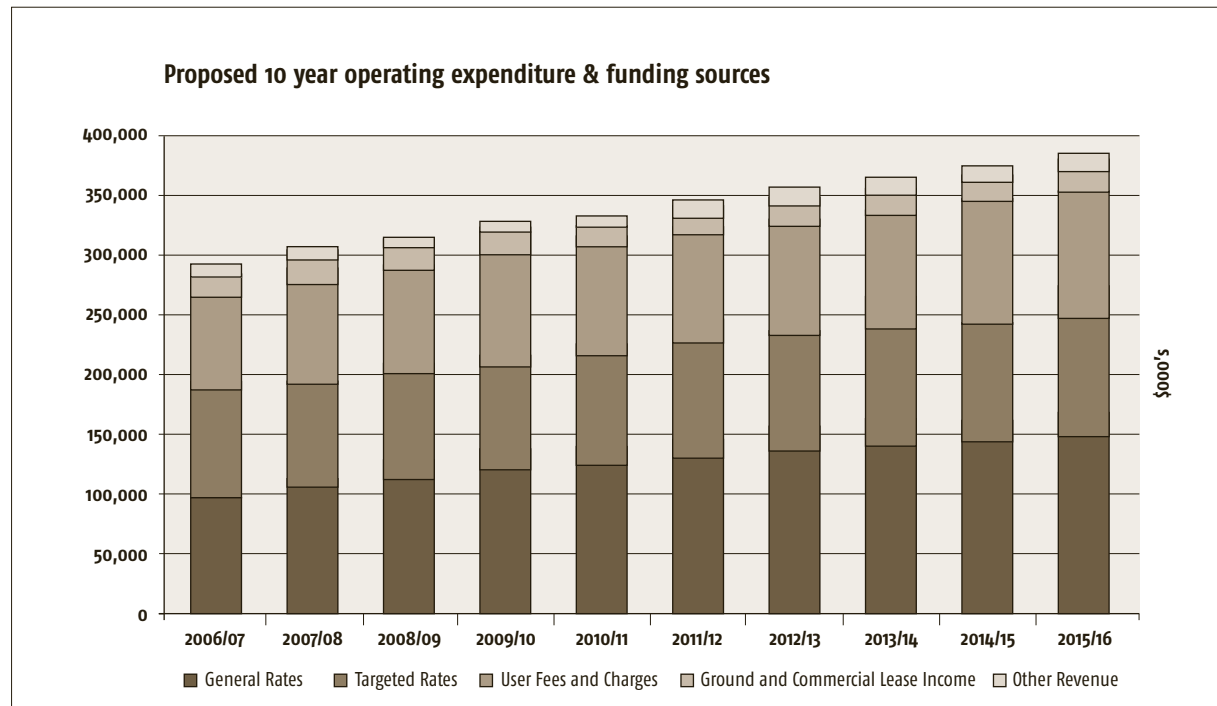


# Financial Summary

## OPERATIONAL SPENDING (10-YEAR FORECAST)



Operating expenditure pays for the Council's day-to-day operations and services, from collecting rubbish and providing street lighting to maintaining gardens and issuing building consents. The graph shows operating expenditure to be funded and associated funding sources (Refer Funding Impact statement for further detail).

### FUNDING OF OPERATIONAL EXPENDITURE

Operational expenses are funded through general rates (paid on all properties), targeted rates, user charges, grants/subsidies and other income (such as interest).

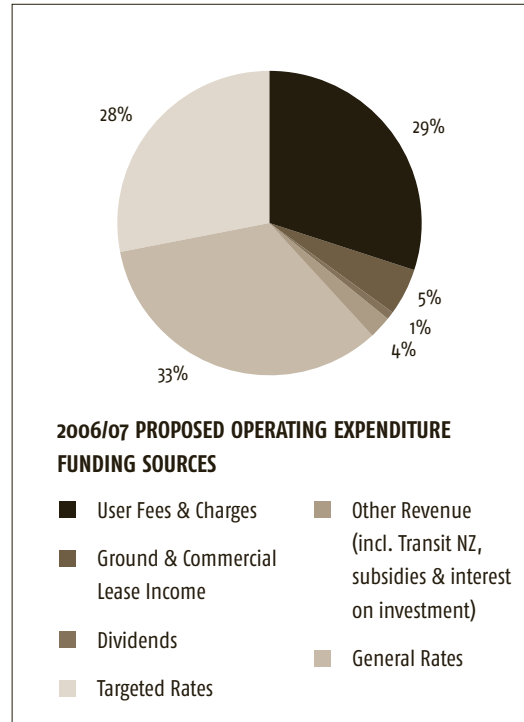
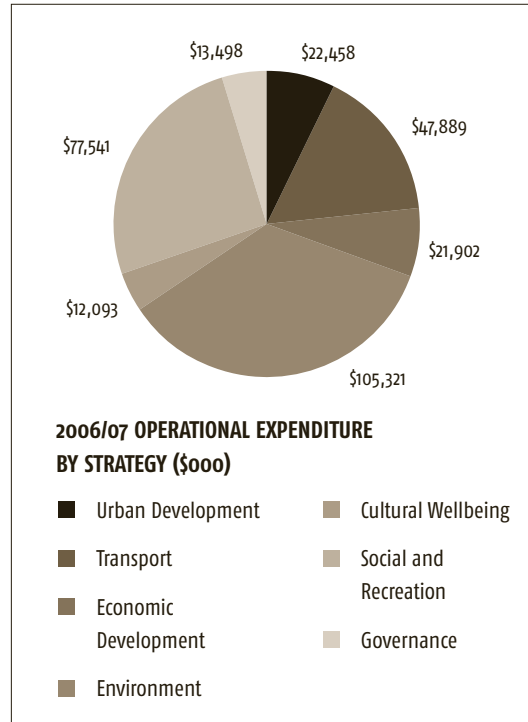
Targeted rates include base sector targeted rates, commercial sector targeted rates, water rates, sewerage rates, stormwater rates, and the Marsden Village, downtown and Tawa driveways rates.

There are two categories of general rates: the base general rate, and the commercial sector general rate. General rates are charged at different levels depending on the type of property. In 2005/06, the commercial sector general rate was 4.9 times higher than the base rate for a property of the same value. We propose to reduce this to 4.4 in 2006/07 and, by 2009/10, we aim to reduce this differential to 2.8.

## 2006/07 OPERATING EXPENDITURE

In 2006/07 the Council plans to spend \$300 million on services for the city. This expenditure is spread across the Council's seven strategy areas.

This expenditure is proposed to be funded through a range of funding sources.



### RATES

The total rates is forecast to increase by 6.7 percent in 2006/07. Taking into account growth in the number of properties in the city, the average rates per property will increase by 5.0 percent.

Further increases in the total rates are forecast for 2007/08 (5.45 percent including inflation) and 2008/09 (5.32 percent including inflation).

The capital value for the average residential property has increased by 10.8% to \$424,000 over the past year. Rates on the average residential property are proposed to increase by 6.0% to \$1,608.

Capital values for commercial sector properties have increased by an average of 16% over the past year.

An average rates increase of 6.5% is proposed for commercial properties in 2006/07.

### USER CHARGES

For 2006/07, we are increasing user charges in the following activities:

- Development Control and Facilitation
- Building Control and Facilitation
- Public Health
- Parking

These are outlined in greater detail in the appendices of this plan.

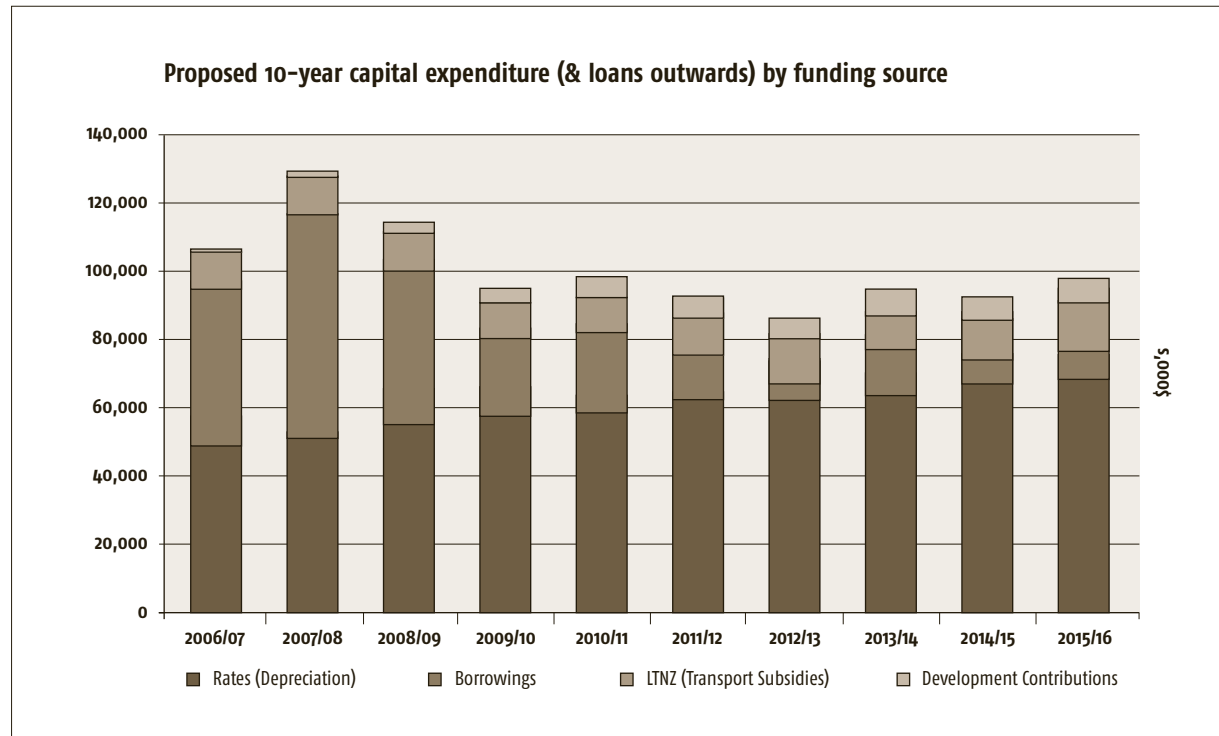
### FUNDING OUR ACTIVITIES

When we're deciding how to fund an activity, we consider a wide range of factors including:

- who benefits (individuals, an identifiable part of the community)
- can the beneficiary be easily identified
- can the beneficiary be easily excluded from using the service for non-payment
- intergenerational equity (ie do the benefits accrue to future generations as well as present ones)

- the 'polluter pays' principle (ie people should pay for negative effects they cause)
- fairness/equity of excluding people who cannot afford to pay
- transparency/accountability of a particular funding method
- overall impact on social, economic, cultural and environmental wellbeing.

Our Revenue and Financing Policy (see Volume 2 of this long-term plan) explains how each activity is funded and why it is funded that way.



## CAPITAL EXPENDITURE (10-YEAR FORECAST)

Capital expenditure pays for purchasing, building or developing the Council's assets (eg bridges, pipes, libraries). Our annual capital expenditure is forecast to decrease by 0.4 percent in 2006/07 and decrease by a total of 10.1 percent (including inflation) over the next decade.

## FUNDING CAPITAL EXPENDITURE

We fund capital expenditure from depreciation, borrowings, sales, reserves and bequests, Land Transport NZ subsidies, and development contributions.

Total Council Borrowings are managed within the following macro limits:

Ratio	Limit
Net borrowing as a percentage of equity	<10%
Net borrowing as a percentage of income	<150%
Net Interest as a percentage of income	<15%
Net Interest as a percentage of annual rates income	<20%
Liquidity (Term borrowing + committed loan facilities to 12 month peak net borrowing forecast)	>110%

For asset renewals, the main funding source is depreciation.  
For new assets, the main funding source is borrowings.

