

Analyst Briefing Notes

Administration Committee

(November 7, 2005)

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PART I: CAPITAL PROGRAM**Executive Summary**

- In April 2004, Council adopted Policy and Finance Committee Report No. 3, Clause 1, entitled, “A Framework for Establishing an Energy Retrofit Program (ERP) and Financing Strategy”, and approved a \$20.0 million capital budget to be reallocated to eligible energy retrofit projects, financed by a loan of \$4.714 million from the Federation of Canadian Municipalities and \$15.286 million of city Debt, with all repayments and debt service charges to be paid from energy savings. The Council approved \$20.0 million has been fully allocated to five energy retrofit projects.
- The 2005 Approved Capital Budget of \$11.251 million was 19% spent as at September 30, 2005. Actual expenditures to year-end are projected to be \$6.430 million or 57% of the 2005 Approved Budget. This will result in 2005 cash flow funding of \$4.821 million being carried into 2006. This under expenditure is primarily due to delays in finalizing contracts with outside parties and the complexity of energy efficiency projects which require full energy audit be finalized before energy work can proceed.
- The 2006 ERP capital budget request has a project cost of \$15.0 million but only \$6.0 million has been allocated for the 2006 Program and it is recommended that the balance be earmarked for consideration during the 2007 budget process.
- The 2006 Proposed Capital Budget consists of new cash flow of \$7.682 million for four previously approved sub-projects and \$1.5 million for new energy efficiency projects with a project cost of \$6.0 million and future year commitments of \$4.5 million in 2007; funded by debt of \$7.166 million and \$2.016 million by a loan from the Federation of Canadian Municipalities’ Green Investment Fund.
- No debt guideline was established for the Energy Retrofit Program for 2006. A 5-Year Capital Plan has not been submitted for this Program. The proposed cash flow for the \$15.0 million in new project costs is allocated as \$1.5 million in 2006, \$6.5 million in 2007, \$5.0 million in 2008, and \$2.0 million in 2009.
- A detailed status report showing energy cost savings, energy volume savings, and debt servicing for each of the five previously approved projects will be presented to the Budget Advisory Committee in November 2005.
- A list of additional energy efficiency projects in the City’s Divisions and ABCs will be prepared before the end of 2006 and submitted for consideration, along with applicable business cases, as part of the 2007 budget capital budget process.

Recommendations

It is recommended that:

1. the 2006-2015 Energy Retrofit Capital Program request with a total project cost of \$15.0 million be received;
2. the 2006 Proposed Capital Budget for Energy Retrofit with a total project cost of \$6.0 million and a 2006 cash flow of \$14.003 million and future year commitments of \$5.103 million be approved. The 2006 Proposed Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 1 new sub-project with a 2006 total project cost of \$6.0 million that requires cash flow of \$1.500 million in 2006 and a future year commitment of \$4.500 million in 2007;
 - ii) 4 previously approved sub-projects with a 2006 cash flow of \$7.682 million and a future year commitment of \$0.603 million in 2007;
 - b) 2006 approved cash flow for 4 previously approved sub-projects with carry forward funding from 2005 into 2006 totalling \$4.821 million;
3. new debt service costs of \$0.215 million in 2006 and incremental costs of \$0.893 million in 2007, and \$0.385 million in 2008, resulting from the approval of the 2006 Proposed Capital Budget, be approved for inclusion in the 2005 and future year operating budgets and be recovered from energy savings within the Operating Budget of each Division/ABC receiving ERP funding;
4. The Chief Corporate Officer provides a detailed status report for the five previously approved projects to the Budget Advisory Committee in November 2005 detailing the annual cash flow, energy savings, energy cost savings and debt servicing for each project;
5. a list of energy efficiency projects for City's Divisions and ABCs be prepared by the end of 2006 and submitted for consideration, along with applicable business cases for each project, as part of the 2007 capital budget process; and
6. that the revised cashflow projections of \$7.103 million in 2007; \$5.0 million in 2008; and \$2.0 million in 2009 for the Energy Retrofit Program be referred to the Deputy City Manager and Chief financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended firm 5-Year Capital Plan within Council's approved debt affordability limits.

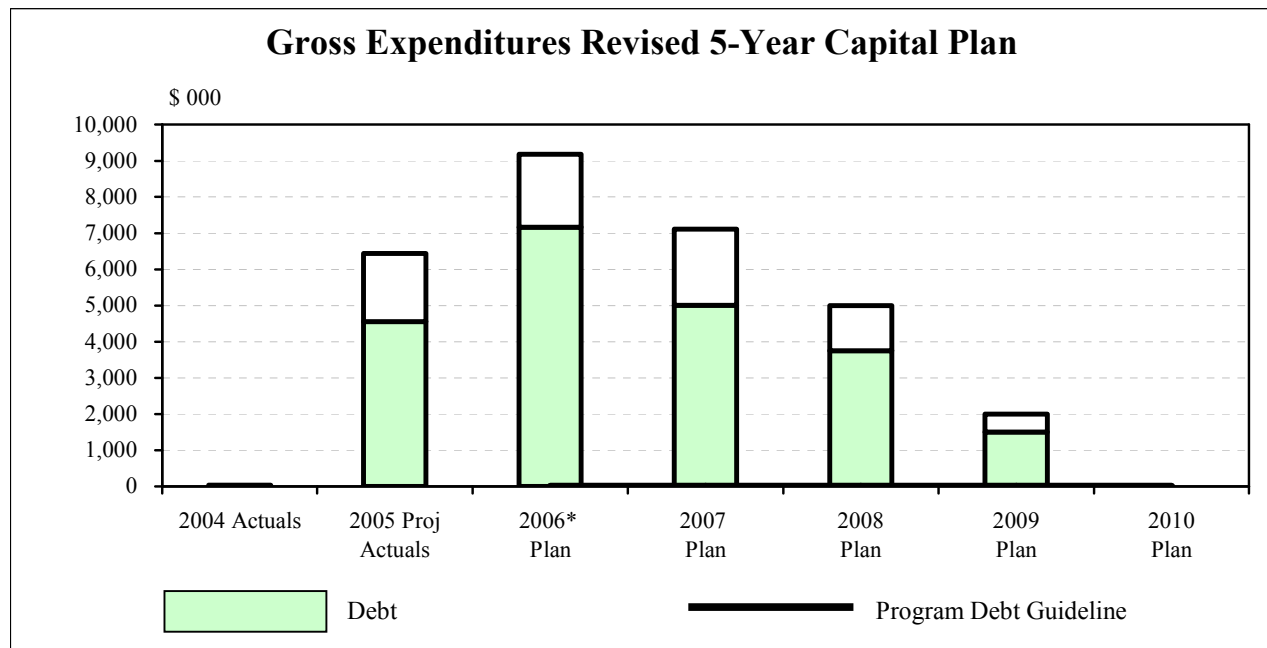
2005 Capital Variance Review

2005 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2005 Approved	Actuals as of Sept. 30 Y-T-D (3rd Qtr Variance)		Projected Actuals to Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
11,251	2,109	19	6,430	57	4,821

Comments / Issues:

- The Energy Retrofit Program has reallocated the total approved \$20.0 million in project costs to five projects that had a 2005 cash flow of \$11.251 million.
- The Energy Retrofit Program's projected year-end spending rate for five sub-projects is 57% as reported in the September 30, 2005 Variance Report. This spending is due to the complexity of these projects and the time required for contracts to be finalized with outside parties, and the need to finalize energy audits before energy retrofit work can proceed. These outside parties include the energy management firms who conduct the energy audit, design and implement the energy conservation measures and guarantee the energy savings. The detailed status of projects with carry forward funding from 2005 into 2006 are on Page 9-10 of this report. A summary of the projects are set out below:
 - Arena Boards : \$1.380 million
 - Fire Stations : \$1.156 million
 - Exhibition Place : Trigeneration System - \$2.200 million
 - Exhibition Place : Buildings - \$0.085 million
- The unspent balance being carried forward from 2005 to 2006 is \$4.821 million. There is no 2004 cash flow being carried forward into 2006.
- Any subsequent adjustments to the unspent cash flow balance projected as at September 30, 2005 will be reported through to the Budget Advisory Committee during its review of the 2006 Proposed Capital Budget.

5-Year Capital Plan (2006-2010)



	5 Year Plan							2006-2010
	2004	2005	2006	2007	2008	2009	2010	
Gross Expenditures:								
Budget (Excluding 1-Yr. Carry/Fwd)	1,735	9,765	9,182	7,103	5,000	2,000	0	23,285
1-Yr Carry/Fwd Gross (Reference only)	0	1,700	4,821					
Sub-Total Gross Exp. Including 1-Yr. Carry/Fwd	1,735	11,465	14,003					
Actuals	35	6,430						
Financing:								
Debt	1,150	7,378	7,166	5,008	3,750	1,500	0	17,424
Debt Actuals (including 1-Yr Carry/Fwd)	35	4,553	2,825					
Program Debt Target			0	0	0	0	0	0
Other Financing Sources:								
Reserves/Reserve Funds			0	0	0	0	0	0
Development Charges			0	0	0	0	0	0
Federal			0	0	0	0	0	0
Provincial			0	0	0	0	0	0
Other Revenue/FCM Loan			4,012	2,095	1,250	500	0	7,857
By Category:								
Health & Safety			0	0	0	0	0	0
Legislative			14,003	7,103	5,000	2,000	0	28,106
SOGR			0	0	0	0	0	0
Service Improvement			0	0	0	0	0	0
Growth Related			0	0	0	0	0	0
Yearly SOGR Backlog Estimate (not addressed by current year projects)	0	0	0	0	0	0	0	
Accumulated Backlog Estimate (end of year)	0	0	0	0	0	0	0	

*Note: 2006 Proposed Plan Excludes 1-year carry forward debt funding.

2006 Capital Budget Submission Summary (\$000)

2006 Capital Projects		Total Project Cost		2004 Carry Forward		2006 Previous Commitment		2006 New		Total 2006 Request (w/o 2005 C/Fwd)		2005 Carry Forward		Total 2006 (Incl 2005 C/Fwd)	
Project / Sub-Project Name	Cat	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Carryforwards:															
Arena Boards Retrofit	2	10,213	7,565									1,380	744	1,380	744
Fire Stations	2	2,977	1,662									1,156	867	1,156	867
Exhibition Place - Trigenaration System	2	4,400	3,325									2,200	1,150	2,200	1,150
Exhibition Place - Buildings	2	1,610	1,113									85	64	85	64
Exhibition Place - NTC Lighting	2	800	600									0	0	0	0
Sub-Total				0	0	0	0	0	0	0	0	4,821	2,825	4,821	2,825
Previously Approved:															
Arena Boards Retrofit	2					5,620	4,536			5,620	4,536			5,620	4,536
Fire Stations	2					602	394			602	394			602	394
Exhibition Place - Buildings	2					710	548			710	548			710	548
Exhibition Place - NTC Lightings	2					750	563			750	563			750	563
Sub Total				0	0	7,682	6,041	0	0	7,682	6,041	0	0	7,682	6,041
New and Change in Scope Projects															
Pools and Community Centres	2	6,000	4,500					6,000	4,500	6,000	4,500			6,000	4,500
Projects to be Developed	2	9,000	6,750					9,000	6,750	9,000	6,750			9,000	6,750
Sub Total		15,000	11,250	0	0	0	0	15,000	11,250	15,000	11,250	0	0	15,000	11,250
Total Submission 2006		15,000	11,250	0	0	7,682	6,041	15,000	11,250	22,682	17,291	4,821	2,825	27,503	20,116

*Category Index: (1) Health & Safety; (2) Legislated/ City Policy, (3) SOGR, (4) Service Improvement/Enhancement, (5) Growth Related

Proposed 2006 Capital Budget Changes (\$000)

		2006 Requested Cash Flow		Recommended Changes		2006 Recommended Cash Flow		
Project/Sub Project Name	Cat.	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Comments / Issues	Gross	Debt/ Internal Sources
2005 Carryforwards								
Arena Boards Retrofit	2	1,380	744				1,380	744
Fire Stations	2	1,156	867				1,156	867
Exhibition Place - Trigeneration System	2	2,200	1,150				2,200	1,150
Exhibition Place - Buildings	2	85	64				85	64
Sub Total		4,821	2,825				4,821	2,825
2004 Carryforwards								
N/A								
Sub Total		0	0				0	0
2006 Previously Approved Commitments								
Arena Boards Retrofit	2	5,620	4,536				5,620	4,536
Fire Stations	2	602	394				602	394
Exhibition Place - Buildings Retrofit	2	710	548				710	548
Exhibition Place - NTC Lighting	2	750	563				750	563
Sub Total		7,682	6,041				7,682	6,041
New Projects								
Pools and Community Centres Energy Retrofit	2	1,500	1,125			Project cost of \$6M approved for 2006 from a total project cost request of \$15M.	1,500	1,125
Sub Total New Projects		1,500	1,125				1,500	1,125
Total 2006 Recommended (Incl. 2005 C/Fwd)		14,003	9,991				14,003	9,991
Less 2005 Carry Forwards		(4,821)	(2,825)				(4,821)	(2,825)
Total 2006 Recommended (Excl. 2005 C/Fwd)		9,182	7,166				9,182	7,166

2006 Proposed Total Cash Flow & Future Year Commitments (\$000s)

	2004 & Prior Year Carry Forward	2006 Previous Commitments	2006 New Rec'd	2006 Total Cash Flow Rec'd	2006 Guidelines	2005 Carry Forward	Total 2006 Cash Flow (Incl 2005 C/Fwd)	2007	2008	2009	2010	2011- 2015	Total Cost
Expenditures													
Previously Approved		7,472		7,472		4,821	12,293	603					12,896
Change in Scope		210		210			210						210
New													
New w/Future Year			1,500	1,500			1,500	4,500					6,000
Total Expenditure	0	7,682	1,500	9,182		4,821	14,003	5,103	0	0	0	0	19,106
Financing													
Debt		6,041	1,125	7,166		2,825	9,991	3,508					13,499
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other		1,641	375	2,016		1,996	4,012	1,595					5,607
Federal Grants													
Reserves/Res Funds													
Total Financing	0	7,682	1,500	9,182	0	4,821	14,003	5,103	0	0	0	0	19,106

Comments / Issues:

- The 2006 ERP Proposed Capital Budget includes \$4.821 million (\$2.825 million debt funded) carried forward from 2005 to 2006.
- New cash flow funding for previously approved projects is \$7.682 million, which includes a change in scope of \$0.210 million and \$0.800 million for the National Trading Centre Lighting project, to reflect a reallocation of \$0.700 million from the Firehalls project and \$0.300 million unallocated balance, within the original \$20.0 million approval.
- 2006 proposed cash flow of \$1.5 million being retrofitting City pools and community centres has a project cost of \$6.0 million and a 2007 commitment of \$4.5 million and funding of \$4.5 million in new debt and \$1.5 million funding from the Federation of Canadian Municipalities Green Municipal Investment Fund.
- No debt guideline was established for the Energy Retrofit Program for 2006.

Operating Budget Impact

Incremental Operating Budget Summary

Incremental Operating Budget Impact	2006	2007	2008	2009	2010
Program Costs/ (Savings) (\$000s)		(2,364.0)	(109.0)		
Debt Service Charges (\$000s)	215.0	893.5	385.9		
Approved Positions					

Program Incremental Operating Costs

There are no direct program costs associated with the Energy Retrofit Program. The energy cost savings generated by each project will be used to repay project financing up to a maximum ten-year period, and on full repayment the operating budget will be reduced by the amount of the cost savings. The estimated cost savings for each project is shown in the Table below:

Project/Sub-Project	Energy Cost Savings - (\$000s)		
	2006	2007	2008
Arena Boards		1,346.0	1,346.0
Firehalls		290.0	290.0
Exhibition Place/NTC Lighting Retrofit		75.0	150.0
Exhibition Place - Trigeneration System		520.0	554.0
Exhibition Place - Buildings Retrofit		133.0	133.0
TOTAL	0.0	2,364.0	2,473.0

Debt Service Cost

The recommended 2006 Proposed Capital Budget for the Energy Retrofit Program will result in new incremental debt service costs of \$0.215 million in 2006; \$0.893 million in 2007, and \$0.385 million in 2008. These costs will be recovered from the energy cost savings generated by each project within the various programs funded by the ERP.

Each Division/ABC that has received funding from the Energy Retrofit Program for an energy efficiency project is required to repay debt principal and interest from the energy savings generated by the project.

PART II: ISSUES FOR DISCUSSION

2006 Issues

2006 Proposed Capital Budget versus Debt Guideline

The Energy Retrofit Program (ERP) was approved by Council in April 2004 for \$20.0 million to undertake energy retrofits in City facilities. No debt guideline was established for the Energy Retrofit Program for 2006 since projects approved during 2004 and 2005 from the Council approved \$20.0 million were just beginning the construction phase of project implementation.

The energy savings generated by each project funded from the ERP are used to repay the debt and interest charges within a maximum ten-year period. The Council approved \$20.0 million has been fully allocated to the projects shown in the Table below:

Project	Total Project Cost	City Capital	FCM Funds (\$8.75M)	Other Funds (TAF)	Grants & Incentives
City Arenas	\$10,212,964	\$7,564,000	\$2,521,000		\$127,317*
Firehalls	\$2,977,036	\$2,007,777	\$669,259		\$300,000*
Exhibition Place. Retrofit	\$1,610,000	\$1,020,000	\$340,000		\$250,000*
Exhibition Place. Trigen	\$4,400,000	\$2,325,000	\$1,075,000	\$1,000,000	
Exhibition Place. NTC Lighting	\$800,000	\$600,000	\$200,000		
Total	\$20,000,000	\$13,516,777	\$4,805,259	\$1,000,000	\$677,317*

* Grants and incentives are preliminary estimates only.

The 2006 Proposed Capital Budget consists of new cash flow of \$7.682 million for four previously approved projects and \$1.5 million for retrofitting pools and community centres, with total project costs of \$6.0 million and future year commitments of \$4.5 million. The 2006 Proposed Capital Budget will be funded by City debt of \$7.166 million, which has not been included in the City's debt affordability targets and \$2.106 million by a loan from the Federation of Canadian Municipalities' Green Investment Fund.

5-Year Capital Plan Overview

The Energy Retrofit Program has not submitted a 5-year capital plan. The proposed cash flow projections is based on the balance of cash flow commitment for Previously Approved projects allocated within the \$20.0 million Council approved program and a 2006 project costs request of \$15.0 million of which \$6.0 million has been allocated to 2006 for retrofitting pools and community centres and \$9.0 million earmarked for consideration during the 2007 capital budget process. The proposed cashflow summary is as follows:

Energy Retrofit Projects	2006	2007	2008	2009
Previously Approved Projects	\$7,682,000	\$603,000	\$0	\$0
Pools & Community Centres	\$1,500,000	\$4,500,000	\$0	\$0
ERP Projects to be Developed	\$0	\$2,000,000	\$5,000,000	\$2,000,000
Total	\$9,182,000	\$7,103,000	\$5,000,000	\$2,000,000

The proposed cash flows will require new debt funding of \$7.166 million in 2006, \$5.008 million in 2007 and \$1.5 million in 2009 which have not been included in debt targets approved by Council. It is recommended that the revised cash flow projections of \$7.103 million in 2007; \$5.0 million in 2008; and \$2.0 million in 2009 for the Energy Retrofit Program be referred to the Deputy City Manager and Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended 5-Year Capital Plan within Council's approved debt affordability limits.

City Arenas

Retrofitting of the City's Arenas was the first project to be approved from the Council approved \$20.0 million Energy Retrofit Program. The project was awarded to Cinergy Solutions in May 2004 at a cost of \$10.213 million and will focus on efficiency improvements such as heating and ventilation, lighting retrofits and temperature control. A number of steps are involved in getting this work implemented, including:

- contract negotiation
- completion of detailed energy audit/feasibility study at each facility
- review of audits and recommendations
- completion of grant applications
- engineering, construction scheduling
- implementation

Projects of this type take longer than a general construction project due to the time required in completing all the steps listed above and the need to obtain grant approvals prior to construction.

Construction is now underway for the arena projects and the majority of the work is to be completed in 2006. On full implementation of this project in 2007, annual cost savings of \$1.346 million will be generated. Projected capital expenditures to year-end 2005 will be \$2.5 million.

Firehalls

This project for energy and water efficiency improvements was awarded to MCW Energy Reduction Services Inc. in July 2004. The energy audit has been completed and project construction will start in the fall of 2005 and will be completed in 2006. Delay in this project was due to the process involved in receiving grant approval from the Federal government. The project was originally approved at a cost of \$3.624 million, but on completion of the energy audit the cost was reduced to \$2.977 million to reflect the scope of the work required. Annual cost savings of \$0.290 million will be generated by this project starting in 2007. Projected capital expenditures to year-end 2005 will be \$0.900 million.

Exhibition Place - Buildings Retrofit

Exhibition Place submitted an application to the ERP for the financing to retrofit five buildings, at an initial cost of \$1.400 million. This project was awarded to Toronto Hydro Energy Services Inc. in December 2004 and focuses on efficiency improvements in heating and ventilation, lighting retrofit, building envelope upgrade and water conservation measures. The feasibility studies have been completed and additional energy retrofit work was identified in the amount of \$0.210 million, and allocated from funding arising from a reduced scope of the Firehalls project, bringing the total project costs to \$1.610 million.

Construction is expected to begin in the fall of 2005 and will be completed in 2006. Annual cost savings of \$0.133 million will begin in 2007. Projected capital expenditures to year-end 2005 will be \$0.780 million.

Exhibition Place – Trigeneration System

The Tri-generation project addresses the heating, cooling and electrical loads of several large buildings at the Exhibition Place site by substituting natural gas as the energy source. Gas turbine technology will be used to generate electricity and steam for heating and cooling and will operate with existing cooling equipment to improve energy efficiency and reduce costs. The estimated budget for this project is \$4.4 million and Toronto Hydro Energy Services Inc is the consulting firm on this project. There are two main components to this contract: the equipment purchase for which a tender has been awarded, and the installation of the equipment by a general contractor who will be hired soon.

This project has estimated cost savings of \$0.520 million in 2007, the first full year of implementation. Construction will be completed in 2006 and projected capital expenditures to year-end 2005 will be \$2.2 million.

Exhibition Place – National Trade Centre Lighting

The lighting systems in the National Trade Centre have been of concern to the staff at Exhibition Place. The lamp ballasts are no longer being manufactured and have resulted in maintenance problems and have affected performance efficiency. Improved energy efficiency can be obtained through the installation of new fixtures and/or new lamp ballasts. A Staff Report recommending financing of \$0.800 million for this project from the Council approved \$20.0 million Energy Retrofit Program was approved at the Council meeting of September 28, 2005. This project has a payback period of 5.4 years and estimated annual cost savings of \$0.150 million.

A consultant will be hired this fall to prepare the specifications for the new lighting system at the National Trade Centre. The work will be tendered in January of 2006 with construction to be completed in the summer of 2006. Projected capital expenditures to year-end 2005 will be \$0.050 million.

ERP Funding for New Projects

In order to continue with the plan to improve energy efficiency in City buildings and to reduce energy use by a target amount of 15 percent, additional ERP funding will be required. Energy retrofits projects are still to be developed by the end of 2006 in most of the City's energy consuming Divisions and Agencies, Boards and Commissions (ABCs). The following is a very preliminary list and estimate of the potential energy retrofit opportunities in a number of City Divisions/ABCs. It should be noted that this is not an inclusive list and that there will be changes and additions to this list as the Program is developed and the respective business cases are assessed.

<u>Facilities</u>	<u>Project Costs</u>	<u>Annual Savings</u>	<u>Payback</u>
Transfer Stations	\$750,000	\$ 93,750	8 Years
Homes for the Aged	\$2,500,000	\$312,500	8 Years
Police Facilities	\$2,750,000	\$343,750	8 Years
Child Care Centres	\$500,000	\$62,500	8 Years
Parks, Yards and Sport Fields	\$2,000,000	\$250,000	8 Years
Ambulance Stations	\$500,000	\$62,500	8 Years
	\$9,000,000	\$1,125,000	8 Years
Parks Pools and Comm. Ctrs	\$6,000,000	\$750,000	8 Years
Total ERP Funding	\$15,000,000	\$1,875,000	8 Years

The 2006 preliminary list of projects for additional ERP funding has a project cost of \$15.0 million. All the projects would be subject to the existing ERP approval process with the main criteria being that the simple payback period be no more than 8 years.

The project that is ready to move forward is the energy retrofitting of the City's pools and community centres in the Parks, Forestry and Recreation Division and a request for proposal is ready to be issued. It is expected that the cost of this work will be approximately \$6.0 million, with a 2006 cash flow of \$1.5 million and annual energy savings estimated at \$0.750 million and a payback period of 8 years. The 2006 cash flow of \$1.5 million is for the feasibility study on the City pools and arenas at a cost of \$0.250 million and \$1.250 million for construction. Cash flow of \$4.5 million will be required in 2007 to complete the project.

Energy Retrofit Program	2006	2007	2008	2009
Pools & Community Centres	\$1,500,000	\$4,500,000	\$0	\$0

Given that a comprehensive list of energy efficiency projects in City's Divisions and ABCs will not be available before the end of 2006, and since the other six sub-projects submitted in this preliminary list are not yet ready to move forward, it is being recommended that these six sub-projects be included in the list to be developed by the end of 2006 and be re-submitted, along with the necessary business cases, for consideration as part of the 2007 capital budget process.

The proposed cash flow for the \$9.0 million of energy efficiency projects to be considered in 2007 is as follows:

Energy Retrofit Program	2006	2007	2008	2009
Projects to be developed	\$0	\$2,000,000	\$5,000,000	\$2,000,000

It should be noted that Council previously approved a loan of \$8.750 million from the Federation of Canadian Municipalities (FCM) through the Green Municipal Investment Fund, based on a funding ratio of 75% City financing and 25% FCM loan. This funding formula will support energy efficiency projects totaling \$35.0 million in City Divisions/ABCs. Energy efficiency projects in the amount of \$20.0 million were approved for budget years 2004 and 2005 and were funded by the FCM loan of \$5.0 million and City debt of \$15.0 million. Of the \$6.0 million now being requested for retrofitting the City's pools and arenas, 25% or \$1.5 million would be sourced from this previously approved low interest FCM loan and the remaining \$4.5 million would be funded from City debt. This would bring the total FCM loan applied to energy efficiency projects to \$6.5 million, with a balance of \$2.250 million of the FCM loan to be utilized in 2007.

Capacity

Generally, energy retrofit projects take longer than other projects of a similar nature due to the time required in completing all the steps and the complexity of some of these projects. One of the important requirements of the Energy Retrofit Program guideline is that an energy audit must be completed before the next stage of the project can begin. If the project scope includes more than just a simple lighting retrofit, it usually takes longer to get the study completed and the projects started. This has been the experience of the projects approved in the ERP during 2004-2005. The time-line required to complete these projects once the feasibility studies have been done will be proved during 2006, and this will serve as an indication whether the cash flow requests for future projects must be extended, taking into consideration the complexity and state of readiness for each project.

Backlog of Projects – Unmet Needs

An assessment of the backlog of projects eligible for energy efficiency improvements and for funding under the ERP is being prepared and will be available by the end of 2006. A potential list of new projects with a project cost of \$15.0 million that can be considered for funding over the next four years have been included in this report. Of this amount, \$6.0 million will be considered for funding over two years as part of the 2006 budget process. This is not an inclusive list and as the program is developed these projects will be considered in future annual capital budget process.

Issues Referred to 2006 Capital Budget

During the 2005 budget process, the Budget Advisory Committee requested that as part of the 2006 budget process, the appropriate staff report to the Works Committee on the next phase of the Energy Retrofit Program. The report should include eligible contracts with applicable business cases. This issue has been addressed in a report to the Administration Committee dated October 26, 2005, entitled, “Energy Retrofit Status and Request for Additional Funding” and will be considered at the meeting of November 7, 2005.

The report recommends that:

- \$15.0 million be earmarked for the second phase of the Energy Retrofit Program to be allocated to additional retrofit projects in the period 2006 to 2009;
- a total project cost of \$6.0 million for the retrofit of pools and community centres, financed by a loan of \$1.5 million from the Federation of Canadian Municipalities and \$4.5 million City debt, including cashflow of \$1.5 million in 2006 and \$4.5 million in 2007 be authorized, which is consistent with the recommendations for 2006 but not included in debt targets; and
- \$9.0 million in total project costs be earmarked for other projects in phase two of the Energy Retrofit Program with \$6.750 million funded from City debt and \$2.250 million from a previously approved low interest loan from the Federation of Canadian Municipalities’ Green Investment Fund.

The Deputy City Manager and Chief Financial Officer was also asked to report to the Budget Advisory committee on energy retrofit expenditure on City buildings since amalgamation and the resulting savings realized to date and the projections for future details of buildings involved and reduction in utilities consumption. This report will be presented to the Budget Advisory Committee by March 2006.

Outstanding Issues from Prior Years

There are no outstanding issues from prior years.

Appendix 1
Proposed 2006 Capital Budget
and 2007 to 2015 Revised Program

Appendix 2
Proposed 2006 Capital Budget
& Future Year Commitments

Appendix 3
Proposed 2006 Capital Projects
with Financing Details