

DRAFT Capital Project Funding Plan for Tarawera Sewerage Scheme, Rotorua

The Tarawera Sewerage Scheme Capital Project Funding Plan in accordance with Section 117B(3) of Local Government (Rating) Act 2002.

Scheme Area

The Tarawera Sewerage Scheme covers those properties located within the lakeside settlement of Tarawera (including Spencer Road) The scheme area is delineated in Appendix 3.

Scheme Purpose

Most homes in the Tarawera catchment rely on septic tanks, which over time leach into the lake. Wastewater reticulation is therefore crucial to delivering on the National Policy Standard for Freshwater Management and to achieve a measurable difference in arresting the ongoing decline of water quality in Lake Tarawera through addressing the manageable pollution factors. The requirement of the National Objectives Framework in respect of total phosphorus loading is particularly relevant here. The Bay of Plenty Regional Council has set a Trophic Lake Index target for Lake Tarawera, which depends in part on the Rotorua Lakes Council delivering in a timely manner on the proposed sewage reticulation project.

The Rotorua Lakes Council recognises that the removal of any sewage-sourced nutrient load from Lake Tarawera is a helpful step in meeting its obligations under the National Policy Statement, in addition to removing pathogens and emerging organic contaminants that can have a significant health impact on the community. The Council and the local community need some financial support to deliver on this objective.

Acknowledging the Tarawera Property Owners are the single largest financial contributor to this scheme this Capital Project Plan serves as a transparent and comprehensive document outlining commitments for all stakeholders.

Key Dates

The Tarawera Sewerage Scheme Capital Project Funding Plan will commence 1 July 2025 and expire 30 June 2050. The sewerage scheme commenced on March 2024 [and Stage 1 is complete].

The Tarawera Sewerage Scheme essential dates are as follows:

Council Presentation/Adoption Dates:

Adoption of Plan into 2021-2031 Long Term Plan	June 2020
Consultation to Rotorua community	March 2025
Preferred rating option adopted	June 2025

Construction Dates:

Tarawera Sewerage Scheme Period:	May 2023 to June 2027
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Commencement date of Capital Funding Plan:

1 July 2025

Last date to elect to connect to the Tarawera Sewerage Scheme to obtain subsidy and have Council connect your property

25 June 2025

Payment Dates for Tarawera Ratepayers:

Targeted rate for stage 1 (all properties) and Stage 2 (connected properties):	See below
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Estimated Total Scheme Cost

The total estimated capital cost for the Tarawera Sewerage Scheme is **\$32,179,000 (excl. GST)**.

Cost Breakdown by Project Component

Project Component	Estimated Cost
Stage 1 – Network Infrastructure	\$18,300,600
Stage 2 – On-site Installations	\$12,340,000
Additional Cost – Lake Rotokākahi	\$1,538,000
Total Estimated Scheme Cost	\$32,179,000

The scheme cost has considered the future development of those areas to be serviced by the mains infrastructure, but it does not incorporate the future value of the on-site pre-treatment units and installation for those properties that are yet to be developed.

Existing properties on non-compliant systems: 408
Growth and future development properties: 142

Once existing OSET system consents expire (36) they will be connected to the network, leaving further targeted growth of 106 (total 550).

Funding Breakdown

The funding for the project is sourced from a mix of central government grants, local council contributions, and Lake Tarawera property owners' capital charges.

Ministry for the Environment

In April 2017 the Tarawera Community Steering Committee proposed and together with Council applied to the Ministry for the Environment for funding support to progress a Tarawera waste water reticulation scheme. The application received \$6,500,000 of funding in July/August 2017.

District Council

Rotorua District Council is contributing \$2,700 per property from general rates as a subsidy towards the costs of the sewerage scheme in line with the council funding policy. For Tarawera this is based on the total number of properties of 550 (this includes 408 developed connections and 142 growth & yet to be developed). This results in a Rotorua Lakes Council contribution of \$1,485,000.

An additional \$1,100,000 has been agreed to be funded via the Lakes Enhancement rate.

Regional Council

Bay of Plenty Regional Council is contributing \$750,000.

Department of Internal Affairs – Better-of-Funding

Rotorua Lakes Council agreed to redirect \$2,050,000 of 'Better-off-Funding' towards the Tarawera Sewerage Scheme in 2024, to assist with the cost impact on property owners. In order to be eligible for this funding, a property owner will need to have agreed to connect their property to the Tarawera Sewerage Scheme prior to 25 June 2025. This funding, which amounts to \$5,024 (ex GST) per property, will be directly applied by Council in reducing the cost of Stage 2.

Confirmed Funding Sources:

Funding Source	Contribution (excl. GST)
Ministry for the Environment	\$6,500,000
Bay of Plenty Regional Council	\$750,000
Rotorua Lakes Council (\$2,700 per property subsidy)	\$1,485,000
Department of Internal Affairs – Better Off Funding	\$2,050,000
Rotorua Lakes Council (Lakes Enhancement Rate)	\$1,100,000
Rotorua Lakes Council (Lake Rotokakahi Write-off)	\$1,538,400
Total External and Council Funding	\$13,423,400
Remaining Cost to be Funded by Property Owners	\$18,755,600

The remaining cost to be funded by property owners will be recovered either from lump sum contributions from those that accept the invitation to fund by lump sum, or alternatively by a targeted rate. Rotorua Lakes Council [will] borrow to fund the costs of the Tarawera Sewerage Scheme if and to the extent that lump sum contributions are not received.

Capital Contributions

The type and size of Low-Pressure Grinder Pump (LPGP) required at each site will be determined per connection (based on the volume/flow of wastewater generated by the premises).

The Capital cost per connection consists of two components, and is applicable to both developed and undeveloped sites:

- \$15,392 (excl. GST) for the stage 1 contribution to the network
- \$25,221 (excl. GST) for the stage 2 installation of the onsite system (this is based on a single HUE, and will increase depending on the development on the site – see below)
- **Property owners with developed sites with one HUE**, will pay the total of \$40,613 (excl. GST) or \$46,704 (incl. GST).
- **Property owners with undeveloped sites**, who elect to make a lump sum contribution but connect to the scheme at a later stage will pay \$15,392 (excl. GST) for their stage 1 contribution to the network. However, the additional cost for installing the stage 2 onsite system will be determined at the time of connection on a case-by-case basis and will be payable by the ratepayer directly to the applicable contractor they select to perform the works. This may result in a different total cost compared to what existing ratepayers have paid, due to factors such as inflation or changes in materials and technology.

The lump sum charge for the stage 1 contribution is a fixed charge per rateable property. However, if a ratepayer does not elect to make a lump sum payment and does not connect to the system, then the basis for assessing the Stage 1 targeted rate will be on the number of separately used or inhabited parts of the rating unit [SUIP]. If a property owner has more than one SUIP, this will result in a higher charge overall.

Both will pay their respective lump sum contribution on the date specified in this plan.

Due to sewerage discharge volumes some installations will require different sized grinder pumps. To ensure fairness, an adjustment in the stage 2 installation cost will be made to reflect the cost of their specific pump per property. See appendix 1 & 2.

Both the indicative lump sum contribution and targeted rate for each connection over a 25- year payment term and based on a 6% cost of capital charge are as follows:

Single HUE (Simplex)	Payment Frequency	Amount (incl. GST)
Targeted Rate stage 1	Quarterly (25yrs)	\$343
	Yearly (25yrs)	\$1,371
Targeted Rate stage 2	Quarterly (25yrs)	\$562
	Yearly (25yrs)	\$2,247
Lump Sum Stage 1	One off	\$17,701
Lump Sum Stage 2	One off	\$29,004

Double HUE (Duplex)	Payment Frequency	Amount (incl. GST)
Targeted Rate stage 1	Quarterly (25yrs)	\$343
	Yearly (25yrs)	\$1,371
Targeted Rate stage 2	Quarterly (25yrs)	\$1,124
	Yearly (25yrs)	\$4,495
Lump Sum Stage 1	One off	\$17,701
Lump Sum Stage 2	One off	\$58,007

Quad HUE (Quadplex)	Payment Frequency	Amount (incl. GST)
Targeted Rate stage 1	Quarterly (25yrs)	\$343
	Yearly (25yrs)	\$1,371
Targeted Rate stage 2	Quarterly (25yrs)	\$2,247
	Yearly (25yrs)	\$8,989
Lump Sum Stage 1	One off	\$17,701
Lump Sum Stage 2	One off	\$116,015

Payment Options

Property owners are to be given a choice of either paying the default targeted rate over the payment period of 25 years or opting for a lump sum payment.

Targeted Rates

Council will set two targeted rates in respect of the Tarawera Sewerage Scheme:

- A Stage 1 Tarawera Sewerage Scheme Targeted Rate; and
- A Stage 2 Tarawera Sewerage Scheme Targeted Rate.

The targeted rates will be assessed on all rating units in the Tarawera area (see Appendix 3) that have not made lump sum contributions to those rates. For the Stage 2 Tarawera Sewerage Scheme Targeted Rate, this will only be assessed on those rating units in the Tarawera area (see Appendix 3) that are connected to the Tarawera Sewerage Scheme on 30 June 2025, or have agreed to be connected to the scheme by 25 June 2025.

The estimated number of rating units liable for the rates is 550, less those that make lump sum contribution(s).

Liability for the rates will be as follows:

- For the Stage 1 Tarawera Sewerage Scheme Targeted Rate, a charge based on the number of SUIPs in the rating unit; and
- for the Stage 2 Tarawera Sewerage Scheme Targeted Rate, a rate based on the [number or nature of the connections from the land to the Tarawera Sewerage Scheme][the number of water closets within the rating unit].

Note that if you do not elect to join the Scheme by 25 June 2025, no Stage 2 Tarawera Sewerage Scheme Targeted Rate will be assessed on your property, but you will be responsible for all the costs of connecting to the scheme, using Council's approved contractors and pre-approved equipment.

It is not expected that there will be any circumstances under which the categories of rating unit or calculation of the targeted rate(s) will change.

The estimated amount of the targeted rates that a rating unit would be liable for are set out in the tables above under "Capital Contributions." These rates would be collected over 25 years.

Three options are to be offered to the property owners.

1. Lump sum - Pay the full amount by end 31 August 2025.
2. 25-year targeted rate – Spread payments over 25 years (default option).
3. Quarterly Payments transitioning to lump sum – Begin with quarterly payments from 1 July 2025 and switch to a lump sum upon connection or any subsequent time elected by individual property owners.

All stakeholders recognize the timely completion of the scheme is essential and that the signing of locality plans is a prerequisite to progress consents. All Tarawera property owners will receive a letter from Council before 30 June 2025, sharing the Capital Funding Plan and inviting them to make a lump sum payment. Property owners will then have one month to advise their preferred option which will acknowledge their agreement to sign their agreed locality plans as an official step in the process. Council will provide ratepayers with the option of electing a lumpsum in the future should they wish to opt out of the targeted rate.

Lump Sum Payment and Credit Adjustments

Under option 3 above, when and if property owners opt for the lump sum payment a credit will be applied for all capital payments previously made. In the first rateable year (1 July 2025 – 30 June 2026), all prior payments will be credited without interest deductions, and in any subsequent years a funding fee will be deducted at 6% per annum.

Subdivision and Development

The scheme area has approximately 142 growth properties. All new subdivisions and developments will be required to connect to the network and install the appropriate on-site system. The capital costs for sewerage infrastructure and onsite system associated with any subdivision and/or development will be calculated as follows:

Contribution to the capital costs of 1) the network costs of \$15,392 (excl. GST) per property owner plus, 2) the market price for the purchase and installation of the onsite system as outlined in the capital contributions section previously.

Funding Plan Expiry Date

This funding plan will expire on 30 June 2050, except for the Operation, Maintenance, Repairs and Renewal section in Appendix 2, which remains in perpetuity.

Consultation Process

Below is an overview of the consultation process to date.

The consultation process for the Lake Tarawera wastewater scheme involved extensive engagement with various stakeholders over the past decade. Initial consultations began with the establishment of the Lake Tarawera Sewerage Steering Committee in 2015, which included representatives from local iwi, Māori landowners, and community groups. This committee explored viable wastewater management options and conducted Cultural Impact Assessments to understand the potential effects on the community and environment.

From 2019 to 2021, the council held multiple meetings with the Tuhourangi Protocol Committee and other stakeholders to discuss the scheme's viability and cultural considerations. Community feedback was actively sought through letters and consultations, leading to the formation of a funding sub-committee to address concerns about payment options.

In 2022, a significant consultation with Tarawera property owners showed strong support for the proposed two-stage approach to the scheme. Ongoing communications with the Lake Rotokākahi Board of Control aimed to agree on cultural and risk site monitoring, ensuring that the project respected local cultural values.

Throughout 2023 and 2024, the project faced challenges due to protests and the need for further engagement with iwi and mana whenua. Large hui and discussions with iwi leadership were held to address concerns and find a common position to protect Lake Tarawera.

By January 2025, the consultation process had led to the agreement on mitigation measures for Stage 1 works, including the appointment of a cultural monitor and technical adjustments to the pipeline.

Appendix 1: Financial Breakdown

Cost	Stage1	Stage2	Total
Contract Cost	16,740,600	11,000,000	27,740,600
Planning, Design & General	1,560,000	1,340,000	2,900,000
Lake Rotokakahi Cost	1,538,400	-	1,538,400
Total Cost	19,839,000	12,340,000	32,179,000
Funding			
Ministry for Environment	6,500,000	-	6,500,000
Better-of-Funding	-	2,050,000	2,050,000
BOPRC	750,000	-	750,000
RLC - Lakes Enhancement	1,100,000	-	1,100,000
RLC - General Subsidy	1,485,000	-	1,485,000
RLC - Lake Rotokakahi Write-off	1,538,400	-	1,538,400
Total Funding	11,373,400	2,050,000	13,423,400
Resident Funding	8,465,600	10,290,000	18,755,600
Property Split	550	408	
Resident Funding per property (excl GST)	15,392	25,221	40,613
Resident Funding per property (incl GST)	17,701	29,004	46,704
% Resident Funded	43%	83%	58%
	Simplex	Duplex	Quadplex
Payment Frequency Incl GST	25 yrs	25 yrs	25 yrs
One-off	46,704	75,708	133,716
Annual	3,619	5,866	10,361
Quarterly	905	1,467	2,590

Stage 1 is split between 550 properties (408 existing, 142 growth)

Stage 2 is split between 408 properties (408 existing)

Appendix 2: Operation, Maintenance, Repairs and Renewal:

Upon completion, the Tarawera Sewerage Scheme will become part of the Rotorua district's wastewater network. The ongoing costs for operation, maintenance, repairs, upgrades, and renewal will be managed and funded by the Council in perpetuity through an Annual Sewerage Operational Rate, payable by all connected district ratepayers. This rate is part of the general wastewater rates and is not an additional or special charge for the Tarawera properties. The rate will be adopted by the Council for all district-connected properties and will be charged on a quarterly basis from the following financial year in which each individual property is connected to the scheme.

The Council will be responsible for all infrastructure and connections from the Low-Pressure Grinder Pump (LPGP) system to the boundary connection and alarm switchboard of the district's sewerage network.

Property owners are responsible for ensuring a safe and adequate switchboard and electrical supply.

Adjustments:

Costs:

It is expected some properties may have an inadequate or unsafe electrical supply to run their installed LPGP. In this case, and if required, the applicable remedial costs will be identified against each site installation and charged separately, at cost, to the ratepayer.

LPGP Cost Differentiation:

Due to sewerage discharge volumes some installations will require different sized grinder pumps, and each property owner will fund the cost of their specific pump.

The cost of these differs and a differentiation will be applied. Differential applies to only stage 2 onsite connections:

Differential Categories	Stage 1	Stage 2	Rate per HUE (incl. GST)
	Relative Differentials	Relative Differentials	
Simplex	1	1	\$46,704
Duplex	1	2	\$75,708
Quadplex	1	4	\$133,716

Exemptions & OSET Rules:

OSET systems are permitted under BOPRC regulations but must have a current and valid consent. All properties;

- a) If a septic tank is in use, the ratepayer must connect to the scheme.
- b) If a consented OSET system is in use, connection will be subject to negotiation with the owners and depending on the position of the BoPRC to permit the on-going use of an OSET system.

All exemptions from connection will be recorded by the Rotorua Lakes Council (RLC) on the respective LIM / property records along with relevant terms and conditions and advised in writing to the property owners.

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Appendix 3: Tarawera Service Area Map

