

LTP Subcommittee 10 February 2021 - Draft LTP 2021-2031



Sustainable financial management

Community Outcomes

Investment priorities

- Growth pressure
- Historical underinvestment
- Demand for improved services
- Maintaining assets and service levels

Acceptable costs

- Rates increases
- Fee levels
- Intergenerational equity
- Sustainable borrowings
- Balanced budget
- Value for money



Legislative requirement: Prudent financial management

Overview of the process

Dates	Activity
21 Sept 2020	Councillors Hui – LTP planning and strategic direction setting
24 Sept 2020	Agreed high level plans, key assumptions, strategic direction
27 Oct to 30 Nov	Progress policy decisions and key decisions to inform DLTP
2 Dec to 18 Jan	Early engagement survey seeking feedback on key priorities
21 Dec 2020	Council key decisions for DLTP
10 Feb 2021	Draft CD and DLTP – feedback & decisions by Council ahead of audit - Note role of LTP Working Group ahead of next meeting
22 March 2021	Council adopt CD and DLTP for public engagement
29 March to 3 May 2021	Public consultation
12 May 2021	Hearings of submissions and related advice
9 June 2021	Council meets to make final decisions
30 June 2021	Council adopts the LTP and sets the rates

Key decisions for 10 February 2021

Budgets

- Cycling and micromobility
- Naenae pool
- Petone wharf
- Point Howard wharf
- Petone Recreation Grandstand
- Council facilities transition from natural gas

Feedback draft Consultation Document

Any other direction to officers ahead of finalising CD and audit

Funding matters

- Rates revenue
- Queensgate value
- Financial Strategy



Over the last 12 months



- Drafted LTP amendment to progress major investment decisions, including Three Waters, Transport and Naenae Pool
- Annual Plan 2020/21 emergency Covid-19 budget, with \$3M savings
- Covid Response and Recovery Fund confirmed co-funding for Naenae Pool \$27M, Eastern Bays Shared Path \$15M
- Three Waters Reform funding confirmed \$12M
- LTP amendment to implement new rubbish and recycling services
- Base budget review process, with further savings of \$2.2M

Key priority areas, early engagement

Getting the basics right

E whakatika ana i ngā mea matua

- Investing in infrastructure
- Increasing housing supply
- Caring for and protecting our environment
- Supporting an innovative, agile economy and attractive city
- Connecting communities
- Being financially sustainable



Capital investment \$1.3B

Proposed doubling of investment compared to previous LTP

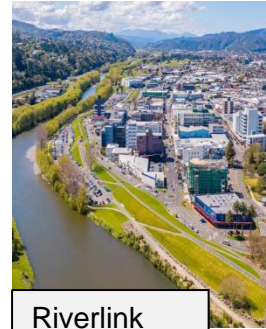
Three Waters \$578M, Transport \$355M, Solid Waste \$43M, City Development \$122M, Social & Cultural wellbeing \$199M



Three Waters



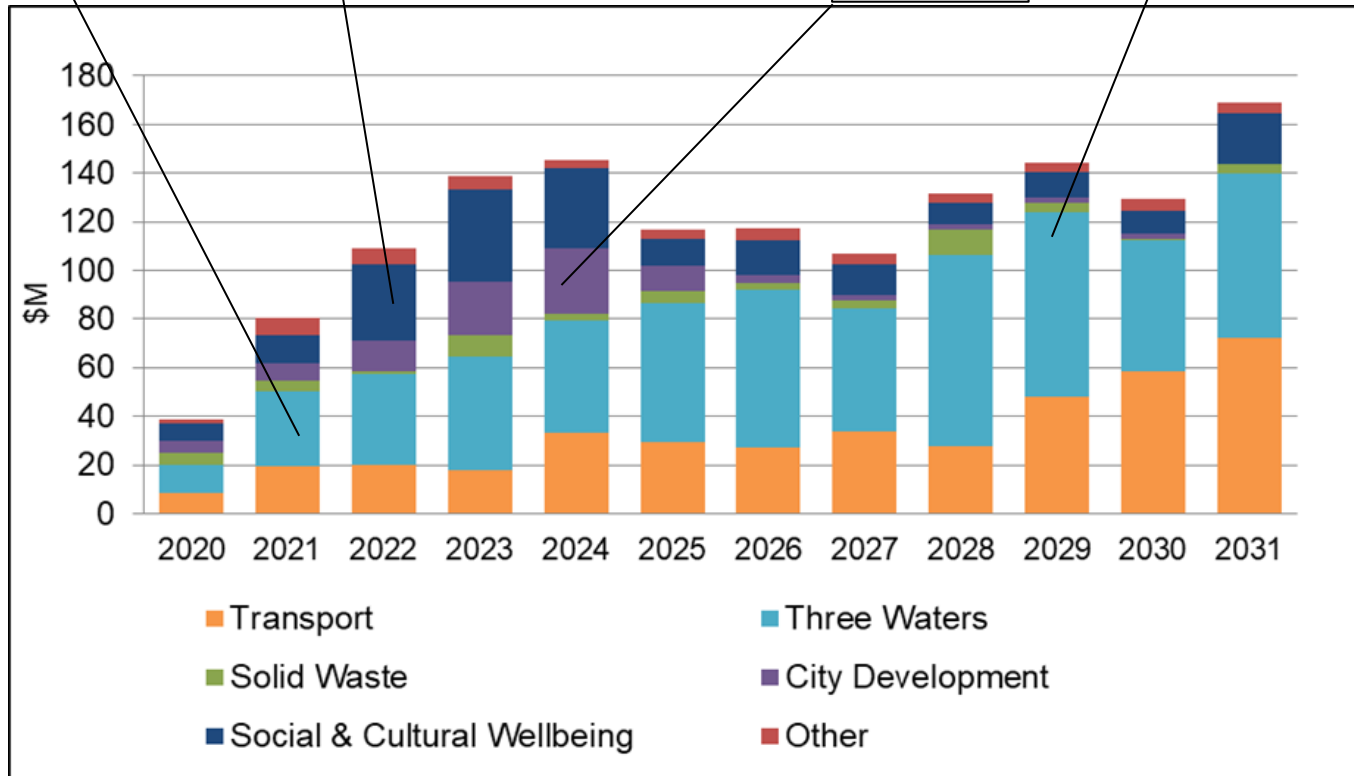
Naenae pool



Riverlink



Cross Valley Transport Connections Programme



Three Waters infrastructure investment

Ageing infrastructure, historic under investment and a growing city



Proposed investment of \$578M over 10 years

- Managing existing infrastructure, increase of \$331M asset renewals
- Sustainable Water Supply, increase of \$36M capex & \$11M opex
- Healthy urban waterways, increase of \$29M capex & \$9M opex
- Reducing carbon emissions, increase of \$53M capex & \$3M opex

Targeted rates 2021/22

Water supply **7%**

- Increase of \$32, \$489 to \$520

Wastewater **8%**

- Increase of \$40, \$519 to \$559

Wide range of decisions informing the draft plan

A selection of these decisions and the 10 year budget impact

- Homelessness Prevention \$5.6M
- Spatial planning \$1.63M
- Love Wainuiomata \$1M
- Business incubator funding/start up hub \$1M
- Wellington Regional Growth Framework \$0.6M
- Transport – road resurfacing \$16.3M, before NZTA subs
- Footpath renewals \$2M, before NZTA subs
- Decarb. pools & Dowse, capex \$2.4M
- Traffic safety \$5.4M
- District plan \$5.1M
- Petone 2040 \$2.5M
- City safety.....

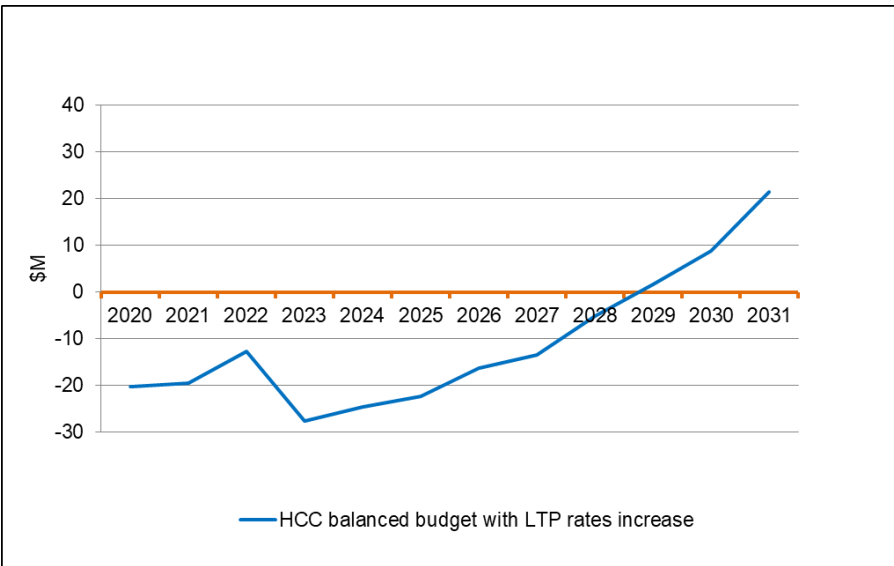


Financial projections includes assumed budget decisions 10 February

	2021/22	2022/23	2023/24	2024/25	2025/26	2026-2031
Total overall proposed rates revenue increase*	5.9%	4.9%	4.9%	6.8%	6.8%	6.8%

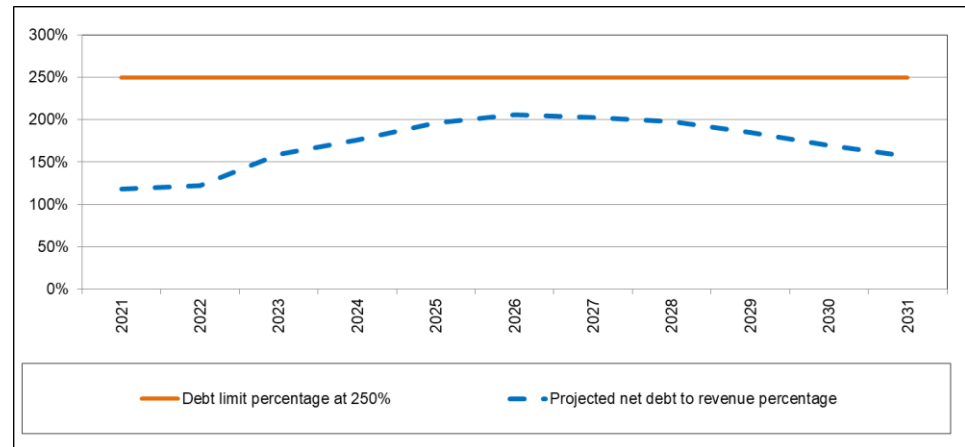
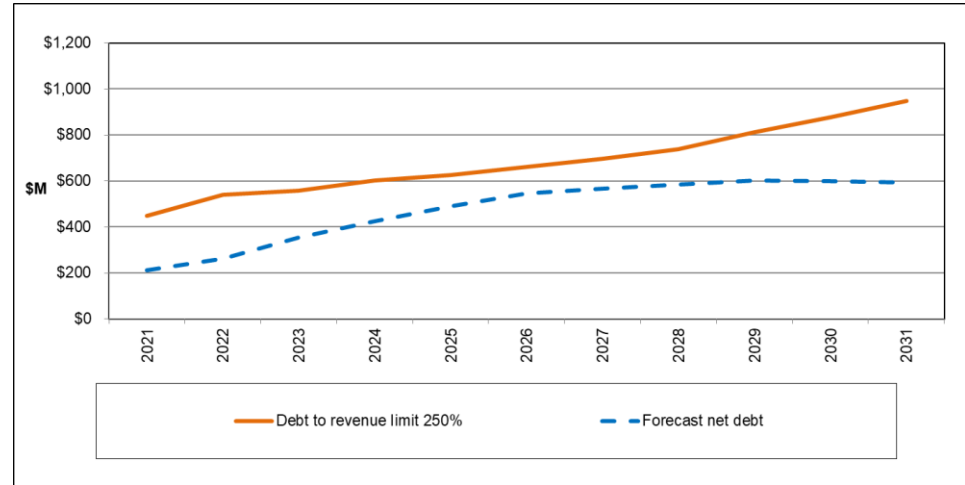
*Excludes revenue from growth in the rating base
 Excludes impact of service changes for waste services (rubbish and recycling)

Projected balanced budget delayed to 2028/29



Projected net debt , and debt to revenue ratio

Debt to revenue ratio peaks in 2025/26 206% Net debt peak \$602M in 2028/29



Key considerations in reviewing rates increase

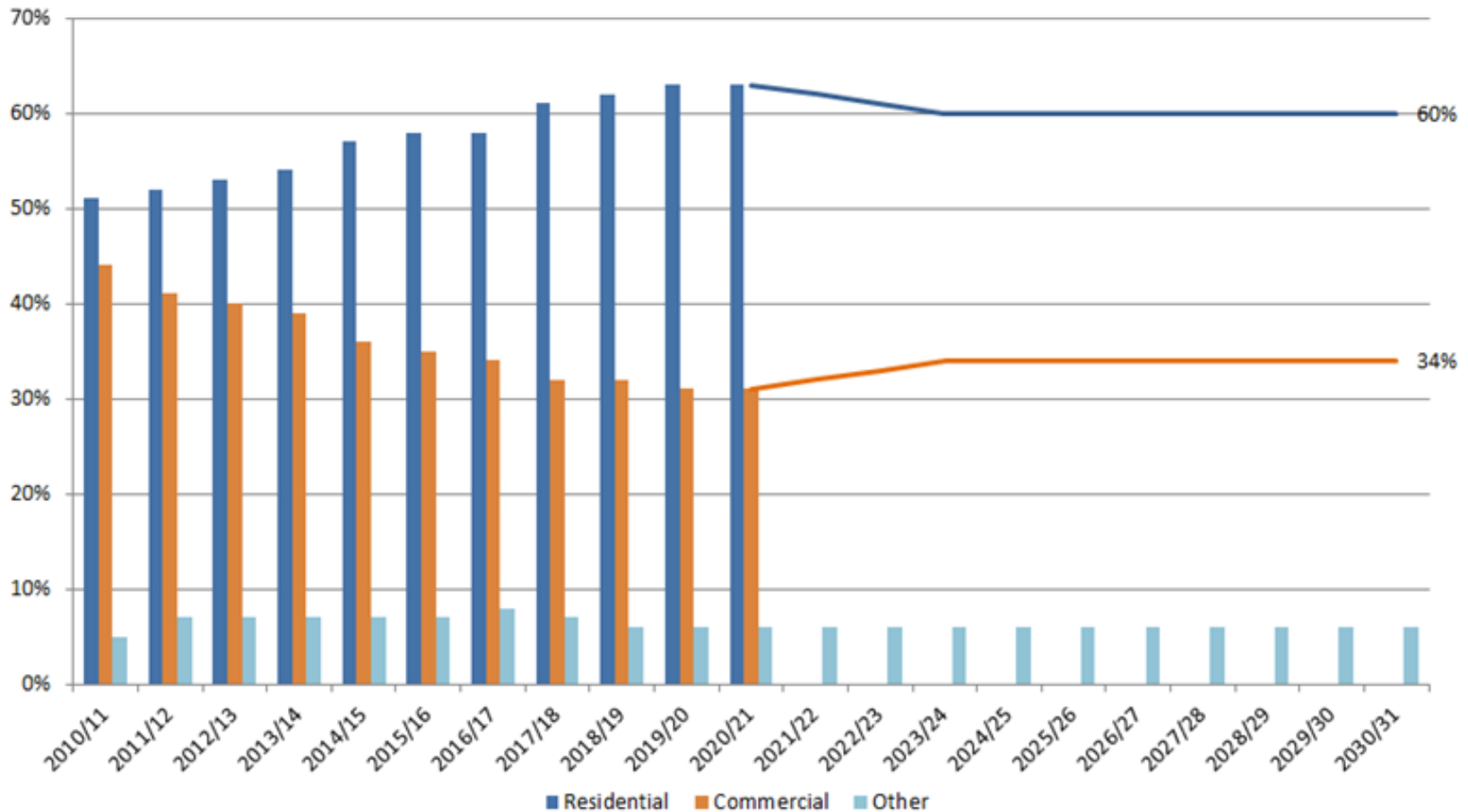
Overall rates revenue increase for 2021/22 (year 1) ¹	5.9%
Projected net debt peak	\$602M in 2028/29
Debt to revenue ratio peak	206% in 2025/26
Projected balanced budget ²	Achieved in 2028/29
Three Waters mid- investment option included in plan	Yes
Naenae pool rebuild and Eastern Bays shared path included in plan	Yes
No reduction in service levels (apart from minor)	Yes
Asset renewals funding to ensure service levels maintained (note risks)	Yes
Debt funds shortfall in revenue, reducing the impact on ratepayers	Yes
Likely to meet financial prudence test	Yes
Meets balanced budget requirement ³	No
Likely Standard and Poors AA credit rating retained	Yes
Recommended by officers	Yes in Covid context

Note 1 - excludes revenue from growth in the rating base and also excludes impact of service changes for waste services (rubbish & recycling).

Note 2 - Balanced budget definition as per graph 1.

Note 3 – As per legal definition S100 (1) but before considering S100 (2) requirements.

Proposed changes to rating policy



- Residential share reduces by 1% in 2021/22 (63% 2020/21 to 62%), then 1% per year to 60%
- Combine Queensgate into Commercial Central
- Combine Accommodation properties into Commercial Central or Commercial Suburban depending on location
- Rural definition aligned to District Plan

Impact on average residential ratepayer

Property value \$628,500

Increase of \$130 p.a.

\$2.50 per week

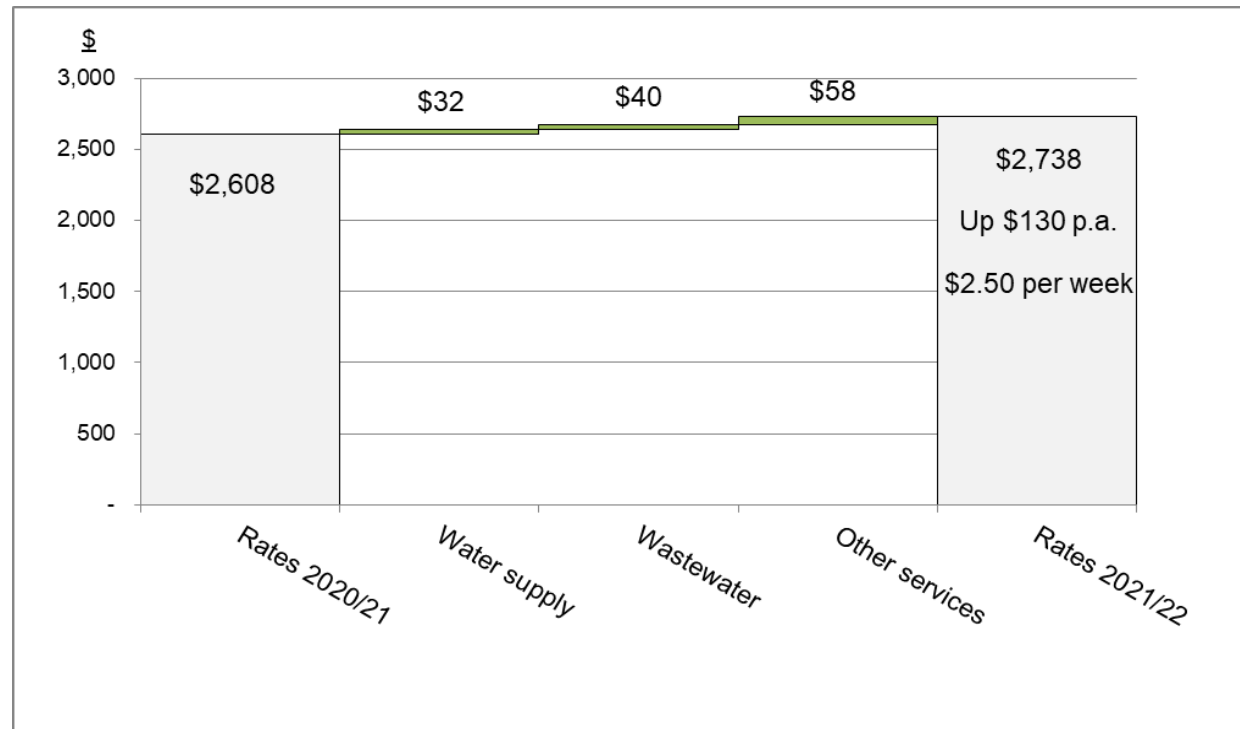
Note excludes GWRC rates, rubbish and recycling changes

Service changes \$209

- Rubbish \$144

- Recycling \$65 (increase from \$40)

Investment in Three Waters infrastructure makes up over half (\$72) of the average \$130 p.a.



Indicative impact for suburbs –5.9% rates increase

Per annum \$109 to \$161; Weekly \$2.10 to \$3.09 Lowest Haywards and Highest Woburn

Residential Suburbs Average CV	Capital Value November 2020	2020-2021 Rates	2021 - 2022 Rates	\$ Change Annual	\$ Change Weekly	2021 - 2022 Refuse & Recycling	2021 - 2022 Total Revised Rates
ALICETOWN	\$661,500	\$2,689	\$2,823	\$133	\$2.56	\$209	\$3,032
AVALON	\$605,500	\$2,550	\$2,678	\$128	\$2.46	\$209	\$2,887
BELMONT	\$711,000	\$2,812	\$2,950	\$138	\$2.65	\$209	\$3,159
BOULCOTT	\$736,500	\$2,876	\$3,016	\$140	\$2.70	\$209	\$3,225
EASTBOURNE	\$930,000	\$3,356	\$3,514	\$158	\$3.05	\$209	\$3,723
EPUNI	\$651,500	\$2,665	\$2,797	\$132	\$2.54	\$209	\$3,006
FAIRFIELD	\$617,000	\$2,579	\$2,708	\$129	\$2.48	\$209	\$2,917
HARBOUR VIEW	\$687,000	\$2,753	\$2,888	\$136	\$2.61	\$209	\$3,097
HAYWARDS	\$405,000	\$2,053	\$2,162	\$109	\$2.10	\$209	\$2,371
HUTT CENTRAL	\$858,500	\$3,178	\$3,330	\$152	\$2.92	\$209	\$3,539
KOROKORO	\$786,000	\$2,998	\$3,143	\$145	\$2.79	\$209	\$3,352
MAUNGARAKI	\$688,000	\$2,755	\$2,891	\$136	\$2.61	\$209	\$3,100
MELLING	\$539,000	\$2,385	\$2,507	\$122	\$2.34	\$209	\$2,716
MOERA	\$506,000	\$2,304	\$2,422	\$119	\$2.28	\$209	\$2,631
NAENAE	\$493,500	\$2,273	\$2,390	\$117	\$2.26	\$209	\$2,599
NORMANDALE	\$661,000	\$2,688	\$2,821	\$133	\$2.56	\$209	\$3,030
PETONE	\$754,000	\$2,919	\$3,061	\$142	\$2.73	\$209	\$3,270
STOKES VALLEY	\$486,000	\$2,254	\$2,371	\$117	\$2.24	\$209	\$2,580
TAITA	\$488,000	\$2,259	\$2,376	\$117	\$2.25	\$209	\$2,585
WAINUIOMATA	\$461,000	\$2,192	\$2,306	\$114	\$2.20	\$209	\$2,515
WAIWHETU	\$621,500	\$2,590	\$2,720	\$129	\$2.49	\$209	\$2,929
WATERLOO	\$696,000	\$2,775	\$2,912	\$136	\$2.62	\$209	\$3,121
WOBURN	\$953,000	\$3,413	\$3,573	\$161	\$3.09	\$209	\$3,782

Queensgate redevelopment



- September 2019, revaluation **\$240M**
- January 2021, Review of value to account for progress made in cinema and carpark rebuild **\$295M**
- Rating policy: Queensgate included in the same rating category as Central Commercial properties
- Indicative impact on rating differential – reduces from 3.175 to approx. 2.988

	Queensgate value \$240M		Queensgate value \$295M	
	Change per annum	Change per week	Change per annum	Change per week
Average commercial central CV \$1.74M	\$1,619	\$31.13	\$780	\$15.00
Queensgate	\$79,038	\$1,519.97	\$386,717	\$7,436.87

Key risks

- Capex do-ability, credible plans vs optimism bias
- Project cost estimates, awaiting QS/engineer assessments Riverlink & Petone wharf
- External audit delays
- Ensuring Consultation Document is fit for purpose and meets compliance requirements