



Extraordinary Meeting

An EXTRAORDINARY MEETING of LISMORE CITY COUNCIL will be held at the COUNCIL CHAMBERS, Oliver Avenue, GOONELLABAH on
April 3, 2007 at 6.00pm
and members of Council are requested to attend.

Paul G. O'Sullivan
General Manager

March 27, 2007



Agenda

Opening of Meeting and Prayer (Mayor)

Apologies and Leave of Absence

Disclosure of Interest

Public Access Session

Report

Goonellabah Recreation Centre.....4



Strategic Plan Summary

Lismore regional city

| STRATEGIC PRIORITY | AIMS | INITIATIVES |
|---------------------------------|---|--|
| Economic Development | To build Lismore's reputation as a regional city for residents, businesses, education providers, health services and government. | <ul style="list-style-type: none"> ▶ Champion education ▶ Promote health facilities ▶ Support regional agriculture ▶ Promote cultural life ▶ Promote Lismore as a legal centre ▶ Support for sport |
| | To increase regional economic development, tourism and job-creating investments. | <ul style="list-style-type: none"> ▶ Promote regional development ▶ Develop tourism ▶ Support businesses ▶ Pursue CBD revitalisation ▶ Assist in job creation ▶ Assist in creating new income opportunities |
| Quality of Life | To make Lismore a safe, healthy and caring community in which to live. | <ul style="list-style-type: none"> ▶ Increase social cohesion ▶ Support villages ▶ Provide community services ▶ Encourage sustainable development ▶ Promote recreation and leisure |
| Leadership by Innovation | To lead the region by demonstrating innovative practices in governance, customer service, communication, consultation, virtual amalgamation and financial management. | <ul style="list-style-type: none"> ▶ Lead the region ▶ Increase revenue from grants ▶ Improve customer service ▶ Consult the community ▶ Update technology ▶ Provide user pays services ▶ Privatise selected services ▶ Share assets and resources |
| Natural Environment | To preserve and rehabilitate Lismore's natural environment. | <ul style="list-style-type: none"> ▶ Provide sustainable land use planning ▶ Improve catchment management ▶ Conserve and repair the environment |
| Infrastructure | To further enhance Lismore's transportation, parking and pedestrian networks. | <ul style="list-style-type: none"> ▶ Improve transport systems ▶ Improve roads, cycleways and footpaths ▶ Assist with public transport ▶ Assist airport operations ▶ Support fleet operations |
| Water and Waste Cycle | To educate our community and lead the state in water and waste-cycle management. | <ul style="list-style-type: none"> ▶ Manage stormwater drainage systems ▶ Manage water and sewage ▶ Manage the waste stream and reduce waste |

Report

| | |
|---------------------------------|---|
| Subject | Goonellabah Recreation Centre |
| File No | T27005 |
| Prepared by | Manager - Assets and Support Services |
| Reason | To advise Council of the outcome of negotiations with two preferred contractors for the design and construction of the Goonellabah Recreation Centre. |
| Objective | To gain Council approval to finalise negotiations with a preferred tenderer and award a contract for the project. |
| Strategic Plan Link | Infrastructure, Quality of Life |
| Management Plan Activity | Parks and Recreation, Community Services |

Overview of Report

Council has been in negotiations with two tenderers for the design and construction of the Goonellabah Recreation Centre. Following a tender and assessment process Council at its meeting in December 2006 resolved to enter negotiations with two preferred tenderers to refine their proposals, in particular in regard to the provision of a pool in the facility.

These negotiations have now been completed and a preferred tenderer has been identified. The report recommends finalisation of a number of issues with the preferred tenderer and then to enter into a contract for the project.

Background

Tenders for the design and construction of the Goonellabah Sports and Recreation Centre were called on August 12, 2006 and closed on October 17, 2006. Four (4) tenders were received by the closing date.

A tender assessment process was undertaken and Council at its meeting on December 12, 2006 resolved inter alia, to enter negotiations with two preferred tenderers for the project. In particular, Council was able to provide clearer direction to tenderers about its requirements for the inclusion of a pool in the centre.

A project brief was prepared, endorsed by the Project Steering Committee and distributed to tenderers in January 2007. Submissions in response to the brief were required to be lodged with Council by March 1, 2007 and both tenderers met this deadline.

An evaluation of those submissions has been undertaken and the results were presented to the Project Steering Committee on March 20, 2007. The committee agreed on recommendations put forward by the staff and these are now presented for Council's consideration.

Submission Evaluation

Both submissions were evaluated in accordance with an Evaluation Plan that was prepared prior to the close of submissions on March 1, 2007. The Evaluation Plan is available for perusal by any interested Councillor by making contact with the Manager Assets and Support Services.

A number of measures were implemented to ensure transparency, consistency and relevant expertise in the evaluation process and these are detailed in the Evaluation Plan. These measures included the appointment of a dedicated Probity Officer to oversee the process and a consultant Architect experienced in the design of sporting facilities to provide expert advice to the Evaluation Panel.

Upon completion of the evaluation process an Evaluation Report was produced. The report documents the process that was actually followed to assess the submissions, in particular any variances from the Evaluation Plan, and makes recommendations on awarding a contract. The report is a lengthy document and has not been included here but is available for perusal by any interested Councillor by making contact with the Manager Assets and Support Services.

In summary, the Evaluation Report has nominated a preferred tenderer for the project, and recommends that Council enter into a contract with the preferred tenderer after resolving some risk issues that have been identified as part of the process.

Preferred Tenderer

The preferred tenderer for the work is SPANTECH Pty Limited. A summary of the assessment of both submissions and a reduced copy of the plans for the SPANTECH proposal is attached to Councillors' business papers.

SPANTECH are a small to medium sized building construction company based on the Gold Coast in Queensland. They specialise in constructing buildings which require large internal spaces and utilise a unique patented construction technique to achieve this. For this project SPANTECH has partnered with the Facility Design Group, and in particular Architect, Steven Johannson, for architectural/design input and Swimplex Australia for the pool component of the building. This team undertook the design and construction of the Trinity Sports Centre in Lismore.

As part of the evaluation process, an independent assessment of the company's financial background was undertaken by Australian Business Research and concluded that SPANTECH has an acceptable financial capability to undertake a project of this value, representing a moderate but manageable risk for Council. A security deposit is recommended to deal with this risk.

Councillors may recall that at the completion of the assessment of the tenders received in response to the open tender process conducted last year, Lahey Constructions were identified as the preferred tenderer for the project. In conducting its evaluation of the latest submissions from the two preferred tenderers the Evaluation Panel, through the evaluation process, identified a number of concerns with the revised proposal from Lahey Constructions. Most of these are related to the pool and are included in the summary attached to Councillors' business papers. The main issues can be summarised as follows:

- Lahey's proposal in regard to the proposed layout of the pool was considered uninspiring.
- Lahey's submission did not propose any air conditioning/treatment of air in the pool area of the building.
- Mechanical ventilation only was proposed.
- This would result in issues with humidity in the pool area when all doors are closed, potential discomfort for patrons in Winter due to lower air temperatures than in the water and potential heat loss in Winter from the water to the cooler air resulting in increased pool water heating costs.
- This would also potentially result in concentration of chloramines in the air potentially leading to reduced life and higher maintenance costs for finishes in the pool area of the building.
- The cost to provide air conditioning/treatment to the pool area would be an additional \$500,000 - \$700,000.
- The plant room provided was grossly inadequate resulting in a need to either reduce circulation areas around the pool or provide additional floor space in the building. An additional 80m² – 100m² is required as a minimum.
- The cost to provide additional floor space for the plant room would be approximately \$1,000/m² if that option was chosen.

- Concerns about the proposed layout of the various pools, especially the distance from the toddler pool to the other pool area provided for their use, the water play area. Toddlers would be required to walk past deeper water to gain access creating a risk and requiring parents/carers to continually relocate within the pool area to supervise their children.
- Proposal relies totally on electricity as its energy source. Whilst various energy efficient measures were incorporated in the proposal, solar energy was not considered whereas the SPANTECH proposal includes the use of solar energy plus other energy efficiency measures.

In essence Lahey Constructions failed to convince the Evaluation Panel that they had the necessary understanding and experience in the pool part of the facility. In particular the lack of air conditioning in the pool space was a concern. Lahey's explanation of this when questioned was that it is a very large space, and would be very expensive to air condition. Their motivation seemed to be to keep costs down, which is quite understandable. However, there appears to have been no objective analysis of the needs of the facility and in particular the consequences of not air conditioning the space. This represents a significant risk to the project and would require a considerable amount of further negotiation and assessment to adequately address before a contract could be entered with Lahey Constructions. Whilst Lahey Constructions identified and admitted their error with regard to the pool plant room, the initial oversight was considered further evidence of a lack of understanding of the requirements for such a facility.

The outcome of any negotiations etc. would undoubtedly result in additional cost for the project, especially in relation to the air conditioning/treatment of the pool area and increasing the size of the plant room.

As such the Evaluation Panel concluded that SPANTECH had the best proposal overall for the following reasons:

- Their proposal is overall superior to that of Lahey Constructions, especially in regard to the pool part of the facility.
- Significant risks were identified with Lahey Constructions' submission in regard to the pool and these would take time and add significantly to the cost of the project to resolve.
- SPANTECH's proposal provides significantly more floor area at 5,554m² compared to Lahey Constructions 4,746m².
- The risks identified with SPANTECH's proposal are considered to be relatively simple to deal with and are not likely to add significantly to the overall project cost in reaching a resolution.
- SPANTECH's proposal has better energy efficiency measures.
- SPANTECH's proposal received the best overall rating in the assessment process.

Risk Assessment

As part of its assessment process the Evaluation Panel identified a number of risks that need to be addressed prior to awarding a contract for the works to SPANTECH. Some risks relate directly to the submission received from SPANTECH and others are a result of the manner in which Council has chosen to conduct the process. The risks and suggested strategies to deal with them are identified in the attachment to Councillors' business papers.

The Evaluation Panel was of the view that all of these risks are not critical to the viability of the project and did not warrant rejection of the submission from SPANTECH. It was felt that all could be readily addressed in the manner suggested and would not add significantly to the overall cost of the project.

Each of these matters would be negotiated with SPANTECH and a firm cost variation agreed prior to entering a contract.

Skate Park

One risk identified is the process that Council has, or in fact as yet hasn't, undertaken in regard to the proposed skate park. The skate park is a relatively small, yet important component of the overall project. Council requested tenderers to allow an amount of \$160,000 in their proposals to construct a skate park, and to undertake a consultation process to finalise a design prior to lodging a development application for the entire project.

In the first instance it is considered that the budget allowance for the proposed skate park is not sufficient for a facility of that size. Investigations have shown that other facilities of a smaller size have cost more than the budget allowed for this project. An amount of \$260,000 is considered more realistic. The final cost will of course be subject to finalisation of a design.

Secondly, as Council has yet to commence a consultation process with relevant stakeholders, it is possible that finalisation of a design may delay implementation of the entire project. The likelihood of this occurring is considered high based on feedback from other Councils that have undertaken similar processes.

To avoid this issue, it is considered prudent to make the skate park a separable portion of the proposed contract. This would allow the contractor flexibility to lodge a development application for the remainder of the project in the event that a design for the skate park has not been finalised in time to be lodged with that application. It would then require a separate development application to be lodged at a later time upon finalisation of a design with construction to proceed upon development consent being issued. This would allow the remainder of the project to proceed without delay and still permit construction of the skate park to be completed in time for the entire facility to be opened on its completion.

To facilitate the development of a design for the skate park, Council should form a reference group as soon as possible such that it can work with Council and the successful contractor.

Project Timetable

Upon Council making a decision to proceed with the project and enter a contract, the next step in the process would be to deal with the identified risk issues prior to actually entering a contract. The contractor would then commence the design development process to finalise the design in consultation with Council prior to lodging a development application for the work.

It is anticipated that this process along with the necessary approval process of the development application would take a minimum of four months to complete. After that time construction could commence and it would be intended to have the facility open for use by the public at the end of August 2008. This timeline is of course dependent on a number of things, including the weather during the construction stage.

Design Development Process

To facilitate Council's ongoing input to the design development process, it is recommended that Council continue with the Project Steering Committee. The committee would oversee the process and be consulted on key decisions where required. Community consultation with user groups will also be undertaken and the matter of a separate reference group for the design of the skate park has been dealt with earlier in the report.

Project Budget

The tendered price from SPANTECH is \$13,359,766 (ex GST). This includes a contingency amount of \$636,179 (5% of contract value) which is available to fund variations during the construction period.

This cost is for construction of the building and surrounding car parks, landscaping and some internal fit-out requirements. It does not include the required restoration of Tucki Creek, additional funding to cover

the cost of construction of the skate park, various consultancy to finalise technical issues and the design of the works to Tucki Creek, project management and supervision costs, security and access systems, furniture and fittings for the building and the purchase price of the land.

When all of these costs are added into the project, the total cost is estimated at \$17 million. The Manager Finance deals with the implications of this in his comments below.

Operation of the Centre

Council previously prepared a business plan for the operation of the centre. This formed part of Council's assessment of the viability of the entire project, and in particular consideration of how large the facility should be e.g. two courts vs. three courts, size of pool, etc.

The business plan has been updated by the Recreation Officer to reflect the contents of the proposal from the preferred tenderer. A full copy has not been provided in the report and a summary of the expected operating costs has been provided by the Recreation officer as follows:

Three Year Financial Projection

| | Year 1 | Year 2 | Year 3 |
|---------------------|-------------|-------------|-------------|
| Two Court model | (\$223,160) | (\$181,000) | (\$163,640) |
| Leisure Water Space | (\$44,000) | (\$20,000) | nil |
| Deficit | (\$267,160) | (\$201,000) | (\$163,640) |

The business plan continues to be fine tuned and will be finalised for consideration as part of the 2008/09 budget process.

Comments

Financial Services

The Goonellabah Recreation Centre is estimated to cost \$17.0 million. This includes construction, fit-out and landscaping of approximately \$14.5 million and land acquisition of \$2.5 million. This is approximately \$3 million more than initially estimated.

To meet the increased investment, it is proposed to use the proceeds from the sale of land to the Workers Sports Club and borrow an additional \$2.35 million. This will bring total borrowings for this project to \$9.850 million. The full impact on Council's financial position of the additional borrowings and updated operating and maintenance costs are being assessed. This will be forwarded to Councillors for consideration as soon as it is completed.

It is important to note that this financial assessment will form part of a Capital Expenditure Review application that Council must submit to the Department of Local Government. Before borrowings are released, the Department must approve Council's application.

It should also be anticipated that the extra investment required for the Goonellabah Recreation Centre will impact the timeline for other new works identified in the Forward Major Capital Works Plan

Other staff comments

Manager Community Services

This facility will deliver a range of long awaited programs and opportunities for the residents of Goonellabah, Lismore and other neighbouring communities. The preferred tenderer's design is considered to deliver best value to the community, particularly the recreational water component.

Manager Environmental Health & Building Services

As discussed within the report both tenderers were evaluated on numerous criteria which included building integrity and environmental sustainability principals. While both performed creditably in regard to building construction technique, the SPANTECH proposal was superior in regard to upholding sustainability principles. These included areas of energy consumption, solar heating potential, roof water reuse, ventilation, lighting and noise attenuation. On this basis the preferred tenderer's design will achieve the best outcome from a building and environmental perspective.

Public consultation

Community residents were surveyed on two occasions as part of the planning stage of this project. The survey results indicated a strong desire for elements such as multi-purpose courts, gym, pool and youth space. The community's needs have influenced the development of the project and is reflected in the tendered designs. Further consultation with user groups and operations personnel will be undertaken as part of the design development process prior to lodging a development application for the work.

Conclusion

Council has been considering the provision of a recreation centre at Goonellabah for a number of years. Following a process concluded in 2005 which did not provide the outcomes that Council was seeking, a fresh tender process was commenced in August 2006. This resulted in two preferred tenderers being identified to undertake the project. Council entered into negotiations with both of these tenderers and has completed an evaluation process which identified SPANTECH as the preferred tenderer for the project.

The budget for the project has exceeded what Council expected, however, it is affordable on the understanding that Council will need to increase its borrowings and other capital projects Council is considering into the future will be delayed.

A number of risk issues have been identified with the submission from SPANTECH and strategies formulated to address them. These risks all can all be readily addressed in the manner suggested and would not add significantly to the overall cost of the project.

It is recommended that Council proceed with the project in accordance with the measures outlined in the report and enter into a contract with SPANTECH Pty Ltd as soon as possible following resolution of relevant risks identified in the process.

Recommendation (IS17)

That:

1. As a result of the revised submissions received from two preferred tenderers for the design and construction of the Goonellabah Recreation Centre, Council award the contract to SPANTECH Pty Limited for an amount not exceeding \$13,359,766 (ex GST) subject to the provisions of points 3 and 4 below.
2. Council immediately submit to the Department of Local Government its Capital Expenditure Review application in order to secure the necessary loan funds for the project.
3. The General Manager proceed immediately to deal with the identified risks associated with the proposal from SPANTECH, including agreement on a firm cost variation where applicable, in accordance with the strategies identified to deal with those risks, prior to entering such contract.
4. The contract be divided into separable portions for the skate park and the remainder of the project as outlined in the report to allow the project to progress without being unduly delayed.

5. The Project Steering Committee oversee the design development process prior to lodging a development application.
6. Council establish a Reference Group as soon as possible to facilitate development of a design for the proposed skate park.
7. The necessary contract documentation be executed under the Common Seal of Council.