

Rating strategy

community conversation

11 May 2015



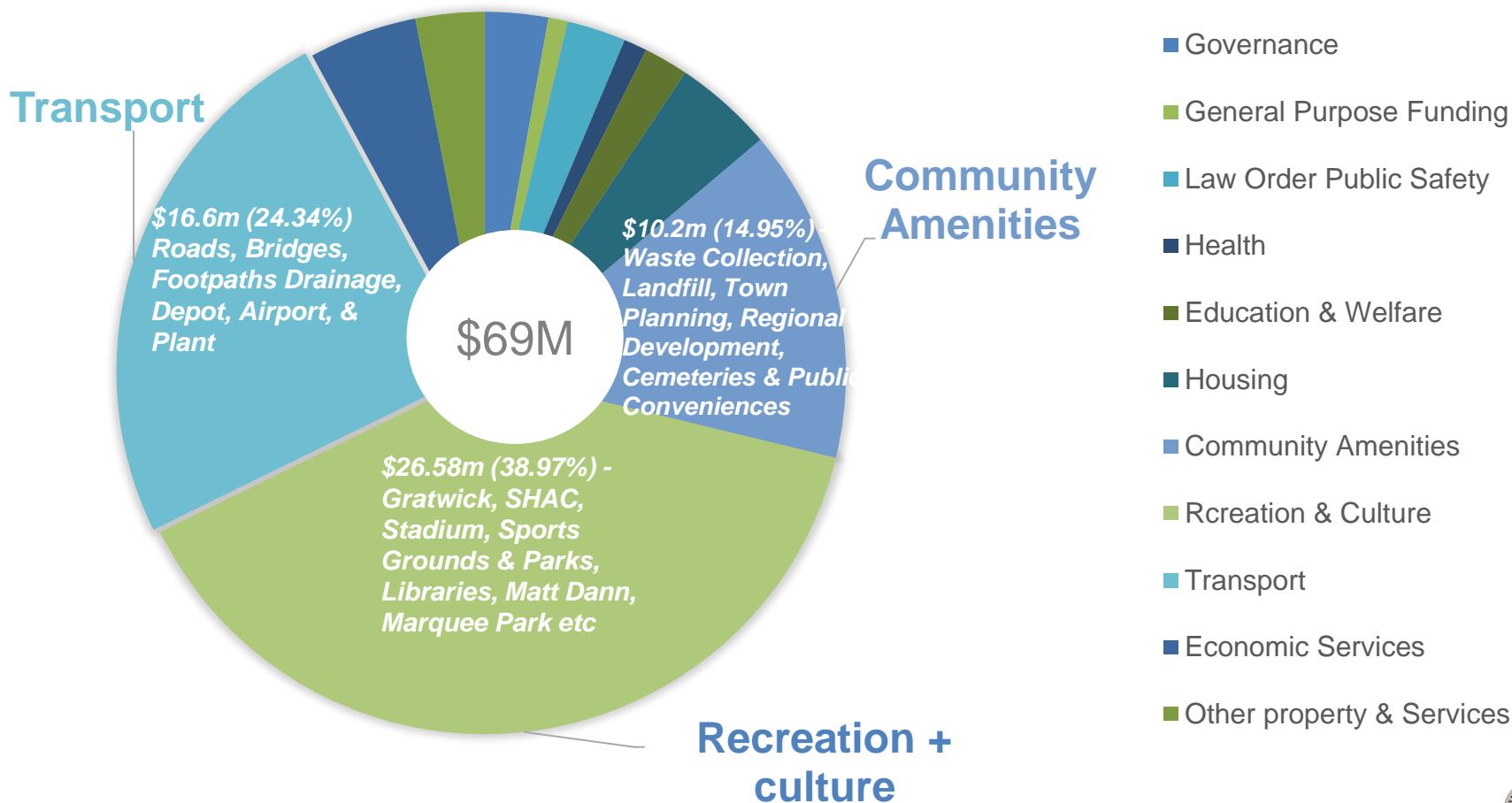
Why have rates?

Town of Port Hedland provides significant infrastructure and services for our community



What do we fund?

Expenditure by program, \$ millions (2013/14 financial statements)



How do we provide services?

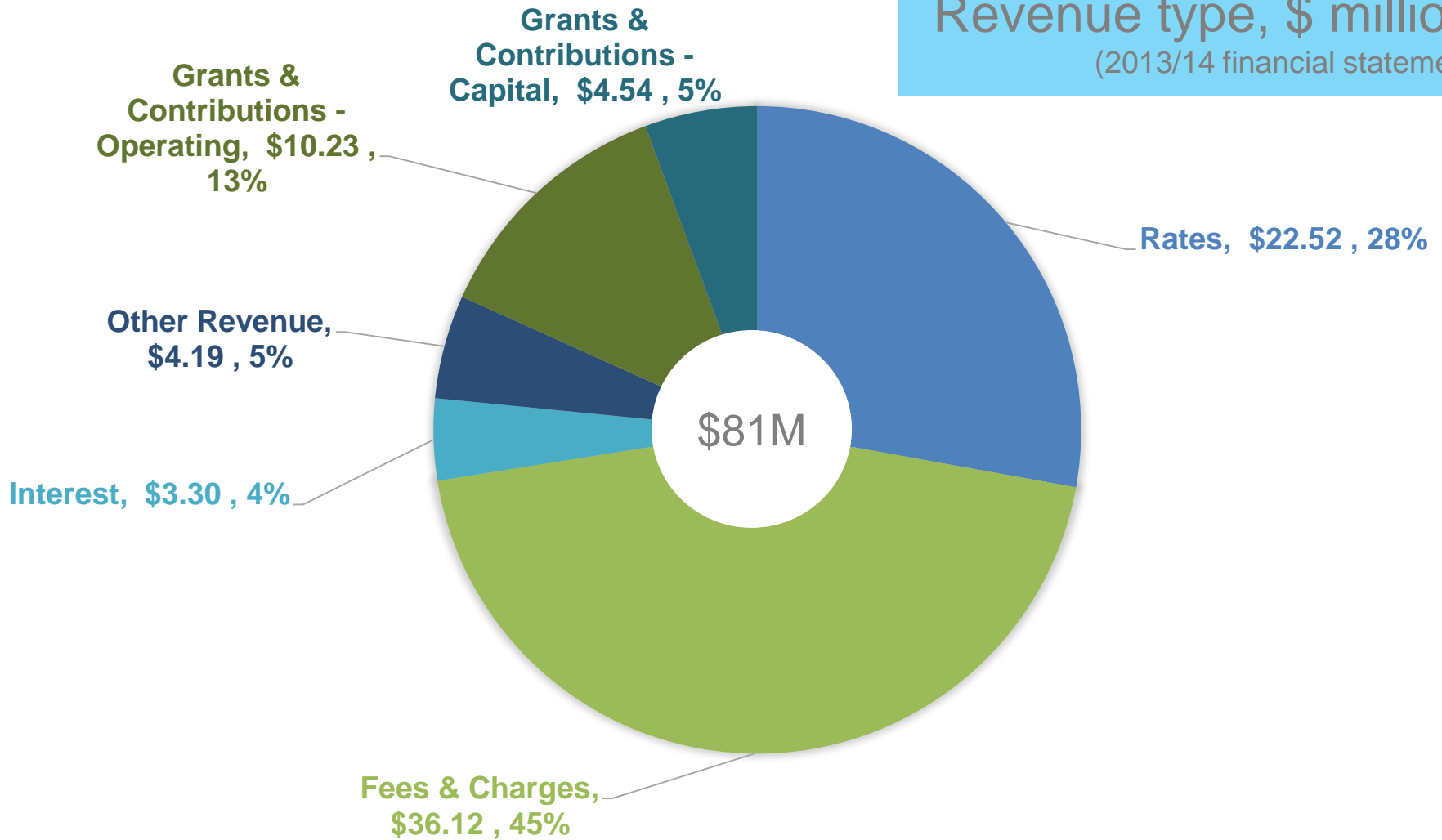
- These important community services need to be funded
- How?
 - Rates
 - Fees and charges
 - Grants and subsidies
 - Loans
 - Interest
 - Developer contributions



What are our revenue sources?



Revenue type, \$ millions
(2013/14 financial statements)

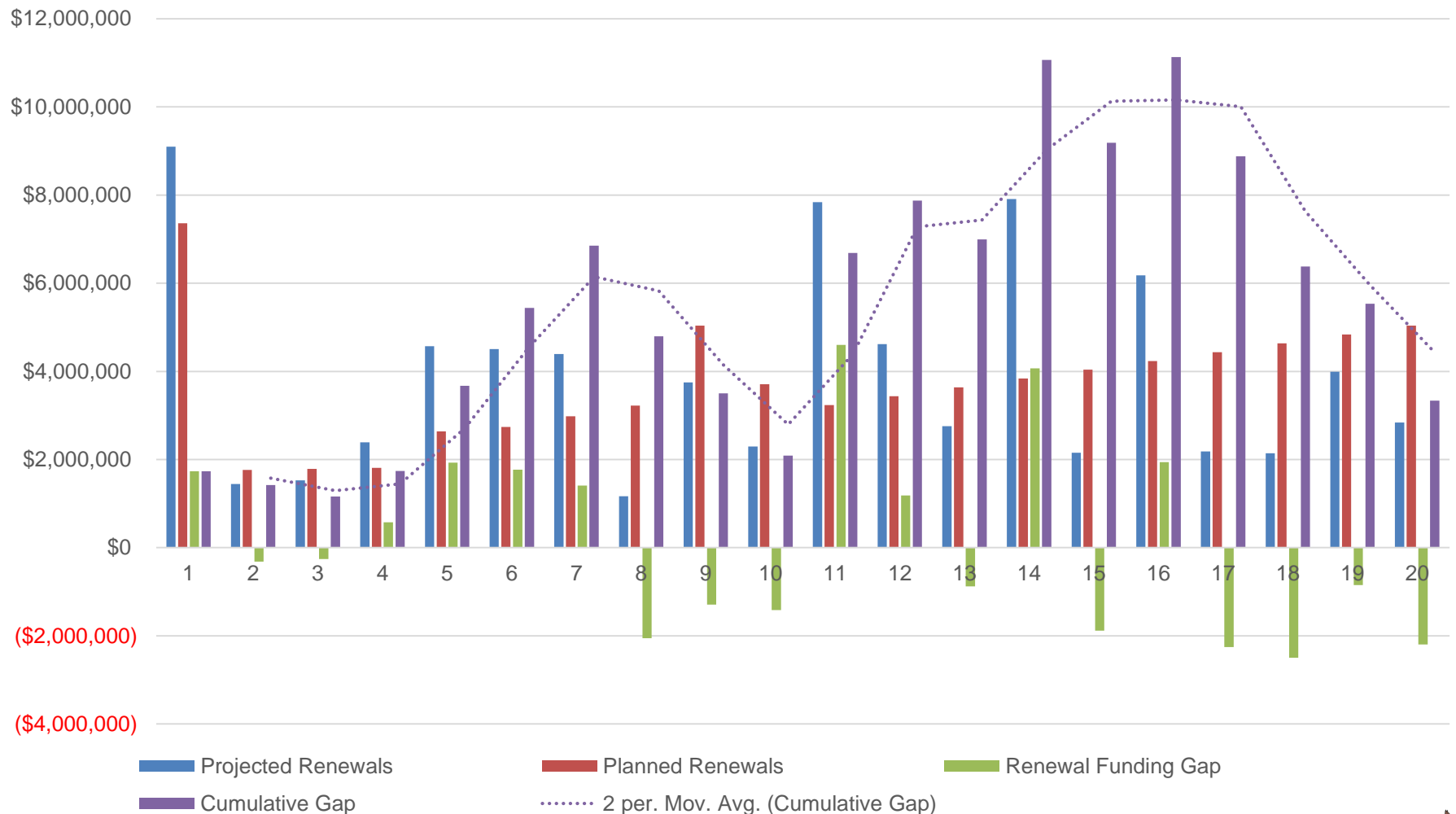


Why rate?

- Local governments need to charge rates to raise revenue so they can provide services and infrastructure to their communities
 - rates are one of the primary sources of funding for service delivery
 - rates are a property tax and levied on all rateable properties within Town of Port Hedland local government area
- Each year as part of the budget process, local governments decide the total amount of rates for the financial year required to maintain the level of service and infrastructure to its community



Levels of service requirements (buildings and sealed roads)



- \$3.3 MIL funding shortfall 2015 – 2034 or \$166,000 per year



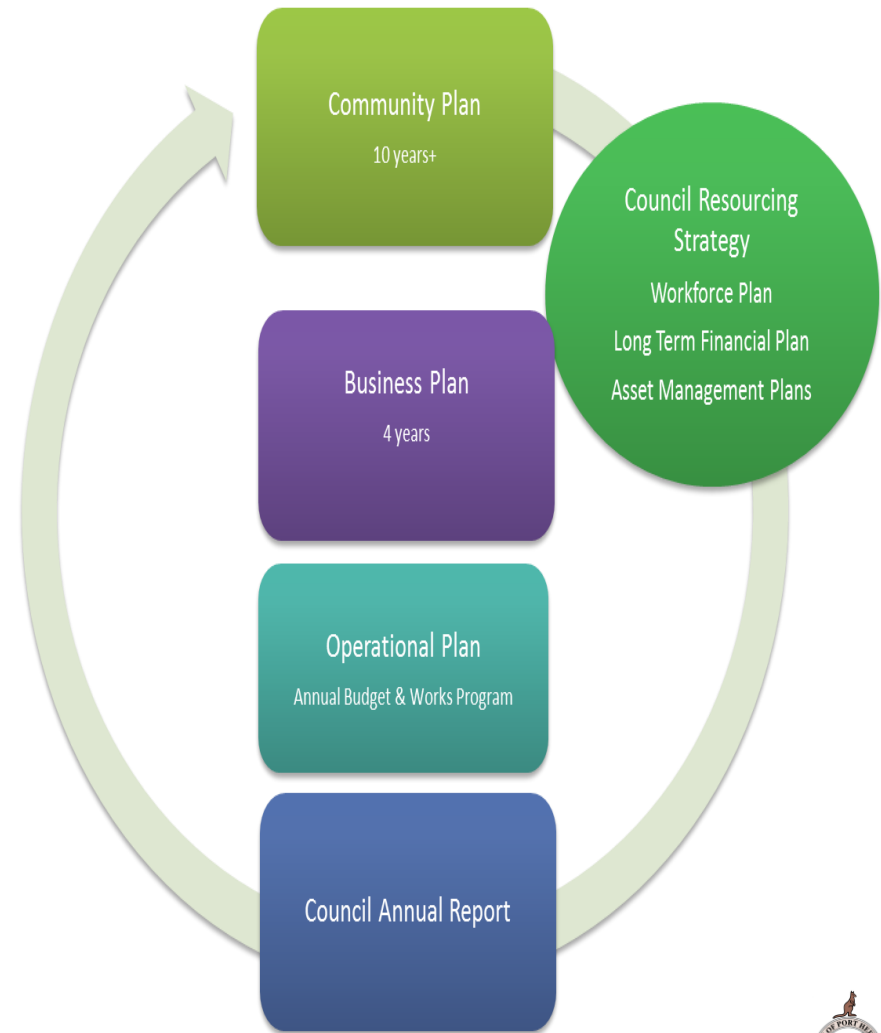
Level of service requirements (buildings and sealed roads)

Year	Projected Renewals	Planned Renewals	Renewal Funding Gap	Cumulative Gap
2015	\$9,095,901	\$7,359,000	\$1,736,901	\$1,736,901
2016	\$1,447,598	\$1,763,400	(\$315,802)	\$1,421,099
2017	\$1,528,519	\$1,788,099	(\$259,580)	\$1,161,519
2018	\$2,390,205	\$1,813,457	\$576,747	\$1,738,266
2019	\$4,568,377	\$2,636,303	\$1,932,073	\$3,670,339
2020	\$4,506,866	\$2,737,889	\$1,768,977	\$5,439,315
2021	\$4,390,506	\$2,979,181	\$1,411,326	\$6,850,641
2022	\$1,167,633	\$3,221,712	(\$2,054,079)	\$4,796,563
2023	\$3,746,970	\$5,039,875	(\$1,292,904)	\$3,503,658
2024	\$2,293,236	\$3,710,639	(\$1,417,403)	\$2,086,255
2025	\$7,838,449	\$3,236,283	\$4,602,165	\$6,688,420
2026	\$4,619,993	\$3,436,283	\$1,183,710	\$7,872,130
2027	\$2,759,190	\$3,636,283	(\$877,093)	\$6,995,037
2028	\$7,907,490	\$3,836,283	\$4,071,207	\$11,066,243
2029	\$2,156,025	\$4,036,283	(\$1,880,258)	\$9,185,985
2030	\$6,178,714	\$4,236,283	\$1,942,430	\$11,128,415
2031	\$2,183,436	\$4,436,283	(\$2,252,848)	\$8,875,567
2032	\$2,139,013	\$4,636,283	(\$2,497,270)	\$6,378,298
2033	\$3,989,370	\$4,836,283	(\$846,913)	\$5,531,384
2034	\$2,839,971	\$5,036,283	(\$2,196,312)	\$3,335,072



What's the process?

- evaluate and **determine the range of services** it needs to support the community
- decide **how much money** is needed to fund services and infrastructure
- establish **how much funding** it can expect to receive from the federal and state governments and other income sources
- determine how much money is required from rates and charges to **cover the balance** of expenditures
- decide on the **best mix of rates** and charges to provide services to the community



How do valuations come into it?

- Valuations alone do **NOT** determine the amount of the general rate or differential general rate you pay
- It is determined by the 'rate' (or cents per dollar) which we apply to that valuation
- The rate in the dollar is calculated by the Town in order to achieve the required rate yield to fund budget deficiency



How do valuations come into it?

- Land is assigned a value by the State Government (Landgate Valuation Services)
 - Unimproved Value
 - Gross Rental Value
 - ❖ gross annual rental is what the land might reasonably be expected to realise if let on a tenancy from year to year upon condition that the landlord was liable for all rates, taxes and other charges and other outgoings necessary to maintain the value of the land
 - ❖ normally represents the annual equivalent of a fair weekly rental, for example a GRV of \$52,000 represents a weekly rental of \$1,000



How do valuations come into it?

- Valuer General required to maintain valuations of all rateable land in Western Australia for rating and taxing purposes
- Values assessed every 3 years to complete the 'General Valuation'
- Every property is valued at a date set by the Valuer General, referred to as the date of valuation (1 August 2014)
- It's a snapshot that reflects local area property market at a certain time – this ensures consistency and fairness in the allocation of rates
- Determined by collecting rental evidence to determine the fair rental value for each property
 - influenced by factors such as age, construction, size, car shelters, pools and locations...
- GRV remains fixed until the next general valuation (1 August 2017), despite potential changes in the market



Port Hedland valuations...



Category	Value pre Revaluation	Valuation 1 August 2014	% change in value
Residential	\$438,159,334	\$265,831,268	-39.33%
Commercial	\$44,303,913	\$34,526,040	-22.07%
Industrial	\$55,302,622	\$65,782,469	+18.95%
Vacant Land	\$12,923,216	\$10,559,560	-18.29%
Total	\$505,689,085	\$376,699,337	-31.60%

- Average residential property valuation decreased from \$71,147 to \$43,443 (39% average reduction)

Remember, valuations themselves do not determine rate you pay → it is determined by the rate in the dollar which is applied to that valuation (rate in dollar in based on total rates required to fund budget)

Proposed rate in the dollar and minimum payment



Category	Rate in dollar (cents in \$\$)	Minimum payment
GRV Residential	5.7904	\$1,260
GRV Commercial	4.3026	\$1,260
GRV Industrial	2.8978	\$1,260
GRV Shopping Centre	5.7891	\$1,260
GRV Mass Accommodation	28.6116	\$1,260
GRV Tourist Accommodation	12.7926	\$1,260
UV Mining	42.3693	\$1,260
UV Mining Exploration	36.1702	\$1,100
UV Mining Other	36.9834	\$1,260
UV Other	18.8800	\$1,260
UV Pastoral	10.8292	\$1,260



What does this mean for residential rates?



Category	Rate in dollar (cents in \$\$)	Minimum payment
GRV Residential	5.7904	\$1,260
GRV Commercial	4.3020	\$1,260
GRV Industrial	2.8978	\$1,260
GRV Tourist Accommodation	12.7926	\$1,260
UV Mining	42.3693	\$1,260
UV Mining Exploration	36.1702	\$1,100

Residential property valuation	X	0.057904	=	\$ annual rates
--------------------------------	---	----------	---	-----------------

For example using average residential property valuation

$$\$43,443 \times 0.057904 = \$2,515.52$$



What does this mean for industrial rates?



Category	Rate in dollar (cents in \$\$)	Minimum payment
GRV Residential	5.7904	\$1,260
GRV Commercial	4.3026	\$1,260
GRV Industrial	2.8978	\$1,260
GRV Shopping Centre	5.7904	\$1,260
GRV Mass Accommodation	28.6116	\$1,260
UV Mining Exploration	36.1702	\$1,100



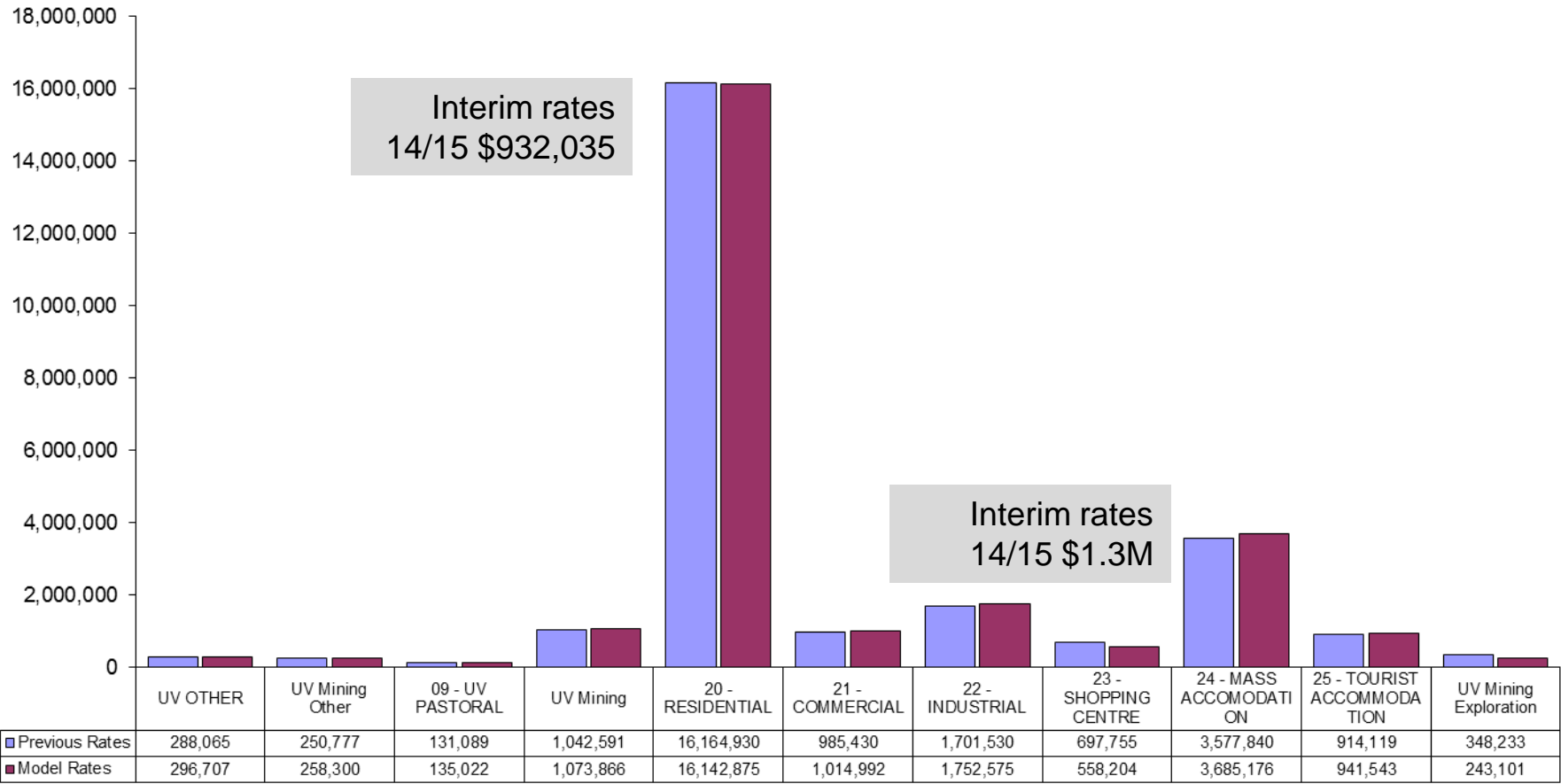
$$\text{Industrial property valuation} \times 0.028978 = \$ \text{ annual rates}$$

For example using average industrial property valuation
 $\$144,406 \times 0.028978 = \$4,184.59$



Rate Model Summary

Total Rates \$26,102,360



15/16 properties	24	192	11	105	6261	237	413	2	6	10	100	7361
	14/15 properties											6981

Rates model



Properties rated according to Town Planning zonings and predominant land use (each has separate rate in the dollar to achieve equity across sectors)



Proposed rates model

- No increase in 15/16 total rate revenue (when compared to 14/15 actual rate revenue raised i.e. 0% increase to total rate yield)
 - The proposed rates model will yield \$26,102,360 in total rate revenue
 - Significant interim rates of \$2.8M in 14/15 (new properties and improvements to existing properties) have allowed this to occur
- 0% increase in rate yield for residential properties
 - Recognises 39% average decrease in property valuations
 - Depending on property value, ratepayers will have increase, static or decreased rates bill
 - Any property values that have decreased by greater than the 39% average will receive a reduction in their general rate bill from 2014/15
 - property values that have decreased by less than the 39% average will receive an increase in their general rate bill from 2014/15



Proposed rates model

- 3% increase for all general rate categories (except Residential, Shopping Centre and Mining Exploration)
 - Aligns with Town's Rating Strategy
 - Represents commitment by Council to keep any rate increases consistent with the growth in costs
 - Local Government Cost Index forecast to be 2.9% for the 15/16 financial year. Source: WALGA March 2015 Economic Briefing
 - Perth CPI March 2015 1.3%. Source: ABS CPI, March 2015)
 - Recurrent funding required for asset maintenance and renewal expenditure. 2014/15 annual depreciation on assets amounts to \$11M
 - reflects annual consumption of assets and needs to be wholly funded



Proposed rates model

- 20% decrease in Shopping Centre rates
 - Equalize the Shopping Centre rate in the dollar with the Commercial rate in the dollar within 4 years (i.e. by 2018/19)
 - In response to submission received from Charter Hall endorsed by Council at the November 2014 Ordinary Council Meeting



Proposed rates model

- Savings achieved from operational efficiencies and review of current costs will allow extra funding for asset maintenance and renewal
 - New EBA which caps salary increases to maximum 2.5% in outward years
 - Reduced staffing levels compared to previous years
 - Efficiency dividend of \$1.93M achieved in 2013/14
 - Loan portfolio refinancing (potentially \$8M in savings over 10 years)
 - Cost review underway for airport and landfill business units
 - Fees and charges review underway to ascertain true cost of providing goods and services verses recovery through fees and charges
 - Staff housing reduction in private rental expenses (\$2M in 2013/14 to \$800k in 2014/15) and intent to transition away from private rentals



Rates approval process

- 12 May 2015: draft rates model consideration by Council for public consultation
- 13 May – 5 June: open for public consultation
- Late June 2015: submissions considered by Council (SCM)
- Following SCM: seek Ministerial approval
- Late July 2015: rates adopted by Council as part of budget adoption
- August: rates notices issued



QUESTIONS?



Wedgefield 5 Year Program

Name	Description	2015/16 \$3,645,331	2016/17 \$1,300,000	2017/18 \$500,000	2018/19 \$500,000	2019/20 \$500,000
Wedgefield Road & Drainage Strategy	Master plan for improvements	To be completed 2014/15 to further define the proposals below.				
Pinga Street	Dual lane construction					
Leehey, Sandhill, Harwell, Moorambine, Pardoo, Carlindie, Taaffee	Repair & widen shoulders, reseal					
Yanana Street	Upgrade drainage system					
Harwell Way	Upgrade various intersections for road train turning					
Moorambine Street	Upgrade various intersections for road train turning					
Various locations	Landscaping & verge improvements					
Moorambine, Leehey	Upgrade drainage system					
Harwell, Cajarina	Upgrade drainage system					
Pinnacles, Murrena	Upgrade drainage system					

