



— *City of* —
Melville

**MINUTES
OF THE
ANNUAL GENERAL MEETING OF ELECTORS
HELD ON
26 NOVEMBER 2008**

DISTRIBUTED: 4 DECEMBER 2008



— City of —
Melville

10 Almondbury Road Booragoon WA 6154
Postal Address: Locked Bag 1, Booragoon WA 6954
Tel: 08 9364 0666
Fax: 08 9364 0285
Email: melinfo@melville.wa.gov.au
Web: www.melville.wa.gov.au

**MINUTES OF THE ANNUAL GENERAL MEETING OF ELECTORS HELD IN THE
CONFERENCE ROOM, MELVILLE CIVIC CENTRE, 10 ALMONDBURY ROAD,
BOORAGOON, COMMENCING AT 6.35PM ON WEDNESDAY, 26 NOVEMBER 2008.**

1. PRESENT

His Worship the Mayor, R A Aubrey

COUNCILLORS

Cr H Everett, Cr N Pazolli
Cr D Macphail, Cr A Ceniviva
Cr R Subramaniam, Cr C W Robartson
Cr P M Phelan,
Cr J M Barton, Cr G Wieland
Cr L M Reynolds, Cr J Bennett

WARD

Applecross/Mount Pleasant
City
Bull Creek/Leeming
Palmyra/Melville/Willagee
Bicton/Attadale
University Ward

2. IN ATTENDANCE

Dr S Silcox
Mr M Tieleman
Mr C McClure
Mr J Christie
Ms C Young
Mr D Vinicombe

Mr J Cameron
Mr I Davis
Mr K Vadivale
Ms C Coney
Mr B Dawkins
Ms K Johnson
Ms L Hartill

Ms K Davis
Mr T Cahoon
Mr D Smith
Mr B Taylor

Mr J Clark

Mr K Yeoh
Ms D Whyte
Ms V Wong
Ms H O'Brien

POSITION TITLE

Chief Executive Officer
Director Corporate Services
Director Urban Planning
Director Technical Services
Director Community Development
Manager Planning & Development
Services
Executive Engineer
Manager Parks & Environment
Manager Operations Services
A/Manager Community Services
Manager Neighbourhood Amenity
Manager Organisational Development
A/Manager Cultural & Community
Development
Manager Strategic Planning
Manager Health & Lifestyle Services
Manager Financial Services
Manager Information, Technology &
Support
Governance & Compliance Program
Manager
Financial Accountant
Senior Management Accountant
Assistant Accountant
Communication Officer

Ms N Wright
Mr W Thornton
Ms D Beilby
Ms C Rourke

Public Relations Officer
Civic Functions Officer
Business Support Officer
Minute Secretary

Electors of the City of Melville

66 people

3. APOLOGIES

Cr C M Halton

Palmyra/Melville/Willagee

4. LEAVE OF ABSENCE

Nil.

5. INTRODUCTION OF ELECTED MEMBERS AND OFFICERS

His Worship the Mayor R A Aubrey, introduced individual Elected Members and Senior Staff to the meeting.

6. BUSINESS

6.1 NOTICE OF ANNUAL GENERAL MEETING OF ELECTORS

The following Notice of Meeting was advertised in the Melville Times Community Newspaper on Tuesdays 4 & 11 November 2008 in addition to being displayed on public notice boards at all the City of Melville libraries and the Civic Centre. The notice read:

ANNUAL GENERAL MEETING OF ELECTORS

Notice is hereby given that the Annual General Meeting of Electors will be held on Wednesday, 26 November 2008 in the Conference Room of the Civic Centre, 10 Almondbury Road, Booragoon commencing at 6.30 pm.

Order of Business

1. To receive the Annual Report for the year ended 30 June 2008
 - 1.1 Discussion regarding City of Melville investments.
2. General Business

The Elected Members and Staff welcome your questions regarding the City of Melville, the Annual Report or any matter relating to the Notice of Meeting. A Question Form can be obtained from the City of Melville website www.melvillecity.com.au or please contact Ms Claire Rourke on 9364 0607 for alternative arrangements.

In order for complex questions to be answered at the Meeting, questions must be received by 5.00pm on Monday, 24 November 2008.

Copies of the Annual Report will be available for inspection from Friday, 21 November 2008 at the Council Office and all City of Melville Libraries. A copy will also be available on the City of Melville website.

**DR SHAYNE SILCOX
CHIEF EXECUTIVE OFFICER**

6.2 MANNER OF CONDUCT OF THE MEETING

1. All present are required to sign the attendance register at the entry to the Conference Room.
2. Speakers must be Electors of the City of Melville.
3. The proceedings are being taped for the purpose of production of the minutes and speakers are requested to use the microphones each time they speak.
4. No other audio or visual recording is to be undertaken without the permission of the Presiding Member.
5. Speakers are asked to clearly give their name and address each time they speak.
6. Upon a motion being proposed, each speaker is to address the Chair.
7. All addresses are to be limited to a maximum of five (5) minutes. Extension of time is permissible only with the agreement of a simple majority of Members present (9.6 of Standing Orders).
8. No persons are to use offensive or objectionable expressions in reference to any Member, employee of the Council, or any other person (8.3 of Standing Orders).

7. PRESENTATION OF ANNUAL REPORT INCLUDING FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

His Worship the Mayor R A Aubrey advised that copies of the Annual Report had been circulated and had been available on request from the City of Melville, libraries and the Internet.

Mr Cecil Walkley of Bicton moved, seconded Mr Otto Mueller of Murdoch

THAT THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008 BE RECEIVED.

The Mayor submitted the motion which was declared

CARRIED (36/1)

8. GENERAL BUSINESS

His Worship the Mayor, R A Aubrey invited written questions to be read out for response.

8.1 Question 01/08

Ms Vivienne Press – Kardinya

“We have noted Michael Colman’s letter in the “Melville Times” (Nov 11, 08). I think it would be helpful if those attending the AGM were provided with a schedule of Annual Investments and the returns on those investments for the period 2000 to 2008.”

Director Corporate Services, Mr Marten Tieleman, responded -

The interest earned from Council’s Investments from 2000 – 2008 was \$22.24m

Interest earned from Council’s Investments over the past 5 years was \$16.30m

Interest earned from Council’s Investments over the past 10 years was \$23.99m

	Year End Investments Balance
1998/1999	\$ 20,106,745
1999/2000	\$ 14,438,529
2000/2001	\$ 8,345,292
2001/2002	\$ 7,670,719
2002/2003	\$ 9,931,511
2003/2004	\$ 18,495,526
2004/2005	\$ 31,150,488
2005/2006	\$ 33,903,287
2006/2007	\$ 39,415,635
2007/2008	\$ 39,982,383

8.2 Question 02/08

Ms A Nicholson - Applecross

“As we appear to be coming across difficult economic times, it seems as though the council options may be that it needs to tighten expenditure, increase revenue, increase rates, or a combination of these.

As a ratepayer I would like to know all the community and social services that are available to me at a concessional rate. Eg free rat bait.”

Director Corporate Services, Mr Marten Tieleman, responded -

The need to review our operations is recognised by the Council and officers of the City. The CEO has therefore recently instigated a comprehensive review of the organisation to address all of the issues you raised in your question.

In trying to balance the budget going forward Council will look at tightening expenditure and increasing revenue. Increasing rates is a last resort.

In regards to the second part of the question regarding community and social services Mr Tieleman advised that he will address this personally with Ms Nicholson.

The CEO gave the public an overview of some of the City's 209 services.

8.3.1 Question 03/08

Mr Vic Williams – Bull Creek

CDO Investments: Selection of Financial Advisor & Service Provided

- (1) *“What was the formal selection process that Council followed which resulted in Grange Securities/Lehman Brothers being appointed as Council's financial advisers?
From the Council's “Investment FAQ” document it would appear that Council adopted an ad hoc procedure by blindly selecting Grange from a WALGA list without any in-depth evaluation. Is Council suggesting that WALGA is to blame?”*

Director Corporate Services, Mr Marten Tieleman, responded -

Grange Securities Ltd Appointment

1. Prior to July 2004, Council's investment management was conducted in-house by Council's Financial Services Unit. From July 2003 Grange Securities were used on an ad-hoc basis to arrange the purchase or sell sub-ordinated debt notes on Council behalf.

In October/November 2003 a tender for the supply of independent advisory services was advertised and responses evaluated by Council officers.

A recommendation for approval to appoint Grange Securities was submitted to the Chief Executive Officer for approval. Due to the low value of the contract the appointment for a 12 month period from 1 January 2004 to 31 December 2004 was made by the Chief Executive Officer of the time under delegated authority.

2. A further written agreement between the City and Grange for appointment as Investment Advisors entered into by the City of Melville in 12 July 2004. Subsequently, in October 2006, the City of Melville entered into a contract for Investment Advisory Services under the Western Australian Local Government Associations (WALGA) Panel Contract CDT 03-005 for Investment Advisory Services.
3. The Investment Services provided under the agreement were “The provision of investment advice, research information, securities execution services, analysis and reporting of the performance of the Portfolio and securities settlement services.” The Portfolio was defined to mean “the portfolio which holds the investments of the Council that are under the advice of Grange Securities Limited”. The arrangement was commonly referred to as an “Individually Managed Portfolio” or “IMP” and we understand there were over 700 of these arrangements with Grange clients throughout Australia.
4. The WALGA common use contract was used to appoint Grange Securities as Council’s investment advisors/managers. Appointment to the WALGA panel of advisors/managers, of which there were 3 on the panel offering different types of services, was made following a request for tender and tender evaluation conducted by WALGA – they engaged an external consulting firm to participate on the evaluation panel. Council regularly use various WALGA common use contracts and is not attempting to blame WALGA.

The Chief Executive Officer added to the above response by advising that by using the WALGA common use contracts Council actually reduce the cost because they have gone through the Tender processes ensuring that they meet the requirements of the Act. By Council using those contracts they do not need to use their own resources which results in saving Council money.

- (2) *“Has Grove Research & Advisory (Grove) been selected on a similar ad hoc basis? If not, how many potential advisors were evaluated and what decision-making model (including selection criteria) was used to determine Grove Research & Advisory as the preferred advisor? Who at Melville (both in the executive and in the Council proper) were involved in the selection process and who will be held accountable for the performance of Grove? What key performance indicators have been agreed upon by the parties, what is the term of the contract, what conditions are included in the contract for payment of damages due to poor performance and what are the conditions and costs involved should Council need to terminate the contract?”*

Director Corporate Services, Mr Marten Tieleman, responded -

1. Grove Research & Advisory Pty Ltd were appointed by Mr Marten Tieleman whilst Acting CEO subject to ratification at the February 2008 Council meeting. Ratification by Council of this action was obtained at the Ordinary Council meeting held on 19 February 2008 – report C08/6010 titled “Appointment of Investment Advisors” sets out the background to this appointment.

2. The process followed was carried out as a matter of urgency as, due to a continued deterioration in the credit markets and market value of the CDO's in particular, it was deemed urgently necessary to engage a firm of advisers who had particular expertise in analysing CDO structures. The 2 other firms on the WALGA common use contract panel did not have particular expertise in that area and Price Waterhouse Coopers whom Council had previously used in August/September 2007 were also unable to undertake such in depth analysis. Other firms known to advise in this field were found to have similar arrangements as Lehman Brothers i.e. they also sold product. Our objective was to source a firm of advisors who as well as having the expertise to advise on the detail of our CDO holdings were also truly independent. On contacting other Local Authorities it became evident that Grove Research and Advisory Pty Ltd had the requisite skills and independence and they were therefore requested to submit a proposal for investment advice. It should be noted that Council has chosen to manage its funds in-house.
 3. An agreement has been entered into by Council with Grove which was executed by Mr Marten Tieleman as Acting CEO subject to Council's ratification of that action when it resumed meeting after the January recess period.
 4. Grove is remunerated under a fixed professional fee of \$11,000 per quarter (GST inclusive) for two years. It has been agreed that, in accordance with usual Grove practice, that should there be any commission involved in a transaction that it will be fully rebated to Council.
 5. The contract with Grove is not a performance based contract as they are retained to provide advisory not funds management services.
- (3) *"Precisely what services have Grove been contracted to provide to Council and to whom at Melville does the advisor report? What delegated authority does that Council representative have in relation to investment decision-making and what executive or Council oversight is now in place to ensure investments are in-line with the investment policy. "*

Director Corporate Services, Mr Marten Tieleman, responded -

1. Grove have been contracted for the provision of independent investment advising services. They do not manage Council funds – this is carried out on a day to day basis by Council's staff of the Financial Services Unit.
2. Grove report to the Director Corporate Services, Finance Manager or Financial Accountant on a day to day basis. Council officers have delegated authority to transact Council investments in accordance with Council's Investment Policy. It will be noted from the policy that Council officers **cannot** invest in any investment products outside of the policy. It has also been previously noted that detailed investment reports are provided to Council (and the public) on a monthly basis. The investment reports also contain a table that shows compliance with the policy limits.

Council funds have always been invested in accordance with policy.

8.3.2 Question 03/08

Mr Vic Williams – Bull Creek

- (1) *“In the November 2006 Melville Portfolio Executive Summary, Grange Securities (Grange) stated that its investment objective was to outperform the UBS Warburg bank Bill Index by 0.35%. Why did Council risk ratepayers’ funds by investing in high risk, complex and opaque financial instruments for a pitifully insignificant potential gain? Who at Melville approved these investments and has he/she or they been removed from any future involvement in investment decision-making or monitoring?”*

Director Corporate Services, Mr Marten Tieleman, responded -

1. Council's objectives for investing are as stated in the Investment of Surplus Funds Policy. These objectives have always included:-
 - taking a conservative approach to investments, but with a focus to add value through prudent investment of funds.
 - To achieve a high level of security for the overall portfolio by using recognised rating criteria
 - To have ready access to funds for day to day requirements without penalty.

Based on the advice obtained from Grange Securities and the high AAA – A+ ratings applied by the international ratings agencies Standard & Poor, Fitch and Moody's, the investments were not considered by the Officers or members of Council to be high risk, Council relied on what it believed to be the expert advise of Grange Securities later Lehman Brothers and also what it believed at the time to be appropriate ratings.

The level of return earned on the investment portfolio advised by Grange was in the order or 1% more than the UBSWA Bank Bill index benchmark. This was considered to be very good in light of the high credit ratings (and in our view low level of risk) awarded to these products by the ratings agencies.

2. The Investment Policy of Council was approved by Council.
Day to day investments activity in accordance with the Council policy is undertaken by staff within the Financial Services Unit including the Director Corporate Services. No Elected Members or Staff have been removed from any future involvement as investments were conducted in accordance with Council policy.
Grange Securities/Lehman Brothers are no longer Council's investment advisors.

- (2) *“At the time the CDO contracts were entered into, what role did Council's audit and risk committee play in the assessment of the risk/reward characteristics of these investments? Who was the chairperson of the committee and has he or she since been removed from that role? If not, why not?”*

Director Corporate Services, Mr Marten Tieleman, responded -

1. The first meeting of Financial Management, Audit, Risk & Compliance Committee was on 6 March 2007 well after Council had appointed Grange Securities/Lehman Brothers so played no role in their appointment or recommendation of the Council policy that enabled investment in CDO's.

Contracts for the sale and purchase of CDO's were entered into on a regular basis and as they were made by officers acting under delegated authority and in accordance with Council policy neither the Committee nor the Council was involved in any prior approval of individual CDO contracts.

2. No chairperson or Committee members have been removed from their role. Officers and Elected Members acted on what they reasonably believed at the time to be expert independent advice and the high credit ratings carried by the products purchased.

Cr A Ceniviva also responded to the above question regarding the involvement of the Committee in the investments prior to March 2007. Council had a different structure whereby the Corporate and Technical Services Committee were responsible for dealing with the investment statements each month. The resolution was that the investment statement be noted and then be passed on to the Council to adopt. When we saw some of these investments in the investment statement we had Grange Securities come and give us a presentation on the level of security we had and reassurances in regards to their risk. At the time the investment appeared to be quite sound, in fact they had a spread of risk, in other words, each one of those parcels of investments had securities which meant they had 100 odd borrowers. It would have taken a majority of those borrowers to default for us to lose any money. As well as that we had the assurance of the AAA & AA + rating which we work on.

For quite a while the Council did quite well out of those investments. The investment statement for June 06 showed a surplus for the year of \$1.5m dollars. The committee system as it existed in June 06 was disbanded and a new committee was established and the first time it met was on 6th March 2007 and is the same structure we have at present which is the Financial Management, Audit, Risk and Compliance Committee. This committee meets every three months and it no longer deals with the monthly reports which go straight through to Council. It is however responsible for the policy making with regards to financial investments and has in fact reviewed the Policy. What happened between the disbandment of the old committee system and the new one was that the structure of the CDO Investments changed considerably, they became much more complex. They introduced new rules and these rules worked to the detriment of the security, it was later established that with these changes the AAA rating was not correct. Therefore the Council finds itself in this situation mainly because of changes and as a Committee we try to monitor those changes, but they did slip from under. One of the more significant changes was the change in the ownership of Grange Securities who had given us very good service, but they were taken over by Lehman Brothers and again things started to go wrong.

We can tell however that the Financial Management Audit, Risk & Compliance Committee still has a role to play and this role is to minimise the pain to the ratepayers. From the extra funds that we made on the investments over the years we found ourselves in a position where we could purchase for cash two primary school sites – Melville Primary School and Carawatha Primary School sites. We were considering only giving half of those sites to meet the public open space deficiency which was required, but as we had the funds there we paid cash and therefore retained those sites.

One of the effects that resulted from that is that we have made a considerable profit on the Carawatha Primary School, we have 4 hectares of land there and enough to put 1.6 hectares for the provision of Public Open Space we have 2.2 hectares which is available for sale. I can assure ratepayers as an individual Councillor and perhaps as the chairman of the committee that using funds from the profits of these investments there will be no need for the rate payers to suffer any loss, nor will there be any need for us to raise rates to fund any losses that may occur.

At present we have sufficient reserves to cover these investments that is the reason why we have not had to sell any of them, we will hold them until maturity and quite a few of them will continue to maturity without any loss. However, should there be any losses in any of the others we have sufficient reserves to cover those losses without having to go to the Municipal fund or the rates. Because the reserves will be eroded by the possible losses it will be replenished from the funds of the sale of this other investment which will be used.

At the end of the day I can reassure ratepayers that the financial status of the Council is quite sound, we have had a setback but that is covered. Here we have a situation where risk is balanced and on balance I am sure that we will deliver a very good outcome for residents.

- (3) *“Will Council be providing basic investment training to those of its personnel who are involved in decision-making relating to the investment of surplus funds? It is essential that the decision makers have a good understanding so that they can confidently ensure that any advisor recommendations meet Council’s revamped investment policy criteria (particularly with respect to risk/reward and liquidity)”*

Chief Executive Officer, Dr Shayne Silcox, responded -

I have ensured that training of Council staff has been undertaken including the newly appointed Manager Financial Services as well as two other Financial Services staff.

Director Corporate Services, Mr Marten Tieleman, responded –

1. As the CEO mentioned training of Council staff has been undertaken. Management of Council’s investment portfolio is being undertaken in-house and due to the illiquidity of the CDO investments in particular, investments are being made in “vanilla” type products such as at call and short-term deposit with the major Authorised Deposit Taking Institutions.

- (4) *“The investment terms of the ADIs vary between 8 and 11 years and those of the CDOs between 5 and 11 years which are extremely illiquid. It must be difficult for ratepayers to understand why Council would have entertained agreeing to investment terms of this length other than for government bonds. Can Council obtain access to any of these funds prior to maturity and, if so, at what cost?”*

Director Corporate Services, Mr Marten Tieleman, responded –

1. Council's investment policy prohibits investment horizon outside of 10 years. The maximum term to maturity of any of Council's ADI's is less than 9 years the longest legal maturity date ADI maturing on 31 May 2017. The maximum term to maturity of any of Council's CDO's is also less than 9 years with the longest legal maturity date being 20 March 2017. Had we seen them to be outside of 10 years we would have imposed on Lehman Brothers to take them back.

The ADI's can be sold - as at 31 October 2008 the estimated loss if sold would have been \$687,000. Due to the underlying nature of those ADI's being in Australian Banking Institutions those institutions are considered very sound and we would consider that sale at anything less than at their face value is unwarranted.

We understand that no active market currently exists for CDO investments. Unlike government bonds which have a fixed coupon the ADI's and CDO's are floating rate notes. Prior to the financial crisis they were tradable on a daily basis and over a 5 year period that we had experienced with Grange Securities there had not been a time where we required times that they were not able to do so until the crisis hit. The spread and liquidity for ADI sub-ordinated debt notes is expected to return to more normalised levels over the next month.

The Chief Executive Officer also responded by saying that essentially Council makes long term investments because the reserve funds are used for the replacement of assets, some can be 50 years out, so the investment period is not unlike what other Local Governments would be doing and in relation to the investment made in the CDOs and ADIs was based on the AAA and AA + rating which generally view that rating by having a look at the marketplace going back a number of years and looking at the level of default then organise their investments so that there are no problems associated with what has happened in the past. We have had a one in 100 year event now and it has not happened for a long time.

8.3.3 Question 03/08

Mr Vic Williams – Bull Creek

- (1) *“Wingecarribee Shire Council (NSW) is well advanced in its proceedings against Lehman Brothers Australia (refer the council's website). The grounds of its action are several fold including; misleading and deceptive conduct, negligence, breach of contract and breach of fiduciary duty. Has Melville Council been in contact with Wingecarribee to understand that council's legal arguments in more detail with the view of initiating action along similar lines?”*

Director Corporate Services, Mr Marten Tieleman, responded –

- The City believes that we have very similar grounds on which we could pursue a successful claim against Lehman Brothers Australia.
- Council has appointed the same firm of legal advisors who are Wingecarribee's legal advisors in its action against Lehman Brothers Australia. We have not been in direct contact with Wingecarribee Council itself.

The Chief Executive Officer also advised that a number of Councils have come together and are seeking advice to see whether there is the potential for a class action. We believe there is something in excess of over 44 organisations in WA from universities through to local governments and not for profit sector that are having the problem because of the nature of these organisations hold reserve for future replacement, this product was deemed to be acceptable for many of those so there are a lot of organisations hurting at the moment.

- (2) *Referring to item 6 of Melville's website publication, "Investment FAQ", which is headed, "What strategies has or will (Melville) Council deploy to minimise the loss?", Council states that , "...the City has engaged a legal firm to investigate the possibility of recovery of any losses." What is the status of this investigation, what other councils are involved and what is the likelihood of loss recovery?"*

Director Corporate Services, Mr Marten Tieleman, responded –

- The investigation has now taken a different tack due to Lehman Brothers US filing a Chapter 11 Bankruptcy in the US and Lehman Brothers Australia being placed in the hands of Administrators PPB.
- We are not aware of the names of the other Councils involved.
- The likelihood of loss recovery has diminished significantly now that Lehman Brothers has ceased to operate and is in the process of being wound up.

It should be noted that Council does not have money invested with Lehman Brothers – the securities are held in our name and are in safe custody with ANZ Custodians.

We also understand that of the \$21.22m invested in CDO's, \$5.3m were arranged by Lehman Brothers. As a result of Lehman Brothers liquidation the collateral making up the CDO is now in the hands of the Trustee (Bank of New York Mellon) who is now contacting all investors to receive instructions as to the sale and distribution of the collateral. The collateral is represented by a long term investment with General Electric Finance. As that investment is a long term note it's valuation will also be subject to market price variation. The resulting payout after trustees fees should yield a substantially better return of capital than the value of the CDO's would be likely to yield.

8.3.4 Question 03/08

Mr Vic Williams – Bull Creek

CDO Investments: Investment of Surplus Funds Policy (Dec 2007)

- (1) *“Section 1 of the policy. Should not the seventh objective read; “To ensure that **before** investments are made they are appropriately authorised.”? The current wording suggests authorisation after the event.”*

Chief Executive Officer, Dr Shayne Silcox, responded –

Your suggestion is noted and I will put a recommendation to the Council.

Director Corporate Services, Mr Marten Tieleman, responded –

1. Authorisation should and does occur prior to investment - Suggestion to make this clearer will be incorporated into a future policy review.

- (2) *Section 4 of the policy essentially says that, “Specific securities (can be) approved by Council.” What securities fall under this classification?”*

Director Corporate Services, Mr Marten Tieleman, responded –

Any specific security not specifically approved within the policy would need to be taken to Council for authorisation. Any investment approved by Council would of course need to meet the requirements of the Local Government Act, Regulations and the Trustees Act.

Council officers acting under delegated authority are authorised to invest in accordance with the Council Policy on a day to day basis.

- (3) *“The policy document does not spell out who is ultimately held accountable for the diligent and proper execution of the policy. It merely indicates that the Manager Financial Services is the Process Owner. Hence, who **is** ultimately accountable and will the document be amended to clearly indicate that person’s position title”*

Director Corporate Services, Mr Marten Tieleman, responded –

1. The Chief Executive Officer of the Council has the ultimate responsibility to ensure the diligent and proper execution of Council policies. Like any other large business duties are delegated to staff. The Director Corporate Services, followed by the Manager Financial Services are the delegates to whom the day to day diligence and execution of the policy is provided.
2. Monthly investment reports are provided to Council and reported in the monthly Council agenda. These reports provide detailed information in respect to the manner in which the investment policy has executed.

Chief Executive Officer, Dr Shayne Silcox, responded –

For an officer to use a delegation, the exercised delegation has to be registered. It is reportable to the Department of Local Government through the Compliance Return so there is a structure of good governance in relation to the use of delegated authority across the City.

- (4) *“Section 8 of the policy. Authorisation for investments. The policy does not spell out the position titles and the levels of accountability of the people involved in the authorisation process. In light of the fact that up to \$21.2 million of ratepayers’ funds could be lost as a consequence of Council’s previous investment policy, ratepayers have the right to know precisely who at Melville are now authorised and who will be held accountable, for making investment decisions on their behalf. What part will the Financial Management, Audit, Risk and Compliance Committee play in the authorisation process?”*

Director Corporate Services, Mr Marten Tieleman, responded –

It might first be noted that potential losses are a result of unprecedented world financial markets events not a fundamentally flawed Council investment policy. Had the economic crisis not erupted to the extent that it has, and the historical number of company defaults (credit events) occurred, CDO’s would most likely not be being questioned today as an appropriate form of investment.

Hindsight is a wonderful tool however, the benefit of using it is in the learning it provides for the future. With the benefit of hindsight it is now very clear that the manner in which some of the CDO investments were constructed, marketed and rated was questionable.

Now turning to the specific questions:-

1. The Financial Management, Audit, Risk and Compliance Committee acting on a report from Council officers would recommend the adoption or amendment of Council’s Investment of Surplus Funds Policy to Council. The Committee has no delegated powers and does not therefore authorise policy or any specific investment transactions in it’s own right.
2. Appropriately experienced and authorised Council staff authorise the day to day placement of investments in accordance with the Council’s investment policy. Category A signatories include the Chief Executive Officer, Director Corporate Services, Manager Financial Services, Director Community Development and Director Technical Services. Category B signatories include The Mayor, Manager Information, Technology & Support, Financial Accountant, Senior Management Accountant and Manager Organisational Development. In practical terms authorisation of investment transactions is undertaken on a daily basis by the Director Corporate Services and Manager Financial Services.

8.4 Question 04/08

The preamble to Mr Marshalls questions was not read out however is provided in full below –

Mr G Marshall - Melville

“I would like a response or comments on the following observations regarding the rates’ increases for 2009, and the City’s investments.

Most ratepayers are quite ambivalent when it comes to the operations of the City of Melville and this is reflected in the relatively poor turnout for Council elections. Perhaps ratepayers have an innate trust in the integrity and competence of Councillors or perhaps they have a cynical view about the way Council operates.

However, this year two issues have stirred the Melville community into action: first, the question of increased rates; and second, City of Melville investments. Fortunately local newspapers have also pursued these issues and kept them alive as well as raising questions about the Council’s openness and accountability.

In regard to the rates’ increases, there was a degree of spin used by Council in endeavouring to justify what were significant and probably to most ratepayers, unacceptable rates’ increases of 8.8% or more, claimed by Council to be linked to property revaluations and other inflationary items. Property valuations are notoriously subjective and arbitrary, and a lazy way to strike rates. Yes it is the traditional way of levying rates but a number of Eastern States councils have moved from this method to the more professional approach of striking a budget based on expenditure and income necessary to meet that commitment. Council should have recognised that the increase of 8.8% for some, and considerably more for others, would be both unacceptable and unjustifiable. It should have sought to work on a budget to take this into account rather than take the lazy way out. Residential valuations were set at a time of unprecedented housing prices and this is another reason why they were both arbitrary and subjective. Further, apart from special circumstances, why should one household pay more or less in rates than another?

Given the recent reversal of housing prices and likely reductions in infrastructure costs, will Council also reduce the valuations etc. for the next rating period to reflect some consistency and integrity into its budget? It would not be impossible to do this. To do otherwise would be perpetuating an inequity.

On the question of the rates’ increase of 8.8% being claimed by Council as an average, nowhere was this mentioned in the Budget Summary provided with the rate’s notices, despite Council’s claim to the contrary.

Further the Budget Summary contained inaccuracies and did not show all relevant information. Apart from the failure to show the rates’ increase of 8.8% as being an average, the pie chart and the bar chart showing expenditure were incompatible; the Operating Income did not include rates as income, while the waste and security services are in fact part of the rates we pay. No mention was made of any contribution to the City from the State Government, although this may have been included under another heading, and no mention was made of investments from which income is derived to contribute to the City’s budget.

The Budget Summary is probably the one publication about the City that most ratepayers read. When questioning this document it was put to me that given the questions it had raised it was not realised that so many people read it. The discrepancies in the expenditure charts were said to be due to a printer's error. Well there may have been a printer's error, but final responsibility for the content, accuracy and substance of the Budget Summary lies squarely with Council.

Finally, ratepayers who raised questions in local newspapers concerning the increased rates were entitled and justified in taking that action.

The second issue concerns the City's investments and no doubt there will be both criticism and explanation at the AGM. However, the facts are that the City, ie. the Melville community, stands to lose a considerable amount of money through gambling with ratepayers' money through questionable sources and what have turned out to be dodgy investments. I say 'gambling' and 'dodgy' because while you may invest your own money in any way you wish, ratepayer's/taxpayer's money should only be invested in risk averse products. One can speculate as to who may have benefited from these investments but it certainly was not the ratepayers.

Someone or some people should be identified as being primarily accountable to the ratepayers for the investment decisions that were made, whether they include Council Officers who researched and recommended the investments and the investment advisers etc., CEOs who left at critical times, a Council Committee or individual Councillors if such was the case, and finally of course the Council itself that made the final decisions as to whether or not to invest. In other words do the City's investment policies and procedures support the thoroughness and integrity of the investment decisions?

I would suggest that for most ratepayers the actual figures involved in the investments are difficult to fathom other than the amounts involved are huge. Losses or potential losses are similarly difficult to fathom.

I doubt whether the majority of ratepayers were even aware of any, or the extent, of the City's investments until the issue became one of concern earlier this year. Given the increases in rates each year and especially this year, ratepayers are entitled to ask where such large amounts of ratepayers' money came from to be 'squirreled' away as they were, and why wasn't more of this money spent on claimed needs for the City of Melville? I am not suggesting that Council was in any way misleading ratepayers by not disclosing its investments. However, more accurate figures and earlier disclosure through a public meeting would have been appropriate in recognising the disquiet amongst ratepayers rather than having to wait for this AGM.

Finally, Council has tended to gloss over the extent of any real losses by saying in effect that the losses are on paper and are not expected to affect the levying of rates in future years. With the full disclosure of discredited investment houses, banks and ratings agencies etc. yet to come, there is little room for optimism in the future of at least some of the City's investments. Already rates would have been affected with decreases in the investment returns to the budget, something not mentioned in the Budget Summary to ratepayers. Clearly the availability of funds to the City in the future to meet its responsibilities to its ratepayers will also be affected as will the rates the Council will expect its citizens to pay.

I am not looking for 'blood on the carpet' over this issue. However, I do expect some accountability and acceptance of responsibility over the way the investments were handled. Yes, it is easy to say I can level this criticism with the benefit of hindsight and that it has happened to other local government bodies in the midst of a global financial crisis. But the point is that it should never have happened with public monies and it did happen to the City of Melville. Other decisions by other similar bodies are irrelevant.

One final comment I would make is that Melville ratepayers should become more involved and diligent in making the City of Melville open and accountable to its community. This comment is not meant to reflect in any way on the present Council."

Director Corporate Services, Mr Marten Tieleman, responded –

Rates

1. Councils are required by the Local Government Act to use Gross Rental Valuations.

Chief Executive Officer, Dr Shayne Silcox, responded –

We have a democratic system in operation in this state whereby a wealth tax system is applied. The more valuable the property, the State presupposes you are able to pay more. We have no freedom other than to apply this system.

Director Corporate Services, Mr Marten Tieleman, responded –

2. The State Government's Valuer General assess Gross Rental Values for each property in the State – Council has no role to play in this process.
 3. Appeals against valuations are accordingly submitted by property owners to the Valuer Generals Office.
 4. The 8.8% **AVERAGE** rate increase quoted was derived by comparing the 2008/2009 Rate income requirement of Council based on the old valuations with what the same result would have been had we simply used the 2007/2008 rate in the \$. It is quoted for purely comparative purposes and in a year when new valuations are introduced does not accurately reflect what the Decrease or Increase will be for each specific property. Yes some properties did experience a decrease in their general rates!
 5. Valuations rose an **AVERAGE** of around 25%. The % increase applicable to Commercial properties was less than residential. The decrease in the rate in the \$ of valuation was 6.45924 in 2007/2008 to 5.599 cents in the \$ in 2008/2009 a rate in the \$ decrease of -13.32%.
 6. When setting it's annual budget and determining the amount of revenue it requires to raise from General Rates and other Rates and Service Charges that appear on the rate notice the Council;
 - a. assess it's operating and capital expenditure **needs** not wants!;
 - b. estimates the amount of revenue that will be obtained from all other sources i.e. user charges, investment earnings, grants, borrowings, transfers from Reserve Accounts etc;
 - c. Separately calculates any Service charges such as the Refuse charge, Security Levy or Pool Inspection Fee and any Special Area Rates;
-

- d. the net result is the amount that needs to be raised from General Rates.

This is the same methodology you referred to in the question/statement as being used by some Eastern States Councils. This is also the methodology required to be used by the Local Government Act and Local Government Financial Management Regulations.

Taking into account that the rate in the \$ decreased by 13.32% when valuations increase by +25% is evidence Council does not simply take valuation and multiply it by the same or an increased rate in the dollar from the year before.

7. One household will pay more or less than another due to the fact that other than services charges for specific services such as the Refuse Collection & Disposal Charge, General Rates are based on the Gross Rental Valuation referred to previously. Rates are a form of tax and do not attempt to justify themselves on the basis of being a charge for actual consumption of services.
8. Revaluations of the Gross Rental Valuations of properties is undertaken by the State Valuer Generals Office and are valid for 3 years unless the nature of the property changes. The next revaluation will take effect from 1 July 2011.
9. Mention of the 8.8% average increase was made by the Mayor on page 3 of the Budget Summary 2008-2009.
10. In respect to the depiction of income and expenditure in the 2008/2009 Budget Summary document it needs to be understood that there are numerous different ways to depict them. The incompatibility of the pie and bar graphs was not discovered by Council staff when reviewing the document and this was quickly brought to our attention by residents and an amended series of graphs posted on to Council's website. Full responsibility for proof reading is accepted by Council staff.

Comments made by the various ratepayers who have pointed out the error of our ways and made suggestions for further improvement will be taken into account when drafting next years Budget Summary. The document does however need to be kept to a reasonable size and the full budget documentation is available to residents to peruse.

Investments

1. Council does not accept that it gambled with ratepayers money through questionable sources. The products it invested in were considered to be risk averse and at the time of investment carried high credit ratings. Hindsight is a wonderful thing!
2. Accountability for the investments rests with the Council, its officers and the Council's former investment advisors who were engaged to provide their expert advice.

Responsibility and accountability for an unprecedented world economic financial crisis clearly does not rest with the Council or it's officers.

3. If the full loss of the original value of CDO investments of \$21.2m was realised (still an unlikely event) this would equate to an equivalent of \$525 per rate assessment.

4. As a \$540million net worth organisation with an annual cash in and outflow of some \$76m it would be negligent of Council not to provide funds for the timely replacement of it's asset base which at cost totals in excess of \$600m. It would also be negligent for it not to provide for accrued entitlements or future contingencies. It would also be negligent of Council not to prudently invest it's funds so that in-so-far as is possible the real value of those funds are not eroded away by inflation.
5. Full details of Council's investments are disclosed to any interested members of the public via the monthly Council agenda and more recently on the Website.

Full disclosure of the facts have been made well prior to this meeting via the above mechanism plus articles in Council's periodic newsletter the Mosaic.

6. In respect to Council's assertion that it has not yet experienced any actual losses this statement in true in fact. It cannot say that it has if it hasn't!
7. The extent to which interest rates has dropped was not foreseen when preparing the 2008/2009 Budget in May 2007. It is now clear that the \$3.95m expected to be earned from interest will fall short by at least \$850,000 before the cost of meeting the soon to be imposed Federal Government Guarantee fee is factored in. The 2008/2009 Budget Summary did not make mention of these facts because they were not known at the time.
8. As stated earlier Council and its officers accept accountability for it's investment policy. The policy was and is sound – does recognise that stewardship of public monies does need to be held in highly rated investments that provide prudent rates of return.

Council nor it's officers could not reasonably be expected to have foreseen events which have caught the most qualified and expert practitioners in the industry unawares.

8.5 Question 05/08

Mandy Clarke was not present at the meeting, however Ms Clarke's questions were read out.

Mandy Clarke - Leeming

1. *"In the light of the current economic climate could you inform the rate-payers what further losses have been suffered by the City of Melville through it's investment in the Southern Metropolitan Regional Council (SMRC), though the SMRC's investment in Lehman Brothers?"*
2. *"What further costs will the City of Melville incur through the Southern Metropolitan Regional Council (SMRC) addressing the DEC directives in regards to the issue of the SMRC's Regional Resource Recovery Centre Waste Composting Facility odour problem?"*

3. *“Given the drop in recyclable commodity prices, what affect will it have on further budgets of the City of Melville, what further expected costs do the City of Melville rate-payers face through it's investment in the Southern Metropolitan Regional Council, given the increase in operational costs of the Regional Resource Recovery Centre Waste Composting Facility? Can the City of Melville rate-payers expect a hike in rubbish rates next year due to this? I want the above questions addressed at the City of Melville AGM dated 6.30pm, Wednesday 26th November, 2008, and for my questions to be recorded in the minutes.”*

Cr C W Robartson responded -

The first question refers to further losses which is a bit surprising because there haven't been any losses suffered by the City in relation to the plant, it may refer to costs associated with additional plant at the facility but they are not losses to the City in fact they add to the value of the asset of the City.

The Southern Metropolitan Regional Council (SMRC) does not have any investments at all with Lehman Brothers. I might say however that the portfolio does contain some CDO's so like the City of Melville there has been some impact. The impact has been a write-down of about 7.3%. The SMRC will deal with that the same way the City of Melville is dealing with it through its budget and I can't see any reason why there would be any particular impact on the City of Melville.

Recently (in the last few weeks) a report was produced by the Department of Environment & Conservation (DEC). It contains two reports, one on odours assumed to be emanating from the plant and the other report on a survey of residents in the region. There are no directives given by the DEC except for the SMRC to prepare an action report. That action report was due today. On Friday I understand it was well underway and I expect it is with the DEC today. We would then like to see what the DEC have to say.

The plant handles 1 million wheelie bins per month, 700,000 of those include recyclables.

Commodity prices have changed and there is no question there has been a reduction in the value of those commodities. We will have to have a serious look at that when we are working our way through, the same as anyone else who has been affected by the economic change. We will be looking at that and doing our best to maintain the best value for those items that are being recycled.

This is an opportunity to say one thing to the ratepayers of the City of Melville. The person who asked this question is not here tonight. The person who asked this question would like the plant closed down. If the plant is closed down there would be a tremendous hike in the rubbish rate because it would have to be maintained. There is a cost of \$9.0 million per year for the next 15 years that Councils in the region would have to find and waste will have to be taken somewhere else. Where do you think it will go? Will it be taken to landfill? I am going to make it very clear to the ratepayers of the City of Melville that this the best plant of its kind in Australia.

8.6 Question 06/08

Mr Robert Neil Simpson – Mt Pleasant

“Why does the City of Melville no longer police the law relating to parking on footpaths in the City of Melville?”

Today for example, the 30th October, for the second time in 3 days, I contacted the Rangers to complain about tradesmen parking on and blocking the footpath on the corner of Riverview Terrace and Gunbower Road, Mt Pleasant. They never turned up. These footpaths are used by the citizens of Mt Pleasant, including children, and they should not be forced to walk in the middle of the road because of selfish tradesmen.

It seems to me that the council has “washed it’s hands” of this issue, and that the Rangers are consequently ignoring complaints. If that’s not the case, perhaps you can provide written evidence that my complaints this week WERE acted upon. Copies of infringement notices issued will do very nicely, thank you.”

Director Community Development, Christine Young, responded -

Parking on a footpath is an offence under the Local Laws relating to Parking and is subject to a \$70 penalty. It is also illegal under the Road Traffic Act but the Police generally expect Local Governments to deal with this issue.

A Ranger has been allocated to police the area in question. A Ranger did attend on the day that the resident called and moved two tradesmen's vehicles off the path.

In the first instance our preference is to get builders/tradespeople to move their vehicles from footpaths and eliminate hazards rather than issuing Infringements which in that case they would be leaving their vehicles on the footpath.

The City of Melville has requested assistance from the Housing Industry Association in communicating the message to tradesmen through their members.

Other avenues exist through the building licence issued however this penalises the owner of the property.

Rangers definitely respond to calls regarding builders/tradespeople illegally parking on the paths and this is a high priority.

8.7 Question 07/08

Mr Trevor Tobin – Ardross

“Will you please advise the total cost of the contract for the removal of pre-existing kerbing, crossovers and (corner) footpaths, and the construction of new concrete kerbing, crossovers and footpaths currently being completed in Blaven Way, Ardross.

Director Technical Services, Mr John Christie, responded -

	Cost of Removal	Cost of Construction
Kerbing	\$48,360	\$42,900
Crossovers	\$17,600	\$19,200
Footpaths	\$8,820	\$8,820
Total	\$74,780	\$70,920
Total Cost	\$145,700	

8.8 Question 08/08

Mr Dennis Kestel - Kardinya

(1) *“In the 11th November issue of the Melville Times in an article headed “shed would fill void” it stated that “Mayor Russell Aubrey said he supported the idea but was unsure where it could be located”. In view of that article is it possible to locate such a shed on part of the old Melville Primary School Site?”*

Director Community Development, Christine Young, responded -

In the proposed planning for the Melville Primary School site there is likely to be capacity for a community building (apart from the existing Library building which is on Kitchener Road)

(2) *“When will the proposed plan for the Old Melville Primary School site be presented for public scrutiny.”*

Director Technical Services, John Christie, responded -

Council will be considering a number of funding options for the staged development of the old Primary School site at the Ordinary Council Meeting in February 2009. The concept plan and the construction timeframe will be made public once Council has endorsed the project early in 2009.

(3) *“Does the City support the early establishment of a community shed?”*

Director Community Development, Christine Young, responded -

We certainly value the outcomes which happen with community sheds and we have been involved in the provision of a small scale community shed at the Willagee Community Centre.

We are also very aware of some very passionate interest from at least two different groups interested in operating a community shed.

- (4) *“Does the City intend approaching the Federal Government for funding of a community shed.”*

Response – Director Community Development, Christine Young

Presumably this refers to the recent Federal Government funding initiatives. The City may determine other projects with a higher priority that meet a wider community need.

If appropriate land is identified for such an activity it is likely an expression of interest would be developed seeking interest from appropriate community groups to lease the identified land and then seek funding to develop the construction of the community shed.

8.9 Question 09/08

Cecil Walkley - Bicton

“Is it correct that a Telecom company have recently applied to erect a high impact telecommunications tower upon the Point Walter Golf Course?”

If so – What is the Council's attitude considering the public's response to a previous request during February 2002.

Will a public meeting be held to discuss the issue?”

Director Urban Planning, Craig McClure, responded -

1. No formal planning application to erect a high impact facility at Pt Walter has been lodged however an informal approach (letter) has been received from Telstra
2. Some preliminary work has been undertaken which consider amenity impact, network service, low and high impact options for the site.
3. Additional information has been requested relating to service drop out and signal strength in the locality
4. The endorsed TELCO strategy while identifying Pt Walter as a possible site requires Council to consider a range of data and enter into consultation prior to making a decision/recommendation
5. Should a formal planning application be lodged a very comprehensive community engagement /consultation exercise will be undertaken
6. At this point it is not clear whether a formal application for a high impact facility will be made or the alternative, a low impact option will be considered appropriate.

The Director Urban Planning clarified that High Impact consisted of mono poles up to 50 metres in height. Low impact consists of the types of antennae you would see on commercial buildings.

8.10 Question10/08

Cecil Walkley - Bicton

“Kindly advise whether the Council is proposing to take any action about the junction of Adrian with Zenobia Street Palmyra which has been the scene of at least 3 serious accidents this year and generated at least three letters to the local newspaper.

I would suggest speed humps upon both roads as the minimum response.”

Director Technical Services, Mr John Christie, responded

The City is concerned about the safety of its road network and in particular the intersection of Adrian & Zenobia Streets, Palmyra.

As part of a two pronged attack the City is preparing a Black Spot funding application for the installation of a roundabout at the intersection.

The other prong of that attack is that the City is proposing to install temporary speed cushions in Zenobia Street on both approaches to the intersection, however this will only be done after consultation with the residents in the surrounding area.

We are very concerned about the number of serious accidents at the intersection and we are hoping for a successful application for Black Spot funding to install a roundabout in the following financial year.

Chief Executive Officer, Dr Shayne Silcox, responded –

It an interesting issue for Council in a sense in its ability to create safe roads. There has now been a huge burden put on Council to try and manage how fast people drive on roads which was never an issue for Council, it was always a policing issue. The truth of the matter is that every intervention that we put in place for one area pushes the problem elsewhere. Council has to have a real think through how it goes about this and I can assure you that anyone who has a hump outside their house would be truly dissatisfied because the noise and the vibration is quite disturbing. Although it seems like a quick fix to try and implement some of these products there are additional costs that you have to pay through rates and there is an impact on other people’s livelihoods. It is an ongoing issue. Is it something about hoon behaviour and we must take certain action in relation to that or is it something to do with the streetscapes.

Recent research shows by putting signs up and the like you are actually giving people the ability to say this is 60 kilometres an hour I am allowed to do that speed. It doesn’t matter that there are pedestrians etc.

By taking away signage and actually trying to blur the verge and the streetscape so people have to take personal accountably when driving might be a better way of going forward in the future. I don’t know where this research will go but it is something to be explored extensively.

Notwithstanding that, our road network is what is called the 85th percentile, when we measure our roads and it is essentially saying that 85% of vehicles will drive at a certain speed and you would be interested to know that for most of our streets the 85th percentile is quite acceptable. Some are under the 50 kilometre mark. There are 15% of people that are above that. How do you manage that 15%. How much do you invest to manage that is an interesting process for us to work through. At the end of the day we are trying to deliver good amenity. I just wanted you to know it is not just a case of putting in a hump or roundabout or a cul de sac there are actually a lot of issues that we have to work through.

8.11 Question 11/08

As Mr Hovel was not present at the meeting, a response will be provided in writing to Mr Hovel.

Chad Hovel – Leeming

1. *Question(s) Is it correct that when the SMRC was last closed due to odour problems it had the City of Melville dispose of the waste in another SMRC member's landfill and then charged the City of Melville in excess of double the standard entry fee?*
2. *Is it correct that in addition the two public affairs staff already employed by the SMRC, they have also engaged John Halden to manage the public image of the SMRC which include a strategy to challenge the recent DEC report and possible ?*
3. *Since the release of the DEC Report confirming it is the primary source of noxious odour experienced by residents in Leeming and Willetton how much money has the SMRC allocated to improve its public image and to challenge the findings of the DEC report?"*

His Worship the Mayor, R A Aubrey, invited questions from the floor -

8.12 Question 08/12

Mr Otto Mueller, Murdoch

It says here on page 21 of People, Places, Participation, City of Melville – compared with the Perth statistical divisions, the City of Melville has more people with a Bachelor or higher degree, more people with an advanced diploma or diploma and less people with vocational qualifications. Mr Chairman, considering the scandalous financial meltdown, I would have thought that all these intelligent people of which there are about 100,000 believe it or not in this City, would be well represented here tonight. What you are looking at here is less than 0.1% of Melville's population and they are all supposedly according to this, intelligent people and I would have thought they would have been more worried but apparently it just goes down like water off a duck's back. Thank you Mr Chairman. In addition to that I would suggest that we had your Investment of Surplus Funds Policy and I contend –

- *To take a conservative approach to investments but with a focus to add value through prudent investment of funds*

- *To achieve a high level of security for the overall portfolio by using recognised rating criteria*

Disregarding the fact that the word hindsight has been used a number of times tonight I still believe that whoever was responsible in those days did not act in accordance with your own Investment of Surplus Funds Policy. That is my opinion on that subject. Also why are others still using or why are others still trying to impress us with credit agencies which by now by the United States congress have been considered fraudulent and completely out of tune with a self serving owner and here we are being told while the writing has been on the wall for many years, it is not a new story, what we are hearing here tonight, it is old hat. And you are still today using Standard and Poor, Moodys and that other crowd, despite their unfortunate behaviour over the last three or four years. Would you please answer that question while it might have been covered to an extent already in the past. Furthermore, one more question. The CEO told us earlier in the piece tonight that you are running some 200 plus product or service lines. Now could you please enlighten my confusion what you mean by products. I believed in the old story about CSOs community service obligations, now you have changed yourself into a business and called it a product. How on earth is an ordinary ratepayer like me to know over 200 product and service lines. That sounds to me like a purely commercial set rather than a local government looking after the wellbeing of its own ratepayers.

The Chief Executive Officer, Dr Shayne Silcox responded –

The demographics of the Council can be obtained from the City's webpage at any stage that you wish. Really it was a statement. Others inform themselves through other processes or have a view about the financial situation and it is not for me to guesstimate what others think.

The world uses these credit agencies, you might be critical of them, but everyone uses them across the world and continue to do that today. You are entitled to your opinion and all I can say is that these are worldwide agencies, Standards and Poors, Fitch's and Moody's, everyone uses them, they are still being used today, they have revalued the products on the market, they got it wrong and a lot of people got it wrong. It is a 1 in 100 year event that has occurred. If we had an opportunity to go to those agencies and sue them, rest assured we would. In relation to product and service lines. It is an interesting question that you raise and I put it this way. I don't want to get into semantics at all but at the end of the day I have to look at an organisation, culturally how we run that organisation. If I am not careful, what people do is not understand they are actually running a business and they need to ensure that what they supply is cost effective and I have to drive any way that I can, that they understand that there are controllable costs, overhead costs, non controllable costs, what is the cost of the service that they are providing and I need to drive a certain culture in this organisation. If I don't, then I could be held accountable for supplying services that aren't cost effective and I will give you an example. In government agencies, the culture that you have is get as big a budget as you can and as many staff as you can and look after it and hide it and hold it and it is all about getting a budget and spending a budget. I say no, that's not how you run a business. Running a business is about understanding your cost structures and how you can deliver that more effectively to the community, how you can ensure that you are minimising the resource impact and allowing resources to be used in other areas to deliver further products and services.

If you want to get into semantics you may and I understand that some people might view that a certain way, I can assure you its not my way of saying I don't know that I work for the community and I deliver products, but its like a Doctor, I have audited health institutions and I have audited universities and a University Professor will tell you, my role is to impart knowledge and a health Doctor will tell you, my duty is to make people well and the problem is unless you run efficient universities and efficient health departments, you cannot heal the sick and you cannot educate people. I can't deliver products and services unless I run a tight ship and I'll do it the best way that I can under the guidance of my Council. That's why I call them products and services.

Cr H Everett departed the meeting at 8.32pm

Cr H Everett returned to the meeting at 8.35pm.

8.13 Question 13/08

Mr Peter Kepert, Booragoon

A couple questions. One question on the CDO. On page 54 you have got that the current indications are that potential termination value will be higher than the carrying value. Is that still correct?

Director Corporate Services, Mr Marten Tieleman, responded –

The carrying value as at that date, yes for the Lehman Brothers arranged CDO's. The value has been quoted approximately up to 70% of the face value so it is still a loss but better than the underlying value attributed by the market to the CDO is. We revalue them according to the advice we receive on a monthly basis and those are published in every Council Agenda and on our website so the latest statement to 31 October is there.

Mr Kepert asked his second question –

The second question was bearing in mind with the hindsight or the experience gained. Will the Council give an undertaking not to make anymore overseas investments and if not, why not?

Director Corporate Services, Mr Marten Tieleman, responded –

I can't speak for the Council. What I can say is that in effect, the City never made any investments outside of Australia. All investments are made in Australian institutions. If it is Lehman Brothers, it was Lehman Brothers Australia in Australian denominated currency. You can have a foreign arm operating in Australia, they still operate under the Australian Government prudential regulation rules. In respect to CDOs, the structure of that product and the intuitive attraction that we had in terms of (A) was their high credit ratings, (B) was their spread of risk across different company sectors and across different geographic regions. The investment didn't leave Australia per say but they referenced companies throughout the world. That in risk management terms was seen to be an appropriate way to make sure that Council's investments were not exposed simply to the Australian economy or to one single economy. Due to the size of the US economy, however in relation to the world economy a large proportion of the companies referenced by the CDOs do operate in America and as we know, America is doing it extremely tough and as a result there has been a large number of credit events, or 7 credit events that impacted on various CDOs and that has reduced their holding value.

Mr Kepert responded –
Was there any currency risk in the CDOs?

Director Corporate Services, Mr Marten Tieleman, responded –

I wish there was because we would be on the up side. No they were invested in Australian dollars. The currency risk, if there was one would have been taken by the arranger.

Cr D Macphail departed the meeting at 8.37pm
Cr D Machphail returned to the meeting at 8.39pm

8.14 Question 14/08

Mr Gordon Marshall, Melville

I would like to make an observation about what the Chief Executive Officer said about his role in the Council. I worked around a lot of Government organisations in my time in Canberra and Western Australia. I have never ever heard somebody promote themselves with an I personal program as much as I have heard tonight. I thought the Council would be run on a teamwork basis and I just find it extraordinary that someone would come out and tell it the way that he runs this organisation when it should be a team organisation. That's an observation, you don't have to agree with it but that's my view. I don't want a response. I have said it.

His Worship the Mayor, R A Aubrey, responded –
The fact is I can respond and I feel that this is a strong team now, a stronger team in fact than it has been during my 15 years now on Council and the Chief Executive Officer has given us direction but the leadership is appropriate.

Mr Marshall responded –
Well it hasn't been portrayed that way tonight, that's all I can say.

His Worship the Mayor, R A Aubrey, responded -
He is certainly happy to take a leadership role in answering questions, I see nothing wrong with that.

Mr Marshall asked his next question –
I just want to clarify some of the points that were made in relation to my question, it was a lengthy question but I am a simple sort of a fellow so I like simple responses and some of those responses and the way the questions were taken out of context. I didn't say that 8.8% rates increase was not mentioned in the Budget Summary, what I said was that the average of 8.8% was not mentioned in the Budget and this has become a contentious issue as a number of letters to the paper have indicated. I know for my sake that the rate increase for me was something like 11.5% and I am sure other people have been affected that way.

In relation to the gross rental value, despite what was said tonight about how the rates were struck, at the end of the day it became quite clear that it's based on valuation and that's the main indicator as to how rates are cast. It was put forward as being a wealth tax. If it's a wealth tax I think it assumes that people that live in certain streets in certain suburbs happen to be wealthy. This doesn't affect me particularly but I think that's an assumption that's wrong and its one reason why I think this gross rental value should be changed. It is inequitable. Valuations even for the Valuer General are at the best subjective and very arbitrary and I think from experience I know that. So that's why I say to Council, why don't you look at an alternative way of striking rates, just be a leader in this field and do something about it.

I never said the Council had been hiding its investment portfolio or there was non disclosure. What I said was it should be more transparent and I think from a transparency point of view I think its up to the ratepayers to make sure that they make themselves aware of what happens in regard to investments. I think the ratepayers should play a much greater part in the running of the Council to make sure that it is accountable and transparent.

I just want to preface these remarks by saying that Melville is a good place to live. It provides very good community, recreation, aged care and other welfare and social services. I question why there was a need to have two schools, one of which I understand is going to be a burden on the community but that's for another time. I just want to look at the investment portfolio and I just want to if I could get some answers to some inconsistencies. In the report to Council on the investment Portfolio on the 31 December last year it showed a portfolio of \$56.8million. On the 30 June the purchase price of the Investment Portfolio was shown as \$42.56million. That was on the City's website and in the Mosaic. In the Auditor's Report for the year ended 2008, the qualified Auditor's opinion showed that the investment portfolio totaled \$32million with CDO securities totaling \$11.85million and in the latest copy of the FAQ from the website of the City of Melville it shows that the purchase price of the City of Melville's total investment portfolio at 31 October was \$69million plus with the estimated market value of the portfolio was \$55million. I just wonder why there are these discrepancies. Is there an explanation for them.

His Worship the Mayor, R A Aubrey, responded –

I do take on board your statement regarding the openness and transparency of the Council and its up to the ratepayers you say to make sure it is open and transparent and as you know for my role we have had a meeting for an hour regarding your concerns and that was an enjoyable and valuable meeting I hope at that stage. I will reiterate to all those gathered here today that my invite for you to meet with me in the future if you have not resolved any issues that concern you in fact shows that I have an open door and an open policy to meet with ratepayers at a mutually convenient time. I will pass over to Mr Tieleman to respond to the financial questions.

Director Corporate Services, Mr Marten Tieleman, responded –

In regards to the very nature of the investment portfolio, it does vary on a day to day basis as cash comes in we put it out either to a 11.00am call account, we don't like to leave money sitting in the bank account not earning interest because every dollar we earn in interest is a dollar we don't have to raise in rates. So as money comes in we put it on an 11.00am call or term deposit with banking institutions so the balance of the investments will vary on a day to day basis and traditionally the income of Council we rate in July, a number of people pay within the first 35 days, other choose to take instalments so we would historically show a very high balance in August, September and October and moving down to a much lower balance by the end of the year with the remaining balance being represented by the reserves and uncompleted works that were due to be funded out of the Municipal fund so it varies on a daily basis.

Mr Marshall responded –

It may do but I'm talking about variations from \$32million to \$65million I mean that's not a small variation. In the various documents I have seen.

Director Corporate Services, Mr Marten Tieleman, responded –

That's absolutely correct. There would be that level of variation. Council's income is in order of \$75million per annum. As I just stated it does not come in evenly over the course of the year. Heavily weighted to the beginning of the year, it is invested and then drawn down over the course of the year so you will get very large variations in million dollar terms.

Mr Marshall responded –

So you just said you mean variations in less than 12 months.

Director Corporate Services, Mr Marten Tieleman, responded –

It is very likely. Rate income is in itself \$37million in general rates and then you have your refuse charges, your security levy and we collect on behalf of the State Government the Emergency Services Levy that's put in to investment until such time as we pay it across to them and any earnings on that is offset against rates as well as part of the Municipal Fund so yes there will be very large variations in our balances and I would expect in our Municipal Fund if we collected exactly as we budgeted to collect and spend exactly as we budgeted to spend which never happens, we would end up in the Municipal Fund with zero money in the bank at the end of the year and when you go back and have a look at it in August/September you would find in the order of \$50million.

Mr Marshall responded –

Could I suggest that you show the difference between what is a long term investment, the sort of investments that people are concerned about what are investments in the short term that will be used by the Council.

Director Corporate Services, Mr Marten Tieleman, responded –

The Investment Statements of Council disclose the different funds. There are the Municipal Fund which is the working capital of Council. There is the Reserve Accounts which are the long term reserves and the Trust Accounts which is money held on behalf of others, payable to others like the Building Industry Training Fund which we collect on their behalf and pay across to them and we also have a small fund called the Citizens Relief Fund out of which we provide relief to citizens in financial stress.

Mr Marshall –
Could you show that on your website.

Director Corporate Services, Mr Marten Tieleman, responded –

Those are shown on the website in the Investment Statement.

Mr Marshall –
Well they are not very easy to follow that's all I can say, thank you.

**Cr P Phelan departed the meeting at 8.48pm
Cr P Phelan returned to the meeting at 8.51pm**

8.15 Question 15/08

Mr Trevor Tobin, Ardross

*I have two questions –
A small one to Cr Robartson, mentioned a write down of 7.5% relating to the recycling plant CDO investments. Could he tell me what this was in dollars please.*

Cr C W Robartson responded -
\$277,300

Mr Tobin
That's reasonable its not in the millions.

Cr C W Robartson responded -
But more than we would have liked.

Mr Tobin responded -
20 years ago I was the Systems Auditor at the City of Melville and my understanding was that the investments policy at that time was bank fixed deposits and bank bills and an 11.00am account for at call and with the change in recent years to the investment policy to go into these CDOs, what was the estimated improved income which related to the new method of investments as against what it would have been in a more traditional secure and Australian prudentially checked investments.

Director Corporate Services, Mr Marten Tieleman, responded –

The policy required target was 0.35% above the 90 day bank bill benchmark rate. It ran at anywhere from there through to 1% and in some months over 1.2% in actual return. In terms of risk versus return in establishing that policy the Council was looking for as the objectives of the policy have always been for investments that were considered to be conservative hence the limitation. Whilst we will invest with a BBB Bank in Australia, the limitation on the CDOs needed to reach a much higher benchmarks in regards to the now defamed Standards and Poors, Moodys & Fitch's ratings. So they were not considered to be high risk, had we known they were high risk we would have expected a far higher return in fact we wouldn't even have gone there because our desire for risk is unchanged from the same desire that we used to have when investing in bank bills and term deposits and what have you and these products were marketed in such a way that they lead us to believe that they did have the very high ratings that we expect.

Mr Tobin responded -

If I may just mention one other observation relating to this matter of investments and I think it is very apt that at that time when I was the Systems Auditor I was also the Honorary Treasurer of the City of Melville Aged Persons Homes Trust and I remember when I first took that over my first year's financial accounts was \$804,000 in investments all in one building society, the Permanent Building Society, I was concerned and there was a change of Mayor and a change of the Chairman of the Trust and I wrote to the then CEO Mr Hunt my concern that it wasn't prudent to have all our investments in one area bearing in mind we had had various building societies go bust and so it was decided and by that time it was \$1.5million and I put it into three areas, Westpac Bank, one third in the Permanent Building Society and one third in the Home Building Society and the new Mayor came in and took over the Chairman's job and said no way, all investments have got to be in banks only and so from then on it was banks only. About a month later the Permanent Building Society went bust and we saved it.

8.16 Question 16/08

Mr Rod Petterson, Leeming

I would like to ask some questions regarding the SMRC and surprisingly enough not in relation to the odour however I ask for your indulgence just to cover a couple of points that Cr Robartson has raised in response to the question from Mandy Clarke.

For the interest of the ratepayers, there are three businesses producing three products down at the SMRC, the yellow bins there is no problem with, they recycle the plastic, they recycle the papers. The green waste although it does cause an odour, not a problem. There is a market there for it. The concern is the waste composting facility that takes the green bins, turns it into compost which can't be sold which is a huge cost to the City of Melville. Our fear is that it will be an ongoing financial burden to the City of Melville. Could I just say it is very disappointing that one of our elected officials will put aside the suffering of the residents in the obsession of waste management. People in the Leeming and Willetton areas are suffering as a result of this. Suffering blood noses, headaches, however I won't discuss the odours any further.

The questions I have relate to – The plant has been closed a number of times. The most recent one earlier this year. Is it correct when the SMRC was last closed due to its odour problems, it had the City of Melville dispose of waste in another SMRC members landfill site and then charge the City of Melville in excess of double the standard entry fee, my understanding it was somewhere between \$53 and \$56 and they actually charged the City of Melville \$112.

Mr Mayor the reasons for my questions really is to hopefully trigger amongst not only the Council but the ratepayers here, this thing is not socially, environmentally or even economically viable.

The Chief Executive Officer, Dr Shayne Silcox responded –

Rod I'm sure all the questions here tonight are to trigger thinking processes with those that are in charge of ratepayer funds and rightfully so, we are accountable to you. Like the other member councils, the City of Melville continues to pay the SMRC for each tonne of waste whether it is disposed of at the SMRC or at a landfill site due to diversions for any reason. The normal cost is slightly discounted due to provide some recognition of the extra distance required to be travelled.

It should be noted that when diversions occur there is no short term reduction in the holding cost of the SMRC. The process has a long lead time to shut down and as such costs continue for some time even if the facility was closed down for a significant period of time there would still be substantial holding costs associated with the facility.

Mr Petterson responded -

We will certainly be following that up.

The information we have received was that it was an extensive fee charged.

Is it correct that in addition to the two public affairs staff already employed by the SMRC, they have also engaged John Halden to managed the public image of the SMRC which include a strategy to challenge the recent DEC report.

Cr C Robartson responded –

We have employed the Company Halden Burns.

Mr Petterson responded -

So that's three public affairs people they have got. It is good to see they are doing such a good job.

The Chief Executive Officer, Dr Shayne Silcox responded –

I had met with the CEO and had discussions in relation to the letter and issues that have come up and spoken about the response and it is I suppose between the CEO and myself where that discussion went but essentially its really a question for the SMRC, you need to distinguish the fact that we have a representative and I think we are a 30% owner of the SMRC but we don't run the SMRC.

Mr Petterson responded -

Certainly I think the ratepayers should understand that they have got their own staff including a CEO, public relations staff, other staff, reception staff. Members from both the Council and Council staff from each of the 7 representatives attend meetings.

The Chief Executive Officer, Dr Shayne Silcox responded –

With respect though it is a \$50million - \$80million plant and it is under threat in relation to its operation and there are significant costs incurred if it was to close. \$9million a year so I would imagine that it needs to be managed. Now the issue is, is that spin or is that managing what's happen and I suppose what we are both looking for is productive outcomes that we divert our waste from landfill as what the State Government has decreed but without any grants or any support and at the same time maintain the amenity of the community. We are all desirous of the same outcome.

Mr Petterson responded -

We are aware that the EMRC are still using a landfill site quite successfully and perhaps landfill sites better managed and better sealed taking up the methane that generates electricity instead of spending \$1million a year on electricity as the SMRC does may be a better option.

Since the release of the DEC Report confirming that there is a primary source of noxious odour experienced by residents in Leeming and Willetton and in fact Canning Vale as well, how much money has the SMRC allocated to improve its public relations image and to challenge the findings of the DEC report?"

His Worship the Mayor, R A Aubrey advised Mr Petterson that the question would be taken on notice.

Mr Petterson responded -

*One question that will lead me on to a question that involves the Council. In relation to the SMRC what is the gate fee discount that the City of Melville receives? **Mr Petterson was advised it was \$300,000.** The question I have is why the Melville representative on the SMRC vote for the gate fee discount to be used to challenge the DEC's Odour Report?*

Cr C W Robartson responded –

That's simply because the SMRC thinks that the DEC's Odour Report is flawed and I think we are entitled to respond to a report from a Government department when we don't believe that it is totally correct.

Mr Petterson responded -

Mr Mayor I will quickly move on or if I could be granted another 5 minutes. The SMRC engaged the Odour Unit back in May 2006. They used similar but not as complex techniques as the DEC, they identified where the odour sources were coming from identified that since this thing opened it was causing problems to the local residents yet that methodology they used, they are not challenging. Can I just make one point. Anybody whether they are experienced in the issue of odour detection or not will know whether their next door neighbour is having a barbeque or they have one million wheelie bins of rotting rubbish next door. Its quite simple.

As I say it is very disappointing that obsessions with waste management overrides the health of the local residents. So that's \$300,000 that has been spent. How much has the City of Melville spent on the establishment fees on the SMRC facility in Bannister Road Canning Vale and also the administration building in Booragoon?

His Worship the Mayor R A Aubrey, advised that the question required an accurate answer and it would be taken on notice.

The Chief Executive Officer, Dr Shayne Silcox, responded –

If you are leading to the fact that it costs more to recycle the waste than putting it into landfill that is correct and the basis that I understand that this Council is doing that is in response to environmental and climate change and trying to do the right thing. I forget how many CO2 units it diverts and the like so there is a rational reason why, whether it is delivering it appropriately with new technology is an ongoing debate and I suppose it is something that we need to work through to try and achieve the outcomes that are suitable for all parties.

Mr Petterson responded -

Dr Silcox, our concern does not relate to the recycling of the papers and the plastics. It doesn't relate to the recycling of the green waste that gets turned into mulch. The waste composting facility, the stink and our only concern is the dollars being spent on that.

To raise this concern with the ratepayers here. How much money does the City of Melville spend on disposal fees and maintenance fees each year.

The Chief Executive Officer, Dr Shayne Silcox, advised that the question would be taken on notice in relation to costs directly related to the City of Melville.

Mr Petterson responded -

Where does the final compost produced by the waste composting, that's the green bins the smelly rubbish, where does it actually go. Where is the market for it. My understanding is that I wouldn't call it toxic but it is contaminated.

Cr C W Robartson responded –

It is not contaminated and it is used in the turf industry. It is all taken out and it is all used in the horticulture industry, the turf industry and some of the compost production people

Mr Petterson responded -

Does the SMRC make money on that or do they pay someone to take it away?

Cr C W Robartson responded –

I can't be precise on that but I guess it is a question of what we all expect. We pay about \$5.30 each to have our waste taken away. Different components of that plant are profitable some are not so profitable. The whole operation is designed around breaking even or making a profit as a full operation.

His Worship the Mayor R A Aubrey, advised that the question would be taken on notice.

Mr Petterson responded -

That's fine its just second hand but there has been an indication that some of obsessed members with waste disposal are referring to cost of waste disposal over in the Eastern States, if we are cheaper why can't we go up as well. It affects the ratepayers.

Final question – There are three sectors, green waste, mulching of the recyclables and also the green tops that get turned in to waste compost at the facility, So recycling and the green waste we put aside. Given that the waste that is going to the SMRC's waste composting facility, that's the green bins that gets turned into the unsalable compost, its triple handled. Its conveyed there, there is a gate fee, its screened and anywhere depending on the figures you read 28% is lost to moisture, 30% to 50% is taken to landfill because it is not suitable for composting so it is shipped away handled twice and the final product we are of the understanding someone is paid to take away. So there are three trips so there is that component. They spend \$1million a year on electricity to run the plant and it has now also been suggested that the process itself to compost this doesn't actually save the green waste all it does is accelerate the process because there has to be some kind of byproduct. Can we find out what formula has been used that the SMRC continually say is the saving to the community through greenhouse production.

His Worship the Mayor R A Aubrey, advised that the question would be taken on notice.

Mr Petterson responded -

And I will certainly leave by referring to page 40 of your document Mr Mayor and the costs that the ratepayers are experiencing. It is not environmentally, socially or economically suitable, thank you.

Responses to the questions taken on notice relating to the operations of the SMRC will be put to the SMRC and a response in writing will be provided to Mr Petterson. Responses to questions taken on notice relating to the City of Melville will be provided at a future Council Meeting and Mr Petterson will be advised in writing.

8.17 Question 17/08**Mr Gerardus Woerlee, Mt Pleasant**

Mr Mayor, I heard the CEO stating earlier in the meeting that the rates will be increased only as a last resort. This to me in my opinion seems to be a yearly event not a a last resort that rarely will occur. My second point is that Council can adjust the percentage of the rates against the annual valuation to stay well under the aggressive 9% increase which we just had to suffer. And number three. It seems there is an agreement about rate increases of this level by various councils and I note the ones that came to my attention, is Melville, Victoria Park and Gosnells. It seems to be a very popular idea to increase these rates as much as possible on a yearly basis with disregard to those who can probably pay for it because in our case we have a number of properties with tenants in them and these rates have to be put back to the tenant because someone has to pay for it and then we get to hear that the landlords have to put it all from their own pockets but we have to tell the tenant it is the Council and the Valuer General who does these things to us and it is up to the Council to adjust the percentage against the higher rates of the Valuer General to keep it on an affordable level.

The Chief Executive Officer, Dr Shayne Silcox responded –

I suppose it gets down to a trust issue. That some people believe that Council will raise as much rates as it possibly can and that I don't know where you think it goes, it goes into products and services albeit that I know that some people are offended by those terms. At the end of the day last year actual costs on a number of items that were discreet and I can clearly show you in relation to increase in charges, increase in bitumen, increase in gas charges and the like was 15.5%. Council rates went up 8.8% on average and there is a whole argument I think Mr Marshall is actually at the tip of an iceberg of which there is a greater debate around this bucket and how revaluations, and what happens in that process because it is not well understood. At the end of the day we don't want to raise any more rates than necessary. The \$24million it has received in investment income in the last ten years actually reduced the amount that Council was asking ratepayers to put in.

All these decisions over the term are in relation to a balanced portfolio. You can't compare one local government to another, they are completely different they offer different things to the public, they have different numbers of kilometres in roads and facilities. Their facilities are at different levels of being new to old and you would know that the replacement and the refurbishment cost, everything is different and including the fact that some communities demand certain things from their local government, others don't supply those so its an annual process we go through. I don't enjoy the process of going through budgets I can assure you, and at the end of the day we are all trying to strike the lowest budget and I know that there is a trust issue but I can assure you the officers come forward with what they believe to be the lowest increase if we are to maintain the level of the service that the community demands and is demanding more and if you look at society overall I find it interesting that if you look at the news and in the media if there is a problem, everyone suggests the Government should do something about it.

Now there is a cost associated with the Government picking up and doing these things and we have to look at all the time at what level of service is acceptable to you, how do you want your parks maintained, how do you want your streetscapes maintained, what level are the buildings to be kept at and all the time we are looking at those and trying to do those at a minimal costs. My statements before in relation to trying to keep them low, the lower I can ensure our recurrent costs the more we can invest in those things that we do and deliver a better outcome to the community. If Council raises more rates than necessary one year it just means we raise less the following year because the money comes through and is then redistributed the following year as a carry forward so this thing of a surplus is misunderstood, we actually don't have surpluses. We plan to have additional funds than expenditure to put them into reserves for future programmes. If we were to have a true surplus which wasn't planned for, that money is carried forward as an opening balance in the next budget which means the next budget you have to receive less in rates. It is really quite simple when you look at it. Council is only trying to deliver the products and services and it is quite a difficult process.

I said that there are 209 things that are offered out there and most people don't appreciate those. The average rates in Melville are about \$1,000. Most people in this community probably spend that on their telephone bill alone and people don't appreciate the fact that as they step out their front gate they are actually starting to consume local government products, the path, the road, the parks the libraries and all those things. You don't have a sense that you are actually using those, but when you use your phone I know that that is going to cost me. You don't necessarily have the same sense when you walk out your front gate, when you use a park or a book or your sport is free for kids and the like and some people don't appreciate it that albeit that they are seniors now that their rates are actually paying for free sport for young kids as seniors in previous years rates were paying for our sport when I was a kid and for paths that I walked on as a kid, someone else paid for and the community spirit associated with that. I can assure you that we are trying to minimise costs to you as a ratepayer.

Mr Woerlee resounded –

Can I respond to this please. I think you are very sincere on this but then again there must be a surplus and that huge surplus you had built up, a big slice of it has been lost now in this general implosion world wide so it can't be all that tight as you just explained to me and that you have a very tight budget because over the years you managed to build up a huge surplus with unfortunate investments a good slice has been lost so actually in those years the rates could have been put a bit lower so that you did not have that big investment.

The Chief Executive Officer, Dr Shayne Silcox, responded –

I think the hard part is that when we talk about a Council of this size, we talk in large numbers, \$600million is the ownership out there of what you own as a community, \$880million in assets that have to be maintained. It is no different to you Sir, than you having to maintain your investment properties. You put money in your bank knowing that you will use those dollars at some later stage otherwise if you don't put it away progressively you are going to have a massive bill come through. A recreation facility that you have across the road, the swimming pool to renew is probably \$50million to \$70million. Now if we don't put that money away between now and 30, 40 years time when it is due to be replaced or refurbished, where do I find where do I find the \$50million from so it's a matter of the social justice associated with that and the problem with this is that is so complex to talk through simple questions.

There is social justice that a local government generally applies and how it works is that if it is a new facility you generally borrow the dollars so that the consumption of it is being paid for as you go along. If it is a facility that is already in place you save the money and put into reserves so the consumption of it is by those people consuming it. What you don't do is use reserve funds to build new assets because other people have consumed it. So you are trying to put the burden of running social programmes and services to the community, you are trying to balance the burden, you don't burden this society today to benefit a society in 50 years time. They carry their fair proportion of the burden and this society carries its fair proportion of the burden. This Council struggles to go through and ensure that the appropriate burdens are placed on appropriate societies and probably I will leave it there. It is a very complex argument to work through and I would just consume your time and I don't know whether you are interested or have an appetite for what I am saying or whether I am boring you. If you want to talk me about it I would be more than happy to meet with any one of you individually and go through this in some detail.

8.18 Question 18/08

Mr Rob Skipworth, Leeming

My questions are in relation to the recycling plant, the waste composting part of it. As we all know DEC has done a report on it and found it is a pollutant of the area, it does pollute the environment for its air. What is the Council's policy on that as far as the pollution going through our district. If the plant was to be shut down due to this, as DEC said they may refine it or may shut it down, what is the Council's loss to the Council if it does get shut down, the financial figure.

The Chief Executive Officer, Dr Shayne Silcox responded –

To make it as quick as I can, could I ask that those that are interested in Council's view, in relation to the SMRC, at the last Council meeting, Council resolved a recommendation and I suggest that you look at it because it has directed the Chief Executive Officer to respond to this Council about what it is doing in relation to the Department's letter and it has also requested that representation be made to the Premier and the like. I suggest that you have a look at the recommendation and Council has resolved that so that is Council's position.

In relation to the cost, that has been mentioned tonight, the cost for the region is \$9million per year.

Director Corporate Services, Mr Marten Tieleman responded –

The cost to this Council, we must continue to pay our portion of the debt for another 15 years which is the total debt for the SMRC is \$6million per annum for the next 15 years. The contribution by the City of Melville towards that debt and what we understand to be holding costs for the SMRC would be in the order of \$3.15million per annum for the next 15 years. On top of that Council would have the added cost of contributing towards a new facility and would also be transporting its waste to a landfill site and that would incur landfill fees and extra costs of transport at \$5 per tonne for over 50,000 tonnes that we dispose of per annum.

Mr Skipworth responded –
How much has Council spent on this plant to date?

Director Corporate Services, Mr Marten Tieleman responded –

That question has been taken on notice. We haven't spent any money, the SMRC has build the facility, we understand that current replacement costs in the order of \$80million plus for what you see down there today so Council, as a participant in the Regional Resource Recovery Centre, our share of that is around 30 to 35%.

The Chief Executive Officer, Dr Shayne Silcox responded –

There are different types of costs that you incur as a resident. Some are your rates and then there are special levies that are additional costs. There is the Emergency Services Levy, the waste levy, the security levy. These levies are different to rates, we cannot ask for any more money than what it actually costs us so what it costs us for the service is what we must levy. If we make a profit it must go into reserves and offset next year so you can't make money from those products and services so the waste charge you get per year is exactly what it costs us as a City to supply that to you.

Mr Skipworth responded –
I am not really interested in what it costs us, I am more interested in what the Council has spent on this place to date as a total figure including, you might call it under investments or whatever you might call it under, how much has the Council put directly towards that plant. Because as I understand, just recently they have had a welding bill of \$360,000 at the plant.

Director Corporate Services, Mr Marten Tieleman responded –

In relation to costs, SMRC is run as a separate operation, an entity. It is the Southern Metropolitan Regional Council. It is another Council run under the same rules as this Council is run except that it is a regional council. We are a participant in various aspects of that Council and as participants we entered into a participants agreement which requires that this City pays it share of the costs of that facility but in relation to questions about the costs of that facility they are best made to the Southern Metropolitan Regional Council. They don't tell us every time they get a welding bill so those questions are best directed to the SMRC.

Chief Executive Officer, Dr Shayne Silcox responded –

It is exactly the same as another Council like a Canning or Cockburn, it is legislated under the Local Government Act.

Mr Skipworth responded –
That the representatives are not able to be elected by the general public.

The Chief Executive Officer, Dr Shayne Silcox responded that that was correct.

Mr Skipworth responded –
Back to rates, as our area has been scientifically proven to be polluted, through the air via this plant, is the Council going to reassess our rates?

Director Corporate Services, Mr Marten Tieleman responded –

If the amenity of the area has been affected and the Valuer General recognises that, that would be reflected in the valuation of your property, yes.

A response to the question taken on notice will be provided at a future Council Meeting and Mr Skipworth will be advised in writing.

8.19 Question 19/08

Mr William Power, Melville

I am referring to questions provided on notice by Dennis Kestel earlier in the evening which were responded to. To declare my association, I am the Secretary of the Melville Wood Turners Group and I am also on the Committee of the MORE Group looking for community use and development of the old Melville Primary School site. Personally, these questions are mine, not either of those groups. I consider the responses given to Dennis Kestel's written questions by the Director of Technical Services and the Director of Community Services to be not only inadequate and superficial, but dismissive. I therefore propose four supplementary questions and I will try and pose the questions to keep within a limited timeframe.

The first question relates to previous information available to our groups suggesting that a number of factors were being reviewed with regard to the original Council endorsed masterplan for the site suggesting that the revised plan would be needed and that it would be available in September this year. Now the question answered this evening suggests that there will be cost estimates provided to Council in February 2009. Why not release the revised plan for comment now if it is available, that's question 1.

Question 2 – The Director of Community Development made reference to a new expression of interest process. We as residents of our district, in arguing for the purchase of that site, which by the way has been a good investment by the Council compared to other investments. In the last two years we have been to numerous Council briefing sessions, we have been asked to then submit expressions of interest, which we did in writing and during this two years the existing buildings which we would have liked to have used have been destroyed by vandalism except for one structure that is still there. I believe Council is now moving to demolish three of those buildings and the only building remaining on the site will be the old MT Williamson Library which the MORE Group is trying to get organised to have the community use as well as, hopefully, a park. Now the Director of Community Development made a fairly blunt statement tonight about the groups having to fund any development. There are over or near 300 men's sheds or community workshops depending on the emphasis in other parts of Australia, very few in Western Australia, but more recently a number of Councils have been supporting the development of these facilities widely used by Seniors and other broad sections of the community. The question relating to funding that Dennis posed was not related to the recent federal dollar allocation to Mayors, it had nothing to do with that, that is an assumption on your part. It related to Veterans Affairs, Lotteries Commissions more but specifically the question was to the Federal Government for such a facility not the way it was put back to us.

I understand and I believe from feedback, that Attadale Rotary stuck their hand up and said they were prepared to be involved in the establishment of a community workshop or men's shed as they preferred to call it and had dollars to put in to it. They approached yourself the Mayor and Councillors and we were told it was dead in the water, now I am quoting the response we got from Attadale Rotary, so that leads me then to the next question, the last question.

Is there a general attitude by some Council officers opposing a community workshop on this site, the old Melville Primary School site, and if so, why?

His Worship the Mayor, R A Aubery, responded –

Thank you very much William, all I can say is that I am not aware of any approach directly to me from the Attadale Rotary Club so that will need to be clarified through them.

Director Technical Services, Mr John Christie responded –

I am happy to comment on the community consultation process. The Director Community Development will comment on the other aspects of that. My understanding is that extensive community consultation was undertaken some time ago with regard to the concept plan which saw the playground equipment located and added to the bottom of the site nearest the primary school that is still there. My understanding was that the original concept plan picked up on the issues with regard to the use of the existing buildings. It also talked about the playground equipment being located down at the bottom of the site near the school that is still there.

There was a CPTED report done as a result of the safety and security concerns at the site. That has prompted a review of the concept design. Amendments to the concept design would appear to have taken into consideration all aspects of that original concept. The amendments if you like to the concept design previously tabled for discussion, show the playground being located back on the top of the site. It also talks about the demolition of the existing buildings as a result of the extent of the vandalism and damage that has happened in that area. The amendments also include the regrading of the site which includes extensive civil works to improve the visibility from the bottom of the site to the top, so again to prevent any issues in associating with the CPTED report and it also identified that some of the existing vegetation needed to be removed to improve the surveillance of the site from the surrounding properties. All of those changes have been taken into consideration.

The concept plan has been amended, the cost of the changes is quite considerable and the concept plan and the business case for that has to be endorsed by the Council. Once that is endorsed by Council we will then go to the public consultation phase which will inform the community of the changes, the proposed cost estimate to construct and the reason why we haven't gone out to consultation at this stage, is that we don't have a commitment from Council to fund that project at this stage and until you have a commitment from Council to fund the project which may be one year, two year or three year stages, which may even include up to five year stages and the ability to fund depending on the current climate which has to be taken into consideration and until Council commits to the funding of this project over a period of time, the business case that will be presented to the Council in February will list a number of options for the Council to consider and once the Council endorses the funding and whatever option the Council opts for, we will then communicate that to the community and you will see the progression of the development of the site over perhaps two or three years.

Director Community Development, Ms Christine Young responded –

If I can respond to the second question. I would like to offer my apologies. The intent was certainly not there to be dismissive of the efforts of your group and certainly over the last many months I have met several members at the various community workshops and we are as you would know very open and quite supportive in fact of having this type of community shed here in Melville. My sincere apologies if tonight I gave a different intent because that wasn't the intent.

I acknowledge that certainly your group has shown an interest from the beginning in securing a space at Melville Primary School and we are obviously really aware of that. As the Director Technical Services has just described we are still confirming that master planning and as I indicated tonight we are certainly looking at the capacity on that site to have another community building. Generally in past experiences when opportunities like that arise, to be transparent to all community. Often those processes involving expressions of interest are followed through, but obviously in cases where there has been a history of expressions of interest from particular groups, that is obviously considered as a significant part in that development. Again in terms of the funding, if the Council did go down that track, it would work collaboratively with the group that was successful in becoming a lease holder or a tenant on that site and that would involve securing external funding as much as we could to lessen the impact on ratepayers.

Mr William Power responded –

Through you Mr Mayor, a follow up question. Thank you for the response. All I am pointing out to you Mr Mayor and Councillors is that these bureaucratic processes that have been followed by Councils and are still being followed are one of the causes for the loss of those assets on the site. When buildings are occupied they are not vandalised. When they are occupied and used. The joint use of the new Primary school is an example of that where the community is using it and it has been a great success. The question that Dennis posed was would the Council support approaches the commonwealth for funds for this purpose. We are being delayed in any such request in a time when the commonwealth is prepared to spend money on infrastructure by some bureaucratic process that is going to take forever. That is why the question was asked by me. Thank you.

His Worship the Mayor, R Al Aubrey, responded –

Thank you very much William.

The only comment I would make in terms of the statement you made regarding if a building is being used then it doesn't get vandalised, I would draw your attention to just about every primary school and secondary school in the state has an eight foot fence around it. They are occupied and they are regularly getting vandalised and broken in to.

Mr William Power responded –

Yes Mr Mayor but they are not occupied after hours as well as that beautiful new school that is down in Melville which is used. The tennis courts are used on the weekend. The Council has an arrangement with the school which shares certain costs so that the community can have access while there is minimal public open space in the Melville district of the City. So it is a great plus and I congratulate the Council on doing that but I was trying to focus on the time that it has already taken and I am hopeful that in the next period of bureaucratic process the vandals don't direct their attention at the remaining building which is the library building.

8.20 Question 20/08

Mr Andrew Mullins, Leeming

I am a dual ratepayer, I have two properties in Leeming. Both are in the odour affected zone. Speaking about the SMRC again. A lot of questions have been asked and answered tonight so I am going to keep mine fairly brief. I have lived in the region for eight years with my family. Five years ago we started down the track with this odour problem. It has been closed down twice. We have now got a DEC report saying fix it or it will be closed again. I want to know how much more money will the City of Melville spend to try and curb this odour problem that we put up with every time we have an easterly and other areas whatever way the wind blows they get it, but it is there all the time. And secondly one catch phrase that has been used a lot tonight is in hindsight. In hindsight would the City of Melville go down this experiment again with the SMRC.

His Worship the Mayor R A Aubrey, responded –

Thank you very much Mr Mullins. The first question is just about impossible to answer in terms of how much money we are going to spend. I guess we go down this path as long as it is a cost efficient way of disposing of your waste so it is a very difficult to ascertain at this stage an actual definite figure on how much we are going to spend.

The Chief Executive Officer, Dr Shayne Silcox responded –

Essentially Local Government has a number of roles that it plays in relation to the broader community, environmental, social, economic, governance and the like and its involvement in those is generally determined by the public and the public has said very clearly to this Council that the environment is important to them. This Council has responded. It will remain to be seen whether the initiative that was put in place indeed delivers the outcomes associated with it whether it is eventually shut down and it was seen to be an attempt to try and address the environment or whether it was seen to be successful and it is a work in progress because no one else is really doing this. It is state of the art technology. The interesting part of it is the lack of involvement by the State that is giving directives, firstly the State will not allow any new landfill sites on the Swan Coastal Plane and secondly to divert all waste from landfill by the year 2000 was the directive they came out with, with no support, just words. Councils have endeavored to meet those commitments and at this stage we have a problem and we are working through it and it is really annoying those in the community and it is driving officers to distraction to try and identify how we work this through. There are claims and counterclaims, what's true and what's not. It is hard to work through this to navigate a successful outcome. Rest assured that the Council has taken a directive response to the SMRC and you can view that on the Council Minutes and will continue to monitor the situation and at some stage will make a call on a case by case basis as it is brought forward. And it is based on all the community's views. There is no easy answer to your question. We know that there is an issue. We know that there is a group of the community who are feeling aggrieved and we are trying to work our way through that in with the other entity to try and resolve the matter successfully.

Mr Mullins responded –

I appreciate your honesty with that and it was a good answer, but a timeframe would be really good to know. It has been five years now and honestly the money we see spent on that plant and the progress we are making. We are a very minority group of the City of Melville. We are right down the other end, forgotten, but I still pay two sets of rates a year. I struggle to keep tenants in my rental property when summer comes. They are moving out again because of summer as they were there at Easter last year and said they were not going to do another summer.

This comes to another point that was brought up about Mr Marshall's question about our land rates. I think I will be contacting the Valuer General about this because I feel that we are a minority and we are putting up with a lot that we shouldn't and until we get some satisfaction with the odour I can't see how our rates can keep going up, we are living in a third world part of the City.

His Worship the Mayor R A Aubrey, responded –

Thanks very much for your questions. In terms of the timeframe, clearly it is very difficult to ascertain that but I guess that the DEC will be setting timeframes in which the SMRC are going to have to respond to get their act together so the future will tell us what that timeframe will be.

8.21 Question 21/08

Mr Cecil Walkley, Bicton

What is the future policy for underground power? Once Mt Pleasant is satisfied, what is the criteria for the next part of the City of Melville?

The Chief Executive Officer, Dr Shayne Silcox responded –

The requirements in relation to underground power are set by the State Government. You go into a bidding programme and they assess it against all other local governments and I have expressed an interest that the City of Melville would like to undertake the next round as soon as possible because our community supports it. It's a bidding programme, I am not sure if I am answering your question that you are asking but we actually put in a bid and Western Power sit down and look at the fault rates in the area, the age of the infrastructure, whether there is another scheme and the linkages to a previous scheme which the City of Melville has a number of those now and on the basis from that determines how it moves forward and who gets future schemes. Obviously what we would like is to get most of our City undergrounded as soon as possible.

Mr Walkley responded –

Dr Silcox I would like to thank you very much for your long detailed explanations on many subjects tonight. Now I have one final thing to say. I would like to thank Melville the City for its support of a massacre nurses' memorial and as from now you are going to support every 14 February together with the Applecross RSL so it is now going to be an established event for a very tragic event in the military history of Australia. Thank you.

8.22 Question 22/08

Ms Nicholson, Booragoon

Mr question is for Cr Ceniviva. It is really a clarification of what you stated earlier on. I may have got it wrong. That the Council has enough reserves to cover the CDO's losses, therefore there shouldn't be a need to raise rates. I am just wondering do you mean for next year or the year after or raise rates forever or are we on zero increase for a while.

Cr A Ceniviva responded –

As the Chief Executive Officer has explained, you have a situation where you need the reserves mainly to maintain the infrastructure and a lot of our infrastructure is ageing especially our roads. Also it would become an unsustainable situation if we were to this year use our reserves to prop up the rates because once used they wouldn't be there next year. Therefore we would have a double increase next year. For that reason it is prudent to have sufficient reserves to cover contingencies which arise in the future and to set the rates at a level that will keep the current costs going. Nevertheless there was considerable debate when the level of the rate increase was set by the Council and by majority the Council decided to make that increase. There was a difference of opinion. I think you can read the Minutes of the meeting at the time. As Councillors, we express our own opinion when we debate the increases in rates and the like but then once a decision has been made we abide by that decision and that is what everybody needs to do.

Ms Nicholson responded –

Cr Ceniviva you did not answer my question about the increase in rates.

Cr A Ceniviva responded –

I said we couldn't use the reserves to fund a no increase in rates because it would be unsustainable. In other words, if this year you don't increase rates and use the reserves, then those reserves once gone are not there any more and therefore next year we would have to increase the rates by twice as much so that to cushion the amount we would then cover the costs that are needed this year from the current rates. I hope I have explained it but would be happy to talk to you later about it.

At the conclusion of questions His Worship the Mayor took the opportunity to thank Councillors, staff and members of the public for their patience and attendance and invited everyone to take refreshments in the Reception Lounge. His Worship the Mayor advised that there was a list available at the meeting for members of the public to request a hard copy of the Minutes of the Annual General Meeting to be sent out to them.

His Worship the Mayor trusted that from the evening the members of the public if nothing else had gained an insight in to the many challenges and complexities of this local government and reiterated his comments in his speech at the commencement of the evening that it is more important now than in the last 40 years of this City that we move on together and work together as a Council, staff and ratepayers.

His Worship the Mayor advised the members of the public that his door is always open and the Chief Executive Officer is always available and that they should take the opportunity to take advantage of the City of Melville being an open and transparent Council. His Worship the Mayor reiterated the offers he had made earlier.

His Worship the Mayor wished everyone a Merry Christmas and a Happy New Year.

9. CLOSURE

There being no further business, His Worship the Mayor, R A Aubrey, declared the Meeting closed at 9.55pm.