

5. **DELEGATED AUTHORITY TO CEO TO AWARD MAJOR ELEMENTS OF INFRASTRUCTURE CONTRACTS OVER 2008-09 CHRISTMAS HOLIDAY PERIOD**

<b>General Manager responsible:</b>	General Manager City Environment, DDI 941-8608
<b>Officer responsible:</b>	City Water and Waste Manager
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**PURPOSE OF REPORT**

1. The purpose of this report is to seek Council approval to delegate authority to the Chief Executive Officer to award two major tenders during the 2008-09 Christmas Holiday period. This request is necessary to keep these large infrastructure projects on programme.

**EXECUTIVE SUMMARY**

2. The Biosolids Drying Project tender closed on 7 November 2008. The evaluation team are conducting a detailed evaluation of tenders and expect to make site visits in late November–early December 2008 to confirm which of the preferred tender solutions is most suitable for Christchurch. This recommendation will not be available until 20 December 2008 at the earliest and award of the tender will likely take place in early January 2009. The tender will be for the design, construction and commissioning of the thermal drying plant only and not associated for the ancillary services, building or wood waste boiler plant. Early approval is required due to this plant having a long lead time and delivery of this plant sitting on the critical path for the project. There are significant cost consequences associated with time delays on this project.
3. The second major tender is for the construction of a section of the Western Interceptor from Matheson’s Road to Fitzgerald Avenue. This contract work is a continuation of the current works being conducted in Harrow Street and will allow the Major Sewer Upgrade work to progress whilst the rest of the Western Interceptor, Fendalton Duplication and Wairakei Diversion are designed and tendered. Tenders for the Stage 2a contract close on 19 November 2008 and it will take a further four weeks to evaluate and identify a preferred tenderer. Contract award is therefore likely in early January 2009. Whilst there are no cost implications of delayed award the entire Major Sewer Upgrade project is behind schedule in terms of commitments under the city’s current resource consent and any further delays only exacerbate this issue.

**FINANCIAL IMPLICATIONS**

4. The timing of the contract award for the biosolids dryer is critical to achieve commissioning by July 2010. After this date the Burwood Landfill capping operation will be complete and no longer available as the disposal route for the 28,000 tonnes of biosolids produced in the city each year. After this date dewatered biosolids would need to be trucked to Kate Valley landfill. The current estimate for the transport and landfill disposal charges for the dewatered material is approximately \$105,000 per week (\$5.5m per annum). No budget provision is being made in the biosolids drying project budget in the 2009-19 LTCCP for such delays.
5. The 2006-16 LTCCP allowed a total of \$23m for the Biosolids Drying project based on the plant being fired with landfill gas and foreign exchange rates in place at the time of estimating. Of this budget approximately \$1.8m has been spent to date on the following:
  - (a) Gas pipeline construction from QEII to CWTP \$850,000
  - (b) Design, project management, consents and tendering \$1,000,000

6. After the first tender round was cancelled the Council received rough orders of cost for a thermal dryer through the second round of expression of interests launched in May this year. The project budget was redeveloped for the draft 2009-19 LTCCP. The revised budget for this project for the draft 2009-19 LTCCP is \$35m. This figure is inclusive of wood waste boiler, fuel handling systems, gas compressor station at QEII and thermal drying plant. The range of rough orders of cost for the thermal drying plant only received during the EOI process varied between \$10m and \$19m. Staff have based the budget on the upper end of the cost range until tenders are received in November. The current 2006-16 LTCCP budget contains sufficient approved funds to allow approval of the thermal drying tender under the current LTCCP. Other project elements such as ancillary services, building, wood waste boiler and fuel handling services are all dependent on the selection of the dryer plant. Design and tenders for these other works will take place once the dryer has been selected. It is anticipated these elements will go to the market for pricing between February and May 2009.
7. There are no financial penalties to the Council associated with the later award of the Western Interceptor Stage 2a contract. However, the city's current resource consent for wet weather overflows (CRC 991222) requires that the Council complete a number of listed works by December 2010 to reduce overflows to the Avon River. A variation to this consent is being sort to extent the delivery timeframe however the city must continue to progress construction of the Western Interceptor as quickly as is feasible.
8. The Western Interceptor Stage 2a is funded in the 2008-09 Annual Plan through the Western Interceptor Stage 2 budget (WBS 522/647). \$1.9m is allocated in the 2008-09 financial year and a further \$9.27 is budgeted for in the 2009-10 financial year. The Stage 2a scope of work has been estimated at \$8.0m. Construction is likely to take 12 months and will thus span two financial years. The City Water and Waste Unit will likely request a "bring forward" of capital funding from 2009-10 of between \$2m and \$3m into the 2008-09 financial year but will not be able to confirm this until such time as the tenderers' programmes are evaluated.

**Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?**

9. The 2006-16 LTCCP shows \$1,919,114 budget for this capital programme project in the 2008/09 financial year. There is a further \$9.27m budgeted for the 2009/10 financial year. The entire Major Sewer Upgrade budget is being recast in the 2009-19 LTCCP but the above budgets contain sufficient funding has been approved under the current LTCCP to facilitate award of this contract.
10. There is sufficient funding available in the Biosolids drying project as approved in the 2006-16 LTCCP to allow award of this tender up to \$19m. The construction timeframe for the dryer is around 15 months thus build expenditure is spread over two financial years.

**LEGAL CONSIDERATIONS**

11. External legal advice has been procured for the contract documentation, evaluation of tenders, procurement and risk analysis phases of both projects.
12. Audit NZ has been acting as the probity advisors throughout the Biosolids Drying tender process. Simpson Grierson has provided legal advice on both projects.

**Have you considered the legal implications of the issue under consideration?**

13. As above.

**ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS**

14. Both these projects are key infrastructure assets required to meet KPIs in the 2006-16 LTCCP and draft 2009-19 LTCCP.

**Do the recommendations of this report support a level of service or project in the 2006-16 LTCCP?**

15. The Major Sewer Upgrade project supports level of service commitments on pages 160 and 161 of the 2006-16 LTCCP.

## **ALIGNMENT WITH STRATEGIES**

16. The Western Interceptor will allow for growth in the south and south-west of the city in accordance with the Greater Christchurch Urban Development Strategy. The Western Interceptor will also improve the trunk sewer network capacity such that wet weather overflows into the Avon River will be substantially reduced to meet the requirements of Environment Canterbury Resource Consent CCC 991222.
17. The Biosolids Drying Project will divert upwards of 28,000 tonnes of dewatered biosolids from the Kate Valley landfill. This aligns with objectives in the CCC Sustainability Policy and 2006 Solid Waste Management Plan. If the dryer project was not to proceed the disposal of dewatered biosolids at Kate Valley would have a significant effect of operational budgets, with transport and disposal costs estimated at \$5.5m per annum for the first full year of disposal at Kate Valley.

### **Do the recommendations align with the Council's strategies?**

18. Good alignment with UDS, Sustainability Policy and Solid Waste Management Plan.

## **CONSULTATION FULFILMENT**

19. No external consultation is required for this contract. Continual communication with resident and business groups is required during the design and construction phases of the Major Sewer Upgrade and commenced in October 2008.
20. There has been extensive consultation on the direction the Council should take with biosolids disposal. The recommendations from the consultation exercise in 2005 were for thermal drying with beneficial reuse of the dried biosolids in either power generation or in rehabilitation of non food producing land. Since the initial consultation report the biosolids project team have kept the leaders of the consultation process informed of project progress.

## **STAFF RECOMMENDATION**

It is recommended that the Council delegate power to the Chief Executive Officer to award the following contracts during the 2008 period between 27 November 2008 and 12 February 2009:

- (i) Western Interceptor Stage 2a pipeline construction and commissioning contract for up to \$8 million.
- (ii) The contract for the design, supply, construction and tender of the biosolids thermal drying plant only for a sum up to \$19 million.