

TITLE: [EO-OC] Burringbar Mooball Sewerage Scheme

ORIGIN:

Water

SUMMARY OF REPORT:

Council at its meeting of 4 July 2006 considered the future of the Burringbar Mooball Sewerage Scheme. At that time the major obstacle to the Scheme proceeding was the loss of funding from the NSW State Government. Prior to the recent election the State Government announced additional funding for the Country Towns Water Supply & Sewerage Schemes, which included Burringbar Mooball. Under this Scheme up to 50% subsidy (Scheme financing previously based on 70% subsidy) would be received for the project. There is now a significant shortfall in funding which at this stage due to increase in capital costs, the decrease in subsidy and legislative obstacles that prevent Council from cross subsidising the Scheme from existing Tweed Sewerage Fund customers.

The sewerage of Burringbar Mooball has long been considered a priority of Council due to the potential health and environmental risks. It is therefore proposed that the option of abandoning the Scheme be discarded and that Council continue with the project, and the current annual charge of \$350. However recommencement of further investigation and design to progress the Scheme should be suspended at this time pending the resolution of funding shortfall issues.

RECOMMENDATION:

That Council:-

- 1. Formally resolves to continue with the Burringbar Mooball Sewerage Scheme.**
- 2. Requests the NSW Government to increase the subsidy available to Burringbar Mooball Sewerage Scheme to 70%.**
- 3. Meets with the relevant NSW Government Ministers to seek legislative change to enable partial funding of the Burringbar Mooball Sewerage Scheme by Council's Sewer Fund.**
- 4. Suspends recommencement of further investigation and design to progress the Scheme at this time pending resolution of funding shortfall issues.**
- 5. Advises residents of the project status, Council's intention to continue with the Scheme and the annual charge of \$350.**

REPORT:

Council at its meeting of 4 July 2006 considered a report relating to the background and status of Burringbar Mooball Sewerage Scheme. This report is attached to this business paper for Council's information.

At the meeting of 4 July 2006 it was resolved that Council:-

- "1. Advises the residents of the current status of this Scheme.*
- 2. Continues to pursue funding in 2006/2007.*
- 3. Considers the options presented in this report for the future of the Scheme.*
- 4. Reviews in detail the available options and makes a decision for the future of the Scheme before the 2007/2008 rate notices are issued."*

Subsequent to this resolution the NSW Government announced in its pre-election campaign that funding for the Country Towns Water Supply & Sewerage Scheme would be increased by \$150M which would enable the funding of a number of state wide projects including Burringbar Mooball. This announcement and subsequent verbal advice from the previous Department of Energy Utilities and Sustainability indicates that Burringbar Mooball will receive up to 50% funding under the State Government's program.

The current estimate for the provision of a sewerage scheme for Burringbar Mooball is \$6.28M. When Council initially resolved to commence the scheme on the 18 December 2002 the estimated cost was \$4.53M, the project was to be funded 70% from the State Government's Country Towns Water Supply & Sewerage Scheme, 15% via a Special Charge levied on the benefiting properties and 15% funded by Council's Sewer Fund. At that point in time a Special Charge was set at \$350 per year per property for 10 years.

There are now three major factors which have affected the previous funding arrangements:-

- The estimated cost has risen from \$4.53M to \$6.28M.
- The State Government's contribution is now set at a maximum of 50% as opposed to the previous maximum of 70%.
- Council has received verbal advice from the Department of Local Government that under the Local Government Act the Sewer Fund (existing Tweed Sewer customers) is unable to cross subsidise the cost of new schemes or extensions to existing schemes.

Council has previously funded similar projects through a Tweed Sewer Fund cross subsidy arrangement, namely Tumbulgum and Uki Sewerage Schemes. The impact of being unable to cross subsidise is significant for this project as it effectively means that there is a funding shortfall of \$14,500 per property. The ramifications of this are currently being explored through other Councils and the Department of Local Government. It is hoped there will be legislative change to overcome the problem. If the funding cross subsidy is allowed the potential cost impact on the Sewer Fund is considerable as the

funding deficit is in the order of \$2.9M. Council's Sewer Fund will require loan funding over the next 3 years for the amount of \$10M without the inclusion of a commitment to Burringbar Mooball.

There are a number of alternatives available for Council to seek resolution to the funding dilemma:-

1. The funding shortfall of \$2.9M be split amongst the 164 benefiting properties via a special rate or charge. This option is in keeping with the existing Local Government Act but is likely to be unaffordable to Burringbar/Mooball land owners and is inconsistent with financial arrangements offered to these land owners in the past.
2. The funding shortfall of \$2.9M be split amongst the 164 benefiting properties via a special rate or charge and a cross subsidy from Council's Sewer Fund. This option will require a change to the legislation and will take time to resolve. It also imposes a charge over and above the existing \$350 per year on the benefiting properties.
3. The funding shortfall of \$2.9M be fully met by a cross subsidy from Council's Sewer Fund. This option will require a change to the legislation and will take time to resolve.
4. Council request the State Government to increase the proposed subsidy from 50% to 70% (this is applicable to all the above options).
5. Council abandon the Scheme.

CONCLUSION

The sewerage of Burringbar Mooball has long been considered a priority for Council due to the potential health and environmental risks and the option of not proceeding with the Scheme is considered inappropriate. There are however a number of funding issues to be resolved before Council can once again proceed with the project.

It is therefore proposed that:-

- The option of abandoning the Scheme be discarded
- Council continue with the project
- Council continue with the current annual charge of \$350
- Council request the NSW Government to lift subsidy from 50% to 70%
- Recommencement of further investigation and design to progress the Scheme be suspended at this time pending resolution of funding shortfall issues

LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:

Significant financial and amenity impact on Tweed Sewerage Fund and Burringbar Mooball land owners.

POLICY IMPLICATIONS:

Issues need to be resolved regarding legality and appropriate level of cross subsidy by existing Tweed Sewer Fund customers for new schemes and extensions.

UNDER SEPARATE COVER/FURTHER INFORMATION:

*To view any "**non confidential**" attachments listed below, access the meetings link on Council's website www.tweed.nsw.gov.au or visit Council's offices at Tweed Heads or Murwillumbah (from Friday the week before the meeting) or Council's libraries (from Monday the week of the meeting).*

1. Report from meeting held 4 July 2006 (DW1416817).
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