blue mountains City Council

PROPOSED NEW RATING STRUCTURE

WHAT YOU SHOULD KNOW

1. RATES FOR 2010-2011

The following document is the current rates for 2010-2011 as contained in the Operational Plan.

Have your say...

This is your opportunity to have *your* say about the proposed rating structure that will impact *your* rates.

So get involved and make a comment.

The above amounts are proposed to be borrowed from banks or other similar financial institutions. The Council's borrowing program will result in a manageable debt service ratio of between 7.83 and 9.63 per cent, which is below the industry benchmark ratio for councils in the rural / urban category (i.e. benchmark ratio currently stands at 10%).

** 2010-2011 Detail*

$1.195m Blue Mountains Cultural Centre, Library & Civic Centre
$0.345m Lawson Town Centre Redevelopment
$1.082m Waste Resource Management
$2.817m per Capital Works Program

Rates Statement

Rates are levied on the unimproved land value of the property (as determined by the Valuer General) and in accordance with the Local Government Act (1993).

Council has established a rating structure that relates to property values, which reflect capacity to pay.

It is quite challenging to strike a proper balance in ensuring equity in the distribution of rate burden across residents. The Council makes a further distinction within the property value component of rates based on the purpose for which the property is used, that is, whether the property is used for commercial, industrial or farmland purposes.

The Local Government Act 1993 makes provision for Council to levy differential rates. Since 1981, Blue Mountains City Council has determined that a differential ad valorem rating structure which incorporates minimum amounts was the most appropriate method of levying rates on an equitable basis. This was, and still is, largely due to the substantial variations in land values that occur throughout the City. In order to comply with the Local Government Act, differential rates must be levied on the basis of identified "centres of population".

Categorisation of Land for Purposes of Ordinary Rates

Council has adopted the categories of land as set out in Section 514 of the Local Government Act (1993) for the levying of ordinary rates, namely:

- Farmland
- Residential
- Mining
- Business

Differentiation - Ordinary Rates
Council utilises the provisions of Section 528 and 529 of the Local Government Act in applying differential rating to the categories of ordinary rates. The criteria in determining the categorisation of land is as follows:

1. ***Farmland*** - includes any parcel of rateable land valued as one assessment and the dominant use of the land is for farming. The farming activity must have a significant and substantial commercial purpose or character and must be engaged in for the purpose of profit on a continuous or repetitive basis (whether or not a profit is actually made).

   Only one Ordinary Farmland rate is levied by Council.

2. ***Residential*** - includes any rateable parcel of land valued as one assessment and:

   i) the dominant use is for residential accommodation; or
   ii) if vacant land is zoned or otherwise designated for use for residential purposes under an environmental planning instrument; or
   iii) is rural residential land.

   Due to the wide variation in valuations throughout the City area, Council has implemented a differential rating structure based on sub-categories of the Ordinary Residential category. These sub-categories have been determined on the basis of centres of population and land which is considered to be rural.

3. ***Mining*** - includes a rateable parcel of land valued as one assessment with the dominant use being for a coal mine or metalliferous mine.

4. ***Business*** - is rateable land which cannot be classified as farmland, residential or mining.

   Council presently levies Ordinary Business rates on land within the following sub-categories:
   - general business;
   - business in the specified centre of activity; and

Special Rates
Council has the ability to levy special rates for particular services or capital works. Currently these are:

- Bushfire Management and Emergency Services Annual Charge
  Section 501 of the Local Government Act (1993) and relevant regulations allow Council to make an annual charge for the provision of Emergency Services and Bushfire Control.

- *Environment Levy*
  Council has incorporated an Environment Levy component of $1.2 million within the General Rate Structure.

Determination of Rating Sub-Categories
Council reviews the sub-categorisation of residential properties throughout the City on an ongoing basis. Extensive legal advice has been received and Council has consulted the Department of Local Government in order to make certain that the rate structure that was initially implemented in 1997/1998 continues to comply with the Local Government Act and the guidelines within the Council Rating and Revenue Raising Manual. Based on the wide acceptance of the existing structure, Council has maintained the differential ad valorem rating system which incorporates minimum amounts.

The following information outlines the basis for the sub-categorisation of the residential properties into the thirteen (13) distinct centres of population and an additional sub-category for rural residential properties.

Mt Wilson/Mt Irvine Sub-Category (Residential A)
Mt Wilson and Mt Irvine are effectively contiguous. Both areas appear to provide bushland residential accommodation on either large well-established gardens within the Mt Wilson area or on bushland acreages in other parts of Mt Wilson and in Mt Irvine. There is no community centre and no shared service facility.

Mt Tomah Sub-Category (Residential B)
Mt Tomah is physically separated from Mt Wilson and Mt Irvine. The road distance between the two villages is 20 to 25 kilometres, following the Mt Wilson Road and the Bells Line of Road. The two areas do not appear to share any common transport link or community facilities. Apart from a general community understanding within the City that the three areas might generally be regarded as "the Mounts", there appears to be no resident recognised community of interest between them.

Bell Sub-Category (Residential C)
Bell appears to have an identity which is totally distinct from "the Mounts". Bell is located approximately 10 kilometres from Mt Victoria along the Darling Causeway. There is some residential accommodation on reasonably large lots adjacent to the cross roads where the Darling Causeway meets the Bells Line of Road.

Mt Victoria Sub-Category (Residential D)
Mt Victoria is a well-known tourist centre, with a number of significant attractions including two substantial hotels and a well known tourist retail area. Mt Victoria is physically separate from Blackheath and Medlow Bath and has its own railway station and enjoys transport links with Katoomba.

Blackheath Sub-Category (Residential E)
Blackheath is larger than the settlements of Mt Victoria and Medlow Bath, with established community facilities and a significant population. Blackheath is physically separate from Medlow Bath and Mt Victoria and has its own railway station and enjoys transport links with Katoomba.

Medlow Bath Sub-Category (Residential F)
At Medlow Bath the most significant feature is the Hydro Majestic Hotel, which dominates the village. Medlow Bath is physically separate from Blackheath and Mt Victoria and has its own railway station and enjoys transport links with Katoomba.

Katoomba/Leura Sub-Category (Residential G)
The previous structure divided Katoomba into three sub-categories. Those sub-categories were North Katoomba, South Katoomba and Yosemite. The township of Leura also fell into a further sub-category. Development across this entire area is considered to be contiguous apart from the severance caused by the Great Western Highway and the railway line. The towns of Katoomba and Leura merge into one another with no distinctive or obvious dividing line. Most visitors to the Blue Mountains would consider Katoomba/Leura to be a single destination.

The Katoomba/Leura area is a popular tourist destination with the most obvious attraction being the Three Sisters at Echo Point. Leura features many spectacular gardens and both towns enjoy numerous lookouts, walking tracks and waterfalls.

Wentworth Falls Sub-Category (Residential H)
Wentworth Falls has an established commercial and retail centre and a range of community infrastructure including the Wentworth Falls School of Arts (hall, meeting space and library). The railway and the highway provide transport links with connecting roads and bus services along the highway in both an easterly and westerly direction. The township of Wentworth Falls is also geographically separate from the neighbouring centres.

Wentworth Falls is one of the best known tourist areas within the City of Blue Mountains, with Wentworth Falls and the Valley of the Waters, together with the associated and linking walking tracks being the main tourist drawcard.

Bullaburra/Lawson/Hazelbrook/Woodford Sub-Category (Residential I)
Bullaburra is the first settlement east of Wentworth Falls. It has its own railway station and enjoys a bus link with townships to the east and west along the highway.

To the north of the railway line and highway Bullaburra appears to merge with the residential area of Lawson. To the south, along the highway itself, the two areas appear to be either contiguous or very close to being so. A person travelling along the highway will witness no obvious separation of the residential areas from Lawson through to Woodford.

Lawson and Hazelbrook have established retail areas with Hazelbrook also experiencing significant residential development over recent years. Lawson and Hazelbrook would be the two recognised communities and retail centres of the four townships and the grouping of these towns would appear logical given the continuity of development.

Linden Sub-Category (Residential J)

Linden is physically separate from both Woodford to the west and Faulconbridge to the east. This separation, which is obvious to observers travelling either by rail or along the highway, is enforced by Council through the provisions of the relevant planning instruments relating to land between towns.

Linden has only the most rudimentary community facilities, including parks for passive recreation and a volunteer bushfire brigade. There are no retail outlets within the village. There is a railway station.

Linden's physical separation, taken together with the resident perception of a distinct community, would best be satisfied by designating Linden as a separate sub-category.

Faulconbridge/Winmalee (incorporating Yellow Rock and Hawkesbury Heights)/ Springwood/Valley Heights/Sun Valley Sub-Category (Residential K)

The townships or suburbs of Faulconbridge, Springwood, Valley Heights, Sun Valley and Winmalee effectively merge into each other. The only discernible minor break is between Springwood and Valley Heights and that break is more apparent than real.

The smaller settlements of Yellow Rock and Hawkesbury Heights are adjacent to Winmalee and are generally regarded by the community in the area as having their commercial centres within Springwood and the major centres for the area.

Winmalee does not have its own railway link with Sydney. Instead, the bus routes from Winmalee largely transport residents of that area to Springwood to meet the train service to and from Sydney. Springwood also provides the major community facilities for the area in the form of a Civic Centre and Library owned and administered by the Council.

This grouping of towns appears to meet the guidelines suggested by the Department of Local Government in the identification of a "centre of population".

Warrimoo/Blaxland/Mt Riverview/Glenbrook/Lapstone Sub-Category (Residential L)

Again, these suburbs are effectively contiguous. There is an obvious physical separation between Warrimoo and Valley Heights, a separation which represents the last largely uncleared bushland along the Highway before leaving the City area.

To the north of the railway line Warrimoo and Valley Heights are linked by the Great Western Highway. To the south of the railway line they are linked by only an unformed dirt track. Blaxland, Glenbrook and Mt Riverview all feature shopping centres. Blaxland also provides commercial and industrial precincts and facilities.

There is some physical separation between Lapstone and Glenbrook, the two townships being linked by Explorers Road located to the south of the Highway. Lapstone itself is not located on the Highway, in common with Mt Riverview.

Warrimoo, Blaxland and Glenbrook all feature their own railway stations and there are linking bus routes between the townships. Blaxland provides most community facilities for the area including a Community Centre and Library administered by the Council. Again it would appear that this grouping would address the criteria of a "centre of population".

Megalong Sub-Category (Residential M)
This sub-category embraces land within the Megalong Valley that has not been declared by Council to fall within the category "farmland" under section 514 of the LGA.

This sub-category has been established to recognise that while some properties within the Megalong Valley do not meet the criteria for Rural Residential rating, they are in essence "non-urban" properties with similar characteristics to rural land.

Rural Residential Sub-Category
Rural Residential land is specifically defined in the Local Government Act as being land which

- is the site of a dwelling and
- is not less than 2 hectares and not more than 40 hectares in area and
- is either:
  not zoned or otherwise designated for use under an environmental planning instrument or
  zoned or otherwise designated for use under such an instrument for non-urban purposes and
- does not have a substantial or significant commercial purpose or character.

Business Categories
The Business categories have also been sub-categorised according the town centres and the actual business areas of the Shire. The General Business sub-category covers any business outside of the defined township business area.

Details of 2010-2011 Revenue from Rates

Rates are an important source of revenue for funding the Council's 2010-2011 Operational Plan, accounting for 54% of the total revenue received by the Council in 2010-2011. Rate income also includes the residential charges associated with the environmental levy, domestic waste services and emergency / bushfire services.

In February 2010, the Minister for Local Government announced the permissible increase for the 2010-2011 budget is a 2.6% increase in the terms of Section 506 of the Local Government Act 1993 for the rating year commencing 1 July 2010.

Special Variation to Rate Revenue

Blue Mountains City Council submitted an application to the Division of Local Government to increase rates above the permissible increase of 2.6% through a special variation to general income.

The Minister for Local Government, the Hon Barbara Perry MP, announced on 2 July 2010 that she partially approved the Council application for a Special Variation to rates under Section 508(2) as opposed to Section 508A of the Local Government Act 1993 under which the Council applied.

Approval has been given to increase the Council general income for 2010-2011 by 7% (inclusive of the 2.6% rate pegging) above that for 2009-2010 subject to the following conditions:

- Council will raise $1,788,634 of the increase by additional rates for the costs associated with asset renewal and maintenance, as defined by Council in its special variation application Works Program, for a period of three years; and
- Council will reduce its general income for the 2013-2014 rating year by $1,788,634 plus the equivalent cumulative proportion of this increase from any general variation increases or any Special Variation increases approved for the 2011-2012 to 2012-2013 rating years inclusive.

In other words, a 7% increase (inclusive of the 2.6% rate pegging) to the Council general income was approved for 2010-2011 only. Over the following two years, 2011-2012 and 2012-2013, rate pegging only will apply to the 2010-2011 raised general income. In 2013-2014 the Council must (in the absence of any further Special Variation approval) reduce its general income by the amount of the Special Variation, plus any percentage increases applied to the Special Variation amount from rate pegging.

This additional revenue will assist the Council in addressing its financial and asset challenges.

Rate increases are an important consideration in planning for the Council's future financial sustainability. To ensure that Council can continue to meet its community service and infrastructure obligations and address its long term financial sustainability, it is anticipated that there will be growing pressure to increase the Council's rates. A particular challenge for Blue Mountains is that we have a static rate base. However it is necessary to balance the importance of rate revenue as a funding source with community sensitivity to increases.

The following Table shows the estimated 2010-2011 revenue calculated at the special variation increase from each category and sub-category of rates, together with the respective ad valorem and minimum rates.

Blue Mountains City Council 2010-2011 Special Rate Variation increase for Revenue from Rate Categories and Sub categories together with Ad valorem Calculation and Notional Income, including Environment Levy

Ad-valorem Calculation and Notional Yield

2010/2011

Category *Sub-Category*	7% Special Rate Variation 2010-2011 Amount per $	Minimum Amount	2010/2011 Notional Yield
Ordinary Residential			
Residential A *(incorporates townships of Mount Irvine and Mount Wilson)*	0.00468657	$461.80	$154,482
Residential B *(incorporates township of Mount Tomah)*	0.00468657	$461.80	$77,251
Residential C *(incorporates township of Bell)*	0.00468657	$461.80	$12,559
Residential D *(incorporates township of Mount Victoria)*	0.00468657	$461.80	$502,758
Residential E *(incorporates township of Blackheath)*	0.00521042	$845.00	$3,076,574
Residential F *(incorporates township of Medlow Bath)*	0.00496634	$845.00	$364,351
Residential G *(incorporates townships of Katoomba and Leura)*	0.00451219	$845.00	$6,998,400
Residential H *(incorporates township of Wentworth Falls)*	0.00451219	$845.00	$3,236,271
Residential I *(incorporates townships of Bullaburra, Lawson, Hazelbrook and Woodford)*	0.00491516	$845.00	$4,664,799
Residential J	0.00491516	$845.00	$224,357

Category *Sub-Category*	Amount per $	Minimum Amount	2010/2011 Notional Yield
(incorporates township of Linden)			
Residential K *(incorporates townships of Faulconbridge, Winmalee, Springwood, Yellow Rock, Sun Valley and Valley Heights)*	0.00527565	$845.00	$9,679,414
Residential L *(incorporates townships of Warrimoo, Blaxland, Mount Riverview, Glenbrook and Lapstone)*	0.00489128	$845.00	$9,076,547
Residential M *(incorporates township of Megalong)*	0.00454220	$845.00	$35,867
Residential Rural	0.00452246	$461.80	$509,405
			$38,613,036

	7% Special Rate Variation 2010-2011		
Category *Sub-Category*	Amount per $	Minimum Amount	2010/2011 Notional Yield
Farmland	0.00329175	$845.00	$248,836
Mining	0.00000000	$0.00	$0
Business			
Business Statutory	0.01020431	$0.00	$19,343.19
Business General	0.00698485	$845.00	$1,130,110
Business Industrial Katoomba	0.00592570	$845.00	$125,133
Business Industrial Springwood	0.00652928	$845.00	$23,103
Business Katoomba	0.00672120	$845.00	$618,809

Category *Sub-Category*	Amount per $	Minimum Amount	2010/2011 Notional Yield
Business Leura	0.00515120	$845.00	$150,266
Business Wentworth Falls	0.00758410	$845.00	$82,394
Business Springwood	0.00746819	$845.00	$339,392
Business Industrial Valley Heights	0.00636408	$845.00	$31,055
Business Industrial Lawson	0.00829115	$845.00	$124,320
Business Blackheath	0.00765462	$845.00	$149,058
Business Lawson	0.00731904	$845.00	$30,876
Business Hazelbrook	0.00501005	$845.00	$36,718
Business Industrial Blaxland	0.00735874	$845.00	$41,657
Business Blaxland	0.00586500	$845.00	$73,257
Business Glenbrook	0.00701080	$845.00	$56,565
			$3,032,057
			$41,893,929

Name of Annual Charge	Charge Amount	
Emergency Services	$42.20	$1,495,188
RATEABLE WASTE SERVICES		
Domestic Waste - Occupied 140L bin	$227.00	$894,860
Domestic Waste - Occupied 240L bin	$297.00	$8,420,269
Domestic Waste - Vacant	$100.00	$201,500
NON-RATEABLE WASTE SERVICES		
General Premises	$186.00	$57,288
Domestic Waste (240L bin)	$297.00	$9,620
Domestic Waste (140L bin)	$227.00	$1,551
Recycling (140L bin)	$90.00	$13,950
		$11,094,225