



December 4, 2025

General Government Committee
Toronto City Hall
100 Queen Street West
Toronto, ON M5H 2N2

Dear Members of the General Government Committee,

We respectfully submit the attached letter with important context to be added to the public record for agenda item GG26.3 - Suspension of Capital Sewer Services Inc., and Affiliated Persons.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to be 'Dave Beswick', written in a cursive style.

Dave Beswick

President & CEO

Capital Infrastructure Group



November 17, 2025

Geneviève Sharkey
Chief Procurement Officer
Purchasing & Materials Management
City of Toronto
Sent via email: genevieve.sharkey@toronto.ca

Subject: Capital Sewer Services (CSS) and Affiliates - Comprehensive Response and Request for Partnership Continuance

Dear Ms. Sharkey,

Thank you for meeting with us and for this opportunity to present a detailed response on behalf of Capital Sewer Services Inc. ("CSS") following the City of Toronto's precautionary suspension. This letter is submitted with the utmost respect for the City's procurement standards and a deep commitment to transparency, service excellence, and safeguarding Toronto's interests.

It is our intention to clarify the facts, quantify the implications, and demonstrate why CSS remains an indispensable partner to the City for critical municipal infrastructure.

CSS is a Canadian owned and operated family business, employing over 600 highly skilled professionals in Ontario. For more than twenty years, we have brought advanced, cost-effective, and reliable infrastructure solutions to Toronto, including over 100 major sewer and water projects over the last 25 years, and more than 30 completed in the last five years alone.

Since 2019, CSS and affiliates have helped the City save in excess of \$60M through our consistent lowest price bids and exceptional service standards. We have built our reputation with the City through innovation, consistent quality, and responsiveness to urgent public needs.

The Issue

In late spring of 2025, the City of Toronto identified potential discrepancies in Change Order documentation related to one ongoing sewer rehabilitation project, the Dufferin Sanitary Trunk Sewer ("Dufferin"). As part of our diligent response, CSS initiated a review of a second City project managed by the employee in question, the Maple Sanitary Trunk Sewer ("Maple"), discovering minor Change Order discrepancies and notifying the City in a timely manner.

CSS took immediate and decisive action on July 2, 2025, retaining the services on MNP LLP to conduct a forensic audit both of digital and financial records, along with a review of and recommendations on the company's controls and procedures. This independent forensic audit conclusively attributes these discrepancies to the actions of one individual, the former Vice-

President responsible for those projects. The employee in question was suspended on July 4, 2025, pending an internal investigation, and the City was notified of this development, again, without delay. Following the investigation, the individual's employment was terminated. These steps demonstrate our firm commitment to integrity, accountability, and transparency in all our operations.

As per the MNP audit report, the misconduct that led to the City's interim suspension has been definitively traced to the actions of one individual at CSS, a former Vice-President of Infrastructure. MNP LLP's comprehensive forensic audit was broadened by the company to cover five years of all City of Toronto contracts completed by CSS and its affiliates. This audit included multiple company devices, and over 3.2 million electronic records. MNP found no evidence of collusion, systematic fraud, or wrongdoing by any other employee or member of management. This report provides reassurance that the actions of this individual are not indicative of any broader company policies or practice. Further, the interim report issued by KPMG on behalf of the City, dated October 31, 2025, fully corroborates these findings.

All irregularities related to Change Orders and project documentation originated with one-person, utilizing his senior position and authority within the company to circumvent and bypass CSS's established policies, procedures, and controls. Advanced digital analysis, including file history and metadata reviews, corroborated the isolation of this conduct. Notably, the MNP report states that the individual in question even tried to delete digital tracking and signatures in modified project files in an attempt to cover up the alteration to documents, a fact independently verified by forensic experts.

In addition to discrepancies in Change Orders that impacted the City of Toronto through the Dufferin and Maple projects, the MNP audit found that CSS was also a victim of significant fraud by the former Vice President of Infrastructure. Through both internal and third-party processes, CSS has taken every measure at our disposal to ensure reparation of any wrongdoing at the hands of this former employee.

CSS has accepted full financial responsibility for the impact, consenting to credits taken on CSS receivables for each of the project in question, totalling over \$1.7 million to the City (an amount more than MNP'S final calculations), pursuant to its set-off rights and continuing our cooperation to ensure restitution for any further excess charges identified by the auditors jointly. These actions demonstrate CSS's commitment to honesty, transparency, and protection of taxpayer funds.

Impacts of the City's Suspension

The interim suspension imposed on CSS has had measurable and significant repercussions for the City of Toronto. During the suspension, the City was required to select second-ranked or alternative bidders for projects it would have awarded to CSS as lowest bidder.

The cost differential is well-documented, alternate suppliers have charged nearly \$3.8 million more for equivalent work programs and emergency repairs during the suspension period. CSS, due to our vertically integrated teams and proprietary methods, routinely bids 12% to 18% below competitors, keeping costs more affordable for ratepayers.

Many of Toronto's sewer systems are ageing and vulnerable to failure. CSS is one of the few firms with the ability and resources to rapidly respond to emergency infrastructure needs, especially for large-diameter sewer rehabilitation. Alternative vendors have struggled to match CSS's turnaround time, technical quality and equipment availability for both CSS projects and enabling others across the sector.

On many occasions, CSS' competitors have relied on accessing our large fleet of specialized equipment to complete City of Toronto projects when their own machines fail or are otherwise engaged. Without our participation, we will see an increase in delays in emergency responses, potential risk to the City, prolonged road and traffic disruptions, and increased environmental and safety risks.

The uncertainty and scarcity of local, specialized capacity threaten Toronto's ability to maintain a resilient, future-ready infrastructure network. Many public sector organizations in Ontario and the GTA depend on CSS and our affiliates as partners for major undertakings. Prolonged restrictions inadvertently discourage innovation and local employment.

CSS's absence from the tendering pool places direct pressure on budgets, operational timelines, risk mitigation, and downstream stakeholder satisfaction. These consequences are corroborated by internal cost reviews, project performance audits, and testimonials from City staff overseeing infrastructure contracts.

Corrective Actions and Controls

CSS is committed not only to remediating these past issues but to preventing future ones. Since the suspension, a number of specific controls have been implemented, including:

- **Single-point, Watermarked Quote Submission:** All subcontractor Change Order quotes must be sent directly to a secure CSS email, managed by authorized personnel, and watermarked at receipt for authenticity and traceability.
- **Mandatory Documentation Retention:** Project files are stored in standardized, centralized folders, with changes tracked and variances flagged for review.
- **Enhanced Approval Pathways:** All Change Order packages now require multi-level sign-off, with mandatory milestone verification by senior management (CEO, Purchasing Manager, Accounts Payable Manager).

- Segregation and Delegation Controls: Authorization limits and checklists ensure that no single employee can bypass verification and purchasing and payment processes require attestation from multiple stakeholders.
- Training, Code of Conduct and Whistleblower Policies: Company-wide mandatory training sessions in ethics, compliance, and whistleblower protection are now established, reinforcing accountability at every level.

We believe the actions taken by CSS provide confirmation to the City in accordance with Supplier Suspension procedure Last Revision dated August 15, 2018, under the description; ***“The suspension of a Supplier shall not be exercised for the purpose of punishing a Supplier. It should be based on a balanced review of whether the Supplier's conduct presents a risk to the City's valid commercial or business interests”.*** We believe the measures and controls noted above have mitigated future risk and greatly protect the City's commercial and business interests.

These reforms reflect not just procedural improvement but a cultural shift to protect CSS's business integrity, a reinforcement of CSS's core values and shared mission to serve Toronto's infrastructure needs along with the benefit of continued financial savings to its ratepayers.

Looking Ahead

Any future decision to restrict CSS's participation has repercussions that extend far beyond the immediate incident and will present further implications for the City.

Cost Escalation:

- Detailed analysis of project costs across active tenders reveals an average increase of 11% per project when CSS is absent, with several emergency contracts exceeding 20% over prior annualized rates.
- Several critical remediation projects were delayed or executed at higher cost, as alternate contractors either lacked suitable equipment or required higher mobilization premiums.

Project Quality and Timeliness:

- CSS routinely delivers complex projects with lower incident rates, reduced Change Order volumes, and higher satisfaction scores in post-completion audit, a performance benchmark for the sector.
- The firm's specialization in trenchless rehabilitation, rapid emergency response, and vertically integrated service chains is rare in the Ontario market.

Local Economic and Workforce Impact:

- CSS's ongoing participation supports over 600 high quality Ontario jobs, with significant local subcontracts, supplier agreements, and training investments. Removal from City projects reduces local employment and weakens the region's infrastructure talent base.
- CSS's proven expertise is critical to Toronto's operational continuity, budget stewardship, and the ability to rapidly address unanticipated infrastructure crises. The City's interests are best served by resuming CSS's full engagement.

Our Commitment to Partnership

Given the remedial actions in place, the conclusive evidence of isolated misconduct, and the substantial financial and service value provided by CSS, we respectfully request that CSS's suspension not be extended further. The interim measures have fulfilled their remedial purpose, restoring control, transparency, and public confidence.

CSS is eager to participate in enhanced oversight, ongoing audit, or compliance review regimes as directed by the City's Purchasing & Material Management Division. We remain dedicated to restitution, dialogue, and continual improvement. The evidence, operational needs, and City interests align in calling for CSS's full reinstatement to protect Toronto's residents, infrastructure, and municipal resources.

On behalf of CSS and our affiliates, thank you for considering these facts and perspectives. We value our partnership and stand ready to support Toronto into a future founded on transparency, excellence, and trust.

Respectfully,



David Beswick
Chief Executive Officer
Capital Sewer Services Inc.

Jennifer Graham Harkness, P. Eng., Chief Engineer – City of Toronto
Zella Phillips, Solicitor – City of Toronto
Matt Harding, Solicitor – City of Toronto
Mika Raisanen, Director, D&C Linear Underground – City of Toronto
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