

UTILITY SERVICES

TO: Council
DATE: March 23, 2021 **DIVISION:** 9
FILE: 4060-275 / 5051-700 **APPLICATION:** N/A
SUBJECT: Borrowing Bylaw C-8166-2021 – Cochrane Lakes Water Acquisition

EXECUTIVE SUMMARY:

In accordance with Council's directive to provide safe, clean, and reliable potable water to Rocky View County residents, Administration has been working with Horse Creek Water & Waste Water Service Inc. (Horse Creek) and has completed negotiations regarding the acquisition of the water and waste water systems currently in operation at Cochrane Lakes. The acquisition of the utility would resolve the water and wastewater servicing issues impacting both current and future development in the Cochrane Lakes area. On Feb 25th 2019, Macdonald Communities Limited presented to the Governance and Priorities Committee (GPC) on the current challenge faced by residents and developers. Under County ownership, the utility would be able to stabilize rates, connection fees, promote development and provide safe, clean and reliable potable water to the Cochrane Lakes residents.

Administration has completed negotiations, and Administration has regularly met with Macdonald Communities and Schickedanz to assess and strategize County negotiations with Horse Creek. Under the evaluation suggested by Horse Creek, the following terms are considered appropriate:

Terms:

- The purchase price be split: \$4.5 million from the County and \$8.5 million from Macdonald Communities and Schickedanz.
- Payment terms to include a one-time bulk payment by all parties: \$4.5 million from the County and a bulk payment of 30% from Macdonald Communities and Schickedanz along with annual cost contribution or as development proceeds.
- The County to own and operate the water utility after acquisition.

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 four years of operating will run a deficit of \$1,700,000, which may require County reserve assistance. Depending on the Council approved repayment options, the acquired assets could be cash flow positive as soon as 2025 and debt serviced by 2028. 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);
- application would be made to the Alberta Utilities Commission for the sale;
- 2nd and 3rd reading of the borrowing bylaw would be requested;

Administration Resources

Steve Seroya, Utility Services



ROCKY VIEW COUNTY

- budget approval would be requested;
- the Master Rates Bylaw would be amended to include the required fees for cost recovery.

ADMINISTRATION RECOMMENDATION:

Administration recommends approval in accordance with Option #1.

BACKGROUND:

On February 5, 2019, Macdonald Communities Limited and Schickedanz West presented the Governance and Priorities Committee (GPC) with a potential strategy for the acquisition of the assets of Horse Creek Water Services Inc. and Horse Creek Sewer Services Inc. to resolve water and wastewater servicing issues impacting both current and future development in the Cochrane Lakes area. The purpose of the presentation was to provide relevant information and to discuss the merits of the strategy.

On March 12, 2019, as recommended by the GPC, Council passed the following motion:

THAT Council direct Administration to open up discussions with the current utility owner, assess future servicing strategies, and report back to Council on the results of the assessment.

On April 10, 2019, Administration met with Horse Creek Water Services Inc. regarding the acquisition of the water and wastewater systems currently in operation at Cochrane Lakes. Horse Creek Water Services Inc. had responded with written confirmation that they are were willing to negotiate with the County for the sale of the water system only (including water licenses). The Chief Executive Officer of Horse Creek Water Services Inc. had suggested a \$9 million evaluation for the water system.

Administration also met regularly with Macdonald Communities and Schickedanz to assess and strategize County negotiations with Horse Creek.

On June 25, 2019, after the closed session, Council made the following motion:

THAT Administration be directed to continue its negotiations with Horse Creek Water Services Inc. under the terms outlined in the in camera report.

On August 12, 2020, the Chief Executive Officer of Horse Creek Water & Waste Water Services informed the County that he would like to sell both the water and waste water systems. The Chief Executive Officer of Horse Creek Water & Waste Water Services Inc. has suggested a \$13 million evaluation for the water and waste water systems.

On September 1, 2020, after the closed session, Council directed:

THAT Administration be directed to continue its negotiations with Horse Creek Water & Waste Services Inc. under the terms outlined in the report.

BUDGET IMPLICATIONS:

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

OPTIONS:

Option #1	Motion #1	THAT Administration be directed to begin the process that will facilitate the purchase of the Horse Creek Water & Waste Water Services Inc.
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Motion #2 THAT Borrowing Bylaw C-8166-2021 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

ATTACHEMENTS

ATTACHMENT ‘A’ – Bylaw C-8166-2021