

## What has changed in our plan?

### 3 waters depreciation and differentials – rates model

With the upcoming changes to the future ownership of our three waters assets (drinking water, stormwater and wastewater), Council is proposing that we will not fund depreciation for those assets in the 2023/2024 year. This means that any repairs, maintenance or capital works will be funded from the currently held reserves during that time. As the community has paid for these reserves, we believe that they are best spent locally and not given over to a wider fund.

In our LTP we set out our policy on unfunded depreciation:

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*Council is not fully funding the depreciation expense for all activities where it is assumed that assets will be not be replaced or will be funded from external sources.*

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When the water assets are transferred to the Water Services Entity they will be funded from an external source.

Taking this approach means that ratepayers who pay water rates will benefit significantly. Not funding depreciation for three waters assets reduces targeted rates by \$3.1 million. If funded, this would change the proposed rates increase from an overall average of 0.07% to 16.19%.

Ratepayers who do not pay water rates or metered water rates may be adversely affected. Because we want to ensure that rates are spread fairly across the ratepayer base, we have considered how our rates structure can be changed to benefit the most ratepayers.

Council has identified five options for the allocation of rates. Four of these options assume that Council will not be funding the depreciation of 3 waters in the 2023/2024 year. Whichever option is adopted, the total rates revenue will remain the same.

These options are explained in the table below. A full table of example rates figures for comparison is attached as appendix 1.

#### What do we mean by...

##### **Depreciation:**

*The wearing out, consumption or loss of value of an asset over time. A portion of rates collected is put into depreciation reserves, which are used to fund capital projects and maintenance of specified assets.*

##### **Differential:**

*The difference, or amount of difference, between things that are compatible. In this case, the value applied to different categories of land use and the area in which the land is located. Rates are calculated proportionally.*

##### **UAGC:**

*A targeted rate that is applied to all properties at the same value.*

##### **3 Waters rates:**

*Targeted rates that are used to fund the drinking water, wastewater and stormwater activities.*

##### **Metered water rates:**

*Water rates that are set and assessed as a fixed charge per unit of water supplied in a specified location on properties connected to metered water supply.*

<b>Option 1:</b>	Status Quo with 3 Waters depreciation funded and 17.5% UAGC	<p>This is the current model. Council reduced the UAGC to 17.5% following consultation on the Long Term Plan 2021-2031, and committed to ongoing review of the effectiveness of the UAGC rate percentage.</p> <p>While all ratepayers will pay the same UAGC charge, ratepayers with lower value properties pay lower rates on the capital value of their property.</p> <p>There is no advantage to ratepayers who pay targeted 3 waters rates as depreciation continues to be funded under this option.</p> <p>The overall average increase is 16.19%.</p>
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**Option 2:** 17.5% UAGC and no funding of 3 Waters depreciation  
This option provides the greatest advantage to ratepayers who pay targeted 3 waters rates.  
There is no advantage to other ratepayers.  
The overall average increase is 0.07%.

**Option 3:** 17.5% UAGC with the Rural differential reduced from 1 to 0.95, and Rural Residential differential reduced from 0.75 to 0.7  
This option still provides a greater advantage to ratepayers who pay targeted 3 waters rates but also provides some benefit to rural ratepayers by reducing the effect of the general rate increase.  
The overall average increase is 0.07%.

**Option 4:** 20% UAGC and no funding of 3 Waters depreciation  
This option provides a greater advantage to ratepayers who pay targeted water rates.  
Increasing the UAGC to 20% reduces the disadvantage of ratepayers who do not pay targeted 3 waters rates.  
The UAGC increase offsets some of the reduction in the targeted 3 waters rates for those who will receive this benefit.  
The overall average increase is 0.07%.

**Option 5:** 20% UAGC with the Rural differential reduced from 1 to 0.95, and Rural Residential differential reduced from 0.75 to 0.7  
Increasing the UAGC to 20% reduces the disadvantage of ratepayers who do not pay targeted 3 waters rates, and also provides some benefit to rural ratepayers by reducing the effect of the general rate increase, above the UAGC increase benefit.  
The UAGC increase offsets some of the reduction in the targeted 3 waters rates for those who will receive this benefit.  
The overall average increase is 0.07%.

**Option 5 is the preferred option. This provides the greatest benefit to the most ratepayers and allows rates to be spread more fairly across ratepayers.**

Excludes  
GST

				2023/2024 Rate model options														
				3 Waters Depreciation funded			No Funding of 3 Waters Depreciation											
				Option 1			Option 2			Option 3			Option 4			Option 5		
Rate type	Area	Capital Valuation	2022/23 Rates	Draft 2023/2024 Rates	Var	%age Var	Draft 2023/2024 Rates	Var	%age Var	Draft 2023/2024 Rates	Var	%age Var	Draft 2023/2024 Rates	Var	%age Var	Draft 2023/2024 Rates	Var	%age Var
Rural	Bruce Bay	785,500	2,101.48	2,841.00	739.52	35.19%	2,756.06	654.58	31.15%	2,693.00	591.52	28.15%	2,704.13	602.65	28.68%	2,651.02	549.55	26.15%
Commercial	Bruce Bay	385,000	2,764.44	3,505.00	740.56	26.79%	3,401.46	637.02	23.04%	3,463.00	698.56	25.27%	3,369.87	605.42	21.90%	3,416.68	652.24	23.59%
Rural Residential	Bruce Bay	830,000	1,795.07	2,405.00	609.93	33.98%	2,318.35	523.28	29.15%	2,240.00	444.93	24.79%	2,293.78	498.72	27.78%	2,224.93	429.87	23.95%
Commercial	Fox Glacier	670,000	5,598.89	6,924.00	1,325.11	23.67%	6,304.75	705.86	12.61%	6,397.00	798.11	14.25%	6,175.89	577.00	10.31%	6,257.35	658.46	11.76%
Residential	Fox Glacier	640,000	3,196.56	3,979.00	782.44	24.48%	3,237.31	40.75	1.27%	3,272.00	75.44	2.36%	3,208.78	12.21	0.38%	3,247.67	51.11	1.60%
Rural	Fox Glacier	800,000	2,606.20	3,288.00	681.80	26.16%	2,807.22	201.02	7.71%	2,731.00	124.80	4.79%	2,785.71	179.51	6.89%	2,719.35	113.15	4.34%
Rural Residential	Fox Glacier	86,000	1,077.26	1,241.00	163.74	15.20%	1,149.45	72.19	6.70%	1,142.00	64.74	6.01%	1,219.55	142.29	13.21%	1,212.41	135.16	12.55%
Rural	Franz Josef	420,000	1,437.74	1,795.00	357.26	24.85%	1,705.89	268.15	18.65%	1,666.00	228.26	15.88%	1,733.23	295.49	20.55%	1,698.39	260.65	18.13%
Rural Residential	Franz Josef	300,000	1,269.00	1,554.00	285.00	22.46%	1,464.71	195.71	15.42%	1,436.00	167.00	13.16%	1,507.32	238.32	18.78%	1,482.44	213.44	16.82%
Commercial	Franz Josef	960,000	7,570.34	9,529.00	1,958.66	25.87%	8,133.10	562.76	7.43%	8,256.00	685.66	9.06%	7,904.31	333.96	4.41%	8,021.03	450.68	5.95%
Residential	Franz Josef	420,000	2,640.04	3,240.00	599.96	22.73%	2,496.31	-143.73	-5.44%	2,518.00	-122.04	-4.62%	2,504.74	-135.29	-5.12%	2,530.27	-109.77	-4.16%
Residential	Haast	225,000	2,046.80	2,470.00	423.20	20.68%	1,724.84	-321.96	-15.73%	1,737.00	-309.80	-15.14%	1,766.69	-280.11	-13.69%	1,780.36	-266.44	-13.02%
Commercial	Haast	1,290,000	6,987.57	9,113.00	2,125.43	30.42%	9,007.81	2020.24	28.91%	9,188.00	2200.43	31.49%	8,687.21	1699.64	24.32%	8,844.06	1856.49	26.57%
Rural	Haast	80,000	868.32	1,021.00	152.68	17.58%	930.02	61.70	7.11%	924.00	55.68	6.41%	997.52	129.20	14.88%	992.11	123.79	14.26%
Rural Residential	Haast	290,000	1,119.86	1,383.00	263.14	23.50%	1,292.51	172.65	15.42%	1,265.00	145.14	12.96%	1,336.65	216.79	19.36%	1,312.59	192.73	17.21%
Rural	Hari Hari	2,070,000	5,034.50	6,723.00	1,688.50	33.54%	6,649.39	1614.89	32.08%	6,482.00	1447.50	28.75%	6,380.02	1345.52	26.73%	6,240.08	1205.57	23.95%
Residential	Hari Hari	130,000	1,339.48	1,628.00	288.52	21.54%	1,241.24	-98.24	-7.33%	1,248.00	-91.48	-6.83%	1,299.66	-39.82	-2.97%	1,307.56	-31.92	-2.38%
Commercial	Hari Hari	250,000	3,273.82	3,940.00	666.18	20.35%	3,144.38	-129.44	-3.95%	3,189.00	-84.82	-2.59%	3,157.27	-116.54	-3.56%	3,187.67	-86.15	-2.63%
Rural Residential	Hari Hari	196,000	977.08	1,210.00	232.92	23.84%	1,119.02	141.94	14.53%	1,101.00	123.92	12.68%	1,175.13	198.04	20.27%	1,158.87	181.79	18.61%
Rural	Hokitika	460,000	994.20	1,383.00	388.80	39.11%	1,388.20	394.00	39.63%	1,351.00	356.80	35.89%	1,310.33	316.13	31.80%	1,279.23	285.03	28.67%
Rural Residential	Hokitika	510,000	2,081.87	2,546.00	464.13	22.29%	2,342.18	260.31	12.50%	2,298.00	216.13	10.38%	2,362.31	280.44	13.47%	2,320.00	238.14	11.44%
Residential	Hokitika	390,000	3,189.56	3,833.00	643.44	20.17%	2,935.97	-253.59	-7.95%	2,962.00	-227.56	-7.13%	2,955.15	-234.42	-7.35%	2,978.85	-210.72	-6.61%
Commercial	Hokitika	470,000	7,396.56	8,808.00	1,411.44	19.08%	6,663.67	-732.89	-9.91%	6,742.00	-654.56	-8.85%	6,611.48	-785.08	-10.61%	6,668.63	-727.93	-9.84%
Rural	Kumara	12,000	859.66	961.00	101.34	11.79%	869.23	9.57	1.11%	869.00	9.34	1.09%	948.24	88.58	10.30%	947.43	87.76	10.21%
Residential	Kumara	155,000	1,897.80	2,214.00	316.20	16.66%	1,728.65	-169.15	-8.91%	1,737.00	-160.80	-8.47%	1,782.65	-115.15	-6.07%	1,792.07	-105.73	-5.57%
Commercial	Kumara	170,000	3,358.86	3,883.00	524.14	15.60%	3,085.60	-273.26	-8.14%	3,121.00	-237.86	-7.08%	3,125.64	-233.21	-6.94%	3,146.31	-212.54	-6.33%
Rural Residential	Kumara	182,000	1,336.89	1,546.00	209.11	15.64%	1,454.99	118.10	8.83%	1,438.00	101.11	7.56%	1,512.87	175.98	13.16%	1,497.78	160.89	12.03%
Rural	Ross	277,000	1,680.19	1,945.00	264.81	15.76%	1,855.25	175.06	10.42%	1,833.00	152.81	9.09%	1,889.40	209.21	12.45%	1,870.67	190.48	11.34%
Rural Residential	Ross	750,000	2,694.37	3,205.00	510.63	18.95%	3,118.11	423.74	15.73%	3,047.00	352.63	13.09%	3,103.71	409.35	15.19%	3,041.50	347.13	12.88%
Residential	Ross	210,000	2,289.68	2,605.00	315.32	13.77%	2,120.80	-168.88	-7.38%	2,132.00	-157.68	-6.89%	2,165.47	-124.21	-5.42%	2,178.24	-111.44	-4.87%
Commercial	Ross	910,000	5,499.94	6,996.00	1,496.06	27.20%	6,902.37	1402.43	25.50%	7,022.00	1522.06	27.67%	6,692.62	1192.68	21.69%	6,803.26	1303.32	23.70%
Rural	Whataroa	1,050,000	2,676.22	3,627.00	950.78	35.53%	3,544.73	868.51	32.45%	3,460.00	783.78	29.29%	3,448.02	771.80	28.84%	3,377.04	700.81	26.19%
Rural Residential	Whataroa	320,000	1,181.61	1,476.00	294.39	24.91%	1,385.97	204.36	17.30%	1,356.00	174.39	14.76%	1,426.30	244.69	20.71%	1,399.75	218.15	18.46%
Commercial	Whataroa	235,000	2,329.13	2,798.00	468.87	20.13%	2,691.88	362.75	15.57%	2,736.00	406.87	17.47%	2,711.18	382.05	16.40%	2,739.75	410.63	17.63%
Residential	Whataroa	90,000	1,427.93	1,695.00	267.07	18.70%	1,209.57	-218.36	-15.29%	1,214.00	-213.93	-14.98%	1,274.59	-153.34	-10.74%	1,280.06	-147.87	-10.36%