

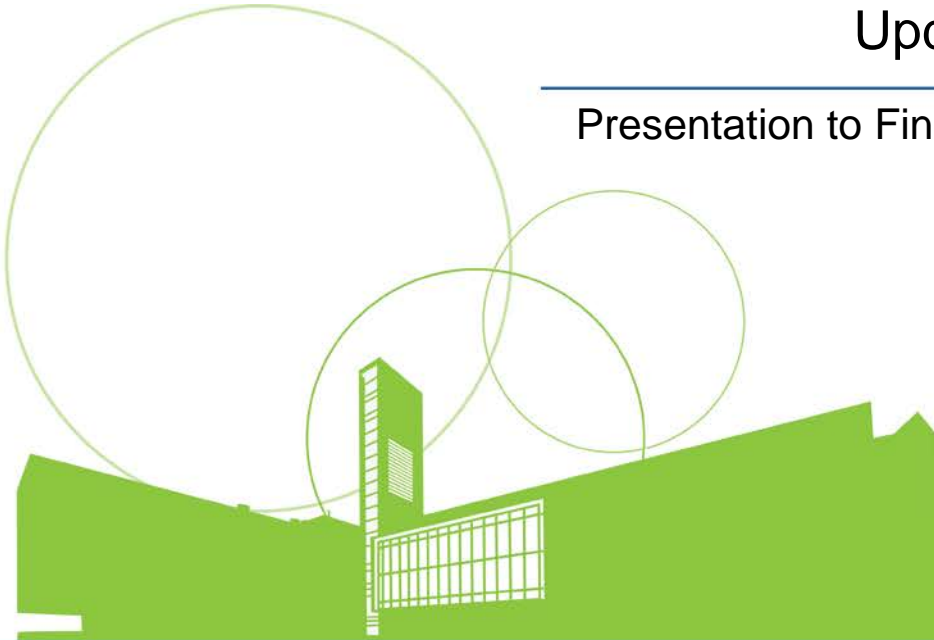
# LED Streetlight Project

## Update on Project Financing Options

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Presentation to Finance, Administration and Audit Committee

April 3, 2017



# Agenda

- Recap business case for LED Streetlight Project
- Consideration of Financing Options and VFM
- Key justifications for External financing
- Next Steps
- Timelines
- Questions



# LED Streetlight Project – Recap of Business Case

- Business Case approved in June 2016 to procure a Service Provider to design, install, operate and maintain the streetlights over an 18 year contract term
- Capital cost estimate \$19.1 million to replace 28,000 street lights with LED
- Through development of Terms of Reference, identified opportunities to expand assets included

# LED Streetlight Project – Recap of Business Case



**2,500 parks and sports lighting**



**Pole replacement program**



**Upgrade older areas of the City to current standard**



**SMART City enabling technology**

# LED Streetlight Project – Recap of Business Case

- Staff were directed to conduct further financial analysis
  - Determine the appropriate debt-financing option for the upfront capital cost
- The cost of the project will be paid for through savings on electricity, maintenance and lifecycle repairs

# Consideration of Financing Options and VFM

- Optimal method to consider financing options was through a Value For Money analysis (VFM) comparing:

City sourced  
debenture with  
Traditional Design,  
Bid, Build contract

**VS**

Externally sourced  
financing with  
Design, Build,  
Finance, Operate and  
Maintain contract

# Consideration of Financing Options and VFM

- Updated Value For Money analysis was completed end of 2016
- Focused on appropriate risk transfer between the City and the Preferred Proponent (who has the best ability to manage)

# Consideration of Financing Options and VFM

## Result:

- an overall value for money of **40%** (or **\$15** million in potential savings over the entire term of the contract), of Private Sector financing over City sourced financing



# Key Justifications for External Financing

- City financing alternative removes much of the performance based incentives for the private sector to deliver to City's requirements
- Risk transfer to private sector greater VFM when delivering a fully integrated design, finance, install, operate and maintain model
- Transferred risk rated \$ value outweighs the additional cost of external financing

# Next Steps

- Results support the continued pursuit of a fully integrated Design, Install, Finance, Maintain and Operate model
- The VFM analysis will be updated prior to the contract award to confirm continued VFM for the project
- Report to Council required prior to Contract Award, which will include the updated VFM

# Timelines

Activity	Date	Completed
Request for Expressions of Interest issued to the Market (RFEOI)	Nov - Dec 2016	✓
Request for Pre-Qualifications	Feb – Mar 2017	✓
Request for Proposals	May – Aug 2017	
Select Preferred Proponent	Oct 2017	
Council Award	Nov 2017	
Commence work	Dec 2017	