

1 May 2014



WASTEWATER TREATMENT PLANT AND LANDFILL JOINT COMMITTEE

A Joint Committee of the Porirua and Wellington City Councils

Notice is hereby given that, commencing at 3.30pm on TUESDAY 6 MAY 2014, a meeting of the WASTEWATER TREATMENT PLANT AND LANDFILL JOINT COMMITTEE will be held in the PORIRUA CITY COUNCIL CHAMBER, ADMINISTRATION BUILDING, HAGLEY STREET, PORIRUA CITY, to conduct the business set out as under.

TERMS OF REFERENCE

To provide governance for the joint services entered into by the Porirua and Wellington City Councils through the joint venture agreements for the Wastewater Treatment Plant and the Spicer Valley Landfill and associated land.

MEMBERSHIP

Porirua City Council:

Cr T M Sheppard (Chairperson)
Cr A M Coffey
Cr B E Kropp

Wellington City Council:

Cr M Sparrow (Deputy Chairperson)

A handwritten signature in blue ink, appearing to read "G Simpson".

Gary Simpson
CHIEF EXECUTIVE



SCOPE OF ACTIVITY

To consider and make recommendations to both Councils regarding:

- 1. Overview, input and policy formulation in the areas of management of the Spicer Valley joint landfill operation, and the Wastewater Treatment Plant, as set out in the joint venture agreements, entered into by both Councils, including development of Trade Waste Bylaws.*
- 2. Proposals for infrastructural development relating to the joint ventures*
- 3. New initiatives relating to the joint ventures*
- 4. The land associated with the Treatment Plant and landfill that provides a buffer zone between this infrastructure and the privately owned land. This refers to the reserve land around the treatment plant and landfill including the land known as Spicer Forest and Spicer Botanical Forest.*
- 5. The budget for operation of the joint ventures for inclusion in the Councils' Annual Plans / Long Term Council Community Plans*
- 6. Receipt of the Annual Report of the joint ventures for inclusion in the Councils' Annual Reports*
- 7. Any proposed service changes*

POWER TO ACT

The powers of the Joint Standing Committee as described in the Deed Relating to Joint Works dated 22 December 1986 and the powers of the Joint Committee as described in the Agreement Relating to Joint Refuse Disposal Works dated 2 May 1983

Setting of fees and charges related to the operation of the Spicer Valley Landfill and recommending the basis for charging for trade wastes at the Wastewater Treatment Plant

Decisions on acceptance of wastes into the Spicer Valley Landfill and Wastewater Treatment Plant

ORDER OF BUSINESS

PAGE

1. APOLOGIES

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.*

3. NOTIFICATION OF GENERAL BUSINESS ITEMS (STANDING ORDERS 152 AND 153)

Items of General Business at committee meetings should be conveyed to the Chairperson or called for by the Chairperson prior to undertaking the business on the agenda. Matters of General Business arising during the course of the debate should only be considered with the consent of the meeting.

Minor items not on the agenda may be discussed at a committee meeting. Where an item is not on the agenda for a meeting, that item may be discussed at that meeting if:

- a) that item is a minor matter relating to the general business of the Council and within the terms of reference of the committee; and*
- b) the Chairperson explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; and*
- c) No resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting for further discussion.*

4. ITEMS FOR DECISION

4.1. PROPOSED LANDFILL FEE INCREASE FROM 1 JULY 2014

5

Report #975314 of the General Manager Asset Management and Operations dated 31 March 2014.

CHAIRPERSON'S RECOMMENDATION

1. *That the Wastewater Treatment Plant and Landfill Joint Committee agree:*
 - a. *To increase charges at Spicer Landfill by 3% from 1 July 2014 to incentivise diversion, allow for operating cost increases and maintain parity with the other landfills in the region*
 - b. *That Sewage Sludge charges be adjusted to 135% of the General Waste charge to better align with charges at other Landfills that reflect the additional costs of managing this waste.*
2. *Note: a 3% increase would increase the General Waste charge to \$129.00/tonne. The adjusted Sewage Sludge charge would be \$174.20/tonne (both including GST).*

4.2. WASTEWATER TREATMENT PLANT AND SPICER LANDFILL CONTRIBUTION REPORT – DRAFT ANNUAL PLAN 2014/15

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Report #981835 of the General Manager Asset Management and Operations dated 28 April 2014.

CHAIRPERSON'S RECOMMENDATION

That the Wastewater Treatment Plant and Landfill Joint Committee note the contribution report for JV1 Wastewater Treatment Plant and JV2 Landfill Management.

5. GENERAL BUSINESS



WASTEWATER TREATMENT PLANT AND LANDFILL JOINT COMMITTEE

MEETING OF 6 MAY 2014

Asset Management & Operations
31 March 2014

PROPOSED LANDFILL FEE INCREASE FROM 1 JULY 2014

PURPOSE

This report seeks approval for adjustments to the landfill charges at Spicer Landfill.

SIGNIFICANCE OF DECISION

The matters considered in this report do not trigger the Council's Significance Policy.

RECOMMENDATIONS

1. That the Wastewater Treatment Plant and Landfill Joint Committee **agree**:
 - (a) to increase charges at Spicer Landfill by 3% from 1 July 2014 to incentivise diversion, allow for operating cost increases and maintain parity with the other landfills in the region
 - (b) that Sewage Sludge charges be adjusted to 135% of the General Waste charge to better align with charges at other Landfills that reflect the additional costs of managing this waste.
2. Note: a 3% increase would increase the General Waste charge to \$129.00/tonne. The adjusted Sewage Sludge charge would be \$174.20/tonne (both including GST).

Report prepared by:

Peter Keller
SOLID WASTE MANAGER

Approved for submission by:

Peter Bailey
GENERAL MANAGER ASSET MANAGEMENT AND OPERATIONS

1 CONTRIBUTION TO COUNCIL'S STRATEGIES

Relationship to Council's Strategic Priorities

A City of Villages	A Healthy Harbour	A Growing City	A Great City Experience
	✓	✓	✓

1.1 This review contributes to both Councils' strategic focus in their Long Term Plans by providing a financial incentive to reduce waste:

- To ensure Spicer Landfill is managed in a sustainable way that allows for the safe disposal of residual waste, while encouraging waste reduction to provide a great city experience, and supporting a healthy and protected harbour¹.
- A sustainable city uses resources efficiently, re-uses or recycles them, and only commits them to landfills as a last resort².

2 ASSOCIATED PORTFOLIOS

Relationship to Council's Portfolios of Responsibility

Sport, Leisure and Recreation	Community and Social Development	Infrastructure and Environment	Economy and Arts	Planning and Regulatory	Finance and Audit
✓		✓		✓	✓

Relationship to Project Portfolios

Emergency Management	Sister Cities	Village Planning	Harbour	City Centre	Community Empowerment
✓			✓		

3 BACKGROUND

- 3.1 Spicer Landfill is a joint venture, jointly owned by Porirua City Council (78.5%) and Wellington City Council (21.5%). The landfill is managed by officers of Porirua City Council on behalf of the Joint Venture.
- 3.2 Landfill income is solely from charges to landfill users. These charges pay for landfill operating and maintenance costs and for levies imposed by central government. As the landfill currently makes a surplus, rates funding is not required.
- 3.3 Wellington City's share of any surplus (when distributed) contributes to funding its waste minimisation operations, for example kerbside recycling. Wellington City's officers have noted that this share in the landfill surplus is an important part of the funding of their waste minimisation operations.
- 3.4 Landfill charges include the \$10/tonne Waste Levy imposed by central government as part of the Waste Minimisation Act 2008.

¹ Refer page 134, 2012-2022 Porirua City LTP

² Refer page 44, section 2.2 Wellington City Council LTP

3.5 The entire income from the Waste Levy goes to central government. The government then distributes half of this money back to local authorities in proportion to their relative city populations³. The amount returned to Porirua City from central government is therefore not affected by changes to landfill charges.

3.6 As of April 2014 charges (including GST) for waste are:

		Kapiti*	Porirua	Hutt	Wellington
General Waste	\$/tonne	148.50	125.20	113.00	118.20
Sewage Sludge	\$/tonne		125.20	153.00	81.96**
Special Waste	\$/tonne	220.00 to 420.00	192.00	153.00	144.20
Greenwaste	\$/tonne	65.00****	96.00	113.00	54.75
Cars	Per vehicle	16.00	18.00	15.00	Weighed***
Vans	Per vehicle	34.50 to 44.30	38.50	31.00	Weighed***

* Kapiti has two transfer stations; the costs shown are for Otaihanga. The costs for Otaki are slightly different.

** Southern (Wellington) Landfill's advertised price for sewage sludge is \$144.20; a reduced price of \$81.96 applies to sludge from the Wellington Wastewater Treatment Plants. This is the bulk of sludge disposed of at Southern Landfill.

*** Minimum charge \$8.

**** Compost NZ's (a private contractor) charge.

3.7 Of note is that at Spicer the sewage sludge charge is the same as the general waste rate. The other two landfills' advertised charges for sewage sludge are higher than the general waste rate. Kapiti does not list a sewage sludge charge, but their special waste rate is considerably higher than the special waste rate at any of the three landfills.

3.8 This paper investigates the costs and benefits of adjusting Spicer's charges, and recommends that there be a small increase in charges.

4 DISCUSSION AND OPTIONS CONSIDERED

4.1 With respect to possible changes in charges there are three options:

- Reduce charges;
- Maintain the status quo; and
- Increase charges.

³ Approximately \$530k is paid in levy per year from Spicer and \$150k is returned to PCC.

- 4.2 The following discussion considers waste minimisation, the importance of maintaining relativity to other landfills in the region, the increasing cost of provision of the landfill service, customers' ability to pay and the possible effect on avoidance (fly tipping) as a result of changing landfill charges.

Waste Minimisation

- 4.3 A gradual increase in the cost of disposing waste through increased landfill charges provides an incentive to minimise waste and recycle. This is aligned to both Councils' waste minimisation policies as noted in 1.1 above.

Relativity to other Landfills

- 4.4 As shown in the table above, Spicer's advertised charge for general waste (the bulk of landfill waste) is currently \$5 to \$12 per tonne higher than Southern's and Silverstream's respectively, but \$23 per tonne lower than Kapiti's charge. Car and van charges are similar for Porirua, Kapiti and Hutt (Wellington weighs its vehicles).
- 4.5 Spicer Landfill charges were last increased in July 2013 as part of the regular annual review of pricing. Wellington City Council also increased landfill charges in July 2013. Hutt City Council did not increase its charges last year, despite indicating that it would do so in its Annual Plan.
- 4.6 There is some evidence from analysis of the comparative waste flows that commercial operators already prefer Spicer Landfill to Southern Landfill because of ease of access, and therefore divert their trucks to Spicer (approximately half of the waste into Spicer originates outside of Porirua City).
- 4.7 If the other landfills increase their charges, and Spicer does not, commercial operators would find it more attractive to drive to Spicer to dispose of their waste. This would have two negative consequences, namely:
- an increase in environmental and social impacts such as greenhouse gas emissions, road damage and traffic accidents due to the increased use of truck transport; and
 - a more rapid filling of Spicer with a consequent reduction in the landfill life.
- 4.8 However, there is uncertainty as to whether the other landfills and the Kapiti transfer stations will increase charges and to what extent, so a cautious approach with a small increase in fees of 3% is suggested.
- 4.9 *Sewage Sludge* – Spicer's charge for sewage sludge is the same charge as for general waste, whereas the other two landfills charge a higher rate. The higher rate reflects the additional cost of the special handling required for sewage sludge.
- 4.10 It is recommended that sewage sludge charges be increased to reflect the additional cost of handling the sludge compared to general waste, and to be consistent with policy at the other landfills. An increase to match the Spicer special waste charge is not recommended as this may be large enough to incentivise diversion of sludge from Porirua to outside of the City.

4.11 A small increase in landfill charges, including an adjustment to sewage sludge charges, would have the following positive effects:

- It would provide a financial incentive for customers to consider alternatives to landfilling such as reuse and recycling. This is aligned with both Councils' policies of waste reduction.
- It would help to ensure that waste is not unnecessarily diverted to Spicer with consequent environmental and social costs and the risk of shortening the life of the landfill.
- It would help to maintain parity between the three landfills in the region.

4.12 A possible negative effect of increasing prices is publicity in the media due to complaints from some commercial operators. There was such an article quoting two operators in the Kapi Mana late in 2013.

4.13 It could be argued that Council should be aiming to set landfill prices even higher to further incentivise diversion from landfill through recycling. However, at some point waste would be diverted away from Spicer to Southern or Silverstream.

Cost of Provision of Service

4.14 The cost of providing the landfill service is met by income from landfill charges. The current status, possible cost increases and possible risks to landfill income are discussed as follows.

4.15 *Funding of Service and Ability to fund capital works* – Currently income exceeds expenditure so the operation of the landfill does not need to be funded from rates. Capital works at the landfill are funded from accumulated surpluses, as is any distribution to the two Councils.

4.16 *Operating Cost Increases* – After the first year of a contract, the landfill operator is entitled to a quarterly increase in its fee to cover cost increases. This began to affect operating costs in the second quarter of the 2012/13 financial year. In the recent past these operating fee increases have been similar to the Consumer Price Index (CPI). Costs are currently increasing at approximately 2% per year.

4.17 However, the landfill contract inflation index is based on commercial cost indices, not the CPI. The inflationary pressures on construction costs expected from the rebuild of Christchurch and major construction projects such as Transmission Gully are likely to increase costs in excess of the Consumer Price Index. In this scenario landfill operating costs would increase faster than predicted in the LTP⁴, and therefore reduce any budgeted surplus.

4.18 *Waste disposal trends* – Landfill income is directly linked to tonnage of waste to the landfill. Landfill tonnages were down on long term averages in the 2010/11 and 2011/12 years (59,353 tonnes and 54,557 tonnes respectively). They dropped a little further in 2012/13 to 53,356 tonnes. If the current trend continues, there will be a similar small drop for the 2013/14 year.

⁴ 2.5% per year.

- 4.19 Note that the construction of Transmission Gully and the Kapiti Expressway is expected to boost local economic activity from late in 2014. An increase in economic activity usually has an associated increase in disposal of waste to landfill. In the draft 2014/15 Annual Budget a 5% increase in landfill income is forecast, reflecting this.
- 4.20 *Emissions Trading Scheme charges* - Potential Emissions Trading Scheme Charges for Spicer have dropped significantly from the values used to estimate costs in the LTP.
- 4.21 The price of carbon is market driven in the short term, with European (EU) units being approximately a tenth of the price of New Zealand Units (NZU) currently. In the longer term, possibly from the middle of 2015, the price of ETS compliance may increase for Spicer due to the cheaper EU units no longer being acceptable, resulting in Council being forced to buy NZUs instead.
- 4.22 It is too early to predict if the existing Emissions Trading Scheme regulations regarding landfills will remain as they are, especially given the lack of clarity and potential loopholes that are becoming apparent.

Recommendation

- 4.23 It is recommended that 3% be added to current landfill charges to incentivise diversion, allow for operating cost increases and maintain parity with the other landfills in the region.
- 4.24 For general waste the cost would increase from \$125.20 to \$129.00/tonne.
- 4.25 It is recommended that sewage sludge charges be set at 135% of the general waste charge. This would reflect the additional cost of handling the sludge compared to general waste, and to be consistent with policy at the other landfills. This would set sewage sludge at \$174.20/tonne for 2014/15.

Ability to Pay

- 4.26 It is unlikely that a fee increase of 3% would substantially affect the ability of users to pay. For householders using a car, an increase of 3% would increase the charge for a car load of waste by 50 cents to \$18.50 (including GST).
- 4.27 A landfill fee increase of 3% would add approximately 3 cents to the cost of disposing of an average Council bag of rubbish.

Risk of Avoidance

- 4.28 It is unlikely that a fee increase of 3% would substantially increase fly tipping which is mostly smaller quantities from households. Increases in rubbish bag charges, for example, have shown a short term effect, such as an increase in the use of unofficial bags, but this abated after a few weeks.

5 OPERATIONAL IMPLICATIONS

- 5.1 Capital and operating expenditure is linked to landfill quantities. Quantities are unlikely to be significantly affected by a fee increase of 3%.

- 5.2 The proposed increase in fee would be advertised in the local media and on Council's website in June prior to the increase taking effect from 1st July.
- 5.3 Major Spicer Landfill customers, for example those with accounts, will also be informed of fee changes by letter in June.

6 FINANCIAL IMPLICATIONS

- 6.1 Landfill expenditure, including provision for future capital works and overheads, is expected to be covered by income.
- 6.2 The proposed Landfill price increase is aligned with the Revenue and Financing Policies of both Councils.
- 6.3 The recent reduction in waste disposal to Landfill equates to a drop in expected Landfill income for the 2013/14 year of approximately \$820,000⁵ compared to uninflated LTP estimates.
- 6.4 An increase in Landfill charges of 3% would increase income by approximately \$180,000⁵ assuming no change in landfill tonnages.
- 6.5 There is a small risk that this increase in charges may divert waste from the northern suburbs of Wellington away from Spicer to Silverstream or Southern, especially if the other landfills do not increase prices.
- 6.6 In the draft 2014/15 Annual Budget a 5% increase in landfill income is forecast, due to the likely increase in disposal of waste to landfill due to increased economic activity as a result of construction of Transmission Gully and the Kapiti Expressway.
- 6.7 The proposed increase in sludge prices would increase the cost of sludge disposal to the landfill from Porirua's waste water treatment plant, which is a joint venture with WCC. Based on 2012/13 sludge tonnages this would result in approximately an additional \$300,000⁶ in Wastewater Treatment Plant sludge disposal costs and a corresponding increase in Landfill income.
- 6.8 It is important to note that both the Wastewater Treatment Plant and the Landfill are jointly owned by both Councils, so the increase in cost and revenue respectively are both internal Council charges, and balance each other out. However the increase does more accurately reflect where the costs lie.
- 6.9 Because the ownership split of the Landfill differs from the Wastewater Treatment Plant, the increase in sludge charges will result in a transfer of funds from Wellington City Council to Porirua City Council, estimated at approximately \$55,000⁶ based on the current split.⁷

⁵ Excluding GST

⁶ Excluding GST

⁷ Landfill: PCC 78.5%, Wellington City Council 21.5%. Wastewater Treatment Plant: PCC 60%, WCC 40%.

7 STATUTORY REQUIREMENTS

- 7.1 There are no significant legal implications associated with this decision.
- 7.2 This review is aligned with Council's policies as described in its Solid Waste Management Plan, Spicer Landfill Asset Management Plan, Revenue and Financing Policy and the Policy on Setting Fees and Charges.
- 7.3 This review is also aligned with the recently amended Local Government Act 2002: “to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses”. The price increase meets the current and future needs of communities for good-quality infrastructure by ensuring that waste is not unnecessarily diverted to Spicer Landfill, thereby protecting its capacity and consequent life expectancy.
- 7.4 In accordance with s46 (2) of the Waste Minimisation Act 2008, Council can charge fees for a facility that are higher or lower than required to recover the costs to provide the service, providing that waste minimisation is promoted.

8 CONSULTATION

- 8.1 The Long Term Plan, section 5.2, assumes a general revenue increase of 4.9% for 2014/15.

9 CONCLUSION

- 9.1 Spicer's advertised charge for general waste (the bulk of landfill waste) is currently \$5 to \$12 per tonne higher than Southern and Silverstream respectively, but \$23 per tonne lower than Kapiti's charge. Car and van charges are similar for Porirua, Kapiti and Hutt (Wellington weighs its vehicles).
- 9.2 There is evidence that waste is already being diverted to Spicer because of ease of access and the lower price. Approximately half of the waste to Spicer originates outside of Porirua City.
- 9.3 A fee increase would:
- provide a financial incentive for customers to consider alternatives to landfilling such as reduction, reuse and recycling;
 - provide a disincentive for waste diversion to Spicer from other landfills with consequential environmental and social impacts due to increased transport;
 - reduce the risk of shortening the life of the landfill; and
 - allow for operating cost increases.
- 9.4 A fee increase would contribute to both Councils' strategic focus in their Long Term Plans by providing a financial incentive to reduce waste to landfill.

- 9.5 Wellington City's share of any surplus (when distributed) contributes to funding its waste minimisation operations, for example kerbside recycling. Wellington City's officers have noted that this share in the landfill surplus is an important part of the funding of their waste minimisation operations.
- 9.6 A moderate approach would be an increase of 3% to incentivise diversion, allow for operating cost increases (currently 2% but expected to rise) and maintain parity with the other landfills in the region.
- 9.7 This would increase the fee for general waste to \$129.00/tonne, including GST.
- 9.8 For householders an increase of 3% would increase the charge for a car load of waste by 50 cents to \$18.50, including GST. It is unlikely that a fee increase of 3% would significantly affect resident's ability to pay or increase negative behaviour such as fly tipping.
- 9.9 An adjustment to sludge charges is required so that sewage sludge charges reflect the additional cost of handling this waste, and policy that is consistent with the other two regional landfills.
- 9.10 Landfill expenditure is expected to continue to be met by income.
- 9.11 There are no significant legal implications associated with this decision.



WASTEWATER TREATMENT PLANT AND LANDFILL JOINT COMMITTEE

MEETING OF 6 MAY 2014

Asset Management & Operations
28 April 2014

WASTEWATER TREATMENT PLANT AND SPICER LANDFILL CONTRIBUTION REPORT – DRAFT ANNUAL PLAN 2014/15

PURPOSE

This report tables the Contribution Report for JV1 Wastewater Treatment Plant and JV2 Landfill Management based on the Draft Annual Plan 2014/15.

SIGNIFICANCE OF DECISION

The matter considered in this report does not trigger the Council's Significance Policy.

RECOMMENDATION

That the Wastewater Treatment Plant and Landfill Joint Committee note the Contribution Report for JV1 Wastewater Treatment Plant and JV2 Landfill Management.

Chris Hopman
WATER AND WASTE MANAGER

Approved for submission by:

Peter Bailey
GENERAL MANAGER ASSET MANAGEMENT AND OPERATIONS

1 CONTRIBUTION TO COUNCIL'S STRATEGIES

Relationship to Council's Strategic Priorities

A City of Villages	A Healthy Harbour	A Growing City	A Great City Experience
	✓	✓	✓

2 ASSOCIATED PORTFOLIOS

Relationship to Council's Portfolios of Responsibility

Sport, Leisure and Recreation	Community and Social Development	Infrastructure and Environment	Economy and Arts	Planning and Regulatory	Finance and Audit
		✓		✓	✓

Relationship to Project Portfolios

Emergency Management	Sister Cities	Village Planning	Harbour	City Centre	Community Empowerment
✓			✓		✓

3 BACKGROUND

- 3.1 Advice has been requested from the Chair as to the financial split between WCC and PCC for the Joint Venture operations. Also, advice has been requested on how this ownership split compares with actual usage by the relevant Councils.

4 DISCUSSION AND OPTIONS CONSIDERED

Wastewater Treatment Plant

- 4.1 Attached is a copy of the Operating and Capital Costs as provided for the Draft Annual Plan 2014/15 for the Wastewater Treatment Plant. Capital costs are costs for projects and include major renewals and new capital projects.
- 4.2 This shows that the Capital Split, based on ownership is:
- | | |
|-----|-------|
| WCC | 27.6% |
| PCC | 72.4% |
- This shows that the Operational Split based on usage is:
- | | |
|-----|-----|
| WCC | 42% |
| PCC | 58% |
- 4.3 Usage is determined by the “total volume of wastewater measured at the outlet flume at the Wastewater Treatment Plant during the immediately previous Measurement Year” and the “volume of Wastewater measured at Wall Place that is attributable to Wellington during the immediately previous Measurement Year”
- 4.4 The Wastewater Capital Split extends to the Johnsonville suburb of Wellington City and comprises 27.6%.
- 4.5 Prior to this year there had been some difficulties experienced with meters at Wall Place. Interim measurements had been taken which determined the 42%/ 58% split above. A

permanent meter was installed in February this year by AWT who now read and monitor the meters in accordance with the Deed Relating to the Wastewater Works.

- 4.6 The relative split for 2014/15 year will be agreed by WCC and PCC based on these flows.

5 OPERATIONAL IMPLICATIONS

Wastewater Treatment Plant

- 5.1 Operational implications do not change if there is change in the charging split between Councils.

6 FINANCIAL IMPLICATIONS

Wastewater Treatment Plant

- 6.1 It is likely that estimates above based on an operational splint of 42%/58% for WCC/PCC will change either increasing or decreasing the cost share of both WCC and PCC.
- 6.2 Staff are also currently reviewing the possibility of PCC charging a rental fee for the current capacity that WCC are using but which they do not own. This will be reviewed for the Long Term Plan.

7 DISCUSSION AND OPTIONS CONSIDERED

Landfill Management

- 7.1 Attached is a copy of the Operating and Capital Costs as provided for the Draft Annual Plan 2014/15 for JV2 Landfill Management.

- 7.2 This shows that both the Operational and Capital Split, based on ownership is:

WCC 21.5%

PCC 78.5%

- 7.3 The Operational and Capital Split extends only as far as the old Tawa Borough boundary of Wellington City and comprises 21.5%.

- 7.4 The Landfill Operating Reserve will be in deficit of \$223,000 at the beginning of the 2014/15 financial year due to funding of capital projects, distribution payments have been made of \$5.733m over the previous four years. This has been split \$4.5m to PCC and \$1.233m to WCC. This reserve will be in credit by year end of just over \$850,000.

8 OPERATIONAL IMPLICATIONS

Landfill Management

- 8.1 There are no operational implications.

9 FINANCIAL IMPLICATIONS

Landfill Management

- 9.1 Drawing down the JV2 Landfill Operating Reserve below zero has incurred interest costs on the debt. The reserve was drawn down to this level due to an overestimation of income in 2012/2013.

10 STATUTORY REQUIREMENTS

Landfill Management

- 10.1 There are no significant legal implications associated with this information.

11 CONSULTATION

- 11.1 There has been no consultation.

12 CONCLUSION

- 12.1 Porirua and Wellington City Council have recently reviewed the Deed Relating to Joint Wastewater Works and are currently working within the Operational and Capital requirements of that document.
- 12.2 Porirua and Wellington City Council continue to work together to ensure that the Spicer Landfill is managed within Resource Consent requirements and to generate a surplus for both JV2 partners.

JV1 Wastewater Treatment Plant Contribution Report

Draft Annual Plan
2014/15
\$

Calculation of Share of Operating Costs

WWTP Revenue	94,088
	94,088

Operating Costs

WWTP Operating Costs	7,515,010
Less Interest Costs	1,096,968
Less Depreciation	1,587,543
	4,830,499

Net Operating Costs	4,736,411
WCC share of Operating Costs	1,989,293
PCC share of Operating Costs	2,747,118

WCC %	42.00%
PCC %	58.00%

Calculation of Share of Capital Costs

Total Capital projects	4,266,270
Less Loans advanced	4,266,270
Total Loan repayments - Principal	1,000,341
Interest on Loans	1,096,968
Less transfer to/from Reserves	(4,472)

Net Capital Costs	2,101,781
WCC share of Capital Costs	580,092
PCC share of Capital Costs	1,521,690

WCC %	27.60%
PCC %	72.40%

JV2 Landfill Contribution

**Draft Annual
Plan
2014/15
\$**

Calculation of Share of Operating Costs

Landfill Revenue	6,346,408
	<u>6,346,408</u>

Operating Costs

Landfill Operating Costs	5,197,225
Less Depreciation	716,819
	<u>4,480,406</u>

Net Operating Profit (excluding Depreciation)	1,866,002
WCC share	401,190
PCC share	1,464,812

WCC %	21.50%
PCC %	78.50%

Calculation of Share of Capital Costs

Total Capital projects	795,000
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Net Capital Costs	795,000
WCC share of Capital Costs	170,925
PCC share of Capital Costs	624,075

JV Landfill Operating Reserve

Opening Balance 2014/15	(223,000)
Transfer In	1,866,002
Interest Allocation	5,000
Transfer Out	(795,000)
Closing Balance 2014/15	853,002