



USE OF INVESTMENT FUND RETURNS

WHAKAMAHI PŪTEA HAUMI

Our investment fund had a value of \$99.2 million at the end of December 2017.

Generated from the sale of our shares in the ports of Tauranga and Auckland in the early 1990s, returns from this fund are used to:

1. inflation proof the fund to maintain the capital base
2. keep rates down via a rates subsidy
3. build up the council’s Regional Development Fund which allows us to contribute to significant one off projects that have regional benefit.

Three years ago, following consultation with the community, we agreed to reduce the rates subsidy provided through the investment fund returns. This meant the rates subsidy would decrease over a period of five years from \$2.36 million to \$1.36 million, with a corresponding increase in the amount of returns to be used for regional development funding. The aim was to have set aside \$18.9 million by 2025.

We’re now proposing to not continue the remaining two years. This will mean the rates subsidy stays at the same level as the 2017/18 year, a total of \$1.86 million. The current subsidy equates to \$1.50 per \$100,000 capital value for each property. If we continue with reducing the subsidy it will be \$1.10 per \$100,000 capital value.

If we retain the rates subsidy at the current level then less money will be available for regional development – \$14.8 million compared to the \$18.9 million we originally planned for.

What do you think about holding the rates subsidy at the current level?

<p>OPTION 1</p> <p>Status quo – continue to reduce the rates subsidy over the next two years</p>	<p>PREFERRED OPTION</p>
<ul style="list-style-type: none"> • Rates revenue would need to increase to make up for the reduction in investment income subsidy. • Funds available for regional development would be more. <p>Impact on levels of service: Nil</p> <p>Total cost: \$250,000 in year 1 \$500,000 in year 2</p>	<p>OPTION 2</p> <p>Hold rates subsidy at the current level</p>
<p>Impact on rates:</p> <p>Increase of \$0.20 cents per \$100,000 capital value in year 1</p> <p>Increase of \$0.40 cents per \$100,000 capital value in year 2</p>	<ul style="list-style-type: none"> • Rates revenue would be subsidised by the rates subsidy. • Funds available for regional development would be capped. <p>Impact on levels of service: Nil</p> <p>Total cost: No cost</p>
	<p>Impact on rates: Nil</p>