



PALMERSTON NORTH CITY COUNCIL

MINUTES ATTACHMENTS COMMITTEE OF COUNCIL

9AM, THURSDAY 26 MAY 2022
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION
BUILDING
32 THE SQUARE, PALMERSTON NORTH

COMMITTEE OF COUNCIL MEETING

26 May 2022

5 2022/23 Annual Budget - Moving Forward

1. Presentation - Annual Budget 2022/23 Moving Forward

4

Annual Budget 2022/23

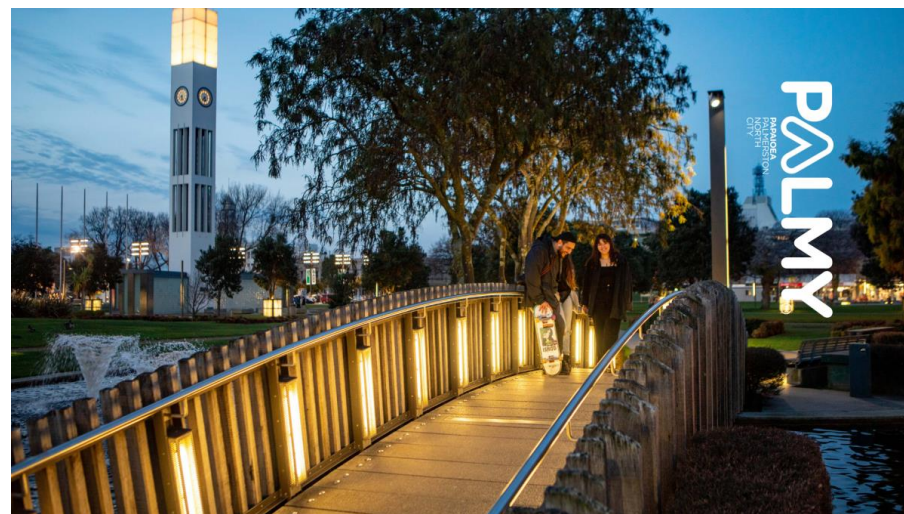
Committee of Council

26 May 2022



TODAY

- Formally receive and consider public submissions on the proposed 2022/23 Annual budget (Plan)
- Receive and consider updated officer advice
- Determine approach & provide guidance so officers can prepare draft of Budget document for consideration at Committee of Council meeting on 15 June.



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PROPOSED APPROACH

- Officer presentation
- Questions for clarification
- Progressively work through recommendations

Recommendations

- Engagement summary (1), submissions summary (2) & comments on submissions (3)(separately circulated)
- 4A – rating system
- 5B – use of operating surplus (updated schedule)
- 6C – proposed budget changes (separately circulated)
- 7D – prioritised capital programme
- 8E – proposed carry forwards programmes
- 9F – proposed amendments to capital programmes
- Interest rate assumptions



INTRODUCTION

Setting the scene

Chief Executive & Chief Financial Officer



KEY FINANCIAL ASSUMPTIONS

- Key financial assumptions have been reviewed & the updated position is outlined

See pages 21- 22 agenda

Interest rate for debt:

- Proposed AB assumption was 3.1% (up from 2.8% in 10YP)
- Rapid market changes – revised assumption is 3.4% (increased cost of \$615k assuming same debt levels as proposed AB – may be able to be reduced depending on final budget borrowing requirements)

Inflation:

- Current BERL assumptions are low compared with latest rapid increases in CPI and other cost indices
- Propose no change but recognise significant risk that services may not be able to be delivered within budget



ENGAGEMENT

- Actively promoted engagement process using various media channels including virtual sessions
- Property search tool used to demonstrate rates impact for individual properties
- 340 form submissions received

Submissions

- As anticipated the majority of submissions were driven by the extent of the proposed increase for many residential ratepayers brought about by the changing incidence due to the effect of the latest city revaluation
- 'planter box' cycle lane barriers still received some comment
- The condition of the roadway in Vogel St was the subject of the petition with over 500 signatories
- Staff remuneration received a no. of comments
- Comments about a wide range of specific issues



UNDERSTANDING THE REVALUATION

- Many people fail to understand the purpose of & results of the revaluation
- Land has become scarce & the market price for land, especially larger blocks capable of holding additional residential units, increased significantly but not consistently, throughout the City
- Under the valuation rules land is valued as vacant with highest & best use

2021 revaluation – professionally conducted with expected outcomes

- Updated valuations must be determined every 3 years so the rating base continues to reflect the latest market position
- The valuations reflect the market at a point in time (1 September 2021)
- They are assessed having regard for the Rating Valuations Act & Rules set by Valuer-General
- QV has an experienced & well respected team with great local knowledge – the revaluation process was conducted in a very professional manner with valuation outcomes that were consistent with our expectations
- Valuer-General audited the revaluation, was very satisfied it met the appropriate standards & issued his report implementing the new values that must be used by the Council to set rates from 1 July 2022



RATING PROPOSAL IN DRAFT AB

- Residential property's share of total LV increased from 68% to 72% (2018 to 2021)
- Commercial/industrial share of LV reduced from 13.5% to 10.7%
- Variations in LV increases throughout city means significant variations in rates increases between & within differential categories
- There is no fundamental problem or inconsistency in the valuations themselves – they appropriately represent the market & meet the valuation standards & rules

Budget proposal involved:

- Attempting to moderate impact of revaluation yet retain integrity of rating system by:
 - Increasing the surcharge for the general rate for commercial/industrial category from 165% to 180% (meaning Commercial/industrial rate-in-\$ would be 3.4 times that for single unit residential)
 - Reducing the UAGC from \$500 to \$300
 - Making some changes to the differential surcharges for multi-unit residential property & rural/semi-serviced property

Are there other options?

- A survey of other Council sought feedback on whether other approaches have been adopted - no other options were received
- Some minor further changes to differential surcharges may be appropriate



RATING PROPOSAL - OPTIONS

- Impact on individual ratepayers depends of final decisions regarding:

- Rating system
- Budgeted costs for services funded from fixed charges
- Overall total rates requirement

See pages 129-132 agenda

Option for consideration:

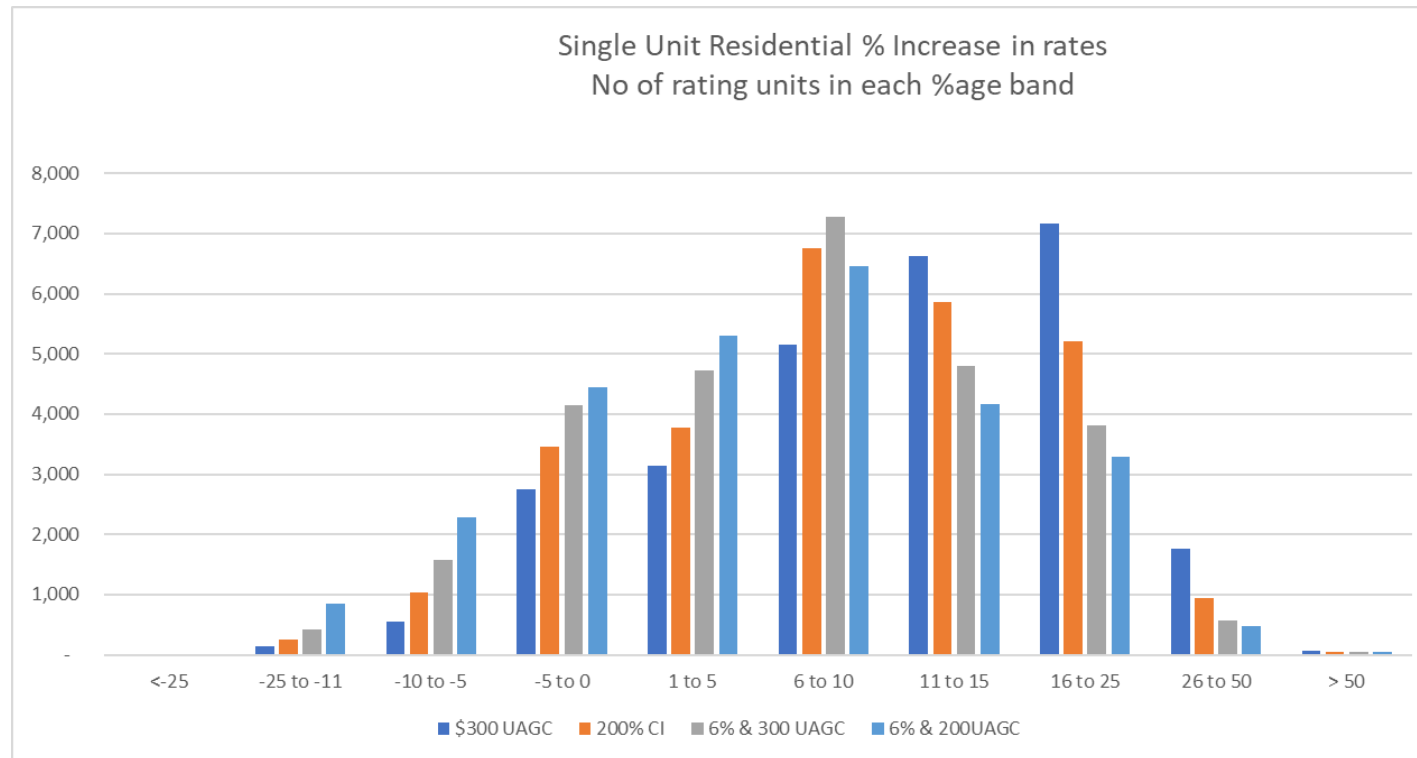
- Further increase differential surcharge for commercial/industrial - 200% is suggested
- Tested at 8.3% increase & at 6% increase (orange & silver bars on following graphs)
- Also tested 6% increase, 200% surcharge & \$200 UAGC (light blue bars on graph)

Impact:

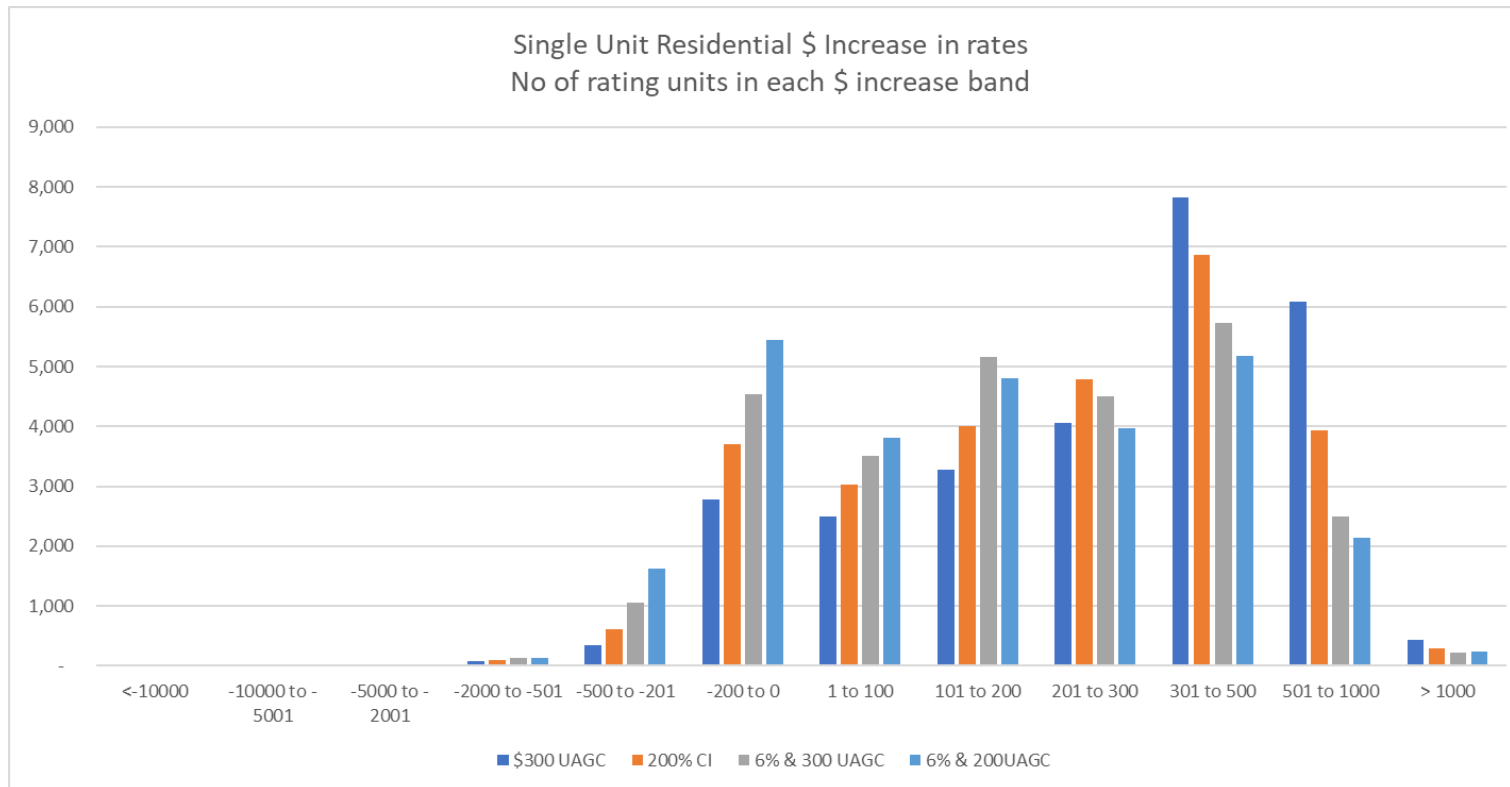
- At an 8.3% overall increase this change would transfer approx. \$2m in rates from single unit residential to non-residential sector & reduce single unit residential share of total rates from 65.1% to 63.6%
- It also reduces extent of increase for residential properties (e.g. 2,000 less properties with increase of between 16 & 25%)
- A lower overall increase further reduces the magnitude of individual increases
- No matter which option there are still some commercial/industrial properties with significant increases (see page 132)
- Lowering the UAGC even further (say to \$200) transfers more of the rates to be dependent on the values which transfers more of the overall rates to the commercial/industrial category. It also reduces the no. of single unit residential properties with large increases but does increase the rates for some residential properties that have had large %age valuation increases



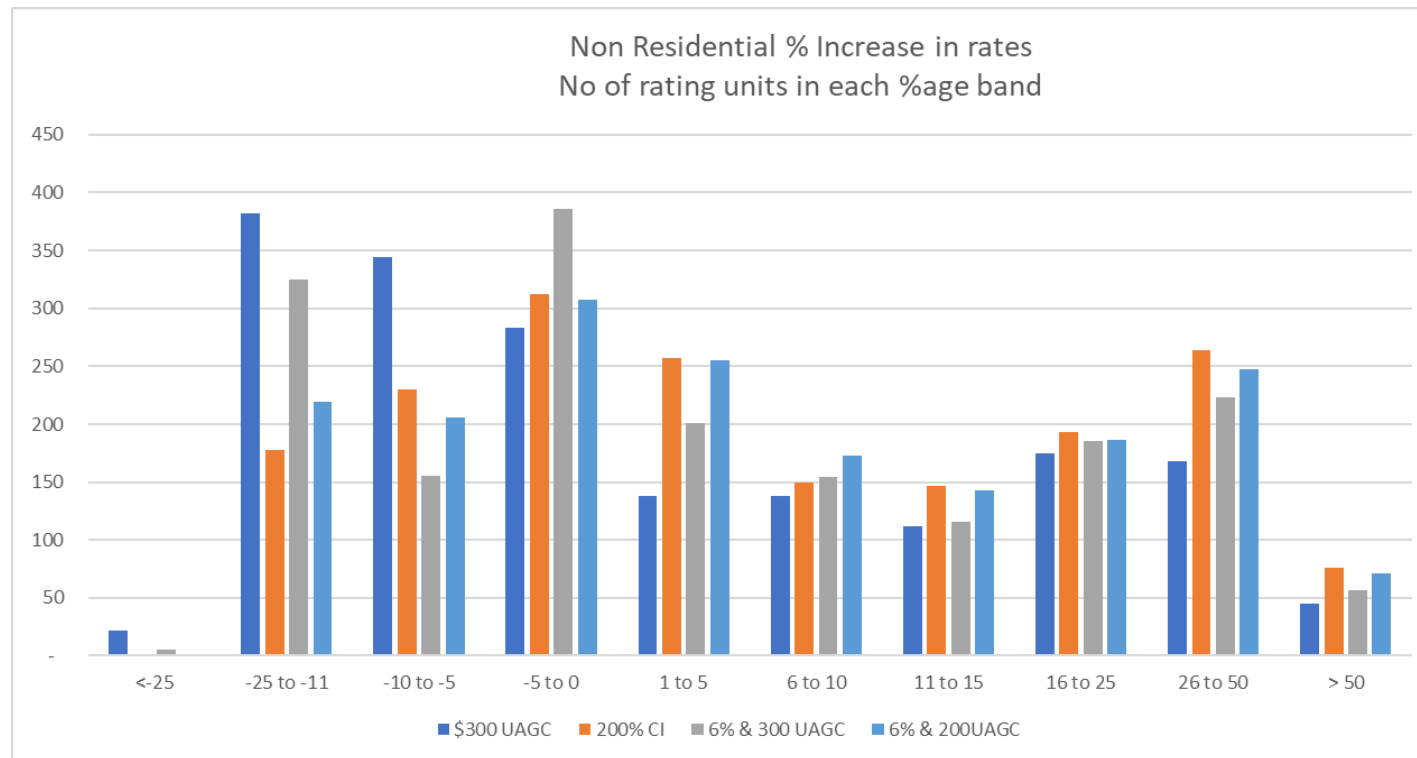
RATING OPTIONS – % INCREASE - RESIDENTIAL



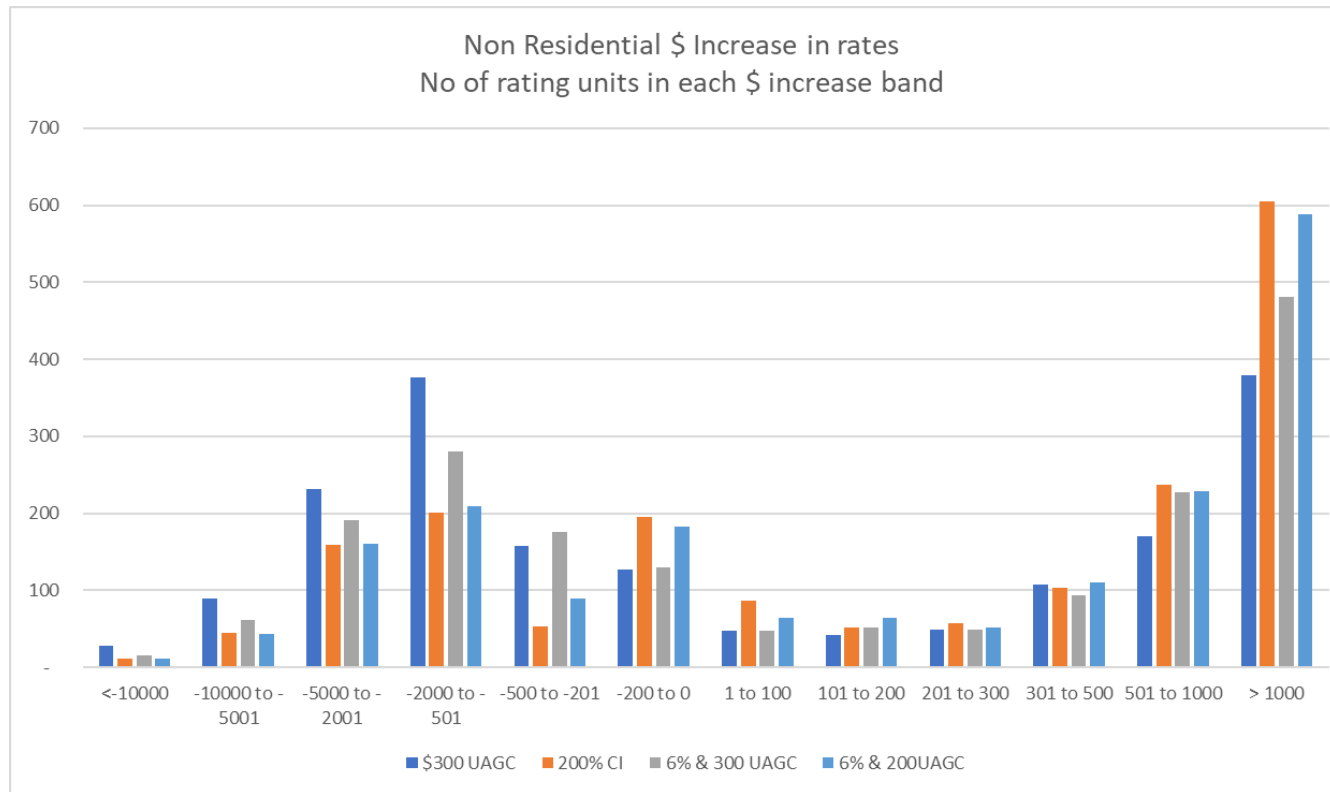
RATING OPTIONS – \$ INCREASE - RESIDENTIAL



RATING OPTIONS – % INCREASE – NON-RESIDENTIAL



RATING OPTIONS – \$ INCREASE – NON-RESIDENTIAL



POTENTIAL USE OF CASH OPERATING SURPLUS FROM 2021/22

- Policy is to use any cash operating surpluses in substitution for new debt
- Due to covid impacts surplus this year likely to be higher than usual
- If rates revenue is held artificially low (by using surpluses) it can impact on the rates requirement in the following year unless specific items are considered

See page 23 agenda & Attachment 5 Schedule B (revised version)

Proposal:

- Effectively ring-fence \$1.088m of operating cash surplus from 2021/22 to fund one-off operating programmes

Programmes suggested:

- One-off operating programmes as identified below

Prog #		\$k
1675	Covid-19 community relief	100
1913	Regional sport facility plan	20
2020	Digitisation of cemetery records	20
2025	Urban bus terminal redevelopment business case(sum shown is net as Waka Kotahi subsidy is assumed)	51
2055	Investigate Envirohub & resource recovery centre	103
2129	Free rubbish bag trial for low income households	65
2133	Portion of Health & Safety programme	500
2139	Delivering residential & industrial growth planning	200
2143	Traffic & Parking Bylaw review	30

POTENTIAL CHANGES TO OPERATING BUDGETS

- In response to submissions suggesting the rates increase is too high officers have prepared a schedule of possible reductions grouped in a range of categories by risk
- In addition \$30k has been incorporated for prog 2143 (traffic & parking bylaw review) & remuneration budgets have been updated with minimal overall change but some changes in the allocation to activities.

See page 24 agenda & Attachment 6
Schedule C (separately circulated)

Proposal:

Consider changes after assessing implications & risks

Category		\$K
4	Items to be incorporated	835
3	Low risk impact options (note –some identified as possibly being funded from 2021/22 surplus)	827
2	Medium risk impact options	681
1	High risk impact options	448
	Total	2,791



CATEGORISATION OF CAPITAL PROGRAMMES

- Infrastructure officers have assessed the current status of the proposed capital programmes in an effort to gain confidence of their ability to deliver

See pages 24-27 agenda & Attachment 7
Schedule D

Proposal:

Consider programmes as categorised (note this excludes proposed carry forwards)

	Capital new \$m	Capital renewal \$m
0 – Already under contract	15.9	5.0
1 - Safety/legislative requirements	14.9	12.7
2 – Risk of failure or increased costs if not done	3.4	10.2
3 – Community engaged/requested	1.5	0.0
4 - Other	4.4	0.3
Total	40.1	28.2



PROPOSED AMENDMENTS TO CAPITAL PROGRAMMES

- Officers have reassessed the capital programme budgets for 2022/23 & for the reasons outlined propose amendments to the budget provisions

See Attachment 9 Schedule F

Proposal:

Consider recommended changes to \$ amounts for capital programmes

\$M		Net increase for 2022/23
Capital new		3.20
Capital renewals		(0.26)
Total		2.94

KEY FINANCIAL ASSUMPTIONS

- Key financial assumptions have been reviewed & the updated position is outlined

See pages 23 - 24 agenda

Gov't “better-off’ funding:

- Council will be entitled to receiving \$8.1m of proposed Gov't funding associated with 3-waters proposal subject to applications meeting criteria
- Proposed AB made no provision for receipt of this sum as at the time there was insufficient information regarding process & criteria to make firm assumptions
- More process detail for obtaining funding has since been released
- Council has until 30 September 22 to lodge a funding proposal but there are significant steps (including iwi involvement)
- It is recommended the previous assumption be retained for the final AB



TIMETABLE

What		When
<i>Consider draft CD & supporting info</i>	<i>Com of Council</i>	<i>2 March</i>
<i>Adopt CD</i>	<i>Council</i>	<i>16 March</i>
<i>Public engagement</i>		<i>21 March – 21 April</i>
<i>Hearings</i>		<i>10,12,13 May</i>
Consider submissions & updated info	Com of Council	26/27 May
Approve budget	Com of Council	15 June
Adopt budget & set rates	Council	29 June