



2.0 Revenue and Financing Policy

2.1 Introduction

The Local Government Act 2002 ("the Act") requires Council to adopt a Revenue and Financing Policy that sets out how operating and capital expenditure will be funded from available funding sources. It is an important policy, as it determines who pays for Council's services and how those services will be funded.

The funding sources available to Council include:

- general rates, including -
 - choice of valuation system
 - differential rating
 - uniform annual general charges;
- targeted rates;
- fees and charges;
- interest and dividends from investments;
- borrowing;
- proceeds from asset sales;
- development contributions;
- financial contributions under the Resource Management Act 1991;
- grants and subsidies;
- any other source.

In section 2.5 of this policy two tables are provided which show the funding sources that Council has determined are appropriate to fund the operating and capital expenditure of each significant activity.

The act stipulates that, in determining the mix of funding sources for each activity, Council must take into consideration the following factors:

- The community outcomes to which the activity primarily contributes¹
- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals
- The period in or over which those benefits are expected to occur

¹ In determining the most appropriate funding mix for each activity, Council has taken account of the community outcomes to which each activity primarily contributes. Full explanations of the linkages between each Council activity and the community outcomes they contribute to can be found in pages to of volume 1 of this plan.



- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities
- The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.

In order to ensure that each of these factors is properly considered, Council has established a number of guiding principles which it uses to determine the most appropriate mix of funding sources for each activity. These guiding principles are explained in section 2.3 of this policy.

2.2 Balanced Budget Requirement

When Council adopted its last LTCCP for the 06 — 16 period, forecast operating revenues were budgeted at a level that was sufficient to fully fund forecast operating expenses (including depreciation) over the 10 year period. In considering its operating budget for this LTCCP, Council acknowledges that it cannot realistically increase forecast revenues to a level that will enable it to maintain this position throughout the full 10 year period of the 09 — 19 LTCCP.

This position is reflected in the aggregate funding deficit position as reported in the Cost of Service Statements shown in section 8 of volume 1 of the 09 — 19 LTCCP. These aggregate figures are shown below.

Cost of service funding deficit (\$000)

2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
16,463	6,907	7,987	6,212	4,570	4,962	1,229	(144)	(1,161)	(3,261)

The main reason for this adverse change in Council's operating position is the significant revaluation of Council's fixed assets that has been undertaken in recent years. By way of example, in the financial year ended 30/6/06 Council's infrastructure assets were re-valued by an average percentage increase that was in excess of 25% of the carrying value of those assets.

The large increase in asset valuations in recent years has driven Council's annual depreciation charge significantly higher. Compared to a charge for annual depreciation of \$35.9million for the financial year ended 30/6/06, Council is now forecasting a depreciation charge for the year ended 30/6/10 of \$46.5million. This represents an annual average percentage increase of close to 8% pa which is well ahead of the rate of growth of Council's operating revenues and rating income over this same period.

Despite the adverse change in Council's operating position, there is a significant improving trend in this position over the course of the LTCCP. The main reason for the improving trend is the commitment Council has made to the funding of an asset renewal reserve. Once established this reserve will be available to help fund Council's asset renewals program. The table below shows the budgeted contribution from general rate revenues that Council has committed to in this 09 — 19 LTCCP.

Transfer to Asset Renewal Reserve (\$000)

2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1,500	1,523	1,566	3,216	3,850	4,516	5,216	5,960	7,969	9,443



Council has determined that, notwithstanding the forecast operating deficit, the operating budget for the 09 — 19 period represents a prudent budget. In making this determination Council has focused on the following factors:

1. The improving trend in the adjusted net operating position

Council believes that the improving trend in the adjusted net operating position provides comfort that the problem will be temporary rather than permanent. As mentioned above, Council is committed to establishing and funding an asset renewal reserve to help ensure that significant progress is made throughout the course of this LTCCP period to restoring a balanced operating budget.

2. The ability to loan fund renewals work if required

Council recognises that due to the inability to fully fund operating expenses (including depreciation) for a number of years during the LTCCP there is a risk that key renewal projects may need to be loan funded in order to be implemented. Provided that this can be demonstrated to represent a prudent course of action and the capacity to raise new debt exists, then this Revenue and Financing policy will accommodate such a decision.

3. High levels of uncertainty regarding projected asset prices

Council believes there is currently a very high level of uncertainty relating to the outlook for asset price inflation.

The significant increase in asset values that Council has experienced in recent years has coincided with a period of buoyant local and international economic conditions. At the time of preparing this LTCCP we are now experiencing a dramatic turn-around in these economic conditions.

Because of this uncertainty Council recognises that a significantly lower rate of asset price inflation in the future is a possible scenario and that this would have a favourable impact on Council's depreciation expense and renewal budgets.

If this scenario were to eventuate Council recognises that it would be inequitable to place an increased burden on current ratepayers to fund current levels of depreciation which have been artificially boosted by the very high levels of asset price inflation in recent years.

4. The likelihood that a subset of Council's existing assets will not be renewed in the future

In a recent review of its fixed asset register Council identified certain assets where it considers there is significant uncertainty as to whether these assets will be renewed or should be funded for renewal at present. Included amongst these assets are a range of assets associated with the annual V8 event as well as the core structure of many of Council's buildings



2.3 Guiding Principles

Paying for benefits received

If a council activity mainly benefits a particular person or group in the community, then that person or group should contribute to the cost of the activity. This principle also relates to intergenerational equity which suggests that the timing of payment for benefits received should match the timing of the receipt of the benefit.

In applying this principle Council must analyse the benefits from each service and determine whether those benefits flow to the community as a whole or to individuals or identifiable parts of the community.

Benefits to the community as a whole are considered **public benefits** and these are benefits which tend to be characterised by the following:

- It is not possible to accurately identify particular persons or groups that receive the benefit.
- It is usually not possible to control who receives the benefit.
- Generally, public benefits are those most appropriately funded by the community through rates.

Benefits to individuals or identifiable parts of the community are **private benefits** and these are benefits which tend to be characterised by the following:

- It is possible to identify persons or groups of persons that receive the benefit.
- It is usually possible to control who receives the benefit.
- Generally, private benefits are those most appropriately funded on a user pays basis.

In most instances, a Council service has elements of both public and private benefit. It is therefore necessary for Council to decide the mixture of public and private benefit that arises from the delivery of a service.

For this purpose, Council has used an assessment formula to help gauge an estimated public/private benefit mix for each service. Based on this assessment and other considerations, a private/public benefit ratio is selected from the following table for each service.

Category	Private	Public
Purely Private	100%	0%
Mainly Private	75%	25
Mixed	50%	50%
Mainly Public	25%	75%
Purely Public	0%	100%

Intergenerational equity -

Council is required to assess the period of time over which the benefits from each service will flow.



For all activities, operating costs are directly related to providing benefits in the year of expenditure. As such, they are appropriately funded on an annual basis from operating revenue or rates.

Capital expenditure on assets provides benefits for the duration of the assets useful life. An asset's useful life can run for many decades and benefit more than one generation within the community. In this case, it is appropriate to consider how future generations will contribute to funding the cost of the asset. The concept of intergenerational equity reflects the view that benefits occurring over time should be funded over time. Thus, the focus is on allocating the costs of capital expenditure fairly between the ratepayers of today and tomorrow.

One method used to achieve a more equitable rates burden across current and future generations of ratepayers is to use loan finance which helps by spreading the debt servicing costs over time.

Paying for costs imposed

If the actions or inactions of a particular person or group create the need for council to carry out an activity, then that person or group should contribute to the cost of the activity.

In applying this principle, Council must consider if there is any group that causes the cost of a service and assess the extent to which each service exists only because of the actions or inaction of an individual or group. If it is the case that such a group can be identified, they will be required to contribute towards the cost.

This principle is sometimes referred to as exacerbator pays or polluter pays and it suggests that Council should identify the costs to the community of controlling the negative effects of individual or group actions and seek to recover any such costs directly from those causing the problem.

Transparency and Accountability

Where the principles of paying for benefits and paying for costs set out above suggest that a particular person or group should contribute towards the cost of an activity, then, provided the assessed transparency and accountability benefits of separate funding outweigh the costs of administering a separate funding program, that activity should be funded separately from other activities.

Summary

There are often inevitable conflicts between these guiding principles. In practice this is where Council must use its judgement and make a final determination based on consideration of the overall social, economic, environmental and cultural impacts which are likely to result from the adoption of a particular funding mix for a particular activity.

A good example of this process is with swimming facilities. As documented in section 2.5.6 of this policy, the principle of paying for benefits received suggests that revenue from user charges related to the use of swimming facilities should be targeted at close to 75% of the total operating costs of the Swimming facilities.

In this case however, Council has determined that to target this level of revenue from user charges would raise affordability concerns and potentially jeopardise the wider social objectives associated with the swimming pool service. Accordingly Council has a policy of targeting a level



of revenue from user charges that represents closer to 40% of the total operating costs of the swimming pool service.

2.4 How are rates allocated?

Council must consider the costs and benefits of funding each service in a way that relates exclusively to that service. Some activities may be best funded using user charges, such as swimming pool admission fees, others with targeted rates, such as a water rate, and others from the general rate, such as road maintenance.

Distinct funding enables ratepayers or payers of user charges to assess more readily whether or not the cost of the service to them represents good value. They can also more easily determine how much money is being raised for the service and spent on the service, which promotes transparency and accountability

Distinct funding for every service would be extremely complex and costly to administer. Sometimes the amount that is collected is not sufficient to justify this expense. Council collects a general rate to pay for many services where distinct funding would be too expensive. Ratepayers are still able to find out where the funding collected through the general rate will be spent because the services, and the amount of the general rate that will go towards paying for each service, is published in the Long-Term Plan or Annual Plan.

The general rate is allocated to properties based on the value of that property. Council has chosen to use land value as the basis by which to calculate the amount of rates to allocate to a specific property.

In a number of cases, analysing the benefits of a service suggests that a sector either benefits less than the rest of the community or doesn't benefit at all. In these cases, it would not be fair to require that sector to pay as much as other sectors who do benefit from the service, even though it is still most efficient to collect the funding through rates charged to the community as a whole.

Council has divided property into seven different property sectors, Residential, Inner City Residential Apartments, Commercial/Industrial, Multi-Unit, Rural Residential, Small Rural and Large Rural. When different cost and benefit patterns amongst these sectors of the community are significant, these are recognised through the use of differentials on the general rate. Differentials are expressed as separate factors for each property sector and those factors are applied to the general rate. Differentials have the effect of adjusting the general rate allocated to a particular sector to better reflect the level of service to that sector.

In the section which follows an explanation of whether or not an assessment of the benefits derived by different property sectors has impacted on the determination of the general rate differentials is provided under the heading, "How are general rates allocated?".



2.5 Explanation of funding sources budgeted for each activity

The figures and explanations in this section have important linkages to both the cost of service and group of activity statements in volume 1 of this LTCCP.

There are also important linkages to Council's Development and Financial Contribution Policy which is contained in section 10 of volume 2 of this LTCCP.

The funding % figures reported in each of the 10 tables which show the funding of operating expenditure for each activity represent an average % figure over the 10 year 09 — 19 LTCCP period.



2.5.1 City Profile

Funding of operating expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
City Promotion	25/75	31%	69%
Economic Development	50/50	54%	46%
Strategic Property Investment	100/0	100%	0%

Rationale for operating expenditure funding mix

City Promotion and Economic Development	<p>For both these services Council targets a level of funding from direct user charges that is similar to the assessed levels of private benefit. Revenues received from user charges are associated with Council's involvement in significant events and promotional activities designed to promote and market the city to a variety of audiences.</p> <p>The combination of revenues received from direct user charges and general rates is believed by Council to represent an efficient and transparent means of funding the operating expenditure associated with both services.</p>
Strategic Property Investment	<p>The operating costs associated with this service are fully funded from property rental income streams. The fact that this service is budgeted to make an operating profit reflects the financial objective of the service, which is to maximise the financial return to the city from operating these property assets and to utilise any profits to reduce the overall rates requirement for the city. Rents are set at levels generally in line with market.</p>

Funding of Capital Expenditure

City Promotion, Economic Development and Strategic Property Investment	<p>As reported in the Cost of Service Statements, all planned capital expenditure associated with these three activities is budgeted to be funded by loan finance. This is in line with Council's policy of wanting to ensure a reasonable level of intergenerational equity between current and future ratepayers.</p> <p>As Council has assessed that there is no direct relationship between the requirement for this capital expenditure program and city growth demands, none of the loan finance raised is budgeted to be funded from development contribution levies. All debt servicing costs associated with these loans will be met from rates and other operating revenue sources.</p>
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How are the general rates allocated?

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.



The general rate is allocated over residential, inner city apartments, multi-unit and rural residential property sectors based on land value.

Council considers that the economic development services are of greater benefit to the commercial sector. The allocation to the commercial/industrial sector has been increased to reflect the economic benefits to the commercial sector from the economic development services.

The allocation to the commercial/industrial sector has also been increased to reflect the economic benefits to the commercial sector from the city promotion services, in particular the key events which bring considerable new commercial business and trading opportunities to the city.

The large rural and small rural sector allocations have been reduced because Council determined that an allocation to these sectors based purely on land value would result in a disproportionate amount of costs allocated to these sectors.



2.5.2 City Safety

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
Animal Care and Control	75/25	63%	37%
Environmental health	50/50	33%	67%
Central city safety	50/50	24%	76%
Emergency Management	0/100	51%	49%

Rationale for operating expenditure funding mix

Animal Care and Control and Environmental Health	Council targets a level of funding from direct user charges that is similar to the assessed levels of private benefit received from both services.
	Both services have a compliance focus. In the case of Animal care and control the focus is on enforcing compliance with dog legislation. Environmental Health has a focus on enforcing compliance with the Health Act. The compliance focus lends itself to the use of licensing fees as an effective means of aiding compliance.
	Notwithstanding the exacerbater pays principle which applies with both these services, Council believes it is important not to increase user charges to a level where they may raise affordability issues and hence raise the risk of reduced levels of compliance.
Central City Safety	For this service Council targets a level of funding from general rates that is higher than the assessed levels of public benefit. This situation reflects practical challenges associated with designing a charging system to effectively impose a liability on those individuals or groups whose behaviour is having a negative impact on central city safety.
	Liquor licensing fees are the main source of revenue from non rates funding sources for this activity.
Emergency Management	This activity has a regional focus and the operating costs associated with the service reflect the costs of maintaining appropriate support levels to cater for a region-wide response in the event of a natural disaster.
	Hamilton City is the administering authority for this activity and as such the total operating cost of this service is reflected in Council's operating budget.
	The significant revenue derived from non rates sources for this service reflect the agreed levels of contribution from other district and regional councils who also benefit from this service.



Funding of Capital Expenditure

<p>Animal Care and Control, Environmental Health, Central City Safety and Emergency Management</p>	<p>As reported in the Cost of Service Statements, the only budgeted capital expenditure associated with these services concerns a relatively modest program within the Central City Safety service. This capital expenditure is budgeted to be fully funded from rates revenue as the capital expenditure is for the purpose of renewing existing assets. This is in line with Council's policy of funding all renewal capital expenditure from rates revenue and to only consider alternative funding sources such as loan finance where this departure from normal practice can be justified as prudent.</p>
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How are the general rates allocated?

Animal Care and Control

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.

The general rate is allocated over residential, inner city apartments, commercial/ industrial, multi-unit, rural residential and small and large rural property sectors based on land value.

Council considers that it is not necessary to further adjust the allocation because of the substantial benefit of the services to the community as a whole.

Environmental Health and Central City Safety

The general rate is allocated to land using differentials and the land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the service is not in direct correlation to land value and to address this issue makes appropriate allocation adjustments to the different property sectors or to the allocation of the costs to the sector.

The general rate is allocated over the residential, inner city apartment, multi-unit, rural residential, small rural and large rural property sectors based on land value.

The allocation to the commercial/industrial sector has been increased to reflect the economic benefits to the commercial sector from the Environmental Health services.

Emergency Management

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.

The general rate is allocated over residential, inner city apartment, commercial/ industrial, multi-unit and rural residential property sectors based on land value.



The large rural and small rural sector allocations have been reduced because Council determined that an allocation to these sectors based purely on land value would result in a disproportionate amount of costs allocated to these sectors.



2.5.3 Community Development and Amenities

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
Community Development	50/50	6%	94%
Libraries	50/50	10%	90%
Community Centres and Halls	50/50	15%	85%
Housing for older people	100/0	94%	6%
Cemeteries and Crematorium	100/0	91%	9%
Public toilets	50/50	0%	100%

Rationale for operating expenditure funding mix

Community Development, Libraries and Community Centres and Halls	<p>Despite the recognition of relatively high levels of private benefit attaching to these services, the level of funding that Council is targeting from non rates sources is very modest.</p> <p>This situation reflects Council's desire to ensure that very few, if any, groups or individuals in the community are precluded from accessing these services due to issues of affordability.</p>
Housing for older people and Cemeteries and Crematorium	<p>Council targets a level of funding from direct user charges that is similar to the assessed levels of private benefit received from both services. While the current targets for both services is slightly less than 100%, Council intends to target 100% in future years.</p> <p>Council is comfortable that this is the appropriate policy for these two services. The operating costs associated with providing both services are not significantly impacted by any costs imposed by the actions or inactions of any particular individuals or groups. In addition Council does not believe there is a compelling case based on affordability and other wider social considerations suggesting the need for rate funding to be used to subsidise the provision of these services.</p>
Public Toilets	<p>Although Council recognises a level of private benefit in the provision of this service, Council does not believe it is desirable at present to impose direct user charges for this service. Hence Council believes that fully funding the operating costs of this service via the general rate represents the most practical means of funding public toilets.</p>

Funding of Capital Expenditure

Libraries	<p>As reported in the cost of service statements there is a significant capital expenditure program planned for the Libraries. This program is budgeted to be funded from loan financing where the expenditure is for the purpose of extending the capacity and upgrading the standard of the Library facilities and rates funding where the expenditure is focused on the renewal of existing and new assets.</p> <p>The budgeted loan financing for the Library capital expenditure program is split between loans where the debt servicing costs will be met by rates and other operating revenue sources and loans where the debt servicing and full debt repayment costs will be met by revenue derived from development contribution levies. The decision to include development contribution revenue as a funding source for the debt servicing and principal repayment costs associated with</p>
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	<p>these loans reflects Council's assessment that the need to extend the capacity of the existing library facilities is in part attributable to increased demands for Library services relating to city growth.</p>
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<p>Housing for older people</p>	<p>As reported in the cost of service statements there is a significant capital expenditure program planned for this service which is budgeted to occur in the 2010/11 financial year. This program will be funded from the sale of existing housing stock that is no longer fit for purpose.</p>
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<p>Community Development, Community Centres and Halls, Cemeteries and Crematorium and Public Toilets</p>	<p>As reported in the cost of service statements there is a much more modest capital expenditure program budgeted for these four services.</p> <p>For both the Public Toilets and Cemetery services where new assets are required, significant funding is coming from loan financing in line with Council policy. A portion of the debt servicing and principal repayment costs of these loans is budgeted to be funded from development contribution revenues as Council has assessed that city growth is a significant factor driving the requirement for greater numbers of public toilets within the city.</p> <p>In addition to these loan funded programs there are also rates funded programs budgeted for Community Centres and Halls as well as for the Cemetery and Crematorium. In these cases the selection of funding sources is in line with Council policy as the focus of these rates funded programs is on the renewal of existing and new assets.</p>
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How are the general rates allocated?

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.

The general rate is allocated over residential, inner city apartment, commercial/ industrial, multi-unit and rural residential property sectors based on land value.

The large rural and small rural sector allocations have been reduced because Council determined that an allocation to these sectors based purely on land value would result in a disproportionate amount of costs allocated to these sectors.



2.5.4 Democracy

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
Representation and Civic Affairs	0/100	2%	98%
Partnership with Maori	50/50	0%	100%

Rationale for operating expenditure funding mix

Representation and Civic Affairs	Council targets a level of funding from rates revenue that is in line with the assessed levels of public benefit received from this service
Partnership with Maori	<p>Despite the recognition of relatively high levels of private benefit attaching to this service, Council has a policy of fully funding this service from rates revenue.</p> <p>This policy reflects Council's judgment that to introduce any form of direct user charge would conflict with the objective of the service which relates to the maintenance of processes that provide opportunities for Maori to contribute to Council decision-making processes and foster the development of Maori capacity.</p>

Funding of Capital Expenditure

Representation and Civic Affairs and Partnership with Maori	As reported in the cost of service statements there are no significant capital expenditure programs budgeted for these two services over the 09 – 19 period.
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How are the general rates allocated?

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.

The general rate is allocated over residential, inner city apartments, commercial/ industrial, multi-unit and rural residential property sectors based on land value.

The large rural and small rural sector allocations have been reduced because Council determined that an allocation to these sectors based purely on land value would result in a disproportionate amount of costs allocated to these sectors.



2.5.5 Event and Cultural Venues

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
Waikato Stadium	75/25	54%	46%
Theatres	75/25	38%	62%
Seddon park	75/25	26%	74%
Waikato Museum	50/50	6%	94%
Claudelands Event Centre	75/25	100%	0%

Rationale for operating expenditure funding mix

Waikato Stadium, Theatres and Seddon Park	Council has assessed a relatively high level of private benefit attaching to all three of these services.
	Despite this assessment, the targeted levels of funding from direct user charges for each of these services is set at a level that is lower than the assessed level of private benefit.
	For each of these services Council believes the levels of fees and charges that are being collected from direct users are set at appropriate levels having regard to the wider objectives of each service which is to promote and provide access to a diverse range of events and cultural experiences for the residents of Hamilton.
Waikato Museum	There is a similar rationale in place for the funding mix being targeted for the Waikato Museum.
	While the assessment of private versus public benefit acknowledges quite a high level of private benefit attached to the Museum, the level of funding which is targeted to be met by visitors and other direct users of the service is quite low, representing only 5% of the total operating cost of the Museum service.
	This situation reflects Council's belief that to target higher levels of cost recovery from users of the service would jeopardise the objective of the service which is to promote and provide access to a range of experiences which celebrate the arts and history of the region.
Claudelands Event Centre	Council has assessed a relatively high level of private benefit attaching to this service.
	Despite the similar objective that the Claudelands Events Centre shares with the other events orientated facilities, Council has new plans for this facility and, as a consequence, over the 09 - 19 period has a funding policy which places much greater emphasis on generating revenue from direct users of the facility.
	With a substantially upgraded facility offering a range of alternative uses, Council is confident that higher operating revenues can be generated from this facility, while at the same time ensuring pricing for events can be maintained at levels which do not adversely impact on the community based objectives of this service.



Funding of Capital Expenditure

<p>Claudelands Event Centre</p>	<p>As reported in the cost of service statements there is a significant capital expenditure program planned for the Claudelands Event Centre. This program is budgeted to be funded from loan financing where the expenditure is for the purpose of significantly upgrading the standard and extending the capacity of the Event Center facility and rates funding where the expenditure is focused on the renewal of existing and new assets.</p> <p>The budgeted loan financing for the Claudelands Event Centre capital expenditure program is split between loans where the debt servicing costs will be met by rates and other operating revenue sources and loans where the debt servicing and full debt repayment costs will be met by revenue derived from development contribution levies.</p> <p>The decision to include development contribution revenue as a funding source for the debt servicing and principal repayment costs associated with these loans reflects Council’s assessment that the need to extend the capacity of the existing facility is in part attributable to increased demands for event facilities coming from city growth.</p>
<p>Waikato Stadium, Theatres, Seddon Park and Waikato Museum</p>	<p>As reported in the cost of service statements there are also significant capital expenditure plans in place for Waikato Stadium, Seddon Park, the Waikato Museum and City Theatres.</p> <p>For the Waikato Stadium and Museum where new assets are required, significant funding is coming from loan financing. This is in line with Council’s policy of wanting to ensure a reasonable level of intergenerational equity between current and future ratepayers.</p> <p>In addition to these loan funded programs there are also rates funded programs budgeted for all four services. In these cases the selection of funding sources is in line with Council policy as the focus of these rates funded programs is on the renewal of existing assets.</p>

How are the general rates allocated?

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.

The general rate is allocated over residential, inner city apartment, commercial/ industrial, multi-unit and rural residential property sectors based on land value.

The large rural and small rural sector allocations have been reduced because Council determined that an allocation to these sectors based purely on land value would result in a disproportionate amount of costs allocated to these sectors.



2.5.6 Recreation

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
Parks and gardens	50/50	6%	94%
Sports areas	75/25	4%	96%
Zoo	75/25	32%	68%
Swimming Facilities	75/25	37%	63%

Rationale for operating expenditure funding mix

Parks and Gardens and Sports Areas	Despite the recognition of relatively high levels of private benefit attaching to both these services, the level of funding that Council is targeting from private sources is very modest.
	This situation reflects Council's desire to ensure that very few, if any, groups or individuals in the community are precluded from accessing these services due to issues of affordability.
	An additional factor also contributing to the very low levels of funding collected from direct user charges relates to the practical challenges Council would face in creating a comprehensive charging regime for services such as these where it is very difficult to exclude people from using these services.
Zoo and Swimming Facilities	Despite the recognition of relatively high levels of private benefit attaching to both these services, the level of funding that Council is targeting to collect from direct user charges is less than 40% of the operating costs of each of these services.
	This situation reflects Council's desire to ensure that admissions fees and other charges relating to these two services do not discourage residents from enjoying the benefits these services provide.

Funding of Capital Expenditure

Parks and Gardens, Sports Areas, Zoo and Swimming Facilities	As reported in the cost of service statements there are significant capital expenditure programs planned for each of these four services. This program is budgeted to be funded from loan financing where the expenditure is for the purpose of extending the capacity of and/or upgrading existing assets, rates funding where the expenditure is focused on the renewal of existing assets and there is also an element of third party funding which is contributing to both renewal and new asset programs.
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	<p>The budgeted loan financing for the Parks and gardens, Sports Areas and Swimming Facilities capital expenditure programs is split between loans where the debt servicing costs will be met by rates and other operating revenue sources and loans where the debt servicing and full debt repayment costs will be met by revenue derived from development contribution levies. The decision to include development contribution revenue as a funding source for the debt servicing and principal repayment costs associated with these loans reflects Council's assessment that the need for additional capital expenditure for these services is at least in part attributable to increased demands for these recreation facilities coming from city growth.</p>
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How are the general rates allocated?

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.

The general rate is allocated over residential, inner city apartment, commercial/ industrial, multi-unit and rural residential property sectors based on land value.

The large rural and small rural sector allocations have been reduced because Council determined that an allocation to these sectors based purely on land value would result in a disproportionate amount of costs allocated to these sectors.



2.5.7 Transportation

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
Transportation Network	25/75	15%	85%
Parking Enforcement	50/50	100%	0%

Rationale for operating expenditure funding mix

Transportation Network	Although Council recognises a level of private benefit in the Transportation Network service, there is no practical means of charging users directly for the service at present. Hence Council believes that utilising revenue from rates sources to fund almost 90% of the operating costs of this service represents a practical and effective funding policy for this service.
	Of the 12% of Total Operating Costs funded from non rating revenue, approximately 2/3 is expected to be received from NZTA subsidies.
	Of the total funding for this service which is budgeted to come from rates sources, approximately 12% is budgeted to come from the Access Hamilton targeted rate. The purpose of the Access Hamilton targeted rate is documented in the Rating Policy. Council believe that the transparency and accountability benefits that use of the Access Hamilton targeted rate provide outweigh the costs associated with administering this separate funding tool.
Parking Enforcement	The Parking Enforcement service has a compliance focus. The service contributes to the turnover and availability of both on and off-street parking within Hamilton and also contributes to ensuring vehicles in the city are safe for the roads by monitoring warrants of fitness and vehicle licenses.
	Given the focus of this service on enforcing compliance with both local transport related bylaws as well as a number of aspects of central government transport legislation, Council is comfortable that the service is budgeted to make a profit and that there is therefore no requirement for the service to be funded from the general rate. This is despite the assessed level of public benefit for this service at 50% which might otherwise suggest a level of rates funding was also appropriate. However in this instance the "exacerbator pays" principle is a significant factor. This principle suggests that direct charges imposed on those causing the need for this service are an effective means of funding the operating costs of the service.



Funding of Capital Expenditure

<p>Transportation Network</p>	<p>As reported in the cost of service statements there is a significant capital expenditure program planned for the Transportation service. This program is budgeted to be funded from loan financing and NZTA subsidies where the expenditure is for the purpose of extending the capacity and upgrading the standard of the transport network and rates funding and NZTA subsidies where the expenditure is focused on the renewal of existing and new assets.</p>
	<p>The budgeted loan financing for the Transportation capital expenditure program is split between loans where the debt servicing costs will be met by both general rates and the Access Hamilton Targeted rate and other operating revenue sources and loans where the debt servicing and full debt repayment costs will be met by revenue derived from development contribution levies. The decision to include development contribution revenue as a funding source for the debt servicing and principal repayment costs associated with these loans reflects Council's assessment that the need to extend the capacity of the transportation network is in part attributable to increased demands on the network relating to city growth.</p>
<p>Parking Enforcement</p>	<p>As reported in the Cost of Service Statements, there is a relatively modest capital expenditure program associated with this service. It is budgeted to be fully funded from rates revenue as the capital expenditure is for the purpose of renewing existing assets. This is in line with Council's policy of funding all renewal capital expenditure from rates revenue and to only consider alternative funding sources such as loan finance where this departure from normal practice can be justified as prudent.</p>

How are the general rates allocated?

Transportation Network

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.

Council considers that the provision of a roading network is of greater benefit to commercial/industrial properties by allowing staff and customer's access to the commercial, industrial and retail areas and therefore the commercial sector allocation has been increased.

In addition, the roading network provides for businesses to transport goods to and from their premises. This is usually via the use of large trucks, which place a larger burden of demand on the roading infrastructure due to the size and weight of the vehicles. Therefore Council considers it is appropriate that the sector pays for a greater share of the roading infrastructure.

The general rate is allocated over residential, inner city apartments, commercial/ industrial, multi-unit, rural residential and small and large rural property sectors based on land value.

Council considers that the level of service to rural properties is lower than that provided to other sectors as they have limited access to footpaths, streetlights, curbs and channels. These



properties have access to this level of service as part of the citywide benefit but do not receive these services directly outside their property. Therefore rural property allocations for these services have been reduced because Council determined that an allocation to these sectors based purely on land value would result in a disproportionate amount of costs allocated to the sector.

Parking Enforcement

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the services is not in direct correlation to land value and, to address this issue, have made appropriate allocation adjustments to the different property sectors.

The general rate is allocated over residential, inner city apartments, commercial/ industrial, multi-unit, rural residential and small and large rural property sectors based on land value.

Council considers that it is not necessary to further adjust the allocation because of the substantial benefit of the services to the community as a whole.



2.5.8 Urban Development

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
City planning	25/75	0%	100%
Sustainable Environment	25/75	0%	100%
Planning guidance	50/50	42%	58%
Building control	100/0	100%	0%

Rationale for operating expenditure funding mix

City Planning and Sustainable Environment	Both City Planning and Sustainable Environment services are fully funded from general rates. Council believes that while some form of user charges could be introduced for both services these would be difficult to administer.
Planning Guidance	<p>For the Planning Guidance service Council targets a level of funding from direct user charges that is similar to the assessed level of private benefit provided by this service.</p> <p>Council is comfortable that this is the appropriate policy for this service. The operating costs associated with providing the service are not significantly impacted by any costs imposed by the actions or inactions of any particular individuals or groups. In addition Council does not believe there is a compelling case based on affordability and other wider social considerations suggesting the need for rate funding to be used to further subsidise the provision of this service.</p>
Building Control	The Building Control service has a compliance focus, helping to ensure that building standards are maintained at a high level within the city. Given the focus of this service on encouraging compliance with the building code, Council is comfortable that the service is fully funded from fees charged direct to users of the service.

Funding of Capital Expenditure

City Planning, Sustainable Environment, Planning Guidance and Building Control	As reported in the cost of service statements there are no significant capital expenditure programs budgeted for these services over the 09 – 19 period.
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How are the general rates allocated?

Sustainable Environment

The general rate is allocated to land using differentials and the land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the service is not in direct correlation to land value and to address this issue makes appropriate allocation adjustments to the different property sectors or to the allocation of the costs to the sector.



The general rate is allocated over residential, inner city apartments, multi-unit and rural residential property sectors based on land value.

The allocation to the commercial/industrial sector has been increased to reflect the additional volume of waste (e.g. wastewater) this sector generates in relation to other sectors.

The large rural and small rural sector allocations have been reduced because Council determined that an allocation to these sectors based purely on land value would result in a disproportionate amount of costs allocated to these sectors.

City Planning, Planning Guidance and Building Control

The general rate is allocated to land using differentials and land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property.

The general rate is allocated over residential, inner city apartments, commercial/ industrial, multi-unit, rural residential and small and large rural property sectors based on land value.

Council considers that it is not necessary to further adjust the allocation because of the substantial benefit of the services to the community as a whole.



2.5.9 Waste Management

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from non rates sources	% of funding from rates sources
Refuse and Recycling	50/50	14%	86%

Rationale for operating expenditure funding mix

Refuse and Recycling	Although Council recognises a significant level of private benefit in the Refuse and Recycling service, currently Council prefers to fund the majority of the operating costs of this service from the general rate. However consideration is being given to the introduction in future years of either a direct user pays program for kerbside collection or a targeted rate which would be administered on a uniform basis.
	In addition to kerbside collection, this activity also includes ownership of a number of city waste facilities where Council has sub-contracted the operation of these facilities out to third parties. The ownership of these sites generates revenues from those third parties which are used to help fund the overall operating costs of the Refuse and Recycling service.

Funding of Capital Expenditure

Refuse and Recycling	As reported in the Cost of Service Statements, there is a relatively modest capital expenditure program associated with this service.
	Where new assets are required, funding is coming from loan financing. This is in line with Council's policy of wanting to ensure a reasonable level of intergenerational equity between current and future ratepayers.
	In addition to these loan funded programs there are also rates funded programs. In these cases the selection of funding sources is in line with Council policy as the focus of these rates funded programs is on the renewal of existing assets.

How are the general rates allocated?

The general rate is allocated to land using differentials and the land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the service is not in direct correlation to land value and to address this issue makes appropriate allocation adjustments to the different property sectors or to the allocation of the costs to the sector.

The general rate is allocated over residential, rural residential, large rural and small rural property sectors based on land value.

There is no allocation of household collection and recycling to the inner city apartment and commercial/industrial property sectors because there is no household collection and recycling services provided to those sectors.

The allocation to the multi-unit sector has been increased to reflect the high density of the sector and the impact it has on refuse/recycling services.



2.5.10 Water Management

Funding of Operating Expenditure

Activity	Assessed private/public benefit split	% of funding from other sources	% of general rate funding
Water Supply	25/75	38%	62%
Wastewater	25/75	16%	84%
Stormwater	25/75	0%	100%

Rationale for selection of funding mix for operating expenditure

Water Supply and Wastewater	For the Water Supply service the funding from other sources includes revenues received from the water by meter targeted rate.
	The % of total operating costs recovered from user charges for these two services is close to the assessed levels of private benefit for each service.
	Council believes that the combined levels of funding provided by the mix of direct user charges, the water by meter targeted rate and the general rate represent an efficient and transparent means of funding the operating costs associated with the Water Supply and Wastewater services.
Stormwater	Although Council recognises a level of private benefit in the Stormwater service, there is no practical means of charging users directly for the service at present. Hence Council believes that fully funding the operating costs of this service via the general rate represents a practical and effective means of funding the Stormwater service at the present time.

Funding of Capital Expenditure

Water Supply, Wastewater and Stormwater	As reported in the cost of service statements there are significant capital expenditure programs planned for each of these three services. This program is budgeted to be funded from loan financing where the expenditure is for the purpose of extending the capacity of and/or upgrading existing assets, rates funding where the expenditure is focused on the renewal of existing assets and there is also an element of third party funding which is contributing to both renewal and new asset programs.
	The budgeted loan financing for the Water Supply, Wastewater and Stormwater capital expenditure programs is split between loans where the debt servicing costs will be met by rates and other operating revenue sources and loans where the debt servicing and full debt repayment costs will be met by revenue derived from development contribution levies. The decision to include development contribution revenue as a funding source for the debt servicing and principal repayment costs associated with these loans reflects Council's assessment that the need for additional capital expenditure for these services is at least in part attributable to increased demands on these assets coming from city growth.



How are the general rates allocated?

Water Supply

The general rate is allocated to land using differentials and the land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the service is not in direct correlation to land value and to address this issue makes appropriate allocation adjustments to the different property sectors or to the allocation of the costs to the sector.

The general rate is allocated over residential, inner city apartments, and rural residential property sectors based on land value.

There is no allocation to the commercial and rural large and rural small property sector because there are user charges for water in that sector.

The allocation to the multi-unit sector has been increased to reflect the high density of the sector and the impact it has on water supply services.

Wastewater

The general rate is allocated to land using differentials and the land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the service is not in direct correlation to land value and to address this issue makes appropriate allocation adjustments to the different property sectors or to the allocation of the costs to the sector.

The general rate is allocated over residential, inner-city apartments and rural residential sectors based on land value.

The allocation to the commercial/industrial sector has been increased to reflect the additional volume of wastewater this sector generates in relation to the other sectors.

There is a small allocation to the large and small rural property sectors to reflect the benefit they receive from the septic tank management program. These sectors do not receive any other benefit from the services because they are not connected to the wastewater systems.

The allocation to the multi-unit sector has been increased to reflect the high density of the sector and the impact it has on wastewater resources.

Stormwater

The general rate is allocated to land using differentials and the land value of the property. This has meant that costs allocated to a particular property sector are apportioned to individual properties within that land use category based on the land value of the property. Council recognises that the benefit from the service is not in direct correlation to land value and to address this issue makes appropriate allocation adjustments to the different property sectors or to the allocation of the costs to the sector.

The general rate is allocated over residential, inner city apartments and commercial/ industrial property sectors based on land value.

The allocation to the multi-unit sector has been increased to reflect the high density of the sector the impact it has on the stormwater service.

Council has determined that the rural residential, large and small rural properties should pay only for the cleaning of open drains in rural areas. This is the only direct benefit attributable to



these sectors. Therefore the rural residential, large and small rural sectors allocations have been reduced to reflect this reduced level of service.

2.6 Section 101(3) Analysis Summary of General Rates Allocations across land use sectors

Council's principal funding mechanism is a land use differential general rate. The amount of cost allocated to each land use sector is determined firstly as a percentage allocation based on the land value of the sector in relation to the total land value of city. Council then considers the impact of who receives the benefits and the exacerbator pays principles, and makes an adjustment to the allocation percentage.

Using this process, the allocation adjustments are considered and applied to each significant service. The allocations within a service between each land use sector vary depending on the assessment of the benefit received by the land use sector for the service.

The summary of the cost allocation and percentages by service are outlined in the following table. The shaded boxes indicate services that have cost allocations modified by a varying factor to reflect an assessment of the benefit received by the land use sector for a service.



Service Name	Residential	Inner City	Commercial	Multi Unit	Rural		
					Residential	Rural Large	Rural Small
City Profile							
Economic Development	43.29%	0.15%	53.88%	0.92%	0.11%	0.34%	1.31%
City Promotion	43.29%	0.15%	53.88%	0.92%	0.11%	0.34%	1.31%
I-site	43.29%	0.15%	53.88%	0.92%	0.11%	0.34%	1.31%
Sister Cities Programme	43.29%	0.15%	53.88%	0.92%	0.11%	0.34%	1.31%
Property Management (Service)	75.72%	0.27%	17.96%	1.60%	0.20%	1.68%	2.58%
City Safety							
Emergency Management	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Environmental Health	42.56%	0.15%	53.88%	0.90%	0.11%	0.94%	1.45%
Central City Safety	42.56%	0.15%	53.88%	0.90%	0.11%	0.94%	1.45%
Animal Care and Control	75.72%	0.27%	17.96%	1.60%	0.20%	1.68%	2.58%
Community Services and Amenities							
Community Assistance	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Social Development	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Employment Development	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Neighbourhood Development	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Youth Programme	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Community Facilities	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Cemeteries and Crematorium	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Community Halls	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Leased Buildings	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Housing Services	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Toilets	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Libraries	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Democracy							
Partnership With Maori	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Councillor Services	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Elections	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Mayoral Services	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Event and Cultural Venues							
Hamilton Theatre Services	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Museum	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
ArtsPost	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Claudlands Events Centre	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Waikato Stadium	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Seddon Park	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Recreation							
City Beautification	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Hamilton Gardens	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Parks and Gardens	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Sports Areas	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Swimming Facilities	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Leisure Centre	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Zoo	77.78%	0.28%	18.45%	1.64%	0.20%	0.34%	1.31%
Transportation							
Parking Enforcement	75.72%	0.27%	17.96%	1.60%	0.20%	1.68%	2.58%
Carriageways Management	24.52%	0.09%	71.84%	0.52%	0.06%	0.36%	2.61%
Central Area Parking	25.99%	0.09%	71.84%	0.55%	0.07%	0.58%	0.88%
Footpaths, Cycleways and Verges	27.48%	0.10%	71.84%	0.58%			
Network Management (Transport)	25.99%	0.09%	71.84%	0.55%	0.07%	0.58%	0.88%
Road Safety	25.99%	0.09%	71.84%	0.55%	0.07%	0.58%	0.88%
Traffic	25.78%	0.09%	71.84%	0.55%	0.10%	0.34%	1.31%
Transport Centre	25.99%	0.09%	71.84%	0.55%	0.07%	0.58%	0.88%
Transport: Access Hamilton	73.34%	0.31%	21.44%	2.16%	0.13%	0.86%	1.75%
Urban Development							
City Planning	75.72%	0.27%	17.96%	1.60%	0.20%	1.68%	2.58%
Building Control	75.72%	0.27%	17.96%	1.60%	0.20%	1.68%	2.58%
Planning Guidance	75.72%	0.27%	17.96%	1.60%	0.20%	1.68%	2.58%
Sustainable Environment	60.78%	0.22%	35.92%	1.28%	0.16%	0.34%	1.31%
Waste Minimisation							
Refuse	90.67%			4.00%	0.24%	2.01%	3.08%
Water Management							
Wastewater Reticulation	39.87%	0.14%	53.88%	4.00%	0.10%	1.00%	1.00%
Wastewater Treatment Plant	41.86%	0.15%	53.88%	4.00%	0.11%		
Stormwater Reticulation	76.03%	0.27%	17.96%	4.00%	0.10%	0.34%	1.31%
Water Reticulation	95.41%	0.34%		4.00%	0.25%		
Water Treatment Plant	95.41%	0.34%		4.00%	0.25%		



2.6.1 Overall Funding Consideration

Council is required by section 101(3)(b) of the Act to consider the overall impact of the allocation of liability for revenue needs on the community well being. This involves weighing up the impact of rates on the current and future social, economic, environmental and cultural well-being of the community. It allows Council, as a final measure, to modify the overall mix of funding in response to these considerations.

Council has considered each service individually to determine the allocation of benefit and rate burden across the seven differential sectors.

Proposed summary of rate allocation before overall funding consideration adjustment as per section 101(3)(b) is as follows:

	Residential	Inner City	Commercial	Multi Unit	Rural		
					Residential	Rural Large	Rural Small
Rates Requirement by Property Sector (pre 101(3)(b))							
Rate Levy	60,266,825	202,070	34,877,355	1,967,826	148,038	363,747	1,291,139
% by Property Sector	60.8037%	0.2039%	35.1881%	1.9854%	0.1494%	0.3670%	1.3026%
Rate in cents per \$ by Sector	0.008066	0.007590	0.019678	0.012460	0.007636	0.002194	0.005079
Rate in cents per \$ by Sector (incl. G:	0.009074	0.008538	0.022138	0.014017	0.008590	0.002469	0.005714
Differential Factor Actual	1.00	0.94	2.44	1.54	0.95	0.27	0.63

The section 101(3)(b) adjustment allows Council to acknowledge the funding allocations involved in the balancing of complex current and future social, economic, environmental and cultural factors.

Council acknowledges a number of external issues such as growth in the city and valuation movements impact on the overall rate burden. Therefore Council considers it appropriate to make a final adjustment to ensure the burden of rates is distributed across the sectors in a manner consistent with previous years.

	Residential	Inner City	Commercial	Multi Unit	Rural		
					Residential	Rural Large	Rural Small
S101(3)(b) Adjustment	2,171,232	10,840	(1,319,963)	(78,650)	(67,995)	(133,014)	(582,450)
Revised Differential Factor	1.00	0.96	2.27	1.43	0.49	0.17	0.33

The overall funding consideration adjustment in accordance with section 101(3)(b) is as follows:

	Residential	Inner City	Commercial	Multi Unit	Rural		
					Residential	Rural Large	Rural Small
Rates Requirement by Property Sector (final)							
Rate Levy	62,438,057	212,910	33,557,392	1,889,176	80,043	230,733	708,689
% by Property Sector	62.9943%	0.2148%	33.8563%	1.9060%	0.0808%	0.2328%	0.7150%
Rate in cents per \$ by Sector	0.008357	0.007997	0.018934	0.011962	0.004129	0.001392	0.002788
Rate in cents per \$ by Sector (incl. G:	0.009401	0.008997	0.021300	0.013457	0.004645	0.001566	0.003136
Differential Factor	1.00	0.96	2.27	1.43	0.49	0.17	0.33



2.6.2 Conclusion

Council has determined the most appropriate general rate funding mechanism remains as a differential general rate based on the land use sectors within the city.

The detailed analysis by service in this policy considers the requirements of section 101(3)(a) resulting in a percentage allocation by sector for each service. This allocation is applied to the costs of each service which generates the differential factor by sector.

Council has given further consideration to the overall well-being of the city community and made an adjustment to provide a differential factor that is consistent with previous years. Council believes providing a reasonably stable rating system is to the benefit of the whole community.

Therefore this Revenue and Financing Policy has been adopted giving due consideration to the well-being of the community, as defined under section 101(3)(b) of the Act, with regard to each service, the funding requirements of that service and the selection of the funding sources available to meet those funding requirements (general and targeted rates, user charges, subsidies and other funding sources).

2.7 Performance Targets

The table below summarises the performance targets set for the Revenue and Financing Policy:

Objective	Target
To maintain the direction specified in the Long-Term Financial Strategy.	Achieve the budgeted figures specified in the Annual Plan.
To manage the level of commitments and contingencies.	Total operating impact of contingencies does not exceed 5% of the general rate for the preceding financial year.
To maintain a mix of funding mechanisms to meet the total funding requirements of the City.	Fees and charges comprise at least 20% of total revenue. Differentials on property sectors maintained to achieve the rate recovery specified in the Annual Plan.