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**Report 02.58**

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

**Utility Services Division – Water Group: Proposed Operating Plans 2002-2010**

1. **Purpose**

To provide a summary of the Operating Plans for the Water Group. The attached Operating Plans provide a more detailed overview of the 2002/03 budgets

2. **Water Group Operating Plan for 2002/03 and Projections to 2010 and Beyond**

The Operating Plans, which accompany this Order Paper as separate documents, provide considerable strategic, operational and financial detail of our water supply activity. Those plans break out our operation into the way we manage the activity. This probably provides a too greater level of detail for committee review. At our budget meeting it is suggested that we concentrate on reviewing the overall operation rather than spending too much time on the parts that make up the whole.

In setting the scene for our budget discussions, I would like to briefly run through the issues facing us from strategic, operational and financial points of view.

2.1 **Strategic Issues**

Our operational infrastructure is relatively modern and in good shape. The treatment plants are now running pretty close to optimal levels. Coupled with this, the demand for water over the past 10 years is either falling or remaining steady. Population increases are predicted to be very modest. Other than short periods of peak demand, we have plenty of water and a system able to deliver it efficiently.

Our treatment plants are, or very soon will be, either graded A or B according to the current drinking water standards. Environmental objectives are also being met.

Water integration seems as far away as it's ever been and in fact the loss of the contract with the Wellington City Council means that the water system is now less integrated.

This all adds up to a period of relatively low capital expenditure. If operating expenditure can continue to be held or reduced, and with lower financial costs because of a decreasing debt level, there should be no reason why the levy could not potentially be reduced in future years.

## 2.2 Operational Issues

As mentioned above, we are very much entering a maintenance period with very few operational issues facing us in the foreseeable future.

## 2.3 Financial Issues

As *Attachment 1* outlines, our overall costs continue to fall, although we are providing for significant increases in power, chemicals and insurance. These are more than offset by savings in contractors/consultants, materials and financial costs.

Report 02.45 details the reason behind the recommended removal of the Leak Detection Programme of \$180,000 from the budget. This has been discussed with the cities who either support or are neutral as to whether we should remove this amount from the budget.

*Attachment 2* details the rationale behind our approach to debt management. Taking into account all of the above, we are recommending that the levy be dropped a further 3 percent, which follows reductions of 4 percent, 4 percent and 2 percent in the last three years.

*Attachment 3* shows debt levels incorporating various levy settings.

## 3. Recommendations

- (1) *That the report be received and contents noted.*
- (2) *That the Water Group Operating Plan be approved in principle.*
- (3) *That the draft operating plans for the Water Group be recommended to the Policy and Finance Committee for inclusion in the Councils proposed Long-term Financial Strategy 2002-2010*

DAVID BENHAM  
Divisional Manager, Utility Services

Attachments:

1. Water Supply Operational Costs
2. Regional Water Supply Debt Repayment Strategy (Bancorp) Report
3. Projected Debt Scenarios Given differing Levy Levels.