

4 April 2013

Laurie Eyes

The Local Government Team  
Independent Pricing and Regulatory Tribunal New South Wales  
PO Box Q290  
QVB Post Office NSW 1230

Dear Local Government Team

**Objection to Wyong Shire Council Special Rate Variation of 6.9% for 7 years**

Please find enclosed my objection to the granting of Wyong Shire Council's Special Rate Variation of 6.9% for 7 years. While Council's application for the increase is supposedly to address a \$130m funding shortfall in the council's asset base, I believe it is in fact required to repay the \$197.6m council have built up in borrowings in recent years and the attendant \$16.5m per year interest bill. Had council not accumulated such a debit and associated interest bill, they would not have a funding shortfall for infrastructure upgrades.

I believe council's community consultation has been a farce. Despite council interference in the polls taken of residents and a deliberate tactic of depriving residents of information regarding the parlous financial position of council, the conclusive 87% opposition to any rate rise above the 3.4% peg depending on poll analysis, should have been enough in itself to dissuade council from applying for the Special Rate Variation.

The residents of the Wyong Shire are already financially disadvantaged. I believe many residents cannot afford a rate rise of 6.9% for 7 years, a position supported by the General Manager. The residents and ratepayers of the Wyong Shire have been seriously let down by the poor governance of the elected councillors, Mayor, General Manager and staff.

I not only request that the Special Rate Variation be refused, but request that an administrator be appointed to undertake the reforms that council have shown they are incapable of.

Yours sincerely

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Dear Local Government Team

I submit the following in support of my objection to a Special Rate Variation of 6.9% for 7 years being granted to Wyong Shire Council. I believe that the council have misled residents, perverted the consultation process and that the application for an Special Rate Variation does not comply with the guidelines.

**The need and purpose of the special variation (SRV) is clearly articulated in the council's Integrated Planning and Reporting documents.**

I believe council has misrepresented the purpose of the SRV to your department and the community. The true purpose of the SRV is to pay for council's \$197.6 in loans outstanding and \$16.5m in interest costs as at 30 June 2012, requiring \$21,161,000 annually to service. (WSC SRV application p72 section 3.3.2.2) Not to "address the \$130 million funding shortfall in the Wyong Shire's General Fund asset base". If council had no or minimal debt it would have no trouble maintaining the condition of its assets. In the case of Gosford council, their debt servicing cost of \$15,924,000 is \$5,237,000 less than Wyong. That difference is over twice what Wyong hope to gain from the SRV in the first year. Council have made no attempt to explain how they accumulated this debt, what the money was spent on or why. It appears that the \$197.6m council have borrowed, about 100% of a years income, has been accumulated while investing less on infrastructure renewal. In other words the shortfall is worse than \$197.6m because council have been cannibalising what would normally go toward infrastructure as well as borrowing. Residents and ratepayers deserve a frank and honest account of what has transpired before any SRV is granted.

**The council must provide evidence that the community is aware of the need and extent of the rate increase, and that this is clearly articulated in the planning documents, and that the council has engaged the community on these issues.**

I reasonably assumed as did many others that filling in the rate poll form enclosed with my rate notice and taking Option 1, "Reduce services- Maintain rates", was all that was required in response to council's needs and that if enough residents polled that way there would be no SRV. The poll form contained no information about the dire financial hole council have dug for themselves. Not the \$197.6m total debt, the \$16.5m in interest paid or the \$21m servicing cost. Neither I, nor those I have spoken to in the community were made aware of the extent of the rate increase decided on by council. According to the poll form, it could be between zero and 9.5% for 7 years. Surely council should have prearranged a community meeting with time and place printed in their myriad of SRV brochures and advertisements, to inform residents of their final decision on whether or not they would apply for a SRV and if so the size of the increase and justification for the decision.

At the first "Community Information Session" meeting held at the council chambers on 7 February 2013 a question from the floor, "how much do we owe" was answered by council with \$190m, followed by "how much interest are we paying", the answer, \$1m per month. While both answers may be correct today, the 30 June 2012 \$197.6m and \$16.5m do not appear to support this answer. This was the only reference to the council's debt and interest. This important information was not volunteered by council at the subsequent "Community Information Session" on 12 February 2013 at

Halekulani Hall, despite the same council staff being present. The questions were not asked again. The mood of residents at both well attended meetings was angry. The attendees were in the main older folk and they were effectively treated with contempt by council staff and the Mayor.

**The impact on the affected ratepayers is reasonable, and affordable, having regard to the community's capacity to pay.**

In his letter of application to IPART, the General Manager wrote, "*The extra \$30.39 per annum in year one and \$312.55 in year seven for the average ratepayer is negligible in the context of asset failure or the average annual salary for Wyong Shire residents of \$48,568.00 (ABS 2011)*". On 27.1.12, the department of Premier & Cabinet Division of Local Government wrote to the General Manager (refer council web site) expressing their "*concerns regarding council's financial position.*" The General Manager replied on 24 February 2012 (refer council web site) stating "*3...However debt collection success is intimately linked with the socio-economic characteristics of a community and its ability to pay.*"

*Wyong Shire has historically been above the industry benchmark of 5% by 1.5%-2.5% and whilst this is unacceptable to those who pay their rates on time, it is reflected by the demographics such as:*

- *Wyong has had one of the lowest labour force participation rates of all regions in NSW;*
- *The Shire's unemployment rate is historically been 2-5% above the NSW and Australian unemployment rates 2006 census quotes unemployment @ 8.2%;*
- *High youth unemployment -16%;*
- *Very high population of people over 65-18.3%;*
- *Household income level (average) the lowest of comparable council (sic) @25% less than the state average; and*
- *Conversely Wyong residents pay 30%more of their household income on mortgage repayments."*

*\*Source-2006 Census*

It is clear from the foregoing and in the General Managers opinion on 24 February 2012, that the residents of the Wyong Shire DO NOT have the capacity to pay for the SRV.

**The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.**

The delivery program assumptions are not realistic.

For a current example of the lack of realism in the assumptions, council's disdain for ratepayers money and where any increase via a SRV will go, one only has to look at council embarking on their proposal to develop the Second Sydney Airport at Bushells Ridge north of Wyong in May 2012. Council placed their airport proposal in the 2012 LEP just 4 weeks before the LEP went on display. The last time council played around with airports, some 15 years ago, planning to develop Warnervale airport, they wasted millions of dollars on pro airport advertising, telephone push polling and the cost of a Land and Environment Court case, ultimately requiring an Act of Parliament to stop the waste of ratepayers money and the airport. We still have the original airport at Warnervale which has existed for 40 years. Now council are proposing another even grander airport at a cost projected by the Federal State Joint Committee into Sydney's Aviation Needs at up to \$4billion. Council has already spent a considerable sum on its Second Sydney Airport proposal with staff time, lobbying the Federal and State governments, engaging infrastructure consultants, Cardno to study the airport at a cost of \$54,000 (that is the SRV for 1,778 ratepayers in the first year) and engaging polling company Micromex to conduct an airport popularity poll, the same company that conducted the phone survey for the proposed SRV. Millions more dollars will need to be spent in the future on this project. There is no allowance for this expenditure in councils Long

Term Financial Plan. In fact Mayor Eaton fails to mention the airport in his recent message presenting “*the Wyong Shire Council 2011/12 council’s Annual Report.*” Nor does the Mayor mention the proposed SRV or the parlous state of the Shires finances.

To verify the waste of money on the airport proposal, [REDACTED] of the Department of Infrastructure and Planning, General Manager Sydney Aviation Capacity Aviation and Airports, wrote to [REDACTED] on 7 March 2013 on behalf of Minister “ [REDACTED] *about the proposal to locate an airport on the Central Coast of New South Wales.*

*....The Joint Study found that none of the options examined on the Central Coast would meet Sydney’s future aviation needs. Accordingly, the Australian Government is not giving any active consideration to airport development in this location. This is based on concerns regarding existing infrastructure and community proximity to noise, in addition to the environmental concerns you raise.”*

The Joint study looked at a so called Type 1, 2 x 4000m runway international airport and the type 3 2,600m runway being proposed by council. The joint study and council’s Cardno Study finding the airport proposed by council to have “*unsuitable ratings for noise impacts for both types (Types 1 and 3) due to its proximity to urban development*”. The joint study also found the proposed airport to have the worst noise impact of all 17 Type 3 sites studied, including Badgerys Creek. The Federal and State government decision to reject an airport on the Central Coast is surely clear enough for the Wyong Shire Council, however they are now proposing “*to take the concept of a regional airport to the next stage*”. This decision will result in hundreds of thousands or even millions more ratepayers dollars being wasted.

*On 11 March 2013 Mayor Eaton sent out a press release titled “Survey shows strong community support for regional airport.”*

*The survey, shows the overwhelming majority of Central Coast Residents support the concept-with 67 per cent ‘strongly in favour’ or ‘in favour’ of the plan, and a massive 84 per cent at least ‘somewhat supportive’*

*“We have very clear public support to take the concept of a regional airport to the next stage” Mayor Eaton said.*

*“We need a regional airport and the Central Coast community has given us the support we need to take the proposal from concept to reality over the years ahead”*

It is clear that Mayor Eaton and council have no respect for ratepayers funds. Not only do they not take the airport proposal and rate rise to the people to gain a mandate at the Local Government Election, they pay for a poll to support their airport and commit to going to *the next stage.*

### **Productivity improvements and cost containment strategies that the council has realised in past years, and plans to realise over the special variation period.**

On October 3, 2012, just weeks after being elected or re elected, councillors voted for a raft of improvements to their employment perks and a lowering of the accountability bar. This does not demonstrate a serious effort to contain costs by councillors. According to the Council page in the Express news paper, councillors are also proposing to increase the expenses paid to them by ratepayers by \$1,100 each for private electricity and media use. This total of \$11,000 per year is equivalent to the first years SRV increase for 362 ratepayers. This is cost increase not cost containment. The preceding example of the proposed airport expenditure is an example of cost increase on a massive scale.

Council regularly spend rate payers money on ventures that are not the province of council or are simply a waste of money with no evidence of benefit to the shire. Apart from airport proposal, council spent money on Central Coast Mariners football team \$125,000, Paws and Claws \$8,000,

Regional Development Central Coast \$89,091, Central Coast Tourism \$150,000, Central Coast Business Mentors \$112,000, Community Development Grants \$230,241 and Councillors Community Improvement Grants \$108,754. A total of \$823,000. While this largess may be justified if the council were awash with money, it is not under the current circumstances and any but absolutely essential funding should cease.

As an example of the waste of these funds, [REDACTED] of [REDACTED] appeared at the public hearing on the LEP on 3 April 2013 to support council's airport proposal, no doubt paid for by our rates.

Council do have the ability further reduce costs to support infrastructure renewal without a SRV. For example stop removing weed from the lakes to save \$500,000 per year. Charge the Central Coast Aero club rent and rates on the Warnervale Airfield, a community asset valued at over \$7m in 2005 and for which the Shire gets zero return. A 10% return on this facility plus rates would bring in \$750,000 per year.

### **Lack of Disclosure by Omission**

Councillors [REDACTED] were re elected in September 2012 election. None of these councillors mentioned the financial state of the council in their election campaign. Neither did the councillors put forward a plan to get us out of the predicament they had got us in to over the 20 or so years they have been on council. All three of these experienced senior councillors have had a term as mayor, with Mayor Eaton now in his third term now. Over their terms these councillors voted on 20 budgets and countless spending commitments. It appears a code of silence prevailed during the election so the residents remained in the dark about the intended SRV and the second airport proposal, both of which they were working on for some months before the election.

### **Auditors report 2008**

At councils meeting of 26 November 2008, (of which I have an audio disk that I will send to you by post) councils auditor from [REDACTED] answered questions from councillors regarding his audit of the 2007/8 Annual Report. [REDACTED] told the Auditor prior to his questions, "*we rely on you very much.*" The Auditor told council in the medium to long term, he sees, "*recurrent deficits reliant on borrowing.*" He told council to "*look after the infrastructure you have already got before you plan and develop new assets. The more you spend on new assets the less you have available to spend on existing assets. When you build new assets there are ongoing operating and maintenance costs which makes the situation worse.*"

Later in the same meeting, despite [REDACTED] previously stating to the Auditor, "*we rely on you very much.*", council voted to proceed with the Mardi Mangrove Link pipeline at a cost of \$120m of which the Federal Government where to fund \$80.3m. Assuming both Gosford and Wyong councils paid half each, Wyong council had committed to \$20m, completely ignoring the advice they had just received from their Auditor.

It is more than a coincidence then that during councils presentation at the second Community Information Session on 12 February 2013, they admitted to "*taking their eye off the ball*" five years ago. That corresponds to the decision to proceed with the pipeline. I have no evidence that council spent more than the \$120m on the project, however an engineer working on the project in the early months, told members of the community that his estimate of the pipeline project cost was \$200m. With council's track record, it is conceivable that a project cost over run has been hidden and the costs diverted into other cost centres within council.

## **Comparison with Gosford City Council**

In their submission council blame a lot of their difficulties on the physical area of the Shire, the extent of the road network and the water supply needs. The city of Gosford occupies 940 sq km and Wyong Shire only 827 sq km. Gosford has far more difficult topography on which to build and maintain roads other infrastructure. Gosford also has the Brisbane water and a number of other water bodies to work around similar to Tuggerah Lakes but with an added degree of difficulty. Gosford's population is 162,000 compared with Wyong at 154,000 and Gosford rates appear to be slightly lower than Wyong according to Wyong council's rates/voting booklet. Gosford also shares the water supply system and costs with Wyong and yet Gosford net debt service cost \$15,924,000 on a revenue of \$195,773,000, compared to Wyong Shires \$21,161,000 on a revenue base of \$194,454,000. The question is with such similar councils, why is this so, how did the huge difference in borrowing between two adjacent councils come about and should we not be looking at amalgamation?

## **The Process**

Council's rates/poll brochure fails to give ratepayers and residents essential information on the finances of the Shire. The brochure does not mention the total debt of \$197.6m, the interest bill of \$16.5m or the debt servicing cost of \$21m. In fact the brochure does not even give the size of the budget or the actual monetary value of the breakdown of revenue. At least the percentages are provided unlike the expenditure pie chart which does not give percentages let alone actual monetary sums involved. In "*What you have said so far?*" council are in effect push polling. It is akin to putting out election results part way through the polling day while people are still voting and I believe is unethical.

Considering the cost and extent of the community consultation including the double sided four page glossy brochure, the lack of hard relevant facts actually supplied is alarming. The Community Consultation Sessions were a farce. Council could not even manage to supply sufficient seating at either venue and the Halekulani Hall was too small for the large crowd attending. Many walked out before questions were asked.

## **The Polls**

In a contrast of relevance, Mayor Eaton considers the poll result of 67%, with no supporting detail as sufficient to proceed with a \$4billion airport (Council web site. Media Release 2013. Survey shows strong community support for regional airport). However, Mr Eaton also considers his council's poll resulting in 87% support for Option 1, no to a SRV as the go ahead to apply for a 6.9% rate rise.

Mayor Eaton put out a press media release regarding council's application to IPART for the 6.9% SRV on 15 March 2013 (refer council web site) without mentioning the 57% total opposition to SRV or the poll result with 87% voting Option 1 and rejecting the SRV. Therefore there has been no reporting of this important outcome. By contrast the Mayors airport poll showing 67% support was released via press release and reported in local media.

Council's poll result summary (page 103 Draft Wyong Shire Strategic Plan 2013-2017) shows an overwhelming 87% of respondents chose Option 1, no SRV. The Tenix analysis of the poll while coming up with a technically correct 57% opposed to any SRV whatsoever, still a convincing majority opposing council's application to IPART.

There is an obvious but unexplained anomaly in the poll results. Why would 1069 of 2643 mail in and letter respondents who voted for Option 1 indicate support for a lower rate rise? As I mailed in this glossy brochure poll form attached to the rates notice, I nearly made the error of ticking the second box down of Option 1, thinking it was compulsory and not realising it was then a vote for a

rate rise. I have since spoken to others who did not realise that they had voted for some rate rise by ticking this box. I believe this second part to Option 1 was a deliberate and successful tactic to confuse respondents.

The poll result shows overwhelming opposition to the SRV. It should not have been ignored by council and I ask that it not be ignored by IPART.

### **Conclusion**

I believe council have misled the ratepayers and residents of the Wyong Shire in almost every aspect of the community consultation process. I also believe council have not complied with the IPART requirements for the application and that council have misrepresented their motives and justification for the SRV application to IPART.

I request that IPART dismiss Wyong Shire Council's request for the 6.9% SRV requested, or any variation beyond the pegged rate. Further I believe there is justification for the appointment of an administrator to council and for a full and independent inquiry into Wyong Shire Council's finances.