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Item No. 11.1.3

**Halifax Regional Council
August 4, 2009**

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

Dan English, Chief Administrative Officer

Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: 20 July 2009

SUBJECT: Metro Transit Energy Performance Contract - Phase 2

ORIGIN

- 2009 - 2010 Capital Budget, Infrastructure and Asset Management
- 25 October 2005 Council Award of Metro Transit Energy Performance Contract Phase 1

RECOMMENDATION

It is recommended that:

1. HRM Regional Council authorize a reallocation of \$223,541 from Capital Account No. CBX01161, Energy Efficiency Projects to Capital Account No. CBX01057, Transit Facility Upgrades (Bundle).
2. HRM Regional Council authorize a gross budget increase of \$284,577 to Capital Account No. CBX01057, Transit Facility Upgrades (Bundle), funded through cost sharing with Nova Scotia Eco Trust Program as outlined in the Budget Implications Section of this report.
3. HRM Council authorize HRM to enter into phase two of an Energy Performance Contract for the Metro Transit facility at 200 Ilsley Avenue with Johnson Controls for an amount of \$837,775 (including net HST).
4. Approve assignment of the annual energy savings of \$70,000 to the Energy and Underground Services Reserve Q131 to fund future energy efficiency projects as per the Budget Implications section of this report.

BACKGROUND

Energy consumption in HRM buildings accounts for about 55% of the corporate green house gas (GHG) emissions. As a member of FCM's Partners for Climate Protection, HRM has demonstrated a commitment to reducing energy consumption through the GHG Local Action Plan. Replacing or upgrading existing infrastructure will go a long way towards meeting HRM's GHG targets.

In 2005, an energy audit was conducted at 200 Ilsley to identify possible energy savings measures. Following this audit, an energy performance contract was awarded to Johnson Controls. Due to restrictions in the debt capacity, a staged approach was taken to implement the efficiency measures. The first phase incorporated measures that would generate immediate savings during the 2005-2006 heating season. It included the conversion of the facility to natural gas, a building automation system for the garage, replacement of 5 ventilation heat recovery units and a lighting retrofit in the administration office area.

In 2007, Johnson Controls finished the \$846,082 first phase of the project. In the last 2 years HRM has achieved approximately \$221,896 in savings and a reduction of over 925 tonnes of green house gases.

DISCUSSION

In phase two of the project, most of the savings will come from a reduction in electricity usage. There will be a major lighting retrofit in the garage, a LED street light pilot, improvements to the administration area ventilation system, and new direct digital controls. Four air handling units, which are all over 30 years old, are also going to be replaced. Of these, one will be for the administration section of the building and the other three will serve the garage area. These upgrades are expected to take four to eight months to complete and disturbances in the day to day work throughout the building are expected to be at a minimum.

This phase of the project is expected to have an annual energy savings of \$70,000 in electricity and natural gas. This will also result in further reduction of 436 tonnes of green house gas emissions annually.

BUDGET IMPLICATIONS

As per TCA and PSAB, projects can not be funded from multiple capital accounts. Therefore in order to comply a reallocation of \$223,541 from Capital Account No. CBX01161 is required.

Based on a project budget of \$858,118, including net HST, the budget availability has been confirmed by Financial Services from the following Capital accounts;

| | | |
|------------------------|---|----------------|
| Budget Summary: | Capital Account No. CBX01161, Energy Efficiency Projects | |
| | Cumulative Unspent Balance | \$319,592 |
| | Less: Metro Transit EPC Project budget transfer | <u>223,541</u> |
| | Balance | \$ 96,051 |

External funding sources

| | |
|--|-----------|
| Nova Scotia EcoTrust Program (secured) | \$284,577 |
|--|-----------|

| | | |
|-----------------------|---|----------------|
| Budget Summary | Capital Account No. CBX01057, Transit Facility Upgrades (Bundle) | |
| | Cumulative Unspent Balance | \$350,000 |
| | (Res No.1539.2 200 IIsley - A/C Replacement) | |
| | Add : Budget CBX01161 | 223,541 |
| | Add: External Funding (EcoTrust) | 284,577 |
| | Less: Johnson Controls contract | <u>837,775</u> |
| | Balance | \$ 20,343 |

The uncommitted balance in capital account No. CBX01057 will be used for other project related expenses.

As per HRM Council's May 26, 2009 guiding principles recommendation, the \$70,000 in annual energy savings from W200-6607 will be recovered and allocated to the Energy and Underground Services Reserve (Q131) to fund future energy efficiency initiatives.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. If approved, this will increase the gross capital budget for 2009/10.

ALTERNATIVES

Do not complete the Metro Transit Energy Performance Contract and forego the annual \$70,000 in energy savings.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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