

CONFIDENTIAL MEMORANDUM

TO: Council

MEETING DATE: 3 March 2021

TITLE: Award of Contract 3984 for Seismic Strengthening Pre-Aeration and Sedimentation Facility

PRESENTED BY: Robert van Bentum

APPROVED BY: Sheryl Bryant, Acting Chief Infrastructure Officer

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

s7(2)(h) Commercial Activities - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities

s7(2)(i) Negotiations - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

RECOMMENDATION FOR PUBLIC RELEASE

31 March 2021 following award of tender and signing of the contract.

RECOMMENDATION(S) TO COUNCIL

1. That Council approves the award of Contract 03984 Seismic Strengthening Pre-Aeration and Sedimentation Facility to Alexander Construction Limited for \$935,660 (excluding GST).
2. That Council approves additional unbudgeted funding of \$400,000 to increase the 2020-21 Budget for Programme 1074 Totara Road WWTP Earthquake Strengthening of Civil Structures from \$600,000 to \$1,000,000 by bringing forward the equivalent amount from the budget allocation for this programme in FY 2021-22.
3. That Council gives the Chief Executive the delegated authority to vary the contract sum by the maximum amount of 10% of the contract sum within the Programme Budget, to be used as contingency should it be required for the successful delivery of Contract 03984.

4. That the confidential memorandum titled ‘Tender Award - Contract 03984 – Seismic Strengthening Pre-Aeration and Sedimentation Facility’ and decisions, presented to the Council on 3 March 2021, be released from Part II following signing of the contract.

1. INTRODUCTION

- 1.1 This project is stage of a planned four stage programme of work to complete seismic strengthening of the Totara Road Wastewater Treatment Plant (WWTP). Stage 1 comprises of work on the pre-aeration and sedimentation building which has been identified by seismic engineers as the highest priority building at the plant.
- 1.2 The seismic strengthening work is funded from Programme 1074 Totara Road WWTP Earthquake Strengthening of Civil Structures with a budget for the current financial year 2020-21 of \$600,000. Costs incurred to date on investigations, design and projects managements as well as commitments for Stage 2 design account for \$200,000 leaving \$400,000 for construction of Stage 1.
- 1.3 In line with Council’s procurement policy an Open Tender was advertised through GETS in November 2020. At the close of the tender process in early December 2020, no tender submission had been received. Officers then proceeded to engage with suitably qualified tenderers on an invitation basis to negotiate a contract to undertake the work.
- 1.4 As a result of this process Alexander Construction Ltd. were invited to tender for the project. They provided a tender submission on 2 February 2021, with a price of \$935,660 excl gst. The submission was assessed to be compliant and cost competitive and Officers are seeking approval to award the contract.
- 1.5 The total expected budget to complete the strengthening project including contingency, project management and commissioning is \$1,050,000 or a total of \$1,250,000 allowing for costs already incurred or committed. Officers have assessed that approximately \$800,000 of the remaining \$1,050,000 will be spent in the current financial year to complete the Stage 1 construction work.
- 1.6 This report is seeking approval to award the contract for physical works by bringing forward \$400,000 of budget from FY 21/22. The remaining scope of work will be completed in the early part of the 2021-22 financial year and funded from the remaining approved FY 21/22 budget included in LTP. The draft Long Term Plan has allocated funding for Programme 1074 of \$1M in each of the next three FYs.
- 1.7 The award of this contract is time sensitive for three reasons:
 - Limited tender price validity period of thirty (30) working days,
 - The demolition window is restricted to the months when inlet flows are low, and

- Dry ground conditions associated with summer and early spring are required to support and enable access for the heavy cranes required to complete the work.

1.8 To mitigate the identified constraints, it is critical that the contract is awarded ASAP in early March 2021. If the contract award is delayed until the next Council meeting in early April the contract validity will expire on 16 March 21 and the ideal construction window will have passed.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

2.1 The Council's decision to address Earthquake Prone Buildings are directed by the provisions of the Building Act 2004, the Resource Management Act 1991, Palmerston North City District Plan, City Development Strategy 2018 and the Creative and Liveable Strategy 2018.

2.2 In 2019, Council adopted an Earthquake Prone Buildings Policy (EPB) which provides a framework for decision making around the EPB portfolio. A prioritisation exercise against this policy was accepted by the Infrastructure Committee in October 2020. Across the portfolio, the WWTP was prioritised as the second highest priority out of nine EPBs in Council's portfolio.

2.3 Following a seismic investigation by Novare Design in 2019, four of the facilities at the WWTP were assessed to be earthquake prone. This Stage 1 project will address the first of the four identified stages required to complete the seismic strengthening at the WWTP.

- Stage 1: Pre-Sedimentation Tank
- Stage 2: Digester tanks
- Stage 3: Operations building sub ground structures
- Stage 4: Operations building superstructure

2.4 Project expenditure to date on design, geotechnical assessments and project management totals \$150,000 leaving a residual budget for Stage 1 of \$400,000 and \$50,000 for design of Stage 2. Current Stage 1 expenditure and physical progress are detailed below in Table 1.

Table 1. Programme 1074 – Progress and Expenditure to Date

Stage 1 Work Elements	Expenditure
2020-21 (Completed) <ul style="list-style-type: none"> • Complete detailed design • Geotechnical ground testing • Quantity survey • Fire and accessibility reports • Building consent • Tender document preparation and evaluation • Project management 	\$150,000

3. TENDER PROCESS

- 3.1 As a precursor to the tender process, the delivery of the Stage 1 pre-sedimentation tank scope of work was costed by RLB Quantity Surveyors at \$1.4M.
- 3.2 In line with the approved procurement plan, an RFT was advertised through GETS on 11 November 2020. The tender submissions for the RFT closed on 02 December 2020. No tenders were received at the completion of the tender response window.
- 3.3 Upon querying the potential responders, a common reason for not submitting a tender was limited capacity to price and commit to the work. This is a result of a busy construction period and limited market engagement from PNCC.
- 3.4 Officers negotiated with three potential contractors to secure a tender submission. Due to a delay on another project Alexander Construction Central Ltd advised that a window to complete this job had become available. They were invited to review the tender documents and submit a price for the project in December 2020. A price submission of \$935,660 excl gst was received on 02 February 2021.

3.5 The tender was evaluated by the panel below.

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PNCC Project Manager PMO
PNCC Wastewater Manager

3.6 The tender was assessed against a set of non-price and price evaluation criteria with the criteria and weightings as set out in Table 2. The evaluation team undertook individual assessments of the proposal and then met to moderate a single score for each of the criteria.

Table 2. Evaluation Criteria and Weighting

Tenders - evaluation criteria	Weighting (%)	Tender Score
Health and Safety	Pass/Fail	s7(2)(b)(i) Third Party Com
Insurance Prequalification		
Relevant Experience	30%	
Methodology	30%	
Local contribution factor	10%	
Price	30%	
Totals	100 %	

3.7 The tender process followed was reviewed by the Procurement Team within Council and confirmed to be robust and open such that the single tender submission received is consider to reflect current market prices given the capacity constraints. The contracting market is over-committing such that obtaining cost competitive tender outcomes is and will continue to be challenging.

4. PROGRAMME BUDGET

4.1 Contract 03987 is to be funded from Programme 1074 with an allocated budget of \$600,000 for FY 20/21.

4.2 The current budget within Programme 1074 is allocated as follows:

- Stage 1 - Pre Sedimentation tank – construction works - \$400,000
- Stage 2 – Design for Digester tank Strengthening - \$50,000

4.3 The LTP draft for Programme 1074 contains \$1M in each of the next three financial years.

Table 3. Programme 1074 - Budget Summary

Work Elements	2020-21	2021-22 LTP – Year 1
Stage 1 – Project		
Expenditure Incurred to Date	\$150,000	
Physical Work to be Completed <ul style="list-style-type: none"> • Demolition work • Civil works 	\$720,000	\$220,000
Other Costs to be Incurred <ul style="list-style-type: none"> • Project and contract management • Contingency 	\$80,000	\$30,000
Sub-Total – Stage 1.	\$950,000	\$250,000
Stage 2 - Project		
Design Costs	\$50,000	
Total Programme Costs	\$1,000,000	\$250,000
Existing Approved Programme Budgets	\$600,000	\$1,000,000
Shortfall / Surplus	\$400,000	\$750,000

5. OPTIONS TO ADDRESS BUDGET SHORTFALL IN PROGRAMME 1074

5.1 Officers have identified two options to address the remaining budget shortfall:

5.2 Option 1: Delay the project until FY 21/22 when the required budget becomes available.

5.2.1 This option will result in significant delay to the project with demolition work having to be rescheduled for summer 2022. This will result in the remaining programme stages being potentially delayed due to contractor availability and conflicts with other concurrent projects at the WWTP.

5.2.2 There is limited contractor availability including specialist demolition plant within the local market. If this project were to be delayed an alternative construction window may not be available until late 2021.

5.2.3 Delaying the project will incur additional staff costs which will negate some of the potential savings of allowing the contractor to select an optimised construction window.

5.3 Option 2: Approve Bringing Forward Budget and Proceed with Project as Scheduled

- 5.3.1 There are limited construction companies that have the experience and expertise to undertake a project such as this. The companies that PNCC required to tender for the project did not due to other project commitments. This option takes advantage of availability from a suitable contractor that can deliver a specialist project of this nature.
- 5.3.2 During the demolition phase there is a risk that material may fall into the sedimentation tank. A key mitigation for this risk is the ability to drain a tank if necessary. Although all necessary precautions will be taken, the process of material retrieval will be easier to achieve during low flow periods, as any one of the three sedimentation basins can be taken out of service.
- 5.3.3 The demolition phase involves mobilising a 100-tonne crane to the site which includes all areas adjacent to the pre-sedimentation tank facility. Access on the northern side of the building is across a grassed area which comprises low strength soils. To avoid potential soft ground conditions during winter, the demolition phase is required to start in April 21 and be completed by August 21.
- 5.3.4 This option will result in completion of the priority stage 1 of the WWTP strengthening scheme as scheduled allowing the remaining stages to be completed in accordance with the estimated Programme timeline.

6. COMMUNITY ENGAGEMENT PROCESS

- 6.1 Due to the isolated location of the work there is considered to be no requirement to engage with the community. Officers will however use established Council communication channels to publicise the work. The opportunity will also be made to capture work progress using drone video and to place a sign-board at the WWTP gate to inform interested members of the public.

7. RECOMMENDATIONS

- 7.1 Officers recommend that the project proceeds as currently scheduled. This is because in the currently constrained contractor environment any delay will impact negatively on the ability to complete subsequent stages of the WWTP seismic program and is unlikely to result in any significant change to the cost of delivering the project.
- 7.2 That Council approves bringing forward a budget of \$400,000 from the 2021-22 FY allocation.
- 7.3 That provided additional funding is approved, Council approval the award of Contract 03984 Seismic Strengthening Pre-Aeration and Sedimentation Facility to Alexander Construction Limited for \$935,660 excl gst.

8. NEXT STEPS

- 8.1 Should Council approve the award of Contract 03984 Officers will issue the formal letter of award of contract to Alexander Construction Ltd.
- 8.2 The letter will request necessary insurance and supporting documents to compile the final contract for signing and arrange a start-up meeting with the successful tenderer to agree the programme and pre-contract actions for Council and the successful tenderer.
- 8.3 Concurrently, Officers are advancing work on the subsequent two stages by developing designs and a procurement approach which seeks to mitigate the difficulties encountering with tendering Stage 1 works.

9. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter text>	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	Choose an item.
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?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 4: An Eco City	
The recommendations contribute to the outcomes of the Eco City Strategy	
The recommendations contribute to the achievement of action/actions in the Three Waters Plan	
The action is: Conduct seismic assessment and strengthening of all Council three waters assets.	
Contribution to strategic direction and to social,	The implementation of seismic strengthening of the Totara WWTP earthquake prone facilities will improve the resilience of the wastewater activity, ensure that the service is restored quickly and

economic, environmental and cultural well- being	efficiently following any seismic and minimise the duration and extent of any negative environmental effects of any seismic event.
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ATTACHMENTS

Nil