

Est. 1873

REPORT TO MAYOR AND COUNCIL

PRESENTED:	JULY 9, 2018 - REGULAR AFTERNOON MEETING	REPORT:	18-102
FROM:	ENGINEERING DIVISION	FILE:	0400-65-04
SUBJECT:	GVWD AMENDING AGREEMENT - JERICO RESERVOIR		

RECOMMENDATIONS:

That Council authorize execution of an Amending Agreement with the Greater Vancouver Water District, presented substantially in the form provided as Attachment A to this report, in order to provide a fixed cost and payment schedule for remaining works in the Langley-Surrey Water Supply Scheme; and further

That Council direct staff to include costs and payments as outlined the Amending Agreement, in the capital budget for 2023, 2024 and 2025.

EXECUTIVE SUMMARY:

When joining the Greater Vancouver Water District (GVWD) in 1989, the Township agreed to construct and/or provide financial contribution towards a number of Works. The Jericho Reservoir is the one outstanding facility to be constructed from this original agreement. The Township's share of this Work has been calculated at 66.28% of the actual costs.

The intent of the proposed amendment is to provide the Township with the opportunity to pre-pay the future costs associated with the second phase of the Jericho Reservoir project, anticipated in the late 2030s, with specific timing subject to change based on future demand trends. The proposed payment scheme would limit the Township's liability for any possible future cost escalation of the second phase. Costs would be \$4,091,573 in each of 2023, 2024, and 2025.

PURPOSE:

To request Council enter into an Amending Agreement with the GVWD, which would provide cost certainty for Phase 2 of the Jericho Reservoir.

BACKGROUND/HISTORY:

The Township of Langley and GVWD entered into an agreement in 1989, which facilitated the Township to join the GVWD. As part of the agreement, the Township agreed to pay for a portion of a number of capital works projects required to provide adequate water supply to the Township. The agreement was modified in 1998 to account for revised water demand forecasts.

The only remaining work from this agreement is the design and construction of the Jericho Reservoir. The project consists of 2 phases: Phase 1 comprises a two-cell reservoir having a combined total storage volume of 20.6ML and the valve control chamber; Phase 2 comprises the design and construction of an adjacent cell having a volume of 18.5ML. The Township is obligated to pay 66.28% of the cost of this project based on the agreement. Tendering of Phase 1 is imminent, and the Township has confirmed a payment schedule for this Phase.

DISCUSSION/ANALYSIS:

The intent of the proposed 2018 amendment is to allow the Township to pre-pay the future costs associated with the second phase of the Jericho Reservoir anticipated in the late 2030s (timing is subject to change based on future water demand trends). Based on the detailed design cost estimate of \$13.3M in current dollars, the future cost in 2037 was projected at \$24.02M using 3% inflation. Township of Langley's portion would be \$15.92M. The payment scheme would limit the Township's liability for any possible future cost escalation of the second phase.

The proposed 2018 amending agreement would eliminate the possibility of potential cost escalation, as has been experienced with regional projects in the past with the Barnston Island Maple Ridge Pump Station project.

The City of Surrey will also benefit from the new Jericho reservoir and has a similar agreement with the GVWD. Surrey is currently in the process of amending their agreement to provide for a fixed cost and payment schedule for their portion of the Works.

Financial Implications:

For the Phase 1 Jericho project, there is a budget of \$9.4 million in 2018, with \$3 million funded from DCCs and \$6.35 million, funded through Internal Borrowing (Debt Reserve Fund) and Water Surpluses. The balance, estimated at \$10,780,124, is anticipated to be paid over three years in 2020, 2021 and 2022.

Fixed costs for pre-paying the Township's portion of the Phase 2 Jericho Works have been calculated at \$4,091,573 in each of 2023, 2024, and 2025, for a total of \$12,274,719. This funding would be required as part of the Township's 5 year financial plan and budgets.

Optional Recommendations/Alternatives:

If Council elects to not proceed with the proposed amending agreement, the existing agreement would remain in place. As such, the Township would be responsible for 66.28% of actual costs of construction of Phase 2 of the Jericho Reservoir, at the time of construction.

Respectfully submitted,

Dave McCormick
UTILITIES PLANNING ENGINEER
for
ENGINEERING DIVISION

This report has been prepared in consultation with the following listed departments.

CONCURRENCES	
Division / Department	Name
FINANCE DIVISION	K. Sinclair

ATTACHMENT A 2018 Amending and Payment Agreement

ATTACHMENT B 1998 Amending Agreement

AMENDING AGREEMENT

THIS AGREEMENT dated as of _____, 2018

BETWEEN:

GREATER VANCOUVER WATER DISTRICT
4730 Kingsway, Burnaby, British Columbia V5H 0C6

("GVWD")

AND:

TOWNSHIP OF LANGLEY
20338 – 65 Avenue, Langley, British Columbia V2Y 3J1

("Langley Township")

WHEREAS:

- A. GVWD and Langley Township are parties to a water supply agreement dated August 21, 1989, relating to the construction of certain water supply works by GVWD, as amended by an amending agreement dated October 29, 1998 (the "**Amended Water Supply Agreement**");
- B. The Amended Water Supply Agreement requires that Langley Township pay its share of the actual costs incurred by GVWD in constructing and installing such water supply works, including the reservoir designated in the Amended Water Supply Agreement as the Future Jericho Reservoir (the "**Jericho Reservoir**");
- C. Pursuant to the Amended Water Supply Agreement, Langley Township's percentage share of the actual costs for the Jericho Reservoir is 66.28%;
- D. Pursuant to a payment agreement dated June 7, 2017, GVWD and Langley Township agreed upon a payment schedule pursuant to which Langley will pay its share of the actual costs of Phase 1 of the Jericho Reservoir;
- E. GVWD and Langley Township have agreed that instead of paying the actual costs of Phase 2 of the Jericho Reservoir ("**Phase 2**"), Langley Township will prepay the projected costs of Phase 2; and
- F. The parties wish to amend the Amended Water Supply Agreement to reflect these changes and agreements.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

GREATER VANCOUVER WATER DISTRICT

by its authorized signatory:

Carol Mason
Commissioner

TOWNSHIP OF LANGLEY

by its authorized signatories:

Name:
Title:

Name:
Title:

AMENDING AGREEMENT
BETWEEN
GREATER VANCOUVER WATER DISTRICT
AND
THE CORPORATION OF THE TOWNSHIP
OF LANGLEY

THIS AMENDING AGREEMENT made the 27 day of October, 1998.

BETWEEN:

GREATER VANCOUVER WATER DISTRICT, having an office
at 4330 Kingsway, Burnaby, British Columbia, V5H 4G8

("GVWD")

OF THE FIRST PART

AND:

THE CORPORATION OF THE TOWNSHIP OF LANGLEY,
having an office at 4914 - 221st Street, Langley, British Columbia,
V3A 3Z8

("Langley Township")

OF THE SECOND PART

WHEREAS:

A. GVWD was created and constituted under the Greater Vancouver Water District Act (the "Act") being Chapter 22 of the Statutes of British Columbia, 1924 with objects and powers as set out in the Act as amended;

B. Langley Township is a municipality incorporated under the *Municipal Act* of British Columbia;

C. The Langley-Surrey Water Supply Scheme ("LSWSS") was conceived in 1989 as the most economical method to provide GVWD water service to Langley Township, which was not a member at that time, while concurrently increasing supply capacity to the City of Langley and South Surrey. Three separate agreements were drawn up, and subsequently executed, between the GVWD and each of Langley Township, the City of Langley and the City of Surrey, setting out the water supply works to be constructed and the cost sharing arrangements.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises, mutual covenants and agreements contained in this Agreement and other good and valuable consideration now paid by each of the parties hereto to the other (the receipt and sufficiency of which are hereby acknowledged) the parties hereby covenant and agree as follows:

1. THE NEW SUPPLY SYSTEM

1.(1) In accordance with subsection 2.(1) of the 1989 Agreement, GVWD has or will construct and install certain watermains, pumping stations and the reservoir as shown and described on the plan entitled "Drawing WF-2334 Sketch 8 Revised June 1, 1998" (the "Plan") annexed hereto as Schedule "B" as:

- (a) the Barnston Island Main - Stage II;
 - (b) the Jericho-Clayton Main;
 - (c) the Future Barnston Island-Maple Ridge Pump Station;
 - (d) the Future Jericho Reservoir;
 - (e) the 192nd Street Main - Stage II.
- (collectively the "Phase II Supply Works").

1.(2) GVWD shall operate and maintain all the Phase II Supply Works.

2. COSTS

2.(1) In accordance with section 4.(1) of the 1989 Agreement, Langley Township shall pay to GVWD, after receipt of written notice from GVWD, its share of the actual costs incurred by GVWD, including the interest and financing charges, in constructing and installing the Phase II Supply Works as provided in subsection 2.(2) of this Amending Agreement and in accordance with subsection 3.(4) and 3.(5) of this Amending Agreement.

2.(2) Notwithstanding subsection 4.(2) of the 1989 Agreement Langley Township's share of the actual costs referred to in subsection 2.(1) of this Amending Agreement shall be:

- (a) for the portion designated on the Plan as "Barnston Island Main - Stage II", 64.39%;
- (b) for the pumping station designated on the Plan as "Future Barnston Island - Maple Ridge Pump Station", 41.82%;
- (c) for the reservoir designated on the Plan as "Future Jericho Reservoir", 66.28%;
- (d) for the portion designated on the Plan as "Jericho - Clayton Main, 76.14%;
- (e) for the portion designated on the Plan as "192nd Street Joint Main - Stage II", 27.44%.

2.(3) In accordance with subsection 4.(4) of the 1989 Agreement, for the purpose of subsection 2.(2)(c) the actual cost of the "Future Jericho Reservoir" shall include the cost incurred by Langley Township (as at the date of acquisition) of acquiring the land on which the reservoir is to be constructed.

2.(4) If Langley Township has paid to GVWD amounts with respect to Langley Township's share of GVWD's costs for the Phase II Supply Works prior to the execution of this Amending Agreement and under the provisions of subsection 4.(2) of the 1989 Agreement, then GVWD shall adjust Langley Township's share of the costs incurred by GVWD with respect to the Phase II Supply Works by applying the provisions of subsection 2.(2) of this Amending Agreement and shall credit any overpayment by Langley Township and apply such credit to future amounts that may be payable by Langley Township to GVWD with respect to Langley Township's share of the costs pursuant to this Amending Agreement. If Langley Township is not required to pay any further amounts to GVWD under this Amending Agreement then GVWD shall refund and return any overpayment determined under this section. If upon adjusting Langley Township's share of the costs incurred by GVWD, pursuant to this section, it is determined that Langley Township must pay additional amounts to GVWD then Langley Township shall immediately pay these amounts to GVWD. If GVWD and Langley Township

are unable to agree under this section to the amount of adjustment or the amount of overpayment by Langley Township or additional amounts owed by Langley Township to the GVWD, the issue shall be settled by arbitration pursuant to section 8.(1).

3. FINANCING OF WORKS

3.(1) In accordance with subsections 5.(1), 5.(4) and 5.(5) of the 1989 Agreement, GVWD, from time to time, will borrow (by way of interim borrowing and long term borrowing) such monies as may be necessary or desirable to construct the Phase II Supply Works. GVWD may in its absolute and sole discretion:

- (a) borrow all of the monies required at once or may borrow portions of the monies as they are required from time to time or as market and economic conditions allow;
- (b) determine the timing and the other conditions of the borrowings;
- (c) determine the interest rate or rates and other costs of financing applicable to the borrowings;
- (d) determine the type of security to be given for the borrowings and the terms and conditions upon which such security is to be granted and may refund or renew any liability or security issued by GVWD in respect thereof; and
- (e) determine such other matters in relation to the borrowings as may be relevant.

3.(2) GVWD will consult with Langley Township before it converts any of the borrowings under subsection 3.(1) from interim borrowing to long term borrowing. "Long term borrowing" means any borrowing having a term to maturity of twelve months or more.

3.(3) Without limiting subsection 3.(1) and subject to market and economic conditions, GVWD will use reasonable commercial efforts to obtain borrowings under subsection 3.(1) on the most favourable terms and conditions available.

3.(4) Prior to GVWD undertaking any long term borrowing Langley Township may make lump sum payments in respect of the portion of the costs for which it is responsible under this Amending Agreement and such payments shall be applied to reduce the borrowing required to finance Langley Township's portion of the costs.

3.(5) Langley Township shall pay to GVWD all the amounts required by GVWD to meet its obligations with respect to the borrowing made by GVWD under subsection 3.(1) for that portion of the costs for which Langley Township is responsible under this Amending Agreement at the time or times required by such borrowing.

4. CAPACITY OF SUPPLY WORKS

4.(1) Notwithstanding subsection 7.(1) of the 1989 Agreement, the New Supply Works - Part 1, as referred to in the 1989 Agreement, (the "New Supply Works - Part 1") when completed will provide a maximum instantaneous rate of flow not to exceed 35.8 million gallons per day ("MGD") at the reservoir designated on the Plan as "Future Jericho Reservoir" at ground level storage. GVWD and Langley Township have estimated that a flow of 35.8 MGD will satisfy Langley Township's requirements until the year 2011.

4.(2) In accordance with section 7.(2) of the 1989 Agreement, if the supply works referred to in the 1989 Agreement as the "New Supply Works - Part 2" (the "New Supply Works - Part 2") are constructed and installed Langley Township shall be entitled to draw from that portion designated on the Plan as "192nd Street Main - Stage II" up to a maximum instantaneous flow of 5.9 MGD at a minimum design pressure of 40 pounds per square inch which is equivalent to a hydraulic grade line elevation of 338 feet above the GVWD datum measured at the point of connection designated on the Plan as the "36th Avenue Main". The 5.9 MGD which may be drawn from the 192nd Street Main - Stage II forms part of the 35.8 MGD referred to in subsection 3.(1) and is not in addition to it.

4.(3) After the year 2011, subject to the Act and provided Langley Township is a member of GVWD and further provided that sufficient water is generally available to GVWD for its members, GVWD will supply in bulk to Langley Township such additional quantity of water as Langley Township may reasonable require.

4.(4) If prior to the year 2011 Langley Township requires water from the New Supply Works - Part 1 exceeding a peak day average of 35.8 MGD then subject to the Act and provided that Langley Township is a member of GVWD and that there is sufficient water generally available to GVWD for its members, GVWD will provide such facilities as may be necessary to supply in bulk to Langley Township for such additional quantity of water as Langley Township may reasonable require.

4.(5) Notwithstanding subsection 4.(3), if GVWD provides water to Langley Township under subsection 4.(4) Langley Township shall pay a proportion of all the costs and expenses (including without limitation financing costs) of such additional facilities as may be necessary to supply such additional supply of water that is a fraction, the numerator of which is the difference in MGD between 35.8 MGD and the additional flow required by Langley Township and the denominator of which is the total flow in MGD of the additional facilities which are constructed and installed or otherwise made available for such additional supply.

5. RIGHTS-OF-WAY

5.(1) In accordance with section 11 of the 1989 Agreement, Langley Township shall grant to GVWD, without compensation and when requested by GVWD, such statutory rights-of-way and temporary working spaces as GVWD may require for the construction and installation of the Phase II Supply Works over any lands owned by Langley Township through which the Phase II Supply Works are to be constructed and installed.

6. ASSIGNMENT & ENUREMENT

6.(1) This Amending Agreement may not be assigned in whole or in part by Langley Township without the prior, express written consent of GVWD.

6.(2) This Amending Agreement shall enure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

7. FORCE MAJEURE

7.(1) If GVWD is prevented from or delayed in performing any obligation under this Amending Agreement for any reason whatever beyond its control including without in any way limiting the generality of the foregoing, acts of God, fire, earthquake, storm, hail, wind, war (declared or undeclared), acts of civil disobedience or of terrorists or guerillas, restrictive governmental laws or regulations, strike, lock out or other labour or labour related dispute or slowdown, or unavailability of labour or materials then the period for performing such obligation shall be extended for a period of time equal to the length of the delay caused by such event as aforesaid or such other time as the parties may agree.

8. ARBITRATION

8.(1) If under subsection 2.(4) GVWD and Langley Township are unable to agree then either one of the parties may by giving written notice to the other require that the issue be settled by a single arbitrator agreed to by all the parties. If the parties within fifteen days of giving the notice referred to in the previous sentence fail to agree upon a single arbitrator this issue shall be settled by an arbitrator appointed by the Supreme Court of British Columbia under the provisions of the *Commercial Arbitration Act* of British Columbia.

9. GENDER AND NUMBER

9.(1) In this Amending Agreement words importing the male gender include the female gender and either includes the neuter and vice versa and words importing the singular number include the plural number and vice versa.

10. NOTICES

10.(1) Where any notice, direction or other communication required under this Amending Agreement such shall be given or made by either delivering it or sending it by registered mail addressed to the addresses first set out above or such other address or addresses as either party may have advised the other of in writing. Any such notice, direction or other communication

shall have been deemed to have been given if delivered when delivered and if mailed three business days after mailing. If there is any delay or interruption in postal services all notices, directions or other communication shall be delivered.

11. TIME OF THE ESSENCE

11.(1) Time shall be of the essence in this Amending Agreement.

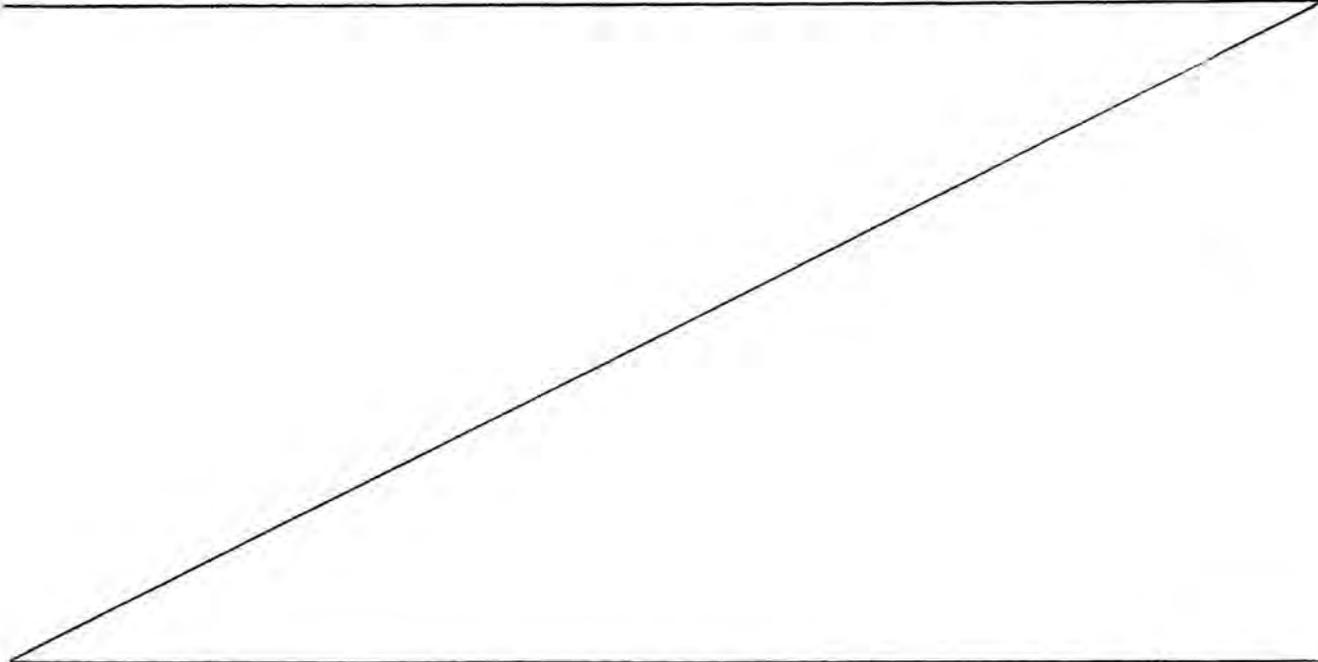
12. FURTHER INSTRUMENT

12.(1) The parties will execute and deliver to each other such further instruments and assurances and do such further acts as may be required to give effect to this Amending Agreement.

13. COUNTERPARTS

13.(1) This Amending Agreement may be executed in several counterparts and all counterparts so executed shall constitute one agreement which shall be binding on all parties, notwithstanding that all parties are not signatory to the original or the same counterpart.

13.(2) This Amending Agreement may be executed by the parties and transmitted by facsimile transmission and if so executed and transmitted this Amending Agreement will be for



all purposes as effective as if the parties had delivered an executed original Amending Agreement.

IN WITNESS WHEREOF the parties have hereunto affixed their corporate seals in the presence of their duly authorized officers on the day and year first above written.

THE CORPORATE SEAL of)
GREATER VANCOUVER WATER DISTRICT)
was hereunto affixed in the)
presence of:)



P.A. Utleson

C/S



THE CORPORATE SEAL of THE)
CORPORATION OF THE TOWNSHIP OF)
LANGLEY was hereunto affixed in the)
presence of:)





Municipal Clerk

C/S