

Local Water Done Well Proposal

Community Workshops



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We want
your help in
deciding how
we deliver water
services in
Masterton District



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Water reforms have been in the spotlight for nearly a decade

- The 2016 Havelock North crisis exposed major failings in water management and infrastructure.
- In response, the Government reviewed drinking water, wastewater, and stormwater services (the three waters reform) to improve health, safety, and environmental outcomes.
- Three Waters reforms were launched, evolving to Local Water Done Well.



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Water reforms: Local Water Done Well

- Under the Local Water Done Well reforms:
- Councils continue to own water assets (solely or through shareholding in a CCO)
- But can choose flexible service delivery models to suit their communities.



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The regulatory environment is also changing under the water reforms



Water Services Authority

- Ensures safe drinking water and checks compliance.
- Monitors wastewater and stormwater impacts.
- Acts when standards aren't met.



Commerce Commission

- Ensures efficient, high-quality water services and fair pricing.
- Protects consumers across drinking water, wastewater, and stormwater services.



Regional Council

- Oversees land use to protect drinking water and environmental standards.
- Enforces rules under the Resource Management Act (RMA) and manages resource consents.



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Masterton's Local Water Done Well



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Water services are a key part of what we do



Our drinking water supply network includes

- 1 water intake, including 2 bores
- 2 water treatment plants
- 1 pump station
- 218 km of water supply pipelines (about the distance to Napier from Masterton)
- Average age of our pipelines is 33 years
- 22.7 km of laterals

\$6.5 million spend year ended 30 June 2024.



Our wastewater network includes

- 4 wastewater treatment plants
- 13 sewer pump stations
- 214 km of wastewater pipelines
- Average age of our pipelines is 42 years
- 2,594 maintenance chambers (including manholes, valves, and chambers)

\$8.8 million spend year ended 30 June 2024.



Our stormwater network includes

- 55 km of stormwater pipelines (nearly the distance to Pahiatua from Masterton)
- 29.9 km of open channel drains and 63.5 km streams
- Average age of our pipelines is 45 years
- 761 maintenance chambers (manholes) and 2160 sumps

\$1.4 million spend year ended 30 June 2024.



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We've engaged with partners, including mana whenua to identify two options

Our proposal:

To join with Carterton, South Wairarapa and Tararua District councils to form a Wairarapa – Tararua council-controlled water organisation owned by the four councils.

Our alternative option:

To continue to deliver services as we currently do, but with enhancements to meet new regulator standards set by Taumata Arowai, and economic regulation by the Commerce Commission.



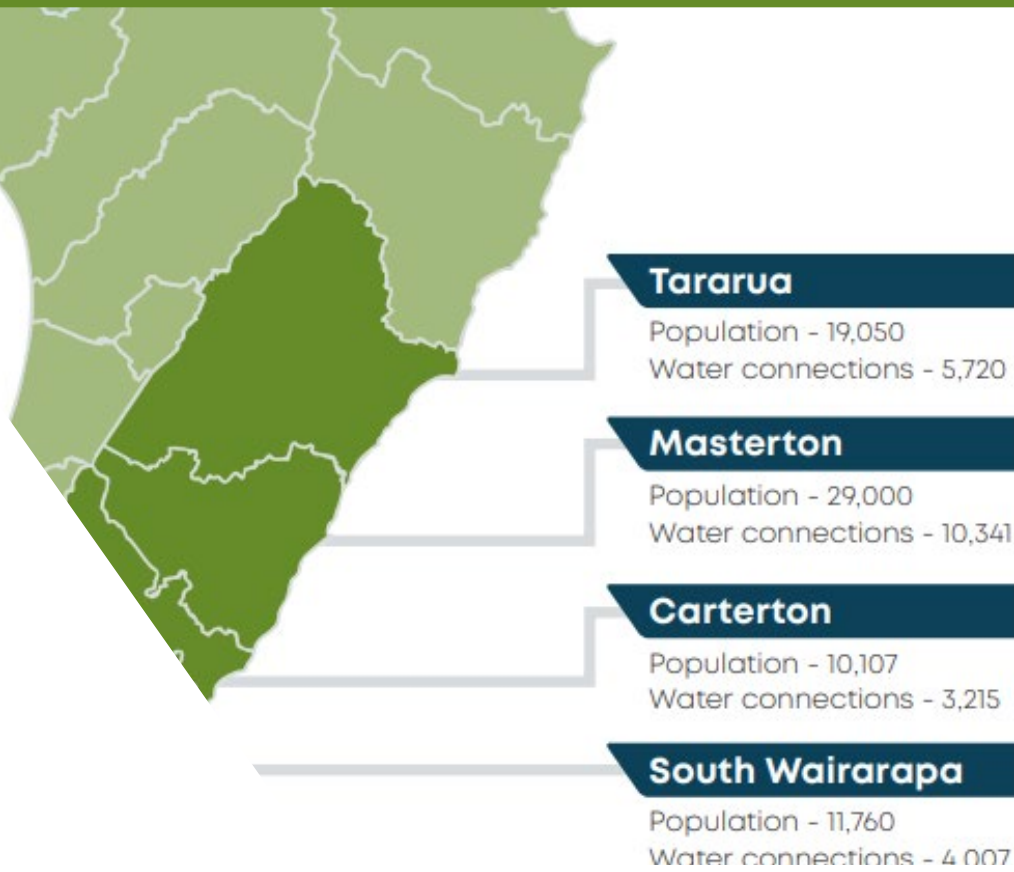
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Our proposal

To create a joint CCO with
Carterton, South Wairarapa and
Taranua

Key features

Ownership	CCO jointly owned through shareholding by the Masterton, Carterton, South Wairarapa, and Taranua District Councils
Governance	CCO independent Board of Directors, and a joint council Shareholder and Iwi Committee
Strategy	The Shareholder and Iwi Committee provides oversight by setting priorities and performance expectations, to represent the community and give direction to the CCO Board
Accountability	<p>CCO Board reports to the Committee, which reports to councils.</p> <p>CCO accountable to the community through consumer protection requirements.</p> <p>CCO adheres to new requirements for financial reporting. Committee monitors performance.</p>
Borrowing	Borrowing direct from Local Government Funding Agency (guaranteed by all shareholding councils) up to 500 per cent (of operating revenue) or from banks. Council shareholders will stand behind their CCO's borrowing.



Council influences through:

- Shareholder agreements
- Statement of Expectations
- WS Strategy



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Our alternative option

Continue to deliver services as we currently do now but with enhancements to meet legal requirements

Key features

Ownership	100 per cent council owned as a business unit within Masterton District Council No new organisation is established
Governance	Internal business unit responsible, via the Chief Executive, to the elected council members with other usual council governance oversight.
Strategy	Water business unit prepares Water Services Strategy.
Accountability	Water business unit reports to council per established internal processes. Water service delivery would be accountable to the public through usual local democracy practices. Council self-monitors performance. Water-focused annual report and stand-alone financial statements on water will be completed to enhance current requirements. Additional reporting and compliance expected from economic regulator.
Borrowing	Borrowing would be undertaken by the Council with a limit as per current LGFA borrowing limit (up to 175 per cent of operating revenue).



Masterton

Population - 29,000

Water connections - 10,341



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Comparison: Advantages

1

Wairarapa - Tararua

- Bigger scale will enable:
 - Access to increased levels of funding
 - Flexibility to apply across region
 - Process efficiencies
 - Streamlining work programme
 - Potential local economic benefit
 - Iwi preferred option

2

Masterton only

- Minimal disruption
- The Council retains full governance & control of assets and services
- The Council retains direct control over work programmes, service levels and pricing (subject to regulatory requirements)



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Comparison: Disadvantages

1

Wairarapa - Tararua

- Complex to set up
- Loss of internal council expertise and understanding
- No direct council control over assets and services delivered
- Some risk associated with CCO's debt levels/guaranteeing
- Council will be carrying some overheads

2

Masterton only

- No professional Board
- Resourcing (staff & costs) – Council responsibility alone
- Potential competition for staff / more consultants
- Smaller scale – reduced buying power & efficiencies
- Shared focus across all assets
- Not preferred by Iwi
- Doesn't align with the intent of new legislation



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Comparison: Uncertainties

1

Wairarapa - Tararua

Further discussions needed on key matters such as:

- Board structure & shareholding
- Service levels and performance measurement
- Staffing and HQ location
- Work programme & prioritisation
- Transition of charging & future pricing

2

Masterton only

- Costs of investment needed could be greater than expected and would be the sole responsibility of Masterton.



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How the dollars stack up



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Financial modelling for comparison

- LTP costs used as basis of the modelling for both options

1

Wairarapa - Tararua

- Four Councils operating and capital costs for water activities
- Model based on utilities operation, using debt funding for all capital
- Revenue set to achieve FFO of 10%

2

Masterton only

- The 3 waters components of MDC's LTP used
- Financial strategy followed - Homebush debt repaid by 2034, depreciation of assets funded from revenue



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Comparison: Debt

- Use of Debt to fund investment is linked to Intergenerational Equity

1

Wairarapa - Tararua

- Entity's debt up to 500% of its operating revenue
- More debt enables smoothing of revenue increases
- CCO projected debt by 2038 = \$365m or 393% of Op Rev

2

Masterton only

- Council debt up to 175% of operating revenue - the current lending cap
- Predicted debt by 2038 (incl Homebush) is \$165m (146% of Op Rev)



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Comparison: Cost per connection

1

Wairarapa - Tararua

Water services would not be charged for as rates. Properties will receive an invoice from the new water entity. Basis of charging is to be determined.

- In year 1 the estimated average cost per connection (for MDC) : \$2,246
- In 10 years, it may be: \$2,305
- In 20 years it may be: \$2,122

2

Masterton only

Water services would continue to be funded by rates & proposed metered water charges.

- In year 1 the estimated average cost per connection: \$2,193
- In 10 years, it may be: \$2,513
- In 20 years it may be: \$3,002

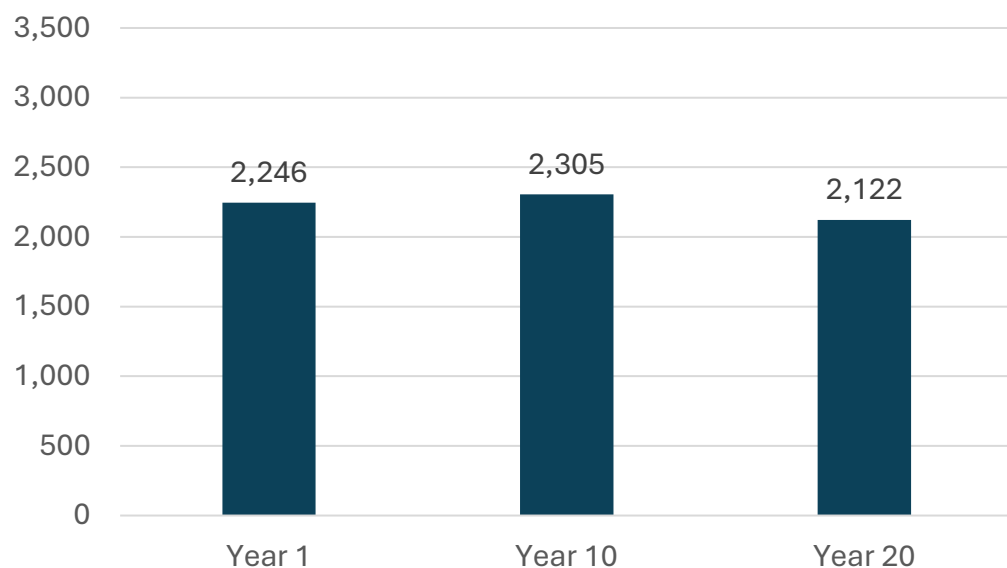


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Comparison: Cost per connection

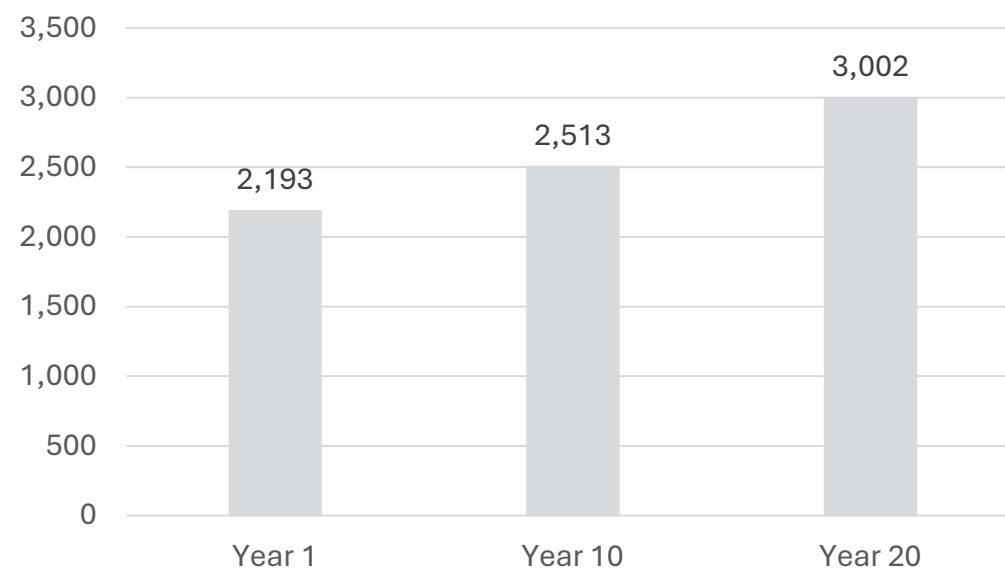
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Wairarapa - Tararua



2

Masterton only



Projected costs are based on water charges not being standardised*.

Financial modelling of costs, capital investment, debt and revenue is more reliable for the first 10 years of the graph as it has been based on councils' Long-Term Plans.

The projected estimates are high-level and based on various assumptions.



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Pricing over time

- Each Council charges for water differently & has different levels of income, debt & needs
- Standardised price = same pricing regime applied to all consumers of the CCO
- Estimated for W-T by averaging each districts costs / connection
- No requirement for water charges to be standardised

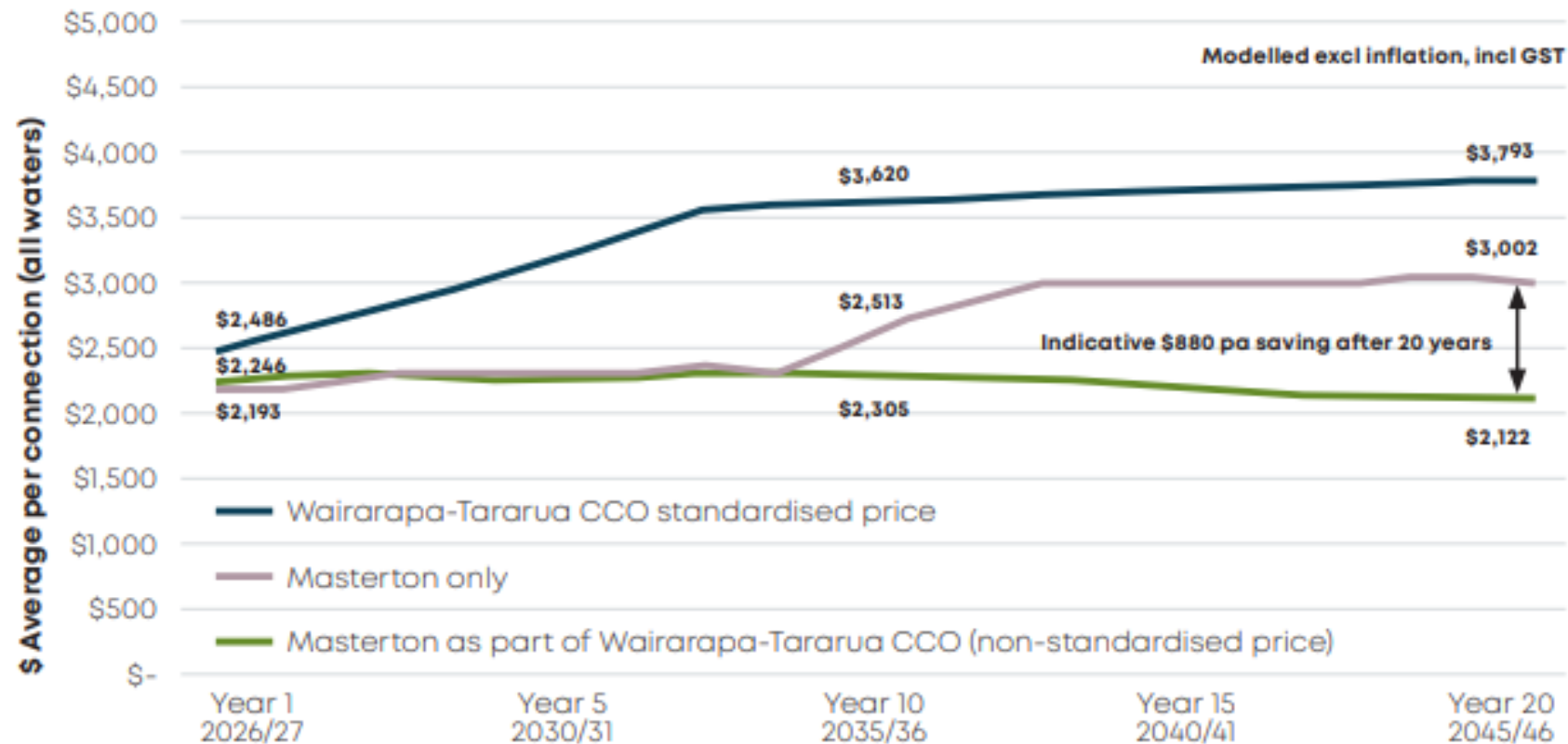
The following chart illustrates:

- An estimated standard cost for W-T vs a non-standardised cost MDC within the CCO; and
- Compares this with the cost for Masterton-only.



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Pricing over time



Next steps



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Questions?



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Where to find more info

- Consultation document
- FAQs on our website

www.mstn.govt.nz
(search “consultation”)



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