

Marohi matua 1 | Key proposal 1

Te pūtea penapena mō tō mātou whatunga ki te mana o te wai Investing in our three waters network

The purpose

We know that fixing our three waters network is a top priority for the community. The three waters network is a core service for the Council to deliver, but our network, as well as that of the region, is not performing as required due to its overall age and under-investment issues.

We want to get back to having a well-functioning three waters network, but this is going to take time and years of investment. This is not a quick fix.

We have worked with our contracted water services provider, Wellington Water, to create three options for how we could invest in our network over the next decade.

We significantly increased Wellington Water funding as part of the 2021-31 LTP, with a capital programme of approximately \$679 million over the 10 years of that plan. This was 41 percent more than in the previous LTP.

Since 2021, we have further increased Wellington Water's annual operational funding each year, with an additional \$29m of operational funding to find and fix leaks.

Over the past three years, we have found out more about the state of our pipes and what it is going to take to fix them. Inflation has also impacted on how much we need to spend. The key issues are:

- Approximately 43 percent of our pipes are due for renewal in the next 30 years
- Investment has increased, however there is a growing backlog of leaks to be fixed
- About 44 percent of the region's drinking water is lost through leaks.

The options

Council's preferred budget for Wellington Water funding is shown in Option C. This is an increase in the total capital funding for Wellington Water

for the three waters network (excluding the sludge minimisation facility) - from \$679 million over 10 years in the 2021 Long-term Plan to \$1.2b over 10 years in this plan.

Option C includes operational funding of \$676.7m over the 10 years of the Long-term Plan. This makes up 2.5 percent of the proposed rates increase. Options A and B would result in lower overall rates increases due to lower levels of operational funding being provided to Wellington Water.

These costs exclude the operating costs the Council incurs to run the three waters network (eg depreciation and interest). For context, the full 10-year operating cost of our water network is included in the footnote in each option's costs.

It is important to note that the level of funding to Wellington Water is still below the required level to address all network issues, and below the recommended maximum deliverable level of funding presented by Wellington

Water (\$1.8b CAPEX and \$700m OPEX over 10 years).

Increasing to the maximum level of investment would cost more than the community can afford. Further work is required with central government and the other Councils in the region to review the model for three waters infrastructure management, so that a higher level of funding can occur in future. More information on the future of three waters management and funding is on page 53.

We also have other financial challenges coming up in the future, especially with our earthquake prone buildings, so we need to retain the ability to scale up our investment over time and respond to those issues. This is consistent with our draft Infrastructure Strategy and Financial Strategy.

Tell us what your preferred option is for our funding for Wellington Water in your submission.

Option A Investment of \$615.1m OPEX and \$896.7m CAPEX



Operating Costs and Rates impact (Year 1)

Rates impact: 0.91% rates increase over last year. This option would be a decrease in the proposed 16.4% overall rates increase.

Option A operating costs*: Total \$615.1m for Wellington water

- Drinking water: \$191.2m
- Wastewater: \$362.9m
- Stormwater: \$61.0m

*Only Wellington Water funding, excludes other Council operating costs (eg depreciation, interest). Total 10-year operating costs incurred by Council: **\$3.25b**. (Drinking water: \$1.36b, Wastewater: \$1.33b, and Stormwater: \$566m).

Debt impact (10 years)

Total: \$1.12b

Option A debt impact:

\$896.7m for Wellington Water

- Drinking water \$266.8m
- Wastewater \$469.5m
- Stormwater \$160.4m

Plus \$261.5m for the Sludge minimisation facility.

Level of service and risks

This option is below Wellington Water and the Council's recommended level of funding and would lead to regulatory non-compliance (with legal risks), increased water leaks and a growing backlog of deferred renewals and upgrades across the three waters network. Water supply risks would remain, and other critical network risks would remain unaddressed. Growth in the network to support the District Plan would remain unfunded for the full 10 years of the LTP. This option does not include funding for the water meters business case or installation.

Operational funding: \$55.0m per year plus inflation (\$615.1m over 10 years)

This is continuing the level of Wellington Water's funding for the three waters network at 2023/24 funding levels, with increases for unavoidable cost escalations at the Treatment Plants and for monitoring and operational activity.

Capital funding: \$896.7m over 10 years

This option includes the following capital expenditure projects:

1. Wrights Hill drinking water reservoir seismic improvements
2. Some Very High Critical Asset reservoir water quality renewals
3. Stormwater Improvements
4. CBD Pump station rising main programme
5. Karori Effluent Pipeline Remediation
6. Wastewater Renewals of some critical assets at the Moa Point and Western Wastewater Treatment Plants
7. Planned and reactive network renewals across all waters
8. Partial funding of water pressure management
9. Reactive renewal of existing assets.

Option B Investment of \$617.5m OPEX and \$1.0b CAPEX



Operating Costs and Rates impact (Year 1)

Rates impact: 1.39% rates increase over last year. This option would be a decrease in the proposed 16.4% overall rates increase.

Option B operating costs*: Total \$617.5m for Wellington water

- Drinking water \$193.6m
- Wastewater \$362.9m
- Stormwater \$61.0m

*Only Wellington Water funding, excludes other Council operating costs (eg depreciation, interest). Total 10-year operating costs incurred by Council: **\$3.27b**. (Drinking water \$1.37b, Wastewater \$1.33b, and Stormwater \$566m).

Debt impact (10 years)

Total: \$1.3b

Option B debt impact:

\$1.0b for Wellington Water

- Drinking water \$309.6m
- Wastewater \$544.7m
- Stormwater \$186.1m

Plus \$261.5m for the Sludge minimisation facility.

Operational funding: \$55.0m per year plus inflation + \$2.4m in Year 1 (\$617.5m over 10 years)

This is the same level of Wellington Water operational funding as in Option A, but with the addition of \$2.4m in the first year of the plan that will be ring-fenced for the planning and design work for water meters. If approved, these would be rolled out from 2027/28.

Capital funding: \$1.0b over 10 years, including \$143.6m for water meters from Year 4

This option includes the same capital expenditure projects in Option A, plus \$143.6m from year 4 to deliver the meters. How, or if, these will be implemented will be based on the business case and formal consultation with the community ahead of any decisions.

Level of service and risks

This option has the same risks as those outlined in Option A, including that growth in the network to support the District Plan will be unfunded and that some required renewals and upgrades across the three waters will remain underfunded. Rolling out water meters will reduce some of the medium and long-term risks to water supply by making leaks easier to identify, reducing demand for water, and managing water loss in the network. However, installing water meters without also investing in other initiatives will not address the acute or long-term water shortage issue.

Option

C

Investment of \$676.7m OPEX and \$1.2b CAPEX



Operating Costs and Rates impact (year 1)

Rates impact: 2.50% rates increase, which is included in the proposed 16.4% rates increase

Option C operating costs*: Total \$676.7m for Wellington water

- Drinking water \$252.8m
- Wastewater \$362.9m
- Stormwater \$61.0m

*Only Wellington Water funding, excludes other Council operating costs (eg depreciation, interest). Total 10-year operating costs incurred by Council: **\$3.33b**. (Drinking water \$1.39b, Wastewater \$1.36b, and Stormwater \$579m).

Debt impact (10 years) Total: \$1.42b

Option C debt impact: \$1.16b for Wellington Water

- Drinking water \$347.1m
- Wastewater \$610.7m
- Stormwater \$208.6m

Plus \$261.5m for the Sludge minimisation facility.

This option is preferred by the Council as it is the greatest level of investment that is affordable within Council's current financial constraints.

It will help to address some of the drinking water network issues in the short to long-term with additional operational funding for short-term work to address water leaks as well as initiatives, such as water meters, to address water supply over the medium to long-term.

Our capital expenditure in this option has been prioritised toward the most critical wastewater network risks.

Operational funding: \$60.3m per year plus inflation + \$2.3m in Year 1 (\$676.7m over 10 years)

This option includes a modest increase in Wellington Water operational funding over the money provided in 2023/24. It is the maximum affordable budget for the Council.

Capital funding: \$1.2b over 10 years, including \$143.6m for water meters from Year 4

This option includes the same Wellington Water capital expenditure projects in Option A, plus \$143.6m from Year 4 to deliver the meters as in Option B. How, or if, water meters will be implemented will be based on the business case and formal consultation with the community ahead of any decisions.

Plus the following additional projects:

1. Golden Mile opportunistic renewals
2. Bell Road and Moe-i-te-Ra Reservoirs from Year 9
3. Eastern Trunk Wastewater Main - Stage 1 Airport cargo area pipe
4. Airport wastewater interceptor contingency pipe.

Level of service and risks

This option includes reducing the investment in stormwater and wastewater network renewals in Years 8, 9 and 10 by \$83m. The funding has been moved forward and reprioritised to address some critical risks such as the most critical section of the wastewater Eastern Trunk Main. This means the required waste and storm water renewals and upgrades would remain underfunded in this option, with ongoing risks as a consequence.

The primary focus of this option is improving the performance of existing infrastructure. Investment across the three waters network to support population growth will be a focus for the 2027 LTP.

This is still a lower level of investment than is required in three waters and will require focused work on identifying alternative models for water management in the Wellington region to enable an increased level of funding to occur in the future.



Preferred option