

Background to attached document

Infrastructure Assets Funding

When MidCoast Council was formed in May 2016 it was evident that a critical initial priority would be consolidation of the asset and financial position to determine a sustainable path forward for our community.

In August 2016 Council commissioned Morrison Low to provide advice on integrating the data sets from the three former Councils and provide a high level strategy to quantify and address the asset challenge. This information enabled Council to make evidence-based decisions on the future direction and management of its extensive asset network.

Morrison Low provided the attached document in September 2016 which was subsequently used to inform Council's October 2016 community engagement program. The program focused on the integrated asset and financial position of MidCoast Council and proposed a sustainable way forward in regards to the sustainability of the region's transport network.

Morrison Low determined Council has an annual shortfall in its renewal funding for roads of \$5 million per year. This is based on the following:

Annual depreciation	\$37.34M
<u>Renewals last year</u>	<u>\$32.3M</u>
Annual shortfall	\$5M

Council has since confirmed this underfunding of depreciation for roads and bridges. Until Council can fund this depreciation figure the asset backlog (currently at \$180M) will increase. Council is continuing to collect condition data on the road and bridge network, and it is expected that the backlog will increase as these investigations continue.

Since the merger, investigations have been undertaken on 95 timber bridges. The investigations have indicated that more detailed structural evaluation of a number of bridges of concern is required. Detailed assessment has been undertaken on 48 of these bridges and expenditure of \$750,000 has already been incurred to make these bridges safe.

Once investigations of the remaining bridges have been completed, it is expected that the expressed bridge backlog will be significantly higher than the initially projected figure and will demonstrate a funding renewal shortfall of approximately \$1M per year above the current annual budget allocation.

This information, as well as the consolidated road data will inform the consolidated Asset Management Plan for MidCoast Council.

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Mid Coast Council

Infrastructure Assets Funding

September 2016



Background

- Morrison Low have been asked to give advice on the background information for management of MidCoast Council assets
- We have looked at the former Council areas and combined the data
- Provided consistent definitions and assumptions across the asset classes to calculate infrastructure FFF asset ratio's
- Provide a high level management strategy to bring the portfolio under control.

Mid Coast Council

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- Total value of Assets \$2,460 M
- Annual depreciation \$37.34 M
- Consumption Ratio 65.4%
- Renewals Last year \$32.3 M
- Backlog ratio 3.6%
- Renewals ratio 86.5%
- Maintenance Ratio 99.5%
- Bring to a service level \$254.8M

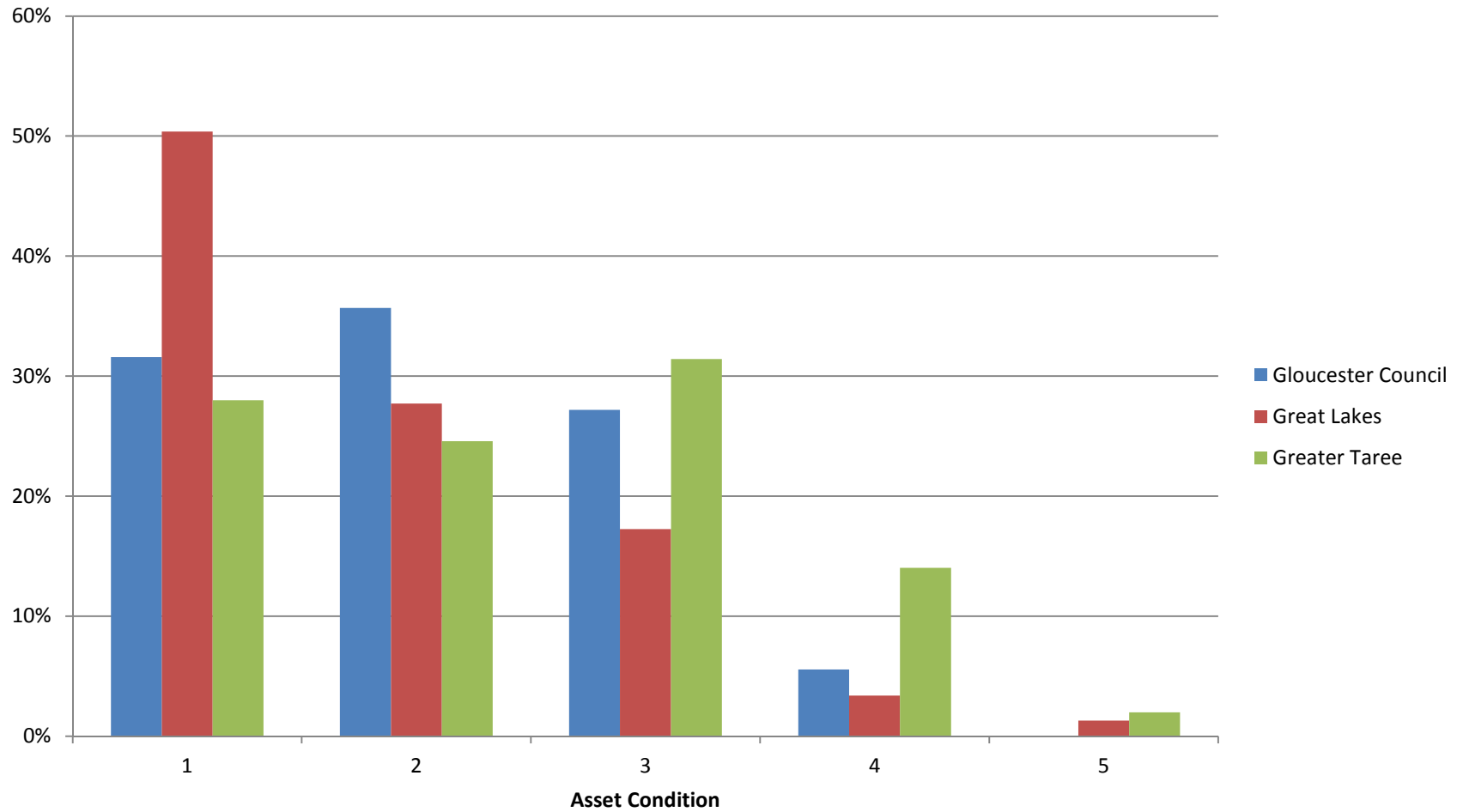
Former Greater Taree Council

MidCoast Council

- Road Assets represent 76% of the asset base and as such the greatest challenge for MidCoast Council.
- Taree has approximately 16% of Road assets (by replacement value) in condition 4 & 5 or \$165m of assets in less than satisfactory condition.
- Greatest challenge is in the road pavement or road structure.

Comparison of road asset Condition

Road Asset Condition



Road Maintenance & Renewal Blue Print

- High Level Strategy
 - Maintain assets in Great Lakes and Gloucester in current condition.
 - Don't let Taree condition 3 roads slip into condition 4 & 5
 - Detailed risk and economic benefit of which condition 4 or 5 roads to prioritise pavement renewal.
 - Prioritise asset renewal over asset maintenance where appropriate.
 - Seek additional grant funding for regional roads and major transport routes.
 - Seek SRV to fund renewal program.

Closing the Gap.

- Current renewal Gap per year approximately \$5 Million
- Backlog to reduce by \$25M
- Total replacement value of assets in condition 4 & 5 is \$255M
- Reality with better service levels, asset condition data and community aspirations a more likely value is \$125 – \$150 M
- Generational issue.
- No additional maintenance expenditure required at this stage.