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**Addendum Report for the Local Government  
Commission on financial and service delivery matters  
relating to the proposal for a union of Nelson City and  
Tasman District**

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**July 28 2011**

## Version Control

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# 1 Introduction

This report supplements the Strateg.Ease (May 2011) 'Report for the Local Government Commission on financial and service delivery matters relating to the proposal for a union of Nelson City and Tasman District'.

Updated and additional information is provided on:

- a) Estimated costs of community boards in light of the Local Government Commission's (LGC) actual proposals for the three new community boards in the draft reorganisation scheme
- b) Clarification and correction of figures on comparison of council debt levels in table 7.4.1 of the May 2011 report
- c) Estimated debt capacity of the existing councils and a combined council based on a range of debt policy limits.

In addition, we have explained again the basis of the approach we used to derive the indicative salary savings of \$3.7 to \$4.7 million.

## 2 Community Board Costs

Refer Table 7.2.1 in Strateg.Ease May 2011 report. The revised table below incorporates the LGC proposal released in June 2011, for 3 new community boards, such that there would be a total of 5 community boards.

The table in the May 2011 report included the number of councillors who were members of community boards but these councillors do not receive additional remuneration, and we had also estimated a hypothetical community board composition for the combined council that was different to the actual LGC proposal.

Therefore the increase in elected member remuneration as shown in the revised table below, incorporating the numbers in the LGC proposal, is estimated to be \$381,108 (versus \$398,106 in the May report). This does not include any allowance for additional resources (e.g. staff, meeting rooms) which may be required to support 3 more community boards.

Notes: 'TDC': Tasman District Council; 'NCC': Nelson City Council; 'New': Council for combined district.

<b>Table 7.2.1 Number and Remuneration for Elected Members (updated July 22 2011)</b>										
	<b>TDC</b>	<b>TDC</b>	<b>NCC</b>	<b>NCC</b>	<b>Total TDC + NCC</b>	<b>New</b>	<b>New</b>	<b>Change</b>	<b>Change</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Mayor	1	92,393	1	91,655	2	184,048	1	116,806	-1	-67,242
Deputy Mayor	0	0	0	0	0	0	1	83,931	1	83,931
Cllrs	13	385,125	12	395,634	25	780,759	15	1,030,170	-10	249,411
CB chairs	2	20,760	0	0	2	20,760	5	60,000	3	39,240
CB members	6	32,304	0	0	6	32,304	18	108,072	12	75,768
<b>Total</b>	<b>22</b>	<b>530,582</b>	<b>13</b>	<b>487,289</b>	<b>35</b>	<b>1,017,871</b>	<b>40</b>	<b>1,398,979</b>	<b>5</b>	<b>381,108</b>

### 3 Benchmark Table

Table 7.4.1 in the May 2011 report used term debt for comparison purposes with other councils. In 2009/10 TDC had a high current portion of debt as refinancing with a new bank was in progress. We have restated the debt rows in the revised comparison table below to incorporate current debt and total debt. We have removed the rows from the table that are not relevant to this subject.

**Table 7.4.1: Comparison with benchmark councils – 2009/10**

	Tasman	Nelson	TDC+NCC	New (Indicative)	Dunedin	Tauranga	Palmerston North
Rates (\$mn)	48.9	48.0	96.9	96.9	98.6	82	63.6
Other revenue (\$mn)	30.9	40.0	70.9	70.9	127.9	49	31.0
Total revenue (\$mn)	87.4	90.9	178	178	250	134	100
Term Debt (\$mn)	48.4	41.5	89.9	89.9	234.1	229	143
Current Debt <sup>1</sup> (\$mn)	67.5	10	77.5	77.5	5.9	87	0.4
Total Debt (\$mn)	115.9	51.5	167.4	167.4	240	316	143
Interest % of rates	13.5%	9.2%	11.4%	11.4%	15.3%	20.5%	12.6%
Term debt to total assets (%)	4.0%	3.5%	3.8%	3.8%	8.1%	6.5%	10.9%
Total debt to total assets (%)	9.6%	4.4%	7.0%	7.5%	8.3%	9.0%	10.9%
Term debt per rateable property (\$)	2134	2023	2081	2081	3885	4578	5314
Total debt per rateable property (\$)	5109	2511	3875	3875	3982	6317	5314
Net interest expense to operating revenue (%)	7.6%	4.9%	6.2%	6.2%	6.0%	13.9%	8.0%
Total assets (mn)	1209	1,170	2379	2379	2,893	3,500	1,308
Population (approx. estimate)	46,259	45,511	91,770	91,770	122,000	111,000	80,300
Ratepayers/ rateable properties	22,684	20,511	43,195	43,195	60,263	50,026	26,912

<sup>1</sup> Current borrowings or current portion of term debt

We also emphasise that:

- The May 2011 report chapter on Financial Management (and the associated tables) showed total debt levels from the TDC and NCC 2009/19 LTCCPs and incorporated both term and current debt, and the analysis and conclusions related to these figures (not the figures in Table 7.4.1).
- The table 7.4.1 does not suggest that these comparator councils undertake similar functions as a unitary council, and the figures were not used to derive staff numbers for a new council. Other unitary councils (e.g. Gisborne, Marlborough) were too small to use for benchmarking, so we selected councils that sit above and below the combined council on the basis of population size and annual revenue. The comparator councils were used to consider councillor and CEO remuneration for a combined council.

## 4 Debt capacity

The table and analysis in section 6.1 of the May 2011 report did not incorporate an inflation adjustment for NCC's \$3,500 per capita policy limit (as required in the NCC 2009/19 LTCCP), and it also contained an arithmetic error that overstated the borrowing capacity based on this individual ratio. We note that in NCC's 2011/12 Annual Plan the Council has discarded this debt per capita policy limit, and in our report we also expressed our opinion that this ratio was neither useful nor appropriate and consequently should not be used for analysis of NCC's position or for the new combined council. Notwithstanding that, for this Addendum we have recalculated the NCC position versus the inflated debt to capita policy limit and this is shown in the table in the Appendix. This demonstrates that NCC does have additional funding capacity in all of the years of the 2009/19 LTCCP. If all of the NCC policy limits are applied, then the additional borrowing capacity (the lowest in any year) across the LTCCP period for NCC is \$11.9-16.3<sup>2</sup> million driven by the \$3500 inflated limit. If this debt per capita limit is ignored, then the next policy limit that applies for NCC shows \$140.7 million additional borrowing capacity. Refer to the Addendum Appendix tables for 2009/19 LTCCP figures.

The table below shows the combined council subject to TDC and NCC policy limits from their 2009/19 LTCCPs (excluding the \$3500 limit). The two ratios that we applied in the May 2011 report were TDC's 250% debt to total income ratio and a less conservative 25% debt to equity ratio. The latter generates a minimum additional debt capacity for a new council of \$242.1 million. Therefore the lowest additional borrowing capacity for the combined council for the LTCCP planning period across the two proposed ratios is \$177.4 million. This result is the same in the May report and as restated in the Addendum Appendix tables<sup>3</sup>.

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<sup>2</sup> The range is for inclusion and exclusion of the Performing Arts & Conference centre project

<sup>3</sup> It is noted that at a debt level of \$177.4million, the 20% debt-equity ratio and \$3,500 per capita ratio would both be infringed, implying such a level of debt would not be compliant with all policy limits applied by the existing Councils in their 2009/19 LTCCPs.

**Table 1: Individual and Combined Council – Minimum Additional Debt Capacity Under Alternative Policy Limits for 2009/19 LTCCP Budget**

	NCC \$ mn	TDC \$mn	Combined \$mn
Net external debt not to exceed 20% of equity	n.a.	16.3	119.3
Net external debt not to exceed 250% of total operating revenue	n.a.	67.7	177.4
Borrowing is no more than 3.0 x annual rates + water & other charges	140.7	n.a.	268.9
Interest cost is not greater than 25% of rates revenue + water & other charges	276.0	n.a.	340.3
Borrowing is no greater than \$3500 per capita	11.9	n.a.	n.a.
Net external debt not to exceed 25% of equity	n.a.	n.a.	242.1

As noted in the May 2011 report (p5) both TDC and NCC currently have the ability to incur greater debt within their own prudential limits, and could accelerate planned capital expenditure, subject to their willingness to increase rates revenue to fund higher debt servicing costs.

The other factors taken into account in proposing a less conservative debt to equity policy limit for the combined council, alongside the 250% debt to total revenue limit, are:

- TDC and NCC have other sources of income from commercial activities (commercial property, trading enterprises, forestry, etc) which are currently used to offset rates.
- The joint officials group (the Local Authority Funding Project Team) issued two reports on local authority funding (in 2005 and 2006) with the conclusion that most local authorities in NZ set unduly conservative debt limits and could make more use of debt to spread the costs of capital projects over a longer period (and achieve better inter-generational equity).
- The Tasman-Nelson area is facing growth in their rating bases and they need to fund additional capacity in infrastructure, particularly in water and wastewater.
- The Office of the Auditor General (OAG) in its review of Council LTCCPs for 2009-19 (and incorporating the Department of Internal Affairs analysis of their financials) observed that while levels of debt were increasing and that councils were taking on more debt to fund infrastructure, levels of debt and the servicing costs were in general not of concern. The OAG qualified only 2 councils in relation to the sustainability of their levels of debt (both these councils are experiencing significant growth).
- Adopting this approach means an amalgamated balance sheet of the two councils provides greater funding capacity for the combined region, with the ability to complete more infrastructure projects earlier. It would also be more resilient in the face of emergencies or disasters, and have greater capacity to fund more expensive and fit for purpose regional facilities than an alternative of smaller localised facilities.
- A new council is free to choose its appropriate policy limits for borrowing.

## 5 Indicative Savings in Salary Costs

In our May 2011 report we stated that we considered there *“are immediate potential efficiency gains from a union through a reduction in a number of duplicate organisation management, support service positions and supervisory roles.”* This was based on our assessment of the existing Councils’ organisation charts as at 2010 and not by reference to comparator councils shown in table 7.4.1 in the report. A significant portion of salary savings would be at the CEO, senior and middle management levels (estimated at 20 positions or \$1.7 million; refer table 7.3.1 in the May 2011 report).

We also stated *“Further savings would occur in the balance of the organisation, primarily in strategic and policy functions, communications, and support service areas such as IT and accounting and for duplicate team leader or equivalent positions in operating and service departments. We have assumed that all front-line service staff such as in customer service, application processing etc., would be retained, along with specialist functions performed at one council but not at the other (e.g. biosecurity, harbourmaster).”*

We noted elsewhere in the report that *“regional planning activity could be improved and performance in some regulatory activities has been affected by staff shortages”* and consequently if the decision was taken to retain some of the positions shown in Table 7.3.2 (15 positions in the planning and regulatory and recreation and customer service areas) then the indicative savings would reduce from \$4.7 million to \$3.7 million (implying an overall net reduction in 53 staff positions).

A transition committee charged with establishing a new combined council could decide to retain some or all of the positions included in these indicative savings.

## Appendix: Debt Capacity Tables

**Table A:1: Nelson City policy limit as per LTCCP 2009/2019 with correction of \$3,500 per capita limit with inflation adjutor**

	1	2	3	4	5	6	7	8	9	10
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Borrowing is no greater than \$3,500 per capita inflation adjusted (Borrowing per capita is) (\$)</b>	1,922	2,666	3,335	3,555	3,633	3,551	3,392	3,198	2,767	2,392
Debt Cap Policy of \$3500 per Capita - inflation adjusted (\$)	3,500	3,603	3,710	3,812	3,916	4,024	4,135	4,248	4,365	4,485
<b>Max Possible Debt for Ratio (\$3500/capita - inflated) (\$mn)</b>	<b>159.3</b>	<b>165.1</b>	<b>171.1</b>	<b>176.9</b>	<b>183.0</b>	<b>189.2</b>	<b>195.6</b>	<b>202.3</b>	<b>209.2</b>	<b>216.3</b>
Debt Cap Policy of \$3500 per Capita - NOT inflation adjusted (as per May 2011 report)	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
<b>Max Possible Debt for Ratio (\$3500/capita) (\$mn)</b>	<b>159.3</b>	<b>160.3</b>	<b>161.4</b>	<b>162.4</b>	<b>163.5</b>	<b>164.6</b>	<b>165.6</b>	<b>166.7</b>	<b>167.7</b>	<b>168.8</b>
<b>Increase in Debt Capacity with inflation adjustment to \$3500 per Capita cap (\$mn)as compared to May 2011 report</b>	<b>0.0</b>	<b>4.7</b>	<b>9.7</b>	<b>14.5</b>	<b>19.5</b>	<b>24.6</b>	<b>30.0</b>	<b>35.6</b>	<b>41.5</b>	<b>47.5</b>

**Revised Table 6.1.3 Nelson City policy limits as per LTCCP 2009/2019 (with inflated \$3,500 per capita limit)**

	1	2	3	4	5	6	7	8	9	10
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Interest rates	6.00%	5.50%	5.50%	5.75%	6.00%	6.25%	6.50%	6.75%	6.75%	6.75%
Population ( for per capita)	45511	45812	46113	46414	46715	47016	47317	47618	47919	48220
Borrowings (current liabilities)	10.5	10.6	10.6	10.2	10.3	10.3	12.3	20.3	17.3	17.0
Term liabilities	77.0	111.5	143.2	154.8	159.4	156.7	148.2	132.0	115.3	98.3
Borrowings	87.5	122.1	153.8	165.0	169.7	167.0	160.5	152.3	132.6	115.3
Rates revenue	48.6	52.1	57.9	63.4	67.9	72.1	75.9	78.8	80.4	82.4
Income from activities (= water & other charges)	38.6	35.6	40.3	42.4	40.8	43.2	43.2	46.5	47.7	50.7
	87.2	87.8	98.2	105.8	108.8	115.3	119.1	125.3	128.1	133.1
Finance Costs	3.1	4.4	6.7	7.7	8.0	9.4	10.0	10.4	9.5	8.2

<b>Interest Cost is not greater than 25% of Rates Revenue + Water &amp; Other charges</b>	<b>4%</b>	<b>5%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>	<b>6%</b>
<b>Max Possible Debt for Ratio</b>	<b>363.4</b>	<b>398.9</b>	<b>446.2</b>	<b>460.0</b>	<b>453.1</b>	<b>461.1</b>	<b>458.0</b>	<b>464.0</b>	<b>474.4</b>	<b>493.0</b>
<b>Borrowing Capacity</b>	<b>276.0</b>	<b>276.8</b>	<b>292.4</b>	<b>295.0</b>	<b>283.4</b>	<b>294.1</b>	<b>297.5</b>	<b>311.7</b>	<b>341.8</b>	<b>377.6</b>

<b>LOWER of:</b>										
<b>1) Borrowing is no more than 3.0 x Annual Rates + Water &amp; Other Charges</b>	<b>1.00</b>	<b>1.39</b>	<b>1.57</b>	<b>1.56</b>	<b>1.56</b>	<b>1.45</b>	<b>1.35</b>	<b>1.22</b>	<b>1.04</b>	<b>0.87</b>

<b>Max Possible Debt for Ratio</b>	<b>261.7</b>	<b>263.3</b>	<b>294.5</b>	<b>317.4</b>	<b>326.3</b>	<b>345.8</b>	<b>357.2</b>	<b>375.8</b>	<b>384.2</b>	<b>399.3</b>
<b>Borrowing Capacity</b>	<b>174.2</b>	<b>141.2</b>	<b>140.7</b>	<b>152.4</b>	<b>156.5</b>	<b>178.8</b>	<b>196.7</b>	<b>223.5</b>	<b>251.7</b>	<b>284.0</b>

<b>Borrowing Cap of \$3,500 per capita - inflation adjusted is:</b>	<b>3,500</b>	<b>3,603</b>	<b>3,710</b>	<b>3,812</b>	<b>3,916</b>	<b>4,024</b>	<b>4,135</b>	<b>4,248</b>	<b>4,365</b>	<b>4,485</b>
<b>2) Borrowing is no greater than \$3,500 per capita (Actual Borrowing per capita is)</b>	<b>1,922</b>	<b>2,666</b>	<b>3,335</b>	<b>3,555</b>	<b>3,633</b>	<b>3,551</b>	<b>3,392</b>	<b>3,198</b>	<b>2,767</b>	<b>2,392</b>

<b>Max Possible Debt for Ratio (\$3500/capita - inflated)</b>	<b>159.3</b>	<b>165.1</b>	<b>171.1</b>	<b>176.9</b>	<b>183.0</b>	<b>189.2</b>	<b>195.6</b>	<b>202.3</b>	<b>209.2</b>	<b>216.3</b>
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<b>Lowest Max Possible Debt for Ratio</b>	<b>159.3</b>	<b>165.1</b>	<b>171.1</b>	<b>176.9</b>	<b>183.0</b>	<b>189.2</b>	<b>195.6</b>	<b>202.3</b>	<b>209.2</b>	<b>216.3</b>
<b>Borrowing Capacity</b>	<b>71.8</b>	<b>43.0</b>	<b>17.3</b>	<b>11.9</b>	<b>13.2</b>	<b>22.2</b>	<b>35.1</b>	<b>50.0</b>	<b>76.6</b>	<b>100.9</b>

<b>Overall Maximum Remaining Borrowing Capacity - lowest borrowing over all ratios</b>	<b>71.8</b>	<b>43.0</b>	<b>17.3</b>	<b>11.9</b>	<b>13.2</b>	<b>22.2</b>	<b>35.1</b>	<b>50.0</b>	<b>76.6</b>	<b>100.9</b>
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<b>Maximum Borrowing Capacity - least of all years</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>
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**Remove NCC \$32.4m Performing Arts and Conference Centre from LTCCP**

Increase / (Reduction) in Term liabilities	(5.0)	(11.2)	(32.4)	(30.8)	(29.2)	(27.8)	(26.4)	(25.1)	(23.8)	(22.6)
Revised Maximum Borrowing Capacity	16.9	23.1	44.3	42.7	41.1	39.7	38.3	37.0	35.7	34.5
Revised Maximum Borrowing Capacity - least of all years	16.9	16.9	16.9	16.9	16.9	16.9	16.9	16.9	16.9	16.9

**Table A:2 Tasman DC Borrowing Projections & Capacity vs. Policy Limits (extract from Table 6.1.2 in May 2011 report)**

	1	2	3	4	5	6	7	8	9	10
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Current portion of public debt	8.1	10.3	11.4	12.1	13.3	14.9	16.4	17.4	18.6	19.1
Public Debt (term)	116.0	132.7	150.5	172.6	189.1	203.3	216.7	231.7	241.3	250.4
Public Debt	124.1	142.9	161.9	184.7	202.3	218.3	233.1	249.2	259.9	269.5
Ratepayer's Equity	1,042.1	1,074.9	1,109.6	1,152.8	1,196.8	1,241.3	1,287.7	1,333.2	1,381.0	1,431.1
Rates revenue	49.3	53.7	59.8	64.8	68.6	71.8	76.5	80.4	85.2	88.2
TOTAL OPERATING INCOME	83.5	89.7	98.7	106.2	111.0	115.5	121.5	126.7	132.9	138.9
Bank interest (income)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Finance Costs	8.0	9.4	10.7	12.3	13.7	14.9	16.0	17.1	18.1	18.8
Net Finance Costs	7.6	9.0	10.4	11.9	13.3	14.5	15.6	16.7	17.7	18.3

  

<b>Net External Debt not to exceed. 20% of Equity</b>	<b>12%</b>	<b>13%</b>	<b>15%</b>	<b>16%</b>	<b>17%</b>	<b>18%</b>	<b>18%</b>	<b>19%</b>	<b>19%</b>	<b>19%</b>
<b>Max Possible Debt for Ratio</b>	<b>208.4</b>	<b>215.0</b>	<b>221.9</b>	<b>230.6</b>	<b>239.4</b>	<b>248.3</b>	<b>257.5</b>	<b>266.6</b>	<b>276.2</b>	<b>286.2</b>
<b>Borrowing Capacity</b>	<b>84.3</b>	<b>72.0</b>	<b>60.0</b>	<b>45.8</b>	<b>37.0</b>	<b>30.0</b>	<b>24.5</b>	<b>17.5</b>	<b>16.3</b>	<b>16.7</b>

  

<b>Net External Debt not to exceed. 250% of Total Operating Revenue</b>	<b>149%</b>	<b>159%</b>	<b>164%</b>	<b>174%</b>	<b>182%</b>	<b>189%</b>	<b>192%</b>	<b>197%</b>	<b>196%</b>	<b>194%</b>
<b>Max Possible Debt for Ratio</b>	<b>208.8</b>	<b>224.1</b>	<b>246.8</b>	<b>265.5</b>	<b>277.6</b>	<b>288.8</b>	<b>303.8</b>	<b>316.8</b>	<b>332.3</b>	<b>347.2</b>
<b>Borrowing Capacity</b>	<b>84.6</b>	<b>81.2</b>	<b>84.9</b>	<b>80.8</b>	<b>75.2</b>	<b>70.5</b>	<b>70.8</b>	<b>67.7</b>	<b>72.4</b>	<b>77.6</b>

  

<b>Max Borrowing Capacity both ratios</b>	<b>84.3</b>	<b>72.0</b>	<b>60.0</b>	<b>45.8</b>	<b>37.0</b>	<b>30.0</b>	<b>24.5</b>	<b>17.5</b>	<b>16.3</b>	<b>16.7</b>
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<b>Maximum Borrowing Capacity - least of all years</b>	<b>16.3</b>	<b>16.3</b>	<b>16.3</b>	<b>16.3</b>	<b>16.3</b>	<b>16.3</b>	<b>16.3</b>	<b>16.3</b>	<b>16.3</b>	<b>16.3</b>
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**Table A:3: Combined Council – Debt Cap Policy Ratios vs 2009/19 LTCCP Budget**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Rates Income	97.9	105.8	117.7	128.2	136.6	143.9	152.4	159.2	165.6	170.6
Income (Total Operating Revenue)	171.1	178.0	197.5	212.2	219.8	230.8	240.6	252.0	261.0	272.0
Finance Cost (Debt Servicing)	11.1	13.8	17.5	19.9	21.7	24.3	26.0	27.5	27.6	27.0
Interest rates (conservative)	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Borrowings	211.6	265.1	315.7	349.7	372.0	385.2	393.6	401.5	392.5	384.9
Equity	2,147.2	2,212.6	2,286.3	2,370.2	2,456.7	2,547.4	2,640.3	2,735.7	2,835.3	2,941.1

**Debt not to exceed 20% of Equity**

<b>Max Possible Debt for Ratio - 20% Debt to Equity</b>	429.4	442.5	457.3	474.0	491.3	509.5	528.1	547.1	567.1	588.2
<b>Borrowing Capacity</b>	217.8	177.5	141.5	124.3	119.3	124.2	134.5	145.7	174.6	203.3

**Debt not to exceed 25% of Equity**

<b>Max Possible Debt for Ratio - 25% Debt to Equity</b>	536.8	553.1	571.6	592.6	614.2	636.8	660.1	683.9	708.8	735.3
<b>Borrowing Capacity</b>	325.2	288.1	255.9	242.8	242.1	251.6	266.5	282.5	316.3	350.4

**Debt not to exceed 250% of Income**

<b>Max Possible Debt for Ratio - 250% Debt to Income</b>	427.7	444.9	493.6	530.4	549.4	577.0	601.5	630.0	652.5	679.9
<b>Borrowing Capacity</b>	216.1	179.9	177.9	180.6	177.4	191.7	208.0	228.6	260.0	295.1

**Debt Servicing not to exceed 25% of Income (rates revenue + water and other charges)**

<b>Max Possible Debt for Ratio - 25% Debt Service to Income</b>	584.0	605.4	672.5	724.7	751.3	789.2	823.0	862.3	893.1	930.8
<b>Borrowing Capacity</b>	372.4	340.3	356.8	374.9	379.3	404.0	429.4	460.8	500.6	546.0

**Table A:4 Combined Council – 2009-19 LTCCP Borrowing Projections & Capacity vs. Proposed Policy Limits (as per Table 6.1.4 in May 2011 report)**

	1	2	3	4	5	6	7	8	9	10
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Current portion of public debt	18.6	20.8	22.1	22.3	23.6	25.3	28.7	37.7	35.9	36.1
Public Debt (term)	193.0	244.2	293.6	327.4	348.4	360.0	364.9	363.7	356.6	348.8
Public Debt	211.6	265.1	315.7	349.7	372.0	385.2	393.6	401.5	392.5	384.9
Ratepayer's Equity	2,147.2	2,212.6	2,286.3	2,370.2	2,456.7	2,547.4	2,640.3	2,735.7	2,835.3	2,941.1
Total operating revenue	171.1	178.0	197.5	212.2	219.8	230.8	240.6	252.0	261.0	272.0
Finance Costs	11.1	13.8	17.5	19.9	21.7	24.3	26.0	27.5	27.6	27.0
Interest rates (conservative)	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%

  

<b>External Debt not to exceed 25% of Equity</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>14%</b>	<b>13%</b>
<b>Max Possible Debt for Ratio</b>	<b>536.8</b>	<b>553.1</b>	<b>571.6</b>	<b>592.6</b>	<b>614.2</b>	<b>636.8</b>	<b>660.1</b>	<b>683.9</b>	<b>708.8</b>	<b>735.3</b>
<b>Borrowing Capacity</b>	<b>325.2</b>	<b>288.1</b>	<b>255.9</b>	<b>242.8</b>	<b>242.1</b>	<b>251.6</b>	<b>266.5</b>	<b>282.5</b>	<b>316.3</b>	<b>350.4</b>

  

<b>Net External Debt not to exceed. 250% of Total Operating Revenue</b>	<b>124%</b>	<b>149%</b>	<b>160%</b>	<b>165%</b>	<b>169%</b>	<b>167%</b>	<b>164%</b>	<b>159%</b>	<b>150%</b>	<b>142%</b>
<b>Max Possible Debt for Ratio</b>	<b>427.7</b>	<b>444.9</b>	<b>493.6</b>	<b>530.4</b>	<b>549.4</b>	<b>577.0</b>	<b>601.5</b>	<b>630.0</b>	<b>652.5</b>	<b>679.9</b>
<b>Borrowing Capacity</b>	<b>216.1</b>	<b>179.9</b>	<b>177.9</b>	<b>180.6</b>	<b>177.4</b>	<b>191.7</b>	<b>208.0</b>	<b>228.6</b>	<b>260.0</b>	<b>295.1</b>

  

<b>Overall Maximum Remaining Borrowing Capacity - lowest borrowing over all ratios</b>	<b>216.1</b>	<b>179.9</b>	<b>177.9</b>	<b>180.6</b>	<b>177.4</b>	<b>191.7</b>	<b>208.0</b>	<b>228.6</b>	<b>260.0</b>	<b>295.1</b>
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<b>Maximum Borrowing Capacity - least of all years</b>	<b>177.4</b>	<b>177.4</b>	<b>177.4</b>	<b>177.4</b>	<b>177.4</b>	<b>177.4</b>	<b>177.4</b>	<b>177.4</b>	<b>177.4</b>	<b>177.4</b>
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