

MINUTES of the **REGULAR MEETING** of the **COUNCIL** of the **DISTRICT OF MISSION** held in the Council Chambers of the Municipal Hall, 8645 Stave Lake Street, Mission, British Columbia, on April 4, 2011 commencing at 6:30 p.m.

Council Members Present: Mayor James Atebe
Councillor Terry Gidda
Councillor Paul Horn
Councillor Danny Plecas
Councillor Mike Scudder
Councillor Jenny Stevens
Councillor Heather Stewart

Staff Members Present: Glen Robertson, Chief Administrative Officer
Paul Gipps, Deputy Chief Administrative Officer
Kelly Ridley, Deputy Director of Corporate Administration
Jennifer Russell, Legislative Assistant

Mayor Atebe began the meeting with the announcement that retired Mission Fire Chief Frank Ryan had passed away earlier in the day after a short battle with cancer.

A moment of silence was observed for Chief Ryan.

1. DELEGATIONS AND PRESENTATIONS

Jim Gordon, General Manager, Abbotsford/Mission Water & Sewer Commission and

Mark Hodgson, Partner, Infrastructure Advisory – Project Finance, Deloitte

Re: Stave Lake Water Supply and Treatment Business Case Analysis

Jim Gordon, General Manager of the Abbotsford/Mission Water & Sewer Commission, appeared before Council to present the following information:

- In 2005, Abbotsford took over operation of the regional water supply for Abbotsford and Mission from the FVRD.
- The water system is comprised of Norrish Creek (the main source), Cannel Lake and 19 groundwater wells.
- A Master Plan was completed by a consultant in 2006 that identified further well development in Abbotsford and a Stave Lake source as the most cost effective options for increasing water supply to meet projected demands. Work on the development and approvals of the Bevan Wells started in 2007.
- A new water Master Plan was completed by another consultant in early 2010. This plan reviewed source options again and also identified Stave Lake as the next water source.
- A new water source is required by 2015 because the existing sources are nearing their capacity, that is, in 2007 the system came very close to running short of water on the peak consumption day. As a result, new watering restrictions and bans were implemented in both communities in 2008.
- Several other water sources were investigated through the master planning process:

- Hayward Lake – has the lowest net present value (NPV) of all options at \$220 million but there are potential issues with leachate from Mission's landfill,
 - Stave Lake – has the second lowest NPV of \$224 million,
 - Fraser River – has a NPV of \$232 million and due to the poor quality of the water, chemical and hydro costs and subsequent disposal will also be high,
 - Norrish Creek – NPV of \$239 but doesn't include the costs of raising the Dickson Lake dam to make this option viable. Staff spent over two years negotiating with DFO on a much more minor upgrade to the intake structure on Norrish Creek and are still waiting for approval. Potential for difficult and lengthy environmental process,
 - Harrison Lake – NPV of \$334 million, however has First Nations and environmental issues as well as significant pumping costs due to low elevation,
 - Chilliwack Lake – NPV of \$374 million, however stability issues along the pipe route as well as high cost.
- The Stave Lake source would have an intake in the lake, a pump station on the shoreline and a transmission main to a water treatment plant located in the area of Cannon's Pit on Dewdney Trunk Road. From there the transmission main will make its way through Mission and into Abbotsford.
 - As with most major projects, challenges become apparent as designs are developed. These challenges usually lead to increased costs. Costs provided by the owners engineer as part of the business case analysis shows project increases close to \$100 million over the estimates included in the 2010 Master Plan.
 - Cost increases are due to:
 - Modified Intake – the intake design was modified to address archaeological concerns expressed by First Nations and geotechnical issues identified in further studies,
 - Conservative Estimates – any funding provided by PPP Canada will be based on the figures in the business case. Cost estimates are now accurate to within +/- 15% whereas the master plan estimates were accurate within +/- 50%,
 - Water Treatment Plant – the new cost estimates are based on a conservative design in the absence of sufficient raw water quality data. Once more data becomes available in 2011 and 2012, the plant costs may drop to reflect more realistic design specifications.
 - Many design options were considered and ranked by costs as well as potential impacts to the community and environment. An underground tunnel design was chosen because it will avoid disturbing known archaeological sites and reduce the project's visual impacts.
 - The estimated cost for the project is \$300 million, including the intake and pump station.
 - During this coming year, the WSC will be focusing on Federal and Provincial environmental permits and site review, consultation with the public, stakeholders and First Nations, and investigating procurement models for the project.
 - Construction of the transmission main south of the Fraser River will begin this spring. This will improve the ability of the WSC to meet maximum day demands in the short term.

- The WSC applied for P3 Canada Fund funding in June 2010 (potential for 25% capital funding), and will also be seeking Provincial funding sources for this project.
- Abbotsford and Mission Councils are being asked to consider a recommendation to move forward with the Stave Lake Water Supply & Treatment Project as a P3, subject to suitable grant funding from P3 Canada and subject to assent of the electors in Abbotsford and Mission.
- A referendum is planned during the November election on this issue. The referendum must be successful in both Abbotsford and Mission for the project to move forward.
- If approved, a P3 means a private partner will design, build, finance and operate the Stave Lake Water Supply & Treatment Plant through a 25 year contract with the WSC.
- It does not mean that anything in the existing water system will change. Abbotsford and Mission will still own, govern and operate the existing water system. Abbotsford is the operator of the water system, and will access water from the Stave Lake source as the operator determines necessary.
- The Stave Lake source will be owned by Abbotsford and Mission and governed by Abbotsford and Mission Councils. The only difference with Stave Lake is that there will be a contracted operator, with Abbotsford being the overall system operator.
- If there are issues with the quality or quantity of water from the Stave Lake source, payments to the contractor can be withheld.

Mark Hodgson, Partner, Infrastructure Advisory – Project Finance, with Deloitte provided the following information about the business case for the P3 Canada Fund funding request:

- The purpose of the business case is to determine if the Stave Lake Water Supply & Treatment Project may qualify for financial support from the P3 Canada Fund.
- It must be a P3 delivery model including design and construction plus one or more of operations, maintenance or financing.
- It must provide public benefit, provide “value for money” according to accepted Canadian practice, and the project structure and procurement process must follow best practices.
- Potentially up to 25% of the eligible cost of the project could be funded by the P3 Canada Fund, in the form of either a repayable grant, a non-repayable grant, or an interest free loan.
- The project has been broken down into two components: “Bundle A”, consisting of the intake and pump station, water treatment plant and reservoir expansion; and “Bundle B”, consisting of the transmission mains.
- The recommended procurement option for Bundle A is a hybrid of Design Build Finance Operate (DBFO) and Design Build Operate (DBO). The recommended procurement option for Bundle B is Design Build Operate (DBO).
- The basis for recommendation of the hybrid DBFO and DBO procurement option is that:
 - it maximizes construction time and cost certainty (on-time, on-budget delivery),
 - it maximizes long term cost certainty (operating costs, maintenance costs, rehabilitation of the asset),

- it reduces WSC's retained risk and transfers considerable risk to the contractor,
- it provides long term performance guarantee appropriate for each Bundle,
- the estimated project "value for money" to Abbotsford and Mission of \$33.2 million or 10.6%, compared to delivering the project through a traditional manner (design, bid, build), and
- the estimated "value for money" to the WSC of up to:\$83.5 million or 26.7%, depending on level of P3 Canada Fund contribution.
- Key features of the hybrid DBFO and DBO procurement option are as follows:
 - ownership of the assets stays with the WSC at all times
 - the WSC sets water quality standards and capacity of the system,
 - one contractor is selected through a competitive process for the combined DBFO/DBO,
 - the contractor designs and builds, and then operates and maintains, Bundle A and Bundle B for 25 years for a fixed price,
 - the WSC pays for approximately 35% of the construction costs of Bundle A during construction, the balance is financed by the contractor,
 - the WSC pays for 100% of the construction costs of Bundle B during construction,
 - the WSC makes annual payments for operations and maintenance,
 - the WSC makes annual payments to repay the contractor's financing on Bundle A, and
 - payments to the contractor are at risk: penalties are applied if the contractor does not meet the terms of the contract.
- At the end of the 25 year contract period, the contractor hands back full control of the asset to the WSC in an agreed upon condition.
- The funding request from the P3 Canada Fund would be for 25% of eligible costs in the form of a non-refundable contribution.
- The full 25% would amount to \$49.3 million for Bundle A, and \$21.9 million for Bundle B, for a total possible contribution of \$71 million.
- The contribution would be received during the construction period and used to offset the WSC's milestone payments to the contractor.

Mr. Gordon summarized that Mission and Abbotsford Councils are being asked to approve that the P3 business case be formally submitted to P3 Canada and that the Stave Lake project be undertaken as a public/private partnership, subject to satisfactory P3 Canada funding and subject to obtaining the assent of the electors in both Mission and Abbotsford. Staff is proposing that the assent of the electors be obtained during the November municipal election.

Mayor Atebe thanked Mr. Gordon and Mr. Hodgson for the information

2. PUBLIC CONSULTATION

Mayor Atebe welcomed the members of the community to the meeting and invited them to offer observations, comments, views and questions.

Mike Deiner:

- expressed concern that whatever decision is eventually made, that it not have the result of turning publicly owned water into a commodity
- Why was the Abbotsford Mission Water & Sewer Commission denied the gas tax funding for the water/sewer upgrades?

The Director of Finance responded that the WSC did apply for gas tax funding for this project. One application was denied, however they were awarded some Regional Strategic Priority gas tax funds. We may have been denied because the gas tax funds were oversubscribed at that point. This is mostly a growth related project, meaning that development cost charges would be contributing the majority of the funds.

- Is the District still pursuing grant money in that area? Should the District have pursued more funding when the water/sewer system was taken over from the Fraser Valley Regional District?

The Director responded that both Abbotsford and Mission will continue to pursue grant funds from any source that arises to reduce the cost of this project.

- Where will intake pipe be for the Stave Lake source?

Mr. Gordon responded that the intake will be in the former riverbed, in the deep part of the channel, just upstream from the Ruskin Dam. Significant gas tax funding was used for upgrades to the JAMES treatment plant and the Norrish Creek water system. It is more difficult to get funding for "growth" projects because the expectation is that those projects will be paid for through development cost charges.

- Is Minnie's Pit leaching into Stave Lake and did your engineers say that the intake pipe should be at the top end of the dam where the quality of water is better and where there would be no debris washing into the intake?

Mr. Gordon responded that he is unaware of any such statements from the engineers, and that water quality testing has been done for approximately one year and will continue..

- Is there a negotiated rate per cubic metre of water with BC Hydro?

Mr. Gordon responded that the WSC has been meeting with BC Hydro and the rate for the water will be what Hydro would lose in power generation. It will cost basically the same whether the water has to be taken out of Stave Lake (lost revenue from power generation) or pumped up from Hayward Lake over the dam (using power to pump). The rate will initially be approximately \$0.04 per cubic metre, however will fluctuate because it is tied to the price of power.

The Director of Engineering and Public Works clarified that the Hayward Lake water system has had extensive testing, and there has never been a problem with the quality of water going into the Ruskin/Stave Lake system. There is no longer a leachate problem from the landfill into Hayward Lake.

- Which water companies are you considering to run the system?

Mr. Hodgson responded that the project would have to be procured under best practices, meaning that there would be a competitive process, however during the business case preparation they did contact approximately 10 different companies.

- If the District gets funding under the P3 scenario, how much would we have to borrow to complete this project?

The Director of Finance responded that it would depend on the rate of development cost

charge collections up to the time of construction, however through the cost sharing formula with Abbotsford, Mission pays approximately 12% of the cost of growth related projects. Mission would have to pay roughly 12% of \$230 million and the amount we borrow would be dependent on the rate of DCC collections and how much we could pay up front for the project.

- Has the District increased its DCC rate yet?

The Director responded that the public meeting about the proposed new DCC rates is on April 5. The proposed new water rate is slightly higher than the existing DCC rate.

- Abbotsford says they will increase the cost of water 10% for five years, so will Mission do the same?

The Director responded that Mission examines its user rates annually and does a projection of its operating capital needs, then determines what the rates will be, and they have been increasing at a rate of approximately 15%. Our ultimate water costs will also be dependent on our ability to conserve water, which is why the District is going ahead with universal water metering in the next few years.

- If and when the Stave Lake source comes online in 2015 will Norrish Creek and Cannell Lake be decommissioned?

Mayor Atebe responded that Norrish Creek, Cannell Lake and the Bevan Wells will always continue to be water sources, and will not be decommissioned.

Othmar Kagi:

- Did council check the NAFTA provisions that allow private companies to sue governments for policies and actions that have negative implications for their business?

Mr. Hodgson responded that they did not investigate that for the business case because the model they looked at was ownership of the asset and the water by the municipalities.

- expressed concern that even if a municipality kept a water source publicly owned to save costs, private water companies could still use the CEDA provisions to challenge decisions
- This is a huge challenge that has not been brought before the citizens of Mission.
- Have you done a risk assessment including and if so, does it include legal disputes and risk transfers?

Mayor Atebe clarified that this is just the beginning of the conversation put before the community. There will be a lot of time for consultations prior to the election and referendum.

Mr. Hodgson responded that they did do a risk assessment and quantified about 50 different risks for the project, both for a traditional delivery and for P3 models.

- Expressed concern about problems with other P3 models for water in North Vancouver and in Hamilton, Ontario, and with other P3 projects in general.
- Why have you not informed the community about the pros and cons of this P3 project?

Mayor Atebe responded that the WSC commissioned a business case study to be developed and to share with the communities. Council will be voting tonight to put the option on the table for discussion. The pros and cons will be provided to the community

by staff and other professionals, and at the end of the day the electorate will decide in November the direction they want Council to take.

- This is an extremely high risk venture for a public project, particularly for water, and you must say no to this tonight.

Randy Cairns:

- Would the body overseeing water rate increases over the next 20 years be a private corporation with no public scrutiny or access to financial records to verify if the increases are a true reflection of usage and costs, rather than a public utilities commission with public hearings and input?

The Director of Finance responded that the City of Abbotsford and the District of Mission would continue as they always have to individually set their user rates and applicable DCC rates to fund this project.

- If this project was to negatively affect Abbotsford and Mission, could they apply to the BC Utilities Commission if BC Hydro was applying for further rate increases, since that would impact our water rates?

The Director responded that ultimately anyone can make a submission to the BC Utilities Commission.

- Expressed concern that using a P3 model for a public utility is far too dangerous and the public should retain ownership of the water system.
- Did staff provide a report setting out what a fully public build/maintenance/service over 25 years would cost for comparison?

Mr. Hodgson responded that the project would cost \$313 million if delivered traditionally, and approximately \$279.8 million for the DBFO/DBO model.

Diane Kalen-Sukra:

- It seems the entire discussion has been framed by P3 Canada and by Deloitte, which is a limited liability corporation that is a sponsor and beneficiary of P3 Canada projects nationwide.
- The community is very concerned about what is being proposed here tonight – no one wants a private corporation having anything to do with our water.
- Before the public or the Abbotsford and Mission Councils can make a well-informed decision there needs to be an agreement on the fundamentals of what is being discussed, which is the privatization of our water services.
- Once a private corporation gets a foothold, they will continuously lobby and seek to expand their rights to eventually take over the water service to make a profit.
- Privatization does involve a loss of accountability, transparency and control, and we cannot afford to compromise these things when it comes to water or utilities.
- In Japan it is being reported that the private corporation running Tokyo electric power made several critical cost saving/profit making decisions that is now resulting in lasting social, economic and environmental devastation. The limited liability corporations can just walk away from the problems they create.

- The private corporation that will come in will likely be multinational and have teams of skilled lawyers and board members that will outmanoeuvre Municipal staff at every turn.
- Council has good intentions to protect our water supply and provide safe, clean, accessible water to all, however the intentions of private corporations are to make profits. Water is worth more than gold, more than oil, and if they control water, they control our life.
- There are several reports speaking to the issues with P3 arrangements for water and sewer systems, including breach of safety standards, loss of jobs, environmental and property damage.
- The Comprehensive Economic Trade Agreement (CETA) that is being negotiated by the federal government includes something never considered before – access to our water rights.
- There is a backlash in Europe against companies like Violia Environment and Suez running municipal water systems, who are now realizing they have no more control over prices, quality or maintenance.
- Municipalities should be resisting the federal government pressure to accept public funding for needed projects on the condition that it be under a P3 model, where you subsidize the profits of private corporations with tax dollars.
- Partnerships BC and P3 Canada are publicly funded government agencies that exist to lobby on behalf of private corporation.
- There needs to be an independent review of the work done by Deloitte, including a full and open comparison of the private vs. the public options and a comprehensive explanation of the pitfalls of the privatization of water.
- What we are considering is the handing over of the finance and operation of our most vital resource for 25 years to corporations that prosper at our expense.
- Council needs to keep our water in public hands while you still have the ability to do so.

Craig Spears:

- Maple Ridge had a problem with a P3 where there was a legal challenge and the municipality had to buy back the private business. The cost was far and above what was anticipated because the financial records of the private corporation were not transparent.
- Quality water is a basic human right and giving away control of such an important asset is wrong.
- It is wrong for the federal government to force municipalities into bed with one of their preferred corporate friends in order to get funding needed for basic services.
- Other options should be put forward in a more forceful way.

Man:

- An article in the paper says that we will save \$19 million over 25 years by not contracting out and doing it ourselves.

- If Stave Lake is turned into a water reservoir, what will that do to the recreational use of the lake? Will public use still be allowed?

Mr. Gordon responded that the conditions on Stave Lake will not change – public recreational use will still be allowed, just as it is on Okanagan Lake which is the water source for Kelowna.

Michelle Favero (on behalf of the Mission Regional Chamber of Commerce):

- Who provides financing for a DBFO? Who are the private sector funders that would take on this kind of risk? Have the investors historically been mutual funds and pension funds?

Mr. Hodgson responded that analysis they did showed approximately 65% of the project funded by the private sector and 35% by the city. The financing is typically from the developer in form of equity investment of roughly 10%, and the 90% balance would be in the form of long term debt. There are pension funds as investors, but typically the equity investment of these projects is provided by the entity that is constructing and operating the project. This financing is at market rates.

- The Chamber supports that the District formally submit the Stave Lake water supply and treatment project business case to P3 Canada as a request for funding through the P3 Canada Fund.
- The Chamber also encourages the District to pursue the project as a P3, subject to the P3 funding as well as the assent of the electors in both Mission and Abbotsford.
- A key aspect in pursuing a P3 project is preparation of an adequate business case, which will ensure fiscal long term planning for tax funded projects.
- P3s are limited and have substantial binding contracts, which are not without glitches and do need to be monitored, however there has been a lot of growth in the P3 contract base in the last 25 years.
- Stave Lake is identified as being able to meet the current needs and future growth potentials of this area, so it is important that we consider it as a water source.
- The value of the Stave Lake business case is significant in that the DBFO model allows for a major infrastructure piece that will meet critical timelines without depending on having funding up front, and the need to significantly increase rates to provide that funding. It will allow for continued growth and taxpayer dollars to be met out in other areas that have been identified through community amenities.
- The DBFO model provides efficiencies in overall long term cost optimization in on time completion within the budget and maintenance of the asset for 25 years. It alleviates the municipality from these operational costs and protects taxpayers from increases associated with the long term maintenance of this service.
- The taxpayer will be protected from the fluctuations in economic conditions over the life of the contract because labour and maintenance costs are built in, and will be maintained as the risk of the provider, not by the municipality.
- The WSC will retain ownership of the water and the infrastructure through the whole process.
- The municipality already manages successful public/private partnership contracts for the landfill and garbage pickup.

- When options are available to pursue services with reduced risk then they should be evaluated. The value for money at 10.6% is significant and should be forwarded for the assent of the electors to make the final decision.

Siglenda Steida:

- The World Bank and the World Water Council work hand in hand.
- Will the P3 agreement, in its entirety, be completely accessible to the public?

Mr. Hodgson responded that although no decision has yet been made by Council, the intent for the procurement process is to follow best practice, and currently all of the P3 agreements in BC are for the most part available to the public.

Mayor Atebe responded that it is Council's understanding that since all District agreements are public, this one would be as well.

- Will the Mission taxpayers pay any more for the water service in terms of user fees or through higher taxes if this P3 goes through?

The Director of Finance responded that it is likely Mission residents would be paying less because there would be a \$70 million grant.

- Will the Mission taxpayer pay any more for water service if the P3 does not go through?

The Director responded that if the P3 does not go through, then it depends on what grants are received for the project to offset the costs. If no grants are received then user fees and development cost charge rates will be higher.

- Will public have input into the creation of the question for the referendum?

Mayor Atebe responded that the District will be extremely careful about the wording of the question for the referendum.

- How much was Deloitte paid for its study?

Mr. Gordon responded that Deloitte went through a competitive process through a request for proposals, and was paid \$175,000.

Shelley Clarkson:

- Concerned about the timeline and lack of communication of this whole process, and would like to see at least 4 copies of the 2010 Water Master Plan in the library so people can read it. The lack of communication and information is causing a lot of fear.
- Does not have a problem with design and build, however sees a huge problem with operation. The company taking control now may evolve in the future into something else, and there is no way of knowing what will be handed back in 25 years when the contract expires. Other P3 projects that have been handed back have needed huge infrastructure upgrades.
- There are too many unknowns right now in terms of cost, and consumption.

- It does not seem realistic to listen to the public's concerns now and then make a decision tonight to mail the document. As the business proposal has only been out for two weeks, how can that leave enough time for staff to investigate what the alternative options are, and create comparative business plans?
- Is this being driven by Abbotsford's needs or by our needs? What is the direct benefit, per capita, to each community? What is the proportionate cost? The water plan says that Abbotsford pays 75% and Mission pays 25%.

Mayor Atebe responded that the cost sharing formula is that Mission pays 12% of whatever the cost is, whether there is a grant or not.

The Director of Finance clarified that Abbotsford pays 75% and Mission pays 25% of non-growth projects, for example to replace existing infrastructure. If it is a growth project, which this one would be, Mission pays 12% and Abbotsford pays 88%.

- We need the comparative business plan containing this kind of useful information and clarity.

Councillor Horn stated that the cost sharing formula of 12% vs. 88% reflect the growth differential between Mission and Abbotsford. One of the questions before Council tonight is to decide whether to put the question before the electorate in November, so there is still time for debate. The impending deadline is to only apply for P3 grant funding.

- If P3 Canada takes several weeks to respond and they decide that they will contribute funding, you will be essentially asking the electorate to vote against receiving \$71 million – it is blackmail.

Mayor Atebe stated that the only decision Council will make tonight is whether to submit the application for us to have \$72 million as part of the package for us to discuss with the community. The federal government is making the decisions on this application in June, then we have from June to November to discuss the principles that are important to us as a community. We need to consider other funding options so we can say "no" to the federal government funding.

Wendy Bales:

- Agrees with most of has been said already, and is very concerned that we are all being bribed to take a P3 arrangement with our own money – we are all federal taxpayers.
- On March 16 CTV News reported that White Rock Council was complaining they had lost control of quality of their water because the contractor, Epcor, didn't give them a choice of purification methods.
- Concerned about pricing for fixed and low income families with the projected continuing water shortages and droughts predicted by the Ministry of Environment and local governments.
- Will Genstar be required to include roof catchments or cisterns that would help with water supply into the future? If you are planning for the population to double in the future, then you need to plan that into the building scheme with better practices for water catchments and grey water reuse.
- There are cities all over the world, particularly in the US, where they have privatized the water and thousands of people have been cut off because they could no longer afford their bills, which creates a huge health hazard.

- Who will control the pricing? Will there be a minimum amount for everyone before there is a charge?

Mr. Gordon responded that the WSC would still control the overall utility. This would be our fourth water source with a 25 year contract for water from this source. Ultimately Mission and Abbotsford would set their own rates and have their own collection mechanisms, as they do now. The private contractor would not be involved whatsoever with rate setting or collection.

Mayor Atebe stated that ownership will remain with Mission and Abbotsford through the joint WSC. The rates are set by each Council, not by the operator.

- How much of this water need is driven by the future population expectations as opposed to what can be done to alleviate the need for so much consumption such as rainwater catchment?

Mayor Atebe stated that the WSC has considered conservation methods for the past few years to manage the peak demand period. Conservation, however, will not be enough, which is why we are looking at other sources.

Rod Payne:

- Works for the provincial government in corrections and has seen privatization in practice. Rather than save money, it actually has cost the taxpayer more. The private corporation that took over the janitorial services laid off the provincial employees and hired new staff, however received the same amount of money, and paid those new workers much less.
- In conversations with other community members, every one of them had major concerns about this proposal. If the discussion was better advertised and in a bigger venue there may have been more people in attendance to voice their concerns.
- Private corporations doing business with governments are only in it for profit, not for the benefit of the people.
- There are other examples all over the world that demonstrate that public-private partnerships of public services do not work.
- Even giving up a small percentage of control, such as only the operation, is a wedge in the door. If the private corporation decides to sue the government, all the legal costs come out of the taxpayer's pocket.
- I would rather pay higher taxes in Mission to keep the public water public. We will all be paying in the end if something goes wrong, and I hope Mission does not get into bed with the companies that are after our one resource we still retain. The next wars will be fought over water.

Kevin Francis:

- Agrees with what has been said by the previous speakers.
- As this is an election year, can we guarantee P3 Canada will pay anything we ask them?

Mr. Gordon responded that the P3 Canada Fund is a dedicated fund set up so that it cannot be politically influenced. Although we have had good feedback on the applications

sent in thus far, there is no guarantee that we will get the funding. We have been told that a decision will be made at the end of June.

- Can a municipality borrow money at a lower rate?

The Director of Finance responded that public enterprises can borrow at a lower rate than the private sector.

- Is it true that P3 Canada is a non-profit group that does rely on a number of members, and that Deloitte is a paying member?

Mr. Hodgson responded that P3 Canada is a crown corporation with its own independent board of directors. There is no connection between Deloitte and that entity.

- We are being told that the rights to the water are not going to change hands, however any lawyer will tell you that once a product, even water, has been altered in any way it becomes a new product in itself, so the question arises who owns that new product?

Mayor Atebe responded that Mission and Abbotsford own the water, and will continue to own the water. If an agreement comes in that changes that arrangement, this Council will not vote for it.

- It is a trap. Once the water goes through the process of a private company it is a different product, a creation of them, therefore it belongs to them. We owned the water before it goes in, but not after it comes out.

Mr. Gordon responded that it is important how the agreement is written up for approval by the respective Councils. There are template agreements from P3 Canada and Partnerships BC that will be examined, and each municipality has its own independent lawyers who will look at any agreements. We will make sure there is a clause in that agreement that says notwithstanding the foregoing, the processed water will remain the property of the Abbotsford Mission Water & Sewer Commission.

- This is a very slippery slope. There is not one example in the world where the rates have gone down due to privatization of the water system. There are a dozen companies on the market dealing exclusively in water. Water is the new oil. There are many examples across the world where the water was privatized, and now those countries are trying desperately to regain control of their water.
- This fight needs to be fought. Mission needs to stop being bullied by Abbotsford or its neighbours.

Mayor Atebe responded that Mission and Abbotsford are equal partners with equal representation in the WSC. There are set, clear, formulas for contributions and cost sharing.

- Canada as a country has no energy or water policy, yet Canada has the most water, per capita, than any other country in the world. Only 3% of the world's water is fresh, and much of that polluted. What happens tonight will affect future generations.

Donna-Lee Lakes:

- The proposed Stave Lake water treatment plant should be publicly financed, operated and maintained.

- The business case developed by Deloitte shows that the annual operating costs to run the treatment plant privately will be \$2.09 million per year, whereas it will cost \$1.3 million to run that plant publicly. This amounts to a difference of nearly \$1 million per year, or \$20 million over a 25 year contract.
- The cost savings in construction could be achieved through design-build.
- Public operation of the water treatment plant with well trained municipal workers is the key to protecting our water resource, meeting stronger standards, and delivering this vital service to our community.
- Council should speak with the employees currently operating our water treatment plants to find out what their responsibilities are and how they deal with water quality issues that arise in a very timely manner.
- Municipal employees also live, work and play in the very communities they service, and are very committed to providing high quality, safe drinking water. Would a private company have the same accountability to the residents of Mission and Abbotsford?
- Council has an obligation to the community to find out how things are being done right now and what would happen if a private company with no ties or commitments to our community takes over a major water system.
- Abbotsford Mayor Peary has been quoted in the April 2nd edition of the Abbotsford News as saying that if they get into a war with a major union (CUPE), the first casualty will be the truth. The real truth is that publicly operated water systems are cost efficient, accountable, flexible and environmentally sustainable. The control is maintained where it belongs – in public hands.

Mayor Atebe stated that Mission Council has enjoyed a long, good relationship with CUPE, and cannot take ownership of the comments of another mayor. Mission intends to continue and strengthen that good relationship with CUPE members.

Ian MacKenzie:

- How can Council make an informed decision based on a business case that contains so much speculation?
- The savings seem to be based on a speculative amount of money coming from the federal government. It says that the 25% for capital costs is going to be in the form of either an interest free loan, a repayable grant that we don't know the terms of, or a grant. It seems to be a significant part of the decision making process to know where 25% of your costs are coming from.

Mayor Atebe responded that is a fair observation. Every community is looking for opportunities for available grant money from senior levels of government. It is very difficult for municipalities to secure the amounts of money necessary for major infrastructure projects through taxation or user rates.

- We should not allow privatizing the operation of the water source. Water is a critical part of our lives and it is not right that a company should be making profit from that.
- CUPE has documentation that says private operation not will save money, and Deloitte's business case says that it will, so which is the truth?
- Does BC Hydro actually own the water in Stave Lake? Are we paying Hydro?

Mr. Gordon responded that we are applying for a water license, but as part of that application we would need to compensate Hydro.

- What is the difference between owning the system and having control over it for 25 years?

Mr. Hodgson responded that ownership of the asset stays with WSC. The private sector has control to run the plant because they are delivering the service as specified by the WSC. The WSC control over the asset remains through the contract in terms of quality, quantity, reporting, the condition of the asset and how it is handed back. There are also provisions for control of termination of the contract by the WSC if desired.

Mike Gildersleeve:

- Is this is about privatization of our water?

Mayor Atebe responded that the issue is not about privatization of the water, although that is how it is being categorized here tonight.

- It seems there will be a lot of legal wrangling over exactly who owns what.

Mr. Gordon stated that the contractor will be asked to treat the water, however the water will remain the property of the WSC. The contractor will provide a service, which is to treat the water to certain specifications.

- It always seems there is a rush in terms of hearing about this information and a short timeline to make a decision. There are a lot of questions and a lot of concern as demonstrated by the many members of the public in attendance.
- It appears that Council is ready to proceed with a P3 contract because the only information we are receiving is about the benefits.
- Private contractors are not subject to the same accounting procedures as local government – they are accountable only to their board of directors and shareholders, not to the people who are using the water.
- The public needs to be fully informed, not just one evening of questions and debate.
- The trend toward privatization of our resources is very disturbing.

Mayor Atebe stated that over the last several years, the District has applied for various grants and has received approximately \$30 million in project funding. This time Council felt that this issue is so significant and so important to our community that it should go through this public process.

Dr. Catherine Patton:

- The privatization of highways and hospitals in BC are both examples of how it is not working.
- The provincial highway maintenance contracts were not made public and there was no public input into those contracts.
- It is suggested that the contractor will be treating the water to certain specifications, but will we have any input into what those specifications are?
- Why are we applying for something that we in Mission clearly do not want?
- We need to write letters to Randy Hawes and Randy Kamp and tell them to fund our water now.

Ron Taylor:

- The Tepco reactors in Japan are all public private partnerships.
- Only the executive summary of the business case prepared by Deloitte is on the District's website. Where is the full report? Has Council read the full report? This is a complex issue and we do not have all the facts that are needed to make an informed decision.

Mr. Gordon responded that the full report is not publicly available yet, as there are still a few details being worked on. The full report will be available several months before any vote.

- Council is making a decision tonight and is asking for public opinion tonight based on an executive summary of a report that we cannot see because it is secret and won't be available for months. This is unacceptable and you should call an end to this process until everyone is informed.
- How will we decide how much water comes from the Stave Lake source and how much will come from Norrish Creek, as presumably under this P3 the water coming from Stave will be more expensive than the water coming from Norrish Creek.

Mr. Gordon responded that Abbotsford staff, as operators of the system, will decide where the water comes from. The first priority would be given to Norrish because it is at a higher elevation and does not need pumping. The water from Stave will cost more because it requires pumping, which means we have to pay BC Hydro. As the system grows we project 400 megalitres a day from the Stave plant, and Norrish only has capacity for approximately 90 megalitres a day. The Bevan Wells in Abbotsford are the last source to go to because of the energy required to pump the water out of the wells.

- Mission uses more water per capita than Abbotsford, and the reason given for that is because Abbotsford's water is metered. Long ago before metering was in place Mission was still using far more water than Abbotsford. Are we losing water into the ground through aging infrastructure?

The Director of Engineering and Public Works responded that the District does have an extensive leak detection program where one third of the whole system is checked every year. A full scan of the system was done and there were some leaks found, but nothing to the scale that would substantiate the difference.

- The operator of the plant would be dependent on the amount of water that goes through there for its profits, so how will they feel about a strong conservation program?

Mr. Gordon responded that the WSC, as the operator of the system, will determine how much water we will access from the Stave Lake source. The contractor would be required to make a certain amount available and be given a payment for same, but we will be controlling how much we access. It will be cheaper to conserve water, and we will continue to promote conservation.

- The contractor would be required to meet certain quality standards, however how much would they allow the process to degrade to the point where suddenly quality becomes a problem, such as in Japan with the nuclear reactors?

- When you have municipal employees working on anything connected with safety, their attitude is that it will be fixed, no matter what it costs. It is not certain that a private operator will do that when it is at their cost.
- The contractor has the responsibility to return the asset in a certain state at the end of the 25 year contract, however the history of P3s shows that typically assets are returned in terrible condition and become a significant liability to the government concerned.
- It is unacceptable that we do not have the full report and that a decision will be made tonight based on incomplete information.
- You are making a decision on principle tonight, and you should vote 'No'.

RC11/183
APR. 04/11

Moved by Councillor Horn, seconded by Councillor Gidda, and

RESOLVED: That the meeting be extended until the current item of business is concluded.

CARRIED

Councillor Horn requested a clarification as to when the full report would be made public.

Mr. Gordon stated that the report is not secret, it is still being finalized and should be available in the next few weeks. It will be ready months before any referendum. Mr. Gordon further stated that the WSC expects to spend approximately a year putting together a contract agreement for this project if it is to proceed. One of the key parts of the contract would be monthly and annual maintenance milestones throughout the life of the contract. If the maintenance is not done on every milestone, payment to the contractor will be withheld.

Jim Hinds:

- Why would you have a public forum on such an important issue on a regular council meeting agenda?

Mayor Atebe responded that the deadline to submit this application is imminent, and this Council meeting was the opportunity to discuss it.

- What is the depth and size of the intake?

Mr. Gordon responded that the intake will be 220 metres long and is in the old river bed in Stave Lake. He further stated that he would have to check as to the actual size and depth of the intake, and could respond to Mr. Hinds the next day.

- Was there any consideration of putting the intake in the lake rather than the riverbed? There is a lot of turbidity in that riverbed from the Hydro use, and the water level of the lake can fluctuate 20 to 30 feet.

Mr. Gordon responded that information is all included in the public report.

- We should not be giving away publicly owned resources. The provincial government already gave away BC Gas and BC Hydro Railway. That railway line was small, but was the most profitable railway in North America before it was given away.

Terry Mortimer:

- Where are our MPs and MLA? Aren't they supposed to listen to the concerns of Mission citizens?

Mayor Atebe responded that they are accountable to you, so you can ask them.

- Mr. Gordon has assured that they will be very careful in any P3 contract negotiations, however what happened in Abbotsford with the hockey team? Didn't they negotiate for the best interests of the community in that situation?

Mayor Atebe stated that Mr. Gordon cannot respond to that because he was not involved in negotiations about the hockey team. Mr. Gordon can respond to questions about the water and sewer systems.

- It has been reported in the news that we now have to pay the contractor for the Golden Ears bridge because they miscalculated the number of cars that would be using it. Was the consulting firm for that contract the same as this one?
- Who will be benefitting from this new water system? The residents of Mission right now do not need it, and if we get meters in place, our consumption will likely drop by 20%.

Mayor Atebe responded that the WSC is not planning for the current residents of Mission, it is planning for the future.

- Can Mission apply for funding without a P3 arrangement?

Mayor Atebe responded that the decision being made tonight is whether we should apply so that we can have further conversation, and we can choose later whether we want it or not. It is absolutely fair to ask our MPs anything about senior government funding.

- How much of the consulting fee of \$175,000 was Mission's cost? Is the cost sharing formula the same?

The Director of Finance responded that Mission paid approximately 12% of that fee.

- The main benefactors of this new water system are developers. If the developers will not stand up and pay for it, then we should slow down development because the water system now is enough to meet our needs.

Mayor Atebe stated that this project is a development cost charge project, meaning that those DCCs will eventually be allocated to this project. There will also be a contribution by all users.

- Who will want to drink the water from Stave Lake if it will still be open to boats and recreational use? The Coquitlam watershed is protected.

Mayor Atebe responded that Okanagan Lake is open to boats and used for drinking water, so it is possible that both purposes can coexist. There will be strict drinking water standards that the Stave Lake water will meet.

Jeanette Smith:

- Why does there have to be a vote here tonight? Why is it such a rush?

Mayor Atebe responded that the intake deadline for the application for us to possibly obtain \$70 million in funding is coming up within the month. The driving force is the impending application deadline. This Council felt that notwithstanding the timeline, we

needed to share this information with the community and begin the discussion now. The full information will be available in the next couple of weeks, and will be available until November when the community can say 'yes' or 'no' to P3s.

Mr. Hodgson added that the business case is essentially a submission to apply for grant funding, and the full report is nearly complete. The report needs to follow the submission guidelines of P3 Canada, so there are a few small details that we are trying to finalize, at their request. Those details do not affect the recommendations or any of the numbers that have been presented here tonight. The P3 Canada Fund is approximately \$1.2 billion, however there are many municipalities across Canada applying for funding, so there is a first come-first served aspect to it.

- We should not be competing with other communities – each application should be considered on its merit.

Mayor Atebe stated that he agrees, however we are forced to make that application and provide a competitive document.

- There is no comparative report, so how can we decide what to do based on a one-sided presentation? There should be an independent review.
- One of the options presented this evening was that water could come from the Fraser River, which is endless and will be screened, filtered, etc.. Why isn't that the preferred option?

Mr. Gordon responded that the water in the Fraser would be expensive because of the turbidity. There would need to be a lot of filtration, which uses a lot of power. There are some engineers out there that say that when you get water downstream of another city you cannot completely treat all the pharmaceuticals that may be in the water.

- If development cost charges will be paying for most of this project, how much with the DCC rates go up?

The Director of Finance responded that the DCCs will go up slightly for regional water, but they were based on a cost of approximately \$200 million for a second water source. Now that the cost of a second water source is going up to more in the \$300 million range, the regional DCCs will have to go up in the future. That cost could conceivably come down if there was a contribution from senior government. The DCCs will be adjusted according to the final costs of the project.

Phyllis Young:

- Will all Mission residents be paying for the new water source, or only those who are hooked up to water?

The Director of Finance responded that the people hooked up to water pay for the operating costs of the water system and for the non-growth related infrastructure. There is no water charge for anyone who is not hooked up to the water system.

- Could that change in the future?

The Director responded that is not expected to change because the water utility is a self-funding utility where the user fees pay for all the costs associated with running the system.

- Will the infrastructure from Stave Lake to the Fraser River go through private lands and if so, has the question of expropriation been examined?

Mr. Gordon responded that the WSC is looking at different options for alignment of the

system, and have not spoken about expropriation at this stage. There are some private landowners that we are negotiating with, as well as the Ministry of Transportation.

- Does confidentiality include the names of those private landowners?

Mr. Gordon responded that he cannot comment on the system in Mission, however in Abbotsford the negotiation with private landowners is done in confidence, and once the deal is finalized the details are made public.

The Deputy Chief Administrative Officer confirmed that it is the same procedure in Mission.

- If someone refuses to sell their land, even in an expropriation, would the plan have to change its course? Is the landowner obligated to sell?

Mr. Gordon responded that any time a municipality builds public infrastructure such as roads, pipes, etc. there are negotiations for the property that is needed. There are instances where negotiations fail, and expropriation is a legal process available to municipalities, however most councils prefer not to do that. The legal expropriation process includes a determination of reasonable compensation.

- Why are the consultants applying for the water rights to Stave Lake?

Mr. Gordon responded that the consultants are not applying for the water rights. Abbotsford staff are applying as the operator of the system, whether we go by a P3 agreement or through a conventional design, bid, build process.

- What is the dollar figure for that? How does it work?

Mr. Gordon responded that it is approximately \$0.04 per cubic metre, but the cost is tied to the price of power. BC Hydro has a right to generate electricity from that water, and whatever we are taking from them means they cannot generate electricity from that portion and we have to pay them for it. We could avoid that by taking the water from downstream of their dam, however it would end up costing us more because we would have to pay to pump the water back up over the dam.

- If you were to get the water rights, is it paid by lump sum or is it an ongoing cost?

Mr. Gordon responded that it is envisioned as an ongoing cost that is tied to the price of the power. If hydro goes up, our cost goes up, however that affects our entire water system already because we need to pump water.

Don Mair:

- If users pay for the non-growth related water, and this is a growth related project, who will be paying for it?

The Director of Finance responded that the capital costs of growth related projects are paid for through development cost charges paid by developers. Once a system is in place the ongoing operations are paid for by the users through user rates, metered rates, etc.

- What happens if we do not get the DCCS you are expecting?

The Director responded that if that happens the municipality would have to look at other options such as internal or external borrowing to defer some of those costs.

- Would that then be deferred down onto the public as part of our tax increases that we get every year? Those getting their water from wells would then be paying for water they don't even use.

- How much will it cost to pay off Hydro for their power? The government is giving away our rivers at an alarming rate and it will drive up the price of hydro astronomically.
- Is it true that you have to call a referendum to borrow money?

The Director responded that there are two processes for a municipality to borrow money for a capital project over the long term, one is by counter-petition, and the other is by referendum to obtain the assent of the electors.

- Is the plan to run the water lines down Clay Street and to conveniently bring it right to Genstar? We were told that Genstar would pay for everything.

Tracy Lyster:

- It is unfortunate that this very important meeting had to be rushed to this date when we have virtually no information and do not have the full report. Has the federal environmental assessment been done for Stave Lake?

Mr. Gordon responded that there are a number of items being worked on concurrently, including the environmental assessment. We did not want to finish the environmental assessment later on in 2012 just to find out that the funding had been oversubscribed.

- The cost of this process, this study, this time, has already wasted taxpayer money before we have all the facts and before we know if this is even possible.
- The last time we were rushed in a similar fashion it was a corporate agenda that led to you passing of the Genstar development three days before Christmas, and now three years later they have not done anything.
- Are we going to get a staff report answering the all the questions have been asked here tonight, or is time of the essence again and you will just vote it in and keep going?
- This will bankrupt Mission if it is not done properly. Everything must be clear, open and transparent, and we do not have that right now.
- Is the pipeline going to go Clay Street?

The Director of Engineering and Public works responded that a cost benefit analysis was done on the alignment and it showed that Clay Street was the most cost effective alignment, rather than going down Cedar Street.

- Can we see those numbers? Cedar Street needs a lot more work done and there will be a lot more infrastructure on Clay eventually. It seems that we are building this line very far west of the existing line.
- Don't rush this. There are many concerned individuals and groups here tonight, not just CAUSS. The public is clearly saying we don't want this. Slow down and get all the facts and make sure that we will not be sorry in the end.

Mark Benjamin:

- When the WSC did first apply to P3 Canada?

The Director of Engineering and Public works responded that it was around June 2010.

Mr. Gordon stated that most of the discussions around the proposal were held at open WSC meetings. The application was made last summer, and hired Deloitte for the

business case in January 2011.

- If you applied for P3 funding last June, why are you just informing the public now? Most people would not be aware of or attend WSC meetings.

Mayor Atebe responded that the municipality applies for grants from senior levels of government on a regular basis, all based on decisions of Council made at open public meetings.

- When users pay rates for water to the private contractor for the water, where does that money go?

The Director of Finance responded that it would be paid to the private contractor to operate the system and to rehabilitate or replace the assets when necessary, just as it is now. The funds are going toward the same function.

- The private contractor can put the money toward the plant or he can pocket it. There will be no transparency.

Mayor Atebe responded that it is fully intended that the money goes back into the system, and if it does not, at the end of the day the contractor should be accountable to the community for that.

- Moncton, Ontario is used as a great example for P3s, however the private contractor was fined because they were found to be wooing Council to take over the rest of the water system – storm water, waste water treatment and distribution.

Ron Anderton:

- Is there a plan to raise the height of the dam now or in the future?

Mr. Gordon responded that the reservoir expansion set out in the plan is for the Maclure Reservoir, which is a regional reservoir in Abbotsford. That was included as part of this project to try to expand the scope of the project to potentially get more federal funding.

- Who will hold the water license?

Mr. Gordon responded that Abbotsford is only the operator of the system. The owners of the entire system are jointly Abbotsford and Mission. Both Mission and Abbotsford would hold the water license.

- The report estimates a capacity of 400 megalitres a day. Have the environmental impacts been properly considered?
- Abbotsford expanded past its geographic capacity years ago, and is continuing to grow, so Mission having to pay for that is hardly in the public interest.

Mr. Gordon responded that 400 megalitres a day would be the amount of water coming out of Stave Lake at full build-out, which is approximately 4% of the water that goes past the dam. Initially we would be using approximately 1% of the water that goes past the dam.

Dennis Kershenko:

- How many metres east of the old dam is the intake going? Which side of the boat launch will it be on?

Tracy Kyle, Director of Water and Solid Waste, City of Abbotsford, responded that the

pump station is opposite of the boat ramp and the intake itself is in the natural river bed, approximately 200 metres away from the dam.

- Is the tunnel going to be on the land or underground? Why did you decide on a tunnel?

Ms. Kyle responded that the tunnel would be drilled under the bed from the shore so that none of the archaeological areas would be disturbed.

- Why agree to a 25 year contract for operation, rather than for 5 or 10? Why not have municipal operators take over right from the start as it is being built? Who would be more reliable and respond faster to an alarm than a municipal employee who lives right here?

Mr. Hodgson responded that a number of options were looked at most of the P3 projects in BC are for 30 years. When we looked at asset and replacement of the major components, we felt that 25 years would allow for at least one full replacement of the pumps and we wanted to capture that within the contract timelines. The contractor would then be responsible for the risk of both operating those pumps and replacing them.

Bruce Edwards:

- If the contract is for 25 years and the life expectancy of the assets is 25, years, then at the end when the system reverts back to the municipalities, then Mission and Abbotsford would have to pay to replace the infrastructure, not the private contractor.

Mr. Hodgson responded that although there is a lot of mechanical equipment in a system this size, the major component is the pumps and the life expectancy of those is estimated at 20 years. The idea of a 25 year concession is to make sure they are fully replaced before the system is handed back.

- Any private corporation is unaccountable to the public, which is of great concern. Corporations exist only for profits, and any large corporation interested in this arrangement would want as much profit as the project is worth, and that profit will ultimately be paid for through taxpayers and ratepayers.

Mr. Hodgson stated that all costing includes profit margins, whether it is done traditionally or by a P3. It has all been factored into the analysis.

Matt Johnson:

- Applying for grants is important, as you are trying to help alleviate the financial burden of a large project. Has Council also considered applying for a grant to help pay for more public hearings to have these discussions downtown? The citizens of Mission are very concerned about this and it will be a long debate.
- Even if you decide to apply for this grant it does not mean that we have to agree to a P3 arrangement. You have to listen to everyone and get all the answers first.

Ron Taylor:

- Although the WSC meetings are public, they are held at 10:00 a.m. on a weekday, which is not a convenient time for most people to attend.

- There are three Mission council members on the WSC, and we did not hear a word about any of this during the Councillors' Report section of the regular agenda at any of our Council meetings.
- The full report has not yet been made available to the public or to Council, and it is vital to this decision. Most of the discussions tonight have been on whether there is a business case for this or not.
- The business case report was done by Deloitte, which is a reputable company, however Deloitte is on the preferred list of P3 Canada for two functions, one is to prepare business cases and the other is for project management, which means they are not totally disinterested. This report should get an independent review, as it has been done by someone who potentially has a financial interest in the outcome, which does not make it an objective report.
- It would be irresponsible to vote on this until you have received the full report.

Mike Deiner:

- How is it possible that DCCs will pay for this project when Mission has frozen the Genstar DCCs for the first 400 houses at the current rate at that time, and then froze their rate again to 50% of the DCCs for the second 400 houses?

The Director of Finance responded that Mission did not freeze the DCC rates for Genstar, rather it was the amenity contributions that were set. The municipality cannot freeze DCCs, as they are set by bylaw.

- Did we pay Deloitte \$175,000? How much is the value of the staff time that has been spent so far on this project since June 2010? How much was Mission's share that was paid to CH2M Hill?

Councillor Horn responded that Mission's share of the amount paid to Deloitte was \$21,000. Mayor Atebe responded that he did not have the other numbers at hand.

Kevin Francis:

- Does Council have a contingency plan for money to be put aside in case of a lawsuit against the municipality for loss of profits?

Mayor Atebe responded that if the electors approve a P3 there will be an agreement in place that will be reviewed by municipal lawyers. Comments about the District being sued are speculative.

- Is it correct that if the private contractor does not fulfill its obligations then we will not have to pay? How much would that be?

The Director of Finance responded that is correct, and that any amount paid or not paid would be dependent on the final agreement.

Rod Payne:

- In a contract with a private contractor, wouldn't there be a minimum amount guaranteed to them for the 25 years, whether we use the water or not?

Mr. Hodgson responded that it would be a performance contract, so if the contractor is

performing as required, then they would be paid the agreed upon amount.

- If the Stave Lake project was a run on river project, or if Mr. Campbell had been successful in privatizing it, do you think it would only be \$0.04 per cubic metre that we would be paying? If the project is private the prices can be raised in the name of making more profits and there is nothing we could do about it.
- Will all of the information that CUPE distributed today be sent to every house in Mission?

Councillor Horn responded that it is up to CUPE to distribute their information any way they wish. Mayor Atebe added that District information is made available to anyone, and that the copies of the water plan will be made available at the library as was suggested earlier.

- Has anyone done a private vs. public cost comparison for running the Cannell Lake water system?

Mr. Gordon responded that the operations costs of Cannell Lake are known, however the treatment of that water is sub-optimal, as the water is not filtered, so it would not be an equal comparison. He further noted that in this round of the P3 process there are approximately 60 applications, and it is a competitive process.

Diane Kalen-Sukra:

- It has been stated several times that Council is not deciding on a P3 this evening, only to move the process along, however the local paper states very clearly that tonight's meeting is really about an endorsement by Council of this public/private partnership.
- By moving this forward you are not just advancing a grant request, you are making a statement about what you believe – that a P3 offers the best value.
- What is Council actually voting on tonight?

Councillor Horn responded that what Council is voting on is set out on page 38 of the agenda package.

Mayor Atebe thanked the members of the community for coming to the meeting and expressing their views.

3. RESOLUTION TO RESOLVE INTO COMMITTEE OF THE WHOLE

Moved by Councillor Gidda, seconded by Councillor Horn, and

RESOLVED: That council now resolve itself into committee of the whole.

CARRIED

4. ENGINEERING AND PUBLIC WORKS

Councillor Gidda assumed the Chair.

RC11/185
APR. 04/11

Report from Jim Gordon, General Manager, Abbotsford/Mission Water & Sewer Commission
Re: Stave Lake Water Source

A report from Jim Gordon, General Manager, Abbotsford/Mission Water & Sewer Commission dated March 30, 2011 regarding the Stave Lake Water Source was provided for the committee's information.

RC11/186
APR. 04/11

Stave Lake Water Supply and Treatment Business Case Analysis
i. Abbotsford/Mission Water & Sewer Commission Report
ii. Deloitte Executive Summary

Councillor Horn stated:

- The advantages and disadvantages of a public private partnership is something that deserves to be discussed – the motion before Council this evening essentially does that by putting it in the hands of the public.
- Council often heard during the Genstar public hearings that people wanted the issue to go to a referendum. In this instance the opportunity is readily available because the question of financing the water filtration development must go to a referendum whether the project is a P3 or not.
- This is and should be an election issue. Although there is a room full of people who are obviously passionate about a subject, it may not necessarily represent what the public as a whole wants.
- The municipality already contracts out many services that are matters for public trust, such as building our roads. It comes down to the level of oversight and accountability that will be built into the process.
- The water quality standards will be set within the contract, as well as within the Drinking Water Protection Act and Regulations, which specify both quality and penalties for not meeting those standards.
- The profit of a private contractor in this type of arrangement is tied to their performance.
- With approximately 8,500 connections to the water system, the costs for the project will work out to roughly \$2,000 per household, not including any index for inflation. That is a significant amount and people deserve to have the opportunity to have their say.
- A vote in favour of the motion trusts the electorate to decide for themselves.
- One meeting is certainly not enough time to properly consider an issue of this magnitude, and moving the process forward provides opportunity for a vigorous debate.
- People on either side of the equation will have their say, as well as the various public bodies that are required to put out information from a more objective standpoint.
- This motion asks staff to take this issue to the next logical step – a step that gives everyone a chance to have their say.
- He is in favour of the motion for that reason.

Councillor Stewart stated:

- All of the points she had considered while reviewing the documents had been brought up by other speakers at tonight's meeting.
- The issues that come before Council that resonate most are those about agricultural land, water, and air.
- We are encouraged to shop locally on behalf of local merchants, however entering into a P3 agreement is not shopping locally. A lot of that money will go somewhere else and will not be spent here.
- She would rather leave the water in the hands of CUPE employees who are going to spend their wages in this community.
- She will not support a move to a P3 arrangement for the water system because it is in fact a slippery slope.
- We can do this project independently and have to take the time to find out how.

Mayor Atebe stated:

- This is the beginning of a long community discussion where the merits of a P3 approach to fund this project will be explored, criticized and praised by community members.
- Many issues were addressed tonight and we have heard very clearly that the ownership of the water is critical.
- He would strongly recommend a vote against any approach that would take ownership of the water away from the community.
- While he respects and supports CUPE workers, he would always consider whether the community would be best served by a private contract, and whether that contract could be done in a way that respects the spirit and intent of the collective agreement. The District does use private contractors for certain services.
- The possibility of a P3 agreement for this project is worth exploring, given that there would be 25% subsidy from a senior level of government to lessen the financial burden of the communities having to pay directly.
- He recognizes it is all public money reallocated from senior governments to the local governments, and there is competition with other municipalities for those grants.
- He would like to go forward with the process of applying for the grant and having all the options on the table, and continue with the conversation to decide which direction to take. All the options should be open and available to the community to comment on.
- At the end of the process, the electorate may very well say that it does not meet the test of our community. This is a major initiative that will go to a referendum either way because of the borrowing aspect.
- In November when we vote, he hopes that we will vote after we have received and reflected on all of the information, and considered all the available options to fund this project.

- He will support the motion to submit an application to have \$72 million on the table to be discussed from now until November.

Councillor Stevens stated:

- She will support recommendations 1 and 3 set out in the report and oppose items 2 and 4.
- There has been an eloquent executive summary put forward that was written with the idea of obtaining a P3 grant, and she would like an independent, equally eloquent presentation on a design-build option to be able to properly compare the two.
- It seems disingenuous to apply for a grant, be told that the money is available, then decide we don't want to use it. It is similar to offering candy to a child then yanking it away.
- She does not want a P3 for this project, however is very interested in a design/build proposal.
- Both the P3 and the traditional model could design and build what we want, and pay a certain number of workers to operate the system in accordance with our specifications. However, a P3 would also need to add on their profit margin – their reason for doing it – as well as charging us for the money that they borrowed at market rate. How could that save us money over the traditional model at the end of the 25 years?
- She does not want a P3 here on economic or on ethical reasons.
- Private companies change names and sell to each other regularly, so there is no way of knowing who you will end up with at the end of a contract. The Abbotsford Regional Hospital has changed hands four times already.
- How long would it be before the private corporation started asking for more control, little by little?
- There are certain situations where a P3 is a sensible way of doing things, however not when it comes to fundamental public services.
- She will not vote in favour of asking for the grant money because she does not want that money. It will only distort the situation and disable us from making the right decision.

Councillor Plecas stated:

- There was a sense of urgency to finding another water source and bringing it online by 2015. It is that sense of urgency that led the WSC to look at various options on how to finance the project.
- The idea of a public private partnership was introduced to the WSC as a plausible way to finance a large project in a relatively short amount of time.
- A comparison between P3 and traditional models shows that there is normally a cost savings in the design/build portion of a P3, however it does cost more for the operational portion over the 25 year period.
- When the cost savings of just the design/build of a P3 is offset by the higher operational costs, it works out to roughly \$10 million in savings over the 25 years.

That is not really saving a lot of money, even though some of the risk is transferred. We have to determine how much that risk is worth.

- The cost of financing a P3 would be slightly more, as we could do it ourselves through the Municipal Finance Authority at a lower rate.
- There is also the cost of maintaining the existing water system that has not been factored in. Taxpayers now are going to be paying a 10% increase in the water rates just to maintain the level of service that is provided now. It will keep costing us whether we like it or not.
- There are still many unanswered questions, such as when we would start paying for the operation contract. Would we be paying for a new plant sitting for a number of years without drawing any water until 2015?
- Another question is at what point do DCCs cover the cost of a new water source? Abbotsford has a larger growing demand than we do, which is reflected in their 88% share of the cost formula.
- The water rates will have to go up substantially if we pay our \$40 to \$50 million share of this project ourselves, without a P3. It has to be paid for somehow.
- You are saying to us tonight, loud and clear, that you do not want a P3, so are you also saying that you are prepared to pay our portion of the \$300 million for that water source?
- We would have to be willing to fund \$50 million over the next 25 years to pay for the new water source, plus continue to pay to maintain the Norrish Creek system. How are we going to pay for that?
- That is the reason why they came to us and asked if we would consider a P3, which amounts to a \$70 million carrot that brings the cost down to about \$230 million overall, and our portion down to about \$28 million over the life of the contract.
- We need to decide if we can accept the risk of doing that. Are we willing to pay the additional servicing costs for 25 years, and what happens after that 25 years? Are we still going to have a plant that is operational or are we going to have to kick in more money?
- There are still too many unanswered questions, and as Councillor Stevens pointed out, no one has put forward a design/build option.
- He will vote in favour of the first three recommendations, however will not vote in favour of the fourth, which says clearly that if we go ahead and put forward the application, if it is accepted we will go ahead with the P3 as long as people vote for it.

Councillor Scudder stated:

- It is difficult to make a decision when there is an issue with so many compelling arguments on both sides.
- Generally speaking people understand that we do need to augment our water supply, and that Stave Lake is a good place to get it, although some questions were raised.
- We need a redundancy in the water supply, as the Norrish Creek system is susceptible to things beyond our control, such as a wild fire or a landslide.
- There seems to always be an assumption that municipalities are incapable of doing a good job of designing, building and running an operation. When you go to a private

situation you are getting three or more companies that have a vertically integrated approach, so there is a better chance of getting a more finely honed bid. The municipal method, by contrast, tenders each aspect separately so there needs to be assumptions made that each preceding aspect was done to the proper standard.

- He understands the argument in favour of a P3 from a raw business case perspective, however in issues as complex as this one, it cannot be just about the business case.
- The arguments heard tonight have influenced him to make a visceral decision, as there is nothing more visceral than water.
- Using the new hospital as an example in favour of a P3 may not be the right one to use because the finished project is so subjective. The hospital was built on time and on budget, however the quality of service delivered through the operation is very subjective. It becomes a highly complex argument.
- In the case at hand the argument is quite simple – there is raw water that belongs to us that gets treated to a certain specification and gets pumped out. It is measurable and is not subjective. The water is either good or it is not.
- We have had to chase money before and have done so for good reason, but this time it does not feel right.
- We are here to lead, and perhaps there needs to be a fundamental discussion about the role of local government, and what municipalities provide.
- Water and sewer are fundamental services that we provide and you cannot have it both ways. In the end everyone has to pay.
- He will not support recommendation 4.

Councillor Gidda stated:

- The consent of the electors has to be obtained no matter what the outcome tonight.
- He supports the recommendation to move forward because it still gives the electorate in Abbotsford and Mission the chance to decide. If the electors do not approve, it does not go anywhere.

In response to questions from Council, Mr. Gordon stated that:

- Abbotsford had deferred the decision until the next Council meeting.
- The WSC worked closely with P3 Canada on the wording of the recommendations, and was able to add the two “subject to” clauses, however to make an application as per recommendation #2, P3 Canada definitely wanted #4 to say that the Stave Lake water supply treatment project be undertaken as public/private partnership.
- The two “subject to” clauses allow the option to back out if either Council does not like the funding arrangement, or if the electors in both Mission and Abbotsford vote it down.
- There is only a limited amount of funding available (\$1.2 billion) and there are already 67 applicants. If we went to the third round of the application process, some of that will have already been assigned. We applied fairly early in the process.

RC11/186 (A)
APR. 04/11

Moved by Councillor Horn, and

RECOMMENDED: That report no. WSC40-2011, dated March 21, 2011, from the General Manager Abbotsford/Mission Water & Sewer Commission, regarding the Stave Lake Water Supply and Treatment Business Case Analysis be received.

CARRIED

RC11/186 (B)
APR. 04/11

Moved by Councillor Horn, and

RECOMMENDED: That the Stave Lake Water Supply and Treatment Project business case be formally submitted to Public Private Partnerships Canada (PPP Canada) to request funding from the P3 Canada Fund in the form of a non-refundable contribution of 25% (approximately \$7.21M) of eligible costs.

OPPOSED: Councillor Scudder
Councillor Stevens
Councillor Stewart

CARRIED

RC11/186 (C)
APR. 04/11

Moved by Councillor Horn, and

RECOMMENDED: That Provincial grant funding for the Stave Lake Water Supply and Treatment Project be pursued by the Mayors.

CARRIED

RC11/186 (D)
APR. 04/11

Moved by Councillor Horn, and

RECOMMENDED: That the Stave Lake Water Supply and Treatment Project be undertaken as a Public-Private Partnership, subject to satisfactory P3 Canada funding and obtaining assent of the electors in the District of Mission and the City of Abbotsford.

OPPOSED: Councillor Plecas
Councillor Scudder
Councillor Stevens
Councillor Stewart

DEFEATED

5. RESOLUTION TO RISE AND REPORT

Mayor Atebe resumed the Chair.

RC11/187
APR. 04/11

Moved by Councillor Stevens, seconded by Councillor Gidda, and

RESOLVED: That the committee of the whole now rise and report.

CARRIED

6. ADOPTION OF COMMITTEE OF THE WHOLE REPORT

RC11/188
APR. 04/11

Moved by Councillor Horn, seconded by Councillor Scudder, and

RESOLVED: That the recommendations of the committee of the whole, as contained in items RC11/184 to RC11/187, except item RC11/186(B), be adopted.

CARRIED

RC11/189
APR. 04/11

Moved by Councillor Horn, seconded by Councillor Gidda, and

RESOLVED: That the recommendation of the committee of the whole, as contained in item RC11/186(B), be adopted.

OPPOSED: Councillor Scudder
Councillor Stevens
Councillor Stewart

CARRIED

RC11/190
APR. 04/11

Moved by Councillor Horn, seconded by Councillor Gidda, and

RESOLVED: That all remaining items on the agenda be deferred to a regular Council meeting on April 11, 2011.

CARRIED

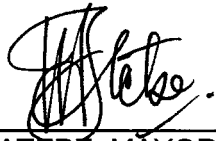
7. ADJOURNMENT

Moved by Councillor Stevens, seconded by Councillor Horn, and

RESOLVED: That the meeting be adjourned.

CARRIED

The meeting was adjourned at 12:00 a.m.



JAMES ATEBE, MAYOR



PAUL GIPPS, DEPUTY CHIEF
ADMINISTRATIVE OFFICER