



Bathurst City Council

WORKING PARTY

10 MARCH 2004

Agenda

12 noon **User Pays Sewer Pricing**

D J Sherley
ACTING GENERAL MANAGER

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4 USER PAYS SEWER PRICING (26.00010) - Item prepared by Bob Roach

Recommendation: That the information be noted.

Report: Councillors will recall that they have received several reports in relation to the implementation of a new user pays sewer charge. Council is required to introduce a best practice sewer charge to commence from 1 July 2004.

Considerable work has now been completed on this charge and a presentation will be made to the Working Party of Council to be held on Wednesday, 10 March 2004, when several options will be put together with a detailed explanation of the proposed introduction of this new sewer charge.

Councillors will have the opportunity to raise matters in relation to the charge at this Working Party.

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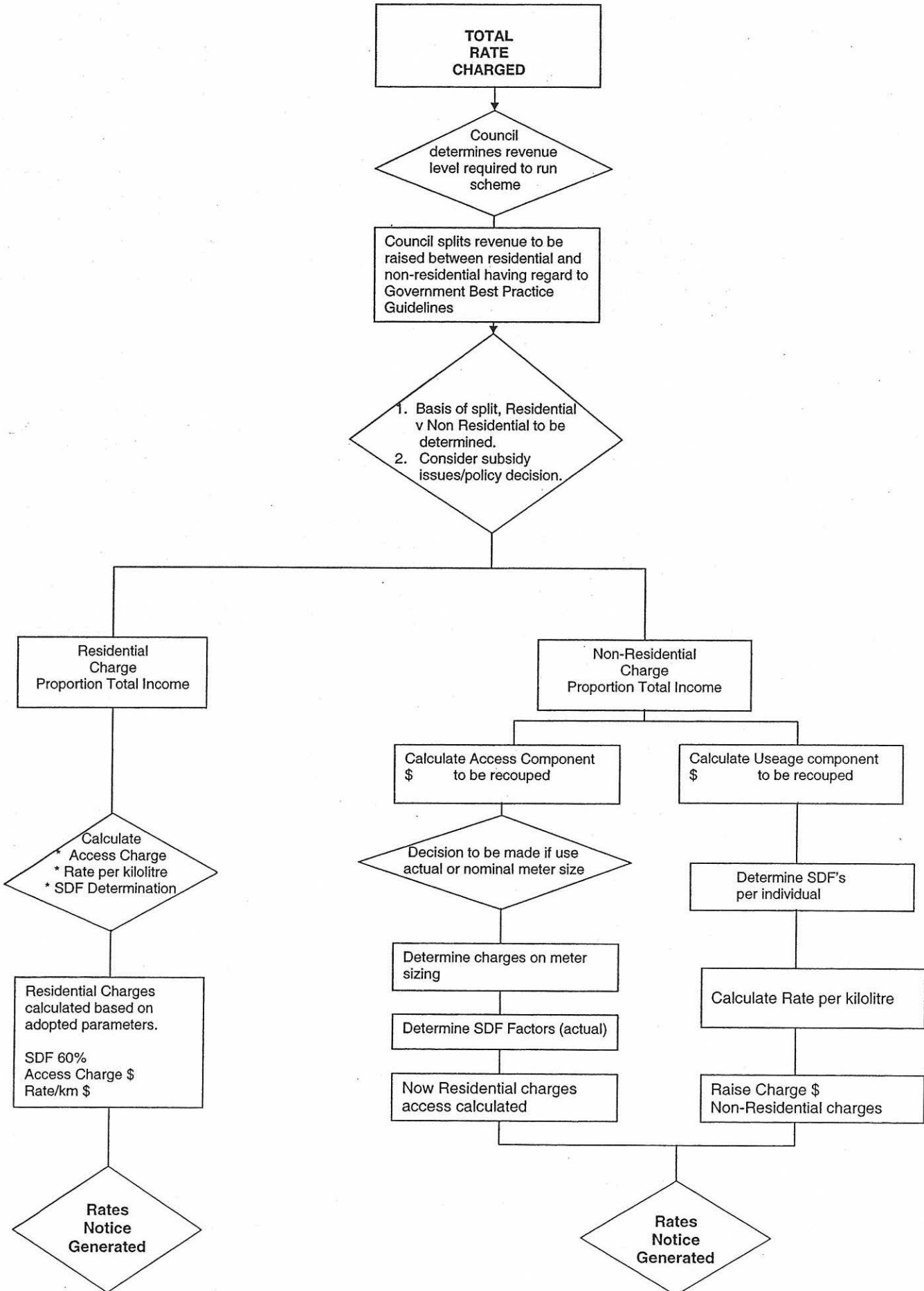
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SEWERAGE CHARGES



A \$5,142,542.63 ("Notional" Sewer Rating Revenue) 2003-2004

B. How done

Council splits revenue between:

1. Access Charges = Remainder - \$2,645,432.63
2. Usage Charges = (OMA Sewer Performance Report Cost per property x number properties occupied)
48.56% of total revenue = \$2,497,110

C. Council calculates a usage charge/kl

Total usage charges \$2,497,100/total transported through system
(Annual Sewerage Report) 3,196,000 = 78c/kilolitre

D Council calculates Access Charges - based on number and size
of meters to yield \$2,645,432.63 (see Worksheet attached)
Then this determines mix. Res: Non-Residential – After charges
are developed – requires SDF for all properties. Residential SDF
– average.

REPORT TO WORKING PARTY TO BE HELD ON 10 MARCH 2004

1 – USER PAYS SEWER PRICING (26.00010)

At the ordinary Council meeting held in November 2003, a presentation was made of Sewer Pricing Models. This presentation outlined the principles of best practice, suggested charging policies and the push from the State Government to apply best practice.

At the time of the presentation details of the non-residential group of properties were not available and consequently the figures provided were only estimates. Council needed to collect Sewerage Discharge Factors (SDFs) before more accurate modeling could be completed. This has now been completed.

As advised in the City Treasurer's Report to the Council Meeting held 25 February 2004, a presentation will be made at this Working Party of Council where several options will be put together with a detailed explanation of the proposed introduction of this new sewer charge from 1 July 2004.

Councillors will have the opportunity to raise matters in relation to this charge at the Working Party.

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WORKINGS - BEST PRACTICE SEWER CHARGES
BATHURST CITY COUNCIL

ref	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Meter Size	Access Charge	Total	Revenue	Proposed	Current	Yield	Yield	Cross-Subsidy	Cross-Subsidy	Amount					
47															
48															
49															
50															
51	\$507	6607.1	\$2,030,116.02	5877.4	2718.8	5201	\$1,905,837.16								
52	\$480	136.85	\$65,701.45												
53	\$787	71.68	\$39,910.68												
54	\$1,229	62.35	\$59,804.57												
55	\$1,920	62.35	\$125,444.37												
56	\$3,245	13.55	\$69,870.01												
57	\$4,916	12.2	\$59,975.59												
58	\$7,692	0.95	\$15,419.38												
59	\$17,284	167.4	\$51,455.81												
60	\$507		\$2,645,432.63												
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The following information explains how non-residential customers' sewerage charges will be calculated.

Two part tariff

1. Sewer Usage Charge – charged quarterly with water usage
78cents per kilolitre water multiplied by Sewerage Discharge Factor (*SDF)
2. Access charge – charged annually on Rates Notice
Access Charge applicable to meter size multiplied by SDF

Meter Size	Access Charge
20mm	\$307
25mm	\$480
32mm	\$787
40mm	\$1229
50mm	\$1920
65mm	\$3245
80mm	\$4916
100mm	\$7682
150mm	\$17284

*SDF (Sewerage Discharge Factor) is the estimated percentage of volume discharged into the sewer system from total water consumption. The SDF will vary for individual properties.

To give you an idea of your potential charge for the 2004/2005 year, Council has used your water consumption for the 2003/2004 year.

(A) Water Consumption 2002-2003	xxxx kl
(B) SDF estimated for your property	xx%
(C) Usage Charge	78c/kl
Total usage charge (A x B x C)	\$xxx.xx
Access Charge (meter size charge x SDF)	\$xxx.xx
Total estimated charge for 2004/05	----- \$xxx.xx =====

This change in pricing will impact to varying degrees on sewerage customers.

Typically:

Lower bills will be experienced by residential customers and non-residential customers with a standard 20 mm service connection and low water usage.

Non-residential customers with a large service connection(s) (25 mm or larger) are likely to receive higher bills

Customers with high water usage are also likely to receive an increase".

Attachment G details the break down of all charges applicable to the new sewerage rates and charges to be implemented from 1 July 2004.



DEUS Ref: 04/1380

Ms Kath Knowles
Administrator
Bathurst Regional Council
PMB 17
Bathurst NSW 2795

Dear Ms Knowles

I am writing to you regarding the implementation of the proposed sewerage tariff for Bathurst in 2004/05. Whilst I welcome Council's initiative in moving to introduce best-practice sewerage pricing, I am very concerned at the structure of proposed access charges and the impacts these may have on non-residential customers with large water supply connections for fire flow purposes.

The proposed tariff structure includes among other factors, an access charge based on the size of the water supply connection; as such, customers with large water supply connections will pay relatively more for their services. However, I understand that no allowance has been made for customers who have a large water supply connection for fire flow purposes only. Under such a tariff, customers who may have very low water usage (and hence sewer discharge) may face unwarranted large increases in their bills.

As outlined in *Circular – LWU 3* which was issued to all LWUs in February 2004 (Section 8.3):

The pricing guidelines...are not prescriptive regarding the access charge to be applied where a larger connection size is required for fire fighting purposes. For such a connection, a reasonable approach would be to apply a charge based on the connection size required for water supply and to allow nil or a moderate increase over this charge for provision of the fire fighting capacity.

I strongly recommend that Council amend its proposed sewerage tariff on this basis.

I recognise that that Bathurst Council has been proactive in implementing both water supply and sewerage pricing reform and I commend Council for its commitment to best-practice pricing. Thank you for your commitment to those principles. If you have any queries regarding this issue, please contact Sam Samra on 8281-7435.

Yours sincerely

David Nemtsov
Director General

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Best-Practice Management of Water Supply and Sewerage

Guidelines

May 2004



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Bathurst City Council

WORKING PARTY

10 MARCH 2004

Agenda

12 noon **User Pays Sewer Pricing**

D J Sherley
ACTING GENERAL MANAGER

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As advised in the City Treasurer's Report to the Council Meeting held 25 February 2004, a presentation will be made at this Working Party of Council where several options will be put together with a detailed explanation of the proposed introduction of this new sewer charge from 1 July 2004.

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**CHIEF FINANCIAL OFFICER'S REPORT TO THE EXTRAORDINARY
COUNCIL MEETING
HELD ON WEDNESDAY, 23 JUNE 2004**

General Manager
BATHURST NSW 2795

**1 SUBMISSIONS - DRAFT 2004/2005 MANAGEMENT PLAN (16.00090) -
Item prepared by Bob Roach**

Recommendation: That Council consider the report recommendations individually.

Report: Council has had on exhibition the Draft Management Plan for 2004/2005 for the required period of 28 days. This Draft Management Plan is the result of the combination of the former Evans Shire and Bathurst City Council's Management Plans.

During this time Council received the following submissions.

(f) **Sewer Rates and Charges**

Recommendation: That Council amend its sewer rates and charges for 2004/2005 in respect to and including all rates and charges as outlined in this report.

Report: Council has been requested by the NSW Government to introduce new pricing in regard to sewerage charges. The State Government requested that this implementation apply from 1 July 2004 in order to comply with National Competition policy. Such pricing has also been made a prerequisite for eligibility for financial assistance and payment of dividends from the sewerage business. The following is an extract from a Circular from the Department of Energy, Utilities and Sustainability which states:

"Best practice pricing is fundamental to sound management of a sewerage business as it provides:

- fair pricing to equitably share the cost of service provision and remove significant cross subsidies.*
- appropriate pricing signals which enable customers to balance the benefits and costs of using the service, thereby promoting efficient use and reduced wastage.*
- appropriate cost recovery."*

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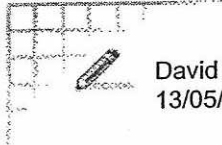
To give you an idea of your potential charge for the 2004/2005 year, Council has used your water consumption for the 2003/2004 year.

(A) Water Consumption 2002-2003	xxxx kl
(B) SDF estimated for your property	xx%
(C) Usage Charge	78c/kl
 Total usage charge (A x B x C)	 \$xxx.xx
 Access Charge (meter size charge x SDF)	 \$xxx.xx
 Total estimated charge for 2004/05	 ----- \$xxx.xx =====

45 **Item 10 USER PAYS BEST PRACTICE SEWER CHARGES (26.00010)**
MOVED: Administrator K Knowles

RESOLVED: That Council:

- (a) Engineering Staff be made available to provide on-site preliminary assessment and consultation;
- (b) That Finance Staff be made available to explain the principles of best-practice pricing;
- (c) That Council provides a Hydraulic Engineer in the first year of best-practice sewer pricing to assess requests for downsizing and rationalizing of meters;
- (d) That the cost of downsizing or removing meters be met by Council;
- (e) That nominal sizing of meters is not used for calculating access charges due to the common practice of using fire hose reels;
- (f) That no community service obligation be provided for non-rateable properties as most of these are state government bodies (e.g. schools, hospitals) and by doing so it will re-introduce cross-subsidies that will result in Council not meeting the Best Practice Guidelines;
- (g) That if it is determined by the Chief Financial Officer that the increase in sewer prices (including trade waste fees) is substantial and would create financial pressures, an agreement may be entered into to introduce the charges over a three year period. This will be done by individual application.
- (h) carry out a review of Sewerage Discharge Factors. This review will be carried out on request by Council's Engineering Department provided that sufficient information is given to warrant that review. In the first year of best-practice sewer pricing any adjustment will be effective from 1 July 2004. Reviews requested in following years that result in an adjustment from the date of receipt of the initial request.



David Sherley
13/05/2004 08:00 AM

To: Bob Roach/BathurstCC@BathurstCC
cc: /BathurstCC@BathurstCC

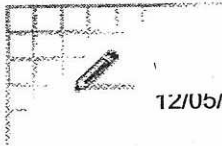
Subject: Re: user-pays sewer

Thanks.

Have we gone & visited businesses yet or sent letters advising of possible ramifications?

David Sherley
Acting General Manager
Bathurst City Council
158 Russell Street Bathurst NSW 2795
Phone: 02 6333 6206
Fax: 02 6331 7211
Web: www.bathurst.nsw.gov.au

Forwarded by David Sherley/BathurstCC on 13/05/2004 08:00 AM



12/05/2004 04:00 PM

To: David Sherley/BathurstCC@BathurstCC
cc:

Subject: Re: user-pays sewer

response from Bob (I have printed out copy for you)

GM's Assistant/Public Officer
Bathurst City Council
158 Russell Street Bathurst NSW 2795
Phone: 02 6333 6201
Fax: 02 6331 7211
Web: www.bathurst.nsw.gov.au

Forwarded by Wendy MacDougall/BathurstCC on 12/05/2004 04:01 PM



Bob Roach
12/05/2004 03:59 PM

To: /BathurstCC@BathurstCC
cc:

Subject: Re: user-pays sewer

for David

The feedback is as follows:

Bob
David wanted to know this info.
No
Time management
has meant Man Playfe
2ND - real job is
User Pays
Senior
Bob

To DCS

Bob can you do brief timetable & list of actions so we can let Mayor know.

Kath has asked about process to be followed due to political implications

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MEMORANDUM

TO: MANAGER WATER AND WASTE
FROM: SENIOR ACCOUNTANT
DATE: 3 JUNE 2004
SUBJECT: BEST PRACTICE SEWER PRICING & USER PAY WATER
FILE: 26.0000.10

Please find attached some reports that detail the following:

1) Non-Residential, occupied (according to old rate codes), properties that will be charged a flat uniform charge equivalent to the residential charge \$350.50. This is because they don't have a water meter

There seems to be a lot. Damien Tom requested that a list be provided for his investigation when completed.

2) Properties that are being charged the double access water charge due to shared meters and a list of properties that have a shared meter water tariff (32) of \$0 so that they are not charged for the water consumed. I would have thought for every property that has a double access charge there should be a master/parent assessment with a shared water tariff. This would ensure the property with the meter isn't paying for the water. It would keep a track of consumption and avoid reversing water charges.

Can you please have these situations investigated so that we can have the appropriate charges installed for the 2004-2005 levies?

Thanks for you help in these matters.

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26-00010

BATHURST COUNCIL
21 JUL 2004
REF 26-00010/023

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DEPARTMENT OF ENERGY, UTILITIES AND SUSTAINABILITY
NEW SOUTH WALES GOVERNMENT

Level 17, 227 Elizabeth Street,
Sydney NSW 2000
GPO Box 3889 Sydney NSW 2001
Telephone + 61 2 8281 7777
Internet: <http://www.deus.nsw.gov.au>
ABN 43 863 863 906

File Reference No: 04/1380Fax01

FACSIMILE

To:	Bob Roach, Kath Knowles	Fax:	6331-7211
Position	Treasurer	Phone:	6331-1622
Organisation	Bathurst Regional Council		
From:	David Nemtzow	Fax:	8281-7353
Position:	Director General	Phone:	8281-7400
Email:			
Cc:			
Total No of Pages (including cover page):	2	Date:	20 July 2004
Subject:	Non-residential Sewer Charges		

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CERO ✓
CTTD ✓
CFO
Admin //

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RATING STRUCTURE

CROSS SUBSIDY - OVER THREE YEARS

CROSS SUBSIDY	\$ 426,182.73	\$ 41.24			
YEAR 1 = 2/3 cross subsidy	\$ 284,121.82	\$ 27.49	per residential property		
YEAR 2 = 1/3 cross subsidy	\$ 142,060.91	\$ 13.75	per residential property		
YEAR 3	\$ -				
	Year 4	Year 1	Year 2	Year 3	
Annual Residential Property Charge	\$ 166.19	\$ 166.19	\$ 166.19	\$ 166.19	Usage
	\$ 184.36	\$ 184.36	\$ 184.36	\$ 184.36	Access
		\$ 41.24	\$ 27.49	\$ 13.75	Cross - subsidy
	<u>\$ 350.55</u>	<u>\$ 391.78</u>	<u>\$ 378.04</u>	<u>\$ 364.29</u>	

Occupied	9879
Vacant	<u>456</u>
Number of residential properties	<u>10335</u>

Residential Occupied	\$ 3,463,062.94	\$ 3,870,441.67	\$ 3,734,648.76	\$ 3,598,855.85
Residential Vacant	\$ 84,067.13	\$ 102,871.12	\$ 96,603.12	\$ 90,335.13
Usage Charge Component	\$ 855,317.09	\$ 855,317.09	\$ 855,317.09	\$ 855,317.09
Access Charge Component	\$740,095.47	\$313,912.75	\$455,973.66	\$598,034.56
	<u>\$ 5,142,542.63</u>	<u>\$ 5,142,542.63</u>	<u>\$ 5,142,542.63</u>	<u>\$ 5,142,542.63</u>

Year 1 - Non Residential Meter Size	Access Charge	Total	Revenue
20 \$	130	406.1	\$52,925.42
25 \$	204	136.85	\$27,867.38
32 \$	334	81.25	\$27,107.82
40 \$	521	77.95	\$40,635.67
50 \$	815	82.35	\$67,077.20
65 \$	1,377	1.1	\$1,514.23
80 \$	2,085	13.55	\$28,254.69
100 \$	3,258	12.2	\$39,749.45
150 \$	7,331	0.95	\$6,964.30
Unmetered	\$130	167.4	\$21,816.58
Revenue Required	\$313,912.75		<u>\$ 313,912.75</u>

Year 2 Meter Size	Access Charge	Total	Revenue
20 \$	189	406.1	\$76,876.77
25 \$	296	136.85	\$40,478.74
32 \$	485	81.25	\$39,375.44
40 \$	757	77.95	\$59,025.30
50 \$	1,183	82.35	\$97,432.92
65 \$	2,000	1.1	\$2,199.49
80 \$	3,029	13.55	\$41,041.33
100 \$	4,733	12.2	\$57,738.03
150 \$	10,648	0.95	\$10,115.99
Unmetered	\$ 189	167.4	\$31,689.66
Revenue Required	\$455,973.66		<u>\$ 455,973.66</u>

Year 3 Meter Size	Access Charge	Total	Revenue
20 \$	248	406.1	\$100,828.11
25 \$	388	136.85	\$53,090.09
32 \$	636	81.25	\$51,643.06
40 \$	993	77.95	\$77,414.93
50 \$	1,552	82.35	\$127,788.64
65 \$	2,622	1.1	\$2,884.75
80 \$	3,973	13.55	\$53,827.96
100 \$	6,207	12.2	\$75,726.60
150 \$	13,966	0.95	\$13,267.67
Unmetered	\$ 248	167.4	\$41,562.73
Revenue Required	\$598,034.56		<u>\$ 598,034.56</u>

Year 4 Meter Size	Access Charge	Total	Revenue
20 \$	307	406.1	\$124,779.46
25 \$	480	136.85	\$65,701.45
32 \$	787	81.25	\$63,910.68
40 \$	1,229	77.95	\$95,804.57
50 \$	1,920	82.35	\$158,144.37
65 \$	3,245	1.1	\$3,570.01
80 \$	4,916	13.55	\$66,614.59
100 \$	7,682	12.2	\$93,715.18
150 \$	17,284	0.95	\$16,419.36
Unmetered	\$ 307	167.4	\$51,435.81
Revenue Required	\$740,095.47		<u>\$ 740,095.47</u>

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10 USER PAYS BEST PRACTICE SEWER CHARGES (26.00010) - Item prepared by Toni Dwyer

Recommendation: That Council:

- (a) Engineering Staff be made available to provide on-site preliminary assessment and consultation;
- (b) That Finance Staff be made available to explain the principles of best-practice pricing;
- (c) That Council provides a Hydraulic Engineer in the first year of best-practice sewer pricing to assess requests for downsizing and rationalizing of meters;
- (d) That the cost of downsizing or removing meters be met by Council;
- (e) That nominal sizing of meters is not used for calculating access charges due to the common practice of using fire hose reels;
- (f) That no community service obligation be provided for non-rateable properties as most of these are state government bodies (e.g. schools, hospitals) and by doing so it will re-introduce cross-subsidies that will result in Council not meeting the Best Practice Guidelines;
- (g) That if it is determined by the Chief Financial Officer that the increase in sewer prices (including trade waste fees) is substantial and would create financial pressures, an agreement may be entered into to introduce the charges over a three year period. This will be done by individual application.
- (h) carry out a review of Sewerage Discharge Factors. This review will be carried out on request by Council's Engineering Department provided that sufficient information is given to warrant that review. In the first year of best-practice sewer pricing any adjustment will be effective from 1 July 2004. Reviews requested in following years that result in an adjustment from the date of receipt of the initial request.

Report: At Council's meeting held on 23 June 2004, Council resolved to amend its sewer rates and charges for 2004/2005. The charges formally resolved are:

Annual Residential Sewer Charge

That the annual charge for single residential (includes residential strata's) and unmetered properties be \$350.30.

Annual Vacant Land Sewer Charge

That the annual charge for vacant land be \$184.40.

Annual Sewer Access Charge

That the annual access charges for non-residential and multiple residential properties are to be the total of the metered charges applicable to the property as shown in the table below multiplied by a sewerage discharge factor.

<u>Size of Water Connection</u>	<u>\$</u>
20mm*	307
25mm	480

32mm	787
40mm	1229
50mm	1920
65mm	3245
80mm	4916
100mm	7682
150mm	17284

*Applies also to non-residential strata properties not separately metered

Sewer Usage Charge

That the charge for non-residential and multiple residential properties be 78 cents per kilolitre of filtered water supplied multiplied by a sewerage discharge factor.

On 3 June 2004 letters were sent to a number of non-residential/multiple occupancy properties. These properties were identified as those that would experience an increase of greater than \$100 from the previous years if the above charges were resolved by Council Water consumption from the 2002-2003 year was used to provide usage charge estimates. This was the most recent full year data available at the time.

Letters issued were divided into two groups:

	<u>Number</u>
1) Those with increases greater than \$5000 per annum	35
2) Those with increases greater than \$100 but less than \$5000 per annum	273

The numbers of rate assessments that are subject to sewer charges are:

· Non-Residential/Multiple Occupancy	1270
· Residential	10723

Since the issue of these letters, various media releases and articles, telephone and counter enquires have been taken by Council staff. The usual process in handling these enquiries is to explain why best-practice pricing has been implemented and of how it works.

The normal course of an enquiry is as follows:

Non-Residential Customers

- The State Government guidelines are explained and the reasons why Council is implementing this change.
- It is explained that the sewerage discharge factor is a calculated estimate done by engineers. If the customer feels that the discharge factor is incorrect then they have been asked to put their objection in writing and state their case and recommendation for a new one.
- It is also explained that access fees are based on meter sizes. This access charge reflects the load that can be placed on the sewer system. This is due to the fact that sewer systems must be designed to cater for the capability of the corresponding water supply system. Customers have been advised that water connections may be down-sized or removed for multiple connections; however this would require a report from a hydraulic engineer to ensure that the connection is still satisfactory for the type of property. Indicative prices for the downsizing are provided. Prices have been provided by Council's Engineering Department
- For those properties that have significant increases it is explained that Council is considering phasing in these charges over a probable period of 3 years. Again a request is asked for in writing so that all submissions can be considered and a policy direction taken.
- Written submissions are requested and encouraged.

Residential Customers

The same process as above is followed. Very few enquiries have been received from residential customers. Any received have mostly been a lead on from a non-residential owner who also has a home in Bathurst. No complaints or issues have been expressed from this group or any correspondence received.

At the date of writing this report the following has occurred:

<u>Type</u>	<u>Number</u>
Written submissions/letters	16
Arranged meetings at Council Office	9

A summary of the 16 written submissions are:

	<u>Objections</u>	<u>Possible Solution under proposed policy</u>
1	Review of SDF requested and category	Confirm residential status - uniform annual charge would then apply
2	Access charges based on meter sizes where there is a requirement for hose reels - small/medium sized industrial penalized. A review of SDF requested.	Review SDF. No proposed policy on nominal meter sizes. Option to provide expert report on ET equivalent.
3	Access charge based on meter sizes where there is nominal water use (range 0-92 kl/quarter), only reason for large meter is	No proposed policy on nominal meter sizes or nominal SDF. Option to provide expert report

	<p>fire hose reel. Claims that if fire hose reel used it would not be discharged into the sewer.</p> <p>Customer feels nominal size meter or nominal SDF is the solution</p>	<p>on ET equivalent.</p>
4	<p>Review of SDF and downsize request - customer points out that meter is larger than similar development recently approved</p>	<p>Review SDF. Hydraulic Engineers Report to confirm downsize request. Cost of downsize worn by customer and fees adjusted accordingly. Option to provide expert report on ET equivalent.</p>
5	<p>Substantial impact on pre-set budget - large increase. SDF review. Council needs to reconsider to better reflect a 'user pay' system</p>	<p>Review SDF. 3 year agreement to phase in charges is assessed as significant and causing hardship. No proposed community service obligation reduction</p>
6	<p>Will place extreme pressure on management which is principally for the benefit of the wider community. Review of SDF requested.</p>	<p>Review SDF. No proposed community service obligation reduction.</p>
7	<p>Unfair to charge by meter size. Almost all of the charge is access. (Property 1 -Charges \$1875.87 , only \$51.87 usage) (Property 2 - Charges \$747.65 , no usage)</p>	<p>Hydraulic Engineer to analyse if meter size is appropriate. Cost of downsize worn by customer and fees adjusted accordingly. Option to provide expert report on ET equivalent.</p>
8	<p>Review of SDF requested. Request to be implement over two years</p>	<p>Review SDF. 3 year agreement to phase in charges is assessed as significant and causing hardship.</p>
9	<p>Downsize request or use of nominal meter</p>	<p>Hydraulic Engineers Report to confirm downsize request. Cost of downsize worn by customer and fees adjusted accordingly</p>
10	<p>Explanation sought on SDF calculation</p>	<p>Site visit by Engineer to explain and review SDF. Option to provide expert report on ET equivalent.</p>
11	<p>Large meter for fire-fighting maybe. Non-profit and large increase</p>	<p>Hydraulic Engineers Report determines if meter can be downsized. Cost of downsize worn by customer and fees adjusted accordingly. 3 year agreement to phase in charges</p>