



21.3 CONFIDENTIAL ITEM


25 February 2019

21.3 Income Revenue Streams

RECOMMENDATION

“that:-

- 1. Pursuant to section 90(2) of the *Local Government Act 1999*, the Council orders that all members of the public, except Chief Executive Officer, General Manger – Governance and Communications, General Manager – Development and Community, General Manager – Finance and Economic Development, Acting General Manager – Infrastructure and Environment, Governance Officer and Executive Assistant be excluded from attendance at the meeting of the Council for Agenda Item 21.3 – *Income Revenue Streams*;**
- 2. Council is satisfied that pursuant to section 90(3)(b) of the *Local Government Act 1999*, Item 21.3 – *Income Revenue Streams* concerns information the disclosure of which could reasonably be expected to prejudice the commercial position of Council, being information relating to potential revenue raising activity, the disclosure of which would, on balance be contrary to public interest; and**
- 3. Council is satisfied that the principle that Council meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”**

 Adelaide Plains Council	21.3	Income Revenue Streams
	Department: Report Author:	Finance and Economic Development General Manager - Finance and Economic Development
Date: 25 February 2019	Document Ref:	D19/8163

OVERVIEW

Purpose

Council, at its Ordinary Meeting on 29 January 2019, resolved as follows:-

6.3 *Adjourned Item – 18.8 – Council Revenue*

Moved Councillor Panella Secoded Councillor Strudwicke 2019/ 006

“that the Chief Executive Officer bring back a report to Council outlining future income revenue streams ideas that council could be involved in, in order to increase income for council. Example: leasing council lands for solar farming or leasing council land for retail development.”

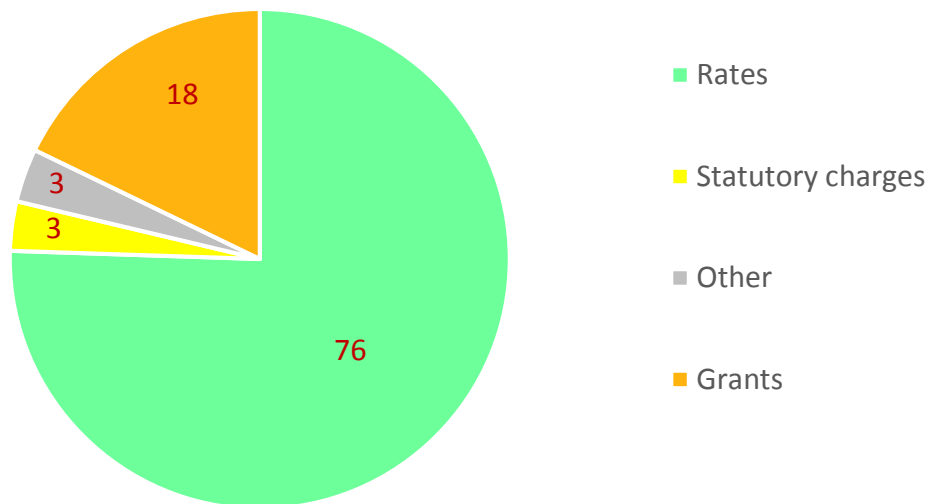
CARRIED

The purpose of this report is to present options for Council’s consideration, in relation to increasing income.

Background

In the 2018/2019 Financial Year, Council made an operating deficit of \$234,000. As shown in the following graph, in the same financial year, Council received 76% of its income from rates while further 18% was received from government grants.

Figure 1: Breakdown of Council income in 2017/2018 Financial Year



Discussion

Council currently depends on rates income to finance Council operations.

To improve this situation, and to minimise the financial impact of future rate rises on ratepayers, Council should consider non-rate revenue options.

There are several options available to the Council to increase its non-rate revenue:-

1. Reviewing the Mallala Aged unit portfolio;
2. Generating income from Council property (including lease income);
3. Ensuring that Dog Registration Fees applied within the area are in line with neighbouring councils; and
4. Exploring solar electricity generation projects.

1. Reviewing the Mallala Aged unit portfolio

Council currently owns seven (7) single bedroom units (Dunstan Court) located at 10 Aerodrome Road, Mallala and one (1) two-bedroom unit located at 2/7 Chivell St, Mallala. The rent is set at 25% of the tenant's income (but not exceeding the market rent for the property). The estimated rent income for 2018/2019 Financial Year is \$50,000, with an average fortnightly rent of \$250 per unit.

Increase Portfolio

Opportunity

The units, that were built some years ago as independent living units, are often in demand by tenants. Adding more units to the existing portfolio is an option for Council to generate additional, long-term income.

Challenge/Risk

Council will have to make significant initial investments that could be partially offset by potential government grants. The existing units were built with government assistance.

Providing aged living accommodation is not a core business of the Council.

An increase in Council involvement may negatively impact local rental market.

Increasing the number of properties to be managed would either require a further staffing resource, or outsourcing the management to a rental agent.

Sell the Portfolio

Opportunity

Several aged care providers have expressed interest in the asset. This option has not been explored but could be an opportunity for Council to sell the asset while ensuring that the service provided to the community is maintained in the future.

With the Mallala CWMS now in operation, the site offers more usable land, which increases the potential for future development, and the saleability of the asset.

Challenge/Risk

Time and costs associated with the process of sale.

It is possible that the community may be resistant to this option, perceiving any potential sale as a loss of "local ownership".

Council's General Inspector has been issuing camping permits in Parham since April 2017 and at present, a total of 4,600 of permits have been issued of which 1,505 permits have been issued since 01 July 2018. If it is assumed that on average, a camper would stay 2 nights;

Income forgone from the Parham camping site is $(4,600 \times 2 \times \$10) = \$92,000$

This is a significant income loss to the Council as general ratepayer are maintaining the Parham camping site costing \$3,000 to \$5,000 per year. The process of issuing camping permits and capturing the information in Council records management system is time-consuming and a manual system. Therefore, the true cost is more than the operational costs.

3. Ensuring that Dog Registration Fees applied within the area are in line with neighbouring councils

In July 2018, Council increased its non-standard dog registration fee for the first time since 2012, from \$50 to \$60.

As a comparison, the non-standard dog registration fee currently charged by nearby councils is as follows:

Town of Gawler	\$76.50
Light Regional Council	\$70.00
Wakefield Regional Council	\$70.00
City of Playford	\$65.00

Income generated from dog registration fees may only be spent on the management of dogs within a council, promotion of responsible dog ownership, community education, contributing towards dog exercise areas and facilities, and dog management officers who work to ensure community safety.

If Council were to emulate the dog registration fees of our neighbouring councils (i.e. an additional \$10-\$15 per dog), amortising a conservative \$10 increase per dog (factoring in the various concessions that Council affords as required by legislation) equates to an additional \$30,000 in income annually.

Opportunity

Council has the capacity to increase non-standard dog registration fees, when compared to neighbouring Councils, to increase its' non-rate revenue. With the comparative analysis provided above, with a \$30,000 stimulus into the dog and cat management portfolio, Council would be in a better position to respond to the increasing demand for improved dog facilities within the area.

Challenge/Risk

While an increase in dog registration fees will allow Council to improve dog management, it may not be well received by the community.

4. Solar electricity generation

Recently Renmark Paringa Council and Berri Barmera Council have undertaken solar electricity generation projects. An overview of those projects is provided below.

Renmark Paringa Council's proposed 4.98Mw Jane Eliza Solar Farm

This solar farm will house 18,800 solar panels (designed to absorb not reflect) @ 260 watts/panel generating 4.98Mw hours of power which will connect to the Renmark power substation.

It is planned that this solar farm will offset 100% of Renmark Paringa Council's daylight hours electricity consumption, contributing to a considerable saving to the Council's annual operating budget. It is

envisaged that the project will also return to the Council approximately \$25m net profit approximately over a 25 year lifespan.

Berri Barmera Council - 10MW Berri Solar Power Generation Facility project

This project involved the establishment of the Berri Renewable Energy Solar Power Generation Facility which involves the construction of a series of photovoltaic panels mounted on steel frames. The facility will have 10 megawatt capacity, and will allow large energy consumers within the Council area to purchase lower priced electricity over a long period of time, over 10 years or more, providing cost certainty and savings over and above current available retail contracts.

It is anticipated that the project will benefit all ratepayers of the Berri Barmera Council by providing an alternative revenue source to the Council and will provide relief from the reliance of rate revenue or grant funds from other tiers of government.

The estimated cost of the project, based on the Feasibility Report and Business Case, is \$25.17 million of which the Council's financial commitment is proposed to be \$20.14 million.

The Income and Expense & Cash Flow modelling indicates that under this scenario, and based on all the assumptions set out therein and in the Feasibility Report:-

- the project will generate \$70.98 million in total revenue during the modelled lifetime of the project (24 years);
- the revenue generated will cover the cost of operation and maintenance throughout the lifetime of the project, as well as interest payments and repayment of the loan principal, being \$45.85 million;
- the loan principal will be fully repaid over 15 years.

Opportunity

The key success factors for solar project are:-

- Having natural advantages:-
 - Proximity to SAPN substations with power lines capable of receiving the solar farm's power output;
 - Large land area (the Berri Barmera project involves a land size of approximately 5 Australian Rules Football fields).
- Having electricity buyers with long-term commitments

Challenge/Risk

Developing a solar farm is very complex, and requires substantial expertise and investment to make the project viable. Council is currently not in a financial position to pursue a solar farm project on its own, and may be required to partner with other parties (government and/or private sector) to deliver such a complex project.

A comprehensive risk-return analysis would be required before proceeding with a significant project such as a solar farm, including a prudential financial review as required by the *Local Government Act*.

RECOMMENDATION

“that Council, having considered Item 21.3 – *Income Revenue Streams*, dated 25 February 2019, receives and notes the report.”

Attachments

Nil

References

Legislation

Local Government Act 1999

Council Policies/Plans

Budget Management Policy

Disposal of Land and Other Assets Policy

Treasury Management Policy

RECOMMENDATION

“that Council, having considered the matter of Agenda Item 21.3 – *Income Revenue Streams* in confidence under sections 90(2) and 90(3)(b) of the *Local Government Act 1999*, resolves that:-

- 1. The staff report pertaining to Agenda 21.3 – *Income Revenue Streams* remains confidential and not available for public inspection until further order of Council;**
- 2. Pursuant to section 91(9)(a) of the *Local Government Act 1999*, the confidentiality of the matter will be reviewed every 12 months; and**
- 3. Pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke this confidentiality order to the Chief Executive Officer.”**