

ADDITIONAL ITEM



Item No: 1.5
Title: Administrator's Minute - Special Rate Variation application by Council
Department: Administrator

14 December 2020 Ordinary Council Meeting

Reference: F2020/00039 - D14404038
Author: Dick Persson, AM, Interim Administrator

The purpose of this Administrator's Minute is to consider that in addition to the community consultation resolved by Council regarding a Special Rate Variation of 10%, that consultation also be undertaken on an increase of 15%. This is as a result of undertaking a further analysis of the impacts on the community from the forecast reductions in the levels of service as a result of the 10% special rate variation.

I note that at the Extraordinary Meeting 26 November 2020, Council resolved as follows:

That Council endorse the making of an application to the Independent Pricing and Regulatory Tribunal for a one-off Special Variation of 8% in 2021/22 to remain permanently in the rate base for 7 years, which plus the 2% rate peg increase in 2021/22 represents a total rate increase of 10% for 2021/22.

That the funds raised from this Special Variation are to fund improvements in Council's financial sustainability.

That Council notify IPART accordingly.

That Council staff update the integrated planning and reporting documents with information relevant to the proposed SRV application.

That Council staff undertake community consultation and engagement in relation to the proposed SRV application.

Since this resolution, further work has been done forecasting the reductions in the levels of service to achieve sustainable long term financial plans and repay the restricted reserves debt.

As a result, it is now apparent that a larger increase needs to be considered in order to maintain a similar level of service.

For this reason, it is recommended that I consider a one-off increase of 13% (15% inclusive of the 2% rate peg) to apply permanently in the rate base.

In determining this proposal, I have given consideration to a number of factors.

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Comparative Rates

In considering a possible rate variation, I have looked at the rate levels for neighbouring Councils. It is clear from this information that residential rate payers on the Central Coast pay less in rates than neighbouring Councils of Lake Macquarie, Newcastle and Cessnock – all of whom currently have special rate variations applying.

Typical residential ratepayer	Gosford	Wyong	Lake Macquarie	Newcastle	Cessnock
Ordinary Rates	\$1,029.00	\$1,202.00	\$1,494.64	\$1,582.47	\$1,261.79
% variation against Central Coast Average			34% higher	42% higher	13% higher

Based on the above, even with a rate variation of 15%, average residential rates for Central Coast Council would remain lower than those for Lake Macquarie and Newcastle.

Impact on Rate Payers

After harmonizing the rates between Wyong and Gosford, the projected impact of a 15% SRV on the average residential payer from Gosford is approximately \$7.00 per week.

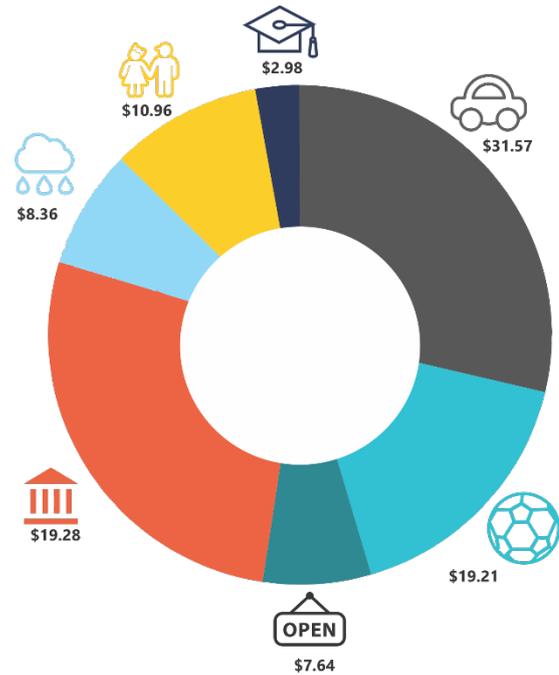
While, the projected impact of a 15% SRV on the average residential payer from Wyong is \$3.00 per week decrease.

Use of Rates Income

Rates income is used for a number of services and projects as shown by the following graph:

For every \$100 of your rates Council invests for the community

- Roads and paths
- Sport, recreation and community facilities
- Planning, building, health and economic development
- Council Administration Costs (including Governance)
- Waterways and natural environment
- People, arts and culture and leisure
- Libraries and learning



Capital Works Expenditure

As I stated in my 30 day Interim Report, in 2019/20 the Council embarked upon a \$242 million capital works program. While this decision was flawed, it should be noted that this delivered significant infrastructure to the Central Coast. The money was not lost, rather it was spent on projects and outcomes, in fact 1,383 capital projects were delivered.

The Mardi to Warnervale Pipeline project was managed effectively in 2019/20 which meant that aspects of the around \$50 million project were brought forward and over \$14 million was expended on one of the region's most significant infrastructure projects. This 9km pipeline will boost water supply to the Central Coast's rapidly growing norther suburbs and will improve water security for the entire region.

Not all the works undertaken were major projects, significant infrastructure renewal and improvement was undertaken through the year. This included the resurfacing of 107km of road, upgrading 82 bus stops to make them accessible, 4.9km of drainage infrastructure and the upgrade of four wharves to improve access and usability.

Work was also undertaken on projects that not only maintain essential services but also enhance the amenity of open spaces on the coast. These included works at Adcock Park, EDSACC at Bateau Bay, Heazlett Park in Avoca, Don Small Oval at Tacoma and Koolewong Foreshore on which a combined total of \$7.137 million was spent.

Over \$6 million was spent on the maintenance and renewal of community assets including seven child care centres, 18 library projects, 11 community halls and 18 community centre projects.

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Council's recreational facilities were also developed with a new water play park delivered at the Peninsular Leisure Centre.

Operational Programs

As noted in my 30 day Interim Report, there are around 250 more people employed at Central Coast Council than at the time of amalgamation. While this practice impacted Council's finances negatively it must be noted that these people were active and productive members of the organisation delivering services to the Central Coast.

They delivered day to day services including customer service, child care, library services, recreational services, community services and events. In fact, in 2019/20 thirty major events were conducted which promoted arts and culture in the region as well as stimulating the local economy.

A key area where services were delivered is in the remediation or maintenance of environmental assets. This year \$2.292 million was spent on the maintenance of approximately 47km of Asset Protection Zones and fire trails to minimize the fire risk adjacent to Council land, and maintenance on Council's network of 223 fire trails (total length of 260km). In a year such as 2020, expenditure on fire mitigation was a significant service to the Central Coast community.

Another example is the collection of 10,723 cubic metres of seagrass wrack from Tuggerah Lakes against the KPI target 8,000 cubic metres. Removal of excess seagrass wrack and floating algae from Tuggerah Lakes is undertaken to enhance water quality and improve circulation in nearshore areas. In addition to the seagrass wrack removal, Council collected 1098 tonnes of waste material from 367 gross pollutant traps and 570 tonnes collected from 37 constructed wetlands that would have otherwise entered Tuggerah Lakes. This work cost around \$1.350 million.

Recent Unforeseen Events

2020 has been an exceptional year with reduced dam levels, bushfires, floods, coastal erosion, followed by COVID -19. These events required the constant redirection of resources to meeting the needs of the community.

In response to the bushfires, Council waived green waste fees for properties west of the M1 motorway, allowing the community to prepare their properties and dispose of waste.

COVID-19 resulted in loss of income to Council. I also note that during Council's response to COVID-19 steps were taken to protect permanent employees through a program of redeployment. I also understand that various fee waivers and reductions were applied during this period for the purpose of assisting and protecting local businesses and community organisations.

The response to these events has required expenditure of funds beyond the anticipated requirements.

Consultation

It is proposed that consultation be undertaken on the previously resolved increase of 10% and an increase of 15%.

Over the coming period, information will be provided to the community setting out both options along with examples showing the actual impacts on ratepayers.

I note that at this time I have determined to notify IPART of a potential application. While I have not yet made a determination on which to proceed with, I have formed a view that at least one will be required.

The purpose of the funds for the Special Rate Variation

As part of the process of applying for a Special Rate Variation, the purpose for which the funds are being requested needs to be identified. The primary purpose, based on IPART categories, for the funds being sought under the proposed Special Rate Variation application is the improvement of Council's financial sustainability.

I formally move:

- 1 *That, in addition to the resolution of 26 November 2020, Council endorse the undertaking of community consultation on a potential application to the Independent Pricing and Regulatory Tribunal for a one-off Special Variation of 13% in 2021/22 to remain permanently, which plus the 2% rate peg increase in 2021/22 represents a total rate increase of 15% for 2021/22.*
- 2 *That a further report be provided to Council regarding community consultation undertaken for Council to determine any final application to be made to the Independent Pricing and Regulatory Tribunal for a one off Special Variation in 2021/22.*