

THREE WATERS - OPERATING BUDGET 2024/25

Department: 3 Waters

EXECUTIVE SUMMARY

- 1 This report provides an overview of the operating expenditure budget for the Annual Plan 2024/25 for the Three Waters Group, as shown at Attachment A. A draft funding impact statement is shown at Attachment B. The following activities are provided for:
 - Water Supply
 - Wastewater
 - Stormwater
- 2 A schedule of proposed fees and charges for the 2024/25 year is also presented at Attachment C.

RECOMMENDATIONS

That the Council:

- a) **Adopts** for the purposes of developing the Annual Plan 2024/25 and consulting with the community:
 - i) The draft 2024/25 operating budget for the Three Waters Group as shown/amended at Attachment A.
 - ii) The draft 2024/25 fees and charges schedules for the Three Waters Group as shown/amended at Attachment C.

OPERATING BUDGETS

Revenue

- 3 The cost of providing 3 waters services is currently not being fully funded by operating revenue. The Income Statement at Attachment A shows that with the proposed rate and external revenue increase, this activity still has a deficit of \$28.415 million. Ways to address this deficit will be considered as part of the 9 year plan 2025-34.

Rates

- 4 Rates have increased overall in the Three Waters Group by \$11.104 million, 15%.

External Revenue

- 5 External revenue has increased by \$647k, 9.5%, due to increases in fees and charges of \$822k, 15% for water sales (\$713k), trade waste, backflow prevention and tankered waste.

- 6 The increase in fees and charges is offset by a reduction in revenue received for consultancy work charged to third parties. The budget has been adjusted to reflect the level of consultancy work expected to be undertaken.

Grants & Subsidies

- 7 Grants and subsidies have decreased by \$4.160 million. The Transition Support Package funded by the former Government, set up to contribute towards transitioning to the now repealed Water Services Entities has been discontinued. In addition, Government funding for the 3 Waters Strategic Work Programme has been replaced by Better off Funding.
- 8 Better off Funding has been provided for 15 approved projects across Council. From this fund, 3 Waters has been allocated \$240k for a capital project, and a further \$635k for operating projects. The operating grant has been allocated through internal revenue.

Internal Revenue

- 9 Internal revenue allocating \$635k of Better off Funding to 3 Waters is for work on growth planning within the Future Development & Planning Programme.

EXPENDITURE

Personnel costs

- 10 Personnel costs have increased by \$440k, 3.8%. The budget includes a general salary increase and a change to the training budget to meet mandatory training requirements for operational staff. The increase has been offsets by the transfer of 2 FTE to the City Growth Team.

Operations and maintenance

- 11 Operations and maintenance costs have increased by \$2.311 million, 16.4% due mainly to:
- a) Plant Maintenance for all treatment plants increase of \$2.219 million based on current condition assessments of infrastructure, increasing regulations and compliance costs.
 - b) Chemical cost increase of \$688k for increased international freight and supply costs for CO₂, following the closure of the Marsden Point refinery.
 - c) Laboratory cost increase of \$131k for compliance with changing legislation such as the Water Services Act and Resource Management Act.
 - d) Network maintenance cost increase of \$546k to incorporate maintenance contract cost increases, and to undertake a review of watercourse ownership rights.
 - e) Maintenance and support cost increase of \$347k for smart water meters, as they become operational.
 - f) Contractor fee reduction of \$1.657 million as government funding for the Three Waters Strategic Work Programme ends.

Occupancy costs

- 12 Occupancy costs have increased by \$1.005 million, 7.5% which reflect increases in rates and insurance costs. Electricity costs have also risen due to treatment processes at two wastewater plants.

Consumables and general costs

- 13 Consumables and general costs have increased by \$216k, 14%, primarily due to new software licence fees to accommodate increased compliance requirements across the 3 Waters activity.

Internal charges

- 12 Internal charges have decreased by \$133k, 2.6%, due to Business Information System and Corporate Administration costs being reallocated to Waste Management. This is offset by an increase in costs for lime treatment of sludge transferred to the Green Island Landfill.

Depreciation

- 14 Depreciation has increased by \$1.122 million, 1.8% reflecting the capital expenditure programme.

Interest

- 15 Interest has increased by \$2.397 million, 22.9% reflecting the increase in borrowing to fund the capital expenditure programme along with the increase in the cost of borrowing.

FEES AND CHARGES

- 14 Fees and charges for 3 Waters have generally increased by 7% to reflect inflationary cost increases across the 3 Waters network. There are some exceptions:
- a) City-wide unit rates for trade waste have increased by between 25% - 62%, \$0.03 - \$0.13 to reflect increased costs.
 - b) Wastewater consent application staff fees per hour for Consent Applications, Compliance Monitoring, Re-inspection and Consent Breaches has increased by 8% to reflect increased costs.
 - c) Water supply backflow prevention programme fees have increased by 22%, \$14.67 for the backflow preventer test fee and by 19%, \$22.34 for rescheduled tests, to reflect increased costs.
 - d) Central water scheme tariffs have increased by 15%, \$0.02 for the supply of bulk raw water per cubic meter, and \$0.29 for the supply of treated water per cubic meter to reflect increased costs of distributing and treating water.

Signatories

Author:	John McAndrew - Acting Group Manager, 3 Waters
Authoriser:	David Ward - General Manager, 3 Waters and Transition

Attachments

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↗B	Three Waters combined FIS	132

↓C	Three Waters - Water FIS	133
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↓E	Three Waters - Stormwater FIS	135
↓F	Draft Fees and Charges 2024/25 Three Waters	136

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities, and promotes the social, economic, environmental and cultural well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
3 Waters Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	✓
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Other strategic projects/policies/plans	✓	<input type="checkbox"/>	<input type="checkbox"/>

The Water Supply Group activities primarily contribute to the objectives and priorities of the above strategies.

Māori Impact Statement

Council budgets impact broadly across all Dunedin communities including Māori. The adoption of Te Taki Haruru – Māori Strategic Framework signals Council's commitment to mana whenua and to its obligations under the Treaty of Waitangi. Mana whenua and Mataawaka will have the opportunity to engage in the Annual Plan 2024/25 consultation process.

Sustainability

The Annual Plan 2024/25 is not proposing any changes to that provided for in the 10 year plan. Major issues and implications for sustainability are discussed in the Infrastructure Strategy and financial resilience is discussed in the Financial Strategy of the current 10 year plan 2021-31.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

This report provides draft budgets for the 3 Waters Group for inclusion in the Annual Plan 2024/25.

Financial considerations

Financial considerations are detailed in the report.

Significance

The 10 year plan 2021-31 budgets were considered significant in terms of the Council's Significance and Engagement Policy, and were consulted on. Variations to those budgets are discussed in this report. The draft budgets will be included in the Annual Plan 2024/25 and will be consulted on.

Engagement – external

There has been no external engagement in developing the draft budgets for the 3 Waters Group.

Engagement - internal

Staff and managers from across council have been involved in the development of the draft budgets.

SUMMARY OF CONSIDERATIONS

Risks: Legal / Health and Safety etc.

There are no identified risks.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

Community Boards will have an opportunity to engage in the Annual Plan 2024/25 consultation process.

Three Waters Income Statement for the Year Ended 30 June 2025

Actual		Budget	Draft Budget	Budget Inc	Budget Inc
2022/23		2023/24	2024/25	(Dec)	(Dec)
\$000		\$000	\$000	\$000	%
Revenue					
70,501	Rates revenue	74,025	85,129	11,104	15.0%
-	- Rates penalties	-	-	-	-
6,735	External revenue	6,782	7,429	647	9.5%
1,208	Grants and subsidies operating	4,441	41	(4,400)	(99.1%)
-	- Grants and subsidies capital	-	240	240	-
2,258	Development contributions	2,559	2,559	-	-
2,375	Vested assets	1,424	1,424	-	-
1,304	Internal revenue	-	635	635	-
84,381	Total revenue	89,231	97,457	8,226	9.2%
Expenditure					
10,361	Personnel costs	11,435	11,875	440	3.8%
14,915	Operations & maintenance	14,124	16,435	2,311	16.4%
13,401	Occupancy costs	13,438	14,443	1,005	7.5%
2,779	Consumables & general	1,547	1,763	216	14.0%
-	- Grants & subsidies	-	-	-	-
5,057	Internal charges	5,086	4,953	(133)	(2.6%)
58,220	Depreciation	62,400	63,522	1,122	1.8%
4,948	Interest	10,484	12,881	2,397	22.9%
109,681	Total expenditure	118,514	125,872	7,358	6.2%
(25,300)	Net surplus/(deficit)	(29,283)	(28,415)	868	(3.0%)
Expenditure by Activity					
75,741	3 Waters Management	86,158	90,435	4,277	5.0%
379	Business Support	1,265	1,576	311	24.6%
757	Capital Delivery	727	699	(28)	(3.9%)
11,034	Network Operations & Maintenance	10,159	11,009	850	8.4%
3,049	Planning	3,356	3,468	112	3.3%
16,730	Plant Operations	15,192	18,685	3,493	23.0%
1,991	3 Waters Transition Programme	1,657	-	(1,657)	(100.0%)
109,681	Total expenditure	118,514	125,872	7,358	6.2%

Dunedin City Council
Funding Impact Statement
for the Year Ended 30 June 2025 for Three Waters

	2023/24	2024/25	2024/25
	Annual Plan	Long-term plan	Annual Plan
	\$000	\$000	\$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	74,025	72,982	85,129
Subsidies and grants for operating purposes	4,441	43	41
Fees and charges	6,782	7,524	7,429
Internal charges and overheads recovered	-	-	635
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding	85,248	80,549	93,234
Application of operating funding			
Payments to staff and suppliers	40,544	35,464	44,516
Finance costs	10,484	4,132	12,881
Internal charges and overheads applied	5,086	5,319	4,953
Other operating funding applications	-	-	-
Total application of operating funding	56,114	44,915	62,350
Surplus/(deficit) of operating funding	29,134	35,634	30,884
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	240
Development and financial contributions	2,559	2,616	2,559
Increase/(decrease) in debt	63,315	15,622	46,440
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	65,874	18,238	49,239
Application of capital funding			
Capital expenditure			
- to meet additional demand	1,639	6,505	6,900
- to improve the level of service	11,900	14,800	35,704
- to replace existing assets	81,469	26,742	37,519
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) of investments	-	5,825	-
Total application of capital funding	95,008	53,872	80,123
Surplus/(deficit) of capital funding	(29,134)	(35,634)	(30,884)
Funding balance	-	-	-

Dunedin City Council
Funding Impact Statement
for the Year Ended 30 June 2025 for Water Supply

	2023/24	2024/25	2024/25
	Annual Plan	Long-term plan	Annual Plan
	\$000	\$000	\$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	27,862	26,534	32,045
Subsidies and grants for operating purposes	1,760	-	-
Fees and charges	5,717	6,457	6,431
Internal charges and overheads recovered	-	-	316
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding	35,339	32,991	38,792
Application of operating funding			
Payments to staff and suppliers	17,311	14,795	21,643
Finance costs	4,194	1,339	6,407
Internal charges and overheads applied	1,719	1,638	1,916
Other operating funding applications	-	-	-
Total application of operating funding	23,224	17,772	29,966
Surplus/(deficit) of operating funding	12,115	15,219	8,826
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	119
Development and financial contributions	818	837	819
Increase/(decrease) in debt	21,403	3,802	23,935
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	22,221	4,639	24,873
Application of capital funding			
Capital expenditure			
- to meet additional demand	522	2,060	2,462
- to improve the level of service	1,570	7,160	10,675
- to replace existing assets	32,244	7,548	20,562
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) of investments	-	3,090	-
Total application of capital funding	34,336	19,858	33,699
Surplus/(deficit) of capital funding	(12,115)	(15,219)	(8,826)
Funding balance	-	-	-

Dunedin City Council
Funding Impact Statement
for the Year Ended 30 June 2025 for Wastewater

	2023/24	2024/25	2024/25
	Annual Plan	Long-term plan	Annual Plan
	\$000	\$000	\$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	35,996	34,015	41,392
Subsidies and grants for operating purposes	1,961	43	41
Fees and charges	932	934	896
Internal charges and overheads recovered	-	-	221
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding	38,889	34,992	42,550
Application of operating funding			
Payments to staff and suppliers	18,481	16,188	18,471
Finance costs	4,575	1,441	4,493
Internal charges and overheads applied	2,874	3,146	2,603
Other operating funding applications	-	-	-
Total application of operating funding	25,930	20,775	25,567
Surplus/(deficit) of operating funding	12,959	14,217	16,983
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	84
Development and financial contributions	1,090	1,114	1,090
Increase/(decrease) in debt	23,820	3,078	10,267
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	24,910	4,192	11,441
Application of capital funding			
Capital expenditure			
- to meet additional demand	522	2,301	1,499
- to improve the level of service	1,556	511	13,386
- to replace existing assets	35,791	14,353	13,539
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) of investments	-	1,244	-
Total application of capital funding	37,869	18,409	28,424
Surplus/(deficit) of capital funding	(12,959)	(14,217)	(16,983)
Funding balance	-	-	-

Dunedin City Council
Funding Impact Statement
for the Year Ended 30 June 2025 for Stormwater

	2023/24	2024/25	2024/25
	Annual Plan	Long-term plan	Annual Plan
	\$000	\$000	\$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	10,167	12,433	11,692
Subsidies and grants for operating purposes	720	-	-
Fees and charges	133	133	102
Internal charges and overheads recovered	-	-	98
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding	11,020	12,566	11,892
Application of operating funding			
Payments to staff and suppliers	4,752	4,481	4,402
Finance costs	1,715	1,352	1,981
Internal charges and overheads applied	493	535	434
Other operating funding applications	-	-	-
Total application of operating funding	6,960	6,368	6,817
Surplus/(deficit) of operating funding	4,060	6,198	5,075
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	37
Development and financial contributions	651	665	650
Increase/(decrease) in debt	18,092	8,742	12,238
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	18,743	9,407	12,925
Application of capital funding			
Capital expenditure			
- to meet additional demand	595	2,144	2,939
- to improve the level of service	8,774	7,129	11,643
- to replace existing assets	13,434	4,841	3,418
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) of investments	-	1,491	-
Total application of capital funding	22,803	15,605	18,000
Surplus/(deficit) of capital funding	(4,060)	(6,198)	(5,075)
Funding balance	-	-	-

	2023/24 fees	2024/25 proposed fees	\$ change	% change
Three waters				
Wastewater				
City Wide Unit Rates				
BOD5 per kg	\$0.13	\$0.21	\$0.08	62%
NFR/TSS per kg	\$0.26	\$0.39	\$0.13	50%
Volume per cubic metre	\$0.12	\$0.15	\$0.03	25%
Network Contributions for a Sewer Connection				
Where there has been no prior contribution to the existing network there will be a standard Network Contribution fee for all of the Dunedin City Council areas	\$5,150.00	\$5,500.20	\$350.20	7%
Consent Applications, Compliance Monitoring, Re-inspection & Consent Breaches				
Annual Fee	\$194.50	\$207.73	\$13.23	7%
Consent Application Fee for minor discharge with pre-treatment (Category B)	\$390.10	\$416.63	\$26.53	7%
Consent Application Fee for significant industry and major discharges (Category A)	\$1,180.15	\$1,260.40	\$80.25	7%
Laboratory - variable cost	-	-	-	-
Staff per hour	\$128.30	\$138.50	\$10.20	8%
Tankered Waste Charges per tonne	\$38.00	\$40.58	\$2.58	7%
Water Supply				
Annual supply charge (meter rental)				
100mm nominal diameter - Annual supply charge (meter rental)	\$710.20	\$758.49	\$48.29	7%
150mm nominal diameter - Annual supply charge (meter rental)	\$1,020.83	\$1,090.25	\$69.42	7%
20mm nominal diameter - Annual supply charge (meter rental)	\$166.57	\$177.90	\$11.33	7%
25mm nominal diameter - Annual supply charge (meter rental)	\$213.85	\$228.39	\$14.54	7%
300mm nominal diameter - Annual supply charge (meter rental)	\$1,324.72	\$1,414.80	\$90.08	7%
30mm nominal diameter - Annual supply charge (meter rental)	\$237.49	\$253.64	\$16.15	7%
40mm nominal diameter - Annual supply charge (meter rental)	\$268.99	\$287.28	\$18.29	7%
50mm nominal diameter - Annual supply charge (meter rental)	\$544.75	\$581.79	\$37.04	7%
80mm nominal diameter - Annual supply charge (meter rental)	\$673.05	\$718.82	\$45.77	7%
Re-connection Fee: Includes the removal of water restrictors installed due to non-compliance of the water bylaw	\$464.25	\$495.82	\$31.57	7%
Special Reading Fee	\$63.09	\$67.38	\$4.29	7%
Water Filling Station – Annual access supply charge (per key)	\$659.55	\$704.40	\$44.85	7%
Backflow Prevention Programme				
Backflow Preventer Test Fee	\$115.04	\$137.38	\$22.34	19%
Backflow programme – Incomplete Application Fees (hourly rate)	\$46.20	\$49.43	\$3.23	7%

	2023/24 fees	2024/25 proposed fees	\$ change	% change
Rescheduled Backflow Preventer Test Fee	\$65.36	\$80.03	\$14.67	22%
Central Water Scheme Tariff for water sold by meter				
Bulk Raw Water Tariff to: Merton, Hindon, and individual farm supplies (per cubic metre) - Central Water Scheme Tariff for water sold by meter	\$0.11	\$0.13	\$0.02	15%
Treated water per cubic metre - Central Water Scheme Tariff for water sold by meter	\$1.93	\$2.22	\$0.29	15%
Installation of New Services				
Charges for the installation of new services are determined on a case-by-case basis and are provided as a fixed price quote to applicants. Alternatively, customers can elect to undertake this work themselves at their own risk by engaging a Council Approved Water Supply Connection Installer. That installer will do all work apart from making the connection to the live water main, which will be undertaken by Council staff. A fee for making the connection will be charged.	-	-	-	-
Network Contributions				
Commercial or extraordinary water connection - as quoted	-	-	-	-
Disconnection of water supply - DCC contractor to excavate	\$1,012.95	\$1,081.83	\$68.88	7%
Disconnection of water supply- AWSCI to excavate	\$258.53	\$276.11	\$17.58	7%
New 20mm diameter domestic water connection - as quoted	-	-	-	-
Where there has been no prior contribution to the existing network there will be a standard Network Contribution fee for all of the Dunedin City Council areas	\$5,000.00	\$5,340.00	\$340.00	7%
Rural Water Schemes				
Differing capital and connection charges. Please contact the Water Services Department for further information.	-	-	-	-