporate Intent for the three-year period commencing 1 July 2005. The Shareholders Representative Group approved the final Statement of Corporate Intent at its 16 November 2005 meeting and resolved to seek approval from the respective shareholding councils in accordance with Clause 23 of the Shareholders Agreement, which states:

*"23. If the decision of the shareholder representative group is that a matter is to be approved by the parties, the parties will then pass or sign a resolution approving it as required by the Act or the Constitution."*

In addition to Clause 23 of the Shareholders' Agreement, Clause 11 states that the parties are bound to implement the Shareholders Representative Group's resolution as the resolution to approve the Statement of Corporate Intent was passed unanimously by the Shareholders Representative Group. Once approval has been received from the shareholding councils, Watercare will be advised that the Shareholders Representative Group has approved the Statement of Corporate Intent for the three-year period commencing 1 July 2005.

## RESOURCES

Technical support provided by Council officers for the Watercare Shareholders Group is included in 2005/2006 Annual Plan.

## CONCLUSION

In accordance with the Shareholders' Agreement the Shareholders Representative Group is now seeking the approval of the final Statement of Corporate Intent from the shareholding councils. As the resolution to approve the Statement of Corporate Intent was passed unanimously by the Shareholders Representative Group, the parties are bound to implement the Shareholders Representative Group's resolution under clause 11 of the Shareholders' Agreement.

## RECOMMENDATIONS

1. That the Watercare Services Limited Statement of Corporate Intent 2005 report be received.
2. That the Finance and Operational Performance Committee receives and approves the Watercare Services Limited Statement of Corporate Intent for the three-year period commencing 1 July 2005.

Report prepared by: Annika Lane, Senior Analyst: Governance and Infrastructure.



## 9 REVIEW OF RATING SYSTEM

### PURPOSE OF THE REPORT

The purpose of this report is to identify the decisions that the Finance and Operational Performance Committee should consider and recommend to the Long Term Council Community Plan and Annual Plan Special Committee for inclusion in the consultation on the Plan for the 2006/2007 year.

### BACKGROUND

At its meeting held on 12 December 2005, the Finance and Operational Performance Committee resolved:

- "1. That the Review of Rating System report be received.*
- 2. That the Uniform Annual Charge (UAC) for wastewater be set at the maximum level for 2006/2007 for inclusion in the Long Term Council Community Plan for consultation.*
- 3. That a change to Capital Value Rating also be consulted upon in the Long Term Council Community Plan."*

2472/2005

This report addresses a number of issues consequential to these resolutions on which the Committee should make recommendations to the Long Term Council Community Plan and Annual Plan Special Committee for inclusion in the Long Term Council Community Plan and 2006/2007 draft Annual Plan.

## STRATEGIC CONTEXT

Rates being a form of property tax need to be fair, equitable, efficient and consistent with the Council's strategic goals. There are circumstances under which changes to rates on properties may cause some negative effects on groups of rate payers or the community. However the Council has a rates postponement policy to mitigate some increases in rates where hardship exists.

Changes to the rating system, such as a change from rating on land value to rating on capital value, and/or a change from the current system for levying rates for wastewater calculated on land value would require consultation and must be included in draft Long Term Council Community Plan.

## ISSUES

### **Charges for Wastewater - Business Sector, Educational Establishments, and Other Non-Rateable Properties**

At the meeting held on 12 December 2005 the Committee resolved that a Uniform Annual Charge for wastewater be set at the maximum level for 2006/2007 for inclusion in the Long Term Council Community Plan for consultation.

As a result of this resolution, the Committee needs to determine what changes will be included in the draft Long Term Council Community Plan for consultation in relation to the charging for wastewater on business sector properties, educational establishments, other non-rateable properties, and consequential effects on the stepped differential applying to residential properties.

### **Business Sector**

The report to the meeting of the Committee on 12 December 2005 addressed methods of charging business sector properties and non-rateable properties for wastewater, and suggested that the most equitable method of charging most properties in these categories was by a "pan" charge supplemented by a volumetric charge for major generators of wastewater, but that such charges could not be introduced before 1 July 2007. As advised to the Committee, this is due to the data on the number of chargeable connections to the wastewater system being not currently available, and work is required to gather this data.

There are also a small number of generators of wastewater outside of the business sector, who are liable to trade waste charges, which it may be appropriate to also charge for wastewater on a volumetric basis.

A volumetric charge is not currently an option that can be applied under the Local Government (Rating) Act 2002 without a change to the legislation. However such charging may be possible outside of the rating system, but would require the negotiation of agreements with major generators of wastewater.

Based on the business sector's share of water usage, the Uniform Annual Charge method of rating for wastewater would require a much higher level of charge than would be appropriate for the residential sector. Using the 2005/2006 rate requirement it is estimated that to recover the sector's share of wastewater costs calculated on total water usage a Uniform Annual Charge of \$624 would be required. The residential Uniform Annual Charge is estimated to be \$327.

Given the wide range of uses with varying levels of wastewater generation in the business sector, ranging from a small shop with one toilet and relatively minor use, through shopping malls and commercial buildings with a far greater use of toilets, restaurant and other food premises generating wastewater from kitchen waste and cleaning to significant users such as commercial laundries and other processing operations, a Uniform Annual Charge for wastewater would probably create more inequities than a property value based rating system, particularly for smaller generators of wastewater.

As a "pan" charge together with volumetric charging for major generators of wastewater cannot be introduced before 1 July 2007, consideration should be given to charging business sector properties for wastewater based on property value for a further year. Basing this charge on land value or capital value will still present some anomalies when related to volume of wastewater generated, and the most appropriate solution may be to charge business properties a targeted rate for wastewater calculated on the same basis as the general rate for the 2006/2007 year.

A decision is required on the basis of calculating wastewater rates on business sector properties for the 2006/2007 year and the basis of charging from 1 July 2007.

### **Non-Rateable Properties Including Educational Establishments**

Charging of non-rateable properties on a Uniform Annual Charge basis would in most cases result in significant reductions in wastewater rates payable, as only one charge may be made on each separately used or inhabited part of each property. Wastewater charges on these properties would almost certainly be less than the cost of providing wastewater services. The reduction in wastewater charges levied would have to be met from residential property rates. Therefore it is not appropriate to charge non-rateable properties on a Uniform Annual Charge basis.

With the exception of Educational Establishments, the number of connections to the sewerage system is not known, and cannot be ascertained in time to include proposals for charging on the basis of a "pan" charge to be included in the consultation on the 2006/2007 Annual Plan.

As reported to the 12 December 2005 meeting of the Committee, an analysis of wastewater charges on non-rateable properties for the 2005/2006 year showed that a total of \$198,280 excl GST was levied, calculated on their land values. If capital value had been used, the total wastewater rates levied would have amounted to \$657,005 excl GST.

	<b>Rates on Land Value</b>	<b>Rates on Capital Value</b>	<b>"Pan" Charges</b>
Schools and kindergartens	\$105,548	\$346,907	\$321,331
Places of Religious Worship	\$ 53,396	\$153,530	
Hospitals, and other non-rateable	\$ 39,336	\$156,568	
Total	\$198,280	\$657,005	

As shown, if "pan" charges had been applied to educational establishments, wastewater rates totalling \$321,331 would have been levied.

### **Educational Establishments**

An established formula is available for charging wastewater rates to educational establishments as defined under the Local Government (Rating) Act 2002. The formula was included in legislation applying for the 2002/2003 year, and has continued to be applied since then by many local authorities charging for wastewater on a “pan” charge basis. It is based on a ratio of toilet connections to the number of students and staff using data provided annually by the Ministry of Education.

The formula was established to cope with the situation existing in some schools where a larger number of toilet connections existed than was reasonably required for the number of students, resulting in what was perceived to be excessive charging of some schools for wastewater where “pan” charges were levied.

Information on the comparative level of charges for each school affected, based on what the charges would have been for the 2005/2006 year can be provided.

The level of Uniform Annual Charge that would apply to residential properties is equivalent to the level of a “pan” charge and could be applied to educational establishments, but applied on a “pan” charge basis.

It is proposed that a “pan” charge be levied on educational establishments using the established formula for the number of toilet connections to apply from 1 July 2006.

### **Other Non-rateable Properties**

Currently non-rateable properties are charged wastewater rates calculated on their land value. It is probable that in many cases these rates are less than could be justified when related to wastewater generated. A wastewater rate charged on capital value may be more appropriate for the 2006/2007 year with a “pan” charge to be applied from 1 July 2007.

Decisions are required on the basis or bases to be used for calculating wastewater rates on educational establishments and other non-rateable properties both for the 2006/2007 year and from 1 July 2007.

### **Residential Properties**

The resolution passed by the Committee at its meeting held on 12 December 2005, that a Uniform Annual Charge for wastewater at the maximum level for 2006/2007 will apply to residential properties. This charge should be levied on each separately used or inhabited part of a property.

The report to the 12 December 2005 meeting of the Committee stated that the impacts of the introduction of a Uniform Annual Charge for wastewater on the relativity of rates between low value and high value properties are such that the current stepped differential rating system should be re-examined.

Under a land value based rating system, it would be appropriate to consider the justification for continuing the stepped differential rating system, either at its current or in an amended form as well as whether it should be abolished totally.

Under a capital value based rating system, the redistribution of the rate requirement is such that there may be no case for a stepped differential. The current steps and differential factors will certainly not be appropriate, as the steps are based on land values, and the differential factors reflect the desired impact on rates arising from the overall mix of property land values.

However, the introduction of the Uniform Annual Charge for wastewater does not affect Outer Area properties where sewer reticulation is not available. Properties in the Outer Area with a land value greater than the average would not benefit from the reduction in rates that would occur in the Inner Area. If a change to capital value rating did not proceed in the 2006/2007 year, the impact of the abolition of the stepped differential rating system on Outer Area properties should be noted.

The Council abolished a separate Outer Area rating differential some years ago following a review of the costs of services provided, which indicated that the difference in available levels of services between Inner Area and Outer Area properties was not significant enough to justify the continuation of the separate rating differential.

Properties in both the Inner Area and the Outer pay the same General Rates for any given land value. The Uniform Annual General Charge is and must be the same in both the Inner Area and the Outer Area. This charge is part of the General Rate and no part of it is for wastewater.

Therefore any change to the overall rating system should retain that same parity between General Rates payable on properties of the same value in the Inner Area and the Outer Area.

If the decision to consult on a change to capital value rating does not result in such a change, a decision will be required at that time on what changes should be made to the current stepped differential rating system.

#### **RATING ON CAPITAL VALUE**

The Committee resolved at its meeting held on 12 December 2005 to consult upon a change to capital value rating in the Long Term Council Community Plan.

The impact on rates payable on properties with a range of capital values following a change to capital value rating is dependent on the level of the Uniform Annual General Charge as well as the relativity of each property's land and capital value.

As the Committee may not yet be in a position to make a decision on the level of the Uniform Annual General Charge, it is suggested that this decision should be made by the Long Term Council Community Plan and Annual Plan Special Committee based on the impact of the draft Annual Plan rate requirement for the 2006/2007 year when this has been determined.

#### **Rating of Utilities**

The level of rating of utilities under, on and over roads is only an issue to be considered in the event of a change to rating on capital value. With very limited exceptions, utilities appearing on the valuation roll have a capital value, but no land value.

The liability of utility owners for rates on utilities arises from the levying of rates as a property tax on property values in the Valuation Roll.

Rates are considered to be a form of property tax levied on properties to contribute to the costs of providing infrastructure and services to the community in general by a local authority. All properties, including utilities, benefit either directly or indirectly from that infrastructure and those services.

The minimum level of rates on utilities would be calculated from their property's proportion of the total rateable capital value of the City, i.e. the amount that would be payable if rated on undifferentiated capital value. For the 2005/2006 year this is calculated to be \$272,000 including GST.

However in making a decision on the level of rating of Utilities, the Council should not be unduly swayed by the amount to be levied. Rather the decision should be based on principles.

Currently the Council rates the Business Sector as a whole using an assessment of the costs of providing specific infrastructure and services to the Sector as a whole as a guide to the appropriate level of rating. These costs generally fall into two categories:

1. Costs can be reasonably identified and the Sector's use can be reasonably quantified.
2. For other costs incurred by the Council where there is no basis for calculating the Sector's share, on the basis of the Sector's share of undifferentiated property value.

The principal costs identified in Number 1. are those relating to roading, stormwater and wastewater.

Costs for the Sector's use of specific services such as Wastewater and Solid Waste Disposal are separated out and are charged separately within the rating system as targeted rates.

It is implicit that properties in all differential rating categories use services, or have access to services provided by the Council to the community to varying extents. As rates are property taxes each property bears its share of the costs based on its property value. If access to a specific service is not available to some groups of properties, e.g. the wastewater service is not available to properties in the "Outer" Area of the City, then those property groups do not bear a share of the costs.

Utilities have access to and use the roading network to varying degrees for maintenance of their assets, and therefore a case can be made for them to share the costs of the roading network and associated stormwater costs. The costs of the roading network in this context do not relate to restoration work on roads following maintenance to the utility assets, but the costs of damage to roads by heavy motor vehicles.

As Utilities are clearly operated as business enterprises, it is logical for them to be included in the Business Sector differential category. With the exception of targeted rates for Wastewater and Solid Waste, and taking into account their overall share of the capital value of the Business Sector, there does not appear to be any strong reason to treat them as a special case any more than small businesses that make a relatively small use of services.

Where Utilities occupy land with a certificate of title, e.g. depots and telephone exchanges, services such as wastewater are available and may be used and such properties are currently charged targeted rates together with other rates as for any other business sector property. However with these exceptions it would seem reasonable to not charge the Utility infrastructure any targeted rates for Wastewater and Solid Waste services unless in the perhaps unlikely event that those services are specifically provided.

If Utilities are included in the Business Sector differential category, the benefit accruing from additional rates being levied on these properties under a capital value rating system should remain within that differential category. Given the basis of determining the amount of rates to be levied on Business Sector properties, there can be no argument for any benefit accruing to residential properties from income gained from rating of Utilities. However the inclusion of infrastructure capital values in the calculation of the Business Sector's share of rates will increase the Sector's share of rates, and therefore reduce the rates collected from other Sectors, predominantly the Residential Sector.

Rates levied on the Council's own Utilities, i.e. the Three Waters, Wastewater, Stormwater and Water, could be remitted under the Rates Remission Policy for rates on Council owned non-revenue producing properties. The rates attributable to these utilities have been excluded from the rates calculations in this report.

If Utilities (excluding the Council's own Utilities) were rated at the Business Sector rate on capital value for the 2005/2006 year, the rates levied would have amounted to approximately \$987,000 including GST.

A decision is required on whether to recommend that Utilities be rated at the business sector rate, but excluding any targeted rates for wastewater if there is no connection to that service.

### **Business Sector Differential**

Currently the business sector's share of the total rate requirement is 20% based on an assessment of the cost of providing services to the sector. Some of the cost factors are calculated on the sector's share of the total rateable land value of the City.

The recalculation of those costs using capital values rather than land values, and including capital values of utilities, shows that the sector's share of costs would increase by approximately 2%.

On the basis of this calculation under a capital value rating system the business sector's share of rates could increase to 22%.

Each year the sector's share of costs is recalculated based on the draft Annual Plan rate requirement. It is proposed that a report be submitted to the Long Term Council Community Plan and Annual Plan Special Committee when the draft 2006/2007 total rate requirement has been determined, and that Committee sets the level of the business sector differential.

### **DEFENCE DEPARTMENT PROPERTIES**

An associated issue to the change in the basis of charging for wastewater is the basis of rating of Defence Department properties (and some former Defence Department properties) at Whenuapai and Hobsonville. These properties are connected to the sewerage system, but are charged for wastewater under a separate contract outside of the rating system.

It may be appropriate to review the basis of charging for wastewater under the current contract by 1 July 2006.

If a Uniform Annual Charge method of rating for wastewater on Inner Area properties is adopted, and the stepped differential rating system on Inner Area properties is abolished, then these Defence Department and former Defence Department properties should be rated on the same basis as Inner Area properties, excluding wastewater charges.

Under a change to capital value rating, Defence Bases are still required by the Local Government (Rating) Act 2002 to be rated on land value. In the event of a change to capital value rating, the basis of calculating their rates should be specified. Rates should be calculated on the land value at a rate in the dollar that would equate with the rate that would be charged to properties other than business sector properties under an undifferentiated land value based system for the whole Inner Area.

A decision is required on the basis of charging rates on Defence Department properties following the adoption of a Uniform Annual Charge for wastewater, any abolition of the Inner Area stepped differential, a change to rating on capital value, and whether to review the current wastewater contract with the Defence Department.

## RATING MODELS

### Land Value Models

A26-A29

Attached at pages A26 to A29 are models showing the comparative impact on rates on residential properties assuming the introduction of a Uniform Annual Charge for wastewater, with alternatives of retaining or abolishing the current stepped differential. The impacts of charging a Uniform Annual Charge for wastewater at half the full charge with the remainder of wastewater costs continuing to be charged on land value have also been modelled. All models assume the Uniform Annual General Charge remains at its current level of \$540.

Column B shows the current 2005/2006 rates that were levied on properties with a land value in column A.

Columns C and D show the impact of alternative Uniform Annual Charges for wastewater of \$163 and \$327, but retaining the stepped differential.

Columns E and F show the impact of alternative Uniform Annual Charges for wastewater of \$163 and \$327, with no stepped differential.

A30

Attached at page A30 is a model showing the comparative impact on business sector properties of introducing a Uniform Annual Charge of alternatively \$312 or \$624 for wastewater, or continuing to charge on the basis of land value.

Column B shows the current 2005/2006 rates that were levied on properties with a land value in column A.

Columns C and D show the impact of alternative Uniform Annual Charges for wastewater of \$312 with remaining wastewater costs calculated on land value, and \$624.

If wastewater rates continued to be calculated totally on land value, the effect would be the same as current rates in Column B.

### Capital Value Rating Models

A31-A34

Attached at pages A31 to A34 are models showing the indicative levels of rates payable on residential properties at various levels of capital value, assuming an increase in the business sector contribution to 22%, and the introduction of a Uniform Annual Charge for wastewater. All models assume the Uniform Annual Charge remains at its current level of \$540.

#### Residential Properties

Column B shows the indicative rates payable on properties with a capital value in column A with a Uniform Annual Charge of \$327 for wastewater.

#### Business Sector Properties

A35-A36

Also attached at pages A35 to A36 is a model showing the indicative levels of rates payable on business sector properties at various levels of capital value, again assuming an increase in the business sector contribution to 22%, but also showing the impacts of alternatively levying a Uniform Annual Charge for wastewater of \$624, or calculating wastewater rates on capital value.

Column B shows the effect of rating for wastewater on the basis of capital value with a Uniform Annual Charge for wastewater of \$624.

Column C shows the effect of rating for wastewater on the basis of capital value.

### **Impact of Change to Capital Value Rating**

The impact of a change to capital value rating will vary from property to property, depending principally on the intensity of development as measured by the ratio of the land value to the capital value at all levels of property value.

A37-A42

The schedules attached at pages A37 to A42 indicate how many properties in bands of land value will have an increase or decrease in rates as a result of the change, with an indication of the magnitude of the increase.

### **RESOURCES**

If the Committee resolves to charge the Business Sector and non-rateable properties (other than schools and kindergartens) for wastewater based on pan charges and volumetric charges for larger users, it is estimated that funding of \$300,000 would need to be provided for in the Annual Plan for 2006/2007 year if the change is to come into effect on 1 July 2007.

There may be justification for this sum to be funded from the business sector contribution on whom the charges will predominantly be levied.

### **CONCLUSION**

Consequential to the resolution passed at the meeting of the Committee on 12 December 2005 that a Uniform Annual Charge for wastewater and a change to capital value rating be included in consultation on the Long Term Council Community Plan, decisions by the Committee and recommendations to the Long Term Council Community Plan and Annual Plan Special Committee will be required on:

- Charging for wastewater on educational establishments;
- The exploration of the adoption of a “pan” charge for business sector and non-rateable properties and a sundry debtor based volumetric charging system for major generators of wastewater in the business sector and non-rateable sector, to apply from 1 July 2007;
- Charging for wastewater on business sector properties for the 2006/2007 year;
- Charging for wastewater on other non-rateable properties for the 2006/2007 year;
- The basis of charging rates on Utility companies under a capital value rating system;
- Changes to the basis of differential rating of Defence Department and other former Defence Department properties at Whenuapai and Hobsonville consequential upon the introduction of a Uniform Annual Charge for wastewater and the change to capital value rating;
- Review of the wastewater contract for Defence Department properties and other former Defence Department properties at Whenuapai and Hobsonville before 1 July 2006.

### **RECOMMENDATIONS**

1. That Review of Rating System report be received.
2. That the Finance and Operational Performance Committee recommend to the Long Term Council Community Plan and Annual Plan Special Committee that:
  - Educational Establishments be charged for wastewater on the basis of a “pan” charge from 1 July 2006;
  - The option of charging business sector properties and non-rateable properties (other than Educational Establishments) on the basis of a “pan” charge for each connection to the wastewater system from 1 July 2007 be explored;

- The option of major generators of wastewater in the business sector and other properties subject to trade waste charges being charged for wastewater on a volumetric basis from 1 July 2007 be explored;
  - Business sector properties and non-rateable properties (other than Educational Establishments) be charged for wastewater in the 2006/2007 year on their property value using the same rating system as adopted for the General Rate;
  - Utility companies be charged at the business sector rate under a capital value rating system, but no charge be made for wastewater on rating units with no land value unless the property described on the rating unit is connected to the wastewater system;
  - Under a capital value rating system where rates on Defence Department properties at Whenuapai and Hobsonville are required to be calculated on land value, those rates be calculated at the equivalent rate for properties other than business sector properties based on an undifferentiated land value system;
  - Under a land value rating system, rates on Defence Department and former Defence Department land at Whenuapai and Hobsonville eligible to be rated as residential and other categories, be calculated on the same basis as Inner Area residential and other category properties, excluding wastewater charges;
  - The wastewater contract for Defence Department properties and other former Defence Department properties at Whenuapai and Hobsonville be reviewed before 1 July 2006.
3. That a report be prepared for the Long Term Council Community Plan and Annual Plan Special Committee on changes to the level of the business sector' share of the total rate requirement, and the level of the Uniform Annual General Charge when the overall level of the total rate requirement for the 2006/2007 year has been determined.

Report prepared by: Colin North, Financial Analyst, Rates.



## 10 REVIEW OF POLICIES ON REMISSION OF RATES AND POSTPONEMENT OF RATES

### PURPOSE OF THE REPORT

The purpose of this report is to present a review of the current rates remission policies and the rates postponement policies, and to make appropriate recommendations to the Finance and Operational Performance Committee for consideration for consultation as part of the Long Term Council Community Plan 2006/2016.

### BACKGROUND

The Local Government (Rating) Act 2002 and the Local Government Act 2002 provide that a local authority may adopt policies on the postponement of rates and the remission of rates.

At its meeting held on 8 March 2004, the Finance and Operational Performance Committee resolved that the following draft policies on remission of rates and postponement of rates be recommended to the Council for consultation as part of the draft Annual Plan 2004/2005.

### Rates Remission Policies:

- Policy 1: Remission of excess water charges caused by leaks within the property;
- Policy 2: Remission of penalties on rates under certain circumstances;
- Policy 3: Remission of Uniform Annual General Charges and Targeted Rates Levied as Uniform Annual Charges; and
- Policy 4: Remission of Rates on Council Owned Non-revenue Producing Properties.

### Rates Postponement Policies:

- Policy 1: Postponement of rates on farmland where rateable value is influenced by potential non-farm use;
- Policy 2: Postponement of rates on residential lands where rateable value is influenced by rezoning; and
- Policy 3: Postponement of rates on the grounds of severe financial hardship.

At the meeting of 29 June 2004, the Council resolved:

*“That the draft Policies on Remission and Postponement of Rates, as proposed in the Statement of Proposal to amend the Long Term Council Community Plan 2003 be adopted without amendment as the Waitakere City Council Policies on Remission and Postponement of Rates.”*

1139/2004

Some minor wording changes to the rates remission policy 3 and 4 were consulted alongside the 2005/2006 Annual Plan and adopted. These changes were to clarify the remission of uniform annual general charges and the remission of rates on Council owned non-revenue producing properties.

A43-A49

The details of the rates remission and postponement policies are attached at pages A43 to A49.

The Finance and Operational Performance Committee also resolved that, once adopted, the rates remission and rates postponement policies be reviewed as part of the Long Term Council Community Plan 2006/2016 (minute 398/2004). Accordingly, a review of the rates remission and rates postponement policies has been undertaken.

## STRATEGIC CONTEXT

Rates, being a form of property tax, need to be fair, equitable, efficient and consistent with the Council's strategic goals. There are circumstances under which rates on property may cause some negative effects on groups of rate payers or the community. The rates remission and rates postponement policies are intended to mitigate these adverse effects, without undermining the Council's strategic goals. The rates remission policies and rates postponement policies have linkages to and implications for the following strategic platforms:

- **Urban and Rural Villages**

This strategic platform seeks to deliver compact, vibrant town centres, where people can live, work, shop, relax and enjoy.

- **Strong and Innovative Economy**

This platform focuses on employment creation in town centres through more efficient use of land, greater local linkages and multiplier effects.

- **Strong Communities**

This platform seeks to promote a community that is active, healthy and content. They feel safe and connected to others.

- **Integrated Transport**

This strategic platform seeks to deliver sustainable urban form integrated with transport network that encourages the use of public transport.

- **Green Network**

This strategic platform seeks to retain and enhance the qualities of the natural environment and control urban sprawl.

## ISSUES

Property rates give cost signals to the land users. The structure of property rates (who is excluded and included, tax base, how different classes of property are taxed and what concessions are granted) can influence the land use pattern in the city. Therefore, the rates remission policies and rates postponement policies need to be consistent with the Council strategies related to land use and growth management.

The review concluded that the following policies on rates remission and rates postponement are fair, equitable and consistent with the Council's strategic direction:

### Rates Remission Policies:

- Policy 1: Remission of excess water charges caused by leaks within the property;
- Policy 2: Remission of penalties on rates under certain circumstances;
- Policy 3: Remission of Uniform Annual General Charges and Targeted Rates Levied as Uniform Annual Charges; and
- Policy 4: Remission of Rates on Council Owned Non-revenue Producing Properties.

### Rates Postponement Policies:

- Policy 3: Postponement of rates on the grounds of severe financial hardship.

There is no need to introduce any amendments to the policies stated above.

However, there are two rates postponement policies which could have implications for the Council's land use and growth management strategy and the economic development strategy in particular. They are:

- Policy 1: Postponement of rates on farmland where rateable value is influenced by potential non-farm use; and
- Policy 2: Postponement of rates on residential lands where rateable value is influenced by rezoning.

These are essentially a continuation of the past policies which were originally adopted as a mandatory requirement under the Rating Powers Act 1988. Under the Local Government (Rating) Act 2002 and the Local Government Act 2002, rates postponement is not mandatory, but there are provisions in the Local Government Act 2002 for local authorities to adopt a rates postponement policy and a remission policy. The Council decided to continue the past policies on rates postponement and rates remission under the provisions in the new legislation, subject to review.

A50

Over the years, the population of the Waitakere city has increased and the social, economic, environmental and cultural conditions have changed. The Council has adopted a growth management strategy that is intended to respond to these changes as well as to the expected changes in the future to progress towards a sustainable city (the key elements of the growth management strategy is attached at page A50). The rates postponement policies stated above also need to respond to these changes, and align with the strategic direction of the Council.

## **1. Rates Postponement on Farmland where Rateable Value is Influenced by Potential Non-Farm Use**

The Council's rating policy and the rates postponement policy favour the use of land for farming activities as against commercial, industrial or other non-farm activities in two different ways: (a) rate in the dollar on farmland is lower than that on non-farm businesses; and (b) farmland within urban limits is rated on the basis of a special land value which is below the rateable value of land. (Farming is defined as exclusive or principal use of land for agricultural, horticultural, or pastoral purposes, or for the keeping of bees or poultry or other livestock.)

### **(a) Rate in the dollar on farmland is lower than that on non-farm businesses**

Under the rating policy, the rate in the dollar on farmland in the city is the same as that applied to residential properties with identical land values. It is lower than the rate in the dollar on non-farm business activities, which are subjected to a higher rate based on the business sector differential.

The preferential treatment given to farmlands by applying the residential rates in the dollar is a separate issue concerning the rating policy, although it is related to the rates postponement policy. This issue needs to be considered as part of a review of the general rating policy in the city. The scope of the present review is confined to the rates postponement policy.

### **(b) Farmland within urban limits is rated on the basis of a special land value which is below the rateable value of land**

Under the Rating Powers Act 1988 and the Rating Valuations Act 1998, land used for farming purposes whose property value was influenced by other potential uses, was required to be levied rates on the rateable value of land, but was required to pay rates only on the "rates postponement value" estimated by Quotable Value New Zealand.

The provisions of the Rating Valuations Act 1998 relating to assessment and inclusion on the valuation roll of a rates postponement value were repealed in the Local Government (Rating) Act 2002, and as from 1 July 2004, rates postponement values do not appear in the Valuation Roll on which rates are levied. Therefore, the Council estimates a special value for the purpose of rates postponement, which is invariably below the rateable value based on the market trends.

The difference between the rates levied and the rates payable were postponed for a period of 5 years. Where the property was still being used for farming at the end of 5 years from any year in which rates were assessed, the rates for the earliest year were written off. This means that the farmlands in the urban areas were effectively paying rates based on land values below rateable value related to market conditions, except for the immediately preceding 5 years. If a property or a part of a property ceased to be used for farming, or where the property was sold during that 5-year period, any rates postponed were immediately payable.

The preferential treatment given to farmlands (as against non-farm economic activities) through rates postponement raises a number of important issues that need to be considered in the present review:

- Whether the rates postponement policy on farmland in urban areas contributes to the strategic goals of the Council;
- What are the possible effects of the withdrawal of rates postponement on the current and future social, economic, environmental and cultural wellbeing of the community;

- What are the risks involved in the continuation (or discontinuation) of the current policy; and
- Whether and when any rates postponed before 1 July 2006 should be written off.

### **Rates Postponement Policy on Farmland and the Strategic Goals of the Council**

Generally, farming is a more land intensive economic activity than most non-farm economic activities, and relatively large parcels of land are necessary for viable farming units. In contrast, manufacturing and service industries are more likely to be less land intensive and more labour intensive. At present, the Council does not have rates relief measures for non-farm economic activities. The cross subsidisation of farming through rates postponement by non-farm businesses and residential ratepayers raises a fundamental issue concerning the Council's economic development strategy and urban land use strategy.

Economic development is one of the key priorities of the Council. Over the last ten years, Waitakere City has lagged behind the Auckland region in terms of production and employment growth (BERL Regional database). Recent research commissioned by the Council has identified the shortage of quality land in suitable locations as one of the major factors inhibiting economic growth and employment expansion in the city. It seems that the cities with more vacant business land have surpassed Waitakere in terms of employment and local GDP growth over the last ten years (e.g. Manukau City, North Shore City and Rodney District).

Within the current urban area of the Waitakere City, there are only 98 hectares of vacant and potentially vacant land designated as Working Environment. In contrast, Manukau City has 875 hectares of vacant business land. From a regional perspective, the Northern and Western Sectors of the Auckland region have only 8 square metres of vacant industrial land per person, compared with 26 square metres per person in the Southern Sector (more than three times).

Almost one half (49 hectares) of the vacant and potentially vacant land available within the current Metropolitan Urban Limit of the Waitakere City is located in the Lincoln Road/Central Park Drive area. This also represents the best quality, highest valued industrial land in the City. It has been estimated that this vacant land could provide up to 2500 jobs, and the Council is striving to attract businesses to this working environment area under the "Henderson Vineyard Business Campus" project. At present much of this land is held in residual farming (horticulture) that does not use the full potential of that land for employment generation.

The growing demand for land against a limited supply may eventually tip the balance against farming, inducing landowners to convert to non-farm activities. Arguably, the rates postponement policy, in effect, has been providing a cross subsidy to support land speculation, at the expense of non-farm economic activities.

Currently there are 20 farmland properties within the urban limits that are allowed rates postponement under this policy. The total area of the properties which have been granted rates postponement is about 43 hectares. Among them, the individual parcel size ranges from 0.4 hectares to 7 hectares. Of the total area under farming, about 22 hectares (51%) are located in the Lincoln Road/Central Park Drive area. This is a significant area of land that has the potential to increase a wide range of employment opportunities and value added under the Council's economic development strategy.

The land shortage for economic development is the primary reason for the Council's proposed Metropolitan Urban Limit shift - first stage. Under this proposal, the Metropolitan Urban Limit in the Northern Strategic Growth Area will be shifted to make more land (approximately 160 hectares) available for generating employment opportunities for the growing local labour force. If the rates postponement policy continues, the properties under horticultural activities in this area will also become eligible for rates postponement. This will have implications for raising rates revenue as well as using land to create more employment.

In the long term, with the growth of population, the shortage of land available for economic activities will remain one of the major constraints to employment and economic growth, despite the proposed expansion of the Metropolitan Urban Limit. Therefore, intensive use of land in the existing urban areas as well as in the green field areas is critical for sustaining economic development, controlling urban sprawl and containing the number of workers commuting to other cities. The rates postponement policy needs to be consistent with the city growth management strategy and the economic development strategy both of which hinge on the efficient use of land.

### The Pros and Cons of Rates Postponement on Farmland

The implications of the rates postponement on the wellbeing of the community are summarised below under the key strategic platforms.

#### Urban and Rural Villages

Pros	Cons
Encourages diversity in urban land use	The true cost of land use is not reflected and cost structures distorted
Retains the heritage characteristic of the city - historical reputation as a wine making area	No incentive to intensify land use with more diversification
Retains social linkages and sense of place associated with traditional wine industry	Policy inconsistency with the opening of green fields such as NORSGA to create employment opportunities.

#### Strong and Innovative Economy

Pros	Cons
Encourages wine cluster development through inter-industry linkages	Creates a bias in favour of farming as against more labour intensive activities
Local multiplier effects are likely to be greater as the owners are likely to be local residents	Encourages under utilisation of prime land which has alternative uses
Contributes to developing wine making skills within the city	Discourages inflow of new investments as land is locked up
Supports visitor industry through wine trail tours	Limits business diversification in the urban areas
Generates indirect benefits through the development of visitor industry	Limits land available for increasing employment and the range of jobs
Contributes to raise the City image nationally and internationally through the marketing of wine	Loss of opportunities available to contain the number of workers travelling to outside cities for work
Could support organic and other intensive farming activities	Loss of rates revenue available for improving Council services (or the opportunity to reduce rates burden)

### Integrated Transport

Pros	Cons
	Loss of opportunities to better integrate land use with transport network as the number of jobs in urban centres may not be maximised.

### Green Network

Pros	Cons
Encourages businesses that create open spaces and greenery	Loss of opportunities to contain the negative environmental effects arising from commuter travel.
Supports environmental diversity and amenity value	Potential negative effects of the application of agro-chemicals

### Cost of Rates Postponement

The total amount of rates postponed during the 5 years to 2005/2006 is \$426,344. The amount postponed per property ranges from \$1,165 to \$63,404. Over 86% of the rates postponed is enjoyed by 10 land owners (50% of the total number), while the 7 farmland properties on Lincoln Road and Central Park Drive accounted for 67% (\$286,523) of the rates postponed during the same period. The total amount of rates postponed on all farmland properties in 2005/2006 is \$114,452.

Rates constitute the principal source of funding for Council services, and the collection of an adequate amount of rates revenue is critical for meeting the increasing demand for these services. The Council is faced with an ever increasing demand for its financial resources against the background of strong resistance to rates increases. Any form of financial relief provided to property owners will involve implications for the Council finances: it reduces the amount of current revenue available for the delivery of services. Every dollar foregone as a rate postponement is a dollar not available for alternative uses. Therefore, in order to maintain the level of services provided, the Council may have to either increase rates or borrow in the market or do both.

### Potential Risks Associated with the Withdrawal of the Rates Postponement on Farmland

The farmland owners would object to any changes to the status quo. When the Council amended the rates postponement policy in 2004 to include the interest cost on the amounts postponed, several property owners made submissions against it. There could be strong protests by the affected land owners against the withdrawal of the rates postponement on farmland in the urban areas.

The withdrawal may encourage some wine manufacturers to shift their businesses to neighbouring cities such as Rodney District where farmland is likely to be less expensive. This could have negative effects on the prospects for developing a tourist industry linked to wine trails. However it should be noted that during meetings with the wine industry in 2001, there was a consensus that the promotion of wine tourism in Waitakere City, and in particular a heritage wine precinct in Lincoln Road, was not worth pursuing.

The rates postponement on farmland does not guarantee the continuation of farming in urban areas. With increases in population against the background of limited availability of land, land values will continue to increase in the long term. With the rise in land values, it is likely that land under farming will be sub-divided eventually for alternative uses. Already, despite the operation of the rates postponement policy, several wine makers have left the Waitakere City (for example: Corbans, Soljans Estate Winery and West Brook Winery), and the number employed in the industry has fallen over time.

On the other hand, withdrawal of the rates postponement on farmland may not necessarily lead to the conversion of land to more labour intensive non-farm economic activities. The land use pattern will be influenced primarily by market forces and the Council's District Plan rules. Nonetheless, the repeal of rates postponement on farmland will remove a wrong signal that distorts the cost structure in urban land use, and the bias created in favour farming as against non-farming to some extent.

### **Options**

There are basically three options before the Council:

- Continue the existing policy;
- Modify the existing policy; and
- Repeal the existing policy.

### **Continue the Existing Policy**

The foregoing analysis suggests that the continuation of the current policy is not consistent with the strategic direction of the Council and weakens the arguments for the proposal to shift the Metropolitan Urban Limits. It could also undermine the Council's credibility.

The cross subsidisation of farming activities by non-farm activities is an anomaly which creates a bias against intensive use of land and the development of non-farm economic activities. It is also an additional rates burden on non-farm property owners.

The eventual writing off of rates tends to distort the cost signals that are expected to reflect the relative scarcity of resources so that they will be used most efficiently. The real cost of under-utilisation of land is suppressed by the postponement of rates. It could discourage the supply of land for commercial and industrial activities essential for employment growth, which is accorded high priority in the City.

### **Modify the Existing Policy**

The current policy could be modified by withdrawing the provision to write off the postponed rates after five years. This, in effect, means that the Council is assuming the role of a lender for farmland owners. At present, the Council does not provide such financial assistance to non-farm businesses which collectively make a much larger contribution to the Waitakere economy in terms of employment and value added.

The whole objective of modifying the existing policy would be to continue the practice of providing financial incentives for farming activities to be undertaken within the urban city limits. As this appears to contradict the strategic direction of the Council, the case for maintaining a modified policy is rather weak.

## Recommendation

It is recommended that the rates postponement policy 1, postponement of rates on farmland where rateable value is influenced by potential non-farm use be withdrawn effective from 1 July 2006.

The Council is obliged to honour its commitments under the current policy where the Council has postponed the rates due for the years to the end of June 2006. These postponed rates should be written off progressively during the coming 5 year period, but no further rates postponements should be allowed from July 2006 to farmlands within the urban city limits.

## 2. Residential Lands where Rateable Value is Influenced by Rezoning

The legal requirement to adopt special rateable values under the Rating Powers Act 1988 provided rates relief to owners of residential rating units in non-residential areas where the property values are influenced significantly by the changes to the Council policies and rules relating to urban development.

The Local Government (Rating) Act 2002 repealed the legal requirement to assign special values on properties; and the use of the rateable value for rating will result in an increase in rates on these properties.

The current policy provides for the postponement of rates on any residential property located in a commercial or industrial area which is owner occupied as a residence, or occupied under such other circumstances that the Council deems reasonable under the objectives of the policy, the amount of rates to be postponed being calculated on the difference between the land value and a "special value" assessed on the same basis that existed prior to the enactment of the Local Government (Rating) Act 2002.

The current policy includes a condition to limit the period of postponement to not more than five years and a provision allowing Council to add a postponement fee to the rates postponed. This fee will not exceed an amount that covers the Council's financial costs.

So far there have been no applications for rates postponement under this policy, although there are 7 properties which are eligible to apply. Unlike the situation for farmland, there is no provision for writing off the rates under this policy.

## Issues for Consideration

The Council decided to continue the rates postponement policy on residential lands where rateable value is influenced by rezoning on the grounds of temporary financial hardship. The amounts postponed need to be settled after five years with finance charges. This is tantamount to a loan from the Council to the property owner at below market interest rates.

The proposed expansion of the Metropolitan Urban Limits will bring the residential properties in Hobsonville and Massey North areas within the urban city limits. Since most of these properties are likely to be relatively large allotments, the increase in the land values may result in a significant rise in the rates. This may cause financial hardship especially to fixed income earners such as pensioners. Although the precise timing of the shift of the Metropolitan Urban Limits is not certain at this stage, it is important to consider these issues now so that appropriate action is taken in advance.

The extent of the increase in rates on individual properties depends partly on the method of rating and the rates requirement in each year. For example, a shift from the current land value based rating system to a capital value based system could moderate the potential impact on the rates on individual properties to some extent.

It is worth noting that the increase in property values is not entirely a negative outcome. When property values increase, the land owners can realise windfall gains upon the sale of such properties. Because of the potential benefits accruing to the land owners, without any gain to the public, a question arises as to whether it is necessary to allow rates postponement at all.

An important issue is whether a residential property owner has experienced financial hardship as a consequence of any changes to the Council policies on land use. The increase in land value is an unrealised gain unless the land owner sells the property or raises a loan using the equity. The rise in property value by itself does not improve the cash flow for the property owners, and the consequential rates rise may affect the wellbeing of those who are on fixed incomes. If the rate burden increases purely as a consequence of Council's land use policy change without an improvement to the services available to the property, there appears to be a case for providing some relief on fairness grounds.

#### **Potential Risks Associated with the Withdrawal of the Rates Postponement on Residential Properties.**

Every year, rate payers make submissions against the rise in rates. The rates increase as a consequence of the proposed changes to the Metropolitan Urban Limits could lead to strong objections from the affected rate payers, and the Council needs to introduce a suitable public relations and communication programme in advance to ensure ratepayers understand the need for a change of the current policy and the implications of the alternatives.

The continuation of the current policy without amendment may go against the whole objective of releasing more land for employment creation in the NORSGA area. However, it is not possible to predict the behaviour of the property owners when they have the opportunity to realise a windfall gain and improve their living conditions with the extra capital, should they wish to do so.

#### **Options**

There are basically three options before the Council:

- Continue the existing policy;
- Repeal the existing policy; and
- Modify the existing policy.

#### **Continuation of the Existing Policy**

The continuation of the current policy could be particularly beneficial to cash-poor owner occupied households. It is a temporary relief, especially to fixed income earners who do not wish to sell their properties and move out of the local community. These are important social considerations that contribute to a strong community.

On the other hand, rates postponement on residential properties is not consistent with the land use strategy that seeks to promote more intensive use of land for creating employment opportunities, especially in urban centres. The current policy could be repealed and the affected land owners could be considered under a hardship policy. Currently, the Council has a separate policy on the postponement of rates on the grounds of severe financial hardship. The objective of that policy is to assist ratepayers experiencing extreme financial difficulties, which affect their ability to pay their rates. However, the number of properties that will qualify under the hardship policy (which is based on income and asset testing) could be much less than under the postponement policy.

Thus, both continuation and repeal of the current policy involve a potential conflict of the strategic objectives. However, it is not possible to assess the actual effects of the current policy because of the difficulty of predicting the behaviour of property owners in response to the rise in property values, and the lack of information about their assets and incomes.

### **Modification of the Existing Policy**

There are several ways to modify the current policy. One way is to introduce a novel approach to provide rates postponement. There are mechanisms available in the financial market for those who wish to benefit from property value increase without selling their properties. One of the internationally popular schemes is called "reverse mortgaging" which releases the value locked up in the property in the form of a loan (equity release). In New Zealand, rates postponement based on reverse mortgaging was introduced in 2004 by a consortium of six local authorities, led by Western Bay of Plenty.

The technique of reverse mortgaging to fund current expenditures of the property owners has been a subject of debate. There are advantages, disadvantages and some risks involved in these schemes. It is also doubtful whether senior citizens who have settled their mortgages would like to become debtors once again in their old age because of their aversion to risk. Since it is relatively new to New Zealand local authorities, it would be advisable to undertake an in-depth study before "reverse mortgaging" is considered as a viable option for rates postponement.

Another option is to modify the current policy to mitigate the adverse effects of property value increase on the residential portion of an allotment. This could be achieved by limiting the extent of the land that is eligible for rates postponement to the "traditional Kiwi quarter acre" (rounded to not more than 1100 square metres), and rate the remaining portion of the allotment on the basis of the rateable value of the land. This appears to be a middle ground between an outright withdrawal and continuation of the current policy without amendment.

### **Recommendation**

It is recommended that the land area eligible for rates postponement under the current policy be limited to the traditional "Kiwi quarter acre" (rounded to not more than 1100 square metres), and rate the remaining portion, if any, on the basis of the rateable value.

### **RESOURCES**

The review of rates remission policies and rates postponement policies has been included in the work programme for the 2005/2006 year. It does not include funding for engaging external consultants.

## CONCLUSION

The only way to contain urban sprawl and ensure sustainable development would be to use the currently zoned and proposed future urban land more intensively and more efficiently to generate more value added and employment.

The current rates postponement policy on farmland where rateable value is influenced by potential non-farm use is not consistent with the strategic direction of the Council, and creates a bias in favour of farming which does not maximise employment in urban centres. In sum, the rates postponement policy on farmland contributes to less efficient use of urban land, and reduces rates revenue.

The potential effects of rates postponement on residential lands where rateable value is influenced by rezoning are mixed. While the postponement of rates of the property owners who experience genuine hardship could produce some benefit to the affected groups, such relief may discourage the use of urban land in a more productive manner which could generate wider social, economic and environmental benefits in the long term.

The Council could continue the current policy without amendments because of the temporary relief available to land owners, and the ability of the Council to recover the rates postponed after five years. Alternatively, current policy could be repealed and the affected groups can be considered under the hardship policy. Either way, there is likely to be a potential conflict among the strategic objectives.

One of the options that could reduce these conflicts would be to modify the current policy to limit the land area eligible for rates postponement to the "traditional Kiwi quarter acre", and rate the remaining area according to the rateable value. While this approach can provide a relatively small relief, it eliminates the incentive to hold the remaining land area for economically less efficient activities.

Whatever the option chosen, the policy will again be reviewed as part of the Long Term Council Community Plan 2009-2019.

The rates remission policies and the policy of rates postponement on the grounds of severe financial hardship are fair, equitable and consistent with the Council's strategic direction. There is no need to introduce any amendments to these policies.

## **RECOMMENDATIONS**

1. That the Review of Policies on Remission of Rates and Postponement of Rates report be received.
2. That the Finance and Operational Performance Committee approve the continuation of the following rates postponement and remission policies without amendment:

### **Rates Remission Policies:**

Policy 1: Remission of excess water charges caused by leaks within the property;

Policy 2: Remission of penalties on rates under certain circumstances;

Policy 3: Remission of Uniform Annual General Charges and Targeted Rates Levied as Uniform Annual Charges; and

Policy 4: Remission of Rates on Council Owned Non-revenue Producing Properties.

### Rates Postponement Policies:

Policy 3: Postponement of rates on the grounds of severe financial hardship.

3. That the Finance and Operational Performance Committee recommend to the Long Term Council Community Plan and Annual Plan Special Committee that the following amendments to the rates postponement policies be adopted for consultation as part of the Long Term Council Community Plan 2006/2016.
  - i) That the rates postponement on farmland where rateable value is influenced by potential non-farm use be withdrawn effective from 1 July 2006.
  - ii) That the rates postponed on farmland for the years up to end June 2006 be written off over the following five year period.
  - iii) That the residential property land area eligible for rates postponement (under rates postponement policy on residential properties affected by land value increase) be limited to the traditional "Kiwi one-quarter acre" (rounded to not more than 1100 square metres), and any remaining land area be rated on the basis of the rateable value.

Report prepared by: Ariya Randeni, Senior Analyst: Economic Policy, Strategy and Development.



## 11 TE ATATU PENINSULA POSTER BOLLARD RELOCATION

### PURPOSE OF THE REPORT

The purpose of this report is to seek budget approval from the Finance and Operational Performance Committee to relocate the Phantom arts and events bollard to a new position within the Te Atatu Peninsula town centre.

### BACKGROUND

An initial request was made to Council in late 2003 from Phantom Billstickers Limited to erect poster bollards in various locations around the City. A report was presented to the Finance and Operational Performance Committee meeting on 10 November 2003 and the Committee approved in principle the installation of the bollards.

A contract was entered into between Phantom Billstickers Limited and Council on 7 July 2004.

The contract provides that Phantom Billstickers Limited may apply to install 15 poster bollards around the City with a right to apply for a further 15 sites at the rate of no more than five per year. The contract runs initially for five years and they may apply for three further terms of five years. The licence fee for each site is \$500 +GST per annum.

A resource consent application for seven bollards was submitted for approval on 5 November 2004. It was a discretionary use application and was subsequently approved subject to conditions without requiring notification. Building consents were also applied for and approved. Through this process one bollard was positioned at the Te Atatu Peninsula town centre in the forecourt of the entry to the Community Centre and Library.

The designation of site locations is to be in accordance with the provisions of the contract between the Council and Phantom Billstickers Limited which requires consideration of the following factors:

- The geographic distribution of bollards City-wide;
- How the bollard will sit in relation to existing or proposed street furniture, pedestrian access and the aesthetics of the public spaces and in relation to the proposed site;
- Maintain safety line of sight for traffic, pedestrians and such factors as the Council shall determine in its discretion;
- Bollards need to be erected in a reasonable position able to be adequately viewed by interested patrons, i.e. viewed from both sides, be in main high volume pedestrian and vehicle areas and also be adjacent to facilities that attract large volumes of people. They are not intended for isolated places;
- Council has to approve the location;
- Any site position proposed by the Council would also require approval by Phantom Billstickers Limited.

## STRATEGIC CONTEXT

One of the nine strategic platforms of the Long Term Council Community Plan is to make the City a vibrant and enjoyable place to live, work and play by creating attractive urban space. The vision for 2020 of the Urban and Rural Villages strong communities platform is to *“have public facilities, places and spaces teem with people; the streets alive and busy”*. Town Centre revitalisation and the encouragement of the arts, cultural and sporting events are also seen as an important way of building strong communities, another of the nine strategic platforms. As described by Phantom Billstickers Limited *“the poster industry is an important vehicle in assisting the Arts in achieving public support through an effective medium at a cost effective price and the bollard forms a natural part of the streetscape, now widely accepted as street furniture”*.

## ISSUES

### Bollard Location Situation

The Henderson Community Board as part of their delegations around reserves and parks should have been consulted to seek their approval of the proposed location as it is situated on a Local Purpose Reserve. Consultation did not take place with the Board and as a result the Board raised concern re the lack of appropriate process and the proximity of the bollard to the Returned Services Association flag pole. A similar complaint has also been received from the Te Atatu Residents and Ratepayers Group in regard to this issue.

### Henderson Community Board Decision

The Board, at its meeting on 3 November 2005, resolved the following:

*“That the Henderson Community Board Members consult the public on the alternative sites to relocate the advertising bollard in Te Atatu Peninsula, and that in the process the public consulted be advised of the future concept plan for Te Atatu Peninsula Town Centre and the cost of re-locating the current bollard, and that the matter be reported back to the Board.”*

2172/2005

The Board undertook public consultation followed by an 'Extraordinary Henderson Community Board Meeting' held on 15 December 2005 with the following resolution:

*"That the Henderson Community Board delegates to the Chairperson and Principal Advisor - Urban Development, authority to decide on a recommended alternative location for the bollard within Te Atatu Peninsula Town Centre, with the alternative location to be acceptable to Phantom Billstickers Limited, with all associated costs to be met by the Council."*

2493/2005

Council officers had previously recommended to the Board that the bollard remain in its current location until the preparation of the concept plan for the Te Atatu Peninsula town centre is undertaken.

Subsequent to the Henderson Community Board resolution a meeting was held at Te Atatu Peninsula town centre between the Board Chairperson, a Board member and the Principal Advisor Urban Development to discuss and decide on a likely new location.

A51

A meeting was subsequently held between the Principal Advisor Urban Development, Phantom Billboards Ltd and a Parks representative who all agreed on the proposed location. The new location is at the northern road side of the Te Atatu Peninsula Community Centre, adjacent to the Pringle Park Village Green, The location is shown on the map attached to this agenda on page A51.

## RESOURCES

To relocate the bollard and reinstate the existing site would including consents cost the Council approximately \$11,084.40. There is no allocated budget available for this process in the 2005/2006 Annual Plan.

Options for funding this amount are:

- To include the amount in the draft 2006/2016 Long Term Council Community Plan for 2006/2007, which would enable the work to take place logically after completion of the town centre concept plan or;
- To consider allocating an amount towards the cost of relocation as part of the half yearly review of the 2005/2006 financial performance.

## CONCLUSION

The Henderson Community Board does not have a formal role in the Resource Consent process but should have been asked to approve the location of the bollard given it was on a Local Purpose Reserve. As a result of further public consultation undertaken by the Board members a new location has been proposed and agreed on by the Principal Advisor Urban Development, Council's Parks unit and Phantom Billstickers Limited. A number of options exist for funding this amount.

## RECOMMENDATIONS

1. That the Te Atatu Peninsula Poster Bollard Relocation report be received.
2. That the Finance and Operational Performance Committee indicate its preferred option for funding the cost of relocating the bollard.

Report prepared by: Janet Hannan, Principal Advisor, Urban Development.



12 **AUCKLAND WAR MEMORIAL MUSEUM AND THE MUSEUM OF TRANSPORT AND TECHNOLOGY - PROPOSED LEVIES FOR 2006/2007**

**PURPOSE OF THE REPORT**

The purpose of this report is to update the Finance and Operational Performance Committee with regard to the proposed 2006/2007 levies being sought by the Auckland War Memorial Museum and the Museum of Transport and Technology.

**BACKGROUND**

Council is a contributing member (two voting representatives) on the Territorial Local Authority Electoral College. The Electoral College exercises a governance role over the respective Boards of The Auckland War Memorial Museum and the Museum of Transport and Technology. By legislation, territorial local authorities within the Auckland Region are required to contribute to the running costs of these organisations, the share of which is allocated based on the respective capital values (rating) within the contributing authorities. As local authorities are not revalued in the same year this creates an anomaly, particularly with property values rising rapidly over the past few years, whereby local authorities revalued recently are burdened with a greater percentage of the levy. This evens out in non revaluation years when other local authorities are revalued.

As both Museums are engaged in significant development projects the Electoral College has recognised that this will result in an upward pressure on future levies through extra operating costs to run and maintain extended facilities along with the requirement to fund the extra depreciation on the additional capital works. These increases have been forecast in previous annual plans and in presentations made to this Council by the respective museums.

**STRATEGIC CONTEXT**

The Auckland War Memorial Museum and the Museum of Transport and Technology are facilities contributing to the preservation of cultural and heritage history on a regional basis.

**ISSUES**

A52-A53

The Auckland War Memorial Museum and the Museum of Transport and Technology have released their 2006/2007 Draft Annual Plans for consultation. Two copies of each have been placed in the Councillors lounge. Submission closing dates have been set at 16 February and 3 February 2006 respectively. The Electoral College at its meeting held on 27 January 2006 endorsed the draft plans (minute attached at pages A52 to A53) but in doing so acknowledged the right of contributing authorities to make submissions on their own behalf. Councils remaining representative, Councillor Neeson, was unable to attend that meeting due to other commitments. Although the submission closing date for the Museum of Transport and Technology has lapsed, Council may still wish to make a submission to the Auckland War Memorial Museum's draft annual plan.

The levies proposed by the two museums have resulted in significant increases to Waitakere City, in part due to increased costs associated with the respective museums development strategies, but mainly as a result of this City's revaluations coming into effect for the 2006/2007 levy calculation. Council's share of the levy has fluctuated over the last four years due to revaluations, and the timing thereof, as follows:

**Waitakere City Council share of levies**

2003/2004	10.18%
2004/2005	9.5%
2005/2006	9.6%
2006/2007	12.9%

<b>Total levy increase</b>	<b>2005/2006 Actual</b>	<b>2006/2007 Proposed</b>	<b>Increase</b>
	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
<b>Increase</b>			
Auckland War Memorial Museum 21.8%	16,330	19,884	3,554
Museum of Transport and Technology 18.4%	5,400	6,395	995

**Increase to Waitakere City**

Auckland War Memorial Museum 63.9%	1,565	2,565	1,000
Museum of Transport and Technology 59.3%	518	825	307

<b>Breakdown of WCC increase</b>	<b>Increase Costs (\$000)</b>	<b>Effect of Revaluation (\$000)</b>	<b>Total (\$000)</b>
Auckland War Memorial Museum	341	659	1,000
Museum of Transport and Technology	95	212	307

A54-A55

Attached at pages A54 to A55 are schedules showing the levies required from contributing Local Authorities.

**CONCLUSION**

The draft Annual Plans for the Auckland War Memorial Museum and the Museum of Transport and Technology have been released. The total levies requested by the museums have increased by 21.8% and 18.4% respectively. As these increases were consistent with the various significant approved developments taking place at the two museums the Electoral College has endorsed the increases as presented.

However, as Waitakere City's recent revaluation is now taken into account, and is out of step with all three larger contributing authorities, this Council takes a greater share of the levies, moving from 9.6% to 12.9% resulting in considerable increases as depicted earlier in this report.

Although the closing date for submissions for the Museum of Transport and Technology has lapsed, this Committee may still wish to make a submission to the Auckland War Memorial Museums draft annual plan, although the Electoral College, which is comprised of representation from contributing Local Authorities, have endorsed the Draft Annual Plans.

## **RECOMMENDATIONS**

1. That the Auckland War Memorial Museum and the Museum of Transport and Technology - Proposed Levies for 2006/2007 report be received.
2. That the Finance and Operational Performance Committee considers whether it should make a submission to the draft Annual Plan of the Auckland War Memorial Museum, and if so, on what grounds the submission is to be made.

Report prepared by: Alec Third, Group Manager: Financial Operations.



## **13 CONTRACT NO. SD04009D - RAILSIDE AVENUE TO ALDERMAN DRIVE AND CATHERINE MALL INFRASTRUCTURE RENEWAL PROJECT - SUPPLEMENTARY INFORMATION**

### **PURPOSE OF THE REPORT**

The purpose of this report is to seek approval of the Finance and Operational Performance Committee for additional construction budget for Contract No. SD04009D - Railside Avenue to Alderman Drive and Catherine Mall Infrastructure Renewal Project.

### **BACKGROUND**

In 2005 the Council contracted Isthmus Group to undertake the concept and detailed construction design of the Railside Avenue to Alderman Drive and Catherine Mall Streetscape Infrastructure Renewal Project. Suresh Nagaiya of N-Compass Limited is the consulting engineer who will project manage the construction phase. Stage one is made up of two separable portions:

- Railside Avenue to Alderman Drive;
- Catherine Mall.

The construction contract went out to tender in December 2005 and the report on the tender evaluation is scheduled for the Tenders Subcommittee on 24 February 2006.

### **STRATEGIC CONTEXT**

The Henderson: Railside Avenue, Ratanui Street to Alderman Drive Precinct Infrastructure Renewal Project is the first Stage of streetscape improvement works to be undertaken in Henderson Central Business District.

The Council's purpose is to lead the urban regeneration of the centre of Henderson and provide a catalyst for the private sector to share the vision and to invest in high density mixed use development that will ultimately result in a sustainable local economy.

## ISSUES

All prices were significantly higher than the Pre-Tender Contract Estimate. They were in excess of the Engineers Estimate (compiled by Isthmus Group) generally throughout all items. This estimate was based on previous rates for similar work with an appropriate allowance for escalation and appeared valid at the time. While some of the high price can be attributed to escalating construction costs, reasons for the high prices are difficult to pinpoint. There are large variations in the way the contractors have priced the work, with some prices significantly higher than normal construction rates received in 2005/2006.

These prices are similar to the recent prices received for the New Lynn Streetscape project suggesting the prices are indicative of current market rates. This may be caused partly by the large amount of this type of work in the market at this time, such as Auckland City's significant upgrades in the inner city over the next three years. The director: Quality Assurance referred to the likely impact of this during discussions on the 2004/2005 Annual Report surplus.

From discussions with Contractors it is also understood that town centre work is now perceived by the market as requiring significant additional management and costs. This is due to the high level of communication resource needed to liaise with businesspeople throughout the project and resolving possible complications that arise through this process. Anticipated risk then drives up the price.

The current higher market is unlikely to change over the next few years, with the increase in demand for construction services of this type. Therefore prices are more likely to rise than fall, when considered in combination with inflation.

Stevies Park streetscape works was originally included in this project and was allowed for in the original budget. During the detailed design stage of this project a decision was made by the sponsors of the Waitakere Central project to construct the staircase from Waitakere Central to terminate in Stevies Park in Railside Avenue. Due to the uncertainty at the time concerning completion of the link bridge, it was decided that this component of the project should be managed within the Waitakere Central Civic Centre and Henderson Transport Interchange projects.

This contract for the infrastructure renewal project excludes Stevies Park. However, it was not practical to identify an amount to transfer to the other Waitakere Central projects for this component as the final link bridge location has altered from what was originally designed, and there are no final estimates yet available. Accordingly, the full budget originally available for this project has been allocated to this contract resulting in the request for additional funds of \$320,581.80. Had an amount for Stevies Park been set aside, the amount of additional funds required for this contract would have been higher. Further, there are a number of budget sources for transport related projects on and adjacent to Railside Avenue and until final detailed designs for Stevies Park and the remainder of Railside Avenue are complete it is not possible to quantify the cost of Stevies Park component and what additional amount if any may be required for the Stevies Park component.

The Waitakere Central project is currently undertaking design and cost estimates for the remaining Stevies Park space adjacent to the staircase and may need to approach the Finance and Operational Performance committee for additional funding to not only construct the Stevies Park landscape, but also to complete the remaining work on Railside Avenue, particularly in light of current market prices for this type of work.

Land Transport New Zealand Funding of \$498,000 has been earmarked for this project and this amount has been taken into account in determining the shortfall.

## OPTIONS

Options to allow the project to proceed in 2005/2006 include the following:

1. That the shortfall in funding of \$320,581.80 be raised from additional loan funding to enable the project to proceed to construction stage due to start in late February 2006 including both portions, Railside Avenue to Alderman Drive and Catherine Mall.
2. That the Catherine Mall section of the proposed works (value approximately \$300,000) be deferred or deleted from the project. This would reduce the additional funding required in 2005/2006 to \$20,000. While this option is possible, it is not recommended due to the high community expectations of delivery this year.
3. Defer the project in its entirety.

While options 2 and 3 are a possibility as stated above it is not recommended due to high community expectations that the two projects will be completed in 2005/2006. This is further reinforced by the fact that prices are unlikely to be any more competitive in six months time and that an experienced and high quality contractor has now been identified through the tender process.

## RESOURCES

By allocating total budget for this project to the revised Railside Avenue to Alderman Drive and Catherine Mall project, there is still a shortfall in funding of \$320,581.80. There may be a need for further funding of the Stevies Park component and other streetscape projects on Railside Avenue from Stevies Lane, but this won't be known until final designs are completed and estimated.

## CONCLUSION

There is a high expectation that the renewal of the Henderson Central Business District (CBD) street precincts will continue to roll out over the next five years. It is the Council's objective to see this work programme maintained to support the financial commitment the Council has made in creating a comprehensive Central Business District in Henderson and to promote ongoing private investment in central Henderson. Accordingly, if Council wishes to complete programme of investment in Henderson to match the significant investment in Waitakere Central and the Waitakere Library, officers recommend that the Committee approve the additional funding to enable the portions of this project to be fully constructed in 2005/2006.

## RECOMMENDATIONS

1. That the Contract No. SD04009D - Railside Avenue to Alderman Drive and Catherine Mall Infrastructure Renewal Project - Supplementary Information report be received.
2. That additional funding of \$320,581.80 be raised by way of a loan and be allocated to the Railside Avenue to Alderman Drive and Catherine Mall Infrastructure Renewal Project.

Report prepared by: Janet Hannan, Principal Advisor, City Projects.



**PART E - REPORTS FROM THE SUBCOMMITTEES**

**14 EMERGENCY SERVICES SPECIAL COMMITTEE**

**THE SPECIAL COMMITTEE SUBMITS THE FOLLOWING REPORT OF ITS MEETING HELD ON TUESDAY, 6 DECEMBER 2005.**

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**MATTERS CONSIDERED**

A56-A57

The Special Committee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meeting is attached at pages A56 to A57.

**The Special Committee Recommends:**

That the Meeting report of the Emergency Services Special Committee held on Tuesday, 6 December 2005 be received.

DQ Battersby, JP  
**CHAIRPERSON**



**15 TENDERS SUBCOMMITTEE**

**THE SUBCOMMITTEE SUBMITS THE FOLLOWING REPORTS OF ITS MEETINGS HELD ON FRIDAY, 9 DECEMBER 2005, WEDNESDAY, 21 DECEMBER 2005 AND FRIDAY, 27 JANUARY 2006.**

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**MATTERS CONSIDERED**

A58-A66

The Subcommittee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meeting is attached at pages A58 to A66. The public excluded minutes are included in the confidential supplement.

**The Subcommittee Recommends:**

That the Meetings of the Tenders Subcommittee held on Friday, 9 December 2005, Wednesday, 21 December 2005 and Friday, 27 January 2006 be received.

JM Clews, QSO, JP  
**CHAIRPERSON**



**PART F - PUBLIC EXCLUDED MATTER**

**16 PROPOSED LAND ACQUISITIONS: CLARK STREET AND TOTARA AVENUE, NEW LYNN**

This item will be considered in the Confidential Supplement of the agenda, and has been circulated to members separately with this agenda.

**PROCEDURAL MOTION TO EXCLUDE THE PUBLIC**

That the public be excluded from the following part of the proceedings of this meeting, namely Proposed Land Acquisitions: Clark Street and Totara Avenue, New Lynn.

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution in relation of the matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of the matter to be considered.	Reason for passing this resolution in relation to the matter.	Ground(s) under Section 48(1)(a) for the passing of this resolution.
<ul style="list-style-type: none"> <li>Proposed Land Acquisitions: Clark Street and Totara Avenue, New Lynn.</li> </ul>	<p>The withholding of information is necessary in order to:</p> <ul style="list-style-type: none"> <li>enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</li> </ul>	<p>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 7(2)(i) of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public as follows:

- The reports contain information which if released, could affect the Council's negotiations.

