Dunedin City Council Policy

Allanton New Wastewater Reticulated Services Funding Policy

1 DECISION ON RETICULATION

The Council has received a number of reports outlining the need to provide a wastewater reticulated service for the community of Allanton. The reports were:

- 12 March 2007: Infrastructure Services Committee - Allanton Sewage Effluent Disposal Issues and Options Study
- 28 November 2007: Mosgiel Taieri Community Board – Allanton Sewage – Improvement and Funding Options
- 23-25 January 2008: Council Annual Plan Meetings - Allanton Sewage – Improvement and Funding Options
- 21 July 2008: Infrastructure Services Committee – Proposed Allanton Wastewater and Water New Reticulated Services Funding
- 2 February 2009, Infrastructure Services Committee – Allanton Wastewater and Water Reticulated Services Funding Policy
- 23 November 2009 : Infrastructure Services Committee – Allanton Wastewater Update.
- 1 February 2010 : Infrastructure Services Committee – Allanton New Wastewater Reticulated Services Funding Policy.
- 8 February 2011 : Infrastructure Services Committee – Proposed Amendment to the Allanton New Reticulated Services Funding Policy defined area of benefit.

Based on those reports, the Council has decided that a new reticulated wastewater service is required in the Allanton area. The initial decision of Council was to provide a small bore reticulated wastewater scheme in the Allanton area, with septic tank systems being provided by residents subject to the scheme being funded in accordance with this Allanton Wastewater funding policy. However, after tenders for consultancy services were assessed, the Council decided that the proposal for a pressure sewer system represented an equal or better level of service at significantly lower cost.

In accordance with the Council's Proposed New Reticulated Utility Services (Water, Wastewater or Stormwater) Policy, the Council will only provide such a service where it can be established that there will be sufficient connections to help fund the provision of the service. The policy provides that where there is a demonstrated public health or environmental effect requiring the service to be provided, then all properties in an area to be serviced are likely to be required to connect in accordance with Section 459 of the Local Government Act 1974.

Due to the adverse public health and environmental effects identified in reports to the Council, which have resulted in the Council determining that a reticulated wastewater scheme is required in the Allanton area, the Council has decided that all properties within the scheme boundaries will be required to connect to the scheme. Therefore all existing properties and all future properties and developments will be required to connect. This is in order to remove the source of contamination from the area.

2 FUNDING DECISIONS

2.1 Operating Costs

The Council policy is that once a reticulated service is installed and is part of the overall citywide reticulated services network, each connection once established, or potential connection, will be subject to the Drainage Rate in accordance with the rating category for each property and any other charge applicable to the type of connection, in accordance with the Council's funding policy in operation at that time.

In accordance with that policy, the Council has resolved that the annual operating costs for operating the new Allanton reticulated wastewater services would be met from the wastewater targeted rates.

In the case of a pressure sewer system, the 'on property' equipment (i.e. the control unit, pump chamber and discharge pipe) will be part of the Council system. As such, repair, maintenance and replacement of these items would be covered by the drainage rates. The property owner will be responsible for the power costs for the pump unit, as well as for any pipework connecting household plumbing to the pump chamber.

2.2 Capital Costs

The Council policy is that, in addition to the funding of the on-going operational costs of any new service, consideration will also be given to the contribution payable towards the capital cost of providing the new reticulated service. Such a payment would be in addition to any Drainage Rate, Water Rate or any other charge applicable to the type of connection, in accordance with the Council's funding policy in operation at that time. The cost that is payable is to be determined in accordance with the following:

a) Design Capacity

The maximum theoretical number of potential residential units that could be built in the future at Allanton, based on current R5 zoning is 280 sections, taking into account vacant sections and sections that could have additional residential units built on. However, the Council has determined that the likely total potential residential units of demand that will need to contribute to the capital costs of providing the new service to the R5 zoned area is 250 potential sections. This is because it is unlikely that all sites would be built on. In addition, a further 7 properties, lying on the east side of State Highway One and Ralston Street in Allanton and currently zones rural residential are to be included in the scheme, bringing the total potential sections to 257.

The scheme boundary is shown below.

b) Cost of Construction

The capital contribution is to be based on the actual cost of installing services. At the time of approving the scheme, the Council only had estimates of the cost of installing the scheme and the actual cost may be greater than, or lesser than that estimate. As with any major project, cost estimates will change as further detail is obtained. The final estimate that is recorded in the annual plan process that records the decision of the Council will be used as the base figure. That figure includes construction costs, consultant costs and all other costs associated with installing the scheme. This figure is $4,367,000 as recorded in the 09/10 – 18/19 LTCCP.

Adjustments to the quantum of any individual contribution may therefore be necessary once the construction of any scheme is completed. However the final costs will be limited to no more than 10% above the tendered price received for the construction plus all fees for the completion of the work.

The nature of a pressure sewer system is such that whilst the reticulation network will be fully constructed for all potential properties, the provision of on property equipment such as storage tanks and grinder pumps will only be made for those properties that will be connecting to the system at or close to the time of commissioning.

c) Cost of Capital

Where a ratepayer chooses to pay over 20 years, rather than a lump sum, the Council will include interest. The annual payments will be based on the interest rate determined by the Council at the time.

Accordingly, the Council resolved that the funding of the capital costs for installing the wastewater reticulated services would be based on the following.

- The current estimated cost of installing a pressure sewer system is $3,411k (GST excl) which is broken down as $2,406k to provide reticulation to the community plus $1,005,000 to provide on site equipment (grinder pumps, storage tanks etc) to all existing properties. The assessed total potential residential units of demand to be serviced is 257

- The number of existing properties= 113(confirmed by site survey in December 2009.

- The number of properties to be provided with 'on property equipment' = 115, which includes all existing properties as well as those that have received building consents since 22 June 2009.

2.3 Existing Properties

In accordance with the existing Council policy on new reticulated utility services, the Council has considered the percentage contribution from existing units that are in existence, or which have a building consent issued, on the date that the Council decided to proceed with the wastewater reticulation service (being 22 June 2009), payable towards the capital cost of providing the new reticulated services. Existing properties / units excludes those that are rated as vacant land.

The contribution is based on the following:

Formula for the cost per existing unit:

$$\text{Cost EPU} = \frac{CE_R \times C}{N_R} + \frac{CE_p \times C}{N_p}$$

Cost EPU = Capital Contribution payable by each existing unit

CE_R = capital expenditure to supply the reticulation network to serviced area.

CE_p = capital expenditure to provide on property equipment (pump units etc).

N_R = total potential units of demand to be serviced.

N_p = total number of properties being supplied with on property equipment.

C = assessed percentage contribution payable by each existing unit.

The assessed percentage contribution payable (C) has been determined taking into account the following factors:

Factor (C)	Allanton Wastewater Consideration
▪ Level of service – whether the proposed level of service is consistent with levels of service experienced in other parts of the city.	The proposal is to install a pressure sewer system that each property will be able to connect up to. There are no other wastewater systems of this nature within the city boundaries. The proposed new level of service will be higher than is currently the case with septic tanks and on-site disposal fields in existence for many properties currently.

Factor (C)	Allanton Wastewater Consideration
▪ The significance of any public health issue – whether there is a public health issue that requires reticulated services to be provided and the extent of that issue in terms of adverse health outcomes.	There is a demonstrated public health issue which requires a reticulated waste water system to be installed.
▪ The significance of any environmental issue – whether there is an adverse environmental effect resulting from the existing situation and the extent of any such effect	There is demonstrated contamination of road side drainage ditches and water bodies in the area resulting from run-off from septic tank fields.
▪ Affordability – whether the proposed reticulated services can be afforded by the community.	Allanton recorded a median household income from the 2006 Census of between $42,000 and $42,500 compared to a median of $43,400 for household income within the Dunedin City Council area.
▪ Area specific technical issues – whether the existing area has characteristics which mean that a reticulated service needs to be provided.	Existing soil profiles mean that effluent from existing septic tanks cannot be dealt with onsite, necessitating provision of a reticulated service.
▪ Ability to build, whether its practical and technically possible to build a cost effective reticulation service in the area.	There area no issues in this area that preclude a reticulated service being built.
▪ Other costs payable – whether there are other costs payable by the existing residences in order to connect up to the proposed reticulated service.	There will be no additional costs payable by existing properties.

After considering the above factors, the Council has decided that the contribution payable from existing properties in the Allanton area for the installation of a new reticulated wastewater system should be 20%.

The cost payable per existing property is therefore:

$$\text{Cost EPU} = \frac{CE_R \times C}{N_R} + \frac{CE_p \times C}{N_p}$$

$$\text{EPU} = \frac{\$2.406\text{m} \times 20\%}{257} + \frac{\$1.005\text{m} \times 20\%}{115}$$

$$= \$1{,}872 + \$1{,}748 = \$3{,}620 \text{ (GST excl)}$$
$$= \$\ 2{,}153 + \$2{,}010 = \$4{,}163 \text{ (GST incl at 15\%)}$$

2.4 **New Properties/Units**

The Council policy is that a capital contribution towards the cost of providing the new reticulated services will be required from all future new properties/units that are built in the area serviced, that are not in existence or do not have building consent issued prior to the date that the Council decides to proceed with any new reticulation service, being 22 June 2009. The capital contribution will be payable on the establishment of a connection with the reticulated service and will be based on 100% of the assessed cost of providing the services divided by the total number of potential units, in accordance with the following formula:

$$\text{Cost NPU} = \frac{CE_R}{N_R}$$

Where:

Cost NPU = Capital Contribution payable by each new unit when established

CE_R = capital expenditure to supply the reticulation network to serviced area.

N_R = total potential units of demand to be serviced.

Accordingly the capital contribution per vacant section or future new connection, on establishing a connection would be:

$$\text{NRU} = \frac{\$2.406\text{ m}}{257}$$
$$= \$9{,}362 \text{ (GST excl)}$$
$$= \$10{,}766 \text{ (GST incl at 15\%) – check rate of GST to apply}$$

New properties/units will also be charged for the provision and installation of the 'on property' equipment, the cost of which will vary according to market rates at the time of purchase.

3 PAYMENT OF CAPITAL CONTRIBUTION

In accordance with the Council policy on new reticulated utility services, provision will be made for the following payment options:

- For existing properties/units:
  - A one off lump sum payment of the full assessed cost; or
  - Provision for the spreading of the cost over 20 years through the properties rates, with interest included in the total cost.

- For new properties/units:
  - A one off lump sum payment of the full assessed cost.

Properties that agree to connect to the scheme at the time that the reticulated service is being installed will not be required to pay the normally required connection fee. Properties connecting after the reticulation has been installed outside their properties will be required to pay the standard charge, currently set at approximately $378.