



22 March 2013

Hamilton City Council Draft Annual Plan Your summary of Council's draft plan

This week's issue of City News covers Hamilton City Council's draft Annual Plan for July 2013 to June 2014.

The draft Annual Plan outlines what Council proposes to deliver in the next year, how much it will cost and any changes from its long term 10-Year Plan (adopted last year).

Your feedback is invited on the draft Annual Plan. You can make submissions which Council will read and consider. Download a copy of the draft Annual Plan at www.hamilton.co.nz/annualplan or you can call us and we'll send you a copy - 838 6537.



Highlights

As we head into the the second year of our 10-Year Plan, Council is on track to achieve its financial goals. We are:

- Sticking to our commitment for a total rates increase of 3.8% to existing ratepayers.
- Capping debt at around \$440 million for the next 10 years.
- Returning the budget to surplus by 2017.

Savings of \$15 million each year will be achieved by 2015. We have also reduced capital expenditure by \$400 million over 10 years and will continue to look at selling some assets to further pay off debt.

Hamilton is a great place to live and do business in. We are making sure our city can look forward to a financially sustainable future.

Projects:

Looking after the assets we've already got is where most of the capital spend is in 2013/14. Other projects include:

- Hamilton Ring Road.
- The fantasy gardens at Hamilton Gardens.
- Planting and track construction at Waiwhakareke Natural Heritage Park.
- Extending the Oak and Birch burial lawns at Hamilton Park Cemetery.
- Upgrades of some city playgrounds.

Two changes to planned expenditure:

- Increasing litter collection in Garden Place.
- Buying fewer library books.

Find out more detail on these inside.



Timing

March 14

Council adopts the draft Annual Plan for consultation with the community.

March 19 – April 19

Draft Annual Plan open for public submissions.

May 13 – 15

Hearings for submitters who wish to speak to Council about their submission.

June 5 & 6

Council to make decisions on submissions.

June 27

Council adopts the final Annual Plan.

Budget changes

The Council's budget is staying more or less the same as we planned with some minor variations. However there are two specific changes we invite your feedback on:

- Increasing the CBD litter collection to include a collection after lunch on weekdays in Garden Place, Civic Square, City Gate Plaza and Riff Raff statue areas.

This service was cut back in the 10-Year Plan, but we think a collection during the day is needed to keep these areas looking clean and tidy.

This will cost \$30,000 and will be paid for by decreasing the public art fund by the same amount. This is for one year only and will leave \$22,000 in the public art fund for 2013/14.

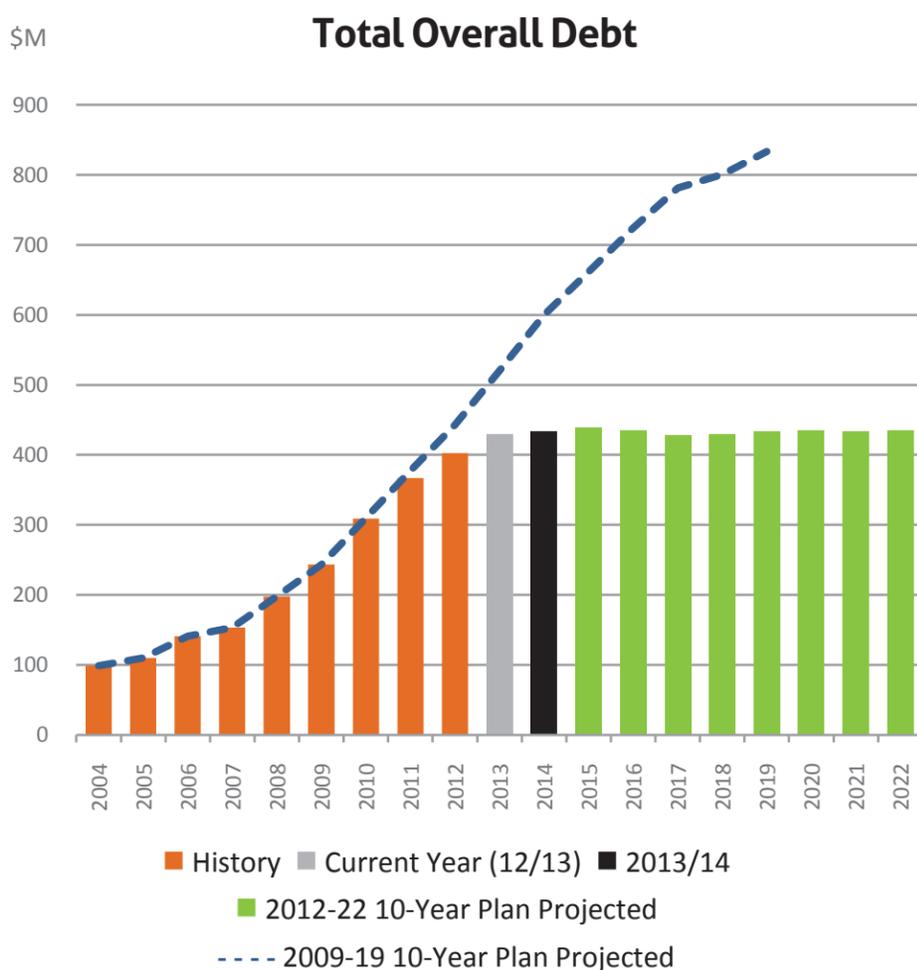


- We anticipate a shortfall in libraries' revenue next year. By reducing the libraries' collection ("new books") budget by \$250,000 in 2013/14 the anticipated shortfall will be covered. This will still leave \$998,000 in the libraries' collection budget to purchase new items.

Debt

Closely managing city debt is a top priority. Debt has been capped at about \$440 million for the next 10 years and we are also looking at selling some assets to reduce the debt balance. Before the Council's 2012-22 10-Year Plan, debt was projected to rise to \$833 million by 2019. This is shown by the blue dotted line in the graph below.

By reducing capital expenditure by around \$400 million over 10 years, we have set a much more realistic and manageable level for debt.



Asset sales

The 10-Year Plan includes a list of properties that Council is considering selling to help pay off debt.

You can find this list in the 10-Year Plan document, which is on our website at www.hamilton.co.nz/10yearplan.

Council reviews each of these properties before deciding whether to sell them. This process is still under way.

The estimated value of properties being considered for sale is \$50 million.

So far, the assets that have been sold are:

- Three lower standard pensioner housing complexes. The properties were sold for \$3.7 million and Council decided in this case that the proceeds after costs will go towards looking after the remaining pensioner housing stock.
- The YMCA and neighbouring sites in Pembroke Street. These properties were sold to YMCA Auckland for \$1.9 million. The proceeds after costs from this sale have been used to pay off debt.
- One lot of vacant land from a roading project for \$100,000, which has also been used to pay off debt.

Rates

The total budgeted rates increase for Hamilton is 3.8% to existing ratepayers. This is what we committed to do in the 10 Year Plan.

Property revaluations may make some increases larger than 3.8% and some increases will be smaller (see section on Property Values). The total increase Council collects remains at 3.8% for existing ratepayers. This figure includes inflation.

This chart shows how your rates will be spent in 2013/14.

Why are rates going up by 3.8% when household inflation is about 1%?

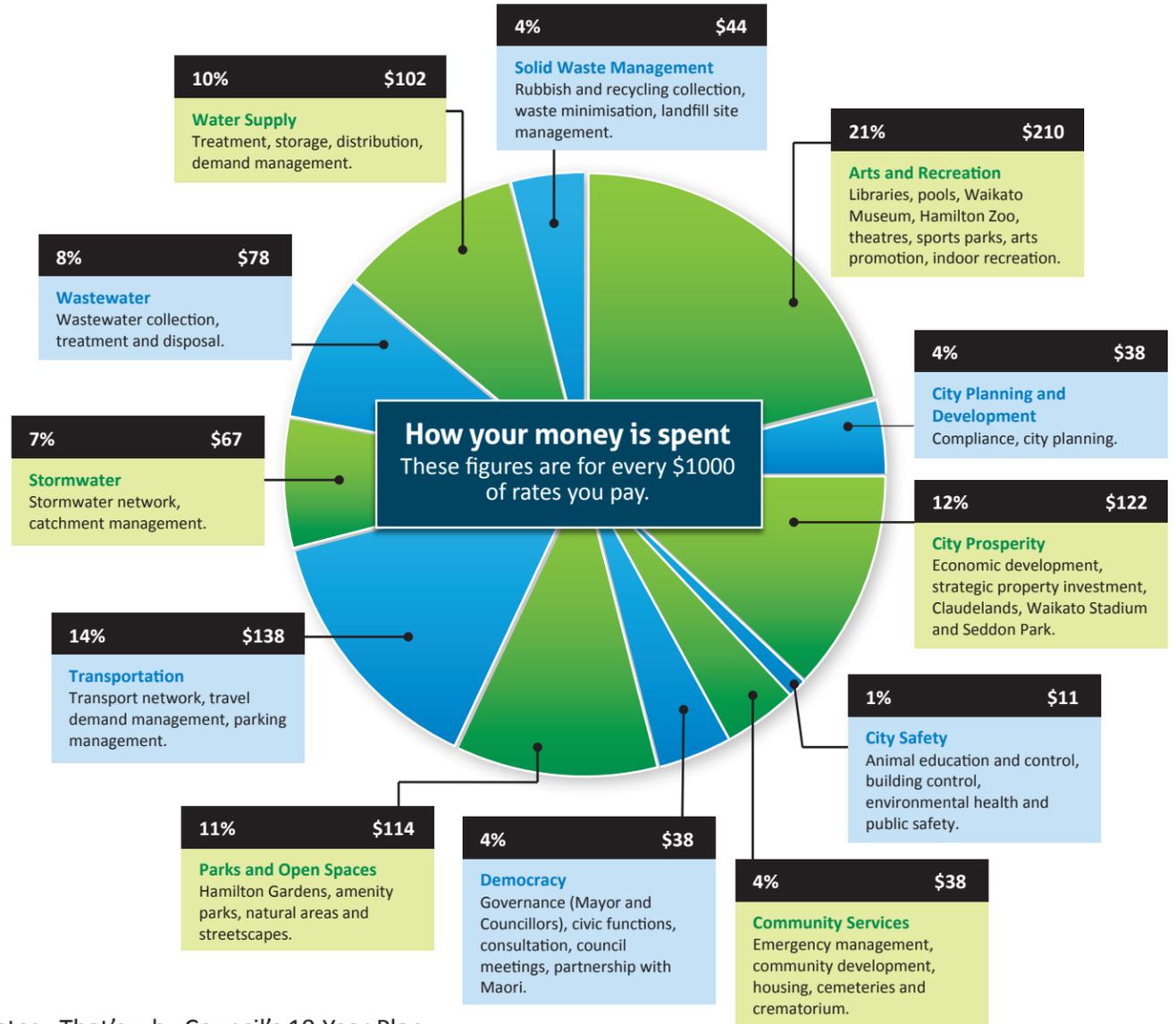
Yearly inflation is one of the factors in setting the rates, but Council is also planning for the long term.

Our goals are to cap debt at \$440 million for 10 years and to balance the books by 2017. To do this, we need to reduce our reliance on debt and pay for more through rates. That's why Council's 10-Year Plan includes 3.8% rates increases each year for 10 years.

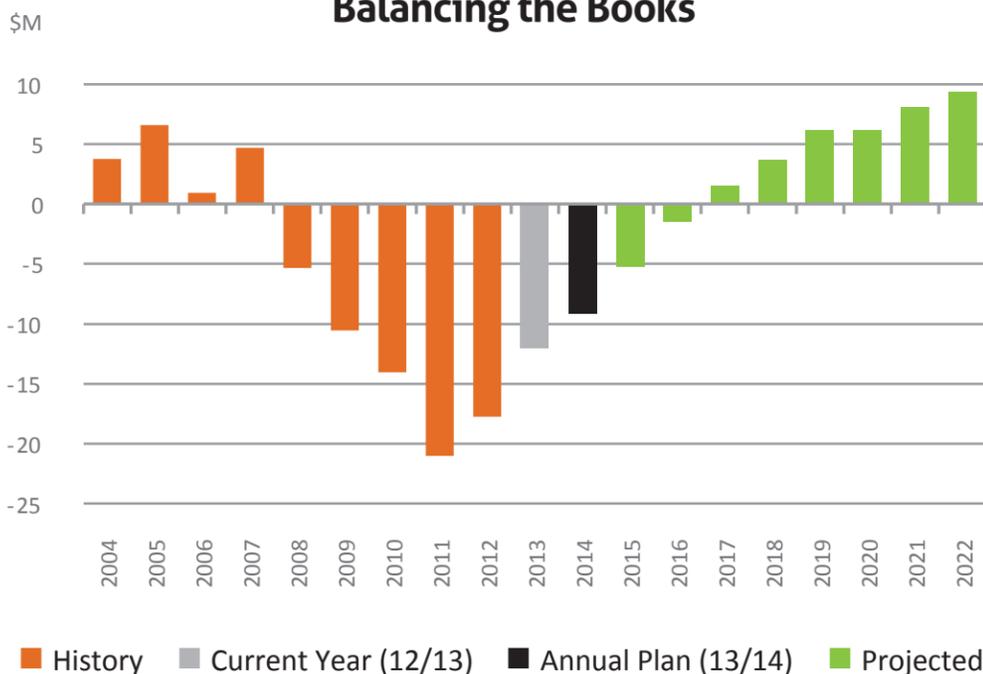
As well as increasing rates we will also be saving \$15 million each year by 2015.

Also, when we look at inflation, cost increases for councils are quite different to those for households. The CPI (Consumers Price Index) is used as a common measure of inflation and is based on the basket of goods a household might buy: food, petrol, alcohol, clothing, entertainment, health care products, insurance, etc.

However councils are not only buying goods and services that are common household items. Councils are also buying things such as bitumen, steel, concrete, heavy machinery, specialised equipment, technology, professional fees, etc. These are not driven by the CPI, but by international pricing and/or supply.



Balancing the Books



Property values

All Hamilton properties were re-valued in September 2012. These valuations are done by an independent company every three years and audited by the Office of the Auditor General. You will have received a letter from Council advising you of this change in your property's values late last year. If you do not recall receiving the valuation letter you can check your property's value and proposed rates for next year here www.hamilton.co.nz/myproperty or call one of our rating team and they will advise you (phone 07 838 6688).

Note: Changes to individual property values do not affect the overall amount of rates that the Council collects.

If the amount of rates the Council collects is compared to a "pie" then the size of the pie does not change if valuations go up (or down). The rates pie just gets sliced differently. So some areas will pay more because their valuations have gone up above the average for that sector (ie residential, commercial etc). Other areas will pay less because their valuations have gone down below the average.

A new 'purpose' for local government

Councils deliver what they do through laws and bylaws. The main law they operate under is called the Local Government Act. Last year the Government made some changes to the Local Government Act – one of which was to re-define the purpose of local government.

The purpose of local government used to be to do things for the “social, cultural, environmental and economic wellbeing” of their communities. The new Act changed the purpose of local government to mean (in simple terms):

- Local decision-making.
- Cost effective delivery, now and into the future, of quality infrastructure, local public services, and regulatory functions.

At this stage, the Chief Executive's advice to the Mayor and Councillors is that the services and activities we currently do meets the wording of the new purpose. However we are doing more investigation on this and will continue to look at all our services and activities to ensure they are meeting the new definition.

A common question

Why does Council carry over projects and how much does this add to my rates?

In some cases Council “carries over” or “defers” capital projects from one year to the next.

Some projects are straightforward and can be completed in a set timeframe. Others can be affected by factors outside Council's control such as the weather, legal delays, land purchase negotiations and materials shortages. And sometimes Council makes a specific decision to delay work because a better outcome can be achieved such as co-ordinating our work with others.

Carrying over projects does not affect rates because capital projects are paid for through borrowing which doesn't happen until the project starts.



City growth

Managing the demands of a growing city with affordable rates, sustainable debt levels and fair charges for developers is a huge challenge for Hamilton.

Alongside the draft Annual Plan, Council is also consulting on its policies for city growth funding and development contributions.

Development contributions are what we charge developers to recoup some of the costs of the growth infrastructure that the Council provides, e.g. new roads, more water treatment and pipes and new parks.

In our 10-Year Plan we are conservative about the amount of income we expect to receive from development contributions because city growth is slower than it used to be. This assumption stays the same for the 2013/14 draft Annual Plan.

In 2013/14 we have budgeted for \$6.4 million in income from development contributions. This will go towards paying off debt and helping to pay for future growth projects.

Over the next 10 years the city's debt has been capped at about \$440 million. Of this, about \$75 million can be directly attributed to growth projects and will be paid for by developers.

To find out more, please go to:
www.hamilton.co.nz/consultation



Having your say...

THERE ARE SEVERAL WAYS YOU CAN MAKE A SUBMISSION

ONLINE

Fill in a form at
www.hamilton.co.nz/consultation

POST

Freepost 172189
Annual Plan Submission
Hamilton City Council
Private Bag 3010
Hamilton 3240

DELIVER

Bring your submission to
the Hamilton City Council
offices, Garden Place

If you make a submission, you can also indicate if you want to speak in support of it at a Council hearing.
All submissions are treated as public documents and will be loaded on to the Council's website with the names and contact details of submitters included.
Please include your name and postal or email address.

CLOSING DATE: SUBMISSIONS MUST BE RECEIVED BY COUNCIL BY FRIDAY, APRIL 19, 2013