



**AGENDA FOR A MEETING OF THE TENDERS SUBCOMMITTEE TO BE HELD IN THE  
MANUKAU ROOM AT WAITAKERE CENTRAL, 6 HENDERSON VALLEY ROAD,  
HENDERSON, WAITAKERE, ON FRIDAY, 27 AUGUST 2010,  
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 Chairman has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion and decision, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting.

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

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



**3 CONFLICTS OF INTEREST**

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



**4 CONFIRMATION OF MINUTES**

Meeting Minutes - 13 August 2010

**RECOMMENDATION**

It is recommended that the Tenders Subcommittee resolve to:

**Receive** the minutes of the meeting of the Tenders Subcommittee held on Friday, 13 August 2010, as circulated, and that they be taken as read and now be confirmed.



5 **CONTRACT NO. TA09012B – BUS SHELTER CONSTRUCTION AND RENEWALS 2009/2010 – APPROVAL TO EXTEND**

**EXECUTIVE SUMMARY**

The purpose of this report is to seek approval from the Tenders Subcommittee to extend Contract No. TA09012B – Bus Shelter Construction and Renewals 2009/2010 up to 30 June 2011.

**RECOMMENDATIONS**

It is recommended that the Tenders Subcommittee resolve to:

1. **Receive** the Contract No. TA09012B – Bus Shelter Construction and Renewals 2009/2010 - Approval to Extend report.
2. **Approve** the Contract No. TA09012B – Bus Shelter Construction and Renewals 2009/2010 as awarded to Community Asset Management Limited be extended in the sum of \$266,980.00 excluding GST for the period 1 July 2010 to 30 June 2011.
3. **Approve** that authority to extend Contract No. TA09012B – Bus Shelter Construction and Renewals 2009/2010 for the period 1 July 2010 to 30 June 2011 on behalf of the Council be delegated to the Group Manager: Project Services.

**BACKGROUND**

1. This contract forms part of Council's capital works programme as provided for in the Annual Plan 2010/2011, specifically construction of new bus shelters and renewal of existing bus shelters, at specific locations throughout the City. This is to encourage the use of public transport and assists in meeting Council's community outcome for Sustainable and Integrated Transport. This outcome requires making public transport services more appealing, thereby reducing car dependency.
2. The scope of work includes manufacture and installation of 31 bus shelters with other ancillary works at either new locations or as a renewal of existing bus shelters within Waitakere.
3. The Council approved the award of Contract No. TA09012B – Bus Shelter Construction and Renewals 2009/2010 to Community Asset Management Limited at a Tenders Subcommittee meeting held on 22 January 2010 where it was resolved as follows:

*“The Tenders Subcommittee resolved to:*

1. **Receive** the Contract No. TA09012B - Bus Shelter Construction and Renewals 2009/2010 - Approval to Award report.
2. **Approve** that the tender from Community Asset Management Limited for Contract No. TA09012B - Bus Shelter Construction and Renewals 2009/2010 in the sum of \$266,980.00 plus \$33,372.50 GST, totalling \$300,352.50 from 01 February 2010 to 30 June 2010 be accepted.
3. **Approve** that authority to enter into Contract No. TA09012B - Bus Shelter Construction and Renewals 2009/2010 on behalf of the Council be delegated to the Group Manager: Project Services.
4. **Agree** that authority to extend Contract No. TA09012B - Bus Shelter Construction and Renewals 2009/2010 beyond 30 June 2010 for a further one year to 30 June 2011, subject to contractor's performance and availability of funding, be brought back to the Tenders Subcommittee for approval.”

## DECISION MAKING

4. Contract No. TA09012B – Bus Shelter Construction and Renewals 2009/2010 is a one year contract with an expiry date of 30 June 2010. The contract contains provision for up to one annual extension based on the satisfactory performance by the Contractor and subject to the Council's approval.
5. The total accumulation of this contract and contract extensions approved and now sought, showing the cost of the contract sum to date, are shown in Table 1 below:

2009/2010	Original Contract Sum	\$266,980.00
2009/2010	Variation 1	\$2,516.00
2010/2011	Extension 1	\$266,980.00
	Total	\$536.476.00

**Table 1: Total accumulative amount**

6. Community Asset Management Limited has confirmed in writing that they are willing to carry out the contract for a further 12 months.

## CONTRACTOR'S PERFORMANCE

7. An evaluation of Community Asset Management Limited's performance to date contains the following features:
  - During the course of the Contractor relationship with the Council, there have been no performance related issues;
  - They have developed a good working relationship with relevant Council staff;
  - They are a well resourced company;
  - They respond quickly to customer complaints;
  - They have a strong focus on health and safety; and
  - Their workmanship is to a very good standard.

## CREDIT CHECK

8. A credit check on Community Asset Management Limited dated 9 August 2010 revealed no adverse information.

## JOB COSTS

9.		<u>Excl. GST</u>
	Contract sum – Community Asset Management Limited	\$266,980.00
	Contingency	\$26,000.00
	Engineering and Supervision	\$26,500.00
	Disbursement (Resource Consent)	\$12,000.00
		-----
	Total Job Cost	\$331,480.00

## SOURCE OF FUNDING

10. Source of funding is shown in Table 2 below:

Budget Description (from annual budget line item) Annual Plan 2010/2011	Codes	Budget	Committed to other projects	Allocation to this project	Unallocated balance	Potential surplus
Bus Shelter Renewals	8AMTA-07-012	\$272,000	\$20,000	\$223,380	\$28,620	\$28,620

Budget Description (from annual budget line item) Annual Plan 2010/2011	Codes	Budget	Committed to other projects	Allocation to this project	Unallocated balance	Potential surplus
Bus Shelter Construction	8AMTA-07-092	\$84,800	\$5,000	\$79,800	\$0	\$0
Bus Shelter Construction	8AMTA-10-033	\$73,300	\$45,000	\$28,300	\$0	\$0
	<b>Total</b>	\$430,100	\$70,000	\$331,480	\$28,620	\$28,620

**Table 2 – Source of Funding**

### IMPLEMENTATION ISSUES

11. There are no implementation issues expected with this contract.

### AUCKLAND COUNCIL TRANSITION ISSUES

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

**Report prepared by:** Jayantha Rajasooriya, Roding Engineer.



## 6 **CONTRACT NO. SP10002A – SUPPLY AND INSTALL RFID INTO WAITAKERE LIBRARIES – PHASE 1 - APPROVAL TO AWARD**

### GLOSSARY

Waitakere City Council Library and Information Services	(WLIS)
Radio Frequency Identification Equipment	(RFID)
Integrated Procurement Group	(IPG)

### EXECUTIVE SUMMARY

The purpose of this report is to seek approval from the Tenders Subcommittee to award Contract No. SP10002A - Supply and Install RFID into Waitakere Libraries – Phase 1.

### RECOMMENDATIONS

It is recommended that the Tenders Subcommittee resolve to:

- Receive** the Contract No. SP10002A - Supply and Install RFID into Waitakere Libraries - Phase 1 - Approval to Award report.
- Approve** that the tender from 3M New Zealand Limited for Contract No. SP10002A - Supply & Install RFID into Waitakere Libraries - Phase 1 in the sum of \$399,865.00 plus \$49,983.13 GST, totalling \$449,848.13 from 1 September 2010 to 15 March 2011 be accepted.
- Approve** that authority to enter into Contract No. SP10002A - Supply & Install RFID into Waitakere Libraries - Phase 1 on behalf of the Council be delegated to the Group Manager: Project Services.

## BACKGROUND

4. At the Tenders Subcommittee meeting on 21 May 2010, it was resolved as follows:

*“The Tenders Subcommittee resolved to:*

3. **Approve** that the following five contractors be invited to tender for Contract No. SP10002A - Supply and Install Radio Frequency Identification Equipment into Waitakere Libraries - Phase 1:
  - Tech Logic Corporation;
  - ST LogiTrack Pte Ltd;
  - FE Technologies;
  - Datacom Systems Ltd/Bibliotheca RFID Library Systems Australia Pty Ltd; and
  - 3M New Zealand Limited.
4. **Agree** that the results of the tender evaluation process for Contract No. SP10002A - Supply & Install Radio Frequency Identification Equipment into Waitakere Libraries - Phase 1 be reported back to the Tenders Subcommittee.
5. **Note** that confirmation be sought to proceed with Contract No. SP10002A - Supply and Install Radio Frequency Identification Equipment into Waitakere Libraries - Phase 1 from the Integrated Procurement Group.”

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5. Following approval from the Integrated Procurement Group (IPG) a tender was issued to each of the approved contractors on 2 July 2010.

## SCOPE OF WORK

6. Waitakere City Council Library and Information Services (WLIS) currently use barcode technology and magnetic security throughout each of its seven libraries and its mobile library bus. Self issue units using bar-code identification and magnetic security are also in use. WLIS intend introducing Radio Frequency Identification (RFID) technology into each of the seven Waitakere libraries in multiple phases:
- Phase 1: Implementation of RFID in Waitakere Central Library at Henderson to be completed by March 2011;
  - Phases 2 and 3: Implementation of RFID at remaining six library branches, to be completed by 30 June 2012.
7. This tender covers only the works required under Phase 1.
8. The scope of work is for the provision of a range of RFID equipment, RFID tags, training and support and maintenance for one year:
- RFID enabled freestanding self issue kiosks (x6);
  - Internal automated return slot with bin sorter and spare bins;
  - Staff workstation RFID reader pads (x10);
  - Hand held scanner and associated equipment (x1)
  - Dual lane RFID enabled security gates (x2);
  - RFID tags (blank and printed); and
  - Temporary supply mobile conversion stations (x4).
9. The specification requires that RFID tag data provided under this contract must be able to be read on any RFID hardware currently installed in libraries of the Auckland region and any existing RFID tags currently used in libraries in the Auckland region must be able to be read on the hardware provided under this contract. The specification requires tenderers to provide evidence in their tender

demonstrating their commitment to development and innovation with detail of current research and development.

### TENDERS RECEIVED

10. Tenders were invited from selected tenderers with five sets of documents being uplifted. Four tenders were received by the closing date of 20 July, 2010. These are summarised in Table 1 below:

TENDERER	REG OFFICE	TENDER PRICE (excl. GST)
3M New Zealand Limited	94 Apollo Drive, Albany Auckland 0627	\$399,865.00
Datacom Systems Limited	106 Vincent Street, Auckland	\$474,147.44
FE Technologies	4 Reeves Court, Breakwater 3219 Victoria, Australia	\$475,431.00
Tech Logic Corporation	1818 Buerkle Road, White Bear Lake Minnesota 55110	\$505,682.00
Budget estimate		\$450,000.00

**Table 1: Summary of Tender Prices**

### TAGS, ERRORS OR OMISSIONS

11. All of the tenders submitted contained minor tags.
12. Tech Logic Corporation referred to their Standard Sale Terms and Conditions in their submission and offered only one year warranty on their equipment, not two years as required in the tender document. Repeated attempts to address this tag with Tech Logic Corporation have been unsuccessful to date and scores have been based on assumptions. Subsequent to opening the price envelope it has become evident that this tag will not affect the outcome of the tender evaluation and no further consideration will be given to this tag.
13. FE Technologies offered to provide a one year warranty on equipment not two years as required in the tender document. FE Technologies were requested to clear this tag and agreed to providing a two year warranty on equipment.
14. Datacom Systems Limited stated in their submission that payment on goods by invoice 20<sup>th</sup> of the month following delivery would be required, and a payment of 25% on order placement of the sorter would be required. They stated that their tender is based on no retentions being withheld. Datacom Systems Limited has agreed to clear these tags.
15. The tenders from 3M New Zealand Limited and Datacom Systems Limited contained two favourable tags. One tag being the supply of free conversion stations for a period of three months for 3M New Zealand Limited and up to 15 weeks for Datacom Systems Limited post-contract practical completion. They both also offer to provide two year support and maintenance contracts as opposed to the required one year support and maintenance contract. These tags provide a better outcome and are acceptable.
16. A price for ongoing support and maintenance was not requested in the tender but 3M New Zealand Limited tendered a price of \$8,400.00 plus GST per annum in their tender for ongoing support and maintenance beyond the two year period included in their tender. This offer does not form part of this tender and ongoing support and maintenance beyond the period allowed for in the tender will be dealt with separately in the future.

17. There were no other tags, errors or omissions in the tenders.

### TENDER EVALUATION

18. In accordance with the conditions of tendering, tenders were evaluated in line with the Weighted Attribute Method contained in the New Zealand Transport Agency's "Competitive Pricing Procedures Manual".
19. The "Two envelope process" as described in Section 2.7 of the above manual was followed as required by the IPG. 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.
20. A summary of the evaluation results is shown in Table 2 below:

Tender Evaluation	Attributes	Exper.	Track Record	Tech. Skill	Strategic Fit & Functionality	Manag. Skill	Method.	Price	SP10002A Total Weights
	<b>Weights</b>	<b>10</b>	<b>10</b>	<b>5</b>	<b>25</b>	<b>5</b>	<b>5</b>	<b>40</b>	<b>100</b>
<b>Tenderer</b>	<b>Tender Sum</b>	<b>Grades</b>							<b>INDEX</b>
3M New Zealand Limited	\$399,865.00	90	65	70	80	50	65	66	71
FE Technologies	\$475,431.00	60	70	55	85	80	55	50	64
Datacom	\$474,147.44	60	55	60	75	45	45	50	58
Tech Logic Corporation	\$505,682.00	50	40	40	50	45	40	43	45
<b>Median Tender Price</b>	\$474,789.22								

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

**Table 2 - Summary of Tender Evaluation**

21. Scores for the non-price attributes were determined on the basis of information provided in each tender, on the information gathered from the referees nominated by the tenderers and on any recent Council experience with the tenderers.
22. A requirement of the IPG was that a tender evaluation team consisting of representatives from multiple Auckland Region Libraries was formed to undertake the evaluation of the four tender submissions.
23. The results of the tender evaluation as summarised in Table 2 shows that the tender submitted by 3M New Zealand Limited achieved the highest index of 71. This tender is also the lowest priced tender.
24. The lowest tender is 11% below the pre-tender contract estimate.
25. As part of Council's contracting process "Quality, Health and Safety and Environmental compliance are not negotiable" - all contractors have had this focus clearly reinforced through the contract documents and this will be strongly reiterated at the subsequent pre-start meeting and imposed during the contract period.

### CREDIT CHECK

26. A credit check on 3M New Zealand Limited dated 4 August 2010 revealed no adverse information.

## JOB COSTS

27.

	<u>Excl. GST</u>
Tender sum – 3M New Zealand	\$399,865.00
Contingency	\$39,986.50
	-----
Total Job Cost	\$439,851.50

## SOURCE OF FUNDING

28. Source of funding is shown in Table 3 below:

Budget Description (from annual budget line item) Annual Plan 2010/2011	Codes	Budget	Committed to other projects	Allocation to this project	Unallocated balance	Potential surplus
Community Wellbeing - Libraries	3LBSD-08-009	\$620,159.00	0.00	\$439,851.50	\$180,307.50	\$50,135.00
	<b>Total</b>	\$620,159.00		\$439,851.50		

**Table 3: Source of Funding**

## IMPLEMENTATION ISSUES

29. There are no implementation issues expected with this contract.

## AUCKLAND COUNCIL TRANSITION ISSUES

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

31. Approval to proceed with this tender was obtained from the IPG on 29 June 2010.

**Report prepared by Kim Loose, Project Manager: Special Projects.**



## 7 STATE HIGHWAY 18 – PROPOSED WASTEWATER LINE – APPROVAL TO NEGOTIATE

### GLOSSARY

HEB-Smithridge Limited (HEB)  
Auckland Transition Agency (ATA)

### EXECUTIVE SUMMARY

The purpose of this report is to seek approval from the Tenders Subcommittee to negotiate with HEB-Smithridge Limited (HEB) for the construction of a proposed section of wastewater line across the motorway corridor in the vicinity of Brigham Creek Road, Hobsonville.

## **RECOMMENDATIONS**

It is recommended that the Tenders Subcommittee resolve to:

1. **Receive** the State Highway 18 – Proposed Wastewater Line – Approval to Negotiate report.
2. **Approve** that, subject to recommendation 4 below, negotiations proceed with HEB-Smithbridge Limited for the construction of a proposed section of wastewater line across the motorway corridor in the vicinity of Brigham Creek Road, State Highway 18.
3. **Agree** that, subject to recommendation 4 below, the outcome of the negotiations with HEB-Smithbridge Limited for the construction of a proposed section of wastewater line across the State Highway 18 motorway corridor in the vicinity of Brigham Creek Road, Hobsonville be brought back to the Tenders Subcommittee for approval.
4. **Note** that resolutions 2 and 3 above are subject to confirmation by the Auckland Transition Agency.

## **BACKGROUND**

- A1*
1. The servicing for wastewater of Plan Change 14 – Hobsonville Village requires that a Council-owned gravity wastewater line be constructed across the motorway corridor in the vicinity of Brigham Creek Road to convey wastewater from the new development area to the proposed Watercare Services Limited's wastewater pump station on the opposite (northern) side of the motorway. A plan showing the location of this project is attached at page A1.
  2. HEB is the contractor currently on site constructing the new motorway. They have extensive experience in constructing wastewater infrastructure.
  3. The timeline for the proposed wastewater line is for completion of the physical works by December 2010.

## **DECISION MAKING**

4. As the works are located within the State Highway 18 construction corridor, it is preferable that the New Zealand Transport Agency's contractor, HEB carry out this work. Negotiating an acceptable price for the project with HEB is therefore desirable, and hence it is proposed that this option be pursued in the first instance.
5. HEB have indicated that they have the resources and would like to submit a price to construct this proposed section of wastewater line.
6. Any rates negotiated with HEB will be independently reviewed and benchmarked against current contract rates and prices.

## SOURCE OF FUNDING

7. Funding of \$600,000 has been provided for this project in year two (2010/2011) of the Long Term Council Community Plan 2009-2019.

## IMPLEMENTATION ISSUES

8. There are no implementation issues arising from this project.

## AUCKLAND COUNCIL TRANSITION ISSUES

9. The Local Government (Tamaki Makaurau Reorganisation) Act 2009 imposes restrictions on Waitakere City Council's decision making capabilities. Certain decisions require confirmation by the Auckland Transition Agency (ATA).
10. The ATA, when confirming the Council's decision to adopt the Long Term Council Community Plan, notified the Council pursuant to section 20 of the Act, that any decision relating to the Council's "wider NorSGA project" would be a decision to which section 31(1)(b) may apply and must be referred to the ATA prior to implementation. The recommendations in this report are accordingly conditional upon confirmation by the ATA.

**Report prepared by:** Richard Taylor, Manager: EcoWater (Three Waters).



## 8 CONTRACT NO. EW05061A – WATER SUPPLY, WASTEWATER AND STORMWATER DRAINAGE TERM MAINTENANCE CONTRACT: COST FLUCTUATIONS, REVISED CONTRACT SUM AND VARIATIONS

### GLOSSARY

Bilfinger Berger Services Limited

(BBS)

### EXECUTIVE SUMMARY

The purpose of this report is to seek approval from the Tenders Subcommittee for revision of the contract sum for Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract for the period 1 July 2010 to 30 June 2011 and approval for the issue of variation works associated with the contract.

The contract sum revision is to allow for annual cost fluctuations under the contract as well as additional scheduled job volumes due to increases in the asset base combined with increased service expectations from customers.

There are a number of variation works issued each year within the scope and purpose of the contract and the cumulative value of these variations requires Tenders Subcommittee approval.

### RECOMMENDATIONS

It is recommended that the Tenders Subcommittee resolve to:

1. **Receive** the Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract: Cost Fluctuations, Revised Contract Sum and Variations report.

2. **Approve** an amended contract sum for Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract for the period 1 July 2010 to 30 June 2011 of \$7,474,284.00 excluding GST to account for cost fluctuations and increases in contract work volumes, noting that this is within the funding provided for in the Annual Plan 2010/2011.
3. **Approve** the issue of variations to Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract as listed in the report up to the cumulative value of \$761,000.00 excluding GST.
4. **Approve** that authority to issue notice of the amended contract sum and to order the listed variation works for Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract be delegated to the Deputy Group Manager: Assets, City Services.
5. **Approve** that authority to award additional contract variations to Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract, up to the cumulative value of \$600,000.00 excluding GST within approved Annual Plan 2010/2011 budget line items be delegated to the Deputy Group Manager: Assets.

## BACKGROUND

1. Council awarded a five year term maintenance contract to Bilfinger Berger Services Limited (BBS) for water supply, wastewater and stormwater drainage, commencing 1 July 2007.
2. The contract was awarded at an annual contract sum of \$5,859,211.72 per year for year one to year five, with an escalation clause included in the contract. There was no allowance for increased work volumes built into the contract schedule for years two to five.
3. There are no contingency sums included in the contract sum of \$5,859,211.72.
4. A variation to the Term Maintenance Contract was approved by the Tenders Subcommittee on 27 November 2009 for the revision of the contract sum due to increase in the volume of works and for payment of escalated annual costs to the contract value and issue of variation works associated with the contract for period 1 July 2009 to 30 June 2010. The Tenders Subcommittee resolved as follows:

*“The Tenders Subcommittee resolved to:*

1. **Receive** the Contract No. EW05061A - Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract: Cost Fluctuations, Revised Contract Sum and Variations report.
2. **Approve** an amended contract sum for Contract No. EW05061A - Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract for the period 1 July 2009 to 30 June 2010 of \$7,357,882.00 excluding GST to account for cost fluctuations and increases in contract work volumes, noting that this is within the funding provided for in the Annual Plan 2009/2010.
3. **Approve** the issue of variations to Contract No. EW05061A - Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract as listed in the report up to the cumulative value of \$730,000.00 excluding GST.
4. **Approve** that authority to issue notice of the amended contract sum and to order the listed variation works for Contract No. EW05061A - Water Supply, Wastewater and Stormwater Drainage

*Term Maintenance Contract be delegated to the Deputy Group Manager: Assets, City Services.*

5. **Approve** that authority to award additional contract variations to Contract No. EW05061A - Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract, up to the cumulative value of \$600,000.00 excluding GST within approved Annual Plan 2009/2010 budget line items be delegated to the Deputy Group Manager: Assets, City Services.”

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## DECISION MAKING

### Cost Fluctuation

5. In order to account for the fluctuations to the costs of contract it was specified in the contract that annual adjustments to contract rates would be applied using a cost fluctuation percentage factor calculated using a formula stated in the contract.
6. The overall cost fluctuation percentage for 2009/2010 (to be applied to the 2010/2011 year) is 1.582%. A 1.0% increase in the labour index (labour component 46.74%) and a 2.3% increase in material costs (material component 16.53%) has contributed to this overall figure. For the preceding 12 months the Consumer Price Index increased by 2.0% (as published by Statistics New Zealand). The total amount of cost fluctuations for the contract applying for 2010/2011 is \$116,402.
7. Table 1 below provides a summary of the proposed cost fluctuation and volume based increases for each section of the contract with an overall increase in the contract sum of \$1,615,072 being required. Section B of the contract includes preventative maintenance work (\$701,706 increase) and Section C shows an increase in the reactive maintenance work (\$472,449) with reference to the contract schedule.

Category	Amount as per Contract Schedule	Approved Contract Sum for 2009/2010	Cost Fluctuation Increase for 2010/2011	Forecast amount for 2010/2011
Section A - Preliminary & General	1,659,119	1,789,239	28,306	1,817,545
Section B - Programmed Maintenance	2,194,986	2,851,580	45,112	2,896,692
Section C - Provisional Sum Work	751,000	1,204,395	19,054	1,223,449
Section D - Recoverable/Reimbursable Work	375,130	564,756	8,934	573,690
Section E - Minor Renewal/Capital Work	878,977	947,912	14,996	962,908
<b>Total</b>	<b>5,859,212</b>	<b>7,357,882</b>	<b>116,402</b>	<b>7,474,284</b>

**Table 1: Total forecast contract sum for 2010/2011**

### Other Variation Works

8. It is also proposed to undertake the following works, as shown in Table 2 below, as variations to the contract as these works are not included in the contract schedule but are within the scope and purpose of the contract.

No.	Description of work	Reason for including this work as a Variation	Budgeted amount
1	Renewal of water meters (15 and 20 millimetres diameter) for testing.	Only Bilfinger Berger Services Ltd (BBS) is permitted to replace meters.	\$30,000
2	Cleaning and painting of the water valves in zones three, nine, eleven and sixteen.	It is desirable that BBS do this work at they become familiar with these important operational valves.	\$30,000
3	Drinking water quality improvements to reservoirs.	BBS have the expertise for this work, which also requires work on the live network.	\$60,000
4	New Stormwater ponds maintenance	Increase in number of ponds as they are developed and handed over to Council. Variation Order is for the increase in the scheduled items quantities.	\$11,000
5	Wastewater Pipe bridge replacements	Cost effective way to replace pipe bridges. Majority work includes small pipe bridge replacements and has been done by BBS effectively.	\$50,000
6	Wastewater pipe bridge renewal	Cost effective way to renew pipe bridges. Majority work includes cleaning and painting of pipe bridges and it has been done by BBS effectively in 2009/2010.	\$40,000
7	Wastewater Pump station electrical cabinet renewal- French Bay, Jenkins Bay, Kauri Point Road.	It has been done in the past and the BBS can co-ordinate the works with the pump station maintenance.	\$60,000
8	Tram Valley Road flooding issue; responding to road flooding emergency jobs, install and maintain pumps, clearing of debris, carry out CCTV inspections, etc.	Ongoing work by BBS	\$180,000
9	Wastewater overflow reduction strategy works – preventative programme of inspections, cleaning and repairs.	This is part of an ongoing programme undertaken by BBS.	\$80,000
10	Wastewater pipe spot repairs: work will include dig up and replacement of short sections of pipe to prevent ground water ingress and remove and structural protrusion inside the main pipe that will prevent lining in future.	BBS have the resources and experience to carry out this work. In most cases, prior work (reactive maintenance) has been carried out on site.	\$40,000
11	Investigation works for Transport Assets Work programmes	Pothole work is required to confirm location of assets when designing new roading works	\$50,000
12	Install and test backflow prevention devices	Install strainer in place of meter, replace meter, supply and install BF valve, pipe, fittings, meter box, valves, reconnect private system, test device, reinstate all surfaces (incl customer liaison).	\$130,000
	<b>Total (excluding GST)</b>		<b>\$761,000</b>

Table 2: Variation Works

9. BBS are required to submit a competitive price for the work prior to committing the variations.
10. It is anticipated that further variation work will be required during the remaining part of the financial year for work on the three water networks where the work is best carried out by BBS because the contractor has the necessary skills, knowledge, experience, expertise, and resources to carry out the work. In addition, there is a risk if inexperienced contractors are allowed to work on the live network for health, safety and asset reliability reasons.
11. During the course of the year a large number of such variations are anticipated however the limit of delegated financial authority of officers is applied not per variation but on the cumulative value of successive variations issued under any officer's delegation. For a contract of the scale of the Term Maintenance Contract this limitation introduces operational difficulties. The Tenders Subcommittee is therefore being asked to approve that authority to award additional contract variations to the Term Maintenance Contract, up to the cumulative value of \$600,000.00 excluding GST, and within approved Annual Plan 2010/2011 budget line items be delegated to the Deputy Group Manager: Assets, City Services. No individual variation approved under this proposed delegation would be for an amount that was in excess of the limit of delegated financial authority held by the Deputy Group Manager: Assets.

### CREDIT CHECK

12. A credit check is not required for contract variations.

### SOURCE OF FUNDING

13. The funds necessary for payment of the proposed increased contract sum and contract variations are outlined in Table 3 below:

Budget description (from Annual Plan 2010/2011 line item)	SAP Code	Budget Amount	Committed to other projects	Allocation to this project July to Oct 2010	Allocation to this project Nov 2010 to June 2011	Unallocated balance
WW Techscape (Maintenance & Operations)	6450	1,658,000	424,153	332,441	901,406	Nil
Additional Responsive maintenance	6455	216,000	0	71,280	144,720	Nil
Techscape-Maintenance contract (Renewals)	8AMEW-07-032	592,000	0	124,320	467,680	Nil
Recoverable works	6500	26000	0	8,580	17,420	Nil
Pump station pump unit replacement	8AMEW-07-036	308,000	248,000	20,000	40,000	Nil
Upgrade Pump Stations & Reservoirs	8AMEW-07-082/05	319,000	89,000	76,667	153,333	Nil
ALWP additional flushing, root and videoing	8AMEW-09-001	165,000	5,000	53,333	106,667	Nil
Video programme	8AMEW-07-026	309,000	249,000	20,000	40,000	Nil
Other wastewater renewals	8AMEW-10-037/01	1,269,000	1,236,945	10,685	21,370	Nil

Budget description (from Annual Plan 2010/2011 line item)	SAP Code	Budget Amount	Committed to other projects	Allocation to this project July to Oct 2010	Allocation to this project Nov 2010 to June 2011	Unallocated balance
Other wastewater network upgrde program	8AMEW- 10-081/01	2,393,000	2,372,000	7,000	14,000	Nil
SW Techscape (Maintenance & Operations)	6840	1,162,000	370,596	292,221	499,183	Nil
Techscape- Maintenance contract (Renewals)	8AMEW- 07-116	514,000	0	107,940	406,060	Nil
Stormwater Upgrade Programme	8AMEW- 11-163	235090	169,360	21,910	43,820	Nil
Stream Upgrading	8AMEW- 10-154	755000	675,000	26,667	53,333	Nil
Video Inspection Programme	8AMEW- 07-110	220000	130,000	30,000	60,000	Nil
WS Techscape (Maintenance & Operations)	7400	2,402,000	589,752	502,907	1,309,341	Nil
WS Techscape (Preventative maintenance)	7430	114000	0	37,620	76,380	Nil
Techscape Waitakere Holding coy (Renewals)	8AMEW- 07-240	1,241,000	0	260,610	980,390	Nil
WS Recoverable works	7290	135000	0	44,550	90,450	Nil
	<b>TOTAL</b>	<b>14,033,090</b>	<b>6,558,806</b>	<b>2,048,731</b>	<b>5,425,553</b>	
<b>Variation Works</b>						
Water Meter Testing	7520	41,000	0	10,000	20,000	11,000
Valve & Hydrant Maint	7450	309,000	279,000	10,000	20,000	Nil
Drinking Water Quality Improvements	78108AME W-07-269	206,000	166,000	14,000	26,000	Nil
SW Treatment facility	6850	\$155,000	144,000	3,000	8,000	Nil
Pipe Bridges	8AMEW- 10-038	382,000	332,000	17,000	33,000	Nil
Pipe Bridges	8AMEW- 10-038	382,000	342,000	14,000	26,000	Nil
Pump Station Cabinet Replacements	8AMEW- 10-040	60,000	0	20,000	40,000	Nil
SW Techscape	6840	1,162,000	982,000	60000	120,000	Nil
Sewer Overflows Remedial Renewals	67408AME W-09-002	113,000	33,000	27,000	53,000	Nil
Structural repairs from Videos	674088AM EW-07- 0 41	148,000	108,000	14,000	26,000	Nil
Future Works Planning	8AMEW- 07-268	77,000	27,000	17,000	33,000	Nil

Budget description (from Annual Plan 2010/2011 line item)	SAP Code	Budget Amount	Committed to other projects	Allocation to this project July to Oct 2010	Allocation to this project Nov 2010 to June 2011	Unallocated balance
	<b>TOTAL</b>	<b>3,317,000</b>	<b>2,545,000</b>	<b>252,220</b>	<b>508,780</b>	

**Table 3: Source of funding**

14. There is no provision for contingency expenditure in the above figures.

#### **IMPLEMENTATION ISSUES**

15. There are no expected implementation issues with this report.

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

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

**Report prepared by:** Richard Taylor, Manager: EcoWater.



## **9 CONTRACT NO. EW05061A – WATER SUPPLY, WASTEWATER AND STORMWATER DRAINAGE TERM MAINTENANCE CONTRACT: VARIATION FOR WATER SUPPLY PROGRAMMES**

#### **GLOSSARY**

Bilfinger Berger Services Limited

(BBS)

#### **EXECUTIVE SUMMARY**

The purpose of this report is to seek approval from the Tenders Subcommittee for a variation to Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract, held by Bilfinger Berger Services Limited (BBS) to provide for additional water supply programmed works comprising Water Supply Asset Assessment and Repair and Water Quality Improvement Work.

#### **RECOMMENDATIONS**

It is recommended that the Tenders Subcommittee resolve to:

1. **Receive** the Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract: Variation for Water Supply Programmes report.
2. **Approve** a variation to Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract for water supply programme works comprising Water Supply Asset Assessment and Repair and Water Quality Improvement Work for \$967,900 excluding GST covering work during the period 1 July 2010 to 30 June 2011.

3. **Approve** that authority to issue the Variation Orders to Contract No. EW05061A – Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract for water supply programme works comprising Water Supply Asset Assessment and Repair and Water Quality Improvement Work be delegated to the Deputy Director: City Services.

## BACKGROUND

1. Council awarded a five year term maintenance contract to BBS for water supply, wastewater and stormwater drainage, commencing 1 July 2007.
2. The water supply asset assessment and repair work, and water quality improvement works were not included in the Term Maintenance Contract, the main reason being that the extent and expenditure of these programmes will vary over the contract period, and it was not considered prudent to include such a significant, potentially variable programme of work within the Term Maintenance Contract. However, since the commencement of the Term Maintenance Contract, BBS have set up a specialist maintenance team for this work, using long serving maintenance staff, and this is now recognised as an efficient means of carrying out this work. A variation to the Term Maintenance Contract was also approved by the Tenders Subcommittee on 26 June 2009 for water supply programmes where it was resolved as follows:

*“The Tenders Subcommittee resolved to:*

1. **Receive** the Contract No. EW05061A - Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract: Variation For Water Supply Programmes report.
2. **Approve** a variation to Contract No. EW05061A - Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract for water supply programme works comprising Water Supply Asset Assessment and Repair and Water Quality Improvement Work for \$956,400 excluding GST covering work during the period 1 July 2009 to 30 June 2010.
3. **Approve** that authority to issue the Variation Orders to Contract No. EW05061A - Water Supply, Wastewater and Stormwater Drainage Term Maintenance Contract for water supply programme works comprising Water Supply Asset Assessment and Repair and Water Quality Improvement Work be delegated to the Deputy Director: City Services.”

1109/2009

## DECISION MAKING

### **Water Supply Asset Assessment and Repair Programme and Water Quality Improvement Work**

3. Over half of Council’s water supply assets are more than 25 years old. Council has a watermain renewal programme in place to replace aging and faulty watermains. However, faults occur in the water network on a relatively random basis right across the City, and for every watermain fault, valves and hydrants must be operated in order to effect the repair and to reinstate the water supply to an acceptable standard.
4. In 2008/2009 2,533 fittings (valves and hydrants) were inspected. Of these 26.2% of the fittings were not fully operable and 4.7% were a condition rating of five, needing replacement. In 2009/2010 a further 719 fittings were inspected and of these 28.9% of the fittings were not fully operable and 1.8% were a condition rating of five, needing replacement This highlights the importance of this programme, which needs to be continued in order to complete the first round for the entire City.

5. The main reasons that BBS should continue this work are that:
  - It is problematic to have another contractor working on the water supply network on such a scale as there can be confusion over who is responsible for any water supply quality or supply issues which may arise. By using the term maintenance contractor there is sole accountability for the work;
  - There are benefits to Council if BBS staff carry out this work, as these staff are available to deal with work overload when multiple water main bursts occur during the peak summer months, and this results in ensuring that level of service to customers is maintained;
  - The staff involved have a proven track record in carrying out this work; and
  - It is beneficial to Council that BBS maintenance staff increase their knowledge of the network, as this assists in an emergency response situation.
6. The water supply maintenance staff who have been involved in the asset inspection and repair work, and water quality improvement work over the past seven years have developed expertise in water supply asset assessment, valve and hydrant repair work and water quality improvement work. In order to fully utilise this capability, and to address the issues raised above, it is proposed that this programme be continued in the 2010/2011 financial year utilising BBS' available resources.

## SCOPE OF WORK

### **Water Supply Asset Assessment and Repair Programme and Water Quality Improvement Work**

7. The scope of the work is to include the following:
    - site validation of geographical information systems plans;
    - additional valve and hydrant maintenance, as for many years routine maintenance has been limited to minor cleaning and painting work, and many of the valves and hydrants have not been exercised;
    - condition rating of assets to optimise future upgrading requirements, including minor repairs to extend the life of the assets; and
    - addressing water quality issues, at the interfaces of pressure zone boundaries.
  8. Accordingly, BBS has submitted a proposal to include water supply asset assessment work, flushing point installation work, and valve and hydrant repair work. It is proposed that the work be carried out as a variation to Contract No. EW05061A, the Term Maintenance Contract. A detailed schedule of quantities and rates for the work (comprising 70 items) has been developed based on the cost of work over recent years. The rates offered have been benchmarked against existing rates in the Term Maintenance Contract and other recently tendered contracts, and the proposed rates are competitive.
- A2-A3
9. The works programme for 2010/2011 comprises the operation and condition rating of valves and hydrants; including checking and updating the GIS as-built records of the assets in the water supply zone seven in western area of the City shown on the map attached at page A2. Asset Assessment Programme. The repair work is to carry out repairs (or replacement) of an estimated 1,370 valves and 1040 hydrants in the water supply zones 8 (Oratia Kauri lands), 16 (Montana), 17 (Huia Village), 13 ((South Titirangi), 14 (Laingholm) and part of zone one Hobsonville as shown on the map attached at page A3. The flushing point installation work is a Citywide staged programme to improve water quality near the boundaries of the water supply zones.

## CONTRACTOR'S PERFORMANCE

10. An Asset Inspection and Repair programme commenced in 2003 and since then a team of trained and experienced staff has been developed, and the programme has been very successful. The asset condition assessment has been completed in 16 of 17 water supply pressure zones, and repairs have been completed in 10 zones. In 2009/2010 the following was achieved for a total cost of \$956,400.00 (excluding GST):
- 719 valves and hydrants were inspected (3.9% of the 18,507 total fittings in the City);
  - 743 hydrants were repaired;
  - 49 hydrants were replaced;
  - 777 sluice valves were repaired;
  - 5 sluice valves were replaced;
  - 562 peet valves were repaired; and
  - 26 peet valves were replaced.

## CREDIT CHECK

11. Council has other major contracts with BBS including the Term Maintenance Contract for Water Supply, Wastewater and Stormwater Drainage. Previous credit checks on Bilfinger Berger Services Limited have been satisfactory. A current credit check is not considered necessary.

## JOB COSTS

12. The total value of the water supply programmes proposed for 2010/2011 is as follows:

Description of work	Amount of the Variation Order	SAP Code	SAP Allocation for July to October 2010	SAP Allocation November 2010 to June 2011
Contract Management and Auditing	\$138,000.00	8AMEW-07-269	\$12,666.67	\$25,333.00,
		7490	\$33,333.33	\$66,666.67
Asset Condition Assessment	\$29,900.00	7490	\$29,900.00	\$0.00
Valves Routine Maintenance and Replacement	\$420,000.00	8AMEW-07-249	\$125,000.00	\$175,000.00
		7450	\$50,000.00	\$70,000.00
Hydrants Routine Maintenance and Replacement	\$260,000.00	8AMEW-07-240	\$62,500.00	\$87,500.00
		7450	\$45, 833.33.	\$64,166.67
Drinking Water Quality Improvements. Installation of critical flushing points	\$120,000.00	8AMEW-07-269	\$30,000.00	\$90,000.00
<b>Total</b>	<b>\$967,900.00</b>		<b>\$389,233.33</b>	<b>\$578,666.67</b>

**Table 1: Total value of water supply programmes 2010/2011**

## SOURCE OF FUNDING

13. The funds necessary for the water supply programme works are outlined below.

Budget description (from Annual Plan 2010/2011 line item)	SAP Code	Budget Amount	Committed to other projects	Allocation to this project July to Oct 2010	Allocation to this project Nov 2010 to June 2011	Unallocated balance
<b>Water Supply Programme Works 2009/2010</b>						
Network Inspection Programme (Asset Condition Assessment)	7490	185,000.00	55,100.00	63,233.33	66,666.67	0.00
Valves and Hydrant Replacement	8AMEW-07-249	309,000.00	\$9,000.00	125,000.00	175,000.00	0.00
Valve and Hydrant Routine Maintenance	7450	309,000.00	79,000.00	95,833.,00	134,166.67	0.00
Drinking Water Quality Improvements	8AMEW-07-269	206,000.00	48,000.00	42,666.67	115,333.33	0.00
Term Maintenance Contract - renewals	8AMEW-07-240	1,241,000.00	1091,000.00	62,500.00	87500.00,	0.00
	<b>TOTAL</b>	<b>2,250,000</b>	<b>1,282,100.00</b>	<b>389,233.33</b>	<b>578,666.67</b>	<b>0.00</b>

**Table 2: Source of funding**

14. There is no provision for contingency expenditure in the above figures.

#### **IMPLEMENTATION ISSUED**

15. There are no expected implementation issues associated with this report.

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

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

**Report prepared by** Richard Taylor, Manager: EcoWater.

