



FUNDING IMPACT STATEMENT

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SUMMARY OF CHANGES TO THE RATING METHOD

The rating method for 2007/08 incorporates the following changes:

- The discount to residential institutions on the Fire Protection rate reduces from 85% to 70% for the 2007/08 year.

The following are variations to the 2006/07 – 2015/16 Community Plan.

- The Community Services targeted rate reduces from \$189.50 to \$186.20 for one year only. This reflects the one-off reduction in the 2007/08 budget for the Resource Recovery and Waste Management Strategy.
- The non-residential category of properties now incorporates the utilities category of property.
- A definition of a separately used or inhabited part of a rating unit is now included in the Funding Impact Statement.
- The Council's policy on Lump Sum Contributions is now included in the Funding Impact Statement.
- A new financing mechanism, "Reduction in Investments", is now incorporated into the Funding Impact Statement.
- References are now to the Council's land use codes, not Quotable Value New Zealand land use codes.

Stadium Funding

As part of the consultation on the draft 2007/08 Annual Plan, two options for funding the debt servicing costs associated with the Council's contribution towards a proposed new stadium were provided. These were including the rate requirement within the general rate or funding by way of new targeted rates.

Having considered the submissions both for and against the proposed options and taking into account the submissions made in regards to the proposed stadium, the Council resolved to fund the rates requirement using the general rate. However, the Council has noted that if the project proceeds after 31 December 2007, the Council will then decide on the most appropriate rating method.

FUNDING IMPACT STATEMENT

	2007/08 Budget \$'000	2008/09 Budget \$'000	2009/10 Budget \$'000	2010/11 Budget \$'000	2011/12 Budget \$'000	2012/13 Budget \$'000	2013/14 Budget \$'000	2014/15 Budget \$'000	2015/16 Budget \$'000	2016/17 Budget \$'000
Revenue and Financing Mechanisms										
General Rate	37,950	43,326	47,440	52,328	55,165	58,710	60,269	63,739	64,454	66,072
Targeted Rates:										
Community Services Rate	8,837	8,987	8,987	8,987	8,987	8,987	8,987	8,987	8,987	8,987
Kerbside Recycling Rate	1,007	1,063	1,071	1,132	1,173	1,211	1,249	1,268	1,290	1,316
Citywide Water Rates	16,085	18,100	19,386	20,409	20,942	21,528	22,036	22,509	23,061	23,567
Citywide Drainage Rates	18,841	21,629	23,197	26,279	30,992	31,716	32,108	32,582	33,134	33,759
Rocklands/Pukerangi Water Scheme Rate	39	40	42	43	45	46	48	49	51	52
Revenue (Note 1)	57,555	60,832	66,309	68,460	71,804	68,114	71,608	72,908	75,098	75,554
Dunedin City Holdings Limited Dividend	17,200	18,800	22,100	25,200	25,200	25,200	25,200	25,200	25,200	25,200
LTNZ Income	17,346	18,406	18,109	20,338	21,424	21,849	21,154	17,696	18,117	24,268
Loans Raised	35,788	83,256	85,108	41,629	9,676	4,613	9,468	8,070	4,795	5,361
Sale of Assets	13,930	2,870	53	55	56	58	59	60	62	64
Cash	6,234	963								
Reduction in Loans and Advances	735	536	337	282	263	257				2,000
Reduction in Investments	11,218	920								
	242,764	279,726	292,137	265,142	245,725	242,289	252,185	253,068	254,248	266,199

Note 1:

Revenue includes fees and charges, subsidies, capital revenue, interest and dividends (other than DCHL dividends). It also includes water rates as metered on properties.

RATING POLICY

This rating policy should be read in conjunction with the Revenue and Financing Policy and the funding principles on page 107.

Figures in this policy are GST inclusive.

The following rates will be set by the Council for the financial year commencing 1 July 2007 and ending 30 June 2008.

GENERAL RATE

A general rate based on the capital value of each rating unit in the district.

The general rate will be set on a differential basis based on land use (the categories are "residential", "non-residential" and "farmland").

The rates (in cents per dollar of capital value) for the 2007/08 year are:

Categories	Rates, Cents in \$ per Capital Value	Factor	Revenue Sought \$	General Rate Share
Residential	0.2318	1.00	\$22,668,000	53.1%
Non-residential	0.7092	3.06	\$17,565,000	41.1%
Farmland	0.2086	0.90	\$2,460,000	5.8%

The objective of the differential rate is to provide a mechanism to charge general rates to the three differential categories in a way that best achieves the 11 funding principles listed on page 106.

The Council will not be using a Uniform Annual General Charge.

TARGETED RATES

Community Services

A targeted rate for Community Services of \$186.20. This rate will be set on a differential basis based on land use (the categories are "residential, farmland", and "non-residential"). The rate will be charged on the following basis:

Categories	Rate/Liability Calculated	Revenue Sought
Residential, and Farmland	\$186.20 per separately used or inhabited part of a rating unit	\$9,399,000
Non-residential	\$186.20 per rating unit	\$542,000

The community services targeted rate will be used to fund part of the Parks and Reserves activity, the Botanic Garden and \$112,500 towards the Resource Recovery and Waste Management Strategy.

Kerbside Recycling Collection

A targeted rate for kerbside recycling per separately used or inhabited part of a rating unit, for all rating units that receive a kerbside recycling collection service. This rate shall not apply to vacant sections.

The rate for the 2007/08 year is:

Liability Calculated	Rate	Revenue Sought
Per separately used or inhabited part of a rating unit	\$24.70	\$1,133,000

Drainage

A targeted rate for drainage. This rate will be set on a differential basis based on the provision of service (with the categories being "connected" and "serviceable") and on land use (with the categories being "residential and farmland", "non-residential, residential institutions and schools", and "churches"). The rate will be charged on the following basis:

Categories	Liability Calculated	Revenue Sought
Residential and Farmland	Per separately used or inhabited part of a rating unit	\$13,709,000
Non-Residential, Residential Institutions and Schools	Per rating unit	\$919,000
Churches	Per rating unit	\$13,000

The rates for the 2007/08 year are:

Residential and Farmland	Rates
Connected	\$307.50
Serviceable	\$153.75
Non-Residential, Residential Institutions and Schools	Rates
Connected	\$307.50
Serviceable	\$153.75
Churches	Rates
Connected	\$100.00

Rating units which are not connected to the scheme, and which are not serviceable, will not be liable for this rate.

Non-residential Drainage—Capital Value

In addition, a capital value based targeted rate for drainage on a differential basis based on land use (the categories are “non-residential”, “residential institutions” and “schools”) and the provision of services (the categories being “connected” and “serviceable”). This rate shall not apply to properties in Karitane, Middlemarch, Seacliff, Waikouaiti and Warrington.

This rate shall not apply to churches.

The rates for the 2007/08 year are:

Categories	Rates, Cents in \$ per Capital Value		Revenue Sought	
	Connected	Serviceable	Connected	Serviceable
Non-Residential	0.2222	0.1111	\$5,581,000	\$53,000
Residential Institutions	0.2222	Not Applicable	\$546,000	Not Applicable
Schools	0.1667	0.0833	\$374,000	\$1,000

Water

A targeted rate for water supply per separately used or inhabited part of a rating unit on all property either connected or for which connection is available to receive an ordinary supply of water within the meaning of the Dunedin City bylaws, excepting properties in Karitane, Merton, Rocklands/Pukerangi, Seacliff, Waitati, Warrington, East Taieri, West Taieri and North Taieri. This rate will be set on a differential basis based on the availability of service (the categories are “connected” and “serviceable”).

Rating units which are not connected to the scheme, and which are not serviceable, will not be liable for this rate.

The rates for the 2007/08 year are:

Categories	Rate/Liability Calculated	Revenue Sought
Connected	\$320.00 per separately used or inhabited part of a rating unit	\$14,020,000
Serviceable	\$160.00 per separately used or inhabited part of a rating unit	\$162,000

A targeted rate for water supply that is based on the volume of water made available to all separately used or inhabited parts of a rating unit in Karitane, Merton, Seacliff, Waitati, Warrington, East Taieri, West Taieri and North Taieri. This rate will be set on a differential basis based on the availability of service (the categories are “connected” and “serviceable”).

The rates for the 2007/08 year are:

Categories	Rate/Liability Calculated	Revenue Sought
Connected	\$320.00 per unit of water being one cubic metre (viz 1,000 litres) per day supplied at a constant rate of flow during a full 24 hour period	\$740,000
Serviceable	\$160.00 per separately used or inhabited part of a rating unit (Note this rate shall not apply to the availability of water in Merton, Karitane or Seacliff)	\$7,000

Fire Protection

A targeted rate for rating units that receive a water supply for the provision of a fire protection service. The rate will be set on a differential basis based on land use on certain categories of property (“non-residential” and “residential institutions”).

This rate will be based on capital value. This rate shall not apply to churches.

The rates for the 2007/08 year are:

Categories	Rates, Cents in \$ per Capital Value	Revenue Sought
Non-Residential	0.1103	\$3,081,000
Residential Institutions	0.0331	\$80,000

From 1 July 2006 the Council changed the way the Fire Protection water rate was charged to residential institutions. Residential institutions are to pay the same rate as non-residential properties for this service, with an eventual discount of 25%. The Council phased in the increase to residential institutions over five years by providing the following discount:

2006/07 year	85% discount
2007/08 year	70% discount
2008/09 year	55% discount
2009/10 year	40% discount
and from the 2010/11 year	25% discount

A targeted rate for water supply for the provision of a fire protection service for each separately used or inhabited part of a rating unit within the "residential and farmland" categories that are not receiving an ordinary supply of water within the meaning of the Dunedin City bylaws.

The rate for the 2007/08 year is:

	Rate/Liability Calculated	Revenue Sought
Fire protection Water Rate	\$96.00 per separately used or inhabited part of a rating unit	\$7,000

Water—Quantity of Water

A targeted rate for the quantity of water provided to any rating unit fitted with a water meter, being an extraordinary supply of water within the meaning of the Dunedin City Bylaws, according to the following scale of charges:

Water meter charge	\$142.72
All water per cubic metre	82.6 cents per cubic metre
Rocklands and Hindon Bulk Water	9.68 cents per cubic metre

Rocklands/Pukerangi Rural Water Scheme

A targeted rate for water supply that is based on the volume of water made available to all rating units in the Rocklands/Pukerangi Water Scheme Area. The rate is \$185.00 for each unit of water being one cubic metre (viz 1,000 litres) per day supplied at a constant rate of flow during a full 24 hour period.

DIFFERENTIAL MATTERS AND CATEGORIES

Where councils assess rates on a differential basis the definition of differential categories is limited to the list of matters specified in Schedule 2 of the Local Government (Rating) Act 2002. The Council is required to state which matters will be used for definition of categories and the category or categories of any differentials.

The differential categories are determined in accordance with the Council's land use codes and the provision or availability of services.

1 *Differentials Based on Land Use*

The Council uses this matter to:

- Differentiate the general rate
- Differentiate the Community Services Rate

The differential categories based on land use are:

- Residential—includes all rating units used for residential purposes including single residential, multi unit residential, residential special accommodation, residential commercial residence dependent on other, residential bach/cribs, non-residential properties in Strath-Taieri and all rural residential properties
- Non-residential—includes all rating units with land uses not otherwise categorised as Residential, or Farmland
- Farmland—includes all rating units used solely or principally for agricultural or horticultural or pastoral purposes

2 *Differentials Based on Land Use and Provision or Availability of Service*

The Council uses these matters to differentiate the drainage rate and non-residential drainage rate.

The differential categories based on land use are:

- Residential—includes all rating units used for residential purposes including single residential, multi unit residential, residential special accommodation, residential commercial residence dependent on other, residential bach/cribs and all rural residential properties
- Farmland—includes all rating units used solely or principally for agricultural or horticultural or pastoral purposes
- Non-residential—includes all rating units with land uses not otherwise categorised as Residential, Farmland, Residential Institutions, Churches or Schools
- Residential Institutions—includes only rating units with Council's land use codes 95 and 96
- Churches—includes all rating units used solely or principally as places of religious worship
- Schools—includes only rating units used for schools that do not operate for profit.

The differential categories based on provision or availability of service are:

- Connected—any rating unit that is connected to a public sewerage drain
- Serviceable—any rating unit that is not connected to a public sewerage drain but is capable of being connected to the sewerage system (being a property situated within 30 metres of a public drain).

3 *Differentials Based on Provision or Availability of Service*

The Council uses these matters to differentiate the water rates.

The differential categories based on provision or availability of service are:

- Connected—any rating unit that is supplied by the water supply system
- Serviceable—any rating unit that is not supplied but is capable of being supplied by the water supply system (being a rating unit situated within 100 metres of the nearest water supply).

MINIMUM RATES

Where the total amount of rates payable in respect of any rating unit is less than \$5.00, the rates payable in respect of the rating unit shall be such amount as the Council determines, but not exceeding \$5.00.

LOW VALUE RATING UNITS

Rating units with a capital value of \$3,500 or less will only be charged the general rate.

SEPARATELY USED OR INHABITED PART OF A RATING UNIT

For each category of rateable land includes, in addition to any portion occupied by the ratepayer, any portion of a separately rateable property used or inhabited by any person, other than the ratepayer, having a right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.

LUMP SUM CONTRIBUTIONS

No lump sum contributions will be sought for any targeted rate.

MIX OF FUNDING MECHANISMS BY GROUP ACTIVITY

The following funding mechanisms are applied to the Council's group activities. All mechanisms that have been used are in accordance with the Revenue and Financing Policy.

	General Rate	Community Services Rate	Kerbside Recycling Rate	Citywide Water Rates	Citywide Drainage Rates	Rocklands/Pukerangi Water Scheme Rate	Revenue ¹	Loans Raised	Sale of Assets	Reduction in Loans and Advances	Dunedin City Holdings Limited Dividend	LTNZ Income	Cash	Reduction in Investments
Sport, Recreation and Leisure	•	•					•	•		•			•	
Community Development and Support	•						•						•	
Museums, Libraries and Art Gallery	•						•	•					•	
Public Health	•	•	•	•	•	•	•	•					•	
Personal Safety	•						•						•	
City Planning and Urban Design	•						•	•					•	
Economic Development and City Promotion	•						•	•	•	•	•			•
Transport Network	•						•	•		•		•		
Corporate Support	•						•	•	•				•	

Note 1: Revenue includes fees and charges, subsidies, capital revenue, interest and dividends (other than Dunedin City Holdings Limited dividends). Revenue also includes water rates based on quantity of water.

FUNDING PRINCIPLES

The Dunedin City Council, in adopting the rating method, takes into consideration the following funding principles:

1. That, in so far as possible, the rating method should be simple, efficient and understandable.
2. People who benefit (including secondary beneficiaries) should contribute to costs.
3. Capital value is the primary method of determining the rating method. Capital value is based on market value and reflects the property valuation.
4. Property rates are a mechanism, which contains principles of public benefit taxation. Rates are not a user-pays mechanism.
5. The application of funding mechanisms should not distort markets.
6. The funding of activities and services should have regard to the interests of residents and ratepayers, including future ratepayers.
7. The funding of services and activities should not make these unaffordable.
8. People who pollute or damage the environment should bear the cost of redress.
9. To promote fairness and equity in rating, fixed charges may be used.
10. Where changes are contemplated to the rating method, transition arrangements may be used.
11. Specific rating areas may be considered on a case-by-case basis.