

August 11, 2014

JOINT PROCUREMENT CORPORATE SERVICES – FINANCIAL SERVICES AND DEVELOPMENT & INFRASTRUCTURE SERVICES - PUBLIC WORKS SERVICES REPORT 2014-45

TO: Committee of the Whole

SUBJECT: Ray Twinney Complex & Magna Solar Photovoltaic FIT Project Updates

ORIGIN: Director, Public Works Services

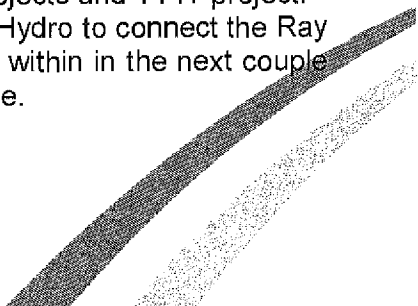
RECOMMENDATIONS

THAT Joint Procurement Corporate Services – Financial Services and Development and Infrastructure Services – Public Works Services Joint Report 2014-45 dated August 11, 2014, regarding RJT & Magna Solar Photovoltaic FIT Project Updates, be received and the following recommendations be adopted:

1. THAT the RFP2012-27 Solar Photovoltaic FIT contract be extended to include an estimated value of \$1,493,321.00 for the Magna Centre (excluding, bonding fees, maintenance, LDC connection fees and applicable taxes);
2. AND THAT the Director, Public Works Services and the Manager, Procurement Services be authorized to execute the contract and all agreements and documents necessary to give effect to the Magna Solar project on Council's behalf;
3. AND THAT staff be authorized and directed to do all things necessary to give effect to the foregoing recommendations
4. AND THAT Staff be directed to fund the Magna FIT project through implementation of an internal loan with an amortization period not to exceed ten (10) years, and that this loan be provided for in conjunction with the 2015 budget and align with the proposed Investment Strategy;
5. AND THAT Staff be directed to include the revenue surplus as outlined in the Loan Repayment Schedule contained in the Budget Impact section of this report in the 2015 and subsequent years Operating Budgets.

BACKGROUND

As noted in the January 9, 2013 Joint Corporate Services – Procurement Services Department and Development and Infrastructure Services – Facility Services Report 2013-02, Strathcona Solar Initiatives was awarded the contract to proceed with installing solar panels for 6 MicroFIT projects and 1 FIT project. The 6 MicroFIT projects are complete and Town staff is working with Newmarket Hydro to connect the Ray Twinney Complex (RJT) FIT project to the grid, once this connection takes place within in the next couple of weeks this project will be complete and the Town will begin to recognize revenue.



Development and Infrastructure Services Information Report Commissioner 2013-63, dated November 26, 2013, regarding the installation of solar panels on Magna indicated that upon approval by the OPA of the application and design staff would be seeking approval for the project under a single source approval based on the criteria relating to standardization of maintenance contracts and that financing and allocation of the revenues would be addressed.

COMMENTS

At this time the Town has been notified by the OPA that the application made on our behalf by Strathcona has been approved. Town staff seeks funding for this project with an internal loan charging the prime interest rate (currently 3%), amortized over a 10 year period, immediate annual savings can be realized and budgeted. This investment would be comparable and competitive with other options and is currently being done for the RJT project.

The interest rate and repayment term are consistent with the Town's other solar panel investments. The 10-year term was chosen to be conservative. The equipment is expected to have double that life cycle but we wanted to mitigate risk on a new venture. Our experiences in 2014 with the equipment and revenues will allow us to review this position and consider possibly extending the term to 15 or 20 years. This would allow a better matching of benefits with costs: the bulk of the benefits are currently deferred to 10 years in the future. This review will form part of the 2015 budget proposal.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

The current contract is estimated to provide the Town with financial returns over the life of the 20 year contract of approximately \$4,086,659 for an investment of approximately \$1,493,321. In addition, the use of existing facilities to create green sustainable energy supports the environmental goals of the municipality.

CONSULTATION

Internally, the following staff were consulted; Development and Infrastructure Staff, Director Financial Services/Treasurer, Newmarket Hydro Staff and the Manager, Procurement Services.

HUMAN RESOURCE CONSIDERATIONS

Staffing levels are not impacted as a result of the recommendations in this report. All works may be completed with existing staff.

BUDGET IMPACT

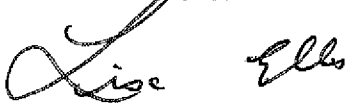
In consultation with the Director Financial Services the final contract amount will be funded internally at the prime banking rate which is currently 3%. The interest earned on the loan would be allocated according to the Town's Investment Strategy.

The projected loan repayment schedules for the Magna FIT project is provided below:

Magna Fit Project Funding - 10 Year Payback								
Year	Beginning Balance of Loan	Annual Interest Payment @ 3%	Value of Loan Including Interest	Annual Revenue Generated from Solar Panel	Annual Repayment	Revenue (After Loan Repayment)	Avg. Annual Operating Costs	Net Operating Impact
2015	1,493,321	44,800	1,538,121	204,333	175,063	29,270	20,000	9,270
2016	1,363,058	40,892	1,403,950	204,333	175,063	29,270	20,000	9,270
2017	1,228,887	36,867	1,265,753	204,333	175,063	29,270	20,000	9,270
2018	1,090,691	32,721	1,123,411	204,333	175,063	29,270	20,000	9,270
2019	948,349	28,450	976,799	204,333	175,063	29,270	20,000	9,270
2020	801,736	24,052	825,788	204,333	175,063	29,270	20,000	9,270
2021	650,726	19,522	670,247	204,333	175,063	29,270	20,000	9,270
2022	495,185	14,856	510,040	204,333	175,063	29,270	20,000	9,270
2023	334,977	10,049	345,027	204,333	175,063	29,270	20,000	9,270
2024	169,964	5,099	175,063	204,333	175,063	29,270	20,000	9,270
10 Year Summary	1,493,321	257,307	1,750,628	2,043,330	1,750,628	292,702	200,000	92,702
2025				204,333		204,333	20,000	184,333
2026				204,333		204,333	20,000	184,333
2027				204,333		204,333	20,000	184,333
2028				204,333		204,333	20,000	184,333
2029				204,333		204,333	20,000	184,333
2030				204,333		204,333	20,000	184,333
2031				204,333		204,333	20,000	184,333
2032				204,333		204,333	20,000	184,333
2033				204,333		204,333	20,000	184,333
2034				204,333		204,333	20,000	184,333
20 Year Summary	1,493,321	257,307	1,750,628	4,086,659	1,750,628	2,336,031	400,000	1,936,031

CONTACT

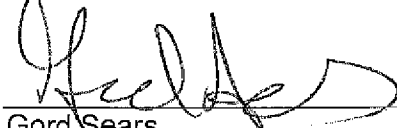
For additional information on this report, please contact Christopher Kalimootoo, Director, Public Works Services at extension 2551.




Lisa Ellis
Business Performance Coordinator



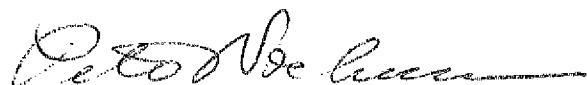
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Director, Public Works Services



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Director, Financial Services



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Development & Infrastructure Services



Anita Moore, Commissioner
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