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October 28, 2004

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Trigeneration Project – Loan Agreement with the Federation of Canadian Municipalities

Purpose:

This report recommends approval of a Loan Agreement between the City of Toronto, the Board of Governors of Exhibition Place and the Federation of Canadian Municipalities, as Trustee of the Green Municipal Investment Fund ("FCM") and the terms and conditions of that agreement related to the construction of a trigeneration plant within The National Trade Centre at Exhibition Place.

Financial Implications and Impact Statement:

Taking into consideration the total project costs for the trigeneration plant (\$4.4M) and the estimated cost of utilities for the next ten years, the financial proforma for this project indicates that in the first 10-years of the 30-year life-span of the plant, the project will generate sufficient savings to repay the \$2.9M loan from the Toronto Atmospheric Fund ("TAF"); repay the \$1.075M loan from FCM; and in addition generate approximately \$1.14M of profit for the Board. This financial proforma and the positive cash flow is based on the projected cost of utilities as published by industry forecasting agencies and accordingly, if over the ten-year period the hydroelectric utility increases do not happen, there could be a shortfall in savings and a negative impact on the Board's operating surplus. On the other hand, hydroelectric utility increases in excess of present forecasts could result in additional savings.

Recommendation(s):

It is recommended that, subject to the approval of City Council, the City of Toronto/Board enter into a loan agreement with FCM generally on the substantial terms and conditions outlined in Appendix "A" attached and such other terms and conditions required by the City Solicitor, the City CFO and Exhibition Place General Manager & CEO.

Background:

Exhibition Place has been actively working on the study and benefit analysis of a trigeneration plant at The National Trade Centre (NTC) at Exhibition Place since 2000. This process has from the beginning involved the Toronto Atmospheric Fund (TAF) as a partner in this project. The reports that have been before the Board and Council related to this project and the actions that have been taken are as follows:

Report No. 19 at the meeting of the Board on October 20, 2000	Approval of a budget of \$1.25M as part of the 2001 Capital Budget for the installation of a new heating and air-conditioning system within the Automotive Building which upgrade was also approved by City Council as part of its 2001 Capital Budget.
Report No. 10 at the meeting of the Board on July 16, 2001	Approved in principle the concept of the installation of a trigeneration plant for the NTC
Report No. 14 at the meeting of the Board on November 30, 2001	Approved of the design-build project for heating and air-conditioning in the Automotive Building which connects this building to the NTC generators through the existing tunnel to allow for the future trigeneration district heating/cooling plant
Report No. 12 at the meeting of the Board on April 25, 2003	Information report outlining the next steps which included a funding application in partnership with TAF to the Green Municipal Investment Fund (GMIF) managed by the Federation of Canadian Municipalities (FCM)
Clause No. 15 of Report No. 5 of the Policy & Finance Committee adopted by Council at its meeting of June 24, 25 & 26, 2003	Approved of TAF providing a loan of up to \$2.2M to Exhibition Place for a term of up to 15 years to fund the trigeneration project
Clause No. 81 of Report No. 9 of the Policy & Finance Committee adopted by Council at its meeting of September 22, 23, 24 & 25, 2003	Received for information a report relating to the application to FCM for GMIF funding for the trigeneration project
November 2003	The design-build project for the upgraded heating and air-conditioning in the Ricoh Coliseum connected this building to the NTC generators to allow for the future trigeneration district heating/cooling plant
Report No. 1 at the meeting of the Board on April 30, 2004	The Board approved of an Environmental Plan for the site which had a one objective, energy self-sufficiency of the site by 2010.

Report No. 13 at the meeting of the Board on September 24, 2004.	The Board approved of proceeding with the project and an agreement with the Toronto Atmospheric Fund for the loan of \$2.9 million which report was subsequently adopted by City Council at its meeting of October 26, 27 & 28, 2004.
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Discussion:

Following approval from the City CAO and an information report to City Council, an application was made to FCM by Exhibition Place, as a local board of the City of Toronto, for both GMIF grant of \$0.95M and low-interest financing from the GMIF of \$1.075M. We were advised on August 26th by FCM that it has approved of the GMIF low-interest loan of \$1.075M for the trigeneration project. However, because the projected discounted payback is just at 10 years, FCM has informed us that the trigeneration project is not eligible for the grant although FCM will revisit the grant request at its meeting in November, 2004.

However, at its meeting of September 24, 2004, the Board approved a report from the General Manager and CEO (dated September 13, 2004), recommending that the Board, TAF and the City proceed with the trigeneration project with the funding outlined below. This report was subsequently adopted by Council at its meeting of October 26, 27 and 28, 2004, with an amendment to the effect that the City CFO also consider the possibility of providing some funding for the Trigeneration Project from the City Energy Retrofit Program and for the CFO to report back to the City Policy and Finance Committee on November 29, 2004.

<ul style="list-style-type: none">• TAF – up to \$2.9M loan• GMIF loan - \$1.075M• Exhibition Place Capital Reserve Fund – up to \$0.425M
<p>Assumptions: TAF loan rate calculated using 10-year Bank of Canada bond rate as of June, 2004 plus 2.5% GMIF loan rate calculated using 10-year Bank of Canada bond as of June, 2004 rate minus 1.5% Exhibition Place Capital Reserve funds at no repayment cost (The Exhibition Place Reserve Fund was established with proceeds earned from a surcharge on tickets for events at the Exhibition Place Stadium and presently has approximately \$850,000.00.)</p>

The FCM loan agreement is the standard agreement entered into between FCM and municipalities related to the Green Municipal Investment Fund (GMIF) and the substantial terms and conditions of the agreement are outlined in Appendix "A" to this report.

Conclusion:

This report recommends entering into a tri-partite agreement between the City, the Board and FCM with respect to the loan of \$1.075 million from the GMIF.

Contact:

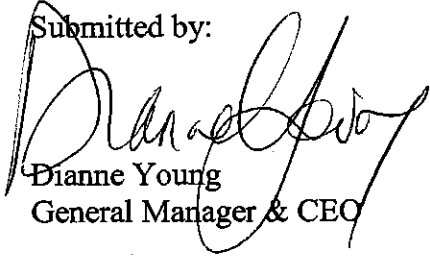
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Submitted by:

A handwritten signature in black ink, appearing to read "Dianne Young". The signature is written in a cursive style with a large initial "D".

Dianne Young
General Manager & CEO

Appendix "A"

1. **Loan:** FCM will lend the Borrower an amount equal to 25% of the eligible costs of the trigeneration project (the "Project") up to a maximum of \$1,075,000 CAN (the "Loan").
2. **Disbursement:** The payment of 50% of the principal amount of the Loan (the "First Disbursement") will be made to the Borrower when the Project is at least 50% substantially completed and following notice to FCM in the form and content established by FCM and the payment of the remaining 50% of the principal of the Loan ("Second Disbursement") will be made to the Borrower following the substantial completion of the Project or at some earlier point of substantial completion as negotiated by the parties but following notice to FCM in the form and content established by FCM.
3. **Eligible Expenses:** The Loan will be used by the Borrower for the Project which will include the acquisition of the generation plant, absorption chiller plant, piping, controls, electrical, structural, architectural/acoustical, engineering fees, project management fees and contingency fees.
4. **Repayment of the Principal:** The Borrower shall repay FCM the Loan in ten (10) equal consecutive annual instalments of \$107,500 commencing on the date of the first anniversary of the Second Disbursement and ending on the date of the tenth anniversary of the Second Disbursement.
5. **Interest:** The Borrower shall pay FCM interest on the principal amount of the Loan at an annual rate equal to the 10-year Government of Canada Bond rate minus 1.5% calculated and payable half-yearly, not in advance and as fixed for the term of the Loan on the date of execution of this Loan Agreement. Interest shall accrue from the date of the First Disbursement, based on the actual number of days outstanding and shall be payable after as well as before default, including after any judgment until the Loan has been repaid in full. Interest at the rate noted above on the principle amount of the Loan shall become due and payable half-yearly, not in advance, commencing on the date of the first half-yearly anniversary of the Second Disbursement and shall continue to be paid half-yearly, not in advance, until the Loan has been repaid in full. If the Borrower defaults in the payment of any sum due for interest or for principle, the Borrower shall pay FCM additional interest on such overdue amount equal to the annual interest noted above plus 2.0% per annum calculated daily form the date of default, including after any judgement until such overdue amount and the interest have been paid in full.
6. **Prepayment:** The Borrower may at any time, on 30 days notice to FCM, prepay all or part of the principal amount of the Loan outstanding provided it pays all accrued interest plus a bonus of an additional 2.0% of the principal amount prepaid.
7. **Covenants:** The Borrower will use the Loan only for the Project; will carry out the Project in compliance with all applicable laws and regulations; will perform the Project with due diligence and efficiency; will permit, on reasonable request from FCM during normal office hours, visits by FCM representatives; ensure the Project is at all times adequately insured for

loss, damage, liability or claim of any kind relating to injury or death to persons or to damage to property of the Project or of third parties and, if requested by FCM, the Borrower shall ensure that such policy or policies include FCM as an insured party.

8. Ongoing Notices: The Borrower shall provide FCM with the following information: annual audited financial statements; notice of any proposed change in the legal status of the Borrower; notice of any litigation or administrative proceedings which may affect the Project; notice of the occurrence of an event of default.
9. Default: Default will occur if the Borrower does not make the payments to FCM as required or if the Borrower breaches any of the covenants described, and fails after notice from FCM to cure such default or breach within the time periods as agreed by the parties and provided for in the Agreement.