



Elected representatives yet again fail the ratepayers of Port Phillip

Summary

The Ratepayers of Port Phillip (RoPP) have been shocked to discover the Council are now leasing the St Kilda Marina well below commercial rates when they are slugging ratepayers with excessive rates. This is just another example that the Council has a very low understanding of fiscal sustainability and how to manage their assets for the benefit of the community. What this means is that ratepayers are again paying for services they don't receive.



We are aware that our council has numerous and deliberate underperforming assets and these should be brought in line with market rates as they do so diligently with housing rate reviews. Doing so can have a clear benefit to ratepayers in lower taxes. We would like to urge Council to optimise non-rate income to offset ratepayer revenue however we are yet to see any action on these initiatives.

More info if you are interested in the details and numbers

- a) On 6 February 2019, Council approved a 3-year interim lease arrangement with Australian Marinas (A/Asia) Pty Ltd to continue to operate the St Kilda Marina after the Council botched a plan to put the lease out to tender. The interim lease is bad for ratepayers because as the Council says in its own words (published on their website) "This is a sub-market rent; however, increased from the previous rent to support the principle that neither party should be disadvantaged by the provisions in the interim lease". The following arrangements with Australian Marinas were approved.
 - i. **Commencement Date:** 1 May 2019 (to follow on from the current lease expiry)
 - ii. **Term:** 3 years
 - iii. **Rental:** \$134,000 per annum plus 7% of gross receipts associated with carparking, boat launching, rental of boat pens, parking of cars with trailers and dry storage rentals.
- b) It should be noted that the Council does not receive any fees from Australian Marinas' sub-leasing of the BP service station, Riva, The Great Provider, Rollo's Kiosk, Sky Dive Melbourne and St Kilda Boat Sales businesses. The Council disclosed at the meeting that Australian Marinas sub-leases these business for \$1.3M p.a. and the Council does not receive any fees on these leases under the interim lease arrangement. Why is this?
- c) Council did not have an adequate plan for the expiry of the current operator's 50-year lease in April 2019. The operator has paid peppercorn rent to Council for 50 years and have negotiated a 3-year extension and have delayed the tender process which would force the successful bidder to pay commercial rates. Where there is smoke
- d) It was advised at the Council Meeting on 6 February that during negotiations late last year, the operator threatened to walk away from the Marina with its assets which would have closed the marina. Council admitted they were forced to agree to a 3-year interim lease with the peppercorn rent deal. To make matters worse some of the Councillors thanked the Officers at the Council Meeting on 6 February (Port Melbourne Town Hall) for their hard work on the Marina - clear evidence that there is no accountability. This is a shameful event for the Council and executives.

But wait, it's even worse than we first thought.....

- e) Council has now disclosed the operator has been paying \$40,000 plus approx. \$120,000 p.a.
- f) Based on revenues of \$120,000 to council @7% of receipts we estimate Australian Marinas reports gross receipts of \$1.7M from carparking, boat launching, wet and dry

berth fees. However, based on the analysis below Council revenue appears well below market projections.

- g) An independent valuation by Charter Keck Cramer (18 January 2019) have assessed the current market rental value of the St Kilda Marina to be \$800,000 p.a. (ex-GST).