

Please note: These minutes are yet to be confirmed as a true record of proceedings

CITY OF BUSSELTON

MINUTES FOR THE FINANCE COMMITTEE MEETING HELD ON 7 APRIL 2016

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MINUTES

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN MEETING ROOM ONE, COMMUNITY RESOURCE CENTRE, 21 CAMMILLERI STREET, BUSSELTON, ON 7 APRIL 2016 AT 9.30AM.

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 9.31am.

2. ATTENDANCE

Presiding Member:

Cr John McCallum

Members:

Cr Grant Henley
Cr Terry Best
Cr Rob Bennett (Deputy Member)
Cr Coralie Tarbotton (Deputy Member)

Officers:

Mr Mike Archer, Chief Executive Officer (from 9.34am)
Mr Oliver Darby, Director, Engineering and Works Services
Miss Victoria Wilmot, Manager Financial Services
Mr Vitor Martins, Manager Waste and Fleet Services
Miss Sophia Moore, Contract & Tendering Officer
Miss Hayley Barge, Administration Officer, Governance

Apologies

Cr Gordon Bleechmore
Cr Paul Carter

Approved Leave of Absence

Nil

3. PUBLIC QUESTION TIME

Nil

4. DISCLOSURE OF INTERESTS

Nil

5. REPORTS

5.1 BUDGET ALLOCATION FOR THE CONSTRUCTION OF THE BUSSELTON TRANSFER STATION AND PROPOSED CONTRACT AWARD

SUBJECT INDEX:	Waste Management
STRATEGIC OBJECTIVE:	Our natural environment is cared for and enhanced for the enjoyment of the community and visitors.
BUSINESS UNIT:	Operations Services
ACTIVITY UNIT:	Waste and Fleet Services
REPORTING OFFICER:	Manager Waste and Fleet Services - Vitor Martins
AUTHORISING OFFICER:	Director, Engineering and Works Services - Oliver Darby
VOTING REQUIREMENT:	Absolute Majority
ATTACHMENTS:	Attachment A Confidential Tender Evaluation & Recommendation Report

The attachment to this item is confidential in accordance with Section 5.23(2)(e)(ii) of the Local Government Act 1995 in that it deals with a matter which, if disclosed, would reveal information that has a commercial value to a person. Copies have been provided to Councillors, the Chief Executive Officer and Directors only.

9.34am At this time the Chief Executive Officer entered the meeting.

PRÉCIS

The City of Busselton invited RFT 19/15 Construction of the New Transfer Station at Busselton Waste Facility and received 10 submissions. The price range of all the tender submissions was in excess of the City's budget allocation for these works and therefore for the purposes of awarding a contract under RFT 19/15, Council's approval will be required for an increased budget allocation.

This report summarises the tender responses and makes recommendation to Council to amend the current financial year's budget for this project and to delegate authority to the Chief Executive Officer, following further negotiations, to award a contract to the preferred tenderer.

BACKGROUND

Rendezvous Rd Lot 500 was used for about 60 years as the main waste disposal site for Busselton. The site was closed as a tip site in 2012 as it failed to meet the Department of Environment Regulation siting criteria and environmental management standards, and has since been used as a waste transfer station.

The Department of Environment Regulation (DER) recognized and approved the transfer station operation as a temporary solution, with the understanding that the City would put a proper infrastructure in place as soon as possible.

In 2014 the City of Busselton finalized the first concept design of the New Transfer Station at Busselton Waste Facility. That original concept design supported the budget estimate ultimately adopted for the current financial year and established the baseline for the works approval documentation and the detailed engineering design to be included in the project specifications.

During the works approval process the Department of Environment Regulation included a number of conditions related to stormwater management within the site that had to be incorporated in the detailed design. These changes have had a significant impact on the facilities layout.

The City also reviewed and updated the site layout to bring it in line with best practice standards and to integrate the new proposed operations in the overall waste management strategy currently being developed within the Southwest Regional Waste Group framework. These changes included a separate area for the unloading of heavy trucks, a larger heavy truck transfer area to allow for high capacity transfers in the future (catering for the need to ship longer distances to a regional waste site) and an extended sealed surface area within the putrescible waste transfer and the community recycling locations and related changes to the stormwater drainage systems.

Tender RFT 19/15 included these additional items in the detailed engineering design. The objectives of this Request for Tender are to appoint a suitably qualified contractor for the Construction of the New Transfer Station at Busselton Waste Facility located at Rendezvous Road, Vasse, for the City of Busselton.

This Request for Tender specified the requirements of the City and invited suitably qualified and experienced respondents to submit bids to enter into a Contract for Construction of the New Transfer Station at Busselton Waste Facility, in accordance with the detailed design and specification set out in the request for tender.

The requirements of for the new transfer station include:

- demolishing existing assets
- replacement and re-compacting of capping layer
- construction of roads
- construction of concrete slabs and push walls
- installation of barrier kerbing and road markings
- installation of drainage pipes and pump station for contaminated stormwater management
- installation of electrical and communication conduits and pits
- construction of stormwater evaporation ponds
- install pre-fabricated gatehouse building

The successful tenderer will be reporting to the Director of Engineering and Works Services.

The contract will be a construction contract only.

The request for tender for the Construction of the New Transfer Station at Busselton Waste Facility was advertised from 26th December 2015 for a period of six weeks, closing on the 26 February 2016.

The City received forty seven requests for the tender documents and received ten tender submissions. The price range of all of these submissions was in excess of the City's 2015/16 budget allocation for this project. However given the fact that tenders have been publicly invited and the relatively strong response received from a wide range of contractors with relevant experience in this field, it is considered that the tendered prices that have been submitted are market related and competitive. Therefore, due to the urgency of the works (mainly because the current site/operations have since 2012 been non-compliant with the Department of Environment's Regulation siting criteria and environmental management standards) it is recommended that Council resolve to increase the budget allocation for this project to allow for a contract to be awarded pursuant to RFT 19/15. Further detail about the financial implications is provided under the FINACIAL IMPLICATIONS section of this report.

A tender evaluation panel was formed to evaluate all tenders submissions and the tenders were assessed in accordance with the relevant WALGA guidelines and in the manner described in the Officer Comment section below. A summary of the evaluation has been included in the confidential attachment.

STATUTORY ENVIRONMENT

Section 3.57 of Local Government Act 1995 requires “A local government to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods and services”.

Part 4 (Tenders) of the *Local Government (Functions and General) Regulations 1996* require that tenders be publicly invited for such contracts where the estimated cost of providing the total service exceeds \$150,000.

Compliance with the Local Government Act 1995 section 3.57 is required in the issuing and tendering of contracts.

The tender process followed under RFT 19/15 complies with the relevant statutory requirements under the *Local Government (Functions and General) Regulations 1996*.

RELEVANT PLANS AND POLICIES

The City’s purchasing, tender selection criteria, occupational health and safety and engineering technical standards and specifications, were all relevant to this tender and have been adhered to in the process of requesting and evaluating tenders.

FINANCIAL IMPLICATIONS

The City’s total budget for the Construction of the New Transfer Station at Busselton Waste Facility for the 2015/16 financial year is as follows:

Transfer Station Development account (C3481): \$1,300,000

To date approximately \$70,000 has been spent primarily on engineering design and surveys.

The price range of the tender submissions under RFT 19/15 was \$2,524,163.29 to \$3,194,846.49 (all prices ex GST).

The preferred tenderer is Ertech Pty Ltd. who submitted a conforming, non-alternative tender with a lump sum price of \$2,879,811.76 (note that this tenderer also submitted two conforming alternative tenders which could, subject to further negotiations, result in certain cost savings, details of which is discussed in the OFFICER COMMENT section of this report. The price of the preferred tender is well above abovementioned budget allocation for this project.

It is considered to be the best strategy for Council to proceed without any further delay the Construction of the New Transfer Station at Busselton Waste Facility in accordance with the engineering design resulting from the DER works approval conditions, the industry best practice standards and the intended long term configuration of the waste management system (which will, among other things, ensure high volume transfer capabilities). However an increased budget allocation would need to be approved for that purpose.

If approved, the estimated tender contract value for the preferred tenderer will be \$2,879,811.76 (excl GST). This amount does not include any funds for potential contingencies/variations which, in accordance with industry norms, should provide for unforeseen events/circumstances which may require contract variations and could potentially result in increased costs. In accordance with industry norms the budget should also allow for an additional amount to up to 10% of the contract value for this purpose.

A better estimate of the maximum required budget would thus be \$2,879,811.76 + 10% or \$3,167,792.94 (approximately \$3,170,000). Given the existing budget (of \$1,300,000) this would mean an additional allocation of approximately \$1,900,000.

It is expected that any variation will be paid from the revised budget, authorised by the superintendent.

The additional funds will be sought from the Waste Facility and Plant Reserve, which currently projects a balance of \$4.3M at financial year end. Once this amendment is processed the projected balance for the Waste Reserve will reduce to \$2.4M. Any unspent funds after the project has been finalised will be transferred back to the Waste Reserve.

STRATEGIC COMMUNITY OBJECTIVES

The Construction of the New Transfer Station at Busselton Waste Facility is consistent with following the City of Busselton's Strategic Objectives:

5. Cared for and enhanced environment;

5.3 Environment and climate change risks and impacts are understood and managed.

RISK ASSESSMENT

An assessment of the potential implications of implementing the Officer's recommendation has been undertaken using the City's risk assessment framework. The assessment sought to identify 'downside' risks only rather than 'upside' risks and where the risk, following implementation of controls has been identified as medium or greater are included below.

<i>Risk</i>	<i>Controls</i>	<i>Consequence</i>	<i>Likelihood</i>	<i>Risk Level</i>
Delay of materials from a third party. Lining materials for construction are supplied by a sub-contractor. The worst impact would be a delay in materials delaying the completion of the project	Early award to the contractor. Included in the contract scope and project timeline. Delay would be at contractor's risk. Liquidated damages to be imposed for delays that cause loss to the City.	Medium	Unlikely	Medium
The contractor fails to complete the transfer station by the end of the contract period (subject to approved extensions of time) or the financial year	Weekly project meetings to monitor progress. Liquidated damages to be imposed for delays that cause loss to the City	Medium	Likely	Medium
The costs associated with the construction is over the Council endorsed budget due to variations to the contractors scope of work	Tender contract terms & conditions; Weekly project meetings to monitor progress and any variations to scope.	Medium	Likely	Medium
The contractor fails to	A suitable engineering	High	Unlikely	Medium

construct the transfer station in accordance with the design	design consultant will be contracted to provide sign off on construction in accordance with the design and any hold points			
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CONSULTATION

Nil.

OFFICER COMMENT

The tender assessment was carried out by a tender review panel consisting of Vitor Martins, Waste Coordinator, Allan Miller, Waste Management Officer and Sophia Moore, Contract & Tendering Officer. Tender submissions were received from the following organisations:

Cowara Contractors
Carbone Brothers
APH Contractors
Viento Contracting Services
Civilcon
WBHO
Pindan
Ertech

All tenders, except the Viento Contracting Services (VCS) tender, were found to comply with the terms and conditions and mandatory requirements of the RFT. VCS' tender did not express its price information based on the quantities tendered, thereby omitting the relevant underlying rates.

Ertech has submitted a conforming tender and two alternative tenders, all of which were considered valid.

Each valid tender was scored according to the qualitative criteria and included in the tender documentation as follows:

Criteria Weighting

(a)	Relevant Experience	10%
(b)	Key Personnel Skills and Experience	10%
(c)	Tenderer's Resources	10%
(d)	Demonstrated Understanding	20%

The net tendered price was scored using the 'Average Based Scoring Method' recommended by WALGA in the 'Local Government Purchasing and Tender Guide'.

The panel members individually assessed the compliance and qualitative criteria and then applied an average to provide a final rating. The scores were then added together to indicate the rankings for each tender. The Confidential report attached provides further detail in relation to the relative merits of each of the individual tenderers. Following this evaluation, Officer's recommend that Ertech Pty Ltd should be the preferred tenderer for the reasons outlined in the confidential report.

CONCLUSION

The tender evaluation panel have completed their assessment in line with the City's tender process and Officers now recommend the Council approves the following budget for the Construction of the New Transfer Station at Busselton Waste Facility:

C3484 Transfer Station Development: \$3,170,000

This means that, given the preferred tenderer's submissions, an estimated additional \$1,900,000 allocation to C3481 Transfer Station Development account would be needed in order to bring it up to standard with the Works Approval conditions, industry best practice standards and long term plans for regional waste management.

Given the alternative tenders that have been submitted by the preferred tenderer (Ertech Pty Ltd.) and the fact that both of those alternatives are technically viable and would be financially advantageous to the City, it is proposed that further investigation is undertaken on those alternatives.

OPTIONS

The Council may consider the following alternate options:

1. The Council chooses not to accept the Officers Recommendation to amend the budget for the Construction of the New Transfer Station at Busselton Waste Facility, in which case the project scope would need to be reassessed. This would mean going back out to tender, resulting in significant delays to the contract award and potential significant delays to the Construction of the New Transfer Station at Busselton Waste Facility.
2. The Council may choose not to accept the Officers Recommendation and not award the tender. This would mean that the City would still effectively not be meeting with the Department of Environment requirements.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The award of the tender can be made immediately after the Council has endorsed the Officer's recommendation. Subject to finalisation of the investigation of the alternative tenders and a number of minor contractual points, the successful tenderer will receive formal written notification within seven (7) days of the resolution. All unsuccessful tender applicants will also be notified at this time.

Committee Recommendation and Officer Recommendation

F1604/016

Moved Councillor T Best, seconded Councillor G Henley

That the Council:

1. Approves an amended total budget of \$3,200,000 for account C3481 Transfer Station Development, with an additional allocation of \$1,900,000 to be transferred from the Waste Facility and Plant Reserve for this purpose;
2. Delegates authority to the CEO, following further negotiations, to award the contract pursuant to RFQ 19/15 to Ertech Pty Ltd for Construction of the New Transfer Station at Busselton Waste Facility, subject to the total contract value not to exceed the overall project budget.

CARRIED 5/0

BY ABSOLUTE MAJORITY

6. NEXT MEETING DATE

Thursday, 14 April 2016

7. CLOSURE

The meeting closed at 10.10am.

THESE MINUTES CONSISTING OF PAGES 1 TO 9 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON THURSDAY, 14 APRIL 2016.

DATE: _____ PRESIDING MEMBER: _____