



Your rates for the 2013/14 financial year

August 2013

Nga mihi nui, greetings to our ratepayers and citizens

Setting our budgets and the level of rates for the 2013/14 financial year has been particularly challenging for your Council.

We are facing some major issues that will affect our finances in future years and we need to take immediate action about our high level of debt. We must also ensure that we can still provide our community with essential services and protect our assets. It has been a challenge to balance these requirements with the difficult economic times and the community's ability to pay.

The decisions made during the 2013/14 Annual Plan discussions have gone a small way towards addressing our high level of debt but we still have a lot of work to do. Currently, our debt is projected to peak at \$126M in 2016/17, meaning there are huge interest costs in the next few years which are impacting on rates. As part of the 10-Year Plan 2012-2022, we set a 'Debt retirement rate'. This rate is targeted to infrastructure activities in which the Council has resolved to retire debt for the year. For 2013/14 the debt retirement rate is targeted to stormwater and roading. While this rate repays around \$600,000 per year, we need to allocate much more if we want to eventually repay more than we borrow.

We have set a 5% overall rates increase for 2013/14, with variations between the residential (6.0%), farming (4.5%) and commercial (1.8%) sectors. We have reduced our 'business as usual' costs by 0.5% from previous years. The \$7M budget deficit for 2013/14 is funded from loans. Our only significant borrowing in 2013/14 is in wastewater (\$9.4M), while loan repayments are being made in water (\$670,000), debt retirement (\$644,000) and Wanganui Gas (\$650,000).

However, the effect of this year's rates increase is that, based on our current activities and services, in 2014/15 we are looking at an increase of 7.9% followed by 8% in 2015/16. The Council does not

believe this is sustainable so we will be reviewing our activities before the next financial year to reduce costs. We will need to consider asset sales, alternative funding sources, reducing service levels and our rates and income.

Key issues, with significant costs, that we face in the coming years include how to deal with our earthquake-prone buildings and the wastewater treatment plant.

On behalf of the Council, I thank everyone who contributed to our Annual Plan process. We received 87 submissions on a variety of subjects. The submitters provided the Council with some thought-provoking, and sometimes challenging, views. Some submissions have resulted in decisions that have been included in the Annual Plan, while others need further investigation and will be followed up through the Council's committee process during the coming months.

There are challenging times ahead of us as a community. We need to continue to work together to ensure our district will prosper and grow.



Annette Main
Mayor

Key Issues

Wastewater treatment plant

Ongoing problems with the operation of our wastewater treatment plant came to a head late last year. Since it was opened in 2007 the treatment plant has never consistently worked as it was designed to. We have been unable to comply with our resource consent from Horizons Regional Council and there have been ongoing issues with excessive odour. Since late 2012 we have been working hard on short-term measures to deal with the odour problem while we seek a long-term fix for the plant.

The options for dealing with our wastewater have been assessed by internationally-recognised wastewater specialists Cardno BTO and their report has been independently peer reviewed by AECOM. The report recommends a significant upgrade of the wastewater plant, using parts of the existing infrastructure. The design detail and final costs are being worked up but it is estimated that the plant upgrade will cost \$24M capital. We have included \$9M additional capital and \$3M additional operating

expense in the 2013/14 year. These estimated costs assume that the upgrade of the plant will be completed by December 2014, with \$15M in capital costs in the 2014/15 financial year.

Earthquake-prone buildings

Wanganui has a large number of potentially earthquake-prone buildings, with many of our district's buildings of heritage significance being unreinforced masonry buildings. A number of the Council's own buildings have been assessed as earthquake-prone and we won't know the total cost of upgrading them until detailed design work is done.

We are awaiting the outcome of the government's Earthquake-prone Buildings Policy, developed following the Canterbury earthquakes, before reviewing our own policy. We made a strong submission on the draft policy because we believe Wanganui has a special case and we do not support a 'one size fits all' approach

for dealing with earthquake-prone buildings throughout New Zealand. This issue has huge cost implications for Wanganui. Legislation on earthquake-prone buildings is expected to be passed in 2015.

We have used a risk assessment formula for identifying priority upgrades of Council-owned earthquake-prone buildings. The Sarjeant Gallery and the Royal Wanganui Opera House have been assessed as priority buildings for seismic upgrade and risk mitigation work; however, there is no budget for earthquake-prone buildings included in 2013/14. The \$6M that was allocated in year two of the 10-Year Plan 2012-2022 has been deferred.

Sale of Energy Direct New Zealand Ltd (EDNZ)

After receiving advice from Pricewaterhouse Coopers, Wanganui Gas and Wanganui District Council Holdings Ltd (WDCHL) directors, the Council decided to sell the asset of energy trading company EDNZ for \$13.5M plus \$2.5M of working capital. We plan to use the proceeds to repay debt in either WDCHL or Council. The deal ensured that, at a minimum, the purchaser TrustPower will retain staff jobs and remain in the region for the next two years. Additionally, the Council will be able to benefit from a \$1.8M dividend from GasNet – we have elected to use \$0.7M of this to repay debt and \$1.1M to reduce wastewater rates.

Sarjeant Gallery

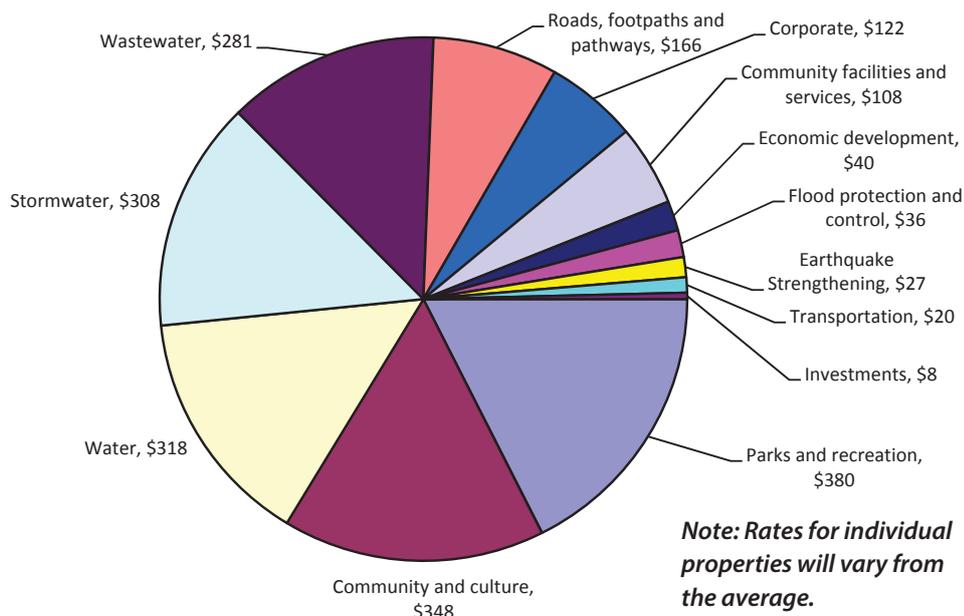
We are applying for government and philanthropic funding to enhance the earthquake-prone Sarjeant Gallery building by providing better public and education facilities, appropriate storage and environmental controls for the nationally-significant collection of art works, and earthquake strengthening work. The Minister for Culture and Heritage has indicated he is willing to provide substantial financial support for the Sarjeant Gallery development plan. We are seeking external match funding for this government support and this is a priority in 2013/14.

The Sarjeant Gallery activity and its collection will be temporarily relocated to 38 Taupo Quay until earthquake issues have been addressed. The estimated \$2.68M funding required for capital costs to fit out the Taupo Quay building will be financed by the Earthquake Strengthening and Building Replacement Rate. Legal advice has confirmed that this is an appropriate use of the rate. The move to Taupo Quay is planned for March 2014.

In the meantime, we will manage our Health and Safety in Employment Act responsibilities at the Sarjeant Gallery by reducing the amount of time employees and students are in the building, providing alternative accommodation nearby and the use of earthquake-proof furniture.

How your rates are spent

How the average Wanganui residential rate of \$2,163 is spent



Local government reform

We have performed a review of our current services and believe that our activities comply with the new purpose statement in the Local Government Act, amended in December 2012. However, this will require ongoing focus and attention. Other aspects of the local government reforms which may affect our operations in the future include changes to reorganisation procedures whereby anyone can make a proposal for reorganisation of local authorities; reviews of regulatory processes; planning, consultation and reporting requirements; reducing costs of network and community infrastructure; development contributions; and changes to the powers of mayors which will take effect after the October 2013 triennial election.

Personnel costs

In the Draft Annual Plan 2013/14, we proposed a staff cost of \$14.548M which covers 225.3 full-time equivalent staff. However, as a result of our discussions, salary/wage costs have been reduced by \$250,000 to \$14.298M in the final Annual Plan.

More information

Details of all key decisions made during the Annual Plan process, as well as more information about projects, activities and services, are available in the Annual Plan 2013/14. This document is available on our website www.wanganui.govt.nz and from the Customer Service Counter at 101 Guyton Street, Wanganui; phone (06) 349 0001 or email wdc@wanganui.govt.nz.

Rates by email

You can opt to receive your rates notice via email, rather than having it posted to you. If you choose to change to an emailed rates notice, you will go into the draw for a \$500 contribution toward your rates. All ratepayers in the Wanganui District whose rates are up-to-date are eligible to enter the draw. Register on our website www.wanganui.govt.nz to get your rates emailed and we'll put you into the draw.

Rates rebate scheme

Information about the rates rebate scheme is enclosed with your rate account. Please contact our rates department, phone 349 0001, or call in to the Council building at 101 Guyton Street if you need further information or assistance.