

Activity Planning -2012-2022 Ten Year Plan

Safeguarding the Environment - Water Supply

The main matters that the Council is being asked to consider are:

- The implications of drinking water standards
- Maintaining existing levels of service
- Fees and charges associated with the Water Supply activity

1. Council direction

The direction provided to staff by the Council in December 2010 was to:

- Retain existing levels of service
- Consider options for reducing levels of service, reducing costs of provision, funding mechanisms
- Explore options for Hahei and Thames Valley water supply in line with statutory requirements
- Explore options for exiting the Hahei water supply. Consider PPP and alternative delivery options.

2. What the activity does

Clean and safe water is one of the essential needs of the community that the public can simply not do without. The Council water supplies help ensure that people in the areas of benefit (usually urban areas) have safe clean water to drink and to clean with (to maintain public health). The water systems provide water for commercial uses and also fire fighting which helps protect our communities and visitors. Without an adequate water supply, the fire fighting service would be unable to do their jobs and public health and safety would be at risk.

TCDC owns, operates and maintains eleven water supply systems in the District. Each system comprises the following key components:

- Water sources (surface takes and groundwater bores)
- Water treatment
- Water storage (excluding Thames Valley)
- Water reticulation network
- Pump stations (in some instances)

There are raw water intakes, supply pipelines and comprehensive treatment facilities at Thames, Coromandel, Matarangi, Whitianga, Tairua and Pauanui. At Thames Valley and Matatoki, the raw water receives only limited treatment. Groundwater with varying levels of treatment is used to supply the Whangamata, Hahei and Onemana schemes and currently to augment the supplies at Pauanui and Matarangi.

Approximately 71% of properties in the Thames Coromandel District are currently connected, or have the ability to connect to the Council's water supply services.

3. What the legislations says

Council's mandate for the provision of public water supply services and for the monitoring and enforcement of private water supply requirements is prescribed through a range of legislation.

The Council is required to obtain resource consent (RMA) to take water from the natural environment for municipal purposes. The consents vary from scheme to scheme (usually as

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a consequence of the natural environment) and impose a range of conditions that must be met in the operation of the water treatment plants.

A recent change in the New Zealand Drinking Water Standards impacts quite significantly on water supply provision. These standards have been published since 1984. They provide the yardstick against which water quality is measured and detailed specifications for drinking water suppliers, including maximum acceptable values for a range of contaminants and monitoring requirements. Compliance with the standards was previously voluntary. However, now, under the suppliers must take all practicable steps to comply with the standards.

4. Proposed activity objective

The proposed activity objective for the water supply activity is:

To promote efficient water use and supply adequate safe water for both household and business use, including fire fighting.

NB: this is slightly different to the objective in the 2009-2019 Ten Year Plan, which proposed 'adequate safe water and promotion of conservation'.

5. How this activity currently would contribute to the Council Outcomes

The activity will contribute to the achievement of the Council Outcomes as follows:

Council Outcome	The Water Supply activity...
A prosperous district	<ul style="list-style-type: none"> • Reliable access to clean and safe water is needed by most businesses and their workers. By providing infrastructure services, this activity supports growth of the local economy.
A liveable district	<ul style="list-style-type: none"> • Provides safe drinking water, thereby contributing to a safe living environment. • Provides water for household and business use which enables people to live, recreate, and work in our district.
A clean and green district	<ul style="list-style-type: none"> • If done well, minimises the impact of taking water from the natural environment. • Balances the provision of this service with environmental protection.

The Coromandel Peninsula Blueprint prioritises water connection services in the three main urban areas of Whangamata, Whitianga and Thames. Water supply services to other centres will be in keeping with current provision of services and existing infrastructure.

6. Things to be aware of

- Currently we are in a detailed investigations phase for the Tairua/Pauanui water supply upgrade. This is a big expenditure item.
- The Thames Valley / Matatoki water supply requires substantial work to meet resource consent conditions and undertake investigations for long term options for these two supplies. This is a big expenditure item.
- All water supplies will have to be compliant with the New Zealand Drinking Water Standards 2005 (revised 2008) by not later than 2016. Larger supplies such as Thames and Whitianga will need to be compliant sooner.

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- The water supply at Matarangi is unable to be expanded to cater for more demand, as the resource consent conditions limit any further expansion of this supply.
- Some operational costs associated with the Water supply activity schemes are allocated to other utility activity schemes. Due to the form of contract previously used for the Utilities operations and maintenance (O&M) contract. With the renegotiated and renewed O&M contract actual costs incurred for each activity and scheme are being tracked to enable scheme based funding to be implemented as part of the 2012-2022 Ten Year Plan. This will mean the reallocation of some costs between utility activity schemes.
- Operational savings could be realised by reducing the water pressure during periods of low usage. However, this will not create significant cost reductions.
- Significant cost reductions in this activity could only be achieved by exiting smaller, and therefore more costly to operate, water supplies such as Hahei.
- Operational efficiencies can be gained in this area through improving asset management, principally in the areas of improved data collection, optimised asset renewal and management. Work is currently focused on improved data collection and the setup and construction of the asset management system database.

7. A word from our community....

- The 2010 community prioritisation survey shows that "Drinking Water" was ranked 6th out of the 27 activities surveyed. This activity is a high priority, as determined by the community, when compared to the other activities of the Council.
- In the 2010 communitrack survey, overall 70% of residents and non-resident ratepayers were satisfied with their water supply, including 35% who are very satisfied.

8. Strengths, weakness, opportunities and threats

- A weakness is that the geographic nature of the district makes it expensive to provide potable water to 11 townships, whilst only having 26,000 ratepayers to fund the activity. Having infrastructure spread across 11 townships doesn't provide for economies of scale.
- A strength is that this allows for variations between schemes that would not be possible if all customers were on one consolidated supply.
- A weakness is having to provide infrastructure to cater for the peak population.
- An issue is that legislative requirements are expensive to meet, and these requirements are becoming more burdensome.
- There is now a greater focus on demand management / water conservation, and there is a legislative requirement to have demand management plans. However, through the demand management plans, there is an opportunity is to realise efficiency gains through improved asset management (mainly to do with data collections).

9. Proposed levels of service options

The levels of service for the Water Supply activity is that the Council provides water connection services within clearly defined urban settlements that are aligned with the Blueprint.

Level of Service	This means...
The Council provides reliable water for household and business use.	<ul style="list-style-type: none"> • The Council provides water supply services within clearly defined urban settlements that are aligned with the Blueprint. • Water supply is available when needed and urgent issues are responded to in a timely manner.
The water provided is safe	<ul style="list-style-type: none"> • There are no waterborne illnesses in the water supplies.

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Level of Service	This means...
to drink.	
There is adequate water available for fire fighting.	<ul style="list-style-type: none"> Water is available to fight fires when required.
The Council takes an active role in the promotion of efficient use of water.	<ul style="list-style-type: none"> Water is used in an efficient manner.
Water supply operations will be efficiently managed.	<ul style="list-style-type: none"> Council utilities should be run in line with best practice.

There is currently very limited ability for Council to reduce its current service levels as the levels are driven by legislation and guidelines such as the New Zealand Drinking Water Standards.

An area of improvement that would potentially realise efficiency gains would be in moving the internal management approach from a functional base to an activity base.

10. How is this activity managed?

The overall management of this activity is undertaken by the Utilities Team. This management includes among other tasks:

- Asset management
- Future infrastructure planning
- Budgeting
- Activity planning
- Regional Council liaison
- CAPEX lead-in works
- Project management

Once lead-in works are completed, projects are worked up with some being handed over to project managers for implementation.

Council currently owns all of the water supply assets, (with the exception being Puriri water supply intake and raw water pipeline - Hauraki District Council own and operate this infrastructure), with operations activities undertaken by external contractors. This contract includes operations, maintenance and daily management of the associated infrastructure. Overall supervision of the contractors undertaking these activities is by the Utilities Team members within the Operations Team.

11. What do we currently spend on this activity?

As a proportion of Council's annual budget for the 2011/2012 year, the Water Supply activity represents approximately 10.82% of total spend.

2011/2012 Draft Annual Plan	
Operating Expenditure (excluding internal interest cost)	\$7.66m
Capital Expenditure	\$3.26m
Total budgeted spend for Water Supply for 2011/2012	\$10.92m
Total Budgeted spend for Council for 2011/2012	\$100.97m
Total percentage of budget spent on Water Supply	10.82%

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2009-2019 Ten Year Plan	
Operating Expenditure (excluding internal interest cost)	\$97.01m
Capital Expenditure	\$71.67m
Total budgeted spend for Water Supply for 10 years	\$168.68m
Total Budgeted spend for Council for 10 years	\$1,295.64m
Total percentage of budget spent on Water Supply	13.02%

12. How this activity is funded, and why.

The Water Supply activity is currently funded as follows:

Funding rationale summary as outlined in the 2009-2019 Ten Year Plan:

The Council considers that the direct benefits of water schemes are to those who are connected or who have the opportunity to connect to the water supply service. In general terms, most people accept that water supply schemes also provide benefits to the whole community for reasons of public health

Those that have the service available but are not connected have traditionally been charged half the price of those who are connected in areas without metered water, and a full charge in areas that have water meters (water meters are currently installed in Thames, Coromandel, Pauanui, and the commercial sector in Whitianga).

The funding mechanisms used for operating expenditure are:

General Rates	UAGC	Targeted Rates	Fees Charges &	Grants & Subsidies
		Fixed charge and/or water by volume by individual AOB - 80-100%		

The funding mechanisms used for capital expenditure are:

Develop. &/or Financial Contribution	Borrowing	Asset Sales	UAGC	Depreciation	General Rates	Targeted Rates	Fees & Charges	Grants & Subsidies	Lump Sum Contribution
✓	✓	✓		✓		✓			✓

Staff recommend no changes to the funding mechanisms used for the water supply activity, but recommend increasing the 'availability charge' from 50% to 75% to better apportion the cost to the beneficiary of the service.

13. Staff recommendation

With regards to the Water Supply activity, staff recommend that the Council:

- Maintain the existing levels of service, undertaking what is required by legislation, guidelines and best practice in asset management.
- Continue to investigate opportunities to for some schemes transition from sole provider.

With regards to funding, for the Water Supply activity staff recommend

- Increasing the availability charge from 50% to 75%, noting this would be a matter for consultation with the community.