



MINUTES

SPECIAL COUNCIL MEETING

TUESDAY 15 AUGUST 2006

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1. DECLARATION OF OPENING/ANNOUNCEMENTS

The Chairperson declared the Meeting open at 8.36am and welcomed Members and Staff to the Meeting.

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED

| | | |
|---------------------------------------|------------------------|--------------------------------|
| Cr N Dew | Shire President | Coastal Ward |
| Cr C Germain | Deputy Shire President | Town Ward |
| Cr M Walmsley | | West Ward |
| Cr B Heath | | Town Ward |
| Cr T Witney | | Town Ward |
| Cr Z O'Reilly Carter (Arrived 9.05am) | | Coastal Ward |
| Cr P Fitzpatrick | | East Ward |
| Mr I Curley | | Chief Executive Officer |
| Mr L Tilbrook | | Deputy Chief Executive Officer |
| Mr M Turner | | Director Strategic Development |
| Mr S Cleaver | | Director Community Services |

APOLOGIES

| | |
|------------|-----------|
| Cr M Davis | Town Ward |
|------------|-----------|

3. RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

4.1 PUBLIC QUESTION TIME

Nil

4.2 PUBLIC STATEMENTS

Nil

5. DISCLOSURES OF MEMBERS' & OFFICERS' INTERESTS

Nil

6. **APPLICATIONS FOR LEAVE OF ABSENCE****COUNCIL DECISION**

SCM06/146

MOVED: Cr Walmsley

SECONDED: Cr Witney

That Councillors Germain and Heath be granted Leave of Absence for the August 2006 Ordinary Council Meeting.

CARRIED 7-07. **PETITIONS/DEPUTATIONS/PRESENTATIONS**

Nil

8. **REPORTS**8.1 **ADOPTION OF THE COUNCIL'S ANNUAL BUDGET FOR THE 2006/07 FINANCIAL YEAR**

| | | |
|---|---|--|
| Reporting Officer / Officer's Interest: | Laurie Tilbrook – Deputy Chief Executive Officer/Director Corporate Services / Nil | |
| Responsible Officer / Officer's Interest: | Laurie Tilbrook – Deputy Chief Executive Officer/Director Corporate Services / Nil | |
| Proponent: | Shire of Waroona | |
| Landowner: | N/A | |
| Date of Report: 3 August 2006 | File No: 1/7 | |
| Previous Reference: | Nil | |
| Statutory/Policy Implications: | A Resolution to adopt the Annual Budget and Associated Fees and Charges requires an Absolute Majority decision of the Council. | |
| Strategic Implications: | Nil | |
| Financial Implications: | The Budget has been prepared in accordance with and inclusive of all issues that relate directly or indirectly to Council Policy. | |
| Voting Requirements | Absolute Majority | |

Introduction

Preparation of the 2006/07 Budget once again presented a significant challenge due to the growth of the Shire and the subsequent increase in operating costs which must be balanced against debt levels and funds available for capital purposes.

Although capital expenditure has been maintained at similar levels to that of the previous year, substantial reductions have had to be made eg. Upgrade of Town Hall Toilets, Plant purchase and reserve allocations in order to balance the Budget. The focus therefore remains to complete the Underground Power project.

Despite the challenge associated with operating cost increases, the Council's overall financial position has continued to improve with an increase in Reserve accounts provisions and a decrease in debt levels.

It should be noted however that in order to achieve an acceptable balanced Budget the Council is unable to fulfill its Reserve account obligations in 2006/07. This will continue to place pressure on funding levels for future proposed Capital Works eg. Construction of Preston Beach Community Centre, and Town Centre upgrade.

Background

Councillors are well aware of the financial constraints under which the Council operates and the need to address this issue on an ongoing basis. It is imperative therefore that forward planning remains a priority and that the Council formally considers and resolves all amendments to the adopted Budget.

As advised previously the Council is well behind in its obligations to meet medium to long term objectives and is facing a continuous challenge in regard to balancing growth in the Shire with the needs and expectation of the Community. This is reflected in ongoing increases in operational costs, which without corresponding increases in income, place restrictions on the amount of funds available for Capital Works.

This situation can be improved if there is an increase in the rating base (eg. New development) or a one-off injection eg. Developer contributions, which would normally be allocated to a reserve account to part fund future Capital Works.

Significant Capital Works proposed for the next three (3) year period include:

- Underground Power
- Continuation of Main Street upgrade
- Memorial Hall toilets
- Preston Beach Community Centre
- Extension of Council Office/Library
- Recreation Centre Gym Equipment
- Recreation Centre – Replace pool liner
- Upgrade of Hill Street Oval
- Major Plant replacement
- Development of Industrial Land

In relation to these projects the following information should be noted:

i. *Government Grants/Other Contributions*

Budgets are prepared on the expectation that predicted funding (grants etc.) will be successful (ie confirmation has been received). This is important, as the Council does not have fall back funds to compensate for a lack of forecast grants, which may mean deferment of some projects.

ii. *Consideration of Loan Funding*

It is not unreasonable to consider some level of loan funding for significant projects (especially those resulting in the creation of an asset) however the Council must be mindful of its current debt levels and forecast repayments etc.

iii. *Reserve Accounts*

It is normal prudent financial management to commence an allocation to Reserve accounts (usually three (3) years in advance) to part fund Capital projects. These accounts together with grant funds received, reduce the level of expenditure that is required to be allocated from General Revenue.

When the Council is unable to make such allocations there is increased reliance on general revenue and/or loan funding or project deferment.

iv. Unbudgeted Expenditure

In the event that another large issue/project should arise the Council's ability to provide funding, will be severely restricted and a full review of funding for such projects will need to be carried out before commitments are made.

v. Four (4) Year Financial Plan

The Plan will be updated to include budget actuals (following budget adoption) together with other amendments in the lead up to the next formal review in May 2007.

Proposal

The draft budget is presented following adoption of a Recommendation at the Council's Finance & Audit Committee meeting held Monday 1 August 2006. The Committee considered discretionary items of operating and capital expenditure together with issues for the future and predicted rating levels.

As for the past three (3) Financial Years forecast untied income from Alcoa (used for operating purposes) is a significant factor in balancing the Budget. This amount equates to 5.2% of additional rate income and is once again proposed to offset the operating deficit at the Recreation & Aquatic Centre.

The following chart highlights the level of expenditure/income over the past five years:

| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Operational Expenditure | 3,683,980 | 3,392,549 | 3,788,404 | 4,049,424 | 4,569,986 | 4,788,359 |
| Operational Income | 2,415,944 | 3,103,144 | 3,517,747 | 3,409,279 | 4,424,604 | 4,285,368 |
| Rate Revenue | 1,260,763 | 1,391,043 | 1,521,602 | 1,641,047 | 1,781,593 | 1,915,344 |
| Capital Expenditure (assets) | 776,867 | 2,207,875 | 3,466,320 | 2,388,060 | 1,834,082 | 2,530,408 |
| Loans raised | 45,000 | 0 | 340,000 | 50,000 | -- | 60,000 |
| Transfers to Reserve | 107,275 | 111,250 | 63,800 | 53,600 | 888,634 | 173,450 |
| Transfers from Reserve | 70,971 | 72,347 | 446,300 | 89,000 | 41,408 | 447,000 |

Capital Expenditure

Contained within the Budget document "Supporting Information" is a Summary of all Capital expenditure proposed for 2006/07. This list contains ongoing Capital expenditure such as Road construction and Vehicle replacement.

Listed is a summary of significant projects and the proposed funding sources.

| Project | Alcoa/ Iluka | Government | Funds on Hand | General Revenue | TOTAL |
|------------------------------------|-----------------|------------|------------------|--------------------|---------|
| Council Chamber modification | | | | 72,000 | 72,000 |
| Replace Server | | | 10,000 | 8,000 | 18,000 |
| Foreshore Boardwalk | | 35,000 | | 5,000 | 40,000 |
| Refurbish Town Hall Toilets | | 25,000 | | 50,000 | 75,000 |
| Drakesbrook Weir Toilets | | | 55,000 | | 55,000 |
| Drakesbrook School Memorial | | | 18,000 | 10,000 | 28,000 |
| Replace Cat 120G Grader | | | | 115,000 | 115,000 |
| Path Construction – Fairway Tce | | | | 13,000 | 13,000 |
| Town Square Development | | | | 70,000 | 70,000 |
| Main Street Design | | 15,000 | | 45,000 | 60,000 |
| Underground Power | 250,000 | 154,600 | 348,248 | 72,752 | 825,600 |

Other major items of discretionary expenditure which are not classified as Capital but are included with the Budget are as follows:

| | |
|---|----------|
| Increase in Councillors' Sitting Fee | \$4,000 |
| Complete Crime Prevention Plan | \$5,000 |
| Contribution to Customer Service Officer (WCH&RC) | \$23,050 |
| CDO – Summer Event Series | \$5,000 |
| Prepare Local Planning Strategy | \$5,000 |
| Internal Painting – Town Hall | \$9,300 |
| Preparation of Hamel Eco Interpretation Plan | \$27,840 |
| Community Art Project | \$58,000 |
| Aquatic Centre – Replace Boilers | \$5,610 |
| Recreation Centre- Sand and Seal Court Floors | \$5,800 |
| Complete Youth Spaces project | \$8,000 |
| Reprint Tourist Brochure | \$4,200 |
| Fawcett Road Water Connection | \$15,000 |
| Industrial Land Consultancy (Reserve Account) | \$62,000 |
| Preston Beach Townsite Strategy | \$8,000 |

Rating

The proposed rate income increase of 7.5% is consistent with that proposed in the Council's Four (4) Year Financial Plan.

This increase will realise additional income of \$133,750. Total Rate income split of 44% UV and 56% GRV from the past three (3) Financial years has been maintained.

A general increase in UV values has occurred with a Shire average increase of 27% and West Ward increasing by 32%. This has resulted in the rate in the dollar for UV having to be reduced by 16%.

No increase has occurred in the Gross Rental Value which proposes a rate in the dollar increase of 5.5%. This is less than the average rate increase of 7.5% due to the number of gross rental value properties having increased (rural residential land immediately east of Waroona townsite).

Once again a high rate collection of 98.9% was achieved in 2005/06. Of the amount of rates outstanding (\$19,233) no doubtful debts have been identified.

Full details of rating for 2006/07 including proposed model are included in the main Budget document.

Loan Liability

The following loan is proposed for 2006/07

Loan 118 – Purchase of Plant – Grader - \$60,000 – 5 years

The total liability at 30 June 2007 is forecast at \$567,627 compared with an actual figure of \$572,403 at 30 June 2006 and \$677,852 at 30 June 2005.

Overall debt level has decreased and is well within manageable levels. This could be reduced further if alternative funding is obtained and the above loan is not required.

As previously advised, there will however be a requirement for loan funding associated with future capital projects.

Ratios – Total loan repayments as a percentage of rate income is provided as follows:

| | | |
|---------|----------|------|
| 2003/04 | Actual | 8.3% |
| 2004/05 | Actual | 9.4% |
| 2005/06 | Actual | 7.2% |
| 2006/07 | Forecast | 5.3% |

Full details of 2006/07 Loan commitments are contained with “Note 5(a)” of the Financial Statements.

Road Construction

This program has previously been adopted by the Council (OCM06/100).

During Budget balancing it has been necessary to delete the following projects from the program:

| | | |
|-----------------|--------|--------|
| McNeill Road | Reseal | 1,250m |
| Coronation Road | Reseal | 1,500m |
| Roberts Road | Reseal | 700m |

Further details of the program are contained on Page 73 of the “Detailed Program Information” section of the Budget.

Recreation and Aquatic Centre

Operational deficit for the Recreation & Aquatic Centre has been forecast at \$299,000 (excluding non cash expenses) which is reduced by \$100,000 from the Alcoa operating contribution.

This compares with \$276,000 in 2005/06.

Improved financial estimates and subsequent reporting (including future Budgets) is a key component of the recent management review conducted by YMCA.

As a result Budget estimates for 2006/07 will require review prior to year end in order to achieve more detailed costings from which benchmarks for the future can be established.

Additional salaries of \$21,000 have been included for the part year employment of staff.

Contributions and Donations

The 2006/07 Budget contains the following contributions, donations, and subsidies which can be considered discretionary:

| | | |
|------|---|---------|
| 0212 | Presentations and Donations | \$1,850 |
| 1632 | Senior Citizens Annual Donation | \$500 |
| 5302 | Summer Event Series | \$5,000 |
| 2682 | Waroona Golf Club – Sand Greens Championships | \$2,000 |
| 3792 | Preston Beach 50 year Celebrations | \$5,000 |
| 3152 | Arts/Youth Grants | \$5,200 |
| 2512 | Economic Development Unit | \$5,500 |
| 2532 | Donations (as approved) | \$5,000 |
| 2562 | Peel Heritage Advisory | \$2,000 |

Employee Expenses

| | | | |
|--------------------------|---------|-------------|----------|
| Total Salaries and Wages | 2004/05 | \$1,495,220 | Actual |
| Total Salaries and Wages | 2005/06 | \$1,691,987 | Actual |
| Total Salaries and Wages | 2006/07 | \$1,837,607 | Forecast |

An increase of 8.5% is forecast in employee expenses (excluding Superannuation of \$214,000).

This increase (apart from CPI) is due to full year allocation for Building and Town Planning assistants together with allowance for new positions of Manager Planning & Development Services and Recreation Centre Staff (Recreation Centre from 01.01.07).

An allowance has also been made for the pending retirement of Mr Bill Rafferty.

General Purpose Grants

An increase of 2.66% has been forecast in the General Purpose Grant and an increase of 1.42% in general purpose road funding.

This increase is considerably less than the previous year.

| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|-----------------------|---------|---------|---------|---------|---------|---------|
| General Purpose | 389,551 | 415,289 | 445,101 | 457,785 | 511,440 | 525,085 |
| General Purpose Roads | 243,521 | 255,623 | 259,389 | 254,234 | 271,304 | 275,510 |

Refuse Site Management

The Refuse/Recycling charge is proposed to be increased from \$177 to \$185 in 2006/07. The charge was not increased in the previous year.

The increase is as a result of CPI (Contract terms) together with an allowance for increased fuel costs and a reduction in rebates from the Recycling and Scheme.

An allocation of \$20,000 will be made to the Waste Management Reserve Account.

Reserve Accounts

The following are cash backed reserves at 30 June 2006.

| | |
|--|--------------------|
| Sporting | \$46,394 |
| Building Asset Maintenance | \$34,526 |
| Drakesbrook Weir Redevelopment | \$212,583 |
| Recreation Centre Building Maintenance | \$60,210 |
| On-line Development | \$6,876 |
| Emergency Assistance | \$10,393 |
| Gravel Pit Rehab | \$4,334 |
| Industrial Land Development | \$174,903 |
| Computer | \$9,050 |
| Plant | \$185,340 |
| Long Service Leave | \$48,797 |
| Town Centre Re-development | \$318,000 |
| Waste Management | \$60,876 |
| Hamel Hall Amenities | \$80,000 |
| TOTAL | \$1,252,282 |

This compares with a balance of \$377,550 at 30 June 2005.

The substantial increase is associated with the transfer of unspent Grant funds associated with the Underground Power and Industrial Land projects.

In addition contributions received from the Water Corporation were utilized to create the Drakesbrook Weir Re-development Reserve.

Of the total increase in reserves (\$874,735) only \$80,950 of this amount can be attributed to General Purpose Operations (ie Councils own funds).

Reserve account commitments of approximately \$95,000 are unable to be met in 2006/07.

Balance at year end is estimated to be \$978,700 which includes the transfer of proceeds from the sale of land at Lots 7/8 Mitchell Terrace, which will be utilized to create a Reserve Account for the proposed extension to the Administration Centre Building.

Note:

The forecast balance of the Reserve Accounts will change substantially if the Council resolves to allocate additional (ie unbudgeted) income which may be received from development projects etc.

Surplus Brought Forward

The surplus carried forward to 2006/07 of \$258,318 consists of:

| | |
|-----------------------------|------------------|
| Cash Unrestricted | \$204,150 |
| Cash Restricted (Municipal) | -- |
| Receivables | \$207,384 |
| Inventories | \$21,424 |
| | \$432,958 |
| Less Payables & Provisions | - \$174,640 |
| | \$258,318 |

Officer's Comments/Conclusion

The 2006/07 Financial year represents the fifth Budget since critical issues were experienced in 2002/03.

The main objective during this period has been to educate and inform the Council on its financial obligations not only to the current position but also to the long term viability of the Council and its ability to fund forthcoming Capital and other infrastructure projects.

This has been achieved by:

- Preparation of a Four (4) Year Financial Plan
- Detailed Budget preparation
- Councillor Education
- Independent assessment of financial position

It is pleasing to report that steady progress continues to be achieved and the ratio of operating income to debt levels has decreased together with an increase in Reserve funds.

It must be noted however that from an operating income/expenditure point of view the 2006/07 Budget has been the most difficult to reconcile for several years.

This is due to the Councils level of operating expenditure increasing (4.2%) well in excess to that of operating income (0.85%).

It is imperative therefore that the Council is able to increase its rate base during the predicted growth over the next few years (ie from new developments) and obviously continue to monitor its debt levels and capital expenditure requirements.

This has been confirmed by Mr David Tomasi of Haines Norton (Local Government Finance Specialists) during a visit on 27 July 2006.

This advice concludes that the Council's rate base is low (34% of operating income) compared to a benchmark of 45% of operating income.

The Deputy Chief Executive Officer proposes that the following actions be commenced or continued during 2006/07:

- Formal Budget reviews as at 31 December 2006 and 31 March 2007 – informal on a monthly basis.
- Monthly reporting in accordance with Local Government Financial Management Regulations.
- Review of Four (4) Year Financial Plan following Budget adoption to incorporate Budget actuals.
- Review of long term loan liability estimates.
- Involvement of Directorships in Budget preparation and Financial Planning ie Director Strategic Development, and Director Community Services.
- Use of external assessment of the Council Budget and Financial position.

Community Consultation

As per Council Policy and normal procedures in relation to budget preparation, including inviting submissions on Four (4) Year Plan, newsletter advertising, Website advertising and mail outs.

COUNCIL DECISION

SCM06/147

MOVED: Cr Witney

SECONDED: Cr Fitzpatrick

1. Adoption of Municipal Fund Budget

That the 2006/07 Municipal Fund Budget as presented be adopted and the following Rates & Charges be imposed.

| | |
|--------------|---|
| General Rate | 9.6331 cents in the dollar on Gross Rental Values |
| | 0.5634 cents in the dollar on Unimproved Values |
| Minimum Rate | \$510 – Gross Rental Values |
| | \$480 – Unimproved Values |

| | |
|-----------------------------|--------------------|
| Payment Instalment Interest | 5.5% |
| Payment Instalment Charge | \$8 per instalment |
| Interest on overdue rates | 11% |

Instalments to be offered in two (2) options:

- i. Payment by two (2) instalments
- ii. Payment by four (4) instalments

2. Adoption of Trust Fund Budget

That the Trust Fund Budget for the 2006/07 financial year as presented, be adopted.

3. Adoption of Refuse Removal Charges

- i. Refuse removal charge - \$185 per annum per 240L mobile bin and recycling service.
- ii. Refuse removal – Bulk Bins/per annum

| | |
|----------------------------------|---------|
| 1.5m ³ once per week | \$1,167 |
| 1.5m ³ twice per week | \$1,697 |
| 3.0m ³ once per week | \$1,680 |
| 3.0m ³ twice per week | \$2,620 |
| 4.5m ³ once per week | \$2,454 |

4. Adoption of Fees & Charges

That the Schedule of Fees & Charges for the 2006/07 Financial Year as presented be adopted.

5. Early Payment Incentive

That a \$500 cash prize be offered as an incentive for early payment of rates in accordance with Council Policy 3.11.

6. Sale of Land Lot 7 & 8 Mitchell Avenue Waroona

That the Council not proceed with the sale of Lots 7 & 8 Mitchell Avenue Waroona as proposed in the 2006/07 Budget.

CARRIED BY ABSOLUTE MAJORITY 7-0

Note:

The Council adopted Part 6 of the above Motion in addition to the Officers recommendation as it did not wish the subject land to be sold and noted that this would not affect the financial estimates for 2006/07 as proceeds from the land sale were proposed to be transferred to Reserve Accounts.

9. CLOSURE OF MEETING

There being no further business the Chairperson closed the meeting the time being 9.25am.