



COFFS HARBOUR CITY COUNCIL
ORDINARY MEETING
COUNCIL CHAMBERS
COUNCIL ADMINISTRATION BUILDING
COFF AND CASTLE STREETS, COFFS HARBOUR
26 NOVEMBER 2009

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COFFS HARBOUR CITY COUNCIL

ORDINARY MEETING



26 NOVEMBER 2009

Mayor and Councillors

GENERAL MANAGER'S SUPPLEMENTARY REPORT

19 PROPOSED LOAN - CITY WIDE FLOOD MITIGATION, STORMWATER & DRAINAGE WORKS PROGRAM

Purpose:

To recommend to Council that a loan be sought for funding of citywide flood mitigation, stormwater and drainage works.

Description of Item:

This report has been prepared as a result of the two major flood events experienced in the Coffs Harbour Catchment on 31st March and 6th November 2009.

These events caused widespread damage and on-going liability to both private and public infrastructure.

Discussions have been held about how to best fast track the flood mitigation measures that have been identified and documented but remain unfunded and outstanding.

One option is to examine the fast tracking of works through loans and also using these loan funds to then apply for matching funds from State and Federal governments.

The proposed flood mitigation works program has been compiled from the following sources:

- Coffs Creek Floodplain Management Plan – Following the 1996 flood event the Coffs Creek Flood Plain Management Plan was commissioned and finally adopted by Council in 2005. The Plan included concept designs, costing and priority based on cost/benefit for major flood mitigation works on Coffs Creek. For example, the three Detention Basin projects and other Coffs Creek flood mitigation works proposed in the flood mitigation works program have been taken from the Coffs Creek Floodplain Management Plan.

19 Proposed Loan - City Wise Flood Mitigation, Stormwater & Drainage Works Program (Cont'd)

- Proposed drainage works have been taken from Councils list of outstanding drainage infrastructure works. This list has been compiled over the last ten years from investigations into drainage complaints and flood events throughout Coffs Harbour. The list has been prioritised based on recent flood events and information to hand at this time and does not represent the total of all drainage improvement works that have been identified.
- Other projects such as the proposed Flood Warning system and Newport's Creek flood mitigation works have been developed following the March 2009 event.

Sustainability Assessment:

Environment

Any works which would be undertaken as a result of funds becoming available through loans and/or grants would need full environmental assessments and approvals to be carried out.

The approval for raising a loan does not have any specific environmental impacts.

Social

The community continue through various means to express a strong need to have works which will assist in addressing ongoing flooding for the local government area funded and the works carried out.

The impact on the community of floods is such that opportunities for carrying out works which will mitigate some of these impacts would have a positive social effect on the community.

Economic

Below are two tables outlining the financial implications of a \$4M, \$5M and \$6M loan over 10 and 20 years at 7% and 8%. The interest rate is indicative only and based on a margin above the Treasury rate, is very conservative. This could result in the final rate being higher and therefore the repayments higher than outlined.

Loan taken at 7%

Loan No.	Principal	Term	Interest Rate	Quarterly Instalment	Amount Payable per Annum	Total Interest Repaid over Term	Total Amount Repaid (Principal + Interest)
1	\$ 4,000,000	10 yrs	7.00%	\$ 139,888.36	\$ 559,553.46	\$ 1,595,534.57	\$ 5,595,534.57
2	\$ 5,000,000	10 yrs	7.00%	\$ 174,860.46	\$ 699,441.82	\$ 1,994,418.21	\$ 6,994,418.21
3	\$ 6,000,000	10 yrs	7.00%	\$ 209,832.55	\$ 839,330.19	\$ 2,393,301.86	\$ 8,393,301.86
4	\$ 4,000,000	20 yrs	7.00%	\$ 93,283.72	\$ 373,134.90	\$ 3,462,697.93	\$ 7,462,697.93
5	\$ 5,000,000	20 yrs	7.00%	\$ 116,604.66	\$ 466,418.62	\$ 4,328,372.41	\$ 9,328,372.41
6	\$ 6,000,000	20 yrs	7.00%	\$ 139,925.59	\$ 559,702.34	\$ 5,194,046.89	\$ 11,194,046.89

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(Cont'd)

Loan taken at 8%

Loan No.	Principal	Term	Interest Rate	Quarterly Instalment	Amount Payable per Annum	Total Interest Repaid over Term	Total Amount Repaid (Principal + Interest)
1	\$ 4,000,000	10 yrs	8.00%	\$ 146,222.99	\$ 584,891.96	\$ 1,848,919.65	\$ 5,848,919.65
2	\$ 5,000,000	10 yrs	8.00%	\$ 182,778.74	\$ 731,114.96	\$ 2,311,149.56	\$ 7,311,149.56
3	\$ 6,000,000	10 yrs	8.00%	\$ 219,334.49	\$ 877,337.95	\$ 2,773,379.47	\$ 8,773,379.47
4	\$ 4,000,000	20 yrs	8.00%	\$ 100,642.82	\$ 402,571.29	\$ 4,051,425.75	\$ 8,051,425.75
5	\$ 5,000,000	20 yrs	8.00%	\$ 125,803.53	\$ 503,214.11	\$ 5,064,282.18	\$ 10,064,282.18
6	\$ 6,000,000	20 yrs	8.00%	\$ 150,964.23	\$ 603,856.93	\$ 6,077,138.62	\$ 12,077,138.62

Management Plan Implications

Clearly the capacity for Council to fund these types of works within the current Management Plan, and for the foreseeable future, are very limited. The opportunity to apply for funds from both State and Federal governments with matching dollars is already available to Council and may increase the potential for success with these applications.

Council's 2009/10 Management Plan includes \$50,000 for flood mitigation works and \$680,000 from the ongoing Stormwater Levy used to fund minor capital improvement and maintenance of drainage infrastructure.

As a result of many years of rate capping, Council like most other Councils has no cash reserves and therefore must resort to loan funding in order to implement this program of works.

A loan approval would require an examination of opportunities to cut this year's budget to cover the loan repayments and all subsequent years repayments will see corresponding cuts in the budget. Council should be aware that it has already approved a projected deficit of over \$1M this year and over \$300,000 for 2010/11 and with cash reserves at a critical level, that there is no capacity to fund the loan without equivalent cuts to the budget. Close examination of Council's budget will be necessary to ensure long term financial sustainability.

Should Council agree to proceed with the loan a report should come before council prior to signing to the loan agreement outlining specifically the cuts/savings in this years and subsequent years budgets. For example should Council proceed with a \$6M loan over 20 years at 7%, 6 months repayments for the current financial year would equate to cutting the budget by approximately \$280,000 and the full amount of over \$560,000 in future years.

19 Proposed Loan - City Wise Flood Mitigation, Stormwater & Drainage Works Program (Cont'd)

Consultation:

No specific consultation has been undertaken in relation to this however from meetings and the media it is clear that this is a high priority for the community.

Related Policy and / or Precedents:

Council has sought offers from a number of financial institutions when arranging previous loans. The institutions are given prior notice of Council's requirements and invited to submit an offer on a particular day. The offers are determined under delegated authority by the General Manager and the successful institution is notified within the following half hour. Unsuccessful institutions are also notified immediately and advised of the successful quote.

This strategy is both competitive and transparent. It is well accepted by the institutions and is seen to provide Council with the best available rates. It is intended to follow this practice again.

Statutory Requirements:

The Department of Local Government advises the following:

"Where there is an increase in borrowings during the financial year, the council should advise the Department by resubmitting the borrowing return with additional comment on the purpose of the increased borrowings. The additional borrowings are to be resolved by council prior to resubmitting.

The Director General must be notified. Email is sufficient. This only needs to state "Coffs Harbour City Council as drawn \$X on Date"

The Local Government "Borrowing Order" now only has one stipulation which is:

"A council shall not borrow from any source outside the Commonwealth of Australia nor in any other currency other than Australian currency."

Issues:

The outstanding works have been identified through various studies, consultations, modeling and reporting. A range of options exist for fast tracking these works with the maximum benefit to the community. Below are options for consideration for consideration and it should be noted that all costs are early preliminary indications of costs only.

\$6M expenditure

Two of three Coffs Creekdetention basins	Approx	\$5.1M
- Upper Shephards Lane		
- Bennetts Road		
Early flood warning system/2D flood modeling	Approx	\$0.3M
Drainage works*	Approx	\$0.4M
Short term options	Approx	\$0.2M
- increase waterway area under Highway		
- remove old piers in Coffs Creek Orlando Street		
	Total	\$6.0M

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\$12M expenditure

Works above plus:

Detention Basin – Spagnolos Road	Approx	\$2.3M
Drainage Works*	Approx	\$1M
Overland Flow Paths CBD (Gordon Street)	Approx	\$0.7M
CBD drainage (drainage bypass, super pump and estuary improvement investigations)	Approx	\$2M
	Total	\$6.0M

\$18M expenditure

Works above plus:

Coffs Creek, Scarba St to Highway amplification	Approx	\$1.5M
Newports Creek Mitigation	Approx	\$3.0M
Drainage Works*	Approx	\$1.5M
	Total	\$6.0M

* The list of drainage works required to address local flooding is attached to this report. It should be noted that these are estimates only and not all sites have been inspected as yet. Also the list is not complete as complaints are still being received following the November flood. The drainage works have been spread over the three possible scenarios and priority would be established once funding became available. Depending on the final funding scenario, allocation of loan funds for these drainage improvement works will allow utilisation of a greater percentage of the annual \$680,000 stormwater levy funds in completion of ongoing creek and drainage maintenance works.

It should be noted that in relation to the works above, \$6M worth of work can and will be carried out should Council agree to sourcing loan funds. The \$12M worth of work will only be able to be carried out if and when Council gets matching dollars from the State government. The \$18M worth of work referred to in the report will only be able to be spent should Council also get \$6M matching funds from the Federal government. Therefore if no State or Federal government funding is available, the works will be limited to \$6M spent based solely on Council's loan funding.

Implementation Date / Priority:

Implementation could be immediate.

**19 Proposed Loan - City Wise Flood Mitigation, Stormwater & Drainage Works Program
(Cont'd)**

Recommendation:

That

- 1. Approval be given to raising a \$6,000,000 loan over 20 years as soon as possible for flood mitigation works.**
- 2. Offers for loans be sought from appropriate lending institutions.**
- 3. Delegated approval be given to the General Manager to accept the most suitable offer, in relation to each loan.**
- 4. The Mayor and General Manager be authorised to execute all documents associated with the loans under common seal of Council.**
- 5. Applications be made to both State and Federal governments for matched funding to complete the \$18,000,000 worth of flood mitigation works outlined in the report.**
- 6. That a report detailing specifically the cuts/savings in this years and subsequent years budgets be presented to Council for approving the changes required to the current Management Plan prior to signing the loan agreement.**

**Stephen Sawtell
General Manager**

Attachments:

LIST OF DRAINAGE WORKS REQUIRED TO ALLEVIATE FLOODING
(Note all estimates are only preliminary and not all sites have been inspected yet.
Also note list is not complete as complaints still being received.)

Shell Cove Lane	\$500,000
54 Taloumbi Road	\$400,000
Marcia Street detention basin	\$250,000
Marcia Street drainage	\$700,000
21 Wirrabilla Drive	\$50,000
9 Betel Palm Close	\$100,000
41 King Street	\$50,000
Mt Browne Road	\$50,000
11 Prince Street	\$100,000
36 Links Avenue	\$70,000
44 Coramba Road	\$80,000
25 Sawtell Road	\$50,000
28 Camperdown Street	\$50,000
7 Masonary Road	\$100,000
Antaries Avenue	\$50,000
Norfolk Crescent	\$50,000
Kratz Drive	\$50,000
Murphy Crescent	\$150,000
Fawcett Street	\$200,000