

# Patterson Lakes – Quiet Lakes Pricing Reform Information

October 2011

## The precept rate in Patterson Lakes

The purpose of this information sheet is to outline the history of the precept rates paid by Patterson Lakes property owners and explain why Melbourne Water is proposing changes to the precept rate structure.

This information sheet outlines how precept rates are expected to increase for the whole of the Quiet Lakes community and then how they will change for individual property owners.

**Section 2** is about why precept rates are expected to increase for the whole of the Quiet Lakes community.

**Section 3** outlines how prices will be determined for individual property owners. Each property's precept rates will change differently, depending on what the owner is paying now and the property location. Most property owners' rates are expected to increase.

**The precept rate changes for your property have been outlined in the covering letter attached to this information sheet.**

## 1. Why precept rates need to change

The *Water Act (1989)* requires that Melbourne Water charge for its drainage services in the metropolitan general rate area and special drainage areas (precept rate areas). In addition to the normal drainage rate that all Melbourne home owners pay, Quiet Lakes and Tidal Waterways property owners in Patterson Lakes pay a special service charge (precept rate) for works and services that are specific to their unique lifestyle development.

These services for the Quiet Lakes include:

- beach grooming all year
- debris collection (leaves and litter) and removal monthly
- removal of fish pests such as carp
- water quality testing weekly
- beach weed spraying monthly
- operation of the bore pump
- lighting bollards six monthly inspection program
- lighting system maintenance as required
- grass maintenance program monthly
- convening the Patterson Lakes Advisory Committee (PLAC), PLAC newsletter and website.

In the past, revenue from precept rates has not covered all the costs of the maintenance services provided or the cost of water quality projects and keeping the waterway infrastructure in good working order.

Melbourne Water's precept ratepayers must pay charges that cover the costs of providing these maintenance services and resources required for water quality projects and to keep the waterway infrastructure in good working order.



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**Melbourne Water is proposing that charges should reflect the cost of the services provided to different types of properties.**

### Creating a fairer system for calculating rates

Special drainage area prices in Patterson Lakes are currently based on an individual property's 1990 unimproved site value. This method of determining what each property owner pays is outdated, and does not reflect the benefits that property owners enjoy from the services provided.

We recently surveyed Patterson Lakes ratepayers in relation to the most appropriate way to calculate precept rates. Following this, **Melbourne Water is proposing that charges should reflect the cost of the services provided to different types of properties.**

### Ensuring that rates cover the costs of services provided

Melbourne Water has been working with the community since 2008 with the aim of reaching a point where the total rates collected cover the costs of providing the services.

To begin this process, price increases have been set for 2011/12 and they will need to continue to increase each year until rates cover the services provided, including water quality improvements, and keeping the waterway infrastructure in good working order. This point should be achieved by June 2023 if the draft price structure outlined in this information sheet is adopted.

### Keeping the waterway infrastructure in good working order

In the Quiet Lakes, property owners paid the initial capital cost of building the infrastructure of the waterways (e.g. the water bore and pumps) directly to the developer. At this time, special precept area rates were established only to maintain this infrastructure, not replace it as it aged.

These anticipated costs have been included in the draft precept rate structure outlined in this information sheet.

## 2. How rates are expected to increase for the whole Quiet Lakes community

Quiet Lakes precept rates need to increase because:

- in the past their costs have been subsidised by all the property owners of Tidal Waterways
- previous fees charged did not cover the cost of services provided.

Melbourne Water has consulted with PLAC in establishing a schedule of price increases that will enable revenue generated to cover the costs of providing the services by 2022/23.

This process has seen the Quiet Lakes precept charges increased by 5% in 2008/09, 25% in 2009/10, 11% plus CPI in 2010/11 and 7.9% plus CPI in 2011/12.

Prices will need to keep increasing to address the above issues.

Annual price increases of 20% plus CPI until the end of 2022/23 would be required to cover the full cost of maintenance including some water quality improvements.

However, it was felt that this would be increasing prices too quickly and so Melbourne Water has agreed to absorb the revenue shortfall for the whole of the Patterson Lakes Precept Area (approximately \$10.4 million) and limit subsequent annual increases to around 11% plus CPI until 2022/23.

### **3. How the precept rates for individual properties will be determined**

Melbourne Water is looking at reforming the way prices are charged to achieve a fairer and more sustainable pricing structure. To this end, it has consulted with PLAC, the Essential Services Commission and the whole community via a

survey undertaken in 2011.

This reform will form part of the 2013/14 – 2017/18 and 2018/19 – 2022/23 Water Plans and will guide the schedule of the price increases referred to above.

The proposed price reform will occur according to the following principles:

- charges should reflect the cost of services delivered to waterfront compared with non-waterfront properties
- pricing will move away from using the outdated 1990 unimproved property valuations. This is in line with residential drainage rate charges in metropolitan Melbourne, which are moving to a uniform rate over the five year life of each Water Plan.

The preferred option is to introduce different precept rates for waterfront and non-waterfront properties. To reach this cost in 2022/23, each property will have price changes determined from the fee they currently pay.

Melbourne Water defines Waterfront properties as properties that have full access rights. Non-waterfront properties have no direct access to the waterway – only partial access or a common easement and no direct access to the waterway.

Price changes for waterfront properties will range from about \$23-\$46 plus CPI per year. For non-waterfront properties, price changes will range from about \$1-\$32 plus CPI per year.

#### **Addressing pricing issues for small lots**

The precept rates for commercial properties and multi-unit developments, including retirement villages, will be adjusted so that each unit pays an appropriate cost for the relative size of their property.

In the letter sent out with this information sheet we have detailed the proposed precept rate changes for your property.

### **Customer Service Charter**

Melbourne Water is currently developing a Customer Service Charter for the Patterson Lakes area. This charter will outline the responsibilities and obligations of Melbourne Water in providing services to the community as well as responsibilities and obligations of ratepayers. A draft outline is now available for you and we are seeking your feedback to develop this important document further.

## For more information

If you have questions about the information contained in this information sheet, please contact Evaluation Solutions, who are assisting us with our consultation, on (03) 9863 7554.

We will consider all feedback before finalising our proposed changes. You will also have the opportunity to provide comment as part of the Essential Services Commission's public consultation process.

**Mail:** Precept Pricing Feedback  
Melbourne Water  
PO Box 367  
CHELSEA VIC 3196

**Email:** [pattersonlakes@melbournewater.com.au](mailto:pattersonlakes@melbournewater.com.au)

**Phone:** (03) 9863 7554 (Evaluation Solutions).