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Newmarket Energy Efficiency Retrofit Business Plan, Final Plan Staff Report to Council

Report Number: 2024-37

Department(s): Engineering Services, Planning Services, and Economic Development

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Meeting Date: June 17, 2024

A. Recommendations

1. That the report entitled “Newmarket Energy Efficiency Retrofit Business Plan, Final Plan” dated June 17, 2024 be received; and,
2. That Staff prepare and submit an application to the Federation of Canadian Municipalities, consistent with the needs addressed in the NEER Business Plan, to receive funding under the Green Municipal Fund’s Community Efficiency Financing program; and,
3. That once successful funding from the Federation of Canadian Municipalities is confirmed, Staff will have external counsel conduct negotiations of an Implementation Partner Amendment with Enerva as per RFP-2021-076 and Staff will bring back the final Implementation Partner Amendment for Council Approval; and,
4. That Staff prepare a by-law to support Local Improvement Charges; and,
5. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

B. Executive Summary

This report aims to secure Council's confirmation of the Business Plan for the Newmarket Energy Efficiency Retrofit (NEER) program, seek endorsement to apply for funding from the Federation of Canadian Municipalities (FCM) Community Efficiency Financing (CEF) program, and obtain approval to negotiate with Enerva as the Implementation Partner.

The NEER program was developed following the recommendation of the Community Energy Plan, and the NEER Business Case approved by Council in 2019. In 2024 the discontinuation of the Federal Greener Homes Grant for Ontario residents left a significant gap in the availability of financing and support for home energy retrofits. Enerva, selected through a competitive RFP process, has developed an investment-grade Business Plan proposing a four-year pilot project with an opportunity for expansion thereafter. This project will leverage advanced technologies and innovative financing mechanisms, such as Local Improvement Charges (LICs), to facilitate retrofits aimed at converting natural gas heating systems to electric heat pumps and improving home weatherization/insulation.

Market analysis revealed strong homeowner interest in energy efficiency upgrades, with a significant portion of Newmarket's residential sector suitable for targeted retrofits. The program's primary tool, the Concierge 2.0 platform, will provide a comprehensive digital service to educate homeowners, streamline project planning and execution, and integrate financing options.

The Business Plan outlines the creation of a Municipal Services Corporation (NEWCO) to manage the program, ensuring limited liability for the Town and enabling private equity participation. Successful implementation of the NEER program is contingent on securing up to \$15 million in funding from the FCM's CEF program, which would cover 80% of the project's eligible costs.

Overall, the NEER program is designed to be a self-sustaining entity that will significantly contribute to Newmarket's environmental goals by reducing GHG emissions, enhancing energy efficiency in residential buildings, and providing a scalable model for future expansion.

C. Purpose

The purpose of this report is to acquire Council's confirmation of the Business Plan, receive endorsement to apply for Federation of Canadian Municipalities (FCM) Community Efficiency Financial (CEF) funding, and to receive endorsement to negotiate with Enerva as the Implementation Partner selected through RFP-2021-026 to implement the NEER program. Implementation of the NEER program will advance the Town's Community Energy Plan targets and is consistent with Council's Environmental Sustainability Priority by addressing climate change for our future generations.

D. Background

This project started with Council's approval of the Community Energy Plan (CEP) in June 2016. The CEP set targets of a 50% per capita reduction to primary energy and greenhouse gas emissions from the 2017 baseline by 2041. To reach those targets actions were recommended, including a home energy retrofit program to achieve an energy efficiency increase of 30 to 50% in 80% of the Newmarket residential sector. In

2018, Garforth International was hired to complete the NEER Business Case, demonstrating how to run a program that would see 80% of Newmarket's homes retrofitted. The NEER Business Case showed the program was feasible and recommended a Business Plan to move it forward.

In late 2021, Enerva Energy Solutions was competitively procured to develop an investment grade Business Plan for the Newmarket Energy Efficiency Retrofit program (Business Plan) and negotiate an arrangement to implement the Business Plan. The Business Plan is a follow-on activity from the Business Case and is partially funded by FCM's Green Municipal Fund (GMF) through the CEF program.

Enerva presented to Council on May 16, 2022, and May 8, 2023 and a Staff Report titled *Newmarket Energy Efficiency Retrofit Business Plan, Options* was provided to Council on September 11, 2023.

Since NEER was last discussed with Council, funding available to Newmarket residents for home energy retrofits through the Greener Homes Grant and Loan are no longer available to Ontario residents. There are no other programs currently available to Newmarket residents to educate, promote, and finance home energy retrofits. A resident would have spent time and resources to research home energy retrofits, find professionals for the supply and installation, and either self-finance or work with lending institutions for financing; all of which create market friction that would be reduced with the NEER program.

E. Discussion

The Town of Newmarket is in the unique position of bringing an innovative residential home energy retrofit program to market, unlike what has been attempted in other jurisdictions. With the sunsetting of the Federal Greener Homes Grant and Loan for Ontario residents, a vacuum has been created in this space for Newmarket residents. The NEER program will make available financing options that would otherwise be unavailable to Newmarket residents through an industry leading online digital concierge service to educate, plan, and execute home energy efficiency retrofits, nicknamed Concierge 2.0.

The Business Plan proposes a four-year "pilot" program, contingent on a successful funding application through the FCM's CEF program with the possibility of future expansion of the pilot to be decided later by Council. This approach will allow the concept to be proven in market conditions, with significant risks removed from the Town while furthering the Town's CEP goals and significantly reducing GHG emissions.

1. Market Potential

Data from MPAC, Enbridge, and Statistics Canada along with stakeholder engagement, literature reviews, and a survey of Newmarket residents was analyzed to test the 2019 Business Case and refine the market potential in a post-COVID/higher interest rate

world. The biggest change was the increase in availability of residential grade heat pumps, a technology not considered in the 2019 Business Case.

The analysis provides 6 key findings:

- i. Newmarket residents are interested and willing to invest in energy efficiency retrofits of their homes.
- ii. The energy savings and emission reductions potential will contribute towards the goals and targets of the Community Energy Plan and other policies.
- iii. Newmarket's residential target market can be divided into five segments based on the physical characteristics of the homes.
- iv. The GHG emissions primarily result from home heating and water heating, while a small portion is attributable to cooking.
- v. The most significant GHG reduction is achieved through the conversion of natural gas fueled space heating to electrically driven air source heat pumps.
- vi. The Business Plan, if implemented as designed, can reach Newmarket's 50% per capita GHG reduction target. The technologies are commercially available, their costs are coming down, increasing the economic feasibility of retrofits, and are more commonplace and understood by consumers.

1.1 Newmarket Housing Stock

An overview of Newmarket's housing stock reveals its significance in the local energy landscape:

- Residential buildings account for approximately 38% of the Town's total energy consumption, highlighting the sector's importance in energy efficiency initiatives.
- Detached homes represent the primary focus due to their substantial energy consumption and emissions and are the largest portion of the market.
- Analysis of energy use and retrofit potential indicates significant GHG reduction potential in Newmarket's residential housing sector.

1.2 Target Markets

The Business Plan categorized the target market into five archetypes. The below table provides the approximate breakdown of the 5 types, what their characteristics are, the potential GHG reduction available, and approximately how many homes make up the archetype.

	Home Type A	Home Type B	Home Type C	Home Type D	Home Type E
Architectural Style	Detached 1-storey homes, most with unfinished basements and 3 bedrooms	Detached homes, most with 2-storeys, unfinished basements, and 3-4 bedrooms	Detached homes, most with 2-storeys, unfinished basements, and 4-5 bedrooms	Detached homes, most with 2-storeys, partially finished basements, and 3-4 bedrooms	Semi-Detached, row, or townhouse configuration, most with 2-storeys, no basement and 3 bedrooms
Has Central Cooling	~50%	~71%	~61%	~76%	~57%
Construction Period	Mostly before 1975	Mostly before 1975	After 1990	Between 1975 - 1990	Around 2000
Assessed Value	~\$550,000	~\$550,000	~\$827,000	~700,000	~\$500,000
Market Size (no. of homes)	3,200	3,750	3,800	8,000	6,900
GHG Reduction potential (tons of Carbon Dioxide equivalent (CO₂e))	59% (12,378)	57% (11,055)	43% (13,752)	51% (32,029)	63% (20,714)

1.3 Homeowner Survey Results

Insights from homeowner surveys offer valuable perspectives on renovation intentions, preferences, and attitudes towards energy efficiency upgrades:

- The surveys, conducted via telephone and online platforms, garnered responses from 240 Newmarket residents through both phone calls and an online survey, providing a robust dataset for analysis.

- Findings indicate a substantial proportion of respondents considering home renovations (41%), with a high likelihood of incorporating energy improvements (97% of respondents who are considering home renovations).
- Strong preferences emerge for contractor pre-qualification (83%), and advisory services (65%), underscoring the importance of trust, guidance, and affordability in retrofit decision-making.
- The surveys shed light on homeowners' financing preferences, with a notable inclination towards self-financing (58%) and existing lender options (23%), alongside receptivity towards municipal property assessments (20%).

1.4 Product Offer

The Business Plan's product offering is:

- Financing options (self, Local Improvement Charge, etc);
- Turnkey retrofit focused on the conversion of natural gas furnaces to an electric heat pump, paired with a smart thermostat and weatherization/insulation;
- Online digital concierge service (pre-sales activities);
- Online digitized workflow automation and operational management system;
- Integrated warranty and post-project maintenance.

The program has been designed to meet consumer needs, streamline processes, and maximize energy efficiency gains:

- It is informed by homeowner surveys, data analysis, and consumer-driven design principles, the product offer emphasizes consumer choice, simplicity, and technological innovation.
- Key features include bundled finance options, turnkey retrofit solutions focused on air source heat pumps and insulation upgrades, and an online concierge service ("Concierge 2.0") for pre-sale activities.
- The proposed product offer aims to provide an integrated and streamlined customer experience while maximizing GHG reductions, addressing key barriers to retrofit adoption, and ensuring affordability and accessibility for homeowners.
- For homes without existing Central Cooling, installation of a heat pump combines both heating and cooling, introducing an amenity the home did not have before and increasing resiliency for future impacts of climate change.

1.5 Financing Options and Considerations

The Business Plan includes the use of an innovative financing solution utilizing local improvement charges (LIC) under Ontario Regulation 586/06. Homeowners can opt for LIC loans with advantages like transferability and extended amortization. However, the

proposal also accommodates homeowners' preferences for self-financing or existing lenders.

1.6 Energy Retrofit

The primary focus of the Business Plan is to maximize GHG reductions, increase ease of delivery, and to consider the current lifecycle of the mechanical, electrical, and building envelope systems along with customer budgets. There are three considerations for program participants for their retrofit package, including an air source heat pump, smart thermostat, and weatherization/insulation.

Weatherization/insulation is an option to address the perceived livability in the home. Air source heat pumps are designed to keep the home at a consistent temperature rather than provide the instant heat/cooling felt out of the vents with a conventional system. If the home is drafty before heat pump installation, the owner may think the heat pump is not working properly. Addressing weatherization/installation improves the livability of the home, better setting up the NEER program for success.

1.7 Concierge 2.0 (Pre-sale activities)

Concierge 2.0 is an online digital concierge service offering unbiased information and guidance on energy improvements to NEER participants. Features include educational content, evaluation tools, project planning, contracting assistance, and integration with GreenButton¹ and virtual energy audits. The platform aims to address information gaps and provide scalable support to homeowners.

The Concierge 2.0 service will reduce resourcing requirements of the NEER program and improve scalability. It will:

- Be available to all Newmarket residents as a free service at any time
- Allow two-way communication with a pre-qualified contractor.
- Leverage technology and innovation for easier and scalable methods to provide the services of an energy coach
- Incorporate technical, financial, and behavioural considerations to provide a renovation plan integrating energy savings measures
- Integrate future federal/provincial incentive programs when/if available in the future
- Display a simple to understand customer service journey map for customers to know where they are in the retrofit process along with next steps and associated estimated timelines

¹ GreenButton is a program operated by the Ontario Energy Board to standardize data that gives residential energy customers an option to easily and securely transfer their energy use data to a third party. It can be useful when completing energy audits and identifying key energy saving retrofits.

It will achieve these points by:

- Being web browser based (which will work on both mobile and desktop devices)
- Assisting the consumer decision making process
 - **Learn:** Provide users with access to the information necessary to evaluate and plan a renovation that integrates energy saving measures including heat pumps, water heating, building envelope, etc.
 - **Evaluate:** Help users consider the options of different efficiency measures and renovation scope
 - **Plan:** Help users implement a renovation project incorporating the chosen measures including project scope and specification, budgeting, scheduling, project management, integration of other programs, and on-site assessment
 - **Save:** Help users save information, including data on contracting, communications, scheduling updates, deficiencies reporting, project close-out, product manuals, warranty administration, and post-project customer service

1.8 Operational Platform & Workflow Automation (Program backend)

Once a homeowner moves through the Concierge 2.0 and moves forward with the retrofits, the Operational Platform will deliver the retrofit program. The Platform will allow all operational activities to be monitored, controlled, and managed. The user experience will allow homeowners to access status of their project from the start to finish and request services. For example, a homeowner can request changes to their project scope and assess the impact on the budget in the Platform.

2. Business Structure

2.1 Governance and Ownership

The Business Plan recommends that a Municipal Services Corporation (MSC) be created under the *Municipal Act, 2001, S.O. 2001 c.25* to run the Concierge 2.0 program. NEWCO would be governed by a Board of Directors appointed by the Town and the Implementation Partner. The governing documents of NEWCO will include the articles of incorporation, corporate by-laws, and a Shareholders Agreement between the Town and the Implementation Partner.

The Implementation Partner and the Town will capitalize NEWCO according to the Shareholder Agreement. The Shareholder Agreement has yet to be developed and will be negotiated between the Town and the Implementation Partner.

The proposed business structure of NEWCO is designed to effectively operate and deliver the Business Plan while reducing liability, risk, and resource drain to the Town (this will be elaborated on below). It's designed to scale as the organization grows and

adapts to meet its objectives. Additionally, it's tailored to address both startup requirements and achieving stability. With a successful funding application, it is intended 80% of the startup and operating costs of NEWCO will be funded through FCM's CEF program.

2.2 Marketing & Sales Strategy

The Business Plan recommends that NEWCO's Marketing and Sales Strategy emphasizes digital outreach, tailored product offerings, and innovative promotion tactics aimed to enhance market penetration and customer engagement, contributing to the success of NEWCO.

2.2.1 Price

The Business Plan adopts a "cost plus" pricing strategy for both project scope and financing interest rates. Prices will be determined individually based on project specifics, equipment options, and installation details. There is flexibility in pricing based on equipment sizing, optional features, and physical location considerations.

2.2.2 Promotion

Marketing efforts will be structured around a framework of awareness, momentum, and growth. The initial focus will be on building awareness through pre-sales activities like website development and Concierge 2.0. Various channels such as municipal websites, signage, press releases, and community events will be utilized. There will be emphasis on digital outreach via social media platforms like Facebook, Instagram, and Nextdoor. Educational content, including technology primer animations to demonstrate product functionality and benefits will be created and distributed. There will also be the opportunity for consideration of innovative promotion tactics like mobile exhibits to engage and educate the community effectively.

2.2.3 Place

The primary distribution channel will be digital, eliminating the need for a physical storefront. However, field operations will require transportation for site visits, estimations, project management, and quality assurance.

2.3 Operations Management

The operations management will be outsourced to an Implementation Partner. The relationship between the Town and the Implementation Partner will be governed through an Implementation Amendment. The general role of the Implementation Partner is providing all services related to start-up, launch, and operations necessary to implement the Business Plan. These activities will include all functional roles related to:

- Marketing
- Information technology
- Human resources

- Operations management including customer service and support, project management, contractor contract management and quality assurance
- Finance including accounting, tax filings, and project financing for LIC projects
- Reporting

The start-up human resources plan will include a Program Director, a Marketing & Sales Manager and an Operations Manager. Additional resources can be ramped up as volumes increase.

3. Operating Model & Plan

The Business Plan has been drafted to create a self-sustaining commercial entity. In other words, NEWCO is intended to be financially independent from the Town of Newmarket. NEWCO is eligible to apply for start-up and on-going financial support from FCM's CEF program. Funding from the CEF program will be passed through to homeowners to lower the costs from converting to heat pumps.

Following Council's approval, implementation of the NEER Business Plan will be contingent on:

- Successful funding by FCM's CEF Program.
- Council Approval of an Implementation Amendment successfully negotiated with an Implementation Partner

3.1 Expected Outcomes

The Community Energy Plan identified targets of 50% reduction in GHG emissions per capita from 2017 levels by 2041. For all Home Types, conversion of natural gas heating to an air source heat pump with weatherization will potentially result in a 40-61% reduction in GHG emissions; with all but Type C homes achieving a greater than 50% GHG reduction. It is expected with an 80% market penetration rate for air source heat pump conversions, the CEP targets will be achieved.

3.2 Existing Market Structure

In the current market, homeowners typically engage design professionals for large renovations involving multiple home systems and requiring permits. General contractors (GCs) play a pivotal role, often maintaining relationships with designers and overseeing various aspects of the project. Homeowners sometimes act as their own GCs or perform tasks independently. Financing for projects typically relies on personal savings or existing credit facilities, with some sub-trades offering equipment financing through financial technology firms. GCs manage the construction contracts, assume risks, coordinate sub-trades and material supply, obtain permits, ensure quality assurance, and handle dispute resolution, making their role crucial in the Business Plan operating model.

3.3 NEWCO Initial Phase

NEWCO plans to use customer-facing technology (Concierge 2.0) and workflow automation to stimulate demand and smooth out friction points of the renovation process. Customers could come to Concierge 2.0 from General Contractors. Under this model, homeowners will contract separately with a general contractor (GC) for construction and with NEWCO for financing. This approach aims to pilot business processes, establish relationships, and build corporate infrastructure. While simpler to initiate, this facilitation and finance model may lack the cost efficiencies needed to achieve Newmarket's long-term GHG reduction goals. The Business Plan recommends that NEWCO be set up to transition gradually to a turnkey solution. Initially, homeowners will contract directly with GCs, with all contractual terms, warranties, health and safety, and quality assurance addressed within the construction contract. To assist residents in choosing a contractor, NEWCO will pre-qualify GCs based on set standards and will facilitate pricing negotiations between homeowners and contractors. Eventually NEWCO could take on more of GC role further simplifying the process for residents.

The initial capital will come from the CEF program, potentially supplemented by a financial partner. After the pilot project time period (four years), the next stage will rely on private capital, aiming for a self-sustaining business model. It will be determined by the successful funding agreement with FCM, but it is intended funding will flow directly from FCM to NEWCO. Before the end of the pilot project. NEWCO will attempt to secure third-party funding, and return to Council for approval to expand the program.

3.4 Value For Customers

Not only will participants be making an eco-conscious decision to help mitigate climate change, but there are also cost savings and other co-benefits to be realized as well. For each of the five housing archetypes, the table on the next page outlines the average annual cost to operate different HVAC systems. In all cases, the replacement of a gas furnace with an air source heat pump is expected to result in a lower annual cost.

Other co-benefits that are not necessarily able to be assigned a monetary value include quality of life improvements (e.g., quieter operation, and more consistent temperature without the temperature swings of a conventional system). The NEER program may also be able to offer a better than market interest rate (depending on the FCM agreement). Another key value added for residents would be in the contractor selection process. Currently, if a homeowner is shopping for heat pump prices, they will likely receive a wide range of prices, making it difficult to know which contractor to go with. Contractor pre-qualification through NEER will give residents peace of mind they are selecting a reputable contractor at a reasonable price.

Average Annual Costs to Operate					
	Home Type A	Home Type B	Home Type C	Home Type D	Home Type E
Gas heating with air conditioning	\$1,937	\$1,819	\$2,044	\$2,163	\$1,843
Standard heat pump with gas backup	\$1,548	\$1,464	\$1,620	\$1,705	\$1,482
Standard heat pump with electric backup	\$1,614	\$1,523	\$1,693	\$1,785	\$1,542
Cold-climate heat pump with electric backup	\$1,454	\$1,380	\$1,517	\$1,591	\$1,396

4. Risks

The Business Plan was established on the principle of reducing and eliminating risk to the Town of Newmarket. While few endeavors worth pursuing have no risk, the risks to the Town have been minimized to the greatest extent possible.

4.1 Mitigation by Municipal Service Corporation

The MSC reduces risk to the Town because:

- It provides limited liability to the Town while other options would not allow for that,
- It provides NEWCO with increased options to finance the project (private equity),
- It separates and makes debt taken on by NEWCO distinct; consolidation with Town debt would not occur,
- NEWCO's liabilities arising from any borrowing activities could be structured so as to be isolated from any Town liabilities,
- NEWCO will be structured to be resourced by the Implementation Partner, and be overseen by a Board of Directors,
- It allows for equity participation by other corporations or municipalities in the future.

4.2 Financial Risk – Startup Costs

Through the work completed developing the Business Plan, it is not recommended to implement the plan without successful funding through FCM's CEF program. The CEF program allows for a maximum award of \$10,000,000 in capital loan for energy efficiency retrofit loans, with an additional \$5,000,000 grant to support start-up and operating costs. The combined loan and grant can cover up to 80% of total eligible program costs. This is a funding program that is otherwise not available to Newmarket residents, and it may be possible through the Implementation Amendment to have the 20% not covered by the CEF to be covered by the Implementation Partner as their equity participation in the MSC.

4.3 Financial Risk – LIC loan security

Each energy efficiency retrofit loan will be collateralized as a Local Improvement Charge (LIC) against the property, taking priority over any other mortgage or encumbrance. Default risk will be mitigated through industry-standard underwriting practices, which will be developed during the detailed program design and review of the CEF program funding agreement. These practices include assessing current homeowner equity (loan to value) and the homeowner's ability to service the new debt (debt service ratios), along with income considerations. Tighter underwriting generally favors higher-income households. Additionally, energy efficiency projects reduce energy bills, creating cost savings that help service the debt.

4.4 Financial Risk – FCM loan default funding

A unique feature of CEF's capital program funding is a municipal loss provision to mitigate the default risk of participating homeowner loans. A dedicated loan loss reserve is established for each program and five percent of the loan capital disbursed is committed as a backstop to cover any losses that might be realized in the event of a loan default or delinquency. Amounts committed to the loan loss reserve are considered an eligible cost and funded by the grant allocation. Additionally, research has shown that default on property taxes (which is where the LIC would end up) are extremely low.

5. Implementation Partner and Amendment

Through RFP-2021-026, Enerva was competitively selected as the long-term Implementation Partner to develop the Business Plan, and then to implement the business plan after negotiating an Implementation Amendment to the original contract.

The Implementation Partner is expected to be responsible for, but not limited to the following:

- Implement marketing and sales plan
- Development and implementation of Concierge 2.0
- Sales closing

- Implement Administrative Plan
- Implement Operations Plan
- Operational System: Customer On-boarding and workflow automation system
- Legal Contracts
- Project Delivery

The use of the Implementation Partner Amendment following adoption of the Business Plan allows the Town to set out metrics the Implementation Partner will be expected to achieve, to allow for a transition to an extension of the pilot project if the market bears the program, and through negotiation, can further reduce financial and resourcing risks to the Town by requiring the Implementation Partner to take on those risks. Use of an Implementation Partner significantly reduces Town resources to implement the NEER Business Plan.

In the RFP, the Implementation Amendment was outlined and will include:

- Final mutually agreed adjustment to the Business Plan
- Final Partner Performance Guarantees based on the Business Plan
- Partner penalties for under-performance
- Partner benefits for over-performance
- Town guarantee to implement LIC Bylaw and homeowner funds management
- Town guarantee to participate in NEWCO Governance as called for in the Business Plan
- Expected timing to launch the Business Plan.

F. Conclusion

In conclusion, the implementation of the Newmarket Energy Efficiency Retrofit (NEER) Business Plan represents a significant advancement in achieving the targets outlined in the Community Energy Plan, specifically aiming for a 50% reduction in per capita GHG emissions by 2041. The plan leverages innovative financing options, such as Local Improvement Charges, and the creation of a Municipal Services Corporation (NEWCO) to deliver a streamlined, digital-first service for home energy retrofits. By addressing market friction and providing robust support through the Concierge 2.0 platform, the program not only fills the gap left by the discontinuation of federal grants but also ensures long-term sustainability and scalability. The successful partnership with Enerva, contingent on Council's endorsement and FCM funding, underscores a collaborative effort to enhance residential energy efficiency, contributing significantly to Newmarket's environmental goals and setting a precedent for other municipalities.

G. Business Plan and Strategic Plan Linkages

Supports and implements Council's Strategic Priority: *Environmental Sustainability – preserving our environmental assets and addressing climate change for future generations.*

H. Consultation

The Business Plan development was led by a Steering Committee where decisions were made by consensus. The CAO, Commissioner of Development & Infrastructure Services, Finance, Legal, Engineering, Planning, and Economic Development were represented on the Steering Committee. Additional external consultation was completed with industry representatives and a Newmarket-specific Market Study.

I. Human Resource Considerations

At the current stage, moving forward with negotiations for the Implementation Amendment with Enerva will require staff time and external counsel.

Following a successful FCM funding application, successful negotiation with the Implementation Partner, and Council Approval of the Implementation Amendment, the implementation of NEER will be the responsibility of the Implementation Partner except for LIC registrations. Local Improvement Charge registrations would be completed in-house by the Town's Legal Department following training from external counsel. It is unlikely to be a significant impact because uptake is unlikely to be all at once.

J. Budget Impact

Many of the costs associated with implementation of the recommendations is anticipated to be borne by the Implementation Partner or be recoverable through the grant from FCM. This will be confirmed through the negotiation of the Implementation Amendment. The costs associated with set-up of the MSC, and the negotiation of the Implementation Amendment will be included in the FCM funding application but may not be recoverable.

Following successful FCM funding, Staff will retain external counsel to complete the Implementation Amendment with Enerva as outlined in RFP 2021-076. Contingent on successful funding by FCM, and if the negotiation costs are not recoverable through FCM funding, costs will be covered from the Climate, Environment and Sustainability Consultant Operating Budget.

While the costs for the negotiation of the Implementation Amendment are uncertain because this is a non-standard agreement, Staff recommend a budget approval of \$30,000 to cover the external counsel expenses. There are sufficient funds available to address the cost.

Future expenses to complete the implementation of the Business Plan following future Council Approval of the Implementation Amendment include:

- Creation & organization of the MSC - \$30,000 to \$40,000 (possibly recoverable through FCM funding)
- Review of the NEWCO standard form templates to be used with contractors and customers going forward - \$20,000 to \$30,000 (recoverable through FCM funding)

K. Attachments

Appendix 1 – NEER-Business Plan.pdf

L. Approval

Sepideh Majdi, Strategic Business Leader & Manager, Development Engineering, Engineering Services

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