

Rates Review

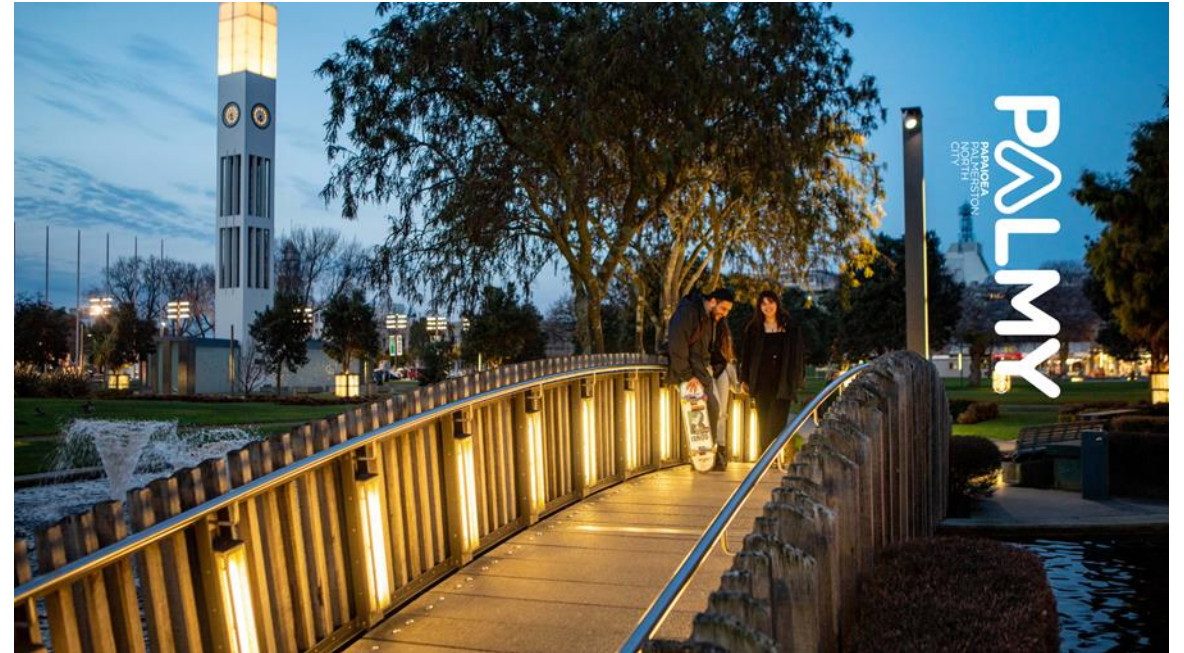
Elected member workshop

9 August 2023

As at 3 August 2023

TODAY

- Assumptions for modelling
- Variables include:
 - LV or CV for general rate
 - Level of UAGC
 - Level of differentials for each category
- Review a few scenarios
- Implications/options
- Your preferences for more detailed assessment



ASSUMPTIONS FOR MODELLING

- **Common system** to apply throughout City
- Design of system to be based on **3 waters activities no longer** being Council responsibility (but still through transition to 1 July 2026)
- System to be **practical** to administer & enforce
- System as **simple** as possible so not a wide range of targeted rates – but keep those for resource recovery & Palmy BID
- **UAGC remains** an essential component of system
- **General rate** to be **set differentially** (surcharges for commercial/industrial & discounts for rural)

[As endorsed by Council in August 2022]

ASSUMPTIONS FOR MODELLING

- Some scenarios will have a **hybrid approach** with some rates based on LV and some on CV (e.g. a targeted transport rate)
- **Utilities** in the road have a CV but not a LV – any rates based on CV will be treated as non-residential (commercial/industrial)
- Properties with a very **high ratio of CV to LV** will experience very significant increases in rates if rates are based on CV – a transition of up to three years may be necessary if change is to be made
- **Vacant properties** will experience decreases in rates if rates are based on CV – this will be at odds with Council’s drive to encourage more intensive residential development so would need to be traded off in any assessment of change

[As endorsed by Council in August 2022]

RATING ENVIRONMENT

- **Rates are a tax**, so the basis for setting & assessing them needs to be clear & transparent
- Last City **revaluation** in 2021 – next due in **2024** to be effective for rating purposes from 1 July 2025
- It is reasonable to assume the Council will face a need to **increase total rates** again in **2024/25** by a **significant %age** to cover costs
- Although Council's rates requirements for 2026/27 will reduce due to the transfer of the 3 waters activities, ratepayers are likely to face very significant increases to fund the activities of the water services entity (especially relating to the Nature Calls project)
- In the public consultation process for 2026/27 the Council will be required to compare proposed 2026/27 rates with 2025/26 rates after deducting those related to funding 3 waters activities

FUNDING OF 3 WATERS

- Large **non-residential** users of **water** are **metered** (& charged using bills that are not part of the rating system)
- **Non-residential** users of the **wastewater** system are billed a **per pan rate** (part of the rating system)
- **Residential** users of the **water and wastewater** system are billed a **fixed targeted rate** for each separately inhabited part of a rating unit
- **Stormwater** is funded through the **general rate**

Because we are considering the rating system for the future, 3 waters related rates have been deducted from 2023/24 rates when developing scenarios

We will need to add back the 3 waters rates for 2024/25 and 2025/26 to understand how best to transition any proposed change

RATING SCENARIOS

- Rating scenarios have been modelled as a means of **demonstrating** the **impact** of using different levers to change rates incidence
- These scenarios are not being promoted as realistic options but rather a means of testing outcomes and determining rating units that will be significantly impacted through system change
- **Scenario 1** is the **current rates for 2023/24 less those relating to 3 waters**
- The approach taken has been to **compare** outcomes of **other scenarios, which also exclude 3 waters, with scenario 1**

Scenario 1	Base excl. 3 waters for comparison
Scenario 2	CV based general rate with no differentials
Scenario 3	CV based general rate with differentials
Scenario 4	Hybrid – 50% based on CV, 50% on LV
Scenario 5	As for scenario 4 but increase UAGC from \$200 to \$400

SCENARIO 2

Assumption

- Uses \$200 UAGC & current targeted rates for resource recovery
- General rate based on CV with no differentials – using CV means utilities in the streets become rateable

Outcomes

- Non-residential share of general rates reduces from 28.6% of total to 15.1% with consequential increases in residential & rural rates
- Given the magnitude of the change in rates incidence this is not a viable option in either the short or longer term

SCENARIO 3

Assumptions

- Uses \$200 UAGC & current targeted rates for resource recovery
- General rate based on CV with differentials set at levels to generate approx. same level of total rates income from each category as at present – this has been proportionately reduced using additional rates assessed on underground utilities in streets

Outcomes

- Changed incidence within categories:
 - Increases for those with CV to LV ratio higher than average
 - Decreases for those with CV to LV ratio lower than average
- Some changes are too large to be acceptable – need to consider options such as:
 - Using hybrid of LV and CV for rates based on valuations
 - Changes to UAGC

SCENARIO 4

Assumptions

- Uses \$200 UAGC & current targeted rates for resource recovery
- 50/50 Hybrid - General rate based on LV & targeted rate based on CV with differentials set at levels to generate approx. same level of total rates income from each category as at present – this has been proportionately reduced using additional rates assessed on underground utilities in streets

Outcomes

- Moderated increases though still some that are significant

SCENARIO 5

Assumptions

- Uses \$400 UAGC & current targeted rates for resource recovery
- 50/50 Hybrid - General rate based on LV & targeted rate based on CV with differentials set at levels to generate approx. same level of total rates income from each category as at present – this has been proportionately reduced using additional rates assessed on underground utilities in streets

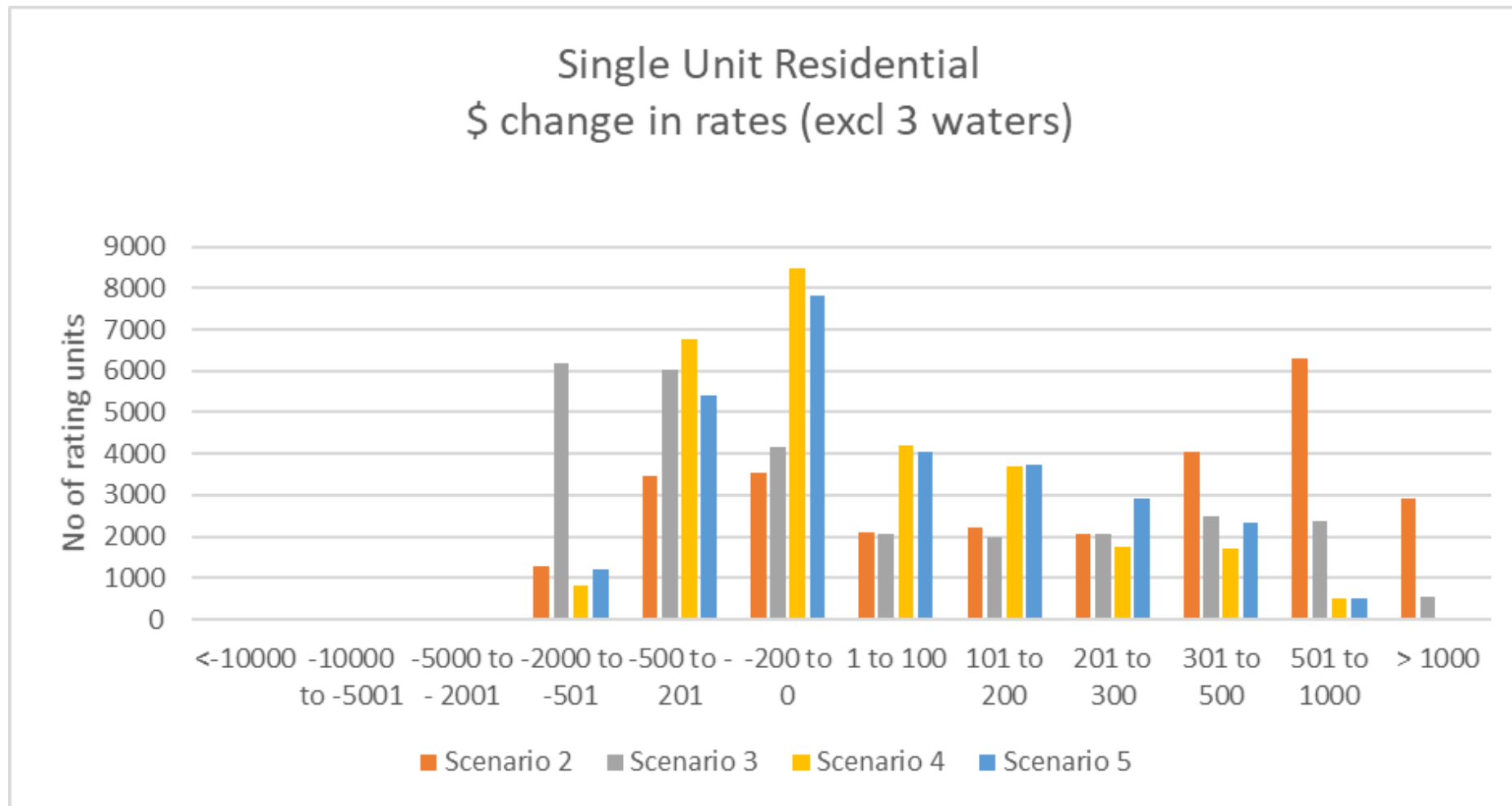
Outcomes

- Moderated increases but still a number of challenging outcomes

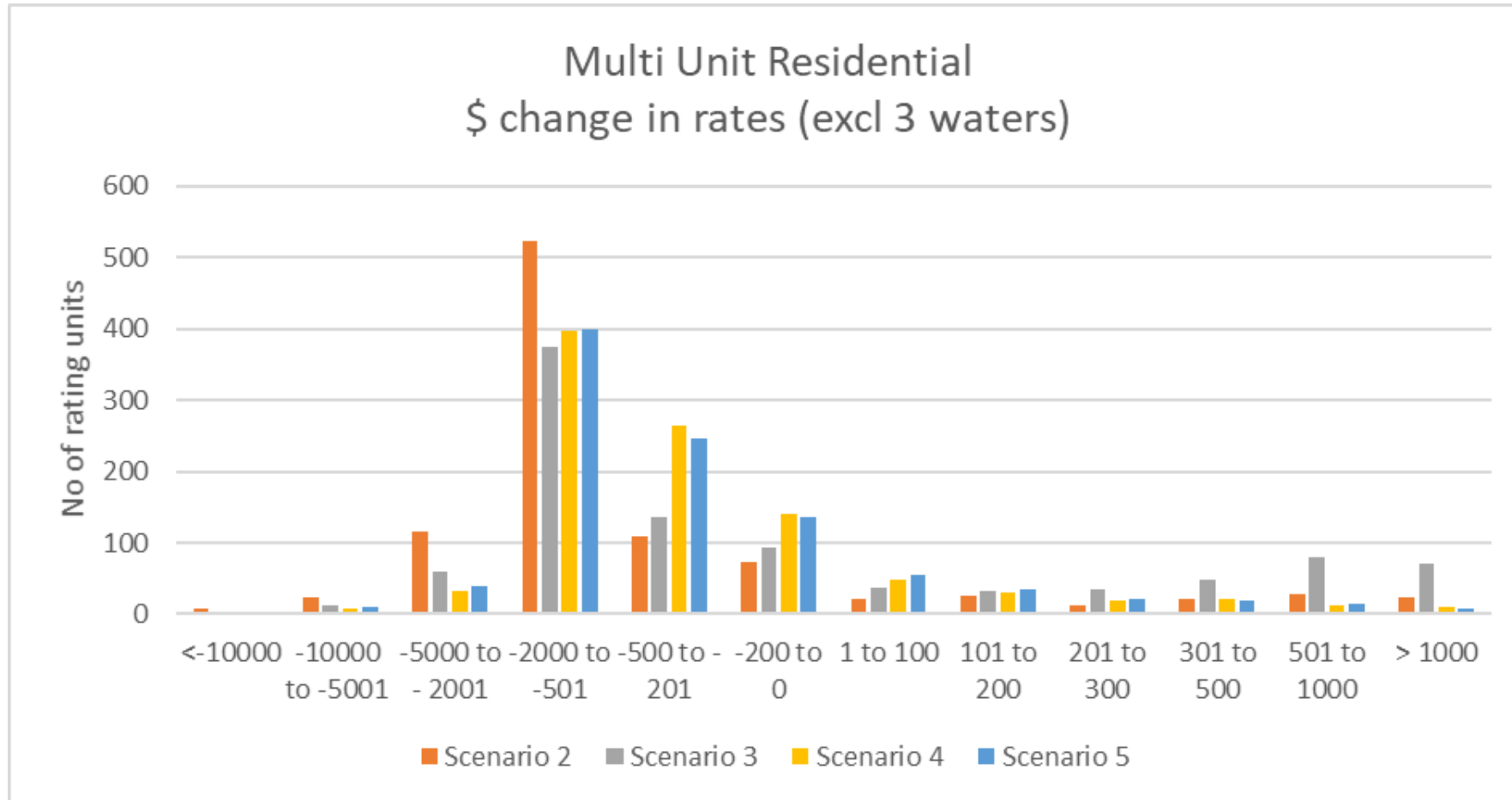
INCIDENCE BY DIFFERENTIAL CATEGORY

	% of LV	% of CV	% of total rates (Actual)	% of rates excl waters (Actual, Sc 1)	% of rates (Scen 2)	% of rates (Scen 3)	% of rates (Scen 4)	% of rates (Scen 5)
Single unit residential	72.0	67.1	63.2	60.2	67.9	57.2	58.8	59.4
Multi unit residential	3.7	3.6	5.6	5.0	4.0	4.6	4.5	4.4
Commercial/Industrial	10.8	12.7	25.0	28.6	13.3	27.5	27.9	27.4
Rural/Semi-serviced	11.7	12.2	3.7	4.5	11.1	4.9	4.7	4.9
Misc	1.8	2.3	2.5	1.7	1.9	1.9	1.8	1.7
Utilities in street	0	2.1	0	0	1.8	3.9	2.3	2.2

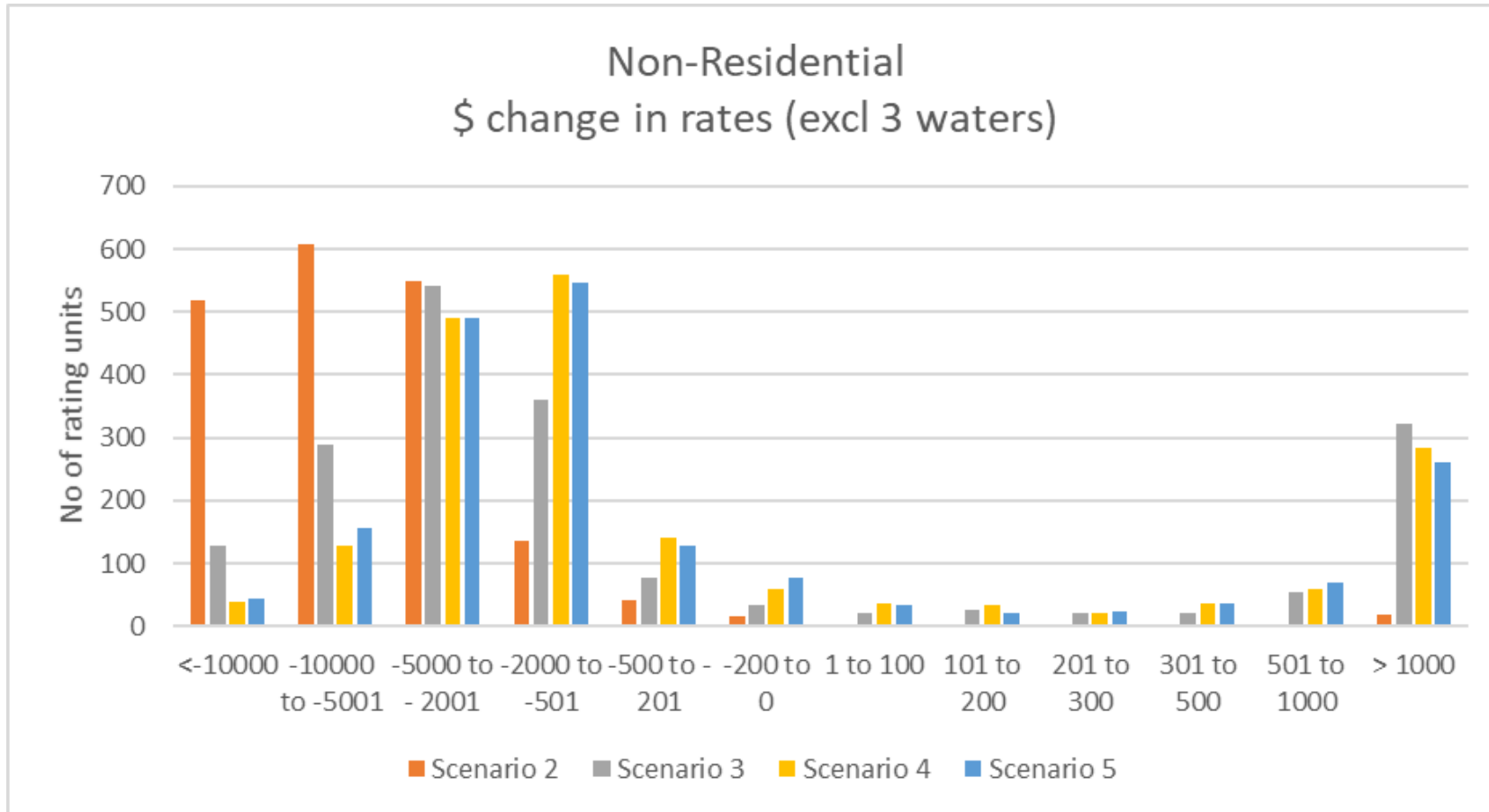
CHANGING RATES INCIDENCE (RESIDENTIAL)



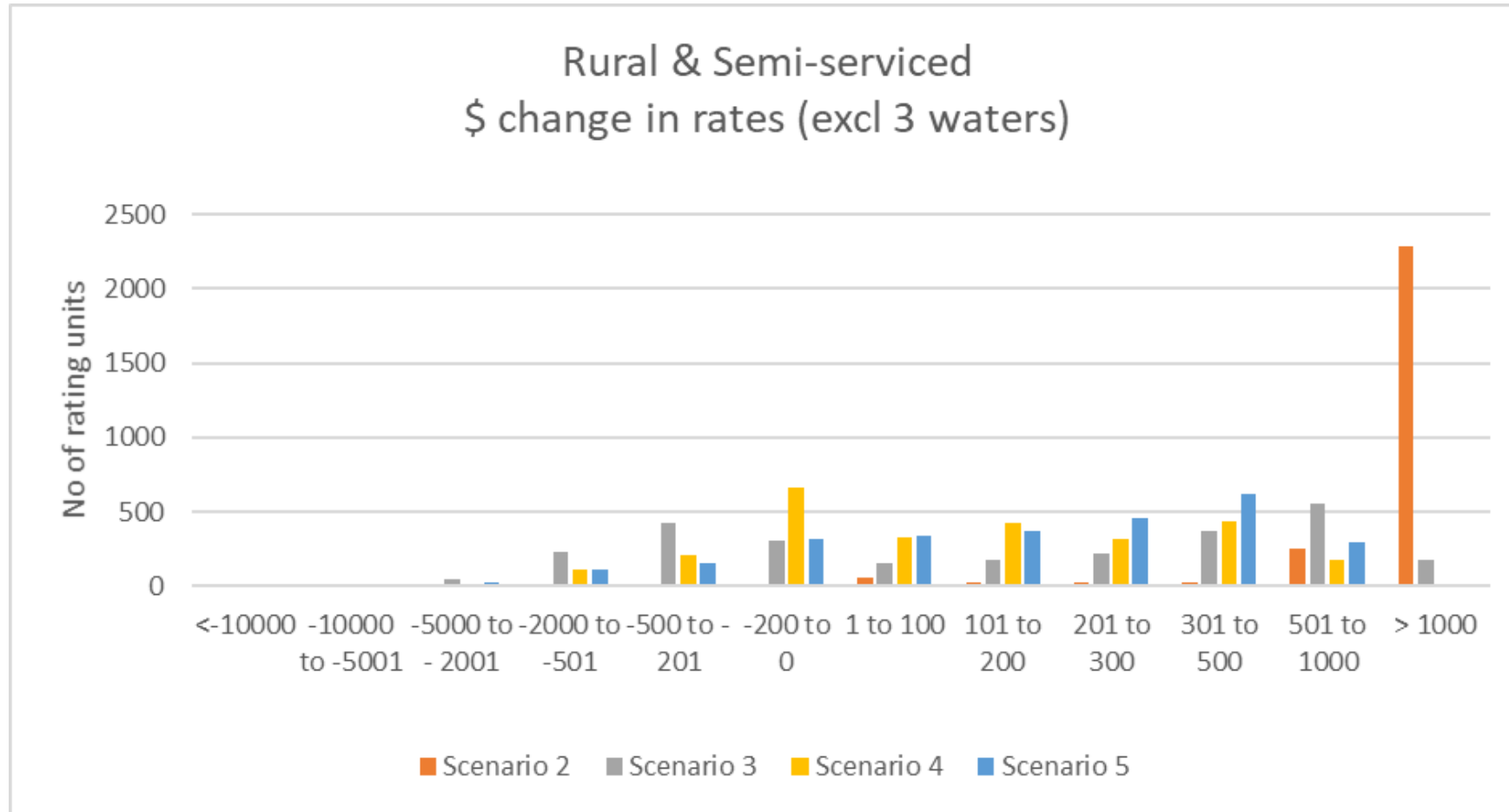
CHANGING RATES INCIDENCE (MULTI-UNIT RESIDENTIAL)



CHANGING RATES INCIDENCE (NON-RESIDENTIAL)



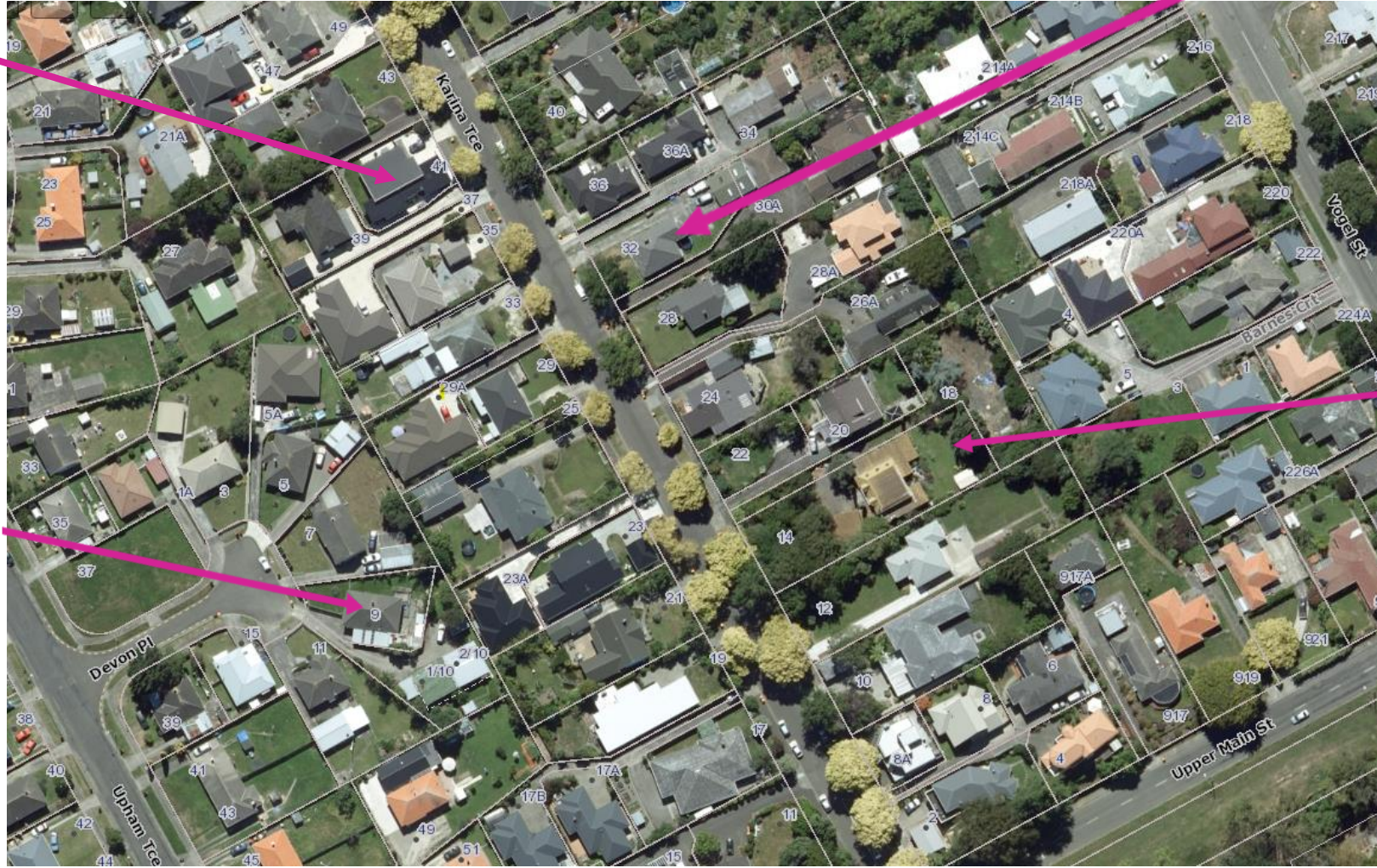
CHANGING RATES INCIDENCE (RURAL/SEMI-SERVICED)



EXAMPLES

LV	\$505,000
CV	\$1,050,000
Act	\$3,367
Act - Wtrs	\$2,556
Sc 2	\$3,659
Sc 3	\$3,050
Sc 4	\$2,811
Sc 5	\$2,790

LV	\$335,000
CV	\$626,000
Act	\$2,626
Act - Wtrs	\$1,847
Sc 2	\$2,345
Sc 3	\$1,986
Sc 4	\$1,923
Sc 5	\$1,985



LV	\$600,000
CV	\$660,000
Act	\$3,782
Act - Wtrs	\$2,952
Sc 2	\$2,468
Sc 3	\$2,085
Sc 4	\$2,536
Sc 5	\$2,542

LV	\$1,030,000
CV	\$1,250,000
Act	\$5,680
Act - Wtrs	\$4,765
Sc 2	\$4,270
Sc 3	\$3,545
Sc 4	\$4,184
Sc 5	\$4,036

Scenarios 2-5 exclude 3 waters

EXAMPLES

LV	\$395,000
CV	\$930,000
Act	\$2,887
Act - Wtrs	\$2,097
Sc 2	\$3,293
Sc 3	\$2,753
Sc 4	\$2,429
Sc 5	\$2,445

LV	\$610,000
CV	\$780,000
Act	\$3,825
Act - Wtrs	\$2,993
Sc 2	\$2,834
Sc 3	\$2,382
Sc 4	\$2,704
Sc 5	\$2,694



Scenarios 2-5 exclude 3 waters

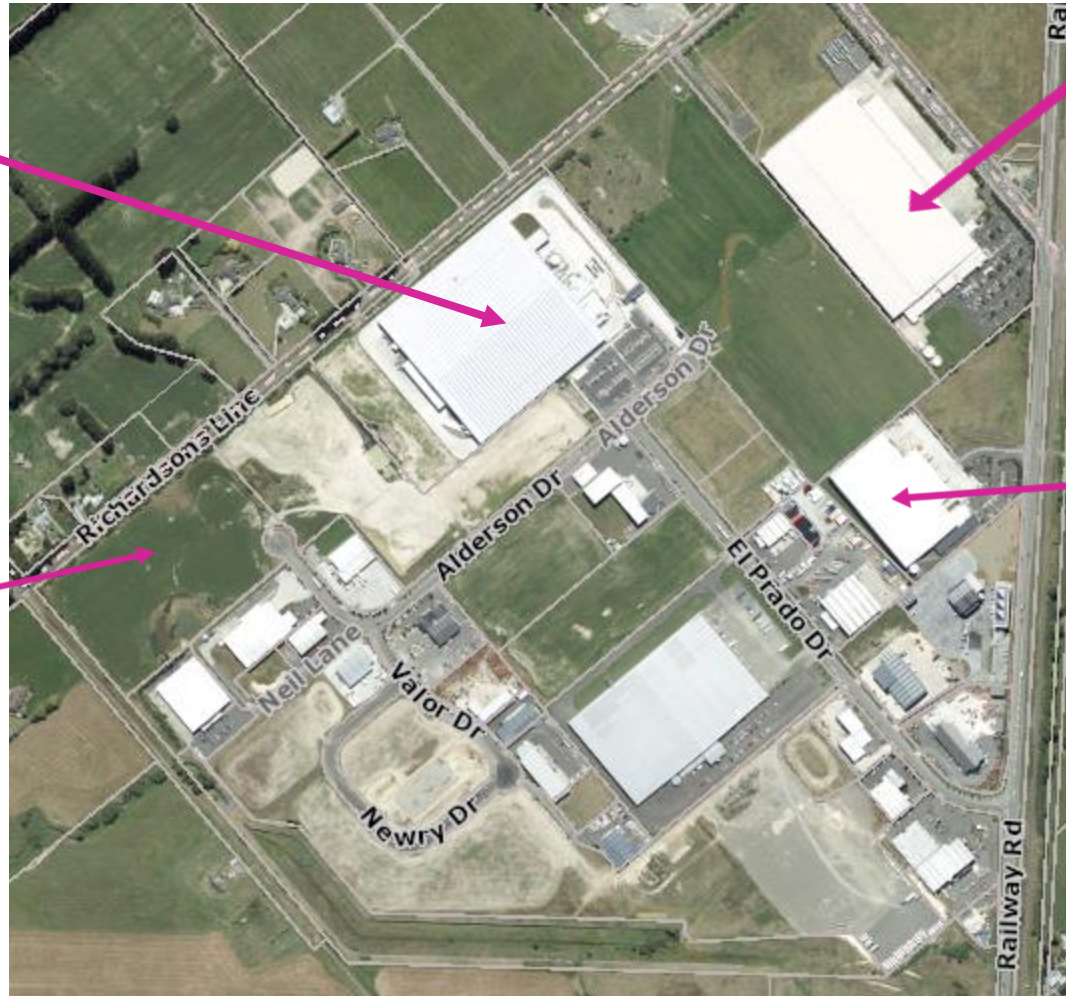
LV	\$565,000
CV	\$760,000
Act	\$3,629
Act - Wtrs	\$2,806
Sc 2	\$2,773
Sc 3	\$2,332
Sc 4	\$2,584
Sc 5	\$2,585

LV	\$305,000
CV	\$540,000
Act	\$2,495
Act - Wtrs	\$1,722
Sc 2	\$2,040
Sc 3	\$1,738
Sc 4	\$1,737
Sc 5	\$1,817

EXAMPLES

LV	\$8,700,000
CV	\$74,300,000
Act	\$150,007
Act - Wtrs	\$137,824
Sc 2	\$227,334
Sc 3	\$488,418
Sc 4	\$342,029
Sc 5	\$331,011

LV	\$4,660,000
CV	\$4,660,000
Act	\$26,256
Act - Wtrs	\$24,754
Sc 2	\$14,439
Sc 3	\$14,439
Sc 4	\$19,733
Sc 5	\$18,565



LV	\$9,400,000
CV	\$60,600,000
Act	\$162,558
Act - Wtrs	\$148,889
Sc 2	\$185,472
Sc 3	\$398,416
Sc 4	\$294,364
Sc 5	\$284,991

LV	\$4,000,000
CV	\$29,100,000
Act	\$69,543
Act - Wtrs	\$63,531
Sc 2	\$89,221
Sc 3	\$191,476
Sc 4	\$138,088
Sc 5	\$133,765

Scenarios 2-5 exclude 3 waters

EXAMPLES



LV	\$1,470,000
CV	\$26,600,000
Act	\$37,022
Act - Wtrs	\$27,675
Sc 2	\$85,718
Sc 3	\$179,188
Sc 4	\$115,827
Sc 5	\$112,371

LV	\$13,200,000
CV	\$34,600,000
Act	\$226,683
Act - Wtrs	\$214,187
Sc 2	\$111,258
Sc 3	\$232,841
Sc 4	\$225,595
Sc 5	\$218,571

LV	\$1,760,000
CV	\$9,200,000
Act	\$51,371
Act - Wtrs	\$29,875
Sc 2	\$30,166
Sc 3	\$62,495
Sc 4	\$48,915
Sc 5	\$47,577

LV	\$34,340,000
CV	\$137,340,000
Act	\$608,426
Act - Wtrs	\$562,275
Sc 2	\$439,118
Sc 3	\$921,722
Sc 4	\$772,719
Sc 5	\$748,193

Scenarios 2-5 exclude 3 waters

COMPARISONS

Hardware stores	LV	CV	Actual Rates (incl. wtrs) 2023/24
Palmerston North	\$6.1m	\$31m	\$105k
Palmerston North	\$10.4m	\$30.3m	\$178k
Hastings	\$3.59m	\$6.89m	\$55k
New Plymouth	\$6.75m	\$7.01m	\$97k
New Plymouth	\$4m	\$25.15m	\$62k
Napier	\$11.15m	\$18.3m	\$139k
Hamilton	\$10.52m	\$22.4	\$177k
Hamilton	\$9.12m	\$36.34m	\$287k
Tauranga	\$27.7m	\$56.65m	\$287k

Shopping centres	LV	CV	Actual Rates (incl. wtrs) 2023/24
Palmerston North	\$34.3m	\$137.3m	\$0.562m
Hamilton	\$23.9m	\$136m	\$1.148m
Hutt	\$84m	\$282m	\$2.16m

LV	CV	\$6.1m	\$31m
Act		\$105k	
Act - Wtrs		\$97k	
Sc 2		\$95k	
Sc 3		\$204k	
Sc 4		\$159k	
Sc 5		\$154k	

LV	CV	\$10.4m	\$30.3m
Act		\$178k	
Act - Wtrs		\$165k	
Sc 2		\$93k	
Sc 3		\$199k	
Sc 4		\$185k	
Sc 5		\$179k	

CHALLENGES

- Modelling the detail & determining practical options for consideration
- Communicating the options & impacts especially with the 3 waters reforms in the mix
- Finding a way to moderate the rates levels for those with very high CV/LV ratios
- Most CV based options will reduce rates on vacant land – this is at odds with planning thrust to encourage higher density residential development

REVIEW PROCESS

Consider options & determine a preferred one (incl. any transitional arrangements)

- Workshop(s) & committee consideration before Xmas 2023



Develop updated revenue & financing policy & rating policies & an engagement plan

- Committee consideration before Xmas 2023



Consult through LTP & targeted for those most adversely impacted by any change

- Consultation document to be adopted in March 2024 with consultation during April



Hearings, consideration of submissions & determine way forward

- Hearings in May with adoption of LTP in June 2024

Any proposal to change the rating system is likely to become the most significant issue for the LTP & will generate a larger than usual no. of submissions

QUESTIONS

- What issues does the presentation raise for you?
- What additional information do you need?
- How would you assess what levels of rates are appropriate for each category of property & within that the distribution to individual ratepayers?
- What do you feel about the level of rates on vacant land?
- What do you think about the notion of a hybrid system which has a portion of the rates based on the CV and a portion on the LV?

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