

PUKA UIUI MŌ TE UTUNGA INE WAI

WATER METER CHARGING CONSULTATION DOCUMENT





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This consultation document has been prepared to give effect to the requirements of Section 82 of the Local Government Act 2002.



HOROPAKI BACKGROUND

Most properties connected to the Masterton urban water supply now have water meters installed. This follows community consultation Masterton District Council (the Council) undertook in 2018 where more than half of submitters supported installing water meters for residential properties. As a result, funding was allocated to invest in water meters.

Water is a precious resource and water meters are an important tool to help conserve water. By measuring the amount of water used by individual properties, water meters help raise awareness of how much water is used and can also help detect where leaks may be occurring.

Based on results in other districts, installing water meters could reduce water loss from leaks by up to 30 per cent, and reduce demand by 20 per cent.

Reducing water use not only benefits the environment but can also help defer expensive investment in water infrastructure, saving the community money in the long term.

As the Council can now measure water use, it has been considering the best way to charge for water supply to fund the costs of the service. The Council's 2024-34 Long-Term Plan signalled the development of a charging approach to start from 1 July 2025. We want your feedback on the proposed approach to recover urban water supply costs.

How much water do we use?

The average New Zealander uses around 213 litres per person per day in winter and 292 litres per person per day in summer¹. This is much higher in Masterton where the average water use was 664 litres per person per day in 2023/24. What does that much water look like?

- A standard plastic bucket holds 10 litres of water.
- A five-minute shower can use around 75 litres.
- A bathtub can use about 90 litres depending on the level it's filled to.
- A washing machine can use around 100 litres per full load.
- A garden hose can use about 15 litres per minute.
- A garden sprinkler can use about 1,000 litres (1 cubic metre) per hour. This is equal to what an average NZ family of 4 to 5 people might use per day in winter.

¹Pollard, A. (2022). Residential water use in New Zealand. BRANZ Study Report SR469. Judgeford, New Zealand: BRANZ Ltd.

The cost of our urban water supply

The cost of providing water comes from extracting and treating it so it is safe to drink and maintaining the network of infrastructure (such as pipes and equipment) that delivers water to Masterton residents. The Council does not aim to make a profit from water, but must recover the costs of providing the service. The estimated cost of the urban water supply service in 2024/25 is \$6.16 million (incl GST).

How does Council currently pay for the service?

The Council has a Revenue and Financing Policy (the Policy) that outlines how it funds the services set out in its plans. It uses different sources of funding, such as rates, fees, and charges, and there are different tools the Council can use to spread the cost of the urban water supply service across users.

Properties connected to the supply from outside the urban area, including in the Waingawa area, are metered and charged based on usage. The rest of the service is funded through rates, made up of:

- **30 per cent from a targeted service charge.** This charge is the same dollar amount for each connection. Many properties have one connection, but some have more than one (e.g. hotels, rest homes, multiple rental flats). There are currently around 10,300 connections, and each is charged \$180 per year.
- **70 per cent from a rate based on the Capital Value (CV) of a property.** These are provided by Quotable Value (QV). Using CV (land plus improvements like buildings) means properties with a higher CV pay a greater share of the rates than those with a lower CV. This is used as an indicator of likely water usage as it is assumed the higher the CV, the larger the property, and the more water used. (Residential properties pay one rate based on CV, while non-residential properties, like industrial and commercial properties, pay two times that rate.)





How does the Council decide how to share the costs?

In deciding how to fund its services, the Council considers:

- the community outcomes the service contributes to
- what individuals or groups benefit
- the period over which benefits are expected to occur
- the extent to which actions or inaction of individuals or groups contribute to the need for the service
- the costs and benefits.

The Council also considers the overall impact on the current and future social, economic, environmental, and cultural wellbeing of the community.

In 2023, the Council reviewed its Policy and consulted on a proposal to maximise a user-pays approach wherever possible. The Council received support from around two-thirds of people who responded. Introducing volume charges for water is one way the Council can give effect to this proposal which recognises the individual benefit of water services.



TĀ TĀTOU TONO

OUR PROPOSAL

Now that the Council can measure actual water used through water meters, it is proposing to remove the rate based on a property's CV and introduce a user charge based on the volume of water used. A targeted service charge will be retained so that everyone pays an equal share of the costs for providing and maintaining the service. The proposed approach changes how the service is paid for but does not intend to alter the total amount the Council receives. The Council's goal is only to recover the cost of providing the service.

The Council proposes to transition to the new charging approach over three years, starting 1 July 2025. This would give property owners time to repair any leaks so they don't receive a large water bill, and allow for the installation of water meters for properties not yet metered. It also enables the Council to monitor the impacts of the change on the community and its revenue, and make adjustments as needed to respond to how people change their behaviour once volume charges are introduced.

Around 13 per cent of property connections don't yet have a water meter installed. For these properties, the Council proposes to maintain the existing charging approach. Once metered, these properties will transition to the new charging approach in place, starting 1 July of the following year. These properties would start on the charging approach in place for the rest of metered properties that year.

The proposal has three key aspects:

- 1. Removing the CV rate** – The Council currently uses the CV of a property as an indicator of water use. Since the Council can now measure actual water use through meters, it no longer needs to rate based on CV. The Council is proposing to phase out the CV rate over the transition period.
- 2. Introducing volume charges** – The Council is proposing to charge based on the amount of water used, measured by the water meter at each property. This will include all water, even if it is wasted or lost through leaks within people's properties. The Council is proposing to phase in the portion of volume charges over the transition period.

The Council recognises that safe water is necessary for good health so the proposed approach allows each property to use a set amount of water per year before a charge-per-volume applies. This limit will reduce over time as people change their behaviour and use less water. This recognises that Masterton currently has some very high users, with around 30 per cent of total water use coming from properties using 5,000 litres or more per day.

- 3. Retaining a targeted service charge (equal charge per connection)** – the Council is proposing to keep a targeted service charge portion to recognise the network availability and wider community benefit of water supply, such as firefighting. This also helps provide stability for the Council's revenue and ensures ratepayers have some predictability in their water charges.

In developing its proposed transition approach, the Council focused on the need to:

- result in a meaningful reduction of water use
- ensure that water is available for essential use
- minimise impacts for low-income and high-occupancy households
- reflect local circumstances, such as current high-water use
- provide a stable revenue base so that the Council can continue to provide the service
- be future-proofed so that it can be monitored and adjusted as needed over time
- align with the Government’s Local Water Done Well programme, which requires 100 per cent of targeted charges for water be funded by those connected to, or able to connect to, these services.

The Council proposes that a 50 per cent targeted service charge and 50 per cent volume charge by the end of the transition period, is the best way to balance these needs, while offering support through its Rates Remission Policy for people finding it difficult to meet the cost of water supply.

The proposed portions and allocations over the transition period are outlined below. These settings may need to be adjusted each year to respond to how people change their behaviour once volume charges are introduced.

Table 1: Proposed charging portions over the transition period

	Targeted service charge (equal charge per connection)	CV rate of the property	Volume charges (water usage recorded by the water meter)
Current Policy	30 per cent	70 per cent	0 per cent
Year 1 2025/26	34 per cent	40 per cent	26 per cent
Year 2 2026/27	45 per cent	27 per cent	28 per cent
Year 3 2027/28	50 per cent	0 per cent	50 per cent

Table 2: Proposed water amount allocated per property before charge per volume applies

	Cubic meter per year	Litres per day
Year 1 2025/26	1,600 m ³	4,400 litres
Year 2 2026/27	600 m ³	1,644 litres
Year 3 2027/28	225 m ³	616 litres

In the first year of the transition, the price per cubic metre (m³) of water used above the annual allocation is proposed to be \$2.00/m³ +GST. This will be reviewed and set annually for future years through the Council’s fees and charges. The targeted service charge will also be set annually and will be subject to a differential to recognise commercial firefighting systems.

Note: One cubic metre (1m³) of water is 1,000 litres.

TE PĀNGA A NGĀ PANONITANGA

IMPACT OF PROPOSED CHANGES

The first year of the transition aims to reduce water use among the highest users. This means properties using very high amounts of water (more than 4,400 litres per day) will likely see an increase in what they pay for water compared to the current 'rates only' approach. Other residential users may also expect some increases from the impact of reducing CV rates for commercial properties, meaning more cost falls on residential and high water users.

In future years, as the allocated water limit is lowered and the use of CV is phased out, more properties will be impacted. How properties are impacted will depend on their CV and water usage:

- Currently, two similar residential properties with the same CV pay the same amount regardless of their water use. By the end of the transition, the property that uses more water will pay more.
- Currently, two residential properties with different CVs that use the same amount of water pay different amounts, with higher CV properties paying more. By the end of the transition, these properties would pay the same since they have the same water usage.

For households who may have less ability to pay higher water charges based on their water use, the Council is proposing to offer support through its Rates Remission Policy (see the What else has been considered? Section for more details).

Appendix 1 provides examples of water charges over the proposed transition period compared to under the current approach. These are based on budget projections and are not indications of future charges. The actual impact will depend on individual circumstances and how all users change their behaviour over the course of the transition.





HE AHA ATU NGĀ MEA I WHAKAAROHIA? **WHAT ELSE HAS BEEN CONSIDERED?**

Providing financial support through a remission

We understand that paying rates and other charges can be tough for some members of our community. The Council's Rates Remission Policy helps by offering financial assistance to ratepayers who have difficulty meeting their obligations to pay.

A remission is when the Council agrees to waive the requirement to pay rates or charges on a property in a particular financial year, either in part or in full. The amount waived is spread across the wider community through rates.

The Council is proposing three key changes to the Rates Remission Policy to provide support as the Council transitions to a new charging approach.

Proposed change 1: Remission for households with financial hardship and high water use

The Council is proposing to waive water volume charges for households experiencing financial hardship who have incurred high volume water charges. This would support low-income households, particularly those with many people living in them. The Council may waive some or all of the volume charges provided the criteria are met.

Proposed change 2: Temporary financial assistance for households with financial hardship for repair of water leaks

The Council is proposing to offer up to \$300 to help households experiencing financial hardship with the cost of repairing a water leak. This support is aimed at helping households who may struggle to pay for leak repairs so they can avoid high water charges.

Defining Financial Hardship

Financial hardship could be defined in several ways. It could be linked to the applicant being eligible for another scheme, such as being eligible for a Community Services Card, receiving a Working for Families Tax Credit, or having an income below the New Zealand Superannuation rate. The Council could also assess financial hardship on a case-by-case basis, with appropriate evidence to support the claim.

We are seeking your views on how to define financial hardship as part of your submission.

Proposed Change 3: Remission for excess charges due to a water leak

The Council is proposing to enable ratepayers to apply for a remission if they have incurred excess water charges due to a leak on their private property. To qualify, the leak must be repaired within one calendar month and the applicant must meet other criteria. The maximum remission would cover up to 50 per cent of the difference between actual and estimated water consumption from when the leak was found to when it was repaired.

For more details see the proposed Rates Remission Policy Excerpt.



What else is the Council doing to conserve water?

The Council is taking action to make sure our community is resilient when it comes to water, and we are acting on that:

- We are working together with the other Wairarapa councils and Greater Wellington Regional Council to implement the Wairarapa Water Resilience Strategy.
- We are undertaking a water renewals programme to detect and remediate leaks in our pipes.
- We have more water storage planned. This includes constructing larger raw water storage ponds at the Kaituna water treatment plant and a new reservoir for the storage of treated water.
- Through the Wairarapa Combined District Plan review, we have considered options and tools to support water conservation and resilience. For example, the proposed plan includes domestic water storage requirements.
- We are implementing other strategies and plans to mitigate and adapt to the impacts of climate change.

Ensuring the Water Supply Bylaw supports the proposed approach

The Council is currently reviewing its Water Supply Part of the Wairarapa Consolidated Bylaw 2019. This will ensure it continues to be fit for purpose and enables the Council to deliver the proposed charging approach. There will be an opportunity to have your say on the draft bylaw when the Council consults in 2025.

NGĀ MEA I WHAKAAROTIA E TE KAUNIHERA OPTIONS CONSIDERED BY THE COUNCIL

The Council has considered the reasonably practicable options for recovering the cost of the urban water supply service. The advantages and disadvantages of each option are outlined below. The Council is proposing to proceed with Option 1.

Option 1 – Adopt the proposed charging approach This is the Council’s preferred option

Advantages	Disadvantages
<ul style="list-style-type: none"> • Reduces water demand and water loss over the long term. • Full benefits of the Council’s investment in water meters can be realised. • May reduce future investment needed in Council’s water supply infrastructure. • It is appropriate to use actual usage rather than an indicator for usage now that this information is available to the Council. • Ratepayers can influence their bill through behaviour (reducing water consumption). • Proposed changes to the Rates Remission Policy provide support for those in financial hardship who may be negatively affected by the transition. 	<ul style="list-style-type: none"> • Less stability for ratepayers as their bill will vary based on usage. The proposed targeted service charge portion supports providing some consistency for ratepayers. • Less stability in Council revenue. The proposed transition period enables the impacts to be monitored. • Not all properties have a meter installed and applying two approaches at once may not be considered fair and may be administratively challenging.

Option 2 – Adopt an alternative charging approach, e.g. a different combination of a targeted service charge and volume charges, a different transition length, or an alternative approach

Advantages	Disadvantages
<ul style="list-style-type: none"> • Advantages would be dependent on the extent of changes. 	<ul style="list-style-type: none"> • Disadvantages would be dependent on the extent of changes.

Option 3 – Do not adopt a new charging approach (status quo)

Advantages

- Current charging approach is familiar to the community.
- More stability in rates bill and Council revenue.

Disadvantages

- Does not take advantage of an opportunity to reduce water demand and water loss over the long term.
- Full benefits of the Council's investment in water meters would not be realised.
- No ability for ratepayers to influence their bill through behaviour change.





How you can have your say

The Council is inviting feedback from the community until 4pm Friday 13 December 2024.



Complete our online submission form at: mstn.govt.nz (aprox 3-5mins)



Download a fillable pdf submission form and email to: submissions@mstn.govt.nz



Phone us on 06 370 6300 between 9am and 4pm Monday to Friday (excluding public holidays).



Pick up a submission form from the Masterton District Library or Customer Service Centre at 161 Queen Street. You can also print out our printer-friendly form from the website. Post it to Masterton District Council, PO Box 444, Masterton 5840, or drop it off to our Customer Service Centre.

Hearing

For those wanting to present their views in person to the Council, a hearing will be held on Wednesday 18 December 2024. You will need to indicate on your submission form that you would like to attend the Hearing.

Submissions close 4pm Friday 13 December 2024

Further Information

Our proposed Revenue and Financing and Rates Remission Policies, and other supporting information can be found on our website: mstn.govt.nz

What happens next?

Following the November/December 2024 consultation period and hearing, all feedback will be considered by the Council at a deliberations meeting prior to the Council adopting a policy.

The new charging approach is proposed to take effect from 1 July 2025.



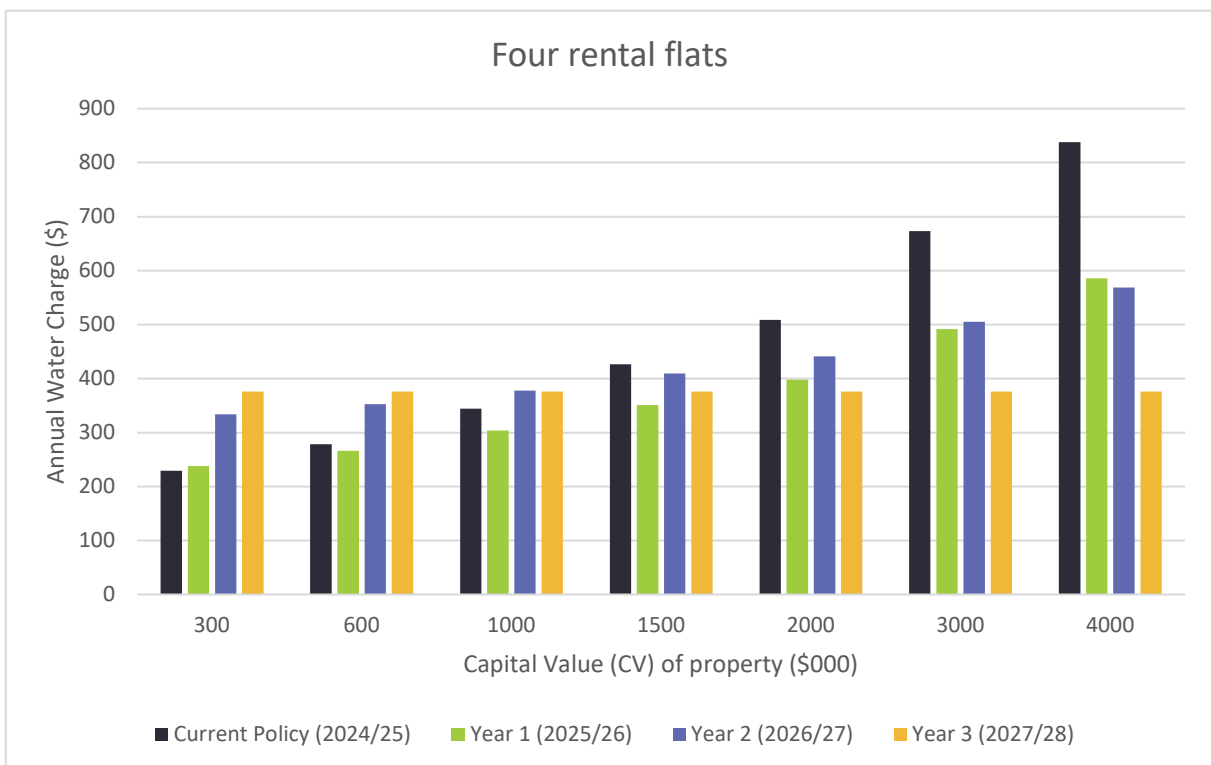
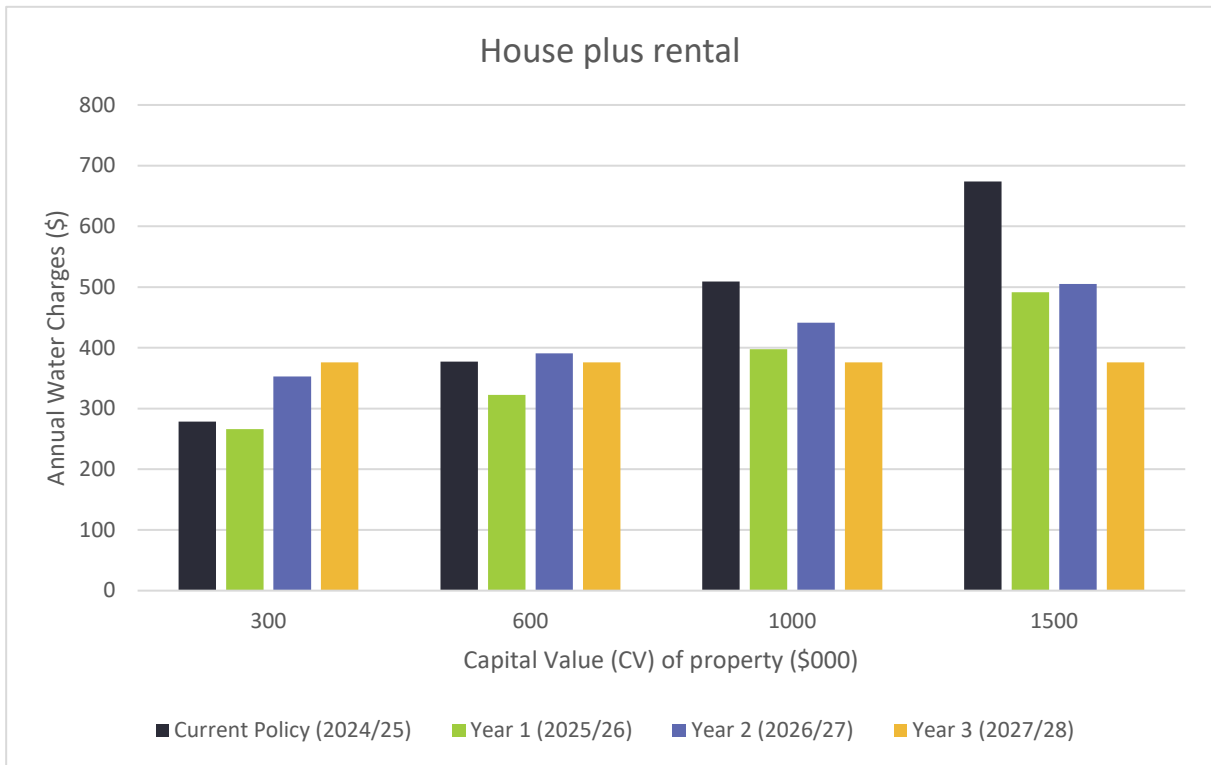
Appendix 1 – Impact of Proposed Water Meter Charging Approach

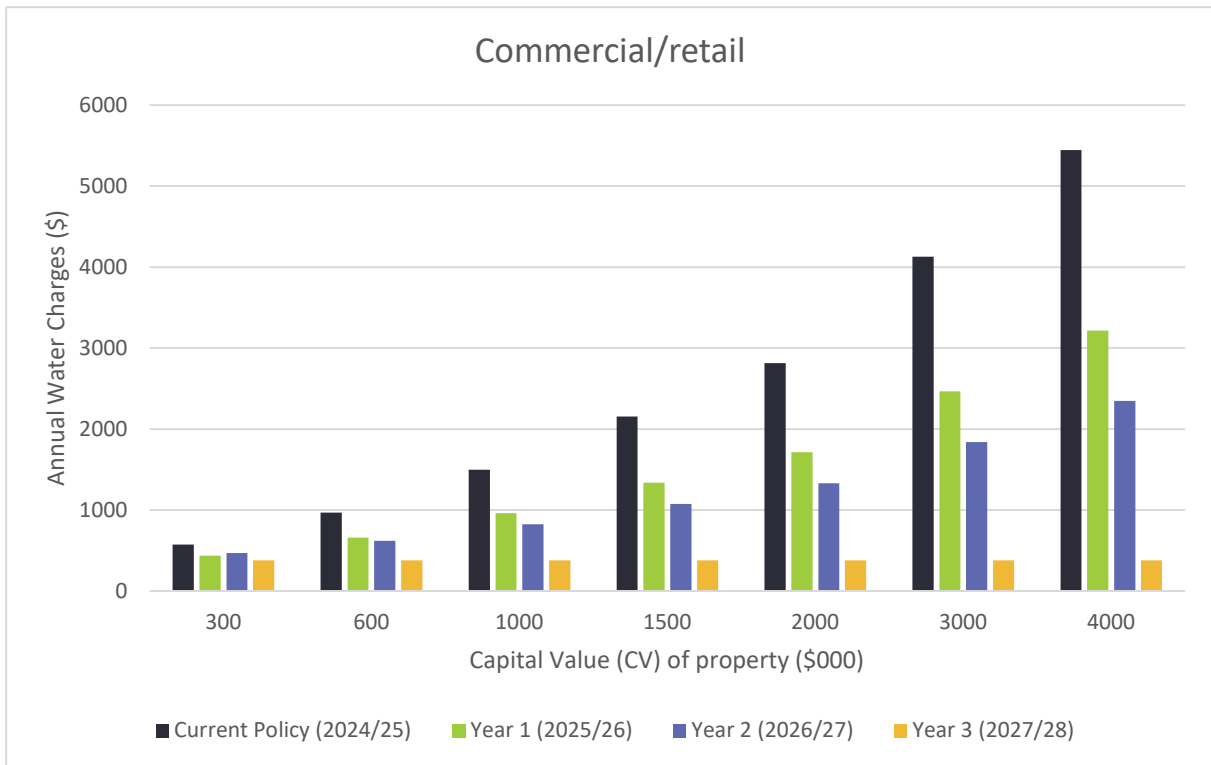
Below are examples of differences in annual water charges under the proposed three-year transition period (from 2025/26 to 2027/28) compared to under the current charging approach (2024/25). Examples given are based on budget projections and are not indications of future charges. The actual impact will depend on individual circumstances and how all users change their behaviour over the course of the transition.

Example properties using within the set water amount allocated per property²

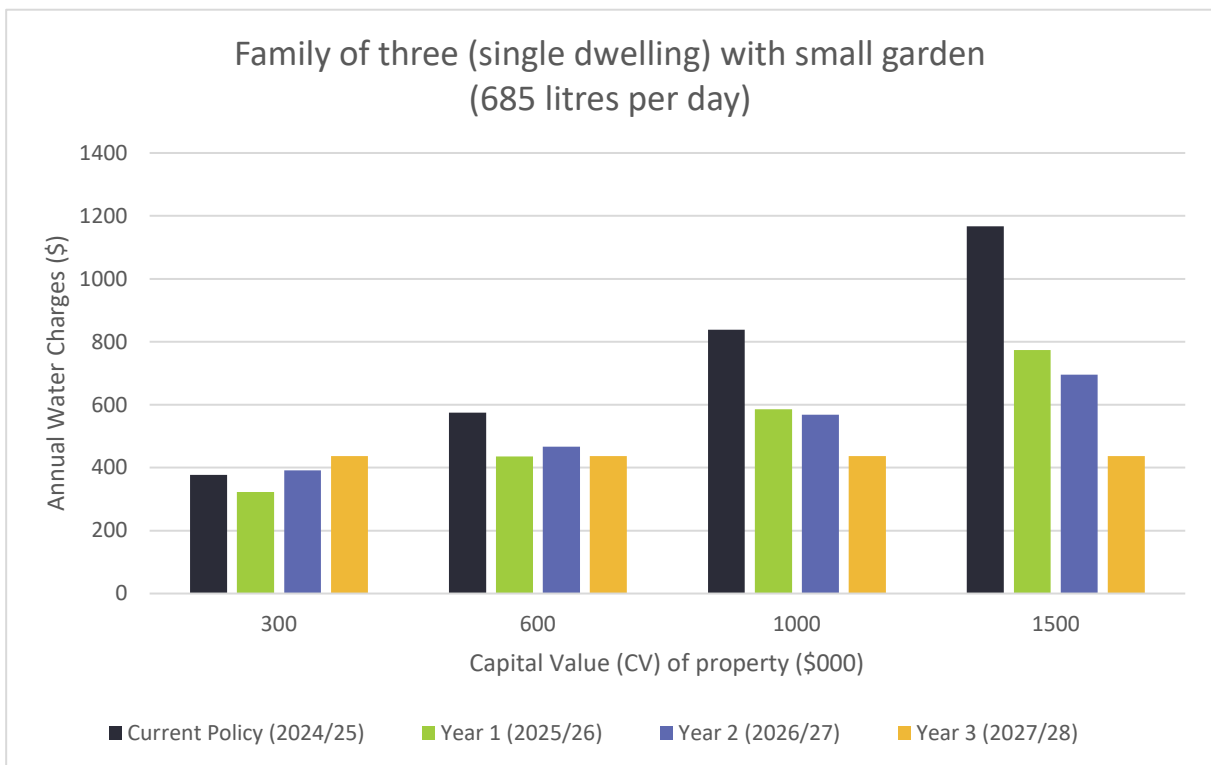


² Refer Table 2 of the Water Meter Charging Consultation Document for water amounts allocated per property.

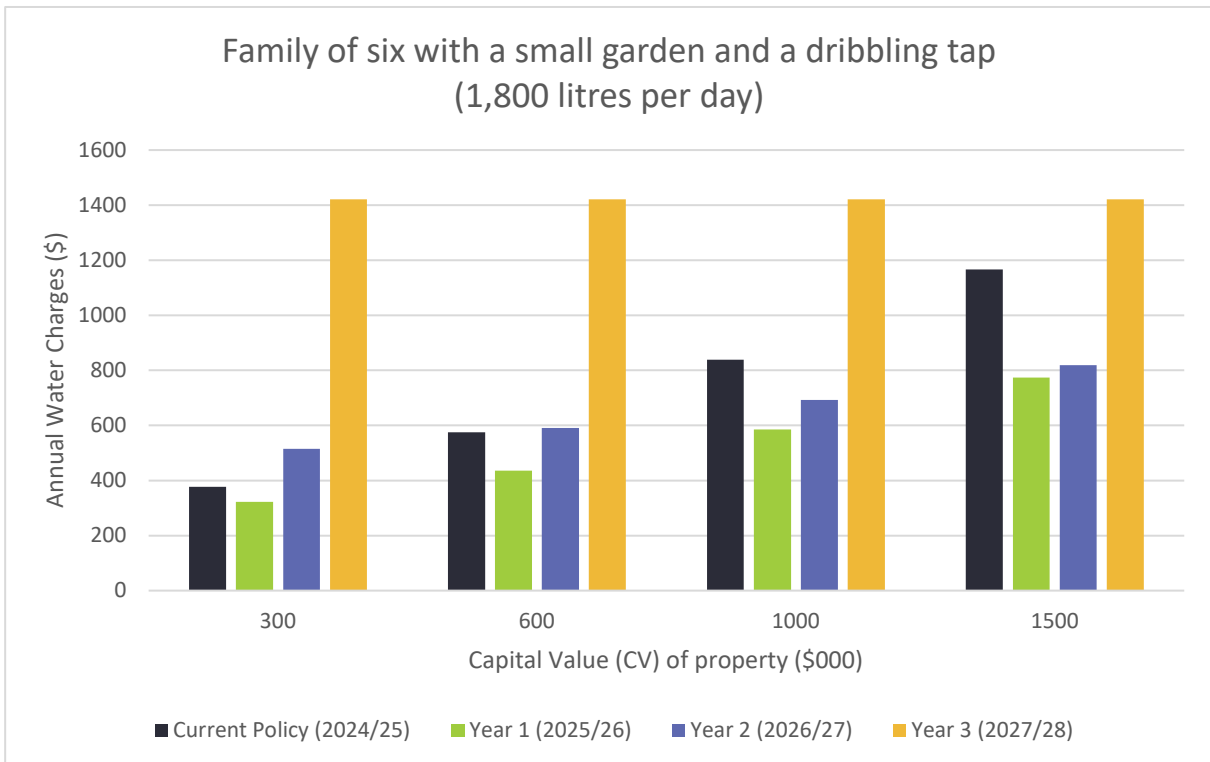
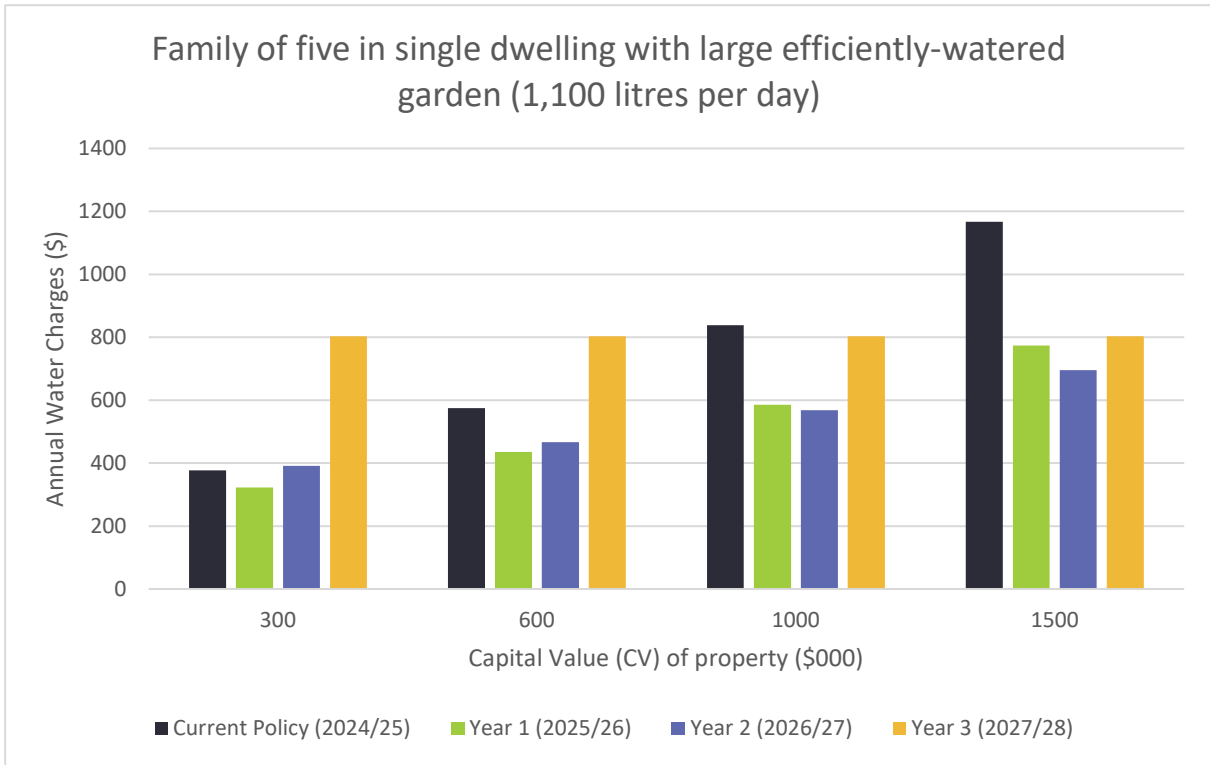


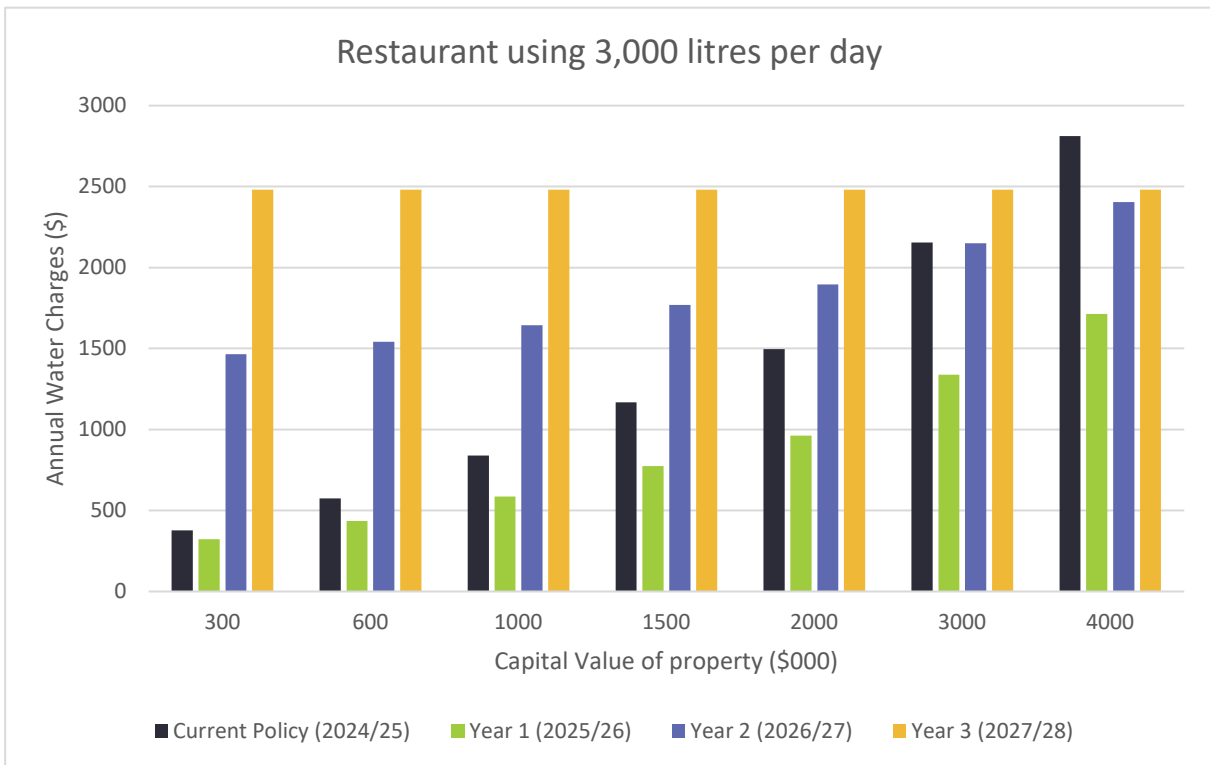
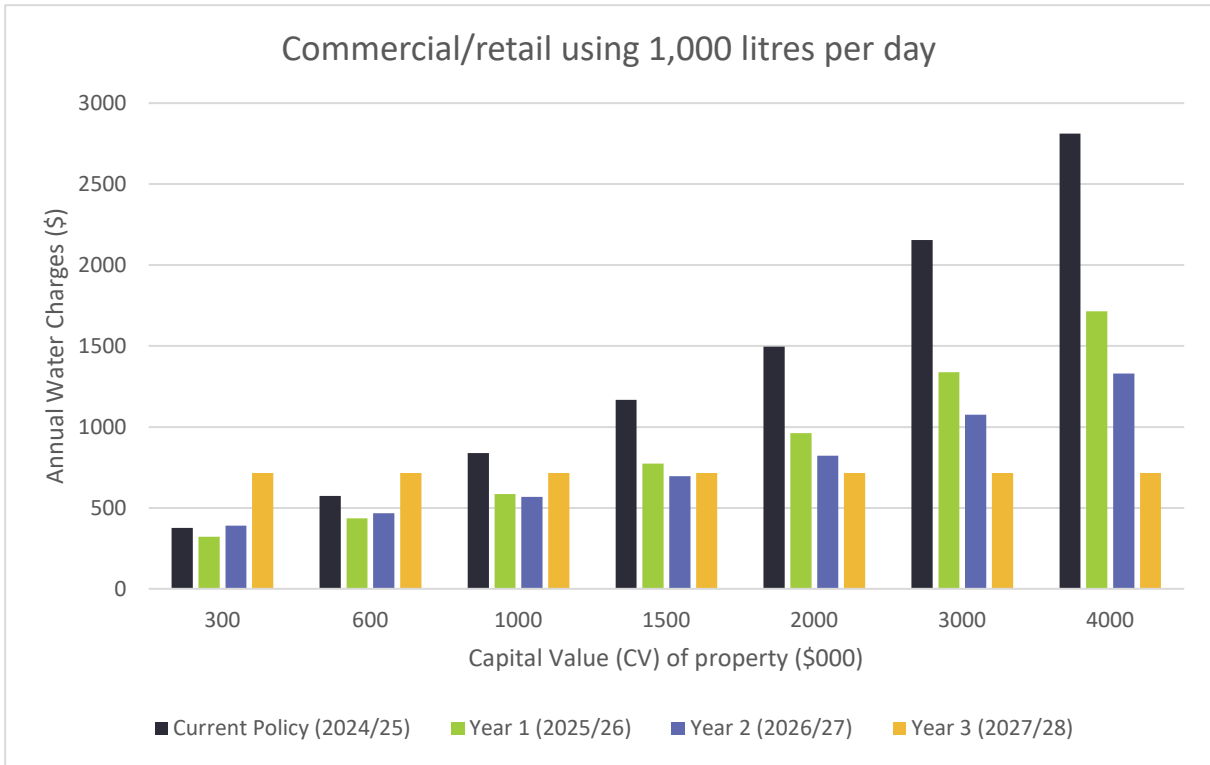


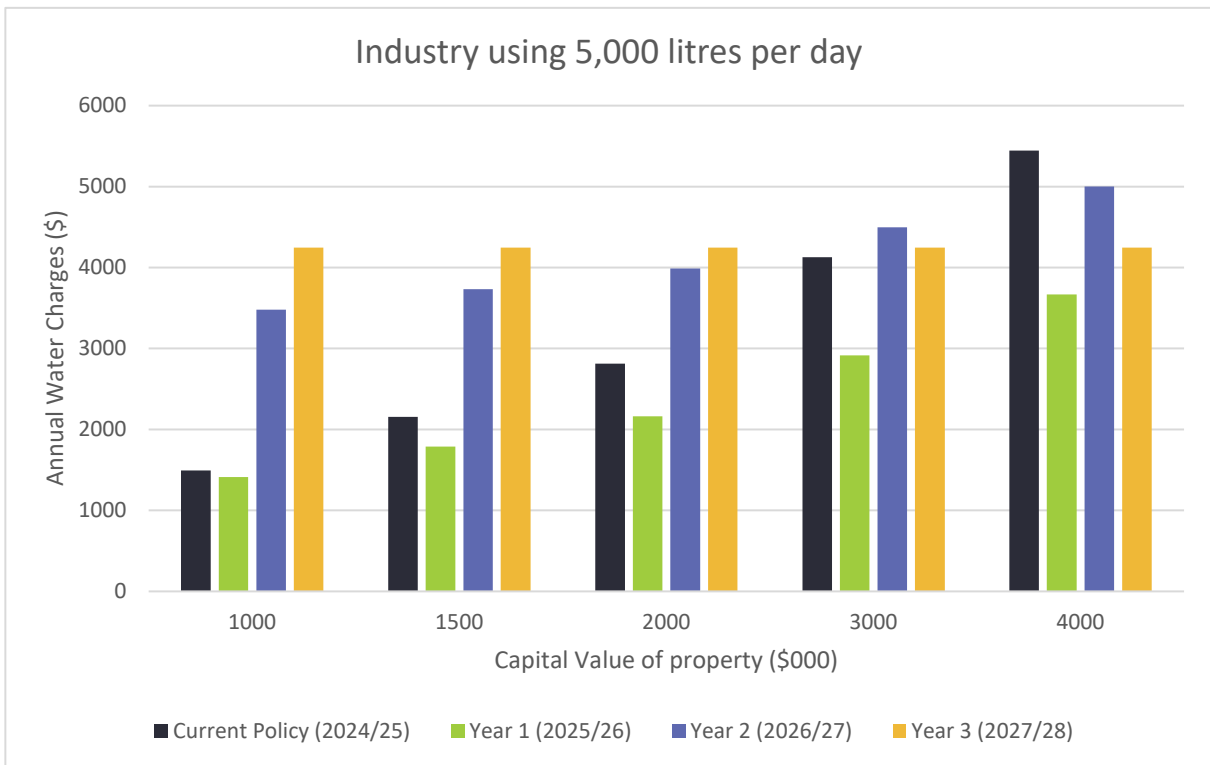
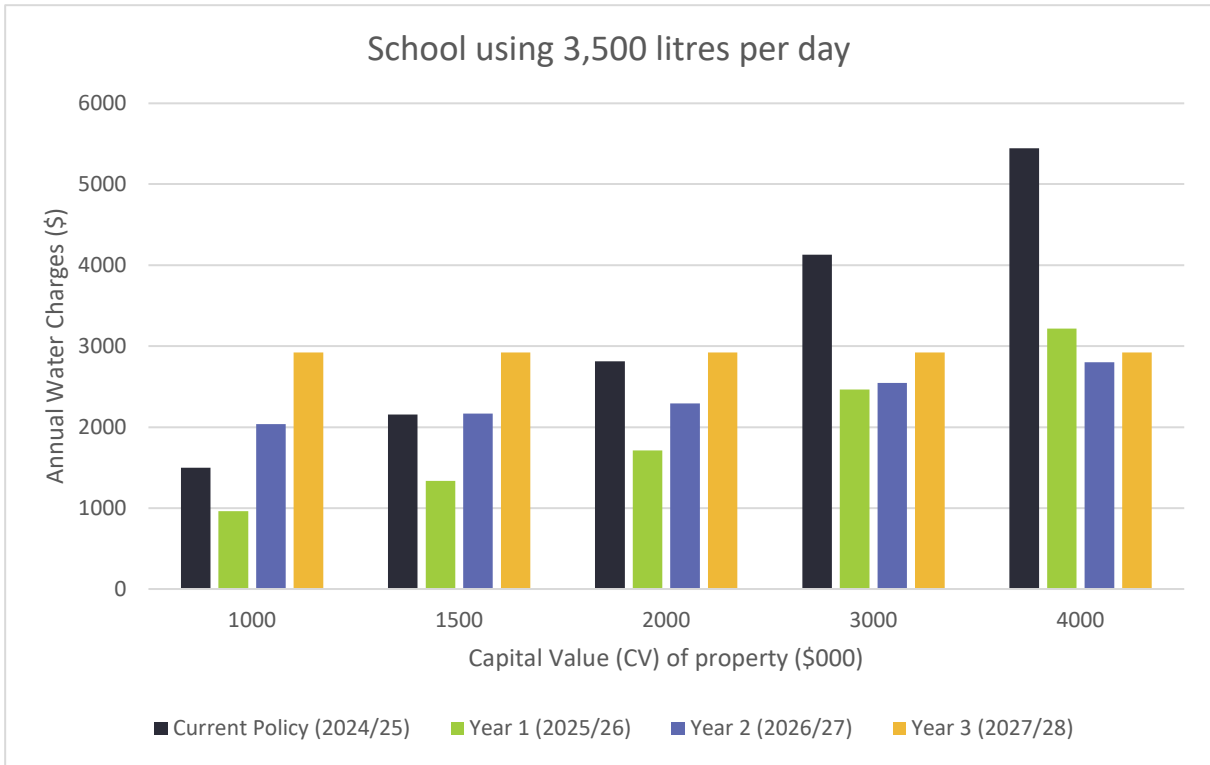
Example properties using over the set water amount allocated per property³



² Refer Table 2 of the Water Meter Charging Consultation Document for water amounts allocated per property.







Accommodation using 10,000 litres per day





Phone

06 370 6300 - 8am to 5pm except Tuesdays 9am to 5pm

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