



# District of Lantzville

Incorporated June 2003

July 26, 2013

Open Letter to Lantzville Residents

## **Re: Summary of Water Negotiations**

Further to the District's news releases dated May 29<sup>th</sup> and June 18<sup>th</sup>, 2013, the following is a summary of the water negotiations held to date between the District of Lantzville and the City of Nanaimo for the provision of a permanent, supplemental water supply.

Since the signing of the Memorandum of Understanding (MOU) between the City of Nanaimo and the District of Lantzville on October 17<sup>th</sup>, 2005, both parties have been working together to define the full list of conditions that would be captured in a formal agreement. A draft agreement has been developed however, it has not been finalized or ratified by either party. To date, the draft agreement includes the following conditions:

- Buy-in Charge
- Cost Sharing for Other Services
- Quantity & Quality
- Restrictions on provision of water (i.e., properties within the boundaries of the District of Lantzville) and no resale
- Water Conservation & Restrictions
- Maintenance & Repair Responsibilities
- Engineering Studies
- Construction Costs
- Water Supply Advisory Committee (Lantzville representation)

Of the conditions identified above, the majority of the negotiations have focused on the establishment of the buy-in charge and cost sharing for other services (i.e., Port Theatre, Tourism and Economic Development) and we provide further comments on these two categories as follows:

### *Buy-In Charge*

The agreement identifies a buy-in charge in the amount of \$5,912.26 per dwelling unit. The buy-in charge in the amount of \$5,912.26 will remain constant for a period of five years,

subject to an annual adjustment based on the consumer price index. Establishing a fair and equitable buy-in charge was the most significantly challenging aspect of the negotiations and is the main component of the water agreement. This buy-in charge represents the costs associated with the various infrastructure works the City has constructed for supplying water to its own citizens and to which residents of the City of Nanaimo have contributed to financially over the years. After five years, with said five years commencing at the time the agreement is formally executed, the buy in charge will reflect Nanaimo's water supply development cost charge.

Please be advised that the buy-in charge noted above is not due and payable to the City until such time as we physically make a connection to the City's water system. Further, for those residents currently connected to, and receiving District community water, you will not be charged the buy-in charge of \$5,912.26.

### Cost Sharing for Other Services

The second most significant component of the water negotiations was the condition imposed by the City of Nanaimo that Lantzville would be required to cost-share in the following services:

1. The Port Theatre
2. Economic Development; and
3. Tourism

Although these items were not explicitly stated in the MOU, it has been known for some time that Lantzville's participation in these 'functions' would be an expectation on the part of the City. Costs associated with Lantzville's participation in the Port Theatre function are estimated to be \$15,230 per year (NOTE: The District of Lantzville has, on an annual basis since 2005, voluntarily contributed \$9,000 towards the operation and/or capital expenditures of the Theatre). Our participation in Economic Development is estimated to be \$34,100 per year and a new function, which Lantzville is already a participant of, is the Drinking Water and Watershed Protection Program which sees Lantzville contribute \$6,144 per year. Lantzville has met our obligation regarding Tourism by way of the District's financial contribution in the amount of \$200,000 to the City's Vancouver Island Conference Centre paid in 2008.

### Quantity & Quality

This section of the draft agreement speaks to how the City of Nanaimo will make available sufficient volumes of water to allow Lantzville to supply those premises connected through the establishment of this agreement. It also identifies Nanaimo's responsibility to make all reasonable efforts to ensure the water supplied under this agreement meets the Canadian Drinking Water Quality Guidelines. However, once water passes the connection point, Lantzville assumes the responsibility of the water including monitoring and maintaining appropriate treatment levels and testing requirements as per DWPA (*Drinking Water Protection Act*) and VIHA (Vancouver Island Health Authority).

### Restrictions on Water Provision

Should a final agreement be executed, Lantzville acknowledges that fees paid by consumers for water in Lantzville should not be lower than the fees paid by consumers in Nanaimo. Currently the fees charged by the District are approximately \$11 less than consumption fees charged by the City of Nanaimo. Further, Lantzville will be prohibited from selling or supplying water outside of our municipal boundaries or to any owner or occupier of property in the business of selling or supplying water that is not consumed on the premises.

### Water Conservation Measures

Again, the final agreement rests with Lantzville acknowledging that restrictions on water use in Lantzville should be consistent with those in place in Nanaimo. Please note that Lantzville's current water conservation measures exceed those restrictions imposed on residents within the City of Nanaimo boundaries.

### Maintenance & Repair Responsibilities

Lantzville is responsible for all maintenance and repair costs within our municipal boundaries. This section of the agreement also includes Lantzville's commitment to keep our own wells on-line and that ongoing maintenance and repair continue.

### Engineering Studies

Items identified in this section of the proposed agreement speak to Lantzville's responsibility to pay the costs of any feasibility studies required to determine the need for additional facilities or modifications or alterations to existing facilities required for the supply of water to Lantzville.

### Construction Costs

Lantzville is responsible for costs associated with design, construction, installation and replacement as necessary to the water main which will facilitate the connection between the City of Nanaimo and the District of Lantzville.

### Water Supply Advisory Committee

Lantzville will be entitled to appoint one (1) representative to the City of Nanaimo Water Supply Advisory Committee.

While the aforementioned conditions were agreed upon by Council of the District of Lantzville in June 2011, and both parties resolved to move forward with establishing an agreement which would reflect same, the City of Nanaimo's position changed. In February 2012, Council of the City of Nanaimo advised Lantzville Council that they were not prepared to supply water to the District due to the City's unforeseen circumstances around their own future water supply needs. Following receipt of this news Lantzville Council made attempts to meet with Nanaimo City Council however, our requests to meet were denied. Communications resumed in January of 2013 when City of Nanaimo Council accepted an invitation from Lantzville Council to reconsider meeting and water negotiations resumed. It was at this time that the two parties negotiated the following new/additional conditions:

- Water to be supplied to Upper Lantzville only until the City secures additional water supply
- An additional 211 properties (Northwind/Southwind area) could potentially be connected
- Connections relating to new development will be limited to 50 per year
- Water will not be supplied for major agriculture production or golf course uses
- Lantzville will support Nanaimo in its efforts to secure future water supply funding

As expressed in the District's news release dated May 29<sup>th</sup>, 2013, it will be sometime before the District is in a position to physically connect to the City's water system and during this time, Council will continue to update residents of the community as to the status of this service. In the interim, we can advise that a draft agreement is being prepared (currently with the City of Nanaimo) and Lantzville Council expects to receive a copy of the proposed draft agreement in the fall at which time Lantzville Council will review the conditions contained within. The draft agreement will then be provided to our legal counsel for review.

While this letter highlights the conditions of the proposed agreement, we anticipate being in a position to share an actual copy of the agreement with the residents of Lantzville in October. Until then, I am pleased to advise residents that written communications from the District office will continue as a means of keeping residents informed on this initiative in addition to public information sessions being scheduled in the fall of this year as we move towards identifying all the components of what this permanent, supplemental water supply will mean for our community.

Yours truly

**Jack de Jong**  
**Mayor**  
**District of Lantzville**

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