I’M NOT A BOTTOM-LESS BANK

What’s happening with your rates?

- Rates across the Kapiti District increased by an average 17.2 percent on 1 July 2024

- How much does the Kapiti Coast District Council (KCDC) plan to increase your rates by over the 10 years between June 2024 and June 2034?

115%

Paraparaumu property

Rateable value: $640,000

Rates 2023/24: $3,885

Rates 2024/25: $4,676

Rates 2033/34: $8,356

(includes GWRC rates)

Source: current valuation and current/past rates at: *https://eservices.kapiticoast.govt.nz/rates/properties/search*

Waikanae property

Rateable value: $780,000

Rates 2023/24: $4,250

Rates 2024/25: $5,138

Rates 2033/34: $9,141

(includes GWRC rates)

Source: current valuation and current/past rates at: *https://eservices.kapiticoast.govt.nz/rates/properties/search*

Paraparaumu property

Rateable value: $1,120,000

Rates 2023/24: $4,902

Rates 2024/25: $5,984

Rates 2033/34: $10,554

(includes GWRC rates)

Source: current valuation and current/past rates at: *https://eservices.kapiticoast.govt.nz/rates/properties/search*

Is this affordable? - I

- If you are a wage and salary earner, Treasury forecasts that wages will increase by about 3% each year from next year. But your rates will go up by 7% ….

- If you were renting a house similar to this one, today you would probably be paying about $625/week in rent

- In 10 years time, the increase in rates alone would increase the rent for this property by about $95/week, to about $720/week
  - And that's before the landlord increases the rent for anything else coming through …

Is this affordable? - II

What if you are on a fixed income – eg: on NZ Super Living alone and living in a house like this one….

- Your NZ Super will increase by the movement in wages
- Based on Treasury average wage forecasts, NZ Super would increase by about $9,600 over the next 10 years
- But your rates increase will be $4,892. That means that 51% of the future NZ Super increases would be taken up by rates alone.

What’s going on?

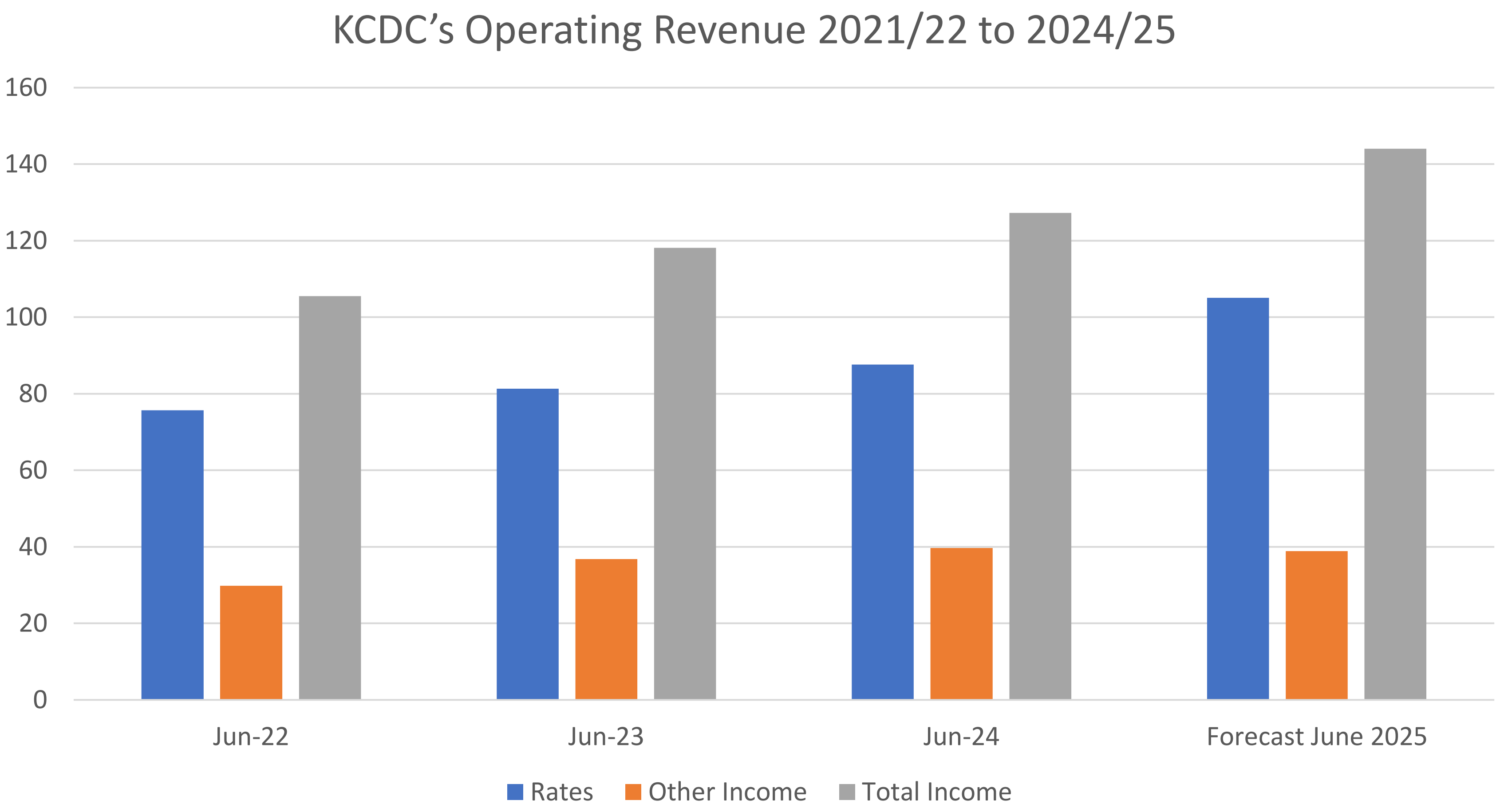
- The size of your rates increases are the result of a calculated Council strategy for you to pay more and more of your income:

“In 2007, the Shand Report established that rates should not exceed more than 5% of household income…. We have used 7% of household income as our affordability proxy…”

Building a Resilient Future: Consultation Document for Council’s Long Term Plan 2024-2034, page 18

- It’s deliberate. KCDC believe they are entitled to – and plan to - take a greater share of your income than they ever have before.

Let’s look at KCDC’s revenue in more detail



Rates revenue increases by $29.4million – or by 39%

Total revenue increases by $38.5 million – by 36%

This means that rates are bearing more of the load than increases in other revenue

This compares to actual and forecast inflation of 11.2%

Total revenue will grow faster than inflation by 25%

Let’s look at KCDC’s costs in more detail

Major cost drivers

$million	2021/22 Actual	2022/23 Actual	2023/24 Actual	% change	% change above inflation
All staffing costs	27.4	33.2	37.0	35%	26%
Grants	0.8	1.0	2.0	150%	141%
Facilities Management	20.6	21.9	23.0	11.7%	2.2%
Depreciation	23.4	26.2	29.2	25%	15%
Total Costs	99.2	110.9	124.4	25%	15%

The biggest single driver of increasing costs is staffing.

The greatest percentage increase in spending is on grants.

These global numbers don’t show extravagant Council spending.

Let’s look at KCDC staffing in more detail

	2021/22 Actual	2022/23 Actual	2023/24 Actual	% change	% change above inflation
Employees FTEs	361	397	414	15%	
All staffing costs per FTE ($)	$75,900	$83,627	89,372	18%	8%

- Staff numbers have increased by 15% between 30 June 2022 and 30 June 2024
- Costs per staff have grown by 18% over these two years
- This is why overall staffing costs have grown by 35% over two years

- The Long Term Plan Consultation Document made a big thing of the Council’s proposal to cap staffing levels for the next three years

BUT: The horse has already bolted!

We need to talk about debt

- KCDC does not talk having lost control of costs and key cost drivers
- KCDC does talk about repaying debt early as a key goal over the next 10 years, and this contributes to the large, on-going rates increases

> *"… actively reducing our debt to lower the debt burden on future ratepayers … is a positive and necessary step towards being confident that we are achieving inter-generational equity…"*
>
> *"we need to reduce debt levels so that we can retain maximum borrowing capacity when and if a major disaster leaves us with debilitating damage…*

Building a Resilient Future: Consultation Document for Council's Long Term Plan 2024-2034, pages 18 and 3

- Reducing debt is a good thing – RIGHT?
- Reducing debt will achieve intergenerational equity – RIGHT?
- Reducing debt to improve resilience is a good thing – RIGHT?

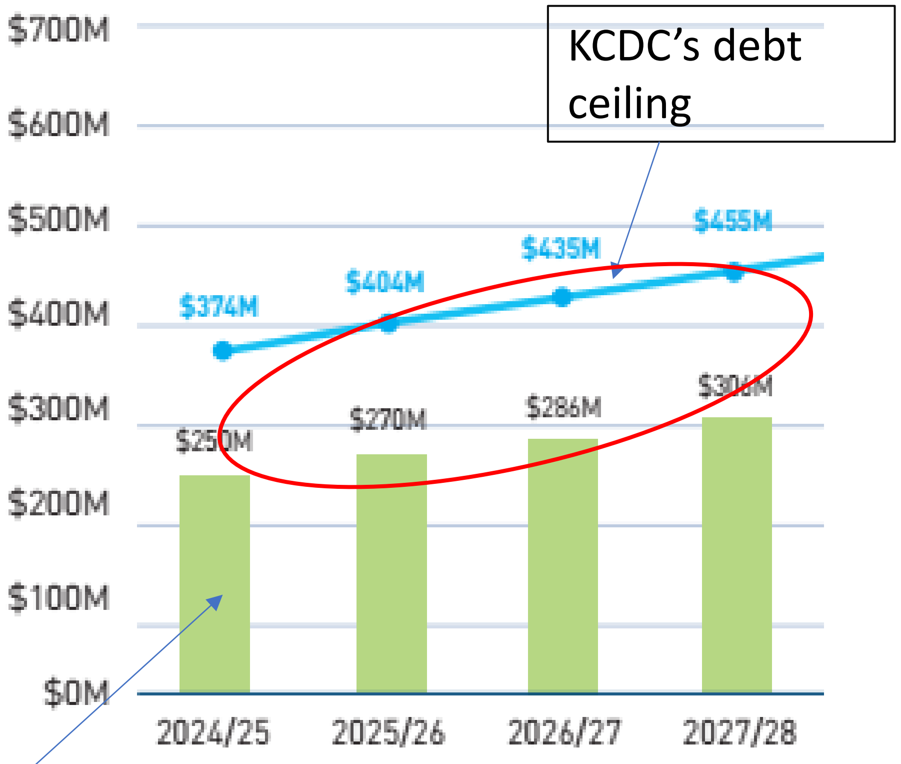
Is reducing debt a good thing?

If you are a household – YES

If you are the Council, only if:

- You have too much debt
- You are borrowing for the wrong reason, such as to pay for your annual bills (debt should be used to pay for capital spending)

But this Council will not have too much debt before it proposes to start paying it off early



Building a Resilient Future: Consultation Document for Council's Long Term Plan 2024-2034, page 16

Does reducing debt support inter-generational equity?

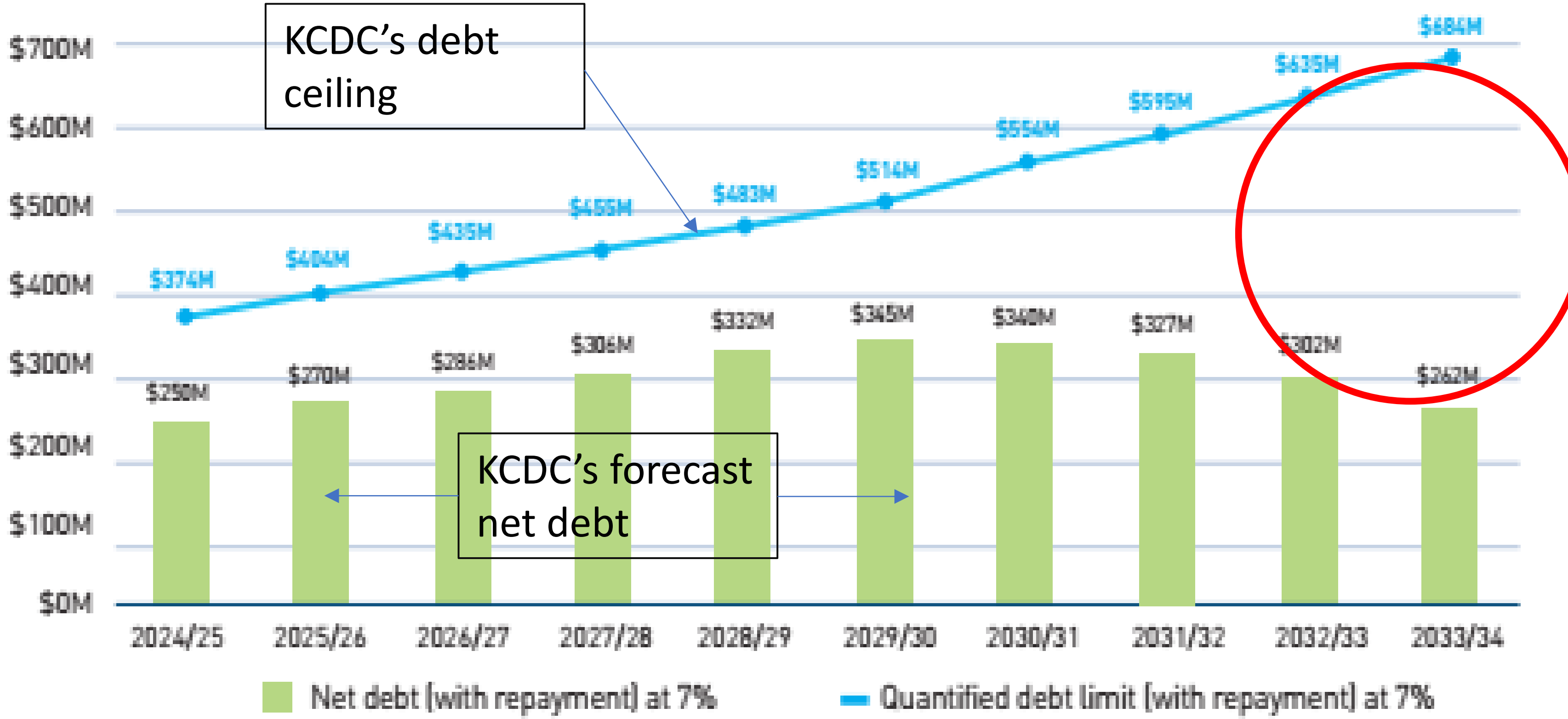
- In this case… NO … because:
  - If we build (say) a new water treatment facility that lasts for 50 years, everyone who uses it over the 50 years should help meet the costs of building it, maintaining and repairing it, and running it
  - That’s what debt does – if the debt is repaid over the 50 year life of the water treatment facility by ratepayers, everyone over the next 50 years would be making a contribution
  - That’s fair. It would not be fair if the people in this room paid all the costs, and future users didn’t make any contribution at all.

What about reducing debt to build resilience?

- KCDC talks about reducing debt will improve the Council's credit rating, but acknowledges that a "credit rating uplift won't result in any further reductions in borrowing costs" (Long Term Plan 2023/24 Final Document page 40)
- The debt reduction plans will increase the Council's borrowing headroom:

But we suggest this approach to "resilience" is way too aggressive and leads to too low a debt level in 2033/34

The cost of such an aggressive approach is 115% rates increases, right here, right now.



By paying off debt early, KCDC are forcing you to pay more than you should, and future ratepayers will not pay for their use of the assets

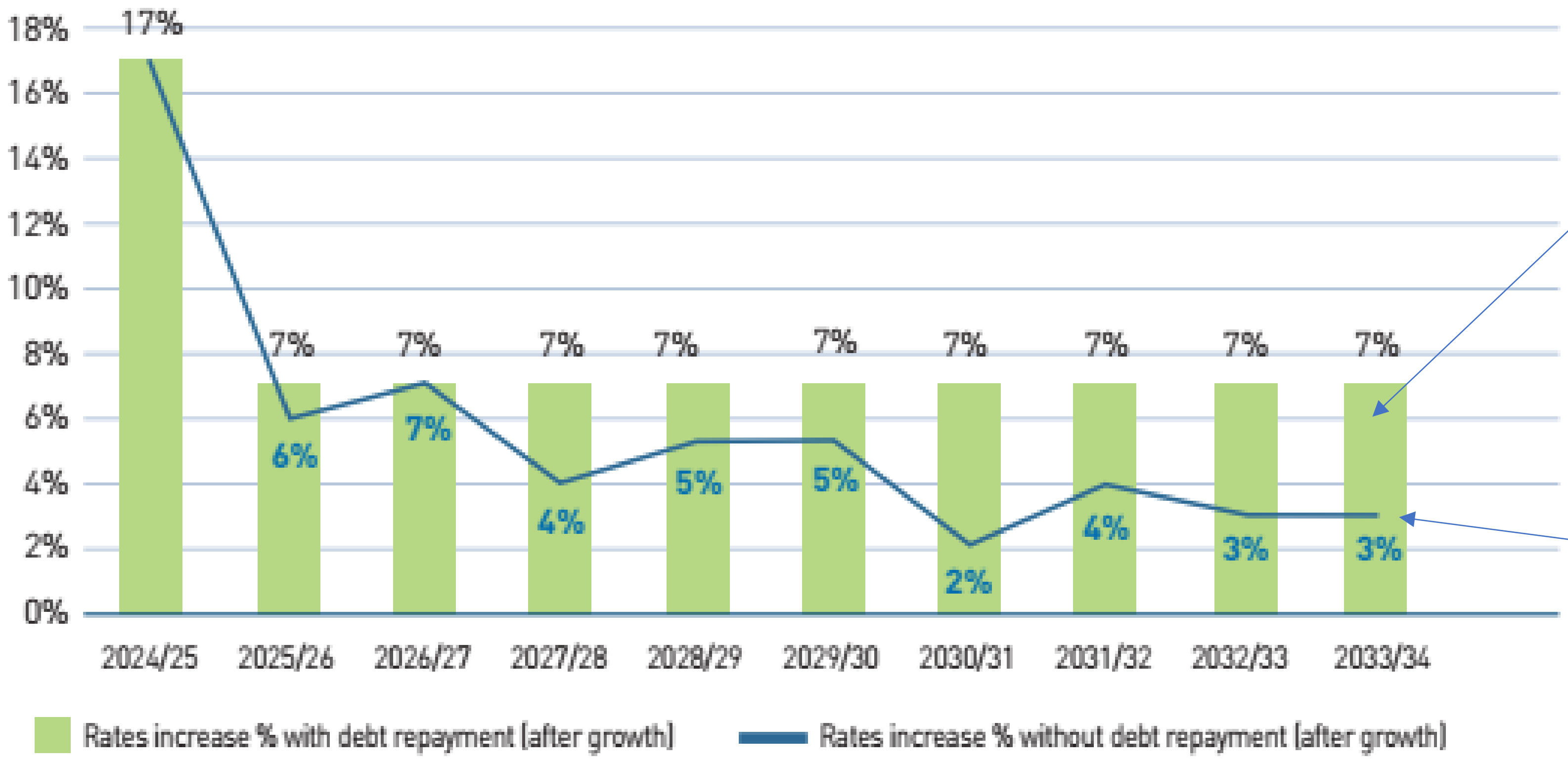
It’s not intergenerational equity, if current ratepayers pay more than they should, and future ratepayers pay less.

KCDC’s approach to building “resilience” is too aggressive, leads to an artificially low level of debt in 2033/34. The cost of this is loaded onto current ratepayers, rather than shared across all ratepayers

The level of debt should be driven by what’s affordable to pay back now and in the future, not an arbitrary target.

There was an alternative….

- KCDC outlined an alternative strategy in their Long Term Plan consultation document….



Council approved rates path – 115% increase over 10 years

Alternative rates path – 71% increase over 10 years

…but chose not to progress it.

Source: Building a Resilient Future: Consultation Document for Council's Long Term Plan 2024-2034, page 14

Then there was another option….

- During the Long Term Plan debate at Council, some councillors proposed a middle path:
  - An initial rates increase of 12%, and then 6% each year for 9 years after that
  - This would have led to a cumulative rates increase of 89% over 10 years

- That’s still way too high, at least some councillors were trying. They were:

  - Deputy Mayor Lawrence Kirby
  - Martin Halliday
  - Glen Cooper
  - Rob Kofoed
  - Kathy Spiers

But they were voted down....

- By a slim majority, the middle path was voted down.

- These councillors voted for the maximum possible increase to your rates, and won the day:

  - Mayor Janet Holborow
  - Sophie Handford
  - Liz Koh
  - Nigel Wilson
  - Shelley Warwick
  - Jacelyn Prvanov

I’M NOT A BOTTOM-LESS BANK

BUT THE COUNCIL THINKS THAT YOU ARE

What we can do

- Concerned Ratepayers Kapiti are here to help get a change in approach by the KCDC. We can do this by:
  - Getting spending under control – while protecting core infrastructure and community services such as water services, parks, libraries and swimming pools
  - Stopping the artificial early repayment of debt – and get back to a situation where debt is used so that everyone pays their fair share both now and in the future

through:

- Asking detailed questions about Council spending and holding your Councillors to account
- Lobbying for lower rates increases than planned in next year's Annual Plan
- Electing councillors who do not believe that you are a bottom-less bank

Discussion