

Funding Impact Statement

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Table of Rates Collected

	2015-16 LongTerm Plan \$000
Rates Collected	
General Rate	289,700
Uniform Annual General Charge	21,018
Targeted Rates	
Water Supply	
Full Charge	35,057
Half Charge	739
Restricted Supply	148
Excess Water ¹	-
Fire Service Connection	107
Land Drainage	19,887
Sewerage	55,737
Waste Minimisation	21,801
Active Travel	3,576
Governors Bay Water Loan	18
Governors Bay Sewer Loan	28
	447,818
including GST of	58,411
	389,407

Note 1.

The total rates amount of \$389.4 million (excluding GST) in this table is based on the actual number of rating units across the city and their capital value at the date the draft Long Term Plan is adopted. Three items of rating income are excluded from this figure (and from the specific rates details provided on the following pages):

- Excess water rates – excluded because it is dependent on actual volumes consumed during the year. Excess water rates are budgeted to be \$2.8 million (excluding GST) in 2015-2016.
- Late payment penalties & surcharges – excluded because they are dependent on actual late rates payments occurring during the year. Late payment penalties and surcharges are budgeted to be \$2.2 million (excluding GST) in 2015-2016.
- Changes in capital values during the year – Council is required to adjust its rates charges for individual properties during the financial year to reflect any capital value change arising from demolition or substantial construction work; the impact of these adjustments on rates collected is excluded from the table because it is dependent on the extent of demolition and construction activity during the year. The net impact on rates of these adjustments is budgeted to be revenue of \$2.6 million (excluding GST) in 2015-2016.

This Funding Impact Statement sets out the sources of operating funding Council will use to fund its activities over the period of the Long Term Plan. These funding sources were developed from an analysis of the Council activities and funding requirements which is set out in the Revenue and Financing Policy in the draft Long Term Plan.

Christchurch City Council Funding impact statement

Plan 2014/15		Plan 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		\$000									
	Sources of operating funding										
246,946	General rates, uniform annual general charges, rates penalties	274,205	307,252	343,144	373,481	399,675	424,245	445,702	462,450	475,771	495,241
111,180	Targeted rates	122,757	127,801	136,794	144,731	152,305	158,915	166,834	174,024	180,954	186,991
21,321	Subsidies and grants for operating purposes	21,189	21,583	21,613	22,134	22,342	22,997	23,757	24,427	25,526	26,394
97,344	Fees, charges	97,004	97,122	100,765	112,885	119,145	126,193	130,783	136,384	140,568	146,081
74,886	Interest and dividends from investments	627,888	258,278	52,699	54,778	55,455	55,220	55,730	61,786	70,721	73,183
36,460	Local authorities fuel tax, fines, infringement fees, and other receipts	31,455	17,425	11,980	13,019	12,074	12,181	12,539	12,877	13,201	13,607
588,137	Total operating funding	1,174,498	829,461	666,995	721,028	760,996	799,751	835,345	871,948	906,741	941,497
	Applications of operating funding										
414,558	Payments to staff and suppliers	406,850	391,240	378,692	393,377	413,798	428,419	442,116	458,594	470,754	486,444
60,482	Finance costs	86,213	94,678	112,179	123,195	131,676	136,139	139,081	141,747	146,950	152,226
67,346	Other operating funding applications	62,527	38,657	37,929	36,679	30,905	31,642	32,560	33,537	34,576	35,718
542,386	Total applications of operating funding	555,590	524,575	528,800	553,251	576,379	596,200	613,757	633,878	652,280	674,388
45,751	Surplus (deficit) of operating funding	618,908	304,886	138,195	167,777	184,617	203,551	221,588	238,070	254,461	267,109
	Sources of capital funding										
20,615	Subsidies and grants for capital expenditure	16,896	17,149	15,357	17,436	17,496	15,382	14,144	12,606	12,570	13,087
18,766	Development and financial contributions	21,856	17,448	22,518	25,430	24,332	24,454	26,068	25,028	24,198	24,329
453,986	Increase (decrease) in debt	(12,419)	304,773	222,574	159,827	89,876	51,995	18,082	51,814	92,816	34,289
6,763	Gross proceeds from sale of assets	54,671	8,026	5,925	5,857	4,370	504	518	534	551	570
-	Lump sum contributions	-	-	-	-	-	-	-	-	-	-
454,335	Other dedicated capital funding	50,154	132,603	97,902	39,925	6,447	7,501	4,387	4,509	4,659	4,814
954,465	Total sources of capital funding	131,158	479,999	364,276	248,475	142,521	99,836	63,199	94,491	134,794	77,089
	Applications of capital funding										
	Capital expenditure										
878,842	- to replace existing assets	751,965	773,229	375,309	259,550	156,376	175,619	156,551	252,474	324,980	278,970
36,585	- to improve the level of service	61,224	71,152	75,656	86,000	101,436	61,691	42,758	26,118	23,641	24,895
107,881	- to meet additional demand	99,667	51,635	49,409	70,056	66,460	62,736	82,055	49,704	35,652	34,844
(21,892)	Increase (decrease) in reserves	(162,390)	(110,731)	3,097	3,846	4,366	5,041	5,423	6,265	6,982	7,489
(1,200)	Increase (decrease) of investments	(400)	(400)	(1,000)	(3,200)	(1,500)	(1,700)	(2,000)	(2,000)	(2,000)	(2,000)
1,000,216	Total applications of capital funding	750,066	784,885	502,471	416,252	327,138	303,387	284,787	332,561	389,255	344,198
(45,751)	Surplus (deficit) of capital funding	(618,908)	(304,886)	(138,195)	(167,777)	(184,617)	(203,551)	(221,588)	(238,070)	(254,461)	(267,109)
-	Funding balance	-	-	-	-	-	-	-	-	-	-

Detailed information about sources of operating funding

Rates, uniform annual general charges and rates penalties

Rates, uniform annual general charges and rates penalties are derived in accordance with the Council's rating policy. In general they fund operating expenditure, but they also fund asset renewals and debt repayment which are included under Applications of capital funding in the table above.

Targeted rates

Targeted rates are derived in accordance with Council's rating policy and are used to fund specific activities. More detail is set out in the revenue and Financing Policy.

Subsidies and grants

Subsidies and grants are primarily received from New Zealand Transport Authority in support of the Road Network and Transport activities.

Fees and charges

Fees and user charges are developed from the various pricing policies under the Activity Management Plans for each Group of Activities. The effect of any fee or charge levied by Council is to reduce the amount of funding the Council needs to source from rates. There are a number of increases proposed to fees and charges which are detailed in the Fees and Charges schedules.

Interest and dividends

The Council receives interest from its financial investments and from loans to various council controlled and community organisations. The

Council also receives dividends from some of the various CCTOs that it owns or has an ownership interest in. The effect of any interest or dividends received by the Council is to reduce the amount of funding Council needs to source from rates, or in the case of special dividends from borrowing.

Other receipts

Other receipts are largely comprised of earthquake recoveries which partly reimburse the Council for temporary works. The funds are received under the National Civil Defence and Emergency Management Plan, administered by CERA to reimburse local government for 60%- 100% of qualifying costs incurred as a result of a disaster.

The graphs below show the revenue planned for each class of operating revenue over the ten years of the plan along with the key classes of expense.

Detailed information about sources of capital funding

Subsidies and grants

The subsidies, grants, and other funds collected by the Council are set out in the various Activity Management Plans. The largest single subsidy received by the Council is from the New Zealand Transport Agency to support Council's Road Network and Transport activities. The effect of any grant or subsidy collected by the Council is to reduce the amount of funding Council needs to source from borrowings.

Development contributions

Development contributions are charged to property developers to recover the estimated cost of increasing the capacity of the city's infrastructure and community facilities to meet the needs of growth. A detailed explanation of

development contributions is provided in the Development Contributions Policy.

Borrowing

The Council's capital expenditure is financed as outlined in the Revenue and Financing Policy. As a general principle Council borrows to provide the funding necessary to purchase or construct new long-term or infrastructural assets. In some instances Council will also borrow to fund grant expenditure that is classified as operating expenditure in Council's financial statements, but is capital in nature. An example is the funding provided to the Canterbury Museum Trust Board for additions to the Museum buildings. In accordance with its financial strategy the Council is also borrowing to fund extra operational costs such as the District Plan update and operating deficits through until 2015/16. The deficits are principally the result of lost revenue due to the earthquakes and the borrowing to meet them is funded by the special earthquake charge which has been collected through rates for the last four years. The last of these surcharges (1.93%) is included in the rates levied in 2015/16

All borrowing is carried out in accordance with the Liability Management Policy.

Asset Sales

These typically comprise sale of fleet vehicles and sale of surplus land.

Other dedicated capital funding

These largely relate to earthquake recoveries, which are comprised of the proceeds from insurance policies, reimbursement from the Crown, and NZ Transport Agency subsidies. During the rebuild this source of funding is significant.

Reserve funds (shown in the table as a net figure under Applications)

Council maintains a number of reserve funds. Many of these have resulted from bequests or gifts to the city, while others are the result of specific decisions by Council (such as the Capital Endowment Fund) or the exercise by Council of its statutory powers (such as for the collection of financial contributions under the Resource Management Act). These funds are invested by the Council in accordance with its Investment Policy, and funds are drawn from individual reserves for operating or capital expenditure that meets the purpose of that reserve.

The graphs below show the revenue planned for each class of capital revenue over the ten years of the plan along with the key classes of expense.

Where our funding will come from

Before the earthquakes, rates were the main source of funding for the Council's activities. As the earthquake recovery continues, earthquake rebuild recoveries (insurance, NZ Government reimbursements, and NZ Transport Agency subsidies), borrowing, and the release of funds from CCHL are significant sources of funding. These account for \$852 million or 53% of funding in 2015/16.

In the 2015/16 financial year, the Council is proposing to collect \$397 million in rates to help pay for essential services such as water supply, roading and wastewater treatment, as well as capital renewal and replacement projects and events and festivals. Included within the general rate is a 1.93 per cent surcharge that is used to fund the operating deficit. This income is supplemented with funding from fees and charges, Government subsidies, development contributions, interest and dividends from subsidiaries.

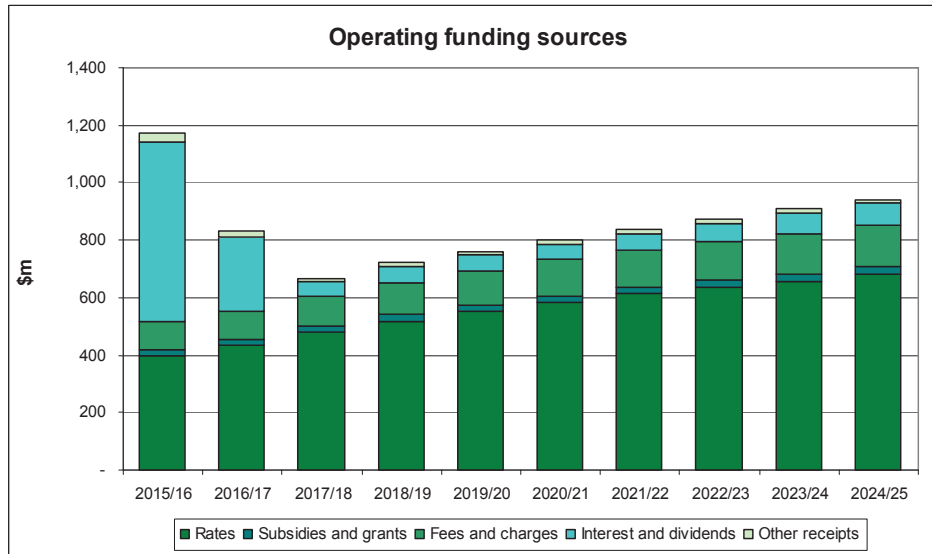
The Council has proposed rates increases at a level sufficient to ensure revenue is sufficient and debt low enough to not breach the key financial control ratios outlined in the Long Term Plan.

The Council owns shares in major local companies through its wholly-owned subsidiary Christchurch City Holdings Limited (CCHL). These companies include Christchurch International Airport, City Care, Lyttelton Port Company, Orion, Eco Central, Enable Services and Red Bus. CCHL is forecasting to pay dividends of \$46.0 million in 2015/16. This amount will decrease in later years as the capital release occurs.

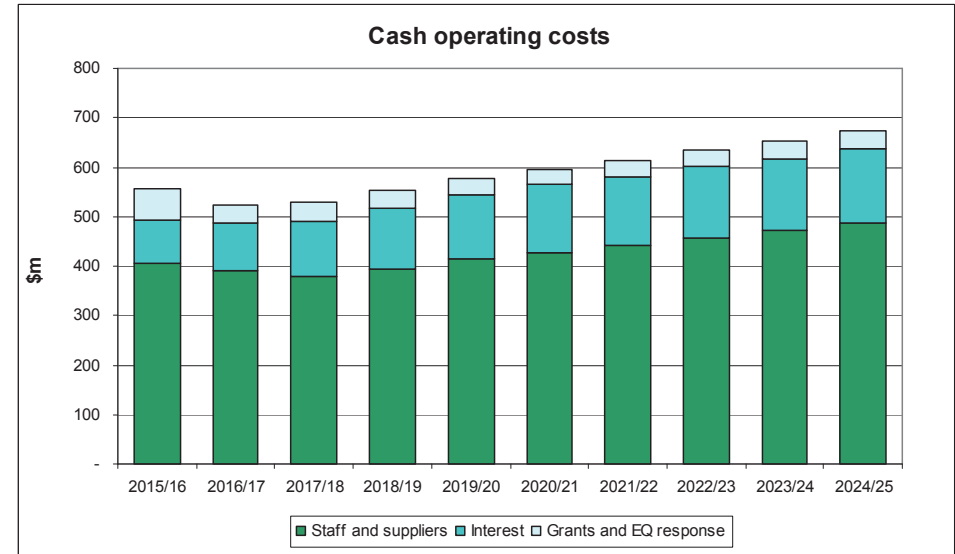
Where our funding will come from:

<u>Funding Sources 2015/16</u>	<u>%</u>	<u>\$000</u>
Dividends and interest received	40%	627,888
Rates	25%	396,962
Borrowing	16%	253,000
Fees, charges and operational subsidies	9%	149,648
Earthquake rebuild recoveries	3%	49,377
Asset sales	3%	54,671
Transfers from reserves	2%	23,961
Development contributions	1%	21,856
Capital grants and subsidies	1%	17,673
	100%	1,595,036

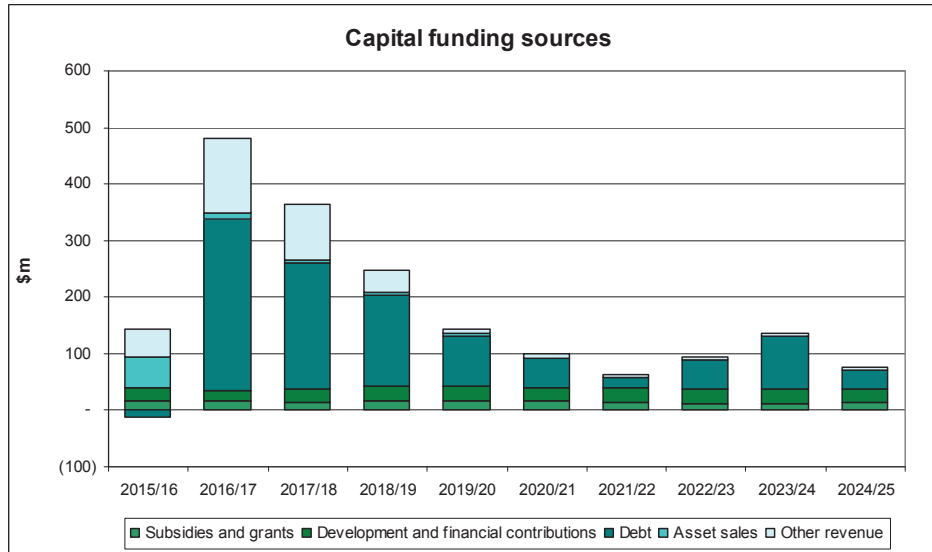
Operating funding sources for 2015 to 2025:



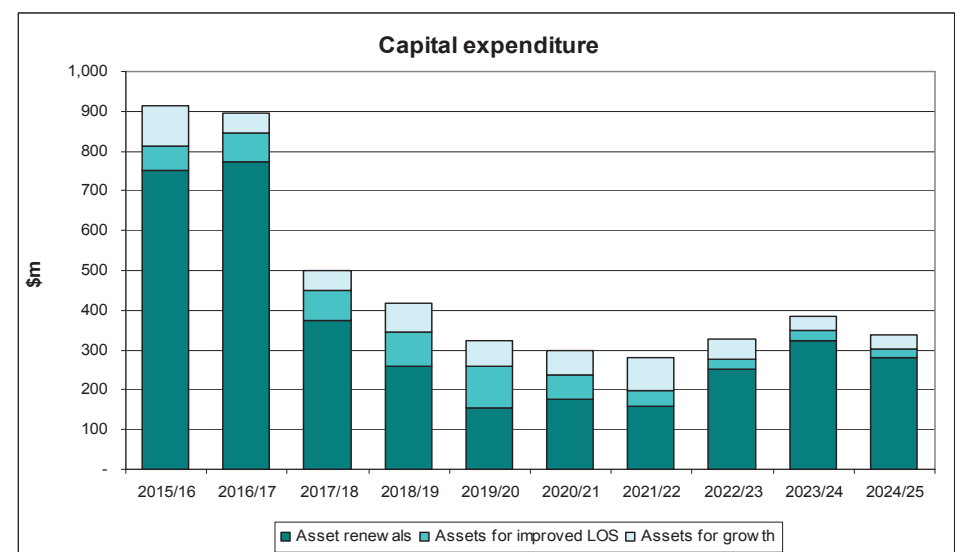
Cash operating costs for 2015 to 2025:



Capital funding sources for 2015 to 2025:



Capital expenditure for 2015 to 2025:



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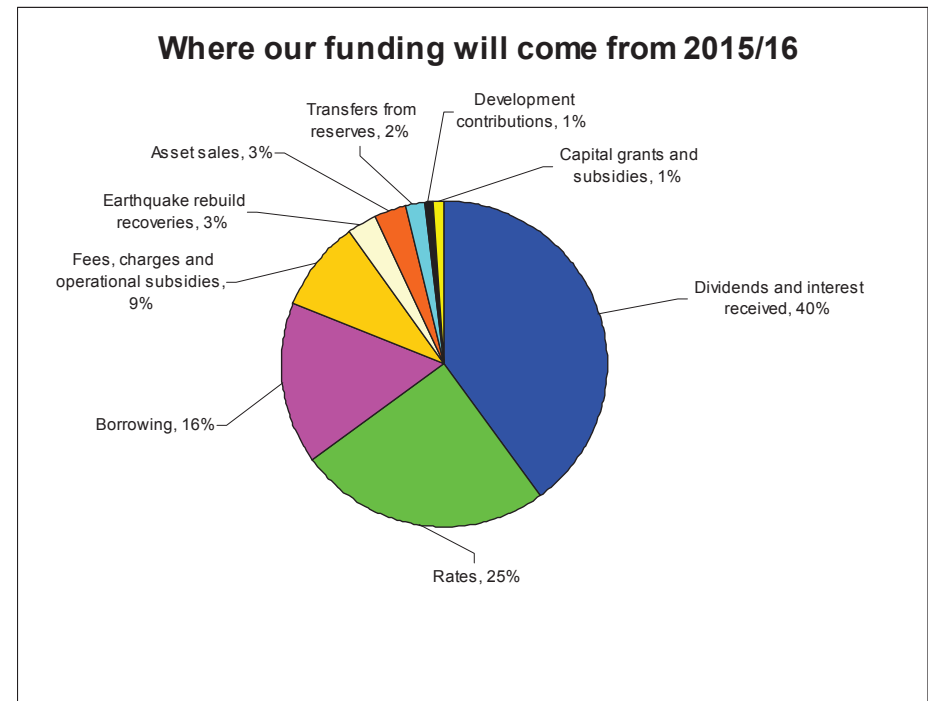
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How capital expenditure is funded

The Council will invest over \$4.6 billion in the city's infrastructure over the period of the Long Term Plan.

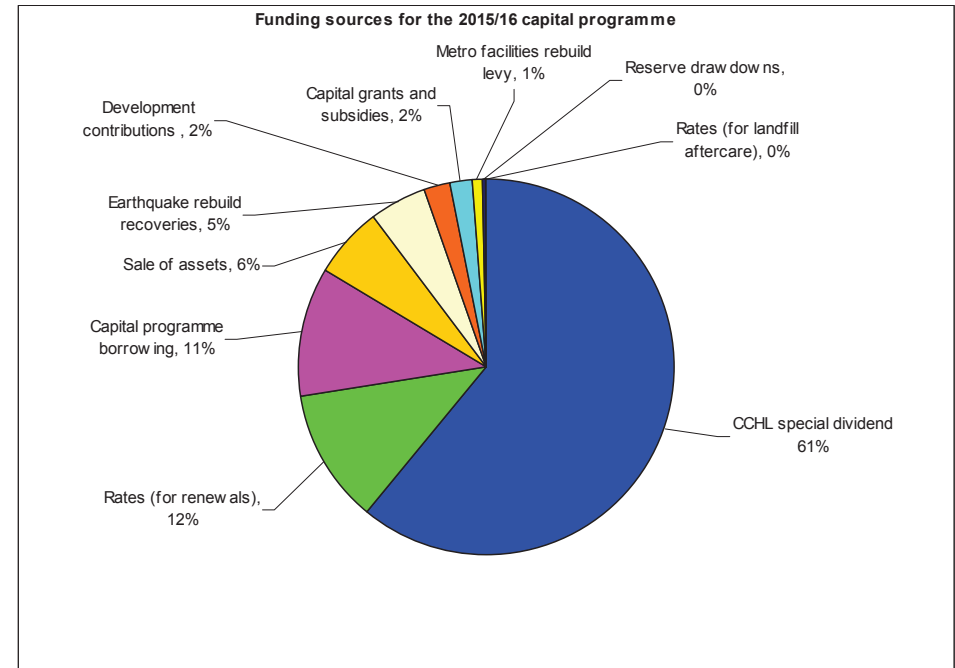
Capital expenditure funding is a subset of the Council's total funding. Earthquake rebuild recoveries, such as insurance, Central Government reimbursements and NZ Transport Agency subsidies, are a significant source of the Council's funding in the early years.

The capital release from CCHL is the largest source of funding in 2015/16.

A detailed analysis of the Council's policy for funding its capital programme is available in the Revenue and Financing Policy, and the funding of the rebuild is explained in the Financial Strategy. The table and graph below details funding for the Council's capital programme for 2015/16.

How we fund our capital programme:

<u>Funding Sources 2015/16</u>	<u>%</u>	<u>\$000</u>
CCHL special dividend	61%	549,300
Rates (for renewals)	12%	108,678
Capital programme borrowing	11%	101,348
Sale of assets	6%	54,671
Earthquake rebuild recoveries	5%	49,377
Development contributions	2%	21,856
Capital grants and subsidies	2%	17,673
Metro facilities rebuild levy	1%	6,386
Reserve drawdowns	0%	3,229
Rates (for landfill aftercare)	0%	338
	100%	912,856



Where your rates go

In 2015/16 the Council relies on rates for about 32 per cent of its income and is proposing to collect \$397 million (GST exclusive) in rates. This represents an average increase in rates of 8.75 per cent to existing ratepayers.

Much of the Council's spending goes toward providing essential services to keep the city running smoothly. This includes maintaining our roads, parks, sewerage systems and water supply.

1.93 per cent of the rates increase will fund borrowing to meet an operating deficit from additional earthquake recovery costs and the loss of several revenue sources, particularly parking. 2015/16 is the final year in which this surcharge will be incrementally applied.

The table and graph below show the activities the Council will provide during 2015/16 and how rates contribute to these activities:

HOW YOUR RATES WILL BE SPENT 2015/16

GROUP OF ACTIVITIES	Cents per dollar of Rates	Average Residential Rates / week
Roads & footpaths	14.7c	\$6.24
Arts & culture	12.9c	\$5.48
Sewage collection, treatment & disposal	12.8c	\$5.44
Water supply	8.9c	\$3.78
Refuse minimisation and disposal	8.4c	\$3.57
Resilient communities	7.2c	\$3.06
Parks and open spaces	7.1c	\$3.02
Strategic governance	5.9c	\$2.51
Sport & recreation	5.3c	\$2.25
Regulation & enforcement	5.1c	\$2.17
Stormwater drainage	4.2c	\$1.79
Strategic policy & planning	2.2c	\$0.94
Economic development	2.0c	\$0.85
Transport	1.9c	\$0.81
Heritage protection & policy	1.1c	\$0.47
Flood protection	0.3c	\$0.13
	100c	\$42.51

