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**REPORT TO FULFORD WATER SERVICE COMMITTEE
MEETING OF FRIDAY 05 FEBRUARY 2010**

SUBJECT CORRESPONDENCE RECEIVED AT 27 NOVEMBER 2009 MEETING

PURPOSE

To present, as requested by the Fulford Water Service Committee, a response to questions raised in a letter by Chairperson Wynona Elizabeth Cook, dated 23 November 2009, provided at the 27 November 2009 meeting.

BACKGROUND

In a letter to Regional Director Garth Hendren dated 23 November 2009 on behalf of the Fulford Water Service Committee, Chairperson Wynona Elizabeth Cook identified six items of information deemed necessary in order to consider approval of the 2010 operating budget for the Fulford Water Service. In addition to this information, a financial audit was requested. The following information is intended to satisfy the request.

1. Project updates were requested. A capital project update is provided as a separate staff report, including details of the process of commissioning the water treatment plant. Commissioning began early in 2009 and was not complete until October, much later than expected. The plant began full time operation in October 2009, delivering treated water to the distribution system. Delays resulted primarily from the unplanned requirement to procure parts and equipment. As a result of these delays, there was little progress to report in 2009 on the project.

Although a facility tour and open house had been discussed in a committee meeting and at the Annual General Meeting in May 2009, these events were not scheduled in 2009 as the plant was not in operation until late in the year and operations staff were fully committed to the tasks of commissioning and training. A tour by committee members is proposed immediately following the 05 February 2010 meeting.

A boil water advisory notice was issued 26 October 2009 as a result of a flow meter failure that caused the chlorine pumps at the old pumphouse to stop operating. The Capital Regional District (CRD) immediately notified the Vancouver Island Health Authority (VIHA) and provided advisory notices, which were distributed by North Salt Spring Waterworks District staff and posted on the CRD website. The advisory was lifted the following day, after chlorine residuals in the distribution system returned to normal.

The old chlorine pumps will remain in operation until the entire service area is connected to the treated water distribution system. Funding is in place to complete the distribution work, which will proceed as soon as possible. The cost to operate the old chlorine pumps for the first half of 2010 will be accommodated in the operating budget.

2. A question was raised about rate increases and further project funding. The draft 2010 operating budget includes an increase of \$257 in the annual user charge for a single family dwelling. This revenue increase (\$22,383 in total) is required for two main reasons: First, the 2009 budget was funded in part by a surplus of \$11,879 that is not available as revenue for 2010; and second, the hourly contract labour rate for operations increased substantially for 2010, adding \$10,000 to the operating cost. None of the proposed 2010 rate increase is attributed to project expenses.

The five-year forecast provided with the draft 2010 budget includes a new \$10,000 annual transfer to capital beginning in 2011. This item is intended to fund customer meter installation work, for which there is not sufficient funding in the current capital budget. If it were to proceed with cash funding of \$10,000 annually as shown, meter installation would likely not be completed until 2015. The forecast does not require approval by the committee, and is provided strictly for the purpose of planning. The committee may choose to fund meter installation more aggressively in order to complete it sooner, or to defer it indefinitely. Nonetheless, funding for future capital needs will need to be considered for the 2011 budget, as the service currently holds no funds in reserve for future capital needs.

Staff are unable to provide guarantees to service participants that estimated costs will not be exceeded. In accordance with the Local Government Act, any cost that relates to the provision of a CRD service must be recovered by the beneficiaries of the service. Every reasonable effort is made to provide reliable cost estimates in order to minimize cost risks. The desired precision of cost estimates must be balanced against the cost of developing plans and specifications necessary for such estimates, which must also be recovered from the service area. Procurement strategies such as stipulated price contracts are also often used to minimize cost risk to a service area, although externalizing risk always comes at a cost that must be weighed against the relative risk.

3. A status update was requested regarding properties not yet connected to the new water treatment plant. A total of 15 service connections on Sunnyside Road require transfer from the original watermain from Weston Lake to the new treated watermain and two additional connections on Tahouney Road also require reconnection, as shown in Attachment 1. The attachment also shows a new connection to be provided to the Fulford School to fulfill the agreement with School District 64 for the use of school property for the treatment plant and reservoir. These services will be connected to the treated water distribution system as soon as possible, using available project funds.

Staff were also asked in November why service connections remained on the old watermain after the new main was installed. When the plant location was established at the Fulford School site, a new pipeline was required in order to supply raw water from Weston Lake to the plant site. The route along Sunnyside Drive was chosen on the basis that it enabled new raw and treated water pipelines to be installed together along South Ridge Road (reducing trenching, backfilling and paving costs, which represent the bulk of pipeline construction costs); and it enabled the old Sunnyside Road watermain to be replaced and converted to a raw water pipeline. This was expected to reduce losses of treated water in the distribution system. Customer connections could not be transferred from the old main to the new main at the time the new main was installed since the plant was not yet constructed, and there was no means available to supply water through the new main until last November.

4. Staff were asked about the status of negotiations with water users outside the service area. Agreements provided to the CRD upon conversion of the service establish the extent of the obligations of service participants to provide water service to two parcels of land along the pipeline route from Weston Lake to the service area. The connections to these parcels from the Weston Lake pipeline will need to be abandoned when the old chlorine pumps are decommissioned this year.
5. Staff were asked about the status of Cedars of Tuam and BC Ferries. Cedars of Tuam has abandoned consideration of a pipeline from the Fulford area to supply water, on the basis of capital cost. A well recently developed by Cedars of Tuam near the service area has been tested to 28 USgpm, which is more than adequate to meet the long-term needs of the service.

A letter was provided to BC Ferries 12 January 2009, proposing inclusion in the Fulford water service area at a cost considered comparable to the in-kind contribution from School District 64. BC Ferries responded in a letter dated 9 March 2009, advising that although BC Ferries wishes to continue to receive water service from the CRD, the proposal to include BC Ferries in the Fulford

water service area was declined on the basis of cost. The letter advised that BC Ferries would be in a better position to consider how to “bring value to the community and offset the CRD’s debt” upon completion of a master plan for Fulford Harbour terminal upgrades that are planned for 2015-2016. Staff are considering alternative proposals to recover the full cost from BC Ferries for water service from the Fulford area.

6. Questions were asked regarding the roles of committee members, and their protection from legal liability. A statement of insurance coverage is provided in Attachment 2, and the CRD indemnification policy is provided as Attachment 3. The CRD Commission Handbook, available on the Internet at <http://www.crd.bc.ca/about/committees/index.htm> , describes in detail the roles and responsibilities of committee members in relation to the CRD Board and staff.

A financial audit of the Fulford water system was requested. An audit of the Fulford upgrade project was completed by the province early in 2009, under the infrastructure grant agreement. At the request of the Beddis Water Service Committee, the CRD retained its auditor to conduct a comprehensive financial audit of the Beddis upgrade project, which included a review of several records also related to the Fulford project since the two projects were nearly identical and progressed on a similar timeline. Although a formal audit of the Fulford project has not been completed for the CRD, the outcomes of these other two audits provide a reasonably comprehensive review of the Fulford project without expense to the Fulford service area.

The Beddis project audit found miscoded expenses relating to one vendor serving both the Beddis and Fulford projects. These coding errors resulted in a net cost of \$16,354 to the Fulford project that should have been charged against the Beddis project (0.9% of current Fulford budget). The costs have been reassigned to the appropriate accounts.

ALTERNATIVES

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

FINANCIAL IMPLICATIONS

A budget for the Fulford water service will require approval by the CRD Board in April. In order to prepare the budget for Board approval, committee review must be completed in February. A revenue increase is required in order to maintain an acceptable level of service to the Fulford water service area. A financial audit of the Fulford upgrade project would likely cost roughly \$7,500, which would need to be recovered from the Fulford operating budget.

SUMMARY/CONCLUSIONS

Specific information was requested by the Fulford 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 Fulford Water Service Committee receive this report for information.



Colwyn Sunderland, ASCT
Local Services Engineering Coordinator

CS:ls
Attachments: 2

Garth Hendren, CRD Director
Salt Spring Island Electoral Area

By fax: 250-653-2075

November 23, 2009

Dear Mr. Hendren:

I am writing on behalf of the Fulford Water Service Committee. As you know, we are a volunteer representative board. During our recent board meeting, while completing the Salt Spring Island Water Council questionnaire, we realized we are lacking sufficient information to properly determine our budgetary requirements for the following year.

At our last AGM, we requested quarterly meetings with the CRD to be informed of the operational situation, the capital expenditures, negotiations with the Fraser's regarding their right to service and the status of the seventeen properties (paid in full) yet to be hooked up to the new pipeline. To date, there have been no meetings and we are not any better informed then we were at the AGM.

Please arrange a meeting with the CRD Local Services Engineering Coordinator, you and the Fulford Water Committee ASAP and prior to the budgetary meeting. We cannot possibly discuss the budget at the scheduled meeting November 27, 2009 without the following information:

1. Project updates, including when the system was up and running; what happened to the open house; the cause/results of the last "boil water" notification; and when will we stop using the old system? Paying for two operating systems is NOT COST EFFICIENT and drastically impacts our operating fund!
2. The specific reason for the further request of additional project funds and the exact amount being sought (quotes have ranged from \$257 per year per user to 2014, an unknown lump sum, \$20,000 over 4 years, etc) . Is there a guarantee this will be the last capital increase for this long overdue project?
3. What is being done to include the 17 fully paid users who were "somehow" missed in the design of the new system and when will they be hooked-up?
4. What is the status of negotiations with the Frasers and their easement? Are they to be a further hook-up? If so, it is financially expedient to complete the line to their property while installing pipe on Tahouney Road. Has this, or another option, been determined?
5. What is the status of the BC Ferries and Cedars of Tuam negotiations?
6. What are the function, purpose and responsibility of Trustees who are not informed, or ill-informed? Who is the board liability insurer and is there written confirmation that we are covered?

We are somewhat aware of the ongoing discussions the Beddis Water Committee is having with the CRD and their demand for an independent assessment of the Beddis project design, cost analysis, accounting statements, project supervision etc. We support their efforts and believe the CRD, in fact, holds fiduciary responsibility to ALL their water districts on Salt Spring Island.

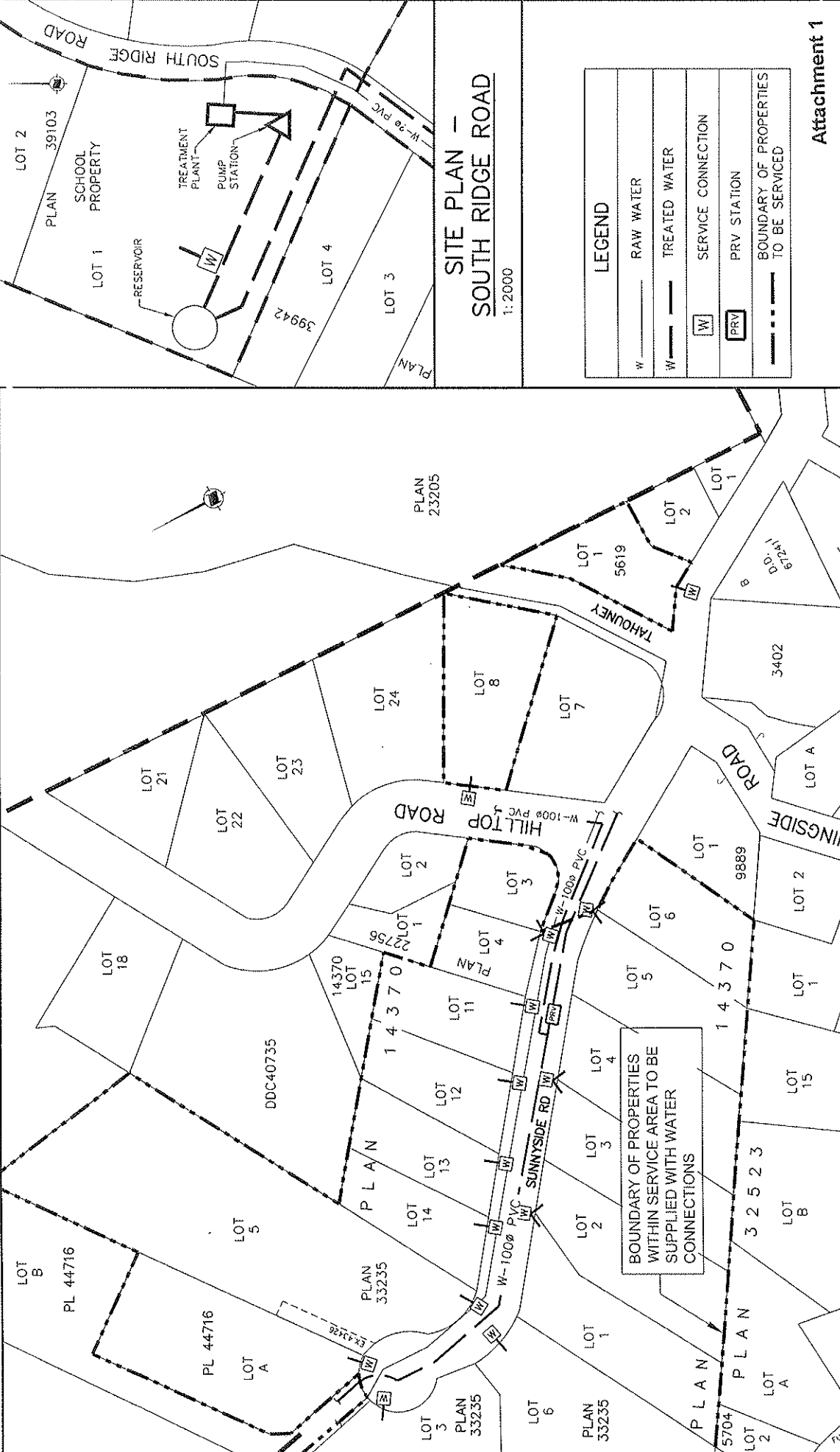
Thus, we are formally requesting an independent assessment and accounting of the Fulford Water system ASAP.

Thank you for your consideration of these matters. We look forward to your reply.

Yours truly,

Wynona Elizabeth Cook, Chairperson, Fulford Water Committee
105 Tahouney Road
Salt Spring Island, BC V8K 1X1
Office phone, Morningside Law, 250-653-9966

CC. Colwyn Sunderland, CRD Local Services Engineering Coordinator
Beddis Water Committee



SITE PLAN - SUNNYSIDE ROAD

1:1500

Attachment 1

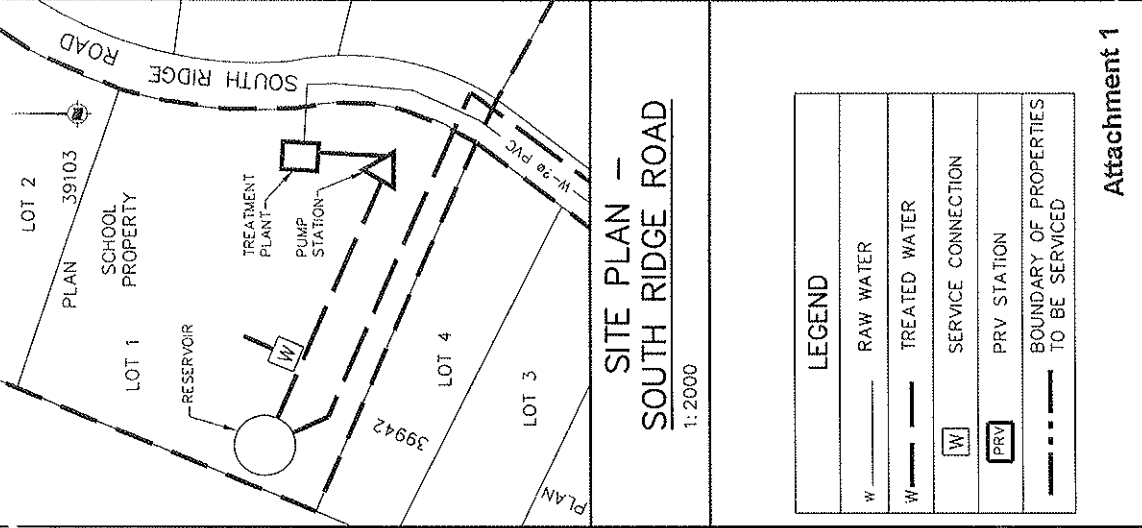
FULFORD WATER SYSTEM

PROPOSED WATER CONNECTIONS
SUNNYSIDE & SOUTH RIDGE ROADS
SITE PLANS

LEGEND

- W- RAW WATER
- W- TREATED WATER
- W- SERVICE CONNECTION
- PRV- PRV STATION
- BOUNDARY OF PROPERTIES TO BE SERVICED

DESIGNED: R.H.E. | DRAWN: L.N. | SCALE: AS SHOWN | CHECKED: | APPROVED: | DATE: 28/01/10 | CONTRACT NO.: 26-D216-1 | REV: 1 OF 1



SITE PLAN - SOUTH RIDGE ROAD

1:2000

Attachment 1

FULFORD WATER SYSTEM

PROPOSED WATER CONNECTIONS
SUNNYSIDE & SOUTH RIDGE ROADS
SITE PLANS

LEGEND

- W- RAW WATER
- W- TREATED WATER
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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	DATE: April 28, 2000
<i>Trona S. Pollock</i>	

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.

Colwyn Sunderland

From: W. E. Cook [wecook@shaw.ca]
Sent: Tuesday, December 15, 2009 12:43 PM
To: Colwyn Sunderland
Cc: 'Martyn & Margaret'; 'Bruce Patterson'; 'zwanette pereboom'
Subject: Postponed meeting

Dear Colin:

I have advised Martyn and Bruce that we will not be meeting tomorrow. We suggest you propose a date for an initial meeting early in January and a second meeting in the latter part of January so we have ample time to consider our current situation, its implications and the 2010 budget. We are prepared to meet in Victoria if that would be more productive.

In addition to information requested in our November 23, 2009 memorandum, we also require:

- details of all changes (scope of work, scheduling, unit construction cost data, etc.) which have resulted in increased costs and/ or affected the completion date for the project.
- details of funding sources i.e, initial grants, Fulford Water Board resource funds/user charges, and transfer of funds to Beddis Water District.

N.B. Capital costs should be discussed in absolute terms rather than just the costs required to complete the project.

Again we wish to stress that all the information is required before we can consider approval of either the capital and/or the operating budgets. Furthermore, we question how we can continue charging 20% of our users for treated water they are not receiving? We look forward to working with you to resolve these issues in as efficient and effective a manner as possible.

Yours truly,

*W. E. Cook,
Fulford Water Committee*