

Intent to Borrow – City-Owned Organics Processing Facility

ISSUE

City Council approval to borrow for projects is required. This report provides the public with information on future debt and repayment plans for the construction of an organics processing facility.

RECOMMENDATION

That City Council authorize the following planned borrowing:

1. Up to \$22,110,000 to fund the City-owned organics processing facility; 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

The Cities Act and Bylaw No. [8171](#), The Public Notice Policy Bylaw, 2003, requires Public Notice Hearings for any civic borrowing.

At its [November 1, 2023](#) meeting, the Standing Policy Committee on Environment, Utilities, and Corporate Services received an information report from Administration titled “Curbside Organics Processing Contract Update” where City Council was notified that Green Prairie Environmental (GPE) was unable to fulfill their obligations of the curbside organics processing contract.

At its [April 24, 2024](#) meeting, City Council resolved:

“That Administration pursue Option 3 – Build a City-owned Organics Processing Facility.”

At its May 7, 2024 meeting, while considering a report entitled [Establish Capital Project – City-owned Organics Processing Facility](#), the Standing Policy Committee on Environment, Utilities and Corporate Services resolved:

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

- 1) That a capital project be established in the amount of \$22,110,000 to be funded through borrowing, subject to a public hearing and intent to borrow report; and
- 2) That this capital project be exempted from the 10% downpayment provision required for capital projects funded through borrowing as stated in Council Policy C03-027.”

This report will be considered at the May 29, 2024, City Council Regular Business Meeting.

DISCUSSION/ANALYSIS

The City-owned organics processing facility will require borrowing of up to \$22,110,000. Administration is forecasting a 20-year term to minimize rate increases to the organics utility rate. Based on current interest rates, the total annual repayment for principal and interest on a 20-year loan is approximately \$1,761,500. The actual interest rate and repayment amounts will be determined at the time of borrowing.

As stated in the [May 7, 2024](#) report, \$525,600 (30%) of the annual estimated borrowing repayment requirement will be funded through non-utility funding which may include user fees, Multi-Material Stewardship Western funding or existing property tax support. The remaining \$1,235,900 (70%) will be paid by the curbside organic’s utility as part of the processing fee. The debt repayment portion of processing is estimated to have an impact of \$1.34 per cart per month in 2026, which will be confirmed once the actual repayment amounts are known. The final utility rates for 2026 will be approved as part of the multi-year budgeting process.

The Administration will follow its existing practice with respect to borrowing. Once the project has advanced to a point where borrowing is required, the City’s internal Investment Committee will evaluate borrowing options. If external borrowing is recommended to be utilized, City Council will be presented with a report to authorize the Chief Financial Officer to effect that borrowing within specified ranges (i.e., interest rates). Once a borrowing has occurred, the Administration will draft and present a borrowing bylaw with all the relevant data related to the transaction for City Council approval.

If internal borrowing is the recommended source of funding, the Administration will work to allocate the funds to the capital project and will make the appropriate loan and repayment schedule. The interest rate charged on the borrowing will be comparable to what the City would have received if the funds were instead invested in the bond market. There would be no further reporting back to City Council for additional approvals.

City Council is also asked to allow a 10% variance on the borrowing requirements for the project. Any variance greater than 10% of the borrowing amount identified must be reported to City Council.

FINANCIAL IMPLICATIONS

The financial implications are discussed in 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 Policy No. C01-021, Public Notice Policy. As shown in Appendix 1, the following notice was given:

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- Posted on the City’s website on Friday, May 17, 2024; and
- Advertised in the Saskatoon StarPhoenix on Saturday, May 18, 2024.

NEXT STEPS

There is no follow-up at this time.

APPENDICES

1. Public Notice – Intent to Borrow – May 18, 2024

REPORT APPROVAL

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