

Paying for stormwater drainage on the Central Coast

22 October 2021

1 We are reviewing prices on the Central Coast

IPART sets the maximum prices that Central Coast Council can charge for the water services it delivers to households and businesses as a Water Supply Authority. This includes mainly:

- water supply services, which is the drinking water customers use for everyday use, and
- wastewater services, which is the removal and treatment of the wastewater from fixtures like showers, toilets and sinks.

In the past we have also set prices for most of the council's stormwater drainage activities. These stormwater activities include managing and maintaining the infrastructure that collects the rainwater from roads, parks and private land. It also includes improving the water quality of rivers, lagoons and beaches, and undertaking flood planning and mitigation.

The stormwater prices we set are paid by households and businesses and are fixed annual charges.

We are considering whether to set prices for stormwater drainage anymore, or bring them in line with other councils and have them funded via council rates. We indicated in our 2019 review that we would revisit this issue in our current review.

1.1 What has the council proposed?

Amongst its other proposals for water supply and wastewater prices, the council has proposed that we again set stormwater drainage prices. It has asked that we increase the council's Water Supply Authority stormwater drainage annual charge by 68%, from \$108 for a house now to around \$182 next year.

Table 1 Council proposes a 68% increase in stormwater drainage annual charges

Type of customer	Current (\$)	Council proposed (\$)	Increase
House	108	182	68%
Apartment	81	136	68%
Farmland	108	182	68%
Vacant land	81	136	68%
Businesses			
• Small/low impact	108	182	68%
• Medium	189	318	68%
• Large	891	1,499	68%
• Very large	2,007	4,543	68%

The council argues that it needs more money to make sure the services are what the community needs and expects. We will review whether the council needs to spend as much as it proposes, and also how the community should pay for it.

The council has proposed that more costs are shifted from its general fund, which is paid for through your local government rates, to its Water Supply Authority for which we set prices.

1.2 Who should pay?

When we set the maximum prices for the council's Water Supply Authority as we have in the past, the council sends a stormwater bill to households and businesses in the declared drainage area within the council's boundaries.

However, the council can fund some or all of its stormwater drainage services as a general council function, rather than as a Water Supply Authority. It would fund these services through revenue from yearly local government rates on landholders. This would not be done through the council's Water Supply Authority, so we would not set those rates. However, we do have a role in determining the rate peg and special variations which apply to the council's general income as a whole. Funding through rates may mean some ratepayers who do not currently pay the Water Supply Authority's annual stormwater drainage charge would contribute to stormwater costs through rates.

1.3 We think it is better to pay for stormwater services via rates

Our preliminary decision is that the council's stormwater drainage service should be funded through local government rates, not through the charges IPART sets for the Water Supply Authority.

Local government rates is a fairer and more appropriate way to fund stormwater services, as they are more like community services. Most of the costs of managing stormwater services are not related to your house, but to community facilities. In particular, the cost of drains and pipes to make sure roads are safe to drive on during storms, parks and gardens are safe and public land doesn't flood. Most or all of the community benefit from, and have access to, these community facilities.

There are also other potential benefits of using rates revenue to fund stormwater drainage. It allows the council to better manage its roads and drainage budget and functions. It also helps ensure that there is only one source of funding for these functions and avoids potential double counting between rates revenue and Water Supply Authority revenue.

Our role is to protect the long-term interests of customers and ratepayers. This includes ensuring the council's stormwater drainage services are sustainable in the long-term. It also includes taking steps to ensure customers are not paying for services twice.

1.3.1 What does this mean for the prices we set?

We would set the Water Supply Authority stormwater prices to \$0. This would mean that the council's Water Supply Authority would not be able to charge its proposed \$182 annual charge to households under our price determination.

1.3.2 Would my local government rates go up as a result of this?

Yes. The council would almost certainly need to increase local government rates revenue to make sure it had enough money to fund its stormwater drainage activities. This is because it would no longer receive revenue from the separate stormwater charges that IPART sets for its Water Supply Authority.

While it is ultimately a matter for the council to decide in consultation with the community, it means that the council would likely need a special variation of its rates revenue.

The impact of this proposed change would affect ratepayers differently depending on a number of factors, including how the council decides to collect the additional revenue from ratepayers. In general, how your rates change would also be affected by how much your land is worth as rates are typically linked to unimproved land value.

In setting its rates to cover stormwater drainage costs, the council has a number of options for how it does this. It can:

- Set general rates higher.
- Introduce a special rate for stormwater, that covers a specific geographical area or certain types of land.
- Levy an annual charge for stormwater management services. This is separate from rates and is currently capped at \$25 for a house and \$12.50 for an apartment. Businesses pay an area-based charge. An annual charge for stormwater management services would not raise enough money on its own to pay for what council argues it needs.

1.3.3 When might this happen?

Our view at this stage is that we would continue to set stormwater drainage charges for the next 2 years to allow time for the Council to adjust. From July 2024 however, we would set the council's Water Supply Authority stormwater drainage charge to \$0. From then on, the council would need to set its own local government rates or charges to ensure stormwater drainage services can be properly funded.

1.4 Tell us what you think

We recognise that this would be a significant change to how we have set prices for the council's Water Supply Authority stormwater services in the past. It also might result in changes to the local government rates you pay to the council each year.

We want to know what you think about changing the way the council funds its stormwater services.



1. What do you think about funding stormwater services through the council's local government rates rather than through its charges as a Water Supply Authority?
2. Would you prefer to pay for stormwater services through the council's local government rates instead of through its charges as a Water Supply Authority? Why?
3. If stormwater services were to change to be funded through local government rates, when would you want this change to occur?

We will publish our draft decisions and draft prices for this review in our Draft Report which we will release in March 2022. In making these draft decisions and setting draft prices, we will consider all feedback we receive, including feedback from our Public Hearing on 26 October 2021, as well as the results of our analysis of the council's proposal. We will undertake further consultation with the community on our Draft Report, including seeking feedback and holding a second Public Hearing.

Have your say

Your input is critical to our review process.

[Submit feedback »](#)

You can get involved by submitting your feedback and/or attending the public hearing.

[Attend the public hearing »](#)

We are seeking feedback on stormwater by **15 November 2021** on the issues we have identified.