

1. GARREG ROAD – UNDERGROUNDING OF OVERHEAD SERVICES – BOARD FUNDING CONTRIBUTION

Pursuant to Standing Order 1.16.1(1)(b)(ii), members Mark Kunnen, Sally Buck, Yiyi Ku and Ron Wright had requisitioned this extraordinary meeting of the Board “to reconsider as per the Council’s request, the underwriting support offered by the Board for the undergrounding of Garreg Road, ... and report back to the September Council meeting for approval”.

The Board was advised that at its meeting on 26 August 2004, the Council resolved “that clause 1 of the Board’s report of 3 August be withdrawn and referred back to the Board”.

(9.10 am George Hampton arrived.)

Also submitted for the Board’s consideration was the following update report from the Transport and City Streets Unit on the Garreg Road project.

“CHRISTCHURCH CITY COUNCIL COST SHARING OF UNDERGROUND SERVICES

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The purpose of this report is to inform the Board on the Council’s “Cost Sharing Undergrounding of Service” Policy and the policy’s application when residents request the undergrounding of aerial wiring during a programmed road reconstruction.

BACKGROUND

As part of the programmed local road reconstructions in the city, staff often receive requests from residents for the aerial wiring to be placed underground at the same time as the road is reconstructed.

Residents perceive that the aerial wiring has a major impact on the street’s visual quality and many believe that undergrounding should be an integral part of the Council’s enhancement of a street.

Before the implementation of the cost sharing policy, residents are always informed that the Council does not own the aerial wiring. If residents, collectively, wished to pursue the undergrounding of aerial wiring they would have to pay 100% of the cost of doing so.

Often, once estimates are provided, residents tend to withdraw their request and the aerial wiring remains above ground simply because the cost to individual residents and street communities is not able to be met.

DEVELOPMENT OF THE COST SHARING POLICY

In the 1999/2000 financial year Tui Street, in the Fendalton/Waimairi Community Board area, was programmed for reconstruction.

Residents were keen to achieve undergrounding and were advised that the estimated cost to them was \$100,000. This figure was based on the stipulation, at that time, that residents were required to fully fund the undergrounding.

Residents in Tui Street were not able to achieve the required amount of funding and the street was reconstructed without undergrounding.

Waiwetū Street, also in the Fendalton/Waimairi Community Board’s area, was programmed for reconstruction in the 2000/01 financial year.

Residents in Waiwetū Street, aware that Tui Street residents had not been able to achieve the 100% funding to underground, were determined to not only achieve undergrounding, but to also achieve a change of practice by the Council – the aim being that the Council would agree to some form of cost sharing to ensure that undergrounding was more easily obtainable by residents.

Residents requested support from the Community Board and the Board provided the residents with an opportunity to make a delegation to the Council’s then City Services Committee on 7 October 2000 seeking that Committee’s support to the full Council to achieve a cost sharing agreement.

Residents made a formal request to the City Services Committee advising the Committee that residents had collectively raised \$90,000 - slightly less than half the cost of the undergrounding. A Council letter dated 25 August 2000 advised residents that the full cost of undergrounding Waiwetū Street would be \$184,000. The residents requested that a 'partnership' be formed between the Council and the residents of Waiwetū Street, with the view to the Council paying the remaining \$94,000.

The City Services Committee supported the residents' request and formally recommended to the full Council on 23 November 2000 that a 50/50 cost share policy be adopted. This recommendation was adopted by the Council and the policy is outlined below.

Cost Sharing Undergrounding of Services

That where residents request to have their overhead services undergrounded in association with kerb and channellstreet reconstruction work (outside the existing programme) on the basis that they will collectively meet part of the costs, then the Council will do so only on a 50% cost sharing basis provided that:

- (a) The Council's share is budgeted in the financial year following the request and the work be programmed/reprogrammed for the same year; and**
- (b) Full payment of the residents' share is paid and received before the work commences.**

**Council
23 November 2000**

The reconstruction of Waiwetū Street was reprogrammed for reconstruction in the 2001/02 financial year (as required by the policy). Residents paid their agreed share to the Council before the reconstruction commenced and the undergrounding was implemented as part of the project.

RESPONSE TO THE POLICY

The ability of Waiwetū residents to secure a 50/50 cost share with the Council inspired Tui Street residents to seek a review of the failed outcome of their request for undergrounding.

Tui Street residents claimed that had they had the opportunity to access a 50/50 cost share with Council, like Waiwetū Street, then their street would have also been undergrounded during reconstruction. The review was successful.

This resulted in the retrospective undergrounding of Tui Street even though the street had already been reconstructed. Tui Street residents paid in the order of \$36,444 and the Council contributed \$68,636. The difference in the amount paid was the result of the Council having to go back to a newly reconstructed Tui Street and underground. Tui Street residents also successfully argued that they should only be liable to pay 50% of the original cost, and not the increased costs related to the retrenching of an already reconstructed road and the increased undergrounding costs.

Wai-iti Street, also in the Fendalton/Waimairi Community Board area, was programmed for reconstruction in the 2001/02 financial year.

The residents of Wai-iti Street were successful in achieving undergrounding during the reconstruction, However, due to an error in calculating and then relaying the estimated cost of the undergrounding to residents, Wai-iti residents paid \$33,333 and the Council funded \$46,794. The error arose because residents were not informed that while they are given an estimated cost, so that they have an indication of the amount they have to commit, the final figure could not be determined until the tender prices were received. Wai-iti residents were given the estimated cost as the final cost. Consequently when the tender prices came back there was a shortfall which the Council then had to pick –up.

Weka Street, also within the Fendalton/Waimairi Community Board area, was programmed for reconstruction in the 2002/03 financial year.

Weka Street had the aerial wriing placed underground and the reconstruction completed. Residents paid \$77,000 for the undergrounding and the Council paid \$77,000.

PRESENT SITUATION

Currently in the Fendalton/Waimairi Community Board area there are four streets due for reconstruction. In each, the residents are working towards achieving the undergrounding of the aerial wiring.

The four streets are: Snowden Road, Garreg Road, Hamilton Avenue and Chilcombe Street, in that order.

The tender prices for Snowden Road have come back at \$190,422, this is approximately \$35,000 over the estimated cost and results in an additional cost of approximately \$17,500 to residents over the original estimate. Residents of Snowden Road are currently deciding whether or not to proceed.

Garreg Road is due for reconstruction in the 2004/05 year. The estimated cost of undergrounding, relayed to the residents several months ago, was approximately \$200,000. Residents were fully aware that this amount was approximate only and that a firm price could not be given until the tender prices have been received.

Garreg Road residents were advised that tender prices from Telecom and Orion were anticipated to be available at the end of August 2004. However, this date has been adjusted to the middle of September, owing to design delays.

COST CALCULATION PROCESS

Currently, the process used to determine an estimated cost of undergrounding is to calculate the length of the street in question and then multiply that by the cost, per lineal metre, of undergrounding. The cost per lineal metre clearly is increasing street by street, and over time. For Garreg Road, the CCC's initial estimate was approximately \$600-\$700 per lineal metre. The estimates when relayed to the residents, were considered conservative (i.e, it is better to over-estimate the costs, with the actual costs being less than the estimate).

Past practice by Telecom has been to support undergrounding whether or not their asset requires replacing. That is, Telecom have seen some benefits in removing roadside poles in favour of undergrounding the aerial wiring, even though the poles and wiring may be in good condition.

Telecom have now reviewed their usual practice and have stated in a letter to the Council:

"Beautification works where, Telecom's overhead plant is in good working order are only progressed if funded completely by the requestor".

Each opportunity will be reviewed by Telecom, on a case-by-case basis. Staff were advised that Telecom's review would apply to future undergrounding requests and specifically for Garreg Road, Hamilton Avenue and Chilcombe Street. This recent review by Telecom has 'shifted the goal posts' and will change the future estimates Council officers give to residents.

This stance will typically increase the cost to the Council and in turn increase the costs to residents as they are required to pay 50% of the Council's actual costs.

Garreg Road residents were aware that they would be required to pay 50% of the Council's actual costs. What was unknown at the time of the estimate, was the change of practice by Telecom and the likelihood that this would significantly raise the cost to residents.

IMPLICATIONS OF UNDERGROUNDING POLICY GENERALLY

The undergrounding policy as it stands has implications for the Council's financial and capital implementation programme. An amount of \$100,000 is set aside each year from the undergrounding budget to meet the Council's half share in local road undergrounding (the remainder is for the Council's programmed undergrounding).

The policy states that half-share road undergrounding can only occur where the "Council's share is budgeted in the financial year following the request..." This means that where the Council's share is expected to exceed \$100,000, or the combination of streets total exceeds \$100,000, the Council may either have to reprogramme the associated kerb and channel works, or turn down the request.

UNDERWRITING GARREG ROAD COSTS – POLICY AND FINANCIAL IMPLICATIONS

The Garreg Road residents recently successfully lobbied the Fendalton/Waimairi Community Board to obtain funds from the Board's discretionary funds to underwrite the shortfall between what the residents can raise and the actual costs of the undergrounding. A notice of motion was put to the Fendalton/Waimairi Community Board at the August 2004 meeting seeking a recommendation to Council that the Board be permitted to use its discretionary funding to underwrite the shortfall and this motion was won on a 6 – 4 majority. (Coincidentally, the day after the Board meeting was the day staff received formal notification that Telecom had reviewed its past practice and that undergrounding costs were likely to increase.)

The decision by the Fendalton/Waimairi Community Board to seek approval to underwrite the residents' shortfall for undergrounding raises some concerns. There are both policy and financial implications for this decision, which need to be carefully considered.

The Council's policy on cost share for undergrounding is very explicit. It states the Council and residents will split actual costs 50/50. It is intended to provide a consistent and equitable approach for all residents who wish to see their road undergrounded. It also ensures that undergrounding of local roads is affordable for the Council.

The first issue of concern is that the decision to underwrite costs is effectively a decision to provide a larger Council share than 50%. This is directly contrary to Council policy. Is the Community Board empowered to take this action? Further, it renders the equity and consistency of the policy invalid, by implying that the residents' share of the cost is dependent upon the support or generosity of their Board. These two implications undermine the original purpose and intent of the policy as it stands.

Secondly, Garreg Road should not be seen in isolation. The decision by the Board to underwrite Garreg Road may be taken as a precedent for future street undergrounding that may cost the Board considerable sums. It may reasonably be assumed that the residents of Snowdon Road, Hamilton Avenue and Chilcombe Avenue will be watching the results of this underwriting request with interest. The question needs to be asked as to how the Board would handle a request from each of these three streets, and potentially others, to also underwrite a proportion of their undergrounding costs?

Third, also on costs. The Board decided to underwrite the Garreg Road costs based on a cost estimate, and it is likely that the estimate is too low, now that Telecom's position has been clarified. If the Board is agreeing to meet the shortfall of the resident's portion, is this still applicable now that the costs are likely to be higher than originally estimated?

Fourth, there is the possibility of retrospective action from other roads that have been undergrounded in the Fendalton/Waimairi area. The residents of Tui Street have shown that they can appeal past decisions based on recent actions, and be successful. The Board should consider how it would handle appeals from Waiwetū, Weka, Wai-iti and Tui Streets to reconsider the previous decisions on proportioning costs?

Finally, there are city wide equity implications. The 50/50 cost sharing undergrounding policy has only been successful in the higher socio-economic areas of the city. In other areas of the city, residents have been unable to raise the required amounts. Even if the proportion changes to a higher Council/lower resident split, it would be very unlikely that some areas of the city would ever afford undergrounding. Changes from the 50/50 split will, however, make it easier for higher socio-economic areas to afford undergrounding. This then means that all ratepayers will be increasing the funding of undergrounding in the high socio-economic areas of the city that can afford the residents' split.

Currently there are over 900 kilometres of aerial wiring in the city. If the Council were to commit itself to fully funding the undergrounding of aerial wiring in the city it would cost in excess of \$500,000,000 – funded directly from rates. This would require a significant rate increase as the monies utilised are from the operational budget and not from the capital budget.

SUMMARY AND CONCLUSION

In summary, the Transport and City Streets Unit does not support the use of Fendalton/Waimairi Community Board funding to underwrite a portion of the Garreg Road residents' costs of undergrounding. There are a range of financial and policy implications that have not been fully considered, prior to the underwriting decision being made:

- *The Council will be funding a greater than 50% share which is contrary to Council policy.*
- *It tests the equity and consistency of the policy as it now stands.*
- *There are possible financial implications in relation to future costs from other streets seeking undergrounding in the board area.*
- *There are possible financial implications in relation to past cost share decisions which may be reviewed.*
- *There are immediate cost implications in that the Garreg Road costs are not yet accurately known.*
- *The change in Council/resident split could further drive the decision to underground local roads in the favour of the higher socio-economic areas.*

It would appear that, if the Fendalton/Waimairi Community Board is not supportive of the current Council policy on undergrounding, the way forward would be to seek a review of Council policy, with the aim of changing the 50/50 cost share requirement.

This decision should be made by the Council because any increase in the Council's contribution to undergrounding has the potential to see a number of requests from residents who in the past have had to contribute 50% of the costs, seeking a refund, in addition, it would require significant additional Council funds to be set aside for undergrounding in the future.

Staff

Recommendation: *That the Fendalton/Waimairi Community Board does not underwrite the cost of the Garreg Road undergrounding on the grounds that:*

- (i) to do so would be contrary to Council policy, and,*
- (ii) would undermine the equity and consistency of Council policy, and,*
- (iii) would raise expectations, thereby creating future financial implications in the Board area and for the Council."*

Mark Kunnen **moved**, seconded by Sally Buck:

"That subject to the Council's approval, the Board underwrite, up to a maximum of \$25,000, any funding shortfall above \$175,000 so that the residents can confirm their half share of undergrounding to achieve full reconstruction of Garreg Road."

Lee Kelly and Alix Newman from the Transport and City Streets Unit, were in attendance to address the matters covered in the Unit's report and to answer a number of questions raised by members.

Members spoke highly of the efforts of the residents in their fundraising exercise to date.

Comment was made that the Board should be able to exercise its discretion and allocate its own funding towards what was suggested as being a core Council activity. Some members though were concerned about the precedent factor and the likelihood of similar approaches being received from other local residents whose streets are scheduled to be reconstructed now and in the future, and a possible breach of the Council's policy on this matter.

At the conclusion of the mover's right of reply, the motion was put to the meeting and declared **carried** on division number 1, by 6 votes to 4, the voting being as follows:

For (6): Sally Buck, Val Carter, Cheryl Colley, Yiyi Ku, Mark Kunnen, Ron Wright

Against (4): George Hampton, Pat Harrow, Barbara Stewart, Mike Wall.

Board

Recommendation: That, subject to the Council's approval, the Board underwrite, up to a maximum of \$25,000, any funding shortfall above \$175,000 so that the residents can confirm their half share of undergrounding to achieve full reconstruction of Garreg Road.