

Environmental Sustainability Reserve

ISSUE

The Administration is requesting City Council approval for amendments to Council Policy No. C03-003, Reserve for Future Expenditures, which are required for the inclusion of an Environmental Sustainability Reserve.

RECOMMENDATION

The Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

1. That Council Policy No. C03-003, Reserves for Future Expenditures, be amended to establish an Environmental Sustainability Reserve; and
2. That the City Clerk be requested to amend Council Policy No. C03-003 as outlined in the report of the Chief Financial Officer dated September 8, 2020.

BACKGROUND

At its 2020/2021 Business Plan and Budget Review meeting on November 25, 2019, City Council resolved, in part:

- “1. That a sustainability reserve be established;
2. That a green loan model be used to fund the new sustainability reserve on a go-forward basis, excluding projects that are currently underway as of 2019 year end; and
4. That \$250,000 be approved as part of the Low Emissions Community Plan Funding Options.”

DISCUSSION/ANALYSIS

The City of Saskatoon (City) has committed to significantly reduce greenhouse gas (GHG) emissions. The establishment of the Environmental Sustainability Reserve (Reserve) with consistent and reliable funding allows for planning and implementing environmental sustainability initiatives. This will also allow for long-term planning in order to reach GHG targets and address other environmental sustainability objectives.

Reserve Application of Funds

The Reserve would be used for environmental sustainability initiatives including emissions reduction (mitigation), improved resiliency (adaptation) and other environmental sustainability initiatives not eligible for other reserve funding. This may include the following:

- Corporate or community projects that result in quantifiable GHG emissions reductions such as: buildings and energy efficiency; clean transportation (reduced usage of fossil fuels in private and public transportation); renewable energy generation; water conservation; and waste reduction and diversion or other actions from the Low Emissions Community Plan;

Environmental Sustainability Reserve

- Initiatives that encourage a change in citizen behaviours related to: consumption such as energy (electricity and fuel), water and waste; sustainable land-use; and strengthening green infrastructure;
- Initiatives that prioritize equity and access to environmental sustainability initiatives;
- Environmental sustainability projects such as those outlined in the Corporate Climate Adaptation Strategy and Green Infrastructure Strategy; and/or
- Other related activities that would effectively reduce emissions, improve the city's ability to adapt to a changing climate, protect the environment, and/or enhance ecosystem services.

The Administration will determine project prioritization through criteria relating to GHG reduction (mitigation), improved resiliency (adaptation), green infrastructure support or enhancement, and other environmental sustainability benefits. Assessment of potential initiatives could consider the following:

- Mitigation initiatives would be required to project/model reduction of emissions through a detailed GHG estimate;
- Adaptation initiatives would need to demonstrate how the project outcomes allow individuals, assets or services, address risk, and adapt to the current and anticipated impacts of climate change;
- Environmental sustainability initiatives that utilize green infrastructure would be assessed through their ability to support the green network, through improvements to community access, governance, open space, ecology, and/or storm water management;
- Environmental sustainability initiatives that utilize green infrastructure and nature-based solutions or provide a mitigation (reduced GHG) co-benefit will be given priority over grey infrastructure with limited use capacity;
- Ability for the initiative to leverage additional funds from the community, other government sources or third parties;
- While the Reserve is in development, ability for the initiative to contribute to future Reserve funding through a return on investment would be considered;
- Projects with alternate funding sources through other reserves should be given lower priority compared to projects with no alternate funding opportunities; and

Environmental Sustainability Reserve

- Use of the Triple Bottom Line assessment tool which will also highlight initiatives that incorporate social benefits and demonstrate sound and broadly-based economic principles.

Reserve Source of Funds

The Reserve will be funded annually through the Business Plan and Budget Review by an amount approved by City Council. For both 2020 and 2021, the amount approved for the transfer to the Reserve is \$250,000.

In addition to the operating contribution to the Reserve, green loans will also be utilized as a source of funding for the Reserve. Currently, savings or additional revenue from green loans are used to repay the loan and once the loan is fully paid, the savings are used to lower property taxes or alternatively to offset an increase in property taxes. The savings or additional revenue from all new green loans starting in 2020 will be used to fund the Reserve. To date, there have not been any new applications for green loans within 2020. Each green loan will be evaluated, based upon payback terms, whether a portion of the cost savings will be allocated to the Reserve during the period when the loan is still being repaid or whether the loan will be fully repaid before any funds are allocated to the Reserve. Once a green loan is repaid for all future loans, all savings or additional revenue will be allocated to the Reserve. For clarification, the contribution to the Reserve will not include savings or additional revenue from Productivity Improvement Loans as defined in Capital Reserve Bylaw No. 6774, or savings realized through the implementation of the Energy Performance contracts.

The proposed amendments to the Reserve Policy are detailed in Appendix 1.

The current information that the Administration has regarding federal pollution pricing rebates is that the program will be a merit-based application program delivery. This means that individual projects will have to apply for funding under this program and therefore it would not be a consistent and sustainable source of funding for this Reserve. More specifically, funding will be delivered under the Climate Action Incentive Fund. This fund is a proposed new program, delivering up to \$218 million in its first year (2019-2020). It provides \$43 million to Saskatchewan, funded from the proceeds of the federal carbon pollution pricing system, particularly, from the regulatory fuel charge levy. For the municipal sector, the fund will support retrofit projects aimed at reducing GHG emissions. Details about the program intake have yet to be announced.

FINANCIAL IMPLICATIONS

\$250,000 will be transferred to the Environmental Sustainability Reserve from the Sustainability Operating Budget on an annual basis.

Future savings or additional revenue from green loans will be allocated to the Reserve. Once the loan is repaid, the property tax rates will no longer benefit from the savings or additional revenue.

Environmental Sustainability Reserve

Additional tools to fund this reserve in the future may include:

- future revenues from electric vehicle charging stations;
- proceeds from the sale of carbon offsets; or
- interest repayments from a municipally administered Property Assessed Clean Energy financing program.

POLICY IMPLICATIONS

If the recommendations in this report are approved, Council Policy No. C03-003 will be amended.

ENVIRONMENTAL IMPLICATIONS

Consistent funding to the Reserve will help the City to achieve GHG emission reduction targets.

OTHER IMPLICATIONS

There are no privacy, legal, or social implications identified.

NEXT STEPS

The Administration will report further to request City Council approval to establish projects that will require the Reserve funding.

APPENDICES

1. Draft Environmental Sustainability Reserve

REPORT APPROVAL

Written by:	Kari Smith, Senior Financial Business Partner Amber Weckworth, Education and Environmental Performance Manager Hilary Carlson, Greenhouse Gas Controls Specialist
Reviewed by:	Jeanna South, Director of Sustainability David Reynolds, Director of Finance
Approved by:	Kerry Tarasoff, Chief Financial Officer

Admin Report - Environmental Sustainability Reserve.docx