RUSSELL PROTECTION SOCIETY (INC)
P O Box 154
Russell, Bay of Islands

SUBMISSION ON 2007/2008 DRAFT ANNUAL PLAN

REPRESENTING 75 INDIVIDUALS & FAMILIES

COMMUNITY BOARD: EASTERN WARD

WE WISH TO BE HEARD IN SUPPORT OF THIS SUBMISSION ON THURSDAY 10th May.

PAGES: 4

DATE: 18 April 2007

Topic: Rates and Process

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Previous submissions

The Russell Protection Society provided a detailed and lengthy submission to the previous 2006/2006 Draft Annual Plan and LTCCP. This submission was supported by other Russell groups and by numerous individuals. We have a concern that the key points in our previous submission were largely ignored by Council and therefore we are apprehensive about the utility of engaging in this current Annual Plan exercise.

In summary, the key points of that submission were:

- We opposed the suggestion that **Russell Peninsula should be intensified** by promoting a continuous ribbon of development from Okiato to Russell Township as this serves to destroy the essential core values and attractions of the area, upon which the economically valuable tourism industry is based and because these proposed intensifications are arguably contrary to the purpose and principals of the RMA and the objectives and policies that apply to the relevant zonings in the proposed District Plan. We see no indication that Council has backed away from such an ill-considered stance.
- We opposed the **planned provision of expensive infrastructure for Russell Peninsula, including a community water supply, a sewerage pipeline across a bridge, and a bridge linking Opua with Russell** because Council simply does not have the mandate from the local community to consider and spend money investigating these expensive projects, especially when these pose a direct threat to the values that this community holds so dearly. We note that Council has persisted in this regard by recently releasing a "10 Year Development Plan" for Russell that shows the provision of a community water

supply, despite all the organisations in the area indicating that they don't want it. It is also frustrating to note that Council already has approved Catchment Management Plans for Russell and Matauwhi Bay, but continues to ignore these by allowing increases in impermeable surfaces and by not maintaining existing grassy berms, water tables, sump holes and flood plains. The recent flooding in the Township is a legacy of this.

- We raised the issue of the **Rating** of east coast properties, particularly on the Russell Peninsula. The land values in this area have risen disproportionately over the last decade and this has been reflected in sky-rocketing rates. Many people who live in these local communities, including Russell, are on low or fixed incomes and the increased rating burden is having a significant effect in changing the fabric of those societies. Families and retired people are being forced out as more affluent holiday home buyers purchase these highly rated properties. The net result is that community services deteriorate and local businesses suffer because there is a lack of a resident population, particularly over the winter months. We asked that Council investigate the use of differential rating for east coast communities in order to address the problem of high land values. We also asked that Council clearly identify how this rating income is used within our community so that people can be confident that Council's "user pays" policy is being applied openly and fairly.

<u>Rating issue (again)</u>

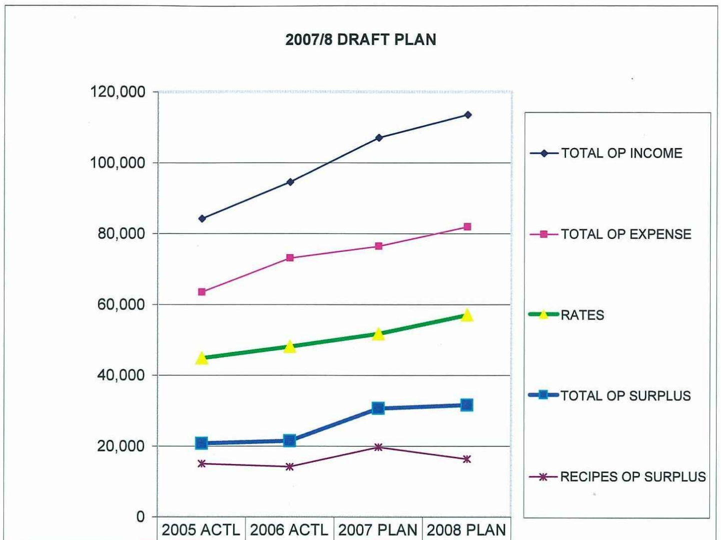
This submission is also being made by other organizations in Russell and represents the shared depth of feeling that is held across our community on the rating issue. The proposed rates increases are beyond the level of affordability for our community. By bundling the targeted rates together with the general rates increases, the plan does not fairly state the impact of these increases on our residents.

The general rate will be increased by 8.7%, the Ward rate by 9.1% the UAG by 10.6% and the targeted rate for Russell properties with sewers by only 1.4%. We estimate that only one third of the properties on the Russell peninsular are connected to the Russell sewerage system so for most of us the overall rates will increase by 9%. For those with sewer connections in Roll 413 FNDC projects that the median property value rate will increase by 7.3%. The 50% above the median will see increases ranging up to the 9% level. The 5.7% increase in the district wide median while being mathematically correct, in no way reflects the impact on our community or, as far as we can see, on any other community either.

A high percentage of our residents are retired and are on fixed incomes or incomes tied to the cost of living. They are not in a position to support the ridiculous increases that are proposed. It is interesting to note that the FNDC salary bill for the coming year is planned to increase by only 2.5 percent. Our elected representatives and the Chief Executive are running at an embarrassingly higher rate of increase and may personally be well able to sustain the increased rates. The rest of the community cannot. It should not be forgotten that the rates increases will also impact the operating costs of all businesses in the area so there will be a multiplying effect on our cost of living.

The increases in the estimated land values of properties in the last revaluation cycle were huge. However it must be remembered that it in no way increased our capability to pay more rates. It also did not in anyway increase the FNDC costs for providing services to us. The council does not seem to have any understanding of concept of affordability.

The chart below shows the actual history for years 2004/5 and 2005/6 and the latest plans for this year and next year. It is not hard to see that the operating income and rates income are each planned to increase by about 20% in the 2 year period 2006/2008. Operating expense is increasing at only 12% in this time frame. Meanwhile the operating surplus is increasing by almost 50%. The operating surplus shown in the FNDC document titled “Recipes for success” published to support the 2005/6 Draft plan is also shown on the chart. This surplus is virtually double that planned just 2 years ago.



	2005 ACTL	2006 ACTL	2007 PLAN	2008 PLAN
TOTAL OP INCOME	84,234	94,551	107,146	113,558
TOTAL OP EXPENSE	63,499	73,075	76,494	81,981
RATES	44,851	48,167	51,734	57,042
TOTAL OP SURPLUS	20,735	21,476	30,652	31,577
RECIPES OP SURPLUS	15037	14166	19693	16352

A close examination of the draft plan suggests that it is perfectly possible to keep all the planned programs without increasing the rates at all. Consider the net surpluses that are proposed. The net operating surplus in the original plan has grown by about $2 million in the latest plan. The planned operating expenses have gone down by $600,000 at the same time. The operating income has grown, primarily through higher fees, subsidies and a net increase in the various elements of rates. If the rates were not to increase at all the operating surplus would still be $26.2 million which is $10 million above the “recipes for success” planned amount of only 2 years ago. If the general rates were to increase by 3 percent as opposed to the planned 9% the surplus would be $29 million.

Other measures of the reasonableness of the planned surplus are to compare it to the amount being spent in operating expenses and the rates revenue:-

	2004/5	2005/6	2006/7	2007/8
Op Surplus as % of Exp - Actl plan	32.6%	29.4% 23.0%	 40.1%	 38.5%
Op Surplus as % of rates-Actl plan	46.2%	44.6% 31.8%	 59.2%	 55.4%

There may possibly be other revenue opportunities. Development charges for 2004/5 were $11.1 million. In 2005/6 they were $17.1 million. They are planned to be $11.8 million this year and next year. Council should re-evaluate this on the basis of the current year to date data.

There are also a number of non-essential programs that have been brought forward from the out years of the plan – for example approximately $1million for football and netball facilities. These are worthy if they are affordable. But they are not a pressing need that requires the ratepayers to be overburdened with rates increases. If they cannot fit into the plan without exceeding a 3 percent increase in the general rate they should stay where they were in the original plan.

Russell residents pay a disproportionately high amount of rates in the district. We carry the major burden of the increases on a per ratepayer basis and we do not support the kinds of increase proposed. In much of your documentation you refer to the difference between income and expenses as net profit. The purpose of profit is to provide a return to the stockholders. In this case the stockholders are the ratepayers. Where surpluses grossly exceed the planned level the balance should be used to reduce rates in the following year.

The 2007/08 Draft Annual Plan was of course drawn up before the recent March storm. Council should not use the storm damage as an excuse to justify their proposed rate hikes. If the council cannot cover the cost of the damage by using some of the planned $30.6 million operating surplus in this years plan, then the normal process would be to cover these extra-ordinary expenses by way of a dedicated loan. This is appropriate because it makes transparent the costs involved and is the usual mechanism for attracting matching central government funding and assistance. It is not considered suitable to simply raise rates to pay for one-off events such as this.

In the FNDC submission to the Local Government Rating Inquiry, Council makes it very clear that it understands and accepts that there is a serious problem with the disproportionate rates that East Coast ratepayers, especially those in Russell, currently pay. In this same submission, Council also acknowledges that the current broad range of rating tools available could be applied to resolving this problem. This includes differential rating, valuation averaging, holding value of property, and capital value rating. On that basis, there is no need for Council to delay until after the results of the inquiry are available before giving much needed rating relief to the people of Russell. **We need it now**.

Yours sincerely

Acting Chairperson
Russell Protection Society Inc