



Waitakere City Council
Te Taiao o Waitakere

Cost allocation and cost recovery methodology: Parks Infrastructure

This document supports the draft development contributions and financial contributions policy
April 2009
Supporting information: Document B03

Summary

Waitakere City Council uses development contributions and financial contributions to fund some of the costs it incurs because of growth. This document is part of the supporting information behind the development contributions and financial contributions policy.

This document is the cost allocation and cost recovery methodology for the Parks Infrastructure activity. It sets out:

- The approach to cost allocation (identifying the cost of growth);
- The approach to cost recovery (identifying how the cost of growth should best be shared);
- The way that the guidelines identified in the framework have been reflected in decisions about cost allocation and cost recovery, and included in this methodology.

The guidelines in the framework document come from the key factors to be considered as part of putting a development contributions policy in place, including elements of the legislative framework; growth; economic efficiency; asset management; equity; operations; and risk management.

For Parks Infrastructure, these factors have generated a methodology in which:

- Relevant growth related projects are individually analysed, under key programmes including Fixtures and furniture, New parks infrastructure, Walkways, Sports fields and other upgrades;
- The base cost allocation methodology is used, taking demand as arising from population and defining capacity for each asset or facility type in a way that is consistent with the level of service statements.

As set out in this document, the methodology complies with the requirements of the Local Government Act 2002.

This document should be read in conjunction with the other documents in the supporting information pack.

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1.0 Introduction

1.1 Use of development contributions

Development contributions are a funding tool provided to the council under the Local Government Act 2002 (LGA 2002). They allow the council to recover some of the capital costs it faces arising in connection with growth of the city. Development contributions can be charged when the council grants resource consents and building consents.

1.2 Purpose of this document

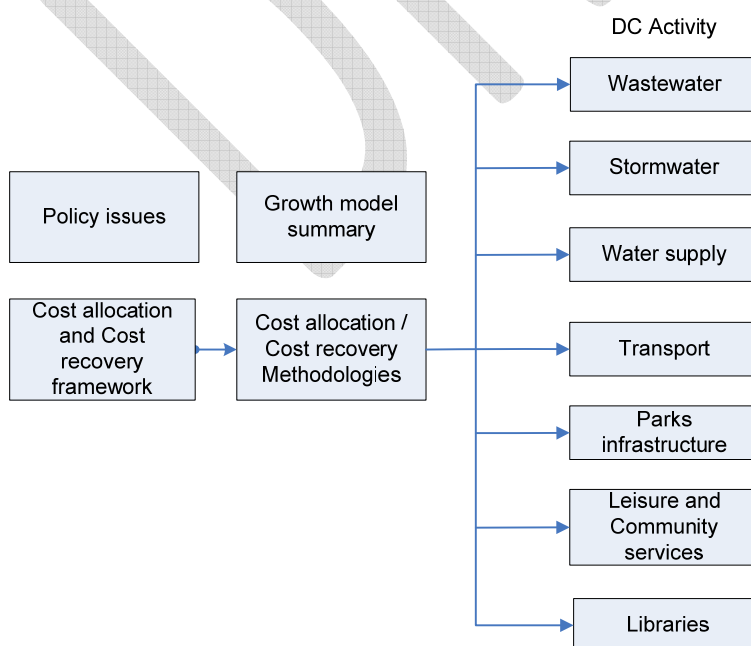
This document sets out the approach the council has taken to cost allocation and cost recovery for Parks Infrastructure. It therefore:

- Describes this activity;
- Sets out the way in which the cost of growth was arrived at;
- Explains why the chosen units of demand were selected;
- Shows how these decisions comply with the requirements for a development contributions policy;
- Fulfils part of the council's obligation to make the development contributions methodology available publicly.

1.3 Supporting information

A set of other documents also helps support the development contributions and financial contributions policy, as illustrated in Figure 1 below.

Figure 1: Outline of supporting document set



2.0 The Parks Infrastructure activity

2.1 Definition of the activity and its assets

This activity consists of the management, maintenance and upgrade of Waitakere City's Park and Open Spaces network. The main asset types associated with this activity are:

- Land;
- Paths, tracks and walkways;
- Sports fields;
- Sports facilities;
- Buildings;
- Structures;
- Plantings;
- Play facilities;
- Carparks, driveways and (private) roads within parks;
- Fixtures and furniture.

The programmes included within this activity that are most relevant to growth are:

- Fixtures, furniture and other;
- New Parks infrastructure developments;
- Walkways;
- Sports fields and facilities;
- Buildings;
- Playgrounds;
- Structures;
- Park infrastructure.

Another focus within this activity, although not explicitly stated as a programme, is to provide for those areas where there is relatively less provision than others. This is determined through a number of indicators such as relative land and assets (per population), and mapping techniques which highlight areas of low or high provision. Projects included in that programme may include a growth component, if they provide more than is required to deliver any existing under-provision.

2.2 Purpose and Community outcomes

The purpose of this activity is to manage, maintain and upgrade Waitakere City's extensive park, streetscape and open space areas. This includes managing the city wide graffiti removal programme, the weed and pest plant programmes, and cemetery landscape maintenance.

This activity contributes in particular to the following community outcomes:

- Green Network - He tuituitanga kakariki;
- Strong Communities - He iwi kaha;

- Sustainable Environment - Kauneke Tauwhiro Taiao;
- Toiora - Healthy lifestyles;
- Urban and Rural Villages - Nga kainga taone, tuawhenua.

2.3 Activity plan and level of service

The 2009 development contributions and financial contributions policy is based on the draft 2009 activity plan, “Parks and open space activity plan 2009-2019”. It is anticipated that this activity plan will be finalised and adopted within calendar 2009.

The draft Parks activity plan provides the following as part of the levels of service that are most related to growth planning. The level of service for each asset type is partly based on particular approaches for each asset type, e.g. playing hours for sports fields. Comprehensive detail on the level of service for each Parks Infrastructure asset type is provided in the activity plan. The Levels of Service (LOS) outlined below are either at the level currently provided to the community, or may be lower to reflect long-term affordability constraints.

Table 1: Level of service components related to growth

Level of service	Performance Measures / Targets
1) Provision of adequate open space and facilities to meet community demand	PM2: 2.11 ha of open space per 1000 population [†] PM 4: Provide 6.83 play items per 1000 population [†] PM5: Provide 300 lineal metres of walkway per 1000 population [†] PM6: Provide 307.34 sports field playing hours annually for every 1000 population [†]
3) Provide safe open spaces and facilities	PM 8: 100% compliance with playground safety standards
4) Access to open spaces and facilitates is fair and affordable	PM 9: 95% of residents are within 800m walking distance of a park
5) Parks and open space are managed to minimise adverse effects, and where possible improve, the cultural and natural environment	PM 11: 80,000 to 100,000 or more eco-sourced native plants are planted in the city each year PM 12: Increase in hectares of the city's outstanding landforms and significant or better native vegetation legally protected through public ownership or legal encumbrance by 5ha per year.

[†] These LOS are the new rate per population, and not the target at year 10. This will see the overall LOS for these performance measures slowly reduce over a number of years as these particular LOS are generally lower than that currently provided to the community.

Demand is generally expressed “per 1000 population”. However, the types of demand (and the balance between different types of assets and facilities) may alter over time as a result of changing demographics within the city or new technologies. Future versions of these LOS statements may need to reflect updated views on needs taking account of age

profiles, family and household compositions, socio-economic factors, cultural diversity and health indicators.

3.0 Outline of Cost allocation approach

3.1 Outline of methodology

The Parks Infrastructure activity uses the base cost allocation process, as set out in the framework document (A01). This methodology takes the planned cost of a proposed project and assigns it to various cost components including Renewal, Backlog, Growth and Unallocated.

The methodology is applied recognising:

- Different facility and asset types as listed in Table 1 above;
- Level of service capacity or asset numbers generally defined using a “per population” approach as appropriate for each asset group;
- A citywide catchment (as these facilities together form a network across the city).
- Population figures and projections, and level of service statements, to determine backlog components and the time when capacities are reached or over which growth costs should be recovered;
- Asset valuations to determine renewal splits and the value of assets abandoned as part of capital projects.

4.0 Outline of cost recovery approach

4.1 Basis of demand

Demand for Parks Infrastructure arises from the recreational needs of the city’s population. The costs of increased demand for this activity are therefore currently recovered only from developments with a residential focus.

4.2 Use of information from the growth model

Planning and management of open space recognises nine catchments across the city, however, as above, these facilities together represent a citywide network, with the same level of service across the city. Many people will use more than one park from time to time (e.g., a local park as well as a sports field or a particular “destination” park for particular outings).

Hence a citywide approach is used, with charges based on the number of Household Units (HHU) across the city. This information is available from the growth model.

5.0 Evaluation in terms of the Cost allocation and Cost recovery guidelines

	Guideline	Comments
1	General and activity-specific information regarding all aspects of cost allocation and cost recovery for development contributions should be publicly accessible.	This methodology, the LTCCP and the activity plan make this information available.
2	The cost of growth to be recovered by development contributions may only include capital costs that the council expects to incur. Operating costs, such as maintenance, must be excluded.	The methodology provides that only capital costs are included in the cost of growth.
3	The cost of growth to be recovered by development contributions may only include expenditure to meet demand created by future growth.	The methodology excludes costs associated with past development from the cost of growth to be recovered through development contributions.
4	The cost of growth may not include costs that have been or will be funded from other sources.	Other funding sources are rare for this activity; however these are excluded as part of the methodology.
5	The unit of demand must reasonably relate to demand.	Household units are considered to reasonably relate to demand.
6	The cost of growth attributed to each unit of demand must be representative of the cost of meeting the demand that the unit generates.	Each household unit shares in the cost of growth.
7	The proposed approach should consider the overall impact on the well-being of the current and future community.	The overall impact of the proposed cost allocation is considered appropriate. This achieves a balance between the costs met by the existing community and the growth community.
8	The growth community should pay the full cost of a project that only meets an expected increase in demand driven by growth, and that delivers no material net benefits to the existing community.	Some components of this activity are planned as part of a “growth programme”, for example the development of newly acquired park land, where that park land was itself wholly related to providing for growth. In those cases, the methodology determines that a high growth fraction should be applied to that spend. Growth-only projects are rare for other components of this activity; however for such projects the methodology would determine a high growth fraction.
9	The minimum cost of a multi-product project that should be allocated to growth is the incremental cost of	The methodology does not deliver an estimate of the incremental cost, so compliance with this guideline can not be

	growth.	confirmed precisely. However, it is believed that this guideline will be met in most cases.
10	The maximum cost of a multi-product project that should be allocated to growth is the stand-alone cost of growth.	The methodology provides for this to be explicitly confirmed.
11	The cost of carrying additional capacity for growth (usually in the form of interest costs on borrowing) is considered part of the growth costs.	The cost of finance approach delivers this outcome. The activity plan process, and public consultation on planned expenditure, ensure that asset planning is sound.
12	The methodology chosen for calculating the cost of growth should reflect asset planning, including the network nature of assets and services and the project, programme and catchment-based nature of planning for that activity. Development in a catchment should pay only for costs related to that catchment or to the city as a whole.	A citywide catchment is adopted, consistent with planning for and use of the underlying assets and services. The project based nature of planning is also recognised in the methodology.
13	When determining allocation of the costs of growth, due consideration must be given to both those who cause the costs of growth and those who will benefit from increased infrastructure capacity.	The provision of new and upgraded facilities is driven by growth and by other drivers (including improving access and useability for existing users). New and upgraded facilities will also usually provide benefits to the existing community (at least temporarily) as well as the growth community. Accordingly, costs should be shared by both of these groups. The methodology delivers this outcome.
14	The unit of demand for those activities that are charged on non-residential as well as residential developments must apply equally to both types of development.	This activity is charged only on residential developments.
15	The cost of growth should be apportioned across the years over which capacity generated by the investment is used up.	The methodology takes account of the appropriate recovery period for each project.
16	The cost of growth and cost recovery approaches must be clear, fair, meet activity specific requirements and reflect a cost effective use of resources.	The methodology is described in detail in the framework document, and takes account of the nature of this activity as described in this document. This activity typically has a large number of projects, and each of those projects is evaluated individually.
17	The unit of demand should be simple to apply and able to be consistently applied to the various stages of both actual and proposed developments using readily available information	Household units are a classic measure of the size or scale of a given development, and so can be readily determined.

	and requiring minimal subjectivity.	
18	The cost of growth methodology should take a prudent approach to estimating the cost of growth. A conservative approach, such as aggregating or averaging, may be necessary in allocating costs, whether between the existing community and the growth community or between sectors of the growth community.	The methodology requires use of both qualitative and quantitative information. Guidance is provided on the judgements that must be made. Together with the use of a citywide catchment approach, this is considered to provide an appropriate outcome.
19	Development contributions methodologies should avoid incentives that may inadvertently affect development trends in an inappropriate way.	The methodology is not considered to introduce any inappropriate incentives for particular types of developments or development patterns.