

APPENDIX 'A'

#15018

Chair and Members
Civic Works Committee

May 8, 2015
(Establish Budget)

**RE: Transportation Energy Optimization Plan (TEOP)
New Capital Project TS4075 - LED Street Light Upgrade Phase 1**

FINANCE & CORPORATE SERVICES REPORT ON THE SOURCES OF FINANCING:

Finance & Corporate Services confirms that the cost of this project cannot be accommodated within the financing available for it in the Capital Works Budget, and that subject to the adoption of the recommendation of the Director, Roads and Transportation the detailed source of financing for this project is:

<u>ESTIMATED EXPENDITURES</u>	<u>Approved Budget</u>	<u>This Submission</u>	<u>Revised Budget</u>
Street Lights	\$0	\$6,000,000	\$6,000,000
NET ESTIMATED EXPENDITURES	<u>\$0</u>	<u>\$6,000,000</u>	<u>\$6,000,000</u>

SOURCE OF FINANCING:

Drawdown fr. Efficiency, Effectiveness and Economy Reserve	1)	\$0	\$4,676,514	\$4,676,514
OPA Incentive - London Hydro	2)	0	1,323,486	1,323,486
TOTAL FINANCING		<u>\$0</u>	<u>\$6,000,000</u>	<u>\$6,000,000</u>

NOTES:

- 1) The cost of \$4,676,514 is available as a loan from the Efficiency, Effectiveness and Economy Reserve at the City's internal borrowing rate which is the bank prime lending rate less 1.60%. Currently the bank prime lending rate is 2.85% which would result in an internal borrowing rate of 1.25%. The amount borrowed from this reserve will be paid back with interest through the annual savings realized in energy and maintenance costs which is estimated to be between \$740,000 and \$805,000. The estimated payback period for Phase 1 is between 6 to 7 years, assuming annual savings of \$740,000 and an internal borrowing rate of 1.25%.
- 2) Confirmation has been received from London Hydro on behalf of the Ontario Power Authority (OPA) that London would be eligible for an incentive of \$1,323,486 to be applied toward Phase 1 of the upgrade.

EH

Larry Palarchio
Director of Financial Planning & Policy