

REPORT

TO: MAYOR AND MEMBERS OF COUNCIL

FROM: ROBERT SHARON, DIRECTOR OF COMMUNITY SERVICES

DATE: NOVEMBER 17, 2011

RE: LEAMINGTON AREA DRIP IRRIGATION INC.- REQUEST TO ENTER ROAD ALLOWANCE

AIM:

To provide Council with a request from Leamington Area Drip Irrigation Inc. (LADII), to enter into an agreement to install a pipeline within the road allowance on Mersea Road 7, West of Highway 77, in order to expand the LADII water distribution system.

BACKGROUND:

On October 21, 2011, the Municipality of Leamington received drawings titled: *LADII, Leamington Area Drip Irrigation Project: Raw Water Transmission Pipeline Mersea Road 7 Extension.*

These drawings included plans to extend the LADII water transmission pipeline from the current dead end at the North East corner of Mersea Rd 7 and Highway 77, across 77 heading west and continuing west for approximately 570 meters. The pipeline would then have a lateral branch that crosses Mersea Rd. 7 heading south, into the Nature Fresh greenhouse operation.

The plans were submitted to the Municipality for approval, as Municipal authorization is needed for LADII to enter the Mersea Rd. 7 road allowance. (see attachment # 1)

Administration subsequently scheduled a meeting with the Solicitor for LADII, as well as representatives from the organization. That meeting took place on November 10, 2011.

During the meeting, Administration was informed that provincial permission to cross Highway 77 had already been received, and that the LADII pipeline has crossed the highway. The stub is now located on the North West corner of Road 7 and Hwy 77. It was also confirmed that the intent of the lateral stub heading South back across Mersea Rd. 7 was to provide non potable water to Nature Fresh, a greenhouse operation that currently utilizes the municipal water system. The entire Road 7 expansion is intended to not only to provide water to Nature Fresh, but to also provide water for field irrigation and greenhouse developments in this area in the future. LADII representatives have communicated that their permit to take water does allow the water to be used for greenhouse operations as that is a form of drip irrigation. They also communicated that the servicing greenhouses in some capacity was always part of the LADII pipeline model.

Administration is currently preparing a comprehensive report for Council on the Leamington area water distribution system in this area. The report will provide relevant background history on the current system, information about previous system expansions and the studies that directed

those expansions, actual versus projected development and water consumption data, as well as information regarding the recommended way forward. This report is expected to be presented to Council before the end of this year. However, LADII requested that this specific matter be considered by Council as soon as possible, given their aggressive construction timelines.

LADII was informed that this request to enter the road allowance would not be supported at this time by Administration when presented to Council because consideration is premature until Council can consider the full report.

COMMENT:

Council will recall the greenhouse development that occurred earlier in 2011 which utilized the LADII pipeline for non-potable water requirements. As easements and access to road allowances required for the LADII pipeline to reach this particular development had already been granted as part of earlier LADII pipeline installations, Municipal consent for road crossings was not required in that case.

While the residential, commercial and industrial sectors will undoubtedly benefit from increased capacity in the Municipal water system, the primary driver of the trunk water main expansion initiative was to service the greenhouse industry. If not for the growing needs of this sector, and the demands that this sector was placing on the system prior to the expansion, it is unlikely that any trunk main expansion in this area would have occurred to date.

The Municipality of Leamington has spent approximately \$11 million implementing phase 1 and phase 2 of the trunk water main system improvement plan. These projects were financed through the water main renewal reserve, with a cost recovery strategy that included the implementation of a water development charge, and increases to the water rates charged to the greenhouse, commercial and industrial sectors.

The intent of the financing strategy at the time per Council Report DCS 6/02 was as follows: *"The said plan demonstrates a cost recovery plan that lessens the financial risk to the Municipality and places more ownership on the agricultural sector"*. The financing of the trunk main replacements and the cost recovery strategy initiated by Council, created a model where these specific projects become incorporated into the overall water infrastructure capital plan. Specific accounts that identify the cost of the trunk main installation against the total additional revenue brought in from the installation of the trunk main do not exist. As part of the comprehensive report and through statistical analysis however, Administration will attempt to predict with a reasonable degree of accuracy, the additional revenue generated by the expansion.

It is estimated that a modern green house operation of this size will use in the range of seventy-five to eighty thousand cubic meters of non-potable water on an annual basis. Based upon that estimate, the potential decrease in revenue to the Municipality should the LADII line replace all non-potable water currently supplied at this location is estimated to be \$60 thousand annually.

It is important to note that denying access into the Municipal road allowance on Road 7 does not end the possibility of LADII moving west of highway 77 in order to service the current Nature Fresh greenhouse operation. Among other possibilities, LADII may seek provincial permission to cross Highway 77 again, this time on the South side of Road 7. This would bring the pipeline onto private property where the Municipality lacks jurisdiction.

FINANCIAL IMPACT:

There is the potential for the municipality to experience a decrease in an estimated \$60 thousand in annual water revenue should the LADII pipeline service the greenhouse operation on the South side of Mersea Road 7.

As LADII is a privately held corporation, the Municipality is not privy to flow and capacity information that would allow predictions to be made of the total financial threat, should LADII focus more heavily on the greenhouse sector.

In areas where current Municipal water capacity exists, every cubic meter sold by LADII to the greenhouse industry is consumption removed from the revenue stream of the water services department.

CONCLUSION

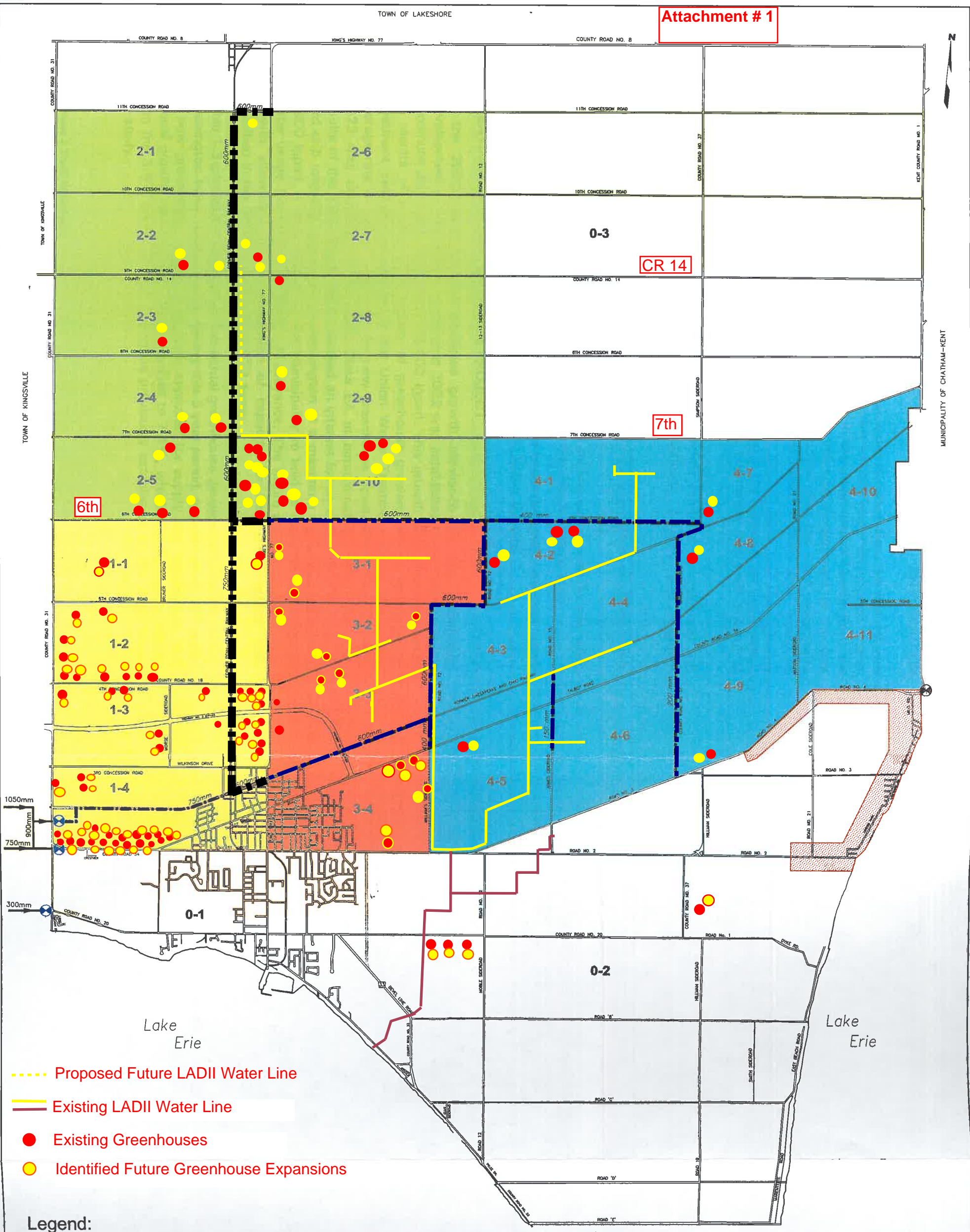
Ultimately, Council must decide what is in the best interests of the public. As noted earlier, a more comprehensive report is forthcoming that will provide Council with additional information with regards to the distribution system in this area. This report will provide information such as the accuracy of our previous predictions, and data to assist in making future predictions. As the greenhouse industry is ever evolving, so must our strategies in providing the necessary infrastructure, and the methods in which we use to recoup the associated costs. For example, as water reclamation strategies continue to improve in this sector, consumption will inevitably continue to decline. If this occurs at a rate that causes the current cost recovery model to be unsustainable, the Municipality may be required to look at other financial cost recovery models, such as minimum charges not associated with consumption.

RECOMMENDATION

That the request from Leamington Area Drip Irrigation Inc. (LADII) to enter into an agreement with the Municipality to install their pipeline within the Municipal road allowance on Mersea Rd. 7 be considered premature until Council considers a more detailed report from administration as described in Report DCS 09-11.

Signed: _____

Robert Sharon
Director of Community Services



--- Proposed Future LADII Water Line

— Existing LADII Water Line

● Existing Greenhouses

● Identified Future Greenhouse Expansions

Legend:

- Phase 1 – Trunk Watermain and Existing Distribution System Improvements
- Phase 2 – Trunk Watermain
- Phase 3 – Trunk Watermain and Extension of Distribution System
- Phase 4 – Trunk Watermain and Expansion of Service Area Supplied by Union Water System
- Union Trunk Watermain
- Proposed Trunk Watermain
- Supply From Union Water System
- Supply From Wheatly Water System
- Area Supplied by Wheatly Water System



Phase 2 Trunk Watermain
Class EA Summary Report

Proposed Trunk Watermains

2002 Class EA Study
Total 1230 Acres of Greenhouse Development



FIGURE 1-2