

SOUTH WAIRARAPA DISTRICT COUNCIL

12 DECEMBER 2012

AGENDA ITEM C7

SEWER CHARGE OPTIONS

Purpose of Report

To present options for the recovery of costs in relation to sewerage reticulation system.

Recommendations

Officers recommend that the Council:

1. *Receive the information.*
2. *Identify any additional analysis required.*

1. Executive Summary

During the preparation of the 2012/22 Long Term Plan (LTP), there were a number of submissions on the sewage disposal rate.

It was resolved to review this during the course of this year, with a view to making any changes in time for the 2013/14 Annual Plan consultation.

This analysis does not include any commentary on those rating units that are able to be connected but are not yet connected which are charged a half charge, although these properties are used in the overall calculations.

For the avoidance of doubt, Local Authorities are not permitted to use some form of multiplier based on water meter readings to charge for sewer costs.

2. Discussion

2.1 Rating Tools

Local Authorities can levy a general rate, a targeted rate, or "fees and charges".

- General rates are used where all or part of the cost of a particular function should be met by the community as a whole.
- Targeted rates are used where the local authority decides that all or part of the cost of a function should be funded by a specific rate, and targeted to particular categories of rating units.

- Fees and charges are used where the local authority decides that all or part of the cost of a particular function should be met by the particular individuals who benefit from the service.

2.2 Revenue and Financing Policy

The revenue and financing policy adopted as part of the LTP process provided the following analysis for the rating of costs in relation to sewerage charges:

User/beneficiary pays principal	High
Intergenerational equity principle	High
Exacerbator pays	High
Costs and benefits	Medium
Private benefit	75%
Public benefit	25%
Rationale	Provide safe/sanitary treatment & disposal environment for waste
Funding sources – operational	Fees & charges, targeted rates, contributions
Funding sources – capital	Fees & charges, targeted rates, contributions, surplus funds and loans

2.3 Sewer Charges Per Property

The following table outlines the number of charges that are levied to each type of property.

Column 1 indicates the number of sewer charges levied per property, and column 2 indicates the number of properties charged. For example, the first row indicates 3,020 properties receive one sewer charge, the third row indicates that there are 25 properties that are charged 3 sewer rates.

Number sewer levies Per property	Properties charged	Total Charged
1	3020	3020
2	98	196
3	25	75
4	14	56
5	8	40
6	8	48
7	6	42
8	4	32
9	2	18
10	1	10
11		0
12	3	36
13	1	13
14	1	14
16	2	32
17	1	17
22	1	22
25	1	25
26	1	26
27	1	27
31	1	31
33	1	33
	3200	3813

2.4 Options

There are numerous options available; three key options have been identified and are outlined below.

2.4.1. Option 1

Status quo, that is one full charge for first two pans, and an additional full charge for every pan thereafter.

2.4.2. Option 2

Additional pans charged at half the full rate, that is one full charge for first two pans, and a half charge for every additional pan thereafter.

2.4.3. Option 3

Cap at a maximum of 10 pan charges, that is one full charge for the first two pans, and an additional full charge for each pan thereafter up to a maximum of 10 charges.

2.5 Options Analysis

2.5.1. Option 1

This is the status quo, the charges are \$366 for every separately used or inhabited part of a rating unit connected to the sewerage system for the first two toilet pans (or equivalents such as urinals).

\$366 for the third and each additional pan.

\$183 (half charge) for all rating units that are able to be connected.

2.5.2. Option 2

The following table outlines the rates impact if option 2 is adopted:

Number Sewer levies Per property	Properties charged	Total Charged	Pans per Property	Pans at Full Charge	Properties Charged First charge	Pans at Half Charge	Number of half charges
a	b	c	d a+1	e	f	g d - e	h b x g
1	3020	3020			3020		
2	98	196	3	2	98	1	98
3	25	75	4	2	25	2	50
4	14	56	5	2	14	3	42
5	8	40	6	2	8	4	32
6	8	48	7	2	8	5	40
7	6	42	8	2	6	6	36
8	4	32	9	2	4	7	28
9	2	18	10	2	2	8	16
10	1	10	11	2	1	9	9
12	3	36	13	2	3	11	33
13	1	13	14	2	1	12	12
14	1	14	15	2	1	13	13
16	2	32	17	2	2	15	30
17	1	17	18	2	1	16	16
22	1	22	23	2	1	21	21
25	1	25	26	2	1	24	24
26	1	26	27	2	1	25	25
27	1	27	28	2	1	26	26
31	1	31	32	2	1	30	30
33	1	33	34	2	1	32	32
0.5	348	174					348
	3548	3987			3200		961

There are 3,200 properties that would be charged the first full charge, plus there will be an additional 961 half charges applied. 961 half charges equate to 480.5 full charges.

Accordingly there are (3,200 + 480.5) 3,680.5 full charge equivalents.

Revenue required is \$1,459,000 when divided by the number of full charge equivalents will requires a full charge of \$397.00.

2.5.3. Option 3

Cap at a maximum of 10 pan charges, that is one full charge for the first two pans, and an additional full charge for each pan thereafter up to a maximum of 10 charges.

Number sewer levies Per property	Number charged Per property Capped	Properties charged	Total Charged	Pans at Pans per Property	Properties Full Charge	Pans at Charged First charge	Number of Full Charge	full charges
a	a	b	c	d a+1	e	f	g d - e	h b x g
1	1	3020	3020			3020		
2	2	98	196	3	2	98	1	98
3	3	25	75	4	2	25	2	50
4	4	14	56	5	2	14	3	42
5	5	8	40	6	2	8	4	32
6	6	8	48	7	2	8	5	40
7	7	6	42	8	2	6	6	36
8	8	4	32	9	2	4	7	28
9	9	2	18	10	2	2	8	16
10	10	1	10	11	2	1	9	9
12	10	3	30	11	2	3	9	27
13	10	1	10	11	2	1	9	9
14	10	1	10	11	2	1	9	9
16	10	2	20	11	2	2	9	18
17	10	1	10	11	2	1	9	9
22	10	1	10	11	2	1	9	9
25	10	1	10	11	2	1	9	9
26	10	1	10	11	2	1	9	9
27	10	1	10	11	2	1	9	9
31	10	1	10	11	2	1	9	9
33	10	1	10	11	2	1	9	9
	0.5	348	174					174
		3548	3851			3200		651

There are 3,200 properties that would be charged the first full charge, plus there will be an additional 477 additional full charges for those exceeding the cap. In addition, there are 348 half charges which equate to 174 full charges.

Accordingly there are (3,200 + 477 + 174) 3,851 full charge equivalents.

Revenue required is \$1,459,000 when divided by the number of full charge equivalents will requires a full charge of \$379.

2.6 Legal Implications

There are no legal implications arising from this report.

2.7 Financial Considerations

There are no financial implications arising out of this report. The options do not impact overall revenues received. Individual ratepayers may be impacted depending on which option is chosen.

3. Supporting Information

3.1 Long Term Plan - Community Outcomes

Equitable distribution of the rates burden to recover the cost of operating the sewerage treatment and reticulation network contributes towards healthy and economically secure people and a sustainable South Wairarapa.

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