

**QLDC Council
30 June 2015****Report for Agenda Item: 9****Department: Operations****Wanaka Pools – Preliminary Design and Procurement Options****Purpose**

The purpose of this report is to:

1. Inform Council of the outcomes of preliminary design, peer review and associated costings in order;
2. Seek Council's direction on the timing of delivery of the new pool based the revised costings based on the preliminary design and the current project timeline.

Executive Summary

Preliminary design of the Wanaka Pool has progressed as directed by Council on 26 February 2015. The preliminary design has been informed by the significant in-house experience in operating aquatic facilities and has been peer reviewed by Watershed Aquatic Specialists.

The draft Long Term Plan currently proposes \$601,000 in the 2015/16 year with an additional \$11.68m in the 2016/17 year. This comes with an associated rates increase for Wanaka households of \$184 per year commencing in 2017.

The funding model assumes asset sales of \$1.0m and fundraising/grants of \$1.8m as part of the overall budget.

As a consequence of the preliminary design work, this report also presents two alternative scenarios regarding project delivery timelines for consideration to be included in the draft LTP. It recommends that the project either be brought forward to make savings from project delivery efficiencies and minimise cost escalation risk, or deferred for a longer period in order to ensure the additional funding sources are secured while avoiding increased operating deficits which will occur once the new pool commences operation.

Recommendation

That Council:

1. **Note** the contents of this report, and in particular that:
 - a. Recommendations to the preliminary design includes additional floor space/separation distances; extension to the Learn To Swim Pool; and a spa pool;

- b. The costs of these changes are within the amended budget for the Ten Year Plan;
 - c. The proposed project timeline for delivery of the new pool creates inefficiencies of approximately \$400-500k, which could be removed if the project was brought forward by one year
 - d. The net increase in operating deficit from the current pool at Plantation Rd to the proposed new pool is approximately \$666k per annum;
 - e. Delaying the project will give rise to estimated escalation costs which are approximately the equivalent to savings achieved from not incurring the additional operational deficit
 - f. Of the Options A-D presented in this report, continuing with the current timeline is rated as the worst of all options.
2. **Approve** Option A for the commencement of the new pool project commencing in January 2016 on a negotiated basis with the current main contractor, and with the consequential budgetary changes that;
- a. \$6,213,000 of funding is brought forward from the 2015/16 year to supplement the existing \$601,000 in order to adequately cashflow a proposed January 2016 construction start on the complex.
 - b. Approve the balance of the proposed \$12,281,000 LTP funding for expenditure in the 16/17 year.

OR

3. **Approve** Option D, that the project to deliver the new pool commence after 2019/20, and that the current Wanaka Community Pool be upgraded to enable it to be used up until the delivery of the new pool;
4. **Direct** the General Manager Planning & Development and the Chief Financial Officer to prepare a funding model based on the approved option which presents all funding sources, including debt funding, land sales sufficient to generate \$1,000,000 in revenue and grants and community fundraising sufficient to generate \$1,800,000, including all implications for consideration at the July 2015 Council meeting.

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19/06/2015

Reviewed and Authorised by:



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19/06/2015

Background

1. At its 27 March 2014 meeting, Council endorsed the recommendations of the Wanaka Sports Facility (WSF) Steering Group to:
 - a. Construct a new Sports Facility comprising a two court indoor facility; change rooms; storage; outdoor artificial courts; and
 - b. A refurbishment of the Wanaka Community Pool (WCP) to include a learn to swim and new change rooms.
2. Subsequent investigations into the WCP to inform final cost estimates revealed structural weaknesses that required the WCP be closed in July 2014 pending the development and confirmation of remediation options. Structural upgrade works of \$115,000 were required to bring the facility up to 34% of building code and enable the facility to remain operational by complying with new building standards (NSB). These works were completed and the WCP re-opened 27 September 2014. These works provide a limited lifespan of approximately three years at which point further strengthening work would be required.
3. At the 28 August 2014 Council meeting, an officers report recommended that, in light of the structural issues with the WCP, enhanced remediation of approximately \$150,000 of the WCP take place to prolong its life, and that consultation take place as part of the 2015/25 Long Term Plan for inclusion of a pool at the Wanaka Sports Facility (WSF).
4. Council then resolved to:
 - a. **Agree** that Stage 1 of the Wanaka Sports Facility ['WSF'] be progressed through detailed design to tender documentation based on the recommended specification of Council's design team...
 - c. **Direct** officers to: (i) prepare documents for a special consultative procedure with all residents within the Wanaka ward on a proposal to construct a lap pool and learners' pool as part of stage 1 development of the WSF. (ii) Report back the Statement of Proposal to Council for consideration by 30 October 2014.
5. The intention of the special consultative procedure (SCP) was to agree a preferred option for inclusion in the draft 2015-2025 Long Term Plan (LTP) which was consulted on in early 2015.
6. There were 470 responses received from the SCP. The key findings of the SCP included:
 - 64.1% of respondents were Wanaka ward residents and ratepayers.
 - 54.3% of respondents were willing to pay an extra \$3.06 a year in rates for the current pool at Plantation Road to remain open as is.
 - 53.9% of respondents were willing to pay \$184 extra per year in rates for an eight lane lap pool and learners pool at Three Parks.

- 24% of respondents were not willing to pay more rates for a new pool and learner's pool.
 - 70.7% of respondents would prefer a new swimming facility to be built in the 2015/16 financial year, open by the end of 2016.
7. In addition to the SCP, Council commissioned an independent survey of Wanaka ratepayers to provide statistical information on ratepayers preferences. The survey found:
- a. 72% of ratepayers were willing to pay \$3 p.a. to keep the WCP open and do without a learners pool for another 5 years;
 - b. 43% of respondents were willing to pay an increase of \$180 p.a. for a new pool;
 - c. 27% did not want to pay any additional rates increase;
 - d. 64% wanted a new facility to be built now rather than deferred for 5 years;
 - e. 44% wanted the new pool at Plantation Rd while 42% preferred Three Parks.
8. At the 18 December 2014 Council meeting, officers recommended that Council include \$11.8m in the draft 2015/25 Long Term Plan for a new pool development with construction to be completed in 2019/20, and carry out approximately \$200,000 of remediation on the Wanaka Community Pool in the interim.
9. Council resolved, however, to bring the construction date forward to 2016/17 and that the Wanaka community is *"encouraged to fundraise to reduce the rating impact."*
10. At its meeting of 26 February 2015 resolved to approve unbudgeted expenditure of \$150,000-200,000 to progress pool design to the preliminary design stage by 30 June 2015

LTP Feedback

11. In the LTP consultation document ratepayers were asked whether to construct the pool in 2015/16 with a rates increase in 2017 or defer construction and a rates increase until 2023. There were 260 responses to the Wanaka Pool question of which:
- a. 75.4% were in favour of the pool construction proceeding in 2015/16 with a rates increase in 2017; and
 - b. 24.6% were in favour of construction being deferred until 2023.

Current state of WCP

12. It is noted that the recent seismic strengthening works at the Plantation Road Pool lifted the facility to 34% of code and extended the life of the facility by

three years. Additional seismic strengthening upgrades would need to be undertaken beyond this period to ensure ongoing compliance.

13. The structural engineers recommended that should the facility remain open longer than three years, the building rating should be lifted to a minimum of 67%. The steel within the building would need to be protected in order to meet specifications and avoid further erosion within the building. These works would involve removing the roof and painting the steel work. The cost to complete these works is estimated at \$200,000. It would require the facility to close for 8-12 weeks. An additional \$68,000 is required for other operational and maintenance upgrades within the next three years.

New Pool Design at Three Parks

14. The pool design has been progressed through to preliminary design as directed by the following the council resolution of 26 February 2015.

15. A peer review has also been undertaken. This has been carried out by Watershed Aquatic Specialists who have been kept informed as the preliminary design has progressed. Their recommendations are to:

- a. Extend the LTS pool to 20m x 10m, with the intention of using it as a leisure pool when it is not in use for LTS. This provides additional flexibility as to use.
- b. Increase the floor area / separation distances between the pools in keeping with NZS4441 pool standards.

16. The preliminary design reflects these recommendations.

17. On 8 April 2015, the Wanaka Community Board initiated a public meeting inviting members of the community interested in the design of the pool to attend. Thirteen members of the public attended and provided useful valuable additional input from a user perspective.

18. There was a strong desire for a spa pool to be included into the pool mix. Feedback from users currently, and from discussions with other similar sized facilities around the country, is that the inclusion of a spa pool opens up the facility to a greater range of users (with associated revenue opportunities). Watershed Aquatic Specialists also endorsed its inclusion. After extensive debate as to the best location within the facility for it, a spa pool has subsequently been included in the preliminary design drawings.

19. In May 2015 the amended pool drawings were issued to Watershed Aquatic Specialists for additional peer review. As a result of this review the design team incorporated the following recommendations into the design:

- a. Addition of both stairs and ramp entries to the pools to enable maximum flexibility and to ensure people with disabilities can access the pool in a dignified manner.

- b. Ramp entry is opposite the stair entry which enables multiple access points if the pool is divided into two length ways. This enables both LTS and Leisure use of the pool at the same time.
- c. Position of the LTS pool moved towards gridline H to provide additional concourse and marshalling area near the entrance.
- d. The spa pool location has been revised to sit opposite the corridor in the accommodation bar area. This location is a suitable distance from the LTS pool and avoids congesting the main pool hall floor space. It also enables views to the exterior from the spa pool whilst also ensuring that the pool is visible from a lifeguarding perspective.
- e. The spa pool is sized to ensure 7.5m of seating space is provided to accommodate 15 persons. The plant room has been located nearby to provide for maximum servicing efficiencies.
- f. Hoist access can be provided (it is likely that a portable hoist will be utilised to serve all the pools if required).
- g. Door configurations to the storage and plant rooms have been realigned slightly to optimise operational efficiencies.

20. The preliminary design plans are attached as Appendix A.

21. Cost estimates have been revised following the recommended changes, and the current baseline cost estimate is \$12.28 million. These costs are based on 50% preliminary design and prior to value management of the design against budget. This is an increase of \$480,000 of the 2014 budget. It is however in line with the proposed LTP funding which is essentially the 2014 figure inflation adjusted for proposed timing. The main factors affecting this increase are :

- a. Scope changes as a result of peer and operational reviews and community consultation:
 - i. Increase in size of the LTS pool (and commensurate increases in floor and plant areas)
 - ii. Introduction of spa pool
 - iii. Increase in storage area
- b. Additionally, \$150,000 of estimated abortive work to the adjoining WSF was not included in the September 2014 estimate. This is because the WSF was still in preliminary design phase and the Wanaka Pool was in the concept design phase and the value of abortive works could not be accurately assessed and were therefore excluded at that time.
- c. The estimate for the professional fees has increased by \$150,000 which is a proportional increase mirroring the revised scope.

21. It is anticipated that these costs can be refined and possibly reduced as design progresses and through value management after preliminary design.

22. The cost estimates including cashflows, programmes and covering memo from RLB are included as Appendix B.

Ongoing operational costs

23. The projected annual operational costs of the new Three Parks facility are set out in the table below. As points of comparison, the operational costs of the Plantation Rd pool and Alpine Aqualand are also included. It highlights that, as between the current WCP and proposed Wanaka pool, additional operational expenditure of \$666,000 will be incurred annually.

Plantation Road Pool		Vs	Three Parks Pool		Alpine Aqualand
Operating Income	\$		Operating Income	\$	
Venue hire - commercial	25,000		Venue hire - commercial	35,000	
Casual Admission	47,001		Casual Admission	160,451	
Memberships & Concessions	76,512		Memberships & Concessions	91,998	
Retail & Vending	34,645		Retail & Vending	140,000	
Swim School	34,207		Swim School	54,893	
Subtotal	215,366		Subtotal	482,341	\$611,000

Direct Expenses & Overheads	\$		Direct Expenses & Overheads	\$	
Depreciation	61,105		Depreciation	155,200	
Salaries & Wages - permanent	283,006		Salaries & Wages - permanent	457,278	
Electricity	87,030		Electricity	164,000	
Sundry expenses	3,677		Sundry expenses	5,000	
Plant & equipment maintenance	12,736		Plant & equipment maintenance	41,111	
Pool chemicals	9,552		Pool chemicals	53,333	
Interest - borrowings	0		Interest - borrowings	513,618	
Internal costs allocated	85,000		Internal costs allocated	85,000	
Subtotal	542,107		Subtotal	1,474,540	\$2,586,465

Deficit	-326,741		Deficit	-992,199	-\$1,975,465

Timing of procurement for the Wanaka Pool - Options

24. In light of the feedback received from the SCP and LTP processes; the proposed scope outlined in the preliminary design; the capital and operational costs arising from the design scope; and the proposed timing of the pool construction relative to the construction of the WSF; it is appropriate for the Council to revisit the timing of pool's construction. Consistent with the requirements of s.77 of the Local Government Act, the following table outlines the reasonably practicable options for procurement.

OPTION	DESCRIPTION	BENEFITS	RISK/COSTS	RISK MITIGATION	KEY DATES	ESTIMATED EFFECT ON COST (Based on \$12.28 Million Estimate)
A	Progress the design of the Pool from 1 July 2015.	<ul style="list-style-type: none"> • Earlier completion date. • Likely capex savings. • Removes risk created of two separate main contractors operating concurrently on the same site. • Unlikely further capital costs required for WCP. 	<ul style="list-style-type: none"> • Potential for lack of competitive tension. • Potential for judicial challenge. • Earlier commitment of capital. • Ongoing annual costs of approximately \$666k brought forward. • Less opportunity or inclination for community to fundraise 	<ul style="list-style-type: none"> • Negotiated tender run on a P&G and Margin basis to ensure competitive tension is gained. 	<u>Start On-Site</u> –January 2016 <u>Construction Complete</u> –April 2017 <u>Facility Opens</u> –May 2017	- Cost Reduction \$400,000 to \$500,000 saving Figures are based on estimated savings through reduced P&G, Margin, Consultant Fees, No Abortive Costs. NB: Annual operational deficit of approx. \$660k increased earlier
	Procurement Strategy Negotiated P&G Tender with incumbent WSF Main Contractor					
B	Progress the design of the Pool from 1 July 2015.	<ul style="list-style-type: none"> • Probity – Open tender process. • Likely capex savings (but less than option 1). • Unlikely further capital costs required for WCP. 	<ul style="list-style-type: none"> • Risks (H&S; logistical; insurance; warranties; compliance etc) in having two separate main contractors operating concurrently on the same site. • Potential for lack of market interest. • Potential for tender process to result in same main contractor as a negotiated tender. • Increased administrative and consultant costs for administering two separate contracts simultaneously. • Earlier commitment of capital. • Ongoing annual costs of approximately \$666k brought forward. 	<ul style="list-style-type: none"> • Run an EOI Process prior to issuing a competitive tender to gauge Main Contractor Interest. • Delay start of works until WSF complete to mitigate risk created by having two separate main contractors operating concurrently on the same site. • Delay start of works until WSF complete to mitigate lack of interest from the market. • Note delaying start of works would remove the cost benefit achieved through efficient programming and would mean a later completion date. 	<u>Start On-Site</u> –April 2016 – June 2016 <u>Construction Complete</u> – July 2017 – September 2017 <u>Facility Opens</u> – August 2017 – October 2017	- Cost Reduction \$50,000 to \$200,000 saving Figures are based on estimated savings as noted in Option – A however these figures are less than reported in Option - A due to Option – B having a reduced potential programme overlap with the WSF and therefore reduced potential cost efficiencies.
	Procurement Strategy Competitive Tender to Market					
C	Progress the design of the Pool from 2nd Quarter 2016 to align with LTP funding.	<ul style="list-style-type: none"> • LTP funding would not need to be brought forward ahead of the forecast LTP budget. 	<ul style="list-style-type: none"> • The Plantation Road pool may need to be closed to undertake upgrade before the new pool is completed. • Additional capital costs if upgrade occurs. • Construction cost escalation. 	<ul style="list-style-type: none"> • Align new pool to date latest date possible prior to WCP upgrade. 	<u>Start On-Site</u> – 1 st Quarter 2017 <u>Construction Complete</u> – 2 nd Quarter 2018 <u>Facility Opens</u> – 2 nd Quarter 2018	Cost Escalation: \$600,000 to \$1,000,000 Estimated cost escalation based on BERL Economic Indices
	Procurement Strategy Competitive Tender to Market					
D	Defer completion of a new pool past 2020, and refurbish the WCP	<ul style="list-style-type: none"> • Rates increase deferred • Greater time for community to fundraise or find alternative funding sources • Capital requirements either deferred or available for other alternative projects. • Life of WCP maximised (albeit with modest additional capital requirements). 	<ul style="list-style-type: none"> • Deferral of opex savings (\$660k p.a.) counter-balanced by project costs escalation. • Cost to be incurred to upgrade and maintain the existing Plantation Road Pool. • Plantation Road Pool May need to be closed to undertake upgrade works. 	<ul style="list-style-type: none"> • Bring deferment of the New Wanaka Pool to align with dates the existing Plantation Road Pool requires significant Maintenance or upgrades. 	<u>Start On-Site</u> –tbc <u>Construction Complete</u> – tbc <u>Facility Opens</u> – tbc	Cost Increase: Estimated Increases Varies The cost escalation of this option varies based on the period of time the project is deferred. NB: additional operational deficit of \$660k deferred in line with completion date.
	Procurement Strategy Competitive Tender to Market					

26. If elected members wish to deliver Wanaka community a new pool earlier than recommended by officers in the December 2014 report, then it is recommended that Council approve Option A; i.e. progress the design of the pool from 1 July 2015 onward and to negotiate with the incumbent Main Contractor for the Wanaka Sport Facility Dry Facility. This option requires, however, a substantial re-allocation of funds from those currently signalled in the LTP.
27. If, in light of the costs identified from preliminary design and the feedback from the draft LTP consultation process, elected members wish to reconsider the delivery date of a new pool then it is recommended that Council approve Option D; i.e. undertake additional upgrading of the WCP and defer the new pool until after 2020.
28. In either instance, officers do not recommend Council adopt Option C; i.e. the current timeline for the new pool. This option creates unnecessary additional project costs which can be avoided by aligning Stage 1 of the WSF project (the dry facilities) with Stage 2 (the pool) without delivering any financial or other benefits.

Significance and Engagement

29. The project is one of high significance given the large number of ratepayers affected and the quantum of funding in question. However, the Council has gone to considerable lengths to date to consult with the community through the SCP process; independent survey; and LTP consultation. Accordingly, it is in a position with reach a decision on this matter without further consultation.

Risk

30. This matter relates to the strategic risk SR6b Assets critical to service delivery, as documented in the Council's risk register. This risk is classed as high.
31. Option A mitigates operational risk by proposing a single main contractor on site; and mitigates financial risk by reducing escalation costs and better aligning the two stages of the project. Option D increases escalation risk, but off-sets this by deferring known and quantified additional operational costs. The current proposal, Option C, neither defers costs nor captures financial savings and as such creates the most financial and operational risk.

Financial Implications

32. There is funding in the proposed Long Term Plan of \$601,000 in the 2015/16 year with an additional \$11.68m in the 2016/17 year with an associated rates increase of \$184 per year commencing in 2017.
33. If Option A is pursued, it is estimated that \$6,213,000 would need to be brought forward into 2015/16 to supplement the existing \$601,000 to adequately cashflow a proposed January 2016 construction start on the

complex. The resulting capex saving is likely to be in the order of \$400,000 - \$500,000 which would represent a significant saving on the total budget proposed by Council through the LTP (and include the additional scoped items (larger LTS pool and spa pool).

34. If Option B is pursued (which assumes an open market tender but design and site works commencing at the conclusion of the current WSF project), \$3,058,000 would need to be brought forward into the 15/16 year to supplement the existing \$601,000 to adequately cashflow an April - June 2016 construction start on the complex. The resultant overall saving from pursuing Option B is likely to be in the order of \$50,000 - \$200,000.
35. Pursuing Option C, which is the proposed LTP budget allocation, would likely mean that the total cost of the facility would increase by \$600,000 - \$1m. This based on anticipated cost escalation predicated on BERL economic indices.
36. All of the options above treat the \$181,000 previously approved by Council (and now expended) to address preliminary design in the 14/15 year as separate.
37. The cost increases associated with Option D are presented below. These have been prepared by RLB and have been generated from two different sources.
- BERL Economics – Forecast of Price Level Change Adjusters 2014 Update dated October 2014 (Amended)
 - RLB Forecast 75 – NZ Trends in Property & Construction (First Quarter 2015), as well as local market data and knowledge

Year	'BERL' Economics Forecast		RLB Forecast		Comments
	Indices	\$	Forecast Increase	\$	
2015	1019	\$ 12,280,000	N/A	\$ 12,280,000	'Base' cost taken from RLB report dated 5th June 2015.
2016	1042	\$ 12,563,000	4.50%	\$ 12,833,000	
2017	1067	\$ 12,877,000	3.50%	\$ 13,283,000	
2018	1094	\$ 13,225,000	3.50%	\$ 13,748,000	
2019	1123	\$ 13,608,000	3.00%	\$ 14,161,000	
2020	1154	\$ 14,030,000	3.00%	\$ 14,586,000	
2021	1187	\$ 14,493,000	3.00%	\$ 15,024,000	
2022	1223	\$ 15,015,000	2.50%	\$ 15,400,000	
2023	1262	\$ 15,600,000	2.50%	\$ 15,785,000	

38. If the new pool was deferred until 2020, the estimated project cost would be \$14.586m. This escalation cost would be off-set by approximately \$2.664m in operational expenditure based on the continued use of the WCP at Plantation Rd. (Less an estimated cost of \$200k for upgrades.)

Additional/alternative funding sources

39. It is noted that the LTP funding model assumes:

- \$1m in land sales
- \$1.8m in community grants

40. These components would need to be progressed in parallel with whichever option presented above was selected. However, if Option A is pursued, there is obviously less time available to progress these funding sources. In particular, it may be difficult to incentivise the community to fundraise a material sum if there is certainty that the new pool will be delivered by Council within the next two years.

41. It is recommended that if Option A is pursued, a funding model be developed in conjunction with the Chief Financial Officer for the July 2015 meeting.

Council Policies, Strategies and Bylaws

42. This matter has been extensively consulted on using a Special Consultative Process throughout 2014 and has been included for consideration in the 10-Year Plan 2015 – 2025 deliberations.

Local Government Act 2002 Purpose Provisions

43. The two options presented to Council both support the role of council in providing recreational facilities and community amenities in a manner that is cost effective for households and businesses.

Attachments

- A Preliminary Design Plans
- B RLB Cost Estimates and RCP Programme Estimates
- C Comparative Summary of Projected Operational Costs
- D Watershed Peer Reviews