

Decisions for Final Long-Term Plan 2024-34

17 May 2024 LTP/AP subcommittee meeting

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High level timeline

| Activity | Date | Status |
|--|----------------------|-------------|
| Elected member hui to set initial priorities and objectives for the DLTP | 31 May 2023 | |
| Council decisions on draft strategic framework and high-level approach to DLTP | 30 Jun | |
| Council decisions following early engagement and decisions on key assumptions | 30 Aug | |
| Council decisions on draft budgets, policies and strategies, key initiatives, trade-off considerations | 30 Oct | |
| Council decisions on draft budgets, policies and strategies, trade-off considerations, KPIs. | 27 Nov | |
| Council agrees draft budgets, policies and strategies, approach to consultation | 12 Dec | |
| Council decisions on draft CD and DLTP, further budget and policy decisions | 8 Feb 2024 | |
| External audit by Audit NZ | Jan-Feb | |
| Council adopted audited DLTP & consultation material for public consultation process | 27 Mar | |
| Public consultation process | 2 Apr – 3 May | |
| LTP Hearings process and review of public consultation feedback | 15 to 16 May | |
| Council provides initial direction and progresses decisions to support the plan being finalised | 17 May | Today |
| Final decisions on LTP | 4 June | Not started |
| LTP adopted (post Audit NZ audit) | 27 June | |

A challenging financial context

Overall challenging economic climate, particularly driven by high inflation and borrowing costs.

Ageing Infrastructure

Council owns many ageing assets that require significant investment in part due to the growing population.

While this is critical, there is a need to balance investment against financial sustainability and rates affordability.

High levels of debt

Money Council has to pay back in the long run but which will help fund infrastructure investment.

Standard & Poors Credit Rating Aug. 2023 – AA Stable outlook revised to AA negative outlook

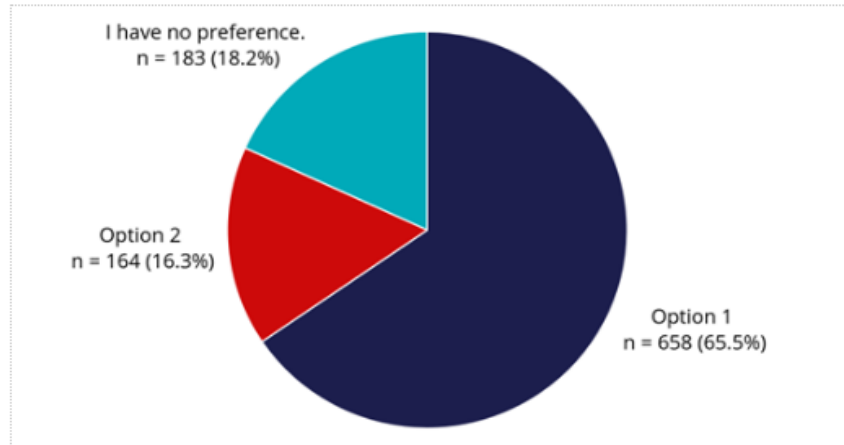
Affordability/Funding constraints

We don't want to put off necessary investment, but we do want to ensure we recognise the need to prioritise and consider what we ask the community to pay for, given the economic climate.

Consultation items requiring final decisions

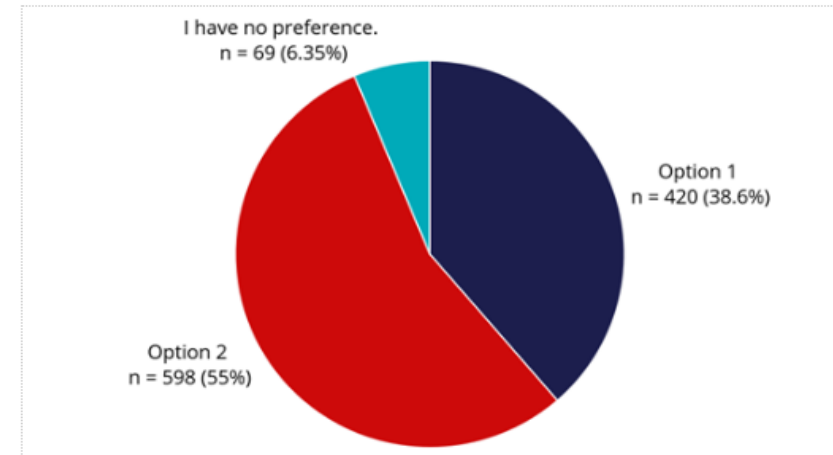
Water services: Option 1 – 66%

Figure 1: Summary of submissions relating to water services



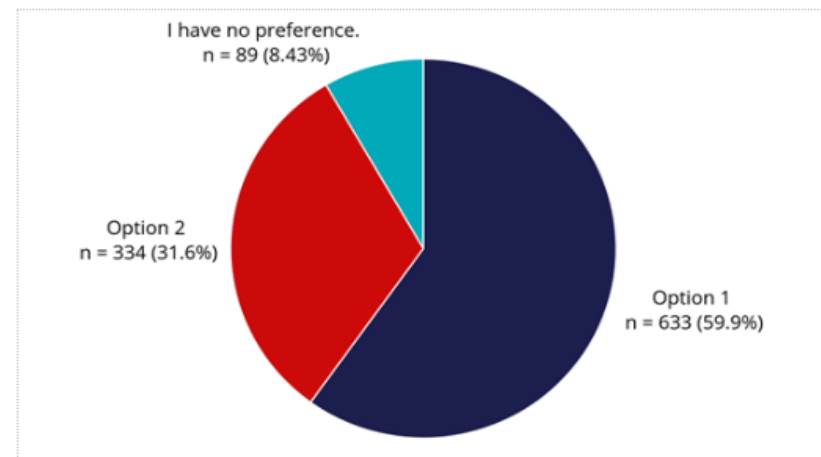
FOGO: Option 1 – 39%, Option 2 – 55%

Figure 2: Summary of submissions relating to how council diverts food and green organics waste from landfill



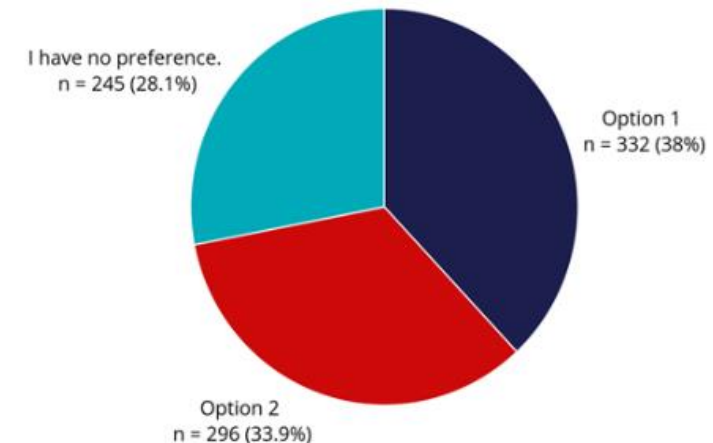
Rates relief low-income house: Option 1 – 60%

Figure 3: Summary of submissions relating to a proposed rates relief for low-income households



Petone assets: Option 1 – 38%

Figure 4: Summary of submissions relating to proposals for the three Petone assets



Consultation feedback continued

Fees and charges

- 38% agree/strongly agree
- 40% disagree/strongly disagree

Comments

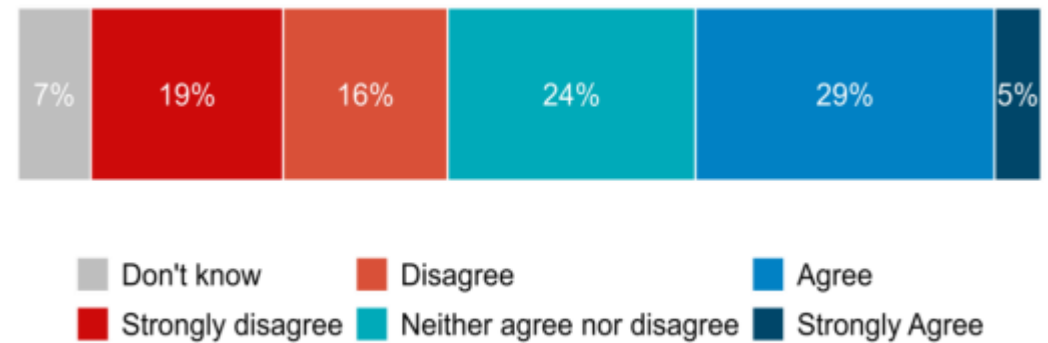
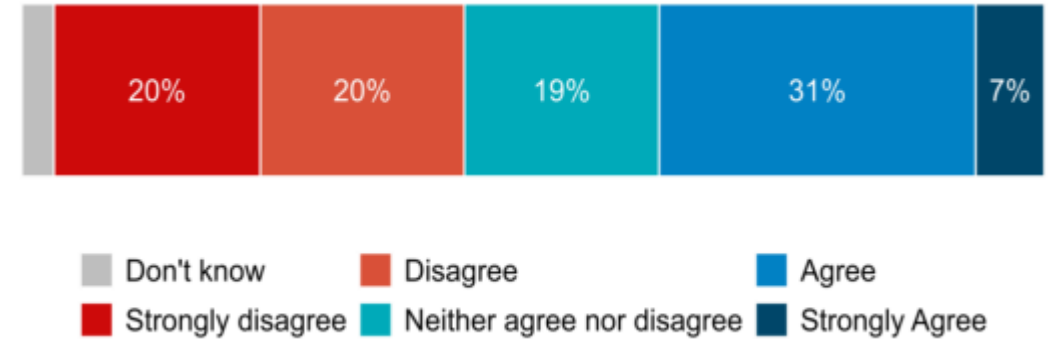
- broad opposition to fee increases - belief that they will be unaffordable to many;
- concern that increasing parking fees generally will adversely impact retailers.
- That paid parking in Petone will have negative impacts for the Petone business community;
- concern that an increase in tip costs will result in illegal dumping; and
- preference that, instead of increasing fees and charges, Council reduces its spending and focuses on core services.

Financial Strategy

- 34% agree/strongly agree
- 35% disagree/strongly disagree

Comments

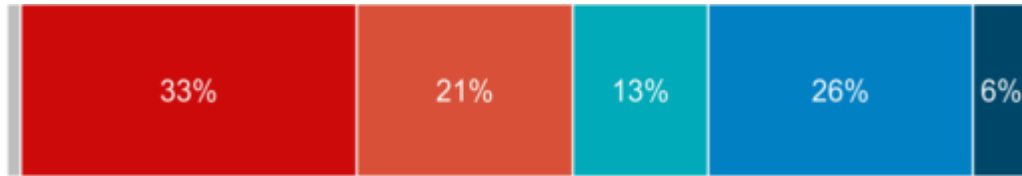
- preference for Council to reduce its spending and to focus on core services; and
- concern about Council performance owing to a perception of wasteful spending.



Consultation feedback continued

Proposed rates increase of 16.9% (after growth)

- 32% agree or strongly agree
- 54% disagree or strongly disagree



Don't know
 Disagree
 Agree
 Strongly disagree
 Neither agree nor disagree
 Strongly Agree

Rates increases and general direction comments

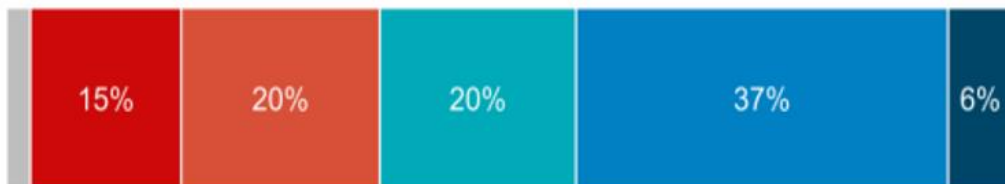
- broad opposition to rates increase of 16.9% (after growth)
- requests for Council to focus on core services
- opposition to Petone wharf being demolished
- wide support for Council investment in water infrastructure
- opposition to smart water meters and cycle ways
- calls to reduce non-essential expenditures, especially on "nice-to have" projects

Other specific suggestions for ways to reduce council spending include:

- reduce spending on cycleways;
- reduce spending on libraries and library upgrades;
- reduce spending on pools and pool upgrades;
- stop work on food and green organics collection service, Petone assets, smart water meters, Cross Valley connections and Riverlink;
- stop or reduce traffic calming measures;
- suspend cultural projects and services;
- suspend social or community support funding; and
- suspend environmental projects.

General direction of 10 year plan

- 43% agree or strongly agree
- 35% disagree or strongly disagree



Don't know
 Disagree
 Agree
 Strongly disagree
 Neither agree nor disagree
 Strongly Agree

Key decisions/direction sought

| Decision sought | Financial impact |
|---|---|
| Key consultation items (1) Water services (2) FOGO (3) Rates remission (4) Petone assets incl. Library, Petone Rec and wharf. | Refer agenda papers |
| Development Contributions Policy settings | Separate agenda paper – Option 3 (transition over three years) lower revenue \$2.4M (includes \$1.4M in 2024-25). Community Housing provider remission \$0.5M p.a. |
| Parking fees included in DLTP | Petone parking fees options presented: Option 1 – First hour free reduced revenue \$0.45M in 2024-25 (rates increase of 0.3%); \$5.02M over 10 years. Option 2 – Remove paid parking on weekend, reduced revenue \$0.15M in 2024-25 (rates increase of 0.1%) \$1.71M over 10 years |
| Proposed initiative to improve equity in access to aquatic services | Revenue reduction of \$0.03M in 2024-25 (\$0.28M over 10 years). Minor rates impact. |
| Huia Pool refurbishment and decarbonisation | Net nil impact, transfer of budgets from other capex lines. |
| Community hubs and libraries savings (public excluded) | \$2.7M savings over 10 years included in DLTP |
| Further transport savings proposed | Savings of \$0.3M in 2024-25 (\$1.3M over 10 years) |
| Carryovers – As per table 5 in report | Opex of \$8.9M, Capex of \$7.2M, Revenue of \$5.9M from 2023-24 to later years |

Parking fees

The paper proposes some options for Petone parking as per table 1. Should no parking be implemented in Petone it would equate to **reduction in revenue of \$899k p.a.** with an indicative rates impact of **0.6% in 2024-25.**

Table 1

| | DLTP | Option 1: Petone 1st hr free | Option 2: Petone Mon-Fri 9- 5pm paid only |
|---|------------------|------------------------------------|---|
| HCC Parking revenue | 1,210,139 | 1,210,139 | 1,210,139 |
| Petone Weekdays | 748,800 | 382,200 | 748,800 |
| Petone weekends | 149,760 | 76,440 | |
| Total parking revenue in 2024-25 | 2,108,699 | 1,668,779 | 1,958,939 |
| Reduction to DLTP revenue | - | (439,920) | (149,760) |
| Indicative rates impact in 2024-25 | | 0.28% | 0.09% |

Table 2

| Parking Zone | 2023-24 Zone Conditions | 2023-2024 Charges | 2024-25 Zone Conditions | 2024-2025 Charges |
|--------------------------------------|--|--|---|---|
| Riverbank car park (Light Blue) Zone | <ul style="list-style-type: none"> ☒ No daily maximum parking duration ☒ Sunday and public holidays unrestricted | Monday - Friday 9am-5pm: \$2.00 per hour maximum daily charge \$7.00 Saturday 7am-2pm: \$2.00 per hour maximum daily charge \$4.00 Monthly pass*: \$100.00 | <ul style="list-style-type: none"> ☒ No daily maximum parking duration ☒ Public holidays unrestricted Enforcement 7 days per week | \$3.00 per hour maximum daily charge Monthly pass*: \$150.00 |

Riverbank parking fees in the draft fees and charges schedule is presented in table 2.

Financial projection assumptions

Budgets included in the financial projections presented here

- include DLTP assumptions on options (table 2 in the report)
- Development contributions (DC) revenue has been adjusted to reflect the proposed project changes of \$21M but not DC transition options or DC remission for Community Housing Providers (as detailed in separate DC report).
- adjusted for unavoidable budget changes, includes higher interest costs for debt, GWRC bulk water levy, net nil operating budget updates. (table 3 in the report and in line with Officer recommendations)
- Budget savings as per DLTP (\$35M over 10 years) plus further \$3.9M (refer table 4, includes higher resource consent fees, various transport activity savings)
- Adjusted to reflect proposed budget carry overs (refer table 5)
- Does not include any reduction in parking revenue.
- Includes rates increase as per table below. Will require update post Council decisions

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|-----------|-------|-------|-------|-------|-------|-------|------|------|------|------|
| Draft LTP | 16.9% | 12.0% | 12.4% | 11.5% | 11.0% | 11.0% | 7.2% | 7.2% | 7.2% | 7.2% |
| Final LTP | 16.9% | 12.0% | 12.4% | 12.0% | 11.5% | 11.5% | 7.2% | 7.2% | 7.2% | 7.2% |

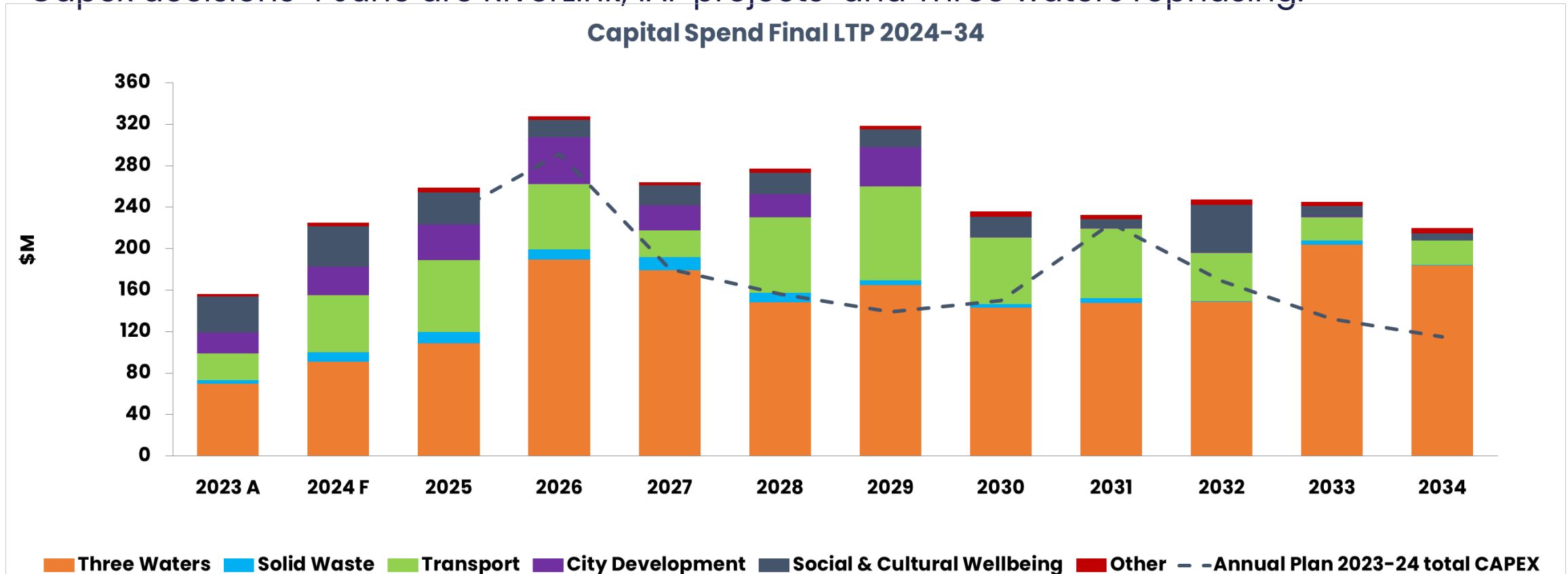
Capital investment

Capex \$2.6B (an increase of \$838M on AP24) over the 10-years, based on inclusion of all decisions to date as well as all Officer recommendations included in the report.

Includes \$1,189M renewals, \$995M new capital and \$444M growth related works.

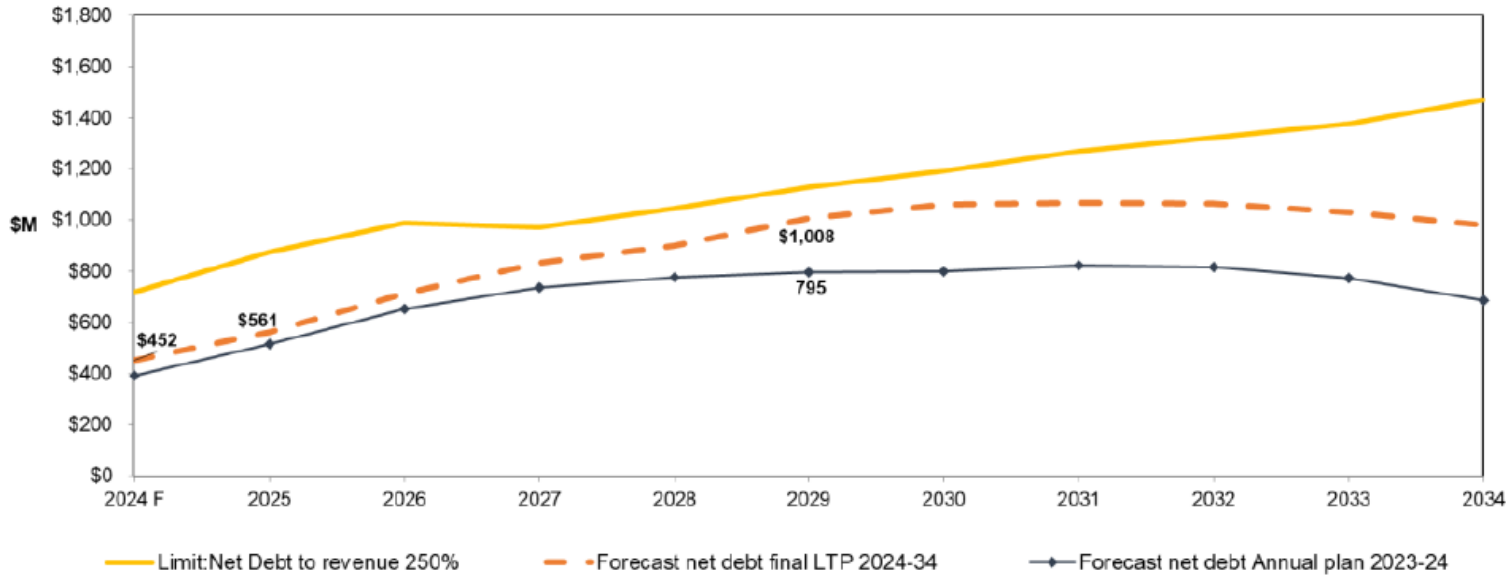
62% relates to Three Waters and 21% to Transport

Capex decisions 4 June are RiverLink; IAF projects and Three waters rephasing.

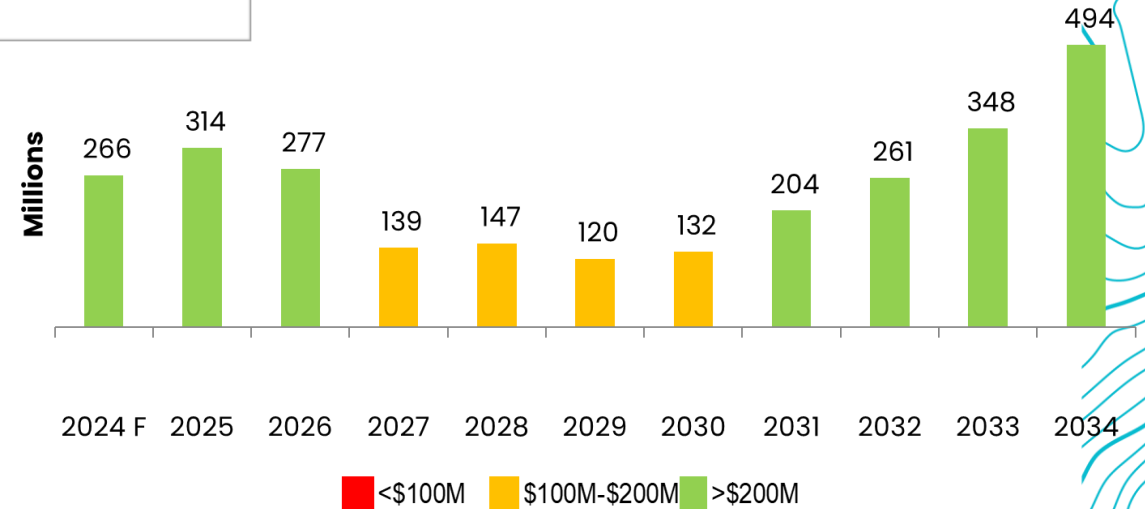


Debt forecast – peak \$1 Billion in 2029

Forecast net debt



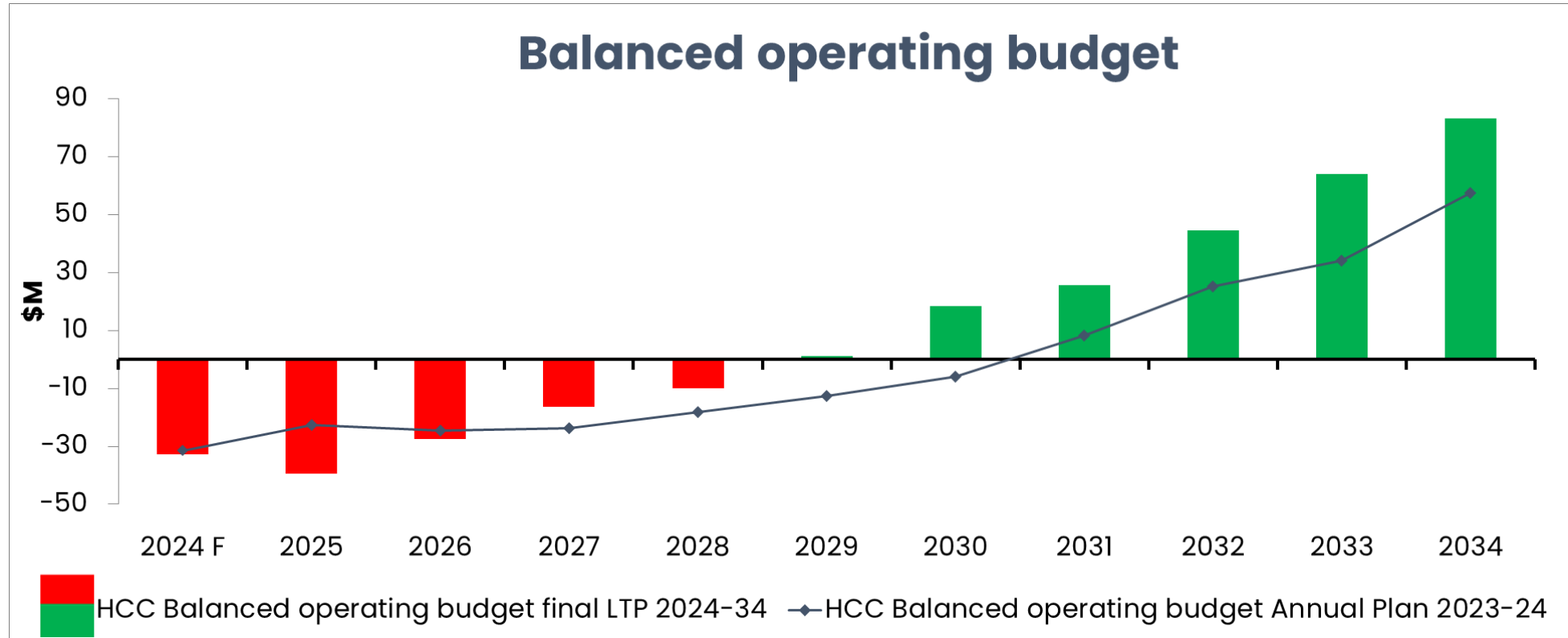
Forecast debt headroom



| | Limit | 16.9% rates (+ growth) |
|-------------------------------|-------|------------------------|
| Net debt to revenue | 250% | 224% |
| Net interest to rates revenue | 25% | 16.1% |
| Net interest to revenue | 15% | 10.9% |

Balanced operating budget projection

Projected operating deficit in 2024-25 \$40M



Council meets the legislative balanced budget requirement as defined in s100 of the Local Government Act 2002 over the 10 years of the plan (you can refer to our Financial Strategy for further details). The legislative calculation includes capital grants and subsidies which can only be applied to capital projects and cannot be used to fund everyday operational costs over the period. As Council is projecting to receive significant capital grants and subsidies over the period of the plan, the legislative calculation makes it appear that there is more income available to meet everyday operational costs than there actually is. Therefore, we have excluded capital improvement subsidies and capital grants from the graph to only show the projected operating balanced budget for everyday operational income and costs.

Indicative rating impact – 16.9% (after growth)

| Property Category | 1-Jul-23 Capital Value | 2023-24 Rates | 2024-25 Rates | \$ Change Amount annual | \$ Change Amount Weekly | Change Amount % |
|---|------------------------------|------------------|------------------|-------------------------------|-------------------------------|--------------------|
| Average Residential | \$815,000 | \$3,348 | \$3,910 | \$562 | \$10.81 | 16.8% |
| Average Commercial Central | \$2,350,000 | \$19,367 | \$22,994 | \$3,627 | \$69.76 | 18.7% |
| Average Commercial Suburban | \$2,418,000 | \$16,501 | \$19,425 | \$2,924 | \$56.23 | 17.7% |
| Average Rural (no water or wastewater) | \$1,247,000 | \$2,342 | \$2,694 | \$352 | \$6.77 | 15.0% |



Final decisions 4 June 2024

We are aware a few areas will be presenting further advice to support decisions for the final LTP 2024-34

- RiverLink
- Infrastructure Acceleration Fund works (wastewater and stormwater)
- Wellington Water Ltd – final water services advice
- Micromobility programme
- Any other further direction from elected members

