

**AGENDA FOR A MEETING OF THE TENDERS SUBCOMMITTEE TO BE HELD IN THE
CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,
ON FRIDAY, 13 MAY 2005, COMMENCING AT 9.00 AM**

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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 Chairperson 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 CONFIRMATION OF MINUTES

Meeting Minutes - 29 April 2005

RECOMMENDATION

That the minutes of the Meeting of the Tenders Subcommittee held on Friday, 29 April 2005, as circulated, be taken as read and now be confirmed.



4 **EXTENSION OF CONTRACT EW02 600C: WATER SUPPLY, WASTEWATER AND STORMWATER DRAINAGE FACILITIES TERM MAINTENANCE CONTRACT**

PURPOSE OF THE REPORT

The purpose of this report is to recommend to the Tenders Subcommittee acceptance of a negotiated extension of the existing contract with Techscape Limited for the maintenance of the Council's water supply, wastewater and stormwater drainage network and facilities.

BACKGROUND

A report was submitted to the Tenders Subcommittee on 18 March 2005 to obtain approval to negotiate an extension of the existing contract with Techscape Limited for the maintenance of Council's 3 Waters network and facilities, and was resolved:

- "2. *That based on the reasons recorded in the agenda report approval be given to negotiate an extension of contract with Techscape Limited for the maintenance of the City's water supply, wastewater and stormwater drainage network and facilities for a term of two (2) years commencing on 1 July 2005, and the outcome of negotiations be reported back to the Tenders Subcommittee for approval.*"

381/2005

PROPOSED SCOPE OF WORK

The present contract contains performance and incentive based elements to encourage Council and Techscape Limited to work together to seek more effective and efficient ways of carrying out the work.

The proposed scope of work 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; and
- Undertake the operation of the network on a day-to-day basis.

SUMMARY OF THE PROPOSED CONTRACT EXTENSION

Term of the Contract

The contract is proposed to run for a period of two years from 1 July 2005 to 30 June 2007.

Performance

The proposed contract will include performance measurement through a variety of key performance indicators (KPIs) 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; and
Productivity and Effectiveness.

Target Costs

The contract sum negotiated with Techscape includes a 6.5% increase on the base rate applicable on 1 July 2002. This represents an annual increase of 2.17%, which is less than the rate of inflation and is considered acceptable. Thus the total contract sum, allowing for 3% escalation, is \$8,146,433 plus GST.

The total annual value of the negotiated contract is \$4,013,021 plus GST, with a provision for escalation not exceeding the Consumer Price Index for 2006/2007.

JOB COSTS

	<u>EXCL. GST</u>
Tender sum	\$8,146,433
Contingency	\$ 499,557
Engineering & Supervision (included in EcoWater overheads	\$ 0
Total Job Cost	\$8,645,990

SOURCE OF FUNDING

2005/2006 (12 months)

Account	Budget Code	Budget	Committed to other Projects	Allocation to this Project	Unallocated Balance
Wastewater					
Maintenance and Operations Techscape Maintenance Contract	85-7335-33680	\$631,595	0	\$631,595	0
Preventative Maintenance Techscape Maintenance Contract	85-7340-33680	\$273,000	0	\$273,000	0
Renewals Techscape Maintenance Contract	85-9835-33680	\$210,000	0	\$210,000	0

Sub-total for Wastewater		\$1,114,595		\$1,114,595	
Stormwater					
Maintenance and Operations Techscape Maintenance Contract	85-7435-33680 85-7435-40920	\$618,000 \$ 90,000	0 0	\$618,000 \$ 90,000	0
Preventative Maintenance Stormwater Inlet Outlet Inspections	85-7440-25380	\$0	0	\$0	0
Stormwater Treatment Facilities Inspections	85-7440-40920	\$0	0	\$0	0
Renewals Techscape Maintenance Contract	85-9845-33680	\$88,000	0	\$88,000	0
Stormwater facilities maintenance	85-7435-40920		0		0
Sub-total for Wastewater		\$796,000		\$796,000	
Water Supply					
Maintenance and Operations Techscape Maintenance Contract	85-7535-33680	\$1,445,200	0	\$1,445,200	0
Preventative Maintenance Techscape Maintenance Contract Valve & Hydrant Routine Maintenance	85-7540-33680 85-7540-26780	\$80,300 \$0	0 0	\$80,300 \$0	0 0
Sustainable Management of Water Systems Techscape Maintenance Contract - Leak repairs	85-7520-33680	\$70,600	0	\$70,600	0
Drinking Water Standards Techscape Maintenance Contract Water quality equipment maintenance	85-7555-33680 85-7555-40960	\$63,200	0	\$63,200	0
Renewals Techscape Maintenance Contract Valves & Hydrant Replacements	85-9855-33680 85-9855-63560	\$753,100	0	\$753,100	0
Sub-Total for Water		\$2,412,400	0	\$2,412,400	0
GRAND TOTALS OVER 3 WATERS		\$4,322,995	0	\$4,322,995	0

2006/2007 (12 months)

Account	Budget Code	Budget	Committed to other Projects	Allocation to this Project	Unallocated Balance
Wastewater					
Maintenance and Operations Techscape Maintenance Contract	85-7335-33680	\$631,595	0	\$631,595	0
Preventative Maintenance Techscape Maintenance Contract	85-7340-33680	\$273,000	0	\$273,000	0
Renewals Techscape Maintenance Contract	85-9835-33680	\$210,000	0	\$210,000	0
Sub-total for Wastewater		\$1,114,595		\$1,114,595	
Stormwater					
Maintenance and Operations Techscape Maintenance Contract	85-7435-33680	\$618,000	0	\$618,000	0
	85-7435-40920	\$ 90,000	0	\$ 90,000	0
Preventative Maintenance Stormwater Inlet Outlet Inspections	85-7440-25380	\$0	0	\$0	0
Stormwater Treatment Facilities Inspections	85-7440-40920	\$0	0	\$0	0
Renewals Techscape Maintenance Contract	85-9845-33680	\$88,000	0	\$88,000	0
Stormwater facilities maintenance	85-7435-40920		0		0
Sub-total for Wastewater		\$796,000		\$796,000	
Water Supply					
Maintenance and Operations Techscape Maintenance Contract	85-7535-33680	\$1,445,200	0	\$1,445,200	0
Preventative Maintenance Techscape Maintenance Contract	85-7540-33680	\$80,300	0	\$80,300	0
Valve & Hydrant Routine Maintenance	85-7540-26780	\$0	0	\$0	0
Sustainable Management of Water Systems Techscape Maintenance Contract Leak repairs	85-7520-33680	\$70,600	0	\$70,600	0
Drinking Water Standards Techscape Maintenance Contract Water quality equipment maintenance	85-7555-33680 85-7555-40960	\$63,200	0 0	\$63,200	0
Renewals Techscape Maintenance Contract Valves & Hydrant Replacements	85-9855-33680 85-9855-63560	\$753,100	0 0	\$753,100	0
Sub-Total for Water		\$2,412,400	0	\$2,412,400	0
GRAND TOTALS OVER 3 WATERS		\$4,322,995	0	\$4,322,995	0

SUMMARY

The negotiated contract extension with Techscape Limited will ensure that current levels of service can be maintained at an acceptable cost. This contract will protect Council's investments in underground assets through jointly developed processes and technologies, and provide measurable performance at similar cost as at present.

RECOMMENDATIONS

1. That the Extension of Contract EW02 600C: Water Supply, Wastewater and Stormwater Drainage Facilities Term Maintenance Contract report be received.
2. That the negotiated contract extensions with Techscape Limited for Contract EW02 600C: Water Supply, Wastewater and Stormwater Drainage Facilities Term Maintenance Contract in the sum of \$8,146,433 plus \$1,018,304.10 GST, totalling \$9,164,737.10 to be accepted.
3. That the commitment to the financial year 2005/2006 for Contract EW02 600C: Water Supply, Wastewater and Stormwater Drainage Facilities Term Maintenance Contract totalling \$4,322,995 plus GST be approved.
4. That the commitment to the financial year 2006/2007 for Contract EW02 600C: Water Supply, Wastewater and Stormwater Drainage Facilities Term Maintenance Contract totalling \$4,322,995 plus GST be approved.
5. That authority to extend Contract EW02 600C: Water Supply, Wastewater and Stormwater Drainage Facilities Term Maintenance Contract on behalf of Council be delegated to Group Manager: Asset Management.

Report prepared by: Tony Miguel, Group Manager: Asset Management.



5 CONTRACT NO. RM04007A GAS SUPPLY - LINE CHARGES AND CONTRACT NO. RM04007B GAS SUPPLY - RETAIL CHARGES

PURPOSE OF THE REPORT

The purpose of this report is to seek approval from the Tenders Subcommittee to award Contract No. RM04007A Gas Supply - Line Charges and Contract No. RM04007B Gas Supply - Retail Charges.

BACKGROUND

Council began its energy management programme in 2001/2002 focusing on electricity. Whilst gas usage has been monitored, active energy management of gas usage and costs has only begun in 2004/2005 with an energy efficiency project for West Wave, Council's largest single electricity and gas user. At the same time it was discovered that a five year contract for gas supply to West Wave was coming to an end for both the gas supply line charges with Vector Networks and the gas supply retail charges with Contact Energy Limited.

As the physical delivery of gas supply can only be supplied by Vector Networks through their gas pipe network, direct negotiations took place for new pricing for line charges. Although only the West Wave gas supply contract was due for renewal, Council used this opportunity to include the smaller sites for gas retailers to tender for gas supply retail pricing as there may have been potential cost savings that could be achieved.

The two different functions to the supply of gas, delivery through gas pipes and retail supply of gas from source, operate in different market environments. As the delivery of gas is a monopoly situation with one supplier, Vector Networks, the focus of their business is in gaining long-term business through offering fixed pricing to support their business plan for the buyout of Natural Gas Corporation (NGC) and becoming listed on the New Zealand Stock Exchange.

The retail gas market is a competitive market but operating in uncertain times. There have been questions over the ongoing supply of natural gas in New Zealand, especially as Maui is anticipated to reach the end of production shortly. As other gas fields are being discovered and operationalised, commitment to long term gas contracts is highly variable. The Kyoto Protocol coming into force is adding to price uncertainty until implications of the carbon tax in 2007 is understood.

SCOPE OF WORK

Waitakere City Council's 12-month gas usage is estimated below in Table 1 as at January 2005:

Site Name	Site Address	kWh per annum
West Wave	20 Alderman Dr, Henderson	7,513,085
Starling Park	un-numbered but main entrance next to 32 Glen Rd, Henderson	12,224
Glen Eden Recreation Centre	44 Glendale Road, Glen Eden	4,901
Massey Leisure Centre and Library	545 Don Buck Rd, Massey	336,581
Waikumete Cemetery	4128A Great North Rd, Glen Eden	995,889
Lopdell House	501 South Titirangi Rd, Titirangi	16,373
Animal Welfare	48 The Concourse, Lincoln	1,127
Total		8,880,180

Table 1 - Council's Annual Gas Usage

To enable competitive tendering it was noted in the tender document that tenderers could submit pricing for one or more of the loads noted in Table 1. This methodology could have resulted in more than one retail gas supplier for Council to gain overall coverage of the load groupings but the total load would still require coverage.

TENDERS RECEIVED

Tenders were invited from eight (8) gas retailers covering Waitakere City with documents being provided to all eight (8) gas retailers. Four (4) tenders were received, with three including pricing for West Wave and four including pricing for Council's smaller sites. This is summarised in Table 2 below:

TENDERER	REG OFFICE	TENDER PRICE (EXCL GST) Small Sites	TENDER PRICE (EXCL GST) West Wave
Auckland Gas Company	Grafton, Auckland	\$71,614	No price submitted
Contact Energy	Albany, Auckland	\$96,294	\$307,375
Directenz	Wanganui	\$76,101	\$301,871
Genesis Power Ltd [trading as Genesis Energy]	Penrose, Auckland	\$94,736	\$271,685

Table 2 - Summary of Tender Prices

The tender prices have been adjusted to include all charges for gas supply to enable fair comparison of total costs. The tender prices are a reflection of anticipated costs due to the actual costs being determined on actual gas usage and annual changes in line charges (excluding West Wave) which the gas retailers pass directly onto the customer.

The Auckland Gas Company did not submit pricing for West Wave and Contact Energy did not submit contract pricing for Council's smaller sites as they would keep the smaller Council sites on general commercial rates should they retain the sites as the current gas retailer. Again to enable comparison the current commercial rates for the Council's smaller sites were used to compare Contact Energy prices against the tendered prices.

TENDER EVALUATION

Tender Evaluation of Line Charges

A summary of the two options of pricing structures for fixed term line charges contracts as offered by Vector Networks are shown in Table 3 below:

	3 Year Contract Term	5 Year Contract Term	7 Year Contract Term
Offer One	\$60/day \$0.00800/kilowatt hour	\$55/day \$0.00750/ kilowatt hour	\$50/day \$0.00700/ kilowatt hour
Offer Two	\$50/day \$0.00850/kilowatt hour	\$45/day \$0.00800/kilowatt hour	\$40/day \$0.00750/kilowatt hour
Total Cost			
Offer One	\$82,005	\$76,423	\$70,842
Offer Two	\$82,111	\$76,530	\$70,948
Savings from 15% reduction in usage			
Offer One	\$9,016	\$8,452	\$7,889
Offer Two	\$9,579	\$9,016	\$8,452

Table 3 - Summary of Quoted Prices - Line Charges for West Wave

Vector Networks have only offered fixed pricing for West Wave gas supply line charges due to the high usage of this site. The other smaller Council sites do not meet the criteria for fixed contract line pricing.

Two pricing methodologies were offered by Vector Networks for the gas supply - line pricing. Offer One was weighted more on the daily charge (\$/day) and Offer Two was weighted higher on the gas usage charge (\$/kilowatt hour). Offer Two was put forward by Vector Networks as they gained an understanding of Council's energy management programme and that Council was interested in pricing that would enable financial saving to be gained as energy efficiency of West Wave's operations improved.

Tender Evaluation of Retail Charges

As there was the ability to have separate contracts for West Wave and Council's smaller sites, the tender evaluation for gas supply - retail charges was separated for evaluation into Table 4 for West Wave and Table 5 for Council's smaller sites.

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

Tender Evaluation	Attributes	Exper.	Track Record	Tech. Skill	Manag. Skill	Method.	Price	Contract No. RM04007B - West Wave
								Total Weights
	Weights	6	6	6	6	6	70	100
Tenderer	Tender Sum							INDEX
Genesis Power Ltd	\$271,685.00	70	70	68	70	65	60	63
Directenz	\$301,871.00	70	65	68	60	60	50	54
Contact Energy	\$307,375.00	70	65	60	60	65	48	53
Med.n Tender Price	\$301,871.00							

Table 4 Summary of Tender Evaluation of Pricing for West Wave

Tender Evaluation	Attributes	Exper.	Track Record	Tech. Skill	Manag. Skill	Method.	Price	Contract No. RM04007B - Small Sites
								Total Weights
	Weights	6	6	6	6	6	70	100
Tenderer	Tender Sum							INDEX
Auckland Gas Company	\$71,614.00	70	68	70	70	65	66	67
Directenz	\$76,101.00	70	65	68	60	60	61	62
Genesis Power Ltd	\$94,736.00	70	70	68	70	65	39	48
Contact Energy	\$96,294.00	70	65	60	60	65	37	45
Med.n Tender Price	\$85,418.50							

Table 5 - Summary of Tender Evaluation of Pricing for Small Sites

TAGS, ERRORS OR OMISSIONS

Contact Energy submitted their tender stating their offer did not conform to the specifications supplied in the tender document and that the tender was subject to the acceptance of their terms of supply and that for all sites, with the exception of West Wave, they were proposing continuing the present applicable non-contract published pricing schedule and terms. It is recommended that Council accept this condition as it does not affect the evaluation or the outcome of the tendering process.

Directenz tendered pricing for a period of five years and two months. Genesis Energy and The Auckland Gas Company tendered pricing 24 months and Contact Energy for 14 months. The shorter term in pricing for most of the tenders reflects the current gas market and the uncertainty of long term gas supply for New Zealand and impact of the Kyoto Protocol in 2007 on gas pricing. While the tenders have submitted pricing for different contract periods these prices can still be compared on a single year basis in the evaluation process.

Qualification to Directenz pricings structure meant that their proposed pricing would not necessarily remain fixed over the period of the nominated contract term should specifically identified price adjustments be made by external parties. For the purpose of evaluation the comparable tender pricing was used but lower ranking for Methodology was given to reflect the potential risk in change in pricing.

CREDIT CHECK

A credit check on Vector Networks, The Auckland Gas Company and Genesis Power Limited (trading as Genesis Energy) has been requested.

SUMMARY

The results of the tender evaluation for Contract No. RM04007A Gas Supply - Line Charges for West Wave are summarised in Table 3, which shows that the pricing submitted by Vector Networks through Offer Two for a seven year contract period as the most beneficial to Council enabling greater financial savings to be achieved as a result of implementing energy efficiency projects at West Wave. This quotation is also the second lowest priced quotation.

The results of the tender evaluation for Contract No. RM04007B Gas Supply - Retail Charges are summarised in Tables 4 and 5.

Table 4 shows the tender evaluation for West Wave and the tender submitted by Genesis Power Limited (trading as Genesis Energy) achieved the highest index of 63. This tender is also the lowest priced tender.

Table 5 shows the tender evaluation for the smaller Council sites and the tender submitted by The Auckland Gas Company achieved the highest index of 67. This tender is also the lowest priced tender.

The result of the tender evaluation will place the contracts on different contract periods. Contract No. RM04007A Gas Supply - Line Charges with Vector Networks would be for a seven year contract period and Contract No. RM04007B Gas Supply - Retail Charges with both Genesis and The Auckland Gas Company for two year contract periods. The long term business plan for West Wave enables Council to take advantage of the lower long term pricing for the gas supply line charges with Vector Networks with re-tendering of retail charges at intermitting periods. Given the high demand for gas use for generating heat and electricity at West Wave, there is a low risk that Council would consider ceasing the use of gas within the seven year period.

As part of Council's contracting process "Quality and Health and Safety is 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.

JOB COSTS

The comparison of the forecasted annual cost of gas based on 12 months ending January 2005 is shown below in Table 4. It indicates that there will be a 13% increase in costs for West Wave but there will be an average of 10% reduction in costs for the smaller Council sites as:

Load Grouping	Forecast on Current Structure	Tender Cost	% Change
West Wave	\$242,773	\$274,315	13% increase
Small Council Sites			
Starling Park	\$1,219	\$1,068	
Glen Eden Recreation Centre	\$1,456	\$1,261	
Massey Leisure Centre and Library	\$21,387	\$19,873	
Waikumete Cemetery	\$51,899	\$46,614	
Lopdell House	\$1,436	\$1,270	
Animal Welfare	\$1,825	\$1,063	
Total	\$79,222	\$71,149	10% reduction

Table 6 - Tender Price Comparison

SOURCE OF FUNDING

Although some individual budgets may need adjustment to meet the projected gas supply costs in the proposed contracts, it is anticipated that the Council's overall budget for gas supply for the 2005/2006 financial year is sufficient.

An energy management programme has begun with West Wave with initiatives currently being evaluated and sources of funding identified with an estimated savings of \$40,000.

RECOMMENDATIONS

1. That the Contract No. RM04007A Gas Supply - Line Charges and Contract No. RM04007B Gas Supply - Retail Charges report be received.
2. That the quotation for Offer Two from Vector Networks for Contract No. RM04007A Gas Supply - Line Charges be accepted.
3. That the contract for Contract No. RM04007A Gas Supply - Line Charges be negotiated with Vector Networks, using the contract form supplied by Vector Networks.
4. That a contract period of seven years be negotiated for the term of Contract No. RM04007A Gas Supply - Line Charges contract with Vector Networks.
5. That the commitment of funds for the 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010, 20010/2011 and 20011/2012 financial years for Contract No. RM04007A Gas Supply - Line Charges be approved.
6. That the authority to enter into Contract No. RM04007A Gas Supply - Line on behalf of Council be delegated to the Director: City Services.
7. That Contract No. RM04007B Gas Supply - Retail Charges be split into two parts, Contract No. RM04007B1 for West Wave only and Contract No. RM04007B2 for the remaining Council sites noted in Table 1.

8. That the tender from Genesis Power Limited for Contract No. RM04007B Gas Supply - Retail Charges be accepted.
9. That the contract for Contract No. RM04007B1 Gas Supply - Retail Charges be negotiated with Genesis Power Limited, based upon the tender submitted for West Wave only, using the contract form supplied by Genesis Power Limited.
10. That a contract period of twenty-five months, May 2005 - June 2007, be negotiated for the term of the Contract No. RM04007B1 Gas Supply - Retail Charges contract with Genesis Power Limited for West Wave only.
11. That the commitment of funds for the 2005/2006 and 2006/2007 financial years for Contract No. RM04007B1 Gas Supply - Retail Charges for West Wave be approved.
12. That the authority to enter into Contract No. RM04007B1 Gas Supply - Retail Charges on behalf of Council be delegated to the Director: City Services.
13. That the tender from The Auckland Gas Company for Contract No. RM04007B Gas Supply - Retail Charges be accepted.
14. That the contract for Contract No. RM04007B2 Gas Supply - Retail Charges be negotiated with The Auckland Gas Company, based upon the tender submitted, using the contract form supplied by The Auckland Gas Company.
15. That a contract period of twenty-five months, May 2005 - June 2007, be negotiated for the term of Contract No. RM04007B2 Gas Supply - Retail Charges contract with The Auckland Gas Company.
16. That the commitment of funds for the 2005/2006, and 2006/2007 financial years for Contract No. RM04007B2 Gas Supply - Retail Charges be approved.
17. That the authority to enter into Contract No. RM04007B2 Gas Supply - Retail Charges on behalf of Council be delegated to the Director: City Services.

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



6 WAITAKERE CENTRAL LIBRARY/UNITEC - VARIATIONS TO CONTRACTS SP02503A AND SP02503I

PURPOSE OF THE REPORT

The purpose of this report is to seek approval from the Tenders Subcommittee to award variation orders to the following contracts:

- Contract SP02503A Waitakere Central Library/Unitec - Architectural Design Services;
- Contract SP02503I Waitakere Central Library/Unitec - Construction.

BACKGROUND

Contracts SP02503A and SP02503I, for which Council is the Principal, form part of Council and Unitec's Waitakere Central Library/Unitec project.

This significant project, which Council is undertaking as a shared development with Unitec, consists of the integration of a new public library together with an open space area in partnership with the proposed new Unitec campus building and a campus library. The library facilities will be integrated.

Regular construction status reports for the Waitakere Central Library/Unitec project are presented to the Projects Special Committee. These reports outline the current financial status of the project in some detail and this detail is not repeated in this report, however, the approval of Tenders Subcommittee is required for variation orders which exceed the financial delegation of Council's project sponsor, *the Director: Corporate & Civic Services*.

Due to the nature of the project and the cost apportionment formula, cost impacts that arise may affect Unitec and the Council differently. For instance, a cost impact on the Unitec building will not impact on the Councils' budget. This applies to both construction costs and design costs and the cost allocation for the variation orders for which approval is being sought, is shown in the report. However, because Council is the Principal to the contracts, all variations need to be formally approved through Council's procurement systems.

VARIATION PRICES RECEIVED

SP02503A Waitakere Central Library/Unitec - Architectural Design Services

Contract SP02503A with Architectus was entered into in April 2003. The original contract value was \$2,143,503. Approval is being sought for four variation orders to Contract SP02503A which exceed the delegated financial authority of the project sponsor. Two (2) of these variations relate to an increase in the construction value of the project and two relate to re-design works required as part of the value management process. These issues are outlined in more detail below.

Increase in construction value

The architectural design contract SP02503A provided a 'Specified Target Budget' for the express purpose of providing a value on which the architect's fees were to be based. The estimated construction value (inc. artworks, escalation and contingency) contained in this overall specified target budget was \$27,187,169. Since this budget was developed, the actual construction value has increased and the current construction estimate (inc. artworks, escalation and contingency) is now \$33,975,220. This represents a 24.97% increase in construction value, largely due to increased escalation, as previously reported to Council.

A specific condition of the tender from Architectus for Contract SP02503A was that their fees would be adjusted on a pro rata basis if the final value of the project exceeded the Specified target budget.

If the 24.97% figure is used to calculate a pro rata increase of Architectus original fee, then they would be entitled to an additional payment of \$535,232.

However, the initial claim received from Architectus for the works associated with the increased construction value amounted to \$502,395. This claim has been negotiated at length with Architectus and their claimed amount now amounts to \$455,605. This revised claim represents a 21.26% increase over their original fee.

The two (2) variation orders which comprise the majority of this increase are:

- Increase in detailed design - \$138,163 (comprising \$82,898 for Unitec and \$55,265 for Council);
- Increase in Construction Monitoring - \$193,000 (\$115,800 Unitec, \$77,200 Council).

NOTE: the other variation orders which make up the rest of the \$455,605 increase have already been issued as they fall within the delegated financial authority of the project sponsor and relate to specific scope changes.

It should also be noted that the Council's share of these increased costs falls within the contingency amounts provided for by Council when it decided to proceed with the construction contract.

Value Management

The initial tender sum submitted by Fletcher Construction for the construction of the project was in excess of the available budget. Therefore, in order to reduce the tender sum to an acceptable level, a value management and savings programme was commissioned. This identified target construction savings of \$2.7M, which reduced Fletcher's tender to \$30.8M, and this tender sum was accepted.

In order to realise some of the construction savings, a significant amount of re-design work was required and the other two variations to Contract SP02503A for which approval is being sought, relate to the re-design works required for the car park building. These are:

- Re-design of car park building - \$85,000 (\$54,367 Unitec, \$30,633 Council);
- Re-design of car park piling and foundations - \$34,800 (\$22,258 Unitec, \$12,542 Council).

The actual construction savings that have been realised for the car park building (through a change from a concrete structure to a steel structure) amount to \$400,000. Therefore, the NET savings for the car park, once the additional design fees have been deducted from the construction savings, amount to approximately \$280,000.

SP02503I Waitakere Central Library/Unitec - Construction

Council entered into Contract SP02503I with Fletcher Construction Limited in August 2004. The original contract value was \$30.8M. Construction commenced in early August and is scheduled for completion in early 2006.

Approval is being sought for a number of variation orders which exceed the financial authority of the project sponsor. These variations are outlined in table 1 and further description is provided below:

Variation description	Total cost (excl. GST)	Unitec share	Council share
Vector works - transformer required	\$26,454.42	\$15,872.65	\$10,581.77
Removal of contaminated soil	\$175,000.00	\$105,000.00	\$70,000.00
Revised car park handrail due to building act changes	\$111,861.97	\$71,548.08	\$40,313.89
Mist sprinkler system in heritage areas to library	\$128,718.17	\$0	\$128,718.17

Table 1 - Variation Summary

Vector works - Vector have had to install a transformer for power supply to the development. The transformer was not anticipated at design stage and as such the costs were not included in the tender from Fletcher Construction.

Contaminated soil - Through the design process it was identified that part of the site was contaminated as a result of the historical use of the land. Since construction commenced however, the actual volume of fill that has had to be removed has been far in excess of the volumes expected.

Car park handrail - Due to changes in the building act during the life of the project, the handrail that was originally designed for the car park no longer complied, therefore a re-design was necessary. The cost of the revised handrail is significantly greater than the cost of the original handrail due to the fact that the revised handrail has to be designed to withstand the impact of a vehicle.

Mist sprinkler system - Based on the recommendations of the Library Services Manager that the heritage artefacts to be stored in the dedicated area of the library are unique or rare and therefore irreplaceable, a mist sprinkler fire suppression system has been deemed as necessary by the Project Control Group. This type of system was not included in the original design. Applications for external funding to meet the cost of the sprinkler system are currently being prepared by Council staff. In the event that external funds are not forthcoming, then it is proposed that funding will be sourced from the project fit-out budget, meaning there will be no impact on the construction budget.

SUMMARY

The purpose of this report is to seek approval to award variation orders to Contracts SP02503A and SP02503I. These contracts form part of the Waitakere Central Library/Unitec project, which Council is undertaking as a shared development with Unitec.

The variation orders for SP02503A are associated with the increase in construction value and the re-design works carried out as part of the value management process. The value of the variations submitted by Architectus is considered to be fair and reasonable and as such it is recommended that the variation orders be approved.

One of the variation orders for Contract SP02503I is for a client requested scope change, i.e. the mist sprinkler fire suppression system, and external funding is currently being sought for this change. The remaining variation orders are for unforeseen items and as such are to be funded from the project contingency. The value of the variations submitted by Fletcher Construction is considered to be fair and reasonable, and the works necessary, and as such it is recommended that the variation orders be approved.

RECOMMENDATIONS

1. That the Waitakere Central Library/Unitec - Variations to Contracts SP02503A and SP02503I report be received.
2. That authority to issue the following variation orders to Contract SP02503A Waitakere Central Library/Unitec - Architectural Design Services:
 - Increase in detailed design - \$138,163.00 (comprising \$82,898.00 for Unitec and \$55,265.00 for Council);
 - Increase in Construction Monitoring - \$193,000.00 (\$115,800.00 Unitec, \$77,200.00 Council);
 - Re-design of car park building - \$85,000.00 (\$54,367.00 Unitec, \$30,633.00 Council);
 - Re-design of car park piling and foundations - \$34,800.00 (\$22,258.00 Unitec, \$12,542.00 Council).

on behalf of Council be delegated to the Director: Corporate and Civic Services, subject to written confirmation being received from Unitec New Zealand of their approval of their allocated cost share of the variations.

3. That authority to issue the following variation orders to Contract SP025031 Waitakere Central Library/Unitec - Construction:

- Vector works - \$26,454.42 (\$15,872.65 Unitec, \$10,581.77 Council);
- Contaminated soil - \$175,000.00 (\$105,000.00 Unitec, \$70,000.00 Council);
- Car park handrail - \$111,861.97 (\$71,548.08 Unitec, \$40,313.89 Council);
- Mist sprinkler system - \$128,718.17 (\$128,718.17 Council).

on behalf of Council be delegated to the Director: Corporate and Civic Services, subject to written confirmation being received from Unitec New Zealand of their approval of their allocated cost share of the variations.

Report prepared by: Peter Sewell, Special Projects Engineer.



7 CONTRACT NO. PK05003A - SPORTS PARKS PROGRAMMED MAINTENANCE

PURPOSE OF THE REPORT

The purpose of this report is to seek approval from the Tenders Subcommittee to award Contract No. PK05003A - Sports Parks Programmed Maintenance.

BACKGROUND

This work is being commissioned as part of the ongoing maintenance of Park Assets within the City as part of the Long Term Council Community Plan. The existing contract term expires on 30 June 2005. This contract is a continuation of the Sports Parks maintenance programme.

SCOPE OF WORK

The contract works involve the programmed maintenance of the City's sports parks, which includes sports facility maintenance, mowing, toilet cleaning, litter collection and garden maintenance. All other response and non-programmed maintenance is undertaken by a separate response contractor.

The contract period for the advertised contract was originally for 1 year with a renewal period of a further 2 years plus 2 years.

TENDERS RECEIVED

Tenders were publicly advertised with ten sets of documents being uplifted. Two (2) tenders were received by the closing date of 8 March 2005. These are summarised in Table 1 below:

An alternative tender was received from Techscape Limited as indicated in the table below.

TENDERER	REG OFFICE	TENDER PRICE (excl.GST)
Techscape Limited	61 Keeling Rd, Henderson	\$1,791,728.74
Recreational Turf Services Limited	Po Box 33-127 Takapuna	\$1,834,147.00
Techscape Limited (Alternative Tender)	61 Keeling Rd, Henderson	\$1,701,728.74
Pre-tender contract estimate		\$1,580,700.00

Table 1 - Summary of Tender Prices for 1 year

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 "Two envelope process" as described in Section 2.7 of the above manual was followed. Under this method, only the first tender envelope is opened and the non-price attributes evaluated for all tenders before the second envelope containing the tender price is opened, and the tender prices duly included in the evaluation.

Techscape Limited submitted an alternative tender, and so it 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	Exper.	Track Record	Tech. Skill	Resour.	Manag. Skill	Method.	Price	Contract Number PK05003A
									Total Weights
	Weights	10	10	5	5	15	5	50	100
Tenderer	Tender Sum	Grades							INDEX
Techscape Limited	\$1,791,728.74	75	71	71	69	68	72	51	61
Recreational Turf Services Limited	\$1,834,147.00	83	76	76	77	76	79	49	63
Med.n Tender Price	\$1,812,937.87								

* Attribute grading as defined by Transit NZ in their CPP Tender Evaluation Manual Effective 1 March 1997

Table 2 - Summary of Tender Evaluation

Tender Evaluation	Attributes	Exper.	Track Record	Tech. Skill	Resour.	Manag. Skill	Method.	Price	Contract Number PK05003A
									Total Weights
	Weights	10	10	5	5	15	5	50	100
Tenderer	Tender Sum	Grades							INDEX
Techscape Limited	\$1,701,728.74	75	71	71	69	68	72	56	63
Recreational Turf Services Limited	\$1,834,147.00	83	76	76	77	76	79	49	63
Med.n Tender Price	\$1,812,937.87								

* Attribute grading as defined by Transit NZ in their CPP Tender Evaluation Manual Effective 1 March 1997

Table 3 - Summary of Alternative Tender Evaluation

This contract is a measure and value contract based on scheduled sums.

Techscape Limited are the incumbent contractors and have performed well over the last twelve months. A good working relationship has developed between the Waitakere Parks Team and Techscape's Green Team, with open communication and liaison with both teams working together towards improving and providing quality service to the City's residents and users.

TAGS, ERRORS OR OMISSIONS

The original tender sums and the alternative tender received were higher than the proposed budget allocated to this contract. Hence a meeting was held with the lowest tenderer - Techscape Limited to discuss options to enable the works to meet the available budget. The negotiations identified further efficiencies which would be implemented without impacting on current service standards. A negotiated tender sum of \$1,569,050.10 per annum was agreed upon with Techscape Limited.

The contract period for the contract was originally one (1) year with a renewal period of a further two (2) years plus two (2) years. This was changed as part of the negotiations to a contract period of three (3) years with a renewal period of a further 1 year, plus 1 year, plus 1 year, subject to the sole discretion of the Principal.

There were no other tags or errors.

CREDIT CHECK

A credit check dated 21 March 2005 revealed no adverse information.

SUMMARY

The results of the tender evaluation as summarised in Table 3 Alternative Tender Evaluation shows that the alternative tender submitted by Techscape Ltd and the tender submitted by Recreational Turf Services Limited achieved the same index of 63. The tender submitted by Techscape Limited is the lowest priced tender.

A negotiated tender sum has been agreed with Techscape Limited to meet the available budgets.

As part of Council's contracting process "Quality and Health and Safety is 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.

JOB COSTS

	<u>EXCL. GST</u>
2005/2006 (Year1)	
Negotiated Tender sum - Techscape Limited for 2005/2006	\$1,569,050.10
Contingency	\$ 195,136.00
Engineering & Supervision	\$ 20,000.00

Total Job Cost for 2005/2006	\$1,784,186.10

2006/2007 (Year 2)

Negotiated Tender sum - Techscape Limited for 2006/2007	\$1,569,050.10
Contingency	\$ 195,136.00
Engineering & Supervision	\$ 20,000.00

Total Job Cost for 2006/2007	\$1,784,186.10

2007/2008 (Year 3)

Negotiated Tender sum - Techscape Limited for 2005/2006	\$1,569,050.10
Contingency	\$ 195,136.00
Engineering & Supervision	\$ 20,000.00

Total Job Cost for 2007/2008	\$1,784,186.10

Total for 3 years (2005/2006 – 2007/2008)

Negotiated Tender sum - Techscape Limited for 3 years	\$4,707,150.30
Contingency	\$ 585,408.00
Engineering & Supervision	\$ 60,000.00

Total Job Cost	\$5,352,558.30

SOURCE OF FUNDING

2005/2006 (12 months)

Account	Budget	Committed to other Projects	Allocation to this Project	Unallocated Balance
Building Maintenance	\$563,247	\$410,962	\$152,285	\$0
Car parks and Driveway Maintenance	\$125,299	\$89,000	\$36,299	\$0
Fixtures and Furniture Maintenance	\$247,228	\$202,481	\$44,747	\$0
Litter Control Parks	\$543,069	\$420,539	\$122,530	\$0
Passive Grass Maintenance	\$1,299,563	\$1,200,227	\$99,336	\$0
Planting Maintenance	\$1,072,382	\$935,500	\$136,882	\$0
Sports Facilities Maintenance	\$302,380	\$10,148	\$292,232	\$0
Sports Field Maintenance	\$943,306	\$45,001	\$898,305	\$0
Structures Maintenance	\$68,461	\$66,891	\$1,570	\$0
Totals	\$5,164,935	\$3,380,749	\$1,784,186	\$0

2006/2007 (12 months)

Account	Budget	Committed to other Projects	Allocation to this Project	Unallocated Balance
Building Maintenance	\$563,247	\$410,962	\$152,285	\$0
Car parks and Driveway Maintenance	\$125,299	\$89,000	\$36,299	\$0

Account	Budget	Committed to other Projects	Allocation to this Project	Unallocated Balance
Fixtures and Furniture Maintenance	\$247,228	\$202,481	\$44,747	\$0
Litter Control Parks	\$543,069	\$420,539	\$122,530	\$0
Passive Grass Maintenance	\$1,299,563	\$1,200,227	\$99,336	\$0
Planting Maintenance	\$1,072,382	\$935,500	\$136,882	\$0
Sports Facilities Maintenance	\$302,380	\$10,148	\$292,232	\$0
Sports Field Maintenance	\$943,306	\$45,001	\$898,305	\$0
Structures Maintenance	\$68,461	\$66,891	\$1,570	\$0
Totals	\$5,164,935	\$3,380,749	\$1,784,186	\$0

2007/2008 (12 months)

Account	Budget	Committed to other Projects	Allocation to this Project	Unallocated Balance
Building Maintenance	\$563,247	\$410,962	\$152,285	\$0
Car parks and Driveway Maintenance	\$125,299	\$89,000	\$36,299	\$0
Fixtures and Furniture Maintenance	\$247,228	\$202,481	\$44,747	\$0
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Sports Field Maintenance	\$943,306	\$45,001	\$898,305	\$0
Structures Maintenance	\$68,461	\$66,891	\$1,570	\$0
Totals	\$5,164,935	\$3,380,749	\$1,784,186	\$0

RECOMMENDATIONS

1. That the Contract No. PK05003A - Sports Parks Programmed Maintenance report be received.
2. That the tender from Techscape Limited for Contract No. PK05003A - Sports Parks Programmed Maintenance in the sum of \$4,707,150.30 plus \$588,393.78 GST, totalling \$5,295,544.08 be accepted.
3. That the commitment to the 2005/2006 financial year for Contract No. PK05003A - Sports Parks Programmed Maintenance totalling \$1,784,187 plus GST be approved.

4. That the commitment to the 2006/2007 financial year for Contract No. PK05003A - Sports Parks Programmed Maintenance totalling \$1,784,187 plus GST be approved.
5. That the commitment to the 2007/2008 financial year for Contract No. PK05003A - Sports Parks Programmed Maintenance totalling \$1,784,187 plus GST be approved.
6. That authority to extend Contract No. PK05003A - Sports Parks Programmed Maintenance for a further one (1) plus one (1) plus one (1) year be delegated to the Group Manager: Asset Management
7. That authority to enter into Contract No. PK05003A - Sports Parks Programmed Maintenance on behalf of Council be delegated to the Group Manager: Asset Management.

Report prepared by: Darren Hannay, Contracts Manager Sports and Landscapes.

