

Council Briefing Meeting Minutes

Date: Tuesday, 8 August, 2017
Time: 10:30 a.m.
Location: Council Chamber
Forum North, Rust Avenue
Whangarei

In Attendance

Her Worship the Mayor Sheryl Mai
(Chairperson)
Cr Stu Bell
Cr Crichton Christie
Cr Vince Cocurullo
Cr Tricia Cutforth
Cr Shelley Deeming
Cr Sue Glen
Cr Jayne Golightly
Cr Phil Halse
Cr Cherry Hermon
Cr Greg Innes
Cr Greg Martin
Cr Sharon Morgan
Cr Anna Murphy

Also in attendance: Rob Forlong (Chief Executive), Simon Weston (General Manager Infrastructure), Jill McPherson (Acting General Manager Strategy & Democracy), Alan Adcock (General Manager Corporate), Debbie Muckle (Senior Systems Accountant), Nicole Butturini (Management Accountant), Bronwyn Jeeves (Senior Management Accountant), Ann Midson (Senior Communications Adviser), Rich Kerr (Manager Finance), Jennie Thomas (Democracy Adviser)

1. Apologies - None

2. Reports

Alan Adcock advised the purpose of the briefing was to establish an indication on the direction Council wishes to take.

2.1 Financial Strategy Overview

Secretary Note: Item was presented as Briefing item 2.

Alan Adcock continued with the presentation on the Financial Strategy Overview and the following were some of the topics covered.

Data was provided on what it costs to provide council services. The average cost of \$3.60 a day per resident.

Interim data from the Taxpayers' Union was provided on comparisons of councils on the average residential rates and total operating expenses.

What is the right level of Debt?

Our capacity for debt is much greater than our desire at this point.

If we want to increase LoS or allow for growth this would be funded through Development Contributions or through debt. Meeting LoS and regular maintenance are more about a rating issue. There is increasing pressure on budgets as population grows and the expectation of services increases.

Capital Expenditure over the years

We have struggled to align various aspect in the planning of CapEx.

- What our asset management plans say we need etc.
- What our growth forecasts say we might need later
- What our community sees as important
- The money available to fund projects
- Getting consents in place in time
- Contractor capacity to deliver the work program

Budgeted CapEx averages around \$50m. We are roughly budgeting for \$10m more than what we are delivering.

Planned CapEx projects need to meet our needs and aspirations but must also be capable of delivery.

Water Reserve Projections

There has been some concern about rising water reserve projections. Projections are now showing this coming back to a balanced position. Need to review this going forward. There will be large capital spending in the future including the new water treatment plant. A new water source is not included in these figures.

Property Purchases - Property Reinvestment Reserve

There are choices to be made. Options for consideration include:

- Commercial property purchase
- Strategic purchases
- Development opportunities

- Write off some/all of PRR.
- Staff are looking for specific guidance on the

Where to from here?

- Financial envelope will be built from this information
- This will allow each manager to prepare high level budgets
- This will include our current CapEx commitments
- Leaving a further Capex amount for prioritised projects – seeking Councillor input during this process
- Results will be brought back for discussion and make any necessary changes
- Depending on the scope of any potential changes we may do some ‘temperature checks’ with our community before we finalise the Consultation Document.

Discussion focused on

Rates increases versus debt - The question was asked what is the percentage Opex (operating costs) increases if we increase CapEx (capital expenses)? Would we have to increase rates to cover increases in Opex? Staff replied that in terms of Opex this is calculated per project. We look at this as we are spending on CapEx. Lower debt leads to less interest costs but we are still experiencing pressure on our Opex spending. There is an increased pressure on our services with population growth.

Comment was made that we have had good management over a long period of time compared with other G9 Councils. We need to ensure that debt does not get out of control. It is important to continue with a balanced budget.

It was noted that during the LTP Early Engagement meetings there was very little discussion on debt or rates.

Discussion on the statistics used to represent the average cost to each resident for the WDC services provided. There was a concern expressed that per population based figures were quoted instead of per rateable property. The reason per capita is used is so we can compare with other statistics. Growth is a factor and the best measure of growth is population growth. All the data is analysed. Reporting this way also provides consistency to allow for trend analysis

Growth - We need to ascertain where growth is going to occur which will help to set priorities. Growth in population will reduce debt over time. We could look at increased level of debt if required for growth in the population.

There was a view expressed that the district would benefit from an auditorium and for this we would need to borrow.

Property Reinvestment Reserve - There were queries and mixed views on the Property Reinvestment Reserve (PRR). This could be used as a technique for

economic development or written off. Some saw it as an opportunity to earn income and for economic development others wished to see it written off.

Councillors were then asked to indicate their preferences on the Fiscal Envelope matrix.

At the 6 September briefing there will be further discussion on the direction to take. Staff are taking guidance from today's briefing.

If there is to be a change from the status quo, staff will prepare communications for the public advising this and then gauge feedback.

Rates Review - There was a query on how the Rating Review was proceeding. Alan Adcock advised that staff are working their way through some of the general feedback received. There have been 60 submissions on the Rates Review of which a summary will be provided. Staff will do some modelling on this and what this means across sectors. We will then come back to Elected Members with options.

2.2 Infrastructure Strategy Overview

Secretary Note: Item was presented as Briefing item 1

Simon Weston ran through the Infrastructure Strategy Overview presentation and provided background on the Infrastructure Strategy.

The Asset Management Objective is to meet the required levels of service, in the most cost effective manner, through the management of assets for present and future customers. The objective being to look at long term cost (rather than short term savings) when making decisions.

Strategic Options – we are trying to maintain the infrastructure condition at minimal cost – the middle option.

We need to ensure we do not invest in new assets but neglect our existing infrastructure.

The Strategy is to balance renewals against Levels of Service (LoS) and growth projects.

Funding Opex – the more assets we build the more it costs to maintain (Opex) and ultimately replace them. When we increase amenity, we need to put funding into Opex to look after these assets. This is an area, historically, we have not been so good in.

What drives condition assessment? Historically this been age driven but increasingly this is being based on asset condition which is monitored with CCTV, visual inspections etc. We need to continue to collect data so we can better predict the lifetime we will get out of those assets.

Issues and Risks -

- The impact of growth is putting pressure on some of our infrastructure. Technology changes over a life of a Strategy.
- Climate change could have significant impact on assets. Renewals backlogs needs to be addressed e.g. stormwater.
- Satisfying and possible changes to legislation e.g. drinking water standards etc.
- Providing the most cost effective way to manage those services and balance this with funding.

The focus is to get the funding envelope right. To get the appropriate LoS and to allow for growth.

Discussion focused on:

Allowing for growth in the district and providing infrastructure to accommodate for this. We need a flexible approach to deal with change along the way.

There have been failures in the past to provide the suitable infrastructure that would last for the appropriate period and also to allow for growth. We need to identify growth areas and allow a tolerance when building the infrastructure for it. This needs careful balance.

Council can work with developers and contribute financially to infrastructure to allow for future growth. Historically this has not happened.

Discussion on what is “slipping outside of the box” and what would be the cost of bringing it in. The meeting was advised that there is to be further asset management presentations which will include Parks. From these presentations, we hope to be able to quantum what will bring these assets back into the “box”.

Concern was expressed that we have some areas going backwards e.g. rubbish on the street and stormwater while we are building new assets. There has been very little funding going into stormwater management.

The Blue Green Strategy initially started off as inner city flood mitigation. It was to improve the stream side environment in such a way to convey more water out to the harbour and this led to beautification of the stream banks as well. We are looking at avenues for funding this – possibly NZTA and NRC.

There was a concern expressed that NZTA are placing further strain on our roading infrastructure by not funding certain roads. Rural residential roads are not standing up to the usage by trucks. Simon Weston advised that we will be advised by NZTA of our One Network classification shortly and the subsidy we will receive due to this classification.

Discussion on the restriction of development due to sea level rises in coastal areas and how this will affect our Infrastructure Management Plan. There has been quite a lot of work completed in this area and included in our District Plan.

Views were expressed that there has been a lot of work completed in the past on our Sustainable Futures 30/50 Implementation Plan. This should be the basis for this whole discussion and that we are refining this as needed. This should be setting the bench mark for best practice.

LTP Early Engagement Update

Jill McPherson provided an update on the interim themes from the LTP surveys and public meetings. The main themes out of survey monkey were for the core infrastructure services including roads, water, sewerage, stormwater and rubbish. The landscape and environment (amenity nature and look and feel of the place), promoting new business and employment and then recreational facilities (broad). We had 379 responses on the web and the survey monkey.

From the public meetings safety came up repetitively and how it should be built into our core services. We need to be building playgrounds where they can be seen, footpaths having adequate lighting etc. Safety should be a consideration on how we design and develop our infrastructure. One particular example provided was the dip in the footpath from Smeaton's Drive which limits the ability to be seen when walking it.

Community facilities and activities for retired people, both casual and formal opportunities, came up as well.

There were many seal extensions requests. There was also reference to traffic flow - increased volume and SH1.

Illegal dumping was an issue raised and we advised that this would be directed to our Waste Minimisation Plan.

More walking and cycleways were often requested.

A full analysis will be provided at the 6 September briefing.

3. Closure of Meeting – 12.40 pm