Dear Ratepayer

In accordance with Section 530c of the Local Government Act 1934, The District Council of Tumby Bay hereby provides formal notice of the proposal to implement a Community Wastewater Management Scheme (CWMS) for the township of Port Neill.

Attached with this letter is a report which satisfies the requirements of Section 530c of the Local Government Act 1934, Section 8 of the South Australian Public Health (Wastewater) Regulations 2013 and Section 151 of the Local Government Act 1999. For information, extracts of these pieces of legislation are provided as Appendix A to this report.

As an owner of land within the area affected by the proposed scheme, you have the opportunity to lodge a submission in relation to the proposed scheme with Council. Any such submission must be made in writing to the Council and must be received by close of business on Friday 21st February 2014. Any responses received will be summarized to be formally considered by Council at their meeting scheduled to be held Tuesday 11th March 2014.

I invite you to contact me through the Council office if you wish to discuss any aspect of this letter or the attached report further.

Yours sincerely

Damian Windsor

Works Manager
1. Overview

The Local Government Community Wastewater Management Scheme (CWMS) Management Committee has been established to provide oversight to the implementation of new CWMS’ across South Australia, subsidised through State Government funding for this purpose. The Management Committee has maintained a prioritized register of townships identified by a Council as wishing to be considered for the subsidised construction of a CWMS. In 2011 the District Council of Tumby Bay was advised that seed funding was available through this Committee to undertake a concept/feasibility study for the construction of a CWMS for Port Neill township. Following a community meeting held in July 2011 the District Council of Tumby Bay engaged Tonkin Consulting Engineers to undertake a feasibility study and concept design for a Community Waste Water Management Scheme (CWMS) to service the township of Port Neill. The concept report prepared by Tonkin Consulting looked at several options to provide for the collection, treatment and disposal of effluent within the township to service all existing allotments, including residential and commercial premises.

The recommended solution included a collection system based predominantly on a network of gravity driven effluent connections, with a small number of pumped connections recommended to avoid the need for excessively deep gravity drains. Two community pump stations are proposed to transfer effluent to a treatment lagoon proposed to be located adjacent the waste transfer station, and treated effluent is proposed to be disposed of via irrigation of the town oval.

Following consideration of the concept plans prepared, Council engaged Tonkin Consulting to continue this work to a preliminary design stage based on the recommended option. The preliminary design report will be presented to a community meeting to be held on 21 January 2014.

This report has been prepared by the Council to be available at this community meeting to address the requirements of both Section 530 (c) of the Local Government Act 1934 and Section 151(6) of the Local Government Act 1999.

2. Objectives of the Project

The principal reason for implementing a Community Wastewater Management System is to control the treatment and disposal of wastewater to improve public health and environmental health outcomes.

In Port Neill, it is recognized that the proximity of multiple septic tank and soakage systems to the coast increases the likelihood of adverse impacts of effluent discharge to the marine environment. A geology comprising significant areas of rock underlying some areas of the township limits the suitability of disposal by soakage trenches, while other areas with highly permeable sandy soils allows the rapid transmission of effluent into the natural environment. The residential size of allotments in Port Neill is generally insufficient to support the on-site treatment and irrigation of wastewater without risk of runoff or ground saturation.

Nutrients carried within the effluent may disrupt normal ecosystem function, while viruses and pathogens contained within the effluent may pose risks to human health. A particular concern is the...
increase in outflow of effluent during times of peak occupancy, which coincide with high levels of use of the foreshore and beach area for recreational activities.

The proposal for a Community Wastewater Management Scheme for the township is supported by the Environmental Protection Authority and Department for Health, as well as having been identified as a high priority on a statewide basis by the Local Government Association CWMS Management Committee.

The objectives of implementing a CWMS to service Port Neill are to collect, treat and dispose of effluent in order to minimize the identified risks as outlined.

3. **Scope of Project**

The scope of the preliminary design plans and report prepared by Tonkin Consulting involves the installation of a CWMS to service all existing residential allotments within Port Neill township. The design also accommodates the future collection, treatment and disposal of effluent from infill development of existing vacant land within the CWMS Boundary as detailed in Appendix B. Preliminary plans of the proposed scheme are attached to this report as Appendix C.

Works proposed to be undertaken as part of the scheme are:

- Installation of approximately 5300m of effluent gravity drains
- Installation of two community pump stations
- Installation of a community septic tank to replace individual septic tanks for ‘shacks’ at the eastern end of the bay
- Installation of approximately 1100m of rising main to the treatment site adjacent the waste transfer station
- Construction of a lined treatment and storage lagoon
- Provision of solar powered pumping solution to transfer treated effluent to the town oval site
- Installation of approximately 1200m of rising main to an irrigation tank at the town oval
- Backflow prevention to allow mains water backup of the irrigation system
- Installation and/or upgrade to the town oval irrigation system

4. **Technical Proposal**

4.1. **Collection System**

Various options for collection systems were investigated during concept development of this project. Pressurised collection systems and vacuum collection systems were proven to be unsuitable for Port Neill, largely due to the available power supply servicing the township. The recommended solution is to provide a gravity based collection system wherever possible. Although requiring potentially greater capital cost to construct to the necessary depth and grade of drainage lines, gravity based systems provide a solution that has relatively low ongoing operating and maintenance costs.
A network of 100mm PVC common gravity drains is proposed to be installed within Council road reserves. Each property within the CWMS boundary area will be provided with a connection point, and the majority of properties will be able to direct effluent flow from the outflow of the septic tank into the gravity drain using a gravity based flow system. In some cases properties will be required to have installed a sump/pump unit to pump into the common gravity drain under pressure. The provision of a limited number of pumped connections assists in delivering a more efficient and cost effective scheme by significantly reducing the depth of common gravity drains.

Due to constraints on the location of septic tanks for many of the shacks on Cape Burr Road and the difficulty in achieving an alignment that will adequately collect from individual property septic tanks, it is proposed that a full sewer connection will be provided for these shacks. A community septic would be installed at the low point of the foreshore, with a direct outflow into the proposed adjacent community pump station.

Details of the gravity drain locations, and proposed connection point locations for individual properties are available in the plans provided with this report.

4.2. Transfer System
It is proposed that two community pump stations will be installed to collect and transfer effluent to the treatment site. Each pump station will be equipped with dual pumps and alarm and telemetry systems to meet the requirements of the Department of Health.

Pump stations are proposed to be installed within the foreshore reserve area on the eastern side of the jetty, and within an easement proposed to be created over a portion of the Port Neill Caravan Park. The two pump stations will pump into a common rising main to the treatment site. Details of the proposed locations of the pump stations and the route of the rising main are included in the plans attached with this report.

4.3. Treatment System
The selection of a preferred location and type of treatment system has been tightly constrained by the available power supply and land availability within an appropriate distance of the community pump stations.

It is proposed to construct a facultative treatment lagoon on a portion of Section 101, Hundred of Dixon, being the land currently containing the Port Neill Waste Transfer Station. This lagoon will receive and treat wastewater effluent from the township to standard suitable for disposal by irrigation to the town oval.

4.4. Disposal
A number of options for disposal of treated effluent were considered in the development of the concept reports. The use of treated effluent is regulated by the Department of Health and the Environmental Protection Authority, and the requirements of these agencies dictate the disposal paths that are available for effluent treated to various standards.

Within Port Neill options of disposal by irrigation of the foreshore, agricultural land and the town oval were considered, along with evaporation or disposal to ground in a controlled manner via...
soakage. Having assessed the regulatory requirements, available area for evaporative lagoons, the required water treatment standards for each alternative, the cost of treating the effluent and the capital cost of installation of infrastructure for each option it is recommended that the disposal of treated effluent occurs via irrigation of the town oval.

A solar powered pump is proposed to provide daytime transfer of treated effluent to an irrigation tank to be located at the oval site, allowing overnight irrigation of the area.

5. Financial Proposal

5.1. Scheme Costs

The scheme has been independently assessed by both Tonkin Consulting and the Local Government Association CWMS Management Committee for both capital (upfront) costs and whole of life operating and maintenance costs.

The critical cost estimates for the Council and community to be aware of are the estimates developed by Tonkin Consulting and the LGA CWMS Program Manager that will be adopted by the CWMS Management Committee as the basis for determining Council’s fixed contribution to the cost of the scheme. The amount of subsidy funding available for the project will meet any difference between the agreed Council contribution and the final capital costs.

At the concept stage (and subject to review as the design is finalised) these figures result in a total whole of life (50 year) cost of $6.98 million Net Present Value as follows:

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Cost</td>
<td>$4.88 million</td>
</tr>
<tr>
<td>Operating and Maintenance Costs</td>
<td>$1.29 million NPV</td>
</tr>
<tr>
<td>Capital Renewal Cost (over 50 years)</td>
<td>$0.81 million NPV</td>
</tr>
</tbody>
</table>

The capital cost identified above incorporates consultancy and project superintendency fees, construction estimates and associated works such as easement acquisition and native vegetation clearance approvals.

5.2. CWMS Subsidy Funding

The State Government provides the LGA with funding for the implementation of new CWMS schemes across the State on a priority basis. Subsidy funding is provided to ensure the long term sustainability of new schemes, with funding based on ‘whole of life’ scheme costs, but provided as an upfront contribution which will offset the capital costs incurred by Council.

This subsidy is made available under the principle that Councils should charge the equivalent of the SA Water charge for the provision of sewer services, and that it is unreasonable for regional
communities to have to pay significantly higher than SA Water rates to receive a service equivalent to that provided by SA Water.

The indicative amount of subsidy funding the Council is eligible for is calculated by deducting the Deemed Revenue over the life of the scheme from the whole of life cost of the scheme. The Council’s Deemed Revenue is determined from the number and capital value of properties to be serviced, including allowances for SA Water standard capital contributions and rebates as appropriate.

<table>
<thead>
<tr>
<th>Whole of Life Estimate</th>
<th>$6.98million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deemed Revenue</td>
<td>$3.96million</td>
</tr>
<tr>
<td><strong>Indicative Subsidy</strong></td>
<td><strong>$3.02million</strong></td>
</tr>
</tbody>
</table>

A current capital cost estimate of $4.88million less the indicative subsidy leaves the Council’s upfront capital cost for the scheme at an indicative $1.86million. On the basis of final cost estimates, the amount of Council contribution towards approved works will be fixed, and the risk associated with capital cost increases in the construction of the scheme is carried by the subsidy fund. In this way, the Council will have surety in capital costs associated with this project.

Indicative costs only are provided at this time, and are subject to review and updating at the time the Council determines formally to proceed with the scheme.

**5.3. Funding Model**

The following breakdown of capital costs is anticipated to fund the construction of the scheme:

<p>| | |</p>
<table>
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</thead>
<tbody>
<tr>
<td>Council funds</td>
<td>$1,860,000</td>
</tr>
<tr>
<td>CWMS Subsidy Funding</td>
<td>$3,020,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,880,000</strong></td>
</tr>
</tbody>
</table>

The funds to be provided by Council for the capital costs would be sourced from borrowings through the Local Government Finance Authority. It is proposed that loan repayments, along with ongoing operational costs of the scheme would be met through the application of a combination of one off capital contributions and annual service charges applied to all serviced properties.

**Financial Management Structure**

Section 155 of the Local Government Act 1999 sets out the manner in which a Council may establish service charges for the provision of prescribed services, including for the collection, treatment and disposal of wastes. In accordance with this Section, the Council may not seek to recover more revenue through service charges than is required for the establishing, operating, maintaining, improving and replacing the service to which the charge is applied. The Council
currently operates the Tumby Bay Community Wastewater Management Scheme through a financial reserve for which annual budgets and operating statements are produced. The Council has not yet determined whether a separate reserve would be established for a Port Neill CWMS, or whether a single reserve would be maintained for all Council provided wastewater services.

Capital Contributions
The charging of an upfront capital contribution to all properties serviced by the scheme has the effect of reducing the value of the loan required to construct the scheme, thereby bringing down the financing costs of the scheme and resulting in a lower ongoing annual service charge. While a capital contribution reduces the cost of the scheme to ratepayers in the long term, it requires a larger upfront contribution. The level of capital contribution required from properties serviced by the scheme could potentially be set as low as $0 or as high as the equivalent SA Water capital contribution of $4,967.

Annual Service Charge
The annual service charge determined for all properties serviced by the scheme is required to ensure the sustainability of the scheme over a 50 year nominal life. The annual service charge must meet costs of operating and maintenance of the scheme infrastructure over this time period, including the periodic replacement of elements such as pumps and control systems as they reach the end of their useful life. Within the annual service charge the Council also provides a 4-yearly cycle of desludging of septic tanks at no additional cost to the owners. It should be noted that septic tanks remain the property of ratepayers, and ratepayers remain responsible for the proper management and replacement of septic tanks as required.

As discussed above, the determination of the annual service charge is dependent on the level of capital contribution required to be made. For the following capital contributions, an approximate equivalent annual service charge is provided that will ensure both the short and long term financial sustainability of the scheme.

<table>
<thead>
<tr>
<th>Capital Contribution</th>
<th>Annual Service Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$720</td>
</tr>
<tr>
<td>$2,500</td>
<td>$550</td>
</tr>
<tr>
<td>$3,100</td>
<td>$500</td>
</tr>
<tr>
<td>$4,967</td>
<td>$420</td>
</tr>
</tbody>
</table>

The service charge is subject to annual indexation to ensure the income continues to meet increases in expenditure costs.

Council Proposal
For the purposes of this consultation report, the Council advises of their intention to charge the following capital contribution and service charge for the implementation of a Port Neill Community Wastewater Management Scheme.

| Capital Contribution | $3,100 per property unit |
Annual Service Charge $500 per property unit

Where properties are required to have a pressure pump installed a partial service charge rebate will be applied to compensate for a small increase in power consumption.

Household Pressure System (rebate) $20 per annum

5.4. Costs to Ratepayers

Application Fee

All properties will be required to make application to connect to the CWMS within 12 months of completion of the scheme construction. An application to connect to the CWMS must be accompanied by the relevant administration fee, which covers the cost of Council inspection and approval of the septic tank and connection. For new connections to a Pt Neill CWMS this administration fee is set under the Development Regulations 2008 at $203.50 (GST exempt) for 2013/14, and is subject to amendment annually.

Capital Contribution Charge

All properties will be required to meet any capital contribution charge determined by the Council to be required for the establishment of the scheme. This capital contribution will be invoiced and payable upon completion of the scheme installation. For ratepayers experiencing difficulty in meeting this payment, flexible payment arrangements will be available.

Connection Costs

In addition to any capital contribution charge, the following upfront connection costs will apply to all properties required to connect to the CWMS.

Gravity Connection

Properties to be serviced via a gravity connection to a common drain will need to pay the plumbing cost of connecting an existing septic tank to the connection point provided by Council. Householders will be required to engage the services of a qualified plumber to undertake this connection, and an estimate of costs associated with this should be obtained from a plumber if required.

Sump/Pump Connection

Properties to be provided with a sump and pumping chamber as described in Section 4.1 Collection System will need to pay the plumbing cost of connecting an existing septic tank to the inlet of the sump. Householders will be required to engage the services of a qualified plumber to undertake this connection, and an estimate of costs associated with this should be obtained from a plumber if required.
The cost of installation of the sump and pump, including supply, connection to the street and electrical connections will be met by the Council as part of the scheme construction.

*Properties with existing septic tanks*

All properties with existing septic tanks will be required to have the tank desludged at the time it is connected to the CWMS. This tank desludging will be arranged by and paid for by the Council as part of the scheme construction. At this time Council’s Environmental Health Officer will inspect the tank to ensure it is suitable for connection to the scheme. If a tank is in poor condition such that it is unsuitable for continued operation, the property owners will be required to replace the septic tank prior to connection to the scheme.

*Properties with existing on-site treatment systems*

All properties within the boundary of the CWMS, including those with existing on-site treatment systems (eg Biocyte, Envirocyle, Ozzikleen) are required to connect to the CWMS within 12 months of completion of the scheme. Approved on-site treatment systems installed, operated and maintained in accordance with the current requirements of the manufacturer, Council and the Department of Health may continue to be used for on-site disposal, however a bypass connection to the Council CWMS must be installed, to provide for the disposal of surplus effluent that cannot be disposed of in accordance with the conditions of approval (eg to avoid ponding or runoff during winter).

In accordance with Council Policy 10.5 Establishing Property Units for CWMS a $35 per annum rebate is available for properties with an approved, maintained on-site treatment system.

*Commercial/Industrial Properties*

The eligibility for connection and the number of property units to be charged for commercial or industrial premises will be determined in accordance with Council Policy 10.5 Establishing Property Units for CWMS.

6. **Consultation**

As part of the project development, two public meetings will have been held to provide information to Port Neill residents and ratepayers regarding the proposed scheme.

The first public meeting was held in Port Neill in July 2011, at which time the public were informed of the availability of funding through the Local Government Association Community Wastewater Management Committee to undertake a feasibility study on the development and implementation of a CWMS for Port Neill. This public meeting was accompanied by the release of a consultation report issued to all ratepayers with property within the township, and inviting written feedback on the proposal. On the basis of generally positive feedback received through this process the Council engaged Tonkin Consulting to undertake this feasibility /concept study. A number of factors required in depth review to determine a feasible solution that suited the needs of Port Neill, and a final concept report was submitted to the Council in March 2012.

Ongoing work to refine the recommendations of the Concept Report in light of identified constraints and opportunities occurred over the following 18 months, and lead to the development of a
preferred solution that was adopted by the Council in November 2013. Following Council acceptance of a preferred option, Tonkin Consulting was engaged to prepare a preliminary design and construction cost estimate able to be presented to the Port Neill Community. This Preliminary Design will be presented to the Community at a public meeting held in January 2014, and this Consultation Report is made available to support this process.

7. **Next Steps**

In accordance with the requirements of Section 530c(4) of the Local Government Act 1934, all owners of land within the area to be serviced by the scheme are entitled to provide comment on the proposal, or to lodge an objection. Any such comment or objection must be received by Council by 21st February 2014. All comments or objections will be presented to Council for formal consideration at their meeting scheduled to be held 11 March 2014.

Before determining to proceed with the construction of the scheme, the Council is required to commission and receive an independent prudential review of the project. For this purpose the Council has commissioned Mr Ian McDonald of Creative Auditing. Ian has assisted with the development of financial models for the implementation of the scheme, and as part of his prudential review will assess aspects of risk, community consultation processes and short and long term sustainability of the project. This report will be received by the Council at a formal meeting before any decision is made in relation to proceeding or not proceeding with the scheme.

8. **Further Information**

Further information in relation to the proposed scheme may be obtained by contacting Council’s Works Manager, Damian Windsor at the Council office on (08) 8676 2106.
APPENDIX A

Extract from Section 530c of the Local Government Act 1934

530C—Septic tanks
(1) If a council proposes to undertake a scheme for the disposal of septic tank effluent, the council must give notice of the proposed scheme to the owners of land in the part of its area affected by the scheme.
(3) A notice under subsection (1) must include, or be accompanied by—
   (a) details of the proposed scheme, including a description of any land that would be benefited by the scheme; and
   (b) an estimate of the costs of the scheme; and
   (c) particulars of the manner in which the scheme would be financed, including the manner in which the capital and operating costs would be recovered; and
   (d) details of any plans and specifications relating to the scheme that are available for public inspection.
(4) An owner of land within the part of the area affected by the proposed scheme may, within 21 days after the receipt of the notice, lodge an objection to the proposed scheme with the council.
(5) The council must consider any objection lodged under subsection (4) and may abandon the scheme or proceed with it with such modifications as it thinks fit.

Section 8 of the South Australian Public Health (Wastewater) Regulations 2013

8—Public notification of proposed community wastewater management system
(1) If a council proposes to establish a community wastewater management system for the whole or part of its area in the interests of public and environmental health, the council must give notice to the owners of land in the area affected by the proposal containing the prescribed details relating to the proposal and inviting submissions in relation to the proposal within a period (which must be at least 21 days) specified in the notice.
(2) The council must consider any submissions made in response to the notice and may abandon the proposal or proceed with it with such modifications as it thinks fit.
(3) If the council resolves to proceed with the community wastewater management system, it must obtain a wastewater works approval from the Minister in accordance with these regulations.

Extract from Section 151 of the Local Government Act 1999

151—Basis of rating
(5) Before a council—
   (a) changes the basis of the rating of any land (including by imposing differential rates on land that has not been differentially rated in the preceding financial year, or by no longer imposing differential rates on land that has been differentially rated in the preceding financial year); or
   (b) changes the basis on which land is valued for the purposes of rating; or
   (c) changes the imposition of rates on land by declaring or imposing a separate rate, service rate or service charge on any land,
   the council must—
   (d) prepare a report on the proposed change; and
   (e) follow the relevant steps set out in its public consultation policy.
(6) A report prepared for the purposes of subsection (5)(d) must address the following:
(a) the reasons for the proposed change;
(b) the relationship of the proposed change to the council’s overall rates structure and policies;
(c) in so far as may be reasonably practicable, the likely impact of the proposed change on ratepayers (using such assumptions, rate modelling and levels of detail as the council thinks fit);
(d) issues concerning equity within the community, and may address other issues considered relevant by the council.
APPENDIX B

Scheme Boundary
APPENDIX C

Pt Neill CWMS Preliminary Plans - Layout Plans (Sheets 2-6)