

Cootamundra-Gundagai Regional Council

Special Rate Variation 2021

Current Proposal: 62.6 percent over five years, including the assumed rate peg.

The purpose of the SRV is to try to assure financial sustainability, with a view to maintaining service levels wherever possible, including planned asset renewals, in response to very significant cost pressures imposed by the May 2016 forced amalgamation and subsequent rate path freeze.

“Truth does not become more true by virtue of the fact that the entire world agrees with it, nor less so even if the whole world disagrees with it.”

Maimonides, The Guide for the Perplexed (1956 [1190])

I am fiercely independent.

How We Got to this Point:

- TCorp assessment in 2013:

Cootamundra = Satisfactory/Moderate

Gundagai = Moderate

- ‘Moderate :· A local government with an adequate capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term’ (TCorp, 2013).

How We Got to this Point

- From The Drew ([2016](#)) report to the BC on the CGRC proposal:

‘One might therefore conclude that even if the NSW Government projected savings were to materialise the amalgamated entity would still operate with inferior technical efficiency when compared with stand-alone levels’ (Drew, 2016, p. 7).

Figure A1. Median Efficiency of Queensland Councils 2004–2012

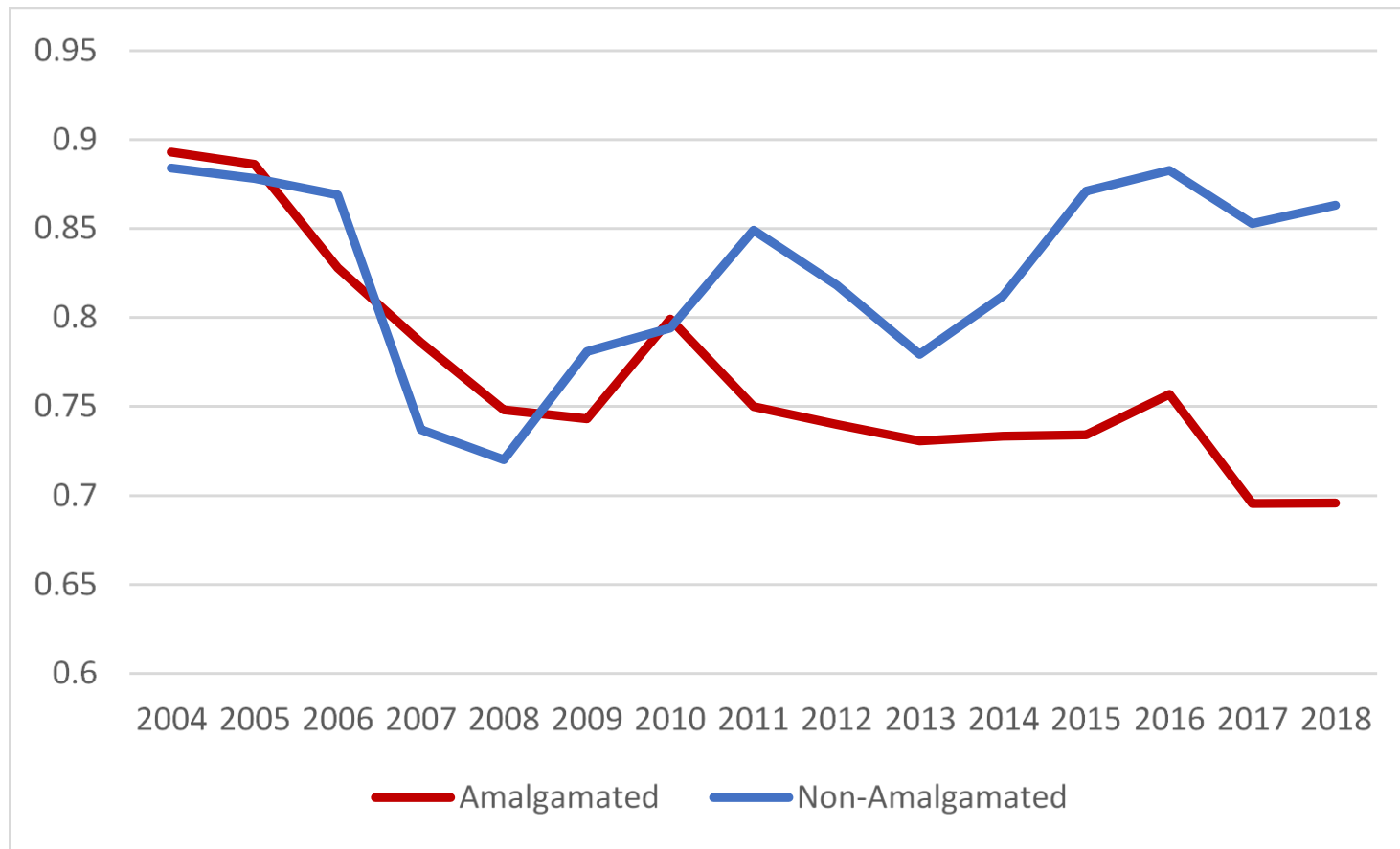


Table 3 Difference-in-Difference Regression Results: Total Expenditure per Assessment

An Update on my Recent Publication

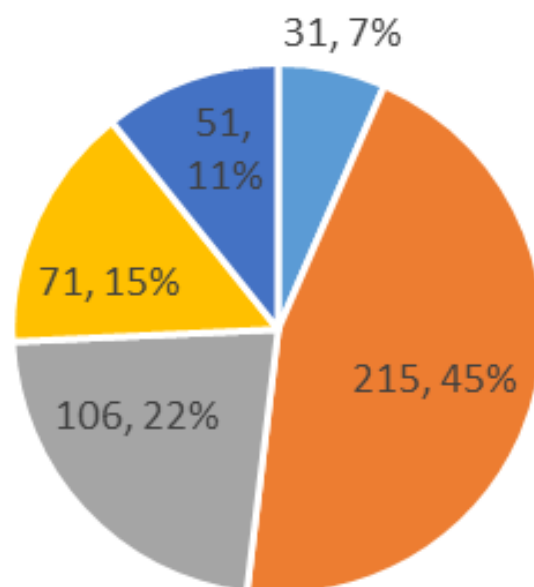
Unit Expenditure	1	2
DiD	0.089*	0.099**
	(0.036)	(0.037)
Rural		0.232
		(0.178)
Assess (ln)	-0.249*	-0.297*
	(0.108)	(0.111)
Density (ln)	0.010	0.094
	(0.091)	(0.118)
Total Grants (ln)	0.424*	0.449**
	(0.173)	(0.163)
Material controls	Yes*	Yes*
n	128	128
Coefficient of	0.8712	0.8746
Determination		

Tests for Financial Sustainability Ratios

Values in parentheses

	Own Source	Operating Performance	Debt Service	Building and Infrastructure Renewal	Infrastructure Backlog	Asset Maintenance
DiD	-6.325** (2.323)	-7.318** (1.409)	4.456 (5.619)	-23.076+ (19.281)	0.988 (1.370)	-7.097 (9.195)
Water and Sewer form	-12.140* (5.629)	-5.155 (5.415)	-12.237 (13.646)	13.677 (33.745)	6.546* (3.168)	-43.354* (19.918)
Assess (ln)	13.367** (4.321)	-4.232 (3.697)	-24.98 (15.597)	11.288 (27.461)	-0.331 (2.305)	-6.967 (10.738)
Density (log)	0.526 (3.560)	-0.371 (3.261)	7.768 (9.013)	-22.208 (23.438)	2.840 (2.241)	-1.809 (11.480)
Total Grants (ln)	-10.203 (8.113)	1.959 (4.976)	27.867 (17.425)	-1.749 (44.305)	-6.878+ (3.541)	27.796 (20.780)
Material controls	Yes*	Yes*	Yes*	Yes*	Yes*	Yes*
n	128	128	128	128	128	128
Coefficient of Determination	0.768	0.469	0.303	0.216	0.320	0.235

Satisfaction with Infrastructure



■ Number of 'very satisfied'

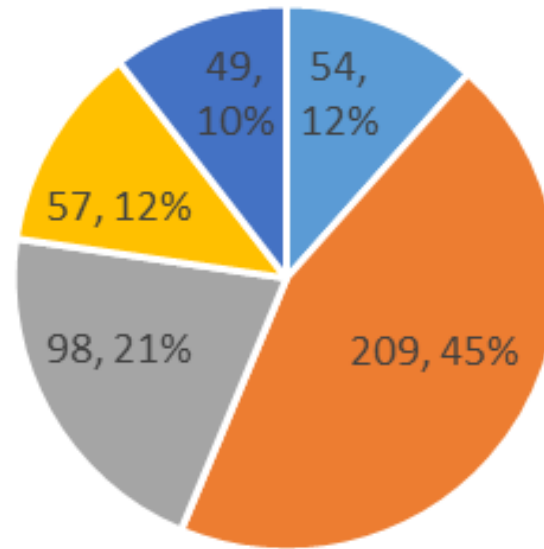
■ Number of 'satisfied'

■ Number of 'neither'

■ Number of 'dissatisfied'

■ Number of 'very dissatisfied'

Satisfaction with Services



■ Number of 'very satisfied'

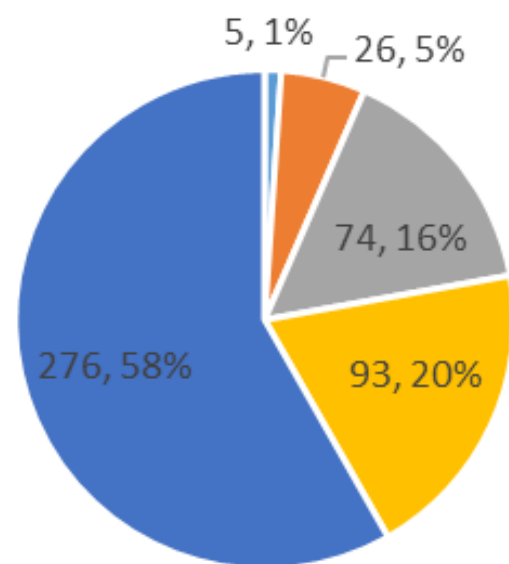
■ Number of 'satisfied'

■ Number of 'neither'

■ Number of 'dissatisfied'

■ Number of 'very dissatisfied'

Satisfaction with Amalgamation



- Number of 'very satisfied'
- Number of 'dissatisfied'
- Number of 'satisfied'
- Number of 'neither'
- Number of 'very dissatisfied'

Why We Need a Special Rate Variation (SRV)

Table 5. Cootamundra-Gundagai Operating Results (\$'000)

Financial Year	2016/17	2017/18	2018/19	2019/20
Revenue	48,635	31,777	42,835	41,196
Expenses	43,578	38,856	38,488	39,783
Operating Result Including Capital Grants	5,057	-7,079	4,347	1,413
Operating Result Excluding Capital Grants	-4,882	-9,376	-2,910	-6,248

Council elections September 2017

Internal restrictions

Plant and vehicle replacement	1,033
Employees leave entitlement	1,789
Incomplete works	–
Aerodrome bitumen resurfacing	166
Bradman's birthplace	64
Coolac bypass	–
Cootamundra caravan park	113
Development	593
Heritage centre	17
Merger implementation fund	–
Prepaid financial assistance grant	2,801
Quarries and pit restoration	1
Special projects	–
Saleyards	–
Swimming pool pump and equipment	–
Southern Phone Proceeds	<u>786</u>

What happens if we get the SRV (General Fund)?

	Operational Plan	Delivery Program	Delivery Program	Delivery Program	Long Term Financial Plan	Long Term Financial Plan	Long Term Financial Plan	Long Term Financial Plan	Long Term Financial Plan	Long Term Financial Plan
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Income from continuing operations										
Rates	7,653,564	9,107,741	10,747,135	11,284,491	11,848,716	12,441,152	12,752,180	13,070,985	13,397,760	13,732,704
Total Income	29,955,197	26,238,419	27,089,941	27,843,860	28,629,349	29,447,768	29,989,778	30,544,589	31,112,687	31,694,309
Expenses from continuing operations										
Total Expenses	28,062,008	28,374,106	28,412,007	28,959,500	29,525,058	30,106,911	30,713,129	31,333,092	31,967,130	32,615,579
Net Operating Result	1,893,189	(2,135,687)	(1,322,066)	(1,115,640)	(895,709)	(659,143)	(723,351)	(788,503)	(854,443)	(921,270)
Net operating result before grants and contributions provided for capital purposes	(3,419,865)	(3,701,337)	(1,893,372)	(1,692,659)	(1,478,498)	(1,247,761)	(1,317,855)	(1,388,952)	(1,460,896)	(1,533,788)
Unrestricted Cash	831,692	1,142,813	1,278,003	1,873,004	2,222,110	3,079,396	2,958,085	2,858,419	2,780,813	1,725,602
Percentage Increase		19.00%	18.00%	5.00%	5.00%	5.00%	2.50%	2.50%	2.50%	2.50%

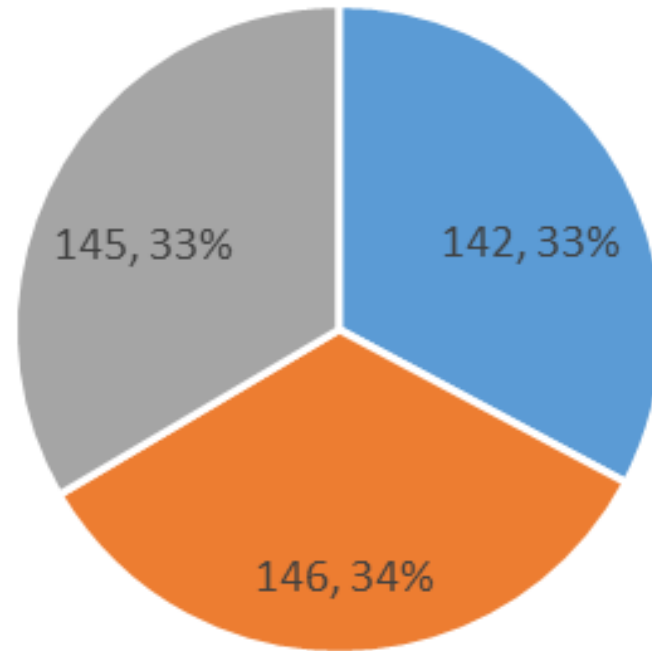
Additional Savings Committed by Council:

- Savings since 1 July 2020 = >\$2 million
- Further reductions in capital expenditure 2021/22 \$1 million
- Further reductions in staff expenditure \$500,000 from 2022/23 – then capped to grow at 2.56% p.a.
- If further savings than these can be made the full SRV may not have to be passed on.

Table 4. Impact on Total Rate Revenue of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%

Notional Rates Income	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
<i>Baseline Scenario</i>							
Total Notional Rates Income (\$) under Rate Peg with no SRV (removes existing SRV)	\$7,266,232	\$7,411,556	\$7,596,845	\$7,786,766	\$7,981,435	\$8,180,971	\$914,740
Annual Increase (%)		2.0%	2.5%	2.5%	2.5%	2.5%	12.6%
<i>Status Quo Scenario</i>							
Total Notional Rates Income (\$) Under Rate Peg with an Expiring SRV	\$7,653,564	\$7,806,635	\$8,001,801	\$8,201,846	\$7,981,435	\$8,180,971	\$527,407
Annual Increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
<i>Proposed SV</i>							
Total Notional Rates Income (\$) With both Expiring SV and Requested New SV	\$7,653,564	\$9,107,741	\$10,747,135	\$11,284,491	\$11,848,716	\$12,441,152	\$4,787,588
Annual Increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative Impact ON Notional Income of Proposed SV		\$1,454,177	\$3,093,571	\$3,630,927	\$4,195,152	\$4,787,588	
Difference between Proposed SV and Status Quo Scenario		\$1,301,106	\$2,745,333	\$3,082,645	\$3,867,280	\$4,260,180	

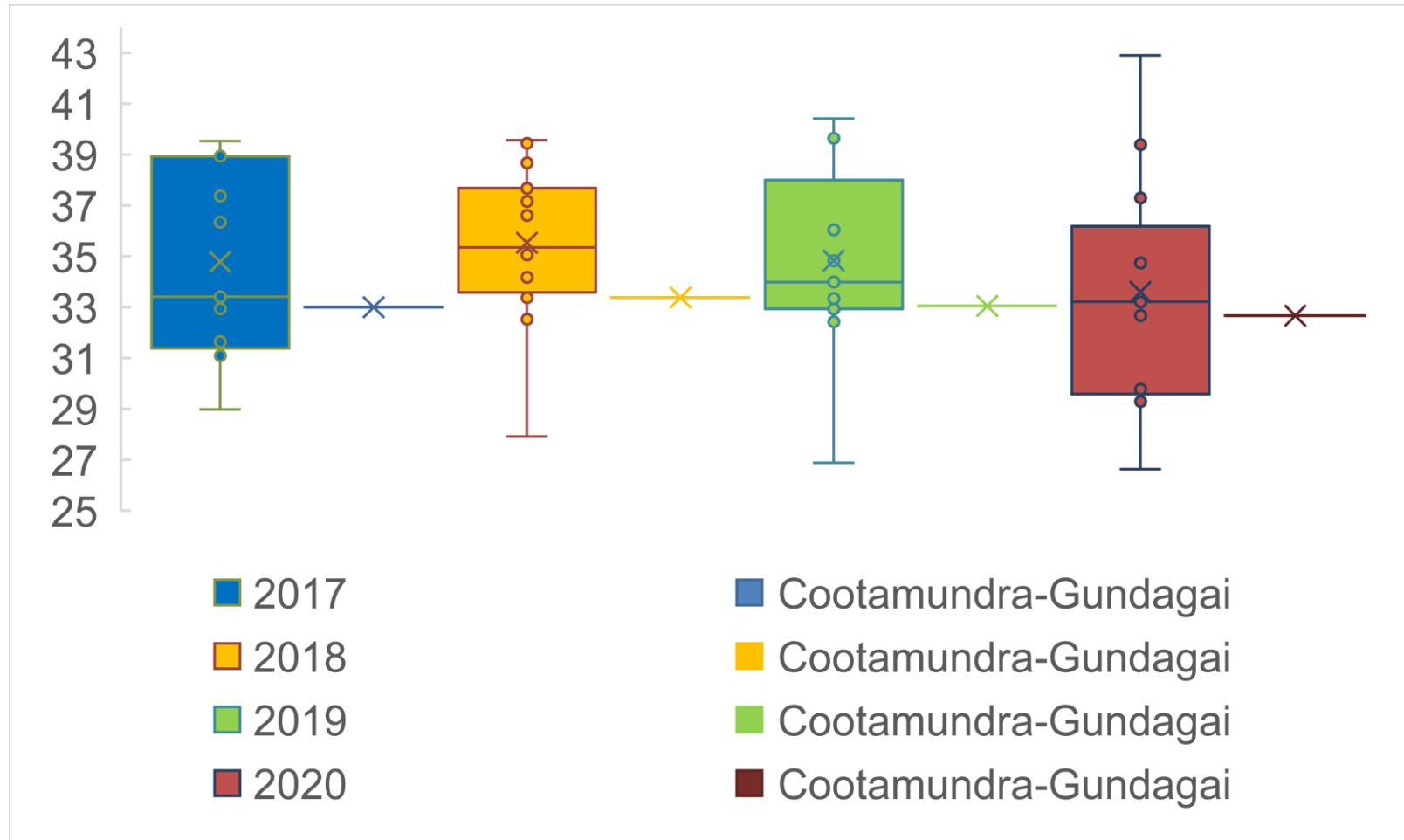
Preferred Option



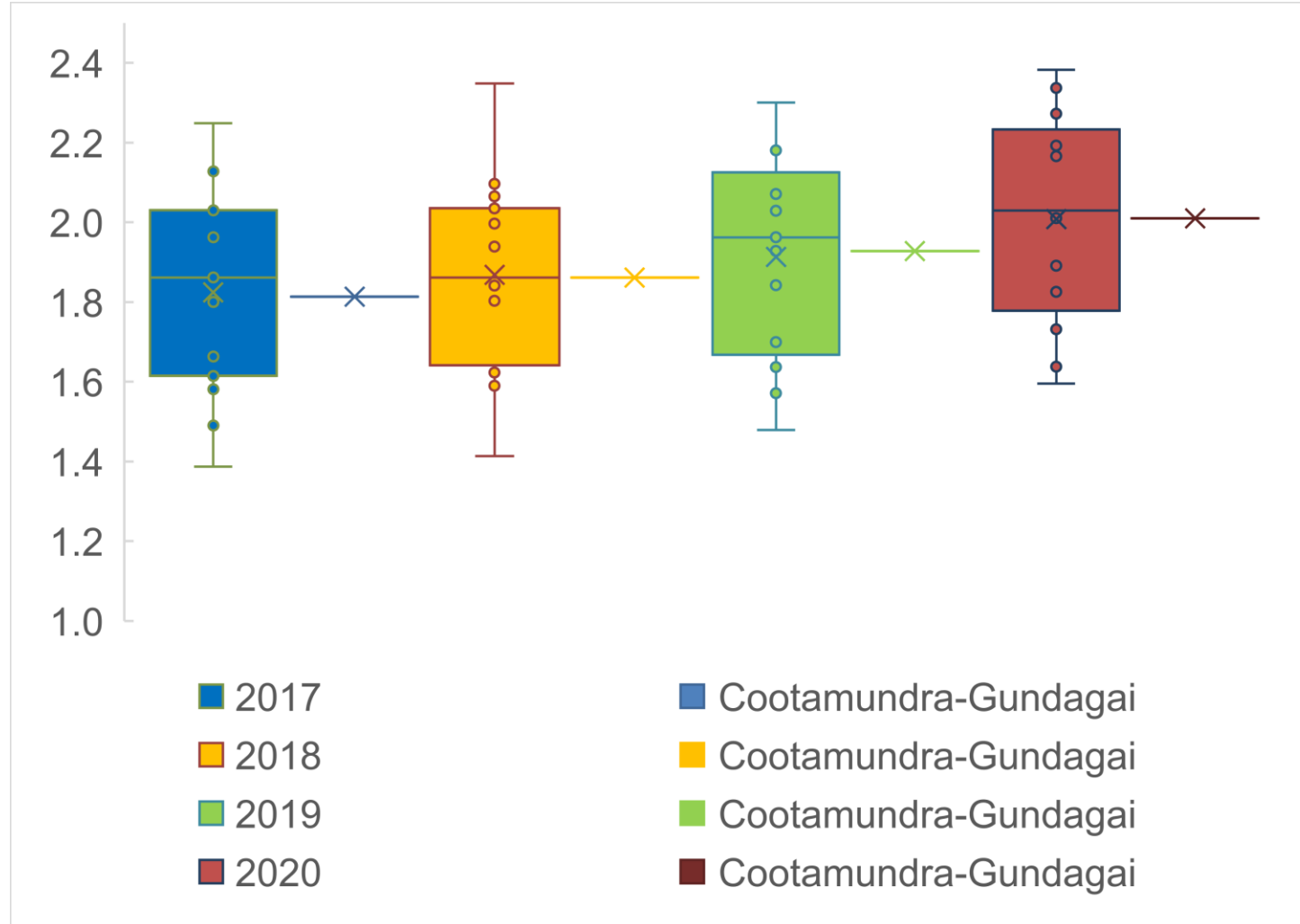
■ No new SRV ■ Reduce staff and expenses ■ Accept SRV

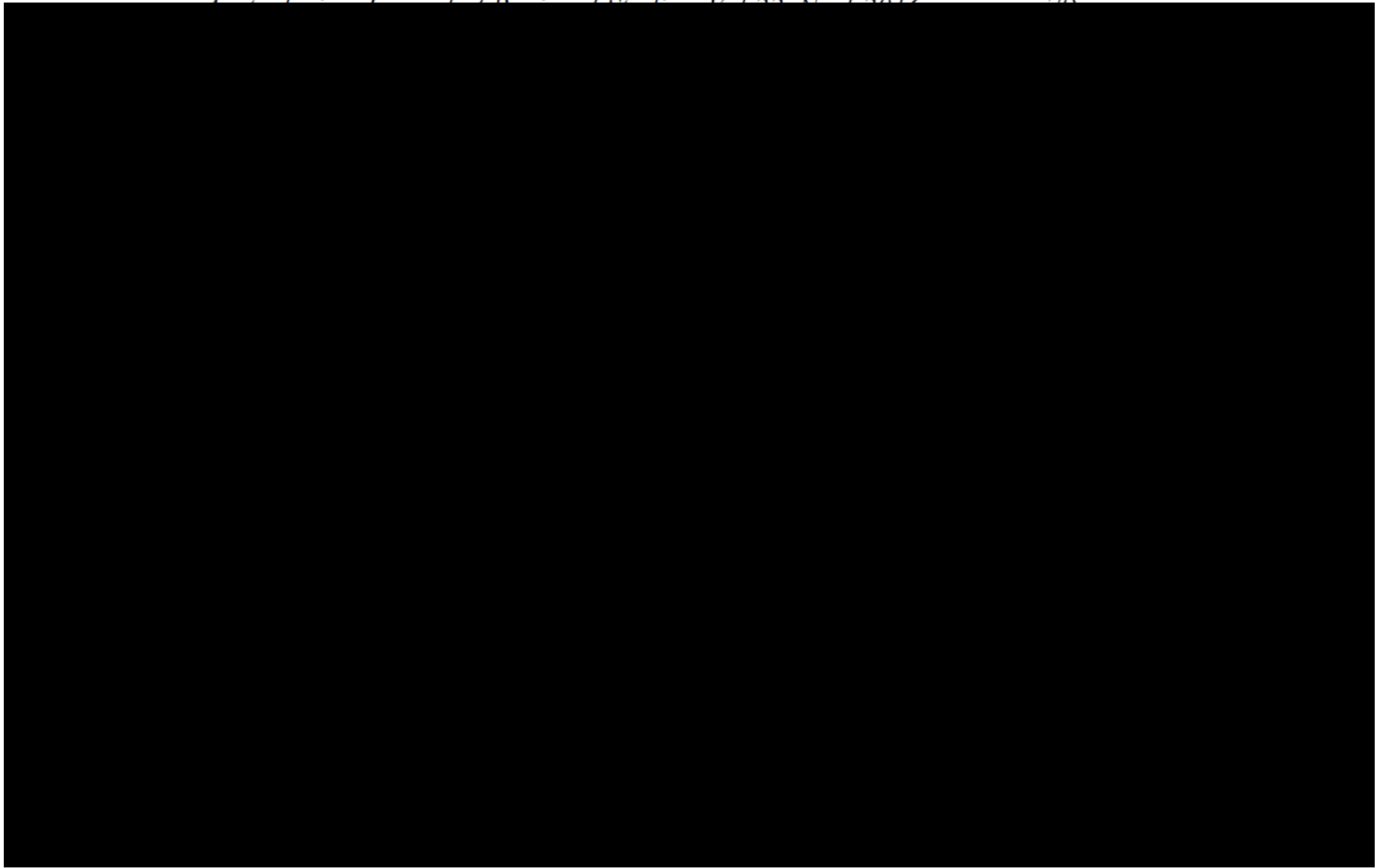
Reductions required 25% of staff or 30% of capex or a combination of the two.

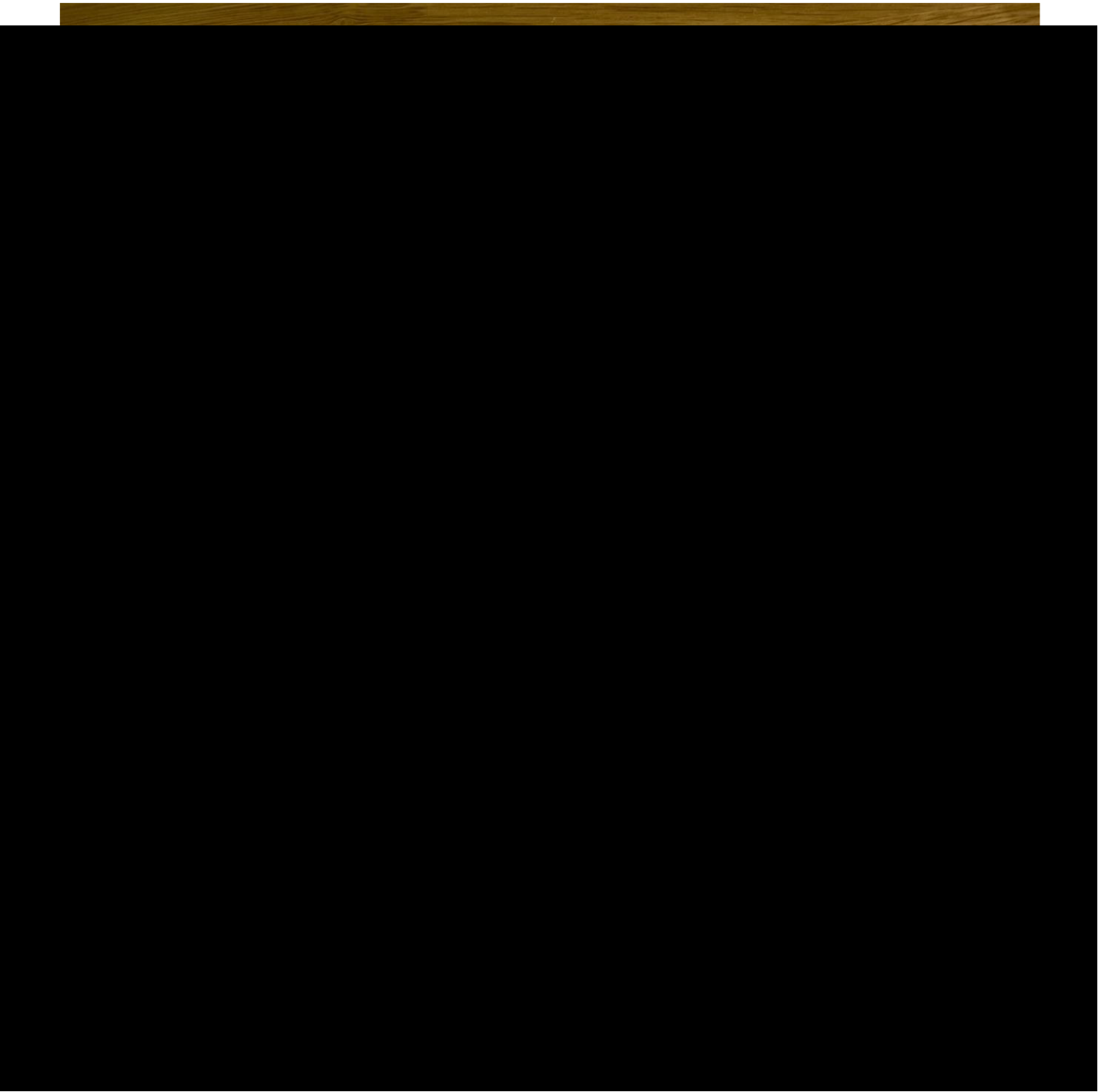
Proportion of Expenditure on Staff



Staff Expenditure Per Assessment







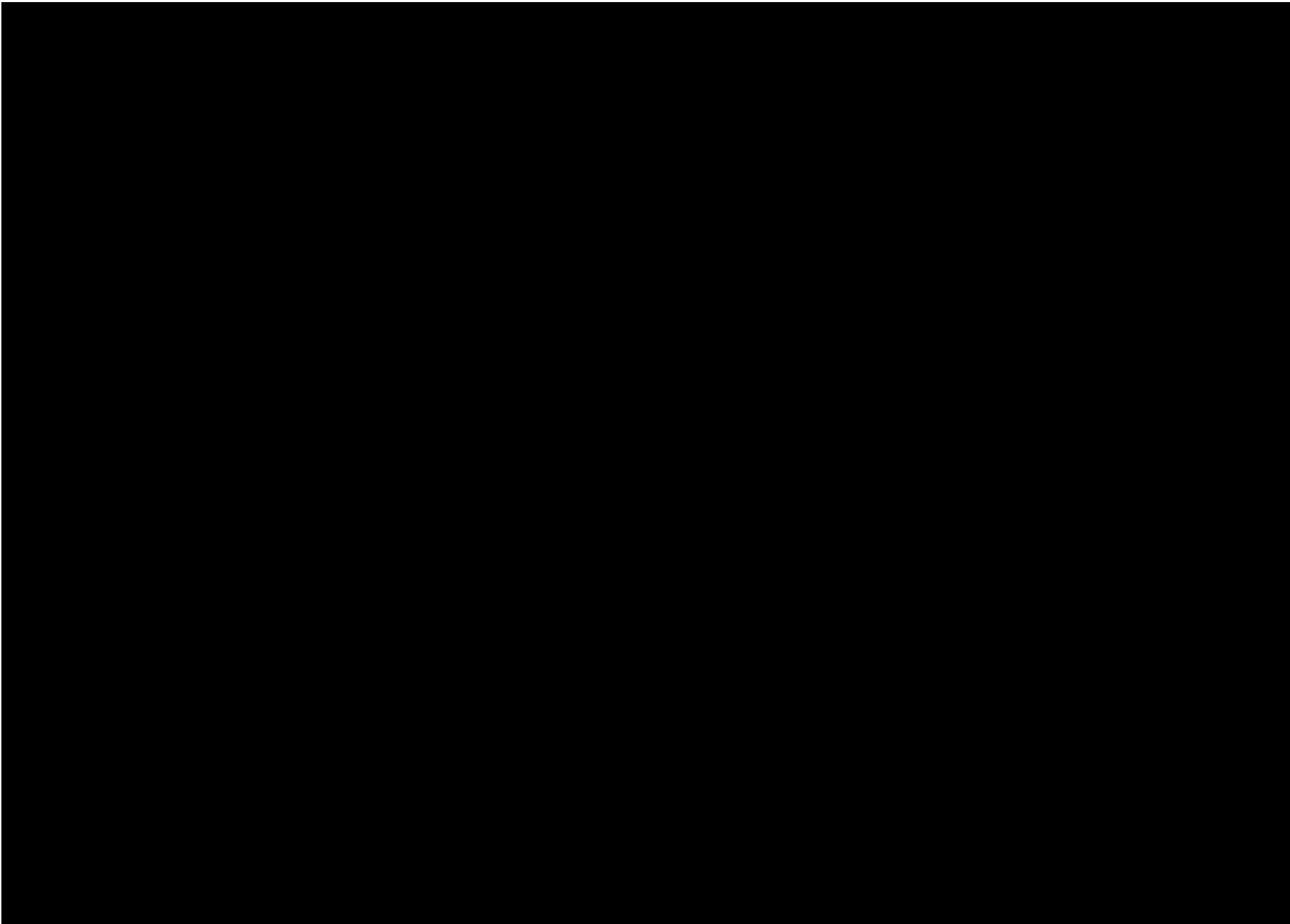
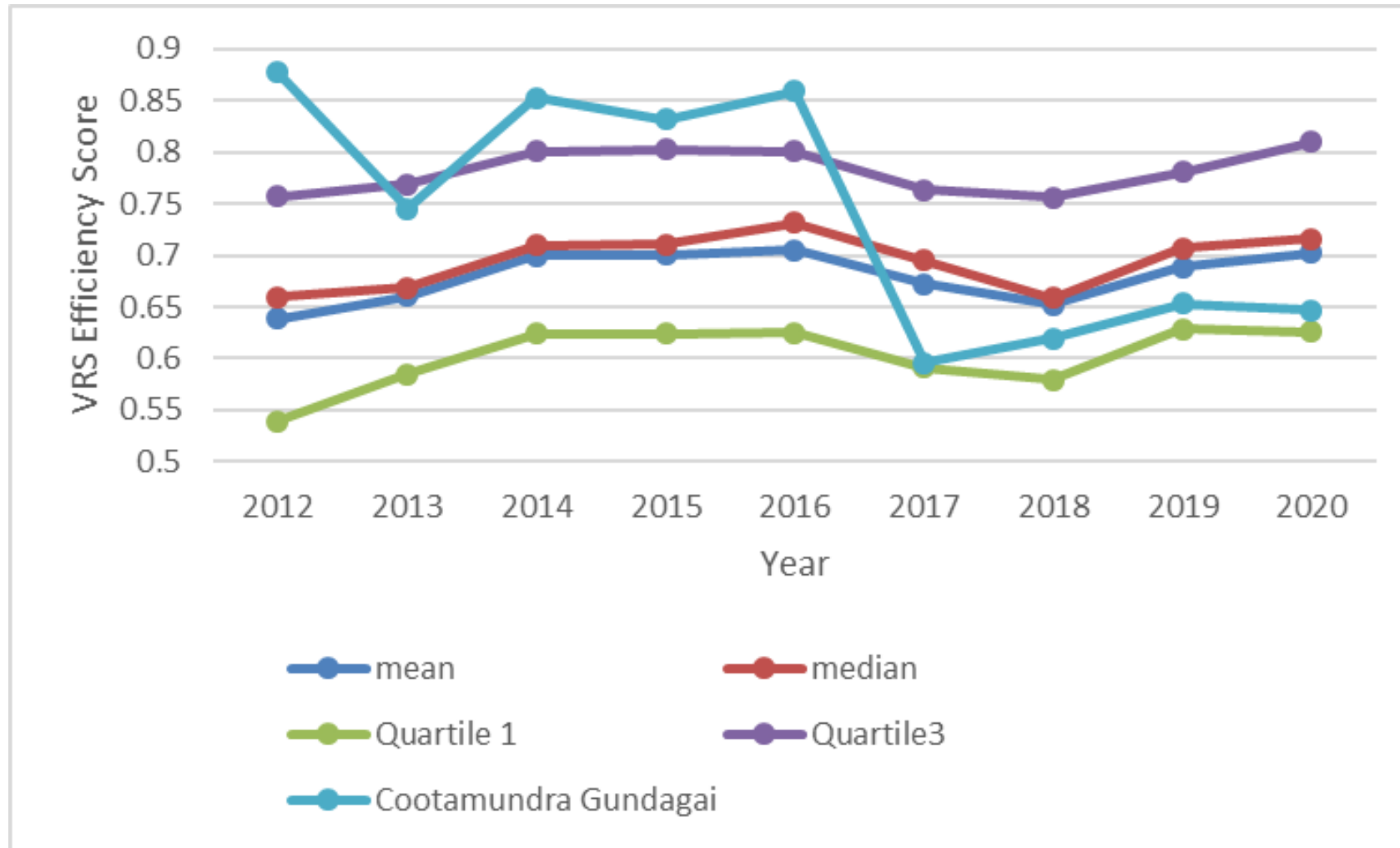
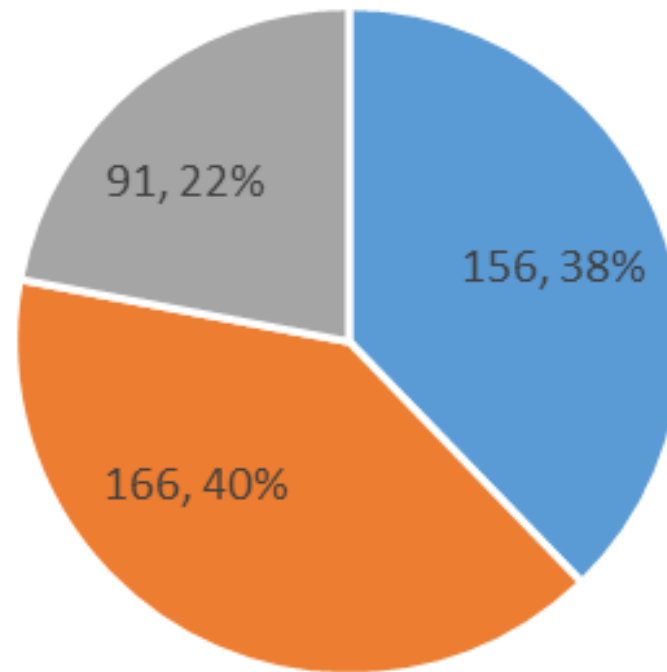


Figure 2. Relative Technical Efficiency of Cootamundra-Gundagai Compared to all NSW Rural Local Governments, 2012-2020.



How do Rates Compare?



■ Number of 'high' ■ Number of 'same' ■ Number of 'less'

Comparison of Average Rate Levels

Group	Residential	Farm	Business
OLG 9 (former Gundagai)	466.26	3,342.00	1,141.34
OLG 10 (former Cootamundra)	812.36	3,013.22	1,618.21
OLG 11 (Current Group)	981.64	3,466.63	2,245.98
Current Cootamundra-Gundagai Average Rates	\$675.00	\$2,900.00	\$1,560.00

Rate Harmonisation Report Table

Category	Base Rate	Ad Valorem	Total Notional Yield	Propo Base
Residential	\$307.11	0.005200771	\$3,239,256	43.9%
Farm	\$307.11	0.002211225	\$3,836,467	10.2%
Business	\$307.11	0.01274449	\$846,521	19.0%

Capacity to Pay

Figure 13. Median Equivalised Household Income (weekly)

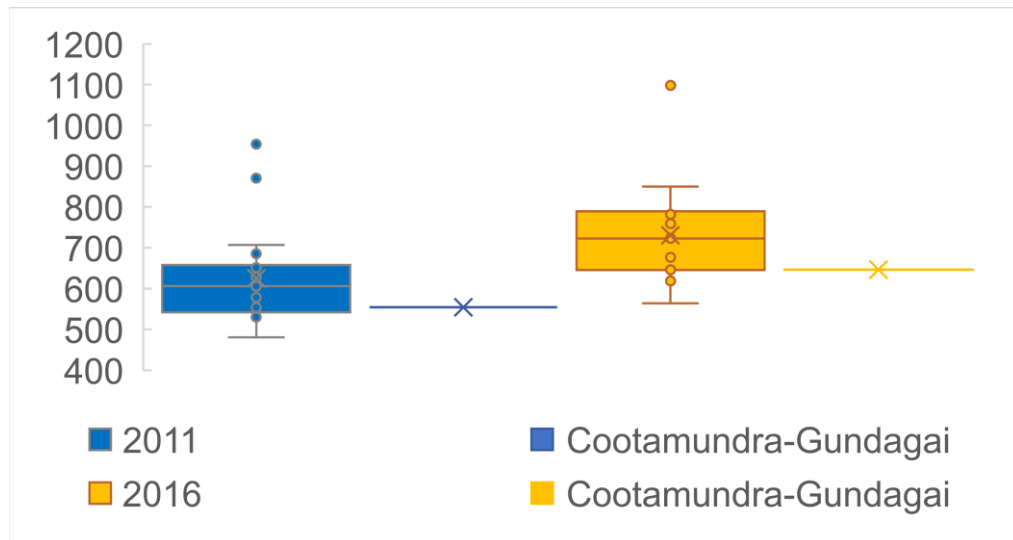


Figure 14. Household Stress (mortgage greater or equal to 30%)

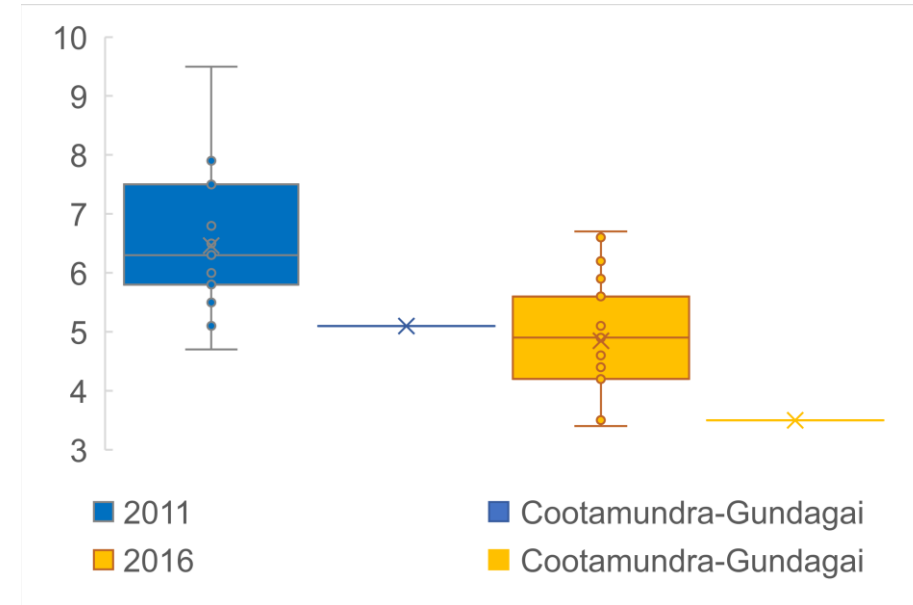
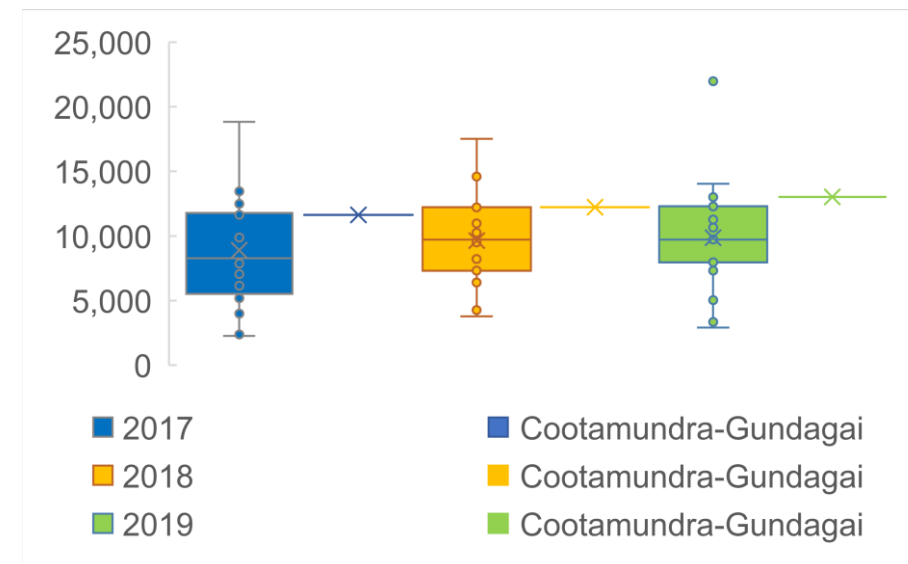


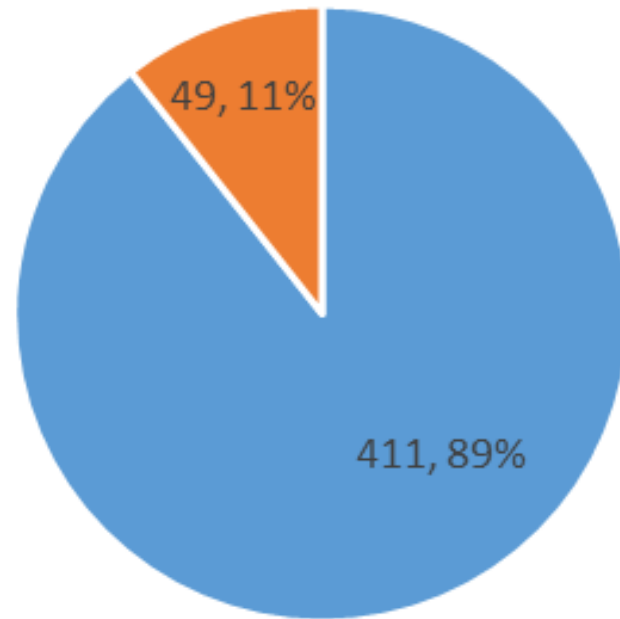
Figure 17. Median Unincorporated Business Income



$$R = \alpha + \beta_1 A + \beta_2 X + \mu.$$

Financial Year	Predicted Rate Capacity	Actual Rate Take
2018-19	11,381.5	6,797
2019-20	11,847.15	6,993
2020-21	13,265.9	7,653.6

Awareness of Effect on Average Rates



■ Yes ■ No

Table 2. Impact on Average Residential Rate of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%

	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
<i>Residential Category</i>							
Assumed rate peg with expiring SRV (Gundagai Main Street Upgrade)	\$675	\$689	\$706	\$724	\$704	\$722	\$47
Annual increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
Proposed SRV with Main Street SRV expiring 23/24 and SRV increases 19%, 18%, 5%, 9%, 5% over 5 years commencing 21/22 (including rate peg)	\$675	\$804	\$948	\$996	\$1,046	\$1,098	\$422
Annual increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative impact of SRV above Base year and expiry of Gundagai Main Street Upgrade SRV		\$128	\$273	\$320	\$370	\$422	
Difference between SRV and rate peg only scenarios		\$115	\$242	\$272	\$341	\$376	

Table 1. Impact on Average Farmland Rate of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%

Proposed Rates	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
<i>Farmland Category</i>							
Assumed rate peg with expiring SRV (Gundagai Main Street Upgrade)	\$2,900	\$2,958	\$3,032	\$3,108	\$3,024	\$3,100	\$200
Annual increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
Proposed SRV with Main Street SRV expiring 23/24 and SRV increases 19%, 18%, 5%, 9%, 5% over 5 years commencing 21/22	\$2,900	\$3,451	\$4,072	\$4,276	\$4,489	\$4,714	\$1,814
Annual increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative impact of SRV above Base year and expiry of Gundagai Main Street Upgrade SRV		\$551	\$1,172	\$1,376	\$1,590	\$1,814	
Difference between SRV and rate peg only scenarios		\$493	\$1,040	\$1,168	\$1,465	\$1,614	

Table 3. Impact on Average Business Rate of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%

	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
<i>Business Category</i>							
Assumed rate peg with expiring SRV (Gundagai Main Street Upgrade)	\$1,560	\$1,591	\$1,631	\$1,672	\$1,627	\$1,668	\$107
Annual increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
Proposed SRV with Main Street SRV expiring 23/24 and SRV increases 19%, 18%, 5%, 9%, 5% over 5 years commencing 21/22	\$1,560	\$1,857	\$2,191	\$2,300	\$2,415	\$2,536	\$976
Annual increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative impact of SRV above Base year and expiry of Gundagai Main Street Upgrade SRV		\$296	\$631	\$740	\$855	\$976	
Difference between SRV and rate peg only scenarios		\$265	\$560	\$628	\$788	\$869	

Other Survey Questions:

- Question 9: Conditions regarding Willingness to Pay

Most common = demerge

Other: state government should pay; comments about Councillors, Mayor, and Senior Staff; reduce staff; must keep staff.

Several people asked for new services or infrastructure improvements whilst also stating that the SRV was too high.

- Question 10: Feedback to Council and IPART

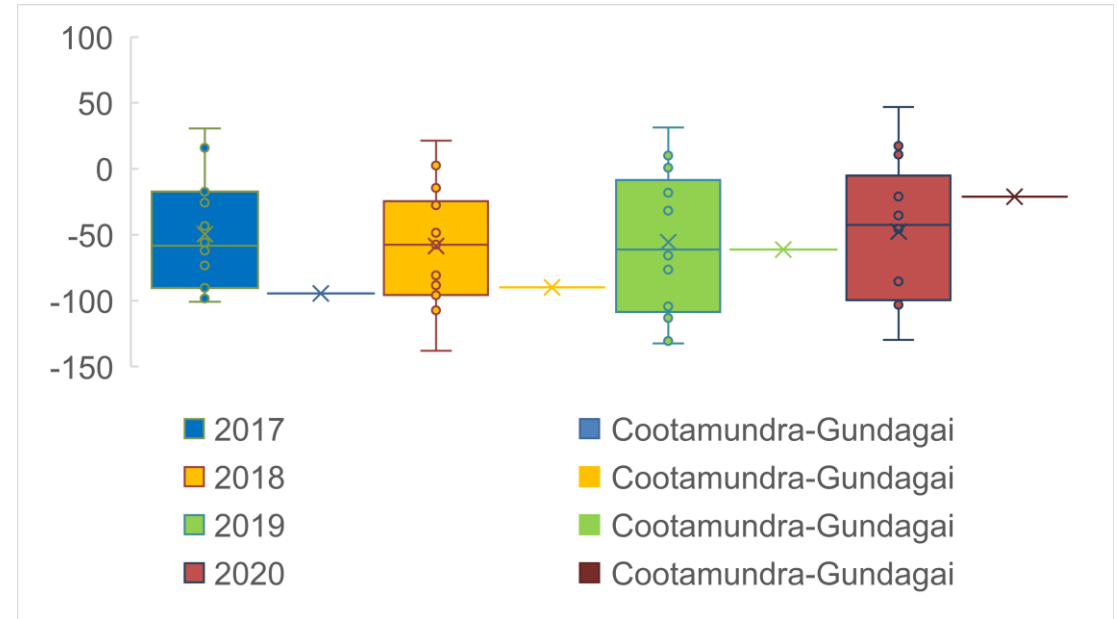
Most common: not fair for pensioners; not fair

Other: get rid of Councillors, Mayor, Staff

Why wasn't this discovered earlier?; Bad timing.

Other Options? Debt

Figure 2. Nett Financial Liabilities



$$\mathbf{B} = \alpha + \beta_1 \mathbf{A} + \beta_2 \mathbf{X} + \boldsymbol{\mu}.$$

The model predicts that a level of \$7.827 million would be comfortable for the 2019-20 financial year on a consolidated. This figure does not compare favourably to the current debt load of \$10.205 million.

Other Options? Efficiency

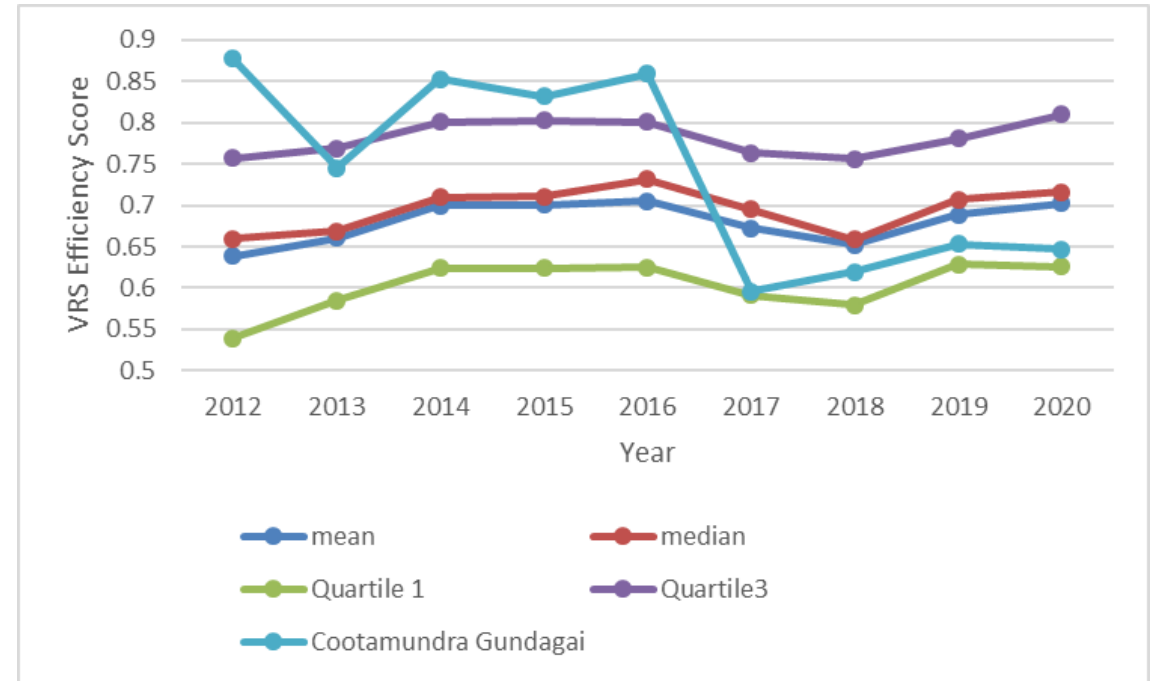
$$C = \alpha + \beta_1 S + \beta_2 L + \mu.$$

2020

Predicted CRS efficiency score = 0.559

Actual CRS efficiency score = 0.596

Figure 2. Relative Technical Efficiency of Cootamundra-Gundagai Compared to all NSW Rural Local Governments, 2012-2020.



Other Options?

- Changing when the increases hit and for how long
- More up front and shorter duration
- Longer duration with slightly smaller numbers
- The current balance is about right

Survey

- Please fill in new survey
- If you haven't filled in the old survey please do so also

Questions

Thank-you

Citizen Jury

This is a genuine negotiation

You will get to ask questions

You will see most of the material the Councillors have seen

At the end of this you will write a verdict. This will be publicly available, submitted to IPART, and a key tool for Council decision-making.

Order of Business for Citizen Jury (target completion time in parentheses)

1. Overview of the SRV (1115)
2. Establish Witnesses (and line them up for after lunch) (1120)
3. Review of need, capacity to pay, efficiency and debt as required (1145)
4. Status Quo and Proposed LTFP + play (1200)
5. Lunch (1200 till 1230)
6. Witnesses (1320)
7. SRV options – more detailed (1340)
8. Write verdict (1340 to 1400)

Some House Rules

Chatham House Rules

Please treat people with respect

Please ask questions

Witnesses Required?

Please provide names and approximate time for witnesses who will appear after lunch.

Citizen Jury Verdicts Required

1. Does the citizen jury agree with the need for a SRV?
2. Does the citizen jury agree with the size and timing of the SRV?
3. If not, what size and timing is preferred?
4. Are there any conditions on willingness to pay?
5. Were sufficient measures taken to ensure citizen awareness?
6. Feedback to Council.
7. Feedback to IPART.
8. Feedback to the NSW state government.
9. Did the jury feel it received appropriate access to information?
10. Was the jury presentation made in a fair and unbiased manner?
11. Was the quality of reports and information sufficient for forming an opinion?
12. Any other matter that the jury feels is important.
13. Signature of jurors.