City of Greater Geraldton Budget Principles 2012-13

Introduction

The 2012-13 Budget reflects the Council goal of maintaining levels of service, as well as new initiatives which Council will undertake over the next 12 months as we continue to provide capital works and service delivery for a growing community.

A feature of this Budget is inclusion of significant projects for which the City has received grant assistance from the Federal Government under the Building Better Regional Cities Program, and further grants from the State Government under its Royalties for Regions program, increasing the extent of Capital Works that will deliver significant stimulus and long lasting benefits for the community.

The proposed rate-in-dollar increase of 6.7% for Geraldton, alignment of minimum rates across categories of properties, including increased Minimum Rates provides a balance between the high demand for service delivery and the development of the City, consistent with Council's adopted Community Plan.

The Budget includes initial modest steps towards alignment of rates and minimum payments between the areas previously included in Geraldton-Greenough and Mullewa, consistent with the Merger agreement endorsed by the Minister for Local Government, providing for completion of the rates alignment process within 5 years of the merger.

In this Budget, Council continues work begun in the 2011-12 Budget towards achieving financial sustainability for the future. The setting of rates involves a range of factors, but it is important to note that failure to set adequate revenue targets to meet community needs for infrastructure, services, facilities and amenities, *while achieving and maintaining financial sustainability* will affect not only this year's budget and resulting achievements, but will also have a compounding effect into future budgets.

Of particular importance in setting this budget is further progress towards financial sustainability through funding provided to address the renewal gap on Council's assets. The Council recognises that failure to renew infrastructure assets and facilities leads to reduced community amenity and safety, declining quality of life, and ultimately leads to decline in property values, adversely impacting the wealth of the City and its ratepayers. Consistent with the principles of inter-generational equity, the Council accepts that each generation should pay for the public assets it consumes, by providing funds to meet the costs of asset renewal/replacement, and not passing the costs of replacing consumed assets to future generations. In its 2011-12 Budget, the City ratified adoption of a program to bridge the funding gap for asset renewal by 2023. This Council again commits to that program.

The budget provides a modest surplus of $1.198 million which provides Council with the flexibility to deal with any variation which may occur during the year.

Council's capital works budget has been set at $47.258 million and reflects projects to achieve Council's vision in its Community Plan.

These initiatives represent a mix of loan, grant and reserve funded projects and will provide infrastructure requirements for a growing community.

The 2011-12 budget also includes the Fees and Charges which have been increased either by:

- the statutory increase; or
- percentage increase consistent with the financial sustainability policy adopted in 2011-12; or
- assessment of actual cost; or
- benchmarking with other local governments.

Budget Assumptions

The assumptions made in preparing this budget are as follows:

- Geraldton Rates and other revenues from fees and charges will increase annually at least by amounts sufficient to cover inflationary factors including:
  - consumer prices,
  - labour and construction cost index forecasts,
  - externally imposed charges such as the Federal Carbon tax, and
  - forecast increases in the costs of utilities including electricity, gas, water and sewerage.

- New loans of $30 million for capital works associated with infrastructure, land acquisition and land developments ($18 million). Loan facilities will only be drawn down as funding is required.

- Labour costs will increase by 4.5% in 2012-13 and in out-years, in line with forecasts by the State Government in their 2012-13 State Budget, and by the WA Local Government Association;

- Construction costs, including costs for roads and bridges, will increase by 4.5% in line with forecasts by the State Government;

- Staff levels based on the full time equivalent establishment established following the merger between Geraldton-Greenough and Mullewa will be managed in accordance with the People Plan adopted by Council;

- Assets will be managed in accordance with Asset Management Plans adopted by Council;

- No reduction in the level of services provided;

- Loan rates are expected to be approximately **3.8%**

The following commentary provides further information on the major factors affecting the budget for 2011-12.

Financial Sustainability

Effective from 1 July 2013 all Local Governments in Western Australia must have in place 10 year plans, as part of the new mandatory Integrated Planning Framework. The Department of Local Government will monitor the financial sustainability and viability of Councils via reporting against mandatory financial performance indicators. Councils that fail to meet financial sustainability standards based on criteria determined by the Department, and to be expressed in terms of threshold levels for viability determined and prescribed by the Department, may become ineligible in future years for access to a range of funding and support programs from the State Government. It is therefore imperative in the interests of all City residents and ratepayers that the City strives to achieve and maintain a position of long term financial sustainability.

Long term financial sustainability will:

- Ensure that the City remains in a healthy financial position
- Give financial outcomes greater stability and certainty
- Ensure that public resources are distributed equitably between current and future ratepayers
- Provide the capacity to plan and cater for a growing community
- Allow the City to take full advantage of external funding opportunities
- Ensure consistent delivery of essential community services and the efficient development and maintenance of infrastructure and community facilities.

One of the key factors of the 2012-13 budget is continued progress towards achieving financial sustainability.

A Financial Sustainability Policy was adopted by the City in 2011-12 to reinforce commitment to this issue and this policy sets out the ratios and principles to be used by the City to achieve its goal of long term financial sustainability. The City elected to use six (6) financial indicators to monitor long term financial sustainability:

- Current Ratio
- Underlying Result Ratio
- Self-Financing Ratio
- Cash Reserves Ratio
- Renewal Investment Ratio
- Indebtedness Ratio

Measures in the policy relate to the management of payments and collections, stock levels, loan funding, cash reserves, asset renewal, and reserves.

The 2011-12 financial sustainability policy framework was formulated prior to issue by the Department of full explanatory details of the mandatory financial performance indicators that will be required to be reported on by all Councils, and prior to the formal prescription of threshold viability levels to be achieved by Councils for each of the ratios. As at the date of preparation of this 2012-13 budget, formal prescription of threshold viability levels in Local Government regulations remains outstanding. Accordingly, because of their close relationship with the model ratios published by the Department in terms of providing a means to inform the setting of financial strategies by Council, and for consistency with strategic directions set in 2011-12, the City has elected to utilise the same six ratios to guide budget settings for 2012-13.

The ten year financial plan required to be in place by 1 July 2013 will reflect the new financial sustainability ratios mandated by the Department of Local Government and will set out City strategies for how these ratios will be improved and maintained

above financial sustainability threshold levels prescribed by the department, across future years.

The improvement of the City's current ratio and cash reserves, and investment in assets renewal, while remaining within a viable limit on use of debt funding and capacity to service debt, are key factors to improving financial sustainability of the City.

Current Ratio

The current ratio for the City as at the end of 2012-13 should be at or in excess of 100%.

Previous low ratios have been attributed to a number of historical factors inherited from the amalgamation of councils, including low rate increases, and the lasting impact of a significant reduction in rates at the time of the 2008 property revaluation; the transfer of Public Open Space revenues from General Fund to Trust Account; and the downward revaluation of Lehmann's investments (the original investment of $2.45m made in 2005 by the then City of Geraldton).

Cash Reserves

The level of cash reserves held influences the financial sustainability and the operational responsiveness of the City. It is important for the City to ensure that the respective levels of unrestricted cash and restricted cash are balanced to gain the maximum benefit overall. It is essential for the City to have an untied working capital capacity, in addition to tied cash reserves established for specific purposes. Having only restricted cash can reduce the City's ability to react to unexpected requirements for expenditure.

The transfer of cash to non-discretionary restricted reserves must be managed to ensure that these reserves remain cash-backed at all times. The transfer of cash to discretionary reserves should only occur from operating surpluses – and not from the untied working capital capacity of the City.

To this end, the Financial Sustainability Policy provides guidelines for the transferring of cash to reserves. Transfers to discretionary reserves should only be undertaken *after the annual financial statements have been completed and the actual financial result for the year has been determined.* Only transfers required by legislation, or reserves established to secure the operating surpluses of designated business units such as the Airport, for the agreed purposes of those business units, may be done before this time. This measure has been put in place to ensure that funds that are transferred to reserves are actually available from operating surpluses and do not place the working capital of the City at risk.

Transfer of discretionary funds to reserves will only occur if the City has achieved a *minimum* strategic annual sustainability target of 1.5% of operating revenue as its year-end surplus position. This measure has been included to ensure that the City's unrestricted working capital cash reserves are not depleted and it retains an appropriate level of working capital. A *bare minimum* untied working capital capacity equivalent to 5% of operating revenues is considered essential for operational needs, and the City will target revenue budgets to ensure that at very least that level is attained and maintained year on year. It is intended to lift unrestricted cash to a target level of 15% of operating revenue over the next 10 years.

Reserve accounts are to be limited to a maximum of 20. The retention of minor reserves holding small amounts of money restricts the ability to pool funds to make most effective use of that funding.

The City recognises the importance of having an accumulated cash surplus in order to maintain high quality services to the community while at the same time position the City for the expected high growth. In order to achieve this balance the City strategy is to structure its budget to generate a cash surplus of 1.5% of its operating revenue. In addition to recovering the forecast 2011-12 deficit, Budget preparation for 2012-13 has taken this requirement into account.

Asset Renewal Gap

Council's strategic approach to asset management is based on the Total Life Cycle of assets, and the development of asset management plans across all significant classes of assets.

Contemporary public sector fiscal management requires recognition of:

- the rate at which a fixed asset physically deteriorates (depreciates) in the context of the cost required to preserve the productive capacity and functionality of an asset, and ultimately to replace/renew the asset when its useful working life ends; and
- the rate at which funds are set aside to meet the costs of asset renewal/replacement, when renewal/replacement becomes necessary.

The difference between the rate of depreciation of assets, and the collection of sufficient revenue to enable funds to be set aside over the working life of an asset (that is, to match the rate at which the asset is consumed) so that funding capacity becomes available to renew/replace the asset when necessary, is referred to as the asset renewal gap.

In past years, when long term debt of State and Local Governments was managed via the Commonwealth Loans Council, and was underwritten by the Commonwealth Government, public sector financial management focussed on meeting costs of asset renewal on an emerging costs basis – typically with new long term debt underwritten by the Commonwealth. The Loans Council no longer exists, the Commonwealth no longer underwrites the debt of State or Local Governments, and long term debt financing is simply no longer available in the modern world of finance. In the last quarter of the 20th Century, national reforms to public sector finance evolved, manifesting most particularly for Local Government in Australian Accounting Standard 27. That reform coincided with recognition by Governments of the emerging problem of funding urban infrastructure renewal, and development of new standards for asset accounting and valuation. A new imperative emerged for Local Governments across Australia – to begin to raise revenue to cover the non-cash operating expense of asset depreciation.

In this, Councils are confronted with exactly the same issues as major utility infrastructure entities, such as electricity and water providers. They are obliged across a period of years to move to *full cost-reflective pricing* of their utility services, with State Governments unwilling to continue forever the current arrangement of subsidy of utility operating losses from the general revenue base of the State.

Currently, annual depreciation expenses for the City are in the vicinity of $13-14 million per year. Annual expenditure on asset refurbishment, preventative maintenance and replacement of unserviceable assets falls some $8-9 million per year short of that annual rate of asset depreciation. That is the funding gap that must

be filled. By 2025-30, with the current rate of growth and expansion of the City, with new roads, drainage, parks, sporting facilities, projects like completion of the foreshore, and other assets being added every year, the City can expect its annual asset depreciation expense – and its asset renewal funding needs - to exceed $20 million per year. For some classes of assets, use of debt finance may become an option, but even that is subject to careful management of the loans portfolio to ensure that servicing new debt is viable. Further, care must be taken to ensure that the generation consuming the asset repays the debt – not a later generation. Nor can the City rely on availability of grant funds from Federal or State programs, to meet the costs of asset renewal.

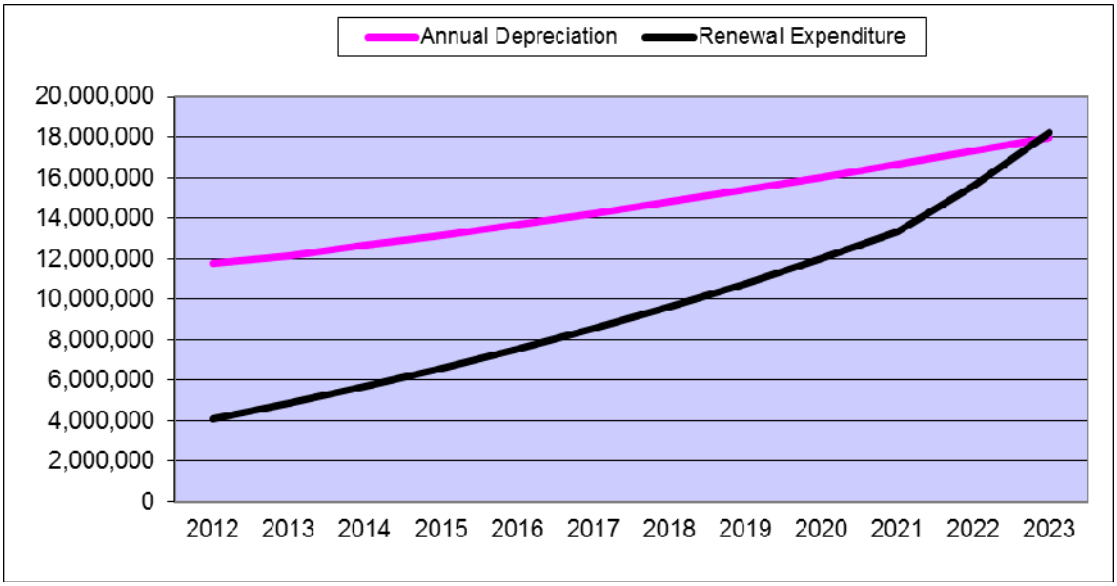
The City is obliged in the interests of its Community to set aside a proportion of its operating revenues from rates, fees and charges, and from untied surpluses from any commercial activities, or funds from asset sales, to create financial capacity to maintain and renew its asset base. As part of the new mandatory integrated planning framework, a ten year program of capital works, including forecast asset renewals, is well advanced in preparation and will be in place by 1 July 2013.

Moving in a short period of years to revenue collection to cover 100% of asset depreciation expenses would have a major financial impact on ratepayers and residents, too significant to be done quickly, with potential to cause financial hardship on too high a proportion of ratepayers and residents. The Council is sensitive to that issue, but is equally conscious of the reality that the longer the funding of the asset renewal gap is deferred, the harder it will get, and the greater the increased burden will be on future ratepayers. The Council recognises the risk of failure of deteriorating assets, requiring urgent unscheduled refurbishment or replacement, jeopardising the financial position in a particular year. The City view since 2010 has been that a gradual increase in revenue effort to bridge the renewal gap will minimise the annual impact on ratepayers of the unavoidable increment in rates, fees and charges.

The Council notes examples such as the recent need to borrow over $2 million dollars for urgent asset repair, refurbishment and replacement works for the Aquarena, and the lack of funding to refurbish the sportsground grandstand which has been out of use for some years, as compelling evidence of the need for this asset renewal funding strategy. Recent CBD flooding during a rain event arising from the state of some key drainage system assets, and the state of some road and drainage infrastructure assets in some other parts of the City, suggest need for strong and sustained resolve by Council to bridge the asset renewal funding gap. While revenue demands may cause some impact on the community, the potential fiscal impacts of *not* doing it would be even more severe, so deferring the process of bridging the asset renewal funding gap would be contrary to the interests of both current and future residents and ratepayers.

Beginning in 2010-11 the City began implementing a strategy to progressively increase the amount of funding for asset renewal it provides in its Capital Works Programs over about 12 years to bring about full funding of depreciation expenses and hence full funding from operating revenues of asset renewal expenditure. 2012-13 will mark the first year of the *remaining decade* of that original 12 year program. The City aims to complete bridging the asset renewal funding gap within a decade, by 2023.

The following chart shows the City's planned progression towards fully funding its depreciation expense over the decade.



Funding towards an asset renewal program is based on a condition analysis, confirmation of service levels, assessment of physical depreciation rate, prioritisation of work and reconciliation of available funding.

If Council does not allocate the necessary level of funding towards asset renewal, the assets will deteriorate to a stage where they are unserviceable. The current level of funding allocated for asset renewal does not cover the rate at which assets are being consumed. Accordingly, between 2012 and 2023, it can be anticipated that instances of asset failure will emerge, requiring urgent funding not provided for in the capital budget of a particular year – similar to the 2012 issue with the Aquarena. Within its loan financing cap, Council must therefore reserve some borrowing capacity to meet unscheduled capital asset renewal requirements.

In order to address this asset renewal funding deficit, the financial sustainability policy proposed for adoption by Council with the 2012-13 budget reaffirms the commitment of Council to bridge the asset renewal funding gap via a strategy of 2.5% annual increases in rates collections via necessary rate-in-the-dollar increases, each year, across the period to 2023.

Asset Development

The City continues to provide funding into its Asset Development reserve in the 2012-2013 budget and has allocated 0.7% of the 6.7% GRV/UV rate increases to asset development. The purpose of the reserve is to provide seed funding for capital projects which attract grant funding, typically requiring the City to match grant funds on a 50/50 basis.

This reserve will provide funds to match grant funds and reduce the historical dependency on other sources such as rate and loan funding. This will in turn enable the City to take advantage of opportunities without creating an impost on Council's service delivery.

The 2012-13 allocation will continue to provide funding towards matching of grant funds for approved projects without affecting Council's established capital works program. This funding is placed in a reserve and is utilized by Council as required.

Inflation

The data presented below details the impact of cost drivers on the 2012-2013 budget.

COST	Inflation Driver	Impact
Employee costs	WA Labour Cost Index +4.5%	$1.119M
Materials	CPI including carbon tax: +3.5%	$1.228M
Utilities	Electricity Costs: +12%	$0.315M
Plant & Equipment	CPI +3.5%	$0.115M
Works & Maintenance	WA Construction Costs: +4.5%	$1.335M
General	CPI +3.5%	$0.138M
	Increase above 2011-12:	**$4.250M**

Rates Increase for 2012-13

Determination of rates for 2012-13 has taken into account:

- the need for additional revenues of $4.25 million to cover forecast inflation and cost escalation impacts, to maintain current levels of service;
- the need to continue the process of increasing rates to bridge the asset renewal funding gap – with the objective of rating to cover full depreciation expenses by 2023;
- the need to raise revenue to cover brought-forward deficits;
- the need to raise revenue to fund capital works for new asset development;
- the need to raise revenue for provision of funds required as matching amounts to be eligible for Federal or State grants;
- the need to establish and maintain adequate working capital.

The recommended 2012-2013 budget has been based on an increase of 6.7% in rate-in-the-dollar for Geraldton residential and non-residential properties. The specified area parking rate has also been increased by 6.7%.

Minimum rate payments for Geraldton GRV and UV properties have been increased and aligned across rates classes to $995.

The UV Mining rate for Geraldton for 2012-13 has been aligned with the UV Mining rate for Mullewa (0.227136 cents, unchanged over 2011-12), for industry consistency.

GRV and UV rates for Mullewa and Pindar have not been increased above the rates applied in 2011-12. A modest increase of one tenth of one cent, from 2011-12 0.5389 cents in the dollar to 0.6389 is proposed to the Geraldton UV General Farming rate, as the first step towards alignment of agriculture/farming rates between Geraldton and Mullewa. (The 2011-12 difference was Geraldton 0.5389 relative to Mullewa 0.8947). This is consistent with the Council Amalgamation agreement endorsed by the Minister for Local Government which envisages a 5 year period for alignment of rates between Geraldton and Mullewa.

During the 2012-13 financial year, as part of the new mandatory 10 year financial planning process, expenditure requirements across all rural areas will be examined, with the view to determining a strategy for the period to 2015-16 for alignment of rates. This study will not assume that the Mullewa UV agriculture rate will remain at

its current level, nor that Geraldton UV farming rates will be increased to the current Mullewa level.

Two areas are extremely important when the 2012-2013 rates increases were being determined:

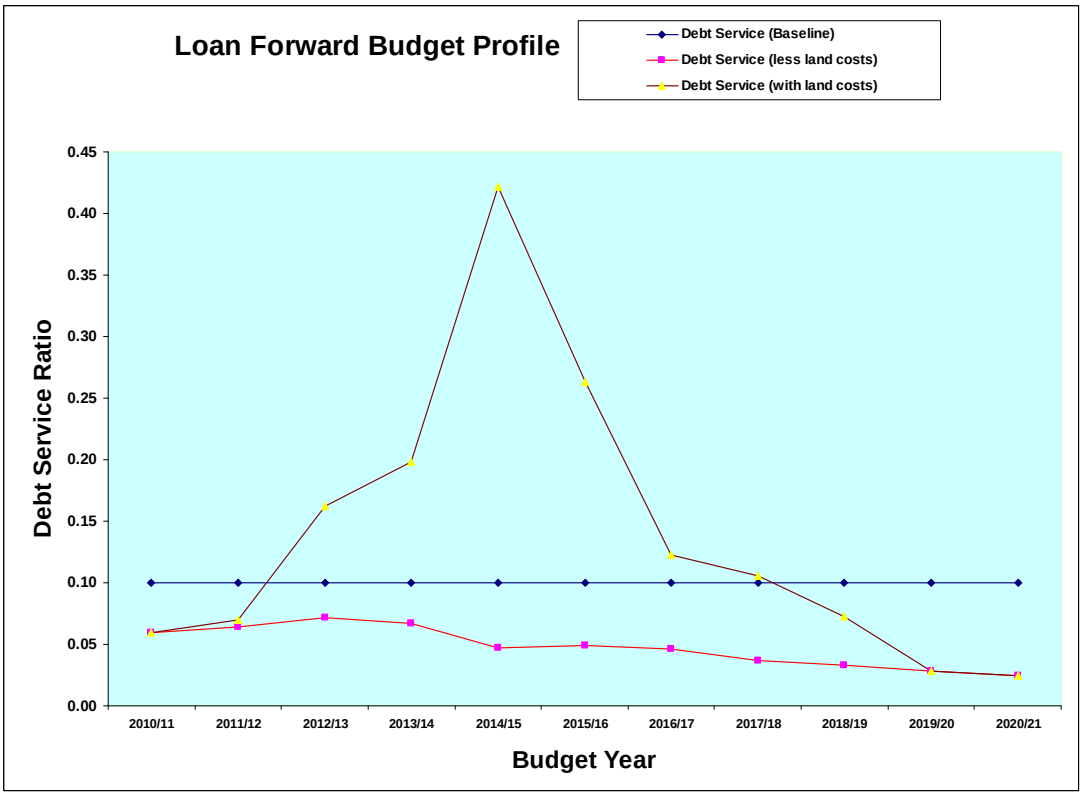
- Pre-existing low levels of rating, subsequent to the decision to reduce rates significantly at the time of the 2008 revaluation; and
- Inflation, and the rising costs of providing services and maintaining service levels.

The burden of additional in-region cost drivers including transport, and a lack of competition across service and materials providers, are key disadvantages compared to other localities. There is a high level of expectation in the community in relation to maintenance of current service levels, and provision of new facilities.

Debt Financing

Council's long term borrowing strategy focuses on reaching a debt position that provides future flexibility to use loan funds, without unduly exposing Council to a high debt burden. The level of new loan funding required in 2012-13 totals $30m of which $18m is required for land development projects.

The following chart shows that debt costs (excluding land costs) will peak in 2012-13 and then decline towards 2018-17. The level of debt excluding land costs remains below Council's 10% debt servicing threshold.



Rating

The overall objective of the proposed rates and charges in the 2012-13 Budget is to provide for the net funding requirements for Council Operational and Capital Programs and is based on an overall increase in rates-in-the-dollar of 6.7% for Geraldton properties, and increases in Minimum rates.

Differential Rates will be levied on all rateable properties in accordance with the Local Government Act 1995.

The gross rental values on which the rating principles are based are on the valuation of all properties effective 1 July 2012 and interim valuations issued to date.

For properties on Unimproved Values, the values are set annually and apply from 1 July 2012.

DIFFERENTIAL RATING

The purpose of imposing a differential rate between improved and vacant properties in the residential zones as well as commercial and industrial areas which are based on gross rental valuations is to obtain fair income from all ratepayers in the City of Greater Geraldton.

Council believes that the commercial and industrial sectors generate high traffic volumes with heavy loads and therefore should contribute a higher level than residential properties for road construction, maintenance and refurbishment including road drainage systems. The City continues to have vacant land rates higher than the improved residential rate in the dollar as an incentive to promote land development rather than land banking.

The rural farmland areas are based on unimproved values issued by the Landgate Valuation Services every year.

Under the Local Government Act, Section 6.33 – Differential general rates, the Council can introduce differential rates as follows:

A local government may impose differential general rates according to any, or a combination, of the following characteristics –

(a) the purpose for which the land is zoned under a local planning scheme in force under the Planning and Development Act 2005
(b) the predominant purpose for which the land is held or used as determined by the Local Government;
(c) whether or not the land is vacant land; or
(d) any other characteristic or combination of characteristics prescribed.

The following rate differential system for the City of Greater Geraldton will be effective for the 2012-13 year.

RATE CATEGORY

The following rate categories have been established:

- Geraldton GRV Residential Improved Land
- Geraldton GRV Residential Vacant Land
- Geraldton GRV Non Residential
- Geraldton UV General Farming
- Geraldton UV Mining
- Geraldton UV Urban
- Mullewa GRV Mullewa Townsite
- Mullewa GRV Pindar Townsite
- Mullewa UV Agriculture General
- Mullewa UV Mining
- Specified Area Rate – CBD Car Parking

1. PROPOSED RATES & MINIMUM CHARGES FOR 2012/13

Intended rates were advertised in accordance with the Local Government Act, for 21 days prior to 1 July 2012, with public submissions closing on 29th June 2012. The rates advertised were *estimates at that stage of the budget formulation process*, and were subject to change as part of Council deliberations after consideration of relevant matters and any submissions received. At that stage in the budget process, proposed rates in the dollar and minimum rates for the 2012-13 financial year for each rating category are shown below with 2011-12 comparisons:

AS PUBLICLY ADVERTISED DURING JUNE 2012 **Intended Rating Category**	**Rate in the $ 2011-2012**	**Minimum Rate $**	**Rate in the $ 2012-2013**	**Minimum Rate $**
Geraldton Residential	9.5809	830.00	10.2228	895
Geraldton Vacant Residential	16.5555	834.00	17.6647	900
Geraldton Non Residential	9.6502	830.00	10.2968	895
Geraldton UV General Farming	0.5389	830.00	0.5750	895
Geraldton UV Mining	0.5389	830.00	0.5750	895
Geraldton UV Urban	0.5389	830.00	0.5750	895
Un-occupiable City Centre Zone property	N/A	N/A	19.4243	N/A
Mullewa GRV Mullewa Townsite	10.7432	334.00	11.4630	360
Mullewa GRV Pindar Townsite	13.8362	90.00	14.7632	97
Mullewa UV Agriculture	0.8974	250.00	0.9546	267
Mullewa UV Mining	22.7136	300.00	24.2354	323
Specified Area Parking	0.4545		0.4850	N/A

Subsequent deliberations by Council led to formulation of VARIED rates or minimums, proposed for adoption for 2012-13, per the following table.

PROPOSED RATES 2012-13: **Rating Category**	**Rate in the Dollar (Cents) 2011-2012**	**Minimum Rate $**	**Rate in the Dollar (Cents) 2012-2013**	**Minimum Rate $**
Geraldton Residential	9.5809	830.00	10.2228	955
Geraldton Vacant Residential	16.5555	834.00	17.6647	955
Geraldton Non Residential	9.6502	830.00	10.2968	955
Geraldton UV General Farming	0.5389	830.00	0.6389	955
Geraldton UV Mining	0.5389	830.00	22.7136	345
Geraldton UV Urban	0.5389	830.00	0.6389	955
Un-occupiable City Centre Zone property	N/A	N/A	19.4234	955
Mullewa GRV Mullewa Townsite	10.7432	334.00	10.7432	384
Mullewa GRV Pindar Townsite	13.8362	90.00	13.8362	104
Mullewa UV Agriculture	0.8974	250.00	0.8974	288
Mullewa UV Mining	22.7136	300.00	22.7136	345
Specified Area Parking	0.4545	N/A	0.4850	N/A

Adoption of Rates Varied from Advertised Intended Rates

Council considerations leading to varying from the estimated rates as initially advertised for the mandatory 21 days during June 2012, and adopting the rates and minimums in the table above included:

- Commitment to maintaining current levels of service;
- Commitment to generation of funds for asset renewal and asset development;
- Alignment of the UV mining rate for Geraldton areas with the rate applied in Mullewa areas, for industry consistency across the local government district;
- Modest increase in Geraldton UV General Farming by one tenth of one cent, as the first necessary step towards alignment of rates for the Geraldton and Mullewa rural areas, consistent with the Councils Merger Agreement;
- Consideration of the high GRV townsite rates for Mullewa and Pindar, relative to Geraldton rates, and avoidance of a rate-in-dollar increase this year, as an initial step towards alignment of Geraldton-Greenough and Mullewa rates across a five year period, consistent with the Amalgamation agreement; and
- Increasing minimum rates for Geraldton and Mullewa by 15%, having regard to the significant proportion of properties that, notwithstanding 1 July 2012 GRV and UV revaluations, will continue to pay the Minimum rate

GERALDTON RESIDENTIAL

Rating Category Geraldton Residential includes ratable land zoned Residential and land zoned other than Residential used for residential purposes. The proposed rate in the dollar is 0.102228 based on the Gross Rental Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $955, are approximately 57% of the total rate requirements of Council.

The proposed rate in the dollar has been increased by 6.7% to reflect an increase in the rates required by the City to provide services.

GERALDTON VACANT RESIDENTIAL

Rating Category Geraldton Residential Vacant includes ratable land zoned Residential and remains undeveloped. The proposed rate in the dollar is 0.176647 based on the Gross Rental Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $955, are approximately 10% of the total rate requirements of Council. The City continues to have vacant land rates higher than the improved residential rate in the dollar as an incentive to promote land development rather than land banking. This initiative is aimed at promoting development by making it cheaper to develop improvements on the land as against holding the land vacant.

GERADLTON NON-RESIDENTIAL

Rating Category Geraldton Non Residential includes any property zoned other than residential and will include any property zoned residential that is being utilised in a non-residential capacity as determined by council. The proposed rate in the dollar is 0.102968 based on the Gross Rental Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $955, are approximately 22% of the total rate requirements of Council.

The rate in the dollar has been increased by 6.7% to reflect an increase in the rates required by the City to provide services. The increase is indicative of the continuing high funds being allocated to be spent on roads & drains, a key service consumed by the commercial and industrial ratepayers of the City.

GERALDTON UV GENERAL FARMING

Rating Category Geraldton General Farming includes rateable land zoned agricultural general in the former City of Geraldton-Greenough. The proposed rate in the dollar is 0.6389 based on the Unimproved Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $955, are approximately 4% of the total rate requirements of Council.

The rate in the dollar has been increased by 0.001 from 0.005389 to 0.006389 to begin the process of alignment with Mullewa UV agriculture rates, for industry consistency, and reflects an increase in the rates required by the City to provide services.

GERALDTON UV MINING

Rating Category Geraldton Mining includes rateable land within the former City of Geraldton-Greenough with a mining tenement lease. The proposed rate in the dollar is 0.227236 based on the Unimproved Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $995, are approximately 0.04% of the total rate requirements of Council.

The rate in the dollar has been increased for alignment with the Mullewa UV mining rate for industry consistency, and to meet costs of provision of services.

GERALDTON UV URBAN

Rating Category Geraldton UV Urban includes rateable land within the former City of Geraldton-Greenough and consists of undeveloped landholdings with development / industrial zoning and is rated under the unimproved valuation methodology. The proposed rate in the dollar is 0.006389 based on the Unimproved Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $955, are approximately 0.10% of the total rate requirements of Council. This category of rating will be amalgamated over a period of time with the gross rental value methodology as they are developed into more urban or commercial purposes.

The rate in the dollar has been increased by 6.7% to reflect an increase in the rates required by the City to provide services.

UN-OCCUPIABLE CITY CENTRE ZONE PROPERTY

The Un-occupiable City Centre Zone Property Differential Rate applies to each property that is located in the City Centre Zone and on which there is one or more completed buildings where:

a. the completed building or buildings:

i. have a total building occupancy rate of less than 50%;
and
ii. are unfit for use for occupancy because of the deterioration of one or more of the buildings; or

b. the completed building or buildings have been boarded up, or enclosed, or left to deteriorate in such a way as to deter or deny occupancy to potential tenants, irrespective of the condition of the building or buildings.

The proposed rate in the dollar is 0.194234 based on the Gross Rental Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $955, are approximately 0.04% of the total rate requirements of Council.

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MULLEWA GRV MULLEWA TOWNSITE

Rating Category Mullewa GRV Mullewa Townsite includes rateable land within the Mullewa Townsite encompassing both residential and commercial properties valued under the gross rental value methodology. The proposed rate in the dollar is 0.107432 based on the Gross Rental Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $384, are approximately 0.63% of the total rate requirements of Council.

The rate in the dollar was increased by 4% in 2011-12 to reflect rating parity with gross rental valued properties previously rated by the former Shire of Mullewa. The rate has not been increased for 2012-13, consistent with the Council Amalgamation agreement providing for alignment of Geraldton and Mullewa rates across a 5 year period.

MULLEWA GRV PINDAR TOWNSITE

Rating Category Mullewa GRV Pindar Townsite includes rateable land within the Pindar Townsite encompassing both residential and commercial properties valued under the gross rental value methodology. The proposed rate in the dollar is 0.138362 based on the Gross Rental Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $104, are approximately 0.01% of the total rate requirements of Council.

The rate in the dollar was increased by 4% in 2011-12 to reflect rating parity with gross rental valued properties previously rated by the former Shire of Mullewa. The rate has not been increased for 2012-13, consistent with the Council Amalgamation agreement providing for alignment of Geraldton and Mullewa rates across a 5 year period.

MULLEWA UV AGRICULTURE

Rating Category Mullewa UV Agriculture includes rateable land zoned rural in the former Shire of Mullewa. The proposed rate in the dollar is 0.008974 based on the Unimproved Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $288, are approximately 4.84% of the total rate requirements of Council.

The rate in the dollar was increased by 4% in 2011-12 to reflect rating parity with gross rental valued properties previously rated by the former Shire of Mullewa. The rate has not been increased for 2012-13, consistent with the Council Amalgamation agreement providing for alignment of Geraldton and Mullewa rates across a 5 year period.

MULLEWA UV MINING

Rating Category Mullewa UV Mining includes rateable land within the former Shire of Mullewa with a mining tenement lease. The proposed rate in the dollar is 0.227136 based on the Unimproved Value of the land as provided to Council by Landgate Valuation Services. Rates provided by this category, including minimum rates at $345, are approximately 0.34% of the total rate requirements of Council.

The rate in the dollar was increased by 4% in 2011-12 to reflect rating parity with gross rental valued properties previously rated by the former Shire of Mullewa. The

rate has not been increased for 2012-13, consistent with the Council Amalgamation agreement providing for alignment of Geraldton and Mullewa rates across a 5 year period.

2. SPECIFIED AREA RATES

Local governments have the power, under Section 6.37 of the Act, to impose specified area rates for the purpose of meeting the cost of a specific work, service or facility on a specific area of its district.

A local government may impose a specified area rate if it considers that ratepayers:

- Have or will benefit from;
- Have access or will have access to; and
- Have contributed or will contribute to the need for a work, service or facility.

Local governments are required to use the money from a specified area rate for the purpose for which the rate is imposed in the financial year it was introduced, or place it in a reserve account. A local government may only use money raised to meet the cost of providing that service or to repay money borrowed to meet the cost of the service.

SPECIFIED AREA RATE – CBD CAR PARKING

The rating category of Specified Area Rate CBD Car Parking is to be imposed on all non-residential properties within the City Centre, Marina Mixed Use and Additional Use City Centre zones for the purpose of car parking operations which includes land acquisition, parking development, operations, maintenance and any associated financing costs. Loans have been undertaken and revenues are required to meet costs and service the debt to provide car parking initiatives at sites including Chapman Road and Sanford Street.

A rate in the dollar of 0.00485 on Gross Rental Values will be applied to those non-residential properties for 2012-2013 to meet costs to service the debt on loan repayments and operational costs associated with car parking initiatives.

3. OTHER CHARGES (NEW CHARGES HAVE TO BE INSERTED)

Waste Management:
The annual charge for rateable land provided with a Domestic Rubbish Collection Geraldton service will be $221 per 240 litre bin; a Commercial Rubbish Collection Geraldton service will be $268.

4. PAYMENT BY INSTALMENTS

Instalment payment options of either two or four payments will again be available. An administration charge of $10.00 per instalment and interest at the rate of 5.50% on outstanding amounts are proposed. The administration charge is made to cover the additional costs involved in administering the instalment scheme and interest is charged to cover the lost interest on investment opportunity that is not available due to the period over which payment is received. Penalty interest will also be levied where payment in full or the first instalment is not received with thirty-five days of the issue of the rate notice at the rate of 11% per annum.

Rate Increase for 2012/13

The 2012/2013 budget has been based on a proposed increase of 6.7% for the Geraldton residential and non-residential properties.

The specified area rate has been increased by 6.7%

The components of the rate increase include 3.5% for inflation including 0.7% for forecast effects of the Federal Carbon Tax, 2.5% for asset renewal and 0.7% for asset development and working capital which provides funds to match grant funds without creating an impost on Council's service delivery.

Full application of Council's financial sustainability policy would require a rate-in-the-dollar increase of 7.5% based on 3.5% inflation, 2.5% asset renewal and 1.5% asset development. However, having regard to 2011 as a revaluation year, and the increase in revenue generated by increase of the property value base, it is proposed to reduce the provision for asset development from 1.5% to 0.7% and rely on the increased revenue from revaluations to generate additional funds to cover the full inflation and cost escalation factors (including labour and construction cost increase forecasts of 4.5%) and generate incremental untied cash to cover past deficits and for creation of a working capital capacity.

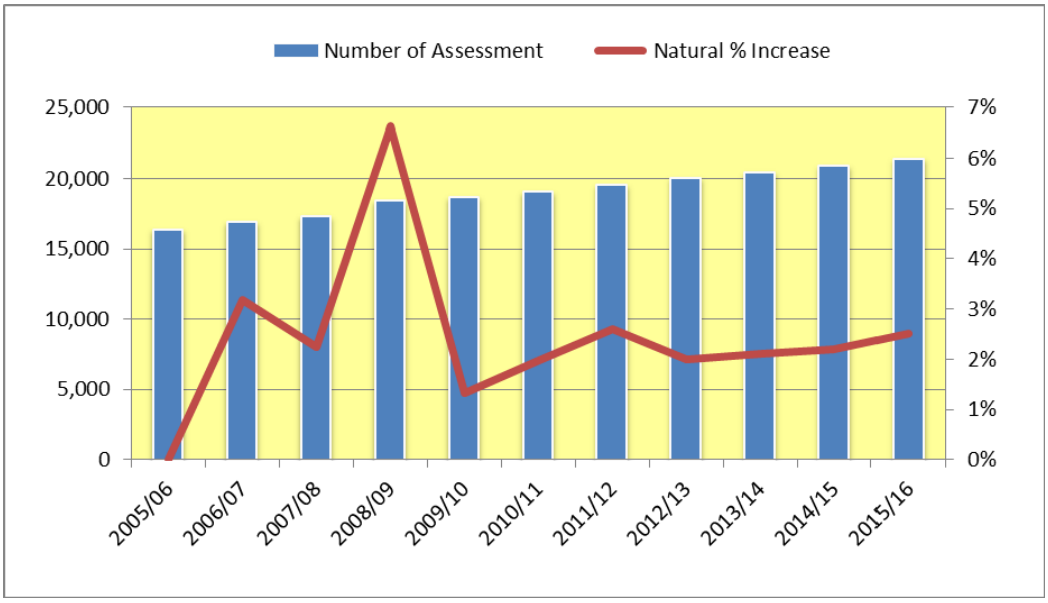
The City's budget is influenced by the applicable rate increase applied each budget year. Key considerations when 2012-2013 rates increases were being determined:

- Excessive reduction of rates in response to 2008 revaluations, handicapping the ability of the City to generate viable working capital capacity, while maintaining basic service levels, and endeavouring to address the needs of a rapidly growing community;
- Modest levels of increased rating in years subsequent to 2008, before financial sustainability principles were first introduced via 2011-12 budget decisions; and
- Escalating cost of providing services, with CPI forecast at 3.5% but with both labour and construction cost indices forecast to increase by 4.5%, and continuing escalation of costs of utilities provided by State authorities.

The burden of additional costs including State utilities and charges, transport and a lack of competition in the local economy across a range of sectors, is a key disadvantage compared to other localities. While there is a relatively high level of expectation in the community in relation to service levels and additional public facilities and amenities it is becoming increasing difficult to maintain current service levels without increasing revenue collections, sufficient to cover costs of maintaining service levels and meeting community expectations.

Number of Rateable Properties

The following chart shows the increase in rateable properties from 2005/06 to 2014/15.



Budget Year	Actual no. of Rateable Properties	Increase in %	Increase by Number
2005/06	16,394	0%	0
2006/07	16,917	3%	523
2007/08	17,297	2%	380
2008/09	18,443	7%	1,146
2009/10	18,689	1%	246
2010/11	19,057	2%	368
2011/12	19,554	3%	497
2012/13	20,051	2%	391

Across the past 5 years, average growth in number of rateable properties has been 3.07% per year.

Rate Model

Rating Category		2009/2010	2010/2011	2011/2012	2012/13
Geraldton Vacant Residential GRV	General Rate	3.75%	3.75%	3.75%	3.5%
	Asset Renewal		2.50%	2.50%	2.5%
	Asset Development		1.35%	1.35%	0.7%
	Proposed increase:	3.75%	7.60%	7.60%	6.7%
	Rate in Dollar:	8.2753c	8.9042c	16.5555c	17.6647c

Geraldton Residential GRV	General Rate	3.75%	3.75%	3.75%	3.5%
	Asset Renewal		2.50%	2.50%	2.5%
	Asset Development		1.35%	1.35%	0.7%
	Proposed increase:	3.75%	7.60%	7.60%	6.7%
	Rate in Dollar:	8.2753c	8.9042c	9.5809c	10.2228c

Geraldton Non Residential GRV	General Rate	4.50%	3.75%	3.75%	3.5%
	Asset Renewal		2.50%	2.50%	2.5%
	Asset Development		1.35%	1.35%	0.7%
	Proposed increase:	4.50%	7.60%	7.60%	6.7%
	Rate in Dollar:	8.3351c	8.9686c	9.6502c	10.2968c

Geraldton Specified Area Rate GRV (commercial only) City Centre , Marina Mixed Use and Additional Use City Centre zones	General Rate	4.50%	3.75%	3.75%	3.5%
	Specified Area	5.50%	1.75%	1.75%	
	Asset Renewal		2.50%	2.50%	2.5%
	Asset Development		1.35%	1.35%	0.7%
	Proposed increase:	10.00%	9.35%	9.35%	6.7%
	Rate in Dollar:	0.4390c	0.447c	0.4545c	0.4850c

Geraldton Un-occupiable City Centre Zone Properties	*Rate in Dollar:*	-	-	-	19.4234c

Geraldton	**General Rate**	**3.75%**	**3.75%**	**3.75%**	**3.5%**
Gen Farming UV	**Asset Renewal**		**2.50%**	**2.50%**	**2.5%**
	Asset Development		**1.35%**	**1.35%**	**0.7%**
	Mullewa Alignment stap1				**11.86%**
	Proposed increase:	**3.75%**	**7.60%**	**7.60%**	**18.56%**
	Rate in Dollar:	**0.4654c**	**0.5008c**	**0.5389c**	**0.6389c**

Geraldton	**General Rate**	**3.75%**	**3.75%**	**3.75%**	**3.5%**
Mining Tenements UV	**Asset Renewal**		**2.50%**	**2.50%**	**2.5%**
	Asset Development		**1.35%**	**1.35%**	**0.7%**
	Industry Alignment with Mullewa				**4108.1%**
	Proposed increase:	**3.75%**	**7.60%**	**7.60%**	**4114.8%**
	Rate in Dollar:	**0.4654c**	**0.5008c**	**0.5389c**	**22.7136c**

Geraldton	**General Rate**	**3.75%**	**3.75%**	**3.75%**	**3.5%**
Urban UV	**Asset Renewal**		**2.50%**	**2.50%**	**2.5%**
	Asset Development		**1.35%**	**1.35%**	**0.7%**
	Proposed increase:	**3.75%**	**7.60%**	**7.60%**	**18.56**
	Rate in Dollar:	**0.4654c**	**0.5008c**	**0.5389c**	**0.5750c**

Mullewa	**General Rate**	**4.50%**	**4.50%**	**4.00%**	
GRV Mullewa Townsite	**Asset Renewal**				
	Asset Development				
	Proposed increase:	**4.50%**	**4.50%**	**4.00%**	**0%**
	Rate in Dollar:	**9.886C**	**10.3300c**	**10.7432c**	**10.7432**

Mullewa	**General Rate**	**4.50%**	**4.50%**	**4.00%**	
GRV Pindar Townsite	**Asset Renewal**				
	Asset Development				
	Proposed increase:	**4.50%**	**4.50%**	**4.00%**	**0%**
	Rate in Dollar:	**12.7316c**	**13.3042c**	**13.8362c**	**13.8362**

Mullewa	**General Rate**	**4.50%**	**4.50%**	**4.00%**	
UV Agricultrure General	**Asset Renewal**				
	Asset Development				
	Proposed increase:	**4.50%**	**4.50%**	**4.00%**	**0%**
	Rate in Dollar:	**0.8258c**	**0.8629c**	**0.8974c**	**0.8947c**

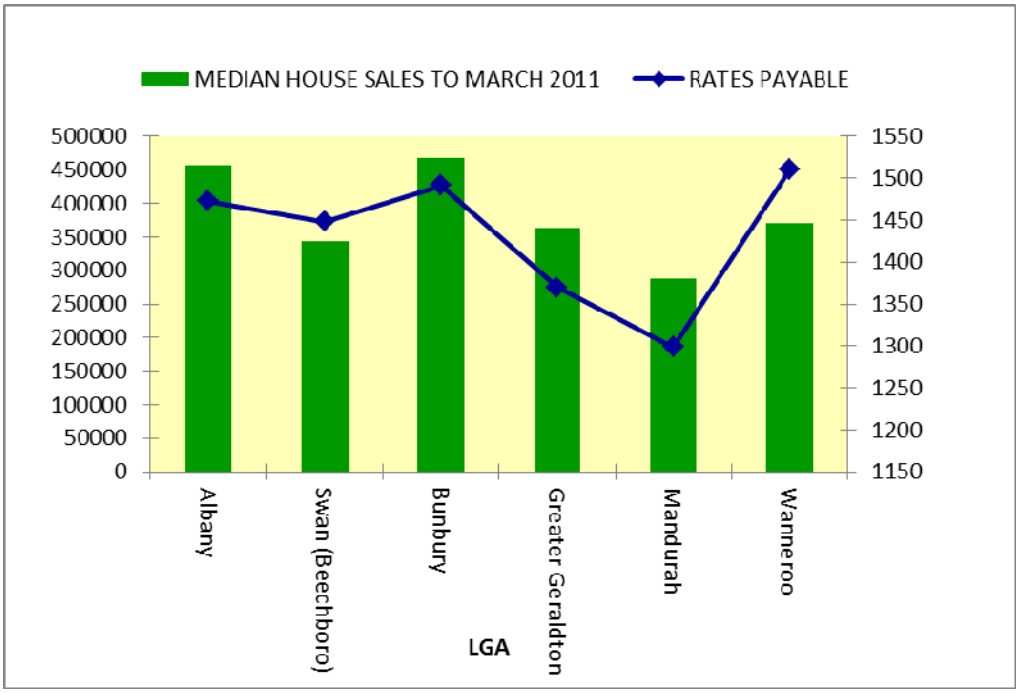
Mullewa	**General Rate**	**4.50%**	**4.50%**	**4.00%**	
UV Mining	**Asset Renewal**				
	Asset Development				
	Proposed increase:	**4.50%**	**4.50%**	**4.00%**	**0%**
	Rate in Dollar:	**20.9000c**	**21.8400c**	**22.7136c**	**22.7136**

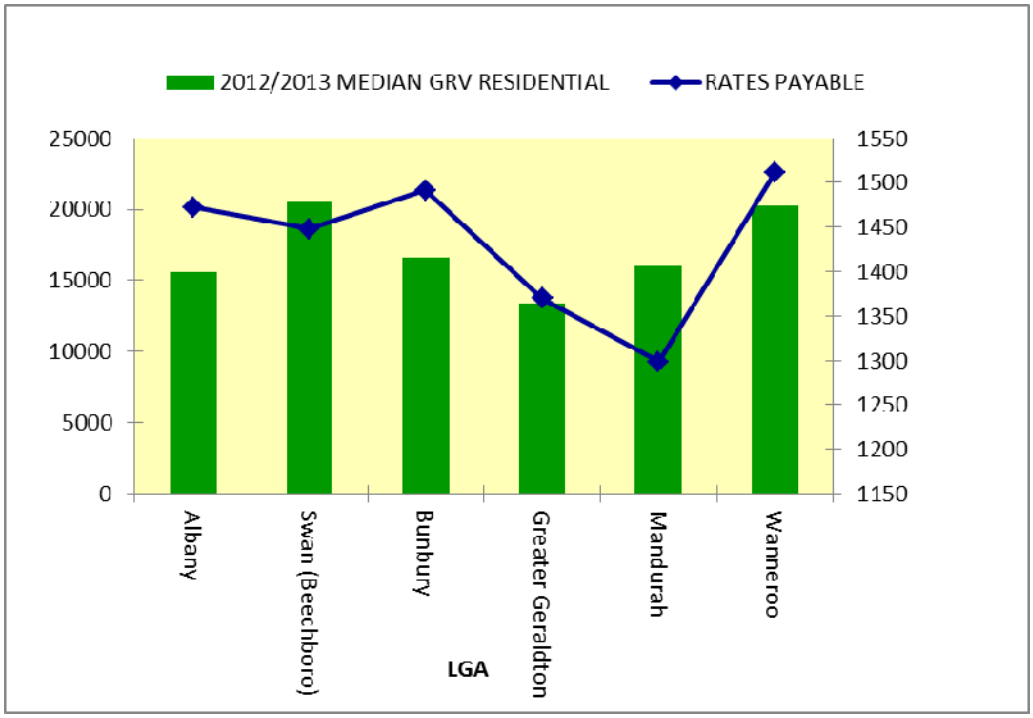
Minimum Rates Payments	**2009/ 2010**	**2010/ 2011**	**2011/ 2012**	**2012/ 2013**
Geraldton GRV Vacant Residential	**$735**	**$872**	**$834**	**$955**
Geraldton GRV Residential	**$735**	**$772**	**$830**	**$955**
Geraldton GRV Non Residential	**$735**	**$772**	**$830**	**$955**
Geraldton UV Urban	**$735**	**$772**	**$830**	**$955**
Geraldton UV Mining			**$830**	**$345**
Geraldton Un-occupiable City Centre Zone Properties	**-**	**-**	**-**	**$995**
Mullewa GRV Mullewa Townsite	**$307**	**$321**	**$334**	**$384**
Mullewa GRV Pindar Townsite	**$80**	**$83**	**$90**	**$104**
Mullewa UV Agriculture General	**$228**	**$239**	**$250**	**$288**
Mullewa UV Mining	**$274**	**$287**	**$300**	**$345**

Comparative Rates Data

Information taken from the DOMAIN Property Research Report by Suburb
for the period March 2010 to March 2011

LOCAL AUTHORITY	MEDIAN HOUSE SALES TO MARCH 2011	2012/2013 MEDIAN GRV RESIDENTIAL	RATES PAYABLE	2012/13 R:$
Albany	$ 457,000	**15,600**	$ 1,472.45	9.4388
Swan (Beechboro)	$ 343,500	**20,540**	$ 1,448.07	7.0500
Bunbury	$ 467,500	**16,640**	$ 1,491.44	8.9630
Greater Geraldton	$ 362,500	**13,400**	$ 1,369.86	10.2228
Mandurah	$ 287,000	**16,120**	$ 1,298.37	8.0544
Wanneroo	$ 370,000	**20,280**	$ 1,510.86	7.4500





The tables above give a general understanding of where the City stands amongst the other local governments. This table does not highlight the variations in services that the other local governments provide and the extent to which these local governments service their respective communities. It is considered that to be able to manage the services that the City provides and to adequately maintain infrastructure assets, the City should review the level of increase in rating revenues to place the City at a level which is marginally higher than the median value of this suite of local governments in order to have a financially sustainable level of income.