

Report No:	RCN11-06-11
File No:	A505
Date:	2 June 2011
Decision Required	

REPORT SUMMARY

Report to: Full Council
Meeting Date: 9 June 2011
Report Author: Peter Thomson, Engineering Manager
Subject: **Water Charges and Rates – RCN11-06-11**

EXECUTIVE SUMMARY

The purpose of this report is to seek Council agreement to changing the water charges and rates for incorporation into the final Annual Plan 2011/2012.

RECOMMENDATION/S

Staff recommend that Council agrees to raise the water rates and charges as per Option b contained in this report.

DRAFT RESOLUTION

THAT the Tasman District Council:

- 1. Receives the Water Charges and Rates Report RCN11-06-11**
- 2. Agrees to a targeted water rate based on water supplied to all rating units with a metered connection, except for the Nelson Pine Industries Limited site, of \$1.50 (excl GST) per cubic metre supplied and a fixed daily amount for rating units with a metered connection, excluding those in Motueka Township and the Nelson Pine Industries Limited site, of 51.89 cents per day (excl GST), being included in the final Annual Plan 2011/2012.**
- 3. Agrees to water charges for the properties in Nelson City, excluding the ENZA Food New Zealand Limited and Alliance Group Limited site, supplied with water by Tasman District Council of \$1.50 (excl GST) per cubic metre supplied and a fixed daily amount of 51.89 cents per day (excl GST), being included in the final Annual Plan 2011/2012.**
- 4. Notes that Nelson City Council and Tasman District Council have not yet entered into a new water services agreement for the supply of water to Nelson City ratepayers in the area of Champion Road, Garin College and the Wakatu Industrial Estate.**
- 5. Asks staff to add wording into the final Annual Plan 2011/2012 to reflect the Council's decisions in 2 – 4 of this resolution.**

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1. Purpose

- 1.1 The purpose of this report is to seek Council agreement to changing the water charges and rates for incorporation into the final Annual Plan 2011/2012.

2. Background

2.1 The Draft Annual Plan 2011/2012 contains:

- water supply rates (metered connections) of \$1.28 (excl GST) per cubic metre supplied and a fixed daily amount of 44.99 cents per day.
- water supply charges for the properties in Nelson City supplied with water by Tasman District Council of \$1.28 (excl GST) per cubic metre supplied and a fixed daily amount of 44.99 cents per day.
- a proposal for a new water services agreement between Nelson City Council and Tasman District Council for the supply of water to Nelson City ratepayers in the area of Champion Road, Garin College and the Wakatu Industrial Estate.

2.2 The Draft Annual Plan also notes that if the Council's dispute with the Industrial Water Users is unable to be resolved by June 2011, so that those users are paying the same charges for water as owners of rating units with metered connections in Richmond, then:

- the targeted rate based on water supplied to all rating units with a metered connection, except for the Nelson Pine Industries Limited site, could be as high as \$1.47 per cubic metre supplied and the fixed daily amount for rating units with a metered connection excluding those in Motueka Township and the Nelson Pine Industries Limited site, could be around 51.12 cents

- the charges for water supplied by the Council to rating units within Nelson City could be around \$1.47 (excl GST)

3. Present Situation/Matters to be Considered

- 3.1 The dispute with the Industrial Water Users is to go to arbitration after 30 June 2011. The dispute has, therefore, not been resolved in time for the lower rates and charges to be incorporated into this Annual Plan.
- 3.2 The rates and charges are also increasing as a result of the proposal to spread the Local Authority Protection Programme (LAPP) charges across the activities that contain the assets that will be insured by the LAPP.
- 3.3 The new water services agreement cannot be concluded until both Councils have adopted their Annual Plans. This is not an issue though, as the agreement can be entered into at any time and the charges for water will remain the same whether or not the water is supplied in bulk to Nelson City Council or supplied by Tasman District Council directly to individual ratepayers in Nelson City.

4. Financial/Budgetary Considerations

- 4.1 If Council does not increase the targeted rate and the charges for water, then it will not generate the income needed to cover the costs of the water activity and will run a deficit for the year.

5. Options

- 5.1 The options are as follows:
- a. Retain the water rates and charges at the level contained in the Draft Annual Plan outlined in paragraph 2.1 above (or some level between the Draft Annual Plan figures and the figures in Option b).
 - b. Increase the water rates and charges to cover the cost of the water activity.
 - A targeted water rate based on water supplied to all rating units with a metered connection, except for the Nelson Pine Industries Limited site, of \$1.50 (excl GST) per cubic metre supplied and a fixed daily amount for rating units with a metered connection, excluding those in

Motueka Township and the Nelson Pine Industries Limited site, of 51.89 cents per day (excl GST).

- Water charges for the properties in Nelson City, excluding the ENZA Food New Zealand Limited and Alliance Group Limited site, supplied with water by Tasman District Council of \$1.50 (excl GST) per cubic metre supplied and a fixed daily amount of 51.89 cents per day (excl GST).

6. Pros and Cons of Options

6.1 The pros and cons of the options are outlined in the following paragraphs.

Option a.

6.2 Option a has the disadvantage of not covering the costs of the water activity and, therefore, creating an increased deficit (the account already contains a large deficit due to less income than expected over the last few years).

6.3 The benefit of this option is that it would keep the water rates and charges down to the level paid in 2010/2011. Council did, however, signal in the Draft Annual Plan that it would increase the water rates and charges if the Industrial Water Users dispute was not resolved by June 2011.

6.4 This option is not preferred.

Option b.

6.5 The advantage of option b is that it should cover the costs of the water activity.

6.6 The disadvantage of this option is that it means the water rates and charges will be increase (although, as noted above, this was signalled in the Draft Annual Plan).

6.7 This is the preferred option.

7. Significance

7.1 This is not a significant decision according to the Council's Significance Policy and the matters covered in this report were raised in Council's Draft Annual Plan 2011/2012.

8. Recommendation/s

- 8.1 Staff recommend that Council adopts Option b and agrees to raise the water rates and charges.

9. Timeline/Next Steps

- 9.1 Staff will incorporate Council's decision in the final Annual Plan, which Council will consider adopting on or before 30 June 2011.

10. Draft Resolution

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- 5. Asks staff to add wording into the final Annual Plan 2011/2012 to reflect the Council's decisions in 2 – 4 of this resolution.**