



27 June 2007

AGENDA

MINUTES OF FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON WEDNESDAY 27 JUNE 2007 COMMENCING AT 6.30PM

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AGENDA

MINUTES OF A FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON WEDNESDAY 27 JUNE 2007, COMMENCING AT 6.30PM

F15. OPENING OF MEETING

The Presiding Member declared the meeting open.

F15.1 Present

Cr R Olson Presiding Member
Cr S Dobro
Cr A Ferris
Cr D Martin
Mr J Roberts Executive Manager Finance & Administration

F16. WELCOME TO GALLERY

There were no members of the public in the gallery.

F17. APOLOGIES

Mayor O'Neill
Cr Rico

F18. PUBLIC QUESTION TIME

Nil.

F19. PRESENTATIONS/DEPUTATIONS/PETITIONS

Nil.

F20. CONFIRMATION OF MINUTES

F20.1 Finance Committee – 11 April 2007

Cr Martin – Cr Ferris

That the Minutes of the Finance Committee held on 11 April 2007, and adopted at the Council Meeting held on 17 April 2007 be confirmed. CARRIED

F21. QUESTIONS OF WHICH DUE NOTICE HAS BEEN GIVEN WITHOUT DISCUSSION BY COUNCIL MEMBERS

Nil.

F22. MOTIONS OF WHICH DUE NOTICE HAS BEEN GIVEN BY COUNCIL MEMBERS

Nil.

F23. CORRESPONDENCE (LATE RELATING TO ITEMS IN AGENDA)

Nil.

F24. REPORTS OF OFFICERS

F24.1 2007/2008 Preliminary Budget Items

By John Roberts, Executive Manager Finance & Administration on 22 June 2007

PURPOSE

To present to the Finance Committee the major components of the 2007/2008 Municipal Budget for the purpose of receiving final direction for officers in regard to completion of the budget.



A Special Council meeting was held on 22 May 2007 to familiarise Councillors with budget requests, and to enable Council to delete and/or prioritise items, so that Council staff could finalise costings prior to the preparation of the final 2007/08 Budget document which will be presented for adoption to a Special Council Meeting on 19 July 2007.

REPORT

Background

The preparation of the draft 2007/2008 Municipal Budget has been based on submissions from elected members, Council officers, residents and community groups.

The format for considering the budget proposals to be presented is as follows;

- Financial Summary
- Schedule of Capital Projects
- Schedule of Cfdw Capital Projects
- Schedule of Cfdw Operating Projects
- Schedule of Capital Projects proposed but not included
- Rating Information
- Schedule of Fees & Charges

The 2007/2008 draft budget has been prepared with reference to the Plan for the Future that Council adopted at its meeting held 2 May 2006.

The 2006/07 operating budget was based on a detailed review of operating expenditure and costs were only increased by 0.5% based on the previous years estimate.

The consumer price index for Western Australia for the March quarter ending 31 March 2007 was 3.5% (06/07 4.2%) and in the 2007/08 State Budget inflation has been forecast at 3% for the forthcoming year.

Activity levels have been reviewed in the preparation of this budget and amended as required with associated costs being increased by 3%.

Costs associated with Salaries & Wages have been increased by 5% due to a need to maintain competitiveness in the current tight employment market.

1. FINANCIAL SUMMARY

The attached is a summary of revenue and expenditure providing a balance of the funds required to be raised from rates to accommodate the current budget proposals. The initial draft budget showed a budget shortfall of \$373,946, due to the inclusion of all submitted capital works projects. This draft budget version only has prioritised projects included and shows a minor shortfall when including a 2006/07 estimated surplus figure of \$225,000. The estimated surplus may increase as 2006/07 costings are finalised in early July. It is proposed to allocate any additional surplus, if any, to Capital Works proposed but not included as prioritised by Council.

ATTACHMENT

2. SCHEDULE OF CAPITAL PROJECTS

Attached is a schedule of prioritised capital projects detailing all major items that have been included in the draft 2007/2008 Municipal Budget. In respect to the schedule of capital projects, referring back to the Plan for the Future, the total capital expenditure allowed for was approximately \$550,000.

ATTACHMENT

3. SCHEDULE OF 2006/07 CFWD CAPITAL PROJECTS

This schedule is a list of capital works projects that were originally included in the 2006/07 budget but were unable to be completed during the year for a variety of reasons



including difficulties in appointing staff and contractors due mainly to scarce resources as a result of the resource boom. **ATTACHMENT**

4. SCHEDULE OF 2006/07 CFWD OPERATING PROJECTS

This schedule is a list of operating projects that were originally budgeted in the 2006/07 budget but were unable to be completed during the year for a variety of reasons including difficulties in appointing staff and contractors due mainly to scarce resources as a result of the resource boom. **ATTACHMENT**

5. SCHEDULE OF CAPITAL WORKS NOT INCLUDED

This schedule is a list of capital projects that were submitted as part of the 2007/08 budget process but were excluded by Council at the Special Council meeting on 22 May 2007. Should additional funds be available as a consequence of larger than anticipated 2006/07 surplus funds some or all of these projects may be included. **ATTACHMENT**

6. RATING INFORMATION

The starting point for consideration of rate increases was the consumer price index figure, which for the March quarter ending 31 March 2007, was 3.5% for Perth Western Australia. A number of rate models were provided at the Special Council Meeting on 22 May 2007.

Council indicated an increase of 6% upon which this draft budget has been prepared. Council requested additional rates models for 6.5% and 7% increases be prepared which have been attached.

As Councillors are aware, in 2006/07 Council faced considerable increases in recycling costs and the operation of the RRRC by the SMRC. A recycling charge of \$45 was introduced to accommodate these increases. Council has agreed to increase this charge to \$46.50 for 2007/08 in order to fully fund the direct cost of the recycling programme. **ATTACHMENT**

7. SCHEDULE OF FEES & CHARGES

The attached schedule shows the proposed 2007/08 Fees & Charges. The 2006/07 adopted fees and percentage increase are shown for comparative purposes. Fees & Charges that are set under legislation and as such Council has no discretion in setting are highlighted with an S. **ATTACHMENT**

CONCLUSION

I would like to reiterate that the Preliminary Budget Meeting was designed to familiarise Council with submissions received during the 2007/2008 Budget process and to receive direction in the compilation of the draft budget. This direction received from Council has been factored into this draft budget which is provided for a final review prior to adoption on 19th July 2007. At the Budget Adoption Meeting the complete operating and capital budget will be presented showing all statutory financial schedules and accompanying budget compilation detail.

The full budget will cover all operating aspects and include Council's Fees and Charges and Councillors' Meeting Fees and Allowances.

It is anticipated that general budget discussion will be held with a view to giving final direction to staff in respect to items so that the 2007/08 Municipal Budget can be completed for adoption on 19 July 2007.

I invite all elected members to contact me if requiring any additional Budget information. My direct number is 9339 9317 and my mobile number is 0403 455 077.



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RECOMMENDATION

That the report be received and considered.

The following general discussion took place:

- Schedule of Capital Projects
 - The proposed 2007/2008 capital works were \$200,000 in excess of the amount allowed for in the Plan for the Future.
 - It was generally agreed that the Midwives Centre on Canning Highway was not to be included. It would be removed and placed on the "proposals received but not included schedule" and replaced with the Stirling Highway/Marmion Street intersection cycle facilities project.
- Rating Information
 - A schedule showing comparative local government rates was requested to be provided to elected members as an information item.
 - The Committee generally agreed with a rate increase of 6%.
- Schedule of Fees and Charges

The Schedule to be amended to ensure:

 - Allen Street rentals are current market value and are clearly identified as per week rental.
 - The lease rental for 128/128A George Street reflects the increased lease amount.

Further discussion took place regarding parking infringements and local laws. The Committee was advised a review of local laws was currently underway.

An organisational chart was requested to be provided to elected members as an information item.

Discussion then took place on the budget and budget adoption meeting.

RECOMMENDATION TO COUNCIL

Cr Olson – Cr Dobro

That:

- 1. the report be received**
- 2. the amendments raised by the Committee be incorporated into the draft Budget.**
- 3. a report on the Town of East Fremantle parking strategy be prepared for the next Finance Committee meeting.**

CARRIED

F24.2

128 & 128A George Street

F/BGT1

By John Roberts, Executive Manager Finance & Administration on 22 June 2007

PURPOSE

To provide information to Council to support a decision on the future of Council owned properties at 128 & 128A George Street, East Fremantle.

BACKGROUND

At the previous meeting of the Finance Committee a request was made for a report on the properties.

REPORT

Council owns the following 2 properties on George Street East Fremantle.

- 128 George Street. (Lot 5) Frontage 12.19m 448 sq m area.
- 128A George Street. (Lot 10) Frontage 6.09m 225 sq m area.

See plan and photo attached.

ATTACHMENT



The properties are leased to Beeson Upholstery and have been since 1999. They are leased as one lot.

The current lease agreement commenced 1 July 2002. The initial term was for 3 years with 2 options to extend for 1 year. Both options have been exercised and the current lease expires on 30 June 2007. The lessees have indicated their preference to enter into another lease agreement. The lease is \$10,186 pa.

The rear of the two lots is currently used as a free public car park with space for 12 vehicles. Access to the car park is via access adjacent to 128 George Street.

The properties are listed on the Council's Heritage List.

DISCUSSION

A property and rental valuation was undertaken by Murray Stubbs Valuer in May 2007.

A review of the report and a number of site visits has revealed a number of options for the site.

Option 1

New lease of 128 George Street - \$22,440pa

New lease of 128A George Street - \$7,500pa

Retain Ownership of Lot 5.

Retain Ownership of Lot 10.

Advantages: Increased rental income. Retention of assets. Guaranteed retention of heritage properties. Provision of public car park, potential for parking revenue.

Disadvantages: Continuing poor rate of return on investment 2.7% pa. Future maintenance costs.

Option 2

New lease of 128 George Street - \$22,440pa

Retain Ownership of Lot 5

Sell Lot 10 - \$350,000

Advantages: Increased rental income. Retention of Lot 5 asset. Release of funds for other use. Reduced maintenance costs. Provision of public car park, potential for parking revenue.

Disadvantages: Loss of 3 parking bays. Potential loss of heritage property.

Option 3

Sell Lot 5 - \$750,000

Sell Lot 10 - \$350,000

Advantages: Release of funds for other use. Reduced maintenance costs. Improved rate of return to market investment rate.

Disadvantages: Loss of public car park. Loss of appreciating assets. Potential loss of heritage properties.

Option 4

New lease of 128 George Street - \$22,440pa

New lease of 128A George Street - \$7,500pa

Subdivide Lots 5 & 10. Retain shops and sell newly created rear lot estimated 500 sq area - \$850,000

Advantages: Increased rental income. Release of funds for other use. Retention of assets. Retention of heritage properties. Reduced maintenance costs. Improved rate of return of 11%, comparable to property increases.

Disadvantages: Cost of subdivision. Project management of subdivision. Loss of public car park. Loss of proportion of appreciating assets. Ongoing maintenance costs. Possible difficulties in future disposal.



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AGENDA**CONCLUSION**

There are a number of factors that need to be considered by Council.

- The properties are of significant value and the current lease income is well below market value and offers a poor rate of return to Council.
- The heritage value to Council in retaining the buildings in their current form.
- The provision of public parking in George Street.
- The opportunity to release cash to Council for use in the improvement of other assets avoiding the need to raise loan funds.

Taking these factors into consideration it would appear that option 4 offers the best compromise for Council. It retains an annual market value revenue stream and an appreciating asset valued at approximately \$255,000. There would be a release of funds in the order of \$750,000-\$800,000 that could be utilised to improve other Council assets as an alternative to additional borrowings, which could compromise Council's current good standing in terms of financial viability.

RECOMMENDATION

That Council delegate to the CEO the authority to undertake Option 4 on behalf of Council.

Absolute Majority Resolution Required

Discussion took place regarding:

- the content of the report and recommended options
- parking, heritage and zoning implications.

The Executive Manager Finance & Administration stated the Chief Executive Officer supported Option 4 as funds obtained from any asset disposal could be invested in renovation works on the Town Hall/Old Police Station.

RECOMMENDATION TO COUNCIL

Cr Olson – Cr Ferris

That Council give in principle support to the development potential associated with Option 4, however, seek the following further information:

- 1. Detailed costs associated with the sale and subdivision**
- 2. On site parking being considered with the retained shops**
- 3. Refurbishment requirements for the retained shops to achieve the proposed rental income.**
- 4. Information related to the heritage aspect of the shops**
- 5. Detailed proposals of anticipated utilisation of released funds provided for in Option 4 eg:**
 - (i) Town Hall**
 - (ii) Police Station**
 - (iii) Town Centre – Masterplan**
 - (iv) East Fremantle Oval.**

CARRIED

F25. CONFIDENTIAL BUSINESS

Nil.

F26. NOTICES OF MOTION BY ELECTED MEMBERS FOR CONSIDERATION AT THE FOLLOWING MEETING

Nil.

F27. URGENT BUSINESS WITHOUT NOTICE BY PERMISSION OF THE MEETING

Nil.



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F28.

CLOSURE OF MEETING

There being no further business, the meeting closed at 8.00pm.

*I hereby certify that the Minutes of the meeting of the Finance **Committee** of the Town of East Fremantle, held on **27 June 2007**, Minute Book reference **F15. to F28.** were confirmed at the meeting of the Committee on*

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Presiding Member