

City of Fremantle

MINUTES

Special Meeting of Council

Monday, 1 May 2006
6.00 pm

COUNCIL MEMBERS

Mayor Peter Tagliaferri
North Ward
South Ward
City Ward
Hilton Ward
Beaconsfield Ward
East Ward

Cr Doug Thompson
Cr Jon Strachan
Cr Les Lauder
Cr Bob Smith
Cr Shirley Mackay
Cr John Dowson (Deputy Mayor)

Cr Bob Williams
Cr Geoff Graham
Cr Steve Gorman
Cr Alice King
Cr John Alberti
Cr Brad Pettitt

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SPECIAL MEETING OF COUNCIL

Minutes of the Special Meeting of Council
held in the Council Chambers, Fremantle City Council
on 1 May 2006 at 6.00 pm.

DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Mayor, Mr Peter Tagliaferri declared the meeting open at 7.01 pm and welcomed members of the public to the meeting.

IN ATTENDANCE

Peter Tagliaferri	Mayor
Cr John Dowson	East Ward
Cr Geoff Graham	South Ward
Cr Alice King	Hilton Ward
Cr Shirley Mackay	Beaconsfield Ward
Cr Brad Pettitt	East Ward
Cr Bob Smith	Hilton Ward
Cr Jon Strachan	South Ward
Cr Doug Thompson	North Ward
Cr Bob Williams	North Ward
Mr Graeme Mackenzie	Chief Executive Officer
Mr Glen Dougall	Director Corporate Services
Mr Ken Posney	Director Cultural and Community Services
Mr Alan Carmichael	Manager Finance and Administration
Mr Ian James	Urban Design Planner

There were 3 members of the public and 1 member of the press in attendance.

APOLOGIES

Cr Steve Gorman	City Ward
Cr Les Lauder	City Ward
Cr John Alberti	Beaconsfield Ward

PUBLIC QUESTION TIME

Nil

DISCLOSURES OF INTEREST BY MEMBERS

Nil

SPECIAL COUNCIL ITEM

**C0604-5 UNDERGROUND POWER FREMANTLE (EAST) PROJECT -
COMMITMENT TO PROCEED**

DataWorks Reference: 161/018
Disclosure of Interest: Nil
Previous Item: SGS0602-10
Author: Ian James, Strategic Urban Designer; Alan Carmichael,
Manager Finance and Administration
Actioning Officer: Ian James, Alan Carmichael
Decision Making Authority: Council
Agenda Attachments: Project budget.
Street lighting review.
Map of project area.

PURPOSE

To agree to commit to the project.

EXECUTIVE SUMMARY

This report addresses the outstanding issues to be resolved as part of the Detailed Proposal Stage of the project and concludes that the project should proceed and the Council finalise an agreement with the State Government and Western Power.

Tenders have now been received for the project and have enabled the final budget to be determined. The total project cost across the 3 project areas has increased by an average of 15% on the pre-tender budget estimates. The City's 50% share would be \$5,263,889.50.

The tenders expire on 5 May 2006 and Western Power has advised that it is imperative that the project scope and arrangements be finalised between the City, Western Power and the State Government (Office of Energy) to enable the tenders to be confirmed before this date. If new tenders have to be sought, recent experience has shown that the project costs will again increase significantly.

The report outlines the principals being applied in the financial modelling that is underway for raising the City's 50% share of the project costs. Details of the proposed charges will be provided at a briefing of elected members to be held on 26 April 2006 prior to the Council meeting.

The report also considers streetlight design and costs and recommends using metal halide lighting instead of mercury vapour lights. Although there is a higher capital cost (estimated at \$15,000 cost to the City), metal halide is more energy efficient and environmentally acceptable.

The report identifies the project's financial implications for the Council with the recommendation that the Council contribute \$400,000 over the two year project period to accommodate City owned properties and reserves, the extra capital costs of using metal halide street lighting, and as a contribution to Area C which is a significant gateway to the city centre which would be enhanced by the undergrounding of power.

BACKGROUND

The City was advised by the State Government in September 2003 that the Fremantle (east) area was successful in being selected in Round 3 of the State Underground Power Program, subject to satisfying following requirements of the Detailed Proposal Stage:

- Detailed community support.
- Proposals to raise local authority's 50% share of finance.
- Final project boundaries, project design and cost.
- Underground power system design and cost.
- Streetlight design and cost.
- Non-equivalent direct costs.
- The "cash process".
- "Boundary" issues with other local government authorities.
- Draft agreement.

The Office of Energy, Western Power and the City have been progressively working through these issues which have been reported to the Council in December 2005 (SGS0512-18) and February 2006 (SGS0602-10). A key stage was the survey of property owners in the project area that was carried out in early 2006 and indicated a significant level of support for underground power (75 to 80% across the 3 project areas) and a reasonable majority of support for the proposed funding arrangements (65 to 70%). The details of the survey results were reported to the Council at the meeting held 22 February 2006 (SGS0602-10), when it was resolved that:

1. *The property owner response to the recent survey in all three areas of the proposed Fremantle (east) Underground Power Project be received.*
2. *The results of the property owner survey be provided to the Office of Energy to satisfy the community support requirement for the Detailed Proposal Stage for the Fremantle (east) Underground Power Project.*
3. *On the basis of the results of the community survey and other investigations as part of the Detailed Proposal Stage, and of the significant long-term benefits that the undergrounding of power lines and the installation of new lighting will bring to the project area, the Council agree to proceed with the Fremantle (east) Underground Power Project.*
4. *The overall project area should include Areas A, B and C.*

5. *The detailed costs and benefits of using metal halide lighting for the local road lighting to be installed as part of the Fremantle (east) Underground Power Project be further investigated and a report provided to the Council.*
6. *A report be presented to the Council addressing the detailed financial modelling for the project, including the options for pensioner discounts, time payment and other discounts, loan borrowing arrangements, the Council's contribution to Area C, the Council's contribution to possible extra street lighting costs, and the imposition of service charges and/or specified area rates as part of the 2006/07 Budget.*

Western Power has now received tenders for the installation works of the project and has consequently provided a final budget estimate to the City. As a result of the tenders the total budget across the 3 project areas has increased by an average of 15% on the pre-tender budget estimates. The total cost, including contingencies, is now \$10,527,779.75 and the City's 50% share would be \$5,263,889.50. A copy of the project budget is attached.

Other local authorities currently involved in the Underground Power Program have reported similar cost increases resulting from increased labour and material costs.

The tenders expire on 5 May 2006 and Western Power has advised that it is imperative that the project scope and arrangements be finalised between the City, Western Power and the State Government (Office of Energy) to enable the tenders to be confirmed before this date, otherwise there will be "serious financial consequences for the project budget - in a worst case scenario the cost of drilling could be doubled in some areas".

The following outstanding issues should be addressed by the Council before considering a final commitment to the project:

- The financial modelling for the raising of the City's 50% share of the project costs and other financial implications.
- Streetlighting design and cost.
- Potential impact of works on the community in Area B.

COMMENT

The financial modelling for the raising of the City's 50% share of the project costs and other financial implications

Due to a number of reasons, the project area was divided into 3 separate areas for costing and subsequent consultation. That in itself has created a level of complexity in modeling to arrive at recommended charges for recovery of the project costs. Estimates from Western Power are that it will take eighteen (18) to twenty four (24) months to complete the three project areas. As a consequence, the project will straddle multiple financial years.

Consideration of the project has always been based on the City's share of the costs of the project being recovered from owners in the relevant scheme areas who receive the benefits, plus a contribution from the Council for the properties it owns and for strategic projects like streetscape improvements for the Queen Victoria Street entry to the city centre.

Officers are still modeling charging options for the projects and it is intended to present recovery cost options to a briefing session for elected members to be held prior to the Council meeting on Wednesday 26 April 2006. As the charges will apply in the 2006/07 financial year, they must also be formally considered and adopted in June 2006 as part of the 2006/07 Budget.

There are basically two different options for recovery of costs:

1. Specified Area Rate, based on the Gross Rental Value (GRV). The disadvantage of a GRV based rate is that it does not reflect the current or future power requirements of a property, or whether the property has already been fully or partially connected to underground power. It is applied purely based on the GRV of the property.
2. Fixed Charge (preferred option). Under the Local Government Act, underground power is a prescribed item for the use of a service charge to recover costs. Service charges are generally flat fees and can therefore be better tailored to reflect the costs and or benefits that particular users might incur or receive. As a consequence, this is the option that is being pursued by officers to determine a schedule of charges for the different types of properties.

These charges would be made up of 2 components:

- Network charge; a share of the cost of the new mains infrastructure within the road reserve, including transformers, switchgear and street lighting. A sliding scale of charges is being determined for various types of property, generally related to the size of a property and its electrical load. Discounts to the network charge would be offered to those properties in streets where high voltage transmission lines (which are not part of the undergrounding program) will be retained. Discounts would also be offered for properties adjacent to new transformer and switchgear locations.
- Service charge; the cost of works within the private property to connect from the new mains infrastructure to the property's meter box. The charge varies depending on the number of residential units on a property and for commercial properties. Discounts to this charge would be offered where the property connection has already been fully or partially undergrounded.

In looking at the charging options the following issues are being considered:-

Payment Options.

Consultation was done on the basis of options for up front payment or payment over 2 to 3 years; 4 to 5 years and 6 years or more. The results of the survey reported to the Council in February 2006 showed that of the respondents, 21% to 40% preferred the up front payment option, with the remainder equally spread over the different repayment periods. With time payment options, even though we consulted on various lengths of repayment terms, it would be administratively cumbersome to manage multiple options, therefore it is intended to recommend the following payment options:

- Up front payment option.
- Time payment option over 6 years including interest costs on borrowed money. Funds would be borrowed at commercial rates to fund this option.

Pensioner/Senior Concession

Other local authorities implementing underground power schemes have adopted various approaches to pensioner discounts from providing discounts to not providing them.

Pensioners will receive the same benefits as any other property owner from undergrounding of powerlines; therefore it can be argued they should be required to pay like anyone else. However, as pensioners might be asset rich and cash poor, assistance might be offered in the form of a deferred repayment (with interest) while they continue to occupy the property. The eligibility criteria for pensioners could be set at that currently required for rate concessions.

The City now has a rates concession category titled 'seniors', who if they meet certain criteria are eligible for rate concessions, albeit at a reduced level to that of a pensioner. A concession for seniors has not been considered for the underground power project.

Other Discounts

- Property connection already fully undergrounded - no service charge.
- Property connection partially undergrounded (i.e. via a pole on the property boundary) - approx. 85% discount to the service charge.
- Properties in those streets with high voltage transmission lines that must remain above ground - 50% discount to the Network charge.
- Properties that will have a new transformer and/or switchgear equipment located on the verge immediately in front of the property - 50% discount to the Network charge.

Sale of Properties

Once a property has been levied with an underground power charge and the owner has elected the time payment option, it is envisaged that at the point of sale all charges would become due and payable; therefore a discount could be offered to reflect the earlier receipt of the monies. The same type of process could also be used for owners who wanted to settle their outstanding debt before the time payment period expired.

Government and Rate Exempt Properties

There are a number of rate exempt properties in the 3 areas and advice is being sought on whether service charges can be recovered from those property owners. Some state government departments, for example Housing & Works, have already indicated they will contribute for properties they own.

City of Fremantle Properties

The City also has a number of properties and reserves in the project area. Some charges might be recoverable from occupiers (i.e., commercial tenants), but in other cases, like the Leisure Centre, the City will need to contribute to the cost of the project similar to other property owners.

Streetlighting design and cost

The City's lighting consultants, Jenkins Clifford Engineers Pty Ltd, have prepared a report on street lighting that would be implemented as part of the underground power project. A copy of the consultant's report is attached.

The consultant's report provides the following conclusion:

"It is Western Power's current practice to use either Mercury Vapour (MV) or High Pressure Sodium (HPS) luminaires on their entire streetlight system. The great majority of light poles are fitted with the MV fitting. MV has been in use since the 1940's when it took the place of tungsten filament incandescent lamps.

MV has been simple and reliable technology but it does have some major failings in the modern environment:

- Poor efficacy
- Average economic life
- Average Colour Rendering Index, weak in red spectrum rendering skin colour tones poorly
- High mercury content and lamp disposal is a serious problem.

The 'white light' alternatives to MV are Metal Halide and Compact Fluorescent. Both of these technologies are energy efficient, have high colour rendering properties and have little or no adverse environmental impact. Western Power now allows metal halide technology and probably in the next few years will support compact fluorescent technology.

MH lamps at the current stage of development have a slightly lower economic life than MV, but this is expected to improve as the technology further develops. In the wattage range likely to be used for the minor roads, MH lamps will last approximately 3 years to the 4 year effective life of MV. However MH does offer the following significant advantages over MV:

- High efficacy, particularly for night vision
- High Colour Rendering Index
- Very low mercury content."

The consultant's report recommends that:

"The City of Fremantle require the lighting for the SUPP areas to be:

- Developed on a hierarchical system where the lighting is selected to best suit the needs of the environment, i.e. High Pressure Sodium for traffic focused areas and 'White Light' for pedestrian focused areas.
- Based on lighting technology that reduces the environmental impact of excessive energy use and disposal issues, i.e. use Metal Halide lamps instead of Mercury Vapour.
- Installed in accordance with the appropriate standard."

The consultants have recently designed lighting for the City of Stirling for their SUPP Round 3 projects, being City Beach (1650 lots, about 480 minor road lamps) and Wembley Downs (1850 lots, about 540 minor road lamps) and in both of these cases metal halide lighting will be installed in lieu of mercury vapour. It is understood that the Shire of Swan and the City of Gosnells have also adopted metal halide as a replacement for mercury vapour lamps.

However, as it is a relatively new form of street lighting, the present capital costs and maintenance charges for MH lighting are higher than the equivalent MV lighting, mainly due to the economy of scale available to the MV. As its use increases it is likely that its capital and maintenance costs will reduce.

The additional capital cost of using MH in the Fremantle (east) underground power project would be approximately \$30,000, of which 50% would be funded by the State

Government. It is recommended that this extra cost of \$15,000 be funded from the City's municipal funds as any future savings from lower energy costs would benefit the City's total power bill.

In view of the environmental benefits of reduced energy consumption and reduced mercury content offered by metal halide lighting in comparison to mercury vapour lights, it is considered that a combination of metal halide (for residential streets) and high pressure sodium (for major roads) be used for street lighting in the Fremantle (east) project area.

Potential impact of works in Area B

Western Power has advised of the project risks associated with installing the underground power cables in Area B (generally between Tuckfield St, East St and Finnerty St). This area is characterised by narrow streets, older built form and significant underground rock. In particular, Western Power has concerns with the potential for time delays, increased stakeholder management and financial impacts resulting from the work restrictions on heritage buildings, the limited access for equipment/materials in the streets and the disruption of on-street parking and traffic flow during site works.

If Area B proceeds as part of the project the Council needs to be aware of these implications, including an anticipated increased level of complaints from residents in this area during the works, and implement a well structured consultation/information program prior to and during the works, to consider alternative short-term parking arrangements for residents if necessary, to engage heritage advice on installation options for identified heritage properties and to offer dilapidation surveys to the owners of heritage buildings prior to the start of on-site works.

CONCLUSION

There is no doubt that undergrounding of powerlines brings many long-term benefits for property owners and the general community and consequently the State Government/Western Power 50% funding of costs is keenly sought after by local authorities.

While tenders for the project works have resulted in a 15% increase in the overall budget, the financial modelling to date on the charges required to raise the City's 50% share of the total budget has shown that rates can be maintained close to those indicated in the community survey carried out in early 2006, however more details of the proposed charges will be provided at a briefing of elected members prior to the Council meeting on 26 April 2006.

All of the requirements of the Detailed Proposal Stage have now been addressed and the Council should now be in a position to determine whether to commit to the project and finalise an agreement to proceed.

STRATEGIC AND POLICY IMPLICATIONS

Strategic Plan 2006-10; 3.6 Facilities and Infrastructure - Pursue opportunities to progressively implement undergrounding of powerlines throughout the municipality.

TRIPLE BOTTOM LINE IMPLICATIONS

Economic

- Improved streetscapes can increase property values in residential and commercial areas.
- Improved streetscapes and street lighting in commercial areas can improve viability of businesses.
- More reliable power supply for commercial activities.

Environmental

- More street trees can be planted, and existing trees require significantly less pruning.
- Opportunity to introduce more energy efficient street lighting.

Social

- More reliable power supply.
- Improved street lighting will improve personal safety and provide a better sense of security.
- Improved streetscapes.
- Enhanced views of heritage buildings and places.

BUDGET IMPLICATIONS

The survey of property owners was undertaken on the basis that the Council would contribute 20% of the total cost of Area C as the area is a significant gateway to the city centre and the under grounding would benefit the wider Fremantle community. 20% of the final total budget for Area C is \$315,000.

The City's 50% share of the additional capital cost of using metal halide street lighting would be \$15,000. It is recommended that this cost be funded by the Council rather than included in the charge to property owners in the project area as any future savings from lower energy costs would be a saving to the City's total power bill.

The City owns a number of properties in the project area. Some charges might be recoverable from occupiers (i.e., commercial tenants), but in other cases like the Leisure Centre, the City will need to contribute to the cost of the project similar to other property owners.

At this stage it is recommended that a total contribution of \$400,000 would need to be budgeted by the Council, spread over the two years of the project, to provide for charges on City properties, the extra capital costs of metal halide street lighting and as a contribution to enhance the Queen Victoria St city gateway.

LEGISLATIVE AND LEGAL CONSIDERATIONS

The City will be required to enter into a legal agreement with the State Government if it resolves to proceed with the project. A copy of the draft agreement was attached to a previous report on the project (see SGS0602-10). The City's legal advisors have examined the draft agreement and indicated that "the agreement is a straightforward and balanced agreement and, provided the City is happy with its terms, it does not, in our opinion, present any particular issues of concern for the City".

PRECINCTS AND OTHER COMMITTEES RECOMMENDATIONS PLUS OTHER CONSULTATION

Ratepayers in the project area were surveyed as part of the consultation phase carried out in January 2006.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required.

OFFICER'S RECOMMENDATION

1. That the Council:
 - a) Proceed with the Fremantle (east) Underground Power Project and authorise the Mayor and Chief Executive Officer to sign the "State Underground Power Program Agreement" with the Honourable Minister for Energy and Western Power.
 - b) Utilise loan borrowings of up to \$5.3 million over the term of the project to fund the Council's commitment for the undergrounding of power in Areas A, B and C.
 - c) Budget for \$400,000 over two financial years to funds charges for undergrounding of power to City owned properties, for a contribution to improvements to the city's Queen Victoria St gateway, and for additional costs for utilisation of metal halide street lighting instead of mercury vapour.
 - d) Agree that the 2006/07 Budget makes allowance for loan and other underground power commitments for that financial year.
2. A further recommendation will be provided under separate cover on estimated recovery rates and conditions.

Mayor, Peter Tagliaferri moved an amendment to part c) of the Officer Recommendation to replace \$400,000 with \$700,000 as recommended by the Officer.

Cr Jon Strachan moved an amendment to remove the word **Council's** from part b) of the Officer's Recommendation, to read as follows.

- b) Utilise loan borrowings of up to \$5.3 million over the term of the project to fund the commitment for the undergrounding of power in Areas A, B and C.

SECONDED: Cr D Thompson

CARRIED: 10/0

For	Against
Mayor, Peter Tagliaferri Cr John Dowson Cr Geoff Graham Cr Alice King Cr Shirley Mackay Cr Brad Pettitt Cr Bob Smith Cr Jon Strachan Cr Doug Thompson Cr Bob Williams	

Mayor, Peter Tagliaferri moved an amendment to part 2. of the Officer's Alternative Recommendation, to read as follows;

- 2. That underground power charges be recovered from property owners *in areas A, B and C* via service charges to be levied under Section 6.38 of the Local Government Act 1995.

SECONDED: Cr J Dowson

CARRIED: 10/0

For	Against
Mayor, Peter Tagliaferri Cr John Dowson Cr Geoff Graham Cr Alice King Cr Shirley Mackay Cr Brad Pettitt Cr Bob Smith Cr Jon Strachan Cr Doug Thompson Cr Bob Williams	

Cr John Dowson moved a minor amendment to part a) of the Officer's Recommendation to remove the words and Western Power.

COUNCIL DECISION

MOVED: Mayor, Peter Tagliaferri **SECONDED:** Cr D Thompson

1. That the Council:
 - a) Proceed with the Fremantle (east) Underground Power Project and authorise the Mayor and Chief Executive Officer to sign the "State Underground Power Program Agreement" with the Honourable Minister for Energy.
 - b) Utilise loan borrowings of up to \$5.3 million over the term of the project to fund the commitment for the undergrounding of power in Areas A, B and C.
 - c) Budget for \$700,000 over two financial years to funds charges for undergrounding of power to City owned properties, for a contribution to improvements to the city's Queen Victoria St gateway, and for additional costs for utilisation of metal halide street lighting instead of mercury vapour.
 - d) Agree that the 2006/07 Budget makes allowance for loan and other underground power commitments for that financial year.
2. *That underground power charges be recovered from property owners in areas A, B and C via service charges to be levied under Section 6.38 of the Local Government Act 1995.*
3. *That charges be levied under (2) above in 2006/2007, be included in the draft 2006/2007 budget.*

CARRIED: 9/1

For	Against
Mayor, Peter Tagliaferri Cr John Dowson Cr Alice King Cr Shirley Mackay Cr Brad Pettitt Cr Bob Smith Cr Jon Strachan Cr Doug Thompson Cr Bob Williams	Cr Geoff Graham

CLOSURE OF MEETING

THE MAYOR, P TAGLIAFERRI DECLARED THE MEETING CLOSED AT 7.22 PM.