

Borrowing Bylaw – 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 for Solicitors to draft the borrowing bylaw and to allow the Mayor and the City Clerk to execute the agreement on behalf of the City.

RECOMMENDATION

The Standing Policy Committee on Finance recommends that City Council :

1. Instruct the City Solicitor's Office to prepare the necessary borrowing bylaw to authorize the Home Energy Loan Program loan from the Federation of Canadian Municipalities;
2. Authorize that the Chief Financial Officer, the City Solicitor and the City Treasurer be able to take all steps necessary to give effect to this loan and grant from the Federation of Canadian Municipalities; and
3. Authorize the Mayor and the City Clerk to execute the agreement from FCM under the Corporate Seal.

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.

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, that:

- "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.”

On February 28, 2022, City Council approved program enhancements and a 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.”

At its March 28, 2022 meeting when considering the “Intent to Borrow – Home Energy Loan Program FCM Funding” report, City Council resolved, in part:

- “That the following planned borrowing be approved:
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;”

DISCUSSION/ANALYSIS

City Council approval of the recommendations in this report is required so that Solicitors may draft the necessary borrowing bylaw to be considered by City Council and that the Mayor and City Clerk be authorized to execute the agreement with FCM.

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 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.

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.

It was originally stated that interest generated from the program would be deposited into the Sustainability Reserve, however the Agreement with FCM states that it is expected that any revenue generated from the program will be invested back into the program. Extra revenue may also be put toward other projects the borrower may have. What is permissible will be determined by FCM and the general objectives of the CEF program must still be respected in use of this revenue.

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.

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.

NEXT STEPS

Upon approval of this report, the City Solicitor's Office will prepare the necessary bylaw for City Council approval and will work to have the agreement with FCM executed by the Mayor and the City Clerk.

REPORT APPROVAL

Written by: Spencer Janzen, Investment Manager
Reviewed by: Investment Committee
Approved by: Clae Hack, Chief Financial Officer