

Table 6.1.3: Nelson City Council – Borrowing Projections & Capacity vs. Policy Limits

	1	2	3	4	5	6	7	8	9	10
Budget		Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
2009/10		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
\$m		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Interest rates	6%	5.50%	5.50%	5.75%	6%	6.25%	6.50%	6.75%	6.75%	6.75%
Population (for per capita)	45511	45812	46113	46414	46715	47016	47317	47618	47919	48220
Borrowings (current liabilities)	10.5	10.6	10.6	10.2	10.3	10.3	12.3	20.3	17.3	17.0
Term liabilities	77.0	111.5	143.2	154.8	159.4	156.7	148.2	132.0	115.3	98.3
Borrowings	87.5	122.1	153.8	165.0	169.7	167.0	160.5	152.3	132.6	115.3
Rates revenue	48.6	52.1	57.9	63.4	67.9	72.1	75.9	78.8	80.4	82.4
Income from activities (= water & other charges)	38.6	35.6	40.3	42.4	40.8	43.2	43.2	46.5	47.7	50.7
Finance Costs	87.2	87.7	98.2	105.8	108.7	115.3	119.1	125.3	128.1	133.1
Interest Cost is not greater than 25% of Rates Revenue + Water & Other Charges	3.1	4.4	6.7	7.7	8.0	9.4	10.0	10.4	9.5	8.2
Max Possible Debt for Ratio	4%	5%	7%	7%	7%	8%	8%	8%	7%	6%
Borrowing Capacity	363.4	398.9	446.2	460.0	453.1	461.1	458.0	464.0	474.4	493.0
LOWER of:	276.0	276.8	292.4	295.0	283.4	294.1	297.5	311.7	341.8	377.6
1) Borrowing is no more than 3.0 x Annual Rates + Water & Other Charges	1.00	1.39	1.57	1.56	1.56	1.45	1.35	1.22	1.04	0.87
<i>Note this is approximate as total revenue used since not clear from LTCCP what 'other charges' are intended to be included in calculating the ratio</i>										
Max Possible Debt for Ratio	261.7	263.3	294.5	317.4	326.3	345.8	357.2	375.8	384.2	399.3

2) Borrowing is no greater than \$3,500 per capita (Borrowing per capita is)

1922	2666	3335	3555	3633	3551	3392	3198	2767	2392
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Note this is approximate as net debt funded by rates, not exactly which charges are included in revenue for the ratio

Max Possible Debt for Ratio (\$3500/capita)

159.3	160.3	161.4	162.4	163.5	164.6	165.6	166.7	167.7	168.8
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Lowest Possible Debt for Ratio

159.3	160.3	161.4	162.4	163.5	164.6	165.6	166.7	167.7	168.8
71.8	38.2 160.3	7.6 164.4	(2.6) 162.4	(6.2) 163.5	(2.4) 164.6	5.1 165.6	(4.4) 166.7	35.1 167.7	53.5 168.8

Overall Maximum Remaining Borrowing Capacity - lowest borrowing over all ratios

71.8	38.2 160.3	7.6 164.4	(2.6) 162.4	(6.2) 163.5	(2.4) 164.6	5.1 165.6	(4.4) 166.7	35.1 167.7	53.5 168.8
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ie No Borrowing Capacity *

(6.2)	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)
71.8	74.8	74.8	74.8	74.8	74.8	74.8	74.8	74.8	74.8

Maximum Borrowing Capacity - least of all years

Remove NCC \$32.4m Performing Arts and Conference Centre from LTCCP

Increase / (Reduction) in Term liabilities

Revised Maximum Borrowing Capacity

Revised Maximum Borrowing Capacity - least of all years

(5.0)	(11.2)	(32.4)	(30.8)	(29.2)	(27.8)	(26.4)	(25.1)	(23.8)	(22.6)
(1.2)	5 76.8	26.2 140.4	24.6 102.6	23.0 104.1	21.6 99.6	20.2 98.2	18.9 96.9	17.6 95.6	16.3 94.5
76.8	76.8	76.8	76.8	76.8	76.8	76.8	76.8	76.8	76.8
(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)

ie

Still no

Borrowing * Capacity

* within existing NCC

Policy.

Table 7.4.1 : Comparison with benchmark councils – 2009/10

	Tasman	Nelson	TDC+NCC	New (Indicative)	Dunedin	Tauranga	Palmerston North
Rates (\$mn)	48.9	48.0	96.9	96.9	98.6	82	63.6
NZTA subsidy (\$mn)	7.6	2.9	10.5	10.5 ⁷	23.5	3	5.4
Other revenue (\$mn)	30.9	40.0	70.9	70.9	127.9	49	31.0
Total revenue (\$mn)	87.4	90.9	178	178	250 ⁸	134	100
Debt 2009/10 (\$mn)	48 115	41 51	89 166	89 166	240	310 316	143
Interest % of rates 2009/10	13.5%	9.2%	11.4%	11.4%	15.3%	20.5%	12.6%
Debt to total assets (%)	4.5% 9.6%	3.5% 4.4%	4.0% 7.0%	4.0% 7.0%	8.3%	9.1%	10.9%
External term debt per rateable property (\$)	2,116 5,069	1,999 2,486	2,060 3,843	2,060 3,843	3,983	6,197 6,316	5,318
Net interest expense to operating revenue (%)	7.6%	4.9%	6.2%	6.2%	6.0%	13.9% (vs. limit 20%)	8.0%
Total assets (mn)	1,075 1,209	1,170	2,245 2,380	2,245 2,380	2,875 2,893	3,421 3,500	1,308
Staff numbers (FTE)	208	254	462	394	687	450	565
Population (approx. estimate)	46,259	45,511	91,770	91,770	122,000	111,000	80,300
Ratepayers/rateable properties	22,684 ⁹	20,511	43,195	43,195	60,263 ¹⁰	50,026	26,912 ¹¹
Population divided by FTE ratio	222	179	199	233	179	246	142
Staff salaries & wages (\$ mn)	13.6	16.7	30.3	25.6	44.5	27.3	32.3
Number of	14	13	27	16	15	11	16

⁷ The NZTA subsidy level may reduce. Initial indications are that the subsidy rate would reduce from 49% to 47%, for local roads but this is subject to the final decision of NZTA and whether there are ameliorating factors they may be prepared to take into account in a transition period following a union of the two councils and the period involved; particularly when NZTA are understood to be evaluating an alternative regime that incorporates performance incentives to achieve desired outcomes

⁸ Includes \$28.5 million of receipts from the Government for the new stadium, and \$13.6 mn for vesting of the Chinese garden

⁹ TDC and NCC rateable properties source: TDC information on amalgamation impacts on rates (newsletter No.2).

¹⁰ Estimate based on 1.14 staff to 100 ratepayers

¹¹ As at 21/10/2009 media release

	Tasman	Nelson	TDC+NCC	New (Indicative)	Dunedin	Tauranga	Palmerston North
councillors + Mayor							
# community boards	2	0	2	3	6	0	0
Number of community board members + chair	13	0	13	18	42	0	0
Councillors & community board remuneration 2010 Annual Report (\$000)	556	487	1043	1288	1236	884	636

Tauranga is perhaps a better comparator to a combined TDC and NCC than the other councils in Table 7.4.1 given it is an urban area experiencing growth surrounded by Western Bay of Plenty District (with a population of 45,000 spread between rural areas and several small townships such as Te Puke, Katikati, and Waihi Beach). Tauranga is also currently closest to a combined TDC and NCC in terms of total number of rateable properties and total staff levels.

In financial terms, both existing councils have relatively low levels of debt to total assets and debt per rateable property. It follows that a combined Tasman-Nelson council would compare favourably with the other councils shown above.

The combined staffing level of 462 is close to Tauranga City's 450. On the basis of staff FTEs per capita, Nelson City Council is currently the same as Dunedin City Council (179) and Tasman District Council is closer to Tauranga City Council than the others (222 compared to 246) implying relatively low levels of staff per capita. A combined council that retained all existing FTEs would imply a ratio of 1 FTE per 199 residents. The assumptions made in section 7.3 about staffing levels for a combined council would imply a figure of 1 FTE per 233 residents, making it close to but below Tauranga City Council's 1 FTE to 246 residents. As services will need to continue to be provided over an extensive rural area and to dispersed and growing settlements, it would be unreasonable to anticipate further significant savings in staff numbers from a union.

7.5 Development Contributions Policy

The development contributions charges in the table below are from the respective council LTCCPs. Charges are indexed annually against price increases, e.g. construction cost index.

The table highlights cost differences between the two council areas. These would need to be addressed in an amalgamation, particularly in the boundary area between Richmond and Nelson if

Table 6.1.4: Combined Councils – Borrowing Projections & Capacity vs. Policy Limits

	1	2	3	4	5	6	7	8	9	10
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Current portion of public debt	18.6	20.8	22.1	22.3	23.6	25.3	28.7	37.7	35.9	36.1
Public Debt (term)	193.0	244.2	293.6	327.4	348.4	360.0	364.9	363.7	356.6	348.8
Public Debt	211.6	265.1	315.7	349.7	372.0	385.2	393.6	401.5	392.5	384.9
Ratepayer's Equity										
Total operating revenue	2,147.2	2,212.6	2,286.3	2,370.2	2,456.7	2,547.4	2,640.3	2,735.7	2,835.3	2,941.1
Finance Costs	171.1	178.0	197.5	212.2	219.8	230.8	240.6	252.0	261.0	272.0
Interest rates (conservative)	11.1	13.8	17.5	19.9	21.7	24.3	26.0	27.5	27.6	27.0
	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
External Debt not to exceed 25% of Equity	10%	12%	14%	15%	15%	15%	15%	15%	14%	13%
Max Possible Debt for Ratio	536.8	553.1	571.6	592.6	614.2	636.8	660.1	683.9	708.8	735.3
Borrowing Capacity	325.2	288.1	255.9	242.8	242.1	251.6	266.5	282.5	316.3	350.4
	217.8	177.4	141.6	124.3	119.3	124.3	134.5	145.6	174.6	203.3
Net External Debt not to exceed 250% of Total Operating Revenue	124%	149%	160%	165%	169%	167%	164%	159%	150%	142%
Max Possible Debt for Ratio	427.7	444.9	493.6	530.4	549.4	577.0	601.5	630.0	652.5	679.9
Borrowing Capacity	216.1	179.9	177.9	180.6	177.4	191.7	208.0	228.6	260.0	295.1
Overall Maximum Remaining Borrowing Capacity - lowest borrowing over all ratios	216.1	179.9	177.9	180.6	177.4	191.7	208.0	228.6	260.0	295.1
	217.8	177.4	141.6	124.3	119.3	124.3	134.5	145.6	174.6	203.3
Maximum Borrowing Capacity - least of all years	177.4	177.4	177.4	177.4	177.4	177.4	177.4	177.4	177.4	177.4
	208*	119.3	119.3	119.3	119.3	119.3	119.3	119.3	119.3	119.3

* Debt/Equity Ratio