



TOWN OF FORT FRANCES
ADMINISTRATION & FINANCE DIVISION
TREASURY REPORT 2012/116

TO: Mayor Avis & Members of Council
FROM: Laurie Witherspoon, Treasurer
DATE: December 5, 2012
SUBJECT: Financing of Honeywell Project

BACKGROUND

On June 7, 2012, Council approved proceeding with the Honeywell Energy Performance Contract. The report prepared by Travis Rob, EIT Facilities/Sustainable Coordinator outlined that the project addresses immediate needs within the Town of Fort Frances facilities with the aim to save the corporation money, energy, curb unexpected equipment failures, and revitalize facilities. The Honeywell Performance Contract is a comprehensive self-funded program guaranteed for a 15-year term. The estimated project cost up to the end of this fiscal year is \$1,612,350, which includes a 10% holdback.

To date, a grant from Union Gas in the amount of \$10,500 has been received. On December 5/12, notification was received, as attached to this report, that we were approved for funding of up to \$200,000 under the Community Infrastructure Improvement Fund for upgrading the Memorial Sports Centre, specifically the replacement of the Dry-O-tron unit. This CIII funding will be apportioned for the work that has been completed up to December 31/12 thereby reducing the amount of funding required from the Corporate Project Reserve Fund at year end.

The attached Financial Proforma - Proposed Scenario estimates the utility savings and finance amounts required on an annual basis. Council direction is required to complete the financing options for the 2012 completed portions of the energy project and for the remaining portion to be completed by mid-year in 2013. It was intended that the financing of the Honeywell Project was to mirror, as much as possible, the expected energy savings for the first 5 years of the performance contract and then consider accelerated long-term debt payments over the remaining 5 – 10 years, when the corporate long-term debt commitments are substantially lower.

RECOMMENDATION

The Administration & Finance Executive Committee recommends new long-term debt financing, in the form of a bank loan, in the amount of \$1,000,000.00, with a 5 year term and 15 year amortization for the Honeywell Energy Project completed up to December 31, 2012 and to proceed with a borrowing by-Law. Further that the Water, Sanitary Sewer and Corporate Project Reserve Funds finance the balance of the 2012 completed portion of the Honeywell Energy Project.

Council Approval of This Report Will Agree to the recommendation of the Administration and Finance Executive Committee to authorize a loan in the amount of \$1,000,000.00 for a 5 year term and 15 year amortization for the Honeywell Energy Project completed to December 31, 2012 and to authorize the necessary Water, Sanitary Sewer and Corporate Project Reserve Funds to fully finance the balance of the 2012 completed portion of the Honeywell Energy Project. Further that a Municipal Borrowing By-Law be brought forth.

Town of Fort Frances Financial Proforma - Proposed Scenario - Top Up From Water & Sewer																
Base Project Details																
Total Project Size	\$3,491,561															
Grants + Inflation	\$829,383															
Net Project Cost	\$2,662,178															
Utility Savings	\$172,507															
Operational Savings	\$68,518															
Total Savings	\$241,025															
Interest Rate	4.00%															
Discount Rate	4.00%															
Utility Inflation Rate	3.00%															
Operation Inflation Rate	2.00%															
Economic Analysis Period yrs	15															
Debt Term (mos)	144															
Annual M+V costs	12,608															
Annual M+V escalation	3.00%															
Business Case																
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Construction	1		2	3	4	5	6	7	8	9	10	11	12	13	14	15
Savings																
Utility Savings	\$86,254	\$183,013	\$188,503	\$194,158	\$199,983	\$205,982	\$212,162	\$218,527	\$225,083	\$231,835	\$238,790	\$245,954	\$253,332	\$260,932	\$268,760	\$276,823
Operational Savings	\$34,259	\$68,518	\$69,888	\$71,286	\$72,712	\$74,166	\$75,649	\$77,162	\$78,706	\$80,280	\$81,885	\$83,523	\$85,194	\$86,897	\$88,635	\$90,408
MV Costs		12,608.0	\$12,986	\$13,376	\$13,777	\$14,190	\$14,616	\$15,055	\$15,506	\$15,971	\$16,451	\$16,944	\$17,452	\$17,976	\$18,515	\$19,071
Finance	120,512.5	204,664	210,461	216,425	222,562	228,875	486,192	486,192	486,192	486,192	486,192	-	-	-	-	-
Cashflow	\$0	\$34,259	\$34,944	\$35,643	\$36,356	\$37,083	\$37,825	\$38,582	\$39,351	\$40,132	\$40,925	\$41,730	\$42,546	\$43,373	\$44,211	\$45,060
Cumulative Cashflow	\$	\$34,259	\$69,203	\$104,846	\$141,202	\$178,285	\$34,712	\$240,270	\$438,181	\$628,230	\$810,198	\$997,665	\$1,189,591	\$1,386,262	\$1,587,492	\$1,793,283

Assumptions:

Construction Period savings equals 50% of anticipated annual savings

Construction savings = construction interest expense

Timely approvals of Energy Performance Contract to allow implementation to begin in first half 2012

Finance costs are based on Net Project Costs (net of grants and incentives), with even monthly repayment calculated in arrears, amortized over the stated term to zero future value

Economic Analysis Term - project cash flows evaluated over a 15 year economic life to zero future value. Note, most assets implemented will have economic lifespan between 15-25 years

Project includes annual 3% blended utility escalation, 2% operational savings and avoided capital costs (zero in this case)

Business Case - project calculations for Net Present Value (NPV) and Internal Rate of Return (IRR) include specified utility and operational escalation rates and avoided capital costs

HONEYWELL PROJECT

Estimated Loan Amount

\$1,169,003

CIBC Rates as of Dece 3/12

	2.32%	2.67%	2.93%	3.23%	3.36%
	1 Yr Term	2 Yr Term	3 Yr Term	4 Yr Term	5 Yr Term
10 Year Amortization - Principle	\$ 116,900	\$ 116,900	\$ 116,900	\$ 116,900	\$ 116,900
Interest	\$ 25,878	\$ 29,782	\$ 32,682	\$ 37,028	\$ 37,478
Total Annual Payment	\$ 142,778	\$ 146,682	\$ 149,582	\$ 153,928	\$ 154,378
15 Year Amortization - Principle	\$ 77,934	\$ 77,934	\$ 77,934	\$ 77,934	\$ 77,934
Interest	\$ 26,179	\$ 30,032	\$ 32,865	\$ 36,265	\$ 37,511
Total Annual Payment	\$ 104,113	\$ 107,966	\$ 110,799	\$ 114,199	\$ 115,445

Loan Amount**\$1,000,000** (Balance from Reserve Funds)

	2.32%	2.67%	2.93%	3.23%	3.36%
	1 Yr Term	2 Yr Term	3 Yr Term	4 Yr Term	5 Yr Term
15 Year Amortization - Principle	\$ 66,667	\$ 66,667	\$ 66,667	\$ 66,667	\$ 66,667
Interest	\$ 22,394	\$ 25,690	\$ 28,113	\$ 31,022	\$ 32,088
Total Annual Payment	\$ 89,061	\$ 92,357	\$ 94,780	\$ 97,689	\$ 98,755

Loan Amount**\$800,000**

	1 Yr Term	2 Yr Term	3 Yr Term	4 Yr Term	5 Yr Term
10 Year Amortization - Principle	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Interest	\$ 16,304	\$ 18,764	\$ 20,591	\$ 22,700	\$ 21,631
Total Annual Payment	\$ 96,304	\$ 98,764	\$ 100,591	\$ 102,700	\$ 101,631

Estimated @3.5%	5 Yr Term
7 Year Amortization - Principle	\$ 114,286
Interest	\$ 26,167
Total Annual Payment	\$ 140,453

Estimated @3.5%	5 Yr Term
5 Year Amortization - Principle	\$ 160,000
Interest	\$ 23,528
Total Annual Payment	\$ 183,528

DEC. 6, 2012
7:14 am

TOWN OF FORT FRANCES
FINANCIAL STATEMENT
JANUARY, 2012 TO DECEMBER, 2012

PAGE: 1
LAURIE WITHERSPOON

G/L ACCOUNT	DESCRIPTION	2012 ACTUAL	2012 ANNUAL BUDGET	\$ VARIANCE COLUMNS 1:2	% VARIANCE COLUMNS 1:2
C CAPITAL FUND					
105	CORPORATE HONEYWELL PROJECT				
C-105-0490-0448	UNION GAS GRANT	10,500.00-	0.00	10,500.00	100.00
C-105-9280-0000	HONEYWELL IMPROVEMENT PROJECT	927,665.20	0.00	927,665.20-	100.00

**	TOTAL REVENUE **	10,500.00-	0.00	10,500.00	100.00
**	TOTAL EXPENSE **	927,665.20	0.00	927,665.20-	100.00

105	CORPORATE HONEYWELL PROJECT	917,165.20	0.00	917,165.20-	100.00

**	TOTAL REVENUE **	10,500.00-	0.00	10,500.00	100.00
**	TOTAL EXPENSE **	927,665.20	0.00	927,665.20-	100.00

C	CAPITAL FUND	917,165.20	0.00	917,165.20-	100.00

**	TOTAL REVENUE **	10,500.00-	0.00	10,500.00	100.00
**	TOTAL EXPENSE **	927,665.20	0.00	927,665.20-	100.00

****	GRAND TOTAL ****	917,165.20	0.00	917,165.20-	100.00
=====					

\$ 1,612,349.55
- 917,165.20 Estimated
695,184.35 Dec 12 Payments
Outstanding

Estimated Project
Cost to Dec 31/12

617,449.00+
371,072.00+
263,362.00+
332,580.00+
1,584,463.00*

1,584,463.00x
8.0%
126,757.04*

126,757.04x
22.0%
27,886.55*

1,584,463.00+
27,886.55+
1,612,349.55*

Financing - 2012

1) Water Reserve Fund 180,632.00
Sewer Reserve Fund 173,961.04
Corp. Project Reserve 247,256.51
CIBC Bank Loan 1,000,000.00
Union Gas Grant 10,500.00
1,612,349.55

Mark McCaig/Frances
12/05/2012 12:00 PM

To Travis Rob/Frances@Frances, Laurie
Witherspoon/Frances@Frances
cc
bcc
Subject Fw: CIIF file C0237 (Fort Francis) - Contribution Agreement

From: Bunker, Bill: FDO (ONT)
Sent: Wednesday, December 5, 2012 8:33 AM
To: 'Doug Brown'
Subject: CIIF file C0237 (Fort Francis) - Contribution Agreement

Dear Mr Brown:

As you are aware, your organization was approved for support under the Community Infrastructure Improvement Fund (CIIF) for project C0237, Upgrading of the Memorial Sports Centre, for a contribution of up to \$200,000.

The approval for CIIF funding is conditional upon a contribution agreement (CA) being signed by your organization and by the Federal Economic Development Agency for Southern Ontario (FedDev Ontario).

The CA outlines the contracting details, claims information, and communication opportunities for your funded project. FedDev Ontario is not responsible for reimbursing any project expenditures if a CA is not duly executed.

In order to prepare the CA for signature, the following information is required:

1) The attached draft Statement of Work was prepared with information provided in your CIIF application.

a) Please confirm that this information remains accurate or provide an update as required.

b) Of particular importance are the CIIF cash flow amounts listed for each fiscal year. These amounts must show, as accurately as possible, the amount of CIIF funding to be used in 2012/13 (from April 1, 2012 to March 31, 2013) and in 2013/14 (from April 1, 2013 to March 31, 2014). Please note that any unused CIIF funding budgeted for 2012/13 may not be carried over to 2013/14. Please provide an updated cash flow breakdown as required.

2) The CA allows for an advance payment for eligible costs up to 90% of the CIIF contribution per fiscal year. Do you require an advance payment in fiscal year 2012/2013? If yes, please confirm an accurate cash flow to be incurred during the

advance period and an explanation of why the advance is required. Please note that the use of your advances must be accounted for by March 31, 2013.

3) Please note that no funds may be paid under this program until all requirements under the *Canadian Environmental Assessment Act, 2012* are met. Please confirm that your project is not located on "Federal Lands". You will be contacted in the near future if additional information is required to complete the contribution agreement appropriately.

4) Incremental costs of recipient employees, material and equipment are not normally eligible for reimbursement, but may be considered under the following conditions:

- a. the Recipient is a Local Government or a First Nation's government; and
- b) the Recipient satisfies the Minister that it is not economically feasible to tender a contract; and
- c) employees, material or equipment are employed directly in respect of the work that would have been the subject of the contract; and
- d) costs are approved in advance and in writing by the Minister, and are included in the CA.

Please let me know whether you are seeking consideration of these costs and I will let you know what information is required so the eligibility of these costs can be considered and captured in the contribution agreement. Please note that employee, material and equipment costs will not be considered as eligible costs at a later date. In order for these costs to be eligible, the costs must be included in the preparation of the CA at this time.

Once the CA is sent to you for signature, you will have 30 days in which to return the signed CA. The signed CA must be accompanied by a resolution of your Council. Please ensure that the resolution references the following information:

- the entering into a contribution agreement for funding under the Community Infrastructure Improvement Fund; and
- the name of the project as indicated at the beginning of this email.

Your reply to this email with the requested information would be appreciated by December 12, 2012 so that the CA can be prepared.

Thank-you for your prompt attention to this matter. I look forward to working with you on this project and please feel free to contact me with any questions.

Sincerely,

Bill Bunker

Business Case Analyst | Analyste, projets d'entreprise

Infrastructure Operations | opérations d'infrastructure

Federal Economic Development Agency for Southern Ontario |

L'Agence fédérale de développement économique pour le Sud de l'Ontario

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Government of Canada | Gouvernement du Canada

<<C0237-Fort Francis-Statement of Work.doc>>



Federal Economic Development
Agency for Southern Ontario

Agence fédérale de développement
économique pour le Sud de l'Ontario

Canada



C0237-Fort Francis-Statement of Work.doc

COMMUNITY INFRASTRUCTURE IMPROVEMENT FUND

STATEMENT OF WORK

Recipient: Town of Fort Francis

Project Title: Upgrading of the Memorial Sports Centre

Project Location: 740 Scott Street, Fort Francis, P9A3P9

PROJECT DESCRIPTION:

Project works at the Memorial Sports Center will include:

- replacement of the Dry-O-tron pool heating, dehumidification, and ventilation unit;
- upgrade of lighting to more energy efficient fixtures;
- upgrade of the control system for the 3 existing HVAC units, ice plants, and lighting, where a setback schedule will be incorporated;
- upgrade of both refrigeration plants; and,
- upgrades to the building envelope.

Estimated date of commencement: 2012-07-21

Estimated date of Substantial Completion: 2013-11-21

FEDERAL CONTRIBUTION BY FISCAL YEAR

2012/2013	2013/2014	Total
\$140,000	\$60,000	\$200,000



By-Law No. _____

Specific Purpose Municipal Borrowing By-Law For Ontario

A by-law authorizing the borrowing of money by way of temporary advances to meet expenditures made in connection with a certain project.

Whereas by By-law No. _____, the Corporation of the Town of Fort Frances
(the "Municipality") authorized the 2012 Honeywell Energy Project
(the "Project") at an estimated cost of \$1,612,350.00;

Therefore, the Council of the Municipality enacts as follows:

1. The Head and the Treasurer are hereby authorized on behalf of the Municipality to borrow by way of temporary advances from time to time from **Canadian Imperial Bank of Commerce** ("CIBC") a sum or sums not exceeding in the aggregate
\$ 1,000,000 to meet expenditures made in connection with the Project and to give on behalf of the Municipality to CIBC a promissory note or notes sealed with the corporate seal and signed by the Head and Treasurer for the moneys so borrowed plus interest at such rate and such terms as may be agreed upon from time to time with CIBC;
2. All sums borrowed under this By-law, as well as all other sums borrowed in this year and in previous years from CIBC for any or all of the purposes mentioned in the Ontario Municipal Act, plus interest, shall be a charge upon the whole of the revenues of the Municipality for the current year and for all preceding years as and when such revenues are received;
3. The Treasurer is hereby authorized and directed to apply in payment of all sums borrowed pursuant to this By-law, plus interest, all of the moneys hereafter collected or received either on account or realized in respect of taxes levied for the current year and preceding years or from any other source which may lawfully be applied for such purpose;

Passed this _____, day of _____, _____



Head of the Municipality

Clerk

I hereby certify that the foregoing is a true and complete copy of the By-law numbered above of the Municipality in the Province of Ontario, duly passed at a meeting of the Council of the Municipality and that this By-law is in full force and effect.

Dated this _____, day of _____, _____

Witness the corporate seal



Clerk

**Long Term Debentures
Principal and Interest**

PRINCIPAL

Account	By-law	Name	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
C-L70-0907-000	B35/96	WPCP	24,100.00	26,300.00	28,700.00	31,300.00						110,400.00
C-L70-0908-000	B6/98	Arena	165,059.62	175,622.16	186,860.62	198,818.24	211,541.09					937,901.73
C-L70-0909-000	B6/98	Aud	59,421.46	63,223.98	67,269.82	71,574.56	76,154.78					337,644.60
C-L70-0906-000	B6/98	WPCP	66,023.85	70,248.86	74,744.25	79,527.30	84,616.71					375,160.97
		Sub-total	314,604.93	335,395.00	357,574.69	381,220.10	372,312.58					1,761,107.30
		CIBC Loan - PW	169,107.99									169,107.99
		CIBC Loan - WPCP	58,885.21									58,885.21
		09 Cap Loan - PW	134,387.00	138,883.40								273,270.40
		09 Cap Loan - HT	43,091.87	44,523.34								87,615.21
		10 Cap Loan - PW	83,007.50	83,007.50	83,007.50	83,007.50	83,007.50	83,007.50				498,045.00
		10 Cap Loan - HTP	10,478.63	10,478.63	10,478.62	10,478.62	10,478.62	10,478.62				62,871.74
		Solar Panel Project	24,686.79	25,562.23	26,468.74	27,407.37	28,379.29	29,385.68	30,427.75	31,506.80	28,600.74	252,425.39
		TOTAL	838,249.92	637,850.10	477,529.55	502,113.59	494,177.99	122,871.80	30,427.75	31,506.80	28,600.74	3,163,328.24

INTEREST

Account	By-law	Name	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
C-L70-0907-000	B35/96	WPCP	9,936.00	7,767.00	5,400.00	2,817.00						25,920.00
C-L70-0908-000	B6/98	Arena	56,528.42	45,965.90	34,727.44	22,769.81	10,046.98					170,038.55
C-L70-0909-000	B6/98	Aud	20,350.24	16,547.72	12,501.87	8,197.13	3,616.92					61,213.88
C-L70-0906-000	B6/98	WPCP	22,611.37	18,386.36	13,890.97	9,107.93	4,018.79					68,015.42
		Sub-total	109,426.03	88,666.98	66,520.28	42,891.87	17,682.69					325,187.85
		CIBC Loan - PW	2,479.00									2,479.00
		CIBC Loan - WPCP	863.22									863.22
		09 Cap Loan - PW	6,975.94	2,487.33								9,463.27
		09 Cap Loan - HT	2,236.87	797.57								3,034.44
		10 Cap Loan - PW	15,225.79	12,476.34	9,728.83	6,984.13	4,233.80	1,486.29				50,135.18
		10 Cap Loan - HTP	1,922.30	1,575.17	1,228.29	881.77	534.53	187.65				6,329.71
		Solar Panel Project	8,513.21	7,637.77	6,731.26	5,792.63	4,820.71	3,814.32	2,772.25	1,693.20	575.91	42,351.26
		TOTAL	147,642.36	113,641.16	84,208.66	56,550.40	27,271.73	5,488.26	2,772.25	1,693.20	575.91	439,843.93
		Total Principal & Interest	985,892.28	751,491.26	561,738.21	558,663.99	521,449.72	128,360.06	33,200.00	33,200.00	29,176.65	3,603,172.17

SUMMARY

Principal	WPCP	149,009.06	96,548.86	103,444.25	110,827.30	84,616.71						544,446.18
	Arena	165,059.62	175,622.16	186,860.62	198,818.24	211,541.09						937,901.73
	Auditorium	59,421.46	63,223.98	67,269.82	71,574.56	76,154.78						337,644.60
	Public Works	386,502.49	221,890.90	83,007.50	83,007.50	83,007.50						940,423.39
	Heritage Tourism Project	53,570.50	55,001.97	10,478.62	10,478.62	10,478.62						150,486.95
	Solar Panel Project	24,686.79	25,562.23	26,468.74	27,407.37	28,379.29						252,425.39
		838,249.92	637,850.10	477,529.55	502,113.59	494,177.99	122,871.80	-	-	-	-	3,163,328.24