

WM/12/14/01

**Mayor and Councillors
COUNCIL**

28 JUNE 2012

Meeting Status: **Public**

Purpose of Report: For Decision

TENDER APPROVAL FOR RESIDENTIAL WATER METER INSTALLATIONS CONTRACTS : 2012/C010 - NORTHERN REGION AND 2012/C011- SOUTHERN REGION

PURPOSE OF REPORT

1 This report seeks approval to award the following contracts:

- 2012/C010: Residential Water Meter Installations – Northern Region; and
- 2012/C011: Residential Water Meter Installations – Southern Region.

Information is also provided on the project programme and on the value of the materials required to be purchased by Council.

SIGNIFICANCE OF DECISION

2 The recommendations in this report do not trigger the Council's significance policy.

BACKGROUND

3 At its meeting on 17 March 2011 Council passed the following resolution:

That the Council approves, subject to its final decision on the proposed 2011 Amendment to the 2009 Long Term Council Community Plan, the programme for the installation of water meters as follows:

- *preparation and planning for installation from 1 July 2011 to 30 June 2012;*

4 Subject to the Council confirming its decision of 7 June 2012 to proceed with the installation of water meters, the proposed installation of water meters on all properties across the Kāpiti district is to be implemented through four separate contracts for:

- installation of 8,500 manifold meters in the Northern Region; the area north of the Waikanae river, including Otaki and Waikanae;
- installation of 11,500 manifold meters in the Southern Region; the area south of the Waikanae river, including Paraparaumu, Raumati and Paekakariki;
- supply of water meters to the project;
- supply of manifolds and meter boxes to the project.

CONSIDERATIONS

Tender Summary for Northern Region Contract

5 The Northern Region contract was advertised on two websites, Tenderlink and the Government Electronic Tenders Service (GETS) on 19 April 2012 with a tender period of four weeks. Tenders were invited on the basis that any contract award would be provisional on Council decisions at the June 7 and 28 June Council meetings on the implementation of District wide water metering.

6 The tender box was opened on the 16 May 2012. A total of two tenders were received. The tenders were received from:

- Thomas Plumbing Ltd
- Land Matters Ltd

Both contractors are local with Thomas Plumbing Ltd based in Waikanae and Land Matters Ltd based in Otaki.

7 Tenders were evaluated in accordance with the weighted attribute method as prescribed in the tender documents. The resulting weighted scores for each contractor are:

- Thomas Plumbing Ltd 74.5
- Land Matters Ltd 36.5

The difference between the scores is a reflection of the significantly higher tender price received from Land Matters Ltd.

8 Thomas Plumbing Ltd's submitted price was \$2,278,759 and is 21% higher than the Engineer's estimate of \$1,880,000. The difference is attributed to a low number of tenders submitted. A survey of organisations that obtained tender documents and did not submit a tender, revealed the tender period coincided with numerous others on the market. Most organisations either ran out of time to submit a tender, or chose to place tendering resources into more familiar, conventional pipe-laying contracts.

9 Thomas Plumbing Ltd provided referees for previous projects of which all were contacted. All gave favourable reports on previous performance and customer management.

10 While the contract works are extensive, the actual installations are relatively simple and are well within the skill-set of the qualified plumbers which Thomas Plumbing Ltd proposes to use. Thomas Plumbing Ltd is currently carrying out building services installations for the Coastlands Aquatic Centre and the Civic Building Upgrade projects.

11 Thomas Plumbing Ltd proposes to resource the contract using existing crews. Total liquidated damages of \$2,500 per week are specified within the contract to encourage completion within the 15 month contract period. This provides a nominal completion date of 31 October 2013. Refer to the Residential Water Meter Installations – Project Timeline, following paragraph 26.

Issues for Northern Region Contract

- 12 Thomas Plumbing Ltd has not previously been directly engaged by the Council for large water and wastewater infrastructure projects. This is because Council's large water and wastewater infrastructure projects are typically large pipe installations and outside the resource base of commercial plumbers.
- 13 This lack of familiarity is not considered a significant risk for the Northern contract since it is comprised of approximately 5,300 manifold installations with additional screw-in meters. These are small jobs, suited to the skill-set of a plumber than that of a larger water contractor. Close supervision during the initial months will ensure quality systems and compliance with Council specifications is maintained.
- 14 Based on the tender evaluation process, the Council can award the Northern Region contract to Thomas Plumbing Ltd.

Tender Summary for Southern Region Contract

- 15 As there was only one tender submitted for the Southern Region on the 16 May the Southern Region Contract was re-advertised on Tenderlink and GETS on 28 May 2012 with a tender period of three weeks. Tenderers were invited on the basis that any contract award be provisional on Council decisions at the June 7 and June 28 Council meetings on the implementation of District wide water metering.
- 16 The tender box was opened on the 15 June 2012. A total of five tenders were received. The tenders were received from:
 - Thomas Plumbing Ltd (Waikanae)
 - Land Matters Ltd (Otaki)
 - Mills Albert Ltd (Paraparaumu)
 - Downer (Auckland)
 - City Care Ltd (Christchurch)
- 17 Tenders were evaluated in accordance with the weighted attribute method as prescribed in the tender documents. The resulting weighted scores for each contractor are:

• Thomas Plumbing Ltd	59.2
• Land Matters Ltd	48.0
• Mills Albert Ltd	28.6
• Downer	82.6
• City Care Ltd	65.1
- 18 Downer, a contractor based in Auckland specialising in network maintenance as well as construction, is the highest scoring tenderer and submitted a tender of

\$2,082,886.29. The tendered price is 25% below the Engineer's estimate of \$2,600,000.

- 19 Downer provided referees for previous projects all of whom gave favourable reports on previous performance and customer management.
- 20 The contract works are within the skill-set of the maintenance crews and contract plumbers Downer propose to use. Downer is the incumbent reticulation maintenance contractor for Horowhenua District Council. Downer plan to initially use resources from their existing Horowhenua Team. Their intention is to hire local Kāpiti contract plumbers as the contract progresses.
- 21 Total liquidated damages of \$2,500 per week are specified within the contract to encourage completion within the 17 month contract period. Downer have provided a programme with a completion date at the end of December 2012. Refer to the Residential Water Meter Installations – Project Timeline, following in paragraph 26.

Issues for Southern Region Contract

- 22 There are no issues for the Southern Contract.
- 23 Based on the tender evaluation process, the Council can award the Southern Region tender to Downer.

Methodology

- 24 Both contractors have proposed to use service pipe clamping or freezing to achieve the manifold installations. This will only affect single properties and keep supply disruption to each property to a minimum.

Tender Summary for Supply of Materials

- 25 Six pre-approved suppliers of materials were invited to provide tenders for meters, manifolds and meter boxes to be purchased by the Council. Invitations to tender were based on any contract award being provisional on Council's decision at the June 7 and June 28 Council meetings for the implementation of District wide water metering. The received quotes were reviewed on the basis of lowest price conforming for a complying product. Two preferred suppliers were determined. The materials, and their suppliers, are:

- Sensus 620MC water meters to be supplied by Deeco Services Ltd, Petone. Contract Value: \$848,105.
- GM900S Brass manifolds and AMB300 boxes to be supplied by Acuflo Industries Ltd, Levin. Contract Value: \$1,151,895.
- Total Materials Contract Values \$2.0 M.

Residential Water Meter Installations – Project Timeline

- 26 The timeline below outlines key milestones in the project. A minimum of two quarterly usage statements, outlining actual measured consumption are proposed to be issued to rate payers from January 2014 onwards with actual measuring and billing starting in July 2014.

		<u>Northern Region Contract</u>	<u>Southern Region Contract</u>		
2012	June	June 28 th : Council Approval			
	July	Tender Award at beginning of July			
	August	Installations begin Start of August	Installations begin Mid August		
	September	↓	↓		
	October				
	November				
	December				
2013	January			↓	↓
	February				
	March				
	April				
	May				
	June				
	July				
	August				
	September				
	October	Installations complete end of Oct			
	November				
	December		Installations complete end of Dec		
2014	January	First usage statement issued to residents			
	February				
	March				
	April	Second usage statement issued to residents			
	May				
	June				
	July	Volumetric charging for billing purposes begins 1 July 2014			

Financial Considerations

- 27 The tendered price of \$2.280M (Northern, Thomas Plumbing Ltd) is within the current budget allocation. It is recommended that the remaining budget allocation

of \$430,000 be retained as the contract contingency, leaving a maximum contract value of \$2.710M

- 28 The tendered price of \$2.083M (Southern, Downer) is within the current budget allocation. It is recommended that the remaining budget allocation of \$395,000 be retained as the contract contingency, leaving a maximum contract value of \$2.475M.
- 29 The combined materials price for meters, manifolds and meter boxes is \$2.0M.
- 30 The current Council Long Term Plan (LTP) 2012-2014 budget (after incorporating CPI increases) is \$8.185M. The budget is currently allocated as follows:

Description	2012/2013	2013/2014	Totals
Project Materials	\$1.8 M	\$0.2 M	\$2.0 M
Project Management	\$0.4 M	\$0.3 M	\$0.7 M
Northern Contract	\$2.1 M	\$0.61 M	\$2.710 M
Southern Contract	\$2.07 M	\$0.405 M	\$2.475 M
Totals	\$6.370 M	\$1.515 M	\$7.885 M
Project Contingency	\$0.3 M		\$0.3 M
Current LTP Funding	\$6.670 M	\$1.515 M	\$8.185 M

Legal Considerations

- 31 There are no legal considerations.

Delegation

- 32 The Council has the authority to make a decision on this matter.

Consultation

- 33 Consultation with the community was encompassed in the Draft LTP consultation process.

Policy Implications

- 34 There are no policy implications

Tāngata Whenua Considerations

- 35 There are no issues for consideration relating to iwi or the Treaty of Waitangi.

Publicity Considerations

- 36 A media release detailing the tender prices will be prepared once Council has made its decision.

RECOMMENDATIONS

- 37 That the Council authorises the Chief Executive to award the contract for Residential Water Meter Installations – Northern Region: 2012/C010 from Thomas Plumbing Ltd for a maximum sum of \$2,710,000 (+ GST) which includes an additional contract contingency of \$430,000.
- 38 That the Council authorises the Chief Executive to award the contract for Residential Water Meter Installations – Southern Region: 2012/C011 from Downer for the maximum sum of \$2,475,000 (+ GST) which includes an additional contract contingency of \$395,000.

Report prepared by:

Travis Wood

**WATER & WASTEWATER ASSETS
MANAGER**

Approved for submission by:

Sean Mallon

**GROUP MANAGER,
INFRASTRUCTURE SERVICES**