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Committee Policy, Finance and Strategy Committee
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Wholesale Water Levy 2003/4 and End of Year Adjustment Levy 2002/3

1. Purpose

To set the wholesale water levy for 2003/4 and the end of year adjustment levies for 2002/3.

2. Background

As is normal practice, the Council consulted with its water supply customers (the four metropolitan city councils) and the community about the water supply levy for 2003/4. The proposed Annual Plan outlined that the levy for the 2003/4 financial year would be the same as the levy for the current year.

Presentations on the proposed levy have been made to Porirua, Hutt and Wellington City Councils. The presentation to Upper Hutt City Council is scheduled for Wednesday 11 June.

3. Events Occurring Since the Proposed Annual Plan was Approved

3.1 Cost Increases

3.1.1 Utility Rating

Since the approval of the Proposed Annual Plan, we have been advised by three of the four City Councils that they are adjusting the methodology which determines the rating of utilities in relation to infrastructural assets. This has resulted in an estimated increase in our rates as follows:

	\$
Porirua City	110,000
Hutt City	136,000
Upper Hutt City	56,000
	<hr/>
	302,000

Wellington City has advised that their rating methodology will not change. We have also been advised that any change to the GWRC rates in this regard is unlikely to be material.

3.1.2 Other Revenue Decreases/Cost Increases

The deferral of the 1080 bait drop in the Kaitoke catchment has necessitated the rebudget of \$85,000 of 2002/03 budgeted expenditure into 2003/04.

We have been notified by the organisation's Treasury function that the return on our self-insurance investment for 2003/04 is likely to be lower, as a consequence of falling interest rates. Hence, the budgeted investment income for 2003/04 has been reduced by \$30,000.

The budgeted 2003/04 depreciation charge has also increased by \$10,000 due to a higher anticipated asset base at 30 June 2003.

3.2 Cost Savings

To offset some of these increases, we have achieved some reductions in personnel and interest costs. A reorganisation in the Operations area is budgeted to save approximately \$100,000 per annum. In addition, the forecast additional surplus for this year has been factored into the opening debt balance for next year, which should produce additional net interest savings of \$20,000 in 2003/04.

3.3 Revised Debt Position

The above budget changes reduce the budgeted operating surplus by \$307,000 (from \$642,000 to \$335,000). Assuming that the levy is maintained at the current level, this reduces the funds available for debt repayment. The impact of this is that debt for the 10-year period 2003/4 – 2012/13 remains flat with a forecast debt position in 2012/13 of \$47.3M (this compares with an opening debt position of \$48.4M). The Proposed Annual Plan showed a debt position in 2012/13 of \$45.2M. Appendix 1 shows the extended debt projections and impact on debt of various alternate levy reductions given current projections.

3.4 Submissions

Most submissions relating to water supply referred to the Kapiti water issue and our responses to those reflected our involvement in developing a pipeline proposal.

Probably the only other main issue from the general public related to water conservation. Our response has been to state that we have concentrated our efforts on reducing garden watering during summer when daily consumption demand can increase by up to 50%.

A continuing issue for Wellington City Council has been their view that debt is being repaid too quickly and hence an unfair burden being placed on the current generation. As noted above, the debt across the next 10 years has flattened even further as a result of additional costs. Our view is that the levy should remain as proposed with the opportunity to perhaps reduce the levy further next year if the projections look favourable.

4. Proposed 2003/4 Wholesale Water Levies

The proposed levy for 2003/4, as contained in the Council's proposed Annual Plan is the same as the previous year's levy. Notwithstanding the above, it is recommended that the levy remains as proposed.

If this position is approved, the levy for the 2003/4 financial year will be \$25,623,531 GST inclusive, the same as for 2002/3.

Levies for individual city councils would be as follows:

	2003/4 Levy (GST Inclusive)
	\$
Hutt City Council	6,718,442
Porirua City Council	2,812,258
Upper Hutt City Council	2,443,037
Wellington City Council	13,649,794

Total	25,623,531

For comparison purposes, the 2002/3 and 2003/4 levies are as follows:

Table 1

Council	2002/3 Levy \$(GST inclusive)	2003/4 Levy \$ (GST inclusive)	Change +/(-) %	Change \$ GST inclusive
Hutt City Council	6,604,200	6,718,442	1.9	114,242
Porirua City Council	2,744,360	2,812,258	2.8	67,898
Upper Hutt City Council	2,775,909	2,443,037	(13.5)	(332,872)
Wellington City Council	13,499,062	13,649,794	1.3	150,732
	25,623,531	25,623,531	-	-

5. Proposed End of Year Adjustment Levies for 2002/3

Because the percentage consumption assumed for each city in setting the 2002/3 levies a year ago differed from the actual consumption, year end adjustments are required. Consumption is based on the metering year that finished at the end of March 2003. Details of the adjustment levy calculations are included in appendix 2. A summary appears in table 2 overleaf.

Table 2

Council	Adjustment for 2002/3 \$ (GST inclusive)	
Hutt City Council	114,242	To pay GW
Porirua City Council	67,898	To pay GW
Upper Hutt City Council	(332,872)	Refund from GW
Wellington City Council	150,732	To pay GW

As previously advised, the adjustments are between the cities and do not affect Greater Wellington's total revenue. A refund cheque will be sent to Upper Hutt City on 20 July 2003. Likewise, invoices will be sent to the other cities for payment on 20 July 2003.

6. Communications

It is suggested that a media release is made after the Council meeting.

7. Recommendations

(1) *That the Policy, Finance and Strategy Committee recommend to Council that:*

- *Pursuant to section 91 of the Wellington Regional Water Board Act 1972, the wholesale water contributions payable by constituent authorities for 2003/4 be as follows:*

	2003/4 Levy \$ (GST inclusive)
<i>Hutt City Council</i>	6,718,442
<i>Porirua City Council</i>	2,812,258
<i>Upper Hutt City Council</i>	2,443,037
<i>Wellington City Council</i>	13,649,794
Total	25,623,531

- *The end of year adjustment levies for 2002/3 be as follows:*

	2002/3 Adjustments \$ (GST inclusive)	
<i>Hutt City Council</i>	114,242	Debit
<i>Porirua City Council</i>	67,898	Debit
<i>Upper Hutt City Council</i>	(332,872)	Credit
<i>Wellington City Council</i>	150,732	Debit

- *Settlement takes place on 20 July 2003.*

(2) *That the Council resolution be forwarded to each of the city councils under the Common Seal of the Wellington Regional Council.*

Report prepared by:

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Appendix 1: Debt Scenarios

Appendix 2: Adjustment calculations for 2002/3