

## **Attachment 3**



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**9 Public Excluded Agenda - 28 August 2002**

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**99 9.1 Contract 369 - CE 4107.369**

Attached is a memorandum from the Assets Engineer regarding the tenders for the Maintenance of Parks, Reserves and Recreational Facilities that closed on Monday 29 July 2002. Five tenders were received.

**Recommended**

*That Vuletich Operational Services Limited's tender of \$413,043 per annum, for Contract 369 : Maintenance of Parks, Reserves and Recreational Facilities, be accepted.*

**Reason for the recommendation**

Vuletich Operational Services Limited's tendered price was the lowest of the four tenders which gave them the highest overall score.

**101 9.2 Mangawhai EcoCare Project - CE 4505.01**

The Project Core Evaluation Team has recommended a preferred proponent with whom further detailed negotiations should be undertaken. This recommendation is endorsed by the Project Steering Committee and has been presented to a public meeting held in Mangawhai on Saturday 17 August 2002. The notes of this meeting are attached.

Representatives of Beca and EPS will be in attendance to present the recommendation to Council. Their report has been circulated separately with the agenda.

**Recommended**

*That Simons Engineering be given preferred proponent status for the Mangawhai EcoCare Project to enable detailed negotiations to take place before a final recommendation is brought forward to Council.*

**Reason for the recommendation**

Simons Engineering have provided a proposal which more closely meets Council's criteria for this project than the other two proponents short listed for the project.

**9.3 Chief Executive's Performance Review - Staff**

Council needs to formally consider and adopt the outcomes of the Workshop held on 21 August 2002. These will be circulated prior to the meeting/tabled at the meeting.

**Recommended**

*That Council resume in open meeting.*

## Mangawhai Public Meeting 17 August 2002 10.30 am - EcoCare

Attended by: Mayor and Crs Rogan, Bishop, Bennett, Taylor and Tiller. Jack McKerchar, Claire Lichtwark-McInnes and Mark Vincent (Kaipara District Council Staff). Brent Johnston and Peter Elliott (Beca)

Approximately 180 members of the public.

An attendance sheet was passed around a copy of which is on file.

Comments/questions from the floor.

Has Council already made the decision on who is the preferred tenderer?

MRRA (submitted written material)

- Will the 50/50 split of any reduction come back to the community?
- There are currently no health warnings or signs.
- Urged people to let council know their views.
- Currently the average rate bill in Mangawhai is \$1,000.
- The stated preference of the community is to offset costs by retaining current systems.
- Called for community sensitivity - MRRA believe there is a cheaper way by using not one system but a variety.
- The annual charge would double in the 25 year period.
- Affordability must be measured in the wider context of what is happening in the Mangawhai community. Rates are already rising due to increased property values and the removal of the differential.
- Thanked Council for the interest they are now beginning to show.
- There is a need to ensure that upstream pollution is minimised and does not continue to contribute to the problem.
- It is not good governance to have future ratepayers being subsidised by current ratepayers. The system is for far larger population.
- Developer could increase the charges to ratepayers at anytime.
- Will the developer reduce the cost to the community if there is more than the predicted development.
- Charges suggested are higher than similar other communities pay.
- Scope of geographical coverage includes the area of District plan change for residential. Has the benefit cost of including the extremities been looked at?

- The current system should not include capacity for extra reticulation. This should be paid by the developer when development occurs.
- No one has said this will reduce the pollution in the harbour and if it doesn't what will happen?
- Why has stormwater not been mentioned?
- Have we checked the examples and references of Simon's.
- If it is such a good project why ignore the current Government direction and opt out of ownership.
- How will Council fund the shortfall if population projections aren't met.

Rae Tonks.

- What is the contingency for spillage. Recently there has been oil discharged into the harbour.

Ray Welson

- What extent will the system deal with runoff from the rural areas?
- Can Council restrict the growth through its planning process?
- What is the route of the pipe to the forest?
- Will there be an in depth audit of the evaluation process?
- Does stormwater from the industrial area go into the system?

Christine Bygrave.

- Can septic tanks be retained?
- Will this reduce the cost of treatment?

Bruce Rogan

- Not supportive of the process.
- Not against the cleaning up of the estuary.
- 13.6m given the number of properties means at the end of the life it will have cost \$5,300 per property without operating costs.
- In a democracy the only way to gauge affordability is to ask the people who will be paying.
- Why are we flying in the face of the Act before Parliament which will not allow local bodies to outsource water or sewerage.
- Where are all the Simons installation?
- \$1,000 takes it to your gate it is your cost past that point and it could be between 300 and 2,000 dollars extra.
- Those who do not have a septic system now but have an existing system will not be paying their share.
- Why choose an Australian Company when we are spending money and time on Economic Development and there was a capable local supplier available.
- What happens if Council says no on the 28<sup>th</sup> because something will have to happen with waste.

Bob Cameron

- Is there a charge to disperse in the forest? What happens if the forest ownership changes?
- Contracts are never water tight there will be loopholes and as soon as there is any variance the floodgates are opened and the contract is meaningless.
- Have lwi consultation payments been agreed?
- Is charging by volume of water used going to happen?
- Rates have doubled in 6 years in Mangawhai.
- If there is no improvement in Estuary quality will I get my money back?

Brian Porter

- If there is a financial disincentive to spillage how will that fix the pollution.
- \$60 per week on a pension how is that affordable?
- Council rejected a tender to clean out septic tanks twice yearly at \$150.00
- Collective spill is a bigger disaster than an individual malfunction.

Virginnia Fisher.

- Council has not looked at the other two bidders.
- Have any New Zealand or similar to Mangawhai communities that Simons have serviced been looked at?
- What happens when Simons goes broke?
- What protection for the high percentage of the community on fixed incomes.
- Does not believe dollar penalties avoid spills.
- Does not believe it will be possible to sufficiently address the odour.
- Urged Councillors to consider carefully that they are here to represent the best interests of the people.
- Mangawhai are still making up the differential that was 'slammed' on them at amalgamation time.
- Concerned that Simons are not prepared to complete the consent process and therefore are not prepared to stand up for their design.
- We have been consulted but not listened to.

Graeme McKenzie

- Three sources of pollution roading, rural and some houses.
- Would like a statement in the memo of the partners in Beca and fees charged.
- MEF purchased Mangawhai Park please confirm this in the memo also.
- Who will own the system the bank or the consortium.
- What is the projected income the consortium will receive over 25 years.

Jim Bremner

- How did it get to here? If this problem was identified in 1991 why hasn't it been fixed?
- What is the Standard for septic tank testing? Why is it not being enforced?
- What about existing lots with no systems will they be at the higher or lower rate?
- Why can future connectors not pay a higher proportion?
- He has been told that Councillors have made comments at meetings that the fools of Mangawhai will just accept it. How have costs changed in 48 hours?

Jenny Vernon

- Will we have to remove existing tanks?
- What damage can we expect to our gardens and driveways?
- Drew the meetings attention to the fact that the ratepayer roll is proposed to be abolished in the Local Government Bill.

Craig Horricks

- Will council have an independent review of the work done by the consultants.

Joe Greig

- What is the catchment area? Does it include Jack Boyd Drive?
- Minimise costs to current owners maximise costs to developers.
- 6,000 for future connections could easily be 10 - 12,000 and still be realistic. This is the approximate cost of a bio system.
- Would dispersing in Mangawhai Park limit public use?
- Stock in rural runoff must cause pollution.

Lee Sutherland

- Iwi - he challenges the approval.
- Environment Waikato study has shown 42-45 years for water to reach the lake.
- Why were other bidders not included in the selection process.
- Why? Is there going to be a full audit?
- The panel turned down a proposal that Steven Tindall was prepared to personally fund as they said he didn't have the financial clout.
- Body of opinion clearly questioning fundamental issues. What will happen about this?

17 August 2002

Report



***RECOMMENDATION TO AWARD  
PREFERRED PROPONENT STATUS***

Prepared for  
Mangawhai EcoCare

By  
Beca Carter Hollings & Ferner Ltd  
EPS International

August 2002

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## EXECUTIVE SUMMARY

A formal evaluation process has been undertaken to assess the three proposals received from:

- Earth Tech Engineering Pty Ltd;
- Northpower Ltd; and
- Simon Engineering (Australia) Pty Ltd.

This report to Council is based on the findings of the Core Assessment Team, Evaluation Overview Team and the Project Steering Committee for the Mangawhai EcoCare project.

The evaluation process has concluded that :

- The three proposals are all technically sound for reticulation and treatment of wastewater;
- Simon have offered the best treated effluent disposal option(s);
- Northpower's treated effluent disposal option is cheaper but high risk in terms of community acceptance, environmental outcomes and achievement and retention of appropriate Consent;
- Simon has offered the lowest price and bettered the benchmark outcome; and
- Simon has demonstrated the best commercial terms for the lowest price.

On this basis it is recommended that Simon Engineering be awarded Preferred Proponent status to enable final contract negotiations to progress.

### Recommendation

**It is recommended that Simon Engineering (Australia) Pty Ltd be awarded Preferred Proponent status and that Earth Tech and Northpower be requested to remain in the process by holding their submissions firm pending finalisation of a contract with Simon.**



## 1 INTRODUCTION

The Mangawhai EcoCare Project was established to maintain or improve the water quality in the Mangawhai Estuary through the provision of effective wastewater and stormwater services and systems.

Due to the expected cost associated with the project and the risks involved it was determined to utilise a BOOT (Build Own Operate and Transfer) project delivery model to:

- Avoid Council having to borrow funds to provide the services;
- Appropriately allocate risk between Council, Community and Proponent; and
- Attract as wide as possible a range of service providers to facilitate a competitive and innovative bidding market.

The Expression of Interest attracted 7 bids from a range of companies and following evaluation by the Core Assessment Team, including an assessment of their submissions and subsequent presentations, a short list of 3 companies was recommended to Council in August 2001. Council adopted this recommendation and the following companies were invited to submit detailed proposals in accordance with the Request for Proposal documentation:

- Earth Tech Engineering Pty Ltd;
- Northpower Ltd; and
- Simon Engineering (Australia) Pty Ltd.

## 2 PROCESS

The Request for Proposal was issued in November 2001 and subsequently closed on the 3<sup>rd</sup> April 2002.

An evaluation process was developed in conjunction with the Project Steering Committee and was submitted for Council consideration in February 2002. This evaluation process is attached as Appendix A.

In summary:

- A Core Assessment Team consisting of John Lok (KDC), Brent Johnston (Beca), Peter Elliott and Mike Ritchie (EPS) was appointed to undertake the detailed evaluation; and
- An Evaluation Overview Team consisting of Graeme Ramsey, Jack McKerchar, Neil Tiller, Graham Taylor (KDC), Wikiriwhi Hetaraka (Iwi), Jim Wintle, Don McLean (CLG) and Joanna Roberts (ex KDC Councillor and Project Steering Committee member) was appointed to provide an overview of the process and to enable the Core Assessment Team to discuss issues and approaches.



These groups were charged with undertaking the evaluation process and submitting a recommendation to Council to award preferred proponent status to the most appropriate proponent(s).

This process has now been undertaken with all three companies submitting detailed proposals and subsequent clarifications as requested. In developing this recommendation the Core Assessment team met with the Evaluation Overview team and Project Steering Committee on three occasions and provided a detailed briefing to a Council workshop on 14 August 2002.

In addition, a public meeting was conducted on 17 August 2002 to brief the community on the recommendation. Information was also provided on a possible charging regime. Opportunity was given to provide feedback to Councillors prior to their consideration of this recommendation.

The Evaluation Overview Team process was specifically put in place to ensure the Core Assessment Team continued to assess the proposals in accordance with the stated objectives and community wishes.

### **3 OVERVIEW OF THREE PROPOSALS**

The three companies submitted proposals that examined options for a wastewater scheme, assessed population growth, and provided the most economic solution for the Mangawhai community.

#### **3.1 Earth Tech**

Earth Tech proposed a central treatment system within Mangawhai Park with treated effluent being discharged to woodlots within Mangawhai Park. This would require access to all of Mangawhai Park although the park could continue to be utilised as open public space as drip irrigation is proposed.

The reticulation system proposed includes gravity and pumped systems with a vacuum system within Mangawhai Village.

This is a comprehensive proposal addressing all issues. The cost over the 25-year life of the project is \$29.3 million (Net Present Value). This is significantly higher than the benchmark. (Refer Table 1 below)

#### **3.2 Northpower**

Northpower's proposal is based on a central treatment system located in Mangawhai Park with treated effluent being discharged via a wetlands system to the estuary. The reticulation system proposed is a combination of gravity and pumped systems.

This proposal includes a detailed assessment of other available options.

There are a number of queries and risk reservations expressed by Northpower and the cost over the 25-year period at \$27.7 million (Net Present Value) is higher than the benchmark. (refer Table 1 below)

### 3.3 Simon Engineering

The Simon proposal allows for a central collection system incorporating a combination of Septic Tank Effluent Disposal systems (STEDS), gravity and pumped sewers with a central treatment plant located in Mangawhai Park.

The proposed effluent disposal system is via 9 km pipeline to the Carter Holt Harvey forests south of Mangawhai. Simon also indicates that cheaper alternatives could be offered if required.

The proposed cost of the system at \$23.5 million (Net Present Value) is below the benchmark cost. Simon has also demonstrated flexibility in the tolling regime to better match affordability issues. In addition during the clarification process Simon also offered the initial capital cost of \$13.5 million as a Guaranteed Maximum Price with savings being shared 50:50 with the Council.

### 3.4 Net Present Value Results

The Core Assessment Team considered the three proposals, assessed any issues and following discussions with the Evaluation Overview Team issued a series of clarifications to the three bidders requesting confirmation of a number of items. Importantly all were asked to assess the flexibility of their proposed toll structure to match Mangawhai's affordability issue.

Following receipt of the clarifications financial modelling was again undertaken on the proposed toll streams with the following Net Present Values derived:

Table 1: Net Present Value Outcomes

PROPONENT	NET PRESENT VALUES		
	ORIGINAL	REVISED	VARIATION \$Ms
Simons Engineering	23.5	22.9	-0.6
Benchmark	25.2	25.2	-
Northpower	27.7	27.2	0.5
Earth Tech	29.3	32.8	+3.5

As demonstrated above the clarification process provided both the Assessment Team and the bidders an opportunity to confirm their understanding of what had been asked for and provided for within the bid.

Earth Tech advised that it had limited flexibility in its toll structure and this reflected in an increased Net Present Value due to amended financing structure. It also still maintained tolls in early years being above the cash flow potential from the community, which was an issue with its initial toll proposal.

Northpower was able to clarify some concerns with its proposal, however its toll stream remained unchanged. The total costs are above the benchmark.

Simon, through the involvement of ABN AMRO, was able to demonstrate flexibility in its financial structure as well as downsizing its initial plant thereby allowing reduction of the initial toll stream whilst retaining its base proposal. The resultant toll stream is below the benchmark and can be funded through fees and charges comparable to other similar sized and aged locations.

### 3.5 Summary

The evaluation process has concluded that the:

- three proposals are technically sound for reticulation and treatment of wastewater;
- Simon have offered the best treated effluent disposal option(s);
- Northpower's treated effluent disposal option is cheaper but high risk in terms of community acceptance, environmental outcomes and achievement and retention of appropriate Consent;
- Simon has offered the lowest price and bettered the benchmark outcome; and
- Simon has demonstrated the best commercial terms for the lowest price.

Appendix B reflects a summary of each proposal in more detail together with an initial technical assessment.

## 4 RECOMMENDATION

The Core Assessment Team now recommends Simon Engineering be awarded Preferred Proponent status to enable detailed contract negotiations to be progressed with a view to achieving the best possible commercial arrangement for the delivery of wastewater and stormwater services to Mangawhai.

Earth Tech's proposal is comprehensive, meets the commercial and technical requirements however it is the most costly proposal and there is limited flexibility in the toll structure.

Northpower's proposal is conditional on a number of factors, more expensive than the Simon proposal and would be more difficult to consent in its current form.

The Simon proposal is the lowest cost proposal that meets the minimum expected standard and has bettered the benchmark. In addition Simon has clearly demonstrated a significant degree of flexibility and commitment to work with Council to achieve an improved outcome beyond that submitted. This includes:

- Willingness to amend the toll structure to meet affordability targets;
- Recognition and incorporation of community expectations regarding STEDS should this be cost competitive;
- Capability to amend their technical proposal to lower costs;
- Willingness to offer a Guaranteed Maximum Price concept with 50:50 sharing of savings; and
- Willingness to offer a range of disposal options notwithstanding they included in their proposal the most expensive option.

In addition to the above, Simon has a track record in working with small communities in the provision of essential wastewater services having some 160 such installations currently operating throughout Australasia.

The Simon consortium includes ABN AMRO (using NZ private investors) as the financier. Simon will provide the technology and project management skills to deliver the project. Local contractors and GHD (NZ) Ltd will support Simon with construction and environmental and design advice.

**It is recommended that Simon Engineering (Australia) Pty Ltd be awarded Preferred Proponent status and that Earth Tech and Northpower be requested to remain in the process by holding their submissions firm pending finalisation of a contract with Simon.**

## 5 REQUIREMENTS OF THE LOCAL GOVERNMENT ACT

The Project team has assessed the requirements of Section 122 (C) of the Local Government Act. This report (Appendix C) demonstrates that Council has considered Section 122 (C) and addressed the requirements in developing the Managawhai Eco Care Project.

Council's policies in terms of prudent financial management and development of long term strategies and projects to meet community needs reflects a mature and sensible approach to local government planning including adopting a "User Pays" principle to ensure no cross subsidisation occurs.

## 6 POSSIBLE CHARGES

The project team has modelled potential charges to match a toll stream for the Simon proposal over a 25-year period. This model takes into account projected population growth.



An initial model reflects that the following charge structure could fund the Mangawhai EcoCare project:

CHARGE/FEE	\$
Wastewater Charges	\$800 + GST
One Off Service Provision Charge	
▪ Current Sections	\$ 1,000 + GST
▪ Future Sections	\$6,000 + GST

The above charges are escalated over the 25-year period generally in line with inflationary indices to ensure the rate base remains consistent with general price increases over time. The above will be subject to final negotiations with Simon and Council to agree appropriate affordability issues and principles to be applied.

It is noted that feedback from local residents indicates that the future section Service Provision charge could be set at \$10-12,000. In addition, Council may wish to fund part of the initial capital cost utilising lower interest rates than those available in the Simon proposal. Either of these effects will reduce the annual charge. In this regard, we note that this project has specific issues related to growth and there may be cyclical impacts from external factors that influence this over the next 25 years. It is therefore considered extremely prudent to ensure that Council's charging approach be conservative, and we strongly support the setting of future service provision charges at the \$10000 to \$12000 range.

Finally, it should be noted that the above charges are based on the Guaranteed Maximum Price and do not reflect any potential savings as offered by Simon Engineering.

Preliminary legal advice has provided by Bell Gully that indicates the proposed approach to the Service Provision fee is defensible and legally sound notwithstanding that they may still be challenged by an individual developer.

## 7 NEGOTIATION PHASE

Subject to Council endorsement of the recommendation it is proposed to enter into detailed negotiations with Simon Engineering addressing a number of issues including:

- Inclusion of arrangements within the final contract of a process to achieve savings during the detailed design phase;
- Process to review alternative site arrangements;
- Ability of Simon to offer ratepayers a "one stop shop" for connection to the system; and,



- Methods to amend cash flows associated with the tolls over the 25 year period in order to endeavour to match Councils preferred charging approach.

It is proposed to use the Evaluation Overview Team to monitor these negotiations and assist in developing the final recommendation that will be submitted to Council on completion of these negotiations.

Report Prepared By: Mike Ritchie                      Signed .....

Report Reviewed By: Brent Johnston                      Signed .....

Report Reviewed By: Peter Elliott                      Signed .....

