

**8. WASTEWATER TREATMENT PLANT  
CAPACITY UPGRADE CHARGE**

RR 8265

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Corporate Plan Output: Liquid Waste	

The purpose of this report is to seek support for the introduction of a Wastewater Treatment Plant upgrade charge on each new lot created or dwelling built.

**INTRODUCTION**

The possibility of instituting a charge on new properties to cover the cost of providing increased capacity at the Wastewater Treatment Plant was raised at a Strategy and Resources Committee meeting. The Committee requested that such a charge be investigated. Precedent for this type of charging exists in that the Council already applies a Reserves Contribution equivalent to 7½% of the section value, and a Water Supply Headworks charge of \$550 per new lot created.

The concept of a Wastewater Treatment Plant Upgrade charge is simply to apportion the identifiable costs of the new capacity required to meet city growth to the development of the new properties that are producing the need for the increased treatment capacity. A significant portion of the \$30m upgrade of the plant is related directly to capacity, for a known population increase, and this charge can therefore be clearly calculated.

**LEGAL POSITION**

The legal situation in respect of applying an Upgrade Charge has been carefully considered. The conclusion of the legal opinion from Buddle Findlay is that the Council can make an upgrade charge under Section 283 of the Local Government Act either through expanded Bylaw provisions or by making appropriate provision in the proposed financial contribution rules in the City Plan. The expanded Bylaw provisions are the preferred method as they are easier to implement and police, and more easily modified over time to meet changing needs.

**LEGAL REQUIREMENTS**

The imposition of a capacity upgrade charge must reflect the cost of providing that increased capacity and is not to be used to recover the costs of works that already exist, ie the charge is for new capacity not existing capacity. Any money collected by way of an upgrade charge must also be spent within a five year period of collecting that money. This will not cause a problem because the \$30m upgrade is to proceed over the next six years.

The Belfast and Templeton plants operate independently and are not included in these considerations. An upgrade charge would apply to all new lots created that would connect to the Christchurch Wastewater Treatment

Plant system and for existing lots, at the time of Building Consent Application for any new dwelling.

#### **LEVEL OF CHARGE**

Section 283 of the Local Government Act requires that the charge be fair and reasonable. The following sets out the method of calculating the Christchurch Wastewater Treatment Plant Upgrade Charge and draws on the information contained in the August 1996 Beca Report, CWTP Capacity Study which detailed the \$30m upgrade programme to meet city growth for the planned 112,000 population increase.

It is calculated that of the \$30m only \$23.644m is related to capacity improvements. The rest of the \$30m upgrade work is either already completed or related to issues other than capacity, eg Resource Consent or effluent quality improvement.

For a population increase of 112,000 people, at 2.66 people per household (1996 census), and a capacity upgrade cost of \$23.644m, the per lot charge is \$561.55. ( $23,644,000 \times 2.66/112,000$ )

#### **INDEXING OF CHARGE**

The life of this charge is likely to be for the 30 year planning period until 2026 or until the connected population increases by 112,000 people and therefore this charge needs to be indexed to an appropriate inflation indicator. For other cost sharing schemes operated by the Council, per lot charges have been indexed to the consumer price index (CPI) which does not always closely relate to the cost of construction. A better index for longer term schemes is indexing to the actual costs of borrowing which is a true reflection of costs of the scheme. It is proposed that the Wastewater Treatment Plant Capacity Upgrade Charge be indexed to the Council's actual costs of borrowing. This means that on 1 July each year the charge for the ensuing year can be set on this basis.

#### **OTHER COST SHARING SITUATIONS**

In effect the Water Supply Headworks Charge currently operating and the Wastewater Treatment Plant Upgrade Charge proposed are simply Cost Sharing Schemes with the area of the scheme defined as the whole city. It should be noted that the Council operates a number of cost sharing schemes where larger or more, water, wastewater or land drainage piping is installed at either Council or developers cost to service a greater area than that in the immediate subdivision. The greater area is declared the cost sharing area and financial contributions collected from future developers as development proceeds over the years, eg Lake Terrace Road, Moncks Spur.

## **FUTURE POTENTIAL WASTEWATER COST SHARING AREAS**

Apart from the typical cost sharing areas established to facilitate appropriate capacity provisions for long term development there is also the opportunity to set up cost sharing on a much wider basis for parts of the reticulation. The need for capacity upgrade of the main southern relief system to allow for city growth in the south west sector (Halswell Wigram Area) has been previously reported to the Council and \$30m has been provided in the capital works programme. It is now possible to clearly identify the apportionment of cost of this upgrade that is related to required increased capacity, to identify the number of lots to be serviced by that increased capacity and therefore to determine a cost per lot created. The completion of hydraulic models of the reticulation system in the next year will identify increased capacity requirements and a large cost share area could be established.

This cost share area would be established at an appropriate time to ensure any contributions collected are spent on the proposed reticulation work within the required five year time limit.

### **SUMMARY**

A Wastewater Treatment Plant Upgrade Charge can be established under the Local Government Act and a charge per lot clearly identified that reflects the cost of increased capacity requirements. The level of this charge is estimated at \$561.55, (current dollar value) and, should be indexed to the Council's cost of borrowing.

- Recommendation:**
1. That a Wastewater Treatment Plant Capacity Upgrade Charge be established as soon as possible at \$560.00 + GST per lot created.
  2. That the charge be indexed to the Council's actual costs of borrowing and adjusted each year accordingly.
  3. That this charge be applied to all new lots created that will connect to the Christchurch Wastewater Treatment Plant and to any new dwellings that a Building Consent is applied for in the situation where it is on an existing lot.
  4. That in due course when further information is known that the Waste Management Unit reports back to City Services Committee concerning the provision of a similar charge to recover the costs of the capacity upgrade of the Southern Relief System.