

**PAPAIOEA
PALMERSTON
NORTH
CITY**

PALMERSTON NORTH CITY COUNCIL

**ATTACHMENTS
EXTRAORDINARY COMMITTEE
OF COUNCIL
UNDER SEPARATE COVER**

**1PM, WEDNESDAY 2 MARCH 2022
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH**

EXTRAORDINARY COMMITTEE OF COUNCIL MEETING

2 March 2022

Under Separate Cover

- 4. Annual Budget (Plan) 2022/23 - Adopting Supporting Information and the Consultation Document**
 - 9. Consultation Document Page 4
 - 10. Supporting Information for proposed Annual Budget Page 28



PALMY™

PARAIDEIA
PALMERSTON
NORTH
CITY

DRAFT

**Annual Budget
2022/23
Consultation**

(Year two of the 10 Year Plan 2021-2031)

PNCC.GOV.NZ/ANNUALBUDGET

Matawhānui Papaioea
Palmerston North vision

**He iti rā,
he iti pounamu**

**Small city benefits,
big city ambition**

Whāinga 1: He tāone auaha, he tāone tiputipu
Goal 1: An innovative and growing city

Whāinga 2: He tāone whakaihihi, tapatapahi ana
Goal 2: A creative and exciting city

Whāinga 3: He hapori tūhonohono, he hapori haumaruru
Goal 3: A connected and safe community

Whāinga 4: He tāone tautaiiao
Goal 4: An eco city

Whāinga 5: He Kaunihera ahunui, whakamana i te iwi
Goal 5: A driven and enabling Council



2021 was tough for everyone, a second year navigating the ever-changing restrictions and shifting sands of the Covid-19 pandemic.

It's hard out there for individuals, families and businesses alike, with petrol, mortgage rates and the price of food increasing.

We're also not immune to these issues. Just like you, we're seeing price hikes for everything we do, from construction and supply issues, to the interest for our debt. The flow on effect of these, plus supply chain constraints and difficulty getting skilled contractors that we need to deliver our projects, has also impacted on what we have been able to deliver.

We know that is not ok when your other bills are going up too. So, we've taken a hard look at our work, thinking about what we could delay and what is still feasible, considering major supply chain issues and the current shortage of available contractors.

As a council we take our role in supporting our economy seriously. Our construction projects typically involve a number of contractors, all employing locals and sourcing from local suppliers. Supporting our businesses and the employment they provide signals that we believe in Palmy's potential and will continue to invest in our city's economy.

We've done our best to strike a balance allowing us to continue delivering, and improving, your essential services, while deferring some work until later. We want to hear from you if we've got that balance right. What services do you consider an absolute must? What type of things do you think we could do without for a while? This is the place for you to tell us what the priorities are for you. Please see the information at the back of this booklet to make a submission.

Difficult decisions are best looked at from all angles, with all the information available so please let us know your views, we're listening.

We've achieved some great things over the last 12 months!

Bunnythorpe Community Centre

Bunnythorpe residents now have a place to meet and be together following the completion of their 168m² community centre.

Duplicate water main

Palmy now has a resilient drinking water supply, following the two-year construction of a second water main. This means that if we have an earthquake, or operational issues, we should still be able to supply the city water.

Memorial Park upgrades

The city's most accessible playground was the highlight of winter for Palmy kids in 2021, followed by the opening of the region's only free splashpad over summer.



Peace Tree Reserve

The cutting of a plant that survived the Nagasaki bombing now has prime position at the city's newest reserve in Summerhill.

Major safety upgrades

We upgraded the Monrad/Pencarrow intersection to include a roundabout. We re-aligned the entrance to the Victoria Esplanade at the intersection of Park Rd/Cook St and we made major safety improvements to the Pioneer/Lyndhurst intersection. We also completed a major revitalisation of the Cloverlea roundabout, and added asphalt speed bumps at locations in Milson, Cloverlea, Highbury and Summerhill.

Major city water upgrades

2021/22 has been a big year for our water network, with major projects along Tremain Ave, Church St, Victoria Ave, Keith St, the Cloverlea roundabout and many suburban streets. We've also replaced some of the pumps that help move our wastewater through the various stages of treatment and carried out some seismic upgrades to the Wastewater Treatment Plant.



Manawatū River Entrance Victoria Esplanade

Our residents and visitors now have an accessible entrance from our premier park to our awa, made even more special by its ode to the scenic railway and signature lighting.

We've got some important projects coming up too.

Papaioea Place social housing

This coming year will see the completion of our social housing redevelopment at Papaioea Place where we'll finish the remaining seven houses and a tenant's lounge. At completion this innovative project will see the former 48 homes converted into 85 new ones – a 77 per cent increase!



Tamakuku Terrace

We've been converting some of our land on James Line into sections for the public to build their dream home. Construction started in January 2021 and we're planning to issue titles in August 2022.

Railway Road bore

We're preparing for our growth by ensuring we have adequate water for residents and businesses in the North East Industrial Zone. The Department of Internal Affairs contributed \$750,000 towards this project.

City Centre transformation

Our vision to make the city centre a great place to work, play and live will take a major step forward with three major projects. Part of Cuba St Street will be transformed to a more pedestrian friendly connection between our city centre and Central Energy Trust Arena. We'll also be completing the next stage of the Streets for People (The Square) development. And, we'll be making it more efficient for people to move around the city centre, rather than through The Square, by widening Ferguson Street between Linton and Pitt Streets and making safety improvements. We're planning to consult with the public on our Cultural and Civic Masterplan in early 2023, which focuses on vital seismic improvements needed on some of Palmy's favourite cultural destinations.

Cycleways

We've completed two cycleways in our Urban Cycle Network Masterplan and will soon be talking to our community about what's next, focusing on providing safe cycleways while ensuring good outcomes for businesses and residents.

Seismic strengthening

Vital work to safe-guard our essential services continues this year, with a focus on our Water Treatment Plant and Crematorium at the Kelvin Grove Cemetery.

Albert Street river entrance

This popular entranceway will be transformed this year to make our awa more accessible.

Animal shelter

We'll be building a new animal shelter to take care of our city's furry friends in their time of need. Our current animal shelter no longer meets animal welfare standards, so this project is an important step forward.

We have some challenges...

While Palmy is doing relatively well economically, the city has some significant drivers adversely affecting the financial landscape and set to continue to over the next year.

Interest Rates

You've probably noticed the interest rates for some of your debts increasing (especially things like your mortgage rates). Our interest rates for our debts are also increasing. In our 10 Year Plan our assumed interest rate was 2.8 per cent. We have adjusted that in this budget to 3.1 per cent.

Contractor availability

Palmy is going through the highest growth period since the mid 1970's. Building consents have risen significantly over the last few years and there are other very large projects within the region requiring a huge amount of labour such as Te ahu a Turanga gorge highway project and construction of Mercury's Turitea windfarm. While this is great news for our local economy it also means we are competing with many others for the services of a finite group of local contractors. The reality of this is some of our projects are simply unable to be carried out in the projected timeframes.

Supply shortages

It's the same with supply chain issues. Progress may be humming along until we cannot source a certain product or piece of equipment, because it's somewhere in the middle of the ocean.

Inflation

Our budget has an assumed inflation of approximately 2.3 per cent (based on forecasts prepared for local government by BERL). Recent indications are that inflation for many sectors could be significantly higher than this. There is a risk therefore that we will struggle to deliver some services within the budget assumption.

Impact of Covid-19 pandemic

Our budget makes some assumptions as we continue to grapple with the ongoing impacts of the pandemic. These include:

- That we will be able to deliver the normal levels of service, including events, as projections are that the peak of the Omicron wave of infections will have passed before the start of the new financial year in July and that some of the restrictions may have eased by then.
- That there won't be an impact on external revenue.
- That ratepayers will continue to be able to pay their rates. (we accept that in a small number of cases that may not be possible).

Three waters reform

The Government has confirmed that a new entity will take over our water functions from 1 July 2024. A significant number of other councils have expressed serious doubt about the detail of the proposal but the Government continues to signal it remains committed to the reform and the timetable for change. There has been some delay to the planned release of the draft legislation to drive and enable the change. This does not impact on this budget.

Less income from Central Energy Trust Arena, Palmerston North Airport and Palmy Conference + Function Centre

Many of our usually popular venues and businesses are seeing significant loss of revenue as they are heavily hospitality based. With an easing of Covid-19 settings these should begin to ramp up again slowly but there will be a delayed effect on our financial intake for the next financial year.

You can read more about our challenges and the changes we've made to Year 2 of the 10 Year Plan programmes in the supporting information available on our website pncc.govt.nz/annualbudget

What's changed since the 10 Year Plan?

We need less money for:

- Nature Calls – In September 2021, Council selected its Best Practicable Option for how it will manage and treat its wastewater for up to the next 35 years. Now that this decision has been made, this programme moves from an operational programme which has a direct impact on rates immediately, to a capital programme, (for preparing and lodging the resource consent application to Horizons Regional Council, and the future construction) where we pay off the costs over time.
- We've reassessed the timing of our Asset Management improvement plan.

We need more money for some operational programmes. These have a direct impact on rates in the coming year:

- Costs of rising insurance premiums and increasing sums that are insured.
- In 2021, Council brought over the International Education and City Marketing functions from CEDA to be delivered in house.
- Remuneration changes for Elected Members.
- Increased cost for the 2022 Election now that the District Health Board won't be included due to the establishment of Health NZ.
- To ensure Council is meeting the standards for Health and Safety.
- An increase in the remuneration budget to fund increasing services and to be able to recruit and retain staff in a very competitive market.
- Covid-19 Events funding – Following the March 2020 lockdown, we reduced the funding for events due to the ongoing uncertainties. Now that we are in the Traffic light system, there is a good chance that Summer 22/23 will have events, so we need to reinstate the original budgets.
- Anzac Day – It's been costing us more to hire the equipment to host the dawn and civic ceremonies over the past few years. As Anzac Day has been recognised on a Monday, this has also seen an increased cost for staff and contractors.
- Growth planning – We need additional resource so we can re-zone some more land for housing. This funding will provide resources to advance significant residential and industrial planning projects including Aokautere, Kākātangiata, Ashhurst, Roxburgh Crescent and the North East Industrial Zone.
- Manawatū Jets sponsorship – The Manawatū Jets approached Council for sponsorship funding, and this was approved.

Council is also considering two new Operational Programmes:

- Consider forming a heritage advisory panel to advise on Council projects. This has an estimated cost of \$135,000 per year. The additional funding will be used to employ a specialist heritage planner, establish and coordinate the heritage advisory panel and undertake research on heritage themes. The heritage advisory panel will operate on a voluntary basis and provide advice on the preparation and implementation of heritage themes as part of Council projects.
- Consider providing one free rubbish bag per month to low income users to see if this helps reduce the amount of rubbish being put in people’s kerbside recycling bins. This has an estimated cost of \$165,000 per year.

Major changes to timing of some Capital Programmes

- The impacts, primarily of Covid-19, have resulted in significant delays to the programme of new capital work for 2021/22. We’ve reassessed what is realistically achievable and will need to carry forward \$XXXm of incomplete programmes to 2022/23 and 2023/24, and defer \$XXXm work originally planned 2022/23, to later years.

There’s been other changes to our Capital Programme costs too.

For Capital Programmes, we borrow money over long periods of time to cover the cost, and slowly pay it back (just like a mortgage). Costs can only be capital if they are for new infrastructure, rather than day to day costs of running the city.

These include:

- Improve participation in Council and Committee meetings by improving audio visual equipment in our Council Chamber.
- Upgrading screens to filter out unwanted items entering our Wastewater Treatment Plant.
- We need more than we’d forecast for meeting the Government’s new Healthy Homes standards for our social housing units. These centre around heating and ventilation requirements.
- We need slightly more than forecast to complete the final stage upgrades of Papaioea Place Social Housing, where we are building the final seven homes and a tenants lounge.
- Streets for People – to reflect slight change in project scope we have reduced the budget for this.
- Funding is required to upgrade the Lido filtration system for the outdoor pools and slides, after it was identified that changing the filtration system was the most cost effective long-term solution to address backwash water entering the stormwater system.
- The section of James Line (between Schnell Drive to Kelvin Grove Road) needs ongoing maintenance and we consider it more cost effective to complete the full upgrade now rather than in 2025.
- We need critical equipment to ensure compost processing meets allowable methane standards.
- Due to the city’s growth, we need to increase the budget slightly to cover the cost of new wheelie bins and crates.

ITEM 2 - ATTACHMENT 9



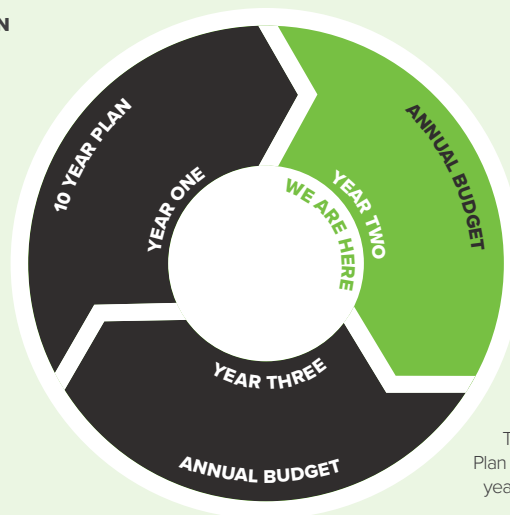
Key Points of the Annual Budget for 2022/23

- Total rates increase of **X.X per cent** (The 10 Year Plan assumed it would be 8.1 per cent).
- Residents will continue to receive the same service from Council with some minor improvements.
- Council's gross debt at **30 June 2023** now projected to be **\$XYZ million – \$XYZ million** less than previously estimated.
- Council's programme of planned capital expenditure has been reviewed and the timing for many projects deferred. Recognising resources and supply chain difficulties.

Our budgeting process

YEAR 1 OF THE 10 YEAR PLAN

Our 10 Year Plan is prepared in consultation with the community. This includes the budget for Year 1 as well as our plans for the future.



YEAR 2 OF THE 10 YEAR PLAN

An Annual Budget for the financial year is prepared and highlights any differences from the 10 Year Plan. It will also set the rates for the financial year. This will be finalised in June 2022.

YEAR 3 OF THE 10 YEAR PLAN

This is based on Year 3 of the 10 Year Plan and will set the rates for the financial year. In Year 3 pre-planning work on the upcoming 10 Year Plan begins.

WHAT IS A 10 YEAR PLAN?

The 10 Year Plan is designed to bring our vision and goals to life, and covers the services we provide, upkeep of the city's infrastructure, and new projects that'll make our city an even better place to live in. We prepare a new 10 Year Plan in consultation with residents every three years.

WHAT IS AN ANNUAL BUDGET?

Every year we prepare an Annual Budget (Annual Plan) that sets out what we plan to do in the current financial year and how this impacts on your rates and Council's debt. Our Annual Budgets are based on our 10 Year plan which sets out what council will do for residents over a ten-year period.

Last year we adopted our 2021-2031 10 Year Plan, which is the basis for this year's Annual Budget (Year 2).

