

Notice is given that an ordinary meeting of the Full Council will be held on:

Date: Friday 18 December 2020
Time: 10.00 am
Meeting Room: Tasman Council Chamber
Venue: 189 Queen Street
Richmond

Full Council

LATE ITEMS AGENDA

LATE ITEMS

5 LATE ITEMS

That the late item, 8.5 Reallocation of Budget to the Pomona Road Reservoir Project, be considered at today's meeting. This item is late because the matter was not brought to the attention of the Acting Engineering Services Manager until 15 December 2020. A decision on the item cannot be delayed because funding for the project includes a contribution of \$2.28 million from Crown Infrastructure Partners, who require that construction commences by July 2021. In order to meet the July 2021 deadline, the contractor is seeking formal confirmation in principle from Council prior to Christmas this year, with a signed contract to follow as soon as possible thereafter.

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8 REPORTS

8.5 REALLOCATION OF BUDGET TO THE POMONA ROAD RESERVOIR PROJECT

Decision Required

Report To:	Full Council
Meeting Date:	18 December 2020
Report Author:	Rob O'Grady, Project Manager - Engineering Services
Report Number:	RCN20-12-24

1 Summary

- 1.1 The purpose of this report is to obtain approval to reallocate budget to the Pomona Road reservoir upgrade project from the Hill Street water main upgrade project and the 2020/21 water meters renewals project.
- 1.2 The Pomona Road reservoir needs upgrading to address current storage shortfalls and meet the needs of growth in Māpua and Ruby Bay. The new concrete reservoir will also replace an existing temporary timber reservoir that leaks and is a water supply risk, due to seismic performance and water quality safety.
- 1.3 The Council has recently tendered the construction of the Pomona Road reservoir and there is a budget shortfall of approximately \$750,000.
- 1.4 Staff consider that the Pomona Road reservoir project is a higher priority than other water projects, and propose to reallocate budget from the Hill Street water main upgrade project and part of the 2020/21 water meters renewal project.
- 1.5 This report is late because the matter was not brought to the attention of the Acting Engineering Services Manager until 15 December 2020. The decision cannot be delayed because:
 - 1.5.1 Funding for the project includes a contribution of \$2.28 million from Crown Infrastructure Partners. They require that the Council starts construction by July 2021 and spend all of the money allocated by March 2022. If we do not meet these deadlines, the funding contribution from the Government is at risk.
 - 1.5.2 The contractor must construct the tank between April and November 2021 to avoid the summer time water demand peak in Ruby Bay and Māpua. While the new tank is under construction, there will be reduced water storage in Māpua and Ruby Bay as the old timber tank will need to be demolished to build the new concrete tank and Council utilities staff require that this only happen during off-peak months. To give the contractor time to mobilise and manufacture the components required for a start in April 2021, they need certainty that the project will proceed as soon as possible. They have asked for formal confirmation in principle prior to Christmas this year, and a signed contract as soon as possible after.

2 Draft Resolution

That the Full Council:

- 1. receives the Reallocation of Budget to the Pomona Road Reservoir Project report report, and**
- 2. approves the reallocation of \$500,000 from the Hill Street water main upgrade project and \$250,000 from the 2020/21 water meter renewals project to the Pomona Road reservoir project, subject to agreement from Crown Infrastructure Partners to these changes.**

3 Purpose of the Report

- 3.1 The purpose of this report is to obtain approval to reallocate budget to the Pomona Road reservoir upgrade project from the Hill Street water main upgrade project and the 2020/21 water meters renewals project.

4 Background and Discussion

- 4.1 The Pomona Road reservoir needs upgrading to meet the need for growth in Māpua and Ruby Bay and to address the current storage shortfalls. The new concrete reservoir will also replace an existing temporary timber reservoir that leaks and is a water supply risk, due to seismic performance and water quality safety.
- 4.2 When the Pomona Road reservoir is constructed this will complete a programme of work associated with lifting the moratorium on new water connections in Māpua and Ruby Bay. The Council has signalled that they will lift this moratorium in August 2021.
- 4.3 The overall Māpua and Ruby Bay water supply programme is over \$15M and includes:
- The reservoir upgrade.
 - An upgrade of the Māpua Water Treatment Plant.
 - Replacement of reticulation from the bores to the treatment plant, across Best Island and Rabbit Island and along Aranui Road and Stafford Drive.
 - Increased storage at the Stagecoach Road Reservoir site.
- 4.4 The water supply to Māpua and Ruby Bay travels through approximately 13km of pipe from its source. If the pipe breaks, adequate water storage is required in Māpua and Ruby Bay to ensure continuity of water supply whilst repairs are undertaken. Because of this, construction of the new tank is a high priority.
- 4.5 The Council has tendered the construction of the new Pomona Road reservoir and the price received is significantly above budget for this project. There is a shortfall of approximately \$1,000,000. In the post-tender period, Council staff have identified savings of approximately \$250,000 in conjunction with the tenderer, including the removal of some provisional items. To progress the project, an additional \$750,000 is required to make up a total budget of \$4,365,982.
- 4.6 The current total budget for the Pomona Road reservoir project in FY20/21 and FY21/22 is \$3,615,982. This includes \$2.28 million of funding from Crown Infrastructure Partners as part of the “shovel ready projects initiative” and \$1,335,982 allocated from the Council’s capital works budget. If the Council approves the transfer of an additional \$750,000 of budget to the project this will bring the total budget to \$4,365,982.

4.7 The cost of the project includes:

- Demolition of the existing timber water storage tank.
- Construction of a new 2,500m³ reinforced concrete storage tank and associated pipe and electrical work.
- Relocation of the pump station that pumps water from the Pomona Road reservoir up to the Stagecoach Road reservoir.
- Installation of additional water storage at Stagecoach Road to provide a buffer for emergency supply to Māpua and Ruby Bay during construction.
- Construction of an overflow discharge system.
- Design and construction monitoring by Beca.
- Ancillary costs including purchase of a small parcel of adjacent land, project management, coverage of Downer's costs as network operator and a contribution of approximately \$122,000 to the funding of the Project Management Office (PMO) set up by the Council to manage the Government-funded "shovel ready" projects.

4.8 A decision on funding is required urgently for two reasons:

- 4.8.1 The contractor must construct the tank between April and November 2021 to avoid the summer time water demand peak in Ruby Bay and Māpua. While the new tank is under construction, there will be reduced water storage in Māpua and Ruby Bay as the old timber tank will need to be demolished to build the new concrete tank and Council utilities staff require that this only happen during off-peak months. To give the contractor time to mobilise and manufacture components required for a start in April 2021, they need certainty that the project will proceed as soon as possible. They have asked for formal confirmation, in principle, prior to Christmas this year and a signed contract as soon as possible after.
- 4.8.2 The terms of the Crown Infrastructure Partners funding require that the Council starts construction by July 2021 and spends all of the money allocated by March 2022. If we do not meet these deadlines, the funding contribution from the Government is at risk.

4.9 The primary reason that the Pomona Road reservoir project has come in above budget is that the structure is more complex and substantial than anticipated during preliminary design. This is due to seismic requirements and site geometry. Estimators from Beca, who are the Council design consultant for the project, have calculated that the increase in cost between preliminary design and detailed design was approximately \$750,000.

4.10 The Council has engaged WSP to carry out a peer review of the Beca design and the tender price received, to establish whether there are opportunities to reduce cost. This is a work in progress, but preliminary conclusions are that the figures we have provided in this report represent fair value and will achieve construction of a reservoir to the necessary seismic standards. If Council approves the resolution to proceed with the reservoir as planned, Council staff will continue to work with Beca, WSP and the contractor to achieve whatever savings are possible.

4.11 To ensure the Pomona Road project proceeds, staff recommend deferring the Hill Street water main upgrade project and part of the 2020/21 water meter renewals project to provide the additional funding for the reservoir.

- 4.12 There is currently \$500,000 of funding allocated to the Hill Street water main upgrade project. This includes \$400,000 of Crown Infrastructure Partners funding and \$100,000 of Council funding. It is proposed to reallocate the full \$500,000 to the Pomona Road reservoir project. The Council PMO will need formal approval from Crown Infrastructure Partners to reallocate this budget. Advice from the PMO is that this should be readily achievable. The Council's approval is required to transfer the \$100,000 of Council funding.
- 4.13 There is currently \$448,428 allocated to the 2020/21 water meters renewal project in the Annual Plan. This is all Council funded and does not include any Crown Infrastructure Partners funding. It is proposed to reallocate \$250,000 of this budget to the Pomona Road reservoir project. The Council's approval is required for this.
- 4.14 Staff consider that the Council can defer:
- Hill Street water main upgrade project because it is a lower priority; and
 - part of the 2020/21 water meter renewals because it is a lower priority and remaining budget can still be used for renewals through the Three Waters Operations and Maintenance contract.

5 Options

- 5.1 When considering whether to approve the transfer of additional budget to the Pomona Road reservoir project, the Council has three options:

Option 1 (recommended) - approve the transfer of budget from the Hill Street water main upgrade project and the water meters upgrade project; or

Option 2 – increase the budget for the Pomona Road reservoir project without reductions to the budgets for other projects; or

Option 3 – defer the construction of the Pomona Road reservoir to a later date when alternative funding arrangements can be made and seek to reallocate the \$2.28 million of Crown Infrastructure funding to other water supply projects.

- 5.2 Seeking extra funding from Crown Infrastructure Partners is not an option as they do not have additional funding available.

Option 1

- 5.3 Construction of the Pomona Road reservoir is a priority project. It is necessary to operate the water network in Māpua and Ruby Bay reliably when Council lifts the moratorium on new water supply connections and to address the current shortfall. The project is ready for construction now and we have a willing and competent contractor. The Council will make use of the \$2.28 million of funding offered by Crown Infrastructure Partners if we construct the reservoir in 2021, as anticipated. The Hill Street water main upgrade project duplicates an existing main and is a resilience issue that can be managed. With the part of the 2020/21 water meter renewals budget that will be retained, the Council can engage Downer through the Three Waters Operations and Maintenance contract to complete as much renewal work as possible with the money available.

Option 2

- 5.4 This would lift the Council's forecast capital expenditure by \$750,000 putting pressure on its financial strategy limits.

Option 3

- 5.5 There is increased water supply risk to Māpua and Ruby Bay if the Council proceeds with lifting the moratorium on new water supply connections without constructing a new reservoir at Pomona Road. This is in addition to existing storage and water security risk. Staff recommend that the Council construct the reservoir in 2021 as planned, if lifting of the moratorium is to proceed. If the reservoir is not constructed, the Council should consider deferring the lifting of the moratorium. This would conflict with the Nelson Tasman Future Development Strategy which includes provision for growth in Māpua and Ruby Bay. If the Council defers construction of the reservoir to a future year then the Council will not have access to the \$2.28 million of Crown Infrastructure funding and they will need to provide for the full amount of the construction cost in future revisions to the Long Term Plan. The Crown Infrastructure Partner funding could be reallocated to the Murchison Water Treatment Plant and the Redwood Valley Water Treatment Plants.

6 Strategy and Risks

- 6.1 The Council's Infrastructure Strategy identifies four key principles to help guide the Council's efforts and investment in planning, developing and maintaining its assets. These priorities are:
- Providing safe and secure infrastructure services;
 - Providing infrastructure services that meet the needs of our changing population;
 - Planning, developing and maintaining resilient communities;
 - Prudent management of our existing assets and environment.
- 6.2 Staff have considered these priorities when making the recommendations set out in this report as well as the risks to the public for each option.
- 6.3 The Nelson Tasman Future Development Strategy identifies Māpua and Ruby Bay as a priority area for growth. Completion of the water supply programme will provide security of water supply to Māpua and Ruby Bay to support this strategy.

7 Policy / Legal Requirements / Plan

- 7.1 The proposed budget reallocation results in no net change to capital spending in the current Annual Plan and Long Term Plan. The changes are to three projects within the same activity and funding cost centre (Urban Water Supply). The Council has authority to make these changes.

8 Consideration of Financial or Budgetary Implications

- 8.1 The 2020/21 Annual Plan includes a capital budget of \$1.34 million. Crown Infrastructure Partners are supplying additional funding of \$2.28 million as part of the Government "shovel ready projects initiative". The total amount of existing funding available for the project is \$3.62 million.
- 8.2 The Council has the opportunity to make use of the \$2.28 million of additional funding allocated to the project by Crown Infrastructure Partners if construction proceeds in 2021.

- 8.3 The Council could seek to reallocate the Crown Infrastructure Partners funding to other projects, which would ensure it retains the net gain of the additional government money. Projects identified for possible reallocation of funding include the Murchison Water Treatment Plant and the Redwood Valley Water Treatment Plant.
- 8.4 If construction of the Pomona Road reservoir does not proceed in 2021, then the Council will need to allocate approximately \$3.03 million of extra funding to the project in future revisions of the Long Term Plan.
- 8.5 If the Council reallocates budget for the Hill Street water main upgrade project and part of the 2020/21 water meters renewals, then it will need to budget for these projects in the next Activity Management Plan.

9 Significance and Engagement

- 9.1 Staff have considered the significance of this decision in accordance with the Council's Significance and Engagement Policy, as summarised in the table below. We consider the overall significance to be **Low**.
- 9.2 Given the low level of significance of this matter, staff consider that the decisions sought in this report can be made without public engagement.

	Issue	Level of Significance	Explanation of Assessment
1.	Is there a high level of public interest, or is decision likely to be controversial?	Low	<p>The significance of deferring the Hill Street water main upgrade and the water meters renewals is low.</p> <p>The consequence of not constructing the Pomona Road reservoir is high. If the Council does not complete the water supply upgrade programme to support growth in Māpua and Ruby Bay this will conflict with development planned. Developers have projects ready to start and there is high demand for new housing in the District. If development proceeds without additional water storage, this increases water supply risk to Māpua and Ruby Bay.</p>
2.	Are there impacts on the social, economic, environmental or cultural aspects of well-being of the community in the present or future?	Low	<p>The significance of deferring the Hill Street water main upgrade and the water meters renewals is low.</p> <p>The consequence of not providing for growth and security of supply in Māpua and Ruby Bay is high. Providing certainty of supply will also provide confidence to the business community.</p>

	Issue	Level of Significance	Explanation of Assessment
3.	Is there a significant impact arising from duration of the effects from the decision?	Low	The significance of deferring the Hill Street water main upgrade and the water meters renewals is low. If the Council does not construct the reservoir in 2021 there will be future consequences to either security of water supply or development possibilities in Māpua and Ruby Bay.
4.	Does this activity contribute or detract from one of the goals in the Tasman Climate Action Plan 2019 ?	Low	The reservoir project will require additional use of energy to provide safe drinking water.
5.	Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	Low	Staff do not consider that this decision requires inclusion of Māori in the decision making process.

10 Conclusion

10.1 Staff consider that the reallocation of funding to the Pomona Road reservoir from the Hill Street water main upgrade project and the water meters renewals project is prudent to support growth planned in Māpua and Ruby Bay and to make effective use of Crown Infrastructure Partners funding.

10.2 Council staff recommend that the Council approve the transfer of budget as proposed.

11 Next Steps / Timeline

11.1 If the Council approves the reallocation of funding the projects team will proceed with finalising negotiations with the tenderer for the Pomona Road reservoir, with a view to formalising a contract as soon as possible so that construction can start in 2021.

11.2 The Council PMO will confirm the transfer of Crown Infrastructure Partners funding from the Hill Street water main upgrade project to the Pomona Road reservoir project.

Attachments

Nil