



NOTICE OF MEETING

PROJECTS SPECIAL COMMITTEE

I hereby give notice that an Ordinary Meeting of the Projects Special Committee will be held on:-

DATE: **Wednesday, 5 February 2003** **TIME:** **9.30 am**

VENUE: **Civic Centre, 6 Waipareira Avenue, Lincoln, Waitakere City**

to consider the business as set out herein and to take any necessary action connected therewith.

17 January 2003

Audrey Chan
COMMITTEE SECRETARY

Telephone (09) 836 8000 extn 8603

MEMBERSHIP:

Councillors	RP	Dallow, QPM, JP (Chairperson)
	JP	Lawley (Deputy Chairperson)
	DQ	Battersby, JP
	BA	Brady, JP
	JM	Clews, QSO, JP
	AC	Fenton
	GW	Russell

Mayor, Bob Harvey, QSO, JP (ex officio)
Deputy Mayor, CA Stone (ex officio)

(Quorum 4 members)

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(The reports and recommendations contained in all agendas are reports and recommendations only and are not to be construed, in any way, as Council policy until adopted).

**AGENDA FOR AN ORDINARY MEETING OF THE PROJECTS SPECIAL COMMITTEE
TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN,
WAITAKERE CITY, ON WEDNESDAY, 5 FEBRUARY 2003
COMMENCING AT 9.30 AM.**

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1	APOLOGIES	1
2	URGENT BUSINESS	1
3	CONFIRMATION OF MINUTES	1
4	WAITAKERE SPORTS COMPLEX - PROGRESS UPDATE	2
5	WEST WAVE AQUATIC DEVELOPMENT PROJECT COSTS UPDATE	4

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1 APOLOGIES



2 URGENT BUSINESS

Section 46A(7) and (7A) of the Local Government Official Information Act and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the item is a minor matter; and
- (ii) the Chairperson has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting; and
- (iii) the Committee resolves to deal with the item.

No resolution, decision, or recommendation may be made in respect of the item except to refer the item to a subsequent meeting for further discussion.

NOTE: Urgent Business need not be dealt with now and may be delayed until later in the meeting.



3 CONFIRMATION OF MINUTES

Special - Friday, 13 December 2002

RECOMMENDATION

That the minutes of the Special Meeting of the Projects Special Committee held on Friday, 13 December 2002, as circulated, be taken as read and now be confirmed.



4 WAITAKERE SPORTS COMPLEX - PROGRESS UPDATE

PURPOSE OF THE REPORT

The purpose of this report is to provide a written update on the progress of the key aspects of this project.

BACKGROUND

Waitakere Regional Sports Trust, in partnership with the Waitakere City Council is developing a multi purpose indoor Sports Complex, with two additional sports fields and an all weather athletic track to provide an integrated, affordable, convenient and accessible sporting, recreation and leisure experience for the community, with a focus on participation as well as hosting major events. Funding for the project has come from Council, ASB Charitable Trust, Waitakere Licensing Trust, Portage Licensing Trust, New Zealand Lotteries Commission, Waitakere Regional Sports Trust and a personal commitment from Bryan Heron.

The original signed Charter between the Waitakere Regional Sports Trust and the Council identified the project objectives and defined the basis for the relationship between Council and the Waitakere Regional Sports Trust. The Charter also defined the Waitakere Sports Complex Development Board, which is an executive committee of the Waitakere Regional Sports Trust charged with the implementation of the project.

At the Council meeting of 31 July 2002 a revised Charter was signed by the Waitakere Regional Sports Trust, the Council, the Waitakere City Rugby & Athletic Sports Trust, the Waitakere City Rugby Football and Sports Club and the Waitakere City Athletic Club Inc. This encapsulated a considerably enhanced development scenario embracing those organisations, which necessitated the revision of the original documentation to reflect the new proposal. However, the broad structure for legal implementation remained the same as the original Charter, subject to incorporation of the additional parties into the updated Charter.

The revised Charter identifies a number of requirements that the Waitakere Regional Sports Trust has to fulfil with the Council. This report provides a written update on the progress of the key aspects of this project.

STRATEGIC CONTEXT

Council's Leisure Strategy sets the strategic framework for the provision of the Waitakere City leisure services and within that framework Council resolved to develop an indoor stadium/events centre via a Charitable Trust. The Leisure strategy identified the need to:

- promote a regional centre for leisure and major sporting competitions, building on the strength and variety of existing facilities, e.g. Corban Estate, Aquatic Centre, Recreation Centre, Outdoor Bowls Centre, Te Pai Park, Ten-pin bowling, Waitakere Stadium;
- develop City identity;
- expand development and promotion of programmes for youth in the community;
- develop facilities, which cater for casual users and are exciting and provide a range of activities in one place.

ISSUES

Project Progress

The project timeline previously reported had shown a Complex opening date of March 2004, however the project has experienced a delay of approximately two months. This has been due to a very busy construction industry and the difficulty in finding large competent contractors to competitively tender for the construction of the main building. The tender closing date has been moved three times from 5 December 2002 to 5 February 2003 at the request of the tenderers. Currently we have three tenderers of the seven invited tenderers submitting tenders.

Other aspects of the project, such as the earthworks, sports field construction, selection of seating and sports floor systems, setting up of the management and user group arrangements are progressing well.

Funding and Fund Raising

At the Council meeting of the 6 June 2002, one of the resolutions passed was:

“That Council acknowledge to the Waitakere Regional Sports Trust that it will provide for the further sum of \$750,000 (excluding GST) in the financial year 2003/2004 sourced from loan or other appropriate funding source towards the architectural and sustainability elements of the project, subject to further approvals by the Council.”

1064/2002

The Waitakere Sports Complex Development Board and its Design team are satisfied that the level of architecture and sustainable elements incorporated into the design of the Complex warrants the approval by the Council of the abovementioned, further sum of \$750,000. The previous verbal presentations to this committee by the Project Manager have outlined the various features in some detail. It is anticipated that a report and presentation will be made to the February 2003 Council meeting seeking approval for the \$750,000 funding.

Also as reported to the Council meeting of the 6 June 2002, the Waitakere Regional Sports Trust had a shortfall in funding of approximately \$3.5M, which it had to raise to match the Council's contribution under the partnership envisioned by the Charter.

The Waitakere Regional Sports Trust to date has raised a sum of \$2.05M of the \$3.5M original shortfall, leaving a revised shortfall of \$1.45M. The \$2.05M raised to date has come from the following sources:

- The Portage and Waitakere Licensing Trusts = \$2.0M (Does not include ongoing and naming right contribution);
- Lotteries Commission additional funding = \$50,000 (total contribution of \$100,000).

CONCLUSION

Other than the two months delay to the project caused by circumstances beyond the control of the Waitakere Sports Complex Development Board, all other aspects of the project have progressed well. The delay does not have a significant impact on the future operation of the Complex or any user group arrangements.

RECOMMENDATION

That the information be received.

Report prepared by: John Dragicevich, Director: City Services.



5 WEST WAVE AQUATIC DEVELOPMENT PROJECT COSTS UPDATE

PURPOSE OF THE REPORT

The purpose of this report is to provide a further project briefing on the upgrade of the West Wave Waitakere City Aquatic Centre following the completion of various Reviews into the Chlorine Gas Incident of 23 November 2002 and the re-opening of the Leisure Pool Complex on 16 January 2003. This report also seeks to update the Committee on various on-going issues and developments which continue to have the potential to impact on the total project funding.

BACKGROUND

The construction of the Aquatic Centre Upgrade was determined by the Architect to have been completed originally on 15 November 2002, although parts were opened to the public on 11 November 2002 - the Wave Pool having been decommissioned due to the failure of tiles a little over a week prior to this date.

On the evening of 23 November 2002 a release of free chlorine gas into the Leisure Pool Hall occurred which resulted in some 200 people being evacuated from the Centre and 36 people being referred to Hospital for observation and treatment. Fortunately no permanent injury has resulted to any of the people involved. The factors leading to this event are discussed later in the report.

Following the completion of a number of independent investigations and reviews into the various aspects of the design, construction and management of the West Wave Aquatic Centre Upgrade, in as much as these may have contributed to the events of 23 November 2003, the complex reopened to the public on 16 January 2003.

Preliminary drafts of the reports arising from two of these reviews were provided to this Committee at a special meeting held on 13 December 2002. Final reports are now available.

A brief Update to all Elected Members was issued on 15 January 2003. This provided a high-level summary of the various factors which contributed to the Incident. These are addressed in more detail below.

CHLORINE GAS INCIDENT - 23 NOVEMBER 2002

Both the internal and external investigations have confirmed that a number of factors contributed to cause or allow the release of chlorine gas into the Leisure Pool Hall via the Family Spa Pool. It is also evident that had any one of these not been present this event would not have occurred. The key factors were:

- a key component of the automated water chemistry analysis and control system had not been installed at the time that the complex was handed over by the Contractors (the analyser probes having been damaged during the earlier Plantroom flood);
- the system was designed to operate in a fully automated mode, however, due the absence of the above probes, parts of the system relating to the family Spa had been set to Manual over-ride via the computer control consol;
- earlier commissioning tests had proven the system in full automation modes, but had not checked fail-to-safety when various components were set to operate manually;
- the Emergency Stop Button on the Family Spa Pool had been tampered with by a member of the public approximately 6 hours prior to the incident occurring;

- configuration of this part of the system had not ensured that all pumps in this circuit stopped when the emergency stop was activated and both the air blowers (bubble jets) and the chlorine dosing system remained operating;
- this resulted in it not being evident that the pool circulation pump had been stopped, and a “plug” of water in the system becoming over-dosed with chlorine gas;
- at around 6:30 pm, the stopped circulation pump was discovered and restarted, resulting in this “plug” of over-chlorinated water and free chlorine gas being discharged directly to the Family Spa.

Contributing factors included:

- the very high bather demand throughout the day, which necessitated the limiting of numbers through the gate;
- the split responsibility between Lifeguard duties and Treatment Plant management for the Team Leaders;
- aAn unusually high number of thefts which resulted in further distraction for the Team Leader on duty; and
- a less than ideal familiarity with the operating and management systems in the new complex.

The reviews which have been carried out identified concerns in several areas including the adequacy of the as-built and operating manuals, training and documentation provided, competence levels of some key staff, and some health and safety procedures.

The decision was taken very early in the piece that the Complex would not be reopened until all identified issues and deficiencies had been fully and effectively addressed. This has resulted in the Complex being closed for a period of 53 days - partly due to the intervening Christmas/New Year period, which precluded some works being completed earlier.

The revenue/cost implication of the outage is between \$185,000 and \$210,000. In addition, the cost of various independent investigations, reviews and reports has been in the order of \$47,000.

PRE-OPENING TRIAL AND THE RE-OPENING

Following the implementation of a number of modifications to the water treatment installation, especially in respect of the emergency stop buttons and system configuration to ensure all items “fail to safety” at all times, the provision of comprehensive operating manuals, enhanced staff training and improved procedures, the various systems were comprehensively tested and reviewed before being subjected to controlled bather-load trials on 18 December 2002. A strobe light indicating activation of high priority alarms has been fitted. This will draw the attention of poolside staff to a fault and allow swift remedial action to be taken.

The trials confirmed that the Complex performed well under moderate bather-loading and provided sufficient confidence to allow re-opening (subject to completion of the full training programme and a number of outstanding remedial items and receipt of the final reports from the various independent review consultants).

A detailed Re-opening Plan was prepared and reviewed, which ensured that a controlled number of patrons was maintained through a series of sessions. Numbers were limited to 250 per session for the first 2 days and increased to 350 per session thereafter - with increased frequency water quality testing carried out to confirm the correct settings on all water treatment plant.

With the exception of a minor fuse failure which shut down the two Spa Pools for a short period, no further issues have arisen and the systems are all operating appropriately. Independent reviews of the operation and management of the complex have also been carried out post-opening.

As from the end of the School Holiday Period (28 January 2003) the controlled-number sessions are now only implemented on weekends. To date, since the re-opening on 16 January, most sessions for the Leisure Pool Area have been sold-out, with many people having to wait or use other parts of the complex.

PATRONAGE COMPARISONS

The following table summarises comparative patronage numbers for the period immediately preceding the Chlorine Gas Incident, during the shutdown period, and immediately following the re-opening. The visits shown relate to casual and concession card admittances only and do not cover members, Learn-To-Swim School customers, and invoiced groups such as swimming clubs. As can be seen, the increase in visitor numbers following the initial opening of the upgraded complex to the public on 11 November 2002, and especially on the day of the incident, was significant.

Again, the upsurge in bather numbers following the re-opening has been immediate and considerable, and bodes well for the future of the facility.

Average daily patronage prior to 11 Nov. 2002 opening of the new complex:	199
Average daily patronage after opening & before Chlorine Shutdown (11 Nov. to 23 Nov. 2002)	501
Note: The numbers of visitors on the day of the Chlorine Gas Incident:	1619
Average daily patronage during shutdown period (24 Nov. 2002 to 15 Jan. 2003)	240
Average daily patronage since re-opening (16 Jan. to 28 Jan. 2003)	1001
Note: The numbers of visitors on the day of the Re-opening:	1093

Table 1: Comparative Patronage Numbers between October 2002 & 28 January 2003

1. It is noted, however, that the patronage since the re-opening has been high due largely to the School Holidays which ended for some schools on 28 January – although this appears to have had no significant effect on the 28th, where the patronage was above the average for the period at 1060.
2. Patronage during the shutdown is marginally above the pre-opening figure due in part to the fact that a number of the new facilities were held open (e.g. Sauna & Steam-room).
3. Control of numbers through the implementation of session times will have an impact long-term on overall patronage, but is seen as a key aspect of the required safety management plan for the complex.

BUSINESS CONTINUITY INSURANCE

Council has initiated a claim against its Business Continuity Policy for the full period of the Shutdown. This claim is currently under consideration by the Insurers who engaged Sinclair Knight Merz Consultants to carry out their own investigation into the incident. The results of this review and deliberations has yet to be notified to Council, however, it is understood that there may be some reluctance on the part of the Insurers to cover the entire loss – apparently due to a view that the facility may, in their opinion, have been held closed for an unreasonably long period of time. The City's claim under this policy is expected to be in the order of \$200,000 and will be finalised once end of month figures are available.

It should be noted that any payout under this policy would be reduced by the amount of Liquidated Damages recovered for the same period - see next section.

CONTRACTUAL ISSUES RELATING TO THE CLOSURE

Council has notified the Architects and Contractors that, in our view, Practical Completion of the construction works was not achieved on 15 November 2002 - rather that Completion was only achieved on 15 January 2003 when the complex was ready to re-open. The Contractor has been notified of the City's intention to recover Liquidated Damages for the period of the Shutdown following the Chlorine Gas Incident at the contract rate of \$4,000 per day being \$212,000.

This is in addition to the Liquidated Damages already deducted for late completion of 15 days to 15 November 2002 - this amount being \$60,000.

The Architect, has, however, issued a Formal Decision stating that in his view the Construction was Practically Complete on 15 November 2002, and that any further deduction of Liquidated Damages against the Contractor is not sustainable. The City is currently reviewing its position on this matter and may seek to challenge this decision through Arbitration. Council may also pursue additional claims against both the Contractor, Gibson O'Connor Limited, and the Consultants, Creative Spaces Limited, for costs and damages associated with the Chlorine Gas Incident and various identified deficiencies in design, construction, commissioning, testing, and documentation carried out or otherwise received. The potential value of any such claim has yet to be fully assessed.

PROJECT COSTS AND FORECASTS

Project expenditure and commitments are summarised in the following table. It is noted, however, that a considerable degree of uncertainty now exists as to the final project costs due to various claims, counter-claims and the likelihood or otherwise of acceptance of the City's claim by the Insurers.

PROJECT FUNDING	AMOUNT
Project Funding Allocated – Capital Expenditure	\$14,672,819
Project Funding Allocated – Operational Expenditure	\$32,592
Total Current Budget Allocation: (including Contingency) Which includes reimbursement from:	\$14,705,411
Parks Asset Management towards Fencing and other Site Works \$21,000	
Property Management for Services Relocation and Upgrade \$65,500	
Less Costs Incurred to Date (30 January 2003)	-\$13,877,203
Balance of Funding Available to Complete:	\$ 828,208
Forecast Cost to Complete (30 January 2003)	\$ 476,703
Current Project Contingency	\$ 351,505

Table 2: Project Costs Incurred and Expenditure as at 30 January 2003

The above table shows the current contingency amount (that portion of the allocated funding which has not been committed against specific items of expenditure) at \$351,505. There are, however, a number of factors which have the potential to significantly impact on this funding. These are:

- Uncertainty as to the Final Construction Contract Value Up to + \$ 250,000
- Additional Safety improvements or design enhancements Approx. + \$ 100,000
- Claim for additional Fees (received from Consultants 2 Dec. 2002) + \$ 276,192

- Anticipated Recoveries from Consultant's Professional Indemnity Est.(\$150,000)
- Liquidated Damages (already deducted to 15 November 2002) (\$60,000)
- Liquidated Damages (claimed but likely to be disputed to 15 Jan. 2003)

OR Claim against Business Continuity Insurance - offset to Revenue Est.(\$200,000)

Of these:

- the Architect's claim for additional fees has been rejected - although a claim may yet be sustained;
- the claim against the various consultants for unsatisfactory service delivery is being pursued - but is uncertain in its outcome;
- Liquidated Damages claims against the Contractors are disputed and may not succeed; and
- acceptance of Council's claim against its Business Continuity Policy has not yet been confirmed - and may be in question.

It is therefore not possible, at this stage, to definitively forecast the Final Project Costs. It should also be noted that recoveries through either Insurance or Liquidated Damages would be used to off-set operating losses due to late completion and the subsequent shut down, and would therefore not be a recovery to the Capital Expenditure Project Budget.

Current expectations remain, however, that Project Expenditure may equal or even exceed the Budget Allocation as set by the Finance and Operational Performance Committee on 10 October 2002 - especially as no account has been made in the above figures for possible Legal Costs arising from the various dispute proceedings.

RECOMMENDATION

That the information be received.

Report prepared by: Simon Guillemin, Business Manager: Projects, Consultancy Services.

