

Mayor and Councillors
COUNCIL

30 September 2010

Meeting Status: Public

Purpose of Report: For Decision

WATER SUPPLY PROJECT - BUDGET REALLOCATION

PURPOSE OF REPORT

- 1 This report seeks to have the current Water Supply Project budget allocation adjusted so that the next phases of the project can be completed. These next phases of work include:
 - investigation;
 - design;
 - construction;
 - environmental assessment; and
 - resource consent preparation.
- 2 The report also seeks Council's authorisation to extend the current consultant contract with CH2M Beca.

SIGNIFICANCE OF DECISION

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

BACKGROUND

- 4 The objective of the Water Supply Project is to find and deliver a solution to secure sufficient water supply for Waikanae, Paraparaumu/Raumati for the next 50 years. The Long Term Council Community Plan (LTCCP) commits to having a solution in place by 1 July 2014.
- 5 At the meeting of 19 August 2010 Council selected the top water supply solution based on the extensive investigation work conducted over the previous 12 months (refer to report AS-10-922). Council resolved:

That Council accepts the conclusions and recommendations in CH2M/Beca – Ranked Options – Summary Report dated 6 August 2010 (refer to Appendix 2) but confirms River Recharge with Groundwater as the top ranked water supply option for the Waikanae/Paraparaumu/Raumati catchment.

That Council accepts the TAG report dated 17 August 2010 and notes its recommendations and its involvement continuing in the water supply project until the resource consent stage.

That subject to sufficient funding being brought forward Council approves further drilling, testing, monitoring, modelling and assessment work on the River Recharge

with groundwater option with results being reported back to Council and community stakeholders before applying for resource consents.

That Council confirms the Maungakotukutuku Dam as the second ranked water supply option for the Waikanae/Paraparaumu/Raumati catchment.

That Council authorizes the Chief Executive to negotiate the conditional purchase of the Maungakotukutuku Dam site subject to final approval by Council.

That a Cultural Impact assessment be commissioned from local Iwi relating to both preferred options.

- 6 To enable works to proceed in line with the Council resolution the distribution of the current budget allocation within the 2010/11 Annual Plan and the “*Choosing Futures Community Plan 2009*” must be altered.
- 7 The current budget allocation and its distribution was carried out prior to a decision being made on what the final Water Supply Solution for Waikanae, Paraparaumu/Raumati would involve. As a result there have been two previous redistributions of the project budgets approved by Council.

Financial Year	LTCCP Projected Budget	December 2009 (DP-09-763)	June 2010 (AS-10-922)
2009/10	\$250,000	\$1,120,000	\$1,610,000
2010/11	\$250,000	\$1,380,000	\$1,275,000
2011/12	\$850,000	\$2,110,000	\$1,725,000
2012/13	\$9,500,000	\$10,120,000	\$10,120,000
2013/14	\$14,000,000	\$10,120,000	\$10,120,000
Total	\$24,850,000	\$24,850,000	\$24,850,000

CONSIDERATIONS

Investigations required

- 8 The next phase of work requires further technical investigations to be progressed and outcomes confirmed before approval will be sought from Council to either lodge resource consent applications for the River Recharge with Groundwater (RRGW) or to proceed with the Lower Maungakotukutuku Dam option.
- 9 These investigations were identified by CH2M/Beca and TAG in the 19 August report (refer to AS-10-922) and have been combined where appropriate into six distinct phases of work:
 - Phase 3: Ranked Options;
 - Phase 4: Preliminary Design;
 - Phase 5: Consenting;
 - Phase 6: Detailed Design & Investigation;

- Phase 7: Construction;
 - Phase 8: Maungakotukutuku Dam Site.
- 10 For the RRGW ‘top ranked’ solution those investigations include:
- Undertake peer review of existing Hydrological model;
 - Conduct a cultural impact assessment with Te Āti Awa ki Whakarongotai;
 - Further pump testing of existing wells to improve the hydrological model;
 - Further investigate the discharge effects on down stream ecology;
 - Better understand the effects on existing shallow bores on the hydrological model;
 - Drill up to six test wells and one production well to confirm quality and yield of the new wells and aquifer (3 production wells will eventually be required for production);
 - Optimise the staging of the project;
 - Establish existing saline / freshwater interface location and add to hydrological model;
 - Prepare Assessment of Environmental Effects (AEE) for resource consent applications.
- 11 For the Maungakotukutuku Dam land purchase for 50 to 100 year security this includes:
- Conduct a cultural impact assessment with Te Āti Awa ki Whakarongotai;
 - Develop a plan and obtain agreement with the Department of Conservation regarding the covenant removal over existing indigenous vegetation;
 - Negotiate a conditional purchase agreement with relevant landowners for land at the potential dam site.
- 12 The project team has carried out a detailed cost estimate for each of the proposed six phases of works.

Issues

- 13 The existing project plan seeks to have a solution built by July 2014 as per the 2009 LTCCP. This target date is based on projected population increases with no reduction in demand and no change to current supply availability “*worst case scenario.*” Based on this it was estimated that Council would breach its existing consent for abstraction (23,000m³ per day) in 2015.
- 14 The current programme delivers the RRGW solution no later than July 2014 with the least impact on existing budget allocations. It is likely that the first stages of the project will be delivered earlier but this will be dependant on the results of the well drilling and the assessment of phasing options.

- 15 It is anticipated that the results of the further investigation and assessment work would be reported back to Council and Community Stakeholders in March 2011, prior to applying for Resource Consent. More detailed project phasing options would also be reported back at this time.
- 16 The conditional purchase of the Maungakotukutuku Dam site, subject to final approval by Council, has also been programmed and an associated budget projection developed.
- 17 This programme is based on the RRGW as outlined and the purchase of the land being finalised in the 2012/13 financial year.

	Financial Year	June 2010 2010/11 Annual Plan	Proposed RRGW Budget (Inc Dam site purchase)	Variance
1	2009/10	\$1,610,000	\$1,610,000	0
2	2010/11	\$1,275,000	\$1,725,000	\$450,000
3	2011/12	\$1,725,000	\$2,425,000	\$700,000

Revised plan

- 18 The project plan has been reviewed taking into account the above investigations, continuation of key stakeholder consultation and subsequent design leading into resource consent applications.
- 19 The following is the amended plan from the June 2010 report (refer to AS-10-922) with changes shown in italics.

<u>Activities</u>	<u>Estimated Completion</u>
Information Review of Solutions	Completed
Solution Selection	Completed
<i>River Recharge Preliminary design/AEE</i>	<i>Sept 2011-May 12</i>
- develop preliminary designs	Partial
- assess environmental effects for resource consent application	Partial
- prepare for statutory assessment, resource consent lodgement	Partial
- consult affected parties	Partial
- provide advise on procurement options	
- <i>improve hydrological model</i>	<i>Partial</i>
- <i>understand down-stream ecological effects</i>	<i>Partial</i>
- <i>drill test wells</i>	} 2010/11
- <i>optimise staged development</i>	
- <i>cultural impact assessment</i>	

<u>Activities</u>	<u>Estimated Completion</u>
<i>Maungakotukutuku Dam Land Purchase</i>	2012/13
- <i>cultural impact assessment</i>	2010/11
- <i>develop covenant agreement</i>	2011/12
- <i>negotiate purchase agreements</i>	2010/11
Consent Approval	2011/12
- consent application, lodged, processed, including possible hearings	
Detailed Design	} 2012/14 <i>Refer paragraph 14</i>
- produce a detailed design reflecting the consent requirements and the solution selected	
Construction	
- procure a contractor to construct the solution	
- manage and monitor the construction, and finally	
- commission the built solution.	

Effect on Rates

- 20 As the rates have been levied for the 2010/11 year, unless the additional rating impact proposed for the 2010/11 year can be met from savings from within the Paraparamu/Raumati/Waikanae water supply budget, this 2010/11 rating impact will need to be funded from the 2011/12 rates.
- 21 Even though the June 2010 review of the Water Supply Options budget indicated the budget for the 2011/12 needed to increase to \$1,725,000 there has been no amendment to the 2009 LTCCP budget for that year because the proposed change did not warrant an amendment to the 2009 LTCCP.
- 22 The 2009 LTCCP budget for the Water Supply Options project for the 2011/12 year was \$850,000 so the rating effects of proposed budget change to \$2,425,000 need to be compared to the original 2009 LTCCP budget of \$850,000.
- 23 The net rating impacts of the proposed changes to proposed RRGW Budget for the 2010/11 and 2011/12 years are:

Rating Impact

	09/10 \$000	10/11 \$000	11/12 \$000
09/10 Actual - 2010/11 Annual Plan - 2009 LTCCP (2011/12)	1,610	1,275	850
Proposed Capital Budget	1,610	1,725	2,425
Variance - RRGW v LTCCP	0	450	1,575
Overall Rates Impact RRGW v Annual Plan/LTCCP \$000 Rates Increase		60	320
% Rates Increase District Wide		0.15%	0.76%
% Rates Increase Paraparaumu, Raumati, Waikanae		0.21%	1.00%
Please Note As the rates have been set for 2010/11 year these additional 2010/11 rating impacts may have to be met from the 2011/12 rates as set out below.			
Overall (10/11 impact added to 11/12 year) Rates Impact RRGW v Annual Plan/LTCCP \$000 Rates Increase % Rates Increase District Wide % Rates Increase Paraparaumu, Raumati, Waikanae		0 0.00%	380 0.91% 1.21%

Note: the long term impact of the project on overall rates increases remains unchanged.

Risk

- 24 In conjunction with bringing forward the capital expenditure there is a portion of budget allocated for risk management. While it is considered prudent and necessary to continue to budget for risk, a key focus for the project team in this next stage of work will be to further minimize risks. Once this is completed, revised budgets can be presented to Council.
- 25 The selection of RRGW requires the drilling of test wells to confirm their potential production. To do this requires the wells to be developed to near full production wells. The cost of this work would not be able to be recovered if the resource consent application process was not successful.
- 26 The cost of securing the option to purchase has to be negotiated with the landowner. Timing of this would have to be accelerated if the RRGW fails.

Consultants contract

- 27 In December 2009 following a three phase tendering process CH2M/Beca were accepted as the consultant to the project. Currently the CH2M/Beca contract falls within the delegated authority of the Chief Executive.
- 28 CH2M/Beca has been monitored against a set of key performance indicators that are used to measure the effectiveness of the consultant in meeting Council's

expectation. This allows for the possible extension of the contract to cover future phases of work if performance is considered acceptable. CH2M/Beca have been assessed twice against the contract key performance indicators and are considered to have exceeded expectations to date.

- 29 As the 'top ranked' solution has been selected based on CH2M/Beca investigations, their project knowledge and performance while conducting these investigations, suggests their engagement to provide expert advice during the consent hearing process is prudent. The current contract does not extend beyond lodgment of resource consent applications.
- 30 It is considered appropriate the consultant contract be extended to cover the receipt of resource consents for a maximum fee totalling \$3,000,000. As this is an extension of the existing contract there is no effect on the legal requirements.

Legal Considerations

- 31 There are no Legal considerations as a result of this report.

Delegation

- 32 Council may make a decision on this matter.

Consultation

- 33 There has been no consultation on this budgeting issue.

Policy Implications

- 34 There are no policy implications generated by the recommendation proposed in this report.

Publicity Considerations

- 35 As part of the Water Supply Project there will be ongoing publicity at appropriate occasions in line with the communication strategy specifically developed for the project. An estimate of publicity costs has been included in the proposed spend.

CONCLUSIONS

- 36 The original project budget allocation was carried out prior to a decision being made on the final supply solution.
- 37 Now that RRGW has been determined as the 'top ranked' solution greater certainty on actual budget allocations has been determined and the current 2010/11 and 2011/12 budget allocations need to be changed to match the actual budget requirement. This will result in an increase of 1.21% on the current projected rates for Paraparaumu/Raumati Waikanae residents in 2011/12 and an increase of 0.91% on the current projected rates for District Wide ratepayers.
- 38 The current programme delivers the RRGW solution by July 2014 with the least impact on existing budget allocations. It is achievable for a project of this nature and has both a time risk contingency built in and a cost associated with that risk.

- 39 Purchase of the Maungakotukutuku Dam Land can proceed but will not be finalised until the 2012/2013 financial year.
- 40 If the RRGW solution is not successful it is likely that the Maungakotukutuku Dam would not be completed by July 2014.
- 41 CH2M Beca have exceeded their required performance measures to date and have significant project knowledge and expertise. It is therefore considered appropriate that they continue as the consultant to the project through to the completion of the resource consenting process for a maximum fee of \$3,000,000.

RECOMMENDATIONS

- 42 That Council approves amending the timing of capital expenditure on the water supply project as detailed below.

	Financial Year	June 2010 2010/11 Annual Plan	Proposed RRGW Budget (Inc Dam site purchase)	Variance
1	2009/2010	\$1,610,000	\$1,610,000	0
2	2010/2011	\$1,275,000	\$1,725,000	\$450,000
3	2011/2012	\$1,725,000	\$2,425,000	\$700,000

- 43 That Council authorises the Chief Executive to extend the contract with CH2M/Beca to cover the receipt of resource consents for the Water Supply Project up to the maximum value of \$3,000,000.

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