

Tasman District Council

Water And Wastewater Capital Works Funding Guideline

1 Introduction

Tasman District Council wants to assist communities install new fully reticulated water or wastewater systems where there are currently inadequate systems.

This Water and Wastewater Capital Works Funding Guideline defines how Council will fund the construction of such new systems as well as defining how Council may provide financial assistance to communities to make it more affordable.

It is intended that Council will provide some financial assistance when:

- community health will be improved by having a reticulated system (wastewater or water supply)
- where there is sufficient community support for the installation of such a system
- where it is economically viable to construct and operate such a system

If assistance is provided by Council, the

- the new systems must be constructed to Council's standards
- the service will be provided to every property in the defined system area and every property will be rated to help fund its construction and operation
- Council will own and operate the system on behalf of the community

1.1 Legislative Requirements and Powers

Councils have a range of legislative requirements and powers relating to water supplies and wastewater services. The two key Acts are the Local Government Act 2002 and the Health Act 1956.

Local Government Act 2002

The purpose of local government is to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future (section 10). In performing its role, a council must have particular regard to the contribution that core services, for example network infrastructure, make to its communities (section 11A). A council must, from time to time, assess the provision within its district of water services and other sanitary services (section 125). Councils also have an obligation to maintain water services and cannot divest ownership of them (section 130).

Health Act 1956

It is the duty of every council to improve, promote, and protect public health within its district (section 23). The Act also provides for councils to provide sanitary works, including wastewater and drinking water supplies (section 25).

1.2 Purpose of Guideline

The key purpose of the Water and Wastewater Capital Works Funding Guideline is to encourage existing communities without adequate water supply or wastewater systems to install them. Access to a clean and healthy supply of water and the safe treatment and disposal of wastewater are fundamental requirements of a healthy community. Without adequate systems, communities can fail to

grow and prosper. Further they are exposed to disease and contagion outbreaks.

Installing Council owned and operated reticulation and treatment systems provides assurance of safe drinking water and safe treatment and disposal of wastewater.

1.3 Adoption of Guideline

Council officers prepared this Guideline, which was subsequently considered and adopted by Council on (insert date). The Guideline is for management and internal usage, therefore, it was not necessary to undertake public consultation prior to adoption of the Guideline by Council.

1.4 When This Funding Guideline Can Be Applied

This guideline can be applied at the discretion of the Tasman District Council when it considers that the proposed capital works:

- provides essential water or wastewater infrastructure to existing communities that presently do not have adequate systems
- the new area is outside one of the existing Urban Water Supply Areas or Urban Drainage Area

1.5 Limitations to When This Funding Guideline Can be Applied

This funding guideline shall not apply when:

- the capital works are within an existing Urban Water Supply Area or Urban Drainage Area
- the capital works are for improvements to existing systems rather than extension of systems to serve new areas

- where Council considers the main reason for the capital works is to facilitate or provide for future growth.

Where in the opinion of Council the main driver for capital works is growth related, or where the other limitations apply, Council may undertake the works as part of their normal capital works programme with funding coming through water or wastewater rates and development contributions.

2 Funding Capital Works

2.1 Potential Funding Sources

Funding for new water supply or wastewater systems may come from a number of sources. Typical funding sources include:

- Central Government Subsidies (if available)
- Population Growth Contributions
- Commercial Users - business and industrial properties who use water or produce wastewater at a greater rate than a typical household
- Non-commercial, Non-residential Users – from schools, churches, community halls, parks and reserves
- Residential users
- Council Financial Assistance if applicable

The Council Financial Assistance provided under this guideline will only go to subsidise the contribution from the residential users and non-commercial, non-residential users.

2.2 Central Government Subsidies

Sometimes central government offers subsidies for water and wastewater schemes. History has shown that these come and go. When they are available, Council will actively pursue them and apply them to bring down the cost of the new scheme to the community.

Sometimes the government will limit who can benefit from their subsidies. If there are limitations in place, Council will amend the funding model so that the central government subsidy applies to those contributors who are eligible.

2.3 Population Growth Contributions

Any new scheme has to be designed to accommodate future population growth. This means the system constructed has to be constructed larger than it needs to be at day one so that as population growth occurs it can be accommodated without significant additional cost.

To ensure that the existing community is not unfairly burdened with the cost of providing infrastructure for people in the future, Council will fund the proportion of the cost of the scheme that is attributable to population growth through Development Contributions. The Development Contributions will be applied in accordance with Council's Development Contributions Policy.

This will involve:

- Forecasting the future population that the new scheme needs to be designed for
- Assessing the demand on the new system that arises from the future population as a proportion of the total demand
- Calculating the contribution from Development Contributions on a pro rata basis according to

the proportion of the new system design demand that is reserved for growth

If the community is eligible for the Council Financial Assistance (refer Section 3), the assistance provided will not be used to reduce the contribution from Development Contributions.

2.4 Commercial Users

Commercial properties include retail, industrial and business properties. These users may have industrial processes that use water or produce wastewater at a higher rate than a typical one dwelling property. These properties will contribute at a rate relative to their demand when compared to a typical residential property. Some commercial or industrial waste streams may be considered trade waste and will need to be assessed in accordance with the Council's Trade Waste Bylaw.

If the community is eligible for the Council Financial Assistance (refer Section 3), the assistance provided will not be used to reduce the contribution from commercial properties.

2.5 Non-commercial, Non-residential Users

There may be a number of properties that are not typical residential properties and are not used for commercial purposes. These are often used for purposes that benefit the community, for example schools, parks and reserves, community buildings and churches.

These users will be treated the same as Commercial Users in that the contribution they pay will be relative to the water they use or the wastewater they produce, with the exception that these properties will benefit from the Council's Financial Assistance if it is provided.

2.6 Residential Users

Residential users are typical family homes that have one water or wastewater connection. Residential users will typically contribute to the funding of the works through targeted rates.

If the community is eligible for the Council Financial Assistance (refer Section 3), the assistance provided will be used to reduce the targeted rates that the residential users have to pay.

2.7 Undeveloped Properties

Undeveloped or vacant lots in commercial, mixed business, tourist services or industrial zoned areas shall be provided one connection to the property boundary and shall contribute on the same basis as a Commercial User (refer clause 2.4). Their contribution will be determined on the basis that their demand is equal to one typical residential property.

Undeveloped or vacant lots in all other zonings shall be provided one connection to the property boundary and shall contribute on the same basis as a Residential User (refer clause 2.6). Their contribution will be determined on the basis that their demand is equal to one typical residential property.

3 Financial Assistance Provided by Council

3.1 Criteria For Financial Assistance

In order for a community to qualify for financial assistance from the Council, the following criteria must be met:

- community health will be improved by having a reticulated system (wastewater or water supply)

- there is sufficient community support for the installation of such a system
- it is economically viable to construct and operate such a system
- the new systems will be constructed to Council's standards
- the service will be provided to every property in the defined scheme area and every property will be rated to fund its construction and operation
- Council will own and operate the system on behalf of the community

Council reserves the right, at its sole discretion, to decide whether the above criteria have been met to its satisfaction. Council will often consult with the community through surveys or public meetings, however the decision on whether financial assistance for any project is granted shall remain with Council.

3.2 Beneficiaries of Financial Assistance

The financial assistance provided by Council under this Guideline will be used to reduce the cost of the capital works to residential users and non-commercial non-residential users (refer Section 2.5).

The financial assistance will not be used to reduce population growth contributions or commercial contributions.

3.3 Scale of The Financial Assistance

If the criteria in Section 3.1 are met and Council decides a community qualifies for Financial

Assistance to construct and commission a water supply or wastewater system, the Council will fund:

- 33% of the capital cost of the scheme after deduction of any government subsidy, growth contribution and commercial contribution.

This will be funded from the Council's Urban Water Supply Account or Wastewater Account as appropriate. Typically, a loan will be taken out by the appropriate account and the loan servicing costs will be funded through Council's water rates or wastewater rates (pan charges).

4 Demand Assessment

A demand assessment will be made to assess the Total System Demand that the system will be designed to. The Total System Demand will be assessed in terms of 'Equivalent Residential Demand'. This is the demand expressed in terms of a multiple of typical residential property's demand. For example, an industrial property that uses 5 times the water of a typical residential property will have an Equivalent Residential Demand of 5.

This Total System Demand will comprise:

- Existing Residential Demand
- Existing Commercial Demand
- Existing Non-Residential, Non-commercial Demand
- Growth Demand – a combination of forecast new residential properties and forecast new non-residential demand

5 Assessment of Residential Property Contributions

The total that shall be funded through residential properties shall be calculated as:

- The proportion of the Total System Demand that is Existing Residential Demand times the Total Capital Cost
- Less any central government subsidy
- Less the Council Financial Assistance if it applies

Each residential property will contribute equally to the Residential Property Contribution through a targeted rate. The Council will take out a loan for this sum and the targeted rate will be calculated to service this loan. Council may allow solely at its discretion rates to be paid in advance if there is enough people who prefer to take this option and provided it meets the terms of the Rating Act.

6 Assessment Of Non-residential Contributions

The demand assessment (refer Section 4) will include an assessment of demand for each non-residential property. This assessment will look at the type of activity that is performed on the property to determine how much water would be used and/or how much wastewater would be produced. This may involve relating the property to similar properties in other water or wastewater systems.

From the property demand assessment, a calculation of the 'Equivalent Residential Demand' for each non-residential property will be made. This will be the property demand divided by the typical residential property demand.

The minimum 'Equivalent Residential Demand' for any one non-residential property will be 1 so that

each non-residential property pays at least equal to a residential property.

For non-residential properties where the wastewater produced is not a Trade Waste, the demand assessment shall be made based on the number of pans and urinals on the property. A typical residential property will be assumed to have 2 pans. For a non-residential property, 'Equivalent Residential Demand' will be the number of pans and urinals on that property divided by 2. For a property that has 10 pans and 2 urinals, the 'Equivalent Residential Demand' = $(10 + 2) / 2 = 6$.

The total that shall be funded through Non-residential properties shall be calculated as:

- The proportion of the Total System Demand that is Non-residential 'Equivalent Residential Demand' times the Total Capital Cost
- Less any central government subsidy applicable
- Less the Council Financial Assistance if it applies

Note the Council Financial Assistance may apply to non-commercial non-residential properties but it does not apply to commercial properties.

Each non-residential property will contribute proportionally to their Equivalent Residential Demand appropriately amended if they receive the benefit of the Council Financial Assistance or not.

Non-residential properties with an Equivalent Residential Demand of 1 will contribute through a targeted rate. The mechanism for contributions for non-residential properties with an Equivalent Residential Demand greater than 1 will determined on a case by case basis at the discretion of Council.

7 Non-capital Charges

This guideline is about funding the capital cost of constructing new water supply and wastewater systems. Once the new systems are in place, there will be on-going costs to fund the operation and maintenance of the installed systems. These costs are not included in this guideline.

Appendix 1 – Example of a Funding Model

Community Statistics:

- Existing Residential Properties (including undeveloped properties) 320
- Forecast Growth 40
- Commercial Properties (including undeveloped properties) 15
- Non-commercial, non-residential properties (including undeveloped properties) 6

Commercial Demand:

- 15 properties, 12 developed and 3 undeveloped
- Assessed commercial demand equivalent to 30 residential properties ie 'Equivalent Residential Demand' = 30

Non-Commercial, Non-residential Demand:

- 6 properties
- Assessed demand equivalent to 10 residential properties ie 'Equivalent Residential Demand' = 10

Demand in Terms of 'Equivalent Residential Demand'

- Existing Residential Properties 320 (80% of total)
- Forecast Growth 40 (10% of total)
- Commercial Properties 30 (7.5% of total)
- Non-commercial, non-residential properties 10 (2.5% of total)
- TOTAL 400

Scheme Facts

- The scheme qualifies for a central government subsidy of 20%
- The cost of the scheme is \$1,500,000
- The scheme qualifies for Council's Financial Assistance

Funding Model: (refer attached page)

Undeveloped and developed properties contribute the equivalent of \$2,010 per property, but will pay through a targeted rate.

Non-residential non-commercial properties with demand equal to or less than one residential property will also be contributing the equivalent of \$2,010 per property through a targeted rate.

Each undeveloped commercial property will contribute the equivalent of \$3,000 through a targeted rate.

The developed commercial properties will contribute the equivalent of \$3,000 times their assessed Equivalent Residential Demand ie if their Equivalent Residential Demand is 3, their contribution would be \$9,000.

Funding Model:

Contributors	Properties	Equivalent Residential Properties	Proportion of Total Demand	Cost to Fund	Share of Central Government Subsidy	Share of Council Financial Assistance	Remainder to Be Funded	Contribution per Equivalent Residential Property
Existing Residential Properties (developed and undeveloped)	320	320	80%	1,200,000	240,000	316,800	643,200	2,010
Growth	40	40	10%	150,000	30,000	-	120,000	3,000
Commercial (developed and undeveloped)	15	30	7.5%	112,500	22,500	-	90,000	3,000
Non-commercial, non-residential	6	10	2.5%	37,500	7,500	9,900	20,100	2,010
				1,500,000				