



## **MFMA INFORMATION STATEMENT**

### **AMENDMENT OF LONG TERM CONTRACT SC 1890/2018 FOR THE OPERATION AND MAINTENANCE OF THE BULK WATER AND WASTE WATER WORKS**

#### **1. OBJECTIVE**

Overstrand Municipality has made public the proposed amendment of the municipality's existing long term contract with Veolia Water Solutions & Technologies South Africa (Pty) Ltd, to whom the contract has been awarded following a competitive bidding process, with respect to the operation and maintenance of the municipality's bulk water and waste water facilities.

The amendment is subject to approval by the Municipal Council in terms of Section 33 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA), as the actual implementation period of the proposed amendment of the long term contract exceeds three (3) years.

The objective of this Information Statement is to inform the community and other interested parties of the proposed amendment of the long term contract.

#### **2. INVITATION**

The local community and other interested parties are invited to submit comments or representations to the municipality in respect of the proposed amendment of the long term contract.

#### **3. PROCEDURE FOR SUBMISSION OF COMMENTS**

Members of the local community and other interested parties are invited to submit comments or representations in respect of the amendment of the long term contract to:

The Municipal Manager, Overstrand Municipality, before 12:00 on Monday, 23 September 2019, in a sealed envelope clearly endorsed "Proposed amendment of Contract SC 1890/2018: Water and Waste Water Bulk Works Operation and Maintenance" and be deposited in Tender Box no. 7.

Written enquiries for clarification can be directed to Mr Hanré Blignaut at e-mail address: [hblignaut@overstrand.gov.za](mailto:hblignaut@overstrand.gov.za).

Any person who wishes to submit comments or representations with regards to the proposed amendment of the long term contract, and who cannot write, will be assisted by the Director: Finance or a person designated by her at the Overstrand Civic Centre, Hermanus, up to 12:00 on Monday, 23 September 2019.

#### **4. PROJECT BACKGROUND**

A 15 year contract for the operation and maintenance of Overstrand Municipality's bulk water and waste water facilities was awarded to Veolia Water Solutions & Technologies South Africa (Pty) Ltd on 4 September 2019. The long term contract was approved by the Overstrand Council on 28 November 2018, and the contract commenced on 8 December 2018.

The contract makes provision in clause 6 for adjustment or variation of the scope of the contract during the contract period, as a result of issues arising after the effective date of

the contract, which may include e.g. changes in regulatory provisions, changes in the Bulk Works (either expansion or reduction), or change in raw water quality. The impact of such a variation has to be agreed between the parties, provided that it is related to the Bulk Works as defined in the contract. The municipality has the right to test or benchmark value for money of Veolia's proposed pricing for the proposed variation against their competitively tendered rates, as escalated, or the market. The pricing schedule shall then be adjusted with Veolia's quoted rates as agreed for the proposed variation.

The reason for this proposed amendment is to include the operation and maintenance of newly completed bulk water and waste water facilities to the scope of work of the contract, in accordance with clause 6 of the contract between the municipality and Veolia.

Since commencement of the contract, two variations to the scope of the contract became relevant: (1) the Stanford Waste Water Treatment Works (WWTW) was upgraded from 0.5 Megalitres per day (Ml/day) capacity to 1.2 Ml/day capacity, which includes new infrastructure and resource requirements, and (2) a water stabilization system is being installed on the Stanford water supply system to improve the quality of water supplied to consumers in Stanford.

Regulation 2834 of the of the Department of Water and Sanitation (DWS) makes provision for the classification of water and waste water treatment plants in terms of size, complexity of operation, sensitivity of the environment being discharged to, and the subsequent resources required.

An assessment in terms of the regulation indicated that the upgraded Stanford WWTW will most likely be re-classified as a C class works from its existing E Class. This will bring it in comparison to the Gansbaai WWTW, which is also a C Class works in terms of the regulation. Veolia quoted for a fixed cost for the upgraded plant similar to the fixed cost of the existing Gansbaai WWTW, and they quoted the variable cost at the same level as for the Stanford WWTW before the upgrade, as it is not envisaged that more chemicals will be used by the upgraded plant. The quoted fixed cost is acceptable to the municipality, as there is a significant increase in equipment at the upgraded plant, and the fixed cost has to make provision for maintenance manpower and materials, operational manpower required, training, health and safety aspects, etc.

With regards to the water stabilization system being installed at Stanford, it comprises of a media filtration unit, a reverse osmosis (RO) unit, a CIP skid for membrane cleansing, a limestone unit, and batch interconnecting tanks. The plant is to a large extent comparable with the existing water treatment plant at De Kelders, which also forms part of the contract, and is being operated and maintained by Veolia. Their quoted variable cost for Stanford is higher than that of De Kelders, due to additional process units, e.g. the media filters and re-mineralization unit, which is acceptable. The quoted additional fixed cost component for Stanford compares well with De Kelders, with a 35% saving. It must also be noted that the replacement of the RO membranes approximately every 7 years is included in the fixed cost quoted for Stanford, as well as insurance of the plant.

The commencement date of the two components of this proposed amendment will be the commissioning dates of the respective new infrastructure projects, and the duration will be until 7 December 2033.

## **5. LONG TERM SERVICE LEVEL AGREEMENT**

All the provisions of the existing long term contract between Overstrand Municipality and Veolia will apply to this proposed amendment of the contract.

## **6. NEXT STEPS**

Members of the local community and other interested persons are invited to submit to the Municipality their comments or representations in respect of the proposed amendment of the long term contract as set out above.

The Municipality will also solicit the views and recommendations of stakeholders, including the National and Provincial Treasuries and the national department responsible for Local Government.

The amendment to the long term contract and all comments and views received will be presented to the Municipal Council for final approval on 30 October 2019.