

Elected Member Briefing (LTP) – 13 November 2017
Commencing at 9.30am in Committee Room One

Topic	HCC Contact / Presenter(s)	Time Req'd (mins)
10 Year Plan Review & Options	Richard Briggs/David Bryant	210
LUNCH		60
Elected Member Webinar	Brendan Stringer	60
Rototuna Town Centre	Helen Paki	60
Meeting ends		

- Please note that morning and afternoon tea breaks will be taken as presentations allow

Elected Member Briefing

10-Year Plan Review & Options

13 November 2017



Agenda

- A word from our Mayor
- Outline of today's briefing
- Budget context
- Budget development
- Strategic revenue options
- Chief Executive stretch response
- Rating options

Introducing the budget



Mayoral-led budget

The Local Government Act specifies that it is a duty of the Mayor to lead the budget process.

In leading the budget the Mayor focused on the most cost-effective solutions to maintain most existing services, maximise revenue and build a better city.

Mayoral-led budget development

(from March 2017 and ongoing)

- Many elected member briefings, sounding boards and Chair's meetings.
- Many taskforce meetings (Revenue, Access Hamilton, Refuse etc.).
- Many discussions with individual elected members.
- Many meetings with staff.
- Many options considered.
- Many iterations.
 - Some things worked and some didn't.

Many inputs and many options required choices and compromise.

The draft budget

- The draft budget is the starting point for the 10-Year Plan debate.
- The Mayor wishes to work with his colleagues to deliver the best budget for the city.
- It's the Mayor's desire to address all the matters discussed in briefings and taskforce meetings over the past six months.

The major issues for this 10-Year Plan

- **Responding to unprecedented growth**
 - we can't control growth, we can only control how we respond to it.
- **How much and what to invest in a liveable city**
 - on the back of limited investment after six years of austerity budgets.
- **Paying for everyday costs**
 - we must not keep borrowing.

Features of the draft budget

<ul style="list-style-type: none">• Our biggest-ever capital programme.<ul style="list-style-type: none">• Peacocke optimised - a moderate approach to growth. (\$860m)• Our biggest improved transportation budget ever. (\$220m)• Our significant increase in community infrastructure and city development. (\$80m)• Sustainable renewals. (\$495m)	\$1.7b
<ul style="list-style-type: none">• Sustainable service delivery (additional on the base – Year 1).	\$21m
<ul style="list-style-type: none">• Debt does not fund everyday costs.	
<ul style="list-style-type: none">• Growth pays for growth – 100% CV (creates more debt capacity).	\$41m
Rates to fund everyday costs.	16.5%



Today's
Briefing

A full picture of the budget

- Today we will revisit the financial context to our budget challenges.
- Provide a high level review of our work to date.
- Provide a high level overview the budget.
- We will look at our funding options.
- We will explain why the proposed solution lies more with revenue and debt than with cutting costs.

Key points

- A reminder of the budget challenges.
- An overview of the budget response.
- Things to ponder on before the debate.



A man in a dark suit is standing in a bright, modern room with white walls and a wooden floor. He is facing a large whiteboard and writing the words "Budget context" in black marker. The room has a clean, minimalist aesthetic with recessed ceiling lights. The image is framed by a blue border at the top and a green border on the left side.

Budget
context

10-Year Plan - challenges

- NIDEA forecast growth is higher again than the previous three year's actuals.
- NZ has its highest-ever net migration levels.
- Housing demand is strong.
- Community and Government demand strong response to increasing supply of houses.

10 Year Plan - local direction

- We must respond to growth demand.
- We can't keep borrowing for everyday costs.
- We must invest in maintaining our existing assets and service levels.
- We must start investing to create a more liveable city for families.

Financial Strategy and Revenue Taskforce

- Considered the context.
- Developed the *guiding financial principles*.
- Understood the necessity of increasing revenue.
- Explored options for increasing revenue.
- Developed Financial Strategy metrics (the methods by which we measure financial management success).

Guiding financial principles

Growth

1. Growth cells will be completed to an approved level of service.
2. Growth will pay for growth.

Levels of Service

3. Asset sale proceeds will be used to pay down debt.
4. Council will fund maintenance and renewals as per approved Asset Management Plans.
5. Council should explore external funding options for new discretionary projects whenever possible.

Financial Strategy

6. The everyday costs of running the city will be met from everyday revenues.
7. The main source of our everyday revenue will be general rates.
8. Targeted rates could be used to fund the Council portion of new projects where the costs of these activities can be easily identified.
9. When a private benefit can be identified and it is efficient to collect the revenue, user charges will be considered.
10. Rates certainty will be a key consideration.
11. Affordability of rates will be considered.
12. Council will adopt a prudent Financial Strategy which supports its current credit rating.

A new Government

A new Government creates opportunities for fresh thinking and new ideas.

- Collaboration and support.
- Regional fuel tax?
- Infrastructure bonds?
- Special Purpose Vehicles?
- ???

A new Government

BUT as of today

Nothing has changed that affects our 10-Year Plan.

- We must have a budget.
- All budgets are based on assumptions.
- Should an assumption change we will consider the impacts. There is no basis to consider an assumption has changed.



Financial
Context

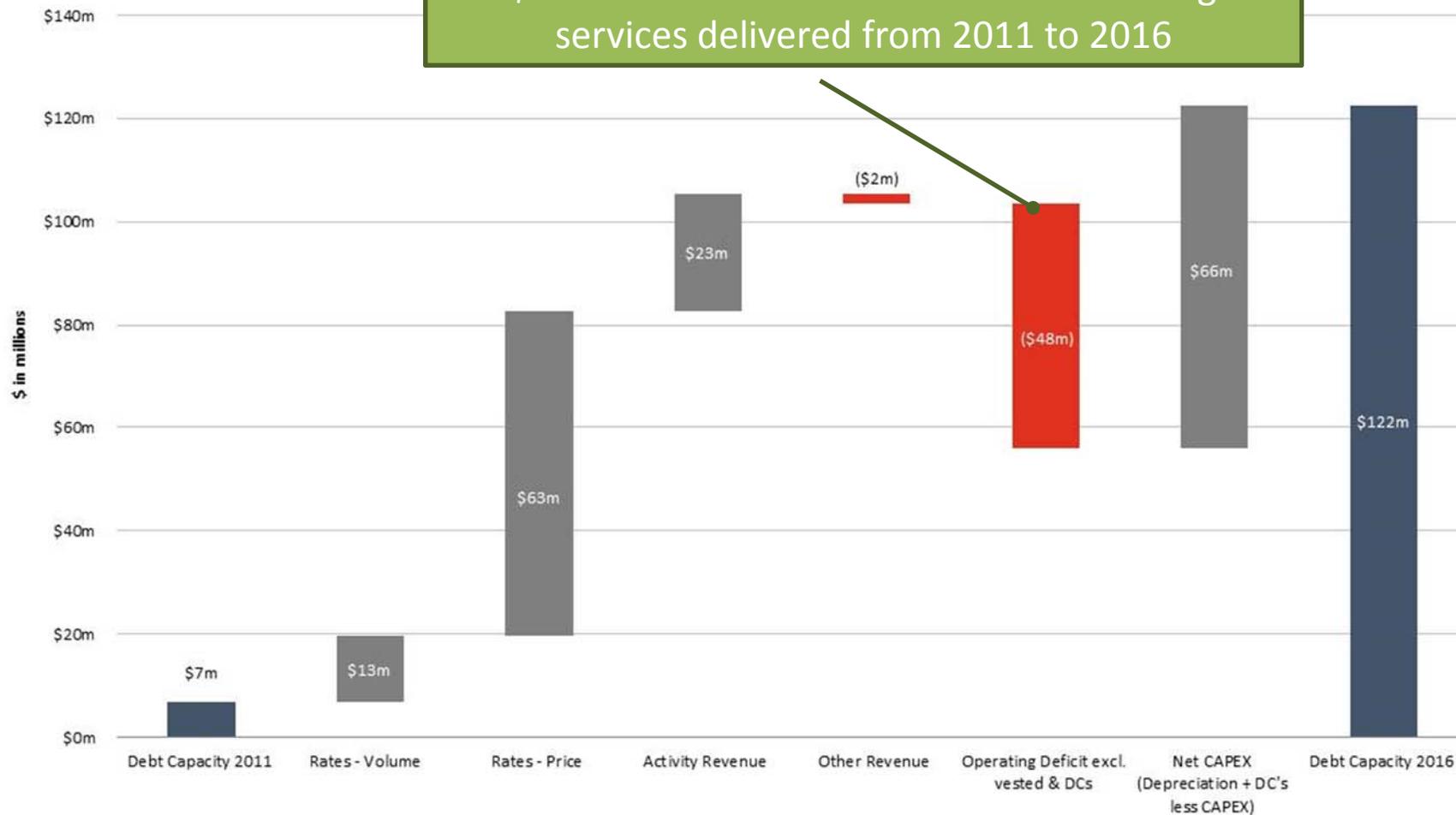
It all about the debt capacity

- Debt capacity is important for how we fund all sorts of infrastructure (including infrastructure for growth).
- **Debt capacity used now is gone forever** and is a constraint on future Councils and the community.
- Debt is intergenerational.
- Good prudent financial management means we fund operational costs from operational revenues, **not** debt - to do otherwise would use debt capacity. It is like borrowing to pay the power bill.

But we have more debt capacity?

It's not prudent to borrow for everyday costs. \$2M of our interest cost in 2018 is funding services delivered from 2011 to 2016

Debt Capacity - 2011 to 2016 Actual



March 2017 – The start of the 10-year plan conversation

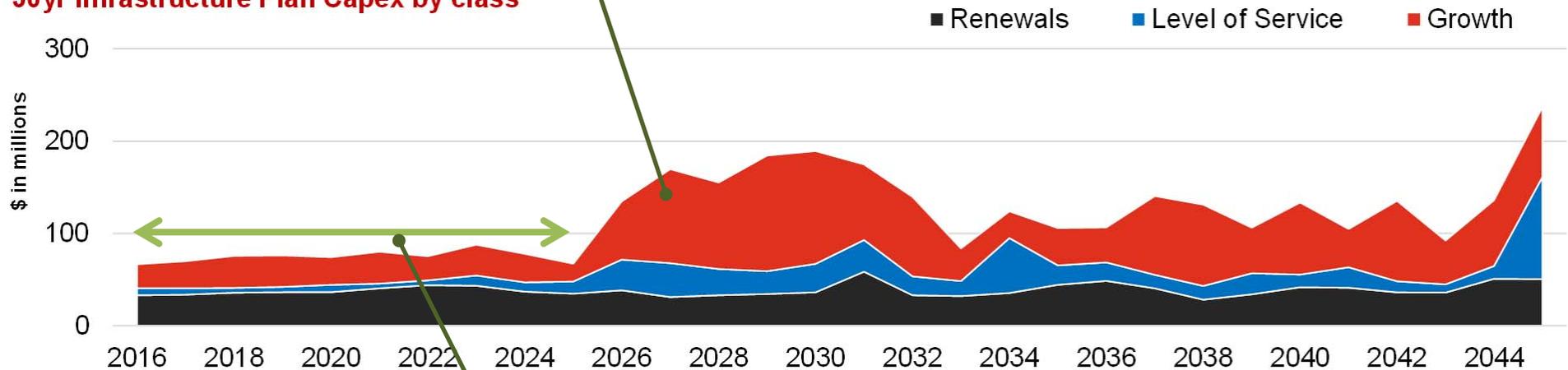
- The minutes record that the Chief Executive said:
“Key messages were that Council’s current budget was well-managed but very tight; there was a bow-wave of expenditure coming, it was important for Council to live within its means, and to create surpluses to allow us to respond to increasing growth and amenity demands....”
- The Mayor proposed a 12% rates increase.
- The Chief Executive advised that PwC will review Council’s Financial Strategy.

June 2017 – PWC Report

Year 11 Capex bubble
should be year 8
of 2018 10-Year Plan
BUT...

Growth has been stronger
and faster than our planning
has anticipated

30yr Infrastructure Plan Capex by class



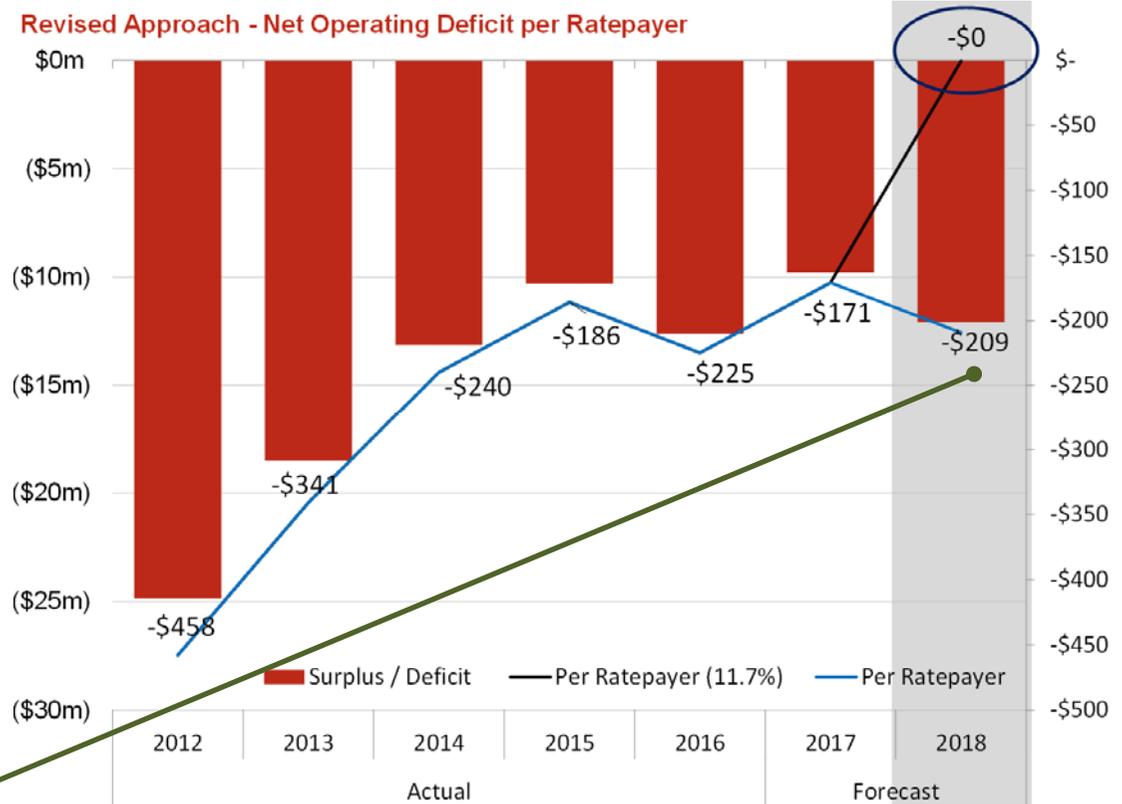
Budgets restrained by financial
strategy created the bubble.

June 2017 - PWC Report

Based on 2017/18 Draft Annual Plan

- In 2018 we had planned to borrow \$12m to fund everyday costs, the equivalent of \$209 per ratepayer per year.
- **Rates are too low.**

Additions to the annual plan budget increased the deficit from \$12m to \$13.9m or \$242/ratepayer per annum.



Average residential rates are low in comparison

This slide was updated on 5 December 2017 to correct a miscalculation of Waipa District Council rates

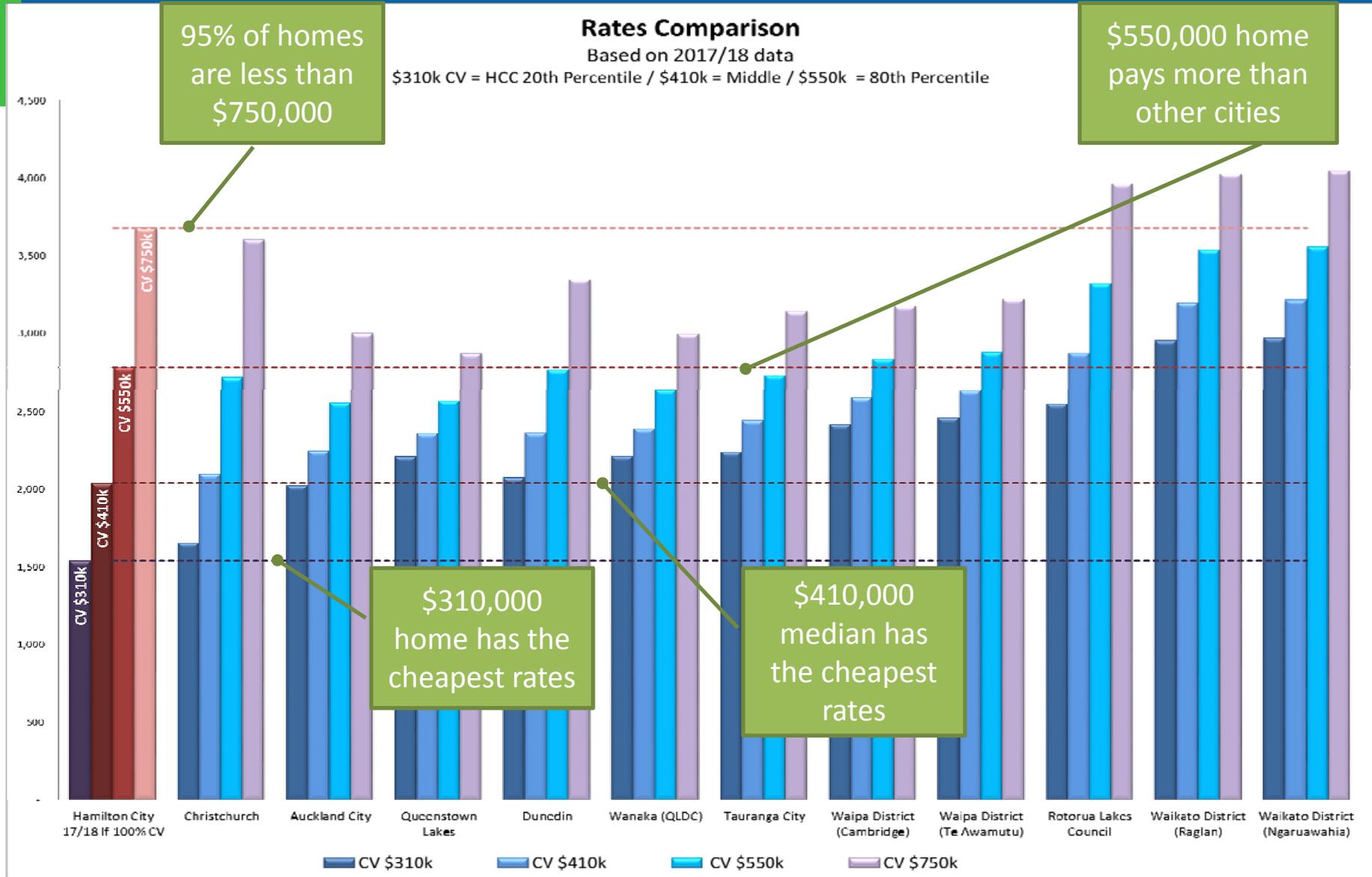
17/18 Residential rates based on average rateable CV for individual city/district



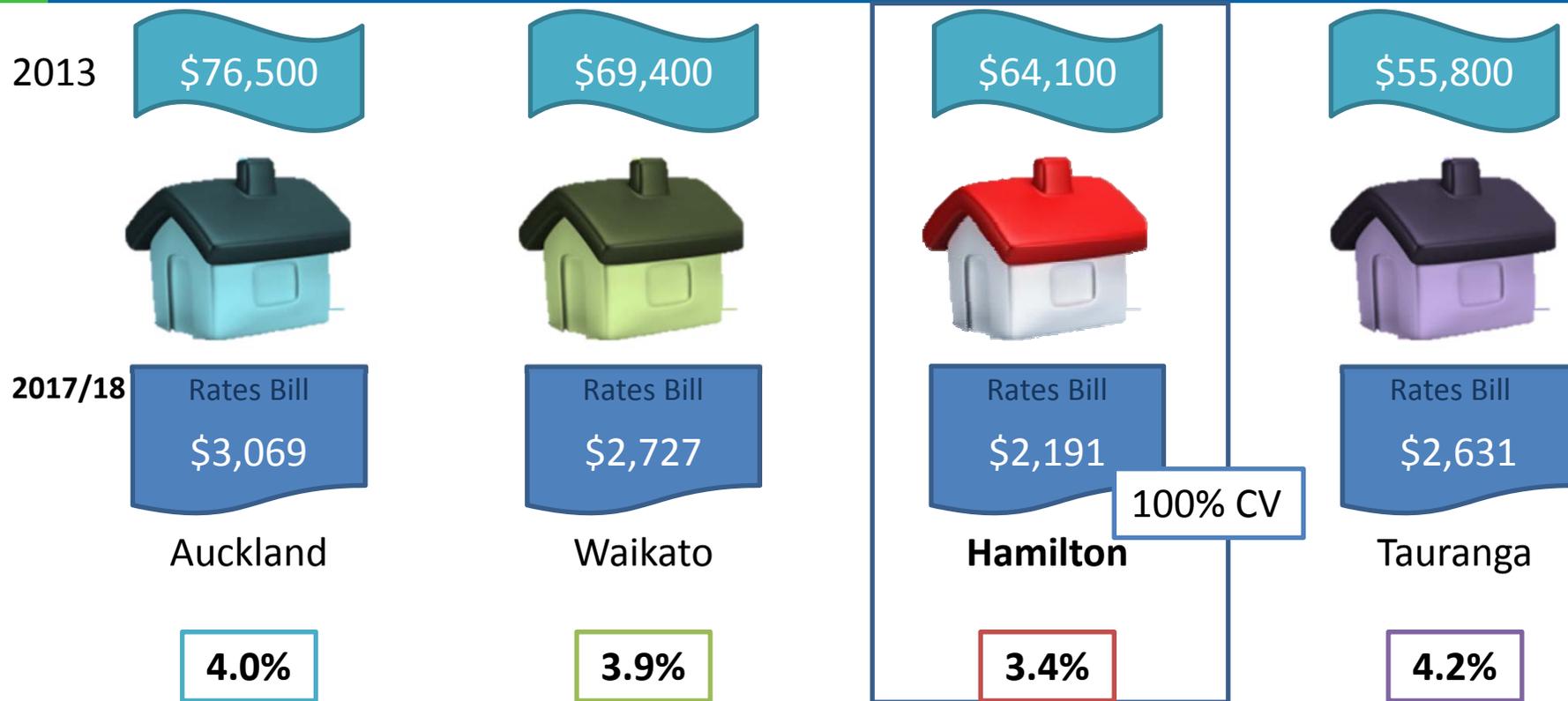
Changes to residential rates

– at 100% CV (2017/18 budget)

This slide was updated on 5 December 2017 to correct a miscalculation of Waipa District Council rates



Residential rates affordability - 100% CV (2017/18 budget) median household income



———— Average residential rates to median household income ————

Rates affordability

Supporting ratepayers on low incomes

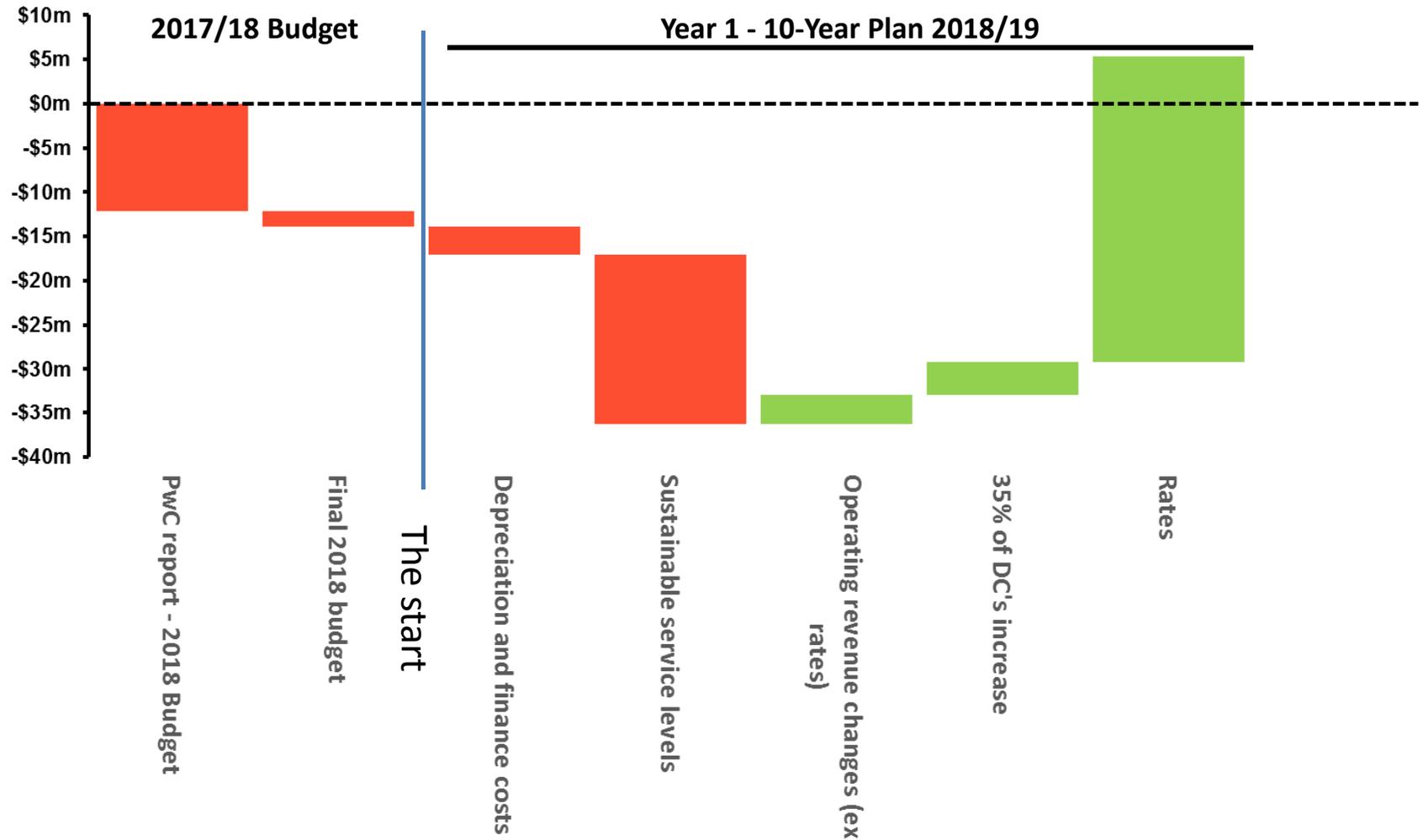


- Govt. Rates Rebate Scheme
Full rebate of \$620 on income up to \$24,790 and partial rebate above that.
- Hamilton City Council's Hardship Remission scheme
Threshold about \$24,012 maximum remission \$482.
- A person under both thresholds will get a \$1,102 reduction in rates.
(approximately 50% of average residential rate)

A man in a dark suit is standing in a bright, modern room with white walls and a light wood floor. He is facing a large whiteboard and writing the words "Budget Development" in black marker. The text is written in a casual, handwritten style. The room has a clean, minimalist aesthetic with recessed ceiling lights.

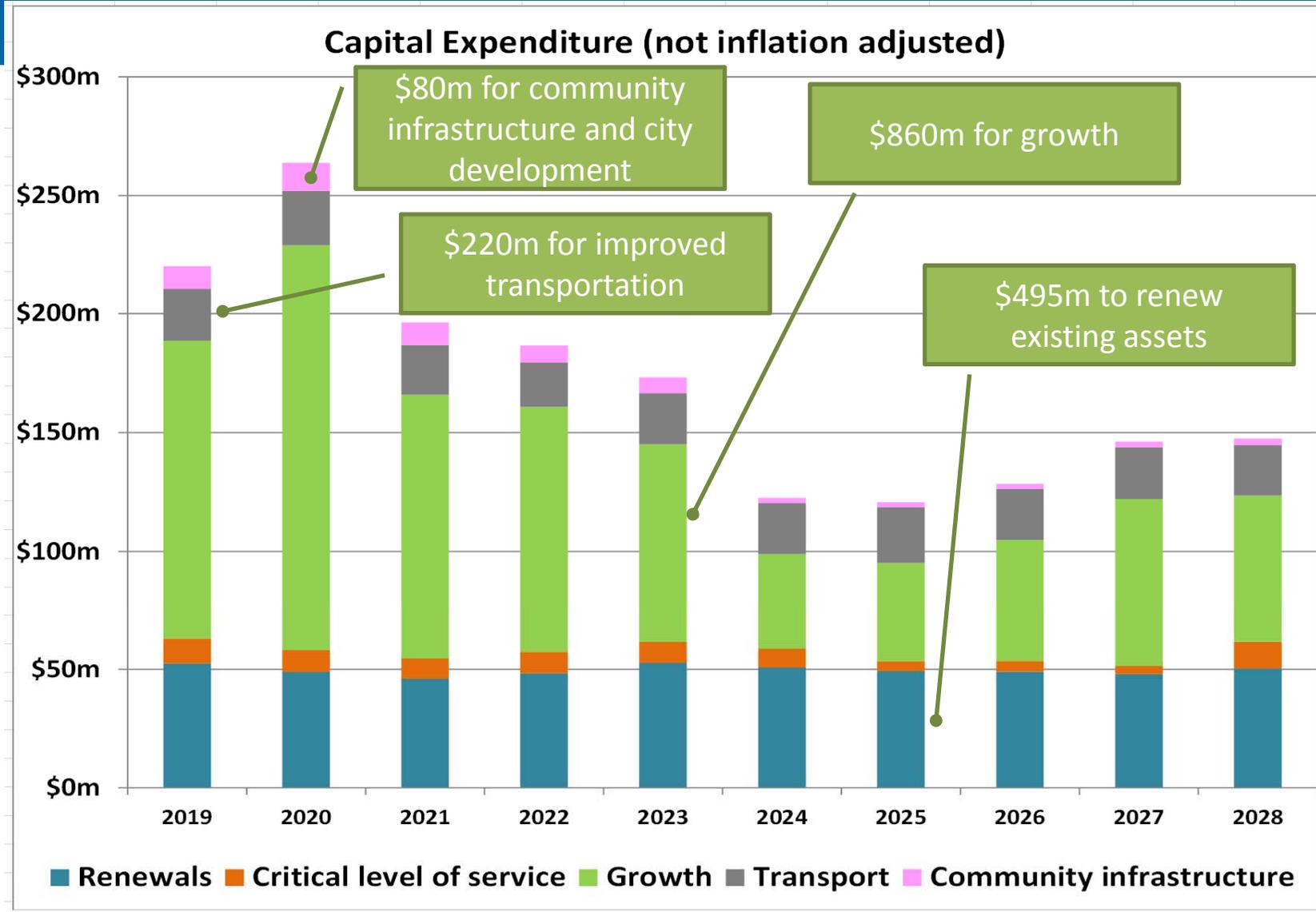
Budget
Development

The draft budget - start to now

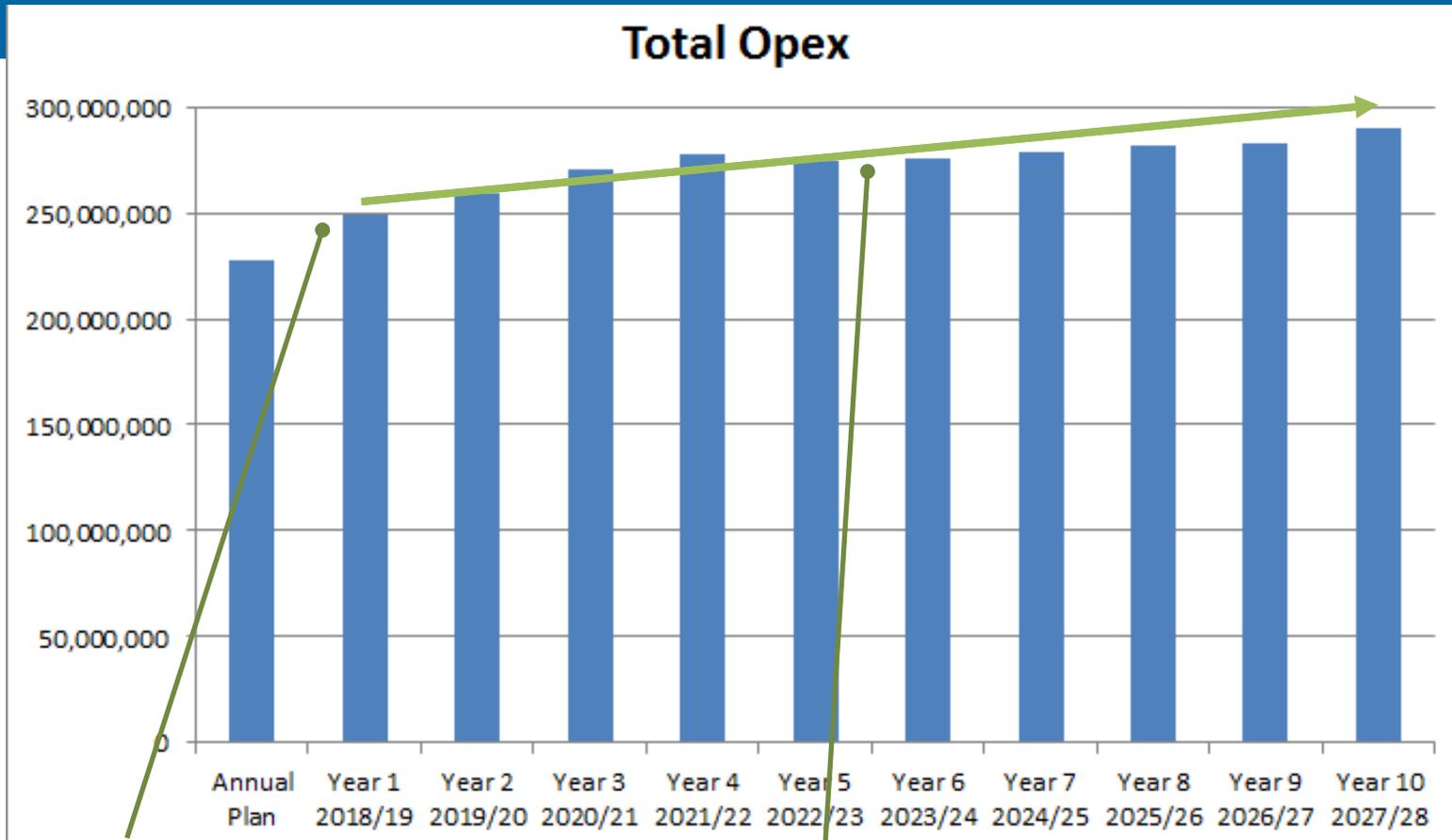


Biggest program ever

The Capex budget



The Operating budget (uninflated)



\$21m more to fund sustainable service levels.

\$48m consequential Opex.
(including interest and depreciation)

A man in a dark suit is standing in a bright, modern room, writing on a large whiteboard. The whiteboard is mounted on a white wall and contains the text 'Strategic Revenue Options' written in a casual, handwritten style. The man is positioned to the right of the whiteboard, facing it. The room has a light-colored wooden floor and a white ceiling with recessed lighting. The overall scene is clean and professional.

Strategic
Revenue Options

Revenue options

- Three scenarios developed:
 - Scenarios 1 - status quo approach
 - Scenarios 2 - cease debt funding everyday costs now
 - Scenarios 3 - cease debt funding over three years

All scenarios have the same base assumptions
(next slide)

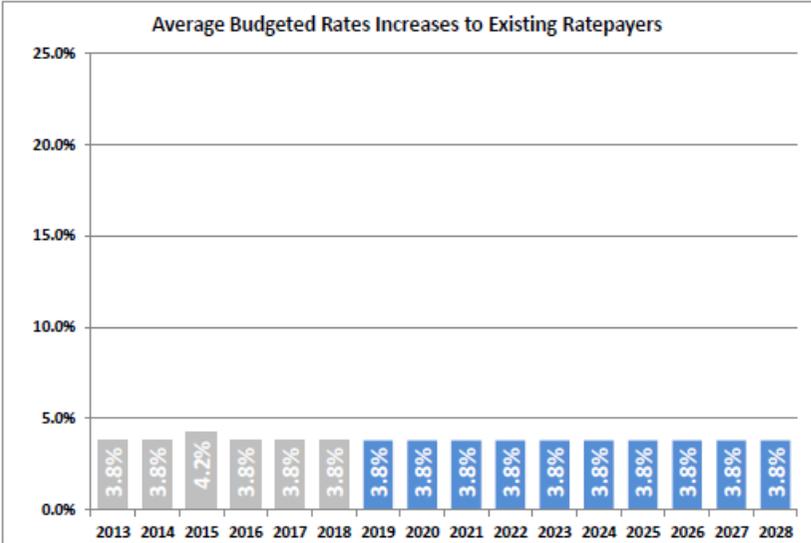
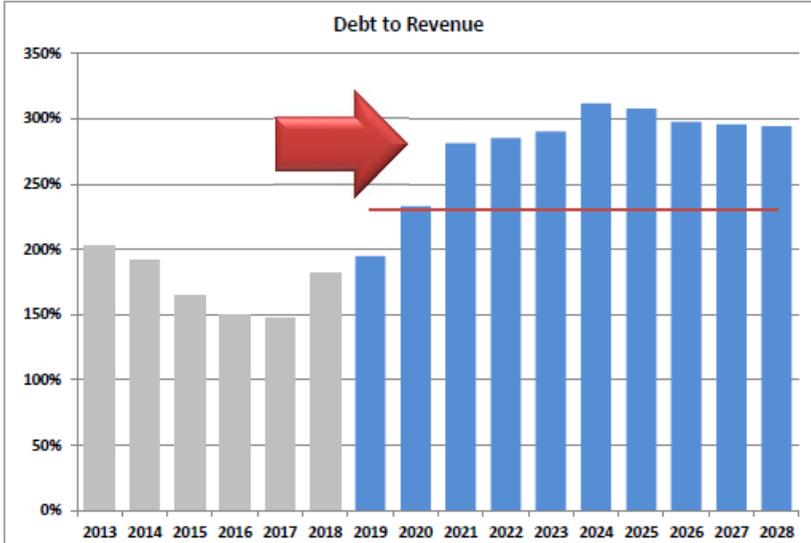
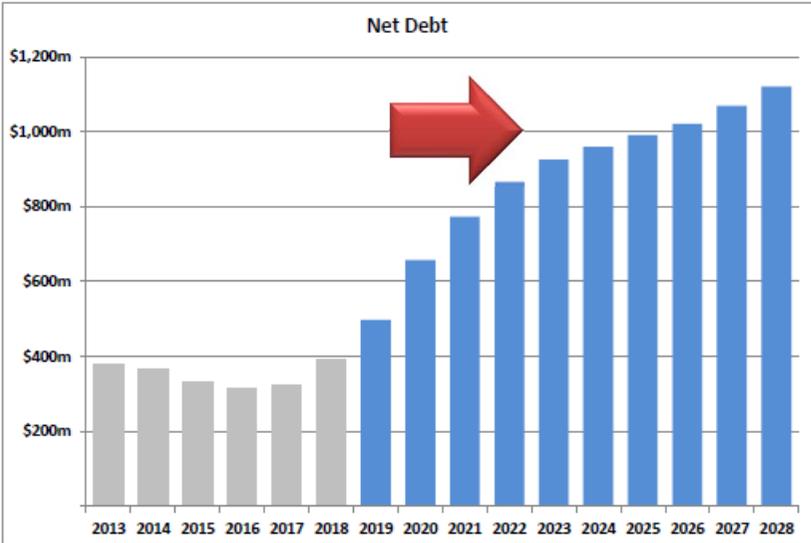
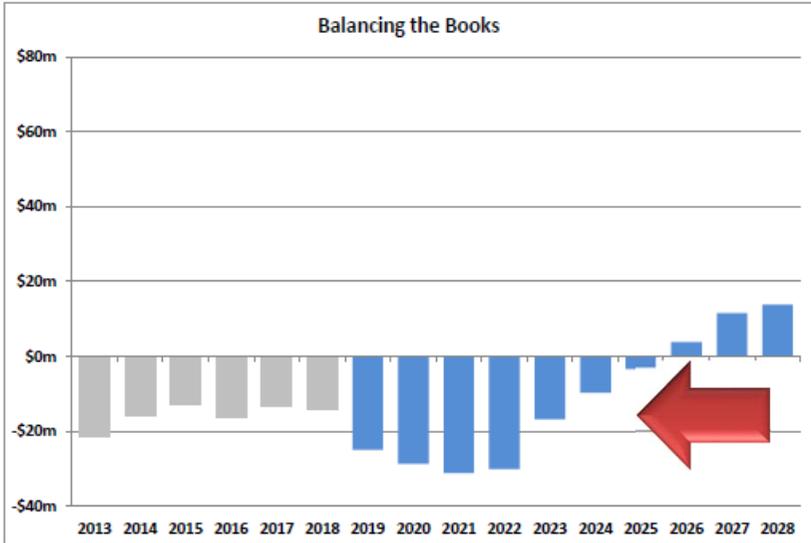
Revenue scenarios - assumptions

- The only changes between scenarios are the:
 - rates
 - and the consequential debt and interest
- 100% capital value rating from day one
- Development rate of \$1.7m
- Existing rates absorbed:
 - Hamilton gardens rate
 - Access Hamilton rate
 - Transitional rate

Revenue scenario 1 – 3.8%

- Continue with the current revenue approach.
 - 3.8% for existing ratepayers.
- Consequences
 - Continue debt funding everyday costs.
 - Fail to meet debt covenants.
 - Debt will exceed \$1 billion.

Revenue scenario 1 - 3.8%



Revenue scenario 1 – 3.8%

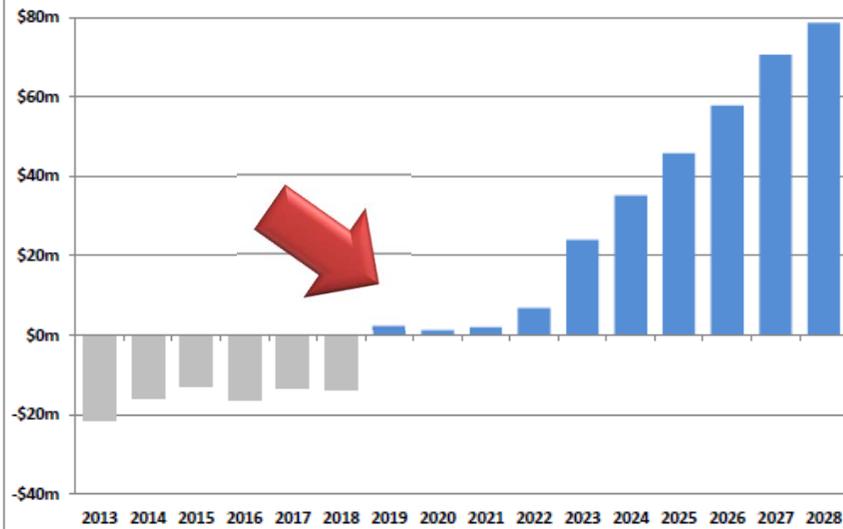
- Need to cut \$25 million from base and \$0.7 billion from capital programme.
 - All of following services will need to be cut by 50%:
 - Theatres, libraries, pools, zoo, H3, community support, Hamilton Gardens, community and sports parks, cemeteries.

Revenue scenario 2 – 16.5%

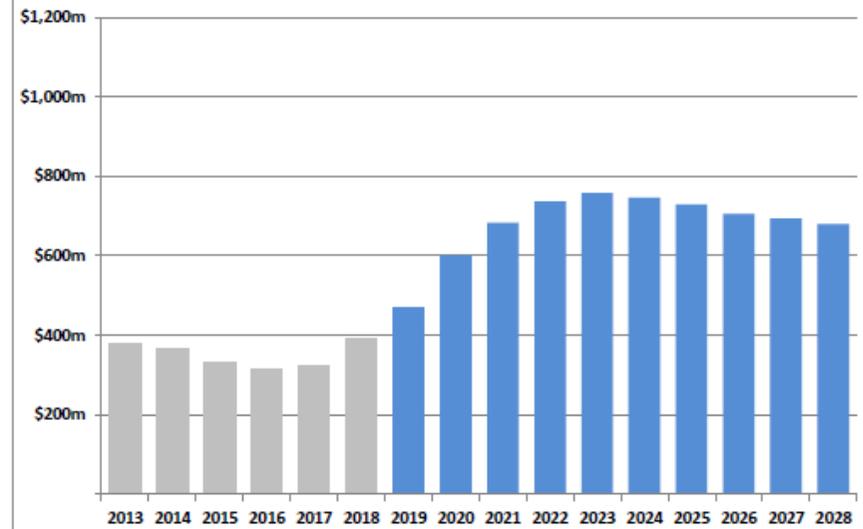
- Maintain existing assets and service levels.
 - Consequentially accept higher base costs.
- Optimised capital programme:
 - \$80m for community infrastructure and city development.
 - \$220m for improved transportation.
 - Peacocke optimised, incl. HIF.
- **Set year 1 rates at level that ensures everyday costs are funded (i.e. no debt funding)**

Revenue scenario 2 – 16.5%

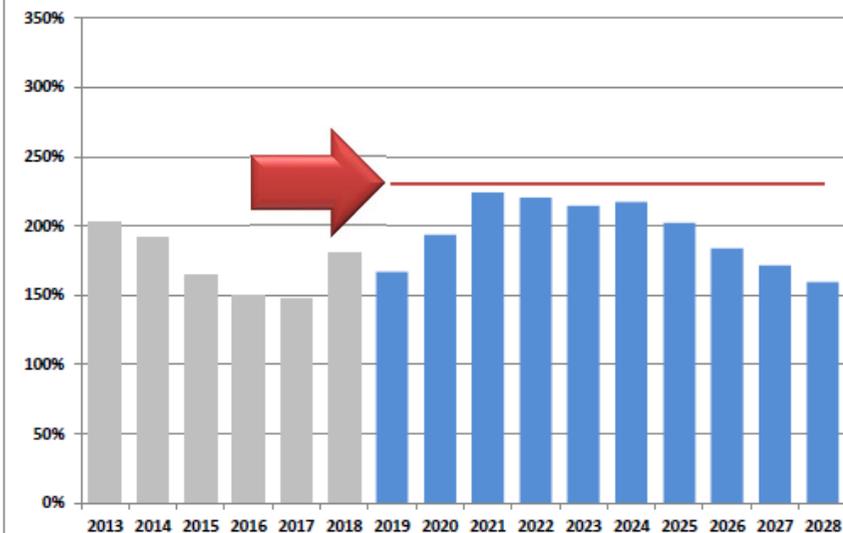
Balancing the Books



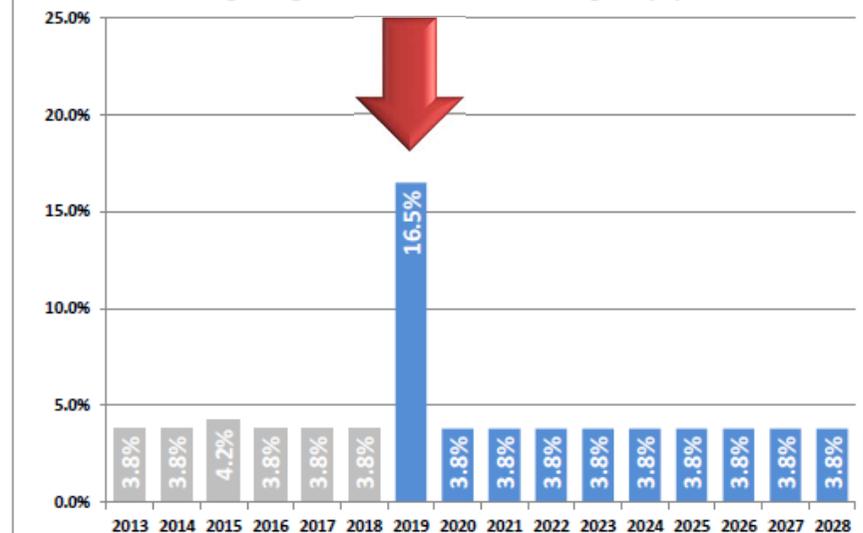
Net Debt



Debt to Revenue



Average Budgeted Rates Increases to Existing Ratepayers

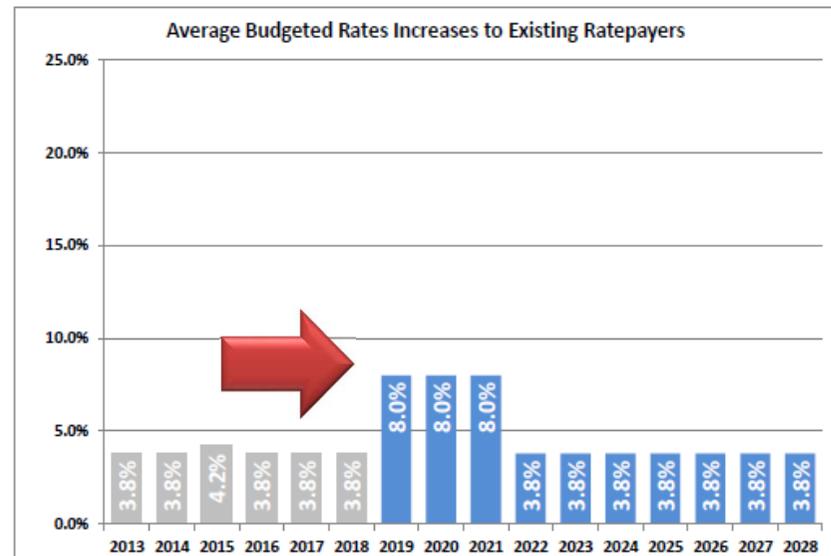
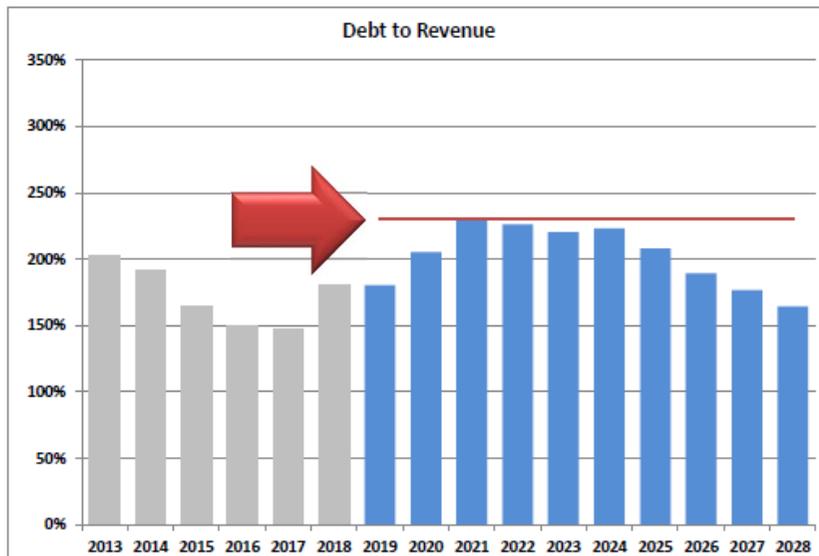
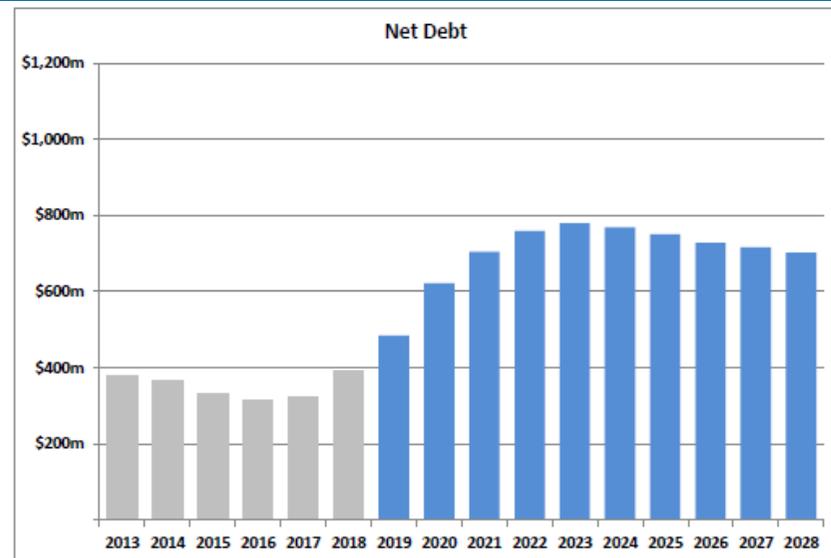
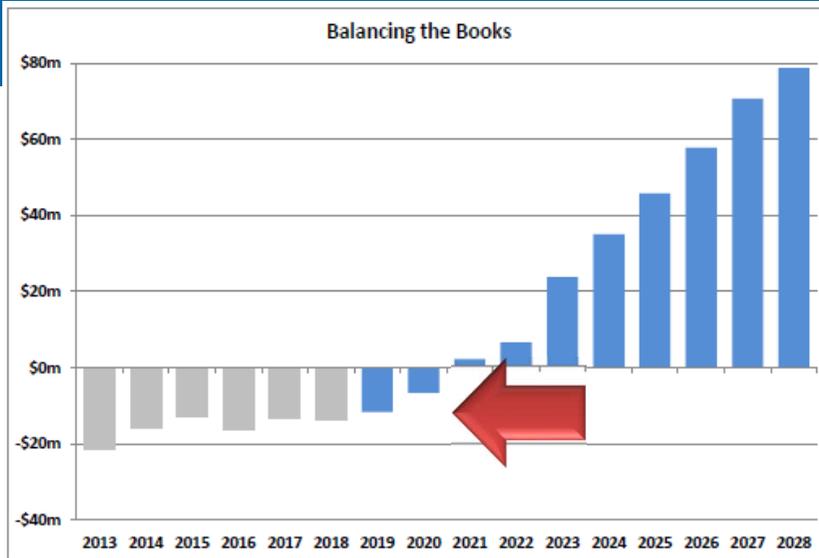


Revenue scenario 3 – 3 x 8%

- Maintain service levels.
 - Consequentially accept higher base costs.
- Optimised capital programme:
 - \$80m for community infrastructure and city development.
 - \$220m for improved transportation.
 - Peacocke optimised, incl. HIF.
- **Set rates at a level that ensures everyday costs are funded (i.e. no debt funding) after 3 years.**

Revenue scenario 3

- spread increase over 3 years





Chief Executive
Stretch
Response

Chief Executive response to the challenge

- This budget is a challenge.
- The decisions of the austerity budgets have led to a gradual service level decline - we must deliver our service levels well. That is forecast to cost more.
- Need to keep costs down, rates down and to do this we need to be transformational.
- **\$5m** stretch savings target built into the budget.
- To be transformational we have budgeted for transformational change at a total cost of \$3m with a conservative net saving of \$2m ongoing in year two and three (**net cost \$1m**).



Rating
Options

Rating options

- Based on briefings but updated for initial draft budget revenue requirements.
- Options include:
 - 100% capital value – i.e. remove the transitional rate.
 - Uniform Annual General Charge (UAGC).
 - Development-Ready Land Rate.

What happens to existing rates?

- Access Hamilton rate.
 - No longer required as a separate rate with 100% CV.
- Hamilton Gardens rate.
 - Finishing as planned.
- Transitional rate.
 - Not required, reduces rates uplift.
- BID and parking rates.
 - No change.

Residential rate changes

– before any rebates or remissions if applicable



\$310,000

Now

\$1,663

100% CV

\$1,789
\$126

\$500 UAGC

\$1,919
\$257



\$410,000

\$2,099

\$2,367
\$268

\$2,378
\$280



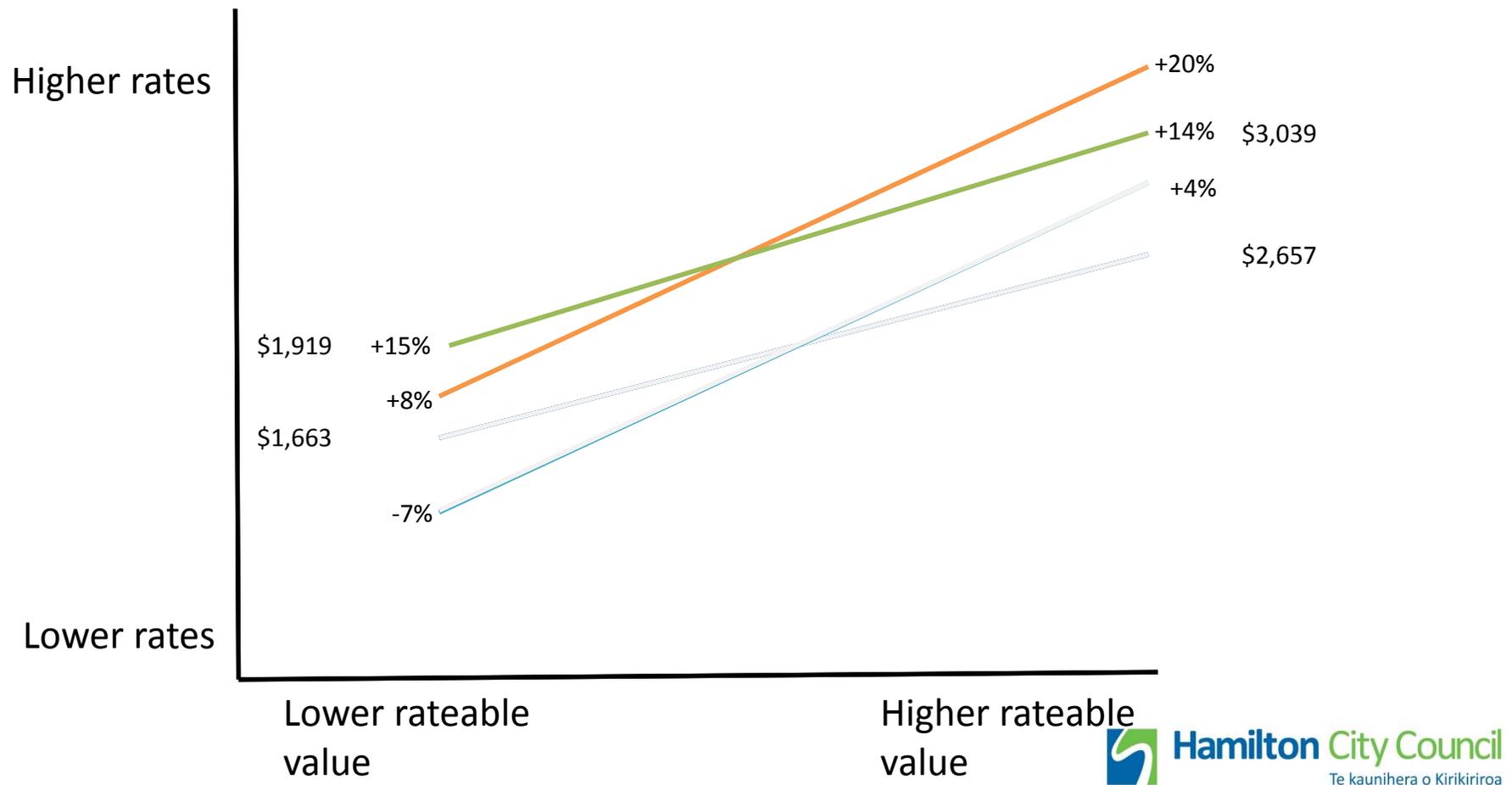
\$550,000

\$2,657

\$3,176
\$519

\$3,039
\$382

Overview of the changes



100% CV - overview

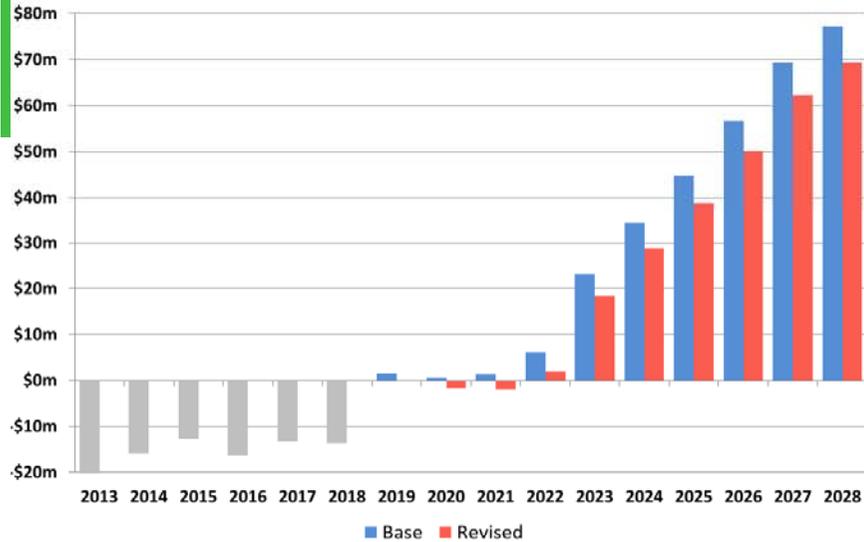
- Immediately provides benefits to 50% of residential and 75% of commercial at a time rates increase is the largest.
- Maximises growth pays for growth.
- After Year 1 any rates changes would be apportioned with the same percentage increase for all properties, unlike the current situation.

Cost of transitioning

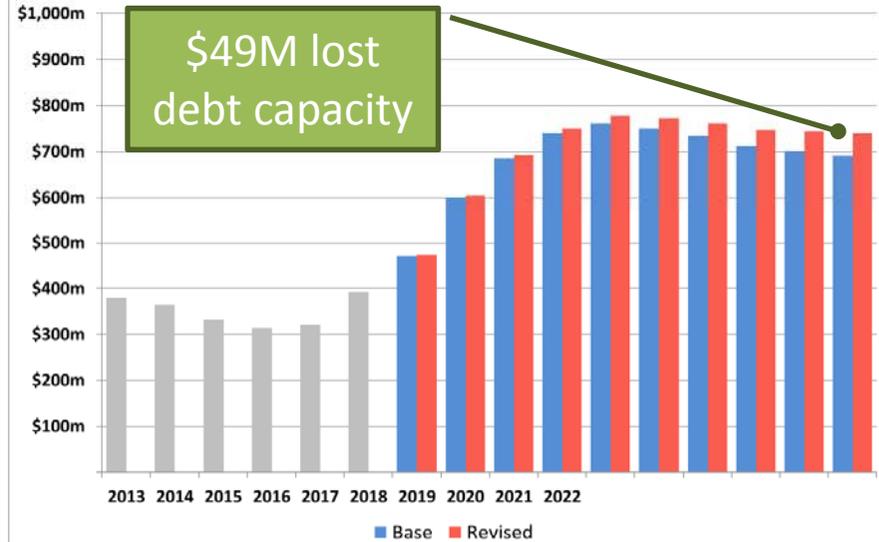
"Base" = move to 100% capital value

"Revised" = continue to transition to capital value

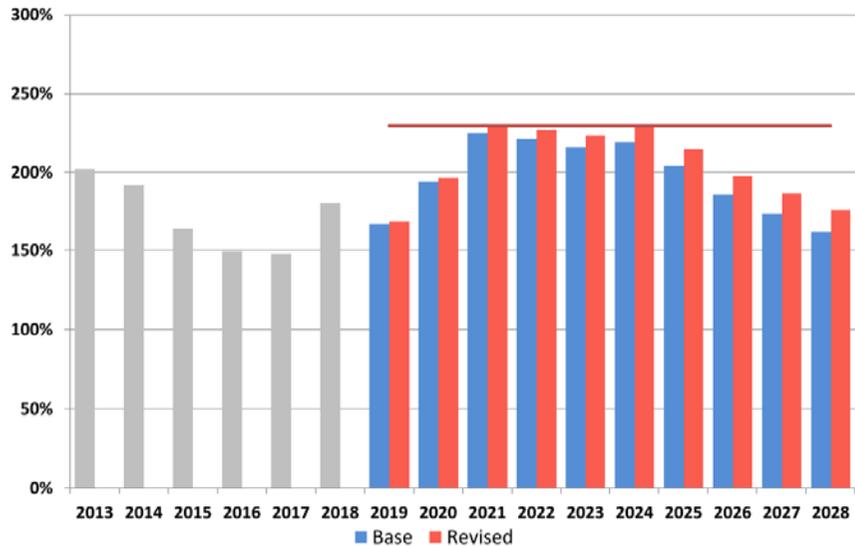
Balancing the Books



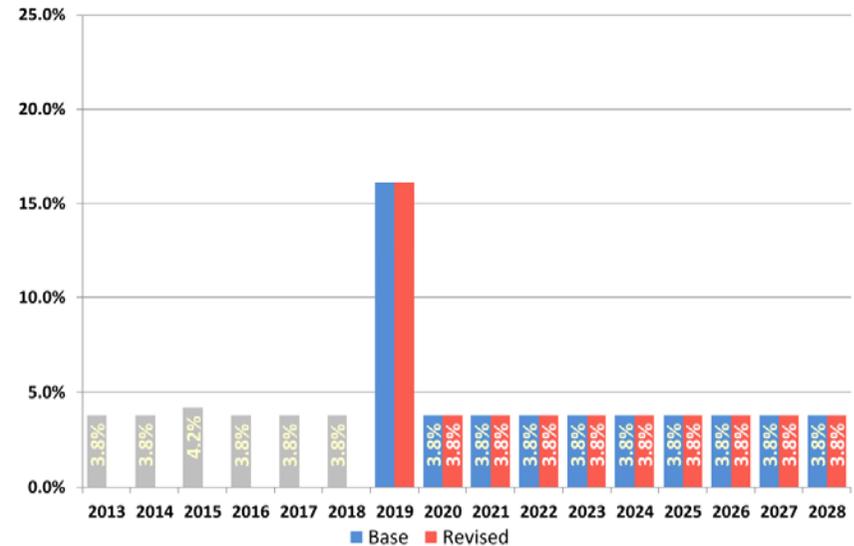
Net Debt



Debt to Revenue

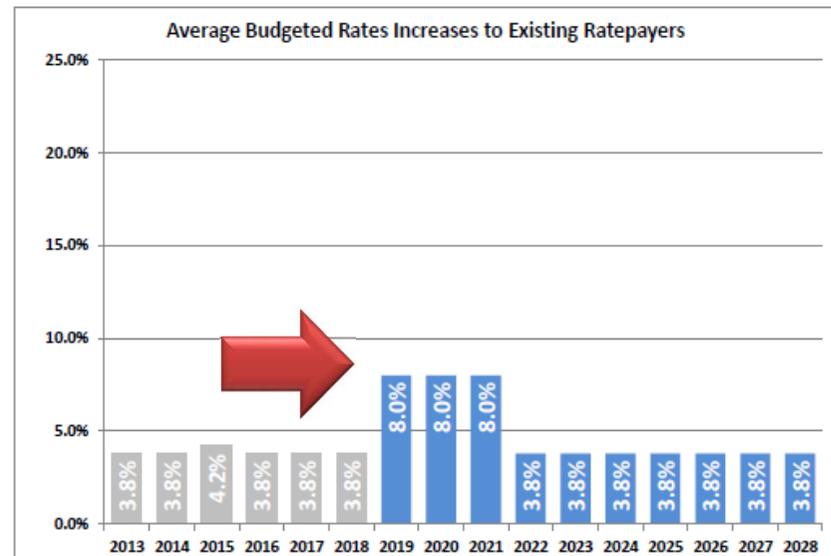
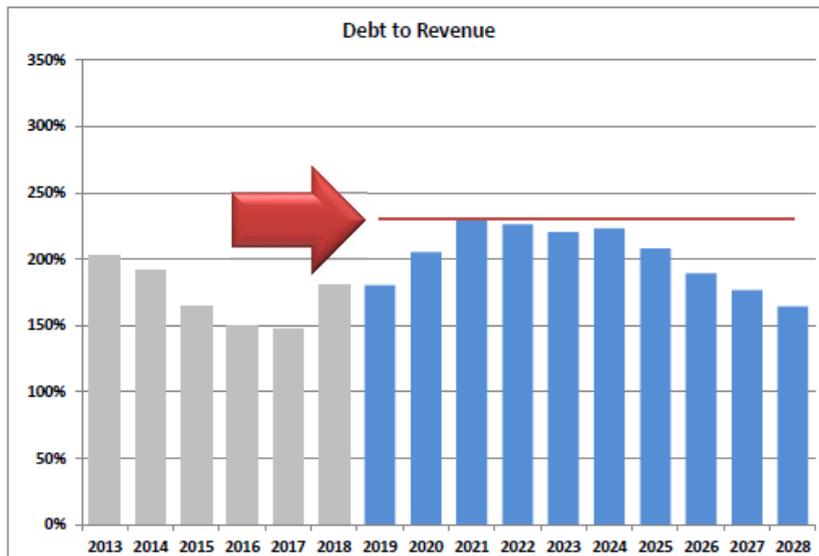
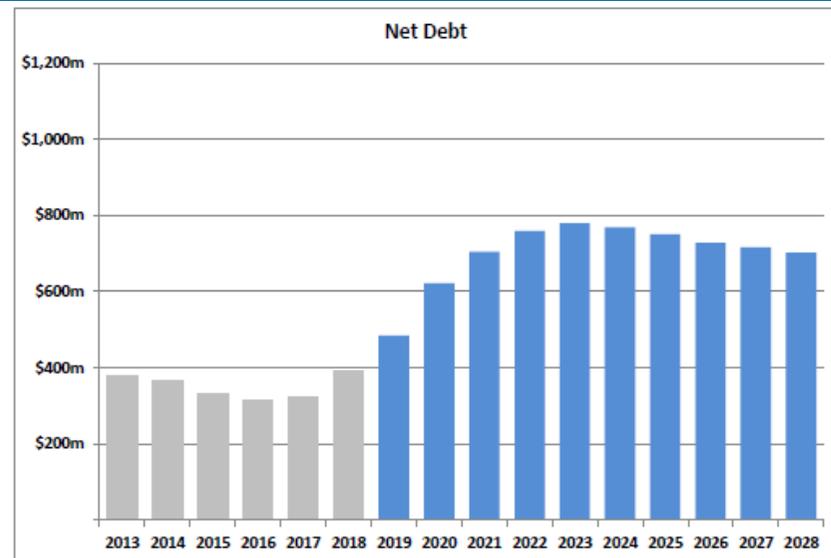
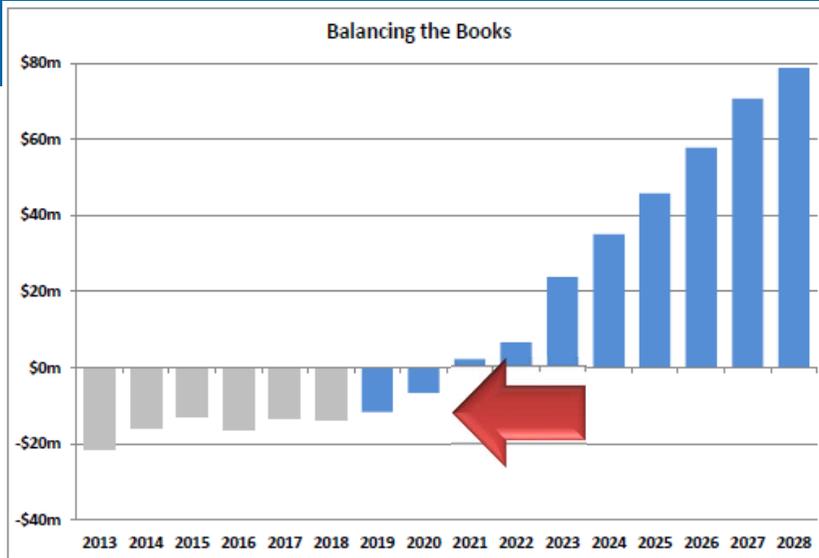


Average Budgeted Rates Increases to Existing Ratepayers



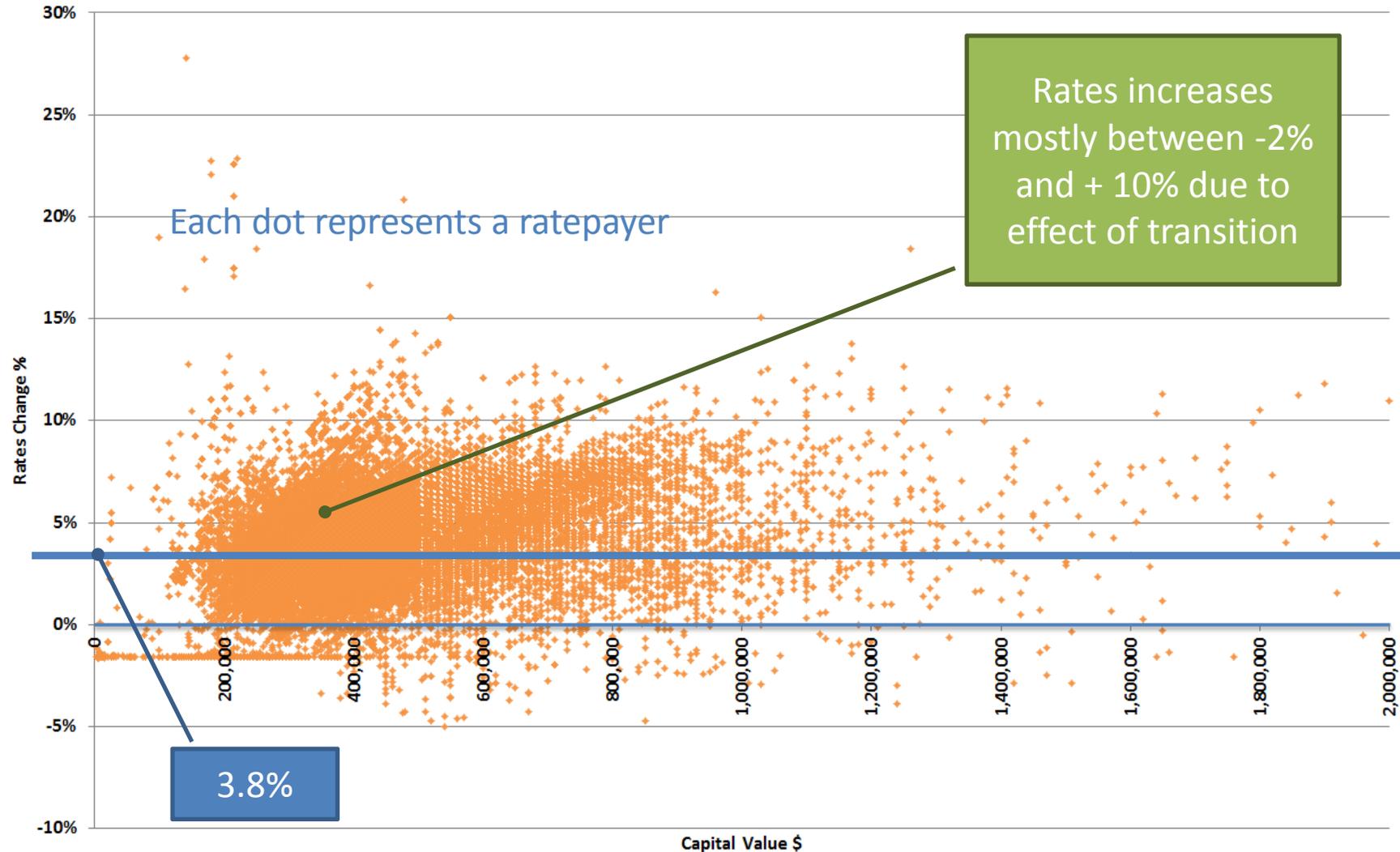
Revenue scenario 3

- spread increase over 3 years



100% CV - does anyone get 3.8%?

Rates Change 2016/17 to 2017/18 for Unchanged Residential Properties with CV up to \$2M



100% CV - samples

- See handout one



Samples include a selection of residential, rural and commercial properties.

UAGC – overall impacts

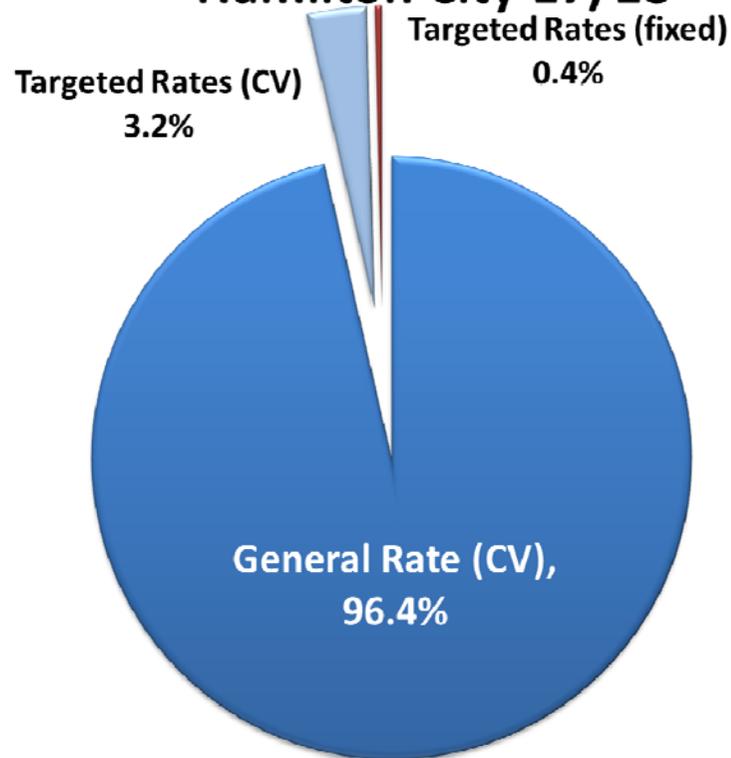
- Introducing a UAGC has the effect of mitigating the rates increase on high value properties.
- This is a reallocation amongst ratepayers – Council collects the same revenue.
- A UAGC reduces the benefits of 100% CV rating on the ‘growth funds growth’ principle.

How common are fixed rates?

This slide was updated on 5 December 2017 to correct a miscalculation of Waipa District Council rates

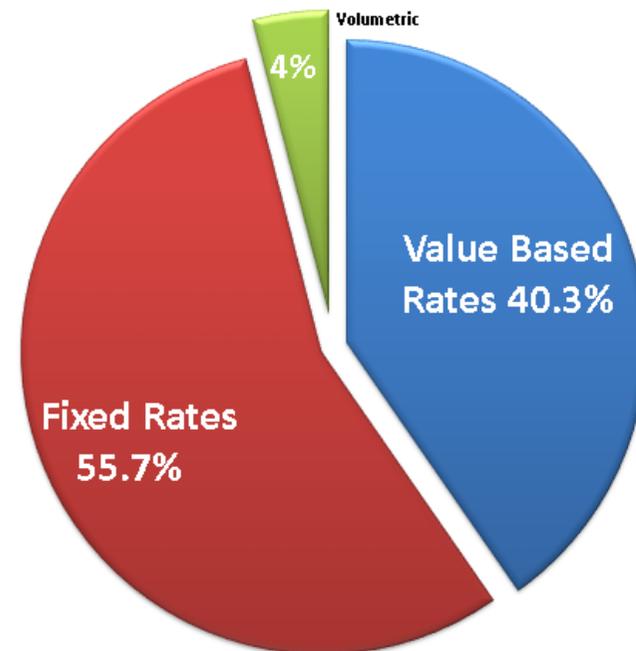
Makeup of residential rates

Hamilton City 17/18



Makeup of residential rates

Average across 10 regions 17/18

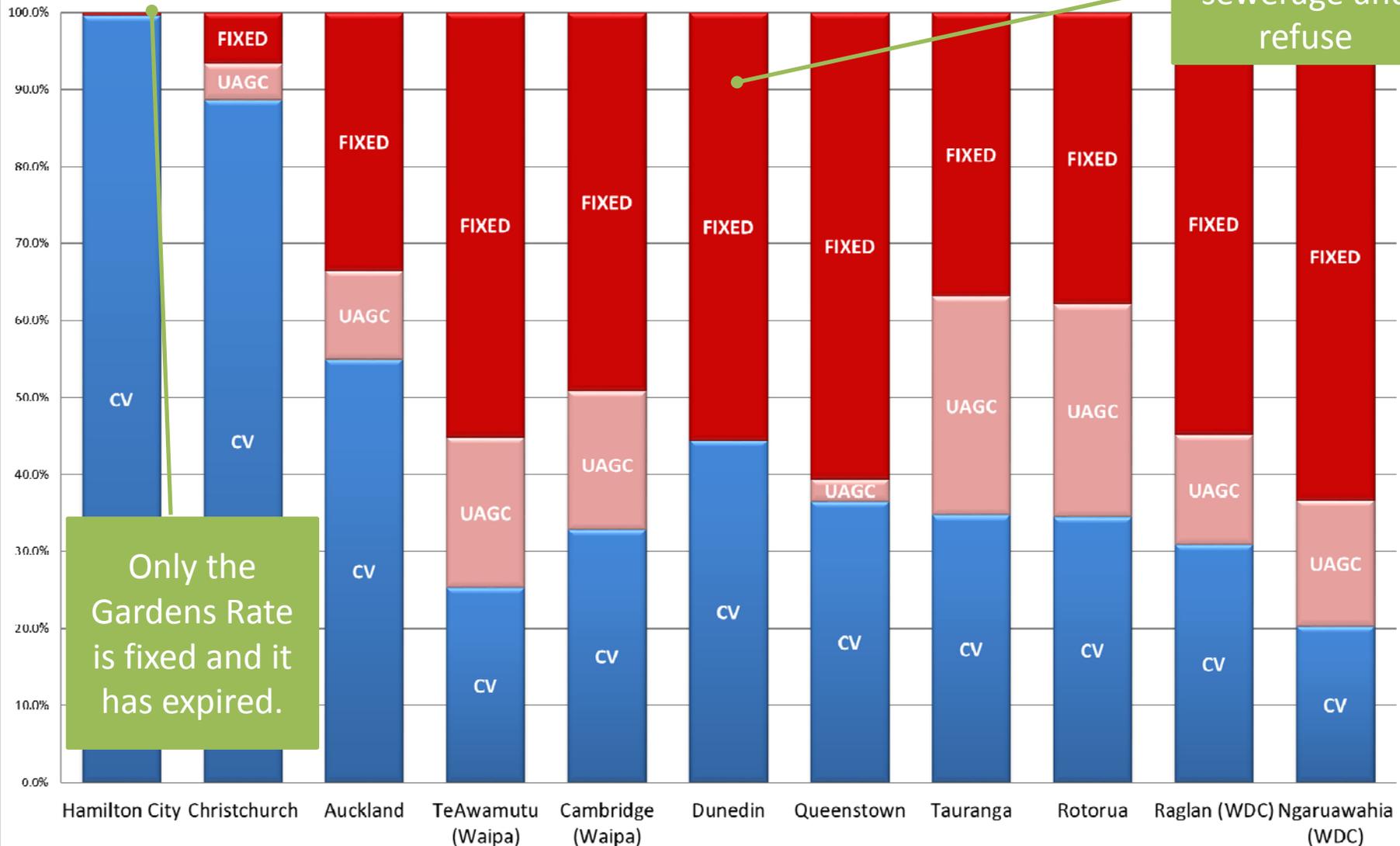


Hamilton is exceptional

This slide was updated on 5 December 2017 to correct a miscalculation of Waipa District Council rates

Makeup of Residential Rates

Based on average CV / Some volumetric charges included in fixed rate for Auckland & WDC



Only the Gardens Rate is fixed and it has expired.

Fixed rates often water, sewerage and refuse

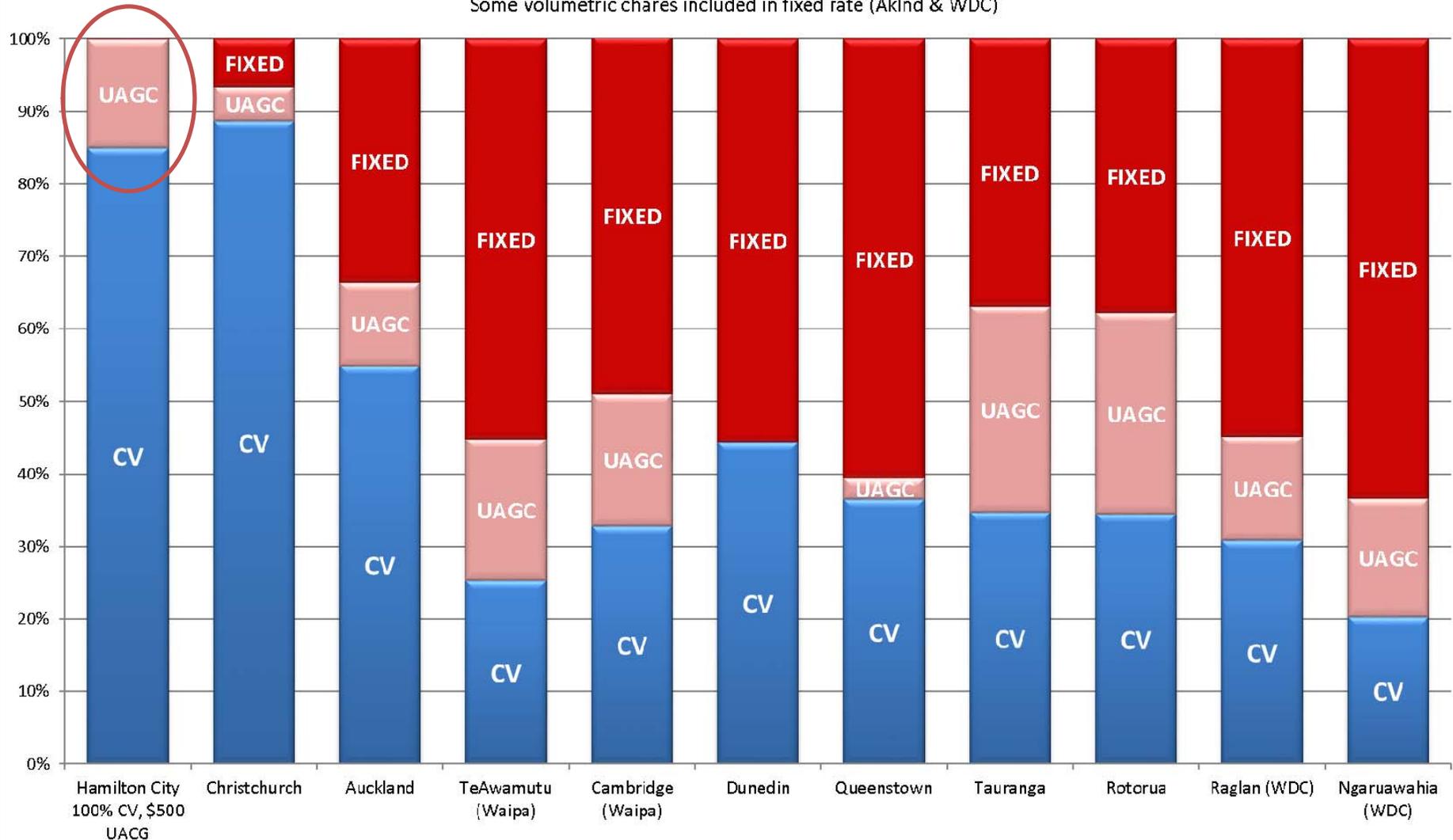
A \$500 UAGC is about 15% of an average rate

This slide was updated on 5 December 2017 to correct a miscalculation of Waipa District Council rates

Makeup of Residential Rates

HCC 100%CV with \$500 UAGC

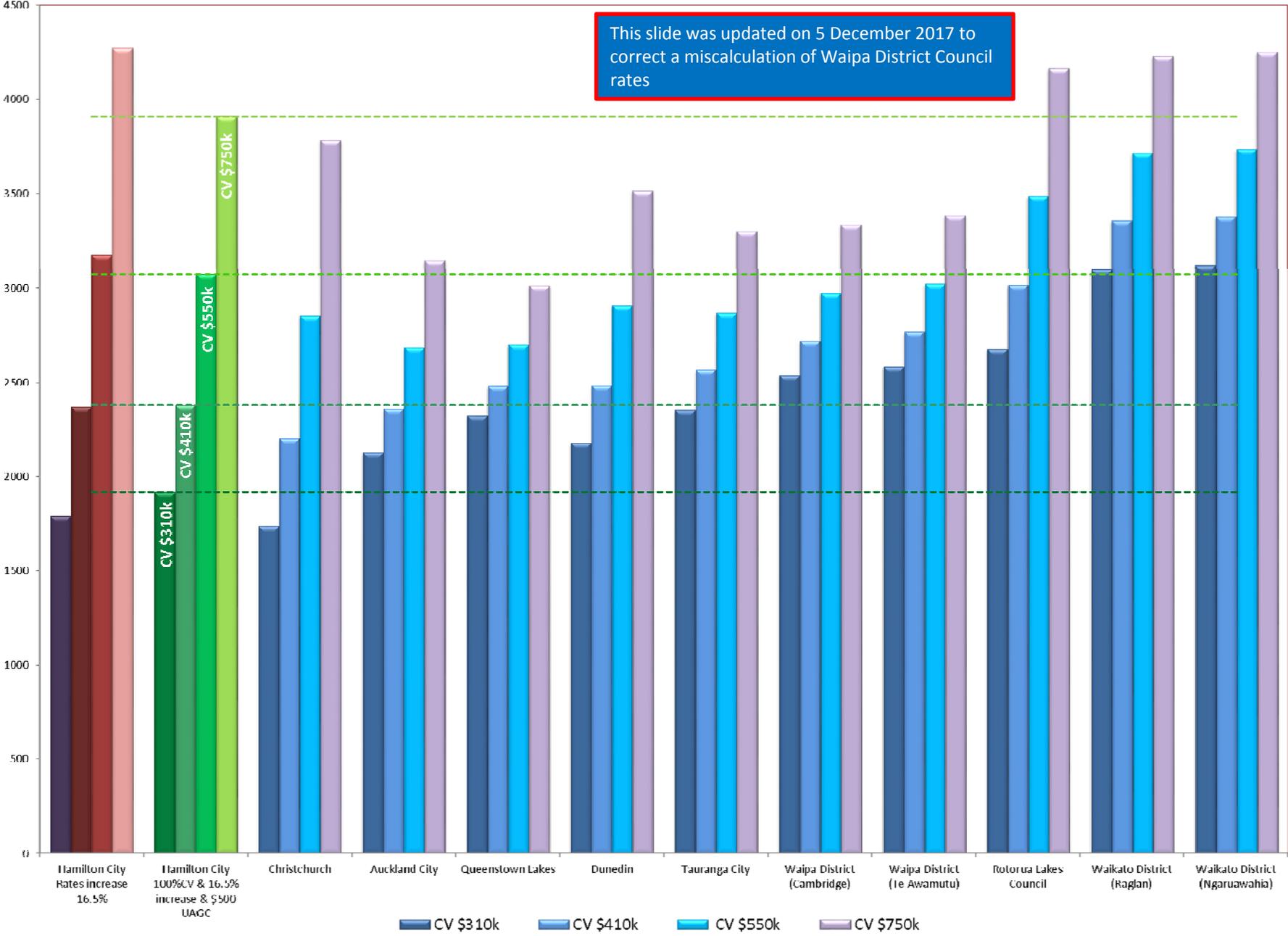
Some volumetric chares included in fixed rate (AkInd & WDC)



Rates Comparison

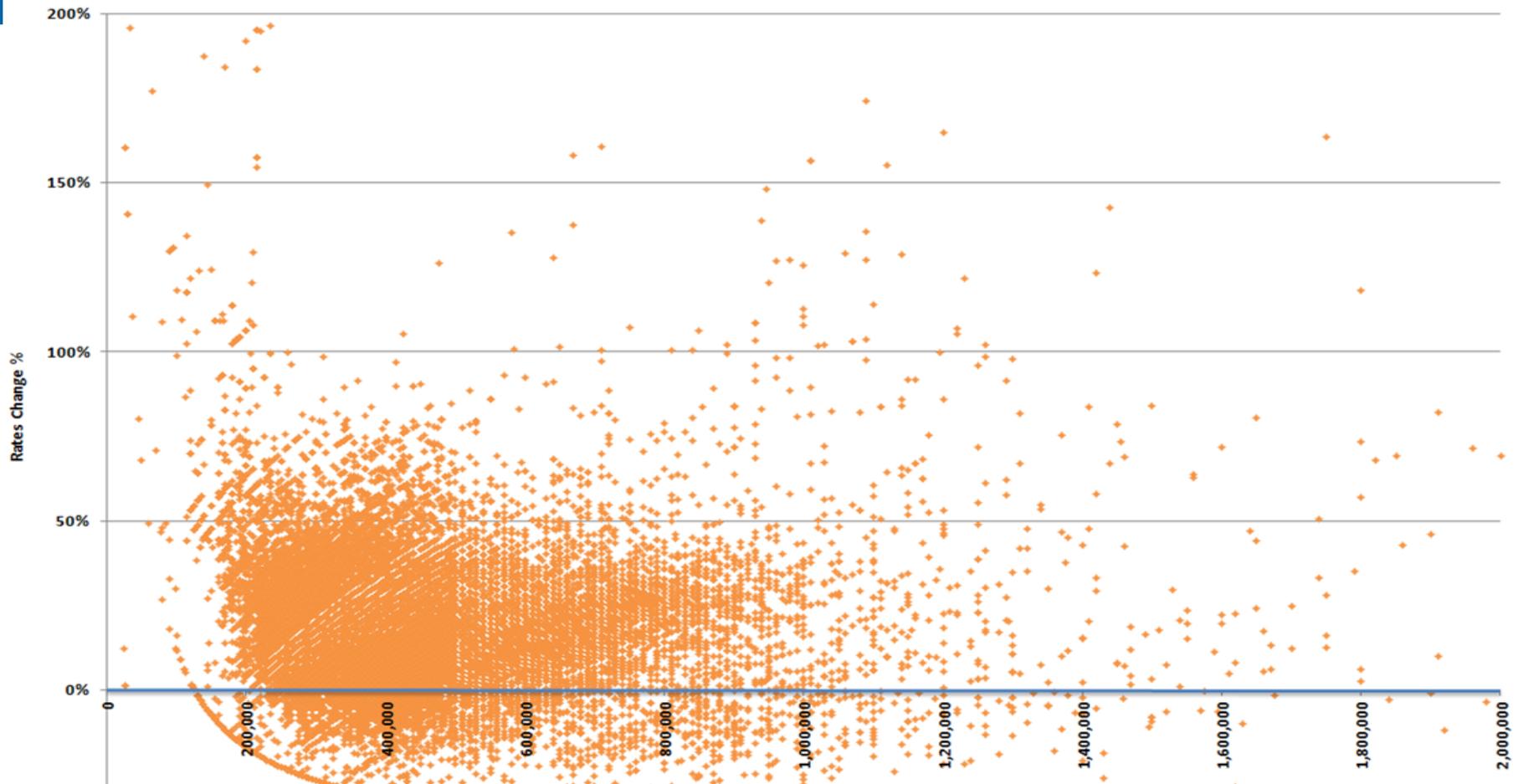
Includes \$500 UAGC & arbitrary 5% increase to other Councils to reflect possible increase from 17/18 to 18/19

This slide was updated on 5 December 2017 to correct a miscalculation of Waipa District Council rates



Distribution of changes

Rates Change 2017/18 Actual to CV and \$500 UAGC with Increase - Residential Properties with CV up to \$2M



UAGC - samples

- See handout two

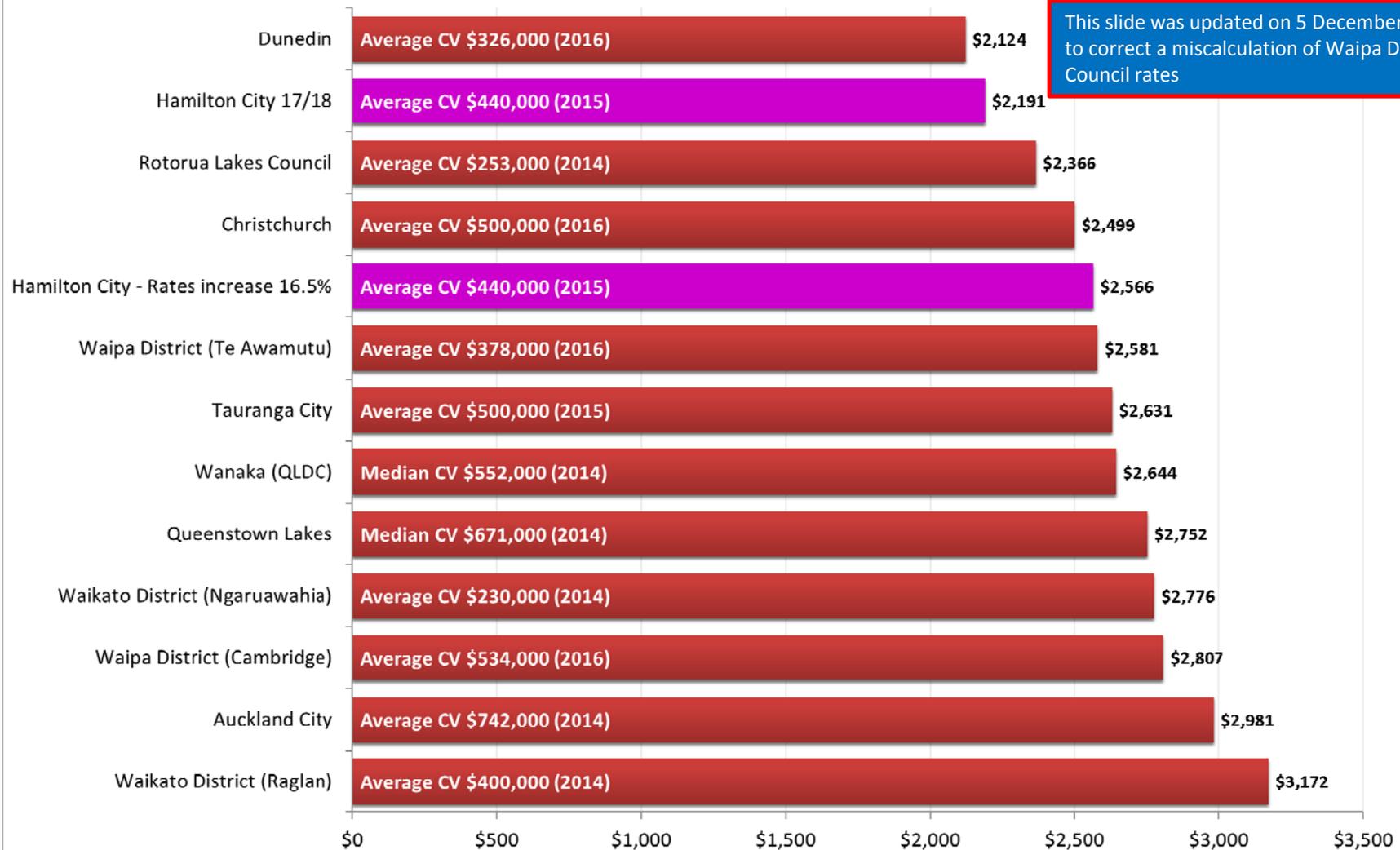


Samples include a selection of residential, rural and commercial properties.

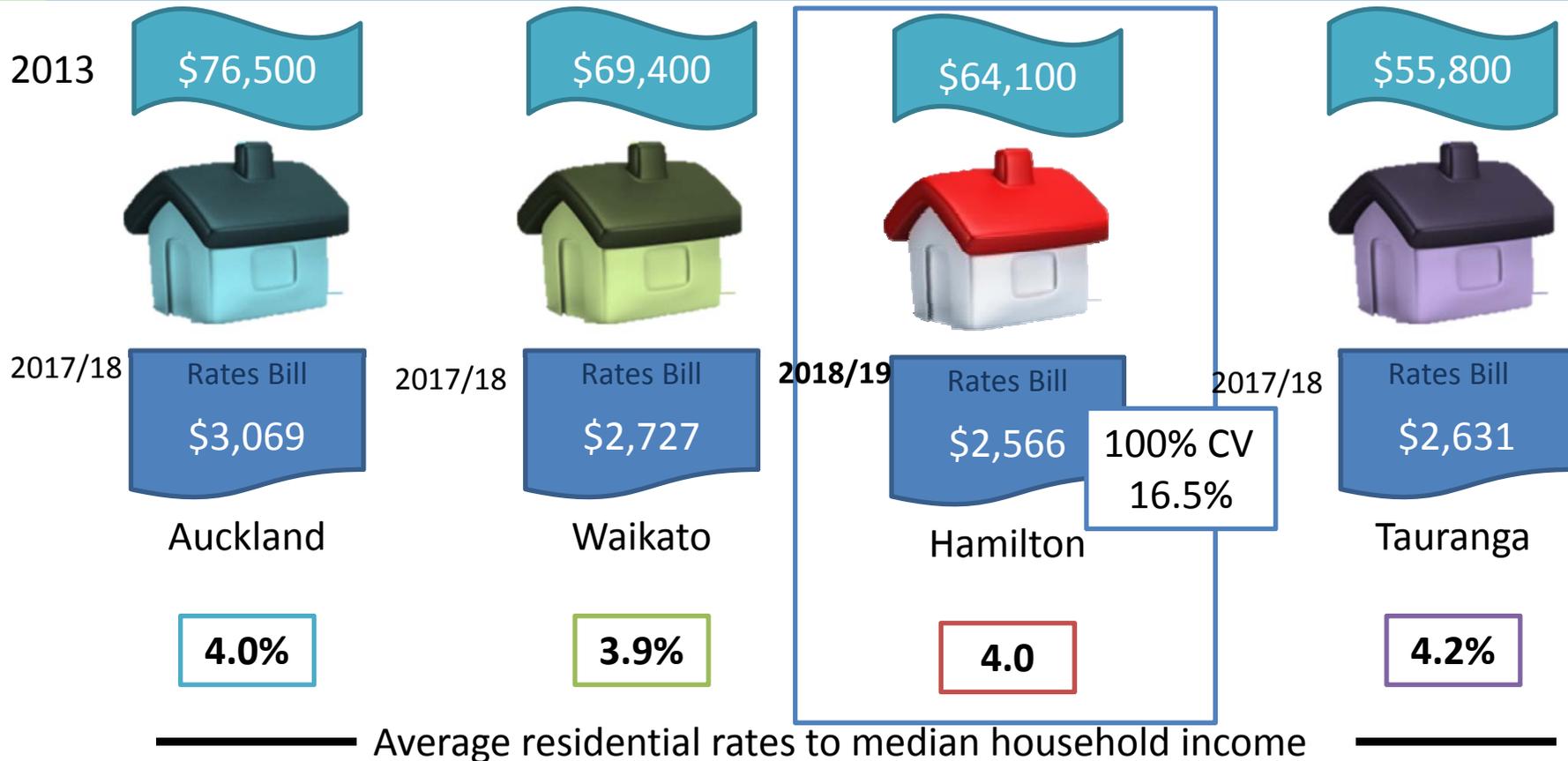
Average rate in each area

Hamilton 100% CV with 16.5%

17/18 Residential rates based on average rateable CV for individual city/district



Rates affordability - 100% CV median household income



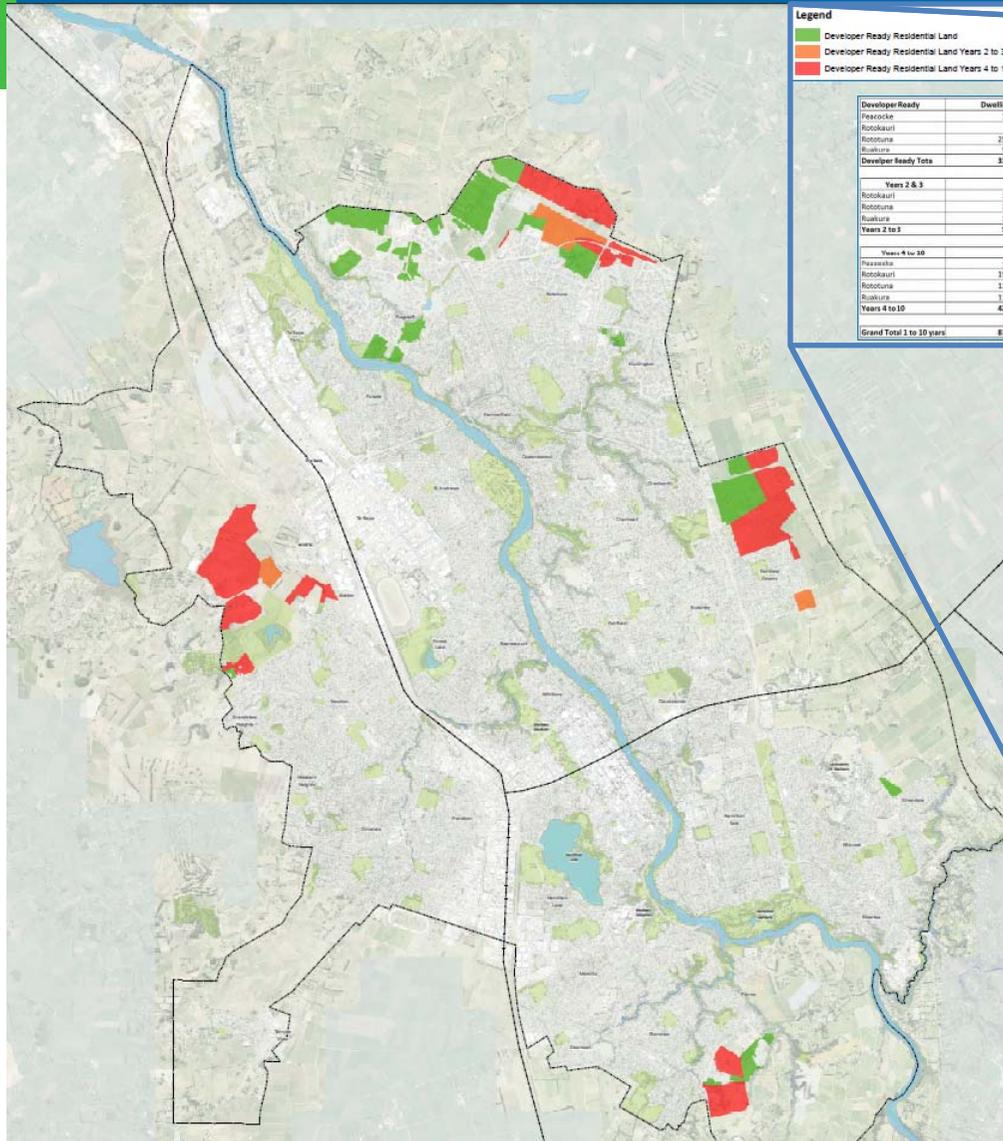
Development Land - rationale

- Financial principle: growth pays for growth.
- Council is investing a significant amount per annum on funding growth that is part of general rates.
- Some of this annual investment has very long-term benefits, much of it supports the response to growth in the 10-Year Plan.
- Much of this investment could be seen to benefit owners of developable land.

Development land - options

- Option 1. Development-Ready Land
 - Land which has infrastructure available but not yet developed.
- Option 2. Future City
 - Undeveloped land zoned residential that doesn't meet density rules and is subject to infrastructure investment or with the developed City.
- Option 3. Rural residential differential increased to 75% of residential
 - Currently 50%.

Option 1 – Developer-Ready Land



Legend

- Developer Ready Residential Land
- Developer Ready Residential Land Years 2 to 3
- Developer Ready Residential Land Years 4 to 10

Developer Ready	Dwellings
Peacocke	170
Rotokauri	13
Rototuna	2560
Ruakura	578
Developer Ready Total	3321
Years 2 & 3	
Rotokauri	123
Rototuna	363
Ruakura	106
Years 2 to 3	592
Years 4 to 10	
Peacocke	418
Rotokauri	1541
Rototuna	1130
Ruakura	1115
Years 4 to 10	4204
Grand Total 1 to 10 years	8117

Legend

- Developer Ready Residential Land
- Developer Ready Residential Land Years 2 to 3
- Developer Ready Residential Land Years 4 to 10

Developer Ready	Dwellings
Peacocke	170
Rotokauri	13
Rototuna	2560
Ruakura	578
Developer Ready Total	3321
Years 2 & 3	
Rotokauri	123
Rototuna	363
Ruakura	106
Years 2 to 3	592
Years 4 to 10	
Peacocke	418
Rotokauri	1541
Rototuna	1130
Ruakura	1115
Years 4 to 10	4204
Grand Total 1 to 10 years	8117

Option 1 - Developer-Ready Land

REJECTED

We are unable to adequately meet rating legislative requirements.

Option 2 - Future City

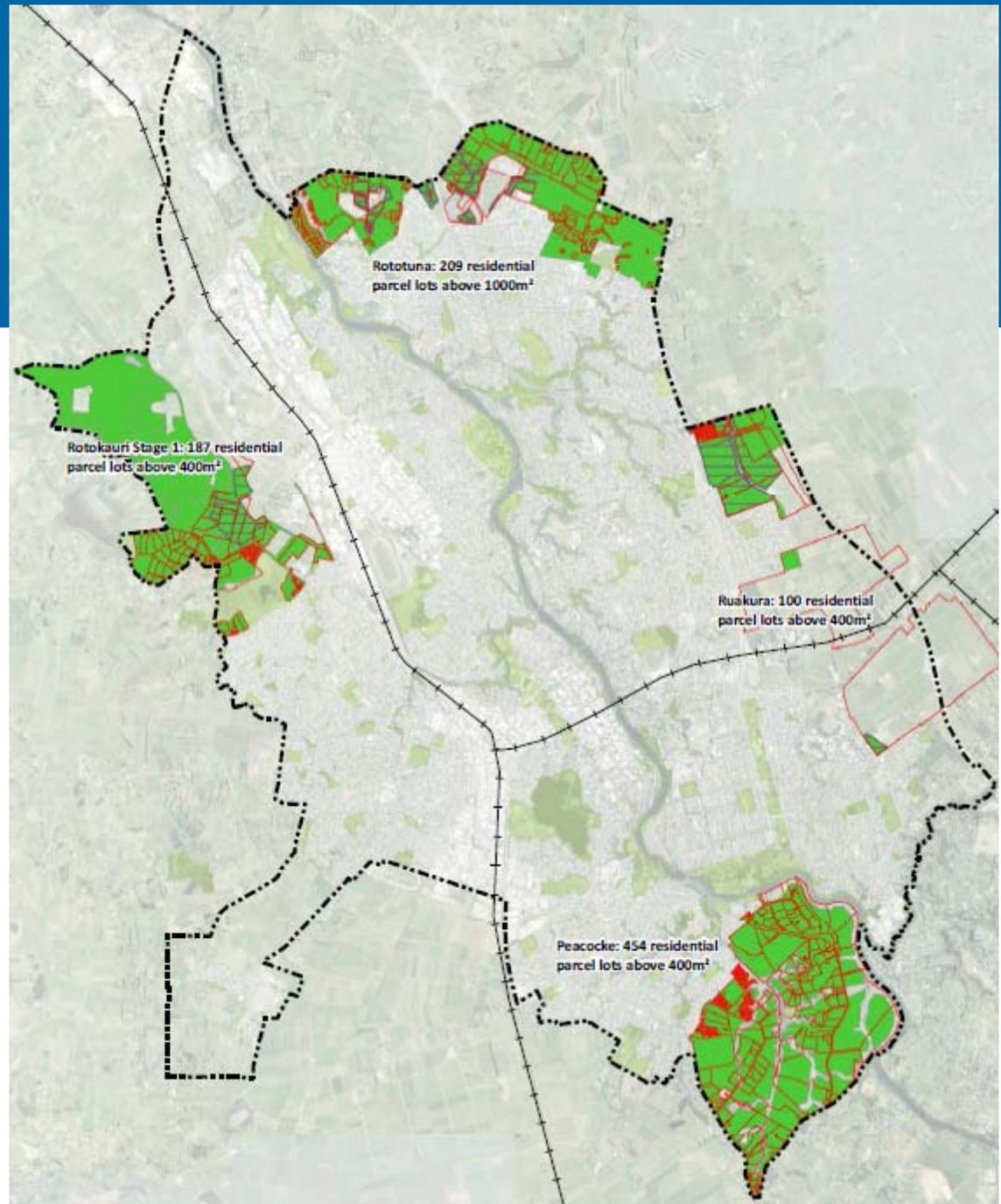
Future City land is any legal parcel of land that meets one of the following criteria:

1. The land is vacant but is zoned for residential purposes in accordance with the Hamilton City District Plan 2017.
2. The land is zoned for residential purposes and is developed in such a way as not to achieve the most applicable minimum residential density targets contained in policy 6.15 of the Waikato Regional Policy Statement.
3. The land is zoned for General Residential or Medium Density Residential under the Hamilton City District Plan 2017 and is developed in such a way as not to achieve a density target of 16 dwellings per ha.

Exclusions:

- Any mixed used zoning (e.g. business centres and Central City Zone)
- Future urban zoning
- Large lot residential zone
- Anything impacted by an environmental overlay (e.g. flooding, slope etc)
- Any land that is not able to connect to strategic infrastructure services

Option 2 - Future City



Option 2 - Impact on ratepayers

- Sample

Option 3 - Increase rural rates

- Currently rural rates are charged at 50% of residential rates.
- Are rural rates too low?
- Almost all rural land is zoned to be Future City.
- Should rural rates be 75% of residential?

Option 3 - Impact on ratepayers

	2017/18 100% CV with 16.5%	2017/18 CV & \$500 UAGC with 16.5%
Rural Collection	\$1,873,551	\$1,873,779
Rural Collection if 0.75 Differential	\$2,809,230	\$2,508,762
Additional Revenue	\$935,678	\$634,983
Increase	57%	39%

Conclusion on rating options

- 100% CV – maximises growth paying for growth.
- UAGC – introduce at \$500 per SUIP.
- Future City – change the rural differential.

Almost The
End





In Conclusion

Challenge	Response
Responding to unprecedented growth – we can't control growth, we can only control how we respond to it.	<ul style="list-style-type: none">• Peacocke optimised, incl. HIF• 100% CV rating• Increased rural rates
How much and what to invest in a liveable city - on the back of limited investment after six years of austerity budgets.	<ul style="list-style-type: none">• \$220m investment in improved transportation.• \$80m investment in community infrastructure and city development• \$21m on sustainable service levels
Paying for everyday costs – we can't keep borrowing.	<ul style="list-style-type: none">• 16.5% rates increase.

6 December 2017

- The draft operating budget with variance analysis and explanations will be on the agenda.
- Individual items for debate will show the budget proposal and give options and the advantages and disadvantages of all options.
- The financial strategy graphs will be updated for any changes.



Rototuna Town Centre Comprehensive Development Plan – Area A

Purpose of the Briefing

- Provide a background and overview of the Rototuna Town Centre Comprehensive Development Plan (CDP) – Area A
- High level outline of options for Community Facilities

Background

- Rototuna Growth Cell – May G&I Committee
- Zoned future urban in 1997
- Hamilton's first structure planned area
- Staged development
- Location of Rototuna Town Centre identified in the 1999 structure plan and confirmed in 2010 through variation 12

Background

- In 2008 Council entered into agreements to acquire parcels of land from Kirkdale Investments Limited (Kirkdale)
- Land acquired for sports field, library, public square and aquatic centre, and for an extension to Borman Road
- Payment was made for the land at the time of the Agreements

Community Facility Provision

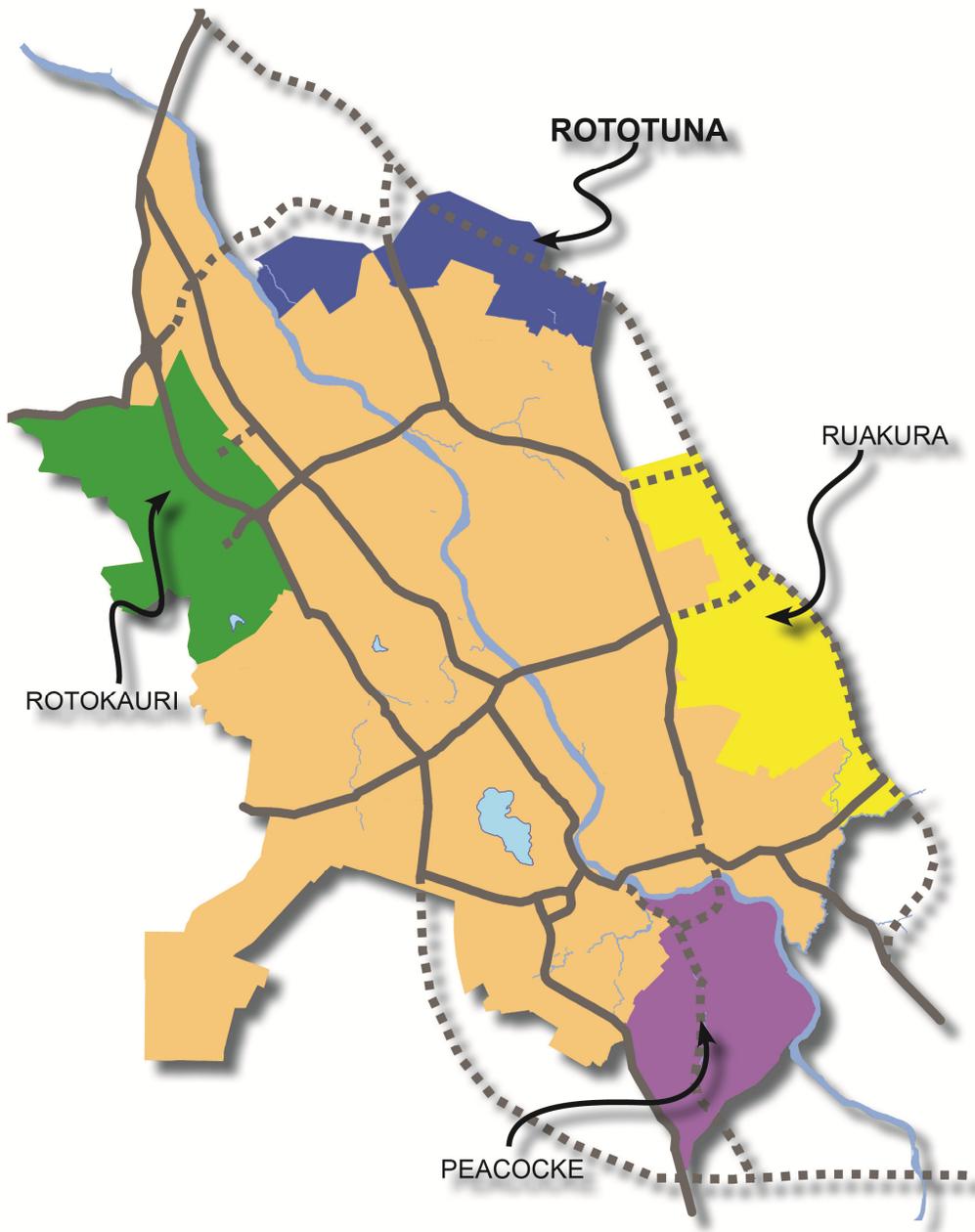
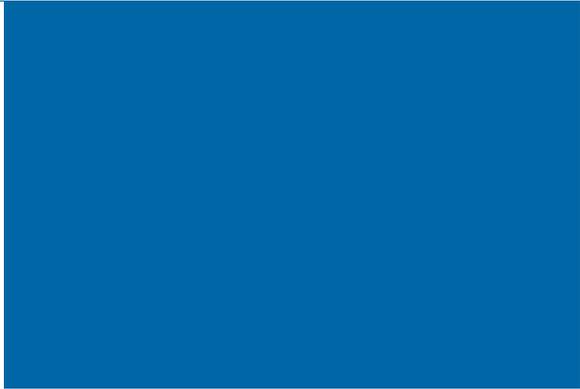
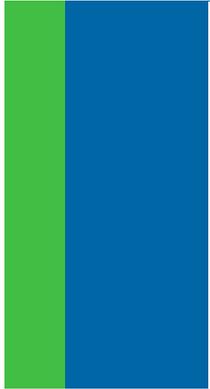
- Localised services
- Mixed use urban space - residential, social, entertainment, recreation, commercial activity
- Allows for medium and high density housing surrounding the town centre
- Community and recreation hubs build social connection

- Rototuna High School construction 2014 – increased development (collector roads; residential)
- Indoor Recreation Centre (The Peak) – shared school/community facility
- Comprehensive Development Plan (CDP) for the Rototuna Town Centre (Area A) - joint partnership between Hamilton City Council and Kirkdale

Background

- Rototuna Pool and Library included in 2006-16 LTCCP and the 2009-19 LTP
- Projects not included in the 2012-22 LTP or 2015-25 LTP - noted as unfunded projects
- Around \$2.4m collected in development contributions for pool and library/community centre pre 2012
- Current status – unfunded future projects

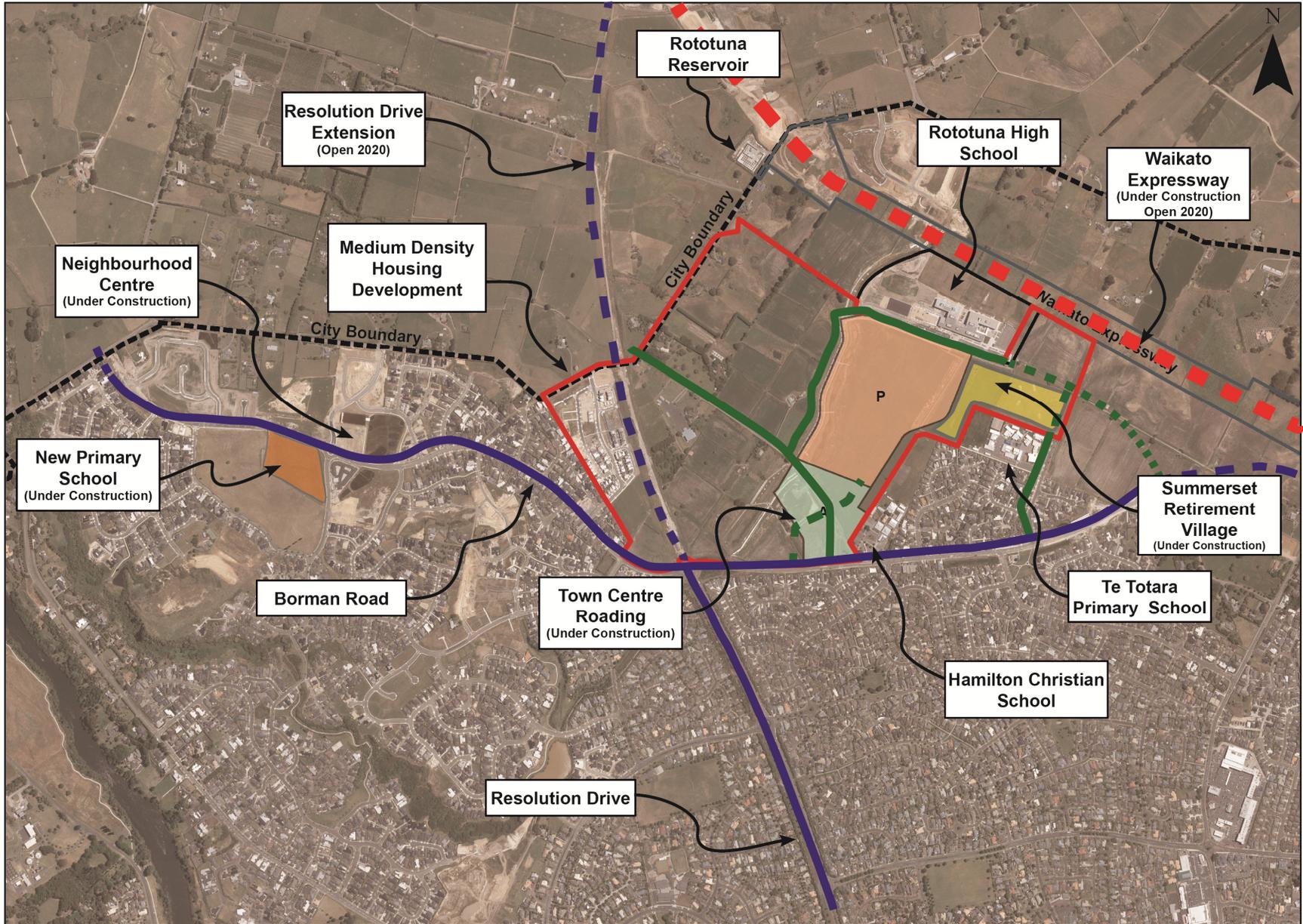
Rototuna Structure Plan Area



Waikato District

Legend

- View Point - Public Open Space
- Key Stormwater management Facilities
- Major Arterial Transport Corridor
- Minor Arterial Transport Corridor
- Collector Transport Corridor
- Local Transport Corridor
- Cycleway/Walkway
- Watercourse
- Electricity Transmission Lines
- Waikato Expressway Designation
- Residential
- Rototuna North East Character
- Medium Density Residential
- Existing Reserve
- Future Reserve
- Neighbourhood Centre
- Community Facilities
- Rototuna Town Centre
- Structure Plan Boundary
- City Boundary



Comprehensive Development Plan

- Jointly undertaken with Kirkdale Investments
- Required to ensure coordinated planning and fulfilling on structure plan principles
- Identifies activity precincts, proposed transport corridors, pedestrian and cycle networks, public open space, water courses and drainage reserves, and other key features

Rototuna Town Centre

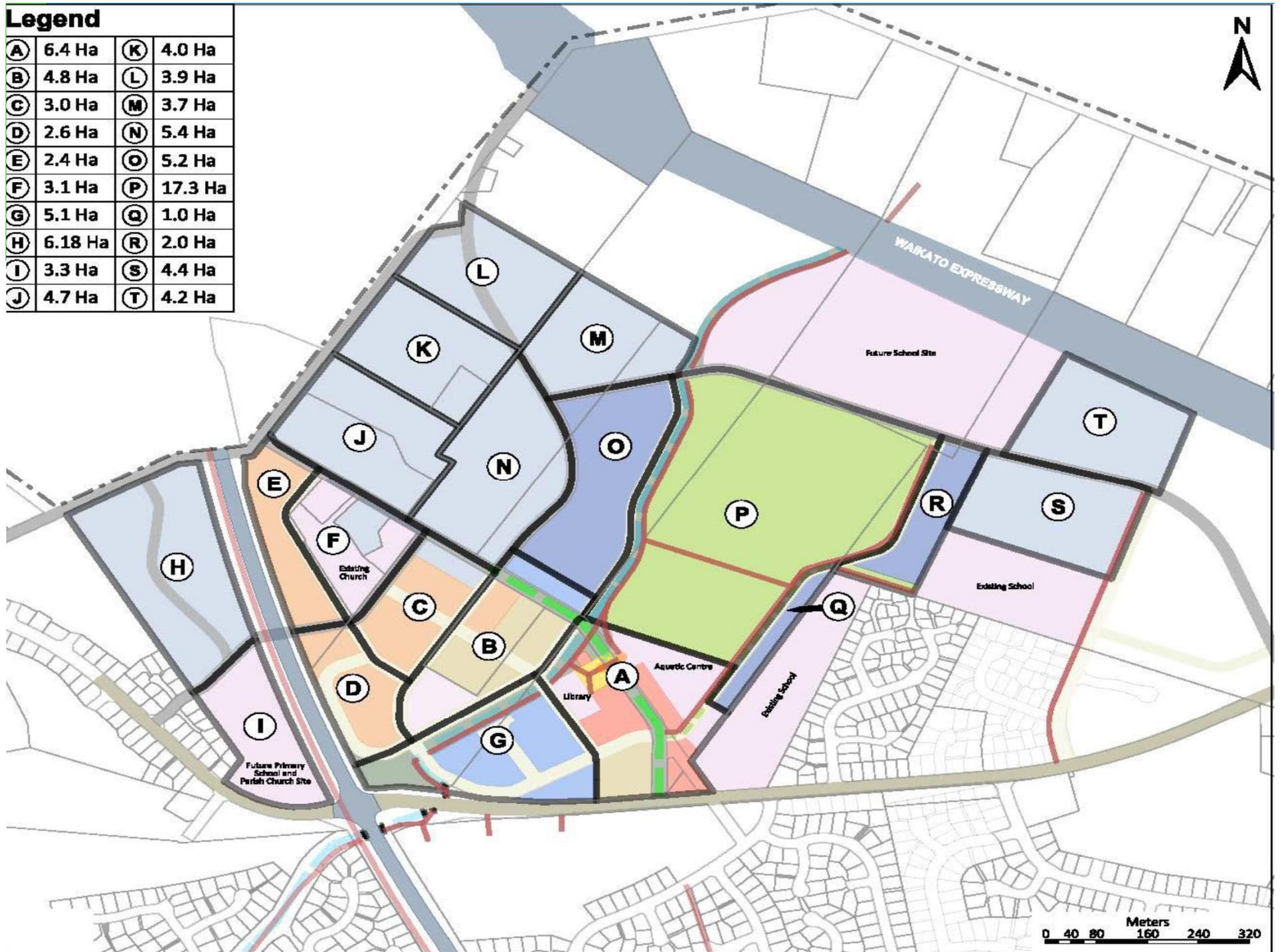
The Town Centre is made up of several activity precincts that contribute to the overall function of the Centre.

These Precincts are:

- i. Retail
- ii. Employment.
- iii. Residential Mixed Use
- iv. Residential Medium and High Density
- v. Community
- vi. Active Recreation
- vii. Public Square

Legend

A	6.4 Ha	K	4.0 Ha
B	4.8 Ha	L	3.9 Ha
C	3.0 Ha	M	3.7 Ha
D	2.6 Ha	N	5.4 Ha
E	2.4 Ha	O	5.2 Ha
F	3.1 Ha	P	17.3 Ha
G	5.1 Ha	Q	1.0 Ha
H	6.18 Ha	R	2.0 Ha
I	3.3 Ha	S	4.4 Ha
J	4.7 Ha	T	4.2 Ha





AQUATICS CENTRE

BUS INTERCHANGE

RETAIL

LIBRARY

RETAIL WITH OFFICES AT FIRST FLOOR

RETAIL WITH OFFICES AT FIRST FLOOR

COMMUNITY BUILDING

RETAIL OR OFFICES

RETAIL OR OFFICES

RETAIL

RETAIL

SUPERMARKET

RETAIL WITH OFFICES AT FIRST FLOOR

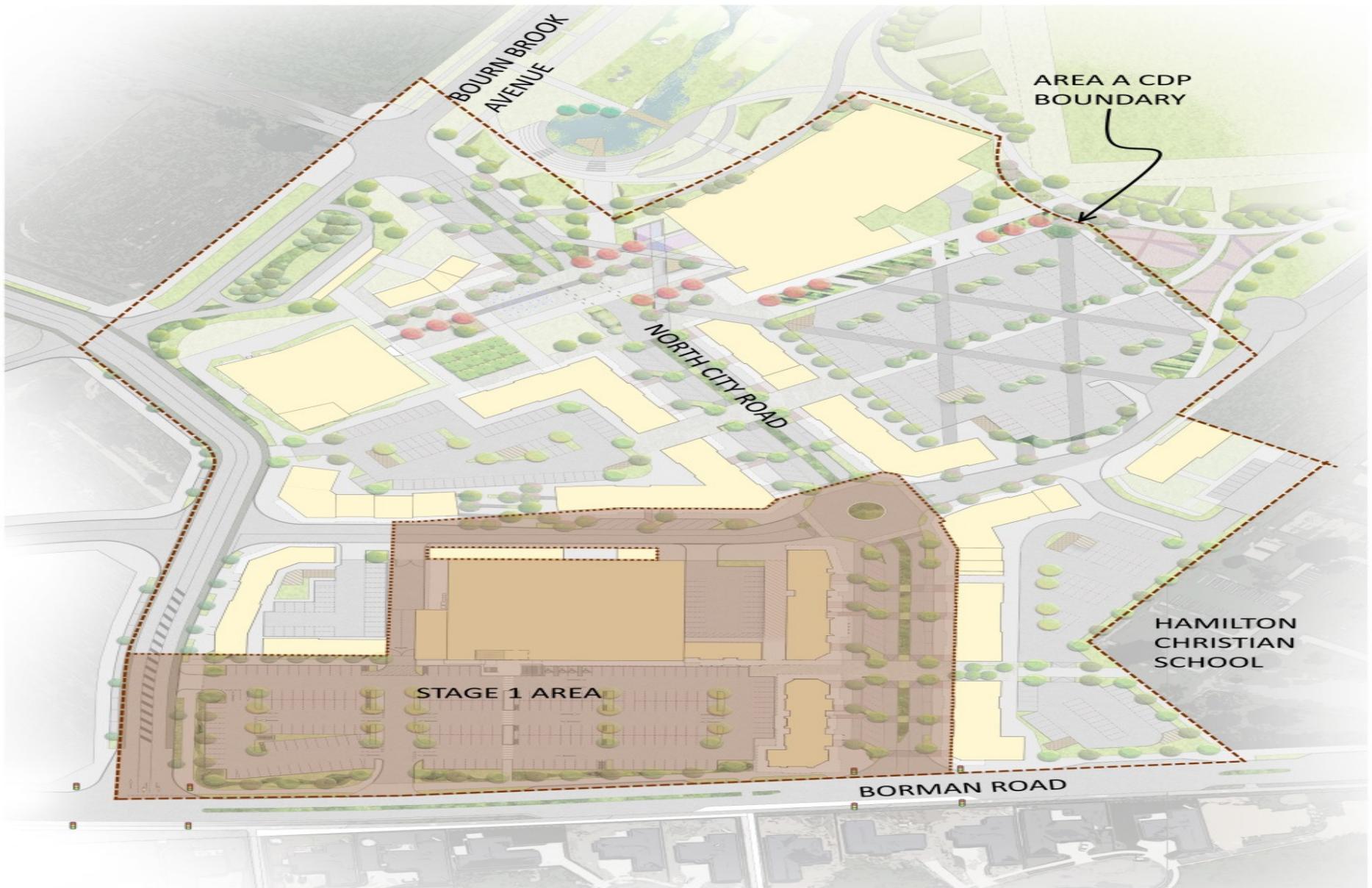
RETAIL

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RETAIL WITH OFFICES AT FIRST FLOOR

Staging



Area A Overview



Stage 2 Development

- Timing of stage 2 development is uncertain
- Development of stage 1 and surrounding areas will prompt stage 2 development
- Identified lack of facilities in Rototuna area – anecdotally there is a need for more community hubs

Options

- Staged development of community facilities
 1. Public Square and Library
 2. Aquatic Facility – learn to swim or larger facility
 3. Alternative uses require investigation
- Unfunded proposal to 10 Year Plan outlining options for consideration