

## Intent to Borrow – Waste Utility Program Development

### ISSUE

City Council approval to borrow for projects is required. This report provides the public with information on the planned future borrowing to fund the purchase of variable black carts to support implementation of the Waste Utility Program. Any borrowing will be dependent on the approval of the utility rates determined by City Council at the budget deliberations in November.

### RECOMMENDATION

That City Council authorize the following planned borrowing:

1. Up to \$3,500,000 for Capital Project P.02599 Waste Utility Program Development to fund the purchase of Variable Black Carts; and
2. An allowable 10% variance on the borrowing requirement for the project. Any variance greater than 10% of the borrowing amount identified must be reported to City Council.

### BACKGROUND

*The Cities Act* and Bylaw No. 8171, Public Notice Policy Bylaw, 2003, requires that Public Notice be given before borrowing money, lending money or guaranteeing the repayment of a loan.

At its [October 25, 2021](#), meeting, City Council resolved:

“That the City of Saskatoon proceed with Option 2: A fixed monthly rate for the curbside organics utility with a January 2023 implementation, and a variable rate for black cart garbage utility with implementation in 2024.”

At its [September 26, 2022](#), meeting, City Council resolved:

“That Option 1: A variable cart utility including three cart options for the black cart garbage utility, with implementation funded through borrowing against the future utility be approved.”

At its [August 30, 2023](#) meeting, City Council resolved in part:

“That Capital Project P.02599 be increased by \$3,500,000 funded through internal borrowing, subject to public notice and an intent to borrow report, to fund the supply and deployment of small and medium sized carts in conjunction with the launch of the variable garbage utility in 2024.”

At its [September 5, 2023](#) meeting, the Standing Policy Committee on Environment, Utilities and Corporate Services (EU&CS), resolved:

“That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

1. That the implementation plan, as outlined below, be approved; and
2. That Administration include the proposed garbage utility fees in the 2024/2025 Preliminary Business Plan and Budget meetings, which include a flat fee for the first six months of 2024 and a variable fee thereafter.”

**DISCUSSION/ANALYSIS**

As previously indicated, Administration is recommending an internal loan to fund the purchase of Variable Black Carts. This type of borrowing will not impact the City of Saskatoon’s (City) overall borrowing limit and the loan will be paid off in 10 years with interest on the loan charged at a rate equivalent to what the City would receive if the funds were invested in the bond market. The interest will compensate the City for the opportunity cost of the money during the term of the loan. Using an internal loan will also minimize debt service costs and commissions that would be paid to external parties, allow flexibility for early repayment, and provide effective utilization of the City’s financial capacity.

A variable rate black cart garbage utility is expected to be implemented in 2024 as outlined at the September 5, 2023 EU&CS Committee. Under the proposed three cart model, residents will have the choice to down-size to a smaller cart. If the program and proposed utility rates receive final approval, funding will be required to purchase and support the exchange of small and medium carts in alignment with the program launch. The level of funding required is dependent on the percentage of residents that will request to move to smaller sized carts, and the expected costs of the smaller cart sizes. Smaller sized cart costs were estimated by reviewing the pricing from organics cart procurement, as well as preliminary discussions with existing cart vendors.

The internal loan will be held in the General Account’s long-term investment portfolio with the following terms of borrowing:

<b>Project No.</b>	<b>Principal Borrowed</b>	<b>Amortization Term</b>	<b>Interest Rate*</b>	<b>Payment Frequency</b>
2599	\$3,500,000	10 years	3.65%	Quarterly

\*Fixed interest rate is derived from calculating what the City would receive if the principal were instead invested in the market in a 10-year investment. This is an indicative rate and will be updated to current rates in 2024 when the loan is issued.

Administration is recommending that City Council authorize planned borrowing in the form of an internal loan up to the amount of \$3,500,000 plus a variance of 10% for Capital Project 2599 – Waste Utility Program Development – Variable Black Cart Program. The current interest rate for a 10-year loan is 3.65%, however, this will be updated to current rates at the time of borrowing in 2024 when the loan is issued, provided the program receives the necessary approvals. Based on the current rate the annual payment of principal and interest will be \$419,300 and this will be paid using the

future garbage utility rates. The source of funding for this internal loan will be the City's cash reserve.

**FINANCIAL IMPLICATIONS**

All financial implications are detailed in the report.

**Public Notice**

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

- Posted on the City's website on Friday, September 15, 2023; and
- Advertised in the Saskatoon StarPhoenix on Saturday, September 16, 2023.

**NEXT STEPS**

Once the loan is approved, the funds will be allocated to Capital Project 2599 in 2024 when the loan is issued, and the Finance Department will oversee the repayment of the loan until it matures.

**APPENDICES**

1. Copy of Public Notice – Intent to Borrow - Waste Utility Program Development

**REPORT APPROVAL**

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