



Waitakere City Council  
*Te Taiao o Waitakere*

## NOTICE OF MEETING

# FINANCE AND OPERATIONAL PERFORMANCE COMMITTEE

I hereby give notice that a meeting of the Finance and Operational Performance Committee will be held on:-

**DATE:** Monday, 8 March 2010 **TIME:** 9.30 am

**MEETING ROOM:** Council Chamber

**VENUE:** Waitakere Central, 6 Henderson Valley Road, Henderson, Waitakere

to consider the business as set out herein and to take any necessary action connected therewith.

3 March 2010

Carmen Fernandes  
**COMMITTEE SECRETARY**

Telephone (09) 836 8000 extn 8887

### MEMBERSHIP:

Councillors	RI	Clow (Chairman)
	JM	Clews, QSO, JP (Deputy Chairman)
	DQ	Battersby, QSM, JP
	BA	Brady, JP
	MFP	Chan, JP
	LA	Cooper, JP
	AK	Corban, OBE, JP
	RP	Dallow, QPM, JP
	WW	Flaunty, QSM, JP
	PA	Hulse
	MM	Jolley
	JP	Lawley, JP
	PG	Mitchell
	VS	Neeson, JP

Mayor RA Harvey, QSO, JP (ex officio)

(Quorum 5 members)

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(Meeting Room could be subject to change)

(The reports and recommendations contained in all agendas are reports and recommendations only and are not to be construed, in any way, as Council policy until adopted.)

**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE  
COMMITTEE TO BE HELD IN THE COUNCIL CHAMBER AT WAITAKERE CENTRAL,  
6 HENDERSON VALLEY ROAD, HENDERSON, WAITAKERE, ON MONDAY,  
8 MARCH 2010, COMMENCING AT 9.30 AM**

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**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE COMMITTEE TO BE HELD IN THE COUNCIL CHAMBER AT WAITAKERE CENTRAL, 6 HENDERSON VALLEY ROAD, HENDERSON, WAITAKERE, ON MONDAY, 8 MARCH 2010, COMMENCING AT 9.30 AM**

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**PART A - OPENING OF MEETING**

**1 APOLOGIES**



**2 URGENT BUSINESS**

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the Committee by resolution so decides; and
- (ii) the Chairman has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion and decision, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting.

The Committee may make a decision on a matter determined to be urgent.

**NOTE:** Urgent Business need not be dealt with now and may be delayed until later in the meeting.



**3 CONFLICTS OF INTEREST**

The Council has acknowledged in its Code of Conduct that Members need to be vigilant to stand aside from decision making when a conflict arises between their role as a member of the Council and any private or other external interest they might have. This note is provided as a reminder to members to check that no such conflicts arise in relation to any items on this agenda.



**4 CONFIRMATION OF MINUTES**

Meeting Minutes - Monday, 8 February 2010

**RECOMMENDATION**

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the minutes of the meeting of the Finance and Operational Performance Committee held on Monday, 8 February 2010, as circulated, and that they be taken as read and now be confirmed.



**PART B - LEGAL AND CONSTITUTIONAL**

**5 AFFIXATION OF COMMON SEAL**

**RECOMMENDATIONS**

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Affixation of Common Seal report.
2. **Agree** that the action taken in affixing the Common Seal on the documents as set out in the agenda report be adopted.

**EXECUTION OF DOCUMENTS: 2-26 February 2010**

<b>Nº</b>	<b>NAME</b>	<b>PARTICULARS</b>
4934	WCC - Exotic Developments Limited	Authority and Instruction for an electronic transaction form - 168 Metcalfe Road, Ranui (Stage 1A) re Amalgamation Covenant - RMA 2009285
4935	WCC - IP & SW Harper	Authority and Instruction for an electronic transaction form - 58A Red Hills Road (Lot 3) re Uncompleted Works and Maintenance Bond - SUB 20051173
4936	WCC - IP & SW Harper	Partial Discharge of Bond No.8188726.2 - 58A Red Hills Road - SUB 20051173
4937	WCC - Kashmir Investments Limited	Authority and Instruction for an electronic transaction form - 34 Kashmir Road, Glen Eden re Water Drainage Easements and Covenant - LUC 2007-862
4938	WCC - JC Pragert	170 Piha Road, Piha - Encumbrance Instrument - Rule 44(2)
4939	WCC	Waitakere City Council Plan Change 26 Operative Status
4940	WCC - Exotic Developments Limited	Amalgamation Covenant (s.220(2)) - 168 Metcalfe Road, Ranui (Stage 1A) - RMA 2009285
4941	WCC - Dolam and Morgan	Variation of Mortgage consent - 41D Jaemont Avenue, Te Atatu
4942	WCC - BJ Dalley	Authority and Instruction for an electronic transaction form - 15 & 15C Lucinda Place, Glen Eden re s.224(c), Consent Notice s.221 RMA and Drainage Easement - RMA 2008973
4943	WCC - Shaun Neville Murray, Dog Control Officer	Warrant of Appointment & Evidence of Identity - No.WCC472
4944	WCC - Mahesh Patel and Nalin Patel	Memorandum of Encumbrance - 105-107 Atkinson Road, Titirangi
4945	WCC - M Dalziel and LH Noonan	Cancellation of Bonds No.6364714.1 and 6774599.1 - CT.NA837/255
4946	WCC - W&L Anderson Property Holdings Limited and others	Certification that WCC has cancelled the condition requiring creation of stormwater easement - 12, 14 & 16 North Candia Road - RMA 20061034
4947	WCC - NJ Barbour and Covil Trustees Limited	Certificate approving removal of entry under s.78(1) Building Act 2004
4948	WCC - JD & BG Glucina	Authority and Instruction for an electronic transaction form - 39-41 Shaw Road, Oratia re s.224(c), Consent Notice s.221 RMA and Bond - RMA 20052251

Nº	NAME	PARTICULARS
4949	WCC - Gabin Trustee Limited	Authority and Instruction for an electronic transaction form - 108 Woodglen Road, Glen Eden re s.224(c) and water supply easement - RMA 20041439
4950	WCC - Haigh Lyon (Andrew & Indi Limited)	Authority and Instruction for an electronic transaction form – 59 Savoy Road, Glen Eden - Rule 44(2) Standing Orders
4951	WCC - AJ & L Parkinson	Authority and Instruction for an electronic transaction form - 33 Mason Street, New Lynn re s.224(c) and drainage easement - RMA 20071751
4952	WCC	Waitakere City Operation District plan (27/3/2003)
4953	WCC - Verhoff	Authority and Instruction for an electronic transaction form - 40B Konini Road, Titirangi re partial discharge of encumbrance - RMA 2008-1375
4954	WCC - Milano International 2005 Limited	Authority and Instruction for an electronic transaction - 113 Sturges Road, Henderson re s.224(c), consent notice under s.221 RMA, drainage and water easements - RMA 20071593
4955	WCC - JL & AD Richards	Withdrawal of Caveat, 422-424 Huia Road, Titirangi - Rule 44(2) Standing Orders
4956	WCC - Apelu Junior Apelu, Enforcement Officer	Warrant of Appointment & Evidence of Identity - No.WCC473
4957	WCC - Haitelensia Oneone, Enforcement Officer	Warrant of Appointment & Evidence of Identity - No.WCC474
4958	WCC - Melemele Puka, Enforcement Officer	Warrant of Appointment & Evidence of Identity - No.WCC475
4959	WCC - Glendowie Ventures Limited	Authority and Instruction for an electronic transaction - 14 & 14A Mildmay Road, Henderson re s.224(c) and drainage easement - RMA 2006729

Report prepared by: Denis Sheard, Legal Services Manager.



## **PART C - FINANCE**

### **6 OPERATING AND CAPITAL EXPENDITURE FORECAST REPORT AS AT 31 JANUARY 2010**

#### **EXECUTIVE SUMMARY**

An end of year financial forecast was completed by Managers for the period ending 31 January 2010. This report presents the results of this process.

Operational and capital expenditure forecasts, associated recommendations and individual results for Directorates are reported.

## **RECOMMENDATION**

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the Operating and Capital Expenditure Forecast report as at 31 January 2010.

## **BACKGROUND**

A1-A20

1. This report covers expenditure to 31 January 2010 and the forecast for the remainder of the year. The financial summary and associated notes are attached at pages A1 to A20.

## **DECISION MAKING**

2. There are no decisions required in respect of this report.

## **Issues**

3. Explanations for significant variances between forecasts and the Annual Plan budgets are provided for the overall operating performance statement and capital expenditure.

## **STRATEGIC CONTEXT**

4. The Council's operating and capital expenditure delivers projects necessary to achieve the Council's strategic direction.

## **CONSULTATION**

5. No consultation was required in respect of this report.

## **RESOURCES**

6. This report has no resource implications.

## **IMPLEMENTATION ISSUES**

7. There are no implementation issues in respect of this report.

## **AUCKLAND COUNCIL TRANSITION ISSUES**

8. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

**Report prepared by:** Stephen Drumm, Associate Director of Finance.



**7 PERFORMANCE REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

**EXECUTIVE SUMMARY**

The purpose of this report is to inform the Finance and Operational Performance Committee on the performance measures for the six months ended 31 December 2009.

**RECOMMENDATION**

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the Performance Report for the Six Months Ended 31 December 2009.

**BACKGROUND**

1. Through the Long Term Council Community Plan and Annual Plan process, the Council approves its performance measures. A number of these measures are annual measures and are not reported at this stage. The measures for the full year are published in the Council's Annual Report and are subject to Audit.
2. If any further information is required in respect of this report, other than of a general nature, please contact the writer prior to the meeting to enable the query to be researched.
3. This report is for the six months ended 31 December 2009 and is attached at pages A21 to A42.

A21-A42

**DECISION MAKING**

4. There are no decisions required in respect of this report.

**Issues**

5. Comments are made on measures where reported targets have not been met.

**STRATEGIC CONTEXT**

6. The Council's performance targets measure the performance of those operational areas that contribute to achieving the Council's strategic direction.

**CONSULTATION**

6. No consultation was required in respect of this report.

**RESOURCES**

7. This report has no resource implications.

**IMPLEMENTATION ISSUES**

8. There are no implementation issues in respect of this report.

## AUCKLAND COUNCIL TRANSITION ISSUES

9. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

**Report prepared by:** Khee Mee Soo, Deputy Director: Finance.



## 8 STATUS OF SPECIAL FUNDS

### EXECUTIVE SUMMARY

A43

The purpose of this report is to inform the Finance and Operational Performance Committee on the status of the Council's special funds as at 31 January 2010, as attached at page A43.

### RECOMMENDATION

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the Status of Special Funds report.

### BACKGROUND

1. Special funds are those funds held or designated by the Council for a specific purpose or purposes.
2. Special fund movements are recommended through the Long Term Council Community Plan and Annual Plan adoption process. Special funds are classified as either "Restricted Funds" or "Non-Restricted Funds". Restricted funds are those funds that have been received by the Council from a third party or parties and are to be used for a specific purpose or purposes. Non-restricted funds are funds established by a Council resolution to use and set aside its own funds and also to meet a specific purpose or purposes. Council can determine when non – restricted funds are no longer required and they can be transferred back to general fund.
3. The special funds have been used to offset Council borrowings. This is part of the overall fund management strategy. Therefore any payments from the special funds will be drawn from Council overall cash or debt funds as appropriate. Interest is allocated to applicable funds at official cash rate for each month.

### DECISION MAKING

4. There are no decisions required in respect of this report.

## STRATEGIC CONTEXT

5. The Council uses special funds as provided for in the Long Term Council Community Plan and Annual Plan.

## CONSULTATION

6. No consultation was required in respect of this report.

## RESOURCES

7. This report has no resource implications.

## IMPLEMENTATION ISSUES

8. There are no implementation issues in respect of this report.

## AUCKLAND COUNCIL TRANSITION ISSUES

9. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

Report prepared by: Khee Mee Soo, Deputy Director: Finance.



## 9 BORROWING AND INVESTMENT REPORT

### GLOSSARY

Finance and Operational Performance Committee	(the Committee)
Integrated Treasury Group	(ITG)
Liability Management and Investment Policy	(the Policy)

### EXECUTIVE SUMMARY

This is a monthly report to the Council's Finance and Operational Performance Committee (the Committee) and is also a requirement of the Council's adopted Liability Management and Investment Policy (the Policy). It provides information on the Council's borrowing and investment activities over the past month and also high level of information on current financial market conditions. From time to time additional and more detailed information is requested on particular areas of interest by the Committee or other Committee.

## **RECOMMENDATIONS**

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Borrowing and Investment Report.
2. **Approve** the Borrowing and Investment Report.

## **BACKGROUND**

1. The Council enters into treasury related financial contracts in the ordinary course of its business. It is the role of the Council's Funds Management section to manage such contracts and the impact that they have on the organisation. All funds management transactions are governed by the Policy prepared in compliance with the Local Government Act 2002. As a requirement of that Policy this report informs the Committee on the current and future movements of the Council's debt and cash investments, and provides a general commentary of financial market conditions.

A44-A49

2. The relevant portfolio and graphs reflect the estimated position as at 31 January 2010 and are attached at pages A44 to A49.

## **DECISION MAKING**

3. The Committee is requested to approve the Borrowing and Investment Report.

## **Issues**

4. The Council's Funds Management function actively manages a large portfolio of various debt and investment instruments. The benefit of borrowing is that it enables the Council to carry out the projects identified in the Annual Plans and Long Term Council Community Plans, while spreading the costs for those projects over time to recognise the future benefits. Borrowing funds therefore assist the Council with its entire loans funded strategic initiatives. The Policy requires that a report detailing the management of the portfolio be presented to the Committee on a regular basis. The report must include information on the following subjects:

- Cash/debt position;
- Forecasted borrowing profile;
- Interest rate profile;
- Risk management;
- Material transactions; and
- Market commentary.

5. This report addresses the requirement of the Policy and may include other information that is relevant to the Funds Management function.

## **Financial Implications**

6. The active management of the treasury portfolio seeks to minimise the Council's borrowing costs and maximise investment returns of liquid assets. The Funds Management function is also charged with seeking investors, thus ensuring that there is sufficient liquidity available for the Council to continue its work programme. New Zealand financial markets are significantly volatile and therefore interest rate risk management is a key responsibility of the Funds Management function. Detailed financial information included within this report is intended to give assurance of the prudent management of the Council's portfolio.

7. The Council maintains a Standard and Poor's Credit Ratings of A-1+ short term, and AA- long term (Stable Outlook).
8. The Council has adopted financial ratios included in its Liability Management and Investment Policy which provides limits on the level of debt and interest the Council will have. The following table shows the ratio limit, the 2007/2008 actual and the 2009/2010 budgeted levels.

Financial Ratio	Actual 2007/2008	Budget 2009/2010
Net Debt as a percentage of income	144.48%	212%
Net interest as a percentage of income	9.4%	12%
Net Interest as a percentage of rates	17.7%	20%

### Interest Rates

9. The Reserve Bank of New Zealand left its Official Cash Rate unchanged at 2.50% after their Monetary Policy Statement on 28 January 2010. This continues with the banks medium term strategy of holding its Official Cash Rate firm until the middle of 2010. New economic data has certainly re-enforced the Reserve Bank's view and 90 day bank bills as well as other short term interest rates have adjusted to reflect the longer hold on local interest rates. The one year interest rate swap rate has decreased from approximately 3.50% to the current 3.40% level. Off-shore economic data has also had its impacts on the New Zealand interest rate market with long term interest rates falling from over 6.0% to the low around 5.82%.

### Integrated Treasury Group Update

10. The Integrated Treasury Group (ITG) has met several times over the past two months. A number of treasury related strategies have been discussed and agreed. Auckland City Council will be issuing up to \$350 million of retail bonds in March 2010. This has no price set at 1.11% over the five year swap rate on the issue date with a minimum coupon of 6.25%. The quoted coupon rate is exclusive of the costs associated with the bond issue. The desire is that the bond should remain fixed in nature, though some allowance is made for councils to maintain their respective policy requirements as stated in the ITG Protocols.
11. The Integrated Treasury Operating Protocols were discussed verbally at the November 2009 Finance and Operational Performance Committee meeting and additional reporting on the Integrated Treasury Operating Protocols was included in the December 2009 Borrowing and Investment Report. The ITG Protocols create a pre-transition process for the management of the Auckland regions treasury activities so that the significant liquidity risks already identified in the consolidated regions debt portfolio can be managed. Auckland City Council will be the primary council issuing debt on behalf of all councils within the region. The strategies undertaken by Auckland City Council are pre-approved by members of the ITG. Each council has nominated one member for this group who has sufficient expertise of treasury related matters.

### STRATEGIC CONTEXT

12. The management and use of borrowing and investments is aligned to all of the Council's strategic objectives, as adopted in both the Annual Plan 2009/2010 and the Long Term Council Community Plan 2009-2019.

### Preferred Option

13. There is no preferred option presented with this report.

### CONSULTATION

14. This report includes data sourced by the Council's external treasury advisors, Asia Pacific Risk Management, and material, opinions or views sourced from various financial institutions.

### RESOURCES

15. The Council, through its Annual Plan 2009/2010, provided for total new borrowings of \$230.585 million, including loans attributable to projects carried forward from previous years totalling \$114.412 million. Total interest cost has been provided in the Annual Plan 2009/2010 of \$31.839 million.

### IMPLEMENTATION ISSUES

16. There are no implementation issues identified for this report.

### AUCKLAND COUNCIL TRANSITION ISSUES

17. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

**Report prepared by:** Bruce Wilkin, Group Manager: Funds Management.



## **PART D - GENERAL**

### **10 COUNCIL CONTROLLED ORGANISATIONS - HALF-YEARLY REPORTING**

#### **GLOSSARY**

Council Controlled Organisation/s	(CCO/s)
Auckland Film Studios Limited	(AFSL)
Waitakere City Holdings Limited	(WCHL)
Waitakere Enterprise Trust Board	(WE)
Waitakere Properties Limited	(WPL)
Statement of Intent/s	(SOI/s)
Auckland Transition Agency	(ATA)
Long Term Council Community Plan 2009-2019	(LTCCP)
Local Government (Auckland Law Reform) Bill	(the Third Bill)

## EXECUTIVE SUMMARY

This report provides details on the half-yearly (July to December 2009) performance of Waitakere's Council Controlled Organisation (CCOs). An update is also provided for Auckland Film Studios Limited (AFSL), which is not classed as a CCO within the Local Government Act 2002.

The second quarter reporting and performance reviews have been completed for Waitakere City Holdings Limited (WCHL), Waitakere Enterprise Trust Board (WE) and Waitakere Properties Limited (WPL). WCHL has also received a performance update on the Joint Venture partnership Council has with AFSL. All entities continue to track well against the performance targets and requirements identified within their respective Statements of Intent (SOIs) and supporting documents (WE Activity Plan / Funding and Service Agreement and WPL Trust Deeds / Letters of Direction). Detailed performance reporting is available upon request.

The Chairman of the WCHL Board will be available at the meeting, to provide further comment or explanation as required. The Chief Executive for Waitakere Properties Limited will also be available to provide an update on the promotion of Yard 37 in Abu Dhabi and Singapore at the end of February 2010. Mr Parker will also provide further information on the collaborative work with the marine precinct planned for the Wynyard Quarter of Auckland Harbour development (Sea+City Projects), which is considered to be complementary to the Hobsonville Marine Precinct development proposal.

## RECOMMENDATION

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the Council Controlled Organisations - Half-Yearly Reporting report.

## **BACKGROUND**

1. Through statutory requirements of the Local Government Act 2002 and the respective SOIs, WCHL, WPL and WE are required to provide regular financial and operational performance reports and commentary to Council. WCHL is responsible for providing leadership and a performance monitoring role for WE and WPL. WCHL also provides an overview of the performance of the Council's Joint Venture with AFSL which manages and operates the Henderson Valley Film Studios.
2. The Finance and Operational Performance Committee has the delegated responsibility to consider matters relevant to the governance and performance (of the boards) of the CCOs. This includes consideration of the half-yearly performance reports for the group of entities represented by WCHL, and periodic evaluation of the performance of WCHL against key performance targets.

## **DECISION MAKING**

3. As this report is for information only there is no decision making required.

### **Issues for Update**

4. The Draft SOIs for Waitakere's CCOs have all been delivered within statutory timeframes, and are currently being reviewed internally. These documents are scheduled to be brought to the 12 April 2010 Finance and Operational Performance Committee meeting for formal consideration and comment.

5. The following pending actions for Council officers will be progressed within the context of improved understanding on the future governance of Auckland's CCOs, and external advice as required:
  - Council investment in WCHL and WPL (tax-efficient options to possibly extract this).

#### **Waitakere City Holdings Limited**

6. WCHL continues to operate in a fiscally sound manner and has sufficient working capital available to meet upcoming costs and continue with a 90 day term deposit for the \$1.5 million investment held by WCHL.
7. On 10 December 2009, the WCHL held a special meeting to complete the self-assessment and review of the Board performance – the Board and supporting officers are confident in the performance of the individuals and the style of operations, which are based on long and well-established relationships of mutual respect. The key role of the Board going forward will be to demonstrate strong leadership, to ensure that staff issues and interests (for Waitakere's CCOs) are well managed, and that there is a helpful transfer of information to the Auckland Transition Agency (ATA). The Annual General Meeting and Inaugural Audit and Risk Committee meeting were also held on 10 December 2009. Councillors, as shareholder representatives, and Audit New Zealand were also in attendance.
8. Audit New Zealand confirmed that current operations meet requirements and it will work closely with the WCHL Board to ensure that requirements for the year ahead are understood and managed as required.
9. Given the pending amalgamation, it is agreed that it was neither appropriate nor a priority to invest in more formalised Board reviews for Waitakere's CCO Boards.

#### **Waitakere Enterprise Trust Board**

10. WE continues to deliver services and programmes with minimal impacts to year-end forecasts despite its change in tax status, reductions in Tertiary Education Commission funding and staff redundancies (through closure of the Mount Roskill Office). TrainSmart has been re-sized to retain viability on the basis of lower revenue and new funding avenues have been successfully accessed for the joint TrainSmart / Unitec initiative and stage two of a regional productivity pilot (Waitakere and Rosebank).
11. At 31 December 2009, WE was operating at a minor loss of \$27,979 (it is noted that by 31 January it was operating ahead of budget however). For the purposes of year-end retained earnings projections, WE will be forecasting an overall loss due to non-recoverable costs associated with preparing for transition to the new Auckland Council. Any actual final losses will be met internally and no further funding will be sought from the Council. WE has established sufficient working capital and equity to cover these costs.
12. John Wadsworth, the Chief Executive of WE, has now been seconded full-time to the ATA and Susan O'Meagher is the Acting Chief Executive.

#### **Waitakere Properties Limited**

13. WPL's half-yearly performance is reporting on track, with a minor net profit of \$3,696 at 31 December 2009. Annual performance targets programmed for completion during the year ahead.

14. The Long Term Council Community Plan 2009-2019 (LTCCP) now includes budget lines for the general expenses and recoveries associated with six of the Trust Project Accounts (Hugh Brown, Godley Road, Ambrico Place, Keeling Road, Waitakere Central One Building and Totara Shops). Council forecasting on these budgets shows reduced net recoveries from the management of these properties for 2009/2010. Whilst there have been savings through no longer preparing Waitakere Central one for sale this year, the rental recoveries across Waitakere Central One, Keeling Road and Totara Shops are lower than forecast due to vacancies.
15. Given the additional decision-confirmation process required by the ATA and ongoing uncertainties associated with the service delivery model and transfer of major projects to the new Auckland Council / proposed CCOs, the strategy with major project initiatives is as follows:
  - Package to state where development is assured as much as practicable and projects are in a robust place for the new Auckland Council to make final decisions on mode of delivery and implementation (progress to point of obvious hand-over with supporting business plan in place, ensure land holdings are consolidated, and ensure all possible zone changes / consents are in place).
16. Updates on the priority development projects for WPL are outlined below:
17. Hobsonville Marine Industry Cluster:
  - Auckland Regional Council & Council Resource Consent applications for a new ferry wharf, marina, boardwalks and launching facility were publicly notified on 16 January 2010 (submissions closed Friday 12 February 2010).
  - The Comprehensive Development Plan has also been lodged (planning for limited notification – currently working through section 92 requests for further information).
  - Continued roll-out of significant marketing programme for “Yard 37” (expression of interest launched to both the domestic New Zealand industry and also internationally). The programme of events for early 2010 include:
    - Abu Dhabi Yacht Show, Abu Dhabi, February 2010 (WE and WPL attended – this included stop-off via Singapore for additional opportunities to be investigated).
    - Louis Vuitton Trophy Series, Auckland, March 2010.
    - Auckland International Boat Show, March 2010.
    - New Zealand - Australia Investment Forum, Auckland, March 2010.
    - World Association of Investment Promotion Agencies Oceania Regional Forum, Auckland, March 2010.
18. The decision has now been made (Long Term Council Community Plan & Annual Plan Committee on 23 February 2010) not to include the major Capital expenditure for infrastructure works (and associated recoveries from pre-sales) as a variation to the LTCCP. As an alternative, \$1.5 million capital expenditure will be allocated from existing associated budgets for in the draft Annual Plan 2010/2011 – this allows for plan change, consenting and marketing work programmes to continue but no physical works. The draft Annual Plan 2010/2011 will include commentary on key development priorities for Waitakere and note those that will require urgent consideration for support by the new Auckland Council. In addition, Council officers, WPL and WE will work collaboratively with industry representatives to develop and implement an advocacy plan to ensure this project is on the radar for long-term project funding to be included within the budget planning cycles of the new Auckland Council from 2011/2012. By this time, it is envisaged that the consenting programme will be completed, the zone

changes will be finalised and pre-sales for the development will have been secured.

19. It is noted that when the ATA approved the 2009/2010 budget and business case for the Marine Precinct, it queried the source of funding for subsequent years and requested that the financing costs (interest on capital loans for land purchase/holding and property development) be built in to the financial model.
- WPL has updated the model to reflect the current strategy for deferred physical works and sales revenues over the first two years.
  - Council has made some preliminary calculations on financing costs, which will now need to be built back into the WPL model.
20. Great North Road Redevelopment (Old New Lynn Hotel Site) for an independent childcare facility):
- Priority work within the current year includes an update to the business case / seeking ATA confirmation for the project to proceed, ensuring that air quality concerns will not prohibit the license for an early childcare centre on this site (Ministry of Education have provided a letter confirming that air quality concerns will not hinder this development), securing an alternative childcare service provider / operator (WPL is currently working towards a lease agreement with Kidicorp) and preparing consent applications.
  - The delivery of this project will continue through to 2010/2011 (current budget allocation of \$1.8 million is forecast to be spread across two years, with an anticipated carry-forward of \$1.6 million to next year). Whilst it is also recommended that the programmed sale of this asset be deferred to 2012/2013 to allow for one year of operation prior to seeking a private sale (proven revenues increase the value for business investment), WPL has advised that it is confident it could sell within 2-3 months of the centre opening.
21. Wilsher Village:
- Subsequent to the settlement on the final property purchase in December 2009, the resource consent application for this development has now been lodged. Further market analysis work has also been completed, to test the development proposal in the current economic climate and to identify future demand and confirm the differentiating factors of the development proposal - whilst there are perception risks to manage when marketing a development for varied socio-economic ownership and rental groups, the location, green spaces / gardening access, and lower weekly fees / shared capital gain excited prospective buyers. The proposed access to on-site medical services was also extremely attractive.
  - At the 3 February 2010 meeting of the Infrastructure and Works Committee, approval was granted to demolish all vacant buildings at 33 Henderson Valley Road (building consent currently being obtained for this work to proceed). This work is in response to the high maintenance cost and significant risk of large scale damage from arson, however it is also effectively the next stage in preparing the site for redevelopment. Residents and supporting facilities are now all located at 21 Henderson Valley Road – this was the priority location for the 2008 upgrades to existing units which included the following work:
    - Small extensions on 12 bedsit units to make the space more usable, and to allow room for a fridge in the kitchen;
    - Repainting, and replacement of floor coverings in units to be occupied; and
    - Redesign of kitchens to allow for new stoves.

- Council to determine priorities for delivery and establish an advocacy plan to assure the ongoing delivery of this project and ongoing improvement of conditions for current residents.
22. The Council is currently forecasting for a one-year deferral of project costs budgeted from 2010/2011 onwards, based on the assumption that \$1.4 million of the \$1.9 million in the 2009/2010 budget will be carried through to next year. The revised work programme is based on the following:
- Delay in property acquisitions and uncertainties associated with transition to new Auckland Council have resulted in project timelines being pushed out.
  - Priority is now on providing a clean site (land consolidated and demolition work to be completed at 33 Henderson Valley Road) and an attractive, consented investment package which will then be handed over to the new entity for delivery.
  - The WCHL Board has approved costs to date to prepare for building consent application (\$191,000), Market Analysis work (\$40,000) and WPL Management fees for the year (\$120,000). Additional costs will also be required to complete the publicly notified resource consent application (\$40,000 for consent fees and \$50,000 associated professional services fees).
23. Property Divestments:
- As programmed and budgeted, WPL has met the programmed distribution of \$1.5 million from the sale of properties at Keeling Road this financial year. Rental recoveries for the remainder of the site are at reduced rentals due to tenant vacancies and WPL continues to work with potential buyers for remaining sites. The value of return may be reduced given current economic climate and due to the sale of non-tenanted asset.
    - As previously reported, the potential sale of Waitakere Central One has been deferred by two years through to 2011/2012. Updated revenues and interest expenses have been incorporated for Council consideration in the 2010/2011 budget. Whilst Waitakere Central One is a positively geared investment property (operational costs, including interest, are readily met through rental recoveries), the budgeted sale of this asset was programmed to reduce the gross debt levels of Council.
24. Reviews:
- The review of all current WPL land holdings (requested by the Long Term Council Community Plan and Annual Plan Committee in June 2009) has been completed by WPL. It will be considered further by Council's Development Investment Group within the context of ATA processes and pending decisions on the future structure and function of proposed CCOs for Auckland.
  - The review of all Trust projects against the development criteria in WPL's SOI has been completed. It will be considered further within the context of the land holdings review and priority active projects to be transitioned across to the new Auckland Council.
  - The development of project and sustainability objectives for all WPL projects is scheduled for completion by 30 June 2010 and will now focus on agreed priority active projects.

#### **Auckland Film Studios Limited**

25. AFSL is in a strong and stable position following the recent tidy up on management structure (short form amalgamation of Prime West Management Limited) and given the current land, buildings and annual tenancy returns.

26. AFSL is currently focussed on completing conditions of the subdivision consent relating to the site consolidation and re-titling. It has been successful in obtaining building consent to retrofit Studio 6 and for new build construction of Studio 7 – implementation of these projects will be dependent on guaranteed future revenues. Walt Disney New Zealand Limited currently has until 31 March 2010 to exercise its right for a 12 month extension to its Occupation License (from 1 July 2010).

### STRATEGIC CONTEXT

27. Council Organisations of all types are used as vehicles to implement aspects of the Long Term Council Community Plan and Annual Plan. The Council has established WCHL, WPL, WE and other entities to assist the Council in meeting its strategic outcomes through a return on investment, involvement in strategic projects, economic development and in the support of service delivery. This includes investigating investment opportunities which have the potential to enhance employment opportunities or to stimulate economic growth, promoting investment in Waitakere.
28. WCHL has a responsibility to ensure that WPL and WE operate economically and efficiently, and in accordance with their agreed Statements of Intent, to optimise returns (both financial and non-financial) within the parameters set by the Council.
29. The role and reporting structures for CCOs will be affected by outcomes from the Local Government (Auckland Law Reform) Bill (the Third Bill) and amalgamation to one Auckland Council. Hearings on the Third Bill are have been completed and the ATA discussion document on CCOs of Auckland Council was released on 1 March 2010. Feedback on this document closes on 26 March 2010 and it is anticipated that the number and nature of CCOs and the allocation of their activities will be finalised for Cabinet approval in late April 2010. The discussion document proposes the following:
- WE will transfer across to the proposed Economic Development, Tourism and Events CCO.
  - WPL will transfer across to the proposed Property Holdings CCO.
  - AFSL will most likely transfer across to the proposed Council Investments CCO.
  - WCHL will be disestablished, as the function of this entity is undertaken within councils across the rest of the Auckland region.
30. Council officers are continuing to work closely with the ATA to ensure a smooth transition across to the new governance structures proposed.

### CONSULTATION

31. Engagement has occurred with the Chairmen and Chief Executives of WCHL, WPL, WE and AFSL. Representatives for WPL, WE and AFSL attended WCHL Board Meetings on 21 January and 24 February 2010 and provided an update on their half-yearly performance (July to December 2009).
32. Consultation has also been undertaken with staff across Council who engage directly with Waitakere's CCOs – these include Democracy and Support Services, the Finance Directorate, Legal Services, Strategic Planning (Economic Development Strategy) and the Development and Investment Group (formerly known as Strategic Projects).

## RESOURCES

33. The resources required to support the WCHL Board in its expanded operations and reporting requirements continue to be met through the prioritisation of work programmes for existing Council staff resources. The newly appointed role of Council Controlled Organisations Advisor is adding considerable value to the WCHL Board and enables ongoing priority for the substantive relationship management, information requirements, reporting and monitoring work associated with Waitakere's CCOs.

## IMPLEMENTATION ISSUES

34. There are no implementation issues associated with this report.

## AUCKLAND COUNCIL TRANSITION ISSUES

35. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.
36. It is noted that whilst the project budgets have been approved, the ATA is likely to seek further details on the Great North Road development project (independent childcare facility), Wilsher Village and Hobsonville Marine Precinct, as these projects progress. It is also likely that they may request further information on proposed land sales and any re-appropriation of investment in CCOs.
37. Council officers continue to ensure that WCHL, WPL and WE are kept up to date with the transition processes. It is noted that, from the perspective of Waitakere's CCOs, the proposed CCO structures make sense and are endorsed as a strong framework for future governance. The proposed reporting hierarchy will be intensive and resources will need to be in place to support that function.

**Report prepared by:** Jaine Lovell-Gadd, Director: Corporate and Business Services.



## 11 CONTRACT NO. SD09006C - ELECTRICITY - UPDATE

### GLOSSARY

Auckland Transition Agency	(ATA)
Finance and Operational Performance Committee	(the Committee)
New Zealand Transport Agency	(NZTA)
Request for Proposal	(RFP)
Supplier Quality Premium	(SQP)

### EXECUTIVE SUMMARY

The purpose of this report is to update the Finance and Operational Performance Committee (Committee) on the award of Contract No.SD09006C - Electricity by delegation to the Chief Executive Officer as per resolution 1978/2009 passed by the Committee at its meeting held on Monday, 7 December 2009.

## **RECOMMENDATION**

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the Contract No. SD09006C - Electricity - Update report.

## **BACKGROUND**

1. This report is to provide an update to the Committee on the tender evaluation of Contract No. SD09006C - Electricity and subsequent award by delegated authority to the Chief Executive Officer of contracts:
  - Contract No. SD09006C - Electricity (Genesis Power Limited - Non-Time of Use and Traffic Signals);
  - Contract No. SD09006H - Electricity (Meridian Energy Limited - Street Lighting); and
  - Contract No. SD09006I - Electricity (Contact Energy Limited - Time of Use).
2. The scope of work included the retail supply of electricity for street lighting, traffic signals, water pump stations, parks, leisure facilities and buildings occupied or owned by Waitakere City Council. The existing contract expired on 31 January 2010.
3. As part of the reorganisation of the councils of the Auckland region into a single Auckland Council, the Auckland Transition Authority (ATA) has been established under the provisions of the Local Government (Tamaki Makaurau Reorganisation) Act 2009. The ATA, tasked with managing and overseeing the transition to the new Auckland Council by 31 October 2010, has requested the Chief Executive Officers of the Auckland councils to commence work on regionalised procurement.
4. It was decided that undertaking a joint electricity procurement exercise would be beneficial in avoiding duplication of separate and parallel exercises, and would align with both the ATA's and Chief Executive Officer Forum's desire for some 'quick wins' under the ATA procurement work stream process. The majority of the regional electricity contracts were due to expire around 31 December 2009.
5. The ATA procurement work stream established a Regional Electricity Procurement Steering Group and Regional Electricity Procurement Working Group to determine how a regional electricity supply procurement process could be achieved and to determine the basis on which electricity procurement would be acquired.
6. Waitakere is involved in the ATA procurement work stream to work on wider regional procurement outcomes moving towards the new Auckland Council. Waitakere is also involved in both the Regional Electricity Procurement Steering Group and Working Group to participate in the regional procurement of electricity supply with individual council contracts to create a similar contract basis and contract term towards the establishment of the new Auckland Council. A number of the councils, including Waitakere, have required the four Wellbeings - Economic, Environmental, Social and Cultural - to be taken into consideration alongside other non-price considerations.
7. Additional information requested included smart metering technologies and proposed roll out plan, provision of electronic information for energy management purposes, fault reporting processes for residential, commercial and street lighting, and support offered to the councils to support their energy efficiency and greenhouse gas reduction projects.

8. The New Zealand Transport Agency (NZTA) was identified as a major stakeholder in the electricity procurement process as they fund 43 percent of councils' transport electricity costs for street lighting, traffic signals and public transport station lighting. The NZTA has developed a 'Procurement Manual for activities funded through the National Land Transport Programme' for use in all procurement processes benefiting from NZTA funding, which includes Waitakere's street lighting and traffic signals electricity costs. The ratio of NZTA load for the Auckland region is 39.5 percent and 37.7 percent for Waitakere.
9. Funding was approved by the Council in the Annual Plan 2009/2010 and Long Term Council Community Plan 2009-2019 for this work.

### SCOPE OF WORK

10. The scope of work includes total or partial load supply of retail electricity (excluding third party charges such as line charges or Electricity Commission levy) and account management services for the defined loads of street lighting, traffic signals, time of use facilities and non-time of use facilities. The 'total or partial supply' options in the Request for Proposals (RFP) enabled more than one contract to be awarded ensuring that all loads are supplied at best value to the councils.
11. Electricity costs are dependent on the amount of electricity the council sites and infrastructure consumes, which enables the job costs to only be estimated.
12. The contract terms and renewal included in the RFP allowed options of 23 months, 36 months or an alternative time period to be considered, with a right of renewal of two years with a contract commencement at 1 February 2010.

### TENDERS RECEIVED

13. The RFP was publicly advertised on Tenderlink and in the New Zealand Herald with 19 sets of documents being uplifted, including seven major electricity retailers. The RFP closed on 19 November 2009 and six responses were received.

TENDERER	REG OFFICE	TENDER PRICE (excl. GST) Time of Use	TENDER PRICE (excl. GST) Non-Time of Use	TENDER PRICE (excl. GST) Traffic Signals	TENDER PRICE (excl. GST) Street Lighting
Genesis Power Limited	Hamilton	\$6,472,002	\$7,052,582	\$1,623,897	\$7,470,964
Meridian Energy Limited	Christchurch	\$5,984,961	\$7,172,484	\$1,726,093	\$6,734,811
Contact Energy Limited	Auckland	\$5,523,187	\$6,861,842	\$1,605,564	\$6,816,568
Mercury Energy Limited	Auckland	Withdrawn	\$7,082,043	\$1,701,531	\$7,194,172
TrustPower	Tauranga	Disqualified	Disqualified	Disqualified	Disqualified
Simply Energy	Auckland	Disqualified	Disqualified	Disqualified	Disqualified

**Table 1 - Summary of Proposal Prices**

## TAGS, ERRORS OR OMISSIONS

14. The proposal from Mercury Energy Limited contained offer validity for seven days. When confirmation was sought for the offer to be valid until 24 December 2009 to enable adequate time for the tender evaluation process to be completed, Mercury Energy Limited withdrew pricing for Time of Use and extended the validity until 24 December 2009 for the remainder of the pricing. The proposal from Mercury Energy Limited did not include carbon charges in the Non-Half Hourly and Traffic Signal pricing but did include it in Street Lighting pricing. It was decided to review the impact of the missing carbon charge pricing during the price evaluation and it was found not to materially affect the outcome.
15. The proposal from Contact Energy Limited contained offer validity until 14 December 2009. When confirmation was sought for the offer to be valid until 24 December 2009 to enable adequate time for the tender evaluation process to be completed, Contact Energy Limited extended the validity until 24 December 2009 for all of the pricing submitted. There were a number of clauses deemed to have significant impact on the councils identified in the Special Terms Business Energy Supply Agreement for Contract Energy Limited. It was decided that the clauses could be addressed during contract negotiation should Contact Energy Limited be awarded any part of the electricity load.
16. The proposal from Genesis Power Limited contained a small number of clauses deemed to have an impact on the councils in the Special Terms Schedule. It was decided that the clauses could be addressed during contract negotiation should Genesis Power Limited be awarded any part of the electricity load.
17. Two of the proposals, Simply Energy and TrustPower, were non-compliant in so far as they did not complete any of the non-price attribute information requests and they did not submit any fixed price variable volume prices. What was submitted were offers for them to be intermediaries to help the councils manage their exposure while the councils bought and sold hedges on the electricity spot market.
18. There were no errors or omissions in the Meridian Energy Limited proposal.

## TENDER EVALUATION

19. In accordance with the conditions of tendering, proposals were evaluated in line with the Price Quality evaluation method as per the NZTA Procurement Manual.
20. The "Two envelope process" for Price Quality as described in Appendix C of the above manual was followed. Under this method, only the first RFP envelope is opened for the non-price attributes to be evaluated for all RFPs and then the Supplier Quality Premium (SQP) is calculated and confirmed before the second envelope containing the RFP prices is opened, and the RFP prices duly included in the evaluation. The SQP is the amount an organisation is prepared to pay for a higher-quality supplier. The SQP is calculated using the difference in scores between the non-price attributes, which creates a dollar value for the supplier premium for each tenderer that is then subtracted from the tender price during the evaluation to determine the lowest price tender with supplier quality having been taken into account.
21. The process for evaluation of the RFPs was undertaken by the Regional Electricity Procurement Working Group, which is made up of council officers including subject matter experts, procurement specialists, a qualified NZTA assessor and Christmas Gouwland Limited acting as probity advisors and auditors. The RFP incorporated criteria important to each of the individual Auckland councils as much as possible, such as value for money, sustainability, energy management, contract terms and a single tender evaluation process was

undertaken. The non-price attributes were evaluated once for all four electricity load groups as the majority of the non-price attributes would not change against the needs of each of the electricity load groups.

22. Mercury Energy Limited scored lower than the other three tenderers in Experience and Track Record and Management of Contract due to the lack of information provided. Genesis Power Limited scored higher for Methodology as they provided good on information on the introduction of smart metering and near future capability of the meters to support access to information to energy managers for usage and cost control. Meridian Energy Limited scored higher for Management – Sustainability through the answers provided to the business sustainability practices questionnaire.
23. The pricing periods submitted by the tenderers included the periods in the RFP of 23 months and 36 months, and alternative periods of 60 month and 72 months. All pricing was evaluated and it was determined by the Regional Electricity Procurement Working Group that the best value pricing period was 23 months for each of the four loads: Time of Use, Non-Time of Use, Traffic Signals and Street Lighting.
24. Specialist electricity consultants, Energy Link Limited, were used to check the evaluation team’s price analysis work to confirm that appropriate methodologies were followed and that the best value suppliers were selected for each load group.
25. The recommendations to award were forwarded to the Regional Electricity Procurement Steering Group for review and sign-off, and the final recommendation and endorsement to the councils was made by the ATA procurement work stream sponsor. Each council will be signing individual contracts with the winning Proposer(s) based on the umbrella request for proposals process.
26. A summary of the evaluation results is shown in Tables 2 - 5:

Tender Evaluation	Attributes	Exp. & Track Record	Tech Skill & Comp.	Method.	Manage. Contract	Manage. Sustain-ability	Weighted Sum of Non-Price Attributes	Supplier Quality Premium (SQP)	Price After SQP
	Weights	5	5	7.5	7.5	15		60	
<b>Proposal</b>	<b>Tender Sum</b>	<b>Grades</b>							
Contact Energy Limited	\$5,523,187	74	81	66	68	43	24.22	\$0	\$5,523,187
Meridian Energy Limited	\$5,984,961	73	76	65	75	59	26.76	\$236,736	\$5,739,115
Genesis Power Limited	\$6,472,002	75	84	73	76	45	25.91	\$157,208	\$6,308,745
Mercury Energy and Mighty River Power	withdrawn								
<b>Engineer’s Estimate</b>	\$5,600,000								

**Table 2 - Summary of Proposal Evaluation Time of Use**

27. The results of the proposal evaluation as summarised in Table 2 show that the proposal submitted by Contact Energy Limited achieved the lowest price (after deduction of the Supplier Quality Premium) of \$5,523,187. This proposal is also the lowest priced tender.

Tender Evaluation	Attributes	Exp. & Track Record	Tech Skill & Comp.	Method.	Manage. Contract	Manage. Sustainability	Weighted Sum of Non-Price Attributes	Supplier Quality Premium (SQP)	Price After SQP
	Weights	5	5	7.5	7.5	15		60	
Proposal	Tender Sum	Grades							
Genesis Power Limited	\$7,052,582	75	84	73	76	45	25.91	\$217,281	\$6,743,979
Contact Energy Limited	\$6,861,842	74	81	66	68	43	24.22	\$74,109	\$6,760,871
Meridian Energy Limited	\$7,172,483	73	76	65	75	59	26.76	\$289,708	\$6,761,014
Mercury Energy and Mighty River Power	\$7,082,043	67	70	66	56	49	23.35	\$0	\$7,082,043
Engineer's Estimate	\$5,100,000								

**Table 3 - Summary of Proposal Evaluation Non-Time of Use**

28. The results of the proposal evaluation as summarised in Table 3 show that the proposal submitted by Genesis Power Limited achieved the lowest price (after deduction of the Supplier Quality Premium) of \$6,743,979. This proposal is also the second lowest priced tender.
29. The engineer's estimate for the Non-Time of Use load is significantly lower than the Tendered Sums for the following reasons:
- The Engineers Estimate was based on an annualised load for all participating councils and the Tender Sums submitted included the full contract period of 23 months and the staggered starts of the participating councils as their current contracts expired.
  - The Engineers Estimate excluded line charges and the Tender Sums in some cases included bundled line charges and retail charges. For purpose of parity for the evaluation the line charges were included in all Tender Sums. The line charges are set by Vector Networks and are passed on by the retailer with no additional charges and would not affect the outcome of the evaluation in any other manner.
  - It was later discovered that three giga-watts of load needed to be removed due to being allocated to two categories (identified by tenderers preparing their RFPs).

Tender Evaluation	Attributes	Exp. & Track Record	Tech Skill & Comp.	Method.	ManageCo ntract	Manage Sustain-ability	Weighted Sum of Non-Price Attributes	Supplier Quality Premium (SQP)	Price After SQP	
	Weights	5	5	7.5	7.5	15		60		
Proposal	Tender Sum	Grades								
Genesis Power Limited	\$1,623,897	75	84	73	76	45	25.91	\$28,119	\$1,585,019	
Contact Energy Limited	\$1,605,563	74	81	66	68	43	24.22	\$9,591	\$1,592,304	
Meridian Energy Limited	\$1,726,093	73	76	65	75	59	26.76	\$37,492	\$1,674,256	
Mercury Energy and Mighty River Power	\$1,701,531	67	70	66	56	49	23.35	\$0	\$1,701,531	
Engineer's Estimate	\$660,000									

**Table 4 - Summary of Proposal Evaluation Traffic Signals**

30. The results of the proposal evaluation as summarised in Table 4 show that the proposal submitted by Genesis Power Limited achieved the lowest price (after deduction of the Supplier Quality Premium) of \$1,585,019. This proposal is also the second lowest priced tender.
31. The engineer's estimate for the Traffic Signals load is significantly lower than the Tendered Sums for the following reasons:
- The Engineers Estimate was based on an annualised load for all participating councils and the Tender Sums submitted included the full contract period of 23 months and the staggered starts of the participating councils as their current contracts expired.
  - The Engineers Estimate excluded line charges and the Tender Sums in some cases included bundled line charges and retail charges. In the interests of parity for the evaluation, the line charges were included in all Tender Sums. The line charges are set by Vector Networks and are passed on by the retailer with no additional charges and would not affect the outcome of the evaluation in any other manner.

Tender Evaluation	Attributes	Exp. & Track Record	Tech Skill & Comp.	Method.	Manage. Contract	Manage. Sustain-ability	Weighted Sum of Non-Price Attributes	Supplier Quality Premium (SQP)	Price After SQP
	Weights	5	5	7.5	7.5	15			
Proposal	Tender Sum	Grades							
Meridian Energy Limited	\$6,734,811	73	76	65	75	59	26.76	\$266,986	\$6,323,341
Contact Energy Limited	\$6,816,567	74	81	66	68	43	24.22	\$68,296.87	\$6,715,596
Genesis Power Limited	\$7,470,964	75	84	73	76	45	25.91	\$200,240	\$7,162,360

Tender Evaluation	Attributes	Exp. & Track Record	Tech Skill & Comp.	Method.	Manage. Contract	Manage. Sustain-ability	Weighted Sum of Non-Price Attributes	Supplier Quality Premium (SQP)	Price After SQP	
	Weights	5	5	7.5	7.5	15				
<b>Proposal</b>	<b>Tender Sum</b>	<b>Grades</b>								
Mercury Energy and Mighty River Power	\$7,194,172	67	70	66	56	49	23.35	\$0	\$7,194,172	
<b>Engineer's Estimate</b>	\$4,700,000									

**Table 5 - Summary of Proposal Evaluation Street Lighting**

32. The engineer's estimate for the Street Lighting load is significantly lower than the Tendered Sums as the Engineers Estimate was based on an annualised load for all participating councils and the Tender Sums submitted included the full contract period of 23 months and the staggered starts of the participating councils as their current contracts expired.
33. The results of the proposal evaluation as summarised in Table 5 shows that the proposal submitted by Meridian Energy Limited achieved the lowest price (after deduction of the Supplier Quality Premium) of \$6,323,341. This proposal is also the lowest priced tender.
34. Scores for the non-price attributes were determined on the basis of information provided in each proposal, on the information gathered from the referees nominated by the Proposers and on any recent council experience with the Proposers.
35. Mercury Energy Limited did not respond in full to the non-price attributes within the RFP and while specialist knowledge was used to supplement information provided, Mercury Energy were penalised in their weightings to reflect the lack of provision of information.
36. The other three Proposers provided very good information on non-price attributes, with strengths in different areas the councils considered important, and were marked accordingly.
37. Reference checks made on a selection of clients for each of the Proposers indicated a well-resourced, well-managed and capable electricity retailers.
38. The Regional Electricity Procurement Working Group reviewed the outcomes of the tender evaluation and are recommending that separate contracts be negotiated with three electricity suppliers for 'partial loads' as identified in the RFP document to cover the Auckland councils electricity requirements as there is no clear 'winner' for a 'whole load' contract without a significant cost increase to the councils.
39. As part of Council's contracting process "Quality, Health and Safety and Environmental compliance are not negotiable" - all contractors have had this focus clearly reinforced through the contract documents and this will be strongly reiterated at the subsequent pre-start meeting and imposed during the contract period.

## CREDIT CHECK

40. A credit check on Genesis Power Limited dated 10 November 2009, Contact Energy Limited dated 16 December 2009 and Meridian Energy Limited dated 16 December 2009 revealed no adverse information.

## JOB COSTS

41. The job costs are shown in Table 6 below:

Proposer	Load	2009/2010 5 months	2010/2011 12 months	2011/2012 6 months	Total
Contact Energy Limited	Time of Use	\$362,815	\$916,072	\$458,035	\$1,736,922
Genesis Power Limited	Non-Time of Use	\$240,253	\$576,608	\$288,304	\$1,105,165
Genesis Power Limited	Traffic Signals	\$32,573	\$78,175	\$39,088	\$149,836
Meridian Energy Limited	Street Lighting	\$617,570	\$1,482,167	\$741,084	\$2,840,821
<b>Total Job Cost</b>		<b>\$1,253,211</b>	<b>\$3,053,022</b>	<b>\$1,526,511</b>	<b>\$5,832,744</b>

**Table 6 - Summary of Job Costs**

42. The Council will achieve some savings against the Annual Plan 2009/2010 and these will be included in the next quarterly review and approximately \$360,398 savings against the draft Annual Plan 2010/2011. The most significant area of savings is for street lighting, which has not received the significant price increases as anticipated and experienced other times going to market for pricing. These anticipated savings have been reviewed by Finance for budget adjustments.
43. Separate to the electricity retail tender process, Vector Networks released the electricity line pricing for April 2010 – March 2011 in February 2010. The Council will achieve some savings against the Annual Plan 2009/2010 and approximately \$47,609 savings against the draft Annual Plan 2010/2011. These anticipated savings have been reviewed by Finance for budget adjustments.

## SOURCE OF FUNDING

44. Source of funding is shown in Table 7 below:

Unit	Cost Centre	Annual Plan 2009 / 2010 Year 1	2010 / 2011 Financial Year Year 2	2011 / 2012 Financial Year Year 3
Street Lighting *	6140-78140	\$2,219,000	\$2,495,000	\$2,655,000
Traffic Signals	5990-78140	\$70,000	\$70,000	\$70,000
Waikumete Cemetery	4790-78140	\$10,000	\$10,000	\$10,000
Civil Defence	1680-78140	\$3,000	\$3,120	\$3,120
Libraries	1900-78140	\$226,000	\$226,000	\$368,000
Information Management	1850-78140	\$9,000	\$9,000	\$9,000
Property HFOA	7860-78140	\$29,000	\$29,000	\$22,000
Property Heritage	8010-78140	\$12,000	\$12,000	\$12,000
Property Community Centre	7910-78140	\$61,000	\$61,000	\$61,000
Property Community Halls	7930-78140	\$1,000	\$1,000	\$1,000
Property Library	8040-78140	\$12,000	\$12,000	\$22,000
Property Council Use	8060-78140	\$433,000	\$425,000	\$425,000
Property Other Property	8110-78140	\$8,000	\$8,000	\$8,000
Solid Waste	3510-78140	\$25,800	\$25,800	\$25,800

Unit	Cost Centre	Annual Plan 2009 / 2010 Year 1	2010 / 2011 Financial Year Year 2	2011 / 2012 Financial Year Year 3
Vehicle Testing Station	3870-78140	\$13,000	\$13,000	\$13,000
Animal Welfare	3760-78140	\$13,500	\$13,500	\$13,500
<b>Total</b>		<b>\$3,145,300</b>	<b>\$3,413,420</b>	<b>\$3,718,420</b>

**Table 7 - Source of Funding**

Note: Street lighting budget is separated between subsidised and non-subsidised following NZTA subsidy changes.

## IMPLEMENTATION ISSUES

45. The RFP provided the ability for the Proposers to provide pricing for 'total' or 'partial' supply of the electricity load to enable the councils to choose the best value arrangement of contract/s. The Regional Electricity Procurement Working Group have decided the best value for electricity supply regionally is to split the electricity load into three contracts and the additional contract numbers have been created to reflect the different electricity retail suppliers Contract No. SD09006C - Electricity (Genesis Power Limited - Non-Time of Use and Traffic Signals), Contract No. SD09006H - Electricity (Meridian Energy Limited - Street Lighting), Contract No. SD09006I - Electricity (Contact Energy Limited - Time of Use).
46. Due to the time constraints from the completion of the proposal evaluation process and the signing period of the contracts delegation for the Chief Executive Officer to award the contract was approved by the Committee at its meeting held on Monday, 7 December 2009 as follows:

*"The Finance and Operational Performance Committee resolved to:*

1. **Receive** the Contract No. SD09006C - Electricity - Approval to Award report.
2. **Approve**, subject to resolution 4 below, the award of Contract No. SD09006C - Electricity be delegated to the Chief Executive Officer on the recommendation of the Auckland Transition Authority procurement work stream sponsor subject to the contract sum being within budget, with the outcome to be reported back to the Finance and Operational Performance Committee.
3. **Approve**, subject to resolution 2 above and 4 below, the financial commitment for Contract No. SD09006C - Electricity be made in the 2010/2011, 2011/2012 and 2012/2013 financial years in the amount provided in the Long Term Council Community Plan 2009 - 2019, subject to contract final approval.
4. **Note** that resolutions 2 and 3 above for Contract No. SD09006C - Electricity be subject to confirmation by the Auckland Transition Agency.

1978/2009

47. Three electricity contracts were awarded by the Chief Executive Officer to cover all requirements for the Council's electricity supply, including:
1. Contract No. SD09006C Electricity (Genesis Power Limited – Non-Time of Use and Traffic Signals) to Genesis Power Limited for the sum of \$1,255,001.00 plus \$156,875.13 GST, totalling \$1,411,876.13 on 5 February 2010.

2. Contract No. SD09006H Electricity (Meridian Energy – Street Lighting) to Meridian Energy Limited for the sum of \$2,840,821.00 plus \$355,102.63 GST, totalling \$3,195,923.63 on 12 February 2010.
3. Contract No. SD09006I Electricity (Contact Energy Limited – Time of Use) to Contact Energy Limited for the sum of \$1,736,922.00 plus \$217,115.25 GST, totalling \$1,954,037.25 on 16 February 2010.

#### **AUCKLAND COUNCIL TRANSITION ISSUES**

48. The Local Government (Tamaki Makaurau Reorganisation) Act 2009 imposes restrictions on Waitakere City Council's decision making capabilities in respect of 31 (4) (i) specifically:
  - 4(i) to enter into any contract (other than an employment agreement)—
    - (i) that imposes, or will continue to impose, any obligation on the existing local authority after 30 June 2011; and
    - (ii) the consideration for which is, or is equivalent to, \$20,000 or more.
49. The ATA provided confirmation to award the electricity supply contracts to Meridian Energy Limited (Street Lighting), Genesis Power Limited (Non-Half Hourly and Traffic Signals) and Contact Energy Limited (Time of Use Sites) on 20 January 2010, ATA reference ATA0383.

**Report prepared by:** Michelle Dawson, Corporate Sustainability Manager and Mark Abbot, Deputy Group Manager: Assets.



#### **PART E - REPORTS FROM THE SUBCOMMITTEES**

##### **12 TENDERS SUBCOMMITTEE**

**THE SUBCOMMITTEE SUBMITS THE FOLLOWING REPORT OF ITS MEETINGS HELD ON FRIDAY, 5 FEBRUARY 2010 AND FRIDAY, 19 FEBRUARY 2010**

#### **MATTERS CONSIDERED**

A50-A53

The Subcommittee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meetings is attached at pages A50 to A53.

**It is recommended that the Finance and Operational Performance Committee resolve to:**

**Receive** the meetings report of the Tenders Subcommittee held on Friday, 5 February 2010 and Friday, 19 February 2010.

RI Clow  
**CHAIRMAN**



**PART F - PUBLIC EXCLUDED MATTER**

**13 LAND ACQUISITION FOR NORSGA STORMWATER INFRASTRUCTURE UNDER THE PUBLIC WORKS ACT 1981**

This item will be considered in the Confidential Supplement of the agenda, and has been circulated to members separately with this agenda.

**PROCEDURAL MOTION TO EXCLUDE THE PUBLIC**

That the public be excluded from the following part of the proceedings of this meeting, Land Acquisition for NorSGA Stormwater Infrastructure Under the Public Works Act 1981.

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution in relation of the matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of the matter to be considered.	Reason for passing this resolution in relation to the matter.	Ground under Section 48(1)(a) for the passing of this resolution.
Land Acquisition for NorSGA Stormwater Infrastructure Under the Public Works Act 1981.	The withholding of information is necessary in order to: <ul style="list-style-type: none"><li>• Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</li></ul>	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 7(2)(l) of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public as follows:

- *The report contains information which if released could affect Council's negotiations.*

