

Final Mayoral Proposal

10-year Budget 2021-2031

18 May 2021



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The situation we face

1. This 10-year Budget is very different to the one I envisioned I would be writing at the start of this mayoral term. COVID-19 has altered our lives in a way that none of us could have predicted. The pandemic has brought devastating health and economic consequences to countries, cities and people around the world. While at present New Zealanders are enjoying a level of freedom that almost resembles normal life, we need to remember that the pandemic is not over, and we need to be vigilant.
2. To address the \$450 million projected loss Auckland Council faced and to help the recovery of the city, Council made difficult trade-offs and decisions in order to adopt the Emergency Budget 2020/2021. Despite the losses facing Council, we made a concentrated effort to keep the city moving forward and ensured investment in the things that mattered the most – infrastructure, environment and the COVID-19 recovery.
3. In the last year, the city has had several regional wins including successfully running the America's Cup and a strong response to Auckland's drought. Another \$224 million has been invested in creating resilient water infrastructure in the face of continued dry years which may be climate change related. Around the city, communities continued to see investment in their neighbourhoods. This includes the opening of the Takaanini Community Hub and Library, the Ngāti Ōtara Park Multi-sport Centre, the Hibiscus Coast bus station, Te Komititanga square and Te Wānanga Harbour Park, progress on the Northern Busway, progress in construction of the City Rail Link tunnel and stations, the launch of new electric buses, and more track re-openings in the Waitākere Ranges, to name a few.
4. We have not chosen to impose austerity in response to the COVID-19 recession but rather we have faced up to the challenge of making difficult decisions on what Aucklanders value the most and what needs to be prioritised for funding. A similar approach needs to be taken in respect to the 10-year Budget 2021-2031. It is not a normal budget but a recovery budget. We agreed this 10-year Budget is by necessity an extension of the Emergency Budget, dealing with a loss of income to Council of around three quarters of a billion dollars on latest estimates.
5. Even under normal circumstances, we do not have infinite resources and funding to address every challenge Auckland faces. COVID-19 has made prioritisation essential. Some goals we had may take a little longer to achieve because of the impact of COVID-19. We may need to reset expectations because not everything we wanted to do is affordable on a reduced income.
6. We are committed to keeping the city moving forward on a pathway to recovery. We will maintain the core services Aucklanders value, keep investing strongly in infrastructure, renew critical assets, sell surplus properties and keep rates fair and reasonable.
7. As individual decision-makers, we do not always agree on every matter, but as a Council we seek common ground and consensus on substantive issues. I would like to acknowledge councillors, local boards and the Independent Māori Statutory Board (IMSB) for their effort and "Team Auckland" approach. The 21 local boards have been

closely involved with, and constructive in, the development of this budget with all but one supporting its key elements.

8. I look forward to the final deliberation and decision-making for the 10-year Budget 2021-2031. Because of COVID-19 the future is still uncertain. We need through the annual budget process to be flexible and able to adapt to changing circumstances.

Mayor's final proposal

Overview

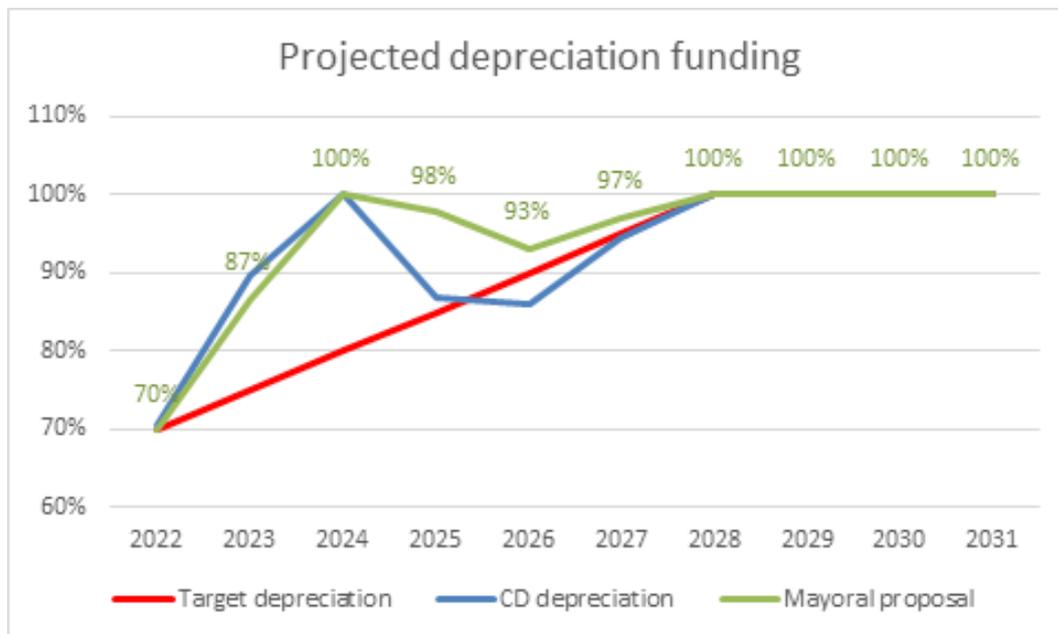
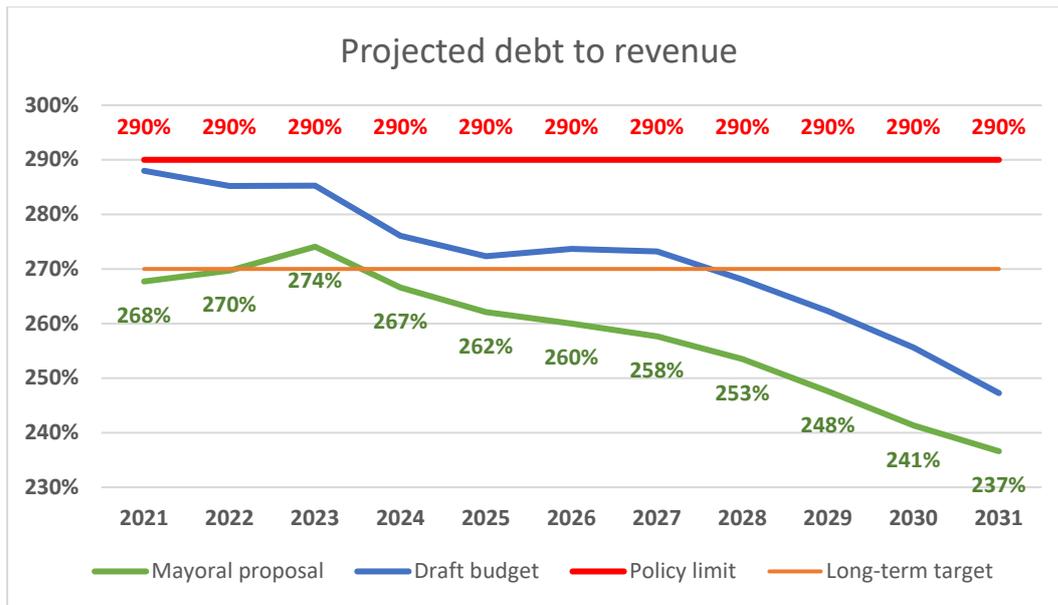
9. The initial Mayoral Proposal I set out in December 2020 reflected months of extensive deliberations. We have focused on ensuring Council continues to deliver key services and maintain strong investment in the renewal of our assets and the construction of infrastructure critical to our city's transport, housing and environment. This is despite the adverse impact of COVID-19 on Council finances.
10. It proposed:
 - a. a package of new actions to respond to climate change
 - b. a more focused approach to providing infrastructure to support housing and growth
 - c. a direction to find different ways to provide community services
 - d. continuation of the natural environment protection programme and acceleration of the water quality improvement programme.
11. The draft 10-year Budget represented prudent financial management, utilising a combination of funding and financing levers including ongoing efficiency savings, additional asset recycling and higher borrowing in the short term, as well as a one-off 5 per cent increase in the average general rates next year, returning to 3.5 per cent per annum thereafter.
12. Consistent with support from Aucklanders through public consultation, my final proposal takes the draft 10-year Budget forward largely unmodified, with a small number of changes resulting from updated projections and budget information. For this Mayoral Proposal, I asked staff to model a scenario that is based on the partially funded scenario in attachment B but without delaying fully funding depreciation beyond what was consulted. If approved, this scenario (attachment C) will form the basis for the final 10-year Budget.
13. The 10-year Budget 2021-2031 is a recovery budget. It seeks to balance the need to make progress for the city and to help stimulate economic recovery with the city's financial capacity and what ratepayers can afford and will accept.
14. The total capital investment in this 10-year Budget is now around \$31.8 billion, an increase of \$400 million compared to the draft budget. This is due mainly to the need for additional investment identified in transport, and in regional facilities managed by Auckland Unlimited. The overall investment is significantly higher than the \$26 billion in the previous 10-year Budget. The 21 per cent increase in capital investment in this

budget reflects major investment in the three waters as well as increased investment in transport, and in parks and community facilities.

15. We have increased funding for capital projects by \$900 million in the first three years. This maintains the pipeline of work planned, despite the impact of COVID-19, bringing forward important infrastructure projects for the city and stimulating recovery from the economic downturn. It is critical to avoid the increased costs associated with stopping and restarting projects and the loss of Waka Kotahi subsidies of around \$200 million if we were not to proceed with the projects as intended.
16. We have strongly increased funding on renewals to maintain vital infrastructure, with Auckland Transport's renewal budget in the next three years nearly doubling from \$160 million to \$309 million. Watercare's infrastructure budget over the 10 years has increased massively from \$5.7 billion to \$9.7 billion.

Investment (\$ billion)	10-year Budget 2018-2028	Consultation Document	10-year Budget 2021-2031
Transport	12.0	12.3	12.6
Water, wastewater and stormwater	7.1	11.5	11.1
Parks and community	3.7	4.5	4.6
Centres development	1.3	1.1	1.1
Economic and Cultural Development	0.4	0.3	0.6
Environmental Management and Regulation	0.1	0.2	0.2
Other	1.6	1.5	1.6
Total	26.2	31.4	31.8

17. The adverse impact of COVID-19 on Council revenue has been re-forecasted and improved slightly from \$540 million to \$520 million over the first three years of the 10-year Budget. However, there are also a number of budget pressures arising from the budget refresh. To maintain the infrastructure investment the city needs and stimulate the economy, it is necessary for Council to use all the financial levers set out in the draft budget. Our debt to revenue ratio will be kept below a limit of 290 per cent and will return to the 270 per cent internal target over time, to provide capacity to respond to future shocks. The timeframe for moving towards fully funding depreciation remains at 2027/2028 as consulted.



Key consultation items for the 10-year Budget

Strong public participation and support

18. The 10-year Budget consultation process ran for a month. A total of 19,965 pieces of feedback were received through written forms, emails, letters, in-person events, social media and by phone. We heard from 417 organisations including 26 presentations at the regional stakeholders' event and 18 mana whenua groups.
19. In addition, a separate, independent survey by Colmar Brunton was commissioned to gather feedback from a sample of 4054 participants who reflect the demographic profile of the Auckland population in terms of age, gender and ethnicity. The survey included two questions, one on the overall budget and general rates, and the other on climate

actions. It was conducted by professional pollsters and was peer reviewed by the University of Auckland to ensure objectivity. In answers to both questions there was substantially more public support than opposition to what Council is proposing.

20. I would like to thank everyone, including staff, councillors, and members of the public, involved in the consultation process for their commitment and effort, especially as Auckland was moved to Alert Level 3 for a week during the consultation period. I am very pleased to see the level of response and degree of support from the public across all key consultation items. The final 10-year Budget incorporates the key proposals as consulted, with updates detailed in staff reports attached.

General rates setting

21. Council consulted on, amongst other measures, keeping the long-term annual average general rates increase at 3.5 per cent with a one-off 5 per cent increase for next year, in order to maintain the level of investment, especially in the early years of recovery from COVID-19. While public submissions excluding pro forma responses¹, show an almost even split in opinion, 42 per cent supporting and 43 per cent opposed to the general rates proposal, the Colmar Brunton survey showed 46 per cent supported the general rates proposal and 37 per cent did not support it.
22. We have considered the results from both feedback methods. In my view, the independent survey more objectively represents Aucklanders' opinions. Public submissions are required by law and provide an opportunity for anyone that is interested in, or affected by, Council's proposals to have a say. Often, we find that it is those who are particularly engaged in matters who input more proactively. It is important that we listen to all voices, not just the loudest ones. For the final 10-year Budget, I propose the rates setting as consulted with no further changes.
23. Without the 5 per cent increase in average general rates next year, we would not be able to bring forward hundreds of millions of dollars of capital investment that was delayed by revenue reduction caused by COVID-19. There would be less investment in transport projects in local board areas, park and ride facilities and ongoing walking and cycling programmes. The breadth and availability of library and art collections would be reduced. There would be a delay in the standardisation of the kerbside waste collection services across the city. The art gallery heritage building would have to be wrapped up for three years to defer urgent restoration work. None of us wants to see any of these things happen. The 5 per cent increase also allows us to restore the Local Board Transport Capital Fund, which local boards strongly value.
24. The increase in general rates next year means the average value property will pay an extra \$147 next year, which is \$38 more than the planned 3.5 per cent general rates rise. Auckland's rates rise is considerably lower than New Zealand's other growth cities, some of which are planning for double-digit rates rises.

New climate action

25. Council proposed a package of new climate action, adding a further \$152 million over 10 years to reduce greenhouse gas emissions and to adapt to the impact of climate change.

¹ When including pro forma submissions, 34 per cent supported and 53 per cent opposed.

There was strong support in the submissions for the climate investment package at 61 per cent, with just 27 per cent opposing. The independent survey shows a similar result, 60 per cent of participants in support and 26 per cent opposed. Staff have since updated the package slightly to increase investment in tree planting by \$7 million and to re-scope the other initiatives (attachment D) to keep the overall package at \$152 million.

Infrastructure for growth

26. Council welcomes working with the government and the private sector to find new ways of funding infrastructure to meet the demands of growth. It was proposed for consultation that Council adopt a more focused approach in determining where to prioritise investment in growth infrastructure, given the limit on our resources and increasing demand.
27. Key themes from feedback received include the need for more infrastructure, housing affordability, preference for brownfield over greenfield developments and how the infrastructure is to be paid for. Staff have advised the priority development areas and indicative levels of investment in the 10-year Budget (attachment E). I support these to be incorporated in the final 10-year Budget.

Community services and facilities

28. Council recognises that the traditional approach to providing community services mainly through building, owning and maintaining a large network of physical facilities has become unsustainable and unsuitable for a city with a growing and diverse population and changing needs for community services over time. A recent example of how we can approach these challenges differently is the opening of the Takaanini Community Hub and Library, which will house the library and community services at a fitting out cost of \$2.9 million and a 25-year lease as opposed to the cost of buying or constructing a new building which would have been in the tens of millions of dollars.
29. Council proposes to move towards service delivery that focuses on maintaining existing assets before building more assets and exploring and implementing alternative ways of delivery through community partnerships, digital channels and multi-use facilities. We need to ensure all investments in new and existing assets represent good value for money and enable us to best serve our communities, especially those who have the greatest needs.
30. Overall, 56 per cent of those who submitted on this matter supported Council's proposal and 29 per cent did not. I support the direction and transition over the next three years. I note that the overall capital investment in parks and community is set to increase by approximately \$900 million from the previous 10-year Budget. Increases in operating budget to support alternative ways of delivering community services is proposed to be phased in from year four. Refer to attachment F for more details.

Natural Environment and Water Quality Targeted Rates (NETR and WQTR)

31. Both the natural environment protection and water quality improvement programmes were introduced in 2018/2019 and are funded by a targeted rate for each. To build on the successful outcomes we have achieved over the past three years, Council proposes to extend the programmes and the two targeted rates up to 2030/2031. The Water Quality

Targeted Rate is also proposed to increase by 5 per cent next year and 3.5 per cent per annum thereafter. This will enable us to move beyond the current focus in cleaning up wastewater overflows in the Western Isthmus to addressing water quality in other areas of the city, in particular the Eastern Isthmus and Manukau harbour catchments. It will also allow the regional work programmes funded by the Water Quality Targeted Rate to be extended and increased.

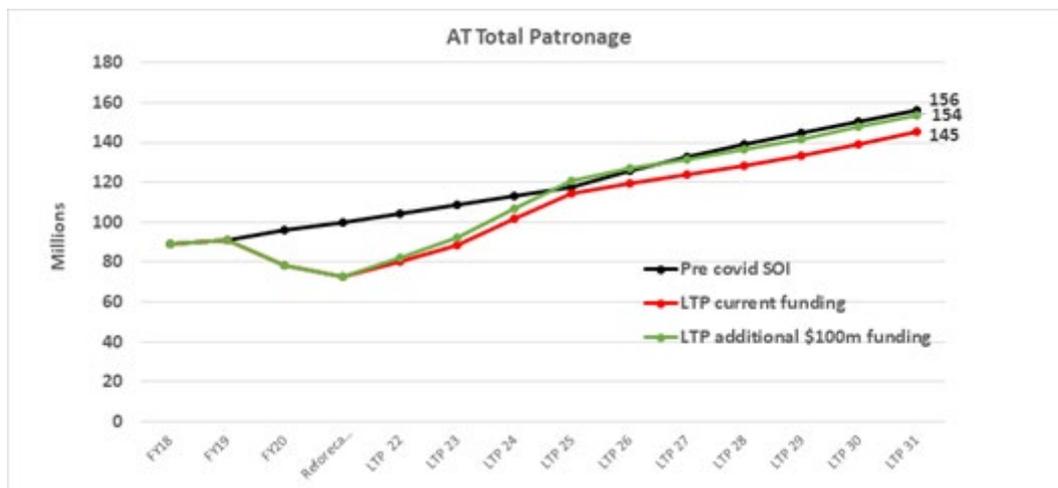
32. 60 per cent of feedback supported the extension of NETR while 27 per cent did not. Regarding the proposed extension and increase of WQTR, 45 per cent supported both the extension and the increase, 28 per cent supported the extension only and 18 per cent did not support either change. Given the strong support from the public, I propose the final 10-year Budget includes the extension of NETR and both the extension and the increase of WQTR as consulted (attachments G and H).

Auckland Council operating cost pressures

33. There are a number of operating cost pressures identified by council management (attachment B1). They range from operational matters to increased service levels required by legislative changes. These pressures are likely to increase gradually from the second year of the 10-year Budget. I propose that we accommodate these cost pressures in the first three years, with a view to reassessing them as management undertakes and implements the operational model review.

Public transport services

34. The total public transport (PT) patronage for this financial year is forecast to be around 65 million, compared to more than 100 million before COVID-19. Auckland Transport (AT) is working hard to encourage people to return to PT. Under the current service level, AT estimates the patronage could reach 100 million again in 2023/2024.



35. Over the next few years, we need to replace some of the ferry fleet and to ensure additional bus services for the new PT infrastructure. I support additional funding of \$5 million per annum from Council for PT services in the 10-year Budget. I also acknowledge AT's commitment to achieving efficiency savings that would add a further

\$5 million per annum towards new PT services. Including equal contributions from Waka Kotahi, this brings an additional \$200 million (net of fare revenue) for new PT services over 10 years. In conjunction with new services enabled by the regional fuel tax scheme, AT estimates this can enable 154 million annual patronage by 2031. It will provide a level of certainty to AT in procuring services, promote mode shift and reduce greenhouse gas emissions.

36. The funding will enable additional investment in ferry services in the next decade, and will allow us to redevelop our ferry network to improve passenger experience and improve reliability of services. It will allow for some modern low-emission ferries to reduce public transport carbon emissions.

37. In the next three years, the funding will allow a range of bus improvements to be delivered across the region, focused on ensuring we make the best use of new infrastructure and support key growth areas. All wards will see service improvements, with key initiatives as follows:

- a new bus network will be introduced for Te Atatu, Massey and other north-western suburbs when the Northwestern Bus Improvements project is completed
- an extensive bus network will be introduced when the Rosedale Busway Station opens on the Northern Busway Extension
- service improvements will be introduced to support growth in the Tāmaki Regeneration areas, Whangaparaoa, Flat Bush, Hingaia, and Drury
- frequency improvements to popular bus routes across the isthmus and North Shore.

Group capex prioritisation

38. Auckland Council Chief Executive Jim Stabback has led capex prioritisation at the group level. This analysis provides a risk-based view on the relative priorities of capital projects within the group.

39. Critical service delivery risks such as health and safety, legal issues, contractual commitment and publicly acceptable level of services are addressed ahead of other risks. This work has prioritised the initial capital programme request from \$35 billion. Of this, \$31.8 billion is proposed to be included in the final 10-year Budget, based on the available financial capacity.

40. It also informed the capex phasing over 10 years to ensure we stay within our prudential borrowing limits and achieve full funding of depreciation by 2027/2028. I agree with staff advice on investment timing in attachment B2 regarding council parent and Eke Panuku, and support it to be incorporated in the final 10-year Budget.

Regional venues and events

41. Staff undertook more detailed assessment of Auckland Unlimited's (AU) asset management plan and capital funding requirement as part of the third phase of the group

capex prioritisation exercise. The advice continues to be that critical renewals over the next three years are provided for but the capital funding for venue renewals for the remainder of the 10-year Budget would need to be increased or prioritised over stormwater and community facilities if the overall level of investment is unchanged.

42. I support an increase in the capital funding by \$182 million over 10 years for regional venues managed by AU. This funding is necessary to enable adequate renewal and modernisation of cultural and sport infrastructure such as Mt Smart and North Harbour stadiums and maintain quality of amenity, visitor experiences and visitor numbers in our popular attractions such as Auckland Zoo and Auckland Art Gallery. This means Aucklanders can continue enjoying shows and sporting events hosted in these venues.
43. I also support additional operational funding for AU detailed in the staff report, including \$11 million over three years for hosting the FIFA Women's World Cup Australia-New Zealand 2023. This Cup will produce an audience of over 1.1 billion spectators worldwide and boost Auckland's economy by a direct spend of \$60 million and create around 130,000 bed nights for visitors to the city.

Māori outcomes

44. I support continuation of the \$150 million Māori Outcomes Fund to deliver on our 10 strategic priorities and improved engagement with our Māori partners on strategically aligned opportunities. Council is committed to its Treaty-based partnership with Māori and to delivering Kia Ora Tāmaki Makaurau – the wellbeing framework containing Council's performance measures for Māori outcomes. The funding will support issues of significance to Māori communities, especially following COVID-19's impacts. With a focus on partnerships and relationships, funding will also respond to the calls we received through LTP feedback for Māori-led initiatives delivering to Māori communities in Tāmaki Makaurau.

Citizens Advice Bureau

45. Auckland's 32 Citizens Advice Bureau (CAB) sites provide free information, advice, referrals and client advisory services to residents of Auckland. While we believe that central government should increase funding to CABs, reflecting its services in relation to government agencies, we want to ensure the CAB can continue its valuable services to Aucklanders.
46. On recommendation from the Parks, Arts, Community and Events (PACE) Committee, I propose that Council provide a baseline grant of \$2.067 million per annum for the first three years of this 10-year Budget, being a continuation of the current cumulative total of the funding CAB receives.

Māngere Mountain Education Centre

47. The Māngere Mountain Education Trust is a council-controlled organisation. It runs an education centre that provides an out-of-classroom learning experience focused on the natural and cultural heritage of the maunga and its environs, primarily to 6000 - 8000 schoolchildren from throughout the Auckland region.

48. In the past three years, the trust received additional financial support of \$204,000 per annum from Council, on top of the base funding of \$94,000 per annum. A potential joined-up operation with the Tūpuna Maunga Authority was considered but did not progress further because the authority needed to formulate its own education strategy first.
49. Without continued funding at the current level, the trust will have difficulties in remaining viable. I propose Council continues to provide \$298,000 per annum in funding so that the trust can keep the centre open and fulfil its objectives, pending further consideration in due course on integrating with the Authority.
50. While Council will provide support for the next three years, it is the Council's expectation this review is concluded before the next 10-year Budget.

Hibiscus Coast Youth Centre

51. In June 2020, the PACE Committee looked at Council's support to youth centres, the provision of non-council youth services, and options for future support. Decision-making on youth facilities across the region has been responsive and flexible, and the committee resolved to continue with this approach to best respond to community needs. Following successive years of one-off funding, the PACE committee also noted that any longer-term funding arrangements for the Hibiscus Coast Youth Centre would need to be considered as part of this 10-year Budget.
52. The impacts of COVID-19 on young people are still emerging and Council has an important role in supporting Auckland's youth. I recommend that Council provide \$100,000 per annum for the first three years of this 10-year Budget, noting that a changing approach to community services may influence what is needed in the outer years.

Final thoughts

53. While this Mayoral Proposal for the 10-year Budget 2021-2031 is very different to the one I would have liked to have presented, I believe it takes into account the reality of the situation we are facing.
54. Hard decisions have had to be made on what we can prioritise and what we have to delay. This is normal in every budget but much harder for a budget where our projected income loss has been three quarters of a billion dollars. Despite these setbacks, I am proud of the work Council has done to keep the city moving. I look at Auckland and I see real progress. The city is going forward.
55. Some will say we have gone too far with our rates increase; some will say we have not gone far enough. I believe we have found the right middle ground which does not overburden the ratepayers but also ensures progress can be made.
56. It is important to remember that next year's budget will give councillors another opportunity to stocktake what the city needs. There will be a chance to assess how our recovery has gone, whether we are opening more to the world and if the vaccine rollout has gone as planned. It will also give us a chance to consider what more we can do in

the areas that matter to us such as greater investment in climate change mitigation and adaption.

57. While next month will wrap up this 10-year Budget process, work will immediately begin on the Annual Budget for 2022-23 and on further actions we can take in the last year of this council term.

ENDS