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

Wellington Metropolitan Wholesale Water Supply Long Term Financial Strategy 2002-2010 : 2002 Update (incorporating Proposed Annual Plan 2002/03)

1. **Purpose**

To obtain approval for the 2002/03 Proposed Annual Plan and Long-term Financial Strategy for the Wholesale Water Operation of the Wellington Regional Council.

2. **Background**

On 20 February 2002 the Utility Services Committee considered the Proposed Long Term Financial Strategy, incorporating the 2002/03 Proposed Annual Plan, and recommended a three percent reduction from the levy set for the current financial year.

3. **Comment**

The operational infrastructure is in good shape and the water treatment plants are running close to optimal levels. Population increases are predicted to be modest. Investment in new water collection/treatment facilities is not required for about 20 years. Capital expenditure requirements for other infrastructure is low for at least the next 10 years. A slight overall decrease in operating costs is provided for next year. This is after allowing for substantial increases in power, water treatment chemicals and insurance. There is some uncertainty over infrastructure rates.

Any change in the levy has an impact on intergenerational issues related to debt repayment. Attachment 1 shows the impact of various levy percentage changes on the speed on debt reduction. A three percent levy reduction for 2002/03 and maintaining the levy at that level thereafter should result in a target debt free situation in 2025.

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. This year though, has seen modest summer consumption because of the regular rainfall. Any changes in consumption percentages of the four cities for the last few weeks of the consumption year are expected to be minor.

If the levy for 2002/03 is three percent less than the levy for 2001/02 (\$25,623,532), then it becomes \$24,854,000 (GST inclusive) and the provisional distribution is as follows:

	% of Regional Water Consumption for 48 of 52 weeks ended 27 Feb 2002	Provisional levy \$000's
Hutt	25.81	6,415
Porirua	10.70	2,659
Upper Hutt	10.86	2,699
Wellington	<u>52.63</u>	<u>13,081</u>
	<u>100</u>	<u>24,854</u>

The provisional levy figures do not include the end of year adjustment for 2001/02.

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 at this stage for 2002/03 be \$24,854M (GST inclusive), being three percent less than that set for the 2001/02 year with a provisional distribution among the four city councils as follows:*

<i>Hutt</i>	<i>\$6,415,000</i>
<i>Porirua</i>	<i>\$2,659,000</i>
<i>Upper Hutt</i>	<i>\$2,699,000</i>
<i>Wellington</i>	<i>\$13,081,000</i>

- (3) *That the final levy be determined before 30 June 2002.*

Report prepared by:

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Attachment 1: Graph