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**REPORT 2**  
(1215/52/IM)

## **REPORT OF THE FUNDING AND ACTIVITY REVIEW WORKING PARTY - REVIEW OF REVENUE AND FINANCING POLICY**

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### **1. Purpose of Report**

This report presents the recommendations of the Funding and Activity Review Working Party following its annual review of the Council's Revenue and Financing Policy.

### **2. Executive Summary**

#### **Terms of reference**

In November 2007 the Council agreed to the re-establishment of the Funding and Activity Review Working Party and to a Terms of Reference for the working party for the term of the 2007/10 triennium.

A key responsibility of the FAR Working Party is to "Guide officers in the review of the Revenue and Financing Policy as it applies to all activities and recommend any changes to the Strategy and Policy Committee".

In 2006 the Council undertook a major review of its Revenue & Financing Policy in conjunction with the triennial LTCCP process. This culminated in the approval of a new policy applicable from 1 July 2006.

The 2007 review focused on achieving compliance with policy parameters for operational expenditure with the benefit of a full year's performance against the new policy. This resulted in a combination of fee increases (\$2.3m in total) and policy amendments, setting a strong foundation for maintaining policy compliance leading into 2008.

The 2008 review has focused on:

- Reviewing the Revenue and Financing Policy *Guiding Principles* upon which the Council's funding decisions are based.
- Considering the forecast 2008/09 compliance of each Council activity (e.g. the rates versus user charges split) with the Revenue Financing Policy and making fees and charges or policy change recommendations where appropriate.
- Reviewing policy related to the funding of specific activities (e.g. heritage relief, trade waste charges.)

- Assessing the recommendations of the Rates Inquiry as they potentially relate to Wellington City Council
- Reviewing rating policy (e.g. water charges)

The Working Party has also considered and makes recommendations in this report in regard to minor amendments to asset management plans.

### **Revenue and Financing Policy compliance**

The Revenue and Financing Policy sets out the proportion of each Council activity to be funded by user charges, other revenue (e.g. Transit NZ subsidies), rates or borrowings.

A key principle of the Council's Revenue and Financing Policy is that where practical fees should be reviewed on an annual basis to avoid large 'one off' increases. It is therefore prudent that Revenue and Financing Policy compliance is reviewed on an activity by activity basis each year to ensure that the revenue collected from each of the Council's funding sources is in line with policy.

The Working Party focused on those activities that had a shortfall or surplus in user charge funding of greater than 3% of activity costs, which, unless addressed would impact on the proportion of the activity needed to be funded by rates.

For each non-compliant activity the Working Party considered a range of remedial actions, including:

- Increasing user charges to achieve compliance
- Considering options for reducing expenditure without impacting on service levels
- Amending the policy to increase/decrease the user charge proportion
- Leaving the policy unchanged and noting temporary non-compliance with policy.

### **Increases to fee and charges**

This report recommends changes to fees and charges which if approved will improve policy compliance by \$0.695 million. Any changes not approved will result in the equivalent value being put back onto 2008/09 rates.

Activities with fee increases recommended include:

Activity	\$ impact
1.3.1 Development control & facilitation	\$135,400
2.4.1 Pedestrian network	\$ 5,000
4.5.4 Waste minimisation & disposal	\$274,550
6.4.1 Swimming pools (& fitness centres)	\$196,507
6.4.5 Marinas	\$ 15,792
6.4.2 Sports fields	\$ 11,000
6.5.1 Burials and cremations	\$ 56,940
<b>Total</b>	<b>\$695,189</b>

Note that the swimming pools fee increases relate to fitness centres and swimming programmes which are set at Officer level.

The remaining non-compliance “gap” of \$1.5 million is made up of those activities where either the Working Party has agreed that a funding gap is prudent or where non compliance is marginal and does not justify fee increases from a practical perspective.

The changes to fees and charges/and or policy are summarised in section 4.2 (pages 8-11) of this report. A full list of proposed amendments to fees and charges is attached as Appendix 1.

### **Rates relief for heritage properties**

In December 2007 the Strategy and Policy Committee considered a paper entitled: Heritage Investment. Amongst its resolutions the Committee agreed to “Request that officers bring forward some of the initiatives that are detailed in section 5.4 of the officer’s report to be evaluated and considered as new initiatives for 2008/09 financial year and these go through the Funding and Activity Review Working Party for inclusion in the 2008/09 Draft Annual Plan”. Section 5.4 of the report referred to a number of initiatives that could potentially be considered as incentives to the retention and enhancement of heritage buildings in the city.

The Working Party received a report from officers evaluating the merits of two of these initiatives which could feasibly be introduced into the 2008/09 Draft Annual Plan. These were a Rates Remission for commercial heritage buildings in the city and a Heritage Building Consent Waiver subsidy fund.

The Working Party concluded that issues of inequality in distribution of benefit through the rates remission tool outweigh the advantages of adopting such a strategy without first giving due consideration to other alternatives. However it does recommend the establishment of \$50,000 Heritage Building Consent Waiver subsidy fund for inclusion in the 2008/09 Draft Annual Plan and recommends the Committee request officers complete a comprehensive review of options for increased support to the owners of listed heritage buildings in the preparation of the 2009/10 LTCCP.

### **Trade Waste Policy**

The Council’s Liquid Waste Management Plan adopted in 2005, identified the need to determine appropriate fees and charges for the discharge of trade wastes. The development and implementation of a 'polluter pays' charging policy is the logical next step in the activation of this plan.

The introduction of a Trade Waste Charging Policy will:

- a) provide a mechanism by which trade waste disposers will be liable for the costs of treatment and disposal of the waste they create.

- b) provide an incentive for trade waste disposers to reduce the level of waste entering the sewer network, reducing the risk of increased degradation of the network and limiting the environmental impacts of waste disposal.

Introduction of a charging system based on the amount and concentration of waste will bring Wellington City in line with other major cities in New Zealand. The user pays charging philosophy provides a financial incentive to enhanced take-up of waste minimisation initiatives. This is a key driver for influencing behaviour of business in Wellington City to move towards increased sustainability.

The introduction of the policy will transfer the funding of approximately \$0.8 million of annual costs incorporated in the Sewage Collection and Disposal & Sewage Treatment activities from Commercial sewage rates, to trade waste disposers.

The Working Party recommends that the draft Trade Waste Charging Policy (attached as Appendix 3) be approved for consultation as part of the 2008/09 Annual Plan consultation process.

### **Rating for Water network and supply**

There has been no change to rate charged per m<sup>3</sup> of water consumed for those properties with a water meter since 2004/05 when the charge was raised from \$1.20/m<sup>3</sup> to \$1.37/m<sup>3</sup> (an increase of 14%).

Between 2004/05 and 2007/08 there has been a further 15% increase in net expenditure over the activity. This was offset by increases in metered volume consumption assumptions and increases in the rate per \$CV paid by those commercial ratepayers that are not metered.

The combined impact of increased costs, mainly due to depreciation (asset revaluations) and interest, along with reduced consumption forecasts has led to a recommendation to the Working Party to consider increasing the per cubic meter rate for metered water.

To achieve compliance based on current policy, the Working Party is recommending an increase in the metered water rate from \$1.37/m<sup>3</sup> to \$1.58/m<sup>3</sup> (incl. GST), an increase of 15%. This equates to an average increase of under 4% per year since the last increase in 2004/05.

During the period of 2004/05 to 2007/08 water rates by \$CV for the average residential property have increased by 12% and are forecast to rise by a further 5% in 2008/09.

### **Rating Policy**

As part of its deliberations the Working Party received a report from officers outlining the potential impacts of the 2007 Rating Inquiry recommendations on the Council. The only genuine windfall benefits potentially accruing to Council would come from the removal of the non-rateability criteria on Crown and other

land exempt from rates under the current legislation, and the possibility of an increase in petrol tax.

Another key recommendation of the Inquiry was the elimination of general rate differentials. If adopted this would raise some major challenges for Wellington City Council particularly, as there are limited options for offsetting the \$35 million of rates which would transfer from the commercial to the residential sector under such a change.

The Rating Inquiry also advocated Councils moving away from fully funding depreciation where appropriate, with development of longer term funding policies that take better account of intergenerational equity and the availability of longer term debt financing. The Working Party received a detailed report from officers in regard to depreciation funding principles and has concluded that the Council's current depreciation funding principles are prudent and appropriate.

The Working Party has concluded that there is unlikely to be any change to rating legislation resulting from the Rates Inquiry, that will impact on the 2008/09 Annual Plan. Any further developments will be considered in conjunction with the preparation 2009/10 LTCCP.

The Working Party has noted that the LTTCP indicates the movement in the general rates differential from 4.2 to 3.8 for 2008/09. Given the significant review of the background and rationale for the differential transition as part of the 2006 and 2007 Working Party reviews, no further consideration has been given to the differential within this review.

### **Asset Management Plan Changes**

Asset management plans were agreed as part of the LTCCP. These are reviewed annually as minor changes can arise due, for example, to a condition assessment identifying the need for remedial action earlier than previously forecast. Asset management plan funding changes that are contractually based or are required to meet existing levels of service have been reviewed by the Funding and Activity Review working party and are attached as appendix 2.

Any funding requirements that stem from changes to levels of service have been 'removed' from the asset management plans and are presented as new initiatives (see report 4 of this agenda paper).

### **3. Recommendations**

It is recommended that the Committee recommend to Council that it:

- 1. Receive the information.*
- 2. Note that price changes proposed as a result of this review result in a reduction in the rates funding requirement of \$0.695 million.*

3. *Approve the changes to fees and charges as detailed in Appendix 1 of this report.*
4. *Amend the Revenue and Financing Policy, as contained in the amended 2006/07 LTCCP and request officers to prepare a Statement of Proposal to reflect the following:*
  - i) *Building Control and Facilitation – increase the proportion to be funded by user charges from 60% to 65% (noting that this requires no increase in fees).*
  - ii) *Promoting and Hosting Cultural Events – decrease the proportion to be funded through user charges from 25% to 20%*
5. *Agree to include in the 2008/09 Draft Annual Plan a Resource Consent Waver subsidy fund of \$50,000 for listed heritage buildings and request officers complete a comprehensive review of options for increased support to the owners of listed heritage buildings in the preparation of the 2009/10 LTCCP.*
6. *Adopt the Draft Trade Waste Charges Policy for public consultation in conjunction with the 2008/09 Draft Annual Plan process.*
7. *With respect to the targeted rate for water supply set under section 16 and 19 of the LGRA, on each property connected to the public water supply with a water meter installed, agree to increase the fixed water meter charge from \$1.37 per cubic meter to \$1.58 per cubic meter (including GST).*
8. *Note that the Revenue and Financing Policy outlines a shift in the commercial and residential rating differential from 4.2 in 2007/08 to 3.8 in 2008/09.*
9. *Agree that the Asset Management Plan funding changes as outlined in appendix 2 be incorporated into the 2008/09 Draft Annual Plan budget.*

## **4. Compliance with Revenue and Financing Policy**

### **4.1 Review Parameters**

#### **Annual Review**

In adopting the 2006 Revenue and Financing Policy the Council agreed that it was appropriate to review activity funding on an annual basis with the intention of ensuring that the user charge component of activity funding policies keeps pace with CPI and other cost increases. It was also considered prudent that any other activity funding issues raised be appropriately addressed with consideration to the Council's funding principles.

The responsibility for conducting the annual review is allocated to the FAR Working Party, which reports through to the Strategy and Policy Committee. The Working Party has conducted its annual review on an exceptions basis. Revenue and Financing Policy funding principals, assumptions and activity

specific funding considerations remain valid, unless specifically indicated otherwise.

### **Stretch targets**

There are a number of activities for which the Council has, in the past, agreed to set “stretch targets” for the proportion of non-rates revenue derived from the activity. It is pertinent that these stretch targets are reassessed in light of the non-compliance gap showing in some activities.

### **Non-compliant activities**

This review focused specifically on those activities for which 2008/09 budgets indicated a Revenue and Financing Policy variance of 3% or \$100k from the existing Revenue and Financing Policy non-rates revenue target.

In considering the Funding Policy for each of the activities identified the Working Party had available a number of options in regard to forming its recommendations. These include:

- A reduction in service levels/expenditure on the activity (likely to result in a reduction in the \$'s rate requirement and/or the user charge policy target).
- Increase user charges (i.e. changes in fees) to improve policy compliance.
- A change to the user charge policy target
- Leaving the policy unchanged and noting temporary non-compliance with policy

Where practical, CPI based increases to user charges are also proposed on a number of activities which fall below the 3% or \$100k variance criteria.

## 4.2 Review recommendations on policy compliance

As part of its review the FAR Working Party has received, for each activity, a report outlining the factors contributing to policy non-compliance, along with options and limitations for achieving compliance with existing Revenue and Financing Policy. The following table summarises the Working Party's key recommendations for each activity. A full list of recommended changes to Fees and Charges is contained in Appendix 1.

Activity	Current Policy	Funding Gap at 08/02/08 (+ is favourable)		FAR considerations	FAR recommendation	Additional Revenue / Reduction in Cost	Policy Change Recommended	Revised Funding Gap at 5/03/08 (+ is favourable)	
		%	\$000's					%	\$000's
<b>1.3.1 Development Control and Facilitation</b>	<b>45% user charges</b>	- 3%	<b>-\$126</b>	Consent fees are in the mid-upper range compared with other Councils. However direct fee comparatives with other Councils is difficult due to variability in services include in like activities. Current WCC recovery rates for Building consent activity \$135/hour. Previous reviews have stated intent to increase the user fee target towards the 75% benefit assessed under the policy to accrue to individuals (i.e. consent applicants).	1. Increase hourly charge out rate for planners on which consent charges are based from \$115 to \$125 per hour and administrative officers from \$60 to \$65 per (GST inclusive)	<b>\$135</b>	<b>No change</b>	<b>1%</b>	<b>-\$35</b>
<b>1.4.2 Building Regulation and Facilitation</b>	<b>60% user charges</b>	5%	<b>\$555</b>	User fees last reviewed in 2007. Previous reviews have stated intent to increase the user fee target towards the 100% benefit assessed under the policy to accrue to individuals (i.e. consent applicants).	Increase the proportion of costs of this activity funded by user charges from 60% to 65%. This will ratify current recovery levels into policy and set a small 'stretch' target for 2008/09. No fee increases are proposed.	<b>\$0</b>	<b>Revise policy to 65% user charges 35% general rates.</b>		<b>-\$127</b>

Activity	Current Policy	Funding Gap at 08/02/08 (+ is favourable)		FAR considerations	FAR recommendation	Additional Revenue / Reduction in Cost	Policy Change Recommended	Revised Funding Gap at 5/03/08 (+ is favourable)	
		%	\$000's					%	\$000's
<b>2.4.3 Passenger Transport Network</b>	<b>100% user charges</b>	<b>-40%</b>	<b>-\$369</b>	The only source of revenue for this activity is through the Adshel bus shelter contract. Non-compliance with policy was noted in 2007 review. A report back on the future of this project including revenue/funding assumptions is on the FAR Working Party forward programme for May 2008.	Note non-compliance. Contractual obligations preventing additional recoveries.	<b>\$0</b>	<b>No change</b>	<b>-42%</b>	<b>-\$398</b>
<b>2.4.1 Vehicle Network</b>	<b>The Road Protection Service project (C481) forms a part of this activity and incorporates provision, monitoring and administration of licences in relation to sandwich boards, retail displays and street appeals.</b>			In 2007 the Council approved the introduction of the Footpaths Management Policy on the basis that costs would be managed to the extent that the cost for sandwich board monitoring and control could be covered by existing fees. It is no longer possible to contain costs at these levels and provide the level of monitoring to achieve the desired outcomes of the policy.	The Working Party recommends increases in sandwich board licence fees: CBD from \$150 to \$175 per year Suburbs from \$90 to \$100 per year A full review of the implementation of Footpath Management Policy will be completed and reported back to Council in September 2008.	<b>\$5</b>	<b>No change</b>	<b>0%</b>	<b>\$0</b>
<b>4.5.3 &amp; 4.5.4 Recycling and Waste Minimisation &amp; Disposal</b>	<b>92% user charges</b>	<b>-4%</b>	<b>-\$367</b>	Aggregated activity is \$367k below target due to under recovery on recycling activity. A report on future strategy will be considered by SPC in April/May 2008. <i>Note - aggregated policy target 92% user charges, based on 100% recovery for Recycling activity and 90% for Waste activity.</i>	Increase recycling levy component of landfill fees from \$16.90 to \$20.90 /tonne, resulting in a total landfill fee increase from \$78 to \$82 (incl. GST)	<b>\$275</b>	<b>No change</b>	<b>1%</b>	<b>\$92</b>

Activity	Current Policy	Funding Gap at 08/02/08 (+ is favourable)		FAR considerations	FAR recommendation	Additional Revenue / Reduction in Cost	Policy Change Recommended	Revised Funding Gap at 5/03/08 (+ is favourable)	
		%	\$000's					%	\$000's
<b>5.2.1 Promoting and hosting cultural events</b>	<b>25% user charges</b>	-7%	<b>-\$128</b>	Non-compliance resulting from transfer of 100% rates funded waterfront events and reduced community funding grants.	Change policy – reduce user charge component from 25% to 20% to reflect change in income generation potential.	<b>\$0</b>	<b>Revise policy to 20% user charges 80% general rates</b>	-1%	<b>-\$21</b>
<b>5.4.2 Art and cultural festivals</b>	<b>30% user charges</b>	-4%	<b>-\$65</b>	Loss of revenue earning potential due to removal of retail outlet initiative and increased costs from Arts business unit.	'Stretch' target to be retained to reflect intention to continue to investigate revenue generation opportunities.	<b>\$0</b>	<b>No change</b>	-3%	<b>-\$53</b>
<b>6.4.1 Swimming Pools</b>	<b>40% user charges</b>	-2%	<b>-\$345</b>	Significant fee increases and a decrease in the user charge funding proportion were initiated in 2007 to achieve policy compliance. Cost efficiencies have eliminated the need for across the board fee increases in 2008/09. However fee increases of 7% are forecast for 2009/10. Opportunities for differential pricing for new "Spray" development at WRAC considered but not adopted, due to implementation and equity considerations.	10% increase in fitness centre fees and 5% in learn to swim programmes are proposed.  Reduced expenditure initiatives	<b>\$196</b>	<b>No change</b>	<b>0%</b>	<b>\$0</b>
<b>6.4.2 Sports fields</b>	<b>10% user charges</b>	<b>2%</b>	<b>\$74</b>	This activity is currently compliant with policy. Previous reviews have indicated a desire to move towards a stretch target of 15% to reflect higher exclusivity of use (restricted access) of at some facilities. It is also noted that the policy for	Should the Asset Management Plan changes proposed be accepted \$88k of costs will be added to this activity and a 3% average fee increase is proposed. This will ensure the	<b>\$11</b>	<b>No change</b>	<b>2%</b>	<b>\$76</b>

Activity	Current Policy	Funding Gap at 08/02/08 (+ is favourable)		FAR considerations	FAR recommendation	Additional Revenue / Reduction in Cost	Policy Change Recommended	Revised Funding Gap at 5/03/08 (+ is favourable)	
		%	\$000's					%	\$000's
				this activity may need to be reviewed should proposed new initiatives in regard investment in artificial turfs be progressed.	current fee recovery proportion is maintained.				
<b>6.4.3 Provision of Recreation Centres</b>	<b>25% user charges</b>	<b>7%</b>	<b>-\$304</b>	Non-compliance due to inclusion of ICSC interest and depreciation costs. Funding policy impacts for ICSC to be reviewed once project planning and detail opex costing phase is completed.	No change to policy – accept 'stretch-target' pending confirmation of forecast ICSC operating costs and revenue streams.	<b>\$0</b>	<b>No change</b>	<b>-7%</b>	<b>-\$304</b>
<b>6.4.5 Provision of Marinas</b>	<b>100% user charges</b>	<b>-3%</b>	<b>-\$16</b>	Budgeted costs incorporate forecast impact of asset revaluations on depreciation expense.	Average fee increases of 3% to reflect forecast impact of asset revaluations.	<b>\$16</b>	<b>No change</b>	<b>0%</b>	<b>\$0</b>
<b>6.5.1 Burials and cremations</b>	<b>50% use charges</b>	<b>-4%</b>	<b>-\$56</b>	A combination of volume change assumptions, and cost pressures have pushed the activity into non-compliance.  The Working Party concluded that the 50% rates funding proportion of the activity was a realistic reflection of the cost of providing the amenity value associated with the provision of cemeteries and that the fee increases proposed be accepted.	An average increase of 8.5% in burial and cremation fees	<b>\$56</b>	<b>No change</b>	<b>0%</b>	<b>-\$0</b>

## 5. Other Revenue and Financing Policy Issues Considered

### 5.1 Heritage Financial Incentives

In December 2007 the Strategy and Policy Committee considered a paper entitled: "Heritage Investment" and adopted the following resolutions:

1. *Receive the information.*
2. *Agree that the identified options for increased support to the owners of listed heritage buildings be evaluated and considered in the preparation of the 2009/10 LTCCP.*
3. *Agree that the waiving of resource consent fees for listed heritage buildings be evaluated and considered by the Funding and Activity Review Working Party for inclusion in the 2008/09 Draft Annual Plan.*
4. *Note that officers are considering the establishment of a 'listed heritage building owner club' whose main purpose will be relationship building around information sharing.*
5. *Request that officers bring forward some of the initiatives that are detailed in section 5.4 of the officer's report to be evaluated and considered as new initiatives for 2008/09 financial year and these go through the Funding and Activity Review Working Party for inclusion in the 2008/09 Draft Annual Plan.*

In regards section 5.4 of the report the following options were considered:

1. **"Augmented built heritage grants funding for major projects** (defined as \$50,000 plus) where change is involved (e.g. earthquake strengthening or contributing to refurbishing for new activities);
2. **Rates postponement** and rates remission as a public good contribution to **minor** (less than \$50,000) built heritage project work delivering heritage outcomes;
3. A **commercial area rates remissions policy** which enables reduced rates for contributing heritage buildings around the CBD in the defined 'heritage areas' where owners are **maintaining buildings but otherwise leaving them unaltered.**
4. A **residential area rates remissions policy** which enables reduced rates for listed heritage buildings in residential zones where owners are **maintaining buildings but otherwise leaving them unaltered.**
5. Additional general rate funded allocation to **built heritage information, advice, advocacy and celebration of good practice.**
6. **Heritage purchase and restoration fund;** consideration might also be given to provision of a 'heritage purchase and restoration fund' which could act as an emergency contingency fund to enable limited but urgent discretionary expenditure to address unexpected heritage opportunities or risks.
7. The **Building Act** enables a council to adopt policies providing for dispensations and waivers around Heritage Buildings. This can avoid situations where slavish compliance will compromise the heritage

building. Auckland City has adopted a framework that provides useful guidance for Wellington City to consider in terms of extending its current policy.

8. The provision of **heritage guidance notes**, educational materials, officer advice, and access to information is important in supporting the council's Resource Management Act policies and rules in the District Plan. It is suggested that these activities should at the very least continue at current levels, or ideally receive further funding support. “

The Working Party considered a report from officers asking it to evaluate and consider two propositions relating to the above:

1. A rates remission policy for all commercial listed heritage buildings in the city and commercial buildings that are considered 'contributors' in a heritage area. Noting that a 5% remission would mean approximately \$500,000 of rates would be added to the rates bills of other ratepayers in the city.
2. The introduction of a Resource Consent Waiver subsidy fund to reflect that the main resource consent trigger for many heritage properties is the listing status of the building. Officers indicated that this could be best achieved through a subsidy fund of up to \$50,000 per annum.

### **Rates Remissions**

The report to the Working Party focused on rates remission as a way of sending a message that the Council acknowledges there is a financial imposition for the owners of heritage buildings, and noted a number of advantages and disadvantages of this tool:

#### Advantages:

- Recognises owners who maintain their building and do not make changes such as additions and alterations to the building fabric.
- Defensible position under legislation exists for adopting policy in this area.
- A strong mechanism for demonstrating and giving recognition to heritage areas and / or heritage listing and associated assessment process being a 'public good' purpose.
- Criteria could be applied to require positive built heritage outcomes.
- Continuing eligibility for rates remission can be linked to monitoring for RMA purposes.

#### Disadvantages:

- Foregone rates from this tool have to be redistributed across other ratepayers, and some ratepayers will not be convinced they should contribute.
- The imprecise nature of the capital value rating tool limits the ability to assign the remission to those properties most affected by their heritage status.

- May be seen to give rise to a 'precedent' effect for other community / socially desirable agendas.

The number of affected buildings potentially affected by this initiative is in the order of 430:

Suburban commercial listed buildings - 100

Suburban contributor commercial buildings in heritage area - 11

Central city commercial listed buildings - 254

Central city contributor commercial buildings in heritage areas. - 65

A 5% rates remission on central city heritage buildings will equate to a total remission of approximately \$400,000 per annum. Officers estimated that the impact of extending the remission to suburban commercial properties would add a further \$100,000, making a total indicative rates impact of approximately \$500,000 based on a 5% remission. If this was adopted the remission would be funded through general rates and spread over all city ratepayers.

In considering the implementation of a remission of this kind it is appropriate to consider whether the decision will create precedent which could unfairly impact on other ratepayers.

Equally the imprecise nature of the capital value rating tool also needs to be considered. For example a rates remission will benefit a high value property with lower heritage limitations significantly more than a low value property with significant heritage limitations. An assessment of the impacts for central city heritage properties indicates the benefit of the remission could vary between \$20 and \$18,000 dependant on the properties value.

Consistent with the recommendation of the 2007 Working Party, the introduction of rates remission relief for heritage properties is not recommended for the 2008/09 rating year. The Working Party considers that the issues of inequality in distribution of benefit through the rates remission tool outweigh the advantages of adopting such a strategy without first giving due consideration to other alternatives.

### **Resource consent fee waivers**

The report to the Working Party concluded that the waiving of resource consent fees for heritage buildings acknowledges that extra conditions have been imposed on the owner/developer because of the heritage nature of their particular building.

In the case of residential buildings, the main resource consent trigger is the heritage listing. Therefore there is reluctance of owners to support listing of their building.

While this tool does not provide any relief for those heritage building owners who do not wish to alter their building in any way the Working Party consider that this option could be introduced in 2008/09 without setting a precedent that may compromise other initiatives that are planned to be assessed as part of the 2009/10 LTCCP process.

To limit Council's exposure, it is recommended that a heritage consent fee waiver would be managed through a subsidy fund – using a set of predefined applicant criteria. Indicatively a \$50,000 annual fund is likely to achieve the desired outcome.

## **Conclusion**

The Working Party recommends the inclusion in the 2008/06 Draft Annual Plan of a Resource Consent Waiver subsidy fund of \$50,000 for listed heritage buildings. It also recommends that officers are requested to complete a comprehensive review of options for increased support to the owners of listed heritage buildings in the preparation of the 2009/10 LTCCP.

### **5.2 Funding of water network, collection and treatment**

This activity is fully rates funded with funding split 60% to the residential (base) sector and 40% to the commercial sector. This split is based on the historical share of water consumption between the two sectors. Rates are based on the aggregated cost of the following activities:

#### *4.5.5 Water Network (2008/09 forecast \$16.599m)*

WCC owns a water network that includes 75 reservoirs, 34 water pumping stations, more than 7,900 hydrants and about 1,000km of underground pipes. This network is managed by Capacity, a joint Wellington-Lower Hutt owned water management company, to ensure both cities have high-quality water available at all times for drinking and other household and business uses, and for emergencies such as fire fighting.

#### *4.6.1 Water Collection and Treatment (2008/09 forecast \$13.610m)*

WCC purchases potable water in bulk from the Greater Wellington Regional Council (GWRC), as well a minor amount from Porirua City Council, and supplies it to Wellington properties. In 2006/07 WCC bought 31,000 million litres of water. The total purchased in 2007/08 is expected to be nearer 30,000 million litres. Under the GWRC costing model WCC 2008/09 cost sharing will be based on 2007/08 actual consumption. Accordingly, but dependant on GWRC budget assumptions, WCC may receive a 2008/09 cost reduction from that budgeted.

The residential sector pays for water through either:

- A fixed charge of \$112.50 (incl. GST) per connected property plus a rate per dollar of capital value (\$CV), or
- For properties with water meters installed, a rate per cubic meter (m<sup>3</sup>) of water consumed (currently \$1.37 /m<sup>3</sup> incl. GST). There are currently 691 metered residential connections.

The commercial sector pays for water through either:

- A rate per m<sup>3</sup> of water consumed (currently \$1.37 /m<sup>3</sup> incl. GST), or

- For those properties without a water meter installed a rate per \$CV. There are currently 833 non-metered commercial connections and 2,490 metered connections. The non-metered rate per \$CV for commercial properties is approximately six times that of the residential sector to encourage a shift to metering.

There is an annual charge per water meter for both residential and commercial customers. This is set at \$84 per meter.

There has been no change in the rate per m<sup>3</sup> of water consumed since 2004/05 when it was raised from \$1.20/m<sup>3</sup> to \$1.37/m<sup>3</sup> (an increase of 14%).

Between 2004/05 and 2007/08 there has been a further 15% increase in net expenditure over the activity. This was offset by increases in metered volume consumption assumptions and increases in the rate per \$CV paid by those commercial ratepayers that are not metered.

The combined impact of increased costs, mainly due in depreciation (asset revaluations) and interest, along with reduced consumption forecasts has led to a recommendation to the Working Party to consider increasing the per m<sup>3</sup> rate for metered water.

In understanding the impact of consumption on the cost and the unit price of water it is important to note that under GWRC costing models approximately 90% of the water activity costs are fixed. Accordingly decreased consumption has minimal affect on overall costs of water to consumers (apart from where capex investment thresholds are reached). Generally this means that to recover costs, higher per m<sup>3</sup> charges are required in response to lower consumption.

### **2008/09 budget**

The 2008/09 budget for the combined water activities reflects an increase of 7% or \$1.95m (excl. GST) in total costs compared to 07/08 levels. The most significant increases occur in asset ownership costs due to the revaluation of assets, with depreciation up by 12% and interest expense 19%.

Consumption for 2008/09 is currently forecast to be 7.57 million m<sup>3</sup>, down approximately 0.06 million m<sup>3</sup> from 2007/08. This is primarily due to expectations of continued water savings by Taylor Preston.

The combined impact of the above means that if the current metered water charge is left unchanged the commercial sector share will under-recover by \$1.539 million.

Note that based on the forecast of 30 million m<sup>3</sup> of water to be purchased from GWRC, it appears as though the commercial sector utilises 25% of water consumed, yet is required to fund 40%. However, we assume that the non-metered commercial users consume approximately 1.5 million m<sup>3</sup> and our modelling also allows for up to 20% of water 'leakage' from the network. Based on the assumption that the commercial sector will also fund 40% of this leakage,

this brings total “assumed” utilisation to 38%, within an acceptable range of the funding split.

### **Price change to achieve compliance**

To achieve compliance based on current policy, the rate per m<sup>3</sup> would need to increase from \$1.37/m<sup>3</sup> to \$1.58/m<sup>3</sup> (incl. GST), an increase of 15%. This equates to an average increase of under 4% per year since the last increase in 2004/05 when the charge increased from \$1.20 to \$1.37 (a 14% increase).

During the period of 2004/05 to 2007/08 water rates by SCV for the average residential property increased by 12% and are forecast to rise by a further 5% in 2008/09.

Note also that dependant on the water management plan agreed by the region, significant increases in the cost of bulk water are possible in future years. These will have a flow on effect to rates.

## **6. Conclusion**

The Funding and Activity Review Working Party has performed its annual review of the Council’s Revenue and Financing Policy. A detailed review of the policy was conducted in 2006, and recommendations implemented in conjunction with the 2006/07 LTCCP. The policy was further refined as part of the 2007 review.

As a mid-LTTCP cycle review, the Working Party has focused on those activities that draft 2008/09 budgets indicate are non-compliant with the existing policy and on specific funding issues raised since the 2007 review, including relief for heritage properties and introduction of a trade waste charging policy.

Some minor amendments have also been recommended to Asset Management Plans to reflect the financial impact of contractual obligations or the need for other changes, for example, where a condition assessment has identified the need for remedial action earlier than previously forecast.

In recognition of the fact that the principles on which the existing Policy is based remain sound, the review has been conducted on an exceptions basis. Consideration has also been given to the key principle that where practical fees should be reviewed on an annual basis to avoid large ‘one off’ increases, while also being mindful of the need for balance in regard to impact on both users of the city’s services and ratepayers.

The proposed revision to fees and charges will reduce the overall rates burden by approximately \$0.7m million – a relatively small amount in recognition of the Working Party’s approach to small annual increases in fees as opposed to occasional more significant increases. After some significant policy revision in 2007 the changes this year are predominantly focused around achievement of existing Revenue and Financing Policy targets rather than revision of the targets themselves. In the two situations where the Working Party has considered the

current activity funding targets unrealistic, amendments to the Revenue and Financing Policy have been proposed.

*Contact Councillor: Andy Foster, Chair Funding and Activity Review Working Party*

*Contact Officer: Andy Matthews, Manager Funding & Financial Strategy*

## 2008/09 DRAFT ANNUAL PLAN - FEES AND CHARGES SCHEDULE

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### Fees and user charges

Our Revenue and Financing Policy guides our decisions on how to fund Council services. Under the policy, we take into account who benefits from a service (individuals, parts of the community, or the community as a whole) to help us determine how the service should be funded. The policy set targets for each Council activity, determining what proportion should be funded from each of user charges, general rates, targeted rates and other sources of income.

For 2008//09, in line with that policy, we're proposing some changes fees and charges in the following areas.

- Development control and facilitation
- Recycling
- Marinas
- Burials and cremations
- Footpaths & Pavement Permissions
- Sportsfields (subject to AMP approval)

New fees will be implemented as of 1 July 2008 and are inclusive of GST. For more information see [www.Wellington.co.nz](http://www.Wellington.co.nz)

#### **Development control and facilitation**

We are proposing to increase our fees for development control and facilitation work, including fees for consents, compliance monitoring and enforcement.

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	<b>Current Deposit / Fee</b>	<b>Proposed Deposit / Fee</b>
<b>Resource Consent Fees</b>		
<i>Service</i>		
Pre-application meetings (per hour) - planner / expert / compliance officer	\$115.00	\$125.00
Currently, various different categories; e.g. Non-notified Consents: Land Use base fee - Central Area - minor alterations eg verandas, windows, discretionary activity signs (up to 7 hrs)	\$805.00	N / A
Non-notified Resource Consent: subdivision and / or land use - up to 8 hrs Planner / Advisor, 1 hr admin, \$30 disbursements	N / A	\$1,095.00
Limited notified Resource Consent: subdivision and / or land use - up to 30 hrs Planner / Advisor, 8 hr admin, \$190 disbursements	\$3,450.00	\$4,460.00

# APPENDIX 1

<b>Resource Consent Fees</b>	<b>Current Deposit / Fee</b>	<b>Proposed Deposit / Fee</b>
Notified Resource Consent: subdivision and / or land use (includes \$2,000.00 towards the cost of the public notices) - up to 40 hrs Planner / Advisor, 8 hr admin, \$440 disbursements	\$6,600.00	\$7,960.00
All other approvals including: Non-notified resource consent application for earthworks only, Outline Plan approval; Certificate of Compliance; Extension of time (s125); Change or cancellation of conditions (s127); Consents notices (s221); Amalgamations (s241); easements (s243), Right of Way or similar - up to 6 hrs Planner / Advisor, 1 hr admin, \$30 disbursements <sup>1</sup>	Range: \$345 - \$690	\$845.00
Certificates: Town Planning, Sale of Liquor, Overseas investments, LMVD - up to 2 hrs Planner / Advisor, 1 hr admin,	Range ; \$155 - \$290	\$315.00
Fast Track - non-notified consents only - issued with 10 days (criteria applies, and applications will only be accepted on a case by case basis)	2 x normal fee	2 x normal fee
Fast Track - non-notified consents only - issued with 5 days (criteria applies, and applications will only be accepted on a case by case basis).	3 x normal fee	3 x normal fee
<i>Additional Charges</i>		
Cost of all disbursements i.e.: venue hire, photocopying, catering, postage, public notification	Variable - based on actual cost	Variable - based on actual cost
Councillor costs per hour for any hearing		
- Chairperson	\$85.00	\$85.00
- Other	\$68.00	\$68.00
- Specialist consultant report	Variable - based on actual cost	Variable - based on actual cost
Independent Commissioners	Variable - based on actual cost	Variable - based on actual cost
<b>Additional hours (per hour):</b>		
- All consents: additional processing hours (per hour) – planner/advisor / compliance officer	\$115.00	\$125.00
- All consents: additional processing hours (per hour) – administrative officer	\$60.00	\$65.00
<i>Bylaw Application</i>		
Applications relating to signs (Commercial Sex Premises) -up to 6 hrs	\$690.00	\$750.00
<i>Compliance Monitoring</i>		
Monitoring Administration of Resource Consents: subdivision or land use - up to 2 hrs	\$230.00	\$250.00

<sup>1</sup> Note that this is subject to Report 1 Proposed District Plan Change 65 – Earthworks.

# APPENDIX 1

<b>Resource Consent Fees</b>	<b>Current Deposit / Fee</b>	<b>Proposed Deposit / Fee</b>
Cost of disbursements, e.g. materials, consultant investigations	Variable - based on actual cost	Variable - based on actual cost
Additional hours (per hour):		
- planner / expert / compliance officer	\$115.00	\$125.00
- administrative officer	\$60.00	\$65.00
<i>Subdivision Certification</i>		
Stage certification: each stage for s223, s224(f), s226 etc - up to 2 hrs	\$230.00	\$250.00
All other RMA and LGA certificates, sealing, transfer documents etc - up to 2 hrs	\$230.00	\$250.00
Bonds: each stage of preparation or release - up to 2 hrs	\$230.00	\$250.00

## Recycling

We are proposing to increase our fees for the recycling levy component of the landfill levy.

<b>Landfill Fees</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
Recycling Levy (per tonne)	\$16.90	\$20.90
Landfill Levy (per tonne)	\$61.10	\$61.10
<b>Total Landfill Fee (per tonne)</b>	<b>\$78.00</b>	<b>\$82.00</b>

## Footpath Management

We are proposing to increase our fees for sandwich boards and other temporary obstructions as part of the overall Footpath Management Policy.

<b>Sandwich Boards (and other temporary obstructions such as welcome mates and menu boards)</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
CBD	\$150	\$175
Suburbs	\$90	\$100

# APPENDIX 1

## Marinas

We are proposing to increase our fees for Marinas.

<b>Marinas</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
<b><i>Evans Bay Marina:</i></b>		
Berths (12m to 20m)	\$2,382	\$2,454
Berths (8m)	\$1,407	\$1,452
Boat Shed Small	\$939	\$972
Boat Shed Medium	\$1,878	\$1,935
Boat Shed Large	\$2,817	\$2,904
Dinghy Lockers	\$282	\$291
<b><i>Clyde Quay Boat Harbour:</i></b>		
Boat Shed (2 to 13)	\$1,881	\$1,938
Boat Shed (14 to 27)	\$1,692	\$1,743
Boat Shed (38B)	\$1,356	\$1,398
Boat Shed (38A to 42B, 48A and 48B)	\$1,950	\$2,010
Boat Shed (43A to 47B)	\$2,256	\$2,325
Moorings	\$891	\$918
Dinghy Racks	\$159	\$165

## Burials and Cremations

We are proposing to increase our fees for burials and cremations.

<b>Burials &amp; Cremations</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
<b><i>Cremations</i></b>		
Delivery Only	\$480.00	\$535.00
Committal Service	\$495.00	\$540.00
Full Service (1 hour)	\$545.00	\$590.00
Chapel hire (per half hour)	\$90.00	\$100.00
Bio Tissue (Wellington Hospital)	\$480.00	\$525.00
Certificate of Cremation	\$40.00	\$50.00
Cremation Overtime	\$290.00	\$300.00
Chapel hire Burials	\$115.00	\$130.00
Chapel hire Cremations Elsewhere	\$170.00	\$190.00
Viewing Casket charge	\$70.00	\$80.00
Late Service fee	\$115.00	\$130.00
Express Ash	\$180.00	\$200.00
<b><i>Burials @ Karori</i></b>		
<b>Ash Interments</b>		
Ash Plot ( 2 Interments )	\$710.00	\$720.00
Ash Disinterment	\$200.00	\$210.00
<b>Burials</b>		
Breaking of Concrete Floor	\$160.00	\$180.00
Grave Reuse (Disinterment, Dig Down, Re-enter below	\$1,580.00	\$1,600.0

# APPENDIX 1

<b>Burials &amp; Cremations</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
		0
Grave Disinterment	\$1,580.00	\$1,600.00
Vault Placement	\$250.00	\$300.00
Burial Overtime	\$400.00	\$450.00
<b>Niches</b>		
Double Granite Niche (new)	\$1,100.00	\$1,500.00
Niche placement / removal	\$100.00	\$120.00
Plaque placement / removal	\$50.00	\$60.00
<b><i>Burials @ Makara</i></b>		
<b>Ash Interments</b>		
Ash Beam ( 4 Interments )	\$225.00	\$250.00
Ash Circle Plot	\$450.00	\$500.00
Beam Fee	\$130.00	\$145.00
<b>Lawn Cemetery</b>		
Beam Fee	\$130.00	\$145.00
<b>Denominational</b>		
Plot	\$970.00	\$1,080.00
		0
Extra Depth (per 300mm)	\$170.00	\$180.00
Extra Width (per 300mm)	\$85.00	\$130.00
Plot maintenance	\$480.00	\$535.00
Beam fee	\$130.00	\$145.00
Interment fee	\$555.00	\$600.00
Internment fee - 10yrs & under	\$ -	\$135.00
Muslim Boards (Adult)	\$135.00	\$150.00
Muslim Boards (Child)	\$80.00	\$90.00
<b><i>Disinterment Taita Cemetery</i></b>	\$1,400.00	\$1,500.00
<b><i>Miscellaneous</i></b>		
Temporary Grave Markers	\$100.00	\$120.00
Permits	\$100.00	\$120.00
Change of Deed	\$40.00	\$50.00
Funerals booked after 3:30pm Burial	\$80.00	\$100.00

2008/09 SCHEDULE OF ASSET MANAGEMENT PLAN CHANGES

Note financial information for the AMP changes set out below is before the effect of inflation has been factored into projections beyond 2008/09.

AMP	Funding requirement
Wastewater	<p><u><i>Moa Point Wastewater Treatment Plant</i></u>  <b><i>Council is lodging a resource consent application for the Moa Point Wastewater Treatment Plant (the existing consents expire in January 2008).</i></b>  <b><i>The increase in funding is necessary to mitigate risk of discharges from the short outfall as part of resource consent application for the Moa Point Wastewater Treatment Plant (WTP).</i></b>  <b><i>To mitigate the identified risk, the following two projects need to be completed:</i></b></p> <p><i>a). Increasing capacity at the Moa Point WTP inlet pump station</i>            A total of \$2 million (\$1m for 2008/09 and \$1m for 2009/2010 capex) is needed for increasing capacity at the Moa Point WTP inlet pump station through the provision of additional pumps in the pump station wet well which includes improvement of the screens and grit removal facilities to enable them to handle the increased flows that would be generated by additional pumps.</p> <p>Increasing capacity at the Moa Point WTP inlet pump station is considered a priority, and LTCCP existing allocations cannot accommodate this additional cost requirement.</p> <p><i>b). Ultra – Violet (UV) treatment of bypass flows</i>            The UV treatment of bypass flows involves running a pilot plant for two years and if it proves to be effective, to install a full size treatment plant. The preliminary cost is estimated at \$6.2 million. The existing LTCCP budget allocation can meet the cost of the construction and operation of the Moa Point UV pilot treatment plant (\$200,000) for 2008/09 and 2009/10. No additional funding is required for this. If the UV pilot treatment plant is successful, additional funding of \$6million is required and this will be allocated in the following manner: \$400,000 for 2010/11, \$2,800,000 for 2011/12, and \$2,800,000 for 2012/13. Funding requirements will be confirmed through the pilot and brought back as part of the LTCCP process.</p>

## APPENDIX 2

	<b>Capital expenditure</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>																																																						
	To increase capacity at Moa Point inlet pump station to mitigate risk of discharges as part of resource consent application	1,000,000	1,000,000																																																												
	<b>Operating</b>																																																														
	Interest and depreciation	37,500	250,000	250,000	250,000	250,000	250,000	250,000	250,000																																																						
<b>Property</b>	<p><b><u>Convention Centre: Operational Assets</u></b>  Historically there has been minimal or no formal budget allocated to renew operational assets e.g. tables, chairs, fridges, auditorium seating, equipment, chandeliers, wheelchairs, linen etc. These assets have been upgraded as a consequence of ad hoc applications for funds. As our operational asset base has grown over time, it is appropriate to seek formal asset related renewal funding. The quality and upkeep of these assets are key to the venues continuing to provide a first class facility and meet levels of service expected by our customers.</p> <table border="1"> <thead> <tr> <th><b>Capital expenditure</b></th> <th><b>2008/09</b></th> <th><b>2009/10</b></th> <th><b>2010/11</b></th> <th><b>2011/12</b></th> <th><b>2012/13</b></th> <th><b>2013/14</b></th> <th><b>2014/15</b></th> <th><b>2015/16</b></th> </tr> </thead> <tbody> <tr> <td>Operational assets renewals</td> <td>112,640</td> <td>112,640</td> <td>112,640</td> <td>112,640</td> <td>112,640</td> <td>112,640</td> <td>112,640</td> <td>112,640</td> </tr> <tr> <td><b>Operating</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest and depreciation</td> <td>4,224</td> <td>28,160</td> <td>47,872</td> <td>67,584</td> <td>87,296</td> <td>107,008</td> <td>126,720</td> <td>146,432</td> </tr> </tbody> </table> <p><b><u>Swimming pools</u></b>  There is an increase of \$2,519 (opex) per annum for equipment maintenance in project C034 due to Thorndon and Khandallah pools not having any budget in the LTCCP for this work.</p> <table border="1"> <thead> <tr> <th><b>Operating</b></th> <th><b>2008/09</b></th> <th><b>2009/10</b></th> <th><b>2010/11</b></th> <th><b>2011/12</b></th> <th><b>2012/13</b></th> <th><b>2013/14</b></th> <th><b>2014/15</b></th> <th><b>2015/16</b></th> </tr> </thead> <tbody> <tr> <td>Thorndon and Khandallah pools maintenance</td> <td>2,519</td> <td>2,519</td> <td>2,519</td> <td>2,519</td> <td>2,519</td> <td>2,519</td> <td>2,519</td> <td>2,519</td> </tr> </tbody> </table> <p><b><u>Library</u></b>  The existing library system - CARL.Solution (manages book issuing, returns, filing etc) cannot be further developed and will become unsupported by the external supplier by the end of the decade. A replacement CARL.X system is required which represents a relatively cost effective solution to extend the life of the current Whenua Library Management System.</p>									<b>Capital expenditure</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	Operational assets renewals	112,640	112,640	112,640	112,640	112,640	112,640	112,640	112,640	<b>Operating</b>									Interest and depreciation	4,224	28,160	47,872	67,584	87,296	107,008	126,720	146,432	<b>Operating</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	Thorndon and Khandallah pools maintenance	2,519	2,519	2,519	2,519	2,519	2,519	2,519	2,519
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**DRAFT TRADE WASTE CHARGES POLICY**

**WELLINGTON CITY COUNCIL**

**DRAFT**

**TRADE WASTE CHARGES POLICY**

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## 1. Introduction

The Council is responsible for providing and managing wastewater services for the city. It does this by providing a wastewater transportation network comprising more than 1,000 kilometres of pipes and tunnels with 62 pumping stations. The wastewater is treated at treatment plants at Moa Point, Karori and Porirua<sup>1</sup>. The sludge from the treatment process at Moa Point and Karori is taken to the Council's southern landfill, where it is combined with green waste to make high quality compost

The cost of transporting, processing and disposing of the City's wastewater is funded by ratepayers through a targeted rate with 60% payable by the residential sector and 40% by the commercial sector. The Council's total operating cost to collect, treat and discharge wastewater is budgeted at \$34.9 million for the 2008/09 year.

Approximately 10% of total sewage treated through the Council's treatment plants is 'trade waste' – waste produced by businesses which under Council's Liquid Waste Byelaw, are required to have a trade waste consent to discharge non-domestic waste into the Council's wastewater system.

Discharging trade waste to the wastewater system places additional load on the system which may cause accelerated corrosion, generate odours and dangerous gases, adversely affect the treatment processes or adversely impact on the reuse of bio-solids (the waste remaining after the treatment and de-watering process) and effluents. The additional load is created by the concentration of the substances discharged and their total mass.

This policy sets out a framework to determine and implement a 'mass flow charging regime' where trade waste producers will be expected to contribute to the cost of disposing of the trade waste they discharge into the wastewater system.

## 2. Policy objectives

### 2.1 New Zealand Waste Strategy 2002

The New Zealand Waste Strategy 2002 covers solid, liquid and gaseous waste, and recognises that moving '*towards zero waste and a sustainable New Zealand*' is a long-term challenge. It has three core goals:

- lowering the social costs and risks of waste
- reducing the damage to the environment from waste generation and disposal
- increasing economic benefit by more efficient use of materials.

Key actions from the New Zealand Waste Strategy were for territorial authorities to produce Waste Management Plans and incorporate these into their respective LTCCP's and their Annual Plans. Specific targets were also set for trade wastes and hazardous wastes. A fundamental policy principle was to implement a 'polluter pays' system where disposal and treatment costs of trade waste can be recovered through consumption based charges instead of the less precise capital value based targeted rates system.

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<sup>1</sup> Wellington City Council owns a one third share of this plant.

## 2.2 Liquid Waste Management Plan

Wellington City Council agreed its Solid Waste Management Plan in August 2003 and in 2005 adopted a Liquid Waste Management Plan. This plan meets the requirements as set out in the Local Government Act 2002 and the New Zealand Waste Strategy 2002. Council operates under legislation that makes waste reduction a primary objective of any waste plan. The waste management hierarchy (in order of importance) is:

1. Reduction,
2. Reuse,
3. Recycling,
4. Recovery,
5. Treatment and
6. Disposal.

Every territorial authority is required to promote effective and efficient waste management and:-

1. have regard to environmental and economic costs and benefits for the district and
2. ensure that the management of waste does not cause a nuisance or be injurious to health.

Liquid wastes<sup>2</sup> are those that are generated in or converted to a liquid form for disposal. Wastewater in Wellington city is collected by a network of pipes discharging to treatment facilities at Moa Point, Karori and Porirua.

The principles underlying the Council's Liquid Waste Management Plan include:

1. Sustainable development  
All members of society are responsible for looking after the environment and for the impact of wastes they produce.
2. Liquid waste is a resource  
There are beneficial opportunities for reusing sewage and storm water. Where opportunities are identified, the viability of any systems will need to be explored.
3. Integrated solutions  
Potential solutions will take into account systems that, if possible:
  - maximise use and benefits of natural catchment areas
  - are planned in conjunction with other infrastructural developments
  - are as flexible as possible
  - fit with community plans and views.
4. Maori and Iwi values are incorporated  
Recognise and provide for the kaitiakitanga or guardianship role of local Iwi as defined in the 1991 Resource Management Act.

<sup>2</sup>New Zealand Waste Strategy (Ministry for the Environment, Local Government NZ) 2002  
Sustainable Wastewater Management (Ministry for the Environment) 2003

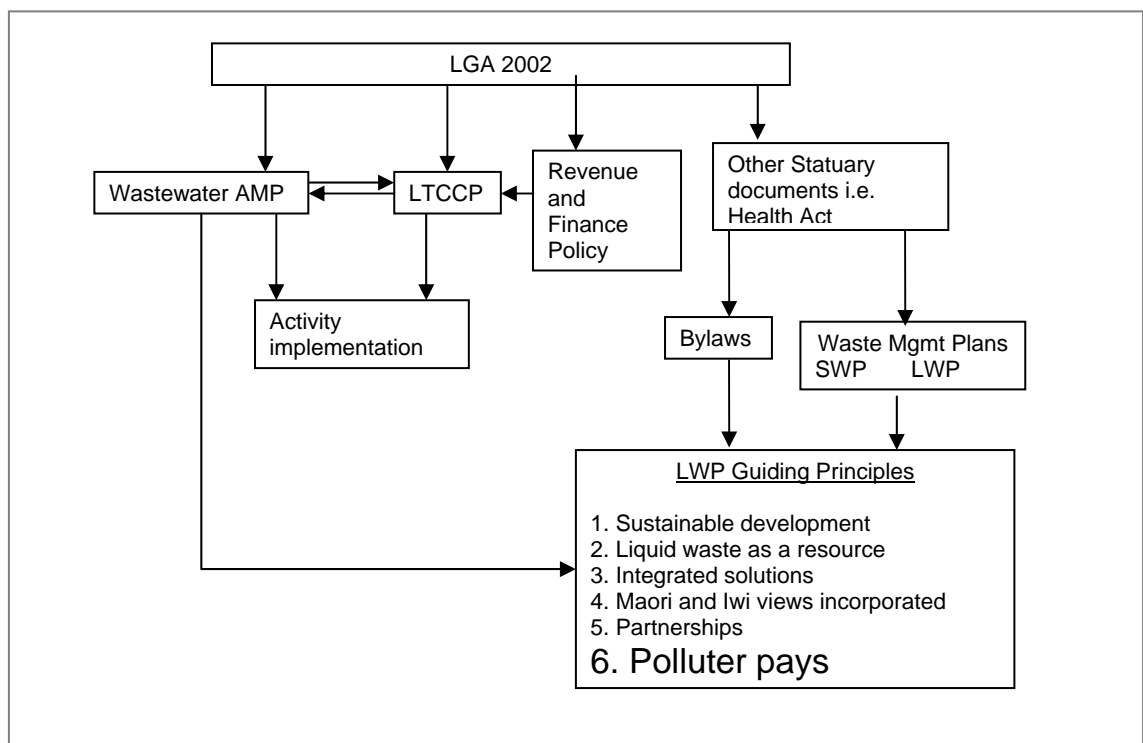
## 5. *Partnerships*

Where appropriate, a co-operative approach to liquid waste planning will be taken with other regional territorial authorities, the Greater Wellington Regional Council, local Iwi and the community to achieve joint priorities.

## 6. *Polluter pays*

This reflects the concept that those who produce waste are responsible for its disposal (or otherwise). In practice, this will only be relevant for trade waste at this stage.

### Legislation regarding waste plans



## 2.3 Future Challenges

The Wellington City Council sewer and storm water system are operating effectively and efficiently under current standards as set out under the Resource Management Act 1991 and as required by Greater Wellington Regional Council consents. However, the city faces several challenges over the next 10-15 years as new legislative requirements come into place. The Council works to continually improve its management of assets as the community's expectations about the environment and sustainability change. The challenges that need to be addressed include determining:

## APPENDIX 3

- the desirable storm water quality standards for the natural waters in the city (that is, Wellington harbour, south coast and streams)
- the acceptable frequency and extent of sewage overflows into natural waters
- how sewage sludge will be disposed of in the future
- the most effective and efficient way to manage trade waste.

Given the nature of liquid waste, the concept of ‘zero liquid waste’ is not a realistic expectation in the foreseeable future. This means that Council will have a secondary, complementary objective to those set out under the Local Government Act and the New Zealand Waste Strategy and that is to ensure that we manage liquid waste in an environmentally, economically, socially and culturally sustainable manner.

### 2.4 Development of a Trade Waste Fees and Charges Policy

The Council’s Liquid Waste Management Plan identified the need to determine an appropriate charging structure for the discharge of trade waste. The development and implementation of a ‘polluter pays’ charging policy is the logical next step in the activation of this plan.

The introduction of a trade waste charging policy will:

- c) provide a mechanism by which trade waste disposers will be liable for the costs
- d) provide an incentive for trade waste disposers to reduce the level of waste entering the sewer network, reducing the risk of increased degradation of the network and limiting the environmental impacts of waste disposal.

Introducing a charging system based on the amount and concentration of trade waste will bring Wellington City in line with other major cities in New Zealand. The user pays charging philosophy provides a financial incentive to waste minimisation initiatives. This is a key driver for influencing behaviour of business in Wellington City to move towards increased sustainability.

## 3. Policy Rationale

### 3.1 Policy Fundamentals

All activities that require a trade waste consent under the Council’s Trade Waste Byelaw will be liable to pay trade waste charges.

Trade waste charges will incorporate three components:

1. Volume – the amount of waste disposed through the sewer – measured in cubic metres (m<sup>3</sup>)
2. BOD - biochemical oxygen demand, a measure of the level of bacteria in the waste – measured in kilograms (kg)

## APPENDIX 3

3. Suspended solids – the content of solid material in the trade waste disposed – measured in kilograms (kg)

The revenue anticipated to be collected through trade waste charges in any year will reduce by an equivalent amount, the level of rates required to be collected through the commercial sewerage rate.

All trade waste disposers will continue to pay sewage rates, but will receive a ‘domestic credit’ to avoid double charging for services provided. Section 5.3 details the domestic credit calculation.

### 3.2 Existing fees and charges

The total cost of the Council’s wastewater (sewage) collection, treatment and disposal is funded through a targeted rate of which 60% is met by the residential (base<sup>3</sup>) and 40% by non-residential property.

Prior to the introduction of this policy:

- residential ratepayers pay a fixed charge (\$112.50 per connected property for 2008/09) with the balance of the sectors share being funded through a rate per dollar of capital value payable on each connected property.
- non-residential ratepayers pay for their share of wastewater activity entirely through a rate per dollar of capital value payable on each connected property.
- trade waste charges are limited to the cost of an annual consent renewal and monitoring costs required under the conditions of each disposer’s trade waste consent.

## 4. Policy Application

The method and frequency of monitoring of trade waste discharge on which trade waste charges will be based will vary dependant on the disposer’s trade waste index (TWI). TWI is a function of average historical daily BOD discharge (kg) multiplied by the average historical daily suspended solids discharge (kg).

TWI category	TWI range	Monitoring basis	Billing frequency
Category 1	TWI of less than 3	Flow: Annual – based on water in (meter) less domestic credit. If unmetered – based on Flow meter. (Flow meter costs will apply) BOD: Annual - grab sample SS: Annual - grab sample	Annual
Category 2	TWI between 3 and 50	Flow: Annual – Flow meter BOD: Quarterly - grab sample SS: Quarterly – grab sample	Quarterly

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Category 3	TWI between 50 and 2000	Flow: Quarterly – Flow meter BOD: Quarterly – 24 hour sampler SS: Quarterly – 24 hour sampler	Quarterly
Category 4	TWI greater than 2000	Flow: Daily – in line meter BOD: Daily – 24 hour auto-sampler SS: Daily – 24 hour auto-sampler sample	Monthly

All trade disposer's will be subject to the same charging regime irrespective of TWI category.

<sup>3</sup> The base sector incorporates all land used for residential purposes, but excluding short-stay accommodation, vacant residential land and land used for recreation, sporting or community purposes and which does not generate any pecuniary benefit.

The responsibility to comply with the prescribed monitoring regime rests with the trade waste disposer. This will be a condition of maintaining a trade waste consent.

Monitoring costs will remain the responsibility of the trade waste disposer, as per the requirements of the trade waste consent with the exception of TWI Category 4 disposers: the Council will conduct monitoring and recover the cost from the disposer on an “actual and reasonable” basis.

## 5. Calculating fees and charges

### 5.1 Trade Waste Limits and Charges

Trade waste limits will be governed by a trade waste consent, which will be consistent with the Council's Trade Waste Policy.

Trade waste charges will be based on the following formulae:

	Charging basis	Threshold	Maximum pricing based on 2008/09 draft budgets
Volume (total flow)	\$ per cubic meter of volume	Up to 100m <sup>3</sup> /day	\$0.20/m <sup>3</sup> (variable cost)
		Between 100m <sup>3</sup> /day and 7,000m <sup>3</sup> /day	\$0.10 /m <sup>3</sup> (marginal cost)
		Above 7,000m <sup>3</sup> /day	\$0.73/m <sup>3</sup> ( full cost – applicable from 1/07/09)
B.O.D	\$/kg based on composite daily sample	Up to 3,150 kg per day	\$0.24/kg (variable cost)
		Above 3,150 kg per day	\$0.57/kg (full cost –applicable from 1/07/09)
Suspended solids	\$/kg based on composite daily sample	Up to 1,575 kg per day	\$0.24/kg (variable cost)
		Above 1,575 kg per day	\$0.54/kg (full cost –applicable from 1/07/09)
Council Monitoring	Actual and reasonable	TWI Category 4	TWI Category 1-3 responsible for own monitoring costs per consent conditions.

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- For the purposes of establishing charges for BOD and suspended solids, variable costs and marginal costs are assumed to be identical.
- The variable/marginal pricing mechanism for Volume promotes the ‘polluter pays’ principle and provides a sufficient incentive for low volume trade waste disposers to limit discharges.

### 5.2 Additional monitoring

In addition to the measurements above, the following monitoring will also be conducted for TWI Category 4 disposers and results provided to the Council:

	Measurement method	Frequency	Guideline
BOD	In-line meter	Hourly composite sample	Less than 150kg/hour
Sulphate	Random grab samples	To be agreed	Less than 200mg/l
Temperature	Temperature logger	Variable	Less than 35 degrees celsius

The additional monitoring recognises that:

- spikes in BOD levels may have an impact on sewer degradation. Accordingly trade waste disposers will attempt to limit maximum BOD discharge to 150 kg/hr.
- high sulphate and temperature levels may contribute to accelerated sewer degradation, particularly when experienced in conjunction with high BOD levels.

2007 monitoring showed no evidence of accelerated degradation in the area of the sewer potentially most at risk (the Ngaio Interceptor sewer).

Accordingly no sulphate or temperature based charges are proposed at this time. However it is prudent to maintain guidelines to limit the potential for accelerated degradation and associated charges at some time in the future.

Being within the guidelines indicated above does not exclude a trade waste disposer from the possibility of charges for temperature and/or sulphate components of trade waste should these be required to reflect accelerated degradation of the sewer in the future.

- TWI Category 4 disposers will be required to meet the cost of camera and/or manual inspections of pre-specified sewers. The timing of each inspection will be at the discretion of the Council but shall be at an average frequency of not less than seven years.
- Should future sewer inspections indicate accelerated degradation of the sewer (i.e. beyond reasonable depreciation expectations) the Council reserves the right to introduce trade waste charges for temperature and/or sulphate components of trade waste to reflect the incurring of any costs directly related to this accelerated degradation.

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### 5.3 Domestic sewage allowance

The domestic portion of waste is funded through sewage rates. It is therefore appropriate to provide an allowance or "credit" for the domestic portion of waste entering the sewerage system.

The domestic credit reflects the proportion of wastewater generated by employees and/or customers of trade waste disposers.

#### Domestic credit component calculation:

Base assumptions used in establishing the domestic component of waste are as follows:

*a* = Number of FTE's

*b* = Number of hours per day per FTE

*c* = Average number of days worked per year per FTE

Flow = 50 litres per day (24 hours).

BOD = 220mg/litre of water

SS = 220 mg/ litre of water

$b / 24 \text{ hours} = d\% = \text{daily allowance per shift}$

Z litres	=	$d\% \times 1.1 \text{ (10\% margin)} \times 50 \text{ litres} \times a \text{ persons} \times c \text{ days}$
----------	---	--

	<i>Quantity</i>		<i>Rate</i>		<i>Credit</i>
Total Flow	Z/1000	m <sup>3</sup>	x \$ 0.73	=	\$x,xxx
SS	Z*0.00022	kg	x \$ 0.54	=	\$x,xxx
BOD	Z*0.00022	kg	x \$ 0.57	=	\$x,xxx
					<u>\$x,xxx</u>

- The domestic credit rate is based on the 'full cost' of sewerage activity.
- Any adjustment to this rate will be as per section 6 of this schedule.

## 6. Trade Waste Charging Methodology

Trade waste charges will be based on the following calculations:

### Volume:

Cost of sewerage collection, transportation and 50% of treatment costs*	divided by	Total inflow (m3) to sewerage treatment facilities**	= flow charge per m <sup>3</sup> of waste
Up to 100m3 per day	=	based on variable cost	
Between 100m3 per day and 7,000m3 per day	=	based on marginal cost	
Above 7000m3 per day	=	based on full costs (from 01/07/09)	

\* Total cost is per Sewerage Activity budget per Council Draft 2008/09 Annual Plan.

\*\* Total treatment facility inflow based on 3 year rolling average (revised annually)

### BOD:

25% of sewerage treatment costs*	divided by	Total BOD inflow (kg) to sewerage treatment facilities**	= BOD charge per kg
Up to 3,150kg/day	=	based on variable cost	
Above 3,150kg/day	=	based on full cost (from 01/07/09)	

\* Total cost is per Sewerage Activity budget per Council Draft 2008/09 Annual Plan.

\*\* Total treatment facility BOD based on 3 year rolling average (revised annually)

### Suspended solids:

25% of sewerage treatment costs plus cost of solid waste disposal*	divide by	Total suspended solid inflow (kg) to sewerage treatment facilities**	= suspended solid charge per kg
Up to 1,575kg/day	=	based on variable cost	
Above 1,575kg/day	=	based on full cost (from 01/07/09)	

\* Total cost is per Sewerage Activity budget per Council Draft 2008/09 Annual Plan.

\*\* Total treatment facility suspended solids based on 3 year rolling average (revised annually)

## 7. Introduction, review and transitional provisions

### 7.1 Policy initiation

Base level trade waste charges (marginal/variable cost basis) will be applicable from 1 July 2008. The charges will be derived from the operating costs shown in the Council's 2008/09 Annual Plan.

Trade waste penalty charges (full cost) will be applicable from 1 July 2009. Between 1 July 2008 and 30 June 2009 penalty charges for exceeding permitted limits will be charged as follows:

1. Volume: at marginal cost charge rate and
2. BOD & suspended solids: at the variable cost charge rate.

### 7.2 Policy review

Charges will be reviewed annually to reflect changes in:

- a) the cost of delivery of sewage transportation, treatment and disposal services
- b) the volume of liquid waste delivered to Council's treatment plants
- c) the mass of BOD delivered to Council's treatment plants
- d) The mass of suspended solids delivered to Council's treatment plants.

### 7.3 Additional charges

The introduction of charges based on temperature and sulphate in trade waste will be considered on a periodic basis and in response to inspections of sewers. Trade waste component charges for temperature and/or sulphate will only be introduced if evidence of accelerated sewer degradation is detected.

For the purposes of this policy "accelerated degradation" is defined as the situation where sewer infrastructure is deteriorating at a faster rate than the anticipated life of the infrastructure components as reflected in Council's Asset Management Plans. Where accelerated degradation occurs, additional charges will be required to fund the increased rate of depreciation on the asset.

## 8. Indicative Charges

Chart 1. Contribution of trade waste to total liquid waste

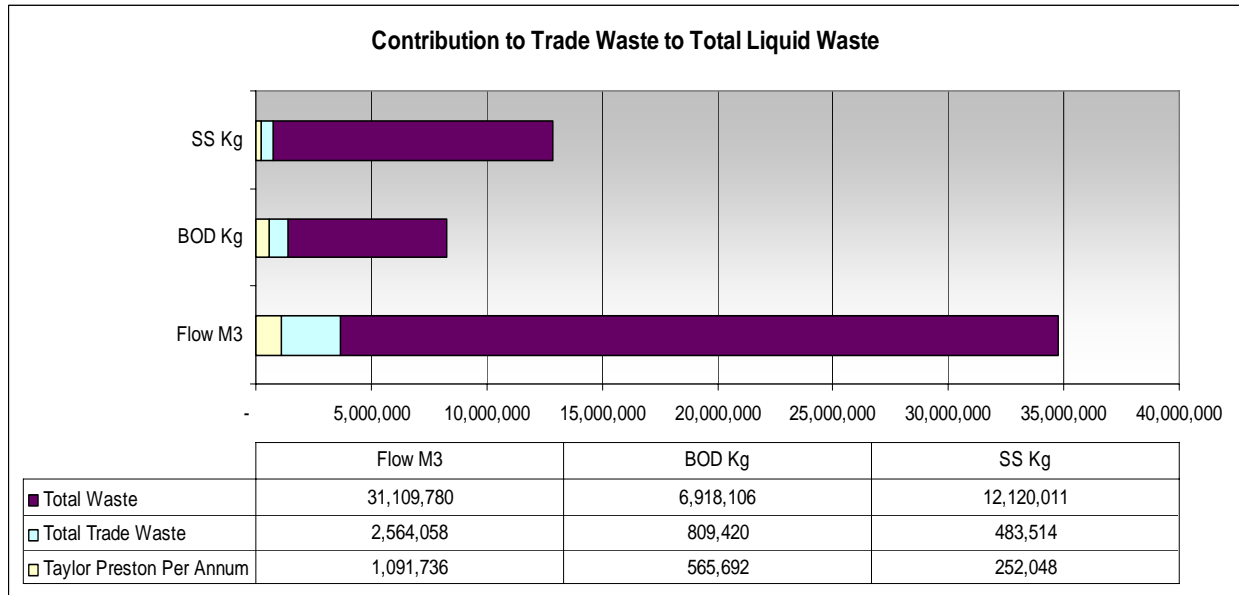
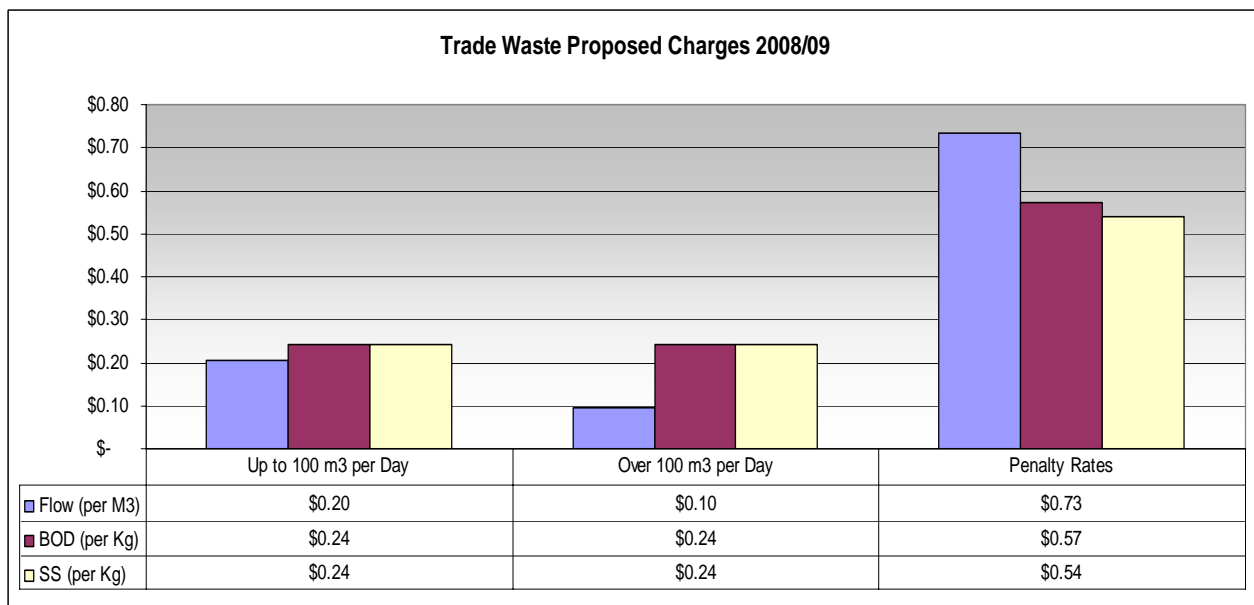
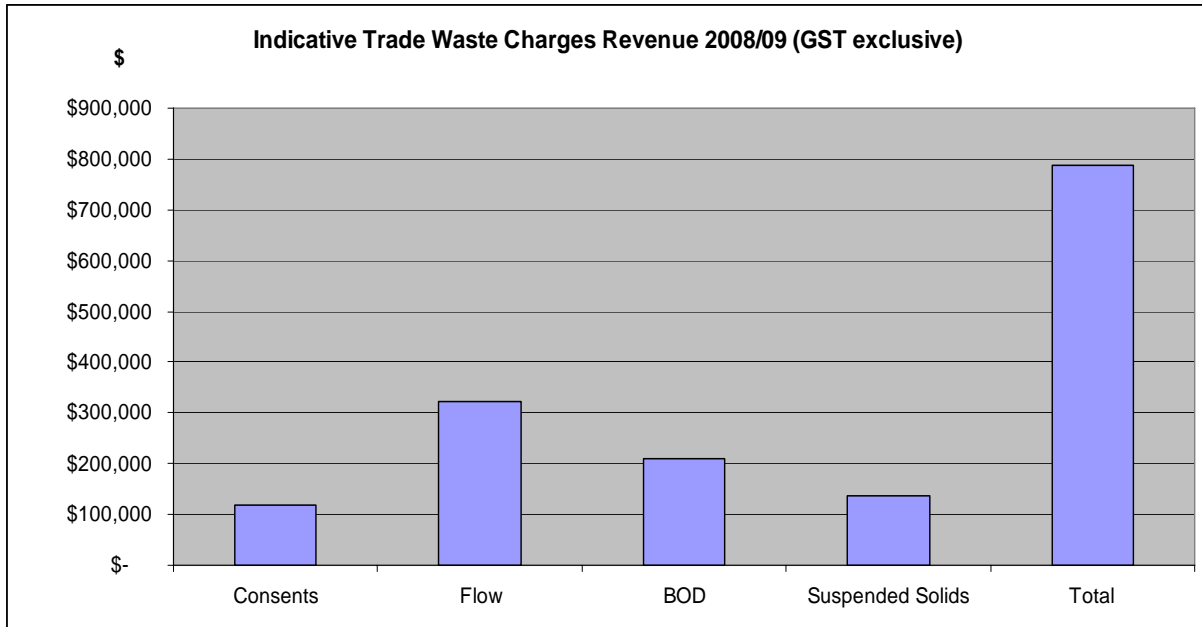


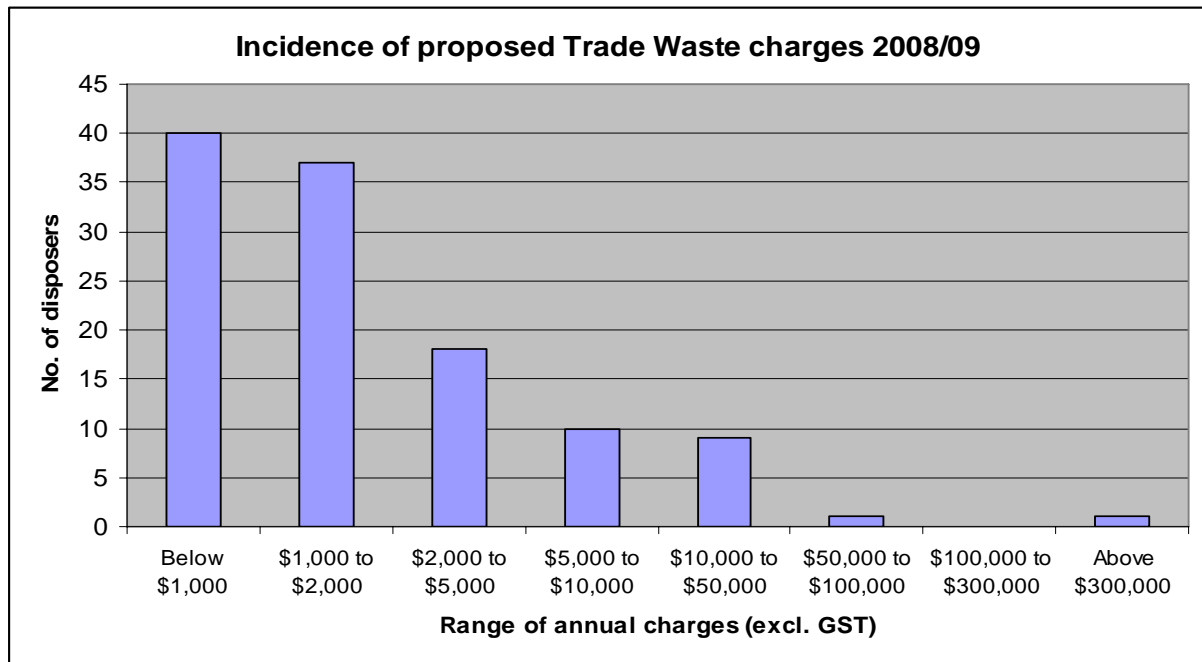
Chart 2. Proposed Trade Waste Charges for 2008/09 (GST exclusive)



**Chart 3. Indicative Trade Waste Charge Revenue 2008/06 (GST exclusive)**



**Chart 4. Incidence of Trade Waste Charges – including consent costs and excluding penalty charges (GST exclusive)**



# APPENDIX 3 – Appendix 1

## Appendix 1 – Draft 2008/09 Trade Waste Charge Input Calculation

1. Calculation of charges applying to:  
 Volume: Up to 100m<sup>3</sup> per day  
 BOD: Up to 3,150kg per day  
 Suspended solids: Up to 1,575 kg per day

### TRADE WASTE CHARGE CALCULATION - ACTIVITIES 6.4.3 + 6.4.4 VARIABLE COSTS

Reception, Conveyancing & Discharging Cost 08/09 Draft Annual Plan			Total AP Opex	Exclude Fixed Costs	Total	Flow	BOD	SS
<b>KAA</b>	<b>Project</b>	<b>Project Name</b>						
6.4.3	A041	Sewerage Network Asset Stewardship	11,725,350	(11,664,390)	60,960	60,960		
6.4.3	C084	Trade Waste Enforcement	260,039	(75,135)	184,904	184,904		
6.4.3	C085	SPE Unplanned Maintenance	292,581	(68,803)	223,778	223,778		
6.4.3	C086A	Sewerage Network Unplanned Maintenance	1,641,860	(237,453)	1,404,407	1,404,407		
6.4.3	C089	Sewer Interceptor Flow Monitoring	115,986	(21,056)	94,930	94,930		
6.4.3	C495	Critical Drain Inspections	461,094	(98,576)	362,518	362,518		
6.4.3	C497	Sewer Network Asset Information	292,744	(77,779)	214,965	214,965		
6.4.3	C501	Pollution Detection & Monitoring	60,925	(7,148)	53,777	53,777		
6.4.3	C502	Pump Station Ops & Maintenance	790,521	(63,716)	726,805	726,805		
<b>Treatment Costs of Sewage 07/08 DAP</b>								
6.4.4	C087	Clearwater Operations & Maintenance	15,976,713	(11,462,902)	4,513,811	2,256,906	1,128,453	1,128,453
6.4.4	C088	Porirua Sewage Treatment Contribution	1,428,331	(2,653)	1,425,678	712,839	356,420	356,420
<b>Suspended Solids Cost</b>								
6.4.4	C347	Living Earth Green waste Contract	1,943,649	(990,448)	953,201			953,201
<b>Total Opex Cost</b>			<b>34,989,793</b>	<b>(24,770,059)</b>	<b>10,219,734</b>	<b>6,296,789</b>	<b>1,484,872</b>	<b>2,438,073</b>

Total Volume for 12 mths  
 Unit Rate

Flow	BOD	SS
M <sup>3</sup>	Kg	Kg
30,860,600	6,101,703	10,081,473
0.20	0.24	0.24

2. Calculation of charges applying to:  
 Volume: Between 100m<sup>3</sup> per day and 7,000m<sup>3</sup> per day  
 BOD: Up to 3,150kg per day  
 Suspended solids: Up to 1,575 kg per day

# APPENDIX 3 – Appendix 1

## TRADE WASTE CHARGE CALCULATION - ACTIVITY 6.4.4 MARGINAL COST

Reception, Conveyancing & Discharging Cost 08/09 Annual Plan			Total AP Opex	Less fixed & non-marginal	Total	Flow	BOD	SS
<b>KAA</b>	<b>Project</b>	<b>Project Name</b>						
6.4.3	A041	Sewerage Network Asset Stewardship	11,725,350	(11,664,390)	60,960			
6.4.3	C084	Trade Waste Enforcement	260,039	(75,135)	184,904			
6.4.3	C085	SPE Unplanned Maintenance	292,581	(68,803)	223,778			
6.4.3	C086A	Sewerage Network Unplanned Maintenance	1,641,860	(237,453)	1,404,407			
6.4.3	C089	Sewer Interceptor Flow Monitoring	115,986	(21,056)	94,930			
6.4.3	C495	Critical Drain Inspections	461,094	(98,576)	362,518			
6.4.3	C497	Sewer Network Asset Information	292,744	(77,779)	214,965			
6.4.3	C501	Pollution Detection & Monitoring	60,925	(7,148)	53,777			
6.4.3	C502	Pump Station Ops & Maintenance	790,521	(63,716)	726,805			
<b>Treatment Costs of Sewage 07/08 DAP</b>								
6.4.4	C087	Clearwater Operations & Maintenance	15,976,713	(11,462,902)	4,513,811	2,256,906	1,128,453	1,128,453
6.4.4	C088	Porirua Sewage Treatment Contribution	1,428,331	(2,653)	1,425,678	712839.2	356,420	356,420
<b>Suspended Solids Cost</b>								
6.4.4	C347	Living Earth Green waste Contract	1,943,649	(990,448)	953,201			953,201
<b>Total Opex Cost</b>			<b>34,989,793</b>	<b>-24,770,059</b>	<b>10,219,734</b>	<b>2,969,745</b>	<b>1,484,872</b>	<b>2,438,073</b>

Total Volume for 12 mths  
Unit Rate

Flow	BOD	SS
M <sup>3</sup>	Kg	Kg
30,860,600	6,101,703	10,081,473
0.10	0.24	0.24

3. Calculation of charges applying to:  
 Volume: Above 7,000m<sup>3</sup> per day  
 BOD: Above 3,150kg per day  
 Suspended solids: Above 1,575 kg per day

## TRADE WASTE CHARGE CALCULATION - Activity 6.4.3 + 6.4.4 Full Cost )

Reception, Conveyancing & Discharging Cost 08/09 Annual Plan			Total AP Opex	Adjustments*	Total	Flow	BOD	SS
<b>KAA</b>	<b>Project</b>	<b>Project Name</b>						
6.4.3	A041	Sewerage Network Asset Stewardship	11,725,350		11,725,350	11,725,350		
6.4.3	C084	Trade Waste Enforcement	260,039		260,039	260,039		
6.4.3	C085	SPE Unplanned Maintenance	292,581		292,581	292,581		
6.4.3	C086A	Sewerage Network Unplanned Maintenance	1,641,860		1,641,860	1,641,860		
6.4.3	C089	Sewer Interceptor Flow Monitoring	115,986		115,986	115,986		
6.4.3	C495	Critical Drain Inspections	461,094		461,094	461,094		
6.4.3	C497	Sewer Network Asset Information	292,744		292,744	292,744		
6.4.3	C501	Pollution Detection & Monitoring	60,925		60,925	60,925		
6.4.3	C502	Pump Station Ops & Maintenance	790,521		790,521	790,521		
<b>Treatment Costs of Sewage 07/08 DAP</b>								
6.4.4	C087	Clearwater Operations & Maintenance	15,976,713	(3,447,000)	12,529,713	6,264,857	3,132,428	3,132,428
6.4.4	C088	Porirua Sewage Treatment Contribution	1,428,331		1,428,331	714,166	357,083	357,083
<b>Suspended Solids Cost</b>								
6.4.4	C347	Living Earth Green waste Contract	1,943,649		1,943,649			1,943,649
<b>Total Opex Cost</b>			<b>34,989,793</b>	<b>-3,447,000</b>	<b>31,542,793</b>	<b>22,620,122</b>	<b>3,489,511</b>	<b>5,433,160</b>

Total Volume for 12 mths  
Unit Rate

Flow	BOD	SS
M <sup>3</sup>	Kg	Kg
30,860,600	6,101,703	10,081,473
0.73	0.57	0.54