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**REPORT TO BEDDIS WATER SERVICE COMMITTEE
MEETING OF THURSDAY 18 FEBRUARY 2010**

SUBJECT INFORMATION REQUESTED BY THE COMMITTEE

PURPOSE

To present information requested by the Beddis Water Service Committee regarding compliance with regulatory requirements, project management and accounting, the role of a local service committee, indemnity, and insurance.

BACKGROUND

At the annual general meeting of the Beddis Water Service Committee (BWSC) held 26 May 2009, staff reported that the upgrade project budget had been exceeded. Since that date, staff have responded to several requests for additional information by the BWSC.

Between June and August 2009, staff provided available records as requested to the BWSC, and on one occasion arranged an appointment as requested by a committee member to view engineering and financial records at the Capital Regional District (CRD) office at 625 Fisgard Street in Victoria. In a 28 August letter to Regional Director Garth Hendren and copied to staff (Attachment 1), the BWSC expressed dissatisfaction with the information received, and demanded specific assurances as prerequisites to approving further expenditures.

In email correspondence of 18 September, a committee member alleged that staff had asked the committee to "breach the fiduciary standard required of us as committee members," and that normal accounting practices appeared not to have been followed.

A letter to the BWSC by Larisa Hutcheson, acting General Manager of Environmental Services dated 29 October 2009 (Attachment 2) provided further information in response to requests for information made by the BWSC on and after 28 August.

A meeting of the BWSC was held 16 November 2009 to review the 2010 budget for the service. The budget was not reviewed by the BWSC. Information and further assurances by staff were requested to be distributed in advance of a future budget meeting.

Members of the BWSC were invited to meet with senior staff 11 December 2009 in Victoria to discuss legal and accounting concerns raised by committee members. Due to allegations in prior correspondence, and reiterated at that meeting by BWSC members, a legal review of the project and committee correspondence by the Board Solicitor and a financial audit of the project by an independent accounting firm were initiated.

The legal review concludes that all costs relating to the provision of a service, including those resulting from errors and those incurred in satisfying a judgment or court order, must be borne by the service area. Further, although members of the BWSC are indemnified (except in the areas of gross negligence, dishonesty, malicious or willful misconduct, libel or slander), the service area ratepayers cannot be saved harmless. Section 803.1 of the *Local Government Act* expressly attributes the costs of a service to the service area itself.

The auditor, KPMG, has conducted an audit of the Beddis upgrade project account. Based on the 2010 CRD receipt of the outcome of the 2009 audit of the Fulford project account by the province (in relation to the infrastructure grant), the Beddis audit examined expenses line by line. Cost coding errors were

discovered relating to a single vendor in 2005 and 2006 only. The net result of these errors was that \$16,534 in expenses relating to the Beddis project were coded to the Fulford project account. A journal entry has been made to correct these errors, resulting in a net increase in the Beddis project expense of \$16,534 and a corresponding decrease in the Fulford project expense.

ALTERNATIVES

1. That the Beddis Water Service Committee receive this report for information.
2. That the Beddis Water Service Committee refer the matter back to staff for more information.

FINANCIAL IMPLICATIONS


The Beddis water service budget must be approved by the CRD Board in March. In order to prepare the budget for Board approval, committee review must be completed 24 February. A revenue increase is required in order to maintain an acceptable level of service to the Beddis water service area. The costs to prepare and present information as requested by the committee must be recovered from the service area.

SUMMARY/CONCLUSIONS

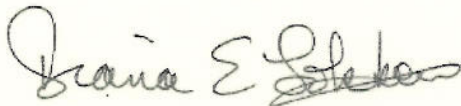
Specific information was requested by the Beddis Water Service Committee in advance of review of its 2010 operating budget. This report and attachments are intended to satisfy the request for information.

RECOMMENDATION

That the Beddis Water Service Committee receive this report for information.

for

Colwyn Sunderland, ASCT
Local Services Engineering Coordinator


Ted Robbins, B.Sc., CTech
Acting Senior Manager Water Management
Concurrence



Diana Lokken
General Manager, Finance and Corporate Services
Concurrence

CS:ls

Beddis Water Service Committee
158 Creekside Drive
Saltspring Island, BC V8K 2E4

August 28, 2009

Garth Hendren
CRD Director Salt Spring Island
#5 -105 Rainbow Road
Saltspring Island, BC V8K 2V5

and by email

Dear Mr. Hendren:

Re: Beddis Water Service

Since CRD took over the management of our existing water system the quality of the water has improved. However we do have concerns over the administration of construction of the new water processing system. As a member of our water service committee who was present at our May 26, 2009 AGM, you are aware that at that meeting, without warning or explanation, CRD staff advised:

- 1. \$32,000 was spent over and above funds we had approved and availableⁱ

We do not understand how spending can exceed available funds if someone is managing our money with even a minimal amount of attention. And since May we have learned that \$11,000 more has been spent for 'SCADA programming'....and because Beddis had no approved funds, Fulford money was used for payment of the Beddis invoiceⁱⁱ;

We've asked for an accounting to show how our money was spent and were advised "We do not have such receipts as these are not typically required of contractors" and "...construction progress and approval of invoices... was not contingent upon...achievement...as both were retained on a cost plus basis."ⁱⁱⁱ

We are amazed. In our collective experience, under a cost plus contract, review of invoices to work achieved and of the quality of the work is critical to protect CRD, the owner. We were also dismayed to learn that there are apparently no written contracts with the electrical and mechanical contractors working on our project.

- 2. there was an error in the design/build of the DAF unit and we paid to correct the error.

Since then we learned the error was the omission of a back flush system and that the retrofit cost \$30,000 to \$50,000 including \$10,000 for a back flush pump and installation and the balance for administration and making good work disturbed in the process^{iv}. We understand we would have had to pay for the pump in any event. We do not understand what makes us responsible to pay for the retrofit necessitated by an error.

- 3. \$118,000 is required to bring the DAF unit on line and to repay the \$32,000 over spent^v.

Money: The system and the monetary requirements are continually being changed. Several reasonable interpretations of figures provided by CRD staff are possible. Here is one possibility: CRD staff advises the cost of the \$10,000 recirculation pump to maintain water levels at the DAF unit (if the upper tanks are not brought on line) is already included in the \$118,000 estimate. But this sum does not include the (later reported) \$11,000 paid from the Fulford account (item #1). Is this the only proposed addition? The total to complete phase 1 now appears to be \$129,000. Or is the correct sum \$181,681, the difference between figures provided in November 2008 and July, 2009? The current estimate to complete phases 2 & 3 is about \$230,000 (which apparently includes a new \$45,000 PUV and 4" pipe between the Lautman and Sky Valley tanks)^{vi}, for a total

for phases 1, 2 and 3 of about \$360,000. But if one calculates the sum required from the figures provided for overall project costs, the total figure is closer to \$500,000.

Plans: We were initially informed there were no plans/ records for the changes made to the system since the 2006 proposal call, and there has been no engineering or other overview of changes or construction^{vii}. Since then we have been informed there are sketch plans of some changes made directly on the tender call plans and that professional engineers have been retained on an hourly basis to review revisions from time to time. The information keeps changing. Were the original plans for the system inadequate? Who has been recommending changes and additions and on what basis?

Our committee trusted and relied on CRD staff's integrity to accurately report spending, construction progress and needs for additional funds. The alleged cost increases since 2008, and the over spending, followed by an inability to account for costs and to show what is built, leaves us with significant doubts. The initial estimated cost for the entire system was \$825,000. It is now over \$1.5 million - some of this is undoubtedly due to high construction costs from 2006 through to the summer of 2008. We note that current demands for increases are being made at a time when both the construction industry and regional districts are laying off staff for lack of work. Pricing is again competitive - this is not reflected in current estimates.

From the beginning in 2002, we presumed our small CRD owned, locally funded project was being managed to the same high standard required under applicable legislation, for other local government and regional district capital projects. We appear to have been misled. Now we are being asked to pay for staff time to correct irregularities and gaps in information caused by apparent CRD staff failures^{viii}. CRD staff alleges they have provided sufficient information to the committee to meet a "due diligence" standard^{ix}. Clearly the information remains incomplete. Applicable legislation affords us free access to information which ought to be in the records - we'll pay for copies when we expressly ask for them.

CRD staff has advised that to complete even phase 1 the committee needs to approve a further loan - which will have to be repaid by the subscribers. We are not able to keep borrowing to fund open ended spending. Many of our subscribers are seniors living on dwindling savings or limited pensions. Other subscribers work for modest incomes on Saltspring - businesses here are struggling too. The increases will double the cost of our water. We owe our subscribers accountability and so does the CRD.

Before we can responsibly consider additional borrowing we need the following:

1. assurance and proof that there is an over all plan - to show what needs to be built to complete phase 1, and to complete phases 2 & 3; so we can explain where are we on the road to completion;
2. assurance from CRD that the system as built to date complies with all applicable standards and that there are warranties and insurance in place for the work; a site meeting with CRD staff can be part of the assurance but it will not suffice to meet this requirement;
3. a construction contract administration process that meets industry standards, to account for sums paid, including monthly reviews of all invoices to work and material in place and review of construction for compliance with plans and specs.

We've attached a list of out standing questions which we hope will be answered in the next few months. Nothing we are asking for is out of the ordinary. The contract that was part of the 2006 tender call required far more.

We ask for your help, in your capacity both as a member of our committee and as our Saltspring Island Capital Regional District representative, to put normal minimum requirements in place. We

would appreciate an opportunity to meet. If we can not between us, resolve the difficulties created by an apparent absence of diligence on the part of CRD staff, we will move forwards with appeals to other provincial and federal authorities.

When plans, assurances and an administration process are in place, we can discuss further borrowing. Right now we don't know what we've paid for or what we've received for our money and we understand from other water service committees on island, that we are not alone.

We appreciate your help.

Yours truly,
Beddis Water Service Committee

Mike Byrne Colin Campin Frank Moore Zwanette Pereboom

cc. CRD Board Chair and Directors
 Dan Telford P.Eng, Director Peninsula & Islands Engineering
 Colwyn Sunderland, Coordinator Engineering Services

Questions

1. CRD appears to have been paid over \$200,000 for administering our small project. This is almost 20% of the total spent to date. This percentage exceeds what would be considered reasonable for fees at the construction administration stage of a project in the private sector, even accounting for some redesign. What is the explanation?
2. What does CRD charge us? What are the charge-out rates for various staff members for what tasks? What are the policies and practices regarding charging?
3. Does the completion of phase 1 and the addition of the recirculation tank without completing the connection with the Lautman and Sky Valley tanks adversely affect phases 2 & 3? Will there be further costs resulting from the temporary 'fix'?
4. More recently designed but similar DAF systems include a back up generator. Will the temporary recirculating pump and eventually the planned system maintain water levels in the DAF unit without a generator?
5. Have we received good value for money? What is the status of the distribution piping system? Will the new filtration system put stress on an old distribution system?
6. Beddis Water System subscribers have directly contributed over \$400,000. Were we paid interest on our contribution? What amount? What part of our property tax is contributed to managing the capital project or to operating the water system?
7. Will the apparent almost absent engineering reviews and apparently unrecorded changes to the electrical and mechanical systems from what was represented in the 2006 tender documents, on which the design of the DAF system was apparently based, void the warranty on the DAF system?

Endnotes

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- ⁱ 2009 AGM Minutes have not yet been received as of August 28, 2009
 - ⁱⁱ July 31, 2009 meeting at CRD and CS email July 27 email
 - ⁱⁱⁱ August 18, 2009 CS email
 - ^{iv} June 22 TF CS to ZMP and July 31, 2009 meeting
 - ^v AGM and July 27, 2009 CS email
 - ^{vi} July 27 2009 CS email
 - ^{vii} July 31, 2009 meeting
 - ^{viii} August 18, 2009 CS email
 - ^{ix} 18 August, 2009 CS email



October 29, 2009

Environmental Services

625 Fisgard Street,
P.O. Box 1000
Victoria, BC, V8W 2S6

T: 250.360.3078

F: 250.360.3079

www.crd.bc.ca

Attachment 2

File: 0550-02.03

Beddis Water Service Committee
c/o Ms. Zwanette Pereboom
Vice Chair, Beddis Water Service Committee
130 Miles Avenue.
Salt Spring Island, BC V8K 2E1

Dear Ms. Pereboom:

RE: RESPONSE TO BEDDIS WATER COMMITTEE – BEDDIS WATER PROJECT MATTERS

Further to the October 7, 2009 email from the Beddis Water Service Committee to the Capital Regional District (CRD) Salt Spring Island Regional Director, the Director has requested CRD staff to provide responses to specific questions/requests raised by the committee related to the work completed on the Beddis water treatment plant project to date.

Regarding the questions/requests raised by the committee, our responses are as follows:

- 1. Assurances that what has been built meets required standards and that warranties and professional liability insurance are in place and applicable to this work***

All work undertaken on the Beddis water treatment plant is in compliance with applicable standards and regulations. Compliance with provincial and Vancouver Island Health Authority (VIHA) water quality requirements will be verified upon completion of the system by a permit to operate issued by VIHA. The work completed to date at Beddis has been reviewed in the field by the VIHA Public Health Engineer (who has also reviewed the completed and nearly identical Fulford system and is in the process of providing a permit to operate that system). CRD building and provincial electrical permits are in place. Compliance with building code and relevant bylaws will be verified by the building inspector, and compliance with electrical code by the provincial electrical inspector. Compliance with zoning and land use bylaws is verified by the Islands Trust.

One-year warranties were provided by the contractors under their respective contracts for the reservoir construction and the treatment plant building. An 18-month warranty was provided by the DAF equipment supplier, effective the date of delivery. Warranties were not provided for construction work completed on a cost-plus basis, since most of it was done by CRD and North Salt Spring Water Works District forces, which will be the ultimate owner and operator, respectively, of the completed system.

Attached is a summary of CRD corporate insurance policies. Although CRD insurance policy details are not copied or distributed, they are available for viewing in the CRD office. Alternatively, any specific questions the committee may have regarding insurance can be addressed individually. In addition, as it relates to the Beddis Water Committee, the CRD indemnification policy PA712 is attached. The policy states that:

The District will indemnify its: Volunteers and other Commission, Committee, or Advisory Board members against any claims for damages against the Volunteer, Commission, Committee or Advisory Board member, arising out of the performance of their duties and, in addition, pay amounts required for the protection, defense, or indemnification arising therefrom.

Members of the Beddis Water Service Committee will not be held responsible for project management oversights that have occurred in the past relating to the Beddis water system project. It is acknowledged that any project oversights could not reasonably have been prevented by the committee given the information available to the committee at the time.

2. Plans and specifications for what has been built and for what is yet to be built

In 2006, the committee endorsed a strategy to complete the treatment plant construction as outlined in the October 3, 2006 staff report. The strategy proposed that construction would proceed on a component-by-component basis to reduce risk to bidders, and that the initial design would be modified to simplify construction and reduce costs. Copies of the original engineered design drawings used as the basis for construction of the plant systems have been provided to the committee. These are not a record of what has actually been constructed, and will require revision in order to provide such a record.

The estimated bare cost to complete and commission the treatment plant does not include the development of plans and specifications suitable for tendering construction by a contractor unfamiliar with the system. Given the late stage of construction of the plant, the development of such detailed plans and specifications is deemed to be an avoidable cost in terms of completing the plant. Although the preparation of as-constructed record drawings has been deferred to date, the drawings will eventually be required.

3. An accounting system that meets the usual accounting standards, which includes the normal construction review process in which the invoices are compared with work claimed

The accounting for this project is conducted by the CRD in accordance with its own standards, the requirements of the Local Government Act, and generally accepted accounting principles. The financial information that was provided to the committee reasonably demonstrates that appropriate financial controls have been in place for the duration of the project. No changes to financial accounting policies or practices are deemed necessary at this time.

It is acknowledged, however, that standard CRD project management reporting procedures were not applied, in this instance, in a manner that would have provided advance notice of impending project budget stresses. Since May 2009, the Operations and Engineering divisions have worked with Finance staff to establish safeguards for project planning and control in order to prevent the recurrence of the problems experienced with the Beddis project. In addition to policies already in place, such as the CRD procurement policy (attached), the following practices will be used for all future Local Services projects:

- (a) Project Definition Statements will be used to initiate all new projects (including the completion of the Beddis water treatment plant). These statements will become the official record of the approved project purpose, objective, scope, budget, schedule, responsible staff, procurement/delivery method, and other relevant information.
- (b) As project sponsor, the Operations and Local Services Division will conduct bi-weekly reviews of project expenses against budget and will coordinate with project managers in order to ensure that projects are either on target or that material changes are brought to the committee's attention in a timely manner.
- (c) All future Local Services projects with an overall budget greater than \$50,000 will be tendered on stipulated price to qualified, bonded and insured contractors based on complete, comprehensive plans and specifications. In the future, any deviation from the stipulated price general contract procurement model will be given careful consideration.

We trust that these responses fully address the remaining questions/requests of the committee. Under separate cover, three alternative project delivery models will be presented to the committee for completion and commissioning of the water treatment plant.

Yours truly,



Larisa Hutcherson, PEng
Acting General Manager, Environmental Services

Attachments: 3

cc: Geoff Young, Chair, CRD
Garth Hendren, Director, Salt Spring Island Electoral Area
Kelly Daniels, Chief Administrative Officer, CRD

CRD INSURANCE POLICIES SUMMARY

The Capital Regional District (CRD) provides insurance coverage for all programs, services and facilities operated under the CRD Board approved budget.

ALL RISK COVERAGE (PROPERTY AND CONTENTS)

Coverage on all property owned, occupied, or leased by the CRD on a replacement cost basis (includes Flood, Earthquake).

COMMERCIAL GENERAL LIABILITY

The first \$2 million is secured by the CRD Self Insurance Fund (SIF) covers Bodily Injury and property damage liability suffered by third parties as a result of negligent activities/programs or operation of CRD facilities.

EXCESS LIABILITY:

\$20,000,000.00 Bodily Injury & Property Damage inclusive Limit in excess of self-insured limit of \$2,000,000.00.

If the exposure is not covered by the CRD's Commercial General Liability policy wording, it is not covered under (SIF).

Allocation:

MARINE LIABILITY:

\$5,000,000 limit of legal liability for the operators of small craft ports. The cost of this insurance is based on the actual cost to insure each of the small craft ports.

VOLUNTEER FIREFIGHTER'S NON FIREFIGHTING ACTIVITIES AND CONTENTS INSURANCE

Our Volunteer Fire departments are involved in a number of activities that fall outside of the current coverage of the CRD insurance program. In response, the CRD has arranged:

- Liability coverage for non firefighting activities – this coverage is for sports and social activities and includes Host Liquor coverage for listed events.
- Property coverage for non CRD owned assets – this includes assets that are owned by the members and maybe located at the fire hall.

The cost of this insurance is allocated to each department based on the actual cost.

COMMERCIAL GENERAL LIABILITY THIRD PARTY USER GROUP

It is the policy of the CRD to require all Third Party Users of CRD facilities to provide proof of CGL insurance and their policy must add the CRD as an additional insured. The CRD recognizes that it may be difficult for Third Party users to meet this insurance requirement and has arranged a Third Party User Group Insurance program providing a \$2,000,000 limit of liability for Bodily Injury and Property Damage.

The cost of this insurance is allocated to the Third Party User based on the actual cost.

VOLUNTEER ACCIDENTAL DEATH & DISMEMBERMENT

Provides coverage for injury suffered by CRD volunteers while performing approved duties on behalf of the CRD.

Coverage includes:

\$100,000 principal sum; \$250 weekly accident indemnity; accidental medical and dental expense

The cost is based on the number of volunteers.

GROUP ACCIDENT (Accidental Death and Dismemberment Policy)

Coverage of CRD Directors, Committee & Commission members for accidental death, injury or disability. Available only while carrying on the business of the CRD.

Weekly Accident Indemnity (total disability)	\$	500.00/weekly
Accidental Medical Reimbursement Benefit		1,000.00
Injury - partial of death benefit		200,000.00
Death		200,000.00

CRIME INSURANCE

\$500,000 Commercial Blanket Bond; a \$500,000 Depositors Forgery Limit and a \$100,000 Credit Card Forgery limit

VEHICLES

The CRD insures vehicles under the ICBC Fleet program and self insures physical damage on those vehicles with the original value of less than \$35,000. Vehicles over \$35,000 are insured with ICBC for Comprehensive & Collision.

Each CRD vehicle is charged the actual cost of the premium.

CRD FINANCE & CORPORATE SERVICES DEPARTMENT

STATEMENT OF POLICY

Function	A	Administration
Section	670	Risk Management and Insurance
Policy Title	PA712	CRD Municipal Public Officer and Volunteer Indemnification
Status	<input type="checkbox"/> DRAFT	<input checked="" type="checkbox"/> ORIGINAL

APPROVAL	
AUTHORIZING MANAGER	Director of Finance
SIGNATURE	<i>Trana E. Lohler</i>
	DATE: April 28, 2000

POLICY DOCUMENT REGISTRATION NO.	PA712
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STATEMENT OF POLICY

The District will indemnify its:

- Officers, Employees and Directors of its Board against any claims for damages against an Officer, Employee or Directors of its Board and its
 - Volunteers and other Commission, Committee, or Advisory Board members against any claims for damages against the Volunteer, Commission, Committee or Advisory Board member,
- arising out of the performance of their duties and, in addition, pay amounts required for the protection, defense, or indemnification arising therefrom.

This indemnification and protection will not be provided if the individual is guilty of dishonesty, gross negligence, or malicious or willful misconduct, or the cause of the action is libel or slander.

This policy is dictated by the following attachment:

PA713 Commission Member Exposure and Corresponding Protection/Coverage, memorandum from Chris Grelson dated February 8, 2000 with the following attachments:

- Municipal Act section 287
- CRD Bylaw 1988

Scope and Application

This policy applies to all CRD Departments.

Authority (Please cite authorizing document.)

Municipal Act section 287
CRD Bylaw 1988



PROCEDURES

Upon learning of the action or claim against them, the individual must contact and report the details of the action or claim to the CRD Risk Manager.

The Risk Manager, or his/her delegate, will oversee the management of the exposure and the utilization of internal and external resources.

Funding is available from a combination of the Self-Insurance Fund and External Liability Insurance policies.



P O L I C Y

SUBJECT: Procurement	
EFFECTIVE:	APPROVED BY: CAO
REVISION DATE: 14/12/06 25/01/07	
PAGE 1 OF 6	

PURPOSE/OBJECTIVES/PHILOSOPHY

The purpose of this policy is to consolidate and clarify the Capital Regional District's procurement process.

The objectives of the procurement process are to ensure that all goods and services be acquired on a competitive, fair and open basis in a manner that is efficient, accountable and maximizes value and to ensure that the acquisition of goods and services meet the requirements of the Community Charter, the Local Government Act, the Agreement on Internal Trade and competitive bidding law.

The philosophy of the District is that the CRD will give preference to the purchase of goods that minimize adverse environmental impacts and that promote recycling, re-use and reduction of waste.

POLICY

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WorkSafeBC

Insurance

Freedom of Information and Protection of Privacy Act

Capital Regional District - Procurement Policy

Definitions

"Purchasing Instrument": a purchase order (PO), cheque requisition, petty cash, purchasing card, Contract for Services, or any other Corporate Services approved purchasing document.

"Signing Authority": the approved levels of authority to purchase goods or services on behalf of the CRD. (see Signing Authority Form).

"Request for Quotation (RFQ)": a simplified request for quotations on price and delivery of a specific commodity where the purchase requisition is for goods or services of a lower value.

"Request for Proposal (RFP)": a Request for Proposal may be used where the requirement for goods or services cannot be definitely defined or specified or alternative solutions/offers are being solicited. Proposals are evaluated on predetermined criteria where the selection of a supplier may not be made solely on the basis of the lowest price.

"Request for Information (RFI)": an RFI or Letter of Interest (LOI) is not open for bidding. The buyer is interested in receiving information from suppliers on any products or services available to achieve a particular outcome and may issue an RFQ or tender depending on the response. The LOI is used to survey the market for firms interested in responding to a tender or RFP from the buyer.

"Call for Qualifications (CFQ)": a non-binding request to potential suppliers who wish to be considered for future RFP's to pre-qualify based on various factors such as expertise, experience, availability, prior performance etc. in order to avoid either buyer or supplier devoting resources to preparing and evaluating future RFP's.

"Intent to Proceed (ITP)": a commodity or service which appears to have only one supplier or where the CRD has negotiated with a supplier and wishes to proceed without a formal tender process. Legal requirements may be met by advertising an ITP. If the ITP is challenged then the formal tender process must prevail.

"Tender": a written formal offer, which may or may not be sealed, submitted in a particular form in response to an invitation to supply goods/services, where the specifications and conditions of the goods or services are known and disclosed in the tender request. This normally involves advertising, may include site meetings, consultants, bonding and a public opening at a specific location, date and time.

Capital Regional District - Procurement Policy

General Procurement

All purchases/expenditures must be on a CRD approved purchasing instrument and authorized by an approved signing authority.

Petty Cash funds may be used for minor purchases under \$50 but not for reimbursement of travel expenses.

The CRD has a purchasing card program (P-Card). All requests for P-Cards and purchasing limits recommended by the person's supervisor and approved by the Manager of Administrative Services, Corporate Services. The card-holder's supervisor must approve all purchases made under the P-Card program.

The P-Card Administrator is to review the performance of the Purchasing Card program on a regular basis, to ensure that the recorded purchases comply with CRD purchasing policy.

Prior approval is required for expenditures relating to staff training and development (see Staff Training and Development policy and Staff Expense policy).

Purchases over \$1,000 are subject to General Tendering Procedures except for regular expenditures which are made via cheque requisition: staff training and development, refundable employee and Director expenses, employee remuneration, payroll deduction and benefit remittances, debenture payments, grants, investments, utility costs, postage, confidential legal settlements.

Signing authority of any purchase is dependant on the kind and dollar value of the purchase as defined elsewhere in this policy and is maintained by Finance.

General Tendering Procedures

The following processes apply for purchases:

1) more than \$1,000 but less than \$5,000

- a minimum of three verbal quotes are required (quotes to be noted on the purchasing instrument)

2) \$5,000 to \$50,000 (subject to the Board Delegation Bylaw)

- a minimum of three written quotes that must be obtained. Acceptance of the recommended supplier shall be by the General Manager for the service area but may be delegated to the Senior Manager or Manager.

3) \$50,000 to \$200,000 (subject to the Board Delegation Bylaw)

- must go to public tender via Tender invitation or RFP. Acceptance of the recommended tender or RFP awards shall be the General Manager provided the amount is within the approved Budget allowance.

4) over \$200,000 (subject to the Board Delegation Bylaw)

Capital Regional District - Procurement Policy

General Tendering Procedures (continued)

- must go to public tender via Tender invitation or RFP. Acceptance of the tender must be approved by the Board or Commission with delegated authority. If the amount of the tender exceeds the approved Budget allowance the tender must be accepted by the Board.

For an intended expenditure of more than \$50,000.00, only sealed tenders or RFP's from potential suppliers within the specified time are to be accepted. In some circumstances fax tenders or amendments thereto will be accepted.

Requirements for the development and issue of RFP's and the evaluation of responses are contained in the CRD Proposal Guide and for the engagement of consultants for professional services.

Where savings are likely to be achieved via tendering of goods and services, jointly with other local government bodies, these should be pursued via the Joint Purchasing Group

Tenders/RFP's That Exceed Budget

A tender/RFP that is accepted under the procedures set out must not exceed the amount that is included for that purpose, specifically or generally, in a budget approved by the Board. Where the tender/RFP was not accepted solely due to exceeding budget, the General Manager of the service area, must either recommend rejection, revision of the requirements sufficient to reduce the cost to within budget or request approval from the Board for the transfer/provision of additional revenues sufficient to fund the tender/RFP amount

Identical Tenders

1. If identical lowest tenders are received, each of which are less than the signing authority of the General Manager and all other criteria are equal (delivery, service, performance, security of supply and price), the successful tender must be chosen by the drawing of lots under the General Manager's supervision.
2. The General Manager is to recommend to the CAO for decision whether any tender should be accepted as the successful tender if the CRD receives identical lowest tenders each of which are more than the General Manager's signing authority, but less than \$200,000.
3. If the CRD receives identical lowest tenders each more than \$200,000 the General Manager must make a recommendation for consideration and approval by the Board.

Purchase Standardization

Service areas shall co-operate in the purchase of supplies by simplifying and standardizing like requirements, wherever possible. Every effort should be made to reduce the types and kinds of products used to the smallest number (i.e. considering equivalents or any alternatives suggested) in order to minimize investment.

Capital Regional District - Procurement Policy

Emergency Purchases

A General Manager or delegated Manager may negotiate a purchase without inviting offers from suppliers in the circumstances for which the purchases required are extraordinary or involve an emergency. Where any expenditure under this section exceeds \$200,000, the General Manager shall report to the Board, explaining the nature of the emergency and purchase.

Single Source Purchases

An authorized Manager may negotiate a purchase without inviting offers from suppliers if:

- a. the General Manager of the service area has given written approval for the purchase and
- b. there exists only a single supplier from whom the purchase can be made and an ITP has been issued, or
- c. there are repetitive purchases where prices have been determined through previous competitive bidding.

Any such purchase exceeding \$200,000 shall be submitted to the Board for approval.

Financial Security

The purchaser may require financial security from potential suppliers if considered to be in the CRD's best interest. Additional information can be obtained from the Manager of Risk, Insurance & Contracts.

Bonding is not required on every tender but it is advisable on tenders where there is a large liability or the value is over \$100,000.

Disposal of Surplus Goods

Management in service areas must dispose of all goods and equipment for which there is no longer a use, by any method considered to be in the CRD's best interest, including transfer to another Department, public auction, public tender, trade or negotiated sale.

If the surplus goods cannot reasonably be sold by any of the means noted above, the goods may be disposed of in such manner as deemed appropriate and may include donation to a not-for-profit agency.

Surplus goods may not be sold to any CRD employee responsible for their declaration as surplus and may only be sold to any other CRD employee except via public auction or tender. Goods valued at less than \$1,000 may be disposed of on the web through a silent auction.

Capital Regional District - Procurement Policy

Prohibitions

To fulfill the objective of the procurement policy, certain activities are prohibited:

- Purchase of goods or services from or by any employee or member of the Board or from any other sources that may result in a conflict of interest or for personal use.
- The division of a single purchase into multiple increments to circumvent policies or levels of authority

WorkSafeBC

All contracts for service to be provided on CRD property, require the contractor to provide proof of registration, where applicable, and remain in good standing with WorkSafeBC throughout the term of their contract. Contractors may be required to provide clearance letters before and after performing work for the CRD.

In the event the contractor is not registered with WorkSafeBC, premiums applicable to the contract may be paid on the contractor's behalf.

Insurance

All contracts for services, to be provided on CRD property, require the contractor to provide and maintain their own insurance coverage acceptable to the CRD, including but not limited to commercial general liability (generally not less than \$3,000,000), auto, property/all risk and professional liability. The risk associated with each contract varies and accordingly the CRD may require additional factors, such as being named as an additional insured, cross liability clauses, waiver of subrogation, notice of cancellation and proof of coverage.

Freedom of Information and Protection of Privacy Act

The procurement policy is subject to the provisions of the Freedom of Information and Protection of Privacy Act with respect to the disclosure of information.

Colwyn Sunderland

From: zwanette pereboom [zmp1@telus.net]
Sent: Friday, September 18, 2009 9:46 AM
To: Colwyn Sunderland; directorssi; Ted Robbins; Dan Telford; directorjdf; directorsgi
Cc: frakmo@telus.net; michael Byrne; Colin Campin; jim sharp;
"kstevens@telus.net"@invalid.domain; Ronald Bain; Roy Brewer; Wynona Cook
Subject: Re: BEDDIS WATER SERVICE COMMITTEE - LETTER FROM SSI REGIONAL DIRECTOR

Colwyn,

Thanks for the reference for the Commission Handbook - you might want to read Chapter 8 - particularly the bit about *ultra vires* conduct.

We appreciate the effort towards timely delivery and look forward to the receipt of material for the budget meeting. We anticipate that some of the numerical inconsistencies will be remedied

We are aware that you have provided some information - thank you. The critical concerns remain to be addressed.

To protect ourselves (and the CRD), we are asking only that usual public standards be met, a standard somewhat similar to what would have been required of a contractor under the contract proposed in the 2006 tender call. We are not asking for anything unusual.

The apparent absence of normal accounting and construction review must be remedied.

Written assurance that warranties remain in effect and that parties designing and building the system are insured for errors and omissions are crucial. The Insurance provided by CRD appears not to cover such events. Written assurance to the contrary, over the signature of the head of the CRD Insurance Department, that such events will in fact be covered by CRD provided insurance or would be funded directly by CRD, would go a long way to assuring us. We can not afford to pay for the mistakes of others. We truly hope the entire system is flawless and functions perfectly. Alas, it's not a perfect world.

While manuals for the DAF unit exist and technicians and contractors who are building and operating the system may eventually be trained in it's proper operation, there must be a record of what is yet to be built and of what has been built because others, without the familiarity will inevitably at some point be called on to work on it. Also, the concern for the existence of consistent technically correct plans is directly related to the concern over insurance and warranties as well as concern for continued potability.

Any further spending must be subject to normal accounting and construction review processes with the usual record keeping. Without such safeguards in place you are asking us to breach the fiduciary standard required of us as committee members (again, please have a look at the CRD's own 'Commission Handbook' - chapter 8). If normal accounting and review processes already exist for other CRD projects, a brief outline of the process by which invoices and construction reviews are to be handled for our project (and for other directly subscriber funded CRD work) will likely suffice.

We anticipate that most of the necessary processes are in place and trust you will be able to provide assurances and to demonstrate that the apparent absence of accounting and construction reviews has been overcome.

Zwanette Pereboom
for Beddis Water Service Committee

----- Original Message -----

From: Colwyn Sunderland
To: 'zwanette pereboom'
Cc: Lorrie Siemens ; directorssi ; Ted Robbins
Sent: Thursday, September 17, 2009 1:33 PM
Subject: RE: BEDDIS WATER SERVICE COMMITTEE - LETTER FROM SSI REGIONAL DIRECTOR

Zwanette,

Regarding your request below for committee guidelines, do you refer to the CRD Commission Handbook? This document is available on the CRD website:

<http://www.crd.bc.ca/about/committees/index.htm> (links to the Handbook and appendices in the right sidebar)

If this is not the document you are looking for, send me the title of the one you have and I will try to source an electronic copy for you tomorrow.

Regarding your request for information in advance of the budget meeting, we will provide a budget meeting agenda package in advance of the meeting to provide an opportunity for review by the committee. I expect that your request of two weeks in advance is achievable.

Regarding your email to Garth this afternoon, I and other staff have made every reasonable effort to fulfill your previous requests for information. I will continue to consult with appropriate senior staff in order to provide clear and complete answers to your three questions as soon as possible, with reference where appropriate to the information we have provided.

Colwyn

From: Lorrie Siemens
Sent: September 17, 2009 8:44 AM
To: 'zwanette pereboom'
Cc: Colwyn Sunderland
Subject: RE: BEDDIS WATER SERVICE COMMITTEE - LETTER FROM SSI REGIONAL DIRECTOR

Colwyn and I are trying to determine which document you are referring to. I am in Port Renfrew all day today and off until Tuesday. Colwyn is away today and back tomorrow. By copy of this e-mail I will ask Colwyn to respond to you tomorrow. Maybe you could send him an e-mail describing the document.

From: zwanette pereboom [mailto:zmp1@telus.net]
Sent: Wednesday, September 16, 2009 6:25 PM
To: Lorrie Siemens
Subject: Re: BEDDIS WATER SERVICE COMMITTEE - LETTER FROM SSI REGIONAL DIRECTOR

Lorrie, I continue to look forward to receipt of the 'Guidelines' for commissions and committees.

z

----- Original Message -----

From: Lorrie Siemens
To: 'zwanette pereboom'
Sent: Wednesday, September 16, 2009 2:32 PM
Subject: BEDDIS WATER SERVICE COMMITTEE - LETTER FROM SSI REGIONAL DIRECTOR

Zwanette,

Please see the attached letter from Director Garth Hendren. I will send the original by mail.

Lorrie Siemens, Senior Administrative Secretary
Capital Regional District, Operations and Local Services Division
PO Box 1000, 625 Fisgard Street, Victoria, BC V8W 2S6
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