

Mayor and CEO's Introduction

The City of Greater Geelong is in a period of tremendous growth and demand for services.

The combined impact of population growth, diversified industries, the world recycling crisis, balancing the need of new infrastructure while maintaining existing infrastructure and delivering our services within the constraints of a rate capped environment, means the City needs to responsibly manage its finances.

Key outcomes from this budget include:

- A strategic and community-led approach to prioritisation and development of community infrastructure.
- A focus on asset renewal investment and key heritage assets.
- Continued investment in the development and revitalisation of central Geelong including support for the City deal.
- Responding to growth and future planning.
- An investment in business productivity improvement including Civic Precinct and Digital Strategy.

The executive summary provides key information about the rate increase, operating result, service levels, cash and investments, capital works, financial position, underlying result and key strategic objectives of the Council.

The 2019-20 Budget has again been developed with four key fiscal objectives:

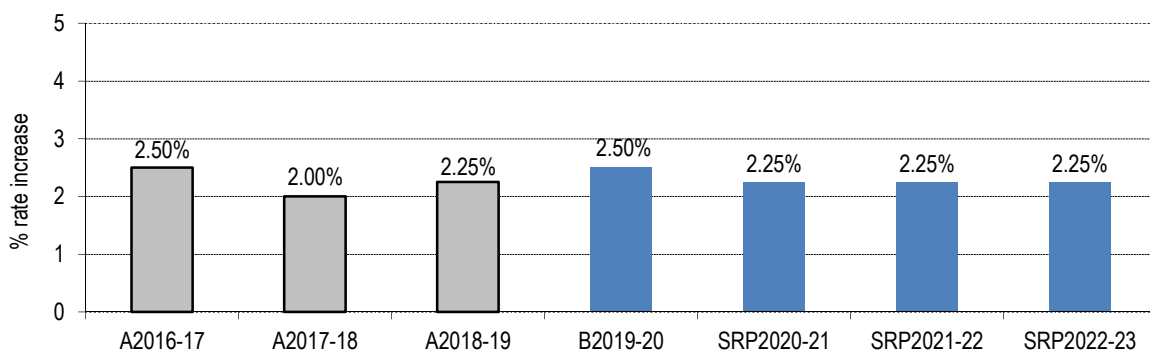
1. Maintain an operating surplus to contribute internal funding for capital works program.
2. Maintain core infrastructure renewal expenditure, whilst increasing expenditure on new community infrastructure.
3. Maintain net financial liabilities at a sustainable level.
4. Maintain funding of service delivery consistent with community expectations.

The Victorian Government has specified a rate cap of 2.50% for 2019-20. The cap applies to the average annual increase of rates and the municipal charge. Council has endorsed a rating strategy that complies with the cap and will not apply to the Essential Services Commission for an exemption to the higher cap.

The 2019-20 capital program forecasts expenditure of \$117.0m. This includes carryover project funding from 2018-19 for incomplete projects of \$27.8m, \$111.5m of new project funding less \$22.3m forecast to carryover into 2020-21.

The City plans to borrow \$35.3m in 2019-20 (including \$6.4m deferred borrowings from 2018-19), to fund the net capital expenditure on infrastructure and new community facilities. The projected total amount of borrowings as at 30 June 2020 is \$91.8m.

1(a). Rate Increases



Rate revenue is 63% of total revenue. The movement in average rates reflects the rate cap and includes Rates and the Municipal Charge. The Waste Collection Service Charge is excluded from the rate cap.

The Essential Services Commission measure rate increases as the movement in rates and municipal charge for all rateable property. The 2018-19 base average rate is calculated as \$1,557.54 and the 2019-20 Budget proposes this will increase by 2.50% to \$1,596.51.

Future year rate increases are assumed unchanged at 2.25% in the absence of any forward planning guidance from the Minister for Local Government. This assumption will be subject to future announcement on an annual basis.

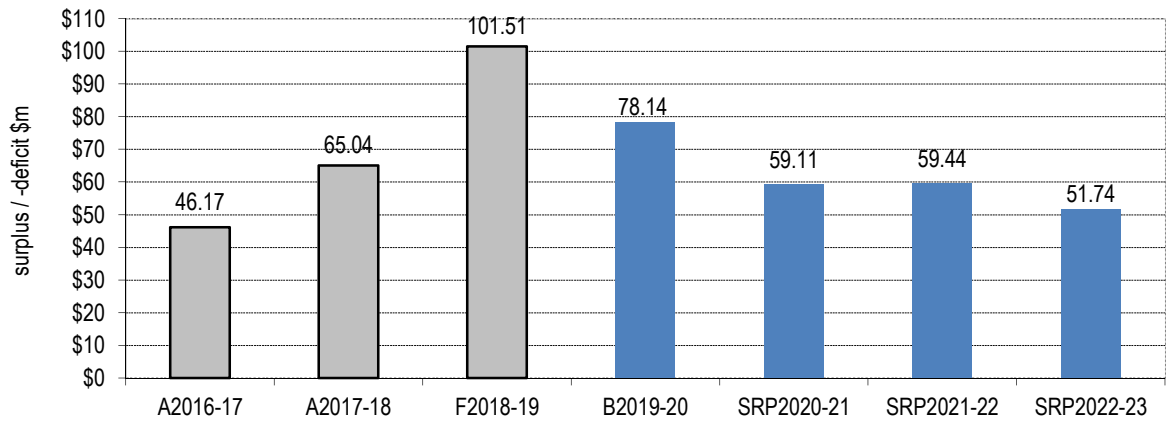
1(b). Average Residential Rates

Residential Movement	2018-19 Budget Rates on Avg. CIV \$	2019-20 Budget Rates on Avg. CIV \$
Residential Capital Improved Value	482,976	546,151
Rates (CIV x Rate in \$)	1,151.90	1,180.70
Municipal Charge	102.00	105.25
Total Rates (Include. Municipal Charge)	1,253.90	1,285.95
Waste Collection Service	316.90	332.00

The average movements in Rates and Municipal Charge totals \$32.05 or a 2.6% increase for the 2019-20 year. The Municipal Charge recovers some of the fixed cost of governance. The separate Waste Collection Service Charge includes the impact of higher cost waste collection and recycling processing operations together with EPA levy increases. The Landfill EPA levy increases to \$65.40/tonne equivalent to \$35.88 per Waste Collection Service Charge.

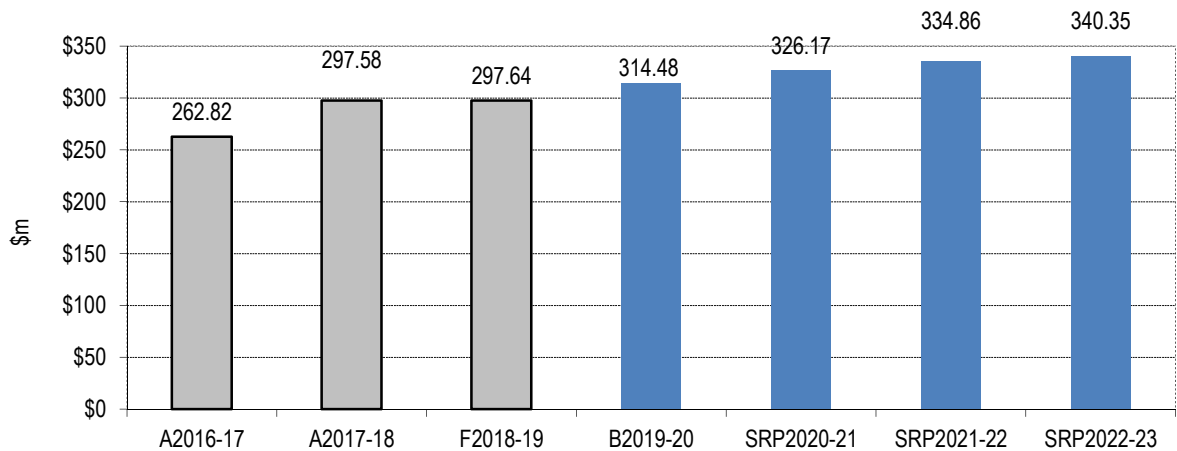
The 2019-20 rate notices will include the 2019 valuations where the average residential valuation increase was 13.1% with the rate in the dollar adjusted accordingly. However where the residential property valuation has increased by greater than the average, then the increase in rates may be greater than the \$32.05 applicable to the average property. The rates and charges for individual residential properties may increase or decrease by different percentage amounts dependent on whether the valuation of the property may be higher or lower relative to the average valuation of other residential properties in the municipal district. In addition the City exercises discretion in the setting of differential rates to increase one differential higher than the rate cap relative to others as part of responding to relative valuation movements or as part of implementing the rating strategy.

2. Overall Result



The expected overall result (comprehensive income result) for the 2018-19 year is a surplus of \$101.5m, which is an increase of \$36.5m over 2017-18 primarily due to non-monetary contributions \$20.7m and increase rates & charges \$19.8m. The overall result for 2019-20 includes recurrent increases in rates & charges, depreciation expense and salaries growth. The 2019-20 underlying (recurrent) result is a surplus of \$1.4m.

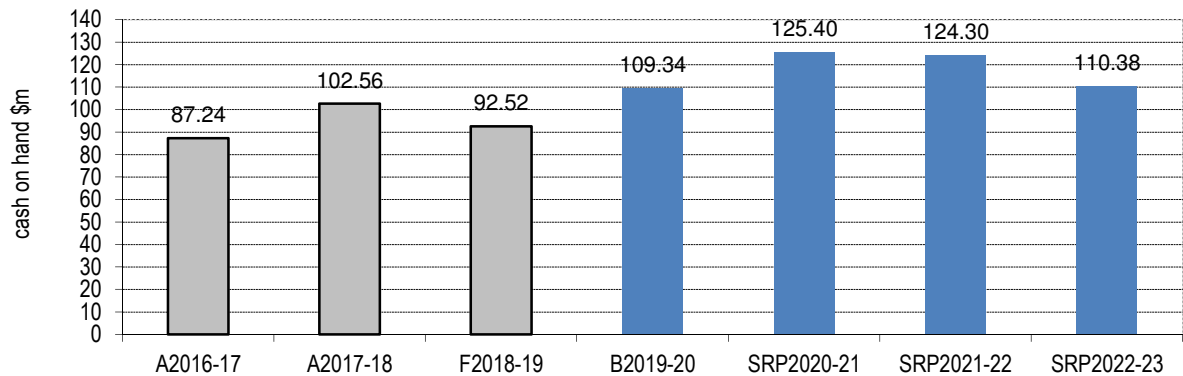
3. Services



*Total Service Cost (Recurrent expenditure less depreciation).

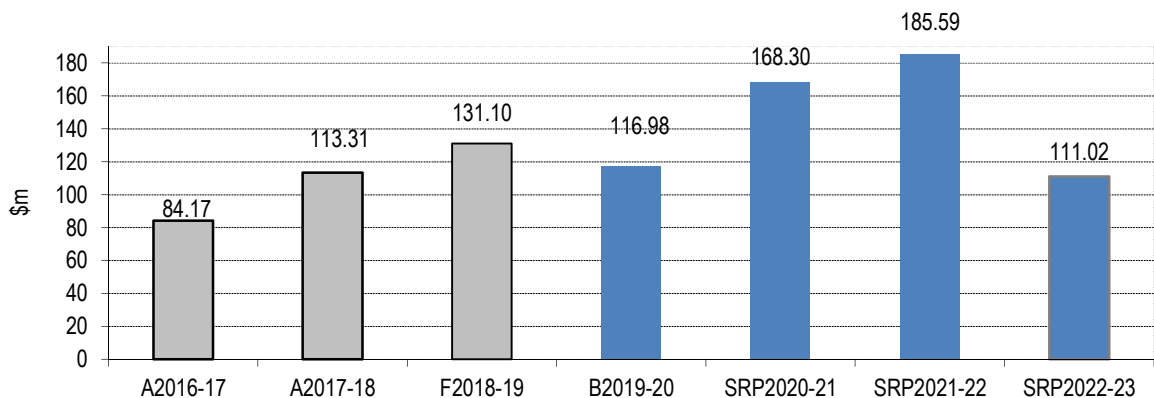
The cost of services delivered to the community for the 2019-20 year is expected to be \$314.48m which is an increase of \$16.8m over the 2018-19 forecast actual. A key influencing factor in the development of the 2019-20 budget has been the maintenance of existing service funding levels and the inclusion of mandatory and other community funding increases only.

4. Cash and Investments



Closing cash balances are affected by the timing of borrowing programs. New borrowings of \$26.0m are forecast to be taken up in 2018-19 versus the budget of \$42.0m with borrowings of \$6.4m deferred to 2019-20. Additional borrowings of \$28.9m are proposed in 2019-20, for a total of \$35.3m. These new borrowings will fund Community Services Infrastructure, Armstrong Creek, Jetty Road and Lara West developer contribution projects and the civic accommodation building. The proposed June 2020 cash balance at \$109.3m is adequate to meet required balances. The 2018-19 capital program assumes \$27.8m of capital funds will not be expended until 2019-20 year.

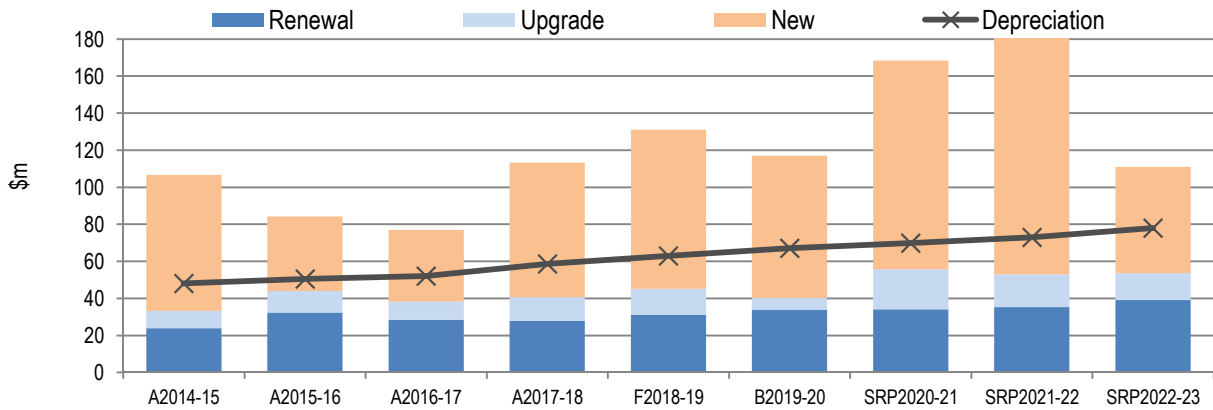
5. Capital Works



Capital works expenditure for the 2019-20 year is proposed at \$117.0m including carryover from 2018-19 forecast at \$27.8m, less carryover into 2019-20 forecast at \$22.3m. The expenditure by major asset categories includes \$8.9m on parks and leisure, \$14.9m on plant and equipment, \$62.2m on roads, footpaths, kerb and channel and drains, \$19.1m on buildings, \$8.6m on land, \$16.7m on community facilities, and \$8.8m on other, less (\$22.3m) to carryover into 2020-21. The capital expenditure program includes key funding for core programs, ageing infrastructure, a range of recreation and leisure projects, community facilities and completion of 2018-19 projects.

The capital works program is summarised by project category and by classification as renewal, upgrade or new project.

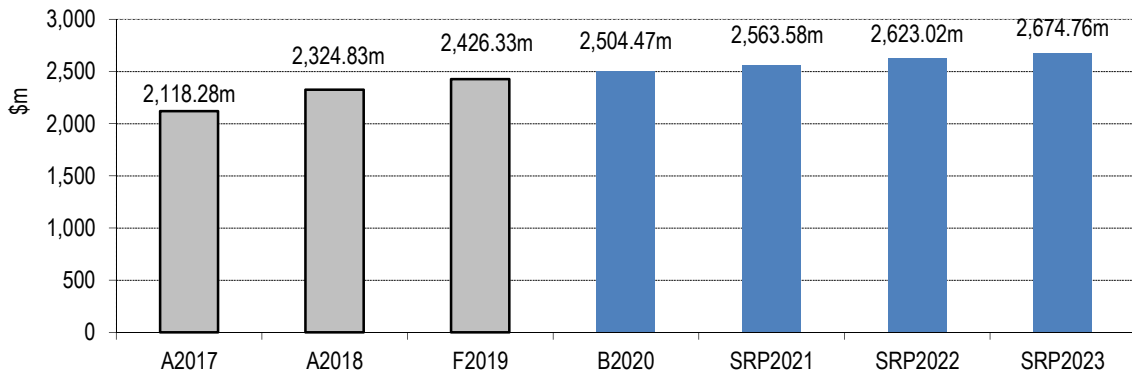
The graph below highlights the ratio of renewal and upgrade expenditure to depreciation.



The percentage of renewal / upgrade capital expenditure is a long term indicator. The trend indicates that the City is allocating insufficient resources to renewal / upgrade capital expenditure relative to new.

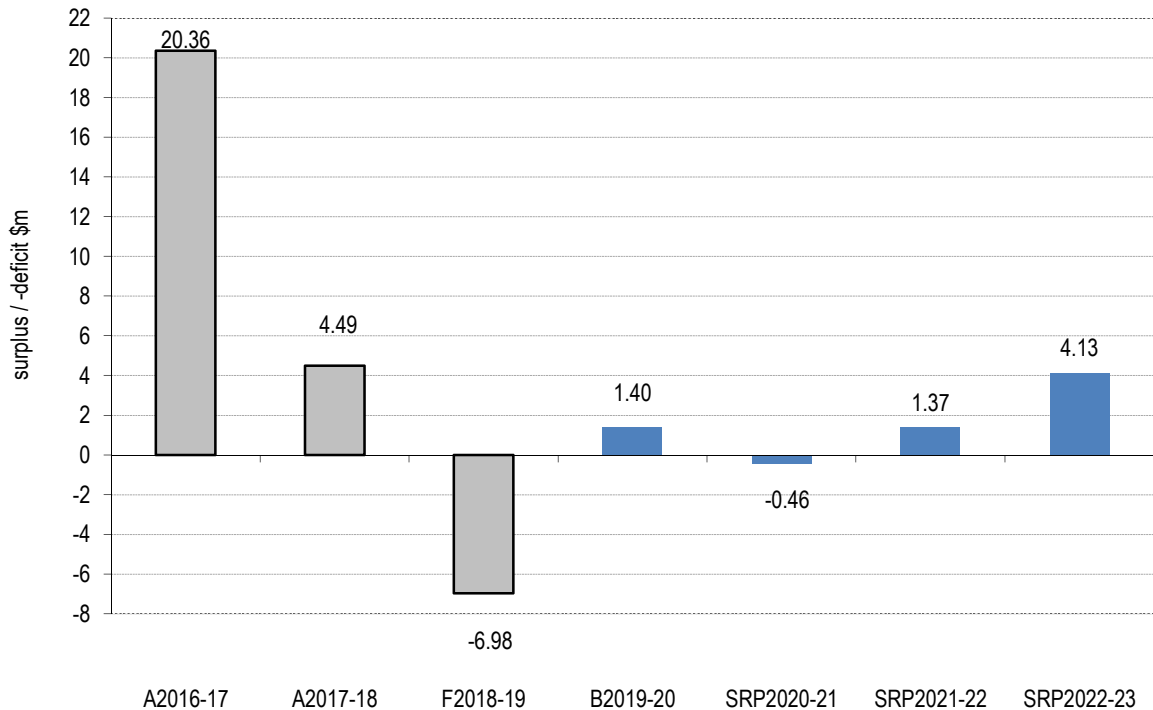
A key driver of the investment in new infrastructure is growth across the municipality.

6. Financial Position



Net assets (net worth) will increase by \$78.1m to \$2,504.5m with Property Plant and Equipment increasing by \$90.3m, net current assets increasing by \$10.1m and loan borrowings net of repayments increasing by \$26.2m.

7. Underlying Result



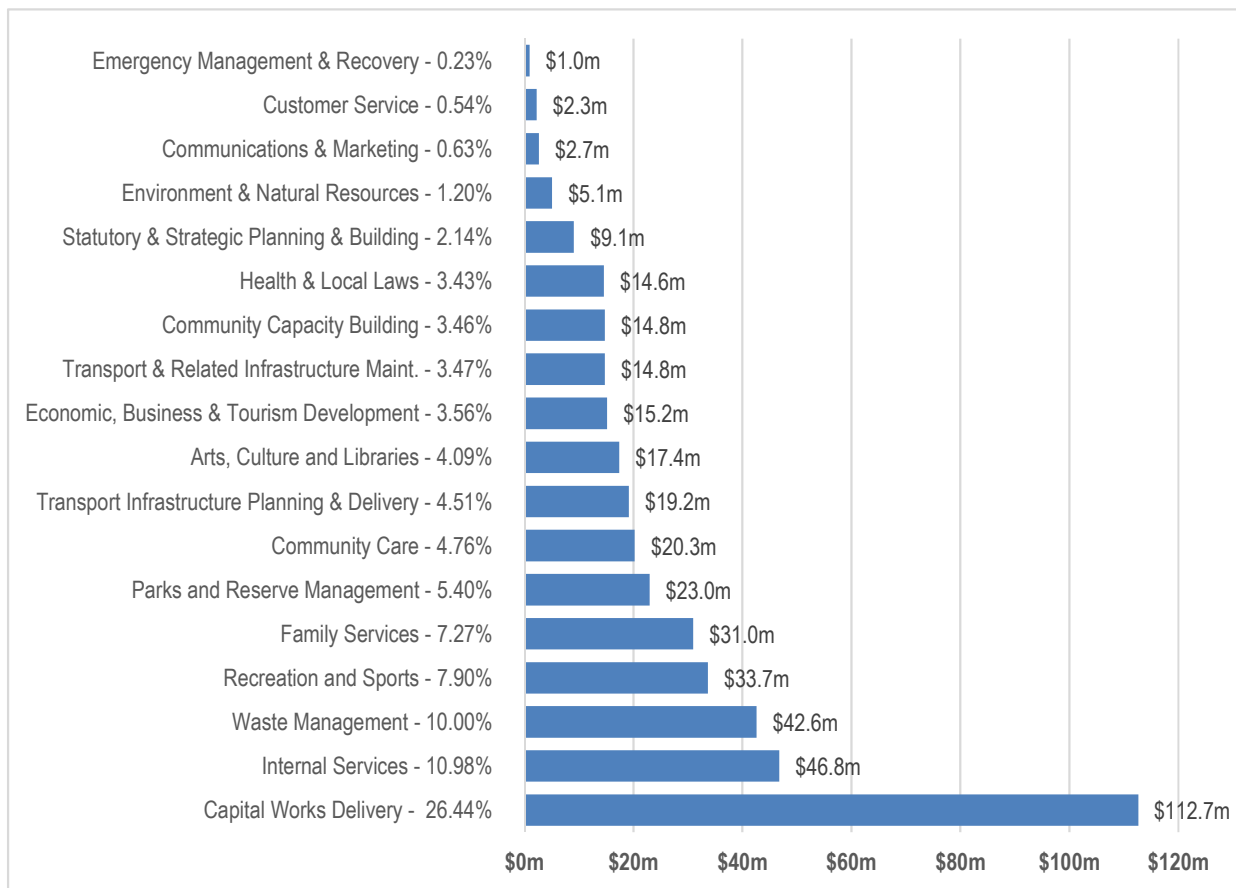
A high level Strategic Resource Plan for the years 2019-20 to 2022-23 has been developed to assist Council in adopting a budget within a longer term financial framework. The key objective of the plan is financial sustainability in the medium to long term, whilst still achieving the City's strategic objectives as specified in the Council Plan. The plan indicates the challenges to achieving surpluses under the rate capping assumptions. The City will need to undertake a review of services that are provided to the community, with the aim of reducing the level of ratepayer subsidy for services. The 2019-20 result however provides a underlying (recurrent) result where depreciation, growth in interest costs associated with loan borrowing program and growth in operating costs for service delivery is fully funded.

8. Strategic Objectives

The annual budget includes a range of activities and initiatives to be funded that will contribute to achieve the strategic objectives specified in the Council Plan. The strategic objectives as set out in the Council Plan are the key strategies for achieving these objectives for the 2019-20 year.

The annual budget converts the activities and initiatives identified into financial terms to ensure there are sufficient resources for their achievement. The City's detailed financial commitments to achieving the plan.

9. Where rates are spent



The above chart provides an indication of how the City allocates \$426.2m expenditure (total expenses \$381.6m less non cash items \$68.0m plus capital works delivery \$112.6m) across the main services that it delivers. It shows gross expenditure allocated to each service area.

This budget demonstrates our continued commitment to responsible financial management, service planning and business improvement. From our decisions as a Council, to the services we deliver, we are striving to achieve excellence and to put our community first. More detailed budget information is available throughout this document.

Cr Bruce Harwood
Mayor

Martin Cutter
Chief Executive Officer