

# Report to Council



**Date:** December 14, 2015  
**File:** 0610-01  
**To:** City Manager  
**From:** Paul Macklem, Deputy City Manager  
**Subject:** Dark Fibre Phase 2 Financing

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## **Recommendation:**

THAT Council consider, during 2016 Financial Plan deliberations on December 17, 2015, Phase 2 - North Leg of the dark fibre project be funded from Internal Borrowing through the sale of \$2.4 million of the City's Fortis Inc. share holdings with repayment and repurchase of shares, including interest, for up to a 20 year period with annual surplus funds generated from the year's dark fibre revenues less expenditures.

AND THAT the interest rate be set quarterly at the City's current average investment for the period plus 1%.

## **Purpose:**

To provide a funding mechanism to finance the Phase 2 - North Leg extension of the City's Dark Fibre plant.

## **Background:**

The delivery of dark fibre to City facilities is important in providing a means to move large volumes of data at high speeds facilitating operational and program efficiency. Staff members have been working to identify customers and potential partners to help fund the capital cost of installing this phase of the City's dark fibre plant with a goal of financing the \$2.4 million cost while mitigating taxation impacts. Internally borrowing the necessary funds through the sale of Fortis shares with repayment from lease agreements as modeled will yield the desired result of repayment within 20 years.

The financial model identifies 4 private sector and 4 public sector customers including the City's landfill and airport. The model also projects 1 new customer per year over 5 years with no additional customers beyond 2022.

This project is consistent with Council's goal of investing in strategic economic drivers while generating revenue that will service the debt from internal borrowing.

The following summarizes the current status of the City's original Fortis Inc. \$55.0 million investment:

|                                   |               |
|-----------------------------------|---------------|
| Current Shares Held               | 1,816,398     |
| Price Paid Per Share              | \$32.164      |
| Book Value                        | \$58,422,625  |
| Market Price Per Share (Dec 1/15) | \$38.09       |
| Market Value                      | \$69,186,600* |

\* Note: Financial Services will be selling shares to generate \$1.275 million prior to the end of 2015 to meet the general fund annual contribution of \$1.65 million to reduce taxation.

The recommendation above does not directly address the future phases 3 - South Leg and 4 - Rutland anticipated to cost an additional \$2.1 million. These phases are not likely to generate the same level of revenue as phase 2 and therefore may require a different strategy to complete and finance them over the next 2-3 years.

**Internal Circulation:**

Divisional Director, Communications and Information Services  
Director of Financial Services  
Director of Business and Entrepreneurial Development  
Manager, Information Services

**Financial/Budgetary Considerations:**

Included in 2016 Financial Plan

**Considerations not applicable to this report:**

**Legal/Statutory Authority:**

**Legal/Statutory Procedural Requirements:**

**Existing Policy:**

**Personnel Implications:**

**External Agency/Public Comments:**

**Communications Comments:**

**Alternate Recommendation:**

Submitted by:



P. Macklem, Deputy City Manager

cc: Divisional Director, Communications and Information Services  
Director of Financial Services  
Director of Business and Entrepreneurial Development  
Manager of Information Services