
Repaid Productivity Improvement Loans 2018

Recommendation

That the report of the Chief Financial Officer dated March 11, 2019, be received as information.

Topic and Purpose

The purpose of this report is to provide the Standing Policy Committee on Finance with an update on Green Loans that have been repaid in 2018. This report includes an update on the achievement of expected benefits of the projects for which the loans were applied, as well as the intended use of the savings as a result of the expired loan payments.

Report Highlights

1. A Green Loan to install a new centralized irrigation management system to help the Water Treatment Plant support the City of Saskatoon's (City) Energy and Greenhouse Gas Management Plan was repaid in 2018.

Strategic Goals

This report supports the Strategic Goal of Asset and Financial Sustainability by ensuring the services the City provides are aligned with what citizens expect and are able to pay.

This report also supports the Strategic Goal of Continuous Improvement as Green Loans enable the City to provide the best possible services using innovative and creative means by removing financial barriers, allowing the City to go beyond conventional approaches to meet the changing needs of Saskatoon.

Background

Internal loans are sometimes provided to departments or civic boards that wish to purchase or construct assets which will result in productivity gains with expense savings or incremental revenues (or any combination) that will be the source of repayment for the loan principal and interest.

There are two types of these loans:

- Productivity Improvement Loans - Whereby capital expenditures are fully repaid by additional operating revenues and/or operating expenditure savings (with or without a service enhancement) within a period that does not exceed five years.
- Green Loans - Whereby the capital expenditures are fully repaid from utility expenditure savings within a period that does not exceed ten years.

In addition, there are other internal loans that do not qualify under these definitions, but if excess fund balances are available, an internal loan for other purposes may be

agreed to under certain circumstances. These types of loans are covered under Council Policy No. C03-027, Borrowing for Capital Projects, and are excluded from this report.

This report identifies the extent to which retired loan objectives were achieved, as well as the use of retired debt funds.

The anticipated additional revenue and/or cost savings from Green or Productivity Improvement Loans should result in a budget reduction equivalent to at least the annual amount of debt repayment once the loans have been paid off.

Report

In 2018, one Green Loan was repaid. The following information summarizes the actual outcome compared to the outcome intended, as well as an explanation of the use of funds no longer required for debt charges for the repaid loan.

- Loan Amount: \$1,400,000; Term: 4.96%, 10 years; Annual Repayment: \$180,954

This Green Loan was used to purchase an automatic irrigation management system for the City's Parks irrigation program. Due to a return of budgeted funding not required in 2013, the loan was paid off one year earlier than expected.

The automatic irrigation management system will afford staff the ability to control all systems from a central location. Staff will be able to respond to an emergency request from the Water Treatment Plant in order to preserve water stored in reservoirs as well as to respond quickly during a large fire event which can save lives, property and the environment.

The loan repayment amount that is no longer required in 2019 helped to offset the need for further property tax increases due to the water rate increases.

Due Date for Follow-up and/or Project Completion

A due date for the follow-up and/or project completion is not required.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Report Approval

Written by: Spencer Janzen, Investment Manager
Reviewed by: Kari Smith, Senior Financial Business Partner
Clae Hack, Director of Finance
Approved by: Kerry Tarasoff, Chief Financial Officer