



MINUTES

SPECIAL COUNCIL MEETING

TIME: 6.00PM

THURSDAY 26 JUNE 2014

CITY OF VINCENT

Managing waste and recovering resources responsibly
Constituent Members: Cities of Perth, Joondalup, Stirling, Vincent and Wanneroo
Towns of Cambridge and Victoria Park



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1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS
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The Chairman declared the meeting open at 6.00pm

2	ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE
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Councillor Attendance

Cr R Fishwick JP (Chairman)	City of Joondalup
Cr J Bissett (Deputy Chairman)	Town of Victoria Park
Cr D Boothman	City of Stirling
Cr R Driver	City of Wanneroo
Cr K Hollywood	City of Joondalup
Cr D Newton JP	City of Wanneroo
Cr S Proud	City of Stirling
Cr E Re JP	City of Stirling
Cr B Stewart	City of Stirling
Cr S Withers	Town of Cambridge

Apologies

Cr J Carey	City of Vincent
Cr J Davidson OAM JP	City of Perth

MRC Officers

Mr B Callander (Chief Executive Officer)
Mr G Hoppe (Director Corporate Services)
Ms L Nyssen (Executive Support)

Member Council Observers

Mr D Simms (City of Wanneroo)
Mr C Morrison (City of Wanneroo)
Mr G Eves (City of Stirling)
Mr W Bow (Town of Victoria Park)
Mr A Murphy (City of Joondalup)

Members of the Public

Mr Ted Smith

Press

Nil

3	DECLARATION OF INTERESTS
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Nil

4	PUBLIC QUESTION TIME
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Ted Smith, 98 Golf Links Drive, CARMAMAR WA 6031 also a member of Community Engagement Advisory Group (CEAG).

Question 1 - As a member of CEAG concerned with efficiency and production of the RRF, my first question relates to page 38 of the budget papers under Waste Management Education, this year budgeted \$312,000 and last year budgeted \$105,000. It is pleasing

that it has increased. My question is in what area is this amount to be spent, ratepayers' education?

Response by Director Corporate Services – The Education cost centre primarily funds the staff of the Education team. Their focus is on running tours of the landfill site and of the Resource Recovery Facility (RRF) that includes school groups, pensioner groups and general members of the public as well as visits to schools. Some of the funding is also earmarked for an efficiency project – the “No Glass in the Green Bin’ campaign - aimed at reducing the glass fraction going to the RRF.

Question 2 – Is it correct that not a high percentage of the budget funds are going on public education?

Response by Director Corporate Services – All the team's activities are public facing. Only a small amount is going on mass marketing media campaigns. Most of it will be local newspapers or face to face contact, which we have found to be a more effective way to convey the message. The additional \$200,000 that has been included under the Waste Management Education budget is to fund the Keep Glass out of the Green Bin Campaign to improve the RRF efficiency.

Question 3 – Relates to page 39 of the budget, CEAG were concerned with operation efficiency and performance of the plant which I see now is only 48.6%. A recent meeting with SITA said that they can dispose of every bit of product which is produced. My question is why is MRC paying \$409,000 for product disposal, who are these funds paid to? Is it a subsidy to SITA and why are ratepayers paying for disposal of waste and then paying to buy back the end product?

Response by Director Corporate Services – The \$408,300 is a compost disposal fee. This is a fee that is structured under the Resource Recovery Facility Agreement (RRFA) which is a fee paid to BioVision with a back to back contract with C-Wise for disposing of the product from the RRF. That fee is a compost disposal fee which effectively acts as a subsidy to get the product to market. So while SITA's (BioVision) statement that they are able to dispose of the entire product is correct, the challenge is the economics behind that.

Question 4 – Relates to page 40 (Recycling Centre) of the budget. CEAG is always looking for funds which can go towards ratepayers being educated. My question is how you justify for the Recycling Centre at the cost of \$1.5 M to operate and receive only revenue of \$7,700 and employing 10.8 staff members. For this amount of revenue surely it would be better to make recycling products free. Why does this operate under these circumstances?

Response by Director Corporate Services – The Recycling Centre cost centre referred to relate to our Recycling facility at Tamala Park which includes the drop off area and recycling shop. Effectively it is a community service project. In regards to the HHW stream, in addition to that we collect e-waste and a number of other waste streams that would otherwise go to landfill. We are providing a facility for customers to drop of these waste streams. In order to try and make that economically viable we run the recycling shop as well which is part of our waste hierarchy in terms of promoting reuse as the most preferable use for those items brought in where possible. Primarily that cost centre is a service provision to the community, otherwise those items would either end up in the waste stream where we don't want them or else dumped on verges.

5	ANNOUNCEMENTS BY THE PRESIDING PERSON
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The Chairman invited Mr Hoppe to make a presentation on the 2014/15 Budget before the item was considered.

6	APPLICATIONS FOR LEAVE OF ABSENCE
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Nil

7 CHIEF EXECUTIVE OFFICER REPORTS
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7.1	BUDGET APPROVAL FINANCIAL YEAR 2014/15
File No:	FIN/140
Appendix(s):	1. Statutory Budget and Supplementary Information
Date:	23 June 2014
Responsible Officer:	Gunther Hoppe

SUMMARY

The purpose of this Item is to present the Budget for 2014/15 to the Council for approval and adoption.

BACKGROUND

The 2014/15 budget process commenced in February 2014 and included one workshop held with Councillors and Officers on 24 April 2014. There was further discussion of the budget with Officers at a combined Strategic and Technical working group meeting held on 20 May 2014.

The underlying operating budget has been developed from a 'zero base' in discussion with the managers across the business and has been reviewed in detail to ensure that the Mindarie Regional Council (MRC) continues to deliver its current service offering in an efficient, cost effective manner.

The budget has been premised largely on a 'business-as-usual' basis. Feedback from Councillors and Officers, as well as developments in the broader environment, has been incorporated in this final draft of the budget. In particular, allowance has been made for the increases in the landfill levy and repeal of the Carbon Price Mechanism (CPM).

Some of the significant changes between the 2013/14 and 2014/15 budgets include:

- The decrease in expected Non-member tonnes from 40,000 to 35,450 based on current year trends;
- The inclusion of an additional 51,175 tonnes from the City of Stirling (Stirling) over and above the 73,000 tonnes of waste included in 2014 (total of 124,175 tonnes);
- The increase of the landfill levy from \$28 per tonne to \$55 per tonne landfilled, effective from 1 January 2015, impacting on both the Members' and Non-members' gate fees; and
- The removal of the carbon price of \$7.40 per tonne landfilled from both the Members' and Non-members' gate fees in anticipation of the repeal of the Carbon Price Mechanism, which is going to be backdated to 1 July 2014.

The table below outlines the changes in the Members' and Non-members' gate fees (excluding GST).

	2013/14	2014/15	
		1 st 6 months	2 nd 6 months
Members' Gate Fee	\$120.00	\$116.00	\$138.50
Non-members' Gate Fee	\$150.90	\$143.60	\$170.60

This represents an underlying increase in operating costs of \$1.44 per tonne (1.3%) year-on-year in the Members' gate fee. The \$1.44 increase relates to normal operating cost increases across various areas of the business, offset by benefit of the additional Stirling tonnes.

The underlying Non-members' gate fee has remained unchanged for the third year in a row, with the exception of the changes arising from proposed repeal of the carbon price and the increases in the landfill levy.

Keeping the Non-members' gate fee static is part of a strategy to assist in slowing the reduction in Non-member tonnes experienced over the past three years.

At the combined Strategic and Technical working group meeting held on 20 May 2014, Member Council Officers expressed a preference for two distinct gate fees for the year to reflect the increase in the landfill levy, as opposed to a single blended rate applied evenly across the year.

DETAIL

Budget 2014/15

The Budget for 2014/15 has been set to achieve a \$1.677 million surplus. The proposed surplus has been set intentionally to assist with the funding of future short-term capital acquisitions and long-term site post closure liabilities in equal proportions.

Significant changes in costs year-on-year are outlined in more detail below.

Employee costs

Employee costs have increased by \$586,512 (12.7%) which is driven by:

- the current Enterprise Agreement which contemplates an annual increase of 4% (approximately \$184,000)
- an IT role which has been internalised and an additional 2.6 full time equivalent employees added in the business (\$402,512).

Communication expenses

Communication expenses have increased by \$232,500 which is primarily made up project costs of \$200,000 in respect of a "Keep Glass out of the Green Bin" campaign, aimed at reducing the glass fraction in the RRF compost. This is intended to increase the marketability of the compost and improve recycling outcomes at the RRF.

RRF costs

The Resource Recovery Facility (RRF) costs have decreased by \$577,614 which reflects the fact that the 2013/14 budget was initially set with a Members' gate fee of \$149 per tonne, not reflecting the benefit of the Stirling tonnes. In the current budget, the reduction in the RRF costs is driven by the comparative drop in the Members' gate in 2014/15.

Utilities

Utility costs have decreased by \$194,400 primarily as a result of negotiations with the City of Wanneroo with respect to normalising the rateable value of the land at Tamala Park.

Depreciation

Depreciation costs have increased by \$246,500 as a result of the revaluation exercise conducted in July 2013 which was not taken into account in the 2013/14 budget, with the increase in asset values resulting in an increased depreciation charge.

Borrowing costs

Borrowing costs have increased by a net \$82,000 mainly due to additional funds borrowed to fund the clay lining of Stage 2 Phase 3 of the landfill. Consistent with the 2013/14 budget, capital expenditures and associated borrowings for the purchase of a new landfill site and a sorting shed have been budgeted for the last day of the financial year. As a result, there are no borrowing costs in respect of these projects included in the budget.

DEP Levy

The DEP or landfill levy has increased by \$4,954,200 which is as a result of the increase in overall tonnes expected to be landfilled in 2014/15, coupled with the increase in the landfill levy expected to come into effect from 1 January 2015.

The levy is set to increase from the current \$28 per tonne to \$55 per tonne for each tonne of putrescible waste landfilled. The full \$27 per tonne increase will be passed on to Non-members from 1 January 2015. The increase per tonne delivered for Members is limited to \$22.50, as only 84.5% of the waste delivered to the MRC by Members actually goes to landfill as a result of the RRF.

Carbon price

With the anticipated repeal of the Carbon Price Mechanism, which will be made retrospective to 1 July 2014, no carbon price expenditure has been budgeted for, with the exception of the funds required to acquit the emissions for the 2013/14 year.

The repeal of the CPM is still to be ratified by Parliament, however when approved, it will be made retrospective to 1 July 2014. The Australian Competition and Consumer Commission (ACCC) have been given a mandate to ensure that there are no 'windfall gains' made by suppliers during this period. The ACCC have flagged that they intend to pursue landfills particularly in this regard to ensure that any funds collected from customers in the new financial year are returned to those customers once the repeal takes effect.

In discussions with the Australian Landfill Owners Association, there is a high degree of confidence within the industry that the CPM will be repealed in the coming months. As a result, a number of significant commercial landfill operators are choosing not to pass through any carbon price costs in the new financial year, as the task of trying to refund customers for the carbon cost component of fees charged post 1 July 2014 is considered overly onerous, if in fact it is possible at all. In the MRC's case, it would be impossible to refund this component to cash customers who had used the landfill after 1 July 2014.

As a result, the MRC has adopted a similar view in preparing the budget, by not charging the carbon price from 1 July 2014 onward. The revenue which may be lost by not charging the carbon price component of the fee to Non-members for the period from 1 July 2014 until the date of repeal would likely be in the region of less than \$20,000 per month.

As a risk mitigation strategy however, the MRC has still made provision to charge a carbon price in the schedule of fees and charges, in the event that the CPM is not successfully repealed. No proceeds have been included in the budget in this regard.

Amortisation of cell development expenditure

The allocation of cell development expenditure costs have increased by \$974,900 for the year. This is driven by an increase in tonnes and a change in the allocation rate. The additional tonnes, primarily from Stirling, account for the majority of the increase. The remainder of the increase relates to a change in the rate at which the costs are absorbed, which includes the additional clay lining costs incurred during the year.

Tonnages

Approximately 329,043 tonnes (Budget 2013/14: 270,994 tonnes) of waste are expected to be delivered to the MRC by Member Councils during the course of the year.

Of this, 100,000 tonnes (Budget 2013/14: 100,000 tonnes) is expected to be diverted to the RRF, which will in turn generate 48,700 tonnes (Budget 2013/14: 48,700 tonnes) of residue which will be sent back to Tamala Park. The RRF waste diversion target is set at 51.3%.

Non-members are expected to deliver 35,450 tonnes (Budget 2013/14: 40,000 tonnes) to Tamala Park.

RRF composter replacement

No provision has been made for the replacement of the composters at the RRF in the 2014/15 budget. The timing of the replacement is still uncertain and as a result, has not been included in the budget. Any changes required will be dealt with through the half-yearly budget review process or in the 2015/16 budget.

Carry forward operating expenditure

The development of groundwater and landfill gas management plans was allowed for in the 2013/14 budget, however further investigations during the year indicated that in order to develop effective management plans, a Conceptual Site Model would be required.

As a result, the MRC is in the process of tendering for this work. It was intended that the development of a Conceptual Site Model would be funded through the reallocation of funds from various areas in the 2013/14 budget.

Given that the tender has not yet been awarded, it is proposed that the expected contract cost of \$96,630 in respect of this work be carried forward to the 2014/15 budget year.

As these costs have already been funded in the 2013/14 financial year, this does not have an impact on the gate fee for 2014/15.

Capital Expenditure

The following capital expenditures have been included in the Budget for 2014/15:

New capital expenditures

		\$
• Cell lining		2,800,000
• Building upgrades		35,000
• Office furniture and equipment		42,000
• Computer equipment		66,300
- Server upgrades	48,000	
- New hardware	18,300	
• Plant and equipment		245,000
- Tarpomatic tarps	60,000	
- Hook lift bins	40,000	
- Hook lift bin truck body	85,000	
- Radio system	60,000	
• Infrastructure		25,000
- Gas well installations	25,000	
• Vehicles		2,032,000
- Bin truck	190,000	
- Landfill compactor	1,500,000	
- Ute	40,000	
- Education vehicle	47,000	
- Director Corporate Services	48,000	
- Chief Executive Officer	52,000	
- Skidsteer	105,000	
- Recycling manager ute	45,000	
- Lawnmower	5,000	
		5,245,300

Carried forward capital expenditures

• Land Purchase (new Landfill Site)	6,000,000
• Sorting shed	4,000,000
• Cell lining	1,000,000
• Admin office renovation	25,000
• Recycling centre and education redevelopment	90,000
	11,115,000

Total Capital expenditure **16,360,300**

Reserves

The revised Cash Backed Reserves with the projected balances at 30 June 2015 would be as follows:

Site rehabilitation Reserve

Estimated balance at 30 June 2015: \$9,126,915

Purpose: *To be used to fund post closure site rehabilitation costs associated with the Tamala Park landfill site.*

A transfer of \$471,197 to this reserve is anticipated during the course of the year with no anticipated drawdowns on the reserve. This is in addition to the allocation of approximately \$2,773,769 of the 2013/14 budgeted surplus to the reserve which was approved by Council at its meeting in February 2014. It is further proposed to allocate half of the surplus for the 2014/15 financial to this reserve – approximately \$925,000.

This will result in a funded reserve of approximately \$10.1 million to cover a post closure liability of approximately \$14.5 million. As a result, the post closure liabilities will be 70% funded which is broadly in line with the amount of the landfill that has been consumed (73%). The unfunded portion of the post closure liabilities will be funded over the remaining life of the landfill.

Reserve for Capital Expenditure

Estimated balance at 30 June 2015: \$209,652

Purpose: *To be used to fund the ongoing capital expenditure requirements.*

A transfer of \$1,500,000 to this reserve is anticipated during the course of the year with drawdowns to fund capital expenditures of \$2,560,300 withdrawn from the reserve. This is in addition to the allocation of \$1,000,000 of the 2013/14 budgeted surplus to the reserve which was approved by Council at its meeting in February 2014. It is further proposed to allocate half of the surplus for the 2014/15 financial to this reserve – approximately \$925,000.

This will result in a funded reserve of approximately \$1.1 million to cover future capital expenditures.

Participants' Surplus Reserve Account

Estimated balance at 30 June 2015: \$2,000,000

Purpose: *To be used to fund any deficit or part of a deficit as shown in the annual financial report of the MRC.*

An allocation of \$902,382 of the 2013/14 budgeted surplus to the reserve was approved by Council at its meeting in February 2014.

Carbon Price Reserve

Estimated balance at 30 June 2014: \$3,434,699

Purpose: *To be used to fund the MRC's liability arising from the Carbon Price Mechanism.*

A transfer from the reserve to operating surplus of \$88,000 is anticipated during the course of the year to acquit the MRC's carbon price liability for the 2013/14 financial year.

Surplus

The Budget shows a forecast surplus of \$1,677,152. It is proposed that the surplus will be split evenly between the Capital Expenditure and Site Rehabilitation Reserves.

Funding Plan

- Operational expenditures will be funded from the Members' and Non-members' gate fees.
- Capital Expenditure (excluding landfill cell development, the construction of the sorting shed and the purchase of land) will be funded from the Capital Expenditure Reserve.
- Other Capital expenditure relating to cell development, construction of the sorting shed and the purchase of land will be funded from dedicated new loans.

SUMMARY OF ATTACHMENTS

Appendix to this Item is as follows:

- Appendix 1 – Statutory Budget and Supplementary Information

CONSULTATION

One workshop for Councillors and Officers was conducted in April 2014 to discuss the 2014/15 Budget. The budget was also discussed at the combined Strategic and Technical working group meeting held on 20 May 2014, where Member Council Officers indicated that they did not feel a second budget workshop was required. Feedback from the workshop has been taken into account in compiling this final draft of the budget.

STATUTORY ENVIRONMENT

Budget approval is required by end of August 2014 in accordance with section 6.2 of the Local Government Act 1995 (as amended).

Modifications of existing reserves and creation of new reserves is done in compliance with section 6.11 of the Local Government Act 1995 (as amended).

POLICY IMPLICATIONS

The 2014/15 budget process is consistent with existing MRC policy.

FINANCIAL IMPLICATIONS

The Members' gate fee will be set at \$116 per tonne and \$138.50 per tonne (excluding GST) for the periods 1 July 2014 – 31 December 2014 and 1 January 2015 - 30 June 2015 respectively.

The Non-members' gate fee will be set at \$143.60 per tonne and \$170.60 per tonne (excluding GST) for the periods 1 July 2014 – 31 December 2014 and 1 January 2015 - 30 June 2015 respectively.

An estimated surplus of \$1.677 million is budgeted for the 2014/15 financial year. This includes carry forward operational expenditures of \$96,630.

Capital expenditure of \$16,360,300 is budgeted for the 2014/15 financial year, of which \$11,115,000 is carry forward expenditure.

STRATEGIC IMPLICATIONS

The Budget for 2014/15 has been derived from the MRC's new Strategic Community Plan, the Corporate Business Plan, the Asset Management Plan, the Workforce Plan and the 20 year Financial Plan and is consistent with these documents in all respects, in compliance with section 6.2(2) of the Local Government Act 1995 (as amended).

VOTING REQUIREMENT

Absolute Majority

ADDITIONAL COMMENTS

Subsequent to the budget workshop held on 24 April 2014, the following adjustments have been made to the budget:

- Additional communication costs of \$200,000 have been included in the budget to fund the "Keep Glass out of the Green Bin" campaign
- Borrowing costs associated with the purchase of a new landfill site and the construction of a sorting shed have been removed
- The carbon price pass through has been removed from both the Members' and Non-members' gate fee
- The \$27 per tonne increase in the landfill levy has been included in both the Members' and Non-members' gate fee, effective 1 January 2015
- An additional \$700,000 has been included as carry forward capital expenditures in recognition of delays to the clay lining project

The Members' gate fee has been reduced to reflect the net impact of these changes.

In addition, the following changes, which have no impact on the Members' gate fee, have been made to the budget:

- Carry forward expenditure of \$96,630 in respect of the development of a Conceptual Site Model has been included under *Landfill expenses – Monitoring Program*, as a carry forward of expenditure from the 2013/14 budget.
 - The loan schedule on page 22 erroneously reflected a 'Loan 16 – Cell Development (Lining)' for \$1 million which had already been included in the \$5.63 million allocated for Loan 13.
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- The funding sources at the bottom of page 65 ('Loans' and 'Transfer from Reserve') were updated to reflect the changes per 2. above and the fact that the 'Transfer from Reserve' previously included transfers from reserves which had been funded in previous years.
- The Fee Calculation schedule was updated to include the anticipated surplus in the fee calculation for the year.

RESPONSIBLE OFFICER RECOMMENDATION

That Council:

- adopt the Budget for the Mindarie Regional Council for Financial Year 2014/15
- endorse the on-going strategy of deferred payment of operational surplus, as approved by Council at its August 2005 meeting, for the Financial Year 2005/06 and future years to meet its on-going capital requirement
- approve the use of an on-going overdraft facility of \$1 million to manage cashflow 'short falls' during Financial Year 2014/15 and future years
- Approve the Capital Budget Program of \$16,360,300 for 2014/15 as follows:

New capital expenditures

	\$
• Cell lining	2,800,000
• Building upgrades	35,000
• Office furniture and equipment	42,000
• Computer equipment	66,300
• Plant and equipment	245,000
• Infrastructure	25,000
• Vehicles	<u>2,302,000</u>
	5,245,300

Carried forward capital expenditures

• Land Purchase (new Landfill Site)	6,000,000
• Sorting shed 4,000,000	
• Cell lining	1,000,000
• Admin office renovation	25,000
• Recycling centre and education redevelopment	<u>90,000</u>
	11,115,000

Total Capital expenditure **16,360,300**

- approve that \$471,197 will be transferred from the Operating Surplus to the Site Rehabilitation Reserve.
- approve that \$1,500,000 will be transferred from the Operating Surplus to the Reserve for Capital Expenditure.
- approve that \$2,560,300 be transferred from the Reserve for Capital Expenditure to Operating Surplus to fund capital expenditures.

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- (viii) approve that the funds required to acquit the MRC's carbon price liability at 30 June 2014 will be transferred from the Carbon Price Reserve to the Operating Surplus.
 - (ix) approve that all interest earned on cash funds associated with cash-backed reserves will not be credited to the reserve.
 - (x) Approve that \$96,630 of operational expenditures will be carried forward from the 2013/14 budget to the 2014/15 budget.

(Absolute Majority Required)

RESOLVED

Cr Stewart moved, Cr Re seconded

That the recommendation be adopted.

CARRIED UNANIMOUSLY (10/0)

8 NEXT MEETING

Next meeting to be held on Thursday 3 July 2014 in the Council Chambers at City of Stirling commencing at 5.30pm.

9 CLOSURE

The Chairman closed the meeting at 6.31pm and thanked the City of Vincent for their hospitality and the use of their meeting facilities.

These Minutes were confirmed by the Council as a true and accurate record of the Special Meeting of the Council held on 26 June 2014.

Signed Chairman

Dated this day of 2014
