

Please find enclosed your notice of rates assessment for the 2009/10 financial year. This year there are several changes to your rates notice and the purpose of this brochure is to explain these changes so you can better understand the charges you are paying and why you are paying them.

Essentially, there are two significant changes for ratepayers this year, both of which have an impact on the rates you are required to pay:

1. The **transfer of water and sewerage** services from Hobart City Council to Southern Water, one of three regional service-based water corporations.
2. The **revaluation of all properties** in the Hobart municipal area by the Valuer General.

#### **What charges make up my rates notice?**

##### **Fire Levy Service Rate**

The fire levy service rate is levied on all rateable land within the municipal area. The levy is collected on behalf of and paid to the State Fire Commission. **(This is not a Council owned or operated service)**

##### **Waste Management Service Rate**

A waste management service rate is levied on all rateable land within the municipal area in order to fund the collection of waste and recycling from properties and to operate Council's refuse site.

##### **General Charges**

A general rate is levied on all rateable land within the municipal area. The general rate is levied in order to cover the cost of services such as roads, parks, planning, tourism, recreation and administration.

##### **Stormwater Removal Service Rate**

A stormwater service rate is levied on all rateable land within the municipal area. **(This has not been transferred with water and sewerage services).**

All local government rates are exempt from GST.

#### **How are these charges calculated?**

All properties within the Hobart municipal area are valued by the Valuer General in accordance with the Valuation of Land Act 2001 to determine a property's land value, its capital value and its assessed annual value.

The value that is directly relevant to your rates is the assessed annual value (AAV) or, put simply, the estimated yearly rental value of your property (net of GST, tax and Council rates).

Council calculates the total rates charge on your property by multiplying the AAV by a rate of cents in the dollar.

The cents in the dollar rate is derived by dividing the rating income required by Council to deliver its services (determined by Council's budget) by the total of all AAVs in Hobart.

In 2009/10, the rate of cents in the dollar is 8.6, split across rates charges as follows:

Fire Levy Service Rate	-1.0 cents x AAV
Waste Management Service Rate	-0.7 cents x AAV
General Charges	-6.5 cents x AAV
Stormwater Removal Service Rate	-0.4 cents x AAV

In 2008/09 the rate in the dollar was 14.953 cents (which included water and sewerage)

#### **What does the transfer of water and sewerage services mean for my rates?**

Water and sewerage charges will no longer appear on your rates notice. Instead, you will receive a separate bill from Onstream, the common services corporation providing billing services for the new water and sewerage organisation, Southern Water.

#### **Will I be charged more or less for water and sewerage services?**

The State Government recently released an Interim Pricing Order which indicates that prices will increase.

#### **What about the savings Council will make from not providing water and sewerage services? Won't these be passed on?**

From 1 July 2009 the Council has no power to charge for water and sewerage services. However the impacts of the global financial crisis and a full city revaluation, combined with the desire of Council to maintain an appropriate level of services to our community (some of which were subsidised by water and sewerage) have all impacted adversely on the Council's budget.

In simple terms, it means that there will be savings as a result of the transfer of water and sewerage, but some of these savings will be offset by factors beyond the Council's control.

#### **What does the revaluation mean for my rates?**

In accordance with the Valuation of Land Act 2001, which requires properties to be revalued at least every seven years, the Office of the Valuer General has recently conducted valuations of all Hobart properties and this revaluation will be used by Council, according to the Act, as the basis for rates calculation for the 2009/10 year, as explained earlier in this brochure under 'How are these charges calculated?'

In most cases, the AAV on a ratepayer's property will have increased, however this increase, on its own, does not determine the change in the rates you pay.

Consistent with real estate market trends, the revaluation process has brought about a change in the distribution of rateable values between different suburbs within the municipal area. That is, values in some areas will have increased by more than they have in other areas.

This means that rates for properties in 80 per cent of the municipal area will decrease, while for the remaining 20 per cent, rates will increase due to the redistributive effects and the large increases in valuations for some.

**Does an increase in the value of my property mean Council receives a windfall rating profit?**  
 No. Many assume the increase in property values will result in a windfall rating profit for council. This is not the case.

Although the AAV's will have increased when compared with last year, the rate of cents in the dollar has decreased to 8.6 cents from 14.953 cents (which included water and sewerage).

As an illustration, just like a cutting a pie, the size of the pie does not change, but the change in the AAV means the slices that are cut are of different sizes.

**An example of how a revaluation can redistribute the rate burden**  
 Imagine the Hobart City Council area consists of three properties only. They have an equal AAV of \$10,000 and thus bear an equal share (one third or 33.3%) of the total rate burden - assume this to be \$5000 and so each property pays \$1666.66 in rates.

A revaluation occurs and values for each of the properties increase by different amounts:

- Property A by 25% thus new AAV is \$12,500 being 25% of total AAV
- Property B by 50% thus new AAV is \$15,000 being 30% of total AAV
- Property C by 125% thus new AAV is \$22,500 being 45% of total AAV

Property A now pays \$1250 in rates, Property B \$1500 and Property C \$2250. Total rates remain at \$5000. However, a redistribution of the rate burden has occurred - Properties A and B pay less rates (even though their valuations increased) and Property C pays more rates. This demonstrates that the increase in your valuation, of itself, does not determine the change in your valuation, of itself, important is the change in your valuation, relative to the average changes in valuations across the total number of rateable properties in the Hobart municipal area.

## Your 2009/2010 Rates Notice Explained



### FOR FURTHER INFORMATION

For general enquiries regarding your rates notice, our Rates Office staff will be pleased to assist and can be contacted on **6238 2787** or **6238 2833**.

To find out more about water and sewerage **Southern Water** can be contacted on **13 6992** or **www.southernwatertas.com.au**

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