



Otorohanga Community Board

AGENDA

26 OCTOBER 2017

4.00pm

Members of the Otorohanga Community Board

Mr Alan Buckman
Mrs Katrina Christison
Mrs Liz Cowan
Mr Neville Gadd
Mr Paul McConnell (Chair)
Mr Peter Coventry

Minutes Secretary: Mr CA Tutty (Governance Supervisor)

OTOROHANGA COMMUNITY BOARD

26 OCTOBER 2017

Notice is hereby given that an Ordinary meeting of the Otorohanga Community Board will be held in the Council Chambers, 17 Maniapoto Street, Otorohanga on Thursday 26 October 2017 commencing at 4pm.

16 October 2017

DC Clibbery
CHIEF EXECUTIVE

AGENDA

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PRESENT

IN ATTENDANCE

APOLOGIES

PUBLIC FORUM

ITEMS TO BE CONSIDERED IN GENERAL BUSINESS

CONFIRMATION OF MINUTES – 28 SEPTEMBER 2017

DECLARATION OF INTEREST

ITEM 36 **WATER SUPPLY ISSUES**

To: **Chairperson and Members**
Otorohanga Community Board

From: **Chief Executive**

Date: **26 October 2017**

Relevant Community Outcomes

- Ensure services and facilities meet the needs of the Community
 - Manage the natural and physical environment in a sustainable manner
-

Executive Summary

The report is intended to answer questions regarding water supply in the Otorohanga community that were posed at the Board's meeting of 24 August 2017.

Staff Recommendation

That the report be received.

Report Discussion

Questions were raised at the Board's meeting of 24 August 2017 on the following:

1. The final costs associated with the recent installation of water meters in Otorohanga
2. The reasons for recent increases in levels of targeted water rates in Otorohanga

This report is intended to answer those questions. The report builds upon the report of the Engineering Manager which was included in the agenda for the Board's meeting of 28 September 2017, but which was not presented at that meeting because of inadequate time.

All financial figures quoted in this report are exclusive of GST unless stated otherwise.

Costs of Water Meter Installation

Council staff made it very clear at the time that metering was first proposed in late 2014 that the cost of installing the water meters was uncertain. The cost of the water meters, valves, manifolds and meter boxes were relatively easily determined, but the cost of installation (which was likely to make up the majority of the overall expenditure) was not, and was dependent upon a number of uncertain variables, including the condition of the pipes to which the meters were to be attached.

A 'first principles' estimate of the cost of installing a typical individual water meter was \$447, but it was believed that a figure closer to \$400 might be achieved in a bulk installation where economies of scale could be achieved with the installation of more than 1000 meters.

No previous meter installations of comparable form and scale from other Councils were however identified that could be realistically used to calibrate cost estimates for Otorohanga, and for this reason specific cost figures for meter installation were not quoted in the consultation process, and an engineer's estimate was not even included in the tender awarding report.

A figure of 'around \$500,000' had however been informally suggested (including at one of the public meetings) based on the installation of around 1200 meters at \$400 each, but it was never expected to be more than loosely indicative.

This difficulty in reliably estimating the cost of these works was reflected in the tenders received. The contract was awarded to Allens United Drainage and Earthworks for the lowest received price of \$614,120, but 4 other tenders were received with widely variable prices, up to \$1.1 million, and with an average of \$851,000 indicating that contractors were also finding it difficult to accurately price these works.

It was always expected that there would be some additional costs to install the more difficult meters, and this was compounded by a misunderstanding which over-estimated the extent to which meters had been previously installed for

commercial premises in the CBD. To meet these additional costs some of the funding which had been previously allocated for the construction of an additional water reservoir was re-allocated.

A total of 1216 new water meters have been installed to-date at a cost of \$671,106 (\$552 per meter on average) and \$45,000 of unspent funding from the 2016/17 year has been carried over to complete the 20 or so remaining most difficult meter installations, bringing the total budgeted cost for this exercise to \$716,106.

Given the scale and complexity of the exercise this is considered a reasonable figure.

Water Supply Operating Costs

Over the last 5 years there have been significant increases in the operating costs for the Otorohanga water supply.

During this period expenditure (including the allocation from the treatment plant, and inclusive of depreciation charges) rose from \$474,688 in 2012/13 to a forecast \$664,580 in the 2017/18 year, a 40% increase, equivalent to a compounding average increase of just under 7% per annum.

There are a number of components contributing to this increase, including costs associated with attempting to meet rising water quality standards, but the most substantial component is depreciation, which has risen from \$189,255 to \$296,537 per annum, a 56% increase.

Most of this increase in depreciation has come from revaluation of existing assets that reflects rising estimated replacement costs, but depreciation has been increased in the current year in response to the creation of new assets including upgrading of the water treatment plant, the recent construction of the additional water reservoir at Mountain View Road and the new water meters.

A provisional estimate was made of the additional depreciation for the water meters, but this is almost certainly an over-estimate, since it has not recognised that the water meter installation has created a variety of assets with different expected lives, and that only the water meter itself (which has a value of less than \$100 per unit) will need to be depreciated relatively quickly, whilst the other components will have much longer lives and therefore lower depreciation charges. A correction for this will be made in the forthcoming asset revaluations for the long term plan, which would be expected to reduce depreciation charged for the meters by at least \$20,000 per year relative to what is currently budgeted for 2017/18.

Another substantial contributor to increased costs in the 2016/17 year was asset maintenance where pipes and equipment broke and had to be replaced along with additional staff time for increased reporting and a concerted effort to comply with the requirements of both the Waikato District Health Board and Waikato Regional Council. The challenges around complying are significant due to the age of the plants and increased standards since they were built.

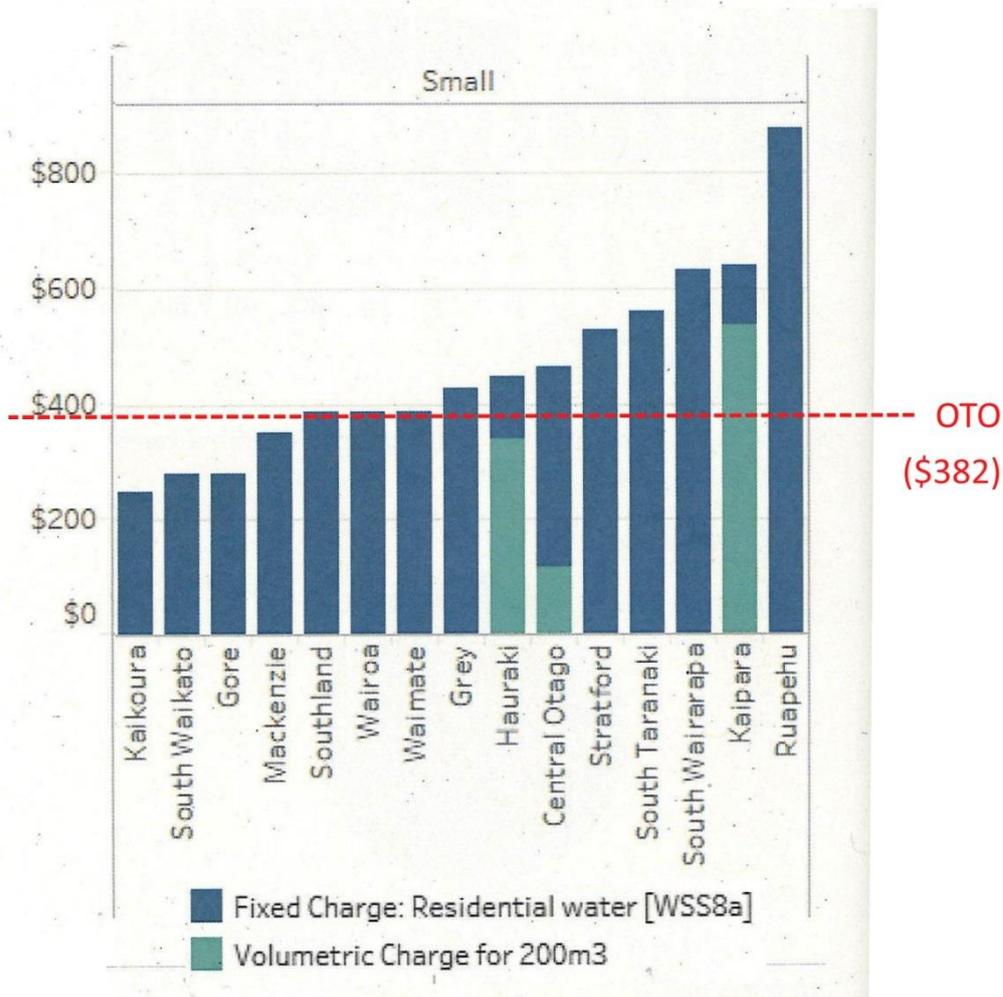
There is very little in the costs for water supply operation that can reasonably be considered as being discretionary. Almost everything that is done is essential to ensure that the community receives an adequate supply of water.

Comparison with Other Communities

Meaningful comparison of costs with other communities is not always straightforward, as water supplies vary substantially in respect of geographic distribution and extent, numbers of connected properties, the levels of water use of those properties, and the function of the supply and the nature of the water source and the quality of water it provides.

The 'National Performance Review' ('NPR') conducted by Water New Zealand does however provide a broad range of data with which some broad comparisons can be made, despite the fact that ODC does not itself participate in the review. The best of these comparisons is shown in the figure below, which is based on 2015/16 figures from the latest NPR.

Figure 3.3-8: Water charges for a connection using 200m³ a year



It is clear that the water supply costs in Otorohanga are not much different to those typically found in many other similar small communities.

The NPR also makes it clear that the recent significant cost increases experienced in respect of water services by ODC are typical of the sector, with a statement on page 38 of that document that across all of the 48 Councils who participate in the review, operating expenditures per property on water supply systems have on average increased by 39% between 2011/12 and 2015/16, and with similar costs for wastewater and storm water increasing by even more (46% each) over this period.

The full 2015/16 NPR document can be accessed via the link http://www.waternz.org.nz/Attachment?Action=Download&Attachment_id=2071)

It must also be recognised that the Havelock North water contamination event is going to have a significant effect on water safety regulation in NZ, and it is inevitable that this is going to translate into further substantial increases to the cost of operating water supplies such as that of Otorohanga.

Targeted Rate Variations

The Otorohanga targeted water supply rate is calculated as follows:

- The cost of maintaining the water reticulation network, 70 percent of the operational and routine maintenance costs of the water treatment plant (30% charged to the Waipa Rural Water Scheme) and associated depreciation used for capital renewal works are added together.
- Any recovery shortfalls for the previous year are then added to the balance, over recoveries are subtracted.
- The income obtained from metered charges is then deducted from this cost to arrive at a net cost.
- This net cost is divided by the number of properties receiving water which are not charged for metered water.
- The targeted water rate for the year is set using the estimates for that year and is therefore set in advance.

The movements in the targeted rate generally reflect the movements of costs in step 1, and as such typically closely correspond with the year on year changes in relevant activity budgets that are presented to the Board each year as part of the annual plan budget estimates process.

The relationship between activity budget costs and the targeted rate is however not absolutely direct because variations in steps 2 and 3 also have an effect on it, which cannot be completely controlled.

This is illustrated by the fact that whilst it has previously observed that operating costs have risen by 40% over the past 5 years, the targeted rate has risen from \$257.80 to \$385.70 in the current financial year, which is a 47% increase.

This 7% difference is due to factors that include the balance adjustments made in step 2 to reflect a previous over-expenditure made in the 2011/12 year, and the fact that the income in step 3 has not kept pace with increases in cost due to:

- a). Decreasing water consumption. Last year was a particular example where metered water charge income was almost \$30,000 lower than expected due to reduced consumption believed associated with the very wet summer; and
- b) A reluctance of previous Boards to adjust existing metered water charging rates (mainly applicable to commercial premises) upwards prior to the introduction of 'universal metering' regime. This has in turn transferred a greater proportion of the increased costs onto the non-metered customers.

Putting this difference aside, the changes to the targeted rate for water remain largely dependent on the cost increases that have been described previously.

Dave Clibbery
CHIEF EXECUTIVE

ITEM 37 **MOWING GRASS BERMS**

To: **Otorohanga Community Board**

From: **COMMUNITY FACILITIES OFFICER**

Date: **26th October 2017**

Relevant Community Outcomes

- Ensure services and facilities meet the needs of the Community
-

Executive Summary

Recently I have been asked to clarify why we are mowing certain areas under the Council mowing contract. These areas are outside of vacant sections in town. I wish bring these areas to the Community Board for discussion.

Staff Recommendation

It is recommended:

These areas are discussed by the Community Board and a decision made as to whether they remain in the contract.

Report Discussion

Background, In May 2012 a resolution was passed by the Community Board that no grass berms were to be mown outside of private residential properties. The exceptions being certain industrial properties which are in 'high profile' locations and were justifiable as they project a positive image of our town.

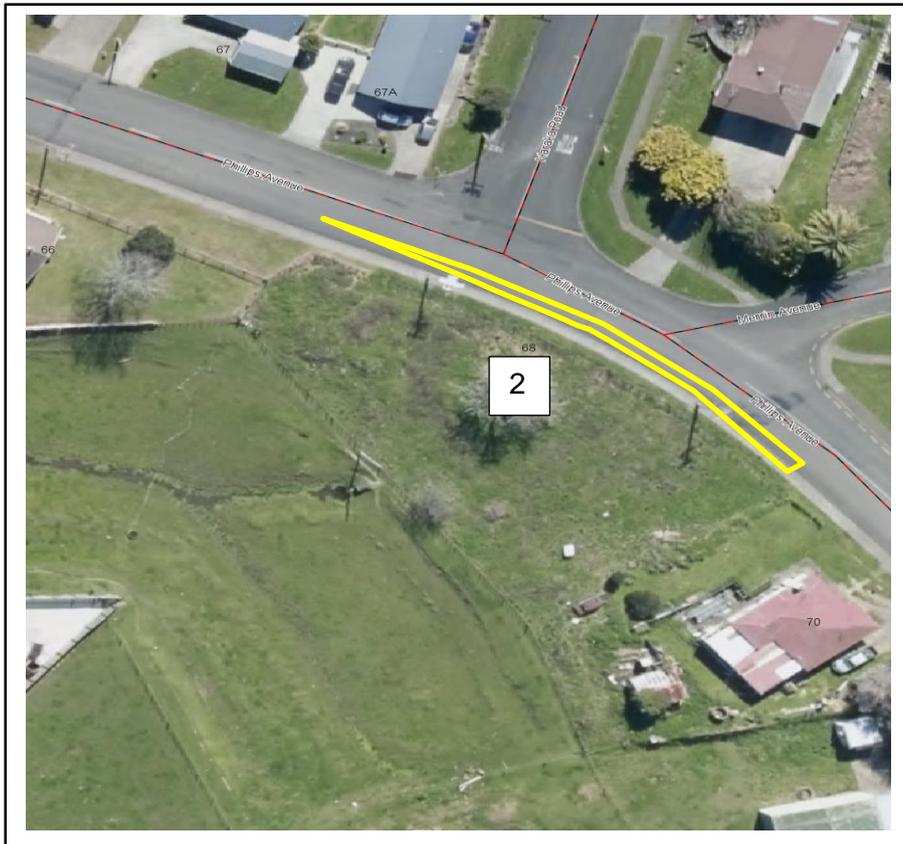
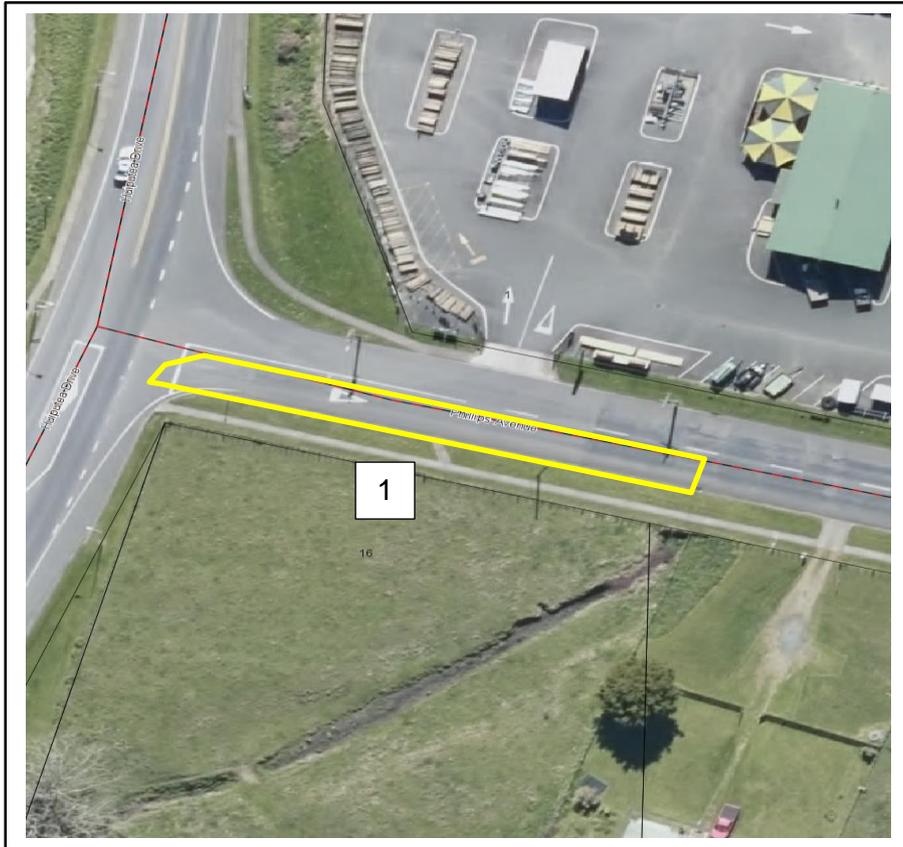
The areas in this report are all grass berms which are outside vacant sections. These areas are mown for aesthetic reasons and fit into the intent of projecting a positive image of our town. Although these properties are privately owned they do not currently have dwellings on them. It is that distinction as to why they are included and are not excluded at such time. If a dwelling is built on the property they will be removed from the contract.

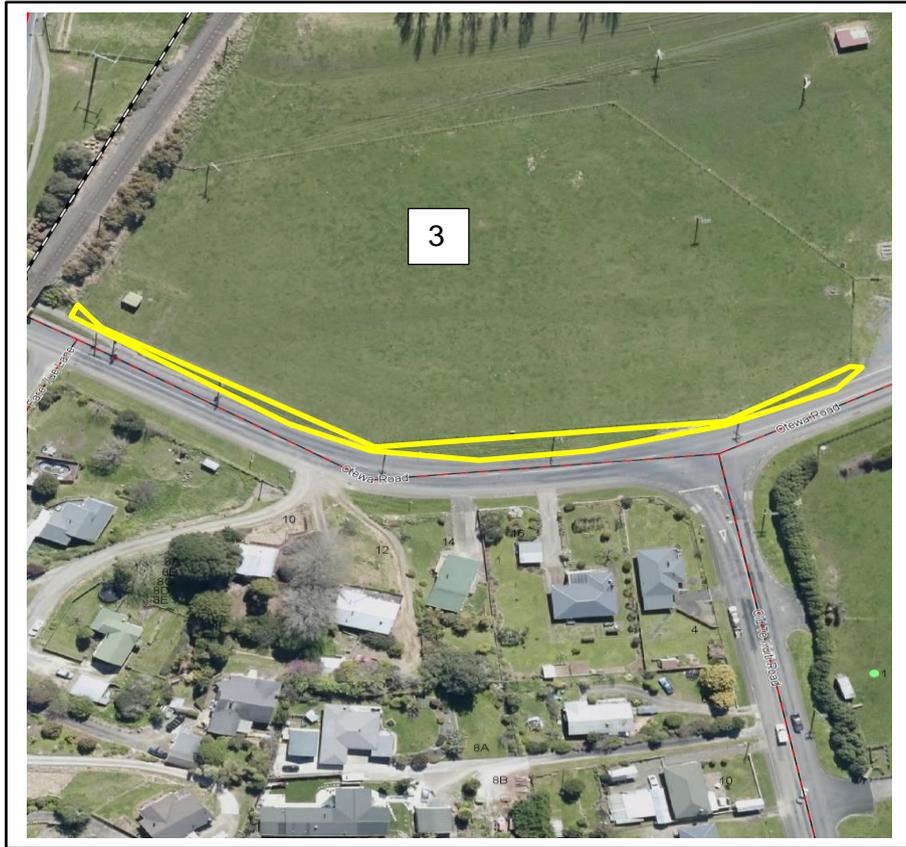
Areas: - (photos attached)

1. Grass berm on corner of Phillips Ave and Huiputea Drive.
2. Grass berm outside of vacant section at 68 Phillips Ave.
3. Grass berm on Otewa Road, left hand side from the Rail Bridge to the metal pit. This area is unique as there are visibility issues for motorists if the grass is left too long.

The total combined cost to mow these areas is approximately \$30 per month.

Mark Lewis
COMMUNITY FACILITIES OFFICER





ITEM 38 OCB MATTERS REFERRED FROM 28 SEPTEMBER 2017

**To: Chairperson and Members
 Otorohanga Community Board**

From: Governance Supervisor

Date: 28 September 2017

27 JULY 2017

CHAIR

1. To look into the matter of communicating with the local people. e.g. by way of a Community Communication Document.

ENGINEERING MANAGER

1. To arrange for the presentation of the Kerb and Channel programme and revised footpath programme.

24 AUGUST 2017

OTOROHANGA DISTRICT COUNCIL / OTOROHANGA COMMUNITY BOARD

1. To hold a workshop meeting with Council regarding the future growth of the District, in particular to information being made available to the public regarding the subdivision of land and future residential land earmarked for development.
- 2.

BOARD MEMBER CHRISTISON

1. To have discussion with Mrs Rosemary Davison regarding Willows along the Waipa River embankment in particular, to them being hosts to aphids and then taking this matter up with the Regional Council.

ENGINEERING MANAGER

1. To investigate why the Targeted Water Rates Uniform Annual General Charge in the Community has increased since 2013.

28 SEPTEMBER 2017

BOARD MEMBER BUCKMAN

1. To present to the October 2017 meeting of the Otorohanga Community Board calculations on the effect on the lease agreements of not allowing stock grazing on the Stopbanks during the winter months.

GENERAL