

PROPOSED INCREASE IN RATES

Information Sheet

What is Council proposing?

The Council is proposing to raise \$20 million over the next 5 years through an application to the Minister of Local Government to increase rate revenue above the limit of 2.6 % set by the State Government. The \$20 million will be used to maintain, upgrade and replace vital infrastructure and increase revenue to essential emergency services.

Why does the Council need to increase rates beyond the annual increase?

The Council owns significant infrastructure and many facilities – such as bridges, pools, parks, roads, footpaths, drains and community buildings. The value of this portfolio of assets is estimated at approximately \$640 million. The Council is committed to looking after its infrastructure and facilities, however much of it is ageing and in need of repair. To keep our vital asset portfolio in a serviceable condition, the Council needs to spend an additional \$116 million over the next ten years to renew and maintain assets at an acceptable level. Council does not have this money and is requesting a Special Variation to rates to assist in meeting this challenge.

The Council must also ensure it can continue to support a high level of capability and response readiness in bushfire and emergency situations. Funds raised from the Special Variation will also be invested in this vital area.

What has the Council done to trim its costs and improve its internal efficiencies?

The Council has been working hard over a number of years to contain its expenditure levels and achieve savings through greater operational efficiencies. This process has saved more than \$2 million over the last two years in operational expenditure. However, generating internal savings cannot continue indefinitely without leading to reductions in staff and services. Regardless of the outcome of the Special Variation request, Council will continue to manage its costs as effectively as possible. See Fact Sheet 7 for further information.

Can Council raise the needed funds by other means?

Council does not believe it can raise the amount of funds necessary by other means. The magnitude of funding required is significant and the Council is already pursuing opportunities to increase revenue from other sources (see Fact Sheet 6) and to improve its efficiency (see Fact Sheet 7). These efforts to date have not yielded the required level of funding but have enabled the Council to maintain much needed services to the community. The Council will continue to focus on generating additional funding from other viable means and improving its operational efficiency.

The Council currently utilises loan borrowings as a means of funding its annual capital works program. However, there are limits to the amount that the Council can borrow without impacting on the financial health of the organisation. The extent to which the Council can increase fees and charges is also constrained due to statutory limits and equity considerations. Grants continue to be an important source of funding, however grant criteria generally stipulates that funds can only be spent on new facilities with no provision being made for ongoing maintenance.

Have Council's investments contributed to the need for this rate increase?

No. The need for a rate increase is driven by the Council's determination to satisfy the infrastructure and service needs of the Blue Mountains community and the desire to increase support to the Rural Fire Service and the State Emergency Service.

While the unprecedented global financial events since 2008 have financially impacted many organisations, including the Council's \$29 million investment portfolio, the Council's real investment losses to date have just totalled \$500,000. The Council has marked down the fair valuation of its investments by \$5 million to date but these are essentially unrealised capital investment losses that potentially could still be recovered as the market improves. The Council has been prudent and has set aside \$2.4m in cash reserves to fund any real capital losses that actually eventuate.

All Council investments have complied with the NSW Local Government Act 1993, the Ministerial Investment Order, the Trustee Amendment Act 1997 and the Local Government (General) Regulation 2005. In considering any investment the Council obtains independent advice and has, in all of its investments, been given assurance that each security complies with relevant legislation and is a highly rated investment (e.g. Standard & Poors rating).

There are now signs of global economic recovery, however the Council remains committed to a cautious and conservative investment strategy.

What is the impact of the proposed increase on ratepayers?

For the average ratepayer, the proposed increase will mean approximately:

- In 2010-11: a total increase of between \$115 - \$125. This includes the annual increase of \$25 - \$35 and an additional \$80 - \$90 for the Special Variation increase, which is inclusive of a \$42.80 increase in the Emergency Services Annual Charge; and
- Over 2011-12 to 2014-15: a total increase between \$60 - \$65 each year. This includes the estimated annual increase of \$40 - \$45 and an additional \$15 - \$20 for the Special Variation increase.

How will the ratepayers and community benefit from this rate increase?

An extensive program of works is planned for the whole City of which approximately:

- \$6,000,000 will be spent on transport including footpaths, kerb and gutters;
- \$5,000,000 will be spent on sport & recreation including pools, playground equipment, sporting facilities;
- \$3,000,000 will be spent on water resource management including drainage, stormwater quality improvement, pipelines;
- \$1,000,000 will be spent on town centres; and
- \$500,000 will be spent on operational buildings, community buildings, libraries, traffic management and child care.

The funds will also be used to increase support to the Rural Fire Service and the State Emergency Service and improve fire trail management. See Fact Sheets 5 and 9 for further information.

What happens if Council is not granted the Special Variation to rates?

If Council is not granted the Special Variation to rates we will have \$20 million less over the next five years to invest in maintaining, upgrading and replacing vital infrastructure and in improving our emergency service response. To undertake this work it would be necessary to either take funds from existing services and facilities or not implement the work.

When will we find out if the Special Variation has been approved?

The Minister for Local Government will announce whether the Council's proposed application has been approved by 30 June 2010. If approved, the increase to rates will be included in the 2010-11 rates assessment that will go out to ratepayers in July 2010.