

CITY OF MOUNT GAMBIER

Special Meeting of Council to be held Wednesday, 2nd October, 2013 at 6.00 p.m.

AGENDA

Agenda for Special Meeting of Council, Wednesday, 12th June 2013 cont'd...

4. CONSIDERATION FOR EXCLUSION OF PUBLIC

moved that the following Items be received, discussed and considered in confidence by excluding the public pursuant to Section 90 (2) of the Local Government Act 1999, and an order be made that the public (with the exception of other Council Members and Council Officers now present) be excluded from the meeting in order for the items to be considered in confidence as the Council is satisfied that the item is a matter that can be considered in confidence pursuant to the grounds referenced in Section 90 (3) of the said Act:

ITEM NO.	SUBJECT MATTER	S90(3) GROUNDS
5.	<u>FINANCIAL MANAGEMENT</u> - Consideration of Tenders - Construction of Cell 3 and Capping Part of Cells 1 and 2 - Caroline Landfill - Ref. AF13/303	(k)
6.	CONSIDERATION FOR KEEPING MATTERS CONFIDENTIAL	

seconded

IN CONFIDENCE

5. FINANCIAL MANAGEMENT - Consideration of Tenders - Construction of Cell 3 and Capping Part of Cells 1 and 2 - Caroline Landfill - Ref. AF13/303

The Director - Operational Services reported:

- (a) Council has allocated \$2 million in its current Budget (Account No. 7670.3701) and has 'flagged' (refer to Long Term Financial Plan) another \$2 million in 2014/2015 to undertake the construction of Cell 3 and the Capping of Cell 1 and 2 (in part) at the Caroline Landfill;
- (b) all the works are subject to Environment Protection Authority (EPA) approval and at the time of preparing this report, EPA approval is still pending (the approval process may change the scope of works, and hence the price but this may well be beyond the control of Council);
- (c) Council has considered a Prudential Report for this project and also attached to the agenda is a Risk Assessment for this project;
- (d) consultants, URS, have prepared the design plans for the Capping and new Cell construction and these have been used for tendering and EPA approval. Members should note that proposed new Cell 3 is in the order of 22,500 m² but it is only proposed to fully develop about a third of the Cell at this time (i.e. Cell 3A - refer drawing 003 in agenda). Cell 3B and 3C are proposed to have a 400mm clay liner, leaving a further 600mm plus the drainage layer to be constructed at a later time. The reason this has been done is to minimise leachate production;
- (e) the extent of the capping of existing Cells 1 and 2 has been specified, but depending on final survey and EPA requirements it may be possible to extend the scope of works;
- (f) in addition to the tender price, Council will have other costs to meet including Level 1 Supervision, preparing Cells 1 and 2 up to the level of interim cover (prior to placement of the final capping), any costs above the prime cost items (where applicable), new access road to Cell 3A and site fence relocation on southern boundary of landfill;
- (g) tenders have been invited (open call) and received for the works. A simple tender evaluation matrix has been prepared for Councils consideration (this will be available at the meeting). A simple matrix was used in this instance because with the exception of the submission by Gambier Earth Movers (GEM), tender submissions were generally somewhat poor and failed to address the 18 key issues set out in the specifications and tender documents.

Agenda for Special Meeting of Council, Wednesday, 12th June 2013 cont'd...

The Evaluation Matrix (together with tender prices) is set out below:

Attribute Tenderer	Past Experience	WHS Management	Clear Evidence of Availability of Clay	Traffic Management	Hard Rock Defined?	Plant & Equipment	Financial Capacity	Bill of Quantities	Time Frames	Total	Ranking
Gambier Earth Movers	10	10	10	10	10	10	7	10	9	86	1
SMB Civil	7	1	1	1	1	10	7	8	1	37	4
Lucas	10	10	1	1	1	10	9	10	1	53	2
ODT	7	10	5	1	1	10	9	1	7	51	3

Tenderer	Price (exc GST)
Gambier Earth Movers	\$ 1,305,870.00
SMB Civil	\$ 2,303,405.00
Lucas	\$ 4,856,160.00
ODT	\$ 3,491,220.55

- (h) Discussion: In this instance, GEM are clearly the cheapest tenderer and also provided the most comprehensive and complete tender submission. GEM have previously constructed Cell 1 and also Cell 2 (two separate contracts) and have demonstrated their ability to do the job.

moved:

- (a) The report be received;
- (b) Council receive and note the Risk Assessment prepared and documented for the Caroline Landfill tender project (AF13/303);
- (c) Council note that the tender amount for this project is significantly less than the budgeted amount and further note that this may provide an opportunity to undertake more work than originally envisaged as part of this tender;
- (d) Council notes its liability with uncrushed inert material (legacy waste) and approves further expenditure of up to \$150,000 from the Account 7670.5701 to go towards the crushing of this material (which is in addition to the current budget allocation of \$50,000 in Account No.6410.0890);
- (e) Council appoint Mr Daryl Sexton, Director - Operational Services as the Superintendant for the contract (AF13/303) and grants authority for the Director - Operational Services to authorise all progress payments and variations for the contract;
- (f) The Director - Operational Services, in conjunction with the Presiding Member of the Operational Services Committee and the portfolio holder for Waste Management, Cr Des Mutton, be authorised to negotiate additional works on either Cell 3 construction or Cell 1 and Cell 2 capping but the final contract works not to exceed \$1,850,000 less any costs associated with preparing Cells 1 and 2 for Capping and other matters referenced in this report;

Agenda for Special Meeting of Council, Wednesday, 12th June 2013 cont'd...

- (g) Council award Tender AF13/303 to Gambier Earth Movers at a price of \$1,305,870 (excluding GST) with works to be carried out in accordance with Tender Specification AF13/303 and EPA requirements (noting the variations that may be negotiated in accordance with part (f) of this resolution).

seconded

6. CONSIDERATION FOR KEEPING MATTERS CONFIDENTIAL

moved that an order be made pursuant to Section 91(7) of the Local Government Act 1999 that the documents in relation to the following items which have been considered by the Council on a confidential basis pursuant to Section 90 (3) be kept confidential as follows:

ITEM NO.	SUBJECT MATTER	ELEMENT TO BE KEPT CONFIDENTIAL	DURATION, CIRCUMSTANCES OR REVIEW
5.	FINANCIAL MANAGEMENT - Consideration of Tenders - Construction of Cell 3 and Capping Part of Cells 1 and 2 - Caroline Landfill - Ref. AF13/303	All details except successful tenderer	12 months

seconded

Meeting closed at _____ p.m.
TLG

PRUDENTIAL REPORT

STAGE 3, CAROLINE LANDFILL DEVELOPMENT

Introduction

Council has planned to undertake the construction of Cell 3 at the Caroline Landfill as well as place “capping” over a substantial portion of existing Cell 1 and Cell 2 over the two (2) financial years 2013/2014 and 2014/2015.

It is anticipated that the capital costs will be in the order of \$4 million.

Section 48 of the Local Government Act 1999 “Prudential Requirements for Certain Activities” requires that a Council must consider a report that addresses a range of prudential issues that relate to certain projects that exceed, or are likely to exceed a capital cost of \$4 million.

History of Project

The Caroline Landfill, on Vorwerk Road within the District Council of Grant is wholly owned and operated by the City of Mount Gambier. Landfilling operations commenced in 1997, and this landfill was the first “engineered” landfill in South Australia.

By legal definition (Environment Protection Act), this landfill is deemed to be a “major landfill” and is subject to a licence issued by the Environment Protection Authority (EPA). All expansion activities and operational activities are subject to EPA Authorisation.

For several years prior to commencement of landfilling activities and since the opening of the site, Council has undertaken extensive annual groundwater testing (by consultants URS) to monitor the “health” of the underlying aquifers. The landfill sits above an unconfined and confined aquifer.

The landfill was subject to formal Development Approval prior to the original construction and since commencement of landfilling operations there have been no complaints received about the operation of the landfill. In the early years of operation, there was an issue with wind blown refuse escaping to the neighbouring plantations, but the site perimeter trees have now grown to a height that has eliminated this issue.

Two other Councils, including the District Council of Grant and a number of private refuse contractors access the site and the activity is a substantial revenue raising operation for the City of Mount Gambier.

The Report

Council’s Long Term Financial Plan provides for \$4 million over the financial years 2013/2014 and 2014/2015 to further develop the Caroline Landfill.

Section 48 of the Local Government Act 1999 requires Council to consider a number of matters, and these are addressed in the following sections.

(a) the relationship between the project and relevant strategic plans.

The Strategic Plans relevant to this project are:

(i) LOCAL

City of Mount Gambier - Strategic Management Plan - Beyond 2015.

Vision

Mount Gambier is the most liveable City in Australia, where the people in the community are secure, prosperous, healthy and valued.

Mission

To serve the people who live in and visit our City by working with our communities to ensure safety, access, equity and continuous improvement in infrastructure, planning, services and governance.

Goal: Building Communities

- Strive for an increase in services and facilities to ensure the community has equitable access and that the identified needs of the community are met.
- Encourage the development of community facilities and infrastructure, community events and active and safe community spaces through direct support, seeking funding, facilitation etc.
- The identified needs of the community are met, through implementing Long Term Asset Management Plans and Infrastructure Plans.

Goal: Securing Economic Prosperity

- Foster the expansion of commerce and industry in a sustainable manner, considering industry, employment and climate change impacts, and enhance our positioning as the major centre for the region.
- Provide infrastructure and facilities that contribute to Mount Gambier being able to enhance its economic base and quality of life.

Goal: Environment

- Systematically build Council as an environmentally sustainable organisation.
- Plan and implement infrastructure to protect and enhance the natural and built environment, including a response to climate change influences.
- Support initiatives that value and preserve our unique environment and contribute to environmental sustainability.

Goal: Governance

- Evaluate the effectiveness of all service delivery initiatives against the returns and/or benefits to the community.

City of Mount Gambier - Corporate Plan 2012

Goal: Building Communities

- Continue to provide an efficient and high performance kerbside household waste and recycling Service.
- Develop and manage sustainable infrastructure including roads, footpaths and drains.
- Increase the design and operational capacity of the Engineering Division (for a period of three years) to manage major capital projects i.e. former

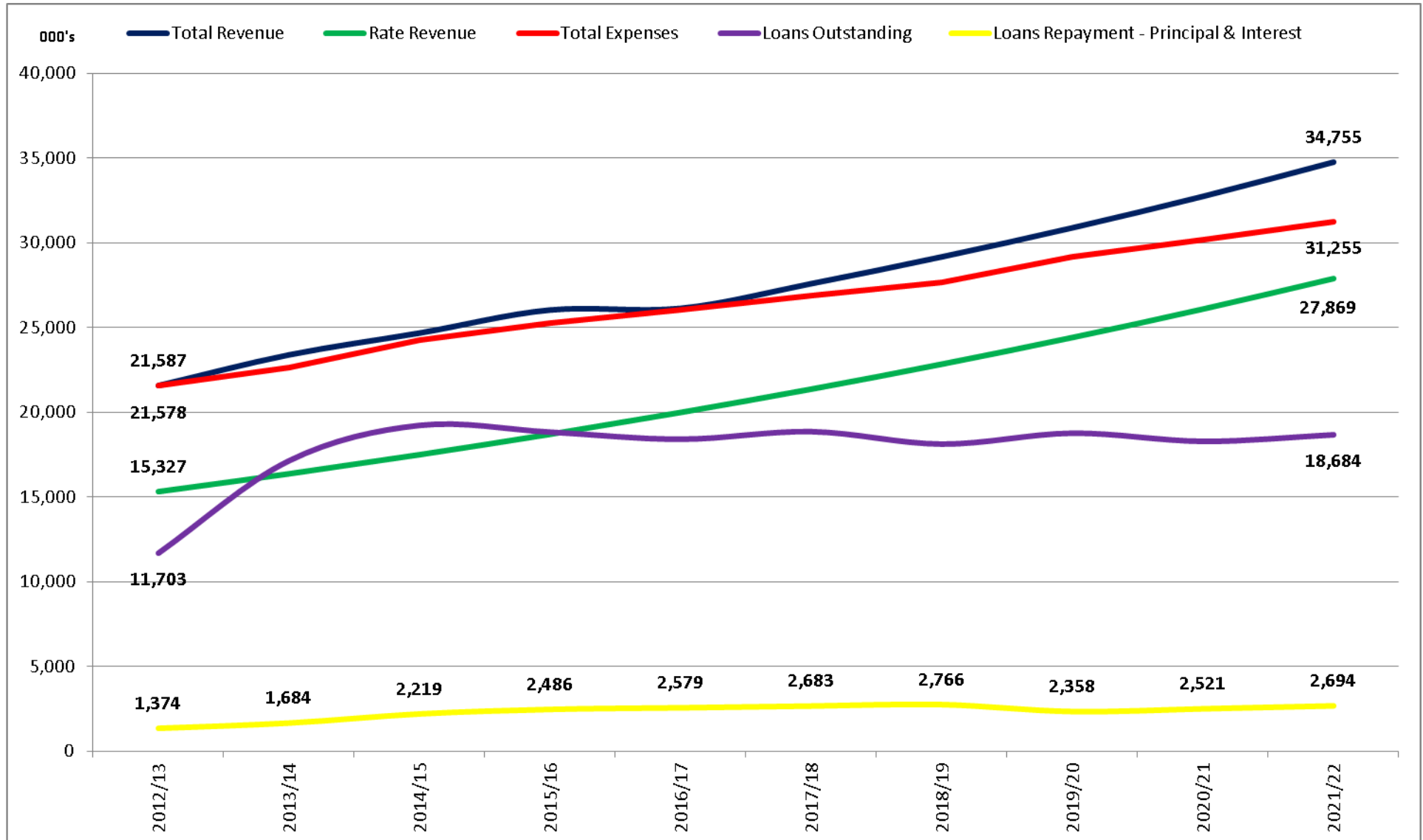
- hospital and railway lands and projects associated with Federal Government funding.
- Ensure all Council owned buildings and properties are maintained fit for purpose as defined in the Long Term Asset Management Plan.

City of Mount Gambier Long Term Financial Plan

The following table is included in Council's Long Term Financial Plan.

<u>Year</u>	<u>Capital Works Project</u>	<u>Loan Amount</u> \$	<u>Annual Loan Amount</u> \$	<u>Cumulative</u> \$
2012/2013	CBD Redevelopment	1,000,000		
	Bus Facilities	150,000		
	Aquatic Centre (gas conversion)	300,000		
	Railway Lands (grant funding only)		1,450,000	1.45m
2013/2014	Caroline Landfill	2,000,000		
	Former Hospital Precinct	2,500,000		
	CBD Redevelopment	620,000		
	Railway Lands	1,300,000		
			6,420,000	7.87m
2014/2015	Caroline Landfill	2,000,000		
	CBD Redevelopment	550,000		
	Former Hospital Precinct	700,000		
			3,250,000	11.12m
2015/2016	CBD Redevelopment	900,000		
			900,000	12.02m
2016/2017	CBD Redevelopment	500,000		
	Future Projects *	500,000		
			1,000,000	13.02m
2017/2018	CBD Redevelopment	300,000		
	Future Projects *	1,700,000		
			2,000,000	15.02m
2018/2019	Future Projects *	1,000,000		
			1,000,000	16.02m
2019/2020	Future Projects *	2,000,000		
			2,000,000	18.02m
2020/2021	Future Projects *	1,000,000		
			1,000,000	19.02m
2021/2022	Future Projects *	2,000,000		
			2,000,000	21.02m

Council has considered the long term implications of the construction and operation of the Caroline Landfill. These considerations (together with all other known expenses and revenues) are summarised in the following graph.



City of Mount Gambier Asset Management Plan

The Caroline Landfill is recognised in Council's Infrastructure and Asset Management Plan. Its estimated replacement cost is based on historical build costs (this approach is supported by the URS study undertaken in December 2007 entitled "Economic Analysis of Caroline Landfill". Council depreciates the landfill at \$28,000 per annum (currently)). These costings will alter significantly following the proposed capital involvement for Cell 3 and capping of Cells 1 and 2 (part), and the impact has been recognised in Council's Long Term Financial Plan.

(ii) **REGIONAL**

At the time of preparing this report there is no adopted Regional Waste Strategy or Plan, although this issue has been subject of several previous studies.

(iii) **STATE**

The most recent version of the SA State Plan is 2011.

Under the heading of "Attaining Sustainability" it is noted in the 2011 update:

"Waste to landfill has reduced every year since the target was first set and is on track for a 25% reduction by 2014".

The waste entering Caroline Landfill has increased over the last three years, reflecting the closure of smaller and/or unlicensed landfills in the region and now has regional waste entering the site.

Vision: South Australians think globally, act locally and are international leaders in addressing climate change.

Target 59: Greenhouse gas emissions.

Capping of current cells will reduce leachate production and also reduce green house gas production.

Target 67: We aim for zero waste - recycling, reusing and reducing consumption all we can.

Reduce waste to landfills by 35% by 2020.

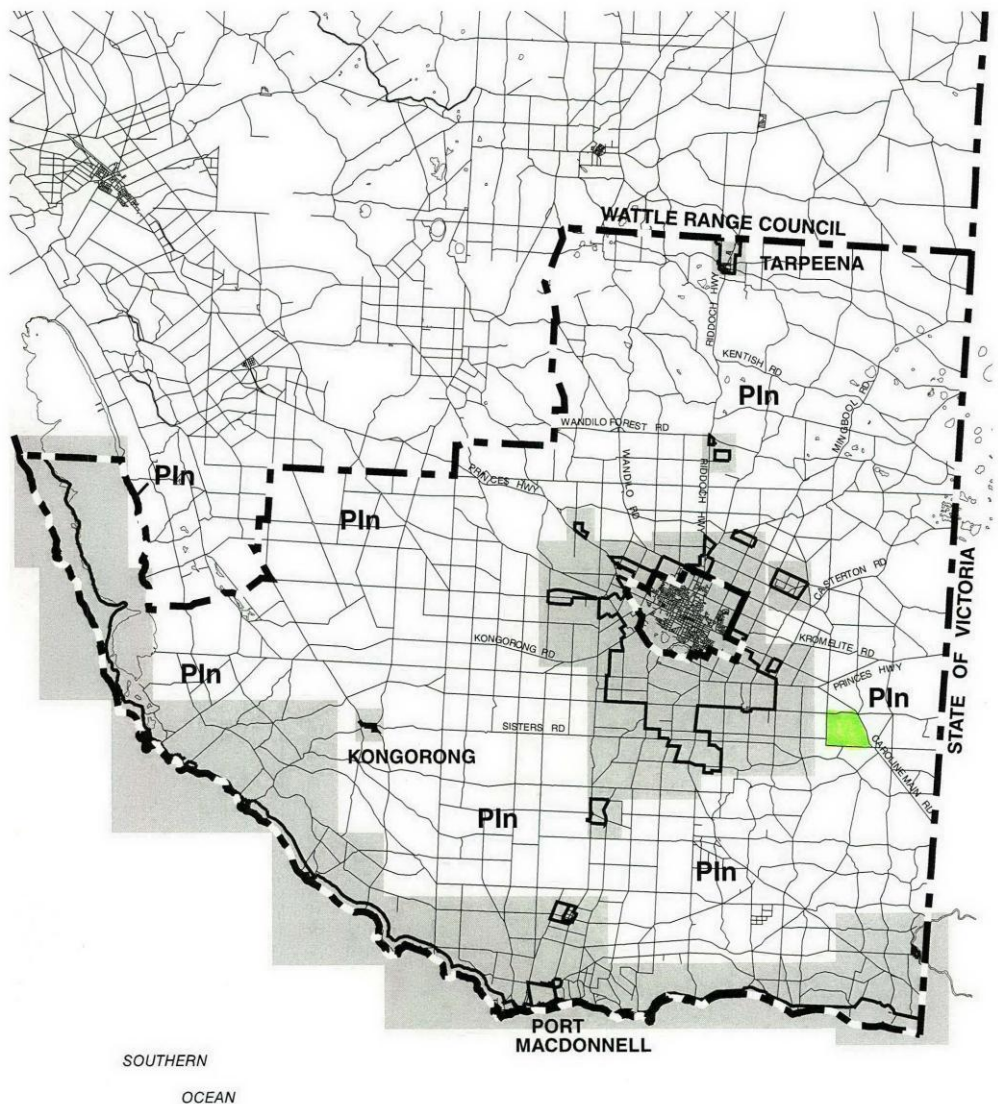
This target requires the provision of engineered landfills for the foreseeable future.

(iv) **FEDERAL**

A google search of the Australian Government websites failed to find any references to the Australian Governments strategic directions (if any) for landfills.

(b) ***the objectives of the Development Plan in the area where the project is to occur.***




The site of the Caroline Landfill is located on Vorwerk Road, Yahl and is located within the District Council of Grant Local Government Area.



NOTE : See Index Map Gra/2 for shaded areas
 Pin Primary Industry

Scale 1:350000



-  Referred To Elsewhere In The Development Plan
-  Zone Boundary
-  Development Plan Boundary

GRANT (DC) ZONES MAP Gra/3

Consolidated - 17 January 2013

The Caroline Landfill site is currently located within the Primary Industry Zone as identified on Grant (DC) Zones Map Gra/3, contained within the Grant (DC) Development Plan - consolidated 17th January 2013.

There are no additional policy areas or overlays that apply to the landfill site.

Council has been advised by the District Council of Grant (relevant authority pursuant to the Development Act 1993) that the commencement of Cell 3 at the landfill site, is a continuing development and is in accordance with the development approval granted in 1993 (Development Application 382/C019/93). Therefore, no further approvals are required under the Development Act 1993. Please refer to District Council of Grant correspondence dated 19th August 2013 (TRIM - AR13/22984).

The objectives of the Primary Industry Zone are:

Objective 1: A zone primarily for general farming, horticulture and commercial forestry which retains the existing pleasant rural landscape.

The Primary Industry Zone contains broadacre farming units and exhibits large land holdings which reflect the agricultural and pastoral activities associated with the high level of crop and livestock production of the region. It should contain land holdings of various sizes which promote the continuation of these activities and which retains the farming, horticultural and forestry production exhibited throughout the primary Industry Zone.

Objective 2: Accommodation of wind farms and ancillary development.

Wind farms and ancillary development such as substations, maintenance sheds, access roads and connecting powerlines (including to the National Electricity Grid) are envisaged within the zone and constitute a component of the zone's desired character. These facilities will need to be located in areas where they can take advantage of the natural resource upon which they rely and, as a consequence, components (particularly turbines) may need to be:

- (a) located in visually prominent locations such as ridgelines;
- (b) visible from scenic routes and valuable scenic and environmental areas; and
- (c) located closer to roads than envisaged by generic setback policy.

This, coupled with the large scales of these facilities (in terms of both height and spread of components), renders it difficult to mitigate the visual impacts of wind farms to the degree expected of other types of development. Subject to implementation of management techniques set out by general/council wide policy regarding renewable energy facilities, these visual impacts are to be accepted in pursuit of benefits derived from increased generation of renewable energy.

The Caroline Landfill is an existing use within the District Council of Grant. The addition of Cell 3 at the landfill site, will not impact on the existing pleasant rural landscape and will not compromise the envisaged land uses within the Primary Industry zone, being general farming, horticulture and commercial forestry.

- (c) ***The expected contribution of the project to the economic development of the local area, the impact that the project may have on business carried out in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place.***

This is a continuation of an existing project. The construction of Cell 3 will ensure the ongoing provisions of a suitable waste disposal site in the Lower South East. This site does not operate in competition with any other site in the region, it is not a new business venture and is an essential service to allow businesses in these Council areas to operate (i.e. the City of Mount Gambier, District Council of Grant and Wattle Range Council all contribute their household and business waste to this landfill).

All the surrounding businesses in close proximity to the landfill site are rural based activities with Commercial Forestry to the eastern and southern boundary and farming to the northern and western boundaries. None of these activities are affected by the operation of the landfill.

Whilst the landfill is a 'monopoly', there is no reason why any other person or organisation cannot establish a similar operation elsewhere. The City of Mount Gambier can realistically provide a landfill for its own purposes only, or it can provide a service to a wider catchment.

- (d) ***The level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the news by which the community can influence or contribute to the project or its outcomes.***

This site was subject to formal Development Approval in the mid 1990's and has since been operated in accordance with a valid planning approval. The relevant Planning Authority (District Council of Grant) have advised that no further planning approvals are required for Cell 3 construction or cell capping. This facility is not open to the general public, and Council has not received any complaints from neighbours to the site.

The site is heavily screened from public view.

- (e) ***If the project is intended to produce revenue, revenue projections and potential financial risks.***

(refer 'Overview' and 'Revenue Analysis' below)

- (f) ***The recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements.***

(refer 'Overview' and 'Whole of Life Costs' below)

- (g) ***The financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council.***

(refer 'Overview' and 'Whole of Life Costs' below)

Overview

The project, as explained in the introduction, incorporates the construction of an additional (third) cell at the existing Caroline landfill and the capping of substantial parts of the two existing landfill cells.

The project is estimated to cost \$4m, is provided for in Council's Long Term Financial Plan (LTFP) (\$2m in both the 13/14 and 14/15 financial years) and is to be funded totally by way of loan borrowings.

Council's LTFP was the subject of extensive public consultation process during 2012 and adopted by Council in December, 2012.

Council's 2013/14 Budget includes an allocation of \$2m (funded by loan borrowings) to commence this project.

Again, Council's 2013/2014 Business Plan and Budget process was subject to an extensive public consultation process and adopted on 2nd July, 2013.

Revenue Analysis

1. Being a regional landfill, used under agreement by other regional Councils as well as the City of Mount Gambier, the facility will generate significant revenue.

Councils current Budget provides of operating revenue of \$1.4m associated with landfill fees.

The current use agreement with other Councils provides for an annual Local Government Price Index (LGPI) increase and also the ability to on-charge any extraordinary costs that may arise such as major increases in the solid waste levy, carbon tax etc etc.

2. Potential risks associated with landfill revenue include:
 - significant failure of the landfill rendering it unfit for use;
 - neighbouring Council's withdrawal from the use agreement;
 - Council amalgamations;
 - Development of alternate waste disposal facilities.

Whole of Life Costs

1. The anticipated 'life' of the new landfill cell is estimated to be eight (8) years.
2. Current landfill operating costs are estimated at \$345,000 per annum which is anticipated to be increased by LGPI notwithstanding any unforeseen, additional financial impacts.
3. In addition, the other major operating cost is the State Government solid waste levy which is estimated to be \$468,000 this financial year. (\$25 per tonne)

This levy has increased significantly over recent years with an 18% increase experienced this past financial year.

An annual indexation of 18% has been applied to the current fee for the initial three years of the cell life, then the LGPI rate for the remainder of the life of the cell.

4. The projects estimated cost of \$4m is proposed to be fully funded by loan borrowing - \$2m in the 2013/2014 (current) financial year and \$2m in the following financial year utilising Council Cash Advance Debenture (CAD) loan facility (currently 5% p.a.).
5. Council's landfill asset is recognised as an intangible asset (landfill airspace) of Council.

The value of the asset changes over time, initially being an intangible asset but over time as the airspace is consumed and the landfilling continues to completion the landfill's value shifts to a tangible asset, being the value of the land.

The portion of landfill airspace transferred from intangible assets to tangible assets in a reporting period is calculated as the tonnes of airspace consumed in the reporting period divided into the tonnes of airspace available at the beginning of the reporting period (amortisation).

6. Potential risks associated with landfill operating expenditure include:
 - significant additional expenditure i.e. extreme wet weather, bushfire etc;
 - increased EPA licensing conditions or increased State Government Levy;
 - a change in environmental parameters i.e. leachate, groundwater controls etc;
 - emissions trading scheme - impact;
 - sourcing of cover materials;
 - closure of other facilities, increasing volumes to the Council facility

(some of the identified risks would also have a corresponding impact on revenue)

7. The attached table provides a consolidated, detailed financial analysis of the project, on a whole of life basis.

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Total
Income									
Operating	1,400,000	1,439,200	1,479,498	1,520,924	1,563,509	1,607,288	1,652,292	1,698,556	12,361,266
Expenses									
Operating	345,000	354,660	364,590	374,799	385,293	396,082	407,172	418,573	3,046,169
Waste Levy	468,000	552,240	651,643	768,939	790,469	812,602	835,355	858,745	5,737,994
Loan P&I	612,792	612,792	612,792	612,792	612,792	612,792	612,792	612,792	4,902,336
									13,686,499
Surplus/Deficit									-1,325,234

Drivers	
LGPI	2.80%
Levy Inc	18.00% Years 2-4
Levy Inc	2.80% Years 5-8
Int Rate	5.00%

Notes:	<ul style="list-style-type: none"> • Income has been projected over the life of this project in line with the Local Government Price Index (LGPI). • Operating expenses have been projected for the project life with LGPI increases. • Waste Levy has been increased at a rate of 18.0% p.a. for years 2 - 4 and then has been increased in line with the LGPI for the remaining years to allow for EPA variations to licence requirements and levies. • Loan calculations have been based on a loan of \$4,000,000 over 8 years at a rate of 5.0% p.a. • Repayments are made half yearly resulting in an annual payment of \$612,792 to cover principle and interest over 8 years. • Interest expense for this project is estimated to be \$902,336.
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Financial Viability of Project

1. The Local Government Act, 1999, provides that the role of Council includes “to promote and coordinate various public resources and facilities to develop its community and resources in a socially just and ecologically sustainable manner”.

Waste management and in particular waste disposal/landfill is an essential service and a core activity of local government.

Council therefore has displayed leadership and taken responsibility for the provision of its own waste management infrastructure.

2. This project, the associated expenditures and revenues in addition to the impact on Councils debt position have all been factored in the Long Term Financial Plan.

Whilst having a short term impact on the financial position of Council there is the ability to also recover significant revenues that will assist the net financial position of Council.

(h) Any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate these risks (including by the provisions of periodic reports to Chief Executive Officer and to the Council).

Please refer to the attached risk assessment which will also be provided to Council at the time of consideration of tenders.

Beyond what has been identified in the attached risk assessment, the other risk that needs to be considered is environmental risks during the operational phase of the landfill.

This landfill is an EPA licensed site and is therefore subject to a range of requirements for testing groundwater, controlling leachate and landfill gas.

Council is currently required to monitor groundwater and leachate twice per year and submit an annual report to the EPA.

This high level of testing and reporting will indicate any landfill operational issues that have an environmental impact. These reports are always presented to Council for consideration.

Oversighting of the construction and operation of the landfill by the EPA provides a high level of confidence to Council for risk mitigation for the project.

(i) *The most appropriate mechanism or arrangements for carrying out the project.*

The project is for the construction of Cell 3 and part capping of Cell 1 and Cell 2 at the Caroline Landfill.

This is specialised work requiring heavy earthmoving equipment.

The most appropriate mechanism for Council to use to carry out the project is to prepare a detailed specification and plans and use an open tender process.

Tenders should be assessed on a number of criteria, including price but also addressing issues such as previous experience, experience of key personnel, financial capacity to complete works, ability to undertake works in a reasonable time frame, their Work, Health and Safety policies, procedures and track record.

An open, and public tender process will allow all capable contractors to fairly bid for this project together with a rigorous assessment process to determine a winning tender.

Sensitivity Analysis

Whilst the scope of the project is clearly identified and well specified in plans and written documentation, at this time there is a degree of uncertainty about the value of the work.

Very recent experience with other major works subjected to a public tender process (e.g. Rail Lands) has indicated tender price variations up to nearly 20 times for the same work! This order of magnitude is well beyond what could typically be expected with a sensitivity analysis!

The anticipated cost of the project is \$4 million over two financial years. Based on recent experience the final tender price could quite easily be -20% to +300%.

Adopting a +/- 20% spread of costs, the total cost could vary between \$3.2 million and \$4.8million. Ultimately Council may need to assess its revenue stream (i.e. waste disposal charges) once the project cost is known. The price/tonne of refuse may vary.

The current cost of disposal at Caroline Landfill is \$100/tonne (plus GST).

Total waste to landfill is approximately 18,000 tonnes per annum, of which approximately 5,500 tonnes is kerbside bins from the City which does not generate a revenue stream, therefore approximately 12,500 tonnes is charged at \$100/tonne per annum.

If the contract awarded is \$4 million (or less) as estimated, the gate charge of \$100/tonne will not alter. If the contract is 20% above the estimate then an increase in gate charge is highly likely, which could be in the order of 20% to say \$120/tonne.

This is a simplified model but demonstrates that Council has the facility to deal with increased construction costs if needed.

It should be noted that the construction standards of Cell 3 and Cell 1 and 2 capping system is a product of imposed legislation and is not a matter for any significant variations. The design standards imposed by legislation (rather than engineering design) includes significant factors of safety to mitigate risk. The community is required to meet the financial costs of this legislation, irrespective of its ability to pay and therefore Council has every right to ensure gate charges reflect the very high environmental design standards, imposed by legislation, for this project.

Summary

The City of Mount Gambier is very experienced in owning and operating fully engineered landfills and has a proven track in both constructing (using specialised private contractors) and operating a modern facility.

The design standards required to be met are set by legislation and Council has considered both the capital costs and ongoing operational costs of this facility in its Long Term Financial Plan, Asset and Infrastructure Plans and its annual Budget.

As the only engineered landfill in the South East of South Australia it is not subjected to competition from other sources and will always be required to serve the needs of the City, in addition to the ability to earn revenue from "outside" sources such as other Councils and private contractors.

Council has the financial capacity to undertake this project, it understands the risks associated with both the construction and operational aspects of the project and has a number of oversight controls in place to ensure construction standards are met and ongoing operations accord with legislation, in addition to monitoring of environmental factors.

Council should feel very comfortable in proceeding with this project.

This report was prepared by:

Daryl SEXTON	Director - Operational Services
Grant HUMPHRIES	Director - Corporate Services
Gary BUTTON	Finance Manager

September 2013

CAROLINE LANDFILL RISK ASSESSMENT- Cell 3 Construction and capping cells 1 & 2

Stage	Risk	Likelihood	Consequence	Risk Rating	Action	Revised Likelihood	Revised Consequence	Revised Risk Rating	Action by Whom	For consideration at stage ??
Project Initiation										
1	No EPA Approval in place or delayed	Possible	Moderate	High	Keep in close communication with EPA, design in accordance with EPA guidelines, reduces risk of dispute	Possible	Minor	Medium	Council	Pre Tender
2	Inadequate contract documentation	Unlikely	Moderate	Medium	Use MLS layout, Technical aspects by consultants, refer to previous contracts	Unlikely	Minor	Low	Council	Pre Tender
3	Tender prices exceed budget	Possible	Moderate	High	Detailed specification and good quality documentation	Possible	Moderate	High	Council	Tender
4	Development approval delayed or not issued	Unlikely	Minor	Low	Early submission to DC Grant	Unlikely	Minor	Low	Council	Pre Tender
5	Delays with consultants preparing plans etc	Unlikely	Moderate	Medium	set deadlines for documentation, monitor progress	Unlikely	Minor	Low	Council	Pre Tender
6	Contractor/s unable to secure adequate supply of clay at correct specification	Possible	Moderate	High	Clear guidance in specification, contractor to provide clear advice in tender re security of access and details of surveys to assess quantity	Unlikely	Moderate	Medium	Council Contractor	Tender
7	Contractor does not meet environmental/ worksafe controls with his compound at the	Unlikely	Minor	Low	Inspect compound prior to works starting, check bunding for fuel and site amenities for employees	Unlikely	Minor	Low	Council Contractor	Mobilisation
8	Inadequate traffic management	Possible	Minor	Medium	Require Traffic management plan for Council approval prior to site occupation, requirement of specification	Unlikely	Minor	Low	Council Contractor	Tender
Cell 3 Construction										
1	Delayed start due to wet weather - delays completion date	Possible	Minor	Medium	Not a lot can be done!! Ensure construction extends as long as possible into autumn and beyond if needed	Possible	Minor	Medium	Council Contractor	Construction
2	Hard rock and/or unknown soil conditions	Possible	Minor	Medium	Prior works and site knowledge suggest this will not be a major issue	Possible	Minor	Medium	Contractor	Construction
3	Contractor unable to dedicate enough equipment to project	Possible	Minor	Medium	Contractor to specify plant availability in tender together with works schedule, one of the tender assessment measures	Unlikely	Minor	Low	Contractor	Construction
4	Wet weather delays project	Possible	Minor	Medium	Schedule works to keep some tasks available that can be done during light rain	Possible	Minor	Medium	Contractor	Construction
5	Contractor runs out of clay/ unable to transport quickly	Unlikely	Moderate	Medium	Refer 6 under Project Initiation and 3 above, ensure contractor dedicates enough plant	Unlikely	Minor	Low	Contractor	Construction
6	Contractor faces financial hardship	Possible	Moderate	High	Due diligence at Tender Stage	Unlikely	Moderate	Medium	Council	Tender
7	EPA "change the rules"	Unlikely	Moderate	Medium	Keep EPA informed of progress, build close relationship	Unlikely	Minor	Low	Council	All Stages
8	Council has difficulty with achieving Level 1 Supervision	Unlikely	Minor	Low	Council to dedicate resources to project, give project high priority	Unlikely	Minor	Low	Council	Construction
9	High fire danger delays works	Possible	Minor	Medium	Keep site fire safe, Contractor has appropriate procedures in place	Unlikely	Minor	Low	Council Contractor	Construction
10	Delays experienced with materials and/ equipment	Possible	Minor	Medium	Ensure Contractor has ordered all equipment in timely manner and has sourced and has available all materials	Unlikely	Minor	Low	Contractor	Construction
11	Contractor unable to achieve designated moisture content and/or clay compaction	Possible	Moderate	High	Assess contractors previous experience with this type of work and check personnel CV's to assess their experiences	Unlikely	Moderate	Medium	Contractor	Construction
12	Fault found with design and/or specification	Unlikely	Minor	Low	Consultants to review plans and specifications before sending.	Unlikely	Minor	Low	Council	All Stages
13	Error with site setout and/or levels	Unlikely	Moderate	Medium	All set out to be carried out by licensed surveyors	Unlikely	Minor	Low	Contractor	Construction

14	On site safety not in accordance with contractors Policy	Possible	Minor	Medium	Council to audit work site at random intervals against policy of contractor	Unlikely	Minor	Low	Council	Construction
15	Cell 3 not ready for tipping prior to Cell 2 being filled	Possible	Moderate	High	Seel EPA approval to over fill Cell 1 and 2 in short term	Possible	Minor	Medium	Council	Construction
16	Groundwater pollution event through testing bore decommissioning not being	Possible	Moderate	High	Use only specialist and licensed company to do work	Unlikely	Moderate	Medium	Council	Pre construction

Capping Cells 1 & 2

1	Delayed start due to wet weather - delays completion date	Possible	Minor	Medium	Not a lot can be done!! Ensure construction extends as long as possible into autumn and beyond if needed	Possible	Minor	Medium	Council Contractor	Construction
2	Contractor unable to dedicate enough equipment to project	Possible	Minor	Medium	Contractor to specify plant availability in tender together with works schedule	Unlikely	Minor	Low	Contractor	Construction
3	Wet weather delays project	Possible	Minor	Medium	Schedule works to keep some tasks available that can be done during light rain	Possible	Minor	Medium	Contractor	Construction
4	Contractor runs out of clay/unable to transport quickly	Unlikely	Moderate	Medium	Refer 6 under Project Initiation and 3 above, ensure contractor dedicates enough plant	Unlikely	Minor	Low	Contractor	Construction
5	Contractor faces financial hardship	Possible	Moderate	High	Due diligence at Tender Stage	Unlikely	Moderate	Medium	Council	Tender
6	EPA "change the rules"	Unlikely	Moderate	Medium	Keep EPA informed of progress, build close relationship	Unlikely	Minor	Low	Council	All Stages
7	Council has difficulty with achieving Level 1 Supervision	Unlikely	Minor	Low	Council to dedicate resources to project, give project high priority	Unlikely	Minor	Low	Council	Construction
8	High fire danger delays works	Possible	Minor	Medium	Keep site fire safe, Contractor has appropriate procedures in place	Unlikely	Minor	Low	Council Contractor	Construction
9	Contractor unable to achieve designated moisture content and/or clay compaction	Possible	Moderate	High	Assess contractors previous experience with this type of work and check personnel CV's to assess their experiences	Unlikely	Moderate	Medium	Contractor	Construction
10	Fault found with design and/or specification	Unlikely	Minor	Low	Consultants to review plans and specifications before sending.	Unlikely	Minor	Low	Council	All Stages
11	Existing fill to "soft" to allow design compaction to be obtained	Possible	Moderate	High	Assess contractors previous experience with this type of work and check personnel CV's to assess their experiences, Contractor to engage expert advice	Possible	Minor	Medium	Contractor	Construction
12	Site access issues due to in situ moisture.	Possible	Minor	Medium	Contractor to allow for and build access roads	Unlikely	Minor	Low	Contractor	Construction
13	On site safety not in accordance with contractors Policy	Possible	Minor	Medium	Council to audit work site at random intervals against policy of contractor	Unlikely	Minor	Low	Council	Construction
14	complying fill	Unlikely	Minor	Low	Contractor to verify he has access to suitable fill	Unlikely	Minor	Low	Contractor	Tender
15	Issues arise with landfill gas	Possible	Moderate	High	Provide contractor with recent monitoring reports and access to Councils consultants. Contractor to prepare Safe Work Procedures and undertake appropriate risk analysis.	Possible	Minor	Medium	Council Contractor	Construction

CITY OF MOUNT GAMBIER

Minutes of Special Meeting of Council held Wednesday, 2nd October 2013 at 6.06 p.m.

CONSIDERATION FOR EXCLUSION OF PUBLIC

Cr Smith moved that the following Items be received, discussed and considered in confidence by excluding the public pursuant to Section 90 (2) of the Local Government Act 1999, and an order be made that the public (with the exception of other Council Members and Council Officers now present) be excluded from the meeting in order for the items to be considered in confidence as the Council is satisfied that the item is a matter that can be considered in confidence pursuant to the grounds referenced in Section 90 (3) of the said Act:

ITEM NO.	SUBJECT MATTER	S90(3) GROUNDS
4	<u>FINANCIAL MANAGEMENT</u> - Consideration of Tenders - Construction of Cell 3 and Capping Part of Cells 1 and 2 - Caroline Landfill - Ref. AF13/303	(k)
	CONSIDERATION FOR KEEPING MATTERS CONFIDENTIAL	

Cr Von Stanke seconded

Carried

IN CONFIDENCE

4. **FINANCIAL MANAGEMENT - Consideration of Tenders - Construction of Cell 3 and Capping Part of Cells 1 and 2 - Caroline Landfill - Ref. AF13/303**

The Director - Operational Services reported:

- (a) Council has allocated \$2 million in its current Budget (Account No. 7670.3701) and has 'flagged' (refer to Long Term Financial Plan) another \$2 million in 2014/2015 to undertake the construction of Cell 3 and the Capping of Cell 1 and 2 (in part) at the Caroline Landfill;
- (b) all the works are subject to Environment Protection Authority (EPA) approval and at the time of preparing this report, EPA approval is still pending (the approval process may change the scope of works, and hence the price but this may well be beyond the control of Council);
- (c) Council has considered a Prudential Report for this project and also attached to the agenda is a Risk Assessment for this project;
- (d) consultants, URS, have prepared the design plans for the Capping and new Cell construction and these have been used for tendering and EPA approval. Members should note that proposed new Cell 3 is in the order of 22,500 m² but it is only proposed to fully develop about a third of the Cell at this time (i.e. Cell 3A - refer drawing 003 in agenda). Cell 3B and 3C are proposed to have a 400mm clay liner, leaving a further 600mm plus the drainage layer to be constructed at a later time. The reason this has been done is to minimise leachate production;
- (e) the extent of the capping of existing Cells 1 and 2 has been specified, but depending on final survey and EPA requirements it may be possible to extend the scope of works;
- (f) in addition to the tender price, Council will have other costs to meet including Level 1 Supervision, preparing Cells 1 and 2 up to the level of interim cover (prior to placement of the final capping), any costs above the prime cost items (where applicable), new access road to Cell 3A and site fence relocation on southern boundary of landfill;
- (g) tenders have been invited (open call) and received for the works. A simple tender evaluation matrix has been prepared for Councils consideration (this will be available at the meeting). A simple matrix was used in this instance because with the exception of the submission by Gambier Earth Movers (GEM), tender submissions were generally somewhat poor and failed to address the 18 key issues set out in the specifications and tender documents.

The Evaluation Matrix (together with tender prices) is set out below:

Attribute Tenderer	Past Experience	WHS Management	Clear Evidence of Availability of Clay	Traffic Management	Hard Rock Defined?	Plant & Equipment	Financial Capacity	Bill of Quantities	Time Frames	Total	Ranking
Gambier Earth Movers	10	10	10	10	10	10	7	10	9	86	1
SMB Civil	7	1	1	1	1	10	7	8	1	37	4
Lucas	10	10	1	1	1	10	9	10	1	53	2
ODT	7	10	5	1	1	10	9	1	7	51	3

Tenderer	Price (exc GST)
Gambier Earth Movers	\$ 1,305,870.00
SMB Civil	\$ 2,303,405.00
Lucas	\$ 4,856,160.00
ODT	\$ 3,491,220.55

- (h) Discussion: In this instance, GEM are clearly the cheapest tenderer and also provided the most comprehensive and complete tender submission. GEM have previously constructed Cell 1 and also Cell 2 (two separate contracts) and have demonstrated their ability to do the job.

Cr White moved:

- (a) **The report be received;**
- (b) **Council receive and note the Risk Assessment prepared and documented for the Caroline Landfill tender project (AF13/303);**
- (c) **Council note that the tender amount for this project is significantly less than the budgeted amount and further note that this may provide an opportunity to undertake more work than originally envisaged as part of this tender;**
- (d) **Council notes its liability with uncrushed inert material (legacy waste) and approves further expenditure of up to \$150,000 from the Account 7670.5701 to go towards the crushing of this material (which is in addition to the current budget allocation of \$50,000 in Account No. 6410.0890);**
- (e) **Council appoint Mr Daryl Sexton, Director - Operational Services as the Superintendent for the contract (AF13/303) and grants authority for the Director - Operational Services to authorise all progress payments and variations for the contract;**

- (f) The Director - Operational Services, in conjunction with the Presiding Member of the Operational Services Committee and the portfolio holder for Waste Management, Cr Des Mutton, be authorised to negotiate additional works on either Cell 3 construction or Cell 1 and Cell 2 capping but the final contract works not to exceed \$1,850,000 less any costs associated with preparing Cells 1 and 2 for Capping and other matters referenced in this report;
- (g) Council award Tender AF13/303 to Gambier Earth Movers at a price of \$1,305,870 (excluding GST) with works to be carried out in accordance with Tender Specification AF13/303 and EPA requirements (noting the variations that may be negotiated in accordance with part (f) of this resolution).

Cr Mutton seconded

Carried

CONSIDERATION FOR KEEPING MATTERS CONFIDENTIAL

Cr Richardson moved that an order be made pursuant to Section 91(7) of the Local Government Act 1999 that the documents in relation to the following items which have been considered by the Council on a confidential basis pursuant to Section 90 (3) be kept confidential as follows:

ITEM NO.	SUBJECT MATTER	ELEMENT TO BE KEPT CONFIDENTIAL	DURATION, CIRCUMSTANCES OR REVIEW
4	<u>FINANCIAL MANAGEMENT</u> - Consideration of Tenders - Construction of Cell 3 and Capping Part of Cells 1 and 2 - Caroline Landfill - Ref. AF13/303	All details except successful tenderer	12 months

Cr Smith seconded

Carried

Meeting closed at 6.45 p.m.

LD