

Intent to Borrow – Home Energy Loan Program FCM Funding

ISSUE

The City of Saskatoon (City) launched the Home Energy Loan Program (HELP) on September 1, 2021. Prior to launching the program, the City applied for the Federation of Canadian Municipalities (FCM) Community Efficiency Financing Program to secure additional capital to enhance the program.

FCM has confirmed their offer to provide loan and grant funding for the expansion of the City's HELP program. City Council approval is required to borrow for the debt portion of the FCM funding. This report provides the public with information on future debt and repayment plans through a Public Notice Hearing.

RECOMMENDATION

That City Council authorize the following planned borrowing:

1. up to \$9,833,200 for the Property Assessed Clean Energy Financing Program (Capital Project P1956), from the Federation of Canadian Municipalities and internal borrowing (which includes \$2,500,000 in previously approved borrowing and \$7,333,200 in new borrowing); and
2. an allowable 10% variance on the borrowing requirements for the project identified. Any variance greater than 10% of the borrowing amount identified would require a new public notice;

BACKGROUND

A borrowing bylaw is required for external loans as well as City Council approval 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:

- "5. The Administration complete an application for the Federation of Canadian Municipalities' (FCM) Community Efficiency Financing program, which if approved, would be utilized for the Home Energy Loan Program set out in this report, including up to \$10,000,000 of borrowing for loan capital from the Federation of Canadian Municipalities (borrowing will be subject to public notice and an intent to borrow report)."

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HELP has also been approved for an internal line of credit. At its April 26, 2021 meeting when considering the “Intent to Borrow – Home Energy Loan Program” report, City Council resolved, in part:

- “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.”

The funds borrowed from FCM will be used to issue 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.

On February 28, 2022, City Council approved program enhancements and rebate package, for HELP and resolved, in part, that:

- “4. Capital Project P1956 – Property Assessed Clean Energy Financing Program be increased by \$3,666,600 for the grant portion and \$7,333,200 for the loan portion (subject to an intent to borrow report and public notice) of FCM’s Community Efficiency Financing Program Funding.”

DISCUSSION/ANALYSIS

FCM has confirmed that the City has been approved for a loan in the amount of up to \$7,333,200 along with a grant in the amount of up to \$3,666,600. It is expected this loan and grant will cover up to 80% of eligible expenses for the program. The total borrowing for the program is expected to be \$9,833,200 which includes the \$7,333,200 FCM portion that is noted above and the \$2,500,000 internal line of credit which was previously approved by City Council.

Table 1 summarizes the HELP Program funding.

Table 1 - Total program funding with FCM grant & loan offer included

	Funding for operations & rebates	Loan capital for participants	Total
Original Internal Funding for Base Program	\$250,000	\$2,500,000	\$2,750,000
FCM Community Efficiency Financing - Grant	\$3,666,600		\$3,666,600
FCM Community Efficiency Financing - Loan		\$7,333,200	\$7,333,200
Total Program Funding	\$3,916,600	\$9,833,200	\$13,749,800

There will be up to two combined loan and grant disbursements allowed per year for a maximum of eight in total over a four-year period. FCM offers an interest only period of up to four years for the loan amounts received which will allow the City to distribute cash to participants before being required to repay the loan. At the end of the four years, the City will then be required to make loan payments on a semi-annual basis, with the loan being amortized over a 20-year period. The FCM loan is being offered to the City at a 0% cost of borrowing, this means there will be no cost to the City during the interest only period and life of the loan.

The program was originally setup to charge participants an interest rate equal to the interest paid by the City or a rate equal to what the City would have received if funds were invested if an internal loan is used. Since the first 60 participants into the program are being charged a rate equivalent to what the City would have received if the funds were instead invested Administration is proposing that all participants are charged a similar rate moving forward. Any extra revenue earned from the program will be placed into the Environmental Sustainability Reserve for future opportunities. The Environmental Sustainability Reserve was the initial source of the base program funding.

In addition to the cheaper borrowing costs from FCM, the City was also approved for a grant of up to \$3,666,600 which would not have been possible if the debt was instead issued in the open market. Therefore, the loan offers a cheaper financing option along with extra funds to enhance the existing program. The grant portion will not need to be paid back, but the debt portion will be paid back by program participants through a property tax deferral program.

Administration is recommending that City Council authorize planned borrowing from FCM up to the amount of \$9,833,200 (which includes \$2,500,000 in previously approved borrowing and \$7,333,200 in new borrowing) plus an allowable variance of 10% for Capital Project 1956.

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 Friday, March 18, 2022; and
- Advertised in the Saskatoon StarPhoenix on Saturday, March 19, 2022 and Monday, March 21, 2022.

NEXT STEPS

If the loan is approved, FCM will make the funds available to the City's HELP program to draw on as applicants are accepted into the program. Upon a signed agreement, Administration will work with program participants in paying down their loan through a property tax deferral program. As payments are received from participants these funds will be used to payback FCM on the outstanding balance of the loan.

APPENDICES

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

REPORT APPROVAL

Written by: Spencer Janzen, Investment Manager
Reviewed by: Investment Committee
Jeanna South, Director of Sustainability
Approved by: Clae Hack, Chief Financial Officer

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