City of Rockingham

MINUTES

Special Corporate & Engineering Services Standing Committee Meeting

Held on

Tuesday 28 June 2011

4:00pm

Council Boardroom
Council Administration Building
Civic Boulevard, Rockingham
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City of Rockingham
Special Corporate & Engineering Services Standing Committee Meeting
4:00pm Tuesday 28 June 2011

MINUTES

1. Declaration of Opening

The Chairman declared the Special Corporate and Engineering Services Standing Committee Meeting open at 4.05pm and welcomed all present.

2. Record of Attendance/ Apologies/ Approved Leave of Absence

2.1 Councillors

Cr Barry Sammels Chairperson
Cr Lorraine Dunkling
Cr Paul Ellis
Cr Deb Hamblin
Cr Ann Prince Observer
Cr Less Dodd Observer
Cr Brian Warner Observer
Cr Leigh Liley Observer

2.2 Executive

Mr Andrew Hammond Chief Executive Officer
Mr Chris Thompson Director Engineering & Parks Services
Mr Bob Jeans Director Planning Services
Mr John Pearson Director Corporate Services
Mr Michael Holland Acting Director Community Development
Mr Ian Daniels Manager Engineering Services
Mr Allan Moles Manager Accounting Services
<table>
<thead>
<tr>
<th>Members of the Public:</th>
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<tr>
<td>Press:</td>
<td>1</td>
</tr>
<tr>
<td>2.3 Apologies:</td>
<td>Nil</td>
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<td>2.4 Approved Leave of Absence:</td>
<td>Nil</td>
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3. **Declarations of Members and Officers Interests**

Nil

4. **Petitions/ Deputations/ Presentations/ Submissions**

Nil

5. **Agenda items**

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### Purpose of Report

The purpose of this report is for the adoption of the 2011/12 financial year budget and gives explanation on its content and detail. A detailed budget document for the 2011/12 financial year has been prepared and supplied to each Councillor for consideration.

### Background

The major Capital items contained in the budget document were included in the City of Rockingham City Business Plan 2011/12 – 2020/21, which was adopted on 24 May 2011.

Councillors have also had at least two full briefings on items to be included with the budget and two briefings related directly to the City Business Plan.
The City of Rockingham Rates Model and proposed Fees and Charges were adopted “in principle” on 24 May 2011.

3. Details

The budget document is indexed into various categories to give details of various budget expenditures.

Of most interest will be the new items included, and these are listed in Section 3 of the budget document. Of further interest will be section 3.4, which gives details of the expected sources of funding for the various capital items.

The largest single new capital item is that of Mundijong Road. It is estimated to cost $15 million to construct. Reserve transfers will occur this year to the value of $9.1 million, with further expenditure to occur in future years which will be funded by reserve transfers and a loan if necessary. No loan has been catered for in the City Business Plan but will be included in the next version. Federal funding was received a number of years ago totalling $6.7 million.

The projected operating incomes and expenses are included in section 2 of the budget. Total operating revenue is expected to be $106 million. Total operating expenditure is expected to be $115 million. Total capital expenditure is expected to be $33.4 million. Rate revenue is anticipated to be $46.7 million.

The proposals for rates are included in section 5 of the budget document, are as per those which were adopted by Council at meeting of 24 May, 2011. The Rate yield will represent some 46% of Council’s overall official operating income. Operating surplus from landfill is predicted to be approximately $6.1 million with only $2.1 million being transferred to reserves to protect the landfill asset. In the 2011/12 financial year $4 million is being used to support City operations and capital construction program.

Asset rejuvenation is very low with approximately $7.7 million of new funds being allocated to renew deteriorating assets. This is inclusive of grant revenue.

Fees and Charges included within the budget are as per those adopted by Council ‘in principle’ on the 24 May 2011 with one change. This is related to the increase in meals costs associated with the Autumn Centre. This change has been endorsed by the Autumn Centre Strategic Development Committee. Fees and Charges are listed in section 8 of the budget document.

Various supporting notes are included in section 7 of the budget.

The Statutory Statements are included in section 6 of the budget. The most important of these is the Rate Setting Statement. The Statutory version is item 6.1.2, however we have also included a “Flowchart” version (item 6.1.1), which we believe is more informative.

4. Implications to Consider

a. Consultation with the Community

Consultation has occurred consistently with the community in lead up to the adoption of the budget. The City of Rockingham Community Plan engaged a significant number of ratepayers in its preparation. The Community Infrastructure Plan has been publicly advertised and endorsed by Council. These documents sought public comment. All these documents feed through to the Annual Budget document.

The 2011/12 rates model was publically advertised seeking submissions on differential rates. One submission was received objecting to the method of differentials, stating that differential rates should be implemented for investment vacant land and premium level rates levied for commercial type activities. The submission also objected to a 12% rate increase and stated that a 4% to 5% was more appropriate. The submission has been provided to Councillors for their consideration under a separate heading.
As a result of recent newspaper reports, numerous emails (less than 10) have been received by staff strongly objecting a 12% rate increase. The City has also advertised publicly the reasons associated with a rate increase of this nature. It is also staff understanding that individual Councillors have received emails objecting to rate increases.

b. Consultation with Government Agencies

A request was received by staff from the Department of Local Government requesting information related to rate increases on 17 June 2011. This was provided and no further communication has been received.

c. Strategic

The budget has been prepared in accordance with the City Business Plan; having regard to the City of Rockingham Community Plan.

The Community Plan requires the investigation of new revenue streams. To this end, the endorsement of rate changes, assists in revenue creation and ensures service delivery and asset preservation.

It is of critical strategic importance that the City of Rockingham maintains a solid rate foundation that is above natural growth. Given the City’s current low rate revenue and the enormous need for infrastructure in the future, it is imperative that revenue be created to ensure the City’s prosperity.

It is also strategically important that the City remove itself from the reliance on Millar Road Landfill to maintain City operations.

d. Policy

Nil

e. Financial

The budget is the Council’s most important annual financial document, and details what is proposed for the forthcoming year. It lists all matters of an operational nature, as well as capital items. It also lists the various sources of income. The budget is the basis for Council striking its rates for the new financial year.

It is considered important that Councillors understand the financial make-up of various items within the budget for the forthcoming year. The most important items are those of a “new” nature, and these are included in section 3 of the budget document. Sheet 3.4 lists the proposed new capital projects, and gives details of the expected sources of finances. While brief explanations are included throughout the budget document Councillors have been involved and briefed consistently over the preceding 6 months related to the budget contents.

The trend of landfill revenue over the preceding 2 years has been downwards. Specifically operating surpluses from the facility have close to halved over the previous 2 years. History has seen construction of new assets and delivery of new operational services be funded by either debt or landfill revenue. Both these methods of asset creation and service delivery are problematic and unsustainable. The situation the City currently has with downward trending landfill revenue means that land rates need to make the shortfall or fixed expenditure needs to be reduced. With reduction in fixed costs means reduced service delivery and Council has previously indicated its desire to not see services reduce, however unless greater revenue is sourced other options are limited.

Whist the finances within the City of Rockingham are not dire, unless urgent action is taken to address the situation major problems are likely to be encountered within the medium term. As the useful life of landfill reduces, so to does the time available to build suitable revenue buffers to address post closure rehabilitation, carbon emission latency taxes (noting that there is no clear indication at Federal Government level what is happening yet) or major catastrophic issues associated with landfill emergency closure. It is staff opinion
that the practice of utilising landfill revenue to subsidise rate increases need to ceases immediately.

Recent Council resolution CS-18/11 at the ordinary May Council meeting resolved in principle to support the adoption of a 12% rate increase. This increase has been included in the budget document, however to achieve outcomes as determined in the City Business Plan, approximately $1.2 has not been transferred from Landfill revenue to cash backed reserve but rather utilised on delivering City services and construction.

Of significance is the amount of money being spent on asset rejuvenation. $7.7 million (including grant funds) is being spent on a variety of asset rejuvenation matters but is significantly under the conservative estimate of $10 million per year. Each year that the City does not meet asset rejuvenation requirements, the City gets further and further behind.

The Federal Government Financial Assistance Grants remains steady at $3.69 million and the local roads component of the amount is $1.58 million. The City of Rockingham is a minimum grant Council which means the City received a fixed sum of money from the federal government based on population. Therefore there is an upward trend in this number and is unlikely to reduce unless there are changes in Federal legislation.

There has again been substantial cost increases in utility charges which at the time of preparing the City Business Plan where unknown. An extra $600,000 has had to be allocated to cover electricity charges alone, the near 30% increase in street lighting tariffs is the predominant cost drive in this increase.

Staff increases are in line with presented Team Plans and are related directly to growth areas, generally Engineering and Parks (i.e. gardeners and like).

Given the early budget adoption, assumptions have been made related to opening balances. The March 2011 Quarterly Budget Review indicated a deficit opening balance of approximately $1.4 million excluding carry over works. The 2011/12 Annual Budget opening balance is $9,468,336. This figure is inclusive of uncompleted prior year works. In essence we are anticipating an untied cash opening position of $2.2 million. Should there be any variance to this figure budget adjustments through the quarterly review process will occur accordingly. Council will need to be mindful of any further changes or requests for additional items throughout the coming financial year, as it currently appears that there is little capacity to accommodate any new large costs unless there are other positive movements to Council’s end of year balance position. Adoption of new items beyond that which are now included in the budget could mean that some of the adopted projects may have to be ‘dropped off’ or be delayed until future years. This process may even still need to occur should there be any large decreases in any of the projected income sources.

It is considered important that Council continues to ‘live within its means’ and to stay focused on the important task of following good financial management practices, especially over the next 7 years.

In order to ‘balance the budget’ it has not been possible to include all items. Below is listed what has had to be deferred to a later year:-

- Greenwaste shredder $1,000,000
- Pt Peron Back Beach $290,000
- Bent Street Boat Ramp $130,000
- Waste Cell Construction $300,000
- Hymus Street - road works $70,000
- Acapulco Road - road works $50,000
- Gnangara Road - road works $40,000
- SMRC Climate Wise Contribution $80,000
- Feasibility Study – Performing Arts $20,000
- Rockingham Youth Venue Concept $25,000
- Upgrade of Telephone Systems $350,000
CONFIRMED AT A CORPORATE & ENGINEERING SERVICES STANDING COMMITTEE MEETING HELD ON TUESDAY, 19 JULY 2011

- Community Facilities Booking System $100,000
- Consultants Road & Footpath Design $20,000
- Baldivis Roads Needs Study $55,000
- Refurbishment of Administration Building $300,000
- Planning Studies $300,000

$3,130,000

Should circumstances change, and additional funds become available, then these could then be considered at the Quarterly Financial Review stages.

Once again contingency funds are limited so various incomes and expenditures will be closely monitored throughout the year, and variations will be processed at the Quarterly Financial Review stages.

f. Legal and Statutory

Preparation and adoption of budget has occurred in accordance with all legislative requirements.

It is a requirement under section 6.36 of the Local Government Act 1995 that where a Council elects to utilise Differential Rates then it shall advertise its intention to do so, and call for submissions for a period of least 21 days before any further action occurs. This has occurred and one submission was received as detailed in the Community Consultation implication section of this report. In accordance with prescribed legislation Council is to consider this submission and may impose the proposed rates with or without modification.

5. Comments

Staff have presented to Council a long term Business Plan that integrates suitable financial models for the purpose of planning. The Annual Budget as presented represents the first year of the City Business Plan.

The rates incentive scheme as run in prior years is planned to occur again with prizes anticipated to be in the vicinity of $7,000. These prizes are generally sponsored by Council suppliers. Residents are eligible should they pay their rates in full by the due date. Payment of full rates by the due date assists Council's cash flow as well as enabling better interest yields on short term investments.

There is also a State Government requirement for Councils to levy an Emergency Services Levy (ESL). This charge is shown separately on the rate notices. These funds are remitted to FESA for their distribution.

In adopting the budget, there always remains the difficulty that the opening balance may need adjusting as not all figures may have been processed by the adoption date. Staff have attempted to cross check as many items as possible, however, later changes can remain necessary. This is generally corrected at the next Quarterly Financial Review process.

Much commentary has occurred about the City of Rockingham proposed rate increases. In further explanation of proposed future increases, the City is faced with ageing community infrastructure and the needs of a rapidly increasing population. The additional revenue is vital to simply maintain existing infrastructure, such as public toilets, roads, parks, footpaths and recreation centres. We also need to meet the expectations of our community and ensure facilities such as the Baldivis Library are constructed to serve new residents.

As explained in the financial implications section of this report, the City needs to expend approximately $10 million per year on these assets to ensure that they remain in good condition and are accessible, safe and functional. The City currently has the financial capacity to spend only $4 million per annum (the City's own contribution) on Asset Management and therefore every year we fall further and further behind. Without a significant increase in expenditure in this area, the City's assets will deteriorate to unacceptable levels in a relatively short time.

In comparison with other local governments, Rockingham's rates are one of the lowest of all Local Governments in the Perth Metropolitan area. The weighted average for Council rates across these
Local Governments is $492 per person. The City of Rockingham sits at $362 per person. If the City was to charge the weighted average amount then an extra $13.8 million in revenue would be generated.

As explained previously, in past years revenue from the Millar Road Landfill was used to subsidise rates. In fact in past years over $50 million has been redirected from the landfill trading account for this purpose. A combination of reduced building and commercial activity as a result of the global financial crisis and the recent 300% increase to the State Governments Landfill Levy now means that the City can no longer rely upon this revenue to subsidise rates.

The City also needs to establish cash reserves to support the long term risks and responsibilities involved in managing its commercial and environmental obligations. It is estimated that $15 million will be needed in reserve to cover these contingencies and protect ratepayers from potential future liabilities resulting from an incident at the landfill or unpredicted closure and remediation costs.

It should be noted that rate increases are as per those resolved at the May Ordinary Council Meeting and below the 15% as recommended by staff. Whist staff views remains unchanged on this matter increases are as prior Council decision.

The draft budget as presented is recommended to Council for adoption.

6. **Voting Requirements**

   Absolute Majority

7. **Officer Recommendation**

1. That the proposed budget (as amended by Council where deemed appropriate) be adopted for the 2011/2012 year and the levels of income and expenditures, as presented within the Budget document, be authorised.

2. That the following rate levels be adopted for the 2011/2012 year;

2.1 For all Residential, Commercial/Business, Light Industry and General Industry rateable properties where Gross Rental Valuations are applied, a rate of 6.12 cents in the dollar with a Minimum Rate of $699 to apply.

2.2 For all Broadacre Residential Unimproved rateable properties where Gross Rental Valuations are applied, a rate of 11.27 cents in the dollar with a Minimum Rate of $699 to apply.

2.3 For all Broadacre Development rateable properties where Gross Rental Valuations are applied, a rate of 11.27 cents in the dollar with a Minimum Rate of $699 to apply.

2.4 For all Residential Unimproved Rural rateable properties where Gross Rental Valuations are applied, a rate of 11.27 cents in the dollar with a Minimum Rate of $699 to apply.

2.5 For all Residential Rural Improved rateable properties where Gross Rental Valuations are applied, a rate of 6.12 cents in the dollar with a Minimum Rate of $699 to apply.

2.6 For all Residential rateable properties where Unimproved Values are applied, a rate of 0.89 cents in the dollar with a Minimum Rate of $500 to apply.

2.7 For all Rural Improved rateable properties where Unimproved Values are applied, a rate of .089 cents in the dollar with a Minimum Rate of $500 to apply.
2.8 For all Rural Unimproved rateable properties where Unimproved Values are applied, a rate of .089 cents in the dollar with a Minimum Rate of $500 to apply.

2.9 For all Urban Farmland rateable properties where Unimproved Values are applied, a rate of .072 cents in the dollar with a Minimum Rate of $500 to apply.

2.10 For all properties located within the Harrington Water Precinct, a specified area rate apply of .0032 cents in the dollar for the purposes of maintaining public grounds within the area at a higher than average standard.

2.11 For all properties receiving underground power, in the Palm Beach Underground Power Project, a specified area rate apply of .081275 cents in the dollar for the purpose of supplying the underground power.

3. That where payments are received after the prescribed time and penalty charges apply, then a penalty interest rate for all Gross Rental Value outstanding Rates is set at ten (10%) per centum per annum, to be calculated on a daily basis.

4. That where payments for the Emergency Services Levy (ESL) are received after the prescribed time and penalty charges apply, then a penalty interest rate for all outstanding ESL is set at eleven (11%) per cent per annum, to be calculated on a daily basis.

5. That for those ratepayers not paying by instalments, the penalty interest will commence to be calculated 36 days after the rates notice issue date.

6. That the following Rates Instalment Payment Options be adopted:

Option 1
To pay the total amount of rates and charges included on the rate notice in full by the 35th day after the rate notice issue.

Option 2
Payments to be made by two (2) instalments as will be detailed on the Rates Notices with the following anticipated dates:

- First Instalment 22nd August, 2011
- Second Instalment 23rd December, 2011

Option 3
Payments to be made by four (4) instalments, as will be detailed on the Rate Notices with the following anticipated dates:

- First Instalment 22nd August, 2011
- Second Instalment 24th October, 2011
- Third Instalment 23rd December, 2011
- Fourth Instalment 21st February, 2012

7. That where payments are made by instalment, an administration charge of $3.50 for each instalment after the first instalment shall apply and interest to be set at five point five (5.5%) per cent per annum, to be calculated on a daily basis.

8. That the transfers/movements to and from the Reserve Accounts, as detailed within the budget document and in accordance with Council's adopted policies, be authorised.

9. That the Fees and Charges, as listed in Section 8 of this budget document, be imposed for the 2011/2012 year.
8. **Committee Recommendation**

1. That the proposed budget (as amended by Council where deemed appropriate) be adopted for the 2011/2012 year and the levels of income and expenditures, as presented within the Budget document, be authorised.

2. That the following rate levels be adopted for the 2011/2012 year:
   
   2.1 For all Residential, Commercial/Business, Light Industry and General Industry rateable properties where Gross Rental Valuations are applied, a rate of 6.12 cents in the dollar with a Minimum Rate of $699 to apply.
   
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   2.6 For all Residential rateable properties where Unimproved Values are applied, a rate of 0.89 cents in the dollar with a Minimum Rate of $500 to apply.
   
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   2.9 For all Urban Farmland rateable properties where Unimproved Values are applied, a rate of .072 cents in the dollar with a Minimum Rate of $500 to apply.
   
   2.10 For all properties located within the Harrington Water Precinct, a specified area rate apply of .0032 cents in the dollar for the purposes of maintaining public grounds within the area at a higher than average standard.
   
   2.11 For all properties receiving underground power, in the Palm Beach Underground Power Project, a specified area rate apply of .081275 cents in the dollar for the purpose of supplying the underground power.

3. That where payments are received after the prescribed time and penalty charges apply, then a penalty interest rate for all Gross Rental Value outstanding Rates is set at ten (10%) per centum per annum, to be calculated on a daily basis.

4. That where payments for the Emergency Services Levy (ESL) are received after the prescribed time and penalty charges apply, then a penalty interest rate for all outstanding ESL is set at eleven (11%) per cent per annum, to be calculated on a daily basis.

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- Third Instalment: 23rd December, 2011
- Fourth Instalment: 21st February, 2012

7. That where payments are made by instalment, an administration charge of $3.50 for each instalment after the first instalment shall apply and interest to be set at five point five (5.5%) per cent per annum, to be calculated on a daily basis.

8. That the transfers/movements to and from the Reserve Accounts, as detailed within the budget document and in accordance with Council’s adopted policies, be authorised.

9. That the Fees and Charges, as listed in Section 8 of this budget document, be imposed for the 2011/2012 year.

Committee Voting - 3/2

**NOTE:** Due to an equality of votes, the Chairman exercised his right to cast a second vote to reach a decision in this matter (Section 5.21(3) of the Local Government Act 1995).

Councillors having voted for the motion: Cr B Sammels (2)  
Cr L Dunkling

Councillors having voted against the motion: Cr D Hamblin  
Cr P Ellis
9. **The Committee’s Reason for Varying the Officer’s Recommendation**

Not applicable.

10. **Implications of the Changes to the Officer’s Recommendation**

Not applicable.
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<td>There being no further business, the Chairman thanked those persons present for attending the Special Corporate and Engineering Services Standing Committee meeting, and declared the meeting closed at 5.04pm</td>
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