Long-term Plan 2024–34

Respondent No. 235

Response ID 5672635

Date of contribution Apr 26 24 09:04:44 am

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Please let us know what ward you live in	Paraparaumu
Do you want to speak to Council about your submission at our public hearings on 2 May?	No
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Submission

Is there anything else you'd like to tell us about this LTP?

The Long Term Plan (LTP) is primarily about how to fund the Council's operating costs and infrastructure investments. The evidence provided suggests that the Council is currently "living beyond its means". Depreciation costs of those investments are not being fully met and shortfalls of $3.5M per year are mentioned (pp13, 26), with total debt rising accordingly. This situation is made worse by significant cost increases for finance, insurance, staffing and contract services. Meeting these increases is said to account for 12% (p5) of the proposed 17% rate rise (or 70% of it).

It is commendable that the Council is aiming to address this situation where its costs exceed revenue from rates and other sources. The LTP's comments on intergenerational equity are key here (pp13, 18). Where long term investments are being made it is important that current ratepayers meet their share of the costs of current services and those infrastructure investments. Since future generations of ratepayers also benefit from infrastructure investments, they too should contribute to the costs of them. It is unsatisfactory, therefore, for shortfalls in the contributions by current ratepayers to be foisted on future generations of ratepayers in the form of higher debt.

In my view, the two proposals in the LTP move in the right direction – so that current ratepayers meet their share of Council costs. However, it seems to me that they are packaged in a way that tends to obscure what is going on. The first involves the Council raising rates or debt to cover the costs of water infrastructure being unfunded by the repeal of the Three Waters initiative. But that programme was never fully implemented, and so the future costs of providing water infrastructure are simply a continuation of previous obligations. They are not new activities, though probably cost less than the 5% rise in rates now envisaged (p26). The second proposal can also be justified as it provides fiscal headroom to meet contingencies arising from more extreme weather events, though an equally important reason is to address intergenerational equity by having current ratepayers retroactively reverse the debt they have been transferring to future generations.

The Council may still see this way of presenting the funding issue as the best way to communicate with ratepayers. If so, my view is that meeting the costs of water infrastructure by rate increases is to be preferred to more debt funding. So too is a rate rise that ensures current ratepayers significantly reduce the debt burden they are imposing on future ratepayers.

The LTP seems not to comment enough on how to find an acceptable balance between the perceived affordability of rate rises and the cost of financing the infrastructure programme. This balance seems hard to achieve. That the Council is presently living beyond its means and increasing debt indicates opposition to rates rises. The way the two LTP proposals are presented, as discussed above, is more evidence that affordability is a tricky issue. Thirdly, the LTP says little about how large infrastructure costs might be mitigated by postponing or re-scoping some of the proposed investments. That programme is presented as a given, as being justified by community needs – which must proceed. This might suggest a rigidity in views about infrastructure investment. It will be interesting, and important, to gauge the overall ratepayer response to the proposed 17% rates hike. If the result is acquiescence or grudging acceptance, then the Council can justify pressing ahead. If there is a good deal of resistance and "push-back" to the proposed rate increase, then some re-visiting of the programme of infrastructure investments may well be necessary to limit increases in rates.

Nevertheless, this doesn't alter the reality that, given the data presented, substantial increases in rates are warranted to address funding shortfalls and inflation in input costs.

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