HALDIMAND COUNTY

Report CAO-02-2013
of the Chief Administrative Officer
For Consideration By Council in Committee

RE: Community Vibrancy Fund Project Prioritization Principles and Process

OBJECTIVE:	To establish Community Vibrancy Fund Project Prioritization Principles and Process

RECOMMENDATIONS:

1. THAT Report CAO-02-2013 Re: Community Vibrancy Fund Project Prioritization Principles and Process dated July 15, 2013 be received;

2. AND THAT the Community Vibrancy Fund Project Prioritization Principles and Process be approved as set out in Attachment 1 to Report CAO-02-2013.

Respectfully Submitted:

Donald G. Boyle
Chief Administrative Officer

Date: July 22, 2013

BACKGROUND:

In 2009 the Province passed the Green Energy Act and created an economic incentive program to stimulate green energy generation projects across the Province by providing economic incentives through the Ontario Power Authority's Feed-In-Tariff program. The result of these initiatives has been a number of Renewable Energy Projects being proposed in the County under this legislation as set out below:

Haldimand County Renewable Energy Project Proposals Associated with the Community Vibrancy Fund

Company	Generation Type	Number of Turbines	Project Nameplate Capacity	Status	% of Project Complete
Capital Power	Wind Turbines	45	81 MW	REA Approved	40%
NextEra	Wind Turbines	56	124.4 MW	REA Approved	90%
Samsung	Wind Turbines Solar	65	148.6 MW 100 MW	REA Approved	0%
Niagara Region Wind Corporation	Wind Turbines	30	101MW	REA Under Review	0%
Totals		196	**555**		

In March 2011 Council authorized the Mayor and Chief Administrative Officer to contact the various energy companies to begin negotiating parameters for financial compensation consistent with principles approved by Council. On September 26, 2011 Council passed a resolution to establish a Community Vibrancy Fund (CVF) and to ratify voluntary agreements (the "CVF Agreements") between the County and the above-noted companies who will make annual CVF payments over a 20 year timeframe. As noted above, two of the companies are currently constructing their projects with a third anticipated to begin doing so shortly. The final company is actively pursuing its necessary Provincial approvals with construction anticipated in 2014. It is anticipated that over $38 million will flow to the County to be used for the following types of activities as set out in the CVF Agreements:

(a) "land stewardship initiatives (e.g., habitat creation/improvement; tree planting; shoreline rehabilitation);
(b) expenditures relating to development and construction of County recreational facilities (i.e. arenas, parks, trails);
(c) expenditures for improvement of community and protective services (e.g., police, fire, EMS, healthcare);
(d) expenditures related to roads and public municipal infrastructure; or
(e) such other community-related activities as may be agreed between the parties."

The purpose of this report is to present for Council consideration and approval a series of principles and a process for prioritizing potential initiatives to be funded from the CVF payments.

ANALYSIS:

Attachment 1 outlines the series of principles suggested by Staff to guide decisions relating to the use of the CVF funds. Key amongst these are:

- That the funds will be used to augment capital plans as approved in the annual capital budget;
- That a significant percentage of the fund will be allocated for initiatives in those geographic areas of the County hosting Green Energy Infrastructure associated with CVF Agreements (turbines, solar farms and transmission infrastructure);
- That for a defined upfront time period, the funds will only be spent for initiatives in those parts of the County hosting Green Energy Infrastructure associated with CVF Agreements (turbines, solar farms and transmission infrastructure);
- That the distribution of funds to the geographic areas of the County will be based on the proportion of wind turbine and solar nameplate capacity and transmission infrastructure in each Ward at full build-out;
- That a structured principled approach using defined prioritization criteria will guide project decisions to be made by Council, with input from the Ward Councillor, as part of the County's annual budget process; and
- That decisions and use of the CVF will be in keeping with a set of financial parameters necessary to manage risk given the 20 year payment timeframe associated with the CVF Agreements.

Next Steps:

If Council adopts the CVF principles and process set out in this report at its August 19th Council Meeting, the following timeline will be necessary to integrate the initiatives into the 2014 Budget process:

- By September 6, 2013 – Affected Ward Councillors should develop their suggested ideas for initiatives to be funded through the CVF for 2014 and 2015 based on the CVF payments anticipated for this time period. Each subsequent Council will develop a four year term of Council CVF Capital Plan based on the projected funding available.
- Mid – September 2013 – The County's Senior Management Team will review the Councillors' project lists relative to clarifying the scope of initiatives, workload management capacity within the organization and service level consistency.
- End of September 2013 – Council to hold a Special Meeting to review and prioritize initiatives in accordance with the principles set out in **Attachment 1.**
- Consultation with the Proponents on proposed expenditures as outlined in CVF agreements
- October - The resulting list of initiatives will be incorporated into the County's capital budget process.

BUDGET/LEGAL IMPLICATIONS:

Attachment 1 outlines estimated payments totaling $38.7 million at full build out over the 20 year CVF Agreement timeframe. Since actual payments are tied to taxation levels and operational capacities of the green energy infrastructure, the amounts outlined represent estimates given information available at this time.

The proposed Principles identify that each Council may only identify specific project expenditure plans equating to the amount of funds anticipated to be received from the CVF agreement for that particular term of Council. As per the CVF Agreements, the annual payments are to be made in arrears on April 30th, with the initial payment due the year following the commercial operation date. As per the Principles outlined in Attachment 1, Council may only spend CVF cash that is expected to be flowed by the industries within the Term of Council. In other words, funds cannot be spent well in excess of receipt of the monies.

The recommended allocation of the CVF funds will result in 80% distributed to the Wards hosting Green Energy infrastructure, totaling $30.9 million. Given the impact on the Wards hosting Green Energy infrastructure, CVF funds will be 100% dedicated to projects in these areas until 2022 (balance of this term of Council plus the next 2 terms of Council.) The balance of $7.7 million may be allocated to any initiative Council feels meets the objectives of the program after the year 2022. It is intended that each term of Council's CVF program will be incorporated into the County's 10 year Capital Budget and will be identified separately from tax or rate supported initiatives.

INTERDEPARTMENTAL IMPACTS:

The CVF prioritization process will involve staff from every Department to help develop the capital plan and prioritize non-capital initiatives such as events, celebrations and programs.

LINKS TO STRATEGIC PLANS:

The adoption of principles to guide how vibrancy payments from the individual renewable energy project proponents will be used over the 20 year CVF Agreement timeframe will advance the County's strategic objective of promoting community vibrancy.

CONCLUSION:

Council entered into voluntary Community Vibrancy Agreements with several Green Energy proponents pursuing renewable energy projects in Haldimand County. These projects are moving forward to construction. This report sets out principles, parameters and estimated CVF payments and seeks Council approval of a framework and process to guide investment decisions using these funds.

ATTACHMENTS:

1. Draft Principles for Prioritizing Projects Funded from the Community Vibrancy Fund – July 2013.

REQUIRED AND RECEIVED COMMENTS FROM: Yes or Not applicable	
Clerk's	Not applicable
Community Services Department	Not applicable
Finance	Not applicable
Health & Social Services Department	Not applicable
Human Resources	Not applicable
Information Systems	Not applicable
Legal	Not applicable
Public Works Department	Not applicable
Planning & Economic Development Department	Not applicable
Support Services	Not applicable
Other – Senior Management Team	Yes

CLERK'S DIVISION REVIEW **Report: CAO-02-2013 - Community Vibrancy Fund – Project Prioritization Principles**	
COUNCIL IN COMMITTEE: RECOMMENDATION NO ☐ Approved ☐ Approved with Amendments ☐ Defeated ☐ Deferred ☐ Other	COUNCIL: RESOLUTION NO: ☐ Approved ☐ Approved with Amendments (Noted below) ☐ Defeated ☐ Deferred ☐ Other
Amended Recommendation(s):	
Council Direction:	
Clerk's Division Action Taken:	

DRAFT PRINCIPLES FOR PRIORITIZING PROJECTS FUNDED FROM THE COMMUNITY VIBRANCY FUND

Background:

The Community Vibrancy Fund Agreement includes the following in terms of the type of activities that are eligible for use of this Fund:

(f) *land stewardship initiatives* (e.g., habitat creation/improvement; tree planting; shoreline rehabilitation);
(g) expenditures relating to development and construction of County *recreational facilities* (e.g., arenas, parks, trails);
(h) expenditures for improvement of *community and protective services* (e.g., police, fire, EMS, healthcare);
(i) expenditures related to *roads and public municipal infrastructure*; or
(j) such other *community-related activities* as may be agreed between the parties.

The estimated annual payments to be made to the Community Vibrancy Fund (CVF) over the 20 year agreement timeframe are shown in Appendix 1.

Principles:

A. Parameters for CVF Investment:

- The CVF will be used to augment capital plans as identified in the County's tax supported and rate supported budgets – i.e. CVF will not be used simply as a replacement funding source.
- Projects must be consistent with program standards and service levels delivered throughout the County.
- Priority will be given to projects that accelerate existing capital programs where there are already staff resources available for project management.
- The CVF is not intended for funding ongoing operational costs.
- The CVF may be used for events, celebrations and community focussed programs that contribute to the County Strategic Objective of Community Vibrancy.

B. Geographic and Timing Principles:

- The distribution of the Green Energy Infrastructure associated with the CVF Agreements is shown in Appendix 2.
- Until the end of year 2022, 100% of the CVF cash flow will be allocated to those geographic areas of the County hosting Green Energy Infrastructure associated with CVF Agreements (turbines, solar farms and transmission infrastructure).
- After the year 2022, a minimum of 80% of the CVF will be allocated to those geographic areas of the County hosting Green Energy Infrastructure associated with CVF Agreements (turbines, solar farms and transmission infrastructure).

- The funding allocation between the Municipal Wards hosting Green Energy Infrastructure will be generally based on the following distribution:

  a. For wind turbines and solar farms: the proportion of the total wind turbine / solar farm nameplate capacity associated with CVF agreements located in the Ward at full build out;

  b. For transmission infrastructure: the annual payment over the lifespan of the agreement per kilometre located within the Ward (i.e. $5000/year X 20 years X # kilometres = total payment per Ward).

Ward	Total Nameplate Capacity – Wind X $3500/yr X 20 yrs	Total Nameplate Capacity- Solar X $2500/ yr X 20 yrs	Km of Transmission $5000/km/yr X 20 yrs	Approximate Ward Allocated CVF Payment X 80%	Proportion of Non-Specified CVF Payment X 20%	% of Total CVF Payments per Ward
1	137.9 MW **$9,653,000**			**$7,722,400**		20%
2	157.501 MW **$11,025,070**	100 MW **$5,000,000**	8.9 km **$890,000**	**$13,532,056**		35%
4	15.547 MW **$1,088,290**		9.2 km **$920,000**	**$1,606,632**		4%
5	144.083 MW **$10,085,810**			**$8,068,648**		21%
Non-Specified	0	0	0		**$7,732,434**	20%
Total	455.031 MW **$31,852,170**	100 MW **$5,000,000**	18.1 km **$1,810,000**	**$30,929,736**	**$7,732,434**	**100%**

- While the intent is to identify expenditures in those areas of the County hosting Green Energy Infrastructure associated with CVF Agreements (turbines, solar farms and transmission infrastructure) based on the Ward Councillor's input, the CVF payments will be used for initiatives prioritized and ranked through a decision by all members of Council based upon the Prioritization and Financial principles set out below.

C. Prioritization of CVF Capital Projects:

1. The current Capital Budget Prioritization Criteria will be used to rank potential projects proposed to be funded through the CVF. These criteria include:

   - **Alignment with Corporate Strategic Priorities**

1 - Growing our Local Economy by Creating Economic Opportunity – Does the expenditure support the strengthening of the economic base of the County? Examples: new infrastructure investment to allow growth, urban re-development, generates assessment growth, retains existing business/industry, tourism enhancement.

2 - Community Vibrancy & Healthy Community – Mission statement: high quality sustainable services that promote the well being of communities. Does the expenditure contribute to the betterment of the quality of our communities? Does it contribute to a better natural environment or the health of residents?

3 - Corporate Image & Efficient Government – Does the expenditure result in a visible, positive image for the County? Does it contribute to more accessible, more efficient or more cost effective local government for our residents?

- **Wide or Narrow Interest Group / Stakeholders** – higher priority will be assigned to projects that benefit a large number of stakeholders

- **Contractual or Legislated Matter** – higher priority will be given to projects that assist the County in meeting these obligations

- **Health, Safety, Risk Management** – projects which reduce/mitigate risk will be given higher priority

- **Operating Budget Financial Impact –** all projects must clearly identify future operating budget implications, including ongoing operational impacts and future capital replacement needs.

2. Where the initiative involves the acceleration of an existing capital program the prioritization of the initiative will follow the order of improvement set out in the approved program based on the principles and technical criteria used to determine the order of priority resulting from the structured evaluation process underlying the existing program.

3. Where the initiative potentially affects works or improvements that affect more than an individual Ward (such as a Ward boundary road), the relative ranking of the initiative needs to be agreed to by the affected Ward Councillors and approved by Council as a whole.

4. Where an initiative would introduce a new level of service Council as a whole must approve the service level standard before the initiative is prioritized.

D. Prioritization of CVF Non-Capital Initiatives (i.e. events, celebrations, programs):

- The following principles will be used to prioritize non-capital initiatives proposed to be funded through the CVF:
    - The initiative has a County-wide (or substantial part thereof) impact/benefit rather than a localized community specific effect;
    - The initiative is sponsored by the County or a volunteer, not-for-profit organization;
    - The initiative is for the benefit of the general public as opposed to a specific target audience;
    - The initiative contributes to community vibrancy or land stewardship purposes;
    - The initiative is free of admission charges;
    - The initiative supports community engagement and volunteerism and may support tourism;
    - The initiative provides a visible positive public image of the County municipal government.

E. Financial Principles:

- The program to be financed from the CVF will be incorporated into the County's 10 year Capital Budget and will be identified separately from tax and rate supported initiatives.
- A detailed capital plan will only be developed for the Term of Council. Each subsequent Council will undertake a process to establish its Term of Council Priorities and how the CVF will be used to support those objectives consistent with the purpose and intent of the Fund and the Principles for its use.
- Each year during the Capital Budget process the nature of the CVF initiatives and relative ranking will be reassessed by Council.
- Given the length of the term of the Community Vibrancy Fund Agreements (20 years) and the flow of funds over time, Council will only be permitted to expend funds for CVF initiatives in advance of the actual flow of funds for those funds expected to be generated over that Term of Council.

F. Prioritization Process:

- Council as a whole will determine a CVF capital plan aligning with its Term of Council. To achieve this the following steps will be undertaken:
    - Ward Councillors will bring forward proposed initiatives to share with Council as a whole to ensure a common understanding of each proposal as part of a Council Workshop process.
    - Where an initiative involves the acceleration of an existing program Staff will identify the individual components that would be affected.

- Each initiative will be assessed according to the Principles set out herein to ensure consistency.
- The funding plan for the proposed program will be assessed for general consistency with the Geographic and Timing Principles set out herein.
- Council will determine whether the program will be implemented consistent with cash flow received on an annual basis or ‘front-ended’ for the Term of Council.
- Staff will develop a capital plan to be approved as part of the Capital budget process.
  Non-Capital Initiatives (i.e. events, celebrations, programs) will be incorporated into the annual Operational Budget process as a Council Approved Initiative.
- All proposed expenditures or application of funds from the Community Vibrancy Fund shall require (i) approval by the Council in a public forum, and (ii) consultation with the Proponent on no less than 30 days’ written notice to the Proponent prior to submission of any request to the Council for approval.

Appendix 1 – Updated Community Vibrancy Fund Annual Estimated Payments

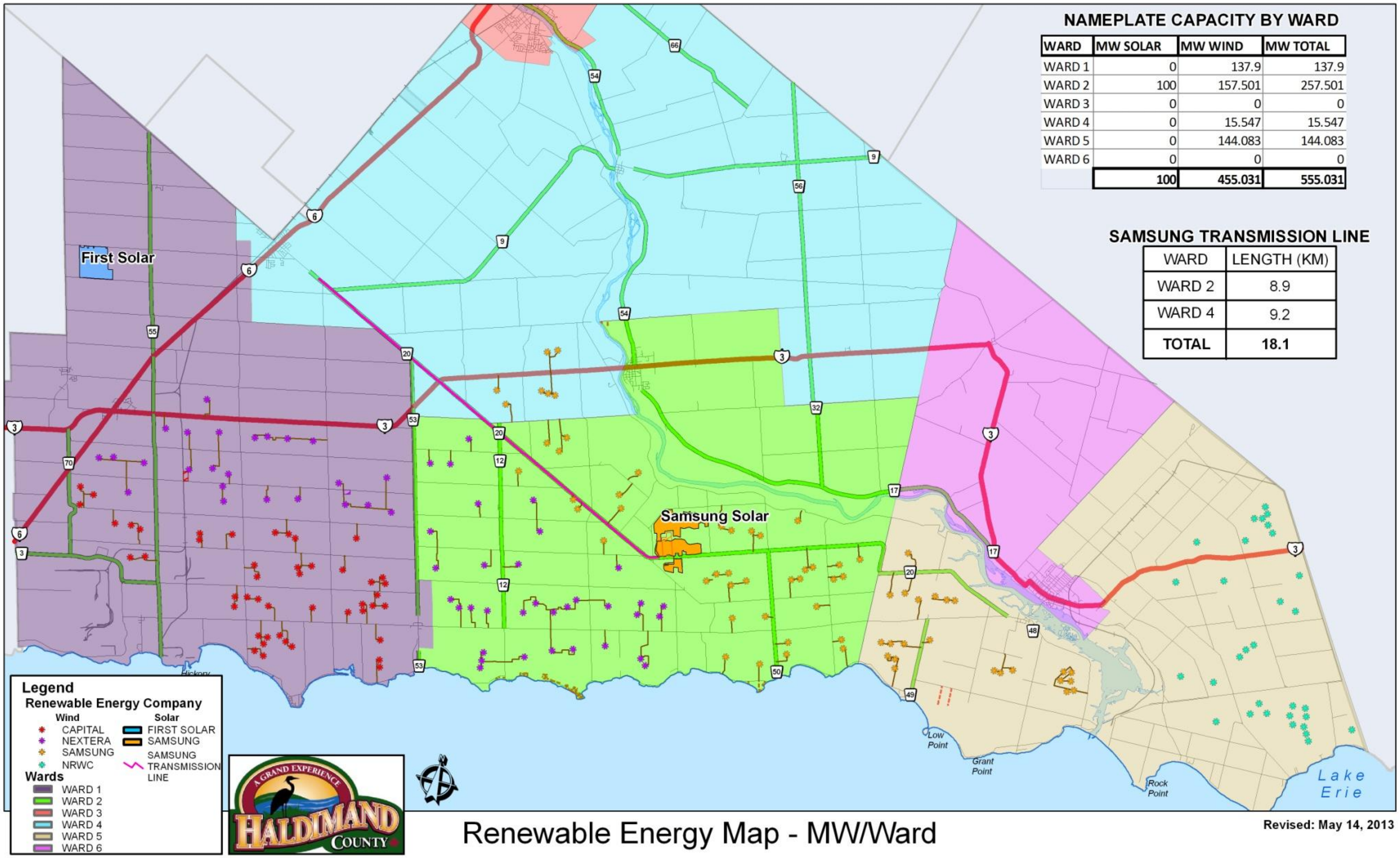
	CVF Calculations for Road Allowance Payment					CVF Calculations for Turbine and Solar Payment			Total CVF
Wind	**Collect or (km)**	**Trans. (km)**	**$/km Overhead Collector**	**$/km Overhead Trans.**	**Annual Road Allowance Payment**	**Nameplate Capacity MW**	**$/MW**	**Turbine Annual Payment**	**Total Annual Payment**
Capital Power	0	0	n/a	n/a	$0	81.0	$3,500	$283,500	**$283,500**
NextEra	0	0	n/a	n/a	$0	124.4	$3,500	$435,400	**$435,400**
Samsung/Pattern/1	0	18.1	n/a	$5,000	$90,500	148.6	$3,500	$520,100	**$610,600**
NRWC/2	0	0	n/a	n/a	$0	101.0	$3,500	$353,500	**$353,500**
Subtotal					$90,500	455.0		$1,592,500	**$1,683,000**
Solar									
Samsung	0	0	n/a	n/a	$0	100.0	$2,500	$250,000	**$250,000**
Total					**$90,500**	**555.0**		**$1,842,500**	**$1,933,000**

<u>Notes:</u>

1). Samsung/Pattern and NextEra provided parameters.

2). Niagara Regional Wind Corporation (NRWC), incorporates revised number of 30 turbines at 3.0 MW each in Haldimand County per REA application.

APPENDIX 2 – COMMUNITY VIBRANCY FUND GREEN ENERGY INFRASTRUCTURE BY WARD



NAMEPLATE CAPACITY BY WARD

WARD	MW SOLAR	MW WIND	MW TOTAL
WARD 1	0	137.9	137.9
WARD 2	100	157.501	257.501
WARD 3	0	0	0
WARD 4	0	15.547	15.547
WARD 5	0	144.083	144.083
WARD 6	0	0	0
	100	455.031	555.031

SAMSUNG TRANSMISSION LINE

WARD	LENGTH (KM)
WARD 2	8.9
WARD 4	9.2
TOTAL	18.1