

Briefing 5 February 2020, ahead of Council meeting 11 February

Pre-consultation:

- Draft Annual Plan 2020/21 & LTP amendment
- Summary of financial strategy and planning aspects



Overview of the process

Dates	Activity
10 December 2019	Council adopted key budget assumptions and provided guidance on a number of budget matters
December & January	Officers preparation and review of budgets
11 February 2020	Council final decisions on budget and consultation matters ahead of external audit
18 March 2020	Council meets to approve final budgets and consultation information post external audit
6 April to 3 May 2020	Public consultation
13-14 May 2020	Council meet to consider feedback from public consultation
10 June 2020	Council final decisions ahead setting the rates
30 June 2020	Council adopt Annual Plan and LTP amendments, set rates

Sustainable financial management

Community Outcomes

Investment priorities

Growth pressure

Historical underinvestment

Demand for improved services

Maintaining assets and services levels

Acceptable costs

Rates increases

Fee levels

Intergenerational equity

Sustainable borrowings

Balanced budget

Value for Money



Legislative requirement: Prudent financial management

2021-2031 Long Term Plan - Three waters investment

Planning for renewal of ageing infrastructure and growth plans for city.



- Initial indicative financial implications estimated \$30M increase in operational expenditure over ten years to improve maintenance of existing infrastructure and allow for robust planning.
- A further estimated \$240M capital investment is needed over ten years for the replacement, renewals and to meet new demands.
- NOT included in current budgets

Draft Annual Plan 2020/21 additional funding has been set aside for:

- Water Supply \$10.7M investment over ten years for reservoirs to support growth and seismic strengthening.
- Wastewater \$23M investment over ten years to support the Petone Collector Main and Outfall pipeline overflow mitigation.

Other budget increases included in Draft Annual Plan

Transport

- Melling interchange & RiverLink project \$23M
- Cross Valley Transport Connections \$55M, & assumed NZTA funding
- Cycleways \$15M & assumed NZTA funding.

Urban Planning

- District Plan \$2.9M over four years to meet legislative requirements

Community Services

- Seismic strengthening for Council properties of \$2.5M

Service Delivery

Invest to save

- Digital transformation \$10.8M over 4 years

Capital investment

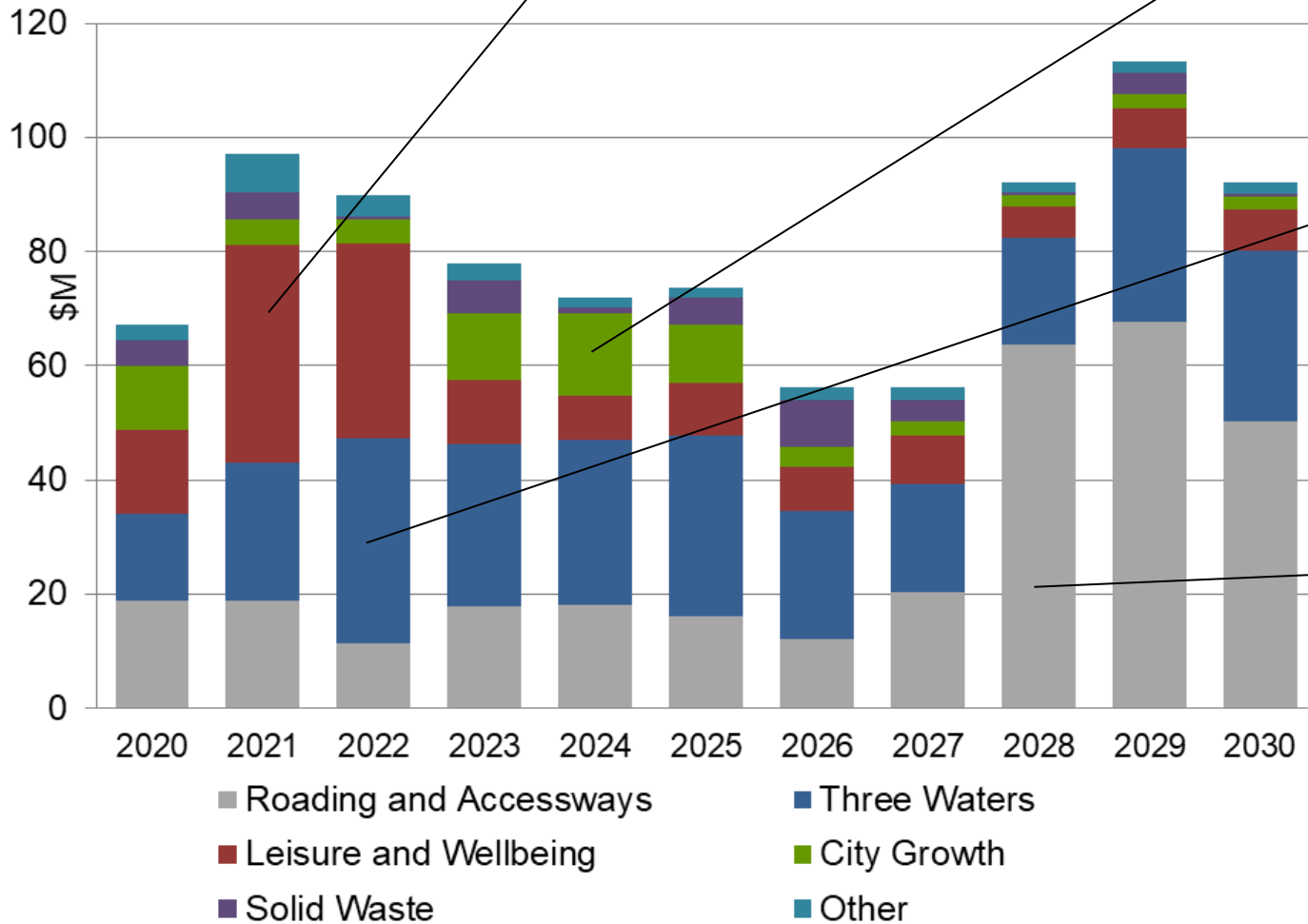
Ten year programme
\$820M



Naenae pool



Riverlink & Melling



Three Waters



Cross Valley transport connection

For every \$100 dollars you pay in rates, we spend:



\$10.80

Libraries and community hubs



\$3.60

Museums



\$2.30

Pools



\$2.30

Leisure and recreation programmes



\$15.10

Wastewater



\$2.30

Halls and venues



\$2.60

Community funding



\$9.90

Parks and reserves



\$2.90

District planning and urban development



\$2.10

Running our city



\$5.10

Economic development and growth



\$1.30

Environmental sustainability, resilience and emergency management



\$2.40

Events and promotion



\$2.70

Consents and regulatory services



\$1.50

Waste and recycling collection



\$12.00

Roads, bridges, parking and footpaths



\$1.10

Traffic management and parking



\$4.30

Roading maintenance and street cleaning



\$13.10

Drinking water



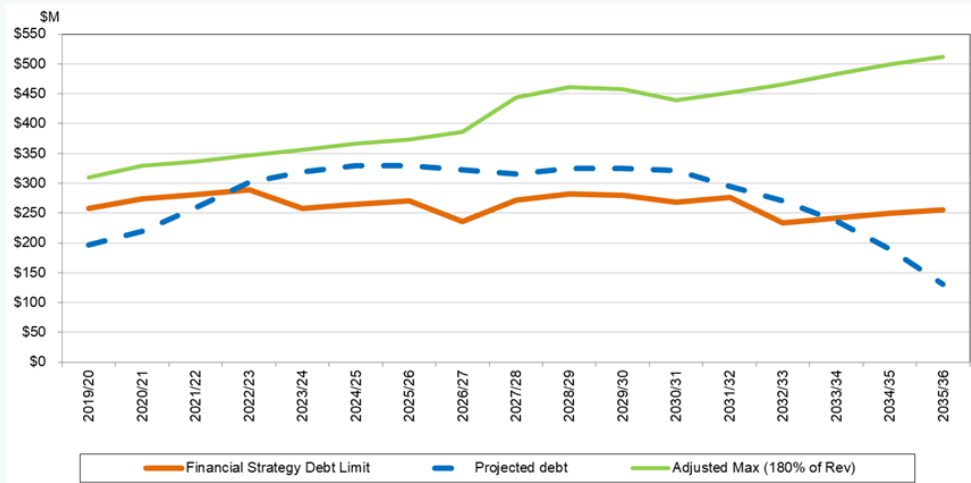
\$7.50

Stormwater

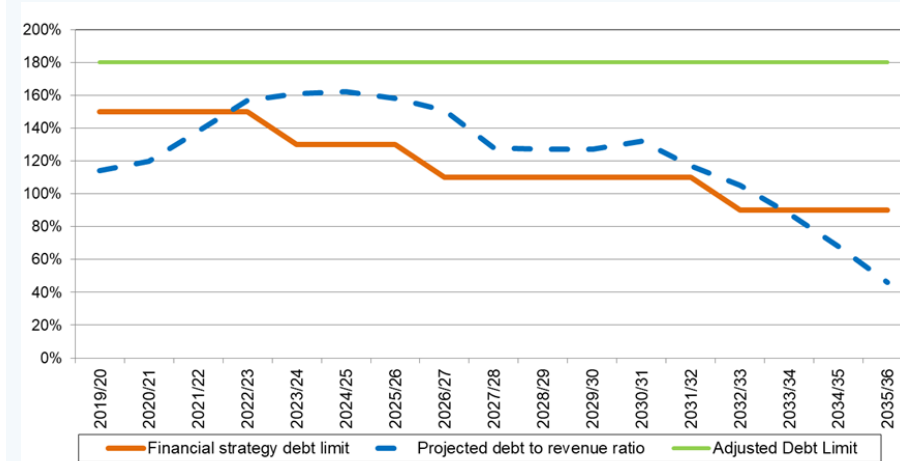
FOOTNOTE: We receive \$4.90 of credit from the landfill. This helps to offset the total cost and is reflected in the figures.

Funding investment plans & intergenerational equity

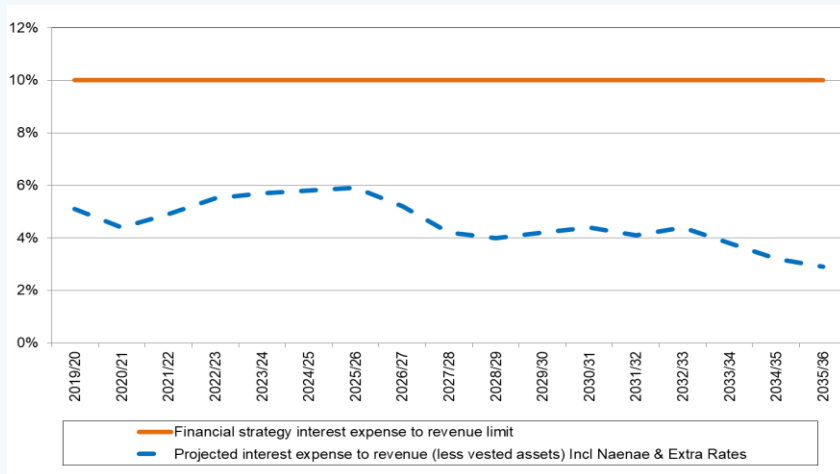
Projected debt increasing to nearly \$350M in 2024/25



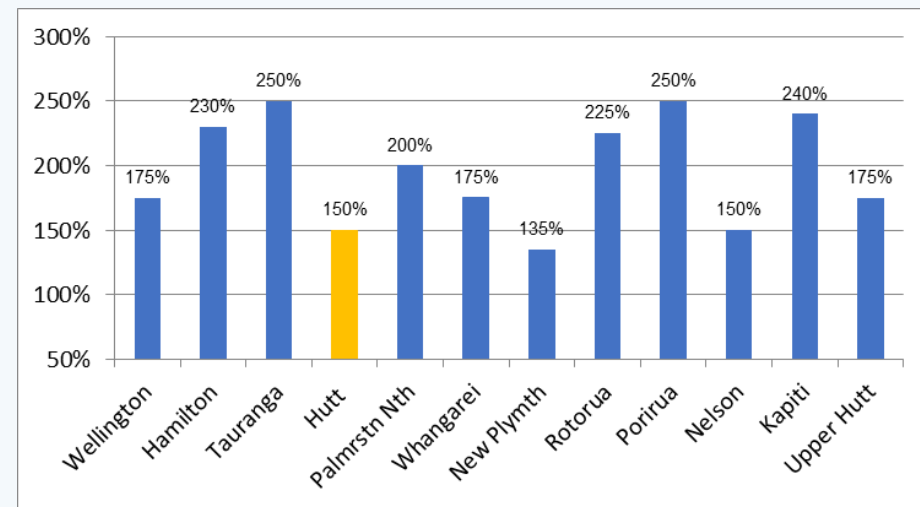
Proposed change to debt to revenue limit to 180%



Projected interest expense to revenue ratio



Comparison of peer Council's debt to revenue limits



Targeted savings goal of \$1M



- Targeted savings programme led by the Chief Executive with a goal of achieving operational savings of \$1M in 2020/21.
- The focus will be on delivering our services in the most effective and efficient manner to ensure the best value for each dollar we collect.

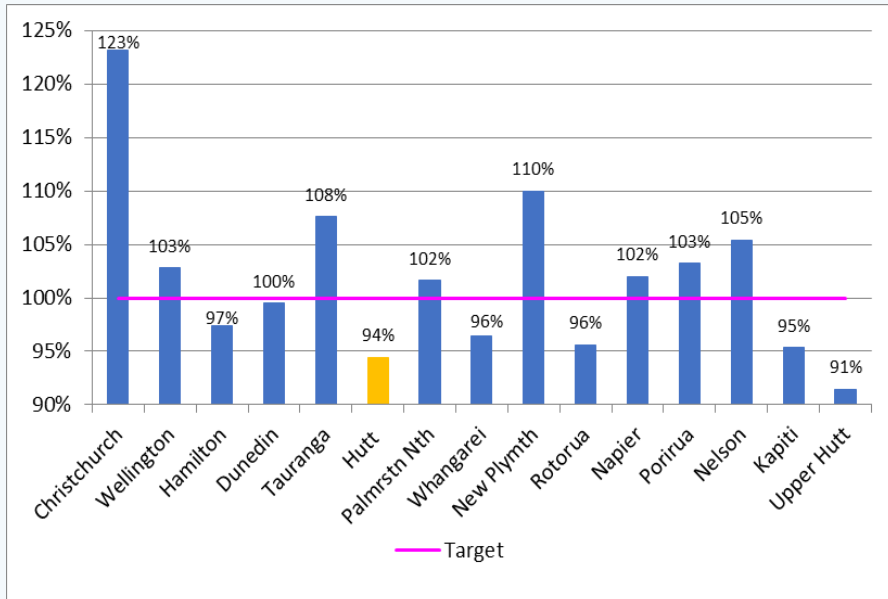
Efficiency initiatives will include :

- Improved business processes
- Better use of technology
- Better procurement and tendering processes
- Controlling the growth in our core operating expenditure.

NB – As part of the 2021-2031 LTP process a full base budget review will be completed.

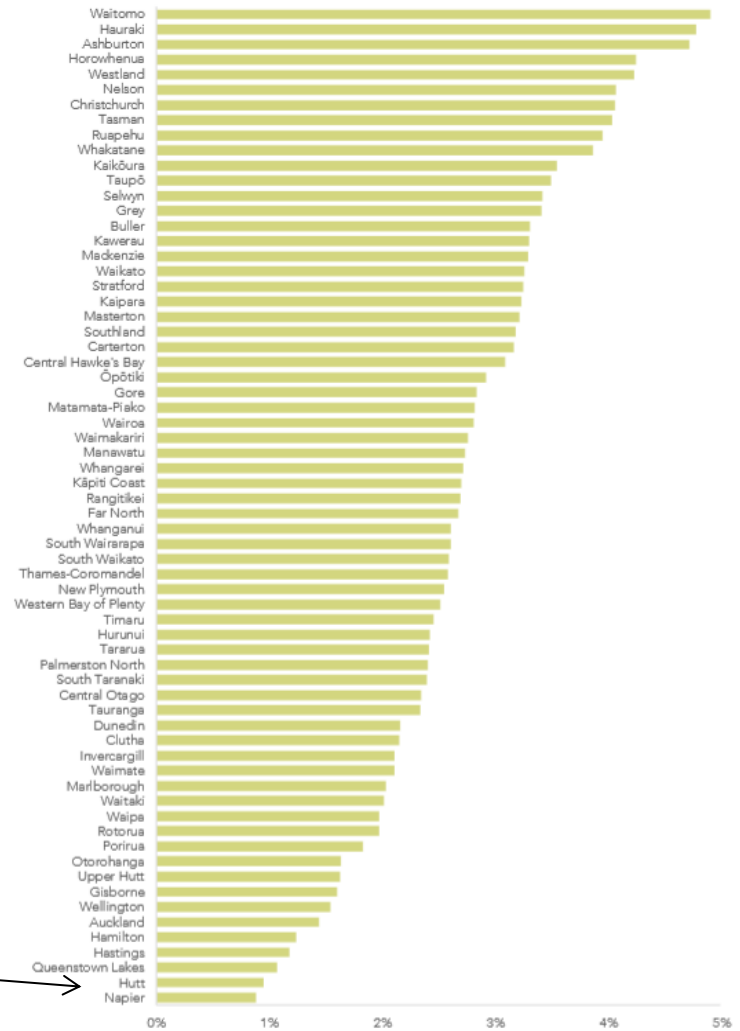
Balanced budget and prudent financial management

Comparison of peer Council's Balanced budget benchmark results – from published Annual Reports, Average over last five years



Productivity Commission Report – Average yearly growth in rates per person 2000 to 2018

Figure 3-2 Average yearly growth in rates per person across territorial authorities, 2000-2018

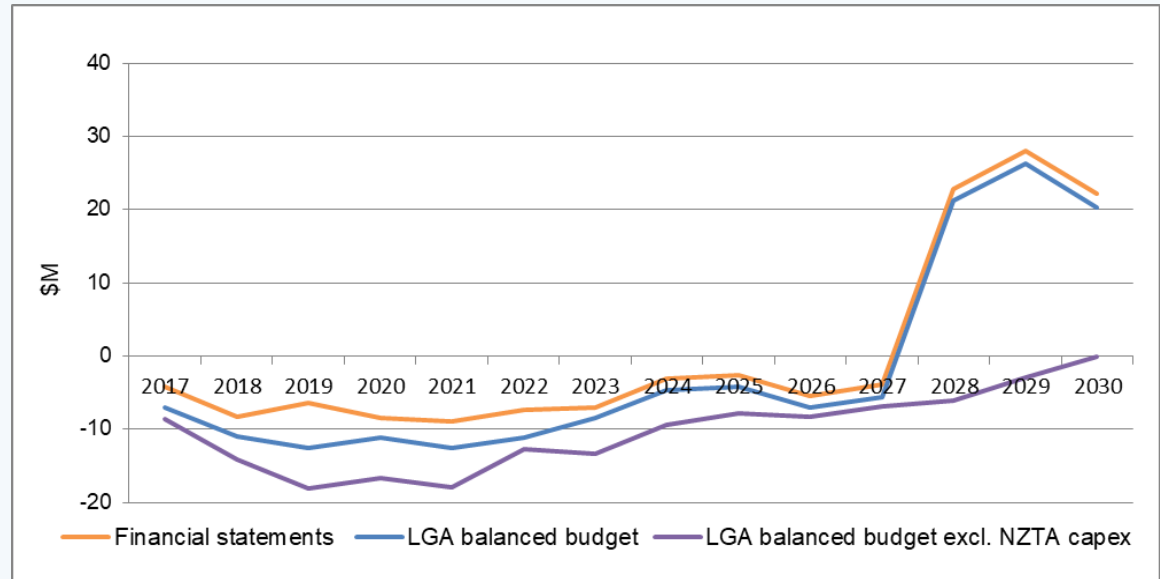


Hutt City Council is at the very lowest end – one up from Napier

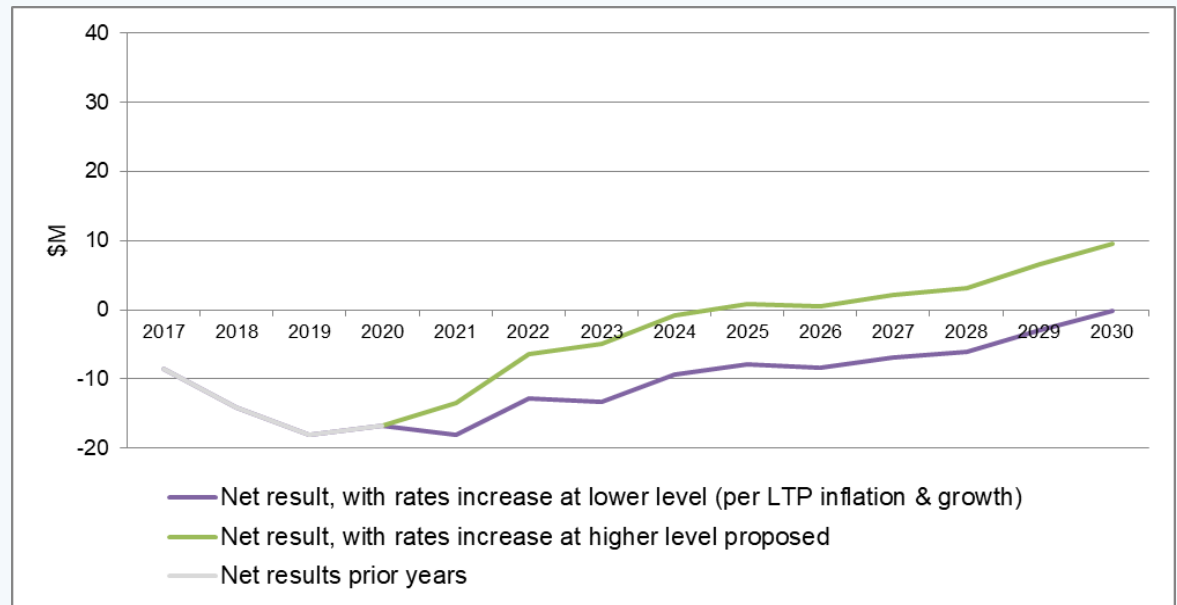
Source: Stats NZ (2019a, 2019d).

Balanced budget and prudent financial management

Projected net operating and balanced budget results

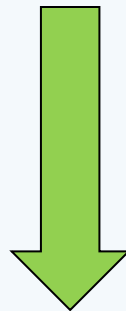


Comparison of projected net operating result depending on rates increase level



The detail on our projected operating deficit

	Draft Annual Plan 2020/21 \$M
Net operating deficit with inflation only rates increase <small>Further details available in Table 4 in report</small>	(21.5)
Excludes Capital contributions	
Add: NZTA funding for capital renewals	3.6
Less: Community Facilities Trust grants for capital projects	-
Revised net operating deficit	(17.9)



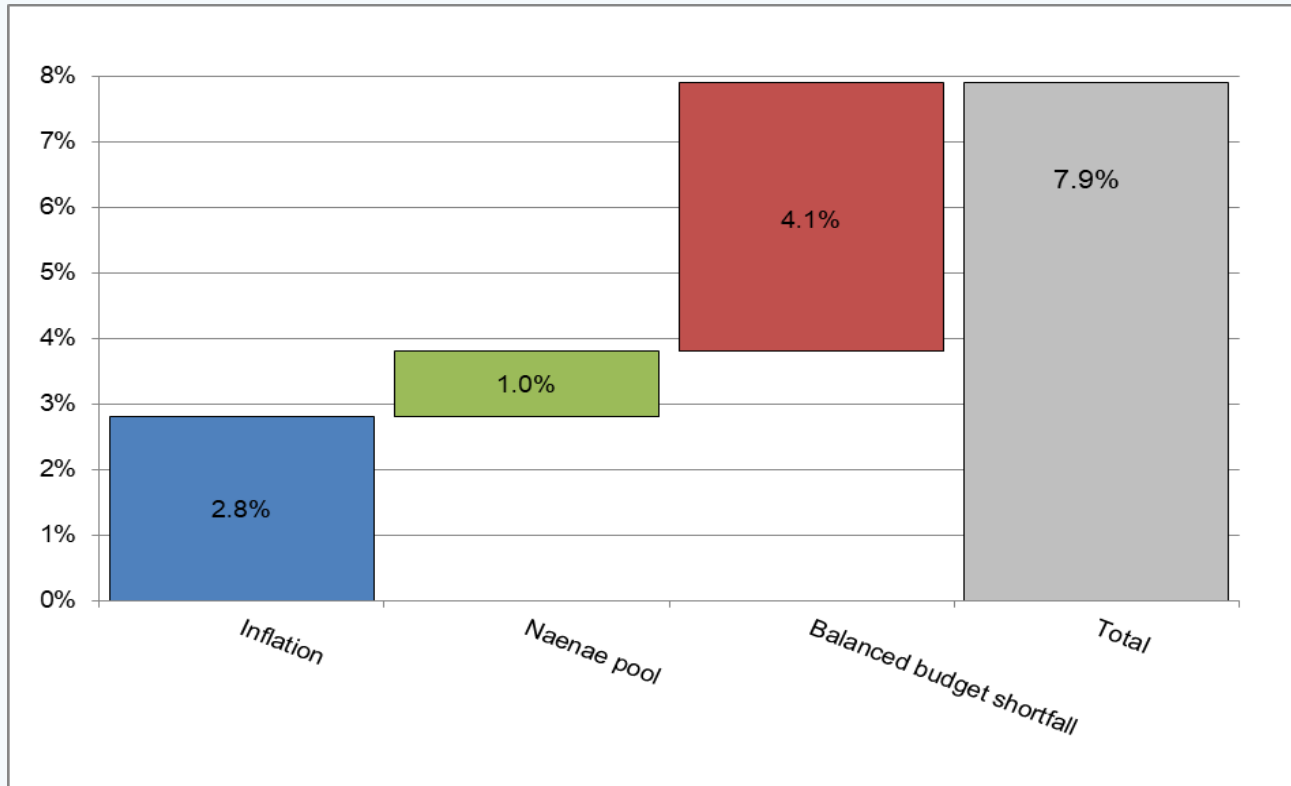
Extra rates revenue proposed of \$4.4M or 4.1% extra rates increase to partially address deficit and balanced budget requirement

Revised deficit \$13.5M

Note: deficit includes \$4.2M for Development Stimulus Package. This was previously budgeted as capital expenditure.

Proposed overall rates revenue increase of 7.9%

Note assumed 1% rates revenue from growth in rating base

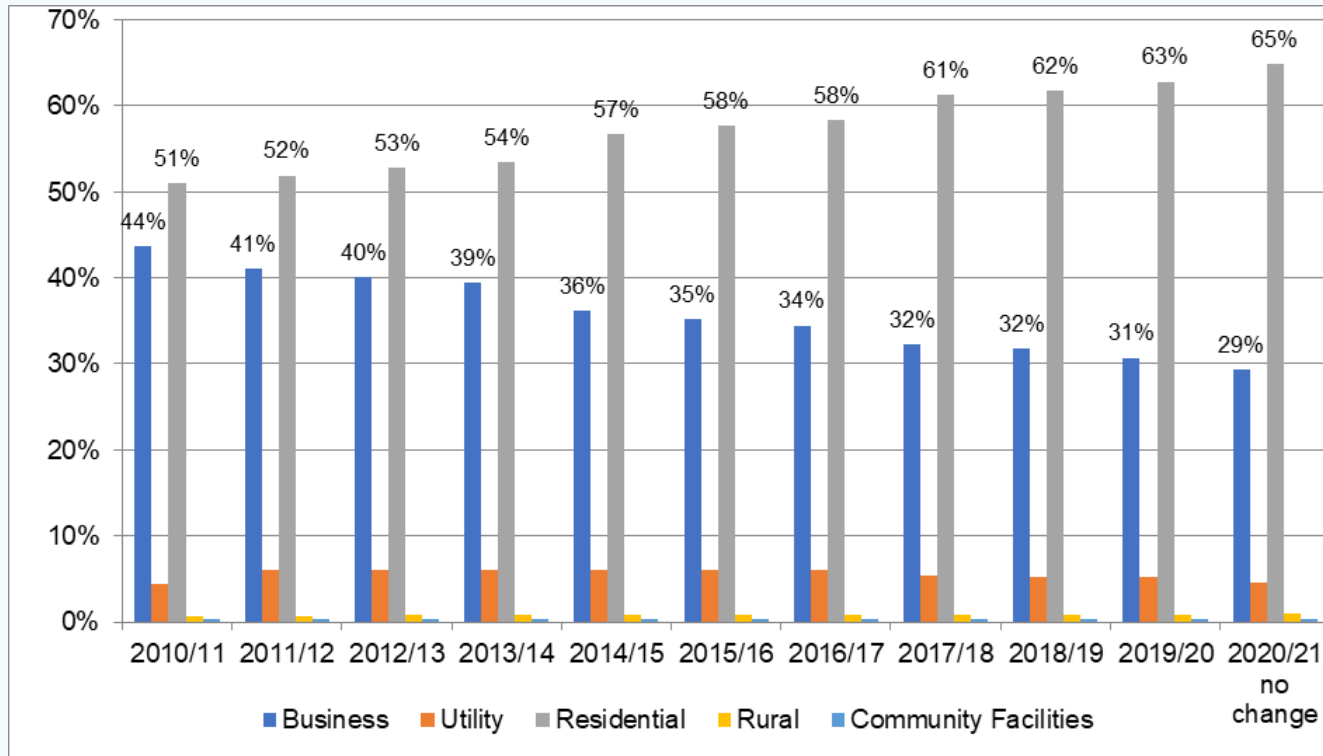


Includes

- Naenae Pool and fitness suite redevelopment
- Historical under funding and budget gaps in maintaining our assets and Infrastructure
- Legislative unavoidable costs, District Plan
- Funding improved community engagement and climate change initiatives

Proposed changes to rating differentials for consultation

General rates revenue percentage by property category

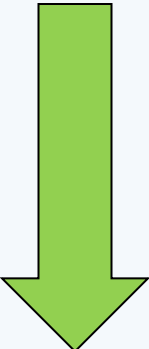


- Option 1 - Do nothing
- Option 2 - Freeze differentials
- Option 3 – Retain the percentage based on the 2019/20 general rates splits

NB – The 2021-2031 LTP process will include a full review of the Revenue and Financing Policy

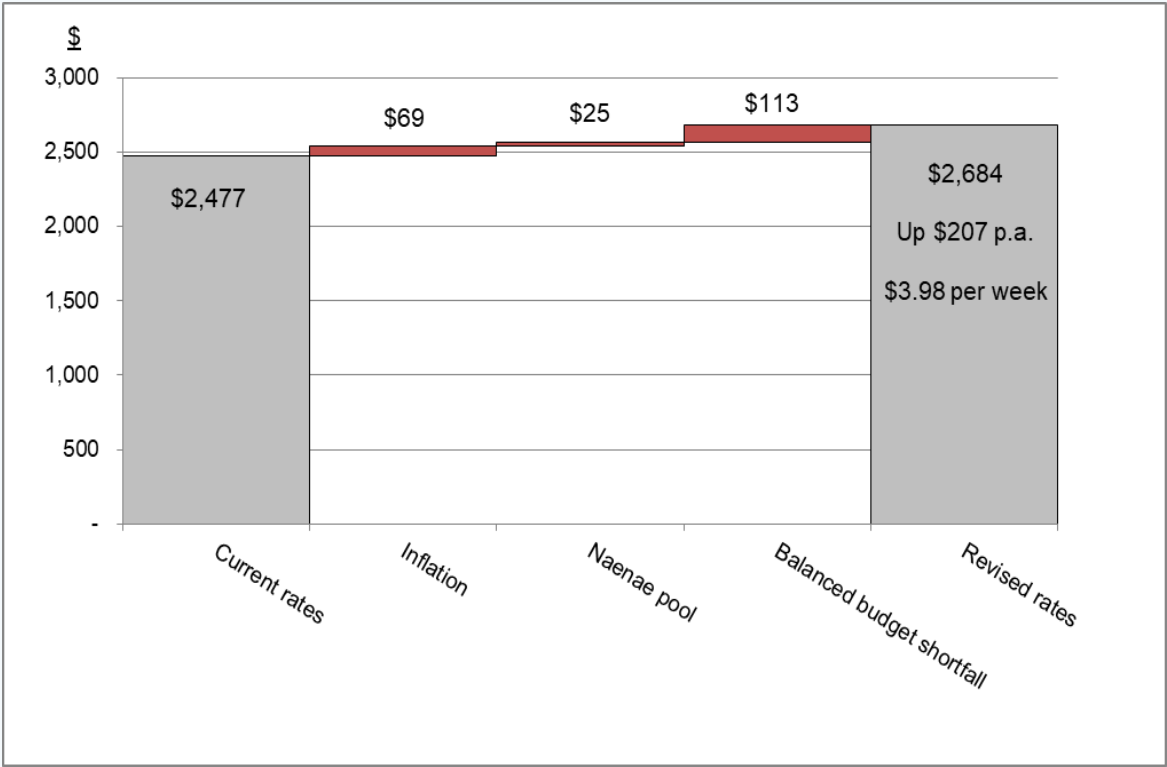
Impact on average residential ratepayer

\$261



Increase of \$54 p.a. avoided by proposed change in rating policy

\$207



Average residential rates increase of \$207 p.a. or \$3.98 per week

Average property value now \$627,000
(Prior to revaluation in 2019 was \$476,000)

Note excludes GWRC rates.

Indicative impact for suburbs – range between 4% and 18%

Per annum \$58 to \$337; Weekly \$1.12 to \$6.47

Residential Suburbs	Capital Value July 2019	2019-2020 Rates	Capital Value July 2020	% Change in Property Value	2020-2021 Rates	\$ Change Annual	\$ Change Weekly	% Change Amount
ALICETOWN	\$529,000	\$2,645	\$660,000	25%	\$2,771	\$126	\$2.42	5%
AVALON	\$459,000	\$2,423	\$605,000	32%	\$2,626	\$204	\$3.91	8%
BELMONT	\$546,000	\$2,699	\$705,000	29%	\$2,889	\$190	\$3.66	7%
BOULCOTT	\$589,000	\$2,835	\$735,000	25%	\$2,967	\$133	\$2.55	5%
EASTBOURNE	\$747,000	\$3,336	\$930,000	24%	\$3,479	\$143	\$2.76	4%
EPUNI	\$521,000	\$2,619	\$660,000	27%	\$2,771	\$151	\$2.91	6%
FAIRFIELD	\$474,000	\$2,470	\$620,000	31%	\$2,666	\$195	\$3.76	8%
HARBOUR VIEW	\$542,000	\$2,686	\$685,000	26%	\$2,836	\$150	\$2.89	6%
HAYWARDS	\$312,000	\$1,956	\$405,000	30%	\$2,101	\$145	\$2.78	7%
HUTT CENTRAL	\$689,000	\$3,152	\$855,000	24%	\$3,283	\$130	\$2.51	4%
KOROKORO	\$584,000	\$2,819	\$785,000	34%	\$3,099	\$280	\$5.38	10%
MAUNGARAKI	\$543,000	\$2,689	\$685,000	26%	\$2,836	\$147	\$2.83	5%
MELLING	\$414,000	\$2,280	\$545,000	32%	\$2,469	\$189	\$3.63	8%
MOERA	\$382,000	\$2,178	\$505,000	32%	\$2,364	\$185	\$3.56	9%
NAENAE	\$336,000	\$2,033	\$490,000	46%	\$2,324	\$292	\$5.61	14%
NORMANDALE	\$520,000	\$2,616	\$660,000	27%	\$2,771	\$154	\$2.97	6%
PETONE	\$629,000	\$2,962	\$755,000	20%	\$3,020	\$58	\$1.12	2%
STOKES VALLEY	\$344,000	\$2,058	\$485,000	41%	\$2,311	\$253	\$4.87	12%
TAITA	\$343,000	\$2,055	\$485,000	41%	\$2,311	\$256	\$4.93	12%
WAINUIOMATA	\$297,000	\$1,909	\$460,000	55%	\$2,245	\$337	\$6.47	18%
WAIWHETU	\$477,000	\$2,480	\$620,000	30%	\$2,666	\$186	\$3.57	7%
WATERLOO	\$553,000	\$2,721	\$695,000	26%	\$2,862	\$142	\$2.73	5%
WOBURN	\$769,000	\$3,406	\$950,000	24%	\$3,532	\$126	\$2.43	4%

For consultation: Proposed rates revenue increases in the longer term

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025-2030</u>
Rates increase for inflation (LGCI)	2.8%	2.2%	2.2%	2.3%	2.3%	2.47%
Rates increase to achieve balanced budget	4.1%	1.6% ²	1.6% ²	-	-	-
Subtotal - revised rates increase	6.9%^{0/1}	3.8%^{0/1}	3.8%^{0/1}	2.3%^{0/1}	2.3%^{0/1}	2.47%^{0/1}
Rates increase for proposed Naenae pool and fitness suite redevelopment	1.0%	-	0.5%	-	0.5%	-
Total rates increase incl. Naenae Pool	7.9%^{0/1}	3.8%^{0/2}	4.3%^{0/2}	2.3%^{0/2}	2.8%^{0/2}	2.47%^{0/2}

Note excludes:

- Impact of any changes required to budgets as per briefing from Wellington Water 29 January 2020, will be progressed as part of 2021-2031 LTP.
- Proposed changes to refuse and recycling targeted rates effective from 2021/22.
- Assumed growth in the rating base assumptions.

Key decisions 11 February 2020

1. Naenae pool and fitness suite refurbishment consultation proposed
 - rates increase 1% for 2020/21, 0.5% 2022/23, 0.5% 2021/25
 - Increase debt to revenue limit to 180% flat line
2. Rubbish and recycling proposed start 1 July 2021
 - Targeted rates increase for following year 2021/22
3. Rating differential options for consultation (refer briefing 28 January 2020)
4. 7.9% overall rates increase for consultation which includes Naenae pool refurbishment.
5. Any further matters to inform preparation of the Draft Annual Plan 2020/21 and LTP amendment ahead of consultation.

Other decisions 11 February 2020

Interim budget assumptions included in draft budgets, subject to Council approval.

- CAPEX
 - Emergency response Team Facility \$0.25M
- OPEX
 - Wastewater \$0.25M p.a., infiltration issues with wastewater network
 - Hutt Valley Tennis \$0.5M budget, down from \$1.35M

Assumed no budget changes

CAPEX

- Wainuiomata Hub – option of \$4.3M, current budget \$8M
- Seaview Wastewater Plant Seismic Upgrade - additional \$1.2M

OPEX

- Hutt Valley Gym Sports facility – option of \$0.5M (down from \$2M), Fraser park grandstand demolition cost \$0.3M
- Note indicative Fraser Park Sportsville Operations \$0.3M, awaiting report in April.