MOUNTAINS COMBINED CHAMBERS & COMMUNITY

INCORPORATION NUMBER INC1401644

MCCC
P. O. Box 51
Wentworth Falls 2782

16th March 2015

Executive Director
Local Government Team Independent Pricing and Regulatory Tribunal of NSW.

Dear Sir/ Madam.

The Mountains Combined Chamber and Community Inc (MCCC) represents the Business Chambers and Communities of Glenbrook, Blaxland, Springwood, Hazelbrook, Lawson, Wentworth Falls, Leura and Katoomba.

Further to our letters dated of 17.11.14 (Angela Lougheed) and 16.2.15 (Lew Hird), copy attached, we would like submit the following petition information to add support to our objection to the proposed application by the Blue Mountains City Council for a 40% rate increase (over 4 years). This was option 1. on their survey.

- Scanned files of signatures obtained on hard copy petitions and the website can be accessed at the following address:
  https://www.dropbox.com[redacted]
- Hard copy signatures = 1,841
- Signatures downloaded from website – totalled (at 16.3.15 10.00am) = 1,710.
  These can be accessed at www.change.org/p/ipart-bmcc

Grand total of signatures NOT in favour of the Council's request for an increase: = 3,551.

Our efforts to obtain these signatures were over a period of only 20 days. While this represents a small sample of local sentiment it is still well in excess of the BMCC's published survey result, claiming a majority vote by ratepayers in favour of the increase.

In light of these results, the MCCC requests that IPART declines the request by Blue Mountains City Council for this unjustifiable increase.

CC Hon. Paul Toole MP
Minister for Local Government
Roza Sage MP Blue Mountains

Petition: To reject BMCC's Proposed 40% Rate Increase Or go online to sign at www.change.org/p/ipart-bmcc

Petition summary and background	**To be forwarded to IPART and Paul Toole MP Minister for local government.** • Council's mandate to apply for this increase is based on a flawed survey of 32,000 rate payers of which only 7.4% approved. • Households simply do not have these additional funds to pay to a Council that has a track record of mismanagement of existing rate revenue. • The proposed increase would only exacerbate the already deteriorating situation where small business numbers and therefore employment have decreased in the Mountains. • Council's compounding debt of $7 mil per year demonstrates a lack of fiscal control with total debt now at close to $70 mil.

Action petitioned for	We, the undersigned, are concerned citizens who either did not vote for a 40% increase over four years or did not vote at all. We urge the Minister to act now and call to question, the validity of the Council's survey.		
Printed Name	**Signature**	**Address**	**Date**
[redacted]			

Petitioning IPART

Do not approve Blue Mountains City Council's request to increase rates by 40% over 4 years.

Chambers Combined Australia

1. Council's mandate to apply for this increase is based on a flawed survey of 32,000 rate payers, of which only 7.4% approved.
2. BMCC's costs are already well above the State's average.
3. Households simply do not have these additional funds to pay to a council that has a track record of mismanagement of existing rate revenue.
4. Statistics show that Katoomba is in the top three of mortgage default suburbs in the state and therefore could not absorb this additional impost.
5. In taking more monies from the community, the proposed increase would only exacerbate the already deteriorating situation where small business numbers and therefore employment, have decreased in the mountains.

Some examples of Council mismanagement include:

6. Council's compounding debt of $7 mil per year demonstrates a lack of fiscal control with total debt now at close to $70 mil.
7. Council's property portfolio yielding a low return on investment and a lack of control over maintenance issues.

LETTER TO

IPART

Do not approve Blue Mountains City Council's request to increase rates by 40% over 4 years.

Sign this petition

1,745 supporters

3,255 needed to reach 5,000

Last name

Email

Australia

Postal code

I'm signing because... (optional)

Share with Facebook friends

Sign

Display my signature on Change.org

MOUNTAINS COMBINED CHAMBERS & COMMUNITY

INCORPORATION NUMBER INC1401644

P. O. Box 51
Wentworth Falls 2782

16th Feb 2015

Dear Sir/ Madam
Local Government Team Independent Pricing and Regulatory Tribunal of NSW

The Mountains Combined Chamber and Community Inc (MCCC) represents the Business Chambers and Communities of Blaxland, Hazelbrook, Lawson, Wentworth Falls, Leura and Katoomba.

The MCCC is strongly opposed to the increase in rates beyond the rate pegging permissible that has been/ will be submitted by Blue Mountains City Council (BMCC).

In short the MCCC maintains that:

1. BMCC has grossly mismanaged its finances over many years with indebtedness in the realm of $60 million and an unfunded long service liability of the order of $8.5 million.

2. BMCC has a workforce which annually costs up to four times the equivalent of Hawkesbury Council with a similar population and geographic area

3. The consultation process conducted by BMCC was not objective, was flawed and designed to elicit the desired response.

For the above reasons and the weight of evidence presented in the attached letter to the Minister of Local Government, the MCCC maintains that the BMCC submission for a 40% increase in rates over a four year period should be declined and that an administrator should be appointed to sort out the financial affairs of BMCC.

MOUNTAINS COMBINED CHAMBERS & COMMUNITY

P.O. Box 51
Wentworth Falls 2782
17th November, 2014

Attn: Hon. Paul Toole MP
Minister for Local Government
GPO Box 5341
SYDNEY NSW 2001

office@toole.minister.nsw.gov.au

Dear Hon. Paul Toole MP,

RE: Blue Mountains City Council economic sustainability and proposed rate increases

The Mountains Combined Chambers & Community (MCCC) is an advocacy group representing a number of local chambers and community associations in the Blue Mountains including Blaxland, Hazelbrook/Woodford, Lawson, Wentworth Falls, Leura, and Katoomba.

The MCCC wish to bring to your attention our serious concerns with the financial management of Blue Mountains City Council and the proposed significant rate increases of up to 40.4% (27.8% above the allowable increase under rate pegging) currently under consideration.
This is the 2nd rate increase in three years. A Special Variation to increase rates under Section 508A of the Local Government Act 1993 was sought by BMCC for a variation to general income of 7% in 2010-11 and 5.99% annually in years 2011-2012 to 2014-2015 including rate pegging.

Despite the previous rate increases, Council indebtedness (see attachment 4 T Corp Review Page 21 Section 4.1 para 1 and 4 and Page 33, Section 6), the number of Council employees and the unfunded Long Service Leave liability have all increased. Furthermore the community has seen no evidence of improved services to the community and the economic decline in a number of village centres has now become obvious. The latter is evidenced by the significant number of empty shops across the LGA as business struggles to be economically viable with increased rates/rents and low population densities.

Evidence of Poor Financial Management

Despite having almost twice the staffing ratio / capita ratepayer relative to Hawkesbury Council (see attachment 5 pages 56-57 and 152-153) BMCC maintains that it does not have sufficient staff to undertake a comprehensive review of its LEP's for the purpose of compliance with the Standard Instrument LEP. The Council has ignored significant issues of employment, affordable housing, tourism, environment and business development in the so called 'translation' exercise of current LEP's to the DLEP 2014. Such inertia and the lack of resolve on medium density development severely limits the potential rate base revenue.

Residents and business are being asked to shoulder the burden of BMCC's $62 million debt brought about by $6 million annual losses over the past 10 years. In addition has an $8.5 million unfunded staff long service leave liability. The MCCC understand that BMCC has been assessed by the NSW State Government Treasury Corporation as having *"...no capacity to incur further debt"*.

By comparison Hawkesbury Council, which is of a similar population, with a similar geographical area/configuration, has 220 less staff than BMCC and spends only 5% of total income on administration in comparison to 20% spent by BMCC's on administration. The staffing cost for BMCC equates to $24million per annum, excluding additional salary package liabilities such as long service leave entitlements. Further we understand that BMCC staff are paid 1.5% above any standard pay increase. No effort appears to have been made to rationalize staffing numbers in line with similar LGA's nor have other economies been implemented to address the unsustainable financial situation at BMCC. In the 'Six Strategies for Financial Sustainability' outlined by BMCC none addresses staffing costs (See Attachment 3 'Resourcing Our Future').

The MCCC are greatly concerned that any increased rate rise will be a 'band aid' solution only and will not address significant structural and cultural changes required within BMCC management, to ensure the ongoing economic sustainability of our council. A 'band aid' solution that will have further negative social and economic impact on the business' and communities of the Blue Mountains.

The MCCC have also noted with concern the recent resignation of two BMCC councillors, Robert Stock (Independent) and Geordie Williamson (Greens) after an aggressive verbal exchange at a council meeting on the 19th August 2014, where they raised concerns and questioned the financial management of BMCC.

Council appears to have misled the community on the rates issue

In an attempt to garner support for the significant rate rises proposed by the Council, BMCC mailed a glossy 4 page brochure to ratepayers (See Attachment 3 'Resourcing Our Future'). This "Resourcing the Future" brochure sought to explain the various levels of service options that the Council might provide in future. Within the brochure there was discussion about the possible levels of rate increase that might be needed to support the proposed service options. The brochure concluded with a survey that required respondents to choose one of three options:

1) Service levels improved
2) Service levels maintained
3) Service levels reduced

There was no mention of rate increases in the survey questions on the brochure or in the on-line Public Submission Form (See attachment 2 Online Public Submission Form). A person would need to have studied the rest of the brochure to know that these three options were to be the consequence of the various levels of rate increase proposed. Without having studied the rest of the brochure, it would be reasonable to expect most respondents to these three particular questions to respond to maintain or increase the level of services.

It was then reported in the local paper that 80% of residents voted for an increase in rates of up to 40.4%. This appears to be classic example of 'push polling' where the poll elicits the desired outcome because of the nature of the question.

Other matters which bring the nature of the poll result into question are:

- There is no independent audit of the authenticity of the poll nor of the collation and interpretation of the results
- Rate payers with more than one ratable property received only one vote
- Residents, who are not rate payers could pick up a copy of the brochure and submit a 'vote'.
- Council staff, most of whom reside in the LGA, have a conflict of interest in voting for such increase as without such increase in rates it is likely that staff rationalization will be forced upon BMCC. It is also noted that BMCC is the largest employer in the Blue Mountains LGA. (See attachment 1 page 4 paragraphs 5 and 6 where BMCC suggests that a rate rise will actually stimulate the Blue Mountains economy)

Request to not approve a rate rise for BMCC until their management improvement options are exhausted

We request that any submission for an increased rate rise made by BMCC be refused until further independent economic assessment is undertaken.

Before any rate increase is considered, we believe the following should be put in place to effect cost reductions:

- administration economies and staff rationalization (We note that the staff to resident ratio is almost twice as high as comparable councils.)
- Require Council to implement reports that have been paid for by ratepayers but never acted upon by Council (e.g. Stafford report, employment report, affordable housing etc.). These reports include revenue raising and cost saving recommendations
- Streamline development approvals for business and tourism – (the current approach often appears to raise a number of 'petty issues leading to a cost to both Council and business)
- More cost effective controls on spending on Council developments such as the Cultural centre, swimming pools and toilet blocks
- Joint management/ventures with other Councils on routine works programs to effect economies.

And, further, that before any rate increase is considered, the following should be put in place to raise revenue:

- modest rezoning around village and transport hubs to provide medium density development that would increase the rating base (and improve village business viability)
- Sale of Council land assets in close proximity to village centers some of which are already zoned for medium density development.
- Adopting most of the recommendations of the Stafford report that would increase tourism development potentially increasing the rate base and returns from visitor centres
- obtaining reasonable returns on existing assets many of which are currently running at a loss
- implement community member and organisation suggestions with regard to car-parking fees by non-residents to tourist areas (other than at Echo Point).

The MCCC maintains that unless BMCC is prepared to implement these recommendations and all other measures cited by Council to reduce costs and raise revenues prior to any possible rate increase, the Minister should:

Firstly, refuse any BMCC submission for a rate increase beyond that under rate pegging, secondly undertake an external audit of Council finances and operations and thirdly, if the audit is not indicating that the Council is sustainable financially then, appoint an administrator for BMCC.

We would like to discuss these issues with you and seek a meeting to further express our grave concerns. [redacted]

Yours sincerely,

[redacted]

On behalf of Mountains Combined Chambers and Community.

Contact Phone: Angela Lougheed [redacted]

cc. Roza Sage MP Member for Blue Mountains

Attachments

1. Response from BMCC re queries regarding the proposed rate increase and BMCC financial position
2. BMCC Public Submission Form
3. Resourcing our Future Document
4. Blue Mountains City Council, Financial Assessment and Benchmarking Report 27 March 2013
   Prepared by NSW Treasury Corporation as part of the Local Infrastructure Renewal Scheme
5. DLG Benchmark 152 LGA's Comparative Benchmark April 2014: BM LGA
6. Article in Blue Mountains Gazette Nov 12 2014 in which he states regarding the projected rate rise that, ... he didn't believe a "genuine independent community consultation process " occurred.

MOUNTAINS COMBINED

Attachment 1

Response from BMCC re queries by MCCC regarding the proposed rate increase and BMCC financial position

From: "Rosemary Dillon" [redacted]
Date: 13/10/2014 6:34 PM
Subject: Response to your enquiry re impact of rating options
[redacted]
Cc:

Dear Mrs. Lougheed

Thank you for your email addressed to the Councillors of 12 September 2014 and your submission dated 4 September 2014. I apologise for the delayed replay, as we have had an overwhelming response to the public exhibition. However, your comments will be taken into consideration and will be made available to all Councillors. They will assist the Council in deciding which, if any, of the three funding options to proceed with.

In regards to your request for advice on whether an assessment was made of the impact of the proposed rating options on local businesses and the local economy, the following response is provided.

An analysis of the capacity of the City's ratepayers overall has been undertaken through the review of a number of socio-economic indicators such as the Index of Relative Socio-economic Disadvantage, housing tenure, unemployment and housing stress measures and the outstanding rates ratio and our rating competitiveness compared to other councils for residential, business and farmland rates. This analysis was presented in Part 2 of the *Resourcing Strategy 2014-2024* document which was available during the *Resourcing Our Future* public exhibition.

In general, these measures show there is some capacity for our community to pay higher rates. To ease the burden on ratepayers, proposed rate variations have been staged over a period of four years – with smaller annual increases than if the variation was carried out solely in one year.

Additionally, in 2012 the Council commissioned a report on the total direct and indirect impact of the Council's expenditure on the local economy. This report found that the Council's expenditure had significant additional supply chain and consumption effects to the local economy.

For example, the report indicated that in 2011/12 the Council contributed an estimated $58.2 million in direct spending into the local economy including $20.4 million in purchases of goods and services from local businesses. Based on this, the multiplier effect of the Council's expenditure indicates that Option 1 (Service Levels Improved) would have the most stimulating effect on the local economy, and that Option 3 (Service Levels Reduced) would be the least stimulating for the local economy. (This statement shows a paternalistic and arrogant attitude of Council and an assumption that rate payers would not undertake spending in BM LGA if a rate increase was not imposed)

In regards to your questions raised in your submission, please find responses below.

Question: *It was noted that in the current budget papers that the Council was proud of the fact that it had retained some $800K from maintenance expenses and put the current budget in the black allowing this excess cost to offset the huge debt bill. This information has two issues one is if we saved that on maintenance costs - Who missed out?*

Response: As reported to the Council in the end of year report, the Council had an $800K surplus over the revised March 2014 adopted budget. This favourable result is due to our successfully implementing our six financial strategies. The surplus is made up of:

- Electricity savings - $297k
- Savings from the Sealing of Unsealed Roads Program - $180k
- More income than budgeted for:
  - commercial activities - $122k
  - development applications - $156k
  - sales of recycled materials - $68k
  - caravan parks - $60k
- Additional sales and expenditure savings following the Visitor Information Centres service review - $62k.

The surplus of $800k was put into reserves to manage asset risk and debt.

Question: *If it's to offset a huge debt bill is it really a surplus? How big is the bill today? How much is the interest costing us and what are the future interest increases expected? Why have we been running up a debt at such a fast rate over the last four years?*

Response: Over the past decade the Council has used borrowings as a source of funding a component of its Asset Works Program. This funding has enabled the Council to address required renewal and upgrade of existing built assets and manage priority risks associated with ageing infrastructure and facilities. Some of this funding has also enabled the Council to attract significant matching grant funding e.g. in past years for the renewal of our road network under the Roads to Recovery Federal Government funding program. The transport network (including roads, footpaths, kerb and gutter, bridges and stormwater infrastructure) accounts for over $650 million of the Council's $1 billion total asset value and not renewing our road network, when required, results in significantly increased future funding requirements as a result of more extensive deterioration needing to be addressed.

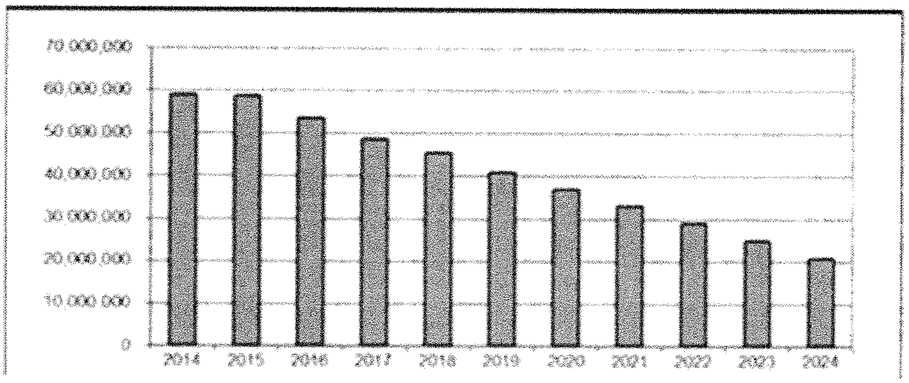
The Council has also borrowed funds to address key assessed priority needs of the City such as the upgrade of the Katoomba Waste Management Facility completed in 2010. This project resulted in a much needed Resource Recovery Centre and Waste Transfer Station to maximise the lives of our waste management facilities and significantly minimise future longer term costs to the community.

Other borrowings have contributed to the funding of key community infrastructure projects that have improved the amenity and vibrancy of our City overall and towns, strengthened the local economy and met assessed community needs e.g. the new Katoomba library which has seen significantly increased visitation since opening. These borrowings have enabled the Council to deliver major projects of high benefit to the community; have involved low interest loan subsidy financing arrangements with the State Government; and have in most cases been more than matched by significant Federal & State Government grant funding.

However, while the Council's debt service ratio performance indicator (i.e. the degree of revenue from continued operations committed to the repayment of debt) is <u>within</u> industry benchmark, our financial planning has identified that we have reached our capacity to incur new debt. That is, our available revenue is insufficient to support further loan interest and principal repayments at this point in time.

As a result, a strategy has been included in the Council's adopted Six Strategies for Financial Sustainability to manage borrowings responsibly (Strategy 3) by minimising future borrowings and reducing existing debt. As shown in the figure below, this strategy is projected to bring the Council's borrowing balance down from $59M in 2013-2014 to $21M by 2023-2024.

TOTAL BORROWINGS OUTSTANDING



To support the implementation of this strategy the Council has developed a Borrowing Policy (outlined in the Council's Delivery Program 2013-2017) that ensures we manage the cost of debt responsibly, taking into account principles of inter-generational equity and the financial capacity of the Council.

Going forward, the Council will endeavour to further reduce debt earlier where possible and implement an annual review of borrowings. No new borrowings from 2014-2015 are planned unless supported by a decision of the Council and one or more of the following criteria is met:

- Cost of the debt is funded from sufficient income or cost saving generated by the project.
- Financially responsible subsidised loan funding is available (e.g. LIRS funding).
- Any proposed new borrowing is supported by a comprehensive business case.
- The borrowing relates to deferred asset works carried forward from a prior period as resolved by the Council.

Question: *What is the anticipated economic impact of a rate hike on Businesses?*

Response: See the response above.

Question: *What is the anticipated social impact on low income or fixed income households?*

Response: See the response above.

The Council is aware that some residents may struggle to manage the proposed rate increases. In such cases, residents can discuss with us how the Council's Hardship Relief Policy could benefit them. It is also possible to contact the Council's Revenue Team to negotiate affordable payment rates for short term periods for valid hardship cases. The proposed rate variations above rate peg (Options 1 or 2) have been staged over a period of four years to reduce the impact on all ratepayers.

Question: *Does the proposed DLEP13 address impact of a reduced housing availability by 37% from DLEP2005 this directly affects the income base for Council rates into the future. Is there actually a balance of economic impact verse sustainable development and income?*

Response: There is no reduction in housing availability between LEP 2005 and DLEP 2013 as this is a best-fit translation between the instruments. (This assumes there is no increase in demand for housing between 2005 and 2013)

At its Extraordinary Meeting of 17 June 2014, the Council resolved (as part of the DLEP 2013 review of submissions process) to undertake a future review of the *Residential Development Strategy*. This will analyse the need for, and provision of, alternative housing opportunities across the Mountains, and will include engagement with the Blue Mountains community.

That review will be informed by the need to provide housing to meet the changing needs of the community, the economic viability of such development and opportunities to provide such housing in keeping with the character and environmental values of the Blue Mountains. It will look at the future provision of alternative housing and will consider the economic impact of housing provision within a sustainability framework.

I hope this information is of some help in addressing your questions and concerns.

Regards

Rosemary Dillon

Rosemary Dillon | Group Manager, Integrated Planning & Finance | [redacted]

Blue Mountains City Council • council@bmcc.nsw.gov.au • www.bmcc.nsw.gov.au • Locked Bag 1005 Katoomba NSW 2780