



The Road to Financial Sustainability

Coffs Harbour City Council is proposing to seek approval from the Independent Pricing and Regulatory Tribunal (IPART) to increase land rates over the next three years. Whilst Council is mindful of the cost of living pressures being felt by all of our ratepayers, we are currently financially unsustainable and do not have the financial resources to continue delivering our current levels of service to the community.

How serious is the problem and how has the situation developed?

The "gap" to be bridged to a financially sustainable position is around \$8 million per year. The primary cause of this 'gap' has been State Government 'rate pegging' and Government 'cost-shifting' over several decades.

Council looks after around \$2 billion worth of public assets. Over many years, funding for repair and renewal of this infrastructure has gradually been reduced to fund other operational expenditure.



We need to spend an additional \$6.2 million every year repairing and renewing our infrastructure so it remains in a useable condition. The total backlog of infrastructure renewal is currently estimated at around \$77 million.

Modelling of Council's long-term financial position demonstrates that Council's costs have and will continue to increase faster than our revenue. An additional \$1.8 million per year in revenue is estimated to be required which, together with the additional funding for infrastructure results in the total \$8 million "gap" noted above.

What is Council doing to address the problem?

Council has undertaken an extensive internal review of all its services to see how they can be further improved and made as cost-effective as possible.

In addition, a 'Transformation to Sustainability' (T2S) project is underway that will assist in driving service improvements we have identified and continuing the pursuit of further improvements to services in terms of cost-effectiveness and productivity.

Results of Community Feedback on Service Delivery

Council recently sought community feedback via an online survey tool (the Budget Allocator) to help us understand which services the community was prepared to see cut and/or whether they were willing to pay more (via rates) to keep or improve some services.

The results of this survey indicate the community is happy with the services Council delivers and wants to see them maintained at their current levels. This reflects the community survey we did in 2012, which showed that the majority of the community expressed satisfaction with the level of service provided by Council.

The Funding Proposal (Rate Increase)

The fundamental question remains - how do we pay for the services the community wants? Like any household, we cannot spend more than we earn. It is not sustainable.

To maintain services at the current levels that the community wants, Council is proposing to increase rates above the allowable State Government increase (rate peg) over three years. As shown below, the proposed rate increase will yield an additional \$6.2 million (approximately) above the projected rate peg in 2016/17.

Approximate Ordinary Rate Yield Comparisons

Ordinary Rate Yields (With Rate Peg Increases Only)	2013/14	2014/15	2015/16	2016/17
Ordinary Rate Yield	\$36.1M	\$36.9M	\$38M	\$39.2M
Ordinary Rate Yield Increase		\$0.8M	\$1.1M	\$1.2M
Ordinary Rate Yield (Rate Peg + Additional Proposed Rate Increases)	2013/14	2014/15	2015/16	2016/17
Ordinary Rate Yield	\$36.1M	\$38.9M	\$42.05M	\$45.45M
Ordinary Rate Yield Increase		\$2.8M	\$3.15M	\$3.35M
Additional Funds for Asset Maintenance & Renewal		\$2M	\$2.05M	\$2.15M
Additional Funds Allocated to Asset Maintenance & Renewal		\$2M	\$4.05M	\$6.2M

This proposed permanent rate increase, to be used to meet a sustainable level of funding for asset maintenance and renewal, would see the total annual rate bill for the average residential property increase by approximately 5% per year for the three years.

Please refer to the tables below for proposed rate impacts for the average residential property.

Our Invitation to You

The next stage of consultation is seeking your feedback on Council's proposed rate increase to 'bridge the gap' to financial sustainability. Council has established a short online survey which can be found using the **Rate Rise Survey** button found on the front page of Council's website www.coffsharbour.nsw.gov.au

The online survey is open until 24 January 2014. If you would like to see quality infrastructure renewal and sustainable service delivery for the community, you can assist by making a supportive submission to Council. This will assist should Council pursue an additional rate increase above the annual rate peg for the next three years. Hard copy surveys can also be obtained from Council's main Administrative Centre and local libraries.

Further information on Council's financial situation and the means by which Council is working towards becoming financially sustainable can be found at www.coffsharbour.nsw.gov.au/financialsustainability

Council will need to resolve by mid-February 2014 whether or not to submit an application for a rate increase to IPART. This decision will be based on your input. The due date for an application to IPART is 24 February 2014.

Proposed Residential Rate Impacts

- Projected Rate Increase for the next 3 Years (with Rate Peg Increase Only)
- Average Residential Property (Based on a land valuation of \$183,700)

Rates & Charges	CURRENT	Year 1		Year 2		Year 3		3 Year Compound Increase from 2013/14				
	2013/14	2014/15	Increase Year 1	2015/16	Increase Year 2	2016/17	Increase Year 3	(%)	(%)			
Residential Ordinary Rate	930.65	952.58	21.93	2.36%	981.11	28.53	3.00% **	1,010.52	29.41	3.00% **	79.88	8.58%
Environmental Levy	38.31	39.22	0.91	2.38%	40.41	1.19	3.03%	41.62	1.21	2.99%	3.31	8.64%
Sewer, Water, Waste & Stormwater Charges	2,118.50	2,197.50	79.00	3.73%	2,280.50	83.00	3.78%	2,364.50	84.00	3.68%	246.00	11.61%
Totals	3,087.46	3,189.30	101.84	3.30%	3,302.02	112.72	3.53%	3,416.64	114.62	3.47%	329.19	10.66%
Increase per Week (\$)			1.96			2.17			2.20		6.33	

The Rate Peg for 2014/15 has been set at 2.3%. **An estimated Rate Peg of 3% has been used for 2015/16 & 2016/17.

The Rate Peg % does not apply to Sewer, Water, Waste or Stormwater charges. Water charges include 250 KL of water usage for a year.

- Projected Rate Increase for the next 3 Years (with Rate Peg + Proposed Additional Rate Increase)
- Average Residential Property (Based on a land valuation of \$183,700)

Rates & Charges	CURRENT	Year 1		Year 2		Year 3		3 Year Compound Increase from 2013/14				
	2013/14	2014/15	Increase Year 1	2015/16	Increase Year 2	2016/17	Increase Year 3	(%)	(%)			
Residential Ordinary Rate	930.65	1,006.03	75.39	8.10%	1,089.67	83.64	8.31%	1,175.81	86.14	7.91%	245.17	26.34%
Environmental Levy	38.31	39.22	0.91	2.38%	40.41	1.19	3.03%	41.62	1.21	2.99%	3.31	8.64%
Sewer, Water, Waste & Stormwater Charges	2,118.50	2,197.50	79.00	3.73%	2,280.50	83.00	3.78%	2,364.50	84.00	3.68%	246.00	11.61%
Totals	3,087.46	3,242.75	155.30	5.03%	3,410.58	167.83	5.18%	3,581.93	171.35	5.02%	494.48	16.02%
Increase per Week (\$)			2.99			3.23			3.30		9.51	

For proposed impacts on the average non-residential property (Farmland, Business and Business-City Centre) please refer to Council's website at www.coffsharbour.nsw.gov.au/financialsustainability or contact Council on (02) 6648 4000.

