



NOTICE OF MEETING

TENDERS SUBCOMMITTEE

I hereby give notice that an Ordinary Meeting of the Tenders Subcommittee will be held on:-

DATE: **Friday** **11 October 2002** **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.

9 October 2002

Sharon Simiona
COMMITTEE SECRETARY

Telephone (09) 836 8000 extn 8820

MEMBERSHIP:

Councillors JM Clews, QSO, JP (Chairperson)
 GB Presland (Deputy Chairperson)

Chief Executive

Director: City Services

Director: Corporate & Civic Services

Director: Strategic Projects

Director: Finance

Maori Issues Manager

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 ORDINARY MEETING OF THE TENDERS SUBCOMMITTEE
TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN,
WAITAKERE CITY, ON FRIDAY, 11 OCTOBER 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 - 27 September 2002

RECOMMENDATION

That the minutes of the Ordinary Meeting of the Tenders Subcommittee held on Friday, 27 September 2002, as circulated, be taken as read and now be confirmed.



4 **CONTRACT NO. EW02674C – SERVICE CONNECTIONS FOR WATER SUPPLY, WASTEWATER & STORMWATER**

PURPOSE OF THE REPORT

The purpose of this report is to seek approval to award Contract No. EW02674C - Service Connections for Water Supply, Wastewater & Stormwater for a term of two years, and to seek funding approval for the relevant financial years.

BACKGROUND

The existing Contract No. 00EWC001 - Service Connections for Water Supply, Wastewater and Stormwater will expire on 31 October 2002. A new contract is required in order to facilitate new service connections for the three waters in Waitakere City and to ensure that new consumers are billed for their water consumption.

Approval was obtained on 16 August 2002 from the Tenders Subcommittee to tender for a new two-year contract, with an option to extend for one year, when the Subcommittee resolved

“That approval be given to tender for a two year contract, with options for extension of one year and for the provision of service connections for water supply, wastewater and stormwater in the City.”

2609/2002

SCOPE OF WORK

New construction activities in the City result in applications from developers and individuals to Council to provide new service connections for water supply and drainage. Annually, these applications number approximately 1,300 for water supply, 80 for wastewater, and 65 for stormwater, although the actual number of service connections that may be applied for cannot be predicted with any degree of certainty. Therefore, for the purpose of tendering, the estimated quantities in the price schedule are the same as those used when this contract was tendered 2 years ago. However, the contractor would be paid only for the quantity of work that is actually performed.

Council provides the new connection service to the public through a term contract awarded by way of a contestable process in order to comply with Commerce Commission requirements. The cost of the service is fully recovered through user charges.

TENDERS RECEIVED

Tenders were publicly advertised with five (5) sets of documents being uplifted. Two (2) tenders were received by the closing date of 17 September 2002. These are summarised in Table 1 below:

TENDERER	REG OFFICE	TENDER PRICE (excl. GST)
Techscope Limited	Private Bag 302 909, North Harbour, Auckland	\$843,847.70
Excell Corporation Limited	PO Box 57-740, Greenmount	\$1,033,664.00
Pre-tender contract estimate		\$921,600.00

Table 1 - Summary of Tender Prices

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 \$12,000.00.

Techscape Limited also submitted an alternative tender, which was evaluated in accordance with Section 2.8 of the Transfund Manual. This requires all non-alternative tenders to be evaluated first, with the alternative tender being compared against the best of the non-alternative tenders. The price of the alternative tender is *not* included in the calculation of the median tender price, although it is evaluated against it.

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

Tender Evaluation	Attributes	Expe r.	Track Record	Tech Skill.	OSH & QA Checklist	Manag Skill.	Method.	Price	Contract Number EW 02 674C
		10	5	10	10	5	5	55	Total Weights
Tenderer	Tender Sum	Grades							INDEX
Techscape Limited	\$831,847.70	65	70	65	75	65	65	60	64
Excell Corporation Limited	\$1,021,664.00	65	65	65	50	60	60	40	49
Median Tender Price	\$938,755.85								

Table 2 - Summary of Tender Evaluation

Tenders were evaluated on the basis of the information submitted. In general the tender submitted by Techscape Limited was clearly and professionally presented. In particular, Techscape Limited presented a clear and concise Occupational Safety and Health and Quality Assurance checklist. The non-price attributes of both the Techscape Limited and Excell Corporation Limited tenders were similar, especially for the Experience and Technical Skill attributes.

Techscape Limited is the incumbent for this contract work and is performing satisfactorily.

Alternative tender evaluation.

The price of Techscape Limited's conforming tender (\$831,847.70 after deduction of provisional sums) is for a quantity of work equivalent to the last two years' average plus 37%.

Techscape Limited's alternative tender for the Contract consists of a lump sum of \$744,000.00 over two years, for quantities of work not exceeding the average of the last two years plus 15%.

In evaluating whether this alternative tender is attractive to Council, the following considerations need to be taken into account. Principally, Council's proposed contract is a unit rate contract, with the contractor to be paid for the actual quantity of work completed. Therefore, a fixed price contract is of no benefit to Council unless the fixed price is competitive and the actual quantity of work to be covered by the fixed price is unlimited. The Techscape Limited alternative tender does not offer this advantage, because the quantity is capped.

Also, the fixed price offered by Techscape Limited's alternative tender must be considered against the actual quantity of work that it covers.

1. Techscape Limited's price of \$744,000.00 covers quantities of work not exceeding the average of the last two years plus 15%.
2. Using the tendered rates in Techscape Limited's conforming tender, the cost for the average quantity of work over the last two years would be \$673,322.
3. Using the tendered rates in Techscape Limited's conforming tender, the cost for the average quantity of work over the last two years plus 15% would be \$768,755.

By interpolation, the Council would be paying more than it needed to if the quantities did not exceed the average of the last two years plus 11%. An increase in quantities of this magnitude is considered very unlikely, and so the Council would be taking a substantial financial risk.

Although on the face of it Techscape Limited's conforming tender of \$843,847.70 is greater than the alternative tender price of \$744,000.00, if the contract quantities for the next two years remained the same as the average of the last two years, the total contract cost would only be \$673,322, because under the Council's conforming tender, the contractor would only be paid for the actual work completed.

Therefore, Techscape Limited's alternative tender cannot be recommended for acceptance.

TAGS, ERRORS OR OMISSIONS

There were no tags, errors or omissions in the tender from Techscape Limited.

The tender from Excell Corporation Limited contained a tag relating to the fact that they had not allowed for on-line user costs for Hansen, or associated system integration costs. The tag was investigated and determined to have no cost implications. Excell Corporation Limited subsequently removed the tag.

The tender from Excell Corporation Limited also contained an arithmetical error in the schedules. This would amount to an increase in their tender price by \$3,640.00. When contacted about this matter Excell Corporation Limited confirmed that they would hold to their original tender price.

CREDIT CHECK

As Techscape Limited is a 50% owned subsidiary of Waitakere City Holdings Limited, and financial and operational performance is monitored by that entity, a credit check has not been undertaken.

SUMMARY

The results of the tender evaluation as summarised in Table 2 show that the tender submitted by Techscape Limited achieved the highest overall index of 64. This tender is also the lowest priced conforming tender.

The alternative tender submitted by Techscape Limited is not recommended as it has been assessed as being unfavourable to Council.

Techscape Limited is the incumbent and is considered to have the necessary capability and experience to undertake this Contract.

JOB COSTS

	<u>Excl. GST</u>
Tender sum - Techscape Limited	\$843,847.70
Contingency (not required)	\$
Engineering & Supervision (in-house)	\$ -
Provision for maximum allowable at risk profit (7.5%)	\$63,288.58
Other (Estimated value of rate only items)	\$30,000.00

Total Job Cost	\$937,136.28

Financial Years	2002/2003 (excl. GST)	2003/2004 (excl. GST)	2004/2005 (excl. GST)
Tender - Techscape Limited	\$281,282.56	\$421,923.84	\$140,641.28
Provision for maximum allowable at risk profit (7.5%)	\$21,096.19	\$31,644.24	\$10,548.08
Other (Estimated value of rate only items)	\$10,000.00	\$15,000.00	\$5,000.00
Total Cost	\$312,378.75	\$468,568.08	\$156,189.36

Table 3 - Summary of budget requirements

SOURCE OF FUNDING

Budget Description	Codes	Budget	Committed to Other Projects (Current Contract)	Allocation to This Project	Unallocated Balance
2002-2003 Wastewater Connections	85-7325-25910	\$112,500.00	\$9,174.05	\$70,285.22	\$33,040.73
2002-2003 Stormwater Connections	85-7425-24990	\$45,200.00	\$8,467.47	\$20,929.38	\$15,803.15
2002-2003 Water Supply Connections	85-7525-25910	\$270,000.00	\$97,178.12	\$221,164.15	(\$48,342.27)
1. Total 2002-2003		\$427,700.00	\$114,819.64	\$312,378.75	\$501.61
2. Total 2003-2004		\$468,568.08		\$468,568.08	
3. Total 2004-2005		\$468,568.08		\$468,568.08	

RECOMMENDATIONS

1. That the information be received.

2. That the tender from Techscape Limited for Contract No. EW02674C - Service Connections for Water Supply, Wastewater & Stormwater in the sum of \$843,847.70 plus \$105,480.96 GST, totalling \$949,328.66 be accepted.
3. That the commitment to the 2002/2003 financial year totalling \$312,378.75 plus \$39,047.34 GST, totalling \$351,426.09 be accepted.
4. That the commitment to the 2003/2004 financial year totalling \$468,568.08 plus \$58,571.01 GST totalling \$527,139.09 be approved for this contract.
5. That the commitment to the 2004/2005 financial year totalling \$156,189.36 plus \$19,523.67 GST totalling \$175,713.03 be approved for this contract.
6. That authority to enter into Contract No. EW02674C - Service Connections for Water supply, Wastewater & Stormwater on behalf of Council be delegated to the Unit Manager, EcoWater Solutions.

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



5 **MASSEY LEISURE CENTRE MANAGEMENT CONTRACT**

PURPOSE OF THE REPORT

This report is to request approval from the Tenders Subcommittee for officers to enter into negotiations to potentially rollover the current management contract with the YMCA for the operation of the Massey Leisure Centre.

BACKGROUND

The Massey Leisure Centre is a new purpose-built facility serving the northwest of the City. It has a fitness centre, two court stadium, a childcare facility for users, a subdividable community meeting/activity room and associated change rooms and amenities. It operates next to the new Library and Citizens Advice Bureau.

The Centre has been managed by the YMCA through a management agreement for the provision of services. The contract began in December 1998 and is scheduled to conclude on 30 June 2003.

The YMCA has expressed a desire that the contract be rolled over and have been preparing proposals including investment by them in further facility development at the centre. They are keen to commence discussions to enable staff and programme stability as well as future planning. Discussion of the duration of the new contract will take into consideration any potential capital investment by the YMCA.

STRATEGIC CONTEXT

Council leisure facilities and activities strongly contribute to the well being of the City's residents, by providing recreation opportunities that promote health and social cohesion. The Council's Leisure Strategy, Community Facility Plan, Parks Strategy, Youth recreation needs assessment and the Funding Policy guide the provision of these facilities and activities to ensure that they are available to all residents, responsive to changing demands and provided efficiently.

ISSUES

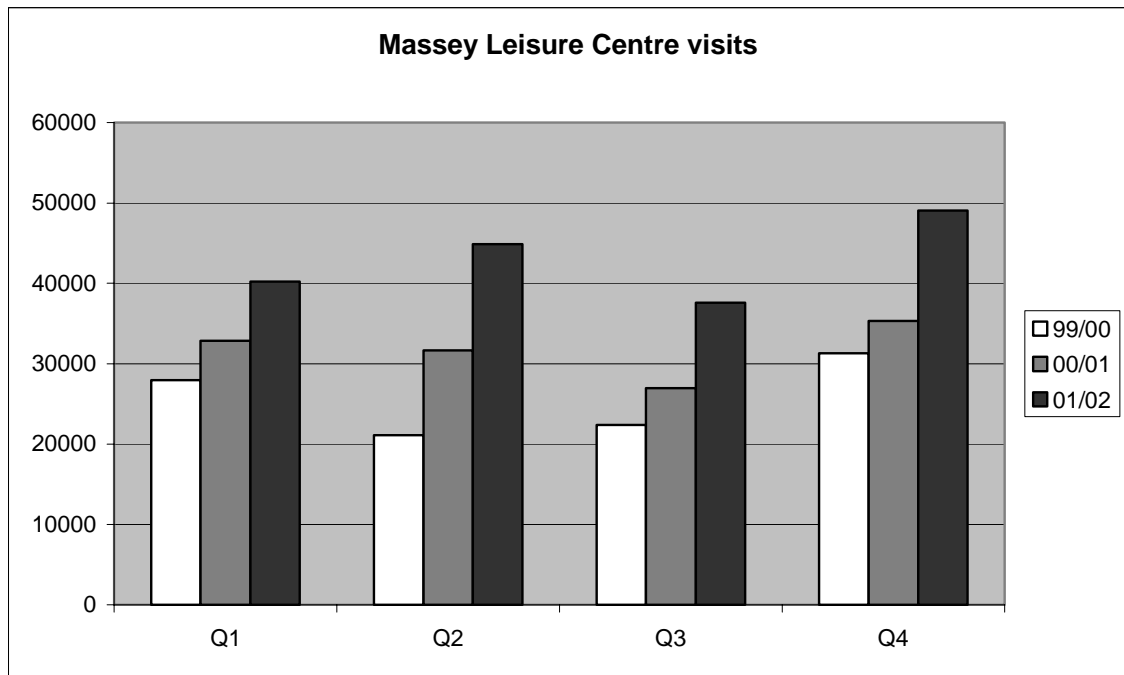
The current partnership agreement with the YMCA has been developing extremely well with good results.

Operational Performance

The YMCA provide a range of programmes including indoor soccer, netball and basketball leagues, gym classes for a variety of ages, a youth programme, aerobics and other fitness classes. The new community rooms opened in December 2001 now accommodate church groups, martial arts groups, weight-watchers, craft groups and community meetings.

The YMCA have conducted a strong local promotional campaigns including household newsletter and newspaper advertising.

The following graph indicates the solid growth in visitor numbers over the past three years of operation.



The recent contract monitoring survey conducted by Colmar-Brunton on behalf of Waitakere City of residents in the catchment area found the following results;

- 91% awareness of the facility by residents in the northwest of the City;
- 48% of the residents have visited the centre (compared to 9% in Dec 1999);
- On average approximately 96% of residents 'agreed that Massey Leisure Centre is enjoyable, safe, welcoming and clean, tidy and hygienic';
- Perceptions of the overall quality of the Massey Leisure Centre are also excellent with around three-quarters of the Massey Leisure centre users rate their overall satisfaction and their satisfaction with the equipment being safe and fit for purpose as 'excellent'.

Financial Performance

The YMCA has been managing the Leisure Centre since the facility commenced operation in 1999, with Officers negotiating annual budgets and operational targets within an agreed programme of subsidy levels.

Initial capital investment by the YMCA and their access to grants from other funding bodies was a factor in their selection. They contributed \$300,000 towards the fit out of the Centre from the Henderson Trust. The trust fund was set up after the sale of a YMCA building in Henderson and was designated for local purposes.

Upon the expiry of the contract, the YMCA have the right to retain ownership of some of the fit out assets, Waitakere City has the option to purchase some and some the City will have to purchase. These are itemised in the contract. In the event that the YMCA is not recontracted, purchasing of the items and any replacement items will need to be included in the 2003/2004 budget.

The annual operating subsidy is calculated to be the proposed deficit of the operating expenses less expected income. In the event of the amount of the actual operating subsidy in any one year being higher or lower than the operating subsidy then the YMCA receive the benefit of any surplus or accept liability for any deficit.

During the tender negotiations with the YMCA, they submitted a five year budget proposing the Council subsidy payable to the contractor. As can be seen from the table below the actual agreed contract sum has been equal to or less each year.

5 Year budget		Proposed	Actual
Yr 1	1998/1999	\$154 000	\$154 000
Yr 2	1999/2000	\$199 880	\$195 000
Yr 3	2000/2001	\$191 240	\$163 932
Yr 4	2001/2002	\$186 760	\$130,000
Yr 5	2002/2003	\$178 900	\$135,000

This has been primarily due to the lower than expected building operation and maintenance costs and the management of the facility.

The 2001/2002 Waitakere City operational subsidy is 0.71c per visitor which is very low relative to our other facilities.

PROPOSAL

Given the good management of the facility by the YMCA, it is our staffs view that it is appropriate that negotiations be entered into to consider rolling the contract over.

In considering the potential to rollover of the current contract, account will be taken of the potential negative impact on the services during the transition to any new operator.

The term and conditions of the rolled over contract will be brought back to this Committee for consideration. The scope of the negotiations will include the level of operational subsidy projected and any capital development and investment proposed by the YMCA.

RESOURCES

Current Annual Plan budgets and long-term forecasts have the required financial resources for the ongoing operation of the current facility. In the event of a change of operator any fit out purchases will need to be added to the 2003/2004 budget as would any possible contribution to any capital development.

CONCLUSION

Due to the performance of the YMCA and the impact of changing the management of the facility it is proposed that Council commences negotiations to potentially rollover the current management contract with the YMCA for the operation of the Massey Leisure Centre.

RECOMMENDATIONS

1. That the information be received.
2. That approval be given to enter into negotiations with the YMCA for the rollover of the Management Contract for the Massey Leisure Centre.

Report prepared by: Mark Allen, Senior Leisure Projects Leader, Leisure Services.

