

17. 9. 2001

REPORT FROM THE DIRECTOR OF FINANCE

PART A - MATTERS REQUIRING A COUNCIL DECISION

1. CONFIRMATION OF THE DIFFERENTIAL RATE RESOLUTION

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The purpose of this report is to advise the Council that several commercial utility companies have written to the Council expressing concern that the Council is rating utility networks this year.

BACKGROUND

The implementation of the Council's funding policy requires a Special Order resolution to adopt a change in the differential rating scheme. The first resolution was passed by the Council at its meeting on 12 July 2001 and it has been publicly advertised and is now due for confirmation in accordance with the statutory procedure.

The Council has begun to rate network utilities for the first time this year – 2001/02. They are specifically included in the definition for the Commercial/Industrial Differential group.

Several of the utility companies have written to the Council:

- Orion – Seeking clarification
- TelstraSaturn – Seeking clarification and protesting against the rates imposition on economic policy grounds
- Rockgas - Seeking clarification and protesting against the rates imposition on operational equity and environmental standards grounds

The utility companies received a valuation certificate prior to 30 June 2001. Telecom has objected to the valuation, and this will be considered through the objection process administered by Quotable Value NZ, our valuation service provider, with rights of appeal to the Land Valuation Tribunal. The objection, if successful, will change the quantum of rates but it is estimated that it will not materially affect Council funding.

THE EFFECT ON THE DIFFERENTIAL RATING RESOLUTION

The letters received from the utility companies appear generally to be letters of enquiry and responses have been sent to them. The Council response to the letters covered the background and legal issues, and the Annual Plan and Funding Policy explanations.

Since our response, none of the utility companies have asked for nor provided a formal objection to the resolution.

However to be totally fair to these ratepayers it is suggested that the letters from the first three be treated as objections to the differential resolution and Council take their concerns into account when considering the resolution confirmation. Copies of the letters are tabled.

KEY ISSUES

- The Council is obliged to rate the utilities as a result of both the 1998 Court of Appeal case (Telecom v Auckland City Council) and the Valuer General's Rules issued in July 2000 (which have the status of Statutory Regulations).
- The Council's Valuer, Quotable Value New Zealand, established rating values for the utilities including those owned by the Council (water, waste and stormwater) and the values were entered onto the Rating Roll by 30 June 2001.
- The utilities are rateable from 1 July 2001 and the impacts were included in the 2001/02 Annual Plan. This was a lengthy process and the interests of all ratepayers were taken into account.

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The utility companies did not make any Annual Plan submissions, but have chosen to react to the first rate demand for instalment one.

Now that the Valuer General has required these utilities to be included on the Valuation Roll and this has taken place, the Council has no option but to rate them. The differential rating resolution defines the manner in which this will be implemented.

The Differential Resolution reflects the Annual Plan result and should be passed in its full form, as to take any other view would necessitate opening up the whole Annual Plan and rate setting process to review.

- Recommendation:**
1. That the letters from Orion, TelstraSaturn, and Rockgas be treated as objections to the Differential Rating Resolution confirmation.
 2. That Council confirm the Differential Rating Special Order.
 3. That the objectors be notified of the Council decision.

CONSIDERED THIS 17TH DAY OF SEPTEMBER 2001

MAYOR