



# Capital Contributions Policy 2022

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## **1. Introduction**

- 1.1. Council operate a number of reticulated water, wastewater and stormwater systems (three waters network) in Feilding and a number of the villages. A list of the current schemes are detailed in Appendix One. This policy applies to all existing networks and any new networks that may be added.
- 1.2. Periodically property owners wish to connect to these systems or schemes, generally, because the property has never been connected to the service or a new dwelling or business is being added.
- 1.3. Capital contributions are the property owner's payment to access the existing three waters network.
- 1.4. The capital contribution ensures that new residential and non-residential connections to a three water network pay an equitable share of the network and are not subsidised by the existing ratepayers.
- 1.5. A capital contribution for three waters infrastructure is required where additional units of demand are created.

## **2. Units of demand**

- 2.1. A unit of demand is defined as:
  - A Household Unit Equivalent (HUE) – the typical demand for an activity by an average household. A single residence is one HUE, no matter the size.
  - A HUE has the same meaning as dwelling in the Manawatu District Plan i.e. any building, whether permanent or temporary, that is occupied or intended to be occupied, in whole or in part, as a single residence. It includes any motor vehicle that is occupied on a permanent or long-term (six months or more) basis.
  - Non-residential building or activity will be assessed based on the planned activity and the resulting Household Unit of Demand

## **3. Why Council charges a capital contribution**

- 3.1. Capital contributions are the property owner's contribution to the three waters network they wish to connect to.
- 3.2. The existing ratepayer through capital contributions, development contributions, fees and charges and rates has funded the network over time. Historically, large projects were loan funded and then the loan principal repayments were funded by a separate rate charged to connected properties.
- 3.3. The capital contribution ensures that new connections to the three waters networks pay their fair share and are not subsidised by the existing ratepayers.

A simplistic example:

- A new scheme was built at a cost of \$1,000,000 for 100 properties. The capital contribution attributed to each property would be \$10,000.
- This would be charged to the connected properties by way of a capital contribution or a targeted rate to pay the principal portion of the loan for capital works.
- Properties that are able to be connected to the scheme, fund the operating costs of the scheme through a targeted rate for the service.
- The valuation of the property increases due to the connection to services or the availability of services.
- The cost to Council to connect individual properties may be small in comparison to the revenue received (as the scheme already has the capacity to accommodate additional connections). In this example a full capital contribution of \$10,000 is payable, it would be inequitable for existing properties to have paid full contributions if new properties only paid a portion of that cost.
- Capital contributions change over time to reflect increases in costs (inflation) and the changes in the value of the scheme..
- Unspent capital contributions are put into the activity fund and can only be used on that specific activity. This would be used to fund future expenditure on the scheme.

## 4. What is a Development Contribution

- 4.1. Development contributions are intended to enable Council to recover from developers a fair, equitable and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.
- 4.2. Development contributions are only payable on properties within the development contribution areas outlined within the development contributions policy
- 4.3. Development contributions are calculated in accordance with Council's development contributions policy.

## 5. What is a Capital contribution

- 5.1. Fees payable to Council for expenditure that is already undertaken, to allow for the connection to an existing Council owned three waters network for areas outside of the development contribution area

## 6. Trigger for requiring a Capital Contribution

A capital contribution is payable when making a new physical connection (including any new unit of demand created on existing properties ) to a Council owned three waters network for:

- connections outside of Feilding.
- connections outside the Feilding DC scheme area

- 6.1. A capital contribution is **NOT** payable in the following situations:
- If the property or dwelling has paid (or will pay) a development contribution for the service being connected to, (new unit of demand)
  - If the property has been paying availability charges through rates for the relevant service for the last 10 years.
- 6.2. Examples of when a capital contribution is payable are documented in Appendix Two.

## 7. When is a Capital Contribution Payable

- 7.1. An invoice for capital contribution charges will be issued to provide an accounting record and to initiate the payment process.
- 7.2. An invoice for any capital contribution charges will be issued at the time the application for service connection has been approved.
- 7.3. Payment of the capital contribution charges is due by the 20<sup>th</sup> of the following month
- 7.4. Council authorisation to the nominated and approved service contractor will be issued once payment is received.

## 8. How is the capital contribution to be calculated

Capital contribution fees form part of the Councils fees and charges which are set on the 1 of July each year.

Council has standardised the capital contribution payable on the three waters network schemes by activity (Water, Wastewater, Stormwater) with the exception of the Rural water schemes and Himatangi wastewater.

**The capital contribution is calculation:**

$$\frac{\text{“Total book value of the relevant schemes”}}{\text{divided by}} \\ \text{“Total number of available connections to the relevant schemes”}$$

- The **book value** is the depreciated replacement cost of the scheme as at 1 July preceding the year the fees relate to. Council re-values its scheme assets annually. The revalued amount reflects a combination of the replacement costs of the scheme (through capital works or inflation) and the reduction of the value of the scheme through use (by depreciation).
- The **number of available connections** to a scheme is calculated on the number of properties where the scheme network already goes past the property boundary.
- **A connection** as used in the Capital Contribution calculation is defined as physical connection to a three waters network provided by, or on behalf of, Council

## 9. Rural Water Schemes

- 9.1. Rural Water Schemes pay capital contributions under this policy. Each scheme has their own rules surrounding the ability to transfer any units.
- 9.2. The capital contribution payable for all rural water schemes is scheme specific (not part of the standardised pricing)
- 9.3. Council owns and manages the following rural water schemes:
  - Stanway/Halcombe Rural Water Scheme
  - Waituna West Rural Water Scheme
  - Ohakea Rural Water Scheme
- 9.4. Council owns but does not manage the following rural water schemes:
  - Kiwitea Rural Water Scheme
  - Oroua Rural Water Scheme
- 9.5. Stanway Halcombe Rural Water Scheme had an option to lease units
  - Scheme units may be leased for a period of up to three years with the annual lease fee being 10% of the unit value.
  - While scheme units are being lease, the annual targeted rate is payable in full from the 1<sup>st</sup> of July following the signing of the lease agreement
  - A scheme contribution is payable from the point of signing the agreement up to the next date of 1<sup>st</sup> of July, being a prorated amount of the scheme rate value for that year

## 10. What other fees are to be charged for connection

- 10.1. With the exception of the schemes below, the physical connection is performed by one of Council's approved licensed contractors. The property owner is to directly engage the contractor. Manawatū District Council will charge an administration fee to cover costs of processing and inspections.
- 10.2. The exceptions are:
  - Rongotea Water – Council staff are required to activate the connection.
  - Sanson Water and Mount Taylor – Council staff are required to activate the connection due to the need for restrictors.
  - Stanway Halcombe Rural water scheme & Waituna West Rural water scheme – Council staff are required to activate the connection.
  - Himatangi Beach Wastewater– Council has contracted out the installation of the pump stations.

## 11. What if the reticulation network does not go past the property

- 11.1. There are times when a property owner requests an extension to an existing three waters network to enable a property to be connected. In these cases, the costs of extending the network are the responsibility of the property owner.

11.2. However, there may be times when Council can see future benefit to other property owners to connect into the extended reticulation network. Council may, at its sole discretion, contribute towards the costs of the network extension. In making this decision the following may be considered:

- The size and material of the pipes being used (Council may request a larger pipe to accommodate future connections)
- The location of the pipe
- The number of future property owners that could potentially connect
- Alignment with Council's planned urban growth.

## 12. Appendix One – List of scheme networks

<b>Activity</b>	<b>Scheme</b>	<b>Fee status</b>
<u>Water Supply</u>		
	Feilding water	Standardised
	Himatangi Beach water	Standardised
	Rongotea water	Standardised
	Sanson water	Standardised
	Stanway Halcombe rural water supply	Rural Water Supply
	Waituna West rural water supply	Rural Water Supply
	Ohakea rural water supply	Rural Water Supply
<u>Stormwater</u>		
	Feilding stormwater	Standardised
	Cheltenham stormwater	Standardised
	Rongotea stormwater	Standardised
	Sanson stormwater	Standardised
	Himatangi stormwater	Standardised
	Halcombe stormwater	Standardised
	Tangimoana stormwater	Standardised
<u>Wastewater</u>		
	Feilding wastewater	Standardised
	Awahuri wastewater	Standardised
	Cheltenham wastewater	Standardised
	Halcombe wastewater	Standardised
	Kimbolton wastewater	Standardised
	Rongotea wastewater	Standardised
	Sanson wastewater	Standardised
	Himatangi wastewater	Scheme Wastewater service

### 13. Appendix Two – Examples of when a capital contribution is payable

#### Example one:

Situation: A ratepayer adds a second dwelling to their property  
Capital contribution: A new unit of demand (HUE) is being added and the capital contribution is payable for each utility being connected to.

#### Example two:

Situation: A ratepayer develops a bare section and builds a dwelling. The property was subdivided into a separate property 12 years earlier and has been paying a water and wastewater “serviceable connection” as well as a stormwater targeted rate since it was subdivided.

#### Example three:

Situation: A ratepayer has two bare sections and is building a dwelling on each section. The sections are in two titles and on two rating units and have been for many years. The sections are contiguous. This means they share a boundary, are in the same ratepayer’s name and have the same use (i.e. bare land). For rating purposes, they must be treated as one property. They will have only been charged for one set of water serviceable, wastewater serviceable and stormwater targeted rates.  
Capital contribution: Two new units of demand (HUE) are being added. However, the property has been paying rates for the equivalent of water and wastewater and stormwater targeted rates for one rating unit for over 10 years.  
Therefore, a capital contribution **is payable for one HUE.**