



Wellington City Council **Ministerial Response**

Summary Presentation

“Fixing water infrastructure is a key priority for me and my council. We have continued to fund water infrastructure, and we will be prioritising more funding for water in the upcoming Long-term Plan. We are committed to working with all our partners towards a financially sustainable regional solution.”



Mayor Tory Whanau



Wellington City Council (WCC) Three Waters Network

Much of WCC's three waters network was constructed following the Second World War. Due to age, many parts of the network are in poor condition and deteriorating. With some pipes more than 100 years old, a significant portion of the network will need to be replaced over the next 30 years.



How we work with Wellington Water Limited (WWL)

- WWL was established in September 2014 to manage the drinking water, wastewater and stormwater services of its shareholder council owners.
- WWL advise WCC on requisite action for the prevention of water shortages, water network infrastructure capex and opex requirements and asset management.
- WWL operates a OneBudget model – shareholding Councils provide funding and WWL then distribute the funding across the three waters.
- WWL advise WCC on investment options and associated risk profiles for the prevention of water shortages, water network infrastructure and asset management.
- WCC's total operating costs of the three waters includes not only the funding directly provided to WWL but also ownership costs such as depreciation and interest, as well as purchasing bulk water.



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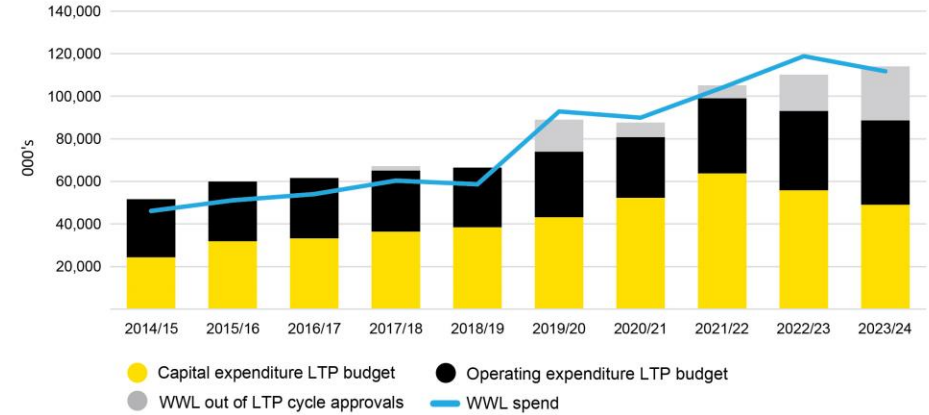
WCC action to prevent water shortages over the last 10 years

- WCC has consistently invested in three waters infrastructure over the past 10 years.
- Planned investment within the Long-term Plan (LTP) has increased each cycle.
- WCC has provided WWL \$288m to be spent on opex and capex for drinking water supply over the past 10 years.

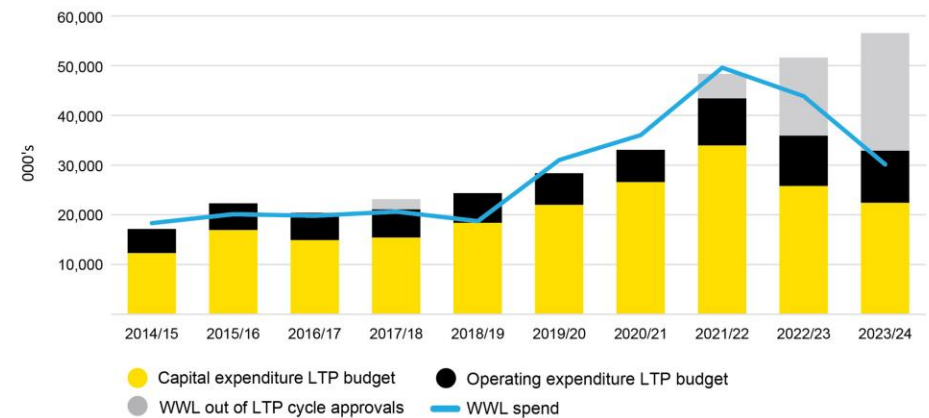
	LTP 2015-25	LTP 2018-28	LTP 2021-31
Total operating expenditure	\$1,200,385,000	\$1,371,422,000	\$1,719,214,000
\$ Increase on prior LTP	N/A	\$171,037,000	\$347,792,000
% Increase on prior LTP	N/A	14%	25%
Additional funding to WWL out of cycle	N/A	\$17,480,000	\$29,000,000
Total capital expenditure	\$394,239,000	\$480,730,000*	\$678,693,000
\$ Increase on prior LTP	N/A	\$86,491,000	\$197,963,000
% Increase on prior LTP	N/A	22%	41%
Additional funding to WWL out of cycle	\$2,000,000	\$7,700,000	\$28,500,000

*Note the 2018-28 LTP included the capital cost (\$30m) of the sludge minimisation facility project which was ultimately funded off balance sheet by WCC utilising the Infrastructure Funding and Financing Act.

Three Waters Total WWL Investment



Drinking Water Total WWL Investment



Note the peak in 2021/22 was driven by investment in the Omāroro Reservoir

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Summary of WCC funding for condition assessments over the last 10 years

- As part of their service delivery, WWL apply asset condition as a key input of their asset management planning.
- WCC provide funding based on advice from WWL about their intentions for allocation of that funding across the three waters, including condition assessments.
- WWL estimates over **3%** of their opex budget, has been allocated to condition assessment activities.
- The stimulus funding programme allowed for additional condition assessment activity as well as other key activities that supported an effective condition assessment programme.

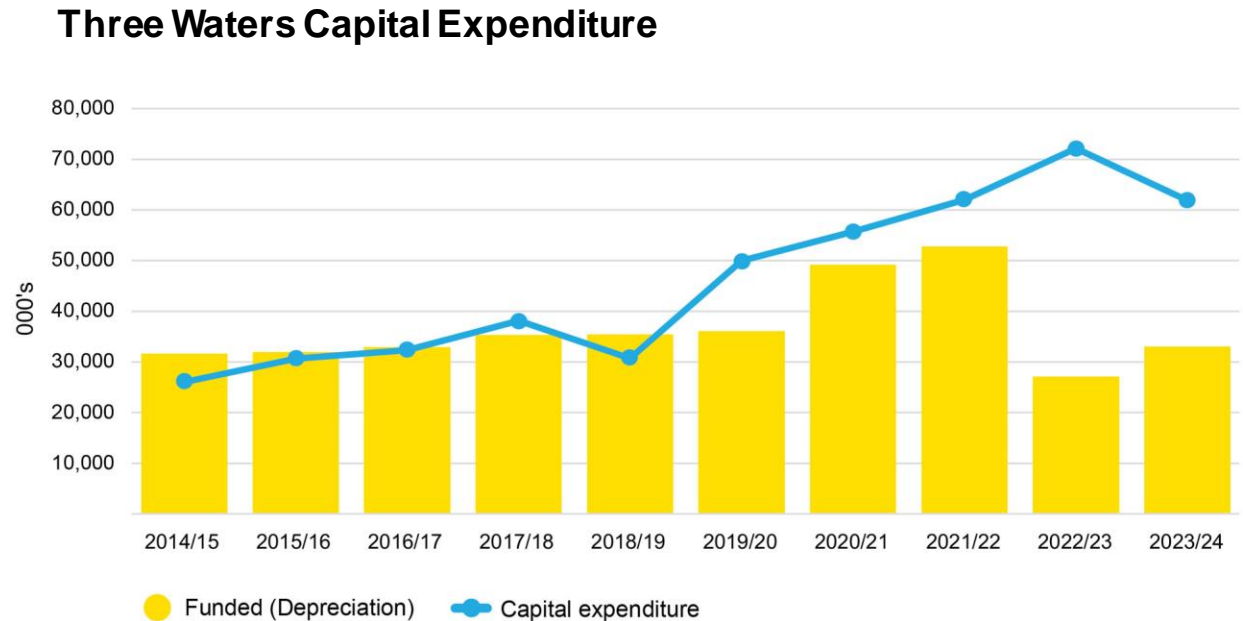
WCC Condition Assessment Operating Funding 2017-18 to 2021-24

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	Stimulus programme funding (multi-year to end 21-22)	Budget FY 22-23	Budget FY 23-24
Condition assessment	\$312,292	\$58,922	\$76,566	\$603,970	\$1,165,103	\$3,408,529	\$1,055	\$1,356,000

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Depreciation accrued against network infrastructure versus the level of capital investment in first three years of WCC 2024-34 LTP

- As of 1 February 2024 final decisions on depreciation and capital investments in WCC's 2024-34 Long-term Plan are yet to be made.
- Over the past 10 years WCC have collected \$365m in depreciation and spent a total of \$460m in capital expenditure across three waters.
- For drinking water specifically, \$142m was collected in depreciation and \$208m spent on capital expenditure.

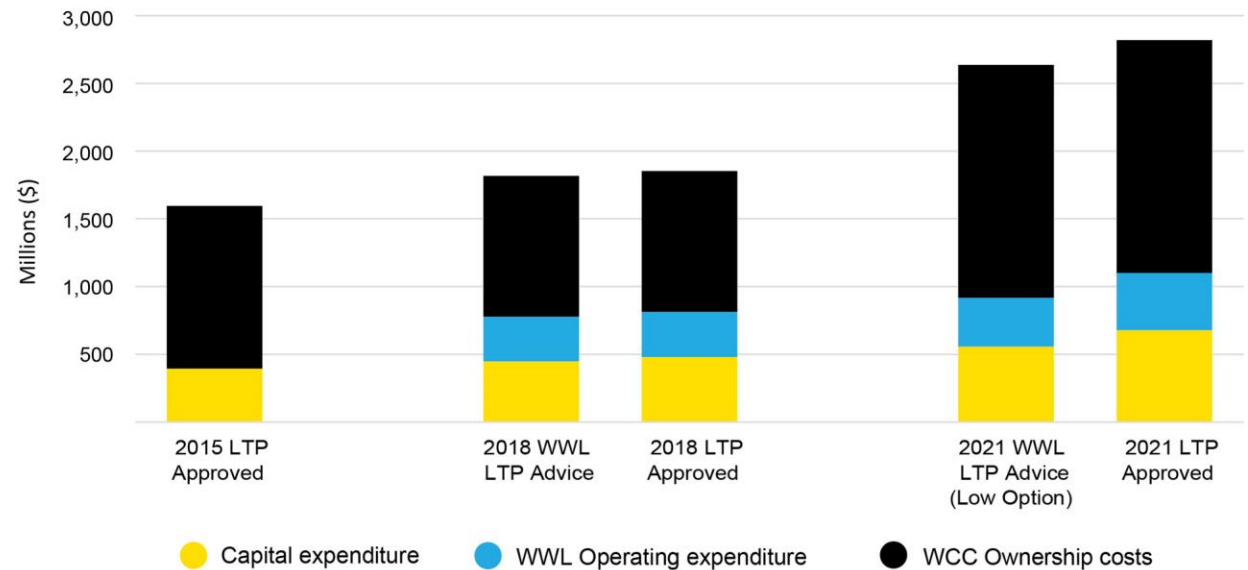


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Summary of investment level advice from WWL and actions taken by WCC in response

- All investment budgets and advice have been summarised by LTP period. We have also provided additional out of cycle investment events under the period covered by each LTP.

10-year LTP Three Waters Investment



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Evidence WCC intends to make necessary investments in first three years of 2024-34 Long Term Plan in water loss management activities and increasing capacity and storage

- Options were presented to Council in a workshop on 31 January 2024.
- Final decisions on what will be included in the Consultation Document for the 2024-34 LTP.
- These options will continue to be developed in preparation for the LTP Finance and Performance Committee on 15 February 2024.
- This table represents WWL’s proposed direct funding. When combined with WCC’s total ownership costs (such as depreciation, interest and insurance) and bulk water purchases, the amount funded by WCC rate payers to provide water services would total approximately \$4bn over 10 years.

	Operating expenditure (2024-34)		Rates impact (2024/25)	Capital expenditure (2024-34)		Inclusions over and above the previous option
	Addition	Cumulative	Cumulative	Addition	Cumulative	
Option 1	-	\$600m	13.8%	-	\$897m	Baseline
Option 2	+\$8m	\$608m	14.3%	+\$122m	\$1,019m	Option 1 plus: planning and design for water meters including smart meter roll out
Option 3 total	+\$60m	\$668m	15.4%	+\$99m	\$1,118m	Option 1 and Option 2 plus: <ul style="list-style-type: none"> Leak detection and reactive maintenance Reprioritise and phase works to target budget to water renewals Pressure control value management Renewal of Bell Rd reservoir and build (growth) Moe-i-te-Ra reservoir to ensure capacity while renewal is occurring and then add additional capacity to the network

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Evidence your council is committed to supporting the recommendations made at the Wellington Water Summit in September 2023

- WCC supports taking recommendations made by WWL at the Wellington Water Summit to our Council for final decision.
- Through the current LTP process, officers will be recommending that elected members support continuing with increased investment into finding and fixing leaks, managing water loss, and replacing old infrastructure as well as investment in universal smart water meters across the Wellington metropolitan region.
- Greater Wellington Regional Council (GWRC) are responsible for decisions around provision of new storage lakes and WCC will support GWRC to explore options for further capacity.

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Other actions WCC is taking to address the risk of water shortages this summer and in the future

- **Independent review – Wellington City Council/Wellington Water Limited**
Independent review of WWL contracts to identify efficiencies, cost savings, and improvements to transparency and reporting.
- **WCC conservation measures**
Every part of the Council is exploring how it can reduce its water usage while the city is experiencing water restrictions.
- **Wellington City water restrictions emergency response plan**
WCC Emergency Management team are refining a response system based on a predictive logistics distribution model and network of water distribution points.



Ngā mihi
Thank you

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke