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Dear Members

Proposed \$60 million Debt - City of Holdfast Bay

We refer to the Holdfast Bay Draft Long-Term Financial Plan 2024-2034 (*LTFP*) and specifically to the proposal to borrow an additional \$30 million for an upgrade of Jetty Road Glenelg. This will increase the overall debt to approximately **\$60 million**.

HBRA has received (*LTFP*) 2024-2034 and had a meeting with Council employees including the CEO this week. An overview of the discussion is detailed below and it is also in response to an article in the Advertiser of 4 April 2024 with the headline:

"Ratepayers hit for Jetty Road - Up Grade to Glenelg Strip will cost locals \$120 each council says"

- 1. The \$30 million will take Council debts to in excess of \$60 million,*
- 2. The current debt is \$29 million this debt has not substantially decreased in the last 3 years,*
- 3. Over the last 7 years the debts have increased from \$17 million to \$30 million then back to its current level of \$29 million due to the sale of an asset.*
- 4. A special ratepayer levy is from 2024 through to 2027 and possibly 2028. This is a period of some 5 years not 3 as per the article. The levy will have insignificant effect on the \$60 million debt contributing only \$2.7million. Rate payers will bear the brunt of long term additional and excessive rates,*
- 5. The debt in 10 years is forecast to still be \$45 million. This includes a \$15 million reduction in principle between the years of 2031 to 2034. The source of these funds has not been explained in full. The debt becomes generational.*
- 6. Cashflows prepared by Council have been based on current interest rates of 5.53% for the 3 years and reducing to 3.5% for the remaining 7-year term. We are of the opinion that the cash flows are at best optimistic and make no allowances for interest rate movements.*
- 7. Council predicted rate rises are based on CPI of between 2.2 and 2.6% for the period 2027 to 2034. There is no margin added, Council has used base predictions which are unrealistic,*
- 8. The Council debt will be \$60 million not \$30 million as alluded to in the article. Last years budgeted revenue was \$53 million this year with a 7.1% rise it is forecasted to be \$57 million. Whilst Council justifies the borrowing employing different ratios the borrowing is simply excessive and exceeds revenue which in the main is funded by ratepayers,*
- 9. Whilst the Council correctly states that they have substantial assets, these assets are community owned and if assets need to be sold to reduce debt what will they be? Parks, Community centres, sporting venues. It also begs the question will future projects across the city be detrimentally affected.*

This proposal lacks risk management and exposes ratepayers to the largest financial risk the Council has made, \$60 million. The new borrowings will be spent on a small proportion of the area of the CoHB.

Community Consultation

The public consultation period is 3 weeks and is limited to a Council survey to some 1000 residents and feedback on Council's website. Due to the scale of borrowings the long-term financial plan should be a standalone consultation across the Council area involving all ratepayers.

In addition to the 4.8% proposed general rate increase, please note that the Jetty Road project levy is in fact variable and will be charged in 24-25 at a rate of 2.3% in the same manner as the general rates, e.g. Percentage against the Capital value of your residence. Accordingly, we question the statement above citing a \$120 ratepayer levy.

Council have stated that public consultation for this project was carried out in 2017. Due to the 7-year lapse in time and the dramatic increases in costs and the doubling of the debt. It is our strong opinion that Council should conduct a new survey/consultation process involving all ratepayers.

The Council's website provides background under the item Draft 24/25 Annual Business Plan, and a commentary section via the link below with a due date of Friday 17th May 24. There is also a section in the Community Consultation area under the "Transforming Jetty Road Glenelg".

HBRA are of the strong opinion that the doubling of the debt is a critical issue and will lead to long term and substantial rate increases. We suggest that ratepayers seek clarification or provide feedback by contacting the Mayor or elected Councillors. Contact details are listed below.

<https://www.yourholdfast.com/dabp24-25>

Your involvement is very important and most appreciated

Maurice Dunstall

President, Holdfast Bay Residents Alliance

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