



Agenda

SOUTH WAIRARAPA DISTRICT COUNCIL

**19 KITCHENER STREET
MARTINBOROUGH**

**ORDER PAPER FOR AN EXTRAORDINARY MEETING
TO BE HELD IN THE
DISTRICT COUNCIL CHAMBERS,
KITCHENER STREET, MARTINBOROUGH
ON
18 January 2017**

**MEMBERSHIP OF COUNCIL
HER WORSHIP THE MAYOR**

Mrs Viv Napier

(Deputy Mayor Brian Jephson)

Cr P Ammunson
Cr L Carter
Cr P Colenso
Cr M Craig

Cr D Harwood
Cr P Maynard
Cr C Olds
Cr C Wright

**RECOMMENDATIONS IN REPORTS ARE NOT TO BE CONSTRUED AS
COUNCIL POLICY UNTIL ADOPTED BY COUNCIL**



SOUTH WAIRARAPA DISTRICT COUNCIL EXTRAORDINARY MEETING

AGENDA – 18 January 2017

Open Section

The meeting will be held in the South Wairarapa District Council Chambers, 19 Kitchener Street, Martinborough and will commence at 9.30am. The meeting will be held in public (except for any items specifically noted in the agenda as being for public exclusion).

- A1.** Karakia Timitanga
- A2.** Apologies
- A3.** Conflicts of interest
- A4.** Public participation

As per standing order 14.17 no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.

B. Decision Reports from Chief Executive and Staff

- B1.** Martinborough Town Hall Earthquake Strengthening

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SOUTH WAIRARAPA DISTRICT COUNCIL

18 JANUARY 2017

AGENDA ITEM B1

MARTINBOROUGH TOWN HALL EARTHQUAKE STRENGTHENING

Purpose of Report

To seek approval for an increase in project cost and loan amount.

Recommendations

Officers recommend that the Council:

1. *Receive the information.*
2. *Note resolution DC2016/15 approved a total project cost of \$5.1M, and that the scope of the project has remained unchanged since that resolution, and that this decision was noted as "significant".*
3. *Approve the addition of \$172,000 to the strengthening aspect of the project, including the loan amount (resulting in the full loan being \$1,072,000).*
4. *Note that as a consequence of recommendation 2, the total project cost budget will increase from \$5.1M to \$5.2M*
5. *Approve that any additional costs over the \$5.2M will not be a burden on the ratepayer, and that funds will need to be generated through cost savings and / or additional fundraising.*
6. *Note that cost risk has been mitigated as far as is practicable using the early contractor involvement process.*
7. *Note there are opportunities to further reduce the cost of materials through sponsorship*

1. Executive Summary

Resolution DC2016/15, 24 February 2016, approved the refurbishment and strengthening of the Martinborough Town Hall, and the construction of the Waihinga centre.

Final pricing has been received in relation to the strengthening and refurbishment of the Martinborough Town Hall, and the construction of the Waihinga Centre.

Final pricing is in line with previous estimates; however the strengthening aspect has increased by \$172K, from that resolved during approval of the 2013/14 Annual Plan and subsequent project resolutions, increasing from \$900K to \$1,072K.

The approvals sought will have the effect of increasing the overall project approval from \$5.1M to \$5.2M.

2. Background

Resolution DC2016/15 approved, among other recommendations, a total project cost of \$5.1M.

That resolution and the associated reports covered the substantive aspects of the project.

Little has changed from that paper, apart from receiving the final quotes. Final quotes have been received from Rigg Zschokke Ltd for the construction aspects, and final billing has been received for the design elements.

The project scope has remained unchanged since resolution DC2016/15.

There are two areas that are still under negotiation, being project management by Warren and Mahoney, and Holmes Consulting, and project monitoring by Rawlinsons. Estimates amounting to \$130,000 have been included in the final pricing.

The estimate for the strengthening aspect, approved as part of the 2013/14 Annual Plan process, has risen from \$900K to \$1,072K. This aspect is supported by a loan.

The substantial portion of this increase is the result of the formal geotechnical analysis, requiring foundations down to 1.6m rather than the 0.3m initially anticipated.

3. Discussion

3.1 Strengthening

As part of the 2012/22 Long Term Plan consultation, an "allowance" of \$900,000 was made for the earthquake strengthening of the Martinborough Town Hall.

The final design has a cost of \$1,072K. Note that the strengthening component includes both strengthening and general construction.

The final design requires foundations to a depth of 1.6m.

The strengthening aspect is funded by way of loan.

3.1.1. Loan funding options:

The following table outlines some loan funding options:

	Loan Amount (\$)	Interest Rate (%)	Term (years)	Annual Repayments (\$)	Total Repayments (\$)
Original	900,000	6.25	25	72,000	1,802,000
Recommended	1,072,000	4.50	25	72,000	1,807,000
Optional*	1,072,000	4.50	15	99,000	1,497,000

The following table outlines the rates impact:

	Loan Amount (\$)	Term (years)	Annual Repayments (\$)	Rates impact urban (\$ pa)	Rates impact rural (\$pa)
Original	900,000	25	72,000	15.98	8.30
Recommended	1,072,000	25	72,000	15.98	8.30
Optional*	1,072,000	15	112,186	21.98	11.41

The benefits of the lower interest rates results in the repayment amounts being the same as previously signalled.

*This option is provided to show the cost and benefits of shorter term loan funding.

3.2 Additional Cost Savings

It is useful to note that now the design is finalised, material quantities are known.

We are now in a position to seek additional sponsorship by way of gifting, or discounting, of goods and services.

Any gifts or discounts will further reduce the pricing and overall cost of the project, Rigg Zschokke have confirmed they will pass on any cost savings that are achieved.

We are identifying potential companies to contact.

In addition, we are discussing the project management fees totalling \$130,000 as discussed in paragraph 2 above, with a view to reducing these significantly to a more prudent level.

3.3 Contingency

At the approved level of \$5.2M, the "contingency" will sit at \$68,000.

Our advice is that a contingency should be set at \$200K to \$250K given the nature of this project, and the benefits of the "early contractor involvement" process.

A contingency is a financial estimate of items that have not been included in the project scope, or to cover unforeseen circumstances.

Approval is not sought for an increased contingency; rather to resolve that the same funding principles that exist currently apply, that being the only additional cost to the ratepayer was funding the loan for strengthening.

This would mean that any cost increases would need to be covered by additional fundraising, any surplus in revenue over forecast from existing fundraising, or cost savings in other areas (refer paragraph 3.2).

3.4 Project commencement

If the recommendations are approved, this project can commence immediately.

3.5 Revenue

It is useful to update that the revenue projections are on track to meet, and in all likelihood exceed the forecasts.

Attached as Appendix 1 is the revenue table updated for current known and estimated funding flows.

This table excludes additional fundraising options that exist, and is forecast to show revenue of \$5,396K.

4. Conclusion

Pricing for this project has been estimated at this \$5.1M level for some time.

Now that final pricing is available, it is apparent a slight increase is required in relation to the earthquake strengthening aspect, which has a consequential impact on the overall project price.

There are opportunities to reduce costs further by approaching suppliers for gifts or discounts, and the \$5.2M includes project management fees of \$130K that is under review.

5. Appendices

Appendix 1 – Revenue Table

Contact Officer: Paul Crimp, Chief Executive Officer

Appendix 1 – Revenue Table

Funding Source	Estimate \$m		Actual	Estimate	Comments
	Ha	Value	(Jan 2017)		
Old county yard Kitchener Street 8009	0.0885	212,000	212,000		Lot 221 DP 248
Old county yard kitchener Street 8008	0.0835	132,000	132,000		Lot 214 DP 248
Old county yard Kitchener Street 7588	0.0835	278,000	278,000		Lot 220 DP 248
Holding Paddock cnr White Rock & Ruakoputuna Rd 1081	3.4292	110,000		150,000	
Holding Paddock Hinakura Rd 1282	1.2410	71,000	117,600		
Holding Paddock 1316	1.0290	71,000	82,320		
Holding Paddock Cape Palliser Rd 1726	0.4543	13,000		-	
Holding Paddock 248 Lake Ferry Rd 1198	0.5489	80,000		90,000	
* For Fair Value of Future Library (base on 285m2)		400,000		400,000	285m2 x \$109/m2 = \$31,065. this lease level without increase would repay a loan of \$400,000
Current LTP MTH Funding for Structural Strengthening		900,000		1,072,000	
District Property Reserve Transfer		533,000		533,000	
TOTAL SWDC Funding		2,800,000			
External Funding					
Individuals, Businesses, Public		1,400,000		1,400,000	
Plunket		104,000		104,000	contribute 70% of the amount realised for the sale of the Martinborough plunket rooms, up to a maximum of \$140K.
Community Grants					
Trusthouse		150,000	150,000		Actual
ECCT		200,000	200,000		Actual
Lottery CFF		475,000	475,000		Actual
			1,646,920	3,749,000	
Total External Funding		2,329,000			
		5,129,000		5,395,920	