

Reference: SRV19-20



1 December 2018

Proposed Special Rate Variation 2019/20

Lithgow City Council is proposing to apply for a permanent increase, above the normal rate peg, in our general rate income. This process is called a Special Rate Variation (SRV) application.

Why is Council Considering a Special Rate Variation?

Like many other NSW Councils, our roads, footpaths, buildings, drainage and other community assets are ageing and need to be renewed or upgraded. We know that our community places a high value on these assets, in particular our road network. Our assets in their current state are continually deteriorating and need costly maintenance. To improve our public assets we need to spend more money on maintaining and renewing these assets to ensure that they meet the needs of our community. Also, a small portion of the Special Rate Variation will be allocated to business improvement initiatives.

The proposed Special Rate Variation is an important step to help maintain and manage our current assets to ensure that we deliver services in line with community expectations and remain financially sustainable into the future.

Why can't my current rates pay for the additional maintenance and renewal works?

The role of local Councils has come a long way since the days of roads, rates and rubbish. Today, we now fund many more services to meet our community's needs and expectations.

Some of these include:

- Parks, sports grounds, playgrounds and community halls; Libraries, arts and culture;
- Community development services for children, youth, older people, people living with a disability and Aboriginal and Torres Strait Islander People;
- Public and environmental health;
- Environmental sustainability projects and invasive species management;
- Transport services including roads, footpaths, car parks, road safety and traffic facilities;
- Business development, events and tourism;
- Development services, such as development applications and certification;
- Land use and natural environmental planning; Stormwater and flood management; Emergency management;
- Community and council strategic planning;
- Executive, communication and support services

What are the options Council is considering?

There are two options that we would like you to consider; each option will have varying impacts on our assets and service quality.

Scenario 1

Current SRV expires + rate peg

On 1 July 2019, the current 4.77% SRV expires. A 2.7% rate peg would be added to the lower rate base. The projected loss of rates revenue due to the expiry of the current SRV is estimated at \$624,000 for the 2019/20 year.

Scenario 2

Maintain the current SRV + rate peg + one-off (permanent) 4.23% SRV

Council proposes to apply to retain the current SRV of 4.77%. Council also plans to request an additional one-off SRV of 4.23%. The total SRV application will be for a 9% increase in rates revenue (i.e. the current 4.77% SRV plus a new 4.23% SRV). The 2.7% rate peg will also be added. The impact on ratepayers will be a new 4.23% SRV plus the rate peg. The projected total SRV income (from maintaining the current SRV plus adding the new SRV) is estimated at \$1.178 million for the 2019/20 year

Council is proposing to increase funding for the following assets:

- Transport (sealed roads, unsealed roads, footpaths, cycleways, bridges and road drainage)
- Stormwater Drainage
- Buildings

Increasing the level of funding for these assets will allow council to renew those which are currently in a poor condition. It will also ensure that the number of assets in poor condition does not continue to grow. It is essential that our community assets are safe, in working order and meet community expectations. The expenditure will ensure that the Fit for the Future asset benchmarks are met over time.

The remainder of the increased funding (approx. \$100,000 p.a.) will be spent on business improvement initiatives which will either generate additional revenue or reduce long-term costs.

How has the Council considered the capacity of the community to pay?

- The Council has completed a full analysis of the community's capacity to pay additional rates and this will be detailed in the Long-Term Financial Plan 2019-2029 being publicly exhibited from 29 November - 11 January.
- Within available funding, the Council is committed through its integrated planning to building a sustainable future for the Lithgow Local Government Area. Council's actions support the creation of a vibrant economy / town centres providing increased local employment opportunities and advocating for the provision of services and facilities that meet the needs of all age groups and special needs groups.
- The Council has a Hardship Policy to accommodate the special needs of those unable to pay their rates in full on time. The Council is committed to working with such ratepayers to agree on affordable payment plans.
- Council has developed a Rates Calculator which is available on the Have Your Say website, www.haveyoursay.lithgow.com.
To use the calculator you will need to know the valuation of your property that is set by the Valuer General. This value is based on the land value only and does not include any improvements such as buildings. The valuation of your property can be found in the financial details section of your rate notice.

Please note: This rates calculator is only for the base property rates and does not include other charges such as waste, sewerage or water charges.

Table 1: Likely impact of Scenario 1 and Scenario 2 on average rates

| Impact on average rate | Average Rate 2018/19 \$ | Average Rate 2019/20 | Variance \$ per annum | Variance \$ per week |
|--------------------------|-------------------------|----------------------|-----------------------|----------------------|
| Residential Rates | | | | |
| Scenario 1 | 763.00 | 747.00 | -16.00 | |
| Scenario 2 | 763.00 | 815.00 | 52.00 | 1.00 |
| Business Rates | | | | |
| Scenario 1 | 3,950.00 | 3,868.00 | -82.00 | |
| Scenario 2 | 3,950.00 | 4,225.00 | 275.00 | 5.29 |
| Farmland Rates | | | | |
| Scenario 1 | 1,439.00 | 1,410.00 | -29.00 | |
| Scenario 2 | 1,439.00 | 1,539.00 | 100.00 | 1.92 |
| Mining Rates | | | | |
| Scenario 1 | 160,461.00 | 157,139.00 | -3,322.00 | |
| Scenario 2 | 160,461.00 | 171,581.00 | 11,120 | 213.85 |

What is the proposed increase in funding?

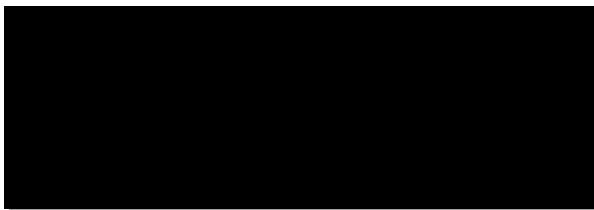
The table 2 below shows the current amount of funding allocated each year, towards renewal and maintenance work across our main asset types, as well as recommendations for increases to improve their condition.

| Asset Type | Current Maintenance & Renewal Budget (\$'000 p.a.) | Proposed increase in Investment (\$'000 p.a.) | Proposed Total Investment (\$'000 p.a.) | Proposed % increase in investment |
|---------------------|--|---|---|-----------------------------------|
| Transport | 4,188 | 725 | 4,913 | 17% |
| Stormwater Drainage | 107 | 100 | 207 | 93% |
| Buildings | 831 | 250 | 1,051 | 26% |

Council has engaged Micromex Consulting to undertake a telephone survey of residents within the Lithgow local government area during December to ascertain their level of support for the proposed Special Rate Variation. For those ratepayers who do not live in the Lithgow LGA or who are not contacted to by Council's Consultants, the survey will be available online at www.haveyoursay.lithgow.com from 14 December 2018 to 11 January.2019.

There is a significant amount of information associated with this proposal on the Have Your Say Website (www.haveyoursay.lithgow.com) including an overview of the benefits of the SRV and the process being followed. If you require additional information or wish to discuss this further please contact Council staff on (02) 6354 9999 or 1300 661 303.

Yours Sincerely



Cr Ray Thompson
MAYOR