City of Joondalup 10 years
focussing on the future

Minutes
Strategic Financial Management Committee

MEETING HELD ON **WEDNESDAY 11 FEBRUARY 2009**

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CITY OF JOONDALUP

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON WEDNESDAY 11 FEBRUARY 2009

ATTENDANCE

Committee Members:

Cr Geoff Amphlett	Presiding Person	Central Ward
Cr Russ Fishwick	Deputy Presiding Person	South Ward
Mayor Troy Pickard		
Cr Tom McLean		North Ward

Officers:

Mr Garry Hunt	Chief Executive Officer
Mr Mike Tidy	Director Corporate Services
Mr Mike Archer	City Projects Administrator
Mrs Janet Foster	Administrative Services Coordinator

DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1824 hrs.

APOLOGIES/LEAVE OF ABSENCE

Apologies	Cr Michele John
	Cr Brian Corr

CONFIRMATION OF MINUTES

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD ON 26 FEBRUARY 2008

MOVED Cr Fishwick SECONDED Cr McLean that the minutes of the meeting of the Strategic Financial Management Committee held on 26 February 2008 be confirmed as a true and correct record.

The Motion was Put and CARRIED (4/0)

In favour of the motion: Crs Amphlett, Fishwick and McLean, Mayor Pickard

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

DECLARATIONS OF INTEREST

Nil

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

Nil

PETITIONS AND DEPUTATIONS

Nil

REPORTS

ITEM 1 CONFIDENTIAL REPORT - 20 YEAR STRATEGIC FINANCIAL PLAN REVIEW - [52582] [51567]

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

For the Strategic Financial Management Committee to consider and recommend to Council the endorsement of the review of the 20 Year Strategic Financial Plan.

EXECUTIVE SUMMARY

The 20 Year Strategic Financial Plan is due for review by the Strategic Financial Management Committee. The previous Plan was adopted in 2006. The previous Plan projected the City's financial position for 20 years using the 2006/07 budget as the base year for projections.

The Plan has been extensively reviewed to bring the base year up to date and to incorporate revised projections. These projections recognise decisions and proposals considered by Council since the 2006 Plan and are also based on more accurate and up to date asset condition data that is now available.

The projections plot two scenarios. One scenario is based on existing assets only and the required refurbishment and improvement of these to maintain them. The other scenario incorporates projected new capital assets in addition to the refurbishment and improvement of existing assets.

In both cases the scenario projects substantial and increasing cash deficits in the first twelve (12) years which then plateau and reduce. In both cases these projections are based on the proceeds from land sales at Tamala Park being quarantined.

These results are predicated on a series of assumptions which are dealt with in the report.

It is recommended that the Strategic Financial Management Committee:

1 NOTES the principles, estimates and explanatory notes supporting the reviewed Strategic Financial Plan 2008/09 – 2027/28 forming Attachments 1 and 2 to this Report;

2 Further CONSIDERS the financial parameters on which the reviewed Strategic Financial Plan 2008/09 – 2027/28 is based.

BACKGROUND

The existing Strategic Financial Plan was adopted by Council in June 2006. The Plan set out projections over a 20 year timeframe however primary focus was on the first five years. At the time the Plan was used to meet the requirements of Section 5.56 of the Local Government Act 1995 which requires in part that –

"(1) A local government is to plan for the future of the district."

The Plan was advertised for public comment and six submissions were received.

Since the preparation of that Plan, changes in the financial position of the City, the asset condition data that is now available and various subsequent decisions that have been made in relation to projects mean the Plan requires review.

In relation to the requirements of Section 5.56 of the Local Government Act these are now met by the City's Strategic Plan 2008 - 2011 adopted by Council in March 2008. The 20 Year Strategic Financial Plan is a supporting planning tool to the Strategic Plan.

DETAILS

Before considering the detail of the report there is a disclaimer that needs to be made.

<u>Disclaimer</u>

The 20 Year Strategic Financial Plan is a planning tool. It is based on many assumptions. It also includes projects and proposals that in some cases:

- *Have been approved by Council and are in progress,*
- *Have been considered by Council but are yet to receive final approval,*
- *Have only been considered by Elected Members at a strategy level,*
- *Have only been considered by Officers*
- *Are operational in nature and based on the continued provision of services and maintenance of City assets and infrastructure in accordance with management and other plans*

Any of the assumptions and any of the projects or proposals not already approved could prove to be inaccurate both as to likely requirement, timing and financial estimates or may not come to pass at all. They have, however, been included based on the best available information and knowledge to hand at this *time in relation to likely requirement, timing and financial estimates. Endorsement by Council of the 20 Year Strategic Financial Plan does not constitute a commitment or agreement to any of the projects or proposals that have not already been approved.*

Since the 2006 Plan the City has made decisions or is progressing to a point of making decisions in relation to assets and services that now need to be included in the projections. For example the 50 metre pool at Craigie Leisure Centre and the introduction of paid parking were not covered in the first five years of the original Plan. The original Plan used as a base year the 2006/07 Budget. The financial position has changed and the base year now needs to be reset at the 2008/09 Budget. Also since the original Plan there has been significant data gathering and development of the City's database in relation to existing asset condition. While still not complete the information in relation to the City's assets is now better known and understood and more reliable than was the case at the time of the 2006 Plan.

In the process of reviewing the 20 Year Strategic Financial Plan the following has occurred:

- Consultation with City Officers in relation to projects, proposals and projections.
- The baseline starting year has been updated to the 2008/09 budget.
- Projects that the City has committed to since the previous Plan or which have some likelihood of being committed to have been incorporated into the Plan.
- All asset refurbishment and improvement projections have been reviewed and revised based on current known asset condition data and where current expenditure levels are not sufficient to achieve effective asset refurbishment and improvement the projections include increases to meet this objective.

The overall projections going forward have been based on a number of fundamental assumptions.

The baseline assumptions for average percentage increases in revenues and expenses over the life of the Plan have taken account of the current economic climate. They assume a worsening situation in 2009/10 with a modest recovery in 2010/11 and better conditions subsequently. The assumptions are as follows –

	Assumption	**2009/10**	**2010/11**	**Beyond**
1.	Rates	3.0%	3.5%	4.5%
2.	Interest rates for investment earnings	3.25%	3.75%	5.0%
3.	Fees and charges	3.0%	3.5%	3.5%
4.	General purpose grants	3.0%	3.0%	3.0%
5.	Employee costs	5.0%	3.0%	4.0%
6.	Other operating expenditure	4.0%	4.0%	4.0%

Other assumptions incorporated in the projections are –

1 On and off street parking fees based on the existing implementation have been treated the same as other fees and charges and calculated on 4% increases, however, in addition revenue has been factored in from the projected provision of multi storey car parking. This revenue is identified separately in the Plan and is linked to the projected timeframes for the construction of these facilities.

2 Government grants have been broken into two parts. Those grants that would normally be expected based on the City's current activities and these include the projected 3% increases. The others are new grants that relate to specific individual projects that have been projected to occur at different points over the life of the 20 Year Strategic Financial Plan. These new grants are once offs occurring in particular financial years or split over a couple of years and there is no growth factor or continuing grant income in relation to these.

3 The City has a small number of existing loans and has budgeted in 2008/09 for some additional loan borrowing. The repayment of interest and principal on these existing loans and projected 2008/09 loans has been included into the forward projections but there have been no other loan borrowings factored in.

4 The City anticipates receiving substantial revenues from land sales resulting from its participation in the development of Tamala Park. The projections for the 20 Year Strategic Financial Plan are predicated on the basis that all of these funds will be placed in reserve.

The overall summary of the 20 Year Strategic Financial Plan is included as Attachment 1. It includes two graphs at the bottom, one of which represents the net cash position if new capital projects are included and the other represents the net cash position if new capital projects are not included. It should be noted that these projections are all cash based and represent the projected municipal fund cash surpluses/deficits.

A summary of the projected balance of reserve funds is included at the bottom of the table of financial projections but are not included in the net operating position figures or reflected in the graphs. It should be noted that in the case of the net cash position without new capital projects, the reserve fund balances exceed the cash deficits for the first 10 years of the projected Plan. In years 11 and 12, however, the net cash position exceeds the projected reserve fund balance before it changes back again from year 13. The net cash projections and balance are cumulative. Similarly, in relation to the net cash position with new capital projects for the first four years from 2009/10 reserves exceed the deficits however from that point onwards the net cash deficits exceed the reserve funds and by a substantial amount.

The summary at Attachment 1 shows from the top of the table the income projections for 20 years represented by note numbers 1-10 followed by the operating expenditure projections numbered 11-16 (please note that although depreciation is listed for the purposes of information all projects are cash based and these figures are reversed out in the totals). This results in a net operating result. Capital then follows numbered 17-20. The capital is broken up into existing capital and new capital with loan repayments (principal) shown separately. Below capital numbered 21-26 are the cumulative brought forwards, transfers to and from reserves, proceeds from land sales at Tamala Park, the sale of other assets and borrowings.

As previously mentioned the borrowings only reflect existing and 2008/09 budgeted borrowings. The only asset sales in the projections are land sales at Tamala Park and the disposal of plant and equipment as it is changed over. All of the proceeds of Tamala Park are projected to be transferred to reserves.

The existing capital programme and the new capital programme calculations are derived from calculations sheets not provided with this report.

Attachment 1 is supported by explanations and notes that relate to the overall summary document. These are included as Attachment 2. These provide a description and explanation of each line item in the Attachment 1 summary. In addition they provide a summary that highlights the major variations between the financial years and identifies the key projects that cause those variations.

Issues and options considered:

A broad range of assumptions have been made in relation to putting together the financial projections as explained in the Details section above. Any one of these assumptions could be modified and in combination there are many permutations. In terms of the basic underlying assumptions related to the percentage increases, any variation to these can potentially have a major impact on the projections because there is a compounding effect over the 20 year life of the projections. The percentage projections have been made relatively conservatively and it is felt that this is the most appropriate approach.

There are a number of philosophical issues that should be considered in the context of the 20 Year Strategic Financial Plan projections although they have not been included at this stage.

These include:

<u>Rationalisation of Assets</u>

The projections do not include any projections related to the potential rationalisation of assets. This is in line with adopting a conservative approach. The projections therefore include refurbishment and improvement of all existing assets.

It is fairly clear that in going forward the City will need to consider the rationalisation of assets and there are a number of opportunities that will present to enable this to happen. One primary example is the master planning for Percy Doyle Reserve, which is included in the forward projections but does not reflect any demolition or reduction in the number of existing building assets.

Rationalisation of facilities is always a contentious issue and requires significant community engagement. Dealing with the issues of the perceived loss of existing exclusive space and finding uses that are compatible to share space is a major challenge.

<u>Tamala Park Land Sale Proceeds</u>

As indicated in the assumptions, the projections at this point have been predicated on the basis that all proceeds from Tamala Park will be placed into reserve, effectively quarantined. While it is intended that these reserve funds be used for specific purposes, these purposes have not been identified and the projections do not reflect any transfers from this reserve. There needs to be a framework developed that identifies the types of purposes or uses to which these funds may be applied. The proceeds from land sales, while a significant revenue stream over a projected nine year period, represents a one off opportunity as the land can only be sold once.

The best use of funds from the realisation of an appreciating asset (land) would be to create or acquire another appreciating or income producing asset. The nature of this business is such, however, that there would be limited opportunities that would meet this criteria subject to how they might be interpreted. For example does income producing mean those assets generate all the income that is required to sustain their ongoing use and maintenance or could it include those assets which will generate a significant income stream although not enough to sustain their ongoing use and maintenance.

In considering what might constitute an income stream there probably also needs to be some wide criteria. Fees, charges, rents, leases, associated parking revenues etc derived directly from the asset development are obvious inclusions. The economic development multiplier effect that might drive future rate revenue or future paid parking growth should not be ignored.

Based on these considerations possible criteria for the use of the Tamala Park land sale proceeds are:

- First priority to assets capable of producing an income stream sufficient to completely sustain those assets.
- Second priority to assets capable of producing an income stream although not sufficient to completely maintain those assets.
- An income stream to include direct income from fees, charges, rents, leases, associated parking revenues etc and indirect income from economic development subject to this being supported by an economic analysis and assessment.
- Sale proceeds not to be utilised for the development and creation of any asset that will not result in an income stream.

Should Council wish to consider the possibility of using some of the Tamala Park land sale proceeds for assets that would not result in an income stream then there would need to be some very tight parameters around this use. Without this, and once precedents were set, there would be risks that over time the funds would be consumed for these purposes. Parameters could include identifying specific purposes and also putting a cap or a ceiling on the percentage of the land sale proceeds that could be used for that kind of purpose.

<u>Loans</u>

As discussed in the Details above, the current projections only include loan funds insofar as they already exist or are planned in the 2008/09 financial year. The projections do not make any provision for loan borrowings in the future. Clearly from the net results of the projections and after taking into account all of the proceeds from the Tamala Park land sales the City's projections show that there are insufficient funds to meet all of its needs. The City needs to consider the potential use of loan funds and how these might be best applied.

Ideally loan funds should be applied in a manner not too dissimilar to the discussion around the use of the Tamala Park land sale proceeds ie in situations where there is likely to be an income stream, generated. In funding terms there is greater flexibility with loans to tailor them to a project's timetable since loans can be taken out at any time. Using reserve funds requires these to be accumulated before they are available to be used on a project. On the down side, however, a loan adds a cost to running the asset and the income stream not only has to sustain the asset but meet interest and principal repayments.

It is acknowledged that using these criteria limits the potential application of the use of loan funds but nevertheless there are some situations in the forward projections where this criteria could be met. In particular the forward projections include provision for the construction of multi storey car parks which are expected to generate car parking fees. These represent an excellent example of where the loan funds could be applied with the income stream potentially being sufficient to sustain the asset and meet loan repayments. The recently implemented paid parking program is budgeted to be funded from loan.

Should the Council wish to consider the possibility of using loans it is felt that a determination should be made that the City will embrace loan borrowings but only in those situations where there is an income stream generated sufficient to sustain the asset and meet the loan repayments.

<u>Strategic Issues</u>

At the strategic weekend held earlier in the year there was some philosophical discussion of some key high level issues. Two of these do have some potential financial implications but no provision has been made in the 20 Year Strategic Financial Plan. These are the possible handover of Arena to the City of Joondalup and the development of a building in the CBD on City of Joondalup land.

While clearly these two issues are in the City's thinking at this point, how these events might be financially structured is not known other than that there is a strong desire for them to be self funding or cost neutral. It is on this basis that they have not been included in the Plan.

Link to Strategic Plan:

1.3.2 The City maintains a long-term Strategic Financial Plan which is reviewed regularly.

Legislation – Statutory Provisions:

Section 5.56 of the Local Government Act 1995 provides that -

"(1) A local government is to plan for the future of the district."

The 20 Year Strategic Financial Plan is an integral part of the City's planning for the future.

Risk Management considerations:

The 20 Year Strategic Financial Plan is based on many assumptions. There is a risk that those assumptions could be wrong or may not come to pass, however, it is a planning tool and the City is not committed to anything in the Strategic Financial Plan by virtue of endorsing it. Periodic review and update of the 20 Year Strategic Financial Plan will ensure that it remains a relevant and useful document to manage the City's financial affairs into the future.

Financial/Budget Implications:

The 20 Year Strategic Financial Plan represents projections and estimates based on many assumptions and is a planning tool. Endorsement of the 20 Year Strategic

Financial Plan does not constitute a commitment or agreement by the City to the projects and proposals or the projections included in the Plan.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

The 20 Year Strategic Financial Plan represents the primary and key financial planning document for the City and has a direct bearing on planning for the financial sustainability of the City.

Consultation:

The 20 Year Strategic Financial Plan has been prepared after consulting with City staff.

COMMENT

The original 2006 Plan has been reviewed and significantly updated with a new base year of 2008/09 and revised projections and estimates for the 20 year lifespan of the plan. It is based on known revenue and expenditure estimates, existing or expected Council commitments and projections for what is required in relation to the refurbishment and improvement of existing assets and the development of new capital assets. It is important to appreciate that it includes many assumptions. It is possible that these assumptions could prove to be inaccurate or may not come to pass at all. It will continue, therefore, to be reviewed, updated and reassessed into the future.

The key purpose of the 20 Year Strategic Financial Plan is as a long term planning tool and is an overall guide to the financial sustainability of the City. It provides a point of reference against which debate about future projects and proposals and their implications can be assessed and measured.

ATTACHMENTS

Attachment 1	20 Year Strategic Financial Plan Summary
Attachment 2	20 Year Strategic Financial Plan Explanations and Notes

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee:

1 NOTES the principles, estimates and explanatory notes supporting the reviewed Strategic Financial Plan 2008/09 – 2027/28 forming Attachments 1 and 2 to this Report;

2 Further CONSIDERS the financial parameters on which the reviewed Strategic Financial Plan 2008/09 – 2027/28 is based.

The Director Corporate Services provided an overview of the report. Discussion ensued.

MOVED Cr Fishwick SECONDED Cr McLean that the Strategic Financial Management Committee

1 NOTES the reviewed Strategic Financial Plan 2008/09 – 2027/28 forming Attachments 1 and 2 to this Report;

2 REQUESTS a further version of the Strategic Financial Plan 2008/09 – 2027/28 be prepared which factors in economic cycles based on past history;

3 as a minimum, RECONSIDERS the Strategic Financial Plan on an annual basis in February each year.

The Motion was Put and CARRIED (4/0)

In favour of the motion: Crs Amphlett, Fishwick and McLean, Mayor Pickard

ITEM 2 DIRECTIONAL/ADVERTISING SIGNS TO BE INSTALLED ON CITY STREET SIGNS – [06004]

WARD: All

RESPONSIBLE DIRECTOR: Mr Ian Cowie
Governance and Strategy

PURPOSE

To seek the views of the Committee on the proposal to allow street signs within the City to have approved advertising installed.

EXECUTIVE SUMMARY

This report suggests that, on balance, allowing street sign advertising at certain key locations throughout the City should be progressed.

BACKGROUND

To examine alternate revenue streams for the City, the concept of allowing advertising to be installed on City owned street signs was suggested.

A number of other local governments have a contract with an external agent to allow advertising to be installed on street signs generally in the form of an illuminated street sign with an associated message. An example is shown at Attachment 1.

The City has a similar contract with an external agent that allows for advertising to be installed on various bus shelters. Advertising must conform to agreed guidelines.

DETAILS

Issues and options considered:

The proposal is for the City to enter into a contract to allow for designated street signs to have an illuminous street sign and associated advertising message installed. These signs would be managed by the external agent in return for revenue paid back to the City. It is: -

- estimated that the City could accommodate up to 50 advertising units;
- estimated that each sign has a limit of 2sqm of advertising area;
- anticipated that the contract would be a 10 year plus 10 year option;
- an option for the City to be compensated with installation of infrastructure rather than fees for advertising;
- suggested that where advertising space is not sold, then community messages could be installed.

It is understood that should the signs be defaced or smashed, they will be repaired or replaced quickly by the external agent managing the contract. This element will be explored with potential suppliers should Council decide to progress with the concept. The bus shelter contract contains a similar provision.

The options available to the Council would be to: -

- not allow any street sign advertising to occur within the City;
- allow certain street sign at key intersections within the City to have street sign advertising (Beach Road, Warwick Road, Hepburn Avenue, Whitfords Avenue, Ocean Reef Avenue, Hodges Drive, Shenton Avenue, Burns Beach Road, Joondalup Drive are likely options).
- allow all street signs within the City to have the potential to have street signs that carry an advertising message.

Link to Strategic Plan:

Not applicable

Legislation – Statutory Provisions:

Any signage would need to comply with the relevant requirements of Main Roads WA, or the City's Signs Local Law.

Risk Management considerations:

The risk of not examining alternate revenue streams increases the burden and reliance on rate revenue to provide for the City's services and programs.

Financial/Budget Implications:

The City currently derives approximately $100,000 a year in revenue for its contract relating to bus shelter advertising. It is difficult to determine the expected revenue if street sign advertising were allowed, but it would not be unreasonable to derive a similar figure, dependent on number of locations.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

There are a number of local governments that currently have an arrangement to allow such street sign advertising at various locations through the district.

The City has a similar contract for its bus shelters. Allowing street sign advertising within certain locations within the City could be determined as an extension to this. Opening all street signs to advertising is not considered appropriate because of the visual impact it could have. It is also likely that advertisers would only want signs on key roads. It is suggested that such signs not be allowed in the City centre itself to minimise the visual impact there. The actual areas where advertising signage should be allowed will be determined further should Council decide to progress the concept.

ATTACHMENTS

Attachment 1 Example signs

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee RECOMMENDS that Council:

1 SUPPORTS:

(a) the principle of allowing street sign advertising;

(b) that no such signs be allowed in the Joondalup City Centre;

(c) that the actual streets where such signage would be allowed be determined once the 'in principle' decision is made;

(d) that any contract entered into for street sign advertising include a clause requiring the rapid replacement/repair of damaged or broken signs;

(e) that the advertising allowed conforms to guidelines similar to those which apply to advertising on bus shelters;

2 subject to agreement to 1(a) above, REQUESTS the Chief Executive Officer to invite tenders from suitably qualified organisations.

The Chief Executive Officer provided an overview of the report. Discussion ensued. The Committee requested that this matter be referred back for further investigation, in particular to the types of signs used in Claremont, with a further report being presented to the Committee that also gives consideration to sponsorship opportunities.

ITEM 3 CONFIDENTIAL REPORT - COMMERCIAL OFFICE DEVELOPMENT FEASIBILITY ANALYSIS – [09095, 70512]

WARD: All

RESPONSIBLE DIRECTOR: Mr Ian Cowie
Governance and Strategy

PURPOSE/EXECUTIVE SUMMARY

For the Committee to consider the report of consultants Jones Lang LaSalle in relation to the feasibility of constructing a commercial office building on the carpark next to the City's administration building. The consultant's report suggests that such a building would not be viable using commercial rates of return.

BACKGROUND

For some time now there has been general talk about the potential to construct a commercial office building on the carpark next to the City's Administration Building (Attachment 1). This matter was considered at the Elected Members Strategic Weekend held in May 2008. This consideration led to the following Council resolution in July 2008 that: *"Development of a high rise commercial office space within the CBD on Council owned land is supported under the following conditions:*

- *Development should be iconic;*
- *Review the adequacy of the administration building; and*
- *Would require a business plan".*

Historically this carpark land was designated for a cultural facility which was to be built over a sunken carpark. However, this use has now been superseded with the City's acquisition of land facing onto Grand Boulevard (next to the TAFE Hospitality Training Centre) specifically for this purpose. Consequently, Council now has the opportunity to determine the future purpose of the undeveloped land, currently used for a carpark, on Boas Avenue.

Jones Lang LaSalle were commissioned to consider the feasibility of developing a commercial office building on this site. An initial analysis was prepared in May/June 2008 which is the primary date of assessment; however with the onset of the economic financial crisis the report has been updated to reflect Perth's commercial market. The changes have seen a worsening of the financial prospects due to sales revenue falls, increased construction costs and more competition as a result of surplus office space.

DETAILS

Jones Lang LaSalle have now presented their final report into the feasibility of constructing a commercial office development on the carpark site (Attachment 2).

The report:

- Analyses relevant provisions within the City Centre Development Plan and Manual;
- Provides a broad overview of the economy to set the scene;
- Considers the commercial office market in the Perth CBD and its performance;
- Considers five suburban commercial office markets and compares them to Joondalup;
- Provides an overview of the Joondalup market; and
- Analyses four options for the development of a commercial building on the carpark site.

In terms of the final dot point, Jones Lang LaSalle were asked to consider the potential for an 8-10 storey office building. The consultants introduced two lower, campus style developments into the analysis to provide a comparison of feasibility with an office tower. The four options analysed are therefore:

- A two storey campus style development (the cheapest option);
- A four storey campus style development (slightly higher development costs);
- An eight storey tower configuration; and

- An eight storey tower development which is green star rated.

The analysis concludes that the development is not feasible based on normal market return requirements.

The report notes that a 10% reduction in construction costs has significant implications for feasibility and that residential development in an office block at the penthouse level would improve financial viability. It is also noted that "based on present forecasts, the longer this development is left to bring to fruition, the less viable it will become" (page 76).

The Jones Lang LaSalle report only considers feasibility from a commercial financial basis. As the report notes on page 79, the City is not a normal commercial developer and there are several factors which can influence the financial viability for an organisation such as a local government. These include:

- The site value

  Here the report values the site at $5.9 million. This is an important consideration for a private sector commercial developer. However, the City owns this land and has not spent $5.9 million purchasing it for development. Its current return is negligible and this will continue, even with the introduction of paid parking. Consequently, it could be argued that while the $5.9 million figure for site value is a crucial element in any financial assessment for a private sector commercial developer, it is not so in this case for the City. In the report a further model is run for December 2008 and the land value of the site has been removed for comparative purposes. In this model the nil land value scenarios improve 'viability' with scenario 1 now at 'market' levels. This comparison does not account for the opportunity cost of the value of the land and should therefore be used with caution.

- Rental income

  When a private sector commercial developer builds an office block, the developer will receive rental income while it holds the building. Should the City construct the office building, it will also receive rental income. However, in addition it will receive the rates generated from the development. This is not the case for the private developer. Rates for a floor area of approximately 15,000 sqm are expected to be in the vicinity of $400,000.

- The multiplier effect

  A private developer is interested in commercial return. The developer has no direct interest in external multipliers associated with the development. This is not the case for the City. Much of what the City does is undertaken to enhance the amenity, the environment or the economy of the City. Consequently, the multiplier effect associated with the construction of a commercial office building is relevant for the City to consider in relation to such a development.

  Attachment 3 identifies the multiplier effects of establishing a 15,000sqm commercial office building. The analysis is based on 750 jobs being supported by the development. Such an increase in jobs is expected to increase output by $197 million directly and by $367 million overall when further multipliers are added. The 750 jobs directly created are expected to inflate to 1,412 in total when multiplier effects are added. Attachment 3 shows how the flow on benefits will be achieved within the Joondalup City Centre and the Joondalup economy as a result of such a development.

Issues and options considered:

The Committee could recommend to Council that:

- The City progresses the concept of a commercial office development via further due diligence; or
- The City abandons the concept of a commercial office development.

Link to Strategic Plan:

3.1 To encourage the development of the Joondalup CBD.
3.2 To increase employment opportunities within the City.
4.2.3 Facilitate the development of landmark buildings within the City Centre.

Legislation – Statutory Provisions:

Not applicable.

Risk Management considerations:

There are significant risks associated with undertaking any project of this nature. There are no significant risks associated with undertaking feasibility analyses.

Financial/Budget Implications:

These are explained in the report from Jones Lang LaSalle and the report on multiplier effects. The construction of a commercial building on the fee paying car park will generate some opportunity costs in terms of lost revenue. Should construction cover two years, two years of parking revenue will be lost. Based on initial car park takings, it is expected that approximately $60,000 will currently be foregone if the car park is closed for the development over the two year period. Those currently parking in the car park should be able to find alternative parking under the paid parking arrangements which have moved commuter parking from the centre City area.

Policy implications:

This report advances the City's strategic position in relation to CBD land.

Regional Significance:

A commercial office development will have regional significance and act as a major regional employment node.

Sustainability implications:

There are sustainability implications associated with this project. Depending upon the way the project progresses, these implications will be economic, social and environmental.

Consultation:

Not applicable.

COMMENT

For Committee members to consider whether they wish to support the progression of the concept of a commercial office development based on the feasibility analysis from Jones Lang LaSalle and the additional comments provided in this report. If the decision is taken to progress the concept to a more detailed feasibility phase, for the Committee to consider which of the four options presented by Jones Lang LaSalle they would like to pursue and whether an element of residential could/should be included in any development.

Alternatively a further option exists including the ability to explore taking the proposed project directly to the Property Development Market via an expression of interest process to test the viability of the assumptions in the consultants report.

ATTACHMENTS

Attachment 1 Map of proposed site
Attachment 2 Report from Jones Lang LaSalle
Attachment 3 Economic Impact Report

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

For Strategic Financial Management Committee members to consider the Jones Lang LaSalle report and determine whether they wish to support progression of the concept and, if so, in what general form.

The Chief Executive Officer and the City Projects Administrator provided an overview of the report. Discussion ensued.

MOVED Cr McLean SECONDED Cr Fishwick that the Strategic Financial Management Committee:

1 NOTES the report from Jones Lang LaSalle dated December 2008 detailing the feasibility of a commercial development in Boas Avenue, Joondalup;

2 REQUESTS the Chief Executive Officer to prepare a further report on:

(a) options for development of City-owned landholdings in the City Centre;

(b) parameters for development of designated City Centre commercial sites.

The Motion was Put and CARRIED (4/0)

In favour of the motion: Crs Amphlett, Fishwick and McLean, Mayor Pickard

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Asset rationalisation opportunities

Mayor Pickard requested that information be provided to the committee on asset rationalisation opportunities.

Strategic Directions Report

The Chief Executive Officer advised that the Strategic Directions Report will be provided as an attachment to future Committee agendas.

CLOSURE

There being no further business, the Presiding Person declared the Meeting closed at 2003 hrs; the following Elected members being present at that time:

Cr Geoff Amphlett
Mayor Troy Pickard
Cr Russ Fishwick
Cr Tom McLean

City of Joondalup 10 years
focussing on the future

Minutes
Strategic Financial Management Committee

MEETING HELD ON **TUESDAY, 28 APRIL 2009**

www.joondalup.wa.gov.au

CITY OF JOONDALUP

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY, 28 APRIL 2009

ATTENDANCE

Committee Members:

Cr Geoff Amphlett	- Presiding Person	
Cr Russ Fishwick	- Deputy Presiding Person	*from 1823 hrs*
Mayor Troy Pickard		
Cr Tom McLean		
Cr Brian Corr		

Officers:

Mr Garry Hunt	Chief Executive Officer
Mr Mike Tidy	Director Corporate Services
Mr Jamie Parry	Director Governance and Strategy
Mr Said Hafez	Manager Financial Services
Mrs Lesley Taylor	Acting Administrative Services Coordinator

DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1732 hrs.

APOLOGIES/LEAVE OF ABSENCE

Apology: Cr Michele Rosano

Apology for late attendance: Cr Russ Fishwick

CONFIRMATION OF MINUTES

<u>MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD ON 11 FEBRUARY 2009</u>

MOVED Cr McLean, SECONDED Mayor Pickard that the minutes of the meeting of the Strategic Financial Management Committee held on 11 February 2009 be confirmed as a true and correct record.

The Motion was Put and CARRIED (4/0)

In favour of the Motion: Crs Amphlett, Corr and McLean, Mayor Pickard

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

Item 1 – Confidential Report – 20 Year Strategic Financial Plan Review.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS

ITEM 1 CONFIDENTIAL REPORT - 20 YEAR STRATEGIC FINANCIAL PLAN REVIEW - [52582] [51567]

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

For the Strategic Financial Management Committee (SFMC) to consider and recommend to Council the endorsement of the review of the 20 Year Strategic Financial Plan (Plan).

EXECUTIVE SUMMARY

The Plan is due for review by the SFMC. The previous Plan was adopted in 2006. The previous Plan projected the City's financial position for 20 years using the 2006/07 budget as the base year for projections.

The Plan has been extensively reviewed to bring the base year up to date and to incorporate revised projections. The reviewed Plan was considered by the SFMC at its meeting on 11 February 2009. The SFMC requested some further revisions which have been incorporated into the latest version the subject of this report.

With the changes, as before, the projections plot two scenarios. One scenario is based on existing assets only and the required refurbishment and improvement of these to maintain them. The other scenario incorporates projected new capital assets in addition to the refurbishment and improvement of existing assets.

In both cases the scenario projects substantial and increasing cash deficits in the first eleven to thirteen years which then plateau and reduce. These results are predicated on a series of assumptions which are dealt with in the report.

It is recommended that the Strategic Financial Management Committee RECOMMENDS that Council ADOPTS the Strategic Financial Plan 2008/09 – 2027/28 forming Attachments 1 and 2 to this Report

BACKGROUND

The SFMC considered the revised Plan at its meeting held on 11 February 2009. A number of changes were requested. These changes include:

- 20 year projections that recognise a pattern of economic cycles based on historic precedent,
- Identifying the Cultural Facility and Percy Doyle Master Plan as being the only projects funded from the Tamala Park Land Sale Proceeds Reserve,
- Identifying the multi level car park construction projects to be funded from loans,
- The start of the cash flow from Tamala Park land sales being put back 2 years, and
- The adjustment of the timing of a number of projects to achieve a better financial fit.

DETAILS

Before considering the detail of the report there is a disclaimer that needs to be made.

Disclaimer

The 20 Year Strategic Financial Plan is a planning tool. It is based on many assumptions. It also includes projects and proposals that in some cases:

- *Have been approved by Council and are in progress,*
- *Have been considered by Council but are yet to receive final approval,*
- *Have only been considered by Elected Members at a strategy level,*
- *Have only been considered by Officers*
- *Are operational in nature and based on the continued provision of services and maintenance of City assets and infrastructure in accordance with management and other plans*

Any of the assumptions and any of the projects or proposals not already approved could prove to be inaccurate both as to likely requirement, timing and financial estimates or may not come to pass at all. They have, however, been included based on the best available information and knowledge to hand at this time in relation to likely requirement, timing and financial estimates. Adoption of the 20 Year Strategic Financial Plan by Council does not constitute a commitment or agreement to any of the projects or proposals that have not already been approved.

As referred to in the background a number of changes to the Plan were requested by the SFMC at its previous meeting and these have now been incorporated into the latest version which is the subject of this report.

Since the 2006 Plan the City has made decisions or is progressing to a point of making decisions in relation to assets and services that now need to be included in the projections. For example the 50 metre pool at Craigie Leisure Centre and the introduction of paid parking were not covered in the first five years of the original Plan. The original Plan used as a base year the 2006/07 Budget. The financial position has changed and the base year now needs to be reset at the 2008/09 Budget. Also since the original Plan there has been significant data gathering and development of the City's database in relation to existing asset condition. While still not complete the information in relation to the City's assets is now better known and understood and more reliable than was the case at the time of the 2006 Plan.

In the process of reviewing the Plan the following has occurred:

- Consultation with City Officers in relation to projects, proposals and projections.
- The baseline starting year has been updated to the 2008/09 budget.
- Projects that the City has committed to since the previous Plan or which have some likelihood of being committed to have been incorporated into the Plan.
- All asset refurbishment and improvement projections have been reviewed and revised based on current known asset condition data and where current expenditure levels are not sufficient to achieve effective asset refurbishment and improvement the projections include increases to meet this objective.

The overall projections going forward have been based on a number of fundamental assumptions.

The baseline assumptions for average percentage increases in revenues and expenses over the life of the Plan have taken account of the current economic climate. They assume a worsening situation in 2009/10 with a modest recovery in 2010/11 and then improvements through to a peak in 2013/14 and 2014/15. The economic cycle then repeats with general declines followed by improvements on a roughly five (5) year cycle.

It should be noted that in the economic cycles it is not predicted that economic conditions expected in 2009/10 will be repeated again in the twenty (20) year life of the Plan.

Other assumptions incorporated in the projections are –

1 On and off street parking fees based on the existing implementation have been treated the same as other fees and charges, however, additional revenue has been factored in from the projected provision of multi storey car parking. This revenue is identified separately in the Plan and is linked to the projected timeframes for the construction of these facilities.

2 Government grants have been broken into two parts. Those grants that would normally be expected based on the City's current activities and these include projected increases. The others are new grants that relate to specific individual projects that have been projected to occur at different points over the life of the Plan. These new grants are once offs occurring in particular financial years or split over a couple of years and there is no growth factor or continuing grant income in relation to these.

3 The City has a small number of existing loans and has budgeted in 2008/09 for some additional loan borrowing. The repayment of interest and principal on these existing loans and projected 2008/09 loans has been included into the forward projections. In addition projected loan borrowings have been included in:

(a) 2009/10 to complete the 50 metre pool at Craigie and to undertake the Westcoast Drive Upgrade, and

(b) In 2012/13, 2015/16, 2017/18 and 2020/21 for the construction of multi storey car parks.

4 The City anticipates receiving substantial revenues from land sales resulting from its participation in the development of Tamala Park. The projections for the Plan are predicated on the basis that initially all of these funds will be placed in reserve. In 2014/15 some of these funds will be used to construct the Cultural Facility and commence the Percy Doyle Master Plan implementation which will also extend into, 2015/16 and 2016/17. These are the only currently planned uses of the Tamala Park land sale proceeds in the Plan.

The Plan is included as Attachment 1. It includes two graphs one of which represents the net cash position if new capital projects are not included and the other represents the net cash position if new capital projects are included. It should be noted that these projections are all cash based and represent the projected municipal fund cash surpluses/deficits. The table of assumptions on which the projections are based is also included at the bottom.

A summary of the projected balance of reserve funds is included at the bottom of the table of financial projections but are not included in the net operating position figures or reflected in the graphs. It should be noted that in the case of the net cash position without new capital projects, the reserve fund balances exceed the cash deficits for the first seven years of the projected Plan. The net cash projections and balance are cumulative. In relation to the net cash position with new capital projects for the first two years reserves exceed the deficits however from that point onwards the net cash deficits exceed the reserve funds.

The Plan at Attachment 1 shows from the top of the table the income projections for 20 years represented by note numbers 1-10 followed by the operating expenditure projections numbered 11-16 (please note that although depreciation is listed for the purposes of information all projects are cash based and the depreciation figures are reversed out in the totals). This results in a net operating result. Capital then follows numbered 17-20. The capital is broken up into existing capital and new capital with loan repayments (principal) shown separately. Below capital numbered 21-27 are the cumulative brought forwards, transfers to and from reserves, proceeds from land sales at Tamala Park, the sale of other assets and borrowings.

Attachment 1 is supported by explanations and notes that relate to the overall summary document. These are included as Attachment 2. These provide a description and explanation of each line item in the Attachment 1 summary. In addition they provide a summary that highlights the major variations between the financial years and identifies the key projects that cause those variations.

Issues and options considered:

A broad range of assumptions have been made in relation to putting together the financial projections as explained in the Details section above. Any one of these assumptions could be modified and in combination there are many permutations. In terms of the basic underlying assumptions related to the percentage increases, any variation to these can potentially have a major impact on the projections because there is a compounding effect over the 20 year life of the projections. The percentage projections have been made relatively conservatively and it is felt that this is the most appropriate approach.

The City has made a number of strategic position statements (refer CJ120-07/08) that have impacted the Plan projections.

<u>Tamala Park Land Sale Proceeds</u>

Position Statement

Funds from Tamala Park should be used for the following purposes as a minimum:

- *To invest in income producing facilities*
- *To build a Cultural Facility and other significant one-off facilities such as Ocean Reef*

The only two (2) uses proposed in the Plan for the Tamala Park land sale proceeds are the Cultural Facility and the Percy Doyle Master Plan implementation. This is in keeping with the position statement.

<u>Loans</u>

Position Statement

The City should have a Debt Strategy

The Strategy should include:

- *Debt is to be used for long term building infrastructure rather than for parks and roads*
- *Debt to apply to an asset for no more than 50% of the life of the asset*

Loan proposals included in the Plan are to fund:

- Construction of 50 metre Pool
- West Coast Drive landscaping project
- Construction of multi story car parks

The pool and car parks are in accord with the position statement. The West Coast Drive project is neither, a park or road and is not a building either. Nevertheless it is a unique once off project and certainly meets the second part of the position statement that the period of debt is no more than 50% of the life of the asset.

Arena Joondalup

In the event that the State Government agrees to the transfer of this large scale leisure and recreation facility to the City, the transfer is supported on the following conditions as a minimum:

- *A train platform to be funded before transfer*
- *Maintenance issues to be addressed before transfer*
- *A funding stream from the State Government to be provided which reduces into future years*
- *All caveats on the land which impede alternative land uses to be withdrawn.*
- *The State Government to contribute to the construction of an independent facility within the Structure Plan area for a West Perth Football Club facility.*

While clearly this issue is in the City's thinking at this point, how this event might be financially structured is not known other than that there is a strong desire for it to be self funding or cost neutral. It is on this basis that it has not been included in the Plan.

CBD Land

Development of high rise commercial office space within the CBD on Council owned land is supported under the following conditions:

- *Development should be iconic.*
- *Review the adequacy of the Administration Building.*
- *Would require a Business Plan.*

While clearly this issue is in the City's thinking at this point, how this event might be financially structured is not known other than that there is a strong desire for it to be self funding or cost neutral. It is on this basis that it has not been included in the Plan.

It should be noted that the Plan does not include any projections related to the potential rationalisation of assets. This is on the basis that no specific rationalisation has been committed to and as such is in line with adopting a conservative approach. The projections therefore include refurbishment and improvement of all existing assets.

Link to Strategic Plan:

1.3.2 The City maintains a long-term Strategic Financial Plan which is reviewed regularly.

Legislation – Statutory Provisions:

Section 5.56 of the Local Government Act 1995 provides that -

"(1) A local government is to plan for the future of the district."

The 20 Year Strategic Financial Plan is an integral part of the City's planning for the future.

Risk Management considerations:

The Plan is based on many assumptions. There is a risk that those assumptions could be wrong or may not come to pass, however, it is a planning tool and the City is not committed to anything in the Plan by virtue of endorsing it. Periodic review and update of the Plan will ensure that it remains a relevant and useful document to manage the City's financial affairs into the future.

Financial/Budget Implications:

The Plan represents projections and estimates, based on many assumptions and is a planning tool. Endorsement of the Plan does not constitute a commitment or agreement by the City to the projects and proposals or the projections included in the Plan.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

The Plan represents the primary and key financial planning document for the City and has a direct bearing on planning for the financial sustainability of the City.

Consultation:

The Plan has been prepared after consulting with City staff and the Strategic Financial Management Committee.

COMMENT

The original 2006 Plan has been reviewed and significantly updated with a new base year of 2008/09 and revised projections and estimates for the 20 year lifespan of the Plan. It is based on known revenue and expenditure estimates, existing or expected Council commitments and projections for what is required in relation to the refurbishment and improvement of existing assets and the development of new capital assets. It is important to appreciate that it includes many assumptions. It is possible that these assumptions could prove to be inaccurate or may not come to pass at all. It will continue, therefore, to be reviewed, updated and reassessed into the future.

The key purpose of the Plan is as a long term planning tool and is an overall guide to the financial sustainability of the City. It provides a point of reference against which debate about future projects and proposals and their implications can be assessed and measured.

ATTACHMENTS

Attachment 1	20 Year Strategic Financial Plan 2008/09 - 2028/29
Attachment 2	20 Year Strategic Financial Plan Explanations and Notes

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION: That the Strategic Financial Management Committee RECOMMENDS that Council ADOPTS the Strategic Financial Plan 2008/09 – 2027/28 forming Attachments 1 and 2 to this Report.

The Director Corporate Services provided an overview of the report, together with an explanation of the adjustments that had been made as a result of discussions that had occurred at the February meeting of the Committee.

Discussion ensued.

Cr Fishwick entered the Room at 1823 hrs.

MOVED Mayor Pickard, SECONDED Cr Corr that the Strategic Financial Management Committee REFERS the 20 Year Strategic Financial Plan Review dated 28 April 2009 back to the administration for further refinement in relation to:

- **Potential property and landholdings for asset rationalisation and potential income streams;**
- **Revamping of Attachment 1 for period 0-10 and 11-20;**
- **The interest for debts raised and earnings on investments being factored into the model;**
- **A review being undertaken on the timing of the potential multi-storey car parking projects;**
- **A full list of capital programs by year for:**
    - **Line 17 - Existing Capital Program**
    - **Line 18 - New Capital Program**
- **Reserves being overlayed on the graph.**

The Motion was Put and CARRIED (5/0)

In favour of the Motion: Crs Amphlett, Corr, Fishwick and McLean, Mayor Pickard

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil.

CLOSURE

There being no further business, the Presiding Person declared the Meeting closed at 1832 hrs; the following Elected Members being present at that time:

Cr Geoff Amphlett
Mayor Troy Pickard
Cr Brian Corr
Cr Russ Fishwick
Cr Tom McLean

minutes

Strategic Financial Management Committee

MEETING HELD ON **WEDNESDAY 30 SEPTEMBER 2009**

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CITY OF JOONDALUP

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 3, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON WEDNESDAY, 30 SEPTEMBER 2009

ATTENDANCE

Committee Members:

Cr Geoff Amphlett	*Presiding Person*
Cr Russ Fishwick	*Deputy Presiding Person*
Mayor Troy Pickard	
Cr Tom McLean	
Cr Trona Young	
Cr Michele Rosano	
Cr Brian Corr	

Officers:

Mr Garry Hunt	Chief Executive Officer
Mr Mike Tidy	Director Corporate Services
Mrs Rose Garlick	Administrative Secretary

DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1903 hrs.

APOLOGIES/LEAVE OF ABSENCE

Nil.

CONFIRMATION OF MINUTES

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD ON 28 APRIL 2009

MOVED Mayor Pickard, SECONDED Cr Fishwick that the minutes of the meeting of the Strategic Financial Management Committee held on 28 April 2009 be confirmed as a true and correct record.

The Motion was Put and CARRIED (7/0)

In favour of the Motion: Crs Amphlett, Corr, Fishwick, McLean, Rosano, Young and Mayor Pickard.

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

Nil.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS

ITEM 1 CONFIDENTIAL REPORT - 20 YEAR STRATEGIC FINANCIAL PLAN REVIEW

WARD: All

RESPONSIBLE DIRECTOR: Mr. Mike Tidy
Corporate Services

FILE NUMBER: 52582, 51567

ATTACHMENTS:

ATTACHMENTS:	Attachment 1	20 Year Strategic Financial Plan 2009/10 - 2018/19 (10 Year Version)
	Attachment 2	20 Year Strategic Financial Plan 2009/10 - 2028/29
	Attachment 3	20 Year Strategic Financial Plan Explanations and Notes
	Attachment 4	20 Year Financial Projections – Total Capital
	Attachment 5	20 Year Financial Projections – Buildings
	Attachment 6	Multi Storey Parking Projections
	Attachment 7.1	City's Operational Freehold Land Assets
	Attachment 7.2	Buildings on City Freehold Land
	Attachment 7.3	City's Non-Operational Freehold Land

PURPOSE

To consider and recommend to Council the adoption of the 20 Year Strategic Financial Plan (Plan).

EXECUTIVE SUMMARY

The previous Plan was adopted in 2006 and projected the City's financial position for 20 years using the 2006/07 budget as the base year for projections. The Plan needs to be updated to 2009/10 as the base year with a regime put in place to review and update it each financial year.

The Plan has been extensively reviewed to bring the base year up to date and to incorporate revised projections. Reviewed versions of the Plan were considered by the SFMC at its meetings on 11 February and 28 April 2009. The Strategic Financial Management Committee (SFMC) requested further revisions which have been incorporated into the latest version the subject of this report.

As before, the projections plot two scenarios. One scenario is based on existing assets only and the required refurbishment and improvement of these to maintain them. The other scenario incorporates projected new capital assets in addition to the refurbishment and improvement of existing assets.

It is recommended that the Strategic Financial Management Committee recommends that Council ADOPTS the Strategic Financial Plan 2009/10 – 2028/29 forming Attachments 1, 2 and 3 to this Report.

BACKGROUND

The changes requested by the SFMC at its meetings on 11 February 2009 and 28 April 2009 included:

- 20 year projections that recognise a pattern of economic cycles based on historic precedent,
- Identifying the Cultural Facility and Percy Doyle Master Plan as being the only projects funded from the Tamala Park Land Sale Proceeds Reserve,
- Identifying the multi level car park construction projects to be funded from loans or the Parking Reserve where sufficient accumulation of reserve funds permit and re-examine the carpark construction program, for timing and revenue projections,
- The start of the cash flow from Tamala Park land sales being put back 2 years,
- The adjustment of the timing of a number of projects to achieve a better financial fit,
- Overlay the reserve fund position on the graphs so that the overall net position could be clearly seen,
- A breakdown of what made up the new and existing capital items,
- Identify interest income for reserve funds separately from any municipal interest income and/or expense,
- Show a shortened version displaying the first 10 years only,
- To balance each year at least in the without new projects version,
- Re-examine revenue and expenditure projections (have we been too conservative).

DETAILS

Before considering the detail of the report there is a disclaimer that needs to be made.

<u>Disclaimer</u>

The 20 Year Strategic Financial Plan is a planning tool. It is based on many assumptions. It also includes projects and proposals that in some cases:

- *Have been approved by Council and are in progress,*
- *Have been considered by Council but are yet to receive final approval,*
- *Have only been considered by Elected Members at a strategy level,*
- *Have only been considered by Officers*
- *Are operational in nature and based on the continued provision of services and maintenance of City assets and infrastructure in accordance with management and other plans*

Any of the assumptions and any of the projects or proposals not already approved could prove to be inaccurate both as to likely requirement, timing and financial estimates or may not come to pass at all. They have, however, been included based on the best available information and knowledge to hand at this time in relation to likely requirement, timing and financial estimates. Adoption of the 20 Year Strategic Financial Plan by Council does not constitute a commitment or agreement to any of the projects or proposals that have not already been approved.

As referred to in the background a number of changes to the Plan were requested by the SFMC at its previous meetings and these have been incorporated into the latest version which is the subject of this report.

Since the 2006 Plan the City has made decisions or is progressing to a point of making decisions in relation to assets and services that now need to be included in the projections. For example the 50 metre pool at Craigie Leisure Centre and the introduction of paid parking were not covered in the first five years of the original Plan. The original Plan used as a base year the 2006/07 Budget. The financial position has changed and the base year has now been reset at the 2009/10 Adopted Budget. Also since the original Plan there has been significant data gathering and development of the City's database in relation to existing asset condition. While still not complete the information in relation to the City's assets is now better known and understood and more reliable than was the case at the time of the 2006 Plan.

In the process of reviewing the Plan the following has occurred:

- Consultation with City Officers in relation to projects, proposals and projections.
- The baseline starting year has been updated to the 2009/10 Adopted Budget.
- Projects that the City has committed to since the previous Plan or which have some likelihood of being committed to have been incorporated into the Plan.
- All asset refurbishment and improvement projections have been reviewed and revised based on current known asset condition data and where current expenditure levels are not sufficient to achieve effective asset refurbishment and improvement the projections include increases to meet this objective.

The overall projections going forward have been based on a number of fundamental assumptions.

The baseline assumptions for average percentage increases in revenues and expenses over the life of the Plan have taken account of the current economic climate. They take account of the current economic situation and project a recovery in 2010/11 and then a more normal pattern from then on.

It should be noted that in the economic cycles there has been no allowance for the economic conditions being experienced in 2009/10 to be repeated again in the twenty (20) year life of the Plan.

Other assumptions incorporated in the projections are –

1 On and off street parking fees based on the existing parking have been treated the same as other fees and charges in terms of expected increases except that every four to five years a more substantial fee increase has been factored in. A separate additional revenue stream has been factored in from the projected provision of multi storey car parking. This revenue is identified separately in the Plan and is linked to the projected timeframes for the construction of these facilities. While this revenue will be applied to repay borrowings for car park construction it will not cover all of these costs in the short term.

2 Government grants have been broken into two parts. Those grants that would normally be expected based on the City's current activities and these include projected increases. The others are new grants that relate to specific individual projects that have been projected to occur at different points over the life of the Plan. These are treated as once off grants occurring in particular financial years or split over a couple of years and there is no growth factor or continuing grant income in relation to these.

3 The City has a small number of existing loans and has budgeted in 2009/10 for some additional loan borrowing. The repayment of interest and principal on these existing loans and projected 2009/10 loans has been included into the forward projections. In addition projected loan borrowings have been included in 2011/12, 2013/14, and 2014/15 for the construction of community facilities and multi storey car parks.

4 The City anticipates receiving substantial revenues from land sales resulting from its participation in the development of Tamala Park. The projections for the Plan are predicated on the basis that initially all of these funds will be placed in reserve. In 2014/15 some of these funds will be used to construct the Cultural Facility. In 2021/22, 2022/23 and 2023/24 these funds will also be used for the Percy Doyle Master Plan implementation. These are the only currently planned uses of the Tamala Park land sale proceeds in the Plan.

5 In regard to the reserve funds other than those derived from the sale of land at Tamala Park the only use of these reserves included in the plan are the reserve funds for the Currambine Community Centre to be applied to the construction of that facility and the use of paid parking reserve funds to partly fund the construction of multi storey car parks.

The Plan is attached with Attachment 1 a shortened 10 year version and Attachment 2 the full 20 year version. Each includes a set of graphs plotting the balances. It should be noted that the last set of graphs in each reflects the combined balance of municipal fund and the reserves. This is just to show the total. In practice the reserve funds are not available for general use. They can only be used for the purpose for which they were created. It should also be noted that these projections are all cash based. The table of assumptions on which the projections are based is also included at the bottom.

A summary of the projected balance of outstanding loans and the reserve funds is included at the bottom of the table of financial projections. The net cash projections and balances are cumulative.

The Plans show from the top of the table the income projections represented by note numbers 1-11 followed by the operating expenditure projections numbered 12-19 (please note that although depreciation is listed for the purposes of information all projects are cash based and the depreciation figures are reversed out in the totals). This results in a net operating result. Capital then follows numbered 20-23. The capital is broken up into existing and new with loan repayments (principal) shown separately. Below capital numbered 24-31 are the cumulative brought forwards, transfers to and from reserves, proceeds from land sales at Tamala Park, the sale of other assets and borrowings.

Attachments 1 and 2 are supported by explanations and notes that relate to the overall summary document. These are included as Attachment 3. These provide a description and explanation of each line item in the Attachment 1 and 2 summary. In addition they provide a summary that highlights the major variations between the financial years and identifies the key projects that cause those variations.

In addition Attachments 4 and 5 show details of the capital components of the Plans both, existing capital refurbishments and replacement as well as new capital. Attachment 4 is the primary summary and shows the overall total capital. Attachment 5 is a further breakdown of capital for buildings which appears in total as two lines in Attachment 4.

Issues and options considered:

A broad range of assumptions have been made in relation to putting together the financial projections as explained in the details section above. Any one of these assumptions could be modified and in combination there are many permutations. In terms of the basic underlying assumptions related to the percentage increases, any variation to these can potentially have a major impact on the projections because there is a compounding effect over the 20 year life of the projections. The percentage projections have been made relatively conservatively and it is felt that this is the most appropriate approach.

<u>Strategic Position Statements</u>

The City has made a number of strategic position statements (refer CJ120-07/08) that have impacted the Plan projections.

<u>Tamala Park Land Sale Proceeds</u>

Position Statement

Funds from Tamala Park should be used for the following purposes as a minimum:
- *To invest in income producing facilities*
- *To build a Cultural Facility and other significant one-off facilities such as Ocean Reef*

The only two (2) uses proposed in the Plan for the Tamala Park land sale proceeds are the Cultural Facility and the Percy Doyle Master Plan implementation. This is in keeping with the position statement.

<u>Loans</u>

Position Statement

The City should have a Debt Strategy

The Strategy should include:
- *Debt is to be used for long term building infrastructure rather than for parks and roads*
- *Debt to apply to an asset for no more than 50% of the life of the asset*

Loan proposals included in the Plan are to fund:

- Construction of 50 metre Pool (current 2009/10 budget)
- Westcoast Drive landscaping project (current 2009/10 budget)
- Currambine Community Centre, Burns Beach Hall
- Construction of multi story car parks

The pool, buildings and car parks are in accord with the position statement. While Westcoast Drive is not a building it is nevertheless a unique once off project and certainly meets the second part of the position statement that the period of debt is no more than 50% of the life of the asset.

Arena Joondalup

In the event that the State Government agrees to the transfer of this large scale leisure and recreation facility to the City, the transfer is supported on the following conditions as a minimum:

- *A train platform to be funded before transfer*
- *Maintenance issues to be addressed before transfer*
- *A funding stream from the State Government to be provided which reduces into future years*
- *All caveats on the land which impede alternative land uses to be withdrawn.*
- *The State Government to contribute to the construction of an independent facility within the Structure Plan area for a West Perth Football Club facility.*

While clearly this issue is in the City's thinking at this point, how this event might be financially structured is not known other than that there is a strong desire for it to be self funding or cost neutral. It is on this basis that it has not been included in the Plan.

CBD Land

Development of high rise commercial office space within the CBD on Council owned land is supported under the following conditions:

- *Development should be iconic.*
- *Review the adequacy of the Administration Building.*
- *Would require a Business Plan.*

While clearly this issue is in the City's thinking at this point, how this event might be financially structured is not known other than that there is a strong desire for it to be self funding or cost neutral. It is on this basis that it has not been included in the Plan.

A separate report on the issue of the Joondalup City Centre commercial office development and the project philosophy and parameters is being prepared for consideration by the SFMC.

Multi Story Car Parks

The projections incorporate three multi storey car park projects:

- The first at either McLarty or Lawley Court with construction over 2013/14 and 2014/15. It is likely that this will be done in conjunction with a building project to provide the car parking either as part of the building or with the building on one site and the car park on the other.
- The second at the Cultural Facility and the timing matches the construction of this facility over 2014/15 and 2015/16.
- The third is notionally flagged as Collier Pass and is proposed for 2023/24 and 2024/25.

The car parks are proposed to be funded from a combination of loan funds and reserve funds where sufficient reserve funds have been accumulated.

While the objective in relation to the use of loan funds is that they be repaid by the proceeds of parking revenue it is not envisaged that this will be possible in the early stages. The projections use a commencing parking fee in 2014/15 equivalent to $10 for an all day park and at this fee it would take a couple of years for revenue to build to the point where interest was covered and eight to nine years before both principal and interest is covered. It should also be remembered that currently the lowest all day parking is $2.

Attachment 6 sets out the income and debt servicing projections for multi storey car parking.

Asset Rationalisation

One of the issues that the SFMC asked to be considered for inclusion in the Plan is the rationalisation of assets. Rationalisation can include outright disposal of surplus land assets as well as the merging or combining of separate building assets into single multi-purpose facilities. It is particularly difficult to make long range projections as in many cases it will require detailed examination of issues to determine the practicality of an idea for rationalisation. The plan does include two proposals however.

The first is in relation to new community facilities at Warwick. Currently there are three separate neighbouring community buildings all sitting on separate freehold titles in a commercial precinct. This represents one of the most obvious rationalisation opportunities. $3m has been included in 2014/15 for new facilities of some description but the Plan includes $3m in income from rationalisation of these assets to fully fund this project.

The other proposal relates to the Percy Doyle facilities. Earlier versions of the Plan had the Percy Doyle Master Plan and a replacement for the Duncraig Library as separate projects. They have now been integrated as one project.

There has also been an examination of the City's freehold landholdings in the context of potential for rationalisation. Attachment 7 identifies the freehold land in three separate categories;

- Operational Freehold Land – being land currently used for operational purposes other than a building the most common of which is sumps. Many of the sumps will be addressed as part of the sump rationalisation programme recently approved by Council.
- Buildings on City Freehold Land – being land currently used for a City building.
- Non Operational Freehold Land – being land not currently used for any purpose. While this land includes sites for which the City has intentions eg Ocean Reef, Cultural Facility etc, it also includes a number of potential disposal opportunities.

Rate Increase Projections

One of the requests of the SFMC was that the projections show a balanced financial position at least for "Net Cash Without New". The Plan shows projections on this basis with just some minor shortfalls in a few years.

The Plan reflects a fairly ambitious program of works and projects in the first eight to nine years. Notwithstanding that some adjustments have been made to smooth out the program and some loan borrowing for building works has been included the demand for financial resources to fund the program is significant. Coming off the back of a 3% rate increase in 2009/10 increases the pressure.

In order to achieve an annual position that balances or is close to balancing there is a sizeable increase required in 2010/11. The Plan projects 7.5%. The compounding effect of rate increases means that a sizeable increase will have flow on effects to subsequent years. Because of the program of works in the first ten years, however, this increase needs to happen very early.

It should be noted that the plan also factors in growth in rate revenue to take account of new development and building construction. Some of this is general residential but the plan also factors in a major new commercial development on a four to five year cycle.

The Last 5 Years and Beyond Year 20

As is normally the case in long range modelling the further out it projects the more difficult the projections become. The last five years or so of the Plan reflect a rapidly improving situation as loan repayments fall away and major projects diminish. It is more likely however that as time passes and more accurate projections can be made that these apparent surpluses will diminish somewhat.

It also should not be forgotten that beyond twenty years there is a whole new round of asset renewal and replacement. Major assets such as Craigie Leisure Centre that do not feature for replacement in the current Plan will need replacement beyond year twenty. The projections in this Plan suggest that the City will be better placed to address these when the time arrives.

A Philosophy for Rate Increases

The City does not have a general philosophy or approach to rate increases. Each year is treated as unique and a range for a potential rate increase is determined on its merits taking account of both the revenue needs in terms of the works and services the City wishes to deliver as well as the prevailing economic conditions.

A number of Local Governments have established a policy or philosophy for approaching future rate increases based on an indicator or primary driver. The reason is to try and put in place some clear guidelines for an approach to budgeting and financial planning. The advantages are considered to include:

- Clarity and transparency for expectation of future rate increase,
- Provides a consistent and arguable approach to setting rate increases,
- Enables a consistent level of revenue growth to be factored in to future years.

On the disadvantage side it could be argued that:

- Tying future increases to a particular index or measure leaves the Local Government vulnerable to following an indicator that may not be reflective of the Local Governments needs or situation,
- There is no one indicator that could be said to comprehensively reflect the economic activity or requirements of a Local Government.

Some examples that have been used are the Consumer Price Index (CPI) or the Local Government Construction Index (LGCI). In some cases, particularly CPI, the philosophy or approach has been to say that the Local Government will apply a rate increase based on the index plus a percentage factor such as CPI plus 1.5% ie if the CPI was 3.2% the proposed rate increase would be 4.7%. The reason for this is to provide a buffer against the limitations of the index in terms of what it measures and also to provide a growth factor.

When considering the possible use of an index in a rate increase policy or philosophy there needs to be some confidence that the index will cover the range of cost drivers experienced by the Local Government and its expectations for the delivery of services and infrastructure. As an example Local Government is very much a people business and in the case of the City of Joondalup employee costs is the City's largest operating cost accounting for 40% of the total. Employee costs are therefore a primary driver of the City's operating cost base. Employee costs is also not a cost that can be radically reduced or increased in response to significant short term variations in an index without significant consequences for works and service delivery. The capital works program is also another example. If the desire is to meet community needs but not be reliant on using reserves, loans or Government grants then sufficient operating surpluses need to be generated to fund capital expenditure.

For the past several budgets, while the City has not linked rate increases to an index, it has paid particular attention to movements in the LGCI. With this index being a combination of both movements in CPI as well as construction industry costs it has been considered to be an index that has more relevance to Local Government than CPI alone.

The City may wish to consider setting a policy or philosophy for rate increases to guide budgeting and financial planning.

Legislation/Strategic Plan/Policy Implications

Legislation Section 5.56 of the Local Government Act 1995 provides that -

"(1) A local government is to plan for the future of the district."

The 20 Year Strategic Financial Plan is an integral part of the City's planning for the future.

Strategic Plan
Key Focus Area: Leadership and Governance.

Objective: 1.3.2 The City maintains a long-term Strategic Financial Plan which is reviewed regularly.

Policy Not applicable.

Risk Management considerations:

The Plan is based on many assumptions. There is a risk that those assumptions could be wrong or may not come to pass, however, it is a planning tool and the City is not committed to anything in the Plan by virtue of endorsing it. Periodic review and update of the Plan will ensure that it remains a relevant and useful document to manage the City's financial affairs into the future.

Financial/Budget Implications:

The Plan represents projections and estimates, based on many assumptions and is a planning tool. Endorsement of the Plan does not constitute a commitment or agreement by the City to the projects and proposals or the projections included in the Plan.

Regional Significance:

Not applicable.

Sustainability implications:

The Plan represents the primary and key financial planning document for the City and has a direct bearing on planning for the financial sustainability of the City.

Consultation:

The Plan has been prepared after consulting with City staff and the Strategic Financial Management Committee.

COMMENT

The original 2006 Plan has been reviewed and significantly updated with a new base year of 2009/10 and revised projections and estimates for the 20 year lifespan of the Plan. It is based on known revenue and expenditure estimates, existing or expected Council commitments and projections for what is required in relation to the refurbishment and improvement of existing assets and the development of new capital assets. It is important to appreciate that it includes many assumptions. It is possible that these assumptions could prove to be inaccurate or may not come to pass at all. It will continue, therefore, to be reviewed, updated and reassessed into the future.

The key purpose of the Plan is as a long term planning tool and is an overall guide to the financial sustainability of the City. It provides a point of reference against which debate about future projects and proposals and their implications can be assessed and measured.

VOTING REQUIREMENTS

Not applicable.

The Director Corporate Services provided an overview of the report, together with an explanation of the adjustments that had been made as a result of discussions that had occurred at the February and April meeting of the Committee.

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee RECOMMENDS that Council ADOPTS the Strategic Financial Plan 2009/10 – 2028/29 forming Attachments 1, 2 and 3 to this Report.

MOVED Mayor Pickard SECONDED Cr Young that the Strategic Financial Management Committee RECOMMENDS that Council:

1 NOTES the Strategic Financial Plan 2009/10 – 2028/29 forming Attachments 1, 2 and 3 to this Report is a long term planning tool for financial management and seeks to demonstrate sound financial management elements and guide future Council decisions;

2 NOTES that the adoption of this Report does not limit or constrain future Councils in its budgetary deliberations;

3 INCLUDES the information within this Report in the Elected Member Induction Program and Annual Budget papers submitted to Council each financial year;

4 DEVELOPS a guiding principle statement for the Strategic Financial Plan incorporating the key elements of this Report;

5 ADOPTS the Strategic Financial Plan 2009/10 – 2028/29 forming Attachments 1, 2 and 3 to this Report;

6 REQUESTS a further Report be submitted to the Strategic Financial Management Committee on Non Operational Freehold Land Holdings.

The Motion was Put and **CARRIED (7/0)**

In favour of the Motion: Crs Amphlett, Corr, Fishwick, McLean, Rosano, Young and Mayor Pickard.

Appendix 1 refers

To access this attachment on electronic document, click here: Attach1agn300909.pdf

ITEM 2 DIRECTIONAL/ADVERTISING SIGNS TO BE INSTALLED ON CITY STREET SIGNS

WARD: All

RESPONSIBLE DIRECTOR: Mr Jamie Parry
Governance and Strategy

FILE NUMBER: 06004

ATTACHMENTS:

Attachment 1	Example signs
Attachment 2	Example of Street Signs within Claremont
Attachment 3	Report on Corporate Sponsorship presented to Strategy Session – 19 August 2008 (marked Confidential)

PURPOSE

To seek the views of the Committee on the proposal to allow street signs within the City to have approved advertising installed.

EXECUTIVE SUMMARY

This report suggests that, on balance, allowing street sign advertising at certain key locations throughout the City should be progressed.

BACKGROUND

To examine alternate revenue streams for the City, the concept of allowing advertising to be installed on City owned street signs was suggested.

A number of other local governments have a contract with an external agent to allow advertising to be installed on street signs generally in the form of an illuminated street sign with an associated message. An example is shown at Attachment 1.

The City has a similar contract with an external agent that allows for advertising to be installed on various bus shelters. Advertising must conform to agreed guidelines.

The Strategic Financial Management Committee at its meeting held on 11 February 2009 resolved that a further report be prepared on Directional/Advertising signs to be installed on City Street signs, following investigation of the types of signs used in Claremont. The report was to also give consideration to sponsorship opportunities.

DETAILS

Issues and options considered:

The proposal is for the City to enter into a contract to allow for designated street signs to have an illuminous street sign and associated advertising message installed. These signs would be managed by the external agent in return for revenue paid back to the City. It is: -

- estimated that the City could accommodate up to 50 advertising units;
- estimated that each sign has a limit of 2sqm of advertising area;
- anticipated that the contract would be a 10 year plus 10 year option;
- an option for the City to be compensated with installation of infrastructure rather than fees for advertising;
- suggested that where advertising space is not sold, then community messages could be installed.

It is understood that should the signs be defaced or smashed, they will be repaired or replaced quickly by the external agent managing the contract. This element will be explored with potential suppliers should Council decide to progress with the concept. The bus shelter contract contains a similar provision.

The options available to the Council would be to: -

- not allow any street sign advertising to occur within the City;
- allow certain street sign at key intersections within the City to have street sign advertising (Beach Road, Warwick Road, Hepburn Avenue, Whitfords Avenue, Ocean Reef Avenue, Hodges Drive, Shenton Avenue, Burns Beach Road, Joondalup Drive are likely options).
- allow all street signs within the City to have the potential to have street signs that carry an advertising message.

Legislation/Strategic Plan/Policy Implications

Legislation Any signage would need to comply with the relevant requirements of Main Roads WA, or the City's Signs Local Law.

Strategic Plan: Not Applicable.

Policy Implications: Not Applicable.

Risk Management considerations:

The risk of not examining alternate revenue streams increases the burden and reliance on rate revenue to provide for the City's services and programs.

Financial/Budget Implications:

The City currently derives approximately $100,000 a year in revenue for its contract relating to bus shelter advertising. It is difficult to determine the expected revenue if street sign advertising were allowed, but it would not be unreasonable to derive a similar figure, dependent on number of locations.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

There are a number of local governments that currently have an arrangement to allow such street sign advertising at various locations through the district.

The City has a similar contract for its bus shelters. Allowing street sign advertising within certain locations within the City could be determined as an extension to this. Opening all street signs to advertising is not considered appropriate because of the visual impact it could have. It is also likely that advertisers would only want signs on key roads. It is suggested that such signs not be allowed in the City centre itself to minimise the visual impact there. The actual areas where advertising signage should be allowed will be determined further should Council decide to progress the concept.

Further to the Committee’s request, photographic examples of the street signs within Claremont have been attached – (Attachment 2 refers).

A report was presented to a Strategy Session in August 2008 which provided information about possible corporate sponsorship opportunities open to the City of Joondalup. This report is attached (Attachment 3 refers) to form part of the discussions relating to this Item.

VOTING REQUIREMENTS

Simple Majority

The Chief Executive Officer advised that this Report was presented to a previous Strategic Financial Management Committee meeting and has been referred back for further investigation, in particular to the types of signs used in Claremont and the consideration of sponsorship opportunities.

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee RECOMMENDS that Council:

1 SUPPORTS:

(a) the principle of allowing street sign advertising;

(b) that no such signs be allowed in the Joondalup City Centre;

(c) that the actual streets where such signage would be allowed be determined once the 'in principle' decision is made;

(d) that any contract entered into for street sign advertising include a clause requiring the rapid replacement/repair of damaged or broken signs;

(e) that the advertising allowed conforms to guidelines similar to those which apply to advertising on bus shelters;

2 subject to agreement to 1(a) above, REQUESTS the Chief Executive Officer to invite tenders from suitably qualified organisations;

3 GIVES CONSIDERATION to those City products able to be included as part of sponsorship proposals offered by the City.

MOVED Cr Young that the Strategic Financial Management Committee RECOMMENDS that Council:

1 SUPPORTS:

(a) the principle of allowing street sign advertising;

(b) that the actual streets where such signage would be allowed be determined once the 'in principle' decision is made;

(c) that any contract entered into for street sign advertising include a clause requiring the rapid replacement/repair of damaged or broken signs;

(d) that the advertising allowed conforms to guidelines similar to those which apply to advertising on bus shelters;

2 subject to agreement to 1(a) above, REQUESTS the Chief Executive Officer to invite tenders from suitably qualified organisations;

3 REQUESTS a further Report be submitted to the Strategic Financial Management Committee to review potential designs, finances and site locations;

4 GIVES CONSIDERATION to those City products able to be included as part of sponsorship proposals offered by the City.

There being no SECONDER, the Motion LAPSED

MOVED Mayor Pickard SECONDED Cr Fishwick that the Strategic Financial Management Committee NOTES the Report titled Directional/Advertising Signs to be installed on City Street signs.

The Motion was Put and **CARRIED (7/0)**

In favour of the Motion: Crs Amphlett, Corr, Fishwick, McLean, Rosano, Young and Mayor Pickard.

Appendix 2 refers

To access this attachment on electronic document, click here: Attach2agn300909.pdf

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Cr Amphlett requested a report on library utilisation and the financial viability in establishing a book café in the larger libraries.

CLOSURE

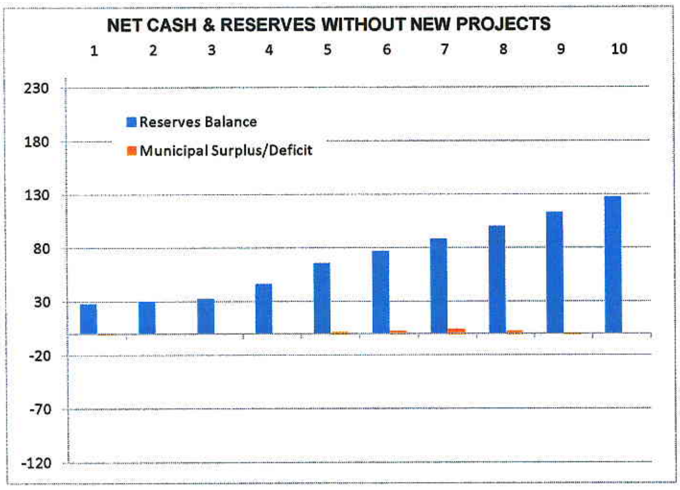
There being no further business, the Presiding Person declared the Meeting closed at 2025 hrs; the following Elected Members being present at that time:

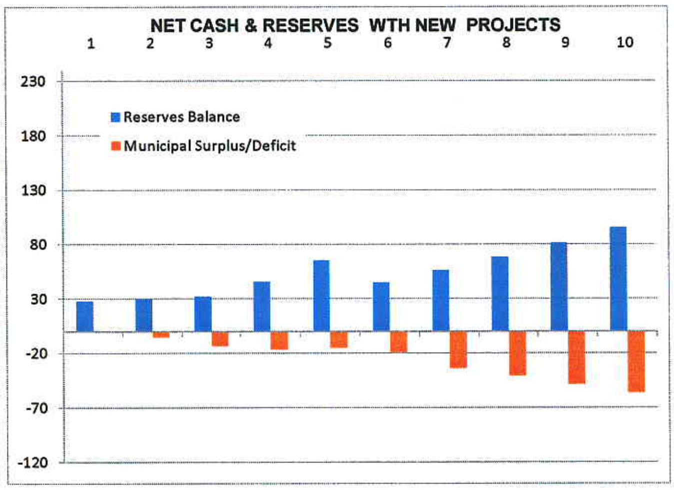
Cr Geoff Amphlett
Mayor Troy Pickard
Cr Brian Corr
Cr Russ Fishwick
Cr Tom McLean
Cr Michele Rosano
Cr Trona Young

City of Joondalup - 20 Year Financial Projections

Note		1	2	3	4	5	6	7	8	9	10
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
	OPERATING INCOME										
1	Rates Income	63,695	68,186	72,186	76,906	81,002	85,302	89,390	94,110	99,095	103,804
2	Interest on Reserves	940	1,306	1,560	2,149	3,343	3,327	2,804	3,124	3,743	4,872
3	Interest on Municipal	1,254	929	917	928	1,311	1,545	166	0	0	0
4	Government Grants & Subsidies	16,799	9,184	8,316	7,874	8,216	8,395	8,929	9,101	9,349	9,550
5	New Capital Grants			2,000	1,000		10,000				1,500
6	Contribution & Reimbursement	2,093	2,130	2,167	2,210	2,260	2,311	2,357	2,398	2,440	2,489
7	Parking Fees & Charges	2,657	2,750	2,846	2,960	3,241	3,387	3,523	3,646	3,956	4,114
8	Multi-Story Car Parking	0	0	0	0	0	783	1,772	2,126	2,581	2,930
9	Other Fees and Charges	25,110	25,989	26,898	27,974	29,233	30,549	31,771	32,883	34,034	35,395
10	Profit on Disposal	98									
11	Other income	100	104	107	111	115	119	123	127	132	136
	OPERATING INCOME	112,746	110,577	116,998	122,113	128,721	145,717	140,834	147,515	155,330	164,790
	OPERATING EXPENDITURE										
12	Employee costs	41,642	42,891	44,607	46,614	48,712	50,904	53,195	55,322	57,535	60,124
13	Existing Borrowing Interest	448	606	652	563	469	386	296	233	167	95
14	New Borrowing Interest	0	0	182	168	1,213	1,791	1,639	1,479	1,309	1,129
15	New Operating Expenditure	0	0	65	111	116	615	1,418	1,653	1,952	2,187
16	Interest on Deficit	0	0	0	0	0	0	0	421	790	1,254
17	Loss on Disposal	108									
18	Other Operating Expense	44,252	46,022	47,863	50,017	52,268	54,620	57,077	59,361	61,735	64,513
		86,450	89,519	93,368	97,473	102,777	108,315	113,625	118,469	123,488	129,303
19	Depreciation	17,042	20,881	22,166	23,503	24,813	26,142	27,598	28,970	30,462	32,022
	OPERATING EXPENDITURE	103,492	110,011	115,535	120,976	127,591	134,457	141,223	147,440	153,950	161,325
	OPERATING RESULT	9,254	566	1,464	1,137	1,130	11,260	(389)	75	1,380	3,465
	OPERATING CASHFLOW (Net of Depreciation & Profit /Loss on Asset Disposal)	26,306	21,447	23,630	24,640	25,943	37,402	27,209	29,045	31,842	35,487
20	Existing Capital Program	40,125	18,802	20,843	19,806	20,528	25,624	22,262	27,034	29,801	28,647
21	New Capital Program	0	5,387	12,965	3,748	14,525	53,900	12,525	1,750	1,400	5,200
22	Existing Loan Repayment	1,152	1,287	1,514	1,603	1,345	1,427	990	1,052	1,119	968
23	New Loan Repayment	0	0	228	241	1,583	2,521	2,672	2,832	3,002	3,182
	CAPITAL EXPENSE	41,277	25,476	35,549	25,398	37,981	83,472	38,449	32,668	35,321	37,997
	NET CASHFLOW	(14,971)	(4,029)	(11,920)	(758)	(12,038)	(46,070)	(11,240)	(3,623)	(3,480)	(2,510)
24	Cash B/F	550	93	(5,697)	(13,614)	(17,052)	(15,331)	(19,645)	(34,119)	(41,302)	(49,035)
25	Transfers from Reserves	10,460	0	580	0	0	31,400	0	0	0	0
26	Transfers to Reserves	(2,055)	(2,324)	(2,613)	(13,704)	(19,561)	(11,311)	(11,154)	(11,850)	(12,930)	(14,477)
27	Proceeds Land Sale Tamala Park	0	0	0	10,460	15,019	6,731	7,047	7,377	7,722	8,083
28	Asset Rationalisation Proceeds	0	0	0	0	0	3,000	0	0	0	0
29	Sale of Assets	424	564	1,036	565	800	836	874	913	954	997
30	Committed Borrowings	5,685		2,000							
31	New Borrowings	0		3,000	0	17,500	11,100				
	NET CASH WITH NEW	93	(5,697)	(13,614)	(17,052)	(15,331)	(19,645)	(34,119)	(41,302)	(49,035)	(56,941)
	NET CASH WITHOUT NEW	93	(310)	(368)	(537)	1,121	2,350	4,359	2,764	113	(525)
	OUTSTANDING LOANS	9,803	8,515	9,001	7,399	22,226	29,649	26,275	22,696	18,898	15,090
	RESERVES BALANCE WITH NEW	27,867	30,191	32,225	45,929	65,490	45,400	56,555	68,405	81,335	95,811
	RESERVES BALANCE WITHOUT NEW	27,867	30,191	32,804	46,508	66,069	77,380	88,534	100,385	113,314	127,791

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Increase Rate $	3.00%	7.50%	5.50%	5.50%	5.00%	5.00%	4.50%	5.00%	4.50%	4.50%
Interest Earning rate	3.25%	4.50%	5.00%	5.50%	6.00%	6.00%	5.50%	5.00%	5.00%	5.50%
Interest cost rate	5.00%	6.25%	6.75%	7.25%	7.75%	7.75%	7.25%	6.75%	6.75%	7.25%
Increase in GP Grants	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.00%	3.00%	3.50%
Increase in Fees&Charges	3.00%	3.50%	3.50%	4.00%	4.50%	4.50%	4.00%	3.50%	3.50%	4.00%
Increase in Parking Fee	3.00%	3.50%	3.50%	4.00%	9.50%	4.50%	4.00%	3.50%	8.50%	4.00%
Increase in Employee Cost	5.00%	3.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%	4.50%
Increase in Other Opex	4.00%	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%	4.50%
Avr remaning life- years	20	20	20	20	20	20	20	20	20	20
Depreciation New Capital	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%


NET CASH & RESERVES WITHOUT NEW PROJECTS
1 2 3 4 5 6 7 8 9 10
230
180
130
80
30
-20
-70
-120
Reserves Balance
Municipal Surplus/Deficit


NET CASH & RESERVES WTH NEW PROJECTS
1 2 3 4 5 6 7 8 9 10
230
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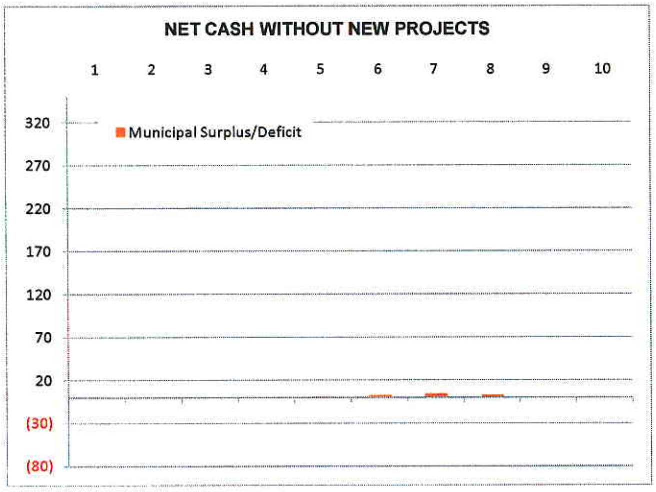
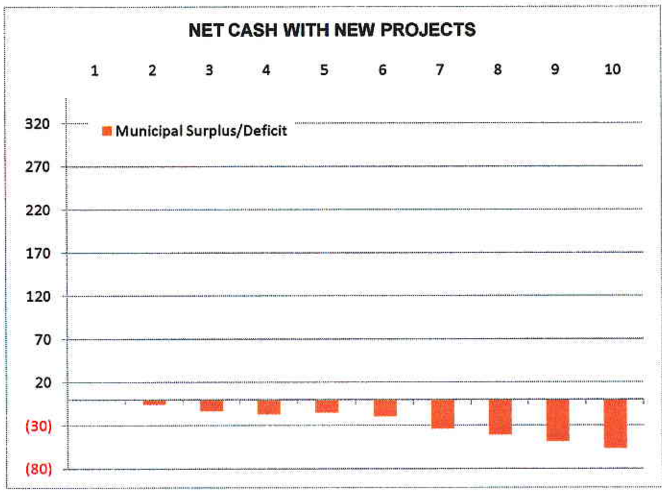
Reserves Balance
Municipal Surplus/Deficit


NET CASH WITHOUT NEW PROJECTS
1 2 3 4 5 6 7 8 9 10
320
270
220
170
120
70
20
(30)
(80)
Municipal Surplus/Deficit


NET CASH WITH NEW PROJECTS
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320
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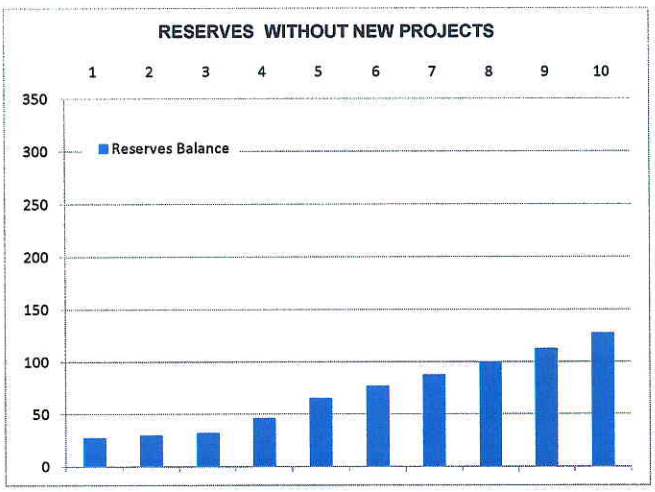
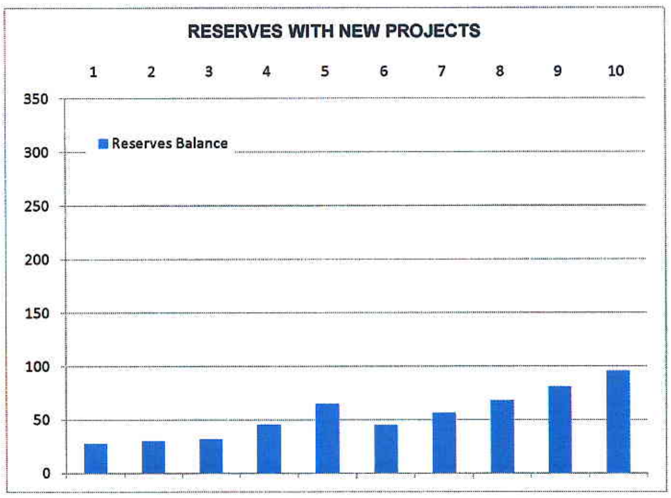
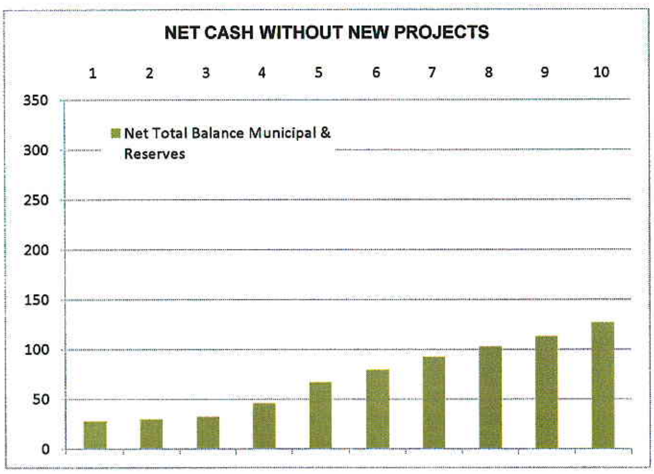
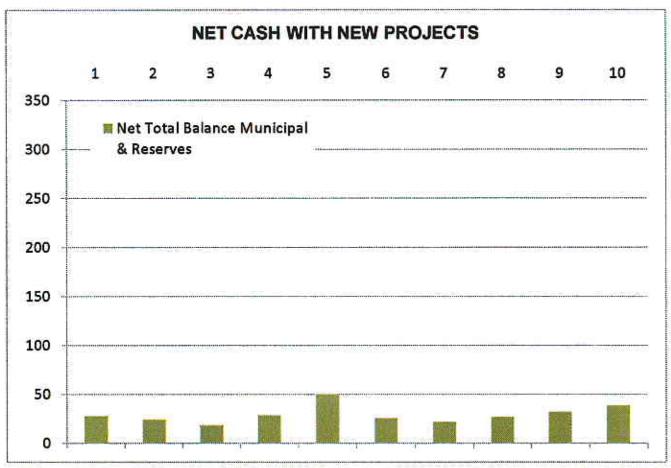
Municipal Surplus/Deficit


RESERVES WITHOUT NEW PROJECTS
1 2 3 4 5 6 7 8 9 10
350
300
250
200
150
100
50
0
Reserves Balance


RESERVES WITH NEW PROJECTS
1 2 3 4 5 6 7 8 9 10
350
300
250
200
150
100
50
0
Reserves Balance

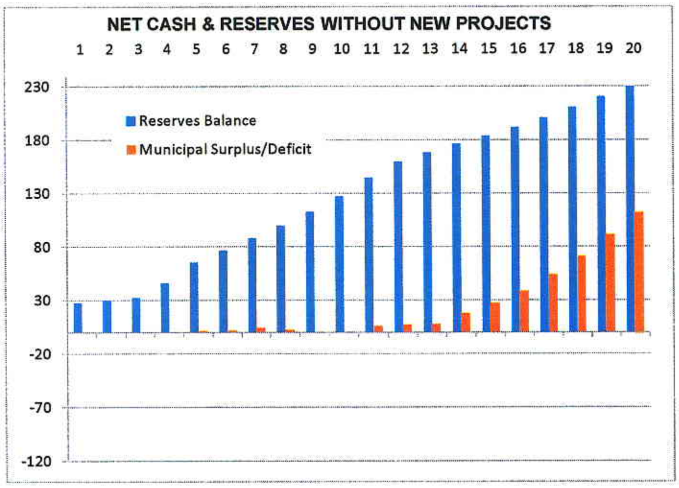

NET CASH WITHOUT NEW PROJECTS
1 2 3 4 5 6 7 8 9 10
350
300
250
200
150
100
50
0
Net Total Balance Municipal & Reserves

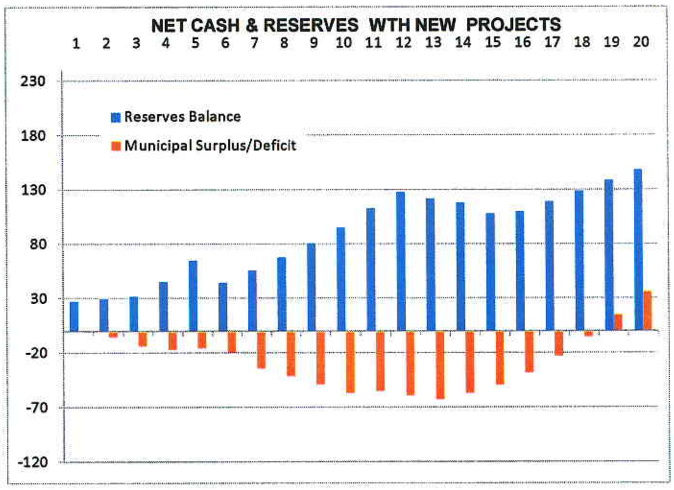

NET CASH WITH NEW PROJECTS
1 2 3 4 5 6 7 8 9 10
350
300
250
200
150
100
50
0
Net Total Balance Municipal & Reserves

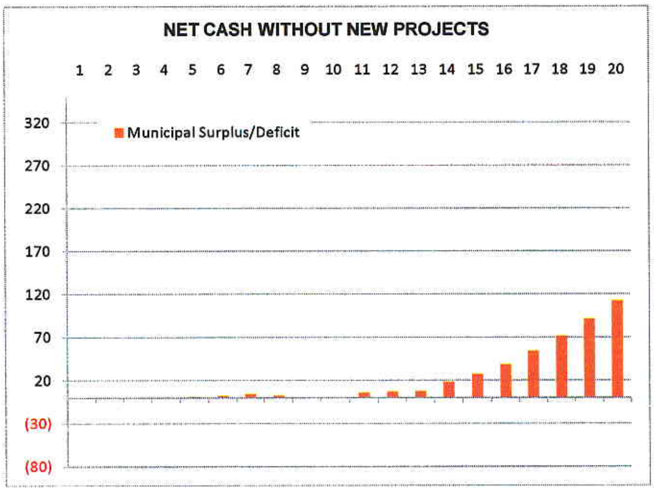
City of Joondalup - 20 Year Financial Projections

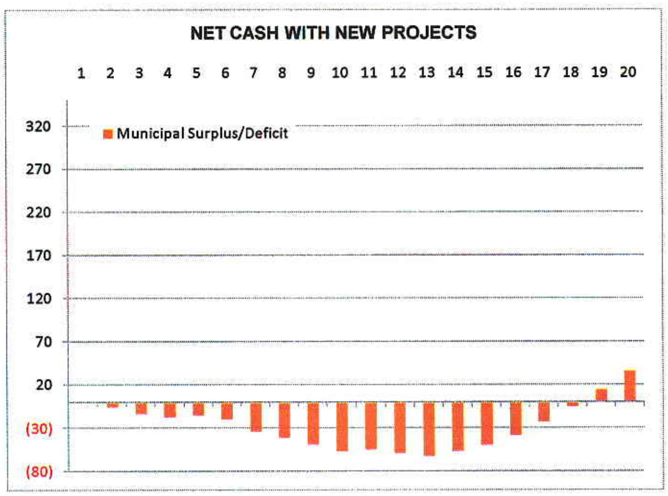
Note		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
	OPERATING INCOME																				
1	Rates Income	63,695	68,186	72,186	76,906	81,002	85,302	89,390	94,110	99,095	103,804	108,206	112,784	117,546	122,997	128,167	134,185	141,144	147,746	154,405	161,604
2	Interest on Reserves	940	1,306	1,560	2,149	3,343	3,327	2,804	3,124	3,743	4,872	6,274	7,248	6,882	6,008	5,668	6,013	6,891	7,457	7,373	7,189
3	Interest on Municipal	1,254	929	917	928	1,311	1,545	166	0	0	0	0	0	0	0	0	0	603	1,785	2,798	3,694
4	Government Grants & Subsidies	16,799	9,184	8,316	7,874	8,216	8,395	8,929	9,101	9,349	9,550	9,758	10,072	10,369	10,575	10,787	11,029	11,759	12,016	12,281	12,528
5	New Capital Grants			2,000	1,000		10,000				1,500				3,500	3,500					
6	Contribution & Reimbursement	2,093	2,130	2,167	2,210	2,260	2,311	2,357	2,398	2,440	2,489	2,545	2,602	2,654	2,701	2,748	2,803	2,866	2,931	2,989	3,042
7	Parking Fees & Charges	2,657	2,750	2,846	2,960	3,241	3,387	3,523	3,646	3,956	4,114	4,299	4,493	4,897	5,068	5,246	5,456	5,974	6,243	6,492	6,720
8	Multi-Story Car Parking	0	0	0	0	0	783	1,772	2,126	2,581	2,930	3,076	3,230	3,392	3,561	3,739	4,814	5,198	5,609	6,126	6,432
9	Other Fees and Charges	25,110	25,989	26,898	27,974	29,233	30,549	31,771	32,883	34,034	35,395	36,988	38,652	40,198	41,605	43,061	44,784	46,799	48,905	50,861	52,641
10	Profit on Disposal	98																			
11	Other income	100	104	107	111	115	119	123	127	132	136	141	146	151	156	162	168	173	179	186	192
	OPERATING INCOME	112,746	110,577	116,998	122,113	128,721	145,717	140,834	147,515	155,330	164,790	171,287	179,228	186,089	196,173	203,079	209,251	221,408	232,870	243,512	254,042
	OPERATING EXPENDITURE																				
12	Employee costs	41,642	42,891	44,607	46,614	48,712	50,904	53,195	55,322	57,535	60,124	62,830	65,657	68,612	71,356	74,211	77,550	81,040	84,687	88,497	92,037
13	Existing Borrowing Interest	448	606	652	563	469	386	296	233	167	95	31									
14	New Borrowing Interest	0	0	182	168	1,213	1,791	1,639	1,479	1,309	1,129	938	736	519	317	92	0	0	0	0	0
15	New Operating Expenditure	0	0	65	111	116	615	1,418	1,653	1,952	2,187	2,344	2,459	2,580	2,705	2,836	3,534	3,799	4,081	4,432	4,647
16	Interest on Deficit	0	0	0	0	0	0	0	421	790	1,254	1,465	1,515	1,490	1,258	739	312	0	0	0	0
17	Loss on Disposal	108																			
18	Other Operating Expense	44,252	46,022	47,863	50,017	52,268	54,620	57,077	59,361	61,735	64,513	67,416	70,450	73,620	76,565	79,628	83,211	86,955	90,868	94,957	98,756
		86,450	89,519	93,368	97,473	102,777	108,315	113,625	118,469	123,488	129,303	135,024	140,817	146,822	152,201	157,504	164,607	171,794	179,636	187,886	195,440
19	Depreciation	17,042	20,881	22,166	23,503	24,813	26,142	27,598	28,970	30,462	32,022	33,554	34,933	36,484	38,064	39,450	40,908	42,359	43,797	45,259	46,719
	OPERATING EXPENDITURE	103,492	110,011	115,535	120,976	127,591	134,457	141,223	147,440	153,950	161,325	168,578	175,750	183,306	190,265	196,954	205,516	214,153	223,433	233,145	242,159
	OPERATING RESULT	9,254	566	1,464	1,137	1,130	11,260	(389)	75	1,380	3,465	2,709	3,478	2,783	5,908	6,125	3,735	7,255	9,437	10,367	11,883
	OPERATING CASHFLOW (Net of Depreciation & Profit /Loss on Asset Disposal)	26,306	21,447	23,630	24,640	25,943	37,402	27,209	29,045	31,842	35,487	36,263	38,411	39,267	43,972	45,575	44,643	49,614	53,234	55,626	58,601
20	Existing Capital Program	40,125	18,802	20,843	19,806	20,528	25,624	22,262	27,034	29,801	28,647	22,540	29,443	30,545	22,827	25,725	25,398	24,919	25,851	25,761	27,581
21	New Capital Program	0	5,387	12,965	3,748	14,525	53,900	12,525	1,750	1,400	5,200	1,400	1,400	16,400	16,400	22,500	7,500	1,400	1,400	1,400	1,400
22	Existing Loan Repayment	1,152	1,287	1,514	1,603	1,345	1,427	990	1,052	1,119	968	242	256	0	0	0	0	0	0	0	0
23	New Loan Repayment	0	0	228	241	1,583	2,521	2,672	2,832	3,002	3,182	3,373	3,575	3,382	3,585	1,423	0	0	0	0	0
	CAPITAL EXPENSE	41,277	25,476	35,549	25,398	37,981	83,472	38,449	32,668	35,321	37,997	27,555	34,675	50,327	42,812	49,648	32,898	26,319	27,251	27,161	28,981
	NET CASHFLOW	(14,971)	(4,029)	(11,920)	(758)	(12,038)	(46,070)	(11,240)	(3,623)	(3,480)	(2,510)	8,708	3,736	(11,060)	1,159	(4,072)	11,745	23,295	25,983	28,465	29,621
24	Cash B/F	550	93	(5,697)	(13,614)	(17,052)	(15,331)	(19,645)	(34,119)	(41,302)	(49,035)	(56,941)	(55,056)	(59,142)	(62,758)	(56,793)	(49,633)	(38,521)	(22,970)	(5,336)	14,835
25	Transfers from Reserves	10,460	0	580	0	0	31,400	0	0	0	0	0	0	15,000	11,500	17,600	6,100	0	0	0	0
26	Transfers to Reserves	(2,055)	(2,324)	(2,613)	(13,704)	(19,561)	(11,311)	(11,154)	(11,850)	(12,930)	(14,477)	(17,511)	(14,956)	(8,694)	(7,884)	(7,609)	(8,032)	(9,101)	(9,767)	(9,775)	(9,675)
27	Proceeds Land Sale Tamala Park	0	0	0	10,460	15,019	6,731	7,047	7,377	7,722	8,083	9,647	6,046	0	0	0	0	0	0	0	0
28	Asset Rationalisation Proceeds	0	0	0	0	0	3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	Sale of Assets	424	564	1,036	565	800	836	874	913	954	997	1,042	1,089	1,138	1,189	1,242	1,298	1,357	1,418	1,482	1,548
30	Committed Borrowings	5,685		2,000																	
31	New Borrowings	0		3,000	0	17,500	11,100										0				
	NET CASH WITH NEW	93	(5,697)	(13,614)	(17,052)	(15,331)	(19,645)	(34,119)	(41,302)	(49,035)	(56,941)	(55,056)	(59,142)	(62,758)	(56,793)	(49,633)	(38,521)	(22,970)	(5,336)	14,835	36,329
	NET CASH WITHOUT NEW	93	(310)	(368)	(537)	1,121	2,350	4,359	2,764	113	(525)	6,339	7,193	8,068	18,478	27,649	38,881	54,432	71,939	91,816	112,925
	OUTSTANDING LOANS	9,803	8,515	9,001	7,399	22,226	29,649	26,275	22,696	18,898	15,090	11,838	8,390	5,008	1,423	0	0	0	0	0	0
	RESERVES BALANCE WITH NEW	27,867	30,191	32,225	45,929	65,490	45,400	56,555	68,405	81,335	95,811	113,323	128,279	121,973	118,356	108,365	110,297	119,398	129,165	138,940	148,615
	RESERVES BALANCE WITHOUT NEW	27,867	30,191	32,804	46,508	66,069	77,380	88,534	100,385	113,314	127,791	145,302	160,259	168,952	176,836	184,445	192,477	201,578	211,345	221,120	230,795

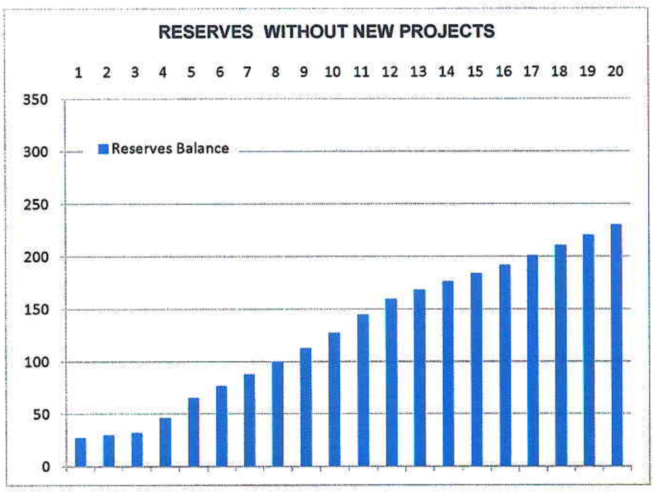
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Increase Rate $	3.00%	7.50%	5.50%	5.50%	5.00%	5.00%	4.50%	5.00%	4.50%	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.50%	5.00%	4.50%	4.00%	4.50%
Interest Earning rate	3.25%	4.50%	5.00%	5.50%	6.00%	6.00%	5.50%	5.00%	5.00%	5.50%	6.00%	6.00%	5.50%	5.00%	5.00%	5.50%	6.00%	6.00%	5.50%	5.00%
Interest cost rate	5.00%	6.25%	6.75%	7.25%	7.75%	7.75%	7.25%	6.75%	6.75%	7.25%	7.75%	7.75%	7.25%	6.75%	6.75%	7.25%	7.75%	7.75%	7.25%	6.75%
Increase in GP Grants	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.00%
Increase in Fees&Charges	3.00%	3.50%	3.50%	4.00%	4.50%	4.50%	4.00%	3.50%	3.50%	4.00%	4.50%	4.50%	4.00%	3.50%	3.50%	4.00%	4.50%	4.50%	4.00%	3.50%
Increase in Parking Fee	3.00%	3.50%	3.50%	4.00%	9.50%	4.50%	4.00%	3.50%	8.50%	4.00%	4.50%	4.50%	9.00%	3.50%	3.50%	4.00%	9.50%	4.50%	4.00%	3.50%
Increase in Employee Cost	5.00%	3.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.00%
Increase in Other Opex	4.00%	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.00%
Avr remaning life- years	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
Depreciation New Capital	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

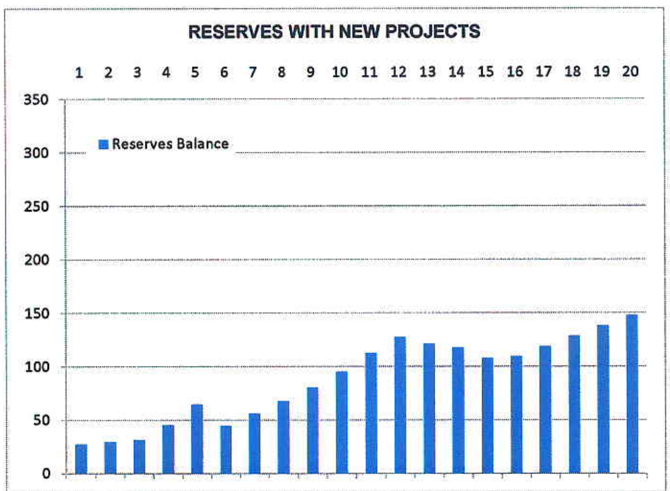

NET CASH & RESERVES WITHOUT NEW PROJECTS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
230
180
130
80
30
-20
-70
-120
Reserves Balance
Municipal Surplus/Deficit

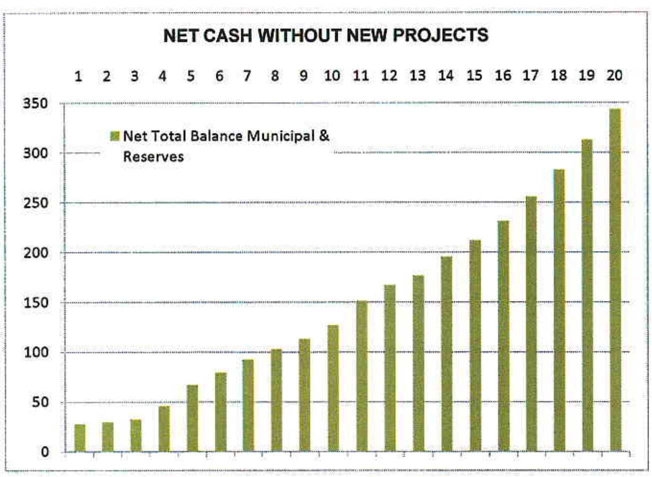

NET CASH & RESERVES WTH NEW PROJECTS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
230
180
130
80
30
-20
-70
-120
Reserves Balance
Municipal Surplus/Deficit

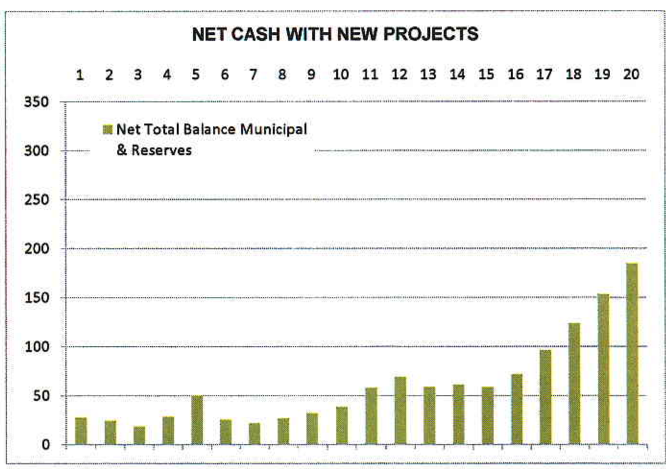

NET CASH WITHOUT NEW PROJECTS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
320
270
220
170
120
70
20
(30)
(80)
Municipal Surplus/Deficit


NET CASH WITH NEW PROJECTS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
320
270
220
170
120
70
20
(30)
(80)
Municipal Surplus/Deficit


RESERVES WITHOUT NEW PROJECTS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
350
300
250
200
150
100
50
0
Reserves Balance


RESERVES WITH NEW PROJECTS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
350
300
250
200
150
100
50
0
Reserves Balance


NET CASH WITHOUT NEW PROJECTS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
350
300
250
200
150
100
50
0
Net Total Balance Municipal & Reserves


NET CASH WITH NEW PROJECTS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
350
300
250
200
150
100
50
0
Net Total Balance Municipal & Reserves

20 YEAR STRATEGIC FINANCIAL PLAN – EXPLANATION AND NOTES

DESCRIPTIONS OF LINE ITEMS

By way of explanation the following brief description describes each line item within the 20 Year Financial Plan (Plan).

OPERATING INCOME

1 Rates Income

Rates Income has been calculated using the 2009/10 budget as the base year with a percentage increase on an annual basis. There is an underlying assumption that large scale green-fields subdivision has largely finished within the City. There is also an underlying risk in trying to project rate revenue that maybe derived from significant city centre development. The projection therefore is based on a percentage increase each year and does not factor in significant additional subdivisional growth. There is some interim rate growth built in by virtue of there being a component of this in the 2009/10 budget which is the base that is being used.

2 & 3 Interest on Municipal Funds and Reserves

This provides a calculation of interest revenue based on the overall total cash flow projections. It is based on the assumption that new capital projects are included and for that reason the Municipal Fund interest declines as the City progresses into a cash flow negative situation at which point there is an interest expense (refer to 16).

4 Government Grants and Subsidies

This includes all normally expected government grants such as Grants Commission, Roads Grants etc. It does not include any special or once off grants other than what is actually expected in the 2009/10 financial year. An annual percentage increase has been factored in for each year.

5 New Capital Grants

This identifies specific capital grants for new projects. They include:

- In 2001/12 $1m for Currambine Community Centre & $1m for Edgewater Quarry Master Plan.
- In 2012/13 further $1m for Edgewater Quarry Master Plan.
- In 2014/15 $10m for Cultural Facility.
- In 2018/19 $1.5m for Burns Beach Surf Club.
- In 2022/23 $3.5m for Percy Doyle Master Plan.
- In 2023/24 further $3.5m for Percy Doyle Master Plan.

6 Contributions and Reimbursements

This includes only known and expected day to day contributions and reimbursements.

7 Parking Fees & Charges

This line item identifies parking fees and charges based on the current City Centre paid parking arrangements. Future years include an annual percentage increase. It does not include revenue from additional car parking facilities.

8 Multi Storey Car Parking

Separate from Parking Fees & Charges this represents the revenue generated from additional new multi storey car parking coming on stream. The calculations are based on in-house experience in calculating costs per bay and revenue.

9 Other Fees & Charges

This includes all fees and charges other than parking such as rubbish collection, recreation fees and charges, development application fees, dog registrations, immunisation etc. Future years include an annual percentage increase.

10 Profit on Disposal

This normally represents the book profit on disposal of City assets. The only item included is the item that has been actually budgeted for in 2009/10. The overall projections in the Plan are all converted to a cash base so it is not necessary to project future book profits. Note: proceeds of land sales from Tamala Park are dealt with separately at item 27.

11 Other Income

Other income comprises lease rental income from Mindarie Regional Council. The projection is based on the assumption that lease rentals will continue while the MRC have management and remediation control of the site beyond operational closure of the MRC tip site.

OPERATING EXPENDITURE

12 Employee Costs

Employee costs are all those expenses associated with the employment of staff of which the biggest single item is salaries and wages. It also includes such other items as superannuation, recruitment costs, advertising, uniforms etc. A percentage incremental increase has been applied across the life of the Plan. This represents existing staff levels.

13&14 Borrowing Interests

This is the interest cost on loan borrowings and reflects interest on current loan borrowings, budgeted loan borrowings for 2009/10 and projected loan borrowings.

15 New Operating Expenditure

This is a notional allowance for the ongoing additional operating expenditure associated with new projects.

16 Interest on Deficit

This represents interest costs on funding a deficit whenever negative cash flows in the Municipal Fund get to the point where short term borrowings would be required.

17 Loss on Disposal

The opposite to Profit on Disposal but for the same reasons there have been no projections made in future years. The loss in 2009/10 relates to plant and vehicle disposals.

18 Other Operating Expenses

This includes all operating expenses other than employee costs, borrowing interest and loss on disposal of assets. Such expenses include materials and contracts, utility charges, insurance expenses and other expenses. Future years include an annual percentage increase.

19 Depreciation

This is included for balancing and information purposes but as it is a non-cash item there is no impact on the net cash calculations.

CAPITAL

The capital section of the financial projections is broken up into four components.

20 Existing Capital Program

This represents the programs that are in place for the refurbishment and improvement of existing City capital assets. This includes refurbishments and improvements for leisure and cultural facilities, libraries and community development facilities, infrastructure programs for parks, play equipment, drainage, roads, bridges and reticulation, infrastructure development and enhancement program including major road construction, parking facilities, street lighting, paths, streetscapes, foreshores with natural areas, IT equipment replacement program, plant replacement program and the building program (renewals and refurbishment).

For details of the major variations in the program refer to the section on Major Variations Between Financial Years (page 5).

21 New Capital Program

The new capital program comprises items related to the development of new assets or capital items and includes redevelopment proposals such as the construction of car parks, the construction of new buildings (additional to existing) and major new equipment purchases.

For details of the major variations in the program refer to the section on Major Variations Between Financial Years (page 6).

22&23 Existing and New Principal Loan Repayment

This is the principal repayment of loan borrowings and includes current loan borrowings, budgeted loan borrowings for 2009/10 and projected loan borrowings.

OTHER TRANSACTIONS

These items include fund transfers, asset transactions, borrowings etc.

24 Cash B/F

This is the cumulative net cash surplus/deficit brought forward from the previous period.

25&26 Transfer to and from Reserves

Other than what has been budgeted in 2009/10 the only projected transfer from reserves over the remaining 20 year life of the Plan are:

- $580k in 2011/12 for the construction of the Currambine Community Centre,
- $25m for the construction of the Cultural Facility and $6.4m for Multi Storey Car Park Construction in 2014/15,
- $15m in 2021/22 for the Percy Doyle Master Plan implementation,
- $11.5m in 2022/23 for the Percy Doyle Master Plan implementation,
- $11.5m for the Percy Doyle Master Plan implementation and $6.1m for Multi Storey Car Park Construction in 2023/24, and
- $6.1m for Multi Storey Car Park Construction in 2024/25.

In terms of transfers to reserves, other than what was budgeted for in 2009/10 the only other transfers are the proceeds that the City is due to receive from the sale of land at Tamala Park and projected operating surpluses from paid parking.

27 Proceeds of Land Sale Tamala Park

This represents the City's share of the land sale proceeds from the development and disposal of the residential property at Tamala Park. The revenue is projected to be received over a nine year period from 2012/13. All of the proceeds of these land sales have been projected to be transferred to reserve funds and used as referred to above in 25&26 Transfer to and from Reserves.

28 Asset rationalisation Proceeds

This represents the proceeds from asset rationalisation. The only income provided for is in relation to the redevelopment of three separate Community Buildings at Warwick which it is envisaged could be combined and freehold landholdings disposed of.

29 Sale of Assets

This represents the cash proceeds from the disposal of assets (as opposed to the book profit or loss). The projections from 2010/11 onwards represent plant and equipment sales as part of the annual replacement program.

30 Committed Borrowings

Committed borrowings reflect what is actually budgeted for in 2009/10 and a new loan for a replacement hall in Burns Beach in 2011/12.

31 New Borrowings

New borrowings reflect projected new loan borrowings for building and car park construction.

MAJOR VARIATIONS BETWEEN FINANCIAL YEARS

OPERATING INCOME

Most of the projections in relation to operating income have been based on percentage increases each year, commencing with the base year, over the life of the Plan without other major variation between years. There are two exceptions to this:

- Once-off lump sum grant revenue amounts have been included for several major projects:
  - In 2011/12 $2.0m being $1.0m each for the Currambine Community Centre and to commence the Edgewater Quarry Master Plan implementation
  - In 2012/13 $1.0m to complete the Edgewater Quarry Master Plan implementation
  - In 2014/15 $10.0m for the Cultural Facility development
  - In 2018/19 $1.5m for Burns Beach Surf Life Saving Club facility
  - In 2022/23 and 2023/24 $3.5m in each year for the Percy Doyle Master Plan implementation

- Multi storey car parking revenue has been included separately from parking fees and charges because it is linked to the development of multi storey car parking. The development is projected to commence in 2013/14. The revenue calculations are based on in-house estimates of fees and occupancy.

OPERATING EXPENDITURE

There are no significant variations in operating expenditure. Employee costs and other operating expenses have all been projected to increase annually from the base year by a percentage over the life of the Plan.

Provision has been notionally made for additional operating expenses associated with new projects.

OVERALL OPERATING POSITION

The outcome of the operating projections is that the overall operating position has relatively few major variations. It generally reflects a progressive increase in the net operating cash flow position apart from the 2014/15 financial year which has the impact of the Cultural Facility grant.

CAPITAL EXPENSES

There are major variations from year to year in capital expenditure which relates to the various programs and projects that are in place.

Existing Capital Program

The existing capital program represents all of those programs that are in place for the renewal and refurbishment of existing assets. While many of these programs reflect some consistency from year to year and in particular the consistency improves in latter years of the Plan, there are nevertheless some major variations:

- There is provision in 2012/13 for a $2m upgrade to the Warwick Sporting Facility and a further $2m upgrade of leisure centre facilities in each of 2013/14, 2018/19, 2023/24 and 2028/29.

- Provision has been included in 2014/15 for the community centre in Greenwood (Calastacia/Scout Hall) to be replaced for $3m dollars.
- Provision has been included in 2011/12 to replace Jack Kikeros Hall in Burns Beach for $2m. This will be funded by loan.
- Provision has been made in 2014/15 to replace Grove/Dorchester Hall in Warwick for $3m. This will be funded by rationalising the existing separate facilities
- The Whitfords Library has been projected for replacement over two years with $7m in 2020/21 and $7m in 2021/22.
- A major refurbishment to the Joondalup Library for $1m has been provided for in 2017/18.
- A major administration building refurbishment has been provided for over two years with $5m in 2016/17 and $5m in 2017/18.

New Works

In addition to the existing capital program, provision has been made for new capital works:

- Provision has been made for the Currambine Community Centre Building in 2011/12 for $4.5m. On the revenue side grant funding of $1m from the State has been included and the balance of the City's reserve fund set up for this purpose is also included as being transferred from reserves. The balance is to be funded from loan. There is a possibility of Community Vision being included in this proposal but no contribution from this source has been included.
- Provision has been made for the new Cultural Facility for $35m in 2014/15. On the revenue side grant funding of $10m has been included.
- Provision has been made for a Burns Beach Surf Life Saving Club facility in 2018/19 for $3.8m. On the revenue side grant funding of $1.5m has been included from either State or Lottery's.
- Provision has been made for a Tom Simpson Redevelopment Project $750k in 2011/12.
- Craigie Bushland Animal Sanctuary has been provided for in 2011/12 for $2m. This is subject to the outcomes of the development of a Management Plan.
- The implementation of the Master Plan for Edgewater Quarry has been provided for over three years with $2m in 2011/12, $2m in 2012/13 and $4m in 2013/14. On the revenue side grant funding of $2m has been included spread over two years.
- Provision has been made for the continuation of the Ocean Reef Marina development project with $1.5m in each of 2010/11 and 2011/12. This is for project development only and it is expected that there would be an equivalent amount of expenditure by the State. No provision has been made for capital construction costs which would be off balance sheet with the City's contribution expected to be its land holdings.
- Provision has been made for the Landscape Master Plan with $1m allocated in each year over the like of the Plan.

- Provision has been made for the construction of multi storey car parking with three projects one in 2013/14 and 2014/15, the second in 2014/15 and 2015/16 and the third in 2023/24 and 2024/25. Costs are based on in-house experience based on a $/bay calculation at today's prices.

- Provision has been included for the implementation of the Percy Doyle Master Plan over a three year period from 2021/22 to 2023/24 with expenditure of $15m per year over the three years. Grant funding has been included for $7m with $5m from the State and $2m from the Commonwealth spread over two years with the balance from the Tamala Park Land Sales Reserve. The Master Plan will include the Duncraig Library.