



Appendix 11

Councillor SRV Scenario Briefing

Budget Review

Michael Sewell
Director Business Services

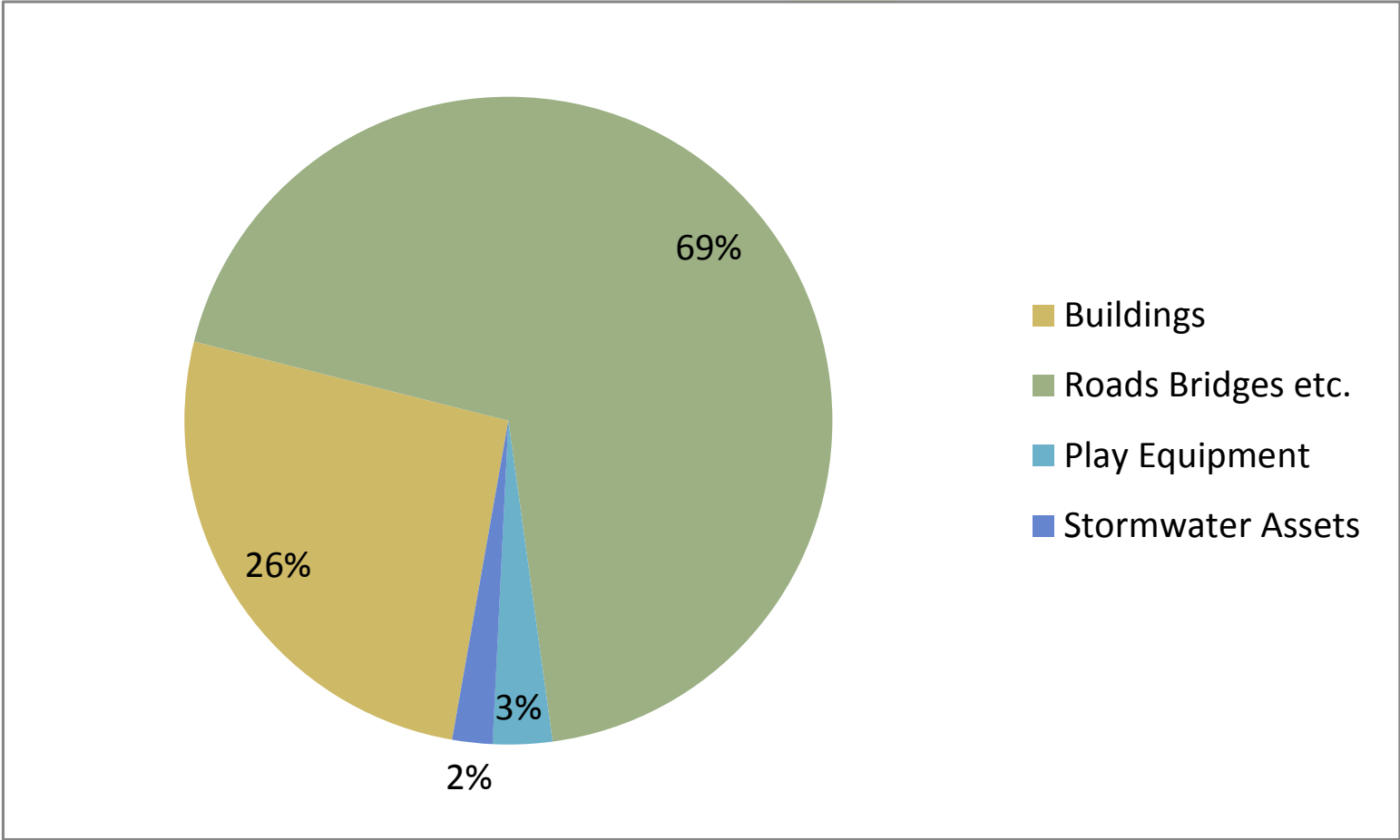


Current Status

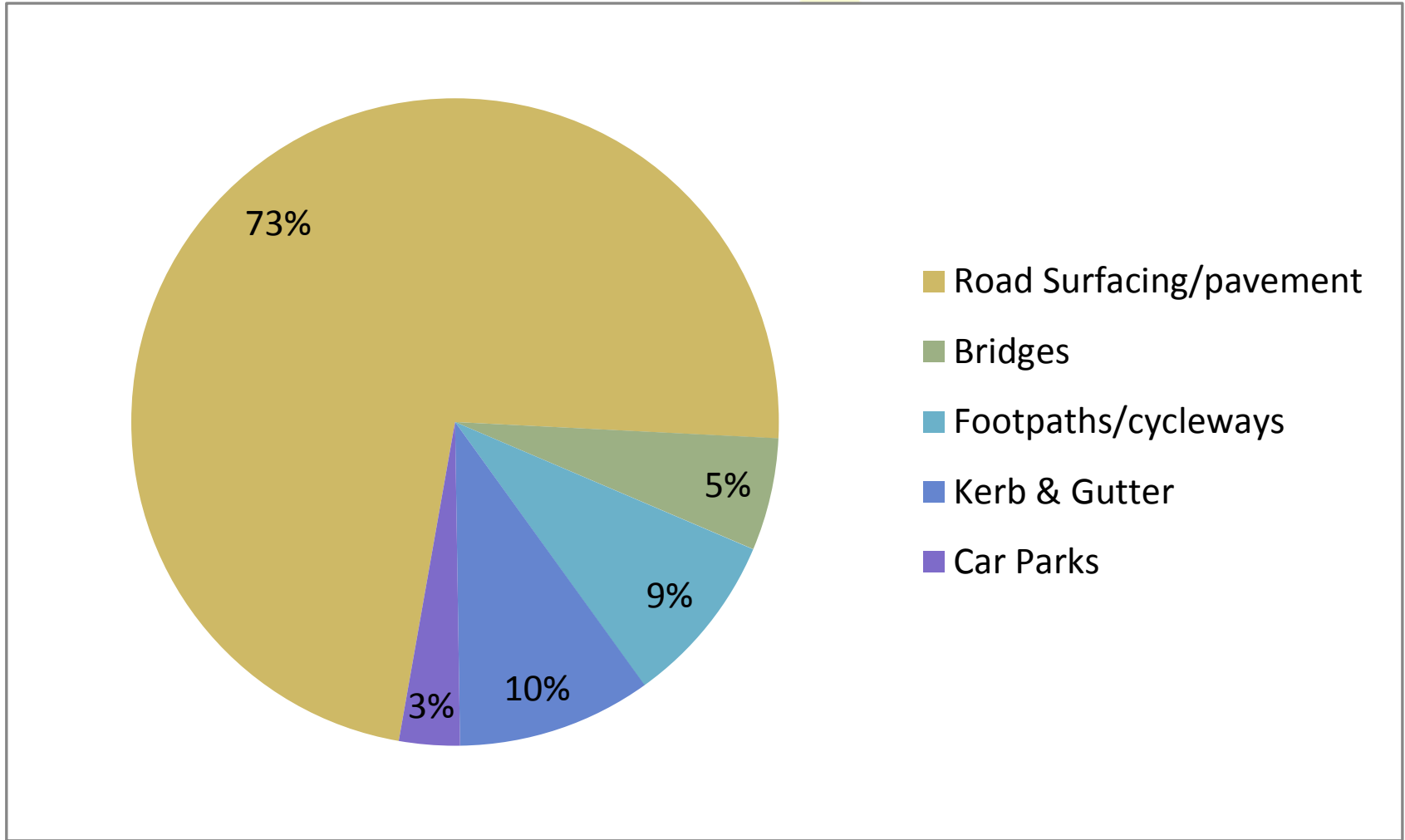
- Tcorp assessment - Current FSR - Moderate Outlook - Negative
- Infrastructure backlog
- Inadequate infrastructure maintenance funding
- Financial ratios - strong
- Asset management reporting considered strong by the Division of Local Government



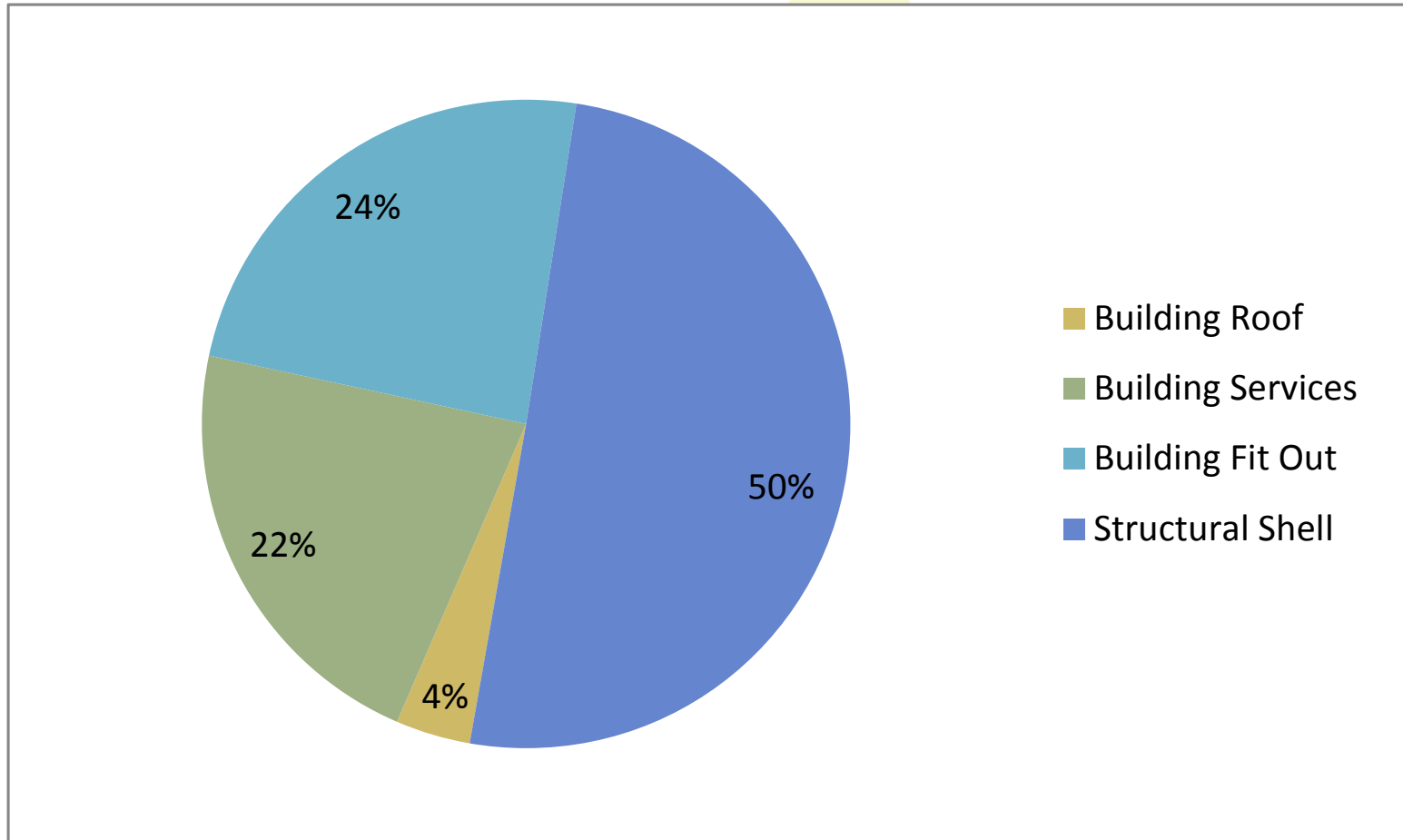
Backlog \$29.7m



Roads \$20.4m



Buildings \$7.7m



Scenarios

- Seven scenarios modeled
- Scenario 1 - no changes —
- Scenario 2 - two proposed 5% rate increases —
- Scenario 3 - 8% rate increase —
- Scenario 4 - two 5% rate increases and an additional \$10m in borrowings —



Scenarios

- Scenario 5 – Additional \$2.5m of borrowing per annum —
- Scenario 6 – One off lump sum of \$20m —
- Scenario 7 – 8% rate increase and an additional \$2.5m in loan borrowing —

All scenarios require productivity savings for operational requirements



Proposed scenario

Recommended scenario –

- 8% rate increase
- one off additional borrowing \$10 m
- 1m additional funding from Asset Replacement reserve
- ongoing efficiency savings to fund operational budget



Scenario 1 - No Changes

Potential Risks

- Increased infrastructure gap
- Reduced program funding
- No flexibility in funding ad-hoc initiatives
- Requires ongoing efficiency gains to maintain a balanced budget
- Will result in a double digit rate increase at the commencement of a new Council
- Risk of downgrading T-CORP financial rating



Scenarios 2,3,5 and 6

- Stand alone rate increases may defer increase in asset backlog however does not address the infrastructure gap issue
- Additional loan borrowings in isolation does not assist at all in addressing the infrastructure gap
- One off lump sum injection does not defer the asset backlog



Scenario 7

- Manageable and does reduce asset backlog
- Ongoing increase in debt service
- Maintains financial ratios
- Maintains flexibility
- Not preferred when compared with the outcomes of scenario 4

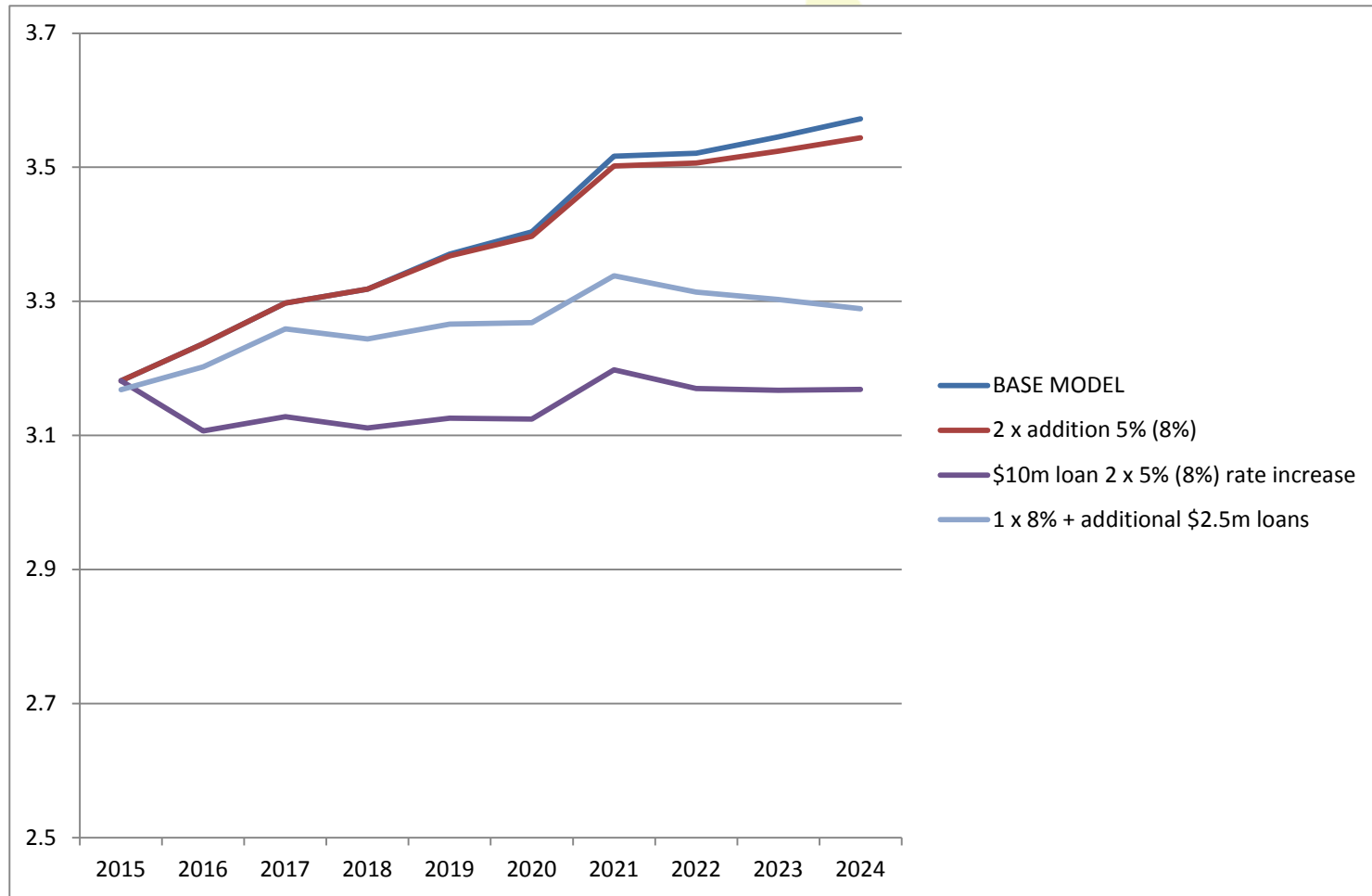


Scenario 4 – preferred model

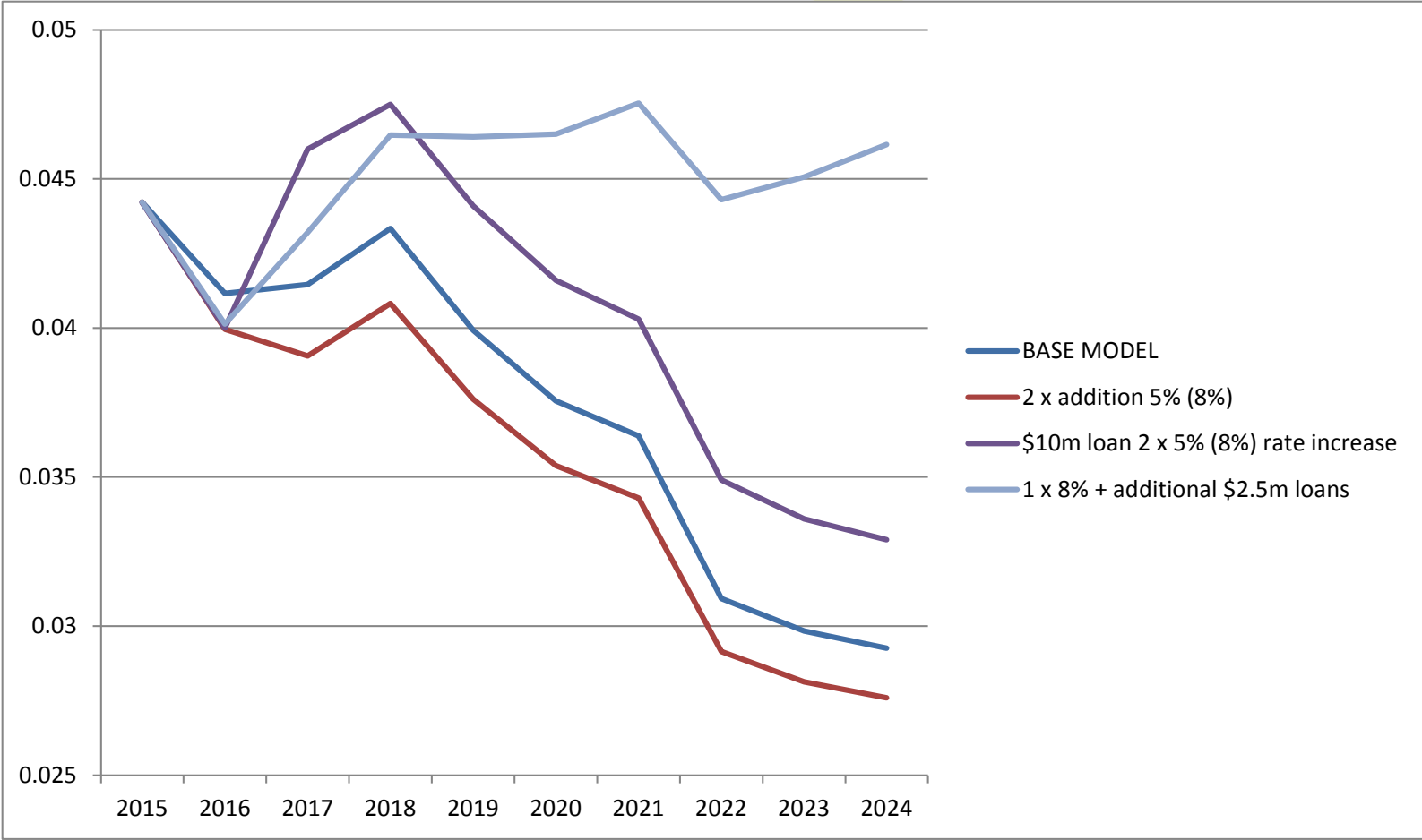
- Two increments of an additional 5%
- One off borrowing of \$10m
- Ongoing reduction of asset backlog
- Improved financial indicators
- Preferred, especially if LIRS continues
- Maintains flexibility in funding



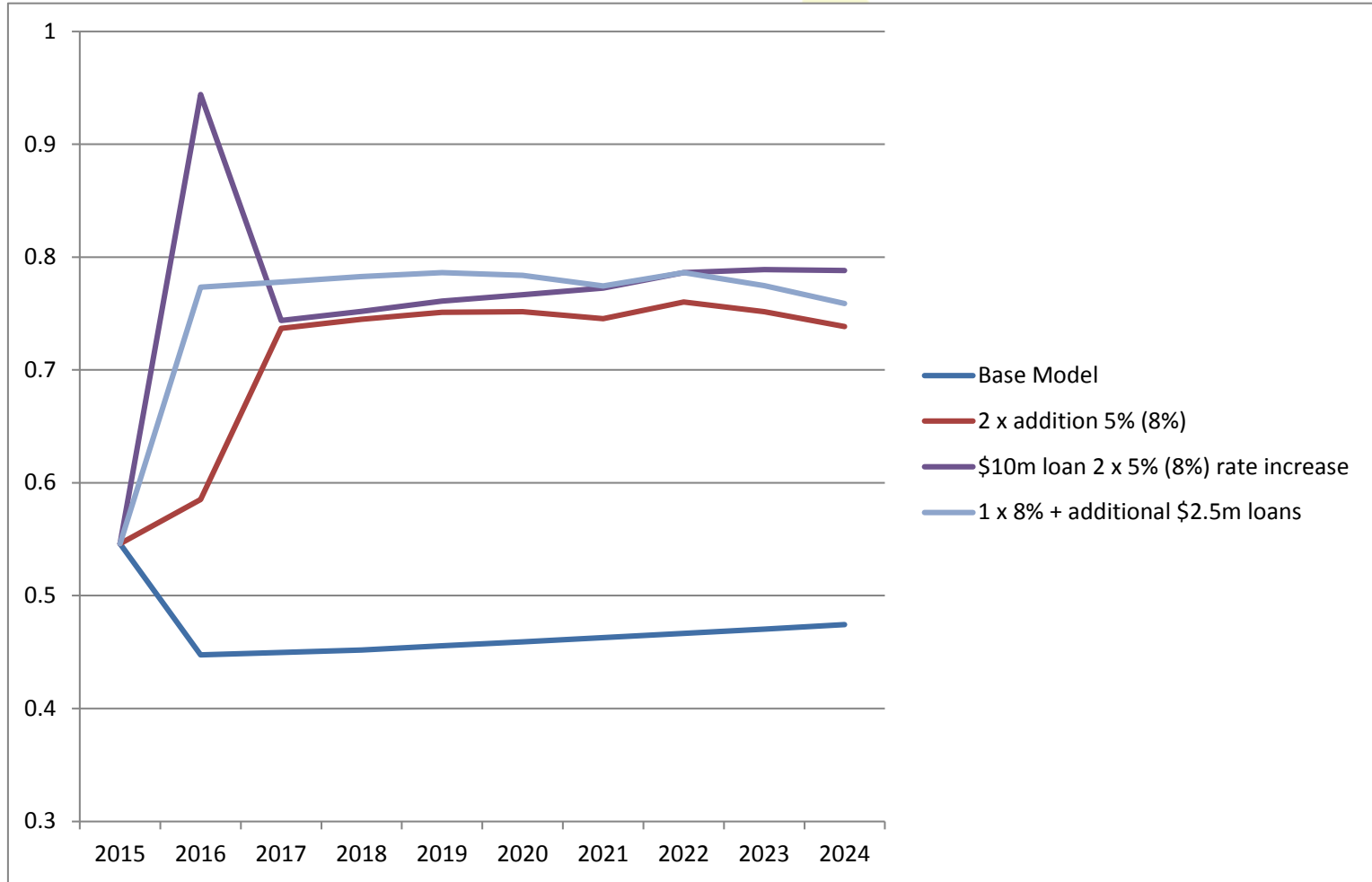
Cash / Liquidity Position



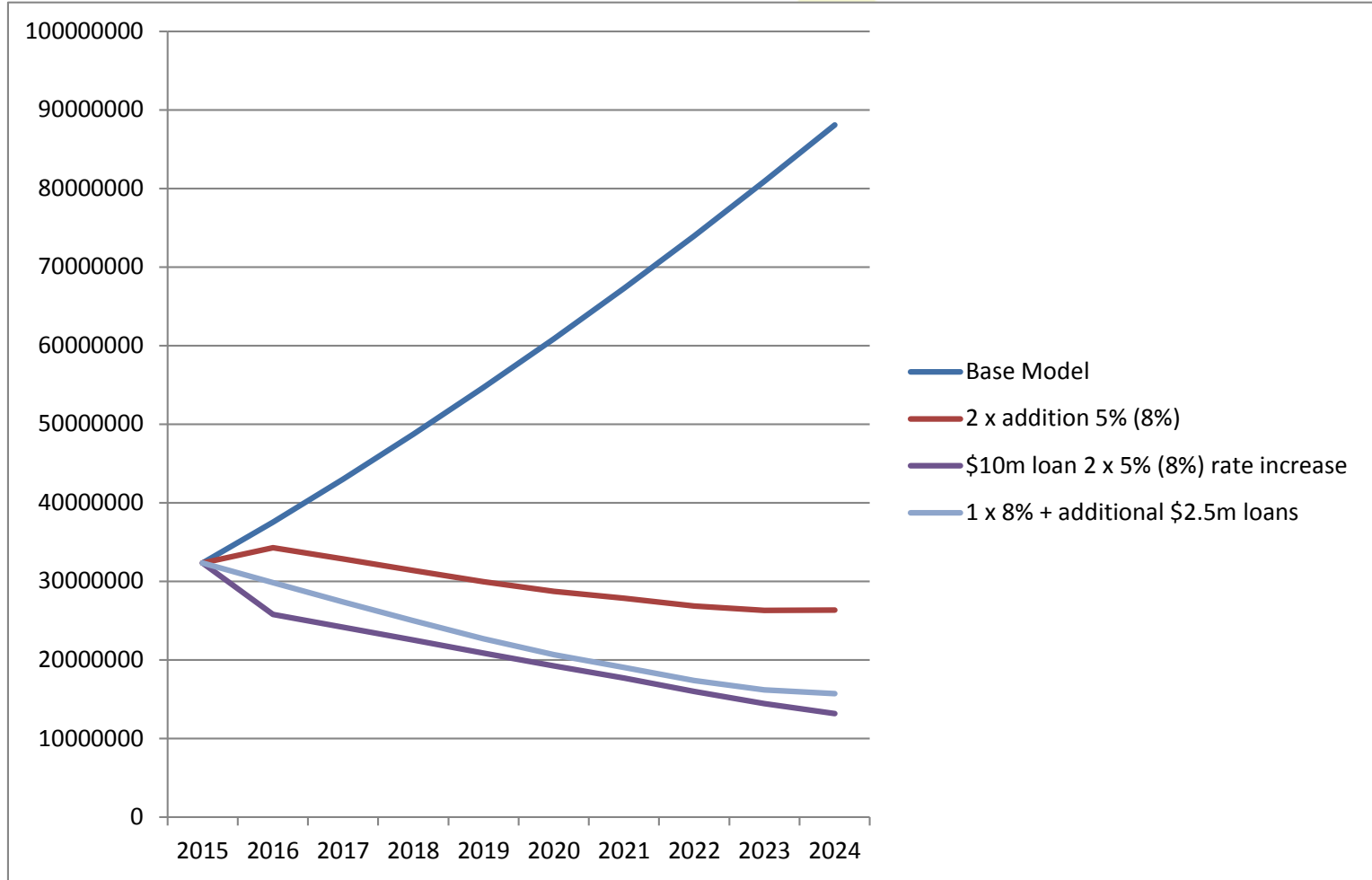
Debt Service Ratio



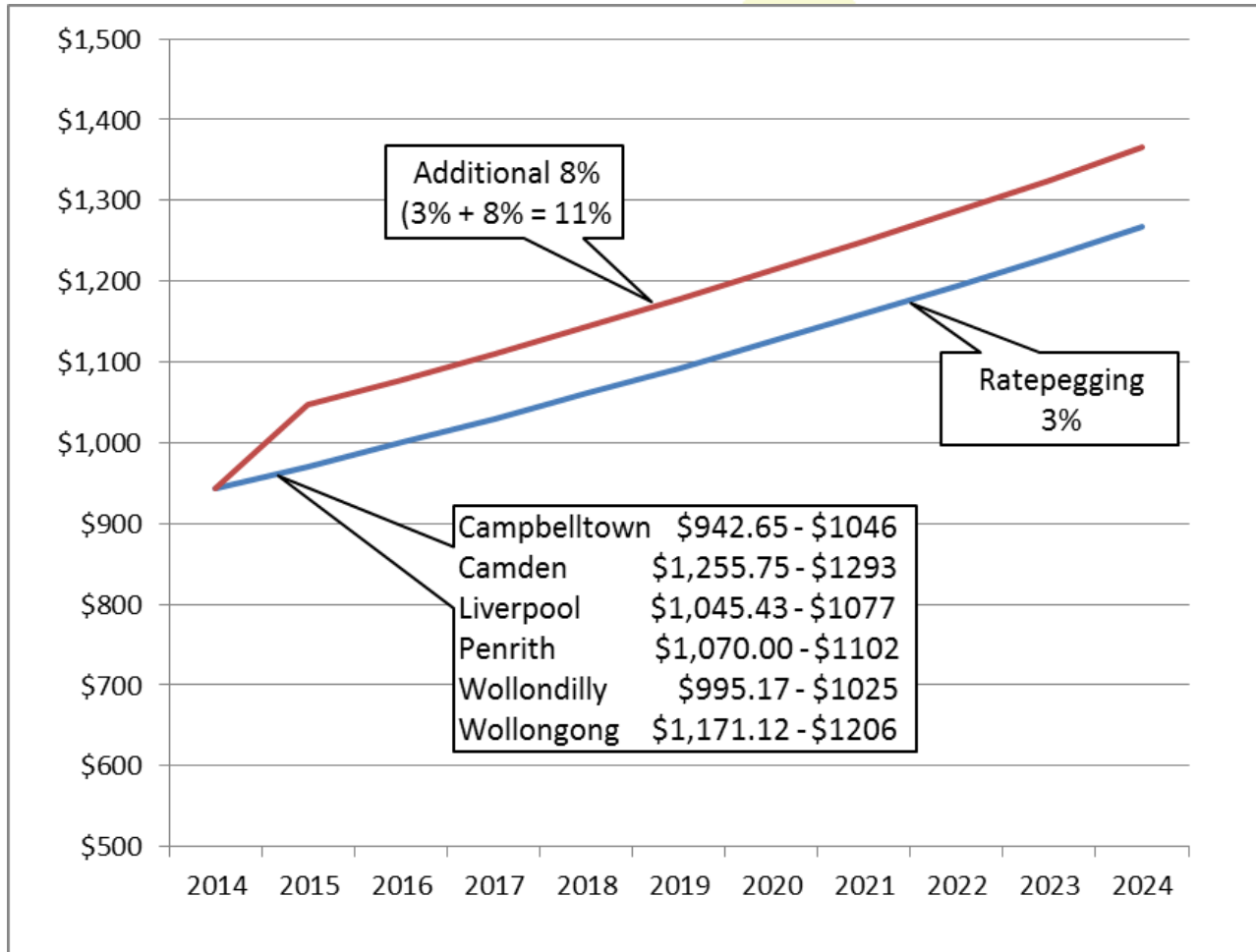
Asset Renewal



Asset Backlog



Proposed Special Rates Variation



Summary

- Proposed increase equates to \$1.99 per week
- Community consultation
- Consideration of any submissions
- Meeting with IPART
- Develop a budget and Long Term Financial Plan
- Revisit the Community Strategic Plan and associated documents

