Notice of Finance Committee Meeting

A Finance Committee Meeting will be held in the Ballina Shire Council Chambers, 40 Cherry Street, Ballina on **Wednesday 14 March 2018 commencing at 4.00 pm.**

Business

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General Manager

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4.1 Water Pricing Structure - Two Step Consumption Charge Review

Delivery Program Financial Services

Objective To review the water consumption pricing structure.

Background

At the April 2017 Finance Committee meeting Council considered a report on the water pricing structure. That report examined options to change the consumption pricing, which is currently based on a two-step system, along with options to review the access charge.

The recommendation from the Finance Committee meeting, which was adopted at the April 2017 Ordinary meeting, was as follows:

1. *That Council retain the existing water charging structure for 2017/2018.*

2. *That Council receive a report on having a separate water consumption charge for residential and non-residential properties that achieves the same level of consumption income in total.*

This report responds to point two of that resolution, with the focus being on the consumption pricing structure.

The next report in this agenda examines the access charge pricing structure.

Key Issues

- Equity of our water billing structure
- Impact of any changes on customers and consumption income

Information

For the 2016/17 rating year, which is the latest completed financial year, water consumption was charged at a rate of $2.14 per kilolitre (KL) for the first 350 kilolitres used per annum and $3.22 thereafter. The pricing for the 2017/18 year is $2.18 and $3.27. The premium for over 350 kilolitres is approximately a 50% price increase. This is referred to as a two-step pricing structure.

The April 2017 Finance Committee report provided background to the current structure with relevant extracts from that report as follows. The complete report is available on Council's website.

Water meters were installed in Ballina Shire in the early 1980s. Before this time a simple flat charge system was in place per property. An allowance based water charging structure existed from the early 1980s until the early 2000s. This structure consisted of a flat water charge per property that provided an allowance for water consumption (usually 400 kL of water per annum per property) before "excess" water charges were levied. A part rebate was available for low water users.

This billing system meant that consumers with lower water consumption subsidised higher users, as low water consumers paid for water consumption not used (everyone had the 400 kL allowance).

In 2001/02 Council introduced a fairer billing structure based on a "user pays" model. Each property now pays a fixed water access charge (effectively an access or availability charge) and a consumption charge. The water access charge, at that time, did not consider the size of the water meter connected to the property or the number of occupancies (eg flats, units, granny flats) situated on the property.

A two tier step "water consumption" charge was levied for all water consumed (in addition to the fixed access charge). Water consumption was charged at a set rate for the first 350 kL consumed per property per annum, and then was charged at a higher rate per kL thereafter.

High water consumers now subsidise low water consumers, as they pay a higher rate once they reach the second step, whereas the actual cost of water to Council does not change.

In 2005/06 Council reviewed the "user pays" water billing structure based on guidelines provided by the NSW Office of Water (NSWOW). Whilst Council was already pricing based on a "user pays" model, some significant changes were made to our water billing charging structure (and sewer for non-residential customers) as a result of implementing the NSWOW pricing guidelines.

The major changes made were:

- *Water access charges were levied based on the water meter size, rather than levying a flat charge per property, regardless of the water meter size. This recognised the potential of larger water meters to use more water during peak demand periods.*

- *Water access charges were levied on each strata unit, regardless of whether they were separately metered or not. If the strata complex only has one water meter, water consumption charges increase to the higher step rate if water consumption at the whole strata complex exceeds the number of units multiplied by the 350 kL allowance per unit.*

The 2007 NSWOW guidelines recommend that the residential water access charges should generate 25% of total water income, with the remaining 75% to be generated from water consumption charges. Our consumption charges income is around 66% of our combined access and consumption income.

Our current step rate water consumption billing system is based on the 2007 NSWOW guidelines. The increasing tariff was intended to persuade consumers to use less of our water resource, otherwise pay a higher rate per kilolitre.

NSWOW changed their stance on the inclining step rate tariff and delivered a circular in March 2011 recommending local water utilities consider introducing a single rate per kilolitre, providing that around 75% of total residential customer income was generated from water consumption charges (to retain a strong pricing signal to consumers).

Arguments in favour of the switch to a single per kilolitre rate include:

- *A single rate per kilolitre is more equitable*
    - *Council buys water in bulk from Rous County Council at a single rate per kilolitre*
    - *Higher users such as schools, clubs, nursing homes, caravan parks etc are subsidising the lower water users.*
    - *Under our current billing structure, properties such as residential flats that have a single meter, but multiple occupancies, are billed for most of their water consumption at the higher rate, even though, on an individual basis, they may be low water users.*
    - *Caravan and mobile home parks are currently charged for the majority of water consumed at the higher rate, however, under the relevant Residential Park legislation, the park owner can only seek reimbursement from tenants of the park at the lower rate.*
- *Other water utilities apply a single rate*
    - *Major water utilities such as Sydney Water and Gold Coast City levy water consumption charges at a single rate per kilolitre. Brisbane City use an increased tariff system however, the difference between the step rates is only small. Lismore City levy water consumption charges at a single rate per kilolitre.*
- *A single rate per kilolitre is consistent with IPART best practice billing*
    - *In 2009/10 Sydney Water (services 4.3 million people), moved from a two tier based charging structure to a single rate per kilolitre. This change was adopted following a review of their pricing by the Independent Pricing and Regulatory Tribunal (IPART).*

      In recommending this change, IPART stated that recent rain, desalination and increased recycling have eased concerns over water scarcity, reducing the need for the pricing signal provided by the two-tier system.
- *A consistent single charge per kilolitre still provides a pricing signal*
    - *In 2000/01 our water consumption charges were $0.70/kL and $0.95/kL for the higher step. In 2016/17 they are $2.14 and $3.22 respectively. This now represents a 50 percent increase on top of the lower rate.*

  - *A concern is that the cost difference between the step rates is becoming extreme with the second step rate now more than $1 per kilolitre higher than the first step rate. This cost difference will continue to increase.*

- *Simplifies water bills for our customers and our staff*
  - *A single rate per kilolitre provides for a much simpler and justifiable water billing system. This also creates a water account that is easier to read and easier to compare cost to water consumption.*

  - *It removes any complexities for customers that tenant their property and have tenants reimburse them for water consumption costs. This is especially the case if tenancy changes during a year and previous tenants have already exceeded the water allowance for the first step.*

  - *It simplifies our internal administration and creates efficiencies for water billing modelling.*

- *A single rate per kilolitre will be consistent with our pricing for recycled water*

- *Customer education and awareness for water demand management has reduced the need for a two step rate*
  - *Significant customer water saving education has increased customer's awareness of the importance to minimise their water consumption to save water and therefore save money. The water saving message has worked and as a result, it is considered that a single rate per kilolitre is a sufficient pricing signal to encourage water conservation.*

The current charging structure derives approximately 66% of charges income from the consumption charge. It will be important to graduate this split upwards over coming years to reach the 75% target. This will ensure that the pricing signal to minimise water consumption remains strong.

The primary consideration for this report is whether Council should graduate to a single rate per kilolitre consumption charge to reflect best practice. The secondary consideration is whether Council should increase the percentage of total water income received from consumption charges to reflect the best practice benchmark of 75% or more.

In response to the April 2017 resolution modelling has been completed on water consumption data for the 2016/17 billing period to estimate a single rate for residential (to achieve the same level of residential consumption income in total) and a single rate for non-residential customers (to achieve the same level of non-residential consumption income in total).

The resulting single rates for this scenario are shown in the following table.

Table One - Single Step Rate for Residential and Single Step Rate for Non-Residential						
Category	**2016/17 Consumption (KL)**	**2016/17 Charge ($)**	**2016/17 Charges Income ($)**	**Single rate charge ($)**	**Difference to Step 1 rate ($)**	**Difference%**
Residential	2,513,715	2.14/3.22	5,558,184	2.21	0.07	3.27
Non-Residential	677,382	2.14/3.22	1,944,907	2.87	0.73	34.11

A single step rate for residential (to achieve the same level of residential consumption income in total) in the 2016/17 year would have been $2.21, or 3.27% higher than the actual step one rate.

A single step rate for non-residential (to achieve the same level of non-residential consumption income in total) in the 2016/17 year would have been $2.87, or 34.11% higher than the actual step one rate.

As a comparison modelling was also completed to estimate a single rate across all users to achieve the same level of consumption income in total.

Table Two – Single Step Rate for all users						
Category	**2016/17 Consumption (KL)**	**2016/17 Charge ($)**	**2016/17 Charges Income ($)**	**Single rate charge ($)**	**Difference to Step 1 rate ($)**	**Difference %**
Residential	2,513,715	2.14/3.22	5,907,230	2.35	0.21	9.81
Non-Residential	677,382	2.14/3.22	1,944,907	2.35	0.21	9.81

This analysis shows that a single step rate of $2.35 per kilolitre in the 2016/17 year for all users would have achieved the same level of total consumption income for that year.

This single step rate would have been 9.81% higher than the step one rate actually applied to residential and non-residential users in that year (i.e. $2.14).

Even though the April 2017 resolution refers to different charges for residential and non-residential properties the preference remains to have the same pricing structure for all properties, as there is no reasonable justification to have a different price between residential and non-residential properties when the cost of supplying water is the same to both categories.

It is important to understand the total income sourced from step one and step two to assess the impact that moving to a single step rate would have on our customers. This information is outlined in the following table based on the 2016/17 figures.

Table Three – Income from Step One and Step Two for 2016/17				
Item	**Income - Residential**	**Income – Non – Residential**	**Total Income**	**% of Total**
Step One	5,024,930	468,181	5,493,111	73
Step Two	533,255	1,476,756	2,010,011	27
Total	**5,558,185**	**1,944,937**	**7,503,122**	**100**

There are approximately 12,800 water meters charged for potable water. For 2016/17 approximately 6% (#865) of these properties paid the step two charge.

This means that if Council wishes to move to a one price structure, in one year, 94% of properties will have a price increase of approximately 10% (i.e. 9.81% in Table Two) with the remaining properties receiving a reduction.

With Council pursuing a special rate variation for the General Rate, Council has committed to ensuring that water, wastewater and waste charges are limited to CPI increases for the three year period of that special variation (i.e. 2017/18, 2018/19 and 2019/20).

Even though a change in pricing structure does not mean Council is generating extra income, it could still be seen as a loss of faith if the 10% increase is applied.

Another alternative could be to reduce the gap in the existing two tier structure over a period of time, while accepting that there will be a loss in total income received during that period.

Based on the 2016/17 figures, with $2,010,111 generated from step two charges, the two tiered structure could be reduced over, for example, five years as follows.

Table Four – Income foregone moving to one step over five years

Year	Differential	Annual Income Reduction	Annual Income Foregone	Cumulative Income Foregone
2016/17	50.0%	0	0	0
2017/18	50.0%	0	0	0
2018/19	40.0%	134,006	134,006	134,006
2019/20	30.0%	134,006	268,012	402,018
2020/21	20.0%	134,006	402,018	804,036
2021/22	10.0%	134,006	536,024	1,340,060
2022/23	0.00%	134,006	670,030	2,010,090

The mathematics of this is that only one third of the $2,010,111 (i.e. $670,030) is foregone on an annual basis as Council is still charging two thirds of the original two step price (i.e. a 50% differential means that the base charge is two thirds of the step two price). This is still a substantial amount of income foregone on a cumulative basis as per the final column.

Nevertheless this is considered achievable as:

- The water fund is now in a reasonably sound financial position and is generating an operating surplus inclusive of depreciation ($1.22m for 2016/17)
- The fund has no debt and no extraordinarily large capital works are planned for the next few years
- Total annual operating income for the fund is close to $12m, which means the foregone income is relatively minor in comparison to the overall budget on a year to year basis (i.e. 1.1%), although it does represent close to 6% for the total annual amount foregone (i.e. $670,030)
- Water consumption income is trending above budget for 2017/18 and the trend in recent years has been for actual consumption income to be higher than forecast
- A large number of the major step two consumers are non-residential (i.e. businesses) and this proposal will provide some financial relief to many small businesses who are constantly facing challenges to survive in a competitive market place
- Nearly 10% of the $2,011,011 in step two income for 2016/17 was paid by Council owned properties (eg. the swimming pools) so there will be savings to other areas of Council's operation
- Some of the foregone income could be offset by increased income from changes in the access charge as per the following report
- Council can review this strategy on an annual basis and following the implementation of the special rate variation (i.e. for 2020/21 onwards) Council can still look at higher than CPI increases for the step one charge, if necessary.

In summary this approach does achieve the outcome Council is seeking without penalizing the majority of consumers, albeit it can be argued that over time the step one price will need to be increased by a higher percentage figure than what would normally be required, as the step two consumption income will no longer be raised.

In respect to the best practice proposal to have consumption charges income 75% or more of the combined access and consumption figures, the actual results for 2016/17 were close to 70%, as consumption income was well above budget.

As mentioned consumption income is again trending above budget for the first quarter of 2017/18 and it would not surprise to see the 70% figure exceeded for 2017/18.

To reach the 75% figure Council could apply a higher CPI to the consumption price and have a lower or nil increase for the annual charge or even reduce the annual charge for one year.

At this stage the preference is to not address this benchmark immediately as it is not considered to be having the same direct impact on our customers and based on recent trends the benchmark may be achieved in the near future.

Therefore the recommendation is to continue to monitor this benchmark whilst the step two pricing is adjusted.

Legal / Resource / Financial Implications

The financial implications are dependent on the preferred option as per the information section of this report.

Consultation

Any change to the water consumption charging structure would be placed on public exhibition as part of the draft Operational Plan.

Options

There are a number of options in respect to this pricing report including, but not limited to:

- Retain existing pricing structure
- Eliminate step two pricing in one year or over any number of years
- Increase step one pricing to compensate for the loss of any step two income
- Adjust the balance between the annual charge and consumption income by increasing the consumption pricing at a higher rate than the annual charge price.

Council has debated the option of removing the step two pricing for the last few years without any change being implemented.

If it is accepted that the use of a step two pricing structure no longer reflects contemporary practice the preference is to remove the higher step.

In order to achieve this, rather than simply charging all step one consumers a higher price, the preference, as outlined in this report, is to stage the removal of the second step over a five year period as outlined in Table Four.

This places the onus on Council to operate the water fund as efficiently as possible, without just taking the “easy” option of increasing prices in a monopoly environment.

If Council endorses this approach it is also recommended that Council continue to monitor the balance of income being sourced from consumption and annual charges, with the aim being to achieve the 75% plus benchmark at some point in time, although the primary focus in the short term is to remove the step two charge.

RECOMMENDATIONS

1. That Council supports the removal of the two-step pricing structure for water consumption, by adopting a staged approach whereby the current 50% premium will be reduced to nil over a period of five years (i.e. 10% reduction each year – 40%, 30%, 20%, 10%).

2. That Council continue to monitor the balance of water income received from annual charges and consumption charges with the long term objective being to achieve 75% or more of the total income from these two sources from consumption charges, as per the State Government's best practice guidelines.

3. That Council endorses this pricing approach for the preparation of the water pricing for the exhibition of the 2018/19 Operational Plan.

Attachment(s)

Nil

4.2 Water Pricing Structure - Access Charge Review

Delivery Program Financial Services

Objective To review the water access charge pricing structure.

Background

As per the previous report in this agenda at the April 2017 Finance Committee meeting Council considered a report on the water pricing structure. That report examined options to change the consumption pricing, which is currently based on a two-step system, along with options to review the access charge.

The recommendation from the Finance Committee meeting, which was adopted at the April 2017 Ordinary Council meeting, was as follows:

1. *That Council retain the existing water charging structure for 2017/2018.*

2. *That Council receive a report on having a separate water consumption charge for residential and non-residential properties that achieves the same level of consumption income in total.*

This report now re-examines the access charge pricing to determine whether Council wishes to amend the existing structure.

Key Issues

- Equity of our water billing structure
- Consistency with other access charges levied by Council
- Impact of proposed changes on consumers

Information

The April 2017 Finance Committee report provided background to the current access charging structure with relevant extracts from that report as follows. The complete report is available on Council's website.

Water Access Charges – Residential charge per tenement

Currently we levy water access charges for buildings such as flats, dual occupancies and granny flats based on the size of the connected water meter/s.

This means the properties currently pay one access charge for the entire property based on the meter size.

Non-residential (commercial / business) customers are excluded from this review as it is impossible to define a "self-contained occupancy" for the vast range of non-residential developments.

Our 2016/17 water access charges are reproduced in the following table.

The increased charging scale recognises the increased potential of larger meters drawing more water from our system during peak demand periods.

Table One – 2016/17 Water Access Charges

Water Meter Size	***Charge ($)***
Vacant land (not connected)	*200*
20mm	*200*
25mm	*312*
32mm	*510*
40mm	*800*
50mm	*1,248*
65mm	*2,110*
80mm	*3,205*
100mm	*4,998*
150mm	*11,244*
200mm	*19,990*

Approximately 90% of water meters connected are of the standard size 20mm.

Under the proposed change every residential connection would pay the standard 20mm access charge per tenement (currently $200) to reflect occupancy. Flats, dual occupancies would pay a multiple of the 20mm access charge based on the approved occupancy number.

Non-residential developments would continue to pay based on the meter size, as it is not practical to determine the self-contained occupancy as mentioned earlier.

The reasons for this proposed change are:

- *We **currently use this separate fixed charging methodology** when levying wastewater (sewer) charges and also for domestic waste charges. The change will result in a more consistent billing system for most fixed charges we levy.*

- *It results in a **more equitable charging structure**. A good example is to **consider strata units**. Currently each strata unit attracts a separate water access charge regardless of whether it has its own water meter or not.*

  This is because they are considered a separate rateable assessment under the LGA, whereas a residential flat development is rated as a single assessment, regardless of the number of self-contained occupancies within the development.

  To further highlight the charging inequity, we could have two identical developments of ten units, one under strata and one not.

Overall the strata complex pays ten times $200 per annum being $2,000.

The flats pay a total of $800 (based on a 40mm water meter).

- *In the above example, in respect to water consumption charges, the strata complex is also allowed ten times the normal water allowance before being charged at the higher step rate. The flat complex pays the higher water consumption step rate after 350 kL is consumed.*

If Council chooses to support this change to water access charging, the additional charges would generate around $128,000 in extra income based on the 2015/16 rating year.

It would affect approximately 330 rateable assessments.

Table two provides comparisons of the current and the proposed charging structures using the 2016/17 year charges.

Increases to water access charges may also result in reductions to water consumption charges. This is because in most cases, flats would no longer progress to the higher step rate per kilolitre.

Table Two – Current and Proposed Water Access Charge Changes

Example Property	***Current 2016/17 Water Access Charge (Quantity)***	***Current 2016/17 Water Access Charge ($)***	***Proposed Water Access Charge (Quantity)***	***Proposed Water Access Charge ($)***	***Change ($)***	***Change (%)***
Dwelling House (1 x 20mm water meter)	*1*	*200*	*1*	*200*	*0*	*0%*
Dwelling House + Granny Flat (1 x 20mm water meter)	*1*	*200*	*2*	*400*	*200*	*100%*
Duplex (1 x 20mm water meters)	*1*	*200*	*2*	*400*	*200*	*100%*
Duplex (2 x 20mm water meters)	*2*	*400*	*2*	*400*	*0*	*0%*
(3) Flats (1 x 20mm water meter)	*1*	*200*	*3*	*600*	*400*	*200%*
(3) Flats (1 x 25mm water meter)	*1*	*312*	*3*	*600*	*288*	*92%*
(4) Flats (1 x 25mm water meter)	*1*	*312*	*4*	*800*	*488*	*156%*
(5) Flats (1 x 32mm water meter)	*1*	*510*	*5*	*1000*	*490*	*96%*
(20) Flats (1 x 50mm water meter)	*1*	*1,248*	*20*	*4,000*	*2,752*	*221%*

A key consideration with this change in pricing structure is that if a property / dwelling starts paying multiple access charges, they then receive the 350 kilolitre allowance for each access charge levied, prior to paying the step two charge.

Currently the properties subject to the proposed change in the access charging structure only receive the one 350 kilolitre allowance before paying the two step charge, even though there are multiple tenements.

This does help, in a number of cases, to reduce the overall impact of the change in the charging structure, as outlined in the following table.

Table Three – Comparison of Current and Revised Charges

Property Description and Tenements	Kilolitres	Access Charges		Consumption Charges		Total Charges		Total Change	
		Current Pricing	Revised Pricing	Current Pricing	Revised Pricing	Current Pricing	Revised Pricing	($)	%
6 Shoalhaven St, Alstonville Duplex (2 Flats) – 279170	134	200	400	287	287	487	687	200	41
7 Siesta Court, Alstonville Duplex (2 Flats) – 279324	311	200	400	666	666	866	1,066	200	23
66 Simpson Ave, W'bar (3) Flats – 292673	308	312	600	659	659	971	1,259	288	30
80 Swift Street, Ballina (5) Flats – 185606	919	312	1,000	2,581	1,967	2,893	2,967	74	3
85-87 Swift Street, Ballina (7) Flats – 185020	1,640	510	1,400	4,903	3,510	5,413	4,910	(503)	(9)
5-9 Norton Street, Ballina (12) Flats – 165046	1,655	800	2,400	4,951	3,542	5,751	5,942	191	3
102-104 Crane St, Ballina (20) Flats – 137491	1,833	1,248	4,000	5,524	3,923	6,772	7,923	1,151	17
6-8 Manly Street, Ballina (20) Flats – 156097	2,481	1,248	4,000	7,611	5,309	8,859	9,309	450	5
8-18 Tamar Street, Ballina (44) Flats – 116542	3,917	1,248	8,800	12,235	8,382	13,483	17,182	3,699	27

As per this sample, the total impact of this change is reduced, in many cases, when the total charges figure is calculated, albeit there are still some significant increases in dollar and percentage terms (i.e. 8-18 Tamar Street, Ballina).

The actual step two income that would have been foregone under this structure in 2015/16 and 2016/17 is $42,000 and $45,000 which means the actual net increase in income to Council from this change in pricing structure is approximately $83,000 (i.e. additional income from access charges is estimated at $128,000 less step two income foregone of say $45,000).

Even with this reduced consumption income there are still some significant increases and it is hard to justify this to a consumer when there is no actual change in service.

Legal / Resource / Financial Implications

The financial implications are dependent on the preferred option as per the information section of this report.

Consultation

Any change to the water access charge pricing structure would be placed on public exhibition as part of the draft Operational Plan.

As there are approximately 330 properties impacted by any change Council could write to those owners as part of the public exhibition process.

Options

The existing water access charging structure is inconsistent with Council's waste collection and wastewater methodology, which is based on tenements.

Tenements is the preferred approach as it recognises that each approved tenement does theoretically place an extra load on Council's infrastructure (i.e. typically separate washing / toilet facilities) and the purpose of the access charge is to cover the core infrastructure costs of providing the water service.

The inequity that currently occurs between strata units and non-strata units, when both are placing the same demands on Council's infrastructure, is another reason for Council to support the change to a tenement based system.

In respect to the access charge pricing structure the options available are:

a) Continue with the existing inequity and inconsistency and not change the structure or

b) Change the structure to a tenement based system.

There does not appear to be a transitional approach available for this change in structure as has been recommended in the earlier consumption pricing report.

Due to the inconsistencies that currently exist the preferred recommendation is to exhibit the tenement based charging system as part of the exhibition of the 2018/19 draft Operational Plan.

It is also recommended that Council write to all of the properties impacted to assess the feedback received prior to adopting the Operational Plan.

This will then allow Council to assess that feedback prior to determining whether it is appropriate to implement the change.

As an addendum to this, Council could consider increasing the access charge for the next financial year, by an amount less than CPI, to recognize that the proposed change does generate additional revenue of $83,000 (i.e. approximately $128,000 less $45,000 consumption).

With the total access charge income currently forecast to generate approximately $3.8m for 2017/18, the $83,000 equates to approximately 2% of that income.

Based on this percentage figure of 2%, to help "sell" this proposal Council could index the access charges for the next financial year by a figure lower than CPI or even have no index seeing CPI is approximately 2.3% as per the IPART determination for rate pegging.

Even though this will only marginally benefit the properties impacted, it could help the argument that Council is trying to implement a fairer system for all of our water customers.

Considering the overall financial position of the Water Fund which is healthy (i.e. generating an operating surplus and no debt) this is a realistic proposal and the recommendations support this approach.

RECOMMENDATIONS

1. That for the purposes of exhibiting the draft 2018/19 Operational Plan Council approves an amendment to the water access charging structure from a water connection size based system to a standard charge based on tenements, for residential properties.

2. The draft 2018/19 water access charges are to remain the same as the 2017/18 charges, to recognise that Council will generate additional income if the change in point one is implemented. The draft 2018/19 Operational Plan is also to include a statement confirming that Council may index the 2017/18 access charges if the change in the charging structure outlined in point one is not implemented.

3. That Council write to all properties impacted by the proposed change in point one, as part of the exhibition of the draft 2018/19 Operational Plan, with all submissions received to be reported back to Council prior to Council adopting the 2018/19 Operational Plan.

Attachment(s)

Nil

4.3 Water Operations - Long Term Financial Plan

Delivery Program Financial Services

Objective To review the long term financial plan for Council's water operations.

Background

Water operations form a significant part of Council's overall turnover at approximately 12% of operating revenues. During the last three years, the business has achieved operating surpluses, after many years of operating deficits, and current modelling indicates that price increases approximating to CPI can be maintained. This report provides an overview of the latest update of the Long Term Financial Plan (LTFP) for our water operations.

Key Issues

- Financial performance and sustainability

Information

The following table shows actual results for the previous two financial years together with the current year's estimated result to 30 June.

Table One: Water Financial Performance

Description	2015/16 Actual $000	2016/17 Actual $000	2017/18 Estimate $000
Operating Revenues	11,199	12,410	12,008
Operating Expenses (include depreciation)	10,850	11,120	11,118
Operating Result - Surplus / (Deficit)	**349**	**1,290**	**890**
Excluding Depreciation / Loss on Sale	1,563	1,400	1,380
Cash Operating Result - Surplus / (Deficit)	**1,912**	**2,689**	**2,270**
Less Loan Principal Repaid	0	0	0
Less Capital Expenditure	1,427	1,132	3,901
Add Capital Income	812	469	575
Cash Increase / (Decrease)	**1,297**	**2,026**	**(1,056)**
Transfer of infrastructure assets between funds and movement in leave balances	(1,191)	3,287	0
Reserve Balances	**10,578**	**15,891**	**14,835**

The business has shown reasonable operating surpluses in recent years, both before and after depreciation, which suggests that our Water Operations are well on the way to being financially sustainable.

The attachments to this report are the latest review of the LTFP for the ten year period from 2018/19 to 2027/28.

In respect to operating revenues, the primary income source for water is the water consumption charge. This can be a variable income source, which is touched on later in this report. For the 2017/18 year water consumption income is trending towards a forecast of $7.2 million (2016/17 actual was $7.7 million). This was due to a larger than average consumption in 2016/17.

For 2018/19 the forecast consumption income has again been estimated at $7.2 million based on a possible revision to the step two consumption charge, as per an earlier report in this agenda.

For 2018/19 the forecast operating expenses increase by 2.9% in comparison to the current 2017/18 forecast. The annual contribution to Rous Water represents about 60% of total operating expenses.

Rous Water has confirmed a price per kilolitre increase of 2.3% will be applied however they have not yet confirmed their pricing distribution to each council, which is dependent on the comparative consumptions for the constituent councils. This is expected to be confirmed within the next few weeks and it does mean Council's contribution could increase by more than 2.3%.

As a consequence of the various movements in operating revenues and operating expenses, the overall cash operating result for 2018/19 is forecast to remain relatively consistent to the 2017/18 result, although slightly lower (a decrease of $77,000 from an $890,000 surplus to a $813,000 surplus).

The capital works program is a key driver in the LTFP and a large component of the works relate to population growth. The timing of these works can vary from the forecast depending on what growth does occur and in what locations.

The model predicts capital works at a moderate level for the next two years, followed by several years of higher expenditure, which does cause cash reserves to decline significantly during the forecast period.

Capital income refers to contributions from developers relating to new subdivisions. This income source is difficult to predict. The model assumes $600,000 from this source (increasing by approximately CPI each year) however this figure can be considerably higher or lower in any given year.

In many respects the current financial performance and position of the business is satisfactory. A modest operating surplus is being achieved, the asset network is in relatively good condition, there is no debt and current cash reserves are sufficient to meet the immediate needs of the business.

The largest income source is water consumption, which typically generates around 60% of total operating revenues. It is also the most variable given that the weather can materially affect consumption patterns and is the biggest risk to accurate modelling.

Council's water consumption income, as compared to price increases, over the last five financial years is as follows:

Table Two: Water Consumption Income Compared to Price

Year	Income ($)	Income % change	Increase in price per annum
2017/18	7,185,200 (1)	(7.5)	2.0%
2016/17	7,771,200	16.8	2.8%
2015/16	6,654,300	3.5	3.0%
2014/15	6,429,000	(1.8)	6.0%
2013/14	6,549,000	17.3	8.0%

(1) estimated

The table indicates that there is limited correlation between increases to price and increases (or decreases) to income received.

The current year is trending as though the income will be substantially below that of the prior year, despite a price increase. This was predicted, as the 2016/17 consumption levels were unusually high.

The financial modelling is still based on consumption income increasing in accordance with price as this remains as a good an indicator as any. However given that it is likely that income received will vary up or down from the forecast it is important that the business maintains sufficient cash reserves as a buffer to meet lean times and financial shocks.

The financial model, which is summarised as follows, looks to maintain a fairly consistent operating surplus whilst reserves decline. There are sufficient reserves on hand to allow a gradual approach to this strategy, such that reserves tend to decrease for the majority of the ten year model. Importantly no borrowings are anticipated.

The attachment to this report provides the complete model.

Table Three: Water Financial Model

Description	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Operating Revenues	12,008	12,243	12,436	12,549	12,643	12,842	13,084	13,337	13,605	13,970	14,346
Operating Expenses	11,118	11,430	11,672	11,960	12,270	12,607	12,867	13,185	13,509	13,862	14,184
Operating Result	**890**	**813**	**764**	**590**	**373**	**235**	**217**	**152**	**95**	**108**	**162**
Add Back Deprec	1,380	1,408	1,436	1,465	1,494	1,524	1,554	1,585	1,617	1,650	1,683
Cash Surplus	**2,270**	**2,221**	**2,200**	**2,055**	**1,867**	**1,759**	**1,771**	**1,737**	**1,713**	**1,757**	**1,845**
Capital Income	575	600	620	640	660	680	700	720	740	760	780
Loan Principal	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	3,901	2,861	4,400	4,979	5,836	4,662	4,631	4,377	1,792	1,751	1,794
Net Reserve M'ment	**(1,056)**	**(40)**	**(1,580)**	**(2,285)**	**(3,309)**	**(2,223)**	**(2,160)**	**(1,920)**	**661**	**766**	**831**
Total Reserves	**14,836**	**14,795**	**13,215**	**10,931**	**7,622**	**5,399**	**3,239**	**1,319**	**1,980**	**2,746**	**3,577**

The model was initially formulated based on an increase to the access charge and consumption income price of 2.0% in 2017/18 followed by three years of 2.3% and 3.0% for the remaining years.

The proposed increase to the price for the access charge in 2018/19 is now 0% (as per the recommendations in the report earlier in this agenda titled 'Water Pricing Structure – Access Charge Review').

With the proposed review of the charging structure for tenements, the 2018/19 access charge is recommended to be held at the 2017/18 charge, offset by increased income from the change in charging structure, which means total income from access charges still increases by approximately 2.3%.

In other words, if Council endorses the recommendations in the earlier report the forecast total income from access charges will still increase, even though there is no percentage change in the access charge.

If Council does not endorse the earlier report the price increase for the access charge will need to be 2.3% to keep pace with CPI. The 2.3% is the State Government rate peg limit for 2018/19.

The proposed increase to the consumption charge step one price is 2.3% as per the rate peg limit, although (as per the report earlier in this agenda titled 'Water Pricing Structure – Two Step Consumption Charge Review'), it is proposed that the step two consumption charge premium is reduced from 50% to 40%.

This proposal has the effect of reducing forecast income for 2018/19 and the three years following, by an (approximate) decrement of $135,000 each year, albeit that total consumption still increases each year based on the 2.3% price increase.

This somewhat explains the reason why the operating result in Table Three remains fairly stable in dollar terms, as real income is being reduced by this $135,000 each year, which over the five year adjustment period equates to approximately $670,000.

This is a substantial reduction in income and Council will need to annually monitor the impact of this change in pricing, if adopted, to ensure that operating surpluses continue to be generated. If operating surplus are not maintained it may be necessary to increase the water consumption pricing in future years above CPI.

The figure of 2.3% for the consumption price increase has been applied for 2018/19 as IPART has determined that percentage as the rate peg limit. Even though the water, wastewater and waste operations of Council are not subject to rate pegging, IPART has based the 2.3% on cost indexation for local government, and it is reasonable to apply that percentage for increases in other Council charges.

In summary the modelling presented in this report is based on the assumption that the recommendations from the two earlier reports are adopted.

If that does not occur the operating revenues in this model will need to be adjusted, primarily the consumption income, along with the pricing.

Assumptions Applied

- The proposed increase to access charges in 2018/19 is 0% (as per the report earlier in this agenda 'Water Pricing Structure – Access Charge Review').
- Estimated income from the access charge is $3.56 million.
- The increase to the step one consumption charge is 2.3%.
- The step two consumption charge premium is reduced from 50% to 40% (as per the report earlier in this agenda 'Water Pricing Structure – Two Step Consumption Charge Review').
- Estimated income from consumption is $7.2 million
- Rous Water contribution to increase by 2.3% to $6.1 million
- Developer contributions are forecast at $600,000
- Capital expenditure of $2.9 million

Fees and Charges

Assuming the earlier reports are adopted the proposed charges for 2018/19 are shown in the next table.

Table Four: Proposed Charges

Charge Type	2017/18	2018/19	% Increase/ (Decrease)
Water Access Charge 20mm meter	204	204	0%
Water Consumption under 350kl	2.18	2.23	2.3%
Water Consumption over 350kl	3.27	3.12 (40% premium)	(5.0)%
Vacant Land Charge	204	204	0%

Based on this pricing a residential property using 200 kilolitres would pay $640 in 2017/18 and $650 in 2018/19 (an increase of 1.56%). The proposed over 350kl charge for 2018/19 is a 40% premium to the base charge of $2.23, whereas in previous years this was a 50% premium.

Legal / Resource / Financial Implications

As outlined in the information section of this report.

Consultation

Any charges proposed for 2018/19 will be subject to formal exhibition.

Options

Council has the option of endorsing the proposed charges or examining further alternatives. The recommendation is to exhibit the proposed fees and charges, and the LTFP, as per the contents of this report.

This recommendation is also dependent on the preferred recommendations from the two earlier reports in this agenda in respect to the water access charge and the two tiered consumption charge.

RECOMMENDATION

That Council endorses the access and consumption pricing charges, as per the following table, for exhibition in the draft 2018/19 Operational Plan, as well as the long term financial plan, as per the attachments to this report, for the water operations:

Charge Type	2017/18	2018/19	% Increase / (Decrease)
Water Access Charge - 20mm meter	204	204	0%
Water Consumption under 350kl	2.18	2.23	2.3%
Water Consumption over 350kl	3.27	3.12	(5.0%)
Vacant Land Charge	204	204	0%

Attachment(s)

1. Water Operations - Long Term Financial Plan

WATER OPERATIONS - INCOME STATEMENT (2013/14 to 2027/28)

ACTUAL				ITEM	ESTIMATED											
2013/14	2014/15	2015/16	2016/17		2017/18	%	2018/19	%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
				OPERATING RESULTS													
				Operating Activities													
2,860,500	3,092,600	3,226,000	3,371,900	Annual Charges	3,474,500	3	3,560,000	2	3,654,500	3,752,000	3,851,400	3,953,800	4,058,200	4,165,600	4,275,000	4,388,400	4,503,800
6,590,600	6,432,000	6,654,300	7,771,200	User Charges and Fees	7,185,200	(8)	7,215,500	0	7,260,100	7,306,700	7,354,300	7,538,900	7,726,500	7,919,100	8,116,800	8,319,500	8,527,200
413,500	417,400	339,000	343,900	Interest and Investment Revenues	368,800	7	468,300	27	499,400	446,000	369,000	257,200	182,200	109,400	44,600	66,800	92,700
672,700	797,900	822,400	762,900	Other Revenues	835,900	10	854,700	2	876,300	898,500	921,300	944,600	968,500	992,900	1,018,000	1,043,700	1,070,100
151,800	152,600	157,400	159,900	Grants and Contributions for Operating Purposes	144,000	(10)	144,700	0	145,500	146,200	147,000	147,800	148,600	149,500	150,300	151,100	151,900
851,300	981,400	1,059,900	469,100	Grants and Contributions for Capital Purposes	775,000	65	800,000	3	820,000	840,000	860,000	880,000	900,000	920,000	940,000	960,000	980,000
				Other Income:													
0	0	0	0	Net Gain from Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
11,540,400	**11,873,900**	**12,259,000**	**12,878,900**	**Total Income from Continuing Operations**	**12,783,400**	**(1)**	**13,043,200**	**2**	**13,255,800**	**13,389,400**	**13,503,000**	**13,722,300**	**13,984,000**	**14,256,500**	**14,544,700**	**14,929,500**	**15,325,700**
				Operating Expenses													
1,429,000	1,763,000	1,876,000	1,920,000	Employee Benefits and On-costs	1,980,000	3	2,041,000	3	2,104,000	2,169,000	2,236,000	2,305,000	2,377,000	2,451,000	2,527,000	2,605,000	2,686,000
0	0	0	0	Borrowing Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
1,802,400	1,354,100	1,264,400	1,267,300	Materials and Contracts	1,395,200	10	1,471,400	5	1,457,800	1,484,100	1,511,200	1,588,300	1,565,400	1,592,400	1,619,800	1,647,800	1,676,000
1,859,500	1,478,700	1,498,900	1,460,600	Depreciation and Amortisation	1,380,000	(6)	1,407,600	2	1,435,800	1,464,600	1,493,900	1,523,800	1,554,300	1,585,400	1,617,200	1,649,600	1,682,600
5,909,700	6,200,600	6,172,600	6,533,400	Other Expenses	6,363,200	(3)	6,510,300	2	6,674,100	6,841,800	7,028,800	7,190,000	7,370,600	7,555,700	7,745,300	7,959,600	8,138,900
111,000	20,600	38,000	0	Net Loss from Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
11,111,600	**10,817,000**	**10,849,900**	**11,181,300**	**Total Expenses from Continuing Operations**	**11,118,400**	**(1)**	**11,430,300**	**3**	**11,671,700**	**11,959,500**	**12,269,900**	**12,607,100**	**12,867,300**	**13,184,500**	**13,509,300**	**13,862,000**	**14,183,500**
428,800	**1,056,900**	**1,409,100**	**1,697,600**	**Net Operating Result for the Year**	**1,665,000**	**(2)**	**1,612,900**	**(3)**	**1,584,100**	**1,429,900**	**1,233,100**	**1,115,200**	**1,116,700**	**1,072,000**	**1,035,400**	**1,067,500**	**1,142,200**
(422,500)	**75,500**	**349,200**	**1,228,500**	**Net Operating Result Before Capital Income**	**890,000**	**(28)**	**812,900**	**(9)**	**764,100**	**589,900**	**373,100**	**235,200**	**216,700**	**152,000**	**95,400**	**107,500**	**162,200**

WATER OPERATIONS

ACTUAL 2012/13	ACTUAL 2013/14	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2017/18	%	2018/19	%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
						OPERATING REVENUES													
2,603,000	2,860,500	3,092,600	3,226,000	3,371,900	10000	Annual Charges	3,474,500	3	3,560,000	2	3,654,500	3,752,000	3,851,400	3,953,800	4,058,200	4,165,600	4,275,000	4,388,400	4,503,800
5,582,400	6,590,600	6,432,000	6,654,300	7,771,200	10010	User Charges	7,185,200	(8)	7,215,500	0	7,260,100	7,306,700	7,354,300	7,538,900	7,726,500	7,919,100	8,116,800	8,319,500	8,527,200
669,200	672,700	797,900	795,400	762,900	10011	Fees and Fines	835,900	10	854,700	2	876,300	898,500	921,300	944,600	968,500	992,900	1,018,000	1,043,700	1,070,100
155,000	151,800	152,600	157,400	159,900	10003	Operating Grants	144,000	(10)	144,700	0	145,500	146,200	147,000	147,800	148,600	149,500	150,300	151,100	151,900
623,900	413,500	417,400	339,000	343,900	10004	Interest	368,800	7	468,300	27	499,400	446,000	369,000	257,200	182,200	109,400	44,600	66,800	92,700
0	0	0	26,000	0	10012	Gain on Disposal of Plant and Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
9,633,500	**10,689,100**	**10,892,500**	**11,199,100**	**12,409,800**		**Total Operating Revenues**	**12,008,400**	**(3)**	**12,243,200**	**2**	**12,435,800**	**12,549,400**	**12,643,000**	**12,842,300**	**13,084,000**	**13,336,500**	**13,604,700**	**13,969,500**	**14,345,700**
						OPERATING EXPENSES													
						Direct Expenses													
286,800	263,700	337,700	355,600	360,000	50000/50005	Engineering Management	442,400	23	550,400	24	523,200	536,300	549,900	613,900	578,200	592,900	607,900	623,300	639,100
246,500	310,700	350,100	415,700	446,700	50005	Administration and Customer Service	402,600	(10)	401,600	(0)	412,600	423,700	450,200	446,900	459,000	471,200	483,600	516,400	509,700
438,900	222,200	176,900	150,000	294,800	50005	Contribution to Works and BBRC	41,900	(86)	42,900	2	44,000	45,100	46,300	47,500	48,700	50,000	51,300	52,600	54,000
8,000	11,000	17,700	10,700	11,300	50008	Miscellaneous	12,000	6	12,300	3	12,700	13,100	13,500	13,900	14,300	14,700	15,100	15,500	15,900
5,143,400	5,419,200	5,720,300	5,703,100	5,886,500	50100	Purchase of Water	5,977,700	2	6,115,200	2	6,268,200	6,425,000	6,585,700	6,750,400	6,919,200	7,092,300	7,269,700	7,451,600	7,638,000
800	12,700	10,600	10,700	11,600	50101	Pumping Stations - Operations	15,000	29	15,000	0	16,000	17,000	18,100	19,200	20,300	21,400	22,500	23,600	24,700
50,100	54,500	47,500	34,400	37,600	50102	Pumping Stations - Energy Costs	45,500	21	50,200	10	52,000	53,800	55,600	57,500	59,400	61,400	63,400	65,400	67,500
68,500	62,800	77,800	55,700	66,800	50105/50106	Reservoirs - Operations and Maintenance	60,000	(10)	70,000	17	71,800	73,700	75,600	77,600	79,700	81,800	83,900	86,000	88,300
80,100	153,100	129,500	111,800	134,900	50107	Water Treatment Plants - Operations	149,000	10	152,700	2	156,900	161,100	165,400	169,700	174,300	179,000	183,700	188,500	193,500
47,900	46,300	38,700	30,600	42,000	50107	Water Treatment Plants - Maintenance	37,500	(11)	38,500	3	39,600	40,700	41,900	43,100	44,300	45,500	46,800	48,100	49,400
218,900	192,500	172,900	83,200	49,300	50109	Mains - Operations	70,000	42	60,000	(14)	61,600	63,300	65,000	66,800	68,600	70,400	72,200	74,200	76,300
415,300	348,700	446,600	364,500	397,400	50110	Mains - Maintenance	450,000	13	450,000	0	461,300	472,900	484,800	497,000	509,600	522,400	535,500	549,000	562,800
293,400	401,000	343,800	345,100	376,400	50111	Water Connections - Maintenance	320,000	(15)	320,000	0	328,000	336,200	344,700	353,400	362,300	371,400	380,700	390,300	400,100
333,400	376,300	232,600	247,000	223,900	50112	Water Quality Testing, Reading and Other	234,800	5	241,400	3	247,900	254,300	261,000	267,600	274,700	281,700	289,200	296,600	304,400
101,800	69,100	55,000	67,900	62,500	50113	Telemetry and Plant Maintenance	98,000	57	101,000	3	103,600	106,300	109,100	111,900	114,800	117,800	120,800	123,900	127,100
						Indirect Expenses - Overheads													
1,145,000	1,197,300	1,160,000	1,301,000	1,319,000	50005	Overheads Distributed	1,382,000	5	1,401,500	1	1,436,500	1,472,400	1,509,200	1,546,900	1,585,600	1,625,200	1,665,800	1,707,400	1,750,100
						Debt Servicing													
100	0	0	0	0	50010	Interest On Loans	0	0	0	0	0	0	0	0	0	0	0	0	0
						Non-cash Expenses													
1,882,900	1,859,500	1,478,700	1,498,900	1,460,600	50112	Depreciation	1,380,000	(6)	1,407,600	2	1,435,800	1,464,600	1,493,900	1,523,800	1,554,300	1,585,400	1,617,200	1,649,600	1,682,600
161,800	111,000	20,600	64,000	0	50112	Loss on Disposal of Infrastructure	0	0	0	0	0	0	0	0	0	0	0	0	0
10,923,600	**11,111,600**	**10,817,000**	**10,849,900**	**11,181,300**		**Total Operating Expenses**	**11,118,400**	**(1)**	**11,430,300**	**3**	**11,671,700**	**11,959,500**	**12,269,900**	**12,607,100**	**12,867,300**	**13,184,500**	**13,509,300**	**13,862,000**	**14,183,500**
(1,290,100)	**(422,500)**	**75,500**	**349,200**	**1,228,500**		***Operating Result - Surplus / (Deficit)***	**890,000**	**(28)**	**812,900**	**(9)**	**764,100**	**589,900**	**373,100**	**235,200**	**216,700**	**152,000**	**95,400**	**107,500**	**162,200**
1,882,900	1,859,500	1,478,700	1,498,900	1,460,600		*Add Back Depreciation*	1,380,000	(6)	1,407,600	2	1,435,800	1,464,600	1,493,900	1,523,800	1,554,300	1,585,400	1,617,200	1,649,600	1,682,600
161,800	111,000	20,600	64,000	0		*Add Back Loss on Infrastructure Disposal*	0	0	0	0	0	0	0	0	0	0	0	0	0
754,600	**1,548,000**	**1,574,800**	**1,912,100**	**2,689,100**		***Cash Result - Surplus / (Deficit)***	**2,270,000**	**(16)**	**2,220,500**	**(2)**	**2,199,900**	**2,054,500**	**1,867,000**	**1,759,000**	**1,771,000**	**1,737,400**	**1,712,600**	**1,757,100**	**1,844,800**
						Capital Movements													
3,800	0	0	0	0		Less Loan Principal Repayments	0		0		0	0	0	0	0	0	0	0	0
364,000	485,900	782,500	637,500	1,932,900		Less Transfer to Reserves	0		425,500		0	0	0	274,000	0	0	0	(27,900)	16,800
536,600	0	0	0	0		Add Transfer from Reserves	983,700		0		1,115,100	131,600	2,340,000	0	1,860,300	245,600	113,000	0	0
47,800	799,000	2,063,400	186,400	409,300		Add Capital Income Applied	681,000		1,100,000		1,119,000	2,827,000	1,663,000	3,211,000	1,033,500	2,428,000	0	0	0
937,200	1,827,100	2,821,700	1,427,000	1,131,500		Less Capital Expenditure	3,900,700		2,861,000		4,400,000	4,979,100	5,836,000	4,662,000	4,630,800	4,377,000	1,791,600	1,751,000	1,794,000
34,000	**34,000**	**34,000**	**34,000**	**34,000**		***Cash Result after Capital Movements***	**34,000**	**0**	**34,000**	**0**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**

WATER - CAPITAL EXPENDITURE

Expenditure Description	Expenditure Year											Funding Source 2018/19				Funding Source 2019/20				Funding Source 2020/21				Funding Source 2021/22			
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Main Renewals																											
Main Renewal - Recurrent	201,600	706,000	784,000	937,000	958,000	1,053,000	1,154,000	1,260,000	1,292,000	1,324,000	1,357,000				706,000				784,000				937,000				958,000
Underbore - Ross Lane															0				0				0				0
Water Reservoirs																											
Reservoirs - Ross Lane (New)		500,000				3,211,000							500,000		0				0				0				0
Reservoirs - Pacific Pines					1,077,000										0				0				0		1,077,000		0
Reservoirs - Access Upgrades	200,000	200,000													200,000				0				0				0
Grays Lane Reservoir - Demolish	50,000														0				0				0				0
New Inlet - Lennox Reservoir	25,000														0				0				0				0
Miscellaneous																											
Telemetry	7,000	9,000	10,000	12,000	13,000	15,000	16,000	18,000	18,000	18,000	18,000				9,000				10,000				12,000				13,000
Ethernet Telemetry Upgrade	133,100	50,000	50,000												50,000				50,000				0				0
Smart Water Meter Network	10,000	10,000													10,000				0				0				0
Water Network Master Plan		150,000													150,000												
Pressure Mgmt Zones (PMZs)																											
Second Stage Installations	50,000														0				0				0				0
Water Pump and Bore Stations																											
Pump Stns - Ballina Hts Booster															0				0				0				0
Pump Stns - Basalt Court Booster	181,500	200,000											200,000		0				0				0				0
Pump Stns - East Ballina Booster	87,500	320,000											320,000		0				0				0				0
Pump Stns - Russellton Booster							446,000								0				0				0				0
Pump Stns - Wollongbar Booster	362,000														0				0				0				0
Trunk Mains																											
East Ballina Boosted PZ Augment	1,723,200														0				0				0				0
Wardell Mains								282,000							0				0				0				0
North Ballina Reticulation Mains					712,000										0				0				0				712,000
North Ballina Distribution Mains			2,078,000		2,343,000										0		1,039,000		1,039,000				0		586,000		1,757,000
Pine Ave Distribution Mains				2,589,000											0				0		2,589,000		0				0
Ballina Island Distribution Mains							1,175,000								0				0				0				0
Lennox Head Mains							1,274,000								0				0				0				0
CURA B Distribution Main				330,000											0				0				330,000				0
Russellton Reticulation Mains			160,000												0		80,000		80,000				0				0
West Ballina Bypass Distn Main								2,428,000							0				0				0				0
Lennox Palms Dist and Reticulation					388,000										0				0				0				388,000
Pacific Pine Distribution Main				238,000											0				0		238,000		0				0
Connections for Green Field Sites		80,000											80,000		0				0				0				0
PRV at Water Wheels	20,000	130,000													130,000				0				0				0
Water Treatment Plant																											
Marom Creek WTP - Upgrade	30,000	200,000	1,000,000	400,000											200,000				1,000,000				400,000				0
Marom Creek WTP - Secure Yield	120,400														0				0				0				0
Marom Creek WTP - Renewals	24,000	26,000	28,000	30,000	32,000	34,000	37,000	39,000	40,000	41,000	42,000				26,000				28,000				30,000				32,000
Plant and Equipment																											
Vehicle and Plant Replacement	176,400			141,100		24,000	191,800		82,600						0				0				141,100				0
Vacuum Excavation Equipment	200,000														0				0				0				0
Water Capital - Service Connection																											
Water Meter - New <20mm	212,000	219,000	225,000	232,000	239,000	246,000	253,000	261,000	268,000	275,000	282,000				219,000				225,000				232,000				239,000
Water Meter - New > 20mm															0				0				0				0
Water Meter - Replacement	57,000	61,000	65,000	70,000	74,000	79,000	84,000	89,000	91,000	93,000	95,000				61,000				65,000				70,000				74,000
Water Meter - Conversion of Meters	30,000														0				0				0				0
Total Capital Expenditure	3,900,700	2,861,000	4,400,000	4,979,100	5,836,000	4,662,000	4,630,800	4,377,000	1,791,600	1,751,000	1,794,000	0	1,100,000	0	1,761,000	0	1,119,000	0	3,281,000	0	2,827,000	0	2,152,100	0	1,663,000	0	4,173,000

4.4 Wastewater Operations - Long Term Financial Plan

Delivery Program	Financial Services
Objective	To review the long term financial plan for Council's wastewater operations

Background

Wastewater operations form a significant part of Council's overall turnover at approximately 20% of operating revenue.

For many years the price for wastewater annual charges has been on a steep incline. These increases were to position the business to manage substantial borrowings ($63 million), ongoing capital works and variations to operating expenses. Recent performance is indicating that price increases can now be maintained at more palatable levels, following the 2017/18 increase of 3.0% with a proposed increase of 2.3% for 2018/19 and increases approximating CPI thereafter.

The report that follows provides an overview of the latest update of the Long Term Financial Plan (LTFP) for our wastewater operations.

Key Issues

- Financial performance and sustainability
- Affordability

Information

The following table shows actual results for the previous two financial years together with the current year's estimated result to 30 June.

Table One: Wastewater Financial Performance

Description	2015/16 Actual $000	2016/17 Actual $000	2017/18 Estimate $000
Operating Revenues	16,349	17,888	18,297
Operating Expenses (include dep)	17,313	18,291	17,507
Operating Result - Surplus / (Deficit)	**(964)**	**(403)**	**790**
Excl Depreciation / loss on sale	3,844	4,396	3,969
Cash Operating Result - Surplus / (Deficit)	**2,880**	**3,993**	**4,759**
Less Loan Principal Repaid	2,793	2,958	3,096
Less Capital Expenditure	2,267	2,561	8,430
Capital Income	1,725	764	1,400
Cash Increase / (Decrease)	**(455)**	**(761)**	**(5,367)**
Transfer of infrastructure assets between funds and movement in leave balances	332	(3,128)	0
Reserve Balances	**14,932**	**11,043**	**5,677**

The table highlights that the operating result is variable and this is because, as well as depreciation, it also includes losses on sale of assets, which typically refers to infrastructure that has been replaced. These anomalies are eliminated to calculate the cash surplus, which shows that the result has and is forecast to continue to improve.

The business has now reached a point where it is forecast to make an operating surplus, inclusive of depreciation, which is positive. The next goal is to achieve a consistent operating surplus to fund capital expenditure and perhaps look to increase reserves to cater for growth and improved service levels.

The attachments to this report are the latest review of the LTFP for the ten year period from 2018/19 to 2027/28.

In respect to operating revenues the primary source of income is the annual charge, which is forecast to generate approximately $16.5 million out of the total operating revenues of $18.6 million for 2018/19. Adjustments to this charge are the primary lever used to direct the financial performance of the business.

Capital income refers to contributions from developers relating to new subdivisions. This income source is difficult to predict. The model assumes $1.43 million from this source (increasing by CPI each year) however this figure can be considerably higher or lower in any given year.

The capital works program is a key driver in the LTFP and a large part of the works relate to population growth. The timing of these works can vary from the forecast depending on what growth does occur and in what locations.

The current model predicts capital works at an average of around $5 million for the four year period of the draft Delivery Program which results in the available cash reserves being drawn down in the first few years.

A major cost in operating expenses is the interest portion of the loan repayment which will be $3.8 million in 2018/19. As the year's progress, the interest portion of the loan reduces, whilst the capital element of the repayment increases by the same amount.

This is something to consider when comparing total operating expenses from one year to the next, as it can distort the comparison.

The next table details the forecast movements in the total loan liability.

Table Two: Total Outstanding Loans

Loan	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Principal Paid	3,095,600	3,134,000	3,280,300	2,453,500	2,654,100	2,844,100
Interest Paid	4,055,900	3,744,300	3,598,000	3,439,800	3,239,200	3,049,200
Loan Balance	**56,475,400**	**53,341,400**	**50,061,100**	**47,607,600**	**44,953,600**	**42,109,500**

A five year fixed term loan comes up for renewal at the end of 2017/18.

The balance outstanding on this loan will be $11.3 million and the revised loan rate should be less than that currently being paid. The current rate on this loan is 7.47% and the model assumes a revised rate of 6%. This reduces loan repayments by $273,000 in 2018/19.

Further out is the completion of an interest free loan in 2019/20, which will reduce loan repayments by $985,000.

The financial model presented includes an increase to prices of 2.3% in 2018/19 and 2.5% thereafter with these figures reflective of the rate peg limit (2018/19) and future CPI (2.5%).

Table Three: Wastewater Financial Model

Description	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Operating Revenue	18,297	18,640	19,116	19,506	20,033	20,539	21,032	21,613	22,180	22,850	23,550
Operating Expense	17,507	17,329	17,426	17,526	17,674	17,861	17,969	18,129	18,232	18,425	18,635
Operating Result	**790**	**1,311**	**1,690**	**1,981**	**2,359**	**2,678**	**3,063**	**3,483**	**3,947**	**4,425**	**4,916**
Add Back Deprec	3,969	3,985	3,997	4,007	4,087	4,169	4,252	4,337	4,424	4,512	4,602
Cash Surplus	**4,759**	**5,296**	**5,687**	**5,988**	**6,446**	**6,847**	**7,315**	**7,820**	**8,371**	**8,937**	**9,518**
Capital Income	1,400	1,430	1,470	1,510	1,550	1,590	1,630	1,680	1,730	1,780	1,830
Loan Principal	3,096	3,134	3,280	2,454	2,654	2,844	3,037	3,235	3,430	3,627	3,825
Capital Expenditure	8,430	5,243	8,197	2,978	5,205	4,955	1,015	5,316	1,486	1,131	1,131
Net Reserve M'ment	**(5,367)**	**(1,651)**	**(4,320)**	**2,066**	**137**	**637**	**4,894**	**949**	**5,185**	**5,959**	**6,392**
Total Reserves	**5,677**	**4,026**	**(294)**	**1,772**	**1,909**	**2,546**	**7,440**	**8,389**	**13,574**	**19,533**	**25,925**

An operating surplus is predicted in 2017/18 and for all following years which is an excellent outcome.

The current model does allow reserves to fall to a negative balance in one year (2019/20), although in reality progressive changes in timing of planned capital expenditures will vary.

Ideally it would be preferable for a business of this size to maintain the reserves balance above $3 million, however generally speaking the balance maintained across the ten year period is reasonable.

The remainder of the report assumes that Council will adopt the recommended 2.3% price increase to annual charges for 2018/19.

Assumptions Applied

- The increase to annual charges (availability/consumption) in 2018/19 will be 2.3%
- Income from funds invested will decline along with reserve balances
- Income from recycled water is forecast at $56,000 being 80% of the potable water step one tariff
- Operating expenses, excluding non-cash items (depreciation etc) and loan interest to increase by 1.2% for 2018/19
- Developer contributions estimated at $1.43 million
- Capital expenditure of $5.2 million for 2018/19

Fees and Charges

The proposed annual charges for 2018/19 are shown in the next table.

Table Four: Proposed Annual Charges

Charge Type	2017/18 $	2018/19 $	% Increase
Residential Availability Charge	953	975	2.3%
Vacant Land Charge	718	735	2.3%
Non Residential Usage Charge	2.41	2.47	2.3%
Non Residential Access Charge	Variable based on meter size		
Recycled Water	80% of potable water step one		

A report on water pricing also forms part of this agenda and makes recommendations in respect to the current two step water pricing structure.

Should a change in the water billing structure be implemented, further consideration may be made in relation to the pricing of the recycled water (i.e. as to whether to maintain the pricing at 80% of potable water step one or review this percentage).

The current pricing position in respect to recycled water is as follows:

- There is no availability charge
- The usage charge is set at 80% of the step one price of potable water

This report does not contemplate changing these principles however if Council is of a mind to make amendments it would be appropriate to do so as part of the recommendation.

Council Comparison

The next table compares the 2017/18 wastewater charges of various councils for a residential property, with Council's charge at the upper end following many years of higher than CPI increases.

The objective now is to minimize future increases as the business is generating an operating surplus.

Charge ($)	Ballina	Byron	Coffs	Lismore	Richmond	Tweed
Annual	953	1,137	806	886	948	820

Legal / Resource / Financial Implications

As outlined in the information section of this report.

Consultation

Any charges proposed for 2018/19 will be subject to formal exhibition.

Options

Council has the option of endorsing the proposed charges or examining further alternatives.

The recommendation is to exhibit the proposed fees and charges as per the contents of this report.

RECOMMENDATION

That Council endorses the annual charges, as per the following table, for exhibition in the draft 2018/19 Operational Plan, as well as the long term financial plan, as per the attachments to this report, for the wastewater operations:

Charge Type	**2017/18 $**	**2018/19 $**	**% Increase**
Residential Availability Charge	953	975	2.3%
Vacant Land Charge	718	735	2.3%
Non Residential Usage Charge	2.41	2.47	2.3%
Non Residential Access Charge	Variable based on meter size		
Recycled Water	80% of potable water step 1		

Attachment(s)

1. Wastewater - Long Term Financial Plan

WASTEWATER OPERATIONS - INCOME STATEMENT (2013/14 to 2027/28)

ACTUAL				ITEM	ESTIMATED											
2013/14	2014/15	2015/16	2016/17		2017/18	%	2018/19	%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
				OPERATING RESULTS													
				Operating Activities													
11,668,700	13,005,500	14,087,200	15,398,000	Annual Charges	16,087,000	4	16,462,000	2	16,879,000	17,306,000	17,744,000	18,193,000	18,654,000	19,126,000	19,609,000	20,105,000	20,613,000
1,098,100	1,038,400	1,141,900	1,368,500	User Charges and Fees	1,351,000	(1)	1,382,200	2	1,416,900	1,452,700	1,489,600	1,526,900	1,565,200	1,604,600	1,645,200	1,686,900	1,728,800
968,800	678,700	496,500	492,500	Interest and Investment Revenues	228,200	(54)	160,900	(29)	171,500	85,000	122,900	127,900	107,100	160,900	188,800	305,400	439,500
550,400	462,400	458,600	455,000	Other Revenues	478,600	5	490,700	3	503,300	516,200	529,400	542,900	556,700	571,000	585,700	600,700	616,100
150,800	151,700	156,600	159,100	Grants and Contributions for Operating Purposes	152,600	(4)	144,500	(5)	145,500	146,400	147,300	148,200	149,100	150,000	150,900	151,800	152,700
2,014,200	2,131,400	2,470,000	736,500	Grants and Contributions for Capital Purposes	2,145,500	191	2,175,500	1	2,215,500	2,255,500	2,295,500	2,335,500	2,375,500	2,425,500	2,475,500	2,525,500	2,575,500
				Other Income:													
5,700	0	0	0	Net Gain from Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
16,456,700	**17,468,100**	**18,810,800**	**18,609,600**	**Total Income from Continuing Operations**	**20,442,900**	**10**	**20,815,800**	**2**	**21,331,700**	**21,761,800**	**22,328,700**	**22,874,400**	**23,407,600**	**24,038,000**	**24,655,100**	**25,375,300**	**26,125,600**
				Operating Expenses													
3,510,600	3,219,000	3,676,000	4,449,000	Employee Benefits and On-costs	4,587,000	3	4,729,000	3	4,876,000	5,027,000	5,183,000	5,344,000	5,510,000	5,681,000	5,857,000	6,039,000	6,227,000
5,160,800	4,996,800	4,659,300	4,448,600	Borrowing Costs	4,249,900	(4)	3,878,300	(9)	3,667,000	3,439,800	3,239,200	3,049,200	2,856,300	2,658,300	2,463,300	2,266,300	2,068,300
5,288,300	5,670,300	5,096,600	4,874,700	Materials and Contracts	4,449,400	(9)	4,496,800	1	4,571,300	4,657,700	4,760,600	4,834,300	4,925,200	5,016,400	5,040,200	5,148,100	5,216,100
2,643,100	2,314,300	3,531,900	3,730,500	Depreciation and Amortisation	3,775,000	1	3,851,000	2	3,928,000	4,007,000	4,087,000	4,169,000	4,252,000	4,337,000	4,424,000	4,512,000	4,602,000
421,300	330,000	338,100	371,500	Other Expenses	446,000	20	373,900	(16)	383,900	394,000	404,300	464,900	425,600	436,600	447,900	459,400	521,200
0	12,197,600	2,500	402,000	Net Loss from Disposal of Assets	0	(100)	0	0	0	0	0	0	0	0	0	0	0
17,024,100	**28,728,000**	**17,304,400**	**18,276,300**	**Total Expenses from Continuing Operations**	**17,507,300**	**(4)**	**17,329,000**	**(1)**	**17,426,200**	**17,525,500**	**17,674,100**	**17,861,400**	**17,969,100**	**18,129,300**	**18,232,400**	**18,424,800**	**18,634,600**
(567,400)	**(11,259,900)**	**1,506,400**	**333,300**	**Net Operating Result for the Year**	**2,935,600**	**781**	**3,486,800**	**19**	**3,905,500**	**4,236,300**	**4,654,600**	**5,013,000**	**5,438,500**	**5,908,700**	**6,422,700**	**6,950,500**	**7,491,000**
(2,581,600)	**(13,391,300)**	**(963,600)**	**(403,200)**	**Net Operating Result Before Capital Income**	**790,100**	**(296)**	**1,311,300**	**66**	**1,690,000**	**1,980,800**	**2,359,100**	**2,677,500**	**3,063,000**	**3,483,200**	**3,947,200**	**4,425,000**	**4,915,500**

WASTEWATER OPERATIONS

ACTUAL					LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED											
2012/13	2013/14	2014/15	2015/16	2016/17			2017/18	%	2018/19	%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
						OPERATING REVENUES													
10,570,400	11,668,700	13,005,500	14,087,200	15,398,000	12000	Annual Charges	16,087,000	4	16,462,000	2	16,879,000	17,306,000	17,744,000	18,193,000	18,654,000	19,126,000	19,609,000	20,105,000	20,613,000
941,900	1,098,100	1,038,400	1,141,900	1,368,500	12010	User Charges	1,351,000	(1)	1,382,200	2	1,416,900	1,452,700	1,489,600	1,526,900	1,565,200	1,604,600	1,645,200	1,686,900	1,728,800
149,600	150,800	151,700	156,600	159,100	12002	Operating Grants	152,600	(4)	144,500	(5)	145,500	146,400	147,300	148,200	149,100	150,000	150,900	151,800	152,700
310,100	475,800	391,000	385,300	385,400	12012	Fees and Fines	406,600	6	416,200	2	426,800	437,700	448,800	460,200	471,800	483,800	496,100	508,700	521,600
1,703,200	968,800	672,700	496,500	492,500	12004	Interest	228,200	(54)	160,900	(29)	171,500	85,000	122,900	127,900	107,100	160,900	188,800	305,400	439,500
111,400	100,600	96,600	81,600	84,000	12014	Other Revenues	72,000	(14)	74,500	3	76,500	78,500	80,600	82,700	84,900	87,200	89,600	92,000	94,500
13,786,600	14,462,800	15,355,900	16,349,100	17,887,500		**Total Operating Revenues**	18,297,400	2	18,640,300	2	19,116,200	19,506,300	20,033,200	20,538,900	21,032,100	21,612,500	22,179,600	22,849,800	23,550,100
						OPERATING EXPENSES													
						Direct Expenses													
378,000	376,500	439,900	383,500	410,900	55000	Engineering Management	412,400	0	479,800	16	492,100	504,400	517,700	531,000	545,200	559,400	573,700	588,900	604,100
708,600	816,900	754,600	865,000	1,188,700	55002	Administration and Customer Service	1,002,500	(16)	984,400	(2)	1,009,900	1,035,900	1,077,500	1,090,100	1,118,100	1,146,800	1,176,000	1,226,100	1,236,900
1,571,200	665,600	452,000	196,000	611,200	55002	Contributions to Works and BBRC	42,000	(93)	43,000	2	44,100	45,300	46,500	47,700	48,900	50,200	51,500	52,800	54,200
93,000	70,900	27,100	23,800	30,300	55004	Miscellaneous	69,000	128	29,800	(57)	30,700	31,600	32,500	83,400	34,300	35,300	36,300	37,300	88,300
1,193,100	1,276,000	1,304,800	1,032,900	950,800	55012	Energy Costs	1,078,900	13	1,078,900	0	1,106,300	1,134,400	1,163,100	1,192,500	1,222,800	1,253,800	1,285,500	1,317,900	1,351,100
481,000	463,900	541,900	460,000	274,800	55010	Mains - Maintenance	280,000	2	280,000	0	287,000	294,200	301,600	309,200	317,000	325,000	333,200	341,600	350,200
170,200	117,800	136,900	258,000	264,200	55011	Pumping Stations - Operations	270,000	2	292,000	8	287,300	293,100	299,000	305,000	311,100	317,100	254,700	254,700	254,700
1,030,600	1,074,700	1,077,800	932,200	1,009,800	55013	Pumping Stations - Maintenance	920,000	(9)	885,000	(4)	907,200	929,900	953,200	977,100	1,001,600	1,026,700	1,052,400	1,078,800	1,105,800
0	0	0	137,200	160,500	55014	Camera and Jetting - Maintenance	202,500	26	200,000	(1)	205,000	210,200	215,500	220,900	226,500	232,200	238,100	244,100	250,300
1,190,800	1,497,900	1,633,700	1,364,100	1,169,100	55015	Treatment Plants - Operations	1,235,100	6	1,264,200	2	1,296,300	1,329,200	1,363,100	1,397,700	1,433,300	1,469,600	1,506,900	1,545,200	1,584,300
186,600	198,300	138,100	98,500	66,900	55015	Treatment Plants - Biosolids	90,000	35	92,100	2	94,500	96,900	99,400	101,900	104,500	107,200	109,900	112,700	115,600
359,600	258,900	424,700	1,038,300	1,145,600	55020/50023	Treatment Plants - Maintenance	1,055,300	(8)	1,079,700	2	1,106,900	1,134,800	1,163,300	1,192,600	1,222,700	1,253,400	1,285,100	1,317,500	1,350,600
58,800	46,700	9,000	44,100	67,300	55021	Maintenance - Other	75,000	11	85,000	13	87,200	89,400	91,700	94,000	96,400	98,900	101,400	104,000	106,600
436,000	627,100	501,800	294,300	315,900	55022	Operations - Other	405,200	28	409,600	1	420,400	431,500	442,800	454,400	466,300	478,400	490,800	503,900	517,300
0	0	0	94,800	79,200	60010	Recycled Water - Maintenance and Operatic	250,500	216	230,000	(8)	235,900	242,000	248,200	254,600	261,200	267,800	274,600	281,600	288,900
						Indirect Expenses - Overheads													
1,503,000	1,729,000	1,777,000	1,888,000	1,950,000	55002	Overheads Distributed	2,094,000	7	2,166,200	3	2,220,400	2,275,900	2,332,800	2,391,100	2,450,900	2,512,200	2,575,000	2,639,400	2,705,400
						Debt Servicing													
3,266,700	4,766,800	4,647,600	4,358,200	4,199,300	55006	Interest on Loans	4,055,900	(3)	3,744,300	(8)	3,598,000	3,439,800	3,239,200	3,049,200	2,856,300	2,658,300	2,463,300	2,266,300	2,068,300
						Non-cash Expenses													
2,841,000	2,643,100	2,314,300	3,531,900	3,730,500	55022	Depreciation	3,775,000	1	3,851,000	2	3,928,000	4,007,000	4,087,000	4,169,000	4,252,000	4,337,000	4,424,000	4,512,000	4,602,000
1,596,000	20,300	12,216,800	10,800	416,400		Loss on Disposal of Infrastructure	0	(100)	0	0	0	0	0	0	0	0	0	0	0
435,600	394,000	349,200	301,100	249,300	55022	Unwinding Interest Free Loan	194,000	(22)	134,000	(31)	69,000	0	0	0	0	0	0	0	0
17,499,800	17,044,400	28,747,200	17,312,700	18,290,700		**Total Operating Expenses**	17,507,300	(4)	17,329,000	(1)	17,426,200	17,525,500	17,674,100	17,861,400	17,969,100	18,129,300	18,232,400	18,424,800	18,634,600
(3,713,200)	(2,581,600)	(13,391,300)	(963,600)	(403,200)		***Operating Result - Surplus / (Deficit)***	790,100	(296)	1,311,300	66	1,690,000	1,980,800	2,359,100	2,677,500	3,063,000	3,483,200	3,947,200	4,425,000	4,915,500
2,841,000	2,643,100	2,314,300	3,531,900	3,730,500		*Add Back Depreciation*	3,775,000	1	3,851,000	2	3,928,000	4,007,000	4,087,000	4,169,000	4,252,000	4,337,000	4,424,000	4,512,000	4,602,000
1,596,000	20,300	12,216,800	10,800	416,400		*Add Back Loss on Infrastructure Disposal*	0	(100)	0	0	0	0	0	0	0	0	0	0	0
435,600	394,000	349,200	301,100	249,300	55022	*Add Back Unwinding Interest Free Loan*	194,000	(22)	134,000	(31)	69,000	0	0	0	0	0	0	0	0
1,159,400	475,800	1,489,000	2,880,200	3,993,000		***Cash Result - Surplus / (Deficit)***	4,759,100	19	5,296,300	11	5,687,000	5,987,800	6,446,100	6,846,500	7,315,000	7,820,200	8,371,200	8,937,000	9,517,500
						Capital Movements													
985,000	2,384,800	2,187,900	2,793,300	2,957,900		Less Loan Principal Repayments	3,095,600		3,134,000		3,280,300	2,453,500	2,654,100	2,844,100	3,037,000	3,235,000	3,430,000	3,627,000	3,825,000
239,300	0	0	0	0		Less Transfer to Reserves	0		0		0	1,875,900	0	0	3,243,500	0	3,435,200	4,159,300	4,541,800
6,638,900	8,689,200	5,039,300	2,025,800	808,900		Add Transfer from Reserves	1,435,200		3,100,600		240,000	0	387,100	537,700	0	751,200	0	0	0
18,800,000	1,351,900	0	174,600	736,500		Add Capital Income Applied	5,351,400		0		5,570,000	1,340,000	1,046,000	435,000	0	0	0	0	0
25,354,000	8,112,100	4,320,400	2,267,300	2,560,500		Less Capital Expenditure	8,430,100		5,242,900		8,196,700	2,978,400	5,205,100	4,955,100	1,014,500	5,316,400	1,486,000	1,130,700	1,130,700
20,000	20,000	20,000	20,000	20,000		***Cash Result after Capital Movements***	20,000	0	20,000	0	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000

WASTEWATER - CAPITAL EXPENDITURE

Asset Description	Expenditure Year											Funding Source 2018/19				Funding Source 2019/20				Funding Source 2020/21				Funding Source 2021/22			
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Pumping Stations																											
Emergency Storage Program	66,700														0				0				0				0
SP2001 - Well Protection - Swift Street	50,000	350,000	200,000												350,000		200,000		0				0				0
SP3001 - Pump Stn - Byron Street,	1,795,300														0				0				0				0
SP3110 - Pump Stn - Montwood Drive			700,000												0		700,000		0				0				0
SP3101 - Skennars Head / Tara	87,900	400,000													400,000				0				0				0
North Ballina - New Pumping Station		106,000	1,364,000												106,000		1,364,000		0				0				0
SP5006 - Richmond St Storage				182,000											0				0				182,000				0
SP2402 - Lindsay Avenue				106,000											0				0				106,000				0
SP2401 - Power Drive Pumps				62,300											0				0				62,300				0
Pumping Stations - Capacity Upgrade	295,100	259,000	268,000												259,000		268,000		0				0				0
Pumping Stations - Renewal Program			338,000	348,000	358,000	369,000	380,000	391,000	400,000	410,000	410,000				0				338,000				348,000				358,000
Dump Point - Bicentennial Gardens	20,000														0				0				0				0
Chickiba Pump Station Refurbishment	200,000														0				0				0				0
Swift St Pump Station Refurbishment	687,000														0				0				0				0
Airport Pump Station - Refurbishment	195,000														0				0				0				0
Pump Station Control Upgrade	100,000														0				0				0				0
Treatment Facilities - Minor Capital																											
Wastewater Treatment Plant Ballina	21,000	22,000	23,000	23,000	24,000	25,000	25,000	26,000	27,000	28,000	28,000				22,000				23,000				23,000				24,000
Wastewater Treatment Plant Lennox	21,000	22,000	23,000	23,000	24,000	25,000	25,000	26,000	27,000	28,000	28,000				22,000				23,000				23,000				24,000
Wastewater Treatment Plant	21,000	11,000	11,000	12,000	12,000	12,000	13,000	13,000	14,000	15,000	15,000				11,000				11,000				12,000				12,000
Wastewater Treatment Plant Wardell	11,000	11,000	11,000	12,000	12,000	12,000	13,000	13,000	14,000	15,000	15,000				11,000				11,000				12,000				12,000
Kubota Membrane Turbine	200,000	200,000													200,000				0				0				0
Replace Fencing Treatment Plants															0				0				0				0
Security at Lennox and Ballina		75,000													75,000				0				0				0
Portable Belt Presee Upgrade	20,000														0				0				0				0
Ballina Treatment Plant Upgrade																											
Ballina - Project Mgmt	27,200														0				0				0				0
Ballina - Other															0				0				0				0
Ballina - Upgrade Other																											
Ballina - Post Completion Works															0				0				0				0
Ballina - Solar															0				0				0				0
Desalination Plant	50,000														0				0				0				0
Ballina - Control Valve															0				0				0				0
Ballina - DAF Dismantling	4,500														0				0				0				0
Ballina - Septic Receival															0				0				0				0
Ballina - Gantry Crane			500,000												0		500,000		0				0				0
Ballina - Programed Membrane			500,000	500,000	500,000	500,000									0		500,000		0		500,000		0		500,000		0
Ballina - Manifold Blower Upgrade	34,200														0				0				0				0
Ballina - Contaminated Vac Ex Waste Receival		5,000													5,000				0				0				0
Lennox Head Treatment Plant Upgrade																											
Lennox - Post Completion Works															0				0				0				0
Lennox - Epoxy Replacement															0				0				0				0
Lennox - EAT Decanters		100,000													100,000				0				0				0
Lennox - Treatment Master Plan		30,000													30,000				0				0				0
Lennox - Membrane Replacement		300,000							300,000						300,000				0				0				0
Lennox - Recycled Water Quality		120,000													120,000				0				0				0
Alstonville Treatment Plant Upgrade																											
Alstonville - Master Plan		200,000	600,000												200,000		600,000		0				0				0
Alstonville - SCADA Upgrade	798,100														0				0				0				0
Alstonville - Treatment Master Plan	135,000														0				0				0				0
Wardell Treatment Plant Upgrade																											
Wardell - SCADA Upgrade	149,400														0				0				0				0
Treatment Plant Master Plan					100,000										0				0				0				100,000
Trunk Mains																											
Rising Main Rehabilitation - Swift St		60,000													60,000				0				0				0
SP3001 - Byron Street, Lennox Head					546,000										0				0				0		546,000		0
SP4006 - Gravity Sewer A'ville				342,000											0				0		342,000		0				0
WWTP40 - Gravity Main A'ville	1,137,000														0				0				0				0
GM4104 - Gravity Main Wollongbar	409,000	1,138,000													1,138,000				0				0				0
GM4104 - Transfer Mains A'ville/W'bar	10,000	10,000	1,000,000	498,000											10,000		1,000,000		0		498,000		0				0
GMWUEA - Gravity Mains			200,000												0				200,000				0				0
GM2104 - Gravity Main West Ballina			438,000												0		438,000		0				0				0
RM-PS6 - CURA B Transfer Rising								4,011,000							0				0				0				0
Karaluren Close, Lennox Head PS			100,000												0				100,000				0				0

Wastewater - Capital Expenditure Carried Forward

WASTEWATER - CAPITAL EXPENDITURE (cont'd)

Asset Description												Funding Source 2018/19				Funding Source 2019/20				Funding Source 2020/21				Funding Source 2021/22			
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Wastewater Mains - Renewals																											
Main Renewals	100,000	411,000	475,000	489,000	504,000	519,000	535,000	551,000	565,000	580,000	580,000				411,000				475,000				489,000				504,000
Low Pressure System Coopers Close															0				0				0				0
Chickiba Rising Main Renewal		475,000													475,000				0				0				0
Seamist Rising Main Renewal		50,000	650,000												50,000				650,000				0				0
Service Connections																											
New Wastewater Connection (Gravity)															0				0				0				0
New Wastewater Connection (E-one)	43,000														0				0				0				0
Plant and Equipment																											
Plant Replacement	357,000	24,900	68,700	121,100	109,100	29,100	4,500	60,400	118,000	32,700	32,700				24,900				68,700				121,100				109,100
Vacuum Excavation Truck	350,000														0				0				0				0
Forklift for Ballina WWTP	30,000														0				0				0				0
Backhoe				85,000											0				0				85,000				0
Bypass Pump	75,000														0				0				0				0
Other Miscellaneous Works																											
Telemetry	16,000	16,000	17,000	17,000	18,000	18,000	19,000	20,000	21,000	22,000	22,000				16,000				17,000				17,000				18,000
Network Servers Pine Avenue	30,000														0				0				0				0
Ethernet Telemetry Upgrade	150,000	150,000	150,000												150,000				150,000				0				0
Wastewater Network Master Plan		150,000													150,000				0				0				0
Other Miscellaneous Works															0				0				0				0
Reuse Program																											
Ross Lane - Dual Retic Reservoir					500,000	2,612,000									0				0				0				500,000
Ballina Heights - Pump Station															0				0				0				0
Lennox Palms Estate - Retic Mains		197,000													197,000				0				0				0
Montwood Drive - Distribution Mains	490,000														0				0				0				0
Recycled water meters new	100,000																										
Urban Reticulation System	25,000																										
Henderson Farm - Distribution Mains			280,000												0				280,000				0				0
Meadows Estate - Distribution Main			270,000												0				270,000				0				0
Greenfield Grove - Distribution Mains				158,000	162,000										0				0				158,000				162,000
Lennox Head - Distribution Mains						362,000									0				0				0				0
Fig Tree Hill - Distribution Mains						472,000									0				0				0				0
CURA B - Distribution Mains					2,336,000										0				0				0				2,336,000
Lennox to Angels Drive - Main		300,000													300,000				0				0				0
Recycled Water - Hydrant Standpipes	40,000														0				0				0				0
Recycled Water - Hydrant Installations	38,700	30,000													30,000				0				0				0
Reservoir Access - Integrity Upgrades															0				0				0				0
Kings Court - Reservoir															0				0				0				0
Recycled Water - Communications	10,000	10,000													10,000				0				0				0
Recycled Water - Connection Audits															0				0				0				0
Recycled Water - Alstonville	20,000	10,000	10,000												10,000				10,000				0				0
Recycled Water - Smart Metering	10,000														0				0				0				0
Total Capital Expenditure	8,430,100	5,242,900	8,196,700	2,978,400	5,205,100	4,955,100	1,014,500	5,316,400	1,486,000	1,130,700	1,130,700	0	0	0	5,242,900	0	5,570,000	0	2,626,700	0	1,340,000	0	1,638,400	0	1,046,000	0	4,159,100

4.5 Waste Operations - Long Term Financial Plan

Delivery Program	Financial Services
Objective	To review the long term financial plan for Council's waste operations.

Background

Council's waste service comprises two distinct programs being Landfill and Resource Management (LRM) and Domestic Waste Management (DWM). LRM is responsible for the waste management facility plus the collection of kerbside non residential waste and DWM is responsible for the collection of kerbside residential waste.

The Local Government Act requires DWM to be treated as a separate entity due to the manner in which the revenues are raised through an annual charge. Each year the external auditor completes an assessment to ensure that DWM is not being run with the intent of making a surplus that is beyond the needs of the business.

This report provides an overview of the latest update of the Long Term Financial Plan (LTFP) for the LRM and DWM operations.

Key Issues

- Financial performance and sustainability
- Legislative change
- Long term aims and objectives
- Affordability

Information

Legislative Position

A report titled 'Waste Legislative Reforms and Council's Waste Diversion' was provided to Council's February 2018 Ordinary meeting.

In that report, it was noted that the NSW EPA has released for public consultation draft changes to the Protection of the Environment Operations (POEO) (Waste) Regulation 2017 and the POEA Act 1997.

The proposed changes have come about in an effort to stop the transportation of waste from NSW to other states.

Council has largely avoided paying the State Government waste levy in recent years by trucking virtually all waste off site with that waste transported to more contemporary landfill sites.

As outlined in the February 2018 report, the proposed changes in their current form would have significant financial implications for the LRM business, and consequentially on the DWM business, as a flow on effect.

At the February 2018 meeting Council resolved to continue to liaise with the NSW EPA and seek the support of local parliamentary members.

The outcome of this process and the changes that will be imposed by the proposed legislative reforms are uncertain, at this point in time, although based on conversations and meetings held to date, staff remain hopeful that the final legislation will not financially penalise Council.

Landfill and Resource Management (LRM)

LRM had been struggling financially for many years however its position improved in recent years due to the strategy to export waste off site.

The recent financial results for LRM together with the forecast for 2017/18, as at 31 December 2017, are as follows.

Table One: Actual and Forecast Results for LRM

Description	2015/16 Actual $000	2016/17 Actual $000	2017/18 Estimate $000
Operating Revenues	3,845	3,350	2,091
Operating Expenses (include dep)	3,438	2,362	2,413
Operating Result - Surplus / (Deficit)	**407**	**988**	**(322)**
Excl Depreciation / Remediation	1,883	1,061	1,264
Cash Operating Result - Surplus / (Deficit)	**2,290**	**2,049**	**942**
Less Loan Principal Repaid	1,206	1,112	194
Less Capital Expenditure	477	0	157
Less Dividend to General Fund	0	1,407	2,000
Capital Income	0	0	0
Cash Increase / (Decrease)	**607**	**(470)**	**(1,409)**
Reserve Balances	**4,170**	**3,700**	**2,291**

The 2017/18 forecast result is impacted by the removal of the waste operations charge of $73 per annum for residential and farmland ratepayers, which has reduced recurrent revenues by approximately $1.3 million.

The operating performance is reasonable with an operating deficit of $322,000 inclusive of depreciation and an operating cash surplus of $1.59 million predicted (as at December 2017) for this financial year.

Loan principal repayments for 2017/18 are $194,000, being the final payments on the remaining loans for this business, resulting in nil loan balances by the year end.

Council originally borrowed approximately $10m to remediate existing cells and to open new cells following a direction from the EPA circa 2004/05.

It is pleasing that this debt has now been repaid in full.

The forecast cash reserve at 30 June 2018 is in the order of $2.3 million.

The reserve balance includes one restricted reserve (estimated at $725,000 which represents the EPA levy returned to Council) that can only be used for specific purposes.

Strategy

The current strategy is to continue to truck off site and generally keep operations similar to existing practices.

At this stage the benefits to truck off site are preferable to landfilling based on the net cost of this method of operation. Council needs to be mindful that if this situation alters due to legislative change in respect to the waste levy, a large amount of capital may be required to construct new waste cells.

The paragraphs below are excerpts from a report presented to the November 2015 Council meeting on the Waste strategy;

'The existing system capacity is estimated at three to four years based on current compaction rates and volumes received at the landfill.

Council still has in place approvals to construct the remaining three cells at the Ballina waste facility with an approximated construction cost of $17m.

This estimated cost to construct the cells is a critically important cost when placed into prospective with the cost to construct similar sized cells in 2006 ($7.9m). It highlights the increasing costs to develop landfills and potentially means that if Council did defer the construction of another three cells then the cost could potentially increase to $27m by 2025. ($1m annually).'

Given the rapid escalation in the cost to construct new cells, this scenario may potentially limit Council's options to consider future landfilling given the anticipated costs.

Furthermore, the proposed legislative changes may have significant impacts on ongoing operational income and expenses.

Financial Model

Given that the proposed legislative changes are still in draft, the latest financial model is based on a continuation of current waste management practices and does not factor in potential capital outlays and impacts on the operating results, which could occur from such changes.

In this scenario, the current outlook for LRM is positive with all outstanding loans paid by the end of 2017/18 and the forward plan does not propose any new borrowings nor does it include the construction of new cells.

LRM has assets valued at $12.5 million which mainly relates to property plant and equipment. The next biggest asset is the cash reserves.

The LTFP does foresee a time when expenditure will be required to be spent on remediating the current cell however given current practices it is difficult to know exactly when this will be necessary. For modelling purposes an amount of $2.4 million has been included in 2024/25.

The LTFP includes a provision for dividends in most years, with those dividends subject to annual review based on the financial performance of the business.

The current modelling includes dividends of $2 million in 2017/18 and $1.7 million in 2018/19 to contribute to the Ballina Indoor Sports Centre (BISC) and dividends of $1 million from 2020/21 onwards for other General Fund works.

The $1m dividend from 2020/21 onwards form part of Council's Fit for the Future strategy where the funds are to be expended on the renewal of existing infrastructure assets.

Only one financial scenario has been presented in this report based on fee increases of approximately 2.3%, which is consistent with the IPART rate peg limit. This principle is applied on the basis that Council has given a commitment to minimise increases in fees and charges, in view of the proposed ordinary rate special rate variation.

The next table outlines the latest financial plan for LRM based on the 2.3% price increase for 2018/19 and CPI increases of 2.5% from 2019/20 onwards.

Table Two: LRM Long Term Financial Plan

Description	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	26/27
Operating Revenue	2,091	2,139	2,072	2,149	2,203	2,261	2,320	2,382	2,387	2,450	2,517
Operating Expense	2,413	2,038	2,058	2,100	2,139	2,185	2,232	2,278	2,324	2,370	2,420
Operating Result	**(322)**	**101**	**14**	**50**	**64**	**76**	**89**	**104**	**63**	**80**	**97**
Add Back Deprec	1,264	1,096	1,118	1,141	1,163	1,187	1,211	1,235	1,260	1,285	1,311
Cash Surplus	**942**	**1,197**	**1,132**	**1,190**	**1,227**	**1,263**	**1,299**	**1,339**	**1,323**	**1,365**	**1,408**
Capital Income	0	0	0	0	0	0	0	0	0	0	0
Loan Principal	194	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	157	600	300	476	131	135	139	2,543	147	151	155
Dividend – BISC	2,000	1,668									
Dividend	0	0	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Reserve M'ment	**(1,409)**	**(1,071)**	**832**	**(286)**	**96**	**128**	**160**	**(2,204)**	**176**	**214**	**253**
Total Reserves	**2,294**	**1,223**	**2,055**	**1,768**	**1,864**	**1,992**	**2,152**	**(52)**	**124**	**338**	**591**

The LTFP indicates that LRM will be profitable with cash surpluses forecast to steadily increase along with small operating surpluses being generated inclusive of depreciation.

The reserve balance is impacted by the dividends to the General Fund in most years and capital expenditure in 2024/25 (the year in which it is currently modelled to complete the remediation).

A nominal capital expenditure figure of $600,000 is provided for 2018/19 and the actual nature of this work will be confirmed once Council adopts an updated strategy for managing waste at the landfill, with particular reference to recyclables.

This will be subject to further reporting to Council.

The magnitude of the capital works determined for 2018/19 could potentially impact on the availability of future dividends.

Assumptions

- Council will continue to export virtually all waste off site and essentially avoid paying the levy
- The levy payable will be in the order of $223,000
- LRM will pay transport and treatment expenses for mixed waste, green waste, recyclates and construction / demolition
- There are capital works in 2024/25 relating to remediation of existing cells $2.4m
- It is assumed that the existing customer base and gross quantity of waste coming in the gate will remain reasonably consistent with the current financial year.

Operating Revenues

- Commercial properties collection annual charge income of $571,000
- Gate fees from self-haul $1.3 million
- Gate fees from DWM / Council $3.4 million. This item is presented as a negative expense. It has been included in the income section of this narrative to compare against other gate fees
- The gate fees paid by DWM represent a significant percentage of total gate fees, which emphasises the importance of DWM to LRM.

Operating Expenses

- Transport costs for mixed / inert / recyclates $1.7 million
- Overhead and administration expenses $878,000
- Landfill costs $402,000
- Transfer preparation and loading $290,000
- Disposal costs $274,000
- Weighbridge $209,000
- Transfer station $196,000
- Baling and recycling $73,000

Fees and Charges

The draft 2018/19 charges relating to LRM are included as an attachment to this report. The recommended annual charges are based on the 2.3% increase.

In addition to this the charges for the Waste Management Centre have been updated to better reflect site processing and disposal costs for different waste streams.

For example, there is a difference in the handling cost of waste via the transfer station compared with material disposed directly to stockpiles out the back of the landfill.

These changes will assist in improving the quality of waste streams by reducing contamination (by other types of waste, including asbestos) and maximising the amount of material recycled through increased and encouraged use of the transfer station (where it is more practical to sort waste streams).

The weighbridge software is unable to report minimum loads for more than two types of waste streams, which meant that staff had to manually adjust the waste categories.

As waste is handled and disposed on a tonnage basis, adopting a waste stream specific tonnage rate with a minimum weight of 20kg will streamline and simplify the weighbridge process.

The minimum weight of 20kg has been selected as this is the minimum weight that the weighbridge is capable of detecting. Changing this process also improves our data collection quality and accuracy of our monthly waste reports to the NSW EPA.

Fees Removed

The fee categories for vehicles less than 100kg waste have been removed and a minimum weight charge of 20kg has been applied to the per tonne charges. The fee categories removed are shown below.

100% Sorted Household Recyclable – per vehicle	$7.30
100% Sorted Brick and Concrete – per vehicle	$10.00
100% Sorted Roof Tiles and Ceramics – per vehicle	$10.00
Mixed and Bulky Waste – per vehicle	$19.00
100% Green Waste – per vehicle	$7.30
Sorted Wood, Tree or Tree Stumps	$7.30
100% Sorted Scrap Metal – per vehicle	$5.00
Mixed Putrescible Waste – per vehicle	$18.50

As an example of how this may impact the average person, previously a vehicle with less than 100kg mixed putrescible waste was charged a flat $18.50. Under the new fee structure based on weight, a minimum charge of $4.70 will apply.

For say, a 50kg load, the charge would be $11.80.

This should help to reduce the number of complaints where customers feel they are paying too much (i.e. $18.50) for a very small load in that they now will pay a more reasonable amount.

100% Sorted Household Recyclables

Previously, there were three fee categories for sorted household recyclables, being categorised for vehicles with less than 100kg, vehicles less than 600kg, and vehicles greater than 600kg.

This has been revised, with the fee category for vehicles less than 100kg (which was a flat $7.30 per vehicle) removed.

The category for vehicles less than 600kg (re-named as domestic waste through the transfer station) has been retained, with the price incremented by 2.3%.

The category for vehicles greater than 600kg (re-named as commercial waste not through the transfer station) has also been retained, with the price incremented by 6.7%. This is the only waste stream to have increased in price more than the CPI rate.

This is a direct result of an increase in gate fee of $10/tonne for this material to be disposed at the Lismore Material Recycling Facility.

100% Sorted Brick and Concrete or 100% Sorted Roof Tiles and Ceramics

Previously there were two fee categories, being a flat minimum charge of $10 per vehicle and a per tonne charge.

The flat minimum charge has been removed.

Mixed and Bulky Waste

Previously there were three fee categories, being categorised for vehicles with less than 100kg, vehicles less than 300kg and vehicles greater than 300kg.

The fee category for vehicles less than 100kg (which was a flat $19 per vehicle) has been removed.

The distinction of weight above or below 300kg has been removed, with the new differentiation between fees determined on whether or not this waste is sorted or unsorted.

100% Green Waste

Previously there were three fee categories, being a flat fee for vehicles with less than 100kg, a per tonne fee for sorted green waste and a per tonne fee for unsorted contaminated green waste.

The fee category for vehicles less than 100kg (which was a flat $7.30 per vehicle) has been removed.

The per tonne fee for sorted green waste ($73 per tonne) has been retained.

Contaminated green waste (previously at $261 per tonne) will be charged under the same fee as unsorted mixed waste (now $272 per tonne for tonne).

Sorted Wood, Tree or Tree Stumps

The fee category for vehicles less than 100 kg (which was a flat $7.30 per vehicle) has been removed.

100% Sorted Scrap Metal

The fee category for vehicles less than 100 kg (which was a flat $5.00 per vehicle) has been removed. The per tonne fee has been decreased from $50 per tonne to $30 per tonne.

This change covers handling costs and ensures market competitiveness, whilst reflecting significant market changes in the cost of material.

Mixed Putrescible Waste

Previously, there were three fee categories for mixed putrescible waste, being categorised for vehicles with less than 100kg, vehicles less than 300kg, and vehicles greater than 300kg.

This has been revised, with the fee category for vehicles less than 100kg (which was a flat $18.50 per vehicle) removed.

The category for vehicles less than 300kg (re-named as domestic waste through the transfer station) has been retained.

The category for vehicles greater than 300kg (re-named as commercial waste not through the transfer station) has also been retained.

Asbestos Waste

Asbestos sample test kits remain available at no charge.

The fee for Household Asbestos Disposal Kits has been retained at $30 to encourage residents to appropriately dispose of asbestos waste by subsidising the cost of these kits.

Refrigerators / Air Conditioners

The fee per item has been retained at $47. This covers the cost of degassing and additional processing of this material. It is then treated as scrap metal.

Gas Bottles / Pressure Containers

This fee (previously $16.50 per item) has been removed, with gas bottles now disposed at the Community Recycling Centre free of charge.

Dead Animals

The fee structure for disposal has been amended. Previously the charges were a flat fee based on whether the animal was deemed as small ($13.50), medium ($37.00) or large ($71.50).

The fee has been revised to a weight based charge of $272.00 per tonne, with a minimum weight charge of 20kg ($5.40).

The waste fee has been amended to align with the putrescible waste charges.

Weighbridge Certificate

The fee has been retained at $36 to ensure market competiveness.

In summary this review will result in a fairer overall charging structure and help to avoid customers with relatively small loads paying excessive amounts.

Domestic Waste Management (DWM)

DWM is, in comparison to LRM, a smaller and more predictable operation. The business must pay wages and provide collection vehicles for residential mixed and recycled kerbside collections, plus meet contract payments for the kerbside collection of residential green waste.

A guaranteed income stream is available in the form of the annual charge and this charge can be adjusted at Council's discretion, subject to certain requirements of the Local Government Act.

DWM owns six collection vehicles with the useful life of each vehicle approximately six years. The business must generate sufficient cash to replace these trucks.

The plant program anticipates that four of the six trucks require replacement in 2018/19, at an approximate net cost of $380,000 each (assumes $30,000 trade in value).

This means that DWM requires, on average, an annual transfer to reserve of $380,000 to provide for vehicle replacement based on an estimated life of six years for each vehicle.

The next table shows the recent financial results for DWM.

Table Three - Actual and Forecast Results for DWM

Item	2015/16 Actual $000	2016/17 Actual $000	2017/18 Estimate $000
Operating Revenues	6,080	6,308	6,523
Operating Expenses	5,917	6,007	6,094
Operating Result - Surplus / (Deficit)	**163**	**301**	**429**
Less Depreciation	177	177	180
Cash Operating Result - Surplus / Deficit)	**340**	**478**	**609**
Less Loan Principal Repaid	163	0	0
Less Capital Expenditure	379	0	0
Cash Increase / (Decrease)	**(202)**	**478**	**609**
Reserve Balance	**1,385**	**1,863**	**2,472**

The current forecast for 2017/18 is for a cash surplus $609,000. This increase to reserves helps to fund the planned truck replacement program in 2018/19.

Financial Model

DWM is in a sound financial position with no debt owing and reserves are anticipated to be approximately $2.5 million at the end of the current financial year.

The purchase of four new trucks is scheduled for 2018/19, at an estimated cost of $1.5 million.

The financial model is based on an increase to the annual charge of 2.3% in 2017/18 and 2.5% in the following years.

The next table shows a summary of the model.

Table Five: DWM Long Term Financial Plan

Description	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Operating Revenues	6,523	6,658	6,800	6,986	7,146	7,339	7,504	7,708	7,877	8,076	8,277
Operating Expenses	6,094	6,302	6,459	6,619	6,782	6,950	7,121	7,297	7,477	7,662	7,851
Operating Result	429	356	342	367	363	388	382	411	400	414	426
Add Back Deprec	181	184	188	192	195	199	203	208	212	216	220
Cash Surplus	**609**	**540**	**529**	**559**	**559**	**588**	**586**	**619**	**612**	**630**	**646**
Capital Income	0	0	0	0	0	0	0	0	0	0	0
Loan Principal	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	0	1,520	0	1,200	0	1,400	0	1,600	0	1,800	0
Net Reserve M'ment	**609**	**(980)**	**529**	**(641)**	**559**	**(812)**	**586**	**(981)**	**612**	**(1,170)**	**646**
Total Reserves	**2,472**	**1,492**	**2,021**	**1,380**	**1,939**	**1,127**	**1,712**	**731**	**1,343**	**173**	**820**

The plan predicts that the cash surplus will range between $500,000 and $650,000 over the ten year period. This is generally sufficient to meet known liabilities and planned vehicle replacements.

The main threat to this scenario is changes to LRM operations that will impact gate fees and DWM.

The main DWM assumptions in the financial plan are:

- Charges to increase by approximately 2.3% for 2018/19 and 2.5% thereafter
- Waste streams will remain similar to the current year
- Costs for labour, plant and contracts to rise by approximately 2.3% for 2018/19 and 2.5% thereafter
- Capital outlays limited to (an average of) one replacement vehicle per year
- No external loans

The main features of the 2018/19 plan include:

- Annual charge income of $6.7 million
- Gate fees paid to LRM $2 million
- Green waste collection and gate fees $1.2 million
- Overheads $709,000

Annual Charges

The draft 2018/19 charges for DWM are included as an attachment to this report. Charges for waste collection services are generally proposed to increase by approximately 2.3%.

Legal / Resource / Financial Implications

Council needs to consider carefully the financial implications of any proposed changes in waste charges and the need to meet appropriate legislative and environmental standards.

Consultation

The proposed waste charges will be subject to community consultation through the exhibition of the draft Operational Plan.

Options

Council has the option of endorsing the proposed charges or examining further alternatives. The recommendation is to exhibit the proposed fees and charges as per the contents of this report.

RECOMMENDATION

That Council endorses the inclusion of the LRM and DWM long term financial plans and draft fees and charges, as attached to this report, in the draft 2018/19 Delivery Program and Operational Plan for public exhibition.

Attachment(s)

1. Draft 2018/19 Fees and Charges - Waste Operations
2. LRM and DWM Long Term Financial Plans

Fee Name	Pricing Policy	2017/18	GST Y/N	2018/19	GL Code
Waste Management Collection Services					
Domestic Waste Collection Charges - Urban (Section 496 of the Local Government Act) Wheelie Bin Collection Service - Charges per property, per self contained occupancy, per annum. Charges relevant for mixed waste and organics bins up to 240 litres capacity and recycling bins up to 360 litres capacity.					
Urban Properties - Service provides collection of one mixed bin per fortnight, one recycling bin per fortnight and one organics bin per week	B	$374.00	N	$383.00	22290.0100.040
Vacant Land - Per rateable property where the collection service is available but not utilised	B	$41.00	N	$42.00	22290.7208.040
Domestic Waste Collection Charges - Rural (Section 496 of the Local Government Act) Wheelie Bin Collection Service - Charges per property, per self contained occupancy, per annum. Charges relevant for mixed waste bins up to 240 litres capacity and recycling bins up to 360 litres capacity					
Rural Properties - Service provides collection of one mixed waste bin per week and one recycling bin per fortnight	B	$326.00	N	$333.00	22290.0100.040
Additional Domestic Waste Collection Services (Section 496 of the Local Government Act)					
Additional Domestic Recycling Collection Charge - Urban and Rural - One recycling bin per fortnight	B	$112.00	N	$115.00	22290.0100.040
Additional Domestic Organics Collection Charge - Urban - One organics bin per week	B	$223.00	N	$228.00	22290.0100.040
Additional Mixed Waste Collection Charge - Urban - One mixed waste bin per fortnight	B	$112.00	N	$115.00	22290.0100.040
Additional Mixed Waste Collection Charge - Rural - One mixed waste bin per week	B	$223.00	N	$228.00	22290.0100.040
Non-Domestic Collection Charges - Business, Commercial, Industrial Properties (Section 501 of the Local Government Act) Optional service provided to non-domestic customers upon request. Per collection service, per annum. Charges relevant for mixed waste and organic bins up to 240 litres capacity and recycling bins up to 360 litres capacity					
Non-Domestic Waste Collection - One mixed waste bin collection per week	B	$348.00	N	$356.00	22280.6745.041
Non-Domestic Recycling Collection - One recycling bin collection per fortnight	B	$172.00	N	$176.00	22280.6745.041
Non-Domestic Organics Collection - One organics bin collection per week	B	$304.00	N	$311.00	22280.6745.041
Wheelie Bin Sales *Commercial Waste Services sell new and secondhand mixed waste and recycling bins. Sales also include parts such as lids, wheels and axles. The sale of bins is a commercial service. Prices are reviewed as market rates and cost of goods vary. The price to purchase bins or parts may be obtained by contacting the Waste Services Section of Council.*					

Fee Name	Pricing Policy	2017/18	GST Y/N	2018/19	GL Code
Waste Management Fees & Charges					
100% Sorted Household Recyclables *(Paper, cardboard, glass/plastic bottles, steel/aluminium cans) Minimum weight charge 20kg.*					
Domestic (transfer station) - weighed $/tonne	B	$92.00	Y	$94.00	22283.6820.101
Commercial (non-transfer station) - weighed $/tonne	B	$223.00	Y	$238.00	22283.6820.101
Mixed Putrescible Waste *(Mixed domestic and commercial putrescible waste - no liquids) Minimum weight charge 20kg.*					
Domestic (transfer station) - weighed $/tonne	B	$230.00	Y	$236.00	22283.6820.101
Commercial (non-transfer station) - weighed $/tonne	B	$266.00	Y	$272.00	22283.6820.101
100% Green Waste *(Grass clippings, garden waste, tree loppings <300mm diameter, no soil and no treated timber). Any green waste mixed with other material will be charged non sorted mixed waste fee. Minimum weight charge 20kg.*					
Sorted - weighed $/tonne	B	$71.00	Y	$73.00	22283.6820.101
Sorted Wood, Trees or Tree Stumps *(Tree stumps diameter >300mm thick includes mixed with green waste, no soil and no treated timber) Any green waste mixed with other material will be charged non sorted mixed waste fee. Minimum weight charge 20kg.*					
Sorted - weighed $/tonne	B	$110.00	Y	$113.00	22283.6820.101
100% Sorted Scrap Metal *(Includes car bodies and white goods) Minimum weight charge 20kg.*					
Sorted - weighed $/tonne	B	$50.00	Y	$30.00	22283.6820.101
Mixed and Bulky Waste *(Mixed domestic and commercial waste - no liquids, includes mixed builders and bulky waste. Penalties will be imposed for materials containing asbestos) Minimum weight charge 20kg.*					
Sorted - weighed $/tonne	B	$230.00	Y	$236.00	22283.6820.101
Unsorted - weighed $/tonne	B	$266.00	Y	$272.00	22283.6823.101
100% Sorted Brick and Concrete *(Clean concrete, bricks and rock, no soil. Penalties will be imposed for material containing asbestos) Minimum weight charge 20kg.*					
Sorted - weighed $/tonne	B	$10.00	Y	$174.00	22283.6820.101
100% Sorted Roof Tiles and Ceramics *(Clean, loose tiles only, no bathroom tiles with backing board. Penalties will be imposed for material containing asbestos) Minimum weight charge 20kg.*					
Sorted - weighed $/tonne	B	$170.00	Y	$174.00	22283.6820.101
Virgin Excavated Natural Material (VENM) *(Must be pre-booked at least 24 hours in advance and have all certification and test results) Minimum weight charge 20kg.*					
All vehicles - weighed $/tonne	B	POA	Y	POA	22283.6820.101
Soil (not contaminated or VENM) *(Must be pre-booked at least 24 hours in advance and have testing results to comply with the Waste Guidelines. Soil only. No boulders, tree stumps) Minimum weight charge 20kg.*					
All vehicles - weighed $/tonne	B	$100.00	Y	$103.00	22283.6820.101
Contaminated Soil *(Soil with no testing results that hasn't been pre-booked. Soil mixed with other material. Penalties will be imposed for material containing asbestos) Minimum weight charge 20kg.*					
All vehicles - weighed $/tonne	B	$266.00	Y	$272.00	22283.6820.101

Fee Name	Pricing Policy	2017/18	GST Y/N	2018/19	GL Code
Wheelie Bin Sales *Commercial Waste Services sell new and secondhand mixed waste (red lid) and recycling (yellow lid) bins. Sales also include parts such as lids, wheels and axles. The sale of bins is a commercial service. Prices are reviewed as market rates and cost of goods vary. The price to purchase bins or parts may be obtained by contacting the Waste Services Section of Council.*					
Specific Waste Charge					
Asbestos Waste *The Householders Asbestos Disposal Scheme seeks to improve work health and safety for the safe removal and disposal of bonded asbestos. Ballina Shire Council is subsidising the cost of the kits which will be made available at the Waste Centre.*					
Household asbestos sample test kit	B	No charge	Y	No charge	
Household Asbestos Disposal Kits	C	$30.00	Y	$30.00	22281.6781.101
Tyres					
Car, motor bike (/tyre)	B	$11.20	Y	$12.00	22283.6820.101
4 x 4 Light truck (/tyre)	B	$14.50	Y	$15.00	22283.6820.101
Truck (/tyre)	B	$38.00	Y	$39.00	22283.6820.101
Car, motor bike (/tyre with rim)	B	$13.50	Y	$14.00	22283.6820.101
4 x 4 Light truck (/tyre with rim)	B	$16.50	Y	$17.00	22283.6820.101
Truck (/tyre with rim)	B	$40.00	Y	$41.00	22283.6820.101
Other (/tyre)	B	POA	Y	POA	
Refrigerators/Air Conditioners					
(No degas certificate) (/item)	B	$47.00	Y	$47.00	22283.6820.101
Dead Animals *Minimum weight charge 20kg.*					
Dead animal(s) - weighed $/tonne	B	$13.50	Y	$272.00	22283.6820.101
Missed Bin Collection Charge					
Fee charged for instances where the customer has not presented their bin for collection and subsequently ask for the bin to be collected.	B	POA	Y	POA	22283.6820.101
Special Event or Special Services Charge *Price available upon application to the Waste Management Centre. Prices reviewed as market rates and operating costs change.*					
Special Event or Special Services Charge	B	POA	Y	POA	22283.6820.101
Weighbridge Certificate - For Registration Purposes Only *Single weighing requiring certificate (includes account customers). Please note - this facility is not a public weighbridge.*					
Weighbridge Certificate	B	$36.00	Y	$36.00	22283.6820.101
Mulch					
Large quantities of mulch - price reviewed to meet demand and operational needs	C	POA	Y	POA	
Crushed concrete sale per tonne					
Crushed concrete sale per tonne	B	POA	Y	POA	
Waste Management Negotiated Fees *Waste Services is a commercial enterprise and Council does reserve the right to negotiate with individual persons or organisations where there is a commercial benefit to Council eg specific fees may be negotiated for bulk sales of waste product.*					

LANDFILL AND RESOURCE MANAGEMENT

ACTUAL 2012/13	ACTUAL 2013/14	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2017/18	%	2018/19	%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
						OPERATING REVENUES												
						Fees and Charges												
443,000	464,300	501,900	515,600	539,100	22280	Annual Charges - Commercial Properties	558,000	4	571,000	2	585,000	599,000	614,000	630,000	646,000	663,000	680,000	697,000
0	0	1,199,900	1,267,600	1,276,800		Annual Charges - Residential Properties	0	(100)	0	0	0	0	0	0	0	0	0	0
2,000	4,600	10,000	15,100	9,600	22281	Bulk Waste Collection Service	0	(100)	0	0	0	0	0	0	0	0	0	0
1,250,000	1,281,800	1,262,500	774,300	572,300	22283	Fees - Self Haul General	611,000	7	625,000	2	641,000	657,000	673,000	690,000	707,000	725,000	743,000	762,000
329,000	633,600	683,600	714,900	636,800	22283	Fees - Self Haul Inert	692,000	9	708,000	2	726,000	744,000	763,000	782,000	802,000	822,000	843,000	864,000
254,000	150,300	125,400	326,200	124,800	22284	Contributions and Grants	82,000	(34)	22,000	(73)	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000
79,000	54,200	85,400	106,100	107,700	22281	Interest On Investments	72,000	(33)	135,000	88	17,000	43,000	44,000	47,000	50,000	54,000	0	3,000
140,000	131,400	89,600	124,700	83,300	22281	Sundry Fees	76,000	(9)	78,000	3	80,000	82,000	84,000	86,000	88,000	90,000	92,000	94,000
2,497,000	**2,720,200**	**3,958,300**	**3,844,500**	**3,350,400**		**Total Operating Revenues**	**2,091,000**	**(38)**	**2,139,000**	**2**	**2,072,000**	**2,149,000**	**2,203,000**	**2,261,000**	**2,320,000**	**2,382,000**	**2,387,000**	**2,450,000**
						OPERATING EXPENSES												
						Waste Administration												
307,000	393,500	400,800	430,500	589,700	32340	Administration	472,500	(20)	402,000	(15)	389,000	397,000	405,000	414,000	423,000	432,000	441,000	450,000
505,000	525,000	562,000	555,000	644,400	32340	Internal Overheads	531,000	(18)	476,000	(10)	488,000	500,000	513,000	526,000	539,000	552,000	566,000	580,000
369,000	299,600	208,300	154,000	56,000	32340	Interest on Loans	10,400	(81)	0	(100)	0	0	0	0	0	0	0	0
						Waste - Internal Fees and Charges												
(842,000)	(892,500)	(982,400)	(957,400)	(1,000,200)	22283	Fees - Council Recyclables (DWM)	(1,003,000)	0	(1,026,000)	2	(1,052,000)	(1,078,000)	(1,105,000)	(1,133,000)	(1,161,000)	(1,190,000)	(1,220,000)	(1,251,000)
(505,000)	(318,900)	(314,900)	(465,700)	(466,400)	22283	Fees - Self Haul Council (Works)	(430,000)	(8)	(440,000)	2	(451,000)	(462,000)	(474,000)	(486,000)	(498,000)	(510,000)	(523,000)	(536,000)
(3,024,000)	(2,919,400)	(1,992,400)	(1,831,900)	(1,865,600)	22283	Fees - Self Haul Council (DWM)	(1,929,900)	3	(1,974,000)	2	(2,023,000)	(2,074,000)	(2,126,000)	(2,179,000)	(2,233,000)	(2,289,000)	(2,346,000)	(2,405,000)
						Waste Received												
194,000	216,100	206,600	172,600	181,200	32342	Weighbridge Operation	205,000	13	209,000	2	214,000	219,000	224,000	230,000	236,000	242,000	248,000	254,000
186,000	186,800	189,800	199,700	190,200	32342	Transfer Station Operations	191,000	0	196,000	3	201,000	206,000	211,000	216,000	221,000	227,000	233,000	239,000
						Waste Collection and Recycling												
148,000	194,500	173,800	191,800	196,600	32344	Collection Kerbside	198,000	1	202,000	2	207,000	213,000	219,000	225,000	231,000	237,000	243,000	249,000
67,900	81,500	81,600	91,200	97,700	32344	Collection Other	95,000	(3)	97,000	2	99,000	101,000	103,000	105,000	107,000	110,000	113,000	116,000
181,000	62,000	123,500	61,500	71,400	32345	Waste Bailing Facility and Recycling	71,000	(1)	73,000	3	75,000	77,000	79,000	81,000	83,000	85,000	87,000	89,000
						Waste Disposal												
1,349,000	460,700	355,600	339,500	464,100	32348	Solid Waste Landfill Operations	453,200	(2)	402,000	(11)	411,000	420,000	429,000	439,000	449,000	459,000	469,000	479,000
411,000	293,500	7,600	1,400	0	32348	Transfer - Organics	0	0	0	0	0	0	0	0	0	0	0	0
0	1,155,800	1,021,300	856,100	868,500	32348	Transfer - Mixed Waste	873,000	1	893,000	2	915,000	938,000	961,000	985,000	1,010,000	1,035,000	1,061,000	1,088,000
393,000	385,000	301,500	316,000	490,900	32348	Transfer - Inert Waste	363,000	(26)	360,000	(1)	369,000	378,000	387,000	397,000	407,000	417,000	427,000	438,000
344,000	295,600	277,800	137,200	141,100	32348	Transfer - Recyclables	133,000	(6)	170,000	28	174,000	178,000	182,000	187,000	192,000	197,000	202,000	207,000
0	219,000	146,500	120,000	127,400	32348	Transfer Preparation - Mixed Waste	162,000	27	130,000	(20)	133,000	136,000	139,000	142,000	146,000	150,000	154,000	158,000
0	149,000	61,400	63,600	78,200	32348	Transfer Preparation - Inert Waste	82,000	5	84,000	2	86,000	88,000	90,000	92,000	94,000	96,000	98,000	100,000
0	98,100	55,800	54,300	72,900	32348	Transfer Preparation - Recyclables	70,000	(4)	72,000	3	74,000	76,000	78,000	80,000	82,000	84,000	86,000	88,000
812,000	125,200	174,600	375,200	94,300	32348	State Government Levy	218,000	131	223,000	2	229,000	235,000	241,000	247,000	253,000	259,000	265,000	272,000
244,000	147,100	160,900	487,300	214,500	32348	Disposal	268,100	25	274,000	2	280,000	286,000	292,000	299,000	306,000	313,000	320,000	327,000
1,000	2,700	1,100	1,700	2,700	32348	Special Rubbish Clean-ups	3,000	11	3,000	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
9,000	2,000	38,600	131,600	31,000	32348	Reuse Organics, Soil and Concrete	76,000	145	78,000	3	80,000	82,000	84,000	86,000	88,000	90,000	92,000	94,000
64,100	17,300	74,800	(85,600)	20,900	32348	Investigations, Leachate and Remediation	37,000	77	38,000	3	39,000	40,000	41,000	42,000	43,000	44,000	45,000	46,000
0	0	0	791,700	0	32348	Other	0	0	0	0	0	0	0	0	0	0	0	0
						Non-Cash Expenses												
1,086,400	1,073,600	1,081,300	1,071,900	898,300	32340	Depreciation	1,126,100	25	956,000	(15)	975,200	994,800	1,014,700	1,035,000	1,055,700	1,076,900	1,098,500	1,120,500
191,200	67,300	65,300	53,200	40,500	32340	Unwinding Remediation PV	0	(100)	0	0	0	0	0	0	0	0	0	0
260,000	153,700	131,200	122,400	122,400	32340	Remediation Depreciation	137,700	13	140,000	2	142,800	145,700	148,700	151,700	154,800	157,900	161,100	164,400
2,751,600	**2,473,800**	**2,612,000**	**3,438,800**	**2,362,700**		**Total Operating Expenses**	**2,413,100**	**2**	**2,038,000**	**(16)**	**2,058,000**	**2,099,500**	**2,139,400**	**2,184,700**	**2,231,500**	**2,277,800**	**2,323,600**	**2,369,900**
(254,600)	**246,400**	**1,346,300**	**405,700**	**987,700**		***Operating Result - Surplus / (Deficit)***	**(322,100)**	**(133)**	**101,000**	**(131)**	**14,000**	**49,500**	**63,600**	**76,300**	**88,500**	**104,200**	**63,400**	**80,100**
1,537,600	1,294,600	1,277,800	1,882,900	1,061,200		*Add Back Depreciation*	1,263,800	19	1,096,000	(13)	1,118,000	1,140,500	1,163,400	1,186,700	1,210,500	1,234,800	1,259,600	1,284,900
1,283,000	**1,541,000**	**2,624,100**	**2,288,600**	**2,048,900**		***Cash Result - Surplus / (Deficit)***	**941,700**	**(54)**	**1,197,000**	**27**	**1,132,000**	**1,190,000**	**1,227,000**	**1,263,000**	**1,299,000**	**1,339,000**	**1,323,000**	**1,365,000**
						Capital Movements												
982,000	1,053,000	1,135,100	1,205,600	1,111,500		Less Loan Principal Repayments	193,900	(83)	0	(100)	0	0	0	0	0	0	0	0
1,496,000	1,626,700	1,489,000	2,065,900	1,003,000		Less Transfer to Reserves	807,500	(19)	1,218,000	51	1,132,000	1,190,000	1,227,000	1,263,000	1,299,000	1,339,000	1,323,000	1,365,000
1,412,000	1,361,200	257,300	1,459,400	65,600		Add Transfer from Reserves	216,700	230	621,000	187	300,000	1,476,300	1,131,000	1,135,000	1,139,000	3,543,000	1,147,000	1,151,000
213,000	0	0	0	0		Add Capital Income Applied	0	0	0	0	0	0	0	0	0	0	0	0
430,000	152,500	95,300	476,500	0		Less Capital Expenditure	157,000	100	600,000	282	300,000	476,300	131,000	135,000	139,000	2,543,000	147,000	151,000
0	**70,000**	**162,000**	**0**	**0**		***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**

DOMESTIC WASTE MANAGEMENT

ACTUAL					LEDGER	BUDGET ITEMS	ESTIMATED										
2012/13	2013/14	2014/15	2015/16	2016/17	ACCOUNT		2017/18	%	2018/19	%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
						OPERATING REVENUES												
6,497,100	6,810,300	5,919,100	6,134,600	6,360,800	22290	Domestic Waste Mgmt Annual Charges	6,560,500	3	6,712,000	2	6,879,800	7,051,800	7,228,100	7,408,800	7,594,000	7,783,900	7,978,500	8,178,000
(309,300)	(307,500)	(276,000)	(276,500)	(273,000)	22290	Pensioner Abandonments	(253,000)	(7)	(254,000)	0	(256,000)	(258,000)	(260,000)	(262,000)	(264,000)	(266,000)	(268,000)	(270,000)
18,300	20,300	21,100	21,700	22,300	22290	Vacant Property Annual Charges	19,000	(15)	19,000	0	19,500	20,000	20,500	21,000	21,500	22,000	22,600	23,200
170,100	169,100	151,800	152,100	150,200	22291	State Governent - Pensioner Subsidy	139,300	(7)	119,000	(15)	120,000	121,000	122,000	123,000	124,000	125,000	126,000	127,000
25,200	44,300	49,100	47,600	47,800	22292	Interest on Investments	57,000	19	62,000	9	37,000	51,000	35,000	48,000	28,000	43,000	18,000	18,000
177,800	0	0	0	0	22292	Gain / (Loss) on Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0
6,579,200	**6,736,500**	**5,865,100**	**6,079,500**	**6,308,100**			**6,522,800**	**3**	**6,658,000**	**2**	**6,800,300**	**6,985,800**	**7,145,600**	**7,338,800**	**7,503,500**	**7,707,900**	**7,877,100**	**8,076,200**
						OPERATING EXPENSES												
						Administration												
142,500	188,500	181,500	204,900	206,100	32360	Salaries and Oncosts	222,000	8	228,000	3	233,000	238,000	243,000	248,000	253,000	258,000	264,000	270,000
43,300	39,700	45,400	38,100	38,200	32360	North East Waste Membership	39,000	2	40,000	3	41,000	42,000	43,000	44,000	45,000	46,000	47,000	48,000
387,000	406,000	619,000	630,000	637,000	32360	Indirect Expenses - Overheads	688,000	8	709,000	3	727,000	745,000	764,000	783,000	803,000	823,000	844,000	865,000
(521,200)	(563,500)	(530,500)	(618,900)	(640,200)	22292	Waste Trucks - Internal Charges	(630,000)	(2)	(644,000)	2	(660,000)	(677,000)	(694,000)	(711,000)	(729,000)	(747,000)	(766,000)	(785,000)
2,600	5,100	10,300	2,900	17,500	32361	Promotion and Education	3,000	(83)	3,000	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
						Debt Servicing												
36,500	27,800	18,200	8,000	0	32361	Interest on Loans	0	0	0	0	0	0	0	0	0	0	0	0
						Collection												
511,900	519,700	451,100	514,700	517,100	32364	Collection Kerbside - Mixed Waste	532,000	3	576,000	8	590,000	605,000	620,000	636,000	652,000	668,000	684,000	701,000
771,000	775,700	1,146,300	1,244,400	1,231,700	32364	Collection Kerbside - Organics	1,180,000	(4)	1,181,000	0	1,211,000	1,241,000	1,272,000	1,304,000	1,337,000	1,370,000	1,404,000	1,439,000
3,023,700	2,919,400	1,992,400	1,832,300	1,865,600	32364	Collection Kerbside - Disposal Fees	1,929,900	3	1,974,000	2	2,023,000	2,074,000	2,126,000	2,179,000	2,233,000	2,289,000	2,346,000	2,405,000
350,100	341,000	334,500	497,700	518,800	32364	Collection Kerbside - Recycling	502,700	(3)	502,000	(0)	515,000	528,000	541,000	554,000	568,000	582,000	597,000	612,000
841,500	892,500	982,400	960,800	1,002,700	32364	Collection Kerbside - Recycling Disposal	1,003,000	0	1,026,000	2	1,052,000	1,078,000	1,105,000	1,133,000	1,161,000	1,190,000	1,220,000	1,251,000
18,500	37,300	47,600	48,800	51,400	32364	Collection Kerbside - Bin Maintenance/Purch	43,000	(16)	113,000	163	116,000	119,000	122,000	125,000	128,000	131,000	134,000	137,000
304,800	314,300	389,700	375,900	383,700	32364	Waste Trucks - Operating Expenses	401,000	5	410,000	2	420,000	431,000	442,000	453,000	464,000	476,000	488,000	500,000
						Non-Cash Expenses												
250,900	179,100	177,200	177,200	177,200	32360	Depreciation	180,600	2	184,000	2	187,700	191,500	195,400	199,400	203,400	207,500	211,700	216,000
6,163,100	**6,082,600**	**5,865,100**	**5,916,800**	**6,006,800**		**Total Operating Expenses**	**6,094,200**	**1**	**6,302,000**	**3**	**6,458,700**	**6,618,500**	**6,782,400**	**6,950,400**	**7,121,400**	**7,296,500**	**7,476,700**	**7,662,000**
416,100	**653,900**	**0**	**162,700**	**301,300**		***Operating Result - Surplus / (Deficit)***	**428,600**	**42**	**356,000**	**(17)**	**341,600**	**367,300**	**363,200**	**388,400**	**382,100**	**411,400**	**400,400**	**414,200**
251,000	179,100	177,200	177,200	177,200		*Add Back Depreciation*	180,600	2	184,000	2	187,700	191,500	195,400	199,400	203,400	207,500	211,700	216,000
667,100	**833,000**	**177,200**	**339,900**	**478,500**		***Cash Result - Surplus / (Deficit)***	**609,200**	**27**	**540,000**	**(11)**	**529,300**	**558,800**	**558,600**	**587,800**	**585,500**	**618,900**	**612,100**	**630,200**
						Capital Movements												
134,000	142,800	152,500	162,600	0		Less Loan Principal Repayments	0	0	0	0	0	0	0	0	0	0	0	0
533,100	690,200	25,600	339,900	478,500		Less Transfer to Reserves	609,200	27	540,000	(11)	529,300	558,800	558,600	587,800	585,500	618,900	612,100	630,200
0	0	900	541,900	0		Add Transfer from Reserves	0	0	1,520,000	100	0	1,200,000	0	1,400,000	0	1,600,000	0	1,800,000
0	0	0	0	0		Add Capital Income Applied	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	379,300	0		Less Capital Expenditure	0	0	1,520,000	100	0	1,200,000	0	1,400,000	0	1,600,000	0	1,800,000
0	**0**	**0**	**0**	**0**		***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

4.6 Rating Structure and Land Valuations - 2018/19

Delivery Program	Financial Services
Objective	To review the propposed ordinary rating structure for the 2018/19 rating year.

Background

The Local Government Act (LGA) provides a variety of options for councils in adopting an ordinary rating structure.

Typically Council has minimised major changes to the existing rating structure as changes do not result in increased revenue, but rather they vary the manner in which the ordinary rate burden is distributed across all rateable properties.

The primary objective is to try and determine a structure that is fair and equitable within the limitations of the LGA. The information that follows outlines the proposed rating structure for the 2018/19 rating year.

Key Issues

- Equity

Information

There are a number of options Council can consider in respect to implementing its overall rating structure. Council can choose a base amount (the current structure) or a minimum rating structure, and can also choose to levy different rates for groups of properties categorised as residential, business, farmland or mining.

Groups of properties can also be sub-categorised, primarily based on their locality.

In respect to rating structures, the onus is on Council to adopt a fair and equitable structure that also complies with criteria outlined within the LGA.

In order for Council to decide upon a fair and equitable rating structure, the following two principles of rating are considered:

- **Ability to pay principle** – This assumes there is a relationship between land values and the ability to pay rates

- **The benefit principle** – This is the "user pays" principle

The mix between the rate in the dollar applied to the property's land valuation (ability to pay principle) and the base amount (benefit principle), is determined by Council after consideration of certain restrictions contained in the Local Government Act 1993 (LGA).

Base Amount Rating Structure

Council has been using the base amount rating structure since 2005/06. This structure comprises two components that make up the total ordinary land rate a property pays being:

- The **base amount** is the fixed amount levied on each rateable property, or category of properties (i.e. residential, farmland and business). The base amount levied assumes that all properties benefit equally in respect of works and services provided by Council. Under the LGA, the base amount cannot generate more than 50% of the total rate income in each rating category.

- The balance of a property's ordinary rate within each category is then calculated by multiplying a **rate in the dollar by the property's land valuation**. The higher the land value, the more the property will pay.

The base amount rating structure tends to flatten out the rates payable by individual residential properties, as only half of the ordinary rate is determined by the property's land valuation. Council determined this to be the most equitable structure, as there is an underlying assumption that properties are benefiting equally from Council services.

Council has adopted a uniform base amount for all residential, business and farmland properties.

The residential base amount derives just less than the maximum 50%, which means that, because business and farmland category properties tend to have higher land valuations (and fewer properties) than the residential category, the base amount for business and farmland categories raises significantly less than the maximum 50% (for 2017/18, around 15% and 32% respectively).

As a result, the land valuation determines the majority of the total ordinary rate paid by business and farmland properties, which results in higher valued properties accepting a greater share of the rate burden.

Council previously had the base amount for business and farmland properties at the 50% threshold, however Council resolved to make the base charge the same for all properties, no matter the category, as this was considered to provide a more equitable distribution of the rate burden for business and farmland properties.

Unlike residential properties, business and farmland properties are generally income producing, so it can be argued that our rating structure recognises a correlation between the land valuation and the level of potential income able to be generated by the land (i.e. the "ability to pay" principle).

Yield from Business Category to be 20% of Total Yield

Due to Ballina Shire, at that time, having the lowest average rate for the business category of properties for similar sized councils, in 2006 Council resolved to increase the yield from business properties from 10% of the total rate yield to 20% over a period of five years (i.e. incrementally increase by 2% per annum).

This strategy was commenced in the 2006/07 rating year and in 2010/11, the yield from the business category had reached the desired 20%.

In all following rating years, Council has decided to retain the 20% proportion of total income from the business category regardless of actual growth movements between rating categories from year to year.

In recent years properties within the residential category have seen the highest growth in land values. This means that if the total rate burden between rating categories was altered each year based on actual growth, the business category proportion would be less than 20% of the total income generated.

What this does do is result in a much higher rate in the dollar for business properties (business properties have a higher differential).

The higher rate in the dollar compensates for the relatively lower land value and effectively provides a distortion in the valuations to generate the required revenue.

Growth and Notional Rate Calculation

Each year Council performs a notional calculation to obtain the total allowable general rate income for the following year. Included in this calculation is a percentage limit of variation from a previous year, known as the rate peg limit, as determined by IPART.

The notional calculation method also provides Council with additional income to allow for additional service provision costs caused by growth.

The growth calculation is based on property number changes and changes to land valuations of the same base date, from year to year. Council can also recover income lost in previous years (on a one off basis) for income lost as a result of valuation objections.

Ordinary Rate Calculation Methodology

The following steps outline the current methodology used to set the base amount rating structure and ordinary rate. It is intended to use the same methodology in the setting of 2018/19 ordinary rates.

1. Calculate the total notional income for 2017/18 and total notional income yield allowable for 2018/19. This entails using the base amount and rate in the dollar set in 2017/18 and applying it to the current properties and land valuations on hand (rather than those on hand when the 2017/18 rates were set in July 2017).

This effectively creates a growth allowance within the total allowable income for 2018/19.

The rate pegging limit and the special variation percentage is then applied to the calculated 2017/18 notional income. This generates total allowable general income figures with and without the special rate variation.

In addition to this, legislative adjustments such as income lost in previous years due to land value objections (one off adjustment) and previous year catch up/excess results are included.

2. Implement the current strategy adopted by Council to set the total business category income as 20% of the total allowable income.

3. Take into account growth in assessments and land valuations between categories from the previous year to arrive at a percentage of total income required from the farmland and residential categories (business already set at 20% and currently no mining category properties).

4. Calculate the base amount (flat charge) for the residential category to be marginally less than 50% to conform to legislative requirements. This base amount is then utilised as the base amount for the business and farmland categories.

5. Calculate the rate in the dollar for each category, with the mining category to be set at the same rate as the business category. The farmland category rate in the dollar is set at approximately 85% of the residential rate in the dollar.

Proposed 2018/19 Rating Structure

IPART announced a rate pegging limit of 2.3% for the 2018/19 rating year however Council is applying for a permanent special rate variation to allowable income of 6.8% above the 2.3%, giving a total of 9.1%.

The 6.8% increase is made up of two parts, being catch-up of the temporary approval for a 3.4% increase for 2017/18 and a 3.4% increase for 2018/19.

The following estimates are based on Council's application for a 9.1% increase in 2018/19 being successful.

If unsuccessful, the 2018/19 estimates will be recalculated based on the 2.3% rate peg limit.

The 6.8% difference equates to around $1,422,000 in income.

Table One: 2016/17 and 2017/18 Rating Structures

Rate Category	2016/17		2017/18	
	Base Amount	Rate in Dollar	Base Amount	Rate in Dollar
Residential	470	0.190250	491	0.165830
Business	470	0.757920	491	0.755810
Farmland	470	0.150990	491	0.141280
Mining	470	0.757920	491	0.755810

Table Two: Proposed 2018/19 Rating Structure

Rating Category	9.1% Increase	
	Base Amount	Rate in Dollar
Residential	519	0.174600
Business	519	0.800230
Farmland	519	0.149120
Mining	519	0.800230

Table One shows the adopted rating structures for 2016/17 and 2017/18.

Table Two details the proposed structure for 2018/19, which incorporates the proposed 9.1% special variation increase.

The figures in Table Two are in draft form only and will change slightly by the time they are adopted for 2018/19.

This is because ratepayers may successfully object to their current valuations, and there will be variations due to growth in assessments and land valuations between now and when the 2018/19 rating structure is adopted by Council.

Table Three: Proposed 2018/19 Income per Category (Cat.) at 9.1%

	2017/18				2018/19			
Rate Category	Income 4.9% Increase	Cat.% from base	Cat % of yield	Ave Rate	Income 9.1% increase	Cat % from base	Cat % of yield	Ave Rate
Residential	15,629,127	49.81	72.66	985	16,651,862	49.90	73.02	1,040
Business	4,302,003	14.57	20.00	3,298	4,560,901	14.64	20.00	3,487
Farmland	1,579,155	32.40	7.34	1,514	1,591,876	32.14	6.98	1,614
Mining	0	0	0.00	0.00	0.00	0.00	0.00	0.00
Total	**21,510,285**	**N/A**	**100.0**	**1,181**	**22,804,639**	**N/A**	**100.00**	**1,246**

Table Three details the income that will be generated for each rating category, the percentage of revenue each category derives and the average rate per category. The increase in total notional income between 2017/18 and 2018/19 equates to $1,294,354.

The next three tables provide examples of the rates payable for a range of land valuations, based on the residential, business and farmland rating categories.

Table Four: Residential Rates Payable in 2018/19

**(2017/18 rate levy figure is actual levy and includes the 4.9% temporary SRV)

Land Value Range	Property Count	Land Valuation	2017/18 rate**	2018/19 rate	Change ($)	Change (%)
0 to 99,999	1,246	50,000	574	606	32	5.64%
100,000 to 199,999	2,831	150,000	740	781	41	5.56%
200,000 to 299,999	5,843	250,000	906	956	50	5.51%
300,000 to 399,999	3,156	350,000	1,071	1,130	59	5.48%
400,000 to 499,999	1,651	450,000	1,237	1,305	67	5.45%
500,000 to 599,999	431	550,000	1,403	1,479	76	5.43%
600,000 to 699,999	269	650,000	1,569	1,654	85	5.42%
700,000 to 799,999	179	750,000	1,735	1,829	94	5.41%

4.6 Rating Structure and Land Valuations - 2018/19

Land Value Range	Property Count	Land Valuation	2017/18 rate**	2018/19 rate	Change ($)	Change (%)
800,000 to 899,999	108	850,000	1,901	2,003	103	5.40%
900,000 to 999,999	96	950,000	2,066	2,178	111	5.39%
1,000,000 to 1,499,999	157	1,250,000	2,564	2,702	138	5.37%
1,500,000 to 1,999,999	35	1,750,000	3,393	3,575	181	5.35%
2,000,000 to 2,999,999	13	2,500,000	4,637	4,884	247	5.33%
> 3,000,000	6	3,000,000	5,466	5,757	291	5.33%

Table Five: Business Rates Payable in 2018/19

**(2017/18 rate levy figure is actual levy and includes the 4.9% temporary SRV)

Land Value Range	Property Count	Land Valuation	2017/18 rate**	2018/19 rate	Change ($)	Change (%)
0 to 99,999	367	50,000	869	919	50	5.78%
100,000 to 199,999	290	150,000	1,625	1,719	95	5.82%
200,000 to 299,999	170	250,000	2,381	2,520	139	5.84%
300,000 to 399,999	129	350,000	3,136	3,320	183	5.85%
400,000 to 499,999	117	450,000	3,892	4,120	228	5.86%
500,000 to 599,999	60	550,000	4,648	4,920	272	5.86%
600,000 to 699,999	33	650,000	5,404	5,720	317	5.86%
700,000 to 799,999	27	750,000	6,160	6,521	361	5.86%
800,000 to 899,999	18	850,000	6,915	7,321	406	5.87%
900,000 to 999,999	10	950,000	7,671	8,121	450	5.87%
1,000,000 to 1,499,999	46	1,250,000	9,939	10,522	583	5.87%
1,500,000 to 1,999,999	22	1,750,000	13,718	14,523	805	5.87%
2,000,000 to 2,999,999	16	2,500,000	19,386	20,525	1,139	5.87%
> 3,000,000	10	3,000,000	23,165	24,526	1,361	5.87%

Table Six: Farmland Rates Payable in 2018/19

**(2017/18 rate levy figure is actual levy and includes the 4.9% temporary SRV)

Land Value Range	Property Count	Land Valuation	2017/18 rate**	2018/19 rate	Change ($)	Change (%)
0 to 99,999	3	50,000	562	594	32	5.68%
100,000 to 199,999	3	150,000	703	743	40	5.66%
200,000 to 299,999	27	250,000	844	892	48	5.64%
300,000 to 399,999	89	350,000	985	1,041	55	5.63%
400,000 to 499,999	187	450,000	1,127	1,190	63	5.62%
500,000 to 599,999	206	550,000	1,268	1,339	71	5.61%
600,000 to 699,999	123	650,000	1,409	1,488	79	5.60%
700,000 to 799,999	89	750,000	1,551	1,637	87	5.60%
800,000 to 899,999	56	850,000	1,692	1,787	95	5.59%
900,000 to 999,999	48	950,000	1,833	1,936	102	5.59%
1,000,000 to 1,499,999	103	1,250,000	2,257	2,383	126	5.58%
1,500,000 to 1,999,999	33	1,750,000	2,963	3,129	165	5.57%
2,000,000 to 2,999,999	9	2,500,000	4,023	4,247	224	5.57%
>3,000,000	10	3,000,000	4,729	4,993	263	5.57%

For **eligible pensioners**, the general concession (i.e. ordinary rates plus domestic waste charges) in accordance with the LGA is 50% of the general levy to a maximum of $250 per annum.

This maximum has remained unchanged for many years. All properties have paid greater than $500 per annum in ordinary rates and domestic waste charges for some time now and as a result, pensioners meet the full cost of any increase.

For many years, Council has received a 55% reimbursement of pensioner concessions granted from the State Government (although legislation has only ever provided for a 50% reimbursement).

The current State Government has promised to continue to provide a 55% reimbursement up until the 2017/18 annual claim (claims are made once a year in October). It has not yet been confirmed whether or not the full 55% will be provided in 2018/19.

In regard to our previous annual claim for reimbursement in October 2017, we provided a total of $1,448,000 in pensioner concessions for all rates and charges (i.e. ordinary rates, domestic waste charges, water and wastewater charges).

Of this, the State Government provided a 55% reimbursement being $796,000.

If Council were not provided with the additional 5%, it would equate to $72,000 in lost revenue.

For ordinary rates and domestic waste charge pensioner concessions only (i.e. excluding water and wastewater), the 5% reduction would result in a $44,000 loss to General Fund revenue.

Legal / Resource / Financial Implications

It is important that Council adopt the most equitable and fairest rating structure within the limitations that exist within the legislation.

Rates are a very important component of a council's resource or revenue base. They provide a guaranteed income source and rate income can be used to finance essentially any service provided by a council.

Consultation

The rating structure will be placed on exhibition for public comment as part of the 2018/19 Operational Plan.

Options

Council can vary the rating structure through changes in the base charge, higher or lower differentials between categories and differentials within categories.

The proposed rating structure is shown in Table Two of this report.

It is important to note the impact this rating structure is having on the rate in the dollar differentials. The farmland property rate in the dollar is approximately 85% of the residential rate in the dollar.

On the other hand, the business rate in the dollar is approximately 458%, or four and a half times, the residential rate in the dollar.

This reflects the impact of the decision to raise 20% of the total rate revenue from business properties.
To achieve that outcome, the 458% differential must be applied to the business property values. This compares to 358% in 2010/11 when the rating structure was first implemented. Therefore, over time, this differential has grown.

Prior to the decision in 2006 to increase the yield from business properties to 20% of the total income, the residential and business property rate in the dollar was the same figure.

What has happened over time is that the total of the residential land values as well as the number of residential properties have grown proportionally faster than the business properties and we have had to gradually increase the business differential to achieve the 20% outcome.

No change is recommended to the current structure for 2018/19 however it is important for Council to note the magnitude of the differentials for both farmland and business properties as compared to residential properties.

The preferred approach is to retain the existing structure for 2018/19, particularly given that this is a proposed SRV year. This is because a change in rating structure represents a redistribution of costs between different types of ratepayers. For those ratepayers that may be negatively impacted, the change in one year would be exacerbated by the SRV increase.

However Council may wish to consider a review of the rating structure in a year where there is no SRV, which is proposed for 2020/21.

Typically the community is very interested in any significant changes to the rating structure. If Council were to consider making significant changes to the current rating structure, extensive community engagement would be required.

The actual draft Operational Plan for 2018/19 will need to include both the 2.3% standard rate peg limit and the 9.1% special rate variation, if approved, however for the purposes of this report, and to simplify the modelling, only the 9.1% has been included.

RECOMMENDATIONS

1. That for the draft 2018/19 Operational Plan, Council approves the inclusion of a base rating structure, modelled on the 2017/18 structure, which applies the following principles:

   a) Marginally less than 50% of the rate income for the residential category of properties being generated from the base amount

   b) Business, farmland and mining categories to have the same base amount as the residential base amount

   c) A total of 20% income from the rate yield to be sourced from the business category properties

   d) Farmland rate in the dollar is approximately 85% of the residential rate in the dollar

   e) The mining category rate in the dollar to be set as the same rate as the business category (currently no mining category properties in the shire).

2. That Council notes the indicative figures for this rating structure for 2018/19, as per Tables Two and Three of this report.

3. That Council notes that the draft 2018/19 Operational Plan will also include a rating structure based on a 2.3% rate peg limit on the assumption that Council's proposed special rate variation may not be approved.

Attachment(s)

Nil

4.7 Ballina - Byron Gateway Airport - Long Term Financial Plan

Delivery Program Commercial Services

Objective To review the long term financial plan for the airport.

Background

The Ballina Byron Gateway Airport (BBGA) is operated as a stand-alone business by Council.

Even though it operates as a business the BBGA has traditionally not paid a cash dividend to Council's General Fund operations based on the principle that the return to the community is the economic benefit generated through the provision of a wide range of affordable local airline services and associated jobs to the residents of the Ballina Shire and the Northern Rivers region.

However Council did resolve to consider the inclusion of a dividend from the BBGA as part of the formulation of the 2017/18 General Fund Long Term Financial Plan (LTFP) and the draft LTFP for 2018/19 is based on a dividend of $100,000 being paid each year for the ten year life of the LTFP.

In recent years the financial performance of the BBGA has been steadily improving as outlined in Table One.

Table One - Airport Actual Operating Results for 2011/12 to 2016/17

Item	2012/13 Actual ($'000)	2013/14 Actual ($'000)	2014/15 Actual ($'000)	2015/16 Actual ($'000)	2016/17 Actual ($'000)
Operating Revenues	4,005	4,618	4,710	5,112	5,780
Operating Expenses	4,081	4,329	4,363	4,513	4,958
Operating Surplus / (Deficit)	**(76)**	**289**	**347**	**599**	**822**
Add Back Depreciation	830	761	771	830	807
Cash Operating Surplus	**754**	**1,050**	**1,118**	**1,429**	**1,629**
Capital Movements					
Less: Loan Principal Repaid	532	839	845	971	1,073
Add: Capital Income – Grants	2,885	0	0	2,291	0
Add: Capital Income - Loans	7,300	4,648	725	500	0
Less: Capital Expenditure	5,787	4,995	1,129	2,880	700
Less: Unexpended Loans	4,648	0	0	0	0
Net Cash Movement	**(28)**	**(136)**	**(131)**	**369**	**(144)**
Reserve Balance (Deficit)	**(455)**	**(591)**	**(722)**	**(353)**	**(497)**
Balance Outstanding Loans	**9,999**	**9,160**	**9,040**	**8,569**	**7,496**

Revenues have been increasing at a rate exceeding that of operating expenses, resulting in steady improvements to the operating result before and after depreciation.

This is excellent from a business sustainability perspective with an operating surplus now being recorded on a consistent basis.

Whilst the operating result is improving, capital expenditure, including loan principal repayments, has been exceeding the available cash reserve, resulting in the Airport Reserve continuing to be overdrawn.

This overdraft is funded by an internal loan from Council's Property Reserves, which are also reaching low levels, as property and community infrastructure works are delivered.

This means it is important that the overdraft be repaid as early as possible with the latest update of the LTFP assuming that the overdraft will be repaid in full during 2018/19.

In summary the BBGA is a major business operation within Council's overall budget, along with being an economic driver for the region, and the report that follows outlines the latest update for the LTFP.

Key Issues

- Assumptions, financial position and performance

Information

The BBGA has gone through a period of strong growth with passenger numbers rapidly increasing and the services provided also improving.

Capital expenditure has been incurred on major works including an upgrade of the terminal, extension of the apron and an overlay of the runway.

The next major project is stage two of the terminal expansion with Council being awarded a State Government grant of $4.5m for the project and construction works scheduled to commence in early 2018/19.

Based on the latest available information the existing LTFP for the BBGA has been updated for the 2018/19 financial year onwards and a copy is included as attachment one (six pages).

The attachment includes the following information:

- Pages One and Two – Provides the actual and estimated operating results for the period from 2002/03 to 2027/28 (some years between 2002/03 and 2013/14 are hidden to allow the information to fit on the A3 pages)

- Page Three – Outlines the capital movements for the business relating to capital expenditure, sources of funding for that capital expenditure, the cash balances for the Airport Reserve and a summary of the loan debt, including annual principal and interest repayments.

- Pages Four to Six – Charts summarising key ratios and figures.

The forecast operating results for the term of the draft 2018/19 to 2021/22 Delivery Program, as per pages one and two of attachment one, are summarised in the following table.

Table Two: Airport Forecast Operating Results for 2017/18 to 2027/28

Item	2017/18 Estimate ($'000)	2018/19 Estimate ($'000)	2019/20 Estimate ($'000)	2020/21 Estimate ($'000)	2021/22 Estimate ($'000)
Operating Revenues	6,074	6,192	6,522	6,685	6,852
Operating Expenses	5,370	5,623	5,800	5,896	5,997
Operating Surplus / (Deficit)	**704**	**570**	**722**	**789**	**856**
Add Back Depreciation	999	1,030	1,108	1,147	1,187
Cash Operating Surplus	**1,703**	**1,600**	**1,830**	**1,936**	**2,043**
Capital Movements					
Less: Loan Principal Repaid	1,130	1,189	1,362	1,435	1,444
Add: Capital Income – Grants	2,400	2,100	0	0	0
Add: Capital Income - Loans	0	2,400	0	0	0
Less: Dividend	0	100	100	100	100
Less: Capital Expenditure	2,493	4,550	552	554	256
Net Cash Movement	**480**	**261**	**(184)**	**(153)**	**243**
Reserve Balance (Deficit)	**(18)**	**243**	**59**	**(94)**	**149**
Balance Outstanding Loans	**6,364**	**7,575**	**6,213**	**4,778**	**3,334**

As per this summary the operating result is forecast to further improve over the four year period, although the 2018/19 result, at this point in time, is forecast to be lower than 2017/18, primarily due to limited growth in revenues.

The forecast has income only increasing by 1% as a conservative approach has been taken to passenger growth, with numbers predicted to be stable at around 520,000 passengers per annum. Both Virgin and Jetstar are operating at good capacity however there is no certainty around when and if they will increase flights.

Typically one extra regular jet service can add 50,000 passengers per annum.

This income projection is conservative to minimise any financial risk of more optimistic targets not being achieved.

Car parking income has also been reduced for 2018/19 on the assumption that the terminal expansion project, and related car park works, may impact substantially on the availability of car parking.

The project will be managed to limit this impact and this is again a conservative approach.

The Airport Reserve balance remains close to a zero balance with annual fluctuations dependent on the amount of capital expenditure.

This movement within the Reserve balance is considered reasonable, although ideally Council should be looking to increase that balance over time, as a buffer to assist with any unexpected expenditure.

In respect to the remaining income and expense items that form the operating results (pages one and two of the attachment) other key points of interest are as follows.

Operating Revenues (page one of attachment)

- Car Rental Franchises - Strong growth is anticipated in the car rental franchises with new agreements now fully operational.

- Rental Terminal Building – Expansion – This line represents the estimated increase in existing revenues once the terminal expansion is completed. The assumption being that the terminal will be completed early 2019 with 50% of the forecast additional income being received in 2018/19 ($60,000) and 100% (extra $120,000) in 2019/20 and then indexed onwards.

- Airport Bus Shuttle Rents – Income from this item is relatively stable as there is competition from other service providers such as Uber.

Operating Expenses (pages one and two)

- Management – Salaries and Oncosts – There has been a significant recruitment process undertaken following the departure of four staff members (two retirements and two resignations), plus Council also approved the recruitment of an additional reporting officer for 2017/18. All positions have now been filled.

- Cleaning Contracts – The expanded terminal will see an increase in costs associated with maintaining the terminal.

- Aircraft Movement Area – This budget has been increased to provide a higher level of maintenance to the parking bays on a recurrent basis.

- Service Charges – This increase has been offset by a reduction in the building maintenance budget as some charges were previously charged to building maintenance. This better reflects the nature of the expenditure.

- Electricity – As per the comment for cleaning.

The overall operating result, inclusive of depreciation, is forecast to remain around the $700,000 mark which is a good result recognising that depreciation is such a big expenditure item.

Cash Result after Capital Movements (bottom of page two)

As the BBGA has been self-funding this cash result has always been zero, although for 2018/19 onwards it is now showing a $100,000 surplus. This figure represents the dividend that is being paid to the General Fund from 2018/19 onwards.

It is reasonable for a business activity to provide a dividend to Council although it does need to be acknowledged that every $100,000 taken out of the business represents less funding available for capital expenditure at the BBGA. Over the ten year forecast of the LTFP there is $1m less available for capital works, whilst on the other hand the General Fund will have an extra $1m for essential Council services.

Capital Movements (page three)

The major capital project planned for 2017/18 and 2018/19 is the terminal expansion with $2.4m in 2017/18 and $4m for 2018/19.

The construction tenders are scheduled to close mid-April for reporting to the April Ordinary meeting.

It is likely that the majority of the $2.4m expenditure predicted for 2017/18 will be expended in the 2018/19 financial year and this cash flow will be reviewed as part of the March 2018 Quarterly Financial Review.

The other major projects planned for 2018/19 are:

- Airport Precinct Master Plan - $100,000 – With the on-going expansion of the airport, along with associated services and works, the development of a new ten year master plan is imperative. This plan will clarify a range of future capital projects along with other ancillary services such as areas for leasing and other associated business activities.

- PALC, Lighting Controls and ALER - $370,000 – There have been on-going issues with the PALC (Pilot Activated Lighting Control System), the lighting controls and the ALER (Aerodrome Lighting Equipment Room). The PALC and ALER require upgrading and on-going add-ons to the original lighting controls have resulted in the current system no longer being compliant.

Solar Power

Council has previously resolved for a report on options to provide solar power at the BBGA and the final attachment to this report is a solar system proposal prepared by Stralis Energy.

The preferred proposal in that report is for Council to install 500 x 300w solar panels on covered car parking, with the solar installation estimated at approximately $350,000 to $400,000.

The return on investment for this capital cost is estimated at approximately 20% on the assumption that Council would be saving around $70,000 to $80,000 in electricity costs each year.

This costing does not include the construction of the carports, which the report estimates at $362,000 (plus or minus 20%), albeit the cost could be substantially higher dependent on the final design.

This is a worthwhile project and the preference is to implement these works as quickly as possible, however the forecast cash flows and subsequent reserve balance for 2018/19, have insufficient funds for this work in 2018/19.

Therefore the works have been included in 2019/20 and 2020/21 based on an estimated cost of $1m, inclusive of boom gates, which will also help to improve car parking and traffic management.

The works have been spread over the two financial years to ensure the Airport Reserve is not overdrawn, although Council could decide to undertake all the works in 2019/20, and overdraw the reserve for that year, due to the financial benefits gained from installing solar.

This timing can be reviewed when Council prepares the 2019/20 budget in March / April 2019.

The capital expenditure as currently presented allows staff to focus on delivering the terminal expansion project in 2018/19, as this is a very complex project with significant impacts on passenger movements through the terminal, followed up by the car parking, solar and boom gate works in 2019/20 and / or 2020/21.

Legal / Resource / Financial Implications

As outlined in the information section of this report.

Options

The information in this report provides an overview of the latest financial plan for the BBGA.

The capital expenditure included in the LTFP represents the major works needed for the BBGA and as per the capital expenditure summary there are many millions of dollars that will need to be invested into the airport on a regular basis.

Some of these works have been delayed in the works program to ensure the Airport Reserve is not significantly overdrawn and the exact timing of works will need to be reviewed on an annual basis to ensure they are delivered when necessary.

Council's Chief Operating Officer for the BBGA will be present at this meeting to provide a presentation on the future plans for the airport.

RECOMMENDATION

That Council approves the inclusion of the draft Long Term Financial Plan for the Ballina – Byron Gateway Airport, as attached to this report, in the draft 2018/19 to 2021/22 Delivery Program and Operational Plan.

Attachment(s)

1. BBGA - Long Term Financial Plan
2. BBGA - Solar Proposal

Ballina Byron Gateway Airport - Operating Result and Cash Flow Analysis - 2002/03 to 2027/28 (March 2018 Revision)

Actual											Estimated											
2002/03	2004/05	2006/07	2008/09	2010/11	2011/12	2013/14	2014/15	2015/16	2016/17	Description	2017/18	2018/19	%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
										OPERATING REVENUES											
	124%	21%	6%	6%	14%	(4%)	3%	34%	7%	Passenger Numbers (% Growth)	3%	0%		1.3%	1.5%	1.3%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%
83,000	**189,000**	**320,000**	**330,000**	**287,000**	**328,000**	**341,000**	**350,000**	**469,000**	**504,000**	**Passengers**	**518,000**	**520,000**	**0%**	**527,000**	**535,000**	**542,000**	**550,000**	**550,000**	**550,000**	**550,000**	**550,000**	**550,000**
	94%	13%	(4%)	9%	35%	6%	3%	20%	24%	**Passenger Charges / Landing Fees (% Growth)**	3%	2%		1%	3%	3%	3%	3%	3%	3%	3%	3%
818,900	1,075,400	1,453,700	1,299,600	1,299,300	1,808,500	2,057,000	2,138,600	2,189,600	2,400,500	Income - Passenger Charges (RPT)	2,509,000	2,544,000	1%	2,559,000	2,635,800	2,714,900	2,796,400	2,880,300	2,966,800	3,055,900	3,147,600	3,242,100
53,700	113,600	18,700	49,800	80,100	55,000	56,000	39,000	41,600	69,300	Income - Landing Fees Miscellaneous	42,500	57,000	34%	58,800	60,600	62,500	64,400	66,400	68,400	70,500	72,700	74,900
										Other Fees and Charges												
0	256,700	564,600	1,100,000	751,100	881,400	1,078,000	1,067,000	1,265,000	1,375,400	Security Charges Jet Airlines	1,424,000	1,466,900	3%	1,511,000	1,556,400	1,603,100	1,651,200	1,700,800	1,751,900	1,804,500	1,858,700	1,914,500
8,500	19,700	56,100	64,800	91,000	184,400	228,800	278,500	329,200	484,300	Car Rental Franchises	418,200	515,000	23%	530,500	546,500	562,900	579,800	597,200	615,200	633,700	652,800	672,400
18,500	21,300	25,900	45,200	47,900	51,600	62,400	64,200	59,200	62,100	Hanger, Land and Other Building Rentals	65,700	68,000	4%	70,100	72,300	74,500	76,800	79,200	81,600	84,100	86,700	89,400
9,500	10,000	10,600	24,500	25,500	26,500	36,800	37,000	38,700	39,000	Airport Fuel Site Rent	39,800	41,000	3%	42,300	43,600	45,000	46,400	47,800	49,300	50,800	52,400	54,000
10,500	10,900	2,900	26,800	25,300	26,600	51,000	84,000	58,300	63,100	Rental Terminal Building - Café and AusFlight	51,200	52,000	2%	53,600	55,300	57,000	58,800	60,600	62,500	64,400	66,400	68,400
0	0	0	0	0	0	0	0	0	0	Rental Terminal Building - Expansion	0	60,000	0%	120,000	123,600	127,400	131,300	135,300	139,400	143,600	148,000	152,500
3,700	14,100	21,900	20,800	20,300	20,400	20,400	23,000	14,500	24,400	Rental Old Terminal Building	25,000	26,000	4%	26,800	27,700	28,600	29,500	30,400	31,400	32,400	33,400	34,500
0	3,600	3,700	4,200	6,400	3,800	3,800	5,200	3,100	9,400	Aviation Security Cards	5,200	3,000	-42%	3,100	3,200	3,300	3,400	3,600	3,800	4,000	4,200	4,400
0	0	76,100	175,900	238,600	293,600	414,900	467,200	568,000	641,200	Airport Car Parking	660,000	510,000	-23%	700,000	721,000	742,700	765,000	788,000	811,700	836,100	861,200	887,100
0	0	12,000	20,200	20,800	20,000	29,100	21,000	31,500	34,300	Airport Car Parking Fines	25,000	20,000	-20%	26,000	26,800	27,700	28,600	29,500	30,400	31,400	32,400	33,400
0	0	14,000	67,500	112,800	111,300	119,000	131,800	143,000	143,100	Airport Shuttle Bus Rents	148,000	152,000	3%	156,600	161,300	166,200	171,200	176,400	181,700	187,200	192,900	198,700
0	0	1,500	0	0	0	65,400	67,000	72,400	73,300	Advertising	73,000	106,000	45%	109,200	112,500	115,900	119,400	123,000	126,700	130,600	134,600	138,700
0	0	0	0	0	0	0	0	0	14,700	Airport Lease Rentals	17,000	18,000	6%	18,600	19,200	19,800	20,400	21,100	21,800	22,500	23,200	23,900
0	0	0	0	0	0	72,000	0	0	0	Interest Earned	0	0	0%	0	0	0	0	0	0	0	0	0
										Contributions to Council Expenses												
0	0	0	0	0	0	63,500	46,200	83,800	57,900	Contributions - Fire Station, NDB and Generator	72,000	74,000	3%	76,300	78,600	81,000	83,500	86,100	88,700	91,400	94,200	97,100
0	0	0	0	0	0	259,700	240,100	214,100	188,800	Contributions - Loan Interest NSW LIRS	157,300	129,100	-18%	99,700	69,100	37,300	6,300	0	0	0	0	0
0	0	0	0	0	0	0	0	0	99,400	Contributions - CAGRO Operations	341,000	350,000	3%	360,500	371,400	382,600	394,100	406,000	418,200	430,800	443,800	457,200
923,300	**1,525,300**	**2,261,700**	**2,899,300**	**2,719,100**	**3,483,100**	**4,617,800**	**4,709,800**	**5,112,000**	**5,780,200**	**Total Operating Revenues**	**6,073,900**	**6,192,000**	**2%**	**6,522,100**	**6,684,900**	**6,852,400**	**7,026,500**	**7,231,700**	**7,449,500**	**7,673,900**	**7,905,200**	**8,143,200**
										OPERATING EXPENSES											
										Management												
9,800	3,100	80,400	168,900	356,600	400,000	568,700	654,900	654,200	704,100	Salaries and Oncosts	762,600	804,000	5%	828,100	852,900	878,500	904,900	932,000	960,000	988,800	1,018,500	1,049,100
1,300	(800)	4,400	7,400	13,300	9,800	18,900	16,400	18,200	20,500	Conferences and Seminars	15,000	15,000	0%	15,500	16,000	16,500	17,000	17,500	18,000	18,500	19,100	19,700
0	0	0	1,400	20,200	45,600	36,300	32,300	35,700	36,000	Office Expenses	30,000	30,000	0%	30,900	31,800	32,800	33,800	34,800	35,800	36,900	38,000	39,100
0	0	0	12,500	21,000	21,500	19,500	20,100	20,100	19,000	Vehicle	17,000	17,400	2%	17,900	18,400	19,000	19,600	20,200	20,800	21,400	22,000	22,700
										Buildings and Facilities - Maintenance												
39,200	49,500	89,300	129,700	142,600	122,000	117,100	113,700	101,100	114,300	Cleaning Contracts	152,000	165,000	9%	178,000	183,300	188,800	194,500	200,300	206,300	212,500	218,900	225,500
30,200	49,200	52,200	74,600	96,000	132,400	95,500	98,300	119,700	118,800	Buildings Maintenance	75,000	48,000	-36%	49,400	50,900	52,400	54,000	55,600	57,300	59,000	60,800	62,600
17,000	22,200	46,400	33,800	44,900	59,600	56,700	35,700	49,700	35,400	Airport Building Area, Roads and Services	56,000	40,000	-29%	41,200	42,400	43,700	45,000	46,400	47,800	49,200	50,700	52,200

(operating result continued on following page)

Actual										Description (cont'd)	Estimated											
2002/03	2004/05	2006/07	2008/09	2010/11	2011/12	2013/14	2014/15	2015/16	2016/17		2017/18	2018/19	%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
										Operation Expenses												
4,800	0	1,400	0	6,400	4,900	4,900	1,800	1,400	7,900	Legal Fees	7,000	7,000	0%	7,200	7,400	7,600	7,800	8,000	8,200	8,400	8,700	9,000
2,900	3,700	4,400	4,500	7,800	7,900	7,200	7,400	7,300	6,900	Telephone Airport	8,000	8,000	0%	8,200	8,400	8,700	9,000	9,300	9,600	9,900	10,200	10,500
36,300	40,000	36,000	19,800	40,000	85,900	89,300	95,300	78,800	97,800	Consultancies	80,000	80,000	0%	40,000	41,200	42,400	43,700	45,000	46,400	47,800	49,200	50,700
0	0	0	0	1,500	2,000	5,200	6,200	8,000	9,300	Bank Fees	11,000	11,000	0%	11,300	11,600	11,900	12,300	12,700	13,100	13,500	13,900	14,300
0	0	0	0	0	0	0	0	20,000	0	Bad Debts	0	0	0%	0	0	0	0	0	0	0	0	0
6,500	8,800	11,000	18,900	22,800	26,000	21,900	41,400	71,000	69,800	Insurance	44,300	46,000	4%	47,400	48,800	50,300	51,800	53,400	55,000	56,700	58,400	60,200
11,300	11,600	10,000	31,100	31,700	25,300	31,000	46,900	43,400	30,600	Rates	40,000	40,000	0%	41,200	42,400	43,700	45,000	46,400	47,800	49,200	50,700	52,200
186,200	248,400	520,300	938,500	546,700	622,700	901,700	955,600	999,300	1,051,800	Security in Departure Lounge	1,144,000	1,297,000	13%	1,284,000	1,323,000	1,363,000	1,404,000	1,446,000	1,489,000	1,534,000	1,580,000	1,627,000
0	0	1,600	33,700	22,700	21,300	26,200	17,000	3,000	9,600	Vermin and Pest Control	8,000	9,000	13%	9,300	9,600	9,900	10,200	10,500	10,800	11,100	11,400	11,700
0	0	0	0	0	0	0	0	67,400	270,200	Certified Air Ground Controller (CAGRO)	375,000	384,000	2%	395,500	407,400	419,600	432,200	445,200	458,600	472,400	486,600	501,200
0	2,400	5,600	6,700	5,100	7,500	6,400	6,700	8,100	8,600	Aviation Security Card and Driving Charges	9,000	9,000	0%	9,300	9,600	9,900	10,200	10,500	10,800	11,100	11,400	11,700
0	21,100	21,400	61,500	77,500	78,100	79,700	63,600	71,300	58,000	Bird Control Strategy	77,000	78,000	1%	80,300	82,700	85,200	87,800	90,400	93,100	95,900	98,800	101,800
0	0	0	2,300	4,100	800	100	300	300	400	Drug and Alcohol Management	500	500	0%	500	500	500	500	500	500	500	500	500
30,600	70,100	77,400	80,200	79,900	96,400	67,600	49,000	14,700	23,000	Aircraft Movement Area	21,000	60,000	186%	61,800	63,700	65,600	67,600	69,600	71,700	73,900	76,100	78,400
45,700	32,800	67,800	76,600	78,200	90,100	88,000	41,800	8,000	5,200	Remainder Of Movement Area	10,000	10,000	0%	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000
10,200	21,000	16,900	15,700	10,500	20,700	17,800	19,000	20,400	23,300	Fencing and Security	21,000	21,000	0%	21,600	22,200	22,900	23,600	24,300	25,000	25,800	26,600	27,400
1,000	1,000	9,300	2,900	1,300	4,100	6,900	3,000	2,300	2,000	Approach Clearing	6,300	6,500	3%	6,700	6,900	7,100	7,300	7,500	7,700	7,900	8,100	8,300
0	1,900	2,600	0	300	2,200	300	0	400	1,000	Approach Survey	1,000	1,000	0%	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
4,300	2,000	4,600	9,300	8,700	14,400	8,100	7,700	9,700	1,100	Extraordinary Inspections	1,200	1,200	0%	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
0	0	2,000	0	3,200	400	800	1,600	0	8,300	Lighting Inspections	4,500	4,500	0%	4,600	4,700	4,800	4,900	5,000	5,200	5,400	5,600	5,800
2,700	600	5,500	3,900	4,700	4,400	3,600	2,000	7,700	25,400	Markers, Cones and Wind Indicators	16,000	16,000	0%	16,500	17,000	17,500	18,000	18,500	19,100	19,700	20,300	20,900
200	100	300	1,600	2,700	1,800	8,400	34,100	15,600	17,500	Service Charges	21,000	52,000	148%	53,600	55,200	56,900	58,600	60,400	62,200	64,100	66,000	68,000
0	0	200	200	1,900	500	100	6,600	4,200	0	Emergency Exercises	10,000	10,000	0%	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000
24,400	15,300	32,300	17,100	15,500	17,600	6,800	9,800	1,500	30,600	Lighting Maintenance and Repairs	15,000	15,000	0%	15,500	16,000	16,500	17,000	17,500	18,000	18,500	19,100	19,700
28,800	29,000	31,600	56,900	89,600	104,000	109,600	140,700	111,000	106,200	Electricity	145,000	148,000	2%	152,400	157,000	161,700	166,600	171,600	176,700	182,000	187,500	193,100
0	0	8,000	0	200	3,300	2,200	600	1,500	3,100	Emergency Generator	5,000	5,000	0%	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
5,200	14,100	24,500	33,200	81,300	142,400	187,300	163,900	213,800	319,500	Promotion	260,000	260,000	0%	267,800	275,800	284,100	292,600	301,400	310,400	319,700	329,300	339,200
3,000	3,000	3,000	3,300	3,300	3,000	6,100	6,200	6,200	6,200	Airport Owners Assoc Membership	7,000	7,000	0%	7,200	7,400	7,600	7,800	8,000	8,200	8,400	8,700	9,000
0	100	200	200	200	200	600	200	200	100	Aviation Publications	200	200	0%	200	200	200	200	200	200	200	200	200
0	0	35,700	63,700	55,400	67,200	70,900	61,500	49,400	55,800	Paid Car Parking	60,000	62,000	3%	63,900	65,800	67,800	69,800	71,900	74,100	76,300	78,600	81,000
0	0	0	0	0	0	37,800	0	11,100	0	RNP Procedures	0	0	0%	0	0	0	0	0	0	0	0	0
0	0	0	0	6,100	9,000	5,000	13,600	2,900	2,200	Airport Signs	8,200	8,000	-2%	8,200	8,400	8,700	9,000	9,300	9,600	9,900	10,200	10,500
0	0	0	0	0	0	0	0	33,800	51,000	Plant and Equipment Maintenance	69,000	70,000	1%	72,100	74,300	76,500	78,800	81,200	83,600	86,100	88,700	91,400
0	0	0	0	9,100	7,400	6,100	13,000	0	0	Airport Non Directional Beacon Maintenance	0	0	0%	0	0	0	0	0	0	0	0	0
										Overheads and Debt Servicing												
129,500	134,800	88,000	176,000	213,000	268,000	294,000	302,000	325,000	378,000	Overheads to Airport	410,000	436,100	6%	449,200	462,700	476,600	490,900	505,600	520,800	536,400	552,500	569,100
95,600	59,000	41,800	109,500	217,000	237,900	554,100	502,300	471,900	422,600	Interest On Loans Airport	368,500	310,100	-16%	367,800	294,900	221,100	147,200	108,000	98,000	89,000	149,000	82,000
										Non-Cash												
167,200	165,000	270,500	271,000	735,000	784,000	760,600	770,700	830,400	806,800	Depreciation - Airport	999,000	1,030,000	3%	1,108,000	1,147,000	1,187,000	1,225,000	1,272,000	1,320,000	1,422,000	1,511,000	1,556,000
893,900	**1,009,000**	**1,606,600**	**2,466,600**	**3,078,000**	**3,552,300**	**4,329,000**	**4,362,900**	**4,519,700**	**4,957,900**	**Total Operating Expenses**	**5,370,300**	**5,622,500**	**5%**	**5,800,300**	**5,896,300**	**5,996,600**	**6,098,600**	**6,247,900**	**6,431,400**	**6,675,100**	**6,979,300**	**7,116,700**
29,400	**516,300**	**655,100**	**432,700**	**(358,900)**	**(69,200)**	**288,800**	**346,900**	**592,300**	**822,300**	***Operating Result - Surplus / (Deficit)***	**703,600**	**569,500**	**-19%**	**721,800**	**788,600**	**855,800**	**927,900**	**983,800**	**1,018,100**	**998,800**	**925,900**	**1,026,500**
167,200	165,000	270,500	271,000	735,000	784,000	760,600	770,700	830,400	806,800	*Add Back Depreciation*	999,000	1,030,000	3%	1,108,000	1,147,000	1,187,000	1,225,000	1,272,000	1,320,000	1,422,000	1,511,000	1,556,000
196,600	**681,300**	**925,600**	**703,700**	**376,100**	**714,800**	**1,049,400**	**1,117,600**	**1,422,700**	**1,629,100**	***Cash Result - Surplus / (Deficit)***	**1,702,600**	**1,599,500**	**-6%**	**1,829,800**	**1,935,600**	**2,042,800**	**2,152,900**	**2,255,800**	**2,338,100**	**2,420,800**	**2,436,900**	**2,582,500**
										Capital Movements												
0	169,000	185,800	251,400	237,400	250,600	838,700	845,500	970,600	1,073,300	Less Loan Principal Repayments	1,129,800	1,188,700		1,362,000	1,434,800	1,443,700	1,042,800	398,400	192,700	142,000	149,000	156,000
196,600	512,600	927,800	703,600	142,000	464,200	210,700	272,100	452,100	555,800	Less Transfer to Reserves	572,800	410,800		467,800	500,800	599,100	1,110,100	1,857,400	2,145,400	2,278,800	2,287,900	2,426,500
0	636,500	826,800	1,356,500	0	76,300	347,500	403,800	80,300	700,700	Add Transfer from Reserves	93,000	150,000		652,000	654,000	356,000	1,138,000	1,060,000	3,162,000	164,000	4,566,000	2,168,000
0	0	1,000,000	2,800,000	500,000	655,600	4,647,700	725,000	2,791,400	0	Add Capital Funding	2,400,000	4,500,000		0	0	0	0	0	3,000,000	0	0	5,000,000
0	636,200	1,638,800	3,905,200	496,700	731,900	4,995,200	1,128,800	2,871,700	700,700	Less Capital Expenditure	2,493,000	4,550,000		552,000	554,000	256,000	1,038,000	960,000	6,062,000	64,000	4,466,000	7,068,000
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	***Cash Result after Capital Movements***	**0**	**100,000**		**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
292,200	**740,300**	**967,400**	**813,200**	**593,100**	**952,700**	**1,603,500**	**1,619,900**	**1,894,600**	**2,051,700**	***Earnings before Interest,Tax, Deprec (EBITDA)***	**2,071,100**	**1,909,600**		**2,197,600**	**2,230,500**	**2,263,900**	**2,300,100**	**2,363,800**	**2,436,100**	**2,509,800**	**2,585,900**	**2,664,500**

2002/03	2004/05	2006/07	2008/09	2010/11	2011/12	2013/14	2014/15	2015/16	2016/17	Key Financial Indicators	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
3%	34%	29%	15%	(13%)	(2%)	6%	7%	12%	14%	Operating result as a % of income	12%	9%	11%	12%	12%	13%	14%	14%	13%	12%	13%
21%	45%	41%	24%	14%	21%	23%	24%	28%	28%	Operating result as a % of income (ex dep)	28%	26%	28%	29%	30%	31%	31%	31%	32%	31%	32%
10%	15%	10%	12%	17%	14%	30%	29%	28%	26%	Debt Ratio	25%	24%	27%	26%	24%	17%	7%	4%	3%	4%	3%
5%	5%	10%	16%	22%	21%	24%	25%	26%	27%	Non-standard income as a % of income	25%	25%	28%	29%	29%	29%	29%	29%	29%	29%	29%
6%	8%	14%	18%	19%	21%	25%	27%	29%	32%	Non-standard income as a % of expenses	28%	28%	32%	32%	33%	33%	33%	34%	33%	33%	33%
7%	9%	17%	20%	25%	27%	31%	33%	36%	38%	Non-standard income as a % of exps (ex dep)	35%	34%	40%	40%	41%	42%	42%	42%	42%	42%	42%

Ballina Byron Gateway Airport - Capital Movements

Airport - Capital Expenditure Summary

Asset Description	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Ballina Airport															
Airport Precinct Master Plan						100,000									
Apron Overlay and Expansion	215,600	108,600	2,719,200											4,000,000	
Baggage Make Up Area											500,000				
Car Parking, Solar and Boom Gates							500,000	500,000							
Car Park / Shade Structures		888,300	34,300												
CAGRO Facility									200,000						
Checked Baggage Screening										600,000					
Checked Baggage Screening Extra														400,000	
Drainage	9,400					30,000									
Fencing	48,600	8,900													
Fire Fighting Infrastructure		54,300													
Miscellaneous Infrastructure	23,500	20,300	68,000	125,700	93,000	50,000	52,000	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000
Obstacle Tower Lennox Head	98,900														
PALC, Lighting Controls and ALER						370,000									
Runway Approach Lighting											400,000				
Runway Friction Testing and Grooving										380,000					
Runway Upgrade and Overlay	4,511,200											6,000,000			
Storage Shed	88,000														
Terminal Expansion - Stage Two		48,400	50,200	575,000	2,400,000	4,000,000									
Terminal Expansion - Stage Three															7,000,000
Total	4,995,200	1,128,800	2,871,700	700,700	2,493,000	4,550,000	552,000	554,000	256,000	1,038,000	960,000	6,062,000	64,000	4,466,000	7,068,000

Funding Sources 2016/17			Funding Sources 2017/18			Funding Sources 2018/19			Funding Sources 2019/20		
Grants	Loans	Reserves	Grants	Loans	Reserves	Grants	Loans	Reserves	Grants	Loans	Reserves
		0			0			100,000			0
		0			0			0			0
		0			0			0			0
		0			0			0			500,000
		0			0			0			0
		0			0			0			0
		0			0			0			0
		0			0			0			0
		0			0			30,000			0
		0			0			0			0
		0			0			0			0
		125,700			93,000			50,000			52,000
		0			0			0			0
		0			0			370,000			0
		0			0			0			0
		0			0			0			0
		0			0			0			0
		0			0			0			0
		575,000	2,400,000		0	2,100,000	2,400,000	(500,000)			0
		0	0		0			0			0
0	0	700,700	2,400,000	0	93,000	2,100,000	2,400,000	50,000	0	0	552,000

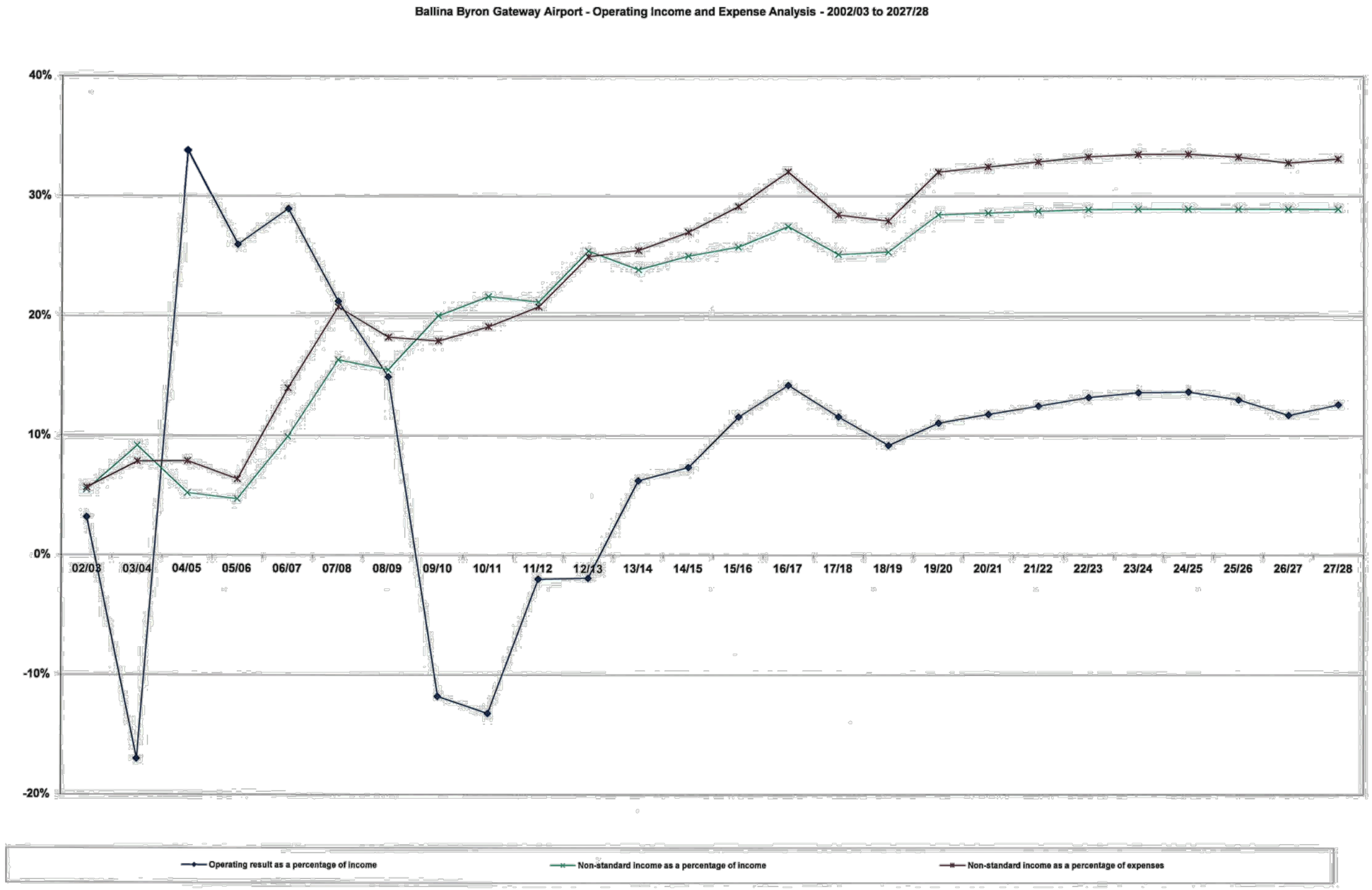
Source of Capital Funding	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Capital Grants and Contributions	0	0	2,291,400	0	2,400,000	2,100,000	0	0	0	0	0	3,000,000	0	0	0
Loan Funds	4,647,700	725,000	500,000	0	0	2,400,000	0	0	0	0	0	0	0	0	5,000,000
Reserves	347,500	403,800	88,300	700,700	93,000	50,000	552,000	554,000	256,000	1,038,000	960,000	3,062,000	64,000	4,466,000	2,068,000
Total	**4,995,200**	**1,128,800**	**2,879,700**	**700,700**	**2,493,000**	**4,550,000**	**552,000**	**554,000**	**256,000**	**1,038,000**	**960,000**	**6,062,000**	**64,000**	**4,466,000**	**7,068,000**

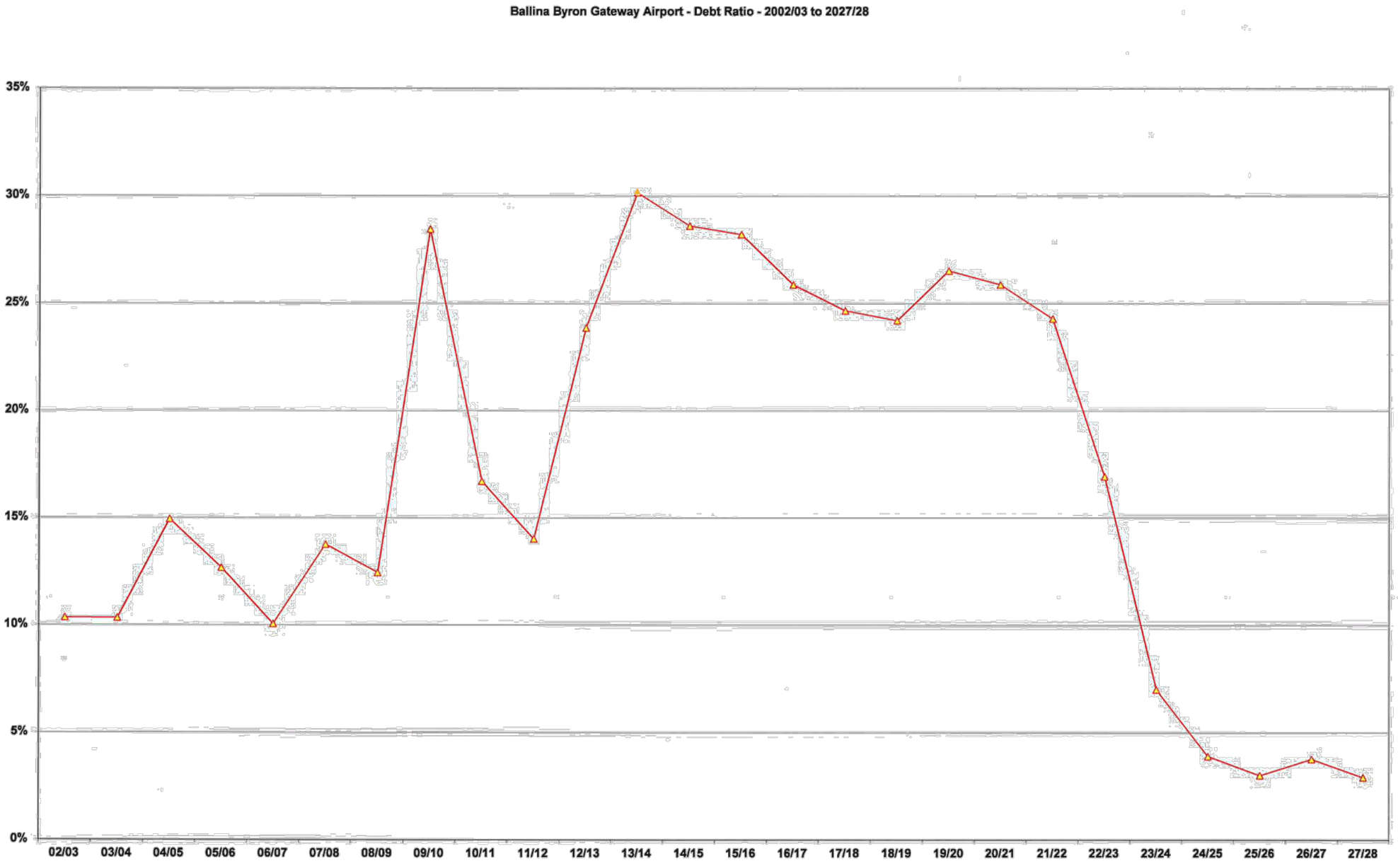
Cash and Reserve Balances	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Opening Balance	(455,700)	(592,500)	(724,200)	(352,400)	(497,300)	(17,500)	243,300	59,100	(94,100)	149,000	121,100	918,500	(98,100)	2,016,700	(261,400)
Movement	(136,800)	(131,700)	371,800	(144,900)	479,800	260,800	(184,200)	(153,200)	243,100	(27,900)	797,400	(1,016,600)	2,114,800	(2,278,100)	258,500
Closing Balance	(592,500)	(724,200)	(352,400)	(497,300)	(17,500)	243,300	59,100	(94,100)	149,000	121,100	918,500	(98,100)	2,016,700	(261,400)	(2,900)
Dissection of Total Cash															
Council Reserve Balance	(592,500)	(724,200)	(352,400)	(497,300)	(17,500)	243,300	59,100	(94,100)	149,000	121,100	918,500	(98,100)	2,016,700	(261,400)	(2,900)
Unexpended Grant Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unexpended Loan Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Held	(592,500)	(724,200)	(352,400)	(497,300)	(17,500)	243,300	59,100	(94,100)	149,000	121,100	918,500	(98,100)	2,016,700	(261,400)	(2,900)

Loan Summary	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Loan Principal	838,700	845,500	970,600	1,073,300	1,129,800	1,186,700	1,362,000	1,434,800	1,443,700	1,042,800	398,400	192,700	142,000	149,000	156,000
Loan Interest	554,100	491,900	473,000	424,800	368,500	310,100	367,800	294,900	221,100	147,200	108,000	98,000	89,000	82,000	75,000
Total	**1,392,800**	**1,337,400**	**1,443,600**	**1,498,100**	**1,498,300**	**1,498,800**	**1,729,800**	**1,729,700**	**1,664,800**	**1,190,000**	**506,400**	**290,700**	**231,000**	**231,000**	**231,000**
Principal Outstanding - 30 June	**9,157,700**	**9,037,200**	**8,566,600**	**7,493,300**	**6,363,500**	**7,574,800**	**6,212,800**	**4,778,000**	**3,334,300**	**2,291,500**	**1,893,100**	**1,700,400**	**1,558,400**	**1,409,400**	**6,253,400**

Infrastructure Assets	Actual ($'000)				Estimated ($'000)										
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Written Down Value	29,505	36,941	39,411	40,052	41,546	45,066	44,510	43,917	42,986	42,799	42,487	47,229	45,871	48,826	54,338

Loan Repayment Dissection	2017/2018		2018/2019		2019/2020		2020/21		2021/2022		2022/2023		2023/2024		2024/2025		2025/2026		2026/2027		2027/2028	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
Airport	67,737	35,087	72,664	30,160	78,492	24,331	84,227	18,597	90,574	12,243	97,045	5,779										
Airport	152,808	62,466	160,491	54,783	169,300	45,975	177,963	37,311	187,228	28,047	196,975	18,299	207,229	8,046								
Airport	58,300	6,600	60,000	4,900	61,700	3,200	63,400	1,400	0	0												
Airport - LIRS	721,549	227,684	761,234	188,000	802,141	147,092	847,522	101,711	893,831	55,402	465,310	9,466										
Airport - Car Park / Shade Covers	85,300	21,100	88,600	17,800	92,100	14,300	95,700	10,700	99,400	6,900	103,000	3,000										
Airport - Apron Overlay (RTIF)	44,100	15,600	45,700	14,500	47,300	12,900	49,000	11,200	50,700	9,500	52,500	7,700	56,200	4,000	57,700	2,000	0	0	0	0	0	0
Airport - Terminal (RTIF)			0	0	111,000	120,000	117,000	114,000	122,000	109,000	128,000	103,000	135,000	96,000	135,000	96,000	142,000	89,000	149,000	82,000	156,000	75,000
	1,129,794	368,537	1,188,689	310,143	1,362,033	367,798	1,434,812	294,919	1,443,733	221,092	1,042,830	147,244	398,429	108,046	192,700	98,000	142,000	89,000	149,000	82,000	156,000	75,000


Ballina Byron Gateway Airport - Operating Income and Expense Analysis - 2002/03 to 2027/28
40%
30%
20%
10%
0%
-10%
-20%
02/03
03/04
04/05
05/06
06/07
07/08
08/09
09/10
10/11
11/12
12/13
13/14
14/15
15/16
16/17
17/18
18/19
19/20
20/21
21/22
22/23
23/24
24/25
25/26
26/27
27/28
Operating result as a percentage of income
Non-standard income as a percentage of income
Non-standard income as a percentage of expenses


Ballina Byron Gateway Airport - Debt Ratio - 2002/03 to 2027/28
35%
30%
25%
20%
15%
10%
5%
0%
02/03
03/04
04/05
05/06
06/07
07/08
08/09
09/10
10/11
11/12
12/13
13/14
14/15
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16/17
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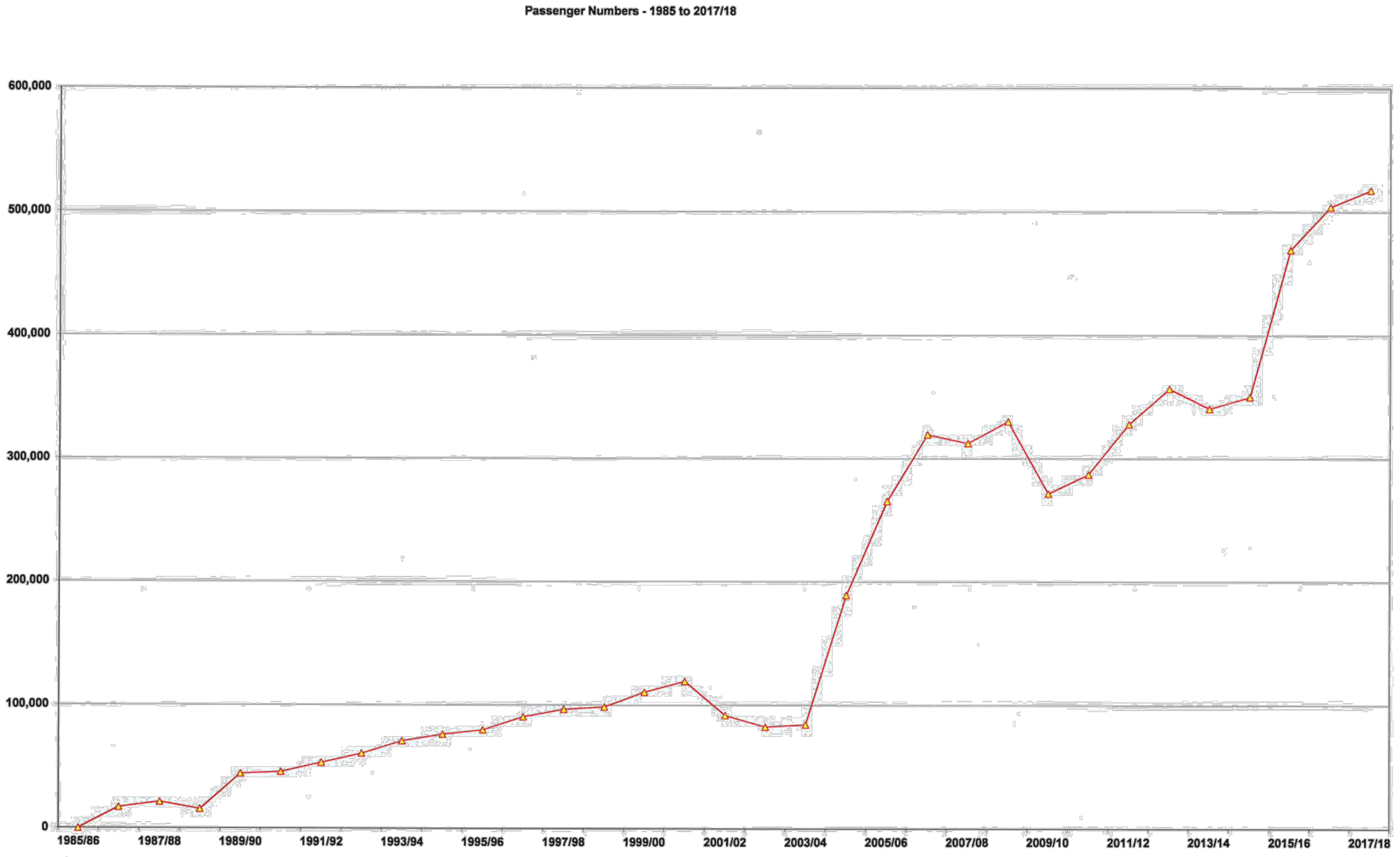
26/27
27/28


Passenger Numbers - 1985 to 2017/18
600,000
500,000
400,000
300,000
200,000
100,000
0
1985/86
1987/88
1989/90
1991/92
1993/94
1995/96
1997/98
1999/00
2001/02
2003/04
2005/06
2007/08
2009/10
2011/12
2013/14
2015/16
2017/18

Ballina Airport – Solar System proposals

The following report details the consumption and suggested solar options that will suit the Ballina Airport.

Please note that Utilising the supplied interval data and modelling a typical solar system output over the consumption shows that a suitable size system for the site would be around 180kw.

The following information details the typical reductions in consumption and solar production of a 180kw system. A larger system may be required with potential additions in load and the expansion of the airport. To more accurately determine the most suitable system with the expansion a more detailed analysis needs to be undertaken to consider the particulars of the expansion of the site.

The interval data shows that the site has continual consumption 7 days a week. Seasonally the consumption fluctuations are coinciding with the locations climate.

Typical site energy use – from interval data

The following information shows what the expected solar system production would look like over the supplied interval data. The daily consumption ranges from 1400-1950kwh a day with an average of 1700-1800kwh a day

Car-park Structure

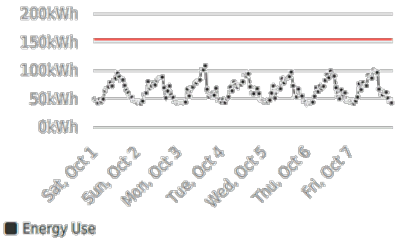
Included in this documentation is a high-level estimate in the costs of installation of a carpark structure. This would be a option for the site as it has a close proximity to the Main Switchboards. However utilising available roof space would be the most cost-effective method of installation for solar.

Ballina Shire Council Ballina Airport

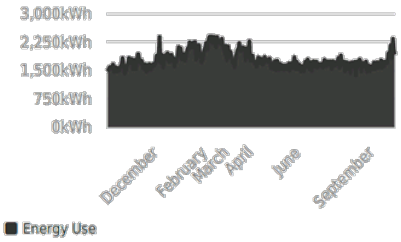
180kw Solar System – Typical Yield and Consumption overlay

Daily average energy use: 1775.2kWh
Total annual energy use: 647,942kWh
Maximum demand: 154.72kW
This information is used to determine your 180kW solar investment performance by analysing each hour of your consumption and the energy/power tariffs that apply at each interval.

One Week Energy Use:

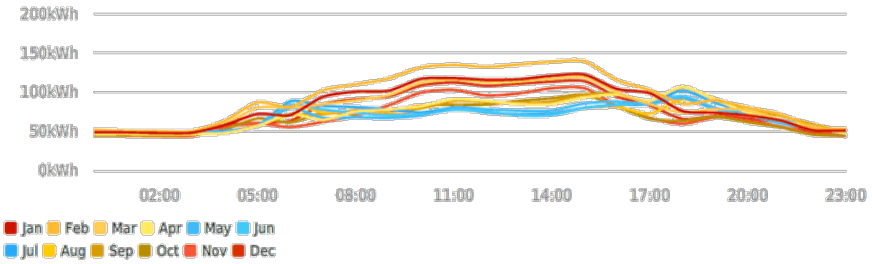


One Year Energy Use



The below energy graph is a model of the typical energy consumption of a shopping centre.

Seasonal Energy Consumption



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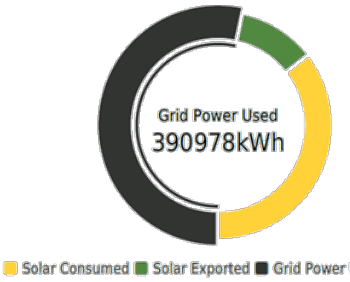
Ballina Shire Council Ballina Airport

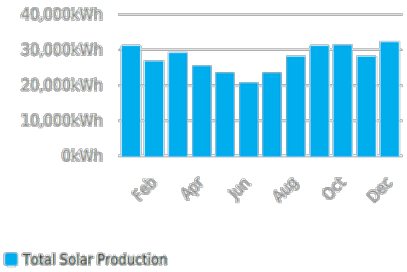
Below is a model of the potential benefit for a 180kw solar system of the sites energy consumption profile

Daily average energy generated: 775.3kWh
Total annual energy generated: 282,978kWh
Estimated demand reduction with solar: 9kW/month (average)
By simulating your 180kW solar system using data near your site (coffs harbour, nsw), we can accurately determine how much solar energy production will impact on your current energy usage patterns.

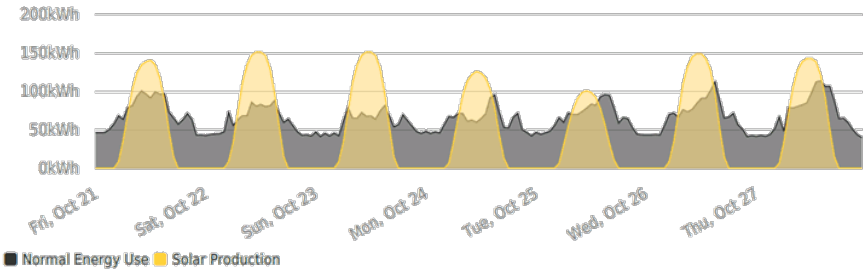
One Week Energy Use:



One Year Energy Use



Solar Energy Simulation Against Your Energy Use



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The following table briefly details the potential costs, rebates and returns of a 180kw solar system on the site. The pricing below only indicates the costs of a 180kw solar system installed on a Tin roof. The carpark structures as mentioned further in the report are an extra cost.

Exectuive Summary of Finnancial costs – Benefits and rebates

Here is a complete summary of your current cost of power, expected future costs and solar investment savings figures.

Cost of Power	
Total Annual Electricity Cost	$151,582
Peak Energy Cost - Currently unknown	$0 ($0.000/kWh)
Shoulder Energy Cost - Currently unknown	$0 ($0.000/kWh)
Off-Peak Energy Cost - Currently unknown	$0 ($0.000/kWh)
Average Energy Cost/kWh (25 Years @ 3% p.a. price increase)	$$0.349/kWh
Solar Savings	
Total First Year Savings Estimate	$77,752
Average Cost of Solar Energy (LCOE)	$$0.033/kWh
Total 25 Year Savings Estimate	$1,878,903
Solar Energy	
Amount of Solar Energy Produced	282,978 kWh
Percentage of Solar Energy Exported	15.32%%
Amount of Solar Energy Offset (Consumed)	239,624.2kWh
Investment Financials	
Return On Investment	22.16%
Internal Rate of Return	21.50%
Payback Period	4.48 years
Total STC Rebate Amount Excluding GST	$97,020.00
Total Investment Amount Excluding GST (CAPEX)	$350,909.09
Finance Repayments (Monthly / Yearly / Lifetime)	$0 / $0 / $0
Savings Estimate (Monthy / Yearly / Lifetime)	$6,479 /$77,752/ $1,878,903
Finance Term	0

Typical System component build of a 180kw system.

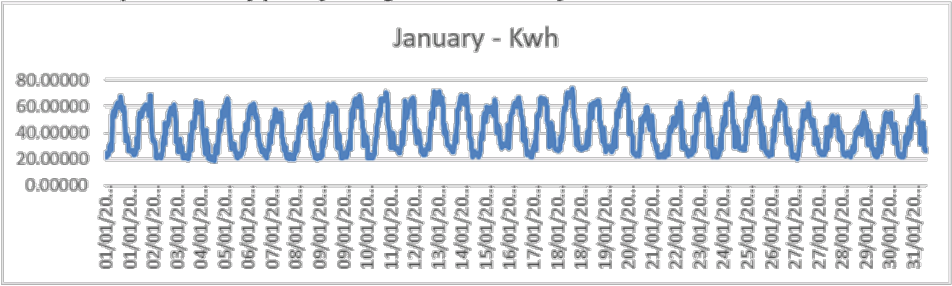
Site Map

Site/System Summary

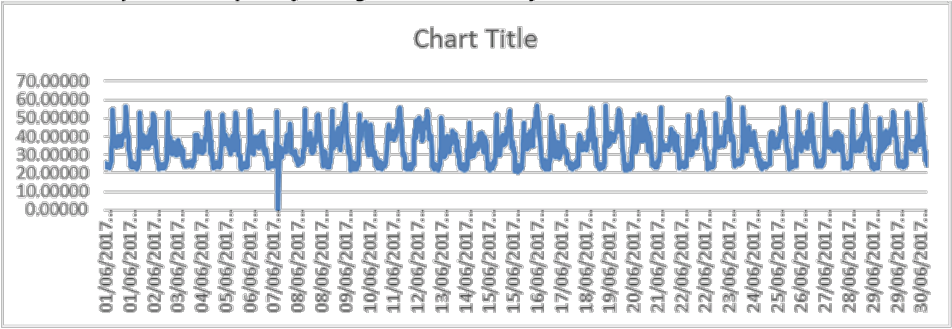
Solar System Size	180kW
Solar Panels	600 x Trina Solar - 300W - (TSM-300DEG5(II)) Solar Panels
Solar Inverters	3 x (ABB) Power-One Aurora 50kW (TRIO-50.0-TL-OUTD) -
Site Address	210 Southern Cross Drive, Ballina, NSW, 2478
Solar Data Location (For Simulation)	coffs harbour, nsw

The following Graphs detail the typical consumption on an average winter and summer month. The third graph details the annual kw peak.

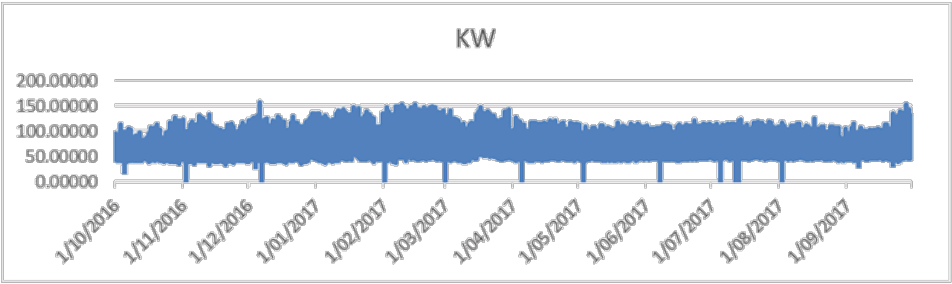
KWH consumption – January per day average of 1700kwh a day



KWH consumption – June per day average of 1600kwh a day



KW Peak by date Max peak demand of 163kw



The following pages show a possible layout for a 180kw system over the carpark spaces of the airport. The information provided also shows the typical production of a 180kw system using local solar irradiance data. Although this looks small this is the footprint of a 180kw carpark structure solar system

176-178 Southern Cross Dr, Ballina NSW 2478, Australia

Proposed Solar Panel Placement

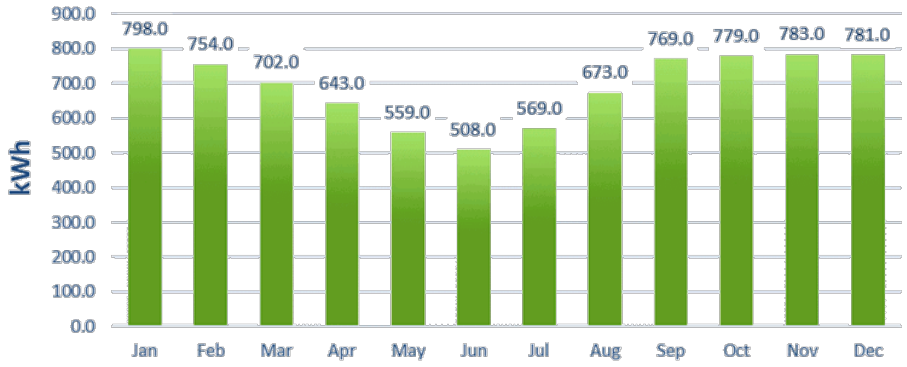
System Parameters

Manufacturer Power Rating for Array	180,000 W
Manufacturer and Model	Trina Solar - TSM-300PC14
Number of Panels	600
Total Panel Area	1,164.2 m^2
Panel Type	Polycrystalline
Panel Length	1,956 mm
Panel Width	992 mm
Panel Nominal Power (STC)	300 W
Nominal Operating Cell Temperature	45.0 °C
Temperature Coefficient for Power	-0.44 % / K
System Efficiency[1]	77 %
Electricity Price	$0.28 / kWh

Estimated Performance

Energy Output[2]	252,892 kWh / year
Greenhouse Gas Emission Reduction[3]	220,016 kg CO_2 / year
Electricity Savings (maximum)[4]	$70,810 / year

Estimated Average Daily Energy Output by Month[2]



[1]System efficiency is estimated by the solar installer to account for losses that may include shading, inverter efficiency for DC to AC conversion battery efficiency, cable losses, dirt, manufacturer tolerances, grid-tie system outages, maintenance downtime, and other factors.

[2]Energy Output is calculated based on historical solar irradiance and temperature data at this location, factoring in panel tilt, orientation, and all of the System Parameters including System Efficiency.

[3]Emission reduction assumes full output usage and 0.87 kg CO_2 / kWh based on New South Wales average (National Greenhouse and Energy Reporting (Measurement) Determination 2008).

[4]Assumes full year-round utilisation of generated electricity, and will change based on usage and feed-in tariffs.

Panel Orientation and Tilt

Panel Type Name	Panels	Tilt	Orientation (relative to N)
Trina Solar - TSM-300PC14	600	22.5°	344.0°

Carport structures – Pricing extra on-top of above mentioned estimates solar price

To following table gives you a ball park estimate.
These figures are based on using 280 - 300W 60 Cell Modules.
As can be seen to install these structures can be costly.

The key issues to consider when thinking about car park structure are the following

- Marketing and image. Although more expensive then the installing on a standard roof. What is the image you are interested in portraying? Clean/Green/conscious renewables leader.
- This will also allow more shaded parking areas
- This cost may be cheaper when a more thorough analysis of the ground conditions and structure, as well if working in conjunction with another project.
- Is there space to install on the roof instead to reduce costs?

Indicative estimate for solar, carport structures and linking to MSB for this site

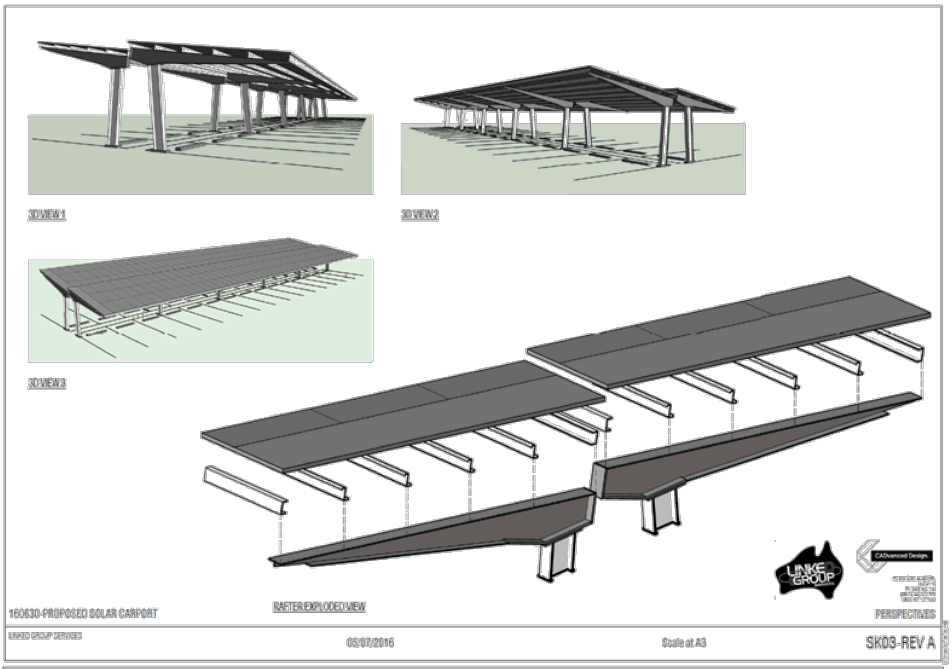
3 module carport sample pricing	Price per watt	Per 180kw
Solar per watt on tin roof after stc/LGC	1.3	234000.00
Labour – cranes - borers	0.6	108000.00
Build of system – electrical for trench and connections to MB	0.2	36000.00
Trenching (standard) – brownfields 150.00P/m - 50m		15000.00
carport	1.7	342000.00
concrete		20000.00
Total –(consider +/-20%)		**8180000.00 ex Gst**
Compare I roof mounted		**290-350k ex Gst**

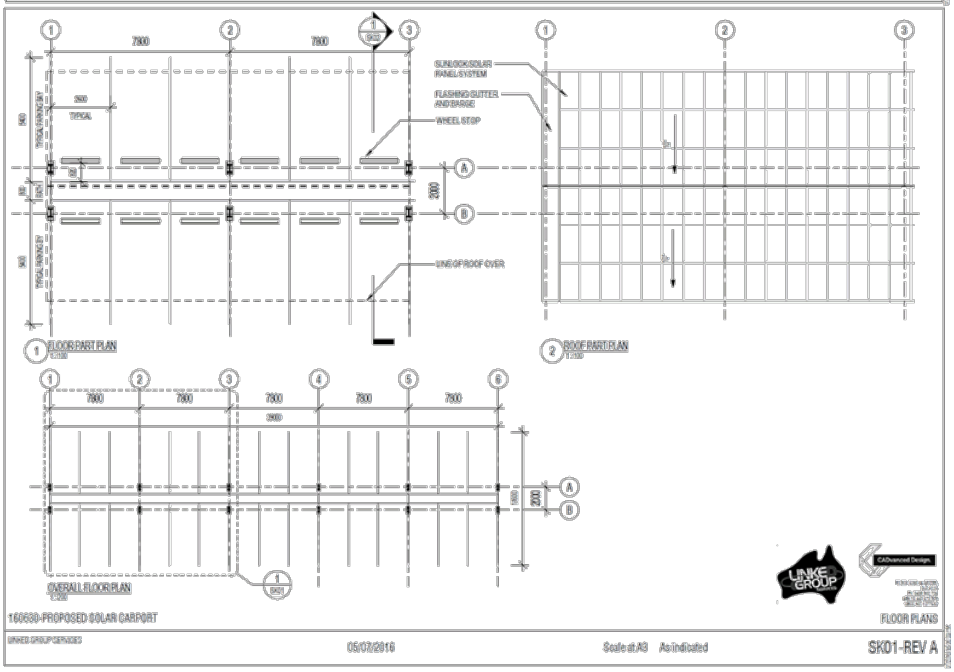
Carpark structures

3d model Links

- SC1 - https://sketchfab.com/models/219693a1000544b68a745d8ee0743f51
- SC2 - https://sketchfab.com/models/c9eb4809bce9435aae2bfe8ea46425ce
- SC3 - https://sketchfab.com/models/37982fdc491804cf795f5c0b0a9c4af1e

Ballina Shire Council Ballina Airport





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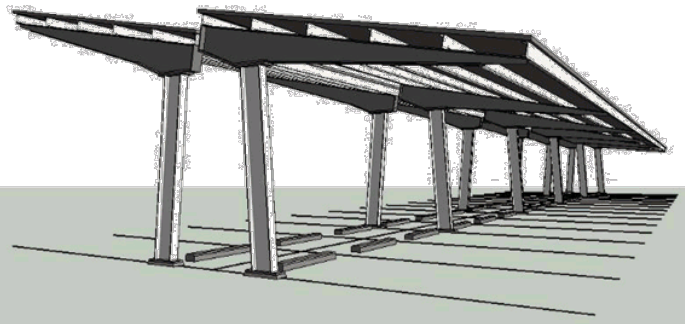


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RFP Documentation - Draft - – Please note if being sent out id like to review first

1. Base Building requirements

The Client "Ballina Shire Council "[BSC] shall consider the following. The following considerations need to occur to determine the responsibilities of each party:

- Structural certification of the suitability of the building for the works?
- Supply and install additional temporary roof safety hardware as required for lifting materials and working at heights for construction?
- Design, supply and install permanent safe roof access hardware and fall protection to allow safe ongoing operation and maintenance of the installed solar PV system?
- Considerations for Forming of openings in roof slabs, walls, firewalls, etc. for the penetration of cable trays, ladders, conduits, etc. including sealing to comply with all codes and regulations?
- Installation of any additional safe access infrastructure to ensure safe installation and ongoing maintenance of the system and roof access?
- Switchboard upgrades or reconfiguration as required for the installation of the proposed PV system?

The Subcontractor "Solar Contractor" shall read the remainder of this document (point 2. PV Sub-contractor requirements and onwards) which is provided as information only to indicatively show what the solar installation will consist of and what the PV Sub-contractor will be required to deliver. It is not a definitive scope of works and will in no way place any limitation on what the final solar installation may be. It is provided to allow the solar contractor an opportunity to make the necessary allowances in their tender.

2. PV Sub-contractor requirements

2.1. Renewable Energy Certificates

Systems Below 100kW and eligible for STC's

- Where the system is below 100kw the contractor should stipulate the quantity of stc created and quote the STC value
- Final quote price should be final price less STC rebate

Systems over 100kW and eligible for LGC's

Where the system is eligible for Large-Scale Generation Certificates (LGCs) under the Australian Government's

Large-scale Renewable Energy Target (LRET), the builder shall

- Install and commission a Clean Energy Regulator approved LGC meter
- Complete and lodge power station applications with the Clean Energy Regulator
- Create large-scale generation certificates (LGCs) from power stations" electricity generation
- Provide annual performance report on the Solar PV system evaluated against local meteorological data
- Act as the primary point of contact for all regulator communication and compliance related issues

General Requirements

1. Standard of Materials and Workmanship

All electrical equipment shall be of first-grade quality in regard to the design, manufacture and installation and shall be complete for satisfactory operation, control, maintenance and safety under all conditions of service.

2. Noise

At all times, and at the request of the site operator, construction noise shall be kept to a minimum at critical times. This may require staging or ceasing roof installation works to reduce noise during critical times to the site operator.

3. Compliance with Codes

3.1. Structural Safety

The support structure of the Solar PV shall be compliant with worst-case wind loadings for the region

specified in AS1170.2 including allowance for the building height.

All PV framing shall conform to AS1170.2 and documentation must be sighted by the client or nominated agent prior to commencement and adhered to throughout the installation.

3.2. Electrical Safety

All inverters of the solar PV system shall be compliant with AS4777 and AS3100 and approved by a state regulator for safe use in Australia. All inverters shall be on the approved list of inverters supplied by the Clean Energy Council. Documented proof of the listing of the selected inverters on the Clean Energy Council list of approved inverters shall be provided.

The installation shall also be compliant with:

- The Electrical Network Service Provider ("the distributor") requirements.
- Australian Standard AS/NZS 3000 (S.A.A. Wiring Rules).
- The solar provider shall be responsible for:
- Ensuring that all components and equipment used are approved for use in Australia, meet relevant
- Australian Standards, are C-tick approved and are accredited for use in solar PV installations by the
- Clean Energy Council;
- Ensuring all components, equipment and wiring including cabling, electrical protection, controls, inverters, circuit, breakers, fuses, fire protection fuses and lightning protection are installed in accordance with the provisions of AS/NZS 3000, AS/NZS 5033 and all other applicable Australian Standards;
- The roof mounting positions, cabling reticulation, switch box locations, and any other coordination necessary for the correct, safe and proper installation and commissioning of the PV system;
- All DC and AC wiring to complete the installation including wiring and cabling between the PV panels, inverters, meters and distribution boards, as required.
- The successful tenderer shall:
- Design, engineer, construct and commission the PV system in accordance with Australian Standards and best industry practice
- Adhere to all earthing requirements as outlined in Australian Standards with particular attention to the new requirements under AS 5033;
- Install all PV wiring and components to minimize exposure to detrimental environmental effects where they are protected from ultraviolet radiation, corrosion, abrasion, tension, compression & cutting forces. Plastic cable ties are not to be used as a primary means of support for cables and wiring;
- Install connectors that are mated with connectors of the same type from the same manufacturer;
- Install DC switch disconnection devices that are not polarity sensitive and comply with the requirements of AS5033;

- Install DC Circuit breakers that are not polarity sensitive. They must also be rated to interrupt the full load when operated and have a voltage rating greater than the open circuit voltage, VOC;
- Ensure that all equipment and appliances provided under this contract are not capable of causing any interference with any electronic or radio equipment, local or otherwise. Should any item of equipment cause interference to electronic or radio equipment, provide efficient devices to eliminate such interference and install without additional cost to this contract.

4. Site Access and Component Storage

The Client must ensure the solar provider has access to the Site and provide a designated location(s) for storage of materials, components, equipment and all other related items associated with the installation or other processed associated with delivery of the Works.

The solar provider will provide the builder or their on-site representative with a Site access plan which details the method the Contractor is seeking to employ in accessing the site both for personnel of the Contractor and equipment/supplies, particularly where it may impede the operations of the facility or access to the Site

4.1. Design

The Solar Contractor should ensure the electrical design of the system shall be completed and signed off by an accredited solar PV designer accredited with the CEC. All appropriate design documentation shall be submitted to the client for approval prior to any works being undertaken

4.2. Materials

The Solar Contractor shall ensure that the supply of materials, fittings, accessories and apparatus of first grade design and manufacture throughout shall comply with the latest relevant S.A.A. specifications. Uniformity of accessories and fittings throughout the installation shall be preserved.

4.3. Supply and Metering

The Solar Contractors Electrical Contractor shall confirm that the complete electrical installation shall be suitable for connection to the standard voltages and frequencies of the distributor.

The solar provider shall liaise with the distributor and provide all notices about the supply of electricity to the installation. It shall be the solar provider's responsibility to ensure that the requirements for the installation of meters and other equipment shall be provided for in the installation.

4.4. Setting Out

The solar Contractor shall provide a set out point for the PV Solar Provider to position of equipment as shown on the drawings shall be considered as approximate only, and the solar provider shall determine the exact locations while meeting the stated constraints.

All equipment shall be mounted square to building lines walls etc and shall be level, plumb and in alignment with similar equipment. The installation shall present a neat and orderly appearance on completion, to the satisfaction of the council.

4.5. Cutting, Fixing, Drilling and Making Good

The solar provider in carrying out all cutting, boring and fixing necessary to install equipment, conduits, etc. relating to the electrical installation and its associated works.

The solar provider must comply with the safety requirements for tools for conducting cutting, fixing, drilling and making good.

Any damage to the building or its attachments caused by the solar provider shall be made good at the expense of the solar provider. If it is found necessary to alter the finished work through fault of the solar provider, then such

work will be performed at the expense of the solar provider. No cutting, chasing, drilling or excavation shall be performed by the solar provider without prior notice or approval by the builder's Project Manager regarding the type, location, method or timing of such works.

4.6. Roof Penetrations

The solar contractor shall all roof penetrations are suitably sealed to last the lifetime of the installation.

The contractor will be required to ensure that all penetrations through any building elements such as fire rated walls and ceiling or any other component of the building structure will be undertaken in such a way as to comply with:

- AS 1530 – Methods for fire tests on building materials, components and structures
- AS 4072 –Components for the protection of openings in fire-resistant separating elements – Service penetrations and control joins

The solar contractor shall ensure that any penetrations in any form of roofing system, structure or material will be fully sealed and made waterproof in many that will continue to offer this protection for expected life of the System being not less than 25 years.

4.7. Fastening and Fastening Materials

The Solar Contractor shall ensure the solar provider fastening of Conduits, pipes, cable, switches, receptacles, wall boxes, panels, distribution boards, outlets and similar equipment shall be firmly secured in place. Use expansion shields or concrete inserts with concrete or brick; toggle bolts on hollow tile or wire lathe; wood screws of adequate gauge on wood. Wood, lead or composite plugs will not be permitted.

4.8. Reticulation

The Solar Contractor shall provide adequate access for all wiring routes, the routes shall be concealed where practical and not adversely affect the aesthetics of the building internally or externally.

4.9. Testing and Commissioning

The Solar Contractor shall confirm and ensure solar provider has carried out commissioning and final acceptance tests as required by the project manager and as specified. Commissioning test must be performed in accordance with AS/NZS 5033:2014 Appendix I. to ensure all the solar equipment are operating correctly including solar panels, panel strings, inverters, meter, data logger and electrical protection devices. Final acceptance tests shall be done in the presence of the project manager and shall conform to AS/NZS 3000 and AS/NZS 3017 standards.

The builder shall provide a Certificate of Electrical Safety for the installation and include a copy in the manuals. The contractor must also provide a report that includes voltage and temperature measurements, the current and irradiance measurements, the earth fault protection test and also states the conditions of the PV array wiring after the test, including any repairs and corrections carried out as a result of the inspections

4.10. Warranty and Free Service

The Solar Contractor shall ensure all workmanship and installation has been guaranteed for a minimum period of five years from the date of Practical Completion. All warranties must be from the date of practical completion, and not the date of installation or firstoperation.

The cost of all labor and materials expended in complying with the above shall be borne by the solar

provider. Copies of any warranty documents shall be forwarded to the client.

4.11. Safety

The Solar Contractor is responsible for:

All collectors shall be installed in accordance with AS5532:2013 and checked and certified on an annual basis for the maintenance period.

In compliance with AS/NZS 4801 Occupational health and safety management systems, the solar provider is required to have in place a documented project Work Health and Safety Management System (WHSMS) that complies with the standard.

Major elements of the system should include processes and procedures for:

- Roles and responsibilities for WHSmanagement
- Staff training and induction processes
- Responding to and managing complaints, non-compliances and incidents
- Health and safety reporting and correspondence for the project
- Internal auditing and monitoring of environmental performance
- Project risk identification, assessment and management
- Setting WHS objectives and measurable performancetargets
- Identifying and complying with legal and other requirements
- Review and update of project environmental documentation

4.12. As-Installed Drawings and Maintenance Manuals

The Solar Contractor shall be responsible for the collection at the completion of the works all relevant documentation. The supply of all necessary information for the satisfactory operation and maintenance of the services shall form part of this documentation

5. Grid connection

The Solar Contractor shall manage the solar provider who in turn is responsible for grid connection approval, required grid connection studies and any secondary network grid protection relays as required by the distributor.

The solar provider is responsible for all relevant notices, arranging for inspections and testing, and pay all fees to the distributor and other authorities as required in connection with the solar PV installation.

The solar provider is responsible for managing and organising any meter upgrades or replacements at the site required for the solar installation.

The solar provider is responsible for ensuring that the required feed in tariff for exported solar is accepted by the retailer prior to practical completion. Paperwork required includes:

- Solar (renewable or low emissions technology) Connection Form
- Electrical Works Request(EWR)
- Certificate of Electrical Safety (CES)

6. Internet connectivity

Should normal operation of the solar system require an internet connection it is the council's responsibility to provide an internet access point or wireless internet onsite.

6.1. PV mounting systems

6.1.1. Framing and roof attachment

The roofing requirement and support structurally is the responsibility of the client. The solar provider shall provide mounting details of the selected PV array. The documentation is used as a guideline. Special consideration needs to be undertaken for the mounting of the solar system to the sandwich panel roof. Further details on the requirements for frame fixing are outlined in the site specific solar PV briefs; and roof details are provided in the site-specific documentation.

Non-penetrative frame fixing shall comply with appropriate pull-out tests as specified by the CEC. Where penetrative methods are used weatherproofing of the fixing method shall be maintained and ensured for the design life of the installation.

The solar provider shall:

- Provide the installation manual identifying methods for safely constructing and securing the equipment on sites,
- Provide verification of the framing to AS1170.2 including obtaining from the frame supplier a copy of the engineering certification stating that the array frame is certified to AS1170.2 for a Universities location;
- Provide information on how the frame is to be mounted on the roof to maintain this certification;

The array frame shall be installed to the manufacturers recommendations to ensure the array frame meets AS1170.2 certification, with consideration of the following:

- Minimum spacing between fixing for the specific wind regime;
- Type, length and gauge of screws to be used;
- Number of screws required per fixing;
- Size of batten/purlin required for fixing
- Foot spacing tables for internal and edge/corner intermediate zones at the specific AS1170.2 wind region and roof height. Number of fixing and purling locations for non-penetrative fixtures
- The mounting frame/support for the PV arrays is to be weatherproof and corrosion resistant. The lifetime of the mounting structure must exceed the lifetime of the PV arrays.
- All dissimilar metals must be mechanically separated to prevent galvanic corrosion
- Provide a minimum 10-year warranty on framing

The solar provider is responsible to ensure adequate and safe connection of the roof framing to the building/roof structure. The solar provider shall provide structural certification of the installed solar mounting system and the suitability of the building structure for the installed solar PV system.

6.1.2. Structural engineering approval

The Client and solar contractor shall engage and confirm all requirements of the structural certifications and sign off certificates as concerned with the weight loading and wind loading of the solar system on the roof. The solar provider is responsible for liaising and providing the required and correct information as requested by the structural engineer to determine the suitability and loadings on the roof.

The site-specific structural engineering letter shall include:

- Confirmation of the structural suitability of the existing buildings for the proposed PV system framing and panels including additional dead and wind loads;
- Maximum short-term dead loads possible during construction and recommended locations for dead loads, including total load from any unit of plant or equipment and total load to any single support point;
- Confirmation of the suitability of the recommended fixing systems of the solar PV framing, if not incompliance with the framing manufacturer instructions and maximum roof height.

The solar provider is responsible for any short-term loads during construction and adequate and safe attachment to the roof structure for the life of the system.

6.1.3. Warranty

The Solar Contractor shall warranty the solar array mounting system and connection shall be provided with a minimum manufacturing warranty of 10 years.

7. Design and Installation

7.1. General

The system shall comply with AS/NZS 5033 and Clean Energy Council Installation guidelines.

7.2. System sizing

The designated system size from considers available roof space and site shading constraints specific to the site constraints
and the client's architectural requirements, in addition to maximum safe and economically viable extent.

The preliminary Solar PV layout & panel capacity provided is indicative only. The solar provider may design and size the system based on the designated system capacity with alternative panel layouts and panel capacity, provided the technical specification, electrical constrains and required layout requirements are adhered to.

7.3. Solar PV Array location and design

Indicative, concept solar PV roof layout drawings are provided. These layouts are indicative only and The solar provider may adopt alternative array layouts provided all site, structural and shading constraints are allowed for.

General design rules that the builder must be strictly adhered are:

- The spacing of tilted panels must ensure that subsequent rows of panels are not adversely affected by shade between 10am and 2pm at the winter solstice.
- Panel arrays shall be located to ensure ease of access for maintenance and repair of the solar system
- Panel arrays shall be located to ensure ease of access to all roof areas including all existing roof plant, anchor points and guttering
- Flush mounted (non-tilted) panels must provide maintenance access of 600mm width every four rows of panels as a minimum or maintenance access of 300mm width every two rows of panels
- A minimum of 1.2m clearance around significant items of plant that require ongoing maintenance, such as chillers or HVAC systems
- A minimum of 0.6m clearance around fixed items of minor plant such as fans and vents
- A minimum of 0.6m between the panel and the edge of the roof sheeting There is a preference for panels

to be installed at a minimum of 10° above horizontal.

8. Quality Assurance and O&M Manuals

The Solar Contractor shall supply all relevant manuals. The builder shall supply three (3) copies of Operator and User Manual as specified in AS/NZS 5033 and the CEC installation guidelines.

9. Warranty

9.1. General

The solar provider shall provide electrician/installer/workmanship warranties including a minimum five year warranty on the installation of the system.

9.2. Solar Panels

- The Solar Contractor shall provide PV panel manufacturer's warranty:
- Manufacturer's Warranty: A minimum period of 10 years manufacturer warranty is provided.
- Performance warranty: minimum performance of at least 180% at 10 years and at least 80% at 25 years. Any insurance guarantee underwriting the long-term performance warranty should be specified, such as third-party insurance

10. System size

The inspection of the sites interval data and modelling of solar system has determined that there may be the potential for up to 180kw of solar to be installed. Further discussion is required around what else may be occurring on the roof and budgetary requirements.

11. Estimate of Costs BSC Airport

Please note pricing is subjective to the specific requirements of the project and the following prices are average range pricing for the type/size of system. Pricing will also depend on the equipment chosen by each tendering company.

11.1. Tier 1 –Polycrystalline. 180kw $290-350,000 – LGC system rebates collected on an annual basis

Tier 1 High quality panels

- 500 x 300w solar panels – Tier 1
- 3-6 inverters depending on size
- Tin and Tilt racking at 30 degrees
- Metering
- Designs
- Monitoring
- Installation

11.2. Tier 1 –Polycrystalline. 99.9kw $110-140,000 – STC system – Rebate collected upfront as under 100kw.

Tier 1 High quality panels

- 333 x 300w solar panels – Tier 1
- 3-6 inverters depending on size
- Tin and Tilt racking at 30 degrees
- Metering
- Designs
- Monitoring

- Installation

4.8 Property Reserves - Review

Delivery Program	Commercial Services
Objective	To review the property reserve forecasts.

Background

Council's property development activities represent a major part of Council's overall operations with funding from those activities having generated tens of millions of dollars to assist in delivering community infrastructure projects over many years. The revenues that finance the property development activities are managed through Council's internal Property Reserves (cash reserves) with those reserves consisting of two main components being the:

1. Property Development Reserve (PDR) – This reserve is the banker for Council's commercial property development activities and;

2. Community Infrastructure Reserve (CIR) – This reserve receives revenue from commercial property rentals and dividends from the PDR, with the funds held in the reserve then financing community infrastructure projects.

Council has a significant number of financial commitments currently being funded by these reserves and the purpose of this report is to update Council on the current state of the reserves.

Key Issues

- Funding priorities and constraints

Information

Property Development Reserve (PDR)

Council has recently purchased a property at Byron Bay Road, Lennox Head to assist with the extension of Hutley Drive. This property is, in the interim, being fully funded by the PDR.

In addition to this, the PDR is also making a $4m contribution to the construction of Airport Boulevard, with that project also funded in part by a Federal Government grant of $3m. The total cost of Airport Boulevard is estimated at $7m.

The difficulty with these two expenditures is that they represent major, largely unplanned outlays, which will generate minimal financial returns to Council and to the PDR, in the short to medium term.

The Byron Bay Road was an unplanned acquisition and Airport Boulevard is being constructed, well ahead of schedule, as Council still has undeveloped industrial land in Boeing Avenue with road frontage (opposite Harvey Norman). Airport Boulevard is occurring primarily as Council has a $3m Federal Government grant to part fund the project. Both these expenditures are largely draining the PDR and the latest review of that reserve is outlined in the following table.

Table One – Property Development Reserve

Item	2017/18	2018/19	2019/20	2020/21	2021/22
Opening Balance	**2,982,700**	**1,241,600**	**569,100**	**448,700**	**412,700**
Less Airport Overdraft	(497,200)	(17,500)	0	0	0
Revised Opening Balance	**2,485,500**	**1,224,100**	**569,100**	**448,700**	**412,700**
Add: Cash Inflows					
Interest Accrued	74,000	31,000	14,000	11,000	10,000
Contribution – Sec 94 Byron Bay Road	0	800,000	0	0	0
Contribution – WUEA	300,000	0	0	0	0
Rental - Norfolk Homes	150,400	153,400	156,500	159,600	162,800
Rental - ARC	127,200	259,400	264,600	270,000	275,400
Sale - Alstonville Tennis Courts Site	1,300,000	0	0	0	0
Sales - 54 North Creek Road	0	3,000,000	0	0	0
Sales - Russellton	90,000	0	0	0	0
Sales - Southern Cross	0	0	0	0	0
Sales - WUEA (Standard Lots)	3,990,000	0	0	0	0
Sub Total	**6,031,600**	**4,243,800**	**435,100**	**440,600**	**448,200**
Less: Cash Outflows					
Operating Expenses and Holding Costs	290,500	278,600	284,800	291,500	298,200
Airport Boulevard Road	0	4,000,000	0	0	0
Ballina Surf Club	100,000	0	0	0	0
Byron Bay Road – Acquisition and Dev	2,410,000	0	0	0	0
North Creek Road (54) - Development	1,781,000	200,000	0	0	0
Russellton - Land Development	539,300	0	0	0	0
Shelly Beach Café	47,000	0	0	0	0
Southern Cross - Land Development	100,000	0	0	0	0
Southern Cross – Masterplan	170,200	0	0	0	0
Wollongbar Urban Expansion	1,986,000	75,000	0	0	0
Dividend – General Fund	348,700	362,700	270,700	185,100	91,400
Sub Total Outflows	**7,772,700**	**4,916,300**	**555,500**	**476,600**	**389,600**
Closing Balance	**1,241,600**	**569,100**	**525,700**	**491,700**	**552,300**
Less Airport Overdraft	(17,500)	0	0	0	0
Revised Closing Balance	**1,224,100**	**569,100**	**448,700**	**412,700**	**471,300**

The critical issue from this forecast is that the relatively small closing balances for 2018/19 onwards mean that Council does not have sufficient funds to undertake additional development projects. Comments on the major items in this latest cash flow are as follows:

Cash Inflows

a) Contribution – Section 94 Byron Bay Road – Council will be able to recoup part of the cost of acquiring this property from the Section 94 contributions collected for roads however the Section 94 Plan will need to be amended to reflect this acquisition. The recoupment is likely to occur in 2018/19.

b) Contribution – WUEA – Represents a contribution from an adjoining land owner for shared infrastructure funded by Council as part of Stage Two.

c) Rental Income – The figures relate to the Norfolk Homes lease and 100% of the ARC Building, both of which are located at the Southern Cross Industrial Estate. The rental from the ARC Building was previously split evenly between the PDR and the CIR however to ensure the PDR balance remains positive this forecast is based on 100% of the ARC rental going to the PDR from 2018/19 onwards.

d) Sale – Alstonville Tennis Courts Site – This sale should be settled in the near future.

e) Sales - 54 North Creek Road – Represents estimated sales income from the development of this property, with four out of a total of six contracts exchanged to date. The income has been deferred to 2018/19 due to delays in the construction contract.

f) Sales – WUEA (Wollongbar Urban Expansion Area) – These contracts will settle this financial year with all lots sold.

Cash Outflows

a) Operating Expenditure – Represents holding costs for our landholdings.

b) Airport Boulevard – Funding of $4m as a contribution towards this $7m project. The balance is funded by a $3m Federal Government grant.

c) North Creek Road (54) – Land Development – Represents the construction costs for this development.

d) Russellton Land Development – This figure relates to subdivision and other ancillary costs to formalise existing uses in this Estate.

e) Shelly Beach Café – Council resolved to finance works related to the relocation of infrastructure for this property.

f) Southern Cross Land Development and Masterplan – Represents funding for planning related works.

g) WUEA – Development – Development costs for stage two and small preliminary costs for stage three.

h) Dividend – General Fund – The PDR provides an annual dividend to the General Fund to support the recurrent operations of Council. This continues to drain the PDR, considering that community infrastructure dividends are often also paid to the General Fund. Ideally this recurrent dividend should be removed from our LTFP, and this forecast has the dividend reducing to a figure whereby the Property Program will provide a recurrent dividend of $100,000 per annum to the General Fund.

The reason there is no major income and expenditure items forecast for 2019/20 onwards in the cash flow is that the reserve does not have sufficient funding to undertake any new development projects. The major projects that remain a priority include:

- WUEA – Stage Three – There are 30 residential lots in stage three. Based on development costs of $160,000 per lot (inclusive of developer contributions) the estimated development cost is $4.8m. The estimated sale proceeds are $7.5m based on $250,000 per lot.

- Southern Cross – Boeing Avenue (opposite Harvey Norman) – There is strong demand for industrial land. Council has two lots, with approval for filling, being Lots 2 and 3. Lot 2 is 2.5 hectares in size and the estimated cost of filling and constructing this lot is $2.4m. Council could expect sales of approximately $4.8m. Lot 3 is 3.5 hectares in size, with estimated development costs of $4.9m and a sales value of close to $10m.

Other projects include the construction of industrial lots once Airport Boulevard is completed, the residual subdivision of Byron Bay Road, and the next stage of the Russellton Estate.

The WUEA – Stage Three and Boeing Avenue projects are considered to have the strongest demand and commercial viability and the difficultly for Council is that an outlay of $12.1m is need to undertake these projects.

In order to fund these projects the options are:

a) Short term borrowing – Council could use an overdraft, or short term loan, to finance part or all these projects. This would involve an interest repayment for the period of the borrowing.

b) Sell an existing asset – Council could possibly sell a commercial asset, for example the ARC Building, which would generate approximately $4.5m. This could help to fund the WUEA – Stage Three development. This is not recommended, at this stage, as Council has already identified that we may need to sell a commercial property to fund the $3m shortfall in the Ballina Indoor Sports Centre budget, if we are unsuccessful with the grant applications submitted to the State and Federal Governments.

c) Combination of the above.

On a more positive note there is still a chance Council could secure a $2m grant from the State Government to help fund Airport Boulevard. This grant would reduce the PDR contribution to the project from $4m to $2m and then free up that $2m for development projects.

Community Infrastructure Reserve (CIR)

The latest movements in this reserve, for the current and next four financial years, being the term of the 2018/19 Delivery Program, are as follows.

Table Two – Community Infrastructure Reserve

Item	2017/18	2018/19	2019/20	2020/21	2021/22
Opening Balance	**550,700**	**1,141,300**	**95,400**	**53,100**	**30,200**
Cash Inflows					
Interest Earned on Reserve	66,000	29,000	2,000	1,000	1,000
Rental 89 Tamar Street	702,500	716,600	730,900	745,500	760,400
Rental ARC	127,200	0	0	0	0
Rental Fawcett Park Café	67,000	68,500	69,900	71,300	72,700

Sale – Russellton Land	225,000	0	0	0	0
Section 94 Recoupments	650,000	450,000	450,000	450,000	450,000
Sub Total Inflows	**1,837,700**	**1,264,100**	**1,252,800**	**1,267,800**	**1,284,100**
Cash Outflows					
Property Operating Expenses	**117,300**	**106,000**	**109,000**	**112,100**	**115,200**
Sports Centre / Town Entry	0	700,000	0	0	0
Captain Cook	88,900	0	850,000	850,000	0
Shaws Bay CMP	104,000	0	0	0	0
Sports Fields - Skennars Head	0	1,150,000	0	0	0
Wollongbar Skate Park	500,000	0	0	0	0
Loan Repayments	436,900	354,000	336,100	328,600	328,600
Dividend – Comm Infrastructure	0	0	0	0	800,000
Sub Total Outflows	**1,247,100**	**2,310,000**	**1,295,100**	**1,290,700**	**1,243,800**
Closing Balance	**1,141,300**	**95,400**	**53,100**	**30,200**	**70,500**

Comments on the major items in this summary are as follows.

Cash Inflows

- Rental – 89 Tamar Street, ARC, Fawcett Street Café – Represents gross rental incomes from these properties. 100% of the income for 89 Tamar Street and Fawcett Park Café is transferred into this reserve. The ARC rental was split equally between this reserve and the PDR, however it is now being allocated fully to the PDR.

- Sale – Russellton Land – This was a one-off sale for a residual lot.

- Section 94 – Recouped – This represents developer contributions collected by Council where a project in the Section 94 Plan has been forward funded by Council from other revenues sources, typically being the CIR. Council is able to reimburse or recoup a component of our expended monies consistent with the Section 94 Plan. This income is variable, as it is dependent on the level of Section 94 contributions collected each year.

Cash Outflows

- Operating Expenses – Relates to the operating expenses for the rental properties.

- Various Community Infrastructure Projects – The numerous items listed represent projects where funding is sourced from the CIR.

  Both the Ballina Town Entry Treatments and Captain Cook Master Plan works are subject to further review by Council. The report titled Community Infrastructure – Non-recurrent Projects and Funding later in this agenda examines alternative options for this funding.

  The amounts for community infrastructure projects in Table Two may represent 100% of the funding for a particular project, or a portion of the total funding, with many projects funded from a variety of sources (i.e. grants, other reserves). The figure in Table Two is the CIR funding contribution to those projects.

- Loan Repayments Community Infrastructure – The principal and interest repayments relating to certain projects, most notably the recent Ballina Town Centre and River Street upgrades, is financed from this reserve.

The funding of these loan repayments is the primary reason why 100% of the rental income from 89 Tamar Street is transferred into this reserve, in that Council identified that revenue as the funding source for the loan repayments.

The repayments are now starting to reduce as the loans are repaid in full.

This then creates an opportunity for another project to be funded from loans, with the repayments financed through the rental income.

The adopted LTFP assumes Council will borrow $2.5m in 2018/19 to undertake the next stage of the Ballina Town Centre works (River Street - Grant to Moon Streets) based on a loan term of 10 years at 4%. These additional loan repayments are funded from the CIR meaning there is no negative impact on the working capital result.

This is summarised in the following table.

Table Three – Loan Repayments funded from CIR ($)

Item	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Existing Repayments	436,900	354,000	28,100	20,600	20,600	20,600	0
New Repayments	0	0	308,000	308,000	308,000	308,000	308,000
Total Repayments	**436,900**	**354,000**	**336,100**	**328,600**	**328,600**	**328,600**	**308,000**
Funded from CIR	**436,000**	**354,000**	**336,100**	**328,600**	**328,600**	**328,600**	**308,000**
Working Capital Impact	0	0	0	0	0	0	0

- Dividend – Community Infrastructure – A nominal dividend of $800,000 for other community infrastructure projects is identified in 2021/22 based on the recurrent balance of the reserve. The long term financial plan indicates that Council can fund $800,000 in community infrastructure projects from 2021/22 onwards due to the recurrent funds being transferred into this reserve.

The revenue streams for the CIR are relatively consistent and this means that Council now has approximately $1.5m being generated by that reserve each year, with that funding able to be allocated to community infrastructure projects and related loan repayments.

The major issue for Council is the sustainability of the PDR.

The two attachments to this report are the ten year forecasts for both the PDR and CIR.

Legal / Resource / Financial Implications

The purpose of this report has been to highlight the financial position of the major property reserves.

Consultation

Many of the projects funded from these reserves reflect the outcomes of community consultation.

Options

The primary objective of this report has been to highlight the overall financial position of the Property Reserves.

Council is not being asked to adopt the forward cash flows as that information will be presented to the April 2018 Finance Committee as part of the overall General Fund budget.

The key issue currently facing Council is that due to two very significant, largely unplanned, expenditures (Byron Bay Road and Airport Boulevard) the PDR balance is now at a level where Council can no longer cash fund property development projects.

Based on this the recommendation for this report is to note the contents and for Council to receive a further report on options to finance high priority development projects such as WUEA – Stage Three and Southern Cross Industrial Estate – Boeing Avenue.

RECOMMENDATIONS

1. That Council notes the contents of this update on the Property Reserves.

2. That Council receive a further report on options to finance high priority development projects such as the Wollongbar Urban Expansion Area - Stage Three and the release of additional industrial land at the Southern Cross Industrial Estate.

Attachment(s)

1. Cash Flow - Property Development Reserve
2. Cash Flow - Community Infrastructure Reserve

Cash Flow - Property Development Reserve - Forward Financial Plan (Base Case)
14 March 2018 Finance Committee meeting

Item	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Opening Balance Excluding Airport Overdraft	303,500	4,438,100	4,613,900	3,777,600	2,536,800	3,220,000	2,982,700	1,241,600	569,100	448,700	412,700	471,300	527,500	559,600	588,300	614,800	637,200
Less Airport Overdraft Opening Balance	(302,000)	(454,400)	(454,400)	(592,500)	(724,200)	(444,800)	(497,200)	(17,500)	0	0	0	0	0	0	0	0	0
Revised Opening Balance with Airport Overdraft	1,500	3,983,700	4,159,500	3,185,100	1,812,600	2,775,200	2,485,500	1,224,100	569,100	448,700	412,700	471,300	527,500	559,600	588,300	614,800	637,200
Add: Cash Inflows																	
Interest Earned	261,000	178,000	181,200	110,000	87,000	54,700	74,000	31,000	14,000	11,000	10,000	12,000	13,000	14,000	15,000	15,000	16,000
Internal Loans	288,500	0	0	0	29,000	0	0	0	0	0		0	0	0	0	0	0
Contribution - Section 94 Byron Bay Road	0	0	0	0	0	0	0	800,000	0	0	0	0	0	0	0	0	0
Contribution - Wollongbar Urban Expansion Area	0	0	0	0	0	0	300,000	0	0	0	0	0	0	0	0	0	0
Rental - Norfolk Homes	133,600	136,500	140,000	143,000	144,500	146,200	150,400	153,400	156,500	159,600	162,800	166,100	169,400	172,800	176,300	179,800	182,800
Rental - ARC (50%)	159,100	161,300	165,000	169,800	129,500	124,500	127,200	259,400	264,600	270,000	275,400	280,800	286,400	292,200	298,000	304,000	309,600
Sale - Alstonville Tennis Courts Site	0	0	0	0	0	0	1,300,000	0	0	0	0	0	0	0	0	0	0
Sale - Alstonville Plaza	0	0	0	195,300	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - ARC Residual (50%)	0	269,000	302,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - Bagotville Quarry	0	0	0	0	450,000	0	0	0	0	0	0	0	0	0	0	0	0
Sale - Balance Skennars Head	0	0	400,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - Ballina High School Road Reserve	0	0	0	33,600	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - Harvey Norman	4,246,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - 9 North Creek Road	0	0	0	0	0	203,200	0	0	0	0	0	0	0	0	0	0	0
Sales - Byron Bay Road	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales - 54 North Creek Road	0	0	0	0	0	0	0	3,000,000	0	0	0	0	0	0	0	0	0
Sale - Land Adjoining BP (50%)	0	0	250,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales - Russellton (Standard Lot Sales)	0	413,000	0	0	0	0	90,000	0	0	0	0	0	0	0	0	0	0
Sales - Southern Cross (Large Lot Sales)	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0
Sales - Southern Cross (Standard Lot Sales)	0	0	0	210,300	750,000	766,600	0	0	0	0		0	0	0	0	0	0
Sales - WUEA (Standard Lots)	0	0	0	2,250,000	630,600	387,500	3,990,000	0	0	0	0	0	0	0	0	0	0
Sub Total	5,088,200	1,157,800	1,439,400	3,112,000	2,220,600	1,682,700	6,031,600	4,243,800	435,100	440,600	448,200	458,900	468,800	479,000	489,300	498,800	508,400
Less: Cash Outlays																	
Operating Expenditure																	
Outgoings - ARC (50%)	3,100	2,800	1,500	600	3,000	2,500	2,400	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
Internal Overheads - Southern Cross	132,400	67,000	69,000	34,000	43,000	36,000	40,900	41,900	42,900	44,000	45,100	46,200	47,400	48,600	49,800	51,000	52,200
Internal Overheads - Russellton	60,000	80,000	66,000	32,000	33,000	33,000	37,500	38,400	39,400	40,400	41,400	42,400	43,500	44,600	45,700	46,800	47,900
Internal Overheads - WUEA	0	0	75,000	37,000	48,000	39,000	44,300	45,400	46,500	47,700	48,900	50,100	51,400	52,700	54,000	55,400	56,800
Operating Exps - Southern Cross	65,600	66,000	59,200	47,800	162,000	55,200	62,300	74,000	75,400	76,800	78,200	79,700	81,200	82,700	83,200	84,700	86,200
Operating Exps - Russellton	35,400	30,000	8,500	14,500	15,000	25,600	34,600	26,800	27,400	28,100	28,800	29,500	30,200	30,900	31,600	32,300	33,000
Operating Expenses - WUEA	7,200	15,000	10,300	43,000	48,000	45,000	68,500	47,100	48,000	49,100	50,200	51,500	52,800	54,100	55,500	56,900	58,300
Sub Total	303,700	260,800	289,500	208,900	352,000	236,300	290,500	278,600	284,800	291,500	298,200	305,200	312,500	319,800	326,200	333,700	341,200
Community Infrastructure																	
Animal Shelter	0	0	370,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ballina Surf Club	0	0	228,000	0	0	0	100,000	0	0	0	0	0	0	0	0	0	0
Wollongbar Sports Fields	0	0	0	400,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub Total	0	0	598,000	400,000	0	0	100,000	0	0	0	0	0	0	0	0	0	0
Property Projects																	
Airport Lease - Feasibility	0	0	0	83,300	27,100	0	0	0	0	0	0	0	0	0	0	0	0
Airport Boulevard Road	0	0	0		100,000	0	0	4,000,000	0	0	0	0	0	0	0	0	0
ARC Residual - Selling Costs	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Byron Bay Road - Land Development	0	0	0	0	0	0	2,410,000	0	0		0	0	0	0	0	0	0
Bridge Club Sale Legals	42,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lennox Head Community Centre Legals	0	0	165,800	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North Creek Dredging	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North Creek Road (54) - Land Development	0	0	0	14,000	15,700	134,000	1,781,000	200,000	0	0	0	0	0	0	0	0	0
89 Tamar Street	0	0	0	0	3,300	0	0	0	0	0	0	0	0	0	0	0	0
Russellton - Land Development	60,400	0	86,000	63,700	0	60,700	539,300	0	0	0		0	0	0	0	0	0
Shelly Beach Cafe	0	0	0	0	0	33,000	47,000	0	0	0	0	0	0	0	0	0	0
Southern Cross - Land Development	198,000	115,000	0	50,100	155,000	0	100,000	0	0			0	0	0	0	0	0
Southern Cross - Masterplan	63,000	110,000	51,500	0	0		170,200	0	0	0	0	0	0	0	0	0	0
Wigmore Arcade - Redevelopment	0	0	219,200	1,735,900	140,500	0	0	0	0	0	0	0	0	0	0	0	0
Wigmore Arcade - Roof	0	0	0	0	315,000	370,500	0	0	0	0	0	0	0	0	0	0	0
Wollongbar Urban Expansion Area - Development	0	48,000	256,700	1,329,500	182,000	851,000	1,986,000	75,000	0	0		0	0	0	0	0	0
Sub Total	368,400	273,000	779,200	3,276,500	938,600	1,449,200	7,033,500	4,275,000	0	0	0	0	0	0	0	0	0
Dividends and Interest Paid																	
General Fund	281,500	448,200	609,000	467,400	246,800	234,500	348,700	362,700	270,700	185,100	91,400	97,500	124,200	130,500	136,600	142,700	149,200
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Outlays	953,600	982,000	2,275,700	4,352,800	1,537,400	1,920,000	7,772,700	4,916,300	555,500	476,600	389,600	402,700	436,700	450,300	462,800	476,400	490,400
Closing Balance Excluding Airport Overdraft	4,438,100	4,613,900	3,777,600	2,536,800	3,220,000	2,982,700	1,241,600	569,100	448,700	412,700	471,300	527,500	559,600	588,300	614,800	637,200	655,200
Net Change in Airport Overdraft	(152,400)	0	(138,100)	(131,700)	279,400	(52,400)	479,700	17,500	0	0	0	0	0	0	0	0	0
Closing Airport Reserve Overdraft	(454,400)	(454,400)	(592,500)	(724,200)	(444,800)	(497,200)	(17,500)	0	0	0	0	0	0	0	0	0	0
Revised Closing Balance with Airport Overdraft	3,983,700	4,159,500	3,185,100	1,812,600	2,775,200	2,485,500	1,224,100	569,100	448,700	412,700	471,300	527,500	559,600	588,300	614,800	637,200	655,200
Net Movement - Increase / (Decrease)	4,134,600	175,800	(836,300)	(1,240,800)	683,200	(237,300)	(1,741,100)	(672,500)	(120,400)	(36,000)	58,600	56,200	32,100	28,700	26,500	22,400	18,000

Cash Flow - Community Infrastructure Reserve - Forward Financial Plan (Base Case)
14 March 2018 Finance Committee meeting

Item	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Opening Balance	4,453,800	3,259,500	2,718,400	2,946,600	1,778,800	1,141,800	550,700	1,141,300	95,400	53,100	30,200	70,500	125,200	215,200	321,200	444,200	584,600
Add: Cash Inflows																	
Interest Earned	355,000	121,000	17,900	80,200	41,000	25,500	65,000	29,000	2,000	1,000	1,000	2,000	3,000	5,000	8,000	11,000	15,000
Community Infrastructure - Property Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Int Loan Repaid - Flat Rock	41,000	41,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Int Loan Repaid - Plant	33,500	33,800	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Int Loan Repaid - Street Lighting	33,000	36,500	53,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lennox Head Community Centre	0	0	0	600,000	30,000	0	0	0	0	0	0	0	0	0	0	0	0
Rate Revenue - Roundabouts (30%)	308,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rental - 89 Tamar St (100%)	690,800	724,100	813,200	641,900	703,800	702,500	702,500	716,600	730,900	745,500	760,400	775,600	791,100	806,900	823,000	839,500	855,600
Rental - ARC (50%)	159,100	161,300	165,000	169,800	129,500	124,500	127,200	0	0	0	0	0	0	0	0	0	0
Rental - Fawcett Park Cafe (100%)	69,900	0	0	57,100	67,000	66,100	67,000	68,500	69,900	71,300	72,700	74,100	75,600	77,100	78,600	80,100	81,000
Fawcett Park Café - Insurance Claim	0	0	75,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - ARC Residual Southern Cross (50%)	0	250,000	262,500	0	455,000	0	0	0	0	0	0	0	0	0	0	0	0
Sale - Harvey Norman Sale (Part)	1,780,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - Land Adjoining BP (50%)	0	0	250,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - Russellton Land	0	0	0	0	0	0	225,000	0	0	0	0	0	0	0	0	0	0
Sale - Southern Cross Land	400,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Section 94 - Recouped	447,200	631,300	845,200	729,800	669,700	403,700	650,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Sub Total	4,317,500	1,999,300	2,482,300	2,278,800	2,096,000	1,322,300	1,837,700	1,264,100	1,252,800	1,267,800	1,284,100	1,301,700	1,319,700	1,339,000	1,359,600	1,380,600	1,401,600
Less: Cash Outlays																	
Operating Expenditure																	
Outgoings - 89 Tamar Street (100%)	49,800	68,100	53,000	51,900	77,300	56,000	74,000	78,800	81,000	83,300	85,600	87,900	90,300	92,700	95,300	97,900	99,000
Outgoings - ARC (50%)	3,100	2,800	1,500	600	3,000	2,500	2,400	0	0	0	0	0	0	0	0	0	0
Outgoings - Fawcett Park Café (100%)	4,900	33,000	17,700	18,900	21,700	23,600	28,400	27,200	28,000	28,800	29,600	30,500	31,400	32,300	33,300	34,300	35,300
Development Application Refund	27,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Donations	0	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Henderson Farm - Consents	0	2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Master Plan - Captain Cook Park	60,000	0	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Master Plan - Kingsford Smith Park	0	0	18,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Investigations and Miscellaneous	20,000	0	0	0	0	0	12,500	0	0	0	0	0	0	0	0	0	0
Sharpes Beach Masterplan	40,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub Total	204,800	110,900	105,200	71,400	102,000	82,100	117,300	106,000	109,000	112,100	115,200	118,400	121,700	125,000	128,600	132,200	134,300
Community Infrastructure Delivery																	
Administration Centre	0	0	0	0	0	169,000	0	0	0	0	0	0	0	0	0	0	0
Animal Shelter	280,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ballina Cenotaph	0	0	0	25,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Ballina Seagulls Rugby League Club	0	0	0	0	0	30,100	0	0	0	0	0	0	0	0	0	0	0
Ballina Indoor Sports Centre	34,000	26,000	18,000	33,000	244,000	100,000	0	0	0	0	0	0	0	0	0	0	0
Ballina Indoor Sports Centre / Town Entry	0	0	0	0	0	0	0	700,000	0	0	0	0	0	0	0	0	0
Ballina Surf Club	746,000	1,682,000	995,000	506,000	119,800	0	0	0	0	0	0	0	0	0	0	0	0
Boat Ramps and Pontoons - Captain Cook	0	0	0	0	0	75,000	0	0	0	0	0	0	0	0	0	0	0
Boat Ramps and Pontoons - Faulks Reserve	0	0	0	0	25,000	0	0	0	0	0	0	0	0	0	0	0	0
Boat Ramps and Pontoons - Keith Hall	0	0	0	0	0	50,000	0	0	0	0	0	0	0	0	0	0	0
Captain Cook Park Master Plan	0	0	0	0	0	1,100	88,900	0	850,000	850,000	0	0	0	0	0	0	0
Coastal Recreational Path	324,900	0	0	0	850,000	0	0	0	0	0	0	0	0	0	0	0	0
Fawcett Street Café - Refurbishment	0	34,000	154,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Footpath Renewals	0	0	0	0	0	55,000	0	0	0	0	0	0	0	0	0	0	0
Lake Ainsworth	0	0	0	0	0	725,000	0	0	0	0	0	0	0	0	0	0	0
Lennox Head Community Centre	382,000	73,000	0	20,000	0	30,000	0	0	0	0	0	0	0	0	0	0	0
Lennox Head Rural Fire Shed	0	72,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Repayments Community Infrastructure	428,100	501,500	557,600	562,000	566,700	402,600	436,900	354,000	336,100	328,600	328,600	328,600	308,000	308,000	308,000	308,000	308,000
Main Street - Ballina	1,500,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marine Rescue Centre	0	21,000	100,000	100,000	200,000	0	0	0	0	0	0	0	0	0	0	0	0
Missingham Park	0	0	0	0	0	92,400	0	0	0	0	0	0	0	0	0	0	0
Newrybar Hall	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Northern Rivers Community Gallery	0	0	55,000	0	0	25,000	0	0	0	0	0	0	0	0	0	0	0
River Street - 139 Refurbishment	0	0	54,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shaws Bay Coastal Zone Management Plan	0	0	0	0	0	75,000	104,000	0	0	0	0	0	0	0	0	0	0
Shellys on the Beach - Land Purchase	0	0	56,600	242,200	0	0	0	0	0	0	0	0	0	0	0	0	0
Sports Fields - Skennars Head	21,000	20,000	0	0	0	0		1,150,000	0	0	0	0	0	0	0	0	0
Sports Fields - Wollongbar	1,573,000	0	0	1,684,000	625,500	0	0	0	0	0	0	0	0	0	0	0	0
Street Lighting	13,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Swimming Pools	0	0	0	200,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Tamar Street - 89 Refurbishment	0	0	138,500	3,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Wardell Hall	0	0	20,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wollongbar Skate Park	0	0	0	0	0	1,100	500,000	0	0	0	0	0	0	0	0	0	0
Community Infrastructure - Other	0	0	0	0	0	0	0	0	0	0	800,000	800,000	800,000	800,000	800,000	800,000	800,000
Sub Total	5,307,000	2,429,500	2,148,900	3,375,200	2,631,000	1,831,300	1,129,800	2,204,000	1,186,100	1,178,600	1,128,600	1,128,600	1,108,000	1,108,000	1,108,000	1,108,000	1,108,000
Total Outlays	5,511,800	2,540,400	2,254,100	3,446,600	2,733,000	1,913,400	1,247,100	2,310,000	1,295,100	1,290,700	1,243,800	1,247,000	1,229,700	1,233,000	1,236,600	1,240,200	1,242,300
Closing Balance	3,259,500	2,718,400	2,946,600	1,778,800	1,141,800	550,700	1,141,300	95,400	53,100	30,200	70,500	125,200	215,200	321,200	444,200	584,600	743,900
Net Movement - Increase / (Decrease)	(1,194,300)	(541,100)	228,200	(1,167,800)	(637,000)	(591,100)	590,600	(1,045,900)	(42,300)	(22,900)	40,300	54,700	90,000	106,000	123,000	140,400	159,300

4.9 Dust Sealing Analysis

Delivery Program	Asset Management
Objective	To consider the merits of dust sealing of Houghlahans Creek Road and to propose a plan to optimise long term road network health given existing budgets.

Background

Council resolved as follows at the 28 September 2017 Ordinary meeting;

That Council consider, as part of the preparation of the draft 2018/19 Delivery and Operational Plan, a report that reviews the status of Council's dust sealing program and in particular consider the options in regard to dust sealing a portion of Houghlahans Creek Road.

This analysis has been completed and forms part of this report. This action led to further investigation and a wider look at road funding across the network which will culminate in an update of Council's Road and Transport Asset Management Plan.

Key Issues

- Financial sustainability of Council's assets
- Levels of service
- Public Amenity and dust control

Information

Current Status – Dust Sealing Program

The information below is reproduced from the staff comment presented to Council at the time the above resolution was passed. This information is a useful description of the background and current status of Council's dust sealing program.

> *Council's current Delivery and Operational Plan does not include a program for the sealing of unsealed roads. Our roads budget includes a maintenance program for the gravel roads and maintenance and asset renewal (reconstruction/rehabilitation) programs for the sealed network.*
>
> *New roads or road upgrade or improvements are delivered either through developer contribution funded works or grant programs such as the Black Spot Program or the REPAIR grant.*

This arrangement has been in place for 15 years and has contributed to our adopted strategy to meet the Fit for the Future financial benchmarks which highlight the need for councils to ensure they manage their existing assets appropriately before considering upgrades or new infrastructure. Sealing an unsealed road is typically considered a road upgrade.

In the period 2004 – 2007, Council did undertake a successful trial of a road maintenance program we called "dust sealing". A dust seal is a low cost technique which consists of a seal being applied to the existing road configuration because there is a limited need for road drainage, road formation and road pavement reconstruction.

A dust seal is usually most suitable for low traffic roads where the cost of a dust seal can offer maintenance savings, improved amenity and/or environmental outcomes. Therefore a dust seal is a risk-based solution for locations where road works to standard engineering specifications are non-economic. The risk relates to the possibility of an early failure of the seal due to low cost construction technique that is applied.

The strategy of the Council at the time was to implement the trial as and when savings in the budget could be found. During this period the Council was able to accrue some savings from its road maintenance budget (mainly due to the prevailing weather conditions and some other circumstances at the time) and these savings were invested in trialling some dust seals, and the outcomes were successful.

The works undertaken at the time were relatively small projects compared to Houghlahans Creek Road, as typically they were short, rural cul-de-sacs with very low traffic volumes.

To provide direction for the implementation of this program in terms of suitable locations and priority, Council adopted a list of potential projects, however the program did not advance with any implementation as we have not been able to be generate the required savings opportunities. Houghlahans Road was included in the list of potential projects.

While we have not been able to fund further dust seals since the trial, dust sealing remains an option for Council to consider in respect of optimising the long term cost management of its road network and as such we continue to monitor our costs and the performance of our road network through condition assessment and other factors so that our asset management strategy continues to mature and be adapted as circumstances change.

In respect of the suggested report in the Councillor recommendation the first step in the analysis would be to determine if there are long term economic benefits to be achieved if some of the roads budget was to be reallocated from the existing maintenance and renewal programs to a dust sealing program. If this change is preferred, the next step would be to then determine a revised list of potential projects and rank their priority.

The remainder of this report is in two parts.

The first part provides updated information in respect of Houghlahans Creek Road. The second part reports a project to review our road management options.

This is timely for a number of reasons including:

- The possibility of additional funds being allocated for road renewal if Council's proposed special rate variation application is successful
- To reconsider how dust sealing might be incorporated into the program as the previous strategy has not been implemented
- Council now holds additional information about the condition of its road assets
- New products for road surface treatments continue to emerge as potential options to improve the efficiency and performance of the road network.

Houghlahans Creek Road

The resolution was the second resolution made by Council in 2017 in respect of Houghlahans Creek Road. At the Finance Committee meeting held 16 March 2017 Council resolved (in part) the following;

That based on the contents of this report Council confirms it will not include the sealing of Houghlahans Creek Road in the draft 2017/18 – 2020/21 Delivery and Operational Plan.

The report to the Finance Committee noted an indicative cost to upgrade segment 130 is $1,340,000.

Segment 30 is windy and steep, with a total length of 1.75 kilometres with an average width of 5.3 metres.

Segment 80 is comparatively straight and located on flat terrain. The report indicated a cost of $140,000 to upgrade the adjoining causeway and seal this segment.

Attachment One to this report provides an aerial photograph showing the location of these segments.

The conclusion to the report read as per the following;

Whilst Houghlahans Creek Road has relatively low traffic volumes, due to the substantial scope of works required to prepare the road for sealing, in segment 130 in particular, staff do not consider the dust sealing to be appropriate in this instance.

4.9 Dust Sealing Analysis

In response to the recent resolution to consider dust sealing options, staff again examined the road geometry and costs, specifically to see if some smaller sections than those previously reported could feasibly be considered for dust sealing.

For Segment 80 the scope of works was reduced by removing the adjoining causeway upgrade from the overall cost to dust seal and for Segment 30, a reduced length of 330 metres (suggested priority area) has been costed.

The results from the revised cost estimating are shown in Table One as follows.

Table One: Estimates – Dust Sealing Portions of Houghlahans Creek Road

Location	**Houghlahans Ck Rd (seg 80)**	**Houghlahans Ck Rd (part 130)**
Length	296m	330m
Width	5.5 m	5.3m
Scope	• Culvert Extension • Shoulders • Excavation • Pavement • Seal	• Shoulders • Kerb and gutter • Excavation • Pavement • Seal
Cost	$48,990	$79,771
Payback Period	17 years	25 years
Ranking	12	18

The payback period and ranking referred to in Table One is explained later in this report.

Dust Sealing of Unsealed Roads

Council should consider Houghlahans Creek road within the context of its total road asset renewal upgrade priorities, including other potentially worthy dust sealing projects.

The previous dust sealing program (prepared in 2003) was developed on the basis of traffic volumes and technical advice at the time.

For the purpose of the current review, a different approach was taken and as explained below this review sought to identify gravel roads where there would be economic benefits to Council from the dust sealing.

In total 28 unsealed roads that have had relatively high historical gravel re-sheeting costs, (including Houghlahan's Creek Road) have been assessed for suitability and overall cost effectiveness to be upgraded and sealed.

The process adopted was to compare long term unsealed road operational, maintenance and re-sheet costs versus equivalent long term capital upgrade plus seal, operational and maintenance costs for each of the 28 unsealed roads selected.

This analysis indicated that, overall, Council would not see a financial return on its investment for, in some, cases several decades. However 10 of the 28 roads did indicate a financial benefit to Council of less than 10 years. These roads, as follows, are realistic candidates for an upgrade in the interest of public amenity and cost savings; i.e.

- Rishworths Lane
- Martins Lane - east
- Cumbalum Road
- Sandy Flat Road
- Howards Road
- Leadbeatters Lane
- Chesworths Lane
- O'Keefes Lane
- Unnamed Lane off Pacific Parade to Camp Drew

Further information providing the background to this analysis is provided in attachment one to this report.

As per the attached table, the costs to prepare for the dust seal are compared to the annualised cost to maintain the gravel surface and a break even time is calculated.

A break even time of 10 years was considered the cut off as any longer than this is not considered a reasonable investment, the capital costs are unlikely to be found in Council's budget, and beyond this point is where the life of the new seal is reaching its end and resealing costs need to be included in the analsyis.

Furthermore, for the roads with high upgrade costs, the costs in this table are likely to be highly understated as a simple unit for widening and pavement has been used which would be typical for the smaller projects with less work involved.

This explains the cost difference for Houghlahans Creek Road in the table when compared to the figures previously reported to Council.

The key point from this review is we have now identified certain roads to form a dust sealing program that can be included in Council's road management strategy on the basis of economic benefit, compared to the previous approach, which was described earlier in this report.

The sections of this report that now follow look at the structure of Council's road management strategy, including the possibility of incorporating dust sealing into the program.

Road Pavement Network Analysis

Our goal was to evaluate the road network health by comparing the effects of distributing the funding allocation to various treatment types within existing Long Term Financial Plan (LTFP) budgets.

All sealed and rigid public roads were included in the analysis.

4.9 Dust Sealing Analysis

By treatment types we are referring to resealing, routine maintenance, heavy patching, and reconstruction.

All of these are used in combination to manage our road assets and the key point of this exercise is to see what funding distribution from the available budget will result in an optimised expenditure of Council's limited funds.

Individual analysis was performed on the following networks:

- LOCAL: Rural (sealed and rigid)
- LOCAL: Urban (sealed and rigid)
- REGIONAL: Rural (sealed and rigid)
- REGIONAL: Urban (sealed and rigid)

As unsealed roads are treated on an annual frequency, they have been removed from the network health analysis.

As the current gravel maintenance program provides a reasonable level of service and regular maintenance is essential, it is not proposed to consider any options to reallocate funds from the sealed network to the unsealed network, albeit as discussed there is consideration of the creation of a new dust sealing program.

Network Health and Basis of Data used

Road condition data is collected every five years on Council's sealed and rigid roads segments by a NATA approved company.

From this data road roughness was chosen for these analyses as the primary indicator of network health because it is the simplest to model over time, requires the least number of assumptions and most people can relate to road roughness as a measure of road health.

Roughness is measured in NRM (NAASRA roughness measure counts), which is defined as 'the number of 15.2mm movements of the rear axle of a standard vehicle per km'.

A new road is often required to have a count of 50, while the RMS may specify 40 for motorways and a terminal roughness is typically in the range of 250.

Methodology

Council staff were able to use base year road roughness for each of our 2,360 road segments and artificially age each road segment roughness for each year 2018 to 2057 over eight proposed alternative funding scenarios.

Different road treatments have different functions, unit rates and effects on pavement roughness.

For example road reconstruction replaces a road segment to an as-new condition and resets pavement roughness to 50 NRM (NAASRA roughness measure counts).

4.9 Dust Sealing Analysis

With each scenario defined, each segment roughness is recalculated according to the treatment type specified for each individual year, until each segment has its own individual roughness profile for each works scenario.

In order to calculate 40 year network roughness profiles from thousands of individual segment roughness data, each segment area was used to weight individual segment roughness as a percentage of the network area under consideration.

As the analysis relies on a number of assumptions, a data sensitivity analysis was performed by altering treatment effects by ±5%.

As the road networks are not of equal size, they do not contribute equally to the shire wide summaries.

As a result the shire wide summaries tend to resemble the local road profiles more than the regional road profiles.

Scenarios

Table Two lists the shortlist of different scenarios that were selected to be modelled.

Table Two: Modelling Scenarios

Scenario #	Description
BASE Case # 1	Existing Expenditure % breakup (without SRV)
BASE Case # 2	Existing Expenditure % breakup (with SRV)
SCENARIO Case # 1	as for B2, BUT allow for dust seal on sites that break even in < 10 years
SCENARIO Case # 2	as for S1, BUT direct (ALL) SRV to reseals
SCENARIO Case # 3	as for S2, BUT direct SRV to (17-year cycle) Reseals and Rest to Reconstruction
SCENARIO Case # 4	as for S3, BUT direct additional Capital Reconstruction money to Heavy Patch
SCENARIO Case # 5	as for S3, BUT direct additional Capital Reconstruction money to Maintenance
SCENARIO Case # 6	as for S3, BUT maximise Capital Reconstruction (no Heavy Patch)

By existing expenditure we mean the current allocation of funds that are applied to the various road treatment activities such as resealing, routine maintenance, reconstruction and heavy patching.

For scenarios 3, 4, 5 and 6 we have limited reseal funding to the amount required to support a 17 year cycle as we have predicted this is preferred or optimised frequency from a technical view point based on our reviews of previous data.

Assumptions

A number of assumptions have been made around the effect of treatments and ongoing deterioration of individual road segments. A sensitivity analysis was performed for each scenario by altering the assumptions by ±5%. The assumptions and sensitivity parameters are tabulated below.

Please refer to Attachment B – Network Analysis, page 1, for the treatment effect assumptions.

Results

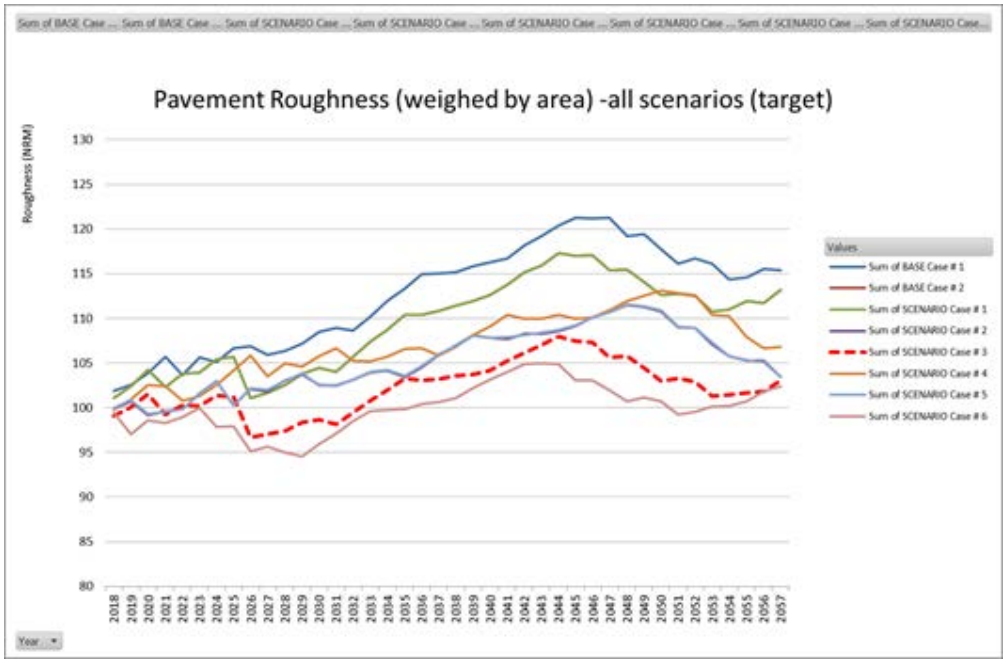
The results are in the form of:

1. Average 10 year budget distributions
2. Roughness profiles (per road network)
3. Roughness profile (all sealed and rigid roads)

Attachment two to this report provides the outcome of this modelling.

Figures 34 to 36 are the key tables summarizing the roughness profiles calculated using target assumptions and ±5% for each scenario.

Figure 34 is illustrated as follows and the attachment provides a full scale figure which is more legible.



The model suggests Scenario Case 6 represents the optimised solution, being the option that retains the lowest roughness profile for the same budget.

This option does not include any heavy patching and in reality it would be unlikely to be acceptable to the community to not include heavy patching in the strategy on the basis that without heavy patching some portions within some road segments would be in an unacceptable condition while waiting for the full segment reconstruction to be due.

Therefore Scenario Case 3, with its budget distribution which includes sufficient funds to perform a 17 year reseal cycle and directs remaining special rate variation money into reconstruction is the preferred scenario.

This maintains network health by increasing protection to the pavements while also providing for a sufficient heavy patching budget to rectify isolated pavement failures as required.

4.9 Dust Sealing Analysis

Scenario 3 includes a dust sealing program based on the roads listed earlier in this report and this is proposed to be delivered across a four year program.

Importantly this model shows, for the preferred option at least, Council will be able to achieve a roughness profile for the network that is equivalent to the current condition.

This does again highlight the need to retain the existing funds available to road management to road asset renewal and maintenance rather than road upgrades, including the sealing of unsealed roads (except for the economically feasible options identified earlier in this report).

Legal / Resource / Financial Implications

Asset management planning is vital to the financial planning of Council.

The purpose of this report has been to contextualize Council's interest in upgrading Houghlahans Creek Road within the overall management strategy for our roads.

This is timely as a review of this strategy is helpful following the ongoing progress to mature our road asset condition data and the need to consider the optimised application of the special rate variation funds, if approved.

Consultation

If the recommendation to this report is accepted, an update of the Asset Management Plan will be prepared for public exhibition.

Options

Road Management Strategy

In respect of the Road Management Strategy, the recommendation to this report is for Council to prepare an update of its Road Asset Management Plan by including information from the Road Network Pavement Analysis described in this report and to incorporate the budget distribution for Scenario Three.

If this recommendation is accepted, a draft of the Road Asset Management Plan will be reported to Council for endorsement for public exhibition.

Alternatively, in light of the technical nature of this report, Councillors may prefer a briefing be held prior to any further action.

Adopting strategies within the Road Asset Management Plan does not commit Council to increasing the funds made available for roads.

The Asset Management Plan informs the LTFP annually and the Plan has been developed on the basis of the existing funds available for roads.

4.9 Dust Sealing Analysis

Houghlahans Creek Road

The allocation of funds to programs and the determination of project priorities within programs, and the service levels and scope of works for capital projects are matters to be determined by Council.

In respect of Houghlahans Creek Road, the current position of Council, as established at the March 2017 Finance Committee meeting is;

1. *That based on the contents of this report Council confirms it will not include the sealing of Houghlahans Creek Road in the draft 2017/18 – 2020/21 Delivery and Operational Plan.*

2. *The reasons for the decision in point one include:*

    - *The stewardship of Council's road assets means its programs are prioritised to the maintenance and renewal of existing road assets.*
    - *The costs are significant and would represent a major proportion of the available funding for roads across the whole Shire.*
    - *The Council has not adopted a prioritised works program for the sealing of rural roads and before Council could consider allocating funds to an individual road it is appropriate that Council consider the priority and costs for all possible candidate roads for such a program.*
    - *The Council has significant unfunded road priorities identified on the basis of risk and reported in its Road Asset Management Plan*
    - *The relative low traffic volumes mean it is not reasonable to upgrade this road relative to other priorities for Council's limited resources.*
    - *The unsealed road is maintained by Council under its annual program and this provides a reasonable level of service.*

The options available now for Council are;

1. Retain and reconfirm its current position as per the previous resolution.

    The report notes it is important for Council to consider the whole of its network when setting priorities for its works program.

    Previously the Council has had a strategy that does not include the sealing of unsealed roads.

    This report provides an updated strategy for Council's consideration and the recommended strategy includes some proposed budget redistribution amongst the road management activities and the creation of a dust sealing program within the strategy for the roads listed in the report.

    The preferred list of roads for dust sealing was created on a cost benefit ratio, and does not consider any comparison of non-economic benefits such as amenity improvements.

    This approach was taken as the minimum benchmark is to achieve an economic benefit to Council, and it is difficult to assess and compare improved amenity outcomes when all of the roads will be improved if a seal is applied.

The budget distribution within the Road Management Strategy is preferred from an optimised technical perspective for the funds available and only allocates a small amount of money annually for dust sealing for a few years only.

The sealing of Houghlahans Creek Road does not meet the conditions established in this strategic, whole of network approach.

This holistic approach is the recommended option.

2. Include the sealing of Houghlahans Creek Road in the Delivery Program.

   Council could include the sealing of Houghlahans Creek Road, as per the discussion in the report to the March 2017 Finance Committee, this is estimated to cost approximately $1.5 million for the total project.

   If this was the preferred option, Council should determine a target timeframe as this work will need to be staged to reduce the impact on the existing program and Council will also need to determine which road projects it will defer to fund this work.

   This option is not recommended as it is inconsistent with the current road management strategy and the recommended one following this review.

   It will also result in the deferral of works that have been programmed under these strategies.

3. Include the sealing of Segment 80 and 330 metres of Segment 130 Houghlahans Creek Road in the Delivery Plan.

   The total cost for these works is estimated to be $130,000.

   The benefits of this option are the sealing of Segment 80 would join two existing sealed sections and provide a contiguous surface. The 330 metres of Segment 130 was chosen at a location where the project will reduce the dust nuisance experienced by some residents.

   As per option two, if this option is preferred, Council will need to determine which road projects are deferred in the Delivery Program.

   The disadvantages of this option are the same as option two being other roads have been identified with a better return on investment for dust sealing as they reduced long term maintenance costs and the remainder of the road program is for the rehabilitation of existing road assets.

   The payback periods were 12 and 18 years for the two segments (compared to less than 10 for the recommended projects) and gravel maintenance will still be required for the remaining 2.2 kilometres of unsealed road.

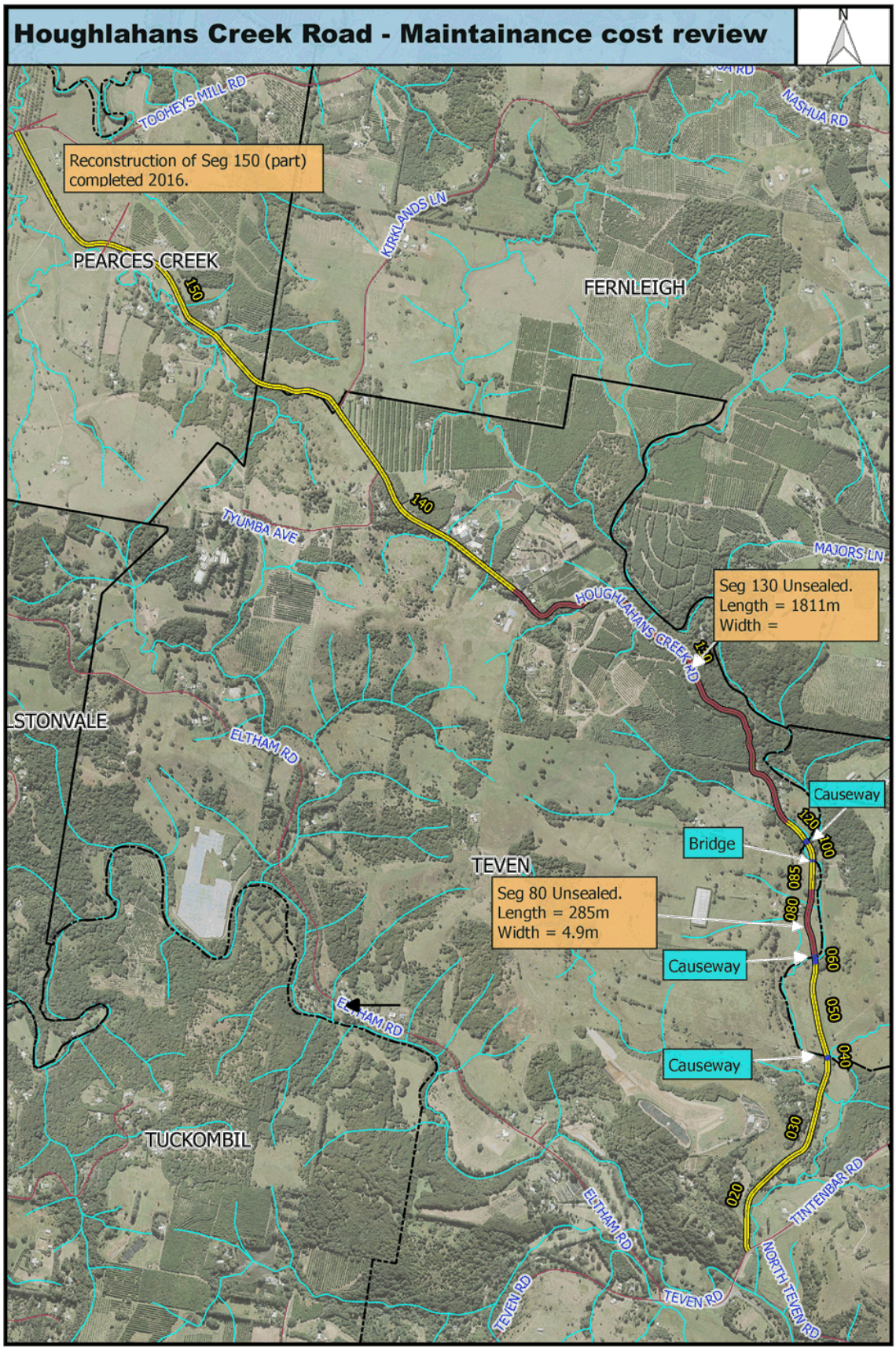
RECOMMENDATIONS

1. That the General Manager prepare a revised draft of the Road Asset Management Plan for reporting back to Council based on Scenario 3 from the Road Pavement Network Analysis discussed in this report. This will include the addition of a dust sealing program as per the report.

2. That Council takes no further action in respect of the inclusion of the sealing of the whole or part of Houghlahans Creek Road in the draft 2018/19 Delivery Program and Operational Plan based on the contents of this report.

Attachment(s)

1. Map - Houghlahans Creek Road
2. Dust Sealing - Cost Benefit Analysis
3. Network Analysis (Under separate cover)


Houghlahans Creek Road - Maintainance cost review
N
Reconstruction of Seg 150 (part) completed 2016.
TOOHEYS MILL RD
NASHUA RD
KIRKLANDS LN
PEARCES CREEK
FERNLEIGH
150
140
TYUMBA AVE
MAJORS LN
Seg 130 Unsealed.
Length = 1811m
Width =
HOUGHLAHANS CREEK RD
130
STONVALE
ELTHAM RD
Causeway
120
100
Bridge
TEVEN
Seg 80 Unsealed.
Length = 285m
Width = 4.9m
090
080
Causeway
060
050
ELTHAM RD
Causeway
040
030
TUCKOMBIL
020
TINTENBAR RD
ELTHAM RD
NORTH TEVEN RD
TEVEN RD
TEVEN RD

1. **Proposed Dust Sealing of selected Granular Unsealed roads**

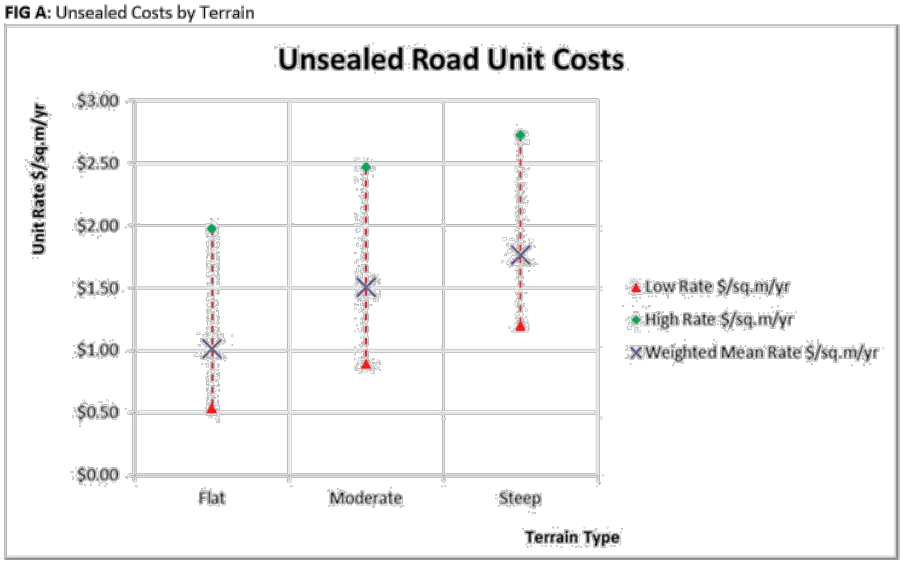
From a list of 74 unsealed roads, 28 candidate unsealed roads have been shortlisted (based on the historical high gravel re-sheeting & maintenance costs)

Road	Length (m)	Width (m)	Area (m2)	Terrain	Av Cost to Maintain as Unsealed	Annual Un-sealed Cost	SEAL Width (m)	SEAL Area (m2)	Seal Cost	Upgrade + Widen Cost	TOTAL Seal Upgrade Cost	Year Break EVEN (15 year seal cycle)	Year Break EVEN (20 year seal cycle)
Converys Lane (10:080)	519	3.6	1868.4	Steep	$2.72	$5,088.42	4.5	2335.5	$14,758	$84,150.80	$98,908.53	25	27
Scanlon Lane (10:036)	670	3.8	2546	Moderate	$2.46	$6,269.73	4.5	3015	$18,189	$47,245.33	$65,434.07	11	11
Houghlahans Creek Road (10:170)	2491	3.8	9465.8	Steep	$2.33	$22,054.31	4.5	11209.5	$228,708	$179,454.27	$408,162.16	26	27
Ingrams Road (10:056)	701	3.6	2523.6	Moderate	$2.29	$5,771.14	4.5	3154.5	$19,030	$55,119.87	$74,150.18	20	21
Leadbeatters Lane (10:072)	1341	4.6	6168.6	Steep	$2.19	$13,510.09	4.6	6168.6	$25,689	$30,000.00	$55,689.13	5	5
Whites Lane (10:096)	2368	3.7	8761.6	Moderate	$2.16	$18,912.94	4.5	10656	$41,180	$166,324.53	$207,504.65	18	13
Rishworths Lane (10:014)	988	4.2	4149.6	Moderate	$2.16	$8,951.71	4.5	4446	$20,579	$47,520.53	$68,099.96	9	9
Shaws Lane (10:069)	780	4.1	3198	Steep	$2.14	$6,838.30	4.5	3510	$21,175	$70,076.00	$91,250.95	20	21
Laws Lane (10:107)	537	3.3	1772.1	Moderate	$2.12	$3,756.12	4.5	2416.5	$15,270	$47,721.20	$62,990.76	26	27
Grays Lane (10:094)	340	3.1	1054	Moderate	$2.09	$2,204.12	4.5	1530	$10,753	$31,481.33	$42,234.56	35	41
Alstonvale Road (10:076)	572	5	2860	Moderate	$2.09	$5,964.65	5.0	2860	$17,254	$15,000.00	$32,253.67	7	7
Chesworths Lane (10:099)	1436	4.2	6031.2	Moderate	$2.06	$12,420.90	4.5	6462	$26,911	$62,965.07	$89,876.07	8	8
Weis Lane (10:097)	848	3.7	3137.6	Moderate	$2.06	$6,454.62	4.5	3816	$23,021	$65,389.87	$88,410.84	21	23
Phillips Road (10:007)	1019	3	3057	Steep	$2.01	$6,139.71	4.5	4585.5	$21,225	$84,264.67	$105,489.80	33	32
Cumbalum Road (10:041)	1726	4.1	7076.6	Flat	$1.98	$13,979.43	4.5	7767	$32,346	$38,892.53	$71,238.20	6	6
Martins Lane -east (10:023)	1108	4	4432	Steep	$1.96	$8,698.67	4.5	4986	$23,079	$37,785.33	$60,864.28	8	8
Howards Road (10:070)	1368	3.9	5335.2	Moderate	$1.96	$10,435.23	4.5	6156	$25,637	$58,958.40	$84,595.06	9	9
Sandy Flat Road (10:046)	2004	4.4	8817.6	Moderate	$1.94	$17,134.84	4.5	9018	$34,850	$46,299.20	$81,149.26	5	5
Eyears Road (10:078)	844	3.5	2954	Flat	$1.92	$5,663.68	4.5	3798	$22,912	$58,325.33	$81,237.72	22	25
Fosters Lane (10:115)	595	3.2	1904	Steep	$1.91	$3,645.55	4.5	2677.5	$16,919	$61,611.33	$78,530.12	39	44
Behs Lane (10:091)	543	3.4	1846.2	Steep	$1.83	$3,382.82	4.5	2443.5	$15,440	$37,980.40	$53,420.57	31	29
Victoria Park Road (10:051)	806	3.2	2579.2	Moderate	$1.79	$4,605.84	4.5	3627	$21,881	$60,481.07	$82,361.85	35	42
Gap Road (10:102)	2591	3.5	9068.5	Steep	$1.71	$15,495.98	4.5	11659.5	$43,564	$216,204.67	$259,768.93	34	29
Newports Lane (10:088)	752	3.2	2406.4	Moderate	$1.64	$3,944.44	4.5	3384	$20,415	$56,931.47	$77,346.29	47	47
UNL off Pacific Parade to Camp Drew (30:014)	1609	6.7	10780.3	Flat	$1.56	$16,853.15	6.7	10780.3	$41,660	$45,000.00	$86,660.47	6	6
Hill Street (10:045)	500	3.2	1600	Steep	$1.53	$2,444.72	4.5	2250	$14,217	$40,366.67	$54,584.14	52	53
Coolgardie Road (10:149)	2391	3.7	8846.7	Steep	$1.52	$13,422.99	4.5	10759.5	$41,580	$174,784.40	$216,364.49	32	39
O'Keefes Lane (10:151)	350	4.6	1610	Flat	$1.51	$2,436.18	4.6	1610	$10,173	$7,500.00	$17,673.39	9	9

The full list of 74 Roads can be grouped by terrain and it would appear that this factor has an influence our historical costs in both rage and weighted mean unit rates.

Highlighted rows see a financial return to council in < 10 years.

FIG A: Unsealed Costs by Terrain



Row Labels	Sum of SEAL Area (m2)	Sum of TOTAL Seal Upgrade Cost	Sum of Upgrade Cost per sq.m
Flat	23,955	$256,809.78	$10.72
Moderate	60,541	$1,056,407.22	$17.45
Steep	62,585	$1,483,033.10	$23.70
Grand Total	**147,081**	**$2,796,250.10**	**$19.01**

As expected the unit cost to upgrade the pavements is also a function of terrain.

4.10 Community Infrastructure - Recurrent Projects and Funding

Delivery Program Financial Services

Objective To confirm the recurrent community infrastructure projects to be included in the draft 2018/19 Operational Plan and Delivery Program.

The capital expenditure in Council's long term financial plan (LTFP) can be classified into two groups being recurrent and non-recurrent funded projects.

Recurrent refers to items in the LTFP where an allocation of general revenue funding is provided, each and every year, to assist Council deliver core community infrastructure.

Non-recurrent refers to items where capital expenditure funding is not required every year, however there are times when major injections of funding are needed (eg. swimming pools).

This report deals with the recurrent funded items. The recurrent funded budgets in the Council's draft General Fund LTFP are:

1. Open Spaces, Parks and Reserves – Approximately $175,000 pa
2. Sports Fields – Approximately $175,000 pa
3. Community Buildings – Approximately $238,000 pa plus an additional $20,000 for equipment for the Community Centres (i.e. Lennox Head, Kentwell, Surf Club etc)
4. Public Amenities – Approximately $100,000 pa
5. Stormwater / Drainage – Approximately $450,000 pa
6. Street Lighting – Approximately $50,000 pa
7. Footpaths / Shared Paths – Approximately $460,000 pa
8. Roads – Recurrent revenue funding of approximately $3.5m with this amount subject to change dependent on other income sources such as loans, grant and Section 94 contributions for road works

For each of these items a four year works plan is included in the Council's Delivery Program to identify the projects planned for the term of that document.

The above figures exclude the Council's special rate variation (SRV) application and if that application is approved the following additional revenue will be available for infrastructure renewal projects:

Asset Class	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Stormwater / Roads	711,000	1,174,000	1,204,000	1,234,000
Open Spaces and Sports Fields	270,000	480,000	492,000	504,000
Community Buildings	150,000	280,000	287,000	294,000
Total	**1,131,0000**	**1,934,000**	**1,983,000**	**2,032,000**

The Council's SRV application has been written to allow these funds to be redistributed within each of the asset classes, dependent on the works program.

The SRV funding, if approved, must be expended on asset renewal.

4.10 Community Infrastructure - Recurrent Projects and Funding

Key Issues

- Program priorities

Information

From a financial management perspective it is paramount that a council efficiently manages and minimises its operating expenses so as to maximise the funding available for capital works. Without adequate funding provided on an on-going basis, the overall infrastructure base deteriorates, resulting in reduced service levels and increased risks due to asset failures.

It is also important that a council focuses, as the first priority for capital expenditure, on asset renewal, rather than expanding its asset base, as councils need to have adequate funds to maintain existing assets before building new facilities.

In respect to the recurrent funding budgets, the proposed works for the next four years are as follows.

Open Spaces - Manager – Cheyne Willebrands

Item	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Playgrounds (without SRV)	**175,000**	**182,000**	**187,000**	**192,000**
Ocean Breeze Reserve (Remove Silkwood)	100,000			
Megan Crescent	75,000			
Commemoration Park (Exercise Playground)		100,000		
Killarney Park		45,000		
Ferngrove Shade		37,000		
Missingham Park			187,000	
John Sharp				60,000
Madden Park				70,000
Lilli Pilli				62,000
Playground (with SRV)	**445,000**	**662,000**	**679,000**	**696,000**
Ocean Breeze Reserve (Remove Silkwood)	100,000			
Megan Crescent	100,000			
Commemoration Park (Exercise Playground)	130,000			
Killarney Park	45,000			
Ferngrove Shade	35,000			
Shelly Beach	35,000			
Ross Park		480,000		
John Sharp		82,000		
Lilli Pilli		100,000		
Missingham Park			250,000	
Pop Denison			300,000	
Madden Park			80,000	
Cummings Crescent			49,000	
Montwood Park				100,000
Edgewater Park				50,000
Faulks Reserve				180,000
Cawarra Park				150,000
Saunders Oval				116,000
Riverview Park				100,000
Sports Fields	**175,000**	**182,000**	**187,000**	**192,000**
Saunders Oval - Lighting	140,000			
Sport and Recreation Plan	35,000			
Pacific Pines Fields - Lighting		182,000		
Williams Reserve - Lighting			187,000	
Crawford Park - Lighting				192,000

4.10 Community Infrastructure - Recurrent Projects and Funding

Community Facilities - Manager – Craig Brown

Community Buildings and Halls (without SRV)

Item	Description	2018/19	2019/20	2020/21	2021/22
Lennox Community Centre	External Cladding / Repairs		48,000	50,000	
Lennox Community Centre	AC Unit Replacements				150,000
Lennox Community Centre	External Painting	25,000	25,000	25,000	25,000
Ballina Surf Club	External Painting Program	25,000	25,000	25,000	25,000
Ballina Surf Club	Internal Painting and Floors	50,000			
Kentwell Centre	Internal / External Painting	12,000	12,000	12,000	12,000
Kentwell Centre	AC Unit Replacements			72,000	
Library / VIC / Richmond	External Repaint			80,000	
Shelley Beach Surf Club	Exterior Finishing	40,000			
Wollongbar Hall	Repairs / Repaint	43,000			
Newrybar Hall	Repaint	43,000			
Community Gallery	Repaint		15,000		
60 Crane Street	External Repairs / Repaint		13,000		
Naval Museum	Exterior Repaint / Toilets		50,000		
Alstonville Swimming Pool	Building Repaint / Rooms				
Animal Shelter	Repaint		20,000		
Administration Centre	External Repaint				48,000
71 Tamar Street	External Repaint		20,000		
Former Library - 42 Cherry	External Repairs/Repaint		20,000		
Totals		**238,000**	**248,000**	**254,000**	**260,000**

Community Buildings and Halls (with SRV)

Item	Description	2018/19	2019/20	2020/21	2021/22
Lennox Community Centre	External Cladding / Repairs		48,000	50,000	
Lennox Community Centre	AC Unit Replacements				200,000
Lennox Community Centre	External Painting	25,000	25,000	25,000	25,000
Ballina Surf Club	External Painting Program	25,000	25,000	25,000	25,000
Ballina Surf Club	Internal Painting and Floors	25,000	25,000	25,000	25,000
Kentwell Centre	Internal / External Painting	12,000	12,000	12,000	
Kentwell Centre	AC Unit Replacements			72,000	
Library / VIC / Richmond	External Repaint			80,000	
ALEC	External / Internal Mods	281,000	169,000	237,000	
Shelley Beach Surf Club	Exterior Finishing		40,000		
Wollongbar Hall	Repairs / Repaint		43,000		
Newrybar Hall	Repaint		43,000		
Community Gallery	Repaint		15,000		
60 Crane Street	External Repairs / Repaint		13,000		
Naval Museum	Exterior Repaint / Toilets		50,000		
Animal Shelter	Repaint		20,000		
Administration Centre	External Repaint				80,000
71 Tamar Street	External Repaint			15,000	
Former Library - 42 Cherry	External Repairs/Repaint	20,000			
Community Halls - Various	Various				199,000
Totals		**388,000**	**528,000**	**541,000**	**554,000**

In addition to these works it is also recommended that Council undertake painting and repairs at the Waste Centre main building in 2018/19, with that work, which is estimated to cost $130,000, funded from the waste reserves.

4.10 Community Infrastructure - Recurrent Projects and Funding

Asset Management – Tony Partridge

Item	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Public Amenities	**108,000**	**112,000**	**115,000**	**118,000**
Killen Falls	108,000			
Kerr St Toilets (Rebuild/Reconfigure)		112,000		
Wardell Public Amenities Rebuild Adjacent to Tennis Courts			115,000	
Lennox Head Main Beach				118,000

Stormwater - Manager - Paul Busmanis

Item	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Stormwater (excluding SRV)	**474,000**	**493,000**	**506,000**	**519,000**
Asset Data Collection	62,000	63,000	64,000	64,000
Urban Stormwater Management Plan	23,000	24,000	25,000	26,000
Tanamera Drive, Alstonville	43,000	44,000	45,000	45,000
Dodge Lane ,Lennox Head	85,000			
Alison Avenue Lennox Head (re-lining)	85,000			
Moon Street (Tamar Street to Holden Lane)	80,000			
Henry Philp Avenue, Ballina	32,000			22,000
Rutherford St and Tresise Place, Lennox Head	10,000	132,000		
Martin Street (River Street to Richmond River)		90,000		
Kerr Street (River Street to Tamar Street)		23,000		112,000
Williams Reserve, Lennox Head		40,000		
Fox Street, Ballina			75,000	
Owen Street, Ballina			90,000	
Moon Street, Ballina			83,000	
River Street, Ballina			45,000	
Tide Gates to Urban Streets	30,000	53,000	54,000	54,000
Urban Lanes	24,000	24,000	25,000	26,000
Compton Drive, Ballina				85,000
Kingsford Smith Drive, Ballina				85,000

Item	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Stormwater (including SRV)	**474,000**	**767,300**	**809,600**	**830,000**
Asset Data Collection	62,000	63,000	64,000	64,000
Urban Stormwater Management Plan	23,000	24,000	25,000	26,000
Tanamera Drive, Alstonville	43,000	44,000	45,000	45,000
Dodge Lane ,Lennox Head	85,000			
Alison Avenue Lennox Head (re-lining)	85,000			80,000
Moon Street, Ballina (Tamar to Holden Lane)	80,000			
Henry Philp Avenue, Ballina	32,000	23,000		
Rutherford Street and Tresise Place, Lennox	10,000	132,000		
Martin Street (River Street to Richmond River)		90,000		
Williams Reserve, Lennox Head		40,000		
Compton Drive, Ballina		85,000		
Banglow Road (Moon St intersection)		41,300		
Kerr Street (River St - Tamar St)		73,000		76,000
Fox Street, Ballina		75,000		
Owen Street, Ballina			85,000	
Grant Street, Ballina			60,000	
Temple Street (Near 82)			120,600	
Martin Street, Ballina			200,000	
Hickey Street, Ballina			131,000	43,000
Oakland Avenue				66,000
Riverside Drive (Quays Dr - Oaklands)				60,000
Kingsford Smith Drive, Ballina				90,000
River Street, Ballina				50,000
Moon Street, Ballina				90,000
Survey & Brolga Place				60,000
Tide Gates to Urban Streets	30,000	53,000	54,000	54,000
Urban Lanes	24,000	24,000	25,000	26,000

Ancillary Transport Services - Manager – Paul Busmanis

Item	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Street Lighting	**51,000**	**53,000**	**54,000**	**55,000**
Lighthouse Parade, East Ballina	51,000	34,000		
Ceretto Circuit, Wollongbar		19,000		
Megan Crs, Lennox Head			15,000	
Quays Drive, West Ballina			12,000	
Riverside Dve, West Ballina			12,000	
Daydream Avenue/Sunnybank Drive, West Ballina			7,000	
Simmons St, North Ballina			8,000	
Piper Dve, North Ballina				12,000
Convair Ave, North Ballina				7,000
De Havilland Crs, North Ballina				28,000
Sheather St, Ballina				8,000

Item	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Footpaths and Shared Paths	**459,000**	**477,000**	**489,000**	**501,000**
Chickiba Drive, East Ballina	83,000			
Bentinck St, Ballina	5,000			
River St, Ballina	25,000			
Southern Cross Dr, Ballina	64,000			
Crane St, Ballina	5,000			
Kalinga St, West Ballina	107,000			
Links Ave, East Ballina	25,000			
River St 5-46-47-27, West Ballina	57,000			
Moon and Tamar Sts, Ballina	6,000			
Moon St, Ballina	3,000			
Angels Beach Drive, East Ballina	5,000			
Corner of Tamar St and Kerr St, Ballina		4,000		
Pine Ave, Short St, East Ballina	74,000			
Crane St, Ballina		11,000		
Bentinck St, Ballina		25,000		
Bangalow Rd, Ballina		4,000		
Suvla St, Shelly Beach Rd, East Ballina		114,000		
Freeborn Pl, Alstonville		27,000		
River St, Ballina		19,000		
Wardell Rd, Alstonville		8,000		
Martin St, Ballina		4,000		
Robertson St, Alstonville		33,000		
Eyles Dr, John Sharpe St and Links Ave, East Ballina		110,000		
Barlows Road, West Ballina		43,000	63,000	
Kerr St, Ballina			12,000	
Owen St, Ballina			97,000	
Bagot St, Canal Rd, Ballina			154,000	
Tamarind Drive, Ballina North			9,000	
Old Pacific Highway, Newrybar			64,000	
Grandview St, East Ballina				72,000
Manly St, East Ballina				22,000
Cherry Street, Ballina				70,000
Bugden Ave, Alstonville				27,000
Moon St, Ballina				13,000
Greenwood Pl, Sunrise Cr, Lennox Head				57,000
Kerr St, Ballina				21,000
North Ck Rd, Lennox Head				10,000
Quays Dr, West Ballina				95,000
Fox St, Ballina				14,000
Bike Plan Projects		75,000	90,000	100,000

4.10 Community Infrastructure - Recurrent Projects and Funding

Roads and Bridges - Manager - Paul Busmanis

Item	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Road Reconstruction (excluding SRV)	**3,903,100**	**4,130,000**	**4,669,400**	**4,121,400**
Bagotville Road segment 50 and Barrage			189,000	
Burnet Street segment 80	90,000			
Fernleigh Road segment 70				
Simmons Street segment 20			134,000	
Northumberland Drive segment 10		248,000		
Wardell Road segments 70 and 80	313,000			
River Drive segment 140	245,000			
Perry Street segment 10	59,000			
Regatta Avenue segment 30	86,000			
Bagotville Road segments 30 and 32	331,000			
Gibbon Street segment 20	89,000			
Pimlico Road segments 110 and 20	296,000		120,000	
Teven Road segments 70 and 58-60	318,000	287,000	220,000	250,000
Martin Street segment 150	125,000			
Crane Street segment 70	290,000			
Chickiba Drive segment 10-20 and part 30	140,200	229,000		
Riverbank Road segment 50			286,000	
Winton Lane segment 40		138,000		
Fawcett Street segment 10		77,000		
Skinner Street segment 30		64,000		
Swift Street segment 30		105,000		
Brunswick Street segment 20		84,000		
Burnet Street segment 50		199,000		
Barlows Road segment 20		167,000		
Gibbon Street segment 10		104,000		
Corks Lane segment 10-30		250,000		170,000
River Drive segment 130		254,000		
Fernleigh Road segment 80			250,000	350,000
Kays Lane segment 20		220,000	202,000	
South Ballina Beach Road segment 60		167,000	138,000	180,000
Johnson Drive segment 10		155,000	156,000	
Uralba Road segment 40			389,000	
Pimlico Road 100			289,000	170000
Teven Road 10			146,700	203,300
North Creek Road segments 10 and 50			322,000	
River Drive segment 10-30			263,000	
Eltham Road segment 10				162,000
Uralba Road segment 70			130,000	
Winton Lane segment 20			168,000	
Links Avenue segment 70			108,000	
Wilson Street segment 10			109,000	
Byron Street segment 20				131,000
Smith Drive segment 20				194,000
Old Pacific Highway segment 20				121,400
Martin Street segment 10				195,000
Crane Street 30				50,000
Friday Hut Road 170				265,000
Kalinga Street 30				201,000
Beacon 10				116,000
Russell Street 10				180,200
Carrs Bridge	248,000	248,000		
Regional Roads Repair Program	182,000	185,000	188,700	192,500
Reseals and Heavy Patching	1,802,000	1,849,000	1,881,000	1,913,000
Funded from:				
Council Revenue	3,229,100	3,311,000	3,834,000	3,269,200
Regional Roads Grant	182,000	185,000	188,700	192,500
Roads to Recovery Grant	492,000	634,000	646,700	659,700
Total	**3,903,100**	**4,130,000**	**4,669,400**	**4,121,400**

4.10 Community Infrastructure - Recurrent Projects and Funding

Item	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Road Reconstruction (including SRV)	**4,614,200**	**5,030,000**	**5,569,400**	**5,044,400**
Bagotville Road segment 50 and Barrage			189,000	
Burnet Street segment 80	90,000			
Fernleigh Road segment 70				
Simmons Street segment 20			134,000	
Northumberland Drive segment 10		248,000		
Wardell Road segments 70 and 80	313,000			
River Drive segment 140	245,000			
Perry Street segment 10	59,000			
Regatta Avenue segment 30	86,000			
Bagotville Road segments 30 and 32	331,000			
Gibbon Street segment 20	89,000			
Pimlico Road segments 110 and 20	296,000		120,000	
Teven Road segments 70 and 58-60	318,000	287,000	220,000	250,000
Martin Street segment 150	125,000			
Crane Street segment 70	290,000			
Chickiba Drive segment 10-20 and part 30	140,200	229,000		
Riverbank Road segment 50			286,000	
Winton Lane segment 40		138,000		
Fawcett Street segment 10		77,000		
Skinner Street segment 30		64,000		
Swift Street segment 30		105,000		
Brunswick Street segment 20		84,000		
Burnet Street segment 50		199,000		
Barlows Road segment 20		167,000		
Gibbon Street segment 10		104,000		
Corks Lane segment 10-30		250,000		170,000
River Drive segment 130		255,000		
Fernleigh Road segment 80			250,000	350,000
Kays Lane segment 20		179,000	202,000	
South Ballina Beach Road segment 60		167,000	138,000	180,000
Johnson Drive segment 10		155,000	156,000	
Uralba Road segment 40			389,000	
Pimlico Road 100			289,000	170000
Teven Road 10			167,700	210,300
North Creek Road segments 10 and 50			322,000	
River Drive segment 10-30			266,000	
Eltham Road segment 10				162,000
Uralba Road segment 70			130,000	
Winton Lane segment 20			168,000	
Links Avenue segment 70			108,000	
Wilson Street segment 10				109,000
Byron Street segment 20				131,000
Smith Drive segment 20				194,000
Old Pacific Highway segment 20				121,400
Martin Street segment 10				195,000
Teven Road 52				315,000
Crane Street 30				50,000
Friday Hut Road 170				265,000
Kalinga Street 30				201,000
Beacon 10				116,000
Russell Street 10				180,200
Carrs Bridge	248,000	248,000		
Regional Roads Repair Program	182,000	185,000	188,700	192,500
Reseals and Heavy Patching	1,802,000	1,849,000	1,881,000	1,913,000
Funded from:				
Council Revenue	3,940,200	4,211,000	4,734,000	4,192,200
Regional Roads Grant	182,000	185,000	188,700	192,500
Roads to Recovery Grant	492,000	634,000	646,700	659,700
Total	**4,614,200**	**5,030,000**	**5,569,400**	**5,044,400**

There will also be road reconstruction works carried over from the current financial year due to the large grant funding program being carried out during 2017/18 (i.e Blackspot funding for the Ross Lane roundabout and straightening of The Coast Road).

Location maps for the 2018/19 road projects are included as an attachment.

Other matters - Coast Road Pedestrian Bridge

At the February 2018 Ordinary meeting Council resolved as follows:

That Council investigate the option of funding the installation of a safety barrier at the Angels Beach pedestrian overpass to reduce the risk of items being thrown from the overpass onto passing vehicles, as part of the preparation of the 2018/19 Operational Plan.

The RMS has published a Technical Direction (BTD2012/01) in respect to the provision of safety screens on bridges. A copy of the Technical Direction (TD) is attached to this report.

One of the objectives of this TD is to establish the criteria to determine the need to provide safety screens on new bridges and to retrofit safety screens on existing bridges.

The TD states, "the risk of serious injury associated with these incidents is mainly dependent on the height of the bridge above the road beneath and the speed of the vehicle that may be hit by the objects. Objects dropped from high bridges have the potential to cause severe impacts. However it is more difficult for perpetrators to target individual vehicles accurately."

The TD also notes "Accordingly, the speed of traffic on the road beneath the bridge is the most important factor in determining priorities. It is anticipated that bridges over rural roads where the posted speed limit is less than 80 km/hr and for urban roads where the posted speed limit is less than 60 km/hr would only be screened in exceptional circumstances."

The TD includes a risk assessment to provide criteria to determine the demand for a screen. The theoretical maximum score using the assessment criteria is 68. A score greater than or equal to 30 warrants action.

Staff have completed the risk assessment and rate the risk score at 36.4.

At the time of writing this report, no information is available from the NSW Police on the number of incidents that have been reported. Council is only aware of one incident other than the one reported by Cr Cadwallader at the last Council meeting.

The previous incident was a report in 2009 of children throwing rocks from the bridge. This did not result in any vehicular incidents.

If the highest score is applied to the incident history criteria in the risk assessment, being the most conservative position to take without further data, the risk score increases to 41.

The RMS has provided some examples of projects and their costs and the rate per linear metre varies depending on the project. Looking at an average of the rates provided, the likely cost for this project is at least $70,000.

This is a difficult issue for Council to assess as the risk assessment indicates action is warranted, albeit the risk score is on the low end of the scale and we are aware of only one incident. It is also acknowledged the consequences of another incident could be severe.

The inclusion of this project in Council's budget can be justified due to the risk, however this would mean the deferral of a project previously scheduled for 2018/19.

If Council does not wish to defer a project another option is to seek approval to reduce the speed limit for the Coast Road at this location to 60 km/hr, as this would obviate the need for the screen based on the advice in the TD.

The 80 km/hr limit at this location is typical for roads with no direct access, however the speed zone is only a short length, is in an urban environment and the new shared path is adjacent, meaning it is possible a reduction is appropriate in the circumstances.

Based on the above, it is recommended Council make a request to the Local Traffic Committee to reduce the speed zone for the Coast Road at this location.

If this request is not approved, a further report will be presented to Council prior to the adoption of the Delivery Program for 2018/19, to enable Council to determine its position.

Legal / Resource / Financial Implications

The purpose of this report has been to highlight the funding available for recurrent community infrastructure projects and to outline the preferred priority for projects.

Consultation

The priorities endorsed by Council will be exhibited for public comment as part of the draft 2018/19 Delivery Program and Operational Plan.

Options

The options available relate to the timing of the works identified in the report along with the priorities, with Councillors able to amend priorities based on community feedback.

For example Wardell constituents consistently criticize Council for inadequate works in that township and there are limited works proposed for Wardell once again.

The recommendation is to endorse the information included in the report as the priorities represent adopted programs or the latest assessments from technical staff.

There is also a recommendation in respect to the Angels Beach pedestrian bridge.

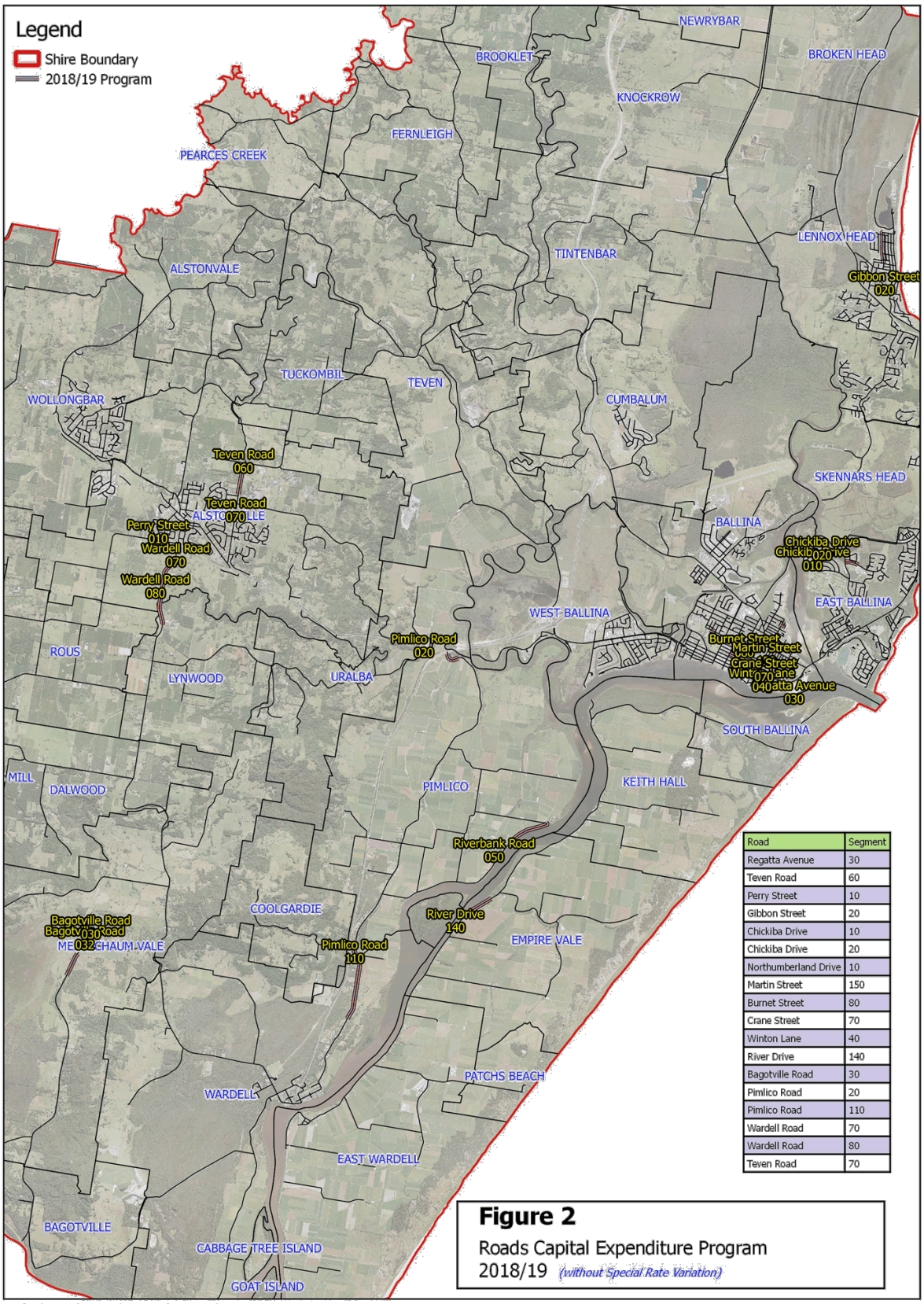
RECOMMENDATIONS

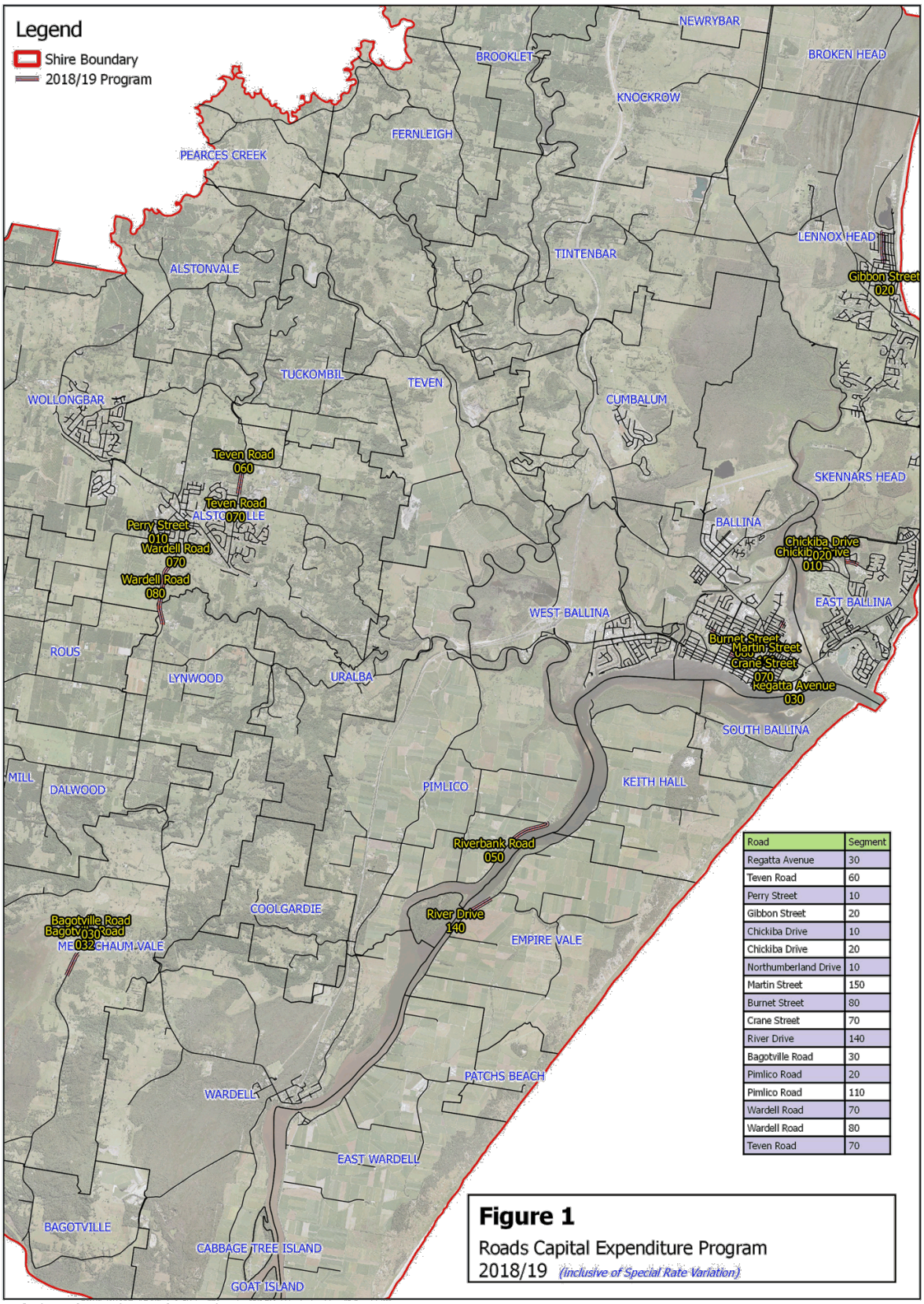
1. That Council include in the draft 2018/19 Delivery Program and Operational Plan the recurrent capital expenditure priorities as outlined in this report.

2. That Council request the Local Traffic Committee to approve a reduction in the speed zone for The Coast Road at Angels Beach to 60 km per hour, due to the safety concerns arising from the pedestrian bridge.

Attachment(s)

1. 2018/19 - Road reconstruction location map - without SRV
2. 2018/19 - Road reconstruction location map - with SRV
3. RMS Technical Direction - Provision of Safety Screens on Bridges





Corporate Circular

CC: BTD2012/01

Transport Roads & Maritime Services

NSW GOVERNMENT

BRIDGE TECHNICAL DIRECTION BTD2012/01

PROVISION OF SAFETY SCREENS ON BRIDGES

Background

Roads and Maritime Services recognises that there is a risk to motorists from objects being dropped or thrown from overbridges onto traffic passing underneath. Generally these incidents are infrequent and sporadic. However, severe injuries and fatalities have occurred in the past.

Technical Direction TD2002/RS02 was issued in October 2002 to provide a risk assessment procedure for the evaluation of the need for screens on existing and new bridges and to set guidelines for the design of the safety (protection) screens.

This Bridge Technical Direction updates and replaces TD2002/RS02.

Objectives

The objectives of this Technical Direction are to:

1. Establish the criteria to determine the need to provide safety screens on new bridges and to retrofit safety screens on existing bridges
2. Provide guidance and standards for the design of safety screens that satisfy structural design, road safety, traffic operation and urban design objectives.
3. Outline alternative and additional measures that can be taken to reduce risk of objects being dropped or thrown from bridges.

This Technical Direction does not cover methods for the prevention of objects being thrown from the side of the road, a cutting or an embankment.

Risk Parameters

The risk of serious injury associated with these incidents is mainly dependent on the height of the bridge above the road beneath and the speed of the vehicle that may be hit by the object.

For passenger cars, an increase in speed from 80 km/h to 100 km/h will have a greater influence on the outcome than doubling the bridge height from 6 to 12 metres. For trucks, with a windscreen angle generally much closer to the vertical, the influence of bridge height is negligible compared with travel speed. It should be noted that this analysis only approximates the injury risk, as there are many other factors that will influence the outcome, including the size and strength of the windscreen, the size, shape and composition of the object being dropped.

Object dropped from high bridges have the potential to cause severe impacts. However, it is more difficult for perpetrators to target individual vehicles accurately.

Contact:	M V Bennett
Section:	New Design, Bridge and Structural Engineering
Telephone no:	02 8837 0802
File no:	94M3917
Circular Number:	BTD2012/01

Accordingly, the speed of traffic on the road beneath the bridge is the most important factor in determining priorities. It is anticipated that bridges over rural roads where the posted speed limit is less than 80 km/h and for urban roads where the posted speed limit is less than 60 km/h would only be screened in exceptional circumstances.

Assessment Criteria

Assessment for the need for safety screens on bridges over roads shall be carried out using the formal risk assessment process set out in Appendix 2.

The risk assessment factors to be considered and scored are as follows:

- Previous history of incidents and/or signs of graffiti in the vicinity of the bridge
- Ease of pedestrian access
- Type of road underneath
- Posted speed of the road underneath
- Proximity to pedestrian traffic generators such as schools, hotels, clubs, sporting venues etc
- Lighting
- Visibility of pedestrians on the bridge to traffic on the bridge and to traffic passing under the bridge
- Amount of loose material nearby

The theoretical maximum score using the matrix rating system is 68. A score greater than or equal to 30 warrants action.

For new bridges a previous history of incidents in the local area may not be available. In these cases, the experience at similar sites should be taken into account. Where it is anticipated that during the life of the structure a future risk assessment would require their installation, safety screens should be fitted when the bridge is constructed. The installation of safety screens should not be delayed until a serious incident definitely establishes the need.

For existing bridges the risk assessment score should be reviewed if the conditions at the bridge site change.

Safety screens shall be provided on all pedestrian, shared path, cycleway and road bridges with footways over railway lines. For road bridges without footways the Railway Authority shall be consulted to determine the need for safety screens. The design and extent of these safety screens shall be as required by the relevant Railway Authority.

Design Standards

Safety screens shall be designed to have a minimum design life of 50 years. They shall be designed to comply with the requirements set out in Appendix 1.

On existing bridges, screens would normally be retrofitted as separate structural elements independent from the existing pedestrian or traffic barriers.

On new pedestrian, cycleway, shared path or road bridges with footways the screens should be designed as an integrated part of the pedestrian or cycleway barrier systems. On new road bridges the safety screen should be designed with a post spacing and appearance complimentary to the traffic barrier.

Contact:	M V Bennett
Section:	New Design, Bridge and Structural Engineering
Telephone no:	02 8837 0802
File no:	94M3917
Circular Number:	BTD2012/01

Noise walls and privacy screens fitted to bridges, provided they comply with the height requirements of Appendix 1 may also function as safety screens.

Safety screens shall be designed to minimise future maintenance costs and to minimise the risk of damage due to vandalism and graffiti.

Alternative and Additional Measures

If the risk assessment score is marginal and the decision is made not to install safety screens other risk reduction methods should be considered including:

- Removal of loose stones, litter and sundry foreign objects in the vicinity of the bridge that could potentially be used as missiles
- Replacement of timber and metal delineator posts in the immediate vicinity of the structures with lightweight plastic alternatives
- Modification or removal of other road furniture that could be used as projectiles
- Installation of lighting or enhanced lighting
- Raising awareness of the danger of dropping or throwing objects from overbridges with school and community groups and local authorities
- Camera surveillance

Records Management

The installation of safety screen on a bridge shall be recorded in the Bridge Information System (BIS).

Attachments to this Technical Direction

1. Appendix 1 - Design of safety screens on bridges
2. Appendix 2 - Risk assessment matrix

Effective date: 12 July 2012

Approved: Wije Ariyaratne
Principal Bridge and Structures Engineer

DISTRIBUTION:
Publication on RMS' Intranet and the Internet
The circulation list for the Bridge Technical Direction Manual
All Bridge Engineering Staff and Skill-Hire Contractors
Asset Managers, Bridge Maintenance Planners and Support Officers
Corporate Documentation Registrar
Manager, Road Information and Asset Management Technology
Manager, Project Management Office

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Appendix 1 - Design of Safety Screens on Bridges

Geometric Requirements

Safety screens shall have the following geometrical properties:

(a) A minimum height of 3.0 m above the roadway or footway surface or 2.0 m above the top rail or top surface of any adjacent pedestrian or traffic barrier, whichever is the greater.

(b) The safety screen shall extend at least 6 m beyond the edge lane line of the roadway below or, if this is not possible, to within 1 m of the end of the Abutment wing walls or on pedestrian and shared path bridges to the landings at the end of the main bridge spans.
The safety screen shall be at or above the minimum height for a distance of at least 2 m past the outer edge lane line of the roadway below, and may then taper down in height.

(c) Where the safety screen is adjacent to the traffic carriageway, the screen shall have a minimum setback from the inside face of the traffic barrier of 350 mm.

(d) For pedestrian footways on road bridges and on pedestrian bridges the safety screens shall have a minimum head clearance of 2.20 m at the inside face of the railing and 2.40 m at 150 mm from the inside face of the railing or handrail.

(e) On shared path bridges and cycleways the safety screens shall have a minimum head clearance of 2.5 m at 300 mm from the inside face of the adjacent railing or handrail.

(f) A minimum clear width of 80 mm shall be provided between the safety screen and the railing or handrail.

(g) Post spacing shall not exceed 3 m. However, as the standard size of a mesh panel is 2.4 x 3.0 m, post spacing based on an infill panel width of 2.4 m will eliminate the need for a 2 mesh panels vertically.

(h) Pedestrian and shared path bridges with a clear width between railings or handrails of up to 3.0 m may be fully enclosed, but measures shall be taken to restrict unauthorised access onto the top of the screen. On shared path bridges the minimum head clearance over the central 2.0 m of the bridge carriageway shall be 3.0 m.

(i) For safety screens that are not fully enclosed, the maximum effective outward slope measured to a straight line drawn through the top of the infill panel and the bottom of the infill panel at the top of the parapet or kerb shall not exceed 1 in 10.

(j) Posts for safety screens that are located on a bridge where the longitudinal grade of the bridge exceeds 6% at any point, shall be detailed to be truly vertical for the full extent of the screens. Where the longitudinal grade does not exceed 6% at any point, the posts should normally be perpendicular to the top of the concrete parapet or footway surface.

Construction Details

The following construction details shall be adopted for the design of the safety screens:

(a) The design of the safety screen should be modular, so that individual components can be easily replaced if damaged by an over-width or errant vehicle.

(b) It is preferred that safety screens are attached to the top or outside face of the bridge parapets. However, safety screen posts may be bolted to the posts or base plates of traffic barrier railings, provided the minimum lateral clearance requirements are met.

(c) Safety screens shall not be attached to the railings of traffic barriers.

Infill Panels

For normal road bridges the safety screens should use wire mesh panels. However, in special circumstances such as heritage bridges, where the safety screens also have a noise mitigation function,

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bridges fitted with advertising signs or bridges that require special architectural treatment the use of alternative panel types may be approved by the Principal Bridge and Structures Engineer.

On pedestrian and shared path bridges, to meet urban design and functional objectives, a range of infill panel types is permitted including wire mesh, perforated metal, profiled or punched metal sheeting and acrylic panels. The safety screen should be reasonably transparent to allow the ingress of light, allow the user to view the surroundings and to allow the motorist to see the pedestrian or cyclist.

Wire mesh panels shall have a maximum square grid of 50 x 50 mm with a minimum wire diameter of 4 mm diameter wire or 358 security mesh with a 75 x 13 grid and a minimum wire diameter of 4 mm. Security mesh should be used where there is an assessed high risk that persons may attempt to climb up the screen.

Where a pattern is required to meet architectural objectives a second decorative mesh panel (typically a 25 x 25 wire mesh) can be tied to the primary mesh panel to produce a silhouette effect. The minimum wire diameter of any secondary mesh shall be 3 mm.

Apart from where security mesh is used the maximum aperture of any gap or opening in the safety screen shall be 50 mm in any direction.

The infill panel shall be securely fastened to reduce the risk of it being stolen.

Design Loadings

Safety screens shall be designed in accordance with AS 5100.

The safety screen shall be designed for the most critical combination of the ultimate dead loads plus one of the following transient load effects:

Wind loading

The ultimate limit state wind speed and wind loading shall be as specified in AS/NZS 1170.2 for a 500 year return period.

Pedestrian Live Loading

Where the safety screen will also function as a pedestrian barrier an ultimate horizontal live load of 2.25 kPa shall be applied onto the screen from the footway level to 1.1 m above footway level.

General Live Load

An ultimate transverse load of 2 kN applied over an area of 0.2 m by 0.2 m anywhere on the screen.

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Appendix 2 - Risk Assessment Matrix

Weightings and scores for risk assessment

Assessment Factor Number	Weighting Criteria	Weighting (W)	Scoring Criteria	Score (S)
1	Type of road below		Posted speed of road below	
	Motorway or Restricted Access	10	>80 kph	10
	Major Public Road	6	>60 – 80 kph	9
	Minor road or footway	2	60 kph or lower	8
2	Type of bridge	10	Pedestrian or shared path	10
			Road bridge with footway	8
			Road bridge without footways	0
3	Distance from school	9	Up to 200m	10
			201m - 400m	9
			401m - 600m	8
			601m - 800m	7
4	Distance from hotel or club	8	801m - 1000m	6
			1001m - 1200m	5
			1201m - 1400m	4
			1401m - 1600m	3
5	Distance from youth attraction venue eg sporting venue, skateboard park	6	1601m - 1800m	2
			1801m - 2000m	1
			beyond 2000m	0
6	Other pedestrian generators eg Shopping centres, bus & train stations, high density residential areas	1	Significant generators within 300m	10
			Minor generators within 300m	5
			None within 300m	0
7	Lighting	3	Nil	10
			Adjacent lighting	5
			Lighting on bridge	0
8	Exposure from adjacent buildings	7	Low	10
			Med	5
			High	0
9	Exposure from passing traffic	7	Low	10
			Med	5
			High	0
10	History of incidents and/or signs of graffiti	10	Large amounts of graffiti and record of past incidents.	10
			Small amounts of graffiti	4
			No graffiti or past incidents	0
11	Any loose objects	4	Easily attainable large rocks or objects	10
			Few shrubs, rubbish & small rocks	4
			None	0

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The risk rating score is calculated as the sum of the multiplication of the Weighting W and the Score S divided by number of risk assessment factors:

$$\text{Risk Rating Score} = \sum_{1}^{11} \frac{W \times S}{11}$$

Example Risk Assessment

Assessment Factor No	Description	W	S	W × S
1	A bridge over a major public road that has a posted speed limit of 70 kph	6	9	54
2	Pedestrian bridge	10	10	100
3	500 m from the nearest school	9	8	72
4	More than 2000 m from a hotel, club	8	0	0
5	More than 2000 m from a youth attraction venue	6	0	0
6	Within 300 m of a shopping centre	1	5	5
7	Some light from street lights	3	5	15
8	Medium exposure from surrounding buildings	7	5	35
9	Medium exposure from passing traffic	7	5	35
10	In an area where past incidents of vandalism have occurred	10	10	100
11	Loose rocks in an adjacent garden bed	4	10	40
Sum of WS				456

$$\text{Risk Rating Score} = \frac{456}{11} = 41.5$$

Risk Rating Score ≥ 30, so a safety screen is required.

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4.11 Community Infrastructure - Non-recurrent Projects and Funding

Delivery Program	Financial Services
Objective	To review the non-recurrent community infrastructure projects under consideration by Council.

Background

The capital expenditure in Council's long term financial plan (LTFP) can be classified into two groups being recurrent and non-recurrent funded projects.

Recurrent refers to items in the LTFP where an allocation of general revenue funding is provided, each and every year, to assist Council deliver core community infrastructure.

Non-recurrent refers to items where capital expenditure funding is not required every year, however there are times when major injections of funding are needed (eg. swimming pools).

This report examines the non-recurrent projects under consideration by Council.

Key Issues

- Priorities for community infrastructure
- Funding options

Information

This non-recurrent community infrastructure report is submitted to Council each year as part of the preparation of the annual Operational Plan and Delivery Program as it allows Council to take stock of the numerous projects that people in the community wish to see delivered.

The report is updated each year with details of projects completed and / or funded, along with identifying projects that are not yet funded.

The report provides an opportunity for Councillors to review existing funding strategies and to identify any new projects that they wish to see considered. A summary of the various projects is as follows.

Projects completed or well advanced

- Coastal Shared Path – A number of shared path segments are complete.

- Ballina Town Centre – Largely complete with the Moon Street to Grant Street section of River Street still to be completed

- Wardell and Alstonville Town Centres – Completed with the Wardell Boardwalk finalised this financial year

- Ballina Surf Club – Complete, excluding Building B, with a builder scheduled to commence the construction of that building within the next few weeks.

- Northern Rivers Community Gallery Refurbishment – Complete with minor works on the adjacent fire station scheduled for this financial year.

- Kentwell Community Centre – Complete

- Lennox Head Cultural and Community Centre and Skate Park – Complete

- Marine Rescue Tower – Complete

- Wollongbar Sports Fields – To be completed this financial year

- Ballina and Alstonville Swimming Pool Upgrades – To be completed this financial year.

- Wollongbar Skate Park – Funding allocated with the development application being assessed by Council staff.

- NSW Boating Now Plan – Funding strategy in place to finance a three year, part grant funded, program.

- Lake Ainsworth South Eastern Precinct – Funding allocated for the eastern and southern precincts, subject to planning consent.

- Missingham Park Concept Plan – Complete

In addition to these projects the following projects are included in the LTFP in future years, although in some cases the funding may be at risk as it is reliant on land sales or grants.

Projects in the LTFP

- Shaws Bay Coastal Zone Management Plan – This plan has approximately $1.8m worth of works, both capital and operational, over a ten year period. The works are included in Council's LTFP, albeit that some of the works are subject to grants being secured. A significant amount of works are planned for 2017/18. No change is recommended to the current funding strategy, although there may be a need to increase funding in future years, at some point in time to ensure the plan is fully implemented.

- Skennars Head Sports Field Expansion – Council has $50,000 in 2017/18 and $1,250,000 in 2018/19 allocated for this project. This funding is sourced from the Community Infrastructure Reserve ($1,150,000) and the Flat Rock Tent Park Reserve ($150,000). Unfortunately the estimates for this project are now closer to $2m to $2.2m.

The recommended strategy to finance this shortfall is to allocate $900,000 of the $1.7m Council is expected to be allocated under round two of the State Government's Stronger Country Communities grant program, with that funding likely to be announced towards the end of 2018. Council endorsed this project as one of the priorities for that program at the February 2018 Ordinary meeting.

- Airport Boulevard – Funded in 2017/18 and / or 2018/19 through a $4m Federal Government grant and a $3m dividend from the Property Development Reserve.

- Ballina Indoor Sports Centre (BISC) – Funded in 2017/18 and 2018/19 from waste dividends ($5m) and the possible sale of the ARC building or Henderson Land residual ($3m), if grant funds of $3m are not secured.

  The preference is not to sell assets as they are a finite resource and prior to a sale decision being made alternative funding sources should be examined by Council, with one possible scenario being:

  a) Community Infrastructure Reserve – There is $700,000 available for community infrastructure projects in this reserve during 2018/19. That funding can be allocated to the BISC.

  b) Additional Waste Dividends – The Landfill and Resource Management Reserve is forecast to have a closing balance of approximately $700,000 as at 30 June 2019. Although it is not good financial management to leave this reserve with a very small balance, as a last resort, Council could fund $550,000 from this reserve.

  c) State Government – Stronger Country Communities Grant Program (Round Two) – Council is expected to receive $1.7m from this program during 2018/19. Mr Ben Franklin MLC, who it is understood has a significant say in how these funds are allocated by the State Government, has indicated that ideally some of these funds should be allocated to smaller projects as has occurred in round one.

     With $1.7m available and $900,000 recommended for the Skennars Head Sports Fields, as outlined earlier, this could still leave around $700,000 for the BISC.

  d) Coastal Shared Path Reserve – Council has $850,000 set aside in reserve to match grant funds for the completion of this project however it has now likely that Council will secure State and Federal Government grants to fully fund the $1.8m needed to complete the segment from the Skennars Head / Coast Road roundabout to Pat Morton. This reserve could be re-allocated to the BISC, again as a last resort, as the preference is to use this reserve to match a possible grant for the Coastal Walk, as outlined later in this report.

  These four items provide funding of $2.8m to help offset a large part of the $3m shortfall and it is now recommended that this be the preferred back-up funding strategy for the BISC, if the grant applications are unsuccessful. Council currently has applications submitted with the State and Federal Governments for the $3m shortfall.

- Ballina Town Entry Statements – $700,000 was allocated in 2018/19 to this project based on property reserve movements. This project is now recommended to be placed on hold as this funding may be needed for the Ballina Indoor Sports Centre or for another priority of Council.

  For reference the various elements to this project are as follows.

Table One - Ballina Town Entry Treatment Master Plan – Components ($)

No.	Project	Original Estimate	Status	Latest Estimate
1	Landscaping of median strip between the roundabouts at Quays Drive and Barlows Road / Keppel Street.	322,000	On hold	400,000
2	Installation of tree planting blisters and tree planting along each side of River Street between Burns Point Ferry Road and Barlows Road/Keppel Street.	224,000	On hold	280,000
3	Installation of tree planting blisters and tree planting along each side of River Street between Barlows Road/Keppel Street and Boatharbour Road.	97,000	On hold	120,000
4	Installation of tree planting blisters and tree planting along each side of River Street between the Canal Bridge and Kerr Street.	95,000	Complete	N/A
5	Installation of tree planting blisters and tree planting along each side of Kerr Street between River Street and Fox Street.	140,000	On hold	180,000
6	Installation of tree planting blisters and tree planting along each side of Tamarind Drive between the Canal Bridge and Southern Cross Drive. Landscaping/tree planting on the corner of Kerr Street and Tamarind Drive	18,000	Funded this financial year	N/A
7	Roadside planting of trees on Tamarind Drive between Southern Cross Drive and Bicentennial Gardens.	16,000	Funded this financial year	N/A
	Total value of works still to be completed			**980,000**

- Captain Cook Park Master Plan – Funding was allocated in future years for this project it is also recommended to place this project on hold due to the other essential projects being a higher priority. Once funding is available it is proposed to implement this master plan in stages as follows.

Table Two – Captain Cook Master Plan – Staged Implementation ($)

Ref	Item	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Funded
1.	Laneway and Car Park – access		750,000				On hold
2.	Public Art / Monument					50,000	On hold
3.	Improved Pedestrian Entry - River Street		200,000				On hold
4.	RSL Edge Landscaping	150,000					2017/18
5.	Open Park Land – Paths etc				200,000		On hold
6.	Public Wharf and Pontoon (Boating Now)	300,000					2017/18
7.	Water Play Area – Drainage etc					500,000	On hold
8.	Picnic Shelter – BBQs, Structures				150,000		On hold
9.	Public Toilets					300,000	On hold
10.	Jetty			350,000			On hold
11.	Landscape - Activity Zone / Fawcett Park			150,000			On hold
	Totals	**450,000**	**950,000**	**500,000**	**350,000**	**850,000**	

Items 4 and 6 are being implemented during the current financial year.

- Pop Denison Park Master Plan – This plan has a works schedule totaling approximately $1.8m. The works are fully funded by developer contributions and $350,000 is included in the 2017/18 financial year based on the amount of developer contributions collected to date. Funds will be allocated in future years as and when developer contributions are collected.

- Ballina Town Centre – Moon Street to Grant Street – Funded in 2018/19, from loans, at an estimated cost of $2.5m, with the loan repayments funded through commercial property rentals.

Other projects that have been identified as priorities and are currently not included in Council's LTFP include the following items.

Projects without a confirmed funding strategy in the LTFP

- Lennox Head Town Centre Village Renewal – $5.5m is the latest estimate based on preliminary designs. The adopted 2017/18 Operational Plan includes the following action:

  Progress Lennox Head Town Centre Village Renewal and confirm funding strategy for preferred completion by December 2021

  In respect to the estimated cost of $5.5m, expenditure of this magnitude is difficult to finance from revenue and / or reserves and the only realistic option available is loan funds.

  As this project involves the renewal of existing infrastructure, it is eligible for a NSW Treasury Corporation low interest loan.

  For the current swimming pool redevelopment projects Council has been able to obtain fixed rate loans at interest rates of between 3.50% and 4.00% (approximately).

  Based on an estimated construction cost of $5.5m the annual repayments at 4% for 15 and 20 years would range from approximately $400,000 (20 years) to $500,000 (15 years).

If the works had to be completed by December 2021, Council would borrow the loan funds part way during the 2021/22 financial year. This means that for 2021/22 there would be an annual repayment of $200,000 to $250,000 (approximately 50% of the annual repayment) and the full repayments would commence in 2022/23.

An annual repayment of $400,000 or $500,000 would impact negatively on Council's recurrent budget and a strategy to finance any future loan repayments needs to be identified by Council.

Some existing loans for previous Ballina Town Centre works expire during 2017/18 and 2018/19 however they are being partially offset by a new loan of $2.5m for the River Street beautification works between Moon and Grant Streets (estimated cost of $2.5m) which are scheduled for 2018/19.

By 2021/22 the loan repayments for the Ballina Town Centre works are forecast to be approximately $180,000 less than the existing repayments, even with the $2.5m in new loans.

The $180,000 reduction is currently financed by a reduction in the recurrent capital expenditure budget for roads of $80,000 and the remaining $100,000 is funded through the Community Infrastructure Reserve, with income from commercial properties generating the revenue for that reserve. Refer to the earlier report in this agenda in respect to the Property Reserve forecasts.

With existing repayments decreasing by $180,000 there is scope to further borrow and fund those repayments from the existing sources (i.e. $80,000 reduction in recurrent capital expenditure and $100,000 from the Community Infrastructure Reserve).

A repayment of $180,000 equates to a loan of approximately $2m based on a 15 year term, which means Council could borrow that amount towards the Lennox Head project, although it still leaves a shortfall of $3.5m.

Council's LTFP currently has $1m in dividends being sourced from the Landfill and Resource Management (LRM) Reserve (Waste) from 2020/21 onwards with those funds allocated to asset renewal works.

The allocation of those funds is arbitrary at the moment as per the following table.

Table Three – Forecast Allocation of Future Waste Dividends

Item	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Roads	500,000	500,000	500,000	500,000	500,000	500,000
Open Spaces	250,000	250,000	250,000	250,000	250,000	250,000
Buildings	250,000	250,000	250,000	250,000	250,000	250,000
Totals	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**

The LTFP is sourcing funds from the LRM reserve as even with the proposed special rate variation, which has a strong focus on the extra revenue being allocated to asset renewal, additional funds still need to be expended on asset renewal to ensure that Council is reaching the Fit for the Future benchmarks. Council should be expending, each year on average, an amount at least equivalent to the annual depreciation expense to meet the benchmark.

The positive about the Lennox Head Town Centre Village renewal is that it is asset renewal (i.e. reconstructing road, footpaths, drainage etc).

Therefore one option could be to allocate the 2020/21 and 2021/22 LRM dividends to this project.

This would then leave a shortfall of $1.5m.

To cater for this shortfall the Community Infrastructure project funding identified in the Community Infrastructure Reserve movements for 2019/20 and 2020/21 could be reallocated to this project.

The funds available from that reserve for those years would be reduced to $750,000 per annum (from the $850,000 included in the report elsewhere in this agenda for the Property Reserves) based on $100,000 now being allocated to the additional loan repayments mentioned earlier.

This is a reasonable approach if this is the preferred priority for Council.

In summary the Lennox Head Village Renewal works would be funded by December 2021 as follows:

- Loan - $2m - $1m in 2020/21 and $1m in 2021/22 – Repayments funded $100,000 from the Community Infrastructure Reserve and $80,000 from recurrent Roads Reconstruction budget
- LRM Dividends - $2m - $1m in 2020/21 and $1m in 2021/22
- Community Infrastructure Reserve - $1.5m - $750,000 in 2019/20 and $750,000 in 2020/21.

There are uncertainties with respect to this proposal (i.e. variations in waste revenues and property development revenues) however it is a reasonable approach for forward financial planning, recognising that Council will regularly review these forecasts.

- Coastal Walk – Estimated cost of approximately $1.7m – Council has applied for 50% grant funding through the State Government's Restart NSW grant program with that application being approved to proceed to round two of the assessment phase.

  There are no Council funds allocated to the project, although an application has been submitted for $100,000 in Public Reserve Management Funds (PRMF) to complete a component of the works.

With Council securing 100% grant funding for the Coastal Shared Path segment from Skennars Head to Pat Morton the preferred option is to use the $850,000 in the Shared Path / Walk reserve to match this grant, if successful, although that will now depend on the success of grant funding for the BISC as per the earlier comments in this report.

If the BISC does secure grant funding then the $850,000 can match the Restart NSW grant, if successful, or alternatively allow Council to undertake segments of this project, without any grant funding.

There is the possibility that Council could secure the grant funds and not have the $850,000 available due to the reserve being expended on the BISC. If that does occur Council will have to review what other projects can be deferred to allow matching funding to be allocated to the grant.

- SES Building – Council has a statutory responsibility to provide a new building with no funds allocated to the project.

  It has been uncertain when a new or expanded building will be needed and this is now becoming a high priority project due to existing site constraints for the SES. There is currently no funding allocated in the LTFP for this project.

  The Civil Services Group is working with local SES officers to determine the preferred site location and building design and the very preliminary estimate is that Council may be looking at up to $1.5m to $2m for a new building dependent on the overall level of services provided.

  For example Port Macquarie recently completed a new facility at a cost of $1.7m, albeit that building also includes an emergency operations centre.

  The NSW Government has allocated $200,000 towards this project, which will assist with the evaluation, design and approval phases.

  No other grant programs have been identified to fund the construction of the building and Council will need to continue to lobby State and Federal Governments to determine whether any grants can be secured.

  Council has very limited funding opportunities available for this project as loans will adversely impact our recurrent budget, and there is little in the way of funds available in Council's internal reserves.

  One potential option could be to source funding from the proposed special rate variation (SRV).

  The majority of the SRV is to be expended on asset renewal and the preliminary allocation of funds from that proposal for asset renewal is as follows:

Table Four – SRV Asset Renewal Program ($)

Item	2017/18	2018/19	2019/20
Stormwater	0	0	274,300
Roads	389,600	711,100	900,000
Community Buildings	0	150,000	280,000
Open Spaces	0	270,000	480,000
Totals	**389,600**	**1,131,100**	**1,934,300**

If the proposed SRV proceeds and the designs and approvals were in place for the replacement SES building, Council could potentially allocate all or the majority of the asset renewal monies for say, 2019/20 or 2020/21, for the replacement building, as it is a community building.

This does take money away from other essential infrastructure areas, however the key focus of the special rate variation is asset renewal, and the replacement SES building is a key asset renewal project.

The actual allocation of funding to this project from this revenue source may have to be apportioned between what Council determines is asset renewal works and what is deemed an expansion of the service to ensure Council complies with any special rate variation approval, assuming it is approved by IPART.

The allocation of this funding depends entirely on when the design and approvals for this building are in place, and for the purposes of this report it is reasonable that the possible funding strategy will be the reallocation of a significant component of the proposed special rate variation revenues.

- Ballina Marina Master Plan – Council has adopted this master plan and it is not intended for Council to fund any of the work. The preference is to lobby the State Government to progress the project.

- Martin Street Boat Harbour Master Plan – Council has adopted a master plan for this precinct with no funds allocated and no funding is foreseeable in the short to mid-term.

- North Creek Dredging – Approval - The estimated cost of this project, which is only to obtain planning consent and not for dredging, is approximately $729,000 with Council undertaking certain stages of the feasibility process. There is no funding available to complete all stages of the approval process and no readily available funding source. Reports are being submitted to Council on that project based on a staged approach.

- Lennox Head Surf Club – Estimated cost of approximately $5m based on preliminary designs with funding only allocated for the design and approval of the project. Grant funding is the preferred funding source for this project.

- Lennox Head Rural Fire Service Shed – The current shed has a temporary development consent approval and Council is obliged to fund a new permanent shed. The consent is for a period of 10 years commencing 12 November 2012 (DA 2012/297). This means the onus is Council to provide a new facility prior to November 2022.

  The acquisition of the Byron Bay Road property provides an excellent site for this shed and once the alignment of Hutley Drive is confirmed, an examination of location and costs for the shed on this site can be completed.

- 9 Commercial Road, Alstonville – An amount of approximately $180,000 is needed to provide public car parking on this vacant Council property.

In discussions with Commercial Services staff it is agreed that it would be beneficial to have these works completed as the property requires constant mowing and there are occasional complaints from neighbours in respect to the condition of the property. The additional car parks will also benefit the Alstonville Town Centre.

The Flat Rock Tent Park reserve is forecast to have a closing balance of $626,000 as at 30 June 2019 and with limited capital expenditure needed for the Park the recommendation is to approve a transfer of $200,000 from that reserve to fund these works during 2018/19.

- Hutley Drive / North Creek Road intersection – This project is in Council's Section 94 Roads Plan which means Council has a statutory responsibility to deliver the project. The project has a nominal budget in the LTFP funded by developer contributions. Separate reports will be submitted to Council on funding strategies for this project.

- Section 94 Roads Plan – The Section 94 Roads Plan has tens of millions of dollars of road infrastructure projects identified over the next 20 years and the timing of those works will depend on the collection of developer contributions.

- Ballina Ocean Pool – This project is supported by Council subject to the works being funded by the community.

Legal / Resource / Financial Implications

The financial implications of this report are dependent on the priorities determined by Council.

Consultation

The majority of the projects mentioned in this report have been identified through public consultation processes.

Options

There are numerous options available in respect to this report and they are entirely dependent on the priority Council wishes to place on community infrastructure projects.

For the purposes of preparing the draft 2018/19 Delivery Program, Operational Plan and Long Term Financial Plan the preferred strategies, based on the contents of this report, are:

1. Skennars Head Sports Field Expansion – $2.2m budget – $50,000 in 2017/18 and $1,250,000 in 2018/19 already allocated, plus $900,000 from round two of the State Government's Stronger Country Communities grant program.

2. Ballina Indoor Sports Centre (BISC) – $3m shortfall – contingency funding for 2018/19 as follows:

    a) Community Infrastructure Reserve – $700,000

b) Landfill and Resource Management Reserve - $550,000
c) State Government – Stronger Country Communities Grant Program (Round Two) – $700,000
d) Coastal Shared Path Reserve – $850,000

3. Lennox Head Village Renewal Works - $5.5m - Funded by December 2021 as follows:

   - Loan - $2m - $1m in 2020/21 and $1m in 2021/22
   - LRM Dividends - $2m - $1m in 2020/21 and $1m in 2021/22
   - Community Infrastructure Reserve - $1.5m - $750,000 in 2019/20 and $750,000 in 2020/21.

4. Coastal Walk - $1.7m – Preferred funding confirmed as 50% from the State Government's Restart NSW program and 50% from Council's internal Coastal Shared Path reserve, with Council acknowledging this reserve may be required as contingency funding for the BISC.

5. SES Building - $1.5m – Likely funding source to be the complete allocation of one financial year's revenue from the proposed special rate variation, if approved.

6. Lennox Head Rural Fire Shed – Subject to further reporting with a possible location being the recently acquired property on Byron Bay Road.

7. 9 Commercial Road, Alstonville - $200,000 transferred from the Flat Rock Tent Park reserve to construct the car park planned for the property.

8. Hutley Drive and Section 94 Roads Plan – Subject to further reports dependent on Section 94 collections.

These points highlight the key issues raised in this report and it is recommended that the draft 2018/19 Delivery Program, Operational Plan and LTFP be prepared based on these principles.

Those documents will then be submitted to Council at the April 2018 Finance Committee for further review and to seek approval to publically exhibit the draft documents.

RECOMMENDATION

That Council authorises the preparation of the draft 2018/19 Delivery Program, Operational Plan and Long Term Financial Plan based on the contents of this report, for reporting to the April 2018 Finance Committee meeting, prior to public exhibition.

Attachment(s)

Nil