Te kaunihera ā-rohe o
**matamata-piako**
district council


# MATAMATA PIAKO

TE PUKAPUKA MĀTANGA MŌ TE TAUIRA RAUTAKI Ā-TAU 2023/2024

CONSULTATION DOCUMENT FOR THE 2023/24 DRAFT ANNUAL PLAN

# NAU MAI - WELCOME

## MAI TŌ KOUTOU KOROMATUA RĀUA
## MESSAGE FROM YOUR MAYOR

This new Council has hit the ground running since being elected in October 2022. One of the first things we started working on was the Annual Plan. This is the plan that checks our progress against what Council set out to do in the Long Term Plan, and makes any changes or additions for the year ahead.

Council consulted widely on the Long Term Plan in 2021, including a spike in rates this year of 11.8% - largely due to shifting the cost of rubbish collection to rates, instead of rubbish bag sales. What we didn't predict at the time was the rapid rise in interest rates, high levels of inflation, staff shortages, and supply issues that everyone is facing right now. We're also facing a number of costs from central government - like tougher water regulations, and increasing costs to dispose of water. All these issues mean we are now facing a **draft total rates increase of 16.9%**.

Like the rest of the country, Council is feeling the effects of the current economic climate. These pressures mean there is little room to manoeuvre in setting this year's budget. This is a period of challenge and change, and the central government reforms on the horizon are likely to bring extra costs.

We know that 16.9% is a huge increase that will be a challenge. We have done what we can to offset that increase - going through the budget with a fine tooth comb, reducing operating budgets, delaying projects, and taking some risks in our budgeting processes.

It is a constant challenge to strike a balance between short term benefits (like lower rates increases) and making good decisions for the future. We are conscious that kicking the can down the road is likely to make things worse for our ratepayers in the years to come.

We have weighed these decisions up carefully, and believe that reducing rates any further than the proposed 16.9% would not be prudent and would compromise our ability to continue to deliver our services and make vital investments and improvements for the future.

Please take the time to read through this Consultation Document and understand the challenges we are facing. We want to hear from you – our community – on whether you think we have this right, or if there is anything else you think we should be considering as we set the budget for the year ahead.

**Adrienne Wilcock**
**Mayor**

# KA TĀTAURAKA
# THE NUMBERS YOU NEED TO KNOW

*"We had predicted a spike in rates this year of 11.8% - mostly due to the change in kerbside collection contracts. What we hadn't predicted were the rising interest rates, high levels of inflation, staff shortages, and supply issues that everyone is facing right now."*

**11.8%**

WHAT WE PROJECTED THIS YEAR'S RATES INCREASE TO BE (BACK IN 2021)

**16.9%**

PROPOSED TOTAL RATES INCREASE FOR 2023/24

16.9% is how much more we need to collect in rates overall - the increase for each property will vary depending on the property value and the services they receive. Go to mpdc.nz/rid and search for your property to see exactly how the proposed increase would effect your rates.

# HE AHA TE TAKE MŌ TE PIKINGA UTU?
# WHAT'S DRIVING THE INCREASE?

**Kerbside collections + 3.3%**

A significant portion of the projected rate increase for 2023/24 is due to changes in the kerbside collection service. Our existing 10 year contract comes to an end in September this year, and a new contractor has been awarded the tender to take over the service. To meet up-coming central government requirements, our new service will include food scrap collections and a standardised recycling collection. There will be no more rubbish bags, instead moving to an additional wheelie bin for your general waste.

The new contract costs, one-off implementation costs and increased central government costs (the Emissions Trading Scheme and Waste levies) will add an additional $1 million in costs this year.

For those who receive kerbside collection services, targeted rate will increase from $123.91 per property, to $289.28 per property. This is because we are changing how we charge for this service to be fully funded through targeted rates, instead of a mix of rates and rubbish bag sales (i.e. you won't need to buy rubbish bags any more). The total cost per year is only slightly higher for a household that currently buys one rubbish bag per week:

**Current system**:
$123.91 (rates) + $156 (52 bags) = $279.91 per year

**New system:**
$289.28 per year ($9.37 more)

**Transfer Station Operations + 2%**

As a result of our 10 year contract ending in September we are facing increased costs to continue to operate our transfer stations. Just like all other areas, the operating costs for diesel, staff etc have increased. We are also planning to increase staff numbers (from two to three) at these sites for Health and Safety reasons. The extension to the contract is a short term solution as we plan to bring the management of these sites in-house in the future. However, we need time to roll out the new kerbside collection service first, so we need to cover these additional operating costs for the year ahead.
In addition to these costs there are increased levies from central Government for sending waste to landfill of $48k, and additional costs to meet our responsibility to monitor and maintain the district's closed landfill sites to required environmental standards $91k.

*There is scope to keep costs slightly lower by not providing additional staff at the transfer stations. But because this is about health and safety, we think it is more responsible to fund these extra costs.*

**Interest rate increases +1.7%**

Everybody will know that interest rates have increased over the last 12 months. This also affects Council as we borrow money to pay for capital projects (i.e. buildings or infrastructure).

### Electricity costs + 1.6%

When you run water treatment and wastewater treatment plants 24/7, streetlights across the district, heat swimming pools, provide 24 hour wifi at libraries (and more) you use a LOT of electricity.

Council brokers a three year energy contract to try lock in the best deal for our community. This has shielded us somewhat from increases that households have seen over the last few years, but since that contract was renewed in July 2022, we have seen a huge 69% jump (or $661k increase) in our power costs and we need to budget to cover this cost for the year ahead. Looking ahead, we are also expecting our electricity use to continue to increase as we are making improvements at our water treatment plant in Matamata, and building an additional water treatment plant in Morrinsville.

### The impact of inflation on replacing our assets + 4.4%

#### Inflation

When we forecast a rates increase in 2021 of 11.8% for this year, it included 2.9% inflation, but what we have actually seen has been MUCH higher.

Household inflation (known as CPI) has gone up by 7.2%. Every household will know about these increases, as you will have seen groceries and other household bills (your basket of goods) increasing.

The "basket of goods" that Council purchases is different to a household – our basket includes replacing pipes, maintaining roads, purchasing chemicals for water treatment etc. Local government inflation (based on the Capital Goods Price Index) has been hit even harder with increases of between 12.9% and 19%. A number of items in this basket rely on products that are in short supply worldwide, or have had significant price spikes such as oil, transportation and labour costs.

#### 3 waters assets

We have over $220 million worth of water, wastewater and stormwater assets. As part of managing those assets well, we are required to collect money to gradually replace those assets over time. In the current year, we collected $5.8m from ratepayers for this. Also over the current year, the costs of replacing these assets (their valuation) has skyrocketed. In a normal year, we would increase the amount we collect from ratepayers each year to fund the replacement of assets, so that we are keeping up with inflation. But because of the exceptionally high inflation this year, that would mean collecting $7.5m (an additional $1.7m).

To try and keep the rates increase as low as possible, we're proposing to not collect the full $1.7m, but collect $1.2m (70% of that) instead. This is because we don't believe this is a 'normal year', and think it is possible that the factors driving the skyrocketing costs may settle over the coming years, and the costs could reduce.

This is taking a risk – if costs do not settle over time or continue to increase, we'd be left short and we'd either need to borrow more or adjust the rates to make up the shortfall.

We'd monitor this closely over the next couple of years and adjust the rates or look at other options if required.

*There is scope that we could collect even less of the increase (e.g. 50%) to get the rates increase lower, but we think this would be risky, and is likely to leave us short in future.*

#### Roading assets

We have roading assets currently worth over $524 million in our district (not including the State Highways that are managed by Waka Kotahi/New Zealand Transport Agency). New roads, footpaths, streetlights etc are added each year as subdivisions are completed by developers and connected to our network.

In the current year we collected $3.4 million from ratepayers towards the gradual replacement of these assets. Waka Kotahi also contributed a further $3.2 million towards this.

Just like with our 3 waters assets, the costs of replacing these assets has skyrocketed over the last year. In normal circumstances, we would increase the amount we collect from ratepayers to fund the increasing cost of replacing our assets. We'd also usually seek a similar increase in funding from Waka Kotahi, so that we are keeping up with inflation. Based on our most recent valuations, that would mean collecting $10.7m for 2023/24 (an additional $2 million from ratepayers).

However, this is not a normal year. Affordability is a huge concern, and there is a possibility that the factors driving the skyrocketing costs could settle over the coming years, meaning the costs could reduce. We also think it is unlikely, given other significant demands that Waka Kotahi will increase their funding to this level.

Based on this, we are proposing to change how we fund our roading asset replacements. Instead of collecting a percentage of the value of the assets to put towards replacement, we are looking at the replacements specifically needed for the year ahead and what we will practically be able to deliver, and collecting this amount instead.

This change in approach means we're proposing to collect an additional $665,000 from ratepayers, rather than $2 million.

This strategy does come with longer-term risks – the the level of funding from Waka Kotahi could be altered through future changes in central government policy, and if costs do not settle over time or continue to increase, we'd be left short and we'd either need to adjust our level of renewals work (do less road maintenance), or borrow more or adjust the rates to make up the shortfall. We'd monitor this closely over the next couple of years and adjust the rates or look at other options if required.

**Water supply operating costs + 2.7%**

On top of the asset replacement costs and the increasing power, the cost to deliver clean, safe drinking water to our homes and businesses continues to increase.

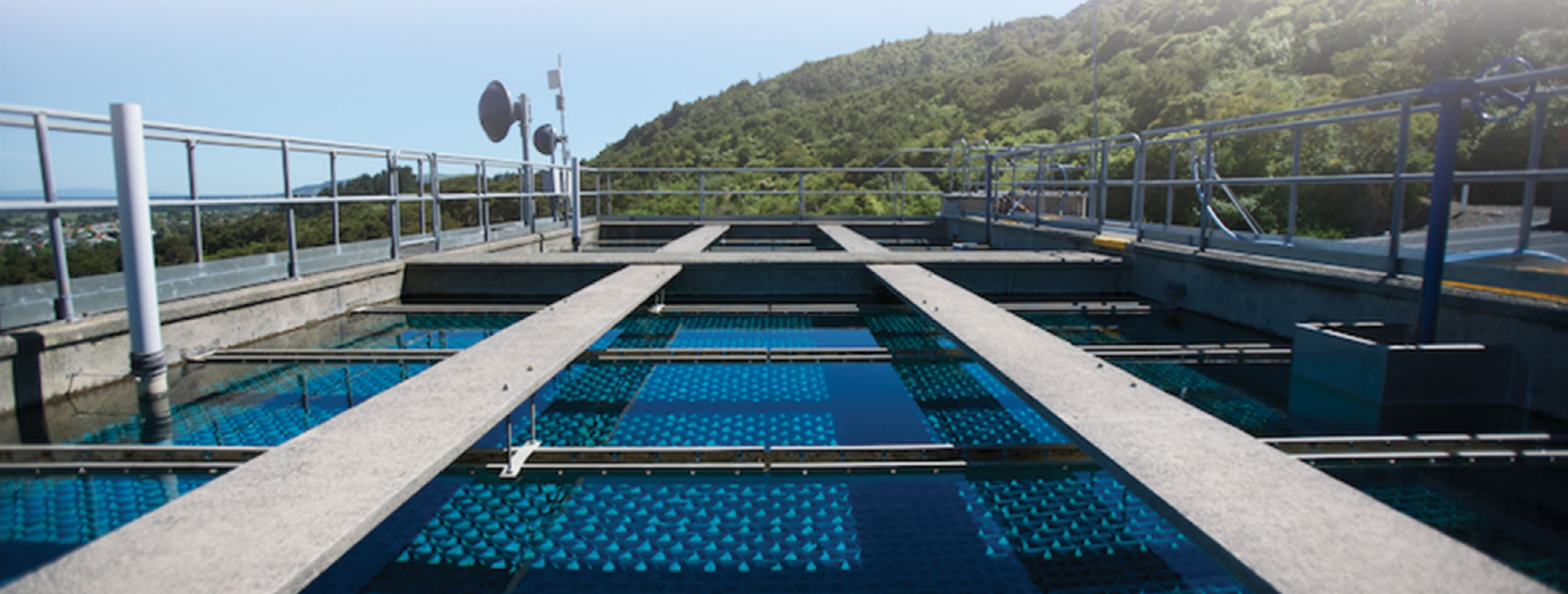
A new water regulator (Taumata Arowai) is in place for New Zealand. Their role is overseeing the environmental performace of drinking water, wastewater and stormwater networks. Part of their mandate is improving the standards around water quality in New Zealand and more rigorous monitoring. At the same time, we are required to comply with conditions set by the Regional Council (e.g. for water take consents), which continue to get tougher. The requirements from both authorities are positive, as they mean improvements for all New Zealanders, but they come at a cost. We need to do more planning, investigations and detailed reporting to comply – and this requires additional resources.

On top of this, we have seen significant price increases in the chemicals that are used to treat water to make it safe to drink - for example, chlorine costs have increased by approximately 40%.

**The balance + 1.2%**

The remaining 17% of the increase is made up of small increases across a number of budgets. Things like increasing traffic management costs, other compliance costs, interest rate increases, training, insurance increases etc.

The full draft Annual Plan is available at **mpdc.nz/annualplan**



# HE NUI TONU TE UTU - WHAKAHEKE ANŌ
# THAT'S STILL TOO MUCH - CUT MORE

We know that 16.9% is a big increase - and it isn't a proposal we make lightly. If you've read this far you'll know that most of these cost increases are not options we can choose - we have to cover the increasing costs, and the majority of our funding comes from rates.

### Then make cuts elsewhere...

The proposed 16.9% increase already includes significant changes and cuts to our budgets. These include:

- Cuts to operating budgets across the organisation - including changing the way we do things, looking to complete more work in-house where we have the capability, not doing some things, or taking a risk that some costs may not arise.
- Deferring or reprioritising projects. The Long Term Plan included $41m worth of capital projects this year. We have revised those projects and made changes to keep costs low, and based on our capacity to deliver the projects over the next 12 months. The revised budget included in the draft Annual Plan is $28m. Projects we're proposing to defer include:
    - Starting construction of the Te Aroha Spa - $8.4m
    - Matamata Transfer station upgrade - $4m
    - Matamata Indoor sports facility - $2m
    - Te Aroha Domain development - $500k
    - Te Aroha pool improvements - $500k
    - Pool amenities (splash pads) - $210k
    - Lower Tui Park development (mountain bike skills park) - $200k
    - Matamata Civic Centre stage - $200k
- Reducing our total salary budget on the assumption that we will have some vacancies throughout the year (i.e. when an employee leaves, there is usually several weeks before someone else steps into that position). A number of our roles are also specialist positions that are increasingly difficult to fill, so can be vacant for months.
- Increasing a number of our fees and charges to reflect the increasing costs of providing our services.
- Allowing for more income from our facilities based on the new spas (two additional pools have been added at the existing Te Aroha Mineral Spas in the rooms that were previously used for massage and beauty treatments).
- Reducing the amount of funding we're collecting to replace our assets in future (read the previous section for an explanation of why we're proposing this, and why we believe it is still prudent/responsible).

### That's not enough, cut more...

Given the nature of our cost increases, we'd have to make really drastic cuts to our services to see any real reduction in this rate increase. We legally can't make these decisions without having a really robust discussion with the community about what services they would be happy to reduce or drop altogether, and we don't want to do this as a knee-jerk reaction.

We plan to have this robust discussion with the community over the next 12 months as part of our next Long Term Plan.

# HE NUI TONU TE UTU - WHAKAHEKE ANŌ
# HOW IT WILL AFFECT YOU

*How much each property pays will vary depending on the property value and the services you receive*

Go to **mpdc.nz/rid** and search for your property to see exactly how the proposed increase would effect your rates

The following example properties show how the proposed changes would affect different property types (based on their values and the services they receive).

## An urban property worth $800,000

This example property is in an urban area with all services - e.g. water, wastewater, kerbside collection.

| | 2022/23 Rates Invoice | Proposed 2023/24 Rates Invoice | How much is the proposed increase for this property? | | What's driving the increase? |
|---|---|---|---|---|---|
| General rates | $962.72 | $1035.81 | $73.09 | 7.59% | ▪ Cost to replace and maintain roads<br>▪ Cost to operate transfer stations<br>▪ Government waste levies<br>▪ Costs for monitoring closed landfills<br>▪ Interest<br>▪ Power<br>▪ Staff costs<br>▪ Chemicals and fuel<br>▪ Insurance |
| Uniform Annual General Charge (UAGC) | $689.17 | $798.13 | $108.96 | 15.81% | |
| Kerbside collection | $123.91 | $289.38 | $165.47 | 133.54% | ▪ New kerbside collection contract - additional services, and residents will no longer need to buy rubbish bags |
| Water | $459.16 | $650.26 | $191.10 | 41.62% | ▪ Cost of complying with new government regulations and consents<br>▪ Asset replacement costs<br>▪ Power<br>▪ Chemical supplies |
| Wastewater | $612.76 | $626.26 | $13.50 | 2.2% | ▪ Power<br>▪ Asset replacement costs |
| Stormwater | $123.75 | $133.25 | $9.50 | 7.68% | ▪ Asset replacement costs |
| **Total** | **$2,971.47** | **$3,533.10** | **$561.63** | **18.9%** | |

## A rural lifestyle property worth $1.5 million

This example property is a lifestyle block with no services (e.g. water, wastewater)

| | 2022/23 Rates Invoice | Proposed 2023/24 Rates Invoice | How much is the proposed increase for this property? | | What's driving the increase? |
|---|---|---|---|---|---|
| General rates | $1,805.10 | $1,942.15 | $137.05 | 7.59% | ▪ Transfer station costs<br>▪ Government waste levies<br>▪ Costs for monitoring closed landfills<br>▪ Power<br>▪ Chemicals<br>▪ Insurance<br>▪ Interest<br>▪ Staff costs<br>▪ Inflation in roading costs |
| Uniform Annual General Charge (UAGC) | $689.17 | $798.13 | $108.96 | 15.81% | |
| **Total** | **$2,494.27** | **$2,740.28** | **$246.01** | **9.9%** | |

## A rural property worth $5 million

This example property is a farm with no services (e.g. water, wastewater)

| | 2022/23 Rates Invoice | Proposed 2023/24 Rates Invoice | How much is the proposed increase for this property? | | What's driving the increase? |
|---|---|---|---|---|---|
| General rates | $6,017 | $6,471.83 | $456.83 | 7.59% | ▪ Transfer station costs<br>▪ Government waste levies<br>▪ Costs for monitoring closed landfills<br>▪ Power<br>▪ Chemicals<br>▪ Insurance<br>▪ Interest<br>▪ Staff costs<br>▪ Inflation in roading costs |
| Uniform Annual General Charge (UAGC) | $689.17 | $798.13 | $108.96 | 15.81% | |
| **Total** | **$6,706.17** | **$7,271.97** | **$565.80** | **8.4%** | |

## A commercial property worth $1 million

This example is based on a commercial property with services (e.g. water) with two additional toilets (‘pans’) for wastewater. The property will only be rated for kerbside collection for July and August 2023 as properties in commercial areas will no longer be eligible for kerbside collection when the new service begins in September. For more information on this visit mpdc.nz/commercial

| | 2022/23 Rates Invoice | Proposed 2023/24 Rates Invoice | How much is the proposed increase for this property? | | What’s driving the increase? |
|---|---|---|---|---|---|
| General rates | $1,203.40 | $1,294.77 | $91.37 | 7.59% | ▪ Transfer station costs<br>▪ Government waste levies<br>▪ Costs for monitoring closed landfills<br>▪ Power<br>▪ Chemicals<br>▪ Insurance<br>▪ Interest<br>▪ Staff costs<br>▪ Inflation in roading costs |
| Uniform Annual General Charge (UAGC) | $689.17 | $798.13 | $108.96 | 15.81% | |
| Kerbside collection | $123.91 | $48.23 | -$75.68 | -61.08% | ▪ Commercial, CBD and Industrial properties will only pay for this service while it is available to them in **July and August 2023**. |
| Water | $459.16 | $650.26 | $191.10 | 41.62% | ▪ Complying with new regulations<br>▪ Power costs<br>▪ inflation |
| Wastewater | $1,838.28 | $1,878.79 | $40.51 | 2.2% | ▪ Power<br>▪ Inflation |
| Stormwater | $123.75 | $133.25 | $9.50 | 7.68% | ▪ Inflation |
| **Total** | **$4,437.67** | **$4,803.43** | **$365.76** | **8.2%** | |

# WHAKAPĀ MAI

# WE WANT TO HEAR FROM YOU

If you've read this far, you'll understand the budget challenges we're facing. There are always options for managing a challenge - but our options this year are limited.

## What we're proposing

We're proposing to proceed with the 16.9% rates increase for all the reasons outlined in this document. You can also view the draft Annual Plan in full and use our online interactive tool to explore the budget in more detail at *mpdc.nz/annualplan*.

We believe this draft budget strikes a balance - it includes a number of cut backs, as well as some risks in how we manage our finances to keep rates down, but it also means we can continue to deliver all our existing services and make progress on projects that are already under way.

We know that 16.9% is a massive increase - but we're also wary of deferring any more costs, as prices only go up.

## What are the alternatives?

There are a few areas that we could partially fund or take greater risks (we've provided examples of this throughout this document), however, we don't believe these options would be financially responsible. They would only make overall rates increase slightly smaller (lowering it to around 14.6%), and are likely to cause problems or even bigger increases in years to come.

If you think that those risks are worth taking and that we should kick these costs to the future for the sake of saving 2.3% this year, then we want to know about it.

If you can think of anything else we haven't considered to make significant savings that can be implemented as soon as 1 July (noting that we legally can't make drastic service cuts without a lengthy Long Term Plan review) then we'd also love to hear your ideas.

## Tell us what you think by 4pm on 26 May

The easiest way to share your thoughts is online at mpdc.nz/haveyoursay

You can also email your submission to info@mpdc.govt.nz

Or collect a hard copy submission form from any Council office or library

## Got questions?

For more information on what we're proposing check out mpdc.nz/haveyoursay where you can view all the underlying documents and more. Or **join your local councillors for a coffee and kōrero** about the proposed rates increase and the plans for the year ahead:

**ONLINE**

- 22 May, 7pm to 8pm
- Zoom - register at mpdc.nz/annualplanchat

**MORRINSVILLE**

- 18 May, 10am to 12pm
- Senior Citizen's Hall, 45 Canada St

**MATAMATA**

- 19 May, 10am to 12pm
- Momento Espresso, 67 Arawa St

**TE AROHA**

- 19 May, 12pm to 2pm
- Domain Cottage Café Te Aroha Domain