

Patterson Lakes – Tidal Waterways 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 Tidal Waterways community and also how they may change for individual property owners.

Section 2 is about why precept rates are expected to increase for the whole of the Tidal Waterways 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, Tidal Waterways and Quiet Lakes 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 Tidal Waterways include:

- monthly weed spraying of beaches and foreshore
- monthly raking of beaches (October - March)
- monthly debris removal for waterways, beaches and foreshore
- limited waterway dredging
- grass maintenance program monthly
- operation and maintenance of the tidal gates
- retaining wall maintenance
- jetty maintenance and renewal
- convening the Patterson Lakes Advisory Committee (PLAC), PLAC newsletter and website
- tidal gate operations and maintenance
- foreshore works.

Ensuring that rates cover the costs of services provided

Melbourne Water has been working with the community since 2008 with the aim to reach 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 both services provided 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.

Melbourne Water will absorb the shortfall of approximately \$10.4 million (for the whole of the Patterson Lake Precept Area) until the costs align with services provided in 2022/23.

In the past, revenue from precept rates has only covered the cost of the maintenance services; it has not covered the costs of renewing the waterway infrastructure.

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 precept 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.**

Keeping the waterway infrastructure in good working order

In the Tidal Waterways, property owners paid the initial capital cost of building the infrastructure of the waterways (e.g. retaining walls and jetties) directly to the developer. At this time, special precept area rates were established only to maintain this infrastructure, not replace it.

Much of this infrastructure is ageing and now needs replacing. The current precept rates do not cover this cost and the Essential Services Commission in its most recent determination has set prices on the basis that the cost of this infrastructure renewal will be paid for by the property owners, and that this is likely to be their approach in future years.

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 Tidal Waterways community

Tidal Waterways precept rates need to increase because previous fees charged did not cover the cost of services provided, particularly the renewal of ageing assets.

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 Tidal Waterways precept charge increased by 5% in 2008/09, 20% plus CPI in 2009/10, 18% plus CPI in 2010/11 and 9.8% plus CPI in 2011/12.

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

Melbourne Water, in consultation with PLAC, has waived all shortfalls. Rather than sharply increase the precept rate to cover current maintenance costs, Melbourne Water has proposed to increase rates over a number of years.

If all the costs of infrastructure renewal were to be paid for by the property owners, sustained annual price increases of 26% plus CPI until 2022/23 would be required. However, it was felt that this would be increasing prices too quickly and so Melbourne Water has agreed to absorb the revenue shortfall and limit annual increases to around 13% plus CPI until 2022/23.

Melbourne Water has paid for the replacement costs of the new Tidal Gates in recognition that the gates also provide benefits to the wider community for flood protection.

Precept ratepayers pay only 42% of the maintenance and operation costs of the Tidal Gates.

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

Melbourne Water is looking at reforming the ways 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, and those with or without a mooring.
- 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.
- pricing will move away from using 1990 property valuations. This is in line with residential drainage rate charges in metropolitan Melbourne which are moving to a uniform single rate over the five year life of each Water Plan.

The preferred option is to introduce different rates for waterfront and non-waterfront properties, and for properties with or without a mooring. To reach this cost per property in 2022/23, each property owner will have annual price changes determined from the fee they currently pay.

Price changes for waterfront properties will range from about \$1-\$56 plus CPI per year. For non-waterfront properties, price changes will range from about \$3-\$40 plus CPI per year.

Addressing pricing issues for small lots

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

Please see the letter sent out with this information sheet which details the proposed precept rate changes for your property.

Moorings

Currently, some precept ratepayers have moorings even if they don't have a waterfront property and the opposite situation also exists. The planned precept rate changes will address this issue by adjusting the charge to reflect the level of service provided to those properties that have moorings.

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 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

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