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**Report No. 01.142**

1 March 2001

File: G/4/1/2

PF 00.142

Report to the Policy and Finance Committee  
from David Benham, Divisional Manager, Utility Services

**Wellington Metropolitan Wholesale Water Supply Long Term Financial Strategy 2001-2010 : 2001 Update (incorporating Proposed Annual Plan 2001/02)**

**1. Purpose**

To obtain approval for the 2001/02 Proposed Annual Plan and Long-term Financial Strategy for the Wholesale Water Operation of the Wellington Regional Council.

**2. Background**

On 19 February 2001 the Utility Services Committee considered the Proposed Long Term Financial Strategy, incorporating the 2001/02 Proposed Annual Plan, and recommended no changes to that presented. The proposed Wholesale Water Supply Levy position then is unchanged from the 2000/01 Levy.

**3. Comment**

The current position would indicate there is the opportunity to reduce the levy further this year – albeit that the target debt position as recommended by Bancorp is not forecast to be met until 2008/09. (The attached graph shows the projected debt position under various levy reduction scenarios).

There are, however, a number of uncertainties that exist at this point in time. If water integration were not to proceed (and the WCC contract was not renewed), then The Water Group would need to be restructured with significant redundancy costs occurring. While these would be one off costs it may be prudent to provide for those costs from this year's forecasted additional surplus.

It should also be noted that if integration was to proceed there are additional implementation costs to meet.

Given this uncertainty the Committee felt that, at this stage in the process, a reduction in the levy should not be made. The Committee did feel though that when the Council came to finalising the budget in June it may well be that a levy reduction could be recommended. At that stage there would be more certainty as to projected one off costs and the level of surplus above that budgeted.

#### 4. **Distribution of the Levy to the Four Cities**

The levy of the financial year starting on 1 July is based on the quantities sold in the previous metering year, which ends on the last Wednesday in March. When the financial strategy is prepared at the end of February in each year, the summer dry spell is normally over. This allows a reasonable prediction for the end of the year metered quantity for each city. At present we are experiencing the driest summer since 1905. Daily consumption is around 190ML compared to about 160ML which normally occurs at this time of year.

Because of the different summer demand patterns between the cities and continuing dry weather an end of year prediction is difficult at present. However, if the levy of \$26,147 M (GST inclusive) for 2000/01 is the same for 2001/02 then the provisional distribution is as follows:

|            | <b>% of Regional<br/>Water<br/>Consumption<br/>for 11 months<br/>ended Feb 2001</b> | <b>Provisional<br/>levy \$000's</b> |
|------------|-------------------------------------------------------------------------------------|-------------------------------------|
| Hutt       | 25.90                                                                               | 6,772                               |
| Porirua    | 10.67                                                                               | 2,790                               |
| Upper Hutt | 10.10                                                                               | 2,641                               |
| Wellington | <u>53.33</u>                                                                        | <u>13,944</u>                       |
|            | <u>100.00</u>                                                                       | <u>26,147</u>                       |

The provisional levy figures do not include the end of year adjustment for 2000/01.

#### 5. **Communications**

Within overall Council release of Long Term Financial Strategy/Annual Plan material.

## 6. Recommendations

- (1) *That the report be received and the information noted.*
- (2) *That the Committee recommend to the Council that the wholesale water levy for 2001/02 be \$26,147M, the same as that set for the 2000/01 year with a provisional distribution among the four city councils as follows:*

|                   |                 |
|-------------------|-----------------|
| <i>Hutt</i>       | <i>\$6,772</i>  |
| <i>Porirua</i>    | <i>\$2,790</i>  |
| <i>Upper Hutt</i> | <i>\$2,641</i>  |
| <i>Wellington</i> | <i>\$13,944</i> |

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Attachment: Graph