



'Base Stats with Trendz'* Newsletter

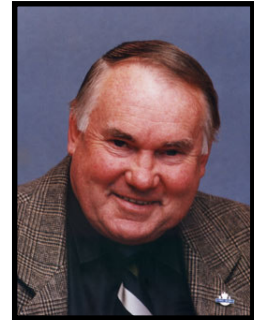
August 2006

This is the second newsletter this year to keep 'Base Stats' subscribers (and prospective subscribers) up to date with latest 'developments'.

'Rates' are the hot topic this month (see more below) – the Final PFI project and flyer refer.

From time to time other editions of this newsletter will be circulated. Responses to the matters raised are 'Always' welcomed.

Larry Mitchell



Final Prospective Financial Information (PFI) Project and the Rates Surveys

For all, (most) Councils faced with the need to better understand and explain their rates and charges, in their financial plans to the media (and often to irate ratepayers) this project is 'for you'. We are going ahead with the 'Final' PFI (prospective financial information) project. A separate package containing the detailed plan and timetable (cost \$3,500 per subscriber excluding gst) is either enclosed or can be obtained upon request.

(See www.kauriglen.co.nz/larry/other/FinalPFImarketing.pdf).

The focus of this project will be upon three topics, Rates, Debt and Assets. The 'Final' project version will be an expanded model of the earlier very successful 'pilot' project, see (www.kauriglen.co.nz/larry/other/PFImarketing.pdf). It will include many 'New' detailed reports, analysis and findings capped off with a Workshop (see below) all included in the price quoted.

Wellington PFI Findings Workshop

This one-day Workshop is open to all comers and forms part of the PFI 'package deal' detailed above. The Workshop is to be held in Wellington on **November 14th** the day before the *Conferenz 'LG Fin 06'* (see *advert below*). The sessions will cover all of the usual suspects, the FAQ's relating to financial plans associated with Rates, ('are ours too

high? and if so why') Debt, ('is ours still prudent?') and Assets, ('are we providing sufficient depreciation?') and so on. Cost of the Workshop is \$950 per attendee, further particulars and session details are included in the PFI 'package' (available upon request) and at www.kauriglen.co.nz/larry/other/FinalPFImarketing.pdf

New 'Base Stats' products and services Catalogue

We have just completed a full catalogue and pricing schedule for all of the many products and reports collectively known as the 'Base Stats' reports. This unbundling of the component reports of the 'Base Stats with Trendz' datasets allows for separate and economic use of the modules as the need arises.

The best value still remains 'the three-year package deal' as this includes most of the component 'modules' priced separately in the catalogue. For all the details see www.kauriglen.co.nz/larry/marketing/index.htm



The 9th Annual Local Government Finance Forum

Driving communities forward through exceptional financial performance 15th & 16th November 2006, Wellington Town Hall

Once again, Conferenz has put together an excellent line-up of speakers and presenters to take you through the toughest issues in finance at a Local Government level. Hear from experts including **Jonathan Salter** from Simpson Greirson and

Bruce Robertson, Assistant Auditor-General in order to ensure that the finance function in your council is running as effectively as possible. To register, and for the full programme, visit www.conferenz.co.nz

* The 2006 'Base Stats with Trendz' Reports, now incorporating the 'Outcomes-Results' module, are a comprehensive set of New Zealand Local Government performance reports – full details are at <http://www.kauriglen.co.nz/larry/basestats/index.htm>

Canadian Adventure

Canada will soon have its very own 'daughter of' **'Base Stats'** reports. Based in Winnipeg, Manitoba (the *Frontier Centre for Public Policy*) along with Alberta and Nova Scotia (AIM's, Halifax) we are assisting local government folk in the development of a performance measurement framework derived from the tried and tested **'Base Stats'** formula. It is an interesting environment, for example, Manitoba Province, (pop 1.5 M) has 187



... Yep 187 units of local government many 'with less than 1000 residents'. Remember the old days of the Kiwi Borough Council? The Manitoba Rural Municipalities and their big city sisters do everything (almost), fire, police, education some welfare even. They are funded locally and from federal and provincial grants based on a share of consumption taxes. Good idea for here?

Rates Reviews (Revenue and Financing Policy development)

Many Council's are about to embark upon their S. 103 Revenue and financing policy reviews. The review's 'two step shuffle' (it used to be three steps) takes a bit of sorting out, for example, how to satisfy Outcomes reporting linkages.

Over the course of a number of earlier S. 103 exercises we have developed a bullet proof set of templates that cover all of the legal and other processes with the logic necessary to complete the tasks. In addition, an independent facilitation of these processes (and Workshops) is often a good

way to manage and deliver the principled decisions needed to meet statutory and other 'rating' requirements. These are often complicated by more local 'political' rather than logical rationale. In the present highly charged rating environment an independent viewpoint could prove to be invaluable.

For further details of this support and assistance with your own 'Rating' templates development, Workshops and rating process just call or email me.

Other 'stuff' ...The Rating Calculation tool, Debt Studys, Added Assurance Assignment and Outcomes Reviews

We have developed a very user friendly generalized (can readily be customized) decision support tool for rating policy calculations called the Rating Calculation Tool. No more unconnected messy spreadsheets with 'difficult' audit or other trails. This tool is self balancing and flexible with excellent user specified reportage see www.computercraft.co.nz/RatesCalculationTool.aspx

Many of you will recently have received my scoping documents for the analysis and justifications for Council proposed debt levels. If not, please contact me and I can send this material to you. Your Council may benefit from such a study see www.kauriglen.co.nz/larry/councildebt/index.htm

You may be interested in the cost effectiveness review conducted at Wanganui District Council last year. It was a stimulating exercise, associated with the Council's determination to approve 'a nil rates increase' and one that cost conscious Councils can learn from. For the summarized report/presentation see **'Added Assurance Assignment'** Presentation www.kauriglen.co.nz/larry/presentations/index.htm

I have completed a number of Outcomes Findings reports recently see www.kauriglen.co.nz/larry/KiwiOutcomes-Results.zip. If Council's have not commenced the measurement and establishment of a reporting framework of their Outcomes for 2006 to 2009 then it is not too late to set one up.

Contact details

PO Box 103, Puhoi, North Auckland, NZ
Ph 09 422 0598
Fax 09 422 0700
Mobile 027 479 2328
All phones 0800 784 648 (0800 PUHOI U)

larry@kauriglen.co.nz
www.kauriglen.co.nz
www.measures.net.nz
www.ltccp.net.nz
Skype – callto:larryave



The Final PFI* project

The headlines scream ...

‘Mayor: Why rates must rise!’

Mayor of Auckland: Dick Hubbard NZ Herald August 3 2006

Your Council’s response could be ...

*‘Really! ... For what reasons ‘must’ rates rise, and by how much?
And by the way, our rates are low compared to other Councils already
are they not?’*

How do you respond to these questions? Do you have the evidence and information to support your case?

My Response ...

*‘To answer these questions I got busy collecting the data from the
June 30 2006 Council financial plans (the ltccp’s).*

*I then researched the reasons for rates rises and conducted a
comprehensive survey. I gathered the results of other recent rates
studies ... and the result ...*

The Final PFI* project

* PFI Prospective financial information ... data taken from Council’s 2006 LTCCP’s

... a project that focuses upon your Council’s ...

- **Rates** ... how do they compare with other Council’s and what are the reasons ‘for them rising’?
- **Assets** ... do your asset plans make financial sense given available funding sources and your depreciation estimates? ... and
- **Debt** ... are your debt projections prudent and achievable?

*‘All in all a current and comprehensive coverage of the ‘hot buttons’
making the headlines.’*

Particulars of Project

The Final PFI project is fully detailed at www.kauriglen.co.nz/larry/other/FinalPFImarketing.pdf
It represents excellent value to equip you to confidently deal with the present unprecedented interest in Council's finances.

You may take the full 'package' ... the set of reports, findings and the workshop* or elect to just attend the workshop.

** For maximum benefits together with the use of and access to all of your Council's data the full package subscription is strongly recommended. This package is priced at \$3,500 excl gst but also covers two attendees at the one day Workshop to be held in Wellington on November 14th. The Workshop (one attendee) fee is \$950 (excl gst).*

Final PFI Subscription Form

Name: _____

Position: _____

Council Name: _____

Address: _____

Phone: _____ Email: _____

Please add me to your list of subscribers for:

☐

Final PFI 'Package'

Tick

The total cost of the project, will be pegged at \$3,500* per subscribing Council which in addition to you receiving your detailed Final PFI reports and Findings also includes attendances at a one day workshop for the presentation and discussion of the findings.

Please note first (of two) payments, \$1,750.00 plus gst of \$218.75. Total \$1,968.75

** Excludes gst plus reasonable disbursements but includes your own Council's 'Findings' reports and two Final PFI one day Workshop attendances. Half of the amount (\$1,750) is due and payable upon subscription, the balance upon receipt of the findings and reports.*

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1 Day Workshop (14th November 2006, Wellington – Venue to be advised)

Tick

This one-day Workshop is open to all comers and forms part of the PFI 'package deal' detailed above. The Workshop is to be held in Wellington on the day before the *Conferenz 'LG Fin 06'* November 14th. The sessions will cover all of the usual suspects, the FAQ's relating to financial plans associated with rates, ('are ours too high?') debt, ('is ours still prudent?') and assets, ('are we providing sufficient depreciation?') and so on. Further particulars and session details are included in the PFI 'package' (available upon request). **Cost is \$950 per attendee.**

Post form to Larry.N.Mitchell, PO Box 103, Puhoi, North Auckland or Fax to 09 422 0700

***Make cheques payable on receipt of Invoice to
Larry. N. Mitchell, PO Box 103, Puhoi, North Auckland***



Final PFI Project Report Definitions

We are now completing the report definitions for the Final PFI project. If subscribers would like to add others, then provided the data is available we will attempt to accommodate any requests received before 21th August.

The proposed reports for the ‘Final PFI project’ are listed as follows.

‘Growth’ Datasets – all updated for the ‘Final’ project.

| Measure or Ratio | Explanation and Comments |
|--|--|
| Property, Plant & Equipment Growth | Most of these measures are ‘self explanatory’ ... the ‘Growth’ dataset reports show the relative (%) changes of each subject item (for example PPEq) comparing the 2006/07 total with the 2016 total as well as showing % increases over the 10 yr LTCCP period. The ‘Debt’ measure uses <u>total</u> liabilities (current plus term) ... and population growth data that is based on available 2005 estimated <i>StatsNZ</i> data (not 2006 census) which is incremented/compounded at the estimated annual rate of increase/decrease from the same <u>2005</u> source. |
| Debt Growth | |
| Operating Expenditure Growth | |
| Capital Expenditure Growth | |
| Development Financial Contributions Growth | |
| Depreciation Growth | |
| Operating Revenue Growth | |
| Surplus Growth | |
| Subsidies Growth | |
| Investments Growth | |
| Ratepayers Equity Growth | |
| Financial Interest Paid Growth | |
| Population Growth | |

‘Per Capita Datasets’ – all updated for the ‘Final’ project

| Measure or Ratio | Explanation and Comments |
|----------------------------------|--|
| Debt Per Capita | Most of these measures are ‘self explanatory’ ... the ‘Per Capita’ dataset reports show the relative per person statistic (in the resident population) ... ‘ <i>per capita</i> ’ results, for example, Debt which compares the 2006/07 Debt totals, (from 2006 LTCCP debt data) per capita for all individual 2006-2016 years showing % increases over the 10 yr LTCCP period. |
| Capital Expenditure Per Capita | |
| Operating Revenue Per Capita | |
| Operating Expenditure Per Capita | |
| Subsidies Per Capita | |
| Rates Per Capita | |
| Financial Interest Per Capita | |



| Specialised Ratios Datasets – all updated for the ‘Final’ project | |
|---|--|
| Measure or Ratio | Explanation and Comments |
| Debt to Equity | The specialised ratio’s dataset reports, contain ‘some’ useful ratios, most are familiar/ubiquitous requiring no added explanation and all are clearly labelled within the column headings of each report. The Debt to Equity ratio for instance is self explanatory and is commonly used for financial management ... just as many of the other ratios are. |
| Rates Income Increase | The parameters for the Rates to Income measure are more complex. The rates survey data used has gst excluded from the totals but each measure, (where present, mostly for larger Councils) the Rates figure includes all other known ratepayer service charges including water charges so that as far as has been possible, the rates figures used are ‘comparable’. The ‘rates increase’ totals referred to are the 2006 and 2016 rates totals disclosed in the 2006-2016 LTCCP’s statement of financial performance. |
| Infrastructural Assets Growth to Total Assets Growth | The specialised ratio’s dataset reports ‘some’ useful ratios, most are familiar/ubiquitous requiring no added explanation and all are clearly labelled within column headings of each report. |
| Financial Interest Growth to Operating Revenue Growth | |
| Depreciation Growth to Property, Plant & Equipment Growth | |
| Average Residential Rates Graph | Where (smaller) Council rates comparisons have not been made for the Rates Income Increase data (above), the 2005 and when it is available the 2006 Napier City survey results have been included as this survey is the only alternative rates comparison data available. |
| Further Recent (New) Reports Developed | |
| Rates (New) | Additional rates survey data obtained from Council sources is reported and added analysis will be incorporated into the findings and workshop sessions. |
| Assets (New) | ‘Close the loop’ asset test results are made proving out and identifying the sources of all asset funding providing findings relating to the adequacy of depreciation and other sources of capital funds. |
| Debt (New) | Proof of the reasonability of future debt projections for all LTCCP debt and debt servicing information ... tests of prudence |
| Adjusted ‘Pilot’ Reports (New) | ‘Pilot’ tables, (using inflated figures) adjusted to <u>2006 nominal</u> dollars using suitable ‘gdp deflator’. |
| Rates per Household ratio (New) | Rates \$ <u>totals</u> taken from 2006 LTCCP’s for every Council and their group* and over the whole sample divided by the <u>number of</u> households expressed as a % for 10 years ... <i>the average amount of rates per household.</i> |
| * Groups consist of ‘peers’ and are based on ‘ <i>Base Stats</i> ’ standard cohorts | |



| | |
|--|---|
| Rates to Household Income ratio (New) | Rates \$ <u>totals</u> taken from 2006 LTCCP's of the group – for 10 years ... a very revealing ratio that indicates the proportion (%) of <i>an average City or District household's income that is spent upon rates</i> |
| Interest Expense to Rates ratio (New) | Interest \$ <u>totals</u> compared to rates \$ <u>totals</u> – for 10 years. Indicates <i>the capacity of a council to meet its debt servicing costs</i> . |
| Assets to Debt ratio (New) | Assets \$ <u>total</u> compared to Debt \$ <u>total</u> – for 10 years. Indicates <i>the level of debt associated with assets</i> (and their build up) over 10 years. |

In all, the 'Final' project delivers 33 '*special*' reports at this stage plus the additional 'gdp deflator' adjusted reportage ... another 20 or more reports. All will be utilised in developing the separate 'Council Findings Reports' produced ... for subscriber Councils only.

These *special* reports will be supplemented further with a number of '***Base Stats with Trendz***' tables and graphs as they relate to the Findings and Workshop topics of Rates, Assets and Debt.

