

MEMO

TO: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management
City of Saskatoon

FROM: Jonathan Huntington, Chair,
SREDA Board of Directors

RE: Revised JNE Welding Ltd. Business Development Tax Incentive Application

DATE: July 12, 2018

The Saskatoon Regional Economic Development Authority's Board of Directors reviewed the tax incentive application from JNE Welding Limited Partnership (JNE Welding) and has determined that it meets the eligibility requirements of the City of Saskatoon Business Development Incentives Policy, C09-014 with the exception of 3.3 (a) [The applicant must be a legally incorporated entity]. JNE Welding is a limited partnership, registered in the Province of Saskatchewan on December 18, 2015. JNE Welding is not a corporation, but should not be precluded from receiving the business development incentive on this basis as it clearly fulfills the intention of the policy for companies to initiate business expansion in Saskatoon through investment and job creation, as demonstrated below.

JNE Welding is proposing to vertically integrate by bringing in-house, services that were previously outsourced, such as CNC plate cutting and post weld heat treating (PWHT). Historically, JNE was able to rely on having plate parts cut in 3 days at a reasonable price, however in the past 10 years, costs have tripled and lead times extending to 6-8 days. There is also a need for post weld heat treating (PWHT) in a furnace after fabrication. JNE is proposing to do this process in-house as well. This highlights a potential opportunity to sell the surplus capacity if deemed beneficial. JNE will also have the ability to provide PWHT services to other fabricators and machine shops.

In order to facilitate this, a total investment of approximately \$1.56M (including capital costs of \$680,000) is required for a 6,000 square foot building and equipment.

JNE Welding currently has 119 full-time (FTE) and plans to add 5 to 6 FTE positions due to the expansion.

The Saskatoon Regional Economic Development Authority's Board of Directors approved the following resolution on June 27, 2018:

Recommendations

THAT the Board of Directors approves the recommendation by the Incentive Review Committee for SREDA to submit the JNE Welding Ltd. tax incentive application to the City of Saskatoon for approval.

The Board's recommendations are forwarded to City Council for consideration and approval. A summary of the tax abatement application from JNE Welding Limited Partnership is attached for reference, along with the Eligibility Criteria Checklist.



Jonathan Huntington
Chair, Board of Directors
SREDA