

Extraordinary Whangarei District Council Meeting

Agenda

Date: Tuesday, 19 December, 2017

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: Her Worship the Mayor Sheryl Mai
(Chairperson)
Cr Stu Bell
Cr Crichton Christie
Cr Gavin Benney
Cr Vince Cocurullo
Cr Tricia Cutforth
Cr Shelley Deeming
Cr Sue Glen
Cr Phil Halse
Cr Cherry Hermon
Cr Greg Innes
Cr Greg Martin
Cr Sharon Morgan
Cr Anna Murphy

For any queries regarding this meeting please contact
the Whangarei District Council on (09) 430-4200.

1. Karakia/Prayer
2. Declarations of Interest
3. Apologies
4. Decision Reports
 - 4.1 Recommendation to Award Contract 17046 1
5. Closure of Meeting

4.1 Recommendation to Award Contract 17046 - Roadside Refuse and Recycling Collection and Rural Transfer Station Operations

Meeting: Whangarei District Council
Date of meeting: 19 December 2017
Reporting officer: Andrew Carvell (Manager - Waste and Drainage)

1 Purpose

To award Contract 17046 for Roadside Refuse and Recycling Collection and Rural Transfer Station Operations.

2 Recommendations

That the Council

- a) approves an increase in funding for CON03040 Kerbside Collections and CON03041 Transfer Station Operation by three million five hundred thousand dollars to cover the period from December 2017 to June 2018.
- b) approves award of Contract 17046 for Roadside Refuse and Recycling Collection and Rural Transfer Station Operations to Northland Waste Limited for a value of up to twenty six million, eight hundred and seventy seven thousand four hundred and ninety five dollars excluding GST.
- c) authorises the Chief Executive to finalise the contract agreement in negotiation with Northland Waste.

3 Background

Contract CON17046 is for the kerbside collection of refuse and recyclable materials and the operation of Whangarei District Council's rural transfer station network.

The new Contract includes:

- Collection of prepaid refuse bags weekly from the roadside in urban and rural areas throughout the district including disposal at Puwera Landfill.
- Collection of recycling from the roadside in urban and rural areas throughout the district. Currently this service uses 65 litre crates and is collected weekly. It is proposed the collection is changed to a two stream collection (glass in one container and other recyclables in a separate container).

- Operation of the eight Council owned rural transfer stations including transportation of residual waste to Puwera Landfill, and green waste and recyclable material to Re:Sort.

The Contract is based on NZS 3917:2013 and is for a term of 5 years with two extensions available of two years dependent upon satisfactory performance. Award of each extension will be done in accordance with Council's financial delegation's policy.

4 Discussion

4.1 Tender process

The tender process involved two stages, a public request for Registrations of Interest (ROI) followed by a Request for Proposals (RFP) from selected tenderers.

Three Registrations were received as follows:

- Waste Management New Zealand (WMNZ)
- Northland Waste Ltd (NWL)
- Smart Environmental (Smart)

Following an assessment of the ROI documents all three companies were invited to submit a RFP.

The RFPs, which included methodology and price information, were publicly opened on 10 November 2017 and are summarised in Table 1.

Table 1: Summary of Tenders

Tenderer Names	Refuse collection	Kerbside recycling	Transfer stations
Waste Management New Zealand \$14,532,675	Not tendered	2 crates weekly Tendered with Tags	Tendered with Tags
Northland Waste \$26,877,495	As per specification	2 crates weekly 2 crates fortnightly Bin + crate fortnightly 2 bins, fortnightly 2 bins, monthly glass Tendered with Tags	As per specification
Smart Environmental \$15,145,350	Not tendered	2 crates weekly Bin + crate fortnightly Tendered with Tags	Alternative methodology (subcontract model) with Tags

For each of the combinations the non-price attributes, methodology and price were evaluated through a price quality assessment model.

The weightings for the evaluation of proposals are as follows:

Registration of Interest	20% (relevant experience, relevant skills and track record)
Methodology	30%
Price	50%

In accordance with the tender process, the tender prices were adjusted to account for risks to Council and Tags which tenderers had included in their offers. This adjusted price was then moderated in accordance with the price quality model to account for the comparative value of non-price attributes.

4.2 Tender assessment

NWL was the only contractor to offer a price for refuse collection. As Council requires all three components of the contract to be provided, namely; refuse collection, recycling collection and RTS operation, the tenderers were compared against each other for delivery of each component.

The reasons put forward by WMNZ and Smart for not pricing refuse collection was health and safety risks and difficulty in providing a competitive price, given NWL have an existing business providing domestic refuse collection.

All tenderers provided a price to collect recycling in a two-crate system, however NWL and Smart provided alternatives using wheelie bins. Smart's methodology included using sub-contracted owner drivers to collect and sort the recycling.

Both WMNZ and NWL provided an offer to operate the transfer stations in a manner similar to the current practice. Smart's offer was based on a subcontracted model.

A summary of the price quality assessment for the combined options is provided in Table 2:

Table 2: Price Quality Assessment

	Refuse collection	Recycle collection	Transfer stations	Non-price scores	Price (\$M / 5 years)		Preferred
					Adjusted	Moderated	
1	NWL	WMNZ (2 x crates)	WMNZ	37.70	25.66	25.66	
2	NWL	NWL (2 x crates)	NWL	39.02	26.88	26.21	
3	NWL	Smart (2 x crates)	Smart	37.76	27.83	27.80	
4	NWL	Smart (Bin + crate)	Smart	39.76	27.66	26.61	
5	NWL	NWL (Bin + crate)	NWL	43.02	26.88	24.18	✓
6	NWL	Smart (2 x crates)	NWL	38.39	26.03	25.68	
7	NWL	Smart (Bin + crate)	NWL	40.39	25.87	24.50	
8	NWL	WMNZ (2 x crates)	NWL	38.36	24.82	24.49	
-	Engineer's estimate				25.36	-	-

A challenge with the tender assessment was valuing tags, or assumptions, as these had a significant impact on the estimated cost of the contract. The tender process did not allow tenderers to provide new prices after the tender closing date. Best practice has been used to accurately price these tags, however the actual costs of the contract over a 5 year term, shown as the adjusted price in Table 2, is an estimate.

4.3 Option assessment

The best value for money is option 5. This is offered by NWL and includes:

- Collecting refuse weekly in a plastic bag;
- Collecting recycling via two containers: existing crate for glass and mixed recycling in a big bin;

- Operating RTS in a similar manner to existing, with allowance for improved waste diversion and recycling.

It is recommended that Northland Waste be selected as the preferred tenderer for Contract 17046. The proposed Contract start date is 1 July 2018.

4.4 Discussion on recycling service

Council provided direction on provision of a two-crate recycling service, although opened the door to a wheelie bin service if it offered a more cost-effective service. Based on an evaluation of the tenders the best value service is met using a wheelie bin and a separate (existing) crate for glass.

Using a wheelie bin rather than a crate for the recyclables other than glass is likely to result in higher diversion of waste from landfill as it gives people more capacity and makes it possible to collect a wider range of materials. There is likely to be an increase in contamination levels within the recyclables. Use of electronic identification tags and on board cameras are proposed to capture data and limit contamination. There are also likely to be benefits in terms of reducing the number of runners working on the roads and the amount of litter generated on recycling collection days. The Council receives approximately 4500 customer requests related to recycling crates per year in addition to 700 customer requests related to recycling collections and 400 related to rubbish collections. Surveys of residents carried out in other districts in New Zealand consistently show a preference for wheelie bins for recycling.

4.5 Financial/budget considerations

The Engineer's Estimate for Contract 17046 was \$ 25,355,195. Northland Waste's adjusted tender price at \$26,877,495 was 106% of the engineer's estimate and is considered competitive and appropriate.

The annual tendered price of the service is \$5.375m per annum plus cost fluctuation adjustments. The final contract price will be confirmed through negotiation with the preferred tenderer. Issues open to negotiation include: ownership of containers for recycling (bins or crates), timeframes for implementation of new services, revenue sharing on recyclables, frequency of recyclables collection.

The 2018/19 draft budget (subject to finalisation of the 2018/28 LTP) is \$5.646m made up of the following:

- \$2.226m Recycling
- \$2.079m Refuse
- \$1.341m Transfer Stations

Sufficient budget has been allocated to fund the contract.

4.6 Extension of existing contracts

Council approved extension of the existing contracts (CON03040 - kerbside collections, and CON030141- refuse transfer station operation) in its September 2017 Council meeting, however no increase in the contract sums were approved.

It is recommended the existing contracts are extended until June 30th 2018. The anticipated cost of service over the seven month period is \$3.5 million dollars. There is sufficient budget allocated in the 2017/18 annual plan to fund this work.

4.7 Policy and planning implications

The changes to the kerbside recyclables collection services are predicted to result in an increase in the amount of recyclable material collected. This will help to achieve some of the goals set out in the District's Waste Minimisation and Management Plan. Specifically, the kerbside recycling service is designed to achieve more than 35% recycling of materials set out at the kerbside. The new contract for rural transfer station operations is targeted 45% diversion of materials at rural transfer stations.

4.8 Options

A range of options have been reviewed for moving forward with this contract.

1. Award contract as tendered:

The only contractor that provided a tender covering the full services required under the contract was NWL. All tenderers have included tags and assumptions to varying degrees that mean the actual cost of the contract would likely be different to the tendered sum, in some cases considerably more. Examples included providing a tender price based on a limited number of trucks, staff or kilometres travelled, and council being exposed to additional costs should this assumption be incorrect.

2. Identify preferred bidder and negotiate

Negotiating with a preferred bidder allows council to investigate pricing in more detail with the aim of reducing the overall cost of the contract. Issues open to negotiation include: ownership of containers for recycling (bins or crates), timeframes for implementation of new services, revenue sharing on recyclables, frequency of collection.

3. Re-tender

An option open to Council is to reject tenders and redo the RFP process. This may allow tenderers to offer prices that take into account factors currently tagged or assumed in the existing tenders. Further time would be required for tenderers to undertake this work.

The recommendation is that council approves entering negotiations for a contract, covering all components, with NWL within financial bounds set by Council.

4.9 Risks

Council has a relationship with one of the tenderers, NWL, through its Northland Regional Landfill Ltd Partnership in which it owns and operates the Puwera Landfill and Re:Sort facility. There is a risk that the tender process is considered biased as a result of this relationship. Staff have been careful to declare this relationship to all tenderers and develop a process to provide impartiality. To this extent council have used external advisors, Tonkin and Taylor, to provide impartiality in the tender evaluation process. Kathryn Candy (WDC Senior Legal Advisor) took part in the tender discussion as probity advisor. Integral Group has reviewed the evaluation process.

RESOLUTION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

1.	The making available of information would be likely to unreasonably prejudice the commercial position of persons who are the subject of the information. {Section 7(2)(c)}
2.	To enable the council (the committee) to carry on without prejudice or disadvantage commercial negotiations. {(Section 7(2)(i))}.
3.	To protect the privacy of natural persons. {Section 7(2)(a)}.
4.	Publicity prior to successful prosecution of the individuals named would be contrary to the laws of natural justice and may constitute contempt of court. {Section 48(1)(b)}.
5.	To protect information which is the subject to an obligation of confidence, the publication of such information would be likely to prejudice the supply of information from the same source and it is in the public interest that such information should continue to be supplied. {Section 7(2)(c)(i)}.
6.	In order to maintain legal professional privilege. {Section 2(g)}.
7.	To enable the council to carry on without prejudice or disadvantage, negotiations {Section 7(2)(i)}.

Resolution to allow members of the public to remain

If the council/committee wishes members of the public to remain during discussion of confidential items the following additional recommendation will need to be passed:

Move/Second

"That _____ be permitted to remain at this meeting, after the public has been excluded, because of his/her/their knowledge of Item _____.

This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because _____.

Note:

Every resolution to exclude the public shall be put at a time when the meeting is open to the public.