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Dear Sir/Madam,

UPDATE ON THE EAST ROTOITI/RODOMĀ WASTEWATER RETICULATION SCHEME

You will be aware that the Government (Ministry for Environment), Te Arawa Lakes Trust, the Rotorua Lakes Council, and the Bay of Plenty Regional Council are working together in an effort to protect the water quality of the Rotorua Lakes for some years now. The East Rotoiti/Rotomā sewerage reticulation project is part of this broader effort.

This letter is to provide updated information on the project, highlighting progress made to date as well as the actions taken and decisions made to conclude the final part of the scheme that involves the installation of pre-treatment systems for the East Rotoiti community.

First, a brief project background summary:

- 2005** A “Deed” partnership between the Crown, Te Arawa Lakes Trust and Rotorua Lakes Council as well as the Bay of Plenty Regional Council was entered into around 2005 that was centred on four lakes for water quality improvements (Lakes Okareka, Rotorua, Rotoiti and Rotoehu). Gradually through various agreed schemes some 2400 houses have been reticulated, with in pipeline capacity for future growth created for an additional 1500 houses.
- The Bay of Plenty Regional Council’s On-site Effluent Treatment (OSET) Plan recognises the challenges associated with leaching of partially treated wastewater from existing on-site systems within the Lakes catchments, and requires that all properties within reticulated catchments must be connected to that reticulated system, or if outside the catchment should be upgraded to an Aerated Wastewater Treatment System with Nitrogen Reduction.
- 2012** Specifically, concerning the East Rotoiti/Rotomā zones, an attempt for wastewater reticulation failed to gain resource consent in the Environment Court in 2012.
- 2014** The Rotoiti Rotomā Sewerage Scheme Committee comprising wide community representation worked collaboratively and structured a new reticulation proposal in a manner that addressed the Environment Court’s earlier recommendations and the judge’s decisions. The proposal was received and adopted by the Rotorua Lakes Council in December 2014.
- 2017** Preliminary planning work began in 2015, and in 2017 a new resource consent application for the concept scheme was lodged. The agreed scheme is based on the principle of building a single network for both communities and to be served by a high quality wastewater treatment plant (WWTP) situated on leased land kindly offered by Haumingi 9B3B Ahu Whenua Trust in Rotoiti.
- Preliminary information, based on the early concept design, was provided to the communities through the Council’s Draft Annual Plan of 2017/18 (around May 2017) and two large community meetings.
- 2017** The resource consent for the new scheme was granted in late 2017.

- 2018** Land lease agreements for the treatment plant were concluded by early 2018.
- 2018** The project construction works began from mid-2018. In addition, after the Biolytix system trial was concluded, concurrent with the Community Steering Committee directed that a procurement process be undertaken to identify the pre-treatment system for East Rotoiti community.
- 2018** The reticulation of the Rotomā community began, using a STEP pre-treatment system (as agreed by the resource consent conditions) and installation of 35 km of main trunk lines to the Rotoiti WWTP. Construction of the Membrane Bio Reactor WWTP also began in 2018 after a competitive tender process.
- 2019** By the end of 2019 these parts of the scheme (comprising some 75% of the total scheme) were completed. The treatment plant began its required final testing process involving 9 phases of process commissioning to verify compliance with the resource consent conditions. Testing was concluded in late 2020 successfully and the plant now receives waste water from 200+ units in Rotomā.
Faithful to the agreements entered with Iwi, mana whenua and the technical detail of the resource consent conditions, we began work to develop the objective criteria for selecting the on-site property systems for the East Rotoiti community.
- 2019** Procurement and selection criteria were finalised and agreed on and a robust procurement process begun in late 2019. The process was delayed due to the COVID 19 pandemic during 2020 but was eventually concluded with tenders submitted in November 2020.
- 2021** Tenders were evaluated in early 2021 and Council awarded a contract in June 2021.

Selection of the on-site pre-treatment system for East Rotoiti

There has been a thorough and robust process to select the system that best meets the required performance criteria including operational effectiveness, system safety, effluent performance, cultural alignment and long-term cost effectiveness. Through effective collaboration with mana whenua, on whose land the WWTP is situated, there is now an emerging, enduring and promising bridging of the legacy trust gap created from the earlier failed scheme attempt. The awarded system for East Rotoiti is Biolytix BF2. This is the system that also met the earlier trial criteria.

The gross cost of the scheme

Once the resource consent conditions were issued by the regulatory authority (2018), it became clear that the initial scheme cost estimate (based on the concept design), would be impacted by the final conditions of the resource consent, as well as construction sector inflation since 2014 (an average increase of 3% per year), statutory compliance requirements and a range of specific land and geotechnical issues in the area (e.g. high water table in many properties and resolving access to whenua Māori with multiple owners).

Funding efforts

To mitigate the final net capital costs to the local ratepayers, Council applied for additional funds from the “Deed” partnership. A decision was sought from the Rotorua Te Arawa Lakes Water Quality Strategy Group in August 2020, then again in February 2021 and finally in May 2021. The Strategy Group agreed to and through a unanimous resolution in May 2021, supported a request to the Minister for additional funds to recognise the now known actual costs and to enable the award of a contract to install the East Rotoiti pre-treatment systems and the required on-property connections, so the Scheme can be fully completed.

Where we are up to

At its meeting on 28 June 2021, the Rotorua Lakes Council agreed to award a contract for:

- The supply and installation of Biolytix BF2 systems on some 450 properties in East Rotoiti (from Curtis Road to Tamatea Street) including connecting the secondary pipelines networks to the mains that are already in place and appropriate reinstatement works for each property;
- The operation, management and maintenance of the Biolytix on-site systems for a term of 15 years;
- Supply and installation of the same system for Rotoehu/Ngāmotu but subject to additional funding from the Ministry for the Environment granted to that effect. The funding request was lodged in May 2021. (The possible inclusion of Rotoehu/Ngāmotu in the overall scheme will be designed to not add additional costs to the Rotoiti/Rotomā ratepayers and will be funded by those communities’ ratepayers on similar basis as the Rotoiti/Rotomā ratepayers)

It is expected that the contract will commence in August/September this year, and will be implemented over about two years.

Net costs for the local ratepayers

The final net capital funding costs to be charged to the local property owners will be decided by the Council once the project nears full completion and once the Minister for the Environment has responded to the funding request for the Rotoehu/Ngāmotu communities.

The Council’s current funding assistance policies for wastewater reticulations will also be reviewed over the financial year of 2021/22. This is in order to refresh policies that have been in place for some 20 years. Once this review is concluded and relevant recommendations have been presented to Council, the net capital contributions by ratepayers to the East Rotoiti/Rotomā scheme will be decided in the appropriate Annual Plan period.

The Scheme’s funding plan formula remains on the same basis. This is:

- Net capital costs (after all subsidies removed) shared by 770 properties and payable either as lump sum or over 25 years through a targeted capital rate that includes Council’s financing costs as anticipated over that 25 year period;
- The ongoing operational costs of the scheme covering maintenance, repairs and renewals will be paid by all of the district’s ratepayers connected to the sewerage networks through the sewerage targeted rate.

High level indications from the 2014 initial concept proposal

The early concept proposal adopted by Council in December 2014, indicated the following preliminary net cost estimates for the local ratepayers:

Estimated Rotomā net cost per property	Subsidised \$16,241 (GST excl.)
Estimated Rotoiti net cost per property	Subsidised \$14,692 (GST excl.)
Estimated Rotomā capital cost Targeted Rate p.a. (over 25 yrs)	\$1,531 (GST incl.)
Estimated Rotoiti capital cost Targeted Rate p.a. (over 25 yrs)	\$1,385 (GST incl.)
Installation of OSET systems (if no reticulation was implemented)	Approximately \$25,000 per property

The initial concept scheme estimates noted a 30% cost uncertainty and included no forward inflation provision. However, subsequently, agreements were reached to normalise all final costs as one single scheme for both communities, additional funding was secured from the Bay of Plenty Regional Council, and Council agreed to spread the cost across 770 properties instead of 650 properties. This allows for some growth and reduces the capital cost for individual property owners.

The Draft 2017/18 RLC Annual Plan based the estimated net capital costs on the concept design, before the resource consent was granted, without provision for construction inflation and without harmonising costs across both communities. Every effort has been made to constrain final costs payable by the local ratepayers to the minimum possible and the application for additional funding from the Minister was made with that objective in mind.

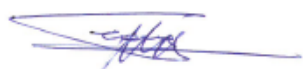
Where to from here

Council will now progress the contract to complete the scheme. Council will also revise some of its funding assistance policies and the final net capital funding plan for the scheme. Once this work has been completed the net capital costs per property will be assessed and the communities will be fully advised well in advance of the completion of the works and before the capital targeted rate charged.

We will provide more detailed notices to each property owner in East Rotoiti regarding works on or near their properties. These notices will provide contact points and future opportunities for public meetings (probably around Labour weekend) as well as online project updates in the course of the scheme's final construction phases.

In addition, each property owner will be contacted directly by the contractor or Council's Site Engineer to agree on specific site details prior to any on-site works commencing.

Yours faithfully



Stavros Michael
Deputy Chief Executive – Infrastructure & Environmental Solutions