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North Rodney Unitary Council proposed financial projections

Personal Statement of Larry.N. Mitchell

The Northern Action Group has asked me to provide them with budgetary information for the establishment of a unitary local authority (Council) in the Northern Rodney area. I have completed a number of similar exercises in the past using the same methodology, modelling and reliable data sources.

I stand by the projections I have made as stated herein on a best endeavours basis. Although other information if it had been made available (principally from Auckland Council) "may" have proved beneficial for this exercise the information used has been fit for purpose and satisfactory in all respects.

My credentials are at www.kauriglen.co.nz

Larry.N.Mitchell Puhoi 28th June 2013

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There are at least a "dozen" "peer" group small urban/rural Councils (TLA's) operating very satisfactorily in New Zealand. We have based our modelling on these units of local government.

These Councils have one or two town centres, (Warkworth-Wellsford ... Matamata-Te Aroha for example) and a rural hinterland with similar populations to the proposed North Rodney Unitary Council (NRUC), around the 30,000 mark (15,000 ratepayers).

In all cases, the demographics of the incomes and aging population of NRUC in relative economic terms are at least as "good" as the others.

Our prospects of continued NRUC growth are much better than the other peer group Councils.

All NZ TLA's operate in terms of the Local Government Act 2002 as amended so that their cost structures for the normal (ubiquitous) range of Council services will mirror those of the proposed NRUC.

These facts make the possibility of establishing a "similar" unit of local government in our area ... "eminently feasible":

The added costs of acting as a unitary seem to settle at around plus 12% of total operating expenditure (opex), mainly in the regulatory and monitoring area. This margin is added to the estimates, (below).

No significant added infrastructural asset requirements (such as ownership and management of drainage or water resources) or public asset ownership (of ports or airports) would complicate the plan for NRUC. As a consequence NRDC debt levels and debt servicing costs will be well below the NZLG sector norms.

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NRUC roading is a mixture of bad and good news. The roading network is located on difficult terrain, with an extensive rural unsealed network (of an estimated 650 Km) servicing a low density population in a rural area. The good news is that our LTNZ subsidy rate will approach 60%, not the roughly 40% of the Auckland Council. Our costs of roading metal, sourced locally will have a price advantage. But overall our roading costs will, as a proportion of the total opex be “high” ... estimated (below) at 40% of opex.

NRUC proposes that Auckland Council continue to own and operate its regional parks in the NRUC area.

Allowing, where possible for these above factors and based on the modelling of the peer group of Councils we have proposed the following breakdown of annual opex for the NRUC.

The average TLA peer group expenditure pa per ratepayer (2012 no gst) was \$2,980 (Sector all 67 TLA’s \$3,436). Say a midpoint of \$3,200 add 12% or \$384 for unitary NRUC proposed total pa expenditures is **\$3,600** note excluding gst. Note comparable average revenue was average \$3,067 compared with expenditure of \$2,980 (above).

\$3,600 per ratepayer is the estimate of operating costs excluding gst including the added unitary provision at plus 12% or **\$54M** total.

If 60% of this is funded from rates then rates on the same basis will be \$2,160 per ratepayer (\$32.4M rates funded total).

Funding of this expenditure comes from a combination of general and targeted rates, council service charges, financial and other “commercial” incomes, development contributions and government- LTNZ subsidies. In general, 60 to 65% of Council expenditure is sourced from rates.

On this basis our projected NRUC unitary rates is \$2,160 then adding gst would be **\$2,484 per ratepayer.**

Based on 15,000 ratepayers at \$2,160 per ratepayer the NRUC using our peer group modelling as detailed above can expect to generate total rates revenue of \$32.4 million pa excluding gst.

The breakdown of proposed NRUC expenditures will look something like this.

Expenditure category	% Proportion of total opex Peer group average	% Proportion of total opex Suggested NRUC %	\$\$\$ Suggested NRUC total pa note: 1% = \$350K	\$\$\$ Rates funded 60% (general and targeted plus UAGC) on a <u>non-unitary</u> basis
Roading	29.8	40	\$14,000,000	\$8,400,000
Stormwater	1.2	1.2	420K	420K
Water supply	11.3	7	2,450K	2,450K
Wastewater	8.5	5	1,750K	1,750K
Land Drainage	.2	1	350K	0
Refuse/Solid waste	6.3	3	1,050K	0
Regulatory	8.8	12	4,200	2,100K



Recreational reserves	7.4	5	1,750K	1,750K
Property management	5	2	700K	350K
Libraries	2	2	700K	600K
Community facilities	6.7	5	1,750K	1,200K
Economic development	2.6	3	1,050K	1,000K
Democracy	3.8	3	1,050K	1,050K
Other			3,780	70K
Sub-Totals			\$35,000,000	\$21,070,000
Add 12% unitary			\$40,000,000	\$23,500,000
Add 15% GST			\$46,000,000	\$27,000,000
Per ratepayer			\$3,066	\$1800

Notes:

- All dollar totals are exclusive of gst
- Roading costs are gross excluding subsidies
- Rates funded column is net of subsidies and fees and charges
- Water supply and wastewater estimated “down”
- Rates funded set at 60% of total opex
- \$ total rates funded estimates with 60% adjustment \$21,070 (60% of \$35M is \$21M)
- Comparisons of rates funding excluding gst totals \$2,160 per ratepayer (with gst \$2,484) and generates \$37.2M using the peer group analysis the table figures using budgeted expenditure categories of \$1,566 per ratepayer (with gst \$1,800) generates \$27M
- The appendices refer to further iterations of water related charges. They do not! materially alter the draft budget and rates estimates.

The difference between the two (\$1800 and \$2484 above) arise/are due to the different levels of expenditure.

Suffice to say: Depending on our budgeted operating expenditures, (60%/100% ... 27M/45M to 37.2M/62M) unitary rates including gst would range from a (very) low \$1,800 pa per ratepayer to a mildly high figure of \$2,484.

As Bill points out water and wastewater rates based (as above) on the averages used could be significantly lower if we adjusted for ratepayers (a majority?) not receiving these services.

The challenge of course would be to limit our NRUC expenditures (or improve our revenues) to achieve lower rates.



Larry Mitchell 19th June 2013



Appendix I of III

Bills added info numbers

Here's the numbers I've got for North Rodney in Auckland Council 2012-13

CV \$10,048.3 M

Total rates and UAGC \$37,118,497 (incl gst) ... excludes water charging (below).

Total assessments \$14,659 (Commercial, Rural, Res.)

Average rates \$2532

Water/wastewater connections data

5000 (approx)

Average household charges \$600 (incl)

Total Revenue from charges \$5.2M so that's \$42M going out of our local North Rodney economy!!!

Appendix II

Possible alterations to draft calculations (above) amended for Bill's water related data (Appendix I above).

Draft water related service charges budgeted total \$4,970 above.

Bills advice Watercare charges \$5.2M.

The minor difference of water costs (\$230K) works in "our favour" and could be seen to relate to a provision for replacement of water assets.

Appendix III

District Capital requirements

A figure of \$100M is estimated for Watercare/North Rodney capital waterworks (uncertain whether this is a combined renewals/new capital works or what?) over the next ten years. This total (just like roads ... the other "Biggie") is not readily verifiable by NAG and may or may not eventuate.

In light of this, it is important to point out that our NRUC projections do not include any guesstimates of future capital or major renewal works.

We propose to play *what is in front of us* now! ... leaving a combination of non-rates funded financing to be sourced from:

- organic district growth
- related development contributions
- modest inter -generational qualifying infrastructural asset debt funding and
- added targeted service charges

... to meet capital expenditures as they arise.