

Issues and options – equalising water and wastewater rates

Meeting: Council Briefing
Date of meeting: 10 February 2021
Reporting officer: Sue Davidson, GM Sustainable Growth & Investment

Purpose/Ngā whāinga

This report provides Elected members with an overview of the existing charges related to wastewater and water supply rates. It discusses the implications of the decision to equalise these rates and proposes an option to smooth the transition for the communities most impacted by the change in policy.

Context/Horopaki

Councillors recently discussed the Revenue and Financing Policy. (RFP) Staff were guided to provide options relating to equalising the costs of both wastewater and water supply rates, given that the current system is not clear about how costs are shared, it's not well understood and hasn't been applied uniformly. The modelling has highlighted that for both scenarios some communities will see a large increase, whilst others will see a marked reduction in the amount payable for these services. This paper considers the issues and options around this to be presented in the LTP consultation CD.

Discussion/Ngā kōrerorero

Currently Council operates a hybrid funding system for water supply and wastewater where operating costs are merged together, and capital costs are charged separately. The two options identified and being proposed for consultation going forward are:

- i. Maintaining separate scheme rates for each of the water supply and wastewater schemes; or
- ii. Rating users across the district equally for water supply and wastewater

Council indicated it's preference for having one bucket for all costs relating to wastewater and another bucket for costs associated with water supply. This is because each connection across the district receives the same (or very similar) service levels. That is, each user connected to water supply can turn on a tap for potable water and each connected user is able to flush their toilet, and dispose of wastewater, irrespective of the scheme they are connected to.

It also means that any one scheme does not have to bear the costs of capital investment which can mean a jump in costs in a particular year of capital investment - it smooths costs. It also gives recognition that some schemes are benefitting from recent government funding and others not.

Unifying the cost of the service provision for water supply and wastewater has been previously discussed (9 December 2020 Council Briefing). The briefing on 20 January 2021 provided rates modelling for both scenario's and because of the large fluctuation in rates from the current year to the proposed for some communities, Councillors requested an investigation into the options around smoothing the rates.

Wastewater

Smoothing as a rating tool transitions the impact over a period of time, say three years. That is, the Council works towards what the true equalised amount would be over the transition period of 3 years. Te Kopuru would need to be transitioning up to the equalised amount.

The transitioning proposed could be picked up by the other schemes (proposed) This would mean the rate for Te Kopuru wastewater would move each year further towards the equalised rate meeting it in the third year.

This change could be made as an overall impact adjustment (in terms of section 101(3)(b) of the LGA 02), and as such should be recorded as such in the final RFP adopted. Depending on how the RFP is presented, there may also need to be adjustments to the activity analysis tables included in the draft report if the tables are to capture the final position including overall impact adjustments.

Table showing wastewater supply rate options

		Equalised scheme Option 1		Equalised scheme over 3 years (Proposed) Option 2	
Scheme	Current (2020-21)	Next Year (2021-22)	Variance	Next Year (2021-22)	Variance
Dargaville *	920	1,044	124	1,051	131
Glinks	1,299	1,044	-255	1,051	-248
Kaiwaka *	1,150	1,044	-106	1,051	-99
Mangawhai	1,357	1,044	-313	1,051	-306
Mangaturoto	1,259	1,044	-215	1,051	-207
Te Kopuru *	668	1,044	376	860	192

		Individual schemes Option 1	
Scheme	Current (2020-21)	Next Year (2021-22)	Variance
Dargaville *	920	655	-265
Glinks	1,299	3,130	2,609
Kaiwaka *	1,150	1,675	525
Mangawhai	1,357	1,253	-104
Mangaturoto	1,259	1,507	248
Te Kopuru *	668	860	192

*These schemes will receive government subsidy on work to be completed over the next two years

Please refer to Attachment A which details the wastewater connected rates for both scenarios over the 10 years of the Long Term Plan.

Water Supply

Water charges are more complex as there are 3 separate charges per scheme

- Volumetric charge for the first meter
- Volumetric charge for the balance of meters used
- Fixed charge per rating unit

The capital costs proposed plus the costs of operation have increased markedly for water in the first year. These proposed charges both equalised (which is proposed), and for separate schemes are shown in Attachment B.

To help with understanding what this will mean for households and how what is being proposed will impact each household, we have come up with some examples.

Average water usage differs markedly from household to household, however the following assumptions have been made:

2 people (m3 per year) 175

2 adults and 2 children (m3 per year) 245

Household of 2 people	Per year (based on assumed usage 175 m3)		
	Current year (\$)	Next year (equalised) (\$)	Next year (scheme by scheme) (\$)
Dargaville **	643	919	725
Glinks Gully	627	919	3,498
Mangawhai	767	919	4,083
Maungaturoto Station Village **	1,013	919	1,726
Maungaturoto Township **	1,028	919	1,726
Ruawai **	1,183	919	1,962

Household of 4 people	Per year (based on usage 245 m3)		
	Current year (\$)	Next year (equalised) (\$)	Next year (scheme by scheme) (\$)
Dargaville **	849	1,163	913
Glinks Gully	735	1,163	4,747
Mangawhai	1,023	1,163	3,098
Maungaturoto Station Village **	1,297	1,163	2,187
Maungaturoto Township **	1,324	1,163	2,187
Ruawai	1,563	1,163	2,610

**These schemes will receive government subsidy on work to be completed over the next two years

	Proposal
Description	Equalising water supply and wastewater rates
Option Outline	Water supply and wastewater rates move to the equalised charge in the 2021-22 year with Te Kopuru moving to the equalised wastewater rate over 3 years
Pros	Less complication. Some communities will see a decrease in the rate they pay for water supply and/or wastewater. All users pay the same for the essentially the same service
Cons	Some communities will see a large increase in the water supply and/or wastewater rates in the 2021-22 year
Risks/Dependencies	Communities that will see a decrease in the rates will support this option, without giving consideration to the financial impact that other communities will be faced with.

Policy and planning implications

The Local Government Act 2002 provides that the Revenue and Financing Policy is required to be reviewed as part of the Long Term Plan process.

Financial implications

The changes to the Revenue and Financing policy impact the distribution of rates across the community.

Risks and mitigations

Council must ensure it follows the Local Government Act 2002 when completing the analysis of the Revenue and Financing policy.

Significance and engagement/Hirahira me ngā whakapapa

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Consultation will occur as part of the draft Long Term Plan consultation.

Next steps/E whaiake nei

These changes and specific consultation issues will be included in the draft Long Term Plan

Attachments

- A Wastewater Scenarios – Table of wastewater charges both equalised and table for direct charges of wastewater to each scheme

- B Water Scenarios - Table of water charges both equalised and table for direct charges of water to each scheme