

Notice is hereby given that an ordinary Meeting of the Council will be held on:

Date: Thursday 6 April 2017
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Council

OPEN ATTACHMENTS

ATTACHMENTS UNDER SEPARATE COVER

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| 9. | Proposal for free 2-hour on-street parking in the CBD | |
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| | |
|-------------------------|---|
| First adopted: | 2004 |
| Revision dates/version: | Version 5 |
| Next review date: | November 2017 |
| Engagement required: | The Council will develop a proposal, make this available to the public, allow written submissions for a period of up to 4 weeks |
| Document number: | D-1684879 |
| Associated documents: | Funding Needs Analysis |
| Sponsor/Group: | CFO |

Revenue and Financing Policy

Purpose and scope

1. This Policy outlines the choices Council has made to determine the appropriate funding of operating expenditure and capital expenditure from the sources¹ of funds listed in the Local Government Act 2002 (LGA). The Policy also shows how Council has complied with section 101(3)². The comprehensive section 101(3) analysis is separately documented in the Funding Needs Analysis.
2. Determining the appropriate way to fund Council activities is complex. It is a process that takes account of many matters including, but not limited to:
 - Legal.
 - Social.
 - Competition.
 - Affordability.
 - Impact of change.
 - Efficiency.
 - Equity.
 - Cost.
 - Intergenerational equity.
 - Transparency.
 - Accountability.
 - Business.
 - Strategic Alignment.
 - Benefit.
3. This Policy explains how Council plans to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

Principles

4. Council has determined the following basic principles to guide the appropriate use of funding sources:
 - a. User Charges are preferred when a private benefit can be identified and it is efficient to collect the revenue.
 - b. Subsidies, grants and other income options are fully explored prior to rates being used.
 - c. Each generation of ratepayers should pay for the services they receive and borrowing can assist to achieve this outcome.
 - d. Capital costs to replace assets that reach the end of their projected economic life is firstly funded from rates.
 - e. Capital costs to upgrade or build new assets is funded firstly from sources other than rates (e.g. subsidies, grants, fundraising, financial contributions) and then borrowing.
 - f. Growth-related capital costs are funded by development contributions.
 - g. Rates systems should be simple and easily understood.
 - h. Rates are not a charge for the use of a service.

¹ The sources of funds are listed in section 103(2).

² All legislative references are to the Local Government Act 2002 unless otherwise stated.

- i. If no other funding source can be used it is then appropriate to fund the remaining revenue requirement for operating expenditure from rates.
5. Complying with these principles can at times be challenging. The Council must apply judgment in assessing many options to determine appropriateness in its development of budgets or acquisition of assets and the choice of funding sources to implement these.

Policy

Operating cost funding sources

6. Operating costs are the day-to-day spending that maintains the services delivered by Council. This includes contributions to the wear and tear on assets used (depreciation), interest charged on borrowing for capital projects and corporate overheads.
7. Council must consider the funding of each activity in a way that relates exclusively to that activity. Some activities may be best funded by 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.
8. The funding sources for operating costs include:

User Charges

9. User Charges are used for services where there is an identifiable benefit to an individual or group. User Charges are a broad group of fees charged directly to an individual or entity. It includes:
 - Entry fees.
 - Service charges.
 - Hire.
 - Rent, lease, licences for land and buildings.
 - Permits.
 - Regulatory charges.
 - Fines and penalties.
 - Connection fees.
 - Disposal fees.
 - Deposits.
 - Private works.
 - Memberships.
 - Planning and consent fees.
 - Statutory charges.
 - Retail sales.
10. The price of the service is based on a number of factors, including:
 - a. The cost of providing the service.
 - b. The estimate of the users' private benefit from using the service.
 - c. The impact of cost to encourage/discourage behaviours.
 - d. The impact of cost on demand for the service.
 - e. Market pricing, including comparability with other councils.
 - f. The impact of rates subsidies if competing with local businesses.
 - g. Cost and efficiency of collection mechanisms.
 - h. The impact of affordability on users.
 - i. Statutory limits.
 - j. Other matters as determined by Council.
11. Council's ability to charge User Charges is limited by the powers conferred on it by many statutes and regulations. As a general rule, fees for statutory functions should be set at no more than the cost of providing the service. In some cases, legislation sets the fees at a level that is below cost and in other cases, where provided by legislation (e.g. Waste Minimisation Act 2008)

Council may set fees at greater than the cost of providing the service. Council considers it appropriate to incorporate overhead charges in the determination of the cost of providing a service.

12. Where Council is charging for the sale of goods or services not required by statute, Council's preference is to charge a market price, having regard to the powers conferred on it referred to in paragraph 11. This includes leases, rents and licences for land and buildings.
13. Fees and charges may be set by Council at any time and are reviewed by Council annually. A list of regular fees and charges is maintained on Council's website.
14. User Charges revenue is allocated to the activity which generates the revenue.

Grants, sponsorship, subsidies and other income

15. Grants, sponsorship and subsidies are used where they are available. Many of these items are regular and predictable and therefore can be budgeted. Some items of other income are unexpected or unpredictable and may not be able to be prudently budgeted (e.g. reparation payments, Civil defence and other reimbursements, legal settlements and insurance payouts).
16. Council expects to continue receiving substantial subsidies for road maintenance from government or its agencies. While this is recorded as operating income a large portion is for capital costs.

Investment income

17. Council's investment policy is documented in its Liability Management and Investment Policy. These investments generate income such as dividends, interest, and rents.
18. Income from assets is receipted to the activity that owns the asset.

Development contributions, financial contributions, proceeds from the sale of assets and lump sum contributions

19. Council does not collect revenue from these funding sources to fund operating costs.

Reserve funds

20. Council maintains a small number of cash funded reserve funds. Some of these reserve funds are available to meet operating costs (e.g. cemetery maintenance).
21. Council generally uses these funds for the purposes that the reserve was created.

Borrowing

22. Council borrowing is generally undertaken at a whole of Council level subject to the constraints on rates increases, debt levels set by the Financial Strategy.
23. Council generally plans to fund all cash operating costs from sources other than borrowing but may in specific circumstances, where it determines it is prudent to do so, fund some operating costs from borrowing.

Rates

24. Having appropriately exhausted all other funding sources, Council funds its remaining operating expenses from rates. For many activities this is the main funding source.
25. These matters were taken into account by Council when determining the funding requirements of each activity in the Funding Needs Analysis, as required by section 101(3)(a).

26. Council may establish Targeted Rates to fund operating costs.
27. Further information on rates can be found from paragraph 49.

Summary of sources of funding for operating costs by activity

28. Council has applied the above preferences for the use of the funding sources to each activity in its Funding Needs Analysis. Table 1 describes the extent each funding source is used to fund operating costs following the initial s101(3)(a) assessment. Council has modified this assessment with its s101(3)(b) assessment, which requires Council to consider the overall impact of allocation of liability for revenue needs on the community as described from paragraph 63. This includes the creation of the Transitional Rate, which is a Targeted Rate designed to address the impact of the change from Land Value to Capital Value for the General Rate.
29. These ranges are expressed as a percentage of the cost of the activity. A key to interpret the graphics follows the Table 1.

Table 1: Summary of funding sources by activity s.101(3)(a) only

| Activity | User Charges | Grants, subsidies & other | Investment Income | Finance Contribution | Development Contribution | Reserve funds | Borrowing | General Rates | Targeted Rates |
|--|--------------|---------------------------|-------------------|----------------------|--------------------------|---------------|-----------|---------------|----------------|
| Parking Management | ✓ | x | x | x | x | x | x | x | x |
| Housing | ✓ | x | x | x | x | x | x | x | x |
| Building Control | ✓ | x | x | x | x | x | x | x | x |
| Cemeteries & Crematorium | ✓ | x | x | x | x | ✓ | x | x | x |
| Strategic Property Investment | x | ✓ | ✓ | x | x | x | x | x | x |
| Planning Guidance & Compliance | ✓ | x | x | x | x | x | x | ✓ | x |
| Animal Education and Control | ✓ | x | x | x | x | x | x | ✓ | x |
| Waste Minimisation | x | x | x | x | x | x | x | ✓ | x |
| Landfill Site Management | x | x | x | x | x | x | x | ✓ | x |
| Arts Promotion | x | x | x | x | x | x | x | ✓ | x |
| Partnership with Maaori | x | x | x | x | x | x | x | ✓ | x |
| City Planning | x | x | x | x | x | x | x | ✓ | x |
| Emergency Management | x | x | x | x | x | x | x | ✓ | x |
| Stormwater Network | x | ✓ | x | x | x | x | x | ✓ | x |
| Refuse Collection | x | ✓ | x | x | x | x | x | ✓ | ✓ |
| Sewage Treatment and Disposal | ✓ | x | x | x | x | x | x | ✓ | ✓ |
| Hamilton Gardens | ✓ | x | x | x | x | x | x | ✓ | x |
| Economic Initiatives | x | x | x | x | x | x | x | ✓ | ✓ |
| Libraries | ✓ | ✓ | x | x | x | x | x | ✓ | x |
| Museum | ✓ | ✓ | x | x | x | x | x | ✓ | x |
| Community Development | ✓ | ✓ | x | x | x | x | x | ✓ | x |
| Community Parks | ✓ | x | x | x | x | x | x | ✓ | x |
| Gullies and native plantings | x | ✓ | x | x | x | x | x | ✓ | x |
| Streetscapes | x | ✓ | x | x | x | x | x | ✓ | x |
| Sports Parks | ✓ | x | x | x | x | x | x | ✓ | x |
| Governance & Civic Affairs | ✓ | x | x | x | x | x | x | ✓ | x |
| Theatres | ✓ | ✓ | x | x | x | x | x | ✓ | x |
| Sewage Collection | ✓ | x | x | x | x | x | x | ✓ | ✓ |
| Indoor Recreation | ✓ | ✓ | x | x | x | x | x | ✓ | x |
| Environmental Health and Public Safety | ✓ | ✓ | x | x | x | x | x | ✓ | x |
| Water Treatment and Storage | x | x | x | x | x | x | x | ✓ | ✓ |
| Water Distribution | ✓ | x | x | x | x | x | x | ✓ | ✓ |
| Transport Network | ✓ | ✓ | x | x | x | x | x | ✓ | ✓ |
| Zoo | ✓ | ✓ | x | x | x | x | x | ✓ | x |
| Stadiums | ✓ | x | x | x | x | x | x | ✓ | x |
| Claudlands | ✓ | ✓ | x | x | x | x | x | ✓ | x |
| Pools | ✓ | ✓ | x | x | x | x | x | ✓ | x |

Table 2: Summary of funding sources by activity

Key

| Range Name | Range | Key |
|------------|------------|-----|
| Unlikely | 0 | x |
| Minimal | 0% -20% | ✓ |
| Low | 20% -40% | ✓ |
| Moderate | 40% - 60% | ✓ |
| High | 60% - 80% | ✓ |
| Most | 80% - 100% | ✓ |
| All | 100% | ✓ |

30. Council budgets will normally be set within these ranges. As these ranges are expressed as a percentage of the cost of the activity they may change over time because of changes in expenditure rather than changes in revenue. If budgets were marginally outside these ranges, it is unlikely that Council will consider that matter to have a high degree of significance and therefore warrant a consultation to change the Revenue and Financing Policy. It is also likely that actual funding sources will be different from budgeted funding sources.

Funding sources for capital costs

31. Capital costs are those costs associated with the purchase and improvement of assets and for the repayment of debt. The funding sources for capital costs include:

User charges

32. User charges are generally not available for capital costs as individual user contributions would generally be too large to be affordable. Borrowing and charging users annually for financing costs (interest and principal) via rates is often a more affordable method of charging users contributions.
33. Council does charge for capital works that are solely for private benefit (e.g. a network extension to a single dwelling) or where capital works are undertaken outside of asset management plans at the request of individuals (e.g. a rural seal extension for dust suppression).

Grants, subsidies, and other income

34. Council relies on significant subsidies for capital works in its roads and bridges activity. Other activities are able to access grants and subsidies from time to time. Other income can be from many and varied sources and is unlikely to be predictable enough to budget for in advance. Other income used to fund capital costs could include bequests, insurance payouts, and legal settlements.
35. Grants, subsidies and other income are used wherever they are available.

Development contributions

36. Council collects development contributions to fund capital costs necessary to service growth over the longterm.

37. Council has a Development and Financial Contributions Policy. Most contributions received are transferred to loan accounts³. Development contribution funds received will be applied to the projects as identified by the Policy. Projects identified in the Policy may be either completed projects (with debt yet to be repaid from future development contributions) or future projects planned to be undertaken.
38. Note that, in addition to the requirements of sections 101(3) and 103 the Development and Financial Contributions Policy additionally describes funding matters further as stipulated by section 106(2)(c).

Financial contributions

39. Council collects financial contributions under the Resource Management Act 2001 to avoid, remedy or mitigate adverse effects on the environment as conditions to resource consents. The requirements for these contributions are outlined in the Operative and Proposed Hamilton District Plans. Most contributions are received as revenue by the vesting of assets in Council; some contributions may be paid to Council.

Proceeds from the sale of assets

40. From time to time Council disposes of assets. Many of these are low value items and the revenue is received by the activity that owns the assets.
41. Council's Strategic Property activity holds some higher value assets that are intended for sale. Unrestricted proceeds from the sale of these assets will be used to repay debt, unless resolved otherwise by Council⁴. Restricted revenues will be placed in the appropriate reserve fund and used for the purpose required by the document that imposes the restriction (e.g. Municipal Endowments reserve).

Reserve funds

42. Council maintains some reserve funds for capital projects and will approve the use of the funds when a project meets the specific criteria for the reserve.

Borrowing

43. Council must borrow to fund its asset programme. The amount of borrowing available is restricted by Council's financial strategy debt limits.
44. Borrowing, both the capital (principal) and interest components, is generally repaid by future rates.
45. Borrowing spreads the cost of the project over a longer period, smoothing changes in rates and ensuring that ratepayers who enjoy the benefit of long-lived assets contribute to their costs.

Lump sum contributions

46. Council has the option when undertaking a major project to seek lump sum contributions to the capital cost of the project from those who are identified in the projects "capital project funding plan"⁵. Lump sum contributions are provided for in the Local Government (Rating) Act 2002 and have stringent requirements placed on how they are used. Where a lump sum payment option

³ Many growth developments are undertaken in anticipation of growth. The growth portion of the project is funded from borrowing. When this occurs the development contribution receipts are then used to repay the debt.

⁴ As required by the Investment and Liability Management Policy.

⁵ Local Government (Rating) Act 2002 - s.117A

is proposed ratepayers choose to participate or not. Council has previously used these provisions and may do so in the future.

47. Council does not presently plan to seek lump sum contributions.

Rates

48. Rates are primarily used to fund the day-to-day expenses including depreciation and borrowing interest costs. In each year Council calculates the cash surplus from operating revenue less operating costs to determine the amount of rates funding available to fund capital projects.
49. The greatest portion of this funding is rates assessed to pay for depreciation (which is a non-cash operating cost which Council funds annually). These funds are used to fund renewal projects.
50. A portion of rates funds the capital (principal) repayments of debt.
51. Council may establish targeted rates to fund capital projects.

Summary of sources of funding for capital costs by activity

52. Council uses the following guidelines when considering the funding of capital projects:
- All projects are first funded from grants, subsidy or other income, which are budgeted as operating revenues.
 - Growth projects for network infrastructure that are required to meet increased demand are funded from development contributions, to the extent provided for in the Financial and Development Contributions Policy.
 - Reserve funds for other purposes are considered. Council has a small number of cash funded reserves available for capital costs projects.
 - Targeted rating options may be considered.
 - Projects that have exhausted previous funding sources are funded from from General Rates and/or debt.
53. A single project may have a mix of each of these funding options.
54. Whenever Council resolves to consider funding a separate project, Council will consider the sources of funds above, the Revenue and Financing Policy and complete a section 101(3) assessment to determine an appropriate funding policy for the project. Generally Council will resolve the funding policy at the time the project is proposed in an Annual Plan or Long-term Plan.

Overall funding consideration

55. Council is required by section 101(3)(b) to consider the overall impact of the allocation of liability for revenue needs on the community. It allows Council, as a final measure, to modify the overall mix of funding that would otherwise apply after the s 101(3)(a) analysis.
- Council will transition the impact of the change from the land value general rate of 2014/15 to a capital value general rate over 10 years. This is achieved by using the transitional targeted rate.
 - Council will modify the allocation of the rates liability between sectors of the rating base by the use of differentials on the General and Transitional rates.
 - Council may waive or discount fees and charges where it considers it appropriate to do so. Some matters Council may consider in deciding whether it is appropriate to waive fees are

- for social reasons, for the promotion of events and facilities, for commercial reasons, due to poor service or to minimise risk.
- d. Council may remit rates where it considers it appropriate to do so and as documented in the Rates Remissions Policy. These policies address social matters as well as adjusting rates for benefits that differ for some rates assessments (e.g. additional or no provision of some services).
 - e. Council may use accounting provisions and reserve funds to spread the costs of activities over multiple years for the purpose of smoothing the cost to users and ratepayers.
 - f. Council may modify the allocation of liability for growth related network infrastructure projects when considering the matters required by s106 in the Financial and Development Contributions Policy.

Rates

56. Council's final consideration of funding by rates comes:
 - a. after considering how the other funding sources will be used to fund operating and capital costs
 - b. after that has been applied to activities in the Funding Needs Analysis
 - c. after being adjusted for the overall funding considerations.
57. The following section outlines the Revenue and Financing Policy requirements that are used to set rates. To have a full understanding of rates they should be read having regard to the analysis above and in conjunction with the Rating Policy, Funding Impact Statement and Rates Resolution.

General Rates

58. The General Rate is allocated to properties based on the Capital Value of the property. Council does not have a Uniform Annual General Charge.
59. Council has chosen to differentiate the general rate into four differential rating categories (Residential, Commercial, Commercial Business District (CBD) Commercial and Rural). The full definition of these categories is contained within the Rating Policy.
60. Council has determined in its Funding Needs Analysis that all or part of the following activities should be funded from the General Rate:

| | | |
|-------------------------------------|----------------------------------|---|
| ▪ Planning Guidance and Compliance. | ▪ Sewage Treatment and Disposal. | ▪ Governance and Civic Affairs. |
| ▪ Animal Education and Control. | ▪ Hamilton Gardens. | ▪ Environmental Health and Public Safety. |
| ▪ Stormwater Network. | ▪ Economic Initiatives. | ▪ Water Treatment and Storage. |
| ▪ Catchment Management. | ▪ Libraries. | ▪ Water Distribution. |
| ▪ Refuse Collection. | ▪ Museum. | ▪ Transport Network. |
| ▪ Waste Minimisation. | ▪ Community Development. | ▪ Zoo. |
| ▪ Landfill Site Management. | ▪ Community Parks. | ▪ Stadiums. |
| ▪ Arts Promotion. | ▪ Gullies and native plantings. | ▪ Claudelands. |
| ▪ City Planning. | ▪ Streetscapes. | ▪ Leisure Facilities. |
| ▪ Theatres. | ▪ Sports Parks. | ▪ Emergency Management. |
| ▪ Sewage Collection. | | |
61. The General Rate differential factors for 2015/16 will be calculated as shown in the Rating Policy.

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62. In setting the differential sectors, and the differential factors, Council considered the requirements of the Local Government Act and a number of other considerations, including:
- The activities funded by the General Rate and the s101(3) considerations for the activities.
 - The historic relationship between the differential sectors and the existing level of the differential under the Land Value General Rate.
 - The impact of any change, or rate of change to the differential.
 - The views of those impacted by the differentials.
 - Other reasonable options, and the advantages and disadvantages of those options.
 - The overall impact of the differential on ratepayers.

Targeted Rates

Transitional Rate

63. Council has decided to move to a Capital Value General Rate from A Land Value General Rate. Having considered the overall impact of the change on ratepayers, Council determined that the impact of the change should be transitioned over 10 years. For transparency, Council has chosen to achieve the transition by setting A Transitional Rate that is similar in effect to the prior Land Value General Rate. The aggregate of the amounts raised by the Capital Value General Rate and the Land Value Transitional Rate will equal the amount Council would otherwise have raised from the General Rate if the transition were not occurring.
64. The Transitional Rate is a Land Value rate, differentiated by seven differential rating categories (Residential, Commercial/Industrial, CBD Commercial/Industrial, Multi Unit Residential, Rural Residential, Rural Small and Rural Large).
65. The full definition of these differential categories is contained within the Rating Policy. How the allocations to these categories are calculated is documented below under "Transition from Land Value to Capital Value General Rates".
66. The transitional rate arises as a result of Council's s.101(3)(b) consideration of the overall impact in the allocation of liability for revenue. This rate mitigates the impact of the change from land Value to Capital for General Rate. Council has determined in its Funding Needs Analysis that all or part of the following activities should be funded from the Targeted Rates (note these are the same activities as funded by the General rate):
- | | | |
|-------------------------------------|----------------------------------|---|
| ▪ Planning Guidance and Compliance. | ▪ Sewage Treatment and Disposal. | ▪ Governance and Civic Affairs. |
| ▪ Animal Education and Control. | ▪ Hamilton Gardens. | ▪ Environmental Health and Public Safety. |
| ▪ Stormwater Network. | ▪ Economic Initiatives. | ▪ Water Treatment and Storage. |
| ▪ Catchment Management | ▪ Libraries. | ▪ Water Distribution. |
| ▪ Refuse Collection. | ▪ Museum. | ▪ Transport Network. |
| ▪ Waste Minimisation. | ▪ Community Development. | ▪ Zoo. |
| ▪ Landfill Site Management. | ▪ Community Parks. | ▪ Stadiums. |
| ▪ Arts Promotion. | ▪ Gullies and native plantings. | ▪ Claudelands. |
| ▪ City Planning. | ▪ Streetscapes. | ▪ Leisure Facilities. |
| ▪ Theatres. | ▪ Sports Parks. | ▪ Emergency Management. |
| ▪ Sewage Collection. | | |

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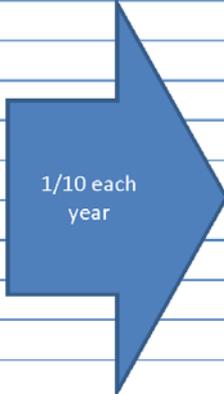
67. The Transitional Rate differential factors for 2015/16 will be calculated as shown in the Rating Policy.

Transition from Land Value to Capital Value General Rates

68. In 2014, Council decided to change from the Land Value general rate to a Capital Value General Rate. In order to minimise the effect of the change on individual ratepayers Council decided to transition the change over 10 years.
69. This is implemented by changing the General Rate to Capital Value from 1 July 2105 and at the same time introducing a Targeted Rate based on Land Value and differentiated similarly to the Land Value General Rate of 2014/15. Each year 10 percent of the total cost of the activities funded by the General and Transitional rate will be transferred as shown on the table 3.

Table 3: Transition process

| Year | Land Value Transition Rate | Capital Value General Rate |
|---------|-------------------------------|-------------------------------|
| 2015/16 | 90% | 10% |
| 2016/17 | 80% | 20% |
| 2017/18 | 70% | 30% |
| 2018/19 | 60% | 40% |
| 2019/20 | 50% | 50% |
| 2020/21 | 40% | 60% |
| 2021/22 | 30% | 70% |
| 2022/23 | 20% | 80% |
| 2023/24 | 10% | 90% |
| 2024/25 | 0% | 100% |



70. The total rates requirement for the activities funded from the activities listed will be split between each rate according to these ratios each year. This allows for adjustments in budgets over time.

Other Targeted Rates

71. Council collects a few Targeted Rates either to fund activities as identified in the Funding Needs Analysis or as a result of Council's overall funding considerations.

Table 4: Targeted rate types

| Name | Activities funded | Basis for rate |
|--|--|---|
| Access Hamilton | Access Hamilton projects and finance costs in the Transportation Activity. | Capital Value across whole city. |
| Central Business | Access Hamilton projects and finance costs in the Transportation Activity. | Fixed amount per SUIP⁶. |
| Business Improvement District (BID) | BID projects as part of the Economic Initiatives Activity. | Fixed amount per SUIP ⁶ and a rate per dollar of Capital Value for all properties in the BID area ⁷ . |
| Hamilton Gardens | Gardens development projects in the Hamilton Gardens activity. | Fixed amount per SUIP across the whole city. |
| Metered water supply | Water Distribution and Water Treatment and Storage activities. | Fixed amount per water connection supplied with water and a charge per unit of water consumed or supplied to non-residential properties. |
| Commercial Non-metered Water Supply | Water Distribution and Water Treatment and Storage activities. | Fixed amount per SUIP with water supplied or available. |
| Services water | Sewage Distribution and Sewage Treatment and Storage activities. | Fixed amount per property and a rate per dollar of Land Value for connected land used for certain purposes as defined in the rating policy. |
| Services refuse | Refuse Collection Activity. | Fixed amount per property and a rate per dollar of land value for connected land used for certain purposes as defined in the Rating Policy. |
| Services sewerage | Sewage Collection and Sewage Treatment and Disposal activity. | Fixed amount per property and a rate per dollar of Land Value for connected land used for certain purposes as defined in the Rating Policy. |

References

- Funding Needs Analysis, section 101(3), provides the background and analysis to explain the funding decisions made by Council. It is guided by the funding principles and choices of funding sources documented in the Revenue and Financing Policy.
- The Development and Financial Contributions Policy provides further analysis, as required by section 106(2)(c). This explains why Council has chosen to use development and financial

⁶ SUIP or Separately used or inhabited part of a rating unit is as required, defined each year in the Funding Impact Statement.

⁷ The BID area map is in the Rating Policy.

contributions to fund the capital costs needed to meet increased demand for community infrastructure.

- The Liability Management and Investment Policy places restrictions on the use of the proceeds from asset sales.
- The Rating Policy further clarifies the funding requirements of Council by documenting matters not included in the Funding Impact Statement, rates resolution or this Policy. It includes the allocation of activity rates requirements to different differential categories, detailed definitions and maps for rating areas.
- The Funding Impact Statement is included in each Long-term Plan and Annual Plan as required by clauses 15 or 20 of schedule 10. This statement shows the results of the detailed rates calculation for the first year of the Plan.
- Together the above documents form the necessary components to lawfully charge under the Local Government Act for the revenue requirements of Council. Council must also comply with other legislation in regard to the setting of some fees and charges and the Local Government (Rating) Act 2002 for the setting of rates.

| | |
|-------------------------|------------------------------|
| First adopted: | 30 June 2012 |
| Revision dates/version: | Version 2 |
| Next review date: | November 2017 |
| Engagement required: | not required |
| Document number: | D-1784168 |
| Associated documents: | Revenue and Financing Policy |
| Sponsor/Group: | CFO |

Funding Needs Analysis Policy

Purpose and scope

1. The Funding Needs Analysis provides the background and analysis to explain the funding decisions made by Council. It is guided by the funding principles documented in the Revenue and Financing Policy.
2. To comply with section 101(3),¹ Council must, for each activity, determine the appropriate sources of funding² for each activity. In determining this, Council must take into consideration under s 101(3)(a):
 - a. The community outcomes to which the activity primarily contributes.
 - b. The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals.
 - c. The period in or over which those benefits are expected to occur.
 - d. The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.
 - e. The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.
3. Having completed the above analysis Council must then consider, under section 101(3)(b):
 - a. The overall impact of any allocation of liability for revenue needs on the community.
4. The legislation places no more or less weight or priority on any one of the factors listed in section 101(3).
5. The following sections document the matters and approaches Council has taken to determine the funding needs of an activity and how that translates into Council's decision on the appropriate funding sources to be used.

Previous reviews

6. In 2004/14 Council prepared its first Long-Term Council Community Plan (later to be named the Long Term Plan). A requirement of the Plan was to every three years review and consult on the Revenue and Financing Policy. The Funding Needs Analysis was incorporated in its entirety in these previous Revenue and Financing Policies up until the 2012/22 - 10 Year Plan.
7. At each review Council has considered particular activities that may need re-analysis.

1

¹ All references to legislation are to the Local Government Act 2002, unless otherwise stated.

² The funding sources are listed in s103 LGA.

Funding sources for operating costs

8. Operating costs are the day-to-day spending that maintains the services delivered by Council. This includes contributions to the wear and tear on assets used (depreciation), interest charged on borrowing for capital projects and corporate overheads.
9. Council must consider the funding for each activity in a way that relates exclusively to that activity. Some activities may be best funded using user charges such as swimming pool admission fees, others with Targeted Rates such as the Hamilton Gardens 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 provided to them either directly or indirectly 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.
10. The available funding sources for operating costs include:
 - a. User charges.
 - b. Grants, sponsorship, subsidies and other income.
 - c. Investment income.
 - d. Reserve funds.
 - e. Rates
 - General rate
 - Targeted rates.
11. Each funding source and how Council prefers to use that funding source for operating expenses is described in detail in the Revenue and Financing Policy and is applied in this analysis.

Table 2: Consideration of legal requirements for operating expenses

| Headings-s.101(a) reference | Matters Council might consider |
|--|--|
| Community outcomes s.101(3)(a)(i) | - Council determines which of its 10 community outcomes an activity contributes to. Council has not established a link between community outcomes and funding requirements for an activity. |
| Distribution of benefits s.101(3)(a)(ii) | - The distribution of benefits is given consideration by Council, reflecting its area of benefit preference to funding sources for an activity. Council has considered how the benefit of activity applies to households, businesses and the community as a whole. |
| Period of benefit- s.101(3)(a)(iii) | For most operational expenses, the benefit is received in the year the expense is incurred. For most activities, Council cash funds depreciation (a non-cash operating expense) from revenue sources and this, along with other surplus cash flow will be used to fund capital costs for either asset renewal or debt repayments. Some operational expenses (provisions) may have a benefit over multiple years and so Council may choose to fund the activity over that period. |
| Who creates the need- s.101(3)(a)(iv) | Some things Council must do because the actions or inactions of individuals or groups create the need to undertake the activity. Council may choose to target these people or organisations |

| Headings-s.101(a) reference | Matters Council might consider |
|--|---|
| | through, charges or rates. |
| Separate funding-s.101(3)(a)(v) | <p>Council must consider the practicalities of separate funding along with transparency and accountability.</p> <p>In some cases while it may be desirable to charge individuals there may be no practical way of doing so.</p> <p>With regard to the rates contribution, Council is of the view that separate rating mechanisms for separate activities is not feasible, and would in any event make a complex rating system which is expensive to maintain and becomes confusing to interpret. In Council's opinion this does not contribute to improved transparency and accountability.</p> |

Analysis for operating costs by activity

12. Schedule 1 analyses each activity against the requirements of section 101(3)(a).

Funding sources for capital costs

13. Capital costs are those costs associated with the purchase and improvement of assets and for the repayment of debt. The funding sources for capital costs include:

- a. User charges.
- b. Grants, sponsorship, subsidies and other income.
- c. Investment income.
- d. Financial contributions.
- e. Development contributions.
- f. Proceeds from the sale of assets³.
- g. Reserve funds.
- h. Borrowing.
- i. Rates
 - General Rate
 - Targeted Rates.

14. Each funding source and how Council prefers to use that funding source for capital expenditure is described in detail in the Revenue and Financing Policy and is applied in this analysis.

Analysis for capital costs by activity

15. Council does not fund its capital costs on an activity-by-activity basis.

16. As described in the Financial Strategy, Council has a challenge to manage growth, affordable rates increases and debt. In order to achieve the appropriate balance between these variables Council takes the following approach:

- a. Council sets the annual rate increase.
- b. The existing budget plus an estimate for growth determines the rates income.
- c. Activity operating revenue and expenditure budgets are determined, within this constraint.
- d. An amount is budgeted for Development Contributions payments, which is set aside to fund

³ The Liability Management and Investment Policy states: "the proceeds from asset sales or investments will in the first instance be used to repay outstanding borrowings to reduce the overall debt, unless otherwise specifically authorised by Council. The exception to this is in relation to the sale of endowment properties where any surplus cash is held in the Municipal Endowment Fund to be used to reinvest in property."

- growth projects or growth debt, as determined by the Development Contributions Policy.
- e. The net cash operating costs is determined (net of cash revenue budgets).
 - f. This leaves the funded portion of operating costs. A small amount may be held in a cash funded reserve; otherwise the funds are available for capital costs. This amount largely represents rate funded depreciation but may include operating surpluses from some activities and accounting provisions not held in reserve funds. This funding is not held by activity and is available to fund any capital costs.
 - g. Council sets the limit on debt, which determines the debt funding available for capital costs.
17. Consequently, despite the potential availability of the funding sources in paragraph 13, this process results in the following funding available for capital costs:
- a. Cash from General Rates for use on all activities.
 - b. Cash from Targeted Rates for use on Access Hamilton project (Activity: Transportation), Hamilton Gardens' development (Activity: Hamilton Gardens) and Business Improvement District (BID) improvements (Activity: Economic Initiatives).
 - c. Cash from development and financial contributions.
 - d. Cash from grants and subsidies, targeted to capital projects.
 - e. Cash from borrowing.
18. Council uses the following guidelines when considering the funding of capital projects:
- a. All projects are first funded from grants, subsidy or other income, which are budgeted as operating costs.
 - b. Growth projects for network infrastructure that are required to meet increased demand are funded from development contributions, to the extent the Development Contributions Policy provides.
 - c. Reserve funds for other purposes are considered. Council has a small number of cash funded reserves available for capital costs projects.
 - d. Targeted rating options may be considered.
 - e. Projects that have exhausted previous funding sources are funded from the surplus cash available from general rates and debt.
19. A single project may have a mix of each of these funding options.
20. Whenever Council resolves to consider a separate funding policy, Council will consider the sources of funds above, the Revenue and Financing Policy and complete a section 101(3) assessment to determine the appropriate funding sources for the project. Generally, Council will resolve the funding sources at the time the project is proposed in an Annual Plan or Long-Term Plan. In undertaking this assessment it shall have regard to the matters in table three.

Table 3: Consideration of legal requirements for capital expenses

| Headings-s.101(a) reference | Matters Council might consider |
|---|--|
| Community outcomes s.101(3)(a)(i) | - A capital project is expected to contribute to the community outcomes in the same way as the activity in which it is funded, unless Council resolves otherwise. |
| Distribution of benefits s.101(3)(a)(ii) | - The distribution of benefits is expected to be the same as that for the operating costs of the activity in which it is funded, unless Council resolves otherwise. Council may choose to target those people or organisations who primarily benefit through financial and development contributions, lump sum options or Targeted Rates. |
| Period of benefit- s.101(3)(a)(iii) | For most capital projects the benefit is received over the life or the capacity life of the asset. Council will have regard to the equitable distribution of costs to each generation for the building and renewal of the asset. |
| Who creates the need- s.101(3)(a)(iv) | Some capital costs Council has to do because the actions or inactions of individuals or groups create the need to undertake the activity. Council may choose to target these people or organisations through financial and development contributions or Targeted Rates. |
| Separate funding- s.101(3)(a)(v) | Council must consider the practicalities of separate funding along with transparency and accountability. In some cases while it may be desirable to charge individuals, there may be no practical way of doing so. |

21. Note that for growth-related network infrastructure a separate s.101(3) analysis is required in the Financial and Development Contributions Policy, as required by s106.

Activity Funding Needs Analysis – operating costs

22. Schedule 1 lists each activity⁴ and documents Council’s assessment of the components of section 101(3)(a) as it applies to that activity. Table 2 lists the matters Council might consider under each part of the section.

Funding bands

23. After considering the section 101(3)(a) components, Council considers to what extent each of the funding sources is able to fund each activity. This policy is intended to be in place for the next three years before it is reviewed and because things change over time, it is not possible to precisely determine the percentage allocated. For this reason Council has decided to band the percentages into the categories listed in table four.
24. The assessment in Schedule 1 identifies the most likely sources of funding an activity is budgeted to receive. In all cases, rates fund the balance of the activity after all other sources have been maximised. It is likely that from time to time Council will be able to secure additional funding that may be become available.
25. Council budgets will normally be set within these ranges. As these ranges are expressed as a

⁴ For a description of each activity see the 10-Year Plan.
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percentage of the cost of the activity, they may change over time because of changes in expenditure rather than changes in revenue. If budgets were marginally outside these ranges, it is unlikely that Council will consider that matter to have a high degree of significance and therefore warrant a consultation to change the Revenue and Financing Policy. It is also likely that actual funding sources will be different from budgeted funding sources.

Table 4: Funding bands

| Name | Percentage range |
|----------|------------------|
| Unlikely | 0% |
| Minimal | 0% - 20% |
| Low | 20% - 40% |
| Moderate | 40% - 60% |
| High | 60% - 80% |
| Most | 80% - 100% |
| All | 100% |

Funding sources and rationale

26. This column of Schedule 1 identifies which of the funding sources Council plans to use in budgeting to fund the operating costs of each activity. It is determined by Council after consideration of each clause of section 101(3)(a).
27. The assessment of the funding sources is a complex matter of weighing up the requirements of section 101(3)(a) with the available sources and Council's preferences for using these sources. Council has documented its rationale for choosing each the funding source in this Funding Needs Analysis.
28. The funding source for an activity may be modified by Council when Council considers the requirements of section 101(3)(b). If this has occurred it is considered as part of the overall funding considerations section of this Policy.

Schedule One: Activity Funding Needs Analysis – operating costs

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|------------------------------------|--------------------------------------|---|--|--|---|---|---|
| Water Supply | | | | | | | |
| Water Treatment and Storage | Providing outstanding infrastructure | <p>The primary benefit for having a safe and adequate volume of water is to households and business.</p> <p>Council considers that each household receives approximately the same benefit from a safe and adequate storage of water.</p> <p>Business and rural water users have greater variation in requirements for water.</p> | The benefit of most operating costs is expected to arise in the year the funding is sourced. | Very limited impact of the actions or actions of others. | Council considers that there is little benefit of separate funding for water treatment and storage from water distribution. | <p>HIGH General Rates Targeted Rates</p> <p>MINIMAL User Charges</p> <p>UNLIKELY All other funding sources</p> | <p>General Rates are the appropriate funding source for households as they are easy to administer and users receive the same benefit from the quality and quantity of supply.</p> <p>Metered Water Rates (Targeted Rates) and a Targeted Rate are appropriate for funding business and rural consumers.</p> <p>Where bulk water is supplied it is able to be charged on a User Charges basis.</p> |
| Water Distribution | Providing outstanding infrastructure | <p>The primary benefit for having an outstanding water distribution network is to households and business.</p> <p>1700 properties outside the district are supplied with water.</p> <p>Council considers that each household receives approximately the same benefit from a safe and adequate storage of water.</p> <p>Business and rural water users have greater variation in requirements for water.</p> | The benefit of most operating costs is expected to arise in the year the funding is sourced. | Very limited impact of the actions or actions of others. | Council considers that there is little benefit of separate funding for water treatment and storage from water distribution. | <p>HIGH General Rates Targeted Rates</p> <p>MINIMAL User Charges</p> <p>UNLIKELY All other funding sources</p> | <p>General Rates are the appropriate funding source for households as they are easy to administer and users receive the same benefit from the supply of water.</p> <p>Metered Water Rates (Targeted Rates) are appropriate for funding business and rural consumers.</p> <p>Where bulk water or outside of the district water is supplied it is able to be charged on a User Charges basis.</p> |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|--------------------------------------|--------------------------------------|---|--|---|---|---|---|
| Sewerage | | | | | | | |
| Sewage Collection | Providing outstanding infrastructure | <p>The collection of sewage is primarily a benefit to households and business that are connected to the schemes by removing the waste from properties.</p> <p>Council considers that each household and business receives approximately the same benefit from the removal of sewage.</p> | The benefit of most operating costs is expected to arise in the year the funding is sourced. | Very limited impact of the actions or actions of others. | Council considers that there is little benefit of separate funding for sewage collection. | <p>HIGH General Rates.</p> <p>MINIMAL Targeted Rate. User Charges.</p> <p>UNLIKELY All other funding sources</p> | <p>In most cases it is not practicable to measure the quantity of each individual's contribution to the sewerage system.</p> <p>General Rates are the appropriate funding source for households and business as they receive the same benefit from sewage collection.</p> |
| Sewage Treatment and Disposal | Providing outstanding infrastructure | <p>The treatment and disposal of sewage are primarily a benefit to the community as a whole by removing the health risks.</p> <p>The protection of the environment is a benefit to the serviced communities.</p> <p>Council considers that each household and business receives approximately the same benefit from the treatment and disposal of sewage.</p> | The benefit of most operating costs is expected to arise in the year the funding is sourced. | Some businesses have an adverse impact greater than most users due to the volume or nature of the waste produced. | Council considers that there is little benefit of separate funding for sewage treatment and disposal. | <p>MOST General Rates.</p> <p>MINIMAL Targeted Rate User Charges.</p> <p>UNLIKELY All other funding sources</p> | <p>In most cases it is not practicable to measure the quantity of each individual's contribution to the sewerage system.</p> <p>There are some businesses that produce abnormal sewage where direct charging is able to be made. This is required by the Trade Waste Bylaw in addition to the Targeted Rate. Their share of costs is recovered by way of trade waste user charges.</p> <p>The community benefits from the safety and environmental effects of sewage treatment and disposal.</p> <p>General Rates are the appropriate funding source for households and business as they receive the same benefit from wastewater collection.</p> |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|---------------------------|--------------------------------------|--|--|---|--|---|---|
| Stormwater | | | | | | | |
| Stormwater Network | Providing outstanding infrastructure | <p>The collection of stormwater are primarily a benefit to households and business by minimising and removing stormwater from properties.</p> <p>This benefit extends to the wider community as it includes the removal of stormwater from public spaces.</p> <p>Council considers that each household and business receives approximately the same benefit from the stormwater network.</p> | The benefit of most operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact | Council considers that there is little benefit of separate funding for stormwater collection. | <p>ALL General rates.</p> <p>MINIMAL Subsidy & other</p> <p>UNLIKELY All other funding sources.</p> | <p>There is no practical way to charge individuals or groups for any direct benefit.</p> <p>General Rates are the appropriate funding source for households and business as they are easy to administer and users receive the same benefit from the stormwater network.</p> <p>Those who (either directly or indirectly) benefit should pay. Stormwater networks are funded from local amenity rates in the serviced townships.</p> |
| Transport | | | | | | | |
| Transport Network | Providing outstanding infrastructure | <p>The transport network serves the whole district and everyone benefits directly in their personal use and indirectly through the supply of goods and services to businesses.</p> <p>Council considers that each household and business receives approximately the same benefit from the transport network.</p> | The benefit of most operating costs is expected to arise in the year the funding is sourced. | <p>There is an impact of the actions or inactions of others.</p> <p>Costs are driven by traffic volumes and size. Large vehicles, wear roads out more quickly than motorcars.</p> | <p>Council considers that there is little benefit of separate funding for the transport network generally.</p> <p>The Access Hamilton strategy has important strategic relationships and requires certainty of funding. For this reason separate funding is required for this component of the activity.</p> | <p>HIGH General Rates</p> <p>LOW Subsidy & other</p> <p>MINIMAL Targeted Rate User Charges</p> <p>UNLIKELY All other funding sources.</p> | <p>While there is an individual benefit to using the roading network there is no practical means available to charge for this. Subsidies sourced from the New Zealand Transport Agency (NZTA) are funded from licensing revenue that represents some element of user pays, particular in the case of Road User Charges, which is based on road kilometres travelled. Council also receives a minimal amount of regional petrol tax.</p> <p>Council maximises the amount of subsidy for the level of spending it approves.</p> <p>The subsidy revenue from the NZTA is available to fund both operating and capital costs.</p> <p>A targeted roading rate based on</p> |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|------------------------------|--|---|--|--|--|--|--|
| | | | | | | | Capital Value funds Council's share of the operating costs for Access Hamilton Strategy expenditure. Capital Value is selected as it is considered it has the best available relationship to benefit received. A targeted rate applied to businesses within the CBD funds a share of the operating costs of the Access Hamilton Strategy. |
| Parking Management | Providing outstanding Infrastructure An Active, Strong Commercial City with Distinctive Suburban Villages | Parking provides a direct benefit to users. Having parking available in business areas provides an indirect benefit to businesses. Council considers that users receive the primary benefit of parking management. | The benefit of most operating costs is expected to arise in the year the funding is sourced. | There is an impact of the actions or inactions of others. Demand is driven by volumes and time parked. | Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity. | ALL User Charges UNLIKELY All other funding sources | There are well established user charges methodologies for city parking that assist in demand management. Fines revenue is included in user charges and results in this activity operating at a surplus. |
| Rubbish and Recycling | | | | | | | |
| Refuse Collection | Providing outstanding Infrastructure | Removal of refuse provides a benefit to households. | The benefit of most operating costs is expected to arise in the year the funding is sourced. | Some households create more waste than others. This is managed by rules on volumes of waste. Business refuse varies across business and is managed by Council not providing a refuse service. | Council considers that there is little benefit of separate funding for stormwater collection. | MOST General Rates MINIMAL Targeted Rates Grants & subsidies UNLIKELY All other funding sources | General Rates are the appropriate funding source for households as they are easy to administer and users receive the same benefit from refuse collection. |
| Waste Minimisation | Providing outstanding Infrastructure | The whole community benefits from action in this area to minimise the negative impacts of waste. | The benefit of most operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact. | Council considers that there is little benefit of separate funding for stormwater collection. | ALL General Rates. UNLIKELY All other funding sources | General Rates are the appropriate funding source for households as they are easy to administer and users receive the same benefit from refuse collection. |

| | | | | | | | |
|---------------------------------|--------------------------------------|--|---|--|--|--|--|
| Landfill Site Management | Providing outstanding Infrastructure | The whole community benefits from the responsible management and monitoring of | The benefit of most operating costs is expected to arise in the year the funding is | The actions of individuals or groups have a minor impact | Council considers that there is little benefit of separate funding for | ALL General Rates UNLIKELY | General Rates are the appropriate funding source for households as they are easy to administer and users receive the |
|---------------------------------|--------------------------------------|--|---|--|--|--|--|

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|--------------------------|---|---|---|---|---|---|---|
| | | historic landfill sites. | sourced by ensuring the closed land fill is safe. | | stormwater collection. | All other funding sources. | from landfill site management. |
| Recreation | | | | | | | |
| Pools | <p>Providing outstanding infrastructure</p> <p>An active, strong commercial city with distinctive suburban villages</p> <p>Waikato is the capital of high performance sport</p> | <p>The primary benefit from the leisure facilities is the use of the pools for recreation, social, sporting, educational, and water safety purposes.</p> <p>The regional visitor uses the facilities providing indirect benefits to business.</p> <p>Council considers that households receive a similar benefit from leisure facilities.</p> | The benefit of operating costs is expected to arise in the year the funding is sourced. | <p>The actions of most individuals or groups have some impact on this activity.</p> <p>There is a correlation between the numbers of people using the pool and operating costs.</p> | Identifying separate users pays funding assists in the accountability and transparency of Council's expenditure on this activity. | <p>MODERATE General Rates User Charges</p> <p>MINIMAL Grants Sponsorship</p> <p>UNLUKEY All other funding sources</p> | <p>The Active Hamilton Strategy encourages participation. The cost effective pricing access to leisure amenities contributes to this.</p> <p>User Charges are made for casual recreation use, fees for recreation programmes, swim school, and retail sales.</p> <p>User Charges do not fully recover the cost of the private benefit and rates funding is required ensure cost-effective access to this service can be provided.</p> <p>General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from leisure facilities.</p> |
| Indoor Recreation | <p>Providing outstanding infrastructure</p> <p>An active, strong commercial city with distinctive suburban villages</p> <p>Waikato is the capital of high performance sport</p> | <p>The primary benefit from the indoor recreation is the use of the Te Rapa Sportsdrome for recreation, social, sporting, and educational purposes.</p> <p>The regional visitor uses the facilities providing indirect benefits to business.</p> <p>Council considers that households receive a similar benefit from indoor recreation</p> | The benefit of operating costs is expected to arise in the year the funding is sourced. | <p>The actions of most individuals or groups have some impact on this activity.</p> <p>There is a correlation between the numbers of people using the pool and operating costs.</p> | Identifying separate users pays funding assists in the accountability and transparency of Council's expenditure on this activity. | <p>HIGH General Rates</p> <p>LOW User Charges</p> <p>MINIMAL Grants Sponsorship</p> <p>UNLIKELY All other funding sources</p> | <p>The Active Hamilton Strategy encourages participation. The cost effective pricing access to leisure amenities contributes to this.</p> <p>User Charges are made for casual recreation use and fees for recreation programmes.</p> <p>User Charges do not fully recover the cost of the private benefit and rates funding is required ensure cost-effective access to this service</p> |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|-------------------------|---|---|--|--|--|--|--|
| | | facilities. | | | | | can be provided. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from indoor recreation facilities. |
| Zoo | Providing outstanding Infrastructure | The primary benefit of the Zoo is to users. An indirect benefit to business occurs as the zoo attracts regional tourism. Zoological activities assist the international protection species. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have some impact on this activity. There is a correlation between the numbers of people using the pool and operating costs. | Identifying separate user pays funding assists in the accountability and transparency of Council's expenditure on this activity. | HIGH General Rates LOW User Charges UNLIKELY All other funding sources. | User Charges are made for admission, events and retail sales. User Charges do not fully recover the cost of the private benefit and rates funding is required ensure cost-effective access to this service can be provided. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from the zoo. |
| Arts and Culture | | | | | | | |
| Libraries | Our books are balanced Providing outstanding infrastructure Celebrated for our arts and culture | The primary benefit from libraries is to those that borrow and use library material and resources. Waikato ratepayers get the benefit of free access, which is funded from the Waikato District Council. The library attracts visitors which benefit local businesses. The community is enriched by the preservation of collections of regional significance and the contribution of the library to a well-informed and literate | The benefit of most operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Identifying separate user pays funding assists in the accountability and transparency of Council's expenditure on this activity. | MOST General Rates MINIMAL User Charges Grants & subsidies UNLIKELY All other funding sources | The private good component of library activities is recovered through User Charges, and fines. High levels of user charging results in a considerable drop off of usage and has proven to not be cost-effective access. User recovery is also constrained by s.142 of the Local Government Act 2002. Waikato residence use is paid for by as provided in a funding agreement with Waikato District Council. General Rates are the appropriate funding source for households and |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|-----------------------|---|--|--|---|--|---|---|
| | | community. | | | | | business as they are easy to administer and it recognises the benefit from the libraries. |
| Museum | Providing outstanding infrastructure Celebrated for our arts and culture | The museum provides for exhibitions and use of the archives by visitors to the museum. Businesses benefit from this visitor attraction. The community as a whole has a collective sense of history due to preservation of collections of regional significance and the contribution of the museum to the regional visitor and tourism economy. | The benefit of most operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Identifying separate user pays funding assists in the accountability and transparency of Council's expenditure on this activity. | MOST General Rates MINIMAL User Charges Grants & subsidies Sponsorship UNLIKELY All other funding sources | User Charges set at an appropriate level to promote and provide access to a range of experiences which celebrate the arts and history of the region. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from the libraries. |
| Theatres | Providing outstanding infrastructure Celebrated for our arts and culture | Theatres provide events and performing arts venues that assist in celebrating our arts and culture. Primary benefits are to the users. Businesses benefit indirectly from these events. The community is enriched by events and performances of regional significance. | The benefit of most operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Identifying separate user pays funding assists in the accountability and transparency of Council's expenditure on this activity. | HIGH General Rates LOW User Charges MINIMAL Grants & subsidies Sponsorship UNLIKELY All other funding sources | User Charges set at an appropriate level to promote and provide access to a diverse range of events and cultural experiences for residents. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from the theatres. |
| Arts Promotion | An active, strong commercial city with distinctive suburban villages Celebrated for our arts and culture | The community is enriched by events and performances. | The benefit of most operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Identifying separate user pays funding assists in the accountability and transparency of Council's expenditure on this activity. | ALL General Rates UNLIKELY All other funding sources | General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from arts promotion. |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|--|---|--|--|---|--|--|---|
| Safety | | | | | | | |
| Animal Education and Control | An active, strong commercial city with distinctive suburban villages | Dog registration is a service that benefits dog owners by allowing legal ownership of dogs and enabling impounded dogs to be traced to their owners. Dog ranging, pound keeping and response to animal complaints are activities that protect the public from the negative effects of the actions or inactions of dog owners. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions or inactions of animal owners create costs for this activity and negatively impact on the community. The negative impacts affect the whole community. | Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity. | HIGH User charges LOW General rates UNLIKELY All other funding sources | User Charges recognise that the benefits of registration activities are to dog owners and the costs of responding to complaints about dogs and wandering stock are driven by the actions or inactions of animal owners. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from animal control. |
| Environmental Health and Public Safety (including tagbusters) | An active, strong commercial city with distinctive suburban villages | The benefits of inspection and licensing of premises (including food premises, camping grounds, hairdressers, liquor, offensive trades and funeral directors) accrue mostly to the business owner. The protection of public health by ensuring these premises meet requirements is a benefit to the community. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The allocation of charges is modified on grounds of fairness and equity to recognise that the costs of controlling the negative effects of the actions or inactions of animal owners should be borne by those owners. | Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity. | MODERATE General Rates LOW User Charges MINIMAL Grants & subsidies UNLIKELY All other funding sources | User Charges recognise the benefits to people who apply for licences. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from a safer community. |
| Community Support | | | | | | | |
| Community Development | The third city economy in New Zealand An active, strong commercial city with distinctive suburban villages | The community development activity supports resilient and readiness of communities. All members of the community benefit from these activities. | The benefit of most operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Council considers that there is little benefit of separate funding for community development. | MOST General Rates MINIMAL User Charges Grants & subsidies. UNLIKELY | This activity includes grants administration on behalf of others. This shows as an income and expense. General Rates are the appropriate funding source for households and |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|---------------------------------|---|---|---|---|--|--|---|
| | | | | | | All other funding sources | business as they are easy to administer and it recognises the benefit from community development. |
| Emergency Management | An active, strong commercial city with distinctive suburban villages | Civil defence activities are provided for the benefit of the whole community. | The benefit of operating costs is in having plans in the event of an emergency at some time in the future. The annual operating costs ensure there are up to date plans and staff and volunteers are trained. This expenditure is incurred in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Council considers that there is little benefit of separate funding for emergency management. | ALL General Rates UNLIKELY All other funding sources | In the event of activation Council may be entitled to subsidies for some Civil Defence costs such as welfare. Council does not budget for this income or the expense. The planning for an emergency benefits the whole community and is fully rate-funded. |
| Housing | Access to affordable housing | Tenants primarily benefit from community housing. Council's objective for the community housing activity is that it should be self-funding and not be subsidised by rates. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity. | ALL User Charges UNLIKELY All other funding sources | Rents are at, or near, market value and set in accord with the Housing for the Older Person Policy. |
| Parks & Green Spaces | | | | | | | |
| Hamilton Gardens | Strongly connected to the River Best concept garden in the world An urban garden Celebrated for our arts and | The gardens are for the recreational enjoyment of the amenity by visitors. They are the region's largest visitor attraction. The households benefit for the recreation and amenity of the gardens. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Council considers that there is little benefit of separate funding for emergency management. | MOST General Rates MINIMAL User Charges UNLIKELY All other funding | A small amount of user charges is achievable for private use of the facility such as weddings, festivals and retail sales. It is not practical to charge casual users. It is budgeted that all costs |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|-------------------------------------|---|---|---|---|--|---|--|
| | culture | Business benefits from the visitor activity created by the attraction. | | | | sources | associated with the Gardens development meet from the Gardens targeted rate will be for capital costs. |
| Community Parks | Providing outstanding infrastructure Strongly connected to the River An urban garden | Community parks create amenity with green spaces and playgrounds throughout the city. The whole community benefits from this activity. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Council considers that there is little benefit of separate funding for community parks. | MOST General Rates MINIMAL User Charges UNLIKELY All other funding sources | There is no practical way to collect revenues from private benefit of using these parks. There are some tenancies on community parks. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from community parks. |
| Gullies and native plantings | Providing outstanding Infrastructure Strongly connected to the River An Urban Garden | Gullies and native plantings create amenity with green spaces. The whole community benefits from this activity. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Council considers that there is little benefit of separate funding for gullies and native plantings. | MOST General Rates MINIMAL Grants & subsidies UNLIKELY All other funding sources | Some external funding is available for improving these areas. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from for gullies and native plantings. |
| Streetscapes | Providing outstanding Infrastructure An Urban Garden An Active, Strong Commercial City with Distinctive Suburban Villages | Streetscapes create amenity with green spaces. The whole community benefits from this activity. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Council considers that there is little benefit of separate funding for streetscapes. | MOST General Rates MINIMAL Subsidies UNLIKELY All other funding sources | General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from streetscapes. |
| Sports Parks | Providing outstanding Infrastructure Waikato is the capital of | Sports parks provide active recreation for training and competition for all levels of sport. | The benefit of operating costs is expected to arise in the year the funding is | The actions of most individuals or groups have a minor impact on this activity. | Identifying separate funding assists in the accountability and transparency of | MOST General Rates MINIMAL | User Charges set at an appropriate level to promote and provide the sustainable use of these facilities. General Rates are the appropriate |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|-------------------------------------|---|---|--|---|--|--|--|
| | high performance sport Celebrated for our arts and culture | Users benefit directly from having the facilities available. The whole community benefits from the amenity values, the health and wellbeing benefits. The community is enriched by the sports performance and events. Business benefits indirectly from the events. | sourced. | | Council's expenditure on this activity. | User Charges UNLIKELY All other funding sources | funding source for households and business as they are easy to administer and it recognises the benefit from sports parks. |
| Cemeteries & Crematorium | Providing outstanding infrastructure Celebrated for our arts and culture | The provision of burial facilities and services is for individuals. The city in turn has available green space, protecting public health by ensuring the safe disposal of human remains, and in maintaining cemeteries and cemetery records for future generations to locate their ancestors' burial plots/sites. The crematorium is a regional facility and benefits those who choose cremation. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of some individuals or groups have some impact on this activity. | Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity. | MOST User charges MINIMAL Reserve funds UNLIKELY All other funding sources. | Individuals pay User Charges for the initial acquisition and use of a burial site (burial fees and plot charges) or the crematorium. The Cemetery Plot Maintenance in Perpetuity Reserve Fund contributes to maintenance costs. |
| Economic Development | | | | | | | |
| Economic Initiatives | The third city economy in New Zealand An active, strong commercial city with distinctive suburban villages | Benefits accrue to the city as a whole from efforts to grow the economy. The benefits accrue to all sectors of the economy. The targeted funding for the Business Improvement District (BID) area benefits those businesses inside the area. | Economic initiatives benefits could accrue over a number of years as a result of some costs. However, the benefit of most operating expenditure is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Council considers that there is little benefit of separate funding for streetscapes. | MOST General Rates MINIMAL Targeted Rate User Charges UNLIKELY All other funding sources | User Charges revenue is earned from some events promoted in this activity. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from cemeteries and the crematorium. A targeted Rate to fund the BID for those who get the benefit of the Business Improvement District |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|--------------------------------------|---|--|---|--|--|---|--|
| Strategic Property Investment | The third city economy in New Zealand | The primary benefit from strategic property is the use of the property by commercial tenants. | Commercial property benefits could accrue over a number of years as a result of some expenditure. However, the benefit of most operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact. | Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity. | ALL Investment Income UNLIKELY All other funding sources | The benefits accrue primarily to users who pay for the service provided by way of rents, lease, licenses etc. Assets sale income, unless otherwise resolved is used to reduce debt. |
| Claudelds | Providing outstanding infrastructure Waikato is the capital of high performance sport Celebrated for our arts and culture | Claudelds provides venues for events that are attended by large numbers of people including high performance sport, conferences, functions, concerts and shows. The community is enriched by the range of events and activities at the venue. Events provide direct and indirect benefits to businesses. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have some impact on this activity. Each sport has their own specifications and requirements for stadia. | Identifying separate user pays funding assists in the accountability and transparency of Council's expenditure on this activity. | HIGH General Rates LOW User Charges MINIMAL Sponsorship UNLIKELY All other funding sources | User Charges are made for hireage, events and retail sales. User Charges do not fully recover the cost of the private benefit and rates funding is required ensure cost-effective access to this service can be provided. General rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from Claudelds. |
| Stadiums | Providing outstanding infrastructure Waikato is the capital of high performance sport Celebrated for our arts and culture | Stadiums provide venues for high performance sport and are attended by large numbers of people. The benefit to households of being able to attend live high performance sport is reflected in the importance of sport to our cultural and social wellbeing. Sporting events provide direct and indirect benefits to businesses. The community is enriched by | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have some impact on this activity. Each sport has their own specifications and requirements for stadia. | Identifying separate user pays funding assists in the accountability and transparency of Council's expenditure on this activity. | HIGH General Rates LOW User Charges MINIMAL Grants Sponsorship UNLIKELY All other funding sources | User Charges are made for admission, events and retail sales. User Charges do not fully recover the cost of the private benefit and rates funding is required ensure cost-effective access to this service can be provided. General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from the stadia. |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|---|---|---|---|---|--|--|--|
| | | events and performances of regional significance. | | | | | |
| Planning & Development | | | | | | | |
| City Planning | <p>Providing outstanding infrastructure</p> <p>Strongly connected to the River</p> <p>An active, strong commercial city with distinctive suburban villages</p> <p>An urban garden</p> <p>Access to affordable housing</p> | <p>City Planning provides professional resource management advice and leadership to Council, the community and the development industry; to facilitate the planned and sustainable growth of Hamilton City.</p> <p>The whole community benefits from this activity.</p> | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of most individuals or groups have a minor impact on this activity. | Council considers that there is little benefit of separate funding for City Planning. | <p>ALL General Rates</p> <p>UNLIKELY All other funding sources</p> | General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from City Planning. |
| Planning Guidance & Compliance | <p>The third city economy in New Zealand</p> <p>Providing outstanding infrastructure</p> <p>An active, strong commercial city with distinctive suburban villages</p> <p>An urban garden</p> <p>Access to affordable housing</p> | <p>Individuals that apply for consents and use the other services in this area are the predominant beneficiaries of this activity. Through their actions they directly drive the majority of the costs.</p> <p>These activities also provide benefit to persons other than the applicant such future owners and occupiers of the land (a property-based benefit).</p> <p>The whole community benefits as this activity aims to protect Hamilton's unique environment and residents' quality of life as the city grows and develops.</p> | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of individuals and groups drive the costs in this activity. | Identifying separate funding assists in the accountability and transparency of Council's expenditure on this activity. | <p>HIGH User Charges</p> <p>LOW General Rates</p> <p>UNLIKELY All other funding</p> | <p>A User Charge recognises the benefits to people who apply for resource consents.</p> <p>General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from city planning.</p> |
| Building Control | The third city economy in | Individuals that apply for consents and use the other | The benefit of operating costs is | The actions of most individuals or groups | Identifying separate funding assists in the | MOST | User Charges are favoured for those that apply for building |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|---------------------------------------|--|---|--|--|--|---|--|
| | <p>New Zealand</p> <p>Providing outstanding infrastructure</p> <p>An active, strong commercial city with distinctive suburban villages</p> <p>Access to affordable housing</p> | <p>services in this area directly drive the majority of the costs.</p> <p>These building control activities also provide the public entering the building and future owners and occupiers of the building</p> <p>Information is supplied to the public through inquiries.</p> <p>The whole community benefits as this activity aims to protect Hamilton's unique environment and residents' quality of life as the city grows and develops.</p> | <p>expected to arise in the year the funding is sourced.</p> | <p>have a minor impact on this activity.</p> | <p>accountability and transparency of Council's expenditure on this activity.</p> | <p>User Charges</p> <p>LOW</p> <p>Other</p> <p>UNLIKELY</p> <p>All other funding</p> | <p>consents, code compliance certificates, PIMs or LIMs.</p> <p>Some other income is collected in commissions.</p> |
| Democracy | | | | | | | |
| Governance & Civic Affairs | <p>Our books are balanced</p> <p>The third city economy in New Zealand</p> <p>Providing outstanding Infrastructure</p> <p>Strongly connected to the River</p> <p>Best concept garden in the world</p> <p>An active, strong commercial city with distinctive suburban villages</p> <p>An urban garden</p> <p>Access to affordable housing</p> <p>Waikato is the capital of high performance sport</p> | <p>The whole community benefits from this activity.</p> | <p>The benefit of operating costs is expected to arise in the year the funding is sourced.</p> | <p>The actions of individuals and groups drive the costs in this activity.</p> | <p>Council considers that there is little benefit of separate funding for City Planning.</p> | <p>ALL</p> <p>General Rates</p> <p>MINIMAL</p> <p>User Charges</p> <p>UNLIKELY</p> <p>All other funding sources</p> | <p>General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from city planning.</p> <p>A small amount of income is received every three years for providing election services to other organisations.</p> |

| Activity | Community outcomes | Distribution of benefits | Period of benefit | Whose act creates a need | Separate funding | Funding source and bands | Rationale |
|--------------------------------|-------------------------------------|--|---|---|---|---|---|
| | Celebrated for our arts and culture | | | | | | |
| Partnership with Maaori | Celebrated for our Arts and Culture | The whole community benefits from this activity. | The benefit of operating costs is expected to arise in the year the funding is sourced. | The actions of individuals and groups drive the costs in this activity. | Council considers that there is little benefit of separate funding for City Planning. | ALL General Rates UNLIKELY All other funding sources | General Rates are the appropriate funding source for households and business as they are easy to administer and it recognises the benefit from city planning. |

| | |
|-------------------------|---|
| First adopted: | 25 March 2015 |
| Revision dates/version: | Updated for Governance Structure February 2017 Version 1 |
| Next review date: | March 2016 |
| Engagement required: | The Council will develop a proposal, make this available to the public, allow written submissions for a period of up to 4 weeks |
| Document number: | D-1684859 |
| Associated documents: | Revenue and Financing Policy |
| Sponsor/Group: | CFO |

Rating Policy

Purpose and scope

1. The setting of rates is a complex process. Council must comply with the requirements of the Local Government Act 2002 (LGA) and the Local Government (Rating) Act 2002 (LGRA).
2. In doing so, Council must complete the following in order to set a lawful rate.
 - a. A s.101(3) analysis (see Funding Needs Analysis).
 - b. Adopted a Revenue and Financing Policy (see the Long-term Plan)
 - c. Adopted a Funding Impact Statement (see either an Annual or Long-term Plan).
 - d. If thought appropriate a Rates Remissions and Postponements Policy.
 - e. Adopt an Annual or Long-term Plan.
 - f. Adopt a rates resolution, consistent with everything above.
3. In order to assist with this process Council has developed a number of policies that contribute to the rates system being clear and understandable. These are included in this Rating Policy.

Policy

Description of differentials

4. The following rates are rated differentially based on the use to which the land is put, the location of the land and the area of the land.
 - a. General Rate.
 - b. Transitional Rate.
5. The LGRA Schedule 2 allows councils to rate based on each of these factors. The Council is able to define that factor and rate based on that factor. A property may be described under different rates as having different factors.
6. All references in this Policy and the Funding Impact Statement to residential, commercial, Business Improvement District (BID) commercial and rural uses in Targeted Rates (except the Transitional Rate) use the terms as defined for the General Rate.

General Rate differentials

7. The General Rate is differentiated into four rating categories:
 - Residential.
 - Commercial.
 - BID Commercial.
 - Rural.

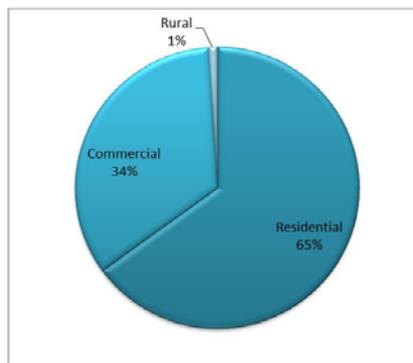
8. These land uses are defined as follows:

Table 1: General Rate rating categories

| General Rate Category | Description |
|-----------------------|--|
| Residential | All rating units: <ol style="list-style-type: none"> i. Used solely or principally for residential purposes and don't meet the definition of commercial or rural; or ii. Land under development for a residential subdivision and no longer used principally for rural purposes or bare land marketed for residential section sales not under development. iii. Vacant land in District Plan residential zones for residential use, any vacant land in other District Plan zones that are predominantly used for residential purposes and any land used for other purpose not specified in the category definitions. iv. Any other rating units which do not meet the rating category description for Commercial, BID Commercial and Rural. |
| Commercial | All rating units: <ol style="list-style-type: none"> i. Used solely or principally for commercial or industrial purposes; or ii. Used solely or principally for commercial residential purposes, including, but not limited to, hotels, boarding houses, rest homes, show homes, motels, residential clubs, hostels. Commercial residential purposes are where a property is being provided for residential accommodation at a fee with the average occupancy period of the property not exceeding three months; or iii. The area of a chartered club used for the restaurant, bar and gaming machines; or i. The commercial portion of the property, which is used for both commercial/residential use, i.e. small business, operated from residential property; or ii. Vacant land located in District Plan; business, central city, knowledge and industrial zones and any vacant land in other District Plan zones that are predominantly used for commercial purposes. |
| BID Commercial | All rating units that meet the definition of commercial above and are within the Business Improvement District as shown on the map in Appendix Two. |
| Rural | All rating units more than 2000 square metres, which are used solely or principally for rural purposes. Rural purposes include agricultural, horticultural or pastoral purposes and the keeping of bees or poultry or other livestock. |

9. The allocation of cost to each of these differential categories is as follows for 2015/16:

Figure 1: General Rate allocation model



10. For the purpose of the allocation the BID Commercial rating category is included within the Commercial rating category.
11. This allocation is based on the allocation of costs to the General Rate in 2014/15. Council has selected this as the appropriate model for the allocation of rates by considering the overall impact on rates as a result of the change from the Land Value General Rate to this Capital Value General Rate.
12. Every three years at the time of a revaluation, the differential factor would normally be adjusted to maintain the differential yield of the previous rating year. The next revaluation is 1 September 2015 for the 2016/17 rates. Due to the implementation of a new rates system this does not allow for the normal adjustments to be made. For this reason the ratios applied to 2015/16 will remain for 2016/17.
13. For the years 2017/18 and 2018/19 the differential factors will change based on changes in the use of properties and budgets (e.g. as more rural land is subdivided the share of the rates the rural sector pays will reduce).
14. The General Rate allocation between rating categories for 2014/15 was based on a detailed allocation of costs. This included the reduction or removal of some activities from some differential categories where Council had decided the services were not provided (e.g. rural ratepayers allocation is adjusted to recognise they are not receiving full mains water supply and commercial ratepayers do not receive refuse collection services).

Transitional Rate differentials

15. The Transitional Rate is differentiated into seven rating categories:
 - Residential.
 - Multi-Unit Residential.
 - Commercial.
 - BID Commercial.
 - Rural Residential.
 - Rural Small.
 - Rural Large.
16. The Transitional Rate is being implemented to transition the impact of the change from the Land Value General Rate to a Capital Value General Rate over 10 years. Accordingly, the Transitional Rate is being assessed substantially on the basis of the Land Value General Rate for 2014/15, including its differentials. However, in 2014/15 there was a rating differential category for Inner City Residential. This category existed to reduce the rate for residential properties that did not receive a refuse collection. These properties will now receive a rates remission for this service they do not receive, eliminating the need for a differential category.

17. These land uses are defined as follows:

Table 2: Transitional Rate rating categories

| Transitional Rate category | Description |
|-------------------------------|---|
| Residential | All rating units: <ul style="list-style-type: none"> i. Used solely or principally for residential purposes and don't meet the definition of commercial or rural; or ii. Land under development for a residential subdivision and no longer used principally for rural purposes or bare land marketed for residential section sales not under development. iii. Vacant land in District Plan residential zones for residential use, any vacant land in other District Plan zones that are predominantly used for residential purposes and any land used for other purpose not specified in the category. iv. Any other rating units which do not meet the rating category description for Multi-unit Residential, Commercial, BID Commercial, Rural Residential, Rural Small Holdings and Rural Large Holdings. |
| Multi-unit Residential | All rating units used solely or principally for three or more residential dwellings/households on a single title including residential centres, but excluding properties categorised as Commercial. |
| Commercial | All rating units: <ul style="list-style-type: none"> iv. Used solely or principally for commercial or industrial purposes; or v. Used solely or principally for commercial residential purposes, including, but not limited to, hotels, boarding houses, rest homes, show homes, motels, residential clubs, hostels. Commercial residential purposes are where a property is being provided for residential accommodation at a fee with the average occupancy period of the property not exceeding three months. Hostel is the residence or lodging place for persons.; or vi. The area of a chartered club used for the restaurant, bar and gaming machines; or iii. The commercial portion of the property, which is used for both commercial/residential use, i.e. small business, operated from residential property; or iv. Vacant land in District Plan business, central city, knowledge and industrial zones and any vacant land in other District Plan zones that are predominantly used for commercial purposes. |
| BID Commercial | All rating units that meet the definition of Commercial above and are within the Business Improvement District as shown on the map in Appendix Two. |
| Rural Residential | All rating units more than 2000 square metres, used solely or principally for residential purposes as the home or residence of not more than two households which receive full water and wastewater services from the Council. |
| Rural Small Holding | All rating units more than 2000 square metres and less than 10 hectares, which are used solely or principally for rural purposes. Rural purposes include agricultural, horticultural or pastoral purposes and the keeping of bees or poultry or other livestock. |
| Rural Large Holding | All rating units 10hectares and more, which are used solely or principally for rural purposes. Rural purposes include agricultural, horticultural or pastoral purposes and the keeping of bees or poultry or other livestock. |

18. The allocation of cost to each of these differential categories is as follows:

Table 3: Transitional Rate allocation model

| Transitional Rate category | Allocation of cost |
|-------------------------------|--------------------|
| Residential | 63.2% |
| Multi-unit residential | 1.7% |
| Commercial | 33.9% |
| Rural Residential | 0.1% |
| Rural Small Holding | 0.8% |
| Rural Large Holding | 0.3% |

19. For the purpose of the allocation the BID Commercial rating category is included within the Commercial rating category. This has the effect of any loss in revenue from a reduced BID area General Rate factor remaining allocated within the commercial sector.
20. This allocation is based on the allocation of costs to the General Rate in 2014/15 and applies to the Transitional Rate. The model for the General Rate allocation between rating categories for 2014/15 was based on the detailed allocation of costs. This included the reduction or removal of some activities from some differential factors where Council had decided the services were not provided (e.g. rural ratepayers allocation is adjusted to recognise they are not receiving water supply and commercial ratepayers are not receive refuse collection services).
21. Every three years at the time of a revaluation, the differential factor would normally be adjusted to maintain the differential yield of the previous rating year. The next revaluation is 1 September 2015 for the 2016/17 rates. Due to the implementation of a new rates system this does not allow for the normal adjustments to be made. For this reason the ratios applied to 2015/16 will remain for 2016/17.
22. For the years 2017/18 and 2018/19 the differential factors will change based on changes in the use of properties and budgets (e.g. as more rural land is subdivided the share of the rates the rural sector pays will reduce).

Targeted Rates - Services Category

23. Services Category of ratepayers are a group of ratepayers that are defined by the use the rating unit is put for the purpose of charging water, sewerage and refuse collection Targeted Rates.
24. Services Category rating units are defines as rating units that are provided with one or more of water, sewerage or refuse collection services and are used:
- as a reserve under the Reserves Act 1977
 - for conservation, wildlife management or preservation purposes and not for private pecuniary profit and accessible to the public
 - by Council for:
 - Public garden, reserve, or children playground
 - Games and sports
 - Public hall, athenaeum, museum, gallery or similar institution
 - Public baths, swimming baths and sanitary convenience.

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- cemeteries or crematorium
- d. by the Queen Elizabeth the Second National Trust
- e. by the Royal Foundation of the Blind, except as an endowment
- f. by or for an education establishment, special school or other institution under s159(1) of the Education Act 1989
- g. by a district health board for health and health related services
- h. solely and principally as a place of religious worship, Sunday or Sabbath school or other form of religious worship and not for private pecuniary profit
- i. as Maori meeting house that is Maori freehold land not exceeding 2ha
- j. as railway or for the loading and unloading of goods or passengers from trains
- k. for the free maintenance or relief of persons in need, not exceeding 1.5 hectares.

Rates based on location

25. Council has established ~~one-rate~~two rates based on the location of a rating unit. Rating boundaries have been drawn with the intention of encompassing entire rating units. Should a boundary split a rating unit, Council will rate the property based on the predominate use of the property.
26. The Business Improvement District map is shown in Schedule and is used for the General, Transitional, ~~and~~-BID rates, and the Central Business Targeted Rate.

Separately used and inhabited parts

27. Council has elected to rate all fixed rates on the basis of separately used or inhabited parts of a rating unit.
28. Council must define the term in its Funding Impact Statement in each Annual Plan or Long-term Plan.

Divisions

29. A division is the separation of parts of a property record in the District Valuation Roll (DVR) into two or more parts in the Rating Information Database (RID). A division is done only for the purpose of charging the correct rates liability according to the properties use.
30. Council has elected to undertake the division of properties, where there are two or more uses (being the rating categories, or as non-rateable or 50 percent non-rateable properties).
31. Where a division is required, Council measures the area of the property applied to each use and requests its valuer to apportion the values of the DVR to these portions.
32. Where a division is not required, rates based on use or location shall be calculated on a properties predominant use.

Rates payable by instalments

33. Council provides for rates to be paid in four equal instalments. A ratepayer may elect to pay weekly, fortnightly, monthly by automatic payment through the banking system. Rates can also be paid by direct debit (weekly fortnightly, monthly or quarterly), internet and other banking methods.
34. Any payments received for rates are applied to the oldest debt first.

Minimum economic rate

35. Council will not collect the rates payable on a rating unit if the sum of those rates is so small as to be uneconomic to collect. Council has determined that it is uneconomic to collect rates owing on any rating unit of less than \$20.00 (including GST) per annum.

Rates penalties

36. Council must set its rates penalties as part of its rates resolution.
37. Generally Council will resolve the following penalties:
- A 10 percent penalty is added on the next day to any balance of any instalment not paid by due date.
 - A 10% penalty will be added to any balance that remains unpaid from previous years. This will be added on 1 July of each year, or five working days after Council has passed the rates resolution (whichever is the later).
 - A further 10 percent penalty will be added to rates that remain unpaid from previous years. This will be added six months after the penalty made in (b) above.
38. Any payments received for rates are applied to the oldest debt first.

Three-yearly Re-valuations of property values

39. Council has chosen to re-value rateable property values of properties every three years, the maximum timeframe allowed by the Rating Valuations Act 1998. The next re-valuation is as of 1 September 2015 for effect in the 2016/17 rating year.
40. The re-valuation may affect the amounts assessed against individual rating units within each differential rating sector relative to other rating units in that sector.

Public availability of information

41. Council may charge a fee for supplying any person with a copy of information from the Rating Information Database.

Objections and Disputes

42. The Local Government (Rating) Act 2002 provides for the right of objection to Council's implementation of their rating policies. Any objections to the allocation of property use to the council differential categories needs to be in writing to the Rates & Revenue Manager for consideration.

References

- Funding Needs Analysis, section 101(3), provides the background and analysis to explain the funding decisions made by Council. It is guided by the funding principles and choices of funding sources documented in the Revenue and Financing Policy.
- The Revenue and Financing Policy further clarifies the funding requirements of Council.
- The Funding Impact Statement is included in each Long-term Plan and Annual Plan as required by clauses 15 or 20 of schedule 10. That statement shows the results of the detailed rates calculation for the first year of the plan.
- The Rate Remissions and Postponements Policy provides information on rates that are reduced to implement policy objectives that affect the overall liability for rates a property has. It also provides options for individuals to postpone rates in particular specified circumstances.

Schedule 1: Rating maps



