

Council Briefing Meeting Minutes

Date: Tuesday, 19 September, 2017
Time: 9:00 a.m.
Location: Council Chamber
Forum North, Rust Avenue
Whangarei

In Attendance	Her Worship the Mayor Sheryl Mai (Chairperson) Cr Stu Bell Cr Vince Cocurullo Cr Shelley Deeming Cr Sue Glen Cr Phil Halse Cr Cherry Hermon Cr Sharon Morgan Cr Anna Murphy
Not in Attendance	Cr Crichton Christie Cr Tricia Cutforth Cr Greg Innes Cr Greg Martin

Also in attendance: Rob Forlong (Chief Executive), Alan Adcock (General Manager Finance and Corporate), Alison Geddes (General Manager Planning and Development), Jill McPherson (General Manager Strategy and Democracy), Rich Kerr (Finance Manager), Alison Puchaux (Manager Revenue), Katherine Voelkerling (Senior Rates Advisor), Lisa Aubrey (Contractor), Nicolene Pestana and Hsi-En-Soo (Democracy Advisors).

1. Apologies

Cr Greg Innes, Cr Tricia Cutforth, Cr Greg Martin and Cr Crichton Christie

Session 1: Tuesday, 19 September 2017

Her Worship the Mayor convened the briefing at 9.01am and referred the Elected Members to the updated LTP schedule.

2. Reports

2.1 2018-28 Long Term Plan Revenue and Financing Policy

Rich Kerr and Alan Adcock reviewed the presentation and explained the content of each slide as outlined in the agenda report and presentation. This report should be read in conjunction with the agenda report.

➤ Activity Groups and Activities

- 9 Activity Groups - District strategy and governance – provides more transparency on costs and service delivery
 - Transportation
 - Water
 - Wastewater and drainage
 - Stormwater
 - Flood control – Hikurangi
 - Solid Waste Management
 - District planning and regulatory services
 - Community facilities and services – Parks, reserves and natural areas are split between infrastructure and community groups.
 - Additional groups are Corporate Finance, People and Capabilities. The cost of these groups gets reallocated across the 9 main groups when preparing the Annual Report)

➤ Activity Funding Review

- Council needs to review each individual activity and its funding.
- When assessing funding for each activity, there are factors which need to be considered
- Community outcomes
- User / beneficiary pays
- Inter-generational principle
- Exacerbator pays principle
- Costs and benefits of funding the activity
- Affordability
- Accessibility

➤ Funding Sources for Operating Expenses

- General rates
- Targeted rates
- User fees and charges for example parking bays
- Grants and subsidies for example roads subsidised by NZTA
- Borrowing – very seldom does WDC use debt
- Interest from investments
- Distribution and dividends
- Rental Income – residential properties, properties for strategic purposes
- Enforcement fees for example parking fines

- Reserves
 - Surplus from previous financial periods
 - Trusts and bequests
- Storm Damage
- There are three options – to proceed as normal, to increase rates to include stormwater maintenance or to use the debt fund.
 - The proposal is that extensive storm damage be funded by debt in order to provide flexibility and prevent halting projects that are halfway completed to deal with storm damage.

Elected member questions and comments

- *Some of the Elected Members felt that it makes sense to have a separate stormwater fund set aside for storm damage. Others felt it better to borrow money for storm damage than impact on the LTP, there is no way of knowing what the impact of a storm would be in dollar terms.*
- *The community do not understand the terminology around rates, rating is difficult to understand.*
- *The community do not have issues about what they want but there is an unfairness in who pays what.*
- *Kathy and Alison were asked what, in their experience, do the public complain about? They advised the public's main concerns are SUIPS and the remission policy which are felt to be unfair. Generally, most people are happy with rates and are not complaining except when it comes to SUIPS and commercial rates.*
- *People on the coast do not meet the requirements for remission, how is the amount of the remission determined? Kathy advised that this is not something Council gets involved in, it is a government rate from the Department of Internal Revenue. It is because their income is higher than the level of rates. Council only assist in filling in the forms and administering the Rates Rebate scheme.*
- *Is there a possibility of rating according the district plan? Alan advised yes, it is a more involved process but could be more accurate. However, there could be issues where people move to avoid paying rates in certain areas.*
- *Of their overall expenditure, rates is the one thing people have to pay but council has a list of the communities wants and needs. The key is to get a balance between the two.*
- *The water reserve can only be spent on water because that is what the rates were collected for. There is a surplus in the water reserve this year.*

- *Perhaps some comparisons should be made with what other Councils are charging for rates.*
- *We should not be comparing this Council to other councils.*
- *There are different socio-economic factors at play in our community.*
- Rob advised that WDC is catching up as far as rates and incomes are concerned.
- *The Whangarei district has changed and is attracting a lot of different types of people now, a lot more professionals are moving into the district.*
- *It is perceived that the Whangarei district is improving but there are people who are struggling in the district, the Whangarei district is not like other districts and council must be able to support.*
- *There are also people who are thriving in the district.*
- *There will be issues with the elderly's ability to pay if Council increases the rates.* Alan advised that any change made will affect people.
- *The rates are already too high for the people to afford.*
- *There is a need to incentivise businesses to move to the CBD, should consider lowering the rates in the CBD.* Alan advised that rates is a tool used for funding, not to incentivise the community and Council should stick to rating for the purposes of rating and find other ways to incentivise.
- *Businesses are already paying more to be in the CBD.* Alan advised other councils also have different target rates for business and residential areas.
- *People cannot afford commercial rent in the CBD and people are not shopping in the CBD because it is too expensive.*
- *The problem is that landlords are charging too much rent.*
- *Commercial rates are not used to encourage growth in the district, we need to address commercial rates. Rating on capital value will solve the problem.*
- The detailed model will reflect what is fair across the board.

The briefing was adjourned for tea at 10.35am and reconvened at 10.52am.

2.2 Rates Structure Review

Alan Adcock ran through the content of each slide as outlined in the agenda report and presentation.

Elected member questions and comments

The scope of the Rates Structure review includes all the elements of rating.

- General Rates (including Land Value vs Capital Value)
- Land Value vs Capital Value
 - *The key thing to decide on is land value versus capital value.*
 - Rating on capital value would affect residential homes, flats with high end commercial units and there would be issues with titles.
 - Moving solely to capital value does not completely solve the problems as this does not reflect the intensity of use.
 - The Elected Members were advised that if you simply changed to land value to capital value, there would only be a change if the property lies in the percentile.
 - Capital value is higher than land value and this would impact people with lower values and lower income people.
 - Halved UAGC and capital value is not as significant as only capital value. Alan advised that the models can be tweaked so that higher valued properties are impacted more and lower valued homes are impacted less.
 - *If we go straight from capital value to land value it would mean lots of change for lots of people, it is best tweaks what we currently have.* Alan advised that council staff has considered the implications of change for each model in order to judge how it would affect the ratepayer.
 - Changing to Capital Value reflects the intensity of land use.
 - Other councils have swopped over to Capital Value for example Hamilton City Council had two goes, the changeover is potentially a hard sell, the models provide a balance between the two.
- Sector Splits
 - *Perhaps it is better to adjust sector splits.* Staff recommend that sector splits be retained and remain largely unchanged.
 - Various factors determine sector splits.
 - The splits can be changed over time.
 - *The more people that come into the sector, the greater the demand for services.* Alan advised that it is important to get the sector splits right as the smallest sector can have the biggest impact on rate payers.
 - *Sector splits are difficult to understand, more people are coming into the city but not that many are contributing.* Alan advised that changes to the pace of growth between the sectors must be considered and trends are looked at on a regular basis.
 - If one major player impacts the sector, this highlights the value of the sector.

- UAGC (Uniform Annual General Charge) and SUIPS (Separately Used or Inhabited Part of a rating unit) vs Rating Units
 - The decision to be made is whether to retain UAGC or not and how to calculate it.
 - There would be an impact for residential ratepayers if we reduce our UAGC or change on a per SUIP basis to rating units.
 - *Seems viable to move from SUIP to land value.*
 - *Can we rate on a square meter basis?* Alan advised not for general rates, only for target rates. This gets a little complicated for rate payers. Capital value helps with SUIP problem and minimises complications.

- The use and definition of SUIPS.
 - The issue is with the definition of SUIPS and how a SUIP is determined.
 - *A lot of feedback on SUIPS was received, this is the one issue that needs to be addressed.*
 - *Need to find an equitable way to address the problem of SUIPS, if we want to address SUIPS, we have to look at the models. If we are really trying to do the right thing we need to look at the SUIP issue.* Alan advised that there are issues rating people on SUIPS as it is hard to get data on SUIPS and leads to arguments with ratepayers.
 - *Getting rid of SUIPS is a definite priority so that we no longer need to try and identify what SUIPS are or not and can only identify intensity of use.*
 - *The test is whether it is a self-standing unit for example compartments in an office block should not be defined as a SUIP*
 - *It is difficult to distinguish at properties because of access to the building.*
 - *SUIP's are creating a separate society and is not something council should be involved in. They are not fair and encourage neighbours to tattletale on each other. Capital Value addresses this issue. We need to get rid of SUIPS to make things more affordable, particularly in the CBD.* Alan advised that changing to capital value addresses the intensity of use but no system will solve every issue.
 - *When dealing with SUIPS, isn't it better to redefine SUIPS?* Alan advised that not all problems are going to be solved by redefining SUIPS and in doing so other issues are created.

- Models
 - Alan advised the Elected Members to choose which model they would like to look at and council staff will then provide further details for those options.
 - *There was a request for Model 2 to be marked up.*

- *Model 3 was thought to be very disadvantageous to lower income residential households.*
- *Model 6 was thought to need refinement by removing SUIPS, going into rating units and having a good system for transport. Less valued property, less rates.*
- *Model 6 allows for the removal of SUIPS and is less complicated.*
- *If the UGAC is tweaked, it could give relief to lower value properties without putting too much of a burden on higher value properties.*
- *Model 6 is the best model if tweaked and smoothed out and brought back to the Elected Members as a presentable model.*
- *If we change from SUIP to rating value in Model 6 it will ensure 1 rating for 1 property.*
 - *There is a general feeling that the Elected Members want to get modelling based on Model 6. Once that has been done, sector splits and impacts and utilities can be modelled in and out.*
- **General Comments**
 - *Perhaps there should be a target rate for different projects as what was done in Hamilton for the Hamilton Garden Project.*
 - *Can other projects be ringfenced? Counsel was advised that it depends on what the rates are charged for, water is ringfenced because the rate is charged for water and cannot be used for other projects.*

Alan advised on the way forward. General rates are still to be considered. On 26 September 2017, the Elected Members will receive detailed modelling. On 25 October 2017, there will be a workshop on remissions and in November the proposed changes will be presented.

The briefing was adjourned at 12.20pm.

Session 2: Tuesday, 26 September 2017

Her Worship the Mayor convened the briefing at 9.00am.

Elected Members present: Her Worship the Mayor, Crs Glen, Martin, Halse, Christie, Cocurullo, Murphy, Morgan, Hermon, Bell, Deeming, Cutforth.

Apologies: Cr Innes

This is the second session of the Ratings review, a continuation of the briefing on 19th September 2017.

Rates Structure Review continued

Alan Adcock continued with the presentation on the Rates Structure Review as outlined in the agenda report and presentation.

Elected member questions and comments

- *The value of the step hasn't been changed in a long time, may have to look at the value of the steps as property values have increased.*
- *Councils priority should be to get something back from rates or to look at something more fair. Should keep to the current system with a few tweaks to be fair.* Alan questioned whether the system is broken or is it just that there are a few anomalies to be tweaked. Different feedback has been received from the community.
- *Purpose of this exercise is to focus on making as few changes as possible as the affect people and to make it as fair as possible.*
- *At meetings with the public, they are generally happy with the rates and feel rates are fair.*
- *If a person owns a business and wants to make improvements to the business, that is their decision to make based on what is good for the business, business owners are aware of SUIPS and what they have to pay for them.*
- Most of the people who live in rural properties pay rural residential rates but don't get services and there is a vast difference in the rates they pay.
- *If we put in industrial capital values, is there a clear distinction of what is industrial?* Council was advised that introducing Capital value has the most significant effect whether an increase or decrease for the industrial sector.
- *Her Worship the Mayor declared an interest in the Whangarei Falls as her sister is the manager there.*
- *Keep status quo for rural properties, there are a few properties over \$3 million properties.* Council was advised over 90% rural properties are over \$3 million. Alan advised difference between land value and farm value (business valuation).
- *Retirement villages are commercial businesses.* Alan advised that this is a fair reflection of the rates they pay for the services they receive. This is an opportunity to address rates in an equitable manner but retirement villages differ from each other depending on whether they have separate land titles. Should they be treated equally even though they have a different legal structure for example a hotel has multiple SUIPS but a motel has only one SUIP. The Elected Members must look at how best to treat all these types of properties with different SUIPS.
- *How are motels classified?* Motels are multigroup, hotels are commercial and rest homes are residential properties. No matter how we look at the rates system, we should have a closer look at the groups of the properties in the multigroup.

- *Why not treat them all as commercial because they are all commercial entities, with the exception of Stonehaven and other low income properties which are not commercial entities.*
- *We must be careful about determining the definition of commercial entities.*
- *We must consider services rendered and rate on that, council cannot delve into the legal system.*
- *The rates rebate for low income persons and pensioners have been sorted out for people who live in rest homes.*
- *We rate on the impact the entity has on our infrastructure and our services, not according to what type of entity it is.*
- *The rating system has been around for a long time but with a changing world and community, it has developed anomalies and perhaps no longer works*
- *The rates system must be kept simple. It should be the more you work, the more you own, the more you pay. We will never get it entirely right and should just tweak here and there.*
- *Often the lower value properties have the most impact on services because they are over populated.*
- *Model 3 – Changing to capital value is not as much in favour compared to the previous session where this was the preferred model.*

Utilities

Elected member questions and comments

- *Seems right that utilities should also have their rates reconsidered so as to be fair.*
- *Are there any reasons why we shouldn't look at utilities rates?* Alan advised no, they have an impact on the district, their infrastructure is on our land and they use our services.
- *Other districts rate utilities.*
- *What is the impact on our district? Will it stop utilities from delivering services?* Utilities should still be able to function. Every business will pass on the change in different ways.
- *We should have consultations with utilities to see how it affects them.*
- *We should not go to submissions but rather make the call and then hear feedback, make the call in or out.*
- *Elected Members can choose to have utilities on top of rates or factored into rates. Business as usual in commercial pool or total pool.*
- *Elected members advised need more time to consider.*

Briefing adjourned for tea at 10.38 and commenced again at 10.56.

Target rates

Elected member questions and comments

Sewerage rates

- *Do we get a lot of complaints about the current sewerage rates?* Council was advised that we do get complaints that the number of pans to not match the usage.
- Alan asked whether the Elected Member's would like council staff to do more work in the sewerage rates space? *Some Elected Members felt that the matter could be explored further.*
- Council was advised that other councils charge on capital values base which doesn't reflect usage. If we are moving away from SUIPS this will not impact on commercial properties because it is based on number of pans.
- *With the models, we can look at the impact of using Land Value or Capital Value and the effect on sewerage.*

Refuse Management Rates

- *Until we know whether we are going to change the rating system, it is hard to know whether to change the target rates.*
- *Why would this not be a general rate?* Alan advised that it is a per head charge.
- *The money from the refuse management rate could be included in the general rate and the rates on properties would increase.*
- *In situations like these there are always cross sections of the community.*
- *Why should you pay more for service just because you have a high income house? The system we have now works.*
- *Keep the refuse rates away from the general rates.* Alan advised that we do not know do not know what the costs will be for the implementation of the WMMP and it will be difficult to pin down how it will impact on refuse rates.
- *The only way to have waste minimisation is to have designated areas for recycling. If this is not identified and just included in general rates, how do we indicate to the community what waste and refuse actually costs.*
- *It is not just about residential bins, it is about every bin in all the areas and streets, we all use the bins.*

Possible targeted rates

Stormwater

- In the LTP there needs to be funding for stormwater. Currently in general rate, should it be a targeted rate?
- *Whether in town, rural or beach, this is a benefit to the entire district and should be treated generally but how to make this fair?*
- *The question is what are we looking to fund in terms of stormwater, if it is for specific stormwater projects then maybe we should make it target rates?*

- *From the beginning of this council, we agreed to treat the whole of the district as one and not distinguish between areas and sectors. Keep it simple, keep it in.*
- *General feeling amongst Elected Members is to keep stormwater in general rates.*

Special services

Road Sealing

- *Depends on what types of roads to be sealed. Private roads are of no benefit to the district as a whole and sealing should not be funded.*
- *There are heaps of roads awaiting sealing which have gone through the process.*
- *Leave the issue open and do it on a case by case basis.*
- *If we go on a case by case basis, there needs to be clear criteria with good assessment by staff so it does not become political.*
- *We should be able to rate properties for a specific project if they all agreed to contribute for the costs of sealing private roads.*
- *We could allow the costs of this to be spread out over a few years.*
- *The Elected Members want to pursue but final details to be provided.*

Main Street or BID rate

- *One hundred percent of ratepayers in the area would have to buy in.*
- *Should be put in targeted rates for SUIPS in BID. Community wants projects, council is happy to pay for these projects but we need to rate it.*
- *Alan advised that we should be investing money in the CBD but it must benefit the whole district.*
- *The Elected Members like the idea of a natural progression towards vibrant city living.*

Warmer homes

- *Could support this but would more information needed especially around costs. This may not be councils core role but it would be valuable to ratepayers. What have other councils done? Alan advised it is more beneficial to Regional Council than District Council. A big factor to consider is who will recover the money if people do not pay.*
- *Why do Northland District Health Board or WINZ not do this? This is not council business, not prepared to put ratepayers money into what is not core business.*
- *People are better off getting a loan, the only reason we would do this is because we are a soft touch, the complications caused would be immense, our climate is different from other councils, this sits with other organisations.*

- *Council should not be doing this and ratepayers should not be funding it. ---*
- *Would support a system where people could get a 50% subsidy for those who cannot afford it.*
- *The Elected Members were divided in their support for this.*
- *This is not the highest priority but can be looked at a later stage.*

3. Closure of Meeting

Her Worship the Mayor closed the briefing closed at 12.15.