

10-year Budget 2018-2028 – Mayor’s final proposal

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Te take mō te pūrongo / Purpose of the report

1. This report sets out the mayor’s recommendations for the final 10-year Budget 2018-28 (Long-term Plan) for consideration and decisions by the Finance and Performance Committee.

Whakarāpopototanga matua / Executive summary

2. This 10-year Budget is focused on building the infrastructure our city needs to deal with unprecedented population growth while protecting our quality of life and making Auckland a world class city. This Budget sets out \$26.2 billion of capital investment over the next decade in our communities.
3. Through this Budget, I have sought to balance our expenditure so that council stays within its prudential limits, while making investments allowed by the introduction of new revenue through targeted rates and the Regional Fuel Tax.
4. The Budget contains the largest ever council transport investment of \$12 billion over the next ten years, including \$4.3 billion from leveraging the Regional Fuel Tax. The effect will be transformational with improvements in public transport (rail, light rail, buses, and ferries) and cycling and walking, as well as addressing vital improvements to road safety and our road network.
5. The Budget is also transformational in protecting and enhancing our natural environment. Through a water quality targeted rate, we can dramatically improve water quality on our beaches, and in our waterways within a decade; not 30 years as previously planned. A natural environment targeted rate will allow us to protect our native bush and wildlife from disease, weeds and pests to safeguard our natural heritage for future generations. Significant resources will also be put into dealing with the impact of climate change and managing our coastal areas.
6. By investing in water and transport infrastructure, we can build more houses to cope with the shortage of affordable housing, which is putting pressure on the lives of many Aucklanders.
7. While building infrastructure is the focus of our budget, we have not overlooked the things that make our city vibrant, inclusive and interesting to live in.
8. We have significantly increased our investment in sports and recreation, in facilities such as swimming pools, the Art Gallery and the Zoo, and infrastructure to host the America’s Cup.
9. Social investment has been boosted with the creation of a Western Initiative which will improve job and life skills in west Auckland, a grant to the Auckland City Mission to help with homelessness and promotion of a smoke free Auckland. Funding for Local Board initiatives and the Independent Maori Statutory Board have ensured that the needs of all Aucklanders have been considered. Organisations serving Aucklanders such as Surf Lifesaving and the Auckland Rescue Centre Trust have received additional assistance. We have boosted funding to enhance reserves including in Orakei and Parakai, and our Maunga which we hope will be recognised with World Heritage Status.
10. All of this has been achieved while keeping the rise in average general rates at 2.5 percent for the remainder of this term of Council.
11. This has been helped by efficiency savings achieved by value for money reviews and the Corporate Property Strategy, which achieves the economies of scale allowed by amalgamation.

12. This Budget is a transformational step towards achieving our vision of Auckland as a world class city.

Ngā tūtohunga / Recommendation/s

- a) That the Finance and Performance Committee agrees to recommend to the Governing Body in respect of the final long-term plan 2018-2028 (10-year budget 2018-2028) the following items as proposed in the consultation document:
- i) The introduction of a water quality targeted rate to raise \$452 million to fund acceleration of the Water Quality Improvement Programme, set differentially on capital value with 25.8 per cent of the revenue requirement to be raised from businesses.
 - ii) The introduction of a natural environment targeted rate to raise \$311 million for environmental initiatives, including addressing Kauri dieback and targeted ecological protection set differentially on capital value with 25.8 per cent of the revenue requirement to be raised from businesses.
 - iii) The implementation of a reporting process to provide transparency and accountability over the use of the proceeds of the water quality and natural environment targeted rates.
 - iv) Average general rates increases of 2.5 percent for the first two years and 3.5 percent for each year after that.
 - v) Amend the rating treatment of the online accommodation sector so that business rates and the accommodation provider targeted rate are applied to properties let via web-based accommodation services depending on the number of nights booked and the location of the property as set out in the modified option b) in Attachment D to this report (that is, with an additional differential category of between 136 and 180 nights added).
- b) That the Finance and Performance Committee agrees to recommend to the Governing Body that the budget for the final 10-year budget 2018-2028 be based on the draft budget, adjusted for the updates set out in the staff reports, and to incorporate the following changes and specific decisions (refer Attachment A):

Transport

- i) If the Governing Body decides to adopt the Regional Fuel Tax Proposal for Auckland for submission to Ministers, agree that the Regional Fuel Tax Proposal revenue and capital investment be included in the 10-year Budget.
- ii) Agree the transport budgets (including Auckland Transport and Auckland Council's interest in City Rail Link Limited) be based on the draft budgets, adjusted for the updates set out in the staff reports.

Water

- iii) Approve the water supply, waste water and stormwater budgets based on the draft budgets, which include the Water Quality Targeted Rate funding, adjusted for the updates set out in the staff reports.

Parks and Community

- iv) Agree the establishment of a Sport and Recreation Facilities Investment Fund with additional capital expenditure of \$100 million to create a total fund of \$120 million on the basis that each project be subject to a full business case process and be in alignment with the Sports Facilities Investment Plan (under development).
- v) Agree the establishment of a Climate Change Response Fund of \$40 million for pro-active monitoring and planning and reactive response to infrastructure damage as a result of climatic events, including non-coastal slips.

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- vi) Agree additional operational funding of \$1 million in the next two years for the development of coastal compartment management plans and additional capital funding of \$90 million for coastal asset management.
 - vii) Agree additional capital funding of \$25 million for the Regional Facility Network Plan to progress the network of swimming pools.
 - viii) Agree additional operational funding of \$5 million for the extension of The Southern Initiative to the west Auckland areas of Whau, Henderson-Massey and Waitakere (The Western Initiative) and request that the staff work with council procurement on social procurement policy implementation and with ATEED on local economic development.
 - ix) Agree additional regional grants funding of \$4.3 million to increase the total of three regional funds to \$2 million per year in accordance with the Community Development and Safety Committee resolution of 17 May 2018.
 - x) Agree additional operational funding of \$1.4 million for the implementation of the Smoke free policy.

Centres Development

- xi) Agree the centres development budgets (including Panuku Development Auckland) be based on the draft budgets, adjusted for the updates set out in the staff reports.
- xii) Agree the re-phasing of the city centre programme of works and the increase in capital expenditure from the draft budget of an additional \$55 million to support Auckland hosting the America's Cup and APEC events in 2021.
- xiii) Agree additional funding for the Whau Multipurpose Community Centre of \$16 million in accordance with the confidential resolution of the Environment and Community Committee of 12 September 2017.

Regional Facilities Auckland

- xiv) Agree the Regional Facilities Auckland budget be based on the draft budget, adjusted for the updates set out in the staff reports, noting the following changes:
 - Additional capital expenditure of \$18.7 million for renewals at the zoo
 - Additional operating expenditure of \$5.7 million for transport and logistical costs associated with animal acquisition at the zoo
 - Additional operating funding of \$20 million for the Auckland Art Gallery
 - Additional capital funding of \$5.9 million and operational funding of \$3.6 million for facility security and visitor safety

Local Boards – One Local Initiatives

- xv) Endorse the One Local Initiative budget matters as set out in the One Local Initiative report by the Chair of the Finance and Performance Committee.

Maori Outcomes

- xvi) Agree additional operational funding for Maori responsiveness outcomes to be funded through the re-prioritisation of the existing draft budget.

Co-governance Entities

- i) Agree additional capital funding of \$16.8 million and operational funding of \$6.7 million for the Tupuna Maunga Authority.
- ii) Agree additional capital funding of \$7.7 million and operational funding of \$6.6 million for the Ngati Whatua Orakei Reserves Board.

- iii) Agree additional capital funding of \$8.7 million and operational funding of \$2.8 million for Te Poari o Kaipatiki ki Kaipara (Parakai).

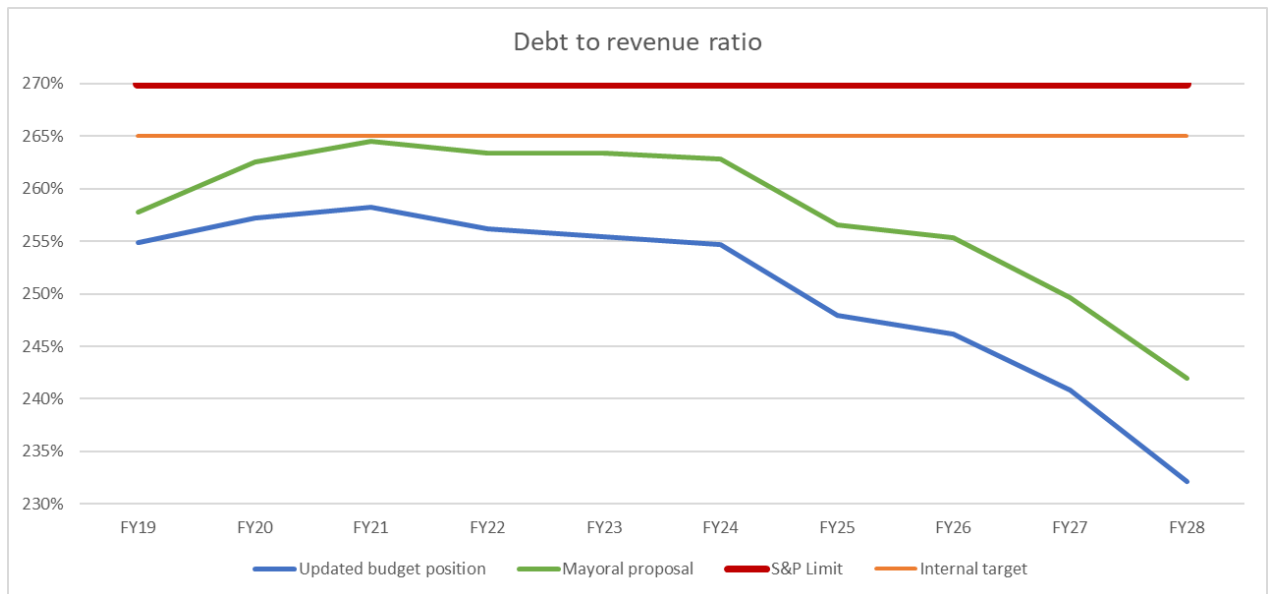
Other items

- iv) Agree the transfer of the Festival of Photography operational grant of \$72,000 per annum to the Regional Arts and Culture grant programme with a transitional three-year funding agreement.
 - v) Agree an extension of capital grant funding of \$3.7 million to Surf Lifesaving Northern Region for the development or renewal of facilities at Karioatahi, North Piha and Orewa, subject to appropriate funding agreements.
 - vi) Agree capital grant funding of \$2 million to the Auckland Marine Rescue Centre Trust for urgent repair and renewal of the building, subject to an appropriate funding agreement.
 - vii) Agree additional operational funding of \$204,000 for each of the first three years to the Mangere Mountain Education Trust.
 - viii) Agree a one-off operating grant of \$475,000 to the Auckland City Mission to cover building consent fees, resource consent fees and development contributions payable in respect of the redevelopment of the Hobson Street site.
 - ix) Agree operating funding of \$150,000 in an event year and \$50,000 in a non-event year (total \$1 million) to support the Sculpture in the Gardens biennial event.
 - x) Agree a one-off operational grant to the Hibiscus Youth Council Centre of \$100,000 for 2018/2019.
 - xi) Request a report back to the Environment and Community Committee following a review of council's provision of financial support to youth centres including the establishment of criteria for awarding funding through the Regional Community Development and Safety grant programme.
- c) That the Finance and Performance Committee agrees to recommend to the Governing Body the adoption of the following decisions on solid waste services, targeted rates and charges:
- i) Introduction of weekly pay as you throw 120 litre refuse bin collection using pre-paid bin tags for the former Auckland and Manukau city areas following introduction of the rates funded food scraps service and consequent removal of the current refuse targeted rate currently planned for 2020/2021.
 - ii) Increase to the waste management targeted rate in Papakura of \$67 to fund food waste collection services for the 2018/2019 year onwards.
 - iii) Increase to the waste management targeted rate in other areas of urban Auckland of \$67 to fund food waste collection services from 2021/2022 onwards, subject to further refinement based on the experience of the Papakura roll-out and subject to further consultation prior to introduction.
- d) That the Finance and Performance Committee agrees to recommend to the Governing Body the disestablishment of the Council-controlled organisation Auckland Council Investments Limited as follows:
- i) Approve a shareholder directive to Auckland Council Investments Limited relating to the transfer of all assets, liabilities and obligations of Auckland Council Investments Limited (including the shares in Ports of Auckland Limited and Auckland International Airport Limited) to Auckland Council.
 - ii) Approve a shareholder directive to remove Auckland Council Investments Limited from the companies register following the transfer of all assets, liabilities and obligations to Auckland Council.

- iii) Adopt the draft memorandum of understanding between Auckland Council and Ports of Auckland Limited attached to Attachment F.
 - iv) Recommend that the Appointments, Performance Review and Value for Money Committee adopt a revised Auckland Council Board Appointment and Remuneration Policy that includes Annex A of the draft memorandum of understanding between Auckland Council and Ports of Auckland Limited.
 - v) Recommend that the Governing Body adopt relevant amendments to its Terms of Reference to reflect the transfer of the assets, liabilities and obligations of Auckland Council Investments Limited (including the transfer of shares in Ports of Auckland Limited and Auckland International Airport Limited) to Auckland Council.
 - vi) Delegate to the chief executive the power to authorise any action necessary or desirable to effect the transfer of the assets, liabilities and obligations of Auckland Council Investments Limited (including the transfer of shares in Ports of Auckland Limited and Auckland International Airport Limited) to Auckland Council, and the disestablishment of Auckland Council Investments Limited.
 - vii) Note the relationship principles document in respect of Auckland Council and Auckland International Airport Limited contained in Attachment F.
 - viii) Note that all prior resolutions, delegations, approvals, agreements, authorisations by the Governing Body or its committees relating to Auckland Council Investments Limited now apply to Auckland Council.
 - ix) Amend the budget to reflect estimated cost savings of at least \$800,000 per annum.
- e) That the Finance and Performance Committee agrees to recommend to the Governing Body that the final 10-year Budget 2018-2028 give effect to decisions made in relation to issues covered by other reports on this agenda.

Horopaki / Context

13. The initial Mayoral Proposal I set out in November last year prioritised investment in transport, housing and the environment. It included a regional fuel tax to fund a substantial increase in transport investment and additional funding for cleaning up Auckland's beaches and streams and investment in our natural environment.
14. My final proposal takes forward these priority areas and reflects a record investment of \$26.2 billion over the next 10 years. It is a balanced budget that keeps council within its prudential limits, made possible by the introduction of new revenue sources, being the regional fuel tax and targeted rates.
15. Based on the draft 10-year Budget included in the consultation document, updated for the latest forecasting assumptions and budget information, and incorporating the budget decisions set out in this proposal, council's debt to revenue ratio remains below our 265% internal limit.



Key consultation items for the 10-year Budget

16. The water quality targeted rate was proposed to fund the accelerated Water Quality Improvement Programme to clean up the beaches, harbours and streams in our region. It received strong support through consultation and I support it going ahead unmodified from the draft budget. Refer to Attachment B.
17. The natural environment targeted rate was proposed to fund a substantial increase in the protection of our natural environment, including an urgent need to address the spread of Kauri dieback disease. Two options were consulted on at two different levels of spending. There was strong support through consultation for a rate of at least the lower level of spending. However, in the meantime, council decided to close areas of the Waitakere and Hunua ranges due to the spread of Kauri dieback disease. This is indicative of the need to significantly increase the protection of our natural environment and I am therefore proposing the council proceeds with the proposed natural environment targeted rate at the higher level of funding of \$311 million. Refer to Attachment C.
18. Targeted rates are a mechanism that require the rates revenue raised be spent specifically for the purpose for which it was collected. This means there is a higher level of transparency and it is critical we have that accountability to ratepayers. I am proposing that a reporting process be set up to ensure that the expenditure on and delivery of the water quality and natural environment programmes can be monitored. A reporting process is required for the regional fuel tax in the draft legislation.
19. I am honouring my commitment on general rates by proposing that the average general rates increase is not more than 2.5 percent for the first two years of the 10-year Budget and not more than 3.5 percent for each of the remaining years. This reflects my expectation that council will control spending and continue to find operational efficiencies. Refer to Attachment A.
20. Rapid growth in the use of online accommodation marketplaces like Airbnb and bookabach to provide short term rental accommodation has created an inequity with traditional accommodation providers. Online providers are often essentially running a business but paying residential rates. After considering feedback received through the consultation process I recommend applying business rates to online accommodation providers as follows:
 - Residential (up to 28 days booked continue to be rated residential)
 - Medium-occupancy online accommodation provider (between 29 and 135 days being rated 75% residential and 25% business)
 - Moderate-occupancy online accommodation provider (between 136 and 180 days being

rated 50% residential and 50% business)

- Business (over 180 days rated as business)

I also propose that online providers pay the accommodation provider targeted rate based on the proportion of business rates paid depending on the number of nights booked and subject to the differentials that currently exist.

No other changes to the accommodation provider targeted rate are proposed. Refer to Attachment D.

10-year Budget matters (Attachment A)

Transport

21. With the introduction of the Regional Fuel Tax we will achieve a milestone transport infrastructure investment package of \$12 billion. This, along with our operating costs, delivers our share of ATAP's \$28 billion package. This transport budget enables us to catch-up on years of under-investment and to take steps to invest for the future.

Water

22. Over the next 10 years, Watercare and Healthy Waters will be working together to deliver the Water Quality Improvement Programme, a key feature of which is the central interceptor and related works in the western isthmus. Combined with other water quality projects around the region, funded by the water quality targeted rate, we will be addressing water quality issues that are unacceptable in the 21st century.

Parks and Community

23. I am supporting the establishment of the Sports and Recreation Facilities Investment Fund at \$100 million. This contestable fund will enable council to work with community groups to increase the provision of indoor and outdoor sports facilities needed for our growing population. I also support additional capital funding of \$25 million for the Regional Facility Network Plan to progress the network of swimming pools.
24. I am also supporting the establishment of a Climate Change Response Fund of \$40 million. Half of this fund will be used to address emergency infrastructure repair works needed as a result of climate change-related events. The other half will be used to proactively monitor and remediate at-risk infrastructure.
25. Climate change is putting substantial pressure on the assets council owns along Auckland's 3,200 km of coastline. These assets include sea walls, wharves, boat ramps and coastal pathways. I am supporting the request for additional operating expenditure for the development of coastal compartmental management plans which will inform the coastal asset management plans. This spending will support a managed response to the effects of climate change on council's coastal assets rather than a reactive response that would cost more in the long run. Once the coastal plans are complete the capital budget will need to be re-visited, however it is prudent to provide for some capital expenditure in this 10-year budget and I am proposing an additional amount of \$90 million.
26. Following the successes of The Southern Initiative I support the expansion of the programme to west Auckland to create The Western Initiative. I believe that the most significant impact council can have is through social procurement in order to create jobs in our poorer communities. I would like to see this group working closely with council procurement to start making a meaningful difference in this area. ATEED is the council's organisation tasked with delivering economic development outcomes and due to the clear overlap of interests, I expect The Southern/Western Initiative team to work collaboratively with ATEED. For these reasons I am proposing \$5 million of operational funding for The Western Initiative with an expectation that outcomes can be achieved through collaboration across the council family.
27. I support the additional regional grants funding sought by resolution at the 17 May 2018 Community Development and Safety Committee as follows:

b) seek that the 2018 Long Term Plan provide for increased funding of the

following programmes such that they total \$2 million:

- *Regional Arts and Culture grant programme*
- *Regional Community Development and Safety grant programme*
- *Regional Events Fund programme.*

28. In support of the implementation of Auckland Council's smoke free policy I am proposing operating expenditure of \$1.4 million. This is less than the requested amount but on balance provides for some progress to be made while recognising this is a lower priority at this time.

Centres Development

29. Auckland's city centre is an important place of business and employment for the whole region and increasingly a place where people choose to live. The city centre and waterfront and the events it hosts attract visitors from across the city, the country and the world. There are a number of strategic work programmes in the city centre which support Auckland's growth and leverage the benefits of the America's Cup and APEC events scheduled for 2021. The City Rail Link is a significant transport project that will play a role in transforming the city centre above and below ground.
30. I am supporting an additional \$55 million of capital funding being included in the budget and the bringing forward of \$53 million of existing budget to support the downtown development programme over the next three years. It will also ensure council can leverage full benefits from the America's Cup, APEC and the other major transport and infrastructure projects in the city centre, such as the City Rail Link.
31. Based on officers' advice, the remaining city centre programme will not have additional budget allocated to it in this 10-year budget as timing is dependent on City Rail Link works and managing the overall level of disruption in the city centre.
32. The revised proposal for the Whau Multipurpose Community Centre is supported in accordance with the confidential resolution of the Environment and Community committee meeting of 12 September 2017.

Maori outcomes

33. I acknowledge the advice of the IMSB in developing their business cases for this 10-year budget process and appreciate the way they have worked with council to refine their funding request. In line with the letters of expectation to the CCOs earlier this year, I support an increased focus on Maori outcomes through the Maori responsiveness framework and the overall budget request of an additional \$35 million over the 10-year period. These outcomes will be delivered through collaboration across the council family including, for example, our parks and governance teams, ATEED and Auckland Transport and therefore I expect budgets in those areas to be ring-fenced for these purposes.

Co-governance Entities

34. The Tupuna Maunga Authority plan has been through consultation and received broad support. I support the 10-year budget increases in capital and operational expenditure to protect and restore the maunga, progress the development of visitor infrastructure and support the UNESCO world heritage bid.
35. I asked the Ngati Whatua Orakei Reserves Board to consider how their funding request could be scaled back based on deliverability and prioritisation of projects. I support their revised funding request which includes a \$1 million capital grant for the construction of an iconic Pou at the harbour entrance and further funding for the restoration and infrastructure at Pourewa Creek Recreation Reserve, including the creation of employment- and revenue-generating activities.
36. I also asked Te Poari o Kaipatiki ki Kaipara (Parakai) to consider how their funding request could be scaled back. I support their revised funding request which focuses on immediate health and safety improvements of aged facilities at the reserve and commences infrastructure investment to develop the front of the reserve to provide enhanced public space.

Other items

37. The recommendations in respect of other budget items reflect a judgement on the relative priority of those items, weighed against funding availability and respectful of previous funding arrangements.
38. Regarding the Festival of Photography, it's important to provide some certainty while transitioning them to the most appropriate council process, being the Regional Arts and Culture grant programme. Therefore my proposal allows for a three-year transition period at the currently funded amount.
39. Council has been providing capital funding to Surf Lifesaving Northern Region for the redevelopment and renewal of certain facilities in Auckland and this request is an extension to that programme which was clearly signalled in advance. The importance of these services, performed largely by volunteer lifeguards, deserves to be recognised and this contribution will enable much needed upgrades/replacements to make their work easier.
40. The Auckland Marine Rescue Centre is the control centre for the Coastguard and Surf Lifesaving as well as housing the Harbourmaster and the Maritime Police for the northern region. The building is in a poor state of repair and I support capital funding of \$2 million towards the repair of the centre, acknowledging that further funding will need to be sought from other parties. I also support the investigation of a replacement marine rescue centre that may consolidate the various helicopter services operating from the waterfront.
41. I support some additional operational funding for the Mangere Mountain Education Trust for the next three years, however it would seem that there is an opportunity for the Mangere Mountain Education Trust to consider whether its operations could be joined up with those of the Tupuna Maunga Authority in the future.
42. The Auckland City Mission is undertaking a substantial redevelopment of its Hobson Street site to create Mission HomeGround, a facility providing housing, healthcare and an expanded detox facility alongside other community facilities. I am pleased that council can offer some support to achieving the Auckland City Mission's project by providing an operating grant of \$475,000. The grant will be used to cover the cost of building consent fees, resource consent fees and development contributions.
43. The Sculpture in the Gardens biennial event at the Auckland Botanic Gardens attracts around 350,000 visitors. The event is free of charge and has dramatically increased the number of visitors to the Gardens. I support a modest amount of additional operational funding to support the Gardens to run this event.
44. The Hibiscus Youth Council Centre has requested funding as a last resort as they are otherwise facing closure. I support a one-off operational grant of \$100,000 for 2018/2019. However, council has no policy or needs assessment regarding the provision of funding of youth services across the region. I support a review of council's current funding of youth services and establishment of a policy for the allocation of funding through the Regional Community Development and Safety grant programme and in conjunction with consideration of service provision by central government agencies.
45. Other funding requests have been considered, however I don't propose to progress them further at this stage due to low prioritisation or a need for further work to be done.

Solid waste services, targeted rates and charges (Attachment E)

46. Refer to officer advice as set out in Attachment E.

Auckland Council Investments Limited (Attachment F)

47. In my initial 10-year budget proposal I sought advice on the possible disestablishment of the council-controlled organisation ACIL, which was subsequently proposed and approved as a consultation item.
48. Based on consultation results and subsequent work done by council officers (refer to Attachment F) and Ports of Auckland Limited officers to develop a Memorandum of

Understanding, I am confident that the disestablishment of ACIL should progress. The Memorandum of Understanding will provide the basis to ensure that there continues to be appropriate separation of the shareholder (Auckland Council) from the operations of the port company. The disestablishment will provide savings to council of around \$8 million over the 10-year period.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views

49. Local board views on regional budget matters are the subject of a separate report on the 10-year Budget.

Tauākī whakaaweawe Māori / Māori impact statement

50. Through the 10-year Budget consultation there has been specific engagement with mana whenua. This is documented in the feedback reports which have been presented previously. The proposed 10-year Budget supports the Maori outcomes increase in funding. It also supports increases in the funding of the co-governance entities and establishment of the Western Initiative.

Ngā tāpirihanga / Attachments

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C	Natural environment targeted rate	
D	Rating of online accommodation providers	
E	Waste management service charges	
F	Proposal to disestablish Auckland Council Investments Limited	

Ngā kaihaina / Signatories

Author	Mayor Phil Goff
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