

Investment Policy Exemption – Recovery Park Internal Loan

ISSUE

The Recovery Park project (Capital Project No. 2050) was approved to borrow up to \$12,786,000 and the Administration determined to borrow by way of internal loan for a period of 15 years. This report is to request approval to exceed the maturity term of 10 years allowed for investments in the General Account.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That an exemption to Council Policy No. C12-009, Portfolio Management, be approved to allow for the Recovery Park borrowing and corresponding internal investment with a maturity term exceeding 10 years.

BACKGROUND

As per Borrowing for Capital Projects Policy C03-027, City Council shall be advised for any capital projects that require a loan amortization period greater than 10 years.

At its regular business meeting on February 26, 2018, when considering a report from the Acting General Manager, Corporate Performance Department, regarding a comprehensive funding plan for the Recovery Park and Saskatoon Regional Waste Management Centre Project, City Council resolved:

- “1. That the comprehensive funding plan for the integration of Recovery Park with the Saskatoon Regional Waste Management Centre as outlined in the report of the Acting General Manager, Corporate Performance, dated February 13, 2018 be approved; and
2. That the budget for Capital Project No. 2050 be adjusted to reflect the additional \$16.4M included in the plan.”

A borrowing bylaw is not required for internal loans, however public notice is required for consideration of borrowing, pursuant to Section 3e) of Policy No. C01-021, Public Notice. At its Public Hearing meeting on August 27, 2018, City Council resolved that the following planned borrowing be authorized:

- “1. Up to \$12,786,000 for Recovery Park and Saskatoon Regional Waste Management Centre Project (Capital Project No. 2050); and
- “2. 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.”

DISCUSSION/ANALYSIS

Recovery Park integrates all landfill and recycling entry facilities into one, creating a new public face for the landfill and contributing to the vision to realize the full capacity of the Saskatoon Regional Waste Management Centre. The project includes construction of a new scale house and waste acceptance area in response to the planned demolition of the existing public landfill infrastructure. The 2011 Integrated Landfill Management Plan outlines expansion of the active landfilling area into what is currently occupied by waste drop-off, existing recycling, West (old) scales and building infrastructure. Relocation of landfill-related facilities to adjoin recovery functions will make available the final footprint expansion for construction of a new waste cell on the eastern portion of the existing site, including the required leachate collection systems.

The total budget for the project is anticipated to be \$37,500,000 and requires approximately \$9,500,000 in borrowing to fund the project. Administration determined the optimal form of borrowing for the Recovery Park project is an internal loan. Per Administration's conversations with the City's fiscal agents, there is currently limited appetite from the market to issue a 15-year serial bond without potentially paying a premium on the borrowing rate. Therefore, borrowing internally will allow for a reasonable rate and appropriate amortization period. For the project to make yearly payments while staying within the previously approved and phased-in amounts for annual repayments, a 15-year term is required. Since internal loans are funded from the City's General Account for investments, internal loans are setup and tracked as an investment.

The 15-year maturity of this internal loan 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 are included in the body of this report.

OTHER IMPLICATIONS

There are no environmental, privacy, or CPTED considerations or implications, and neither public and/or stakeholder involvement or a communication plan is required.

NEXT STEPS

Once the exemption is approved, the Administration will work on setting up the internal loan for the Recovery Park project.

REPORT APPROVAL

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