

Mayor's Introduction

Hello and thank-you for taking interest in our district's 2011/12 Annual Plan.

This is my first Annual Plan as Mayor and the challenges we face on the local, national and international front have only intensified the need to continue to focus on fiscal prudence, and a desire to constantly be willing to change with the times.

The pragmatist in me accepts that while I would have personally desired further reductions in the overall rate requirement, an Annual Plan figure of a 3.25% increase (down from the Long Term Plan's anticipated 8.64% increase) is under the rate of inflation, and a responsible approach from Council as we strive to push our district forward at an affordable pace.

A word of warning though, as the overall figure of 3.25% does not illustrate to some degree the fluctuations in rate demands as we move around the district. The rates change from 2010/11 to 2011/12 will vary depending on which one of the 11 different rating areas you live in.

Rural areas can look forward to a slight rate reduction and Kaitangata and Waihola can look forward to virtually no increase. However, towns that have undertaken significant projects face varying rate increases ranging up to a 9.22% increase on a median property in Lawrence.

Many of these projects like sewage treatment and water upgrades have been forced on us by Central Government, and I applaud the efforts of staff in seeking practical, cost-effective solutions to our district's needs.

Biofiltro Sewage Treatment Plants are a prime example. Kaka Point's anticipated 2011/12 rate increase was 20.6% through traditional methods, but Biofiltro significantly reduced this amount and change for this town is now 7.4%, and we received the maximum 35 year discharge consent, a brilliant outcome, and one we are hoping to replicate in Lawrence, Stirling, Tapanui and Owaka this year.

Various other projects are more at our district's and your community's discretion, some like the Clutha Recreation Centre have been ratified by the previous Council, but payments and the impact on rates commence in the next year.

Bryan Cadogan
Mayor Clutha District



Chief Executive's Summary

Hello and welcome to the Clutha District Council's Annual Plan for 2011/12.

In preparing this plan, Council has been mindful of the current economic climate and the recent weather events which will be constraining the district's economy.

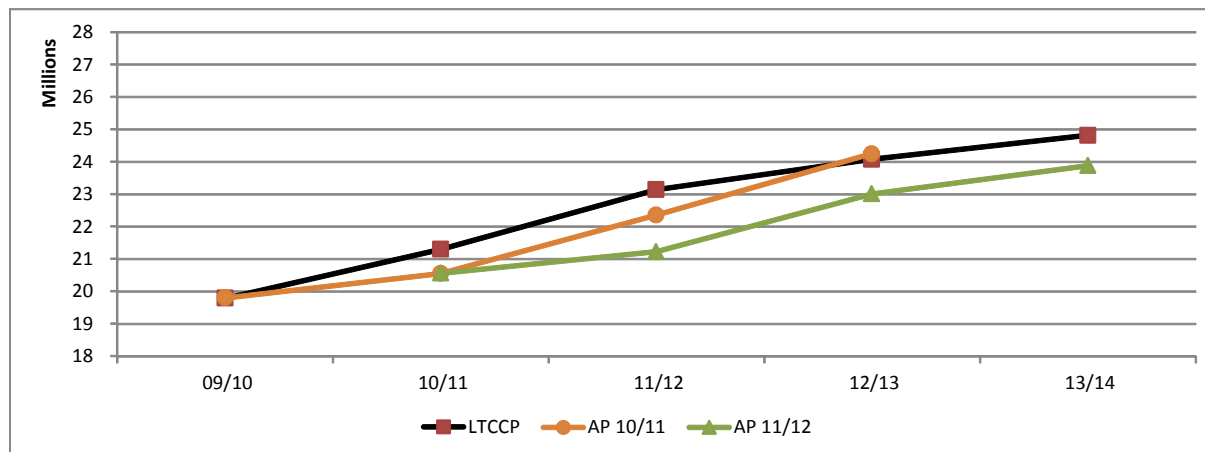
Through the 2009/19 Long Term Plan and 2010/11 Annual Plan, Council put in place some significant projects funded by loans where the principal and interest payments begin this year. These include:

- Clutha Recreation Centre:** This project, being undertaken by a community committee, is due to be completed by about July 2011. Council has provided 50% (up to \$2.5 million) towards the total project cost of about \$5 million. Council's contribution will be funded by a system in which ratepayers in different electoral wards pay a uniform amount based on their proximity to the centre.
- Sewage treatment upgrades:** A number of sewerage schemes need upgrades in order to meet more stringent discharge consent conditions. New 35-year consents have been awarded for Kaka Point, Lawrence, Owaka, Stirling and Tapanui. The consents are based on the towns' sewage treatment systems upgrading to a new Biofiltro treatment plant such as the one which has been operating at Kaka Point since the beginning of 2010. The upgrades will have a significant effect on the wastewater rates of these townships. However, the Biofiltro plants provide cheaper solutions than alternatives previously considered and the 35-year consents provide security for the affected townships.
- Water treatment upgrades:** Work will be completed on upgrades to the Balclutha, Kaitangata, Lawrence and Tapanui water supplies. These upgrades received significant capital funding assistance from central government, but the additional operating costs will have some impacts on the township water rates.



Council will also begin rating for the introduction of kerbside recycling, which is now due to begin on 1 April 2012.

The chart below shows the total rates proposed in this annual plan against the estimates developed in the 2009-19 Long Term Plan prepared in 2009 and last year's Annual Plan.



The Annual Plan shows an overall rates requirement of \$21,232,000 an increase of \$672,000 (or 3.25%) on 2010/11. This is substantially less than the 8.64% increase initially forecast in the 2009-19 Long Term Plan, with a \$23,147,000 rate requirement.

One of the major reasons next year's rates requirement is less than forecast in the Long Term Plan is that Council is putting on hold all unsubsidised seal extensions in 2011/12 and will review whether to reintroduce these going forward as part of next year's Long Term Plan process. Sealing gravel roads costs over \$200,000 per kilometre and this type of sealing does not attract any funding assistance from the New Zealand Transport Agency (NZTA).

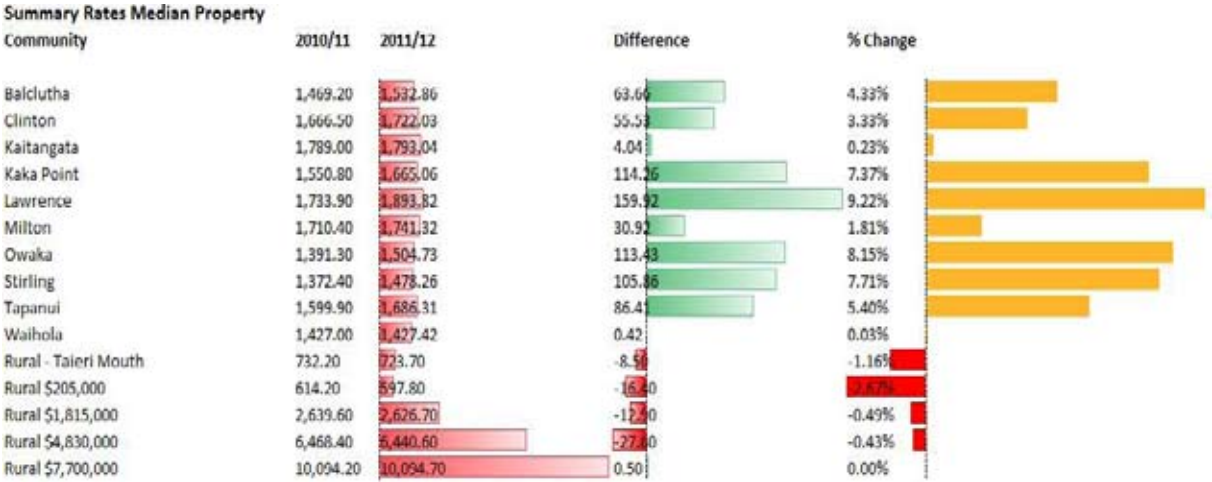
Council will also continue to feel the effects of receiving less NZTA funding assistance than we had previously asked and budgeted for. For residents and ratepayers, this will mean less expenditure on our roads than that recommended in our asset management plans.

Deferring the funding for two major projects - Balclutha Main Street Upgrade and West Otago Health grant has also helped keep this year's rates requirements down.

Before any upgrade of the Balclutha main street can take place, Council first needs to decide on future traffic flow for the township. After some initial consultation last year, Council identified three options for detailed investigation and further consultation which will take place in 2011/12. More information on this is available in the Balclutha Community Summary section of this plan.

Meanwhile, the West Otago Health project is not yet at the point where Council is ready to provide a \$1 million grant as provided for in the 2010/11 Annual Plan. The grant was subject to conditions, in particular that all other funding to meet the full construction costs were to be contractually confirmed, and that all other sources of funding are either interest free loans or grants. As the project is not yet at this point, Council has carried over the grant into the 2011/12 financial year. This means the uniform charge to households in the West Otago Health area of approximately \$88 +GST will not be rated for in 2011/12. And it won't be until the year following when the grant is drawn down on, when affected ratepayers will begin to pay back the loan principal and interest charges needed to fund the grant.

While the overall rates change in the 2011/12 Annual Plan is 3.25%, there are some variations across the different rating areas as indicated in chart below.



Due to the reducing expenditure in roading, most properties in the rural rating area can expect a negligible rates change or even a small decrease.

In townships such as Lawrence and Owaka, however, where major sewage treatment upgrades will be taking place, the rates change for a median property as per the example above is expected to be about 9.22% and 8.15% respectively.

Council is mindful that these are significant increases. However, it is also conscious that delaying necessary upgrades to key infrastructure any further would only prove more expensive in the long term.

Council will continue to investigate options for the most appropriate sewage disposal options for Benhar and Tokoiti, with new schemes to be implemented by 30 June 2012. Consultation will also seek to establish the rating model for the schemes, including Council's preferred method of harmonising about 50% of the capital costs of building the new schemes, as well as the ongoing operating costs.

Charles Hakkaart
Chief Executive

Summary of changes from the Draft Annual Plan

This final Annual Plan adopted by Council includes a number of changes as a result of submissions made to the draft Annual Plan. Of note:

Lawrence Swimming Pool

In the 2009/19 Long Term Plan Council included a provision for rate funding 55% of the proposed Lawrence Community Pool. This was split between the Lawrence Community Services Rate and the Lawrence/Tuapeka Community Board Rate at 25% and 30% respectively. The estimated cost of the pool upgrade has now increased from \$1.57 million to \$1.95 million and Council has agreed to maintain its funding at 55% of this. The pool will add approximately \$58 to rates of those in the Lawrence township and \$75 for those in the remainder of the Lawrence/Tuapeka ward. As the increase is loan funded there will be no rates impact until the year following the raising of the loan.

Benhar and Tokoiti Sewerage

Neither Benhar (near Balclutha) nor Tokoiti (near Milton) currently has a public sewerage system. Most properties have onsite septic tank systems which in many cases are not working properly and discharging at the surface onto neighbouring properties or into waterways.

The draft Annual Plan proposed construction of a \$825,000 grinder pump system in Benhar and a \$575,000 conventional gravity system in Tokoiti. However, Council will continue to investigate options for the most appropriate schemes, in consultation with each community, with new schemes implemented by 30 June 2012.

Council also intends to consult on alternative funding options, including its now preferred method of harmonising about 50% of the capital costs of building the new schemes, as well as the ongoing operating costs. The preferred method would result in an increase in sewerage rates of approximately \$27 +GST in Balclutha, \$9 +GST in Milton and \$11 +GST across other sewerage rates.