



## **OBJECTS AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE YEAR ENDING 30 JUNE 2019**

In accordance with Section 6.36 of the *Local Government Act 1995*, the City of Karratha is required to publish its Objects and Reasons for implementing Differential Rates.

### **OVERALL OBJECTIVE**

The purpose of the levying of rates is to meet Council's budget requirements in each financial year in order to deliver services and community infrastructure.

Property valuations provided by the Valuer General are used as the basis for the calculation of rates each year. Section 6.33 of the *Local Government Act 1995* provides the ability to differentially rate properties based on zoning and/or land use as determined by the City of Karratha. The application of differential rating maintains equity in the rating of properties across the City.

Council has considered the Key Values contained within the Rating Policy Differential Rates (s.6.33) March 2016 released by the Department of Local Government and Communities, being:

- Objectivity
- Fairness and Equity
- Consistency
- Transparency and administrative efficiency

A copy of the policy can be obtained from <https://www.dlgc.wa.gov.au/Publications/Pages/Rating-Policy-Differential-Rates.aspx>.

Council has determined its required rates yield after reviewing all revenue sources, expenditure and efficiency measures as part of its budget deliberations.

The Rate in the Dollar applied to the valuations to determine property rates reflects a 2% in rate yield to facilitate Council's objective of raising a total of \$41.2 million in rates. This will ensure an equitable distribution of the required rates yield from one year to the next consistent with Council's approach in previous years.

The rate yield of \$41.2 million is in line with the revenue requirements of Council's Long Term Financial Plan (LTFP) of \$41.4 million for the 2018/19 financial year and provides for Capital Works and Programs which includes:

- Completion of the Wickham Community Hub
- Completion of Class III Landfill Cell
- Road reseal/Gravel re-sheeting program
- Continuation of Footpath/Cycleway/Lighting initiatives
- Playground renewal program

Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations. In particular, the following actions have been undertaken:

Efficiency Measures:

- continued review of the need for and remuneration of each vacant position;
- disposal of surplus housing stock;
- disposal of under-utilised light fleet and plant;
- conducted internal audits of governance and legislative compliance;
- implementing energy and water efficiency strategies and actions;
- Investigated new waste management technologies to improve resource recovery and recycling outcomes;
- outsourced management of Cossack;
- continued use of local suppliers whenever possible and appropriate;
- construction of solar PV array at City Depot;
- implementation of GRV rating for capital improvements under the State's Rating Policy – Valuation of Land – Mining;
- contract awarded for Place Branding initiative;
- continued solar path lighting program;
- effluent reuse scheme extension and irrigation upgrades;
- upgrade of central control reticulation management system;
- improved airport service contracts to reduce ongoing breakdown costs;
- implementation of Major Event Sponsorship & Attraction Program;
- renegotiation of telecommunications services;
- conduct of two full budget reviews each financial year;
- purchase of The Quarter HQ and an alternative investment vehicle for City funds.

Service Improvements:

- completion of the Red Earth Arts Precinct;
- completed upgrade of Roebourne Aquatic Centre;
- finalised expansion of Nickol West Park;
- commenced construction of new Wickham Community Hub;
- upgrade of Karratha Bowling Club facilities;
- facilitation of international flights and additional domestic flight routes;
- expansion of local road and footpath network and associated infrastructure;
- playground renewal program;
- completion of front of terminal and carpark improvements at Karratha Airport;
- completed gym and program room expansion at Karratha Leisureplex;
- foreshore development and improvement works;
- construction of new Bus Shelters;
- expansion of parks and open space network;
- increase in indigenous engagement;
- proactive development compliance program;
- depot redevelopment;
- in ground reticulation upgrades;
- increase in frequency and areas of road sweeping;
- conduct of annual community survey to inform services and priorities;
- negotiation of 4-star hotel development.

Table 1 represents the total 2018/19 rates to be levied by land use / zoning.

**Table 1: Indicative Percentage Rates Contribution by Land Use / Zoning**



The 2018/19 Rating Year utilises the most recent general revaluation effective 1 July 2018, with valuations assessed as at October 2017 by the Valuer General's office.

### GROSS RENTAL VALUE PROPERTIES (GRV)

The *Local Government Act 1995* determines that properties of a non-rural purpose be rated using the Gross Rental Valuation (GRV) as the basis for the calculation of annual rates.

The Valuer General determines the GRV for all properties within the City of Karratha every three years and assigns a GRV. The most recent general revaluation was effective from 1 July 2018.

Interim valuations are provided monthly to Council by the Valuer General for properties where changes have occurred (i.e. subdivisions or strata title of property, amalgamations, building constructions, demolition, additions and/or property rezoning). In such instances Council recalculates the rates for the affected properties and issues interim rates notices.

Table 2 below summarises the proposed 2018/19 minimum payments and rates in the dollar for GRV:

**Table 2: Proposed differential rates for 2018/19 financial year (GRV)**  
Including average rate per assessment

Differential Rates 2018/19				
Category	Proposed Minimum Payment	Proposed Rate in the Dollar	Proposed Average Rate per Property	Change in Average Rate
<b>Gross Rental Value</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Residential	1,519.00	0.116284	2,230	2.18%
Commercial	1,519.00	0.097836	6,761	2.10%
Industrial	1,519.00	0.099413	7,407	2.17%
Airport / Strategic Industry (GRV)	1,519.00	0.153391	72,789	2.00%
Transient Workforce Accommodation / Workforce Accommodation	1,519.00	0.379455	240,809	0.39%

**Residential** – means any land:

- that is predominantly used for residential purposes;
- or
- which is vacant of any construction, and is zoned as residential under the City's Planning Scheme.

The reason for the rate in the dollar for this category is to reflect the level of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and programs and associated infrastructure/facilities required for developed residential and urban areas.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath networks, refurbishing of public ablutions and other building maintenance programs.

The rate for this category maintains an increase to the average rate for residential properties of 2.18% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Commercial** – means any land:

- that is predominately used for either:
  - commercial purposes;
  - tourism purposes;
  - a combination of commercial and tourism purposes;
- or**
- which is vacant of any construction, and is zoned as Commercial, Tourism or Town Centre under the City's Planning Scheme.
- or**
- that does not have the characteristics of any other GRV differential rate category.

The reason for the rate in the dollar for this category is to recognise a greater share of costs associated with economic development, tourism and marketing, parking, environmental health and CBD infrastructure and amenity.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath as well as significant investment in major projects for the CBD such as the Karratha Arts and Community Precinct.

The rate for this category maintains an increase to the average rate for Commercial properties of 2.10% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Industrial** – means any land:

- that is predominately used for either:
  - industrial purposes;
  - a combination of industrial and commercial purposes.
- or**
- which is vacant of any construction, and is zoned as Industrial or Mixed Business under the City's Planning Scheme.

The reason for the rate in the dollar for this category is to recognise a greater share of costs associated with economic development, LIA infrastructure, environmental health and regulatory services.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include investment in the resealing/reconstruction of major distributor roads within the LIA such as Mooligunn Road. In addition, these properties have access to all other services and facilities provided by Council.

The rate for this category maintains an increase to the average rate for Industrial properties of 2.17% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Airport / Strategic Industry** – means any land:

- which is located within Karratha Airport (Reserve #30948);
- or**
- that is predominately used for the purpose of resource processing.

The reasons for the category are to recognise a greater share of costs associated with economic development, tourism and marketing, parking, and transport infrastructure associated with heavy plant and equipment.

In order to ensure that Council can maintain and sustain these infrastructure assets and services, a higher differential rate is proposed to be struck.

Strategic Industry – properties with a land use of Strategic Industry have State or Regional significance which utilise a proportionately high level of infrastructure assets due to heavy haulage vehicle movements. In addition, they also impact on the provision of environmental and strategic planning services as well as access to all other services and facilities provided by Council.

Airport - properties located in the Karratha Airport Precinct (second busiest airport in Western Australia) receive direct benefit from significant Airport Infrastructure and services more so than any other ratepayer. In addition, these properties have access to all other services and facilities provided by Council.

Karratha Airport is a strategic asset of Council and the services afforded to Airport properties are of significant benefit. Operating costs of circa \$8m (excludes recoverable costs) for 2017/18 were incurred with similar operating costs (plus associated CPI and Utility increases) anticipated for 2018/19.

Council' significant terminal (2015) and forecourt & carpark (2017) redevelopment projects provide a higher amenity and service to airport properties.

The rate for this category results in an increase to the average rate for properties of 2.00% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Transient Workforce Accommodation / Workforce Accommodation –** means any land:

- that is predominately used for the purpose of workforce accommodation;
- or**
- that is predominately used for the purpose of transient workforce accommodation;
- or**
- that has been zoned as Transient Workforce.

The rate in the dollar for the Transient Workforce Accommodation / Workforce Accommodation category is proposed to be three point two six times (x3.26) the Residential rate category which equates to three point eight eight times (x3.88) the lowest GRV rate in the dollar being Commercial.

This differential rate maintains a proportional share of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and programs and associated infrastructure/facilities required for developed residential and urban areas. These services, programs and facilities are available to FIFO workers in the same manner as they are available to all other residents of the City and the contribution from this category has been set at a level that reflects this fact.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath networks, refurbishing of public ablutions and other building maintenance programs. In addition, these properties have access to all other services and facilities provided by Council.

The rates per TWA accommodation unit are less than the equivalent rate per residential accommodation unit and are significantly less than the minimum rate of \$1,519 for a single bedroom residence. Despite the lower rate per accommodation unit, TWA properties have the potential to have a greater impact on Council services/assets than other properties due to their number of occupants in a relatively small land parcel (i.e. concentrated coach/vehicle movements on local roads). In order to appropriately maintain and manage Councils asset and infrastructure in the longer term, a higher differential rate is proposed for this category to reflect the greater potential and actual intensity of use of Council assets and infrastructure.

The rate for this category supports Council's preferred option that the operational workforce associated with resource interests be housed in normal residential properties within the town boundaries.

The rate for this category maintains results in an increase to the average rate for TWA's of 0.39% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

### UNIMPROVED VALUE PROPERTIES (UV)

Properties that are predominantly of a rural purpose are assigned an Unimproved Value that is supplied and updated by the Valuer General on an annual basis.

Table 3 below summarises the proposed 2018/19 minimum payments and rates in the dollar for Unimproved Values:

**Table 3: Proposed differential rates for 2018/19 financial year (UV)  
Including average rate per assessment**

Differential Rates 2018/19				
Category	Proposed Minimum Payment	Proposed Rate in the Dollar	Proposed Average Rate per Property	Change in Average Rate
<b>Unimproved Value</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Pastoral	\$319	0.101606	27,572	2.00%
Mining/Other	\$319	0.136414	2,379	3.53%
Strategic Industry (UV)	\$319	0.176005	160,946	1.09%

**Pastoral** – means any land:

- that currently has a pastoral lease granted;
- and**
- that is used predominantly for the purpose of grazing (including agistment), dairying, pig-farming, poultry farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of these activities.

This rating category reflects the level of rating required to raise the necessary revenue to operate efficiently and provide for rural infrastructure and services in addition to the urban services, programs and infrastructure which are available to be accessed by the properties in this category.

The rate for this category maintains an increase to the average rate for Pastoral Stations of 2.00% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Mining / Other** – means any land:

- that a mining, exploration, prospecting or retention lease and/or license has been granted;
- or**
- that does not have the characteristics of any other UV differential rate category.

The reasons for this category is to reflect the impact on utilisation of rural infrastructure (comparative to Pastoral) by heavy transport and associated higher traffic volumes. In addition, these properties have access to all other services and facilities provided by Council.

The rate for this category maintains an increase to the average rate for Mining/Other properties of 3.53% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Strategic Industry** – means any land:

- that is predominately used for industrial purposes;
- or**
- that is predominately used for the purpose of resource processing;
- or**
- that is predominately used for the purpose of supporting a transient workforce.

The reasons for this category are to reflect the impact on utilisation of urban and rural infrastructure (comparative to Pastoral) by heavy transport and associated higher traffic volumes by operations associated with State Agreements and/or significant resource sector operations. In addition, these properties have access to all other services and facilities provided by Council.

Properties with a land use of Strategic Industry have State or Regional significance, many of which are subject to legacy State Agreement Acts that limit the method of valuation to UV with restrictive formulae for the calculation of the valuation. The higher differential rate for this category is proposed in order to levy a somewhat commensurate rate comparative with their impact on the local community (i.e. heavy haulage vehicle movements, environmental health, strategic planning).

The rate for this category maintains a decrease to the average rate for UV Strategic Industry properties of 1.07% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 is to ensure that all ratepayers make a minimum contribution for basic services and infrastructure.