

Local Government Funding Challenges & Options

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The Challenges

1. Asset maintenance & renewal
2. Aging Infrastructure requiring replacement
3. Input cost increases greater than CPI
 - Construction
 - Roding
 - Labour

The Challenges

4. Rising standards / expectations

- Drinking water
- Waste water
- Stormwater
- One network classification
- 50 Max

The Challenges

5. Declining Government Assistance

- Transport FAR
- Waste water subsidies
- Drinking water subsidies
- Emergency response

The Challenges

6. Either - Aging, declining population
Resulting in greater dependency and increased proportion of residents on fixed incomes

Or

7. Population growth requiring extra capacity
(usually on top on historic underinvestment)

Expenditure Options

Revenue Options

Expenditure Options

1. Re-prioritise expenditure:
 - delete, delay, save up for
2. Control costs
 - service levels
 - delay / manage renewals
 - radical new delivery models
 - partnership delivery options

Expenditure Options...

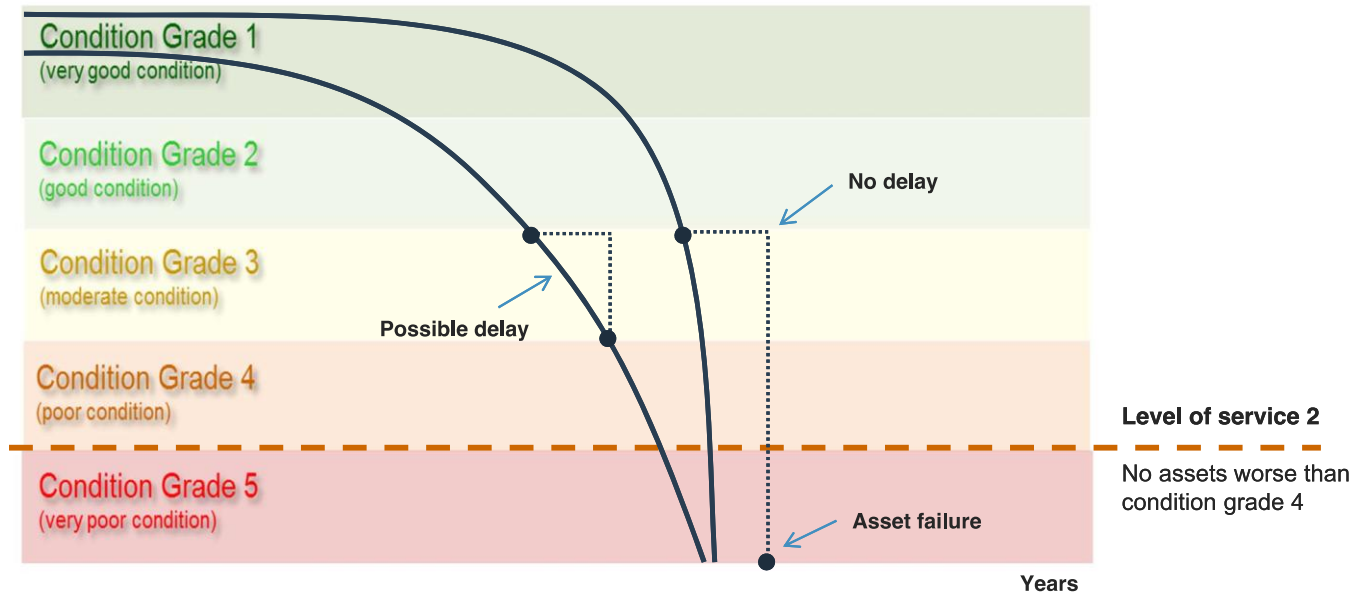
3. Stop the activity
 - when is the water supply not cost effective?

4. Spend what you budget for
 - in 2013 Councils spent
 - only 64% of budgeted capital expenditure
 - only 64% of depreciation

Delay / Manage Renewals

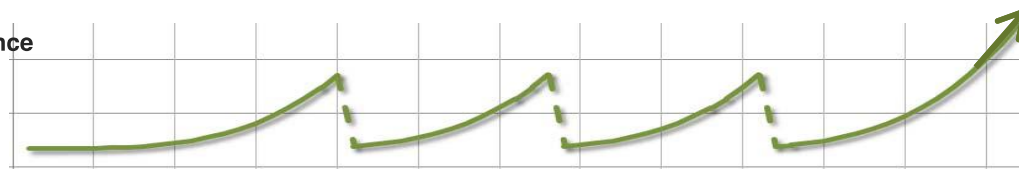
maintain level of service

New



Increasing risk – safety, public perception, network performance

Maintenance costs \$



Increasing maintenance costs as condition deteriorates

But ...

- Do we understand the assets well enough to do this wisely?
- Do we understand the risks / consequences of delaying renewals?
- Do our communities understand the risks that we expose them to by delaying renewals?

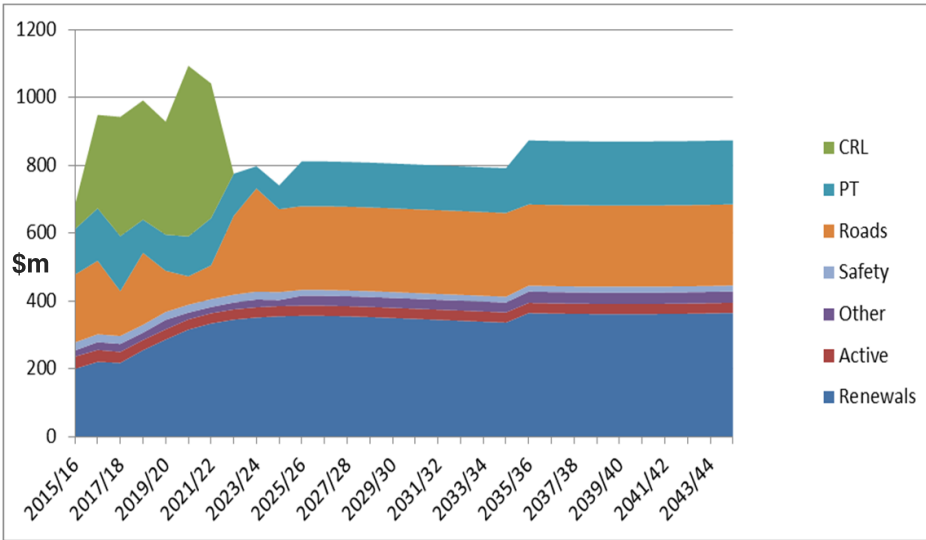
Revenue Options

1. Rates
2. Development contributions
3. Use other charges
 - metered water and volumetric charging
4. Revenue Sharing
5. New forms of funding
6. Obscure existing mechanisms

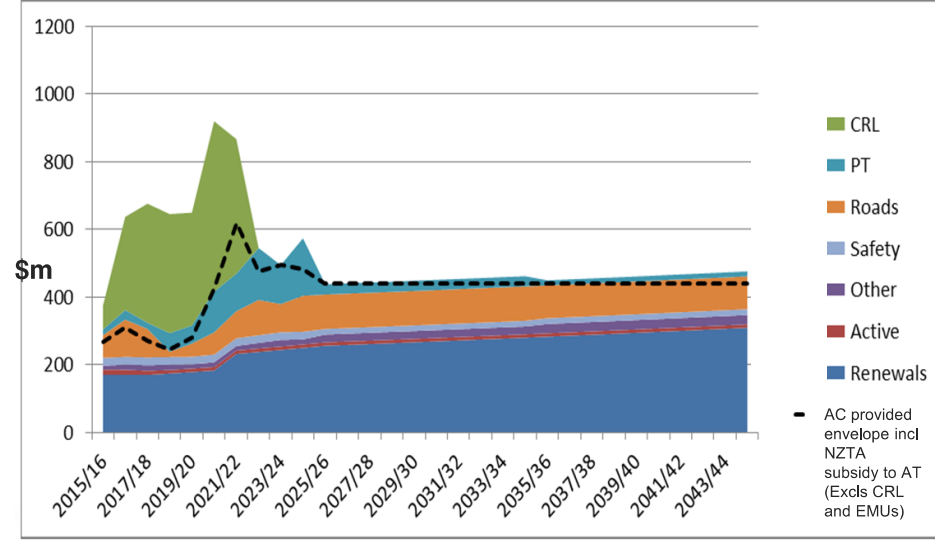
Case Study – Auckland Transport Funding

Auckland – what's needed & what's affordable?

AP Transport Network

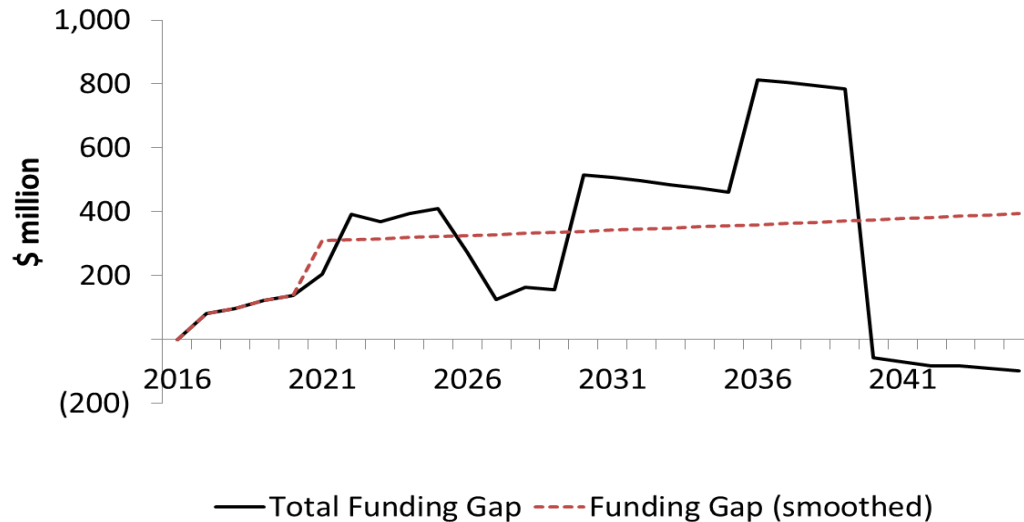


Basic Transport Network

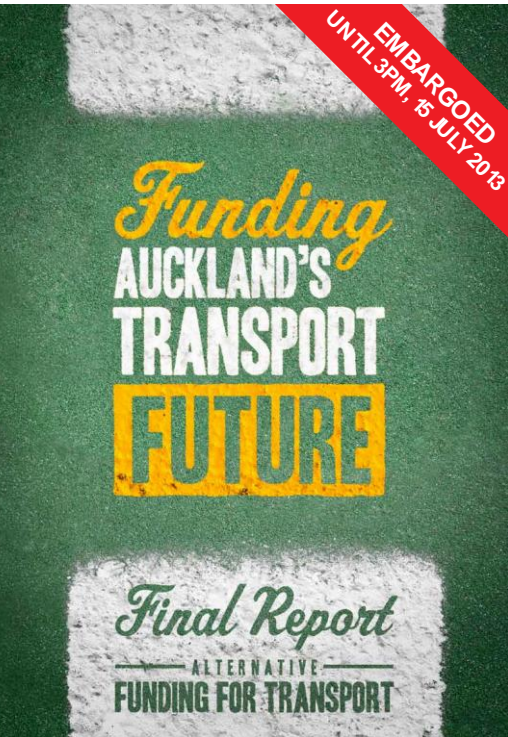


Auckland's Transport Funding Gap

(2015\$)

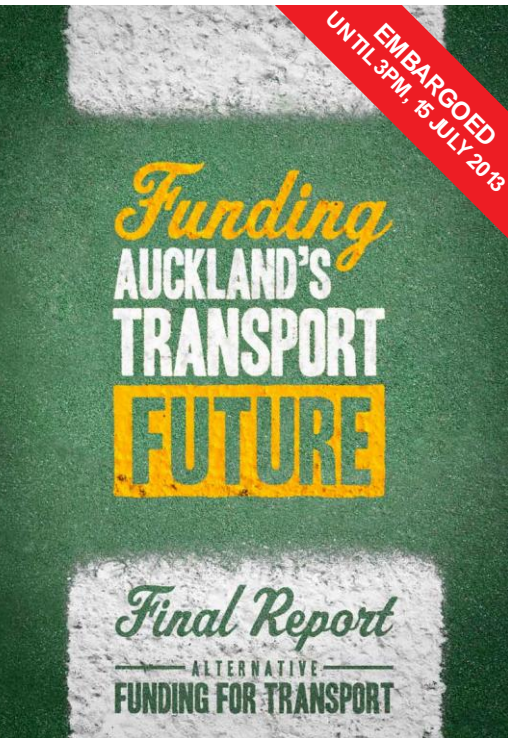


Auckland's Alternative Transport Funding Project



- Independent Group
- Consensus based decision making
- Briefed to explore funding options
- Primary goal – how do you raise the money to pay for the transport system

The Group Tested:



- Regional lottery
- Regional payroll tax
- Regional GST / Sales tax
- Visitor bed tax
- Departure tax
- A levy on vehicles registered in Auckland
- Parking levies
- Asset sales
- Managed toll lanes
- Tax increment financing/betterment
- Single and Double cordon tolls
- Area charging schemes
- Distance charges
- Motorway network charges

Significant Public Engagement Showed:

- Dealing with transport is the number one issue
- Aucklanders just want the council and the government to get on with it
- Aucklanders will pay more
- Given a choice they will choose the charging scheme they think they can avoid
- That is the key to the demand management up-side of road charging schemes for Auckland

Stage 2 – the Funding Pathways being considered

- Existing Tools:
 - rates, fuel excise and tolls on new roads
(i.e. Penlink, or new Harbour Crossing)
 - Exploring different targeted rates
 - Exploring regional v national fuel tax
- Road Charging:
 - Single Cordon, Isthmus Cordon, Motorway
Network Charges

Or be creative with obscure things ...

from the LGA 1974 and operative

Tolls at bridges, tunnels, and ferries

(inserted, on 1 April 1979, by section 2 of the LGA Amendment Act 1978)

361 Establishment or abolition of toll gates at bridges, tunnels, and ferries

(1) The Minister may from time to time, by notice in the *Gazette*,—

- a) authorise a council to establish, by using the special consultative procedure, toll gates and collect tolls at any bridge, tunnel, or ferry within the district or under the control of the council; or
- b) with the agreement of the council, abolish any toll gate or reduce the tolls to be taken at any toll gate if the Minister is of the opinion that any toll gate established by a council is not necessary or that the tolls taken thereat are excessive.

from the LGA 1974 and operative

(2) Any authority granted under subsection (1)(a) may be granted subject to such terms and conditions as the Minister thinks fit, including, but without limiting the generality of the foregoing provisions of this subsection, terms and conditions as to—

- a) the tolls that may be taken:
- b) the conditions under which the tolls may be taken:
- c) the persons and classes of persons exempted from payment of the tolls:
- d) the manner in which and the conditions on which tolls may be leased:
- e) the distraining for or recovery of tolls:
- f) the appointment and duties of collectors of tolls:
- g) the making of any toll gate in the district clearing any other toll gate in the district or in any other district.

