



2024-34 Long-Term Plan

Finance and Funding Overview

Council Workshop

28 June 2023

Workshop Purpose and Outline

- Overview current financials and funding
 - To provide background and context for next step
- Current funding LTP and AP2023-24
- Financial strategy – including non rates funding ie investments
- Revenue and Financing Policy – rates impact
- Rates – general information

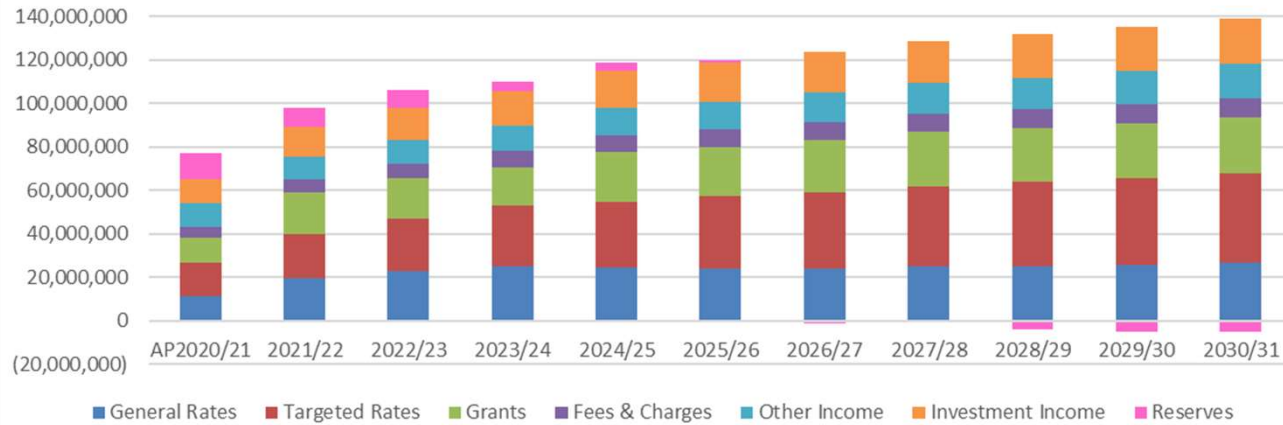
Financial Review Process

Series of workshops planned

- **23-May:** Overview legislative requirements
- **28-Jun:** Overview of current funding
- including ORC rates, RC rates and current financial strategy / RFP
- **2-Aug:** RFP / rates – independent report back on sector RFP's, principles and rationale for change
- **24-Aug:** RFP / rates – framework and FNA
Determine options to model
- **21-Sep:** Review options / modelling
Determine preferred options for Draft AP
- **25-Oct:** Draft FS and RFP

Current Funding (LTP 2021-31)

How we pay for our activities



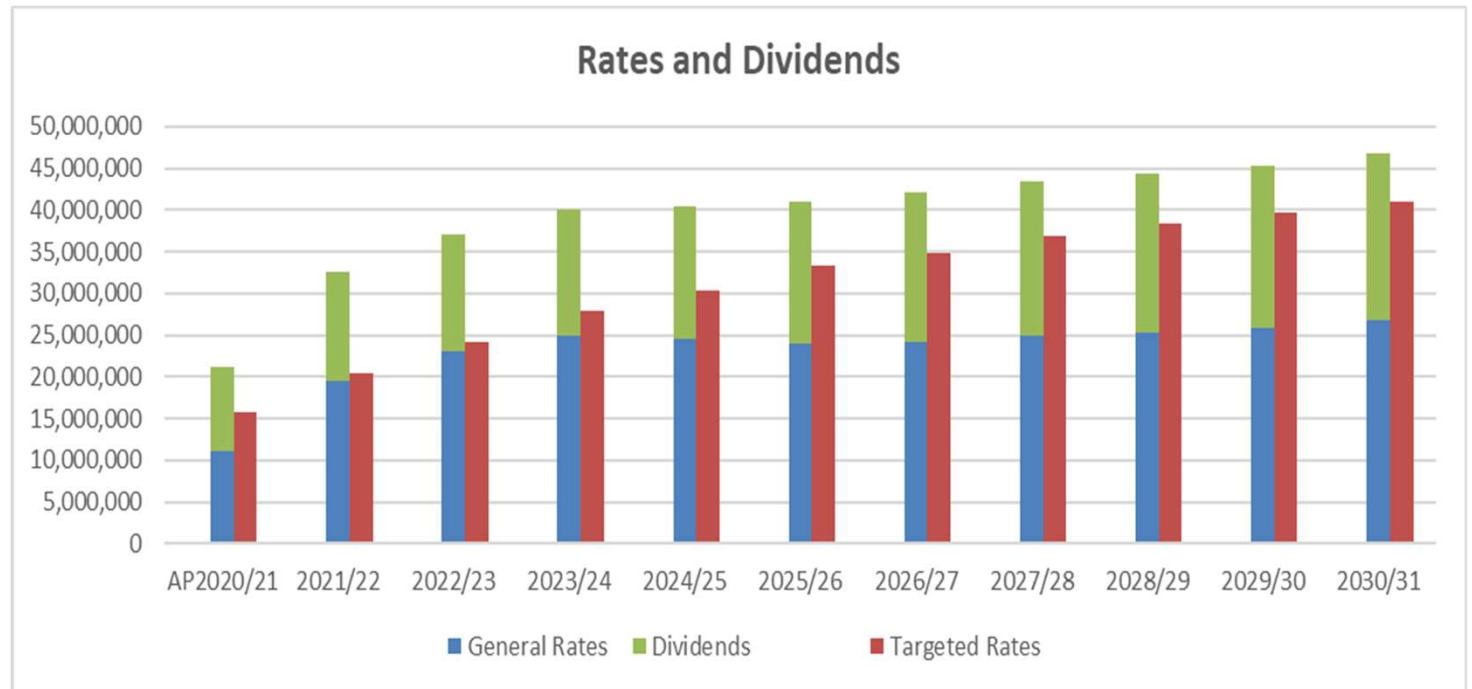
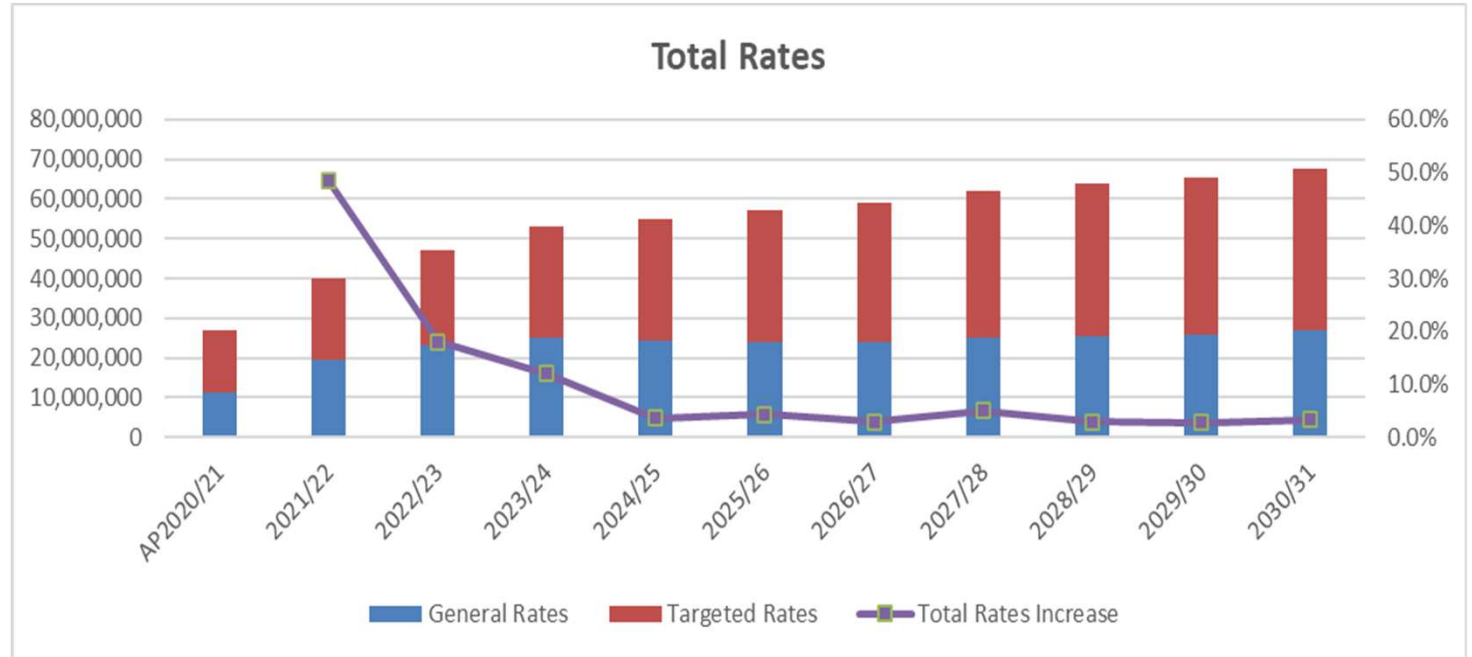
Funding Distribution
AP20/21, LTP Year 1 and Year 10



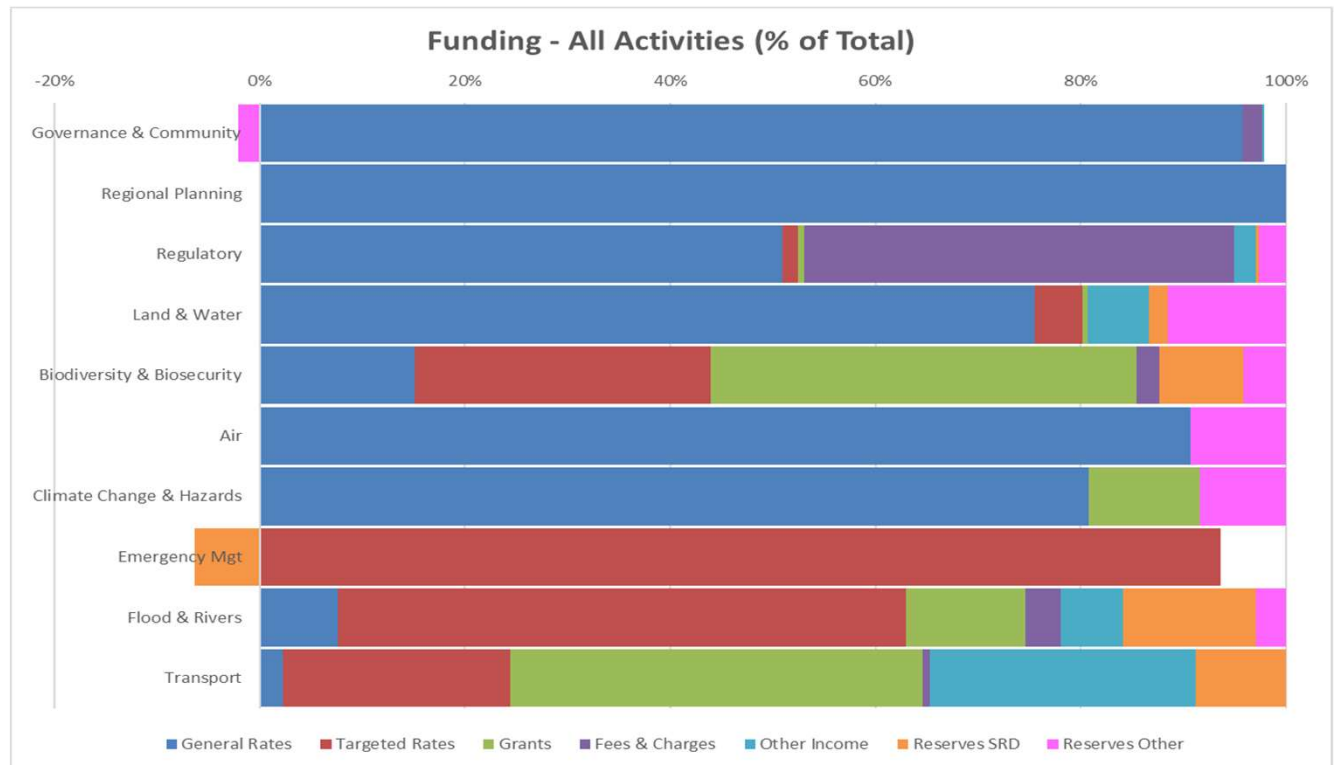
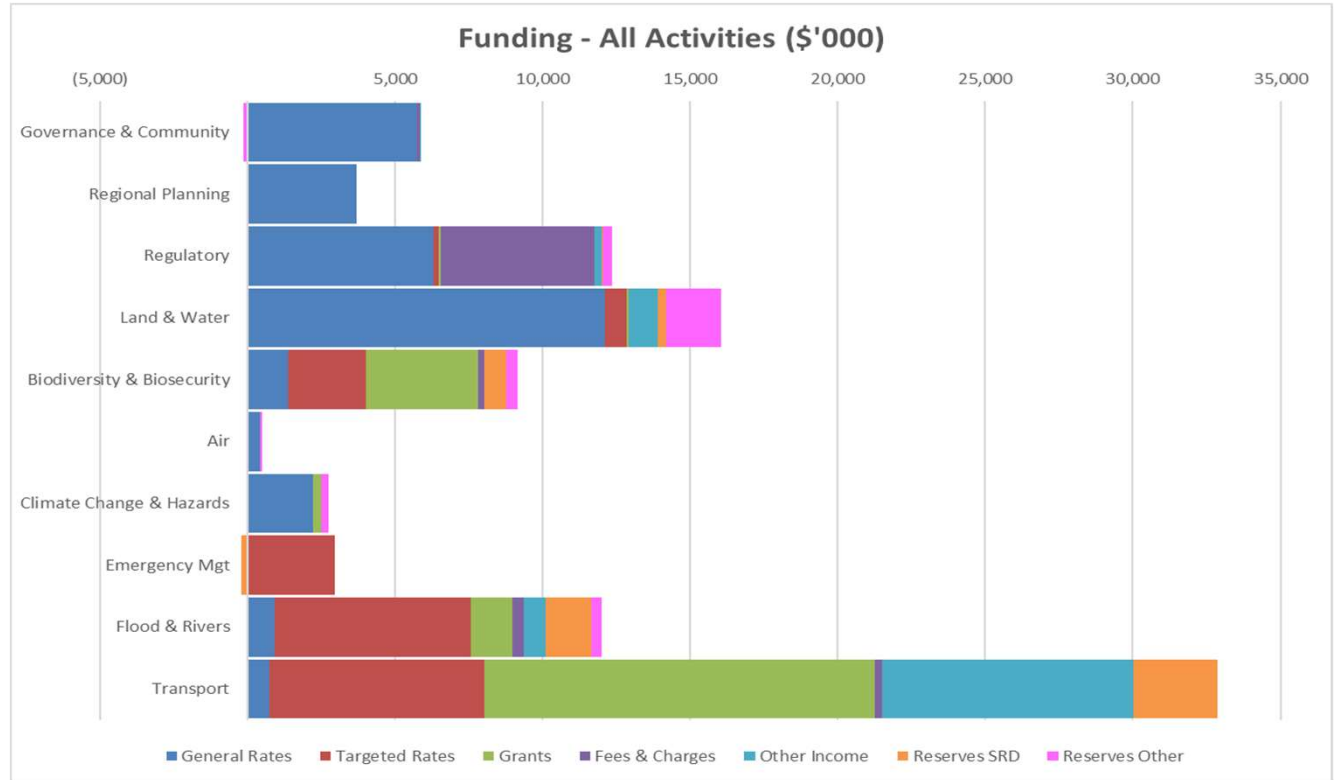
FUNDING SUMMARY - \$	AP 20/21	LTP1 21/22	LTP2 22/23	LTP3 23/24	LTP4 24/25	LTP5 25/26	LTP6 26/27	LTP7 27/28	LTP8 28/29	LTP9 29/30	LTP10 30/31
General Rates	11,180	19,577	23,113	25,016	24,497	23,917	24,104	25,025	25,376	25,879	26,794
Targeted Rates	15,777	20,462	24,128	27,882	30,311	33,308	34,845	36,916	38,385	39,644	40,952
Total Rates	26,957	40,039	47,242	52,898	54,808	57,225	58,949	61,941	63,761	65,524	67,746
Grants	11,474	18,856	18,510	17,760	22,837	22,813	24,427	25,041	25,040	25,564	25,957
Fees & Charges	5,050	6,158	6,728	7,451	7,631	7,839	8,050	8,262	8,482	8,704	8,928
Bus Fares	8,130	7,050	7,794	8,667	9,368	9,787	10,219	10,664	11,132	11,615	12,112
Other Income	2,641	3,438	2,970	3,086	3,149	3,215	3,281	3,347	3,415	3,485	3,554
Dividends	10,100	13,000	14,000	15,000	16,000	17,000	18,000	18,500	19,000	19,500	20,000
Interest & Investments	915	928	928	928	928	928	928	928	928	928	928
Reserves - SRD	5,262	5,309	5,307	2,797	3,299	(91)	(2,251)	(1,763)	(5,236)	(5,769)	(5,856)
Reserves	1,867	3,039	2,693	1,568	1,002	1,253	1,022	1,158	1,432	1,007	943
Total Non Rates (excluding Offset)	45,438	57,777	58,930	57,256	64,213	62,744	63,675	66,135	64,193	65,032	66,567
General Reserve Offset	4,883										
TOTAL REVENUE	77,278	97,816	106,172	110,154	119,022	119,969	122,624	128,076	127,954	130,556	134,313
General Rates	0.0%	75.1%	18.1%	8.2%	-2.1%	-2.4%	0.8%	3.8%	1.4%	2.0%	3.5%
Targeted Rates	3.9%	29.7%	17.9%	15.6%	8.7%	9.9%	4.6%	5.9%	4.0%	3.3%	3.3%
Total Rates	2.3%	48.5%	18.0%	12.0%	3.6%	4.4%	3.0%	5.1%	2.9%	2.8%	3.4%

LTP

Funding: Rates and Dividends



Funding: All Activities (LTP Yr 1 2021-22)



Annual Plan 2023-24 (LTP Year 3)

EXPENDITURE SUMMARY	Actual 21/22	Annual Plan 22/23	LTP 23/34 Year 3	AP 23/34 Year 3	AP vs LTP Mvt \$
Governance & Community	6,881	7,775	7,598	8,649	1,051
Regional Planning	2,748	2,293	2,751	3,071	321
Regulatory	12,829	13,477	14,427	14,245	(182)
Regional Leadership	22,458	23,545	24,776	25,965	1,189
Land & Water	14,157	18,937	18,552	20,293	1,740
Biodiversity & Biosecurity	10,587	11,460	9,824	10,531	707
Air	650	810	786	968	183
Environment	25,394	31,206	29,162	31,791	2,630
Climate Change & Hazards	2,273	3,413	3,551	3,607	57
Emergency Mgt	2,657	3,336	2,960	3,497	537
Flood & Rivers	10,033	12,540	11,894	13,108	1,214
Safety & Resilience	14,963	19,289	18,405	20,212	1,807
Transport	30,150	34,762	37,811	36,118	(1,693)
TOTAL EXPENDITURE	92,965	108,801	110,154	114,087	3,933

FUNDING SUMMARY	Annual Plan 22/23	LTP 23/34 Year 3	Mvt %	AP 23/34 Year 3	Mvt %	AP vs LTP Mvt \$
General Rates	23,127	25,226	9.1%	28,263	22.2%	3,037
Targeted Rates	24,101	27,672	14.8%	27,515	14.2%	(157)
Total Rates	47,228	52,898	12.0%	55,778	18.1%	2,880
Grants	22,102	17,760	-19.6%	20,497	-7.3%	2,737
Fees & Charges	6,861	7,451	8.6%	5,951	-13.3%	(1,500)
Bus Fares	5,506	8,667	57.4%	6,100	10.8%	(2,567)
Other Income	3,003	3,086	2.8%	2,474	-17.6%	(612)
Dividends	14,000	15,000	7.1%	15,000	7.1%	
Interest & Investment Income	928	928	0.0%	1,378	48.5%	450
Reserves - SRD	6,499	2,496	-61.6%	5,070	-22.0%	2,574
Reserves	2,675	1,870	-30.1%	1,841	-31.2%	(29)
Total Non Rates	61,574	57,256	-7.0%	58,309	-5.3%	1,053
TOTAL REVENUE	108,801	110,154	1.2%	114,087	4.9%	3,933

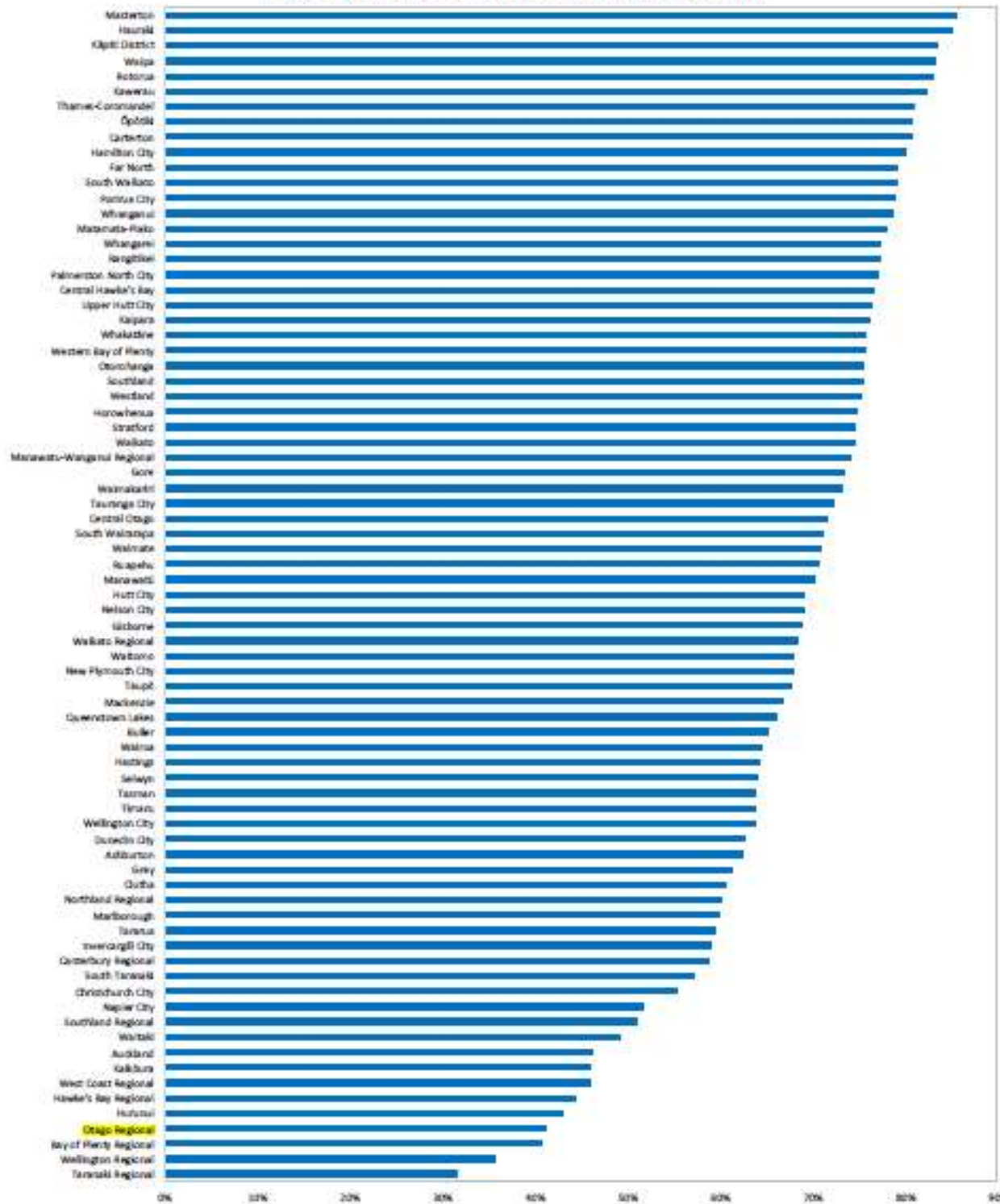
Rate Units 120,989	Annual Plan 22/23	LTP 23/34 Year 3	Mvt	AP 23/34 Year 3	Mvt	AP vs LTP
General Rates (\$'000)	23,127	25,226	2,099	28,263	5,136	3,037
- Average	\$ 219.82	\$ 239.77	\$ 19.95	\$ 268.64	\$ 48.82	\$ 28.86
Targeted Rates (\$'000)	24,101	27,672	3,571	27,515	3,414	(157)
- Average	\$ 229.08	\$ 263.02	\$ 33.94	\$ 261.53	\$ 32.45	-\$ 1.49
Total Rates (\$'000)	47,228	52,898	5,670	55,778	8,550	2,880
- Average	\$ 448.90	\$ 502.79	\$ 53.89	\$ 530.17	\$ 81.27	\$ 27.37

Figure 3: Rates Shares of Total Operating Funding (2018/19)

All NZ

Councils

- Rates share of operating funding 2019
- ORC 4th lowest
- 6 of 7 lowest are regional councils



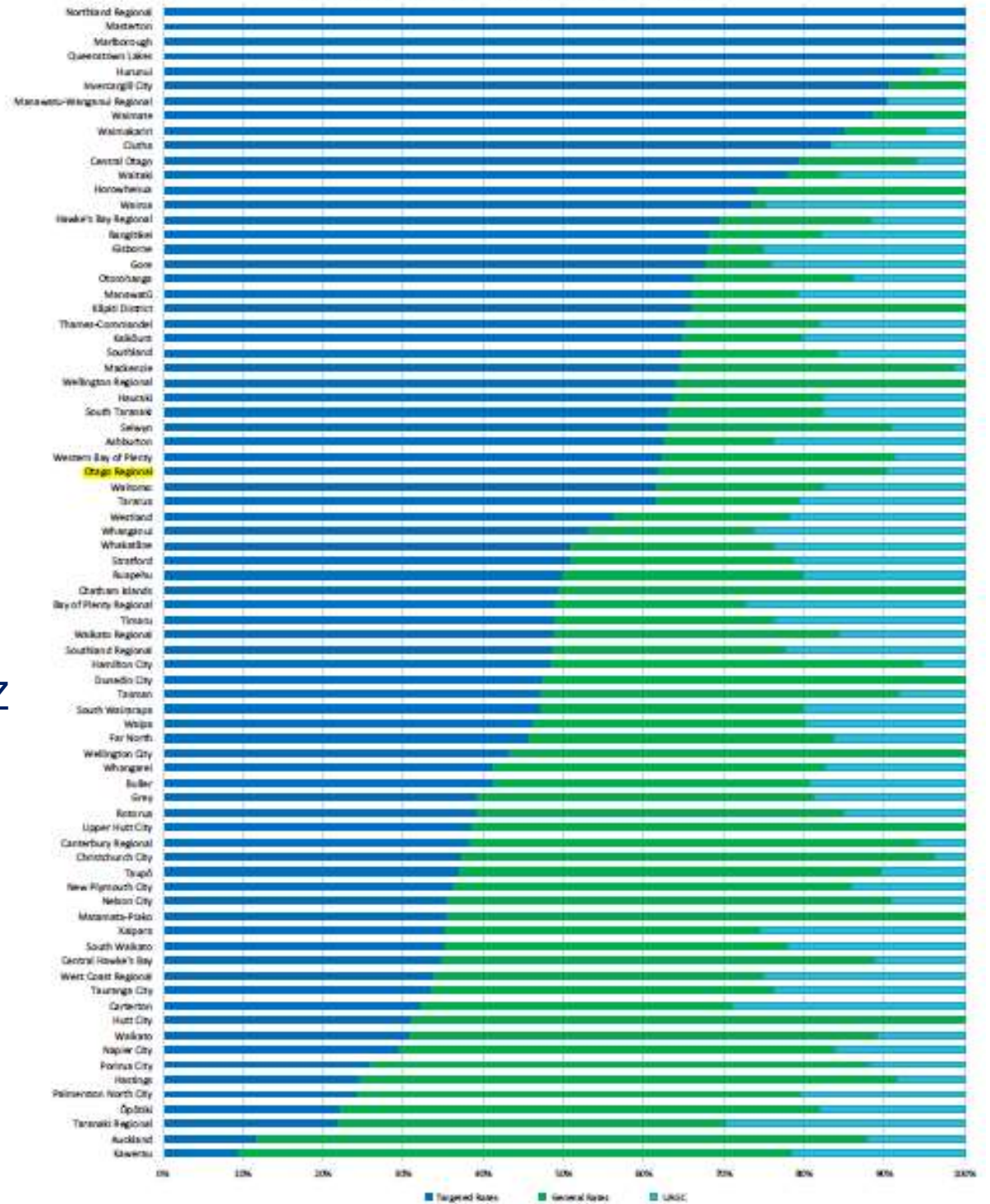
- Insight Economics: Analysis of the Current and Past Use of Council Rating Tools in NZ (page 12)
For NZ Productivity Commission

All NZ

Councils

- Targeted vs general
- Also shows UAGC's
- ORC slightly above average
- 3 Councils don't use general rates
- Highest general rate use
 - Auckland & Kawerau
 - Largest & smallest Councils in NZ
- Insight Economics: Analysis of the Current and Past Use of Council Rating Tools in NZ (page 13)
For NZ Productivity Commission

Figure 4: Composition of Council Rates Funding in 2019

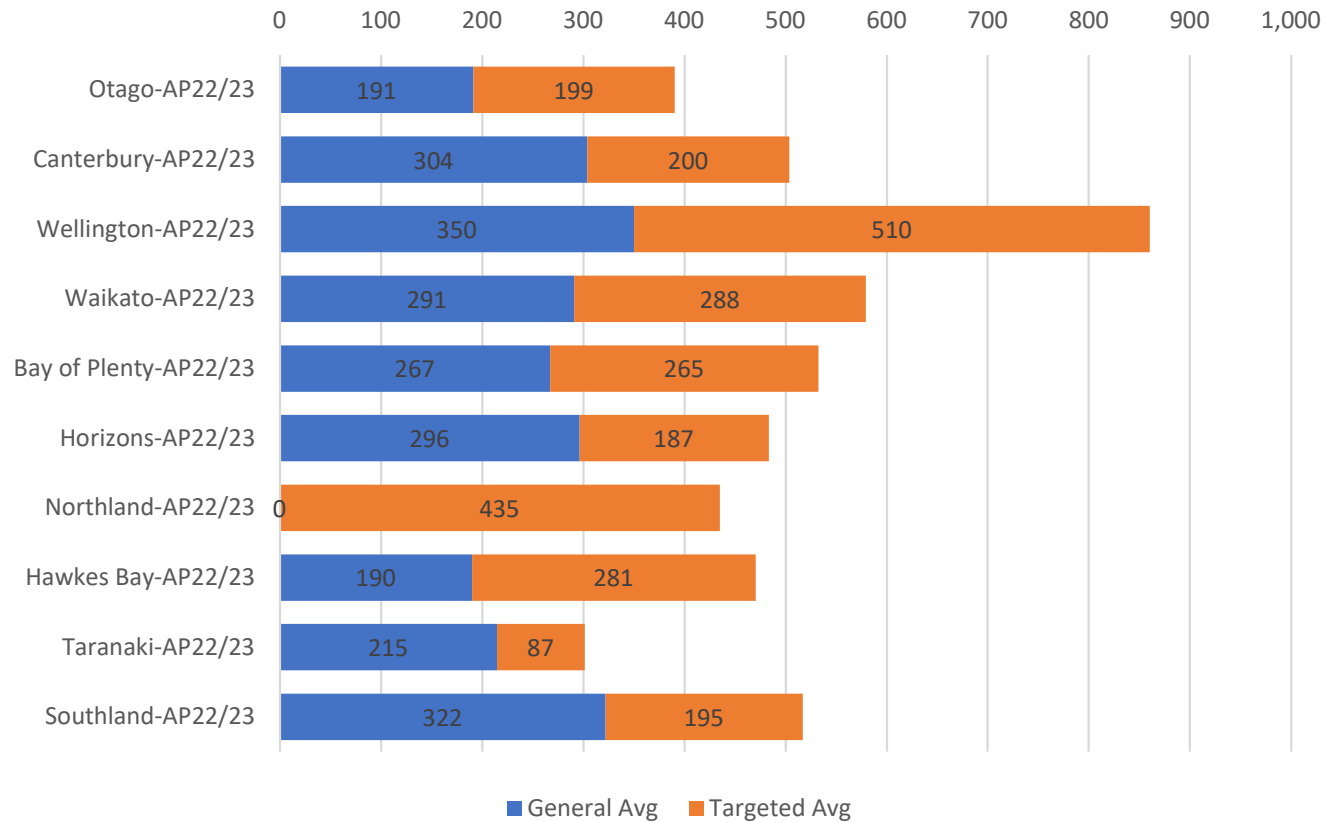


Regional Councils: Rates

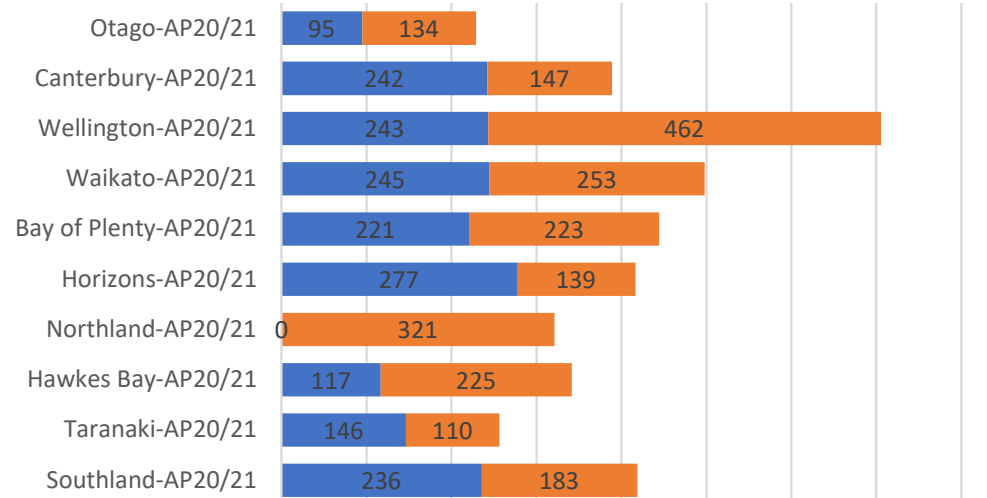
- AP2022-23 (GST excl)
- ORC is second smallest
- AP2020-21 ORC was smallest
- Regional Councils general rates: 8 CV (includes Northland council services targeted rate)
- 2 LV (BOP, HBRC)

Excludes:
West Coast and unitary councils

Regional Councils - Average Rates (GST excl)



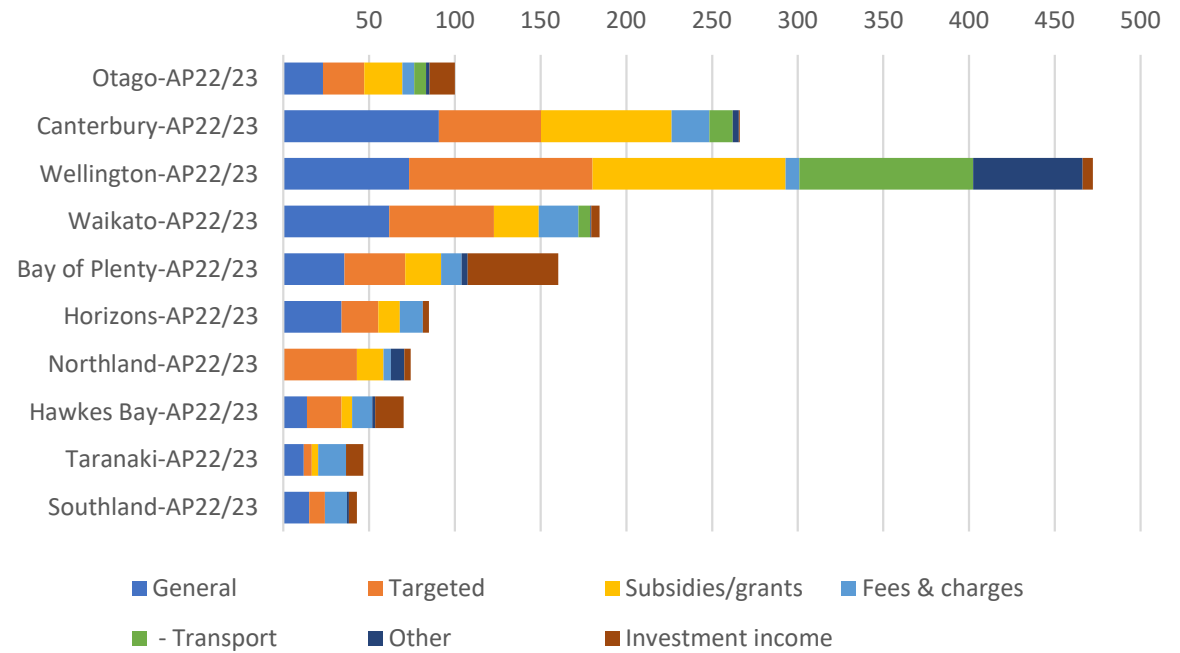
0 100 200 300 400 500 600 700 800



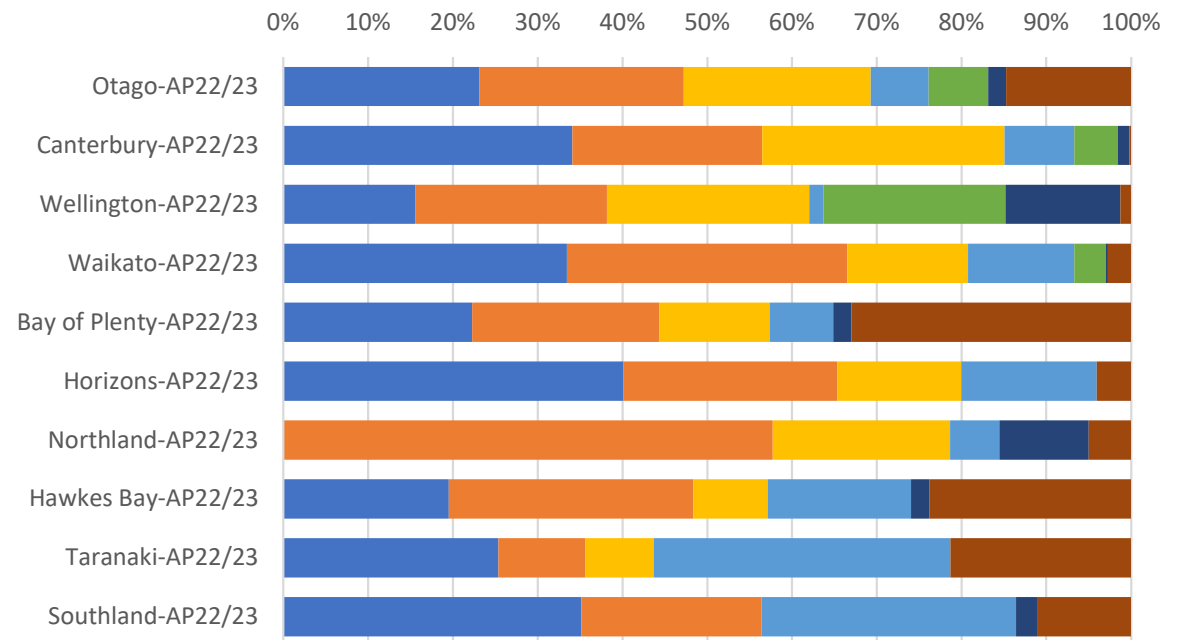
Regional Councils: Operating Funding

- AP2022-23 (GST excl)
- ORC is fifth largest
- AP2020-21 ORC was smallest (\$100M)
- Rates % of total operating funding
 - ORC 47%
 - Average 52%

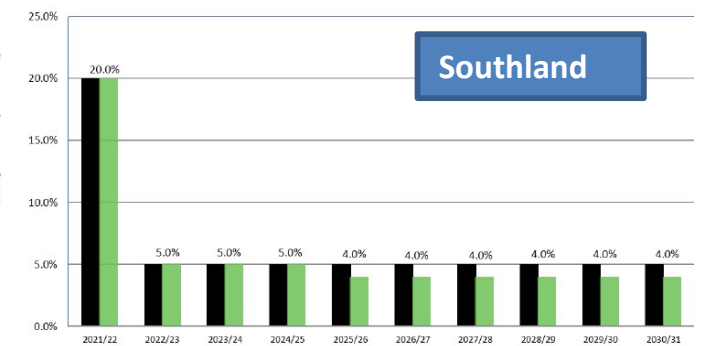
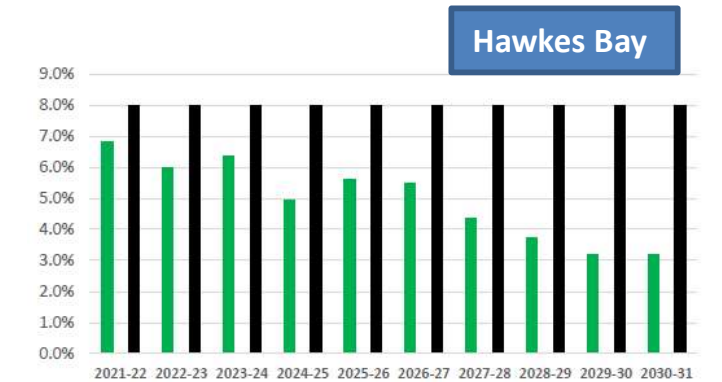
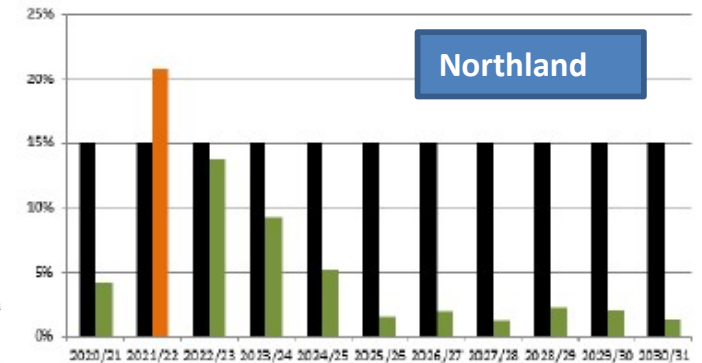
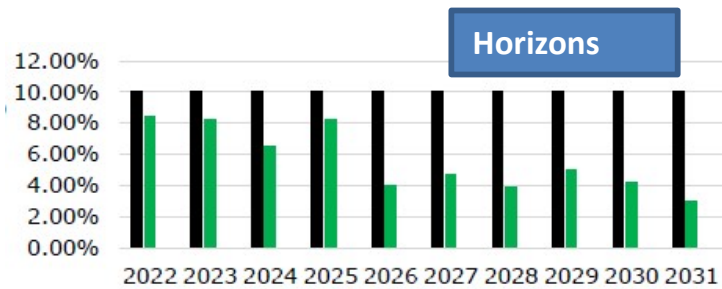
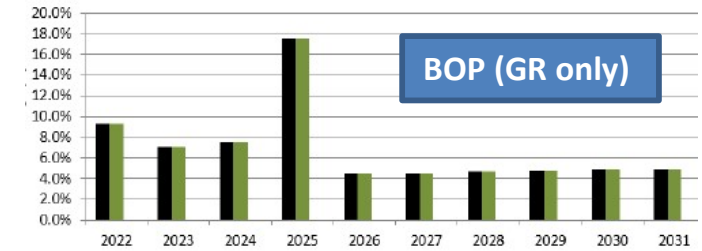
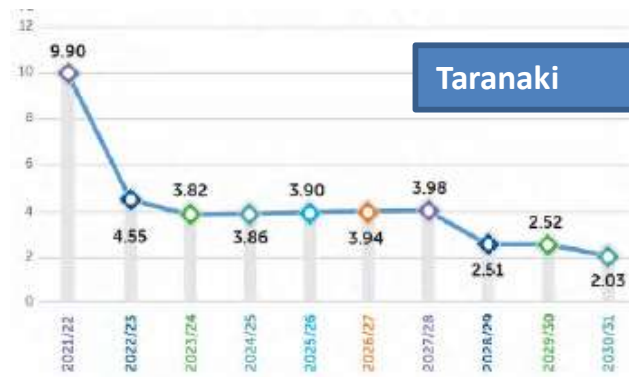
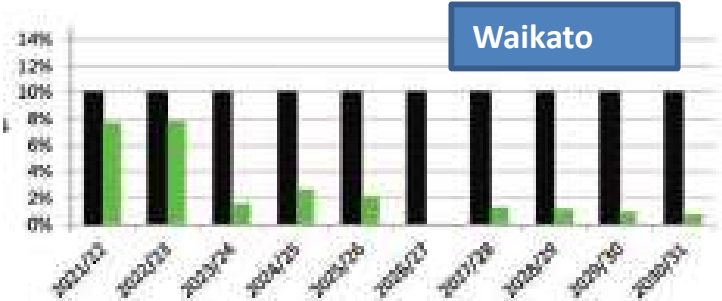
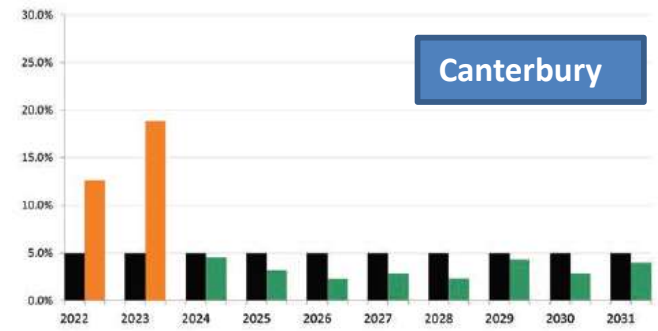
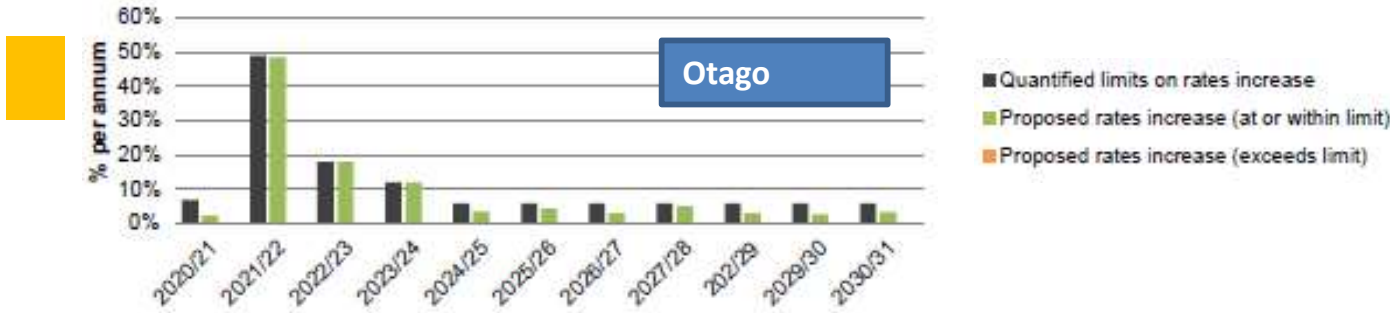
Regional Councils - Operating Funding (\$m)



Regional Councils - Operating Funding (% Allocation)



RC – LTP Rates Increases



Financial Strategy

- Last workshop covered LGA requirements, purpose and what's included in a Financial Strategy
- Will now cover key points included in ORC's current Financial Strategy

Introduction

- Purpose – path for prudent / sustainable funding
- Exec Summary – increased spend, increased dividends, new rate (BS), repurposed rate (RM), new external borrowing
- Background – process followed for setting work programmes
- Principles – prudence, fairness, value for money, transparency
- Key Issues – land use intensification, collaborative / inclusion, flood risk, environmental improvement, transport demand
- Assumptions – population growth, natural hazards, land use change, Covid-19

Expenditure

- Operating expenditure
 - Strategy is to fund operating expenditure from operating revenue (balanced budget)
 - Reserves not used to fund day to day, BAU (not prudent)
 - But can be used in special cases ie R&D, specific one-offs / projects, where benefits continue over future years
 - General reserves offset was used in AP20-21 and was not proposed going forward in LTP
 - Targeted rate activities may use reserves to smooth rates and provide certainty
- Operating surplus and balancing the budget
 - Shows deficits for first 3 years

Expenditure...cont'd

- Capital expenditure
 - Infrastructure assets belong to schemes
 - Funded through targeted rates
 - Each scheme has a reserve – made up of funded depreciation, unspent rates and interest earned
 - Scheme reserves are used to fund capex
 - Borrowing (internal or external) used if reserves insufficient
- Infrastructure asset investment
 - Summary of planned scheme capex

Revenue – Rates

■ General Rates

- Used where there is wider community benefit or a defined benefit area or group can't be determined
- Subsidised by investment income

■ Targeted Rates

- Used for defined benefit area or group
- 20 targeted rates used (28 if each district is counted for Wildings and Emergency Management)
- Each targeted rate has its own reserve
 - Retains unspent funding and smooths rates
 - River management aims to hold 1 year's opex
- Significant capex repaid over maximum of 20 years (due to interest cost of longer term funding)

Revenue – Rates...cont'd

- Total rates
 - Shows amounts / % increase over the 10 years
- Rates limits
 - States % increases over the 10 years
 - Was determined once LTP estimates and funding requirements were completed
 - Could set now ie % pa or years 1-3 and 4+
 - Same as quantified limits on rates (in benchmarks)
 - Only have rates increase %
 - No separate limit on rates – need to reinstate this
 - Recommend % of total revenue

Borrowing

- Introduced external borrowing
- Limits set in TMP (s3.5) and align to LGFA covenants
 - Net Debt \leq 175% of total revenue (280% with “A” or higher credit rating)
 - Net Interest expense \leq 20% of total rates revenue
 - Net Interest expense \leq 25% of total revenue rates (30% with “A” or higher credit rating)
 - Liquidity \geq 110%
 - *(green = 2021-31 financial strategy, red = revised TMP)*
- Port net debt and net interest are zero
 - Net debt deducts liquid financial assets and investments (which includes Port on-lending)
 - Net interest is interest expense less interest income (Port net interest is zero)

Borrowing...cont'd

- Security
 - Charge over rates
 - Will not offer security over any other assets (can consider in special circumstances)
- Internal borrowing
 - Interest charged (in line with investment return)
 - Limited to 50% of reserves (not clear what “reserves” this refers to)

Investments

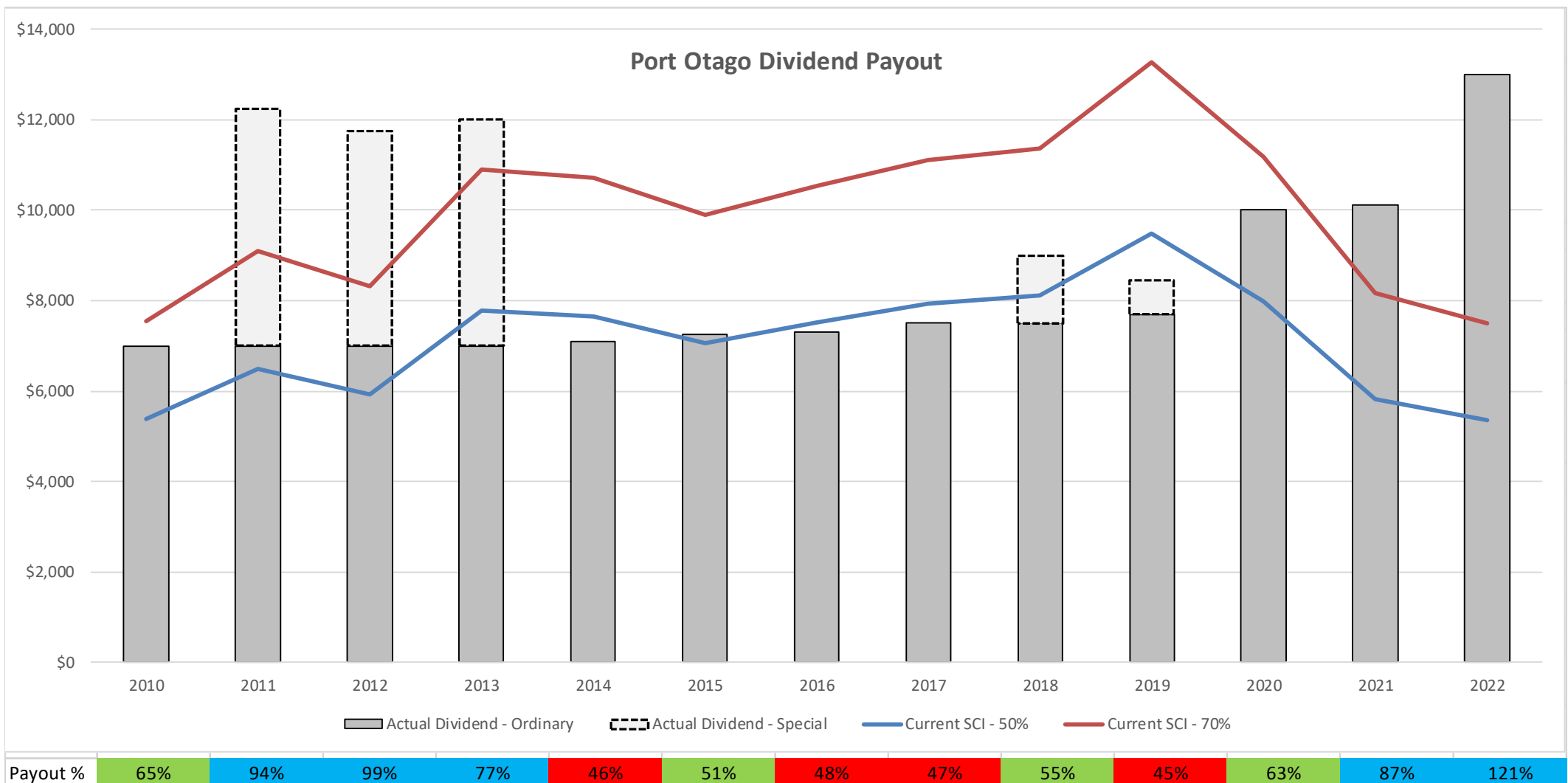
- Objective – to earn a return whilst protecting initial investment
- Risk profile is conservative
- Within approved credit limits, Council seeks to
 - Maximise investment returns
 - Manage potential capital losses due to interest rate, currency and price movements
 - Maintain the real value of investment assets in perpetuity
 - Ensure that the real value of distributions can be maintained
 - Maintain intergenerational equity between current and future ratepayers of Otago Regional Council
 - *(last 3 are not in financial strategy – from TMP s4.1 which has all 5)*

Investments – Port Otago

- Council owns 100%
- Dividends significantly reduce general rates so every ratepayer benefits from ownership
 - Policy 50-70% of normalised operating profit after tax
 - Aims to balance sustainable return with reinvestment in the long-term future of the business
- Dividends increased over the LTP
 - Increased from \$10.1M (20/21) to \$13M, \$14M and \$15M in years 1-3 and \$20M in year 10
- Noted risk of increase reliance on Port dividends
- Special dividends may be received / requested
- Statement of Corporate Intent updates dividend expectations annually *(not noted in FS)*

Investments – Port Otago

- 2022 valuation \$700m, cumulative dividends \$206.5M
- Dividend policy 50-70% of normalised NPAT
- Dividend since 2010 shown below:



Investment Property

- Don't actively invest but own invested investment property
- Rental income used to offset general rates
- Detail (not included in financial strategy):
 - University (College of Education) 135-183 Union Street / Polytech 47-51 Harbour Terrace
 - Ground lease – valued as one
 - Valuation \$15.7M, annual rent \$713.5k (University \$578k, PolyTech \$135.5k)
 - Rent reviews every 7 years
 - Customhouse
 - Valuation \$985k, rent \$66.5k
 - Monarch (building only)
 - Valuation \$110k, rent \$13.5k

Investment Property...cont'd

- ORC owns other property
(not investments and not included in the financial strategy)
 - Birch / Kitchener – agreed (Feb-23) to resell back to Port
 - Considering wrapping Customhouse / Monarch into the deal
 - Kuriwao (2 remain to freehold)
 - Rent / sales proceeds go to Kuriwao reserve
 - Operational lease on flood scheme land (grazing leases)
 - Rent into applicable scheme reserve

Managed Fund

- Managed by JB Were – equities, bonds and cash
- Statement of Investment Policy and Objectives (SIPO) is the framework for managing the fund (currently being reviewed)
- Key objectives:
 - Protect and maintain current investments
 - Maximise returns within prudent levels of risk
 - Maintain appropriate asset allocation

- Risk tolerance drives investment

- Council is risk adverse

Estimated Rate of Return (Net of Fees) Inflation Plus:	Level of Investment Risk
1.5% - 2.3%	Low
2.3% - 3.1%	Low to medium
3.1% - 3.8%	Medium to high
3.8% - 4.3%	High

Managed Fund...cont'd

- Investment horizon is greater than seven years
- Strategic asset allocation target – 50% income / 50% growth

Asset Class	Target Allocation	Acceptable Range	
		Minimum	Maximum
Cash	5%	0%	25%
NZ Fixed Interest	35%	25%	45%
International Fixed Interest	10%	5%	15%
Defensive Total	50%	40%	60%
NZ Property	5%	2%	8%
NZ Equities	15%	10%	20%
Australian Equities	15%	10%	20%
International Equities	15%	10%	20%
Growth Total	50%	40%	60%
Total	100%		

Overall Investment Returns *(not in FS)*

Managed Fund		2015	2016	2017	2018	2019	2020	2021	2022	Avg
YE Balance	\$M	18.5	19.0	19.9	21.3	22.5	23.4	25.3	23.4	
Capital Gain	\$'000	333	157	-16	655	550	416	2,458	-2,412	
		2.49%	0.83%	-0.08%	3.18%	2.51%	1.81%	10.08%	-9.90%	1.37%
Income	\$'000	585	894	952	873	694	643	545	659	
		4.36%	4.74%	4.90%	4.24%	3.17%	2.80%	2.24%	2.70%	3.65%
Total Return	\$'000	918	1,050	936	1,528	1,244	1,059	3,003	-1,753	
		6.85%	5.57%	4.82%	7.43%	5.68%	4.61%	12.32%	-7.19%	5.01%

Term Deposits		2015	2016	2017	2018	2019	2020	2021	2022	Avg
YE Balance	\$M	34.0	37.2	37.1	21.0	5.5	0	0	0	
Avg Balance	\$M	39.3	37.8	34.2	27.9	18.5	5.5	3.1	1.5	
Income	\$'000	1,871	1,525	1,331	1,064	631	146	24	19	
		4.76%	4.03%	3.59%	3.81%	3.41%	2.64%	0.77%	1.28%	3.04%

Port Otago		2015	2016	2017	2018	2019	2020	2021	2022	Avg
YE Balance	\$M	407.3	418.2	439.0	488.5	534.2	536.4	612.3	700.3	
Capital Gain	\$'000	36,758	10,946	20,798	49,471	45,727	2,129	75,966	87,960	
		9.92%	2.69%	4.97%	11.27%	9.36%	0.40%	14.16%	14.36%	8.39%
Dividends	\$'000	7,250	7,300	7,500	9,000	8,450	9,900	10,100	13,000	
		1.96%	1.79%	1.79%	2.05%	1.73%	1.85%	1.88%	2.12%	1.90%
Total Return	\$'000	44,008	18,246	28,298	58,471	54,177	12,029	86,066	100,960	
		11.88%	4.48%	6.77%	13.32%	11.09%	2.25%	16.05%	16.49%	10.29%

Reserves

- Restricted and Council created reserves
 - Available for sale revaluation – Port revaluation
 - Asset revaluation – investment property revaluation
 - Kuriwao Endowment (restricted) – Kuriwao land
 - Asset replacement – funds non scheme assets
 - Emergency response – contingency
 - Water management – has been used for irrigation feasibility, deemed permits and FMU modelling
 - Building reserve – Dunedin head office
 - Environmental enhancement – EcoFund
 - General – balance of public equity

Reserves...cont'd

- Targeted reserves
 - River and waterway management – by district (QLDC x2)
 - Flood and drainage schemes – 8 (incl Lower Waitaki)
 - Transport – Dunedin and Queenstown
 - Clean heat clean air – discontinued
 - Rural water quality – rural liaison and integrated catchment activity
 - Dairy monitoring
 - Wilding pines
 - Emergency management – CDEM cost
 - Lake Hayes – deficit funded initial costs when no funding policy was in place

Reserves

Balances 30 June 2024 (Annual Plan estimated)

Dedicated	AP23/24
Asset Replacement	3,288
Emergency Response	4,701
Kuriwao	6,046
Asset Revaluation	15,070
Water Mgt	705
Building	3,300
Environmental Enhancement	29
TOTAL DEDICATED RESERVES	33,139

Cash & Managed Fund	AP23/24
Cash & cash equivalents	6,040
Other Financial Assets	25,426
TOTAL FINANCIAL ASSETS	31,467

General Reserve	AP23/24
General Reserve (Cash)	(1,672)
Owed to SRD's	3,652
Total Cash Reserves	(5,324)
Owed by SRD's	(35,120)
UNDERLYING CASH RESERVES	29,795

Targeted Special Rating Districts	AP23/24	
M 1 River Mgt - Dunedin	478	
M 2 River Mgt - Clutha	(275)	
M 3 River Mgt - Central	148	
M 4 River Mgt - Wakatipu	248	
M 5 River Mgt - Wanaka	(513)	
M 6 River Mgt - Waitaki	859	945
E 1 Emergency Mgt	(245)	
F 1 Alex Fld	(4)	
F 2 Leith	(12,181)	
F 3 L Clutha Fld	(2,020)	
F 4 L Taieri	1,844	
F 5 W Taieri	(2,641)	
F 6 E Taieri	(346)	
F 7 Toko	75	(15,273)
M 7 Lwr Waitaki	(30)	
T 4 PT Dunedin	(9,107)	
T 5 PT Wakatipu	(4,110)	(13,217)
R 2 Compliance Dairy	(80)	
W 3 Lake Hayes	(1,468)	
L 2 Biosecurity	(1,560)	
L 7 Wilding Pines - Steering Groups	(425)	
W 3 Catchment Liaison	(114)	
TOTAL SRD RESERVE BALANCE	(31,468)	

Deficit Reserves (LTP 2021-31)

LOWER CLUTHA FLOOD & DRAIN RESERVE	AP 20/21	LTP1 21/22	LTP2 22/23	LTP3 23/24	LTP4 24/25	LTP5 25/26	LTP6 26/27	LTP7 27/28	LTP8 28/29	LTP9 29/30	LTP10 30/31
Opening balance	(101)	(880)	(1,190)	(1,719)	(1,774)	(1,413)	(944)	(497)	(52)	414	822
Targeted Rate SRD	750	850	950	1,050	1,150	1,250	1,250	1,250	1,250	1,250	1,250
General Rate Clutha	90	83	100	80	60	60	62	58	58	60	69
General Rate	32	149	132	85	74	72	74	69	65	72	75
Rental Income	177	177	181	186	190	195	199	204	209	214	218
Grants		309	96								
Kuriwao Reserve		350	350	350	350	350	350	350	350	350	350
Revenue	1,049	1,919	1,810	1,751	1,824	1,927	1,935	1,931	1,932	1,946	1,963
Capex - Increase LOS		(100)	(102)	(105)							
Capex - Renew/Replace	(80)	(755)	(568)	(126)	(118)	(83)	(84)	(52)		(41)	(46)
Direct Operating Costs	(120)	(135)	(138)	(142)	(145)	(149)	(152)	(156)	(159)	(163)	(166)
Staff Costs	(179)	(355)	(366)	(395)	(407)	(418)	(430)	(442)	(454)	(466)	(479)
Internal Charges	(67)	(105)	(123)	(131)	(135)	(139)	(142)	(146)	(150)	(154)	(158)
Flood	(445)	(1,451)	(1,298)	(899)	(805)	(788)	(809)	(795)	(763)	(824)	(849)
Capex - Increase LOS											
Capex - Renew/Replace	(660)	(145)	(128)	(105)							
Direct Operating Costs	(258)	(240)	(501)	(356)	(204)	(208)	(213)	(218)	(223)	(229)	(357)
Staff Costs	(440)	(361)	(372)	(402)	(413)	(425)	(437)	(449)	(461)	(474)	(487)
Internal Charges	(18)	(17)	(17)	(18)	(18)	(19)	(19)	(20)	(20)	(21)	(21)
Drainage	(1,375)	(763)	(1,019)	(881)	(635)	(652)	(669)	(687)	(705)	(723)	(865)
Expenditure	(1,821)	(2,213)	(2,317)	(1,780)	(1,440)	(1,440)	(1,478)	(1,482)	(1,468)	(1,547)	(1,714)
Interest	(7)	(15)	(22)	(26)	(24)	(18)	(11)	(4)	3	9	14
Closing Balance - F3 Lower Clutha	(880)	(1,190)	(1,719)	(1,774)	(1,413)	(944)	(497)	(52)	414	822	1,085

LEITH FLOOD RESERVE	AP	LTP1	LTP2	LTP3	LTP4	LTP5	LTP6	LTP7	LTP8	LTP9	LTP10
	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Opening balance	(15,734)	(15,185)	(14,030)	(13,027)	(11,975)	(10,809)	(10,022)	(8,844)	(8,236)	(7,048)	(6,457)
Targeted Rate SRD	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461
General Rate Dunedin	171	171	171	171	171	171	171	171	171	171	171
General Rate	9	9	9	9	9	9	9	9	9	9	9
Grants											
Revenue	1,641	1,641	1,641	1,641	1,641	1,641	1,641	1,641	1,641	1,641	1,641
Capex - Increase LOS	(680)										
Capex - Renew/Replace			(154)	(105)		(385)		(576)		(603)	
Direct Operating Costs	(62)	(120)	(123)	(126)	(129)	(132)	(135)	(138)	(141)	(145)	(148)
Staff Costs	(96)	(98)	(101)	(109)	(112)	(115)	(118)	(121)	(125)	(128)	(132)
Internal Charges	(24)	(50)	(59)	(63)	(65)	(67)	(68)	(70)	(72)	(74)	(76)
Expenditure	(862)	(268)	(436)	(402)	(305)	(698)	(322)	(906)	(338)	(950)	(355)
Interest	(230)	(217)	(201)	(186)	(170)	(155)	(140)	(127)	(114)	(101)	(87)
Closing Balance - F2 Leith	(15,185)	(14,030)	(13,027)	(11,975)	(10,809)	(10,022)	(8,844)	(8,236)	(7,048)	(6,457)	(5,259)

LOWER TAIERI FLOOD RESERVE	AP	LTP1	LTP2	LTP3	LTP4	LTP5	LTP6	LTP7	LTP8	LTP9	LTP10
	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Opening balance	955	(494)	(607)	(646)	(401)	(1,509)	(844)	(86)	(1,156)	(232)	787
Targeted Rate SRD	850	950	1,050	1,150	1,250	1,350	1,450	1,550	1,650	1,750	1,850
General Rate Dunedin	193	175	182	155	385	124	127	433	138	141	388
General Rate	106	54	56	48	118	38	39	133	42	43	119
Rental Income	1	1	1	1	1	1	2	2	2	2	2
Grants		555	512								
Revenue	1,150	1,735	1,801	1,354	1,755	1,513	1,617	2,118	1,832	1,936	2,359
Capex - Increase LOS											
Capex - Renew/Replace	(1,600)	(1,020)	(973)	(157)	(1,611)			(2,304)			(1,850)
Direct Operating Costs	(536)	(296)	(303)	(347)	(624)	(199)	(204)	(209)	(213)	(218)	(223)
Staff Costs	(413)	(410)	(422)	(456)	(469)	(482)	(496)	(510)	(524)	(538)	(553)
Internal Charges	(53)	(114)	(132)	(141)	(145)	(148)	(152)	(156)	(161)	(165)	(169)
Expenditure	(2,602)	(1,840)	(1,830)	(1,102)	(2,849)	(830)	(852)	(3,179)	(898)	(921)	(2,794)
Interest	3	(8)	(9)	(8)	(14)	(18)	(7)	(9)	(10)	4	9
Closing Balance - F4 Lower Taieri	(494)	(607)	(646)	(401)	(1,509)	(844)	(86)	(1,156)	(232)	787	361

WEST TAIERI DRAINAGE RESERVE	AP	LTP1	LTP2	LTP3	LTP4	LTP5	LTP6	LTP7	LTP8	LTP9	LTP10
	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Opening balance	(1,926)	(2,270)	(2,797)	(3,255)	(3,768)	(3,734)	(4,328)	(4,904)	(4,230)	(4,460)	(3,494)
Targeted Rate SRD	650	730	820	920	1,030	1,150	1,300	1,500	1,700	1,800	2,000
General Rate Dunedin	99	123	126	141	99	166	178	85	183	87	91
Rental Income	66	66	67	69	71	72	74	76	77	79	81
Grants		540	540	580	400						
Revenue	815	1,459	1,553	1,710	1,600	1,388	1,552	1,661	1,960	1,966	2,172
Capex - Increase LOS						(1,100)	(1,126)		(1,179)		
Capex - Renew/Replace	(563)	(1,195)	(1,157)	(1,234)	(709)		(90)	(52)	(59)	(30)	(55)
Direct Operating Costs	(255)	(305)	(333)	(425)	(274)	(281)	(287)	(294)	(301)	(308)	(314)
Staff Costs	(286)	(342)	(352)	(380)	(391)	(402)	(413)	(425)	(437)	(448)	(461)
Internal Charges	(24)	(106)	(124)	(132)	(136)	(140)	(143)	(147)	(151)	(155)	(159)
Expenditure	(1,128)	(1,948)	(1,966)	(2,171)	(1,510)	(1,922)	(2,060)	(918)	(2,126)	(941)	(990)
Interest	(31)	(38)	(45)	(52)	(56)	(60)	(69)	(68)	(65)	(59)	(44)
Closing Balance - F5 West Taieri	(2,270)	(2,797)	(3,255)	(3,768)	(3,734)	(4,328)	(4,904)	(4,230)	(4,460)	(3,494)	(2,355)

EAST TAIERI DRAINAGE RESERVE	AP	LTP1	LTP2	LTP3	LTP4	LTP5	LTP6	LTP7	LTP8	LTP9	LTP10
	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Opening balance	346	161	(260)	(476)	(746)	(757)	(1,705)	(2,074)	(2,551)	(2,104)	(2,078)
Targeted Rate SRD	500	580	640	720	800	900	1,000	1,150	1,300	1,450	1,600
General Rate Dunedin	64	91	78	90	74	166	124	145	78	128	82
Rental Income	1	1	1	1	1	1	1	1	1	1	1
Grants											
Revenue	565	672	720	811	876	1,067	1,126	1,296	1,379	1,580	1,684
Capex - Increase LOS						(550)		(576)		(603)	
Capex - Renew/Replace	(218)	(380)	(184)	(178)	(67)	(616)	(614)	(288)			
Direct Operating Costs	(234)	(284)	(290)	(402)	(304)	(312)	(319)	(327)	(334)	(342)	(350)
Staff Costs	(279)	(322)	(332)	(358)	(369)	(379)	(390)	(400)	(412)	(423)	(434)
Internal Charges	(23)	(106)	(124)	(132)	(136)	(140)	(144)	(147)	(151)	(155)	(159)
Expenditure	(754)	(1,092)	(931)	(1,072)	(876)	(1,997)	(1,466)	(1,738)	(897)	(1,523)	(943)
Interest	4	(1)	(5)	(9)	(11)	(18)	(28)	(34)	(35)	(31)	(26)
Closing Balance - F6 East Taieri	161	(260)	(476)	(746)	(757)	(1,705)	(2,074)	(2,551)	(2,104)	(2,078)	(1,363)

DUNEDIN TRANSPORT RESERVE	AP 20/21	LTP1 21/22	LTP2 22/23	LTP3 23/24	LTP4 24/25	LTP5 25/26	LTP6 26/27	LTP7 27/28	LTP8 28/29	LTP9 29/30	LTP10 30/31
Opening balance	(4,504)	(6,208)	(7,411)	(8,130)	(8,414)	(10,051)	(9,195)	(7,620)	(5,518)	(2,880)	(203)
Target Rates Dn Trans	4,862	6,000	7,019	8,355	9,362	11,190	11,531	12,095	12,313	12,478	12,640
Bus Fares Dn	5,000	4,300	4,491	4,693	4,901	5,120	5,346	5,579	5,823	6,076	6,336
Other Client Income	160	160	160	160	160	160	160	160	160	160	160
Grants	6,336	8,345	8,909	9,807	12,271	11,595	11,246	11,336	11,066	11,263	11,455
Revenue	16,358	18,804	20,578	23,014	26,694	28,065	28,282	29,169	29,362	29,977	30,592
Capex - Increase LOS					(1,074)	(1,100)					
Capex - Renew/Replace					(2,417)						
Improvements Decarbonisation						(1,100)	(1,126)	(1,152)	(1,179)	(1,206)	(1,233)
Improvements Services		(527)	(1,339)	(1,693)	(2,277)	(2,332)	(2,387)	(2,442)	(2,499)	(2,557)	(2,614)
Improvements Superstops			(205)	(1,049)	(1,074)	(1,100)	(1,126)	(922)			
Bus Contracts (DN)	(14,850)	(16,462)	(16,908)	(17,426)	(17,841)	(18,273)	(18,705)	(19,137)	(19,586)	(20,034)	(20,483)
Supergold (DN)		(900)	(922)	(944)	(967)	(990)	(1,013)	(1,037)	(1,061)	(1,085)	(1,110)
Direct Operating Costs	(2,691)	(1,607)	(1,235)	(1,266)	(1,725)	(1,327)	(1,359)	(1,390)	(1,422)	(1,455)	(1,488)
Staff Costs	(438)	(409)	(572)	(796)	(818)	(841)	(865)	(889)	(913)	(938)	(963)
Internal Charges	(3)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Expenditure	(17,982)	(19,906)	(21,182)	(23,175)	(28,194)	(27,065)	(26,582)	(26,969)	(26,662)	(27,277)	(27,892)
Interest	(80)	(101)	(116)	(123)	(137)	(143)	(125)	(98)	(63)	(23)	17
Closing Balance	(6,208)	(7,411)	(8,130)	(8,414)	(10,051)	(9,195)	(7,620)	(5,518)	(2,880)	(203)	2,514

QUEENSTOWN TRANSPORT RESERVE	AP 20/21	LTP1 21/22	LTP2 22/23	LTP3 23/24	LTP4 24/25	LTP5 25/26	LTP6 26/27	LTP7 27/28	LTP8 28/29	LTP9 29/30	LTP10 30/31
Opening balance	(359)	(840)	(1,974)	(3,179)	(3,623)	(4,326)	(4,434)	(4,238)	(3,931)	(3,308)	(2,411)
Target Rates Qn Trans	990	1,290	1,737	2,062	2,530	2,762	3,090	3,708	4,049	4,339	4,579
Bus Fares Qn	2,800	2,120	2,497	2,941	3,071	3,209	3,350	3,496	3,650	3,808	3,971
Bus QLDC Contribution	600	600	614	629	644	660	676	691	707	724	740
Ferry Fares Qn	330	630	806	1,033	1,396	1,459	1,523	1,589	1,659	1,731	1,805
Ferry QLDC Contribution	110	110	110	110	110	110	110	110	110	110	110
Grants	2,389	3,560	4,102	3,645	4,417	4,057	4,106	4,662	4,719	4,773	4,824
Fees & Charges	241	250	256	262	268	275	281	288	295	301	308
Revenue	7,460	8,560	10,122	10,682	12,437	12,532	13,136	14,545	15,189	15,786	16,337
Capex - Increase LOS											
Capex - Renew/Replace					(806)						
Improvements (QT)					(934)	(957)	(980)	(2,004)	(2,051)	(2,098)	(2,145)
Low Cost Low Risk (QT)		(150)	(154)	(157)	(161)	(165)	(169)	(173)	(177)	(181)	(185)
Ferry Service (QT)	(775)	(1,080)	(2,310)	(2,367)	(2,423)	(2,482)	(2,540)	(2,599)	(2,660)	(2,721)	(2,782)
Bus Contracts (QT)	(5,873)	(6,367)	(6,622)	(6,889)	(7,053)	(7,224)	(7,394)	(7,565)	(7,742)	(7,920)	(8,097)
Direct Operating Costs	(1,056)	(1,822)	(1,865)	(1,124)	(1,151)	(1,179)	(1,207)	(1,234)	(1,263)	(1,292)	(1,321)
Staff Costs	(221)	(250)	(332)	(533)	(548)	(564)	(579)	(595)	(612)	(629)	(645)
Internal Charges	(7)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(6)	(6)	(6)
Expenditure	(7,932)	(9,673)	(11,288)	(11,075)	(13,081)	(12,575)	(12,875)	(14,177)	(14,512)	(14,847)	(15,182)
Interest	(9)	(21)	(38)	(51)	(59)	(65)	(65)	(61)	(54)	(43)	(28)
Closing Balance	(840)	(1,974)	(3,179)	(3,623)	(4,326)	(4,434)	(4,238)	(3,931)	(3,308)	(2,411)	(1,284)

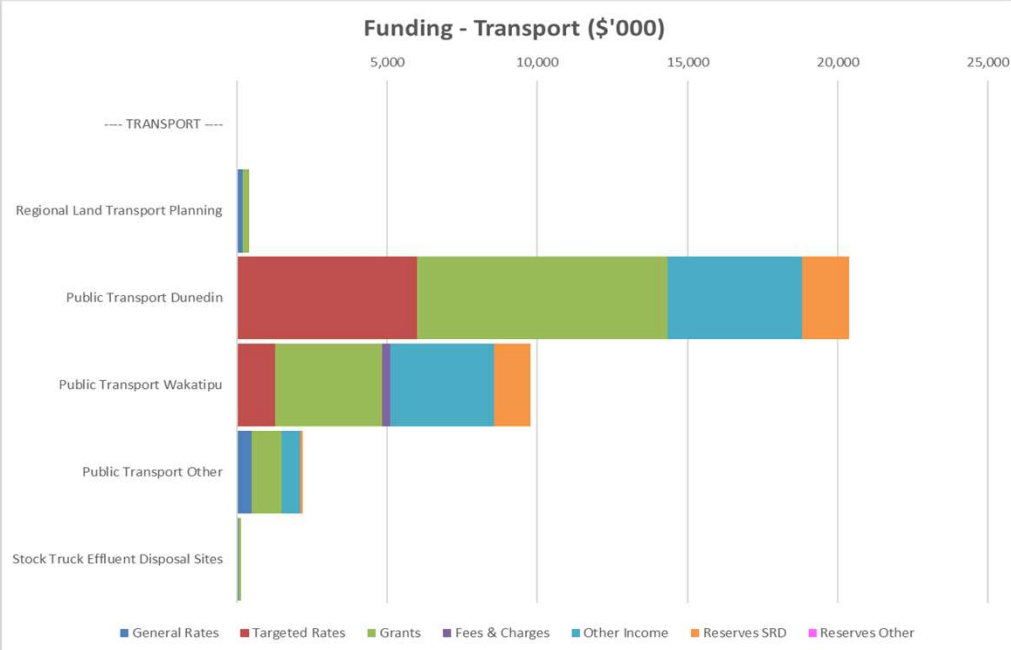
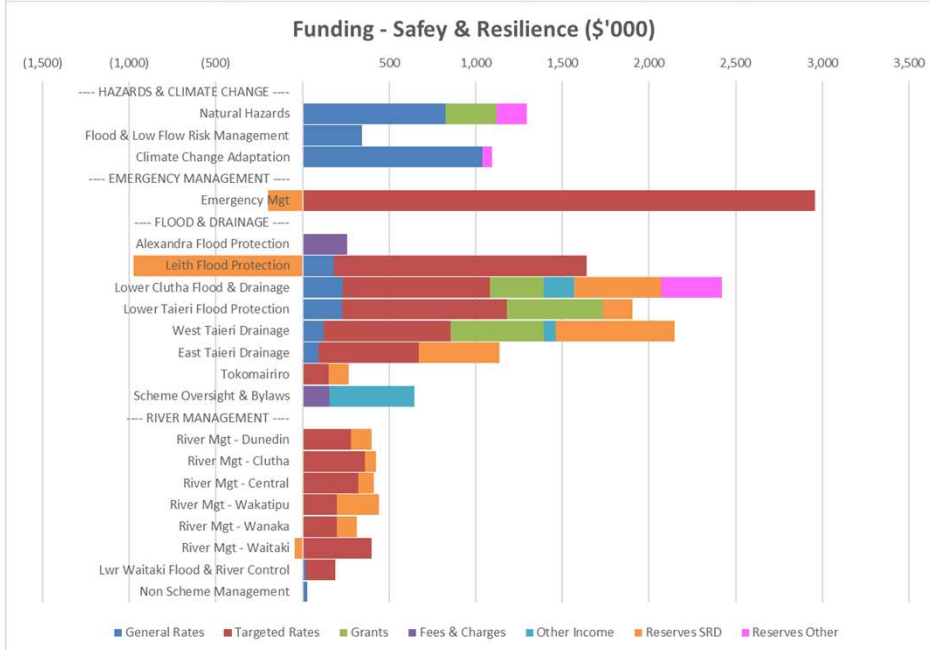
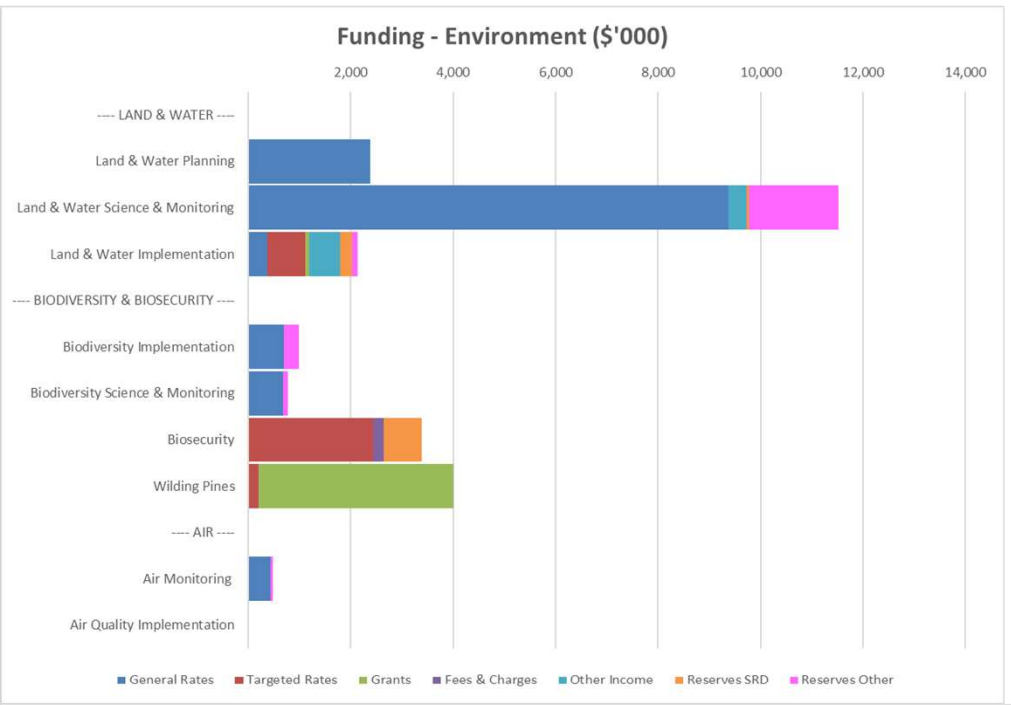
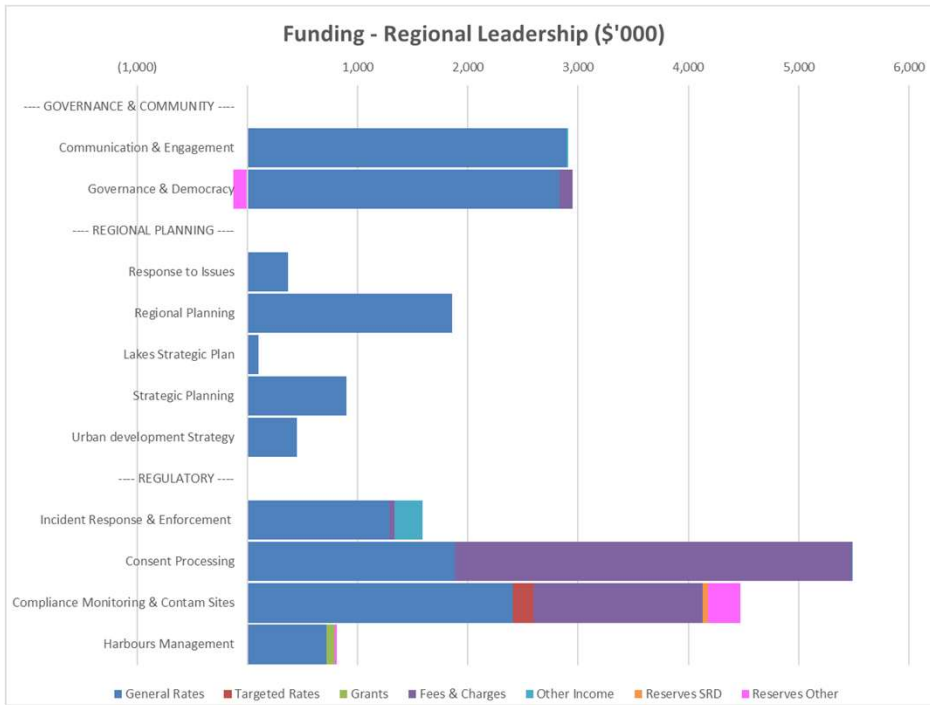
Insurance

- Operational assets fully insured
- Infrastructure assets are not
 - Floodbanks, drains and culverts are self insured
 - Rationale – assets are excavation / construction of natural materials and have similar characteristics as land (which can't be insured)
 - Scheme reserves are effectively the self insurer

Revenue & Financing Policy

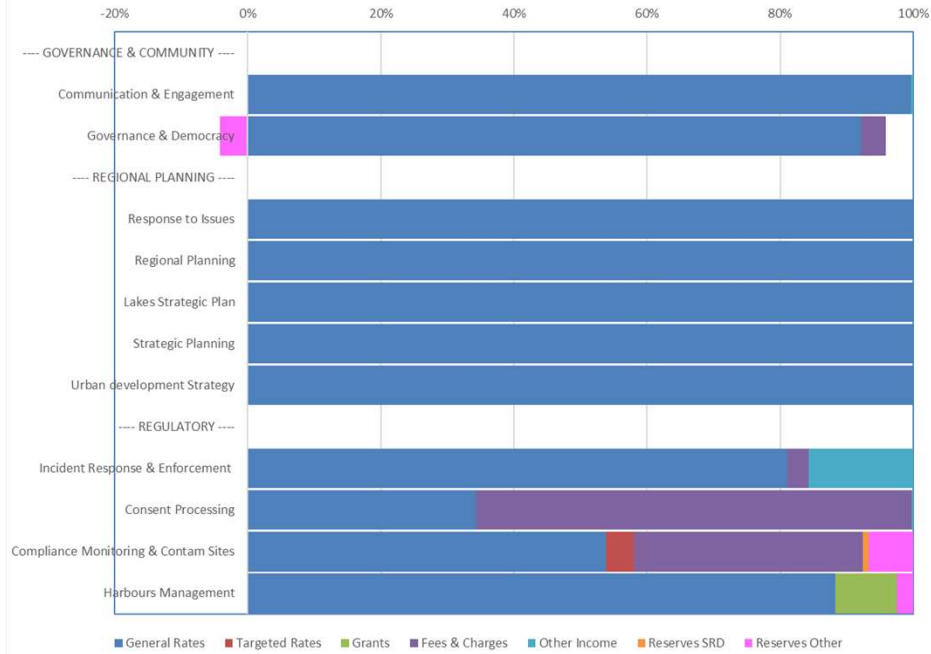
- Last workshop covered LGA purpose and legislative requirements (2 step process)
- Next 2 workshops – Morrison Low
 - Report back on sector RFP's, principles and rationale for change
 - Funding framework and FNA – determine options to model
- Current RFP is FNA based
 - Regardless of above it will be reformatted to provide more narrative and explanatory forward
 - Following slides focus on the results / outcomes of the current RFP (not the RFP itself)

Funding by Activity (LTP Yr 1 2021-22)

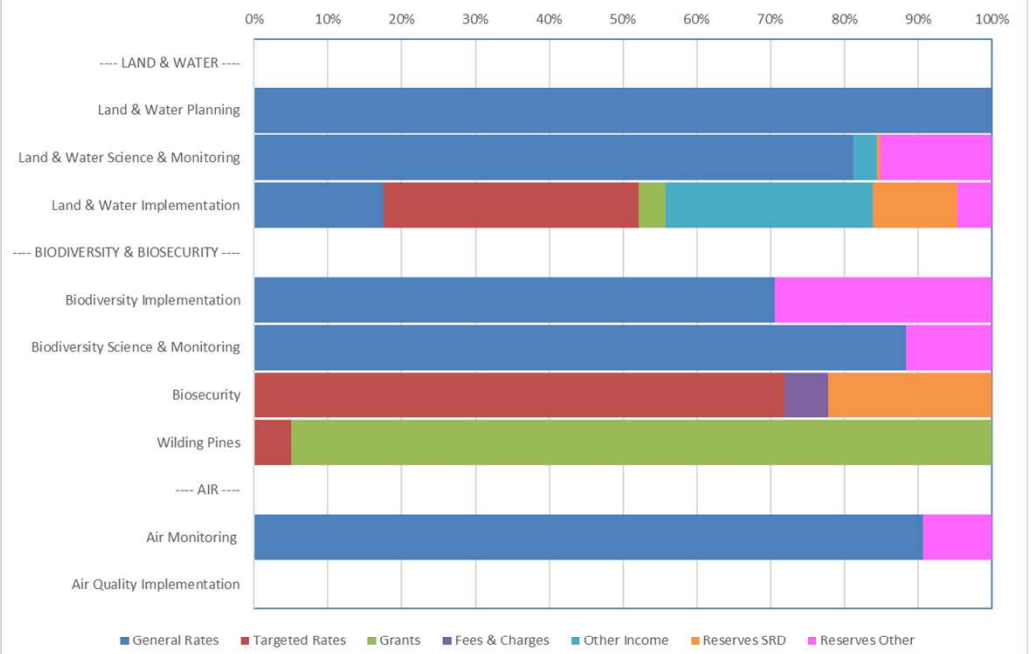


Funding by Activity %

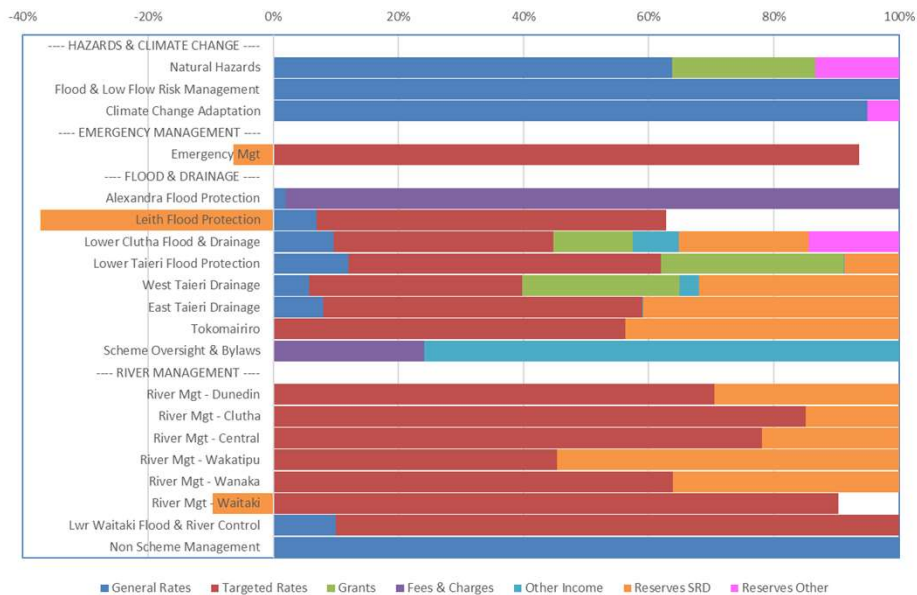
Funding - Regional Leadership (%)



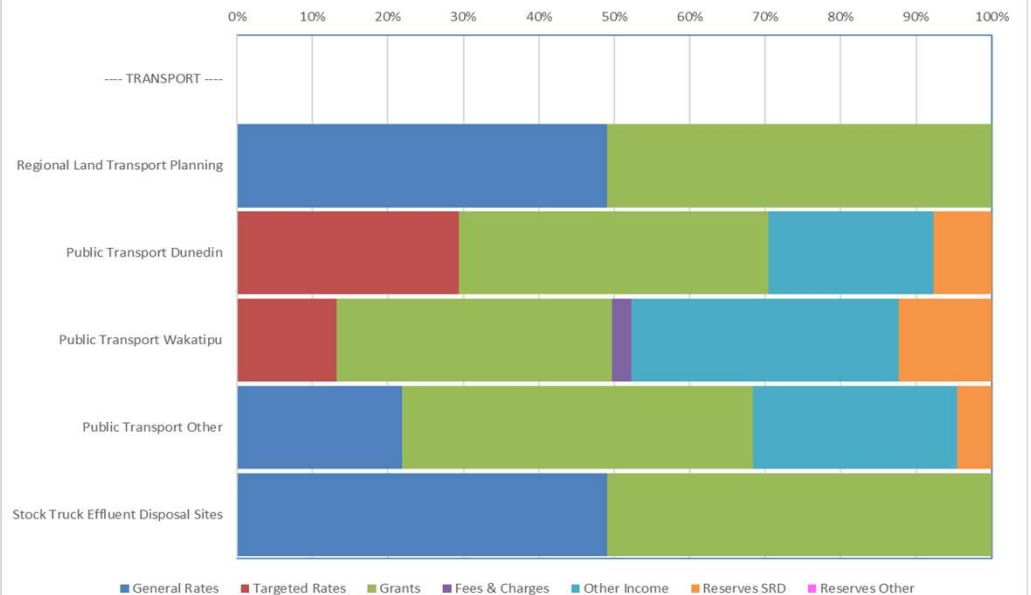
Funding - Environment (%)



Funding - Safe & Resilience (%)



Funding - Transport (%)



General Rates

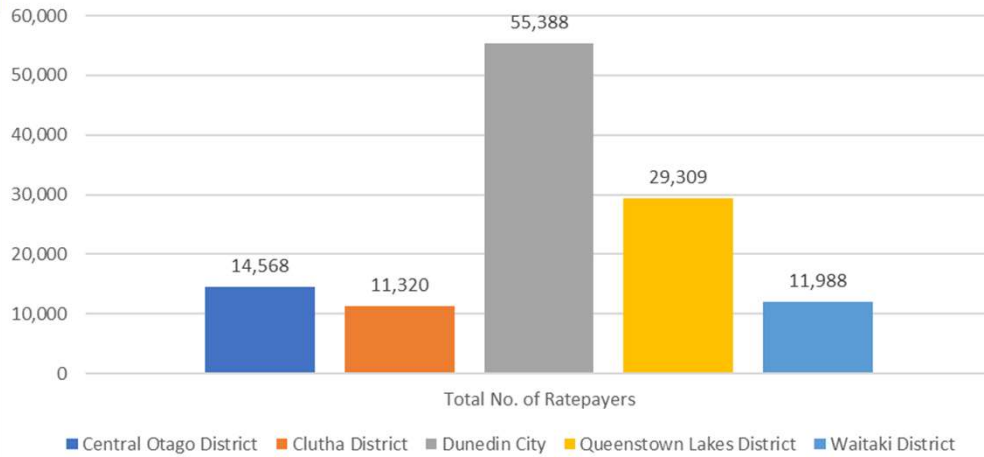
- Charged on capital value (CV) basis
- 25% of total general rates charged as uniform annual general charge (UAGC)
- Some activities are charged on a differential basis – based on location ie district

RATES / UNIFORM CALC	AP22/23
General Rates	23,127
Targeted Rates	24,101
Total Rates	47,228
Uniform Rate Cap (30%)	14,168
UNIFORM RATES	AP22/23
UAGC 25% General Rates	5,782
E 1 Emergency Management	3,336
R 2 Dairy Monitoring	200
L 7 Wilding Pines	200
Total Uniform Rates	9,517
Uniform Rate Cap (30%)	20%

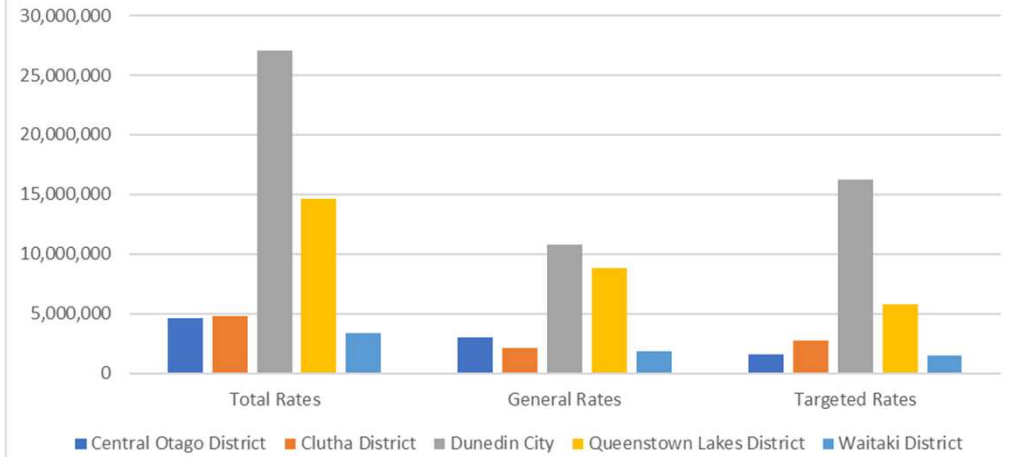
DISTRICT GENERAL RATES	AP22/23
F 1 Alex Fld	6
R 4 Harbours Mgt	79
T 3 STEDS	61
1.1 General Rate Central	146
F 3 L Clutha Fld	94
R 4 Harbours Mgt	158
1.2 General Rate Clutha	253
F 2 Leith	171
F 4 L Taieri	168
F 5 W Taieri	123
F 6 E Taieri	75
N 3 Climate Change Adaptation	578
R 4 Harbours Mgt	396
L 1 Biodiversity Implementation	300
1.3 General Rate Dunedin	1,811
R 4 Harbours Mgt	158
1.5 General Rate Waitaki	158
Total District General Rates	2,369

Rates Summary 2022-23

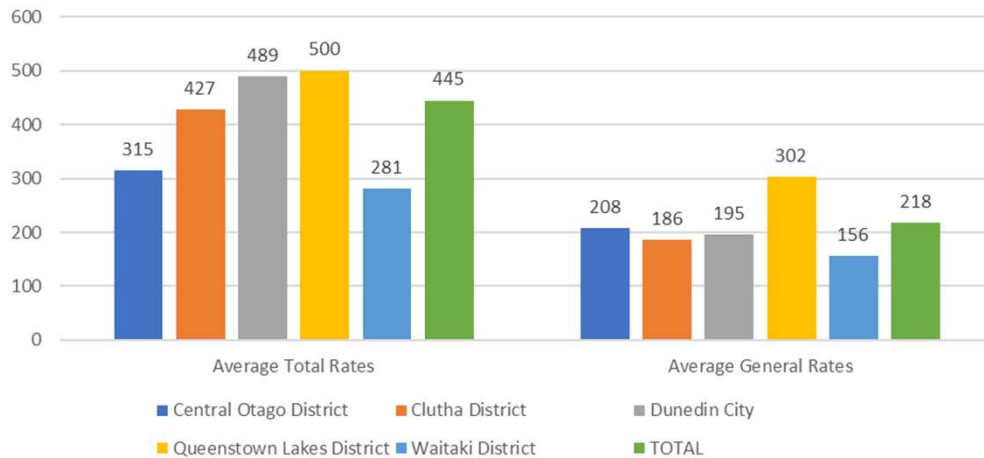
Number of Ratepayers by District (2022/23)



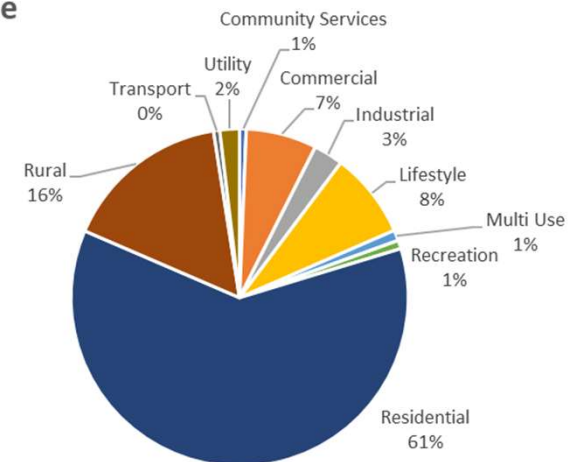
Rates Paid by District (2022/23)



Average Rates by District (2022/23 GST inclusive)



Rates by Land Use (2022/23)



Rates by Postal Address

District: Central Otago District				District: Clutha District				District: Dunedin City			
Region	Territory	Count		Region	Territory	Count		Region	Territory	Count	
[-] Otago	Central Otago District	9,781	66%	[-] Otago	Clutha District	8,160	72%	[-] Otago	Dunedin City	46,486	88%
	Dunedin City	1,321			Dunedin City	1,086			Dunedin PO	2,330	
	Queenstown-Lakes	1,189			Central Otago District	438			Queenstown-Lakes	621	
	Clutha District	126			Dunedin PO	170			Central Otago District	518	
	Dunedin PO	125			Queenstown-Lakes	158			Waitaki District	282	
	Waitaki District	72			Waitaki District	29			Clutha District	264	
Otago Total		12,614	85%	Otago Total		10,041	88%	Otago Total		50,501	91%
[+] Southland		756		[+] Southland		638		[+] Auckland		2,268	4%
[+] Auckland		440	3%	[+] Canterbury		186	2%	[+] Canterbury		905	2%
[+] Canterbury		439	3%	[+] Auckland		147	1%	[+] Overseas		538	1%
[+] Wellington		186		[+] Wellington		115		[+] Wellington		482	
[+] Overseas		170	1%	[+] Overseas		96	1%	[+] Southland		260	
Grand Total		14,859	100%	Grand Total		11,370	100%	Grand Total		55,618	100%

District: Queenstown Lakes District				District: Waitaki District			
Region	Territory	Count		Region	Territory	Count	
[-] Otago	Queenstown-Lakes	16,461	55%	[-] Otago	Waitaki District	9,401	78%
	Dunedin City	1,235			Dunedin City	501	
	Central Otago District	271			Queenstown-Lakes	130	
	Dunedin PO	214			Central Otago District	99	
	Clutha District	131			Dunedin PO	34	
	Waitaki District	122			Clutha District	16	
Otago Total		18,434	62%	Otago Total		10,181	85%
[+] Auckland		3,725	12%	[+] Canterbury		1,182	10%
[+] Overseas		2,212	7%	[+] Auckland		276	2%
[+] Canterbury		2,168	7%	[+] Overseas		124	1%
[+] Southland		1,336		[+] Wellington		78	
[+] Wellington		737		[+] Waikato		40	
Grand Total		29,890	100%	Grand Total		12,033	100%

Rates – Points to Note

- Rates are a tax – effectively a land / wealth tax in disguise
- Don't confuse them with direct payment for services – that's fees and charges
- Elected members decide on the appropriate allocation of rates
- Rating reviews:
 - Are about allocation
 - Not about total amount collected (that's budget / LOS)
- Fundamental rates policy considerations:
 - General vs targeted
 - UAGC – percentage vs specific activities
 - Valuation basis – capital value, land value, land area
 - Differentials – use and basis

Rate Types

- General rates can use differentials ie location (regional, district) and / or land use type (residential, rural, commercial)
- Can set a uniform annual general charge (UAGC)
 - Up to 30% of total rates can be uniform
- General rates can be based on capital value, land value or annual value
 - Annual value – greater of 5% of CV or annual rent value (not used by any Councils)
- Targeted rates are more flexible ie land area can be used as basis

	Advantages	Disadvantages
Capital Value	Easily understood and can be aligned to property sales	Penalises asset rich / cash poor property owners
	Rates apply to full value of the property	May discourage maintenance and investment
	If high value properties use more services – link to benefit received	May require differentials
	If high value properties have higher income – stronger link to ability to pay	
	Aligns to a tax on wealth	
	Utility valuations are rated which increases the rating base	Perception that rating utilities puts those utility prices up
Land Value	Commonly understood	Land valuations come from property sales that include improvements and land only sales aren't common
	Less variance between properties of similar size in the same area	Not a full wealth tax
	Still a strong link between land value and income (ability to pay)	Differentials more likely to be needed and often used to align closer to CV
		Asset value of utilities is excluded
		Doesn't account well for multi-unit properties

	Advantages	Disadvantages
UAGC	Ensures a minimum rate on all properties	Impacts more on lower value properties (less ability to pay)
	Reduces rates on high value properties ie rural properties	Can't be differentiated
		Capped at 30% of total rates
Targeted Rates	Flexible	Can make rates more complicated
	Can apply to any number from one to all properties	Increased administration
	Can be fixed or valuation based	Can multiple over time
	Can be differentiated	
	No limit on the number that can be used	
	Can be based on activities, services, areas or specific groups of ratepayers	
	Transparent and separately identify reserve funding	

Next Steps

- August – independent report from Morrison Low
 - 2-Aug: RC RFP review, rationale for change, principles
 - 24-Aug: Framework and initial FNA – identify options for further analysis / modelling
- Sep – report back with analysis / modelling
 - Determine preferred options and timing
 - Timing could be:
 - In the LTP and consulted on in early 2024 ie “big bang” amendment to the RFP
 - Staggered over the a period of years ie break up and amend parts of the RFP over the LTP consultation and subsequent AP’s
- Oct – draft Financial Strategy and RFP

End...Questions

