SOUTH WAIRARAPA DISTRICT COUNCIL

27 NOVEMBER 2013

AGENDA ITEM C6

SEAL EXTENSION FUNDING

Purpose of Report

To outline where funds can come from to complete a seal extension, gaining the best subsidy benefit.

Recommendations

Officers recommend that the Council:

1. *Receive the information.*
2. *Note the change in the maintenance cost structure between an unsealed road and a sealed road.*

1. Executive Summary

There are several ways to fund seal extensions which are;

- Fund all costs via council. The funding could be derived outside the subsidised land transport budget thus not having multiplier effect on the cost by losing NZTA subsidised funds.
- Fund costs between council and the primary benefactor.
- Fund costs via NZTA and SWDC. This is more difficult as the funding criteria for seal extensions are LOW. However some works can be done in conjunction with the sealing for example drainage, pavement and widening prior to sealing.

Funding seal extensions through NZTA by carrying out some works under other work categories has the effect of reducing work such as minor safety programs or rehabilitation.

Council could increase NZTA's contributions by increasing the council's matched funding for programs such as rehabilitation or drainage.

2. Background

Unsealed roads have a number of negative impacts relative to sealed roads. These include, dust nuisance to neighbouring properties, damage to adjacent crops, reduced driver comfort and increased vehicle maintenance

costs, reduced safety, higher number of customer complaints and requests for improvements, and resident expectations.

The cost of sealing is approximately $18 to $25/m2 (March 2012) or $81,000 to $112,000 per km for a typical 4.5m wide unsealed road. Additional to this is the cost of reseal preparation, which is usually funded from maintenance and includes improving the drainage and shoulder clearance, and repairing pavement failures.

The length of road sealed annually will depend on how much money is allocated in the LTP and Annual Plan and may vary from year to year. While financial assistance is available from NZTA under Work Category 325 Seal Extension in practice few seal extension proposal can achieve the benefits required as the default strategic fit for funding assistance is "low".

Previously council had sealed a proportion of its network every year, thus increasing the cost of future renewals. Councils Annual Plan had a renewal target of 23km in 2008 and achieved 14km with a more recent target of 20km in 2013 achieving 18. This equates to a target of 1 in 16 year renewal rate vs an achieved 1 in 27 years. Recently amending the target to a more achievable target of 1 in 19 and achieving 1 in 21 has closed the gap between the targets and achievements. For reference the industry standards are 1 in 12-14 years dependent on the type of seal. The risk in delaying renewals is the increase in future maintenance and remedial work as well as the cost of the renewals as an infrastructure debt.

3. Discussion

3.1 Renewal

Council has several avenues to provide funds for seal extensions. However an important point to note is the renewal costs for work done. With a typical reseal being required to be resealed every 16 years as per councils asset management plans and funded jointly with NZTA there is an on going cost continually and in perpetuity.

3.1.1. Fund all costs via council

Fund all costs via council funds is the most straight forward process. This has the highest impact to the ratepayer financially as well as viewed poorly by NZTA. As SWDC has the capacity to attract greater matched funding the cost of the project could be over doubled if spent on other projects that were subsidised.

The funding could be derived outside the land transport budget thus not having an effect on cost by losing NZTA subsidised funds.

3.1.2. Fund costs between council and the primary benefactor

Funding costs between council and the primary benefactor can be complex in calculation and measureable benefits. Often the most minimum standard can be built to minimize costs to other parties but this leaves a renewal bubble in the future. In addition this results in construction to a poorer standard and maintenance costs, borne by the district ratepayers, is higher.

3.1.3. Fund costs via NZTA and SWDC

Fund costs via NZTA and SWDC is more difficult as the funding criteria for seal extensions are LOW. However some works can be done in conjunction with the sealing for example drainage, pavement and widening prior to sealing.

3.2 Default strategic fit

The NZTA strategic fit for projects is based on a High, Medium and Low system for approval of funds. Low projects are not funded and this is the default for the seal extension work category. Council cannot receive funds for extensions without reasoning to be rated as Medium or High.

3.2.1. Requirements for low rating

By default, the strategic fit rating for new and improved infrastructure for local roads is low for seal extensions.

3.2.2. Requirements for medium rating

A medium strategic fit rating may be given if the project meets one or more of the following:

- Potential for regionally significant improvements for key routes identified using a local road classification system in one or more of:
  - Journey time reliability
  - Easing of congestion in main urban areas
  - More efficient freight supply chains
  - Relieving capacity constraints
- Provides a secure and resilient transport network to ensure national and regional connectivity for economic growth and productivity
- Potential for a significant reduction in the predicted crash risk involving deaths and serious injuries in accordance with the Safer Journeys strategy

3.2.3. Requirements for high rating

- A road improvement project must only be given a high strategic fit rating if it meets one or more of the following:
- Local roads and/or services identified by the NZTA as critical to the operation of a (RONS) GPS (highway)
- Potential for a nationally significant contribution to economic growth and productivity using a local road classification system which identifies:
  - Key freight routes local authority including designated routes for High Productivity Motor Vehicles (HPMV RCA) or;
  - Key tourism routes or;
  - Key routes critical for maximising access to significant markets, areas of employment or economic growth through significant improvements in one or more of:
    - Journey time reliability journey time reliability
    - Easing of severe congestion in major urban areas
    - Relieving capacity constraints

    - More efficient freight supply chains
    - A secure and resilient transport network
- Potential to significantly reduce the predicted crash risk involving deaths and serious injuries in line with the Safer Journeys strategy:
    - On a high risk rural road a high-risk rural road is defined in the NZTA High Risk Rural Road Guide (HRRRG) as:
        - A rural road where the fatal and serious crash rate (personal risk) or crash density (collective risk) is classified as high compared with other roads (HRRRG section 4.4.1 and figures 4-1 and 4-2); and or
        - A high or medium-high collective risk and/or high or medium-high personal risk (as defined by KiwiRAP risk maps) (HRRRG section 4.4.2); and/or
        - A rural road that has features that are likely to increase the potential for fatal or serious injury crashes along a route as determined by the KiwiRAP star rating or RPS, ie. 1 or 2 star road or an RPS greater than 10 (HRRRG section 4.4.3)

3.3 Conclusion

NZTA rate the need for seal extensions as low for a reason and the simplistic explanation is that the greater the sealed road network the greater the future cost impact. Currently the sealed road network in maintenance and renewal costs for SWDC is $1.207 million for sealed roads and $0.438 million for unsealed roads where the network is 382km and 271km respectively. This equates to approximately $3,159 a Km/y whereas the unsealed road network costs $1,616km/y.

Any extension of the sealed road network over doubles the future costs of the pavement. In broad terms a km of road sealed above the current budgets is a 1% increase in rates and a compounding maintenance increase of .016% per year.

NZTA's fiscally responsible approach does not take into consideration the raising of the "general amenity" of the region. Looking at the traffic counts on the unsealed road network, it shows that in most cases the primary benefit is only to those who live within a close radius of the works to be undertaken.

Contact Officer: Mark Allingham, Group Manager Infrastructure and Services

Reviewed By: Paul Crimp, Chief Executive Officer

Appendix 1