

**JUL 28 2010**

Ref: 136745

BY FAX-250 360-3234

Mr. Geoff Young
Chair
Capital Regional District
625 Fisgard Street
Victoria, BC V8W 2S6

Dear Chair Young:

This letter is in response to your enquiry regarding the position of the Ministry of Community and Rural Development (Ministry) on governance and procurement for the Capital Regional District's (CRD) Core Area Wastewater Treatment Project (Project).

1. Project Governance

The Province of British Columbia (Province) recognizes the need for the creation of an independent and project-specific body to ensure the Project is delivered on time, within budget and meets the desired outcomes. This body will be responsible to direct the Project through procurement to commissioning. To balance the key project management issues of time, budget and quality, this body must be capable of making timely, technical and management decisions on the basis of required Project outcomes and key stakeholder interests.

Good governance requires a formal structure, such as a Project Board or Steering Committee. Through such a structure, the interests of key stakeholders are represented and fair, open, transparent procurement practices are maintained.

A corporate governance model (or similar) might be most suited to a project such as this, where there are multiple funding entities, each with significant input into the Project. The formal structure provides clear accountability and fiduciary responsibilities. The model can also accommodate the involvement of external board members nominated by each of the key stakeholders. A project with this level of technical complexity will benefit from the expertise of external members with specific qualifications and capabilities. The Ministry is willing to consider other governance models that meet or exceed the functionality and benefits of a corporate model.

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Ministry of Community
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The governance model selected must provide effective, expedient, independent decision making with a focus on project outcomes, successful completion and achievement of project objectives. While remaining free from conflict of interest and bias, it must strengthen accountability and provide assurance and confidence to elected officials that appropriate management controls are in place. As well, it must provide an audit trail of key decisions.

2. Public-Private-Partnership Procurement

Consistent with the provincial capital standard policy for capital projects with \$50 million or more of provincial funding, a Public-Private-Partnership (PPP) will be the preferred procurement option unless an alternate option achieves better value for taxpayers. A comprehensive risk management plan will also be necessary. The Province is committed to continue encouraging innovation and further cost benefits through the PPP procurement process.

The configuration of the PPP must be identified through discussions between the CRD and Partnerships BC. Smaller project elements that require a connection to the existing sewage trunk mains, such as upgrades to pump stations and pipelines under municipal streets, may be suitable for procurement using a traditional approach. Larger project elements, including treatment facilities, will need to be considered for procurement through a combination of PPP procurement models such as Design Build, Design Build Operate and Design Build Finance Operate.

To develop governance and procurement models that meet provincial desires and requirements for this project, please continue to work closely with Mr. Mike Furey, Assistant Deputy Minister, and in cooperation with Partnerships BC representatives. You can contact Mr. Furey at:

Mr. Mike Furey
Assistant Deputy Minister
Local Government Department
Ministry of Community and Rural Development
6th Floor – 800 Johnson Street
Victoria, BC V8W 9W4
Telephone: 250 356-6575
Email: Mike.Furey@gov.bc.ca

Sincerely,



Ben Stewart
Minister

Mr. Geoff Young, Chair
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pc: Mr. Kelly Daniels
Chief Administrative Officer
Capital Regional District

Mr. Jack Hull
General Manager
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Capital Regional District