



NOTICE OF INAUGURAL MEETING

PROJECTS SPECIAL COMMITTEE

I hereby give notice that an Inaugural Meeting of the Projects Special Committee will be held on:-

DATE: **Wednesday, 21 November 2001** **TIME:** **9.00 am**

VENUE: **Civic Centre, 6 Waipareira Avenue, Lincoln, Waitakere City**

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

23 November 2001

Sharon Simiona
COMMITTEE SECRETARY

Telephone (09) 836 8000 extn 8820

MEMBERSHIP:

Councillors	RP	Dallow, QPM, JP (Chairperson)
	JP	Lawley (Deputy Chairperson)
	BA	Brady, JP
	DQ	Battersby, JP
	JM	Clews, QSO, JP
	AC	Fenton
	GW	Russell

Mayor Bob Harvey, QSO, JP (ex officio)
Deputy Mayor CA Stone (ex officio)

(Quorum 4 members)

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(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 AN INAUGURAL MEETING OF THE PROJECTS SPECIAL
COMMITTEE TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA
AVENUE, LINCOLN, WAITAKERE CITY, ON WEDNESDAY,
21 NOVEMBER 2001 COMMENCING AT 9.00 AM**

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1 APOLOGIES



2 AQUATIC CENTRE DEVELOPMENT - COMMITTEE BRIEFING AND UPDATE

PURPOSE OF THE REPORT

The purpose of this report is to provide a project briefing and update for the upgrade of the Henderson Aquatic Centre.

BACKGROUND

The 2000/2001 Annual Budget process gave approval for a substantial upgrade of the Henderson Aquatic Centre. The development is intended to revitalise the City's key leisure asset and to move the Centre to a true lifestyle facility, catering for the broader leisure needs of the community.

The approved concept plan allowed for a number of additional features to be built in a staged process in parallel with the normal operation of the existing facilities. The adopted project plan consolidates the upgrade into one stage, with the option to add a Wave Rider should Council so resolve.

In summary, Council approved:

- the amendment of the Long-Term Financial Strategy for the inclusion of an additional \$2,232,619, and the bringing forward of funding from the 2002/03 and 2003/04 financial years, providing total funding for the project of \$14,167,919 (of which \$1,287,375.39 had been expended prior to award);
- the exclusion of the Wave Rider option and the further investigation of sponsorship options;
- the letting of the construction contract to Gibson O'Connor Limited in the amount of \$11,670,765 (excluding GST), subject to any savings being negotiated. The contract figure included "provisional sums" (estimated costs for items that can only be accurately priced at the time of purchase) of \$929,000 (excluding GST);
- Delegations were extended to the Director: City Enterprises (and in his absence the Chief Executive) to expend against the provisional sum items and further to authorise contract variations where contingency funding was available.

Following approval to award the contract, negotiations with Gibson O'Connor Limited were concluded and the contract awarded in the value \$11,522,414.00, with Provisional Sums (within this sum) adjusted to \$977,000.

Quarterly updates to Committee were also resolved.

STRATEGIC CONTEXT

Council's 1994 Leisure Strategy includes three action points that are relevant:

2.3.1 Reflect the excitement of the west coast surf in development and promotion of fun pools and the Aquatic Centre through development of wave pools, fountains, paddling pools and interactive water play areas.

3.2.4 Add fun pool and hydroslide and range of fun activities for youth at the Aquatic Centre.

3.2.5 Café linked to "people place" location.

The redevelopment will enhance the Henderson Creek corridor by providing an additional six-metre strip at the rear of the building by the stream that can be "reclaimed" as parkland. This will allow the relocation of the path further up the bank and also enable an improved edge treatment and interface between the Aquatic Centre, the path, and the stream. The proposed windows and cctv camera to the rear of the Centre will improve safety and surveillance of the area and McLeod's Crossing bridge, as well as improving its amenity value.

The preliminary designs have incorporated the following sustainable building practices:

- solar heating;
- stormwater collection and reticulation;
- use of appropriate materials and system design.

The project also has linkages to Council's 'First Call for Children' and 'Safer City' policies, and includes provision for the extension to the urban and regional cycleway network.

A significant feature of the design has been the incorporation of artistic and cultural input by the likes of Virginia King and local Iwi, in the form of water features, sculpture, inscriptions and the like, and the collaboration between these individuals or groups with the design team.

A key feature of the financial evaluation processes for this project has been the development and ongoing review of a computer-based Financial Model with linkages to the Long term Financial Strategy. This allows the assessment of time and cost impacts arising from possible delay or increased costs to be evaluated - thus providing a valuable tool that ensures a robust decision-making process throughout the project life-cycle. This model has been determined as being the benchmark for future high-value, high-risk strategic projects for the City.

Wave Rider Option

The Wave Rider was a feature proposed in the original concept plan to attract the teenage market by appealing to those who enjoy skateboarding, snowboarding and surfing. It also has links to the West Coast beaches, enabling learners to practice in a safe, supervised environment. Wave Riders are of a modular form that would be "bolted on" to the development at the rear of the complex at any point. If implemented, the Wave Rider would be the first in the southern hemisphere.

Given the results of the construction contract tender, the Wave Rider option was suspended to minimise the amount of additional capital required. While it is possible that the securing of an appropriate sponsor for the ongoing operating costs would warrant Council investing in the Wave Rider feature, these investigations are unlikely to reach a resolution in the near future.

This course of action would allow Council to re-consider the option at a later point when the operational impact of the balance of the project is known - especially in terms of patronage and performance. This also provides a future revitalisation option should that be required.

BUDGET

Element	Current Assessment of Cost
Design Services	\$1,153,615
Construction Contract - Current Forecast	\$11,712,252
Construction Contract Contingencies, including known or anticipated additional costs	\$652,099
Works Required by Resource Consent (Roading, Stormwater, etc)	\$166,187
Planning, Management and Other Project Costs	\$483,766
Total Cost (excluding Wave Rider)	\$14,167,919
Wave Rider Allowance (estimate)	\$1,500,000
Wave Rider Contingencies and Project Management and Consultancy Costs	\$97,500
Total Cost (including Wave Rider)	\$15,765,419

Table 1: Updated Table of Cost Elements

It is, however, noted that the construction contract element contains a number of “provisional sums” that will only be determined at the time of purchase / construction (provisional sums are for specialist items that cannot be accurately priced until the time of purchase). This is typical of construction contracts of this size and complexity. To date, there has been a forecast saving on these of \$67,603 arising principally from savings identified in the selection of the Hydroslide, and removal from the contract of the Soil Bin (constructed under separate contract).

The Business Model

In the investigation of financial viability for the Aquatic Centre upgrade, the project team commissioned the development of a business model to validate the financial viability of the developed Centre. The business model was designed to assess the financial impact of the development and is based on assumptions regarding:

- attendance factors and tariffs, including allowances for “ride premiums” (where charges additional to the admittance charge are levied for particular activities), revenue growth factors, and other revenues from the developed facility.
- costs of transition over the construction phase supplementing the current cost of operation of the undeveloped facility.
- resulting costs, as these are currently understood, for the effective operation of the upgraded facility, given the anticipated level of patronage and marketing undertakings that underpin the patronage assumptions.

Key indications from the model, tested under “pessimistic”, “anticipated” and “optimistic” scenarios are as follows (the bracketed figures indicate an offset to the Rate Requirement):

\$483,766

<i>Financial Result – First Full Year of Operations</i>		Pessimistic	Anticipated	Optimistic
Total Annual Visits	Visits	456,212	672,150	947,356
Net Cost of Operation before Depreciation – Rates Funded	\$	\$1,087,442	\$149,918	\$(1,074,271)
Depreciation - Met by Future Revenues and Unallocated Surpluses	\$	\$720,035	\$720,035	\$720,035
Net Cost of Operation - Year One	\$	\$1,807,477	\$869,953	\$(354,237)

<i>Financial Result – Third Full Year of Operations</i>		Pessimistic	Anticipated	Optimistic
Total Annual Visits	Visits	485,157	748,379	1,083,873
Net Cost of Operation before Depreciation – Rates Funded	\$	\$860,079	\$(328,564)	\$(1,883,073)
Depreciation - Met by Future Revenues and Unallocated Surpluses	\$	\$814,240	\$814,240	\$814,240
Net Cost of Operation - Year Three	\$	\$1,674,318	\$485,675	\$(1,068,833)

Table 2: Business Model Scenarios for Upgraded Facility (Years One and Three) (No Wave Rider)

	CURRENT PERFORMANCE		BUSINESS MODEL FORECAST		
	1999/2000 Actual	2000/2001 Forecast	2001/2002 Transition Year	2002/2003 “Year One”	2004/2005 “Year Three”
Total Annual Visits	380,000	346,000	300,000	672,150	748,379
Net Cost of Operation before Depreciation - Rates Funded	\$783,069	\$739,717	\$936,325	\$149,918	\$(328,564)
Depreciation - Met by Future Revenues and Unallocated Surpluses	\$258,493	\$256,344	\$249,009	\$720,035	\$814,240
Net Cost of Operation	\$1,041,562	\$996,061	\$1,185,334	\$869,953	\$485,675

(The above excludes Corporate Overhead charges)

Table 3: Business Model Anticipated Scenario Compared to Current Performance (No Wave Rider)

The business model indicates that the project remains of financial benefit to Council - given the modelling assumptions - taking into account the increases in the cost of the development (that is, that the Rate Requirement to fund the annual operations of the Aquatic Centre will be reduced, accounting for additional depreciation and the cost of debt servicing). In particular, the Rate Requirement for the annual operation of the

Aquatic Centre is substantially reduced by virtue of:

- the revitalised facility attracting substantially more visits per annum than the current facility, particularly in terms of youth, families and older adult users;
- providing continuity of access for casual users (the current facility concedes up to 40 days per annum to specialist events which effectively shut the facility to users);
- a fundamental revision of the admittance prices (tariff) in line with the rates charged by other advanced facilities. The model is based on \$5.00 per adult visit, \$3.50 per child, and a family concession of \$20.00 (all inclusive of GST);
- the development of revenue earning leasing opportunities for the café;
- An increased return from the Learn to Swim programme and increasing the patronage and return from the Fitness Centre.

Under the modelled assumptions, the “breakeven” number of visits (where the net cost of the developed facility is the same as the current net cost) is 640,000 per annum, assuming the current mix of adults and children. This figure is below the anticipated number of visits of 672,150, which is based on an early September 2002 opening and the attendance experience of other similar developments in New Zealand. Further comfort is derived from the anecdotal evidence that patronage will decline if the Centre is not revitalised - a process that will be arrested with this upgrade.

Promotion will be of ongoing importance to maintain the attractiveness of the Centre to the residents and users of the facility. Changes in assumed visit numbers impacts the forecast financial result significantly, and management’s emphasis will therefore need to be the marketing and promotion of the facility. Sufficient moneys will need to be applied to this, and the forecast costs include provision for a promotion plan to underpin management’s initiatives in this area.

Project Timetable Update

Early July 2001	construction commences
Mid-September 2002	construction concludes
October 2002	upgraded facility opened to public

The documentation for the construction contract provides for the management of the effect of weather on the construction project and includes financial penalties for late completion, reflective of the opportunity cost to Council of not opening as scheduled. Equally, the contract allows for the granting of Extensions of Time due to unforeseen circumstances and excessive wet weather. Consideration would be given, with reference to the Financial Model, to options and costs for acceleration of the construction programme in order to meet the September 2002 completion date.

General Progress of Construction Contract

Key achievements to date have been:

- completion of preliminary site preparation works, including the demolition of the existing structures;
- the under floor drainage, pipe work and formwork for the lazy river and adult spa features have been substantially completed;
- ground anchors for the support of the main roof structure have been installed and tested;
- construction of both sanitary and stormwater drainage systems is well progressed;
- excavation and piling for plant room and stormwater storage tank, construction of base slabs progressing;
- excavation of majority of wave pool area;
- delivery of filter vessels for new plantroom;
- construction of mezzanine floor beams and columns.

The Aquatic Centre has remained open and functioning during these initial stages of the construction contract, with temporary reception facilities established to ensure as little impact on the Centre's users as possible. Targeted completion remains September 2002.

Variation Orders Issued Update

Net variations totalling \$189,903 have been issued to date against the current contract under delegated authority. Major items are:

- relocation of underground power and telecom cables (\$46,500);
- relocation and relaying of existing water mains (\$28,860);
- design amendments (vent panels, additional wall, and other minor issues (totalling \$28545);
- under floor drainage design and specification amendment (\$25,000);
- Installation of additional piling due to soft ground encountered under plant room and underground water storage tanks (\$51,000);
- Grouting of a previously un-identified post-tension beam prior to partial demolition (\$10,000).

Each variation has been reviewed and approved by the by the Consultancy Team prior to being issued by the Architect to the Contract in accordance with the prescribed Variation Approval process established for this project.

PROJECT FINANCIAL STATUS UPDATE

Current project costs incurred and expenditure to date are summarised as follows:

Project Funding

Project Funding Allocated – Capital Expenditure	\$14,167,919
Project Funding Allocated – Operational Expenditure	\$30,000
Total Project Funding Available	\$14,197,919
Costs Incurred to Date	\$2,517,785

At this time there is nothing to suggest any net variation from the forecast project cost, however, calls on the contingency reserve will typically come towards the end of the project and cannot be quantified at this time (the completion of the major excavation element of the project is scheduled for January 2002; additional certainty will be gained when the final cost of this element is known).

OTHER PROJECT MATTERS

Sponsorship Update

Council has previously expressed interest in securing sponsorship for both the capital costs and ongoing operating costs of the upgraded facility. With this in mind, a sponsorship package, including a multi-media presentation, has been developed. This package will be presented to major sponsorship opportunities with a view to securing ongoing funding for operating costs, and possibly for the capital cost of additional features for the facility itself in future. The potential future addition of the Wave Rider will also be promoted.

Parallel Projects (Roading)

The Resource Consent for the project set down conditions requiring contributions towards the upgrading of the Sel Peacock/Alderman Drive roundabout (\$87,000) and the Alderman Drive/Edmonton Drive roundabout (\$50,000). The upgrade of the Sel Peacock/Alderman Drive roundabout in particular facilitates site access.

The Project Team are liaising with the Transport Assets section to ensure that these parallel projects are completed in accordance with the project's critical path. Preliminary design of this intersection upgrade is substantially complete with a decision to proceed with signalisation having been made recently. It is anticipated that construction of the intersection upgrade will commence early in 2002 and be complete by May 2002 at the latest.

The imperative for effective co-ordination between the two projects is acknowledged by all parties and will be maintained through close liaison managed by Council's in-house consultants, Consultancy Services as Project Managers for both projects.

Parallel Projects (Stormwater)

A review of stormwater quality improvement options for the existing car park has been undertaken by EcoWater Solutions. A proposal to develop a "rain garden" in the stream margin has received Infrastructure Auckland funding approval. The design for this work is progressing, with construction expected to commence early in 2002.

CONCLUSION

This report has provided a summary of Council decisions with regard to the commencement and funding of the Aquatic Centre Upgrade as well as an update for Council regarding the progress and current status and forecast financial projections for the project.

RECOMMENDATION

That the information be received.

Report prepared by: Doug Guthrie, Manager: Aquatic and Recreation Centre.

