



# THE COMMITTEE AGENDA & REPORTS

for the meeting

Tuesday 18 May 2021  
at 5:30 pm

in the Colonel Light Room  
Adelaide Town Hall



Members - The Right Honourable the Lord Mayor, Sandy Verschoor  
Deputy Lord Mayor, Councillor Couros (Chair)  
Councillors Abrahamzadeh, Donovan, Hou, Hyde, Khera, Knoll,  
Mackie, Martin and Moran.

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## 1. Acknowledgement of Country

At the opening of The Committee meeting, the Chair will state:

'Council acknowledges that we are meeting on traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kaurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.'

## 2. Apologies and Leave of Absence

Nil

## 3. Confirmation of Minutes – 4/5/2021 [TC]

That the Minutes of the meeting of The Committee held on 4 May 2021, be taken as read and be confirmed as an accurate record of proceedings.

## 4. Discussion Forum Items

[Presentations](#)

Nil

[Workshops](#)

[Strategic Alignment – Strong Economies](#)

4.1. Economic and Investment Strategy – City Growth [2021/00346] [Page 3]

[Strategic Alignment – Enabling Priorities](#)

4.2. Adelaide Central Market Authority (ACMA) Draft Charter Review [2016/03926] [Page #]

## 5. Closure

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# Strong Economies

Economic and Investment Strategy – City Growth

City Shaping  
Tom McCreedy / Mark Booth

- The purpose of this workshop is to respond to Council as part of a Council decision on the 15 December 2020 relating to the 2021 - 2022 Business Plan & Budget - Budget Parameters
- We were asked to present responses to the following items:
  - *An economic policy that will:*
    - *Support owner-occupier growth in the city that will ensure we meet or beat our 2030 growth targets, and;*
    - *Achieve a rate revenue growth as a result of new developments of no less than 3 percent per annum for a majority of the years in the Long Term Financial Plan.*
  - *An investment strategy that will harness the funds held within the City's Future Fund in order to develop new revenue streams for the City.*
  - *Resolves that the City is determined to grow its tax base to achieve a surplus as opposed to taxing its existing revenue base further to achieve a surplus.*

# Economic and Investment Strategy – City Growth <sup>5</sup>

## Key Questions

### KEY QUESTION

What are Council Members views on pursuing a range of options to improve the long term financial sustainability of Council through expanding the revenue base of Council including by:

- Actively pursuing strategic property development opportunities, including land acquisition;
- Seeking to reduce the leakage from the Council rates base;
- Increasing commercial revenues from sources such as advertising, car parking and naming rights.

# Economic and Investment Strategy – City Growth<sup>6</sup> Implications

Implication	Comment
Policy	Not as a result of this workshop
Consultation	Not as a result of this workshop
Resource	Not as a result of this workshop
Risk / Legal / Legislative	Not as a result of this workshop
Implication	Not as a result of this workshop

# Economic and Investment Strategy – City Growth <sup>7</sup>

## Budget/Financial Implications

Implication	Comment
20/21 Budget Allocation	Not as a result of this workshop
20/21 Budget Reconsideration (if applicable)	Not as a result of this workshop
Proposed 21/22 Budget Allocation	Not as a result of this workshop
Ongoing Costs (eg maintenance cost)	Not as a result of this workshop
Other Funding Sources	Not as a result of this workshop

## Financial Position



### Operating in Deficit

November 2020 Q1 forecast for FY2021 was:  
Operating Deficit of \$39.0m Borrowings of \$92.8m  
FY2020 (\$19.5) m  
FY2019 (\$21.1) m  
FY2018 (\$17.4) m



Clearly this is not financially sustainable



As a result of the above, the Independent Audit Committee members recommend Council adopt a surplus funding model



## Why the deficits?

### Financial Position

- Operating in Deficit
  - Rate in the dollar frozen for the past seven years, CPI = \$16.3m
  - COVID-19 income reduction estimated at \$21m
  - COVID recovery funding support \$3.7m
  - \$123.7m invested in new capital and major infrastructure upgrade projects since FY2018 – not all costs capitalised
  - Leakage in Council's rating base

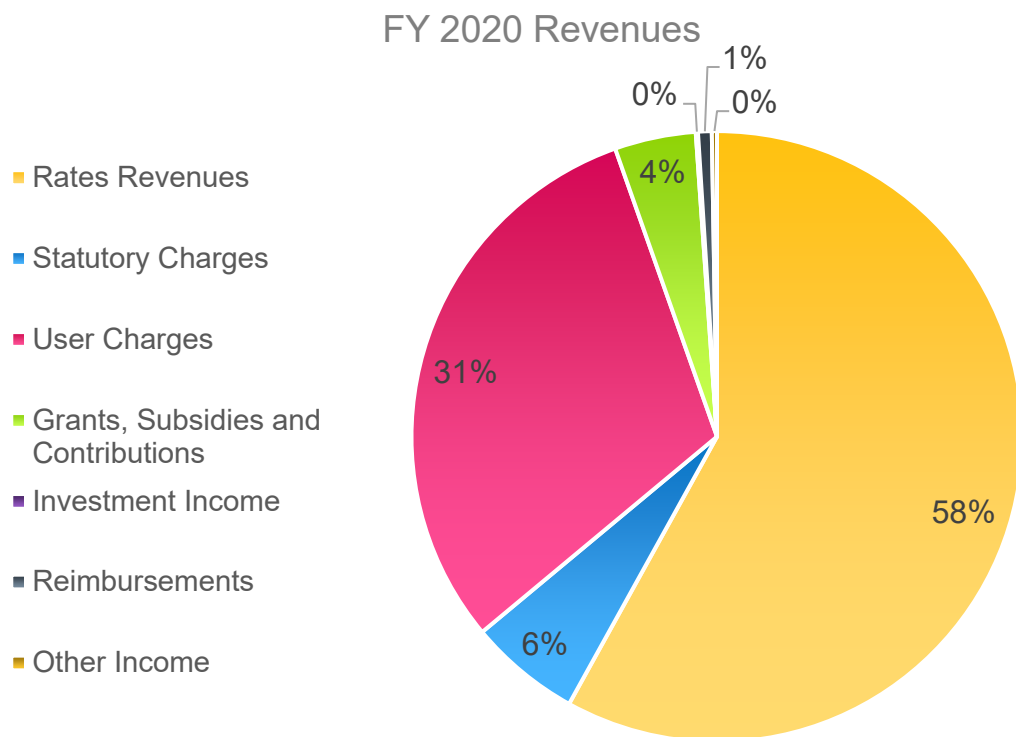
**Provision of essential services and infrastructure is impacted by barriers such as rate-capping, cost-shifting, inability to rate areas**

## Council's response

### Financial Sustainability Principles

- Grow the tax base to achieve financial sustainability as opposed to taxing the existing revenue base
  - Maximise Commercial Opportunities
  - Become less reliant on Council Rates
- Doing things right
  - Efficiency
- Doing the right things
  - Effectiveness

### Revenue sources



- 58% of revenue is derived from Council Rates
- 31% is commercial revenues
- Remaining 11% in revenue is derived from grants, subsidies and statutory fees

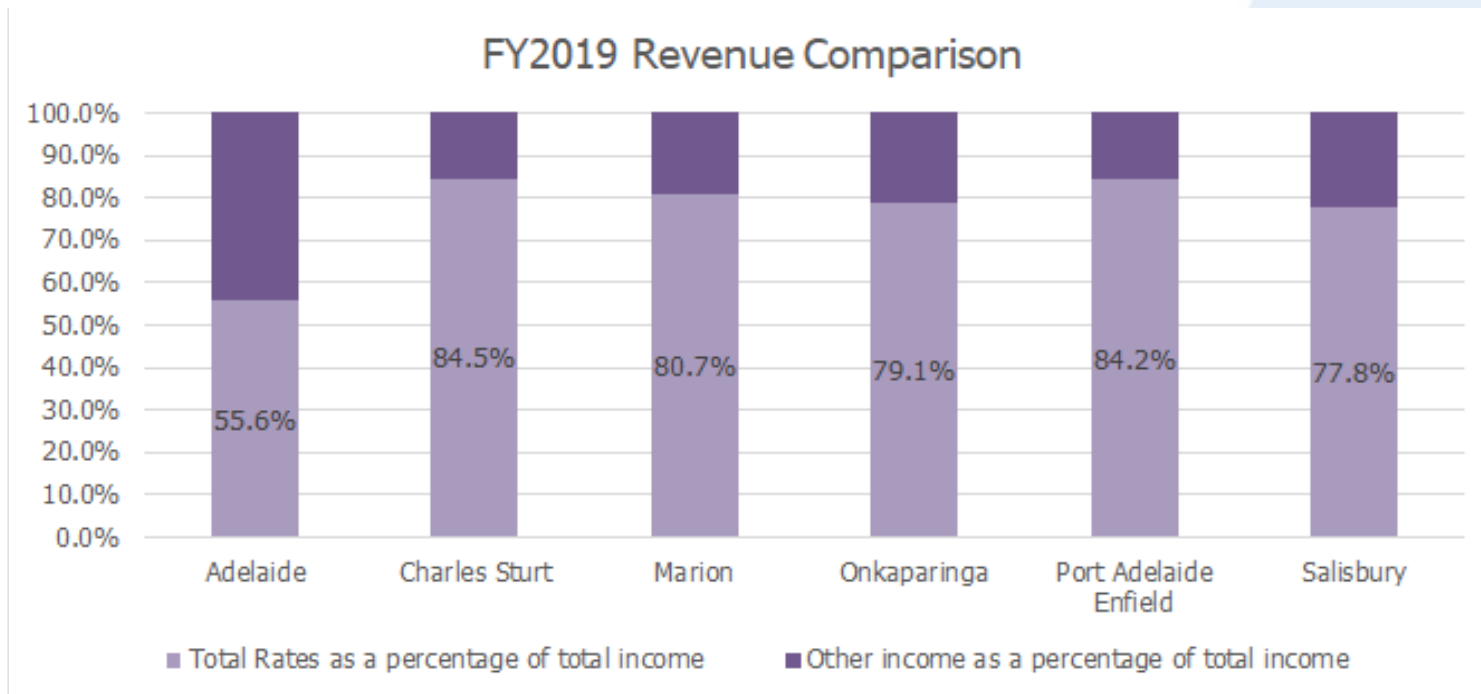
### Financial Sustainability

- Despite the freeze, Council Rates income has grown from new developments and revaluations over the past 5 years

	FY17	FY18	FY19	FY20	FY21
Rates income (\$m)	95,895	98,503	103,091	110,602	113,345
Change	2%	3%	5%	7%	2%

## Financial Sustainability

- Rates as a percentage of total revenue



### Financial Sustainability

- Draft Budget LTFP Forecast Position
  - New developments growth forecast at 1% on revenue
  - Commercial revenues bounce back
  - On-going impact of \$4.7m budget repair measure in FY22
  - Full year impact of \$20m savings

Uniform Presentation of Finances										
\$'000s	2021-22 Draft Budget	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Income	201,923	206,095	210,941	223,561	229,600	235,323	241,220	247,235	253,369	259,678
less Expenses	(201,891)	(205,927)	(210,554)	(215,650)	(221,548)	(220,642)	(227,973)	(229,622)	(236,124)	(245,949)
<b>Operating Surplus / (Deficit) before Capital Amounts</b>	31	168	387	7,911	8,052	14,682	13,248	17,613	17,245	13,728

Table below reflects the December 2020 forecast:

<b>Operating Surplus / (Deficit) before Capital Amounts</b>	(4,756)	(4,632)	(6,453)	775	651	6,969	5,171	9,218	3,012	3,665
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- Operating surplus in each year
- Limited financial capacity in early years

# Economic and Investment Strategy – City Growth <sup>15</sup>

## Where are you now?

### Financial Sustainability

The dashboard view

Financial Indicator	Target	2021-22 Draft	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Surplus Ratio	0%-20%	0%	0%	0%	3%	3%	6%	5%	7%	7%	5%
Net Financial Liabilities	Less than 80%	55%	60%	51%	33%	31%	24%	17%	24%	17%	28%
Asset Sustainability Ratio	90% - 110%	60%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio	Maximum 50%	25%	27%	19%	13%	12%	8%	4%	9%	5%	12%
Interest Expense Ratio	Maximum 10%	0.90%	1.10%	1.10%	0.80%	0.60%	0.50%	0.30%	0.40%	0.40%	0.50%
Leverage Test Ratio	Maximum 1.5 years	0.7	0.8	0.6	0.4	0.3	0.2	0.1	0.3	0.1	0.3

## Financial Sustainability

- Revenue maximisation
  - Increase revenue from existing sources
    - Reduce leakage
    - Fee Review
      - Market prices – benchmark
      - Fees for faster processing
    - Increase transactions
  - Create new revenue streams
- Cost optimisation

**321,000**  
**people in the**  
**City each day**



### Economic Policy Objectives

- Support owner-occupier growth to exceed 2030 targets

CoA Residential population*	26,177 (ERP, 30 June 2020)
Average annual residential population growth rate**	2.5% per year
Residential population forecast at 2030***	40,994

\*ABS's estimated resident population at 30 June 2020.

\*\*Average annual residential population growth rate of the CoA for the ten years to 30 June 2020

\*\*\*Current forecast for the CoA based (assumptions of growth). This forecast was last updated in April 2019 however it does not currently account for COVID-19 impacts.

- Rate revenue growth from new developments of no less than 3%
- Investment strategy to harness Future Fund for new revenue streams
  - Funded through sale of underperforming assets
  - Policy Framework
    - Treasury Policy
    - Investment Policy (new)
    - Land Acquisition & Disposal of Land & Infrastructure Policy (amend)

## Economic Policy Objectives

- Increase rating base
  - Owner occupier incentives
  - Development Site Rates Payment Scheme
- Improvements in commercial revenues
  - Off-street car parks delivering commercial rates of return
  - Increase in on-street parking spaces and revenues
  - Investment in Golf Courses and Aquatic Centre
- Leverage Property Portfolio
  - Strategic acquisition of property
  - Actively work with developers to extract value from assets

## Rates revenue growth

### Financial Levers

#### Council rates base \$113,344,740

- 27.40% of gross rates are foregone in exemptions, rebates and special discretionary rebates
- Discretionary rebates were \$0.375m
- Special Discretionary Rebates \$1.298m

#### Stop the leakage

- Review discretionary rebates
- Seek reform to the Act to vary the basis for some exemptions and rebates eg
  - Universities received exemptions valued at \$7.837m
  - Hospitals or health rebates were \$1.448m

## Financial Levers

### Rating Policy

- 40 vacant land properties
- Capital value of \$46.776m
- Annual assessed value \$2.339m
- Current non-residential rate would raise Rates of \$0.328m

### Encourage development

Differential vacant land rate to:

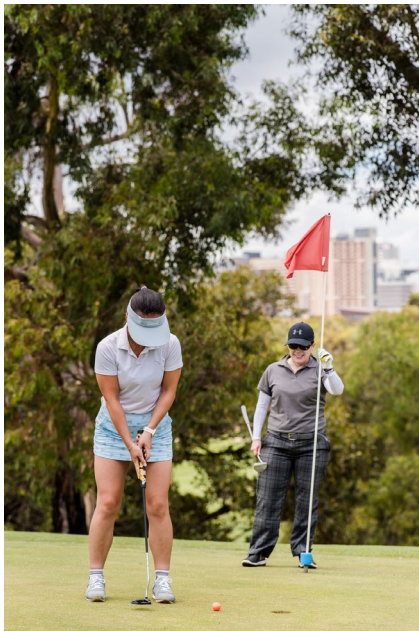
- Disincentive to withholding land from development
- Recognise cost of surrounding infrastructure and services

Define 'long term vacant land' in rating policy

Use the discretionary rebate powers to provide rate relief for vacant land not defined as 'long term'

## Growth Agenda

- Introduce special rates for special projects

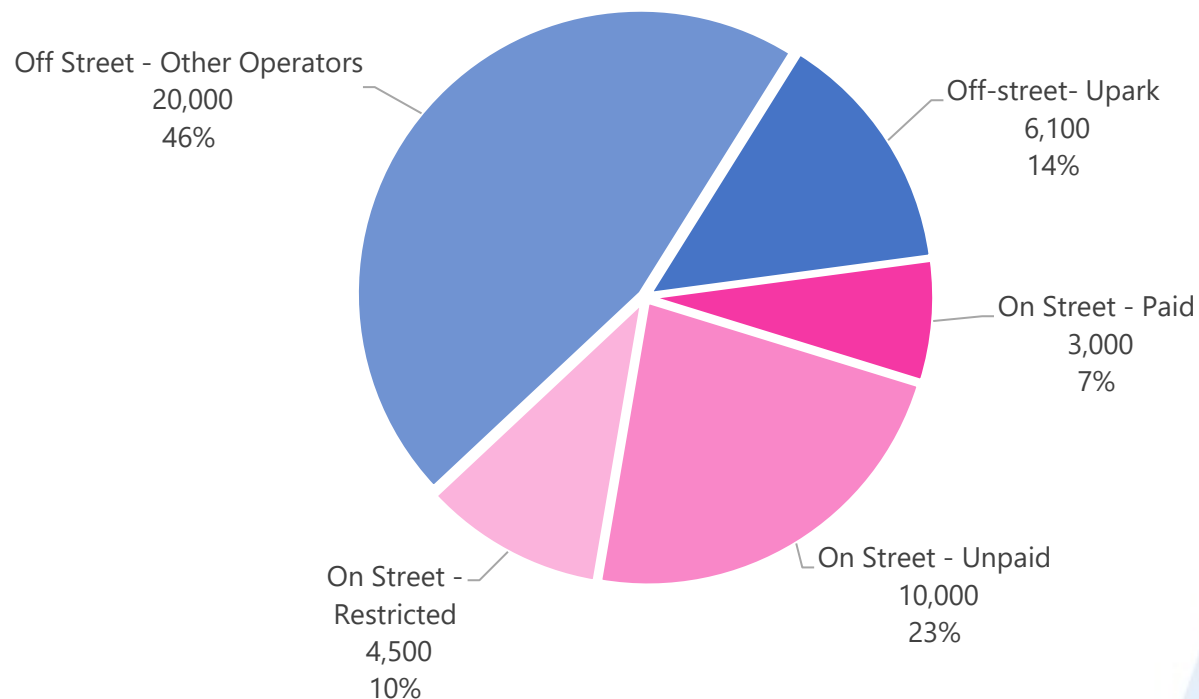


- Provide benefits for city residential ratepayers
  - memberships with equivalent value

## Financial Levers

- Lower cost of paid on-street parking and broaden base

43,600 Parking Bays Across CoA segmented by type



Introduce paid all day parking - \$0.340m

Expand paid parking to other main roads - \$0.500m

Introduce dynamic pricing – linked to off-street rates

Provide Resident Exemptions

## Growth Agenda

- Achieve benchmark commercial returns
  - Implement full cost reporting
  - Measure and report performance
- Asset investment
  - Strategic site acquisition
- Exit strategy?
  - Longer term business view



## New development

### Financial Levers

- Increase in rates from growth
  - Rates income growth over past 5 years has averaged 4%
- Major developments - known
  - Lodgement value \$1.173 billion
  - Approved last 12 months - \$544 million
- City of Adelaide Market influence
  - Strategic use of Council property portfolio (land banking)
  - Air-rights



88 O'Connell  
\$250m

Lot Fourteen  
\$722m Gov  
\$400m Private

SAHMRI 2:  
\$500m

60 KW  
\$450m

Hyatt  
\$160m

Central Market  
Arcade  
\$400m

Approved

Commenced

Completed

## Financial Levers

Buy

Develop

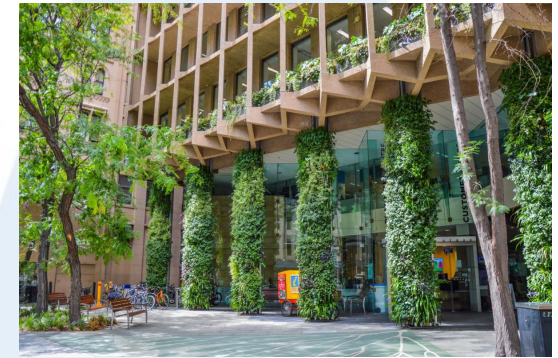
Sell

## Leverage property portfolio

### Financial Levers

- Strategic acquisition of property eg
  - Buy land to landbank
  - Buy C or D grade buildings to redevelop
- Develop
  - City shaping opportunities
  - Joint venture, acquire expertise
  - Actively work with developers - defer consideration for Land (eg 88 O'Connell Street)
- Sell
  - To achieve Policy objectives and stimulate growth
  - To facilitate City shaping opportunities
  - Surplus Land

## Property Market Intervention - City Shaping Opportunities



## Property market intervention

- Investment in C & D grade building
  - Play a role in removing poor quality C & D grade office stock from the Adelaide CBD market to provide a more balanced commercial market
  - Council's role may range from facilitation through to acquisition, redevelopment or re-purposing buildings for a change of use and to utilise partnership arrangements including joint venture structures
  - Use this approach may support broader strategies ie tech industries, the digital economy and residential growth and / or affordable housing.

## New revenue streams

### Growth Agenda

- Infrastructure events / commercial partnerships to offset costs etc (eg Naming rights)
- Advertising revenues from billboards and digital formats
  - Revenue from billboards circa \$2m per annum
  - Joint venture or contract opportunity
  - Waste Management Services
  - Childcare Facilities

**321,000 people in the City each day**

## Investment Policy

- Purpose
  - clear understanding of investment goals and objectives
  - define and assign responsibilities for investing activities
  - establish an investment strategy including asset allocation, investment horizon, risk and return
  - establish basis for reporting and evaluating performance
- Policy objectives
  - stewardship - safeguard the fund over the long term
  - maximise the return on investments within the risk profile
  - maintain liquidity and cash flow to meet reasonably anticipated cash flow requirements
  - investments decisions should reflect the values of the CoA

## Future Fund

- **Investment principles**
  - adopt a flexible approach to investment opportunities without placing unnecessary limits on potential returns on its investment
  - compliance with Prudential Management Policy
- **Investment objectives**
  - achieve an acceptable rate of return on investment opportunities which reflects the multiple objectives of the investment
  - allocate capital within acceptable risk parameters (focusing on opportunities with attractive risk to reward profiles)
  - Market intervention
- **Return on investment**
  - Weighted average cost of capital + Risk free rate + premium



## Future Fund

### Rate of return example

$$\begin{aligned} \text{WACC} &= 1.91\% \\ &+ \\ \text{Risk free rate} &= 1.65\% \\ &+ \\ \text{Risk Premium} &= 4.00\% \\ &= \\ \text{Return sought} &= 6.56\% \end{aligned}$$

#### Weighted average cost of capital

- CoA calculation is 1.91%

#### Risk free rate

- Most common proxy is the yield on ten-year Commonwealth Government bonds
  - May 2021 1.65%
  - Long term average 4.36%

#### Risk Premium

- Set a risk premium range, say 2.0% to 6.0%
- assess Beta the relative riskiness compared to market

## Growth Agenda

- Achieving Rates revenue Growth
  - Address Rates leakage
  - Engage in Strategic property activity
- Expand revenue base
  - Increase commercial revenues
    - Parking
    - Advertising

# Economic and Investment Strategy – City Growth <sup>35</sup>

## Key Questions

### KEY QUESTION

What are Council Members Views on pursuing a range of options to improve the long term financial sustainability of Council through expanding the revenue base of Council including by:

- Actively pursuing strategic property development opportunities, including land acquisition;
- Seeking to reduce the leakage from the Council rates base;
- Increasing commercial revenues from sources such as advertising, car parking and naming rights.

## Next Steps

- Revisit the Treasury Policy and Investment Policy to reflect agreed Return on Investment (ROI) strategies and agreed principles towards future investment.
- Bring the relevant policy documents back to Council for consideration.

# Enabling Priorities

## Adelaide Central Market Authority (ACMA) Draft Charter Review

The ACMA Board has requested that Council review the current ACMA Charter.

City Shaping

Tom McCready, Theo Maras  
and Mark Booth

- The Adelaide Central Market Authority (ACMA) is a subsidiary of Council under Section 42 of the *Local Government Act 1999 (SA)* (the LG Act).
- The ACMA Charter was last reviewed in 2014 with the amended Charter being gazetted on 10 July 2014.
- The ACMA Board has requested that Council review the current ACMA Charter.
- Schedule 2, Part 1, Clause 3(4) of the Act states: “The charter may be reviewed by the council at any time and must be reviewed by the council whenever it is relevant to do so because of a review of the council’s strategic management plans.”
- The purpose of this workshop is to reflect the current and future needs of the ACMA in relation to the management and operations of the Adelaide Central Market (the Market), marketing requirements and the relationship with the development of the adjoining Central Market Arcade and expansion of the offer.



### KEY QUESTIONS

#### Role of ACMA

What are Council Members' views on:

- Expanding the role of ACMA to curate, market and manage the Market offering and operations, and once redeveloped, incorporate the new Arcade retail offerings into 'One Market'?
- Changing responsibility to manage the Central Market car park back to Council?

### KEY QUESTIONS

#### Governance

What are Council Members' views on:

- A more integrated governance model with CoA?
- CoA Audit Committee being ACMA's Audit Committee?
- Clearly defining Asset Management decision making and responsibilities?

### KEY QUESTIONS

#### Financial

What are Council Members' views on:

- Market operating revenues collected by CoA and expenses managed by ACMA?
- Support services provided to ACMA at no cost?
- Asset related activities being based on a Landlord / Tenant relationship?
- ACMA providing an appropriate and agreed return to CoA?

### KEY QUESTIONS

#### Operating

What are Council Members' views on:

- ACMA operations being supported by CoA administration functions?
- ACMA general administration functions including governance, finance, human resources, risk and procurement being integrated with CoA?

Implication	Comment
Policy	Not as a result of this workshop
Consultation	<ul style="list-style-type: none"><li>- ACMA Board and Governance Sub-Committee</li><li>- ACMA staff</li><li>- City of Adelaide staff</li><li>- Traders Advisory Group</li></ul>
Resource	Not as a result of this workshop
Risk / Legal / Legislative	Not as a result of this workshop
Implication	Not as a result of this workshop



# Budget/Financial Implications

Implication	Comment
20/21 Budget Allocation	Not as a result of this workshop
20/21 Budget Reconsideration (if applicable)	Not as a result of this workshop
Proposed 21/22 Budget Allocation	Not as a result of this workshop
Ongoing Costs (eg maintenance cost)	Not as a result of this workshop
Other Funding Sources	Not as a result of this workshop

## Why review the Charter?

- Required under LG Act
- Better reflect the current operating environment
  - Operation of a “One Market” to incorporate the Arcade
- Provide role clarity and definition
  - ACMA’s role is management and marketing
  - City of Adelaide’s role is:
    - Asset (building) management and maintenance
    - Provide support services eg accounting, HR, etc.
    - Operate the car park

- Review Charters of other subsidiaries
  - City of Adelaide
  - Other Councils
- Consultation
  - ACMA Board and Governance Sub-Committee
  - ACMA staff
  - City of Adelaide staff
  - Traders Advisory Group

- One Market
  - consolidation of Arcade development under ACMA control
- ACMA is a management and marketing entity
- CoA responsible for
  - Asset management and investment
  - Car park management with ACMA direction
- Establishment of a Committee of the Board (official), chaired by a member of ACMA and includes TAG representatives and independent trader nominees;
- CoA providing support services to ACMA

## Structural changes

- Restructured for ease of interpretation
  - Title Page inserted
  - Name of CEO updated
  - Year of Charter updated
- Introduction
  - Dictionary – amendments to some definitions to provide greater clarity, new definitions inserted and some definitions deleted.
  - Market definition – removed reference to car park
  - Deleted requirements to provide for Capital Renewal or Capital Enhancement

## The Authority

- New section consolidating information from elsewhere
- Clarified ACMA is a management and marketing entity
- Objective of “becoming internationally recognised” replaced as “encouraging the use of the Market by SA residents, visitors and community in general”
- Stall holders referred to as “sub-lessees an/or licensees”
- New objective to “contribute to the wider market district”
- Removed requirement to be financially self-sufficient for capital renewal costs to reflect changed arrangements for asset management between CoA and ACMA

## Powers, Functions and Duties

- Previously clause 1.8 but re-worded and simplified
- Removed various powers including to:
  - open and operate bank accounts
  - borrow money
  - accumulate surplus funds
- New power added to:
  - determine Car Park operational hours and operational requirements to support the Market
- Committees
  - ACMA must establish a Committee of the Board (official), chaired by a member of ACMA and includes TAG representatives and independent trader nominees;
  - Guide the Board on operations of the Market
  - Three TAG members, two ACMA Board Members and two Independent traders
  - Reporting requirements embodied

## Board of Management

- Substantive change
  - provide input and support to the CoA's CEO regarding the performance of the ACMA GM
  - Monitor performance of ACMA GM
- New provisions
  - notify the CoA's CEO of material risks or situations affecting ACMA's financial or operating capacity
  - ensure all information provided to CoA is accurate
  - conduct activities in an efficient and effective manner
- Board Meetings
  - Minimum of 4 meetings required
  - Chairperson now has casting vote



## Board of Management

- Board
  - Re-worded to remove the prescription on the collective knowledge and skills required to provide greater flexibility in the appointment of members
  - One member of Council appointed to Board
  - Chair of TAG no longer automatically a Board member
  - Board Member selection panel is now the CoA's CEO, the CoA's senior HR Manager, the Chairperson and a Council Member.
  - Limitation removed on serving more than two consecutive terms
  - Register of Interest requirements now require Board Members to submit returns under Act

## ACMA General Manager

- Provide clarification that ACMA GM is:
  - an employee of CoA (under the Act)
  - appointed by CoA CEO on terms and conditions set by CoA
  - reports to the CoA CEO
- New provisions for clarity to set out:
  - Duties and Powers of ACMA GM
  - Authority to delegate certain matters

## Management

- Sets out obligations required under the LG Act
  - Strategic Plan, Annual Business Plan, LTFP
  - Reporting requirements eg Annual Report by 30 September
- Financial management
  - simplified now managed by CoA
  - Auditor of CoA is auditor of ACMA
  - Borrowings can only be undertaken by CoA
  - Council approves budget

## Other sections

- Miscellaneous
  - Simplification to require CoA to obtain insurances for ACMA
  - Minor amendments to provide clarity
- Circumstances not provided for
  - No change
- Performance and Accountability of ACMA
  - Minor drafting changes but no change to intent

## Financial implications

- Car Park income and expenditure now reported as part of UPark
- Central Market Arcade Redevelopment
  - Leasing income and expenditures reported under ACMA
  - Council Rates reported under CoA
- Net financial position of Council is unchanged



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- Report to The Committee on 1 June 2021.
- Report to Council on 8 June 2021 seeking adoption of updated Charter.
- If adopted by Council a copy of the Charter will be provided to the Minister for Planning and Local Government and notice of the amendment will be placed in the Government Gazette.
- A copy of the amended Charter would be made available on the City of Adelaide's and ACMA website.