



**AGENDA FOR AN ORDINARY MEETING OF THE TENDERS SUBCOMMITTEE  
TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN,  
WAITAKERE CITY, ON FRIDAY, 3 MAY 2002,  
COMMENCING AT 9.00 AM.**

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**1 APOLOGIES**



**2 URGENT BUSINESS**

Section 46A(7) and (7A) of the Local Government Official Information Act 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 item is a minor matter; and
- (ii) the Chairperson has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting; and
- (iii) the Committee resolves to deal with the item.

No resolution, decision, or recommendation may be made in respect of the item except to refer the item to a subsequent meeting for further discussion.

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



**3 CONFIRMATION OF MINUTES**

Ordinary - 5 April 2002

**RECOMMENDATION**

That the minutes of the Ordinary Meeting of the Tenders Subcommittee held on Friday, 5 April 2002, as circulated, be taken as read and now be confirmed.



4 **RM02007.2 - WAITAKERE CITY COUNCIL ELECTRICITY SUPPLY 2002/2003 AND 2003/2004**

**PURPOSE OF THE REPORT**

The purpose of this report is to seek approval to award Contract RM02007.2 Waitakere City Council Electricity Supply 2002/2003 and 2003/2004.

**BACKGROUND**

Waitakere City Council's current electricity supply contract is for the period 1 July 2000 to 30 June 2002. This contract was negotiated through Communication & Energy Systems energy-purchasing group. Council has enjoyed favourable electricity prices through this contract in comparison to prices available in the electricity market. On this basis, Council joined Communication and Energy Systems energy-purchasing group to tender the next electricity contract for 1 July 2002 to 30 June 2004, as agreed by the Tenders Subcommittee on 21 December 2001.

Staff were aware from the beginning of the tender process that there were a number of major issues that would likely affect both the pricing of tenders and the number of tenders that would be received. These included:

- During the period of August/November 2001 there was potential for electricity shortages due to the water levels in the hydro lakes being lower than usual. (It has been found that there is a trend that, for every two out of five years there will be lower than average water levels in the hydro lakes and that they are usually consecutive.) While hydro lakes did not reach the extremely low levels of July/August 1992 when there were major electricity shortages, there was significant potential for this to occur. There was a nation-wide call by the Energy Efficiency & Conservation Authority to reduce energy use by 10% to avoid the need for blackouts should the water storage levels in hydro lakes continue to fall;
- This impacted the relatively new and unsettled electricity market. There were a number of electricity retailers, such as, OnEnergy (Council's electricity retailer at that time), that could not afford to supply their customers given the extremely high 'spot' prices for electricity during August/November 2001. During this time a number of organisations found that there were no electricity retailers willing to tender for electricity supply contracts due to the uncertainty of electricity supply from the low water levels in the hydro lakes;
- Notwithstanding the fact that the hydro lake levels are beginning to reach average storage levels, the electricity market seems to be reacting to last year's low lake levels and this is reflected through electricity prices.

This meant that as Council sought to tender its electricity supply for July 2002 to July 2004 it was faced with a very uncertain electricity supply market with indications of significant price rises. It was thought that given the unstable electricity market and potential for increased pricing, participation in the Communication & Energy Systems energy purchasing group would likely continue to provide some certainty in pricing and the expert advice on energy issues Council currently enjoys.

Members of Communication and Energy Systems energy purchasing group included Waitakere City Council, North Shore City Council, Rodney District Council, South Waikato District Council, Matamata Piako District Council, Hauraki District Council, Kapiti Coast District Council, Landcorp Farming Limited, and Mangatu Blocks Inc.

To provide price certainty during the period of the electricity contract a two-year contract period (July 2002/July 2004) was selected in order to smooth out pricing. It was felt that a one-year contract period in an uncertain market would not achieve this to the same degree.

## SCOPE OF WORK

The purpose of the tender was for the supply of Electrical Energy and associated Network Services. The tender prices for each energy consumer in the energy-purchasing group was to be based upon group purchase of electricity from one electricity retailer.

The tender document sought pricing for electrical energy only for:

- Street Lighting;
- General Installations (< 300,000kWh /annum);
- Major Installations (>300,000kWh/ annum).

The prices for the electrical energy supply was to be based on the fixed period contract from 1 July 2002 to 30 June 2004.

Tender Specifications included:

- **Network** - The Retailer was expected to have entered into a System Agreement with the various sub-contract Network Companies for the provision and payment of network services;
- **Combined Billing** - The customers required combined energy/line charge billing arrangements for all of the Retailer's invoices sent to the customer. Other customers may require similar billing arrangements; these shall be implemented by mutual agreement between individual customers and the Retailer. Existing streetlight inventory information has been used to establish number, capacity and consumption based on 4250 burning hours per annum;
- **Load Summation** - The summation of all electrical load and consumption of the participating customers was attached to the tender document to be used by Tenderers to determine the unit price for the various load categories, general, major and streetlight installations;
- **Communications** - Retailers were required to maintain the following means of communication throughout the duration of the Contract:
  - a staffed telephone or cellular phone during normal business hours;
  - for emergency calls:
    - the telephone shall be redirected when the office is unattended to ensure that key staff can be contacted 24 hours per day, 7 days per week;
    - the Retailer shall possess a cellular phone for after hour's emergency calls and shall ensure that a direct line of communication can be established at any time between the Retailer and the nominated customer representative.
  - a facsimile machine.

## TENDERS RECEIVED

Tenders were publicly advertised 5 February 2002 and 11 sets of tender documents were forwarded by electronic mail to 11 different electricity retailers. One tender was received by the closing date of 25 February 2002. These are summarised in Table 1 below:

TENDERER	REG OFFICE	TENDER PRICE (excl.GST)
Genesis Power Limited	Hamilton	Approximately \$1,449,700 (dependent on consumption of electricity)
<b>Pre-tender Contract Estimate</b>		\$1,400,000

Table 1 - Summary of Tender Prices

## TENDER EVALUATION

### Evaluation Team

The tender evaluation team was comprised of three representatives from the energy purchasing group. They were:

- Joe Schyns, an electrical engineer trading as Communication & Energy Systems. He has 30 years experience in the electrical distribution industry, seven years as an engineering manager of a Municipal Electricity Department, and four years as commercial manager of an electrical supply company. Communication & Energy Systems was established in 1994 with experience in energy related projects including energy management, tariff analyses and supply contracts for local bodies and State Owned Enterprises;
- Siri Rangamuw, a programme engineer from North Shore City Council, whom also has a mechanical engineering background. He is involved with Transfund cost reimbursement for Northshore City Council for roading;
- Barry Butcher, a retired civil engineer with vast experience in design and building of Auckland motorways. He continues to be engaged by local authorities as arbitrator in resource consent disputes. Barry Butcher has also been engaged by a number of international institutions, such as the World Bank, to evaluate the cost effective use of loans to underdeveloped countries. Barry Butcher was sought to assist the energy purchasing group as a second energy expert to evaluate electricity tender and previously assisted the group during evaluation for the June 2000/July 2002 electricity contract.

### **Tender Evaluation**

In accordance with the conditions of tendering, tenders were evaluated in line with the Weighted Attribute Method contained in Transfund New Zealand's "Competitive Pricing Procedures Manual".

The schedule of energy prices (GST exclusive) received was converted into total annual electrical energy cost to enable price comparison of tender with existing cost levels based on the annual consumption described in the database schedule 2 attached to the tender documents.

In the case of general and street lighting each individual price category varied depending on the grid exit point. The energy tender price for major installations (>300,000kWh) per annum not only varied depending on the grid exit point but also differed for each month of the year.

With only one tender the energy price submitted was compared to the existing energy cost levels based on annual consumption and number of installations in each category.

Since there was only one tenderer a grading was carried out for non-price attributes only resulting in the following grading levels and comments.

A summary of the evaluation results is shown in Table 2:

Tender Evaluation	Attributes	Exper.	Track Record	Tech Skills	Re-source	Man-agement	Method	Price	Total Weight
Tenderer	Weight	5	8	4	5	5	3	70	100
	Tender Sum	Grades							Index
Genesis Power Ltd		90	80	60	75	80	80	50	58
Median Tender Price									

**Table 2 - Summary of Tender Evaluation**

### Comments on Non-Price Weighted Attributes

#### Relevant Experience

- largest energy retailer with both thermal and hydro generating capacity;
- expanding business in retailing both electricity and gas;
- existing supplier to members of the energy purchasing group via Use of Systems Agreement (USA) with the exception of the supply for Kapiti Coast DC and Mangatu Blocks Inc.

#### Track Record

- existing supplier to six Councils and Landcorp listed in the tender;
- Council has had a satisfactory level of service and assistance since Genesis became out electricity supplier.

#### Management Skills

Appears to be appropriate for the task, with the provision of on line billing and an updated billing system now in place.

#### Technical Skills

The evaluation team thought the technical experience of the management team as described in the tender document was on the light side to enable to deal with possible advanced types of electrical engineering problems such as metering and supply security, hence the low score of 60.

#### Resources

Resources described seem appropriate for the task

#### Methodology

As generator and retailer Genesis Power is well placed to ensure security of supply

#### Non-Price Attributes Score

A total of 22.65 % out of 30% was awarded to Genesis for non price attributes by the evaluation committee.

## TAGS, ERRORS OR OMISSIONS

No tags, errors or omissions noted.

## CREDIT CHECK

Genesis Power Ltd has a long term rating of BBB+ and a short term rating of A-2 with a stable rating outlook assigned by Standard & Poor's.

## SUMMARY

The results of the tender evaluation as summarised in Table 2 shows that the tender submitted by Genesis Power Ltd achieved the index of 58 and is the only priced tender received.

Genesis Energy became Waitakere City Council's electricity supply after they brought out OnEnergy's customer base during the low hydro lake levels of August/November 2001. Since becoming Council's electricity supplier they have been very helpful with day-to-day issues under the current electricity contract, including assisting with the downgrade of the maximum load for both New Lynn Community Centre and Corban Estate. Both of the maximum load downgrades resulted in financial benefit to Waitakere City Council. Genesis Energy have also indicated their willingness to assist Waitakere City Council further develop our internal information systems to improve our control over energy usage and costs.

## JOB COSTS

The tender costs are based upon the total electricity consumption of the total group, ie. bulk purchase prices, and with a variable cost dependent on the exit point of electricity from the national grid, ie. according to the distance electricity must travel from Transpower generation in the South Island.

The information provided by Waitakere City Council on annual electricity consumption was based upon best information given the significant lack of internally coordinated information on electricity usage and costs. This is currently being addressed through the Corporate Sustainability - Environment Programme, with a recommendation forthcoming for the purchase of an energy management system to assist Council begin to control and monitor its electricity usage and costs.

General			Major			Street Lights		
<u>Energy Only</u>			<u>Energy Only</u>			<u>Energy Only</u>		
Unit Cost old	\$0.0495		Unit Cost Old	\$0.0452		Unit Cost old	\$0.0406	
Unit Cost new	\$0.0748	↑5 1%	Unit Cost New	\$0.0658	↑46%	Unit Cost new	\$0.0436	↑7%
<u>Energy &amp; Line Costs</u>			<u>Energy &amp; Line Costs</u>			<u>Energy &amp; Line Costs</u>		
Unit Cost old	\$0.1384		Unit Cost Old	\$0.0945		Unit Cost old	\$0.1326	
Unit Cost new	\$0.1637	↑1 8%	Unit Cost New	\$0.1152	↑22%	Unit Cost new	\$0.1356	↑2%

**Table 3 - Waitakere City Council Tender Price Unit Cost Comparison**

Waitakere City Council's electricity cost \$1,326,706 in 2000/2001. The mix of the different types of Council's electricity use (ie. general installations, major installations and street lighting) and the reduction in line costs mean that Council's overall electricity costs are expected to increase 9% overall, ie. \$1,449,700, for 2002/2003, depending on electricity consumption. The average overall price increase for the seven councils and two State Own Enterprises was 11.6%.

## Observations & Comments

The lack of response from the major Retailers who are suppose to operate in a competitive market environment is disappointing to say the least.

We believe the reasons for the lack of response by retailers was due to the following:

- due to the volatility of the energy market retailers are not keen to commit to constant pricing levels for a two-year period;
- the present situation with the lake levels indicates a similar pattern of possible low water levels for the 2002 winter, as was the case last winter;
- retailers who are also generators, such as Meridian an Mighty River Power have reached saturation point as far as customer base is concerned. Their generating capacity is hedged against existing customers, any additional customer load would require them to purchase on the spot market;
- retailers only appear to be prepared to take on additional customers based on standard non-contract prices;
- an indication was received from some retailers that they were interested in supplying some of the larger installations leaving the general smaller installations to somebody else to supply;
- some of the smaller retailers were not able to provide all load categories such as unmetered street lighting;
- there seems to be a move by retailers to go back to supplying within a geographical area as was the case prior to the industry reform opening up the electricity market for competition;
- the setting up of the Energy Governance Board may bring some price control and oversight into the industry, however the completion of setting up of this board is not expected until October 2002;
- existing standard energy tariff levels are expected to increase by up to 20 % in the near future to compensate for the higher spot market prices;
- indications from new Network Pricing Schedules applying from 1 April 2002 for general and street lighting installations do not indicate any price increases. There are however a number of network saving options included in the new network pricing schedule which indicate substantial saving opportunities for some participants in the United Networks Limited area of supply;
- energy prices only are guaranteed to remain constant during the term of a supply contract, however network prices are to be passed through at cost by the retailer under the terms and conditions of the contract.

Energy cost is approximately 45% of the total cost of the electricity supply, with network and transmission charges responsible for the balance of 55%.

## **SOURCE OF FUNDING**

Funding for this contract is drawn from around the different operational areas of the Council. Funding is provided for in the draft 2002/2003 Annual Plan and will be provided in the 2003/2004 Annual Plan.

As Council has only budgeted for \$1,382,595 for Power in 2002/2003 and the price increase indicated an overall cost (ie. fixed line cost and energy usage cost) is around 9%, ie. \$1,449,700, there will be a financial impact on the 420 Power costs for the 2002/2003 and 2003/2004 budgets.

## OPTIONS

There are a limited number of energy supply options available. These are:

- accept the Genesis tender, which will provide energy price stability between 1 July 2002 and 30 June 2004. Note: Network prices may vary over the contract period 1 July 2002 and 30 June 2004;
- re-tender, separating the combined load block into geographical areas. This would mean agreeing a revised tender group (or going alone to the market) and completing a tender process by 1 July 2002;
- do nothing, meaning electricity supply will revert to the standard tariff at the end of the current contract period. The standard tariff is generally approximately 15% to 20% more expensive than a contract tariff and is expected to increase by up to 20% in the near future. Such an arrangement would also leave Council exposed to fluctuations in the energy supply market.

## COMMENT

Discussions have been held with Communication & Energy Systems Limited regarding the tender received and the future state of the energy market. These discussions and analysis carried out by Communication & Energy Systems Limited indicates that we would be unlikely to receive a better rate by tendering alone or as part of a smaller group. Pursuing this strategy would be a risk, both in terms of not obtaining a better (or equivalent) price, and not getting arrangements in place by July 1 or at all.

The do nothing option is not favoured. This would leave Council fully exposed to the new, unsettled and volatile electricity market.

The tender from Genesis is considered to be of reasonable value in the current market conditions. Genesis have also provided assistance and a satisfactory level of service since becoming Council's energy supply. Given the predicted low lake levels this year it is recommended that Council secure a contract for electricity supply at this time.

## RECOMMENDATIONS

1. That the information be received.
2. That the tender from Genesis Power Ltd for Contract RM02007.2 Waitakere City Council Electricity Supply 2002/2003 and 2003/2004 be accepted.
3. That electricity supply contract conditions for Waitakere City Council be negotiated with Genesis Power Limited, based upon the tender submitted to the Communication & Energy Systems energy group.
4. That the commitment of funds for the 2002/2003 and 2003/2004 financial years for Contract RM02007.2 Waitakere City Council Electricity Supply 2002/2003 and 2003/04 be approved.
5. That authority to enter into Contract RM02007.2 Waitakere City Council Electricity Supply 2002/2003 and 2003/2004 on behalf of Council be delegated to the Director: Corporate & Civic Services.

Report prepared by: Michelle Dawson, Project Manager Cleaner Production.



**5 ECOWATER SOLUTIONS FUTURE WORKS PROGRAMME - REGISTRATION OF INTEREST**

**PURPOSE OF THE REPORT**

The purpose of this report is to request approval to commence the process for Registration of Interest from consultants and contractors to be short-listed for design and implementation of EcoWater's 2002/2003 Annual Plan work programme.

**BACKGROUND**

As part of EcoWater Solutions' ongoing improvement process, the delivery of Annual Plan projects is being reviewed.

Important aspects of the project cycle such as design investigations, detailing and consent applications place constraints on the ability to complete the cycle successfully in one financial year. The window of opportunity for implementing physical works is limited to 1 October through 30 April each year, which reduces time for all-important design considerations.

Implementation of the Registration of Interest process in the year before project delivery will ensure that procurement will enable commissioning of design and construction work from 1 July.

It is therefore proposed to run a Registration of Interest process in May 2002, for the procurement of design and construction services for 2002/2003 Annual Plan work programme. The resources found through this process may also be used to begin design and consents for the 2003/2004 projects that have higher risks such as difficult consents, complex land acquisition or multiple options. This will provide more certainty in the viability of higher risk projects for the forthcoming 2003/04 Annual Plan round.

**STRATEGIC CONTEXT**

The proposal to deliver the 2002/2003 work programme through the Registration of Interest process will contribute to the following strategic objectives:

- Providing for growth in the city by ensuring that the necessary infrastructure is available on time;
- Completing at least 95% of the annual work programme on time;
- Supporting Buy Waitakere initiatives; and
- Promoting the friendly face of Council.

**PROGRAMME**

The purpose of the programme is as follows:

- to select a skilled and reliable group of consultants and contractors who will work co-operatively with EcoWater Solutions toward achieving the objectives of Waitakere City Council's Annual Plan programme;
- to enable preliminary selection processes to be completed earlier, so that commissioning of design and construction work can commence from 1 July;
- to minimise the constraints of consent processing times, and the limited construction season of 1 October through 30 April;
- to maximise other benefits by early planning, bundling of projects, and building more collaborative relationships with private sector suppliers.

The Registration of Interest will be prepared and managed in accordance with Waitakere City Council's "*Draft Procurement Manual*", and in particular Section 3.5, Procurement Procedures Selection Process. In accordance with the manual, the process of short listing tenderers will be reported to the Tenders Subcommittee prior to inviting tenders.

The Registration of Interest will be advertised in mid May 2002, and the selection process completed in time to commission physical works by 31 August 2002. In parallel to this process, and for some months prior to it, EcoWater Solutions has been working to identify and scope the highest priority projects for implementation in the 2002/2003 year. This information will be available for respondents to peruse, and will be used as scope definition material in the final contract documentation.

EcoWater Solutions is also proposing to begin design and consent processes for projects planned for the 2003/2004 year, in advance of the Annual Plan round later this year. This is important for the following three reasons:

- to ensure that projects submitted for Annual Plan approval are necessary and viable.
- to ensure that projects planned for implementation in 2003/2004 have the necessary resource and others consents, preliminary investigations and land acquisitions completed to allow detailed design and construction to proceed on time and to budget.
- to minimise the risk of project failures occurring late in the project life, (project risks include programme, budget, unplanned consent requirements, or physical risks occurring on site).

The next steps in the work programme are as follows:

- preparation of the Registration of Interest document and advertisement by 9 May 2002;
- a workshop will be held in May 2002 with prospective consultants and contractors. The purpose of the workshop will be to provide "a friendly face" and identity opportunities for improving our relationship with consultants and contractors;
- reporting back with recommendations for short listing consultants and contractors to the Tenders Subcommittee by 30 June 2002; and
- commissioning of detailed design and construction works from 1 July 2002.

## **BENEFITS**

Using the Registration of Interest process enables the design and procurement activities of a project to be completed earlier and ensuring that the best resources are available. This in turn has a number of parallel benefits, including:

- earlier design, consent applications, and other time-consuming activities completed or well underway by 1st July each year;
- provides confidence in the projects submitted and approved through the Annual Plan process, and more certainty in the overall programme outcome each year;
- capital investments are therefore maximised and cash flows managed;
- minimisation of project risks such as programme, budget, communication and physical constraints by early planning;
- enables the bundling of projects in the final tender phase, which attracts lower unit rates while allowing more work to be completed;
- encourages more effort in the earlier planning phases, which increases the ability of identifying non-asset solutions where appropriate; and
- engenders longer-term business relationships with private sector suppliers, providing continuity of supply and standards and improved customer services.

## **RISK MANAGEMENT**

The proposed Registration of Interest will minimise project delivery risk.

There is a risk in that projects in the Draft 2002/2003 Annual Plan may not be approved by the Council in the final Annual Budget. However, the Registration of Interest process will not commit the Council to any costs until after 1 July 2002 and therefore this risk is avoided.

## **CONCLUSION**

It is proposed to use a Registration of Interest process in May 2002 to select the design and construction resources required for implementation of EcoWater Solution's draft 2002/2003 work programme.

This will provide more certainty in the outcome of the 2002/2003 Annual Plan programmes, reduce the risks involved in capital projects, and bring a number of other benefits to the Council.

## **RECOMMENDATIONS**

1. That the information be received.
2. That approval be given to use a Registration of Interest process in May 2002, for procurement of design and construction services for implementation of EcoWater's 2002/2003 work programme.
3. That the short listed pre-qualified consultants and contractors be reported back to the Tenders Subcommittee for approval prior to tendering.

Report prepared by: Tony Miguel, Acting EcoWater Business Unit Manager.



## **6 CONTRACT PK02010.4 - PARKS PLANTING**

### **PURPOSE OF THE REPORT**

The purpose of this report is to update the Tenders Subcommittee on awarding of contract PK02010.4 - Parks Planting.

### **BACKGROUND**

At the Tenders Subcommittee meeting of 5 April 2002, the Subcommittee resolved after considering the tender evaluation report for contract PK02010.4 Parks Planting:

*“That the authority to award the contract after further enquiries, be delegated to the Chairperson, Deputy Chairperson, Director: City Services and Director: Finance and that the outcome be reported back to the Tenders Subcommittee.”*

635/2002

## ISSUES

The Tenders Subcommittee had insufficient information on one of the tenderers for contract PK02010.4 Parks Planting to accept the recommendation to award the contract.

The Director: City Services met individually with the Chairperson, Deputy Chairperson and Director: Finance and provided updated information on quality and resource capacity. Following this advice and recommendation from the Director: City Services the decision to award contract PK02010.4 Parks Planting to Chelsea Landscape and Garden Limited was endorsed.

## RESOURCES

This contract forms part of Council's parks asset creation programme as provided for in the 2001/2002 Annual Budget.

## RECOMMENDATION

That the information be received.

Report prepared by: Kathryn Howard: Parks Environmental Assets Co-ordinator



## 7 WATER SUPPLY, WASTEWATER AND STORMWATER DRAINAGE FACILITIES TERM MAINTENANCE CONTRACT 2002-2005

### PURPOSE OF THE REPORT

The purpose of this report is to obtain the approval of the Tenders Subcommittee for EcoWater Solutions to negotiate a new contract with Techscape Limited for the maintenance of the Council's water supply, wastewater and stormwater drainage network and facilities.

Because it is proposed to not tender the maintenance work, this report is also for the purpose of satisfying the requirements of Section 247E of the Local Government Act 1974.

### BACKGROUND

Council's powers in relation to the awarding of contracts are conferred under Part XVIA of the Local Government Act 1974 (Works and Contracts). Section 247E provides as follows:

- (2) *Where any local authority decides not to put out to tender a contract to which subsection (1) of this section applies, the local authority shall ensure that the reasons for the decision are recorded in writing.*

Techscape Limited (Techscape), and previously as Eco Works Limited, has carried out the maintenance of the Council's water supply, wastewater and stormwater drainage facilities for a number of years. The current two-year contract for this work ends on 30 June 2002, and while the contract provides for the term to be extended for a further year, both EcoWater Solutions and Techscape would prefer to enter into a new contract that would run for a minimum of two years, with a one year right of extension, from 1 July 2002.

## PROPOSED SCOPE OF WORK

The present contract contains performance and incentive based elements to encourage EcoWater Solutions and the Contractor to work together to seek more effective and efficient ways of carrying out the work. These elements will be improved and carried into the new contract.

A new negotiated contract with Techscape is preferred, as it would have the following advantages:

- Known Performance in Service Delivery. Techscape's service delivery performance over the last 2 years of the contract has been satisfactory. Techscape has advised that it is committed to further improving its performance and efficiency in the next contract period, and has already implemented efficiency innovations that will result in cost savings that can be passed on to Council.
- Known Quality of Work. The quality of Techscape's work is generally high, and Techscape has committed to maintaining a high standard of health and safety in the workplace.
- Familiarity with the Waitakere City Network. Techscape has detailed knowledge of the Waitakere City utility networks. This is knowledge that no other contractor possesses.
- Close Working Relationship. EcoWater Solutions and Techscape have an Alliance, which has facilitated the development of a close and beneficial relationship between both parties. The Alliance has allowed for working together to produce efficiencies in service delivery and reduction in contract cost. The Alliance partners have a mutual goal of delivering the specified levels of service at the lowest 'fair' cost.
- Shared Technology Platforms. EcoWater Solutions and Techscape have made significant investments in developing shared information technology platforms. This investment has been used for daily efficient service delivery and to achieve on-going contract cost reductions.

A disadvantage of not tendering the contract is that the market will not be tested to establish if a more optimum contract could be viable in terms of cost efficiencies and quality of service.

The proposed scope of work is similar to that of the previous contract and covers the areas of water supply, wastewater and stormwater drainage. The Contract requires Techscape to:

- Carry out maintenance and repair of the pipe networks in response to customer enquiries and requests from Customer Field Specialists.
- Carry out a programme of routine maintenance and asset inspection.
- Complete other activities related to maintenance as requested.
- Undertake the operation of the network on a day-to-day basis.

## SUMMARY OF THE PROPOSED CONTRACT

### Term of the Contract

The contract is proposed to run for a period of two years from 1 July 2002 to 30 June 2004. The Contract allows for a one year extension to 30 June 2005 at the discretion on EcoWater Solutions, and only if contract performance requirements have been met.

## Performance

The proposed contract will include performance measurement through a variety of Key Performance Indicators that are to be measured under the contract. The accurate measurement of Key Performance Indicators is completed using the data supplied from the Hansen asset management system. The Key Performance Indicators will relate to the following performance areas and have been incorporated into the contract.

The Key Performance Indicators include the following:

- Response times to attend;
- Completion of programmed maintenance;
- Reinstatement of work;
- Customer Service Complaints;
- Accurate reporting of required data;
- Input of required data to Hansen;
- Environmental compliance;
- Service Restoration and Completion times;
- Health and Safety;
- Network reliability achieved;
- Customer Service Notifications;
- Quality Control;
- Productivity and Effectiveness.

## Council Standards

The contract is based on the existing Council standards which in turn are based on the New Zealand Standards 3910:1998 General Conditions of Contract. The standard EcoWater Solutions Specifications for Water Supply, Wastewater and Stormwater Drainage form the basis of the performance standards to which work must be completed. These are supplemented by the Code of Practice for City Infrastructure and Land Development.

Contract provisions encourage continued improvement in performance and discourage poor performance. Measurement of performance is achieved through the Key Performance Indicators.

## Target Costs

The contract sum will be negotiated with Techscape, with the objective of reducing maintenance costs and build on efficiency gains as shown in the table below:

Year	Annual Maintenance Contract Cost (after allowing for growth)
1998/1999	\$3.6 million
2001/2002	\$3.3 million
2002/2003	\$3.1 million

In addition to the current scope, it is proposed to include additional programmes for asset inspection and maintenance, with a value of up to \$400,000. The scope and value of the contract will be determined through contract negotiations.

## Adjustment to Annual Target Estimates

The annual target estimates as shown in the above table will be negotiated and adjusted each year to reflect the rise or fall in the growth of the assets being maintained and changes in scope or performance standards required of the works, less efficiency gains.

## Incentives

The proposed new contract includes an incentive based element in that it binds Techscape Limited to working with EcoWater Solutions to meet defined performance and financial targets. The contract uses consolidated unit rates plus agreed profit margins within the confines of the total target estimate. Profit margins are adjusted according to the Contractor's performance.

## Technology

On-going investments in technology by both parties will assist in achieving efficiencies and in raising the quality of data, reporting and performance measurement.

EcoWater Solutions has implemented the Hansen Asset Management system, which handles all data relating to the assets and work done to them. Techscape also inputs directly into this system. Techscape has implemented Mosaic, a management system to run its work tracking and costing. In addition, Techscape has been provided with access to the GIS system.

It is also proposed to implement electronic dispatching of service requests to work crews during the term of this contract. Improvements to existing systems will be required to provide the additional efficiency gains contemplated.

## INITIATIVES

During the course of developing the contract a number of initiatives have been identified to improve performance or reduce costs.

- Reinstatement - The performance of permanent reinstatement was identified as an increasing problem in previous years. Changes to reinstatement procedures have resulted in a significant reduction of the number of complaints from Roading and Traffic.
- Contract Management - Both parties have recognised the importance of the appropriate management of this contract. EcoWater Solutions have appointed a Maintenance Contracts Co-ordinator for this purpose and more recently Techscape Limited has appointed a dedicated Contracts Manager.
- Recoverable Works - The process to recover costs from third parties causing damage to the network has been reviewed and changes made. It is anticipated that a higher number of recoveries will be able to be made more promptly and successfully. Work is continuing on this initiative.
- GIS and Asset Systems - All EcoWater Solutions asset information has now been installed on GIS. Techscape Limited have been given access to the GIS system ensuring that they are using the most up to date plans available.
- Customer Service Notifications - A review of customer service notifications is being carried out and new notifications will be compiled with an emphasis on customer service. The notifications will be jointly devised to ensure that the new process is efficient and effective in providing the right information and in ease of use in the field.
- Processes - EcoWater Solutions and Techscape have a commitment to making on-going improvements of joint processes to improve the workflow and management of maintenance activity. These improvements are made within the context of the Alliance.
- Technology - Investment in and alignment of technology to accommodate joint processes.

## **CONTRACT APPROVAL PROCESS**

The negotiated contract will have an estimated value of up to \$12.0 million (including GST) over 3 years. As such it will require approval of the Finance and Operational Performance Committee.

The approval process will be as follows:

- Reporting to the Tenders Subcommittee on the contract details by 31 May 2002 to obtain approval to refer the contract to the Committee; and
- Consideration of the contract by the Finance and Operational Performance Committee at its 13 June 2002 meeting.

## **CONCLUSION**

Negotiating a contract with Techscape Limited is seen as the best means of obtaining a new contract for the maintenance work. This contract will continue to deliver the current high service levels, protect Council's investments in underground assets, in jointly developed processes and technologies, and provide measurable performance at a lower real cost than at present.

## **RECOMMENDATIONS**

1. That the information be received.
2. That approval be given for EcoWater Solutions to negotiate a new contract with Techscape Limited for the maintenance of the City's water supply, wastewater and stormwater drainage network and facilities for a term of 3 years commencing on 1 July 2002.
3. That details of the negotiated contract be referred to the Tenders Subcommittee and the Finance and Operational Performance Committee.

Report prepared by: Tony Miguel, Acting EcoWater Business Unit Manager.



## **8 OTITORI BAY ROAD FOOTPATH STAGE 3 - CONTRACT TA 02049.2**

### **PURPOSE OF THE REPORT**

The purpose of this report is to seek approval to award Contract TA 02049.2, Otitori Bay Road Footpath Stage 3.

### **BACKGROUND**

This contract forms part of Council's asset creation programme as provided for in the 2001/2002 Annual Budget and is specifically for the construction of new footpath and the provision of kerb drainage control.

### **SCOPE OF WORK**

This contract is for the installation of 160 metres of kerb and channel and footpath between numbers 30 and 54 Otitori Bay Road in Wood Bay, Titirangi. It also involves ancillary storm water and retaining wall installation, and pavement shape correction.

## TENDERS RECEIVED

Tenders were publicly advertised with five sets of documents being uplifted. Three tenders were received by the closing date of 2 April, 2002. These are summarised in Table 1 below:

TENDERER	REG OFFICE	TENDER PRICE (excl.GST)
Civil Construction Limited	Auckland	\$141,841.50
Nasey Contractors Limited	Albany	\$177,494.00
Coast Digger Services Limited	Silverdale	\$238,695.00
<b>Pre-tender Contract Estimate</b>		\$133,000.00

Table 1 - Summary of Tender Prices

In checking the tenders submitted it became apparent that Civil Construction Limited had not priced three of the scheduled items. Civil Construction Limited were invited to confirm their tender price but asked that their tender be withdrawn from further consideration.

## TENDER EVALUATION

In accordance with the conditions of tendering, tenders were evaluated in line with the Weighted Attribute Method contained in Transfund New Zealand's "Competitive Pricing Procedures Manual".

These procedures require that where the tender includes Provisional Sums (work valued by the Principal and placed within the Schedule of Prices) they are deducted from the Tender Sum prior to evaluating each tender.

In this contract the value of Provisional Sums is \$3000.00.

A summary of the evaluation results is shown in Table 2:

Tender Evaluation	Attributes	Exper.	Track Record	Tech. Skill	Resour.	Manag. Skill	Method.	Price	Contract Number TA 02049.2
									Total Weights
	Weights	10	10	5	5	5	5	60	100
Tenderer	Tender Sum	Grades							INDEX
Nasey Contractors Limited	\$174,494.00	70	75	70	60	65	65	65	66
Coast Digger Services Limited	\$235,695.00	70	65	70	70	65	60	35	48

Table 2 - Summary of Tender Evaluation

Nasey Contractors Limited have carried out several works within Waitakere City on behalf of the Parks Department and also the Special Projects Section. These have included pedestrian footbridges, retaining walls and general site works. In each case they have performed to a very good standard, have been co-operative and completed on time.

Coast Digger Services Limited carried out works for Waitakere City in 2001 and also performed to a good standard.

The lowest tender is 30% higher than the Engineer's estimate. Re-tendering the contract was considered, however this was not pursued because of the nature of the work, timing, no guarantee of lower tender prices and no guarantee that any one will tender for this contract. This can probably be attributed to the volume of work currently available which is reflected in the number of tenders received. For Stage 2, tendered at a similar time last year, nine tenders were received. Prices in the roading area have also been rising over 2002.

### **TAGS, ERRORS OR OMISSIONS**

As mentioned earlier Civil Construction Limited did not price three items in error and subsequently withdrew their tender. There were no tags, errors or omissions in the other two tenders.

### **CREDIT CHECK**

A credit check on Nasey Contractors Limited dated 5 April 2002 revealed no adverse information.

### **SUMMARY**

The results of the tender evaluation as summarised in Table 2 shows that the tender submitted by Nasey Contractors Limited achieved the highest index of 66. This tender is also the lowest priced of the remaining tenders.

Nasey Contractors have had good reports from other works carried out for Council and are therefore recommended for the works.

As part of City Services vision "Quality, Health and Safety are not negotiable" all contractors have had this focus reinforced through this tender statement, contract documents and the subsequent pre-start meeting.

### **JOB COSTS**

	<u>Excl. GST</u>
Tender sum - Nasey Contractors Limited	\$177,494.00
Contingency	\$18,000.00
Engineering and Supervision	\$18,000.00
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Total Job Cost	\$213,494.00

**SOURCE OF FUNDING**

<b>Budget Description (from Annual Budget line item)</b>	<b>Codes</b>	<b>Budget</b>	<b>Committed to Other Projects</b>	<b>Allocation to This Project</b>	<b>Unallocated Balance</b>
Footpath Construction	75-9814-30530	\$450,000	\$236,506	\$213,494	Nil

**RECOMMENDATIONS**

1. That the information be received.
2. That the tender from Nasey Contractors Limited for Contract TA 02049.2, Otitori Bay Road Footpath Stage 3 in the sum of \$177,494.00 plus \$22,186.75 GST, totalling \$199,680.75 be accepted.
3. That authority to enter into Contract TA 02049.2, Otitori Bay Rd Footpath Stage 3 on behalf of Council be delegated to the Director of City Services.

Report prepared by: Reg Cuthers, Transportation Engineer, Asset Development.

