



Making a difference...together

**Minutes of the Beddis Water Service Commission
Annual General Meeting
Held Friday, November 18, 2011
Fulford Hall, Shaw Room
2591 Fulford-Ganges Road, Salt Spring Island, BC**

Present: Charles Belknap (C), Frank Moore, James M. Sharp, Don Church
CRD Electoral Area Director, Garth Hendren
CRD: Ted Robbins, Senior Manager, Water Management, Scott Mason, Manager,
Regional Infrastructure, Lorrie Siemens (Recorder)
22 Members of the Public

1. Call to Order

Chair Belknap called the meeting to order at 2 p.m.

2. Approval of Agenda

The following changes were made to the agenda

- Item 4 to follow Item 5
- Add Public Input after Item 6.

MOVED by James Sharp, **SECONDED** by Don Church,
that the agenda of the Beddis Water Service Commission Annual General Meeting be approved
as amended.

CARRIED

3. Adoption of Minutes of Annual General Meeting of July 16, 2010

The following changes were made to the minutes:

- Item 2, first paragraph - edit to read:
*Zwanette Pereboom requested to add a comment to the adoption of the minutes of the
AGM of 26 May 2009 as follows "The minutes did not reflect the facts as they existed at
the time"*
- Include Zwanette Pereboom's Chair's report as an attachment to the minutes.

MOVED by Director Hendren, **SECONDED** by Don Church,
that the minutes of the AGM of July 16, 2010 be adopted as amended.

CARRIED

Members of the public showed an interest in CRD's policy of not recording actual conversations
in the minutes and noted that they would like to see changes.

4. Annual Report

Staff presented a written report and a PowerPoint presentation demonstrating information
regarding the Beddis water service available on the CRD website.

The following topics were addressed in the report:

- Operations
- Treatment Upgrade Project
- Water Supply and Demand
- Water Quality
- 2010 Financial Report
- 2010 Operating Expense
- Water System Problems - Who to Call

Questions from the public and commission were addressed throughout the report.

MOVED by Don Church, **SECONDED** by Director Hendren,
that the Annual Report for the Beddis Water Service be received for information.

CARRIED

5. Chair's Report

Charles Belknap presented a written report. The report is attached to the minutes.

MOVED by James Sharp, **SECONDED** by Frank Moore that the Chair's report be received for information.

CARRIED

6. Capital Project Update

Staff presented a PowerPoint presentation on the water system upgrade project. The following topics were addressed:

- Proposed Project Scope
- Background
- Existing State of Works
- Process to Define Project Scope and Budget
- Procurement and Project Management
- Referendum Process

A copy of the PowerPoint presentation is attached to the minutes.

Peter Lake, member of the Fernwood Water Service Commission spoke on his experience working with the CRD on the capital project for the Fernwood/Highland water treatment plant upgrade.

MOVED by James Sharp, **SECONDED** by Director Hendren,
that the report on the capital project update be received for information.

CARRIED

Public Input

Staff and commission members addressed several questions from the public. Written notes were received by Zwanette Pereboom and are attached to the minutes.

7. Election of Officers

Director Hendren advised that the terms for Frank Moore and James Sharp would expire on December 31, 2011 and that an election would be held to fill the two-year terms for a period beginning January 1, 2012 and expiring on December 31, 2013. He then called for nominations.

James Sharp was nominated and agreed to stand. Frank Moore was nominated and declined. Nominations were called for two more times, and hearing none, James Sharp was elected by acclamation, leaving one vacancy on the commission.

James Sharp's name will be forwarded to the CRD Board for appointment.

Staff noted that the ballots from the Annual General Meeting of 2010 were held due to a commission member's request to not destroy the ballots. Staff requested a motion to destroy the ballots.

MOVED by James Sharp, **SECONDED** by Frank Moore,
that the ballots of the Annual General Meeting of July 16, 2010 be destroyed.

CARRIED

8. New Business

There was no new business.

9. Adjournment

The meeting was adjourned at 4:10 p.m.

Since the last AGM on Nov 18th 2010 the Beddis Water Commission has focused its efforts on two issues:

- 1) A relatively simple one, the Operating Budget for 2011. And,
- 2) A issue with endless complexity, the completion of the improvements to the water processing plant, a project started in 2005 but, for a variety of reasons, not completed.

I should mention that there are important issues that the Commission has not addressed. The Commission is aware that many, if not all, subscribers are upset by a record of CRD mismanagement of the renovation water system since 2005. The Board has, for now, set aside the issue of the CRD's culpability in order to concentrate on the completion of the project. However, the Commission's awareness of the record of mismanagement has motivated the commission to be diligent and engaged in the process as it moves forward.

The Commission is also aware of broader community water related issues such as the algae blooms, the proposals to protect the watershed, issues about chlorine residuals, island development limitations, and aging water pipes. Our focus has been pretty much limited to the proposed improvements to our water processing plant.

The simple issue first. The Commission received a draft operation budget on 25 January 2010. That proposed an increase in fees. On close examination, CRD's proposed budget was based on the 2010 budget- not on actual 2010 expenses. The proposed budget included costs associated with the operation of the not yet existing water treatment plant. Not only were we to be charged for a plant that did not exist but we had been collecting the additional fees for a year and had a significant surplus that would be carried over from 2010. (I need to be clear that the CRD does not pocket the additional income, the funds are retained in Beddis Water District accounts.) The commission was able to rework the budget, keep the fees at the 2010 level, prepay an existing loan, and schedule the transfer of surplus funds in into the Beddis Water District's capital account. As of the writing of this report the Commission has not received a proposed budget for 2012. My assumption is that we will have a general meeting to review the 2012 budget in January.

The Commission spent most of its time this year reviewing engineering reports and working with CRD staff in an attempt to fashion the project to meet what we perceive to be subscriber concerns about a) **Scope**, b) **Cost**, and c) **Project Delivery**.

a) **Scope** (*a detailed description of the work that is to be done*)

Around January 19th the Commission received a report from Genivar, an engineering firm (successor to the firm that did the original design for the improvements). The report, which had been ordered by the commission in 2010, was to provide a scope of the work needed to complete the improvements and an estimate of the cost. It was to be the basis of the referendum on bonds needed to raise funds for construction. The report did not provide the answers we wanted and was not up to professional standards. CRD staff was unable, or unwilling, to press Genivar to improve their draft. On March 10th the commission ordered additional study with improved financial estimates.

In the mean time Jim Sharp reviewed the CRD's random collection of Beddis Water District plans and raised concerns about, among other issues: the configuration of the tanks, the need for pressure relief valves, the design of chlorine contact chambers.... The Commission received an improved cost estimate on June 15th, 2011. There is now, after more than a year of study, no clearly defined scope for the project, but the variables are better understood. In the end, the final scope is the set of engineering plans that the contractor will bid on. These plans will be ordered and paid for by the bonds, if the referendum passes. The design concerns raised by the commission are to be negotiated in the final design process, after the referendum. The devil is in the details, and the details get discussed after the referendum. Ultimately the scope is defined when we get closer to project delivery.

b) **COST-**

The Commission wants the project to be delivered at a cost that accurately reflects the work required.

In 2010 the Commission received, from the CRD, estimates for the project and suggestions for a borrowing limit that the Commission believed to be poorly researched, and perhaps too low. The Commission wanted to make

sure that we would ask for enough money to complete the project; we do not want to repeat past mistakes. The Commission asked for, and paid for, more detailed reports and for second opinions. Unfortunately, we got what we asked for- higher estimates, significantly higher estimates.

The estimates we are working from are "conservative", reasonable-worst case, estimates. Since our scope is not yet fully defined we are estimating on the high side. More accurate estimates will come after the referendum, after the final engineering choices are made and the plans are produced.

Don Church has expressed a different worry, perhaps we are setting the bar too high: "If everyone knows that we are prepared to pay over a million dollars, then it is going to cost us over a million dollars." Again the question becomes a question of implementation: how will the Commission be able to influence the use of the bond funds should the subscribers pass the referendum?

c) Project Delivery-

The Commission's goal is the successful delivery of the Beddis Water District Improvement Project and the subsequent provision of water that meets Canadian drinking water standards. We are well aware that failure to deliver the improvements will affect our family's health, our budgets, and our property values.

The Commission is frustrated by our lack of control. We are, essentially, an advisory body, an accessory of the Capital Regional District Board. The CRD owns the Beddis Water District and CRD staff manages it. It is Government policy that all costs associated with the Water District are borne by the subscribers of the district. These costs include the cost of CRD staff and CRD staff screw-ups. The CRD does not pay to correct its own errors. There is no systemic accountability. Whether or not this is the law, it is a political and administrative fact: a fact that the Commission has neither the time nor expertise to challenge.

The CRD staff who are with us today are responsible for the delivery of the Beddis Water District Improvement project. I have gotten to know Ted Robbins and Scott Mason in the past year. I believe them to be honest and hard working. They are as constrained by the political facts as we are, perhaps more so. What I am about to say is about a system, not about these individuals. I believe that, when it comes to the implementation of the project, our goals are their goals.

The lack of accountability is systemic but we don't have much choice here. In order to proceed with this project we need to work not only with Ted and Scott but with the CRD. Trust will not be easy, maybe not possible. The CRD failed to deliver our 2005 project. The recent CRD record of project delivery at Fernwood, and at Fulford, has not alleviated our fears. This year we were dissatisfied with the CRD's delivery of the Genivar report. Genivar wrote while under contract with the CRD. We have so many reasons to be wary.

On Tuesday, December 13th, at 10:00 am, the Commission will have a public meeting and will make a decision about whether or not to have a referendum. If we decide to go ahead with the referendum we will set an upper limit to the amount of money that can be borrowed for the project. I can't tell you the outcome of the vote but it is my belief that the commission will not approve the referendum unless we are satisfied that we are "at the table" when the details of the scope are finalized, when changes are approved, when payments to contractors are approved. We will need to be assured that project supervision is capable and motivated of working in the interest of the subscribers.

While I am not comfortable with the choices we have to make, neither am I comfortable with a "Just Say No" approach. To say "no" takes us away from the table, delays the project, threatens our health and our financial well being. I personally believe that it is important that we find a way forward.

Today we will hear from CRD staff. We will hear about scope, cost and project delivery. In order for the project to move forward we will need to find a way to form a relationship in the absence of trust. Projects can, however, proceed when the parties are wary. Such projects depend on continuous consultation, written communications, checks and balances, audit trails, on-site monitoring and the like.

On a personal note: I have been asked to serve on the Salt Spring Housing Council. I am better suited for that council, having worked as an affordable housing developer in Los Angeles for over 20 years. I intend to resign from the water commission after the December meeting. My replacement will be appointed by Garth Hendren or by whoever wins the election this Saturday. It has been a pleasure to work with Jim, Frank, Don, Garth, and Zwannette.

Upgrade Project Update

Beddis Water Service, Salt Spring Island, 2011



Presentation Overview



- Proposed Project Scope
- Background
- Existing State of Works
- Process to Define Project Scope and Budget
- Procurement & Project Management
- Referendum Process

Proposed Project Scope



- **Revised Sky Valley Storage Tank Works**

- Construct a second new tank next to existing
- Construct a new booster pump station
- Connect and commission new pump station and both tanks
- Install new supply main from Lautman site
- Commission new works
- Decommission old Sky Valley tank, and Lautman tank and pump station

Background



Existing State of Works



- Water treatment plant is nearly complete, except for some mechanical and electrical connections and commissioning
- The new Sky Valley tank is complete, but is not connected to the water system
- The original pumps, filters and tanks remain in operation

Process to Define
Project Scope and
Budget



Procurement & Project Management



- Use the CRD model for Capital Project procurement in accordance with CRD Purchasing Policy and Procedures.
- **Engineering** - define engineering scope and hire a consultant (design, tender, inspection, record documents and contract administration).
- **Construction** - define the construction work in specifications and drawings, issue work for competitive bids (includes insurance, bonding and defined allocation of risks through contract general conditions).
- The water treatment plant work to be based on time and materials with contract and upset amount.
- **Project Oversight** - Conducted by the CRD Staff at Integrated Water Services

Proposed Budget and Timeline



Proposed Budget

• Treatment Plant Works	\$ 275,364
• Pressure Reducing Station Works	\$ 86,631
• <u>Storage Tank Works</u>	<u>\$ 694,708</u>
TOTAL (rounded)	\$1,057,000

Proposed Timeline

• Referendum	February 2012
• Design & Tender	Spring/Summer 2012
• Construction	Fall 2012 - Spring 2013
• Commissioning	Spring 2013

Referendum Process



- Electoral assent is required to borrow funds
- A referendum is proposed for February 2012
- There will be two advance polling dates and a general election date, at locations on Salt Spring Island (TBD)
- Project Information/Open House - 2012



Questions?

Beddis Water System - a few bits of recent history

1. October 2008 \$108,000
 May 2009 \$227,000
 August, 2009 \$305,000
 to complete the system not including the distribution system.

2. On August 28, 2009 the then water commission wrote the Salt Spring Island regional district director:
 *".....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...:
 1. Assurance ... there is an over all plan...
 2. assurance ... the system as built to date complies with all applicable... standards...
 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.

 ".....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"*

3. At the November 2009 budget meeting the then water commission asked CRD to provide detailed estimates based on actual plans & specs

4. April, 2010 the Beddis commission wrote to the then provincial minister asking for help with getting information from CRD and noted concern over the Lautmen tank

5. In September, 2010 we learned CRD had replied to the minister in May, 2010 about our lettre. In that response Mr. Hull on behalf of CRD staff reported that the commission was difficult to deal with and there were no concerns with the Lautman tank.

Current apparent status - I'd love to be corrected:

1. November, 2011 \$1,057,000 to complete w/o distribution pipes.

2. In 2010 the 2004/2005 professional engineers were re-hired. It appears the 2004/5 system required redesign and an additional storage tank. The professional engineering fee for redesign was apparently the \$30,000 which the commission approved on July 16, 2010.
 Is the design work now complete?
 Have the standards our water system must meet changed since 2005?
 If not and if there was an omission from the 2004/5 plans why are we paying more fees?
 Were there problems with the unsupervised 2006 to 2009 construction that we are paying to correct?

We're informed there will be professional engineering review and certification before payment as the work progresses - this is probably a good thing.
It would be even better if commission representatives could attend and have real input at construction site meetings.

3. In November, 2011, rounded ball park estimates have again been provided.

Were actual estimates obtained from qualified contractors?
Would CRD please provide to the interested subscribers the actual detailed estimates and plans & specifications for the work to be included?
Please also itemize the cost of insurance provided by CRD, and the cost of CRD staff.
What is the basis for assuming a 6% interest on borrowed funds?

4. In the fall of 2011 the Lautman tank began to leak, was temporarily patched and has been found necessary to replace sooner rather than later.
How much has this cost to date?
Temporary replacement of Lautman tank will cost \$40,000 in addition to the \$1.057 million estimate to make the water system operational.

CRD staff advises there is \$40,000 in 'surplus' operating funds to use to *temporarily* replace the Lautmen tank.
Yes, money to replace the tank is available without borrowing but if that money had not been needed to replace this tank it could have been paid towards the new capital costs.

Could we have saved \$40,000 or part of it, had the Lautman tank been maintained or replaced earlier? We'll never know.
Can we still save money if these tanks are incorporated into the permanent system and the additional new tank is deleted?

I understand local commission members pointed out possible significant savings if the two new temporary tanks were made part of the permanent installation and the additional tank was deleted. Apparently CRD staff is not interested in this possibility.
One reason given is that there is no more money for engineering fees.
Is this actually the situation?
What is the reason for not considering a similar solution from the outset if it is more cost effective?

Apparently two 4000 (5000?) USG tanks cost *under \$2000* - let's round up the cost for two tanks to about \$5000 to include transport to the site.
That leaves about \$35,000 for the bed the tanks sit on, removing the old tank, lifting the new tanks into place and hooking them up, plus professional engineering fees.
Would CRD please provide the detailed basis for their estimates?

5. Would CRD staff please review their own records and correspondence from the commission, and confirm there are no other oversights or missed concerns?

TWO Beddis Water System reality checks:

1. Referendum - yes or no:

What will the referendum cost us? Is it \$10,000 total or \$10,000 plus \$10,000 or more to obtain detailed cost estimates? or what?

Can this cost be reduced if some of the work is done by local volunteers?

The CRD material for the November 18 meeting includes this:

"The... project can not proceed without...borrowing. If a referendum process is not initiated for the recommended scope and budget, an alternative scope and budget would need to be developed to meet legislated requirements for drinking water....."

I'm confused. Does this mean the scope of the project could be reduced to bring it more within our financial reach?

And, yes, the CRD Board of directors has the power to dissolve the commission at any time; or it can dismiss current commissioners and appoint persons from anywhere who would do their bidding. Then

1. if the commissioners do not vote in favour of a referendum, could the CRD Board approve borrowing for this or another system without a referendum and would we the subscribers be required to pay in any event? or

2. if the referendum is voted down, can CRD go ahead and borrow money and proceed with construction as it sees fit and would we the subscribers have to pay in any event?

In the end the commissioners appear to be ineffectual and the subscribers' input is meaningless.

Why bother to try to get subscriber approval?

Why waste another \$10,000 or \$20,000 on a referendum?

Why have commissioners and meetings at all?

2. A harsher reality

If by whatever means construction is completed, the water distribution pipes will still need to be replaced. There are several miles of 40 year old mixed PVC and AC pipe, well past its best before date. Replacing the pipe will cost more than the \$3 million plus we will then already have spent on the little water system that was supposed to cost \$800,000 back in 2005.

Does this mean the cost of our water will double again or more?

Infrastructure in all Canada's major cities is aging. Cities, big and small, nationwide are asking Ottawa and provincial governments for money to replace potable water delivery pipes, storm water and sewer systems, and water and sewage treatment facilities.

A small rural residential water system on Saltspring Island will be very far at the bottom of the federal and provincial funding lists for money or even low cost loans. Realistically, we'll have to pay for this ourselves.

We need to seriously look at the feasibility and viability of the proposed plan and we need to consider options including other ways to put in place the bare essential elements of the current proposal and a safe distribution system, or other approaches altogether.

If the subscribers care at all, we all need to become involved in the process.