

ANNUAL PLAN SUMMARY

2011/12

THE YEAR AHEAD



choice

HAVE YOUR SAY

WHAT ARE
THE ISSUES?

WHAT ARE
THE COSTS?



FROM THE MAYOR

Let's be honest– the majority of Council work is boring. Sewerage, planning, budgets, roading... it's not quite what you'd call scintillating is it? Nevertheless it's all vital stuff and making sure everyone can understand it is equally important.

Which is why this draft plan has been written and designed to be easy to follow. Sure, all the minutiae has been left out but you're welcome to come and have a closer look here at QLDC. Your Councillors certainly have!

So if you've never read one of these before, make yourself a cuppa and give it a good going over.

And if you've got any queries or concerns, get in touch. Mind, if you love it, we won't complain if you let us know that too!

And here's the big headline to get you started... there's some good news about rates in here!

1 Vanessa van Uden Mayor

10-YEAR-PLAN 2009-2019

The 10-Year-Plan is the guiding document for Council. It is reviewed formally every three years and is next due for review in 2012. It outlines a programme of work; financial and economic assumptions including growth; and forecasts the future.

Each year, the Council must also produce an Annual Plan. This plan gives effect to the long term plan; checks assumptions and forecasts; and is the basis for setting the rates.

Affordability

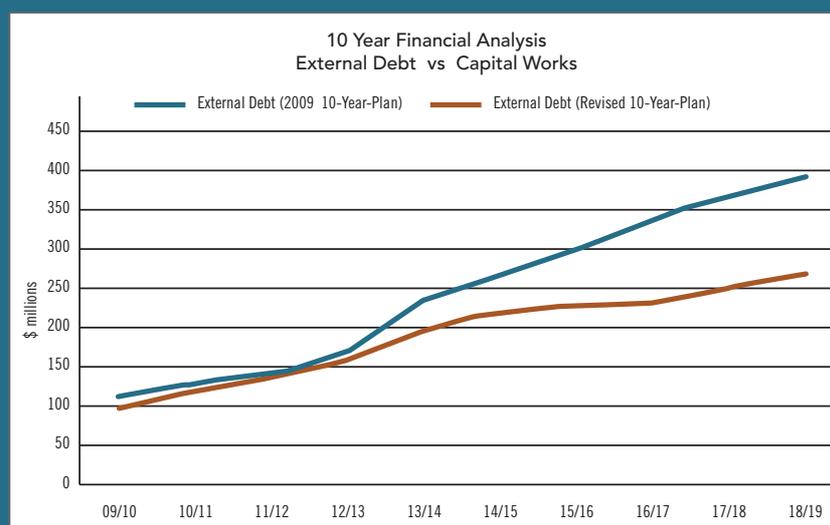
A key issue within the 10-Year-Plan adopted in 2009 was affordability. It forecast a debt level of \$393 million by year 2019.

There were a number of options available to the previous Council including: reduction in capital expenditure; property sales; and higher rates and user charges. All of these were rejected in favour of a long term expenditure review. This work is ongoing and contributes to the Draft Annual Plan 2011/12.

What has been achieved since 2009?

A 10-Year-Plan Steering Committee comprising elected members and staff was established in 2009. The group has spent two years reviewing operating and capital expenditure, prioritising projects and focusing on debt reduction. A report was presented to Council in October 2010 identifying key findings as follows:

- Water demand management shows the greatest potential for savings, with \$72.4m achievable from the 10-year capital programme.
- Infrastructure services projects present the second highest potential savings of up to \$65.8m. This will be achieved through improvements to cost estimating methodology and current market conditions.
- The revised 10-year capital expenditure programme, with the \$167.8m of savings, is now incorporated in the financial models for development contributions and the 10-Year-Plan. It shows Council's peak debt levels in 2018/19 reducing by 32% from \$392.5m to \$266.9m, a reduction of \$125.7m. This change is shown in the graph:





Faye - customer services advisor, here to help.

DRAFT

ANNUAL PLAN

This draft plan outlines what ratepayers and residents are being asked to pay for the services Council provides. The Council's aim is to deliver great service and great value.

The Draft Annual Plan has a clear focus on affordability and gives effect to the promises made in the 10-Year-Plan 2009. This document is about Council's core business, however there may be other priorities that we need to hear about from the QLDC community.

Some of the proposals within the draft plan, especially regarding affordability and funding - such as the options proposed on roading - may not be acceptable to everyone.

There is a lot of good news in this draft plan; for example, a rate decrease before including debt reduction proposals; funded plans for a new sports facility in Wanaka; and much improved value for money from our water maintenance contract.

On balance the Draft Annual Plan is positive for rates and debt reduction but there have been tough decisions made in order to achieve this outcome. You may support the proposals or you may not agree. The Council looks forward to listening to your views before this plan can be formally adopted in June.

Let's talk about it
COFFEE MORNINGS

QUEENSTOWN
COUNCIL CHAMBERS, 28 APRIL 10AM-1PM

WANAKA
COUNCIL OFFICE, 29 APRIL 10AM-1PM

Timeline 2011	
DRAFT PLAN ADOPTED	12 APRIL
SUBMISSIONS OPEN	16 APRIL
SUBMISSIONS CLOSE	16 MAY
SUBMISSIONS HEARD	1&2 JUNE
PLAN ADOPTED	28 JUNE



WHAT DID THE 10-YEAR-PLAN INCLUDE FOR 2011/12?

The main features of the 10-Year-Plan forecast for 2011/12 were:

- Operating Costs of \$85.87m which represented an increase of \$4.6m (5.67%) over the 10-Year-Plan budget for 2010/11 – this is primarily made up of increases in depreciation of \$1.45m and interest of \$708k. These two items account for 47% of the increase in operating costs for the year and are a direct result of the projected capital programme from previous years.
- The balance of the increase of around \$2.42m is made up of projected increases in expenditure as a result of inflation and/or growth. On average, this combined adjustment represents an increase of around 3.0% for the year. The assumption built in for growth in the district was 3.3% and the inflation adjustment ranges between 3.0 and 3.4%.
- The capital expenditure budget was forecasted at \$69.1m, slightly down from the previous year.
- The rating effect of this forecast budget for 2011/12 was an average overall rates increase of 2.54%.

WHAT HAS CHANGED?

The main features of the Draft Annual Plan budget for 2011/12 are:

- Operating Costs of \$80.57m which represented an increase of \$1.6m (2.05%) over 2010/11 – this is primarily made up of increases in depreciation \$571k and Interest \$138k. These two items account for 44% of the increase in operating costs for the year and are a direct result of the projected capital programme from previous years. This is \$5.3m (6.1%) less than the 10-Year-Plan forecast.
- The balance of the increase of around \$890k is made up of projected increases in expenditure as a result of increased power costs (\$316k); increased insurance related costs In the Regulatory group of activities (\$350k) and for increases in the Community activities for maintenance of new reserve areas (\$157k); turf maintenance associated with Rugby World Cup (\$62k) and increased maintenance provision for the facilities managed by Lakes Leisure (\$57k).
- The capital expenditure budget been reduced by \$8.73m down to \$60.46m from the \$69.1m forecast, a reduction of 12.6%.
- The draft budget shows a rates requirement of \$40.6m in targeted rates and \$13.5m for general rates. This represents an overall increase of 2.74% over 10/11 rates after allowing for growth (growth factor 2.0%). This compares to an overall increase of 2.54% included in the original 2011/12 10-Year-Plan budgets (growth factor 3.3%). It should be noted that our growth assumption for 2011/12 has been reduced to 2%.

KEY CHANGES TO 10-YEAR-PLAN

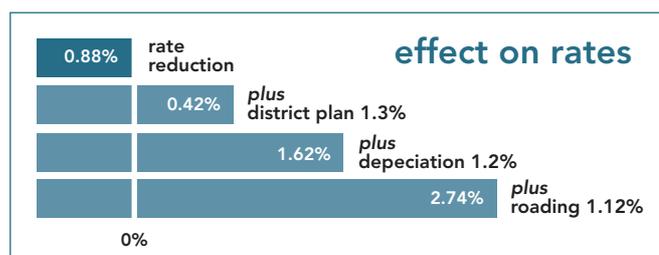
DEBT REDUCTION

Included in the draft budgets for 2011/12 are several proposals, which will collectively reduce Council debt by around \$1.9m. This is seen as a responsible approach to the management of Council debt (expected to be around \$107m by 30 June 2011).

Prior to the changes recommended, rates were forecast to decrease by 0.88% (after allowing for growth).

The budget for 2011/12 as presented, provides an affordable rate increase and makes some significant headway into debt reduction.

These changes will impact on rates for the year and effectively take us from a position of an overall rates reduction of 0.88% to an overall increase of 2.74%.



District Plan **1.3% rate increase total 0.42%**

The District Plan activity (including the cost of plan changes) has until now been partly loan funded (65%). This was because the the plan had a benefit to future generations. The plan is now fully operative and the balance of the loan sits at around \$8.5m.

The net costs of the District Plan for 2011/12 are estimated at \$1.79m; this includes plan changes, monitoring, legal fees and staff time. It is recommended that this cost is fully covered by rates for 2011/12 and beyond.

The effect is that an additional \$683k is required from rates for the year; the benefit is that the loan balance does not increase. This proposal would result in a rate increase of 1.3% leading to an overall rate increase of 0.42%.

Depreciation **1.2% rate increase total 1.62%**

Depreciation expense has increased by \$571k for the year in infrastructure activities. Council is not required to fully fund depreciation and has never done so. For the 2010/11 year Council funded around 63% of depreciation expense for infrastructure. These funds are collected in the rates and applied to renewal projects and to repay debt.

It is proposed to increase the proportion of funded depreciation to 65% for these activities. This will mean an additional \$622k of rates collected for three waters (water, waste-water, storm-water) which will mostly be applied to additional loan repayments. The main activity affected is wastewater (\$577k).

This proposal would result in a further rate increase of 1.2% leading to an overall rate increase of 1.62%.

Roading **1.12% rate increase total 2.74%**

It is proposed to add \$600k of roading debt repayments to the budget for 2011/12. These repayments will be funded from rates with \$400k coming from the Wakatipu wards and \$200k from Wanaka.

This proposal would result in a further rate increase of 1.12% leading to an overall rate increase of 2.74%.

VALUE FOR MONEY

The past financial year has seen a significant drive towards value for money across many Council activities and budgets, for example:

- A major review of the three waters contract has been undertaken and significant savings have been identified whilst increasing the scope of work.
- Staffing requirements have also been under scrutiny with a further review scheduled. The staff budget for 2011-12 shows a reduction of approximately 2.5 FTE from the previous year.
- We have reviewed our approach to organisational performance management with an emphasis on effectiveness and efficiency and are on target to deliver for the 2012 10-Year- Plan.



ROADING - LEVEL OF SERVICE

Should current levels of service be reduced in winter (snow and ice) and summer (dust)?

Should the NZTA funding gap (if NZTA does not support an increase) be 'made up' by increasing rates?

Or are there other solutions such as the overnight closure of the Crown Range or user-pays for dust suppression?



Option: Reduce road gritting?

As a result of the insufficient funding from NZTA, maintaining the current level of service would result in a rate increase. The draft plan is consulting on a reduced level of service. This option:

- Is to retrench gritting to the 19 main arterial roads only and school/urban scheduled bus routes. This will mean most local roads will not be gritted at all.
- Would delay the removal of grit for roads for up to a week (currently 3-4 days).
- Has led to a saving of \$130k or, a 0.25% decrease in the rate.
- Has a potential detrimental impact on road safety.

Insufficient New Zealand Transport Agency (NZTA) funding means we are faced with some tough choices about winter gritting.

Option: Cut road oiling?

This past year over 225,000 litres of oil was applied for dust control on the district's unsealed roads. The Council is considering ending ratepayer funded road oiling. The draft plan is consulting on a reduced level of service. This option:

- Is to cease the oiling of roads (approx 40 km of the network).
- Has led to a saving of \$255k (ratepayers fund \$145k and NZTA the remainder), a 0.27% rate decrease.
- Has a potential detrimental impact on road safety and dust nuisance.

The Council has now moved towards a proactive approach to a more environmentally acceptable process called Otta seal (a dust suppression seal with a seven plus year life expectancy). The Council is seeking to accelerate the Otta seal programme (\$100k). This will allow approximately 7km per year to be treated with Otta seal.

It is possible all unsealed roads that are currently oiled will be Otta sealed within the next four to five years.

In the interim should Council make oiling an individual, private cost to affected households/ business that want it?

(For a list of roads that will be Otta sealed or will not be oiled go to www.qldc.govt.nz and view the draft annual plan (page 36).

Option: Crown Range

As a result of insufficient funding from NZTA, maintaining the current level of service on the Crown Range would result in a rate increase. The draft plan is consulting on a reduced level of service. Please note the Council is continuing discussions with NZTA.

This option:

- Is to limit vegetation control, gritting/snow and ice clearance on the Crown Range to a budget of \$160k, (as approved by NZTA). This is significantly less than the current budget of \$306k.
- Has a potential detrimental impact on access (particularly ski fields). The road would not be cleared and gritted from 5am as it has been previously. Such a reduced level of service could clearly impact on winter ski area activities and potentially create safety issues.

**Crown Range -
the road would
NOT be cleared and
gritted from 5am.**



WASTE MANAGEMENT

The proposal is to pay a lower rate (waste management charge) and maintain recycling user charges at the current level. However landfill levy, transfer station and blue bag charges would increase, resulting in residents paying more according to the amount of rubbish they produce. This would lead to reductions of 12.6% (residential) and 11.4% (commercial) in rates for waste management (Waste Management Charges).

The table below shows the proposed new waste management charges.

Summary of Fees & Charges (inc GST)		2010/11 Actual	2011/12 Proposed	Change
Landfill Levy	per tonne	\$40.50	\$44.75	10.50%
Cars/Small Loads < 250 lt	per trailer	\$13.00	\$14.50	11.54%
Trailers Under	per trailer	\$28.00	\$31.00	10.71%
Trailers etc Over	per tonne	\$165.00	\$182.00	10.61%
30L Bag (incl. margin)	per bag	\$2.00	\$2.20	10.00%
60L Bag (incl. margin)	per bag	\$3.00	\$3.30	10.00%
120L Bin (incl. margin)	per bin per year	\$199.31	\$219.50	10.13%
240L Bin (incl. margin)	per bin per year	\$347.01	\$382.10	10.11%
Recycling Centre Recoveries	per tonne	\$40.00	\$40.00	0.00%
Green Waste GateCharges (\$/T)	per tonne	\$65.00	\$65.00	0.00%
Waste Management Charge (commercial)	per property	\$123.00	\$109.00	-11.4%
Waste management Charge (residential)	per property	\$172.84	\$151.00	-12.6%



Rachel - town custodian, sense of pride.

COMMUNITY SERVICES CONSOLIDATION

After a period of significant capital investment including Alpine Aqualand, extensive development of tracks and trails throughout the district, playground upgrades and the development of several new major reserve areas, it is now a period of consolidation with a focus on good maintenance and asset management.

The Council has decided to defer a number of capital works in the parks and reserves areas in order to reduce the cost of borrowing. However the Council will continue to fund NZ Cycleways with a contribution of \$250k towards delivery of this \$5.1 million project.

WATER DEMAND MANAGEMENT

One of the key contributors to affordability is Water Demand Management. Our water use in this community is reported to be the highest of any district in New Zealand.

How much water do you use?

A detailed progress report was presented to the full Council in October 2010. A key finding of this report was that the impact of water demand management shows the greatest scope for savings, with a potential \$72.4m achievable from the 10-year capital programme.

It is important that we change our thinking about water consumption and constantly remind ourselves that tap water is not free. This water must meet stringent drinking water standards and pass through a multi-million dollar infrastructure, consuming energy on its way.

In addition the Council needs to set ambitious targets to reduce leakage. We are working to tackle leakage with an active programme in Queenstown and Wanaka. Last year we identified that leakage in the district was in the area of 30-50% of the total network. In New Zealand, best practice is 15% and this is something we must aspire to.

WANAKA SPORTS FACILITY

In March (2011) the Council took a decision on the location of the proposed Wanaka facility. The decision is to locate the Wanaka Sports Facility, future aquatic centre and associated courts on land located on Three Parks and North Three Parks. This is situated to the east of Wanaka, within two kilometres of central Wanaka.

The new sports facility is scheduled to be constructed within the next four years. The Council is working towards signing the stakeholder agreements with landowners and will then commence work on the detailed feasibility.

Initially the building is proposed to be a two-court stadium and consultation will now take place with sports groups, regional codes and potential partners in the building.

PROJECT SHOTOVER

Project Shotover would put an end to the discharge of treated wastewater into the Shotover River. In March the Council decided to defer the delivery of the project by one year. Newly installed flow meters have provided more accurate information and a clearer wastewater flow model.

The outcome is that projected flows drop by over one third and, based on these new figures, we will be looking for a better value, more affordable solution.

The Council does not want to develop the project before it is needed and has deferred the project by at least one year from 2013 to 2014 (this is still within consented timeframes) which still allows us to meet the 22 April, 2014 consent deadline.

In the interim the Council will continue to discharge treated wastewater into the Shotover River. Should the project be deferred beyond 2014 Council will need to revise existing resource consent conditions.

RATES

The Council has worked hard over the past few months to reduce the level of rate increases without drastically cutting levels of service. Consequently, the Draft Annual Plan for 2011/12 shows a rates requirement of \$40.6m in targeted rates and \$13.5m for general rates. This represents an overall increase of 2.74% over 2010/11 rates after allowing for growth (growth factor 2.0%).

What do rates pay for?

Targeted Rates

These rates are applied through: the recreation charge; the roading rate; the governance charge; aquatic centre charge (Wakatipu); stormwater rate; tourism promotion rate; waste management charge; water supply rate; and sewerage rate and are applied to the services you receive and where you live.

General Rate

This rate covers things like walkways and reserves, public toilets, emergency services and Council management and is applied to all ratepayers.

Uniform Annual General Charge (UAGC)

This charge covers things like cemeteries, community development, health, enforcement and waterways control and is also applied to all ratepayers.

How have the rates changed?

The main features of proposed rates are:

- UAGC has decreased by \$0.12 per property from \$68.12 to \$68.00.
- Waste Management Charge has decreased by \$21.84 per residential property from \$172.84 to \$151.00.
- Waste Management Charge has also decreased by \$14.02 per non residential property from \$123.02 to \$109.00.
- Aquatic Centre Charge (Wakatipu only) has decreased by \$1.54 per property to \$92.00 per annum.
- Recreation Charge has decreased by \$12.60 per property to \$268.00 per annum.
- Governance Charge has decreased by \$0.10 per property to \$128.00.
- Increase for some targeted rates for Water Supply and Wastewater as result of increases in depreciation (see page 4) and the estimated prices from the utilities maintenance contract:

Water supply (inclusive of GST) per annum	Existing	Proposed
Queenstown	\$213.50	\$220.00
Wanaka	\$162.66	\$166.00
Arrowtown	\$162.66	\$160.00
Glenorchy	\$589.67	\$650.00
Hawea	\$284.67	\$290.00
Arthurs Point	\$589.67	\$650.00
Lake Hayes	\$488.00	\$550.00
Luggate	\$437.16	\$480.00

Sewerage (inclusive of GST) per annum	Existing	Proposed
Queenstown	\$278.70	\$316.00
Wanaka	\$528.66	\$524.00
Arrowtown	\$372.11	\$436.00
Hawea	\$488.00	\$524.00
Arthurs Point	\$467.67	\$380.00
Lake Hayes	\$382.26	\$416.00
Luggate	\$488.00	\$500.00

The level of increase will be confirmed once the utilities maintenance contract renewal process has reached the point of agreeing the contract price for next year. This is expected to be confirmed during the submission period.

THE COST

How are you affected?

RATE SAMPLE 2011/12

SUMMARY OF INDICATIVE TOTAL RATE MOVEMENTS 11/12

- Residential movements range from 0.88% decrease (Arthurs Point) to 3.3% increase (Glenorchy).
- Commercial increases range from 2.23% (Arrowtown) to 3.92% (Queenstown).
- Accommodation increases range from 2.41% (Wanaka) to 5.47% (Queenstown).
- Rural property increases range from 4.15% to 8.06%. These increases are mainly due to the increases in capital value rates (roading and general rates) to fund the debt reduction proposals.

The following table shows the indicative impact by location and land use:

Property Type	CV	Location	% Movement	\$ Movement
Residential	\$691,200	Queenstown	2.62%	\$58.68
Commercial	\$1,287,600	Queenstown	3.92%	\$233.06
Accommodation	\$1,287,600	Queenstown	5.47%	\$422.87
M/U Accommodation	\$831,600	Queenstown	3.30%	\$101.35
Vacant	\$432,000	Queenstown	3.29%	\$58.13
M/U Commercial	\$831,600	Queenstown	3.02%	\$88.53
Residential	\$583,200	Wanaka	1.04%	\$23.61
Commercial	\$777,000	Wanaka	2.68%	\$110.99
Accommodation	\$777,000	Wanaka	2.41%	\$140.68
M/U Accommodation	\$648,000	Wanaka	1.79%	\$50.83
Primary Industry	\$3,597,000	Wanaka	7.16%	\$268.58
Country Dwelling	\$1,187,200	Wanaka	4.15%	\$79.52
Vacant	\$324,000	Wanaka	1.38%	\$22.42
M/U Commercial	\$648,000	Wanaka	1.59%	\$43.24
Residential	\$507,600	Arrowtown	1.52%	\$31.15
Commercial	\$1,221,000	Arrowtown	2.23%	\$132.63
Accommodation	\$1,221,000	Arrowtown	4.65%	\$372.23
M/U Accommodation	\$680,400	Arrowtown	1.83%	\$51.78
Vacant	\$270,000	Arrowtown	2.63%	\$39.22
M/U Commercial	\$680,400	Arrowtown	1.51%	\$41.30
Primary Industry	\$2,943,000	Wakatipu	8.06%	\$246.67
Country Dwelling	\$1,534,400	Wakatipu	6.13%	\$136.30
Residential	\$496,800	Glenorchy	3.30%	\$62.90
Residential	\$324,000	Albert town	-0.15%	-\$2.87
Residential	\$399,600	Hawea	2.25%	\$43.64
Residential	\$496,800	Kingston	0.20%	\$2.57
Residential	\$540,000	Arthur's Point	-0.88%	-\$21.39

