

STATEMENT OF PROPOSAL

PROPOSED ALTERATION OF THE BOUNDARY BETWEEN THE HAUTAPU AND MATANGI DRAINAGE DISTRICTS

March 2018

1 The proposal

Waikato Regional Council is proposing to alter the boundary between the Hautapu and Matangi Drainage Districts which would result in properties in the vicinity of the old dairy factory and Taplin Road transferring from the Hautapu Drainage District and into the Matangi Drainage District.

The purpose of the boundary alteration is to better reflect the local communal drainage issues and representation.

This statement of proposal has been prepared pursuant to section 504 of the Local Government Act 1974 (LGA74). It sets out the relevant background to the proposal, provides an assessment of the costs and benefits of the proposed boundary change, an assessment of the policy implications of the proposal and the statutory considerations that are required by the LGA74.

2 Statutory considerations

The power to alter the boundaries of a drainage area are set out in section 504(1)(d) of the LGA74, which allows a council to declare a boundary alteration to an existing drainage area for the purpose of undertaking land drainage work.

Before an alteration can be declared, the council is required to prepare a statement of proposal under section 504(4)(a) of the LGA that includes:

1. A draft of the declaration.
2. A statement of reasons for proposal to make the declaration.
3. An explanation of the procedure to make the declaration.
4. Details of when and where the council will vote on a motion to make the declaration.

5. Any other information the council identifies as relevant to the declaration.

This statement of proposal has been prepared pursuant to the requirements of section 504(4)(a) of the LGA74.

3 Draft declaration

The proposed declaration is as follows:

Pursuant to section 504 of the Local Government Act 1974, on 26 June 2018, the Waikato Regional Council passed a motion to declare the boundary of the Hautapu and Matangi Drainage Districts to be altered, such that properties in the vicinity of the old Matangi dairy factory and Taplin Road are transferred from the Hautapu Drainage District and into the Matangi Drainage District. This declaration will take effect on 1 July 2018.

4 Voting on the motion

The council is proposing to vote on the motion to make the declaration at the council meeting on 26 June 2018 at 401 Grey Street, Hamilton, and the declaration will take effect on 1 July 2018.

5 Procedure to make the declaration

The process for making this declaration is summarised in Figure 1 in Appendix 1 and will involve the following key steps.

If after the summary of proposal has been publicised:

- A. A petition of more than 50 per cent of electors in the area supporting the declaration is delivered to council within 19 working days (by 5pm on Friday 27 April 2018), council can proceed to vote on the motion to make the declaration.

An elector has validly petitioned if they sign a document which clearly expresses that they petition council and states, against their signature, their name and address to determine that they are an elector and that their address is within the area being transferred.

or

- B. A document from 15 per cent or more of electors demanding a poll is delivered within 17 working days (by 5pm on Tuesday 24 April 2018) council must take a poll, even if a petition has been delivered. If a poll is required, the provisions of the Local Electoral Act 2001 will apply. If the poll results in a majority of votes in favour, Waikato Regional Council can proceed to vote on a motion to make a declaration.

An elector has validly sought a poll if they sign a document which clearly expresses that they demand a poll and states, against their signature, their name and address to

determine that they are an elector and that their address is within the area being transferred.

6 Proposal description

Waikato Regional Council is proposing to alter the boundary between the Matangi and Hautapu Drainage Districts, with an area in the vicinity of the old dairy factory and Taplin Road to be included in the Matangi Drainage District. The proposed area and background relevant to the proposal are described below.

6.1 Proposal area

The Matangi and Hautapu Drainage Districts share a common boundary (Figures 1-3). In the area around the old Matangi dairy factory, some drains start out in Matangi, pass for a short distance through Hautapu and then go back into Matangi. Occasionally works are undertaken to benefit the Matangi area, but should actually be paid for by the Hautapu area, and vice versa.

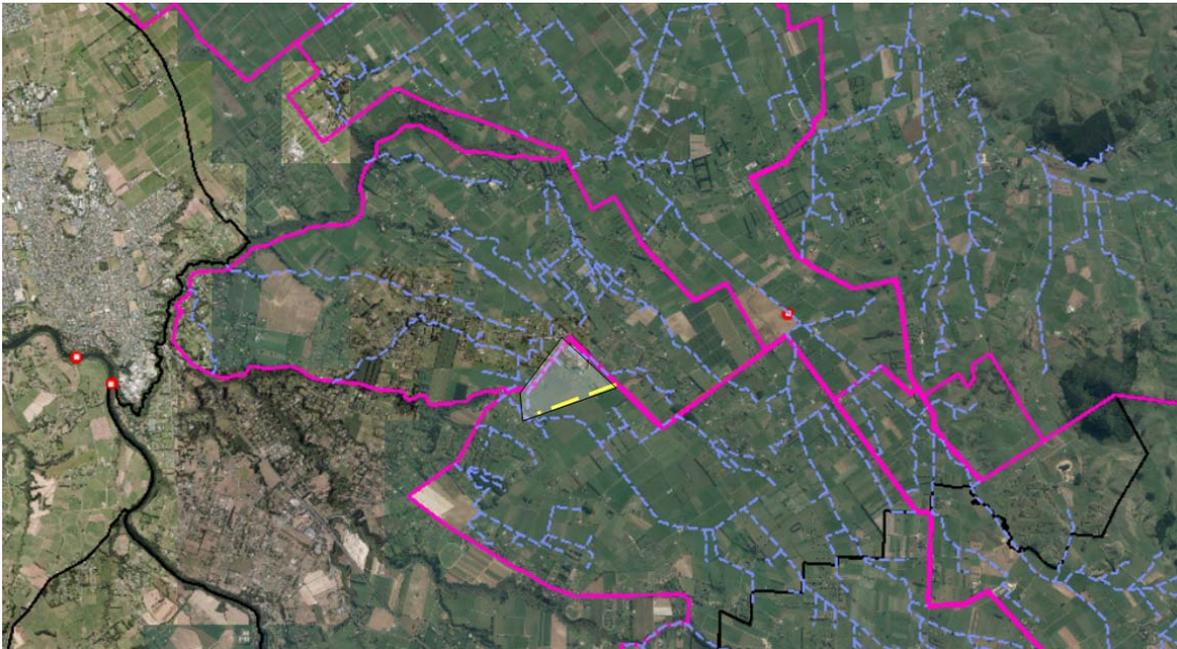


Figure 1. Matangi and Hautapu Drainage Districts and proposed boundary change



Figure 2. Proposed boundary change

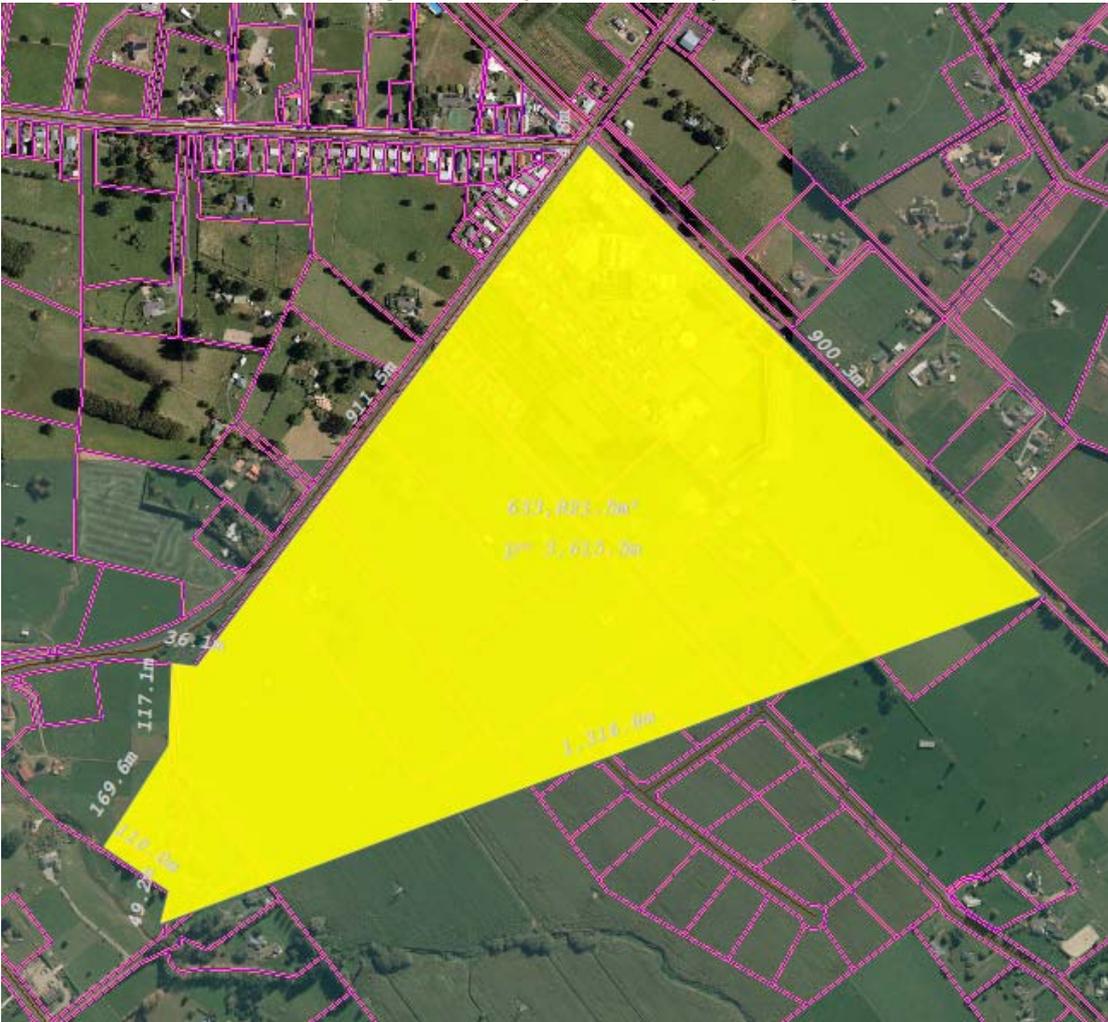


Figure 3. Proposed boundary change

6.2 Background

The background relevant to this statement of proposal is summarised below.

6.2.1 Boundary rationalisation

In recent years there has been an area of development on Taplin Road where a rural property is being developed into a number of lifestyle blocks. This has the effect of extending the “village” and this area will form a part of the Matangi community.

6.2.2 Waikato Regional Council’s role

Waikato Regional Council provides oversight of Matangi and Hautapu Drainage Districts. Since the local government reorganisation in 1989, the responsibility for maintenance works for Hautapu Drainage District has been undertaken by Waikato Regional Council and managed through its Waikato Central drainage programme. Matangi was transferred from Waikato District Council as a self-administering drainage district; it undertakes its own maintenance works.

Both districts adhere to the Waikato Regional Council service level of removing water from paddocks within 72 hours for rainfall events up to a 10-year average recurrence interval (ARI). Across all drainage districts the council ensures there are no more than four incidents where this service is not achieved, acknowledging that there are factors outside of the council’s control (e.g. power outages).

6.2.3 Matangi Drainage Committee request

In 2017, the Matangi Drainage Committee requested that its boundaries be changed to include an area in the vicinity of the old dairy factory and Taplin Road to better reflect the local communal drainage issues and representation. This area is currently in the Hautapu Drainage District.

In June 2017 the request was supported in principle by the Waikato Central Drainage Advisory Subcommittee. The subcommittee comprises members that represent the Matangi and Hautapu Drainage Districts. Waikato Regional Council agreed to ask landowners in the affected area about the proposed boundary change at the same time as it undertook consultation on the 2018-2028 Long Term Plan.

7 Summary of issues

The proposed boundary alteration by Waikato Regional Council is to address the following key issues identified within the area.

1. The area to be transferred from the Hautapu Drainage District currently receives drainage from the upper Matangi Drainage District which flows through the area and back into the Matangi Drainage District. Drainage for the properties can be most effectively serviced if the drainage is contained within the same drainage district.

2. Some properties within this area are being subdivided into lifestyle blocks, which link more strongly with the adjacent Matangi “village” within the Matangi Drainage District rather than the more rural properties in the Hautapu Drainage District.
3. To place 53 properties currently in the Hautapu Drainage District into the Matangi drainage area into which it drains.
4. Funding for improvements and future maintenance is made by the Matangi Drainage District.

8 Options assessment

8.1 Options considered

The following options have been considered by the council in reference to this statement of proposal:

1. A do nothing/status quo option where the drainage of the selected area remains in the Hautapu Drainage District. Maintenance works remain the responsibility of Waikato Regional Council.
2. An option to alter the boundary between the Matangi and Hautapu Drainage Districts, with an area in the vicinity of the old dairy factory and Taplin Road to be transferred into the Matangi district. Matangi Drainage District is self-administering such that the drainage landowners and its contractors would provide maintenance works for the drains.

Attachment A summarises these options against Local Government Act and Waikato Regional Council categories for evaluation.

8.2 Assessment of costs, benefits and policy

8.2.1 Overview

Drainage rates in Matangi and Hautapu Drainage Districts are a function of (1) typical operational expenditure, (2) recuperation of operational reserves and (3) infrastructure upgrades.

8.2.2 Typical operational expenditure

Typical operational expenditure reflects business as usual for the drainage districts comprising items like drain spraying and cleaning. It includes staff time to support work, including organising jobs, ensuring environmental compliance, and following health and safety practices, as well as operational costs like vehicle running costs.

Matangi Drainage District looks after its own operational expenditure. Waikato Regional Council collects and distributes rates on behalf of the district. The district drafts an annual budget that it manages. If there is any additional work required by the Matangi Drainage District that is undertaken by Waikato Regional Council staff, the district would pay directly for those services.

Hautapu Drainage District operational activity is undertaken by Waikato Regional Council staff. The district is provided an expenditure budget at the beginning of each year and for 10 years (i.e. the 10-year long term plan) by the Waikato Regional Council.

8.2.3 Recuperating operational reserves

Through a recommendation from the drainage advisory subcommittees during the 2015-2025 Long Term Plan, drainage districts are recuperating their operational reserve budgets to reach 50 per cent of annual operating expenditure by 2025. The operational reserve exists to create a buffer and enable money to be available to respond to intermittent storm damage or other unforeseen costs in excess of typical annual operating expenses.

Recuperating of the 50 per cent operational budget reserve target was revisited for all drainage districts when drafting the 2018-2028 Long Term Plan, and any adjustments incorporated into the proposed budgets to ensure the target operational reserve would be reached by 2025.

If there is additional expenditure to respond to storm damage, the operational reserve would be used and rates would then need to be adjusted to rebuild the operational reserve to the 50 per cent level of typical annual operating expenditure.

The Matangi Drainage District currently holds a budget surplus in excess of 50 per cent of its annual operational expenditure and does not need to alter its rates collection to recover its reserve balance.

Hautapu currently has a small operational reserve projected to be \$453 at the start of the 2018/19 financial year. A rate increase is necessary to recuperate the operational reserve to 50 per cent.

8.2.4 Matangi culvert upgrades

Matangi Drainage District has a number of old culverts that require replacement. The drainage district supported an increase to rates of \$2/ha/year over the 2018-2028 period to generate funds to be able to replace them. Moving forward, depreciation for the culverts will be collected such that a capital reserve is collected to enable culverts to be replaced without increasing rates significantly just before replacement is required. Consideration of actual assets owned by the district, culvert replacements required and the corresponding depreciation required would allow an update to the actual increase or decrease in rates collection (i.e. the \$2/ha/year would be re-evaluated). This re-assessment is anticipated to be completed prior to the 2021-2031 Long Term Plan.

8.2.5 Rating systems in Matangi and Hautapu

The Hautapu Drainage District has a rating classification system that includes an 'urban' rating (lifestyle and other smaller properties) "U" and the full range of other property ratings ("A" through "F" – see Table 1 for definitions). The Matangi Drainage District applies a uniform "A" classification across all properties within its district.

Table 1. Rating classification and definitions

Classification	Percentage	Description
U	1000	<p>The urban class is in recognition of the greater benefit obtained by a small holding in a rural drainage area and this class has been incorporated to provide equity between ratepayers and groups of ratepayers. Where a holding contains an allotment with an area of less than 5 hectares, then the urban rate shall apply as follows:</p> <ul style="list-style-type: none"> • Industrial or commercial use – 0.2 hectares has been placed in the urban class for each average dwelling equivalent of commercial or industrial development. • Residential use – in an area where the underlying class is A, B or C, 0.2 hectares has been placed in the urban class of each dwelling on the holding. In an area where the underlying class is D, E or F, 0.2 hectares has been placed in the A class for each dwelling on the holding.
A	100	<p>High direct benefit. Isolated and/or small areas of land which without a drainage system would be incapable of significant productive use and in respect of which the council maintains the drainage system. This land is generally gully bottoms where the area of land drained is a narrow band which is drained by the council system. Without a drainage system, the soil water levels would be so high as to prevent the establishment of a productive use. Where gullies are involved, it is likely that the unproductive use would extend to the top of the gully banks which generally results in weeds such as willows, blackberry, gorse, bracken, etc. becoming established.</p>
B	75	<p>Direct benefit. Farmland incapable of productive use due to flooding or lack of drainage without the council system and the council drains provide most if not all of the drainage to the land with little owner input.</p>
C	50	<p>Land on which drainage is required for maximum production and the council drains provide an outlet to which the landowner must connect. This land may also benefit from the lower water table in adjoining class A or B land.</p>
D	25	<p>Direct benefit/high indirect benefit.</p> <ol style="list-style-type: none"> Direct benefit – as for class C but to lesser extent i.e. the drainage is not so effective or the council outlet is further away. Indirect benefit – small areas of higher land requiring no drainage but which are surrounded by class A, B or C land and have farm buildings located on them. Combination of a) and b). Council's drainage works is minor and the majority of the benefit is indirect.
E	15	<p>Land which is not protected from flooding and which does not require drainage by way of the system maintained by the council but derives an indirect benefit from the existence of the council works and is contained in a catchment which is drained by a council maintained drain.</p>
F	5	<p>As for class E but the land is not within a catchment which has drains maintained by the council. The lower rating level is a recognition that these areas are on the margins of the drainage district and that the factors which contribute to indirect benefit are also being provided from areas outside the district.</p>
G	0	<p>Land which derives no direct or indirect benefit from the council drainage system such as lakes or other land which despite the drainage has no productive potential or land which is excluded from</p>

Classification	Percentage	Description
		rating by the Rating Powers Act 1988 such as schools, churches, reserves, etc.

Note that any subdivided property within Hautapu from a rural usage to smaller but more numerous lifestyle properties would move into the “U” class, which attracts a higher unit rate charge (which would occur when the property is legally subdivided).

8.2.6 Potential rating changes due to altering the boundary

Considering the movement to recuperate the operational reserve budgets and the alteration of the boundary, the following rating differentials and factors would result (Table 2):

Table 2. Rating classifications before and after altering the boundary

2018/19 FIS values		before transfer (\$ per ha)	after transfer (\$ per ha)
Matangi	A	24.6174	23.7466
Hautapu	U	263.5167	271.0721
	A	26.3517	27.1072
	B	18.4462	18.9751
	C	13.1758	13.5536
	D	6.5879	6.7768
	E	3.9528	4.0661
	F	1.3176	1.3554

The Hautapu Drainage District rates for properties within the area proposed to be transferred would be \$2743 in the proposed 2018/19 financial year. If transferred to the Matangi Drainage District, total drainage rates for those the same properties would reduce to \$1640 during 2018/19. This change reflects a difference in the rating classification between the two districts and classifications within the change area.

Thirty-nine of the 53 properties would experience a drainage rate decrease as a result of the proposed boundary change. This adjustment in drainage rates is the result of shifting from a district with a different rating classification to Matangi, which has a single classification.

Matangi Drainage District rates steadily increase from \$46,306 to \$80,898 during the 2018-2028 Long Term Plan such that the rate collection for the area would increase steadily from \$1640 to \$2866 in that period.

If the area remained within the Hautapu Drainage District, the rate would commence at \$2743 and rise to a maximum of \$2821 during the long term plan period.

Hautapu’s rates collection has been increasing since 2015 to address an operational reserve deficit. Rates will increase to \$80,500 for the first four years of the long term plan, rise to \$82,800 for the following three years and then settle back to \$76,475 from 2026/27 to build up and maintain a 50 per cent reserve.

If the boundary change proceeds, there would be a small drainage rate increase for the landowners remaining in the Hautapu Drainage District in 2018/19 due to the smaller area.

Rating information can be found on the Waikato Regional Council website:
<http://rates.waikatoregion.govt.nz>.

Note that the ratings shown for 2018/19 on the website assume that the boundary change would occur.

Attachment A. Comparison of 'Do nothing/status quo' versus 'Boundary change'

Table A1

Option one: Do nothing/status quo	
Description of option	
The area remains within the Hautapu Drainage District	
Extent to which Waikato Regional Council's community aspirations are achieved	This option contributes to Waikato Regional Council's adopted community outcomes, which are: <ul style="list-style-type: none"> • community partnerships • environmental quality • regional economy • safe and resilient communities.
Impact on council's capacity to meet statutory responsibilities	No adverse statutory implications.
Community views	The Matangi Drainage District Chair, on behalf of the district, requested that the boundary be shifted such that the 'area' be moved from the Hautapu Drainage District to the Matangi Drainage District. The Waikato Central Drainage Advisory Subcommittee, comprising members that represent these two drainage areas, supported the move in principle. Waikato Regional Council decided to utilise the same timeframe as the 2018-2028 Long Term Plan consultation to ask the landowners in the area proposed to be moved for their viewpoint on the request.
Legal implications	None
Policy implications / strategic links	None
Annual plan / long term plan implications	The matter is not included in the proposed 2018-2028 Long Term Plan. Ratings for Matangi and Hautapu Drainage Districts are based on the status quo.
Financial implications	The financial implications of the status quo would include continuing expenditure as at present.

Table A2

Option two: Boundary change	
Description of option	
That the boundary is altered and properties adjacent to the old dairy factory and Taplin Road transfer from the Hautapu Drainage District to the Matangi Drainage District	
Impact assessment	
Costs and benefits to community	<p>COSTS</p> <ul style="list-style-type: none"> • The properties within the area proposed to be transferred would currently pay \$2743 in the proposed 2018/19 financial year to the Hautapu Drainage District. If transferred to the Matangi Drainage District, total rates for those same properties would reduce to \$2212 in 2018/19. • Within the properties that are proposed to be shifted from Hautapu to Matangi, approximately \$530 of rating dollars within the \$2212 would shift between properties. <p>BENEFITS</p> <ul style="list-style-type: none"> • The area to be transferred from the Hautapu Drainage District currently receives drainage from the upper Matangi Drainage District which flows through the area and back into the Matangi Drainage District. Drainage for the properties can be most effectively serviced if the drainage is contained within the same drainage district. • Both districts adhere to the Waikato Regional Council service level of removing water from paddocks within 72 hours for rainfall events up to a 10-year average recurrence interval (ARI). Across all drainage districts the council ensures there are no more than four incidents where this service is not achieved, acknowledging that there are factors outside of the council's control (e.g. power outages).
Community aspirations	<p>This option contributes to all Waikato Regional Council's adopted community outcomes:</p> <ul style="list-style-type: none"> • community partnerships • environmental quality • regional economy • safe and resilient communities.
Statutory responsibilities	No statutory implications. However, the boundary change would change the delivery of maintenance service from Waikato Regional Council staff and contractors to the Matangi Drainage District landowners and its contractors (i.e. move to self-administering). Waikato Regional Council would retain overall oversight under status quo and the proposed boundary change.
Community views	The Matangi Drainage District Chair, on behalf of the district, requested that the boundary be shifted such that the 'area' be moved from the Hautapu Drainage District to the Matangi Drainage District. The Waikato Central Drainage Advisory Subcommittee, comprising members that

Option two: Boundary change

	represent these two drainage areas supported the move in principle. Waikato Regional Council decided to utilise the same timeframe as the 2018-2028 Long Term Plan consultation to ask the landowners in the area proposed to be moved for their viewpoint on the request.
Legal implications	None
Policy implications / strategic links	None
Annual plan / long term plan implications	The matter is not included in the proposed 2018- 2028 Long Term Plan. An affirmative response (through petition or poll) to alter the boundary would require recalculating the ratings for both districts.
Financial implications	An affirmative response (through petition or poll) to alter the boundary would require recalculating the ratings for both districts.

9 Summary of community views

As outlined in section 6 of this statement, the Matangi Drainage Committee has requested that the area in the vicinity of the old dairy factory and Taplin Road be included in its drainage district.

The boundary change was supported in principle by the Waikato Central Drainage Advisory Subcommittee at its meeting in June 2017, and a recommendation made for the landowners viewpoint to be posed during the same timeframe as the 2018-2028 Long Term Plan consultation.

10 Conclusions and recommendation

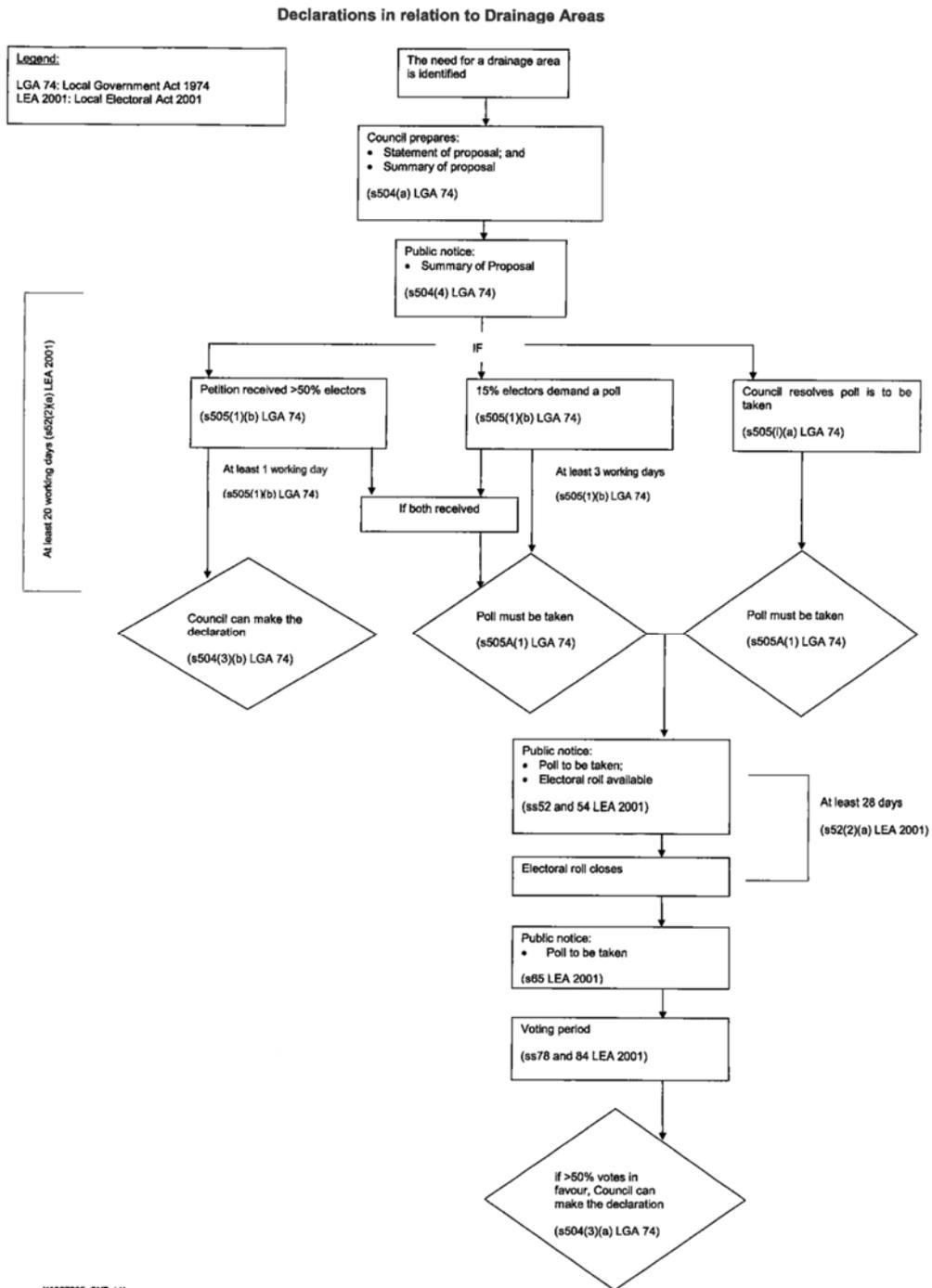
Given the assessment outlined above, the following is recommended:

THAT the council votes on the motion to alter the boundaries of the Matangi and Hautapu Drainage Districts as stated in the draft declaration.

APPENDIX 1

Procedure to make a declaration

Figure 1: Local Government Act process to alter the boundary of a drainage area.



APPENDIX 2

Extract from section 504 of the Local Government Act 1974.

- (4) Before making a declaration, a council must—
- (a) prepare a statement of proposal in relation to the declaration that includes—
 - (i) a draft of the declaration; and
 - (ii) a statement of the reasons for proposing to make the declaration; and
 - (iii) an explanation of the procedure—
 - (A) to demand a poll under [section 505](#); and
 - (B) to petition the council under [section 505B](#); and
 - (iv) when and where the council will vote on a motion to make the declaration; and
 - (v) any other information that the council identifies as relevant; and
 - (b) make the statement of proposal available in a way appropriate to the subject matter of the proposal; and
 - (c) produce a summary of proposal that—
 - (i) is a fair representation of the major matters in the statement of proposal; and
 - (ii) explains how the statement of proposal is available; and
 - (d) publicise the summary of proposal in a way appropriate to the subject matter of the proposal.