

24 January 2014

Dear Ratepayer

Information on why Council is seeking increased rate funding

The community is not investing enough money to cover the cost of maintaining the community's assets and providing the services it is using.

In the past, this has been hidden by not replacing or maintaining assets properly and the use of debt. This can only continue for so long before that approach is no longer sustainable, much like continuing to apply for new credit cards. One day you have to pay the bill.

Back in 2011, Council identified that the shortfall in funding was around \$8 million per annum. We applied for an increase in rates and were only allowed a partial increase as Council needed to update plans. The balance of the shortfall still needs to be addressed as the community has indicated that they want to retain the current levels of services.

The shortfall is not only coming from seeking more rates. Since starting the process we have made efficiency savings in our costs of \$2.5 million per annum and have reduced our loan repayment costs by \$260,000 per annum. The 2011 general rate increase provided \$940,834 and over the past 12 months this has allowed us start to address road problems. Works have included, Stuarts Point Road, rehabilitation works to Barnard Street Gladstone, South West Rocks Road, Eden Street, Turners Flat Bridge and Crescent Head Road. These works cost in excess of \$3.2 million to complete.

Data from a recent survey across NSW indicates that Kempsey Shire Council's cost per employee is 13% lower than the average for comparable NSW councils. The survey data also showed that Council's management to staff ratio was 6% compared to the regional council average of 11.4%. Our administrative costs, as a percentage of total costs, are also at the generally accepted level for local government.

Based on the available information, Council has lower staff costs and our management to staff ratio is well below what is seen as reasonable in other councils.

To ensure that Council is looking at being efficient the main costs have been developed around rates that are comparable to other organisations. For example, worldwide standards as to how much should be spent on maintaining assets, is between 2% and 4% of the assets' value. So, in our budgets we should be able to provide suitable maintenance (if we are replacing our assets when we should) for 3% of the assets' value. Currently we only invest 1.8% each year.

We calculated lifespans of roads and worked out the most efficient replacement schedule. We checked our costs of road building against information publicly available to ensure our costs were not high. Again, not enough is being spent to maintain and replace the roads and bridges. Overall, we put in around one third of what is needed. Spending money when it is needed stops potholes and more costs to repair roads after they have failed.

The community has over \$1 billion in assets. In addition to the road and bridge network, Council provides many services such as libraries, swimming pools, sporting fields, footpaths cycle-ways, flood mitigation, cemeteries, parks, street sweeping, and stormwater management. These also need funding.

The net cost of providing services and facilities each year is around \$33.2 million. The main sources of funds available are rates, which provide 31% of this (\$12.70 million) and untied grants which provide 14% (\$5.73 million). This leaves a shortfall in funding of \$14.79 million per annum. Our level of grant funding is slightly above average compared to similar local government areas.

Council will be applying for the following multiple year rate increase to continue addressing the maintenance needs of our roads and bridges. This increase, if approved, will be over a four year period and will be permanent.

- 2014/2015 – 9.3%
- 2015/2016 – 10%
- 2016/2017 – 10%
- 2017/2018 – 4%

The attached information provides further details as to the impact on rates and what priority projects will be undertaken with the proceeds.

Council's website also has an online survey and rate calculator. Have a look at the site and calculate the increases for your situation. Would you invest that to slow and eventually stop things going backwards? Your feedback via the online survey or email at ksc@kempsey.nsw.gov.au. would be appreciated.

Feedback will be provided to the February 2014 Council meeting.

Economic development, service delivery and community well-being all depend on adequate infrastructure. If our community values these assets and services, we need to make sure that we invest in their upkeep and replacement.

Yours faithfully



David Rawlings
GENERAL MANAGER

Encl.

Additional Information

Impact on Rates

Residential – 12,291 assessments -

Table 1(a) - Impact on Rates – Residential

	Year 1 (2014/15)	Year 2 (2015/16)	Year 3 (2016/17)	Year 4 (2017/18)
% increase with special variation	9.30	10.00	10.00	4.00
% cumulative increase	9.30	20.23	32.25	37.54
\$ annual increase for average rate payer	77.57	91.18	100.29	44.12
\$ weekly increase for average ratepayer	1.49	1.75	1.93	0.85
\$ weekly increase on special variation only (excluding rate peg) for average ratepayer	1.12	1.26	1.42	0.33

A total of 11,652 (94.80%) of residential ratepayers have a land value between \$ 0 and \$300,000. Annual increases across these three land value ranges are from a minimum of \$53.79 to a maximum of \$146.38 in year three for the land value amount of \$250,000.

The cumulative increase over the four year period for the average residential assessment if the SRV is successful is \$313.16.

The cumulative increase over the four year period for the average residential assessment taking into account rate pegging only is \$98.32.

This difference amounts to \$214.84 or an additional \$4.13 per week.

Business – 813 assessments

Impact on Rates – Business

	Year 1 (2014/15)	Year 2 (2015/16)	Year 3 (2016/17)	Year 4 (2017/18)
% increase with special variation	9.30	10.00	10.00	4.00
% cumulative increase	9.30	20.23	32.25	37.54
\$ annual increase for average rate payer	182.81	214.87	236.35	104.00
\$ weekly increase for average ratepayer	3.52	4.13	4.55	2.00
\$ weekly increase on special variation only (excluding rate peg) for average ratepayer	2.65	2.97	3.35	0.77

A total of 742 (91.27%) of business ratepayers have a land value between \$0 and \$500,000. Annual increases across these five land value ranges are from a minimum of \$71.75 to a maximum of \$410.75 in year three for the land value amount of \$450,000.

The cumulative increase over the four year period for the average business assessment if the SRV is successful is \$738.03.

The cumulative increase over the four year period for the average business assessment taking into account rate pegging only is \$231.68.

This difference amounts to \$506.35 or an additional \$9.74 per week.

Farmland – 1,425 assessments

Impact on Rates – Farmland

	Year 1 (2014/15)	Year 2 (2015/16)	Year 3 (2016/17)	Year 4 (2017/18)
% increase with special variation	9.30	10.00	10.00	4.00
% cumulative increase	9.30	20.23	32.25	37.54
\$ annual increase for average rate payer	147.45	173.30	190.63	83.86
\$ weekly increase for average ratepayer	2.84	3.33	3.67	1.61
\$ weekly increase on special variation only (excluding rate peg) for average ratepayer	2.13	2.40	2.70	0.62

A total of 1,233 (86.53%) of farmland ratepayers have a land value between \$100,000 and \$599,999. Annual increases across these land value ranges are from a minimum of \$87.97 to a maximum of \$275.64 in year three for the land value amount of \$550,000.

The cumulative increase over the four year period for the average farmland assessment if the SRV is successful is \$595.24.

The cumulative increase over the four year period for the average farmland assessment taking into account rate pegging only is \$186.81.

This difference amounts to \$408.43 or an additional \$7.85 per week.

Neighbouring Councils

This comparison shows the average rates in Kempsey Shire are lower in all rating categories except Bellingen in the Business rating category.

Average Rate per Assessment Comparison to Neighbouring Councils

2011/2012 average rate per assessment (\$)	Neighbouring Councils						
	Kempsey LGA	Port Macquarie Hastings LGA	Nambucca LGA	Bellingen LGA	Coffs Harbour LGA	Greater Taree LGA	NSW Average
Residential	668.22	907.27	736.15	779.21	804.18	788.18	837.02
Farmland	1,307.64	1,583.46	1,566.12	1,693.58	1,462.94	1,355.09	2,021.73
Business	1,464.02	3,000.48	1,489.43	899.74	3,589.73	2,740.25	4,426.12

What Council will spend the rate increase on?

Looking after our roads - priority roads

When a local Council applies for a special rate variation it must include details on works it is intending to undertake such as town improvements, addressing maintenance backlogs or to improve existing service provision. Council's rate increase application will focus on the following roads. Priority is given to the most trafficked roads based on risk and public benefit.

MAINTENANCE WORKS PLANNED OVER THE COMING YEARS

(subject to a successful rate increase)

UNSEALED ROADS

Blairs Lane	\$20,000
Dungay Creek Road	\$115,000
Verges Creek Road	\$90,000
Battles Outlet	\$70,000
Fishermans Reach Road	\$60,000
Old Station Road	\$120,000
West End Road	\$50,000
Sandy Creek Road	\$75,000

SEALED ROADS

Plummers Lane

Summer Island Road to Rainbow Reach Road	\$700,000
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South West Rocks Road

Old Station Road to Pola Creek Road	\$600,000
McKays Lane to Frederickton Ferry Road	\$120,000
Frederickton Ferry Road to Austral Eden Outer Road	\$500,000

Middleton Street, South Kempsey

West Street to Vernon Street	\$60,000
Edinburgh Lane, West Kempsey	
Tozer Street to Kemp Street	\$80,000

Great North Road, Frederickton

Macleay Valley Way to Collombatti Road	\$450,000
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Crescent Head Road

Neville Morton Drive to Pacific Street	\$895,700
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Total works - Sealed roads for 2014/2015

\$3.4 million

What Council will spend the rate increase on?

Looking after our bridges - priority bridges

Everyone uses a Council service daily, driving to work or school. Taking a shower, borrowing a book from the library, sporting fields, boat ramps or playgrounds. These are services that the community want and they enhance our lifestyle. The provision of good roads and bridges adds to that experience and they enable us to work, relax, play sport or shop. It's the way we move

MAINTENANCE WORKS PLANNED OVER THE COMING YEARS

(subject to a successful rate increase)

2014/2015 PROGRAM

Belmore River Right Bank Road - McCuddens Bridge	\$80,000
Dungay Creek Road - Gills Gully Bridge	\$80,000
Turners Flat Road - Lovelocks Bridge	\$100,000
Pee Dee Road - O'Sullivan's Bridge	\$200,000
Willi Willi Road - Home Gully Bridge	\$230,00

2015/2016 PROGRAM

Austral Eden Outer Road - Andersons Bridge	\$150,000
Nagles Falls Road - Nagles Falls Bridge	\$230,000
Nulla Nulla Creek Road - Yellow Gully Bridge	\$160,000

2016/2017 Program

Belmore River Left Bank Road - Buchanans Bridge	\$300,000
Nulla Nulla Creek Road - McIntyres Bridge	\$160,000
Kinchela Creek Left Bank Road - Knauers Bridge	\$165,000

2018/2019 Program

Mooneba Road - Barking Dog Bridge	\$225,000
Toms Gully Road - Kyles Bridge	\$150,000
Schmidts Access Road - Schmidts Bridge	\$320,000

round.