



SPECIAL COUNCIL MEETING

MINUTES

**The Special Meeting of Council was held
in the Council Chambers, Welcome Road, Karratha,
on Wednesday, 24 September 2014
to consider the following item:**

- Pilbara Underground Power Project (PUPP)
Payment Options**

**CHRIS ADAMS
CHIEF EXECUTIVE OFFICER**



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WRITTEN CONFIRMATION

of the outcome of the application, and any conditions attaching to the decision made by the City of Karratha in respect of the application.

Signed:  _____
Chris Adams - Chief Executive Officer

DECLARATION OF INTERESTS (NOTES FOR YOUR GUIDANCE) (updated 13 March 2000)

A member who has a **Financial Interest** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (c) Preside at the part of the Meeting, relating to the matter or;
- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the *Local Government Act 1995*.

NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have a **Financial Interest** in a matter. I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
 - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the *Local Government Act*; or
 - 6.2 Where the Minister allows the Councillor to participate under s5.69 (3) of the *Local Government Act*, with or without conditions.

INTERESTS AFFECTING IMPARTIALITY

DEFINITION: *An interest that would give rise to a reasonable belief that the impartiality of the person having the interest would be adversely affected, but does not include an interest as referred to in Section 5.60 of the 'Act'.*

A member who has an **Interest Affecting Impartiality** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest;

- (a) in a written notice given to the Chief Executive Officer before the Meeting; or
- (b) at the Meeting, immediately before the matter is discussed.

IMPACT OF AN IMPARTIALITY CLOSURE

There are very different outcomes resulting from disclosing an interest affecting impartiality compared to that of a financial interest. With the declaration of a financial interest, an elected member leaves the room and does not vote.

With the declaration of this new type of interest, the elected member stays in the room, participates in the debate and votes. In effect then, following disclosure of an interest affecting impartiality, the member's involvement in the Meeting continues as if no interest existed.

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AGENDA

1 OFFICIAL OPENING

The Special Council Meeting held in the Council Chambers, Welcome Road, Karratha on Wednesday, 24 September 2014 was declared open at 6:01 pm. Cr Long acknowledged the traditions of the Ngarluma people, on whose land we are gathered here today.

2 PUBLIC QUESTION TIME

Public Question Time continued on Page 6.

3 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

Councillors:

- Cr Peter Long [Mayor]
- Cr John Lally [Deputy Mayor]
- Cr Geoff Harris
- Cr Harry Hipworth
- Cr Nerida Kickett
- Cr Michael Saylor
- Cr Robin Vandenberg

Staff:

Chris Adams	Chief Executive Officer
Phillip Trestrail	Director Corporate Services
Andrew Ward	Director Community Services
David Pentz	Director Development Services
Simon Kot	Director Strategic Projects & Infrastructure
Linda Franssen	Minute Secretary

Apologies:

- Cr Garry Bailey
- Cr Evette Smeathers
- Cr Fiona White-Hartig

Absent: Cr Janine Miller

Leave of Absence: Nil

Members of Public:

Alan Atkins	Stephen Gates
Clayton Brown	Rebecca Gunson
Vicki Birnie	Glenda Jones
Darren Couzens	Dianne Lockett
Heidi Cruickshank	Kyle McGinn
Mark Davis	Lawrence Roberts
Neil Deman	Guy Shepherd
Renae Foster	Judy Wright
Gail Gates	Noel Wright

Members of Media: Peter de Kruijff, Pilbara News

4 DECLARATIONS OF INTEREST

Nil.

5 PETITIONS/DEPUTATIONS/PRESENTATIONS

Nil.

2 CONTINUED PUBLIC QUESTION TIME

Raised by public attendee Renae Foster:

Q. Why are we being billed for the High Voltage component when it was recently stated in Parliament that Horizon Power was paying for this?

A. The CEO advised that Horizon Power has written to Council to provide the following clarification of the information presented in Parliament regarding the High Voltage upgrade:

- The cost to upgrade the High Voltage in Karratha from 11kV to 22kV is fully borne by Horizon Power and Royalty for Regions and is not a part of the City of Karratha's \$34.55M contribution. The \$34.55M is 25% of the cost to underground the network in Karratha.
- The \$34.55M does include undergrounding some Overhead HV conductors as would normally be the case for the undergrounding.

6 EXECUTIVE SERVICES

6.1 PILBARA UNDERGROUND POWER PROJECT (PUPP) PAYMENT OPTIONS

File No:	EN.9
Responsible Executive Officer:	Chief Executive Officer
Reporting Author:	Director Corporate Services
Date of Report:	11 September 2014
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s)	Nil

PURPOSE

To seek consideration of options and initiatives to further minimise the financial impact on those individuals and organisations that are finding it most difficult to pay the Pilbara Underground Power Project (PUPP) service charge.

BACKGROUND

At the August 2104 Ordinary Council Meeting, Council (by Resolution 152918) resolved to:

1. NOTE the concern of property owners regarding PUPP service charges;
2. ALLOW a three month interest free period provided that payment up front or the first two instalments is received no later than 25 November 2014; and
3. REQUEST that a further report be presented to Council on options and initiatives that may be possible that aim to further minimise the financial impact on those individuals and companies who are finding it most difficult to make payments.

The Officer's Recommendation included offering commercial and industrial properties (excluding Government organisations) with a power capacity of greater than 10 kVA and less than 200 kVA and not-for-profit organisations the option of payment by instalments over six years rather than four years (subject to the same conditions that apply to other instalment options).

In response, there was substantial discussion regarding a range of alternatives to assist property owners with paying their PUPP bills including:

- Allowing payment over 10-15 years;
- Dealing with individuals/businesses and community groups experiencing hardship in bill payment on a one-on-one basis; and
- Reviewing options for interest payments (including reducing interest or passing interest costs to the State).

Although payments have been made on over 50% of properties (76% by upfront payment) there is still concern regarding the capacity of some property owners to pay the service charges. In particular, public concerns are tending to focus on:

- Impact of PUPP charges on small to medium sized businesses;

- Impact of PUPP charges on Not-For-Profit and Community organisations; and
- Ability of property owners to make payments within the prescribed time period.

Following is a breakdown of the number of service charges issued according to cost:

Cost	Number of properties	%
\$0 - \$500	3,284	41.21%
\$500 - \$3,500	3,803	47.73%
\$3,500 - \$10,000	157	1.97%
\$10,000 - \$20,000	542	6.80%
\$20,000 - \$30,000	87	1.09%
\$30,000 - \$40,000	15	0.19%
\$40,000 - \$50,000	19	0.24%
\$50,000+	61	0.77%
TOTAL	7,968	100.00%

From this information the following can be noted:

1. 89% of properties received a service charge of less than \$3,500.
2. Approximately 2% of bills exceed \$20,000 and only 1% of bills exceed \$30,000 (NB. the vast majority of bills greater than \$50,000 are for Government organisations and publicly listed companies).
3. Approximately 700 bills were issued for amounts ranging from \$3,500 to \$20,000 (these bills have tended to be the ones that have raised the greatest level of concern in the community).

Current Payment Profile

While payments can be made until 25 November 2014 without incurring interest, over 50% of property owners have made full or partial payment of their service charges. Approximately 80% of residential property owners who have made payment have made payments in full, up front. Approximately 40% of commercial and industrial property owners (who have larger PUPP bills) who have made payments have paid up front. In addition to the option of paying 16 instalments over four years, property owners have been offered the opportunity to negotiate special payment arrangements that suit their particular circumstances, although very few property owners have taken up this option to date.

Horizon Power Negotiations

Given the Council's desire to explore options to further reduce impact on individuals and businesses (as expressed at the August 2014 Council meeting), officers entered into discussions with Horizon Power regarding how we could collectively reduce impacts. Discussions focused on the timing of Council's contribution to Horizon Power.

Under the agreement between Horizon Power and the City, the City was liable to make a payment of \$20M to Horizon Power on 31 August 2014 with subsequent payments of \$5M, \$5M and \$4.55M being made each financial year thereafter. This payment profile would have required the Council to borrow significant funds from an external lending institution to meet the required payments. While Horizon Power needs a significant contribution from the City in 2014/15 to continue the PUPP project, it does not require the full contribution 'up-front'. Given this, Council officers have sought to modify the payment terms to Horizon Power to reduce the borrowing costs and therefore reduce the costs to the Council/community. Horizon Power has agreed to this request and have accepted the following payment terms for the 25% contribution of \$34.55M:

Financial Year	Payments
2014/15	30/11/14 - \$5.0M 28/2/15 - \$5.0M 30/4/15 - \$5.0M 30/6/15 - \$3.6M TOTAL - \$18.6M
2015/16	30/6/16 - \$3.1M
2016/17	Nil
2017/18	30/6/18 - \$12.85M
Total	\$34.55M

Given these revised payment terms, there is a reduced need to borrow money in the short term and an increased capacity for Council to offer more favourable payment terms and incentives to property owners. Listed below are the options that staff have modelled that can be delivered in a financially sustainable manner:

1. Instalment Plans

Financial modelling has been completed to assess the impact of extending the period for payment by instalments. Subject to the cost of borrowings being met by instalment interest charges, this modelling confirms that an extension from 4 years to 10 years is possible for non-residential properties (including not-for-profit organisations but excluding Government organisations). It is recommended that this option be provided to property owners with a power capacity of greater than 10 kVA (i.e. greater than a standard residential house) and less than 200 kVA. This encapsulates those property with bills in the range of \$3,500 - \$50,000.

2. Instalment Interest

Currently property owners who elect to pay PUPP service charges by instalment are being charged instalment interest of 5.5% effective from 25 November 2014. Given the improved payment terms that have been negotiated with Horizon Power, it is possible to reduce the instalment interest to 4.5%.

This option presents some challenges in terms of implementation in that instalments will need to be recalculated, amended instalment notices issued, and credits applied for instalment interest already paid at 5.5%. This will affect the timing of implementation of this option.

3. Hardship Fund

Consideration has also been given to the creation of a hardship fund for not-for-profit community organisations. Although Council is already contributing for the majority of community organisations (as tenants of Council/Crown land) it is estimated that there are 13 community organisations (mostly religious institutions) that have received bills. These bills have a collective value of approximately \$267K. In order to assist these groups, it is proposed that a 50% concession on the service charges be offered subject to the following:

- a) The organisation is a not-for-profit community association or public benevolent institution (PBI).
- b) The concession applies to non-residential properties only.
- c) The concession does not apply to schools.
- d) The concession does not apply to properties that are being used to generate a commercial rate of return (e.g. properties leased to a third party for market rental).

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CE-8 Significant Decision Making Policy, this matter is considered to be of high significance in terms of parties affected issues.

COUNCILLOR/OFFICER CONSULTATION

Councillors have discussed this matter formally at the various Council meetings and Briefing sessions.

COMMUNITY CONSULTATION

Since service charge notices were issued, Council officers have responded to approximately 800 calls and 200 emails/letters. Since the August 2014 Ordinary Council Meeting a number of property owners have contacted Council requesting consideration of a reduction in instalment interest and a 10 year instalment plan for small business and not-for-profit community organisations.

STATUTORY IMPLICATIONS

Section 6.38 of the *Local Government Act 1995* makes provision for a local government to levy a service charge to meet the costs of underground electricity. Sections 6.45 and 6.51 of the *Local Government Act 1995* provide for instalment and penalty interest on service charges. Section 6.47 provides for the granting of concessions in relation to service charges.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

The funding agreement between Council and Horizon Power requires a community contribution of 25% (to a maximum of \$34.55M) to the total cost PUPP scope of works applicable to the City of Karratha.

The revised cashflows that have been negotiated with Horizon Power significantly impact on the interest payable by the City on borrowings and increase the revenue generated based on payments to date. The financial modelling indicates that these changes will fund the above mentioned initiatives to ameliorate property owners concerns, however this will reduce any provision for contingency that may otherwise be required for adjustments to service charges.

In accordance with section 6.38 of the *Local Government Act 1995* if Council receives more money than it requires from the service charges a refund or credit must be issued to property owners proportionate to the contributions received.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2013-2014 provided for this activity:

- | | | |
|---------------|-----------|--|
| Our Program: | 1.e.2.1 | Liaise with key stakeholders including LandCorp, government agencies and developers for support in strategic community projects. |
| Our Services: | 1.e.2.1.1 | Liaise with other agencies in delivery of strategic community projects. |

RISK MANAGEMENT CONSIDERATIONS

The options considered are expected to reduce the reputational risk to Council however they do present a higher level of financial risk to the Council. A significant proportion of PUPP payments are yet to be received and adjustment to service charges are still being processed. Given this, assumptions have had to be made in the financial modelling regarding the level of payment (upfront and via instalment) that will be made by the 25 November 2014. These assumptions are based in part on the payment profile of those that have made payments

thus far. If the final total of service charges or payment profile modifies significantly (i.e. more instalment and longer term payers and fewer upfront payers) there is a heightened financial risk that increased Council contributions and borrowings will be required.

IMPACT ON CAPACITY

There will be an impact on resourcing in the Finance team in order to revise instalments and issue new instalment notices.

RELEVANT PRECEDENTS

Council has previously resolved to reaffirm its commitment to a 25% financial contribution to the PUPP on several occasions and the structure of the billing model was approved by Council at the December 2013 Ordinary Council meeting.

VOTING REQUIREMENTS

Absolute Majority

OPTIONS:

Option 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Division 6 of the *Local Government Act 1995* RESOLVES to DEFER consideration of this matter pending further information.

CONCLUSION

With the PUPP well advanced in Karratha and works set to commence in the LIA in November 2014, Council is required to make payments to Horizon Power this financial year to fund completed and future works. To avoid the cost of borrowing to meet this obligation, all properties owners have been billed for the full service charge, with instalments options available to those who wish to defer payment. Although approximately 50% of property owners have made payment on their service charge to date, it is proposed to reduce the instalment interest and allow non-residential properties to pay over an extended period to respond to community concern about the service charges.

OFFICER'S RECOMMENDATION

That Council by **ABSOLUTE** Majority pursuant to Division 6 of the *Local Government Act 1995* RESOLVES to:

1. **REDUCE** the interest rate for payment of service charges by instalments from 5.5% to 4.5%;
2. **NOTE** that adjustments to instalment interest will be included in instalment notices issued after 25 November 2014;
3. **OFFER** non-residential properties (excluding those owned by Government organisations) with a power capacity of greater than 10 kVA and less than 200 kVA the option of payment by 40 instalments over ten years rather than 16 instalments over four years (subject to the same conditions that apply to other instalment options);
4. **GRANT** a 50% concession for service charges applied to not-for-profit community organisations subject to the following:

- a) The organisation is a not-for-profit community association or public benevolent institution (PBI).
 - b) The concession applies to non-residential properties only.
 - c) The concession does not apply to schools.
 - d) The concession does not apply to properties that are being used to generate a commercial rate of return (e.g. properties leased to a third party for market rental).
5. DELEGATE to the Chief Executive Officer authority to approve the concessions granted to not-for-profit community organisations that meet the prerequisite conditions.

ALTERNATE RECOMMENDATION

Res No : 152961
MOVED : Cr Lally
SECONDED : Cr Kickett

That Council by ABSOLUTE Majority pursuant to Division 6 of the *Local Government Act 1995* RESOLVES to:

1. REDUCE the interest rate for payment of service charges by instalments from 5.5% to 4.5%;
2. NOTE that adjustments to instalment interest will be included in instalment notices issued after 25 November 2014;
3. OFFER non-residential properties (excluding those owned by Government organisations) with a power capacity of greater than 10 kVA and less than 200 kVA the option of payment by 40 instalments over ten years rather than 16 instalments over four years (subject to the same conditions that apply to other instalment options);
4. GRANT a 70% concession for service charges applied to not-for-profit community organisations subject to the following:
 - a) The organisation is a not-for-profit community association or public benevolent institution (PBI).
 - b) The concession applies to non-residential properties only.
 - c) The concession does not apply to schools.
 - d) The concession does not apply to properties that are being used to generate a commercial rate of return (e.g. properties leased to a third party for market rental).
5. PROVIDE the CEO the delegated authority to negotiate individual payment plans for those companies and individuals who demonstrate that the payment of the Pilbara Underground Power Project service charge is placing them in financial hardship. Individual payments plans may involve:
 - a) Providing additional time for the payments to be made;
 - b) Varying the payment schedules to cater for individual financial circumstances (ie allowing smaller/larger instalment payments throughout the payment period); and /or

- c) Allowing payments to be made on a less (or more) frequent basis than prescribed in the standard instalment payment plan.**

CARRIED

FOR : Cr Long, Cr Lally, Cr Harris, Cr Hipworth, Cr Kickett, Cr Saylor, Cr Vandenberg
AGAINST : Nil

REASON : Councillors considered the alternate payment options for PUPP will provide much needed support for the not-for-profit sector, and ease financial hardship within the community.

7 CLOSURE & DATE OF NEXT MEETING

The meeting closed at 6.08 pm.

The date of the next Ordinary Council Meeting is to be held on Monday, 20 October 2014 at 6:30pm at the Wickham Bistro in Wickham.

I, Cr Peter Long, Mayor of the City of Karratha, hereby declare on behalf of the Councillors of the City of Karratha that the enclosed Minutes are a true and accurate record of the Ordinary Council Meeting held on Wednesday, 24 September 2014.

..... Date ____/____/____
Signed