

Capital Project Funding Plan for Tarawera Sewerage Scheme, Rotorua (October 2020)

The Tarawera Sewerage Scheme Capital Project Funding Plan in accordance with Section 117B(3) of Local Government (Rating) Act 2002.

Scheme Area

The Tarawera Sewerage Scheme covers those properties located within the lakeside settlement of Tarawera (Spencer Road) The scheme area is delineated in the appended plans and will be included in the District Council's 2021-2031 Long Term Plan.

Scheme Purpose

Most homes in the Tarawera catchment rely on septic tanks, which over time leach into the lake. Wastewater reticulation is therefore crucial to delivering on the National Policy Standard for Freshwater Management and to achieve a measureable difference in arresting the ongoing decline of water quality in Lake Tarawera. The requirement of the National Objectives Framework in respect of total phosphorus loading is particularly relevant here. The Bay of Plenty Regional Council has set a Trophic Lake Index target for Lake Tarawera, which depends in part on the Rotorua Lakes Council delivering in a timely manner on the proposed sewage reticulation project.

The Rotorua Lakes Council recognises that the removal of the sewage-sourced nutrient load from Lake Tarawera is an essential step in meeting its obligations under the National Policy Statement, but the Council and the local community need some financial support to deliver on this objective.

Key Dates

The Tarawera Sewerage Scheme Capital Project Funding Plan could commence 1 July 21 and expire 30 June 2024 or later depending on commencement date.

The Tarawera Sewerage Scheme essential dates are as follows:

Council Presentation/Adoption Dates:

Plan presented to Finance & Strategy Committee	12 Nov 2020
Plan presented to Full Council	29 Nov 2020
Adoption of Plan into 2021-2031 Long Term Plan	June 2021

Construction Dates:

Tarawera Sewerage Scheme Period:	July 2022 to June 2024
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Payment Dates for Tarawera Ratepayers:

Lump Sum Payment Invoices Issued	1 July 2024
Final Payment for Lump Sum	20 August 2024

This Funding Plan will be reported in the 2021-2031 Long Term Plan.

Estimated Scheme Cost

The current total estimated cost for the Tarawera Sewerage scheme is \$22,500,000 (excl GST).

The current sewerage scheme estimated total cost includes:

- Preliminary and Generals: \$2,350,000
- On-property connections (supply and installation of sewer grinder pumps and sewer house connections) \$5,900,000
- Reticulation & appurtenances Construction, \$1,200,000
- Construction of the Pump Stations, \$1,370,000
- WWTP/LDS (Shared cost to main WWTP), \$2,700,000
- Transfer Mains & appurtenances Construction, \$3,270,000
- Engineering Design and Supervision. \$1,410,000
- Contingencies, \$4,300,000
- Total Budget \$22,500,000

The scheme cost has taken into account the future development of those areas to be serviced by the mains infrastructure. But it does not incorporate the future value of the on-site pre-treatment units and installation for those properties that will be subdivided.

Unit prices estimates were based on contract prices for Rotomā/Rotoiti Sewerage Scheme (However the estimate cannot be fully validated until detailed design has been undertaken and binding prices have been received)

Funding Breakdown

Ministry for the Environment

In April 2017 the Tarawera Community Steering Committee proposed and together with Council applied to the Ministry for the Environment for funding support to progress a Tarawera waste water reticulation scheme. The application received \$6.5m of funding in July/August 2017.

District Council

Rotorua Lakes Council is contributing \$1,500 per household unit equivalent (HUE) from general rates as a subsidy towards the costs of the sewerage scheme in line with the council funding policy. For Tarawera this is based on the total number of HUEs of 550 (this includes existing HUEs of 446 and about 104 sections for both development and future growth). This results in a Rotorua Lakes Council contribution of \$825,000 (excluding GST).

Regional Council

Bay of Plenty Regional Council is contributing \$750,000.

Breakdown of Cost (excluding GST)

The breakdown in funding is as follows:

Total currently estimated scheme costs	\$22,500,000
Ministry for the Environment	\$6,500,000
Regional Council subsidy	\$750,000
District Council subsidy	\$825,000
Remaining Cost to be funded by residents	\$14,425,000

Capital Contributions

In general the lump sum contribution was calculated on the basis of the remaining costs to be funded by the residents, once subsidies were taken into account, divided by the number of ultimate household equivalent units.

The lump sum cost per property is made up of 2 parts, i) \$15,500 for the capital contribution to the network and ii) the installation of the onsite system which for existing ratepayers is \$13,229 totalling \$28,729 (excl GST), \$33,038 (incl GST). Ratepayers who connect later to the scheme will pay the \$15,500 (excl GST) amount as per the capital contribution costs above however the additional costs for the installation of the onsite system will be determined at the time of connection on a case by case basis. This may result in a different total cost than the existing ratepayers paid due to inflation and or other material/technological impacts (see appendix 1 below). Public facilities (schools and clubs) and Marae's are excluded from sharing the capital and operation costs of the scheme.

Existing developed properties will pay the capital contribution per the dates specified in this plan. Vacant properties that are ready to be developed will also pay the capital contribution on the dates specified in this plan. Vacant properties that are not ready to be developed now will pay upon development to buy into the capacity of the system.

Within the sewerage scheme area there are a number of properties that have wastewater flows in excess of a single Household Unit Equivalent (HUEs). The calculation of the HUEs is based on the size of the units they will receive.

The indicative lump sum contribution for each household unit equivalent for the Tarawera Sewerage Scheme including GST is as follows:

Single HUE

Lump Sum (Incl. GST)	One off	\$33,038
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These are indicative costs only and based on concept level estimate.

Payment Options

Payment options previously implemented for the Hamurana/Awahou, Mourea/Okawa Bay, Hinemoa Point, Rotokawa/Brunswick, Okere Falls/Otaramarae/Whangamarino, Okareka and Rotoiti/Rotoma Sewerage Schemes, allowed for an option to pay as an upfront lump sum payment, or a targeted rate option. Tarawera residents will only have the option to pay their capital contribution as a lump sum payment in line with the Council's agreed Funding Policy for the scheme.

Subdivision and Development

All new subdivisions and developments within the Tarawera Sewerage Scheme area will be required to connect to the network and install the appropriate on-site system. The capital costs for sewerage infrastructure and onsite system associated with any subdivision and/or development will be calculated as follows:

Contribution to the capital costs of i) the network costs of \$15,500 (excl GST) per ratepayer plus ii) the market price for the purchase and installation of the onsite system as outlined in the capital contributions section previously.

Funding Plan Expiry Date

This funding plan will expire on 30 June 2024.

Consultation Process

Below is an overview of the consultation process to date.

The local Tarawera community has been engaged in the development of this proposal for a number of years. In more recent times and since 2016 the Tarawera Sewerage Steering Group (made up of representatives from Tūhourangi Tribal Authority, Te Mana o Ngāti Rangitīhi, Māori landowners, the Tarawera Ratepayers Assoc, TALT, BoPRC and RLC) identified the preferred option.

In 2017 and 2019, Te Arawa Lakes Trust prepared a Cultural Impacts Assessments of the proposal, on behalf of Tūhourangi and Ngati Rangitīhi. Further consultation on this matter will not be undertaken as the Council already has a sound understanding of the views and preferences of the persons likely to be affected or interested in the matter. However and as matter of prudent due diligence to protect Council and the general ratepayer, the Council's decision will be formally communicated to all ratepayers and property owners of the Tarawera catchment as per the process outlined in Section 5.0 of the report to SP&F of 12 November 2020.

Appendix 1 – Lump Sum (LS) Capital Contributions

Existing Properties	\$	HUEs	Cost
On-Property Connections	5,900,000	446	13,229
Network Cost	16,600,000	550	30,182
Less Funding	(8,075,000)	550	(14,682)
Network Total Cost	8,525,000		15,500
Existing Rate Payers Lump Sum (NZ\$)			28,729
Total Recoverable from 446 HUE (Connection and Network)			12,813,000
Total recoverable from 104 development and growth HUE (Network)			1,612,000
Total Ratepayer Contribution (NZ\$)			14,425,000

Appendix 2 – Tarawera Service Area Map

