

Dealing with the Challenge...

Hamilton City Council's long-term financial health is at risk. As a first step to deal with this challenge, an 8% rates increase is proposed for 2011/12.

What is the Situation?

Council is facing significant financial pressures and some tough decisions are needed to ensure we are looking after the city's future.

The economic downturn is continuing to have a serious impact on Council revenues. Combined with numerous and large projects, the city's high debt levels and increasing costs for every-day services, we are now at a point where our income is not keeping pace with our spending. If we continue along our current path, we will be placing Council's long-term financial sustainability at risk.

Council must operate within financial policy limits. The policy limit of most concern is the amount of debt we have compared to the amount of revenue coming in.

If we don't begin to address our financial issues, we face likely breaches to policy limits in the next few years. This could also affect our AA- credit rating, which provides access to better borrowing rates.

The decision to propose an 8% rates increase has not been taken lightly – particularly during a recession.

However, along with budget cuts, delaying projects, and putting aside more money to look after our assets in the future, we believe it is the financially responsible thing to do. Short-term thinking will not provide for the city we want in the future.

We are not the only council in this position. A number of other councils around the country are facing similar issues and will also have to make hard financial decisions.

The proposals put forward for this 2011/12 Annual Plan are just the first step to begin addressing Council's financial situation.

The next step will be a complete review of Council's overall direction and the services Council provides. This will be part of developing the next 10-year plan and work will start on this shortly.

Please take the opportunity to have your say on Council's proposed 2011/12 Annual Plan from 21 March – 21 April 2011.

This is a summary of the full proposed plan, which you can obtain from the main Council offices in Garden Place, at any Council library, or online at www.hamilton.co.nz/annualplan.



EXPO 2011

Come and **have your say** ...see inside for details

Why is Council in this Position?

1. NOT ENOUGH RATES INCOME

Over recent years, Council's rates income hasn't grown fast enough to keep up with expenses. Although we have had steady rates increases, they have not been high enough to cover our significant capital expenditure and ongoing costs.

Where we have planned for higher rates increases, these have not always been implemented at the planned levels.

Also, compared to other New Zealand cities facing similar challenges, Hamilton's rates increases have been low.

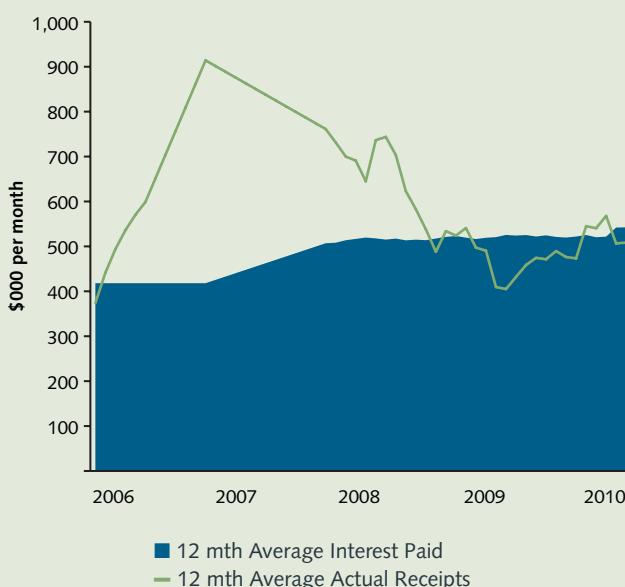
2. LESS DEVELOPMENT IN THE CITY

The economic downturn has seen a significant reduction in development in Hamilton. This means that the money Council receives from development contribution payments has also reduced significantly.

We keep a close watch on the amount of development happening in the city and growth infrastructure projects are delayed if development is slow.

Despite this, revenue from development contributions is still not enough at the moment to pay for our existing growth-related debt.

Development Contributions – Receipts Vs Interest

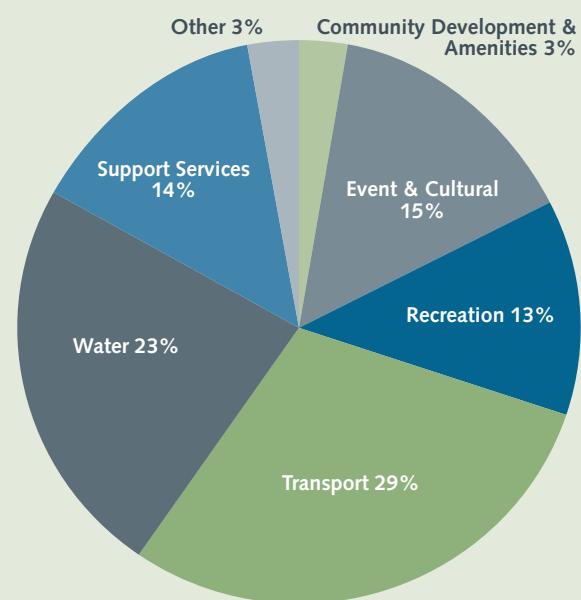


3. HIGH TOTAL DEBT LEVELS

In addition to debt related to growth of the city, Council has also taken on debt through significant capital projects.

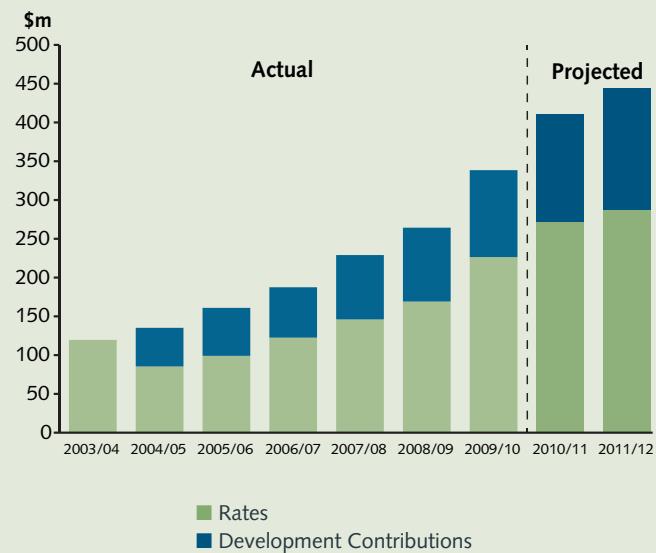
The following graph shows how capital expenditure has been spent across Council's services over the past six years.

Capital Expenditure 2004–2010



Council has two main types of debt – debt paid for by rates, and debt paid for by development contributions.

Net Debt Funding Sources



4. IT COSTS MORE TO LOOK AFTER THE CITY'S ASSETS

In recent years, the value of Council's assets has increased significantly from \$1.7 billion in June 2005 to \$3.2 billion in June 2010. These large valuation increases suggest that the cost to replace our assets will also be rising over time.

In the past Council has not put enough money aside to be able to replace all its assets in the future when they wear out. As part of the 2009-19 Long-term Plan, we began to address this issue by creating a dedicated fund for this purpose. Money is put towards the fund each year to make sure we have enough in the future to replace worn-out assets.

This is a long-term issue and we must continue to put money aside to protect the future of the city's assets.

“Tough decisions are needed to ensure we are looking after the city's future”

What is Council Planning to do?

◆ Cut Costs

We have cut budgets for 2011/12, with savings of \$1.2 million made to our operating, maintenance and capital budgets, covering all areas of Council expenditure.

◆ Delay Projects

We have delayed \$18 million in capital works projects.

◆ Reduce Debt

As a result of these cuts and delays, the city's projected debt has reduced from \$463 million at June 2012 to \$445 million.

◆ Put Money Aside for Future Asset Replacement

We are proposing to transfer \$2.3 million into the fund to pay for future asset replacements, made up of the \$1.2 million of identified savings, and a further \$1.1 million of additional revenue from rates.

◆ Increase User Fees and Charges

We have also increased user fees and charges where feasible, generally in line with inflation.

This approach will result in an average proposed rates increase of 8% for existing ratepayers in 2011/12.

Your Hamilton, Your say...

Council's proposed 2011/12 Annual Plan outlines where your rates are going and what projects the city is investing in.

This year, Council is facing significant financial pressures and some tough decisions are needed to make sure we are looking after our city's future. Please take the chance to have YOUR SAY!

COME AND FIND OUT ABOUT:

- The financial issues we're facing and why
- What's being proposed for 2011/12
- Projects: What's in. What's out. Why.

INFORMATION EVENING

Monday 28 March, 6.00pm-7.30pm
HCC Reception Lounge, Civic Square

YOUR CITY EXPO 1

Saturday 2 April, 10am-2pm
The Grandstand, Claudelands, Gate 4, Brooklyn Rd
Mayoral Presentation 1pm

Elected members and council staff will be on hand to receive your feedback and answer questions.



YOUR CITY EXPO 2

Thursday, 7 April, 11.30am-2pm
HCC Reception Lounge, Civic Square
Mayoral Presentation 1pm

Find out more about the proposed Annual Plan at hamilton.co.nz/annualplan

Why Haven't the Savings Been Put Towards a Lower Rates Increase?

Council thinks that taking a longer term view is the right thing to do at this time. Making sure we have sufficient money in the future to replace worn-out assets is not an issue to put off for another year. Putting the savings towards future asset replacement is a financially responsible choice.

Hamilton's core infrastructure is still relatively young and Council has an asset maintenance and replacement programme in place. However, there will be points in the future when substantial asset replacements will need to occur and we need to make sure that the city's finances will be in good health to be able to replace critical assets.

Why Hasn't Council Cut More from the Budget?

Many of the savings options that Council looked at would have substantially altered the services provided to residents. Our view is that these types of decisions cannot be made in isolation with a short-term focus.

A complete review will be happening shortly as part of developing the next 10-year Long-term Plan. The current Long-term Plan is for the period July 2009 – June 2019. The next one will be for July 2012 – June 2022.

This is where we will look at the services Council provides, whether or not we should be providing them, and if so, how they should be provided and funded. We will also carry out a review of the rating system and consider other ways to fund Council debt.

You will have the opportunity to have your say as we work through this process.

“taking a longer term view is the right thing to do”

WHAT WILL MY RATES BE SPENT ON IN 2011/12?

Based on the proposals for 2011/12, the rates levy on the average value Hamilton home will be \$1,778, that is about \$34 per week. The indicative rates levy per week is presented in the following graph for each service of Council.

Indicative Residential Rates Per Week



What's In and What's Out for 2011/12?

PROJECTS AND PROGRAMMES WITH FUNDING DELAYED, REDUCED OR DELETED

The following is just a sample. The complete list is available in the full Proposed Annual Plan.

FUNDING DELAYED FROM 2011/12 TO 2012/13	AMOUNT DELAYED
North-east sector library – planning and design.	\$681,900
Hillcrest Library extension – planning and design.	\$42,000
Repair and upgrade of Seddon Park Oval perimeter pathway.	\$335,400
Gallagher Aquatic Centre carpark extension.	\$117,200
Minogue Park traffic precinct improvements – investigation and design.	\$105,000
Cycleway construction programme.	\$1.826m
Programme to improve pedestrian/cycling outcomes at 'hot spots' throughout the city.	\$1.049m
Riverbank and parks shared walking/cycling routes programme (deferred to 2013/14).	\$778,400
Rototuna and Rotokauri roading for future city growth.	\$1.019m
Rotokauri stormwater network pipes for future city growth.	\$850,000
Rototuna and Ruakura wastewater trunk mains for future city growth.	\$1.73m
Peacocke water supply trunk mains for future city growth.	\$88,000

PROJECTS AND PROGRAMMES REDUCED OR DELETED IN 2011/12	AMOUNT REDUCED OR DELETED
Reduction of the City News publication budget.	\$100,000
Deletion of the community bus grant and community photocopying grant.	\$13,000
Deletion of contestable economic development project funding. \$100,000 saving and \$30,000 redirected to the economic development sponsorship fund.	\$100,000
Deletion of the riverside Kowhai tree planting programme for 2011/12 and reduction in associated planting costs.	\$30,000
Reduction to the Councillors' operating budget.	\$30,000
Deletion of the Passenger Transport Bus Super Stop project and associated operating costs.	\$371,600
Reduction in street lighting hours. Street lights to be turned off half-an-hour earlier at dawn, and turned on half-an-hour later at dusk.	\$55,000
Reduction in road smoothing works and reduced maintenance at vehicle driveway crossings.	\$27,500

PROJECTS AND PROGRAMMES PLANNED TO GO AHEAD IN 2011/12

Here are a few of the key projects that are still planned for 2011/12. A complete list is available in the full Proposed Annual Plan.

PROJECT/PROGRAMME	AMOUNT
The review of Hamilton's District Plan. In early 2012 the Proposed District Plan will be publicly notified, giving a further opportunity for the community to make submissions.	\$680,000
Hamilton Gardens development programme – continued development of the Fantasy Gardens.	\$232,000
The Event Sponsorship Fund. Key events in 2011/12 supported by this fund include the Rugby World Cup and the V8's.	\$2.64m
Continued planning for Water Treatment Station capital improvements.	\$299,400
Continued work on the 5-year upgrade to the Wastewater Treatment Station, which started in 2008/09.	\$1.139m
Construction of cycleways – a long-term programme to provide a safe cycle network across the city.	\$600,000
Hamilton Ring Road (Wairere Drive) – continued work on the Crosby Road to Cambridge Road and Wairere Drive Four Laning (Pukete Road to Resolution Drive) projects, in partnership with the New Zealand Transport Agency.	\$6.588m
Contribution to the Te Rapa Bypass Northern Growth Corridor in conjunction with the New Zealand Transport Agency and Waikato District Council.	\$2.73m
Continued upgrade of Council's information systems and processes – 2011/12 is the third year of this 10-year project.	\$3.268m
Continued planning, design and construction of key infrastructure (water supply, wastewater, stormwater and roading) necessary to enable the development of the Rotokauri Stage 1 growth cell for future employment areas.	\$1.037m
Contribution to the establishment of a Regional Tourism Organisation to lead marketing for Hamilton and the Waikato Region. The region's other six territorial councils and the tourism industry will also contribute funding.	\$390,000

Amendments to the 2009-19 Long-term Plan

Council is proposing to make amendments to the following core funding and financial policies that are included in the 2009-19 Long-term Plan:

- ◆ Council's Investment Policy
- ◆ Council's Liability Management Policy.

By making the proposed changes to these policies, it will allow Council to participate in the Local Government Funding Agency (LGFA) scheme. The LGFA scheme will mean that Council can borrow funds at lower interest rates than would otherwise be available.

The full statement of proposal and associated documentation contains a detailed explanation of the scheme's anticipated benefits, costs and risks and is outlined in Section 7.0 of the full proposed 2011/12 Annual Plan.

Proposal to Establish Council Controlled Organisations

Council is proposing to create Council Controlled Organisations (CCOs) to manage swimming and indoor recreation services, and event services.

Swimming and indoor recreation services are currently provided in-house by our Leisure Facilities Unit. The facilities included in this CCO proposal are Waterworld, Gallagher Aquatic Centre, the Municipal Pool, Hamilton Leisure Centre and Te Rapa Sportsdrome.

Event services are also currently provided in-house by our Event Facilities Unit. The facilities included in this CCO proposal are Claudelands Events Centre, Founders Theatre, Meteor Theatre, Clarence Street Theatre, Waikato Stadium and Seddon Park.

While the CCOs will manage operations at these facilities, ownership of all facilities will remain with Council and Council will retain responsibility for long-term asset maintenance and renewal.

The proposed CCOs will be companies that are 100% owned by Council and with Council appointing all directors to the company board.

Further information on the proposal to establish these CCOs is outlined in Section 6.0 of the full proposed 2011/12 Annual Plan.

Have your say...

Do you agree with Council's financial approach for 2011/12? Do you agree with the cuts proposed? Are there other areas where you would like to see spending reduced?

We are seeking your views on the proposed approach for the Annual Plan, and other practical options for where costs could be reduced in 2011/12.

Public submissions are open from 21 March until 21 April 2011 and you are encouraged to have your say.

HOW DO I MAKE A SUBMISSION?

Submissions can be made in any of the following ways:

- ◆ **Mail your submission to:**
Freepost 172189
2011/12 Annual Plan Submission
Attn: Strategy and Research Manager
Hamilton City Council
Private Bag 3010
Hamilton 3240
- ◆ **Email your submission to:**
plansubmission@hcc.govt.nz
Include your name, postal address and contact phone number.
- ◆ **Make an online submission:**
Fill in a submission form on Council's website:
www.hamilton.co.nz/annualplan
- ◆ **Deliver your submission:**
Bring your submission to the Strategy and Research Unit on floor two of the Council Offices, Garden Place.
- ◆ **Fax your submission to:** 07 838 6464

MORE INFORMATION

Copies of the full proposed Annual Plan are available from the main Council office in Garden Place, at any branch of Hamilton City Libraries, or online at www.hamilton.co.nz/annualplan

Alternatively, please talk to staff from Council's Strategy and Research Unit (phone 07 838 6537).

You can also follow us and post feedback on Facebook and Twitter:



www.facebook.com/HamiltonNewZealand



www.twitter.com/hamilton_nz

SUBMISSION FORM

www.hamilton.co.nz/annualplan

PLEASE COMPLETE ALL SECTIONS

SUB No. 11/

FOR OFFICE USE ONLY

PLEASE
PRINT
YOUR
DETAILS
CLEARLY

■ SECTION 1

Name: Mr/Mrs/Miss/Ms

Organisation (if applicable):

Address: _____

Phone (day):.....

Phone (evening):

Fax:

Email:

NB: Submissions to Council's Proposed 2011/12 Annual Plan are public. Your submission will therefore be used for purposes such as reports on the Proposed 2011/12 Annual Plan, which are made available to the public and the media.

IMPORTANT

Do you wish to speak about your written submission at a Council hearing?

Hearings will be held on 10-12 May 2011.

Yes No If you **do not** tick a box we will assume that you **DO NOT WISH TO BE HEARD**.

Signature:

I am **unavailable** to speak at a hearing on the following dates/times:

■ SECTION 2

Comments: Please print clearly, and where appropriate reference any headings and page numbers in the Proposed 2011/12 Annual Plan or Summary that you are referring to.

Please turn page over ➔

Please attach extra paper if required.

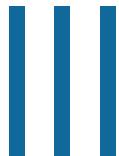
Remember, submissions must be received no later than Thursday 21 April 2011.

Thank you for your interest.



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FreePost Authority Number 172189, Hamilton



Attn: Strategy and Research Unit

Hamilton City Council
Private Bag HN 3010
Hamilton 3240

SEAL ALL THREE SIDES

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