

Ohuka Park Water Supply Deliberations

Thames-Coromandel District Council

Date	26 August 2014
Time	09:00
Venue	Council Chamber 515 Mackay Street Thames

Members

Mayor	GF Leach JP	
Members	HD Bartley DR Connors PL French MK McLean JP	PA Brijevich LA Fox SA Goudie JT Wells

In Attendance

Community Board	P Kelly JP	K Johnston
Chairpersons	S Peters J Walker QSM	B Renton

Deputations and Presentations

Will follow with the Draft Freedom Camping Bylaw Hearing

David Hammond
CHIEF EXECUTIVE

Members of Council



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1 Meeting Conduct

In accordance with the Local Authorities (Members' Interests) Act 1968, members are reminded to declare an interest in items in which they have a direct or indirect pecuniary interest. In such circumstances, members are required to abstain from discussion and voting and ensure that the declaration is recorded in the Minutes of the meeting.

1.1 Apologies

The Chairperson invites notice from members of:

1. Leave of absence for future meetings of the Thames-Coromandel District Council; or
2. Apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.2 Conflict of Interest

The Chairperson invites notice from members of:

1. Any interests that may create a conflict with their role as an elected member relating to the agenda item(s) for the meeting; and
2. Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968.

2 Ohuka Park Water Supply Extension

TO Thames Coromandel District Council
FROM Steve Baker- Chief Financial Officer
DATE 31 July 2014
SUBJECT Ohuka Park water supply extension

1 Purpose of Report

The purpose of this report is to inform Council's deliberations following the public consultation process to extend its water supply to Ohuka Park.

2 Background

In late 2011 Council was approached by the Ohuka Park Water Association and asked to consider taking over their water scheme.

Council's Water Services team provided an estimate of the physical works required to connect the association's network as well as indicative development contributions. Council's water services team concluded that Council's existing water supply has adequate capacity to accommodate the additional units of demand should Council decide to extend its water supply to Ohuka residents.

As part of the 2014/2015 Annual Plan deliberations it was resolved that Council would undertake a special consultative procedure on two options - connect to Council's water supply or retain the status quo. The costs to connect to the council's network were outlined as an equal share of the cost of upgrading the infrastructure to connect the networks (equal share of \$140,000 (+GST) between 76 properties identified) and a development contribution of \$2,659 (+GST) per rating unit.

The Council has formally considered the matter of extending its water supply to the Ohuka Park area twice to date - on 30 October 2013 and at the 2014/15 Annual Plan deliberations on 26 June 2014.

As a consequence of the collective decisions at these two meetings the Council has to date agreed the following regarding the possible extension to supply water to the Ohuka Park area:

- The project connecting the networks (\$140,000(+GST)) would remain within the 2014/15 Annual Plan.
- Council capped the infrastructure costs to be funded by the Ratepayers within the area at \$140,000(+GST).
- Council has provided a payment plan of the \$140,000 (+GST) for the infrastructure costs with recovery through a capital contribution targeted rate over five years (this in effect is an interest free loan).
- Council has waived the usual connection costs for these rateable units (they will be connected once the two networks are connected).
- Development contributions for rating units within the defined area and rating units to have immediate supply from the council's network once the two networks are connected is set at \$2,659 (+GST) and will be recovered from a Development Contribution repayment targeted rate over five years.
- Consultation with residents within the defined area would take place using the special consultative procedure within the Local Government Act 2002.

Consultation

The full report detailing the public consultation information, process and the results was included in the hearing report within the 13 August 2014 Council agenda. In summary -

- 72 properties indicated they would like Council to extend its water supply.
- 3 properties did not respond (these three properties are not currently supplied by the Ohuka Park Water Association)
- 1 property requested the status quo (not currently supplied by the Ohuka Park Water Association).
- The results show a majority support (94.7%) from property owners within the defined area for the proposal for Council to extend its water supply.

3 Issue/options

Two options are available to the Council - status quo or Council supplies water to Ohuka Park. Issues to consider with these two options are explained below:

1. Council supplies water to Ohuka Park option

Rating units within the defined area, as identified in the map within the consultation information, will receive the following if connected to the Council's water supply network:

- security and guaranteed provision of safe drinking water which meets New Zealand Drinking Water Standards.
- mains water pressure and the provision of fire hydrants to ensure that required fire fighting standards are met.

These benefits will provide properties that are currently not connected to either network additional resale value.

Rating Act provisions

Capital Contribution Rate

The consultation pamphlet included approximate costs \$1,867(+GST) for each rating unit for the capital project to connect the two networks. Should the Council approve taking over the Ohuka Park network and connecting the defined area to the Council water supply then the Council can recover this cost via a targeted rate over the properties within the defined area.

Development Contribution

Once Council controls the network, all those connected to it will also have to pay a one off development contribution of \$2,659 (+GST) via a targeted rate, payable over five years.

Charging the capital contribution for connecting the networks through a targeted rate means that if a property within the defined area chooses not to connect (so far one indicated their intention not to connect and 3 properties have not submitted) their property to Council's system then:

- They have to pay an equal share of the network to network connection cost (equal share of \$140,000(+GST) through a targeted rate)
- They have to pay a development contribution (at the time they choose to connect to the Council's system). They will not have the option to pay this over 5 years.
- They have to pay an annual water availability targeted rate (a similar cost to what the Association charges now)
- They would need to install and maintain a water tank (if they required water immediately).

Water Supply Rate

All the properties within the defined area would become liable to pay the Council's water targeted rate (defined in the Annual Plan as "every rating unit in the district to which there is provision or availability of the Council water service") on a differential basis of either "being connected but not metered" or "not connected". These current water targeted rates for 2014/15 are:

- Serviced \$449.98 (+GST) (fixed amount for SUIP within the defined area that will be connected)
- Serviceable \$337.49 (+GST) (all properties within the defined area that are not connected but have a pipe running past the property).

The affected properties within the defined area cannot be charged either the capital contribution targeted rate (with or without the development contribution component) or the water supply targeted rate until the 2015/16 rates are set next year.

The Council can only use matters found in Schedule 2 of the Local Government Rating Act 2002 to determine which ratepayers pay and which do not. Schedule 2 includes the following:

- 1 The use to which the land is put.
- 2 The activities that are permitted, controlled, or discretionary for the area in which the land is situated.
- 3 The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the Resource Management Act 1991, with provisos.
- 4 The area of land within each rating unit.
- 5 The provision or availability to the land of a service provided by, or on behalf of, the local authority.
- 6 Where the land is situated.
- 7 The annual value of the land.
- 8 The capital value of the land.
- 9 The land value of the land.

The water supply targeted rate, the capital contribution and development contribution targeted rates are rated on the basis of #5 (provision/availability of the water supply service by the Council).

Lump sum contribution payment option

In the consultation information the Council offered that both the combined development contribution/capital contribution targeted rate and the capital contribution targeted rate could be paid over 5 years or as a lump sum payment. The lump sum payment can be seen as advantageous to some ratepayers when interest payments form part of the targeted rate. Since the interest rates are being waived (as the capital cost is being capped at \$140,000 (+GST) there is no advantage financially to paying the contribution as a lump sum. Offering this option does however increase the administration costs involved. Based on this, officers recommend that the lump sum contribution option be withdrawn.

All of the costs outlined in this section of the report were provided in the public consultation information.

Legal issues

The Ohuka Park Water Association must relinquish its legal obligations and contractual arrangements with its members so that the network assets can be transferred from properties receiving water from the Association to the Council. A sale and purchase agreement between the Council and the Association is required with a purchase price of \$1 for the assets.

All properties currently connected to the Association water supply, and therefore having immediate connection to the Council's water supply once the two networks are connected, need to sign a form acknowledging their obligation to pay a one-off development contribution (which has been offered as a five year re-payment). The intent of this form is to ensure that there is clear awareness from those individuals that this payment is required and that Council can proceed to gather this revenue. All properties will be receiving this form and will have the option of taking up the five year development contribution payment at this point. This includes an option for those who will not draw water immediately, but would like to pay in advance for the certainty of the amount (future development contribution amounts are subject to change). Unlike a new subdivision, Council does not have the opportunity to levy development contributions for all properties as we do for new subdivisions at the time of 224 certification.

Construction of the pipe will not begin until all forms are returned from the properties currently drawing water from the Ohuka water supply, with a clear stipulation that this is a one-time offer for Development contribution payment over five years and in not signing the document development contributions would be levied at the time of connection in a one-off payment. One month will be given to ensure adequate time for the forms to be returned. Council officers will be actively following up with property owners on the collection of the forms.

2. Status quo option

If the Council chooses to maintain the status quo then the Ohuka Park Association continues to supply the current residents connected to their network. The Ohuka Park Water Scheme Association has advised the residents that the status quo includes considerable costs to be funded by the Association's members). These costs relate to:

- A significant water treatment upgrade to improve water quality and meet the New Zealand Drinking Water Standards
- Significant infrastructure upgrades (including water pumps and storage tanks) to increase system capacity and meet the growing water demands of Ohuka Park
- Installation of expensive stream monitoring equipment to regularly monitor the Tarapatiki Stream (the current water source) as required by regional council resource consents
- Employing professional contractors to regularly operate, maintain, monitor and report on the private water scheme and associated stream monitoring activities. (These functions are currently undertaken by a small number of individuals whose voluntary services cannot be relied upon with certainty in the future.)

4 Suggested Resolution(s)

That the Thames-Coromandel District Council:

1. Receives the report.
2. Having considered the submissions to the Ohuka Park Water Supply consultation, agrees to supply the defined area known as Ohuka Park (as defined in the map below) from the Council's water supply; and
3. Directs the Chief Executive to initiate construction of the infrastructure on receipt of all signed development contributions forms from properties currently drawing water from

- the Ohuka Park water supply.
4. Authorises the Chief Executive to sign a sale and purchase agreement with the Ohuka Park Association for the purchase of the Ohuka Park Association's water supply network assets for the amount of \$1; and
 5. On receipt of a signed sale and purchase agreement, and project definition for the network connection capital project, authorises the construction of the connection of the two networks.
 6. Directs the Chief Executive to include a capital contribution targeted rate over the defined area (as defined in the map below) as part of the 2015-2025 Long Term Plan, commencing in 2015/16, for five years to recover \$140,000 (+GST); and
 7. Directs the Chief Executive include a development contribution repayment targeted rate over the properties that elect to enter into the development contribution deferral payment offer as part of the 2015-2025 Long Term Plan, commencing in 2015/16, for five years to recover the development contribution of \$2,659 (+GST) per rating unit. Those properties currently not drawing water can opt to pay in advance the development contribution.
 8. Council withdraws the lump sum payment option.

Area Ohuka Park Water Supply Extension

