

LTP Workshop

6 October 2023

Agenda

Financial Strategy

Infrastructure Strategy

LTP Policies:

- Revenue and Financing Policy
- Development Contributions Policy
- Significance and Engagement Policy
- Māori Contribution to Decision Making

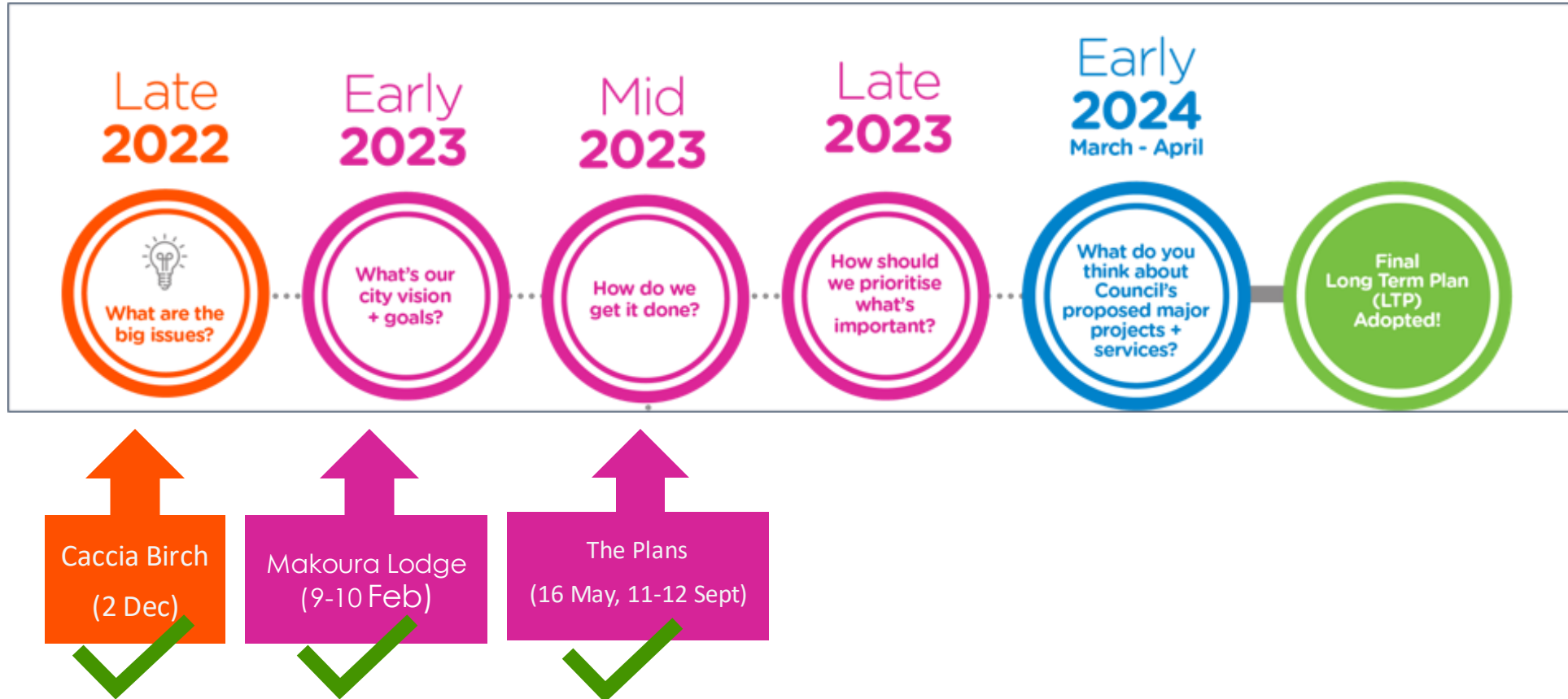
Feedback from Plan drop-in sessions

Goal Indicators and Targets

What's Next



Long-Term Plan - Where we are at...



How the Strategies fit together



How the Strategies fit together



Financial Strategy

- The high-level financial framework to facilitate prudent financial management
- Provides the starting financial position for the LTP and identifies the key financial issues over the 10-year LTP period
- Focuses on desired financial position (in 10 years time) & how it is proposed we will get there
- Contains key limits for planned debt levels & rates increases

Financial Strategy – Key Issues

- Uncertain times – 3 water reform + other reforms, inflation pressures, increasing natural events in NZ

Funding New/Improved Assets:

- Capex to address compliance, resilience and growth will likely exceed current debt limits
- Off balance sheet funding options e.g Infrastructure Funding and Financing SPV
- Consider outside investment for some projects – e.g public private partnerships
- Balance Sheet utilisation – Do we need to own everything?

Affordability:

- Reliance on Rates to fund services
- Funding tools such as the IFF that creates a levy that is also paid by ratepayers as per funding and financing paper

Financial Strategy – Debt Limits

**Increased limit
proposed.
Do you agree?**



Scenarios

Debt Limit (total net debt as a percentage of revenue)	Additional 10 year Debt Capacity (assumes 5% revenue increase yoy)	Additional 10 year Debt Capacity (assumes 5% revenue increase yoy and no 3 waters)	Additional 10 year Debt Capacity (assumes 7% revenue increase yoy – 3 waters included)
200% (current settings)	\$288M	\$257M	\$400M
280% (LGFA covenants)	\$504M	\$433M	\$660M
250% (Recommended Option)	\$423M	\$367M	\$564M

- **Debt limits need to be sufficient to enable Council to deliver on its strategies and goals.**
- **Recommend an increase to 250% of Revenue.**
- **As Council does not have reserves (rainy day fund for emergencies such as Cyclone Gabrielle) it is important to allow for some headroom by not setting the limit at the LGFA maximum.**
- **Based on an average 6% interest rate and net debt <250%, interest at maximum borrowing will not exceed Council’s interest to revenue limit of 15% (LGFA Limit <20%). Note – currently (2023/24 Annual Budget) net interest to revenue is 5.9% so reaching the policy maximum would be a significant increase.**

Financial Strategy – Rates Limits

**Current limit – no
change proposed.
Do you agree?**



○ **Current Limit:**

Total rates will increase by no more than the Local Government Cost Index (LGCI) :

- **Plus additional rates obtained from growth in the rating base**
- **Plus 3% (to fund costs of higher standards and new services)**
- **Plus increase in funding required for asset renewal**






















○ **Need to balance affordability with enabling progress against strategic goals**

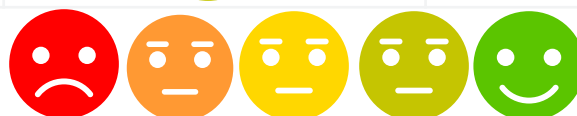
○ **Actively explore alternative funding options that lessens the reliance on rates**

Infrastructure Strategy

- **Strategy for how we will manage our infrastructure assets over the next 30 years**
- **Identifies our significant infrastructure issues and decisions over 30 years**
- **Identifies principal options for managing those issues and the implications of those options**
- **It drives prudent management of our long life investments**

Infrastructure Strategy – our infrastructure

	Value (\$M)	Condition	Performance	Resilience
Transport	\$821			
Property	\$796			
Resource Recovery	\$32			
Parks and Reserves	\$176			
Water Supply	\$407			
Wastewater	\$498			
Stormwater	\$332			



Infrastructure Strategy – our significant issues

Growth and changing expectations on LOS

Growth

Liveability

Technology Advances

Deterioration of assets

Infrastructure Age and Condition

Risks, resilience and compliance

Resilience

Climate Change

Sustainability

Legislative Change



Issue:

Challenges to enabling growth and liveability



- Enabling infrastructure-ready growth in a timely way for all activities
- Stimulating economic development by providing suitable infrastructure
- Getting the right transport modes on the right roads
- Meeting the increasing needs for social housing and community spaces (including for recreation)
- The timing of revitalising the centre of the city

Response:

Planned options for enabling growth and liveability

- Infrastructure for residential growth at Whakarongo, Kākātangiata, Aokautere, Napier Road, Roxburgh Crescent, Ashhurst and urban intensification.
- Te Utanganui Central New Zealand Distribution Hub
- Palmerston North Integrated Transport Initiative (PNITI) - Regional Freight Ring Road
- Te Motu o Poutoa
- Manawatū River Framework
- City Centre Streetscape Transformation
- Civic and Cultural Precinct Redevelopment
- Arena Masterplan
- Social Housing Redevelopment
- Community Hubs and Centres Portfolio
- Food Scrap Waste Collection Introduction

Issue:

Challenges to addressing deterioration of assets



- We have substantial amounts of outstanding renewals
 - 40% of our roading network is in poor condition and at risk of failure
 - Some of our three waters infrastructure is also at risk of failure
 - Our materials recovery facility machinery has reached the end of its useful life
- The amount of accurate data we have on assets our is variable – this includes condition
 - So some of this is assessed by age

Response:

Planned options for addressing deterioration of assets



- Infrastructure Renewal Programmes
 - Citywide water main renewal
 - Road resurfacing
 - Wastewater reticulation renewal
 - Local reserves renewal
 - Cycle network renewals

Issue:

Challenges to mitigating risks, and ensuring resilience and compliance

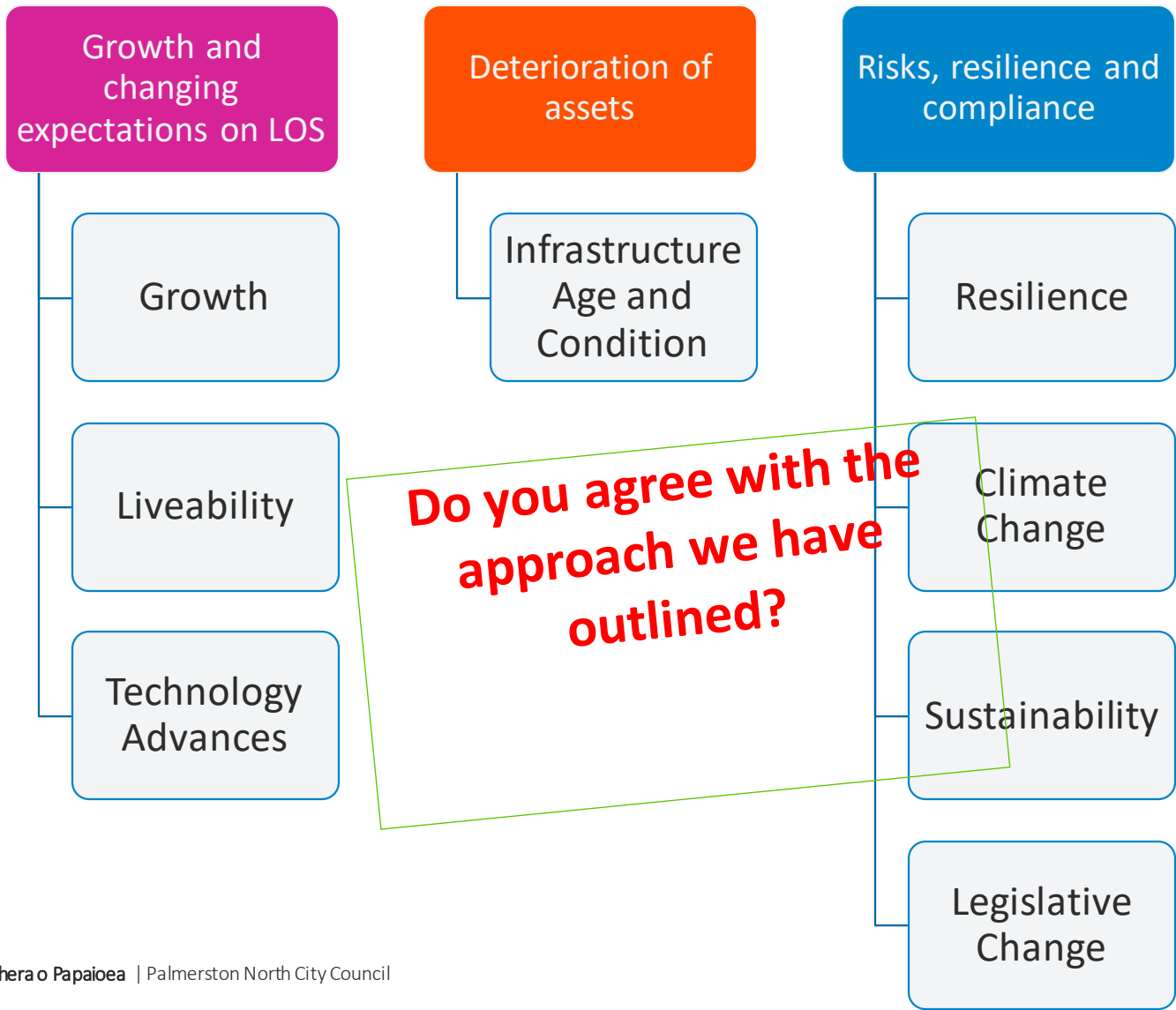
- Obtaining ongoing consent for our wastewater treatment plant
- Requirements for seismic strengthening of our earthquake prone buildings
- Impacts of altered weather patterns due to climate change
- Changing legislation and regulations (waste minimisation, fresh water, drinking water, etc)
- Ongoing issue of road death and serious injury on our roading network
- Level of service risks created by poor condition assets and overdue renewals (see above)

Response:

Planned options for mitigating risks, and ensuring resilience and compliance

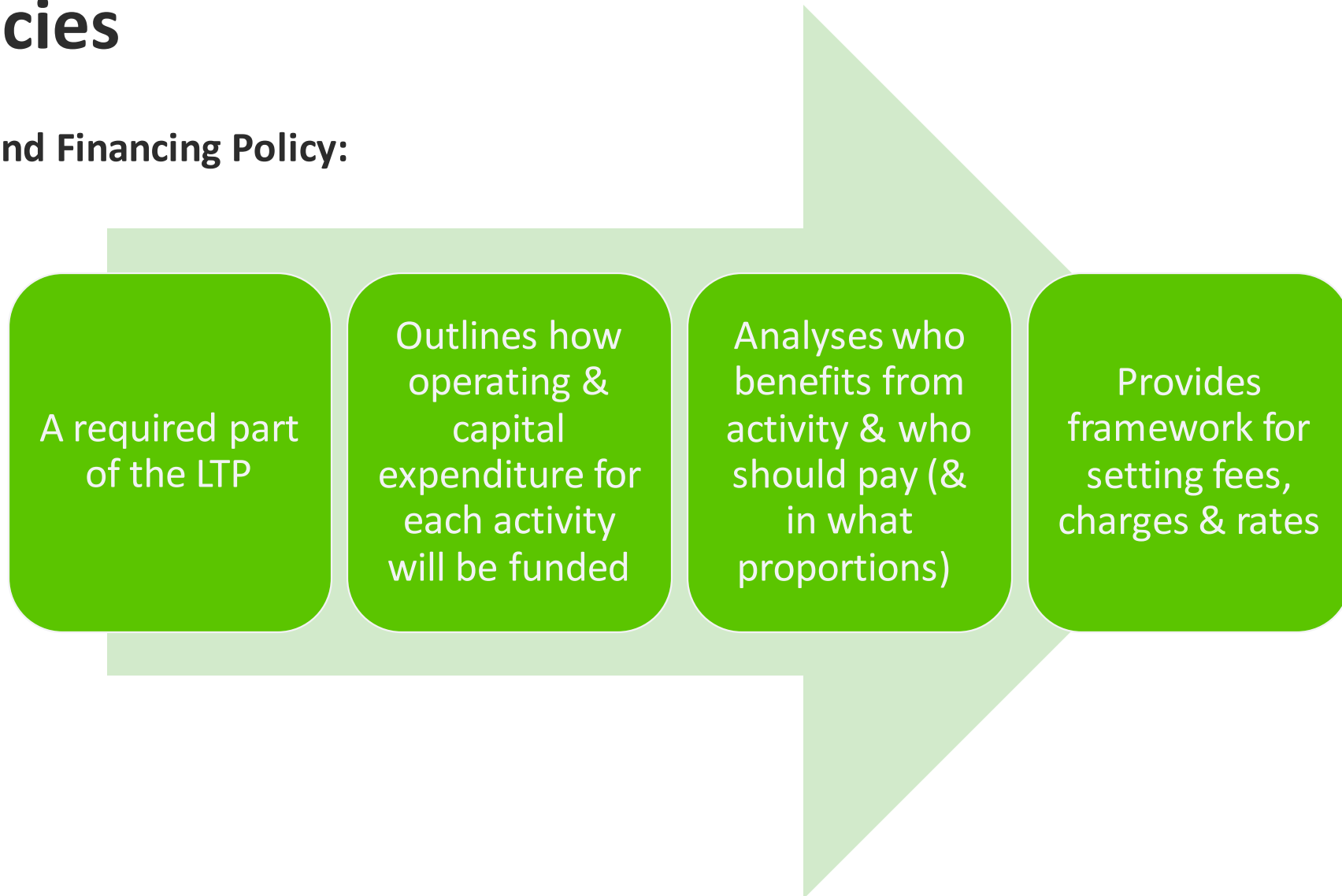
- Tōtara Road Wastewater Treatment Plant Upgrade
- Upgrades to comply with Drinking Water Regulations
- Stormwater Capacity Upgrades
- Seismic Strengthening of Council Properties
- Materials Recovery Facility Replacement (plant and equipment)

Infrastructure Strategy – our significant issues



LTP Policies

- **Revenue and Financing Policy:**



Revenue & Financing Policy



Funding operating costs

- Obtain grants or subsidies (where possible)
- Fees & charges set to obtain designated portion from user or exacerbator
- Targeted rates for water, wastewater, resource recovery
- Allocate net revenue from investments or fuel taxes
- Balance from general rates (set differentially) with UAGC

**Suggest keeping current approach to funding operating costs.
Do you agree?**

Revenue & Financing Policy

**Suggest keeping current approach to funding capex.
Do you agree?**



Funding capital expenditure

- Capital renewals funded from subsidies & grants & rates
- New capital funded from:
 - Subsidies & grants (where possible)
 - Asset sales (if any)
 - Development contributions (DCs) (for growth related capex)
 - Borrowing (repaid from rates over life of asset for maximum of 30 years)

Level of planned capex, maximum borrowing levels, other possible funding structures – will be handled as part of Financial Strategy

Approach to level & application of DCs will be handled through DC policy

Revenue & Financing Policy



High private
/exacerbator funding

(fees & charges &
targeted rates)



High public
funding

(general rates)

- Animal management
- Planning services (private ie resource consent processing)
- Parking
- Social Housing
- Water
- Wastewater
- Resource recovery (rubbish & recycling)

- Cemeteries/ crematorium
- Conference & function centre
- Building services
- CET Arena
- Public transport
- Public health
- Swimming pools

- Economic development incl. city marketing, international relations & economic events
- Planning services (public)
- Transport incl. roading, footpaths, lighting
- Stormwater
- Urban design
- Governance & decision making incl. direction setting
- Arts & heritage incl. Te Manawa, Regent & Globe
- Community support incl. public toilets & community centres
- Community safety incl. civil defence
- Climate change & sustainability
- Biodiversity & Manawatu River
- Libraries
- City-wide & local reserves, sportsfields etc



Sometimes policy tensions or struggle to meet revenue targets

See details in Supporting Information at back of slideshow

Revenue & Financing Policy

**How should we resolve these challenges & tensions?
Are there other issues?**



Social housing

- Revenue not keeping pace with increasing costs
- Greater subsidy being provided from ratepayers – previous 5 year trend is 30% subsidy compared to policy target of less than 20%
- Not meeting policy target & will get worse if we borrow more to build more units.

Resource recovery (rubbish collection)

- Increasing collection & disposal costs
- Current Policy expectation that users will pay for costs through rubbish bag sales as a means of encouraging less waste
- Bag prices either need to increase to cover cost or a shift in policy settings to allow rates funding.

CET Arena

- Policy expectations regarding extent of community use
- Also expectation to cover 20-40% of costs from external revenue
- Difficult management challenge to balance these two objectives

Development Contributions Policy

- **Development Contributions Policy:** DC fees are paid by developers to help fund the new infrastructure like roads, parks and reserves that their developments rely on
- First introduced in 2004 – broad policy approach largely unchanged since that time
- Network wide approach – apart from Stormwater and Local Reserves
- More akin to a tax than a user-charge – but need to demonstrate a 'causal nexus'
- Contentious – involve large sums and one-off payments at the time of development
- Broad policy approach challenged & defended multiple times
- Most concern expressed regarding the non-residential DC fees
- Significant growth planned and significant growth costs anticipated moving forward
- Regularly linked to our economic development aspirations by the development community

Development Contributions Policy – Case Study

- Te Utanganui: 7055m² distribution warehouse proposed
- Strong strategic links - distribution, food & defence
- Expansion of an existing Palmy business
- Proposal is being chased by other cities / districts – and considered by the business
- DCs based on the Gross Floor Area are \$807,000 excl GST
- Made up by \$305K for roading, \$69K for water & \$433K for wastewater
- No stormwater fees - possible anomaly

Development Contributions Policy – Case Study

- Dry distribution warehouse – so very limited water use and therefore wastewater (water in = water out)
- Council could consider a tiered DC approach approach for water & wastewater, based on water connection size – a shift away from the averaging approach
- Such an approach is likely to reduce the DC fees for water & wastewater for this opportunity
- Any reductions may be offset by future increases in DC fees
- Would require a specific Council resolution & agreement to approve the tiered approach if assessment completed under the current policy – others likely to want the same treatment

**How should we
move forward?**

Significance and Engagement Policy

- **Significance and Engagement Policy:** sets when and how people will be involved in Council decisions
- Requires Council to consult appropriately for all decisions. For a significant decision Council has to formally acknowledge it has consulted appropriately

Significance and Engagement Policy

Keep the same general approach and principles, i.e. We use the IAP2 (International Association for Public Participation) model of engagement

Keep the same strategic assets (can only be sold through an LTP)

Update Vision and Goals

Add statement saying sustainability is a factor that we will consider when evaluating the significance of a decision (Sustainability as the balance or trade-offs between social, economic, environmental and cultural well-being)

**No major changes
proposed.
Do you agree?**

Māori Contribution to Council Decision-Making

Sets out how Council will encourage Māori to participate in Council consultation and decisions

Acknowledge Rangitāne o Manawatū as mana whenua

Give the statement a higher profile in the LTP

Keep the same general approach

Been endorsed at Te Whiri Kōkō

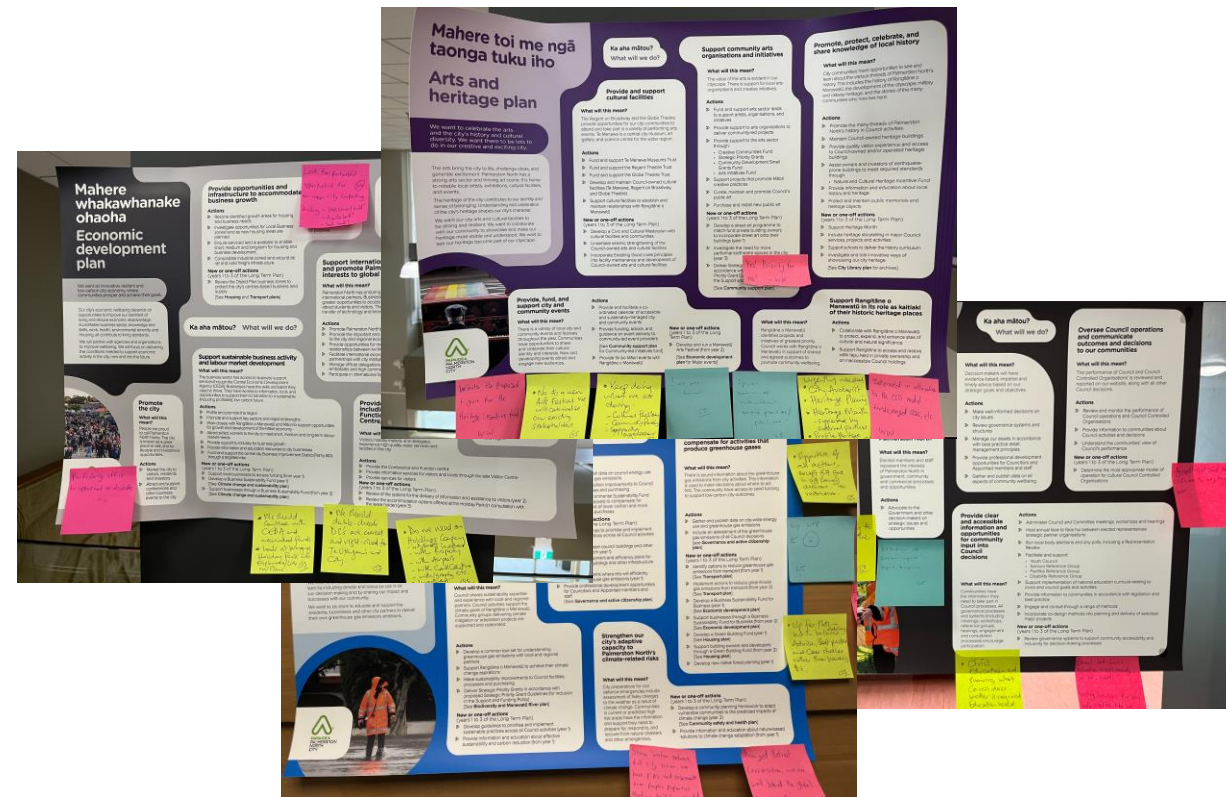
Draft to Rangitāne o Manawatū Committee on 18 October

MoU due for renewal in June 2024

No major changes proposed
Do you agree?

Feedback from Plan Drop-in sessions

- Feedback from drop-in sessions shared last week (in LTP Teams folder)
- Process worked well
- Generally positive feedback about the format of the Community wellbeing strategy and plans
- Some specific suggestions (recorded in the feedback that would mean significant changes)
- Still working on some things
 - City Library plan
 - Making sure the strategies and plans 'agree' with each other



Update on goals, indicators, and targets

Do you endorse this approach?

- In 2021 Council adopted four specific targets for:
 - Jobs
 - Creative Cities Index
 - Welcoming and inclusive/ good standard of living
 - CO₂e emissions
- Feedback from earlier workshops suggests you want to move to a more holistic wellbeing approach 
- We think this approach is more meaningful than arbitrary targets for such narrow elements of each goal
e.g. how many jobs is important, but so is median earnings, housing affordability and school leavers' achievements

Indicator	Contribution to goals	
Access to green spaces	☆	🌿
Active and public transport		🌿
CO ₂ e emissions	🛒	🌿
Crime victimisation		💖
Drinking water quality		🌿
Early childhood education (ECE)	🛒	💖
GDP per capita	🛒	
Household crowding		💖
Housing affordability	🛒	💖
Median earning	🛒	
Native bird counts		🌿
Number of jobs	🛒	
Participation and engagement in the arts	☆	
Participation in physical activity	☆	
Perception as a welcoming and friendly city	☆	💖
Perception of safety		💖
School-leavers' achievement	🛒	💖
Te reo speakers	☆	
Volunteering		💖
Voting		💖
Waste diverted from landfill		🌿
Waste to landfill	🛒	🌿
Water quality of the Manawatū River		🌿

Community Housing Partnership Fund

Proposal: A new programme to support community housing providers through a Community Housing Partnership Fund

The fund could have a range of purposes. The primary purpose will influence the scope and quantum of the fund / programme. Did EMs have any specific purpose in mind? Our working assumption is the current Govt / Council / community housing provider policy settings will continue.

Possible way forward:

- Current year: survey housing providers re potential uses of the fund
- Year 1 LTP: include \$20K for establishment costs and capacity building so new / current organisations can gear up to use the fund
- Year 2 onwards: include placeholder Community Housing Partnership Fund of \$XX

**How should we
move forward?**

Budget Principles



Officers have worked through Service Levels and made budget provisions according to the Service Levels proposed in the Plans

Budgets have been prepared from a zero-base – not this year 'plus'

Operational Programmes – previously a very long list. Suggesting that programmes that are ongoing sit in Activity Budgets and separate programmes (defined) are on a separate list

What's Next

3 Nov:	Indicative trade-offs and prioritisation
29 Nov:	Trade-off and prioritisation workshop 1
13 Dec:	Trade-off and prioritisation workshop 2
By 20 Dec:	Good draft of CD and consultation material
Feb / Mar:	Audit reviews LTP
Mar-Apr:	Consultation
May-June:	Finalise and Adopt

Supporting Information




NB: the following pages contain background information that supports the slideshow.

IAP2 Public Participation Spectrum

IAP2 Spectrum of Public Participation



IAP2's Spectrum of Public Participation was designed to assist with the selection of the level of participation that defines the public's role in any public participation process. The Spectrum is used internationally, and it is found in public participation plans around the world.

		INCREASING IMPACT ON THE DECISION 				
		INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PUBLIC PARTICIPATION GOAL		To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
	PROMISE TO THE PUBLIC	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

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Revenue and Finance Policy (continues on next page)

	GENERAL RATES	TARGETED RATES	USER FEES AND CHARGES	OTHER
Innovative and Growing City				
Economic development				
City marketing	High			Low
Economic development	High			Low
Economic events	High			
Conference and Function Centre	Med/Low		Med/High	
International relations	High			
City growth				
Building services	Med/Low		Med/High	
Planning services – public	High			
Planning services – private			High	
Urban design	High			
Transport				
Roading				
Parking			High	
Roads	High		Low	Low
Street facilities	High			Low
Street lighting	High			Low
Traffic services	High			Low
Active and public transport	High			

Revenue and Finance Policy (continued from previous page)

	GENERAL RATES	TARGETED RATES	USER FEES AND CHARGES	OTHER
Footpaths	High			Low
Active transport	High			Low
Public transport	Med/High			Med/Low
Creative and Exciting City				
City shaping				
City Centre	High			
Place activation	High			
Placemaking	High			
Arts and heritage				
Te Manawa (see note 1)	High			Low
Other cultural facilities (see note 1)	High			
Support to arts, culture and heritage groups	High			
Heritage management	High			
Active communities				
Central Energy Trust Arena	Med/High		Med/Low	
City reserves	High		Low	
Local reserves	High		Low	
Sports fields	High		Low	
Swimming pools (see note 1)	High			
Support to recreation groups	High			
Connected and Safe Community				
Connected communities				
CET Wildbase Recovery	High		Low	Low
Cemeteries	Med/Low		Med/High	

Revenue and Finance Policy (continued from previous page)



	GENERAL RATES	TARGETED RATES	USER FEES AND CHARGES	OTHER
Community centres	High		Low	
Community and commemorative events	High			
Libraries	High		Low	
Public health	Med/High		Med/Low	
Public toilets	High		Low	
Social housing	Low		High	
Support to community groups	High			
Safe communities				
Animal control	Low		High	
Civil defence	High			
Safer community initiatives	High			
Eco-city				
Climate change mitigation and adaption	High			
Resource Recovery				
Landfill management		High	Low	
Waste management		Low	High	
Waste minimisation		High		Low
Environmental sustainability				
Biodiversity	High			
Support to environmental groups	High			
Sustainable practices	High			
Manawatū River	High			
Stormwater	High		Low	
Wastewater		High	Low	
Water Supply (see note 2)		High		
Driven and Enabling Council				

Revenue and Finance Policy (continued from previous page)

	GENERAL RATES	TARGETED RATES	USER FEES AND CHARGES	OTHER
Governance and Active Citizenship				
Councillor meetings and administration	High		Low	
Elections	High			Low
Mayoral and Chief Executive's office	High			
Direction setting	High			
Organisational performance				High
Strategic investments				High

High	80 – 100%
Med/High	60 – 79%
Med	40 – 59%
Med/Low	20 – 39%
Low	0 – 19%

The funding proportions outlined in this table represent the Council's desired consolidated intention, that is, the share of the gross operating costs borne by each sector.

Note 1: The Council has varying levels of control over the actual revenue obtained from users of these facilities. Management and operations are contracted to other entities and revenue from entry fees is retained by them.

Note 2: Metered water is deemed to be a targeted rate.

Strategic Assets (continues on next page)



- social housing as a whole
- public rental housing as a whole
- shares in Palmerston North Airport Ltd
- roading and traffic network as a whole
- wastewater reticulation network and treatment plant as a whole
- water supply, treatment, storage and reticulation network as a whole
- stormwater network and land drainage system as a whole
- Te Marae o Hine - The Square as a whole
- reserves zoned for recreation purposes or subject to the Reserves Act as a whole
- the Esplanade, Ongley Park, Fitzherbert Park and Manawaroa Park as a whole
- aquatic facilities as a whole
- Central Energy Trust Arena as a whole
- walkways as a whole
- Ashhurst Domain as a whole
- Memorial Park as a whole

“As a whole” means the entire asset is strategic, along with any major component of it that substantially affects the ability of the Council to deliver its services.

Strategic Assets (continued from previous page)



- Memorial Park as a whole
- the parts of the Manawatū River Park owned by Council, as a whole
- Linklater Park as a whole
- Te Manawa
- the Regent Theatre
- the Globe Theatre
- Caccia Birch
- City Libraries as a whole
- archives as a whole
- Square Edge
- community centres as a whole
- Hancock Community House
- cemeteries and crematorium as a whole
- that portion of the Civic Administration Buildings sited on The Square - Te Marae o Hine.