

CONFIDENTIAL MEMORANDUM

TO: Finance and Performance Committee

MEETING DATE: 15 April 2019

TITLE: CET Arena Artificial Pitch Project Update

DATE: 25 March 2019

PRESENTED BY: Bryce Hosking, Property Manager, Infrastructure

APPROVED BY: Tom Williams, Chief Infrastructure Officer

REASON FOR CONFIDENTIALITY

It is recommended that this report be considered with the public excluded, as permitted by the Local Government Official Information and Meetings Act 1987, because:

s7(2)(h) Commercial Activities

RECOMMENDATION(S) TO COUNCIL

1. That Council approve an additional \$89,000 of Capital New funding be added to Programme 1082 – Central Energy Trust Arena, Artificial Pitch. This will increase the project funding from \$1,400,000 to \$1,489,000.
 2. That Council increase its contribution towards the Capital New Programme 1082 – Central Energy Trust Arena, Artificial Pitch by \$439,000. This will increase Council's contribution from \$700,000 to \$1,139,000.
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1. ISSUE

- 1.1 Programme 1082 – Central Energy Trust Arena, Artificial Pitch has a current total approved Budget of \$1,400,000.
- 1.2 Palmerston North City Council's approved contribution to the artificial pitch project is \$700,000. The balance of the project sum was to be secured via external funding for the project to begin.
- 1.3 As per Council's Long-term plan, the artificial pitch project was to be delivered in the 2018/19 year.

- 1.4 Sufficient external funding has not been secured to support the balance of artificial pitch budget.
- 1.5 Without securing the full funding, a Letter of Acceptance cannot be issued to FieldTurf NZ to commence the installation of the artificial pitch.
- 1.6 Through reviewing the project budget there are two main issues:
 - There is an expected budget shortfall of \$89,000. Refer to Section 4 of this report for more detail and a revised budget breakdown.
 - There is insufficient external funding to begin the project. Refer to Section 5 of this report for more detail.
- 1.7 To deliver the project within the 2018/19 year as planned, Council will need to:
 - Increase the Capital New funding by \$89,000, taking the budget from \$1,400,000 to \$1,489,000.
 - Increase Council's contribution level in the project by \$439,000, taking its contribution from \$700,000 to \$1,139,000.

2. BACKGROUND

- 2.1 A tender process for the artificial pitch project has been undertaken and evaluated by the Central Energy Trust Redevelopment Programme Management Team in August 2018.
- 2.2 The tenders for this contract were received and evaluated using a "two envelopes" weighted attributes method.
- 2.3 Based on the artificial pitch specifications provided to the tenderers, there were four conforming tenders received, ranging from \$1,410,648.40 to \$1,732,269.32. These all exceeded the project budget.
- 2.4 Two tenderers offered an alternative solution at the time of tender which involved omitting the asphalt base layer. Further investigation reveals this is a common and acceptable practice in the construction of multisport artificial pitches. The two alternative prices were \$1,297,792 and \$1,503,973.
- 2.5 Fieldturf were assessed as the preferred tenderer, with the best conforming tender in terms of the non-price attributes and had the best price of \$1,297,792.

- 2.6 FieldTurf’s original tender was valid for 6 months, expiring January 2019. FieldTurf NZ have now extended the validity of their tender price to 30 June 2019.
- 2.7 FieldTurf NZ are not able to extend this price past 30 June 2019 due to the increased duration to install the artificial pitch during the winter, and as such, they have confirmed that the tender price will increase from 30 June 2019.
- 2.8 A report was presented to the Finance and Performance Committee on 17 September 2018 recommending:
1. That the Finance and Performance Committee accepts the tender (alternative proposal) of FieldTurf NZ Limited for the sum of \$1,297,792.
 2. That the tender is awarded subject to external funding being raised to the satisfaction of the Chief Executive.
- 2.9 Both these recommendations were passed by the Committee and then full Council.

3. PROJECT FUNDING SUMMARY

- 3.1 The below table shows the secured funding summary as at 31 March 2019:

Funding Source	Amount (\$)	Funding Status
Total Project Funding Required	\$1,489,000	
Palmerston North City Council	\$700,000	Confirmed in LTP
NZCT	\$350,000	Secured
Lion Foundation	\$150,000	Secured
Current Funding Shortfall	\$439,000	

- 3.2 For clarity, the Artificial Pitch project will need to begin no later than 30 April if it is to be completed and delivered this financial year as planned.
- 3.3 Should any additional external funding be secured prior to the completion of this project, Council’s contribution will be reduced accordingly.

4. ADDITIONAL BUDGET REQUIREMENTS

- 4.1 Programme 1082 – Central Energy Trust Arena, artificial pitch has a current approved LTP Budget of \$1,400,000. However, there is no budget breakdown between construction and other project costs such as professional fees, resource consent or sufficient contingency.
- 4.2 The preferred contractor FieldTurf NZ provided an alternative product that was deemed acceptable for a reduced sum of \$1,297,792.
- 4.3 While the preferred tender came in \$112,856 within the budget, once adding the professional services and resource consent, this does not allow provision for a sufficient contingency.
- 4.4 With Clause 4.3 in mind, the recommended project budget and breakdown is provided in the below:

Budget Component	Amount (\$)
Construction	
FieldTurf NZ	\$1,297,792
Professional Fees	
SSDM	\$36,800
Resource Consent	\$22,113
Planner	\$3,844
Quantity Surveyor	\$10,000
TPG	\$820
Programme Management	\$10,000
Contingency	
Contingency	\$107,631
Total Recommended Budget	\$1,489,000

5. ADDITIONAL COUNCIL CONTRIBUTION

- 5.1 Without securing the full funding, a Letter of Acceptance cannot be issued to FieldTurf NZ to commence the installation of the artificial pitch.
- 5.2 Delaying FieldTurf NZ engagement past 30 June 2019 will increase the project cost and exceed the recommended budget in Clause 4.4.
- 5.3 In the current approved 10 Year Plan, Programme 1082 – Central Energy Trust Arena, Artificial Pitch budget is scheduled to be spent in the current 2018/19 financial year.
- 5.4 The installation of the artificial pitch is expected to be an 8-week installation, therefore approval to proceed is required before the end of April 2019 if the project to be completed this financial year as planned.
- 5.5 Based on the artificial pitch feasibility study, the new pitches will increase pitch utilisation by circa 400% due to eliminating field closures during the winter months. This results in approximately \$80,000 to \$90,000 additional revenue.
- 5.6 Based on completing the installation by end of June 2019, CET Arena will be able to host the Manawatu Club rugby semi-finals and final on the new artificial pitches.

6. NEXT STEPS

- 6.1 If Council approves the additional funding, a Letter of Award will be issued to FieldTurf NZ to commence as soon as possible.

7. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No

The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
<p>The recommendations contribute to the achievement of action/actions in the Active Community Plan</p> <p>The action is:</p> <ul style="list-style-type: none"> Central Energy Trust Arena is the city's main multi-purpose hub for sport and recreation and serves as the region's premier sporting and events hub. 	
Contribution to strategic direction	Palmerston North has fit-for-purpose facilities that meet demonstrated community's sport and recreation needs and retains its ability to host major sporting events.

ATTACHMENTS

Nil