

Funding for 2020/21 and beyond

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Purpose of today

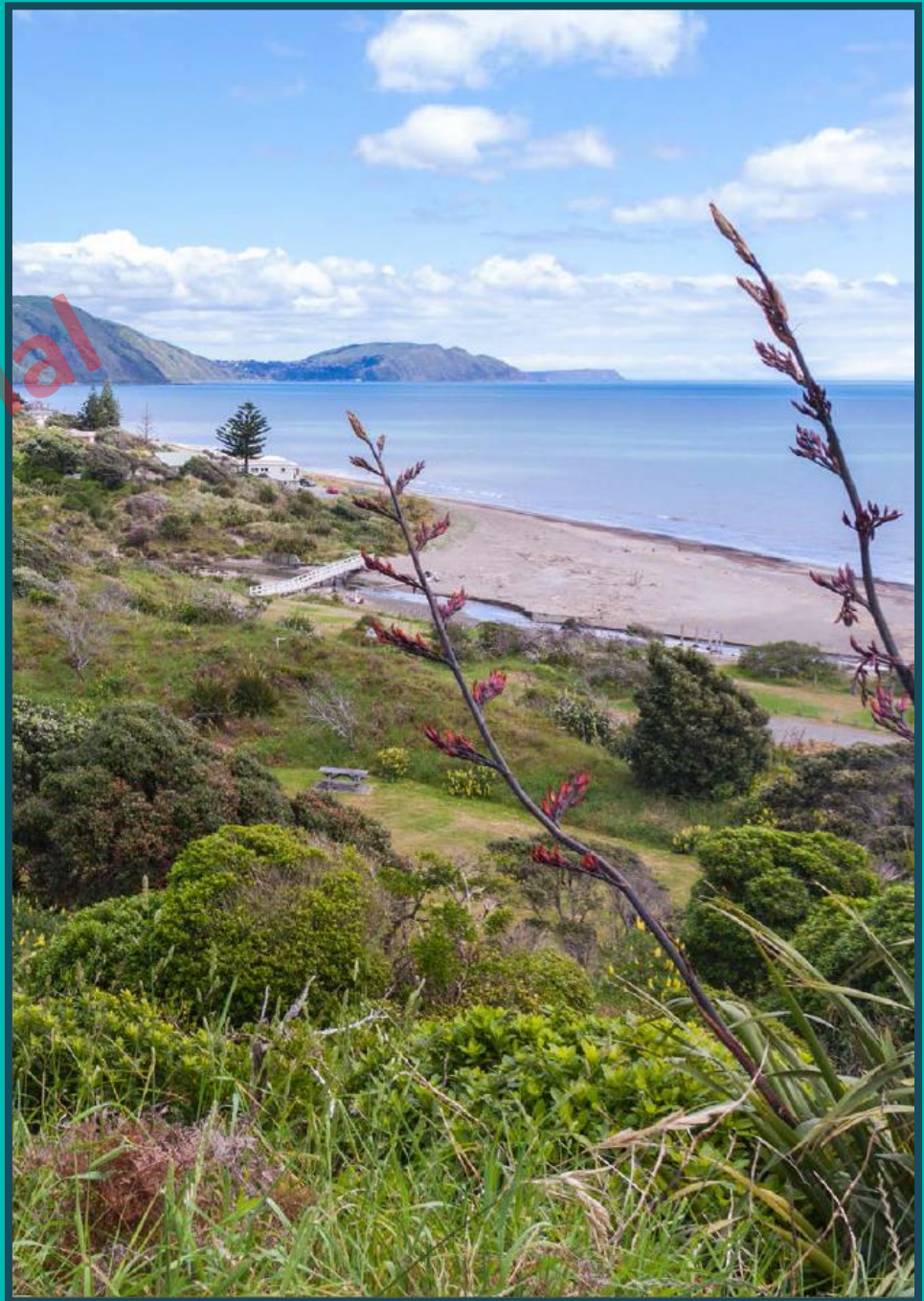


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- Context
- Budget pressures
- Activity Review and strategic options
- Annual Plan and LTP 2021-31
- Revenue and Financing Policy
- PT Fares
- LGWM Funding

Context

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Long Term Plan 2018-28

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Community Outcomes

Vision

An extraordinary region – thriving, connected and resilient

2018-28 Strategic Priorities

Fresh water quality and biodiversity

Regional resilience

Water supply

Public transport

Activities



Te Taiao - Environment



Ngā Papa Whenua - Regional Parks and Forests



Ngā Puna Wai - Water supply



Te Tiaki me te Arahi Waipuke - Flood protection and control works



Ngā Waka Tūmatanui - Metlink Public transport



Ngā Kaihautū o te Rohe - Regional leadership

LTP rates forecast



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LTP forecast a rates increase of **6.3%** for 2020/21

Key drivers:

Increase in debt serving costs	3.7%
Reduction in use of PT reserves	1.8%
RS1 timetable changes	1.3%
Efficiency Improvements	-0.5%



Average rates increase as per planned expenditure in LTP **6.3%**

Council decisions in 2018/19

- Accommodation (Cuba St & Masterton) 2.0%
- Additional EV buses (1.4% pa) 0.7%
- Snapper charges 1.1%

10.1%

Budget Pressures



Budget pressures 2020/21



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Average rates increase with decisions made to date **10.1%**

- Public Transport Operational costs 5% - 7%
- Natural Resource Plan 0.4%
- Riverlink 0.4%
- Lets Get Wellington Moving (LGWM) 1%-2%

Activity Review

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Activity Review – management response



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We undertook a line by line review of all of our activities, led by the CEO and CFO

Options were prioritised based on:

- Impact on GW's ability to deliver on our priorities
- Impact on our reputation
- Impact on rates and other financial impacts

Options considered to address budget pressures



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Increase Revenue

- Additional funding – rates / fares / user charges/ Govt. funding
- Asset sales

Decrease expenditure

- Reduce programme expenditure – capex and opex
- Use reserves (to offset expenditure)
- Increase debt (debt funding, loan lives)

Reallocate resources

- Review priorities and resource allocation across activities
- Re-phase strategic programmes



Outcome of the Activity Review

Based on the activity review so far, we have identified the following savings for 2020/21:

Delay in RS1 timetable	0.9%
Debt serving costs from reduction in capital expenditure	2.9%
Operational cost savings	3.1%

The Activity Review is ongoing and results will be updated and reported in future workshops

Where that leaves us



Despite the substantial savings identified, we cannot yet meet the LTP forecast of 6.3%, due to the significant cost pressures we are facing in 2020/21

Current projected rates increase 2020/21	11.1%
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Where that leaves us



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Current projected rates increase 2020/21	11.1%
Public Transport costs	7.0%
Reduction in reserves usage	2.7%
Accommodation	2.0%
Debt Servicing costs	0.8%
Wages movements	0.8%
Natural resource plan	0.4%
Riverlink	0.4%
LGWM	0.4%
BAU savings	(3.4%)

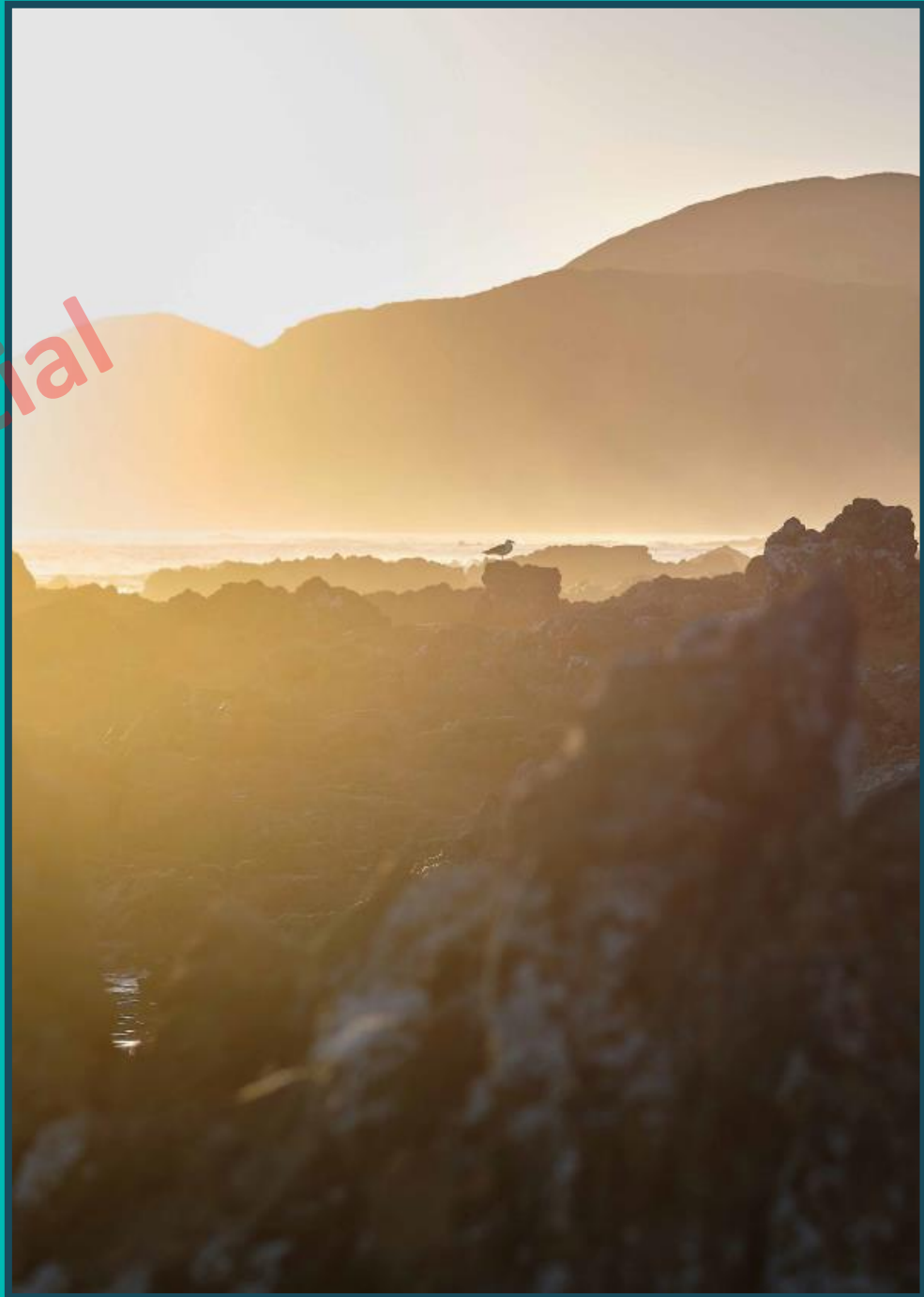
Where that leaves us



Public Transport increases	7%
Snapper charges	1.1%
Rest & meal breaks	0.75%
Operating costs	1.75%
EV buses	0.75%
RS1 timetable changes	0.9%
Bus network review	0.75%
Other	1.0%

Strategic Options

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Key scenarios from here...

1. Consult on significant rates increase for 2020/21
2. Increase revenue
eg Public Transport fares, user charges, NLTF FAR rate
3. Re-phase key programmes/decisions
eg speed of EV bus fleet, Riverlink
4. Stop/reduce activities or levels of service
eg bus schedules, travel choice activities, environmental science



**We need your guidance and
direction...**

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Annual Plan 2020/21 and LTP 2021-31

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Annual Plan 2020/21 process

Workshop
12 December

Financial
update

Consultation
approach

Workshop
February

Draft Annual
Plan (LTP Year
3 changes)

Consultation
Document &
engagement
material

Meeting
March

Approve
proposed
rates and
water levy

Adopt
Consultation
Document &
Supporting
Information

Consultation
April

Hearings
May

Meeting
June

Adopt Annual
Plan 2020/21



Beyond the Annual Plan

The Annual Plan 2020/21 is year 3 of Long Term Plan 2018-21

Early next year we will commence the **Long Term Plan 2021-31** process. This will look at:

- long term strategic direction
- priorities and options

It will be informed by a range of other processes including the *Regional Growth Framework*, community views and external changes

Future cost pressures.....



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There are further long term potential cost pressures arising that we can't yet quantify:

- Central Govt. reforms such as freshwater and water regulations
- Climate change impacts, mitigation and adaptation
- Whaitua implementation
- Additional costs for bus services and bus driver wages
- Let's Get Wellington Moving (pre-implementation and construction)
- CentrePort regeneration plan

Activity Review Part 2



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Management will undertake several deep dives over next six months to investigate options for (a) delivery models; (b) outcome focus of activity; (c) levels of service.

These will include:

- Corporate services (e.g. legal, ICT, vehicle fleet, admin)
- Environment and Catchment Management (including environmental regulation, environmental science)
- Travel choice, customer engagement
- Our consultant and contractor spend

Revenue and Financing Policy





Revenue and financing policy

Current Situation:

- Used to allocate rates requirement across the region/ratepayer groups
- General rate and three key targeted rates
 - Public Transport
 - River Management
 - Wellington Regional Strategy
- Policy amended in 2018 as part of LTP (public transport funding) and further amended in 2019 as part of Annual Plan (WCC business differential)



Revenue and financing policy

Issues to consider:

Previous Council proposed a review alongside LTP 2021. Need to consider scope of any review:

- Rates differential for Wellington business rate introduced in 2019/20 – does this continue?
- Is there a need for further equalization to manage 30% increase in valuation in Hutt Valley?
- LGWM targeted rate proposed – should this be for 2020/21 or 2021/22?
- Need to further review flood management funding?

Proposed to hold workshop in February

Public Transport Fares





Need for the review

To inform the Annual Plan budgeting process.

Purpose is to check:

- Fares are within targets (looking back)
- Extent of any fare adjustments (looking forward)

Decision made in June with Annual Plan.

Fare changes apply on 1 November.

Assumptions



Long Term Plan:

- Users pay 35-50% of PT operating costs
- Fares increase annually with inflation

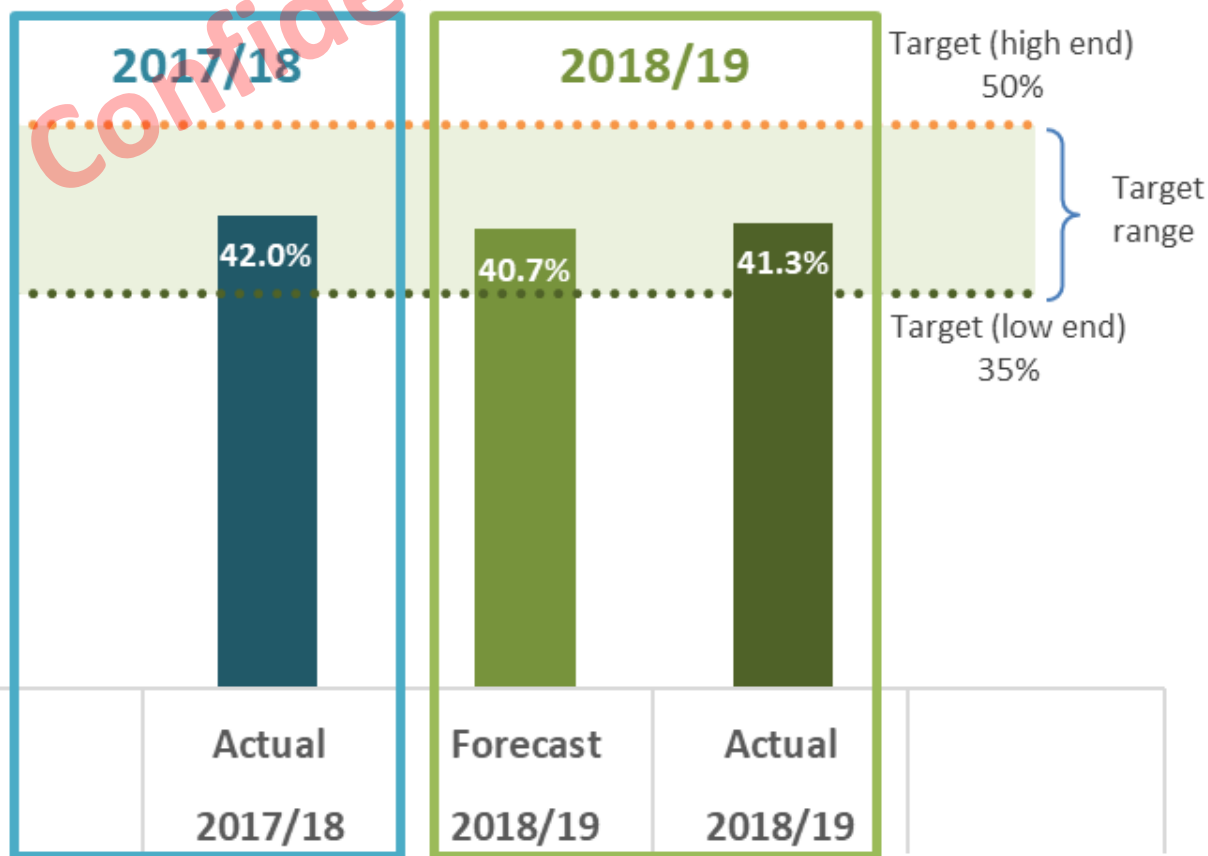
Public Transport Plan recommends small incremental changes over larger one-off changes

Better Metlink Fares – 3% increase in 2018, no increase 2019, 1% increase 2020/21



Looking back – within target

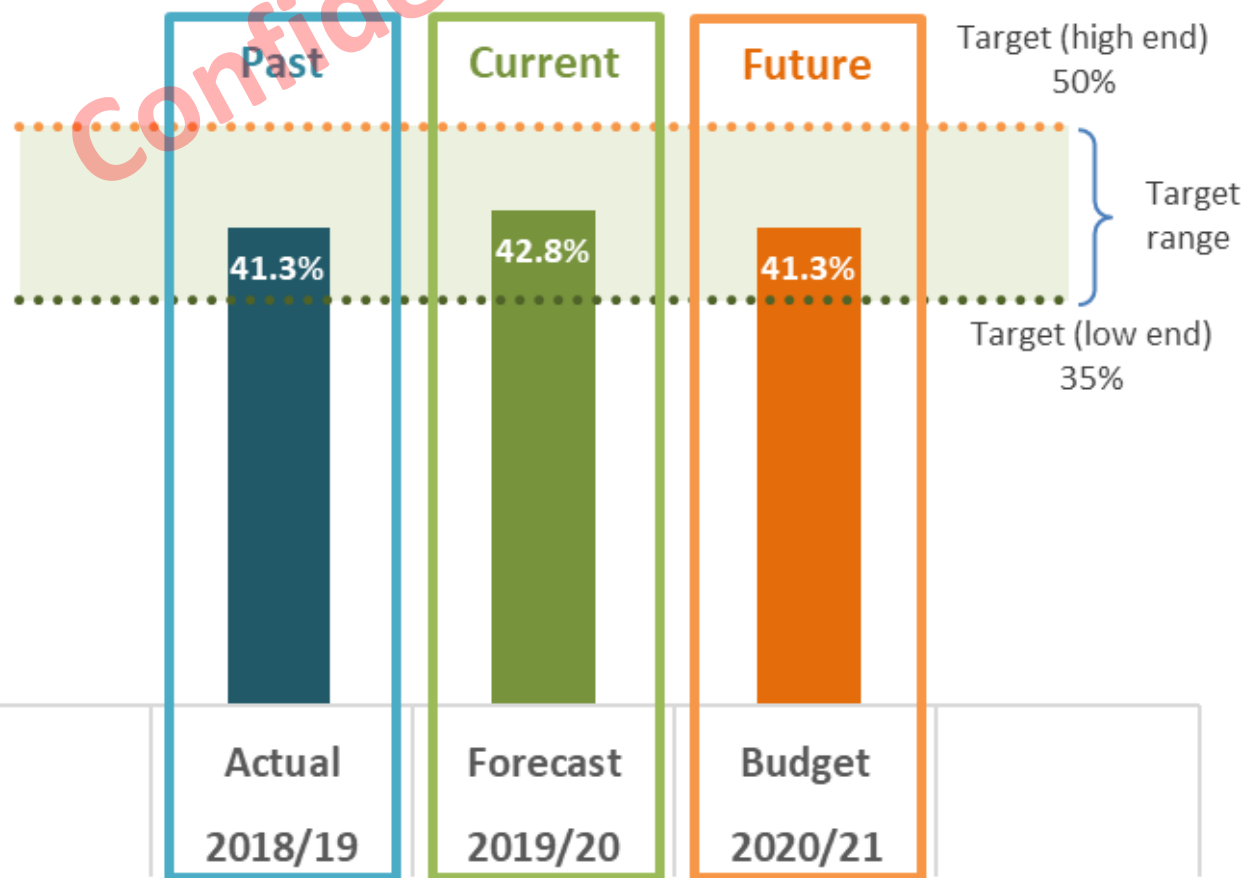
Compliance with User Contribution Policy Annual Fares Review





Looking forward – within target

Compliance with User Contribution Policy Annual Fares Review





Impacts – increasing fares

% increase	Patronage impact	Revenue impact
1%	- 100k (- 0.3%)	+ \$570k (+ 0.6%)
2%	- 175k (- 0.5%)	+1.2m (+1.3%)
3%	- 261k (- 0.7%)	+1.9m (+2.0%)
5%	- 454k (- 1.2%)	+3.2m (+3.4%)



Summary

- Fares are compliant within targets
- LTP budget assumes increases with inflation, (currently at 1.7%)
- *Better Metlink Fares* package assumed 1% increase
- Decision to increase fares needs to consider current context, performance and public interest
- Paper to Council in March will provide more input and recommendations

Patronage growth 2018/19



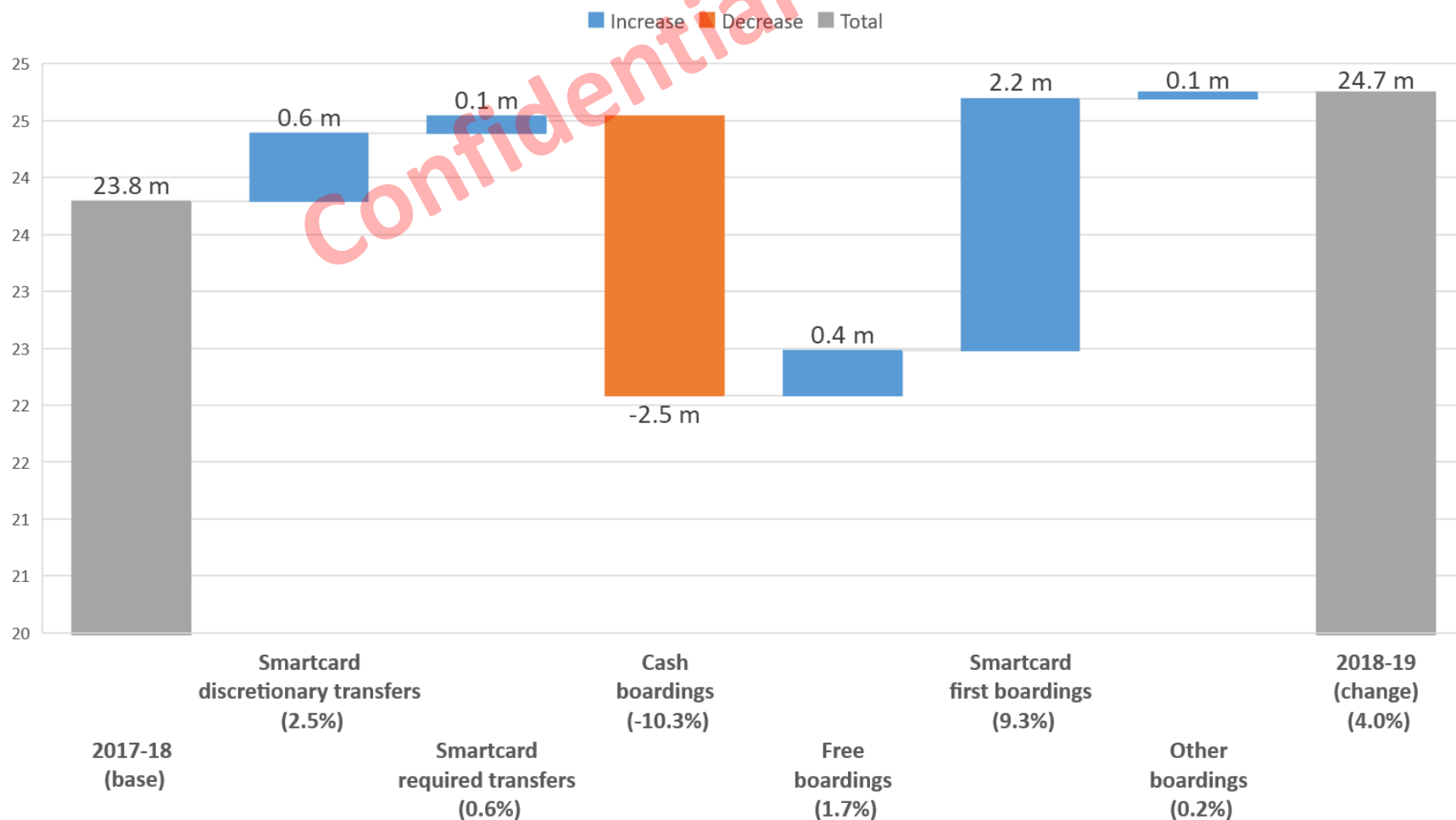
Total passenger boardings since July 2018 (12 month rolling)





Drivers of pax growth – bus

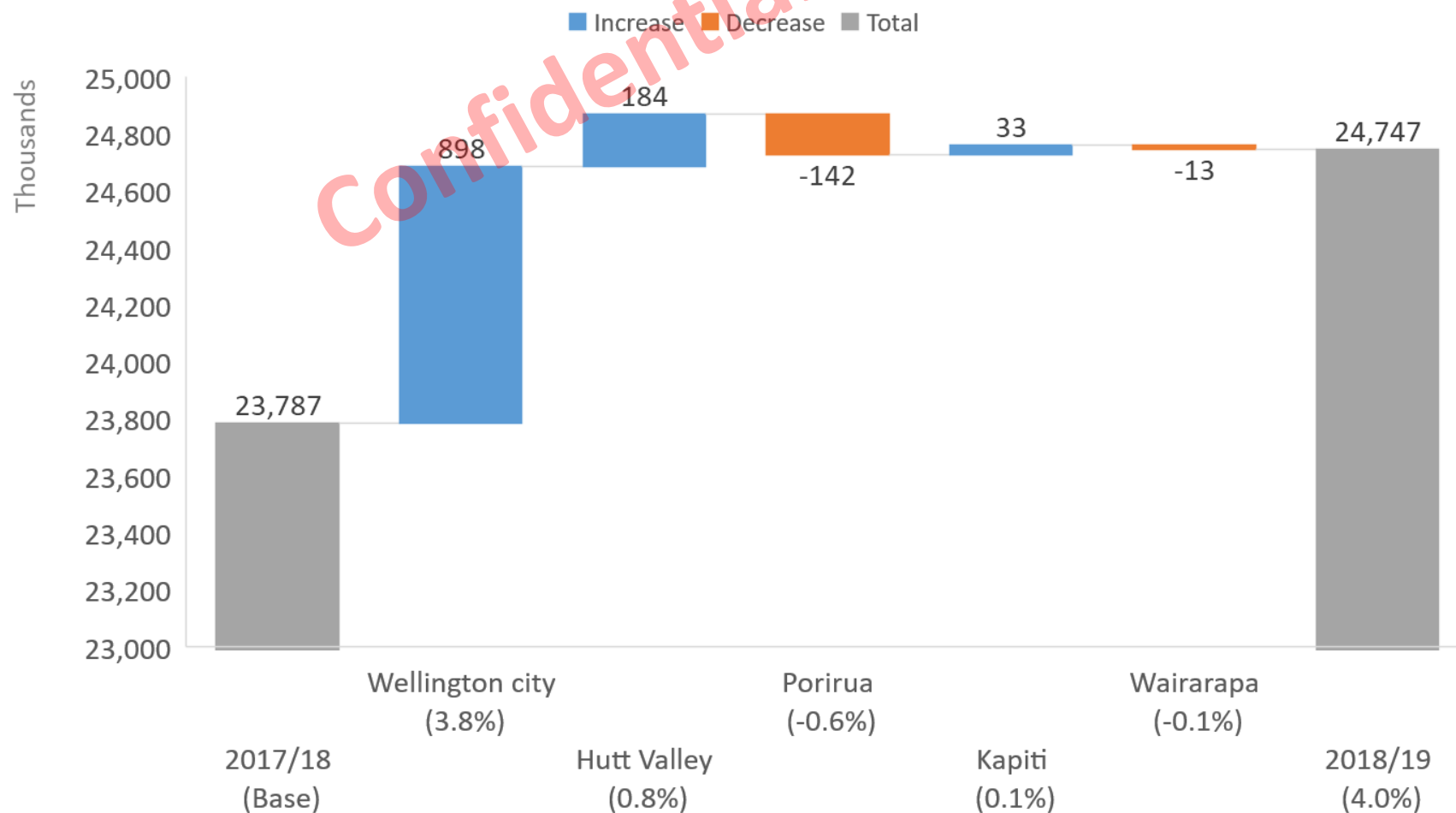
Major drivers of patronage growth since July 2018





Bus patronage by area

Contribution of different areas to bus patronage growth





Looking back – mode

Users share of direct operating costs by mode

Mode	Share
Rail	58.1%
Bus	53.7%
Ferry	78.6%
Total	56.2%

LGWM Funding

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Joint GW/WCC paper on LGWM

Recommendations (GW):

- Agrees to the additional funding in 2019/20
- Agrees to include additional funding in the 2020/21 Annual Plan
- Agrees to a ten year loan period to debt fund this contribution



Recap on overall funding shares

60/40 split – Government and local government.

For interim period of investigations and early delivery:

- 20/20 split for opex (GW/WCC)
- But GW **not** paying for capex, property, lost parking revenue

To be revised once business cases completed and costs, ownership and benefits better understood.



LTP 2018-28 / Annual Plan provides for:

- Total of \$67m over 10 years
- 2019/20 - \$1.2m
- 2020/21 - \$1.2m



LGWM Funding Requirement

Team has revised funding needs based on: revised programme; timing of business cases; timing and scope of early delivery projects; and costs of core team.

Budget requires a total of \$18.9m in 2019/20 and \$63.7m in 2020/21.

Based on funding split an increased contribution is required from both GW and WCC.

	2019/20 Current Funding	2019/20 Required Funding	2020/21 Current Funding	2020/21 Required Funding
GW	Total \$1.2	Total \$3.5m	Total \$1.2m	Total \$7.0m



Funding Impact

LGWM currently debt-funded over 5 years.
Options to debt-fund over 10 or 30 years.

	Rating Impact		
	5 year loan	10 year loan	30 year loan
2019/20	\$187k 0.14% of rates	\$-21k 0% of rates	\$-142k 0% of rates
2020/21	\$1.3m 0.96% of rates	\$481k 0.35% of rates	\$-1k 0% of rates

Recommend debt-funding over 10 years.

Funding implications for Annual Plan and LTP



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2019/20 (current year) – no impact

2020/21 – from a funding perspective not a material change so would form part of normal Annual Plan process

2021/22 – revised 10 year funding requirement to be included in Long Term Plan 2021-31 for consultation



Targeted rate option

The 12 December paper also recommends that a targeted rate is considered for both GW and WCC.

This would require an amendment to the Revenue and Financing Policy and the Long Term Plan. A complex process.

Advantage of isolating expenditure and transparency.

However to provide an analysis of who benefits is problematic now, due to lack of detailed information on projects, sequencing and benefit analysis.

This would be available for the LTP 2021-31.



Targeted rate options – Timing

1. Establish targeted rate on a uniform basis in **2020/21**. Amend Revenue and Financing Policy and LTP. Review as part of Long Term Plan 2021-31 to establish differential distribution.
2. Establish targeted rate in **2021/22** with differential distribution as part of Long Term Plan 2021-31.

RECOMMENDED

Questions?



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