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PORT FLINDERS WATER SUPPLY

INTRODUCTION

Council is distributing this Community Update as a way of keeping the Port Flinders Community informed of recent developments and various matters associated with the Port Flinders Water Supply ("the Scheme"). It is anticipated that Community Updates such as this will be provided at various times in the future, likely to coincide with achievements of project milestones associated with the Scheme and its completion. It will also provide general information for any new property owners.

Ratepayers and Residents with questions or queries regarding the Scheme that are not covered in these updates, or if there is a matter requiring further clarification, are encouraged to contact the Council office to discuss the matter in greater detail.

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BACKGROUND

On the 1st December 2007, Council and the Port Flinders Community officially embarked on an exciting new venture which will undoubtedly provide long term benefits for the township's residents and ratepayers, following Council's decision to confirm acceptance of the gifting of the Port Flinders Water Supply.

Considerable work was undertaken in the lead up to the handover as the offer, from the scheme's former owners, namely Rousette Pty Ltd, Austral Pacific Trading Pty Ltd and Port Flinders Water Company Pty Ltd ("the owners"), to gift to Council, free of all encumbrances, their installed reticulated water system serving the township, was assessed, financial analysis undertaken and formal consideration given by Council.

During the investigation stages, a considerable public consultation process regarding the proposal was undertaken with all property owners in the township, including an initial financial model allowing the scheme to be run on a self supporting

basis (similar to Community Wastewater Management Schemes and the Melrose Post Office – i.e. at no cost to Council). The process, and the numerous submissions received by Council, highlighted several areas which warranted review and further consideration.

In essence, the concerns raised and the issues identified from the consultation were:-

- That developer's blocks not presently connected to the scheme have already contributed \$2,000 (as part of the purchase price) as an augmentation charge to the water supply;
- A general reluctance on the part of property owners to contribute towards the Stage II costs, particularly by those property owners already connected to the scheme.

Other issues raised during the consultation process, such as the ownership / shareholder status of the Port Flinders Water Supply Company, were considered by Council to clearly be issues that those concerned needed to raise and address with the principals of the Company directly.

Council duly considered the consultation outcomes and a revised financial model was prepared and presented to Council for consideration. The following changes were identified and incorporated into the revised financial model:-

- The deferral / removal of the construction of Stage II (completion loops etc) which in turn removed the need for the \$500 Stage II component of the proposed charges; and
- Recognition of the \$2,000 contribution already made by purchasers of the developer's allotments which are not presently connected to the scheme (approximately 35 allotments).

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COMMUNITY UPDATE (CONT.)

BACKGROUND (CONT.)

As a direct result of these changes, the proposed charges under the financial model were also changed in order to enable the estimated construction costs to be met. The revised charges now comprise:-

- \$1,250 towards the cost and installation of a meter;
- \$2,500 augmentation fee;
- \$1,000 contribution towards a reserve fund for the future maintenance, repairs, replacement and expansion of the scheme.

Under the revised model, the 60 (approx.) allotments presently connected to the scheme will not pay any of these. The 35 (approx.) developer allotments not presently connected to the scheme will be required to pay the \$1,250 fee towards the purchase and installation of a meter. The remaining 90 (approx.) allotments will be required to contribute all three components, a total of \$4,750 per allotment.

For future additional allotments created as a result of land division, an augmentation fee of \$4,000 plus \$1,250 for a meter and installation, would apply for each additional allotment created.

Quarterly supply charges and water usage charges will be 'pegged' to SA Water pricing, with the quarterly supply charge including a component (amount equivalent to the Save the Murray Levy) going into a future maintenance and replacement Reserve.

All charges will be reviewed on an annual basis by Council as part of its Budgetary and rate setting processes. Council will allow for some of these costs to be paid over an extended period, for example 5 years, to assist property owners who may have difficulties meeting these contributions. A discount for up front payment has also been flagged for certain components of the charges.

Council considered that these changes to the original consultation proposal adequately addressed the vast majority of issues raised during the consultation process.

Council looks forward to working closely with the residents and ratepayers of the Port Flinders township over the coming months and years to ensure that the Water Supply adequately serves the needs of the Community.

The transfer of the asset to Council has been a significant milestone for both Council and the Port Flinders township with benefits that will flow, like water, for many years to come.

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### SCHEME COMPLETION PROJECT STATUS

A key reason for Council's involvement in the Port Flinders Water Supply, was a Community desire to have the Scheme's construction completed and, as a result, provide a water supply service to all allotments within the Port Flinders township.

Engineering consultants were appointed by Council to guide this project to fruition. The consultants brief was to:-

- Assess the current capacity of the scheme
- Determine the ultimate load for 190 Allotments
- Determine system capacity upgrade requirements
- Determine system operational requirements
- Design the Scheme's extension to service the remaining 45 allotments not presently serviced
- Prepare the tender specification for completion of the Scheme

The engineering consultants will also:-

- Call tenders for the construction contract
- Superintend the construction contract
- Provide as-constructed drawings, etc

Whilst still to be considered by Council, the Initial Assessment Report has been received from the Consultants.

Amongst other things, the Report has assessed the current usage and confirmed the current capacity of the Scheme.

Average water consumption through the Scheme over the past five years has been 4,256 KL or 4.256 ML. This, ignoring water taken via the standpipe, provides an average annual consumption per connected allotment of 121.6 KL per connection per year.

This is also consistent with the design supply rate of 121.7 KL per connection per year and is the basis upon which SA Water originally guaranteed a minimum supply of 18,250 KL per annum to supply 150 connections. No maximum consumption level was ever imposed by SA Water when the initial approvals were put in place.

Negotiations have been progressing with SA Water with a view to ascertain the maximum supply and to increase the minimum to a suitable level.

Based on the current consumption or SA Water design rate of 0.33 KL per connection per day, the following depicts the annual demands for a range of connections.

|                |           |
|----------------|-----------|
| 35 connections | 4,216 KL  |
| 150            | 18,068 KL |
| 188            | 22,645 KL |
| 200            | 24,090 KL |
| 225            | 27,101 KL |
| 250            | 30,113 KL |

# COMMUNITY UPDATE (CONT.)

## SCHEME COMPLETION PROJECT STATUS (CONT.)

In terms of the other water infrastructure, the pumping main has a capacity of 362.9 KL/day which theoretically could service 907 connections.

The tank farm capacity, in its present configuration, has been estimated by the consultants to be 180 KL/day which could theoretically service 450 connections.

As can be seen from the above information, the Scheme infrastructure can cater for significant expansion. The limiting factor is the quantity of water that is guaranteed by SA Water.

As such, ongoing discussions are occurring with SA Water regarding the guaranteed minimum quantity of water available for the Scheme and whether the minimum can be increased, or an upper limit provided, somewhere in the vicinity of 30 to 35 ML per annum.

These discussions are considered by the consultants to be critical to the project and as such, considerable pressure is being placed on SA Water to address this matter.

Whilst these negotiations have been occurring, design of the system has continued, as has the preparation of tender documentation and the gathering of preliminary information for potential tenderers.

Subject to the outcome of the SA Water discussions and negotiations, the availability of potential tenderers and of course, the eventual tendered construction price, construction is still anticipated prior to the end of 2008.

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## NEW CONNECTIONS TO THE SCHEME

Earlier in the year, Council considered whether it would allow existing properties to connect to the Scheme prior to the major construction activities being undertaken.

Naturally, such connections would only be possible where existing water mains ran past these allotments.

Two such requests, together with an accompanying Agenda Report, were tabled and considered at the April Ordinary Meeting.

Following due consideration of the matter, Council determined that it would not permit any new connections to the Scheme until the construction of the remaining parts of the Scheme was undertaken.

This decision was based on trying to achieve economies of scale and efficiencies in the purchase and installation of meters, which would ultimately result in cost savings for all residents and ratepayers of the township.

Whilst this decision of Council has been the subject of complaints to both the Ombudsman and the Office for State / Local Government Relations, residents wanting to connect to the Scheme do have other options in the short term, pending the full construction of the remaining parts of the Scheme taking place.

Such options include the use of rainwater tanks, having water carted and even utilising arrangements with neighbouring property owners to fill tanks from their connections on a periodic basis.

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## LAND DIVISION MORATORIUM

Most residents and ratepayers will be aware of the decision made by Council in April 2007 to impose a moratorium on further land division within the Port Flinders township until such time as the assessment on the Water Supply and its capacity was undertaken.

Clearly, from the information outlined earlier within this Community Update, this was a sound decision.

Pending the outcome of the discussions and negotiations with SA Water detailed earlier, the possible lifting of the moratorium on land division can be assessed by Council.

Quite obviously, the capacity of the Water Supply will be the major determining factor in this consideration.

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## WATER BILLS

As part of the Deed of Transfer between the Scheme's previous owners and Council, a joint reading of water meters was undertaken in March of this year.

As part of the Agreement, the previous owners of the Scheme were required to pay all SA Water accounts for water used through the Scheme up until this point in time, and as such, they were also entitled to invoice customers for water consumed up until this date.

The previous owners distributed their final invoices for water consumed and quarterly service charges in May and June of this year.

It is noted that those invoices included the quarterly service charges up until 30<sup>th</sup> November 2007.

Council will be charging the supply charge from 1st December 2007 when it issues its first round of invoices in the coming months.

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# COMMUNITY UPDATE (CONT.)

## WATER AGREEMENTS

Water Agreements for each individual property have been prepared and legally verified by Council's legal advisers.

Each property that connects to the Water Supply will be required to enter into such an agreement with Council prior to the physical connection being provided.

This will include all property owners within the township, irrespective of whether they are presently connected, or whether their property is one of the developer's original blocks.

Where a property has more than one meter and / or connection, a separate agreement will be required for each.

The Agreements will not survive a change of ownership of a property and it is envisaged that as part of the search and settlement processes on the sale of a property, the new owners will be required to enter into the standard water supply agreement with Council prior to settlement.

As noted above, all properties will be required to have an executed water supply agreement in place prior to the property being connected to the water meter.

For those properties already connected, a period of two months will likely be allowed for the agreements to be executed. Should an agreement not be entered into, the property will be disconnected from the water supply.

In such a situation, the property will not be permitted to reconnect to the scheme until the agreement is entered into and a connection fee would likely be applied.

It is anticipated that these Water Supply Agreements will be distributed to property owners, together with an application to connect form (where applicable), during the coming months in the lead up to the construction and commissioning of the remaining parts of the Scheme.

Individual correspondence will be sent to all property owners in this respect.

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## COUNCIL WATER INVOICES

During the month of October, it is envisaged that Council will undertake its first round of water meter readings.

Following this, invoices will be distributed to water consumers.

These invoices will include service charges for the period from 1<sup>st</sup> December 2007 and for water consumed since the March meter readings.

Invoices will subsequently be distributed on a six monthly basis.

## WATER FEES & CHARGES

As part of its Budgetary processes for the 2008 / 2009 financial year, Council formally declared the fees and charges for the water supply as Prescribed Service Charges under Section 155 of the Local Government Act 1999.

By declaring the charges as prescribed services charges, they effectively become a debt against the land if unpaid and as such, can be treated as Council rates for recovery and interest purposes.

The Service Charges declared by Council are as follow:-

- An annual service charge of \$209 per annum for each water connection / meter
- A service charge of \$1.65 per kilolitre for each kilolitre of water supplied

These charges are consistent with the charges imposed by SA Water for properties that it services.

The annual service charge of \$209 includes a component, equivalent to the amount collected by SA Water for the Save the Murray Levy, which will be allocated to the Port Flinders Water Supply Reserve account for future maintenance, upgrades and replacements.

By declaring these charges as prescribed service charges, Council is able to ensure that any monies raised from the service charges can only be expended on the prescribed service, namely the Port Flinders Water Supply.

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## MANAGEMENT COMMITTEE

During its initial assessment of the Port Flinders Water Supply, Council determined that it would establish a Management Committee to oversee the ongoing operation and maintenance of the Scheme.

A formal call for membership of this Committee will be made in coming months, following completion of the Committee's Terms of Reference.

Residents who are interested in being involved with this Committee are asked to forward an expression of interest to Council, outlining any relevant experience and the person's interest in being involved.

Such expressions of interest can be forwarded prior to the formal call being made.

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## DO YOU STILL HAVE QUESTIONS?

Please feel free to contact the Council Office to discuss them .