

THE BIG DECISIONS

Ngā whakataunga matua



THE BIG DECISIONS

As a Council, we have to make some big decisions about the community, for the community. It is not an easy job, making sure we are balancing everyone's needs.

This LTP represents the options and actions that we feel are the best for our community as a whole. We have worked hard to try and present a plan that reflects your needs and desires. However, we are aware that we cannot provide all the services the community may want, while maintaining rates at an affordable level for all. We have to make choices, balance priorities and occasionally sacrifice some projects, at least for the time-being. This chapter outlines the key decisions we have made, which make up our LTP and projects for the next ten years.

When consulting on the draft LTP we attached a 'Big Decisions Survey' which asked you what you think we should do. Results from the survey have been included in this chapter.

You agreed with our preferred options except in the area of affordability vs. user pays. We have acknowledged this and have made some changes in this area to better reflect what you as a community want, but also keeping consistent with our key message of affordability, sustainability and responsibility.

KEY ISSUES

FOCUSING ON THE BASICS:

As your Council, we are responsible for providing families, households and businesses of this District with essential services we all rely on. At the top of our list of priorities is providing services that ensure the health and safety of our community, such as providing clean drinking water, appropriate disposal of sewage and roads to safely move about the District. Many other things we provide are also essential to make this a great community. Places to live, work and play. Places to learn, read and develop.

We are aware of the financial pressures faced by our ratepayers, especially in the current economic climate, and take our role of balancing how and where we spend your ratepayer dollar very seriously. The cost of operating all the services we deliver is huge and there is constant pressure for us to provide more and improved services to our community.

Through this plan we have focused our spending on the essential services we offer. This means there are few new projects or facilities in this plan. This is what you, the community, told us you want from us.

OUR ASSETS COST A LOT TO MAINTAIN

Operating, maintaining and managing infrastructure that delivers our services has a huge financial cost. Without including any upgrades, new facilities or 'nice to have' projects, we were already looking at an unacceptable average rates increase for next year. As a result, we looked long and hard at where we might be able to reduce some of our costs. This does not mean cutting corners, which would just end up costing the ratepayers more money in the future. Instead we are focusing our efforts on ensuring we have excellent information about the age and state of our assets.

It helps us understand exactly where faults are likely to occur and therefore enables us to replace or repair assets when absolutely necessary to avoid increased costs.

By taking this approach we have minimised our cost increases and achieved an affordable level of rates for the next 10 years that we are happy with. Existing assets will be looked after but you will not find many new assets being built or many improvements being made to current assets, unless substantial subsidy or funding is made available.

AT WHAT LEVEL SHOULD WE MAINTAIN OUR INFRASTRUCTURE?

What you said...

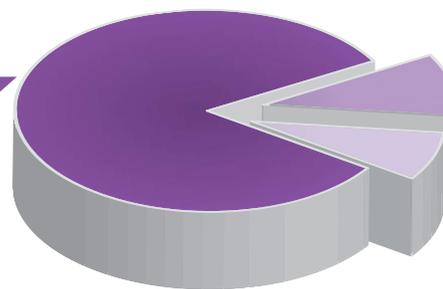
82% of you agreed with us

OPTION B (PREFERRED) 82%

Increase monitoring of infrastructure to fix faults only where needed. If it is cost effective to upgrade at the same time, this would be done.

OPTION A 10%

Increase our maintenance programme to upgrade infrastructure sooner rather than later. This would require an increase in rates.



OPTION C 8%

Reduce our maintenance programme, allowing things to fail before we fix them. This is a lower cost option but would mean accepting a lower level of service.

DELIVERING THE BEST SERVICE WE CAN, AT THIS PRICE

As part of a fast-paced, global society, the needs and expectation of the community are changing. People expect instant responses, lots of options and opportunities, and a high quality service. However, in this economic climate, some people are struggling to pay their bills and make ends meet. We believe the standard of the service we deliver to the community is very good and we strive to provide the community with what you want. Nevertheless, there can always be improvements. We will provide some improvements to our core infrastructure in the areas of stormwater, sewerage, water supply and transport networks through this LTP.

For most of our other activities, we will maintain the service we currently deliver, not improve or reduce it. That is why you will not see much funding included, over and above previous years. We will continue to enhance how we operate, or work in partnership with others, to ensure that if we can make efficiencies and improve systems to deliver a better or cheaper service then it will happen. We also hope that through gaining a better understanding of what the community wants and working more efficiently we are able to ensure greater satisfaction with the services we provide.

WHAT LEVEL OF SERVICE ARE YOU WILLING TO PAY FOR?

What you said...

67% of you agreed with us



OPTION C 27%
Save money by cutting back our levels of service.

OPTION B (PREFERRED) 67%
Maintain our current level of service for most activities.

OPTION A 6%
Spend more to improve and/or expand our services.



OUR SOCIAL RESPONSIBILITY:

As a Council, we are responsible for setting rates on every property and making decisions about how to spend that money. We take this role very seriously and strive to achieve a fair and equitable balance between affordability and the sustainable and responsible management of our assets and services.

Rates affordability has been considered in two key ways. The first was through the budgets we have set for each of our activities. The more we spend, the higher rates will be. Our budgets have been restricted by the limits we have set for rates and borrowing. While these limits do mean good things for the ratepayer's pocket it also restricts the ability of the Council to invest in the community.

The second way we considered affordability was by reviewing our funding philosophy and rating system. These determine how our activities will be funded, and how these costs should be distributed to each ratepayer.

SETTING LIMITS ON RATES AND BORROWING

Limiting our expenditure is the biggest influencing factor on rates affordability. Put simply, the more we spend and borrow, the higher rates will be. As part of the Financial Strategy for this LTP, we have set limits for rates and debt to help provide certainty and stability to ratepayers.

We have thought hard about where to set these limits and how these will affect our budgets. We need to make sure that our decisions about affordability now do not compromise our ability to sustain services and assets for future generations. Care also needs to be taken so the decisions we make now do not result in substantial costs for future ratepayers. This means paying our fair share now.

The limits we have set for rates increases are Local Government Consumer Index (LGCI) plus 2% (for more information see the Financial Strategy). This is based on inflation with a small additional margin. This means rates increases will be limited to no more than 5-6% for

each year. The actual rates increases we are proposing are lower than these limits again and are conservative compared to rates increases in the past. The average rates increase for the first year of this LTP is 5.69% and the average increases over the following nine years range from 1.97% to 5.26%.

We have set the limit for total borrowing at \$75 million. While this is not excessive compared to other councils we do want to keep our borrowing at this level. Our community has indicated they do not want to see it increasing. We have also set limits on the amount of rates that is used to repay debt. This is because it is our debt repayments, rather than our overall amount of borrowing, that affects ratepayers from year to year. Our limit on the interest expense of our borrowing is 12% of total rates income (for more information see the Financial Strategy). Reducing this limit further has risks because the borrowing is mostly for renewals (replacing assets like water pipes that are nearing the end of their lifespan).

HOW CONSERVATIVE SHOULD OUR LIMITS BE FOR RATES AND BORROWING?

What you said...

60% of you agreed with us

OPTION B (PREFERRED) 60%

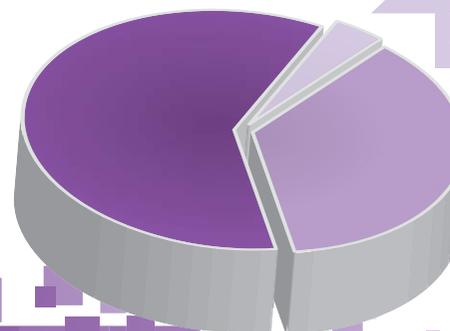
Apply conservative limits including rates increases between 2-6% and borrowing limited to current levels. This will allow us to deliver services at the current level.

OPTION A 4%

Increase the limits for rates and borrowing. This would allow us to improve and/or expand our services but would mean increased costs to ratepayers.

OPTION C 36%

Provide even lower limits for rates and borrowing. This will require us to cut back services.



REVIEW OF OUR FUNDING PHILOSOPHY AND METHOD

The Revenue and Financing Policy sets out the Council's funding philosophy and describes how we will fund each of our activities, including the rationale for the use of each funding method. The full Revenue and Financing policy can be found in the 'Our Costs in Detail' section of this LTP.

Over the last six years the Council's Revenue and Financing Policy has had a strong user pays philosophy. As part of this approach 'where users of services cannot be identified, everyone was charged the same'. This approach resulted in a greater use of fixed charges and targeted rates. The old system resulted in less difference between rates for higher value versus lower value properties. The new rating approach that we have adopted through this LTP is a more balanced approach and has a stronger emphasis on rates affordability.

Our rating philosophy means we will spread some costs over a wider number of ratepayers who are likely to benefit from the service. This means an increase in the use of general rates and a reduction in targeted rates. It also means some targeted rates will be amalgamated or spread over a larger group of ratepayers where this is appropriate.

We are also basing a greater proportion of rating on capital value rather than fixed charges. This means owners of lower value properties will pay less and those of higher value properties pay more, relative to the current system. Some costs will continue to be passed on to those who specifically use services where they can be identified and where there is no benefit to the wider community of the service.

In response to the large number of submissions we received on the rates review, we have made some changes from the proposal contained in the draft LTP. These changes have retained the shift towards increased use of the general rate and a greater reliance on capital value rating, but not to the same extent as proposed through the draft LTP. The biggest changes made to the rating system were the removal of a portion of stormwater to be funded across the District. Stormwater will now continue to be funded by schemes, with the exception of Matatā where an increased proportion (75%) will be funded through the General Rate. The use of the UAGC has increased from a proposed \$530.45, to \$567.72 (excluding GST) for the 2012/13 year, slightly reducing the emphasis on capital value rating.

More information about these, and other changes, can be found in the 'All About Rates' section of this LTP.

SHOULD WE FOCUS MORE ON USER-PAYS OR AFFORDABILITY IN OUR RATING SYSTEM?

What you said...

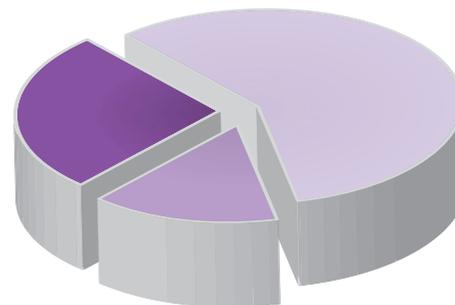
27% of you agreed with us

OPTION B (PREFERRED) 27%

Alongside user-pays, increase our focus on affordability. This would generally mean owners of high value property pay more relative to owners of lower value property.

OPTION C 15%

Place an even greater emphasis on rates affordability rather than user-pays.



OPTION A 58%

Keep our current approach to rating which has a strong user-pays focus.

BUILDING COMMUNITY RESILIENCE:

Natural events including flooding, earthquakes, tsunamis and landslides have been common in the news recently on an international scale, but also closer to home within New Zealand and our District. This has led to greater awareness of hazards that can threaten our community. While we cannot control these events, we do have a responsibility to our community to try to manage, mitigate and respond to such events. We also aim to ensure that the community is aware of, and prepared for hazardous events.

WHAT LEVEL OF PROTECTION FROM STORM EVENTS DO YOU THINK IS NEEDED?

What you said...

62% of you agreed with us

OPTION A 5%

Upgrade our entire stormwater system to provide protection from a one-in-100 year flood event. This will substantially increase our debt levels and repayments.

OPTION C 33%

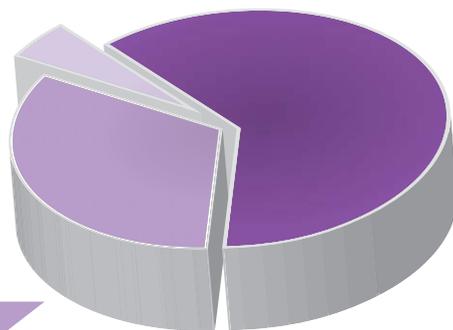
Maintain our current level of flood protection, providing upgrades only as pipes are due for renewal.

HEAVY RAINFALL KEEPS CAUSING HAVOC

The large number of storm events experienced in recent years, leading to flooding in our District, has meant there is a community desire for improved stormwater systems. If we continue to receive similar events to those experienced in the last two years, this could add another 1.2% to our rates each year. However, increasing the stormwater systems in our built up urban areas is very costly and will never ensure complete protection from localised flooding.

Most of our stormwater networks have been built to meet a one in 10 year storm event. Through the life of this LTP we have decided to minimise the risks associated with flooding at a cost that is affordable to

our community. This LTP includes projects to achieve a more reliable one in 10 year flood protection level, with overland flow paths designed to protect houses from a one in 100 year event. But this means that our urban areas will still be vulnerable to surface flooding in more extreme weather events. To provide the infrastructure required to reduce the flooding risk within the Whakatāne and Ōhope urban areas, we will borrow for a high proportion of the works to avoid a significant rates increase in the next year. Borrowing for works that are for the protection of the community now and for years to come, is a prudent and equitable option and will ensure we remain within the rates increase limits contained within our Financial Strategy.



OPTION B (PREFERRED) 62%

Upgrade our storm water systems to provide a more reliable protection from a one-in-10-year flood event and accept localised flooding in extreme events.

ECONOMIC PROSPERITY FOR THE COMMUNITY:

A prosperous economy helps to grow our District and ensure our community can afford to pay for essential infrastructure. As our economy grows, we will have more money and opportunities to spread around the District, helping to improve the quality of life for our community. As a Council we would like to see our District grow, and a fundamental part of growth is a strong and vibrant economy

SHOULD WE TAKE A STRONGER STANCE IN SUPPORTING GROWTH?

What you said...

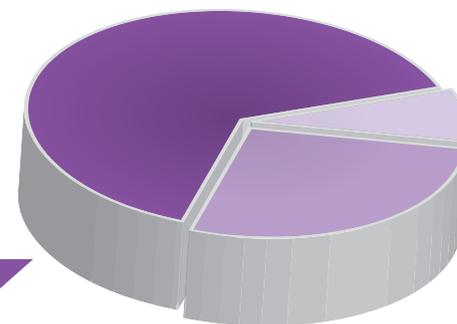
64% of you agreed with us

SUPPORTING BUSINESS GROWTH AND DEVELOPMENT

Economic growth is highly dependant on the growth and development of our local businesses. A District that is highly attractive to businesses and families will help to reduce future costs by spreading rates over a wider population. The Council cannot control this growth, however, we have looked at what we can put in place to try to support it and remove restrictions. Most of the infrastructure we have to put in place to cater for growth is paid for by developers through Development Contributions. Our Development Contributions Policy was open for consultation alongside this LTP and a more in-depth review of our Policy will take place in 2012/13. While we are trying to retain rates at an affordable level, we recognise there are things we can do to help business and development in the District without investing heavily.

We have looked carefully at our building consent and resource consent fees and have reduced both of these fees. This is an effort to encourage growth and prevent fees from being perceived as an obstacle. In this way we hope to signal to the business and development community that the Whakatāne District is a great place to invest and has plenty of potential for growth. Reducing these fees does mean that a larger portion of the cost will be covered by general rates. This is in recognition of the wider community benefit from regulated development.

We are also in the process of undertaking a District Plan review. Through this review, we are able to look at land zoning to plan for growth. This must be balanced with the preservation of our natural and physical character.



OPTION B (PREFERRED) 64%

Support growth by reducing barriers and costs of development (such as reducing building and resource consent fees).

OPTION A 8%

Drive growth by investing more ratepayer money now to try to attract more people and businesses to our District.

OPTION C 28%

Keep our current approach of placing most of the costs of growth and development of our District onto developers and businesses.

MAXIMISING ASSETS AND OPPORTUNITIES

We have a responsibility to ensure we make the most of the assets we own for the benefit of our community. A number of our property holdings are not being used for the delivery of services or providing a return to the Council. We believe that the best benefit we can get from some of these properties is to sell them. This includes the Piripai block, adjacent to Coastlands, land at Port Ōhope and some other minor holdings. The sale of land at Piripai and Ōhope will support growth as they have potential to be subdivided for new housing. Increased residential development also has the potential to generate a large number of rating units which will spread the rate requirement over more properties and therefore benefit the current and future community.

Based on conservative estimates, we are expecting the sale of these selected land holdings to release around \$21.97m. The majority of this will be used to pay off debt from projects such as Library and Exhibition Centre,

the District Plan review and the Aquatic Centre rebuild. This will benefit both our current and future ratepayers because this debt would otherwise have to be funded over time by rates. Retiring debt will mean we have the capacity to take new loans for key projects like improving our level of protection from stormwater. In particular, if we do not retire debt by selling Piripai, it would add another 2.2% to the rates requirement, in total over the 10 years of this plan. It also means that we will have to reconsider any new capital projects, like those providing increased protection from storm events.

As well as maximising use of our assets, we also want to make the most of new opportunities as they come up. We share a number of valuable working arrangements and partnerships with other organisations and groups to improve the services available in our District. We would like to build on these partnerships and will remain flexible to enter into new partnerships where we can.

For example, we have removed the construction of a multi-sports centre from this LTP, with investigations proposed for 2022, as it is not something we are able to afford on our own within the next 10 years. However, we will always be open to opportunities for partnerships with others to develop such a facility in the future, should we find a partner. If a change was seen as appropriate it would be properly considered and, if significant, would be consulted on with the community.

An area we are specifically looking to work in partnership with others is on walking and cycling initiatives. In recognition that Central Government funding for walking and cycling projects has been reduced, we would welcome an opportunity to work with other groups to improve the facilities available in our community. We have included \$75,000 per year in this LTP for this purpose.

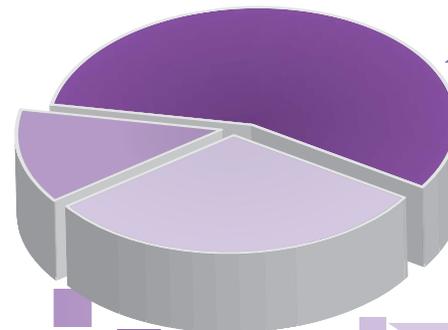
SHOULD WE SELL SURPLUS LAND HOLDINGS TO REDUCE DEBT AND SUPPORT GROWTH?

What you said...

56% of you agreed with us

OPTION C 13%

Retain all Council property and use rates to pay off debt. This would increase rates by 2.2% in total over the next 10 years.



OPTION B (PREFERRED) 56%

Sell land at Piripai and Port Ōhope and some limited other property holdings. Piripai and Port Ōhope land could be used for residential growth.

OPTION A 31%

Sell any Council property that is not making a return nor being used to deliver services.

KEY PROJECTS

The following issues are things we have been aware of and working on for a number of years. This information is provided as an update on the work we are currently undertaking to try and resolve some of our ongoing issues. These issues are all currently being investigated to ascertain the best way to progress. Once the studies have been completed we will consult with you further on these issues and our preferred solutions.

How we manage our waste

Since the closure of our landfill in 2009, we have been transporting our waste out of our District to Tirohia Landfill in the Waikato Region. Originally, we intended to build a new landfill in the District, potentially working in conjunction with other organisations and local councils. However, we are currently undertaking a more thorough investigation into our waste disposal options. This is because a new landfill may not be the most sustainable or cost effective solution for our community. Until we have completed this investigation, we will not know the best solution to our waste problem. In the meantime, we will continue delivering programmes and services to reduce the amount of waste we transport to Tirohia. We are not currently planning to develop a new landfill within our District over the 10 year period of this LTP.

Dealing with sewage in Matatā

Most of the urban areas within our District have reticulated sewerage systems that pipe sewage away from built up areas and deal with it in a contained and managed way. Matatā is a notable exception to this. Most Matatā residents rely on septic tanks to dispose of their sewage. There is concern that this may be starting to cause environmental and health issues as Matatā grows, partly due to the high level of water in the ground. We have been looking to provide a solution to this problem for many years and have now secured funding from the Ministry of Health of \$6.72m to help fund a reticulated scheme.

Despite this funding, the remaining cost of the project could potentially still be high. It is essential that we develop a scheme that is of maximum benefit to the whole community and is supported and joined by all residents of Matatā. We are continuing to investigate the best option and how much the scheme will cost. Any decision on the final scheme, will be made after further iwi and community consultation to hear the views of affected or interested residents. We have included \$7.10m, spread over the 2012-16 years, to complete the preferred option once finalised. This project is reliant on the Ministry of Health funding.

A secure and reliable source of water

We have 10 water schemes servicing the District. These all have unique characteristics based on their geographic location and the infrastructure that delivers the water to the community. An ongoing issue for many of the water schemes has been ensuring the water supply is secure and will not fail in case of a disaster, either natural or mechanical. In many of our smaller schemes we have undertaken works to provide for greater back-up, including providing increased storage capacity. However in Whakatāne, which supplies water to half our residents, and on the Plains, the mitigation works required are more in-depth. In Whakatāne we have been undertaking tests to locate an alternative water bore to provide a back-up source or emergency supply if required and as demand grows.

In the Plains we are undertaking a 50 year strategy to address issues of low water pressure, increased demand and a back-up source. The investigations for these two water supply schemes are ongoing and will lead to projects being proposed in the future to resolve our water security issues.

An accessible river entranceway

Access to the Whakatāne River for both recreational and commercial vessels is essential for the growth of Whakatāne. Reliable and consistent passage across the Whakatāne Bar is important for tourist trips, fishing charters, recreational fishing trips and yachts. Our bar can be susceptible to low tides, poor sea conditions and a build up of sand. This can result in a large number of days with the bar being inaccessible or restricted. To address this in more recent years we have been undertaking regular discing to remove the sand from the river mouth and keep the bar deeper and more accessible. This approach has been successful over the last year or two, however, it is not a sustainable option and may not be successful indefinitely. There have been discussions about a solution to the harbour access way for many years. We are currently investigating options to make the river more accessible for vessels. We will consult further on these options and will undertake modelling before applying for resource consent. Until a final option has been determined we have not

included budget within the LTP for construction. Further consultation alongside our next LTP (2015-25) will occur before we commence any construction. More information about this can be found in the 'Ports and Harbour' activity.

How we get in and around our District

The roading networks we provide in the District are core assets that the whole community rely on for transportation of goods, travel to essential services and day to day living. Roads and Footpaths is our largest group of activities, representing about 30% of our operating costs and 40% of capital spending last year. Ensuring access within and around our District, especially during times of natural disaster, is essential to maintain the safety and productivity of our community. During these natural events our roads and bridges are vulnerable to erosion, inundation and blockages that can impede or prevent traffic passing. This can come at a time when moving people, or resources around our District is most critical.

The cost to improve the security of our roads is very high, as it can require extensive excavation or construction. For example, the construction of a second bridge over the Whakatāne River would reduce the reliance on our one main bridge, but would be very costly to construct, including the road networks either side of the bridge.





We are currently undertaking a study to determine how secure the routes are into and around the Whakatāne Township. This study will identify the options and potential projects that would help to provide a high level of road access security and will specifically consider the need for a second bridge over the Whakatāne River. Until this study is completed, we will not undertake extensive projects to improve our route security. Any works suggested from the study will be considered and potentially incorporated through our next LTP (2015-25).

To improve route security through this plan, we will undertake minor works on both Thornton Road and Wainui Road, including widening the roads and improving the bends, to make the roads safer and more reliable. These projects are dependant on confirmation of NZTA subsidy. These are both key routes through our District that carry high traffic volumes and are essential for transporting goods in, out and around our largest urban area.

Deferring projects to keep rates down

Because of our focus on affordability we are not currently planning to pursue a number of other projects which we have previously discussed, unless substantial funding is received from other agencies. The key projects not being pursued are listed below:

- Integrated Cultural, Environmental and Tourism Centre (Whakatāne Centre)
- Construction of a multi sports events centre (investigations are proposed for 2021/22)
- Extending the water and sewerage systems at the airport
- Te Teko reticulated sewerage system
- Construction of Matatā Refuge Reserve Road and Tarawera River Western Access Road
- Seal extension programme
- A river walkway from Edgecumbe to Thornton
- Tennis courts in Ōhope
- Any new public conveniences and drinking fountains
- Civic Centre and Customer Services refit

There is also a large number of small renewals project we had planned, but which have now been deferred for the term of this LTP.