



REPORT N° INF2019-011, Memorandum of Understanding with Nation Municipality

Date	22/02/2019
Submitted by	Julian Lenhart
Subject	Memorandum of Understanding (MOU) - Water Project with the Nation Municipality
File N°	

1) **NATURE/GOAL :**

The purpose of this report is for Council to authorize the Mayor and City Clerk to sign the Memorandum of Understanding (MOU) with the Nation Municipality to supply water to Limoges.

2) **DIRECTIVE/PREVIOUS POLICY :**

Resolution 2018-111, THAT Council authorizes the Director of the Infrastructure and Planning to retain legal services in order to negotiate the terms and conditions of a Memorandum of Understanding (MOU) with the Nation Municipality for the supply of potable water to Limoges; and

FURTHER THAT Council authorizes the Director of the Infrastructure and Planning to execute the said Memorandum of Understanding once negotiated to his satisfaction.

3) **DEPARTMENT'S RECOMMENDATION :**

WHERE AS Vice and Hunter LLP have been retained by the City to review the terms and conditions of the Memorandum of Understanding and that revisions have been made accordingly

WHERE AS the Memorandum of Understanding has been negotiated to the satisfaction of the Director of Infrastructure and Planning

BE IT RESOLVED that the Committee of the Whole recommends that Council approves a by-Law to authorize the Mayor and the City Clerk to sign the Memorandum of Understanding with the Nation Municipality to supply potable water to Limoges.

4) **BACKGROUND :**

In 2017, the City assessed the feasibility of addressing the potable water supply needs for both the City of Clarence-Rockland (The City) and The Nation Municipality. It was confirmed that the supply needs for both Cities can be met with the implementation of capital improvements to the City's existing water distribution network.

In 2018, capital cost and cost ratios were presented to Council along with the guiding principles that formed the basis of the Memorandum of Understanding. Additionally, the City retained the services of Vice and Hunter LLP to revise the terms and conditions of the Memorandum of Understanding to insure that the interests of the City were protected. Following the revisions, the Memorandum of Understanding was finalized and is now ready to be signed.

5) **DISCUSSION :**

The Department is of the opinion that the City will benefit greatly from the terms negotiated in the Memorandum of Understanding to supply potable water to the Nation Municipality. The following is a short summary of the advantages.

- Capital investment savings of \$12 million over 20 years;
- \$2.6 million compensation for the use of existing infrastructure payable upon commissioning of transmission main;
- Guaranteed minimum purchase of 350m³;
- \$164,000 additional revenues.

Project Scope

The project consists of installing approximately 10 km of watermain from the Cheney water reservoir along Indian Creek Road to the Nation's existing water treatment plant in Limoges along Limoges Road. Refer to the key map attached in Attachment 1 for the City's existing water network layout and the preliminary water supply layout alternative to service Limoges. Subsequent to the construction of the watermain, the City's existing infrastructure will require capital improvements to meet both Municipalities development needs. See the Summary of Recommended Infrastructure Cost Sharing and Implementation table in the MOU for the required capital upgrades, costs and timing to service the City plus Limoges and the average cost sharing of capital upgrades between Municipalities.

Capital Cost

In order to support growth within the City of Clarence-Rockland, the City will need to invest approximately \$29 million over 20 years. However, this capital investment is drastically reduced if the City collaborates with the Nation Municipality and supplies them with potable water. This partnership will save the City approximately \$12 million over the same 20-year period. This means that the City would only need to invest \$17 million over 20 year to support its growth instead of the \$29 million otherwise required. The Summary of Recommended Infrastructure Cost Sharing and Implementation table on page 4 of the MOU shows the cost distribution ratios and total capital investment requirements between both Cities.

Additionally, as negotiated in the Memorandum of Understanding, the Nation Municipality will provide compensation of \$2.6 million to the City of Clarence-Rockland for the apportioned costs for the use of existing infrastructure in Clarence-Rockland. This payment will be due at commissioning of the transmission main between Cheney and Limoges.

Bulk Rate and Operating Cost

The initial bulk rate to be charged to the Nation Municipality shall be 1.2811 \$ per cubic meter of potable water. This rate is subject to be annually reviewed by the Joint Management Committee. The Nation Municipality has agreed to purchase a minimum of 350 m³/day of potable water, which will result in projected annual revenue of \$164,000.

Next Steps

The following are the anticipated next steps;

- Execute joint agreement, expected to be completed in 2019;
- EA, design and construction of transmission main, expected to be completed between late 2019 and early 2020;
- Design and construction of future capital improvement as per the Summary of Recommended Infrastructure Cost Sharing and Implementation table in the Memorandum of Understanding.

6) **CONSULTATION:**

The Department has consulted with our water and wastewater operators, Ontario Clean Water Agency (OCWA) regarding operational cost and impacts.

7) **RECOMMENDATIONS OR COMMENTS FROM COMMITTEE/ OTHER DEPARTMENTS :**

N/A

8) **FINANCIAL IMPACT (expenses/material/etc.):**

The payment of 2.62 million dollars from the Nation is to be contributed to a reserve to fund initial capital cost. Other significant capital investments and projects identified in the MOU will be considered in the new Development Charge study.

9) **LEGAL IMPLICATIONS :**

The City Clarence-Rockland and the Nation Municipality will need to enter in an official joint agreement.

10) **RISK MANAGEMENT :**

N/A

11) **STRATEGIC IMPLICATIONS :**

This project is aligned with the Financial Stability Pillar of the City's Strategic Plan.

12) **SUPPORTING DOCUMENTS:**

- Attachment 1 – Clarence-Rockland/Nation Joint Water System, Joint Water System Layout.
- Memorandum of Understanding (MOU) Rev. 01-31-2019.
- Attachment 2 – Limoges Water Supply Alternative, Preliminary Water System Layout.