SUBMISSION ON LOCAL AUTHORITY FUNDING AND FINANCING.

Context

My wife and I are Dunedin pensioners, with our only income being NZ Super. We are pleased to see that the Commission is doing an in-depth investigation into TLA funding, including the increasing rates burden on many low income and fixed income households. Lately we have experienced a large rate increase of 7.8% which the Dunedin City Council says is to pay mainly for infrastructure, (much of which is deferred from years ago), and an exorbitant new 20-million-dollar foreshore bridge and central city upgrade.

We accept that TLA's need to have some freedom to decide, (with the support of the local community), what to spend rates money on but **increasingly TLA's are drifting too far from their core duties into areas that are better funded by private enterprise.**

Presently, there is growing poverty in Dunedin with rising rents and housing prices increasing steadily. Food banks are under increasing demands for food parcels but the DCC sails on with its expansive and expensive projects.

Dunedin has a population of 136,000 but the TLA acts as if it has a much larger and wealthy rate paying population with the result that the debt per capita is high. Currently it runs at nearly $3000 per resident which is amongst the highest 14 in the country! An Otago Daily Times report, after Statistics New Zealand released extensive census data last month, showed Dunedin, with a median income of **$23,300**, was poorer than any of the other main centres. Also, the city was poorer than the nation as a whole, which had a median income of **$28,500**. Jan 12, 2014

I have read and understood most of the issues in the Issues Paper of November 2018. From here on I will bullet point specific concerns, with local examples and suggest a recommendation for some to fix the problems I see with TLA performance and that of the DCC in particular.

- **Huge Spending on Non-Core Infrastructure with Neglect of Vital Infrastructure.**

Example 1: The Dunedin Forsyth Barr Stadium was intended to be paid for by private enterprise but that funding fell through and the ratepayers bore virtually the full 200-million-dollar plus cost of the build. Ratepayers are now faced with operation and maintenance for the life of the building. I and many others believe that the building of such facilities clearly fall outside TLA core business and should not be paid for by ratepayers.

Example 2: DCC has allocated 20 million dollars of ratepayer money on an elaborate new bridge, (yet to be built), as part of a large waterfront development based solely on 1000 responses in support in the LTP, when Dunedin's population is close to 130,000 and respondents were from a narrow demographic band. MBIE has rightly called for more evidence of public support for Stage 2 of the project but the survey method being used by DCC to measure public support is very limited in its reach, is poorly designed and biased towards "yes I support the foreshore development" responses. I have objected to this shoddy and biased survey methodology.

Recommendation 1:

Re-define clearly and unambiguously, mandatory core TLA functions in the Local Government Act and require any TLA that wants to go outside the scope to apply to MBIE, (or similar Government watchdog), for approval. MBIE, or similar, should oversee the application and consider the overall debt loading, cost-benefit ratio and overall community financial health and accurately measured community support* in order to decline, or approve the application with changes. Approval would only be given if the TLA can show solid community support after proper consultation*.

This process has worked well recently with the proposed overly complex, costly and ambitious Dunedin Waterfront Development, (The so called Van Brandenburg Vision), whereby MBIE reduced the unrealistic scope of the project to make it economically viable, more secure against climate change and more affordable to ratepayers and its private backers, over a staged longer term, as resources permit. Otherwise, the DCC and backers were all set to charge ahead with the development at any cost.

***community support,** being support data from a statistically valid community survey covering all demographic social and income levels in the community, to avoid sample bias

- **Count Debt Held by Council Owned Companies as Actual Council Debt.**

Example 1: DCC has several holding companies which have all accrued large amounts of debt but DCC distances itself from these debts and hides behind the companies**. Aurora Energy** in particular accrued vast debt and has failed to maintain the electricity system by deferring maintenance for many years to pay Council dividends which were spent on other things, including deferred maintenance of other assets, debt repayments and the New Dunedin Stadium of course. The ratepayers will face large increases in electricity line charges in a year or two when Aurora retrieves the multi-million-dollar cost of the repair work needed to its network. This amounts to a **de-facto rates increase, routed through a holding company!**

Example 2: The holding company, DVML, that runs the Dunedin Stadium also carries considerable debt but this is not counted as DCC debt and should be because it really is DCC debt, especially when the Stadium loses money each year and requires $11 million in ratepayer top up each year to continue to operate.

Recommendation 2:

Make it mandatory for TLA's to count any debt, (including deferred maintenance debt liability), held by subsidiary companies as debt to the TLA. All debt must be transparently demonstrated and factored in to any Audit Office audits and credit worthiness calculations used to assess economic performance of the TLA and debt per capita.

- **Ensure that TLA LTP's Address Priority Work Above Nice to Have Projects.**

Example 1: The DCC in one LTP paragraph admitted that a lot of money will need to be spent on combatting climate change, with South Dunedin and other areas being at risk from sea level rise. However, the LTP said nothing more about this issue and millions of dollars were allocated to non-urgent projects like the new fancy 20-million-dollar bridge and more will be spent on the lavish foreshore development proper.

NB: DCC Mayor Dave Cull, President of LGNZ, is leading the charge to persuade Government to assist with funding for climate change effects and at the same time has applied to the Shane Jones led RDF fund to support the new foreshore development on soft reclaimed land near to the sea which may well succumb to sea level rise. Luckily MBIE stepped in and requires the buildings to be raised up and be set on flood proof foundations. This will increase the cost and ratepayers may well have to pick up any shortfall if the few supporters, (Ngai tahu, DCC, Otago Regional Council and Port Otago), run out of money half way through the project - which is quite likely.

Typical letters from the public to the Editor of the ODT are attached, including one from me, regarding the controversial foreshore development and its potential to impact on ratepayers if the so-called supporters pull out of the project.

Example 2: An anonymous DCC staff member in the ODT of 7/12/18 reported the seriously degraded state of the nearly 100km long water supply pipes from the city's water sources at Deep Creek and Deep Stream inland from the City. Council staff downplay the risk but the pipes are over 100 years old and are in corroded and dilapidated condition with recent flood damage. DCC will patch them up but more flooding could very well seriously disrupt the water supply to the whole city. But the DCC chooses to build a fancy bridge to the foreshore costing 20 million dollars while the vital water supply pipes are patched up. A copy of the ODT whistle blower article is attached.

Example3: Most of Dunedin's drinking water reticulation pipes are old cast iron and asbestos cement and are now past their design life. These deteriorated old pipes impart taste and odour to the water and many people have installed water filters to remove this.

The reticulation is also high risk for leakage and failure with 10% or more of the expensively treated water lost into the ground. Dunedin has compliant, formerly A graded treated water being distributed through a reticulation system formerly graded D and E, (medium to High Risk), by the Ministry of Health.

Example 4: Social Housing for the elderly and vulnerable has also been neglected for a long time. In fact, DCC sold off a lot of its social housing units, mimicking the Housing NZ sell off of many of its state houses to private landlords. Now we have a big shortfall in social housing in Dunedin with hundreds of people on the waiting list, with many more not bothering to register because they know there are no houses! This has been exacerbated by liberal Government immigration policy and the growing refugee quota which guarantees refugees a furnished house ahead of any others on the waiting list.

- **Set Up an Appeal Body to Hear Complaints About Errors and Discrepancies in LTP's**

This could be MBIE, or similar body, to giver independent opinion of faulty LTP's. The DCC 2018 -2028 LTP has several serious short-comings, like mentioning the huge expense coming up for Dunedin to combat climate change then completely ignoring it and the existing South

Dunedin flooding risk, which needs attention now. Also, the Mayor in the LTP claimed that our city's infrastructure is in good shape, thus allowing a spend up on the glitzy new 20-million-dollar bridge and a central city upgrade, but later in the same LTP stated that there had been considerable deferred infrastructure maintenance and new works requiring a lot of investment as well.

There is no point complaining to the TLA or the Ombudsman about such discrepancies as they take no notice and simply refer any complaints back to the TLA, which ignores them!

- **Increase the Income Limit to Allow a Full Rates Rebate for Pensioners and Similar Low-income People.**

Example: Presently my wife and I are on the pension only but still exceed the income level to get any rates rebate. This does not make sense as it should be a given that pensioners with no other income should qualify for the full $650 rates rebate. This is something that the Department of Internal Affairs needs to address by raising the maximum income level to a point somewhere above the combined income for a married couple on the pension and adjust this level annually.

This would alleviate to some extent the increasing rates burden on pensioners and other low-income earners. The TLA claims to be sympathetic with low income people in the community but says the city needs to progress, so live with it! **The DCC has never suggested to Internal Affairs that the income limit for a rates rebate is set too low, in the interests of its more vulnerable ratepayers.**

NB: In the Terms of Reference to this call for submissions it notes the low uptake of the rates rebate scheme. The simple explanation is that most pensioner couples do not qualify for the rebate, others do not know about it and the TLA does not make any effort to make people aware of it!

- **Ensure that TLA's Pay More Than Lip Service to Climate Change Effects for Future Generations.**

TLA's tend to go for short term spending on so called vanity projects and the DCC is no exception. The Council claims it is essential that the city grows and develops so that rates increases can be controlled but the irony is that rates have to increase to fund the growth and development in the first place! The result is an ever- increasing spiral of rates and other costs upwards.

There is no point in increasing the size of the city and spending huge amounts on unnecessary developments when climate change looks likely to seriously impact the city. Already Dunedin is suffering from repeated high winds, flooding, slips road damage and property damage costing millions of dollars to fix and this will only intensify. **The DCC response is to say in the 2018-2028 LTP that this will be dealt with some time later and that it is a Central Government worry in any case.**

- **Ensure that TLA's and DCC Look at Ways to Increase Funds through Existing Tourism.**

Example 1: DCC does not levy any visitor tax on the thousands of visitors that come to the City on cruise ships every summer, or any other tourist parties for that matter. A lot of potential revenue is being lost. Alternatively, the Government could gather the tax at the border and pass on to the TLA's.

Example 2: The DCC has not set a levy for businesses that benefit directly from the influx of visitors to large concerts held at the Dunedin Stadium. These businesses do quite well from the concerts but residential ratepayers get no payback at all. The only thing the residents get is the increasing rates bill for Stadium construction and ongoing operation. The Council itself also gets little or no income from the concerts either because the Stadium essentially runs at a loss. This is not an equitable situation.

Conclusions:

TLA's do need to have freedom to make decisions locally but we feel that there is not enough Government oversight and control of TLA expenditure and their misuse of rates to fund unnecessary non-core projects. Government needs to carefully underscore TLA core functions and make TLA's adhere to them. Government also needs to scrutinise TLA debt more closely, especially hidden debt and deferred maintenance debt accruing in Council owned holding companies and similar entities.

In some respects, TLA's have become a law unto themselves and are out of control as far as spending on non-core functions is concerned. This is the main reason behind the observed depreciation gap and high deferred maintenance debt, for the DCC and all of its holding companies at present. This is a serious issue with cumulative financial repercussions for the most vulnerable members of the community and for future generations who will face the full effects of deferred asset maintenance, accrued debt and climate change effects.

The DCC and other TLA's appear to regard increased tourism as their magic bullet but the business community is the only sector that gets any payback from tourism. The residential ratepayers who fund the bulk of the additional infrastructure needed for the tourists get very little return, directly or indirectly. In fact excessive tourism can be detrimental to an area by overstressing infrastructure and pushing up local prices which locals then have to pay. Locals can also be inconvenienced by the presence of excessive numbers of tourists as they try to go about their daily business.

A back to basics approach is needed to stop the ballooning out of Council activity. The core functions generally recognised in the Local Government Act and its amendments should read:

1. Roading Infrastructure
2. Water supply infrastructure.
3. Wastewater treatment and disposal infrastructure
4. Waste collection and disposal infrastructure
5. Administration of relevant Acts, Regulations and By Laws

6. Provision of basic amenities such as libraries, swimming pools, art galleries, museums and parks and gardens which benefit all residents.
7. Provision of adequate social housing at reduced rates for qualifying people.
8. Providing grants for worthwhile community activities and agencies which rely on public and Council support.
9. Generally supporting the health, wellbeing and security of residents now and into the future, including timely measures to mitigate the effects of climate change, as far as is technically feasible and affordable.

If TLA's could manage these key core functions efficiently, diligently and transparently, ratepayers would most likely not object to reasonable rates increases but it seems they cannot, or will not in many instances.

As a general rule TLA's should not attempt to spend ratepayer money on projects which should be better funded by private enterprise, on a commercial user pays basis. The Dunedin Stadium is a good example and should have been funded by private funds and run along commercial business lines.

It appears that the Local Government Act and amendments already set out fairly clearly the roles and responsibilities of TLA's but it is apparent that the DCC does not necessarily comply with the spirit of the LGA at all times, with specific instances detailed above. This is why a Government Watchdog type of body is needed to keep TLA's honest and transparent, as required by the Local Government Act. The Government should no longer adopt a hands-off approach to Local Government because this approach has obviously failed ratepayers in particular.

Further Topics:

1. Government regularly places new regulatory requirements on TLA's and the costs to action these usually fall back on ratepayers. Dunedin City Council waste disposal charges skyrocketed because of new national requirements under the carbon credits scheme. Government needs to be more aware of the effects of new requirements at the local level and particularly on ratepayers, who are already finding it hard to get by.
   Recommendation:

   Government needs to consider funding any new national regulatory compliance requirements, in whole, or in part to minimise effects on ratepayers. If a new regulation is not really needed then don't introduce it.

2. Government can inadvertently add to ratepayer woes by partly funding strictly non-core function developments which ratepayers have to fund the rest of the cost of. An example is the proposed new Waterfront Development for Dunedin which the supporters hope to get some Regional Development Funding for from Shane Jones. This is fine but the ratepayers have already funded a $20 million dollar bridge to the waterfront and more and more items are being added to the next stage of this extensive waterfront project as time goes on, which ratepayers will be expected to fund. In other

words the RDF may well give money early next year when the project details are still up in the air and no-one knows what the cost of the entire project is yet. The cost will be huge, that is for sure. The Business Plan has not even been completed yet. This is real cart before the horse stuff and I hope the RDF grant is not given in haste. The RDF money may well be assisting the DCC to get its ratepayers into even more debt when the debt per capita in Dunedin is around $4000 for every man woman and child already !

Recommendation:

Funding through e RDF should only be given when Government is certain that a sound business case exists and that statistically valid support exists from the whole city, including the rural and urban sectors. Also, the full cost of the project the RDF money is being applied for needs to be known and the costs to ratepayers clearly spelt out and assessed as being tolerable, or not, to the ratepayers, given the debt loading already on those ratepayers and the total debt of the TLA.

3. DCC fees and charges rise every year, well ahead of the cost of living index and peoples incomes in fact. DCC fees and charges across the board rose 4% this year for no good reason, other than revenue gathering. Ratepayers cannot continue to face these increasing charges with no tangible improvements to services.

Recommendation:

Government needs to set limits on rates increases and on annual fees and charges exacted by Councils, more in line with inflation levels and the cost of living increase in an open and transparent way, rather than on an ad hoc basis with no convincing reasons given for the increases.

General Suggestion:

If TLA's cannot act transparently and responsibly and spend ratepayer money wisely, on core functions only, and rack up unsustainable debt, then they should be stood down and replaced by a Commissioner in the same way that the Southern District Health Board was and some dysfunctional school boards have been. This might reduce the cavalier attitude some TLA's have to creating debt for their ratepayers and keep them honest. If a DHB can be placed under a Commissioner I do not see why a TLA cannot be as well. Time for some more real leadership and tough action from the Government.

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