Annual Plan process

- **December 2018** –
  - Council meeting on key matters to be included in the 2019/20 Annual Plan.
  - Budget approved, subject to confirmation of specific budget matters

- **March 2019** –
  - Draft Annual Plan budget approved by council, following update on key matters from December

- **Today** -
  - Presentation of CE’s submission to Draft Annual Plan budget, to address matters that have arisen since March 2019
  - Approval of budget to be included in the 2019/20 Annual Plan

- **27 June** -
  - Adoption of Annual Plan and setting of rates
Budget overview

- Annual Plan budget has been based on Year Two of the 2018 – 2028 Long Term Plan (LTP)
- LTP projected an increase in rates revenue from current ratepayers of 8.8 per cent
  - The Draft Annual Plan revised this projection down to an increase of 7.8 per cent
    - 4.5 per cent all property rates; 11.8 per cent targeted rates
  - The final Annual Plan budget proposed results in an increase in rates revenue of 7.5 per cent
    - 4.5 per cent all property rates; 11.2 per cent targeted rates
Key budget assumptions

• Inflation has been absorbed within many budgets. Provision is made when contractually required

• Regional growth is projected at 1.8 per cent – based on actual growth achieved last year

• The proposed budget includes provision for market and performance increases in staff remuneration of 2.5 per cent
  • Salary provisions are discounted to reflect expected turnover (10% turnover, and a 10 week recruitment gap)
Key budget assumptions

- Actual rates incurred will be impacted by property revaluations. Five councils have undertaken general revaluations this year:
  - Hauraki District
  - Matamata-Piako District
  - Waitomo District
  - South Waikato District
  - Hamilton City
The LTP locked in certain funding commitments that are reflected in the proposed rates increase:

- Spreading catchment rate increases over first 3 years of the LTP
- Capital contribution to the proposed Waikato Regional Theatre
- Commencement of the Hamilton to Auckland passenger rail services
• The LTP budget assumption includes the release of council’s contribution of $2.5M (of the $5M) to the Theatre project in 2019/20 financial year. This funding is via external borrowing.

• To repay the borrowing, a targeted rate assessed over a 20 year period is commencing from 1 July 2019 (rating impact equivalent to half a rating year), with full rating impact being recognised in 2020/21 financial year.

• The funding deed for the Theatre will not be signed prior to May 2019 as signalled to council. It is staff recommendation that rating be deferred until 1 July 2020.
Rail Budget Update

• Programme Manager has been working with partner organisations to confirm project deliverables, timelines and costings to meet NZTA pre implementation requirements

• Decision to confirm implementation funding is still subject to NZTA Board approval

• Rail Governance Group has recommended:
  ➢ The provisional start date be retained at April 2020, as per the Council report. KiwiRail will confirm with a greater degree of certainty the rolling stock programme completion date by August 2019.
  ➢ Implementation Marketing budget be increased from $90k to $160k

• Our supplier has advised that preferred Ticketing solution CAPEX costs increased from $300k to $563k max. (funded NZTA 75.5% and WRC share from reserves), subject to agreement of functionality and negotiation

• Increased ticketing system depreciation costs will be partially offset by reduced OPEX costs
## Rail P&L – Council report v/s 27 May Update

<table>
<thead>
<tr>
<th>Rail P&amp;L - Total ($000)</th>
<th>Year</th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>CE submission to Annual Plan</td>
<td>27 May AP Update</td>
<td>CE submission to Annual Plan</td>
<td>27 May AP Update</td>
</tr>
<tr>
<td><strong>Targeted Rate – Public Transport (WRC share)</strong></td>
<td>$663</td>
<td>$689</td>
<td>$1,659</td>
</tr>
<tr>
<td><strong>Other Income (HCC and WDC)</strong>*</td>
<td>$37</td>
<td>$37</td>
<td>$147</td>
</tr>
<tr>
<td><strong>Fares Revenue</strong></td>
<td>$153</td>
<td>$153</td>
<td>$817</td>
</tr>
<tr>
<td><strong>NZTA share</strong></td>
<td>$2,246</td>
<td>$2,505</td>
<td>$5,404</td>
</tr>
<tr>
<td><strong>TOTAL FUNDING</strong></td>
<td>$3,099</td>
<td>$3,384</td>
<td>$8,026</td>
</tr>
<tr>
<td><strong>Labour Cost</strong></td>
<td>$222</td>
<td>$222</td>
<td>$25</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>$5</td>
<td>$5</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Contracted Services</strong> <strong>(*)</strong></td>
<td>$2,364</td>
<td>$2,443</td>
<td>$7,870</td>
</tr>
<tr>
<td><strong>Management Costs</strong></td>
<td>$94</td>
<td>$94</td>
<td>$25</td>
</tr>
<tr>
<td><strong>Corporate Labour Burden</strong></td>
<td>$44</td>
<td>$44</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>$20</td>
<td>$33</td>
<td>$80</td>
</tr>
<tr>
<td><strong>Rate Collection Costs</strong></td>
<td>$14</td>
<td>$14</td>
<td>$26</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td>$2,762</td>
<td>$2,855</td>
<td>$8,026</td>
</tr>
<tr>
<td><strong>Net Surplus / (deficit)</strong></td>
<td>$337</td>
<td>$529</td>
<td>$0</td>
</tr>
</tbody>
</table>

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*This is the HCC and WDC shares to pay for station maintenance and lease costs. WRC will act as a funding conduit but no local share will go towards this.

** This costs includes a sum of $150,000 in the part-year ($600k per annum) for station maintenance and lease costs which WRC is a funding conduit for but NZTA and HCC/WDC co-fund together (not WRC).
General Comments – Rail Budget Changes

• The WRC share required for 2019/20 has increased from $663k to $689k to fund the increase in ticketing operational costs, depreciation costs and marketing implementation costs at 24.5%.

• In the full year of operations (2020/21), the Ticketing operational expenditure has decreased from the previous $80k budgeted amount to $40k. Thus the increase in ongoing depreciation costs per annum from 80k to $133k will be partly funded with the savings from ticketing.

• However, the increase in unfunded depreciation is greater than the savings obtained from ticketing OPEX, therefore the total WRC share required for 2020/21 has increased from $1,659,000 to $1,675,000 (16k increase).

• It is important to note that WRC’s operations budget has as contingency margin of 9%, which is made up of unidentified costs, fuel contingency and an overarching contingency margin of 5%.
## Updated Reserve Fund Transfer Summary – 2019/20

<table>
<thead>
<tr>
<th>Reserve transfers</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZTA Revenue for the Capital costs transferred to reserve ($662,763 x 75.5%) *</td>
<td>$500,387</td>
</tr>
<tr>
<td>Repayment of the 2018/19 deficit**</td>
<td>$45,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$545,887</strong></td>
</tr>
<tr>
<td>Less deficit relating to unfunded depreciation on capital items ($33,000 depreciation x 51%)</td>
<td>($16,830)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$529,057</strong></td>
</tr>
</tbody>
</table>

*The set up costs include $662,763 of capital costs for which WRC will receive $500,387 NZTA funding at 75.5%. This is treated as revenue in the council’s accounts and results in an accounting surplus*

**Cost relating to branding/naming, WIFI and ticketing pre-implementation activities brought forward to the current year to meet NZTA approval requirements*
HE TAIAO MAURIORA  HEALTHY ENVIRONMENT
HE ŌHANGA PAKARI  STRONG ECONOMY
HE HAPORI HIHIRI  VIBRANT COMMUNITIES