



UTILITY SERVICES

TO: Council

DATE: March 9, 2021 **DIVISION:** 8

FILE: 5050-350 **APPLICATION:** N/A

SUBJECT: Borrowing Bylaw C-8165-2021 – Blazer Water System Acquisition

EXECUTIVE SUMMARY:

A potential exists for the County to acquire the assets of Blazer Water Systems Ltd. (Blazer) in accordance with the Franchise Agreement between the parties. Administration has completed negotiations with Blazer, and they have agreed to a \$9,000,000 sale price for water subject to Council approval. Based on information provided by Blazer, and a review of the rate submissions to the Alberta Utilities Commission, the Blazer water system showed a net income of \$216,000 in 2020, and has projected a net income of \$290,000 for 2021. Administration has completed a cash flow analysis using growth probability, operating expenses, as well as acquisition and financing costs to determine potential payback of the County's investment. Administration estimates that the first three years of operating the utility may run a deficit of \$1,600,000 which will require County reserve assistance. Depending on the Council approved repayment options, the acquired asset could be cash flow positive as soon as 2024 and potentially debt serviced by 2029.

Administration has determined that any or a combination of following repayment options would be appropriate:

- Full Rate Recovery;
- Levy/Connection Fee;
- Rate and Connection Fee.

If Council were to give first reading of the borrowing bylaw (Attachment 'A'), the following would be the next steps:

- The borrowing bylaw would be advertised as per the *Municipal Government Act* (MGA);
- The City of Calgary would be notified of the County's potential purchase;
- Application would be made to the Alberta Utilities Commission for the sale;
- 2nd and 3rd Reading of the Borrowing Bylaw would be requested;
- Budget approval would be requested;
- The Master Rates Bylaw would be amended to include the required fees for cost recovery.

The purchase of this utility would better assist the County for service delivery, increased customer service, potential cost savings, profitability, and encourage growth.

ADMINISTRATION RECOMMENDATION:

Administration recommends approval in accordance with Option #1.

BACKGROUND:

Blazer Water Systems Ltd. (Blazer) provides water services to a portion of the Bearspaw area, including the Watermark development. Blazer is currently owned and operated by the Macdonald Corporation, and operates under a Franchise Agreement with Rocky View County.

Administration Resources

Steve Seroya, Utility Services



On May 21, 2020, Blazer Water Systems Ltd. approached the County regarding an interest in selling the water system. In accordance with the Franchise Agreement between the County and Blazer, the County has the first right of refusal for the purchase of the water system from Blazer Water Systems Ltd.

July 28, 2020, Administration provided Council with the following updates:

- Blazer informed the County they would like to sell the water utility;
 - As part of the franchise agreement the County has first right to refusal;
- Blazer customer base will increase to an estimated 2,000 additional customers;
- Current system is capable of servicing 1,250 customers;
- The treatment plant can accommodate a further 2,500 m³/day;
- Blazer is ultimately able to service 2,700 with minor upgrades;
- Current Blazer service customers:
 - Blazer Estates/Bearspaw Meadows;
 - Lynx Ridge;
 - Watermark at Bearspaw;
 - The Villas at Watermark;
 - Bearspaw Village;
 - Blueridge Rise;
 - Lynx Ridge Golf Course;
 - Lynx Ridge Condo Corp.
- Blazer has five (5) water licences tied to the system at an annual withdrawal rate of 635 acre foot/2150 m³/day;
- Bearspaw ASP has the utility servicing over 10,000 people in the area.

BUDGET IMPLICATIONS:

As set out in the MGA, a long-term borrowing of this nature needs to be advertised. Once the advertising requirements are met, Administration would prepare a budget adjustment and 2nd and 3rd reading of the borrowing bylaw for Council's consideration.

OPTIONS:

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| Option #1 | Motion #1 | THAT Administration be directed to begin the process that will facilitate the purchase of the Blazer Water System. |
| | Motion #2 | THAT Borrowing Bylaw C-8165-2021 be given first reading. |
| Option #2 | THAT alternative direction be provided. | |

Respectfully submitted,

Concurrence,

"Byron Riemann"

"Al Hoggan"

Executive Director
Operations

Chief Administrative Officer

SS/bg



ROCKY VIEW COUNTY

ATTACHMENTS

ATTACHMENT 'A' – Bylaw C-8165-2021