



Funding Impact Statement

Funding Impact Statement

Table of Rates Collected

	2015-16 LongTerm Plan \$000
Rates Collected	
General Rate	283,753
Uniform Annual General Charge	19,987
Targeted Rates	
Water Supply	
Full Charge	34,561
Half Charge	836
Restricted Supply	144
Excess Water ¹	-
Fire Service Connection	103
Land Drainage	20,678
Sewerage	56,447
Waste Minimisation	22,055
Active Travel	3,400
Governors Bay Water Loan	18
Governors Bay Sewer Loan	28
	442,011
including GST of	57,654
	384,357

Note 1.

The total rates amount of \$384.4 million (excluding GST) in this table is based on the actual number of rating units across the city and their capital value at the date the Long Term Plan is adopted. Three items of rating income are excluded from this figure (and from the specific rates details provided on the following pages):

- Excess water rates – excluded because it is dependent on actual volumes consumed during the year. Excess water rates are budgeted to be \$2.8 million (excluding GST) in 2015-2016.
- Late payment penalties & surcharges – excluded because they are dependent on actual late rates payments occurring during the year. Late payment penalties and surcharges are budgeted to be \$2.2 million (excluding GST) in 2015-2016.
- Changes in capital values during the year – Council is required to adjust its rates charges for individual properties during the financial year to reflect any capital value change arising from demolition of substantial construction work; the impact of these adjustments on rates collected is excluded from the table because it is dependent on the extent of demolition and construction activity during the year. The net impact on rates of these adjustments is budgeted to be revenue of \$3.4 million (excluding GST) in 2015-2016.

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

Christchurch City Council Funding impact statement

Plan 2014/15		Plan 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000										
Sources of operating funding											
246,946	General rates, uniform annual general charges, rates penalties	269,786	294,064	320,285	346,269	367,481	389,638	409,020	429,130	452,360	478,119
111,180	Targeted rates	122,976	130,278	141,465	144,308	150,497	155,893	162,806	168,576	174,983	181,225
21,321	Subsidies and grants for operating purposes	19,809	20,841	21,222	21,659	22,599	23,300	24,099	24,821	25,976	26,817
97,344	Fees, charges	98,371	98,317	102,042	114,235	120,602	127,583	132,158	137,820	142,070	147,655
74,886	Interest and dividends from investments	277,957	264,194	418,695	45,134	44,702	44,636	53,561	53,267	56,086	57,591
36,460	Local authorities fuel tax, fines, infringement fees, and other receipts	36,379	20,187	14,389	16,238	14,827	14,103	13,583	12,876	13,200	13,607
588,137	Total operating funding	825,278	827,881	1,018,098	687,843	720,708	755,153	795,227	826,490	864,675	905,014
Applications of operating funding											
414,558	Payments to staff and suppliers	421,831	391,907	370,780	377,728	397,990	410,373	422,811	437,471	449,351	464,094
60,482	Finance costs	78,574	90,979	99,902	98,549	102,729	108,530	110,411	110,007	112,002	114,515
67,346	Other operating funding applications	64,283	40,386	39,358	36,795	30,584	30,836	31,185	31,527	31,853	32,165
542,386	Total applications of operating funding	564,688	523,272	510,040	513,072	531,303	549,739	564,407	579,005	593,206	610,774
45,751	Surplus (deficit) of operating funding	260,590	304,609	508,058	174,771	189,405	205,414	230,820	247,485	271,469	294,240
Sources of capital funding											
20,615	Subsidies and grants for capital expenditure	21,848	28,543	30,008	27,230	21,404	16,045	13,374	14,355	16,172	16,975
18,766	Development and financial contributions	17,231	12,831	17,732	23,894	22,757	23,835	25,408	24,387	23,607	23,761
453,986	Increase (decrease) in debt	206,737	299,956	(44,536)	32,352	103,219	28,511	(21,313)	30,838	75,136	23,865
6,763	Gross proceeds from sale of assets	54,671	8,026	5,925	5,857	4,370	504	518	534	551	570
-	Lump sum contributions	-	-	-	-	-	-	-	-	-	-
454,335	Other dedicated capital funding	119,923	129,927	56,491	33,578	1,241	1,520	3,527	5,546	9,561	7,626
954,465	Total sources of capital funding	420,410	479,283	65,620	122,911	152,991	70,415	21,514	75,660	125,027	72,797
Applications of capital funding											
Capital expenditure											
878,842	- to replace existing assets	800,763	634,734	341,283	234,443	200,161	163,082	182,364	240,960	309,720	290,860
36,585	- to improve the level of service	60,846	80,351	100,892	88,833	81,489	64,012	30,369	27,134	29,694	32,248
107,881	- to meet additional demand	96,599	83,197	52,593	51,639	58,399	46,077	36,372	51,361	52,219	38,526
(21,892)	Increase (decrease) in reserves	(276,808)	(13,990)	79,910	(74,033)	3,847	4,358	5,229	6,119	6,863	7,403
(1,200)	Increase (decrease) of investments	(400)	(400)	(1,000)	(3,200)	(1,500)	(1,700)	(2,000)	(2,429)	(2,000)	(2,000)
1,000,216	Total applications of capital funding	681,000	783,892	573,678	297,682	342,396	275,829	252,334	323,145	396,496	367,037
(45,751)	Surplus (deficit) of capital funding	(260,590)	(304,609)	(508,058)	(174,771)	(189,405)	(205,414)	(230,820)	(247,485)	(271,469)	(294,240)
-	Funding balance	-	-	-	-	-	-	-	-	-	-

Detailed information about sources of operating funding

Rates, uniform annual general charges and rates penalties

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

Targeted rates

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

Subsidies and grants

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

Fees and charges

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

Interest and dividends

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

Other receipts

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

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

Detailed information about sources of capital funding

Subsidies and grants

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

Development contributions

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

Borrowing

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

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

Asset Sales

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

Other dedicated capital funding

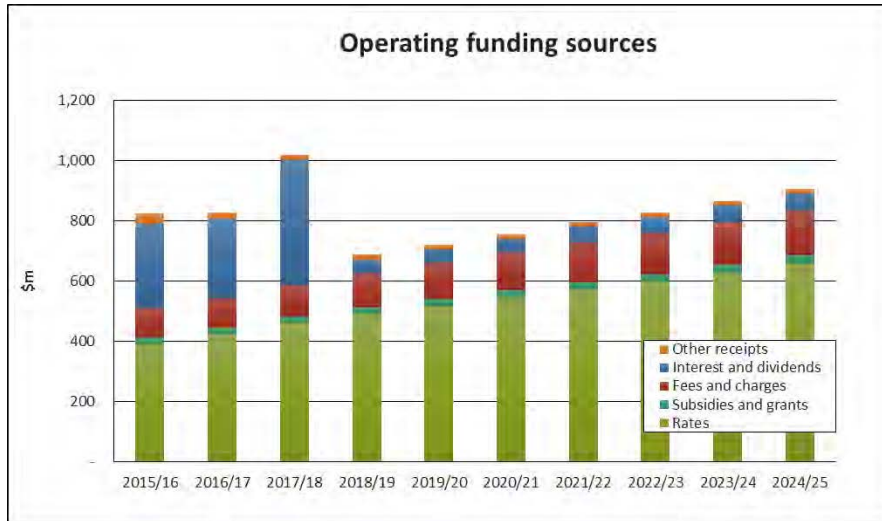
These largely relate to earthquake recoveries, which are comprised of the proceeds from insurance policies, reimbursement from the Crown, and NZ Transport Agency subsidies. During the rebuild this source of funding is significant.

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

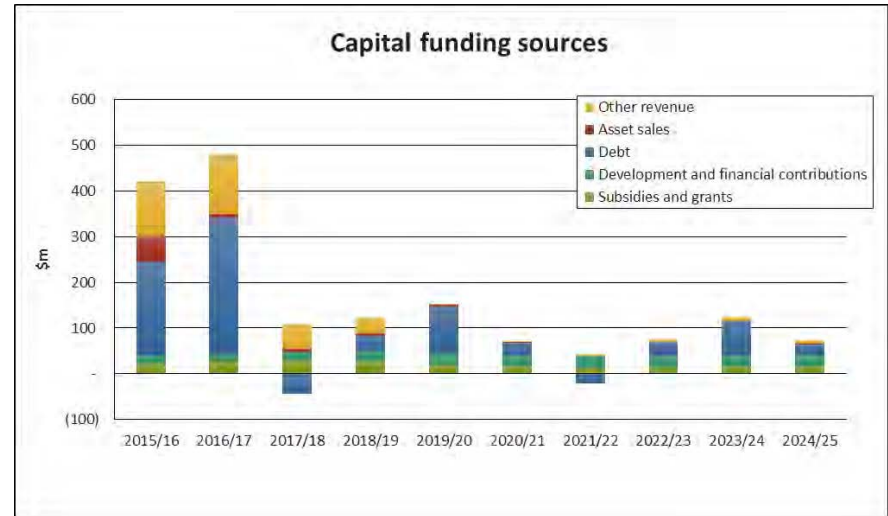
Council maintains a number of reserve funds. Many of these have resulted from bequests or gifts to the city, while others are the result of specific decisions by Council (such as the Capital Endowment Fund) or the exercise by Council of its statutory powers (such as for the collection of financial contributions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

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

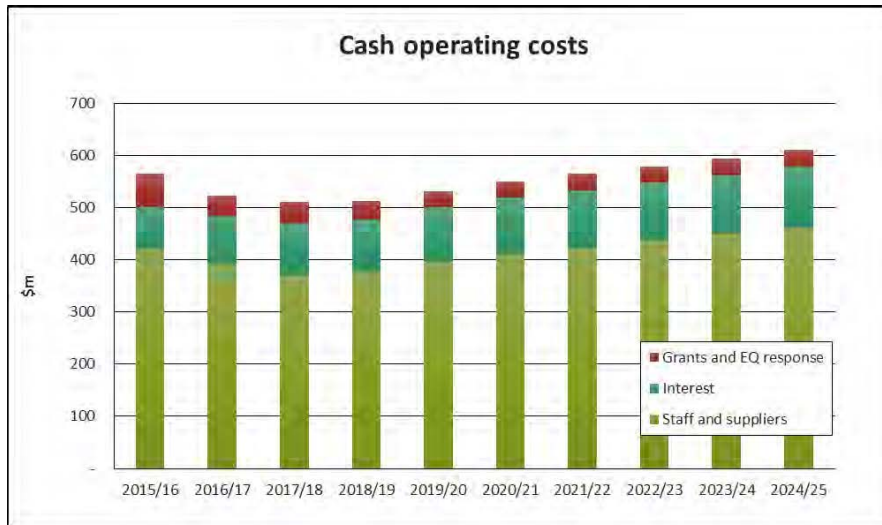
Operating funding sources for 2015 to 2025:



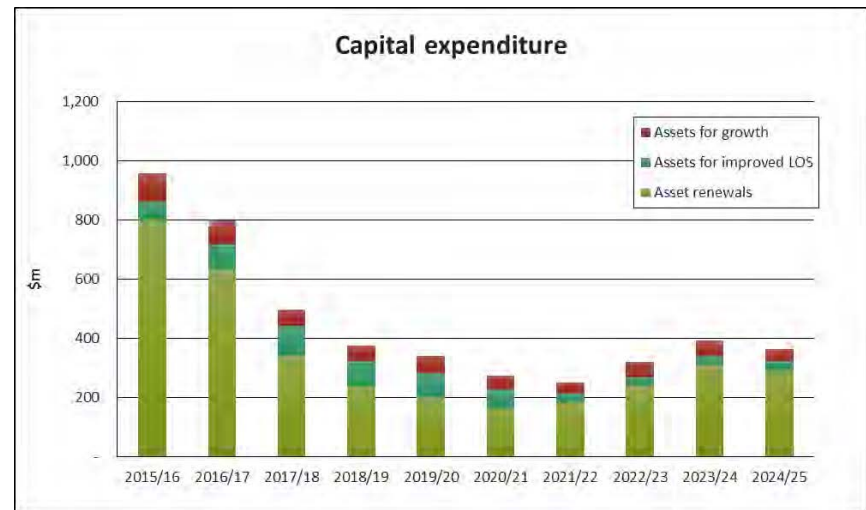
Capital funding sources for 2015 to 2025:



Cash operating costs for 2015 to 2025:



Capital expenditure for 2015 to 2025:



Where our funding will come from

Before the earthquakes, rates were the main source of funding for the Council's activities. As the earthquake recovery continues, earthquake rebuild recoveries (insurance, NZ Government reimbursements, and NZ Transport Agency subsidies), borrowing, and the release of funds from CCHL are significant sources of funding. These account for \$802 million or 52% of funding in 2015/16.

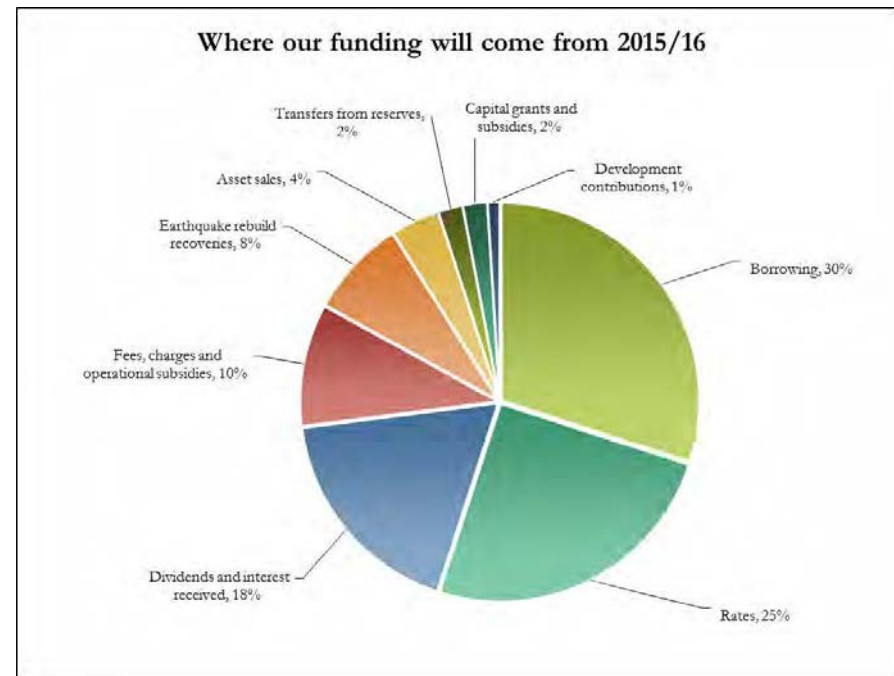
In the 2015/16 financial year, the Council is proposing to collect \$392.8 million in rates to help pay for essential services such as water supply, roading and wastewater treatment, as well as capital renewal and replacement projects and events and festivals. Included within the general rate is a 1.93 per cent surcharge that is used to fund the operating deficit. This income is supplemented with funding from fees and charges, Government subsidies, development contributions, interest and dividends from subsidiaries.

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

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

Where our funding will come from:

<u>Funding Sources 2015/16</u>	<u>%</u>	<u>\$000</u>
Borrowing	30%	483,855
Rates	25%	392,762
Dividends and interest received	18%	277,957
Fees, charges and operational subsidies	10%	154,559
Earthquake rebuild recoveries	8%	118,249
Asset sales	4%	54,671
Transfers from reserves	2%	30,945
Capital grants and subsidies	2%	23,522
Development contributions	1%	17,231
	100%	1,553,751



How capital expenditure is funded

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

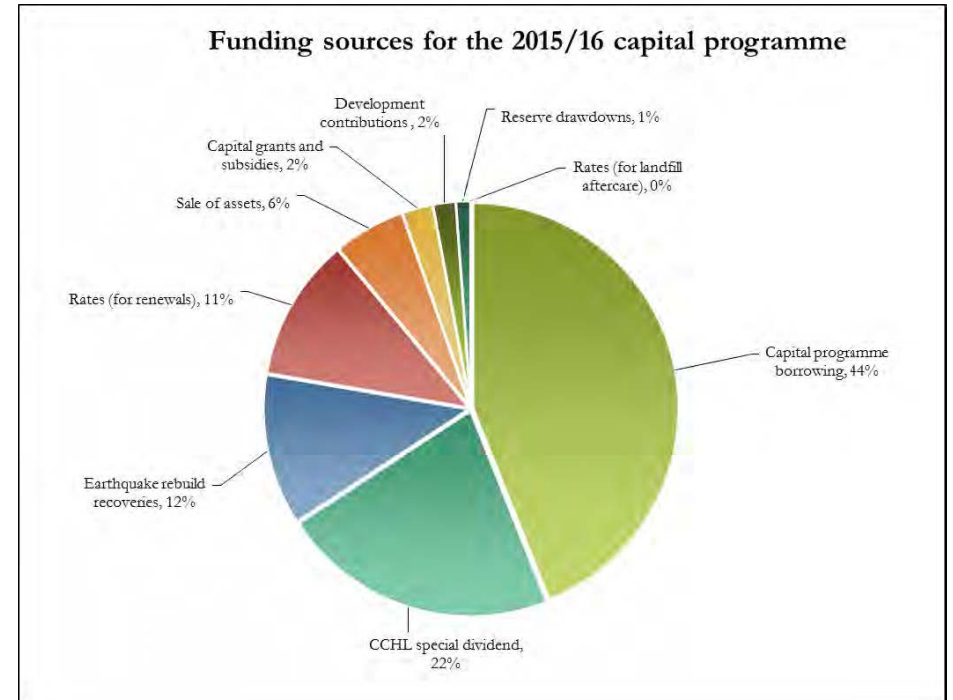
Capital expenditure funding is a subset of the Council's total funding. Earthquake rebuild recoveries, such as insurance, Central Government reimbursements and NZ Transport Agency subsidies, are a significant source of the Council's funding in the early years.

The capital release from CCHL is also a large source of funding in 2015/16.

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

How we fund our capital programme:

Funding Sources 2015/16	%	\$000
Capital programme borrowing	44%	424,520
CCHL special dividend	22%	200,000
Earthquake rebuild recoveries	12%	118,249
Rates (for renewals)	11%	108,678
Sale of assets	6%	54,671
Capital grants and subsidies	2%	23,522
Development contributions	2%	17,231
Reserve drawdowns	1%	10,999
Rates (for landfill aftercare)	0%	338
	100%	958,208



Where your rates go

In 2015/16 the Council relies on rates for about 38 per cent of its income and is proposing to collect \$392.8 million (GST exclusive) in rates. This represents an average increase in rates of 7.98 per cent to existing ratepayers.

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

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

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

HOW YOUR RATES WILL BE SPENT 2015/16

GROUP OF ACTIVITIES	Cents per dollar Average Residential of Rates	
	Rates / week	
Roads & footpaths	14.2c	\$5.98
Arts & culture	12.9c	\$5.43
Sewage collection, treatment & disposal	12.9c	\$5.43
Water supply	8.9c	\$3.75
Refuse minimisation and disposal	8.1c	\$3.41
Resilient communities	7.4c	\$3.12
Parks and open spaces	7.3c	\$3.07
Strategic governance	5.8c	\$2.44
Sport & recreation	5.2c	\$2.19
Regulation & enforcement	5.6c	\$2.36
Stormwater drainage	4.4c	\$1.85
Strategic policy & planning	2.2c	\$0.93
Economic development	2.0c	\$0.84
Transport	1.7c	\$0.72
Heritage protection & policy	1.1c	\$0.46
Flood protection	0.3c	\$0.13
	100c	\$42.11

