

**10. EXTENSION OF WATER & SEWER OPERATION AND MAINTENANCE CONTRACT:
CONTRACT 2004.02 – BANKS PENINSULA**

General Manager responsible:	General Manager City Environment, DDI 941-8656
Officer responsible:	City Water & Waste Manager
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PURPOSE OF REPORT

1. The purpose of this report is to seek Council approval to extend the existing Water & Sewer Operation and Maintenance Contract with City Care Ltd until 30 June 2009 at a maximum annual cost of \$1,065,000 + GST for 2006/07. The contract will be escalated by contract indices for the remainder of the term.

EXECUTIVE SUMMARY

2. City Care has been involved with this contract since 1999. Most of the staff dedicated to this contract have come from the previous Council, through various contractors. As a result an excellent level of local knowledge has been retained. Performance levels are on a par with City Care's city operations.
3. City Water & Waste staff have worked closely with the current contractor to negotiate a lump sum component plus dayworks rates for the new contract. Savings have been achieved by bringing sampling operations and sludge disposal from the various treatment plants in to the CWW Unit. The extension until June 2009 will align all Christchurch City Council water and wastewater contracts allowing flexibility in how this work is contracted out beyond that date.

FINANCIAL AND LEGAL CONSIDERATIONS

4. The new maximum contract price reflects the addition of new reticulation areas, pumping stations and treatment operations since the original contract was put in place. The lump sum price has been adjusted in accordance with CPI increases as stated in the Conditions of Contract. The \$1.065m maximum figure is within the budget for 06/07 operations as defined in the 2006-16 LTCCP.
5. The contract will be based on the existing contract document with any changes recorded via contract variations.

STAFF RECOMMENDATIONS

It is recommended that

- (a) The Council agree to extend the existing Water & Sewer Operation and Maintenance Contract for the Banks Peninsula area with City Care Ltd until 30 June 2009 at a maximum annual cost of \$1.065m plus GST per annum for 06/07 financial year. The contract will be adjusted thereafter, until termination, by the contract escalation indices.
- (b) Officers complete a contract variation to the existing contract to incorporate the agreed scope, changes, final negotiated fee for 06/07 year and new termination date.

**BACKGROUND ON EXTENSION OF WATER & SEWER OPERATION AND MAINTENANCE CONTRACT:
CONTRACT 2004.02 – BANKS PENINSULA**

6. City Care have had this contract since 2002 and were principal subcontractor to ADS from 1999 to 2002 during which time the contract was assigned to them. Most of the staff dedicated to this contract are previous Council employees. An excellent level of local knowledge has been retained, and locals are employed in the more isolated area of Akaroa. Performance levels are on a par with City Care's city operations. When the contract was competitively tendered in 1999 their price was second lowest, with ADS (who pulled out of their contract) being the lowest. City Care was 4% lower than Serco, the incumbent contractor at the time.
7. The contract was renegotiated by the Banks Peninsula District Council in 2004 for a period of two years to June 2006. The rationale for executing the rollover was due to the contractor's track record, their competitive price in 1999 and the possible imminent integration with the City Council.
8. The existing Christchurch City Council Water & Wastewater Network Maintenance Agreement expires in June 2009. The alignment of the completion dates of our contracts city wide is important to our tendering strategy of water and wastewater services.
9. The current contract can be summarised as:
 - Lump sum price for the operations and maintenance of sewerage treatment plants and outfalls in Lyttelton to Governors Bay, Diamond Harbour including Church Bay, Duvauchelle, Akaroa, Tikao Bay & Wainui.
 - Lump sum price for the operation & maintenance of sewerage pump stations and reticulation in Lyttelton to Governors Bay, Diamond Harbour including Church Bay, Duvauchelle, Akaroa, Tikao Bay & Wainui.
 - Lump sum price for the operation & maintenance of water intakes & treatment plants, pump stations, reservoirs and reticulation in Lyttelton Harbour basin, Birdlings Flat, Little River, Duvauchelle, Pigeon Bay, Akaroa, Wainui & Takamatua.
 - Provisional sum items for non routine repairs, maintenance and replacements.
 - Compliance monitoring and reporting.
10. Owing to its many separate components and sites the contract is complex in comparison to its value. This contract is the first contract CCC has let involving water treatment. There are advantages in negotiating this contract as CCC staff have a steep learning curve to understand the nature and extent of the various rural schemes. During this phase it is important we retain the services of the incumbent contractor along with their experience and expertise. This period will allow CCC to improve paper records, asset plans and get a good feel for asset condition before letting the next contract.
11. Portions of the contract are most efficiently handled by a contractor with local staff. There are a number of water and sewerage schemes in remote locations and the network of contacts required to monitor and service these is important.
12. The current contractor currently carts sludge through to the Christchurch Wastewater Treatment Plant. The cost of carrying out this activity will be reduced as the contract will be varied to remove the sludge treatment costs and associated margins.
13. The core services of the contract are provided by local staff dedicated to the contract. Other response, repair and replacement activities are provided by the resources City Care has based in Christchurch.
14. Current callout facilities that exist within our city contract have been modified to include Banks Peninsula, removing any duplication of services.

OPTIONS

Option 1

15. Negotiate the current contract for a period of one year. This would allow us time to re-tender the contract in its present form but without having the knowledge and base data to make an improvement of services.

Option 2

16. Negotiate the current contract for a further period of three years. This will bring it into line with Christchurch City Water and Wastewater Network Agreement with the possibility of aligning levels of service over the new City in the future.

Option 3

17. Advertise the contract for tender. This was originally considered by City Water & Waste staff. It was felt that costs may increase over Option 2. Also it was felt that supervision costs would increase noticeably in the first year as the contract bedded in. It is felt this supervisory effort is better spent in improving institutional knowledge of the assets.

PREFERRED OPTION

Option 2

18. Negotiate the current contract for a further period of three years. This will bring it into line with Christchurch City Water and Wastewater Network Agreement with the possibility of aligning levels of service over the greater City in the future. This will be achieved within the current operating budget of \$1.065m per annum + GST for the 06/07 financial year.

ASSESSMENT OF OPTIONS

The Preferred Option

19. Option 2 – Negotiation three years

	Benefits (current and future)	Costs (current and future)
Social	Existing contractor. Local Akaroa staff part of Akaroa community	Nil
Cultural	N/A	N/A
Environmental	Proven reliable contractor	Proven contractor delivering for contracted rate.
Economic	Less risk of increased price by negotiation. Maximum price as per LTCCP 06-16 budget for 06/07	Savings to be realised from alternative sampling and sludge disposal arrangements
<p>Extent to which community outcomes are achieved: Primary alignment with community outcome a healthy city Also contributes to a city of people who value and protect the natural environment</p> <p>Impact on Council's capacity and responsibilities: Nil</p> <p>Effects on Maori: Nil. Continuation of service</p> <p>Consistency with existing Council policies: Supports Council 06/16 LTCCP</p> <p>Views and preferences of persons affected or likely to have an interest: NA</p> <p>Other relevant matters: Nil</p>		

Other Options:

20. Option 1 – Negotiate for one year

	Benefits (current and future)	Costs (current and future)
Social	Existing contractor. Local Akaroa staff part of Akaroa community	
Cultural	N/A	
Environmental	Nil	
Economic	Increased cost of contract management and tender process by CCC staff to gather data and re-tender	Staff supervision costs. Effort better utilised in improving asset information and institutional records and knowledge.
<p>Extent to which community outcomes are achieved: Primary alignment with community outcome a healthy city Also contributes to a city of people who value and protect the natural environment</p> <p>Impact on Council's capacity and responsibilities: Nil</p> <p>Effects on Maori: Nil. Continuation of service</p> <p>Consistency with existing Council policies: Supports Council 06/16 LTCCP.</p> <p>Views and preferences of persons affected or likely to have an interest: NA</p> <p>Other relevant matters: Nil</p>		

21. Option 3 - Tender

	Benefits (current and future)	Costs (current and future)
Social	Possible change in contractor	
Cultural	N/A	
Environmental	Possible issues with new contractor with short handover period.	
Economic	Cost impact to CCC for tender costs plus supervision and administration costs should a change of contractor occur. Negotiating month by month rollover terms until new contract in place.	
<p>Extent to which community outcomes are achieved: Primary alignment with community outcome a healthy city Also contributes to a city of people who value and protect the natural environment</p> <p>Impact on Council's capacity and responsibilities: Nil</p> <p>Effects on Maori: Nil. Continuation of service</p> <p>Consistency with existing Council policies: Supports Council 06/16 LTCCP</p> <p>Views and preferences of persons affected or likely to have an interest: NA</p> <p>Other relevant matters: Nil</p>		