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**OVERSTRAND MUNICIPALITY
WATER AND WASTE WATER TREATMENT WORKS CONTRACT: ASSESSMENT REPORT**

- Contract negotiations were facilitated and the outcomes and the Contract will serve before the BEC on 9 July 2015 and the BAC on 17 July 2015. If the BAC recommends that the Accounting Officer conclude the contract, it will be subject to procedural compliance with the MFMA and the Council approving the Contract in its final form.
- It is planned that the Contract in its final form will service before Council on 29 July 2015 in order that the effective date of 1 September 2015 may be achieved.

4. THE CONTRACT

4.1 The Project

The project is the contracting out of the function of operating and maintaining the Municipality's bulk water and waste water treatment works (the Bulk Works) to achieve certain technical output specifications.

4.2 Key Driver

The key driver of the Contract is the need to:

- secure focussed management of the operations and maintenance of the bulk works for the medium term; and
- develop local skill in compliance with the regulatory requirements of the Works.

4.3 Key Outcomes

The key outcome sought is effective and efficient water services delivery by taking steps to ensure:

- on-going assurance of supply of water and treatment of sewerage at the right quality and quantity; and
- asset preservation over the longer term.

4.4 Need

The Municipality has identified the need to test the feasibility of the following:

- The procurement of a contractor to operate and maintain Municipality's Works for a period of up to 15 years;
- The opportunity for the existing technical/ operational staff directly associated with the Works to transfer to the contractor for the contract term, and receive appropriate management, training and career development, and to remain with the Works on termination of the contact;



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- The retention by the Municipality of technical and financial risk in regard to planning for and executing infrastructure development in regard to the Works; and
- The transfer of operational risk to the Operator, for which a fee will be paid.

4.5 Scope

The project is the contracting out of the function of operating and maintaining the Municipality's Bulk Works to achieve the Technical Output Specifications referred to as the "Function".

The O&M of the Works to be included in the Contract, as more fully discussed in the Technical Report (Appendix to the RFP), include the following currently in the jurisdiction of the Municipality:

- Surface Water Resources
- Borehole Pumps
- Water Pump Stations
- Bulk Water Distribution Pipelines
- Water Treatment Works (WTWs)
- Reservoirs
- Sewer Pump Stations
- Waste water Treatment Works (WWTWs)

The Operator will report directly to the Municipality, and be paid by the Municipality.

The Operator will have no engagement with the community.

The scope of work includes operations and maintenance of the Works. It excludes any capital infrastructure planning or development which will remain with the Municipality.

4.6 Term

The contract will be for a period of 15 years, considering that the contract has taken over 3 years to develop, it will take a period of three years to implement efficiencies, and it will then have 3 MTEF periods to operate effectively. The final three years will require a focussed hand back process to be managed by the Municipality, which will include the need of the Municipality to re-assess its options.

It is also taking into consideration the proposed risk transfer, the capital investment made by the Municipality and the desire to have local employees skilled and trained during the process.



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The Contract provides for annual and three yearly reviews (s116 of the MFMA) and provides for termination and step-in rights of the Municipality in the event of non-performance. Given the interface with municipal service delivery by the WSP, mechanisms to ensure service delivery must be addressed promptly.

The Municipality has the option to renew for a further 5 years, subject to procedural compliance at the time of deciding whether or not to extend.

4.7 Risk Transfer

The Municipality will transfer operational risk, including operations and routine maintenance of the Works to specified key performance indicators:

- Blue & Green drop status;
- Water and waste water quality;
- Water and waste water works treatment capacity;
- Planned maintenance;
- Water efficiency;
- Electricity efficiency;
- Pump Station Failure;
- Complaints which can be related to the function;
- Reporting;
- Contact Management;
- Health and safety Compliance; and
- Training and development.

The Operator will be given the right of use and responsibility of the Bulk Works during the Contract period. It will also have the obligation to safeguard the asset.

Although there will be an interface with the WSP and for service delivery and the WSA for monitoring purposes, the Municipality will not require the Works during the period of the Contract. The Operator will not pay for the right of access to the Works as the Operator will not generate a revenue independent of the Municipality from operating and maintaining the Works. If the Municipality did want to charge for example a lease fee, the operator would simply claim it back in the management fee structure.

The Municipality will retain technical and financial risk in regard to planning for and executing infrastructure development in regard to the Works.



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The Municipality will remain the water services provider.

The Municipality will be required to execute its oversight functions and regulatory as the water service authority, including setting of tariffs and policies for water services delivery.

4.8 Key Performance Areas

The Contract sets out the key performance areas, and the measurable indicators which the Operator will report against and which the WSA will independently monitor.

Because of the importance of the interface and the direct impact on municipal service delivery of the O&M is not undertaken properly, contract and performance monitoring by the Municipality will be key. In our view the Water Services Authority has the capacity to monitor a contract of this nature.

The aim of the performance areas and indicators will be to focus on outcomes that the Operator has undertaken to achieve within the remuneration model. Unless there is persistent default, the WSA will not want to be getting involved in the day to day input activities and costs drivers of the Operator. That is for the Operator to manage to achieve the output.

4.9 Interface in regard to service delivery

The Municipality will interface with the Operator as the Water Services Authority and the Water Services Provider.

The Operator will interface directly with the WSP in delivery water from the WTW and receiving waste water at the WWTW.

The WSA will regulate the Contract with the Operator, and will integrate planning and other regulatory function of the WSA.

There will be on-going functions of the Municipality such as the reticulation works and the monitoring functions.

4.10 Remuneration Model

The Municipality will pay the Operator a management fee, monthly in arrears including:

- a fixed management fee to undertake operations and certain maintenance of the Works as tendered;



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- a variable management fee based on volumes treated as tendered;
- maintenance costs in excess of R50 000 will be remunerated directly by the Municipality at the actual cost incurred by the Operator;
- a fixed salary contribution as determined in response to the bid.

A contingency is provided in the Pricing Schedule for to draw down on the large maintenance costs, emergency repairs, and the variable fee based on volumes treated.

The Operator has bid a 6% mark up on infrastructure development directly associated with the bulk works and the Function that it may be requested to undertake as agent of the Municipality.

Variations to contract as a result of the change in scope of the Function as a result of regulatory requirements or change in need of the Municipality (for example expansion of the bulk works) will trigger the need to comply with s116 of the MFMA.

Penalties to the payment mechanism will be imposed where the performance does not meet the key performance indicators.

5. IMPACT ON STAFF

If Council approve the Contract, the Function will transfer as a going concern to the Operator and accordingly s197 of the Labour Relations Act is triggered. The section regulates the impact on employees in the event that there is transfer as a going concern.

The Municipality has identified the staff directly associated with the operations and maintenance of the water and waste water treatment works. As at 2 July 2015, fifty (50) municipal employees are identified to transfer to the operator as a result of the Contract.

The impacted staff will transfer to the Operator for the duration of the Contract. The transfer will happen by operation of law – in terms of s197 of the Labour Relations Act. There has been undertaking to the impacted employees that their current salaries and benefits will be matched by the Operator; and there will be no job losses as a result of the Contract.

Both IMATU and SAMWU have expressed in the LLF: Working Group that in principle their members do not want to transfer, but no alternative arrangements were proposed (s197 (6) agreements). Accordingly we are


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advised that in terms of s197 (2) of the Labour Relations Act the posts and employees in the posts as at the effective date of the Contract transfer automatically to the Operator.

Given that the Municipality remains the water services authority and water services provider, there is a need to monitor the performance of the Operator. It is therefore recommended that one new post be created in the Water Services Provider Function at post level T11.

Progress reports will continue to be made to the Local Labour Forum, in particular the impact of Council's final decision in regard to the Contract.

Because operational risk transfers to the operator, the Operator will be responsible for designing and implementing an optimal organogram to ensure that it can meet the Contract's performance requirements. The Operator assumes all risk in this regard.

6. FUTURE FINANCIAL COMMITMENT

6.1 MFMA: s33

S33 of the Local Government: Municipal Finance Management Act (56/2003) is applicable as the proposed contract will have impose financial obligations on the Municipality beyond three years.

6.2 Projected Financial Obligations

In evaluating the financial implications the actual expected expenditure was compared with the current budgeted amounts for the Function. The comparison is shown below and indicates that there is sufficient funds in the budget.

YEAR	BUDGET	ACTUAL ESTIMATED	DIFFERENCE
2015/16	R 35 260 517.00	R 33 553 385.64	R 1 707 131.36
2016/17	R 36 458 482.00	R 35 660 860.52	R 797 621.48
2017/18	R 38 506 166.00	R 37 162 255.01	R 1 343 910.99

In the table below, a Contract cash flow has been simulated for the 15 year life of the contract based on:

- the expected start date of the contract of 1 September 2015;
- allowing for current expected flow increases (growth in volumes) into the future;



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- an annual cost escalation of 6% (CPI) for the fixed and variable fee; and 6.1% for the Salary Contribution for the first year and 6% thereafter.
- amounts exclude VAT
- Contract value for first year R 33 553 162.26 OM Chemicals (up to end June 2017)
- Contract value for first year R 32 734 851.48 Own chemicals (from July 2017)
- Municipal equivalent costs determined from current 3 year budget with estimated cost off a full staff complement added
- Municipal costs escalated at same rate as contract

The cash flow takes into account that the Operator will use the existing supply contract of the Municipality for chemicals up to end June 2017 and thereafter its own suppliers, as instructed in the bidding process. There is a cost difference between the two options.

PROJECT CASH FLOW			VEOLIA	MUNICIPAL
Number	Year	Months	Amount	Amount pa
1	2015/16	10	R 27 969 966.14	R 37 034 301.67
2	2016/17	12	R 35 660 860.52	R 46 189 965.70
3	2017/18	12	R 37 162 255.01	R 48 821 538.72
4	2018/19	12	R 39 739 064.78	R 52 206 796.64
5	2019/20	12	R 42 506 131.20	R 55 842 002.32
6	2020/21	12	R 45 478 540.92	R 59 746 975.69
7	2021/22	12	R 48 672 664.73	R 63 943 223.73
8	2022/23	12	R 52 106 273.83	R 68 454 093.13
9	2023/24	12	R 55 798 667.01	R 73 304 937.53
10	2024/25	12	R 59 770 810.12	R 78 523 300.60
11	2025/26	12	R 64 045 488.74	R 84 139 116.64
12	2026/27	12	R 68 647 475.47	R 90 184 930.42



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13	2027/28	12	R 73 603 713.35	R 96 696 138.07
14	2028/29	12	R 78 943 516.84	R 103 711 251.20
15	2029/30	12	R 84 698 792.29	R 111 272 186.44
16	2030/31	2	R 15 252 616.87	R 18 545 364.41
Total		180	R 830 056 837.79	R 1 088 616 122.91

The cash flow of the Contract over a 15 year period is expected to be R 830 056 837.79 (excluding VAT).

From the competitive proposal received the contracted cost of the Veolia bid as at July 2015 would be R 20 269 915.26 excluding staff contribution amount, large repair projects and capital and subject to variation in volumes treated. Including the salary contribution and large repair projects it will be R 33 553 162.26 which is in line with the approved Municipality budget for the Function of R 33 560 517.00. The Contract is accordingly affordable within the current Municipal Budget.

Going forward, the fixed and variable costs will escalate annually by CPI. The Salary Contribution will be aligned to the SALGBC increases. The provisional amount for large repair projects and contingencies will be determined and budgeted for by the Municipality as part of the Contract's annual planning process. It is a provisional amount as the actual cost incurred is drawn down by the operator only as when expenditure is incurred.

The Contract will thus not have any negative impact on current water services tariffs in the municipality and have a neutral effect. The Contract also protects the Municipality from costs that might be required to be incurred by the Municipality in populating a regulatory compliant organogram.

What needs to be noted is that the Municipality will still be responsible for the following which must be covered in other budget votes and cost centres:

- water services authority functions;
- contract and performance monitoring of the Operator;
- capital planning and budgeting for the Bulk Works;
- raw water abstraction charges and water research commission levies;
- contingencies in regard to the transferred staff.



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6.3 Employees

The Municipality will pay salary contribution to the Operator in the amount of R 13 283 247.00. This "Salary Contribution" is not linked to employees, but rather 53 posts identified to transfer as at the tender stage. It is a fixed amount which has been established based on actual costs and contractually agreed. It will escalate annually over the contract term as at the SALGBC rates, irrespective of how the Operator chooses to structure itself going forward.

As required by the Labour Relations Act, it has been agreed with the Operator that the Municipality is accountable for the accrued leave of the transferring employees, up to the effective date of the Contract. This is an existing liability of the Municipality. It does however have cash flow implications as the accrued leave must be paid out by end of the third month after the effective date of the Contract. At this stage it is estimated that the impact on the Municipality cash flow at end November 2015 (assuming effective date of 1 September 2015) will be R660 000. It is a once off cost and is a cash flow issue rather than a future financial commitment as a result of the transaction.

In determining the salary contribution amount, the determination of the actual cost of post-retirement benefits and long service awards was not possible as it is unknown. Accordingly it is agreed that the municipal employees who transfer to the Operator and become entitled to the benefit will receive the benefit from the Operator, and the Operator will recover the direct cost back from the Municipality as and when incurred by the Operator. As structured, it is a future financial commitment, but it is a commitment that the Municipality would have incurred anyway if the transaction had not occurred.

Given that the Municipality remains the water services authority and water services provider, there is a need to monitor the performance of the Operator. It is recommended above that one new post be created in the division at post level T11 at an estimated cost of R400 000 per annum.

6.4 Escalation

The costs tendered by the Operator will automatically escalate annually by an escalation factor (the Consumer Price Index).

The Salary Contribution (costs, benefits and notch increases) will be aligned to the South African Local Government Bargaining Council annual increases.

Scope variation is dealt with separately in the Contract and is subject to compliance with procedural compliance requirements to be determined at the time of trigger for change, for example s116 of the MFMA.



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6.5 Benefit of the Contract

S33 of the MFMA requires the Council to consider whether the Municipality will secure a significant capital investment or it will derive a significant financial economic or financial benefit from the contract.

The Contract is a management contract and there is thus no significant capital investment required from the Operator. The Municipality invested significantly with its own and RBIG funding and seeks asset preservation and security of supply as the key benefits of the contract.

It has been demonstrated that if it were possible, the cost of filing a regulatory compliant organogram for the Bulk Works might add an additional cost to the Municipality of R 9 180 645.00. As a result of the contract, this direct cost to the Municipality is avoided and is thus a financial benefit is accrued.

If the Municipality were to continue to undertake the Bulk Function, issues that could potentially impact negatively on the financial performance of the Municipality and the cost of undertaking the Function include the following:

- Currently the municipality has full operational risk with regard to the Works. If this were to be costed it could add an additional 20% to the actual cost of the current function undertaken by Municipality.
- Technological advances will require that additional high level human resources which would most probably come at a higher cost than the current capacity, or the current resources will need a material amount of up skilling / training which requires a certain amount of funding. The fact that human resources is a significant cost of the function would mean that the current estimated costs of the function would increase materially.
- As per the findings of the S78(1) assessment there is a concern that new technology installed is not adequately maintained as there is no urgency at this point in time. In future this could result in un-planned for increases in maintenance due to a backlog being created and this could accordingly increase the current operational costs of the function be undertaken.

In assessing whether there would be potential economic benefit, the following indicators are relevant:

- Operational risk will be transferred to the Operator for the Contract term.
- Within the existing budget, because it is the core focus of the business of the Operator, the Operator should be able to drive efficiencies and optimise processes to ensure that the technology is utilised appropriately, meaning that use of chemical, electricity, spares etc. will be optimised. Key drivers of the



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Operator's efficiency will be productivity; optimisation of electricity usage; optimisation of processes; and specialisation.

- A key outcome sought is asset preservation as a result of focussed management being measured against KPIs. Asset preservation ultimately impacts on the useful life of the asset which will ensure that potential capital and non-routine costs of the Municipality are deferred for a period of time. Maintaining infrastructure properly will decrease the probability for future refurbishment or replacement cost.
- Operating infrastructure optimally will extend the operating life of the Works, thereby decreasing the need to replace in future.
- By ensuring the highest quality of water is provided and that the discharge is of an appropriate quality, the probability of the municipality being held financially responsible in the future is decreased.
- A key cost driver of the Function is human resources. This cost needs to be optimised to ensure
 - scarce and high level expensive skills are accessible but only used when needed on a draw down basis from the head office of the Operator;
 - overtime will be managed appropriately;
 - remuneration of employees is optimised, rewarding performance and skills development;
 - Operating employees will be skilled through the Contract. This cost will be for the Operator, which would have had a budget impact in the absence of the Contract.

A risk to the feasibility is the profit motive of the operator. This, and asset stripping, has been raised by organised labour. The costing has been determined through a competitive bidding process. The Operator will be contracted at the remuneration model proposed in the bid. This risk will need to be carefully managed by the WSA to ensure key outcomes sought by the contract are achieved. The Operator must drive efficiencies, but not to the detriment of service delivery and asset preservation. The key tool to manage this is performance assessment of the KPAs and KPIs which will be updated annually to ensure progressive improvement.

6.6 Conclusion

Although the Contract to undertake the Function will continue to contribute to the costs of delivering water services by the Municipality, the cost would have been incurred by the Municipality and the impact on tariffs



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will remain within the Municipality's control. The recommended bid falls within the approved budget and there is anticipated benefits. For this reason also there is no need to increase the municipal rates for this service.

7. GRANTING OF RIGHT TO USE THE WORKS

7.1 The Municipal Asset Transfer Regulations

The Local Government: Municipal Finance Management Act (56/2003): Municipal Asset Transfer Regulations No. 31346 22 August 2008 regulates the granting by municipalities of rights to use, control or manage capital assets valued at over R10million.

7.2 The Capital Assets

The assets are the bulk water and waste water treatment works in the jurisdiction of the Municipality. They are defined in the Technical Specification attached to the RFP, and will be updated as part of the Contract on an annual basis.

7.3 The Right of Use

The Contract is a management contract. The Operator is paid a management fee to operate the works. There is no obligation to pay a lease or right of use fee as this will be passed straight back to the Municipality.

The granting of the right of use is made with the objective of achieving the following key economic objectives namely: asset preservation and operations optimisation. If the function of treating water and waste water can be undertaken properly there will be a direct impact on the water services provision to the community over the longer term.

The Operator will be given right of access to operate and maintain the assets. Whilst the operator will take full operational risk, the Municipality will remain the owner of the Works.

The Municipality will have access to the works to monitor the performance of the Operator.

Because of the direct interface of the Function with the water services provider, the risk of non-performance or poor performance by the Operator needs to be monitored and addressed rapidly.

The contract provides for penalties to incentivise performance, and for dispute and step in rights should it be necessitated by poor or non-performance of the Operator.



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A detailed Asset Register will be developed in the first three months of the contract period. Both parties will sign off on this. It will be kept up to date for the duration of the Contract.

On termination of the Contract the Works must be in the same or better condition. If over the duration of the Contract the Works are improved through planning and capital contribution of the Municipality the impact of this will be managed through the annual planning process. KPAs and KPIs will be adjusted accordingly.

The Municipality will continue to execute its water services authority functions in regard to capital planning and budgeting and oversight.

The capital asset will not be required for the Municipality's own use during the period for which the right is to be granted, other for access to monitor the performance of the Operator and to execute the planning and capital development function.

8. COMMENTS AND VIEWS

Both s33 and the Municipal Asset Transfer Regulations require that notice be given to the community and to Stakeholders.

In March 2015 a notice was publicised in regard to the municipality's obligations in terms of the proposed contract and the proposed granting of the right to operate and maintain the Bulk Work. The community and other interested parties were invited to submit to the Municipality comments or representations in respect of the proposed contract and the granting of the right and obligation to operate and maintain the Bulk Works. There was an email query from Gansbaai which was addressed, but no response in writing in the tender boxes was received. A local newspaper independently reported on the matter.

See Annexure: Notice and Information Statement.

A report on the Contract and the granting of the right to operate and maintain the Bulk Works was sent to the National Treasury, Provincial Treasury, Department of Local Government and Water & Sanitation on the Contract. A working session was facilitated to discuss the report.

Written views were received from Provincial Treasury which in essence commended the Municipality on the initiative and raised the need to ensure procedural compliance regarding procurement and decision making and ensuring funds are available for the duration of the contract. The Provincial Treasury *"took note of and values the effort of Overstrand Municipality in securing the required institutional capacity to ensure long-term efficient operation and maintenance of water and waste water treatment works. Given that South Africa is a*



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water scarce country, the Municipality is commended in exploring alternative service delivery mechanisms in the delivery of the service."

The Provincial Treasury concluded "given the current financial position of the Municipality, Treasury has, in principle, no objection against your intention, subject to the required Supply Chain Management processes being followed, the requirements of the MFMA (especially s33) being adhered to and the carry through implications over the MTREF be taken into account within the budgets of each of the affected years with the required budgetary provision to ensure affordability and sustainability over the new MTREF years."

See Annexure: Provincial Treasury Letter.

9. WATER SERVICES ACT

The Municipality has publicly disclosed its intention to enter into a contract with the Operator, as required by s19 (4) of the Water Services Act.

The Operator has disclosed and provided information on: Any other interests it may have which are ancillary to or associated with the Municipality; and any rate of return on investment it will earn or will gain by entering into the agreement. (see Annexure)

Once concluded, a copy of the contract must be supplied to the relevant province (MEC) and the Minister of Water & Sanitation.

10. FINDINGS

The Director: Infrastructure and Planning has executed his mandate by undertaking a more detailed study to inform bid specifications; initiated the procurement process; complied with the MFMA procedural requirements.

At this stage it is our independent professional opinion that the Contract will not negatively impact the Municipality's current budget provisions for the operations and maintenance of the Works. There will be benefits to be derived over the term of the contract including:

- **Skills development and retention** – regulatory compliance;
- **Assurance of supply** – as WSA with a duty to ensure service delivery, and as WSP with direct accountability to the community and mandate to deliver water services, it is important that the Works are operated and maintained optimally;



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- **Operations optimisation** – focussed management must optimise operations in order to ensure on-going effectiveness and efficiency within the current budget;
- **Asset preservation** – the Municipality has invested significantly in the infrastructure and it requires focussed management to ensure that the use of the asset s can be optimised.

The granting of the right to use the Works is undertaken with an understanding of the key objectives sought to be achieved namely asset preservation and operations optimisation so as to ensure long term security of supply of water services delivery to the community. The granting of the right is considered and transparent. The right of the Municipality to incentivise performance or to step in are contractually secured.

The contract will impose financial obligations on the Municipality beyond the three years covered in the annual budget for the financial year as projected and commented on above.

The comments received from Provincial Treasury support the initiative.

11. RECOMMENDATION

Recommended that the Municipal Manager recommend that Council:

1. Note the comments and views received;
2. Grant the right to use control and manage the Bulk Works in compliance with the Asset Transfer Regulations;
3. Determines that the Municipality will derive a financial economic benefit from the contract;
4. Approves the contract as it is to be executed;
5. Authorises the Municipal Manager to sign the contract on behalf of the Municipality.

AGENDA of the Bid Evaluation Committee Meeting: 15 July 2015

AGENDA of the Bid Adjudication Committee Meeting: 17 July 2015

TENDER NO.	SC 1508/2014:	WATER AND WASTE WATER TREATMENT OPERATIONS MANAGEMENT CONTRACT		
RESPONSIBLE OFFICIALS:	HANRÉ BLIGNAUT & MIKE BARTMAN	028-313 5047	SERVICE AREA:	OVERSTRAND

PART A – SUPPLY CHAIN MANAGEMENT				
Author:	Hanre Blignaut	Tel No:	028 313 5047	
Date:	2015/07/06	Review Date:	N/A	

1 EXECUTIVE SUMMARY

The purpose of this report is to provide additional information on the preferred bid identified after evaluation of Tender no. **SC1508/2014: WATER AND WASTE WATER TREATMENT OPERATION MANAGEMENT CONTRACT**, in order to enable the Bid Adjudication Committee to take an informed decision when recommending the award of this tender to the Accounting Officer.

Following bid adjudication of three tenders received in response to an RFQ and RFP process, during March 2015, the BAC recommended to the Municipal Manager that Veolia Water Solutions & Technologies South Africa (Pty) Ltd be identified as the preferred bidder, and Water and Sanitation Services South Africa (Pty) Ltd as the second preferred bidder. The Municipal Manager subsequently approved this recommendation, and that negotiations be entered into with the preferred bidder to finalise the terms of the contract. The process of finalisation of the Contract has now been concluded. It is confirmed that the contract can be awarded to the Preferred Bidder.

2 DELEGATED AUTHORITY

Accounting Officer

3 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN: IGNITE

Directorates: Infrastructure & Planning and Community Services

Departments: Engineering Planning and Operational Services

4 COMPLIANCE WITH STRATEGIC PRIORITIES

Creation and maintenance of a safe and healthy environment

Provision and maintenance of municipal services

Provision of democratic, accountable and ethical governance

5 LEGAL REQUIREMENTS

Local Government: Municipal Finance Management Act, 2003(Act 56 of 2003)

Municipal Systems Act

Overstrand Municipality Supply Chain Management Policy, as amended

Labour Relations Act, 1995 (Act 66 of 1995)

Water Services Act, 1997 (Act 108 of 1997)

6 SPECIFICATIONS / ADVERTISEMENT / COMPLIANCE CHECK / ETC.

6.1 Also refer to previous BEC Report - Annexure A.

The Bid Specification Committee meeting was held on 2014/11/27 and comprised of B D'Oliveira, R Neethling, H Blignaut and M Bartman.

The specifications were compiled having due regard to the provisions of clause (27) 2 of the Municipality's Supply Chain Management Policy and were duly signed off (approved) by the Directors: Infrastructure & Planning and Community Services, in terms of Clause 27 (2) (g) of the said Policy.

6.2 Date of Advertising: 3 December 2014

6.3 Method of Advertising: RFP document issued to shortlisted bidders after RFQ process

6.4 Closing Date: 30 January 2015

AGENDA of the Bid Evaluation Committee Meeting: 15 July 2015

AGENDA of the Bid Adjudication Committee Meeting: 17 July 2015

- 6.5 Site/clarification meeting date: 10 December 2014 and 14 January 2015
- 6.6 Validity period of Tenders: 90 days
- 6.7 Extension of validity period: By a further 123 days ending 30 September 2015
- 6.8 Compliance check done by: L du Preez & L de Wet
- 6.9 CIDB Grading requested: Not applicable
- 6.10 Estimated Project cost: R 36 062 910 excluding VAT for year 1, subject to escalation i.t.o. the contract for 15 years
- 6.11 Preferential Procurement Points system applied: 90/10

6.12 Preferred Tenderers identified by BAC on 9 March 2015:

#	Name of Tenderer	Price Excl. VAT	Price Incl. VAT
1	Veolia Water Solutions (preferred bidder)	21 972 871.36	25 049 073.35
2	WSSA (reserve preferred bidder)	26 279 346.20	29 958 454.67

6.13 Responsiveness in terms of SCM Compliance matters

6.14.1 Non responsive Bids

None of the bids received were non-responsive.

6.14.2 Responsive bids identified as Preferred and Reserved Preferred Bids Respectively:

Veolia Water Solutions and Technologies (Pty) Ltd
Water and Sanitation Services South Africa (Pty) Ltd

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PART B – TECHNICAL EVALUATION BY USER DEPARTMENT

Author: HANRÉ BLIGNAUT

Tel No: 028 313 5047

Date: 2015/07/06

Review Date: N/A

7 Purpose of the call for Tenders:

To procure a competent, skilled and experienced operator to operate and maintain the Municipality's water and waste water treatment works, as instructed per Council s78(2) resolution dated 22 January 2014, as summarized in the BAC report of 9 March 2015 (Annexure A).

8 Evaluation done by: Hanré Blignaut, Mike Bartman, Chris Liebenberg (Worley Parsons) and Karen van der Merwe (Worley Parsons)

9 Discussion of Tenders received

9.1 Functionality Criteria / Pre-Qualification

Of the 8 bids received in response to a request for qualification, 4 bidders were prequalified by the BAC on 7 November 2014, based on their skills and expertise and financial standing to execute the project. Of the 4 bidders prequalified and issued with the request for proposal (RFP), only 3 submitted bids by the closing date of 30 January 2015. The bids were evaluated and adjudicated and based on price and preference points, a preferred and second preferred bidder was recommended by the BAC to the Accounting Officer on 9 March 2015. The Accounting Officer approved the recommendation on 10 March 2015, and authorised that negotiations on the final terms of the contract be entered into with the preferred bidder, to again serve before the BAC, for recommendation of award to the Accounting Officer.

The process of finalising the contract in accordance with the requirements of the RFP and the preferred bidder's tender response was subsequently undertaken.

9.2 Technical Evaluation / Negotiations

Veolia Technologies South Africa (Pty) Ltd was pre-qualified on skills and expertise in response to the RFQ. They demonstrated relevant experience in other similar projects, access to relevant CVs and financial ability to execute the project.

In the assessment of bids in response to the RFP, Veolia Water Solutions & Technologies South Africa (Pty) Ltd scored the highest points in terms of preference points, and was accordingly announced as the preferred bidder by the Municipal Manager. The objective of the negotiation phase was to finalise the contract, based on the bidder's tender response. All bidders were issued with a project specific draft contract, and were requested to mark up their comments. In the process of negotiation and contract finalisation care was taken to ensure that the technical specifications and the pricing were not impacted. The negotiated terms of contract does not have a bearing on the competitive nature of the tender, and did not change the scope of work as disclosed in the specifications of tender and the pricing.

Key issues which were finalised included determination of the actual cost of the transfer of the posts associated with the function that would transfer in terms of section 197 of the Labour Relations Act. At the time of bidding, per the RFP, all bidders were required to assume transfer of all posts and to assume the same salary cost. The detail cost has now been established by the Municipality through a due diligence process. This would have applied to all bidders. The salary contribution will escalate annually in accordance with SALGBC increases to costs, benefits and notch increases.

The Key performance areas and indicators remained unchanged, and the changes to the penalty regime, as proposed by the bidder's tender were accepted.

The bidder's unique offer to construct head office space rather than lease it was accepted after considering the potential risks and excluding them contractually.

As per comments received from Provincial Treasury, clarity was achieved on the distinction between "the Function" as defined in the contract, and the Implementing Agent Service.

Veolia was informed that Overstrand Municipality will not terminate their term contract for chemicals once the contract is awarded, and Veolia must source the chemicals through the existing Overstrand Municipal contract until 30 June 2017. SCM Contract Management is investigating if they can cede the contract to Veolia, as it would be easier to administrate and manage. This is

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now an implementation matter. From 1 July 2017 Veolia will have to source all chemicals from their own suppliers as per the Request for Proposal. The possible ceding or not ceding of the current Overstrand chemicals contract to Veolia will have no financial impact on the municipality.

Regarding negotiations w.r.t. the transfer of staff from Overstrand to Veolia, an external labour law expert was consulted to guide Overstrand Municipality in the process, giving effect to Section 197 of the Labour Relations Act. A working group was constituted by the LLF to facilitate the implementation of Council's decision in terms of the staff issues, and regular meetings were held since June 2014.

It was also agreed during the negotiations that no additional staff will be appointed by Veolia for Overstrand Municipality's account for the function, and that Veolia will take the risk of executing the function with the Salary Contribution as agreed. The tariffs for appointment of additional staff will therefore not be used, and is therefore not included in the recommendation, and will have no cost implication for the contract.

9.3 Comparison of Tenders on Price and Preference

Tenders were evaluated on price and preference; where price contributed 90 points and preference contributed 10 points. This was presented to the BAC on 9 March 2015.

#	Name of Tenderer	Price (Excl. VAT)	Price Points	Preference Points	Total Points
1	Veolia Water Solutions	21 972 871.36	90	0	90
2	WSSA	26 279 346.20	72.36	5	77.36
3	Bosch Munitech	48 114 066.88	-17.07	8	-9.07

The acceptable bid received from Veolia Water Solutions and Technologies (Pty) Ltd scored the highest points and they were identified as the preferred bidder, to negotiate the final terms of the contract with.

9.4 Financial Evaluation

The comparative price of Veolia's bid was assessed against other bids received and found to be relevant and appropriate for the scope of the Contract and the service offering.

Veolia's Implementing Agent Fee offered was the lowest.

The cost of the Contract was found to be within the existing budget of the Municipality.

The meeting of the objectives of the contract and the potential benefits was explored and confirmed, in particular skills development and retention, assurance of water supply at the right quality and quantity, operations optimisation, and asset preservation.

9.5 Other objective criteria

9.5.1 Market relatedness of prices

Three bids were received in response to the Request for Proposals, and could be compared to each other. The preferred bid was within the estimated cost of the contract, as well as within the available budget, and is considered to be market related.

9.5.2 Bank Rating

Veolia received a Code B bank rating – good for the amount mentioned. As the contract is an operations and management contract, with a management fee being paid monthly in arrears, and no capital investment is required, the bank rating as well as the access to finance as demonstrated was deemed sufficient for the purposes required.

9.5.3 Risk Analysis

The impact of the contract on municipal employees is a perceived risk.

If the contract is approved by Council, the bulk water and waste water treatment operations will transfer as a going concern to Veolia. This triggers section 197 of the Labour Relations Act, which protects the impacted employees. As the function transfers, the posts transfer and accordingly the employees in the posts transfer by operation of law. The Municipality as employer is substituted by Veolia as employer. Employees transfer on terms and conditions on the whole no

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less favourable. Veolia has been extensively engaged on the matter and the Municipality has satisfied itself that Veolia can offer terms and conditions on the whole no less favourable.

Both unions have been consulted in the process from August 2011. Regular monthly meetings of the LLF Working Group took place since June 2014, and the unions have been informed of the LRA section 197 transfer process and the implications thereof. They have also been informed that on termination of the contract after 15 years, or earlier for whatever reason, the staff will be transferred back to the municipality. Job protection and the uninterrupted continuation of employment were communicated to the unions and to affected employees, as well as that an automatic transfer will take place in law, and that their terms and conditions of employment will in the whole be no less favourable. An external labour law expert was consulted to guide Overstrand Municipality in the process. Although the unions are ideologically opposed to the transfer, they did not propose alternative arrangements for consideration by the Municipality. Accordingly, if the contract is approved, the current compliment of 50 employees in the function will transfer to Veolia to ensure continuity of the operations of the water and waste water treatment works. A process of change management will have to be followed after implementation, to which Veolia is committed. The contract provides that the Salary contribution will escalate at the annual SALGBC agreed rates for costs, benefits and notch increases, and accordingly the transferred employees will continue to be remunerated in alignment to municipal employees.

Another risk is the reliance of water services delivery by the Municipality on the operations of the bulk water and waste water treatment works. This will need to be managed by the Municipality through contract and performance management.

The affordability of the contact has been assessed. The Municipality has insulated itself from increases other than those aligned to CPI and the SALGBC.

10 FINANCIAL IMPLICATIONS

10.1 SOURCE OF FUNDING Operational Budget

Due to the number of budget votes involved with this contract, the table below cannot be populated meaningfully. Refer to Annexure G for list of votes and available budget amounts for the first 3 year period.

	2015/16	2016/17	2017/18
10.2 SCOA Description	Annexure G	Annexure G	Annexure G
10.3 SCOA Cost Account	Annexure G	Annexure G	Annexure G
10.4 SCOA Unique Key	Annexure G	Annexure G	Annexure G
10.5 Budget Provision	R 35 260 517	R 36 458 482	R 38 506 166
10.6 Balance Available	R 35 260 517	R 36 458 482	R 38 506 166
10.7 Total Expenditure	n/a	n/a	n/a
10.8 Any other costs related to project, e.g. Consultant fees, etc.	0	0	0
10.9 Estimated expenditure in the case of tariffs	R 27 969 966.14 (10 months only)	R 35 660 860.52	R 37 162 255.01
10.10 Total Project Cost	R 830 056 837.79		
10.11 Escalation (if any)	CPI and SALGBC		
10.12 Escalation date	1 July each year		

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11. COMMENTS FROM OTHER DEPARTMENTS

11.1 Budget Office

The requested amounts are within the available budget balances.

11.2 Expenditure and Asset Management

As the capital assets are used to provide a minimum level of basic municipal services, ownership thereof may not be transferred to the service provider. The responsibility of safeguarding it thus remains with the municipality although the service provider has the obligation to maintain it in the condition it is received.

11.3 Legal Department

Risk Analysis - Contract impact on employees:

In terms of section 197 A employees transfer automatically, on the terms and conditions on the whole and no less favorable than at the transfer date and duration of service. A transfer in terms of section 197(2) does not prevent an employee from being transferred to a pension, provident, retirement or similar fund other than the fund to which the employee belonged prior to transfer. Further emphasizes is given to Section 14(1) (c) of the Pension Fund Act which requires the Registrar of Pension Funds to be satisfied that any scheme to amalgamate or transfer funds is reasonable and equitable, and accords full recognition to the rights and reasonable benefit expectations of the person concerned in terms of the fund rules. In essence contributions at the transfer date must be matched. The emphasis must be on job protection and the uninterrupted continuation of employment. An automatic transfer can thus take place in law.

In the circumstances transfer means the transfer by one employer to another employer as a going concern. The new employer is automatically substituted in the place of the old employer in respect of all contracts of employment in existence immediately before the date of transfer. All the rights and obligations between the old employer and an employee at the time of the transfer continue in force as if they had been rights and obligations between the new employer and the employee. Anything done before the transfer by or in relation to the old employer, including the dismissal of an employee or the commission of an unfair labor practice or act of unfair discrimination is considered to have been done by or in relation to the new employer, and the transfer does not interrupt an employee's continuity of employment, and an employee's contract of employment continues with the new employer as if with the old employer. The terms and conditions as a whole cannot be less favorable than those on which the employee was employed by the old employer. The new employer is bound by any collective agreement.

Contract negotiations

It will be prudent to refer to the contract negotiation process and its outcome. This is proposed based on the fact that the award to the identified preferred bidder is subject to the successful negotiation of the contract. It should further be confirmed and motivated that the agreed terms of contract does not have a bearing on the competitive nature of the tender. It is proposed that the final terms of contract be incorporated to the tender report, as confirmation of same. The negotiated terms can neither change the scope of work as disclosed in the specifications of tender and the pricing.

11.4 Supply Chain Management

11.4.1 Procurement

In terms of the mandate imposed in terms of Council's SCM Policy, the Bid Evaluation Committee duly evaluated the bids received in terms of Paragraph 28 of the said policy and submitted to the Bid Adjudication Committee a recommendation regarding the preferred bidder. This recommendation was considered and approved by the Accounting Officer on 9 March 2015. In terms of this approval, the municipality is therefore satisfied that the preferred bidder complies with the requirements of the specifications, scored the highest points in terms of councils preferential procurement policy, has the ability to execute the contract and has been verified in respect of SCM compliance matters (i.e. tax matters, MBD declarations and municipal service charges).

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11.4.2 Contract Management

In terms of Section 33 of the MFMA, due process has been followed to date, making provision for the contract having future budgetary implications.

The report to council will conclude the section 33 process on 29 July 2015. This report will indicate the significant financial economic benefit from the contract. Furthermore, this report will include the projected financial obligations projected for each financial year and the impact of those financial obligations on the tariffs of the Overstrand Municipality.

The following activities were completed (except for the council meeting), in accordance to section 33 of the MFMA:

- Council date: 29 July 2015
- The activities below were completed within more than 60 days before the abovementioned council date.
- An advertisement, inviting the local community and other interested persons was placed on the 12th of March 2015.
- Draft Contract was made public on 12 March 2015
- Local community and other interested persons were invited to submit comments of which no formal comments and recommendations were received on 13 April 2015. A member of the community addressed clarification questions via the relevant councillor of the area. These questions were satisfactorily addressed by the user department.
- The views and recommendations of the following stakeholders have been solicited: National Treasury and relevant provincial treasuries, National department for local Government, Department of Water and Sanitation: 13 April 2015. Views and recommendations were received by Provincial Treasury as indicated in this report.
- Invitation to discuss the draft contract with Provincial and National Treasuries were held in Hermanus: 19 March 2015 (Minutes are available on request).

11.5 Provincial Treasury

The Provincial Treasury stated the following in their letter with comments: "Provincial Treasury took note of and values the effort of Overstrand Municipality in securing the required institutional capacity to ensure long-term efficient operation and maintenance of water and waste water treatment works. Given that South Africa is a water scarce country, the Municipality is commended in exploring alternative service delivery mechanisms in the delivery of the service."

The Provincial Treasury concluded: "given the current financial position of the Municipality, Treasury has, in principle, no objection against your intention, subject to the required Supply Chain Management processes being followed, the requirements of the MFMA (especially s33) being adhered to and the carry through implications over the MTREF be taken into account within the budgets of each of the affected years, with the required budgetary provision to ensure affordability and sustainability over the new MTREF years."

12. Conclusion

Overstrand Municipality identified the need to test the feasibility of the following:

11.1 The procurement of an Operator to manage, operate and maintain the Municipality's bulk water and waste water treatment works for a long term;

11.2 The opportunity for the existing operational staff directly associated with the bulk works to transfer to the Operator for the contract term, and receive appropriate management, training and career development, and to remain with the Bulk Works on termination of the contract;

11.3 The retention by the Municipality of technical and financial risk in regard to planning for and executing infrastructure development; and

11.4 The transfer of operational risk to the contractor, for which a fee will be paid.

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Following the bid evaluation and contract negotiation processes it was concluded that Veolia Water Solutions and Technologies (Pty) Ltd has the technical capacity to execute and manage the contract to meet the needs of the Municipality.

13. ANNEXURES

- 13.1** Annexure A: BAC Evaluation Report March 2015
- 13.2** Annexure B: BAC Resolution 9/3/2015 and Letter from SCM to preferred bidder
- 13.3** Annexure C: Letter from Provincial Treasury to Municipality
- 13.4** Annexure D: Worley Parsons Preferred Bidder Evaluation Report
- 13.5** Annexure E: Minutes of meetings
- 13.6** Annexure F: Contract
- 13.7** Annexure G: SCOA budget provision
- 13.8** Annexure H: Budget Verification Form A2
- 13.9** Annexure I: SCM Compliance check
- 13.10** Annexure J: Financial Analysis
- 13.11** Annexure K: Approval of Director

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14. RECOMMENDATION TO THE ACCOUNTING OFFICER

- 14.1 that it be recommended to the Accounting Officer that as they scored the highest points in terms of Council's Preferential Procurement Policy, **Contract SC 1508/2014, Water & Waste Water Treatment Operation Management Contract**, be awarded to:

Service Provider / Supplier:		Veolia Water Solutions & Technologies South Africa (Pty) Ltd		SCM Supplier #		
Service / Goods Provided:		Water and Waste Water Treatment Operations Management Contract				
Vote:	Item Description	Refer to Annexure G		Cost Code	N/A	
	Cost Account	Refer to Annexure G				
	Unique Key	Refer to Annexure G				
Amount (Excl. VAT):		Fixed and variable rates and Salary Contribution and implementing agent fee %: refer to schedules below (year 1)		Contingency:	5%	
Amount in words:		Fixed and variable rates and Salary Contribution and implementing agent fee %: refer to schedules below (year 1)				
Escalation Percentage:		CPI for Operator Fee and SALGBC increases for Salary Contribution		Escalation Date:	1 July Annually	
Contract Owner:		Stephen Muller & Roderick Williams		Contract Champion:	Hanre Blignaut & Mike Bartman	
CONTRACT PERIOD:						
Implementation date:		1 September 2015, subject to Council approval of the Contract in its final form		End date:	31 August 2030	Period: 15 years

- 14.2 That the contract only be signed after Council approval of the final contract.

Schedule of Rates / ...

The Schedule of Rates consists of the Operator's submission of:

1. the Fixed Fee for undertaking the Function,
2. the Variable Fee for undertaking the Function
3. the Salary Contribution for undertaking the Function
4. The Municipality's budgeted provisional sums for the Large Repairs and Maintenance Projects and Emergency Repairs
5. Two schedules and summaries for the Variable Fee are namely Option 1 for the instance of using the existing OM chemicals contract which will be in force until 30 June 2017, and Option 2 for the instance of using own chemicals suppliers.
6. the Implementing Agent (IA) Fee (% mark up on costs to be charged to undertake IA Services).

Note: That this contract may need the scope of GRAP 32 and in conclusion of Agreement the copy of the Contract be send to the Financial Services Department for attention.

- 14.3 The necessary budget provision be made for the leave pay accrued to the Transferred Employees. The Municipality will be responsible for paying the leave pay accrued to the Effective Date and undertakes to pay the Transferred Employees at the end of the third month after the Effective Date, less any tax due. The parties will disclose the agreement to the Transferred Employees;

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TENDER NO. SC 1508/2014 Phase 2 RFP: WATER & WASTE WATER TREATMENT OPERATION MANAGEMENT CONTRACT

Schedule of Rates: Veolia Water Solutions:

A) Fixed Monthly Rates				
Ref no	ITEM	No of months	Fixed rate pm (excluding VAT)	TOTAL
A	GENERAL			
A.1	FIXED CHARGES WASTEWATER TREATMENT WORKS			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.1.1	Hawston WWTW: O&M	12	R 19 220.00	R 230 640.00
A.1.2	Hermanus WWTW: O&M	12	R 46 830.00	R 561 960.00
A.1.3	Stanford WWTW: O&M	12	R 18 225.00	R 218 700.00
A.1.4	Gansbaai WWTW: O&M	12	R 26 250.00	R 315 000.00
A.1.5	Kleinmond WWTWL O&M	12	R 23 170.00	R 278 040.00
A.1	SUBTOTAL A.1			R 1 604 340.00
A.2	FIXED CHARGES WATER TREATMENT WORKS			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.2.1	Preekstoel WTW: O&M	12	R 432 920.00	R 5 195 040.00
A.2.2	Buffels River WTW: O&M	12	R 17 680.00	R 212 160.00
A.2.3	Franskraal WTW: O&M	12	R 54 740.00	R 656 880.00
A.2.4	Pearly Beach WTW: O&M	12	R 3 760.00	R 45 120.00
A.2.5	De Kelders WTW: O&M	12	R 5 075.00	R 60 900.00
A.2.6	Stanford WTW: O&M	12	R 115.00	R 1 380.00
A.2.7	Baardskeedersbos WTW: O&M	12	R 4 890.00	R 58 680.00
A.2.8	Kleinmond WTW: O&M	12	R 35 660.00	R 427 920.00
A.2.9	Buffeljags WTW: O&M	12	R 135.00	R 1 620.00
A.2	SUBTOTAL A.2			R 6 659 700.00

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TENDER NO. SC 1508/2014 Phase 2 RFP: **WATER & WASTE WATER TREATMENT OPERATION MANAGEMENT CONTRACT**

A) Fixed Monthly Rates				
Ref no	ITEM	No of months	Fixed rate pm (excluding VAT)	TOTAL
A.3	FIXED CHARGES SURFACE WATER SOURCES			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.3.1	Monthly charge for all surface water sources combined	12	R 38 300.00	R 459 600.00
A.3	SUBTOTAL A.3			R 459 600.00
A.4	FIXED CHARGES BOREHOLE PUMPS			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.4.1	Monthly charge for all borehole pumps combined	12	R 2 725.00	R 32 700.00
A.4	SUBTOTAL A.4			R 32 700.00
A.5	FIXED CHARGES SURFACE WATER PUMPSTATIONS			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.5.1	Monthly charge for all surface water pump stations combined	12	R 22 810.00	R 273 720.00
A.5	SUBTOTAL A.5			R 273 720.00
A.6	FIXED CHARGES BULK WATER PIPELINES			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.6.1	Monthly charge for all bulk water pipelines combined	12	R 74 210.00	R 890 520.00
A.6	SUBTOTAL A.6			R 890 520.00

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TENDER NO. SC 1508/2014 Phase 2 RFP: WATER & WASTE WATER TREATMENT OPERATION
MANAGEMENT CONTRACT

A) Fixed Monthly Rates				
Ref no	ITEM	No of months	Fixed rate pm (excluding VAT)	TOTAL
A.7	FIXED CHARGES RESERVOIRS			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.7.1	Monthly charge for all reservoirs combined	12	R 25 060.00	R 300 720.00
A.7	SUBTOTAL A.7			R 300 720.00
A.8	FIXED CHARGES SEWER PUMPSTATIONS			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.8.1	Monthly charge for all sewer pumpstations	12	R 28 760.00	R 345 120.00
A.8	SUBTOTAL A.8			R 345 120.00
A.9	FIXED CHARGES BULK SEWER PIPELINES			
	Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)			
A.9.1	Monthly charge for all sewer pipelines combined	12	R 63 250.00	R 759 000.00
A.9	SUBTOTAL A.9			R 759 000.00

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TENDER NO. SC 1508/2014 Phase 2 RFP: WATER & WASTE WATER TREATMENT OPERATION MANAGEMENT CONTRACT

B) Variable Rates based on Overstrand Chemicals Contract					
Ref no	ITEM		No of months	Rate per kl (excluding VAT)	TOTAL (for year)
B	VARIABLE CHARGES (Based on OM Chemicals contract)				
B.1	VARIABLE CHARGES WASTEWATER TREATMENT WORKS Contractual Requirements (includes all costs required to deliver undertake the Function as per Technical Specifications)	Assume monthly demand (kl/m) for bidding purpose		Rate per Kl received	
B.1.1	Hawston WWTW	10 490	12	R 0.36	R 45 316.80
B.1.2	Hermanus WWTW	227 490	12	R 0.20	R 545 976.00
B.1.3	Stanford WWTW	14 170	12	R 0.43	R 73 117.20
B.1.4	Gansbaai WWTW	35 190	12	R 0.18	R 76 010.40
B.1.5	Kleinmond WWTW	42 920	12	R 0.10	R 51 504.00
	SUBTOTAL B.1				R 791 924.40
B.2	VARIABLE CHARGES WATER TREATMENT WORKS Contractual Requirements (includes all costs required to deliver undertake the Function as per Technical Specifications)	Assume monthly demand (kl/m) for bidding purpose		Rate per Kl treated water received by Overstrand	
B.2.1	Preekstoel WTW: O&M	334 340	12	R 0.24	R 962 899.20
B.2.2	Buffels River WTW: O&M	73 700	12	R 0.83	R 734 052.00
B.2.3	Franskraal WTW: O&M	81 610	12	R 4.13	R 4 044 591.60
B.2.4	Pearly Beach WTW: O&M	15 850	12	R 0.94	R 178 788.00
B.2.5	De Kelders WTW: O&M	46 420	12	R 0.42	R 233 956.80
B.2.6	Stanford WTW: O&M	24 640	12	R 0.03	R 8 870.40
B.2.7	Baardskeerdersbos WTW: O&M	970	12	R 4.97	R 57 850.80
B.2.8	Kleinmond WTW: O&M	63 080	12	R 0.55	R 416 328.00
B.2.9	Buffelsjags Bay	140	12	R 0.00	R 0.00
	SUBTOTAL B.2				R 6 637 336.80

Note: if the cession of Overstrand Municipality's chemicals contract to Veolia for the remainder of the contract period is not successful, the amounts for chemicals supplied by Overstrand Municipality will be deducted from payments due to Veolia for the function.

TENDER NO. SC 1508/2014 Phase 2 RFP: WATER & WASTE WATER TREATMENT OPERATION MANAGEMENT CONTRACT

C) Variable Rates based on Veolia's own chemical supply					
Ref no	ITEM		No of months	Rate per k (excluding VAT)	TOTAL (for year)
C	VARIABLE CHARGES (Based on own Chemicals supply)				
C.1	VARIABLE CHARGES WASTEWATER TREATMENT WORKS Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)	Assume monthly demand (kl/m) for bidding purpose		Rate per Kl received	
C.1.1	Hawston WWTW	10 490	12	R 0.28	R 35 246.40
C.1.2	Hermanus WWTW	227 490	12	R 0.18	R 491 378.40
C.1.3	Stanford WWTW	14 170	12	R 0.36	R 61 214.40
C.1.4	Gansbaai WWTW	35 190	12	R 0.15	R 63 342.00
C.1.5	Kleinmond WWTW	42 920	12	R 0.07	R 36 052.80
	SUBTOTAL C.1				R 687 234.00
C.2	VARIABLE CHARGES WATER TREATMENT WORKS Contractual Requirements (includes all costs required to undertake the Function as per Technical Specifications)	Assume monthly demand (kl/m) for bidding purpose		Rate per Kl treated water received by Overstrand	
C.2.1	Preekstoel WTW: O&M	334 340	12	R 0.22	R 882 657.60
C.2.2	Buffels River WTW: O&M	73 700	12	R 0.76	R 672 144.00
C.2.3	Franskraal WTW: O&M	81 610	12	R 3.73	R 3 652 863.60
C.2.4	Pearly Beach WTW: O&M	15 850	12	R 0.82	R 155 964.00
C.2.5	De Kelders WTW: O&M	46 420	12	R 0.27	R 150 400.80
C.2.6	Stanford WTW: O&M	24 640	12	R 0.02	R 5 913.60
C.2.7	Baardskeerdersbos WTW: O&M	970	12	R 4.22	R 49 120.80
C.2.8	Kleinmond WTW: O&M	63 080	12	R 0.52	R 393 619.20
C.2.9	Buffelsjags Bay	140	12	R 0.00	R 0.00
	SUBTOTAL C.2				R 5 962 683.60

AGENDA of the Bid Evaluation Committee Meeting: 15 July 2015

15/15

AGENDA of the Bid Adjudication Committee Meeting: 17 July 2015

TENDER NO. SC 1508/2014 Phase 2 RFP: WATER & WASTE WATER TREATMENT OPERATION MANAGEMENT CONTRACT

D.1	PROVISIONAL SUMS		Veolia: Provisional Sum (excluding VAT)
D.1.1	Provisional capital sum for equipment or major repairs (in excess of R50 000 per incident) as may be required by the Employer	Sum	R 350 000.00
D.1.2	Provisional sum for upgrading of facilities	Sum	R 200 000.00
	SUBTOTAL (OM chemicals)		R 19 304 681.20
	Contingencies (5%)		R 965 234.06
	SUBTOTAL 1		R 20 269 915.26
E.	SALARY CONTRIBUTION (OM STAFF COSTS)	Sum	R 13 283 247
	SUB TOTAL 2 (Estimated value of contract for 2015/2016, excluding VAT)		R 33 553 162.26
	14% VAT ON SUBTOTAL 1		R 2 837 788.14
	TOTAL TENDER SUM FOR YEAR 1 (Estimated value of contract for 2015/2016, including VAT, for 12 months)		R 36 390 950.40

F. VEOLIA: TENDERED IMPLEMENTING AGENT FEE

Veolia % Implementing Agent Fee	6 %
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Notes:

1. The total is the annual amount for the period 2015/16. The Operator will only be paid from the Effective Date of the Contract for the remainder of the 2015/16 Financial Year.
2. The amounts in D.1.1 and D.1.2 are indicative amounts which will be drawn against as and when costs are incurred by the Operator and invoiced.
3. Provisional sum D.1.1. will be determined annually and budgeted for by the Municipality in accordance with the requirements of the Function as determined in the Annual Plan.
4. Provisional sum D.1.2 is only applicable in the first year.
5. The fixed cost contribution for salary costs of posts associated with the Function as at October 2014 (E) will be paid out monthly in 12 equal payments. This amount will be escalated yearly based on the SALGBC increases and the schedule below will be used for the calculation.
6. The Salary Contribution determination was based on the assumption that SALGBC will apply a 6.1 % average increase from 1 July 2015 and the amounts in the schedule reflects this assumption.