

Long-Term Plan 2024-34 Council Briefing

14 November 2023

Discussion Outline

- Recap of prior briefings
- Capital Works Programme – Responses to Queries
- Economic Development Initiatives (Opex)
- Financial Strategy – Key Considerations
- Key Take-Outs
- What's Coming Up Next?

Recap of prior briefings

- Draft average rates increase for year 1 is currently 12%. Options to reduce rates further to 8.86% ongoing.
- Chief Executive imposed reduction to future staff growth (capped at 436 – not 452). Staff vacancy loading based on 3-year average. Personnel increase currently increasing rates by 1.1%. Normally more than 3%!
- Non-rates funded depreciation increase of \$4.7 million (5.1% average rates reduction).
- New budget bids (opex) capped at \$2 million by Chief Executive. Details provided.
- Year 1 capital works programme estimated to be \$105 million. This has been reduced to \$71 million in Y1 to reflect deliverability.

Recap of prior briefings

- Details of capital works programme for years 1 to 3 provided. Additional details requested.
- New capex budget management proposal was tabled. Agreement to managing capital works programme within overall budget by shifting budgets between projects under strict controls.
- Councillor and Community Board initiatives from prior workshops were noted, but need further consideration. These are not included in any opex and capex budgets at this stage. Details to be presented on 28 November.
- Holding insurance premiums at current levels was not favoured as an option to reduce rates at this stage. Further work is being done and will be presented to Council in February/March 2024.

New Budget Initiatives (opex)

Initiatives Description	Reason for change	Priority	Initial Request \$000's	2024/25 LTP (draft) \$000's	Increase / (Decrease)
SH1 revocation (additional 14km of network) and responding to network issues	Increased costs	Must	1,600	610	(990)
Wastewater PH correction (resource consent requirement)	Respond to legislative change	Must	390	390	-
Mahara Gallery funding	Top 10 Priority	Must	520	520	-
Revised operational cost linking to the Assets Management Plans	Increased costs	Must	290	252	(38)
Tracks and trails maintenance*	Activity level of services change	Could	75	75	-
Coastal and restoration planting	Top 10	Should	70	70	-
Delivery culture and creativity strategy and arts and museums support	Top 10 priority	Should	83	83	-
Total			3,028	2,000	(1,028)

* Under review based on feedback from Climate & Environment Subcommittee

Councillor initiatives

Workshops were held with Council to determine what they wanted to see in the LTP. The following was workshopped but is not included in the LTP at this point:

Additional initiatives:

- 1. Progress a 'social needs' assessment (Vote: majority)
- 2. Raumati Pool upgrade (Vote: majority – this is on the operational list as well)
- 3. Otaki Lake management and improvement (Vote: majority)

Not majority, but endorsed:

- Youth development budget (vote: 3)
- Progress restoration of Wharemauku stream (vote: 3)

Additional revenue generating initiatives:

- 1. Ecotourism and resilience – build multipurpose tiny/glamping huts that are rented, but available for periods of emergency, to support tourism and job growth (Vote: majority)
- 2. All-of-government multipurpose facility – collaborative build between central and local government, central government contributes to fit out and pays rent (Vote: majority)
- 3. Indoor sports facility – build and rent facility out for sports and business events (Vote: 4 – this is on the operational list as well)

Community Board initiatives

A workshop was held with Community Boards to determine what they wanted to see in the LTP. The following initiative came out of that session – they are not included in the LTP at this point:

Initiatives to support new revenue streams with majority support

1. Solar generation/solar farm/renewable energy generation (multiple initiatives combined).
2. Don't invest in Otaraua Park as a sports park. Sell it or use land for commercial partnership (we provide the land and someone else develops it).
3. Establish Trails trust to manage the CWB network (maintain, improve, build network for tourism and general recreation. (The CWB will need significant funding to maintain and grow, a trust would take the burden off ratepayers).

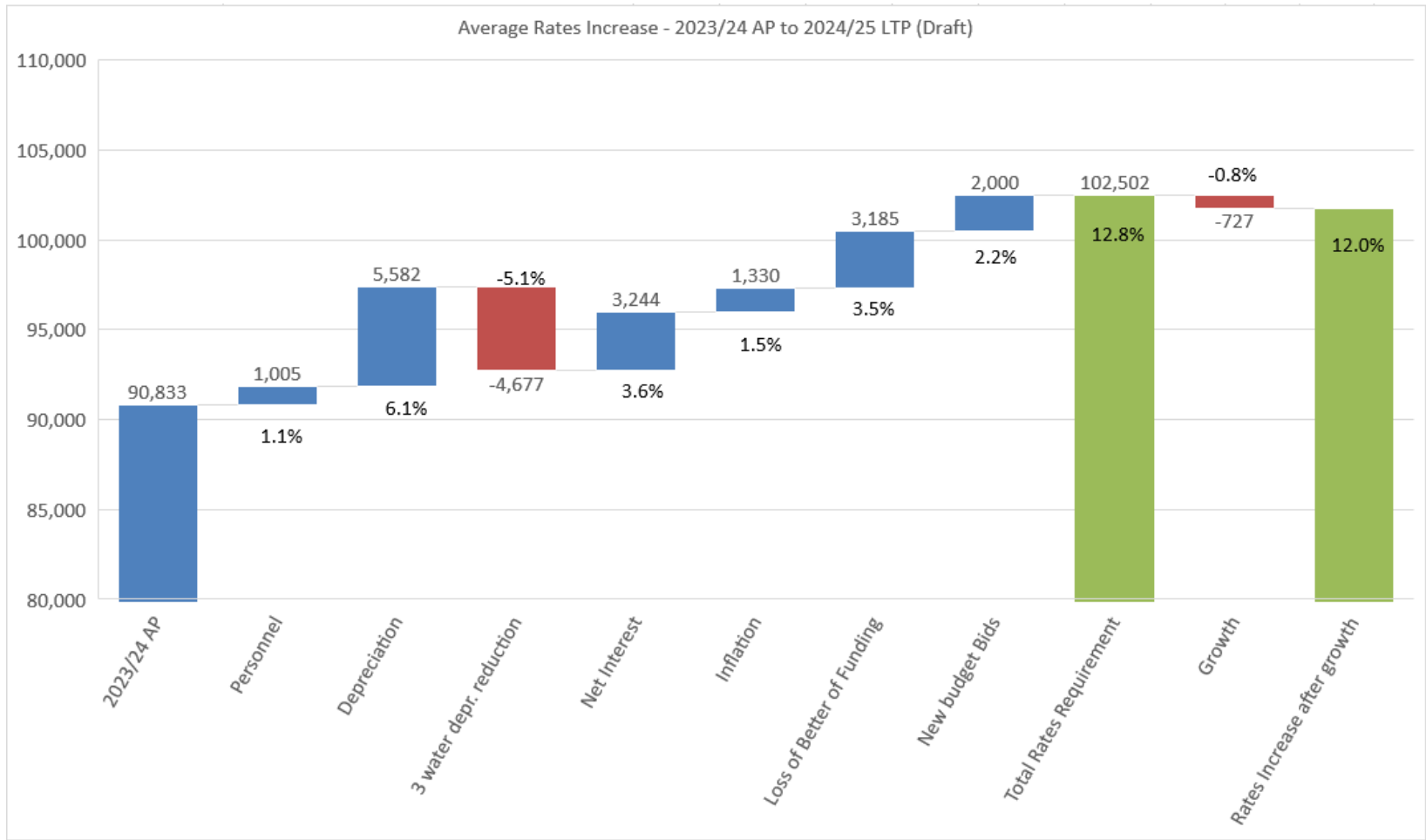
Endorsed but not majority support

1. Co-working/artisan business hub popup.

Initiatives for development endorsed but not majority support

1. Wainuiwhenua projects – energy, housing, environment
2. Develop Waikanae Park
3. Develop Waikanae Beach Hall
4. Whale Song (cornerstone investor - \$3 million)
5. Funding for Te Ara Korowai
6. Urban design panel for Otaki to guide development to support good growth (aesthetics around town, ability to move around the town etc).

Year one drivers of the rates increase



1% = \$908,000
 0.5% = \$454,000
 0.1% = \$91,000

Non-discretionary increases

Depreciation	1.0%
Net interest	3.6%
Inflation	1.5%
Subtotal	6.1%
Loss of BOF	3.5%
TOTAL	9.6%

Options to Reduce Rates Increases

	\$000	Rates Impact %	Running Total Rates Impact %
Draft average rates increase (after growth) as at 9/11/23			12%
<u>Options to reduce rates further:</u>			
Reduce insurance cover to maintain 2023 premium – NOT AGREED TO on 9/11	(669)	(0.74%)	11.26%
Changes to levels of service	(2,848)	(3.14%)	8.86%
Total	2,848	3.14%	

Note – Councillor and Community Board initiatives are not included in any budgets. **Not expecting any further funding requests?**

2024 LTP Capital Works Programme

Activity	Year 1	Year 2	Year 3
Access and Transport	14,120	17,211	14,774
Coastal Management	2,734	4,085	12,552
Community Facilities	7,493	12,958	15,448
Corporate	2,593	1,693	3,303
Governance	-	32	-
Tangata Whenua	116	1	3
Parks and Open Spaces	1,709	5,858	8,542
Recreation and Leisure	1,130	671	1,011
Sustainability & Resilience	452	989	2,446
Stormwater Management	6,872	4,755	15,401
Wastewater Management	10,218	7,785	13,975
Water Management	23,203	14,666	11,547
Grand Total	70,641	70,704	99,001

Capital Works Programme

Responses to Queries

Capex Question	Answer
Does the Town Centres programme of \$2.38m in Y1 include Otaki?	Yes - Otaki is included and other town centres are included.
What is the \$1.2m under Community Facilities funding contributions	This is for the Paraparaumu College Gym Sport Centre.
What is the \$35k for Y1 and \$24k for Y2 for the Paekākāriki surf club?	Up-keep of car parks & surrounding areas.
Does the Community Halls include Waikanae Beach Hall?	Yes, Waikanae Beach hall is \$55k
What is Museums and Theatres in the Community Facilities asset renewal?	Mainly the Otaki Museum
What is the Otaki Beach Development?	Revamp the area for parking, beach accessways & new/upgraded amenities.
Why are there still budgets for Otaraua Park \$194k for Y2 and \$383 for Y3?	This is for irrigation and filtration maintenance.

Economic Development

- At the public briefings held on the 7 and 9th November, Councillors queried what funding and initiatives were included in the draft Y1 budget for Economic Development.
- Included in Y1, is approx. \$1.4 million for economic development. Details are provided in the next slides. Importantly, this excludes any changes to Wellington NZ funding via GWRC.
- Note: The Strategy and Growth budget decreases by \$1.8 million in Y4 of the 2021-41 Long Term Plan. Included in the 2023/24 rates revenue requirement is \$1.8 million in Strategy and Growth.
- The draft 12% rates increase for Y1 of the 2024-34 Long Term Plan includes retention of \$1.8 million for Strategy and Growth. Almost all of this has been assigned to ED initiatives and implementation.
- Importantly – retention of \$1.8 million in Strategy and Growth is NOT increasing rates in 2024/25 and beyond.

Economic Development Operating Budget

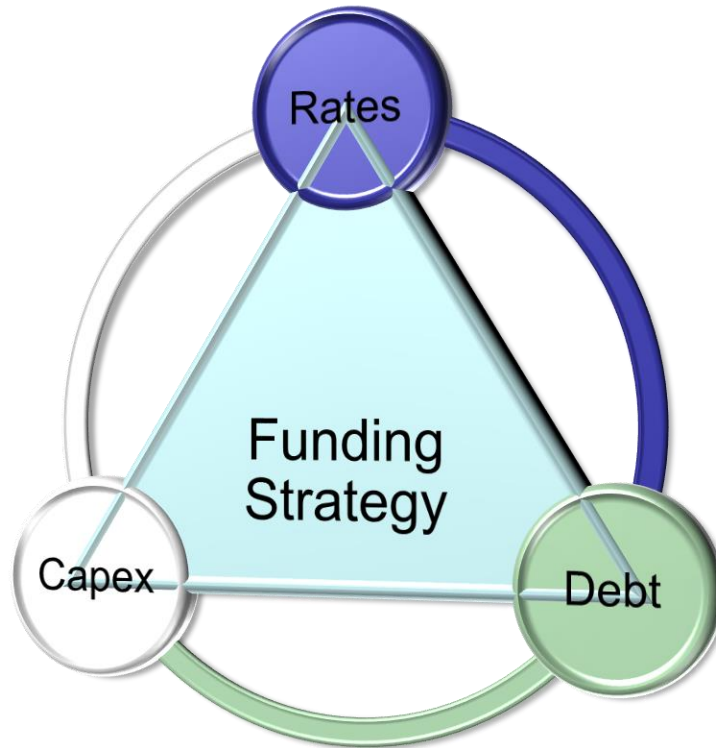
	2024/25 LTP (draft) (\$000's)
ED OPEX Funding Initiatives include:	
Continuation of Kapiti Destination Story Work	150
Major Events (increased by \$80k)	300
Business Association Support	50
Multi Day Trails – Feasibility Study	50
Maori ED and Wellbeing Strategy	50
New, ED Kapiti Board Trust	228
New, Special Purpose Vehicle	100
Website for tourism	25
Marketing and Tourism	150

Economic Development Operating Budget cont...

	2024/25 LTP (draft) (\$000's)
ED OPEX Funding Initiatives include – Cont':	
Sponsorship	40
Youth Development and Employment	100
Business Capability Support	50
Start-Up Ecosystem	30
Business Attraction	30
Sustainable Business	15
Visitor Attraction	65
Research	30
Total ED Funding Initiatives	1,463

Financial Strategy – WIP

LTP 2024/25 (draft) 12%



LTP 2024/25
(draft) \$71m

LTP 2024/25 (draft) \$295m

The 2024 financial strategy – a starting point

18-28 strategy – “achieving a balance”

Measure	Lower limit	Preferred limit	Upper limit
Rates increases	2.9%	3.9% - 4.7%	5.5%
Net Debt	\$nil	< 200% of total operating income	Lesser of \$200m and 240% of total operating revenue
Gross capex (deliverability)	\$15m	\$25m - \$35m	\$38m

The 2024 financial strategy – a starting point

21- 41 strategy – “investing for growth”

Measure	Lower limit	Preferred limit	Upper limit
Rates increases	3%	4.5% - 6.9%	9%
Debt	\$nil	< 250% of total operating income	280% of total operating income
Gross capex (deliverability)	\$30m	\$40m - \$60m	\$80m

The 2024 financial strategy – a starting point

- **2024 strategy** – hybrid of both
 - Short-term (~2024/25 – 2025/26) slowing things down. Affordability - household cost pressures and districtwide property revaluations.
 - Mid-term (~2026/27) when interest and inflation settle and three waters debt is being paid down, we will have more capacity.

Financial Strategy Think Tank

- Debt Down – Stay Down: Affordable Waters once in a lifetime opportunity to repay debt. Debt – interest charges – rates increase – fixed cost pressure. How
- How do we reduce debt further but retain service levels? Explore small rates funded surplus to reduce debt further.
- Recovery Funding - explore creating "reserved" debt head-room for recovery funding if needed (natural disasters – non-earthquake)

Financial Strategy Think Tank

- Explore a shift from depreciation funding to a debt funding model. This is because rising capex costs and substantial uplifts to asset revaluations are substantially increasing depreciation which is a key driver for rates increases.
- S&P Global – concerns raised regards 5 year back-to back debt repayment proposal under Affordable Waters and Council on negative outlook based on much higher capital works programme and opex spend than their forecasts. Need to return to comfortable ranges.

Key Take-Outs from Today

- Draft average rates increase for Y1 currently sits at 12%. Note uncontrollable cost increases sit at 9.6%. Further work to reduce further to 8.86% ongoing.
- Strategy and Growth retain \$1.8m opex budget - no rates increase in 2024/25. Approx. \$1.4 million allocated to ED initiatives and implementation.
- Financial Strategy – Develop hybrid Strategy of 2018 & 2021 LTPs. 2024 will explore tighter self-imposed net debt to operating revenue to create debt headroom for "Recovery Funding/Unplanned Shocks". Debt Down – Stay Down, shift from depreciation funding to debt funding – is pure inter-generational funding sustainable in 2024 and beyond?

Options to Reduce Rates Increases

	\$000	Rates Impact %	Running Total Rates Impact %
Draft average rates increase (after growth) as at 9/11/23			12%
<u>Options to reduce rates further:</u>			
Changes to levels of service	(2,848)	(3.14%)	8.86%
Total	2,848	3.14%	



What's Coming Up – The Plan

14 November 12.30pm		16 November 2.00pm	
12.30pm	<p>Recap on previous session.</p> <p>Continue with financials, with</p> <p>live modelling what's in and what's not (starting point is waterfall).</p>	2.00pm	<p>Recap on previous session.</p> <p>Respond to any queries raised on 14/11</p> <p>Consider any further rate reduction options identified since 9/11.</p> <p>Additional capex initiatives?</p> <p>Test consultation Topic Ideas?</p>
28 November time 1pm		30 November 1.30pm	
1.00pm	<p>Brief financials recap.</p> <p>Community outcomes & performance framework.</p> <p>Discuss & agree consultation topics.</p>	1.30pm	<p>Confirm performance measures.</p> <p>Continue to discuss and agree consultation topics.</p>
7 December 2.30pm		12 December 1.30pm	
2.30pm	<p>Finalise financials</p> <p>Rating system review</p>	1.30pm	<p>Development Contributions policy</p> <p>Significance & Engagement policy</p> <p>RFP & remission/postponement policies</p>
14 December 1.30pm			
1.30pm	<p>Finalise all proposals for audit, preview early draft of consultation document, communications and engagement plan, the 2024 timeline.</p>		