

The logo for Central Coast Council, featuring the text "Central Coast Council" in a blue, sans-serif font, centered within a white circle.

Central
Coast
Council

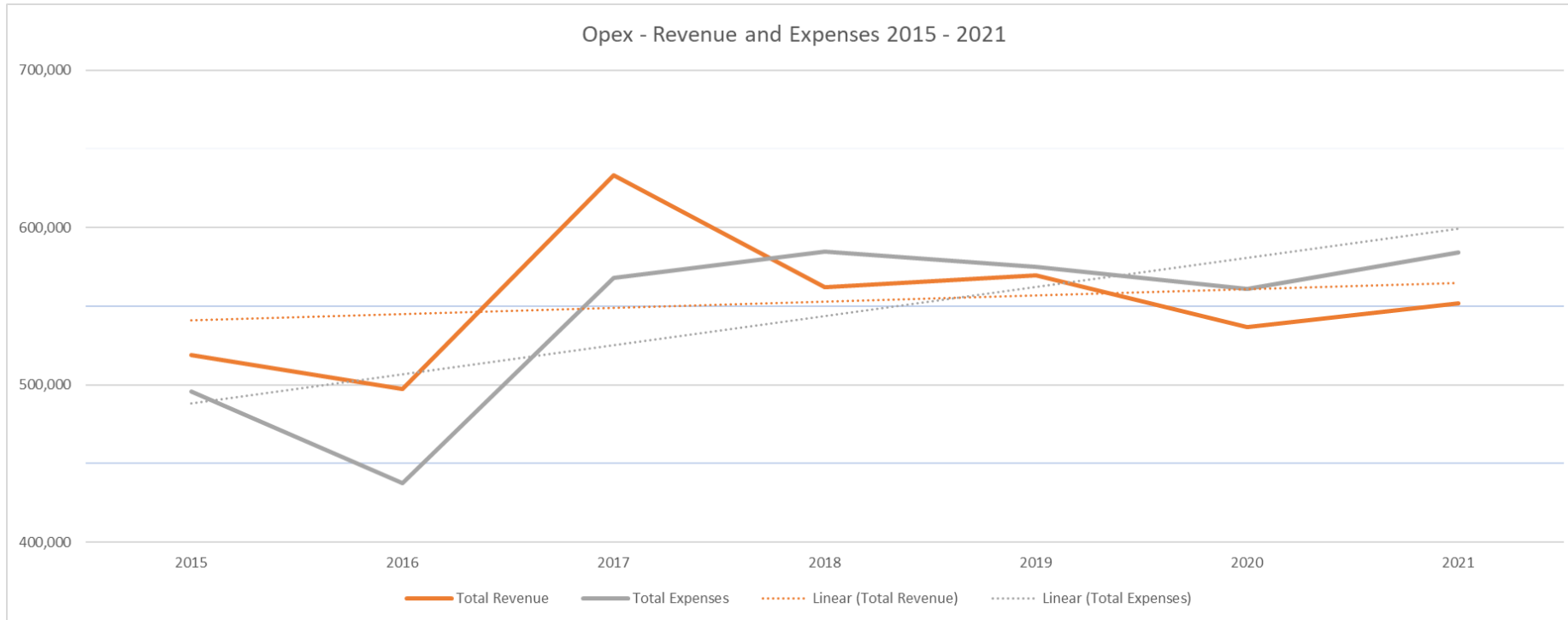
Councillor workshop:
13 June 2020

Agenda Today

Time	Item	Who
9.00am	Welcome	Mayor Matthews
9.05am	Scene setting and recap	CEO
9.10am	Run through of agenda / objectives of the day	Alan Cartwright
9.20am	What's the financial situation	Acting CFO
9.40am	What's changed since COVID-19	Michael Kazzi
10.00am	Morning Tea	
10.20am	What levers are available	CEO
10.40am	Discuss and agreement on the way forward	Alan Cartwright
12.30pm	Working Lunch	
12.35pm	Messaging to the community	Alan Cartwright
12.50pm	Summary / Next Steps	Alan Cartwright
1.00pm	Workshop Closed	

What's the financial situation?

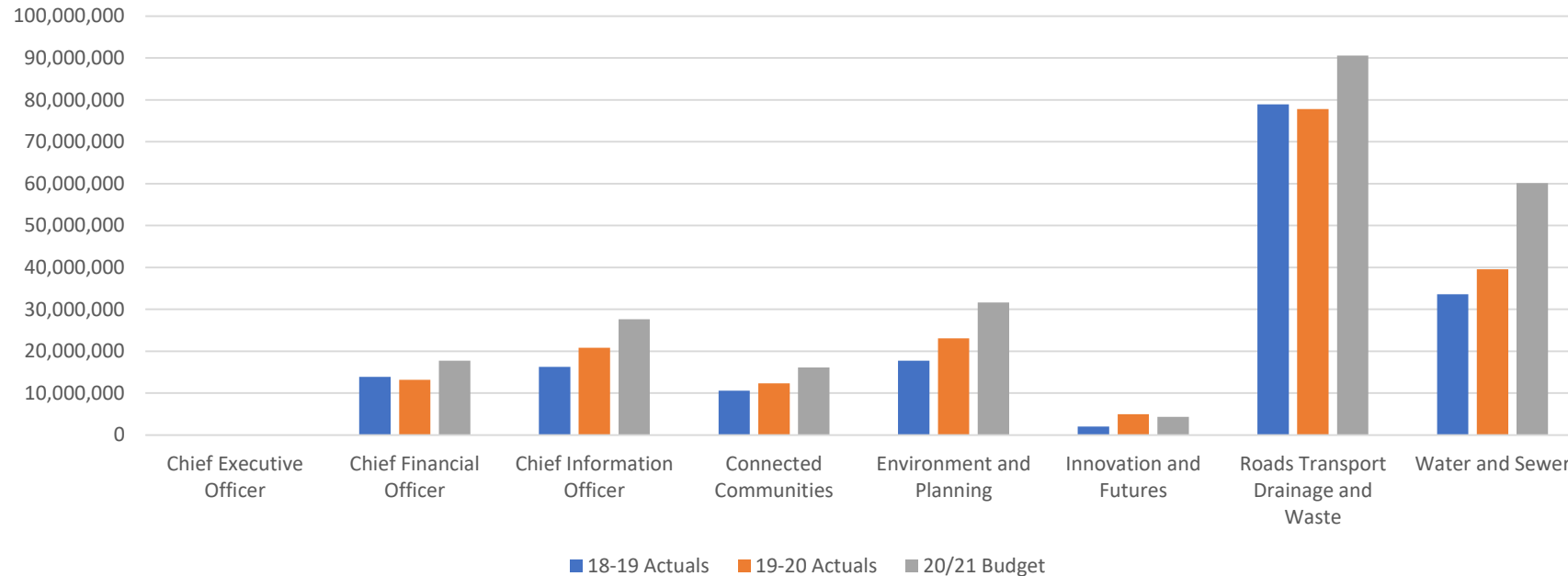
2021 Operating Expenditure



	2015	2016	2017	2018	2019	2020	2021
Total Revenue	519,028	497,432	633,429	562,277	569,728	531,022	551,700
Total Expenses	495,658	437,432	567,996	584,978	574,854	572,648	584,100
Profit/(Loss)	23,370	60,000	65,433	-22,701	-5,126	-41,626	-32,400

2021 Capital Expenditure

Capital Expenditure 2019 - 2021

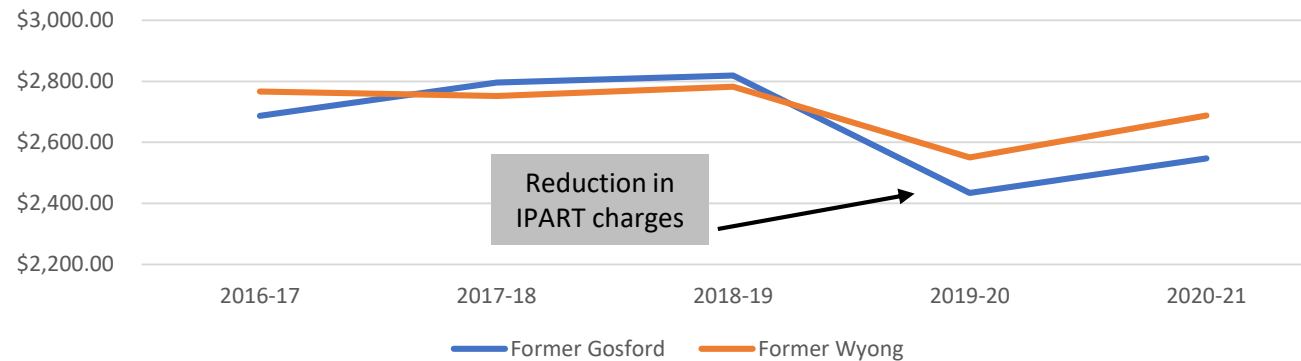


	18-19 Actuals	19-20 Actuals	20/21 Budget
Chief Executive Officer	34,838	41,576	40,000
Chief Financial Officer	13,860,535	13,164,898	17,713,169
Chief Information Officer	16,263,498	20,804,733	27,627,917
Connected Communities	10,534,420	12,346,111	16,137,824
Environment and Planning	17,721,571	23,041,738	31,640,229
Innovation and Futures	2,023,086	4,962,048	4,331,905
Roads Transport Drainage and Waste	78,920,604	77,843,939	90,607,608
Water and Sewer	33,559,615	39,531,620	60,162,392
	172,918,167	191,736,663	248,261,044

Typical Ratepayer Comparison

Typical Residential Rate Payer 2021	Gosford	Wyong	Lake Macquarie	Newcastle	Cessnock
Ordinary Rates	\$1,029.00	\$1,202.00	\$1,494.64	\$1,582.47	\$1,261.79
Domestic Waste	\$512.00	\$512.00	\$440.00	\$374.52	\$599.00
Total Rates Notice	\$1,541.00	\$1,714.00	\$1,934.64	\$1,956.99	\$1,860.79
Water Annual Charge	\$86.10	\$86.10	\$100.42	\$100.42	\$100.42
Sewerage	\$504.48	\$472.11	\$649.28	\$649.28	\$649.28
Drainage Service Charge	\$106.54	\$106.54	\$79.63	\$79.63	\$79.63
Sub-Total	\$697.12	\$664.75	\$829.33	\$829.33	\$829.33
Water Usage (150 KI)	\$310.50	\$310.50	\$355.50	\$355.50	\$355.50
Total Water Bill	\$1,007.62	\$975.25	\$1,184.83	\$1,184.83	\$1,184.83
Total	\$2,548.62	\$2,689.25	\$3,119.47	\$3,141.82	\$3,045.62
Price difference					
Former Gosford			\$ 570.85	\$ 593.20	\$ 497.00
Former Wyong			\$ 430.22	\$ 452.57	\$ 356.37
Average price difference			\$ 500.54	\$ 522.89	\$ 426.69
"Lost Revenue" based on 140,000 ratepayers			70,075,131	73,204,492	59,736,321

Average Ratepayer charges



External Borrowings



Current External Debt - Principal Repayments				
	30/06/2021	30/06/2022	30/06/2023	30/06/2024
General	6,979,642	2,163,941	2,023,051	362,581
Water	26,931,733	13,112,276	7,866,771	8,367,198
Sewer	5,739,018	12,644,750	5,893,364	6,194,073
Drainage	2,113,092	646,150	495,379	310,791
NAB Loan - 2020	1,860,000	1,900,000	1,973,000	2,025,000
Total	43,623,485	30,467,117	18,251,565	17,259,643
Cumulative	43,623,485	74,090,602	92,342,167	109,601,810

What's changed since COVID?

Central Coast Council

Financial Capacity Review

Phase 1



Revenue and Collections Analysis

Estimated Revenue and Cash Impact

Estimated Revenue and Cash Flow Impact

	Low (\$'000)	High (\$'000)
Q4 2019/20		
Rates, Annual Charges & W&S Usage	(15,000)	(20,000)
Revenue Loss	(4,298)	(4,298)
Capital Contributions	(5,681)	(5,681)
Total Q4 2019/20	(24,978)	(29,978)
2020/21 (Full Year)		
Rates, Annual Charges & W&S Usage	(70,976)	(102,015)
Revenue Loss	(8,483)	(8,483)
Capital Contributions	(6,659)	(6,659)
Total 2020/21	(86,117)	(117,157)
Grand Total	(111,096)	(147,135)

We have estimated that COVID will impact the cash position by \$86.1m to \$117.2m in the 20/21 year

- Key driver is Rates/Annual Charges/Usage arrears assumption, not the revenue impact.

- Key assumptions:

- Rates, annual charges and water and sewer usage assumes arrears rates of:

Rates Arrears Assumptions		
2020/21	Low %	High %
Q1	15%	20%
Q2	20%	25%
Q3	20%	30%
Q4	15%	25%

- Revenue loss per high level model and Business Partner input. Will be overridden with detailed analysis once Return to Services plans are completed and costed.
- Assumptions only high level/best estimates given unprecedented nature of COVID. As such, need to regularly monitor and update.

Estimated Cash Flow Impact

- The 20/21 Budget, prepared prior to the impact of COVID, budgeted for a \$2.6m net outflow of funds, even after:
 - Selling \$90.9m of securities to assist with funding; and
 - Increasing net debt by \$4.8m.
- The cash position will be further affected by the impact of COVID. Based on our adjustments, we **estimate that there may be a \$198.8m cash shortfall if changes are not made.**
- In addition to the COVID impact, the cash position results from:
 - A budgeted operating loss of c. \$32.5m; and
 - A capex budget which cannot be funded from operational cash flows or grants/contributions:

	(\$'000)
Budgeted Capex	248,261
<i>Less: High Level Funding</i>	
Grants and DC funding	(42,762)
Cash flows from operations	(150,005)
Unfunded Capex (pre-COVID)	55,494

Historical Cash Flow Statement (per 2020/21 Budget Model)

(\$'000)	Actual 2018/19	Projected 2019/20	Projected 2020/21
Cash Flows from Operating Activities			
Receipts:	676,861	586,258	600,359
Payments:	(472,611)	(420,052)	(450,353)
Net Cash provided (or used in) Operating	204,250	166,206	150,005
Cash Flows from Investing Activities			
Receipts:	283,545	84,184	90,887
Payments:	(471,534)	(248,355)	(248,261)
Net Cash provided (or used in) Investing	(187,989)	(164,171)	(157,374)
Cash Flows from Financing Activities			
Receipts:	-	30,000	50,000
Payments:	(31,704)	(46,574)	(45,247)
Net Cash Flow provided (used in) Financing	(31,704)	(16,574)	4,753
Net Increase/(Decrease) in Cash & Cash	(15,443)	(14,539)	(2,616)
plus: Cash, Cash Equivalents & Investments - beginning	59,502	44,059	29,520
Cash & Cash Equivalents - end of the year	44,059	29,520	26,904

COVID Adjustments

Estimated Collection Arrears (2020/21 only)	(102,015)
Estimated Revenue lost (2020/21 only)	(8,483)
Estimated reduction in Contributions (2020/21 only)	(6,659)
Sale of securities (restricted funds) to fund Capex (excl \$27.8m allocated to capital projects)	(63,066)
Estimated Capex carry over/changes required	(45,500)
Adjusted Cash & Cash Equivalents - end of the year	(198,818)

Next Steps > Phase 2



- Capital Review
 - Prioritisation (deferral and ramp up profile)
 - Favour projects funded with grants and contributions
 - Seek greater use of contributions and increased grants
 - IPART considerations



- Operational review
 - Service Review
 - Other efficiencies
 - Realising benefits of interim measures
 - Balanced budget
 - Historical trend/Performance analysis



- Other financial measures
 - Alternative sources of capital for essential services
 - Asset position
 - Budgeting process for 21/22

What's the cash we may need to find?

Original Budget Deficit 2020/21	\$ 32.5M	
Potential COVID cash-shortfall & adjustments *	\$ 120.8M	+
	<hr/>	
Estimated cash-shortfall	\$ 153.3M	
2019/20 Capex carried forward	\$ 45.5M	+
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= Potential cash target	\$ 198.8M	

* According to Grant Thornton's assessment – high-end of impact

What are the levers?

What principles underpin our decision-making?

1. Live within our Means



The Council needs to be able to operate as a going concern moving forward, anticipating material revenue losses over an unknown time period.

2. Minimise Job Losses



The assumption that the COVID-19 crisis is temporary and Council will ramp back up. Therefore, Council will need staff to deliver perhaps a new set of services as defined by the Services Review.

3. Maintain Services



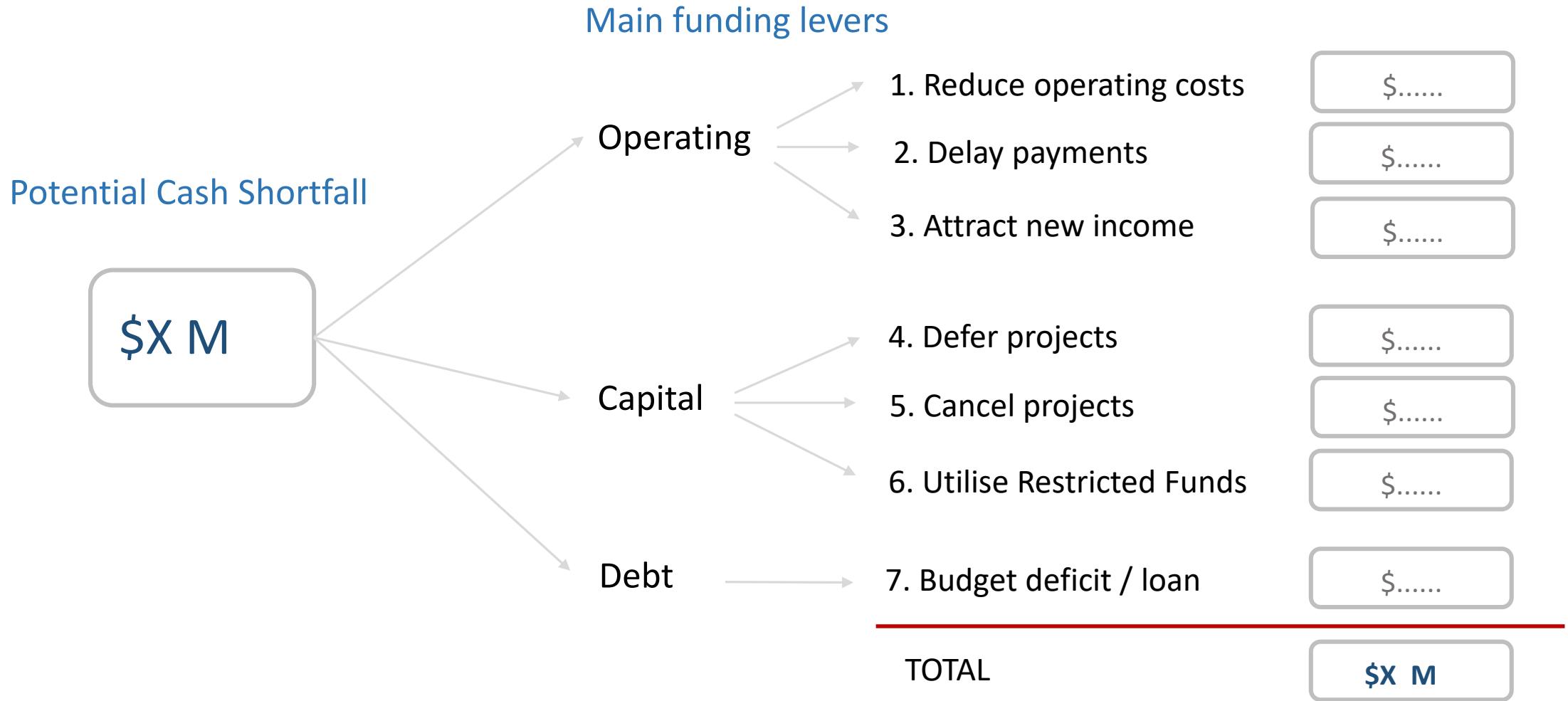
The Council need to maintain its ability to deliver essential services, at the very least, to the community.

4. Local Economy Stimulus



As a level of government, Council has an obligation to play their part in getting the economy moving again and especially supporting local businesses.

What levers are available?







Scenario-based planning

We need to develop scenario-based plans to be able to respond rapidly as the real impact is evidenced.



Weighing up the options

When scenario plans are developed we need to test them against our principles

	Live within our Means 	Minimise Job Losses 	Maintain Services 	Local Economy Stimulus 
1. Reduce operating costs	✓ ✓ ✓	✗	?	✗
2. Delay payments	✓	✓	✓	✗
3. Attract new income	✓	✓	✓	✓
4. Delay projects	✓	?	?	?
5. Cancel projects	✓ ✓ ✓	✗	?	✗
6. Utilise Restricted Funds	✓ ✓ ✓	✓	?	✓
7. Budget deficit / loan	✓ ?	✓	✓	✓

How much could each lever provide?

	From	To	Comments	
Operating	1. Reduce operating costs	\$18 M	\$40 M	
	2. Delay payments	\$ 0 M	\$ 0 M	
	3. Attract new income	\$ 5 M	\$ 10 M	◀ Increasing user fees and charges. User pays for Local planning panel, sporting fees, biocertification offsets.
Capital	4. Defer projects	\$ 31 M	\$ 96 M	◀ Adcock Park \$12 of 16M, Colongra Sport Field \$5M, Various E&P \$2M, Narara Skate Park W&S \$4.5M (assumes make-up in 21/22); Road renewal \$3M; IM&T projects \$4-10M, \$40M projects TBC
	5. Cancel projects	\$ 0 M	\$ 0 M	
	6. Utilisation of Restricted Funds	\$ 35 M	\$ 55 M	◀ Funds utilised, yet to be recognised. \$28M LIC; Waste Funds \$8.6M, DC \$3.5M, \$2.5 Town Centre/Tourism Levy
Debt	7. Tolerable budget deficit	\$ 32 M	\$ 32 M	◀ Funded by loan facility
	TOTAL	\$121 M	\$233 M	\$198.8 M ◀ Target

Timeline and process

Timeline proposal

Change of adoption
date from
29 June to 27 July



ENSURE INFORMATION
REVIEWED / CONSIDERED
RESPONSIBLY



ALLOW FOR MORE
ENGAGEMENT WITH
COUNCILLORS



ENSURE STORYTELLING IS
CLEAR AND TRANSPARENT



DELIVER THE REPORT ON
TIME

27 July Adoption..

Due Date	Activity	Who
13 June 2020	Councillor Workshop	Councillors and ELT
15 June 2020	Final details released on 7.11 contributions	Karen Tucker
15 June 2020	Councillor Briefing	Councillors and ELT
16 June 2020	Build in 7.11 Contributions into capex / adjustment to budget	Finance
18 June 2020	Release revised capex to ELT	Finance
19 June – 22 June 2020	Provide final changes to capex projects	ELT
23 June – 7 July 2020	Make final adjustments to the budget, drafting Council Report and final Operational Plan 2020-21	P+I and Finance
29 June 2020	Extraordinary Council Meeting <ul style="list-style-type: none"> • Resolution to consider submissions and adoption of final Operational Plan 2020-21 at 27 Council meeting. • Resolution on operating under Operational Plan 2019 -20 until adoption of final Operational Plan 2020-21 (as per OLG Circular) 	Councillors
6 July 2020	Councillor Briefing	Councillors and ELT

27 July Adoption..

Due Date	Activity	Who
8 – 10 July 2020	CEO Review / Approval of Council Report and final Operational Plan 2020-21	CEO
13 – 14 July 2020	Changes to Council Report and final Operational Plan 2020-21 based on CEO feedback	P+I and Finance
15 July 2020	Publish Council Report and final Operational Plan 2020-21	Councillor Support
20 July 2020	Councillor Briefing	Councillors and ELT
27 July 2020	Council meeting to consider submissions and adopt final Operational Plan 2020-21	Councillors

Messaging & Next steps