

# Moloney Asset Management Systems

## MAMS



Report Following the Survey of  
Road Assets  
for Cootamundra Gundagai RC

Undertaken in Jun-20

Report produced by Moloney Asset Management Systems  
exclusively for Cootamundra Gundagai RC

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## Amendments to Final Report

22-July-2020      Amended the Sealed Rd Pavement valuations to include Base and Sub Base values

# Table of Contents:

<b>1.1</b>	<b>Major Findings .....</b>	<b>5</b>
1.1.2	Other Important findings .....	6
<b>2.0</b>	<b>REPORT SUMMARY - CONDITION FINDINGS .....</b>	<b>7</b>
<b>2.1</b>	<b>Overall condition at Sub Asset level .....</b>	<b>7</b>
2.1.2	Condition Findings for road sub assets .....	7
<b>2.2</b>	<b>Standardised Full Road Network Condition Findings .....</b>	<b>7</b>
<b>3.0</b>	<b>REPORT SUMMARY - FINANCIAL FINDINGS.....</b>	<b>9</b>
<b>3.1</b>	<b>Summary of recommended future funding strategy .....</b>	<b>11</b>
	<b>SECTION 4: SEALED ROAD PAVEMENT SUB ASSETS.....</b>	<b>12</b>
<b>4.1</b>	<b>Condition and Performance of Sealed Road Pavements - Internal Benchmarking.....</b>	<b>12</b>
4.1.1	Weighted Average Asset Condition - "WAAC" .....	12
4.1.2	Percentage of Urgent Failures.....	12
4.1.3	Percentage of Other Failures .....	12
4.1.4	Average Roughness .....	12
4.1.5	Average Profile .....	12
4.1.6	Extent of Poor Condition Assets above a given Condition.....	12
4.1.8	Summary - Internal Benchmarking.....	14
4.1.9	External condition Benchmarking.....	14
<b>4.2</b>	<b>Sealed Road Pavement Financial Modelling Analysis .....</b>	<b>15</b>
4.2.1	Sealed Road Pavement – Selection of Retreatment Intervention Level.....	15
4.2.2	Sealed Road Pavement Financial Modeling .....	16
<b>4.3</b>	<b>Sealed Road Pavement Summary .....</b>	<b>18</b>
	<b>SECTION 5: SEALED SURFACE SUB ASSETS.....</b>	<b>19</b>
<b>5.1</b>	<b>Condition and Performance of Sealed Surfaces .....</b>	<b>19</b>
5.1.1	Internal Benchmarking of asset condition .....	19
5.1.3	Summary - Internal Benchmarking.....	20
5.1.4	External condition Benchmarking.....	20
<b>5.2</b>	<b>Sealed Surface Financial Modelling Analysis .....</b>	<b>21</b>
5.2.1	Sealed Surface – Selection of Retreatment Intervention Level .....	21
5.2.2	Sealed Surfaces – Financial Modeling Results.....	22
<b>5.3</b>	<b>Sealed Surface Summary .....</b>	<b>25</b>
	<b>SECTION 6: UNSEALED ROAD PAVEMENT SUB - ASSETS .....</b>	<b>26</b>
<b>6.1</b>	<b>Condition and Performance of Unsealed Pavements.....</b>	<b>26</b>
6.1.1	Internal Benchmarking of asset condition .....	26
6.1.3	Summary - Internal Benchmarking.....	27
6.1.4	External condition Benchmarking.....	27
<b>6.2</b>	<b>Unsealed Pavement Financial Modelling Analysis .....</b>	<b>28</b>
6.2.1	Unsealed Pavement – Selection of Retreatment Intervention Level.....	28
6.2.2	Unsealed Pavements – Financial Modeling Results.....	29
<b>5.3</b>	<b>Unsealed Pavement Summary .....</b>	<b>32</b>

<b>SECTION 7: KERB SUB ASSETS .....</b>	<b>33</b>
<b>7.1 Condition and Performance of Kerb assets .....</b>	<b>33</b>
7.1.2 Summary - Internal Benchmarking.....	34
7.1.3 External condition Benchmarking.....	34
<b>7.2 Kerb Financial Modelling Analysis .....</b>	<b>34</b>
7.2.1 Kerb Assets – Selection of Retreatment Intervention Level.....	35
7.2.2 Kerb Assets – Financial Modeling Results.....	36
<b>7.3 Kerb Summary .....</b>	<b>38</b>
 <b>SECTION 8: FOOTPATH SUB ASSETS.....</b>	 <b>39</b>
<b>8.1 Condition and Performance of Footpath assets .....</b>	<b>39</b>
8.1.2 Summary - Internal Benchmarking.....	40
8.1.3 External condition Benchmarking.....	40
<b>8.2 Footpath Financial Modelling Analysis.....</b>	<b>40</b>
8.2.1 Footpath Assets – Selection of Retreatment Intervention Level .....	41
8.2.2 Footpath Assets – Financial Modeling Results .....	42
<b>8.3 Footpath Summary .....</b>	<b>44</b>
 <b>SECTION 9: AGGREGATED MODELLING RESULTS FOR THE ROAD NETWORK</b>	 <b>45</b>
.....	45
<b>9.1 Overall Financial Reporting.....</b>	<b>45</b>
 <b>APPENDIX A: ASSET VALUATIONS .....</b>	 <b>49</b>
<b>A.1 Estimated Asset Valuations .....</b>	<b>49</b>
 <b>APPENDIX B: ASSET DEGRADATION – PERFORMANCE CURVES .....</b>	 <b>50</b>
<b>B.1 Degradation Curves as developed by MAMS .....</b>	<b>50</b>
B.1.1 Sealed Road Pavement - Degradation Curves.....	51
B.1.2 Sealed Surface - Degradation Curves .....	51
B.1.3 Unsealed Pavement - Degradation Curves .....	52
B.1.4 Kerb - Degradation Curves .....	52
B.1.5 Footpath - Degradation Curves.....	53
<b>B.2 Benefit of Unique Degradation Curves .....</b>	<b>53</b>
 <b>APPENDIX C - THE MOLONEY FINANCIAL MODEL.....</b>	 <b>54</b>
<b>C.1 The basis of the model.....</b>	<b>54</b>
C.1.1 More detail on the operation of the Financial Model .....	54
<b>C.2 Source and Status of the Modelling Inputs .....</b>	<b>55</b>
C.2.1 Asset Unit Renewal Rates.....	55
C.2.2 Modelling Projections .....	55
 <b>APPENDIX D SETTING THE EXTENT OF OVER INTERVENTION ASSETS AND</b>	 <b>THE FUNDING SCENARIO FINDER.....</b>
 <b>56</b>	
<b>D.1 Definitions .....</b>	<b>56</b>
D.1.1 Intervention Level - Level of Service .....	56
D.1.2 The Extent of Over Intervention Assets (OIA's).....	56

D .1.3	Annual Liability.....	56
<b>D .2</b>	<b>Setting the Extent of Over Intervention Assets (OIA's).....</b>	<b>56</b>
<b>D .3</b>	<b>Standardised descriptors for the level of over Intervention Assets OIA's.....</b>	<b>57</b>
D 3.1	Standardized extent of OIA's .....	58
<b>D .4</b>	<b>The Moloney funding scenario finder and it's inputs .....</b>	<b>58</b>
D.4.1	Desired extent of over intervention assets .....	58
D.4.2	Year ahead to achieve the condition outcome .....	59
D.4.3	Annual compounding increase in renewal expenditure.....	59
D.4.4	The funding scenario finder operation.....	59
<b>APPENDIX E:</b>	<b>ROAD MAKE UP AND THE ROAD SUB ASSETS.....</b>	<b>60</b>
<b>E.1</b>	<b>The Road Sub Asset components .....</b>	<b>60</b>
E.1.1	The Sealed Surface Sub Asset Set - Red .....	60
E.1.2	The Sealed Road Pavement Sub Asset Set - Grey .....	60
E.1.3	The Kerb Sub Asset Set - Black.....	61
E.1.4	The Unsealed Road Pavement Sub Asset Set - Grey .....	61
E.1.5	The Unsealed Pavement Sub Asset Set - Blue.....	61
<b>APPENDIX F:</b>	<b>WHAT THE CONDITION INSPECTION HAS DELIVERED.....</b>	<b>62</b>
<b>F.1</b>	<b>Segmentation and measurement of the road network .....</b>	<b>62</b>
<b>F.2</b>	<b>What has been delivered .....</b>	<b>62</b>
F.2.1	Capital works programs.....	62
F.2.2	Asset valuations .....	62
F.2.3	Prediction of future financial renewal demand .....	62
F.2.4	Performance benchmarking .....	62
<b>APPENDIX G</b>	<b>GLOSSARY OF TERMS AND DEFINITIONS.....</b>	<b>64</b>

# 1.0 Report Summary - Major Findings

*This report provides a summary of the major findings coming out of the condition survey of Cootamundra Gundagai RC's road assets undertaken by Moloney Asset Management Systems (MAMS) in Jun-2020*

## 1.1 Major Findings

1. *The road assets within Cootamundra Gundagai RC were found to be in "Good" overall condition when benchmarked against all 70 councils assessed by Moloney Asset Management Systems (MAMS). This condition rating being based upon the extent of Over Intervention Assets (OIA's) present (the extent of poor condition Assets).*
2. *Your extent of over intervention assets (OIA's) is rated at "Excellent" when we apply the standardised intervention levels to your situation. It changes to "Good" when we apply your slightly lower intervention levels (you have a slightly higher than average level of service).*
3. *There was a strong overall condition improvement found with the sealed road pavement, unsealed road pavement and sealed surface asset groups combined with a strong reduction in the extent of poor condition assets and isolated pavement failures since our last survey in 2016.*
4. *The kerb assets were both found to be in poor overall condition and had generally declined in condition since our last survey*
5. *The footpath assets were found to be in good overall condition but do have above average levels of poor condition assets.*
6. *The total present renewal shortfall or backlog of over intervention assets (OIA's) for the whole roads group is estimated at \$9,890,140 representing 3.18% of the total road asset valuation. This equates to 194% of one full year's annual liability for the renewal of the assets and as such is considered to be within the "Good" Condition range (see Appendix D - Figure D 1 for details).*
7. *Council is currently funding road network renewals at \$4,375,000 pa, while the consumption rate (Average annual liability) is estimated at \$5,735,286 pa. Hence, the assets are currently being consumed at around \$1,360,286\$4,095,000 pa. This is in no way meant as a criticism, as the present condition of the assets dictates that renewal demand has not yet reached the estimated level of the full annual liability (annual consumption).*
8. *The current total renewal funding level of \$4,375,000 pa for all road and bridge assets is considered to be very close to an appropriate total level. Modelling indicates that the total planned spend within the roads area is at an appropriate level, but that an additional \$113,000 pa is recommended for the bridge assets.*
9. *It is recommended that total renewal funding for the combined road and bridge asset classes be set at a level of \$4,488,000 pa next year and continue at that level subject to CPI increases for the next 10 years.*
10. *The recommended funding level should be considered as an average figure over the next 10 years. It may vary year to year depending on project size and council priorities. It may also vary between the sub asset classes year to year.*
11. *The recommended funding strategy in 9 above is predicted to deliver a slightly lower level of "OIA's" (see Appendix H for definition) after 10 years than presently exists.*
12. *The recommended funding strategy is just one available option. With all data now within the Moloney model, different funding scenarios can be examined quite easily. Council is encouraged to use the model to deliver a funding strategy that best meets their needs.*
13. *All financial reporting within this document is based in today's values with no allowance for any CPI movement. The Moloney software has the capacity to adjust all outputs for an adopted annual CPI increase at the touch of a button. But it is felt that reporting with CPI included can present some difficult to interpret results.*
14. *Council has done a good job in managing it's road assets over the last 4 - 5 years since our last survey and more particularly over at least the last 2 decades to have the assets in good overall condition.*

15. *It is recommended that council review it's asset service lives for accounting purposes in light of the degradation curve analysis undertaken as part of this condition survey and report.*
16. *We have included the overall valuation and recommended renewal funding levels for the bridge and major culvert assets within this report but have not included any further details. There is a separate detailed Bridge report that has this information.*

### **1.1.2 Other Important findings**

1. *Unique degradation curves have been produced based on actual condition change between two surveys undertaken in 2016 and 2020. This has greatly enhanced the financial modelling results within this report.*
2. *Key performance indicators have been developed at a sub asset level that accurately benchmark asset condition change since the last survey*
3. *The same key performance indicators have been used to benchmark Cootamundra Gundagai RC against all 70 councils assessed by MAMS.*

## 2.0 Report Summary - Condition Findings

### 2.1 Overall condition at Sub Asset level

This section provides a summary of the condition findings at road sub asset level for each of the sub assets that were inspected.

#### 2.1.2 Condition Findings for road sub assets

Sub Asset Description	Indicator 1 - Overall Condition		Ind. 2 - Ext of poor Cond Assets		Indicator 3 - Ext of Isolated Failures	
	Present Overall Condition Descriptor	Change since last survey	Extent of Poor Cond Assets	Change since last survey	Extent of Isolated Failures	Change since last survey
<b>Sealed Rd Pavements</b>	Good	Strong Condition Improvement	Better than Average	Very Strong Improvement	Higher than Average	Very Strong Improvement
<b>Sealed Surfaces</b>	Good	Strong Condition Improvement	Close to the Average level	Very Strong Improvement	Not Applicable	Not Applicable
<b>Unsealed Rd Pavements</b>	Excellent	Strong Condition Improvement	Very Low	Very Strong Improvement	Very Low	Very Strong Improvement
<b>Kerbs</b>	Poor	Small Condition Decline	Very High	Strong Improvement	Very High	Very High Increase
<b>Footpaths</b>	Good	Small Condition Decline	Above Average	Strong Improvement	Not Assessed	Not Assessed

Figure 2.1 Summary of sub asset condition findings

Figure 2.1 provides a summary of the overall condition findings for each of the sub asset classes that were inspected. There are three indicators that are examined. Each has a descriptor in the first column that ranks you against all 69 councils assessed by MAMS. The second column for each indicator provides a description of how your condition has changed since our last survey.

1. **Overall Condition** - Derived by benchmarking your weighted average asset condition against that of all 69 councils inspected by MAMS.
2. **Extent of poor condition Assets** - This is the extent of the asset base, near or above the recommended industry intervention level and again measures your performance against all 69 councils assessed.
3. **Extent of Isolated Failures** - For all sub assets other than sealed surfaces we record the extent of any isolated asset failures. These can occur within otherwise good condition asset and your base ranking is delivered by comparing your results to those of the full 69 councils assessed.

*Most sub assets were found to be in good overall condition with the exception of the kerb that were poor and the unsealed road pavements that were excellent.*

## 2.2 Standardised Full Road Network Condition Findings

This section will look at the condition and performance of the whole road network. It can be difficult to report on the performance of the whole road network when dealing with sub assets that have quite different life cycles, unit renewal rates and intervention levels between different councils. We have developed a single reporting indicator that is independent of asset life, the adopted intervention level and unit renewal rates.

The total level of the Over Intervention Assets (OIA's) within a road network provides a very strong indicator of overall condition performance. The best measure of the level of OIA's is considered to be the extent of the OIA's expressed as the number of years value of the average annual liability (similar to annual depreciation in accounting terms). See Appendix D for a detailed explanation. But in brief the backlog of OIA's expressed in this way provides a really solid condition benchmark that is independent of asset service life and unit renewal rates.

There is one other variable that needs to be standardised and that is the intervention level. If Council "A" has a high level of service (low intervention level) and Council "B" has a low level of service (High intervention level). Then for the same absolute extent of poor condition assets, Council B will report a lower level of OIA's than Council A. To avoid these problems we have adopted a standardised set of typical industry standard intervention levels that we apply to all councils when reporting within Figure 2.2 below.



Cootamundra Gundagai RC has lower than average intervention levels (higher level of service) for some asset classes and hence the results within figure 2.2 below will be better than those based on your own intervention levels and as reported within Figure D 2 within appendix D.

### Standardised Levels of Over Intervention Assets

Present extent of OIA's expressed in three ways			Your overall road asset condition based in the extent of OIA's	
Current % of OIA's expresses in years worth of average annual liability	Your present value of OIA's in \$	Your OIA's as a % of your total asset base valuation	Moloney standardised condition description	Additional comments on sandardised condition descriptor
96%	\$4,538,584	1.46%	Excellent	Very low level of over intervention assets

Figure 2.2 Standardised levels of Over Intervention Assets

Figure 2.2 summarises the present level of OIA's for the full road network in terms of the number of year's worth of annual liability that it represents. The present figure of 96% of one full years annual liability, equates to a Moloney standardised condition description of "Excellent". See Appendix D, Figure D 1 for details of the standardised descriptors.

The standardised intervention levels have delivered a better overall outcome for Cootamundra Gundagai. This is because the adopted level of service (intervention levels) are set to deliver a better overall outcome than would be delivered with the standardized intervention levels for the pavement assets (both sealed and unsealed).

### 3.0 Report Summary - Financial Findings

The Moloney financial modelling software was used to deliver the following three reports for each of the sub asset sets and to then combine the results into a whole of roads group single report.

1. Prediction of renewal demand to treat all over intervention assets - Column E within Figure 3.1 (and series 5 graphs in sub asset sections). Note that the figure in column E has been averaged over the first 5 years to better reflect how the model is structured.
2. Prediction of future asset condition based on the continuation of the planned renewal expenditure level (series 6 graphs in sub asset sections)
3. Delivery of a recommended funding profile - Column G (series 7 graphs in sub asset sections). Note that within Column G the recommended funding strategy can include in some cases a recommended annual compounding increase in funding (see column heading).

The individual modelling results for the above three reports can be found within each of the sub asset sections 5 - 9 below. Figure 3.1 provides an overall financial summary in a table rather than graphical form.

	A	B	C	D	E	F	G	H	I
Sub Asset Description	Present Annual Expenditure on Upgrades and New Assets	Average Planned renewal expenditure next 5 Years	Average Annual Liability (Based upon modelling lives and valuations)	Annual Depreciation based on Accounting valuations and lives	Average Capital Renewal Demand for next 5-years to eliminate all over intervention assets	Year of Condition Inspection	Recommended Commencing Year 1 funding level with a 0.0% annual compounding increase for 10	Planned renewal expenditure (Column B) as a % of the Annual Liability	Recommended Funding level (Column G) as a % of the Annual Liability Rate
Sealed Pavements	\$0	\$1,330,000	\$1,988,765	\$856,021	\$2,090,000	2020	\$1,745,000	67%	88%
Sealed Surfaces	\$0	\$1,850,000	\$1,260,766	\$1,655,489	\$1,550,000	2020	\$1,250,000	147%	99%
Unsealed Pavements	\$0	\$640,000	\$1,353,998	\$1,078,615	\$725,000	2020	\$555,000	47%	41%
Kerbs	\$0	\$235,000	\$380,846	\$410,669	\$794,000	2020	\$510,000	62%	134%
Footpaths	\$0	\$40,000	\$118,346	\$103,229	\$43,000	2020	\$35,000	34%	30%
Bridges and MC's	\$0	\$280,000	\$632,564	\$572,192	\$743,000	2020	\$393,000	44%	62%
<b>Totals</b>	<b>\$0</b>	<b>\$4,375,000</b>	<b>\$5,735,286</b>	<b>\$4,676,216</b>	<b>\$5,945,000</b>		<b>\$4,488,000</b>	<b>86%</b>	<b>88%</b>
<b>C - B Estimated Annual Consumption Rate</b>		<b>\$1,360,286</b>							

Figure 3.1 Recommended and other funding profiles

Figure 3.1 contains a lot of information but it is a very important table that summarises the financial position relating to the road assets in a number of different ways.

A - This is the planned upgrade or new asset expenditure. You may or may not have this data, but it is often very important to consider and perhaps re-allocate some of this expenditure to the renewal program if you are under funding the renewals in Column B

B - The planned average renewal expenditure over the next 5 years. Note also that Column H provides your planned expenditure expressed as a percentage of the annual liability rate in Column C.

C - "Average annual liability" is the average annual renewal expenditure needed over the long term in order to maintain your asset base. The figure is similar to the accounting term "Annual Depreciation", but is calculated in a different way by directly linking it to the unit renewal rates and life cycles as used within the financial model. It can differ quite markedly from "Annual depreciation" because of the requirement for annual depreciation to comply with Australian and international accounting standards, which promote the delivery a tax deductible figure for "Annual depreciation", often with little regard to what your actual future annual liability is.

D - "Annual Depreciation" - This is similar to C above, but is designed to deliver a figure that a business can claim as a tax deduction rather than providing an estimate of your ongoing liability to maintain the capital value of your assets.

E - "Average capital renewal demand over the first 5 years". This figure comes from the Moloney "Predicted Capital Requirement" model. It is the estimated renewal expenditure necessary to eliminate all over intervention assets within five years. The average figure over the first 5 years is used because in some cases where early renew demand is high the model eases in the demand over a 5 year period. In

all cases if this average figure was allocated then the model predicts that all over intervention assets would be eliminated after 5 years.

F - This is a record of the year that the condition data was collected. It may vary between the asset sets if not all inspected at the same time.

G - The year one recommended commencing funding level. This comes from the Moloney funding scenario finder and mostly aims at a total commencing expenditure that is the same or close to your current expenditure in column B. Note that within the title row there may be an annual compounding future percentage increase that is used to bring down the year one expenditure to more closely match your current total expenditure.

If the current renewal funding level is very low there may be a recommendation to lift the year one spend to a level above the planned total spend in column B. This would be done to avoid excessively high annual compounding percentage increases.

*For Cootamundra Gundagai it was found that the total planned renewal expenditure of \$4,375,000 pa needed to be raised a little to \$4,488,000 pa to achieve the desired future condition outcome. The rise of \$113,000 pa was all associated with the bridges and major culvert assets. The planned total level of renewal expenditure on the road assets is considered to be at an appropriate total level.*

H + I - Two useful comparisons figures relating to the percentage of the annual liability rate being met by the planned renewal expenditure in Column B and the recommended in column G.

Figure 3.2 contains the three input criteria for each of the five possible road sub assets that are the subject of this report. The Moloney "Funding Scenario Finder" was used to deliver the recommended funding strategy as contained within Column G of Figure 3.1 above. A detailed explanation of the "Funding Scenario Finder" can be found within Appendix D below.

*The recommended funding strategy is to raise total renewal expenditure up to \$4,488,000 pa for the next 10 years combined with annual CPI increases (if applicable). Note that the recommended future funding strategy has also optimised the funding split between the road sub asset sets to achieve the best overall condition outcome for the whole roads group.*

Road Sub Asset Set Description	Criteria 1. Extent of OIA's		Criteria 2.	Criteria 3	Annual Compounding increase in renewal expenditure expressed in \$
	Desired extent of Over intervention assets as a % of one Years Annual Liability	Desired Over Intervention Assets as a % of total asset base	Years to achieve Desired Condition outcome	Annual % of Compounding funding increase (if required)	
Sealed Rd Pavements	93%	0.91%	10	0%	\$0
Sealed Surfaces	93%	3.49%	10	0%	\$0
Unsealed Rd Pavements	93%	3.78%	10	0%	\$0
Kerbs	93%	1.06%	10	0%	\$0
Footpaths	93%	1.69%	10	0%	\$0
Bridges	You are referred to the Bridge Report for these details				
All Assets	93%	1.53%	10	0%	\$0

Figure 3.2 Funding scenario finder modelling criteria for road sub assets

Figure 3.2 contains the details of the three input criteria for the Moloney funding scenario finder which was used to deliver the recommended funding strategy as reported within column G of Figure 3.1 above.

*The extent of over intervention assets (OIA's) was set at 93% of the level of one year's annual liability after 10 years for all assets. Your current level being 194% so we have asked for a small overall condition improvement. It was found that this could be achieved by maintaining the planned total renewal expenditure level in real terms (for the road assets).*

**Scenario Finder Results**

Desired extent of OIA's expressed in 3 ways			Commencing year one renewal expenditure requirement (from scenario finder)	Moloney Descriptor for the - Desired Condition outcome of the road network	
As a % of one years average annual liability	As its replacement value in \$	As a % of the total asset base valuation		Standardised Moloney condition description	Additional Comments on condition descriptor
93.00%	\$5,333,816	2.94%	\$4,488,000	Excellent	Very low level of over intervention assets

Figure 3.3 Projected condition outcome from recommended funding strategy

Figure 3.3 provides a summary of the Moloney funding scenario finder results for the whole roads group. The individual sub asset inputs are as detailed within Figure 3.2 while Figure 3.3 shows the overall results for the whole roads group.

*The overall desired condition outcome for the whole roads group as set within the scenario finder is to deliver 93% of one years total annual liability as the extent of over intervention assets after 10 years (See Appendix D Figure D 1 for details of the Moloney standardised descriptors as well as further details relating to the scenario finder operation).*

*Note that in our last report we set the level of OIA's after 10 years at 85% on one years annual liability. If renewal expenditure since then had included an allowance for CPT increases then we would have come close to setting the same aim of 85% rather than the small increase to 93%. However, anything under 100% of one years annual liability is considered to be within the "Excellent" condition category.*

### 3.1 Summary of recommended future funding strategy

The Moloney financial modelling "Funding Scenario finder" was used to deliver the following results:

- All assets will be delivered within "Excellent" Overall condition after 10 years
- The commencing annual renewal expenditure requirement is \$4,488,000 pa (same as present total level of renewal funding) for the next 10 years with CPI adjustments.
- No annual compounding increase in renewal funding was required (other than CPI adjustments)
- All figures are in today's values but can be adjusted for CPI within the model if required.

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## Section 4: Sealed Road Pavement Sub Assets

This section deals with the Sealed Road Pavement Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

### 4.1 Condition and Performance of Sealed Road Pavements - Internal Benchmarking

MAMS have developed a series of eight key condition indicators that can be applied to all road sub asset sets. They are used to measure condition movement between the two most recent field surveys as well as providing external benchmarking against other council districts assessed by MAMS on the same basis.

The same key condition indicators are used for all road sub asset sets. However for some assets certain indicators are not applicable and as such are omitted. Detailed below is a brief explanation of the eight key condition indicators. The explanation here is also applicable to their use with other road sub asset sets beyond the sealed road pavements.

#### 4.1.1 Weighted Average Asset Condition - "WAAC"

The weighted average asset condition is a single condition indicator that represents the condition of the whole asset set in one single figure. It is derived by weighting the raw asset condition scale 0 - 10 for the extent of the assets within each condition rating and so provides a basic single figure summary of the overall condition of the asset set. It is a very useful figure as a condition movement indicator.

#### 4.1.2 Percentage of Urgent Failures

The percentage of urgent failures is a measure of the isolated failures identified during the survey as needing immediate repair. The figure is expressed as a percentage of the total asset group quantity.

#### 4.1.3 Percentage of Other Failures

The percentage of other failures represents those isolated failures which, while present on the ground, do not require urgent attention. The figure is expressed as a percentage of the total asset group quantity.

#### 4.1.4 Average Roughness

Average roughness only relates to pavement assets. For sealed road pavements, it is a key capital condition indicator of longitudinal pavement shape, while for unsealed pavements it is a key maintenance indicator. It is based on a 0 – 10 scale with 0 being perfect and 10 un-driveable.

#### 4.1.5 Average Profile

Average pavement profile is similar to the roughness rating and can be seen as the pavement cross sectional shape indicator. Profile is all about the efficient shedding of water from the road pavement. Profile 0 would have enough slope to shed water easily, while profile 10 would retain vast amounts of water within the road pavement.

#### 4.1.6 Extent of Poor Condition Assets above a given Condition

The percentage of the asset base at and above a given condition rating is an excellent way of expressing the extent of poor condition assets present. This figure is expressed as a percentage of the total asset base and is reported at several different condition levels from condition 5 to 8 depending upon the asset set in question. For example sealed road pavements at and above condition 7 would represent the extent of the asset base that would be likely to require rehabilitation over the next 1 – 10 years.

Note that it is not the extent of the asset base within a given condition rating, but rather the extent at and above that condition rating.

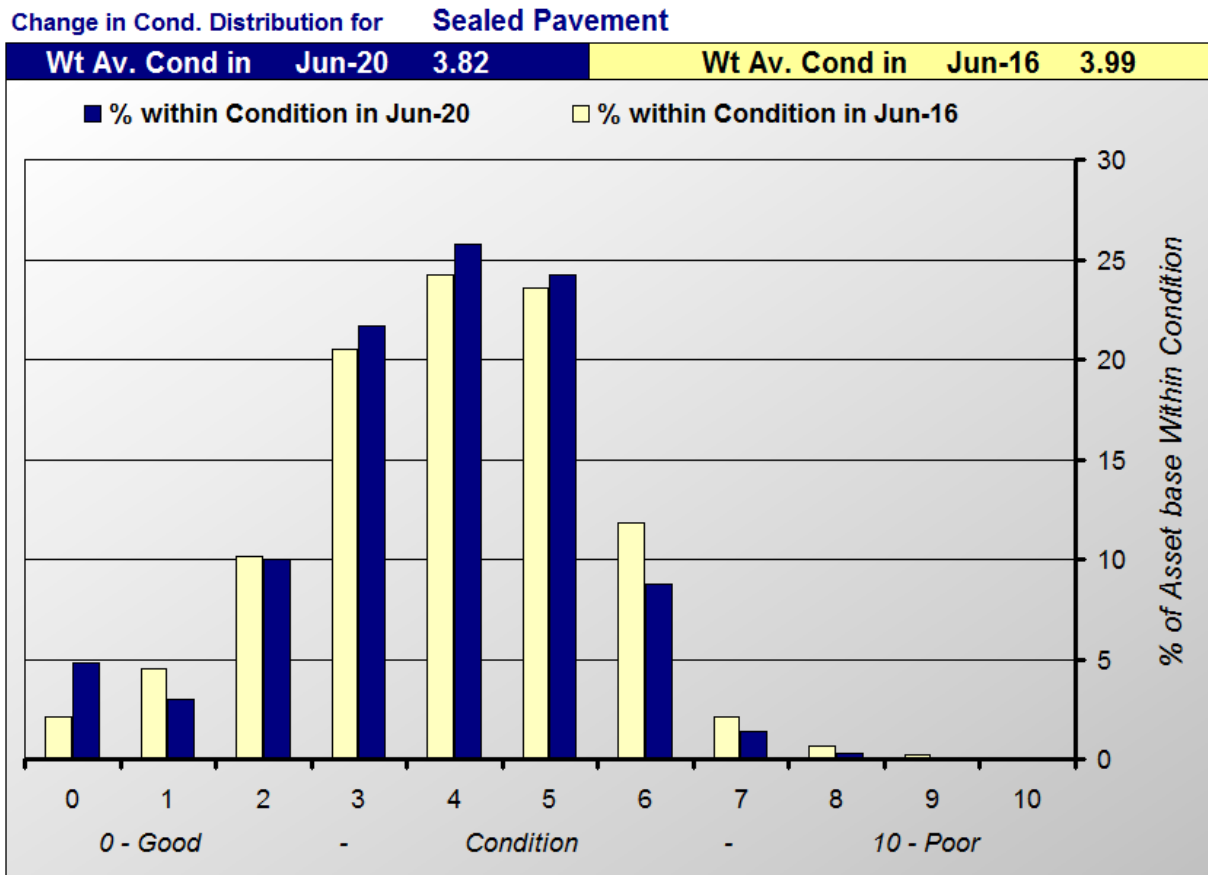


Figure P1 Condition Distribution Comparison Graph – Between Surveys

Key Cond. Indic. No.	Sealed Pavement Condition Indicator	Figures from Last Survey in Jun-16	Figures from Current Survey in Jun-20	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	3.99	3.82	0.17	2.19%	Better
2	% of Urgent Failures	0.67	0.25	0.42	63.0%	Better
3	% of Other Failures	2.02	1.46	0.56	27.7%	Better
4	Average Pavement Roughness	3.64	3.59	0.05	1.3%	Better
5	Average Pavement Profile	3.25	3.15	0.09	2.9%	Better
6	% of Asset Base above Condition 6	14.89	10.50	4.39	29.5%	Better
7	% of Asset Base above Condition 7	3.09	1.76	1.33	42.9%	Better
8	% of Asset Base above Condition 8	0.99	0.35	0.64	64.5%	Better
<b>Renewal Demand Being Met For:</b>		% of Annual Liability expenditure Planned in Future years		% of Annual Liability expenditure Since the time of the last survey		
<b>Sealed Rd Pavement Asset Group</b>		<b>67%</b>		<b>67%</b>		

Figure P2 Table of Key Condition Indicator Change since the last Survey

The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure P1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure P2 contains the eight key condition indicators and also shows how they have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

*Figures P1 and P2 demonstrate that asset condition has improved quite dramatically across all eight of the key performance indicators. This is really an exceptional outcome given that the level of renewal expenditure since the time of our last survey was at 67% of the estimated level of annual liability (or the estimated asset consumption rate). This adds further evidence to the findings of longer asset service lives within appendix B than council is currently using for its accounting lives.*

#### 4.1.8 Summary - Internal Benchmarking

*Cootamundra Gundagai has experienced a strong overall condition improvement since 2016. This is in line with the asset lives developed within appendix B of 160 years to condition 10 for urban and 120 years for rural sealed road pavements*

#### 4.1.9 External condition Benchmarking

Figure P3 provides external benchmarking based on the same key performance indicators as used internally in figure P2. The total number of councils assessed by MAMS on exactly the same basis is 70 for this sub asset class. The graph then displays the number of councils ranked better and worse than Cootamundra Gundagai RC for each of the eight performance indicators. The dark green bars represent the number of councils that Cootamundra Gundagai RC is ranked better than, while the light green is the number that Cootamundra Gundagai is ranked worse than.

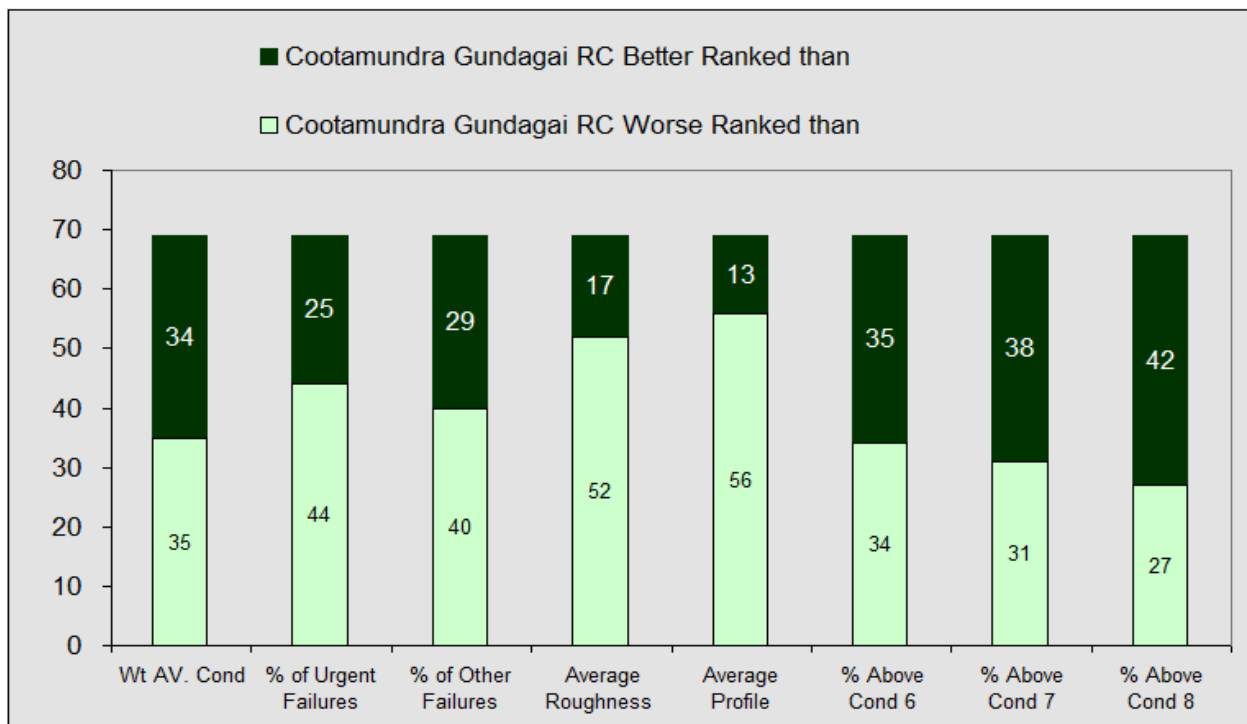


Figure P3 Key Condition Indicators as Compared with other Councils surveyed

*The comparison with all 70 councils assessed in Figure P3 indicates a set of good condition assets. The road pavements are quite old but still rank reasonably well for all eight performance indicators. The most impressive indicators are the two relating to the extent of poor condition assets at and above conditions 7 and 8. These are your best rankings and indicate that council is targeting their renewal activities exceptionally well.*

*In summary the external benchmarking indicates that the sealed road pavements assets are holding up well given their age profile and as such would be expected to have service lives of around 90 years in the rural area and 110 in the urban.*







## 4.2 Sealed Road Pavement Financial Modelling Analysis

The Sealed road pavement assets will be modelled in like performing data sets with the results aggregated into one presentation for the whole sub asset group

### 4.2.1 Sealed Road Pavement – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact on the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to a low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various sealed road pavement condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of an acceptable retreatment intervention level.

	
<p>Condition 0 – 1 No Failures no shape loss</p>	<p>Condition 6 Moderate failures and shape loss</p>
	
<p>Condition 7 Ext shape loss and failures</p>	<p>Condition 8 – 9 Bad shape loss and ext failures</p>

It is very difficult to cover pavement condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Pavements can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.



4.2.2 Sealed Road Pavement Financial Modeling

Modelling Parameter	All Regional Rd Pavements	Urban High Traffic	Urban Low Traffic	Rural High Traffic	Rural Low Traffic	Totals
Asset Quantity in sqm	963,357	469,019	867,749	2,449,781	891,468	5,641,374
Unit Renewal Rate	\$35.27	\$40.00	\$39.94	\$35.00	\$34.59	
Total Asset Group Renewal Cost	\$33,973,291	\$18,760,752	\$34,655,362	\$85,742,328	\$30,832,938	\$203,964,670
Annual Renewal Exp.	\$250,000	\$30,000	\$100,000	\$800,000	\$150,000	\$1,330,000
Retreat. Intervention Condition	7.0	7.0	7.0	7.0	7.5	
Life to Condition 10 in Years	110.0	130.0	130.0	110.0	120.0	
Life in years to Intervention	95.4	118.2	118.2	95.4	109.1	

Figure P4 – Summary of Modelling Input Parameters for sealed road pavement assets

Sealed road pavement modelling has been undertaken within five data sets as detailed in P4 above.

Retreatment intervention levels have been set at what are considered to be slightly lower levels than the general industry standard (high level of service). But they do reflect what council is currently delivering.

Life cycles have been raised since our last report to better reflect the results of degradation curve analysis undertaken within appendix B. This is further reinforced by the general condition improvement as shown within figure P2 and P2-A while the renewal expenditure is at only 67% of the total level of the annual liability.

While for valuation purposes the sealed road pavement asset class has been valued as two separate components of Base layer (the upper layer) and Sub Base Layer (The lower layer that often remains in place when the base layer is renewed). It is impossible to condition rate the Sub Base layer with a visual inspection. So for modelling purposes we have worked on a single pavement layer for reconstruction with the renewal rate reflecting the fact that the Sub Base layer will only be renewed every second or third times that the base layer is renewed.

The total sub asset group has been broken down into several individual data sets in order to refine the modelling result based on the most appropriate intervention levels and life cycles for each.

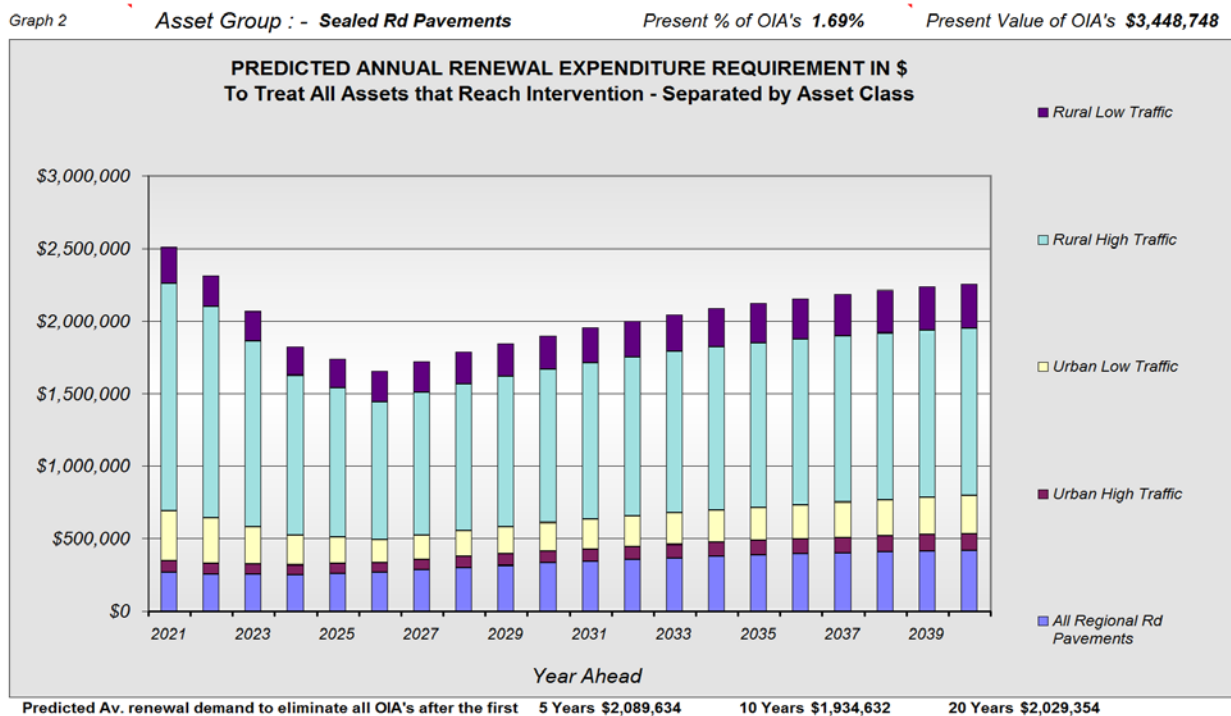


Figure P5 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

Figure P5 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at \$2,090,000 pa. If this expenditure is maintained all OIA's will be eliminated within 5 years.

Figure P5 indicates that the capital renewal demand pattern to treat all assets that are predicted to reach the retreatment intervention level has an average demand figure of \$2,090,000 pa over the first 5-years. The peak demand over the next 20 years being \$2,255,000 pa by the year 2040.

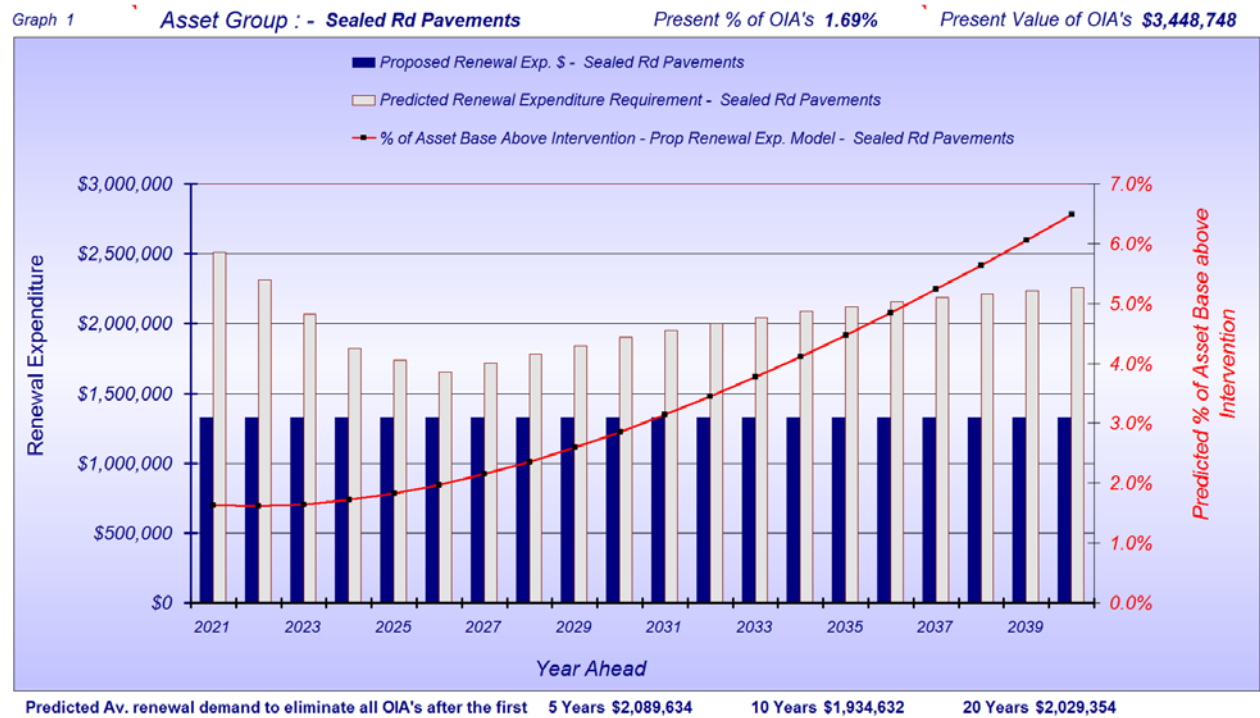


Figure P6 Future Predicted Condition Based on adoption of planned expenditure profile

Figure P6 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure P5 but not split into the individual modelling sets).

Figure P6 indicates that the planned renewal expenditure of \$1,330,000 pa will result in a growing extent of OIA's over the next 10 years rising from the present level of 1.69% up to 2.85%.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset classes on a needs basis, to deliver the best overall condition outcome for the whole road network.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements. The three input criteria adopted for the sealed road pavement assets are as detailed within figure P7 below with the results of the funding scenario finder operation contained within figure P8.

Road Sub Asset Set Description	Criteria 1. Extent of OIA's		Criteria 2. Years to achieve Desired Condition outcome	Criteria 3 Annual % of Compounding funding increase (if required)
	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation		
Sealed Rd Pavements	93%	0.91%	10	0.00%

Figure P7 Modelling scenario finder inputs - Sealed Pavement Assets

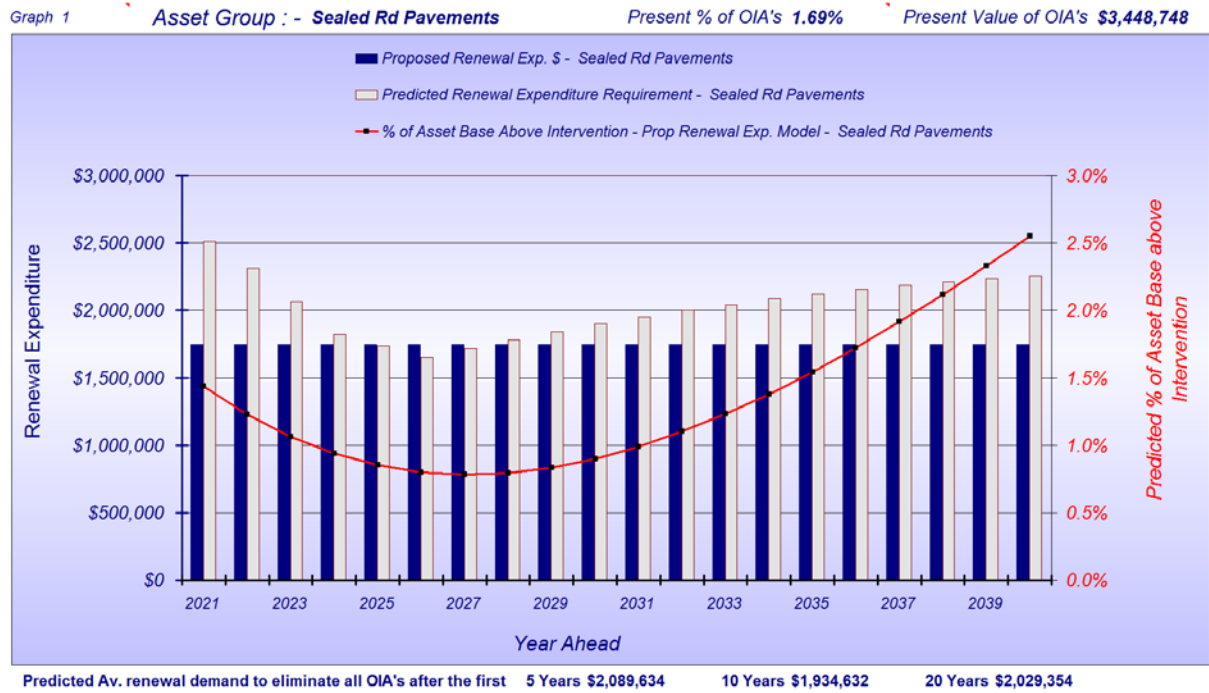


Figure P8 Recommended Renewal funding Strategy

For the Sealed Road Pavements we have set the level of over intervention assets (OIA's) at 93% of one year's annual liability after 10 years. This equates to 0.91% of the network, the current level being 1.69%. We have set the desired extent of OIA's around the top of the "Excellent" condition Range (See Appendix D Figure D 1 for details relating to this classification range).

The recommended renewal expenditure level over the next 5 - 10 years is a flat \$1,745,000 pa subject to CPI increases. This is predicted to deliver the desired condition outcome as detailed within Figure P7. The level of OIA's is predicted to drop from the current level of 194% of one years annual liability down to 93% which is ranked towards the top of the "Excellent" condition range. The recommended annual funding strategy should be seen as an average figure over the longer term. It may vary year to year depending upon council priorities.

### 4.3 Sealed Road Pavement Summary

The sealed road pavement assets were found to be in good overall condition with better than average levels of poor condition assets but a slightly elevated level of isolated pavement failures. There had been a very strong condition improvement across all performance indicators since our last survey in 2016.

The recommended renewal expenditure level over the next 5 years is a flat \$1,745,000 pa subject to CPI increases. The funding situation should be reviewed again following the next condition survey.

## Section 5: Sealed Surface Sub Assets

This section will deal with the Sealed Surface Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

### 5.1 Condition and Performance of Sealed Surfaces

The same eight common key performance indicators are used for all road sub assets. An explanation for each is available within sections 4.1 to 4.1.6 above rather than duplicating those details here. Five of the eight condition indicators that were appropriate to the sealed surface assets are detailed here.

#### 5.1.1 Internal Benchmarking of asset condition

This section will deal with your internal condition performance firstly in a detailed way since the last condition survey in 2016 and then over the longer term covering all MAMS inspections of the assets.

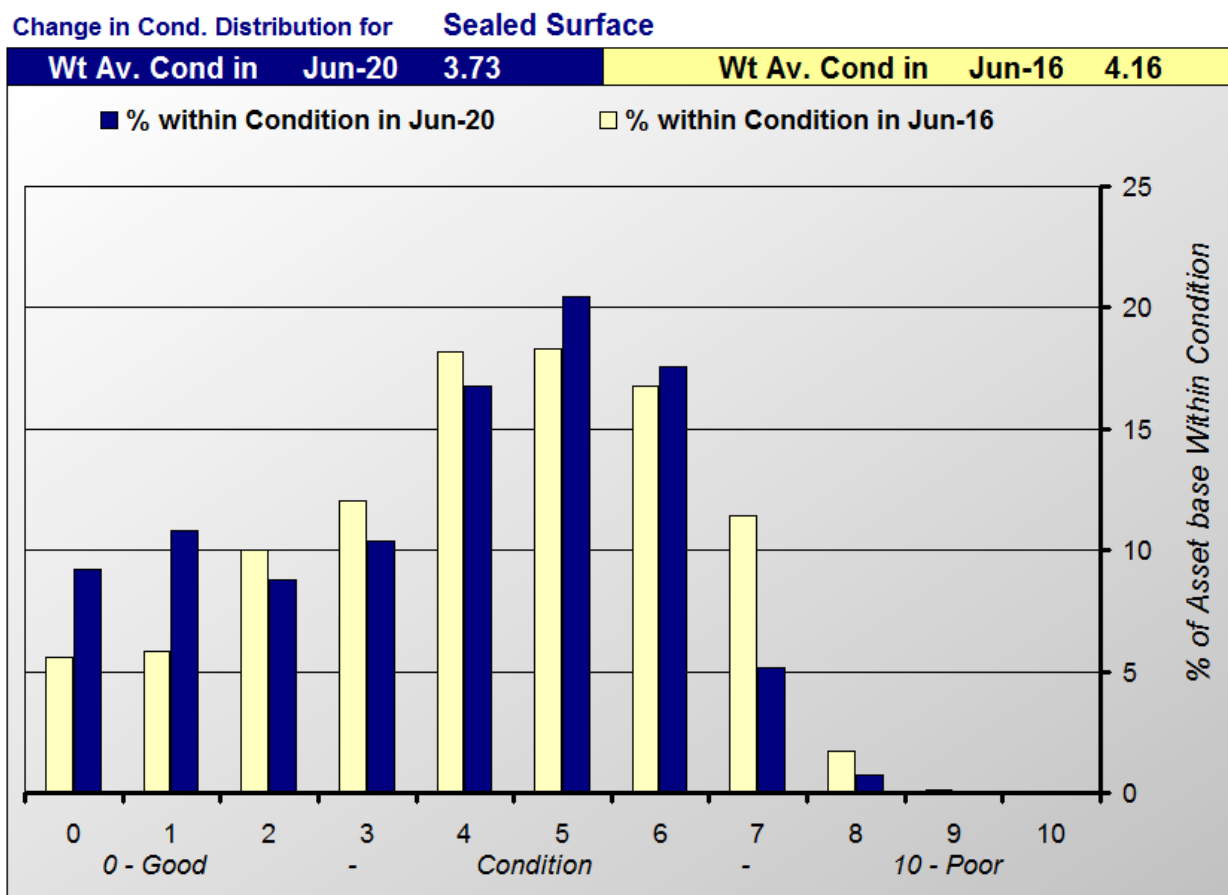


Figure S1 Condition Distribution Comparison Graph – Between Surveys all Sealed Surfaces

Key Cond. Indic. No.	Sealed Surface Condition Indicator	Figures from Last Survey in Jun-16	Figures from Current Survey in Jun-20	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	4.16	3.73	0.434	6.2%	Better
2	% of Asset Base above Condition 5	48.34	43.96	4.373	9.0%	Better
3	% of Asset Base above Condition 6	30.02	23.53	6.481	21.6%	Better
4	% of Asset Base above Condition 7	13.24	5.97	7.270	54.9%	Better
5	% of Asset Base above Condition 8	1.82	0.81	1.008	55.5%	Better
<b>Renewal Demand Being Met For:</b>		% of Annual Liability expenditure Planned in Future years		% of Annual Liability expenditure Since the time of the last survey		
<b>Sealed Surface Asset Group</b>		<b>147%</b>		<b>147%</b>		

Figure S2 Condition Change since last survey &amp; Renewal demand being met

The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure S1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure S2 contains five of the eight possible key performance indicators that relate to this asset class. See section 4.2 above for a detailed explanation of each indicator. Figure S2 also shows how the indicators have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

*Figure S2 indicates that overall condition (weighted average asset condition) has improved by 6.2% since 2016. The extent of poor condition assets at and above condition 8 has improved by 55.5% , along with those at and above condition 7 experiencing an improvement of 54.9%. This is considered to be an outstanding outcome and is on the back of renewal expenditure levels since 2016 at 147% of the estimated consumption rate.*

### 5.1.3 Summary - Internal Benchmarking

*Both the extent of very poor condition assets at and above conditions 7 - 8 as well as the weighted average asset condition have improved markedly since our last survey in 2016.*

### 5.1.4 External condition Benchmarking

Figure S3 provides external benchmarking based on the same key performance indicators as used internally in figure S2. The total number of councils assessed by MAMS on exactly the same basis is 70 for this sub asset class. The graph then displays the number of councils ranked better and worse than Cootamundra Gundagai RC for each of the five performance indicators. The dark green bars represent the number of councils that Cootamundra Gundagai RC is ranked better than, while the light green is the number that Cootamundra Gundagai is ranked worse than.

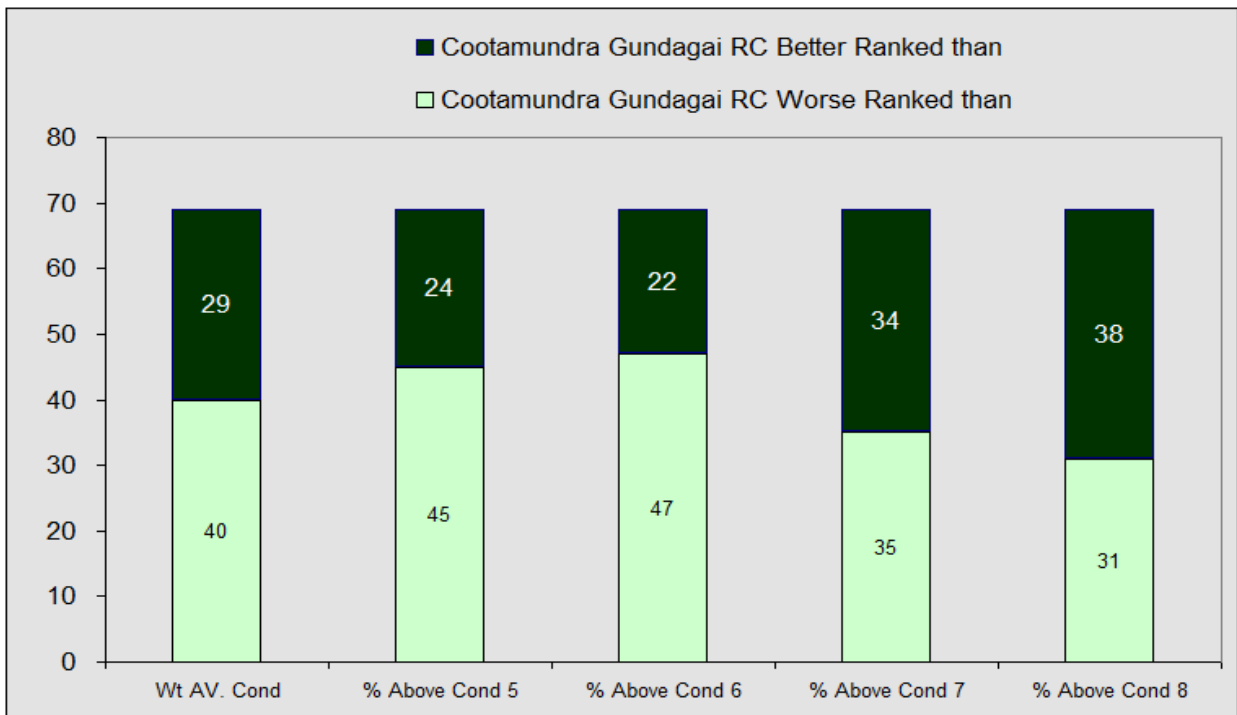


Figure S3 Key Condition Indicators as Compared with other Councils surveyed

Figure S3 indicates that for Cootamundra Gundagai the weighted average asset condition is a little below the average of all councils assessed. But it has moved from a position of being better than only 10 other councils in 2016 to now better than 29. Targeting of the reseal program has been very good with the extent of condition 8 and above assets well within the better half of the 70 councils assessed.

The very strong funding effort on these assets since 2016 has had a big impact on their overall condition and has lifted council far closer to where they need to be in order to maximise the sealed road pavement lives.

## 5.2 Sealed Surface Financial Modelling Analysis





The Sealed surface assets will be modelled in like performing data sets with the results aggregated into one presentation for the whole sub asset group

### 5.2.1 Sealed Surface – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact on the predicted future renewal demand. The intervention level can be seen as the level of service for the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various sealed surface condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of an acceptable retreatment intervention level.



	
Condition 0 – 1 Seal in excellent near new condition	Condition 5 Cracking but seal not too oxidized
	
Condition 6.5 - 7 Oxidized and stripping	Condition 8 Fully Oxidized and falling apart

It is very difficult to cover sealed surface condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Sealed surfaces can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

### 5.2.2 Sealed Surfaces – Financial Modeling Results

Modelling Parameter	All Asphalt Surfaces	Sealed Urban Rd Spray Seals	Sealed Rural Rd Spray Seals	Regional Rd Spray Seals	Totals
Asset Quantity in sqm	60,756	1,159,934	2,918,531	877,988	4,956,453
Unit Renewal Rate	\$22.37	\$6.51	\$6.50	\$6.50	
Total Asset Group Renewal Cost	\$1,359,223	\$7,547,010	\$18,970,448	\$5,706,919	\$32,224,377
Annual Renewal Exp.	\$60,000	\$350,000	\$1,110,000	\$330,000	\$1,790,000
Retreat. Intervention Condition	7.0	7.0	7.0	7.0	
Life to Condition 10 in Years	40.0	30.0	30.0	30.0	
Life in years to Intervention	34.0	26.4	26.4	26.4	

Figure S4 – Summary of Modelling Input Parameters for Sealed Surface Assets

The sealed surfaces will be modelled within four like performing data sets as detailed within Figure S4 above. Retreatment intervention levels have been set at what are considered to be the industry standard values. Service lives have been extended out to better reflect the lives coming out of our degradation

curve analysis. We have extended the service lives quite measurably and it could be said that they are at the optimistic end of the expected range. However, the degradation curve analysis supports these longer lives but they should be reviewed again following the next condition survey.

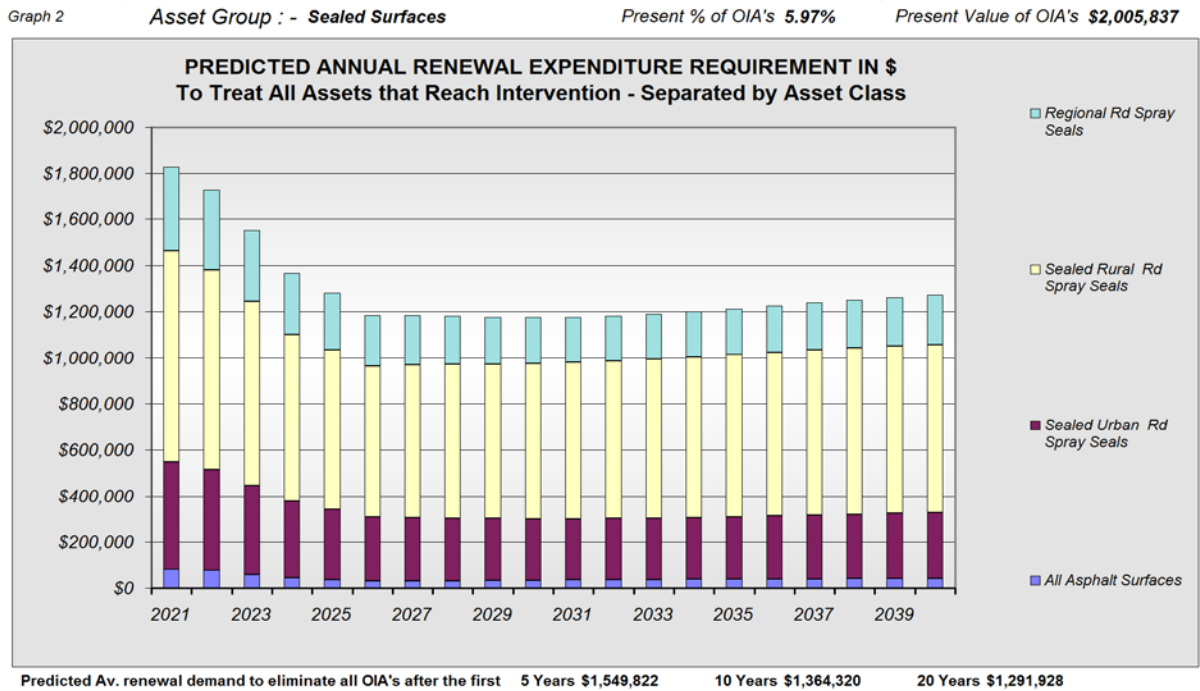


Figure S5 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

Figure S5 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at \$1,550,000 pa. If this expenditure is maintained all OIA's will be eliminated within 5 years.

Figure S5 indicates that the capital renewal demand to treat all assets that are predicted to reach the retreatment intervention level over the next 20 years has an average figure for the first 5 years of \$1,549,822 pa which also represents the peak demand over the next 20 years

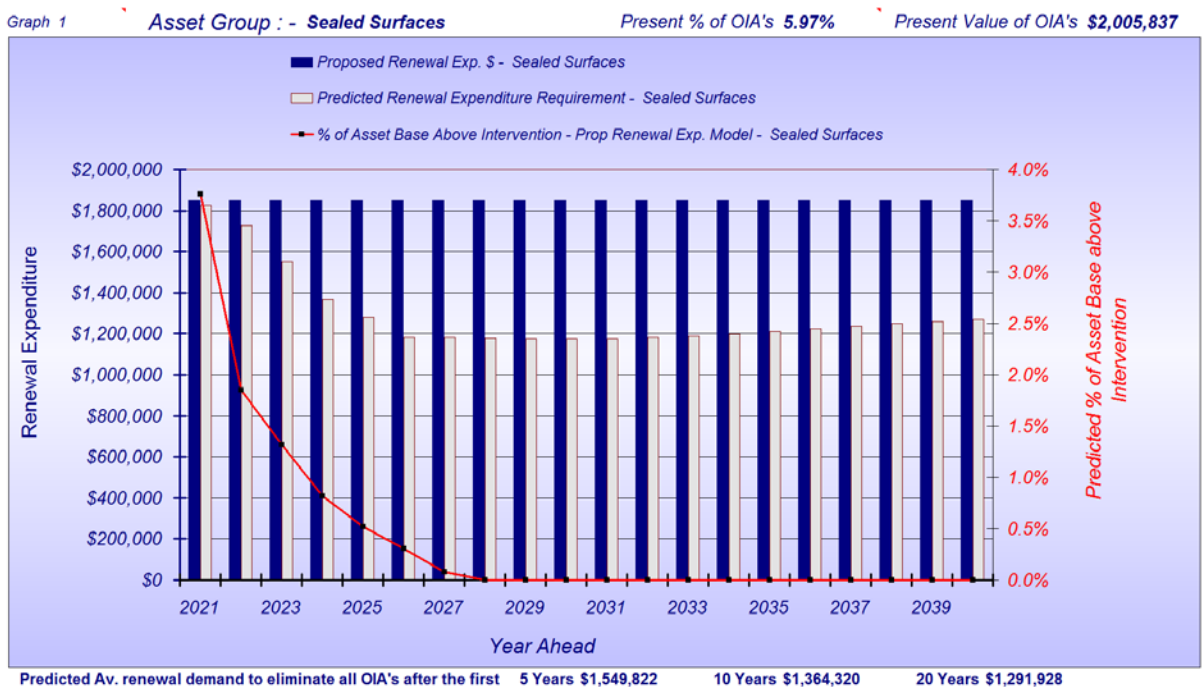


Figure S6 Future Predicted Condition Based on planned expenditure profile



Figure S6 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure S5 but not split into the individual modelling sets).

The planned renewal expenditure profile in figure S6 is a flat \$1,850,000 pa. The extent of over intervention assets is currently at 5.97% which equates to around 1.6 year of annual liability and as such is towards the better end of the "Good" range as per Appendix D. The planned expenditure is predicted to result in a zero level of OIA's within 8 years.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset groups to deliver the best overall condition outcome for all road assets.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements. The three input criteria adopted for the sealed surface assets are as detailed within figure S7 below with the results of the funding scenario finder operation contained within figure S8.

Road Sub Asset Set Description	Criteria 1. Extent of OIA's		Criteria 2. Years to achieve Desired Condition outcome	Criteria 3 Annual % of Compounding funding increase (if required)
	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation		
Sealed Surfaces	93%	3.49%	10	0.00%

Figure S7 Modelling scenario finder inputs - Sealed Surface Assets

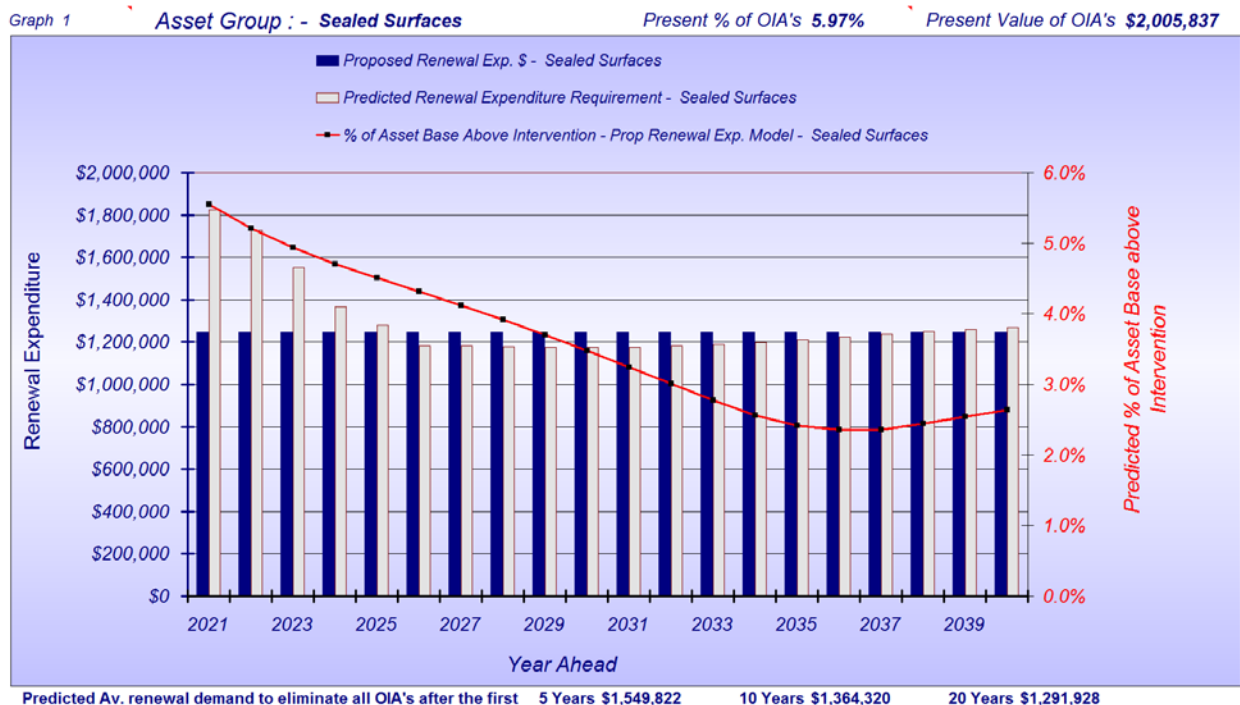


Figure S8 Recommended Renewal funding Strategy

For the sealed surfaces we have set the level of over intervention assets at 93% of the level of one year's annual liability, which equates to 3.49% of the network. The current level being 5.97%. We have set the desired extent of over intervention assets towards the end of the "Excellent" Range (See Appendix D Figure D 1 for details relating to this classification range).

*The model predicts that a flat renewal expenditure of \$1,250,000 pa will deliver the desired outcome as outlined within figure S7.*

### 5.3 Sealed Surface Summary

*The sealed surface assets were found to be in good overall condition and had experienced a very strong condition improvement since our last survey in 2016.*

*It is recommended that an average annual renewal expenditure of \$1,250,000 pa be allocated to this asset class with allowance for an annual CPI increase. Funding should be reviewed again following the next condition survey.*

*We have set the asset service lives within the model at the very optimistic end of the range for the sealed surfaces and it could be argued that the recent pattern of higher renewal expenditure should be maintained for a few more years yet. We would have no issue with this, particularly given the probability of considerable external funding for the sealed road pavement assets. Thus, some or all of the recommended increased funding within that area could well be redirected to the sealed surfaces.*

## Section 6: Unsealed Road Pavement Sub - Assets

This section will deal with the unsealed road Pavement Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

### 6.1 Condition and Performance of Unsealed Pavements

The same eight common key performance indicators are used for all road sub assets. An explanation for each is available within sections 4.1 to 4.1.6 above rather than duplicating those details here. Five of the eight condition indicators that were appropriate to the Unsealed Pavement assets are detailed here.

#### 6.1.1 Internal Benchmarking of asset condition

This section will deal with your internal condition performance firstly in a detailed way since the last condition survey in 2016 and then over the longer term covering all MAMS inspections of the assets.

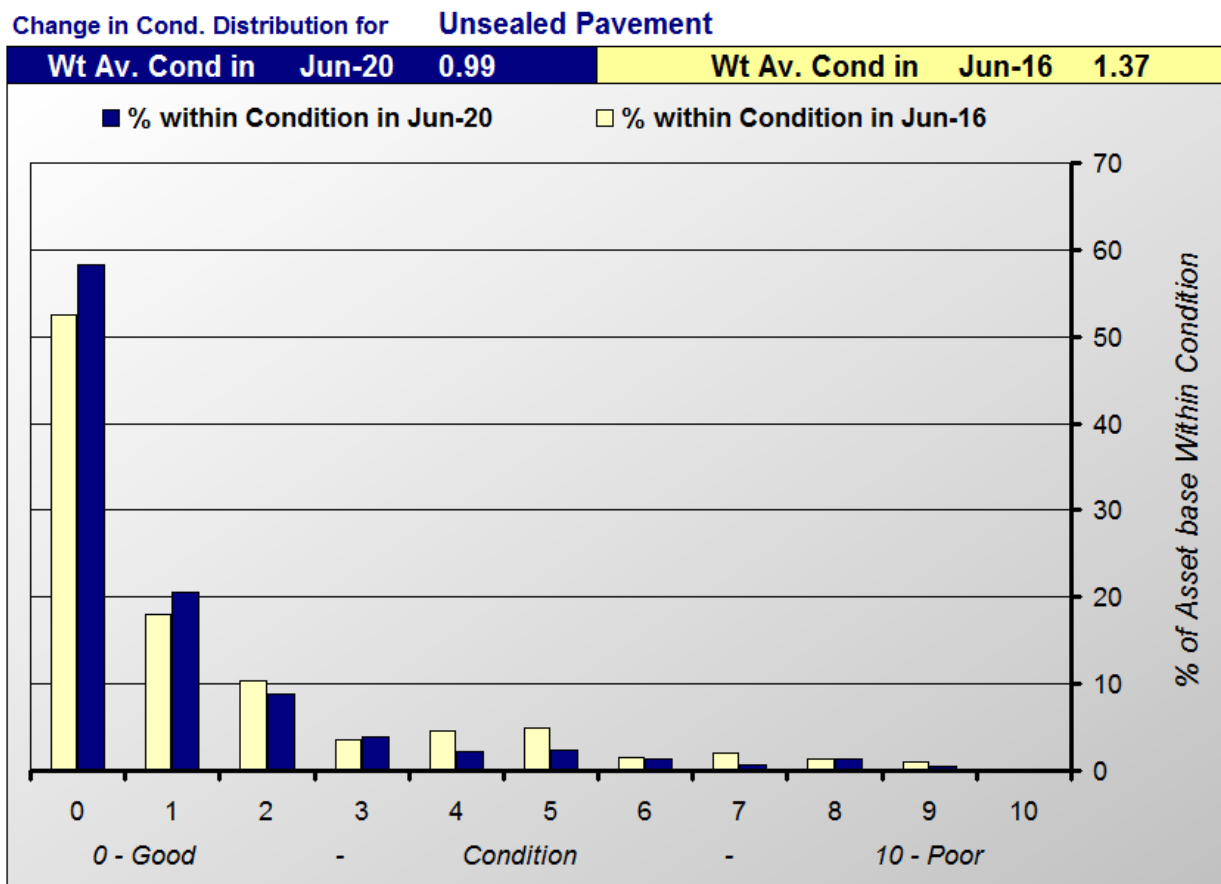


Figure U1 Condition Distribution Comparison Graph – Between Surveys all Unsealed Pavements

Key Cond. Indic. No.	Unsealed Pavement Condition Indicator	Figures from Last Survey in Jun-16	Figures from Current Survey in Jun-20	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	1.37	0.99	0.379	5.4%	Better
2	% of Pavement Failures	2.07	1.12	0.955	46.0%	Better
3	Average Pavement Roughness	3.95	3.79	0.151	3.8%	Better
4	Average Pavement Profile	3.36	2.95	0.407	12.1%	Better
5	Average Pavement Depth in mm	99	99	Same	0.0%	Same
6	% of Asset Base above Condition 6	5.99	3.83	2.158	36.0%	Better
7	% of Asset Base above Condition 7	4.50	2.54	1.965	43.6%	Better
8	% of Asset Base above Condition 8	2.46	1.90	0.558	22.7%	Better
<b>Renewal Demand Being Met For:</b>		% of Annual Liability expenditure Planned in Future years		% of Annual Liability expenditure Since the time of the last survey		
<b>UnSealed Rd Pavement Asset Group</b>		<b>47.3%</b>		<b>47.3%</b>		

Figure U2 Condition Change since last survey &amp; Renewal demand being met

The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure U1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure U2 contains five of the eight possible key performance indicators that relate to this asset class. See section 4.2 above for a detailed explanation of each indicator. Figure U2 also shows how the indicators have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

*Figure U2 indicates that overall condition (weighted average asset condition) has improved by 5.4% since 2016. Both the extent of poor condition assets as well as isolated pavement failures have also experienced a strong improvement. This is considered to be a sound outcome given that renewal expenditure since 2016 was at only 47% of the estimated consumption rate. This suggests that asset service lives will be towards the upper end of the industry range as supported by findings within the degradation curve analysis.*

### 6.1.3 Summary - Internal Benchmarking

*Cootamundra Gundagai has experienced a very strong condition improvement with its Unsealed Pavements since our last survey in 2016. The best measure of overall performance is considered to be the average depth of imported pavement material. This has remained constant at 99 mm since 2016 indicating that with renewal expenditure at only 47% of the consumption rate (the rate of pavement loss) has been matched by the placement of new pavement material over that same time frame.*

### 6.1.4 External condition Benchmarking

Figure U3 provides external benchmarking based on the same key performance indicators as used internally in figure U2. The total number of councils assessed by MAMS on exactly the same basis is 70 for this sub asset class. The graph then displays the number of councils ranked better and worse than Cootamundra Gundagai RC for each of the five performance indicators. The dark green bars represent the number of councils that Cootamundra Gundagai RC is ranked better than, while the light green is the number that Cootamundra Gundagai is ranked worse than.

**Cootamundra Gundagai RC Unsealed Pavement Assets**

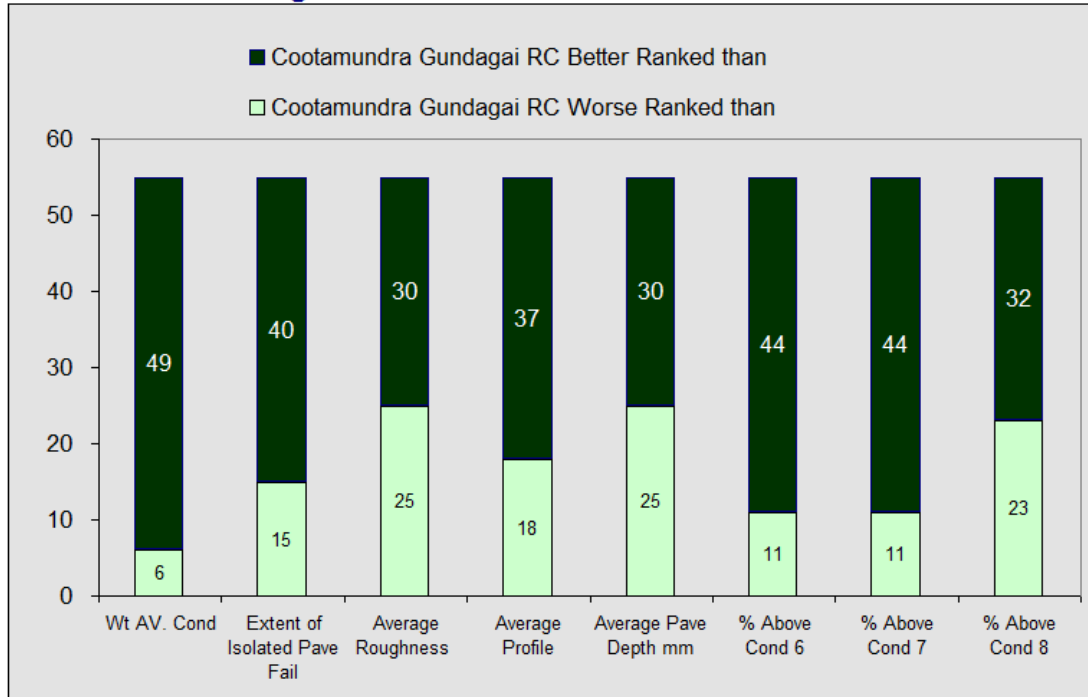


Figure U3 Key Condition Indicators as Compared with other Councils surveyed

The results here for Cootamundra Gundagai are excellent. The weighted average asset condition still remains within the best 12% of the councils assessed with all other indicators returning sound values.

## 6.2 Unsealed Pavement Financial Modelling Analysis

The Unsealed Pavement assets will be modelled in like performing data sets with the results aggregated into one presentation for the whole sub asset group

### 6.2.1 Unsealed Pavement – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact on the predicted future renewal demand. The intervention level can be seen as the level of service for the asset set. High intervention level equates to low level of service while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various Unsealed Pavement condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of an acceptable retreatment intervention level.

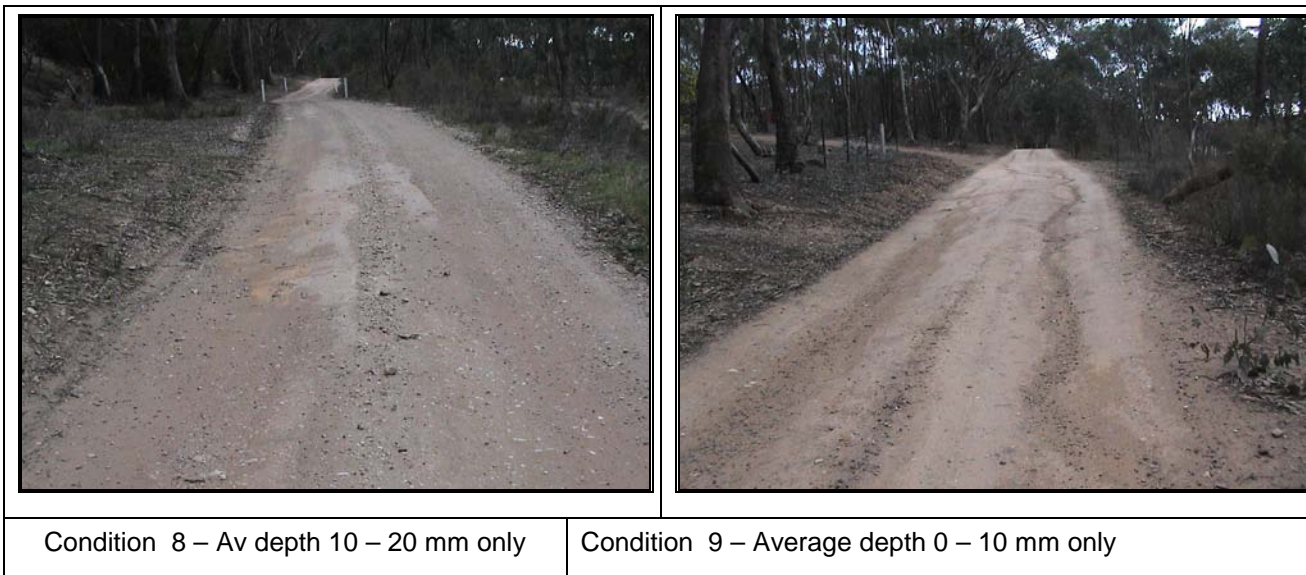


Condition 0 – 1 Average Depth 150 mm



Condition 7 – Average depth 20 – 30 mm only





It is very difficult to cover Unsealed Pavement condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Unsealed Pavements can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

### 6.2.2 Unsealed Pavements – Financial Modeling Results

Modelling Parameter	Urban Unsealed Pavements	Rural Unsealed Pavements	Rural Paved Under maintenance only	Totals
Asset Quantity in sqm	30,029	2,152,064	273,286	2,455,379
Unit Renewal Rate	\$15.00	\$15.00	\$2.00	
Total Asset Group Renewal Cost	\$450,435	\$32,280,953	\$546,573	\$33,277,960
Annual Renewal Exp.	\$15,000	\$610,000	\$15,000	\$640,000
Retreat. Intervention Condition	5.0	5.0	6.0	
Life to Condition 10 in Years	35.0	30.0	30.0	
Life in years to Intervention	28.6	24.5	26.9	

Figure U4 – Summary of Modelling Input Parameters for Unsealed Pavement Assets

The Unsealed Pavements will be modelled within three like performing asset sets as detailed within Figure U4 above. Retreatment intervention levels have been set to reflect the excellent condition that the assets are presently in. Service lives have been lifted since our last report to better reflect the results coming out of the degradation curve analysis as well as the asset performance since 2016.

The class of (Paved under Maintenance) covers around 83 km of the network that council has determined will not be subject to full resheets on a regular basis. We have allowed a small amount of renewal on this asset class to cover any anomalies that may occur.

Graph 2 Asset Group : - UnSealed Pavements Present % of OIA's 6.13% Present Value of OIA's \$2,039,012

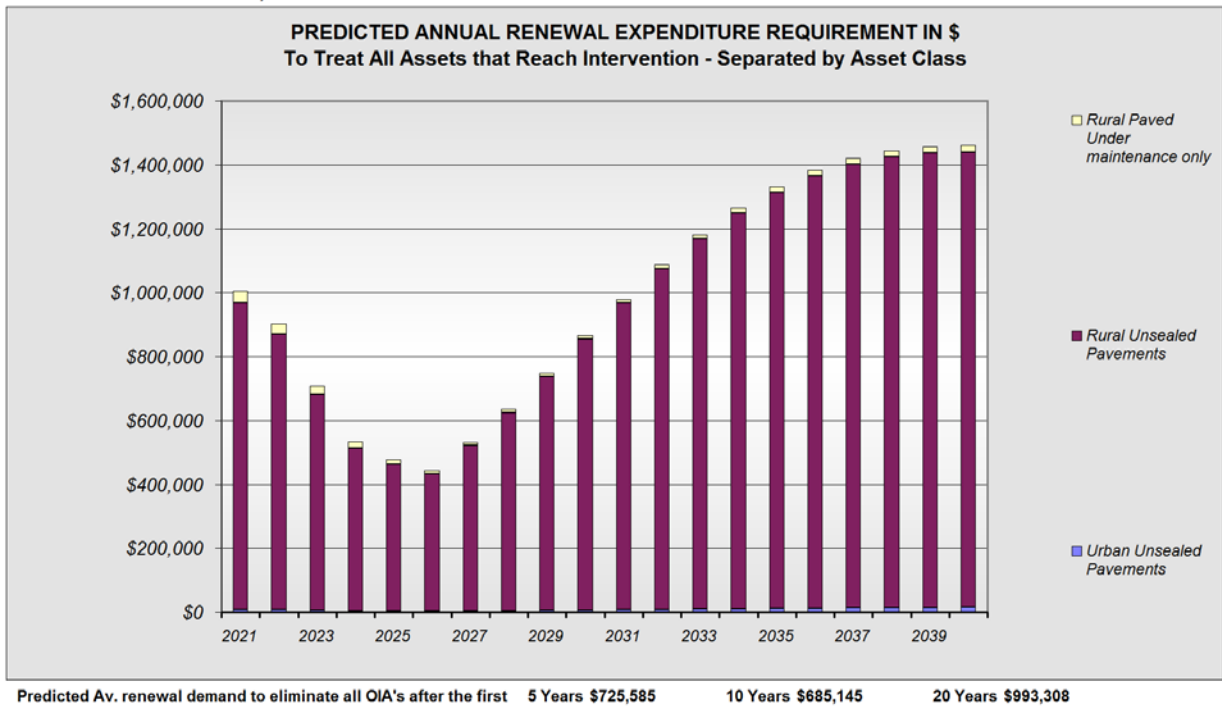


Figure U5 Predicted Renewal Demand to treat all assets that reach the Intervention level in future years

Figure U5 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at \$725,585 pa. If this expenditure is maintained all OIA's will be eliminated within 5 years.

Figure U5 indicates that the capital renewal demand to treat all assets that are predicted to reach the retreatment intervention level over the next 20 years has an average figure for the first 5 - years of \$725,585 pa. The peak demand over the next 20 years is predicted at \$1,460,000 in the year 2040.

Graph 1 Asset Group : - UnSealed Pavements Present % of OIA's 6.13% Present Value of OIA's \$2,039,012

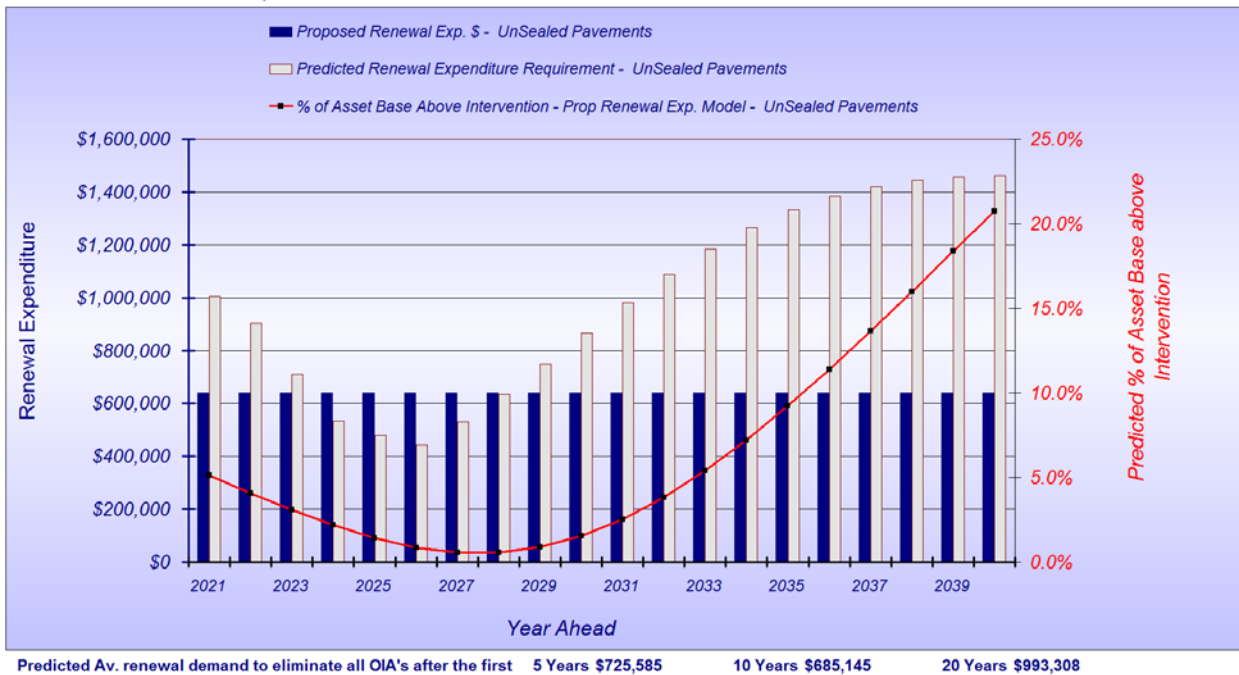


Figure U6 Future Predicted Condition Based on planned expenditure profile

Figure S6 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure S5 but not split into the individual modelling sets).

The planned renewal expenditure profile in figure S6 is a flat \$640,000 pa. The extent of over intervention assets is currently at 6.13%. The planned expenditure is predicted to result in a lowering in the extent of OIA's after 10 years down to 1.55%.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset groups to deliver the best overall condition outcome for all road assets.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements. The three input criteria adopted for the Unsealed Pavement assets are as detailed within figure S7 below with the results of the funding scenario finder operation contained within figure S8.

Road Sub Asset Set Description	Criteria 1. Extent of OIA's		Criteria 2. Years to achieve Desired Condition outcome	Criteria 3 Annual % of Compounding funding increase (if required)
	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation		
Unsealed Rd Pavements	93%	3.78%	10	0.00%

Figure U7 Modelling scenario finder inputs - Unsealed Pavement Assets

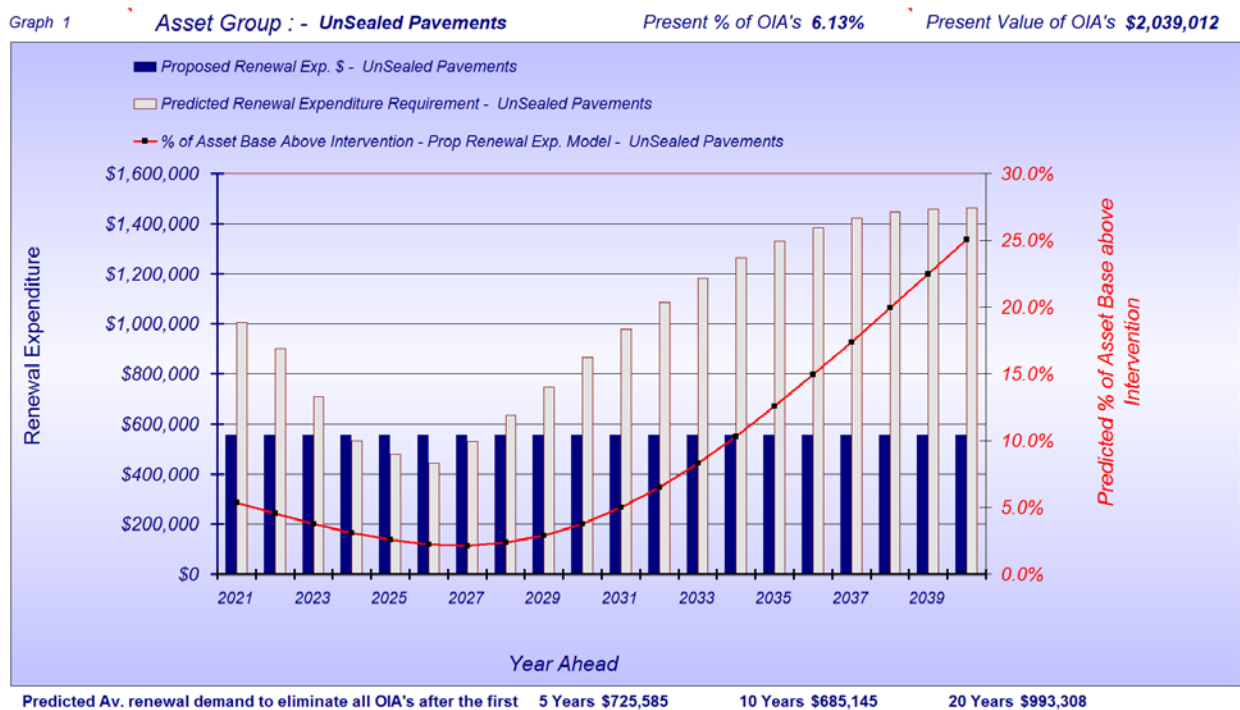


Figure U8 Recommended Renewal funding Strategy

For the Unsealed Pavements we have set the level of over intervention assets at 93% of one year's level of annual liability after 10 years, which equates to 3.78% of the network. The current level being 6.13% we have set the desired extent of over intervention assets around the end of the "Excellent" Range (See Appendix D Figure D 1 for details relating to this classification range).



*The model predicts that an average renewal expenditure of \$555,000 pa plus CPI increases (if applicable) over the next 10 years will deliver the required condition outcome as detailed within figure U7 above.*

*Our degradation curves also suggest far longer service lives than we have used within the model. Thus, while the recommended funding level is at \$555,000 pa, it may be that this could be reduced over the first decade. But, the model does predict a growing renewal demand within the second decade.*

### **5.3 Unsealed Pavement Summary**

*The Unsealed Pavement assets were found to be in excellent overall condition and had experienced a strong improvement across 7 of the 8 condition indicators since our last survey in 2016.*

*It is recommended that the average renewal funding level be set at \$555,000 pa for the next 5 - 10 years and that it be reviewed again following the next condition assessment.*

## Section 7: Kerb Sub Assets

This section will deal with the Kerb Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

### 7.1 Condition and Performance of Kerb assets

The same eight common key performance indicators are used for all road sub assets. An explanation for each is available within sections 4.1 to 4.1.6 above rather than duplicating those details here. Seven of the eight condition indicators that were appropriate to the kerb assets have been used here.

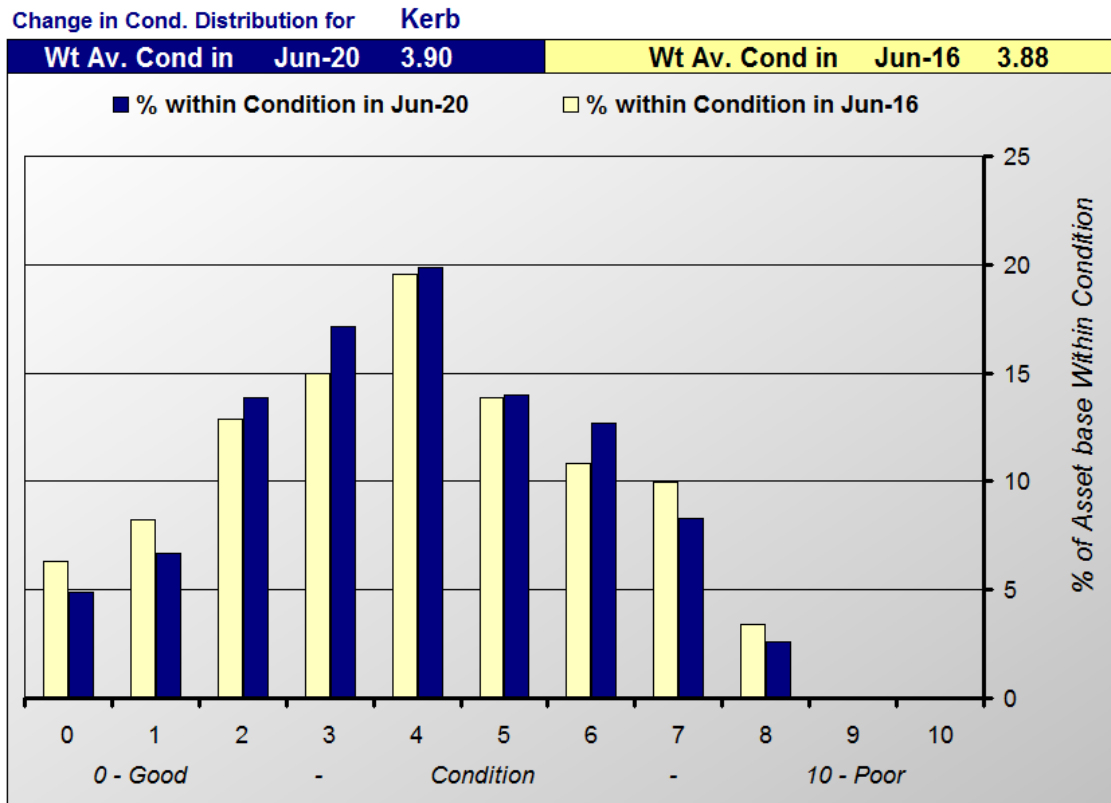


Figure K1 Condition Distribution Comparison Graph – Between Surveys

Key Cond. Indic. No.	Kerb Condition Indicator	Figures from Last Survey in Jun-16	Figures from Current Survey in Jun-20	Change between Surveys New Minus Old	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	3.884	3.902	-0.018	-0.23%	Worse
2	% of Urgent Failures	15.348	19.078	-3.730	-24.3%	Worse
3	% of Other Failures	17.405	20.903	-3.498	-20.1%	Worse
4	% of Asset Base above Condition 5	38.069	37.578	0.491	1.3%	Better
5	% of Asset Base above Condition 6	24.179	23.586	0.593	2.5%	Better
6	% of Asset Base above Condition 7	13.377	10.919	2.458	18.4%	Better
7	% of Asset Base above Condition 8	3.425	2.616	0.809	23.6%	Better
<b>Renewal Demand Being Met For:</b>		% of Annual Liability expenditure Planned in Future years		% of Annual Liability expenditure Since the time of the last survey		
<b>Kerb Asset Group</b>		<b>62%</b>		<b>62%</b>		

Figure K2 Condition Change since last survey & Renewal demand being met

The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure K1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure K2 contains seven of the eight key condition indicators that are appropriate to the kerb assets. It also shows how they have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

*The kerbs were found to be in poor overall condition. Weighted average asset condition had declined by -0.23% since 2016 and the extent of isolated kerb failures had increased quite dramatically. However the extent of very poor condition assets at and above conditions 7 and 8 had reduced quite measurably*

*We are not sure of the actual renewal expenditure since 2016 as the only indication we were given was that the total renewal expenditure was as per our recommendation coming out of the 2016 report of \$4,375,000 pa in total. But the allocation between the sub asset classes was not available to us.*

### 7.1.2 Summary - Internal Benchmarking

*Cootamundra Gundagai has experienced a modest overall condition decline with it's kerb assets since 2016 with the extent of isolated kerb failures having risen strongly. It is suspected that renewal expenditure has been at a lower level that the \$235,000 pa recommended in our last report.*

### 7.1.3 External condition Benchmarking

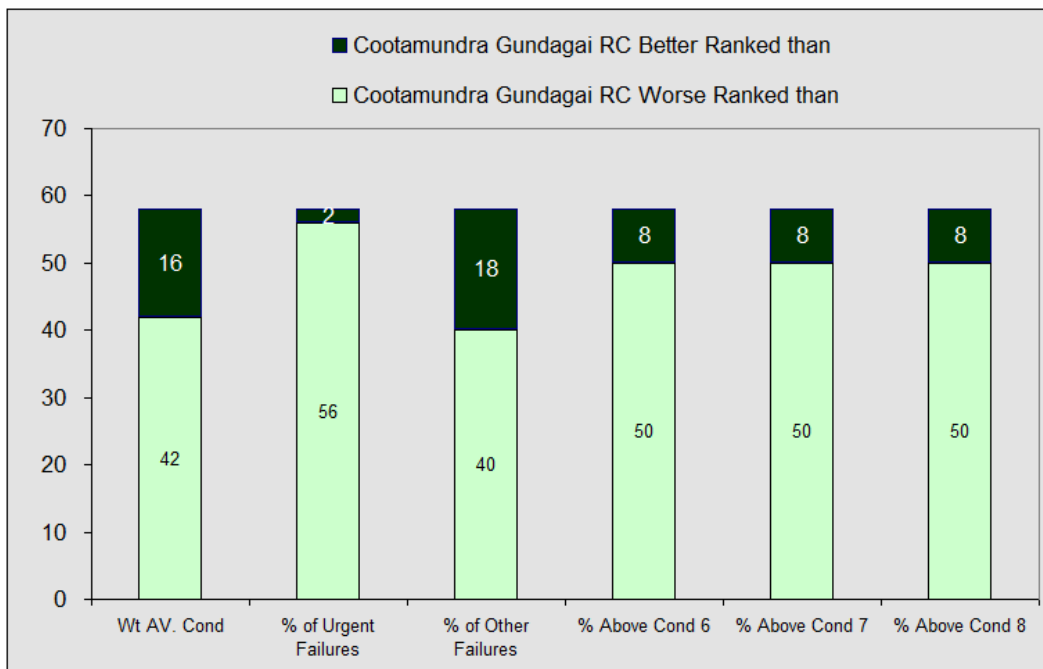


Figure K3 Key Condition Indicators as Compared with other Councils surveyed

Figure K3 provides external benchmarking based on the same key performance indicators as used internally in figure K2. The total number of councils assessed by MAMS on exactly the same basis is 59 for this sub asset class. The graph displays the number of councils ranked better and worse than Cootamundra Gundagai RC for each of the six performance indicators. The dark green bars represent the number of councils that Cootamundra Gundagai RC is ranked better than, while the light green is the number that Cootamundra Gundagai is ranked worse than.

*The comparison with all 59 councils assessed by MAMS within Figure K3 indicates a set of ageing and poor condition assets that do not rank well against the other councils we have inspected.*

## 7.2 Kerb Financial Modelling Analysis

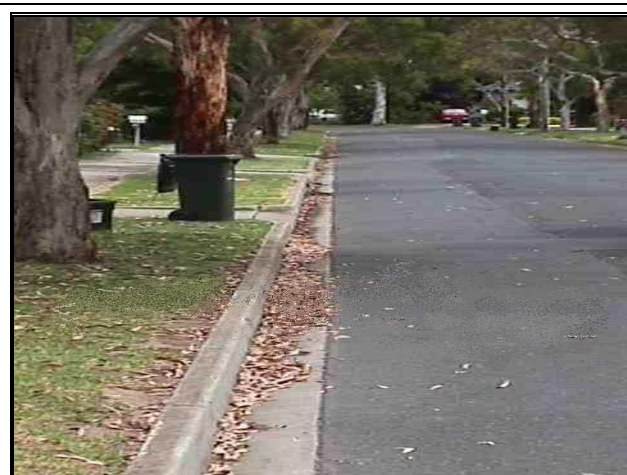
Most kerb assets are modelled within a single data set as their performance is generally quite uniform across all assets. We do sometimes separate them when significant stone kerbs are present as these

tend to have longer service lives and higher unit renewal rates than concrete kerbs. We sometimes treat the state assets that by default become a council responsibility as a separate asset set.

### 7.2.1 Kerb Assets – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service, while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various kerb condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of the retreatment intervention level.



Condition 3 Old but only minor loss of shape & movement



Condition 6 Movement and concrete breakdown



Condition 8 Large movement and holding of water



Condition 9 Extreme movement and lack of function

It is very difficult to cover kerb condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Kerbs can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

7.2.2 Kerb Assets – Financial Modeling Results

**Kerb - Modelling Parameters**

Modelling Parameter	All Kerbs
Asset Quantity in lineal metres	134,077
Unit Renewal Rate	<b>\$250.00</b>
Total Asset Group Renewal Cost	\$33,519,250
Annual Renewal Exp.	<b>\$235,000</b>
Retreat. Intervention Condition	8.0
Life to Condition 10 in Years	90.0
Life in years to Intervention	88.0

Figure K4 – Summary of Modelling Input Parameters for Kerb Assets

Kerbs have been modelled within a single group as detailed in Figure K4 above.

The intervention level has been set at condition 8.0 which is considered to be the industry standard. Life cycles have been lifted since our last survey to better reflect the values coming out of our degradation curve analysis.

The ongoing repair of isolated kerb failures does tend to extent the asset lives coming out of our degradation curve analysis as the assets tend to sit within the 4 - 6 condition range for longer than they would without the regular repairs. Thus it can be difficult to pin down a firm service life within the model.

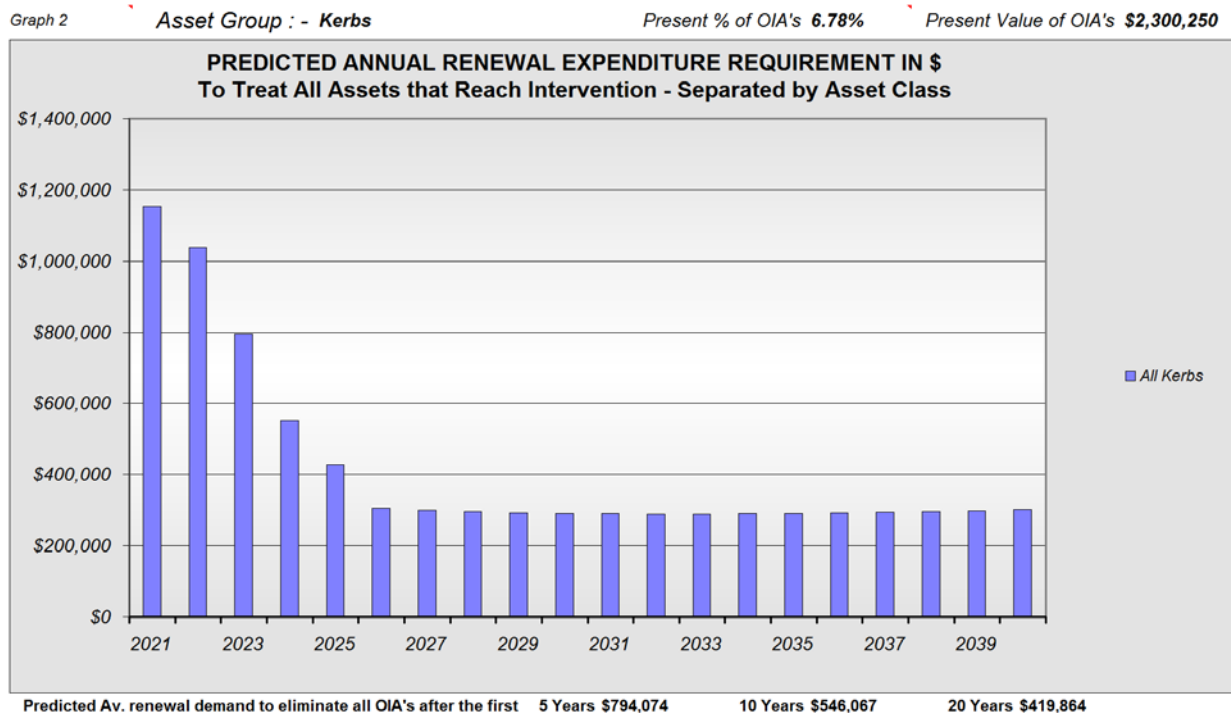


Figure K5 Predicted Renewal Demand to treat all assets that reach the Intervention level through normal decay

Figure K5 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal



demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at \$794,000 pa. If this expenditure is maintained all OIA's will be eliminated after 5 years.

All of the isolated kerb failures that were identified during the survey were converted into small pieces of poor condition asset and then included within the model to be repaired at a higher than normal unit rate because of their short lengths. In this way the model is covering all of the full length poor condition assets as well as the isolated kerb failures within its calculations. This action is a strong contributor to the high spike in the years 1 - 5 renewal demand within Figure K5.

Figure K5 indicates that the capital renewal demand pattern to treat all assets that are predicted to reach the retreatment intervention level over the next 20 years has an average annual renewal demand of \$794,000 pa for the first 5-years. This also represents the peak demand over the next 20 years.

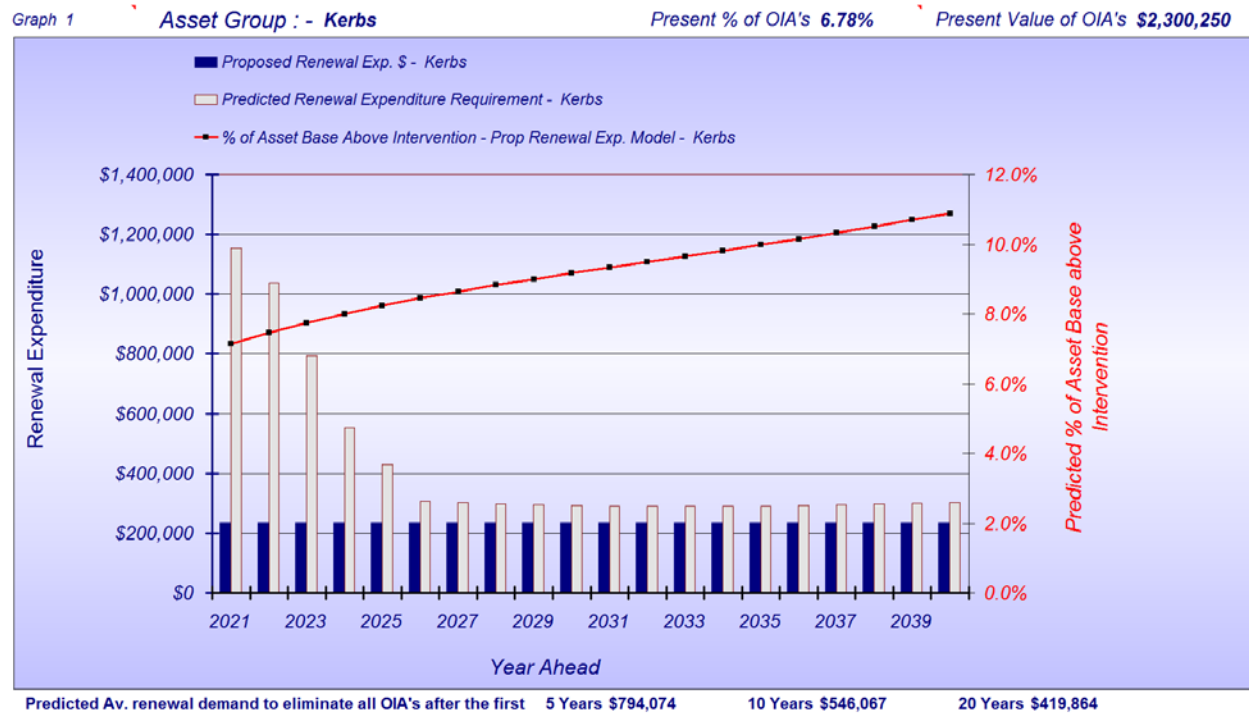


Figure K6 Future Predicted Condition Based on planned expenditure profile

Figure K6 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure K5 but not split into the individual modelling sets).

Figure K6 indicates that the planned renewal expenditure at \$235,000 pa, if maintained, will result in the present extent of over intervention assets of 6.78% rising to 9.17% after 10 years and to 10.89% after 20 years.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset groups to deliver the best overall condition outcome for all road assets.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with it's three basic input criteria requirements. The three input criteria adopted for the kerb assets are as detailed within figure K7 below with the results of the funding scenario finder operation contained within figure K8.

For the kerbs we have set the level of over intervention assets at 93% of one year's annual liability which equates to 1.06% of the network after 10 years. The current level being 6.78%. We have set the desired extent of over intervention assets around the end of the "Excellent" Range (Refer to Appendix D Figure D 1 for details).

The aim with the funding scenario finder is to deliver a consistent extent of over intervention assets across all road sub asset classes based on the number of years of annual liability that the over

intervention assets represent. In this way the model also distributes the total renewal funding across all sub asset classes based on the actual renewal demand.

Road Sub Asset Set Description	Criteria 1. Extent of OIA's		Criteria 2. Years to achieve Desired Condition outcome	Criteria 3 Annual % of Compounding funding increase (if required)
	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation		
Kerbs	93%	1.06%	10	0.00%

Figure K7 Modelling scenario finder inputs - Sealed Pavement Assets

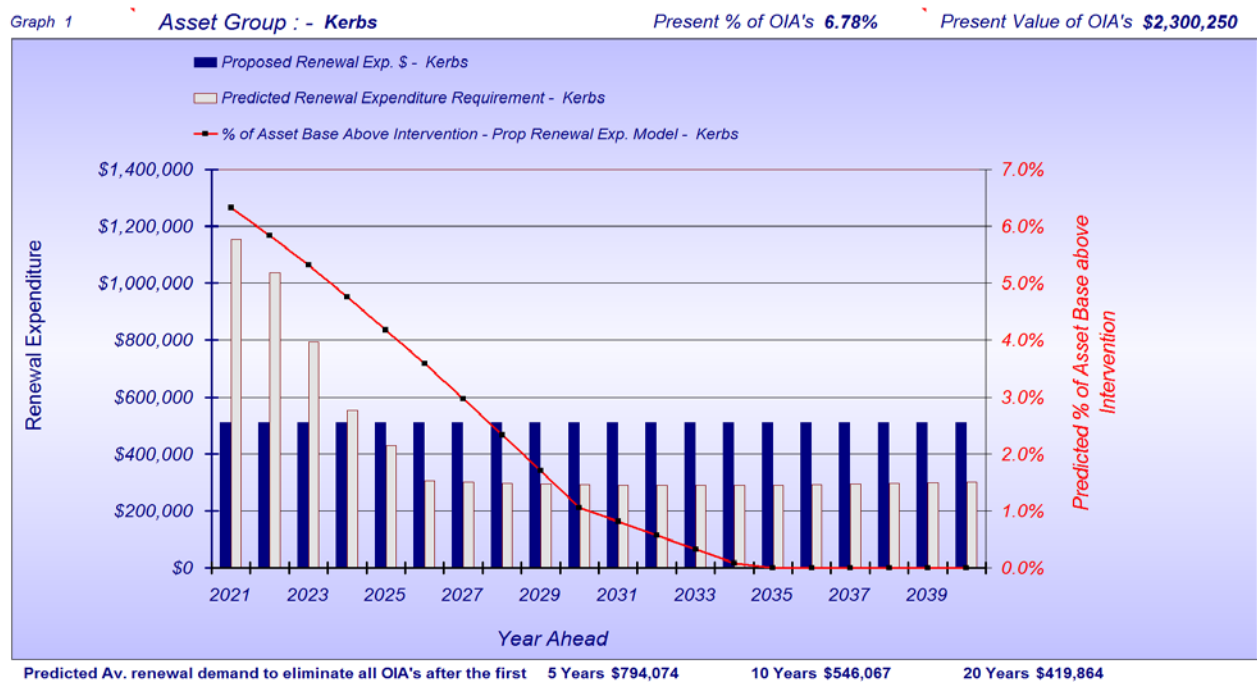


Figure K8 Recommended future Renewal funding strategy

The recommended average funding level over the next 10 years is a flat \$510,000 pa. This is predicted to deliver on the condition outcome as detailed within Figure K7 above.

It is suspected that renewal expenditure on the kerb assets has been at a lower figure than the \$235,000 pa as recommended in our last report

### 7.3 Kerb Summary

The kerb assets were found to be in poor overall condition with very high levels of both poor condition assets as well as isolated kerb failures.

It is recommended that the average renewal funding level over the next 10 years be set at \$510,000 pa and reviewed again following the next condition survey.

## Section 8: Footpath Sub Assets

This section will deal with the Footpath Sub assets. It will look at both internal and external benchmarking of asset condition as well as providing financial forecasting of future renewal demand and projected asset condition.

### 8.1 Condition and Performance of Footpath assets

The same eight common key performance indicators are used for all road sub assets. An explanation for each is available within sections 4.1 to 4.1.6 above rather than duplicating those details here. Seven of the eight condition indicators that were appropriate to the Footpath assets have been used here.

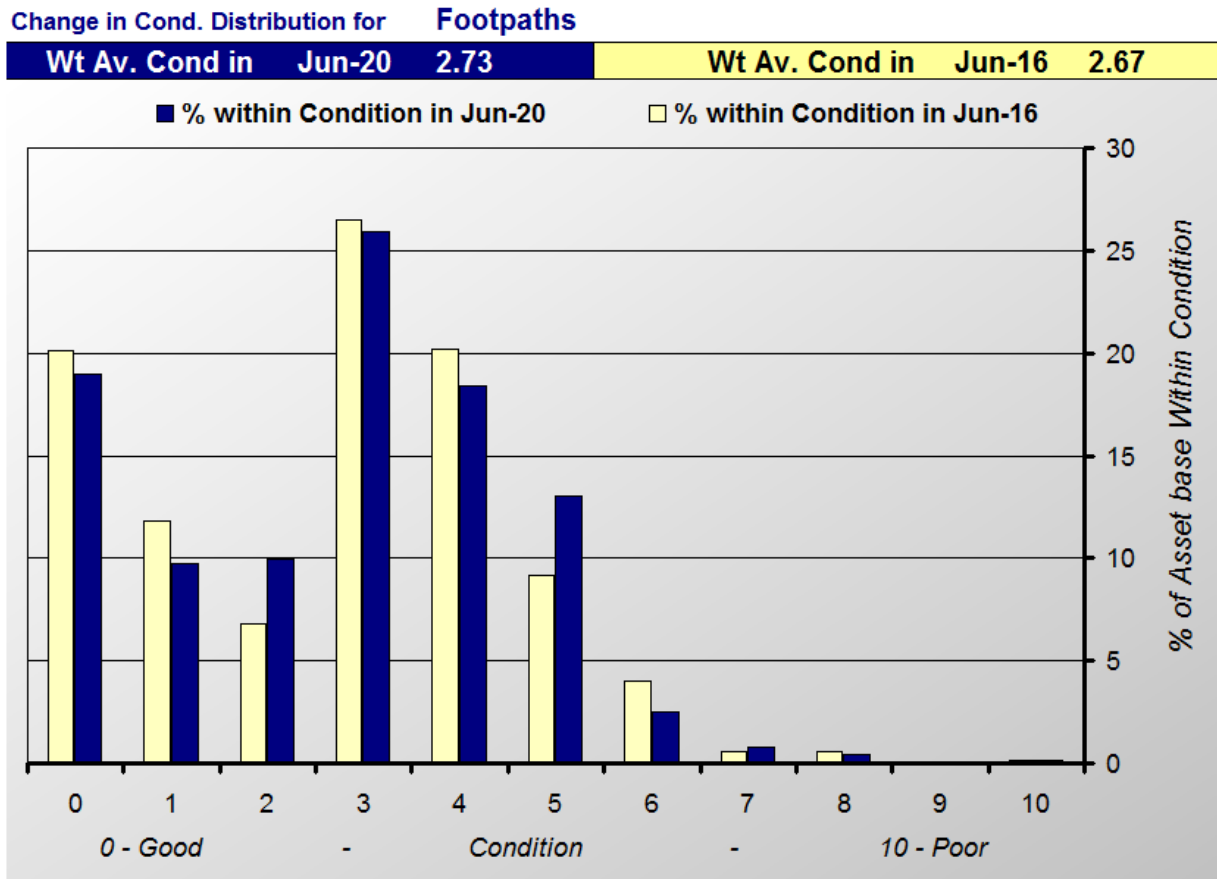


Figure F1 Condition Distribution Comparison Graph – Between Surveys

Key Cond. Indic. No.	Footpath Condition Indicator	Figures from Last Survey in Jun-16	Figures from Current Survey in Jun-20	Actual Change Negative is a Condition Decline	% Change Between Surveys	Better or Worse Since last Survey
1	Weighted Average Asset Condition	2.67	2.73	-0.06	-0.9%	Worse
4	% of Asset Base above Condition 5	14.59	17.02	-2.43	-16.7%	Worse
5	% of Asset Base above Condition 6	5.43	3.96	1.47	27.1%	Better
6	% of Asset Base above Condition 7	1.433	1.478	-0.04	-3.1%	Worse
7	% of Asset Base above Condition 8	0.828	0.672	0.16	18.8%	Better
<b>Renewal Demand Being Met For:</b>		% of Annual Liability expenditure Planned in Future years		% of Annual Liability expenditure Since the time of the last survey		
<b>Footpath Asset Group</b>		<b>34%</b>		<b>34%</b>		

Figure F2 Condition Change since last survey & Renewal demand being met



The above 2 figures provide internal benchmarking that details how asset condition has changed since the last survey. Figure F1 provides the condition distribution for each survey along with the first of the key condition indicators, the weighted average asset condition.

Figure F2 contains seven of the eight key condition indicators that are appropriate to the Footpath assets. It also shows how they have changed since the previous survey. At the bottom of the table are two very important figures. These indicate the percentage of the annual liability rate that has been met since the last survey, along with the percentage planned for future years.

*The Footpaths were found to be in good overall condition. Weighted average asset condition had declined slightly by -0.9% since 2016. The extent of poor condition assets at and above condition 8 has been reduced since 2016 by 18.8% but there was a small rise in the extent of asset at and above condition 7.0*

### 8.1.2 Summary - Internal Benchmarking

*Figure F2 indicates a small overall decline in asset condition but the extent of very poor condition assets has improved since 2016*

### 8.1.3 External condition Benchmarking

#### Cootamundra Gundagai RC Footpath assets

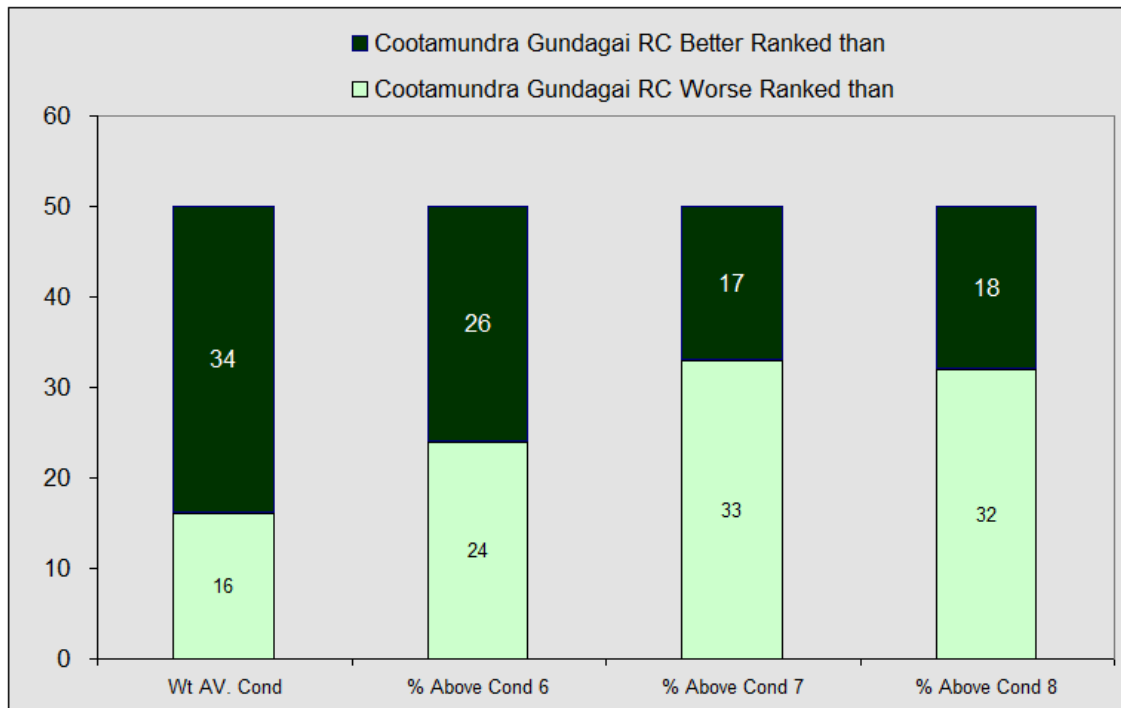


Figure F3 Key Condition Indicators as Compared with other Councils surveyed

Figure F3 provides external benchmarking based on the same key performance indicators as used internally in figure F2. The total number of councils assessed by MAMS on exactly the same basis is 42 for this sub asset class. The graph displays the number of councils ranked better and worse than Cootamundra Gundagai RC for each of the six performance indicators. The dark green bars represent the number of councils that Cootamundra Gundagai RC is ranked better than, while the light green is the number that Cootamundra Gundagai is ranked worse than.

*The comparison with all 51 councils assessed by MAMS within Figure F3 indicates a set of ageing assets that are in good overall condition. The weighted average asset condition is ranked within the best one third of the councils assessed. But the extent of poor condition assets is within the worst one third.*

## 8.2 Footpath Financial Modelling Analysis

Footpath assets are modelled within several groups of like performing assets.

### 8.2.1 Footpath Assets – Selection of Retreatment Intervention Level

The point at which you choose to intervene to renew or replace an asset will have a big impact in the predicted future renewal demand. The intervention level can be seen as the level of service associated with the asset set. High intervention level equates to low level of service, while low intervention level relates to a high level of service.

Detailed below are a series of photographs illustrating various Footpath condition ratings. They do not cover the complete condition range but hopefully will provide some guidance to the selection of the retreatment intervention level.

	
<p>Condition 0 – 1 Excellent condition</p>	<p>Condition 6 Extensive movement</p>
	
<p>Condition 7 Extensive cracking and movement</p>	<p>Condition 9 Very poor – Cracking and breaking up</p>

It is very difficult to cover Footpath condition in such a limited range of photographs but hopefully they will provide some idea of asset condition in the 6 – 9 condition range where most interventions will take place. Footpaths can be within this condition range for a number of different reasons and the photos will cover only a limited range of these situations. They should be seen as one possible condition situation and not the only situation for that condition rating.

8.2.2 Footpath Assets – Financial Modeling Results

Footpath - Modelling Parameters

Modelling Parameter	Asphalt Footpaths	Concrete Footpaths	Brick Footpaths	Gravel Footpaths	Totals
Asset Quantity in sqm	15,989	51,986	5,109	556	73,640
Unit Renewal Rate	\$43.47	\$100.00	\$120.01	\$14.99	
Total Asset Group Renewal Cost	\$695,099	\$5,198,562	\$613,128	\$8,334	\$6,515,123
Annual Renewal Exp.	\$25,000	\$13,000	\$1,000	\$1,000	\$40,000
Retreat. Intervention Condition	7.0	7.0	7.0	7.0	
Life to Condition 10 in Years	30.0	80.0	60.0	30.0	
Life in years to Intervention	25.0	66.7	50.0	25.0	

Figure F4 – Summary of Modelling Input Parameters for Footpath Assets

Footpaths have been modelled within four groups as detailed in Figure F4 above.

The intervention level has been set at condition 7.0 which is considered to be the industry standard level. Life cycles for the modelling work have been set based on the values coming out of our unique degradation curve analysis.

The ongoing repair of isolated Footpath failures does tend to extent the asset lives coming out of our degradation curve analysis, as the assets can sit within the 4 - 6 condition range for much longer than they would without the regular repairs. Thus it can be difficult to pin down a firm service life within the model.

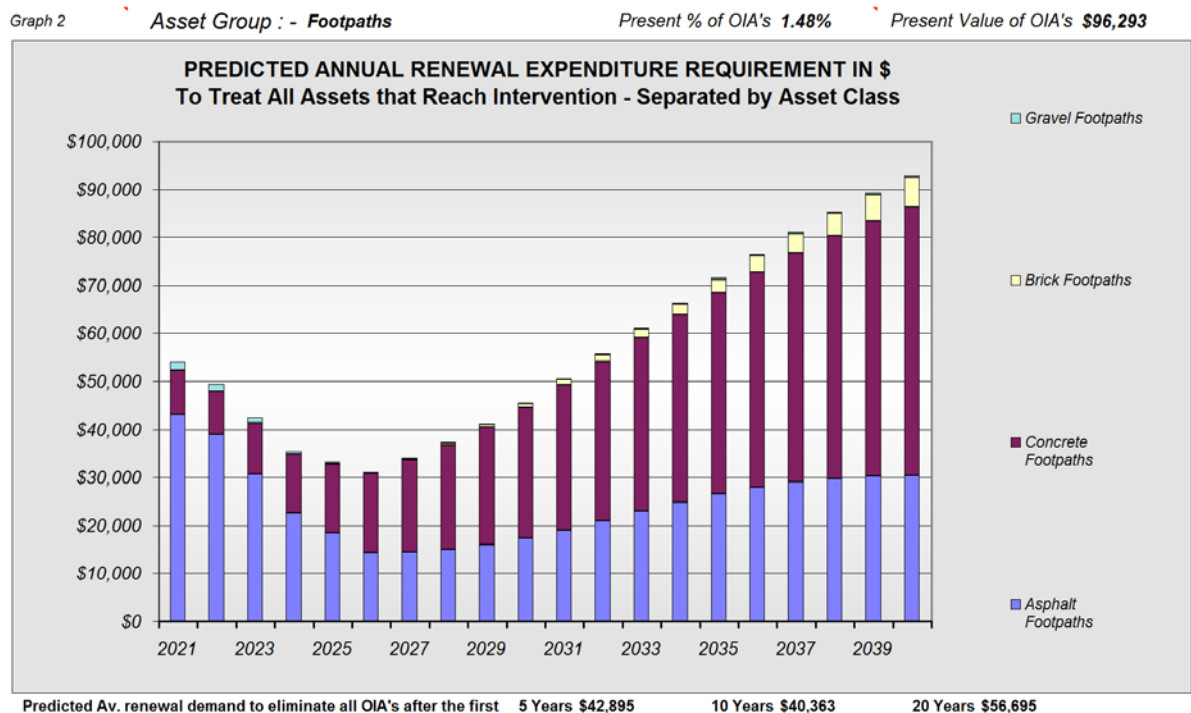


Figure F5 Predicted Renewal Demand to treat all assets that reach the Intervention level through normal decay

Figure F5 plots the annual funding profile required to eliminate all over intervention assets. If there is a large backlog of over intervention assets such that the raw year one demand is 30% or greater than the year two demand then the Moloney model eases the difference in over the first five years (this will show up as a reducing demand over the first five years). For this reason we prefer to quote the present renewal demand as the average figure for the first 5 years. In this case the first 5 year average renewal demand is estimated at \$43,000 pa. If this expenditure is maintained all OIA's will be eliminated after 5 years.

We did not assess footpath isolated failures so we were unable to include them within the financial modelling demand predictions as we did for kerbs.

Figure F5 indicates that the capital renewal demand pattern to treat all assets that are predicted to reach the retreatment intervention level over the next 20 years has an average annual renewal demand of \$43,000 pa for the first 5-years. With the peak demand over the next 20 years estimated at \$92,000 pa in the year 2040.

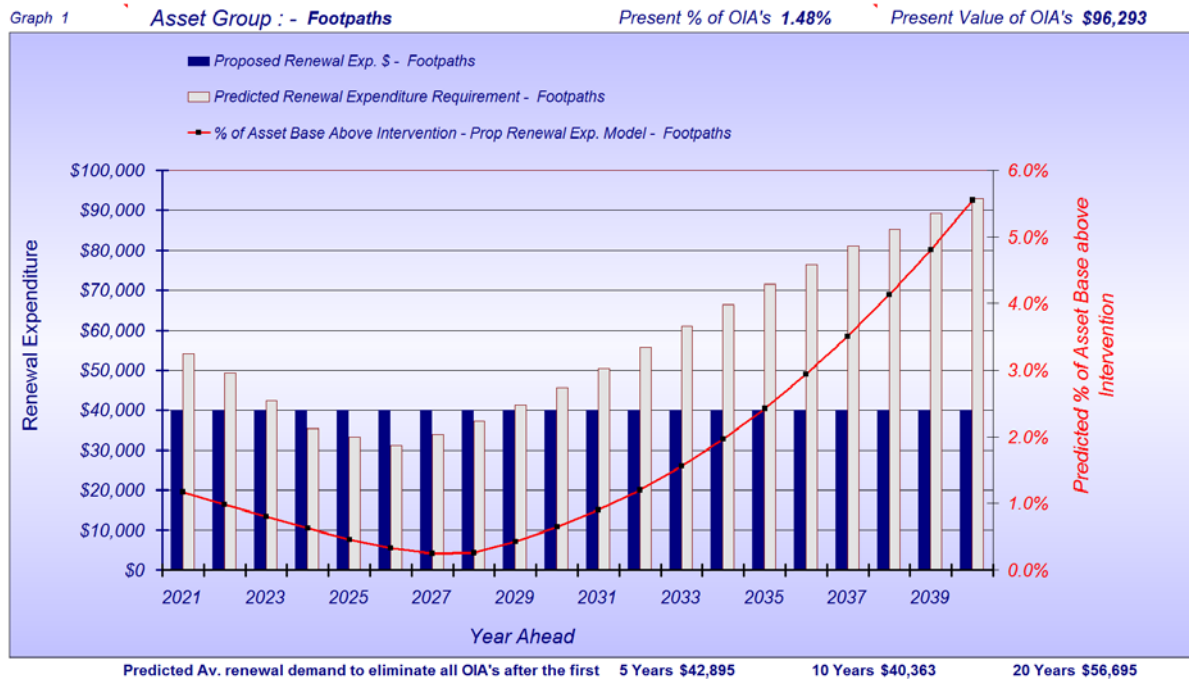


Figure F6 Future Predicted Condition Based on planned expenditure profile

Figure F6 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars). It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure F5 but not split into the individual modelling sets).

Figure F6 indicates that the planned renewal expenditure at \$40,000 pa, if maintained, will result in the present extent of over intervention assets of 1.48% falling to 0.64% after 10 years.

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model can also be used to allocate funding between the sub asset groups to deliver the best overall condition outcome for all road assets.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with it's three basic input criteria requirements. The three input criteria adopted for the Footpath assets are as detailed within figure F7 below with the results of the funding scenario finder operation contained within figure K8.

For the Footpaths we have set the level of over intervention assets at 93% of one year's annual liability which equates to 1.69% of the network after 12 years. The current level being 1.48%. We have set the desired extent of over intervention assets around the end of the "Excellent" Range (Refer to Appendix D Figure D 1 for details).

The aim with the funding scenario finder is to deliver a consistent extent of over intervention assets OIA's across all road sub asset classes based on the number of years of annual liability that the percentage of OIA's represent. In this way the model also distributes the total renewal demand across all sub asset classes based on renewal demand.



Road Sub Asset Set Description	Criteria 1. Extent of OIA's		Criteria 2. Years to achieve Desired Condition outcome	Criteria 3 Annual % of Compounding funding increase (if required)
	Expressed as the % of One Years Annual Liability	Expressed as a % of The Total Asset Set Replacement Valuation		
Footpaths	93%	1.69%	10	0.00%

Figure F7 Modelling scenario finder inputs - Sealed Pavement Assets

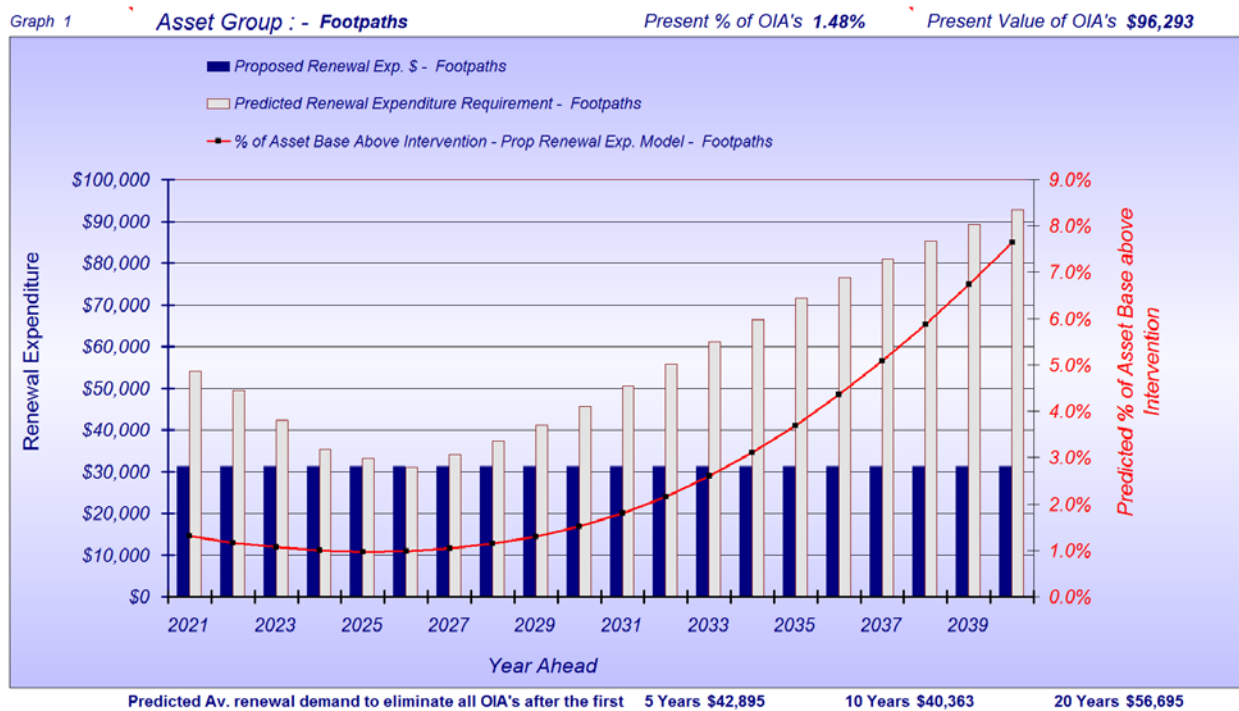


Figure F8 Recommended future Renewal funding strategy

It is recommended that the average annual renewal expenditure be set at \$35,000 pa for the next 10 years. This is predicted to deliver on the condition outcome as detailed within Figure F7 above.

### 8.3 Footpath Summary

The Footpath assets were found to be in good overall condition, but the extent of very poor condition assets was found to be a little high

It is recommended that the average annual renewal expenditure be set at \$35,000 pa for the next 10 years and reviewed again following the next condition assessment.

## Section 9: Aggregated Modelling Results for the Road Network

### 9.1 Overall Financial Reporting

Accurate network modelling within the Moloney system depends upon several independent modelling variables. Council now has a good handle on most of these variables and the modelling results are becoming quite meaningful. Modelling has been based upon the ongoing rehabilitation of the existing asset base only and does not allow for an expanding asset base. Any proposed expenditure on the upgrading of existing assets must be added to the figures delivered within this report.

The Moloney System allows for the modelling of up to 40 individual asset sets and to then combine these results firstly into up to ten reporting groups (Sub asset sections in this report). Then finally into an aggregated set of reports for the whole road network. This section will deal with the aggregated modelling results for the whole roads group.

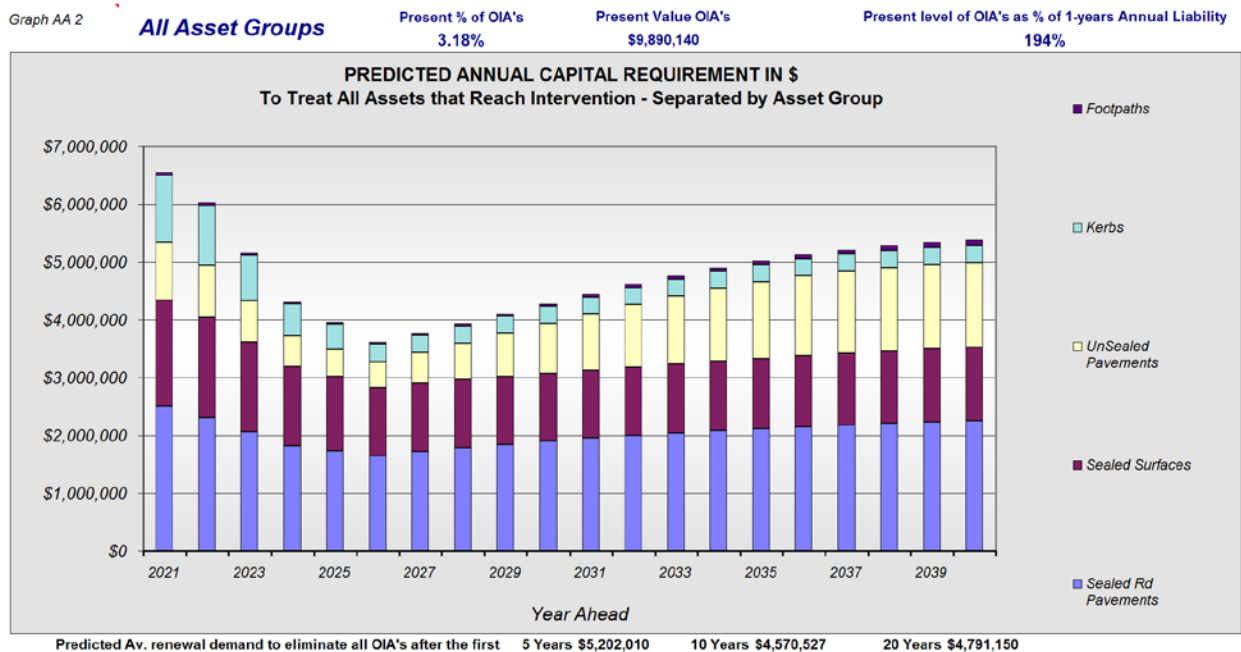


Figure Agg 1 Predicted Renewal Demand to treat all assets that reach the Intervention level

Figure Agg 1 plots the annual funding required to treat all over intervention assets within the first 5 years. It also splits the total renewal demand into the sub asset sets that were analysed within sections 4 to 8 above.

Figure Agg 1 plots the 20 year estimated renewal demand to treat all assets that are predicted to reach the retreatment intervention level through normal decay with time. Because the model is programmed to ease in the year one demand over 5 years when the raw year one demand is 30% greater than year two, it is best to report the commencing renewal demand as an average figure for the first 5 years. The average renewal demand over the first 5 years for the whole roads group is estimated at \$5,202,000. The peak demand over the next 20 years is estimated at \$5,380,000 in the year 2040.

Agg 1 also displays at the top of the graph the present extent of over intervention assets (OIA's) for the whole roads group expressed in three ways. Firstly as a percentage of the total asset base valuation, which is 3.18%. Then as the total renewal value of the OIA's at \$9,890,140. Finally as the number of year's worth of annual liability at 194% of one year's figure. The Moloney standardised condition descriptor table in Figure D 1 of Appendix D reports this extent of OIA's for the whole road network as being at the top end of the "Very Good" condition range.

For comparison purposes it is best to report the number of years worth of annual liability represented by the total level of OIA's as one based on standardised intervention levels. Cootamundra Gundagai has a slightly higher level of service than that of the standardised intervention levels and hence the level of OIA's based on the standardised intervention levels is a little lower at 1.46% of the total asset replacement or 96% of the level of one years annual liability. The overall condition descriptor for this level of OIA's moves just into the "Excellent" range (See section 2.2 above for more details).



OIA's are - (Over Intervention Assets)

Graph AA 1

**All Asset Groups**

Present % of OIA's  
3.18%

Present Value OIA's  
\$9,890,140

Present level of OIA's as % of 1-years Annual Liability  
194%



Figure Agg 2 – Future Predicted Condition - Based on the continuation of the planned expenditure profile

Figure Agg 2 plots the extent of the asset base that is predicted to rise above the intervention level (red line) based upon the continuation of the planned level of renewal expenditure (in blue bars) on the same basis as the present split between the road sub assets. It also plots the predicted renewal demand to treat all over intervention assets within the grey bars (Same aggregate figures as within Figure Agg 1 but not split into the sub asset modelling groups).

*If the planned renewal expenditure of \$4,375,000 is maintained for the next 10 years with the same split between the asset classes, figure Agg 2 indicates that the present extent of OIA's at 3.18% will fall to 3.05% after 10 years. But will further rise to 7.77% after 20 years. The better performance within Figure Agg 3 below with the same total renewal expenditure is as a result of the funding scenario finder better allocating the renewal expenditure strictly on a needs basis between the various sub asset classes.*

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is also used to allocate funding between the sub asset groups on a needs basis to deliver the best overall condition outcome for the whole roads group.

Please refer to Appendix D which explains why and how we set the desired extent of over intervention assets in terms of the number of year's worth of annual liability that it represents. Appendix D4 also provides an explanation of the Moloney funding scenario finder along with its three basic input criteria requirements.

Road Sub Asset Set Description	Criteria 1. Extent of OIA's		Criteria 2. Years to achieve Desired Condition outcome	Criteria 3. Annual % of Compounding funding increase (if required)	Annual Compounding increase in renewal expenditure expressed in \$
	Desired extent of Over intervention assets as a % of one Years Annual Liability	Desired Over Intervention Assets as a % of total asset base			
Sealed Rd Pavements	93%	0.91%	10	0%	\$0
Sealed Surfaces	93%	3.49%	10	0%	\$0
Unsealed Rd Pavements	93%	3.78%	10	0%	\$0
Kerbs	93%	1.06%	10	0%	\$0
Footpaths	93%	1.69%	10	0%	\$0
Bridges	You are referred to the Bridge Report for these details				
<b>All Assets</b>	93%	1.53%	10	0%	\$0

Figure Agg 3 Modelling scenario finder inputs - All Assets

The three input criteria adopted for each of the road sub asset sets are as detailed within figure Agg 3 with the results of the funding scenario finder operation contained within figure Agg 4.

Figure Agg 4 contains the results of the above three input criteria being applied to the Moloney funding scenario finder for each of the five road sub asset sets that were modelled. The same three criteria were adopted for all sub assets.

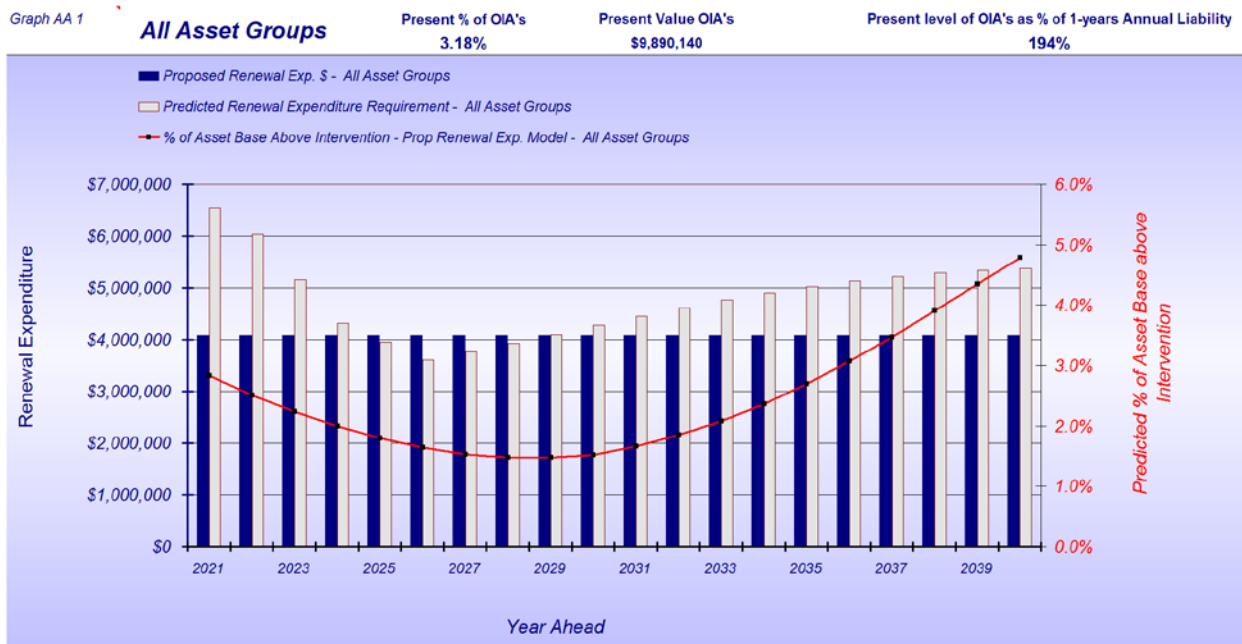


Figure Agg 4 – Recommended future funding Strategy

Figure Agg 4 details the recommended total renewal expenditure level for the next 10 years.

*It was found that an average expenditure of \$4,488,000 pa would deliver the required condition outcome of 93% of one years annual liability or 1.53% of the total network replacement value after 10 year.*

*There may be a need to increase funding a little into the second decade but there will be several condition surveys between then and now, which will further refine the modelling predictions. It is also felt that the service lives used within the model could be extended a little which will tend to lower the renewal demand in the second decade.*

Other scenarios can be run to achieve different outcomes on different time frames. The Moloney model is extremely versatile and it is strongly recommended that council spend the time to understand it and use it, as it will be a most valuable tool in the development of the 10 year financial plan for the organization. Note also that the model is not limited to road assets and can be set up to analyse any assets that are created, decay with time and then require replacement or renewal.

The model can also be set to allow for annual CPI increases. But over a 10 - 20 year time frame it can be difficult to distinguish between real increasing renewal demand and that relating to inflation. Hence our preference is to report in today's values only.

*It is also stressed that the recommended funding strategy should be seen more as an average expenditure requirement over the next 10 year. There may be years when expenditure is higher or lower, or where the funding split between the sub asset classes changes. The primary aim of the financial modelling work is to deliver the average renewal demand across all of the road sub assets that were included within this report as a single average total renewal demand for the road network.*

*It should also be noted that our findings are quite consistent with the modelling work undertaken for the last survey. It was recommended back in 2017 that the total renewal expenditure be set at \$4,375,000 pa and also be subject to annual CPI increases. No increases were applies and so to maintain the same recommended funding level we did need to raise the projected level of OIA's after 10 years from 85% of one years annual liability back in 2017 up to 93% in 2020. However, this level of OIA's remains within the Moloney standardised descriptor condition of "Excellent".*

Sub Asset Description	Present Annual Expenditure on Upgrades and New Assets	Average Planned renewal expenditure next 5 Years	Average Annual Liability (Based upon modelling lives and valuations)	Annual Depreciation based on Accounting valuations and lives	Average Capital Renewal Demand for next 5-years to eliminate all over intervention assets	Year of Condition Inspection	Recommended Commencing Year 1 funding level with a 0.0% annual compounding increase for 10
Sealed Pavements	\$0	\$1,330,000	\$1,988,765	\$856,021	\$2,090,000	2020	\$1,745,000
Sealed Surfaces	\$0	\$1,850,000	\$1,260,766	\$1,655,489	\$1,550,000	2020	\$1,250,000
Unsealed Pavements	\$0	\$640,000	\$1,353,998	\$1,078,615	\$725,000	2020	\$555,000
Kerbs	\$0	\$235,000	\$380,846	\$410,669	\$794,000	2020	\$510,000
Footpaths	\$0	\$40,000	\$118,346	\$103,229	\$43,000	2020	\$35,000
Bridges and MC's	\$0	\$280,000	\$632,564	\$572,192	\$743,000	2020	\$393,000
<b>Totals</b>	<b>\$0</b>	<b>\$4,375,000</b>	<b>\$5,735,286</b>	<b>\$4,676,216</b>	<b>\$5,945,000</b>		<b>\$4,488,000</b>
<b>C - B Estimated Annual Consumption Rate</b>		<b>\$1,360,286</b>					

Figure Agg 5 – Summary Table of Current & Recommended Renewal Expenditure Levels

Figure Agg 5 provides some important overall financial figures. It shows that Cootamundra Gundagai RC is presently funding its road renewal program at very close to an appropriate total level with renewal expenditure at \$4,375,000 pa. The full annual liability is estimated at \$5,735,286 pa, so the assets will be consumed at around \$1,360,286 pa.

The fact that council is within an asset consumption phase at the moment is in no way meant as a criticism. This is just part of the ownership cycle of such long term assets. The bulk of councils assets are in very good to excellent condition, hence the full annual liability demand (or annual depreciation in accounting terms) has yet to be reached.

Figure Agg 5 includes the bridge and major culvert assets where we have recommended an increase in total renewal expenditure of \$113,000 pa. For the five road sub assets assessed our total recommended future renewal funding is at \$4,095,000 pa which is the same as the present level.

There are some differences between the "Annual Liability" (AL) figures and the "Annual Depreciation" (AD) Figures. The differences mostly hinge upon the adopted asset service lives.

The AD figures are bound to Australian and international accounting standards that are really designed to deliver a tax deductible figure for business, while we have far more freedom with the AL figures to deliver the best estimate of the actual ongoing annual liability (or annual consumption rate) to manage the assets.

We have tended to adopt service lives within the modelling work that are closer to the figures coming out of our degradation curve analysis. This analysis is predicated upon the statistical analysis of two condition surveys over the last 5 years.

The one caution here is that rainfall has been historically low for the period between the two surveys and this will tend to lengthen the predicted asset lives. But we have not extended the lives to fully equate those coming out of the degradation curve analysis.

All figures within this report are all in today's values. No allowance has been made for CPI increases. The Moloney software does have the capacity to report with an allowance for CPI if required. But over a 10-20 year time frame CPI lifts values quite markedly and it can be difficult to discern if a rising renewal demand is due to CPI or a real growth in renewal demand. Thus we prefer to report the predicted renewal demand in today's values.

Peter Moloney MIEAust Membership No 284058

Moloney Asset Management Systems



## Appendix A: Asset Valuations

This appendix deals with asset valuations

### A.1 Estimated Asset Valuations

Following the completion of the survey the data was placed into the Moloney asset management system and the table below represents a summary of the overall asset quantities and valuations. The annual depreciation figure of pa is based upon the best available accounting greenfields construction costs and the adopted accounting service lives.

Annual Depreciation has not been used within this report as the basis of the average long term renewal demand. We have adopted what we call the "Annual Liability" for this purpose. See Appendix E for the definitions of both figures.

The annual liability figures are all based on the estimated rehabilitation costs (Not greenfields construction costs) and we have more flexibility to set service lives that are closer to the lives coming out of the degradation curve analysis. In this way our financial modelling results can be more accurate and we can compare planned or recommended expenditure levels to the actual average annual long term liability rather than the annual depreciation which is designed to deliver a tax deductible figure for use in business tax calculations.

ASSET DESCRIPTION	Total Quantity	Units	Replace. Value \$	Asset Life in Years	Written Down Value \$	Accumul. Deprec. \$	Annual Deprec. \$	Average Date of Cond. Assessment
Footpath	36,144	Lin. Met	6,515,123	61.8	3,987,197	2,527,926	103,229	06/2020
Kerb	134,077	Lin. Met	33,519,250	80.0	17,231,750	16,287,500	410,669	06/2020
Sealed Pavements - Base	719,417	Lin. Met	73,252,135	95.8	38,290,182	34,961,953	856,021	06/2020
Sealed Pavements - Sub Base	719,417	Lin. Met	130,684,191	240.0	107,775,544	22,908,647	544,517	06/2020
Unsealed Pavement	608,630	Lin. Met	33,247,933	30.2	29,178,349	4,069,584	1,078,615	06/2020
Sealed Surface	719,417	Lin. Met	34,612,806	20.6	16,234,262	18,378,544	1,655,489	06/2020
Sealed Rd Formation	719,417	Lin. Met	143,679,863	100.0	143,317,335	362,529	71,840	06/2020
U/S Rd Formation	611,995	Lin. Met	60,925,428	100.0	60,701,170	224,258	30,463	06/2020
Bridges	19,239	sqm	69,423,905	106.7	37,675,425	31,748,480	572,192	06/2020
Total Roads and Bridges			<b>\$585,860,635</b>		<b>\$454,391,214</b>	<b>\$131,469,421</b>	<b>\$5,323,036</b>	
Roads only Without Bridges			<b>\$516,436,730</b>		<b>\$416,715,789</b>	<b>\$99,720,941</b>	<b>\$4,750,844</b>	

Figure 3.1 Table of asset valuations for financial modelling purposes

*There is some variation between the annual depreciation and annual liability figures within Figure 3.1. Sometimes accounting valuations are restricted by Australian and international accounting standards that are more focused on delivering an annual depreciation figure for taxation purposes than an annual ongoing liability estimate.*

*We tend to ignore the accounting unit rates and life cycles if we feel they do not relate to the delivery of an accurate "annual liability" figure. The unit rates and life cycles used within the modelling process are focused on the best and most accurate actual financial outcomes and can vary from a strict interpretation of the accounting standards.*

*The unit renewal rates used within the accounting valuations and the modelling work are the same as we feel the accounting unit rates do represent fair value. But we have tended to extend the service lives within the model to better reflect the lives coming out of our degradation curve analysis. We have also extended the annual depreciation lives a little since our last survey. But at this stage (particularly in light of the abnormally dry years between the two surveys) it was felt that we should moderate the increase in the annual depreciation lives.*

*Council is advised to check and approve all of the inputs into the asset valuations within Figure 3.1 before adopting them for accounting purposes.*

## Appendix B: Asset Degradation – Performance Curves

Asset degradation or performance curves, unique to the district, can be developed once two or more consistent condition surveys have been undertaken. This is done in the Moloney system by examining all assets within a given condition rating following the first survey and determining which have degraded by the time of the second and or subsequent surveys.

The condition change between surveys is used to predict the annual statistical probability of an asset degrading from one asset condition to the next. In turn this equates to an expected average life within each condition rating. The degradation curves serve two very important functions. Firstly they are used within the financial modelling section of the Moloney system to predict future asset condition movement and financial demand. Secondly they should form the basis of the justification for the selection of depreciation or service life cycles within the accounting system.

The term Degradation Curve comes from a particular format that the degradation data can be presented in. Figure B 1 below is a graphical representation of one of the pavement groups to be modelled and shows how an average asset within the group would perform. In this case it commences at year zero in condition zero at the top left side of the graph and progresses to reach condition 10 after 166 - years.

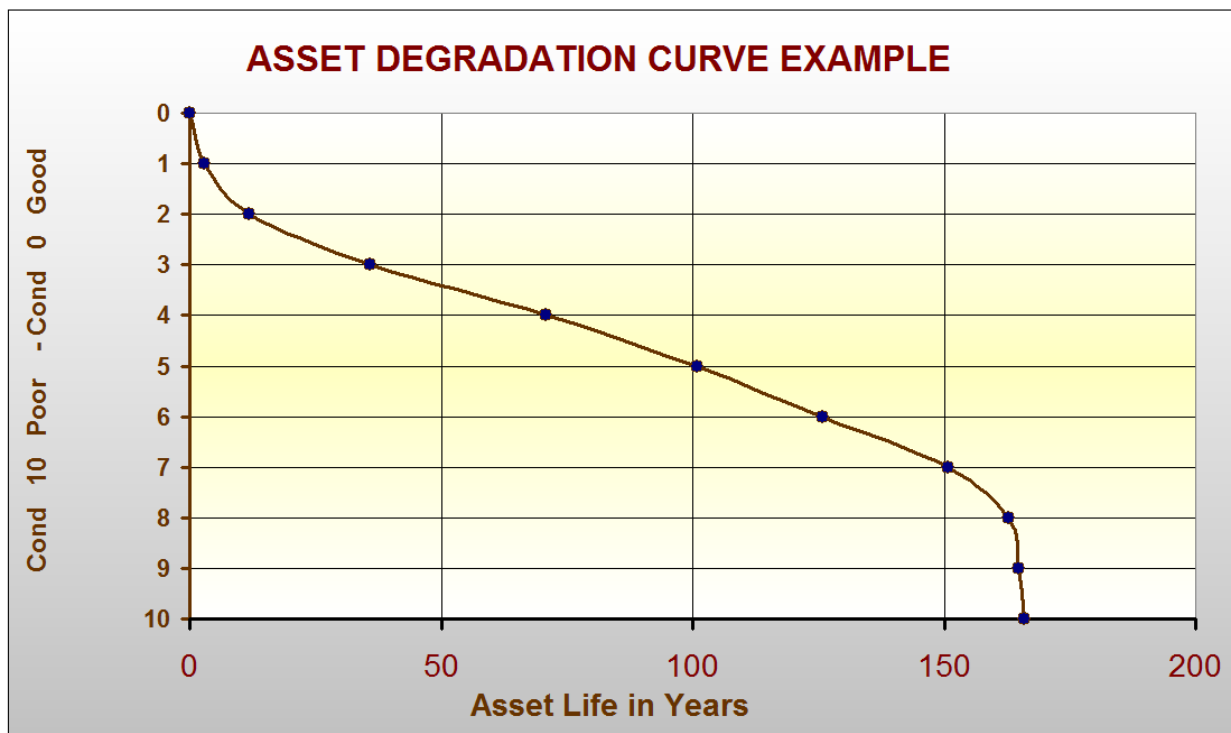


Figure B 1 Example of a Degradation Curve (See Fig B 2 First Column)

Within the asset degradation tables below the results are expressed as an expected life in years within each of the condition ratings 0 to 9. Little or no asset life is allocated above condition 8 as this is generally considered the upper condition limit for an asset to remain in service.

Figures sometimes need to be manually adjusted to remove inconsistencies resulting from small sample size at the extreme ends of the condition range. In all cases the total expected life will be reduced because of the small sample size. In no situations will the total life be increased other than the rare case where there are no assets present within a condition range that have degraded between the two surveys.

### B.1 Degradation Curves as developed by MAMS

*Degradation curves were produced for Cootamundra Gundagai RC by analysing the change in asset condition over two condition surveys between 2015 and 2020.*

The total life illustrated in all of the tables within this section is the life to condition 10. In practice you will often intervene and rehabilitate before reaching condition 10. The total life is input into the financial model



and the life to the selected intervention level will be less than that figure depending upon where you choose to intervene.

If you choose a low intervention level (High level of service) then your life to intervention can be very much lower than the total life to Condition 10. Think of the car tyre analogy. Down to the indicator lugs at, 40,000 km. fully worn through at 70,000 km.

### B.1.1 Sealed Road Pavement - Degradation Curves

**Years**

Asset Condition Rating Range	All sealed Rd Urban Pavements 2015 - 2020	All sealed Rd Rural Pavements 2015 - 2020
9 - 10	1.0	1.0
8 - 9	2.0	5.0
7 - 8	12.0	10.0
6 - 7	25.0	15.0
5 - 6	25.0	20.0
4 - 5	30.0	18.0
3 - 4	35.0	15.0
2 - 3	24.0	20.8
1 - 2	8.8	10.3
0 - 1	3.0	5.8
	166	121

Figure B.2 Sealed Rd Pavement Degradation Table

Figure B 2 displays the average service life within each of the 10 condition rating changes starting with the life between zero and one and ending with the life from nine to ten.

*Life cycles on the sealed road pavements are normally developed for urban and rural roads separately as the urban pavements do tend to have longer service lives. For Cootamundra Gundagai we found the urban sealed road pavements had a total life to condition 10 of 165 years and for rural roads 120 years. The estimated life to the intervention level of condition 7 being around 150 and 112 years respectively.*

*The degradation curves for the sealed road pavements are based on the performance of the “Base” Layer of the full pavement. We have no meaningful way of assessing the condition of any “Sub Base” layer*

### B.1.2 Sealed Surface - Degradation Curves

Asset Condition Rating Range	All Asphalt Surfaces 2015 - 2020	All Double application seals 2015 - 2020	All Single application seals 2015 - 2020
9 - 10	1.0	0.0	0.0
8 - 9	2.0	1.0	1.0
7 - 8	3.0	2.0	3.0
6 - 7	4.0	3.0	6.0
5 - 6	5.0	4.0	6.0
4 - 5	6.6	5.9	5.0
3 - 4	6.0	8.8	4.1
2 - 3	5.2	8.3	3.3
1 - 2	4.3	3.5	2.5
0 - 1	3.0	3.0	2.4
	40	39	33

Figure B.3 Sealed Surface Degradation Table

*Lives for the sealed surface assets are a little higher than the average lives for all councils. But we do find that where pavement lives are high sealed surface lives tend to also be high. There were very few double application seals but interesting to see the added life coming from this application. Life to condition 10 for*



Asphalt was 40 years and for single seals 33 years with life to the intervention level of condition 7 being 36 and 29 respectively.

### B.1.3 Unsealed Pavement - Degradation Curves

Asset Condition Rating Range	All Unsealed Road Pavements 2015 - 2020
9 - 10	0.0
8 - 9	1.0
7 - 8	1.0
6 - 7	3.0
5 - 6	4.0
4 - 5	4.0
3 - 4	9.2
2 - 3	8.0
1 - 2	7.0
0 - 1	6.0
	43

Figure B.4 Unsealed Pavement Degradation Table

Lives here are consistent with what we have found in many other council districts. Life to condition 10 was found to be 43 years and to the intervention level of condition 5 it was 34 years. At first this does appear to be high. But the annual depreciation life is set at 30 years with a corresponding annual depreciation of \$1,078,615 pa. Council has spent at only \$640,000 pa since the time of our last survey, which is just over half of the level of annual depreciation and the average depth of the pavements has been maintained at 99 mm since 2016. This does suggest that the expected service life will be higher than the adopted accounting lives.

### B.1.4 Kerb - Degradation Curves

Asset Condition Rating Range	All Kerbs 2015 - 2020
9 - 10	0.0
8 - 9	2.0
7 - 8	8.0
6 - 7	16.0
5 - 6	15.0
4 - 5	15.0
3 - 4	15.0
2 - 3	9.0
1 - 2	5.2
0 - 1	5.3
	91

Figure B.5 Kerb Degradation Table

The kerb assets were found to have a total life to condition 10 of around 90 years and a life to the selected intervention level of condition 8 of around 88 Years. There are problems with the analysis of both kerb and Footpath degradation curves because of the way in which the assets are managed. They are

not simply constructed and then follow the condition scale up with time. Isolated failures are often repaired as they occur and so the assets can sit for a very long time in the condition 4 - 7 range. Thus some care must be exercised in the use of these lives.

### B.1.5 Footpath - Degradation Curves

Asset Condition Rating Range	All Concrete footpaths 2015 - 2020
9 - 10	0.0
8 - 9	2.0
7 - 8	15.0
6 - 7	20.0
5 - 6	25.1
4 - 5	13.4
3 - 4	10.0
2 - 3	7.0
1 - 2	4.9
0 - 1	4.8
	102

Figure B.56 Footpath Degradation Table

The three main footpath types within the council district are asphalt, concrete and gravel. The largest extent of the stock is concrete and this was the only footpath type with a large enough sample size to be able to undertake the asset degradation process. It was found that the concrete footpaths had a life to condition 10 of 100 years and to the intervention level of condition 7 of 85 years.

See the note at the bottom of the kerb assets regarding the limitations of the degradation curve analysis for these assets.

## B. 2 Benefit of Unique Degradation Curves

Unique degradation curves developed via an analysis of condition change between surveys takes all variables into account to deliver a time - condition performance profile based upon the actual council locality. It is then used within the Moloney model to predict future condition change with time and greatly enhances the overall financial Modelling outcome.

In an indirect way the unique degradation curves take all variables into account. If council has a very poor attention to the maintenance of table drains alongside the rural sealed roads for example, the roads will decay more quickly and this will be reflected within the unique curves.

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## Appendix C - The Moloney Financial Model

### C.1 The basis of the model

Predictive modelling is undertaken within the Moloney financial modelling software in the following way

- It is a whole of asset set model that predicts overall performance of the asset set not an individual asset.
- The model commences with the present condition distribution (series 1 figures within each of the sub assets sections),
- The degradation curves are applied to the present condition distribution annually. If there was a 10 year life found within the degradation curves between conditions 3 and 4 then the model would degrade 1/10 or 10% of the condition 3 assets to condition 4 annually. This process operates across the condition range annually.
- From this point there are two distinct modelling paths. Model 1 and Model 2.
- Within Model No 2 - A retreatment intervention condition is nominated (level of service) and all assets that rise above the intervention level through the degradation process are returned as a capital renewal requirement. The primary output being a 20 year capital renewal profile to deliver a zero level of over intervention assets. (See the series 5 figures in each of the sub asset sections above). The model returns the repaired assets back to condition zero annually and they start their cycle again.
- Within Model No 1 - A proposed 20 year capital renewal expenditure profile is input and the model predicts the resulting asset condition change with time. (See the series 6 figures in the sub asset sections).
- Model No 1 takes the annual value of the planned renewal expenditure from the worst end of the condition distribution and put back to condition zero each year. Condition change can be monitored in a number of ways but the extent of the asset base that rises above the selected intervention level each year is considered to be the most useful. This is referred to as the level of "Over intervention Assets" or OIA's.
- We have also reverse engineered model No 1 through an iterative process to deliver a desired extent of OIA's after a selected number of years. The model delivers the annual expenditure necessary to achieve this outcome. We call this operation the "funding scenario finder" and a further explanation is available within Appendix D below. A detailed explanation is available from our web site at [www.moloneys.com.au](http://www.moloneys.com.au) off the [Information](#) Tab - 1 The Funding Scenario Finder Aug 2018

#### C .1.1 More detail on the operation of the Financial Model

For a more detailed explanation of the model and how it works please refer to our web site at [www.moloneys.com.au](http://www.moloneys.com.au) and from the Information tab download the PDF document titled "The basis of the Moloney Model". There is also an extensive amount of other background information. No log in or other details are required to be input on the web site for access to this information.

## C.2 Source and Status of the Modelling Inputs

Modelling outcome is very much dependent upon the accuracy of the input data and how assets are grouped. The basic five input criteria required for the modelling process are detailed below with their source identified.

Rehabilitation Cost	—	Supplied by Council - Reviewed by Moloney
Present Expenditure Levels	—	Supplied by Council
Asset Quantity	—	Directly from this survey
Asset Condition	—	Directly from this survey
Degradation Curves	—	Unique Degradation curves developed by MAMS

Modelling outcome is dependent upon all 5 of the above variables. If any one is of poor or questionable quality then the whole process can be flawed.

*The degradation curves used in the modelling process within this report have been specifically developed for Cootamundra Gundagai RC via a statistical analysis of asset condition change over two condition surveys since 2015*

### C.2.1 Asset Unit Renewal Rates

The asset unit renewal rates used within the modelling sections of this report are all based upon the projected cost to renew or rehabilitate the asset. Unit rates used within the asset valuation section may vary depending upon the accounting requirements of the council and may not directly relate to the values and or service lives used within the model.

### C.2.2 Modelling Projections

This report is limited in its financial analysis of the costs associated with the ongoing cyclical rehabilitation of the existing road network. Costs associated with new or upgraded assets would need to be added to the total expenditure levels delivered here. The financial analyses undertaken within the report can best be seen as an estimate of the ongoing financial demand to maintain the present asset base in perpetuity.

Any variation from this approach would be detailed within the sub asset report sections. For example council may have a policy to reconstruct all sealed rural roads of a particular class to a minimum width of say 6.8 m. We can adjust the model to accommodate this policy and if this were done it would be explained within the relevant sub asset section.

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## Appendix D Setting the Extent of Over Intervention assets and the funding scenario finder

This Appendix will deal with the setting of the Intervention Level and the setting of the extent of Over Intervention Assets. It will also briefly cover the operations of the Moloney "funding scenario finder".

### D.1 Definitions

#### D.1.1 Intervention Level - Level of Service

The Intervention level is the condition rating at which it is believed the asset should be replaced or rehabilitated. An asset usually commences at condition zero when new or newly rehabilitated and then progresses with time up the 0 - 10 condition rating scale. While the scale ends at condition 10 it would be normal to intervene to replace or rehabilitate the asset within the condition range 6 - 9 depending upon the desired level of service.

The intervention Level is simply the condition rating point at which the authority decides an asset should ideally be replaced or rehabilitated. You may not always achieve this level of service and the extent of the asset base that is above the selected intervention level at any time is your level of over intervention assets or your level of OIA's.

#### D.1.2 The Extent of Over Intervention Assets (OIA's)

The extent of OIA's is a very strong indicator of overall condition performance. In very simple terms it is the extent of the asset base that is above the selected Intervention level. It can be applied at an individual asset set level, a sub asset group level or at a whole of roads group level. It can also be expressed in a number of different ways three of which are illustrated at the top of Figure Agg 2 above and are as described below.

1. The OIA's as a Percentage of the total asset set valuation
2. The Dollar value of the OIA's
3. The OIA's as a percentage of the value of one year's average annual liability or consumption rate.

#### D.1.3 Annual Liability

The term "Annual Liability" is a practical substitute for the accounting term of "Annual Depreciation". They can be equal or quite close in value in some cases. But can also be very different in value. The problem stems from the purpose of each figure. Annual depreciation is designed to deliver the amount that can be claimed for taxation purposes for the ongoing consumption of an asset and has some strong restrictions in terms of international and Australian accounting standards.

Annual liability is aimed at providing an estimate of the future liability associated with the ongoing ownership and replacement of an asset. They are both derived in the simplest sense by dividing the replacement cost by the service life. But for a variety of reasons the best estimate of the replacement cost and the service life used in the derivation of annual depreciation can be quite different to your actual future liability to maintain the asset.

To simplify matters and to ensure consistent reporting within this document we have adopted "Annual liability" as our reporting figure that links to the future renewal demand associated with your assets.

Our annual liability figure comes directly from the replacement cost divided by the life to the selected intervention level as used for each individual asset set that is modelled. (You can see these two figures for each asset set within the series 4 tables within each of the sub asset set sections).

### D.2 Setting the Extent of Over Intervention Assets (OIA's)

If you had \$1,000 as the level of OIA's on a total asset base of \$100,000 your extent of OIA's would be 1.0% (See 1 in D.1.2 above). Its value would be \$1,000 (See 2 in D.1.2 above). However, there is a problem in reporting on a simple percentage of OIA's across assets with different service lives. Just as there is in comparing the dollar value between authorities with very different asset replacement values.

For example, if reporting on a single asset set with a service life of 100 years that had OIA's of 10% of the asset base, this would represent a very poor situation, with 10 years worth of average annual liability as

the backlog. But if reporting on an asset set with a service life of 10 years that same 10% level of OIA's, would represent only 1 year's level of average annual liability and would be a very sound position to be in. Hence straight reporting of the percentage of OIA's does not translate well between assets with different service lives.

Similarly the total dollar value of OIA's cannot be compared between authorities with different asset base valuations and unit renewal rates.

To address this problem the extent of OIA's can be expressed as the number of years worth of annual liability (in accounting terms the number of years worth of annual depreciation) that the level of OIA's represents. The size of the backlog of OIA's expressed in this way provides a really strong indicator that is independent of both asset service life, total asset valuation and the unit renewal rate.

This is of particular value when using the Moloney funding scenario finder on multiple asset sets with different service lives. In this situation the desired extent of OIA's can be set just once within the model as a percentage of one year's annual liability, rather than manually selecting different percentages of OIA's to match expected service life. Service life is thus eliminated as a variable. The model can then apply the same condition outcome in financial terms to sub asset sets with quite different service lives.

### D.3 Standardised descriptors for the level of over Intervention Assets OIA's

Figure D 1 has been developed as a guide to the selection of a suitable level of OIA's. The figures within the table are based on our 25 years of road condition rating experience, involving in excess of 255 full council road network surveys.

#### Guide to the acceptable extent of over intervention assets (OIA's)

% Range of one years Annual Liability	Your Asset Base renewal value at the top of this range	Value expresses as a % of the total Asset Base	Standardised Condition Description	Additional Comments on Descriptor
0% - 50%	\$2,867,643	0.8%	Exceptionally good	Extremely low levels of over intervention assets
50% - 100%	\$5,735,286	1.5%	Excellent	Very low level of over intervention assets
100% - 150%	\$8,602,929	2.3%	Very Good	low level of over intervention assets
150% - 200%	\$11,470,572	3.0%	Good	Low to acceptable level of over intervention assets
200% - 250%	\$14,338,214	3.8%	Fair	Condition only Fair and a little below the good range
250% - 300%	\$17,205,857	4.5%	Acceptable	Level of OIA's at the upper extent of the acceptable range
250% - 350%	\$20,073,500	5.3%	Poor	Moving into the start of the problem area
350% - 400%	\$22,941,143	6.0%	Very Poor	In need of urgent reduction
400% and Above	\$28,676,429	7.5%	Disastrous	Severe problems with assets in this condition

Figure D 1 Standardised descriptors for the level of OIA's

Figure D 1 displays nine ranges of OIA's expressed in years worth of annual liability. As explained above, linking the extent of OIA's back to the number of years of annual liability eliminates the problem that can occur with different asset lives. Reporting the extent of OIA's in this way provides a uniform platform that enables strong external benchmarking of Council performance as well as eliminating the bias that can occur with short life assets that may have what at first appears to be a high level of OIA's. It also allows the setting of a single and consistent extent of OIA's across several data sets with different service lives when using the Moloney model.

What the table is saying in the simplest of terms is that a level of one year's annual liability as the value of OIA's is an excellent position. Two years remains at a good level. Three years is at the top of the acceptable range and four year and more is considered to be a very poor overall condition.

Another way of looking at it is to think of it as the number of years you are behind in meeting the renewal demand in terms of year's worth of unmet annual liability, or average annual renewal demand.

Present extent of OIA's expressed in three ways			Your overall road asset condition based in the extent of OIA's	
Current % of OIA's expresses in years worth of average annual liability	Your present value of OIA's in \$	Your OIA's as a % of your total asset base valuation	Moloney standardised condition description	Additional comments on sandardised condition descriptor
194%	\$9,890,140	3.18%	Good	low level of over intervention assets

Figure D 2 Your extent of Over Intervention Assets as a Percentage of one years annual liability based on your adopted intervention levels



Figure D 2 presents your level of OIA's expressed as a percentage of one year's level of annual liability. Your figure being 194%. The table also records the total value of your OIA's" in straight dollar terms as well as it's percentage of the total asset base replacement value.

**IMPORTANT NOTE:** The figures quoted within Figure D2 for Cootamundra Gundagai RC are based on your adopted intervention levels. See Section D 3.1 below for your level of OIA's based upon standardized intervention levels.

### D 3.1 Standardized extent of OIA's

*The adopted intervention levels (level of service) can vary widely between councils. Hence it is useful for comparison purposes to report the extent of over intervention assets (OIA's) based on a set of industry standard intervention levels. In this way your level of OIA's as reported within Figure D3 below can more accurately be used for comparison purposes to the figures within Figure D1 above as they apply to all councils on the same basis.*

*In your case the adopted level of service is higher than the industry base level for some assets. Hence the reported extent of OIA's based on the standardized intervention levels is lower than that based on your adopted intervention levels and as reported within Figure D 2 above.*

Present extent of OIA's expressed in three ways			Your overall road asset condition based in the extent of OIA's	
Current % of OIA's expresses in years worth of average annual liability	Your present value of OIA's in \$	Your OIA's as a % of your total asset base valuation	Moloney standardised condition description	Additional comments on sandaridised condition descriptor
96%	\$4,538,584	1.46%	Excellent	Very low level of over intervention assets

Figure D 3 Your extent of OIA's as a Percentage of one years annual liability with Standardised Intervention levels

*Figure D 3 indicated that based upon the standardised intervention levels your total extent of OIA's drops to 96% of one years annual liability which lifts you into the "Excellent" condition range as detailed within Figure D 1 above.*

Note that all figures used within the report that represent the average annual asset consumption rate (annual liability) are linked to the asset lives and unit rates used within the modelling process. The report is in no way bound to accounting lives or unit renewal rates, as these can have accounting standards constraints that render them quite problematic in the prediction of future renewal demand.

## D.4 The Moloney funding scenario finder and it's inputs

The Moloney financial modelling software has the capacity to develop a recommended renewal funding profile that will deliver a nominated extent of over intervention assets within a selected time frame. A global outcome can be set for the whole roads group. In this way the model is also used to allocate funding between the sub asset groups to deliver the best overall condition outcome for the whole roads network.

There are three input criteria that can be set independently for each sub asset class or they can all be set to a common figure for all sub assets. They are generally set to a common figure but sometimes there may be sound reasons why certain sub assets are set independently. For example you may require a zero level of over intervention assets on the Unsealed Pavements because of their perceived higher public risk while accepting some extent of OIA's on other sub assets.

The funding scenario finder operates within the Moloney model in an iterative way to find a recommended funding profile that will deliver on a desired condition outcome. There are three basic input criteria.

1. Desired extent of over intervention assets (OIA's)
2. Year ahead by which you wish to achieve this outcome
3. The value of any annual compounding percentage increase in renewal funding

### D.4.1 Desired extent of over intervention assets

As detailed within D3 above the extent of over intervention assets is generally set in terms of the number of year's worth of annual liability that it represents. It is often set to the same figure for all road sub assets. But it can be varied if required.

#### **D.4.2 Year ahead to achieve the condition outcome**

This can be set within the model for any time frame from 3 - 50 years. The most common time frame used is 10 years, but in some cases this is extended to 20 years.

#### **D.4.3 Annual compounding increase in renewal expenditure**

This facility was included to enable the year one commencing expenditure to be lowered to match the planned renewal expenditure. In this way a funding strategy can be developed that commences from your present level of renewal expenditure and ends up at a higher level in later year. Most councils do have a growing renewal demand and this facility caters for that situation. It is designed to deliver a proposed future funding strategy that starts from where you currently are and gets you to where you need to be with asset condition in future years.

#### **D.4.4 The funding scenario finder operation**

The program uses the Moloney Model No 1 (see Appendix C 1 above) in an iterative way to deliver the recommended funding strategy. Model No 1 was designed to deliver the predicted condition outcome for a selected renewal expenditure profile over a 3 - 50 years time frame.

An iterative process has been set up within Model No 1 based on the above three input criteria. It commences by estimating the year one commencing funding level required to achieve the condition outcome. It then keeps adjusting that figure by lifting or dropping it depending upon the condition outcome. When the condition outcome is within 0.05% of the desired level of OIA's (as set in 1 above) the process ceases and that figure is returned as the required year one commencing expenditure level.

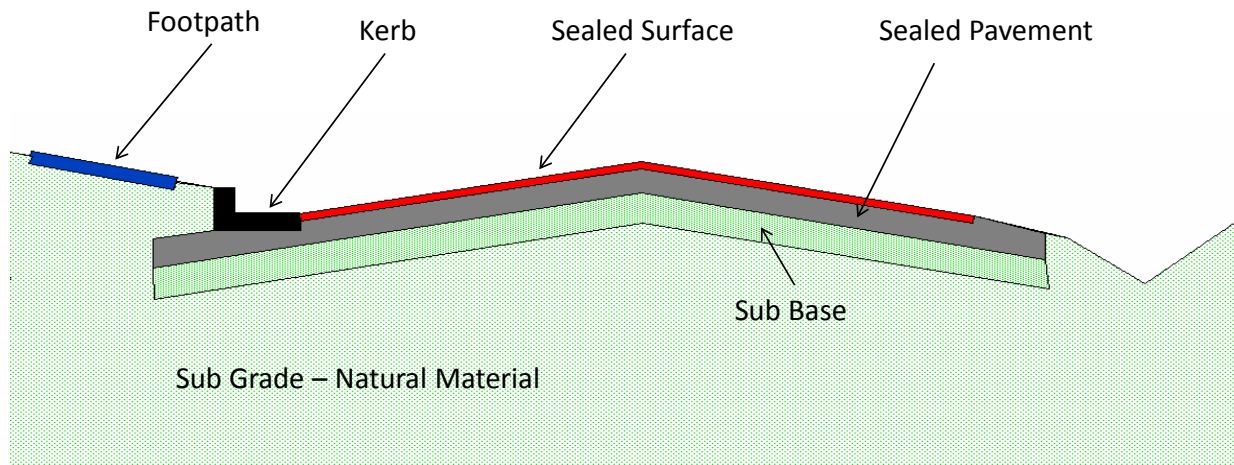
Within the Moloney software the scenario finder can be run for a single asset set or more commonly for all road sub assets. When running it for multiple road sub asset sets it has the added advantage of splitting the total renewal funding on a needs basis between the different road sub asset classes and ensuring that none of them get forgotten.

## Appendix E: Road make up and the Road sub Assets

This section will provide details of the five possible sub asset components that make up the full road asset group.

### E.1 The Road Sub Asset components

The infrastructure assets within council's road reservations consist broadly of the following five sub assets.



- |   |       |
|---|-------|
| 1 <u>Sealed Surface</u> -                       | Red   |
| 2 <u>Sealed Rd Pavement</u> -                   | Grey  |
| 3 <u>Kerb</u> -                                 | Black |
| 4 <u>Unsealed Pavement</u> -                    | Grey  |
| Same as Sealed Pavement without the seal on top |       |
| 5 <u>Footpath</u> -                             | Blue  |

Sub Grade is the natural material that the road is built upon

Sub Base is a second pavement layer that may or may not be present

Figure E.1 Road cross section showing the five possible road sub asset sets to be examined

The total road asset is broken down into five like performing sub asset sets as detailed above. The main reason for separating the road assets is to group them into like performing assets with the same service life. For example the sealed surface on the top of a sealed road pavement may have a service life of 10 - 20 years while the underlying pavement may be in the 50 - 150 year range. Hence they cannot be examined or modelled as a single asset set.

#### E.1.1 The Sealed Surface Sub Asset Set - Red

The sealed surface is the thin sprayed bitumen seal or asphalt surfacing that seals off the underlying pavement from the intrusion of water. Its primary purpose is to waterproof the underlying pavement as well as maintain a more constant moisture content within the pavement layer. It also provides a smooth wearing surface. Typical service life 15 - 30 years

#### E.1.2 The Sealed Road Pavement Sub Asset Set - Grey

The sealed road pavement is made up of a granular material (crushed rock, gravel or the like) that is used to distribute the imposed vehicle wheel load to the underlying soil over a greater area than the wheel contact area, such that there is little or no deformation or movement in the underlying soil. Pavements do break down and move with time and typically their service life would be in the 50 - 150 year range.

### E.1.3 The Kerb Sub Asset Set - Black

Kerbs in urban areas are normally constructed of concrete and are used to drain water away from the pavement. They tend to have a life similar to the sealed road pavement. They also assist in retaining the pavement edge in place.

### E.1.4 The Unsealed Road Pavement Sub Asset Set - Grey

The unsealed road pavement performs the same role as the sealed pavement except that it does not have the additional protection of a sealed surface. Its service life is generally shorter than the sealed pavement and typically would have a life of 15 - 30 years.

### E.1.5 The Unsealed Pavement Sub Asset Set - Blue

Unsealed Pavement assets are not really related to the road itself and can be seen as pavements for foot traffic. Their life may vary greatly and can be quite extensive if localised failures are repaired as they occur. Typical service life for concrete Unsealed Pavements is 40 - 80 years.

As can be seen from the above very brief descriptions, the adopted road sub asset components all have different lives and performance requirements. This is why they are examined and modelled separately.

*This survey has covered all of the above road sub assets.*

## Appendix F: What the condition Inspection has Delivered

*This appendix will deal with an explanation of what the condition survey has delivered.*

### F.1 Segmentation and measurement of the road network

The linear road network was broken down into like performing segments that were generally constructed at the same time. Then each of the five sub asset components that were present within each segment and were to be part of the condition survey were measured quantified and condition rated.

*For Cootamundra Gundagai RC the full road network was broken down into 1,836 individual like performing segments. Each segment was then measured and condition rated for the particular sub assets that were present.*

### F.2 What has been delivered

Once this data was placed within the MAMS System, the software delivered a range of outputs including those listed below.

#### F.2.1 Capital works programs

Works programs in priority order, based upon both the condition of the assets and the hierarchy or relative importance of the road, can be delivered within the following areas:

- Reseal – resurfacing program on sealed roads
- Sealed Road Pavement Rehabilitation program
- Sealed Road Pavement Major Patching or dig out repair program
- Sealed Road shoulder repair program
- Unsealed Road Resheeting program.
- Unsealed road isolated failure patching program.
- Kerb Renewal program and a separate Isolated Failure repair program.
- Footpath renewal program
- A host of other major maintenance reports such as crack sealing report, edge break report etc. These can be extracted from the data and are programmed directly into the MAMS road software.
- The MAMS software also has a mechanism for prioritising capital works on the more important classes of road

#### F.2.2 Asset valuations

Asset valuations can be delivered based on either the condition or the age of the assets. For a detailed explanation of the road asset valuation methodology adopted by MAMS please refer to the document titled [Road Asset Valuations June 2017](#) available on our web site at [Moloneys.com.au](http://Moloneys.com.au) under the Information tab.

But a note of caution, the asset valuations presented within this report may vary from those adopted for accounting purposes. There are a lot of matters to be considered in the delivery of the accounting valuation figures and unless we were specifically engaged to deliver accounting valuations our figures may vary from councils adopted figures and you are advised to undertake your own accounting valuations using the survey data set as the basis of that operation.

#### F.2.3 Prediction of future financial renewal demand

The Moloney financial model can be used in conjunction with the survey information to deliver a prediction of the ongoing renewal demand and a recommended future funding strategy. See Appendix C and D for more details relating to the operation of the Moloney Model.

#### F.2.4 Performance benchmarking

Council's asset performance since the last survey is benchmarked against a series of key performance indicators. We also provide longer term benchmarking where there has been more than 2 condition

inspections undertaken. Externally benchmarked is provided against all councils assessed by MAMS on the same performance indicators, currently 70 councils.



## Appendix G Glossary of Terms and Definitions

The table below contains a list of explanations for some common terms and phrases that have been used within the report

Term Used in Report	Explanation
Asset Condition Rating Scale	The condition Rating scale for all assets is on a (0 - 10) scale with 0- Brand new and 10 - No remaining value
Annual Depreciation	This is an accounting term designed to deliver the annual tax deductibility associated with an asset. It is largely irrelevant to Local Government financial management and forecasting, but Australian accounting standards dictate that it be reported upon even though councils do not pay income tax.
Annual Liability	This is the average annualised cost of the future replacement of the full extent of the asset base. It can vary dramatically from "Annual Depreciation". Financial Forecasting needs to be linked to the Liability of future renewal or replacement cost rather than historic cost. Throughout the report any reference to "Annual Liability" will be linked to the financial modelling unit rates and service lives and not those used for accounting purposes.
Asset set	This is an individual set of assets that is modelled within the Moloney model as a single asset set. There may be five sealed road pavement "Asset Sets" that make up the Sealed Rd Pavement asset group or "Sub Asset Set". They are generally modelled separately because of different "Service Lives" and or different "Levels of Service"
Backlog	This is an alternative term used to express the extent of Over Intervention Assets as a backlog of unmet renewal demand.
Funding Scenario Finder	The Moloney Financial Model has an inbuilt function that can create a recommended funding profile across the whole of the roads group based on a desired extent of over intervention assets (OIA's) after a set time frame. The scenario finder enables all asset sets to be modelled together and to also have the renewal expenditure optimised between the sub asset groups.
Greenfields - Brownfields Construction costs	These are accounting terms that can have a huge impact on financial modelling outcome. Greenfields construction cost is the original cost when the site was vacant with no traffic or other incumbrances. Brownfields construction cost is the cost associated with the reconstruction of the asset with all of the additional incumbrances such as other services, traffic etc. ALL replacement costs within this report are based on Brownfields costs as this is the only realistic way to undertake meaningful financial modelling.
Intervention Level - Or Retreatment Intervention Level	This is the point within the condition rating scale (0 - 10) that you determine the asset needs to be replaced or rehabilitated. It represents your planned level of service and is normally within the 6 - 9 cond. Range
Level of Service	Level of service within this report is directly related to the selected "Intervention Level". Low intervention level delivers high level of service, while high intervention level delivers Low level of service.
MAMS	Moloney Asset Management Systems.
Moloney Standardised Condition Descriptor	This is a description developed by MAMS that links overall asset condition to the extent of over intervention assets expressed as the number of years worth of "Annual Liability"
OIA's	"Over Intervention Assets"
Over Intervention Assets OIA's	This is the extent of the asset base that is above the selected intervention level. It is the extent of the asset base that needs renewal now. Sometimes referred to as the backlog of OIA's
Replacement Value	All replacement values used within this report (other than within Appendix A dealing with accounting valuations) are based on the actual planned replacement or rehabilitation cost of the asset. Also referred to as the "Renewal Cost". It may vary considerably from the accounting replacement cost. (See "Greenfields - Brownfields" Definition)
Service Life	This is the expected life in years that an asset on average will remain in service. Service life will reduce as your level of service improves with lower intervention levels. You don't get the additional asset life that could be obtained beyond the intervention level (if adopting a higher level of service).
Sub Asset Set	For reporting purposes this document has adopted up to five road sub asset sets within the broader roads asset group. They are, Sealed Rd Pavements, Sealed Surfaces, Unsealed Rd Pavements, Kerbs and Footpaths. The asset sets are modelled and reported upon separately within the report, broadly in line with councils funding categories.

Figure G 1 Glossary of terms and Definitions used in report