

## DECISION REPORT

**REPORT TITLE:** FUNDING FOR FOOTPATH UPGRADE  
**ITEM NUMBER:** 3  
**DATE OF MEETING:** 21 February 2011  
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**COMMUNITY GOAL:** 3.7 Ensure the long term management of all  
Council assets.  
3.4 Ensure the efficient use of energy and other  
natural resources within the management of  
Council's assets and operations.  
GOE/2 Generate an approach to all Council  
operations which maintains the principles of  
good governance such as public accountability,  
transparency, integrity, leadership, cooperation  
with other levels of government and social  
equity.  
**REPRESENTOR/S:** NIL  
**ATTACHMENTS:** NIL

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### **PURPOSE**

To provide Elected Members with information on the feasibility and cost analysis of borrowing sufficient funds to pave all the remaining bitumen footpaths in a 2 – 4 year period, rather than the current extended period and to seek a decision on the matter.

## **RECOMMENDATION**

MOVED:  
SECONDED:

That:

1. The report be received
  2. The Administration continue to replace the bitumen footpath network as per current Footpath Replacement Programme and review this position after the Footpath Asset Management Plan has been refined and the Long Term Financial and Strategic Asset Management Plans subsequently reviewed.
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## **BACKGROUND**

Council, at its meeting held on 29 November 2010, resolved as follows:

*That the Administration provide a report to Council on the feasibility and cost analysis of borrowing sufficient funds to pave all the backlog of footpaths in a 2 - 4 year period, rather than the current extended period.*

## **COMMUNITY ENGAGEMENT**

No community engagement has been undertaken on this matter.

## **DISCUSSION**

The Council has a footpath network of 333 kilometres. Of this:

254 kilometres	are brick paved
74 kilometres	are bitumen
1.5 kilometres	are concrete
1 kilometre	is unformed (unsealed)
2.5 kilometres	are off road bitumen bike paths

In 2008, the Council's footpath network was assessed and a condition rating was given to each footpath. This rating was based on the structural condition of the footpath and existing trip hazards. A score between 1 (excellent) and 5 (poor) was then allocated for each footpath. A condition rating of 1 reflects a surface with no breaks or surface wear nor any trip hazards. On the other hand, a condition rating of 5 reflects an extremely rough surface with extensive cracking and trip hazards over 20mm. Following this assessment, a footpath programme was developed for the next 10 years which Council funds on an annual basis.

The Council has also been developing a Strategic Asset Management Plan (SAMP) for its major infrastructure assets (ie roads, footpaths and stormwater). This plan is based on sound asset management principles of lifecycle costs, service levels and risk management and consolidates the requirements of replacement, renewal, maintenance and new capital programmes across all asset categories.

The aim of the initial Footpath Asset Management Plan is to ensure that all Council footpaths are of a 'good' condition (condition rating 3) from a risk management perspective (ie safe and useable). This 'service level' will be reviewed as Council moves towards more sophisticated asset management practices that also include Disability Discrimination Act (DDA) requirements.

The footpath data collected in 2008 has recently been reassessed and condition ratings revised and this data will be used to produce the Footpaths Infrastructure and Asset Management Plan due to the Audit Committee for endorsement in October 2011. The Audit Committee briefly discussed this matter under "other business" at its meeting on the 8 February 2011 and recommended that Council continue with its current programme.

As part of the current footpath replacement programme, the Council has over the years replaced its bitumen footpaths with brick paving and has allocated funds each year to achieve this. This replacement takes place when the bitumen footpath is nearing the end of its useful life (ie condition rating 4 or 5).

The current bitumen footpath network is 74 kilometres long and valued at \$12,164,000. This means that it will take approximately 31 years to replace all bitumen footpaths based on the current funding level of \$510,000 pa.

Furthermore, the following condition rating breakdown is provided for bitumen footpaths:-

<b>Condition Rating</b>	<b>Remaining Life</b>	<b>Length (km's)</b>	<b>Replacement cost * (footpath only)</b>	<b>Replacement cost (kerb &amp; Water table only)</b>
1 – Excellent	20 – 25 years	1.4	\$ 231 116	\$ 46,200
2	16 – 19 years	17.9	\$ 2 943 688	\$ 590,700
3	10 – 15 years	42.55	\$ 6 994 300	\$ 1 404 150
4	5 – 9 years	11.4	\$ 1 873 256	\$ 376,200
5 - Poor	1 – 4 years	.75	\$ 121 640	\$ 24,750

(\* Note: Replacement cost are in 2010 values  
Kerb & water table determined at 60% of footpath kilometres x \$55/lm)

Based on the information provided, 15% of the network (ie level 4) needs attention within the next five (5) years. More importantly, 1% (ie level 5) is in poor condition and will be replaced by the end of the 2011/12 financial year.

The current footpath replacement programme is on target to meet these requirements.

If Council choose to complete the replacement of bitumen footpaths with brick paving within 2 to 4 years, there are a number of issues that need to be considered:-

1. The bitumen footpath assets would be upgraded before the end of their useful life. This is not in line with good asset management principles, nor is it in line with the SAMP.
2. The kerb & water table level/height is integral with the level of the footpaths. If all bitumen footpaths are to be replaced with paving, it would be reasonable to assume that 60% of the kerb and gutter abutting bitumen footpaths would have to be replaced. From the table above, this equates to approximately \$2,400,000.
3. Council currently outsources its brick paved footpath works. Outsourcing a programme in the order of \$13,000,000 (averaged at \$3,300,000 per annum over 4 years) will be difficult given the limited market and resources. If anything, it may create a scenario where prices are over inflated if the work is to be completed on time.
4. Council will need to appoint at least one project manager to oversee the programme if quality standards are to be ensured. An amount of \$100,000 pa for salary and overheads plus a lead time of 6 months to undertake detailed project planning and the tender process prior to works commencing has also been included in the cost estimates.
5. Council will need to increase its staff component (or outsource) in order to undertake kerb & water table replacement. Again this will require good planning and coordinated scheduling.

## **Financial Implications**

The following table summarises the financial impacts of replacing bitumen footpaths within a 2-4 year time period.

	<b>Total Cost for 2 years</b>	<b>Total Cost for 4 years</b>
Paving upgrade cost	\$ 13 380 000	\$ 13 380 000
Kerb replacement cost	\$ 2 400 000	\$ 2 400 000
Total increased maintenance cost	\$ 970 000	\$ 1 940 000
Total project management costs	\$ 250 000	\$ 450 000
Reduction in future works (7 years @ \$510,000 pa)	(\$ 3 570 000)	(\$ 3 570 000)
Total borrowing costs (7% over 10 years) <i>approximate</i>	\$ 5 600 000	\$ 5 680 000
Average additional increase in rates income (p/a) for 10 years.	2% pa	2% pa

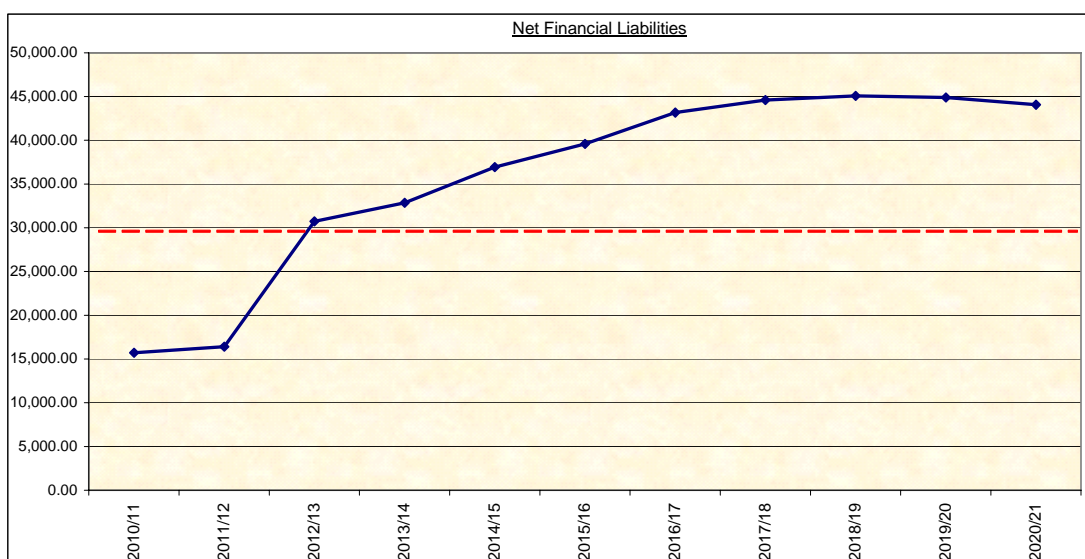
As indicated above, a proposal of this nature would increase finance costs dramatically and require additional rates income of at least 2% each year for ten years. In the short, medium and long term it would limit Council's opportunities and place considerable pressure on Council's future financial sustainability. As noted in the SAMP:

*A number of large infrastructure projects are planned in the next 5-10 years including:*

- 1. Brown Hill/Keswick Creek Flood Mitigation Project;*
  - 2. Council's Storm Water Master Plan;*
  - 3. Strategic Building Review;*
  - 4. Open Space Strategy; and*
  - 5. Alternative Water Plan.*
- (SAMP, 2010 Page 20)*

The other large infrastructure project scheduled during in the next 5 years is the upgrading of King William Road

Council has also adopted a target that its Net Financial Liabilities are to be no greater than its annual rates revenue, approximately \$30M. In considering this proposal to borrow funds to replace the remaining bitumen footpaths with paving this will result in the Net Financial Liabilities exceeding this target.



The above table shows the adopted net financial liabilities and the impact of the a potential decision to replace the footpaths at this time.

## **ANALYSIS OF OPTIONS**

Option 1 – Continue to replace the bitumen footpath network as per current Footpath Replacement Programme and review this position after the Footpath Asset Management Plan has been refined and the Long Term Financial Plan and the Strategic Asset Management Plan subsequently reviewed.

### Advantages

- Is funded in the Long Term Financial Plan (LTFP) and therefore no additional increase in rates is required.
- Follows good asset management practices.
- Based on a risk management approach.
- Can be undertaken with existing resources.
- It will take into consideration the requirements of the DDA Action Plan.

### Disadvantages

- Some sections of the City will still have a bitumen footpath which may have an impact on aesthetics.

A Review of the need to replace these footpaths should be done after the completion of the key high dollar value Asset Plans including Footpaths, Drains and Stormwater, Buildings and Roads. This work is under way and will be concluded in 2011. At which time the Long Term Financial Plan and the Strategic Asset Management Plan will be reviewed to take account of the impact of that information.

It would be prudent for the impacts of these plans together with the Long Term Financial Plan be considered together prior to a decision regarding additional borrowing of funds.

## Option 2 – Replace the remaining bitumen footpath network within a 2 – 4 year period

### Advantages

- The aesthetics of those streets with bitumen footpaths is improved.

### Disadvantages

- Bitumen footpaths replaced before the end of their useful life.
- There are considerable additional costs to Council.
- Resource issues (ie contractor pricing and quality of works).

Making a decision at this time is against a number of asset, financial and strategic management principles. Asset Planning work at Unley is under review and is progressing against a timeline agreed with the Audit Committee and approved by Council. This work is not yet complete and will inform the Council's Long Term Financial Plan.

### **RECOMMENDED OPTION**

Option 1 is the recommended option.

### **POLICY IMPLICATIONS**

This option is consistent with Councils endorsed Strategic Asset Management Plan, the Asset Management Policy and the endorsed financial ratios of the Long Term Financial Plan.

### **CONCLUSION**

The cost and resources required to upgrade the bitumen footpaths within 2 to 4 years is significant and would provide a long term rate rise well above what has been the average at Unley.

There are two plans currently being finalised for review by Council, the Footpath Infrastructure and Asset Management Plan and the Disability Discrimination Act (DDA) Action Plan. It would be prudent for the impacts of these plans together with the Long Term Financial Plan be considered together prior to a decision regarding additional borrowing of funds in these circumstances.