

# Hamilton City Council – Finance Committee

Tuesday 10 September 2019

## Chairman's Report

### A Disturbing Trend Brought To Your Attention ...

The goal of HCC's Financial Strategy is to (1) balance the Council's books (2) reduce debt & (3) provide 'Rates Certainty' to Ratepayers.

Over at least the past two terms of Council, those 3 goals have been challenged by Hamilton's rapid growth. With rapid growth comes extra-ordinary challenges, not the least being the requirement to fund that growth. This challenge has been regularly communicated to Elected Members who'll be aware of these issues.

However, there is another area of our 'business' which, in my humble opinion, has not had so much visibility or scrutiny & that's what we call Business As Usual (BAU).

I've addressed this matter to this Committee on a couple of occasions – first in my Chair's report 22 May 2018 & more recently (less directly) in my Chair's report 21 February 2019.

Don't worry if you can't remember these reports – both were judged to be unacceptable by the Executive & were buried never to be seen. Anyway, moving on ...

... this risk/challenge, of ever-expanding costs of BAU, has not gone away.

At the time of writing the most recent report is the un-audited report for the 12 months ended 30 June 2019 (Finance Committee 1 August 2019).

My concern arises because every category of expenses, bar one, has risen from last year (2017/18).

(Ref - 1 August 2019 Finance Committee Agenda Item 8 Page 77)

|                         | <u>2017/18</u>      | <u>2018/19</u>      | <u>\$Increase</u> | <u>%Increase</u>  |
|-------------------------|---------------------|---------------------|-------------------|-------------------|
| Personnel               | \$74,993,000        | \$79,965,000        | \$4,972,000       | 6.63%             |
| Depn & Amort            | \$65,567,000        | \$69,033,000        | \$3,466,000       | 5.28%             |
| Finance                 | \$20,006,000        | \$20,246,000        | \$ 240,000        | 1.19%             |
| Operating & Maintenance | \$40,805,000        | \$46,213,000        | \$5,408,000       | 13.25%            |
| Professional            | \$ 8,991,000        | \$10,114,000        | \$1,123,000       | 12.49%            |
| Administration          | \$12,619,000        | \$11,335,000        | \$1,284,000       | 10.17% (Decrease) |
| Property                | <u>\$11,400,000</u> | <u>\$11,970,000</u> | <u>\$ 570,000</u> | <u>5.0%</u>       |
| Total                   | \$234,381,000       | \$248,876,000       | \$14,495,000      | 6.18%             |

BAU costs have risen 6.18% from last year. That's well ahead of inflation & GDP growth. More importantly, BAU costs are growing significantly faster than the annual 3.8% rates increases over the remaining 9 years of the 2018-28 Ten-year plan.

I bring this to the attention of Elected Members because, unless Council addresses its rapid growth in BAU spending, it's very likely that, in the not-too-distant future, Council will once again be faced with looming deficits and once again ratepayers will be faced with huge rate increases in order that Council can (1) balance the Council's books (2) reduce Debt and (3) provide 'Rates Certainty' to ratepayers.