COMMERCIAL & INDUSTRIAL CONSULTANTS LTD
Licensed Real Estate Agent (REAA 2008)

15 April 2024

Submission

HCC Annual Plan 2023- 2024.

This submission will identify some of the issues facing HCC.

It offers solutions **that will not require the significant increase in rates as proposed under the current Annual Plan.**

Our research into the council's accounts since 1998, shows HCC has only been able to "balance the books" by underfunding depreciation.

In addition, HCC has been revaluating "asset" (like parks and reserves) to provide more "equity."

The proposed Annual Plan proposes the deficit is $17 million pa and further deficits in future.

Debt repayments are being deferred and **surplus** not achieved until 2027 **if possible**.

HCC will continue to borrow to cover the day-to-day running of the council.

The debt is forecasted to be about $1b in 2024 and nearly $1.4b by 2031.

HCC Infrastructure Strategy report (2021) states that Hamilton needs to fund $12.5 billion by 2050.

HCC has made some progress, but they have not addressed the real issue, that **being staff wages, which now consume 47% of the "general rate" income.**

In 2021 staff wages were 41% of "general rates".

If HCC undertook to reduce staff to the 2017 level it would save $40m pa.

Our research has confirmed that the Council spends 60 % to 65% of the "general rate" income on staff wages, administration fees and consultant's fees.

The annual plan is underpinned by the "financial predictions."

These financial projections have two components.

- the projected income from rates, development contributions, fees and charges,

PO Box 22, Hamilton, New Zealand. Telephone: (07) 849 7800 Mobile 021972500
E-mail: colin@cicl.co.nz

- capital expenditure program.

HCC economist is Market Economics.

Market Economics has been providing the council with economic evidence on "Feasibly Development", to comply with legal requirements of NPS- UDC and NPS- UD.

This is referred to as **Hamilton Feasibility Capacity Assessments.**

The Annual Plan process starts with the Market Economic (2021) Capacity Assessment.

That report of 2021 "stated" that there was 124,000 and 336,000 "Feasible Capacity" dwellings within the existing urban limits.

In 2022 the Ministry commissioned a review of the ME report. This review identified significant failings.

As a result, Market Economics undertook a new assessment in Nov 2023.

That report acknowledged that all previous reports were undertaken on a "theoretical basis of zoning" not "infrastructure capacity" as required by NPS-UD.

The implication of this is significant. HCC is relying on PC 9 and PC12 to meet their legal requirements for housing capacity. Both PC 9 and PC 12 do not comply as they were using the "feasibility" based on "zoning" not on "infrastructure capacity."

It is unclear if HCC Annual Plan and "forecast" on income and expenditure are using the 2021 or 2023 "capacity assessments."

PC 12 is high density. It will require the removal or upgrading of most infrastructure in the CBD and Ulster Street corridor.

The Annual Plan provide insufficient detail information to understand if the full cost of these upgrades has been allowed for.

Our research shows that since 2000 HCC has spent over $1.3 billion on infrastructure, (both new and replacements). It has recovered approx. $300m in Development contribution charges.

In our submission on the Development Contribution policy, <u>it is not fit for purpose and will never achieve the income projected.</u>

This then leaves capital expenditure to be addressed.

If HCC had chosen to use a different" model" the outcomes would probably be different.

It is our submission that HCC should commission **independent advice**, and use a different model, using "similar inputs" to see if the outputs are the same.

PO Box 22, Hamilton, New Zealand. Telephone: (07) 849 7800 Mobile 021972500
E-mail: colin@cicl.co.nz

It is clear that HCC is consumed with "big ticket" items. The background information shows that HCC will be spending $1m per week on an upgrade of the Pukete WWP from 2027.

The upgrade of the Pukete WWP shows expenditure of $541m with 59% charged to "growth", and the new proposed WWP at Peacocks where 88% is attributed to growth.

Both the charges have a significant effect on the DC model.

Yet it has been known for years that Pukete WWP requires upgrading, not just because of growth. If micro plants had been commissioned at Peacock, the $50 million spent on the Wairere lines could have been avoided. Now it is proposed to build a new WWP plant at Peacocks.

Mirco Plants should be investigated as an alternative to some big-ticket items. We accept that the ongoing costs are greater, but the capital cost is significantly lower.

Water meters. Evidence shows that water meters reduce consumption by about 20%. This will delay the installation of new reservoirs.

Claudelands Event Centre. H3.

Information provided under OIA shows that H3 incorporates Claudeland, FMG Stadium and Seddon Park. It is not possible to identify" accurately" the profit or losses for each area because of this incorporation.

It is our submission that each area of H3 should have transparent accounts.

It is our submission that Claudeland should be separated from FMG Stadium and Seddon Park, and the premises be leased to a commercial organization that has the expertise to run.

HCC would still own the property. This would involve the release of staff under the HCC banner.

Please refer to our submission on the Development Contribution policy. It will help explain more fully our submission.

We wish to be heard in support of the submission.

Regards

Colin Jones
AREINZ

PO Box 22, Hamilton, New Zealand. Telephone: (07) 849 7800 Mobile 021972500
E-mail: colin@cicl.co.nz