

WOLLONGONG CITY COUNCIL

- addressing the infrastructure crisis

EXISTING FINANCIAL PLAN

VERSUS

PROPOSED FINANCIAL PLAN

Review Today Pty Ltd
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INTRODUCTION

Page 3 shows the financial and infrastructure outlook for WCC under existing financial policies. It has been tagged the Existing Financial Plan for discussion purposes.

Page 4 shows a possible financial strategy devised by Review Today that would result in sustainable Council finances and infrastructure. Note that with additional policy measures (e.g. exploiting commercial opportunities, increasing operational efficiencies, rationalizing non-core services, changing minimum asset condition standards, etc) this strategy would not require as sharp a cut in services as shown in the table. This strategy has been labeled the Proposed Financial Plan for discussion purposes. It offers a financially “responsible” way to fix the infrastructure crisis without imperiling the Council’s financial solvency.

Page 5 shows the differences in financial numbers between the Proposed and the Existing Financial Plans to highlight how much revenues and expenditures would vary by between the two plans.

It should be noted that the Propose Financial Plan is for illustrative purposes only. It could be varied depending on the Council’s preferences. However, it gives an indication of the extent to which rates, fees and charges on the one hand and operating and capital expenditure on the other need to be changed if Wollongong City Council’s infrastructure crisis is not to grow worse.

The next step is for Council to debate the Proposed Financial Plan and decide what form it wants it to take bearing in mind the need to achieve:

- Financial sustainability;
- Infrastructure sustainability;
- Service sustainability; and
- Community affordability.

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1. EXISTING FINANCIAL PLAN – will increase Wollongong’s infrastructure backlog to 17% in next ten years.

Wollongong City Council

2.50% CPI % increase

0.65% property growth

| Chapter 1 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | avg annual | avg annual | |
|---|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|-------------------|-------------------|
| | estimate | projection | projection | projection | projection | projection | projection | projection | projection | projection | projection | 07/08-16/17 | total | per-property |
| | CONSTANT 2006-07 DOLLARS | | | | | | | | | | | | | |
| Existing policy (E and R) | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | real-terms | real-terms |
| Opex (excluding maintenance & depreciation) | 115.686 | 121.391 | 121.723 | 119.602 | 121.037 | 122.490 | 123.959 | 125.447 | 126.952 | 128.476 | 130.017 | 124.1 | 1.2% | 0.5% |
| Interest expense | 2.137 | 2.580 | 4.175 | 4.686 | 5.436 | 4.808 | 3.895 | 3.012 | 2.379 | 1.870 | 0.665 | 3.4 | -11.0% | -11.6% |
| Maintenance expense | 19.278 | 20.317 | 21.412 | 22.455 | 23.485 | 24.525 | 25.607 | 26.925 | 28.362 | 29.662 | 31.027 | 25.4 | 4.9% | 4.2% |
| Future renewals capex | 12.537 | 12.537 | 12.537 | 12.537 | 12.537 | 12.537 | 12.537 | 12.537 | 12.537 | 12.537 | 12.537 | 12.5 | 0.0% | -0.6% |
| Rehabilitation capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.0 | | |
| Enhancement capex | 22.936 | 37.952 | 38.952 | 32.952 | 32.952 | 30.952 | 30.652 | 31.836 | 31.836 | 25.836 | 28.806 | 32.3 | 2.3% | 1.6% |
| TOTAL OUTLAYS | 172.574 | 194.776 | 198.798 | 192.231 | 195.447 | 195.310 | 196.650 | 199.756 | 202.067 | 198.380 | 203.053 | 197.6 | 1.6% | 1.0% |
| Rates revenue | 90.641 | 93.684 | 97.205 | 97.286 | 98.877 | 100.495 | 102.140 | 103.811 | 105.509 | 107.236 | 108.990 | 101.5 | 1.9% | 1.2% |
| Fees & charges | 40.730 | 48.187 | 48.509 | 48.417 | 49.067 | 49.927 | 50.800 | 51.753 | 52.744 | 53.672 | 54.635 | 50.8 | 3.0% | 2.3% |
| Capital contributions & donations | 4.235 | 25.468 | 28.361 | 27.851 | 27.172 | 26.509 | 25.863 | 25.232 | 24.617 | 24.016 | 23.430 | 25.9 | 18.7% | 17.9% |
| TOTAL EFFORT-RELATED REVENUE | 135.606 | 167.339 | 174.075 | 173.554 | 175.117 | 176.932 | 178.803 | 180.796 | 182.870 | 184.924 | 187.056 | 178.1 | 3.3% | 2.6% |
| Net financial liabilities ratio | 3.3% | 4.2% | 6.2% | 7.0% | 6.5% | 5.9% | 5.3% | 4.9% | 4.5% | 3.7% | 3.2% | | | |
| Operating surplus ratio | -12.4% | -9.6% | -9.2% | -8.6% | -8.4% | -8.1% | -7.6% | -7.3% | -7.2% | -7.1% | -6.6% | | | |
| Infrastructure backlog ratio | 7.8% | 8.5% | 9.1% | 9.8% | 10.3% | 11.1% | 12.2% | 13.3% | 14.5% | 15.8% | 16.9% | | | |
| Rates, fees & charges | 131.371 | 141.871 | 145.714 | 145.703 | 147.944 | 150.422 | 152.940 | 155.564 | 158.253 | 160.908 | 163.626 | 152.3 | 2.2% | 1.6% |

2. PROPOSED FINANCIAL PLAN – would limit Wollongong’s infrastructure backlog to 6% in next ten years.

Wollongong City Council

0.65% property growth

| Chapter 4 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | avg annual | avg annual | |
|---|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------------|-------------------|
| | estimate | projection | projection | projection | projection | projection | projection | projection | projection | projection | projection | 07/08-16/17 | total per-property | |
| | CONSTANT 2006-07 DOLLARS | | | | | | | | | | | | | |
| Responsible (E and R) scenario | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | real-terms | real-terms |
| Opex (excluding maintenance & depreciation) | 115.686 | 115.686 | 115.468 | 112.281 | 112.208 | 111.321 | 109.504 | 107.317 | 105.637 | 104.698 | 104.643 | 109.9 | -1.0% | -1.6% |
| Interest expense | 2.137 | 2.580 | 13.789 | 16.302 | 18.572 | 18.282 | 17.918 | 18.134 | 18.285 | 18.179 | 17.038 | 15.9 | 23.1% | 22.3% |
| Maintenance expense | 19.278 | 16.365 | 16.689 | 16.944 | 17.152 | 17.331 | 17.499 | 17.701 | 17.920 | 18.109 | 18.308 | 17.4 | -0.5% | -1.2% |
| Future renewals capex | 12.537 | 40.325 | 38.295 | 39.016 | 38.269 | 44.818 | 53.718 | 56.583 | 58.860 | 60.233 | 61.040 | 49.1 | 17.2% | 16.4% |
| Rehabilitation capex | 0.000 | 19.673 | 37.451 | 1.924 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 5.9 | | |
| Enhancement capex | 22.936 | 30.931 | 31.746 | 26.856 | 26.856 | 25.226 | 24.981 | 25.946 | 25.946 | 21.056 | 23.477 | 26.3 | 0.2% | -0.4% |
| TOTAL OUTLAYS | 172.574 | 225.559 | 253.437 | 213.323 | 213.057 | 216.978 | 223.621 | 225.681 | 226.649 | 222.275 | 224.507 | 224.5 | 2.7% | 2.0% |
| Rates revenue | 90.641 | 95.892 | 102.300 | 105.180 | 109.167 | 112.118 | 114.007 | 115.928 | 117.881 | 119.867 | 121.687 | 111.4 | 3.0% | 2.3% |
| Fees & charges | 40.730 | 45.371 | 48.076 | 49.237 | 51.481 | 53.547 | 55.411 | 57.244 | 59.351 | 61.788 | 64.713 | 54.6 | 4.7% | 4.1% |
| Capital contributions & donations | 4.235 | 25.468 | 28.361 | 27.851 | 27.172 | 26.509 | 25.863 | 25.232 | 24.617 | 24.016 | 23.430 | 25.9 | 18.7% | 17.9% |
| TOTAL EFFORT-RELATED REVENUE | 135.606 | 166.731 | 178.737 | 182.268 | 187.821 | 192.175 | 195.281 | 198.404 | 201.848 | 205.672 | 209.831 | 191.9 | 4.5% | 3.8% |
| Net financial liabilities ratio | 3.3% | 6.6% | 11.9% | 13.4% | 13.3% | 13.2% | 13.3% | 13.4% | 13.3% | 12.7% | 12.0% | | | |
| Operating surplus ratio | -12.4% | -11.3% | -13.4% | -10.2% | -7.8% | -5.2% | -3.2% | -1.5% | 0.0% | 1.2% | 2.5% | | | |
| Infrastructure backlog ratio | 7.8% | 6.9% | 5.2% | 5.1% | 5.1% | 5.1% | 5.1% | 5.1% | 5.1% | 5.0% | 5.0% | | | |
| Rates, fees & charges | 131.371 | 141.263 | 150.375 | 154.417 | 160.649 | 165.665 | 169.419 | 173.172 | 177.232 | 181.655 | 186.400 | 166.0 | 3.6% | 2.9% |

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3. DATA DIFFERENCES BETWEEN PROPOSED AND EXISTING FINANCIAL PLANS

| INCREASE/(DECREASE) FROM EXISTING POLICY TO RESPONSIBLE SCENARIO | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | avg annual | increase/(decrease) | | |
|---|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------------|-------|------------|
| | estimate | projection | projection | projection | projection | projection | projection | projection | projection | projection | projection | difference | 07/08-16/17 | % | % |
| | CONSTANT 2006-07 DOLLARS | | | | | | | | | | | | | | |
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | total | annualised |
| Opex (excluding maintenance & depreciation) | 0.000 | -5.705 | -6.255 | -7.321 | -8.829 | -11.168 | -14.455 | -18.130 | -21.315 | -23.778 | -25.375 | -14.2 | -19.5% | -2.1% | |
| Interest expense | 0.000 | 0.000 | 9.615 | 11.616 | 13.136 | 13.475 | 14.023 | 15.122 | 15.906 | 16.309 | 16.373 | 12.6 | 2461.5% | 38.3% | |
| Maintenance expense | 0.000 | -3.952 | -4.723 | -5.511 | -6.333 | -7.194 | -8.108 | -9.223 | -10.442 | -11.552 | -12.719 | -8.0 | -41.0% | -5.1% | |
| Future renewals capex | 0.000 | 27.788 | 25.758 | 26.480 | 25.732 | 32.281 | 41.181 | 44.046 | 46.323 | 47.696 | 48.504 | 36.6 | 386.9% | 17.2% | |
| Rehabilitation capex | 0.000 | 19.673 | 37.451 | 1.924 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 5.9 | | | |
| Enhancement capex | 0.000 | -7.021 | -7.206 | -6.096 | -6.096 | -5.726 | -5.671 | -5.890 | -5.890 | -4.780 | -5.329 | -6.0 | -18.5% | -2.0% | |
| TOTAL OUTLAYS | 0.000 | 30.783 | 54.639 | 21.091 | 17.611 | 21.668 | 26.971 | 25.925 | 24.582 | 23.895 | 21.454 | 26.9 | 10.6% | 1.0% | |
| Rates revenue | 0.000 | 2.208 | 5.095 | 7.894 | 10.290 | 11.623 | 11.868 | 12.117 | 12.372 | 12.631 | 12.696 | 9.9 | 11.6% | 1.1% | |
| Fees & charges | 0.000 | -2.816 | -0.433 | 0.820 | 2.414 | 3.621 | 4.611 | 5.491 | 6.607 | 8.116 | 10.078 | 3.9 | 18.4% | 1.7% | |
| Capital contributions & donations | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.0 | 0.0% | 0.0% | |
| TOTAL EFFORT-RELATED REVENUE | 0.000 | -0.608 | 4.662 | 8.714 | 12.704 | 15.243 | 16.479 | 17.608 | 18.978 | 20.747 | 22.774 | 13.7 | 12.2% | 1.2% | |
| Asset sales | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.0 | | | |