Pokeno

Village wastewater system Q&A

March 2016

At a meeting held in Pokeno on 15 March 2016, residents and ratepayers asked a number of questions about technical and funding issues in association with Phase 2 of the Pokeno wastewater reticulation project that will provide an improved wastewater system for residential properties.

The questions are answered here in support of a follow-up meeting with residents on 22 March 2016.

Finance/Policy issues

1. What is the interest rate?

The interest rate reflects the actual costs of council borrowing and takes into account existing loans, interest rate instruments, and anticipated future borrowings (weighted average cost of capital). This rate changes each year. The repayments below (see Q2) are based on the following 'estimated' interest rates (the actual rate at the time will be used):

2017/18	5.33%	2024/25	5.51%
2018/19	5.37%	2025/26	5.51% *
2019/20	5.43%	2026/27	5.51% *
2020/21	5.48%		
2021/22	5.40%	* NB. Not within LTP (Long Term Plan)	
2022/23	5.50%	so have assumed same rate as 2024/25	
2023/24	5.65%		

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2. What will the repayments be over the 10 years?

Based on the predicted interest rates above, repayments would be:

Repayments	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Interest (excl GST)	599.65	540.56	482.29	421.83	358.24	296.83	234.19	163.13	97.88	0.00
Principal (Incl GST)	1,361.90	1,361.90	1,361.90	1,361.90	1,361.90	1,361.90	1,361.90	1,361.90	1,361.90	1,361.90
Total	**1,961.55**	**1,902.46**	**1,844.19**	**1,783.73**	**1,720.14**	**1,658.73**	**1,596.09**	**1,525.03**	**1,459.78**	**1,361.90**

3. Where have the costs to connect to the system come from?

Capital Contribution Breakdown

	Total	Existing village contribution to projects
Existing Pokeno Village	$	%
Internal infrastructure diversion & decommissioning	854,750	100% existing village
Public infrastructure & design	1,670,556	80% existing village (total project cost $2,088,195)
Design & Project Management to Date	169,844	80% existing village (total project cost $212,305)
Environmental baseline report	20,000	100% existing village
	2,715,150	
Watercare costs	279,110	Per household equivalent unit charge for treatment plant capex ($1,739)
Public good element of development		
Infrastucture built to date	307,200	4% of wider programme (Reticulation network including trunk costs to treatment plant)
Future works (10 years)	406,420	4% of wider programme (Reticulation network including trunk costs to treatment plant)
	713,620	
Total	3,707,880	
50% subsidy	-1,853,940	Contributed from development fund reserve (ex-FDC airport shares)
Total after subsidy	1,853,940	**TOTAL EXISTING VILLAGE CONTRIBUTION (total WDC wastewater programme costs of $21,015,750 or 9% of total programme)**
Example for Residential (1 x HEU)		
Internal infrastructure diversion & decommissioning	5,895	per connection
Environmental report	138	per connection
Design & Project Management to Date	1,058	
Phase 1 contribution	2,873	
Phase 2 contribution	7,536	
Watercare costs	1,739	
Public good element	4,446	
GST	3,553	
Total	27,237	
50% subsidy	13,619	

4. What component is Development Contribution (DC) funded?

- $17,307,870 is to be funded over time by developers via DC's
- $1,853,940 is to be funded by existing village residents
- $1,853,940 is to be funded by the development fund reserve which was created from the sale of airport shares (ex-Franklin District Council)

5. How will the viable number (to construct) be calculated – will it be in streets, blocks or overall?

Overall

6. Why is there an availability charge?

- Rates are a property tax, where ideally, similar properties receiving similar services are taxed at the same rate.
- Targeted rates for wastewater cover the operational and maintenance costs associated with managing the network.
- Properties where there is no public network available to connect into do not pay a charge.
- Availability charging is based on a discounted rate for maintaining the infrastructure available to the property (currently 50% of the full charge).
- Properties that are connected to the service pay a full targeted rate.

7. Why is there such a large difference between commercial connection (Phase 1) and Phase 2 and where were the costs for Phase 1?

Commercial properties were charged $13,619 if they were assessed as 1 HEU (household equivalent unit) for connection to Phase I. There were a few connections that were assessed as a higher number of HEUs and they paid accordingly. Commercial properties have not been charged more on a household equivalent basis.

Typically commercial properties use more water and discharge more to waste than a residential household, therefore charges were structured on a per household equivalent unit basis. (For example, where a commercial property's water usage indicates that they use four times the amount of a residential property they would pay more accordingly).

As commercial properties are able to raise their own funding arrangements and are also able to offset the GST component of the charge, the Council agreed that the ten year payment plan option should not be extended to these properties. Please note that commercial properties were also provided with the 50% subsidy.

Phase I largely related to installation of trunk infrastructure which all properties require in order to get their waste through to the treatment plant in Pukekohe. Phase 2 connects into this infrastructure. The household equivalent unit basis of charging spread the entire project costs –Phase I and 2 – over the entire existing village. Connections made during Phase I do not pay for 100% of the trunk infrastructure and similarly connections during Phase 2 do not pay 100% for the other reticulation; the costs are distributed at the entire project level.

Note – the existing village proportionately pays a small amount to the other trunk infrastructure due to the higher proportion of growth associated with the overall wastewater scheme (only 4% other projects).

8. If Council wants Pokeno growth, why is Council not paying for it?

Council pays for all of the costs and recovers the costs by charging rates and fees and charges.

Council's income is derived mainly from rates (approx.70%), and other fees and charges, such as DC's, that is, Council funds only come from property owners or users of Council services and this is what funds the work programmes and services in the Waikato District.

The Local Government Act 2002 has very specific sections on development contributions which Council complies with and believes are fair and equitable – growth should only pay for the proportion of costs that relate to growth. If there is a benefit to existing property owners then they must pay their share of the costs. The existing village would cover 9% of the overall wastewater scheme costs, developers would cover 82% of the costs, and the subsidy from the development fund (sale of airport shares) will fund the remaining 9%.

9. What if the actual construction (tender) price is higher than what the connection rate has been set at? What if it's lower?

This situation would have to be assessed at that time and the various options would depend on the size of the variance.

This process is about assessing whether we go out to tender or not. Should Phase 2 not proceed then any payments already received would receive a partial refund proportionately.

Technical issues

1. How will the decommissioning happen – will they remove existing tanks and reinstate the ground? What will/won't be done?

Here is an extract from the draft contract detailing the work:

615 Decommission Existing Septic Tank

Payment for the work shall be made on a per tank basis. The work shall include:

- emptying of the existing septic tank, including off-site disposal of the waste in an approved manner breaking out of a minimum floor area of 1m2 to allow drainage
- collapsing of the existing septic tank, sides to be broken in to 600mm below the surface level
- backfilling of the tank with non-organic material with a minimum CBR of 7, in 150mm thick layers
- reinstatement of surfaces to original condition or better

In addition to this if the property owner wishes to keep any components of their system they are able to do so.

2. Will the creek be used for the project or will it all be in the road?

The majority of the pipe is in the road, as it is best practice to have public infrastructure in public land vs private property and away from streams/waterways wherever possible. There is no intention to 'pipe' the creek.

3. Is the pipe put in during Phase 1 big enough for Phase 2 to connect?

Yes.

How to stay informed

If you want to receive regular updates about the project, send your email address to Pokeno.Scheme@waidc.govt.nz or visit the Pokeno web page: www.waikatodistrict.govt.nz/pokenowastewater

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