

Re: Local Government Rates Capping

I have read the submission by the Maribyrnong City Council, (the council), the introduction that portrays the council as wholesome, the discussion on the budget process, and the claim that the council consults with the community, all designed to make a case for increasing rates even further than they already are in real terms.

In its submission that council has stated that it will not be able to maintain infrastructure if capping is limited to CPI. The council has acknowledged that it has been adding a capital works levy at the rate of 2% per annum to council rates since 2006, in addition to CPI increases. The 2% has been cumulative. The initial levy of 2% from 2006 has had 9 years of compounding CPI increases applied to it, as well as 9 years of increasing effect on council rates due to the compounding effect of subsequent 2% capital works levies.

The additional 2% levy added in 2007 would have been added to the levy of 2006 increased by CPI.

The additional 2% levy added in 2008 would have been added to the levy of 2006 increased by 2% plus CPI in respect of year 2008, plus CPI of the year 2007.

The additional 2% levy added in 2009 would have been added to the levy of 2006 increased by 2% plus CPI in respect of year 2009, plus 2% plus CPI in respect of year 2008, plus CPI in respect of year 2007. This ever growing effect on the starting 2% levy of 2006 has continued to 2015.

The levies subsequently imposed in years following 2006 have all been increasing in a similar cumulative compound manner.

Ignoring CPI increases, the cumulative compound effect of the 2% per annum capital works levy, on a starting base rates figure of say \$100 at 2005, results in a rates figure of \$121.90 in 2015. (I repeat, ignoring CPI increases).

This means that on a rate notice of \$2,000 in 2015, an amount of \$359 is due to capital works levies already imbedded in total rates. That is, $(121.9 - 100)/121.9 \times \$2000 = \$359$. This component has not been removed by this council – it wants even more.

If this compounding was allowed to continue for a further 10 years, the cumulative compound effect of the 2% per annum capital works levy results in a figure of \$148.60, (after starting with a figure of \$100 in 2005).

This means that on a rate notice of \$2,000 in 2025, an amount of \$654 would be due to capital works levies. That is, $(148.6 - 100)/148.6 \times \$2000 = \$654$.

CPI increase would simply make the overall situation even worse.

Yet in its submission to the ESC, this council has stated that unless it can keep on adding further 2% annual capital works levies, it will not be able to maintain aging infrastructure. I would suggest that this is at best an admission of administrative failure to control cost and spending.

According to Council's submission, at Point 1, under the heading "The form of the cap", the 2% compounding levy was introduced when "Maribyrnong was at that time listed as the third most disadvantaged community on the SEIFA Index, therefore Council was mindful that the community was not able to bear high rate increases." There is also a reference to a 24 million dollar debt by the council in this point, but no explanation as to how this debt arose. Perhaps it is a leftover from a questionable land deal that occurred many years earlier when the council purchased riverside land at what may have been over inflated prices.

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The council submission claims that the council has attempted to achieve a balance between its budget needs and affordability of rates to ratepayers. Looking and the massive increases to date, and the intended increases in the future, I would suggest that this council has absolutely no regard for affordability of rates to ratepayers. The council has acknowledged in its submission that the area is impoverished, yet it has increased rates to obscene levels. This callous sarcastic claim by the council that it is concerned about the affordability of rates reminds me of saying by the French monarchy prior to the French revolution: "if the peasants can't eat bread, let them eat cake". It also reminds me of the former despot of Romania, Nicolae Ceaucescu, who sent Romania into bankruptcy and impoverished his nation because of his obsession with grandiose buildings.

The council has stated that it consults with the community and engages the community in the budget process. But clearly after consultation and engagement, the council does what it intended from the outset. I was not surprised then to read at the bottom of Point 4, Community engagement, of the council's submission: " This engagement methodology must not be prescribed but be flexible to enable Councils to use their own existing methods and structures for community engagement to suit their communities". The council does not want to be told how to consult and engage the community. Perhaps if this council really did have to engage and consult the community in a prescribed manner, it might then hear the community yelling and screaming that they have had enough of obscene rate increases that are squandered through inefficiencies and spent of dubious capital works. I don't recall this council ever asking the community if it would prefer to have lower rates. A low income earner struggling to pay a mortgage would clearly prefer lower rates than pay for impressive public buildings that might attract tourists.

The spending of this council can be likened to that of a drunken sailor spending someone else's money. For example, in 2008 this council spent \$150,000 to plant 11 trees in metal above ground Pots. This made the front cover of a local paper, the Star, dated Tuesday 4, November 2008, by Charlene Gatt. The article is headed "\$150,000 pot plants". It reads, in part: "Could these be the most over-priced trees in the City of Maribyrnong? The olive trees pictured are two of 11 that were planted along Barkly and Hopkins Streets in September – at a cost of \$150,000. The trees, which stand less than two metres high, have been potted in 'custom made' woven planter baskets as part of Council's Greening Footscray Strategy....." The article also contains a quote from one councillor, then Councillor Rossiter: "I sent an email around to the council officers and the CEO saying 'please tell me we have not spent \$150,000 on pot plants'", followed by "'(It's) no wonder we haven't got any money', she said". This was 2 years after the council began imposing the 2% per annum compounding capital works levies. The \$150,000 equates to \$13,636 per tree. This was the "drive-away" price of a small car at the time (ie., Hyundai Getz).

Now this council wants to spend \$1.4 Million to reconstruct the Nicholson Street Mall, even though there is nothing wrong with it. Reconstruction of the Nicholson Street Mall seems to be happening at substantial cost every few years as a matter of course. Perhaps the mall should simply be scrapped and opened up as a road to cars. This would save millions on future reconstructions of the mall, ease traffic congestion, and provide more parking – and thereby avoid the council spending a proposed \$13.5 on a carpark for 100 cars. But knowing this council, it will select the most expensive choice – reconstruct the mall, and build an expensive carpark, using money provided by the capital works slush fund. No doubt many construction firms would be given lucrative contracts, and to me this suggests brown paper bags stuffed with cash, especially after hearing about FIFA, and recent corruption revelation in the Victorian Education Department.

The mall in Nicholson Street, Footscray, has been in place since 1975, and has clearly cost millions over the years since then in reconstruction after reconstruction. If this council wanted to save money for a change, it could open the mall to traffic as it was pre-1975, thereby easing traffic congestion and creating more car parking spaces.

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