

Notice of Meeting:

I hereby give notice that an extraordinary Meeting of the Council will be held on:

Date: Tuesday 7 March 2017
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Council

OPEN SUPPLEMENTARY AGENDA

Membership

Chairperson	Mayor A King
Deputy Chairperson	Deputy Mayor M Gallagher
Members	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr G Mallett
	Cr A O'Leary
	Cr R Pascoe
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr P Yeung

Quorum: A majority of members (including vacancies)

Meeting Frequency: Monthly – or as required

Lee-Ann Jordan
Governance Manager

2 March 2017

Telephone: 07 838 6439
Lee-Ann.Jordan@hcc.govt.nz
www.hamilton.govt.nz

ITEM TABLE OF CONTENTS

PAGE

8 Chair's Report

3



Chair's Report

1. Purpose of the Report

2. To inform Elected Members about my preferences, as Mayor, for addressing our financial challenges.

3. Executive Summary

4. It is part of my role, as Mayor, to lead the development of the 10-Year Plan and Annual Plan.
5. Staff have prepared the 2017/18 Annual Plan Report based, as per my request, on the strategic direction of Council's existing Financial Strategy parameters and the 10-Year Plan.
6. The budget prepared by staff demonstrates a business as usual budget and is within the financial strategy limits.
7. This budget as recommended by staff is a break-even budget. It departs from the \$2m balanced budget surplus projected in the 10-Year Plan largely as a result of decisions made by Council in 2015/16 and 2016/17
8. The Chief Executive and I have had on-going discussions about Council's financial position. He will present at the meeting a presentation that builds on the consequences of the deficits you can see in the financial Strategy attachment to the staff report.
9. Continuing as we are, Council finances are not sustainable. In order to ensure Council's on-going financial resilience we must act now.
10. I am proposing a number of changes that achieve the following outcomes:
 - New rates to fund amenities.
 - New rates and changes to development contributions to help fund growth.
 - No cuts to existing services.
11. It is my intention that the Chief Executive reports to Council on these matters in April.

12. Recommendation

That Council requests the Chief Executive to present a report to Council on 6 April 2017 on the matters raised in this report.

13. Mayor's Observations

14. The Chief Executive has outlined previously our financial challenges. It is clear that, based on the current and projected increases to services and the future growth requirements for the city, more revenue is required.

15. As I see it we have two main options:
 - Increase general rates to all existing ratepayers, or
 - Introduce new targeted rates that focus on funding amenities and new targeted rates and development contributions that focus on ensuring the drivers of development growth pay more of the cost of growth.
16. It is my preference to use targeted rates. I believe this is the most transparent way of ensuring that Council and the public understand the implications of decisions. I also think this is the fairest way to pay for things which are 'over and above' core Council services.
17. My observations are based on information I have received as mayor and discussed with staff. Staff however have had limited opportunity to consider their response to these observations. As such, although I believe we must act immediately, we must also give staff the opportunity to provide advice. My recommendation that the Chief Executive present a report in April reflects this.
18. The key items I would like to see considered in that report are outlined below.

19. Changes in the Transitional Rates 'Rural Residential' Differential

20. In the rates review in 2015 the 'rural residential' differential was removed from the General Rate (Capital Value), however it remained in the Transitional (land value) Rate. This leads to a considerable inequity in the total rates paid between a rural residential and residential property.
21. I propose to fix this by increasing the 'rural residential' differential value to the same value as the residential rate.
22. This will collect a small amount of additional revenue to be applied to 'balancing the books'.

23. Changes to Rural Rating in the General Rate and Transitional Rate

24. Rural rates are a small fraction of the total rates paid. The differential does not recognise that many of these properties are earmarked for development.
25. The rural rates are only 47% of the General Residential Rate. 'Rural Large' rates are 18% of the Transitional Residential Rate and 'Rural Small' rates are 39% of the Transitional Residential Rate.
26. I propose that these ratepayers are not paying an equitable share of the rates and that these differentials be lifted to 75% of the Residential Rate for both the General and Transitional Rates.
27. This will collect a small amount of additional revenue to be applied to 'balancing the books'.

28. Continuation of the Gardens Targeted Rate Policy

29. The policy at present means that 2017/18 is the last year of the \$10 Gardens Targeted Rate.
30. The development of the Gardens is incomplete and there are plans to continue the development further. The Gardens Targeted Rate allowed Council to access considerable external funding.
31. I propose that the Gardens Targeted Rate be continued until the Gardens developments are complete.
32. This rate will generate new income above the current 3.8% general increase with the funds set aside for gardens development.

33. New Rubbish and Recycling Targeted Rate to Fund Wheelie Bin purchase

34. The Chief Executive's Imperatives (Attachment 4 in the staff report) include a proposal to defer the purchase of Wheelie Bins (\$2.9m for recycling) to 2018/19. This is an operating cost which is contributing to the forecast 2018/19 deficit.
35. Wheelie Bins for both recycling and refuse are being considered as part of a new level of amenity that comes at a cost (\$7.4m). For the purposes of greater transparency about this cost, I propose that if the Wheelie Bins are approved by Council, the bin purchase be funded from a targeted rate over four years as proposed by staff in the 20 September 2016 Business case report to the Finance Committee.
36. This rate will generate new income above the current 3.8% general increase to fund the additional cost of the bins

37. New Targeted Rates to Fund Amenities

38. Government legislation restricts the use of development contributions for funding amenities so developing these have been a problem in our new suburbs. Our growth projects indicate more new suburbs will be developed, putting increasing pressure on already stretched resources.
39. I propose that we develop a targeted rate on new greenfields rating units created from 1 July 2017. This rate could be in the region of \$1,000 per property for a period of 10 years and the money would be spent on amenities in that area. Targeted rates provide an open and transparent connection between rates and amenity services. They do not penalise existing ratepayers.
40. Additionally, Council is likely to need to fund a \$30m share of the Waikato Regional Theatre.
41. I propose that Council funds this from a targeted rate charged across the city on capital value.
42. Both the rates will generate new income above the current 3.8% general increase with the funds set aside for amenity development.

43. New Targeted Rates to Encourage Development

44. The Government is working with Councils to ensure an adequate supply of land for residential development. Their National Policy Statement on Urban Growth requires capacity to exceed 20% of demand. Council does not have full control over capacity. While Council has the strategic infrastructure in place, we cannot develop private land. We can however create incentives for land owners to develop their land.
45. I propose that Council introduce a targeted rate that charges double rates to 'developer ready' land that is not being developed.
46. In some cases, Council has built infrastructure to allow development but is unable to collect development contributions as new sections have not yet been created. This rate would help fund the cost of that infrastructure.
47. The 'exacerbator pays' principles for Council funding should allow this charge to occur to fund a share of the water, waste water and roading infrastructure costs.
48. This rate will generate new income above the current 3.8% general increase and contribute to paying for growth infrastructure.

49. Increases in Developments Contributions

- 50. Development is not paying enough of the cost of building infrastructure.
- 51. The Minister of Building has advised that the Government has provided tools with the development contributions legislation allowing Council to build in the cost of risk for building infrastructure and the time it takes for users to be connected.
- 52. My understanding is that Council's Development Contributions Policy takes a relatively conservative approach to assessing the infrastructure costs that must be funded from development contributions revenue.
- 53. I propose the staff investigate options for being more assertive in the collection of development contributions targeting an increase of 25% on current charges (noting that this is an indicative number only).
- 54. This will generate new income that will reduce debt, and thereby cost, to existing ratepayers.

55. Remove the CBD remission from the Development Contributions Policy

- 56. Council introduced this policy as a method of encouraging CBD revitalisation. The policy appears to be having little impact and creates another process that slows things down.
- 57. Developers building apartment housing in the CBD are most likely to be receiving this remission. These developers are already benefiting from being able to build at a much higher density than elsewhere and this is a sufficient benefit without a discount on development contributions.
- 58. I propose that Council amend the Development Contributions Policy by removing this remission.

59. New Charges at Hamilton Gardens

- 60. Staff have often advised how popular the Hamilton Gardens Themed Gardens are. Over one million visitors visit the gardens each year with 325,000 going through the themed gardens. Often when I visit the gardens, members of the Friends of the Gardens request that I implement entry charges for the themed gardens.
- 61. Staff have been investigating revenue options and have advised there are some challenges in implementing these, both operationally and in relation to reserve status.
- 62. I would like to propose that a \$25 entry charge is introduced to non-residents over 18. Under 18's and Hamilton residents would get free entry.
- 63. I propose the time is right to introduce entry fees in 2018 to be used on maintaining and developing the themed gardens.

64. CBD Parking Revenue

- 65. Item 8 in this staff report identifies that Council is about to roll out new parking technology by 30 June 2017. The Parking Taskforce is due to report to the Growth and Infrastructure Committee on 28 March 2017
- 66. Paying for on-street parking has been a bone of contention when comparing the CBD with The Base. Additional Warrant of Fitness (WOF) and Registration enforcement, while generating revenue, discourages parking in the CBD.

67. I propose that we remove parking meter charging and WOF and Registration enforcement from the CBD. We could fund the loss of revenue from a new targeted rate charged on the capital value of CBD Properties.
68. The new parking technology would still be required to manage parking times and parking staff would continue to enforce time limits and other parking offences.

69. Financial reporting

70. Currently, Council reports two 'balancing the books' measures – one which is legislatively required and one which we use to report on our financial strategy.
71. I think having two different measures causes confusion. I would like the Chief Executive to include in his April report to Council an explanation of these measures and a recommendation on how we report this from 2017/18 onwards.

72. Summary of items to be considered

73. The summary of items I would like considered in the Chief Executive's report in April is:

74. Rates

- Equalising the rural differential with the residential for the General Rate
- Increasing the rural and rural residential rate for the Transitional Rate
- Amending the policy on the Gardens Targeted Rate
- Introducing a new Rubbish and Recycling Rate
- Introducing a new Targeted Rate for greenfields developments to fund amenity services near those developments
- Introducing a new Targeted Rate to fund the borrowing required for the Waikato Regional Theatre
- What the overall rates increase percent for 2017/18 and 2018/19 must be to have a balancing the books surplus (statutory measure) without the above new rates.

75. Development contributions:

- Raising additional development contributions revenue (targeting a 25% increase)
- The risks associated with these changes
- Removing the CBD remission from the development contributions policy

76. Other:

- The feasibility of implementing charges at the Hamilton Themed Gardens from 1 January 2018 for reinvestment in the gardens.
- Stopping Parking meter charging and WOF and Registration Enforcement.
- Funding lost revenue from parking from a targeted rate from the CBD
- How we should measure 'balancing the books'

77. Risks

78. Although the Chief Executive and I have talked through the items in this report, staff have not yet had time to consider them fully. From my conversations with Management staff this week, I understand that it will be necessary for them to refocus some resources to prepare a report for the April Council meeting. We have not discussed in detail the implications or cost of this.

Item 8

79. The numbers I have used in this report are indicative only (eg targeting a 25% increase in development contributions). They are a stake in the ground to make my intentions clear but they aren't to be interpreted as 'directives' to staff.
80. The ideas I have put forward in this paper are just that at this stage, but I think it is important to get these on the table for discussion now. However, it is my intention that we fully engage the community and affected stakeholders before making any major decisions in relation to the matters raised here. I expect the Chief Executive's report in April will include options and recommendations for how and when we engage with the community and stakeholders.

81. Attachments

82. There are no attachments for this report.

Mayor Andrew King