



Q&A: Solar Farm

August 20, 2021

Why propose a solar farm?

To minimize tax increases and maintain existing services, we need to identify new, non-taxation sources of revenue to generate approximately \$6 million a year. If we don't, we will need to consider significant annual increases in taxes (an estimated 5 per cent) in order to continue to provide the programs, services and amenities our residents enjoy.

The City of St. Albert is considering building a solar farm to generate revenue, provide a sustainable source of power for our community, and undertake an environmentally friendly project on land that is less suitable for other purposes.

Has this been done in other communities?

Several small and mid-sized Alberta municipalities, including Sexsmith, Vulcan, Bon Accord and Innisfail, have successfully implemented solar farms as revenue generating projects that financially benefit residents.

The City of Medicine Hat failed so why do we think we can do it?

The St Albert proposal is using a very different technology to what Medicine Hat tried. The St Albert proposal is about photovoltaic solar panels that produce DC electricity, which is converted to AC through the use of an inverter. Medicine Hat piloted a very different experimental technology.

Is the technology we want to use reliable?

Solar farms are a proven technology. Solar photovoltaic (PV) arrays have come a long way in the past few years. They are less costly, more efficient and longer lasting. Dozens of solar farms have already been built in Alberta. Several municipalities have already done their own analysis and decided the benefits outweigh the risks.

Does the City have any experience with solar power?

Here is St. Albert, we have already added a solar PV array to our [Dez Liggett Transit Facility](#) and our the [Jack Kraft Public Works Facility sand storage shed](#). We are in the process of adding one of the province's largest solar PV arrays to Servus Credit Union Place. These projects help the City save on energy costs, [reduce its carbon footprint](#) and support our commitment to environmental stewardship and sustainability.

Why do we need more revenue?

Our grants from the Province and other sources have been reduced and future reductions are expected. Adding to this challenge is the drop in facility and transit revenue due to the COVID-19 pandemic, and the delay in returning to full utilization in transit and other areas.

What happens if we don't generate new revenue?

If we don't find new sources of revenue, we will have to look at either increased taxes or reducing existing services and the extent to which we offer those services. This could include things like reduced ice and snow control services, reduced recreation programming, less funding to community groups supporting the social profit and business sectors, less advertising and public engagement spending, and deferring or discontinuing life cycle work such as curb, gutter and sidewalk repairs and replacement. These are not focus areas currently, just a cross-section of the wide range of services that could be potentially impacted. These and other services provided by the City contribute to the high quality of life for our community. Residents have told us they value these services through our biennial [community satisfaction surveys](#).

Can't we just cut spending?

Reducing spending further is an option, but it has trade offs.

St. Albert has always strived to be diligent on the cost side, with operating expenses per capita and debt per capita below average for comparable communities, according to both Alberta Municipal Affairs and the Canadian Taxpayers Federation.

The City of St. Albert has already undertaken a variety of additional measures to review and reduce City expenditures including, but not limited to:

- Conducted an Organizational Review in 2018
- Implemented Priority Based Business Planning and Budgeting
- Eliminated a projected \$14.5 million deficit during the pandemic.

In 2020/2021, Ernst & Young (EY) conducted an [Operational and Fiscal review](#) of St. Albert. EY had positive things to say about the City and how it is run, including the proactive steps taken to reduce expenses, streamline operations, and prioritize service delivery to the community. They also identified that "as the growth in traditional sources of revenue is not sufficient to keep up with the growth in expenditures from increased service demand, the City must look for opportunities to explore new revenue streams to ease financial pressures."

The City is committed to continue to look at the cost side of the fiscal equation, but the reality is generating new revenue streams will be essential for the future if services and service levels are to remain the same.

What analysis is being done?

The initial feasibility study for the City of St. Albert indicated a solar farm could be a profitable option for our community. We need to do further analysis to determine if a solar farm makes sense for the City. For a potential project of this scale, it is important for the City to evaluate and manage risk, determine profitability and properly plan the necessary steps. We are still in the early stages of this project and more work must be done before we authorize construction to proceed. We already know the project would provide significant environmental benefits through clean energy. Now we are making sure the financial aspects also make sense.

Where are we at in the process?

We are currently in Phase 2 of a multi-phase process. Before construction on a solar farm proceeds, several other steps need to take place. We must also thoroughly assess the situation after each phase, before proceeding to the next step. The solar farm project has a total of five phases:

Phase 1 – Initial Assessment: In June 2021, ATCO, a consultant with knowledge and expertise in this area, did an initial assessment and determined a solar farm could have merit. Based on the initial assessment, the City moved to Phase 2.

Phase 2 – Pre-Design: As of August 2021, we are currently in this phase. The City is doing its due diligence to ensure a solar farm aligns with the City's operations, opportunity costs, infrastructure, land impacts and community perspectives. If the pre-design shows the solar farm still looks promising, we will move to Phase 3.

Phase 3 – Detailed Design – yet to come – most of the detailed analysis will take place in this phase

Phase 4 – Prepare for Tender – yet to come and only with Council direction to proceed

Phase 5 – Construction (represents approximately 80 to 90 per cent of the project's overall costs) – yet to come

Why would we borrow money at six per cent?

The City would not borrow at six per cent; it would borrow at the lowest interest rate it can get, just as homeowners would do for mortgages or other personal borrowing, and current market rates are much lower.

The six per cent figure is in the proposed borrowing bylaw because the *Municipal Government Act* requires us to put a MAXIMUM borrowing interest rate into all of our borrowing bylaws. Six per cent represents our best judgment as to the highest level that market interest rates might potentially reach before we actually need to borrow – in essence, a worst-case scenario.

Why not release all the financial information used for the business case?

We are trying to be as transparent as possible and make meaningful and relevant information available to the public. We have to respect that our consultants have used a confidential and proprietary model for their economic analysis, which they have asked us to keep confidential. However, we will release all the data and assumptions that were plugged into the model.

What were the data and assumptions?

A spreadsheet showing this information will be posted to the City website.

Where would the solar farm be built?

The recommended location for the solar farm is in the City's northwest in an area known as the Badger Lands. This location was chosen for several reasons. The land is owned by the City and is considered a brownfield site, due to salt contamination from past snow storage operations. There would be no need for the City to do a costly clean up of the site prior to a solar farm being constructed. Other uses would require remediation of the site before any development could proceed. Remediation is expected to cost between \$15 million and \$25 million depending on the level of contamination discovered.

Why not lease the land to a private organization to operate?

Leasing the land to someone else to operate a solar farm is an option, as is forming a partnership to share the costs and profits, but these alternatives would provide far less revenue for the City. These types of opportunities will be considered further, later in the process.

What is happening on August 30?

At the August 30, 2021 City Council meeting, a borrowing bylaw will be considered for second and third reading. If passed, the borrowing bylaw would provide the City with the *authority, but not the final approval* to borrow money to finance the construction of the solar farm at some point in the future.

Approval of a borrowing bylaw does not necessarily mean the City will borrow the full amount or any money at all. Council gives the City approval to borrow at the time the Growth Capital Budget is approved. This approval would need to take place as part of the City's 2022 budget process in the fall of 2021. Only if the 2022 Growth Capital Budget, inclusive of the solar farm project, is approved by Council could the City go to tender and request bids for construction of a solar farm.

Does the City have to borrow?

The City has historically chosen to use borrowing bylaws to fund large projects with significant funding requirements. This approach enables the City to fund the project from beginning to end.

An alternative option for Council is for the City to fund the Detailed Design Phase internally with existing funds and defer the borrowing bylaw to a later date, if construction is approved. In this case, the borrowing bylaw would be only for funds to undertake construction once detailed design is complete.

How much will the City borrow?

The borrowing bylaw is based on an estimated budget of approximately \$26.5 million for the solar farm, along with a contingency amount of approximately 25 per cent. This means the borrowing bylaw is for \$33.3 million. Capital project budgets typically have contingency included, regardless if they are funded by a borrowing bylaw. The contingency accounts for unanticipated costs, or costs for which it is too early to be more precise.

As the pre-construction phases progress and more information is obtained, the cost estimate becomes more refined and the contingency is typically decreased by varying degrees depending on the project's complexity.

What about cost overruns?

Once a budget has been set for a capital project, it is rare for the project to go over budget. Over the past few years, the vast majority (95 to 99 per cent) of the City's capital projects have been completed within or below budget.

The solar farm project is expected to generate positive revenue during its lifecycle, providing financial benefits to the City. Even if the solar farm only broke even financially, the City would receive significant environmental benefit and this would contribute to St. Albert doing its part in meeting the challenge of mitigating climate change, a global issue.

Does a solar farm mean the City has to form a Municipal Energy Corporation?

No, they are related but are two different things. The City is considering the proposed solar farm as a stand-alone project whether or not we decide to move ahead with a potential Municipal Energy Corporation. Right now, the only thing being considered is if the solar farm is a good project for the City. If construction of the solar farm moves ahead, it would become an asset owned by the City.

If the City decides to move ahead with a Municipal Energy Corporation in the future, at that point the City would do a separate analysis to determine if the solar farm would be better continuing as a City asset or as an asset of the Municipal Energy Corporation.

No work has been done on a potential Municipal Energy Corporation since June 2021 and no further work will be done until sometime in the fall of 2022. Council will not consider proceeding with a Municipal Energy Corporation until the new year. If Council does decide to pursue formation of a Municipal Energy Corporation, this process would require a public hearing as specified in the *Municipal Government Act*.

What happens if the solar farm does not move ahead?

If Council decides not to proceed with a solar farm, the City will not do any further work on this project. Through the Planning Forward: Setting the Context public participation opportunity, community members provided the City with additional suggestions to generate new revenue streams. The City will evaluate these suggestions to determine if any look promising. If none of the ideas submitted is feasible, and no new revenue sources are found, St. Albertans need to prepare themselves for a significant tax increase and/or reductions to the services we offer and the extent to which we offer them.

What happens if the City does not generate any new revenue?

In the absence of new revenue streams, Council will have two levers: increasing taxes or reducing services and service levels, to arrive at a solution:

- significantly increase taxes by at least five per cent annually, not on a one-time basis, which is higher than annual historical levels of 1.8 per cent over the past 10 years, to maintain current services levels and address infrastructure deficits
- decrease service levels to mitigate tax impacts and address capital deficits
- choose a combination of higher than inflationary tax increases and service level reductions

Isn't a public hearing required for a borrowing bylaw?

The *Municipal Government Act* (MGA) does not require municipalities to hold a public hearing for a borrowing bylaw. The City values input from residents but does not need to hold a public hearing for residents to share their point of view with Council. During a public hearing, or during a regular Council meeting, presenters have the same five minutes to address Council regarding any item on the agenda. There is no difference if there is a public hearing or not.

How can I share my point of view?

To address Council on August 30, please follow the steps outlined on the City website at stalbert.ca and search Address Council

You can also contact Council at any time. Contact information for the Mayor and Councillors is also available on the City website at stalbert.ca and search Contact City Council.

What does the Mayor have to say?

The Mayor has been receiving a number of questions regarding the solar farm. She addresses the most common questions in this [brief video](#).