

4. REPORT FROM THE CHIEF EXECUTIVE OFFICER: FINAL LTCCP 2009-19

Officer responsible:	CEO
Author:	CEO

PURPOSE OF REPORT

1. This report provides:
 - Summaries of all submissions received on the Draft LTCCP along with staff comments, if appropriate, and specific recommendations from the Mayor.
 - An analysis of recommended financial changes to the Draft LTCCP either as a result of the specific recommendations on submissions from the Mayor, or because of further information received following the close off date for submissions.
 - Several recommended drafting changes to the Draft LTCCP either to clarify or to correct information.

EXECUTIVE SUMMARY

2. On 18 February 2009, Council adopted the Draft LTCCP 2009-19 and the Statement of Proposal in respect of the Draft LTCCP 2009-19. It also adopted a timetable for consultation which expired on 16 April 2009. Oral submissions were heard between 11 and 18 May 2009.
3. This consultation period resulted in a number of submissions to the 2009-19 LTCCP.
4. The Mayor reviewed all the submissions received and has made specific recommendations for each submission. A summary of the financial impact if these recommendations were adopted by Council is incorporated in Appendix 1.
5. There are a number of issues where further information has been received and recommendations are made for each of the following:
 - The \$15 million Government contribution to the redevelopment of AMI Stadium
 - Transport Interchange project cost and subsidy
 - A change to the profile of dividends received from CCHL and donations received from the infrastructure charitable trust
 - Allowance for inflation to be added to the base operating grants for Canterbury Development Corporation and Christchurch & Canterbury Tourism
 - A change to elected member remuneration budget resulting from a Council decision on 12 March 2009
 - A change to the revenue, expenditure and capital budgets for Social Housing as a result of the Council decision on 23 April 2009 following the special consultative procedure on Social Housing.

The financial impact if these recommendations were adopted by Council is also incorporated in Appendix 1.
6. In addition, this report proposes several drafting changes to the LTCCP 2009-19 either to clarify or to correct information. These proposed changes are:
 - Inclusion of Chatham Islands building consent fees in the fees schedule in accordance with Council's decision on 26 March 2009 to accept a transfer from Chatham Islands Council of its building control functions
 - A change to a level of service relating to visitor numbers for Akaroa Museum
 - Inclusion of an additional table that provides a consolidated view of the grants provided by the Council to various organisations
 - Inclusion of further detail explaining the capital expenditure on cycleway projects in the capital programme
7. Apart from non-material editing changes made under the delegation to the General Manager Corporate Services, there are no further changes proposed or made to the LTCCP 2009-19.

FINANCIAL IMPLICATIONS

8. Detail of the financial impact of the changes outlined in paragraphs 4 and 5 above, are outlined in Appendix 1. The table below summarises the rates impact of these changes if they were adopted by Council:

	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Draft LTCCP Rates Increases	3.90%	3.91%	4.16%	3.98%	4.61%	3.87%	3.85%	3.81%	3.85%	3.71%
Proposed Rates Increases	3.85%	3.83%	4.20%	4.20%	4.43%	4.18%	4.15%	3.66%	3.78%	4.01%

CONSULTATION FULFILMENT

9. The LTCCP has been subject to the special consultative procedure (SCP) and timetable for consultation adopted by Council on 18 February 2009. In addition, separate Statements of Proposal were contained in the Draft LTCCP 2009-19 document in respect of:
- Early Learning Centres
 - Christchurch Town Hall
 - Central city tram extension
 - Infrastructure charitable trust
 - Edgware pool site
 - Christchurch Agency for Energy.
10. A further special consultative procedure was followed relating to community grants.
11. Separate reports have been prepared for Council consideration in respect of these Statements of Proposal.
12. Audit New Zealand issued an unqualified audit opinion on the Draft LTCCP 2009-19. The final audit opinion will be tabled at Council's meeting on 30 June 2009.

STAFF RECOMMENDATION

It is recommended that the Council resolves:

- (a) To include in the 2009-19 LTCCP, the resolutions adopted relating to the separate Statements of Proposal referred to in paragraphs 9 and 10 above.
- (b) To consider the Mayor's recommendations relating to the separate submissions received on the 2009-19 Draft LTCCP.
- (c) That provision be made in the 2009-19 LTCCP for the receipt of \$15 million Government funding for the redevelopment of AMI Stadium.
- (d) That the capital project budget for the Christchurch Transport Interchange (LTCCP project 176) in the 2009-19 LTCCP be reduced by a total of \$14.065 million to be funded as follows:

2009/10	-\$2,064,785
2010/11	-\$1,872,411
2011/12	\$4,737,986
2012/13	-\$8,897,588
2013/14	-\$5,968,384

- (e) That the budget for capital subsidies in the 2009-19 LTCCP in respect of the Christchurch Transport Interchange (LTCCP project 176) be increased as follows:

2009/10	-\$1,134,285
2010/11	-\$635,595
2011/12	-\$8,584,702
2012/13	-\$3,349,810
2013/14	-\$1,712,055

- (f) That the 2009-19 LTCCP be amended to reflect a one year deferral of the receipt of funding from the infrastructure charitable trust (or other source) and an additional dividend from CCHL of \$7.363 million in 2009/10.
- (g) That the 2009-19 LTCCP be amended to include an allowance for inflation on the base operating grants for Canterbury Development Corporation and Christchurch & Canterbury Tourism as follows:

2009/10	\$144,000
2010/11	\$149,000
2011/12	\$153,000
2012/13	\$157,000
2013/14	\$161,000
2014/15	\$164,000
2015/16	\$169,000
2016/17	\$173,000
2017/18	\$178,000
2018/19	\$182,000

- (h) That funding in the 2009-19 LTCCP be increased by \$62,615 per annum consistent with the Council's decision on the proposal to the Remuneration Authority.
- (i) That the 2009-19 LTCCP budgets for Social Housing be updated to reflect the Council's decision on 23 April 2009 as follows:

Revenue

2010/11	\$391,000
2011/12	\$841,000
2012/13	\$1,330,000
2013/14	\$1,851,000
2014/15	\$2,410,000
2015/16	\$2,471,000
2016/17	\$2,537,000
2017/18	\$2,600,000
2018/19	\$2,668,000

Operating Expenses

2009/10	-\$616,000
2010/11	-\$635,000
2011/12	-\$90,000
2012/13	-\$367,000
2013/14	-\$396,000
2014/15	-\$431,000
2015/16	-\$471,000
2016/17	-\$663,000
2017/18	-\$1,118,000
2018/19	-\$1,390,000

Capital Expenditure

2015/16	-\$364,000
2016/17	-\$5,610,000
2017/18	-\$3,608,000

- (j) That the Building Control Fees schedule in the 2009-19 LTCCP be annotated to state those fees will be applicable to consents by this Council under the transfer agreed with the Chatham Islands Council.
- (k) That the level of service relating to the visitors per annum for Akaroa Museum is amended to be a range of 14,250–15,750.
- (l) That the schedule in Appendix 2 entitled “Grants Summary” is included in the 2009-19 LTCCP to improve the disclosure of grants provided by the Council to various organisations.
- (m) That the following note is added to the 2009-19 LTCCP to improve the understanding of the total spend on cycleway projects.

“The 2009-19 LTCCP contains capital expenditure for cycleway projects of \$28.362 million. This includes a range of projects including the Southern Motorway Cycleway, inner city projects, bridges, underpasses and other improvement and renewal projects. Within the first three years of the LTCCP, it is estimated that a further 26 kms of cycleways will be provided.”

(\$million)	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	Total
Renewal & Replacement	0.092	0.100	0.109	0.118	0.127	0.136	0.170	0.201	0.208	0.214	1.474
Improvements	0.500	0.518	0.536	0.554	0.571	0.589	0.607	0.625	0.644	0.664	5.809
Southern Motorway Cycleway	0.400	2.073	2.250	2.327	3.425						10.475
Portion of Southern Motorway Links		0.084	0.354	0.366							0.803
Portion of Inner City Transport	0.112	0.116	0.120	0.124	0.128	0.143	0.148	0.152	0.157	0.162	1.364
Portion of Ferrymead Bridge	0.107	0.270	0.052								0.430
Portion of Waimakariri Bridge Upgrade	0.244	0.354									0.597
Carrs Rd underpass		0.556	1.149	1.188							2.893
Portion of Bus Priority Lanes	0.075	1.032	0.383	0.845	0.485	0.818	0.491	0.048	0.340		4.517
Total Cycleways Capital Budget	1.530	5.104	4.953	5.522	4.735	1.686	1.416	1.028	1.349	1.040	28.362

- (n) To adopt the Schedule of Fees and Charges set out in the Draft LTCCP and any amendments made by resolution of the Council at its meeting held 25-30 June.
- (na) That the following paragraphs are added to the Revenue & Financing Policy in the 2009-19 LTCCP:

“In developing its capital programme the Council has considered, on both an individual asset basis and an activity basis, the following issues:

1. *the community outcomes to which the capital expenditure will contribute*
2. *who creates the need for that capital expenditure*
3. *who benefits from the asset, and*
4. *the period over which the benefit will occur*

Following these considerations Council has considered a variety of funding options and sought that which best addresses the issues while minimising funding costs.”

and

"Council has determined that any borrowing to fund the capital programme will be done on a programme wide basis rather than activity by activity. The reasons for this decision are that:

- *the capital expenditure programme is developed on a city-wide priority basis*
- *the majority of capital expenditure is on assets which form part of a citywide network*
- *city-wide funding of the capital programme reduces overall cost, whereas linking sources of funds to individual projects fragments funding sources, which increases costs and reduces operational flexibility and transparency.*

Overall Council considers that this funding method allocates liability for funding needs in a manner which minimises the impact on the community while maximising the wellbeing of the current and future communities. In particular:

- *the funding methodology adopted ensures that the infrastructure necessary to support the economic, social, cultural and environmental wellbeing of current and future communities is available and affordable.*
- *the funding of renewal and replacement assets through rates, and most new assets through development contributions and borrowing, ensures a balance between the economic wellbeing of current and future ratepayers (intergenerational equity)."*

- (o) To adopt the following policies set out in the Draft 2009-19 LTCCP including any amendments made by resolution of the Council at its meeting held 25–30 June 2009:
- Development Contributions Policy
 - Significance Policy.
- (p) To accept the opinion of Audit New Zealand as tabled at the meeting.
- (q) To adopt the 2009-19 LTCCP consisting of the Draft LTCCP and any amendments made by resolution of the Council at its meeting held 25–30 June 2009.
- (r) To set the rates for the financial year commencing on 1 July 2009 and ending on 30 June 2010 as set out in Appendix 3 attached.
- (s) To authorise the General Manager Corporate Services and the Corporate Finance Manager (jointly) to enter into, in accordance with the Council's Liability Management Policy, such loans and borrowing facilities as are required to meet the residual funding of the capital works programme set out in the 2009-19 LTCCP.
- (t) To authorise the General Manager Corporate Services to make any necessary amendments required to ensure that the published 2009-19 LTCCP is in accordance with the Council's resolutions of 25–30 June 2009 and to make minor editorial changes as required.
- (u) (i) That property containing 903.7356ha being sections 19, 20, 21 and part Section 26 Kinloch Settlement be acquired as a reserve subject to the provisions of the Reserves Act 1977.
- (ii) That pursuant to Section 16 the land to be classified as a Recreation Reserve subject to Section 17 of the Reserves Act 1977.
- (iii) That the General Manager City Environment and the Corporate Support Manager be delegated authority to negotiate and enter into a lease agreement for management of the property.

BACKGROUND (THE ISSUES)

Submissions

13. Attached is a summary of all submissions received along with staff comments if appropriate and specific recommendations from the Mayor.
14. A summary of the financial impact of the Mayor's recommendations are detailed in Appendix 1.

Other Financial Issues

Government Funding for AMI Stadium

15. On 30 April 2009 the Prime Minister announced the Government's intention to provide a \$15 million contribution towards the redevelopment of AMI Stadium for the Rugby World Cup in 2011. Council staff have signed the funding agreement with the Ministry of Economic development and have received confirmation that \$15 million will be paid to Council on 1 July 2009.
16. The Draft LTCCP 2009-19 financials assumed that \$20 million would be paid by Council to this project prior to 1 July 2009. This reflects the underwrite the Council provided to Vbase on 28 June 2007. The confirmed Government funding has the effect of lowering the Council opening debt by \$15 million.

Christchurch Transport Interchange

17. The Draft LTCCP 2009-19 budgeted for constructing the Christchurch Transport Interchange underground and future-proofing the foundations. It also included allowance for fully developing ground-level retail facilities and an associated car park for a total of \$14.065m. However the Council approved the construction of an underground Transport Interchange only. Consequently, it is recommended the capital budget is reduced by \$14.065m removing the retail and associated carparking development from the project.
18. Since the Draft LTCCP 2009-19 was released for consultation, the New Zealand Transport Agency (NZTA) indicated that the subsidy rate the Council will receive on this project is likely to be 60% rather than the previously-modelled rate of 53%. Therefore it is recommended that the budgets for NZTA capital subsidies revenue be increased by \$15.416m.

Dividends received

19. The Draft 2009-19 LTCCP financials assumed that, subject to Council approval following the special consultative procedure, the charitable infrastructure trust would provide payments to be applied to Council projects that meet the definition of charitable purposes. These payments had the effect of lowering Council's borrowing requirement by \$73.275 million and consequently reducing interest on borrowings by \$4.030 million annually. Further benefits of \$8 million per annum were also assumed from 2010/11 as a result of ongoing donations from the trust.
20. The benefit derived from these payments resulted in part from the ability of Council-controlled trading organisations to make tax-deductible charitable donations to the trust. Although these donations could still be made to the trust, on 5 June 2009 the Inland Revenue Department provided a ruling that they would not be considered as tax deductible. Further rulings on issues relating to the establishment of the trust and payment of grants from the trust to the Council are pending.
21. As a consequence of this ruling and the delay on other parts of the ruling, it is recommended that the receipt of the \$73.275 million is deferred by one year. This will enable Council to continue to work with CCHL to determine the most efficient means to return additional funds to Council. CCHL have indicated their willingness to work with Council to investigate options for alternative funding to an equivalent level to what was budgeted in the Draft 2009-19 LTCCP as dividends from CCHL, payments to Council from the charitable trust or by other means.

22. As a result of the delay in receiving the additional funds, CCHL has agreed to make a special dividend payment to Council of \$7.363 million in 2009/10. This provides additional revenue for Council to service the resulting additional interest cost and debt repayment in 2009/10. It ensures there is no impact on rates.

Inflation Adjustment for CDC & CCT Funding

23. The Draft 2009-19 LTCCP included no adjustment to the base 2009/10 operating grant provided to Canterbury Development Corporation nor Christchurch & Canterbury Tourism. This was an error and is not consistent with the LTCCP Working Party's direction. It is recommended that this is corrected in the final document. The table below outlines the proposed change.

	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
<i>Draft LTCCP</i>										
Canterbury Development Corporation	3.227	3.326	3.422	3.518	3.602	3.687	3.780	3.880	3.976	4.081
Christchurch & Canterbury Tourism	1.621	1.670	1.717	1.764	1.805	1.847	1.892	1.941	1.988	2.040
<i>Final LTCCP</i>										
Canterbury Development Corporation	3.324	3.426	3.525	3.623	3.710	3.797	3.894	3.996	4.096	4.203
Christchurch & Canterbury Tourism	1.669	1.719	1.767	1.816	1.858	1.900	1.948	1.998	2.047	2.100
<i>Change (inflated)</i>										
Canterbury Development Corporation	0.097	0.100	0.103	0.106	0.108	0.111	0.113	0.116	0.119	0.122
Christchurch & Canterbury Tourism	0.047	0.049	0.050	0.052	0.053	0.054	0.056	0.057	0.058	0.060
Total Change	0.144	0.149	0.153	0.157	0.161	0.164	0.169	0.173	0.178	0.182

Elected Member Remuneration

24. On 12 March 2009 Council resolved on a proposal to be submitted to the Remuneration Authority for the payment of salaries to elected members of the Christchurch City Council for the 2009/10 year. The Council report highlighted the need for an annual sum of \$62,615 to be included in the 2009-19 LTCCP.

Social Housing

25. At its meeting on 18 December 2008 the Council resolved to obtain the views and preferences of tenants and the wider community with regards to proposals for funding social housing. This was undertaken through a special consultative procedure and a Hearings Panel was appointed to hear submissions and report on the outcome of the consultation process.
26. At its meeting on 23 April 2009, Council made a number of resolutions regarding the future funding of social housing. Council resolved to increase rentals by 14% in 2009/10, 5.7% in 2010/11, 2.8% plus CGPI for the next 4 years and following that applying CGPI for the remaining life of the LTCCP.
27. The Draft 2009-19 LTCCP assumed a 14% increase in rental income for 2009/10 and for the remaining years budgeted at CPI as we were awaiting the outcome of the SCP. Both operational and capital expenditure on social housing was based on the costs expected when asset-related expenditure was based on the prior 24% rental decision
28. Following the Council's decision on 23 April 2009, it is recommended the financial information in the LTCCP be updated. The table below shows the recommended changes from the 2009-19 Draft LTCCP to the social housing financials. These changes have no rating impact because both the operating and capital expenditure are funded from the housing fund.

(\$million)	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Revenue		0.391	0.841	1.330	1.851	2.410	2.471	2.537	2.600	2.668
Expenditure	-0.616	-0.635	-0.090	-0.367	-0.396	-0.431	-0.471	-0.663	-1.118	-1.390
Capital							-0.364	-5.610	-3.608	

29. The table below outlines the rates increases for the 2009-19 LTCCP if the Mayor's and staff recommendations as outlined were adopted by Council:

	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Draft LTCCP Rates Increases	3.90%	3.91%	4.16%	3.98%	4.61%	3.87%	3.85%	3.81%	3.85%	3.71%
Proposed Rates Increases	3.85%	3.83%	4.20%	4.20%	4.43%	4.18%	4.15%	3.66%	3.78%	4.01%

Other Recommended Drafting Changes

Building Consent Fees for Chatham Islands Consents

30. On 26 March 2009 Christchurch City Council agreed to accept a transfer from the Chatham Islands Council of its building control functions that required accreditation under the Building Act 2004. The Council asked that staff report back to the Council as part of the LTCCP process to establish a separate fee structure for building consents processed for the Chatham Islands Council.
32. The fee schedules currently in force in Christchurch and proposed for the 2009/10 year will apply to all consents processed for the Chatham Islands. This ensures a full cost recovery for Christchurch City Council. The agreed operational procedure is that the Chatham Islands Council (not the applicant) will be charged according to the fee schedule attached to the 2009/19 LTCCP. The Chatham Islands Council will be solely responsible for recovering the costs from the applicant for building consents on the Chatham Island. This ensures that the Christchurch City Council will fully recover costs and not incur debt recovery issues.
32. In the same way the cost of travel to and from the Chatham Islands for Council officers will be met by the Chatham Islands Council under the terms of the contract. Interim inspections will be carried out by a contractor employed by the Chatham Islands Council, who will be funded from Inspection charges included in the fees.
33. It is recommended that the Building Control Fees schedule at page 159-160 of Volume 2 of the Draft 2009/19 LTCCP be annotated to state those fees will be applicable to consents by this Council under the transfer agreed with the Chatham Islands Council.

Akaroa Museum

34. The Draft 2009-19 LTCCP includes a level of service on page 166/167 relating to the number of visitors per annum for the Akaroa Museum. This increase was based on the removal of the admission fee to the Museum. The LTCCP Working Party gave guidance to leave the charge in place and therefore, as indicated to the Working Party in the Activity Management Plan, the visitor numbers need to be amended in the LTCCP. It is recommended to change the LTCCP level of service for number of visitors per annum to Akaroa Museum to a range of 14,250 – 15,750. (This is consistent with the approach used in setting targets for the Christchurch Art Gallery, which is to base them on 5% either side of average attendance for the past five years.) This is the only change recommended to a level of service in the LTCCP 2009-19.

Grants

35. On 14 May 2009, Council resolved that the special consultative procedure should be used before making a decision with regard to the budget for rates-funded discretionary grants included in the Council's 2009-19 LTCCP. Further, Council adopted as its preferred option the recommendation of the Grants Funding Working Party that rates funded discretionary grants be reduced by \$1.5m over a period of two years.
36. To improve the clarity of the LTCCP with respect to grants, it is recommended to include the table contained in appendix 2 in the 2009-19 LTCCP. This table clearly outlines the total amount of grants funding provided by Council to various organisations and splits the funding between various types. This information is also contained in the financial statements throughout the LTCCP but the proposed table consolidates it in one place.

37. Note that the table in appendix 2 contains financials based on the Council's preferred option as noted above. This would need to be updated should Council make a different decision following the SCP.

Cycling Summary

38. During the submissions process, a number of submitters encouraged Council to increase the amount of funding available to cycling. To improve the clarity of the LTCCP with regards to cycling, it is recommended that the following note is added to the 2009-19 LTCCP:

The 2009-19 LTCCP contains capital expenditure for cycleway projects of \$28.362 million. This includes a range of projects including the Southern Motorway Cycleway, inner city projects, bridges, underpasses and other improvement and renewal projects. Within the first three years of the LTCCP, it is estimated that a further 26 kms of cycleways will be provided.

39. The table below sets out the proposed cycleways capital budget:

(\$million)	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	Total
Renewal & Replacement	0.092	0.100	0.109	0.118	0.127	0.136	0.170	0.201	0.208	0.214	1.474
Improvements	0.500	0.518	0.536	0.554	0.571	0.589	0.607	0.625	0.644	0.664	5.809
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Portion of Inner City Transport	0.112	0.116	0.120	0.124	0.128	0.143	0.148	0.152	0.157	0.162	1.364
Portion of Ferrymead Bridge	0.107	0.270	0.052								0.430
Portion of Waimakariri Bridge Upgrade	0.244	0.354									0.597
Carrs Rd underpass		0.556	1.149	1.188							2.893
Portion of Bus Priority Lanes	0.075	1.032	0.383	0.845	0.485	0.818	0.491	0.048	0.340		4.517
Total Cycleways Capital Budget	1.530	5.104	4.953	5.522	4.735	1.686	1.416	1.028	1.349	1.040	28.362