

BALANCING THE BOOKS

Our main financial goal is to achieve the community's aspirations, as identified in the Long Term Plan (LTP), in a fiscally responsible way. A big part of this is keeping our debt at manageable levels.

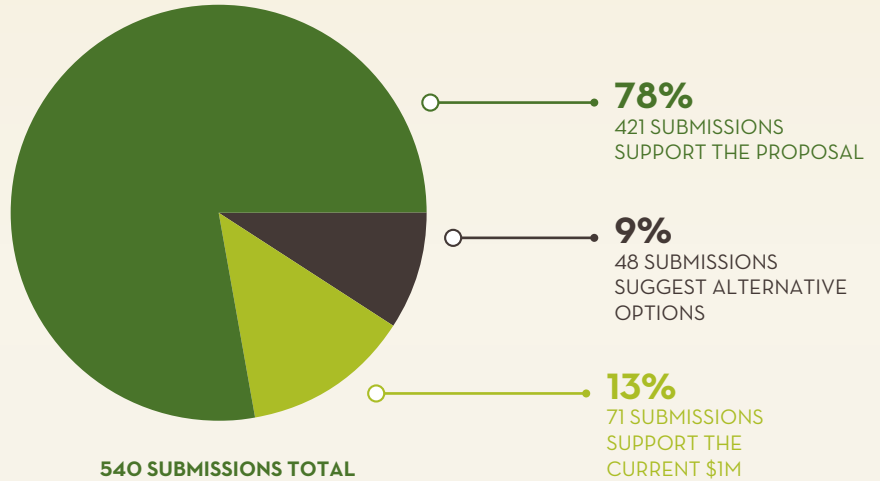
The Western Bay has experienced significant population growth in recent years. To service the growth we invested in infrastructure to meet our residents' needs.

This is funded through loans that will be repaid over time by those who benefit from the infrastructure. The good news is that our investment in infrastructure has created capacity that will serve our District well into the future.

Through the LTP Consultation Document we asked for your feedback on managing rates and debt.

We received 540 submissions on this topic.

USING \$2.5M FROM RATES TO FUND INTEREST AND DEBT



WHAT YOU TOLD US

"Reduce costs"

"Implement a rates freeze"

"Pay for core services and don't spend on non-essentials"

"Don't let rates increase beyond inflation"

"Keep rates affordable"

"Manage our debt"



OUR DECISIONS

As outlined in the introduction to this document, a significant part of the community engagement process was a 2000-plus signature petition calling for a rates freeze. This was presented to Council by the Western Ward Residents and Ratepayers Association. The rates freeze was considered but will not be implemented. The reasons for this are that it would significantly restrict Council's ability to service ratepayers' needs, reduce operational and maintenance work and not allow us to reduce debt.

Having considered all the feedback we decided to limit total rates increases to four percent per year, including an allowance for inflation and growth.

This is less than the five percent proposed in the Consultation Document. It means the income Council receives from rates will not increase by more than four percent in any year. Due to the way different types of properties are rated this limit does not guarantee an individual property's rates increase will be less than four percent.

We also decided to put a tighter limit on Council's debt-to-revenue ratio by reducing the ratio from 220 percent in 2016 to 180 percent by 2018. The reduction in debt relative to Council's income over the next 10 years will reduce Council's ability to borrow in the future.

Council will increase the funding it puts into growth-related debt interest payments from the \$1m allocated last financial year to \$2.5m. We will recover this from a mix of the general, uniform and roading rates. The proposed plan enables us to steadily reduce net debt over the next 10 years.

REASONS FOR OUR DECISIONS

It comes down to balance. Council works hard to strike a balance between what communities desire and what they need in the form of essential services. These are the key issues we considered when making decisions on rates and debt.

PAYING FOR CORE SERVICES

As part of the 2015-25 LTP preparation the proposed capital and operational expenditure budgets were thoroughly reviewed. Many projects in the plan maintain core assets such as water, wastewater, stormwater and transportation to ensure they are fit for purpose for today's and future residents. These services account for more than 60 percent of Council expenditure. Council is committed to maintaining its core infrastructure as required under the Local Government Act 2002. To ensure this happens we prepare Asset Management Plans and an Infrastructure Strategy that look forward 30 years. These are independently audited.

CUTTING COSTS WHILE MAINTAINING LEVELS OF SERVICE

Less funding encourages Council to reduce costs and innovate. This can be a good thing - up to a point. Council has already been doing this in a number of ways, such as maintaining total staff numbers and through a performance based roading contract that is forecast to save \$25m over nine years.

Some funding cuts lead to Council having to reduce levels of service. Deciding which services to reduce is a complex business, as what one person thinks is a non-essential service another sees as essential.

PAYING BACK DEBT

Council's net debt is currently \$125m. This is a reduction of \$38m since 2013 and is a decrease of 23 percent. The net debt per rateable property has also fallen from \$7200 in June 2012 to \$6070 in June 2015. This represents a reduction of 16 percent per property.

As part of the 2015-25 LTP Council worked hard to ensure debt continues to steadily reduce without compromising the services we provide.

KEEPING RATES AFFORDABLE

Affordability is of great concern. Many people told us that they are struggling financially - particularly those on fixed incomes. There are a number of options for making it easier to pay rates, including rebates, automatic payment plans and postponements. Council's website provides more information on these

options or you can phone our Customer Service Centre for assistance.

Rates vary considerably across the District, depending on what services - such as wastewater, water or stormwater - each ratepayer can access. The average rate for the Western Bay District is approximately \$2660. Some commentators use a figure in excess of \$3000. This is the average urban rate - not the average rate across the District.

Total rates are forecast to increase by an average of about three percent over the 10 years of the 2015-25 LTP. The 'real' effect is less than this when you allow for the expected average annual increase of 1.3 percent in the number of rateable properties - as well as a forecast long-term inflation rate of two percent.

In summary, we believe these decisions strike the right balance between managing debt, keeping rates affordable and continuing to prudently manage our infrastructure while delivering levels of service the community has come to expect.

DISTRICT CYCLE TRAILS

Cycleways or cycle trails offer many benefits to the community. They provide a safe place for cycling, and can encourage people to cycle or walk to work. There are health and fitness benefits, as well as recreation and tourism opportunities.

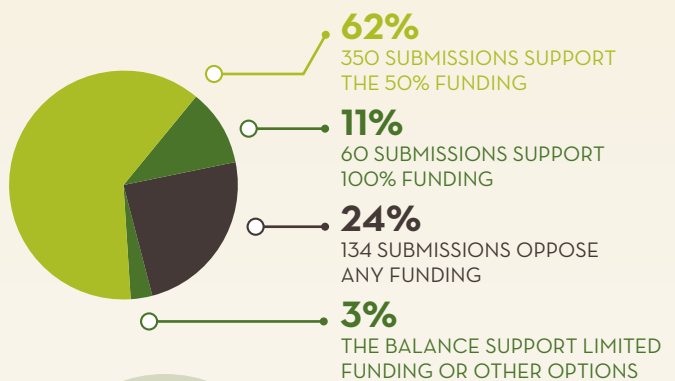
Through the LTP Consultation Document we asked for your feedback on investing in three cycle routes in our District.

The priority routes are:

- Omokoroa to Tauranga along a coastal route (with Tauranga City Council)
- Waihi to Waihi Beach (with Hauraki District Council)
- Tauranga Eastern Link, from Kaituna Road to Maketu and Paengaroa.

We received 569 submissions on the District Cycle Trails. We received a further 226 submissions on other roading issues, the majority relating to roading upgrades and suggestions for cycling routes.

DISTRICT CYCLE TRAILS:
569 SUBMISSIONS



WHAT YOU TOLD US

“\$3m over 10 years is an appropriate amount to invest”

“Council should invest in cycleways”

“We support cycleways but deal with debt first”

“\$6m is too much to spend over the next 10 years”

“We need to encourage more people to walk and cycle rather than drive”

“Off-road cycleways are safer to use”

OUR DECISIONS

Having considered the feedback we decided to proceed with option three - funding of \$3m over 10 years.

Council is taking a multi-party funding approach for the cycleway construction with contributions and support sought from the New Zealand Transport Agency, community trusts, Tauranga City Council and other organisations.

The ability to gain external funding and support from partner organisations was a big part of this decision.

In general the cycleways will be off-road, beside the road, or use roads with low traffic volumes. They will be used for walking and cycling with the potential on certain sections for horse riders to use the cycleway, or space beside it. The cycleways will include

appropriate signage of historical and environmental features and links to local businesses.

Construction will be a mixture of gravel, concrete or seal and will be constructed in sections. The rate at which the cycleways are constructed is subject to the total funding package. Full routes may take several years to complete.

Some of the future links proposed are:

- Kiwi 360 to Te Puke
- Waihi Beach to Katikati and Omokoroa
- Trails within Katikati



REASONS FOR OUR DECISIONS

The cycleways will eventually form part of the Tauranga Moana Coastal Cycle Trail which will extend from Waihi Beach around the edge of Tauranga Harbour to Tauranga and Maketu, then inland to Paengaroa.

Investment will result in substantial benefits from tourist spending, as well as the health and recreation benefits mentioned above. Working in partnership with other agencies is a good thing for our District as we get

maximum value from each dollar we spend. We believe the decisions respond to the concerns of those who were opposed to spending on cycleways and those who advocated for them.

FUNDING FOR STORMWATER ACTIVITIES

We provide stormwater systems such as pipes, drains and outlets into rivers and the ocean to help prevent flooding. With climate change comes more frequent and severe rain events and, in some areas of our District, more risk of flooding.

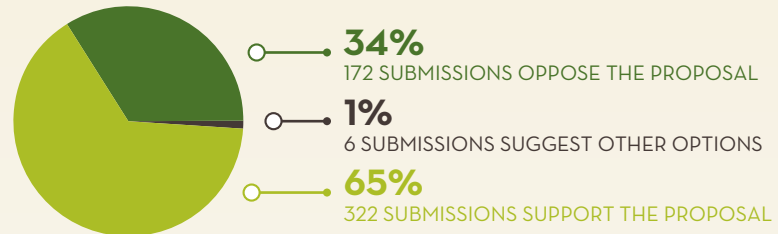
How we manage and pay for stormwater was a significant part of our Consultation Document. We sought your feedback on two specific issues:

- changing how we rate for stormwater from 100 percent funding through targeted rates to 90 percent from targeted rates and 10 percent from general rates
- dealing with flooding at Waihi Beach.

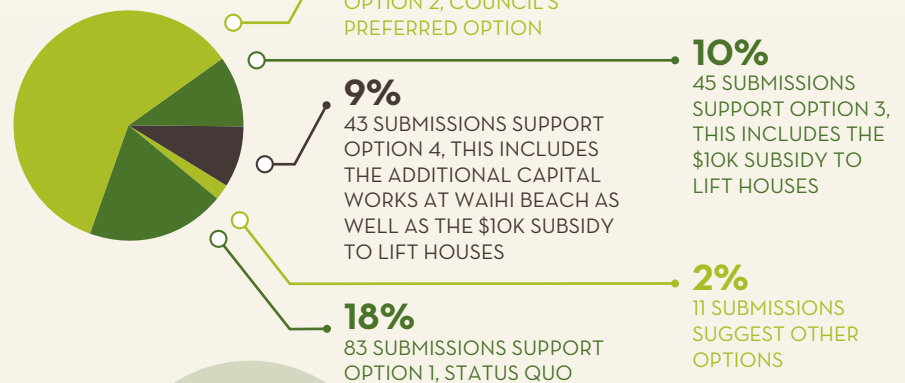
A number of people made suggestions about other stormwater management issues, including requests for specific work to be done.

We received 154 submissions on general stormwater-related issues and more than 500 on specific stormwater issues such as Waihi Beach and our stormwater revenue policy.

STORMWATER REVENUE AND FINANCING POLICY CHANGE TO 90% TARGETED RATE 10% GENERAL RATE: 500 SUBMISSIONS



WAIHI BEACH STORMWATER: 462 SUBMISSIONS



WHAT YOU TOLD US

"Stormwater should be funded on a District-wide basis"

"Don't fund any additional stormwater works"

"We definitely need additional works at Waihi Beach"

"If we don't benefit from the stormwater works we shouldn't have to pay"

"Splitting funding between targeted and general rates is a good idea"

"Offering a house-raising consent fee waiver for at-risk properties will be helpful"

"There's no need to do additional works at Waihi Beach"

OUR DECISIONS

Having considered the feedback we decided to roll out a \$20m District-wide stormwater flood prevention programme over the next 10 years including \$3m for additional works at Two Mile Creek, Waihi Beach. Council will also offer a house-raising consent fee waiver of up to \$3000 for flood prone properties.

We will fund 90 percent of our stormwater activities through a

targeted rate for those ratepayers who benefit directly and 10 percent from general rates. Currently stormwater is funded entirely through targeted rates.

We are increasing the annual stormwater charge for growth communities - Te Puke, Waihi Beach, Omokoroa and Katikati by \$100 to \$367. Other communities will continue to be charged \$156.