

Mayor and Councillors
COUNCIL

28 JUNE 2012

Meeting Status: **Public**

Purpose of Report: For Decision

WATER SUPPLY PROJECT PROFESSIONAL SERVICES

PURPOSE OF REPORT

- 1 This report seeks to alter the current professional services contract with CH2M Beca to extend their contract budget limit.

SIGNIFICANCE OF DECISION

- 2 This report does not trigger the Council's Significance Policy.

BACKGROUND

- 3 In December 2009 following a competitive tendering process CH2M Beca were commissioned as the consultant to the water supply project. This contract was to develop the project through to a preferred option, and gave Council the discretion to extend the contract through to detailed design and construction management.
- 4 CH2M Beca has performed strongly, and the project remains on programme and on budget. CH2M Beca has been an important part of the Council team delivering the water supply project to date.
- 5 In August 2010¹, after 9 months of intensive options analysis, Council endorsed the concept of River Recharge with Groundwater (RRwG) as the preferred option, subject to further investigation. At this time, the option was presented with a P90² of \$23.8M.
- 6 A programme of further technical investigations was agreed and has been under action since September 2010³. This programme of investigations intended to take the project up to receipt of resource consent. The purpose of these investigations was to provide Council with greater certainty on the costs and risks associated with RRwG. The effect of these investigations are to:

¹ Refer to report AS-10-922 for Council's 19 August 2010 resolutions.

² Risks are evaluated and reflected as a risk based cost. P90 means if built 100 times 90 will be built within the P90 budget.

³ Refer to report AS-10-977 for Council's 30 September 2010 resolutions.

- Confirm the viability of RRwG through the development of a number of successful investigation wells. One production well is in the process of being developed;
 - Confirm the ability of the current borefield and additional wells to provide a 50 year solution;
 - Improve the ability to stage the option through refined design and modelling;
 - Inform an integrated approach for water supply and demand; and
 - Provide a basis for a second option of the Lower Maungakotukutuku dam, which will provide for a +100-year solution.
- 7 Overall, the effect of these additional investigations has allowed Council to better understand risks and costs, improve the staging of the RRwG solution, and spread the \$23.8M overall budget over a longer period of time. Based on what is known now, this has provided the opportunity to reduce capital requirements for Stage 1 of the project, taking pressure off Council's Long Term Plan water supply budgets in the short term (ie. next 10-20 years).
- 8 It is acknowledged that a number of overall risks remain, including potential changes to scope or budgets as a result of ongoing investigations, discussion with stakeholders or the resource consent process. While the project is progressing well overall, and remains on programme, there is a need to increase the maximum limit of the professional services contract with CH2M Beca. This increase is within and maintains the overall project budget.

CONSIDERATIONS

- 9 The Contract between Council and CH2M Beca includes an overall budget limit of \$3,000,000 for all services. This limit was set based on the knowledge at the time and to provide budget certainty to Council. The limit was based on a project programme and indicative scope as agreed. Professional fees, including CH2M Beca and others, are accounted for within the overall project budget.
- 10 Since September 2010, a number of scope and programme issues have arisen, and Council has required additional support from CH2M Beca:
- Costs associated with additional and more detailed investigations, for groundwater, river ecology and biodiversity offsetting, to ensure the decisions made by Council are based on the most robust technical evidence available;
 - Additional ecological investigations in the Waikanae River to support the resource consent applications and to inform Council and key stakeholders;

- Management of the geotechnical drilling contract for bore investigations being undertaken currently (which continues to track below budget estimates);
 - Additional groundwater modelling to provide a greater state of knowledge in combination with the physical drilling investigations;
 - A number of other scope increases, including securing land for the Lower Maungakotukutuku dam and the successful uplift of the covenant. Council did not originally intend pursuing two options to the extent it has, but the limited amount of additional work and cost will secure a +100-year solution.
- 11 The proposal in this report is to increase the overall fee limit agreed with CH2M Beca to \$3,400,000. This will allow completion of the current stage of investigations, including the drilling, and commission CH2M Beca through to completion of resource consent hearings.
- 12 It should be noted that while the original request for proposal and contract with CH2M Beca also had provision for Council to negotiate detailed design and construction management services from CH2M Beca, this option was not taken. Instead, Council opted to tender in the open market for design of the water treatment plant and borefield. This process is underway, and will ensure that Council continues to receive value for money from a competitive tender process within the water supply program.

Financial Considerations

- 13 The additional costs can be funded from within this year's budget. There is still a projected carryover of \$185,000. This carryover will be used to cover the additional work that will occur in the next financial year.
- 14 The savings due to the drilling contract being well under budget has provided the budget to cover the additional investigation costs. All other expected costs including consenting have already been provided for in the 2012/13 budget therefore, there is no financial impact.
- 15 The project is still on time and under budget.

Cost Area	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast	Project Total
Council - Dam	-	\$75	\$354	\$1,619	\$10	\$2,058
Council - RRwG	\$426	\$263	\$412	\$308	\$215	\$1,624
Consultant (Main)	\$1,184	\$1,073	\$854	\$876	\$207	\$4,194
Drilling	-	\$127	\$620	\$216	-	\$963
Construction	-	-	-	\$1,693	\$4,053	\$5,746
Total Actual/Forecast	\$1,610	\$1,538	\$2,240	\$4,712	\$4,485	\$14,585
2012 LTP Budget	\$1,610	\$1,727	\$2,425	\$4,560	\$4,501	\$14,823
Carry-over	\$0	(\$189)	(\$185)	\$152	(\$16)	(\$238)

Legal Considerations

16 There are no legal considerations.

Delegation

17 The Council does have delegated authority to approve contracts.

Tāngata Whenua Considerations

18 There are no iwi issues for consideration relating to this decision.

Publicity Considerations

19 CH2M Beca's track record has exceeded expectations and the project remains within the overall project budget. A media release will be prepared.

Recommendations

20 That Council authorise the Chief Executive to alter the contract with CH2M Beca to cover fees up to the receipt of resource consent for the Water Supply Project, up to the maximum value of \$3,400,000.

Report prepared by:

Approved for submission by:

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