

## 8. UNDERGROUNDING OF SERVICES ON THORNYCROFT STREET

	Chief Executive Officer, 941-8553
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### PURPOSE OF REPORT

1. The purpose of this report is to clarify an ambiguity that has arisen as a result of the Council's resolutions on undergrounding.

### EXECUTIVE SUMMARY

2. At its meeting on Thursday 1 December 2005, the Council resolved to:
  - (a) *Rescind the 1993 policy that refers to the strong statement to be included in the City Plan that all city streets to be undergrounded within 40 years (by 2033).*
  - (b) *Maintain the current level of expenditure (approximately \$1.6M pa) on undergrounding until the arterial/collector programme is complete (approximately five years) noting that subsequent expenditure levels will be determined on policy reviews at that time, and if the expenditure is less, it will potentially free up operating funds.*
  - (c) *Rescind the 2000 policy allowing cost sharing with the residents.*
  - (d) *Request staff to provide a report on a new residents' contribution policy that ranges from:*
    - (i) *100% Council funding*
    - (ii) *resident funding of up to 100% by way of either:*
      - *a targeted rate, or*
      - *other means*

*and which does not preclude innovative one-off solutions from the community.*
  - (e) *Request officers to refine and clarify the Council's policies in relation to undergrounding on the basis of safety and tourist routes (arterials and collectors), and amenity improvements, including narrow streets, for adoption by the Council before the commencement of the 2006/07 financial year."*
3. During the discussion in the early part of the meeting, the issue of Thornycroft Street was raised because discussions were already under way with residents. However, there was no reference to the way ahead for Thornycroft Street in the resolution. Staff understanding of the intent behind the resolution is that while there was some discussion of various streets that might receive a 50% contribution, the difficulties of agreeing on these streets, and disagreements that would inevitably ensue, led to a clear and unconditional rescinding of the old policy. Otherwise an amendment from Councillors itemising exempt streets would have been expected.
4. Thornycroft Street is currently in the planning phase. The initial consultation phase has been completed. This phase asked street residents about their likes, dislikes, needs and wants for their street. From this initial 'issues' consultation, the next phase is to move into objective setting and then drafting options for road layout configurations that achieve the project objectives. To this point, undergrounding has not been mentioned in the initial consultation documentation, and if the current situation concerning undergrounding remains, all street options will consider the overhead wiring to remain as a matter of default.
5. The operational undergrounding budget for 2006/07 is shown in the LTCCP as \$1,040,000. This budget has been allocated to an approximately even split between Wairakei and Blighs Roads undergrounding. The Wairakei Road project has been completed in this financial year, and its required funding has effectively been brought forward. Thus, there is a remaining budget of approximately \$500,000 in 2006/07, which is fully committed to the Blighs Road project. Thus there is no available operational budget for the undergrounding of Thornycroft Street in either the 2005/06 nor 2006/07 financial year.

6. The anticipated total Council operational cost for undergrounding Thornycroft Street (360m long) would be approximately \$270,000, based on the current estimate of \$750/m. Under the old 2000 policy of a 50/50 cost share arrangement, this would equate to \$135,000 per party.
7. It should be noted, however, that these costs are estimates, and cannot be confirmed until contract tenders are received. Both the Council and residents would need to be aware of the risk of actual costs being higher than the estimate and that no certainty for costs can be achieved until tenders are in. Typically, the Council bears the cost of the design and tender process, which may be \$10,000.
8. Current project planning has the preferred option being available to residents in June 2006. If this is considered a design with low risk of changes, it is possible that the undergrounding component could proceed to design and tender at that point. Design and tender usually takes approximately four months, so tender acceptance could possibly occur around October, with work ideally occurring before Christmas. Street reconstruction could occur early in calendar year 2007. Note that this is an optimistic timeframe, relying on the street planning and undergrounding development process proceeding smoothly. There is therefore a strong risk that including undergrounding will impact on the delivery of the capital programme.
9. Based on these timelines, and if the 50/50 process was to proceed, the Council would need a strong commitment from residents that they would be able to participate in the 50/50 share by mid-June 2006 - including an acknowledgement of the risks of higher costs.
10. As no provision has been made for this expenditure in the draft LTCCP, the Council would also need to determine and provide the funding for its 50% share. Then, both Council and residents would need to confirm their capability to meet tender costs by October 2006.
11. The options available to Council are therefore:
  - (a) To decline to participate in the undergrounding of Thornycroft Street:
    - (i) This option will have no impact on the Council's operational budget, and will remain consistent with the recently adopted policy to terminate the 50/50 cost share policy.
    - (ii) It will also mean that street reconstruction can proceed as planned.
    - (iii) This option will not please the Thornycroft Street residents who have been anticipating participating in the 50/50 cost share policy for several years.
  - (b) To accept a 50/50 cost share arrangement with Thornycroft Street residents to underground their street:
    - (i) This option will require the Council to determine a source of operational budget of approximately \$135,000 (possibly more due to tender/contract uncertainties). If directly funded from rates, this will impose an additional 0.05%.
    - (ii) This option carries a risk that the residents may not be able to financially participate to this level and the Council will carry the costs of the design and tender process.
    - (iii) This option is in breach of recently established Council policy.
    - (iv) Unless the most beneficial of timelines is able to be adhered to, the street reconstruction will be delayed until the latter half of the 2006/07 financial year - there is no financial disadvantage to this unless delayed further into the next financial year.
  - (c) To wait until a new residents' contribution policy is determined, and offer participation in street undergrounding based on that policy.
    - (i) At this stage it is unknown what a resident/Council split might be under this policy, nor what conditions (such as required participation levels) might be associated with it, thus there is financial risk to both the Council and residents. There remains no available operational funding for undergrounding in 2006/07.

- (ii) Waiting for these issues to be resolved, then seeking confirmation of participation will mean it would be unlikely that undergrounding could be completed before the end of the calendar year. There is a moderate risk that this process would delay street renewal until into the new (2007/08) financial year. Potentially this could mean increased costs to the Council.
12. To decline participation in undergrounding is the lowest financial risk option for the Council, and remains consistent with recently adopted policy. It does, however, open the Council to criticism of failure to live up to perceived promises and commitments, although none of these are documented as such in available Council records.
  13. To participate in the 50/50 policy is contrary to recently adopted policy, and may be seen as precedent setting. As there are no documentary records of commitments to undergrounding, there would therefore be no solid grounds to refuse any other party seeking 50/50 contributions for undergrounding for other streets. There is financial risk to the Council in this option, and no current budget to meet requirements.
  14. Option (c) is fully consistent with policy - ie to wait until a resident's policy is determined, but has financial risk and timeline concerns for the street reconstruction process.
  15. Regardless of the option chosen, it is necessary to have an accepted street scheme plan for reconstruction before undergrounding design can begin. Hence the planning process for the street should continue unabated.
  16. Given the dangers of precedent setting, it is recommended that the Council decide between either non-participation in any cost sharing for undergrounding, or agree to participate in the appropriate policy when determined. The 50/50 participation option is not recommended.

#### **FINANCIAL AND LEGAL CONSIDERATIONS**

17. The foregoing details the financial considerations of the options available. Of the options between which determination should be made, the former (no undergrounding) has no financial implications for the Council. The participation levels in a residents' cost share policy have yet to be determined, which have risks for the Council. The precise costs of the Council's contribution in a 50/50 cost share is not known but is likely to be \$135,000 for which no provision is made in the draft LTCCP.
18. There are no legal implications for the Council in respect of any option, apart from the already mentioned issues arising from potential precedent-setting and legal challenges.

#### **STAFF RECOMMENDATIONS**

It is recommended that the Council reaches a decision as to which of the three following options it wishes to adopt:

- (a) Decline to participate in the undergrounding of Thornycroft Street or;
- (b) Agree to offer a 50/50 cost share for the undergrounding of Thornycroft Street in terms of the previous policy rescinded by the Council in December 2005.
- (c) Offer future participation in the new residents' contribution policy which has yet to be determined, accepting that the associated conditions and participation levels have yet to be determined, creating some associated financial risks for both the Council and residents.