

**I give notice that
an Extraordinary Meeting of Council will be held on:**

Date:	Wednesday, 17 June 2020
Time:	10.00am
Location:	Eastwing Great Lake Centre 5 Story Place Taupo

AGENDA

MEMBERSHIP

Chairperson Mayor David Trewavas

Deputy Chairperson Cr Christine Rankin

Members

- Cr John Boddy
- Cr Kathy Guy
- Cr Tangonui Kingi
- Cr Kylie Leonard
- Cr John Mack
- Cr Anna Park
- Cr Kevin Taylor
- Cr Kirsty Trueman
- Cr Yvonne Westerman
- Cr John Williamson

Quorum 6

Gareth Green
Chief Executive Officer

Order Of Business

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**3.1 EQUIPMENT SUPPLY CONTRACTS FOR THE KINLOCH WASTEWATER TREATMENT PLANT
MBR UPGRADE PROJECT**

Author: Michael Cordell, Asset Manager Water and Waste

Authorised by: Kevin Strongman, Head of Operations

PURPOSE

The purpose of this report is for Council to award the Contract for the supply of inlet works equipment and membrane filtration equipment for the upgrade of the Kinloch wastewater treatment plant (WWTP).

EXECUTIVE SUMMARY

At the 14 April 2020 Council meeting delegated authority was given to the Chief Executive to award equipment supply contracts up to the value of \$ 2,000,000 [excluding GST]. However, the Tender prices returned have come in over the approved sum and therefore Council approval is required.

Council should accept the Tender for equipment supply as listed:

- Inlet Works equipment supplied by Brickhouse Technologies for \$ 750,196 [excluding GST].
- Membrane filtration supplied by Filtec for \$ 1,392,552 [excluding GST].

Council should also allow 10% contingency for exchange rate risk and for any unforeseen Covid-19 related risks.

RECOMMENDATION(S)

1. That Council accepts the Tender for Contract TDC/1920/325 for Inlet Works equipment submitted by Brickhouse Technologies for the sum of \$ 750,196 [excl. GST] and authorises His Worship the Mayor and the Chief Executive to sign the Contract Document(s) and attach the Council's Common Seal to them.
2. That Council accepts the Tender for Contract TDC/1920/329 for membrane filtration equipment submitted by Filtec for the sum of \$ 1,392,552 [excl. GST] and authorises His Worship the Mayor and the Chief Executive to sign the Contract Document(s) and attach the Council's Common Seal to them.
3. That Council approves a 10% contingency for exchange rate risk and for any unforeseen Covid-19 related risks. The total contingency across both contracts is \$ 215,000 [excl. GST].

BACKGROUND

The detailed background to the project has been previously presented to Council at the 27 August 2019 meeting. In short, upgrade to the wastewater treatment plant is required to cater for the growth in Kinloch.

The design services contract for the upgrade was awarded at the 26 November 2019 meeting.

At the 14 April 2020 Council meeting [Resolution TDC202004/06] delegated authority was given to the Chief Executive to award equipment supply contracts up to the value of \$ 2,000,000 [excluding GST]. However, the Tender prices returned have come in over the approved sum and therefore Council approval is required.

DISCUSSION

A detailed discussion on the project has been provided in previous Council reports. The discussion here will focus on the procurement of the two equipment packages being inlets works, and membrane filtration equipment.

The reason for originally seeking that Council provides delegated authority to the CEO was due to the disruption of Covid-19, the extended period between Council meetings and the need to progress with the design work in order to avoid delay to the overall project programme.

The increased prices are also likely to have an impact on the overall project cost. An updated project cost estimate and phasing will be prepared at the detailed design phase of the project. This is a multiyear project over three years concluding in Year 1 of the 2021 Long-term Plan (LTP).

TENDERS RECEIVED

Inlet Works

Tenders closed on 16th May and conforming tenders were received from the following organisations:

- VoR Environmental (VoR)
- Brickhouse Technologies (Brickhouse)
- Hydroflux epco

The Offer from Hydroflux epco was stated as an “alternative” and was considered non-conforming due to the significant deviation from the specified equipment and due to the lack of detailed information submitted with the Offer. Therefore, this Offer was not considered in further evaluation.

The Engineers Estimate for the inlet works equipment was \$500,000 [excluding GST].

Membrane Filtration

Tenders closed on 16th May and conforming tenders were received from the following organisations:

- Vertex Engineers Ltd
- Mason Engineers (NZ) Ltd
- Filtec Ltd
- Apex Environmental Ltd

Raw tender prices ranged from \$ 1,111,824 to \$ 1,322,054 [excluding GST] noting that Tenderers have treated some aspects of pricing differently and adjustment have been made to the raw pricing for comparative pricing and evaluation.

The Engineers Estimate for the membrane equipment was \$1,200,000 [excluding GST].

TENDER EVALUATION

Inlet Works

Both Tenders received meet the required technical specification and therefore the lower price supplied by Brickhouse Technologies of \$ 750,196 [excluding GST] is preferred.

Membrane Filtration

The Tender Evaluation process considered evaluating non-price attributes of methodology, membrane technical information, operational requirements, experience, warranty. Price was also a factor. Pricing from all Tenders was in a reasonably narrow range.

Based on an initial assessment, two Tenders were shortlisted for more detailed evaluation and following this Filtec was finally selected as the preferred Tender. Their initial Tender price was \$1,135,287 [excluding GST] and 1,392,552 [excluding GST] following adjustments.

RECOMMENDED CONTRACT PRICE

Inlet Works equipment supplied by Brickhouse Technologies of \$ 750,196 [excluding GST].

Membrane filtration supplied by Filtec being \$1,392,552 [excluding GST].

Due to foreign exchange risk and the potential for Covid-19 related costs a contingency across both contracts is \$ 215,000 [excl. GST].

OPTIONS

Council may choose to accept the preferred tenders or not. If the tender is not accepted Council upgrade to the Kinloch WWTP will be delayed and non-compliance with resource consents will be highly likely.

CONSIDERATIONS

Financial Considerations

The financial impact of the proposal is estimated to be between \$2.15 million and \$ 2.36 million.

The membrane supply price is slightly above the engineers estimate, +\$192,000 (+16%), and the inlet works equipment is significantly over the engineers estimate +\$250,196 (+50%). The total increase over the combined engineers' estimates is \$442,748.

Long-term Plan/Annual Plan

The expenditure outlined is currently only partially budgeted. Some of these costs will be covered from the 2019/20 budget, some of the expenditure will come from the 2020/21 budget which Council is to confirm through the 2020/21 Annual Plan process.

The project is a multi-year project. The programme presented at the 27 August 2019 Council meeting showed \$6,500,000 2020/21. We have proposed splitting this budget over two years to better match the timing of the forecast expenditure. This change is reflected in the revised draft Annual Plan 2020/21.

Project	2019/20	2020/21	20/22 (LTP Year 1)
Kinloch WWTP Capacity Upgrade	1,743,000	4,000,000	2,500,000

There is some uncertainty in this area, regarding cost and phasing until the main construction contract is priced, and the construction programme confirmed.

Legal Considerations

Local Government Act 2002

The matter comes within scope of the Council's lawful powers, including satisfying the purpose statement of [Section 10](#) of the Local Government Act 2002. That section of the Act states that the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. It is considered that social / economic / environmental and cultural well-beings are of relevance to this particular matter.

Authorisations are not required from external parties.

Policy Implications

There are no known policy implications.

Risks

Both contracts will be affected by currency fluctuation risk.

Supply delay risks related to Covid-19.

Both risks could cause an increase in the supply price.

There is the possibility that the exchange rates could move in Councils favour in which case there will a cost reduction.

Council has received an abatement notice for the Kinloch WWTP; primarily for the late delivery of the land disposal system. Late delivery of this project would risk further action from WRC so we must make best endeavours to keep to programme. The project will be delayed if these Contracts are not awarded.

SIGNIFICANCE OF THE DECISION OR PROPOSAL

Council's Significance and Engagement policy identifies the following matters that are to be taken into account when assessing the degree of significance of proposals and decisions:

- a. The level of financial consequences of the proposal or decision;
- b. Whether the proposal or decision will affect a large portion of the community or community of interest;

- c. The likely impact on present and future interests of the community, recognising Maori cultural values and their relationship to land and water;
- d. Whether the proposal affects the level of service of an activity identified in the Long Term Plan;
- e. Whether community interest is high; and
- f. The capacity of Council to perform its role and the financial and other costs of doing so.

Officers have undertaken a rounded assessment of the matters in clause 11 of the Significance and Engagement Policy (2016), and are of the opinion that the proposal under consideration is of low importance.

ENGAGEMENT

Taking into consideration the above assessment, that the decision is of a low degree of significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

COMMUNICATION/MEDIA

No communication/media required.

CONCLUSION

Tenders have been received for the supply of inlet works and membrane filtration equipment for the Kinloch WWTP. Prices received, particularly for the inlet works are higher than was expected. Council should accept the Tender for equipment supply as listed:

- Inlet Works equipment supplied by Brickhouse Technologies for \$ 750,196 [excluding GST].
- Membrane filtration supplied by Filtec for \$1,392,552 [excluding GST].

Council should also allow 10% contingency for exchange rate risk and for any unforeseen Covid-19 related risks.

ATTACHMENTS

Nil

4 CONFIDENTIAL BUSINESS

RESOLUTION TO EXCLUDE THE PUBLIC

I move that the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the local government official information and meetings act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Agenda Item No: 4.1 Receipt of Final Statement of Intent for Destination Great Lake Taupo 2020-2023	Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	Section 48(1)(a)(i)- the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7

I also move that *[name of person or persons]* be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of *[specify]*. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because *[specify]*.