

9.

TENDER NO. SC1261A/2012: PROPOSED AMENDMENT OF CONTRACT FOR THE MAINTENANCE OF WATER AND WASTEWATER INFRASTRUCTURE EQUIPMENT IN THE OVERSTRAND FOR THE PERIOD ENDING 30 JUNE 2015

8/4

M Bartman
24 June 2015

(028) 313 8982

Corporate Head Office

1. Executive Summary

The purpose of this report is to provide the necessary information and motivation for the proposed amendment of Contract SC1261/2012: MAINTENANCE OF WATER AND WASTEWATER INFRASTRUCTURE EQUIPMENT IN THE OVERSTRAND ENDING 30 June 2015, in terms of the enabling provisions of section 116(3) of the Local Government: Municipal Finance Management Act, Act No. 56 of 2003 (MFMA), to enable Council to make an informed decision when considering to amend the contract.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Community Services
Section: Operational Services

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services
Creation and maintenance of a safe and healthy environment

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act, 2003(Act 56 of 2003)
Circular 73 National Treasury Practise note
Overstrand Municipality Supply Chain Management Policy, as amended
Overstrand Municipality Contract Management Policy, as amended

6. Background/Motivation/Compliance

Background

Tender No. SC 1261/2012 for the Maintenance of Water and Wastewater Infrastructure Equipment in Overstrand was awarded in two contracts to Water and Sanitation Services South Africa for Work Packages 1 and 2 (Boreholes,

Reservoirs and Water Pump Stations) and Hydro-Tech Systems for Work Packages 3, 4 and 5 (Wastewater Pump Stations, Water and Wastewater Treatment Works) on 25 January 2013. These contracts were awarded according to rates with an estimated total contract value. The actual contract value for each contract is based on the “as and when” principle of when maintenance and repairs is required on equipment and infrastructure of water and wastewater facilities.

The main items of work are preventative maintenance and the repair of break downs of water and wastewater infrastructure and equipment at all the facilities in Overstrand under these two contracts across 3 financial years, with a contract end date of 30 June 2015.

The contract in terms of tender SC 1508/2014: Phase Two for Bulk Water and Waste Water Operations and Maintenance Management Contract (section 78 investigations) is currently being negotiated. This contract will amongst others make provision for the maintenance and repairs of water and wastewater infrastructure and equipment. The intention was that the contract be concluded before 30 June 2015. However due to prolong negotiations with role players it is anticipated that this contract will only be concluded after 30 June 2015.

The Directorate is now faced with the challenge that when the maintenance tender expire on 30 June 2015 there will be no contract in place to attend to emergency break downs of equipment. This can lead to catastrophic situations such as sewer spillages, water shortages and water and effluent quality problems. This can again lead to huge financial implications for, and law suits against the Overstrand Municipality.

The alternative of calling for tenders for the maintenance and repairs of water and wastewater infrastructure and equipment at this stage, is considered not to be practical until there is more certainty on progress of the contract in terms of tender SC 1508/2014.

The preferred option is to extend the period of the current tender and value per contract above R 10 million in terms of section 116(3) of the Municipal Financial Management Act 56 of 2003. This will enable the municipality to make an informed decision when assessing the progress of the section 78 investigation and the timeline for the appointment of the Maintenance Management Contractor (if any).

To allow for the earlier cancellation of the amended contracts, a 30 day notice period have been agreed with the Hydro-Tech and WSSA (annexure A).

Motivation

- a) The negotiation process for the contract in terms of tender SC 1508/2014: Phase Two for Bulk Water and Waste Water Operations and Maintenance Management Contract is currently underway and if successful it will include the scope of work for tender SC1261A/2012.
- b) Due to the delay in the negotiation process for the contract in terms of tender SC 1508/2014, it will result in a period where no approved contractor will be available to deal with emergency breakdowns. This can lead to catastrophic situations such as sewer spillages, water shortages and water and effluent quality problems.
- c) A new three year tender process will create expectations and will be unreasonable to the contractor, should the contract be cancelled within a short period after it is awarded, due to the possible conclusion of the contract of tender SC 1508/2014.
- d) A short term tender for a Water and Wastewater Equipment Maintenance Tender can lead to inflated rates being tendered, which would not be in the interest of the Municipality.
- e) By amending the contract the municipal will financially benefit as existing rates, with only a 6% escalation rate will apply, and not new tariffs that could be much higher.
- f) The current two contractors are familiar with the water and wastewater facilities and are currently providing a service of good quality and value for money.
- g) A 30 day notice period will be included in the amended contract for cancellation should the contract in terms of SC1508/2014 be awarded.

SCM Compliance

A compliance check was performed. The company duly completed the needed forms and is found to be fully compliant

7. Financial Implications

Actual expenditure incurred from April 2013 up to 18 May 2015 is as follows:

- WSSA:	R 3 000 800.89 excl VAT
- Hidro-Tech:	R 7 532 001.04 excl VAT
- Total Expense:	R10 532 801.93 excl VAT

Estimated expenditure per contract up to end June 2018:

- WSSA contract:	R 4 500 688.00 excl VAT
- Hidro-Tech contract:	R11 296 717.00 excl VAT
- Total estimated expenditure:	R15 797 405.00 excl VAT

Source of Funding: Operating Budget Provisions

Department	2015-2016	2016-2017	2017-2018
Water Distribution Kleinmond : Contracted Services	R 132,230	R 140,164	R 148,574
Water Distribution Hermanus : Contracted Services	R 220,000	R 360,000	R 381,000
Water Distribution Stanford : Contracted Services	R 52,868	R 56,040	R 59,402
Water Distribution Gansbaai : Contracted Services	R 164,247	R 174,102	R 184,548
Water (Raw Water Dams) Gansbaai : Contracted Services	R 57,641	R 61,100	R 64,766
Sewerage Distribution Kleinmond : Contracted Services	R 185,000	R 196,100	R 207,866
Sewerage Distribution Hermanus : Contracted Services	R 1,700,000	R 1,908,000	R 2,022,480
Sewerage Distribution Stanford : Contracted Services	R 43,000	R 45,580	R 48,315
Sewerage Distribution Gansbaai : Contracted Services	R 317,499	R 336,938	R 357,567
Water (Treat) Kleinmond : Contracted Services	R 273,108	R 289,495	R 306,865
Water (Treat) De Bos / Preekstoel : Contracted Services	R 1,901,706	R 2,121,808	R 2,249,116
Water (Treat) Gansbaai / Franskraal : Contracted Services	R 1,300,000	R 583,000	R 617,980
Sewerage (Treat) Kleinmond : Contracted Services	R 115,161	R 122,071	R 129,395
Sewerage (Treat) Hawston : Contracted Services	R 233,200	R 247,190	R 262,000
Sewerage (Treat) Hermanus : Contracted Services	R 350,000	R 393,260	R 416,850
Sewerage (Treat) Stanford : Contracted Services	R 198,207	R 210,100	R 222,706
Sewerage (Treat) Gansbaai : Contracted Services	R 496,500	R 526,290	R 557,868
TOTAL	R 7,740,367	R 7,771,238	R 8,237,298

	2015/16	2016/17	2017/18
Budget Provision (excl VAT)	R7 740 367	R7 771 238	R8 237 298
Balance Available 2015/16 (excl VAT)	R7 740 367	R7 771 238	R8 237 298
Estimated expenditure (excl. VAT)	R4 962 120	R5 259 847	R5 575 438
Total estimated expenditure on SC 1261/2012 & 1261A/2012 (excl. VAT)	R15 494 921 **	R20 754 768	R26 330 205

**The total current (2014/2015) expenditure plus the estimated expenditure for 2015/2016: R15 494 921.00.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Contract Management Office (SCM)

It has been verified and confirmed that:

The contract is active and the proposed amendment of the contract is supported. It is verified that the content of this submission is in full compliance with the regulatory requirements of Section 116(3) of the Local Government Finance Management Act, 2003 (Act 56 of 2003) and the Overstrand Municipality Supply Chain Policy.

No recommendations or representations were received from the local community by closing date, 22 June 2015.

10. Annexures

Annexure A: Addendum to contract confirming to extend contract

Annexure B: Public notice as published in the Hermanus Times on the 22 May 2015.

RECOMMENDATION TO THE COUNCIL:

that, in terms of section 116(3) of the Local Government : Municipal Finance Management Act, No 56 of 2003 (MFMA) and circular 73 of National Treasury, the reasons for the proposed amendment of the Contract SC1261/2012 for the **MAINTENANCE OF WATER AND WASTEWATER INFRASTRUCTURE EQUIPMENT IN THE OVERSTRAND**, with a contract period ending 30 June 2018, on a month to month basis with a 30 day notice period, **be noted**.

RESPONSIBLE OFFICIAL :**MIKE BARTMAN
MORNÉ POTGIETER****TARGET DATE FOR IMPLEMENTATION :****1 JULY 2015**

ANNEXURE A
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OFFICE OF THE DIRECTOR:
COMMUNITY SERVICES

Enquiries : MIKE BARTMAN
Date : 19/05/2015

ADDENDUM – INTENT TO AMEND A CONTRACT – SC 1261/2012

The parties agree to the following intention to amend the existing contract SC 1261/2012, which were signed between them on 08 March 2013 and record this was done freely and willingly, without any coercion whatsoever from any one party;

The parties agree to the amendment of the contract end date, regarding the abovementioned agreement to 30 June 2018 on a month to month basis with a 30 day notice of termination period.

The supplier acknowledges that they do have the capacity to fulfil the obligation as set out in the terms and conditions of the contract.

Overstrand Municipality have the right to terminate the amended contract SC 1261A/2012 with 30 day notice, before the end of June 2018.

The parties agree that the amendment of the contract is subject to the completion of a Supply Chain Management process, including completing a process as prescribed by section 118(3) of the Municipal Finance Management.

The parties further agree to commit to this amendment of the contract after the date of completion of the prescribed Supply Chain Management process.

Thus done and signed at Johannesburg this 20th day of May 2015
in the presence of the undersigned witnesses

WITNESSES:

- 1.
- 2.

WATER & SANITATION SERVICES
SOUTH AFRICA (PTY) LTD
BLOCK E, LINCOLNWOOD OFFICE PARK
WOODLANDS DRIVE
WOODMEAD 2128

for and on behalf of Water and Sanitation Services SA:

NAME: C WILCOCK Director
AUTHORISED SIGNATORY

Thus done and signed at HEERMANUS this 20TH day of MAY 2015
in the presence of the undersigned witnesses

WITNESSES:

- 1.
- 2.

for and on behalf of Overstrand Municipality: Roderick Williams,
Director: Community Services

A
2 of 2



OFFICE OF THE DIRECTOR:
COMMUNITY SERVICES

Enquiries : MIKE BARTMAN
Date : 19/05/2015

ADDENDUM – INTENT TO AMEND A CONTRACT – SC 1261/2012

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The parties agree to the amendment of the contract end date, regarding the abovementioned agreement to 30 June 2018 on a month to month basis with a 30 day notice of termination period.

The supplier acknowledges that they do have the capacity to fulfil the obligation as set out in the terms and conditions of the contract.

Overstrand Municipality have the right to terminate the amended contract SC 1261A/2012 with 30 day notice, before the end of June 2018.

The parties agree that the amendment of the contract is subject to the completion of a Supply Chain Management process, including completing a process as prescribed by section 116(3) of the Municipal Finance Management.

The parties further agree to commit to this amendment of the contract after the date of completion of the prescribed Supply Chain Management process.

Thus done and signed at Stikland Bellville this 20TH day of MAY 2015
in the presence of the undersigned witnesses

WITNESSES:

1.
2.

for and on behalf of Hidro-Tech Systems:
NAME: R.J. Viljoen: Director


Thus done and signed at HEERMANUS this 20TH day of MAY 2015
in the presence of the undersigned witnesses

WITNESSES:

1.
2.

for and on behalf of Overstrand Municipality: Roderick Williams,
Director: Community Services

Annexure B
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 NOTICE/KENNISGEWING/ISAZISO		
<p>NOTICE IN TERMS OF SECTION 116(3) OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 OF 2003) FOR THE PROPOSED AMENDMENT OF THE EXISTING AGREEMENT WITH HYDRO-TECH SYSTEMS & WATER AND SANITATION SERVICES SOUTH AFRICA FOR THE PROVISION OF MAINTENANCE OF WATER AND WASTEWATER INFRASTRUCTURE EQUIPMENT IN THE OVERSTRAND.</p> <p>Notice is hereby given in terms of Section 116(3)(a) and (b) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) that it is the intention of the Overstrand Municipality to amend the existing Contract with Hydro-Tech Systems & Water and Sanitation Services South-Africa. The reason for the proposed amendment of the contract is to make provision for the uninterrupted maintenance of water and wastewater infrastructure equipment in the Overstrand for a period after 30 June 2015.</p>	<p>KENNISGEWING INGEVOLGE ARTIKEL 116(3) VAN DIE FINANSIALE BESTUUR, 2003 (WET 56 VAN 2003) VIR DIE VOORGESTELDE WYSIGING VAN DIE BESTAANDE OOREENKOMS MET HYDRO-TECH SISTEEM EN WATER ENSAANTASIE DIENSTELUID AFRIKA VIR DIE ONDERHOUD VAN WATER EN AFVALWATER INFRASTRUKTUUR TOERUSTING IN DIE OVERSTRAND</p> <p>Kennis geskied hiermee ingevolge artikel 116(3)(a) en (b) van die Wet op Plaaslike Regering, Munisipale Finansiële Bestuur, 2003 (Wet 56 van 2003) dat die Munisipale Bestuur van Overstrand voornemens is om die bestaande ooreenkoms met Hydro-Tech Sisteem & Water en Sanitasie Dienste Suid-Afrika te wysig. Die rede vir die voorgestelde wysiging van die ooreenkoms is om voorsiening te maak vir die ononderbroke onderhoud van water en afvalwater infrastruktuur toerusting in die Overstrand vir 'n periode na 30 Junie 2015.</p>	<p>ISAZISO SECANDELO-116(3) LOMTHETHO ILOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, NO.56 WANGO-2003 OKUBA UJONGE UKWANDISA ISIVUMELWANO NO MNIKI NKOZISO U- HYDRO-TECH SYSTEMS AND WATER AND SANITATION SERVICES SOUTH AFRICA UKULUNGISWA NOKUPHATHWA KAKUHLE KWAMANZI KUNYE NZIXHOBHO ZAMANZI KWINGINCI YASE OVERSTRAND</p> <p>UMasipala weNgqongqo yase-Overstrand, wazisa ukuba unqenipela ukwandisa isivumelwano no mnikhi nkoziiso u- Hydro-Tech Systems & Water and Sanitation Services oko kusenziwa ngokwemimiselo yamaCandelo-116(3)(a) no(b) lomthetho Local Government: Municipal Finance Management Act, No.56 wango-2003. Umqeqesho ubekwayo ngokwanda kwandiswe isivumelwano esikhoyo ukuze kuthubekelwe inkonzo zokulungiswa nokuphathwa kakuhle kwamanzi kunye nezixhobo zamanzi kwinginci yase Overstrand, ubese ngapha kwe 30 June 2015.</p>
<p>Notice is hereby further given in terms of Section 21 and 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) that the local community and affected parties are invited to submit comments or representations on the proposed amendment of the agreement. Such comments or representations must be submitted by not later than Monday, 22 June 2015 at 12:00.</p>	<p>Kennis geskied verder ingevolge artikel 21 en 21A van die Wet op Plaaslike Regering, Munisipale Sisteem, 2000 (Wet 32 van 2000), dat die plaaslike gemeenskap en gesleënde partye genooi word om kommentaar of vertoë oor die voorgestelde wysiging van die ooreenkoms aan die Munisipaliteit te lewer. Hierdie kommentaar of vertoë moet teen nie later nie as Maandag, 22 Junie 2015 om 12:00 ingedien word.</p>	<p>Abantu abasuka akutiqaleni nabanye abantu abanomda bayanywayo ukuba bathumela izimvo zabo okanye izimvo abazibhaleyo kuMasipala ngokumayela nezi sivumelwano aphakanyiswayo oko kwenziswa ngomvulo phambi ko 12:00, nge 22 zika Juni 2015. Oko kwenziswa ngokwemimiselo yamaCandelo 21 kunye nele- 21A lomthetho Local Government: Municipal Systems Act, 32 wewama-2000.</p>
<p>Comments or representations must be submitted in a sealed envelope clearly endorsed "SC1261/2012; COMMENTS ON NOTICE OF AMENDMENT OF EXISTING AGREEMENT WITH HYDRO-TECH SYSTEMS & WATER AND SANITATION SERVICES SOUTH-AFRICA" and be deposited in tender box no.6.</p> <p>All submissions must be addressed to:</p> <p>The Municipal Manager Tender box no. 6 Overstrand Municipality Magnolia Avenue Hermanus 7200</p> <p>Persons who are physical disabled or who cannot read or write but wish to participate in the process, may come during office hours to the Municipal Offices, Magnolia Avenue, Hermanus where a staff member will assist that person to transcribe that person's comments or representations.</p>	<p>Kommentare of vertoë moet ingedien word in 'n versleëde koos, duidelik gemerk "SC1261/2012; KOMMENTAAR OP KENNISGEWING VAN WYSIGING VAN BESTAANDE OOREENKOMS MET HYDRO-TECH SISTEEM EN WATER ENSAANTASIE DIENSTE-SUID-AFRIKA" en geplaas word in tenderbus nr.6.</p> <p>Alle voorleggings moet geadresseer word aan:</p> <p>Die Munisipale Bestuurder Tenderbus nr. 6 Munisipaliteit Overstrand Magnolielaan Hermanus 7200</p> <p>Personne wat fisies gestremde is of nie kan lees of skryf nie, maar aan die proses wil deelneem, kan gedurende kantoorure na die Munisipale Kantore, Magnolielaan, Hermanus kom, waar 'n personeelid daardie persoon sal help om die kommentaar of vertoë neer te skryf.</p>	<p>Izimvo ezibhalwayo Zibhalwe ngokucacileyo kwimvulo yety-winiwayo kwabhalwa "SC1261/2012; IZIMVO ZESAZISO UKWANDISA ISIVUMELWANO NO- MNIKI NKOZISO U- HYDRO-TECH SYSTEMS & WATER AND SANITATION SERVICES SOUTH-AFRICA" mayilakwe kwi Bhokisi yeZinikhi-maxabiso no.6.</p> <p>Zonke izimalo zithunyelwe kwi: Umqopheli kaMasipala Bhokisi yeZinikhi-maxabiso no. 6 UMasipala weNgqongqo yase-Overstrand Magnolia Avenue Hermanus 7200</p> <p>Abantu abakhubekileyo kunye nabantu abangakwaziyo ukubhala kowaba dayangwenela ukuthifafa nxaheba kulumba, baya-celwa baye kwi ofisi zika Masipala eMagnolia Avenue eHermanus apho khona banokulumana utsebo ngokubeka izimvo zabo.</p>
<p>Mr. C. Groenewald Municipal Manager</p>	<p>Mnr. C.Groenewald Munisipale Bestuurder</p>	<p>Mnu. C.Groenewald UMasipala kaMasipala</p>