

The following is an excerpt from the minutes of meeting of the City Council held on March 18, 2013:

MATTERS REQUIRING PUBLIC NOTICE

4a) Intent to Borrow
(File No. CK 1750-1)

REPORT OF THE CITY CLERK:

“The following is a report of the General Manager, Corporate Services Department, dated March 4, 2013:

‘RECOMMENDATION: that City Council authorize the planned borrowing to finance the following projects approved, in principle, through Capital Budgets and capital plans:

- a) up to \$12,200,000 for the design and construction of an underground parking garage at River Landing (Capital Project 1786);
- b) up to \$23,500,000 for the design and construction of the Remail Art Gallery of Saskatchewan (Capital Project 1786);
- c) up to \$500,000 on behalf of (and to be repaid by) the Remail Art Gallery of Saskatchewan for kitchen equipment; and
- d) an allowable 10% variance on the borrowing requirements for each project identified. Any variance greater than 10% of the borrowing amount identified must be reported to City Council.

TOPIC AND PURPOSE

This report is requesting, through a Public Notice Hearing, authorization to borrow in the future for the River Landing Parkade (Capital Project 1786) and the Remail Art Gallery of Saskatchewan (Capital Project 1786) included in previous approved capital budgets and revised through post-budget changes included in the “Remail Art Gallery of Saskatchewan and River Landing Parkade Award of Tender” Report to be dealt with at this same City Council meeting (Administrative Reports – City Manager). Also included is a request to authorize borrowing on behalf of the Remail Art Gallery of Saskatchewan for kitchen equipment to be repaid by the Gallery through a Productivity Improvement Loan.

REPORT HIGHLIGHTS

1. The River Landing Parkade project requires borrowing of up to \$12.2 million and will be repaid using a combination of revenues generated by the parkade and taxation revenues from assessment growth under the City's Recreation and Culture Financing Plan.
2. The Remai Art Gallery of Saskatchewan project requires borrowing of up to \$23.5 million to be repaid using taxation revenues from assessment growth under the City's Recreation and Culture Financing Plan.
3. The Remai Art Gallery of Saskatchewan is requesting a Productivity Improvement Loan from the City of Saskatoon for up to \$500,000 to purchase kitchen equipment to be repaid from revenues generated from the kitchen.
4. Borrowing terms on the Parkade and AGS borrowing are expected to be 25 years at approximately 4.25%.

STRATEGIC GOAL

Sound financial practices, policies and stewardship are necessary in order to maintain the strategic goal of Asset and Financial Sustainability. The required Public Notice for Borrowing is one of the key elements of accountability and transparency which enhances the longer term objective of financial sustainability.

BACKGROUND

The Cities Act and City Council Bylaw 2003, No. 8171 requires that City Council give Public Notice before borrowing money, lending money or guaranteeing the repayment of a loan. While a Public Notice Hearing for Borrowing was conducted and approved in April of 2012 for the Remai Art Gallery of Saskatoon (AGS) and the River Landing Parkade, the tender that is being proposed for approval requires further borrowing.

REPORT

River Landing Parkade

The capital project for the design and construction of the underground parking garage at River Landing has been approved through previous capital budgets (Capital Project 1786). As mentioned, a Public Notice Hearing for borrowing on this project was held and approved by City Council on April 30, 2012, for \$6 million.

The tender bid that is being recommended during this same City Council meeting requires additional borrowing. This hearing is requesting a total revised borrowing amount of \$12.2 million for the Parkade.

The expected borrowing term is 25 years estimated at 4.25% and will be repaid using a combination of revenues generated from the new parkade, as well as mill-rate funds as part of the City's Recreation and Culture financing strategy. This strategy uses incremental taxation generated from assessment growth.

The repayment plan estimates that the annual repayment of \$795,000 would be funded from parking revenues to cover approximately 42% of the annual payment and the remaining 58% from the mill-rate.

Remai Art Gallery of Saskatchewan

The capital project for design and construction of the Remai Art Gallery of Saskatchewan at River Landing was approved in previous capital budgets (Capital Project 1786). A Public Notice Hearing in April of 2012 approved \$21 million in borrowing.

The tender bid that is being recommended during this same Council meeting requires additional borrowing. This hearing is requesting a total revised borrowing amount of up to \$23.5 million for the AGS.

The expected borrowing term is 25 years estimated at 4.25% and will be repaid using mill-rate funds of approximately \$1.3 million per year, as part of the City's Recreation and Culture financing strategy. This strategy uses incremental taxation revenue generated from assessment growth.

Productivity Improvement Loan - Remai Art Gallery of Saskatchewan

The Remai Art Gallery Board of Directors is requesting a Productivity Improvement Loan (PIL) for up to \$500,000 to purchase kitchen equipment for the new gallery. This is not a part of the City's capital budget for the project. The Gallery has agreed to repay the loan through the revenues generated by the kitchen. A Public Notice Hearing for borrowing for this amount is required. Upon approval of the borrowing request and pending transfer of funds, a borrowing agreement between the City of Saskatoon and the Remai Art Gallery of Saskatchewan outlining the terms of the borrowing and repayment of the loan would be required.

Productivity Improvement Loans are generally five-year loans and at an interest rate based on the City's current borrowing rate. The final terms of the borrowing and the agreement will be brought forward to City Council for approval at a later date.

Borrowing Terms

As mentioned above, the borrowing terms for the loans related to the River Landing Parkade and the Remai Art Gallery of Saskatchewan are expected to be 25-year loans at about 4.25%.

While some expenditures may have already been incurred, no borrowing has been undertaken pending this Public Hearing. It should also be noted that while authorization is being requested for the full borrowing requirements for these projects, actual borrowing will occur based on cash flow requirements and/or prevailing market conditions.

As indicated, debt repayment on the parkade is supported through a mix of anticipated parking revenues to be generated from the parkade, as well as through incremental taxation revenue from assessment growth as part of the City's overall Recreation and Culture financing plan. The debt repayment on the AGS is supported by mill-rate funds under the City's Recreation and Culture financing plan using taxation revenue from assessment growth.

OPTIONS TO THE RECOMMENDATION

The alternative option is not to proceed with the construction of the various capital projects noted above, or to finance these projects without borrowing.

POLICY IMPLICATIONS

City Council should be aware that the Administration will follow its existing practice with respect to borrowing. Once an Administrative decision has been made to borrow, Council will be requested to authorize the General Manager, Corporate Services, to effect that borrowing within specified ranges (interest rates, for example). Once a borrowing has occurred, the Administration will draft and present a borrowing bylaw, with all of the relevant data related to the transaction, for Council's approval.

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

FINANCIAL IMPLICATIONS

The requested borrowing identified through the recommendation is being proposed within the revised capital budget plan with debt repayment covered through mil-rate funding and generated revenues from the new parkade.

PUBLIC AND/OR STAKEHOLDER INVOLVEMENT

Public and/or stakeholder involvement is not required.

COMMUNICATION PLAN

None required.

DUE DATE FOR FOLLOW-UP AND/OR PROJECT COMPLETION

As indicated above, once the decision has been made to borrow, Council will be requested to authorize the General Manager, Corporate Services, to effect that borrowing within specified ranges (interest rates, for example). The Administration will draft and present a borrowing bylaw, with all of the relevant data related to the transaction, for Council's approval. It is still uncertain if the borrowing would be one, or a series of borrowings, and is dependent on the cash flows and interest rates as to when the borrowing(s) would occur. It is anticipated that funds could be required in 2013, but more likely in 2014.

ENVIRONMENTAL IMPLICATIONS

There are no environmental and/or greenhouse gas implications identified at this time.

PRIVACY IMPACT

There are no privacy implications.

SAFETY/CRIME PREVENTION THROUGH ENVIRONMENTAL DESIGN (CPTED)

A CPTED review is not required.

PUBLIC NOTICE

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

- Advertised in the Saskatoon StarPhoenix on Saturday, March 9, 2013.
- Posted on City Hall Notice Board on March 8, 2013.
- Posted on City Website on March 8, 2013.

ATTACHMENT

1. Photocopy of Public Notice.”

Ms. Marlys Bilanski, General Manager, Corporate Services, presented her report.

Mr. Frank Regier expressed concern with respect to debt levels and the City's accumulated debt.

Moved by Councillor Olauson, Seconded by Councillor Hill,

THAT City Council authorize the planned borrowing to finance the following projects approved, in principle, through Capital Budgets and capital plans:

- a) up to \$12,200,000 for the design and construction of an underground parking garage at River Landing (Capital Project 1786);*
- b) up to \$23,500,000 for the design and construction of the Remai Art Gallery of Saskatchewan (Capital Project 1786);*
- c) up to \$500,000 on behalf of (and to be repaid by) the Remai Art Gallery of Saskatchewan for kitchen equipment; and*

CARRIED.

Moved by Councillor Hill, Seconded by Councillor Clark,

- d) an allowable 10% variance on the borrowing requirements for each project identified. Any variance greater than 10% of the borrowing amount identified must be reported to City Council.*

CARRIED.

PUBLIC NOTICE

INTENT TO BORROW

City Council will be considering a report from the Administration at a Council meeting to be held on **Monday, March 18, 2013 at 6.00 p.m., Council Chambers, City Hall** recommending:

That City Council authorize borrowing to finance the following projects approved, in principle, through capital budgets and capital plans:

- a) up to \$12,200,000 for the design and construction of an underground parking garage at River Landing (Capital Project 1786);
- b) up to \$23,500,000 for the design and construction of the Remail Art Gallery of Saskatchewan (Capital Project 1786);
- c) up to \$500,000 on behalf of (and to be repaid by) the Remail Art Gallery of Saskatchewan for kitchen equipment; and
- d) an allowable 10% variance on the borrowing requirements for each project identified. Any variance greater than 10% of the borrowing amount identified must be reported to City Council.

The Cities Act and The Public Notice Policy Bylaw, 2003, No. 8171 require that City Council give public notice before borrowing money, lending money or guaranteeing the repayment of a loan.

For more information, contact the City Clerk's Office:
975-3240