Minutes of the Special Meeting of the Glenorchy City Council held at the Council Chambers on Monday, 20 August 2018 at 6.00 p.m.

Present: Aldermen K. Johnston (Mayor), M. Stevenson (Deputy Mayor), P. Bull, M. Carlton, J. Dunsby, S. Fraser, S. King, G. Richardson, K. Sims and B. Thomas.

In attendance: Mr. T. McMullen (General Manager), Mr. T. Ross (Director, Infrastructure and Works), Mr. S. Scott (Acting Director, Corporate Governance), Mr. D. Ronaldson (Acting Director, Community, Economic Development and Business), Mr. P. Garnsey (Acting Director, Environment and Planning), Mr. B. Richardson (Acting Chief Financial Officer) Mr. B. Hannan (Acting Manager Governance and Risk), Ms. K. Whitbread (Acting Manager, Community and Customer Service) and Mrs. J. King (Mayoral and Executive Support Officer).

Thirty three (33) members of public attended the Council meeting.

The Chair opened the meeting at 6.00 p.m.

The Chair acknowledged and paid respect to the Tasmanian Aboriginal Community as the traditional and original owners and continuing custodians of the land.

The Chair read the following two statements:

Statement 1:
In relation to the Audio Recording of the Council Meeting under regulation 33 of the *Local Government (Meeting Procedures) Regulations 2015* and Council's 'Audio Recording of Council Meetings' Policy.

Statement 2:
In relation to Work Health and Safety at the Council meeting.

1. APOLOGIES

None

2. PECUNIARY INTEREST NOTIFICATION

The Chair asked if any Aldermen had or were likely to have a pecuniary interest in any items on the Agenda.

No interests were declared.

3. PUBLIC QUESTION TIME (15 MINUTES)

James Bryan - 14 England Avenue, Montrose

Q: When did the Glenorchy City Council decide that operating the Derwent Entertainment Centre (DEC) was not a 'core business activity' of Council?

Mr. Bryan Cited the General Manager's message from Council's FY 2016/17 Annual Report in in which the General Manager mentioned the DEC in a list of core activities of Council

A: [Mayor] There has not been a formal decision of Council as to whether the DEC is a core business activity of Council, however we take guidance from the *Local Government Act 1993* in relation to the services that councils are required to provide to the Community. It is not explicit anywhere that an entertainment centre is to be provided.

[General Manager] The General Manager acknowledged that the position that Council is currently taking is inconsistent with the statement made in his message in the Annual Report. However, the General Manager advised that the message that he was conveying in the FY 2016/17 Annual Report was that Council was continuing to deliver a range of services to the community, notwithstanding that there were a number of issues around Council at the time (such as the Board of Inquiry). Clearly the DEC is a regional entertainment facility, not a core activity of a local council, so there is a mismatch between the scale of the facility and the scale of concern for the Glenorchy City Council.

Q: When will the continued use of the figure of over $1 million [to describe the annual loss made by the DEC including depreciation] to justify the sale of the DEC cease?

A: [Mayor] The Mayor noted that there was a headline in *The Mercury* recently to the effect of 'Cash Bleeding DEC to be Sold'. However, Council has no control over the headlines or commentary provided by the Mercury. All media outlets take information and use it in the format that suits them. Council has been very careful about putting out clear and factually correct information but we have no control over what is printed.

The information in the Council report is factually correct and contains all the information that Aldermen need to be aware of to make a decision. The Mercury took that information and reported it in the way that they did and Council cannot control that.

Q: Why should the Glenorchy City Council be swayed by an NBL requirement that any bid for a franchise include ownership when no other franchise owns a venue, and when the ninth license was given to someone who neither owns a venue or a team? [Note: This question was addressed to the consortium which has expressed an interest in purchasing the DEC]

A: [Mayor] Tonight's meeting is to discuss whether we dispose of the DEC (sell or lease). It is not to consider whether, if we do decide to sell it, who we sell it to, on what terms and when. That is a decision for a future point in time. The matter of the NBL licence is a matter for the consortium and the consortium only, not Council.

Q: Recently in estimates in the Tasmanian Parliament, Minister Gutwein stated that Commissioner Sue Smith had been instructed to take $700,000 out of last year's budget to pay for the costs of the Board of Inquiry. Either the minister is not telling us what happened or you are not telling us what happened?

A: [Mayor] The total cost of the Board of Inquiry was $887,000. Last year Council paid $216,000 as an instalment payment. In our negotiations with the State Government, we were initially given three (3) years to pay that amount back.

However Minister Gutwein has kindly agreed to allow an extension of the payment terms to five (5) years. This means that our instalment payments have decreased, however we are still required to pay back the full amount. This leaves us with $671,000 left to repay over a four (4) year period.

John Green - 1/8 Dawkins Court, Moonah

Q: In relation to the figure of approximately $800,000 cited for depreciation on the DEC (which has been cited by *The Mercury* as an operating loss), how is that figure reached? If the standard depreciation rate of 2.5% on buildings is used, this values the DEC at $32m. Can someone explain how the Auditor General arrived at that figure?

Also, if Council makes provision for depreciation, that money is part of Council's assets and shows as an asset on its balance sheet. Why is the $800k depreciation figure counted as a loss?

A: [General Manager] Council runs an asset management system and we add up the value of the components of that building, each which have different life cycles (e.g., bricks and mortar compared to carpet). These sub-assets are added up to obtain a value for the building from which depreciation is calculated. The depreciation on the DEC is expected to fall in the 2018/19 financial year from about $800k to around $180k. That is because a large proportion of the sub-assets that comprise its value have been fully depreciated. The other reason is that there have been discussions with the Auditor General around the proper way to value the DEC, which suggests that we should be valuing it based on its usual occupancy, not on its total maximum occupancy (because if Council was to replace the asset in future, we would be unlikely to replace it with a similar capacity venue). Accordingly, the overall value of the asset is likely to come down on that basis.

[Acting Chief Financial Officer] The DEC was valued at approximately $34 million in last year's accounts. The valuation was not prepared by the Auditor General or Valuer General, it was prepared by a valuer engaged by Council in 2016. In accordance with usual practice, that valuation was indexed up to the $34 million figure from which depreciation has been calculated. The Auditor General checked that valuation and was satisfied with it. Depreciation provision is an expense which is a loss to Council. There is a new accounting standard which came into effect from this year. This allow us to take into account 'economic obsolescence'. The Auditor General suggested to Council that it should look at the DEC's valuation on the basis of its average use versus its capacity. Council went back several years and calculated what the average 'per event' attendance was. This suggested that the DEC was being under-utilised by approximately 50% for every event. This led us to process an adjustment to the value of the DEC which was signed off by Council and the Auditor General. This wrote down the value of the DEC on the basis of economic obsolescence.

Janiece Bryan, 14 England Avenue, Montrose

Q: During 2016/17 the DEC saw the return of the Hobart Chargers basketball team on a three (3) year contract. Why did the user charges for the DEC drop significantly since then?

A: The question was taken on notice.

Q: Why wasn't the $414,000 spent on the installation of a new basketball floor and provision of production and technical services spoken of when referring to the $264,000 that the DEC lost?

A: The question was taken on notice.

Q: Where will events like the recent Meningococcal Clinic and the Southern Dance Eisteddfods be held if the DEC is sold?

A: [Mayor] What is being considered at today's meeting is merely a change of ownership, not a change of use. There is no consideration today of whether we would allow the change of use to occur.

Q: In relation to the $10 million pledge from the Liberal Government, where will the required parking spaces for such a facility be located if the DEC (and its approximately 1,000 parking spaces) is sold?

A: [Mayor] The $10m pledge from the State Government was made without any consultation with Council. The State has allocated $1 million in this year's budget, a further $1 million in next year's budget and the $8 million balance in the 2021 budget. My understanding is that this is still being scoped by the State Government. There is no guarantee that any stadium would be located at the DEC. It might also cost significantly more than $10 million.

Q: **Why has the Council not undertaken a serious risk and benefit analysis if it is acting in the best interests of the people it represents? Has Council undertaken a public benefit test of the corporatisation of the DEC that is proposed? In regard to competitive neutrality, there is no other competitive business activity relating to this building.**

A: [Mayor] Whilst the DEC is the biggest indoor stadium in the State, we compete regularly with other facilities such as Wrest Point, Blundstone Arena and the Silverdome.

[General Manager] Our closest competitor is the Wrest Point Casino which has a significant advantage in that it also operates accommodation and food and beverage businesses. Whilst only the DEC has the capacity to stage some of the bigger events, it competes with Wrest Point for smaller events because Wrest Point can cross-subsidise against its various business activities and is therefore in a better competitive position.

[Mayor] Larger events are also at a disadvantage because they have to incur freight costs in crossing Bass Strait, meaning they are few and far between.

Q: Why is Council rushing this process?

A: [Mayor] Council is obliged to comply with the *Local Government Act* (**the Act**), which sets out a time frame that Council must comply with in expressing an intention to sell public land. In addition, the advice from the Director of Local Government is that Council did not need to consult and that it would be free to sell the DEC without any consultation but that Council's policy is that it will always consult with the community and go through the section 178 process under the Act.

Q: Why has Council suggested the Chigwell Barn, the Moonah Multicultural Hub, the Moonah Arts Centre and the KGV building as a replacement facilities for the DEC when these are much smaller venues?

A: The DEC is not a civic centre, it is an entertainment centre. The other venues mentioned in the Council report are civic facilities which are available for civic events on a smaller scale. These are assets that are owned by Council which are available for civic functions rather than entertainment functions. The DEC is an entertainment centre which is hired out on a commercial basis as opposed to smaller facilities which have a range of fee scales more appropriate to cross-subsidising community use.

Q: Why was there a net loss of $998,000 on the sale of one (1) property at 404-408 Main Road, Glenorchy in FY 2014/15 and how many millions are Council proposing to lose on this sale?

A: The question was taken on notice.

Q: Prior to the budget, the Mayor advised that Council was teetering on the brink of insolvency. This was later reiterated by Sue Hickey MP. This led many people to believe that it was necessary to sell the DEC.

A: [Mayor] Prior to this year's budget, Council was in a perilous financial position. That has been addressed in the FY 2018/19 budget through the 12.5% increase in rate revenue. Council's budget process did canvass the possibility of potential asset sales to assist in improving Council's financial position. The DEC was named as a possible asset sale during that process. There are also other properties around the city that might be considered for disposal. The statements about Council's financial position made during the budget process were absolutely correct. However, the FY 2018/19 budget is not dependent on the sale of the DEC.

Geoff Lucas - 111 Black Snake Road, Granton

Q: If a decision to sell the DEC is made, is there then a step where the unanswered questions (such as the change of use question) will be able to be asked?

A: [Mayor] If Council decides to dispose of the DEC, then at a future Council meeting, we will decide who to, how much for and when. That will provide another opportunity for members of the community to have their say.

The Mayor drew an analogy between what was occurring at the current meeting and a decision by a person to sell their house. The decision to be made at this meeting is effectively whether to put the house on the market. The decision of who to and for how much is a decision to be made at a future time. The issue of how much we ultimately sell the DEC for is directly relevant to whether a decision is in the best interest of the community. If we decide to sell it we are not compelled to sell it within any particular time frame (or at all), to any particular person or for any particular sum on money.

Q: What will the proceeds of the sale (should it be sold) be used for? Will the ratepayers have the opportunity to have input into how that money will be spent?

A: [Mayor] We don't know how much we would end up selling the DEC for if we ultimately sell it. That would depend on the negotiations between Council and a potential purchaser. We would need to go through a proper process to understand, through due diligence, what would be an appropriate sale price, and then what would be the best way to spend any proceeds of the sale.

Accordingly there has been no consideration as to how the proceeds of any sale would be spent.

Q: Has there been financial modelling undertaken in respect of the potential sale and the options presented in the Council Report?

A: [Mayor] We do not know what price we would sell the DEC for if we were able to negotiate a sale, so we are not yet in a position to undertake any financial modelling.

Q: Following this year's 12.5% rate increase, will there be a rate decrease next year, and what is the extra revenue being spent on?

A: [Mayor] This Council, through extensive communication with the community, has been very open about the financial predicament that we have found ourselves in, in-terms of the significant legacy issues that exist. There have been some large one-off bills that Council will pay through the rate revenue increase.

The 12.5% is a rate revenue increase. Council will use its best endeavours when considering the next budget to keep any further rates increases to around the CPI rate. That requires us to undertake a many activities this financial year and also to implement a range of savings measures and deal with the legacy issues. The rate revenue increase is an increase, not a one-off levy, as much as we would like it to be.

John Brierley – 1 Lampton Avenue, Derwent Park

Q: Council should look at the way that the DEC is run as a business and try to turn it around.

A: [Mayor] Council operates the DEC as a commercial venue. The General Manager has previously provided comments on the competition that the DEC faces as a business. We run a good venue, but Council is not in the entertainment business whereas other similar facilities are in that business. They are therefore able to cross-subsidise and be a far more attractive proposition that what our facility is. It is our decision today to decide whether there should be a change of ownership rather than a change of use.

Luke Campbell – Glenorchy

Q: Mr. Campbell asked a question regarding how Council promotes traffic safety and healthy communities.

A: The Mayor advised that Council runs a lot of activities around public health, Council runs a number of immunisation clinics and has a safer communities committee that looks at directly at the perceptions of safety in our community and we work with Police and other community organisations to promote this. Traffic management is one of the main functions of Council and we have a key role to play in that area.

We have also have a number of entertainment venues around the city that there are lots of healthy activities to participate in, particularly around our parks and reserves.

Q: Mr. Campbell noted that we have a lot of community artworks and suggested that Council should consider selling these to pay for more car parks.

A: The Mayor advised that Council has the Moonah Arts Centre and GASP which contribute to a vibrant arts culture in the city. We also have a car parking strategy which plans for how we are going to provide for car parking in the future, and this is also relevant to the issue of transport, generally.

Q: **Mr. Campbell noted that he was in support of the sale of the DEC if it meant that Council could invest more money in public safety and health initiatives (or alternatively use ticket sales from the DEC to fund safety programs).**

A: The Mayor advised that the current ticket sales at the DEC do not adequately cover the cost of running it, meaning that there is no surplus money generated to be spent in other parts of Council.

The Mayor suggested that Mr. Campbell discuss how he could become involved in community safety matters at Council with Council's Acting Director, Community Economic Development and Business.

Name and address not provided

Q: **Has a deal to sell the DEC already been made?**

A: [Mayor] No.

Q: **Can we find details about the 'consortium' on the internet?**

A: [Mayor] My understanding is that the consortium is currently being led by Justin Hickey of Hydraplay. They have provided Council with an unsolicited bid for the DEC but there has been no deal done with either the consortium, Justin Hickey or Hydraplay.

Q: **Is the consortium Mainlanders? The DEC should stay in Tasmanian hands.**

A: [Mayor] We don't know and in any event this is not a matter that is being considered at today's meeting. If Council decides tonight to sell the DEC it is not a *fait accompli* that Council would sell it to the consortium.

Q: **Wasn't this matter on the agenda last year? It has definitely been talked about before.**

A: [Mayor] It has not been on the agenda recently, to her knowledge. But over a number of years there has been discussion by Council about potentially selling the DEC.

Q: **Council's tip fees have increased from $2 many years ago to $20 currently. If Council can't run a tip, how can you run the DEC?**

A: [Mayor] You are correct that the landfill site does provide significant revenue to Council, which is used for a range of things, and also puts downward pressure on our rates. The other issues that we have with our landfill site is that it is coming to the end of its lifespan and we need to ensure that we have the ability to fund the next phase of our waste management.

Name not provided

Q: If the DEC is sold, presumably whoever buys it will seek to make a profit. Why can't Council run the DEC at a profit?

A: [Mayor] Our management staff have done all that they can within the constraints of Council's operations to make the venue generate as much revenue as possible. The General Manager has explained the competitive challenges that we face where other venues can cross-subsidise their operations with food and beverage and accommodation options. Council is not in the business of building hotels or similar businesses or running entertainment centres.

Bob Pettit – Address not provided

Q: How is the DEC valued? Is it in the same way as a residential house?

A: [General Manager] Every year, Council conducts valuations for different asset class (roads, buildings, stormwater etc.). That assists Council to work out the value of our assets and decide how much money we need to put aside to assist in the upkeep of those assets.

If someone puts their house on the market, a registered valuer will perform a valuation. That is what Council has done with the DEC.

There are also different types of valuations that are performed. The type of valuation that Council has previously performed is for the purposes of valuing its asset for accounting purposes (e.g. to determine depreciation). However, you can also commission a market valuation to determine its value for the purposes of a sale. A market valuation is what has been performed on the DEC as part of the process currently being undertaken.

Q: So if I'm not happy with my rates bill, can I get my property revalued?

A: [General Manager] There is a process you can go through to dispute the Assessed Annual Value valuation that is performed by the Valuer General, and a number of people in Glenorchy did this after the last valuation process.

Q: What is the valuation of the DEC?

A: [Mayor] For depreciation purposes, the value of the DEC has been reduced to $18.6 million. That means that if it were to be destroyed tomorrow, it would cost that much to replace.

Q: What area does that valuation include?

A: [Mayor] The parcel of land being offered for sale, which includes the front and rear car parks, the grass verge at the front of the Brooker (Highway) and the building itself. It does not include the foreshore area or the access road (other than a small segment of it).

Q: So does that mean that the value of my asset [house] would be completely different than if it were owned by the Council, but instead it will continue to go up in value and my rates will continue to rise?

A: [Mayor] The DEC is an asset owned by Council. Council is required to manage that asset under certain conditions and account for it in accordance with the Australian Accounting Standards. It is not the same as your own personal property. You are not required to maintain or depreciate your own property but Council is required to with its properties because they are publicly owned. The DEC is a different class of asset to someone's residential home.

Roger Menadue - 9/33A Clydesdale Avenue, Glenorchy

Q: When will the decision made at tonight's meeting be made available to the General Public?

A: [Mayor] As soon as a decision is made it will be on the public record. Anyone in attendance will be free to reiterate the decision and Council will issue a media release so it is clear to the public what the decision is. This is an open Council meeting so the decision will be open to the public.

[General Manager] There is also a requirement to formally write to any person who objected to the proposed sale and advise them of the decision and their appeal rights under the *Local Government Act 1993.*

Name and address not provided

Q: Does that [the previous answer] mean that if you can't make a decision tonight you will still write to those objectors?

A: [Mayor] Council will make a decision tonight, and if that decision is that Council intends to sell the DEC, we will write to those people who lodged an objection in accordance with our obligations under the Act.

There is an appeal period provided under the Act and Council cannot act on any decision that it makes tonight until that appeal period has expired.

Janine Foley – 5 Bethune Street, Chigwell

Q: I have lodged an objection. When you respond to my objection, are you going to answer my specific questions around governance and compliance and the changeover in policy during the consultation period?

A: [Mayor] This was a public notification process, not a public consultation process. Council has a statutory obligation to go through a public notification process when we intend to dispose of public land, which we have followed. This is very different to a consultation that would take place if we was, say, redeveloping a park or other facility. It is an actual disposal of land and is taken very seriously under the *Local Government Act* and there are certain steps that we have to follow which we have complied with. You will get a letter advising of Council's decision and what your appeal rights are, but it will not address your specific queries.

GOVERNANCE

4. PETITION - OBJECTION TO DISPOSAL OF DERWENT ENTERTAINMENT CENTRE

File Reference: Derwent Entertainment Centre Proposals

Reporting Brief:

To table a petition presented to the General Manager relating to the potential disposal of the Derwent Entertainment Centre in accordance with the requirements of part 6, division 1 of the *Local Government Act 1993* and recommend the action to be taken by Council in response to it.

Resolution:

STEVENSON/THOMAS

That Council

1. RECEIVE and NOTE the petition titled *Objection to Disposal of Derwent Entertainment Centre and Surrounding Land (Certificate of Title Volume 110871 Folio 1)* containing 418 signatures lodged by Janiece Bryan of 14 England Avenue, Montrose (**the Petition**), and

2. RESOLVE to treat the Petition as an objection to the proposed disposal of the public land, being Certificate of Title Volume 110871 Folio 1, given under section 178 of the *Local Government Act 1993*.

The motion was put.

FOR: Aldermen Bull, Thomas, Dunsby, King, Stevenson, Johnston, Richardson, Fraser, Carlton and Sims

AGAINST:

The motion was CARRIED.

5. DISPOSAL OF LAND - DERWENT ENTERTAINMENT CENTRE

File Reference: Derwent Entertainment Centre Proposals

Reporting Brief:

At a special council meeting on 9 July 2018, Council resolved to form an intention to dispose of the Derwent Entertainment Centre and surrounding land comprised in Certificate of Title Volume 110871 Folio 1. The intended disposal was advertised under section 178 of the *Local Government Act 1993* (**the Act**) and submissions were invited.

This report reviews the submissions received (including objections) and recommends that Council resolves, in-principle, to dispose of the Derwent Entertainment Centre and its related parcel of land.

It should be noted that if Council adopts the recommendations in this report, this does not constitute (in any way) a decision to sell the land to any particular purchaser. This would be a matter for further consideration by Council at a future meeting.

Resolution:

THOMAS/KING

That Council:

1. NOTE the responses to the section 178 process and thank all responders for their time and consideration of the issue
2. RESOLVE in principle to dispose of the public land, namely the Derwent Entertainment Centre, at 601 Brooker Highway Glenorchy, comprised in Certificate of Title Volume 110871 Folio 1 in whole or in part
3. ACKNOWLEDGE that this does not constitute in any way a decision to sell the subject land to any particular purchaser
4. AUTHORISE the General Manager to actively pursue opportunities to give effect to resolution 2 (above)
5. REQUIRE that any proposals to purchase the subject land be reported to Council for due consideration, and
6. WRITE to all responders to the section 178 process for whom sufficient address details are available advising them of Council's decision and the right of any person who lodged an objection to appeal against the decision of the Council under section 178(6).

Alderman Stevenson left the meeting at 7.24 p.m.

Alderman Sims left the meeting at 7.24 p.m.

Alderman Stevenson returned to the meeting at 7.25 p.m.

Alderman Sims returned to the meeting at 7.27p.m.

Amendment:

STEVENSON/FRASER

Remove the words “in principle” from part two of the resolution.

The motion was put.

FOR: Aldermen Bull, Thomas, Dunsby, King, Stevenson, Johnston, Richardson, Fraser, Carlton and Sims.

AGAINST:

The motion was CARRIED.

The amendment became part of the motion

Amendment:

FRASER/BULL

Add the words “and reserves the right not to sell the land at all” at the end of part three of the resolution.

The motion was put.

FOR: Aldermen Bull, Thomas, Dunsby, King, Stevenson, Johnston, Richardson, Fraser, Carlton and Sims.

AGAINST:

The motion was CARRIED.

The amendment become part of the motion.

Amended motion:

That Council:

1. NOTE the responses to the section 178 process and thank all responders for their time and consideration of the issue

2. RESOLVE to dispose of the public land, namely the Derwent Entertainment Centre, at 601 Brooker Highway Glenorchy, comprised in Certificate of Title Volume 110871 Folio 1 in whole or in part

3. ACKNOWLEDGE that this does not constitute in any way a decision to sell the subject land to any particular purchaser and reserves the right not to sell the land at all

4. AUTHORISE the General Manager to actively pursue opportunities to give effect to resolution 2 (above)

5. REQUIRE that any proposals to purchase the subject land be reported to Council for due consideration, and

6. WRITE to all responders to the section 178 process for whom sufficient address details are available advising them of Council's decision and the right of any person who lodged an objection to appeal against the decision of the Council under section 178(6).

The amended motion was put.

FOR: Aldermen Bull, Thomas, Dunsby, King, Stevenson, Johnston, Richardson, Fraser, Carlton and Sims.

AGAINST:

The motion was CARRIED.

The meeting closed at 8.16 p.m.

Confirmed,

CHAIR