

Notice is hereby given that a Meeting of the Services and Assets Committee will be held on:

Date: Wednesday, 9 August 2017
Time: 9am
Meeting Room: Council Chambers
Venue: 15 Forth Street, Invercargill

Services and Assets Committee Agenda Late Items

OPEN

MEMBERSHIP

Chairperson	Brian Dillon
	Mayor Gary Tong
Councillors	Stuart Baird
	John Douglas
	Paul Duffy
	Bruce Ford
	Darren Frazer
	George Harpur
	Julie Keast
	Ebel Kremer
	Gavin Macpherson
	Neil Paterson
	Nick Perham

IN ATTENDANCE

Group Manager Services and Assets	Ian Marshall
Committee Advisor	Kirsten Hicks

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Lumsden Railway Precinct Upgrade

Record No: R/17/8/17783

Author: Kelly Tagg, Community Partnership Leader

Approved by: Rex Capil, Group Manager Community and Futures

☒ Decision

☐ Recommendation

☐ Information

Purpose

- 1 The purpose of this report is to seek a recommendation from the Services and Assets Committee to Council that a request for unbudgeted expenditure relating to two upcoming projects in Lumsden, be approved.

Executive Summary

- 2 Round one of MBIE's Tourism Infrastructure Fund (TIF) opened on Thursday, 3 August; the closing date for applications is Monday, 4 September.
- 3 The purpose of the TIF is to provide financial support for local tourism-related infrastructure where tourism growth (domestic and international) is placing pressure on, or potential growth is constrained by, existing infrastructure and where the local community is unable to respond in a timely way with assistance.
- 4 The Lumsden CDA wishes to better manage the visitor experience to the Lumsden Railway Precinct. The carpark at the historic railway station is well utilised by both visitors to the area and locals but has become congested due the current state of the carpark.
- 5 In order to better manage visitors to the Railway Precinct site the CDA wishes to re-seal the car park on the Diana Street side of the railway building, seal the carpark on the Hero Street side of the railway building, install kerb and channel and a further area for parking on a grassed area adjacent Hero Street.
- 6 The CDA has also identified the need for landscaping and screening in the area and for the installation of two "Big Belly Compactor Bins" in order to reduce rubbish collection costs.
- 7 The Railway Precinct also acts as a pick up and drop off point for the Inter City bus which travels from Te Anau to Christchurch on a daily basis. The bus arrives into Lumsden for pick up at 8.45am and drops off people at 5.30pm.
- 8 The estimated cost to carry out these local works is \$148,790 excl GST. The CDA is unable to fund the local element of this project in its entirety and will need to stage the sealing of the carpark over a number of years meaning the carpark will be unable to be marked with parking spaces and the CDA will be unable to manage the visitors to the Railway Precinct.
- 9 The Lumsden CDA has limited local reserves, is unable to fund this project in its entirety at this time and wishes to apply to the MBIE Tourism Infrastructure Fund for a grant of \$74,395 to assist with the costs of this project.
- 10 Council has approved a toilet block upgrade for the Lumsden toilets as part of the 2015-25 long term plan at a cost of \$220,000. This work was scheduled to be carried out during the 2018-19 financial year. However, due to increased demand being placed on the toilet facility it is now appropriate to bring this project forward to 2017-18 financial year in conjunction with the Railway Precinct upgrade.

Item 7.3

- 11 The scope of works includes the addition of two unisex wheelchair accessible toilets to the existing toilet facility along with the replacement of the interior partitions and painting, sealing of the car park adjacent the toilets, signage, design/consultation costs and contingencies. The total cost is anticipated to be \$280,453 (excl. GST).
- 12 The Services and Assets Committee, as a Committee of the whole, is requested to recommend to Council that the upgrade of toilet facilities project for Lumsden be brought forward and to confirm that an application can be made to the Tourism Infrastructure Fund in the amount of \$131,226 which represents 47% of the estimated project cost.
- 13 The Services and Assets Committee, as a Committee of the whole, is also requested to recommend to Council that a request for unbudgeted expenditure in the amount of \$74,395 for the Lumsden Visitor Management upgrade be approved and confirm than an application can be made to the Tourism Infrastructure Fund in the amount of \$74,395 which represents 50% of the estimated local project cost.

Recommendation

That the Services and Assets Committee:

- a) Receives the report titled “Lumsden Railway Precinct Upgrade ” dated 8 August 2017.
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Recommends to Council that unbudgeted expenditure be approved for the “Lumsden Toilet Facilities Upgrade” project at an estimated total cost of \$149,226 to be brought forward from the 2018-19 financial year to the 2017-18 year. The remaining 47% (\$131,226) to be funded by applying to the MBIE Tourism Infrastructure Fund.
- e) Recommends to Council that the unbudgeted expenditure for the Lumsden toilet upgrade be approved subject to the application to the Tourism Infrastructure Fund being successful.
- f) Recommends to Council that the unbudgeted expenditure for the Lumsden Visitor Management Upgrade project at an estimated cost of \$74,395 be approved subject to the Lumsden CDA Subcommittee resolving to fund this amount in total from their local funds and reserves at their meeting scheduled for 14 August 2017. The remaining 50% (\$74,395) to be funded by applying to the MBIE Tourism Infrastructure Fund.
- g) Recommends to Council that the unbudgeted expenditure of \$74,395 for the Lumsden Visitor Management Upgrade be approved subject to the application to the Tourism Infrastructure Fund being successful.

Content

Background

- 14 Visitor numbers to Lumsden have been increasing in recent times. Data collected by Venture Southland via the Geo Zone app (an App used by Free Independent Travellers) concerning routes travelled around the region suggest that 10,004 vehicles visited Lumsden in 2015. In 2016, this figure that increased by almost 50% to 14,978 vehicles.
- 15 NZTA has also provided Council with per day vehicle counts around Lumsden. In 2015 approximately 10,000 vehicles travelled through Lumsden each day on their way to/from Five Rivers, Mossburn, Winton and Gore. In 2016 this figure has risen to almost 11,500 vehicles per day.
- 16 The Lumsden Railway Precinct site is a popular stop over point for visitors to the town due to the public toilets and the large parking and recreational area.
- 17 Staff in the Lumsden office report that during the period October – April up to five tour buses stop at the Lumsden Toilets each day.
- 18 It has been increasingly difficult to manage the car park as a large portion of the car park is unsealed meaning the marking of parks is not possible.
- 19 The Lumsden CDA wishes to better manage the parking spaces and the visitor experience to the Railway Precinct in general. To do this, the CDA wishes to seal the entire car park, install kerb and channel, compacting rubbish bins (to decrease the frequency with which the bins currently require emptying) install some screens/plantings and parking spaces on a grassed area adjacent Hero Street.
- 20 An upgrade to the public toilets is included in the 2015-25 Long Term Plan with works scheduled to be carried out in 2018-19. Due to the increased number of visitors to the area it is now appropriate to bring this project forward to 2017-18 in order to complete the upgrade of the Railway Precinct at the same time to cater for increased visitors to the town.

Issues

- 21 Congestion of vehicles at the Lumsden Railway Precinct has become an issue and the CDA wishes to improve the parking area in order to address this problem.

Factors to Consider

Legal and Statutory Requirements

- 22 The MBIE Tourism Infrastructure funding round closes on 4 September.
- 23 As this Subcommittee is a Committee of the whole of Council, officers are seeking a recommendation to Council, from the Services and Assets Committee that approval for unbudgeted expenditure be given.
- 24 Council will be asked to give retrospective approval for this project at its meeting scheduled for 6 September 2017 in order for officers to submit this application to MBIE TIF which closes on 4 September – subject to the approval of this Committee.

Community Views

- 25 The Lumsden CDA has expressed support for applying to the MBIE Tourism Infrastructure Fund previously.

Costs and Funding

- 26 Council approved a project to upgrade the Lumsden Toilet Facilities as part of the 2015-25 long term plan at a cost of \$220,000 to be funded by way of a loan.
- 27 It is now proposed that an application be made to the Tourism Infrastructure Fund in the amount of \$131,226 excl GST to assist with the cost of the toilet upgrade; the balance of \$149,226 to be funded by way of loan
- 28 The Lumsden CDA has limited local general reserves (approx. \$80,000 forecast for 2017/18) and is unable to fund the total cost of this project locally and wishes to apply to the Tourism Infrastructure Fund in order to offset the costs of the project.
- 29 The Lumsden CDA discussed applying to the Tourism Infrastructure Fund at a workshop held earlier this year and is supportive of an application being prepared on their behalf.
- 30 A report outlining the total costs of this project will be presented to the Lumsden CDA on 14 August where the Subcommittee will be requested to recommend to Council that unbudgeted expenditure in the amount of \$74,395 (to be funded from the Lumsden General Reserve) be approved subject to a Tourism Infrastructure Fund application being successful.
- 31 The costs and proposed funding for both projects are as follows;

LUMSDEN TOWN CENTRE INFRASTRUCTURE UGRADE						
			Budget	Estimate	SDC Contribution	Funding Sought
Project 1: FACILITIES UPGRADE						
	Design/Consultation		\$ 12,000	\$ 12,000	\$ 12,000	\$ -
	Consents		\$ 6,000	\$ 6,000	\$ 6,000	\$ -
	Toilet Upgrade		\$ 120,000	\$ 180,079	\$ 90,040	\$ 90,040
	Carpark Sealing		\$ 15,000	\$ 12,750	\$ 6,375	\$ 6,375
	Signage		\$ 10,000	\$ 10,000	\$ 5,000	\$ 5,000
	Direct Costs		\$ 163,000	\$ 220,829	\$ 119,415	\$ 101,415
	EPCM (15%)		\$ 24,450	\$ 33,124	\$ 16,562	\$ 16,562
	Contingency (20% budget; 12% Estimate)		\$ 32,600	\$ 26,499	\$ 13,250	\$ 13,250
	Total Costs		\$ 220,050	\$ 280,453	\$ 149,226	\$ 131,226
					53%	47%
Project 2: VISITOR MANAGEMENT UPGRADE						
	Sealing of Carpark, marking of parking spaces			\$ 112,790	\$ 56,395	\$ 56,395
	Landscaping for screening & privacy			\$ 16,000	\$ 8,000	\$ 8,000
	Big Belly Compactor bins			\$ 20,000	\$ 10,000	\$ 10,000
	TOTAL			\$ 148,790	\$ 74,395	\$ 74,395
					50%	50%

Analysis

Options Considered

- 32 The Services and Assets Committee has two options as below:

Analysis of Options

Option 1 – Recommends to Council that unbudgeted expenditure be approved for the “Lumsden Toilet Facilities Upgrade” project at an estimated total cost of \$149,226 to be brought forward from the 2018-19 financial year to the 2017-18 year. The remaining

47% (\$131,226) to be funded by applying to the MBIE Tourism Infrastructure Fund and Recommends to Council that the unbudgeted expenditure for the “Lumsden Visitor Management Upgrade” project at an estimated cost of \$74,395 be approved. The costs to be funded from the Lumsden General Reserve. The remaining 50% to be funded by applying to the MBIE Tourism Infrastructure Fund.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Officers are able to proceed with the preparation of the application to the MBIE Tourism Infrastructure Fund. 	<ul style="list-style-type: none"> Officers are not able to proceed with the preparation of the application to the MBIE Tourism Infrastructure Fund and the projects will not be able to proceed at this present point in time.

Option 2 – Services and Assets Committee does not recommend to Council that unbudgeted expenditure be approved for the “Lumsden Toilet Facilities Upgrade” project at an estimated total cost of \$149,226 to be brought forward from the 2018-19 financial year to the 2017-18 year and also does not recommend to Council that the unbudgeted expenditure for the “Lumsden Visitor Management Upgrade” project at an estimated cost of \$74,395 be approved.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Work to address the visitor congestion issues at the Lumsden Railway Precinct is not able to proceed.

Assessment of Significance

- 33 This matter is not deemed to be significant.

Recommended Option

- 34 Option one is the recommended option.

Next Steps

- 35 As per the Venture Southland Letter of Expectation 2017-2018 Community Development Priority Projects Southland District Council officers to have Venture Southland staff prepare and complete a joint funding application to the MBIE Tourism Infrastructure Fund for the Lumsden Facilities Upgrade and Visitor Management Upgrade.
- 36 If the outcome of the application is successful, work will commence as soon as the necessary consents are arranged.
- 37 If the funding application is unsuccessful, officers will investigate how best to proceed with these projects and will provide a further update with options to Council.

Attachments

- A TIF application form - FINAL(2) [↓](#)

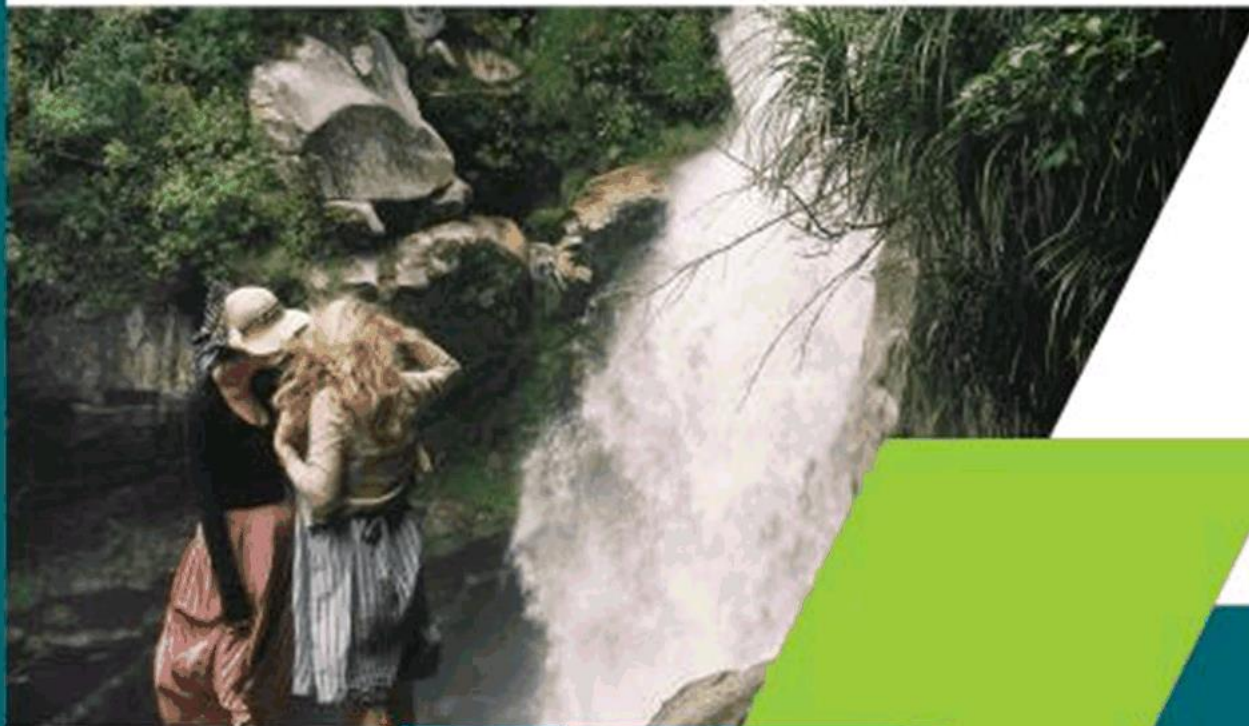


MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĀKINA WHAKATUTUKI

Tourism Infrastructure Fund

Application Form

August 2017



New Zealand Government

Item 7.3 Attachment A

Tourism Infrastructure Fund

Completing this form

This form is designed to be completed in association with the 'Guidance for Applicants' document. If you need any assistance with completing this form, please contact the TIF secretariat on tif@mbie.govt.nz.

Please complete the form in full, and submit it electronically to tif@mbie.govt.nz. Completed proposals must be received by the TIF secretariat no later than 4pm on the deadline date.

All deadlines are available on the TIF website and are subject to change. Late proposals will not be considered but may be re-submitted in the next funding round.

Proposal checklist

Before you apply be sure to complete the following:

- ☐ Check the TIF website to ensure you have downloaded the most recent version of each document.
- ☐ Read the 'Guidance for Applicants' document available on the website.
- ☐ Read the supporting information on the TIF website, particularly the FAQs

When filling out this form please ensure:

- ☐ All answers are typed into the space provided for each section in font no smaller than size 10 point.
- ☐ You provide the information required for each question. This is outlined clearly within the TIF 'Guidance for Applicants' document.
- ☐ You have read and understood the declaration details outlined in Section 4 and have signed the declaration.

Once you have completed this form:

- ☐ Ensure you save the completed document in either .DOC or .DOCX format.
- ☐ Email a copy of the completed form to the TIF secretariat at tif@mbie.govt.nz and ensure that you attach any supporting information you wish to provide.

Note: There is a 20MB size limit (in total) for any proposals submitted.

Evidence

When MBIE assesses proposals against the eligibility and/or the assessment criteria, we will consider whether the evidence provided supports the claims, as well as the quality of that evidence. Where questions ask for evidence to support claims, it is highly recommended that you provide reference sources that attest the accuracy and quality of the evidence.

MBIE will assess the application using the information provided by the applicant.

MBIE-MAKO-18514496

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT

TIF Application Form August 2017

Section 1: Proposal and applicant key details

Please enter answers in the right-hand column.

1.1 Proposal key details		
Name of project [A short title that describes your proposed project.]		
Short description of proposed project to be co-funded		
Estimated total cost of project		
Amount of TIF co-funding sought – this must exceed \$100,000 (excl. GST)		
Is this a discrete project or a bundle of projects?	<input type="checkbox"/> Discrete project <input type="checkbox"/> Bundle of projects	
Is this project ready to commence immediately once funds are available or will it be completed in the longer term?	<input type="checkbox"/> Immediate commencement <input type="checkbox"/> Longer term	

1.2 Applicants' key details		
Lead applicant details	Applicant name	
	Applicant address, including postcode	
Other applicants (if applicable)	Applicant name	
	Applicant address, including postcode	

1.3 Contact person details		
This will be the only person who receives the correspondence relating to the proposal. Fill out all fields unless otherwise indicated		
Contact person details	Full name	
	Job title or Role	
	Contact phone	
	Contact email address	
	Contact postal address (if different to lead applicant), including postcode	

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Section 2: Eligibility and project overview

2.1 Eligibility checklist

Do you meet AT LEAST one of the eligibility criteria below:

Annual tourism revenue in your territorial authority less than \$1 billion

☐ Yes

Visitor to rating unit ratio of 5 or more

☐ Yes

Local Government Finance Agency lending limits have been reached

☐ Yes

Project eligibility:

Is your project for visitor-related public infrastructure?

☐ Yes

Is your project for new facilities or enhancements?

☐ Yes

Does your project have local community support?

☐ Yes

Are you seeking co-funding of \$100,000 or more?

☐ Yes

Have you ensured no other central government funding is available for your project?

☐ Yes

Have you ensured your project will not compete with local private commercial activities?

☐ Yes

NOTE: If you do not answer 'Yes' to the project eligibility questions above, your project is unlikely to be eligible for TIF co-funding.

2.2 Project overview

a. Is your project addressing a need that is current or anticipated?

☐ Current

☐ Anticipated

b. Will your project deliver visitor benefits and also benefits to your local community?

☐ Yes

☐ No

c. Is TIF co-funding critical to the project starting, happening sooner, or being of better quality

☐ Starting

☐ Happen sooner

☐ Better quality

[Tick all relevant boxes]

d. Is your proposed co-funding the maximum you can commit to the project, and in monetary form only?

☐ Yes

☐ No

e. Have you planned for the ongoing maintenance of the proposed infrastructure?

☐ Yes

☐ No

f. Do you have certainty of land access over the expected life of the proposed infrastructure?

☐ Yes

☐ No

g. Does your organisation have systems in place to ensure the proposed project complies with health and safety regulations? (You will need to demonstrate this prior to contracting)

☐ Yes

☐ No

h. Do your procurement processes require all external contractors involved in construction projects to have valid health and safety processes/plans in place?

☐ Yes

☐ No

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Section 3: Project Description

3.1 Problem definition and need for additional infrastructure

3.1.1 Briefly describe the challenge(s) you are facing as a result of current or anticipated visitor growth that underpin this application. Where possible, please provide qualitative and/or quantitative evidence to indicate the scale of challenge(s).

3.2 Proposed infrastructure

3.2.1 Briefly describe the infrastructure you propose to construct, and how it addresses the challenge(s) you have identified above. Please also list the other options considered and explain why the proposed project is fit-for-purpose and offers value for money.

3.2.2 Demonstrate that the proposed project has the support of the local community (e.g. has gone through some type of consultative process).

Item 7.3 Attachment A

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3.2.3 List all the benefits that you expect will flow from your proposed project (focusing particularly at the visitor benefits).

3.2.4 Provide a project timeline in the table below, highlighting all key milestones for your project (you will be asked to provide a financial breakdown for each milestone in section 3.3.3).

Milestone	Estimated start date	Estimated end date

3.3 Funding the project

3.3.1 Briefly describe the current financial situation of your organisation and why TIF co-funding is required for the proposed project. Where possible, provide quantitative and/or qualitative evidence to support your case.

3.3.2 Describe what alternative sources of funding were explored before this co-funding request was made.

Item 7.3 Attachment A

3.3.3 Financials for proposed project

Provide a breakdown of the tasks and associated costs required in achieving the milestones identified in 3.2.4. All costs should exclude GST. Use the 'insert row' function if you wish to add more milestones/tasks.

Milestones	Total cost	TIF co-funding sought	Applicant co-funding	Key assumptions made in estimating costs
'Milestone one' (as identified in 3.2.4)				
• Task one				
• Task two				
• Task three				
'Milestone two'				
• Task one				
• Task two				
• Task three				
'Milestone three'				
• Task one				
• Task two				
• Task three				
Total (Must add up to 100 per cent of project cost detailed in Section 1.1)				

3.4 Risks and Mitigations

Describe any risks associated with this project that you have identified and list the mitigations for each risk.

	Risk	Mitigation
Example	Contractors not available for project due to diversion to deal with natural disasters	Alert MBIE as early as possible and renegotiate timeframes

Section 4: Declaration by lead applicant

I declare on behalf of the applicant(s), that:

- I have read this form, and the Guidance for Applicants, and fully understand the procedures, terms, conditions and criteria for TIF co-funding;
- this application form outlines the basis on which this application is made;
- I have read, understand and accept MBIE's standard form contract, including the terms and conditions, a copy of which is attached as Schedule 1 in the Guidance for Applicants;
- the statements in this application are true and the information provided is complete and correct and there have been no misleading statements, omission of any relevant facts nor any misrepresentation made;
- I understand MBIE and its advisers may disclose to or obtain from any government department or agency, private person or organisation, any information about the applicant(s) or project for the purposes of gaining or providing information related to the processing and assessment of this application;
- the applicant(s) will, if requested by MBIE or its advisers in connection with this funding process, provide any additional information sought and provide access to its records and suitable personnel;
- I understand MBIE may undertake due diligence checks as needed to meet government requirements, and I consent to checks required being carried for those purposes;
- I consent to the public release, including publishing on the Internet, of the name of the applicant(s), the amount of grant sought, contact details of the applicant(s) and a general statement of the nature of the activity/project, and undertake to cooperate with MBIE on communications relating to this application;
- I understand MBIE's obligations under the Official Information Act 1982 and that, notwithstanding any relationship of confidence created as a result of this application, the provisions of this Act apply to all of the information provided in this application;
- the application involves an activity/project that is a lawful activity that will be carried out lawfully;
- the applicant(s) is not in receivership or liquidation nor will the project be managed by an undischarged bankrupt or someone prohibited from managing a business;
- where external providers are being employed as part of the project/activity, the relevant providers will not be employees or directors of the applicant, and nor do they have any other direct or indirect interest in the applicant, whether financial or personal unless specifically stated in the application;
- I am authorised to make this application on behalf of the applicants identified in section 1;
- I understand that MBIE may withdraw its offer of funding should the proposed project fail to be completed within the agreed timeline (detailed in Section 3.2.4).

MBIE MAKO 18514406

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Signature of lead applicant This acknowledgment must be signed by a person with the legal authority to commit your organisation to a transaction (e.g. Chief Executive or Mayor)	
Name	
Title	
Organisation	
Signature	
Date	

Item 7.3 Attachment A

Section 5: Attachments

[Attach here, as a PDF, any additional information you consider necessary to support your application. Note that there is a 20MB size limit]

MBIE MAKO 18514496

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TIF Application Form August 2017

Southland District Council Resurfacing Tender Award

Record No: R/17/7/17428
Author: Hartley Hare, Roading Asset Management Engineer
Approved by: Ian Marshall, Group Manager Services and Assets

☒ Decision ☐ Recommendation ☐ Information

Purpose

- 1 The report outlines the tenders received for the 2017-2020 Southland District Council Resurfacing Programme and seeks approval from the Services and Assets Committee to award Contract 17/32 (Eastern Area) and Contract 17/33 (Western Area) to the recommended tenderers.

Executive Summary

- 2 The report covers the tendering outcome for the resurfacing of approximately 3,000,000 m² of urban and rural roads across the Southland District Council, to be awarded as two contracts for a three year term covering the 2017/2018 - 2019/20 Resurfacing Programmes.
- 3 The report covers the tenders received, the evaluation carried out and recommendations for letting the contracts.

Recommendation

That the Services and Assets Committee:

- a) Receives the report titled "Southland District Council Resurfacing Tender Award" dated 4 August 2017.
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Accept the Downer tender price of \$7,378,924.40 plus GST for Contract 17/32 Eastern Area Resurfacing.
- e) Accept the Downer tender price of \$7,720,175.40 plus GST for Contract 17/33 Western Area Resurfacing.

Content

Background

- 4 This report covers the tendering for the resurfacing activity (resealing and second coat sealing) of approximately 3,000, 000 m² of urban and rural roads in the Southland District Council's roading network for the next three years.
- 5 The work involved in the contracts includes; texturising of preseal patching, temporary traffic management, sweeping, supply and spraying of bitumen, supplying, placement and rolling of chips and pavement marking.
- 6 As part of the procurement process reports were presented to the Services and Assets Committee and the Finance and Audit Committee discussing the style of contract, contract length, and estimated total project value and procurement methodology.
- 7 The resolution from the Services and Assets Committee on 21 June 2017 was that the committee:
 - (d) Endorses the proposed procurement methodology for Council's resurfacing activity.
 - (e) Notes that given the value of the works it will be necessary for the procurement model to be considered by the Finance and Audit Committee before the Services and Assets Committee can award the contracts.
 - (f) Accepts the proposed budget estimate of \$17 million for the three year resurfacing programme from 2017/18 through to 2019/20.
- 8 The resolution from the Finance and Audit Committee on 19 July 2017 was that the committee:
 - (d) **Endorses the Price Quality Method for procurement with a 30% weighting for non-priced attributes and 70% weighting for price.**
 - (e) **Endorses that the work be split into two contracts of similar quantity for a contract period of three years.**
 - (f) **Notes the proposed budget estimate of \$17M for the three year resurfacing programme from 2017/18 through to 2019/20.**
- 9 The contracts were advertised on Local Government Online and in the Tenders Gazette. Tenders were received from two companies by the closing date of 26 July 2017.
- 10 The tenders are set up to be let on a Price Quality Method basis, with the total non-price weighting of 30% being on relevant experience, track record, resources, relevant skills and methodology. These attributes therefore had to be evaluated prior to opening the price envelopes. To do this the Tender Evaluation Team studied the tenders and met to discuss and agree scores on 31 July 2017.
- 11 This team was made up of Hartley Hare, Dylan Rabbidge, Ken Manson and John Laskewitz. As a result of their deliberations, which reviewed the Tenderer's information provided against that requested, the following scores were awarded:

Tenderer	Relevant Experience	Track Record	Resources	Relevant Skills	Methodology
Downer	90	80	80	80	85
Fulton Hogan	90	75	80	80	80

- 12 Both Downer and Fulton Hogan have similar relevant experience and track records, hence similar scores, with Fulton Hogan scoring slightly lower on track record due to issues with trying to get them to resolve marking issues on their reseal sites.
- 13 For the resources and relevant skills components, the evaluation team determined that, on balance, their scores were equal.
- 14 In the methodology component, Downer were overall just ahead of Fulton Hogan due to their use of safer and more environmentally friendly emulsion rather than cutback bitumen, which also allows lower bitumen application rates.
- 15 Considering the very wet start to 2017, both Contractors gave a good performance for the 2016/2017 season. They completed sealing within a few days of the 31 March deadline, but did have some road marking issues that are being addressed.
- 16 The tender prices received were as follows (excluding GST):

Tenderer	Contract 17/32 - Eastern Area	Contract 17/33 - Western Area
Downer Conforming	\$7,378,924.40	\$7,720,175.40
Fulton Hogan Conforming	\$7,648,064.74	\$7,652,510.93
MWH Estimate	\$7,079,027.00	\$8,504,700.00

- 17 The Engineer's estimates are based on the 2016/2017 tender rates for the respective contracts. It has turned out that Downer's conforming prices are 4.2% above the estimate for the Eastern Area and 9.2% below the estimate for the Western Area which may reflect the current cost of bitumen and the Tenderer's differing assessments of the current state of the competitive tendering market. Fulton Hogan may not have expected Downer to price the Eastern Area so competitively.
- 18 Both Tenderers submitted alternative tenders. In the case of Fulton Hogan they submitted an alternative for each area based on using sealing chips conforming to the old sealing chip specification, rather than the enhanced specification requiring more broken faces. The enhanced chips cost more to produce but also are expected to provide higher skid resistance for longer, which means that the seal lives can be extended and safety enhanced.
- 19 Prior to the tender prices being opened, the value of the enhanced chips over the original chips was agreed by the TET to be \$60,000 for each contract area for the three year period.
- 20 Fulton Hogan's alternative for the Eastern Area was \$73,812 less than their conforming but is still significantly higher than Downer's conforming tender so has not been evaluated in any more detail. For the Western Area their alternative was only \$30,800 less so their conforming would provide the better option for SDC to consider. This has therefore been used in the tender comparisons.
- 21 Downer offered a Western Area alternative as well as a combined alternative covering both areas. These alternatives were based on their assessments of the treatments they would use on each site over the full three year period of the contract. The alternatives are not readily comparable to the conforming tenders as they have different quantities, different treatments with differing expected lives and do not allow for all the contingency items.
- 22 The rates used in their alternatives are higher for the treatment types they hope to use and lower for those they do not plan to use as much of. This is likely to result in the final actual cost being significantly higher than the tendered amount. Due to these issues the conforming tenders from Downer are the more attractive ones to use in the tender comparison.

23 With the Price Quality Method evaluation the non-priced scores were used to evaluate the Supplier Quality Premium (SQP). These premiums were then deducted from the tender prices to determine who had the lowest overall tender price and therefore becomes the recommended Tenderer. For the purposes of tender evaluation the Contingency Sum and any Provisional Sums included in the tender schedule, are excluded from the estimate but left in the Tenderer's prices for the calculation. In both the Eastern Area Tender and the Western Area Tender the total Contingency sum was \$100,000 pa and Provisional Sum allowing for Source Property Testing was \$5,000 pa, a combined total of \$315,000 for each contract.

24 The evaluation produces the following (all scores reduced by their weighting):

Contract 17/32 - Eastern Area

Attribute (Weighting)	Downer	Fulton Hogan
Relevant Experience (5%)	4.5	4.5
Track Record (5%)	4.0	3.75
Resources (5%)	4.0	4.0
Relevant Skills (5%)	4.0	4.0
Methodology (10%)	8.5	8.0
Sum of Non-priced Attributes (30%)	25.0	24.25
Tender Price	\$7,378,924.40	\$7,648,064.74
Supplier Quality Premium (\$)	\$72,471.72	0
Price less supplier quality premium	\$7,306,452.28	\$7,648,064.74

25 Based on the above Downer are the clear recommended Tenderer for Contract 17/32.

Contract 17/33 - Western Area

Attribute (Weighting)	Downer	Fulton Hogan
Relevant Experience (5%)	4.5	4.5
Track Record (5%)	4.0	3.75
Resources (5%)	4.0	4.0
Relevant Skills (5%)	4.0	4.0
Methodology (10%)	8.5	8.0
Sum of Non-priced Attributes (30%)	25.0	24.25
Tender Price	\$7,720,175.40	\$7,652,510.93
Supplier Quality Premium (\$)	\$87,746.79	0
Price less supplier quality premium	\$7,632,428.61	\$7,652,510.93

- 26 Based on the above, Downer are the recommended Tenderer for Contract 17/33, by virtue of their superior Supplier Quality Premium. The competition for the Western Area looks to have been quite intense this year given that Downer's price is 9.2% below estimate and Fulton Hogan's price was actually lower still.

Issues

- 27 Given the combined size of these contracts and the three year duration, relying on Downer to carry out all of SDC's resealing for three years does present some risks. Downer were contacted to discuss these. They are comfortable that if they were awarded both Contracts 17/32 and 17/33, they can service the full SDC network's resealing requirements as they have just missed out on a South Canterbury contract, which they held for the last two years.
- 28 That Contract covered three councils and involved about 2,000 Tonnes of residual bitumen each year which was a little larger than the two SDC contracts combined.
- 29 As with previous years the contracts will include continuing to apply the standard NZTA cost fluctuation formula. As always, predicting what this will do during the season is very difficult as it depends on changes in bitumen prices and the value of the \$NZ versus the \$US.
- 30 During the construction season bitumen prices are closely monitored in the event that the programme needs to be adjusted to make allowance for significant changes.

Factors to Consider

Legal and Statutory Requirements

- 31 NZTA procurement procedures.
- 32 Local Government Act 2002.
- 33 No unusual legal considerations are involved with this project. As with all projects, but larger value projects in particular, there is the risk of a legal challenge regarding the tender results from unsuccessful Tenderers. To reduce this risk the Tender Evaluation Team carefully follow the NZTA procurement procedures.

Community Views

- 34 The final treatments selected will take account of the existing seal, road and environmental conditions, traffic loading, community expectations and available sealing budget. This will result in use of smaller chips in urban and built up areas where possible, to cut down traffic noise.

Costs and Funding

- 35 The activity forms part of the overall roading budget with the NZTA share being apportioned appropriately.
- 36 The tender value for separable portion one (2017/2018) of the contract fits within the approved NZTA and SDC budget for 2017/18 financial year.
- 37 The value of the budget for resurfacing programme for subsequent years will not be known until the 2018-2028 LTP is adopted and NZTA have approved the 2018/21 three year programme, however, the tender outcome will be used as a basis for SDC's funding application to NZTA for the resurfacing activity.

38 As cost fluctuations will apply to the contracts, this will impact on the final cost being different from that tendered however this will be monitored during the contract period.

39 The contract document also allows for some quantity adjustment if required to meet budgetary needs if required.

Policy Implications

40 Council's Procurement Policy.

41 Council's NZTA Procurement Strategy.

42 As outlined above in the report, NZTA tender evaluation process will be followed along with Council's Procurement Policy.

Analysis

Options Considered

43 The only options to consider is whether or not to award the tender.

Assessment of Significance

44 Based on the Council's Policy on Significance and given that any decision made is in line with the Annual Plan and budget expectations, it is believed that the decision made based on this recommendation is not significant.

45 The procurement method proposed, along with this activity forming part of the Annual Plan and Long Term Plan, means that the letting of this contract is not significant in terms of Section 76 of the Local Government Act 2002.

Recommended Option

46 Both Downer and Fulton Hogan have reasonably successfully completed reseal contracts for SDC during the past four resealing seasons. Downer's combination of price and SQP means they are the recommended Tenderer for both contracts.

47 As the total contract value of the contracts fit within the total project estimate presented to the Finance and Audit committee along with Downer affirming that they have the capacity to completed the SDC Contracts it is recommended that;

- Downer's tender price of \$7,378,924.40 for Contract 17/32 - Eastern Area be accepted; and
- Downer's tender price of \$7,720,175.40 for Contract 17/33 - Western Area be accepted.

Next Steps

48 Services and Assets Committee formally award the contracts to the recommended tenderers and Council's Group Manager Services and Assets, formally notify the successful and unsuccessful tenderers of the outcome from the tendering process.

Attachments

There are no attachments for this report.

