

2009-2019

Long-Term Council Community Plan Volume One



part 2: decisions for the future

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2.1 Challenges we will face over the next ten years

Council has identified that there are a number of key issues that will impact on the district over the next ten years. The major challenges the district faces over the coming decade include managing growth, water management, sustainability of services such as libraries, pools and roads, the ageing population and Council's overseas investment.

2.2 Discussion with the community

Council faces a struggle each year to provide the level of service that is expected from the community without increasing rates. As a result it was decided to involve the community early on to ensure that Council had an understanding of what the community want.

Options were identified for several key issues and put to the community along with the advantages and disadvantages of each choice, and the impact that each option would have on rates.

The feedback process was highly successful whereby Council received over 430 replies from individuals, approximately 100 replies from secondary schools in the district, and input from groups such as Federated Farmers and Grey Power.

2.3 Our future direction

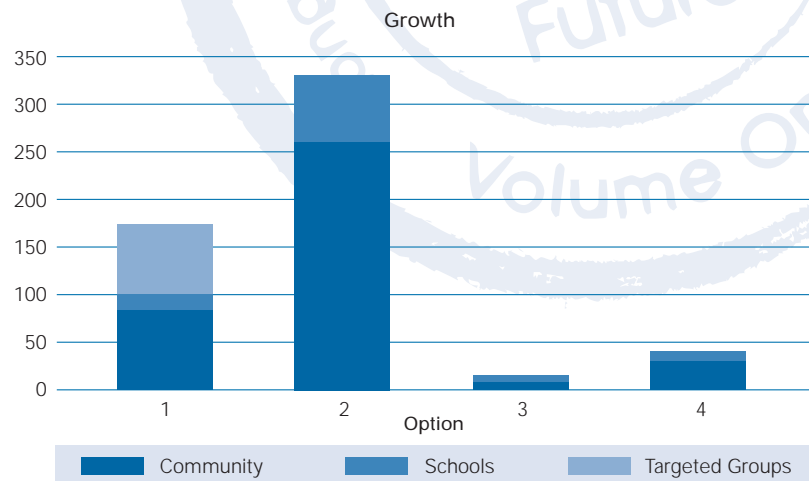
The following describes the discussion with the community, the communities feedback and the direction Council has identified within this plan.

Growth

While growth is important to ensure that our towns grow bigger and industry flourishes, on-going growth has put some pressure on the district. Council needs to plan so that we don't have unplanned costs due to the need for additional infrastructure. We also need to ensure that we are protecting good quality farm land as agriculture is the biggest contributor to the district's economy.

The community was presented with different options for managing growth. These options were to:

1. Continue managing growth through current processes
2. Concentrate growth in the three main urban areas
3. Distribute growth away from the three main urban centres, seeing rural villages expand
4. Leave growth to market forces which could see growth potentially occur anywhere



The community feedback shows there is favoured support for concentrating growth in the three main towns and Council has developed this plan on this basis.

Concentrating growth in the existing urban areas of Matamata, Morrinsville and Te Aroha means Council is better able to accommodate and plan for growth, rather than taking a reactive approach. This option allows for people to have better access to facilities, is more likely to protect good quality rural land from unplanned development, and offers the opportunity to promote high quality urban environments.

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As discussed in section 3.6 Council is undertaking a Growth Strategy, which aims to drive the long-term integrated development of the district. Quality urban life is important in attracting and retaining residents. The Draft Growth Strategy highlights the need to integrate land-use, infrastructure, funding and transportation to maintain and increase the quality of our urban environments for a growing population.

Maintaining and enhancing development in our towns can be achieved through the completion of future planning concepts (i.e. structure plans) for the three main towns with good urban design. Council is a signatory to the New Zealand Urban Design Protocol which forms part of the Government's Sustainable Development Programme of Action that aims to ensure towns of New Zealand are healthy, safe and attractive places where business, social and cultural life can flourish.

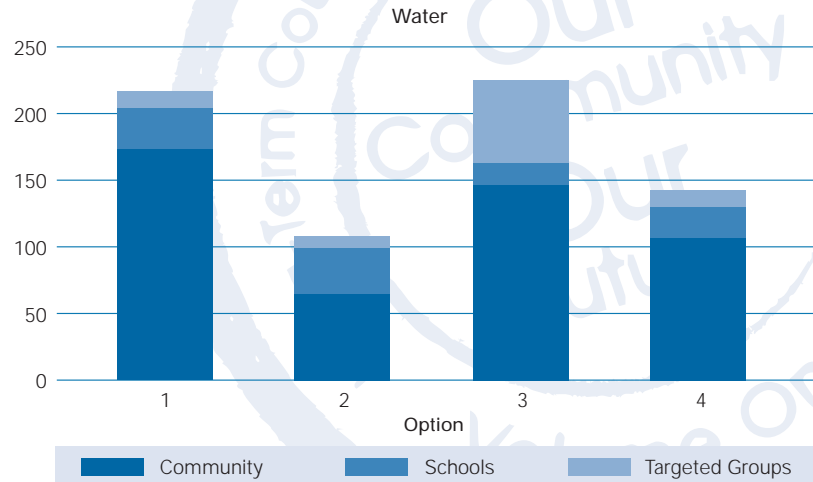
The Protocol aims to make New Zealand's towns and cities more successful by utilising urban design principles to help make a difference to the quality of urban centres. Good urban design ensures that an area maintains its traditional character and amenity values while catering for population growth. Council is working on its own set of urban design guidelines intended to aid in the development of small subdivisions. This will allow our district to grow in a cohesive and structured manner, with new developments integrating well with surrounding development.

Water conservation

Water is one of the most important resources for our health, our industry and our environment. Council needs to find the best way to manage water so there is enough to allow our towns to grow, while also encouraging people to conserve water so there will be enough for future generations.

The options presented to the community to address the issue of the growing pressure on water resources were:

1. The installation of new infrastructure to meet increasing demand
2. Metering of residential properties
3. Encouraging the installation of rainwater systems
4. Community education



The community feedback shows a combination of conservation and education measures being the best way forward.

Since Council's discussion with the community Environment Waikato has released its decisions on the Water Variation to its Regional Policy Statement, which sets out a new framework for the allocation and use of freshwater. Council is required to prepare Water Management Plans for its water supplies and once these are in place it is expected that Council will be able to continue with its current water extraction.

Council has responded to this by funding \$25,000 per year for investigations into conservation and education methods and to see how it could comply with Environment Waikato's water allocation changes and the communities feedback. The first years funding is proposed to be spent investigating the best method to manage water demand. Some minor funding is to be provided for community education.

Along with other Councils in the region Council have teamed up in a 'SmartWaterUse' campaign with a focus on residential water use initiatives that include public education workshops, water conservation tips and vouchers for water saving products.

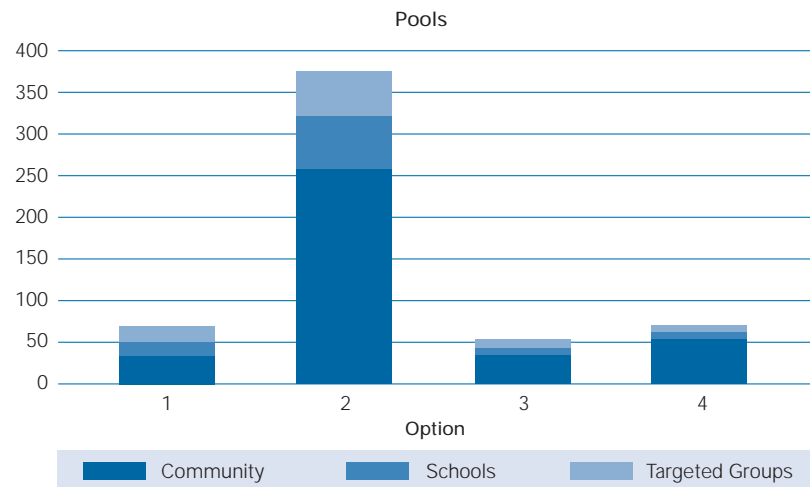
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Sustainability of Council services - pools

The Matamata and Morrinsville pools are getting old and may need to be replaced within the next ten years. Pools provide great recreational opportunities for all members of the community, contributing to our health and wellbeing. The pools are not anticipated to meet the standards the community expects in the future. The need for new pools in the district has to be balanced against an ageing population and a decrease in youth, meaning the sustainability of new pool complexes needs to be considered.

The options presented to the community for the future provision of pools over the next ten years in Matamata and Morrinsville were to:

1. Invest in building new pools
2. Upgrade and renovate the existing pools
3. Set up partnerships with the community
4. Stop investing in pools



The overall response from the community showed favour for upgrading and renovating the existing pools.

Council has agreed with this as it considers that it is far too expensive to build new pools and it is not appropriate not to provide the service for the wellbeing of the community. It proposes to renew the existing pools in order to continue the level of service the pools currently provide and to make sure this level is maintained.

Provision has therefore been made to refurbish the Morrinsville pool over a two year period starting in 2012, and the Matamata pool over a two year period beginning in 2013, with \$900,000 and \$2 million identified respectively in this plan.

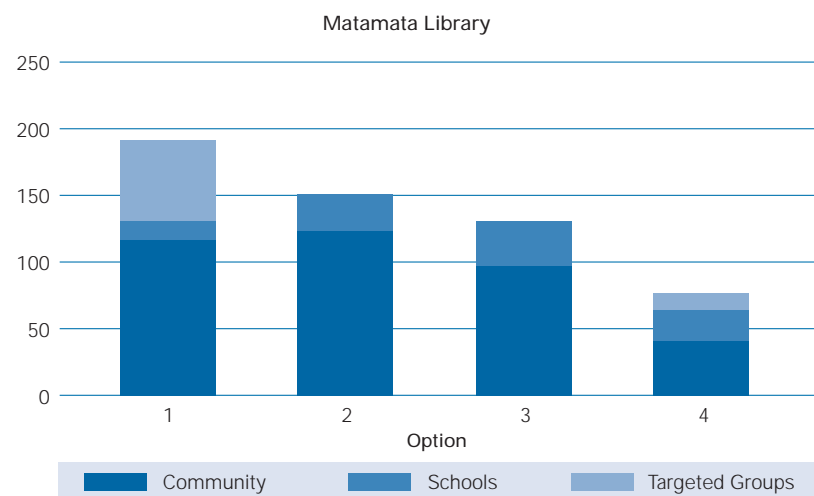
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Sustainability of Council services - library

While the Te Aroha and Morrinsville libraries meet national standards for natural lighting and open space, the Matamata library is currently below the standards for these issues. Libraries are important to our communities as they allow access to knowledge and resources. They are also becoming more and more of a 'social hub' where people can spend time together and attend events. With Matamata library in its current state, it is unable to provide these opportunities to the community.

The options presented to the community to address the Matamata library facilities were to:

1. Maintain the Matamata library services at the current level
2. Build a new library in Matamata
3. Build a combined office and library in Matamata
4. Extend the current library



The results from the community show that while many are happy with the current Matamata library, support was also shown for a new library.

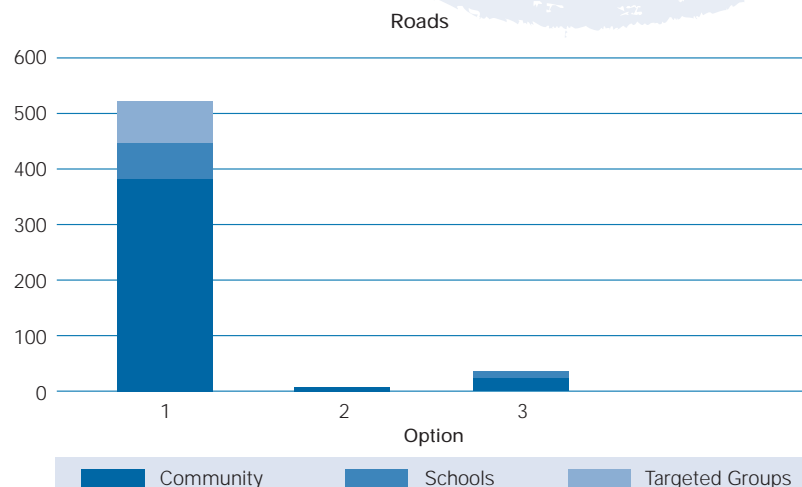
Funding is available over the next three years to investigate further into which is the most cost effective and sustainable option with some funding allocated in year seven to either build or renovate.

Sustainability of Council services - roads

Matamata-Piako has one of the best roading networks in the region, but we also have a high roading budget to keep up the quality. To keep the roads in the current condition means continued rate increases. So while we do have a good roading network, people need to be willing to pay to keep it this way.

The options presented to the community on the sustainability of road quality were:

1. To keep maintaining the roads to the current standard
2. To allow sealed roads with the least amount of traffic to revert to an unsealed state
3. Reduce the maintenance budget meaning roads will be maintained to a lesser standard



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The community indicated that they want to continue with the existing level of service for the district's roading network.

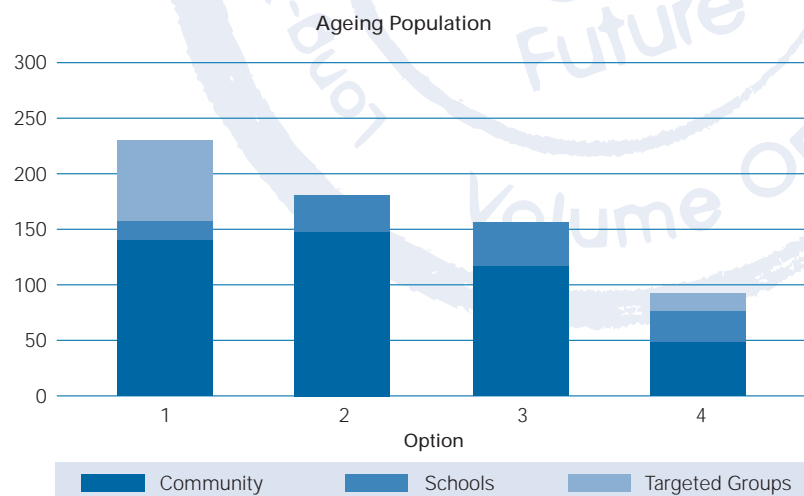
Whilst taking into account this feedback due to considerable publicity about the economic recession affecting economies and financial markets around the world, Council has decided not to fund any additional capital works for roading in the short-term. This is not seen as being detrimental to our roads and work will continue with maintenance and renewals.

Ageing population

Our population is ageing; the number of people 65 years and over is predicted to double over the next 20 years. This means there is going to be an increased need for services to cater for the ageing population. This may include widening footpaths for mobility scooters, providing more public transport or providing more pensioner housing. As a result of this, Council needs to establish its role in catering for the elderly.

The options presented to the community on the catering of services to the elderly were:

1. Only continue to cater for the ageing by providing pensioner housing
2. Council should invest in increasing services to cater for the ageing population
3. Council should not be involved in catering for the elderly
4. Council should invest in promoting the district to attract young people



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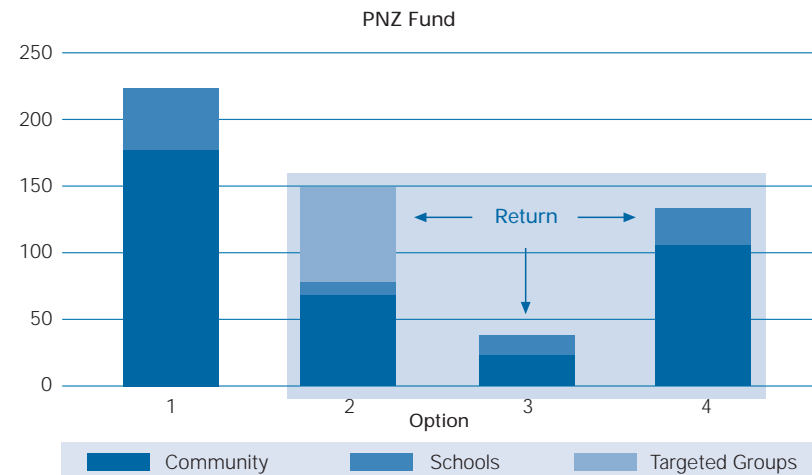
The community's response showed support for continued provision of self funding pensioner housing as well as investing in services to cater for the elderly. While the community's response was taken into consideration Council will continue with its pensioner housing and provide no funding to investigate and identify future needs for the elderly through a specific study but will address issues as they arise. The reason for this is that Council do not see this as a priority within the climate of keeping costs to a minimum.

Power New Zealand (PNZ) fund

Council has an investment of \$13 million in overseas shares. Over the years the community have benefited from this investment, with some of this money being loaned internally to build new infrastructure, and any profits from this investment have been used to subsidise rates. This investment was intended to benefit current and future generations, which is why in the current economy the future of the investment needs to be determined.

The options presented to the community on the future of the PNZ fund were to:

1. Keep the money where invested overseas
2. Return the fund to reinvest
3. Return the fund to New Zealand to give to the community
4. Return the fund to pay off debts



Overall the favoured option of the community is to return the money to New Zealand with over 300 respondents supporting this option. However Councils preferred option due to the current economic climate the investment is best left overseas with a view to bring it home when the time is right and on professional advice so that it can retain its investments for the benefit of future generations.

Council thanks all those who have contributed to this process.

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2.4 Key Projects

Project	2010	2011	2012	2013-2019
District plan changes / review (see page 69 and 70)	✓	✓	✓	✓
District wide sludge dewatering facility for wastewater treatment (see page 134)	✓			
Matamata wastewater treatment upgrade (see page 134)	✓			
Waharoa wastewater reticulation (see page 134)	✓	✓		
Waihou wastewater connection to Te Aroha (see page 134)				✓
District wide wastewater renewals (see page 134)	✓	✓	✓	✓
Stormwater in Matamata, Morrinsville and Te Aroha (see page 120)	✓	✓	✓	✓
Improvements to water supplies in small communities (see page 139)	✓			✓
New water reservoir in Morrinsville (see page 139)	✓			✓
Water pipe replacements (see page 139)	✓	✓	✓	✓
Street lighting upgrades (see page 114)		✓	✓	✓
Road seal widening and extensions (see page 114)		✓	✓	✓
Road paving and improvements (see page 114)	✓	✓	✓	✓
Footpaths (see page 114)	✓	✓	✓	✓
Matamata and Morrinsville pool refurbishments (see page 105)			✓	✓
Matamata library improvements (see page 88)				✓

2.5 What's new

As part of the draft Our Community Our Future plan, Council invited you to have your say on the following proposals.

Arts, Culture and Heritage Strategy

Council has developed a draft Arts, Culture and Heritage Strategy to help provide the district with a clear direction for the arts sector. This strategy is aimed to complement the Active and Leisure Strategy. Collectively it is hoped that these two strategies not only identify and aim to support the main arts, cultural and recreational activities in the district but also identify and enhance the settings and facilities at which they occur. One submission was received.

Development Contributions

The development contributions policy requires a developer to contribute towards

current services to pay for growth related capital works such as water, wastewater, stormwater, and roading. This is so that any increased costs related to growth does not fall on the current ratepayer. Some changes were proposed in the policy such as the introduction of a roading contribution. See Volume Two for the changes and detail of this policy. No submissions were received.

Fees and Charges

Council's fees and charges are set annually. The changes to the fees and charges for 2009/10 are outlined in the Proposed Fees and Charges document which also outlines the fees and charges from the previous year for comparison. Charges that have changed relate to regulatory planning and building, cemeteries, aquatic centres and event centres as well as some wording changes for clarification. One submission was received and some minor changes were proposed for the transfer stations.

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Growth Strategy

A Draft Growth Strategy has been prepared to deal with growth pressures in the district. This aims to drive the long-term integrated development of the district and highlights the need to integrate land-use, infrastructure funding and transportation in order to maintain and increase the quality of our urban environments for a growing population.

Liquor Bylaw

Council proposed a liquor ban through an amendment to Schedule Four of the Public Safety Bylaw. Council has worked with the NZ Police and Waikato District Health Board on this matter and believes it will improve the safety of the general public in the district. It was proposed that a liquor ban apply to Matamata, Morrinsville, Te Aroha and Waharoa within the 50km speed zone on a seven day a week, 24 hour basis. A number of submissions were received both in support and opposition to the liquor ban. Council has adopted the amendment to the Public Safety Bylaw, with the addition of a note to clarify such things as the transport of unopened liquor.

Regional Land Transport Programme

The Waikato Regional Transport Committee has prepared a Regional Land Transport Programme (RLTP) for consultation and public submission. This document is important to Matamata-Piako as it establishes the regional priority for many district transport activities including all state highway activities and some local road improvements. A copy of the Proposed Regional Land Transport Programme is available from Environment Waikato.

Revenue and Financing policy

Council has reviewed the 2006 policy and a number of changes have been made that clarify Council's policy position. The main change is that Council has been more realistic in the level of fees and charges that it can recover from areas such as libraries, parks and reserves and recreational facilities. See Volume Two for the changes and details of this policy.

Stormwater Bylaw

Council proposed a new bylaw to manage stormwater within the district. In general the bylaw relates to the onsite disposal of stormwater, meaning all stormwater generated within a property boundary should be disposed of on that site. It aims to minimise the impact of flooding, erosion and environmental pollution and to protect people and property. Two submissions were received and Council has adopted the

bylaw subject to some minor wording changes.

The new bylaw aims to deal with the limited spare stormwater capacity in the district and will be used for new subdivisions and buildings, and will also deal with stormwater issues arising on existing properties.

The bylaw will apply to the whole district and would be in addition to controls already in place by Council and Environment Waikato under the Resource Management Act 1991, the Building Act 2004, and any other relevant Act, Regulation or Bylaw.

Waste minimisation

The demand for waste reduction initiatives is increasing as environmental awareness, legislation and disposal costs increase.

Council has a responsibility to minimise waste in the district. Reducing the amount of waste generated and disposed of to landfill will help reduce the negative environmental effects of waste disposal. This can be achieved through encouraging the community to get involved in waste minimisation.

The recent introduction of the Waste Minimisation Act 2008 aims to reduce the amount of waste generated and disposed to landfill. The main tool of the Act is to impose a levy on all waste sent to landfill, half the money generated by the levy will go to Council to be spent on improving waste minimisation infrastructure and services in the community, with the other half entering a contestable fund administered by the Ministry for the Environment (MfE). Applications can be made to MfE for funding for waste minimisation initiatives.

How the money returned to Council is spent must be in line with Council's Waste Minimisation Strategy, which details how the amount of waste produced and land filled from within our district will be reduced. A number of submissions were received and these will be used by a working party to consider all issues.

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2.6 Financial strategy

Council forecasts that after allowing for inflation, by 2019:

- Annual expenses will increase by 37% from \$38 million to \$52.5
- The increase in external debt will reflect the capital works programme and will reach a peak of \$51.9 million over the ten years. Total debt will be \$14 million more (38%) than the 2010 level.
- Loan interest will increase from 5% of total expenses to 8%
- Council will be placing even greater reliance on rates to fund these increases. For every dollar Council receives in 2010, \$0.64 will come from rates. This is expected to rise to \$0.68 in 2019.
- Total rates will have to increase by a greater percentage than expenses and will rise from \$24.6 to \$36.6 million (49%)

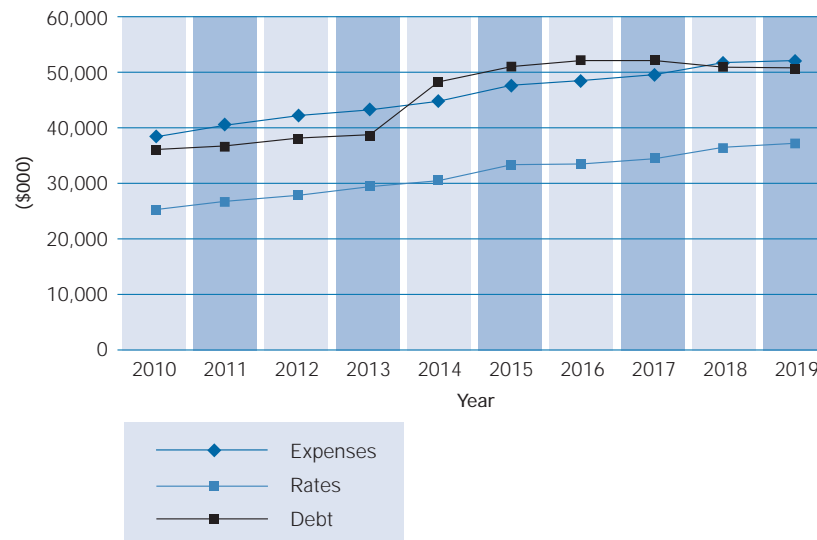


Figure 1

The current economic recession has placed additional pressure on Council to keep rates increases to a minimum. Council believes that ratepayers would prefer gradual rates increases rather than large increases in any single year.

Council's Revenue and Financing Policy determines how costs will be funded. Over the ten years, the main cost increases fall initially on urban services and then more evenly across the district.

So even though total rate increases are gradual, movements will fluctuate between sectors in the community. Council has employed strategies to try and minimise the extent of these fluctuations.

Council will become even more reliant on rates as a source of revenue.

Revenue	2010	2019
Rates	64%	68%
Activity Revenue	31%	28%
Other revenue	5%	4%

Why are costs increasing?

The community has told Council that it does not want any decline in the levels of service currently provided, and in some cases want services to be improved. However the scope to reduce costs for most activities is limited.

There are a number of areas where specific issues are creating additional cost pressures:

Utility Services

Reduce the negative impact of Council activities on the environment

Council must continue to upgrade treatment plants to improve the quality of discharges to waterways for wastewater and water. Our stormwater infrastructure is not meeting community expectations.

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Utility services in small rural towns

Council wants to continue to take advantage of government subsidies and other opportunities to improve services in small rural towns. This includes:

- Wastewater reticulation for Waharoa and potentially Waitoa
- Water supplies improvement for Waihou and Waitoa.

The improvements to utility services will be funded from those areas that have access to the service. This is mainly the urban areas of the district.

District Wide impacts

Community facilities that need to be refurbished

Council has consulted the community on the need to refurbish a number of high profile facilities:

- Matamata and Morrinsville's Pools
- Matamata Library

The total cost is expected to be \$4.7 million spread over a five year period from 2012.

Major roading construction

The designation for the Matamata By-pass expires in 2015. Council has made provision of \$7.2 million for construction in 2014.

These projects are funded mainly from general rates and the cost is spread across the district.

These capital projects are the main drivers behind cost increases. New assets are funded from loans and result in additional interest expenses and depreciation.

The following graph illustrates how depreciation and interest costs change over the 10 year period in comparison to other expenses.

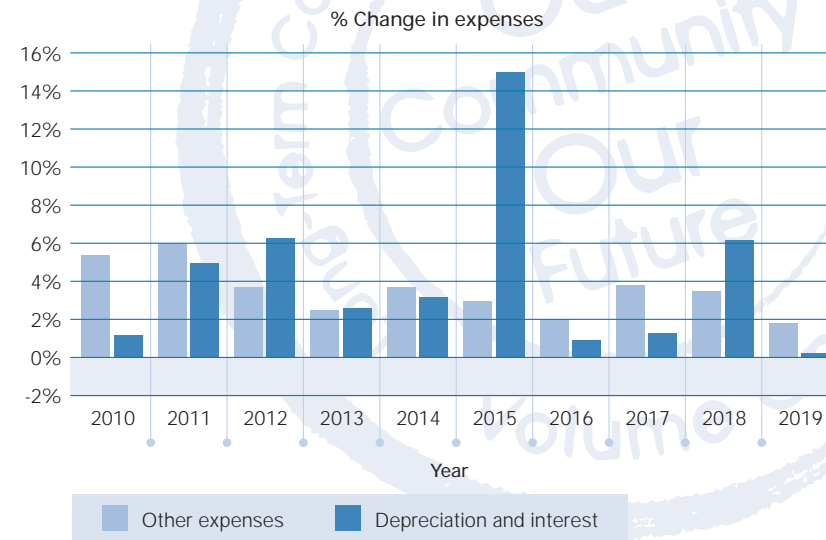


Figure 3

The profile in figure three reflects the capital cash-flow in figure four. There is a one year lag effect to allow for the construction of the new assets.

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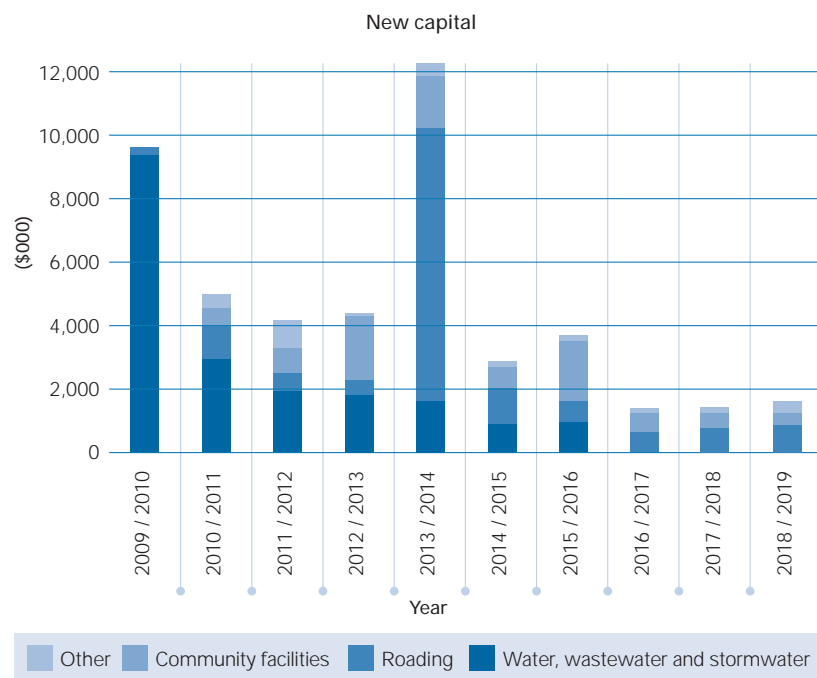


Figure 4

As previously noted new capital for stormwater, wastewater and water dominate the first three years of the plan. Expenditure in Community Facilities increase as the refurbishment of the Morrinsville and Matamata pools commence from 2011 and the Matamata Library in 2015.

The large increase in 2013/2014 is the proposed Matamata By-pass.

What is the rates impact of these cost increases?

Rates increases will vary between ratepayers in urban and rural areas of the district, the reasons being:

- The largest share of capital investment in the first three years will affect stormwater, wastewater and water. Council's Revenue and Financing Policies result in the cost of these investments being met through targeted rates. These are levied predominantly on urban ratepayers
 - Most large capital projects that impact on general rates commence in the second half of the ten year period
 - Rural ratepayers typically have higher value properties than urban properties and pay a greater share of the general rates
- See appendix four for an example of rates for the average urban and rural property.

The following graph provides an indication of the rate increases faced over the next ten years for a typical urban property. Total rates will increase gradually although the percentage fluctuates.

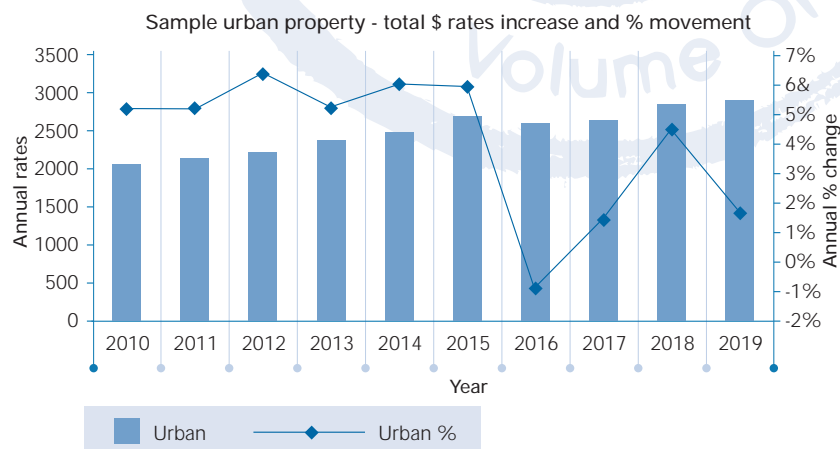
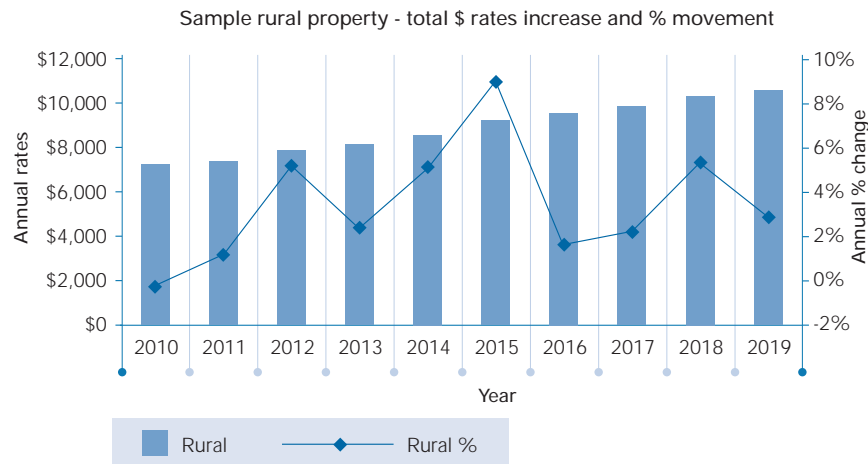


Figure 3

The larger percentage increases occur in the first half of the plan and relates to the capital improvements undertaken for utility services.

Rural rates will also increase gradually over the period although the annual percentage movements are typically less than urban properties. The larger movements between 2012 and 2015 correlate to the impact of the district wide capital projects.

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What has Council done to reduce the impact of these cost increases?

Council has employed two strategies to smooth out the level of rates increase required.

Surpluses from prior years - Council has reviewed its Development Contributions policy and has identified projects undertaken in the last three years with growth components. These have been included in the policy and we can recover the growth portion through development contribution levies. The projects have been loan funded with repayments funded from rates.

Council estimates that in 2009 it can recognise income of \$1.9 million of development contribution levies currently held as liabilities.

This one-off windfall will be used to reduce the rates impact of the borrowing.

The following table quantifies the annual value of this strategy.

(\$000)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Drainage	110	110	72	72	72	72	72	80	80	80
Waste Water	145	145	95	95	95	95	95	105	105	105
Water	54	54	35	35	35	35	35	39	39	39
Total	309	309	202	202	202	202	202	224	224	224

Short-term deficits - In the previous LTCCP Council used a strategy to phase in large rate increases by running short-term deficits, with the deficits being recovered in later years.

In 2006 Council faced significant cost increases for water and wastewater due to having to meet resource consent requirements and new drinking water standards. Council decided to absorb the impact of these changes by increasing utility rates by a set amount (\$82.00) over a five year period. Council projected operational deficits in the first three years, which would be offset by surpluses in years four and five. Council is currently in year three of this strategy.

The expenses for utilities (waste management (refuse collection), stormwater, wastewater and water) have risen above the level projected in the 2006 LTCCP. Council will retain the fixed sum increase of \$82.00 but must extend the timeframe as indicated in the following table:

(\$000)	2010	2011	2012	2013	2014	2015
2009's	238	183	(211)	(458)		
Incorporating the impact of Inflation	238	365	255	(156)	(571)	(376)

These strategies will affect those properties that have access to the utility services (primarily urban properties).

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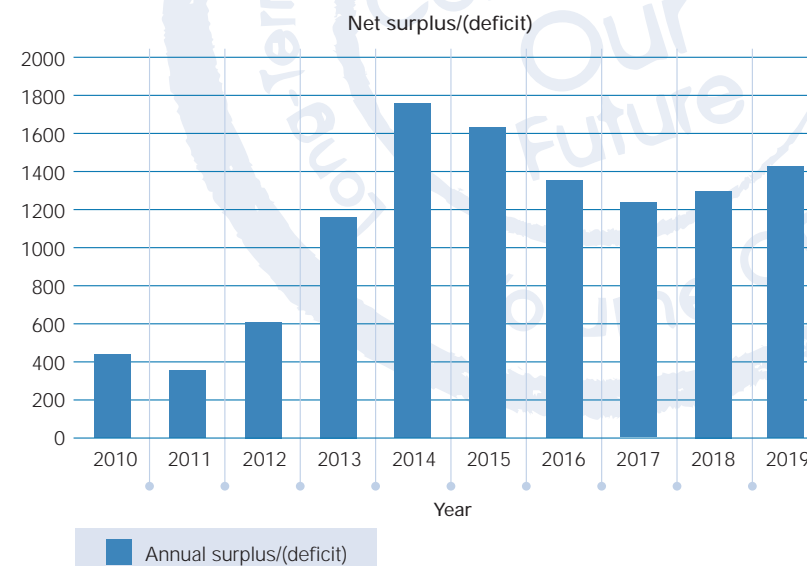
The following chart illustrates the impact.



The strategy has the effect of spreading a large increase in 2010 over four years.

Does Council meet the prudence test?

The financial statements indicate that over the 10 year period the average annual surplus will be \$1.1 million.



External debt will rise from \$37 million to \$50 million and as a percentage of total assets will stay within a range of 6-8%.

Importantly interest expenses as a percentage of rates income will be well below the 20% maximum specified in the Borrowing Policy (reaching a peak of 12% in the 10 year time frame).

The average ratio of current assets to current liabilities over the 10 years is 1.9.

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Council is proposing to change the way the PNZ fund is invested. After community consultation Council proposes the current overseas investment will be brought home in a prudent manner. The fund will then be available for internal borrowing. This will provide some buffer should Council experience any difficulties raising capital. Council does not rely heavily on the PNZ investment to offset rates.

In 2008/2009 we budgeted to receive \$488,000 in dividends from the investment. We have reduced this to \$388,000 in 2010 and a further reduction is made in 2012 when we expect to have completed the return of the investment. This will allow Council to consider protecting the real value of the investment. This also provides scope to invest income to offset any unexpected cost increases.

Council believes it can satisfy the financial prudence test.

Is this 10 year plan affordable?

There are no luxury items in this plan. Council is focusing firstly on improving essential infrastructural services to meet current and future demands.

The replacement cost of the Matamata and Morrinsville Pools would exceed \$20 million. Council has chosen to refurbish for a lesser amount. The Matamata Library is stretched to capacity and needs upgrading. The Matamata By-pass must be commenced or the District Plan designation will have to be removed. Council is not venturing into new activities, it is fixing and improving what we currently have.

We have consulted widely with the community and this plan is targeted at delivering the level of service expected by the community, however this comes at a cost.

Council debt will increase but will be well within the parameters set in the borrowing policy. Council will be making greater reliance on rates than user charges in the future, this is pragmatic. The scope for significant increases in user charges for community facilities is limited and Council has acknowledged this in the Revenue and Financing Policy.

Total rates will rise by 49% over the ten years (20% excluding inflation). Council's policies try to ensure that those people who benefit most from activities, fund the costs of these activities. Council will spread these costs across the 10 years as evenly as possible.

This plan includes only those projects and services that it cannot afford to ignore or defer.