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Report #EHQ 08-33

**REPORT TO CORE AREA LIQUID WASTE MANAGEMENT COMMITTEE
MEETING OF WEDNESDAY, 23 APRIL 2008**

SUBJECT **RESPONSE TO CUPE'S QUESTIONS OF 28 NOVEMBER 2007**

PURPOSE

To provide a response to the 10 questions submitted to the 28 November 2007 Core Area Liquid Waste Management committee (CALWMC) meeting.

BACKGROUND

During presentations/delegations at the 28 November 2007 CALWMC meeting, Mr. Blair Redlin, research representative, Canadian Union of Public Employees (CUPE), requested a response to 10 questions regarding the business case work being undertaken by Ernst & Young Orenda Corporate Finance Inc. Responses to the questions are attached and will be provided to CUPE (see Appendix A).

RECOMMENDATION

That the Core Area Liquid Waste Management committee receive this report for information.

Dwayne Kalynchuk, PEng
General Manager, Environmental Services

Attachment: 1
DK:cp

April 23, 2008

File: 5330-30-0206.67

Mr. Blair Redlin
Canadian Union of Public Employees
BC Regional Office
500 – 4940 Canada Way
Burnaby, BC V5G 4T3

Dear Mr. Redlin:

**RE: RESPONSE TO 10 QUESTIONS SUBMITTED TO THE CRD CORE AREA LIQUID WASTE
MANAGEMENT COMMITTEE**

Further to your submission to the Core Area Liquid Waste Management committee on 28 November 2007, the committee passed the following resolution:

"MOVED by Director Brownoff, SECONDED by Director Hill, that the Ten Key Questions for Ernst and Young Orenda Corporate Finance Inc. be referred to staff for response."

Attached for your reference are responses to your questions, which have been prepared by Capital Regional District staff.

Please give me a call at 250-360-3092 if you have any comments or further questions.

Yours truly,

Dwayne Kalynchuk, PEng
General Manager, Environmental Services

DK:cp
Attachment: 1

RESPONSES TO CUPE'S QUESTIONS OF 28 NOVEMBER 2007

Question 1: Before issuing a final report, will they [Ernst and Young Orenda Corporate Finance Inc] provide a draft report for public input and comment, as has been done with previous reports on the sewage treatment process?

Response: It is proposed that a series of discussion papers will be produced by the CRD and its consultant and that these discussion papers will be issued throughout 2008 covering the key issues in the business case.

Question 2: Will they provide a public briefing on the criteria they propose to use for their Value for Money and Public Sector Comparator exercise to weigh theoretical risk transfer, the monetary value they propose to attach to risk transfer and the assumptions they plan to make about the extent to which risk can be meaningfully transferred to a private sewage system operator?

Response: This information will be included in a discussion paper to be issued in 2008.

Question 3: Before issuing a final report, will they provide a public explanation and justification for the discount rate they propose to use in developing their sewage treatment business case?

Response: Discount rate issues will be included in a discussion paper to be issued in 2008.

Question 4: Before issuing a final report, will they provide a public briefing on their projections for the full cost of P3 procurement?

Response: Ernst & Young Orenda Corporate Finance Inc (EYOCF), in conjunction with the CRD project team, will be preparing an estimate of procurement costs for each type of procurement approach analysed in the business case. It is anticipated that all estimates will be made available to the public.

Question 5: Before issuing a final report, will they provide an explanation for the public of the portion of private financing they are assuming for CRD sewage treatment and explain in detail how much more expensive that will be for taxpayers than public financing?

Response: The CRD project team plans to include a full discussion of financing issues and costs of the project in the discussion papers.

Question 6: Before issuing a final report, will they provide a copy of all submissions sent in response to the CRD's Market Sounding Survey?

Response: The market sounding summary document to be prepared by EYOCF will be made available to the public. The individual responses contain competitive information. It is the expectation of CRD that the responses may be released after completion of the procurement process.

Question 7: Have they reviewed Dr. Pierre Hamel's recent report on P3s for the Federation of Canadian Municipalities?

Response: The CRD project team and its consultants, including EYOCF, are familiar with Dr. Hamel's recent report on P3s.

Question 8: Will they commit to factoring Dr. Hamel's findings into the business case they are developing?

Response: The CRD project team, including EYOCF, will take into account multiple sources of information into the preparation of the business cases and analysis.

Question 9: Given that the CRD has still not made most of the crucial decisions around the form of treatment; specific number of treatment facilities; specific location of treatment facilities; integrated resource management and resource recovery; scope and schedule, will the consultants provide a public explanation of how they are able to develop a business case and business analysis that is not mostly speculative?

Response: The delivery of the market sounding summary, risk review and mitigation planning paper; multi-criteria analysis of procurement options paper; and the value for money review and impact are being scheduled for mid-2008 and early 2009 to allow more detailed planning and action.

Question 10: What has been the role of Partnerships B.C. in helping to develop the Ernst and Young Orenda business analysis?

Response: Partnerships BC is an observer in the study of the procurement process. EYOCF has been retained by the Capital Regional District (CRD) and will prepare an independent report for the CRD.