

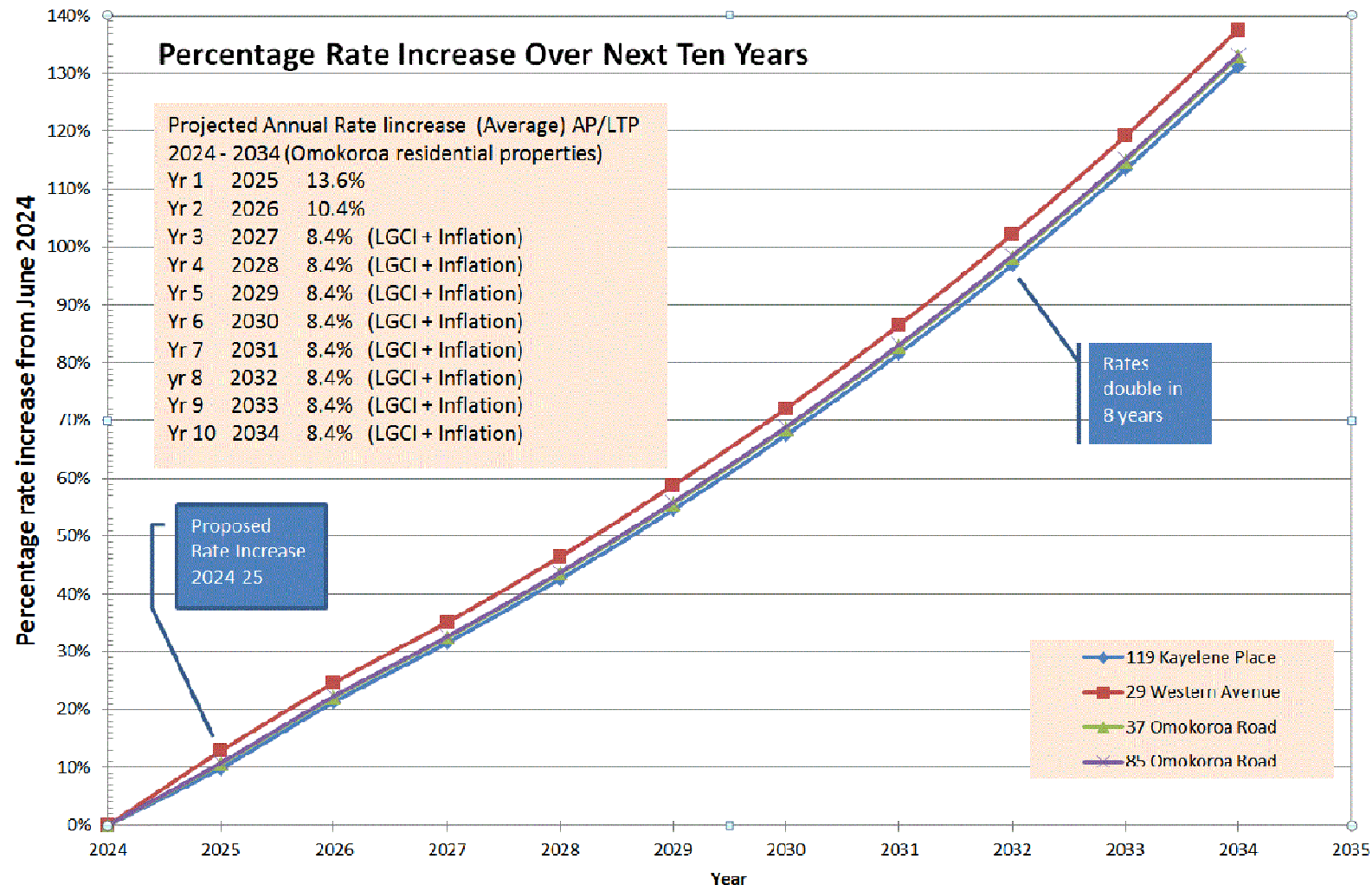
Omokoroa Residents and Ratepayers Association Inc.

Oral Submission on the WBOPDC
Annual Plan/Long term Plan 2024-2034
Wednesday 26 June 2024

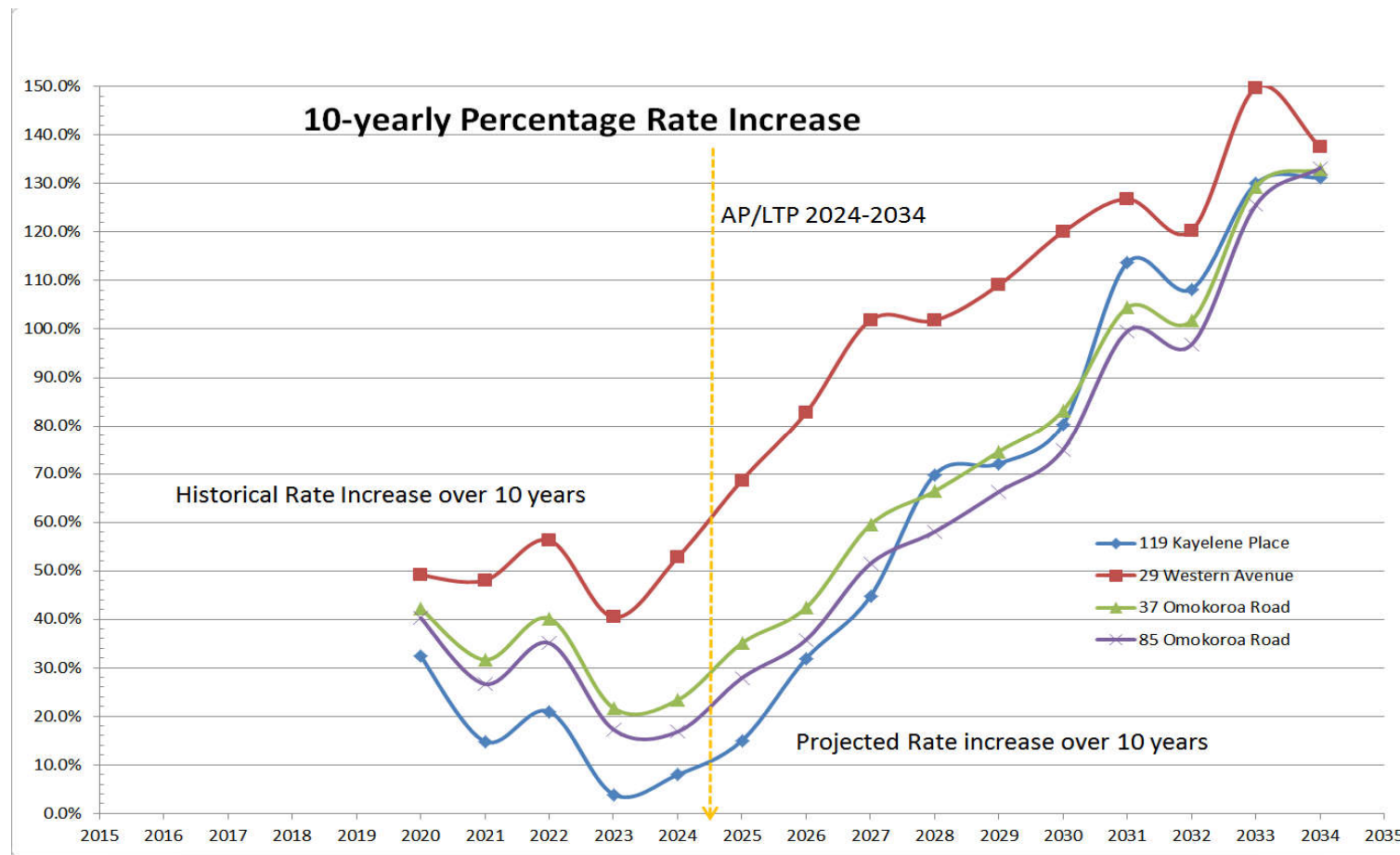
Focus of this submission

- 1) The affordability of increased rates.
- 2) Improved council spending to improve housing affordability.
- 3) Cost savings.

Omokoroa – Projected percentage increase in residential rates from June 2024 to June 2034



Omokoroa – Historical and Projected 10-yearly increase in residential rates will exceed 130% in 10 years and into uncharted territory. Rate increases will outstrip wage and salary increases.



Rates Affordability (for Ratepayers)

- Rates affordability is defined as “*the ability to pay rates without serious economic difficulty*”.
- This equates to being $\leq 5\%$ of gross household income (Funding Local Government (2007). Wellington: Department of Internal Affairs)
- Omokoroa resident living in an average property (CV \$950,000) paying rates of \$3,987 in 2024 will be paying \$9,516 in 2034.
- Household income of $\geq \$79,740$ is needed to pay the 2023-24 rates for rates to be affordable.
- Household income of $\geq \$190,500$ needed to pay the 2033-34 rates for rates to be affordable.

Housing Affordability, Community Wellbeing and what Council needs to do

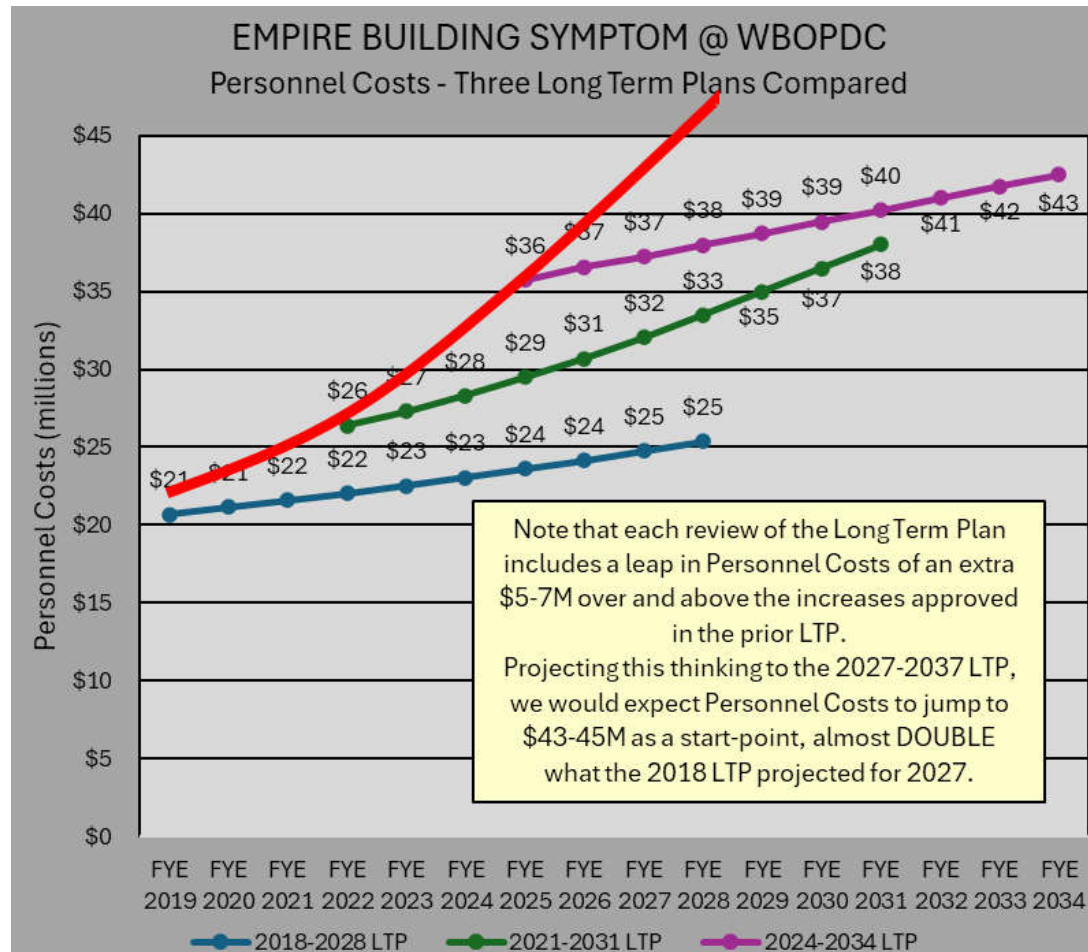
- The current recession is worse than that triggered by the 2007 GFC.
- Over the past 18 months we have collectively taken a 4.3% pay cut (\$1,200 less per month for a married couple with 2 children), with more to come.
- We went backwards by 4.2% following the GFC.
- We now have a less and reducing ability to pay for housing and services. This will continue until non-tradeable inflation is $\leq 3\%$ pa.
- The Housing Minister has stated that “***housing affordability is arguably the single most pressing economic, social and cultural problem facing the coalition government***”
- It is now imperative that council focus spending on “core activities” that will improve housing affordability which in turn will underpin cost-effective improvements in economic, social, environmental and cultural wellbeing for ratepayers.
- Now is not the time for the CEO to be spraying money around on staff’s flights of fancy.

Housing Affordability, Community Wellbeing and what Council needs to do

- Council now also needs to reduce or eliminate spending on non-core activities, i.e. those that will not improve housing affordability.
- Failure to do so will result in less affordable housing and further degradation of community wellbeing:
 - ❖ The Reserve bank has identified Council rate increases as a problem in bringing inflation under control. Council is a monopoly cost plus organisation that is not sensitive to interest rates.
 - ❖ Unaffordable council rates, fees and charges during this cost of living crisis will result in increased mortgagee sales and homelessness.
 - ❖ Inflation remaining higher for longer (non-tradeable inflation sticky at 5.8%), ongoing cost increases, and a continued reduction in the standard of living for all.
 - ❖ OCR and hence mortgage interest rates and cost of finance will remain higher for longer, young couples increasingly unable to afford housing and not starting families until later in life. This will result in lower growth and reduced council income.
 - ❖ New Zealanders moving overseas in larger numbers for better opportunities will also contribute to lower growth and council income.
 - ❖ We will all continue to take a pay cut until inflation is under control ($\leq 3\%$).

Recommended Council Cost Cutting Measures

Staff Costs



Remove Expenditure that will increase rates but will not make housing more affordable and retainable

1) Staff reduction and overheads	> \$ 70 M
2) Funding of Community Facilities (\$50/property)	\$ 10.8M
3) Responding to climate change	\$ 24.5M
4) Community Building	\$ 14.9M
5) Recreation and Open Space	\$ 40.4M
6) Natural Environment & Sustainable Living	\$ 3.7M
7) Solid Waste (Omokoroa recycling centre)	\$ 1.1M
8) Roding (cycleways)	\$ 13.8M
9) Interest on increased borrowing	\$ 85 M

Total cost saving over 10 years **> \$ 264 M**

A fit-for-purpose AP/LTP 2024-2034 during this cost of living crisis needs to focus on:

- 1) Rates affordability – achieve this by setting the aggregate residential rates increase over 10 years to the pre-2024 high of ~50%; equivalent to an annual rate increase of ~4.1%, close to the Reserve Bank target band of 1 – 3%.
- 2) Improve housing affordability as the primary means of improving the 4 wellbeing outcomes.
- 3) Core spending dedicated to improving housing affordability.
- 4) Reduce spending on non-core projects that the community cannot afford during this cost-of-living crisis.
- 5) Reduce staff numbers – surplus capacity as a result of the reduction in the non-core project spend.