

Intent to Borrow – Home Energy Loan Program

ISSUE

City Council approval to borrow in the future for the Home Energy Loan Program (HELP) is required. This report provides the public with information on future debt and repayment plans through a Public Notice Hearing.

RECOMMENDATION

1. That the following planned borrowing be approved:
 - a) Up to \$2,500,000 for the Property Assessed Clean Energy Financing Program (Capital Project 1956);
 - b) An allowable 10% variance on the borrowing requirements for the project identified. Any variance greater than 10% of the borrowing amount identified must be reported to City Council; and
2. That an exemption to Council Policy No. C12-009, Portfolio Management, be approved to allow for this borrowing and corresponding internal investment with a maturity term exceeding 10 years.

BACKGROUND

A borrowing bylaw is not required for internal loans; however, City Council approval is required for any borrowing related to the funding of capital projects, including the terms outlined in this report.

The Cities Act and Bylaw No. 8171, The Public Notice Policy Bylaw, 2003, require Public Notice Hearings for any borrowing.

HELP offers loans to property owners at competitive rates to encourage upgrades to their homes with energy efficient and renewable energy installations. At its February 22, 2021 meeting when considering the “Options for the Design of a Home Energy Loan Program” report, City Council resolved, in part:

- “4. That internal borrowing in the amount of \$2,500,000 be allocated, subject to public notice and an intent to borrow report, for capital loans for the participants of the Home Energy Loan Program.”

The internal borrowing will issue approximately 100 loans to participants, and principal and interest of the loan will be repaid by program participants over the duration of their HELP loan via their property taxes.

DISCUSSION/ANALYSIS

The internal loan of \$2.5 million will be lent out over a 2-year period; therefore, the Administration is recommending that an internal loan in the form of a line of credit be used. This will allow the City of Saskatoon (City) to earn a return on any unused funds instead of leaving them idle with the program. Funds that are borrowed will be paid

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back over a period of 5, 10, or 20 years depending on the applicant's preference, and the rate of interest on the loan will depend on the period chosen by the applicant.

The loan will be recorded in the General Account long-term investment portfolio with the following terms:

| Project No. | Principal Borrowed | Amortization Term | 5-Yr. Interest Rate* | 10-Yr. Interest Rate* | 20-Yr. Interest Rate* | Payment Frequency** |
|-------------|--------------------|--------------------|----------------------|-----------------------|-----------------------|---------------------|
| 1956 | \$2,500,000 | 5, 10, or 20 years | 1.45% | 2.31% | 3.14% | Monthly/Yearly |

* Variable interest rate is derived from calculating what the City would receive if the principal were instead invested in the market for the same time period and will be updated annually based on current rates.

** This is dependant on how the applicant's property tax payments are setup with the City.

Internal borrowing is ideal for this program as it does not have any impact on the City's borrowing limit, and it can also be tailored to the needs of the program allowing funds to be accessed when required. Using internal borrowing will also minimize debt servicing costs and commissions that would be paid to external parties and provide effective utilization of the City's financial capacity.

The Administration is recommending that City Council authorize planned borrowing in the form of an internal line of credit up to the amount of \$2.5 million plus a variance of 10% for Capital Project 1956.

The 20-year term option on applicant borrowings is not compliant with Council Policy No. C12-009, Portfolio Management, Section 3, Subsection 3.4, (a)(i) which states "The term structure of each security held in the portfolio shall not exceed 10 years." The Administration is requesting that City Council approve an exemption for this purpose.

FINANCIAL IMPLICATIONS

The financial implications have been stated in the discussion/analysis of this report.

OTHER IMPLICATIONS

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

PUBLIC NOTICE

Public Notice is required for consideration of this matter, pursuant to Section 3(e) of Council Policy No. C01-021, Public Notice. As shown in Appendix 1, the following notice was given:

- Posted on the City's website on Wednesday, April 14, 2021; and
- Advertised in the [Saskatoon StarPhoenix](#) on Thursday, April 15, 2021.

NEXT STEPS

If the loan is approved, the funds will be allocated to the program as applicants are accepted into the program. Upon a signed agreement, the Administration will work with the applicants in paying down the loan through their property tax payments. An annual report will be submitted to the City's Investment Manager, who will record the interest

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earned in the General Bond Account and track the balance on the \$2.5 million line of credit.

APPENDICES

1. Copy of Public Notice – Home Energy Loan Program Financing

REPORT APPROVAL

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