

Introduction

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Each local authority must work out a funding policy determining who pays for its services.

This is your opportunity to help Council develop a new funding policy.

Make your opinions count by completing a submission.

The findings are not policy — to prepare its draft policy, Council will consider the working party findings and the submissions made during public consultation.

Service — and who pays

Christchurch City Council provides a wide range of services to the people of the City. These services are funded by rates, user charges, government grants or varying combinations of these. Other sources of revenue are dividends from trading enterprises and interest on funds invested.

Along with all other local authorities in New Zealand, the Christchurch City Council is reviewing the way it collects revenue. The Local Government Amendment Act (No. 3) 1996 requires every local authority to develop a funding policy to show who will pay for the services it delivers.

A new funding policy for Christchurch

By 1 July 1998 the City Council must have completed development of the policy and introduced a new system for deciding what revenue it will collect from Christchurch ratepayers and from users of its services. The Council wants this policy to be fair, equitable and generally acceptable to a majority of Christchurch people.

Giving everybody a voice

The Council is holding a period of public consultation to enable all Christchurch people to participate in the development of the City's new funding policy.

A draft policy will be formulated based on conclusions reached following public consultation. Christchurch people will then have the opportunity to respond to this draft policy which will be published as part of the Christchurch City Council Draft Plan: 1998 Edition in May of 1998.

This booklet, "Rates or User Charges — Your City Your Choice" has been produced to assist you to participate in the public consultation process. You may complete and return the response form inside the back cover of this book or you may prefer to make a written submission.

Two years in development

"Rates or User Charges — Your City Your Choice" presents the findings of a two year review that has analysed all Council services to determine who benefits from each of them. This review has been carried out by a working party of Councillors. The findings at this stage do not represent Council policy — they are an analysis of how the requirements of the Local Government Amendment Act (No. 3) 1996 might be put into practice in Christchurch. A draft policy will emerge from these findings following public consultation. Once the views of those who participate in the public consultation process have been taken into account, the draft policy may well differ in many respects from the findings reached by the working party and presented here.

Deciding who benefits

As required by the legislation, each service has been classified according to which of three types of benefits it provides. These types of benefits are:

- **Direct Benefits** — benefits received directly by an individual or group. For example a building permit provides direct benefit to the builder or developer who has applied for it, and a parking meter space provides direct benefit to motorists who use it.
- **General Benefits** — benefits provided to the City or the community as a whole. For example street lighting provides the general benefit of improving the security of the City's streets at night, and parks and gardens provide a general benefit in their overall contribution to the positive, green image of Christchurch.
- **Control of Negative Effects** — needed to protect the City from actual or potential problems. Dog control and noise control are examples of this type of service.

One service, various benefits

Most of the Council's services provide more than one type of benefit. For example, refuse collection provides direct benefit by saving residents from having to dispose of their own rubbish. It also gives general benefit by ensuring Christchurch is not overwhelmed by waste. Individuals, families and businesses benefit directly from the sewage system, but there is also a considerable public health benefit — a general benefit — from the hygienic disposal of human waste and dirty water. Similarly, the City's network of streets provides direct benefit for those wishing to travel from one location to another; and general benefit in the form of favourable economic conditions as a consequence of businesses being able to move goods swiftly about Christchurch.

What is the benefit?

As a first step in preparing a new funding policy, the Council appointed a working party of Councillors to determine who receives the benefits of the Council's services. This review has attempted to quantify what proportion of direct benefit and what proportion of general benefit each service provides. For example, gallery patrons being able to view art is a direct benefit, but conserving the region's art heritage — which is a general benefit of an art gallery — has been calculated as more significant. On the other hand, the Council's environmental services provide general benefits in upholding the City's planning requirements, but the direct benefits received by developers granted building permits is considered to be greater.

In conducting the review the working party has adhered to the legislation and exercised its judgement on the allocation of benefits associated with each of its services.

A wide range of services

In analysing the services it provides, the working party considered more than 260 different activities, ranging from the removal of abandoned vehicles as part of car parking enforcement, to the development of pre-school programmes at the library, to the maintenance of old landfill sites. To simplify the consultation process, these activities have been grouped together under 13 different headings, which are each explained in more detail in this book. The working party's detailed findings are available on request.

Legislation requires Council to follow a prescribed process to reach the new policy.

The process is a neutral analysis of all Council services to help determine who should pay for them.

More than 260 different service activities were considered.

Ratepayers and users

There are four groups of ratepayers: residential ratepayers, business ratepayers, rural ratepayers and institutions. Institutions include schools, hospitals and charitable organisations and are exempt from paying general rates. In this review another important classification has been included: customers. For each service this classification covers a different group of customers, for example, patrons of the library, companies using the Council's business support services and sports teams playing on the City's Council-maintained sports grounds. These five sectors have been individually scrutinised to further define the level of direct and general benefit which each receives from the Council's services. For example most rural ratepayers have their own wells and are not connected to the City water supply, so are not charged the separate water rate. However, commercial ratepayers receive the greater share of direct and general benefit from Council's economic development activities, whereas residential ratepayers only receive general benefit from the service.

Deciding who pays

Who should pay, and how — by rates or user charges?

The legislation requires the Council to ensure that, unless there are good reasons, funding should be derived as closely as possible from the individuals or groups who benefit from each particular service.

To ensure this, a three step process must be undertaken and applied to each service activity:

- Examine who receives the benefit from the service and the ratio of direct and general benefits. The costs of providing the benefits are then assigned accordingly.
- Decide whether or not this allocation of costs should be modified by issues of:
 - community interest,
 - fairness and equity,
 - Council policy,
 - practicality.
- Reallocate costs if appropriate.

This would be a relatively simple process for a service which provides only direct benefits. In such a case a clear decision could be made as to how much a user or patron of each service should be charged as a direct fee for each service. For a service providing only direct benefit — unless there were issues of community interest, fairness and equity, Council policy or practicality — the cost of the service could be divided into appropriate units and a user charge levied according to these units. This would be based, for example, on the amount of water used, the number of books borrowed from the library, the quantity of rubbish bags put out each week for collection or an equivalent charge based on the exact use of the service under consideration.

The balance between direct and general

Discretion is required to ensure the policy is fair to all.

However, the Local Government Amendment Act (No. 3) 1996 makes a distinction between direct and general benefits. The legislation requires that, unless special issues apply, the direct benefit of any service be paid for by a user charge, but it allows the general benefit to be funded from rates revenue. It allows Councils to make discretionary decisions based on the following issues:

- Is the split between general and direct benefit fair and equitable?
- Does it work in the best interests of the community?

- Does it assist existing Council policies?
- Is it practical to charge users and/or ratepayers in this way?

Under the review, many of the services of the Christchurch City Council provide a mix of general and direct benefits, which makes deciding whether to fund them from rates or user charges a more complex process.

Uniform annual charge

The Uniform Annual Charge is a component of each Christchurch rates bill. Each ratepayer liable for general rates currently pays \$100 for every rateable property they own. This will raise approximately \$12.2 million of the \$115.3 million to be collected in rates this year. The remaining \$103.1 million is shared among ratepayers on the basis of the capital value of their properties, and whether or not they are liable for water, sewerage and/or land drainage rates.

The average capital value for Christchurch residential properties is around \$150,000. A uniform annual charge increases the rates paid on properties worth less than \$150,000, and decreases the rates paid on properties worth more.

This document does not propose to change the uniform annual charge, but there are three options which could be considered for the charge:

- It could be raised to a higher amount. This would further increase the rates on properties worth less than \$150,000 and decrease the rates on properties worth more;
- It could be reduced or eliminated entirely, which would reduce the rates on properties worth less than \$150,000 and increase the rates on properties worth more.
- It could be maintained at the same level, as is proposed here.

You can say what you think should be done with the uniform annual charge by answering the question on the form inside the back cover of this booklet.

Making your views count

Under Christchurch City Council policy and as required by the legislation, the residents and ratepayers affected by the funding policy have the opportunity to participate in the decision-making process. Those wishing to participate have two opportunities to consider and comment on the findings of the review:

- In public consultation on the review findings from October-November 1997,
- In public consultation on the draft policy which will be published in May 1998.

“Rates or User Charges — Your City Your Choice” outlines the findings made in the working party’s review of the services the Council provides. Three different options are available for each service. When considering the issues outlined in “Rates or User Charges — Your City Your Choice”, you should test whether these options are justified. The three different options where it will be appropriate to comment on each service are:

- How much direct and how much general benefit is provided by the service?
- Which ratepayer group receives which proportion of this benefit?
- Should the service be paid for by users or are there issues of community interest, Council policy, fairness and equity or practicality which mean the service should be paid for from rates?

A uniform annual charge increases rates on properties worth less and decreases rates on properties worth more.

What will it mean for you?

The findings of the working party are not Council policy – your input is needed before a draft policy can be developed.

The Council seeks public input on the working party's findings, and will develop its new funding policy following this input. However, if the findings published here are adopted without change, the effects would be:

- Overall rates for Christchurch residential ratepayers would fall by two percent.
- Overall rates for Christchurch commercial ratepayers would increase by just under five percent.
- Overall rates for Christchurch rural ratepayers would increase by around 32 percent.
- Overall rates for Christchurch institutions would fall by around 26 percent.
- All user charges would be maintained at current levels.

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Changes in the Rates for each Sector.

Increases:

Commercial / Industrial rates increase by \$1.451 million over 97/98 actual.
Rural Increase by \$0.594 million.

Decreases:

Residential & Base by \$1.639 million.
Non rateable sector by \$0.406 million.

Uniform Annual Charge

The Uniform Annual General Charge will remain at the current charge of \$100.

Impact on ratepayers within each sector

Residential Sector:

For all capital values there would be a rate decrease.

At a value of \$50,000 there is a decrease of \$5 pa
At a value of \$100,000 there is a decrease of \$9 pa
At a value of \$124,000 there is a decrease of \$12 pa
At a value of \$145,000 there is a decrease of \$14 pa
At a value of \$240,000 there is a decrease of \$23 pa
At a value of \$500,000 there is a decrease of \$47 pa

Commercial Sector:

For all capital values there would be a rate increase.

At a value of \$60,000 there is an increase of \$18 pa
At a value of \$200,000 there is an increase of \$61 pa
At a value of \$500,000 there is an increase of \$154 pa
At a value of \$2,000,000 there is an increase of \$6150 pa

Rural Sector:

For all capital values there would be a rate increase.

At a value of \$50,000 there is an increase of \$38 pa
At a value of \$200,000 there is an increase of \$151 pa
At a value of \$1,000,000 there is an increase of \$755 pa

If you wish to participate in the public consultation process, please either:

- Complete and return the response form inside the back cover of this booklet; or
- Prepare a more detailed written submission on the issues concerned.

For more information on the options outlined in "Rates or User Charges — Your City Your Choice" please call the Christchurch City Council on 371 1888, or contact your nearest Council Service Centre.

Written submissions should be sent to

The Secretary, Revenue Study Working Party

Christchurch City Council

PO Box 237

Christchurch

To arrive no later than 21 November 1997.

Guide to the sections...



Economic development

Users: Businesses, community organisations, tourists, tourist operators
General Benefit: Economic and social

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Christchurch City Council funds the Canterbury Development Corporation, which provides employment opportunities and training for young people and adults, assists with employment creation and provides services development assistance. Some of its services focused on economic development. Council also contributes to the work of the Canterbury Tourism Council, which provides services to visitors to the City, including convention marketing, tourism marketing, visitor information service. These services are provided at an annual cost of \$6.4 million offset by \$1.4 million in grants from Government.

This section describes what is covered by the service and how much it costs

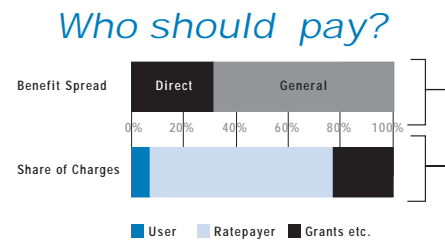
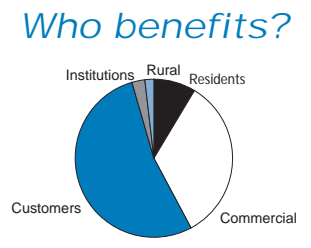
Rationale for assigning benefits
 Direct benefit from the City's economic development services is gained by those who use the advisory services made available. General benefits arise from increased employment potential and opportunities created by the advisory and promotional services, and from increasing the employment potential of young people and older people who may have been displaced by the economic changes in the past few years. The residential and commercial sectors are seen as having a substantial interest in these general benefits.

This section outlines why the benefits have been allocated between ratepayer groups and users as decided by the working party

Other considerations
 The majority of costs for this service are allocated to ratepayer due to the importance society attaches to employment. The charges made for small business assistance programmes increase the charges for these services should make them less accessible, eroding the general benefit they provide — which supports the Council's policy of stimulating Canterbury's economy. In addition, Christchurch is in competition with cities which provide such services entirely free of charge to their business communities. It is also important for Christchurch to gain the maximum possible share of benefit from the tourist industry. The Council's contribution to assisting visitors to Christchurch is additional to substantial contributions to the Tourism Council made by the tourist industry. Charging visitors for general information would defeat the purpose of a visitor information centre.

This section describes why and how direct benefits may have been allocated to rates rather than user charges as decided by the working party

This section shows how the benefit from the services are shared between the five ratepayer groups as decided by the working party



This graph shows the proportions of direct and general benefit gained from the service as decided by the working party

This graph shows how the service is paid for as decided by the working party