

CONFIDENTIAL MEMORANDUM

TO: Council

MEETING DATE: 25 February 2019

TITLE: He Ara Kotahi and Manawatu River Cycle Pedestrian Pathway - Progress and Funding Update

DATE: 27 January 2019

PRESENTED BY: Robert van Bentum, Transport & Infrastructure Manager, Infrastructure

APPROVED BY: Tom Williams, Chief Infrastructure Officer

REASON FOR CONFIDENTIALITY

It is recommended that this report be considered with the public excluded, as permitted by the Local Government Official Information and Meetings Act 1987, because:

s7(2)(b)(ii) Third Party Commercial

s7(2)(i) Negotiations

RECOMMENDATION(S) TO COUNCIL

1. That the approved budget for Capital New Programme 57 – He Ara Kotahi – Downstream Pedestrian/Cycle Bridge Construction be increased in total by \$2,458,000 from \$10,934,100 to \$13,392,100, with Council's share of the increase in budget not to exceed \$1,030,000.
 2. That the approved programme budget for Capital New Programme 977 – Manawatu River (Fitzherbert Bridge to Linton) Cycle Pedestrian Pathway be increased in total by \$1,767,000 from \$3,702,100 to \$5,469,100, with Council's share of the increase in budget not to exceed \$666,000.
 3. That the CEO be instructed to continue to investigate options for increased third party funding and allocation of savings from 2018/19 Capital New Programmes to reduce the Council's share of the cost to complete Programmes 57 and 977.
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1. **PROGRESS UPDATE**

- 1.1 Council has approved two programmes of work to develop 7.6 km's of shared pathway on the western side of the Manawatu River from the Fitzherbert Avenue road bridge to Bell's Road, Linton. The network also includes a 195m long four span bridge across the Manawatu River at Ruha Street and a pathway connection across Massey University farmland to connect with Dairy Farm road and the campus via an existing crossing of Tennent Drive. The two programmes of work comprise:
- Capital New Programme 57 – He Ara Kotahi – Downstream Pedestrian/Cycle Bridge Construction
 - Capital New Programme 977 – Manawatu River (Fitzherbert Bridge to Linton) Cycle Pedestrian Pathway
- 1.2 The two programmes of work have been undertaken over three financial years beginning in 2016-17 and both are on schedule to be completed in May of the current financial 2018-19. In October 2017 Council approved a total budget of \$14,636,200 for the two programmes of work as follows:
- Programme 57 – Manawatu River – Downstream Pedestrian Cycle Bridge \$10,934,100
 - Programme 977 – Manawatu River Pedestrian/Cycle Pathway - \$3,702,100
- 1.3 Excellent progress has been made on both programmes of work. Since Officers reported to Council, both programmes are approaching 70% completion so that the final cost to complete can now be established with some certainty. Additionally, the level of support from external funding agencies is now known with greater certainty, as well as the availability of savings or surpluses from the balance of Council's 2018-19 programme of work.
- 1.4 With the greater clarity, the originally approved budgets will be exceeded for a range of reasons, including scope items omitted from the original scope of work, changes in scope to address technical, consenting and implementation challenges. The specific scope and cost issues are detailed later in the report. The most significant of these relate to omissions in respect of budgeting for professional services and consent mitigation costs, provision of lighting on the Manawatu River Bridge, an additional bridge on the pathway as well as changes to pathway alignment and greater costs for stakeholder and partner engagement.
- 1.5 This report provides an update of the costs and budgets required for completion of the programmes of work and seeks Council approval for increases in the overall budget and the Council share to ensure there is no delay to the completion of the programmes of work.
- 1.6 It is acknowledged that in contrast to the report presented to Council in May 2018 which indicated that the originally approved budget should be sufficient, provided

further savings and additional funding arrangements could be identified, it is now clear that due to the contributing issues set out previously additional funding approval is required.

- 1.7 Most of the additional funding approval sought required will be covered by third party funders. However, there is also a requirement for Council to increase its share of funding to complete the work. Officers have identified some potential savings from an existing programme which can partly offset the additional Council contribution. The transfer is the subject of a separate report to Council.
- 1.8 It should be noted that as the majority of the third party contributions are payable only at completion of the project, Council must approve funding for the full amount of the programme costs to enable all costs to be incurred in full before grants are payable.

2. BACKGROUND

- 2.1 As indicated the He Ara Kotahi project comprises two programmes of work to construct 7.6 km's of shared pathway from the Fitzherbert Avenue Bridge to Bells Road at Linton, a connecting pathway from the bridge across Massey farm land to Tennent Drive and a 195m long four span bridge across the Manawatu River at the end of Ruha Street. The two programmes of work have been staged and tendered as five separate packages of work, namely the Bridge Contract and stages 1 to 4 for the pathway, and key stages are listed as follows.
- 2.2 In December 2016, stage 1 of the pathway project comprising the connection to the Fitzherbert Avenue Road Bridge and construction of 2.9 km's of pathway along the river berm on Massey farmland was commenced. It was completed in July 2017 within scope and budget.
- 2.3 In October 2017 Council accepted an alternative tender from Concrete Structures Ltd. for the construction of the Manawatu River Bridge (He Ara Kotahi). Since the award of contract, the final design was accepted and approved and construction is now well underway and nearing completion. Aside from a significant variation for the installation of iconic lighting on the bridge the project has been constructed largely within the total budget including contingency.
- 2.4 In October 2017, Council approved a revised budget for the He Ara Kotahi project (bridge and pathway) of \$14,636,200 which represented an increase of \$4,734,200 over the 2015-25 Long Term Plan budget of \$9,902,000. Council agreed to an increase of \$2,319,700 of Council's share bringing the total Council share to \$5,456,700.
- 2.5 In February 2018 Council approved the award of the contract for the construction of Stage 2 of the pathway from the Turitea Stream to the Kahuterawa Stream including bridges at Turitea, Massey Farm and Greenwoods. This stage is the longest and most

complex of the pathway programme including five large culverts, three bridges and some timber decked boardwalk sections. This stage is also substantially complete.

- 2.6 In December 2018, Stage 3 of the pathway programme comprising the Kahuterawa Stream to Bells Road section and including a suspension bridge over the Kahuterawa stream was awarded under delegated authority by the Acting Chief Infrastructure Officer. This work has commenced with work on the abutments for the bridge now underway.
- 2.7 The final stage 4 of the pathway programme comprising the link from the Manawatu River bridge through Massey farmland to Tennent Drive is in final design and scheduling. Approval for the work to proceed has been put on hold subject to receiving approval from Council for additional funding.
- 2.8 In May 2018 Officers reported to the Finance and Performance Committee of Council on the expected financial outcome of the multiple contracts involved in the project. The report concluded that while the expected total project cost (bridge and pathway) of \$15.827 million was greater than the previously estimated \$14.636 million it was anticipated that further savings and additional funding arrangements could be identified to ensure that the cost to Council would not exceed the previously approved level.
- 2.9 As at January 2019, the expected total project cost (bridge and pathway) has increased to \$18.861 million or \$4.225 million more than the Council approved programme budgets of \$14.636 million. The key components of these additional costs include:
- \$1.210 million for the bridge lighting,
 - \$1.248 for the bridge construction and
 - \$1.767 million for additional costs on the pathway programme

3. COUNCIL APPROVALS AND RESOLUTIONS

- 3.1 The programme funding has been approved as for other programmes of work through the 10-year plan and annual plan processes, which has provided for adjustment of funding requirements based on updated estimates to complete the projects. Additional approvals have been obtained from Council by way of reports or memorandums in the following circumstances:
- Approval to award tenders for contract values beyond the delegated authority of the Chief Executive and senior officers
 - Approval for additional funding to cover unforeseen items – e.g. lighting of the bridge

- 3.2 Dates of relevant reports presented to Council and the resolutions passed by Council related to the two programmes of work include:
- October 2017 – Finance and Performance – Award of Tender for Contract 3456 – Manawatu River Pedestrian / Cycle Bridge Construction
 - February 2018 – Council Meeting – Part 2 – Item 14 - Award of Tenders for Contract 3539 – He Ara Kotahi Shared Pathway Stage 2.
 - May 2018 – Finance and Performance – Part 2 – Item 13 – He Ara Kotahi Updated Budget and timeline a further report was presented to Council setting out the status of funding. Report was adopted but no resolution passed.
 - August 2018 – Finance and Performance Committee – He Ara Kotahi Bridge Lighting - Resolutions: 1. That Council approves \$1,210,000 for lighting the He Ara Kotahi Bridge and directs the Chief Executive to reallocate funds from existing infrastructure projects and 2. That Council directs the Chief Executive to make funding applications for the purchase and installation of lights on the He Ara Kotahi Bridge and Plaza area.

4. REASONS FOR ADDITIONAL BUDGET REQUIREMENTS

4.1 Programme 57 - Manawatu River Bridge Additional Costs

- 4.2 The approved budget of \$10,934,100 approved by Council in October 2017, was sufficient only to cover the cost of the main bridge contract. The budget did not provide for the costs of any design changes, contract and project management nor consent mitigation which have added some \$1,248,000 to the total project cost. These costs though considerable are not beyond what might be considered reasonable for a project of this size.
- 4.3 The other significant additional cost for the Manawatu River Bridge is the provision of iconic lighting to enhance the visual appearance of the bridge and provide an effective linkage with the river loop walkway. This feature is budgeted to cost an additional \$1,210,000.
- 4.4 Council approved a funding increase for the lighting in August 2018, however this was made conditional on identifying savings from existing infrastructure programmes. At this point in the year, while some savings have been identified these are not sufficient to offset the entire additional budget, as approval is required to increase Council's share.
- ##### **4.5 Programme 977 – Manawatu River Cycle Pedestrian Pathway Additional Costs**
- 4.6 Significant additional costs in the pathway programme have largely been associated with Stage 2 which comprises the longest portion and the most complex section of

the pathway project. These costs now total \$1,767,000. Some of the most significant scope changes have included:

- The construction of a second glue-lam bridge on Stage 2 of the pathway project to provide for completion separation between pathway users and the farm access road running at right angles to the alignment
- The requirement to source aggregate from alternative locations following Horizons refusing an application to source aggregate from the river
- Alterations to the alignment of stages 2 and 3 of the pathway project to minimise impact on significant native vegetation
- Removal of exotic trees on some sections to prevent future damage and erosion risks for the pathway i.e. preventative measures including compensation payments to Massey for loss of revenue for plantation pines due to their removal
- Higher levels of engagement with key project partners such as Rangitane and Massey University around their aspirations for the projects as well as greater engagement with stakeholders such as Keebles Trust
- More complex resource consent conditions including requirements for planting mitigation around the bridges and particularly the Kahuterawa Stream swing bridge and requiring a temporary bridge to be installed across the Turitea Stream
- Higher than anticipated consultancy and project management costs associated with all the above

4.7 Higher costs than originally estimated are now anticipated for the Stage 4 connection from the Manawatu River Bridge to Massey University due to the need for construction of a longer underpass to provide separation from farm activities and ensure safe sightlines for pedestrian and cycle users.

4.8 Officers have identified a range of savings and additional external funding sources to reduce the extent of additional funding required from Council. Additional offset funding indicatively confirmed includes the following:

- A \$272,000 cost saving in the construction of the Bridge due to the removal of the proposed watermain from the project scope of work.
- Third party grants totalling \$1,050,000 for the bridge lighting and pathway components
- Confirmation from NZTA of \$153,000 as their share of bridge lighting costs based on a subsidy of 51% on a \$300,000 bridge lighting cost.

4.9 Additional subsidy funding from NZTA is also being sought for the additional costs for both the bridge and pathway so it is hoped that the full 51% of NZTA subsidy can be secured for each portion.

4.10 Additionally Officers have identified savings of \$900,000 in Programme 829 City Wide Undergrounding of Power and Telecom Cables which could be used to offset some of the additional Council share funding for both Programmes 57 and 977.

5. EXPENDITURE AND FUNDING SUMMARY – PROGRAMME 57

5.1 Table 1 and 2 which follow set out total programme expenditure requirements for Programme 57 along with currently confirmed and approved funding. Expenditure to the end of the 2017-18 year, to 31 Dec 2018 (in italics) and for the 2018-19 year are provided. The shortfall is highlighted in red.

5.2 Separate tables follow highlighting the additional funding required and the indicated sources for the additional funding proposed to address the gap. The NZTA funding has yet to be formally approved, although there is reasonable confidence it will be provided. Officers are pursuing some additional sources of third party funding. This will not impact on the level of funding approval required but will reduce Council’s share and the rating cost of the programmes.

Table 1 Summary of Expenditure and Funding - Programme 57

Description	Cost to 30 June 2018 (\$000)	Cost to 31 Dec 2018 (\$000)	Cost to complete 2018-19 (\$000)	Total (\$000)
Programme 57 - He Ara Kotahi – Downstream Pedestrian/Cycle Bridge Construction				
1. He Ara Kotahi Bridge	\$3,834	<i>\$4,114</i>	\$2,528	\$10,476
2. Professional Services	\$958	<i>\$400</i>	\$348	\$1,706
3. Bridge Lighting		<i>\$718</i>	\$492	\$1,210
Totals	\$4,792	<i>\$5,232</i>	\$3,368	\$13,392
Percentage Expenditure	36%	39%	25%	100%
Current Funding Approved or Provided (\$000)				
Description	Funding to 30 June 2018 (\$000)		Funding approved 2018-19 (\$000)	Total (\$000)
Bridge Construction				
NZTA	\$3,498		\$3,132	\$6,556
Council	\$1,294		\$2,510	\$3,878
Third party grants			\$500	\$500
Total for Bridge	\$4,792		\$6,142	\$10,934
Surplus / Shortfall			-\$2,458	

* Council funding conditional on identifying savings and external funding parties so excluded

- 5.3 The funding deficit of \$2,458,000 is associated with both the lighting costs of \$1,210,000 and additional costs not budgeted for the bridge construction of \$1,248,000. At this stage some \$350,000 has been secured in third party grants and further negotiations are underway to secure a further \$200,000 in external funding.
- 5.4 NZTA has confirmed \$422,000 in additional approved subsidy funding at this stage and an application for subsidy funding beyond this has been lodged and is still being considered.
- 5.5 A sum of \$135,000 is associated with the installation of ducts on the bridge which will be claimed back by Council from Powerco at the completion of the project.
- 5.6 Table 2 sets out the currently approved budget and outlines the split of funding for the originally approved budget and the new revised budget.

Table 2 Funding Sources and Approved Budgets for Programme 57 (\$000)

Funding Source	Current Approved Budget	Additional Budget Approval Required	New Approved Budget (2018/19)
NZTA (including UCF)	\$6,556	\$790*	\$7,346
NZTA (Bridge Lighting)	\$0	\$153	\$153
Third Party Funding	\$500	\$350	\$850
Powerco (direct costs)	\$0	\$135	\$135
Council Share	\$3,878	\$323*	\$4,201
Council Share (Lighting)	\$0	\$707	\$707
Total	\$10,934	\$2,458	\$13,392

*Conditional on NZTA approval of application

- 5.7 The budget approval increase of \$2,458,000 includes third party contributions of \$1,196,000, with Council's share totalling \$1,030,000. This will bring Council's share to \$4,908,000 for the project or 37% of the expected total programme cost of \$13,392,000.

6. EXPENDITURE AND FUNDING SUMMARY – PROGRAMME 57

6.1 Table 3 and 4 which follow set out total programme expenditure requirements for Programme 977 along with currently confirmed and approved funding. Expenditure to the end of the 2017-18 year, to 31 Dec 2018 (in italics) and for the 2018-19 year are provided. The shortfall is highlighted in red.

Table 3 Summary of Expenditure and Funding - Programme 977

Description	Cost to 30 June 2018 (\$000)	Cost to 31 Dec 2018 (\$000)	Cost to complete 2018-19 (\$000)	Total (\$000)
Programme 977 - Fitzherbert Bridge to Linton Cycle Pedestrian Pathway				
4. Stage 1 Pathway	\$877	\$0	\$0	\$877
5. Stage 2 Pathway	\$1,286	<i>\$1,031</i>	\$883	\$3,200
6. Stage 3 Pathway	\$9	<i>\$65</i>	\$838	\$912
7. Stage 4 Pathway	\$0	<i>\$19</i>	\$462	\$481
Totals	\$2,172	<i>\$1,115</i>	\$2,183	\$5,470
Percentage Expenditure	40%	20%	40%	100%
Current Funding Approved or Provided				
Programme 977 - Fitzherbert Bridge to Linton Cycle Pedestrian Pathway				
NZTA (plus UCF)	\$1,306		1,073	\$2,379
Council	\$866		458	\$1,324
Totals	\$2,172		\$1,531	\$3,703
Surplus / Shortfall	\$0		-\$1,767	

6.2 The key reasons and scope changes contributing to the additional funding requirement are set out in section 4 of this report.

6.3 It will be noted that Council’s contribution to the pathway project exceeds NZTA’s contribution, which is due to the initial Stage 1A of the project not being eligible for NZTA funding resulting in an additional cost to Council of \$200,000.

6.4 Officers have been working to confirm additional sources of funding to offset the additional costs and these are summarised in Table 4. Specific funding sources confirmed include:

- Additional third party contributions - \$200,000
- Additional NZTA funding at 51% of the local share

- Potential savings from another programme of work

6.5 The Council share contribution will rise with this approval to \$1,990,000 but will still represent 49% of the cost of the programme.

Table 4 Funding Sources and Approved Budgets for Programme 977 (\$000)

Funding Source	Current Approval Budget	Additional Budget (2018/19)	New Approved Budget (2018/19)
NZTA (plus UCF)	\$2,379	\$901*	\$3,280
Third Party Funding	\$0	\$200	\$200
Council Share (new or approved savings)	\$1,324	\$666*	\$1,990
Total	\$3,703	\$1,767	\$5,470

* Full amount of NZTA funding yet to be confirmed so split with NZTA and Council uncertain

7. SUMMARY

- 7.1 The He Ara Kotahi bridge and associated pathway programmes of work are nearing completion and have been largely completed within scope and to time. Some additional costs have emerged largely related to the provision of lighting on the bridge and significant variations associated with construction of stages 2 and 4 of the pathway programme.
- 7.2 A comparison of the expected total project costs with the approved budget for the programmes, has confirmed there is a funding shortfall of \$2.458 million for the Bridge and \$1.767 million for the pathway.
- 7.3 The bridge shortfall is associated with the investment in iconic lighting for the project and additional costs for the project and contract management as well as consenting implementation costs. Additional third-party funding contributions of \$638,000 and NZTA potential funding of \$790,000 reduce the additional Council funding required for the bridge to \$1,030,000. Applications to external organisations will continue to be explored to reduce the Council share further.
- 7.4 In respect of the pathway project the budget shortfall is a total of \$1,767,000. Part of the additional costs can be offset by third party contributions of \$200,000 and an application for the NZTA contribution of \$901,000 has also been made. If this is approved, the additional Council contribution can be reduced to \$666,0000.
- 7.5 The total additional Council share for both programmes if the budgets are approved, is estimated to be \$1,696,000. This increases Council's share of funding for the two programmes to \$6,898,000.

- 7.6 Officers have identified savings in another programme which can offset \$900,000 of the Council share increase, leaving a total increase of \$796,000 for the combined bridge and pathway programmes.
- 7.7 On the above basis Officers are seeking approval of 2018-19 budgets for Programme 57 of \$2,458,000 and for Programme 977 of \$1,767,000.

8. NEXT STEPS

- 8.1 If Council approves the additional funding, Officers will look to expedite completion of the outstanding work in as efficient a manner as possible and continue to identify and realise savings wherever possible.
- 8.2 Applications for additional supporting funding will continue to be pursued with NZTA and other third party organisations to minimise the cost to Council of the programmes.

9. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
<Enter text>	
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
The recommendations contribute to the achievement of action/actions in the Active and Public Transport Plan	
The action is:	

<p>Continue development of the shared path loop around the city and along the Manawatū River edge linking Ashhurst, Linton, Longburn, Bunnythorpe-Feilding, including:</p> <ul style="list-style-type: none"> • Mangaone Stream Shared Path connection to Manawatū River Shared Path (by end of 2020/2021) • Manawatū River – Shared path link from Fitzherbert Bridge to Linton Military Camp and Massey University (by end 2018/2019 subject to funding) • Manawatū River Pedestrian He Ara Kotahi Cycle Bridge (by end 2018/2019) 	
<p>Contribution to strategic direction</p>	<p>Programmes 57 and 977 are specifically intended to complete the shared pathway along the Manawatu River to Linton, provide for an off-road connection to Massey University and a second pedestrian and cycling bridge crossing of the Manawatu River.</p>

ATTACHMENTS

Nil