



ATTACHMENT 2

Supplementary Delivery Program

December 2014

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our city | our future

SUSTAINABLE BLUE MOUNTAINS

SUPPLEMENTARY DELIVERY PROGRAM December 2014

Including three possible options for
Resourcing Our Future



Blue Mountains City Council acknowledges that the City of the Blue Mountains is located on the traditional lands of the Darug and Gundungurra peoples. In addition, Blue Mountains City Council recognises the unique position Aboriginal people have in the history and culture of the Blue Mountains. It is acknowledged that Aboriginal peoples in the Blue Mountains have strong and ongoing connections to their traditional lands, cultures, heritage and history. Aboriginal people are recognised as the "Traditional Owners of the land" and it is important that this unique position is incorporated into Council's community protocols, official ceremonies and events.



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1. Introduction

1.1 About this Delivery Program

This interim and supplementary *Delivery Program* is an updated version of last year's *Delivery Program 2013-2017*. This revision of the *Program* was developed for the purpose of community engagement on "Resourcing our Future" and for the Council's application to IPART on a special variation to rates. It has been developed in response to the resourcing strategies proposed in the *Resourcing Strategy 2014-2024*.

The *Delivery Program* presents the Council's level of commitment in response to implementing the priorities and aspirations of the Blue Mountains community as expressed in the City's community strategic plan – *Sustainable Blue Mountains 2025*.

Section 1 introduces the Program and outlines the key commitments for 2013-2017.

Section 2 of this document provides an overview of the resourcing context for the Program, including the Council's six key financial strategies to improve its financial position and the proposed funding options. This section also outlines the community engagement process and outcomes.

Section 3 presents an overview of three funding options and their impact on the level of service delivery over the next four years.

Section 4 presents the financial information supporting the Delivery Program, including the Budget Estimates, Rates and Annual Charges Statement, and Borrowings Statement, for three funding options.

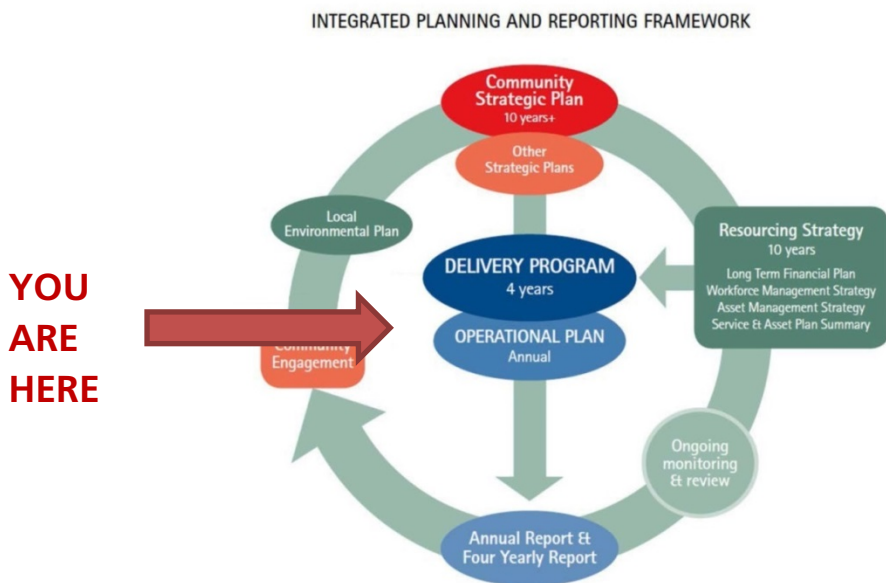
A note on the rate peg

At the time of publication and public exhibition of this document, each of the proposed options for Resourcing Our Future assumed a rate peg of 3.0% per annum over the 10 years of the Long Term Financial Plan. This estimate was made given historical rate pegs, recent reductions in the rate peg and indications of future rate pegs. An announcement has recently been made to set the rate peg for 2015-2016 at 2.4%. There is no impact to overall revenue under Option 1 or Option 2 as a result of this rate peg announcement, since the Council would be seeking a special variation in 2015-2016 under both of these options. There is, however, an increase to the additional revenue available as a result of the special variation under both of these options.

In regards to Option 3 (baseline scenario), the announcement results in slightly less revenue under this option due to the lower than expected rate peg. The tables and figures in this document still reflect the assumed rate peg of 3.0% for 2015/16, which was our best estimate at the time of publication.

A note on the financial periods presented

Under Integrated Planning and Reporting legislation, the Delivery Program needs to align with the term of the elected Council. As well as presenting the final two financial years of the 2013-2017 period, 2015-2016 and 2016-2017, this Supplementary Delivery Program also includes financial projections for the next two financial years, 2017-2018 and 2018-2019. These additional two years have been added to demonstrate the impact of the different funding options over a four year period.



1.2 Four Year Council Commitments & Outcomes

The following four-year Council commitments and outcomes, which support implementation of our community strategic plan – *Sustainable Blue Mountains 2025* – are guiding Council’s service delivery actions:

| | |
|--|--|
| | Providing civic leadership and advocating on behalf of our community |
| | A financially sustainable Council living within our means |
| | Responsibly managing our assets within available resources using a risk based approach |
| | Reviewing and providing affordable and value for money services |
| | Retaining the character and improving the look, feel and liveability of our towns and villages |
| | Maintaining the values and outcomes of our current planning instruments |
| | Completing our major projects, particularly the Blaxland Resource Recovery and Waste Management Facility and the Blue Mountains Community and Cultural Facility – Springwood |
| | Reducing waste going to landfill and reducing our CO2 emissions |
| | Strengthening our governance and risk management |
| | Working together effectively as one organisation |

1.3 The Services Delivered by Council

Council delivers the following services that contribute to the Key Directions of the Community Strategic Plan – *Sustainable Blue Mountains 2025*. Some services contribute to multiple Key Directions. They are presented under their primary Key Direction.



LOOKING AFTER ENVIRONMENT

- Natural Environment;
- Waste Resource Management; and
- Water Resource Management.



USING LAND

- Burials and Ashes Placement;
- Building Certification;
- Land Use Management; and
- Town Centres.



MOVING AROUND

- Transport and Public Access.



LOOKING AFTER PEOPLE

- Aquatic and Leisure Centres;
- Community Development;
- Cultural Development;
- Emergency Management;
- Environmental Health and Regulatory Compliance;
- Family Day Care;
- Libraries and Information; and
- Sport and Recreation



SUSTAINABLE ECONOMY

- Commercial Activities: Caravan Parks, Commercial Property Portfolio, Roads and Maritime Service; and
- Economic Development and Tourism.



CIVIC LEADERSHIP-GOOD GOVERNANCE

- Asset Planning, City-Wide Strategic Planning;
- Corporate Strategic Planning and Reporting;
- Governance and Risk, Finance Management;
- Corporate Communications and Marketing;
- People and Safety; and other operational support services.



2. Resourcing the Delivery Program

2.1 Building a successful future for the Blue Mountains

The update of *Sustainable Blue Mountains 2025 (SMB 2025)* was based on extensive research and analysis as well as a comprehensive program of community engagement, including resident forums and workshops with special needs groups.

The *Resourcing Strategy 2013-2023* identifies the resources that the Council has available to it for implementing the *SBM2025* priorities. In 2013, the *Resourcing Strategy* publicised a landmark initiative to address financial sustainability of the Council and to better resource the continued implementation of *Sustainable Blue Mountains 2025*.

The *Resourcing Strategy* contains Six Strategies for Financial Sustainability; namely:

1. Avoid shocks
2. Balance the budget
3. Manage borrowings responsibly
4. Increase income
5. Review and adjust services
6. Increase advocacy and partnerships

Sustainable Blue Mountains 2025 (SBM2025) adopted in June 2013 aligns with the *Resourcing Strategy* goals of financial sustainability. The *SBM 2025* specifically states in Objective 6.1 of the plan that:

The Council lives responsibly within its means and strengthens its financial sustainability

- a) *Strengthen the financial sustainability of the Council through implementing the Long Term Financial Plan and its strategies*
- b) *Engage with the community to achieve affordable and acceptable levels of service – including possible renewal of the existing environmental levy and further rate variations to enable delivery of priority projects*
- c) *Seek and facilitate the contribution of other levels of government to resourcing the implementation of Sustainable Blue Mountains objectives and strategies*
- d) *Identify and implement innovative and creative solutions to strengthen the financial sustainability of the Council and the City*

To continue to provide acceptable and affordable services for Blue Mountains residents and visitors into the future, the Council has taken a strong leadership role in seeking extensive community engagement on three rating options for *Resourcing Our Future*. These options are informed by a current update of the *Resourcing Strategy 2014-2024*, and are further discussed in detail in Section 3 of this Delivery Program.

2.2 Resourcing our future

Council delivers a wide range of services to a population of 78,000 residents across one of the largest Local Government Areas on Sydney's fringe.

Financial challenges facing NSW councils are that costs are rising faster than revenue because of NSW State Government rate pegging, and cost shifting from other levels of government. In addition, councils only collect approximately 3% of total tax revenue, but have responsibility for provision of 36% of built assets and infrastructure (much of which is old and in need of renewal and upgrade).

BMCC also has a number of additional challenges, including:

- Provision of services across 27 settlements over 100kms of mountainous ridgelines, which necessitates the duplication of services and facilities, to ensure the vast majority of the community has reasonable access to these services.
- Additional expenses arising for emergency management responsibilities, as the area is prone to costly natural disaster, especially bushfires and storms.

- Additional expenses due to its location adjacent to World Heritage Listed National Park, involving costly measures to reduce the impacts of settlement on the natural environment.
- Additional expenses due to area being a major tourism destination (which a mainstay of the local economy).
- Limited opportunity for new property rating revenue, due to low levels of population growth, and constraints to urban expansion because the City is surrounded by a World Heritage National Park.
- Resident expectations for high levels of service as the City is located adjacent to the Sydney metropolitan area.

Despite these challenges, ratepayers receive good value for their rating dollar from the Council – for every rating dollar paid the Council at least matches it with funding from other sources including grants and fees and charges. The key issue for the Council and its community is that operating costs exceed revenue by about \$1 million to \$2 million each year. The Council balances its annual budget each year by reducing expenditure and over the last eight years has achieved over \$13 million in savings from direct action to reduce costs.

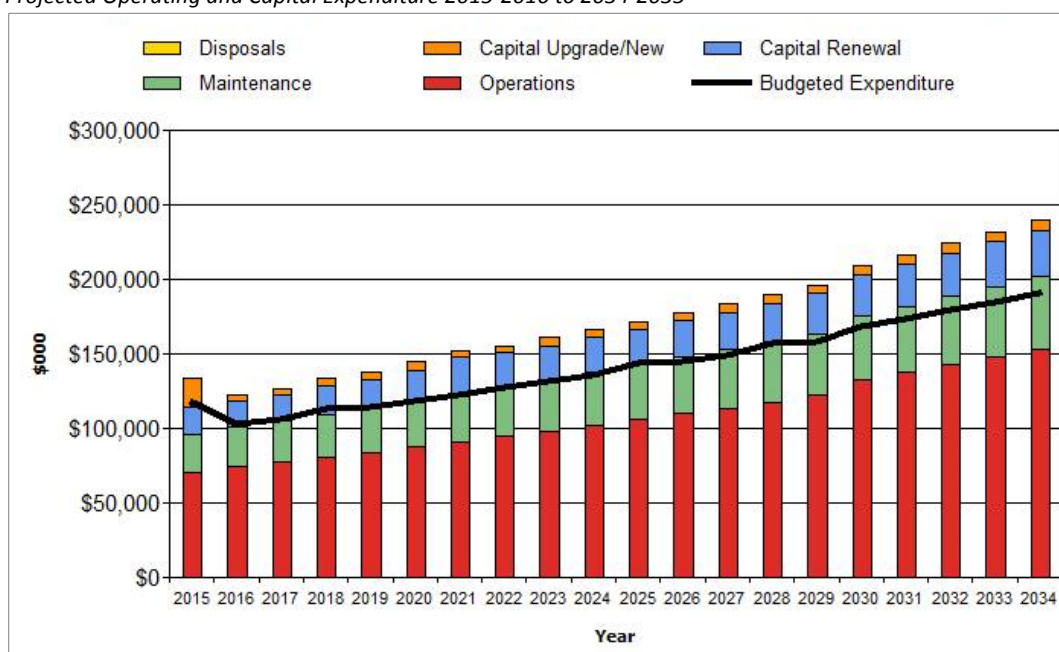
However, the Council cannot continue this practice of expenditure containment into the future without a direct and indirect reduction in service levels to the community and significant deterioration in the condition of assets. The Council will live within its means and responsibly manage any risks associated with doing this.

In addition increasing difficulties of balancing the annual cash budget, the Council also has a significant Operating Result deficit (including depreciation and excluding capital grants). This deficit was -\$4.9 million in 2012-2013 and over -\$13 million in 2011-2012. This deficit highlights that the Council does not have the required revenue to fund its operations including in particular the renewal requirements of its built assets.

For the Council to be sustainable into the future, its operating revenues must cover operating costs, including the funding required to maintain and renew built assets. Ideally, the Council's Operating Result should be in surplus. The main issue for the Council and the City is addressing the projected infrastructure funding shortfall.

The figure below shows the Council's estimated funding gap in managing all of its services and assets over the next 20 years. The projected available revenue is shown by the black line on the chart. The bars for each year show the projected requirement for expenditure on operations, maintenance, renewal and upgrade. Over the next 20 years the chart reveals a funding shortfall between expenditure requirements and expected revenue. In other words, the Council does not have the ability to keep pace with the funding requirements of its \$1 billion worth of built assets.

Projected Operating and Capital Expenditure 2015-2016 to 2034-2035



When built assets are left to deteriorate, particularly in major asset classes such as roads, investment to restore those assets can often be far more costly than regular asset maintenance and renewal programs. This also applies to the natural environment, which if allowed to deteriorate, cannot easily be brought back to a healthy state without significant additional investment. The Council is responsible for managing significant natural assets, including approximately 10,000 hectares of bushland and over 300kms of waterways. While these cannot be easily “valued” or depreciated in the same way as built assets, the Council also has insufficient resources to fully address the funding required to look after these natural assets.

In responding to *Sustainable Blue Mountains 2025*, and to address the City’s financial challenges as outlined in section 2.2 above, the Council has prepared a new 10-year *Resourcing Strategy 2014-2024*. This strategy informs the resourcing – the finances, assets, workforce and services – required to deliver the *Delivery Program*.

The *Resourcing Strategy 2014-2024* highlights that if the Council does not proactively address its financial challenges, that by 2024 the level of funds available would see a declining built and natural asset condition and significant reduction in current levels of service generally. There would also be a significant deterioration in key financial performance indicators including the Council’s projected deficit Operating Result.

2.3 Implementing our six financial strategies

The Council has taken initiative and leadership in developing a *Six Strategies for Financial Sustainability* over the next 10 years. Implementing this Strategy is critical to building a successful future for our City.

Six Strategies for Financial Sustainability



Strategy 1: Avoiding Shocks

The Council is proactively implementing financial planning to ensure we live responsibly within our means, manage risks and prioritise resources to achieve best outcomes. By managing and making appropriate adjustments for increases in costs or decreases in revenue, this strategy positions the City to better withstand costly unexpected events (such as the devastating October 2013 bushfires) and continue to deliver quality services that meet community needs.

Strategy 2: Balancing the Budget

This strategy involves balancing the cash budget each year and over 10 years balancing the Operating Result (including depreciation and excluding capital grants). Given that costs are rising in real terms by 2% more than income, the Council is taking action to balance its budget each year through cost containment and achieving significant productivity and cost savings. Over \$13 million in savings has been achieved over the past 8 years.

A detailed review of the Council’s approach to asset valuation and depreciation during 2012-2013 resulted in a reduction in depreciation of \$15 million – a significant positive impact on future year’s operating results and a result of significant asset planning work.

Strategy 3: Managing borrowings responsibly

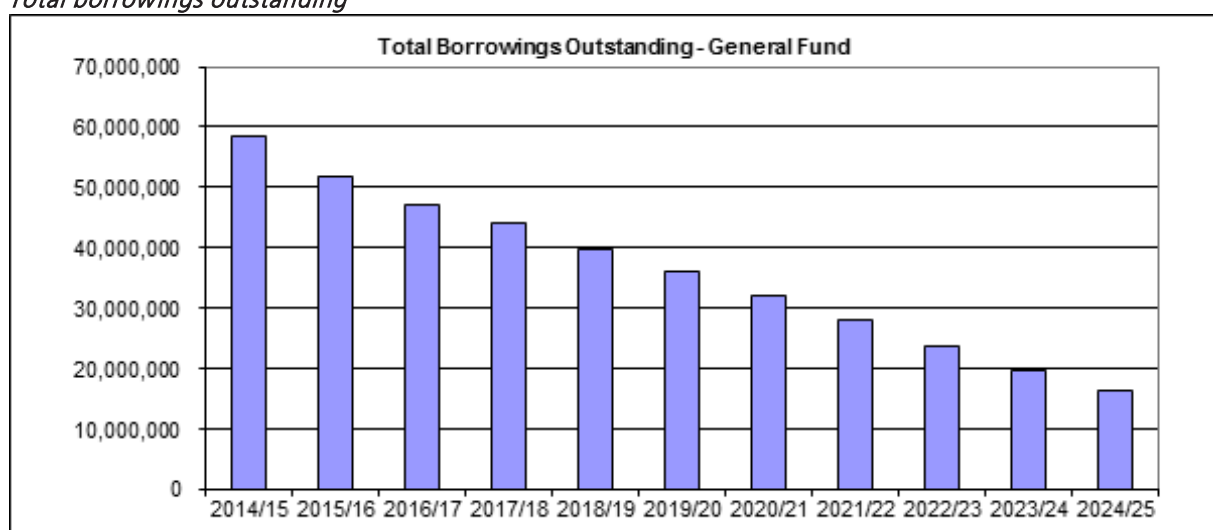
The Council's long term financial planning has included reviewing the Council's loan borrowings to most effectively support the City's requirements and financial sustainability. The implementation of this strategy has included ceasing new loan borrowings subject to annual reviews of the financial capacity of the Council unless:

- The proposed new borrowing is supported by a comprehensive business case and resolved by the Council;
- The cost of debt is able to be funded from sufficient income or cost savings generated by the project; and
- Financially subsidised loan funding is available and is resolved by the Council to be utilised.

In addition, the Council is also committed to reducing its debt position by stopping the practice of borrowing \$2.3 million each year for non-major project asset works, as well as directing any surplus cash funds to reducing borrowings wherever it is effective to do so.

As shown in the figure below, this strategy is projected to bring the borrowing balance down from \$59 million in 2013-2014 to \$21 million in 2023-2024.

Total borrowings outstanding



Note: includes current planned borrowings that comply with the Council's borrowings policy

Strategy 4: Increasing income

These initiatives range from seeking external grants, setting appropriate levels for fees and charges, achieving sound financial returns from Council's commercial activities (for example commercial property and tourist parks) and engaging the community on possible rate increases to support required levels of service.

For every dollar residents pay in rates, the Council at least matches it with revenue from such sources such as grants, commercial activities (e.g. Tourist Parks and Visitor information Centres) and from fees and charges. Over the past five years the Council obtained over \$87 million in grant funding for the community including the Federal Government Annual Financial Assistant Grants and other contributions.

Background on funding options for resourcing our future including possible application for a special variation increase to rates

- The current Environment Levy has been in place since 2005 and will expire in June 2015. It is paid by ratepayers as part of Council rates and costs the average ratepayer around \$43 per year.
- The Levy raises around \$1.5 million annually and funds environmental protection and restoration projects across our City within a World Heritage Area, including water quality monitoring, stormwater pollution control, creek and waterway restoration, weed control, habitat restoration, maintenance and repair of walking tracks and lookouts, environmental education programs and support for over 500 local volunteers such as Bush care groups .

- The community has received significant benefits from the Environment Levy since 2005, such as cleaner creeks and waterways, up to 95% reduction in weeds such as gorse across the City, improvements to walking tracks, lookouts, campgrounds and picnic areas, rehabilitation of creeks and bushland across 130 sites, habitat protection for threatened species, better protection for our World Heritage National Park from urban impacts, and over \$3.6 million attracted in additional funding from NSW and Australian government agencies for local projects.
- In 2010 the Council obtained approval for a special variation to rates raising \$5.5 million over 2010-2013 for maintaining and renewing built community assets.
- In 2013, the Council's application for the continuation of the 2010 special variation to rates was approved in full on an ongoing basis by IPART. The additional funds ensure the Council has the funds to replace the annual borrowings of \$2.3 million for asset works. It also contributes to reducing the projected deterioration of priority public infrastructure including stormwater, town centres, transport, and sport and recreation infrastructure.
- A comprehensive program of community engagement in 2012-2013 supported this special rate variation application.
- In 2013, community engagement on the update of the Community Strategic Plan - *Sustainable Blue Mountains 2025*, confirmed as a high priority that the Council continue its focus on improving its financial sustainability through implementing six financial strategies - including further engaging community in 2014 on a possible further special variation to rates and continuation of the existing Environment Levy.
- The Council's \$1 billion worth of built assets in poor condition is projected to increase from the current 21% (\$210 million), to 37% (or \$370 million) by 2024.
- In 2014, the Council engaged with the community on three Options for *Resourcing our Future* (as detailed in Section 3). The Council sought input from the community on how best we can achieve affordable and acceptable levels of service into the future.
- Two of these three options (Options 1 and 2) include a proposed application to IPART for a further special rate variation to support maintenance and renewal of key built infrastructure including: roads; footpaths; stormwater drainage; walking tracks; community and recreational facilities; emergency management for our bushfire and storm-prone City; and continuation of the existing Environment Levy, to protect and restore our World Heritage bushland and waterways.
- One of the three options (Options 3) does not include any further increase to rates above rate peg and discontinues the existing Environment Levy which is due to expire 30 June 2015. Under this Option, service levels are significantly reduced over the next 10 years and unsafe facilities/built infrastructure may need to be closed or removed.

Strategy 5: Review and adjust service levels in consultation with community

This strategy involves the Council implementing ongoing and targeted service reviews to ensure best value service provision to the community. The *"Blue Mountains City Council Service Framework – Guidelines for Achieving Best Value Service that Meet Community Needs"* adopted in June 2013, outlines key service provision principles and guidelines for the planning and review of Council services in a staged manner within the capacity of the organisation. The Framework aims to ensure that within available resources the Council provides the best range of quality "value for money" services that meet the needs of the most number of residents and visitors to the City. Given the Council's financial challenges, it is important that there are processes in place that ensure available resources are effectively and transparently targeted in consultation with the community, and in a way that best addresses identified risks and assessed needs.

The planning and review of services, also aims to ensure that service delivery is relevant to the changing needs of the community and to identify opportunities for innovative, responsive and quality service provision. Examples of service areas reviewed include the review of the bulky waste collection service resulting in a shift to a more responsive booked service, the review of the Council's Caravan Parks

resulting in increased revenue and improved service for park users; the Sealing of Unsealed Roads Program, which also resulted in cost savings and improved service delivery.

Strategy 6: Increasing advocacy and partnerships

This strategy involves working in partnership with other levels of government, organisations and the community to increase resources available for Council service delivery. It also involves advocating particularly to other levels of government for funding to mitigate significant identified risks where there are shared responsibilities. An example of this is the Council's advocacy following the October 2013 bushfires and the achievement of \$1.8 million in grant funding from the State government to support recovery.

2.4 Future options

A Special Variation is a legitimate and reasonable option for the Council to undertake to raise additional revenue to meeting community needs and expectations. Last year, 32 councils applied for special variations – the majority were approved. The majority of applications address infrastructure backlogs.

The Council will continue to work hard (as it has over the past decade) to achieve significant efficiencies and productivity improvements and to continually review service provision to ensure best value quality service provision responsive to needs of the community.

The Council engaged with the community through the public exhibition of the updated *Resourcing Strategy*, on three Options for resourcing our future. The three Options are:

Option 1: Service Levels Improved

- From 21% to 17% of infrastructure in poor condition by 2024, with targeted service improvements to reduce long-term life-cycle costs.

Option 2: Service Levels Maintained

- Maintaining at 21% the proportion of built assets/ infrastructure that is in poor condition by 2024, with no service improvement

Option 3: Service Levels Reduced

- Built assets/infrastructure in poor condition increases from 21% to 37% by 2024.

The impact of these options on service delivery, budget estimates, rates and annual charges and loan borrowings are detailed below in *Section 3* and *Section 4*, respectively.

2.5 Engaging with our community

A program of community engagement occurred between 4 August to 15 September 2014 on the three rating options including LTFP Financial Scenarios outlined in Part 3.

A variety of methods were used to engage ratepayers during this time as outlined in the adopted *Resourcing Our Future: Community Engagement Strategy* (see www.bluemountainshaveyoursay.com.au and click on *Resourcing Our Future*).

To support the engagement process, a comprehensive package of information was provided on the above website, with hard copies of key documents available for viewing at libraries and the Council's Katoomba office.

The Council considered submissions from the public before resolving in December 2014 on whether or not to make an application in February 2015 to the Independent Pricing and Regulatory Tribunal (IPART) for a special rate variation to take effect 1 July 2015.

2.6 Outcomes of Community Engagement

In summary, the community engagement and public exhibition process was highly successful with 4,312 valid submissions being received (the most submissions received by the Council for a public exhibition process), an independent research company IRIS telephone survey of a statistically representative sample of the community, and five independently facilitated Area Community Workshops with a randomly selected cross section of the community. As summarised below, the outcomes of the community engagement included majority support for *Option 1: Improve Service Levels* including a special rate variation. This was followed by support for *Option 2: Service Levels Maintained* including a special rate variation.

Summary of preferred option from each engagement method

| OPTION | Public Exhibition Valid Submissions (N=4,312) | Telephone Survey of Ratepayers (N=504) | Area Community Workshops (N=84) |
|----------------------|---|--|------------------------------------|
| | SUPPORT FOR DIFFERENT OPTIONS (%) | | |
| Option 1 | 54.6% | 48.8% | 58.3% |
| Option 2 | 23.3% | 35.7% | 35.7% |
| Option 3 | 20.4% | 15.5% | 6.0% |
| Comments Only | 1.7% | - | - |
| Total | 100.0% | 100.0% | 100.0% |

The key message from community engagement was that most residents were willing to pay additional rates to improve or maintain service levels. However, there was also a strong expectation that the Council would continue its focus on efficiently targeting available resources and delivering value for money services.

After considering public submissions and community engagement outcomes, the Council, in respect to this *Supplementary Delivery Program* resolved on 9 December 2014, the following:

1. That the Council receives and acknowledges the substantial community responses to the community engagement and public exhibition on options for *Resourcing Our Future* and notes the results of this engagement including the detailed reports presented in Enclosures 1, 2 and 3;
2. That the Council confirms its ongoing commitment to building a successful future for the Blue Mountains, including delivering within available funding the best possible range of value for money services to the community and continuously reviewing service provision to ensure best value;
3. That the Council endorses *Option 1* for resourcing our future as detailed in this report, being:
Option 1: Service Levels Improved - A Special Rate Variation of 6.6% in 2015/16 (including rate peg) to reinstate the Environment Levy on a permanent basis, followed by three annual increases of 9.6% (including rate peg) from 2016/17 to 2018/19 with additional funding raised remaining permanently in the rate base;
4. That the Council approves the making of an application to the Independent Pricing and Regulatory Tribunal under s508(A) of the Local Government Act 1993, if it endorses *Option 1* or *2*;
5. That the Council adopts the following updated *Integrated Planning and Reporting* documents, supporting the *Resourcing Our Future* community engagement, subject to the recommended changes detailed in Enclosure 4:
 - a) *Resourcing Strategy 2014-2024, incorporating the Long Term Financial Plan (LTFP), Asset Management Policy and Strategy (AMP&S) and Workforce Management Strategy (WMS);*
 - b) *Service Dashboards: Summary Service and Asset Plans (companion document to Resourcing Strategy 2014-2024); and*
 - c) *Supplementary Delivery Program (2015-2019); and*
6. That the Council considers the implementation and time line of the specific outcomes of the *Best Value Councillor Advisory Group* at the *Council Strategic Planning Workshop* to be held in February 2015.

[Minute No. 1231, 9/12/12]

2.7 New "Fit for the Future" State Government Requirements

In September 2014 the NSW Office of Local Government released its *Fit for the Future: A Blueprint for the Future of Local Government*. In response to the financial sustainability and infrastructure funding challenges faced by many NSW councils, this initiative sets out a road map for ensuring NSW councils are "Fit for the Future" in terms of being: sustainable; efficient; and effectively managing infrastructure and service delivery to the community.

The Council's 10-year *Resourcing Strategy 2014-2024*, including the *Six Point Strategy for Financial Sustainability*, which was exhibited with three alternative options for *Resourcing Our Future* to support community engagement, is the Council's road map for becoming "Fit for the Future".

Importantly, Council officers' assessment against the State Government's requirements, indicates that *Option 1: Improve Service Levels* best enables and positions the City of Blue Mountains to meet required "Fit for the Future" criteria within the next four to 10 years. Only Option 1 meets key financial sustainability criteria for improving the Council's Operating Result (a measure of whether the Council has sufficient revenue to cover expenditure requirements including depreciation) and for improving the funding of required infrastructure renewal.

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3. Our Delivery Program

3.1 Sustainable Blue Mountains Key Directions & Objectives

This four year plan responds to the following Key Directions and Objectives contained in *Sustainable Blue Mountains 2025*, our City's Community Strategic Plan.



Key Direction 1: LOOKING AFTER ENVIRONMENT

OBJECTIVE 1.1

The health and diversity of native flora, fauna, habitat and ecosystems are maintained.

OBJECTIVE 1.2

The health of waterways and water catchments is maintained.

OBJECTIVE 1.3

City activities contribute to a healthy climate and resilience and adaptation to climate change.

OBJECTIVE 1.4

Resources are used and managed in an environmentally responsible way.

OBJECTIVE 1.5

The community and all levels of government work together to protect the Blue Mountains World Heritage environment.



Key Direction 2: USING LAND

OBJECTIVE 2.1

The liveability, vibrancy and safety of towns and villages is strengthened.

OBJECTIVE 2.2

The impact of development on the natural and built environment is managed, and the City's unique character retained.



Key Direction 3: MOVING AROUND

OBJECTIVE 3.1

Integrated, accessible and sustainable choices are provided for moving around.

OBJECTIVE 3.2

The City has a safe, well designed and maintained network of roads.



Key Direction 4: LOOKING AFTER PEOPLE

OBJECTIVE 4.1

Community health and well being is maintained and improved.

OBJECTIVE 4.2

Blue Mountains communities are safe, caring and inclusive.

OBJECTIVE 4.3

The City is recognised as a centre of culture, creativity and life-long learning.

OBJECTIVE 4.4

The population has a healthy balance of people of different ages and life stages.



Key Direction 5: SUSTAINABLE ECONOMY

OBJECTIVE 5.1

The Blue Mountains economy is vibrant and strong, with increased local employment.

OBJECTIVE 5.2

The City is recognised nationally as an innovative learning region within a World Heritage Area.

OBJECTIVE 5.3

The City of Blue Mountains is a model for sustainable local business and tourism.



Key Direction 6: CIVIC LEADERSHIP-GOOD GOVERNANCE

OBJECTIVE 6.1

The Council lives responsibly within its means and strengthens its financial sustainability.

OBJECTIVE 6.2

The Council provides transparent, fair and accountable civic leadership.

OBJECTIVE 6.3

The community is informed, consulted and engaged.

OBJECTIVE 6.4

The Council provides value for money services.

OBJECTIVE 6.5

The Council, other levels of government and the community, work together to implement *Sustainable Blue Mountains 2025*.

OBJECTIVE 6.6

Sustainable services, assets and infrastructure are provided in the City.

3.2 The Council's Top Priority Actions by Key Direction

The tables below present the Council's priority actions over 2013-2017 in responding to *Sustainable Blue Mountains 2025* Key Directions and Objectives and the Council's four-year Commitments and Outcomes.

LOOKING AFTER ENVIRONMENT

| No | Priority Actions 2013-2017 |
|----|---|
| 1) | Develop and implement a new resource and waste management strategy (<i>Objective 1.4</i>) |
| 2) | Engage the community on the possible renewal of the existing environment levy to enable delivery of priority environmental projects (<i>Objectives 1.1, 1.2, 1.5</i>) |
| 3) | Complete Blaxland Resource Recovery Centre entrance and Stage 3 landfill works (<i>Objective 1.4</i>) |
| 4) | Continue to develop a City-wide water management strategy (<i>Objectives 1.2, 1.4</i>) |
| 5) | Investigate and introduce sustainability initiatives (subject to funding) that target a reduction in greenhouse gas and energy costs (<i>Objectives 1.3, 1.4</i>) |

USING LAND

| No | Priority Actions 2013-2017 |
|-----|--|
| 6) | Respond to local and NSW planning reform requirements, whilst aiming for retention of Blue Mountains environmental and cultural values in planning policy (<i>Objective 2.2</i>) |
| 7) | Prepare master plans for towns and villages to guide priorities (<i>Objectives 2.1, 2.2</i>) |
| 8) | Complete Lawson Town Centre public domain upgrade (<i>Objectives 2.1, 2.2</i>) |
| 9) | Enhance place-based approaches to improving and maintaining town centres including social outcomes and collaboration with the local community (<i>Objective 2.1</i>) |
| 10) | Commence the development of a strategy to respond to the future burial (interment) options and needs (<i>Objective 2.2</i>) |

MOVING AROUND

| No | Priority Actions 2013-2017 |
|-----|---|
| 11) | Advocate for quality outcomes for the upgrade of the Great Western Highway and rail corridor (<i>Objectives 3.1, 3.2</i>) |
| 12) | Update and implement actions from the Pedestrian Access Mobility Plan, subject to funding (<i>Objective 3.1</i>) |
| 13) | Maintain and renew the City's road network, within available funding (<i>Objective 3.2</i>) |
| 14) | Advocate for commuter car parks and easy access stations with particular focus on Glenbrook (<i>Objectives 3.1, 3.2</i>) |
| 15) | Advocate and promote improved safety and amenity of the Great Western Highway (<i>Objectives 3.1, 3.2</i>) |

LOOKING AFTER PEOPLE

| No | Priority Actions 2013-2017 |
|-----|--|
| 16) | Support the local community recovery from the October 2013 bushfires (<i>Objective 4.2</i>) |
| 17) | Continue to advocate and support community transport needs in collaboration with community (<i>Objective 4.2</i>) |
| 18) | Complete the new Blue Mountains Community and Cultural Facilities – Springwood (<i>Objectives 4.1, 4.3, 4.4</i>) |
| 19) | Complete construction of Hazelwood Child Care Centre (<i>Objectives 4.1, 4.2, 4.4</i>) |
| 20) | Review the Sport and Recreation Strategy and implement the Sports Field Use and Management actions (<i>Objectives 4.1, 4.4</i>) |
| 21) | Support emergency management agencies and community to build emergency risk management capability (<i>Objective 4.2</i>) |
| 22) | Restore and renew priority natural area walking tracks and associated infrastructure, within available funding (<i>Objectives 4.1, 4.2</i>) |
| 23) | Contribute to the development of the Blue Mountains as a centre for the arts, creative industry and creative learning (<i>Objective 4.3</i>) |
| 24) | Further develop the program and profile of the Blue Mountains Cultural Centre (<i>Objectives 4.3, 5.2</i>) |
| 25) | Support community development with particular focus on Aboriginal, youth and child and family action programs (<i>Objectives 4.1, 4.2</i>) |

SUSTAINABLE ECONOMY

| No | Priority Actions 2013-2017 |
|-----|--|
| 26) | Support economic development and tourism through economic and tourism partners including Blue Mountains Economic Enterprise and Blue Mountains, Lithgow and Oberon Tourism (<i>Objectives 5.1, 5.2, 5.3</i>) |
| 27) | Advocate for funding to enable implementation of the Great Blue Mountains Trail and Grand Cliff Top Walk (<i>Objectives 5.1, 5.2</i>) |
| 28) | Promote development of the City as a recognised centre for art, culture, creative industry, heritage and nature based learning (<i>Objectives 5.1, 5.2</i>) |
| 29) | Optimise economic returns from the Council's commercial assets and activities (<i>Objectives 5.1, 5.3</i>) |

CIVIC LEADERSHIP

| No | Priority Actions 2013-2017 |
|-----|---|
| 30) | Implement the adopted Long Term Financial Plan and its key strategies including engaging the community on the possible further variation to rates and advocating to the State government on the rising costs of emergency services (<i>Objective 6.1</i>) |
| 31) | Complete the rating structure reform to achieve a more simple, fair and broadly uniform rating system (<i>Objective 6.2</i>) |
| 32) | Implement a program of Council service reviews & engage community on how best to achieve an affordable and acceptable level of service (<i>Objectives 6.1, 6.2, 6.3, 6.4, 6.6</i>) |
| 33) | Improve systems and practices to manage enterprise risk (<i>Objective 6.2</i>) |
| 34) | Implement the adopted Asset Management Strategy and strengthen asset management planning (<i>Objectives 6.1, 6.4, 6.6</i>) |
| 35) | Improve strategic procurement to strengthen governance and produce cost efficiencies (<i>Objective 6.4</i>) |
| 36) | Improve business systems across the organisation (<i>Objective 6.4</i>) |
| 37) | Implement the Workforce Management Strategy (<i>Objective 6.2</i>) |
| 38) | Work with other local agencies and the community in collaborative partnerships to achieve <i>Sustainable Blue Mountains 2025</i> outcomes (<i>Objective 6.5</i>) |

3.3 The Council's Proposed Options & Impact on Service Delivery 2015-2019

The following outlines the options and service impacts in relation to the proposed special variation to rates.

Option 1: Service Levels Improved

From 21% to 17% of infrastructure in poor condition by 2024, with targeted service improvement

Under this option the Environment Levy is reinstated in 2015-2016 and there are three additional rates increases of 9.6% each (including rate peg). This results in a cumulative rate increase of 40.4% over four years (or 27.8% above rate peg), and an additional \$98.5 million in revenue by 2023-2024. Current service levels are retained with some targeted improvements. Improvements in the condition of built and natural assets will be targeted to reduce long-term costs.

Option 2: Service Levels Maintained

Maintaining at 21% poor infrastructure by 2024, no service improvement

Under this option the Environment Levy is reinstated in 2015-2016 and there are three additional rates increases of 7.4% each (including rate peg). This results in a cumulative rate increase of 32.1% over four years (or 19.5% above rate peg), and an additional \$70 million in revenue by 2023-2024. Current service levels are generally retained and there will be a reduction in the rate of deterioration of built and natural assets.

Option 3: Service Levels Reduced

Infrastructure in poor condition increases from 21% to 37% by 2024

Under this option there is no special variation to rates in 2015-2016 and rates increase by rate peg only (estimated at 3% per annum). The current Environment Levy expires in June 2015 and is not renewed, resulting in a loss of \$17 million in revenue by 2023-2024. Council service levels are reduced and rebalanced to manage priority risks, however significant deterioration in the condition of built and natural assets is expected. This may include the forced closure or removal of facilities if deemed unsafe.

Summary of Impacts of Options on Services

| IMPACT ON: | Option 1 SERVICE LEVELS IMPROVED | Option 2 SERVICE LEVELS MAINTAINED | Option 3 SERVICE LEVELS REDUCED |
|------------------|---|--|---|
| Service levels | Current service levels are retained with some targeted improvements Improvement in condition of our natural and built assets is targeted to reduce long-term costs | Current service levels are generally retained Reduction in the rate of deterioration of our built and natural assets. | Service levels reduced and rebalanced to address priority risks Significant deterioration in condition of our built and natural assets Forced closure/removal of facilities if unsafe |
| Environment Levy | Environment Levy is retained permanently | Environment Levy is retained permanently | Environment Levy expires June 2015 and is not renewed. |
| Revenue | Additional \$28M by 2018-19 These funds will remain permanently in the rate base | Additional \$21M by 2018-19 These funds will remain permanently in the rate base | Loss of \$7M by 2018-19 due to expiring Environment Levy |

The following tables present the proposed options and how this will impact on Council's service delivery expenditure.

A note on the financial periods presented

Under Integrated Planning and Reporting legislation, the *Delivery Program* needs to align with the term of the elected Council. As well as presenting the final two financial years of the 2013-2017 period, 2015-2016 and 2016-2017, this Supplementary Delivery Program also includes financial projections for the next two financial years, 2017-2018 and 2018-2019.

These additional two years have been added to demonstrate the impact of the different options over a four-year period. This is also important given that Options 1 and 2 propose special rate variations extending over this four-year period and it is important to show their impact on services and expenditure. To see the impact of the Options over a longer period, refer to the accompanying documents – the *Resourcing Strategy 2014-2024* and *Service Dashboards 2014*.

Impact on Service Delivery - Option 1: Service Levels Improved



Under Option 1, we stop the decline in the City's \$1 billion worth of built assets and have greater capacity to fund required renewal and maintenance, prepare and respond to emergencies, and continue to look after the environment.



Achieve better built infrastructure: Better and safer roads, improved town centres, public toilets and buildings, better footpaths, walking tracks and stormwater drainage



Improve emergency preparedness and response: Greater capacity to prepare for and respond to bushfires, better disaster planning, improved asset protection zones and fire trail maintenance.



Continue to protect the environment: Continue weed control, water quality monitoring, stormwater pollution control, restore bushland, support bushcare and landcare programs.

Improve services to community: Better playing fields, parks, leisure centres, libraries, community facilities. Improved capacity to support community, including those in need.

The following table presents a summary of the proposed allocation of revenue from the proposed special variation to rates based on Option 1.

Option 1 – Service Levels Improved: Summary of proposed expenditure of additional special rate variation revenue (2015/16-2018/19)

| | 2015-2016 \$ '000 | 2016-2017 \$ '000 | 2017-2018 \$ '000 | 2018-2019 \$ '000 | Total 2015-2019 \$ '000 |
|--|----------------------|----------------------|----------------------|----------------------|-------------------------------|
| Special variation income above rate peg | 1,672 | 4,976 | 8,691 | 12,859 | 28,197 |
| Allocation of this additional income: | | | | | |
| Built Infrastructure | 100 | 1,990 | 3,556 | 6,491 | 12,136 |
| Capital Expenditure | 0 | 1,101 | 2,299 | 4,437 | 7,837 |
| Operations/Maintenance | 100 | 888 | 1,257 | 2,054 | 4,299 |
| Community & Recreation | 0 | 797 | 2,558 | 3,343 | 6,697 |
| Capital Expenditure | 0 | 327 | 1,694 | 2,362 | 4,383 |
| Operations/Maintenance | 0 | 470 | 864 | 980 | 2,314 |

| | 2015-2016 \$ '000 | 2016-2017 \$ '000 | 2017-2018 \$ '000 | 2018-2019 \$ '000 | Total 2015-2019 \$ '000 |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------------|
| Environment | 1,572 | 1,849 | 2,214 | 2,471 | 8,106 |
| Capital Expenditure | 248 | 376 | 537 | 734 | 1,896 |
| Operations/Maintenance | 1,324 | 1,473 | 1,676 | 1,737 | 6,211 |
| Emergency Preparedness and Response | 0 | 340 | 363 | 554 | 1,258 |
| Capital Expenditure | 0 | 150 | 159 | 169 | 478 |
| Operations/Maintenance | 0 | 190 | 204 | 386 | 780 |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

The following table presents a summary of the additional revenue from the proposed special variation to rates based on Option 1, compared to a "baseline" budget – the proposed budget without the special variation to rates.

Option 1 – Service Levels Improved: Distribution of Additional Revenue by Key Direction and Service

| Service | 2014/15 | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|----------------------------------|--------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|
| | Total Expenditure Budget | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV |
| Looking After Environment | | | | | | | | | |
| Natural Environment | \$3,507,000 | \$2,931,617 | \$1,042,950 | \$3,040,345 | \$1,174,275 | \$3,153,368 | \$1,209,200 | \$3,270,862 | \$1,255,016 |
| Waste Resource Management | \$25,324,000 | \$21,878,544 | - | \$21,673,957 | \$6,511 | \$24,741,730 | \$9,512 | \$23,305,373 | \$13,559 |
| Water Resource Management | \$2,977,000 | \$2,784,395 | \$99,600 | \$3,047,423 | \$241,600 | \$3,134,233 | \$376,050 | \$3,244,478 | \$1,008,741 |
| Using Land | | | | | | | | | |
| Burials & Ashes Placement | \$1,025,000 | \$1,061,407 | - | \$1,098,144 | - | \$1,136,265 | - | \$1,176,827 | - |
| Building Certification | \$885,000 | \$920,640 | - | \$957,764 | - | \$996,436 | - | \$1,036,719 | - |
| Land Use Management | \$4,036,000 | \$4,195,587 | - | \$4,361,757 | - | \$4,534,788 | - | \$4,714,968 | - |
| Town Centres | \$4,163,000 | \$3,270,199 | - | \$3,409,715 | \$82,000 | \$3,524,471 | \$133,040 | \$3,641,466 | \$427,213 |
| Moving Around | | | | | | | | | |
| Transport & Public Access | \$11,736,460 | \$11,795,594 | - | \$12,151,381 | \$1,358,294 | \$12,753,243 | \$2,205,266 | \$13,078,108 | \$3,850,454 |
| Looking After People | | | | | | | | | |
| Aquatic & Leisure Centres | \$7,692,000 | \$7,962,009 | - | \$8,233,909 | \$80,413 | \$8,516,099 | \$405,494 | \$8,808,993 | \$174,704 |
| Community Development | \$11,835,210 | \$2,822,977 | - | \$2,863,454 | \$184,194 | \$3,062,573 | \$920,196 | \$3,065,480 | \$475,436 |

| | 2014/15 | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|--|--------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| Service | Total Expenditure Budget | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV |
| Cultural development | \$2,305,000 | \$2,681,782 | - | \$2,772,019 | \$142,086 | \$2,865,635 | \$263,711 | \$2,962,764 | \$168,195 |
| Emergency Management | \$4,390,000 | \$4,876,201 | - | \$5,237,603 | \$340,000 | \$5,536,933 | \$363,410 | \$5,843,400 | \$554,231 |
| Environmental Health & Regulatory Compliance | \$2,799,000 | \$2,907,121 | - | \$3,019,646 | - | \$3,136,761 | - | \$3,258,657 | - |
| Family Day Care | \$1,699,000 | \$1,751,679 | - | \$1,806,216 | \$984 | \$1,862,682 | \$1,438 | \$1,921,152 | \$2,049 |
| Libraries & Information | \$3,706,000 | \$3,856,085 | - | \$4,003,934 | \$23,660 | \$4,157,789 | \$100,109 | \$4,317,899 | \$888,188 |
| Sport & Recreation - Natural Area Visitor Facilities | \$1,607,000 | \$1,220,104 | \$529,350 | \$1,272,745 | \$674,925 | \$1,361,979 | \$1,004,410 | \$1,410,383 | \$1,216,248 |
| Sport & Recreation - Recreation Facilities | \$2,943,000 | \$2,877,001 | - | \$3,104,353 | \$365,249 | \$3,101,303 | \$867,048 | \$3,421,436 | \$1,634,014 |
| Sustainable Economy | | | | | | | | | |
| Economic Development & Tourism | \$4,078,000 | \$4,204,272 | - | \$4,334,992 | \$3,393 | \$4,470,332 | \$29,957 | \$4,610,470 | \$32,817 |
| Commercial Activities | \$5,410,000 | \$3,002,091 | - | \$2,976,730 | \$10,038 | \$2,924,010 | \$23,318 | \$3,009,030 | \$29,871 |
| Civic Leadership-Good Governance | | | | | | | | | |
| Strategic & Governance and Operational Support | \$15,603,000 | \$15,986,624 | - | \$16,596,964 | \$287,786 | \$17,227,064 | \$778,407 | \$17,723,129 | \$1,128,732 |
| Total | \$117,720,670 | \$102,985,929 | \$1,671,900 | \$105,963,053 | \$4,975,408 | \$112,197,691 | \$8,690,566 | \$113,821,593 | \$12,859,465 |

Note: Funding allocations will be subject to an annual review with asset management planning and risk assessment processes

The following table provides some more information on the proposed major spending areas under Option 1 – Improving Levels of Service.

Option 1 – Service Levels Improved: Major Spending Areas of Additional Special Variation Income by Priority Spending Area Four Years

| Major spending areas | Option 1: Service Levels Improved |
|----------------------|---|
| Built Infrastructure | \$9.1 million to address: <ul style="list-style-type: none"> • Renewal and maintenance of the sealed road network • Road infrastructure maintenance gaps • Bridge renewal • Footpath renewal priorities |

| Major spending areas | Option 1: Service Levels Improved |
|------------------------|--|
| | <ul style="list-style-type: none"> • Road shoulder work • Stormwater maintenance infrastructure gaps • Bus stop disability access upgrade • Maintenance of environmental stormwater works • Traffic facility renewal • Stormwater drainage maintenance, renewal and upgrade <p>\$3.0 million towards:</p> <ul style="list-style-type: none"> • Improving town centre maintenance regime • Tree management • Town centre improvement programs • Improving building compliance • Public toilet upgrade in town centres • Strategic improvement to commercial activities • Economic initiatives • Priorities for renewal of buildings • Major Information Technology upgrades, including disaster recovery systems |
| Community & Recreation | <p>\$3.2 million towards:</p> <ul style="list-style-type: none"> • Renewal, maintenance and operation of community building facilities including libraries, community and cultural facilities, halls, child care centres. • Community development programs to improve social outcomes • Rehabilitation of cultural assets • Strategic asset management • Building and operating costs of Visitor Centres and Libraries <p>\$3.5 million towards:</p> <ul style="list-style-type: none"> • Sporting facility operating costs • Priority areas for renewal of play surfaces, equipment, buildings and toilets • Parks and sports ground renewal and upgrades • Revitalisation of parks • Pool renewal and infrastructure priorities |
| Environment | <p>\$4.7 million for managing:</p> <ul style="list-style-type: none"> • Natural areas and bush care programs • High risk environmental program areas <p>\$3.4 million for:</p> |

| Major spending areas | Option 1: Service Levels Improved |
|-------------------------------------|---|
| | <ul style="list-style-type: none"> • Walking tracks and lookouts • Improvements to natural area visitor facilities • High risk renewals • Walking track maintenance |
| Emergency Preparedness and Response | \$1.3 million to address: <ul style="list-style-type: none"> • Disaster and emergency planning • Asset protection works • Fire trail maintenance |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

Asset Works Program 2015-2019

The following table provides the proposed high-level 4-year Asset Works Program under Option 1 – Improving Levels of Service.

Note that the detailed program for the following financial year, is reviewed, publicly exhibited and adopted annually. The allocation of funding over the four years will be further reviewed in the annual business planning and budgeting process. In particular, allocation of funding for asset works will be subject to legislatively required annual review of Asset Management Plans to ensure priority risk mitigation actions. Expenditure will target critical service / asset priorities that the community places a high value on and / or those that have a high risk profile.

Asset Works Program – Option 1

| Type / Service | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|--|-----------|-----------|-----------|-----------|
| Renewal | | | | |
| Aquatic & Leisure Centres | | | 280,000 | |
| Burials & Ashes Placement | 53,000 | 54,000 | 55,000 | 57,000 |
| Commercial Activities | 120,000 | 67,500 | | |
| Community Development | 55,000 | 110,000 | 390,000 | 103,000 |
| Cultural development | | | 110,000 | |
| Emergency Management | | 150,000 | 159,000 | 168,540 |
| Libraries & Information | | | | 150,000 |
| Administrative Property Portfolio | | | 450,000 | 350,000 |
| Sport & Recreation - Natural Area Visitor Facilities | 248,400 | 375,800 | 537,200 | 734,467 |

| Type / Service | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|--|------------------|------------------|-------------------|-------------------|
| Sport & Recreation - Recreation Facilities | 103,000 | 291,000 | 510,000 | 1,126,400 |
| Town Centres | 120,000 | 124,000 | 127,000 | 220,000 |
| Transport & Public Access | 2,063,247 | 2,402,044 | 3,388,595 | 4,072,357 |
| Water Resource Management | 100,000 | 259,000 | 190,000 | 404,500 |
| Total Renewal | 2,862,647 | 3,833,344 | 6,196,795 | 7,386,264 |
| Upgrade/ New | | | | |
| Aquatic & Leisure Centres | 8,000 | 8,000 | 8,000 | 8,000 |
| Commercial Activities | 120,000 | 67,500 | | |
| Community Development | 8,000 | 8,000 | 218,000 | 33,750 |
| Libraries & Information | 8,000 | 8,000 | 8,000 | 633,750 |
| Administrative Property Portfolio | 8,000 | 8,000 | 8,000 | 208,000 |
| Sport & Recreation - Recreation Facilities | 8,000 | 98,000 | 378,000 | 520,250 |
| Town Centres | | | | 163,750 |
| Transport & Public Access | | 470,000 | 223,600 | 790,308 |
| Waste Resource Management | | | 2,000,000 | |
| Water Resource Management | | | 160,000 | 400,000 |
| Total Upgrade New | 160,000 | 667,500 | 3,003,600 | 2,757,808 |
| Operational Capital e.g. Fleet/ IT | | | | |
| Operational Support Services | 4,372,708 | 4,603,889 | 4,689,006 | 4,948,176 |
| Waste Resource Management | 737,000 | | 520,000 | 520,000 |
| Total Operational Capital | 5,109,708 | 4,603,889 | 5,209,006 | 5,468,176 |
| Total Capital Expenditure | 8,132,355 | 9,104,733 | 14,409,401 | 15,612,249 |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

Impact on Service Delivery - Option 2: Service Levels Maintained



Under Option 2, the decline in the City's built assets is stabilised at the current level of 21% in poor condition. Our capacity to prepare for and respond to emergencies and look after the environment is maintained, not improved.



Only maintain built infrastructure: 21% of built assets stay in poor condition. Funding prioritised to maintain rather than renew or upgrade and to manage risk.



Only retain emergency preparedness and response: retain existing capacity to address emergencies. No improvement.



Continue to protect the environment: Continue weed control, water quality monitoring, stormwater pollution control, restore bushland, support Bushcare and Landcare programs.

Only maintain services to community: Maintain current capacity to support and advocate for community services. No improvement to facilities, funding targeted to manage risk. Possible closure of facilities if unsafe.

The following table presents a summary of the additional revenue from the proposed special variation to rates based on Option 2.

Option 2 – Service Levels Maintained: Summary of Additional Revenue

| | 2015-2016 \$ '000 | 2016-2017 \$ '000 | 2017-2018 \$ '000 | 2018-2019 \$ '000 | Total 2015-2019 \$ '000 |
|--|----------------------|----------------------|----------------------|----------------------|-------------------------------|
| Special variation income above rate peg | 1,672 | 3,891 | 6,338 | 9,029 | 20,929 |
| Allocation of this additional income: | | | | | |
| Built Infrastructure | 100 | 1,351 | 2,926 | 4,711 | 9,087 |
| Capital Expenditure | 0 | 720 | 2,008 | 3,393 | 6,121 |
| Operating Expenditure and Maintenance | 100 | 631 | 918 | 1,318 | 2,967 |
| Community & Recreation | 0 | 640 | 1,343 | 1,680 | 3,663 |
| Capital Expenditure | 0 | 197 | 782 | 1,020 | 1,998 |
| Operating Expenditure and Maintenance | 0 | 443 | 561 | 661 | 1,665 |

| | 2015-2016 \$ '000 | 2016-2017 \$ '000 | 2017-2018 \$ '000 | 2018-2019 \$ '000 | Total 2015-2019 \$ '000 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------------|
| Environment | 1,572 | 1,720 | 1,869 | 2,407 | 7,568 |
| Capital Expenditure | 248 | 346 | 326 | 723 | 1,643 |
| Operating Expenditure and Maintenance | 1,324 | 1,374 | 1,543 | 1,684 | 5,926 |
| Emergency Preparedness & Response | 0 | 180 | 200 | 231 | 611 |
| Capital Expenditure | 0 | 90 | 95 | 101 | 287 |
| Operating Expenditure and Maintenance | 0 | 90 | 104 | 130 | 324 |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

The following table presents a summary of the additional revenue from the proposed special variation to rates based on Option 2, compared to a “baseline” budget – the proposed budget without the special variation to rates.

Option 2 – Service Levels Maintained: Distribution of Additional Revenue by Key Direction and Service

| Service | 2014/15 | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|----------------------------------|--------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|
| | Total Expenditure Budget | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV |
| Looking After Environment | | | | | | | | | |
| Natural Environment | \$3,507,000 | \$2,931,617 | \$1,042,950 | \$3,040,345 | \$1,074,275 | \$3,153,368 | \$1,156,200 | \$3,270,862 | \$1,283,107 |
| Waste Resource Management | \$25,324,000 | \$21,878,544 | - | \$21,673,957 | \$6,511 | \$24,741,730 | \$9,512 | \$23,305,373 | \$13,559 |
| Water Resource Management | \$2,977,000 | \$2,784,395 | \$99,600 | \$3,047,423 | \$132,600 | \$3,134,233 | \$176,050 | \$3,244,478 | \$521,901 |
| Using Land | | | | | | | | | |
| Burials & Ashes Placement | \$1,025,000 | \$1,061,407 | - | \$1,098,144 | - | \$1,136,265 | - | \$1,176,827 | - |
| Building Certification | \$885,000 | \$920,640 | - | \$957,764 | - | \$996,436 | - | \$1,036,719 | - |
| Land Use Management | \$4,036,000 | \$4,195,587 | - | \$4,361,757 | - | \$4,534,788 | - | \$4,714,968 | - |
| Town Centres | \$4,163,000 | \$3,270,199 | - | \$3,409,715 | \$74,000 | \$3,524,471 | \$126,010 | \$3,641,466 | \$146,597 |
| Moving Around | | | | | | | | | |
| Transport & Public Access | \$11,736,460 | \$11,795,594 | - | \$12,151,381 | \$836,757 | \$12,753,243 | \$1,837,750 | \$13,078,108 | \$2,912,945 |
| Looking After People | | | | | | | | | |
| Aquatic & Leisure Centres | \$7,692,000 | \$7,962,009 | - | \$8,233,909 | \$80,413 | \$8,516,099 | \$405,494 | \$8,808,993 | \$174,704 |
| Community Development | \$11,835,210 | \$2,822,977 | - | \$2,863,454 | \$168,194 | \$3,062,573 | \$203,906 | \$3,065,480 | \$209,659 |

| | 2014/15 | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|--|--------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| Service | Total Expenditure Budget | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV |
| Cultural development | \$2,305,000 | \$2,681,782 | - | \$2,772,019 | \$142,086 | \$2,865,635 | \$263,711 | \$2,962,764 | \$168,195 |
| Emergency Management | \$4,390,000 | \$4,876,201 | - | \$5,237,603 | \$180,000 | \$5,536,933 | \$199,510 | \$5,843,400 | \$231,368 |
| Environmental Health & Regulatory Compliance | \$2,799,000 | \$2,907,121 | - | \$3,019,646 | - | \$3,136,761 | -- | \$3,258,657 | -- |
| Family Day Care | \$1,699,000 | \$1,751,679 | - | \$1,806,216 | \$984 | \$1,862,682 | \$1,438 | \$1,921,152 | \$2,049 |
| Libraries & Information | \$3,706,000 | \$3,856,085 | - | \$4,003,934 | \$19,660 | \$4,157,789 | \$47,589 | \$4,317,899 | \$44,411 |
| Sport & Recreation - Natural Area Visitor Facilities | \$1,607,000 | \$1,220,104 | \$529,350 | \$1,272,745 | \$645,925 | \$1,361,979 | \$712,705 | \$1,410,383 | \$1,123,710 |
| Sport & Recreation - Recreation Facilities | \$2,943,000 | \$2,877,001 | - | \$3,104,353 | \$228,249 | \$3,101,303 | \$420,568 | \$3,421,436 | \$1,081,234 |
| Sustainable Economy | | | | | | | | | |
| Economic Development & Tourism | \$4,078,000 | \$4,204,272 | - | \$4,334,992 | \$3,393 | \$4,470,332 | \$4,957 | \$4,610,470 | \$7,067 |
| Commercial Activities | \$5,410,000 | \$3,002,091 | - | \$2,976,730 | \$10,038 | \$2,924,010 | \$23,318 | \$3,009,030 | \$29,871 |
| Civic Leadership-Good Governance | | | | | | | | | |
| Strategic & Governance and Operational Support | \$15,603,000 | \$15,986,624 | - | \$16,596,964 | \$287,786 | \$17,227,064 | \$748,407 | \$17,723,129 | \$1,078,732 |
| Total | \$117,720,670 | \$102,985,929 | \$1,671,900 | \$105,963,053 | \$3,890,871 | \$112,197,691 | \$6,337,125 | \$113,821,593 | \$9,029,108 |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

Option 2 – Service Levels Maintained: Major Spending Areas of Additional Special Variation Income by Priority Spending Area Over Four Years

| Major spending areas | Option 2: Service Levels Maintained |
|----------------------|---|
| Built Infrastructure | <p>\$6.5 million to address:</p> <ul style="list-style-type: none"> • Road infrastructure maintenance gaps • Bridge renewal • Road and footpath renewal priorities • Road shoulder work • Stormwater maintenance infrastructure gaps • Bus stop disability access upgrade |

| Major spending areas | Option 2: Service Levels Maintained |
|-----------------------------------|--|
| | <ul style="list-style-type: none"> • Maintenance of environmental stormwater works <p>\$2.6 million towards:</p> <ul style="list-style-type: none"> • Improving town centre maintenance regime • Tree management • Town centre improvement programs • Improving building compliance • Strategic improvement to commercial activities • Priorities for renewal of buildings • Major Information Technology upgrades, including disaster recovery systems |
| Community & Recreation | <p>\$1.3 million towards:</p> <ul style="list-style-type: none"> • Operation of Springwood Civic Centre • Community building operating costs • Community development programs to support social outcomes • Rehabilitation of cultural assets • Building and operating costs of Visitor Centres and Libraries <p>\$2.4 million towards:</p> <ul style="list-style-type: none"> • Sporting facility operating costs • Priority areas for renewal of play surfaces, equipment, buildings and toilets • Pool renewal and infrastructure priorities |
| Environment | <p>\$4.6 million for managing:</p> <ul style="list-style-type: none"> • Natural areas and bush care programs • High risk environmental program areas <p>\$3.0 million for:</p> <ul style="list-style-type: none"> • Walking tracks and lookouts • Improvements to natural area visitor facilities |
| Emergency Preparedness & Response | <p>\$0.6 million to address:</p> <ul style="list-style-type: none"> • Disaster and emergency planning • Asset protection works |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

Asset Works Program 2015-2019

The following table provides the proposed high-level 4-year Asset Works Program under Option 2 – Service Levels Maintained.

Note that the detailed program for the following financial year, is reviewed, publicly exhibited and adopted annually. The allocation of funding over the four years will be further reviewed in the annual business planning and budgeting process. In particular, allocation of funding for asset works will be subject to legislatively required annual review of Asset Management Plans to ensure priority risk mitigation actions. Expenditure will target critical service / asset priorities that the community places a high value on and / or those that have a high risk profile.

Asset Works Program – Option 2

| Type / Service | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|--|------------------|------------------|------------------|------------------|
| Renewal | | | | |
| Aquatic & Leisure Centres | | | 280,000 | |
| Burials & Ashes Placement | 53,000 | 54,000 | 55,000 | 57,000 |
| Commercial Activities | 120,000 | 67,500 | | |
| Community Development | 55,000 | 110,000 | 100,000 | 103,000 |
| Cultural development | | | 110,000 | |
| Emergency Management | | 90,000 | 95,400 | 101,124 |
| Administrative Property Portfolio | | | 450,000 | 300,000 |
| Sport & Recreation - Natural Area Visitor Facilities | 248,400 | 345,800 | 325,725 | 722,585 |
| Sport & Recreation - Recreation Facilities | 103,000 | 251,000 | 430,000 | 787,200 |
| Town Centres | 120,000 | 124,000 | 127,000 | 128,000 |
| Transport & Public Access | 2,063,247 | 2,539,507 | 3,446,819 | 3,865,179 |
| Water Resource Management | 100,000 | 150,000 | 150,000 | 230,000 |
| Total Renewal | 2,862,647 | 3,731,807 | 5,569,944 | 6,294,088 |
| Upgrade / New | | | | |
| Aquatic & Leisure Centres | 8,000 | 8,000 | 8,000 | 8,000 |
| Commercial Activities | 120,000 | 67,500 | | |
| Community Development | 8,000 | 8,000 | 20,500 | 8,000 |
| Libraries & Information | 8,000 | 8,000 | 20,500 | 8,000 |
| Administrative Property Portfolio | 8,000 | 8,000 | 8,000 | 8,000 |
| Sport & Recreation - Recreation Facilities | 8,000 | 8,000 | 20,500 | 318,000 |

| Type / Service | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|--|------------------|------------------|-------------------|-------------------|
| Town Centres | | | 12,500 | |
| Transport & Public Access | | 60,000 | 61,800 | 623,654 |
| Waste Resource Management | | | 2,000,000 | |
| Water Resource Management | | | | 210,000 |
| Total Upgrade New | 160,000 | 167,500 | 2,151,800 | 1,183,654 |
| Operational Capital e.g. Fleet / IT | | | | |
| Operational Support Services | 4,372,708 | 4,603,889 | 4,689,006 | 5,148,176 |
| Waste Resource Management | 737,000 | | 520,000 | 520,000 |
| Total Operational Capital | 5,109,708 | 4,603,889 | 5,209,006 | 5,668,176 |
| Total Capital Expenditure | 8,132,355 | 8,503,196 | 12,930,750 | 13,145,919 |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

The Environment Levy

Under Options 1 and 2 the Environment Levy is proposed to be reinstated and continued on a permanent basis. Under Option 3 the Environment Levy expires and is not reinstated but rather backed out of the current rates paid by rate payers.

The Environment Levy has been in place since 2005 to generate additional required revenue for restoration, protection and management of over 10,000 ha of natural bush land and waterways that the Council is responsible for looking after. This Levy is due to expire in June 2015. It is paid by ratepayers as part of Council rates and costs the average ratepayer around \$45 per year. The Levy raises around \$1.5 million annually and funds environmental protection and restoration projects across our City within a World Heritage Area.

The following table presents the proposed allocation of the Environment Levy by service over four years.

Option 1 and 2: Allocation of Environment Levy by Service

| Services | 2015-2016 \$ | 2016-2017 \$ | 2017-2018 \$ | 2018-2019 \$ | Total 2015-2019 \$ |
|---|------------------|------------------|------------------|------------------|-----------------------|
| Natural Environment | 1,042,950 | 1,074,275 | 1,106,200 | 1,139,375 | 4,362,800 |
| Maintenance | 709,350 | 730,700 | 752,500 | 775,000 | 2,967,550 |
| Operating | 333,600 | 343,575 | 353,700 | 364,375 | 1,395,250 |
| Sport & Recreation - Natural Area Visitor Facilities | 529,350 | 544,925 | 561,500 | 578,325 | 2,214,100 |
| Maintenance | 223,700 | 230,200 | 237,200 | 244,400 | 935,500 |
| Operating | 57,250 | 58,925 | 60,700 | 62,525 | 239,400 |
| Renewal | 248,400 | 255,800 | 263,600 | 271,400 | 1,039,200 |
| Water Resource Management | 99,600 | 102,600 | 105,700 | 108,800 | 416,700 |
| Maintenance | 99,600 | 102,600 | 105,700 | 108,800 | 416,700 |
| Grand Total | 1,671,900 | 1,721,800 | 1,773,400 | 1,826,500 | 6,993,600 |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

Impact on Service Delivery - Option 3: Service Levels Reduced



Under OPTION 3, built assets in poor condition increase from 21% to 37% by 2024. Priority focus is on managing risk, including closure or removal of unsafe infrastructure. Capacity to respond to emergencies and protect the environment is diminished.



Cannot further invest in built infrastructure: Worse roads, town centres, public toilets, buildings, footpaths and drainage.



Cannot improve emergency preparedness and response: Less capacity to prepare for and respond to emergencies such as bushfires. More fire trails and asset protection zones in poor condition.



Cannot continue current capacity to protect the environment: No water quality monitoring, less weed control, less restoration of bushland, habitat and waterways, less stormwater pollution control.

Cannot improve services to community: Worse community and recreation facilities, less capacity to support and advocate for community services. Closure of unsafe facilities.

The following table presents a summary of the revenue available without the proposed special variation to rates based on Option 3. Under Option 3 the Environment Levy expires and is not reinstated but rather backed out of the rates paid by rate payers.

Option 3 – Service Levels Reduced

| Service | 2014/15 | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|----------------------------------|--------------------------|-----------------|-----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|
| | Total Expenditure Budget | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV |
| Looking After Environment | | | | | | | | | |
| Natural Environment | \$3,507,000 | \$2,931,617 | - | \$3,040,345 | - | \$3,153,368 | - | \$3,270,862 | - |
| Waste Resource Management | \$25,324,000 | \$21,878,544 | - | \$21,673,957 | - | \$24,741,730 | - | \$23,305,373 | -- |
| Water Resource Management | \$2,977,000 | \$2,784,395 | - | \$3,047,423 | - | \$3,134,233 | - | \$3,244,478 | - |
| Using Land | | | | | | | | | |
| Burials & Ashes Placement | \$1,025,000 | \$1,061,407 | - | \$1,098,144 | - | \$1,136,265 | - | \$1,176,827 | - |
| Building Certification | \$885,000 | \$920,640 | - | \$957,764 | - | \$996,436 | - | \$1,036,719 | - |

| | 2014/15 | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|--|--------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| Service | Total Expenditure Budget | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV | Baseline Budget | Additional funding under SV |
| Land Use Management | \$4,036,000 | \$4,195,587 | - | \$4,361,757 | - | \$4,534,788 | - | \$4,714,968 | - |
| Town Centres | \$4,163,000 | \$3,270,199 | - | \$3,409,715 | - | \$3,524,471 | - | \$3,641,466 | - |
| Moving Around | | | | | | | | | |
| Transport & Public Access | \$11,736,460 | \$11,795,594 | - | \$12,151,381 | - | \$12,753,243 | - | \$13,078,108 | - |
| Looking After People | | | | | | | | | |
| Aquatic & Leisure Centres | \$7,692,000 | \$7,962,009 | - | \$8,233,909 | - | \$8,516,099 | - | \$8,808,993 | - |
| Community Development | \$11,835,210 | \$2,822,977 | - | \$2,863,454 | - | \$3,062,573 | - | \$3,065,480 | - |
| Cultural development | \$2,305,000 | \$2,681,782 | - | \$2,772,019 | - | \$2,865,635 | - | \$2,962,764 | - |
| Emergency Management | \$4,390,000 | \$4,876,201 | - | \$5,237,603 | - | \$5,536,933 | - | \$5,843,400 | - |
| Environmental Health & Regulatory Compliance | \$2,799,000 | \$2,907,121 | - | \$3,019,646 | - | \$3,136,761 | - | \$3,258,657 | - |
| Family Day Care | \$1,699,000 | \$1,751,679 | - | \$1,806,216 | - | \$1,862,682 | - | \$1,921,152 | - |
| Libraries & Information | \$3,706,000 | \$3,856,085 | - | \$4,003,934 | - | \$4,157,789 | - | \$4,317,899 | - |
| Sport & Recreation - Natural Area Visitor Facilities | \$1,607,000 | \$1,220,104 | - | \$1,272,745 | - | \$1,361,979 | - | \$1,410,383 | - |
| Sport & Recreation - Recreation Facilities | \$2,943,000 | \$2,877,001 | - | \$3,104,353 | - | \$3,101,303 | - | \$3,421,436 | - |
| Sustainable Economy | | | | | | | | | |
| Economic Development & Tourism | \$4,078,000 | \$4,204,272 | - | \$4,334,992 | - | \$4,470,332 | - | \$4,610,470 | - |
| Commercial Activities | \$5,410,000 | \$3,002,091 | - | \$2,976,730 | - | \$2,924,010 | - | \$3,009,030 | - |
| Civic Leadership-Good Governance | | | | | | | | | |
| Strategic & Governance and Operational Support | \$15,603,000 | \$15,986,624 | - | \$16,596,964 | - | \$17,227,064 | - | \$17,723,129 | - |
| Total | \$117,720,670 | \$102,985,929 | \$0 | \$105,963,053 | \$0 | \$112,197,691 | - | \$113,821,593 | - |

Note: funding allocations will be subject to an annual review of Service and Asset Management Plans and risk assessment processes

Asset Works Program 2015-2019

The following table provides the proposed high-level Draft 4-year Asset Works Program under Option 3 – Service Levels Reduced.

Note that the detailed program for the following financial year, is reviewed, publicly exhibited and adopted annually. The allocation of funding over the four years will be further reviewed in the annual business planning and budgeting process. In particular, allocation of funding for asset works will be subject to legislatively required annual review of Asset Management Plans to ensure priority risk mitigation actions. Expenditure will target critical service / asset priorities that the community places a high value on and / or those that have a high risk profile.

Asset Works Program – Option 3

| Type/ Service | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|--|------------------|------------------|------------------|------------------|
| Renewal | | | | |
| Burials & Ashes Placement | 53,000 | 54,000 | 55,000 | 57,000 |
| Commercial Activities | 120,000 | 67,500 | | |
| Community Development | 55,000 | | 100,000 | |
| Emergency Management | | | | |
| Administrative Property Portfolio | | | 150,000 | 150,000 |
| Sport & Recreation - Natural Area Visitor Facilities | 100,000 | 103,000 | 150,000 | 154,500 |
| Sport & Recreation - Recreation Facilities | 40,000 | 165,600 | 66,350 | 286,741 |
| Town Centres | 120,000 | 124,000 | 127,000 | 128,000 |
| Transport & Public Access | 2,231,247 | 2,081,224 | 2,392,551 | 2,294,813 |
| Water Resource Management | | 165,000 | 150,000 | 154,500 |
| Total Renewal | 2,719,247 | 2,760,324 | 3,190,901 | 3,225,553 |
| Upgrade / New | | | | |
| Aquatic & Leisure Centres | 8,000 | 8,000 | 8,000 | 8,000 |
| Commercial Activities | 120,000 | 67,500 | | |
| Community Development | 8,000 | 8,000 | 8,000 | 8,000 |
| Libraries & Information | 8,000 | 8,000 | 8,000 | 8,000 |
| Administrative Property Portfolio | 8,000 | 8,000 | 8,000 | 8,000 |
| Sport & Recreation - Recreation Facilities | 8,000 | 8,000 | 8,000 | 8,000 |
| Town Centres | | | | |
| Transport & Public Access | | | | |

| Type/ Service | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|--|------------------|------------------|-------------------|------------------|
| Waste Resource Management | | | 2,000,000 | |
| Water Resource Management | | | | |
| Total Upgrade New | 160,000 | 107,500 | 2,040,000 | 40,000 |
| Operational Capital e.g. Fleet / IT | | | | |
| Operational Support Services | 4,326,727 | 4,413,262 | 4,501,527 | 4,591,558 |
| Waste Resource Management | 737,000 | | 520,000 | 520,000 |
| Total Operational Capital | 5,063,727 | 4,413,262 | 5,021,527 | 5,111,558 |
| Total Capital Expenditure | 7,942,974 | 7,281,086 | 10,252,428 | 8,377,112 |

Note: Funding allocations will be subject to legislatively required annual review of Service and Asset Management Plans and risk assessment processes.

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4. Financial Information

4.1 Budget Estimates

The following budget estimates are provided based on three different financial scenarios.

The tables below present the Council's Annual Operating Result over 2015-2019 (including depreciation and excluding capital grants) and is followed by tables showing Revenue Sources and Expenditure Areas for each option.

Overall, although the Council can balance the annual cash budget, it does have an operating deficit once the deterioration of assets is included (that is depreciation). This highlights that in the short term the Council does not have the capacity to fund on an annual basis the assessed required maintenance, renewal and replacement of existing Council assets (roads, drains, footpaths, swimming pools, libraries, parks etc.) worth over \$1 billion.

The Council can only be sustainable if its operating revenues cover operating costs (including depreciation).

Refer to the *Resourcing Strategy 2014-2024 – Long Term Financial Plan*, for more information.

Budget Estimates – Option 1: Service Levels Improved

The annual operating result (including depreciation, excluding capital grants) is presented in the table below and shows the Council's income and expenses over 2015-2019 for Option 1.

The tables show that over 2015-2019 the operating position improves, reaching a surplus in 2018-2019.

Generally: The trend in later years of a decrease in the operating result for all options is a result of costs continuing to rise faster than the Council's ability to raise revenue. It signals the need for the Council to continue its focus on implementing all *Six Strategies for Financial Sustainability* (see Section 2) to improve financial sustainability of the Council. Refer to the *Long Term Financial Plan 2014-2024* for more information.

Option 1 – Service Levels Improved: Annual Operating Result

| Operating Result | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Income from Continuing Operations</i> | 97,715,712 | 103,829,673 | 110,828,470 | 118,668,219 |
| <i>Expenditure from Continuing Operating</i> | 102,976,534 | 107,014,415 | 111,331,753 | 115,991,054 |
| Operating Result from continuing operations – Surplus (Deficit) | (5,260,822) | (3,184,742) | (503,283) | 2,677,165 |
| Less Capital Grants & Contributions | 752,000 | 752,000 | 752,000 | 752,000 |
| Operating Result before capital items and including depreciation – Surplus (Deficit) | (6,012,822) | (3,936,742) | (1,255,283) | 1,925,165 |

Option 1 – Service Levels Improved: Annual Cash Budget – Revenue Sources

| Revenue Sources | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Rates & Annual Charges | 58,949,009 | 61,107,832 | 63,364,103 | 65,974,534 |
| Rates - proposed continued Environment Levy | 1,671,652 | 1,721,802 | 1,773,456 | 1,826,659 |
| Rates - continued Special Variation | 1,709,247 | 1,760,524 | 1,813,340 | 1,867,740 |
| Rates - proposed further Special Variation | | 3,253,606 | 6,917,167 | 11,032,966 |
| Regulatory Fees | 2,017,802 | 2,037,980 | 2,058,360 | 2,078,944 |
| Discretionary Fees | 14,920,425 | 15,368,037 | 15,829,079 | 16,303,951 |
| Interest Income | 1,517,586 | 1,522,221 | 1,526,995 | 1,531,912 |
| Other Revenue | 3,274,745 | 3,363,570 | 3,455,056 | 3,549,290 |
| Profit on sale assets | 243,080 | 250,372 | 257,884 | 265,620 |
| Operating Grant | 11,420,317 | 11,426,684 | 11,790,035 | 12,166,878 |
| Operating Contributions | 1,239,849 | 1,265,044 | 1,290,995 | 1,317,725 |
| Capital Grants & Contributions | 752,000 | 752,000 | 752,000 | 752,000 |
| Income from Continuing Operations | 97,715,712 | 103,829,673 | 110,828,470 | 118,668,219 |
| Sale of Plant & Other Assets | 2,956,756 | 3,364,048 | 4,121,560 | 2,629,296 |
| Transfer from Loans Reserve (AWP) | 240,000 | 135,000 | 2,000,000 | 0 |
| Transfer from Reserve (AWP) | 2,767,647 | 3,713,844 | 7,018,395 | 10,082,073 |
| Transfer from Reserve (Operational) | 7,377,341 | 7,583,297 | 7,487,358 | 7,389,118 |
| Total Income | 111,057,456 | 118,625,862 | 131,455,782 | 138,768,706 |
| Profit on sale assets | 243,080 | 250,372 | 257,884 | 265,620 |
| Total Income (excluding non cash items) | 110,814,376 | 118,375,490 | 131,197,899 | 138,503,086 |

Option 1 – Service Levels Improved: Annual Cash Budget – Expenditure Areas

| Expenditure Sources | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Employee Costs | 47,946,388 | 50,198,124 | 52,650,930 | 55,215,945 |
| Borrowing Cost - operating | 3,824,682 | 3,502,238 | 3,184,092 | 2,965,754 |
| Other Expenses | 13,917,084 | 14,373,254 | 15,053,677 | 15,806,346 |
| Materials & Contracts | 20,166,043 | 22,027,842 | 23,721,129 | 25,367,756 |
| Maintenance Exp from SV | 387,337 | 398,957 | 410,925 | 423,253 |
| Depreciation | 16,735,000 | 16,514,000 | 16,311,000 | 16,212,000 |
| Expenditure from Continuing Operating | 102,976,534 | 107,014,415 | 111,331,753 | 115,991,054 |
| Transfer to Reserve | 11,103,182 | 13,578,060 | 16,624,203 | 18,437,237 |
| Borrowing Cost - capital | 5,337,305 | 5,192,282 | 5,143,542 | 4,674,546 |
| Plant & Equipment | 4,372,708 | 4,503,889 | 4,639,006 | 4,778,176 |
| Asset Works Program | 3,759,647 | 4,600,844 | 9,770,395 | 10,834,073 |
| Total Expenditure | 127,549,376 | 134,889,490 | 147,508,899 | 154,715,086 |
| Depreciation (rounded estimate) | 16,735,000 | 16,514,000 | 16,311,000 | 16,212,000 |
| Other Non cash items | 0 | 0 | 0 | 0 |
| Total Expenditure (excluding non cash items) | 110,814,376 | 118,375,490 | 131,197,899 | 138,503,086 |

Budget Estimates – Option 2: Service Levels Maintained

The annual operating result (including depreciation, excluding capital grants) is presented in the table below and shows the Council's income and expenses over 2015-2019 for Option 2.

The tables show that over 2015-2019 while the operating position steadily improves it remains under the benchmark of "greater than 0" set in the Long Term Financial Plan.

Generally: The trend in later years showing a decrease in the operating result for all options is a result of costs continuing to rise faster than the Council's ability to raise revenue. It signals the need for the Council to continue its focus on implementing all *Six Strategies for Financial Sustainability* (see Section 2) to improve financial sustainability of the Council. Refer to the *Long Term Financial Plan 2014-2024* for more information.

Option 2 – Service Levels Maintained: Annual Operating Result

| Operating Result | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Income from Continuing Operations</i> | 97,715,712 | 102,731,979 | 108,443,180 | 114,780,661 |
| <i>Expenditure from Continuing Operating</i> | 102,976,534 | 106,531,416 | 110,444,962 | 114,586,028 |
| Operating Result from continuing operations – Surplus (Deficit) | (5,260,822) | (3,799,437) | (2,001,782) | 194,633 |
| Less Capital Grants & Contributions | 752,000 | 752,000 | 752,000 | 752,000 |
| Operating Result before capital items and including depreciation – Surplus (Deficit) | (6,012,822) | (4,551,437) | (2,753,782) | (557,367) |

Option 2 – Service Levels Maintained: Annual Cash Budget – Revenue Sources

| Revenue Sources | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Rates & Annual Charges | 58,949,009 | 61,094,674 | 63,332,255 | 65,917,334 |
| Rates - proposed continued Environment Levy | 1,671,652 | 1,721,802 | 1,773,456 | 1,826,659 |
| Rates - continued Special Variation | 1,709,247 | 1,760,524 | 1,813,340 | 1,867,740 |
| Rates - proposed further Special Variation | | 2,169,070 | 4,563,725 | 7,202,608 |
| Regulatory Fees | 2,017,802 | 2,037,980 | 2,058,360 | 2,078,944 |
| Discretionary Fees | 14,920,425 | 15,368,037 | 15,829,079 | 16,303,951 |
| Interest Income | 1,517,586 | 1,522,221 | 1,526,995 | 1,531,912 |
| Other Revenue | 3,274,745 | 3,363,570 | 3,455,056 | 3,549,290 |
| Profit on sale assets | 243,080 | 250,372 | 257,884 | 265,620 |
| Operating Grant | 11,420,317 | 11,426,684 | 11,790,035 | 12,166,878 |
| Operating Contributions | 1,239,849 | 1,265,044 | 1,290,995 | 1,317,725 |
| Capital Grants & Contributions | 752,000 | 752,000 | 752,000 | 752,000 |
| <i>Income from Continuing Operations</i> | 97,715,712 | 102,731,979 | 108,443,180 | 114,780,661 |
| Sale of Plant & Other Assets | 2,956,756 | 3,364,048 | 4,121,560 | 2,629,296 |
| Transfer from Loans Reserve (AWP) | 240,000 | 135,000 | 2,000,000 | 0 |
| Transfer from Reserve (AWP) | 2,767,647 | 3,112,307 | 5,539,744 | 7,615,743 |
| Transfer from Reserve (Operational) | 7,377,341 | 7,583,297 | 7,487,358 | 7,389,118 |
| Total Income | 111,057,456 | 116,926,631 | 127,591,841 | 132,414,818 |
| Profit on sale assets | 243,080 | 250,372 | 257,884 | 265,620 |
| Total Income (excluding non cash items) | 110,814,376 | 116,676,259 | 127,333,958 | 132,149,198 |

Option 2 – Service Levels Maintained: Annual Cash Budget – Expenditure Areas

| Expenditure Sources | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Employee Costs | 47,946,388 | 50,198,124 | 52,650,930 | 55,215,945 |
| Borrowing Cost - operating | 3,824,682 | 3,502,238 | 3,184,092 | 2,965,754 |
| Other Expenses | 13,917,084 | 14,373,254 | 15,053,677 | 15,806,346 |
| Materials & Contracts | 20,166,043 | 21,544,843 | 22,846,338 | 24,003,730 |
| Maintenance Exp from SV | 387,337 | 398,957 | 410,925 | 423,253 |
| Depreciation | 16,735,000 | 16,514,000 | 16,299,000 | 16,171,000 |
| <i>Expenditure from Continuing Operating</i> | <i>102,976,534</i> | <i>106,531,416</i> | <i>110,444,962</i> | <i>114,586,028</i> |
| Transfer to Reserve | 11,103,182 | 12,963,365 | 15,113,704 | 15,913,705 |
| Borrowing Cost - capital | 5,337,305 | 5,192,282 | 5,143,542 | 4,674,546 |
| Plant & Equipment | 4,372,708 | 4,503,889 | 4,639,006 | 4,778,176 |
| Asset Works Program | 3,759,647 | 3,999,307 | 8,291,744 | 8,367,743 |
| Total Expenditure | 127,549,376 | 133,190,259 | 143,632,958 | 148,320,198 |
| Depreciation (rounded estimate) | 16,735,000 | 16,514,000 | 16,299,000 | 16,171,000 |
| Other Non cash items | 0 | 0 | 0 | 0 |
| Total Expenditure (excluding non cash items) | 110,814,376 | 116,676,259 | 127,333,958 | 132,149,198 |

Budget Estimates – Option 3: Service Levels Reduced

The annual operating result (including depreciation, excluding capital grants) is presented in the table below and shows the Council's income and expenses over 2015-2019 for Option 3.

The tables show that over 2015-2019 there is little improvement in the significant operating deficit which will occur despite significant adjustments to the services provided by the Council. This means that the Council will be unable to achieve its responsibilities under the City's Community Strategic Plan – *Sustainable Blue Mountains 2025* without significant service adjustments that may not be acceptable to the community.

Generally: The trend in later years of a decrease in the operating result for all options is a result of costs continuing to rise faster than the Council's ability to raise revenue. It signals the need for the Council to continue its focus on implementing all six financial strategies (see Section 2) to improve financial sustainability of the Council. Refer to the *Long Term Financial Plan* for more information.

Option 3 – Service Levels Reduced: Annual Operating Result

| Operating Result | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Income from Continuing Operations</i> | 96,122,815 | 98,893,517 | 102,122,666 | 105,721,644 |
| <i>Expenditure from Continuing Operating</i> | 101,712,329 | 104,383,750 | 107,418,685 | 110,552,539 |
| Operating Result from continuing operations – Surplus (Deficit) | (5,589,514) | (5,490,233) | (5,296,019) | (4,830,895) |
| Less Capital Grants & Contributions | 752,000 | 752,000 | 752,000 | 752,000 |
| Operating Result before capital items and including depreciation – Surplus (Deficit) | (6,341,514) | (6,242,233) | (6,048,019) | (5,582,895) |

Option 3 – Service Levels Reduced: Annual Cash Budget – Revenue Sources

| Revenue Sources | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Rates & Annual Charges | 59,027,764 | 61,147,084 | 63,348,922 | 65,887,584 |
| Rates - proposed continued Environment Levy | | | | |
| Rates - continued Special Variation | 1,709,247 | 1,760,524 | 1,813,340 | 1,867,740 |
| Rates - proposed further Special Variation | | | | |
| Regulatory Fees | 2,017,802 | 2,037,980 | 2,058,360 | 2,078,944 |
| Discretionary Fees | 14,920,425 | 15,368,037 | 15,829,079 | 16,303,951 |
| Interest Income | 1,517,586 | 1,522,221 | 1,526,995 | 1,531,912 |
| Other Revenue | 3,274,745 | 3,363,570 | 3,455,056 | 3,549,290 |
| Profit on sale assets | 243,080 | 250,372 | 257,884 | 265,620 |
| Operating Grant | 11,420,317 | 11,426,684 | 11,790,035 | 12,166,878 |
| Operating Contributions | 1,239,849 | 1,265,044 | 1,290,995 | 1,317,725 |
| Capital Grants & Contributions | 752,000 | 752,000 | 752,000 | 752,000 |
| Income from Continuing Operations | 96,122,815 | 98,893,517 | 102,122,666 | 105,721,644 |
| Sale of Plant & Other Assets | 2,956,756 | 3,364,048 | 4,121,560 | 2,629,296 |
| Transfer from Loans Reserve (AWP) | 240,000 | 135,000 | 2,000,000 | 0 |
| Transfer from Reserve (AWP) | 2,624,247 | 1,980,824 | 2,998,901 | 3,033,554 |
| Transfer from Reserve (Operational) | 7,377,341 | 7,583,297 | 7,487,358 | 7,389,118 |
| Total Income | 109,321,159 | 111,956,686 | 118,730,484 | 118,773,612 |
| Profit on sale assets | 243,080 | 250,372 | 257,884 | 265,620 |
| Total Income (excluding non cash items) | 109,078,079 | 111,706,314 | 118,472,601 | 118,507,992 |

Option 3 – Service Levels Reduced: Annual Cash Budget – Expenditure Areas

| Expenditure Sources | 2015-2016 Projection \$ | 2016-2017 Projection \$ | 2017-2018 Projection \$ | 2018-2019 Projection \$ |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Employee Costs | 47,931,672 | 50,067,958 | 52,374,239 | 54,781,883 |
| Borrowing Cost - operating | 3,824,682 | 3,502,238 | 3,184,092 | 2,965,754 |
| Other Expenses | 13,814,433 | 13,836,816 | 14,267,660 | 14,715,533 |
| Materials & Contracts | 19,019,205 | 20,068,781 | 20,913,769 | 21,591,116 |
| Maintenance Exp from SV | 387,337 | 398,957 | 410,925 | 423,253 |
| Depreciation | 16,735,000 | 16,509,000 | 16,268,000 | 16,075,000 |
| <i>Expenditure from Continuing Operating</i> | <i>101,712,329</i> | <i>104,383,750</i> | <i>107,418,685</i> | <i>110,552,539</i> |
| Transfer to Reserve | 10,820,471 | 11,358,196 | 11,925,946 | 10,978,795 |
| Borrowing Cost - capital | 5,337,305 | 5,192,282 | 5,143,542 | 4,674,546 |
| Plant & Equipment | 4,326,727 | 4,413,262 | 4,501,527 | 4,591,558 |
| Asset Works Program | 3,616,247 | 2,867,824 | 5,750,901 | 3,785,554 |
| Total Expenditure | 125,813,079 | 128,215,314 | 134,740,601 | 134,582,992 |
| Depreciation (rounded estimate) | 16,735,000 | 16,509,000 | 16,268,000 | 16,075,000 |
| Other Non cash items | 0 | 0 | 0 | 0 |
| Total Expenditure (excluding non cash items) | 109,078,079 | 111,706,314 | 118,472,601 | 118,507,992 |

4.2 Rates & Annual Charges Statement

Ordinary rates are levied on the rateable land value of each parcel of land as supplied by NSW Land and Property Information Division, Department of Finance and Services (Valuer General's Office) and in accordance with the Local Government Act 1993. The Council has established a rating structure that relates to property values, which reflect capacity to pay, and to the purpose for which the property is used, that is, whether the property is used for commercial, industrial, residential or farming purposes.

Method of Rate Calculation

The Council has maintained the ad valorem rating system that incorporates minimum amounts.

Categorisation of Land for Purposes of Ordinary Rates

Section 514 of the Local Government Act 1993 sets out the Ordinary Rate Categories that the Council may use for the levying of ordinary rates, namely:

- Farmland
- Residential
- Mining
- Business

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:

- the dominant use is for residential accommodation; or
- if vacant land is zoned or otherwise designated for use for residential purposes under an environmental planning instrument.

Only one Ordinary Residential rate is levied by Council.

3. **Mining** – eligibility determined in accordance with the Local Government Act 1993.

4. **Business** – includes any rateable land which cannot be classified as farmland, residential or mining, and:

- if vacant land is zoned or otherwise designated for use for business purposes under an environmental planning instrument.

Only one Ordinary Business rate is levied by Council.

Ordinary Rates

The Residential Ordinary Rate is to be applied to the rateable land value of all rateable land categorised as Residential throughout the whole of the Council area. The Business Ordinary Rate is to be applied to the rateable land value of all rateable land categorised as Business throughout the whole of the Council area.

Special Variations and Other Charges

Currently the Council has the following special variation to rates and other charges:

Environment Levy – The Council has incorporated an Environment Levy component (increased by rate peg each year) within general rates. This levy is due to expire 30 June 2015

Bushfire Management and Emergency Services Annual Charge – Section 501 of the Local Government Act 1993 and relevant regulations allow the Council to make an annual charge for the provision of emergency services and bushfire control.

Special Variation to Rates for Infrastructure – The Council made an application to the Independent Pricing and Regulatory Tribunal in 2012-2013 to continue a special variation to rates for infrastructure under S508(2) of the Act. The application was approved in full on an ongoing basis. The Council will direct additional funds raised to priority asset renewal and maintenance works.

The Council's Proposed Options and Impact on Rates

The following information presents the impact of three different options on rates.

Annual Percentage Rate Increases (including estimated rate peg of 3.0%)

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--|---------|---------|---------|---------|
| OPTION 1: SERVICE LEVELS IMPROVED | 6.6%* | 9.6% | 9.6% | 9.6% |
| OPTION 2: SERVICE LEVELS MAINTAINED | 6.6%* | 7.4% | 7.4% | 7.4% |
| OPTION 3: SERVICE LEVELS REDUCED (rate peg only) | 3.0%* | 3.0% | 3.0% | 3.0% |

Ratepayers would experience lesser increases in 2015-2016 than shown in this table, due to the effect of the Environment Levy already being a part of 2014-2015 rates. Under Options 1 and 2 the Environment Levy is reinstated, resulting in an actual increase of 3.0% for 2015-2016, while under Option 3 the Environment Levy is not renewed, resulting in a slight reduction in rates of approximately 0.5% for 2015-2016.

How Will This Affect Ratepayers Financially? – Residential Rates

| AVERAGE RESIDENTIAL RATES | | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Total increase over 4 years | Average Weekly Increase |
|--|-----------------|---------|---------|---------|---------|---------|-----------------------------|-------------------------|
| OPTION 1: IMPROVING SERVICE LEVELS | Annual rate | \$1,272 | \$1,310 | \$1,436 | \$1,574 | \$1,725 | \$453 | \$2.18 |
| | Annual increase | | \$38 | \$126 | \$138 | \$151 | | |
| OPTION 2: SERVICE LEVELS MAINTAINED | Annual rate | \$1,272 | \$1,310 | \$1,407 | \$1,511 | \$1,623 | \$351 | \$1.69 |
| | Annual increase | | \$38 | \$97 | \$104 | \$112 | | |
| OPTION 3: SERVICE LEVELS REDUCED (rate peg only) | Annual rate | \$1,272 | \$1,266 | \$1,304 | \$1,343 | \$1,383 | \$111 | \$0.53 |
| | Annual increase | | -\$6 | \$38 | \$39 | \$40 | | |

How Will This Affect Ratepayers Financially? – Business Rates

| AVERAGE BUSINESS RATES | | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Total increase over 4 years | Average Weekly Increase |
|--|-----------------|---------|---------|---------|---------|---------|-----------------------------|-------------------------|
| OPTION 1: SERVICE LEVELS IMPROVED | Annual rate | \$3,071 | \$3,163 | \$3,466 | \$3,799 | \$4,164 | \$1,093 | \$5.25 |
| | Annual increase | | \$92 | \$303 | \$333 | \$365 | | |
| OPTION 2: SERVICE LEVELS MAINTAINED | Annual rate | \$3,071 | \$3,163 | \$3,397 | \$3,648 | \$3,918 | \$847 | \$4.07 |
| | Annual increase | | \$92 | \$234 | \$251 | \$270 | | |
| OPTION 3: SERVICE LEVELS REDUCED (rate peg only) | Annual rate | \$3,071 | \$3,056 | \$3,147 | \$3,242 | \$3,339 | \$268 | \$1.29 |
| | Annual increase | | -\$15 | \$91 | \$95 | \$97 | | |

How Will This Affect Ratepayers Financially? – Farmland Rates

| AVERAGE FARMLAND RATES | | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Total increase over 4 years | Average Weekly Increase |
|--|-----------------|---------|---------|---------|---------|---------|-----------------------------|-------------------------|
| OPTION 1: SERVICE LEVELS IMPROVED | Annual rate | \$2,021 | \$2,081 | \$2,281 | \$2,500 | \$2,740 | \$719 | \$3.46 |
| | Annual increase | | \$60 | \$200 | \$219 | \$240 | | |
| OPTION 2: SERVICE LEVELS MAINTAINED | Annual rate | \$2,021 | \$2,081 | \$2,235 | \$2,401 | \$2,578 | \$557 | \$2.68 |
| | Annual increase | | \$60 | \$154 | \$166 | \$177 | | |
| OPTION 3: SERVICE LEVELS REDUCED (rate peg only) | Annual rate | \$2,021 | \$2,011 | \$2,071 | \$2,133 | \$2,197 | \$176 | \$0.85 |
| | Annual increase | | -\$10 | \$60 | \$62 | \$64 | | |

Rates & Annual Charges – Option 1: Service Levels Improved

Key rating assumptions:

- Environment Levy is retained permanently;
- Annual rate increases of 6.6%, 9.6%, 9.6%, 9.6%, or 40.4% over four years (including rate peg)
- Additional rating revenue of \$28M by 2018-2019 and revenue funds remain permanently in rate base

| Category | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|---|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|
| | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield |
| Residential | \$535.70 | \$44,862,403 | \$587.13 | \$49,169,194 | \$643.50 | \$53,889,437 | \$705.27 | \$59,062,822 |
| Farmland | \$980.46 | \$285,128 | \$1,074.58 | \$312,501 | \$1,177.74 | \$342,501 | \$1,290.80 | \$375,381 |
| Mining | \$980.46 | \$0 | \$1,074.58 | \$0 | \$1,177.74 | \$0 | \$1,290.80 | \$0 |
| Business | \$980.46 | \$4,149,534 | \$1,074.58 | \$4,547,889 | \$1,177.74 | \$4,984,486 | \$1,290.80 | \$5,462,997 |
| Estimated Total Notional General Rate Income | | \$49,297,065 | | \$54,029,584 | | \$59,216,424 | | \$64,901,200 |

Ad valorem predictions are difficult to make due to changing valuations and the consequent change to income raised from valuation charged minimum rates and so have not been included in this table.

| Name of Annual Charge | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|----------------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|
| | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield |
| On-Site Sewage Management | | | | | | | | |
| OSM (Aerated/Pumpout) | \$39.14 | \$17,222 | \$40.31 | \$17,738 | \$41.52 | \$18,270 | \$42.77 | \$18,819 |
| OSM (Aerated/Pumpout) | \$19.57 | \$900 | \$20.16 | \$927 | \$20.76 | \$955 | \$21.38 | \$984 |
| OSM (Absorption) | \$64.89 | \$40,946 | \$66.84 | \$42,174 | \$68.84 | \$43,439 | \$70.91 | \$44,742 |
| OSM (Absorption) Pensioner | \$32.45 | \$3,602 | \$33.42 | \$3,710 | \$34.42 | \$3,821 | \$35.45 | \$3,936 |
| OSM Multiple Systems | \$85.49 | \$1,539 | \$88.05 | \$1,585 | \$90.70 | \$1,633 | \$93.42 | \$1,682 |

| | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|--|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|
| Name of Annual Charge | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield |
| OSM Multiple Systems Pensioner | \$42.75 | \$0 | \$44.03 | \$0 | \$45.35 | \$0 | \$46.71 | \$0 |
| Emergency Services | \$48.97 | \$1,749,960 | \$53.67 | \$1,917,956 | \$58.82 | \$2,102,080 | \$64.47 | \$2,303,879 |
| Rateable Waste Services | | | | | | | | |
| Domestic Waste – Occupied 140L bin | \$290.85 | \$1,613,636 | \$305.39 | \$1,694,318 | \$320.66 | \$1,779,033 | \$336.70 | \$1,867,985 |
| Domestic Waste – Occupied 240L bin | \$380.10 | \$10,533,711 | \$399.11 | \$11,060,397 | \$419.06 | \$11,613,417 | \$440.01 | \$12,194,088 |
| Domestic Waste – Vacant | \$131.25 | \$242,156 | \$137.81 | \$254,264 | \$144.70 | \$266,977 | \$151.94 | \$280,326 |
| Vacant Land – EP Zoning | \$21.00 | \$525 | \$22.05 | \$551 | \$23.15 | \$579 | \$24.31 | \$608 |
| Residential – Additional Recycling Bin 140 Litre | \$101.33 | \$22,089 | \$106.39 | \$23,193 | \$111.71 | \$24,353 | \$117.30 | \$25,571 |
| Residential – Additional Garbage Bin 240 Litre | \$264.60 | \$1,323 | \$277.83 | \$1,389 | \$291.72 | \$1,459 | \$306.31 | \$1,532 |
| Non-Rateable Waste Services | | | | | | | | |
| General Non-Rateable Premises - Garbage only (240L MGB) | \$244.65 | \$84,894 | \$256.88 | \$89,138 | \$269.73 | \$93,595 | \$283.21 | \$98,275 |
| Domestic Waste Residential full service (240L MGB bin) | \$380.10 | \$17,105 | \$399.11 | \$17,960 | \$419.06 | \$18,858 | \$440.01 | \$19,801 |
| Domestic Waste Residential full service (140L MGB bin) | \$290.85 | \$2,618 | \$305.39 | \$2,749 | \$320.66 | \$2,886 | \$336.70 | \$3,030 |
| Recycling (140L bin) | \$101.33 | \$22,089 | \$106.39 | \$23,193 | \$111.71 | \$24,353 | \$117.30 | \$25,571 |
| Special Category Halls, Sporting Clubs, Pre Schools, etc. on Council land or Public Reserves | \$244.65 | \$0 | \$256.88 | \$0 | \$269.73 | \$0 | \$283.21 | \$0 |
| Estimated Total Notional General Rates & Annual Charge Income | | \$63,651,378 | | \$69,180,826 | | \$75,212,132 | | \$81,792,026 |

Rates & Annual Charges – Option 2: Service Levels Maintained

Key rating assumptions:

- Environment Levy is retained permanently;
- Annual rate increases of 6.6%, 7.4%, 7.4%, 7.4%, or 32.1% over four years (including rate peg)
- Additional rating revenue of \$21M by 2018-2019 and revenue funds remain permanently in rate base

| Category | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|---|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|
| | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield |
| Residential | \$535.70 | \$44,862,403 | \$575.35 | \$48,182,221 | \$617.92 | \$51,747,705 | \$663.65 | \$55,577,036 |
| Farmland | \$980.46 | \$285,128 | \$1,053.01 | \$306,228 | \$1,130.93 | \$328,889 | \$1,214.62 | \$353,227 |
| Mining | \$980.46 | \$0 | \$1,053.01 | \$0 | \$1,130.93 | \$0 | \$1,214.62 | \$0 |
| Business | \$980.46 | \$4,149,534 | \$1,053.01 | \$4,456,599 | \$1,130.93 | \$4,786,387 | \$1,214.62 | \$5,140,580 |
| Estimated Total Notional General Rate Income | | \$49,297,065 | | \$52,945,048 | | \$56,862,981 | | \$61,070,842 |

Ad valorem predictions are difficult to make due to changing valuations and the consequent change to income raised from valuation charged minimum rates and so have not been included in this table.

| Name of Annual Charge | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|----------------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|
| | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield |
| On-Site Sewage Management | | | | | | | | |
| OSM (Aerated/Pumpout) | \$39.14 | \$17,222 | \$40.31 | \$17,738 | \$41.52 | \$18,270 | \$42.77 | \$18,819 |
| OSM (Aerated/Pumpout) | \$19.57 | \$900 | \$20.16 | \$927 | \$20.76 | \$955 | \$21.38 | \$984 |
| OSM (Absorption) | \$64.89 | \$40,946 | \$66.84 | \$42,174 | \$68.84 | \$43,439 | \$70.91 | \$44,742 |
| OSM (Absorption) Pensioner | \$32.45 | \$3,602 | \$33.42 | \$3,710 | \$34.42 | \$3,821 | \$35.45 | \$3,936 |
| OSM Multiple Systems | \$85.49 | \$1,539 | \$88.05 | \$1,585 | \$90.70 | \$1,631 | \$93.42 | \$1,682 |

| | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|--|----------------|--------------------------|----------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
| Name of Annual Charge | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield |
| OSM Multiple Systems Pensioner | \$42.75 | \$0 | \$44.03 | \$0 | \$45.35 | \$0 | \$46.71 | \$0 |
| Emergency Services | \$48.97 | \$1,749,960 | \$52.59 | \$1,879,457 | \$ 56.48 | \$ 2,018,537 | \$ 60.66 | \$ 2,167,908 |
| Rateable Waste Services | | | | | | | | |
| Domestic Waste – Occupied 140L bin | \$290.85 | \$1,613,636 | \$305.39 | \$1,694,318 | \$320.66 | \$1,779,033 | \$336.70 | \$1,867,985 |
| Domestic Waste – Occupied 240L bin | \$380.10 | \$10,533,711 | \$399.11 | \$11,060,397 | \$419.06 | \$11,613,417 | \$440.01 | \$12,194,088 |
| Domestic Waste – Vacant | \$131.25 | \$242,156 | \$137.81 | \$254,264 | \$144.70 | \$266,977 | \$151.94 | \$280,326 |
| Vacant Land – EP Zoning | \$21.00 | \$525 | \$22.05 | \$551 | \$23.15 | \$579 | \$24.31 | \$608 |
| Residential – Additional Recycling Bin 140 Litre | \$101.33 | \$22,089 | \$106.39 | \$23,193 | \$111.71 | \$24,353 | \$117.30 | \$25,571 |
| Residential – Additional Garbage Bin 240 Litre | \$264.60 | \$1,323 | \$277.83 | \$1,389 | \$291.72 | \$1,459 | \$306.31 | \$1,532 |
| Non-Rateable Waste Services | | | | | | | | |
| General Non-Rateable Premises - | \$244.65 | \$84,894 | \$256.88 | \$89,138 | \$269.73 | \$93,595 | \$283.21 | \$98,275 |
| Domestic Waste Residential full service (240L MGB bin) | \$380.10 | \$17,105 | \$399.11 | \$17,960 | \$419.06 | \$18,858 | \$440.01 | \$19,801 |
| Domestic Waste Residential full service (140L MGB bin) | \$290.85 | \$2,618 | \$305.39 | \$2,749 | \$320.66 | \$2,886 | \$336.70 | \$3,030 |
| Recycling (140L bin) | \$101.33 | \$22,089 | \$106.39 | \$23,193 | \$111.71 | \$24,353 | \$117.30 | \$25,571 |
| Special Category Halls, Sporting Clubs, Pre Schools, etc. on Council land or Public Reserves | \$244.65 | \$0 | \$256.88 | \$0 | \$269.73 | \$0 | \$283.21 | \$0 |
| Estimated Total Notional General Rates & Annual Charge Income | | \$63,651,378 | | \$68,057,791 | | \$72,775,146 | | \$77,825,697 |

Rates & Annual Charges – Option 3: Service Levels Reduced

Key rating assumptions:

- The existing 10 year Environment Levy expires in June 2015 and is not renewed;
- Rates increase by rate peg only, estimated at 3.0% p.a. or 12.6% over four years
- Reduction in rating revenue of \$7M by 2018-19 due to expiring Environment Levy

| Category | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|---|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|
| | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield | Minimum Amount | Estimated Notional Yield |
| Residential | \$517.50 | \$43,341,130 | \$533.02 | \$44,641,363 | \$549.02 | \$45,980,604 | \$565.49 | \$47,360,022 |
| Farmland | \$947.14 | \$275,460 | \$975.55 | \$283,724 | \$1,004.82 | \$292,235 | \$1,034.97 | \$301,002 |
| Mining | \$947.14 | \$0 | \$975.55 | \$0 | \$1,004.82 | \$0 | \$1,034.97 | \$0 |
| Business | \$947.14 | \$4,008,824 | \$975.55 | \$4,129,089 | \$1,004.82 | \$4,252,961 | \$1,034.97 | \$4,380,550 |
| Estimated Total Notional General Rate Income | | \$47,625,414 | | \$49,054,176 | | \$50,525,800 | | \$52,041,575 |

Ad valorem predictions are difficult to make due to changing valuations and the consequent change to income raised from valuation charged minimum rates and so have not been included in this table.

| Name of Annual Charge | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|----------------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|
| | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield |
| On-Site Sewage Management | | | | | | | | |
| OSM (Aerated/Pumpout) | \$39.14 | \$17,222 | \$40.31 | \$17,738 | \$41.52 | \$18,270 | \$42.77 | \$18,819 |
| OSM (Aerated/Pumpout) Pensioner | \$19.57 | \$900 | \$20.16 | \$927 | \$20.76 | \$955 | \$21.38 | \$984 |
| OSM (Absorption) | \$64.89 | \$40,946 | \$66.84 | \$42,174 | \$68.84 | \$43,439 | \$70.91 | \$44,742 |
| OSM (Absorption) Pensioner | \$32.45 | \$3,602 | \$33.42 | \$3,710 | \$34.42 | \$3,821 | \$35.45 | \$3,936 |
| OSM Multiple Systems | \$85.49 | \$1,539 | \$88.05 | \$1,585 | \$90.70 | \$1,633 | \$93.42 | \$1,682 |
| OSM Multiple Systems Pensioner | \$42.75 | \$0 | \$44.03 | \$0 | \$45.35 | \$0 | \$46.71 | \$0 |

| | 2015-2016 | | 2016-2017 | | 2017-2018 | | 2018-2019 | |
|--|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|
| Name of Annual Charge | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield | Charge Amount | Estimated Notional Yield |
| Emergency Services | \$48.97 | \$1,749,960 | \$50.44 | \$1,802,458 | \$51.95 | \$1,856,532 | \$53.51 | \$1,912,228 |
| Rateable Waste Services | | | | | | | | |
| Domestic Waste – Occupied 140L bin | \$290.85 | \$1,613,636 | \$305.39 | \$1,694,318 | \$320.66 | \$1,779,033 | \$336.70 | \$1,867,985 |
| Domestic Waste – Occupied 240L | \$380.10 | \$10,533,711 | \$399.11 | \$11,060,397 | \$419.06 | \$11,613,417 | \$440.01 | \$12,194,088 |
| Domestic Waste – Vacant | \$131.25 | \$242,156 | \$137.8 | \$254,264 | \$144.70 | \$266,977 | \$151.94 | \$280,326 |
| Vacant Land – EP Zoning | \$21.00 | \$525 | \$22.05 | \$551 | \$23.15 | \$579 | \$24.31 | \$608 |
| Residential – Additional Recycling Bin 140 Litre | \$101.33 | \$22,089 | \$106.39 | \$23,193 | \$111.71 | \$24,353 | \$117.30 | \$25,571 |
| Residential – Additional Garbage Bin 240 Litre | \$264.60 | \$1,323 | \$277.83 | \$1,389 | \$291.72 | \$1,459 | \$306.31 | \$1,532 |
| Non-Rateable Waste Services | | | | | | | | |
| General Non-Rateable Premises - | \$244.65 | \$84,894 | \$256.88 | \$89,138 | \$269.73 | \$93,595 | \$283.21 | \$98,275 |
| Domestic Waste Residential full service (240L MGB bin) | \$380.10 | \$17,105 | \$399.11 | \$17,960 | \$419.06 | \$18,858 | \$440.01 | \$19,801 |
| Domestic Waste Residential full service (140L MGB bin) | \$290.85 | \$2,618 | \$305.39 | \$2,749 | \$320.66 | \$2,886 | \$336.70 | \$3,030 |
| Recycling (140L bin) | \$101.33 | \$22,089 | \$106. | \$23,193 | \$111.71 | \$24,353 | \$117.30 | \$25,571 |
| Special Category Halls, Sporting Clubs, Pre Schools, etc. on Council land or Public Reserves | \$244.65 | \$0 | \$256.88 | \$0 | \$269.73 | \$0 | \$283.21 | \$0 |
| Estimated Total Notional General Rates & Annual Charge Income | | \$61,979,727 | | \$64,089,921 | | \$66,275,960 | | \$68,540,750 |

4.3 Borrowings Statement

Over the past decade, the Council has used borrowings as a source of funding its Asset Works Program to satisfy community needs, as well as for a number of key major projects in order to maintain a vibrant City and support local economies. While the Council's debt service ratio financial indicator (i.e. the degree of revenue from continued operations committed to the repayment of debt) is within industry benchmark, its financial planning has identified that it has reached its capacity to incur new debt. That is, the available revenue is insufficient to support any further loan interest and principal repayments. Therefore, the Council's long term financial planning incorporates the Council's adopted six strategies for financial sustainability, which includes *Strategy 3 – Manage Borrowings Responsibly*, with the focus of minimising future borrowings and reducing existing debt.

Where possible, every opportunity will also be taken to reduce existing debt from any surplus operational funds.

To support the implementation of Strategy 3, the Council has developed a borrowings policy (including loans and finance leases) that ensures we manage the cost of debt responsibly taking into account the principles of inter-generational equity and the financial capacity of the Council. The policy is as follows:

1. Cease future loan borrowings unless:
 - cost of the debt is funded from sufficient income or cost savings generated by the project; or
 - financially responsible subsidised loan funding is available (e.g. LIRS funding scheme); and
 - the principles of inter-generational equity are supported where the benefits of any project which will be shared by future generations.
2. Any proposed new borrowings must be supported by a comprehensive business case including future, known capital funding requirements, future operational costs of maintenance and renewal of any infrastructure and shall only fund the specific project or purpose approved.
3. Any proposed new borrowings will be in accordance with legislative requirements and guidelines.
4. Review and reduce existing loan debt wherever possible (e.g. through refinancing and redirection of any surplus cash funds to reduce borrowings).
5. Debt finance will not be used to meet operational shortfalls.
6. The period of repayment of debt finance shall not exceed the period over which the benefits are received from a project, or the life or the asset - whichever is lesser.
7. The Council's general debt service ratio shall not exceed the lower level of the Division of Local Government's benchmark ratio of councils in the rural/urban category.
8. An appropriate portion of investments may be utilised to mitigate interest rate risk.
9. Annually review borrowing capacity.
10. Annually review borrowings proposed and account for any deferred projects.

The proposed level of funding to be sourced from borrowings between 2015-2016 and 2017-2018 are shown in the following table. The Council's borrowing program will result in a manageable debt service ratio which is below the industry benchmark.

Loan Borrowings - Options 1, 2 & 3

The proposed loan borrowings are presented below. The loan borrowings are proposed to be the same under all three options.

| Year | Loan Amount |
|-----------|-------------|
| 2015–2016 | \$0.240M |
| 2016–2017 | \$0.135M |
| 2017-2018 | \$2.000M |
| 2018-2019 | \$0.000M |

Debt Service Ratio - Options 1, 2 & 3

The following graph presents the debt service ratio projections based on the LTFP's three financial scenarios.

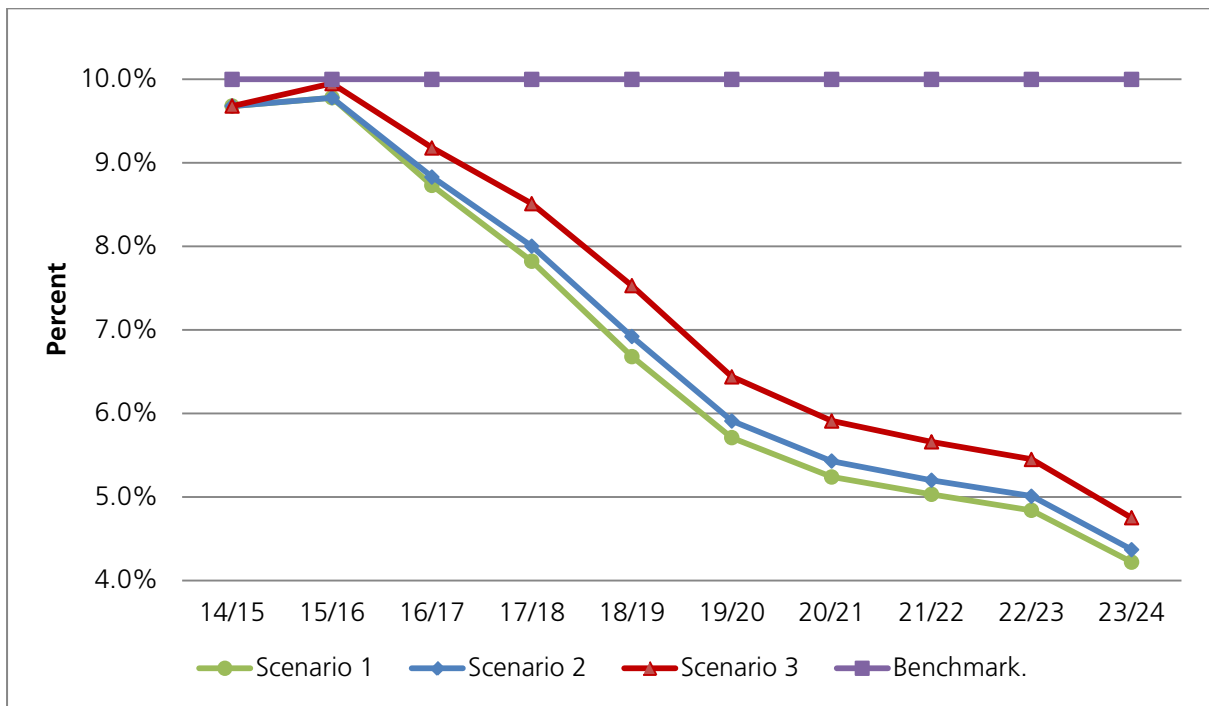
What is Being Measured: Percentage of the Council's total revenue used to service debt

Calculation: Total loan interest and principal repayments divided by operating revenue

Target: Less than 10%

Comment:

- Scenario 1: By 2023-2024 the projected debt service ratio is more sustainable at 4.2% and is significantly below the benchmark.
- Scenario 2: By 2023-2024 the projected debt service ratio is more sustainable at 4.4% and is significantly below the benchmark.
- Scenario 3: By 2023-2024 the projected debt service ratio is sustainable at 4.8% and is significantly below the benchmark. The ratio is less favourable compared to Scenario's 1 and 2 since these scenarios have increased operating revenue from special variation resourcing options
- Generally: The slight increase in the ratio in 2015-2016 is largely due to the servicing requirements of the NSW Government subsidised loans for Blue Mountains Community & Cultural Facility – Springwood (\$6M) and Blaxland Waste Management Facility (\$4.9M) that increase loan repayments costs. Improvements to the ratio occur from 2016-2017 as no new debt (apart from prior commitments or contingent on a business case) is incurred in accordance with the financial strategy to manage borrowings responsibly. At the same time, from 2015-2016 to 2019-2020 existing debts with large repayment amounts are retired in each year but from 2019-2020 there are fewer existing debts retiring and operating revenue is increasing. The Council will have sufficient resources to service existing loans over terms of up to 20 years.



| | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Option 1 | 9.7% | 9.8% | 8.7% | 7.8% | 6.7% | 5.7% | 5.2% | 5.0% | 4.8% | 4.2% |
| Option 2 | 9.7% | 9.8% | 8.8% | 8.0% | 6.9% | 5.9% | 5.4% | 5.2% | 5.0% | 4.4% |
| Option 3 | 9.7% | 10.0% | 9.2% | 8.5% | 7.5% | 6.4% | 5.9% | 5.7% | 5.5% | 4.8% |
| Benchmark | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |

Refer to the *Resourcing Strategy 2014 – Long Term Financial Plan* for more information.

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SUSTAINABLE BLUE MOUNTAINS