



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 29th and June 18th, 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 17th, 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.

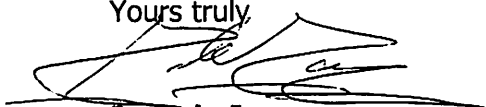
While the aforementioned conditions were agreed upon by Council of the District of Lantzville in June 2011, and both parties resolved to move forward with establishing an agreement which would reflect same, the City of Nanaimo's position changed. In February 2012, Council of the City of Nanaimo advised 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 29th, 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

CITY OF NANAIMO
THE HARBOUR CITY



CITY MANAGER'S OFFICE

2011-JUNE-22

File: 0470-30

Ms. Twyla Graff,
Chief Administrative Officer
District of Lantzville
Box 100, 7192 Lantzville Road
Lantzville, BC V0R 2H0

Dear Ms. Graff:

RE: Supply of Water to District of Lantzville

I am writing in response to Mayor Haime's letter dated 2011-JUNE-13 to Nanaimo City Council.

Nanaimo City Council received Mayor Haime's letter at its "In Camera" meeting held 2011-JUNE-20 and the City of Nanaimo's response to Mayor Haime's letter is as follows:

1. The City's position in relation to the period that the agreed upon connection fee (i.e. \$5,912.26 per lot) applies remains unchanged (i.e. five year term adjusted annually for inflation).
2. Lantzville's proposal that it participate in the Economic Development function at the RDN level is considered acceptable so long as the contribution is consistent with the current RDN staff proposal.
3. Lantzville's ongoing operating funding commitment to the Port Theatre function would be based on participation by Lantzville households in the function and the amount of the total annual operating subsidy calculated as follows:

e.g. Lantzville residents' use of Port Theatre	2.449%
2010 subsidy to the Port Theatre	\$621,902
Contribution from District of Lantzville (\$621,902 x .02449)	\$15,230

Please let me know if you have any questions.

Sincerely,



Al Kenning,
City Manager

ACK/jdk

pc: Nanaimo City Council
B.E. Clemens, Director, Finance
C.L. Mason, Administrator, Regional District of Nanaimo

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| <input checked="" type="checkbox"/> Mayor | <input type="checkbox"/> Public Works |
| <input checked="" type="checkbox"/> C.A.O. | <input type="checkbox"/> Planning |
| <input type="checkbox"/> Director of Finance | <input type="checkbox"/> Fire Dept. |
| <input type="checkbox"/> Corp Admin. | <input type="checkbox"/> Other _____ |
| <input checked="" type="checkbox"/> Agenda | "IC" Agenda June 27/11 |

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0470-20-NAN



District of Lantzville

Incorporated June 2003

June 13, 2011

City of Nanaimo
455 Wallace Street
Nanaimo, BC V9R 5J6

Attention: Members of Council

Dear Sirs/Madam

Re: Water Negotiations

We write further to our letter dated February 16th, 2011, wherein Council of the District of Lantzville provided the rationale behind the District's request that Council of the City of Nanaimo consider making water available to lower Lantzville only (at this time) in addition to 'freezing' the current buy-in fee of \$5,912.26 (for a 20 year period) for those properties in upper Lantzville and the remaining 408 parcels who are on individual wells but within the existing planned water service area. We understand that Council considered our correspondence at a latter meeting and acknowledged receipt of same.

Once again, we wish to reiterate that we appreciate Council's willingness to continue negotiations as it relates to a permanent water supply between our jurisdictions and therefore, provide an amended proposal as follows:

1. providing water to 651 lots in lower Lantzville at \$5,912.26 per lot and that this buy-in fee would apply to the 228 properties in upper Lantzville that are connected to the existing community water system and the 408 properties that are on individual wells, upon connection to Nanaimo water, for a ten-year period;
2. Should Lantzville participate in the Economic Development function at the regional level (should it be created) that this would be acceptable to Council of the City of Nanaimo; and
3. Council confirms that Lantzville will participate in annual funding contributions to the Port Theatre.

We would also like to take this opportunity to reiterate as succinctly as possible, our rationale behind requesting a freeze on the current buy-in fee of \$5,912.26 as follows:

- it would permit Lantzville Council the opportunity to manage growth to ensure developments being proposed are those supported not only by the District of Lantzville but also to allow the consideration of our municipal neighbours and the region.
- placing undue pressure on Lantzville's development community/market with the addition of numerous new lots would have a negative impact not only on our community but also our municipal neighbours as the current market would be unable to absorb a significant number of new lots.

- we may have the opportunity to entertain/accommodate some level of development within our community. Having the opportunity to move forward with development in a well thought out, planned fashion will allow Lantzville to generate monies that we may then use to purchase water connections in the future.

Again, we appreciate your ongoing willingness to continue to discuss the principles surrounding a permanent water supply between the City of Nanaimo and the District of Lantzville and we look forward to hearing from you with regards to our request to reconsider the above.

Yours truly



Colin Haime
Mayor
District of Lantzville

File: 0470-20-NAN
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C: Lantzville Members of Council
Al Kenning, City Manager
E.C. Swabey, General Manager, Community Safety & Development
B.E. Clemens, Director, Finance



District of Lantzville

Incorporated 1996

February 16, 2011

City of Nanaimo
455 Wallace Street
Nanaimo, BC V9R 5J6

Attention: Members of Council

Dear Sirs/Madam

Re: Water Negotiations

We write further to Mr. Kenning's letter dated February 8th, 2011 that provided confirmation that the City of Nanaimo Council was willing to consider the District of Lantzville's latest proposal regarding permanent water supply between our jurisdictions. We understand that the City of Nanaimo has indicated that it would make water available to the 651 lots in lower Lantzville at \$5,912.26 per lot and that this buy in fee would remain constant and apply to the 228 properties in upper Lantzville currently connected to the existing community water system and the 408 properties that are on individual wells (but are within the existing planned water service area). While Council of the District of Lantzville was requesting that the current buy in fee of \$5,912.26 remain for a twenty year period, your latest decision identified a period of five years and subject to an annual adjustment based on CPI.

While we certainly appreciate your Council's willingness to consider our latest proposal, we would ask that you reconsider our original request (20 year period) based on the following comments.

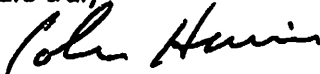
1. It would permit Lantzville Council the opportunity to manage growth to ensure developments being proposed are those supported not only by the District of Lantzville but also to allow the consideration of our municipal neighbours and the region. Granting Lantzville Council adequate time to consider development proposals on their own individual merits and their impact not only on our community but on a regional basis will benefit us all. The removal of the time pressure would enhance our ability to manage the potential development activities such that only developments that benefit and support our individual and regional objectives would be considered.
2. Placing undue pressure on Lantzville's development community/market with the addition of numerous new lots would have a negative impact not only on our community but also our municipal neighbours as the current market would be unable to absorb flooding the market with a significant number of new lots and thereby negatively affecting market values.
3. In the past we have expressed Lantzville's challenges both financial and legislative, in our ability to pay the buy-in fee established by the City of Nanaimo for those water users currently on the District's community water system.

Therefore, we have requested additional time that this buy-in fee remain constant in order that we may have the opportunity to entertain/accommodate some level of development within our community. Having the opportunity to move forward with development in a well thought out, planned fashion will allow Lantzville to generate monies that we may then use to purchase water connections in the future. Again, restricting Lantzville to a five year timeline does not allow Council adequate time to entertain the numerous complexities and challenges associated with various types of development proposals not to mention developers abilities to pursue development given the current market and challenged economy. Further, the extended time coupled with an annual adjustment based on CPI would effectively mimic an arrangement whereby the financial commitment was made now plus an interest factor without the requirement to go to the electorate for approval.

4. Appreciating that it would be extremely challenging to the District both logistically and financially to construct the necessary infrastructure works to facilitate a connection to those properties located at the most westerly end of our boundaries in a 15 year time frame let alone five years as you have suggested, a shorter timeframe potentially frustrates the expressed goal of the 2005 Memorandum of Understanding whereby it states "District of Lantzville will, in coming years, require access to a new, secure and affordable source of water to meet the needs of the District's current and future populations."

Again, we appreciate your ongoing willingness to continue to discuss the principles surrounding a permanent water supply between the City of Nanaimo and the District of Lantzville and we look forward to hearing from you with regards to our request to reconsider the above.

Yours truly



Colin Haime
Mayor
District of Lantzville

File: 0470-20-NAN
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C: Lantzville Members of Council
Al Kenning, City Manager
E.C. Swabey, General Manager, Community Safety & Development
B.E. Clemens, Director, Finance

RECEIVED
FEB 14 2011
DISTRICT OF LANTZVILLE



2011-FEB-08

File: 0470-30

Ms. Twyla Graff,
Chief Administrative Officer
District of Lantzville
Box 100
7192 Lantzville Road
Lantzville, BC V0R 2H0

Dear Ms. Graff:

RE: Lantzville Water

This is to advise that at its "In Camera" Finance and Policy Committee of the Whole meeting held Monday, 2011-FEB-07, Nanaimo City Council adopted the following motion:

"THAT Council is willing to consider the District of Lantzville's proposal that the City of Nanaimo make water available to the 651 lots in lower Lantzville at \$5,912.26 per lot and that this buy in fee would apply to the 228 properties in upper Lantzville that are connected to the existing community water system and the 408 properties that are on individual wells, upon connection to Nanaimo water, for a five-year period, subject to an annual adjustment based on CPI."

Should this be acceptable to Lantzville, I would be pleased to work with you in preparing a draft agreement that incorporates this direction and includes the other principles for supplying water to the District of Lantzville that have been previously communicated.

Sincerely,

Al Kenning,
City Manager

ACK/jdk

pc: Nanaimo City Council

E.C. Swabey, General Manager, Community Safety and Development
B.E. Clemens, Director, Finance

Council

Mayor

C.A.O.

Director of Finance

Corp. Admin.

Agenda

Circ. To Staff

Public Works

Planning

Fire Dept.

Other _____

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"IC" Chd. Feb. 14/11

0470-20-NAN



District of Lantzville

January 21, 2011

City of Nanaimo
455 Wallace Street
Nanaimo, BC V9R 5J6

Attention: Al Kenning, City Manager

Dear Mr. Kenning

Re: Water Negotiations

Thank you for your letter dated December 14th, 2010, which reaffirms Nanaimo City Council's position of the terms under which it would supply water to the District of Lantzville.

Please be advised that Council received your correspondence at its In-Camera Meeting held Monday, January 10th, 2011, at which time Council resolved as follows:

MOVED/SECONDED that Council direct staff to notify the City of Nanaimo that the District of Lantzville intends to release information to the public regarding water negotiations to date.

CARRIED

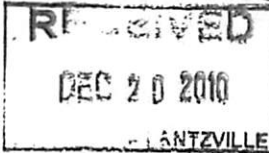
Council will be discussing the extent of the information to be released at their upcoming Strategic Planning session which is scheduled for the latter part of this month.

Should you wish to discuss this further please do not hesitate to contact me.

Yours truly

Twyla Graff
Chief Administrative Officer
District of Lantzville

File: 0470-20-NAN
G:\DOL\Corr\2011\CON_Water Discussions



2010-DEC-14

File: 0470-30

Ms. Twyla Graff,
Chief Administrative Officer
District of Lantzville
Box 100
7192 Lantzville Road
Lantzville, BC
V0R 2H0

- Council
 - Mayor
 - C.A.O.
 - Director of Finance
 - Corp. Admin.
 - Agenda
 - Circ. To Staff
 - Public Works
 - Planning
 - Fire Dept.
 - Other _____
- "IC" Cncl. Jan. 10/11
0470-20-NAN

Dear Ms. Graff:

RE: Lantzville Water

Further to the meeting between the District of Lantzville and Nanaimo City Council held on 2010-NOV-29, this is to advise that at its "In Camera" meeting held Monday, 2010-DEC-06, Nanaimo City Council reaffirmed its position of the terms under which it would supply water to Lantzville.

The terms are as follows:

1. Emergency water will be supplied in accordance with the agreement already in place.
2. Existing lots would have to pay a buy-in charge as a contribution to the capital cost of the existing water supply system equal to the City of Nanaimo's Water Supply DCC at the time the property benefits (currently \$5912.26). The timing of the payment is open for discussion and staff are pursuing different payment options.
3. Newly created lots will not pay the buy-in charge, but they will be subject to the City of Nanaimo's Water Supply DCC. Lantzville will collect the City's Water Supply DCC and pay it over to the City.
4. Lantzville will pay for water as it is used based on the metered amount at a rate to be determined.
5. Water rates for consumers in Lantzville will not be lower than those in Nanaimo for any category. Water conservation measures will be at least as stringent.

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2010-DEC-14
Ms. Twyla Graff,
Chief Administrative Officer
District of Lantzville
Page 2

6. Lantzville will not re-sell water except to municipal customers.
7. Lantzville will participate in some way in economic development. They will provide a predictable, annual contribution to the Port Theatre. An additional condition has already been satisfied with Lantzville's contribution to the Port of Nanaimo Centre.
8. Lantzville will be responsible to pay for any studies or works that are required to supply water to Lantzville.
9. Lantzville will be represented on the City of Nanaimo's Water Supply Advisory Committee, but all final decision making on water supply will rest with Nanaimo City Council.

Please feel free to contact me should you have any questions.

Sincerely,



Al Kenning,
City Manager

/jdk

pc: Nanaimo City Council
D.W. Holmes, Assistant City Manager/General Manager of Corporate Services
A.W. Laidlaw, General Manager, Community Services
E.C. Swabey, General Manager, Community Safety and Development
B.E. Clemens, Director, Finance