

18. WASTEWATER CAPITAL EXPENDITURE

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PROPOSAL/PURPOSE OF REPORT

The purpose of this report is to obtain the Council's approval for additional funding to enable essential wastewater capital works projects to be completed to meet level of service and regulatory requirements.

EXECUTIVE SUMMARY

Christchurch's wastewater infrastructure is presently undergoing a major upgrade. The need for this is being largely driven by resource consent issues and the provision of system capacity for the future growth of the city. The key elements of the wastewater infrastructure upgrade are:

- (a) Ocean outfall: Presently in the consenting and preliminary design phases with construction scheduled to commence in 2006/07.
- (b) Treatment plant and oxidation pond upgrade: This programme is nearing completion. Two extra digesters are scheduled for construction during the period 2005/06/07. The upgrade of the treatment plant is designed to deliver an improved effluent standard and provide additional treatment capacity for city growth.
- (c) Trunk sewer upgrade: This programme commenced in 2002 and is scheduled to continue through to at least 2015. It is designed to provide additional sewer capacity for future growth in the city and to reduce overflows to the Heathcote and Avon rivers in line with the resource consent commitments agreed with Environment Canterbury.

A number of factors have resulted in the escalation of costs associated with project components in items (b) and (c) above with a subsequent shortfall in capital funding in the 2004/05 and 2005/06 financial years. Essentially, there is a buoyant contracting market with prices coming in well above estimates. This has combined with some estimates not having been reviewed/updated for some years. To ensure completion of essential programme items (b) and (c) as programmed an additional \$10.93 million of capital works funding is required. Further background on the makeup of this figure is provided in the appendices.

The costs associated with the untendered portion of the capital works (approx \$22.75 million) are estimated figures only. Therefore there is some uncertainty remaining in the overall budgets for this component of the programme. This uncertainty in budgeting is difficult to refine given, as stated above, the current contracting market.

This report does not address any funding issues associated with the major Sewer Upgrade programme, or the ocean outfall project, beyond the 2004/05/06 years. Such issues will be addressed separately through the LTCCP process planned for 2005/06.

FINANCIAL CONSIDERATIONS

This requested increase in wastewater capital works funding is not expected to impact on the Council's overall funding requirements for the 2004/05 and 2005/06 years.

Officers will instigate appropriate management measures to minimise the long-term impact.

The delivery of these infrastructure projects is critical to the Council meeting its regulatory commitments under current resource consent and delivering on levels of service commitments in the LTCCP. (volume 2, performance measures page 106).

STAFF RECOMMENDATION

It is recommended that the Council:

1. Provide an additional \$2.8 million of capital funding to enable the sewer upgrade works to be completed to achieve the required 2005 wet weather sewer overflow resource consent conditions. This will increase the budget for this aspect of the major sewer upgrade programme from \$17.2 million to \$20 million.
2. Provide an additional \$3.75 million of capital funding to enable the Belfast pipeline and pump station to be completed. This will increase the project budget from \$4.65 million to \$8.4 million.
3. Provide an additional \$580,600 of capital funding to enable the full Islington sewer scheme to be completed. This will increase the total project budget from \$906,000 to \$1,486,000.
4. Provide an additional \$3.8 million of capital funding to enable the tendering and construction of digesters 5 & 6 at the CWTP to proceed. This will increase the project budget for the new digesters from \$6.2 million to \$10.0 million.
5. Authorise the General Manager, Corporate Services to schedule funding for the projects associated with items 1,2,3 and 4 in the capital works programme, in a manner that suits delivery of the project works.
6. Authorise the General Manager, Corporate Services to reschedule the funds allocated in the ten-year budget for the Wastewater Ocean Outfall in to suit the timing of the works.

BACKGROUND

Please refer to attached appendices for the background information supporting each of the recommendations.

OPTIONS

The Council has the following two options:

Option 1 - Do not allocate additional funding

Pros	Cons
Nil	<ul style="list-style-type: none">● Council will not meet its resource consent commitments agreed with Ecan which could lead to possible fines and abatement notices.● Council will not deliver on the level of service commitments published in the LTCCP and this will lead to unhappy customers.

Option 2 - Approve additional capital funding as requested

Pros	Cons
<ul style="list-style-type: none">● Council will deliver on its resource consent commitments.● Council will deliver its level of service commitments.	<ul style="list-style-type: none">● Additionally capital funding in the \$10.93m required of 2004/05 and 2005/06 years.