

# Auckland's Emergency Budget 2020/2021

## Online Community Webinars

### Transcript



**Online Community Webinar – East**  
**Sunday 7 June, 2020**  
**5pm-6.30pm**

**Eddie Tuiavii:** A big welcome to our elected members and council staff enabling this webinar and most importantly, to our community who are joining us via Skype. The substantial reduction in non-rates revenue to the tune of half a billion dollars means that Auckland Council needs to balance providing essential projects and services while taking decisive steps to reduce the pressure on residents and businesses facing economic hardship. Just over a week ago, Auckland Council launched a three-week consultation on the emergency budget and what impact certain decisions will have on our region.

The consultation is essential as it provides you, our community, with an opportunity to have your say about what essential services, facilities, projects and programs you would like to see prioritised. Our session this evening, which will take about 90 minutes or less if not needed, will be recorded and will be made available on our website alongside questions and responses. If you've not already done so, please ensure you make a submission at [akhaveyoursay.nz/emergency-budget](http://akhaveyoursay.nz/emergency-budget).

I'd also like to take this opportunity to encourage you to share the link with your family and friends. We'd love to hear from you. On tonight's panel we have Councillor and Deputy Mayor Bill Cashmore, Franklin Ward, Paul Young Howick Ward, Councillor Sharon Stewart, Howick Ward. Andrew Duncan and David Gurney, our finance subject matter experts. My name is Eddie Tuiavii, democracy services and it's my pleasure to be the facilitator this evening.

Before I hand over to our subject matter experts for our presentation, Councillor Cashmore, I wondered if you might be able to address this one for me, as I see that it's dominated social media, my feed anyway, among peers and friends and family since the consultation started and that's some of the I guess it's one of our FAQ's as well and that's, you know, if people would just take a pay cut, we could somehow claw back that five hundred and twenty-five million. Now, I know that there's a presentation from our subject matter experts, but in community engagement, I've noticed that some of these are the top of mind things and if we can sort of just park them before our conversation it'll that would be great, so Councillor Cashmore any thoughts on that please from you?

**Deputy Mayor Bill Cashmore:** Good evening and thanks Eddie for the question. A lot of people assume that you can just slash and burn salaries to save half a billion dollars. Council's total salary bill is not double that. So you in actual fact, would have to let go half our staff, which means you would let go half the capability, half the services and half the need provision that's enabled by those staff. So although staff salaries and staff head count are part of the solution and we've signalled that well and clearly through this consultation, it is not the answer. That is overly simplifying the facts. We have a hole of 525 million dollars potentially in our budget.

I think it's important that people realise that this is a forward-looking budget. It is not tracing economic activity in the past. This is a projected budget. There is a lot we don't know. And these are extremely unusual times. No one has lived through these types of times arguably since the Great Depression. So we don't know how long it's going to last. We don't have big that's going to be. Maybe we are over projecting it. Maybe we're undershooting it. But we are we are taking the most likely scenario and the recipe we put forward and the presumptions and the analogies that are in these emergency discussion documents are based around what we think will happen and these are the things that we believe we need to do to, one, continue providing as many essential and social services as council can, two, to keep a capital program up and going

that enables us to deliver the things that Auckland still needs. And three, to put us in a position that when things do start to improve, we are ready to capture that moment and move forward with greater speed and precision. Thanks Eddie.

**Eddie Tuiavii:** Thank you, councillor. Very helpful. Thank you for your response. Councillor Stewart, I know that we don't have the granular level of detail and that the governing body is yet to deliberate and have a dialogue and decide on some of these things, but are you aware of any projects in sort of your community or your ward that might potentially be affected by this budget? And if not, are there any general sort of broader observations about what's potentially at stake if Aucklanders don't get out and tell us what they'd like to see prioritized Councillor Stewart?

**Councillor Sharon Stewart:** Maybe some of the eastern busway that we're actually waiting for, the shovel ready to come, confirmation from central government then we will know. But first of all I'd like to thank all of you that have taken part in this. These are, as the deputy mayor said, they are very difficult times, we are in extreme conditions and today I think we really need to listen to what you have to say and there are probably some places that we may be able to cut some money and maybe some of the ideas that you may give us may give us some of that guidance.

But as far as the wages, the staff earnings are concerned, so far anybody over 100,000 have been asked to take a reduction in their wages and most of those have as have the elected members and that's something that's being worked on at the moment. But really, as far as the staff concerned, we as the council and the mayor, we can't actually tell the staff to take those reductions. It's something that the city manager has to have to discuss with the staff, because legally, we can't make people take a reduction in their wages. But that is something that has to be worked through. But there has been about 1100 people that have lost their jobs and there is said probably going to be further with restructuring so thank you for that.

**Eddie Tuiavii:** Thank you councillor, that should have got a follow up question that I'd like to ask, but I've our fabulous subject matter experts here who have alerted me that a total of eight hundred and sixty eight people have taken up the salary reduction, of which 32 are actually under the 100K threshold. So the total commitment will be about 2.8 million over the next six-month period.

Councillor Stewart before I move on to Councillor Young for a brief comment. I know that Councillor Cashmore has joined us for the other webinars that we've had. So he's answered this really, really well and I've loved some of the responses, all of the responses that he's given. I heard you mentioned Councillor Stewart that it's important to hear from our community could you elaborate on that Councillor Stewart, why is it important for you as an elected member to hear from our community at large?

**Councillor Sharon Stewart:** Well, I well, I think we just need to listen to them. I have been disappointed over the last two years we haven't had as many people that have taken part in the Have Your Say but this is probably the most important Have Your Say that we've ever had ever because of the extreme things that are happening with COVID-19 and with the water crisis, and we really do need to hear from the community. We we're not really supposed to be leading you and telling you what to say. You're supposed to be you know; we've giving you this consultation document. I'm very happy to meet with anybody. My, um, you know, if anybody wants to meet with me, they can email me. And I'm quite happy to sit down with people. And I think it's much easier to do that than to do it over you know, it's we're doing now. I think there's a lot more people that would like to be consulting with us and telling us what they expect from us that because of COVID-19, it hasn't been able to happen. Thank you.

**Eddie Tuiavii:** Thank you. Councillor Young, what might some top of mind things be for you concerning the emergency budget that you'd like for your Howick community or your wider ethnic community to consider? Any

words to encourage them to have a submission and have a say or anything else that's top of mind for you before we hand over to our subject matter experts.

**Councillor Paul Young:** Thank you very much, in particular for all the staff and my fellow councillors. Now we Auckland face the most serious time because everybody knows in particular our councillor has lost revenue and there's really tough decisions ahead for the council. And we need to review and recover the work for everybody. Well, we know that's quite a big proportion migrant Asian people, particularly in my East Auckland. That's quite a lot of the migrant. And through the consultation, there's two aims. First of all, as Councillor Stewart and the Deputy Mayor just mentioned, we want to listen from the people and get advice and that we can consider what the tough decisions we are going to make for all of Auckland. Secondly, let's also the opportunity for the migrant in particular people who doesn't use to engage with Auckland Council, let us see what challenges we face and how we can work together to face the issue and sort it out and we together can make a difference.

So particularly in the COVID-19 there are lots of issues and I think that no matter if Asian, Chinese, migrant, we all part of Auckland so let's work together and as Sharon just mentioned, we want to listen everybody feedback because we want all information and then we can keep connecting through the consultation with our community. Thank you.

**Eddie Tuiavii:** Thank you, Councillor Young. I see that the message machine is certainly firing up this evening. So without further ado, I'd like to hand across to our colleagues from finance, our subject matter experts for presentation this evening.

**Councillor Sharon Stewart:** Can I just say one other thing? It's Councillor Stewart here.

**Eddie Tuiavii:** Go ahead, Councillor.

**Councillor Sharon Stewart:** I just want to make sure that everybody understands that 60 per cent of our rates comes from non-rates revenue. And now that the airport shares and ports of Auckland, we're not going to be getting their dividends and this is our parts of council that we're not actually getting an income.

That leaves about 40 per cent of the income comes from the rates that we take so we've got we have really got a shortfall of 60 per cent. So these are these are really difficult times. And, you know, I think everybody's got to understand this has got to be one of the most difficult budgets that we have ever, ever had to make. And so that's why I think it's really important that we hear from our community and what they think is as is really essential and I think for most people, its core business and I'd like to hear from people what they think is the core business.

Just one other thing. You might be wondering why I'm having to hold my glasses I had a bit of a fallen I've got a problem with my glasses resting on my nose. So that's why having to do this. So I apologize for that. But anyway, I will hand it back to you Eddie.

But I think it's really important that everybody understands that this is an extreme time and we do only have 40 per cent of our rates take as you know, and the staff can correct me if I'm wrong. Thank you.

**Eddie Tuiavii:** No worries thank you very much Councillor Stewart, I probably couldn't have created a better segway if I tried. Great segway to hand over to Andrew Duncan from Finance.

**Andrew Duncan:** Good evening. We consulted with you in February with a business as usual budget. Covid-19 was out of sight over the horizon. So since that time, the world, New Zealand, Auckland and the council have been hit by the health and economic effects of the pandemic. Completely unexpected consequences for residents, businesses and the council on the Auckland region with unprecedented economic effects. As Councillor Stewart intimated, we've got a big gap in our forecast revenue for next year. 40 per percent of our revenue comes from rates and the remainder from other sources and the revenue from other sources, we're expecting that to be down by 550 million dollars next year.

As Councillor Stewart says, we won't be getting dividends from the airport or ports of Auckland, but also, we won't be getting revenue from some of our facilities. They'll be reduced revenue from public transport fares and for the regional fuel tax. That's having a big effect on us. Fortunately, we started from a relatively strong

financial position. But a revenue hit of this scale means that we're going to have to look ahead and do some major changes to what we do to manage our budget.

And that's what we wanted to talk with you about this evening and to get your feedback on. So the council needs to develop a budget that can manage these impacts. And one that's financially sound, prudent and sustainable into the future. There's a number of different ways that we can achieve those goals. We've got four or five levers we can pull on to deliver on it. Look at the level of our rates increase, how much borrowing we undertake, to dispose of assets that aren't being well used, to make savings to our costs and to look at our planned capital expenditure.

But in doing that, we've got to recognize our responsibility to maintain the services, the essential services that the foundation for modern urban living. To consider the impact that COVID-19 had on ratepayer's, some of whom will be struggling financially and the council's role in stimulating the recovery of the Auckland economy and the businesses and residents that make it up. So we'll look at those levers. We start out by thinking about borrowing, so like a household, the council and the long term to be sustainable wants to ensure that its revenues covering its expenditure on a day to day basis. So we're looking at borrowing, ideally, we won't be using borrowing to couple cover day to day expenditure, although that's something we may have to think about and are thinking about just in the short term.

Unlike government, we are aren't able to go out and borrow a great deal more. We are constrained in what we can borrow. We've been investing heavily in the city's infrastructure in recent years to manage growth and to address historic underinvestment and in the infrastructure. We've made some major inroads into addressing both of those issues. But in doing that, we've used up we've taken our borrowing ourselves quite close to our borrowing capacity and our limits.

And like a householder that's looking at mortgages, how lenders will look at our ability to repay our debt. And if we get too close, we'll move past our limits. They'll be looking at the interest costs. And it could affect their capacity to borrow more in the future.

We are looking to extend our borrowing a bit beyond slightly beyond the limits for one year. However, this is not something we want to do in the long term. And we also want to make sure we're keeping our AA credit rating and keeping some capacity and reserved for any other unexpected shocks we might confront. And to give us the capacity, if necessary, to make investments in water assets, to water supply assets to address the drought we're going through if necessary.

Council can also look at its capital expenditure program. We've got a major program going ahead. The proposals in front of you at the moment look at pulling that back a little bit and some of the areas that you've already put some questions through about. Looking at cost savings, we've got a target of 120 million dollars. And both of the rates increase options require some additional savings in that space. Now, this is coming on top of the council's actions to deliver projected savings over time.

Now, in the last 10 years, we've delivered five hundred million dollars of savings. We're looking at building on that again this year with 120 million in additional savings under the two rates increase options. And this will include things like staff salaries, some staff reductions, looking at making savings in utility costs, property maintenance costs and reducing some of our service areas. We can also look at selling some of our 50-billion-dollar asset portfolio. So we got a large, large portfolio of assets but some of these aren't particularly well used and aren't necessarily delivering the right outcomes for the community. So by selling some of these assets will enable us to continue investment and the things that the council and the communities identified as a priority.

Now, looking at these four levers, we've also got the lever of our level of rates increase. So we proposed a three and a half per cent rate. And rates increase in our business as usual budget. But that will no longer deliver the sort of service levels that we were hoping to achieve because of that reduction in our revenue from other sources.

We've also got a 2.5 per cent option. Both of these options will require some changes to our investment program. The cost savings are referred about referred to before asset sales and reductions and some service levels are consequent from the cost savings we've talked about.

The level of the rates increase and how that affects the rate payers can be seen on the next slide and the next one. So a three and a half percent rates increase for the average value property in Auckland, which is about a

million and eighty thousand dollars, is \$1.80 a week or ninety-five dollars a year. And that level of rights increase will still be requiring us to make some noticeable changes to service levels in some areas. There'll be a reduction in our capital program, but we still have a reasonably substantial planned capital investment for the coming year. And there will be 54 million dollars of savings on top of the 120 million I referred to.

If we have a two and a half percent rates increase, it'll be \$1.35 extra a week for the average value property or another 70 dollars a year with an additional 25 million of savings and more material effects to some of the services that you're used to and an extra 60 million reduction in our capital budget. So we've got four key levers interacting with two options for our level of rights increase. We're looking to get your feedback on the proposed rates increases in your questions and feedback on those four levers. Our capital investment program, a level of borrowing, the amount of savings we pursue and where we take those from and asset sales.

Now, recognizing that our ratepayers are going to be affected by COVID-19, the councils allowed ratepayers who are struggling financially to defer their fourth quarter rates instalment until August this year. But this is only a temporary respite. And many may still be reorganizing their financial affairs at that time. So we're proposing to allow ratepayers to postpone next year's rates and up to 20,000 dollars and up to 5,000 dollars if any rates they've deferred from the fourth quarter for a year and to have a further year to pay. These caps of five and twenty thousand dollars mean that we'd be focusing our support on small and medium businesses and residential ratepayers.

In addition, the council is looking at the accommodation provide a targeted rate which we use to fund visitor attraction and major events and as the rates applies to hotels, motels, B and B properties and the like, and it recovers from these properties, our expenditure on visitor attraction and major events. Now, with the impact of COVID-19 on international travel in particular and in the last few months on events and attractions, We've suspended our spending in the last quarter of the year on this activity, and we're also proposing to reduce the expenditure by three quarters for the 2021 year. But we will begin that spending again because it's going to be important to revitalising the tourism sector. The rate for the next year will be set to recover that reduced level of expenditure. And we're only proposing to charge it in the fourth quarter of next year, by which time we hope activity will have been able to recommence in the tourism sector. Thank you.

**Eddie Tuiavii:** Thank you, Andrew. This notion that the split is around about 40 per cent rates versus 60 odd percent non rates revenue. Are you able to just talk us through that again? I notice that a questions come up on the on the question machine there, just sort of a rough split or even better, because you know, that document like the back of your hand, what page the actual split might be on, Andrew.

**Andrew Duncan:** Right. I'll find the page that we split is on which I think is about page 55. You can see revenue sources on page 57 of the supporting information, which is available on our web site. Rates make up around 40 percent of our revenue. We get a lot of revenue from other sources. So when you apply for a building consent, building consent fee, when you build a property, you'll pay development contributions on that to recover the costs of the infrastructure investment the council's putting in to deal with growth. We also receive funding from the New Zealand Transport Agency for part of the construction costs for road and to support public transport. So page 57 of the supporting information. The page has got a breakdown of that expenditure. Oh, and revenue, sorry.

**Eddie Tuiavii:** Thank you, Andrew. Potentially, again a question for the SME's or Councillor Cashmore, if you would. There's a comment slash question here about the assumption in the document that our parks and facilities will be used less due to COVID. Due to our imminent move to level one, why would this be? Isn't this a flawed assumption?

**Andrew Duncan:** This assumption is looking at how people's behaviour might change as a result of COVID-19 so some people and not everyone, may be concerned about getting too close to other people in public spaces.

**Eddie Tuiavii:** There's one there at the top Andrew if you might want to answer that, or perhaps the councillors from the ward and that's the supporting information say is that even if the three point five percent increase, not all of the AMETI project and I looked that up, that's the Auckland-Manukau Eastern Transport Initiative and Reeves Road flyover will be undertaken.

Then there's a second part there more importantly, why would anything be left out of this critical infrastructure for East Auckland. I wonder if the Howick Councillors have a comment on that. I see it as our SME's are looking at their documents there.

**Councillor Sharon Stewart:** I think it's probably best if one of our council staff can answer that, but to touch on it before we're actually waiting for the shovel ready. So we know exactly what money's going to be spent. So at the moment, a lot of the East Auckland bus way is going ahead. There are some parts, but we really need to find out what exactly is happening with the shovel ready that I think the council staff can probably answer that better. Thank you.

**Andrew Duncan:** I'm afraid we can't answer in a great deal of detail. There is some information on page 30 of the supporting information that shows there's still quite a substantial level of investment in the various major transport projects in the eastern part of the city. There's a reduction in the Eastern Busway expenditure and that will be a timing issue. So that we are still proposing for that to proceed in the future. The other two areas of expenditure seem to have a similar amount of funding. We will endeavour to get an answer from Auckland Transport to the question on this, and that'll be we post the answers up. So that'll be available.

**Eddie Tuiavii:** Thank you Andrew. Councillor Cashmore, you'll recall that this this question has sort of come up before in sort of different guises, referring to different things. It's been reworded this evening. And the question is along the lines of in this emergency situation, has any consideration been given to settling the council shares in the ports of Auckland or Auckland airport? Councillor Cashmore, if you will.

**Deputy Mayor Bill Cashmore:** Thank you, Eddie and thank you for the questions, a very important one. When you look at the ports and the airport, they are, you know, multimillion-dollar assets that the council has held for a long time. Do we look at selling them? That would be like almost at the moment, at these times of financial constraint, you would be almost selling them into a loser's market. So It's a view that the port at the airport shares is the assets of last option It's almost like the silverware for your house. The ports is going through a big restructuring process at the moment through automation and that's why the dividend is disappearing. It's taking up a lot of the OPEX speed and potential surpluses to bring in a very highly technical and highly capital-intensive program of automation, which in turn will lift the port's productivity substantially as is seen in other international ports like Los Angeles and Copenhagen and other European ports. That will then return the dividends that we were used to 50, 60 million dollars a year.

Auckland International Airport, as we know, has taken a massive financial hit at 90, 95 percent loss and traffic. Its impact on its cash supplies and its income is yet to be quantified. They're doing a lot of work on runway renewals. That was been put off for quite some time. But a lot of other work's been slowed down until they come back post-COVID. So if you sell an asset now at time of its income being suppressed, you your price you're gonna see will be equally suppressed. I suggest no, let's keep these quality assets in the family cupboard until such time and hopefully never happens that they are really needed. These are the assets of last resort and I think you're so many other things that we can do that can still bring us through this position in a reasonably good space, in a reasonable context to grow food.

**Eddie Tuiavii:** Thanks, Councillor Cashmore, before I hand over to Andrew, who'd like to get in here, there's a question here about why are we cancelling citizen citizenship ceremonies aren't the essential for welcoming new citizens? And then over to. Thanks, Andrew.

**Deputy Mayor Bill Cashmore:** So the citizenship ceremonies were basically cancelled during Lockdown's levels three and four, simply because of social distancing and the laws that had been passed by the government at that time. And once we come into level one, I would imagine I completely foresee that citizenship ceremonies, which are a really important part of welcoming new Zealanders to our community and to Auckland will start up again. And I look forward to that as they are really great evenings to have and to see.

**Eddie Tuiavii:** Thank you, over to you Andrew.

**Andrew Duncan:** One of the questioners is asked, why don't we borrow more to help stimulate the economy? So the council is certainly looking at doing the most borrowing it can prudently do. But it doesn't have the same position as central government in terms of our ability to do that.

However, in looking at the sorts of borrowing and investment we are going to undertake, the councils looked very carefully at its capital expenditure program and focused on the projects that will have the most stimulatory

activity on the local economy. And so that list of projects, you can see that where it's talking about what we will and won't be doing and the supporting information has been selected, focusing on which things will have the most positive flow through effect. And our chief economist has been heavily involved in this, assisting the decision makers and looking at the proposals they'll put to the council. So there is a focus on stimulating the recovery in the capital program.

But just to reemphasise, we're not in the same position as central government to be able to do this sort of stimulatory borrowing and investment that they are able to do because our debt levels are more constrained than theirs.

**Eddie Tuiavii:** Thanks, Andrew, while I've got you there, I've got a question here about why are building consents considered part of the revenue lost or lost revenue? Building consent costs should be self-funding. So should not be material to total cost reductions required. And I understand I am now welcoming Mr. David Gurney to the conversation.

**David Gurney:** Thanks, Eddie. Well, we do get a lot of revenue from building consents. And in the past couple of years, it's been an unprecedented volume of both building and resource consumers coming through to council. We are expecting that post Covid that there won't be as many developments underway, mainly because of the basically drop in migration that we'll have. And so that will have quite a major impact on the revenue that we're projecting forward. That said, people will still be planning projects. And so there will be still we expect good volumes through our regulatory section, but probably not at the same levels as we've experienced in previous years.

And that we were forecasting in our original budgets when we did the long term plan three years ago.

**Eddie Tuiavii:** Thank you, David. I've got a question here. This is potentially one for the elected members or the SME's. The budget mentions that the creation of the community safety fund will be compromised. What does this mean? Will there be no CSF? And that's community safety fund. Or will it be smaller later?

**Councillor Sharon Stewart:** I think that's probably one that the staff really need to answer. Thank you.

**Andrew Duncan:** Apologies we don't have the detail on that particular area available, but we'll make sure that we are able to get that answer up on the Web site. So you should be able to see that with the answers come up. Probably. Probably tomorrow. Thank you.

**Eddie Tuiavii:** Thank you that will be very helpful. Councillor Young I've got a question here for you and it just comes off of the back of our subject matter expert presentation. And essentially and I'll ask the same of Councillor Stewart as well it's the notion of 2.5 versus 3.5. And if you think about the sense, if you like the difference in terms of being a rate payer community member, it might be small, so to speak. But in terms of how it affects our potential to deliver the essential services that our communities rely on. Is it not seismic? The difference between 2.5 and 3.5 per cent across 12 months across the whole of the Auckland region.

**Councillor Paul Young:** I think 2.5 and 3.5 much different. But actually is quite important. First of all, as Andrew just mentioned, because we are actually different ways to central government. problem we have, we need to borrowing and the credit level and the borrowed money depends on the revenue we receive. So that's reason, as previously mentioned already you mentioned about the revenue, the non-rate revenue quite a lot but we want to listen to the people of Auckland's feedback because even one percent that looks like this one dollar per weeks. But the money we collect, first of all, we need to borrow more money to have more capital investment because Auckland in the past 10, 20 years, that population is a huge increasing and our infrastructure like CRL, like in the east, AMETI we need pushing on.

So actually, through the document I see the 2.5 who if we talk about AMETI in the eastern Auckland, we have at least probably 20 million lost and then means there will be defer and delay the project. So I cannot say to each one, but every everything, every money is cut. But the difference is actually quite different by people we can see on the book. And but we still how to balance two is very important because we cannot borrow too much.

We do need to borrow and then we cannot increase the rate too much. But we do consider through the consultations and make tough decisions.

**Eddie Tuiavii:** Thank you, Councillor Young, I just want coattail onto the back of that as well. Again, it's important that we hear from them, which way, you know, which way that they would like us to go and the service provisions that they would want prioritised. So, again, to our listeners and viewers this evening [akhaveyoursay.nz/emergency-budget](http://akhaveyoursay.nz/emergency-budget). Councillor Cashmore, you wanting to get in there?

Deputy Mayor Bill Cashmore: Thanks Eddie, I think this is one of the critical questions that we have on each one of these sessions and it's important that the public understand exactly what's at stake here. As I've said before these are unprecedented times, if I could reel out some things that actually spell this out quite clearly. So under by 3.5 and 2.5 and I'll cover zero at the end.

So under 3.5 and 2.5, our debt grows through our set levels with the banks, which is 270%, we got to 290% for one year and then we have a management back to 270% for the 21/22 financial year. So we would break our banking covenants for one year. The agencies we deal with, the bank actually deal with are saying that because we it's a short-term breakage and we have a managed return to our prudent levels they are relatively relaxed about that.

As far as the capital budgets are concerned, we initially under pre-COVID conditions, we were planning on a record 2.6 billion-dollar bill for CAPEX. Post-Covid we're trying to keep the CAPEX up as far as we can. At 3.5% rates increase there is 280 million dollars' worth of referrals. So a 2.3 billion dollar bill. At 2.5% rates increase, we have 345 million dollars worth of deferrals and 2.2 billion dollar CAPEX.

Under OPEX at 3.5% there is 120 million dollars' worth of savings anyway, that's another 54 million dollars and at 2.5% that expands out to \$75 million dollars on top of the 120. Asset recycling remains the same under both proposals. However, a zero percent rates increase or one or one point five would mean that the capital program would disintegrate. That would not basically would not be one other than those things that are currently contracted. There would be no other capital project that could be thought of. There'll be additional savings required of substantial amounts in the hundreds of millions of dollars. There will be huge amounts of staff loss and salary cuts. We would have reputational risk and simply because our revenue would fall away so far, the banks who we borrow money off and help keep our capital program going through these funds and the bond assurance, we will be in dire straits with our ratings and our lending potentials for the future.

So 3.5 and 2.5 are both doable but beneath that we start to delve into very, very dangerous territory financially and would be beyond the prudent levels of sensible ability. Thanks Eddie.

**Eddie Tuiavii:** Thank you very much, Councillor Cashmore, that's very useful, very helpful as well. Councillor Stewart off of the back of Deputy Mayor Cashmore's comments and the figures that he has so helpfully provided for us this evening, 2.5 versus 3.5 at the end of the day, what matters is that we hear from our community in terms of service provision and their thoughts. their concerns, their questions. Have you anything to add to the segment, Councillor Stewart and then I'll move us on.

**Councillor Sharon Stewart:** Yes, I think at the moment this is a really, really important time. COVID-19 has just changed everything at the moment Auckland Council's currently interviewing for a CEO. So it's really, really important that we get a CEO who is going to be able to reset the way that Auckland Council does things when we first were amalgamated, the amalgamation was to find savings and to stop duplication. A lot of this hasn't happened. So I'm hoping that, you know, whatever, whoever we chose for the CEO is going to be very, very strong. We're going to look at the way to restructure the whole council, reset the way that we do things, you know, with very difficult times.

So, yeah. So we have to remember that Auckland, Auckland Council is really the powerhouse of probably New Zealand. And so we need to make sure that we start doing things a lot differently. There's been a lot of things that the public, when they have their say, they're not happy with the way that we've been doing things. So we need to listen to them. They may have they, may have some ideas, they may have some things where we can make some savings. And I think we really, really have to make sure we do the right thing by Auckland. So, yeah, I'll be weighing everything up when it comes to my time for voting. Thank you.

**Eddie Tuiavii:** Thank you Councillor. David Gurney. I notice a couple of questions that have come through here. Would you like to speak to some of those, please?

**David Gurney:** Thanks. So, yes, there is a question about what's happening to the airport to Botany Rapid Transit System. So there is still work that will progress on that route. We've budgeted 56 million dollars' worth

of capital expenditure on that for next year. There is one part of it, though that will be deferred and that's the Puhinui interchange so that that will be shifted, probably forward into future years. But there is still work happening on that rapid transit system from botany to the airport, and that includes improvements to access to the airport to.

**Eddie Tuiavii:** Thank you, David, David and Andrew, while we're at it. You'll recall that we broke down that half a billion-dollar revenue loss earlier on. And there's a question that comes through here based off of that question/earlier reflection - why would the ports not pay a dividend? It could potentially even be a question for Councillor Cashmore.

**Deputy Mayor Bill Cashmore:** Sorry, I missed that I was reading the other questions like a naughty schoolboy.

**Eddie Tuiavii:** Oh, that's no problem. I love an active panellist or participant in that anticipated that anticipates everything. It's just a question here. So there's that whole, you know, 60 per cent and then we broke it down that's the half a billion dollars. And there's a question here that says that asks, rather, why would the ports not pay a dividend?

**Deputy Mayor Bill Cashmore:** All right, I try to move that off before now. The ports, pre-COVID for two or three years now has been going through an automation process and they were paying a dividend around 45, 50 million dollars. The automation process is for the four new cranes, very expensive pieces of kit. A lot of sophisticated and technological systems to go in and a lot of changing of how the port actually runs logistically. That has had a big impact upon the port's ability to generate the dividend because it's sucking up a lot of cash in this repurposing. However, this repurposing is critical because it's going to enable the port to have a far greater throughput going forward. And it means it doesn't have to increase its footprint.

So the dividend loss has nothing to do with COVID. Mostly, it's mostly to do with the automation process and the systems around it. There has been a bit of a knock-on effect coming out of Europe and China with the supply of goods and services but coming through on the ships. But that is small as compared to the automation costs. So the port will come out of this Okay. And once the automation stuff is landed and it's up and working, it'll be back to business as usual as far as dividends are concerned.

**Eddie Tuiavii:** Councillor's, this is this is one for either, you know, any of our councillors this evening and I suppose essentially the underlying crux of this question is, how about user pays? Will not user pays if we slapped that on or the service provisions that we provide, will that not solve the problem? And I'm happy to delve into sort of a bit more detail, but essentially that's what this question is asking. User pays. Is that a solution? Is that the solution might start with you, Councillor Young.

**Councillor Paul Young:** For example public transport, one bus – it is very hard to know whether that is one passenger or a full house. So user pay can probably comply for certain services but not for everything, we can do further investigation or discussion for that. Thank you. **Eddie Tuiavii:** Councillor Stewart any thoughts from you? User pays. Just bear with us a sec. We just got a small glitch here. Councillor Stewart can you hear me okay?

**Councillor Sharon Stewart:** Yes, I can. For some reason it was muted. I think I think there's a place to user pays. But I think once again, I'd like to hear from the residents in what they think we should be you know; I think we need to hear from them. So yeah, thank you.

**Eddie Tuiavii:** Thank you councillors, I have got another question that has come in here. Any thoughts from you, Councillor Cashmore, on that?

**Deputy Mayor Bill Cashmore:** Thanks Eddie, it's a really good question and it's a philosophical question about those cuts right to the core of council's activities. So we have a degree of user pays now and the consenting both resource and building as there is completely 100 percent cost recovery and on inspections. But would we want complete and utter user pays on say going to the library and taking out a book or user pays on our parks, So you can walk in the park with your dog, and you got a couple of dollars to do that. Swimming pools, our leisure centres, you know, some do cost recovery through gyms and bits and pieces. But there's a lot of work that council does that is actually doing it for the good of the whole community and it's a very difficult balance I think it's something that I'd really love to hear from the community about, is you know, how much are you prepared to pay for the pleasure of using those facilities that council provides?

You pay for your water and you pay for your wastewater. You pay for your rubbish recycling inorganic and organic. You contribute to libraries, parks are generally free sports parks, free playgrounds are free. Should those things remain free or should we have a charge? That's a really key social question that we could be asking. So good on the person who asked that question. It's one that's challenging for all of us and at the end of the day it's a political decision.

**Eddie Tuiavii:** Thank you, councillor that's very helpful. I've got a question here that asks, will council continue to support arts and culture at the level that has been paid up to this time? And I guess if I can dovetail or coattail on the back of that question as well, and in fact, feel free to pass councillors, because I know that there is a there's a big hui, there's a big meeting that you will ultimately at where at which you'll have to ultimately deliberate and make the hard decisions.

But are they are there some facilities or things that are top of mind for you that you anticipate your communities would like to see maintained? And you've mentioned that libraries, parks, things like that. Councillor Young, anything top of mind for you? Or again, would you like to just leave it for the remainder?

**Councillor Paul Young:** You know, I do have a concern for the arts and culture programme because it's very important for Auckland. But under certain, such situations I think that, as you're just mentioning, that we would like that everybody feedbacks on the consultation and let us have a further consideration or some discussion. But I personally, I support it but we need a priority and also the percentage for a great community. Thank you.

**Eddie Tuiavii:** Thank you Councillor Young. Councillor Stewart, anything that you personally would either like to see prioritized or any any thoughts about what your community might prioritise for this consultation.

**Councillor Sharon Stewart:** I'd like to just see what the community actually want to prioritise. But something that Sir Barry Curtis, who was a wonderful leader for Manukau, one of the things he did for all the new councillors, as he would have a list of, say, 1-17 of what you thought was really, really important to the running of a city. So, you know, the core businesses. So I'd really like to see and hear from a lot of our community. I'd like maybe for them to find the top ten priorities and I think it's really, really important because we're going to have to reset that, have to do things differently. I think local body, not just Auckland council, I think local bodies all over New Zealand have started taking on a lot of very much a lot of central government responsibilities. We've now gotten into early childhood gymnasiums and all sorts of all sorts of things. And I think we need to weigh it up now and we need to hear from the community . We need to reset. And I'd really welcome to hear from the community what they actually think, what business we should really be and like to hear probably the top ten core things, which some it's just for a couple of examples. You've got your roads, your rubbish, your water, your water, that sort of thing. Things that are real core business. And what things are people prepared to have further down the list.

**Eddie Tuiavii:** Thank you councillor, I noticed that this means potentially looking into a question that's come through, so just given a bit of time to do that. I just remind some of our viewers or listeners this evening that if you've if you've posted a question or asked the question and it's not necessarily been addressed, that could potentially be because it's a frequently asked question that we've addressed in some of our previous webinars. And you'll find those on our Web site.

There is a question here, our SME's, and if you'd like to look at that while I give the answer. So there's a there's a question here about arts and culture programs being scaled back or sort of what effects will be. The response from our finance team is arts and culture programs will be scaled back over the year, saving around \$450,000. Auckland live and Auckland Art Gallery exhibitions will be reduced, equating to a \$1.1 million saving.

I think we've given the question machine a really good go to this evening and we've had some really great responses from our subject matter experts and also our elected members who have either dialled in who are here in the room with us this evening.

I think it might be appropriate to begin wrapping this conversation up this evening. So I just want to go around again to our elected members. Any final comments for the community that are listening or tuning in this evening and potentially the wider community that will watch this when we've uploaded it to the Website? Any final thoughts from you, Councillor Stewart?

**Councillor Sharon Stewart:** No, just that I look forward to hearing from everybody, and I think it's really, really important that as a council we do listen a lot of the time the public doesn't think we listen, but we try to listen. So looking forward to hearing from you all. And one other thing, anybody that would like to get in touch with me, my email and my mobile phone, if you want to text me, it's on the council Web site. I'm very happy if I can. Thank you.

**Eddie Tuiavii:** Councillor Young, any final words, thoughts or reflections from you this evening?

**Councillor Paul Young:** Before COVID-19 East Auckland was already facing the challenge of meeting the population growth through investment in infrastructure and service. So it's a very important we don't drop the ball on our future. We need to find a balance. So I said the Councillor Stewart just mentioned we do need to listen to everybody's feedback. And I also thank you for our Korean migrants and Chinese Community as their feedback so far is very strong. So I, I'm looking for to hear from all Aucklanders to give us the good feedback and then we can make the tough decision. Thank you.

**Eddie Tuiavii:** Thank you very much Councillor Young. Any final words from you there sir in the Franklin district? Councillor Cashmore?

**Deputy Mayor Bill Cashmore:** Thank you Eddie and thank you good folk of Howick and the East for your participation and your questions tonight. Auckland is a very changed ship. From 2010 until now our population has grown by 300 thousand plus people. That population increase is falling away at the moment. At the same time, Auckland Council taken a capital delivery program to fund previously shortfalls legacy assets by the legacy councils to record heights.

We have driven a capital program that was going to be two point six billion dollars this year. Never been seen in Auckland before. Sadly, that's going to fall to two point three or two point two billion this year. However, it's still a pretty good result. It's really a relative equivalent to what's been delivered this past year.

People say we just need to borrow more money. We have covenants with our banks. And because council is not a business like a private sector, like the ones that I'm involved in where you can borrow against your asset base, councils assets are your roading, bridges, pipes, playgrounds, things that the community must have a sense of life. So our borrowing is predicated on our ability to raise revenue. Hence that debt to revenue ratio of two hundred and seventy percent being a critical factor.

And loss of revenue then hence affects our ability to deliver capital program. Hence the need for this budget. The challenge is the reality vs the popularism and we need to be very, very clear that a 3.5/2.5 it is that 80, 90 dollars a year increase per household on average. It's still quite a bit of money. We need to hear on you what you think is the most sensible, pragmatic outcome for you., your community and your city.

No one's gonna pull any scarves over your eyes here and try and give you delusionary facts. We have taken what we believe is the most likely scenario. From the hits on this COVID outcome. The property council is forecasting a 70 percent drop in commercial property bills and a 50 percent drop in residential. That is massive. That sort of prediction leads to the uncertainty that we have, uncertainty of a capital program that we want to deliver, that we are aiming to deliver. but we have to have variances in it.

Uncertainty like the ports with its dividend. The port doesn't know what its final books are yet. It says it's going gonna pay 20 percent of its after-tax profits to us. They haven't completed the books. So we don't know that figures. We've got to take a fairly conservative approach to those numbers.

On the other side we might be wrong on the negative, maybe things won't be as bad as we predicted, and we will come out of this. The most important thing is that we are heading in a good direction. Things won't be stopped, but things might be slowed down or deferred for a year. But when we come out of this, we need to be in the position that we are ready to go again and keep Auckland growing, improving our facilities and improving our quality of life.

Maybe we are all going to work differently. You know, I've quite enjoyed doing my normal 10- or 12-hour days in my office at home here right now, only going into council one or two days a week. That's probably going to ramp up to three or four in the very near future. But we can all do our bit to help alleviate traffic congestion, to alleviate pollution and to still be productive and useful citizens of this city.

I thank everyone who's been involved, Eddie to you and your team, it's always great to work with you. To the people who have written in and given these great questions, thank you so much. And to my fellow councillors, Councillor Paul and Councillor Sharon, your input and value to our council makes it a better place to work and make the city a better place to live. So thank you, everybody, for being involved. It's a privilege to be your deputy mayor. It's a privilege to be with you tonight. Thanks, Eddie.

**Eddie Tuiavii:** Thank you so much, Deputy Mayor Cashmore. It's a privilege and an absolute pleasure to have you on our webinars and thank you so much for your contributions this evening. Andrew Duncan.

**Andrew Duncan:** On a final note, from a financial perspective, I'll invite you all to submit to help the counsellors make the decisions about the levers to pull in setting this budget. Within the limitations on the borrowing that Councillor Cashmore has emphasised, the council's got a capital investment program. What are your views on where that should focus to be stimulate the economy and to maintain the services, recognising the areas of savings the council will have to look at? And the impact that the two different levels of rates increase are having on the council's ability to deliver the services you become used to.

Noting that there'll be more material effects at two and a half percent. Recognising also your views on the asset sales, there is quite a comprehensive list of things that councils will be looking at. Let us know what you think about those. Thank you.

**Eddie Tuiavii:** To our community who has joined us and journeyed with us also of the last couple of weeks and months. I want to echo the sentiments that the elected members I have offered this evening. Thank you so much for taking the time to tune in this evening and to ask the questions that you have asked.

Again, the website [akhaveyoursay.nz/emergency-budget](http://akhaveyoursay.nz/emergency-budget). I also want to echo the thanks that have gone around the screen or the room this evening. Thank you to our comms team, our finance team, our I.T. team and CE&I, everybody here at council who has worked really, really hard to bring this webinar series together.

*Together we can  
recover stronger.*

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