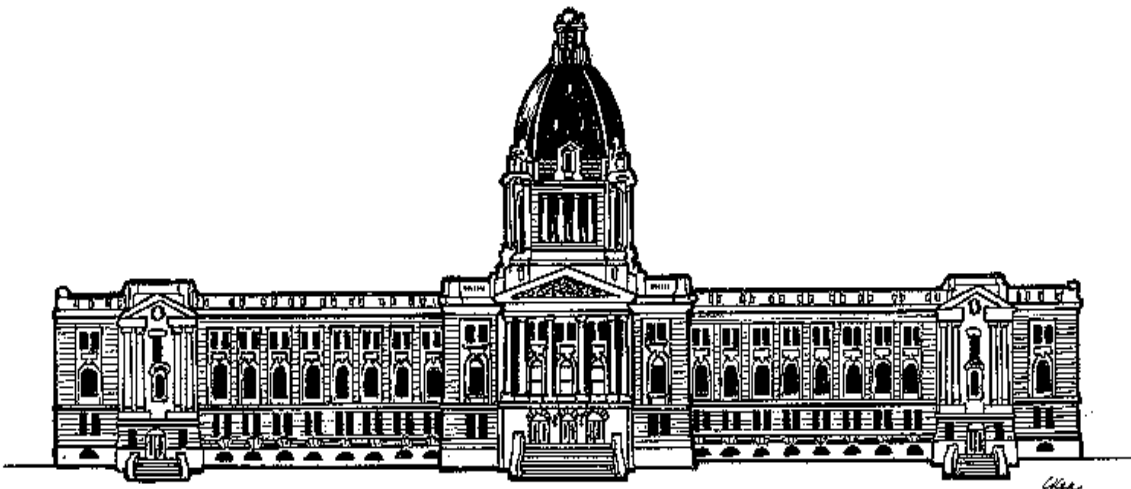




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Trent Wotherspoon
Regina Rosemont

[The committee met at 19:00.]

The Chair: — I'd like to welcome everyone to this meeting of the Crown and Central Agencies Committee. Tonight we will be doing supplementary estimates. I'd like to advise the committee that the following supplementary estimates were deemed referred to the committee: vote 151, Municipal Financing Corporation; vote 139, Sask Gaming Corp; vote 152, Saskatchewan Power Corporation; and vote 176, Sinking Fund Payments - Government Share.

I'd like to welcome the members and welcome the minister. If he'd like to introduce his official and make an opening statement, then we'll get into questions.

**General Revenue Fund
Supplementary Estimates — November
Lending and Investing Activities
Municipal Financing Corporation of Saskatchewan
Vote 151**

Subvote (MF01)

Hon. Mr. Gantefoer: — Thank you very much, Mr. Chairman, and committee members. It's a pleasure to be here this evening. With me this evening is Jim Fallows who's the treasurer of the Municipal Financing Corporation of Saskatchewan. He is also, for the next consideration, the executive director, cash and debt management branch, the Ministry of Finance.

Mr. Chairman, just a few brief comments. The Municipal Financing Corporation of Saskatchewan has been in place for a good number of years to provide a vehicle for borrowing of municipal entities in the province. And we provide, depending on the length of the term of a potential loan, very attractive interest rates and the ability to use the strength of the Government of Saskatchewan's borrowing capacity in order to assist in providing municipal entities with the ability to access capital.

Tonight's consideration is for additional borrowing capacity for the Municipal Financing Corporation. In the budget, we had provided for an estimated \$30 million, and that is always a bit of a guess because we're not sure exactly which way municipalities will decide to go. They have the option of using the Municipal Financing Corporation, or they can choose to deal with their local institutions and Municipal Financing Corporation will offset some of their interest to the rate that is established for the Municipal Financing Corporation. And if they can find rates in their local entities or institutions that are similar or more attractive, then they have that option. And so it's very difficult to know exactly what direction municipalities are going to take.

We have a list of municipalities that have acquired financing through the Municipal Financing Corporation, and I won't list that in my opening statements, but I'll be pleased to provide that to committee members in detail as we go through the questions. So with that, Mr. Chair, I welcome questions.

The Chair: — Thank you. I should have pointed out and confirmed that this discussion will be specifically on vote 151,

Municipal Financing Corporation. And I will now open it up for questions and mention to members that this time was specifically set aside to discuss supplementary estimates. So I will open the floor to questions.

Mr. Wotherspoon: — Just to understand a little bit, because budgeted — as you said, it's difficult to peg the amount here — there's \$30 million that was budgeted. Now you're coming back with another, an estimate I guess or supplementary estimate for that same amount, so 100 per cent increase as to what was budgeted. What do you attribute the uptake in borrowing on behalf of municipalities here at this current year?

Hon. Mr. Gantefoer: — To the member, there are a number of communities that have accessed capital totalling \$60.642 million. But the single biggest one that really made all the difference in the world is the city of Regina of \$43.1 million, and that's for the — I believe it's for — the global transportation hub. And they chose to use the Municipal Financing Corporation model. If they had not, we would actually be under budget because it's a very significant single amount.

I can list, if the members are interested, the details of the other municipalities that have also acquired funding, and they're much smaller amounts. But the city of Regina was a real big factor.

Mr. Wotherspoon: — Thank you for that. I think if we can, just to start, if you can break down each of those projects we would appreciate that.

Hon. Mr. Gantefoer: — Okay. For example, I'll go through the list as I have them. The town of Leroy on April 2nd, \$500,000 at a rate of 4.85 and it's a SIGI [Saskatchewan infrastructure growth initiative] loan. The city of Melfort on May 15th, 2009, \$3.655 million at a rate of 3.10 per cent. And I would point out that the difference in rates are related to the length of the terms, that the shorter the term, the more attractive the rate. The longer the term, the higher the rate would be. And that's a SIGI loan.

The city of Regina on June 5th, 43 million one hundred dollars at 3.4 per cent, and it's a SIGI loan as well. The town of St. Brieux on August 20th, \$350,000 at 4.65 and it's not a SIGI loan. The town of Lumsden on August 27th, \$156,000 at a rate of 4.05, again not a SIGI loan.

Town of White City on September 24th, \$1.161 million at a rate of 5.15 per cent and that's not a SIGI loan. City of Yorkton, September 24th, \$3 million at a rate of 3.4 per cent and it is a SIGI loan. City of Weyburn on September 30, \$6 million at a rate of 3.3 million dollars and that is a SIGI loan.

The village of Clavet on October 6th for \$80,000 at a rate of 4.45 and it's not a SIGI loan. Village of Goodsoil on October 6th, \$750,000, a rate of 5.1 per cent, a SIGI loan. Town of Martensville on October 6th, \$1.45 million, 3.4 per cent and it is a SIGI loan. And the town of Martensville on November 4th for \$440,000, at 4.55 per cent rate and it's not a SIGI loan. Those come in total to \$60.642 million.

Mr. Wotherspoon: — Could the minister please share the term for each of those loans?

Hon. Mr. Gantefoer: — The term in terms of years?

Mr. Wotherspoon: — Please.

Mr. Fallows: — The first loan for the town of LeRoy at 4.85 per cent, that would be a 10-year loan. The loan to the City of Melfort for 3.1 per cent, that's a 5-year loan. The loan to the city of Regina for 3.40 per cent is a 5-year loan. The loan to the town of St. Brieux at 4.65 per cent is a 10-year loan. The loan to the town of Lumsden for 4.05 per cent is a 10-year loan.

The loan to the town of White City for 5.15 per cent is a 20-year loan. The loan to the city of Yorkton for \$3 million is a 5-year loan. The loan to the city of Weyburn for \$6 million is also a 5-year loan. The loan to the village of Clavet for 4.45 per cent is a 10-year loan. The loan to Goodsoil at 5.10 per cent is a 20-year loan.

And the first one to the town of Martensville for 1.45 million is a five-year loan, and then we also did a 10-year loan to the town of Martensville for \$440,000. And I say town because they were a town when they took the loan out. Of course now they're a city.

Mr. Wotherspoon: — Just to clarify, for Martensville there was the two loans: one for 3.4 per cent, the other one for 4.55.

Mr. Fallows: — Right. And one was a five-year loan and one was a 10-year loan. And the rates of course vary a little bit during the year just depending on swings in interest rates.

Mr. Wotherspoon: — Boy, that Melfort did well out of this, with this interest rate. But could the minister please identify the specific projects that these dollars have funded?

Mr. Fallows: — We don't have that here. The vast majority of the projects and maybe even all of them are for either residential lot development-type projects or sewer and water-type projects.

Mr. Wotherspoon: — You don't have the information for what you've lent the money to?

Mr. Fallows: — Not here, no. And of course the big one for the city of Regina was the global transportation hub.

Hon. Mr. Gantefoer: — If members would like, Jim tells me that they have that information at the ministry, and if the members would want that, we can undertake to get it for the committee.

Mr. Wotherspoon: — We would appreciate that. Thank you very much.

The Chair: — Mr. Nilson.

Mr. Nilson: — Thank you. Good evening and appreciate having a chance to ask some questions about this financing. You indicated that without the Regina loan at 43.1 this fund would have been quite a bit less, obviously so. Obviously it

would have about 17 million as a total. The original budget for the year was 30 million. Is that . . . That's correct. Is that a higher amount than it has been in previous years? And I know this fluctuates, but perhaps you could give a bit of a history, say the last five years of what amounts have been lent in this program.

Hon. Mr. Gantefoer: — I'll turn the five-year historical perspective over to Jim Fallows because I only have two and the member opposite maybe has more than I have.

Mr. Fallows: — I don't have, again, specific figures with me, but I can say that the quantity of loans, the number of loan transactions has been fairly constant over the years and this year, in that way, would be representative. So in a typical year, MFC [Municipal Financing Corporation of Saskatchewan] would do 10 to 12 transactions.

In terms of dollar value, this year is not representative. This is by far the most that MFC has done in quite some time. In a typical year, the value of the loans would be 5 to \$10 million. So a typical loan transaction would be 500,000 to \$1 million. And then of course we had this one very large one for the city of Regina this year. That's the largest single transaction that MFC has ever done.

Mr. Nilson: — Okay. Well that fits with my recollection that there was sort of fluctuating between 15 million and 5 million depending on the year and that you would end up having the amount go up and down. Now are you getting even more requests for loans as this year proceeds, given the difficulty that many places have in getting capital at the present time?

Mr. Fallows: — No, the number of requests, it's not increasing. It's become a bit seasonal because of the SIGI program means there's a certain time of the year when local governments have to apply for their loans. So the loans are more clustered now and not so much kind of steady through the year. But in terms of loan activity overall, no we haven't really witnessed an increase in demand due to local governments not being able to access capital.

Mr. Nilson: — For all of our interested television viewers, can you explain the SIGI loans program? We've heard that quite a few times, but I think it'd be important for people to understand what it is and what it means.

Mr. Fallows: — Sure. The SIGI program is the Saskatchewan infrastructure growth initiative program, and the purpose behind the program was to encourage infrastructure spending by local governments. So it's a four-year program, and it provides or it's intended to provide up to \$75 million of loans per year for four years — so in total, \$300 million worth of loans to local governments. We're just now completing the second year of this particular program, so about \$150 million of loans have gone out under this program.

And what makes this program attractive, the benefit for a local government is that the interest rate is subsidized for the first five years of the borrowing. So the effective interest rate for the local government is close to zero, or zero in some cases, for five years.

Mr. Nilson: — So you've indicated that about 150 million has gone out in that program in the first two years. But some of it must go some other place then, in this financing line. Can you explain what the difference is?

Mr. Fallows: — Yes. So a local government has the option, as they always do, of going to MFC or going to another financial institution. So they could go to a credit union or to a bank. In the first year, MFC only did about \$10 million out of the \$75 million in that program, so most of the funding was provided by credit unions and banks. This year again, notwithstanding the Regina loan, we wouldn't have been much higher. We would have been about \$17 million. And then Regina decided to come on with MFC, and that pushed us, obviously, quite a bit higher.

So it's entirely at the discretion of the local government where they do their borrowing.

[19:15]

Mr. Nilson: — So where does this subsidy show up on the books? It's obviously not here.

Mr. Fallows: — No. The subsidy is a budgeted expense of the Ministry of Municipal Affairs.

Mr. Nilson: — Okay. So it's in the Municipal Affairs, and effectively they would pay the interest rate that's set out on the SIGI loans here.

Mr. Fallows: — Correct.

Mr. Nilson: — And so obviously on this line item, you end up lending the money at the rate that's in effect on the day that the loan is written, effectively. Would that be accurate? Because you gave us a lot of dates when these loans took effect.

Mr. Fallows: — Right.

Mr. Nilson: — And presumably there's a floating rate based on what the government borrowing rate is at that date.

Mr. Fallows: — Right. So in order to qualify for a SIGI loan, a local government has to at least get a quote from the Municipal Financing Corporation. And then the subsidy that they will qualify for is the lesser of whatever they would have paid to MFC and whatever they would pay to a financial institution. So if MFC says, we'll loan you the money for 4 per cent, and they say, well you know, we want to keep the business in our community so we're going to borrow from this guy for 7 per cent, well fine. They can do that, but they're only going to get a subsidy for 4 per cent.

It also makes it more attractive then for some of these local governments to come to MFC. They'll just say, well fine. Your rate is the amount of the subsidy, so let's just get it done and effectively have a rate of zero.

Mr. Nilson: — Okay. But clearly what it does is provide options for borrowing for local communities which is, I guess, the positive reason for the fund's existence right from the start. So then with any of the rates that are here that are SIGI loans, as you call them, then that's the rate of the subsidy that comes out

of the other department because you've indicated if they get a loan here, this is basically the rate of the subsidy.

Mr. Fallows: — That's right for the first five years. For example, the village of Goodsoil, the rate there was 5.1 per cent. That's a 20-year loan. So they will get a subsidy of 5.1 per cent for five years, and then they're on their own after that for the last 15 years of the loan.

Mr. Nilson: — So they get the subsidy at the rate of the 20-year borrowing, even though they're only getting it for five years.

Mr. Fallows: — Right.

Mr. Nilson: — So some of these other people that borrow for five years, even though the rate's lower, that's all they get.

Mr. Fallows: — Correct.

Mr. Nilson: — Okay. So then basically you have a chance to review all of the different projects that are happening under the SIGI program in the sense that they have to apply to you to get the money, or to get the subsidy anyway from the other department.

Mr. Fallows: — It's a bit tricky because the Ministry of Municipal Affairs determines who qualifies for participating in the SIGI program, and they have rules and applications for deciding who's . . . But once they have qualified for SIGI, yes, then they come to us and we see the project then.

Mr. Nilson: — So basically then you just give them the loan at the rate at the day for the term on the day that they make it through the other department's hoops.

Mr. Fallows: — Correct.

Mr. Nilson: — Okay. Well I mean it still sounds like it's a relatively reasonable way to operate for big communities and little communities. Would a loan the size of the Regina one end up having any special consideration in this side of it or would that all be dealt with in the other ministry?

Mr. Fallows: — It wouldn't receive any special consideration from Municipal Financing in terms of the rate that's offered. Like there's no, for lack of a better word, there's no volume discount or anything like that. They would get the same rate as a small community under the same terms.

Mr. Nilson: — Okay. So . . . [inaudible] . . . I'll turn it back to my colleague here.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Last evening the Minister for Municipal Affairs shared concerns with respect to the amount of dollars that municipalities are borrowing and their actual debt loads that they're taking on. Could the Minister of Finance make comment on that?

Hon. Mr. Gantefoer: — I couldn't. I don't have those details in front of me to express a concern or not. We at Municipal Financing Corporation, we provide the vehicle of the borrowing

once it goes through the Municipal Affairs process of scrutiny. And by and large, it is a vehicle to provide these kinds of borrowing vehicles for municipal entities. And it's a continued program that has been in place for some considerable period of time, and we think it's an important vehicle to provide access to capital for these municipal entities.

Mr. Wotherspoon: — Could the minister speak to the kind of securities or protections that are built in as it relates to default or potential default of loans?

Mr. Fallows: — We can't speak too much to that, other than the fact that there is a screening process that local governments go through. And specifically they're required to have any borrowing vetted by the Saskatchewan Municipal Board so that they can't just go out and borrow whatever they want. There is a screening process there that doesn't involve the Ministry of Finance and it doesn't involve MFC, so I'm getting a little out of my territory here. But I guess the short answer is yes, there is a screening process to try to make sure that they don't get too far offside. And I can say that MFC has never had a defaulted loan.

Mr. Wotherspoon: — There's been many programs federally and provincially as it relates to infrastructure programs where municipalities participate with a certain portion in many cases. Could the minister speak to the effect that those programs have had on municipal borrowing or the activity that we see here today?

Hon. Mr. Gantefoer: — I just wanted to be clear. In these fed-prov municipal kinds of projects, the municipality could use this vehicle in order to raise the capital for their share of the project. I wanted to be sure that that was the way it was structured. So then the whole project would be reviewed by Municipal Affairs. And in the case of, using again Regina as example, if the \$43 million number was Regina's share of the intermodal facility, they could use this vehicle to finance their share of the project, to attract matching federal and provincial dollars potentially.

Mr. Wotherspoon: — Just to go back and we've done a bit of — I know one of my fellow colleagues has a question here — just to go back to the actual projects, and we're looking at the lending rates in the specific for each project. Could you share the dates that each of those loans were offered at?

Hon. Mr. Gantefoer: — I tried to do that when I went through them. The first one was the town of Leroy was April 2nd. These are all 2009, so they're from the April 1 year. The city of Melfort is May 15th. The city of Regina is June 5th. Town of St. Brieux is August 20th. Town of Lumsden, August 27th. The town of White City was September 24th. The city of Yorkton was September 24th. The city of Weyburn was September 30th. The village of Clavet was October 6th. The village of Goodsoil was October 6th. The first town of Martensville loan was October 6th, and the second town of Martensville loan was November 4th.

Mr. Wotherspoon: — Thank you.

The Chair: — Ms. Atkinson.

Ms. Atkinson: — Thank you very much, Mr. Chair. I'm interested in the dates and the interest rates. As I understood it from the line of questioning from Mr. Nilson, the interest rates vary depending upon the date. Am I correct?

Hon. Mr. Gantefoer: — Yes.

Ms. Atkinson: — Okay. So, I'm curious. Melfort has the best rate at 3.1. The next closest municipality to have that low interest rate is which municipality?

Hon. Mr. Gantefoer: — The city of Regina, which was about three weeks later, was 3.4. There's a 3.3 in Weyburn at September 30th. And I guess because they're in the vicinity, they'll all be the same term.

Mr. Fallows: — Yes. Those are all five-year loans.

Ms. Atkinson: — These are all five-year terms.

Mr. Fallows: — The lowest interest rate ones are all five year, that's correct.

Ms. Atkinson: — Right. And so can you explain to me how you determine what the interest rate is again? I think this is important because I think some municipalities will find it interesting about the various interest rates.

Mr. Fallows: — No, you're right, it is important. And the methodology for calculating the rate is the same all the time. What we do is, we're basically flowing through the province's cost of capital. So on any given day, we look at how much would it cost the province to borrow for that amount of time. So in this case, we're talking about five years, how much would it cost the province to borrow for five years. And we add up a small, we add a small markup — it's about one-quarter of 1 per cent — to cover the administrative costs and such and risks of operating the company.

Ms. Atkinson: — And can you tell us who you consult with when you're determining what the interest rate would be on, say, a May 15th, a June 5th, an August 20th, an August 27th, a September 24th, September 30th? Who do you talk to to determine the interest rate for that day?

Mr. Fallows: — Well the Ministry of Finance, in our treasury and debt management area, we monitor the province's potential borrowing costs every hour of every day. So we would receive information feeds from various sources in capital markets that would suggest what our rates would be. We observe the trading activity in the bond market of other provinces' bonds, and that gives us a pretty good fix, generally to just about one one-hundredth of 1 per cent of what our cost would be. So it's something that we can quote at any hour of any day.

Ms. Atkinson: — So if we were to go to May 15th, 2009 and check with the market, we'd find out that, in terms of the last year, that would've been the date where we would have seen the lowest interest rate.

Mr. Fallows: — That should've been about the province's cheapest time to borrow, had we gone out and done so. That's correct.

Ms. Atkinson: — And just remind me. LeRoy, I know it's a longer term, if I recall. Their interest rate on April 2nd was what?

Mr. Fallows: — Was 4.85 per cent, and that was for ten years. Sometimes with some of these loans to the very small communities — or smaller communities — there's a bit of a time lag too, while they get their paperwork together. So the relationship is a little bit looser. But I think the LeRoy loan took a little bit of time to put together. But still that's . . .

Ms. Atkinson: — And so would this have been the lowest interest rate that these municipalities would have paid in the last couple of years?

Mr. Fallows: — It would be as low, for sure — the lowest or as low. Yes, things are definitely as good as they've been in anyone's memory in terms of interest rates. Yes.

Ms. Atkinson: — So in terms of the year before, there wouldn't have been any municipality that would have had this type of interest rate.

Mr. Fallows: — They'd be close, like they wouldn't be much higher. They'd be in that vicinity, but they wouldn't be lower.

Ms. Atkinson: — Okay. Thank you. Oh, and just a quick question. How much money does the Municipal Financing Corporation of Saskatchewan have presently on loan in its entirety?

Mr. Fallows: — In its entirety, it's about \$100 million.

Ms. Atkinson: — Did I understand this, that there's an anticipation that there will be \$150 million lent in the next how many years?

[19:30]

Mr. Fallows: — The next two years under this SIGI program. And again, the local governments have a choice as to whether they come to MFC or whether they borrow from another financial institution.

Ms. Atkinson: — So it's possible within three years the Municipal Financing Corporation, give or take a few million, could at the most have out \$250 million?

Mr. Fallows: — It's possible and in fact it could even be higher than that because the Municipal Financing Corporation does do loans that are not part of the SIGI program. And right now there aren't very many of those loans this year. You know, it's about 2 million or something; it's quite small.

Ms. Atkinson: — And in terms of — this is something that we were always interested in knowing — in terms of say the \$250 million that we're looking at in the next couple of years, that will be added to the long-term debt of the province?

Mr. Fallows: — Correct. It's considered to be Crown corporation debt, of course, because it's debt of the Municipal Financing Corporation, but yes.

Ms. Atkinson: — Okay. Debt is debt regardless of where it is. Okay, thank you.

The Chair: — Mr. Nilson.

Mr. Nilson: — Thank you. The amount that's been indicated that's outstanding now is about \$100 million. How much was it at the end of last year? I guess my question is how much has it increased in . . .

Mr. Fallows: — Last year . . . Oh, I do have that exact number here. It would be substantially lower just because of that city of Regina loan. At the end of last year it was \$48.9 million.

Mr. Nilson: — Okay. Now the reason I ask that because my sense was at the end of the previous year it was something like 20 million or 17 million. Is that accurate?

Mr. Fallows: — It had been that low. Then the year before that it was 36 million. It had been in the 20's, like three or four years ago, so yes, that's close.

Mr. Nilson: — And you've indicated this is debt that shows up in the Crown corporation side, in sort of the list of corporate debt that way.

Is it possible for institutions other than municipalities to borrow money through this particular program or through this corporation?

Mr. Fallows: — We're restricted by our legislation. And all it allows, if memory serves me right, we can lend to health authorities and also to school divisions and that's it.

Mr. Nilson: — Okay. So that was going to be my next question, is whether you could lend it to the health regions. So the answer is yes.

Mr. Fallows: — Yes.

Mr. Nilson: — It is possible. Are there any loans outstanding now to health regions?

Mr. Fallows: — No. But there are a couple to school divisions.

Mr. Nilson: — Pardon?

Mr. Fallows: — There are a couple of loans to school divisions, none to health regions.

Mr. Nilson: — Okay. Is it possible for a university or a college to borrow money through this program?

Mr. Fallows: — I don't think so. I'm not 100 per cent certain, but I don't think so. I can check that.

Mr. Nilson: — Okay. Appreciate that. But it is possible though for a health region to borrow money.

Mr. Fallows: — Yes.

Mr. Nilson: — And it appears that you primarily lend money through this corporation related to big projects or to projects of

some kind. But is it possible for a municipality or a health region or whoever else could borrow from this fund to borrow money for operating costs?

Mr. Fallows: — I don't think that we're restricted in that way. I mean nothing like that has ever happened. I'm going back through the process of . . . In the context of a local government where a local government needs approval to borrow — again I'm getting a little bit out of my turf, but — I think that's one of the things that they screen for, that they make sure that a city or a village isn't borrowing for operating purposes. But by the time it comes to us, that's not something that we would screen for.

There's nothing legislatively that prevents us from doing that. Certainly if we knew that was happening, we would have some pretty serious concerns about that. And we have never, to my knowledge, made a loan for operating purposes.

Mr. Nilson: — Okay. That's good to hear that. I think that would be the same concern that we would have as well. If a entity — municipality or health region — applied for one of these loans, is it ever possible that they could apply directly to the Municipal Financing Corporation, or is the process that it would always have to go through the ministry to get a pre-approval for the loan?

Mr. Fallows: — No, they could apply directly to the Municipal Financing Corporation. Now if it was something like a health region, I mean we would probably consult with the Ministry of Health before, you know, doing something. But they could apply directly, yes.

Mr. Nilson: — Is it possible for an individual or a private corporation to apply for . . .

Mr. Fallows: — No.

Mr. Nilson: — Okay. Even if it's of something that's importance for the whole province?

Mr. Fallows: — No. The legislation restricts the definition of who . . .

Mr. Nilson: — But this might be a place where, if one was building a large sports facility, one might want to borrow money. Is that correct?

Mr. Fallows: — If it came through the city, I mean the city could.

Mr. Nilson: — But this is a possible place for financing for something like that.

Mr. Fallows: — If it came through the city, sure.

Mr. Nilson: — Yes, you know, because presumably some of the projects are recreation centres or building, and we know that's often an area where municipalities need matching funds, and that's exactly what this is set up for. Okay, hang on.

The Chair: — Ms. Atkinson.

Ms. Atkinson: — Thank you. Will we know on March 31st, 2010, exactly how much money the Municipal Financing Corporation will have lent to municipalities and obviously the two school boards?

Mr. Fallows: — On March 31st, 2010. Yes, MFC has a calendar year-end, a December 31st year-end in common with most of the or many of the Crowns, so it will be tabling its statements by, well I guess it's in April, but . . .

Ms. Atkinson: — So for instance, last year when you look, or not last year, this budget year when you look at the budget book, there was an estimate for 2008-09 and the estimate was \$37.5 million. That was the estimate that was in the budget book and in fact it sounds as though it was much higher than that.

Mr. Fallows: — I'm not sure I understand the question. I'm sorry.

Ms. Atkinson: — Okay, in the budget book . . .

Mr. Fallows: — Yes.

Ms. Atkinson: — That the Minister of Finance tabled in the legislature, the Municipal Financing Corporation of Saskatchewan under vote 151 estimated for 2009-10 that taxpayers would expend about \$30 million. The estimate for 2008-09 was taxpayers would expend about thirty-seven million, five hundred dollars. That in fact is not correct. So I guess what I'm trying to get at was that this was an estimate that was contained in the budget book for the year before, and so I was trying to figure out, why can't we have a hard number? And the answer is?

Mr. Fallows: — Fair enough. If I can speak to the old year, the 37.5 million, that was the first year of this SIGI program, so the program had come out offering \$75 million worth of loans to local governments. Because it was the first year of the program, we had really no way of knowing how many local governments would come to MFC, how many local governments would go to a financial institution; so we took half. That's where 37.5 came from. And the number ended up being much lower.

This year we thought we were a little bit smarter. We scaled it back to 30. It ended up being 60 because Regina came to us with that large loan. So because the local governments have the choice of where they get their financing, it's a very hard thing to budget.

Ms. Atkinson: — But didn't I hear someone say that for 2008 it was 48 million that was lent?

Mr. Fallows: — 48 million was the total amount of loans outstanding at December 31st, 2008. So that would include, you know, loans from previous years, yes.

Ms. Atkinson: — Okay. So, you know, as someone who is worried about escalating debt in the province of Saskatchewan, I've learned tonight that within two years the Municipal Financing Corporation could be on the hook for \$250 million. Within two years of now it's quite likely that this corporation will owe \$250 million, will have that amount of money out.

The Chair: — If I could just enter in here. The time set aside is for specifically the loans that have gone out. There has been some latitude about the program itself, but if we're going into potential loans that may happen in the future, we're not actually on the statutory estimates. So I would ask members to keep their questions to the actual loans that are included in this 30.908 million.

Ms. Atkinson: — With all due respect, Mr. Chair, one of the jobs of the opposition — and certainly someone who was in opposition between 1986 and 1991 when we saw a tremendous increase in the long-term debt of our province — one of my jobs is to keep the government to account. Some of us have worked long and hard to reduce the long-term debt of this province, and I am very concerned as an elected member of the legislature, the escalating amount of debt in our province.

So I'm trying to understand through these supplementary estimates what we are looking at in terms of adding to the debt of this province.

So tonight we've learned that we are going to, I guess, vote an additional, an additional \$30 million for the Municipal Financing Corporation. We've learned that we will have about \$100 million out and it's likely that we'll see another \$150 million out within the next two years. That is a worry, and I don't know how we get people to account for this if we can't ask questions.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Mr. Chairman. Well as someone who has sat with the Crown Corporations Committee for many years, both now in government and previously in opposition, there was opportunities to ask those questions when the Crown corporation came forward or during budget. In all those years of sitting in opposition on the Crown Corporations Committee, supplementary estimates by the members opposite was always very narrowly interpreted. You were on one particular subject and that was it. There was no wandering allowed when the members opposite were sitting in the chairman's chair and were the government.

I think the same rules should apply today. So, Mr. Chairman, I believe we need to stay narrowly focused on the subject at hand and not wander willy-nilly.

The Chair: — I would ask the member to keep her questions . . . We have 30.908 million of spending which we are considering here today. Ms. Atkinson.

Ms. Atkinson: — Thank you. I've been accused of many things, Mr. Chair, but one of the things I've never been accused of is wandering willy-nilly — never been accused of wandering willy-nilly.

What I will say is that we are dealing with the Municipal Financing Corporation of Saskatchewan which historically has had a small amount of money allocated to it each year to support municipalities. We have a government that promised, I guess, in the last election campaign, that they were going to increase municipal financing to municipalities in order that they could put in expanded lots and so on and so forth.

So tonight we're dealing with an additional 30 million, practically \$31 million. We've got a doubling of what was originally in the estimate book last March. That is a concern. So I guess the question to the minister: if you have a budget and it's \$30 million — and we certainly have seen this with Future Skills/JobStart where the money's gone, the money's gone — is there a policy that we allocate so much money each year and once it's gone, it's gone? Because if we just continue to add and add and add, we continue to add to the debt of the province, and that is the truth.

[19:45]

So either we have a budget and we stick to it, or are we going to see this year after year after year? Because this is how we got in trouble in the Devine era. This is how we got in trouble because we'd have a budget estimate and then all of sudden it would be doubled, tripled, quadruple. And so I'm asking if it's 30 million, you say to the municipalities, it's 30 million, folks. First come first serve and when it's done, it's done. That's how we get to a billion dollar deficit in one year — in fact, not one year; seven months.

Hon. Mr. Gantfoer: — Well there's a couple of points I'd like to make. I mean in terms of the SIGI program, there is a limit to how much money will be made available under that program, so there is a cap of the \$75 million a year. So that is capped. The member is assuming that going forward every cent of that potential dollar is going to come from the Municipal Financing Corporation. And as the official has indicated, that has not been the case to date. A significant amount of the money under the SIGI program has actually been accessed through local financial institutions and the interest rate subsidy to those municipalities has applied.

If you strictly adapt the process that the member is suggesting, that we limit it — and we are limiting to the \$75 million under SIGI, so there is a safeguard there. And that's the majority of the borrowing. And certainly the importance for municipalities to be able to cope, they've told us that they need support. And able to cope with the need for expanded infrastructure on the municipal level, if it's building lots or providing the servicing of lots or in the case of the city of Regina, which is the real significant amount in this change of the \$43 million for the global infrastructure hub and the city's portion of advancing that important capital project for the city of Regina.

And so it's not as if that this is going for operations, which I agree: I would find very offensive as well if the municipalities could use this vehicle of amortizing, if you like, operational expenses. This is for specific capital developments that are needed in order to grow the province and to grow the economy. We have a growing economy, the pressures of a growing economy on municipal infrastructures everywhere, not just in Saskatchewan, but they're everywhere. And one of the things that have been, I think, good advice that we received is not get too far behind the infrastructure curve if you're going to be able to support the growth of an economy.

So I think, while I understand the member's concerns, I think that the safeguards of a limit on the SIGI program are in place. They are not necessarily all going to accrue to the Municipal Financing Corporation because certainly the history has shown

that many communities are choosing to deal with their local financial institutions as well.

Ms. Atkinson: — So, Mr. Minister, if at the end of the day we had an estimate of 30 million and we stuck to it, and if at the end of the day that 30 million was expended by August the 27th and there were other projects, what would happen to those municipalities? Would they go to other financial institutions and would they get the loans?

Hon. Mr. Gantfoer: — If the program had in these \$30 million the ability to subsidize the rate of interest, they certainly . . . Municipalities can go to other institutions at any time. The program provides for subsidies for the first five years of the loan under this program to help the municipalities with their infrastructure needs. So they would have that possibility. But in this instance, for example, the city of Regina would not be eligible to move forward at all.

The \$30 million, as the official had indicated, was the best estimate of what uptake there might logically be, given that last year was the first year of the SIGI program. The \$37 million was more than what was needed, and that was an estimate of the half of the \$75 million that was eligible. So they said, well we might be in a position to advance half of that. Didn't know; it's a brand new program.

As it turns out, that was more than was needed last year so they thought, well they'd be smarter, as the official said, we'll just budget for 30 this year and that would have been more than sufficient except for the one significant borrowing from the city of Regina that tipped the scales significantly.

Ms. Atkinson: — Could the city of Regina have borrowed elsewhere?

Mr. Fallows: — Yes, they could have. For sure.

Ms. Atkinson: — Right. So my point is . . . And I think we all as individual members of this Assembly need to be worried about where our finances are at. And I recognize it's one year, but we need to be worried. And if we're going to contain this — and I think we need to be worried about containing our spending — it is quite feasible to cap this fund at \$30 million and say when it's done, it's done. Municipalities will go out into the marketplace; they will borrow the money. Because you've just told me Regina could have borrowed the money.

And then we have, under your estimates there's an allocation for the Saskatchewan infrastructure growth initiative, 5.586 million, which I presume is the interest rate subsidization. Am I correct? That's what that's for?

Mr. Fallows: — That sounds right. I can't speak to that specifically, but that sounds reasonable.

Ms. Atkinson: — No. But you see this is why we need to sort of keep a handle on this. And I think I'll just put it on the public record — and we should all be concerned about this — is that in my view there is no reason to see this \$30 million here tonight adding to the debt of the province because we could have capped this. We could have said to the municipalities, go into your local financial institution . . .

An Hon. Member: — Credit union.

Ms. Atkinson: — Could be — whatever. Recognizing that there's going to be a subsidy. But we have just added, tonight we're going to add \$31 million to the long-term debt of the province. And I have a concern with that. And I'll turn it over to my other colleagues.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Mr. Chair. Specifically with respect to the project in Regina, that's a SIGI project?

Hon. Mr. Gantfoer: — Yes, it is.

Mr. Wotherspoon: — So it's fair comment that my colleague, Ms. Atkinson, has provided that Regina wouldn't have been out any dollars by going to another lender because you basically backstop the difference of your rate that you can provide through the Municipal Financing Corporation. Is that correct?

Hon. Mr. Gantfoer: — That's right, for five years. And I believe it's a five-year loan, so it would be for the entire term of the loan.

Mr. Wotherspoon: — So looking to the minister, what plans does the minister have, if any, around constraint or measures as it relates to capping potential annual lending from this fund or for specific sizes of projects?

Hon. Mr. Gantfoer: — Certainly we're just in the beginning of the budget deliberation process. I will take the comments that were made by the members into consideration and weigh those as options in the process.

Mr. Wotherspoon: — So just to make sure we understand, because the numbers are actually pretty astronomical, two years ago in 2007 we had about \$28 million of debt within this fund. Is that correct?

Mr. Fallows: — The end of 2007, Municipal Financing Corporation had about \$26 million of debt.

Mr. Wotherspoon: — Okay. Can we move to 2008. Is that the 48.9 million?

Mr. Fallows: — We had 48.9 million of loan assets or debt. The amount we owed was \$37.3 million at that time.

Mr. Wotherspoon: — The amount you loaned, but the amount you owed was 48.9?

Mr. Fallows: — No, what we owed was 37, so we had 48 million in assets — 48 million that local governments owed to us. We owed \$37 million. We had \$37 million of debt.

Mr. Wotherspoon: — And at this current time, right now, you owe how much?

Mr. Fallows: — Let's check the statements there. At September 30th, a little over \$93 million, \$93.2 million is the amount that we owe.

Mr. Wotherspoon: — And now when we look at the . . . If we look at the, as Ms. Atkinson was asking, toward the end of this budget year, we have this 30 million here. And we have more activity with no cap and no constraint right now. So any municipalities that might be lining up in the queue here tomorrow and the day after that could be accessing more lending through this fund. But from the dollars that you are aware of, the applications you're aware of right now, what will 93.2 grow to for certain this year?

Mr. Fallows: — For certain, can't be said at all. In fact right now I don't think we have any applications pending, but, you know, it's just whatever comes in. I guess to try to put it in perspective, Municipal Financing Corporation has always been driven by two things. So it's the amount of infrastructure spending that's going on in local government, and the extent to which they want MFC to provide the financing. And that's something that's never changed.

Mr. Wotherspoon: — So 93.2 million right now. The estimates right now have supplied the adequate legislative approval for that amount. So you're coming to us now for 30 more million of approval to lend, but you don't have any proposals or any applications sitting in the queue to access those dollars.

Mr. Fallows: — I can say that, yes, the 60.9 that is being proposed does anticipate \$3.5 million more of borrowing that hasn't happened, hasn't been applied for, but it's our estimate of what might happen between now and March. But again, it just depends on, again, the amount of infrastructure activity by local governments and the extent to which they come to us. So it could be zero. It could be more.

Mr. Wotherspoon: — But it is a concern that has been highlighted very well by my colleagues here tonight, that just a couple of years ago this fund had on the books . . .

The Chair: — I'd like to bring the members back. We haven't actually talked about the thirty million, nine hundred thousand and eight. If we're talking about last year's budget, that discussion has happened. If we're talking about a future . . .

An Hon. Member: — We're talking about next year.

The Chair: — We're talking about thirty million, nine hundred thousand and eight dollars. If I could keep the members' questions directly related to that exact amount, I'd appreciate it.

Mr. Wotherspoon: — Thank you, Mr. Chair. We certainly are directing these questions specifically to the \$30 million because we have no evidence and no substantiating pieces to show that this number is any more real than the first number we received of \$30 million. So we have a Chair that seems to be interested in intervening in this debate, but what we're trying to track is the fact that just two years ago we had \$26 million borrowed on the books, and we have a trend line that's quite significant, now at the \$100 million mark and on the way up, with the potential of going significantly beyond. My colleague references potentially, through utilization of SIGI funds, reaching a ceiling of 250 million, but that's not even correct because other funds, many other projects could come here that aren't SIGI projects.

So we certainly do see skyrocketing escalation in debt within this fund. And we have billboards that were spent with great dollars, \$4.2 billion of debt with great pride and fanfare from this current premier who likes to grandstand, but he doesn't like so much to then go back and talk about the fact that he's increasing debt in other funds that people of Saskatchewan in effect owe . . .

The Chair: — If I could take the floor for a second, the member is out of order to discuss party financing. Any party, any party spending is not relevant to the conversation here. I recognize the member for Regina Rosemont.

Mr. Wotherspoon: — And I certainly, and I appreciate that ruling because I won't reference any party spending, but I'm going to certainly recognize government debt in the grandstanding of \$4.2 billion of debt that this government pretends to have paid down to, at the same time as it's ratcheting up debt in huge way in funds such as this that basically are tucked away and arguably hidden from the people of Saskatchewan.

So I'm glad that the Finance minister is entertaining these questions, and we appreciate that, because this is the kind of scrutiny that the people of Saskatchewan deserve. And I think it's important when we're talking about allocating new amounts of money, \$30 million, that we at the same time talk about some of the fiscal restraint, talk about what kind of measures and what kind of analysis is actually going on to see what this minister's looking at to make sure that this doesn't escalate to a circumstance that's out of control for Saskatchewan people.

So I think the questions that we're asking, we appreciate the minister engaging with the questions because we have been directly on the \$30 million, and we're trying to put in context what this means for Saskatchewan people.

[20:00]

I have a question that's a little bit on a bit of a different tangent, but specifically if we'll go back to these projects. If I could ask the minister to highlight which projects were the municipalities participating in one of the federal or provincial infrastructure programs. It was highlighted the SIGI programs at the start, but I would assume that some of these projects would also have federal, would be part of some of the federal partnerships or infrastructure dollars. And if we could go through each project and highlight that.

Mr. Fallows: — I think we can get that. Typically that would be something that they would explain on their loan application. They would say what the total cost of a project is and where all the sources of financing are. And it would — you are correct — it would be common, it would be normal for a local government to source funds from other sources, well such as federal sources. And that's something that can be provided.

Mr. Wotherspoon: — Could we have that provided?

Hon. Mr. Gantefoer: — We had undertaken to provide you details of these projects, and we'll include that information with those details.

Mr. Wotherspoon: — Okay. Thank you very much. And the reason we think that that's also something important to watch is certainly we know that there's many infrastructure programs, provincially and federally.

And we need to make sure we understand as legislators on both sides — I know they don't look as interested over there — but we need to be interested on both sides about making sure we contain our debt and make sure that we're enabling municipalities to keep up with the pains of growth, but the same time that our province is in a fiscal circumstance that it can survive. And even the analysis of where is a municipality or where's the province better served in operating — are we better served in providing those SIGI dollars to backstop lending from a local institution, or are we better as served by putting that onto the books of Saskatchewan people?

So those are good questions that I think we need to continue to have more questions on. I know Mr. Nilson has some.

The Chair: — Mr. Nilson.

Mr. Nilson: — Yes. Thank you. I appreciate your comment when you're talking about the \$30 million here which is going to result, you estimate, in about \$60 million going out in this year. That's why we're looking at this.

You indicated that there was \$48 million that had been lent out, but you'd actually only borrowed 37 million. Does that mean that there are assets within the Municipal Financing Corporation at any time, and what amount is that?

Hon. Mr. Gantefoer: — Actually, member, that would represent the bulk of the equity in the Municipal Financing Corporation. It actually, as the official mentioned, that when it borrows out money, it has a small margin that it tacks on to the interest rate which creates an opportunity for modest profits in the Municipal Financing Corporation. So the difference between the amount that was actually borrowed out, compared to what has been borrowed by the Municipal Financing Corporation would largely represent the retained earnings or the equity portion, if you like, of the Municipal Financing Corporation that would have those dollars available.

Mr. Nilson: — So the equity in this corporation at any given time is about 11 or \$12 million. Is that correct?

Mr. Fallows: — Close. At the end of 2008 it was almost exactly \$14 million.

Mr. Nilson: — And basically it's used by the corporation to deal with the flows in and out of money. Would that be correct?

Mr. Fallows: — Correct. It's all loaned out. That's right, yes.

Mr. Nilson: — Okay, but on the books somewhere at the end of the year there would be an amount that says Crown Corporations, Municipal Financing Corporation net equity, \$14 million. Is that correct?

Mr. Fallows: — Yes. On the balance sheet of the tabled financial statement, yes.

Mr. Nilson: — Okay. And so like a prudent banker of any kind, you lend out all the money you can as long as people are paying, and so you also lend out the money that you have as equity in the corporation. I just was curious about that difference and that explains what it is. But this in many ways is like a mini-bank, sort of hidden . . .

Mr. Fallows: — That's a good analogy.

Mr. Nilson: — In the Department of Finance. We're not so open as they are in North Dakota where they have the state-owned Bank of North Dakota or in Alberta where they have the Treasury Branches on a much bigger scale. But it's not a bad thing to do, and maybe we shouldn't be so concerned about increasing the debt here, provided that we're going to do it under the banking rules. It's the question. So I'm not sure.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Mr. Chair. Just as a segue there, what Mr. Nilson spoke about under the banking rules. And I guess we hear lots in the last couple years about banking regulation and a role for oversight in lending. And I'd ask the minister to provide to the people of Saskatchewan the regulations and oversight and scrutiny that an individual municipality would go through through the Municipal Financing fund comparatively to a private institution or a credit union.

Hon. Mr. Gantefoer: — The Municipal Board is the body that provides that oversight and function in terms of the approving of the loans. Once we get it, it is less so. I can attempt to get that information for you from municipal entity. And from our perspective, the process that we undertake once it comes to us, we can outline that.

Mr. Wotherspoon: — Thank you. We appreciate that.

The Chair: — Mr. Nilson.

Mr. Nilson: — Just following up on that line. Is there a written policy within the Municipal Financing Corporation about compliance with provincial banking legislation which, I guess, most primarily would relate to how the credit unions operate? Or are there rules somewhere that the corporation follows that are similar to either federal banking laws or provincial banking laws? Or are the rules kind of just within the department?

The Chair: — This here would also, it would be more appropriate for the committee if we'd like to bring the Municipal Financing Corporation here to ask these technical questions. I think it's probably more valuable we concentrate on the \$30,900,008 that are under the supplementary estimates which this time has been allocated for. If we could keep our questions directly related to the supplementary estimates, I think it would make the most valuable time of our minister and his officials.

Mr. Nilson: — Mr. Chair, this is the Municipal Financing Corporation that we have here. What you're talking about is the other department or ministry, and we're not asking about that. We're asking about the Municipal Financing Corporation, and the rules within that corporation. Is it regulated like a bank? I

think the answer is no. But then do they have some internal policies or policies somewhere that we can be assured that, if we're borrowing a quarter of a billion dollars over the next couple of years, that we'll actually have some rules that will govern how that works?

The Chair: — I would again say that the policy debate is something that this may be very appropriate for this committee to discuss. However this time has been specifically set aside for supplementary estimates. If you want to talk about exact . . . The loans that were loaned out and the amounts and the details, that is appropriate. A policy discussion would be for another time. Mr. Nilson.

Mr. Nilson: — Mr. Chair, this specific question relates to \$30 million that we're being asked to increase the lending in this corporation. What I'm asking is, are there rules that they have, either internally or externally, or do they follow federal banking rules or provincial banking rules to lend that \$30 million? And I think it's a very important question because that's exactly where you get into trouble.

Hon. Mr. Gantefoer: — Mr. Chair, if I could in part offer some observation on this. The Municipal Financing Corporation was an entity that was created in 1969 to provide a valuable service to the people of Saskatchewan. It still is, and the guidelines and the rules of engagement that set it in place at the time have by and large, as far as I'm aware, have remained intact.

I'm informed by my official that the direct comparison to provincial credit unions or federal banking institutions is not the same because you're not taking deposits, you're not lending money to individuals, and the scrutiny process happens at the municipal board level. And so Municipal Financing Corporation has been conducting itself in very similar fashion since 1969 and providing a good and valuable service.

We wouldn't be here asking for additional requisition if we hadn't had that significant request from the city of Regina for \$43 million. It would have been very much more of a normal amount and adjusted for the interest in the new SIGI program that provides a valuable source of funds and interest support to provide for municipal infrastructure. And our municipalities very much need and appreciate this role for the Municipal Financing Corporation.

So I think there's been a lot of good work by this corporation over the years since 1969, and I expect fully that it'll continue. And the points that have been made by members that we have to be vigilant in terms of our debt are points that are well taken, and I appreciate that advice.

Mr. Nilson: — Thank you for that answer because that provides information as to how this has been operating. I think the vigilance question and also the issues around longer term policy need to be re-examined if in fact the lending is not in the 10 or \$15 million range as assets, but is moving up to 100 million to 200 million to 250 million because you're in a whole other area. And so that's the nature of my question. That's why I'm asking the question about the increase of 30 million here, and all of these questions relate to that particular one.

But I appreciate the answer, and I think that we'll look forward to hearing over the next number of months what kinds of things have been examined as the amount lent through this particular Crown corporation increases.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. There seems to be in this most recent number of years, in the last two to three years, a significant shift in what would be borrowing from third party institutions, the banks and credit unions, to the Municipal Financing Corporation, based on the ratio of change.

My questions have to do with the risk assessment that's being done in lending this money. I know you said earlier that you've never had a loan not paid back, but those were significantly smaller dollars than we seem to be having in total amounts today. Are the assessments done on the assessment of risk of non-payment similar to those done by a financial institution?

Hon. Mr. Gantefoer: — Again to the member, it's my understanding that the Municipal Board goes through the application process to establish the qualifications of the entity that is making application to have a loan under the Municipal Financing Corporation. Once that process has been . . . And that is not done in Municipal Financing Corporation. We get the information from the Municipal Board who oversees the viability and the debt to equity ratios, I believe, of municipal entities and determines the eligibility to apply for Municipal Financing Corporation funding. And once that comes to us, then that's what we look at.

Mr. Yates: — Thank you very much. Mr. Chair, in this current \$30.908 million, what happens if a municipality were to default and not pay? What security does the corporation hold, and what ability do you have to collect if somebody simply doesn't pay?

Mr. Fallows: — I can say that the loans are all unsecured loans. What would happen or what could happen is there are certain legislative provisions, very general legislative provisions that allow the government to try to collect on bad debts. So those same provisions could apply in this type of a circumstance.

So for example the corporation would be able to try to invoke provisions where it sets off amounts that would otherwise be owed to that community, if it chose to do so, if it thought that that was appropriate. So it would have some recourse in that regard.

Mr. Yates: — Thank you very much. Mr. Chair, there are various scenarios being laid out today. And municipal projects and one that has been in the news — a likelihood in Saskatchewan, or at least being thought about in Saskatchewan — is a domed stadium. And there are professionals and experts in the area of domed stadiums that are saying that you could build a \$600 million stadium, as an example, and the week after it's built it's worth about \$25 million. There's no cash flow is the underlying problem. And we've seen this happen. The SkyDome was sold, as an example, built, sold for \$25 million.

[20:15]

Now, Mr. Minister, the concern is that, are there any limitations

on what will be loaned to a municipality, and what risk assessment is done? Because on various types of projects you could build infrastructure and it'd be worth 10 cents on the dollar days after you actually built it.

And we are seeing a significant increase in public debt and public liability because these are unsecured loans, as a result of increased borrowing and a trend to borrow from government versus third parties. And we're trying to understand why. Why the shift in the last two to three years?

Hon. Mr. Gantfoer: — I'm not going to comment on the speculation about stadiums or anything of that nature because it's clearly off topic. But in terms of the current situation with the amount of dollars that were budgeted in the Municipal Financing Corporation, by and large, the Municipal Financing Corporation has the lesser amount compared to the banking institutions.

What has changed it significantly in this budget year is the fact that the city of Regina chose, instead of going to financial institutions for the \$43 million it needed for the global transportation hub, they chose to use the vehicle that is in place in the Municipal Financing Corporation for those dollars. And so that has significantly because it's . . . of the \$60 million, it is \$43 million to that one project and that one entity. So that has skewed the results significantly so far. But in essence the majority of loans are still with the provincial financial institutions.

Mr. Yates: — Thank you very much. Mr. Chair, to the minister, under the various ways in which a municipality could borrow money for an infrastructure project, they could borrow their one-third — a hypothetical situation here — within this \$30 million. They could borrow a third from the provincial . . . from this fund, Municipal Financing Corporation, for their third, get a third from the provincial government, and a third from the federal government and have no, none of their own money invested in an infrastructure project. Is that possible?

Hon. Mr. Gantfoer: — Well it's sort of wild speculation, but remember they have the obligation to pay back the undertaking of the loan over five years, which gives the municipality the opportunity to move forward many needed projects in infrastructure and development of community lots and things of that nature, and make sure that they have the opportunity to access matching federal and provincial dollars. So that they actually get better mileage for their dollar by making sure that they have access to capital, if you like, in order to make sure that their share can be committed.

But certainly they have regular payments that are expected for them to retire their outstanding obligation to the Municipal Financing Corporation. And the official tells me that in the time that he's been involved, which is over 10 years, there have not been any defaults.

Mr. Yates: — Thank you very much, Mr. Chair. Are there any limitations at all on the types of projects that would be funded through the Municipal Financing Corporation?

Hon. Mr. Gantfoer: — Again, I think from the Municipal Financing Corporation, that comes to us from the Municipal

Board so that application criteria and scrutiny would happen at that level. And that's where that determination would happen and I can't speak to the specifics of that. Municipal Financing Corporation gets the hand-off from the Municipal Board who does due diligence in terms of the type of projects and the viability, etc., of them to be considered.

Mr. Yates: — Thank you very much. Why would a major municipality or why would the Municipal Financing Corporation undertake debt on behalf of, let's use the city of Regina as an example, and increase the provincial debt, when in all likelihood they would be able to borrow that money from a financial institution and you pay the interest rate anyway? Is this a good business proposition or decision for the people of the province of Saskatchewan? That's my question.

Hon. Mr. Gantfoer: — Again, the process goes through the Municipal Board. The city of Regina would have made application to the Municipal Board, outline the reasons for making that application. And when they met the criteria of the Municipal Board, that then would move to us to provide the funds. So I can't speak specifically on the criteria of the Municipal Board in consideration of these projects and the eligibility of city of Regina or city of Saskatoon or small entities like the village of LeRoy to qualify for application to the Municipal Financing Corporation.

Mr. Yates: — Thank you very much. My final question before I'll pass it on to some of my colleagues here, several who would like to ask questions. You indicated earlier that the Municipal Board would make the decisions on what projects would be funded through the corporation and they do the due diligence. Is there any assurance that the individuals appointed to the Municipal Board have the qualifications and abilities in which to make those decisions on behalf of the province? Is there any oversight by the corporation itself in the selection of those people?

Hon. Mr. Gantfoer: — The Municipal Financing Corporation?

Mr. Yates: — Yes.

Hon. Mr. Gantfoer: — I don't believe there is any oversight from the Municipal Financing Corporation about who are the members of the Municipal Board.

Mr. Yates: — One final question, Mr. Chair. Has the Municipal Financing Corporation ever questioned or asked a loan to be re-evaluated, an application for a loan to be re-evaluated, to your knowledge?

Hon. Mr. Gantfoer: — No.

Mr. Yates: — Okay. Thank you very much.

The Chair: — Ms. Atkinson.

Ms. Atkinson: — Thank you. This is a question to the Finance minister. So by June 5, we learned tonight that the Municipal Financing Corporation is already \$17 million over budget. So it's not even . . . The budget comes into effect April 1st so we're basically talking about two months and five days. Then in

August, you released the first quarter report. Can you explain to us why there wasn't a reference in the first quarter that we were already in a serious problem here?

Hon. Mr. Gantefoer: — Well I don't acknowledge that we are in a serious problem. What we are in a need to increase the funding to the Municipal Financing Corporation in order to realize the projects that have been approved. We, as I indicated in the past, we set a budget not knowing exactly how much of the SIGI program was going to be taken up, and last year we had budgeted arbitrarily half of the amount, and that was high; so then the Municipal Financing Corporation estimated that the take-up might be \$30 million and certainly that would have been, seems to have been adequate outstanding of the city of Regina's \$43 million request. So that is within the parameters of the SIGI program. And the point the members have been making and the member in particular about the concern about debt are points well taken and I acknowledge that.

Ms. Atkinson: — Mr. Chair, so LeRoy on April 2nd, we borrow half a million dollars; Melfort on May 15th, we borrow \$3.655 million; and on June the 5th, Regina, we borrow \$43 million for the city of Regina. Now the budget for the Municipal Financing Corporation that we passed, gee, I guess a few days before June the 5th, was \$30 million. So by June the 5th, the Municipal Financing Corporation is \$17 million over their approval of \$30 million.

Now we have, we've gone to the system in Saskatchewan and thank goodness we have, and we've done it for a reason, because we want to know where the province's finances are the first quarter, which takes us till the end of June. And the minister usually reports in July — end of July, early August. You reported out on August the 14th. I guess I'm wanting to know why it was that on August the 14th when you reported out, that in terms of transparency we did not know that we were already \$17 million over budget when it came to the Municipal Financing Corporation. Can you explain that to us?

Hon. Mr. Gantefoer: — The official tells me he doesn't have that first quarter report with him but those amounts should have been described in the first quarter report.

Ms. Atkinson: — Okay. So when it comes to the third quarter, if in fact we need more than 61 million, it'll be in the third quarter report?

Hon. Mr. Gantefoer: — If there is any further transactions in the third quarter, they would show up in the third quarter report from where we're at in mid-year. The corporation has estimated in this request for authorization that for the remainder of the year, the last two quarters, activity would be in the three and half million dollar range, 3.549 to be specific, and that's in this request for thirty million, nine hundred and eight dollars, is this estimate for further transactions that may or may not occur for the remainder of the year. But if any further transaction happened between now and third quarter, they'd be reported in third quarter and in the final quarter at the year-end report.

Ms. Atkinson: — So we can be assured as legislators that if for some reason — say the city of Saskatoon comes forward with a significant amount of money — that we'll be told about this in the third quarter, but we can't be assured that we're not going to

go over this \$61 million provision that we're about to vote on. The doors are wide open, I guess is what I'm trying to . . . If the city of Saskatoon comes forward, or say the city of Moose Jaw, they want to borrow \$25 million, \$30 million, I mean there's no end to this. So it is possible that we could be back here in the spring, based on the third quarter results or report, with further supplementary estimates.

Hon. Mr. Gantefoer: — I have said to the member more than once tonight that the point that the member makes about the concern about debt is a point well taken. Certainly there is the ability for the minister to say to the Municipal Financing Corporation that the amount that's been authorized will not be exceeded.

And if in the scenario that you paint, that a major municipal entity came to the Municipal Financing Corporation, we could say that the Municipal Financing Corporation is at the end of its budget and would not be able to provide assistance. And they would have to look to the private lending institutions for that source of capital. And they would still qualify for the potential subsidy of interest through the SIGI program as outlined through the Municipal Affairs.

Ms. Atkinson: — Thank you very much, Minister, because one of the things I know about Finance ministers is they have to be able to say no. They have to be able to say no. And they have to be able to say no to their colleagues and to the public. They just have to; otherwise we get ourselves into difficulty. And so I'm finished this line of questioning, Mr. Chair.

The Chair: — Mr. Belanger.

Mr. Belanger: — Thank you very much, Mr. Chair. Just a couple of questions in terms of the municipal financing board itself. I missed the earlier segment, but I wouldn't mind if you'd refresh the names of the municipal financing board per se. And who appoints them? Do you as a minister appoint . . .

The Chair: — Mr. Belanger, we've tried to keep most of our questioning around the 30.9 million of the actual loans to the actual municipalities. If you have some questions relating directly to supplementary estimates and the exact loans that it loaned out, that would be more appropriate.

[20:30]

Mr. Belanger: — Mr. Chair, municipal financing corporation board, it has the authority to lend out this money through the Municipal Financing Corporation. As I understand, it has everything to do with the \$30 million we're talking about today. The question is, the municipal financing board is allowed to lend this money out. And I'm asking, who is the board? I can't see how it's not relevant, Mr. Chair.

The Chair: — It is reasonable for our committee to have a policy debate. At that time, we would bring in the officials. Tonight time has been specifically set aside for supplementary estimates. So if you have specific questions about these loans that have gone out from the Municipal Financing Corporation to specific municipalities, please go ahead and ask those questions.

Mr. Belanger: — Yes. I challenge the Chair on a couple of fronts. Last half hour or so, you've been stifling the discussion we've been having on the wide parameters of this particular request, Chair, in the sense of the fact that the minister has shown quite good flexibility in answering some of the questions. And it has been the Chair on a continual basis, stifling not only what I think are good questions and relevant questions to the 30 million, but you've been also interrupting the minister himself, based on trying to stifle information that I think would be very valuable to the people of Saskatchewan.

Now again I think the municipal financing corporation board that's going to lend out the \$30 million requested here, and we ask who the board members are, and you say it's not relevant. Like I can't understand the logic behind that. The minister has shown good flexibility in answering the questions. Why can't you let him answer that question?

The Chair: — I will remind the member that you may not challenge the Chair. If you would like to challenge a ruling, there will be a vote on it. Time has been specifically set aside. Our House leaders have asked for this time to discuss supplementary estimates. If you would like to discuss supplementary estimates, this is the opportunity for you to do so. If you have a question specifically in regards to the loans from the Saskatchewan Financing Corporation to municipalities, this is the time to ask those appropriate questions.

Mr. Belanger: — Well then I guess the one question that I would have to the minister in reference to the \$30 million is that the minister alluded to the fact that there is roughly 3-point-some million dollars remaining for the year to lend money out. And is that 3-point-some million of the \$30 million in question today, has that money been earmarked or is it available for further loans?

Hon. Mr. Gantefoer: — It hasn't been earmarked. At the present time there are no applications in front of the Municipal Financing Corporation. It is simply an estimate of what applications may come forward, but there's no formal or informal applications for that money.

Mr. Belanger: — The second question I have is from the northern municipalities' perspective. Are northern municipalities eligible to borrow money from the Municipal Financing Corporation? And if so, give me a couple of examples. Like when you talk about due diligence on this \$30 million that's there, say if a community like La Loche or Buffalo Narrows or Beauval, is it based on population or is it based on their financial health? What's the criteria there?

Hon. Mr. Gantefoer: — Again specifically to the member, these criteria and that scrutiny is at the municipal level, and so there are criteria and definitions that would be there. I'm not familiar of the specific details of how that application would occur, but it goes through Municipal Affairs. If Municipal Affairs goes through it with the community and establishes that it's eligible for X number of dollars, it would then indicate to the Municipal Financing Corporation that they've met this criteria and that Municipal Financing Corporation would be asked to be in a position to advance those funds and to set up a loan arrangement with that municipality.

The municipality would also have the option to potentially go to private lending institutions and the Municipal Financing Corporation. If it is a SIGI program through Municipal Affairs, the interest would be subsidized to the level that would be established by the Municipal Financing Corporation based on the length of the term of the loan on the date that the loan was actually undertaken, what the interest rates that prevail at that moment.

Mr. Belanger: — And obviously there's some northern municipalities looking at this, or people involved with the municipal sector in northern Saskatchewan. I know that New North is having a huge gathering in La Ronge this day, and tomorrow I think they end. But the question that I would ask on their behalf is that, the Municipal Financing Corporation is under your ministry, but the process is under the Minister of Municipal Affairs.

Hon. Mr. Gantefoer: — The application and approval process, yes.

Mr. Belanger: — Okay. And so at any time, can the Minister of Municipal Affairs stop application from going forward? Is that process there?

The Chair: — That question you're asking of Municipal Affairs ministry which isn't relevant to this minister, much less the supplementary estimates which we have come here tonight, which was negotiated between your House Leader and ours to discuss. If I could bring it back on topic, specifically supplementary estimates.

Mr. Belanger: — Mr. Chair, I guess I would . . . Let me rephrase that question. If I had under my wing as a minister, a specific fund, a set of funds that I control as a minister, the \$30 million I'm talking about here, if that's under . . . The Municipal Financing Corporation is under me as a minister and another minister had influence on the decisions around that money, the 30 million I'm talking about. The question I'm asking is what is the connection to the \$30 million when it comes to a decision from another minister to not allow this money under my ministry to be accessed by a certain party or by a certain municipal government? That was the question.

The Chair: — I think that would be an appropriate question at a more appropriate time for the minister that you are questioning, that you're inferring may have influence. This minister is here to talk about supplementary estimates, not what he thinks another minister's responsibilities are.

Again, if we could come back to these supplementary estimates, it would be the use of the time that your House Leader negotiated to discuss these supplementary estimates.

Mr. Belanger: — Okay. My final question or couple of final questions I have. Number one is again just to reiterate, I notice the minister nodded his head, but for the record, indicating that the northern municipalities are eligible for financing under the Municipal Financing Corporation. And the amount that's left for this year, if I can get the confirmation that they are, and the total amount that's left over as a result of the demand on the fund so far.

Hon. Mr. Gantefer: — The northern municipalities are eligible to make application to receive Municipal Financing Corporation funding. And the amount that has been budgeted for and unallocated is \$3.549 million

Mr. Belanger: — Okay. While the minister can share the information, you know, with relative ease in the past hour or so, just for the sake of information for some of the northern municipalities that are talking about the additional dollars under the Municipal Financing Corporation. What are some of the wide range of projects that the Municipal Financing Corporation has funded in the past? Like I'm sure some communities wouldn't mind that information. It could be very valuable to them.

Mr. Fallows: — Historically the vast majority of projects have been sewer and water projects. More recently there's been projects for residential lot development and that sort of thing. There's been the occasional recreational facility, but very few of those. So mostly sewer and water residential lot development; that would be 90 per cent of it at least.

Mr. Belanger: — Okay. When you talk about the occasional recreational facility, like obviously if you look at the need, it's probably well over \$1 billion for Saskatchewan alone, if not more, to replace all the aging facilities. What unique characteristic of that particular application, or those particular applications when it comes to recreation facility, allow them to go to the Municipal Financing Corporation to receive those funds?

Mr. Fallows: — I'm not aware of anything that would be unique about that application. So again they would have to have sought approval through the Municipal Board, and the Municipal Board would have gone through their process and said, yes, this municipality can afford to carry this debt load. And then following that, they decided to approach the Municipal Financing Corporation. And we would've provided the funds.

Mr. Belanger: — Okay. And the other question in terms of the Municipal Financing Corporation — maybe not so much just this year because there may not be a lot of information on this \$30 million plus the money that was expended already — but say the past three to five years. Would you have an idea here or could you get the information to me as to which northern municipalities identified through *The Northern Municipalities Act* may have borrowed money from the Municipal Financing Corporation?

Mr. Fallows: — Yes, we could get that. I can tell you that it's very, very few. The one that comes to mind is, I believe, Jans Bay would be one. And that's the only one that I can think of in the last three to five years. There wouldn't be any others.

Mr. Belanger: — And because *The Northern Municipalities Act* involves hamlets and villages and settlements — there's three distinct groups — it doesn't matter the size of the community. They do have limited powers in certain communities.

Mr. Fallows: — Yes. Once you get into settlements and things like that, I'm not sure. It gets a bit murky. I'm not sure if their

powers are maybe a little bit different. Again that's more of a Municipal Affairs question in terms of what they are allowed to do — if they're allowed to borrow or how they're allowed to borrow. If they are allowed to borrow, then they could get approval and come to the Municipal Financing Corporation.

Mr. Belanger: — Okay. And just for clarity on the \$14 million you made reference to earlier in terms of the interest that you've earned . . . [inaudible] . . . language you used, could you explain to me what the primary purpose of that 14 million again? Again, this is just to clarify to those that might be listening.

Hon. Mr. Gantefer: — For the record, as I said, the Municipal Financing Corporation was established in 1969, and there is modest earnings. Currently in the current year, I believe it's estimated that it'll be around \$1 million of profit, if you like. So those accumulated surpluses of about \$14 million are available for the Municipal Financing Corporation to actually borrow out under the criteria, the same as any other borrowing, without having to go out and borrow the money ourselves. So you're using money that's available, and to turn it over and to make it available to municipalities that are qualified.

Mr. Belanger: — And this may have been asked already, Mr. Chair, but what's the interest rate? Or is there a small admin fee? Like, how do you collect that extra revenues?

Hon. Mr. Gantefer: — It was explained earlier and you'd be able to check on the record, but it depends if it's five year, 10 years, 15 years, or 20 years is a determinate about the rate of interest. There's a small markup on the interest compared to what the Government of Saskatchewan can access capital on any given day when a loan would happen to be advanced. So that it depends on what the interest rates that are available to the Government of Saskatchewan on a particular day when the loan is advanced. And it is determined by if it's a 5-year, 10-year, 15-year — the longer the term, the higher the rate tends to be. And so those are the variables that would be there.

Mr. Belanger: — Thanks for the repeat information. This is helpful. The other question I have is that, obviously the Municipal Financing Corporation, when you lend money out, as an example with the, you know, with the Regina intermodal program that you'd made reference to. One can view that as an infrastructure project or could be easily interpreted as an economic project because you know there's interpretations. So given that fact that there is this request for financing through your department and your specific supplementary estimates today, has there been any other project that has the economic slant so to speak when it comes to a municipality planning for money?

Mr. Fallows: — Maybe the only ones would be some of the . . . I alluded to residential lot development or street paving, I guess, to the extent that, that if it's to open up commercial lots and such in a small community, that would be possible. And we usually don't drill down into that level of detail because again the Municipal Board would have done the primary screening of the loan.

Mr. Belanger: — Right. But the 30 million we're making reference today though. It doesn't say municipality A cannot use this money to say build a golf course or build a community

swimming pool. It's pretty much open. Is that correct?

Hon. Mr. Gantefer: — Well and remember that the community has to go through the scrutiny process by the Municipal Affairs to qualify for the approval of the loan in the first place. So they have to meet those criteria that are established in that ministry in order to qualify for being eligible for either SIGI or other municipal funding. And so that has to be established first so that if the criteria exclude a community for using these funds for building a golf course, as the example the member used, then they wouldn't be eligible, and so they've got to make that scrutiny process, if you like.

[20:45]

And as the official mentioned, about 90 per cent of the monies that have been advanced have been used by and large for water and sewage projects. And now some of them have been, being used for residential lot development in communities who are struggling with the pressures on growth in their communities, and that could be northern or southern municipalities.

Mr. Belanger: — So I guess the \$30 million or the remaining 3.5 million that's out there, it's — I guess I want to really make sure I get the right answer here — it's not frowned upon, but generally based on the approval of projects, that a more economic slant to some of the local municipal projects might not be viewed favourably because obviously you're going to spend your money on it on water and sewer projects or residential lot development. That's where you've spent all your money so you're really excluding an economic project. Is that a fair assessment to make from where you spent your money in the past?

Hon. Mr. Gantefer: — Well from our observation, as I understand from the official, that that's where the majority, the vast majority of the monies have been approved. Municipal Affairs is the ministry that's in charge of setting the criteria, and if they have the criteria set up such that they encourage this basic infrastructure, then that's where that decision would lie. And I can't speak to it in any specifics.

Mr. Belanger: — Okay. Do you share with, as an example, New North or with SARM [Saskatchewan Association of Rural Municipalities] or SUMA [Saskatchewan Urban Municipalities Association] some of the lending activities of the Municipal Financing Corporation? Like do you make it in an annual report to them or do you make it in some of the address to some of their conventions?

Hon. Mr. Gantefer: — It's a tabled document and an annual report. So it's tabled in the legislature through the Speaker's office, and so it's a public document.

Mr. Belanger: — Okay. The reasons I was indicating that, there's probably a lot of northern communities probably may not be aware of the fact. And probably the vast amount of the councils are probably aware, but there may be a small percentage that don't really follow the process in the Assembly here. And that's why I ask the question.

And I'm sure my colleagues have other questions. Thanks so much for the information.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Mr. Chair. A question here specifically to the discussion that was brought up earlier as it relates to the, I believe, a quarter of one per cent that's charged as a markup on a loan. And that's to recover some of the costs of administration, but also represents possibly a bit of profit or potential equity back into that fund. I guess my question would be, what's the net back on that as it relates to the quarter per cent of one per cent and the actual costs of administration and real costs that are borne through the ministry?

Hon. Mr. Gantefer: — It would seem that the profit that's going to be generated in the year will be around \$1 million this year. And so, you know, I don't know what the net back is exactly but the rate of markup is approximately a quarter of a percentage point and those quarters of a percentage point on outstanding loans have resulted in a estimated profit for this year of approximately \$1 million, building on the \$14 million of retained earnings that the corporation has accrued since its inception in 1969.

Mr. Wotherspoon: — And to get the true understanding of that 1 million then, do we have the value of the cost to administer and manage these programs that we would then . . . So we would have a, I guess, a net profit because we have the revenues coming in?

Mr. Fallows: — There's another aspect to the one-quarter of one per cent and I'll try to describe it. It might be best described as a bit of a risk premium. And I'll give you a concrete example that might make this a little more clear. So for example if the city of Weyburn comes to borrow, like they did, to come to MFC to borrow \$6 million, so we lend them \$6 million at a particular rate. There's a risk to MFC because we now have to go out and borrow \$6 million.

And that may sound like a very simple thing to do, but it's harder than it seems because we can't go out and borrow such a small amount of money in the markets in which we source money. So we have to wait for certain opportunities to present themselves, perhaps when a Crown or the GRF [General Revenue Fund] is going out to borrow or for whatever reason money becomes available. Sometimes there's a time lag there and it could be that MFC could possibly even lose money on a particular transaction, so some of that is to help manage that risk. So it's not just a strict cost recovery thing.

Mr. Wotherspoon: — Thank you for that answer. So let me understand. At the time that a municipality such as Weyburn comes in, enters into discussions, and then you finalize a contract, they commit to a rate at that point in time and they walk away. And at that point in time it's up to the Municipal Financing Corporation to then go source that lending, but whatever municipality sat before you is committed to the contracted rate of that day and it's your, the board's risk or the corporation's risk if there's any difference.

Mr. Fallows: — Correct, so that's . . .

Mr. Wotherspoon: — The people of Saskatchewan, I should say. My question then would be, as we look at each of these projects and the committed to lending rate that occurred, what

was the actual borrowing rate that was achieved through the Municipal Financing Corporation?

Mr. Fallows: — Okay. You're not going to be happy with my answer. Again it's a harder question than it sounds, and I'll go back to the example to the city of Weyburn. So for the \$6 million that we've loaned the city of Weyburn, we haven't placed that money yet. We haven't yet been able to go out and borrow for a five-year term.

So we've loaned it to them for five years, but we've borrowed it on a line of credit with the government. So right now we're financing it day to day at a very, very low rate, because, as you know, short-term interest rates are very, very low. But it's not locked in in any way. So we're looking for an opportunity to lock that in but we don't have a specific rate. So as of today, at this minute, we would be paying something less than 1 per cent. But the intent is to lock that in at some point when an opportunity presents itself.

Mr. Wotherspoon: — So Weyburn, which secured their contract on September 30th, that loan has not yet been sourced. So it's been done internally. I guess my question would be, with all of these items, I would assume that every item after that time, Clavet, Goodsoil, Clavet, Martensville, and the other Martensville one — none of those ones would have been sourced at this point as well, other than internally?

Mr. Fallows: — That's true. The only one that we've sourced this year — the only one that we've sourced on the entire list that we provided is the Regina one, in all of them.

Mr. Wotherspoon: — Okay. So now my question would be, when you're borrowing internally from government sort of through their credit, at about 1 per cent, that seems to be sort of more of a fixed cost in the short term anyways. How does that rate fluctuate from month to month?

Mr. Fallows: — It's fixed. How MFC would borrow from the General Revenue Fund is the same way in which any of the Crown corporations would borrow from the General Revenue Fund. And what I mean by that is it is fixed. You're right. It is fixed for three-month periods. So right now the rate, it's even less than a half of one per cent. I think it averages out to about 0.28 per cent is what we're paying right now. It will be reset again at December 31st based on whatever the government's short-term borrowing rate is at that time — if we haven't been able to fix it by then, if we haven't been able to lock it in by then.

Mr. Wotherspoon: — So it seems that this is an interesting process. The Municipal Financing Corporation enters into discussions with municipalities and secures a price based on the current market circumstances and commits to that price. And we see the vast variance here such as Melfort at 3.1 per cent, and other jurisdictions, 3.4 per cent for the same. Now we understand here tonight that that Melfort loan has not actually been sourced. So it's being, it's actually occurring internally the same way as the others to a fixed number that is the same for all lending internally.

So I guess my question would be, how can you justify charging different rates to different municipalities when you're in

essence dealing with the same lending rate internal to government and simply dealing otherwise with the market at the given time you sign a contract?

Mr. Fallows: — That's a very good question and really even if, even at the best of times when we do fix it — and I'm going to use an example of the loan to the village of Clavet for \$80,000 — even if we had sourced that loan out we wouldn't have sourced it out as a specific \$80,000 loan. It would have been rolled up into, say, a large loan for — I'm just pulling a number out of the air here — \$10 million that would have covered, you know, most of the loans on that list.

So you're right. It's a situation where MFC is paying one cost and the municipalities are paying different costs based on different times. So there's just never that one . . . They never line up one to one, and that's part of the reason for that quarter of a per cent. I'm not sure if that answers your question.

Mr. Wotherspoon: — It doesn't seem to be that equitable because you're not passing on a direct cost to Melfort when they come in and sign a contract, just the same as you're not doing that with Yorkton . . .

Mr. Fallows: — That's true.

Mr. Wotherspoon: — Or Regina. So it seems that you've got these differentials in rates which could be arguably, is arguably unjustified when . . . And I'm not trying to revision the process here, but if you're not taking some of these smaller loaned amounts to the market themselves, if you know that you need to take that in \$10 million amounts, it would seem that you'd maybe have a similar dollar amount for a pool of dollars and a pool of projects that would fill that amount so you can then take those dollars to the market.

Hon. Mr. Gantfoer: — If I may, I mean this is the way the corporation was set up in 1969. This isn't a new establishment and it really doesn't directly pertain to the strict definition. But what I would say is the official had indicated earlier in the questioning that on the day that a community undertakes a loan that the government uses its resources to determine what the fairest determination of what a market interest rate would be at that time. And so that's done on a daily basis at Finance — treasury and debt management monitors this in the ministry. It's all on computer screens. It's all tracked and observed on a daily and hourly and minute-by-minute basis to see what the changes are in the quoted interest rates.

So that's the basis of how the Municipal Financing Corporation uses to determine, on the date of the signing of the contract with the municipality, what a fair rate would be based on the term of the loan. Then they have to go out and actually source that and so they have an advantage because they can use the very affordable short-term borrowing, if you like, which actually then gives us a bit of a margin to create a profit in the Municipal Financing Corporation which is good for the citizens of Saskatchewan.

So the municipalities are getting fairly treated as they undertake the best rate that is available in the commercial loaning rate that the government could take on the date of the actual consummation of the loan. Municipal Financing Corporation

has to bundle some of this up so that they can take advantage of . . . You know, they're not going to go out and borrow a \$500,000 debenture or something of that nature. So it's, I think, a very logical way and I think over time — I mean without going back and debating the original intent of the legislation in '69 — I think it's been a pretty fair system that's operated pretty well over the years.

Mr. Wotherspoon: — No, that's fair. But when we're looking at the new volume and the large sums of dollars that are here and talking about a risk premium that's built in here to protect ourselves, certainly if we haven't yet secured some of these larger amounts within the market, there is a risk to increasing interest rates if that becomes a reality. And again, it gets back to some of the oversight and questions from Mr. Nilson around regulations and do these follow kind of typical banking regulations.

I have a question here — and I know we're close to time — but around the actual structure and governance of the Municipal Financing Corporation, specifically its composition as well, as far as board members. So if the minister could, I guess, close with that aspect. It would have been a good way to start actually.

Hon. Mr. Gantfoer: — The official informs me that there are two board members, the Minister of Finance and Minister of Municipal Affairs. And to the official's knowledge that that's the way it's been in his experience and it may go back to the inception of the corporation in '69 to that structure . . . [inaudible].

Mr. Wotherspoon: — Right. Now the actual oversight and approval of lending occurs within Municipal Affairs at the Municipal Board. Is that correct?

Mr. Fallows: — Yes. I mean the corporation would have the ability to ask questions and would have the ability to say no, but chooses not to put local governments through the process twice. So yes.

Mr. Wotherspoon: — Okay. Is there ministerial signoff at the ministerial affairs for the ministerial affairs minister? Does the minister sign off on that approval?

[21:00]

Mr. Fallows: — On individual loans? That would be the Municipal Board. The Municipal Board would actually sign off on the . . . yes.

Mr. Wotherspoon: — Okay. Now I do have other questions on the Municipal Board, but I see our Chair. I want to thank at this time our minister for providing the answers he has here tonight. And at this time we'll call time.

The Chair: — The opposition has called time on . . . Does he want to move an adjournment motion or . . .

Mr. Wotherspoon: — Sure, we can adjourn.

[Interjections]

Mr. Wotherspoon: — We have lots of information that the minister has endeavoured to get back to us, which we appreciate.

The Chair: — On that note, if the minister is getting information to the committee, it's appropriate it would come through the Chair to the Clerk, and it would then be disseminated to the members. I don't think that there's a statutory time on this, is it?

If members of the committee would like to adjourn, we will entertain an adjournment motion.

I have greens that show a start date and no end date, time.

At this point, we can either vote off vote 151 if discussion is concluded or move . . .

An Hon. Member: — Discussion is not concluded.

The Chair: — Okay.

[Interjections]

The Chair: — Would the committee like to move onto the next vote, vote 176, sinking funds payment?

[Interjections]

The Chair: — Would the minister like a recess to get a drink of water, or should we continue on? We will continue on unless anyone has a question. If the minister has a opening statement for vote 176, sinking funds payment.

[Interjections]

The Chair: — Would you like to ask some . . .

[Interjections]

Mr. Belanger: — Mr. Chair.

The Chair: — Mr. Belanger.

Mr. Belanger: — Mr. Chair, the information that we got from downstairs is that the start time was quite clearly identified from a specified time till 8 o'clock, and the committee downstairs recessed at 8 as per the agreed upon time. This committee as well has identified 7 to 9 as the discussion time for this particular issue, this particular item. It now being 9:05, the committee members across the way can't change the process and say, no, we're going to go on further.

The time has been called from 7 to 9. It was identified as 7 to 9. And I think, based on the fact that that's what we agreed upon, that we should respect the agreement from 7 to 9.

Mr. Wotherspoon: — We have certainly many, many questions for Municipal Financing board. I'm sure if we can, we will certainly ask questions till 10:30 at night, if that's the desire of this minister. We simply had the information here that it was 7 until 9. The opposition has many, many questions for the Municipal Financing board. We're quite concerned with

much of what's going on within it and many of other government operations. So we certainly can continue to ask questions on that vote.

We also of course if we're looking at some point of voting on this, there's much information that's not been able to be provided to us here tonight, that the minister's graciously endeavoured to get back to us at a later date. But certainly any of the information that we are provided here between 9 and 10:30 won't allow us to vote on this vote specifically.

But we certainly do have many other questions. And if the members will oblige, we would certainly be prepared to continue on questioning this vote as we have, because we're probably midway through our questions, if that, with the many questions that exist.

The Chair: — If the member has questions, I think that this time has been allocated for questions on this issue, so please go ahead.

Mr. Wotherspoon: — Thank you, Mr. Chair. So just getting back to where we left off as it related to governance and oversight within the funds of the Municipal Financing Corporation. The opposition is keenly interested in ensuring that the proper oversight for dollars and regulations are in place to make sure that the risk is minimized for Saskatchewan people and that controls and measures are in place to make sure that we're cautious and constrained and managed in what kind of debt we're taking on for the people of Saskatchewan.

We're concerned just initially as we enter into these supplementary estimates discussions that we've gone from a budgetary estimate of \$30 million of lending in this given year to now approving a 100 per cent increase of that to \$60 million. And putting that in context that traditionally this entity would lend between 5 and 10 and \$15 million a year, we really have a huge uptake in lending from the government at this point in time. And what this means is that there's risk for Saskatchewan people and in fact more debt on the books of Saskatchewan people.

So we have quite a few questions. I know myself and Mr. Nilson and other members as it relates to oversight and structure and process for borrowing, specifically I think if we look back to where we left off, we were talking about the Municipal Board, and basically, just to make sure we understand, applications right now for funding for the Municipal Financing Corporation come to the Municipal Board, and that's where the vetting and the analysis and the approval occurs. Is that a fair statement?

Mr. Fallows: — Pretty much. The legislation requires that a municipality, that a local government get approval from the Municipal Board for any kind of borrowing that they're going to do, regardless of whether they're coming to the Municipal Financing Corporation or not. I know that . . . and again I don't want to get out of my expertise here. But the rules are different for different types of municipalities. The cities have a little bit less oversight, and I know there's some special rules for, you know, settlements and other kinds of places.

Mr. Wotherspoon: — So when we're looking specifically at

the Municipal Board, what is the composition of that board?

Hon. Mr. Gantefoer: — Again, member, this is under the auspices and responsibility of Municipal Affairs, which is out of my direct understanding and ability to comment specifically.

Mr. Wotherspoon: — But the problem we're having here is that we have an entity outside of the minister's purview, but it's the minister who comes before this committee to ask for a 100 per cent increase in borrowing this year. And then we ask, well which projects are those? And the minister doesn't have that information; he'll endeavour to provide that, which we appreciate. But then we ask what sort of oversight does the Government of Saskatchewan, does the Minister of Finance have on these dollars? And he said, well that's not within this corporation's responsibilities. That's something that the Minister of Municipal Affairs and the Municipal Board is responsible for.

So we have one function or one entity within government that's making decisions that have a profound impact on the Minister of Finance's portfolio. And when we're voting on \$30 million here tonight, those \$30 million — if they're lent or they have been lent — those dollars that are needed, those have been approved somewhere else.

And again we put this all back into the context of making sure that proper oversight and regulation's in place. And I know there's been some comments a couple times back to, well this is the way it's been done for many, many years. But there's been one significant change here, and that's the gross volume that's gone on here in the last couple years and the large amount of borrowing and the large amount of debt that's been incurred by this government within this Municipal Financing Corporation. That's the debt of the Saskatchewan people.

So we're looking, I think, for that element of oversight. And I don't know how to proceed on some of these fronts without asking some of those questions. So even the basics of who sits on that board, the Municipal Board? Who's making the decisions to spend the dollars that you're here today to present to us and to add to the debt of Saskatchewan people?

And there's many, many people sitting at home here tonight watching the proceedings that will be saying they probably want some checks and balances that go beyond this. They probably don't want to see estimates coming to this table, to this Assembly, to this Chamber, that represent 100 per cent increases, \$30 million that don't have explanation as it relates to what projects are these for — well we don't know; we know which communities they're for — that we don't know what process they've been vetted with or what oversight process occurs or what regulatory process goes on, what considerations are there in lending to municipalities.

And why this even becomes even more of a profound concern for this, the opposition New Democrats, is we see this huge debt accrual of this government. But just last evening, we had the Minister for Municipal Affairs sitting before us stating the fact that yes, he does have some concerns about the fact that many municipalities are taking on huge amounts of debt, that they're maybe borrowing too much. So that minister sits before us last night right here and tells us that.

Now we have you sitting here today, basically in response to that because he's talking about the borrowing that many of them are doing through the Municipal Financing Corporation, the dollars that you're asking for here today. So we have the minister directly responsible for the Municipal Board who's saying he has concerns. Now it's a problem. If we had bankers who were saying they're concerned about their lending, we should listen to this.

And so here we are, one night later, with the Minister of Finance who is trying to provide answers to this committee but in the end doesn't have the information that we need to be able to have the confidence of Saskatchewan people to add this kind of debt to our balance sheet.

But I know my good friend and colleague, Mr. Nilson, has a couple more questions. But those are certainly, you know, some of our concerns. I wish right now with the discussion we could be having would be about the composition of the Municipal Board. What kind of rules and processes and regulations occur there? Basically how does a municipality come forward with their application, what processes do they go through to then have that come to you? Because you're rubber-stamping at your end.

So we have a process yesterday where the Minister Responsible for Municipal Affairs says he's concerned with the lending that's going on, and we come here tonight to seek some of those answers, and we're in many ways asked to rubber-stamp something that we don't have much information about.

So I think to say that we have great concern about this estimate and the functioning of these dollars and the protection of Saskatchewan people in wake of escalating debt would be an understatement. But Mr. Nilson will have some questions.

The Chair: — I will remind the members yet again that it sounds like many of your concerns are to do with the Municipal Board as opposed to the supplementary estimates which we are allotted time specifically to discuss tonight. We've discussed it several times, but if members would utilize this time for what our House leaders have actually negotiated for, which is the supplementary estimates of vote no. 151, Municipal Financing Corporation. And that's a fairly narrow, fairly narrow set of topics in regards to municipalities borrowing from the Municipal Financing Corporation.

Mr. Nilson, if you have some questions related to the supplementary estimates.

[21:15]

Mr. Nilson: — Thank you. The answer that we heard earlier about the Municipal Financing Corporation relating to who was on the board was interesting. I guess my questions relate specifically to the \$30 million and how that money is finally approved to actually go out to the municipalities. Can you explain who does that and then what the flow of authority is under the legislation?

Mr. Fallows: — Sorry, could you just repeat the last part of your question?

Mr. Nilson: — Well basically when these sums of money flow to some of these municipalities, there must be some authorization of this money that takes place, and I'm curious as to how this is done after all of the questions we've had tonight. And we seem to be in a bit of a no man's land between two departments.

Mr. Fallows: — Okay. I can provide a little bit, shed a little bit of light on that in terms of the control processes within the corporation. So for any particular transaction, before the corporation can lend money, the interest rate gets approved by either the general manager or the assistant general manager, and the dispersal would get approved through conventional, acceptable processes of internal control.

The part that the Municipal Financing Corporation does not replicate is the duties that are done by the Municipal Board like, can this municipality, can this local government carry this level of debt? That's not a question that we ask. But we do have processes internally for approving the loan and approving the distribution of the funds. I'm not sure if that answers your question or not.

Mr. Nilson: — So basically any of the risk factors are not decided by the Department of Finance or the Ministry of Finance officials or the Municipal Financing Corporation board.

Mr. Fallows: — The only risk factors that would be decided within Finance would be the ones related to the financing itself, which gets back to things that were discussed earlier about, you know, can we place the money? How are we going to source the funds? When can we source the funds? Those risks would be discussed.

The credit risk associated with the specific borrower — you're correct — that would not be discussed. Like, can the village of Goodsoil repay their loan? No, the Municipal Board has assessed that and we accept their assessment. We don't make them jump through those hoops again.

Mr. Nilson: — So who are the board members on the Municipal Financing Corporation board?

Mr. Fallows: — So the corporation's board members are the Minister of Finance and the Minister of Municipal Affairs.

Mr. Nilson: — And so do they meet, or do they sign minutes? Or does somebody sign something that authorizes all of this, or how does this work?

Hon. Mr. Gantfoer: — There is an annual meeting that's had where the financial statements of the corporation are presented, and those kinds of statutory kind of obligations are dealt with. And then the report is then tabled in the legislature.

Mr. Nilson: — And so this meeting takes place after all of the lending activities, or before? Or when in the process is the . . . [inaudible].

Hon. Mr. Gantfoer: — It's on an annual basis after the presentation of the annual report, before it's tabled in the Legislative Assembly. Right?

Mr. Fallows: — That's correct. And it also includes a budget and a forecast for the upcoming year. So there's a discussion of current market conditions and anticipated events and such.

Mr. Nilson: — So does the board of directors approve a budget for the lending for the corporation, or does it only do it after all the lending's gone?

Mr. Fallows: — The budget that's approved by the board includes revenues and expenses. It includes the income for the year. There's discussion of the amount of lending that could occur, but I don't believe there is any specific approval of the amount to be lent.

Mr. Nilson: — So does that mean that here in this committee, we approve the lending or the limits or . . . Because I mean, it doesn't appear that that's the case.

But I guess the question becomes, if in fact all of a sudden there was a \$500 million year as opposed to a \$20 million year, where would the governor — or check and balance or whatever you want to call it — step in and say, something's not right here. Because we're in a situation where we've seen a doubling in six months of the lending, and basically we're concerned about the next level. And it appears, under the legislation, that it is the Minister of Finance and the minister . . . well it's the Minister of Finance and somebody else that the Premier would designate, and it appears that he's designated the Minister of Municipal Affairs. But those people have the responsibility, under the legislation, of being responsible for this lending. Does that happen?

Hon. Mr. Gantefoer: — I indicated some time ago this evening that it's, I understand, it's in my responsibility because the Municipal Financing Corporation is under my responsibility, that I could've — in answer to a member's question — say that we are limiting this to a certain amount and that would be my responsibility. And I heard and I did comment that I heard the comments and the concern about increasing debt, and I indicated to the committee that is a point well taken. I feel like a little bit like a broken record in repeating myself, but I mean those comments stand.

Mr. Fallows: — And I guess I'd just like to clarify one thing too, and that is that in the context of the approval of the income for the year — so that would include an estimate of revenue and estimate of expenses of course — the estimate of revenue includes both implicitly and explicitly the amount of lending that goes into that figure. So for example if we're approving a budget where revenue is going up by X, then that revenue includes assumed new loans of a certain amount at a certain rate.

Mr. Nilson: — So the approval of the books relates to the \$14 million that goes up and down which is the actual revenue of the corporation as opposed to the lending of the corporation.

Mr. Fallows: — The revenue of the corporation would be the interest revenue so it wouldn't be the \$14 million. It would be the . . . so in a particular year, in recent years 2 or maybe \$3 million of revenue that we're earning on our portfolio.

Mr. Nilson: — So that's what the board of directors would be

approving.

Mr. Fallows: — Correct.

Mr. Nilson: — Relates to this revenue. Now I understand, Mr. Chair, that there's a request for a recess at this point and so we would be happy to accommodate that.

The Chair: — The Chair certainly could use a five-minute personal recess as well, so we will recess for five minutes and reconvene at half past.

[The committee recessed for a period of time.]

[21:30]

The Chair: — I would like to welcome the committee members back, and the minister and his officials. Before we resume questioning on vote no. 151, Municipal Financing Corporation, I'd like to take this opportunity to remind committee members of rule 131(9), all questions put to the minister are relevant to the committee's proceedings. And that is supplementary estimates for vote 151, Municipal Financing Corporation.

I would also like to remind the members that some of the questioning is getting fairly repetitive, and the minister has answered similar questions multiple times. If there are questions relating to the supplementary estimates for the Municipal Financing Corporation, I would ask the members to ask those now. Mr. Nilson.

Mr. Nilson: — Yes. I would like to continue the questioning, and I thank you for the information that we received so far. And there have been a couple of times when we've come back to a point, but I think we're trying to figure out the processes. And I appreciate the fact that the minister will be taking another look at this, as the lending amounts go up, because there are some risks involved.

I have a couple of questions that are related to the interest rates that were charged. My understanding from what you've said is that the government borrowing rates on a daily basis are somewhere less than 1 per cent, or in that range for short periods of time. But over the last six months, other than the city of Regina loan which has been fixed by some lending, there is basically borrowing that's taking place at an amount that's a couple percentage points below the stated rates in these loans that we're dealing with, as it relates to the 30 million request here for more lending.

We also heard that most of these loans are loans under the SIGI program. And my question is, does the Ministry of Finance or the Municipal Financing Corporation charge the interest rates that are set out on the loans to your other department, the Ministry of Municipal Affairs where the subsidy comes from, or do they charge the actual rates that the government uses or that the government actually pays? And I guess my question is, are you making a 2 per cent profit from your other ministry in this particular \$30 million basket of loans?

Hon. Mr. Gantefoer: — Thank you to the member. I am informed by my official that the rate for the subsidy that's

charged to Municipal Affairs is the rate that is actually on the face of the loan to the municipality. So it would be those rates that I quoted you. The internal requirements to find short-term loans, until we can bundle it up into a longer term project, ends up as a benefit to the Municipal Financing Corporation potentially. But there is some risk involved, and that's partly why there's the extra quarter point approximately of markup in terms of comparing to the commercial loan advice when the loan is consummated.

As I said, that we monitor that on a daily and hourly basis as the best advice as to where the commercial rates might be, albeit that we might be able to borrow on a very short term much less than that. These loans are 5, 10, 15, and 20 years long, so we have to be looking for those kind of quoted rates in terms of long term. And, you know, while we can make some margin in the short term, that's very determinant about how the interest rate ratios are from time to time right now because short-term rates are very advantageous. That's to our benefit. But potentially if that reversed or changed, it could become a risk. So we have to be very careful of how that's done.

But yes, right now we can make a longer margin than you might in other interest rate scenarios.

Mr. Nilson: — So this is an area though where it would be possible for the government as a whole and the Ministry of Finance to actually charge another ministry what they're actually paying because it's really all in one entity. And I guess my question is, this relates to what might have been the way to do it in 1969 because you really couldn't keep track of these things in the same way.

Now as I understand it, within the Ministry of Finance you can keep track of this on an hourly basis. And maybe this might be a place where you can help out the Ministry of Municipal Affairs if they've got some pressures in their budget . . .

Hon. Mr. Gantefoer: — And it would certainly . . .

Mr. Nilson: — Actually charging the actual rates.

Hon. Mr. Gantefoer: — It would certainly come at the expense of the potential for the Municipal Financing Corporation to potentially earn that million dollars. So if we were to earn the million dollars — and if that's a desirable thing because again it is a benefit to the people of Saskatchewan, if you like — and charge these rates to the Municipal Affairs or the Municipal Board if you like, or where the subsidy would come from for SIGI, at this stage there's advantageous interest relationship between short-term and longer-term interest rates. So it allows us to actually make an increased margin now, but that isn't necessarily always the case, depending on how interest rate relationships, what happens in the longer term.

Mr. Nilson: — Well it's, I mean, it's an interesting situation where the Ministry of Finance has control in setting the rates, and they can set them in a way that actually takes the money from the Ministry of Municipal Affairs' budget for subsidy of all of these loans. And I mean, I know you're doing it for some of the procedural reasons, but the question here comes . . .

You're asking for approval of \$30 million increase, 31 million;

it's a doubling of the amount lent. And basically that's good for the Municipal Financing Corporation because you're going to make more money because you're going to be ending up charging more interest. But it's a place where maybe you might want to take a look at it and actually charge the expense at the actual rate.

Mr. Fallows: — Well I think it is being charged at the actual rate. Maybe there's just some confusion, or maybe I'm not understanding it right. But I'd like to go back to a specific example, and again I'll just pick Weyburn, just because. So they've taken out a loan for 3.3 per cent for five years. So Weyburn is entitled to receive a grant from Municipal Affairs of 3.3 per cent under the regs. So Municipal Affairs is paying the proper amount to the city of Weyburn.

Now Municipal Financing Corporation provided that loan, is borrowing at the present time for a much lower amount, but that seems to me to be a different thing. Or were you suggesting that the Municipal Financing Corporation should be paying a grant or a dividend to the GRF?

Mr. Nilson: — I mean my question is, why wouldn't you just charge your granting program what it's actually costing you as the government because then you've got more money available for more grants for other loans? And so instead you're taking more.

Hon. Mr. Gantefoer: — Right. You know, I understand the member's point, that if we are in a position with the current interest structure, as you like, between longer term and short-term interest where Municipal Financing Corporation can borrow money for, let's just say 1 per cent by way of an example. And that we are charging based on the commercial rates for a five-year loan to the — using the city of Weyburn again — at 3.3 per cent. Why don't we charge Municipal Affairs, if you like, at the 1 per cent rate, and so that it costs them less money to provide the subsidy under the SIGI program?

And I understand your point because it would be a benefit to Municipal Affairs, but it would come as a direct cost to the potential profit that the Municipal Financing Corporation would make. So there's no magic. You're not creating money elsewhere. It would reduce our margin to what our actual rate was, so there wouldn't be the opportunity to build or to have a margin to the same extent, but it would be a benefit to the municipal subsidy for the interest rates under the SIGI program.

There's no new money. It's just the way you'd account for it, and where you're accounting for it. I understand your point and I'll take it into consideration because it would be a . . .

And I guess one of my concerns and the caveat would be is that interest rates don't always look like this, that you can end up with a situation where short-term money could be more expensive. And so then are you getting into a situation where you'd charge always . . . You know, would you have to recover the higher rate then from the municipality. But I understand the point that the member is making.

Mr. Nilson: — And I guess the other question is then, if the Municipal Financing Corporation makes money, it then

provides a dividend I assume to the General Revenue Fund? Or does it provide a dividend to the Crown Investments Corporation or what happens?

Hon. Mr. Gantefer: — I'm informed that it hasn't, but it could. What has happened with the profits, they've been retained in the Municipal Financing Corporation, and that's the number of retained earnings or profit that we indicated to you earlier. That then is money that also can be loaned out and used to generate profit for Municipal Financing Corporation. But under the structure as I understand it, they could prepare or could have a dividend.

Mr. Nilson: — No. 1969 was, I think, the Liberals under Premier Thatcher that brought this in, and it was a response to once again some difficult times around borrowing for municipalities. So I think we all agree that it has some very positive aspects for all of the communities involved here, plus the ones that the member from Athabasca was raising from the North and other places.

So don't take this as being negative on what you're doing because I think you're doing . . . But the concern is as the amount goes up, maybe the '69 rules aren't good enough, and maybe there needs to be some examination of this. And the sort of traditional ways of assessing the risk probably don't match what would be done in some other kinds of lending institutions that we have today.

I think my colleague from Saskatoon has some more questions.

Hon. Mr. Gantefer: — If I could just comment to the member, I think the point is one that's well taken in terms of . . . [inaudible] . . . situation in the world today changed rather significantly from 1969. And of course that's true. The ability to track short-term and almost daily interest rates and all of those factors are certainly very different. And I understand the member's comments and the comments about margins on interest and things of that nature.

And I also, if I'm interpreting correctly, is the member's comment about don't take it that this isn't a good entity and a good structure to work with. The concern is of the magnitude of the exposure that potentially is there. And that other members have made that point, and I said that I will take that under advisement because I think it's a point well taken.

The Chair: — Ms. Atkinson.

Ms. Atkinson: — Thank you. Minister, up until June the municipal financing board, I guess, or fund, was operating within its allocation from this legislature. But on June 5th things changed and we had \$17 million that was outside of the approval of this Assembly. I'm interested in knowing when you were informed of this, and did you give your approval that there would be an, I guess, overexposure in terms of Municipal Financing Corporation?

[21:45]

Hon. Mr. Gantefer: — I'm informed by my official that there has been a process of discussion between the city of Regina and the Municipal Board and to some extent the Municipal

Financing Corporation for some period of time leading up to the 5th of June, at which time the loan would have been formalized and the city would have made the decision to go with Municipal Financing rather than a private banking institution, if you like. And so after that date, it would have been knowledge that the Municipal Financing Corporation had in terms of the authorized budgeted . . . or the budgeted amount of \$30 million would have been exceeded by 17.

Ms. Atkinson: — Okay. So we passed the budget in May. And so there's discussions that are going on between the Municipal Financing Corporation and the city of Regina, and it looks as though they're interested in having us borrow \$43 million. And so as soon as that agreement is entered into on June 5th, the corporation is \$17 million over budget, what was allocated by this Assembly.

I'm interested in knowing, was Finance spoken to, the Ministry of Finance? Was the Minister of Finance spoken to? Was the minister of municipal government spoken to? What kind of approval was given in terms of oversight that allowed the Municipal Financing Corporation to go \$17 million over budget?

Hon. Mr. Gantefer: — Thank you. Sorry for the delay. I wanted to be as sure as I could because I am not aware of this being brought to my attention. And I wanted to check to make sure that, to the attention of our office or to the recollection of our office that it wasn't brought to my attention. I suspect that discussions occurred within the Ministry of Finance, but we can find that out specifically, I suspect, as part of the detailed information that I've undertaken to provide. But to the best of my recollection, it was not brought to my attention until mid-year.

Ms. Atkinson: — The point I'm trying to get at, if you have a budget allocation, in the case of the Municipal Financing Corporation, this legislature approved \$30 million. And within days of the provincial budget, really, your budget being passed — so June 5th, I mean, we're talking maybe 20 days, 25 days — we've got a \$17 million overrun of the budget that was given to the Municipal Financing Corporation.

And so I'm interested at what sort of process went on that allowed the corporation to go over its budget. And is that something you can find tonight?

Hon. Mr. Gantefer: — I can't find it tonight.

Ms. Atkinson: — Okay.

Hon. Mr. Gantefer: — But we will undertake, I will undertake to provide that information as soon as possible with the plan to doing it to, presenting it to the committee tomorrow.

Ms. Atkinson: — Okay. Then in first quarter, I did look at the first quarter. It's very difficult to, it was difficult to determine that there was \$17 million in additional funding that was approved in mid-year, or in the first quarter.

So you issue your first quarter report on August 14th. And then on August 20th, we started to see more money being allocated to municipalities — St. Brieux, Lumsden, White City, Yorkton,

Weyburn, Clavet, Goodsoil — I guess another \$13 million. And so I'm curious to know once again, so we've got the first quarter which is difficult to understand, so there's approval for the 17 million. What approval then happened to allow the Municipal Financing Corporation to chalk up another \$13 million outside of approval?

Hon. Mr. Gantfoer: — As I indicated to the member, I do not recall that this was brought to my attention, and certainly the SIGI amounts that were allocated were within the parameters of the SIGI program. But I clearly recognize that in terms of the budget allocation that was provided for the Municipal Financing Corporation, it exceeded the \$30 million estimate at budget time, and has grown to the . . .

You know, if the member recalls, we provide information on a quarterly basis, but certainly the budget and the mid-year are the most accurate reflections of all of the changes in details of the financial affairs of the province. The first quarter and the third quarter are less detailed, and so at first quarter this information was not apparent to me. And the mid-year's report is much more detailed, and that's where traditionally governments have then gone to the Legislative Assembly to get the authorization and the authority for the budget as best estimated at this time.

Ms. Atkinson: — So, Minister, I'm trying to make another point here. And the point is that we need to be assured as legislators that there are processes in place so that when this Assembly allocates \$30 million, and it becomes apparent to an organization that they've run out of money, they're going to go over their budget, that at the very least you as the Minister of Finance need to be informed, particularly since you're the Chair of the board. That's point number one.

And then point number two. I mean, what you've just said to us is that you didn't realize this until mid-year. But you had a first quarter report that was not transparent enough for yourself, let alone the rest of us. And it seems to me that first quarter, third quarter we probably need to have more information available.

And I think that it's fair to say that the whole notion of quarterly reporting is a work in progress and we've gotten better at it. And I think we can get even better at it. And I think tonight points out how we can become more transparent with ourselves as ministers and then the rest of us as legislators. And so I'm wondering, Minister, if you can undertake to look at how first quarter and third quarter can be a little more transparent in terms of trying to manage the province's finances.

Hon. Mr. Gantfoer: — I'll certainly undertake that commitment. I think the point is valid that the member raises. And, you know, the discussion tonight has been useful in terms of setting a clear example of the need to be more vigilant. And that certainly is a very clear objective of mine.

Ms. Atkinson: — I take you at your word, Minister. I think I take you at your word. So I'd be interested in knowing, given that we've got this \$30.9 million process in terms of the Municipal Financing Corporation, I think for the purposes of this committee we need to know for each time the municipal financing committee went over its budget allocation, did they talk to Finance? Did they get approval? And then we need to

know, you know, what was the reporting mechanism? Because we have to have controls on debt. We just have to. And so I guess I'm interested in knowing what are those controls, and how can we make sure that they work in the future?

So I don't know if that's possible to get that information for the committee. But I certainly think it's within the realm of the \$30.9 million that we're talking about tonight to know for each of these dates that there were decisions made to enter into agreements with municipalities to borrow money on their behalf, which adds to the long-term debt of the province, what checks and balances were in place between the Municipal Financing Corporation, the Ministry of Finance. Because my recollection is that ministries didn't go over budget unless they were in constant communication with the Ministry of Finance, and there was some agreement of some kind. And so I'd be interested knowing was this news to Finance that this was going on?

Mr. Fallows: — I think I can speak to that issue a little bit in the context being that the Municipal Financing Corporation is a small operation, in that it doesn't even have any full-time employees. So the staff who do the work for the Municipal Financing Corporation are in fact employees of the Ministry of Finance. They're employees of the treasury and debt management division. So in terms of the corporation talking to Finance, it's kind of like, it's a bit like people switching hats a little bit.

So I can provide assurance that the Ministry of Finance would have been aware of the various transactions that you mention. And I could also provide some comfort in terms of the controls and processes within the corporation with respect to each transaction, that each transaction has to go through an approval, specifically approval of the general manager or delegate. And that we, of course we have an audit every year, like every other corporation and such. So there is that level of scrutiny.

And if there is a question, and this point has been made and is well taken, that perhaps the minister could have been better informed of some of these things.

Ms. Atkinson: — Okay. So this is a Crown corporation . . .

Mr. Fallows: — Correct, right.

Ms. Atkinson: — Operating out of the Ministry of Finance. It's got a board. The board is the Minister of Finance and whoever is appointed by the Premier, but the minister of municipal government. So it's a Crown corporation, and it's taking on more debt. But the Chair of the board is never informed. The ministry might have been, but the Chair of the board wasn't informed. Am I wrong?

Hon. Mr. Gantfoer: — I think that in fairness I was not informed at the time of these amounts going over the budgeted amount, if you like. I am informed now at mid-year. And so it's, you know, I see your point, but it's not as if there is no information process.

It was not brought to my attention that I recall. And I tried to check with my chief of staff and that he recalls to my attention at the first quarter, as the member points out, is when we first

went over the limit, the budgeted limit. And it hasn't been brought to my attention that these other transactions have occurred as well until the mid-year, which was necessitated by a need to come and get a supplementary estimate in order to cover those amounts.

And so the point is well taken, in terms of being very conscious and very concerned about the rising debt level, and I acknowledge that point.

Ms. Atkinson: — Well I understand why you acknowledge the point because you had to report . . . The mid-year reporting is much more detailed than the first quarter and the third quarter, so you had to acknowledge it. My concern is, and I don't know if there's other organizations were in the same boat, where you're not having the right checks and balances for whatever reason to manage debt. So I don't know if there's other organizations; I guess we'll get to that in the next few days.

[22:00]

But I guess what I'm interested in knowing is, was the deputy minister informed? Who was informed? Was Treasury Board informed? Who was informed that this debt was escalating, was going to double by mid-year? So if we can get that before the next committee meeting, I think that would be very, very helpful in terms of accountability, which I think is important, and transparency.

Hon. Mr. Gantefoer: — We will endeavour to have that.

Ms. Atkinson: — Okay. Thank you very much, Mr. Minister.

Hon. Mr. Gantefoer: — And if I could ask a question of the Chair, how many copies are we . . . What is the protocol in terms of providing copies?

The Chair: — Ten copies would be adequate.

Hon. Mr. Gantefoer: — Thank you.

The Chair: — Mr. Wotherspoon has some questions.

Mr. Wotherspoon: — Thank you, Mr. Chair. Very procedural type of question relating to the actual transfer of dollars from Municipal Affairs through the SIGI fund to cover the cost of the interest to municipalities for those first five years. Just from a structural, just so we understand, does these dollars, if for example Weyburn signs a contract for 3.4 per cent over I believe five years in this circumstance, and they start making payments to the Municipal Financing Corporation, do they pay interest, and are they then paid directly from Municipal Affairs through the SIGI dollars?

Mr. Fallows: — Correct, yes. So Weyburn would actually physically pay the interest to the Municipal Financing Corporation and then would receive the subsidy from Municipal Affairs. That's right.

Mr. Wotherspoon: — So this goes back to some of our conversation we were having before because I think we were under the impression or our discussion had gone that these dollars were transferred internally. And the reason that

discussion occurred in that manner because we were talking about the fact that right now Weyburn for example will be paying 3.4 per cent to the Municipal Financing Corporation. The Municipal Financing Corporation isn't, right now when it has secured this loan, it's not at 3.4 per cent. It's internally through government at just over 1 per cent and there's a margin that we've spoken about.

And I think there was some discussion about addressing that margin, and I know there's been the counter-argument of making sure to balance risk. But we certainly haven't seen what sort of analysis was put forward to make sure that's the proper amount of money to be putting away or anything else.

But I think we were talking before that it might have been so simple as to reduce the transfer from Municipal Affairs directly to that that we believed was being received by the Municipal Financing Corporation. But that wouldn't be the case. You couldn't quite do it that way. If you're going to actually reflect the real cost of borrowing by the Municipal Financing Corporation, you would have to reduce the amount that Weyburn, for example, was paying to the Municipal Financing Corporation to reflect that reduced interest rate, and then the SIGI dollars flow to the municipality at that reduced amount. Is that correct? Are we on the same page?

Hon. Mr. Gantefoer: — Well that speaks to the point that we made with your colleague. You know, it's just sort of taking a different approach. The answers are basically the same. It's a policy decision as to how you would do that. The structures that set up requires the municipality to pay the Municipal Financing Corporation the agreed to commercial rate based on 5 years, 10 years, 15 years, or 20 years, and then the responsibility to Municipal Financing Corporation is to source those funds to make sure that that amount is covered. But in the short term that there actually, in this interest climate and this interest relationship between short-term and long-term interest, there is the possibility of creating some margin of profit.

But I mean, we went through that exercise in the discussion before, so I don't think it's very profitable to just repeat myself because I acknowledged that in your colleague's questions.

Mr. Wotherspoon: — No, fair point. But I think when it was discussed earlier it was discussed under the premise that dollars flow from Municipal Affairs — the SIGI dollars — to represent the five-year abatement of sorts, that they flowed directly to the Municipal Financing Corporation and we understand that that's not the case. They flow to the municipality. The municipality then pays the . . . It's just a matter of understanding, and I certainly have understanding of how that works now. But the principle, correct, is there still the thought of, you know, the margin that exists and whether or not that's the proper exercise?

Just as when municipalities are paying, do they then pay on an annual basis or on a monthly basis or on a quarterly basis or how do . . .

Mr. Fallows: — Almost all of them pay on an annual basis but they can pay on a semi-annual basis if they wish.

Mr. Wotherspoon: — So a five-year loan would, in effect it would be paid off in five potential instalments and be on the

books for five years just as we would . . .

Mr. Fallows: — I should clarify the previous answer, that when I said annual or semi-annual I was referring to the interest, but they have choices in terms of when they pay their principal. So they could pay some of the principal every year, sort of like a home mortgage, or they could pay it all at the end if they choose. Again, it's their choice. But the interest is payable every year no matter what.

Hon. Mr. Gantfoer: — On the outstanding balance.

Mr. Fallows: — On the outstanding balance, right.

Hon. Mr. Gantfoer: — Just to be sure, and I want to make sure I get it on the record, the interest is payable on the outstanding balance. So if a municipality chose to repay the loan in its entirety at the last year, it would be paying interest on the whole amount on the annual basis or semi-annual basis, depending on what they chose. They could also choose to retire 20 per cent of the principal each year if they chose to as well, which would reduce their interest exposure because the interest is charged on the unpaid balance.

Mr. Wotherspoon: — As far as any prepayment or payment that might occur before the term is complete, would there be any penalties that would be applied to municipalities in that event?

Mr. Fallows: — Yes, there is a prepayment policy so a local government is allowed to apply to prepay their loan if they wish. If they come into some money and they want to get that debt off their books, they can. There's no penalty per se. What we do, though, is we value the debt at its current fair market value to make sure that the corporation isn't hurt. And if I give you just a quick concrete example, it'll make more sense.

Say 15 years ago we might have been lending at 12 per cent. Today interest rates are — well you see what the rates are — 3 or 4 or 5 per cent. So a local government might come to us and say, you know, we don't like this 12 per cent thing any more. We just want to get rid of it. And then they might want to just kind of go back into the market and borrow at 4 or 5. That's not fair to the corporation because we've gone out and borrowed presumably at 12 per cent way back then. So we would say, okay, yes you can pay that back but we're going to charge you an amount that reflects the value of a 12 per cent bond. So that's how that process works. And in fact, there are very few prepayments.

Mr. Wotherspoon: — I know my colleague Mr. Nilson has a few more questions, but just to make sure we have it on the record that we do have significant concern, great concern — and I think Saskatchewan people will as well — when we see a borrowing that exceeds a budgeted item in March that the minister isn't aware of that's exceeding expectations in such a huge way. And as Ms. Atkinson has pointed out so clearly, this borrowing, this debt in this year has escalated in significant ways, and it's very concerning that there's not checks and balances and red flags that would go up within the Ministry of Finance that would allow the Minister of Finance to be aware of that circumstance, that we have this doubling or 100 per cent increase of debt in this current year. And it may be endemic of

some of the other challenges we're facing here right now.

The Chair: — Mr. Nilson.

Mr. Nilson: — Yes, thank you. I appreciate all of the information that we're getting about this. And one of the things is — and I'm sure that the minister understands this — that you have so many things that you're responsible for that you don't get a chance to have an in-depth discussion on various aspects, including looking at the legislation.

And so I've had a chance to actually take the legislation out and look at it. And I'd like to say to the minister that there's one advantage to the legislation and that's the fact that it has a maximum borrowing clause of \$250 million. So that's kind of the risk that we're looking at as we're talking tonight. But it sounds like you might come up close to that, given the program and the uptake from the municipalities. But it's clear that that's what the maximum limit is now.

And we know we've seen some proposals for legislation that have come from other corporations to increase the borrowing amounts, and not from Municipal Financing Corporation. But I think you can rest assured they'll be watching pretty carefully if that kind of a request does come from there.

Now one of the questions I still have is, how do you authorize the rates and set the rates that you charge on these loans? Like the legislation has some fairly clear rules about it, it seems. But I'm not sure . . . Can you just explain how these rates are set and also . . . That's the rates of interest, as well as the other fees and charges. And we just heard about another one which is the charge around prepayment.

Mr. Fallows: — I can do that. The base in all cases is the province's current borrowing rate. And as mentioned earlier, this is something that can essentially be observed in the market at any particular moment in time. So if we can take the province's borrowing rate as being essentially a factual amount — perhaps within, you know, one or two one-hundredths of one per cent, but it's essentially an observable fact — and then we take that amount and we add, generally, roughly, a quarter of one per cent.

And when I say we, who I'm talking about specifically would be the people who are authorized to set a rate. And within the corporation, the people that are authorized are the general manager and the assistant general manager. And they are both people who have been, at various times, very involved in the province's borrowing. So they're very, very experienced in that regard and very qualified to do that.

Mr. Nilson: — So one of the things I note in the legislation is that it gives the power of regulation, but there are no regulations under this Act at all. But basically, the regulations set out quite clearly, and obviously this is from back in 1969, it says this, section 33 of the Municipal Financing Corporation:

For the purpose of carrying out the provisions of this Act according to their intent, the Lieutenant Governor in Council may make such regulations as are ancillary thereto and are not inconsistent therewith; and every regulation made under and in accordance with the

authority granted by this section has the force of law; and without limiting the generality of the foregoing, the Lieutenant Governor in Council may make regulations not inconsistent with any other provision of this Act:

- (a) prescribing the rates of interest that the corporation may charge for loans;
- (b) prescribing the fees and charges that the corporation may make in respect of any services offered by it;
- (c) governing the manner in, and the terms and conditions under, which the corporation may give loans and the purposes or services for which loans may be given by the corporation.

So there is the regulatory power to accomplish the objects of the Act, but it doesn't appear there are any regulations. So under what authority do you do these things which the Act says probably a good idea to have regulations to do that?

Mr. Fallows: — From a governance perspective, I can speak to . . . The prepayment policy is a policy that has been approved by the board in terms of . . . So you're referring to the quarter per cent admin fee? Is that something that . . .

Mr. Nilson: — Well basically, it just describes all fees and charges. So whatever you would charge.

Mr. Fallows: — I mean that . . . Yes. And then that's the only other fee that we would charge. There are no other fees that we charge.

To the best of my knowledge, the quarter-point markup is just a long-standing policy to reflect the . . . mostly as a risk premium to protect the corporation and ensure that it can at least break even.

Mr. Nilson: — Well I guess I raise this because it appears like the legislation was set up in a way that contemplated that there'd be public regulations that would set out what the rules are and people could see that and that's how it would work. But it doesn't sound like anybody over the last 40 years has done it that way. And so the question becomes whether, maybe, there's amendments required in this legislation to actually reflect what the practices are or perhaps some regulations that give some idea of how this would work.

[22:15]

But I guess my questions still relate to this, the authorization that takes place. And I guess maybe what I would ask is that it may be possible to go and review some of the documents and minutes from the meetings because there may be authorizations that were done there that would comply with the legislation. But tonight we seem to not necessarily have an answer on that. And the legislation seems to imply . . . produce, you know, set up a regulation so that the public knows what the rules are.

The Chair: — If I could just comment on that. Discussion of regulations and potential regulations would be a better topic for this committee to do in a policy session. We are again straying off the specific supplementary estimates and the specific loans made through the Municipal Financing Corporation of Saskatchewan. If you have some more questions relevant to

vote 151.

Mr. Nilson: — Thank you, Mr. Chair. The questions about the regulations and the legislation directly relate to the \$30 million because we can't approve the \$30 million if in fact it's not being expended according to the law. So I don't understand why those interventions keep coming because the questions here are . . . You know, you want to double the amount of lending under this particular Act for some good purposes; we don't deny that. But it's a place where we can ask questions about the oversight and the reporting in the Ministry of Finance, and this is a direct question related to the \$30 million. So I don't appreciate those kinds of interventions so . . .

The Chair: — The member will know that you cannot challenge the Chair.

Mr. Nilson: — I'm not challenging the Chair.

The Chair: — This is the second time I've had to warn the members of the opposition. This is a place to discuss specific loans made through the financial corporation of Saskatchewan, not to discuss policy or regulations which may or may not have been contemplated in 1969. I will . . . [inaudible interjection] . . . The member, Kim Trew, will come to order. We are trying to discuss supplementary estimates. That was asked for by the opposition. If you would like to ask questions related to that, please feel free. The member, Mr. Nilson, has the floor.

Mr. Nilson: — Thank you. To the minister: can you provide me with the authorization for the loan that was made to the city of Melfort and provide the background under the Municipal Financing Corporation as to how that loan was authorized?

Hon. Mr. Gantefer: — I'm told that we can do that. So I'll undertake to do that.

Mr. Nilson: — Could you also provide that information for the town of LeRoy.

Hon. Mr. Gantefer: — Similarly, yes.

Mr. Nilson: — And also for the city of Regina.

Hon. Mr. Gantefer: — Yes.

Mr. Nilson: — And also for St. Brieux.

Hon. Mr. Gantefer: — Do you want . . . While I've undertaken earlier to provide details on the loans of all of these entities, I can provide that as part of that information on all of them, if you like, rather than being specific.

Mr. Nilson: — Okay. And what I'm specifically interested in is how these particular loans will comply with the legislation and, I mean, I can't say the regulations because there don't appear to be any regulations, but I want to make sure that maybe now we'll be following the legislation.

Hon. Mr. Gantefer: — And as I understand, from the member's comments about looking up the legislation and the expressed implication in the legislation that regulations would be put in place and none are, that that would be responsibility

over the last 40 years of this legislature that they were not put into place. Would that be a fair comment?

Mr. Nilson: — Well I think actually regulations are brought forward by the cabinet, the Lieutenant Governor in Council. So that's where those regulations . . . [inaudible].

Hon. Mr. Gantefer: — Well then let me rephrase it, that that'd be in the responsibility of cabinets over the last 40 years to bring forward regulations.

Mr. Nilson: — Well that may be the case, or there may be an explanation that will answer this particular question. And I'm hoping that there's an explanation around that. And obviously we haven't had a lot of time to go through this, but it does raise the question about how the amounts increase — which is the \$30 million we're talking about tonight — and then how that's authorized and, I guess, frankly, what kinds of documentation and authorization come from all of the people who borrow the money. And my sense is that there hasn't been an issue over the years with repayment because there are enough cash flowing both ways from government to municipalities. But there may be some situations where that's an issue as well.

But I think that it's quite important that we look at the legislation, and we specifically look at the legislation when, you know, government debts appears to be jumping quite dramatically.

The Chair: — Mr. Wotherspoon has a question.

Mr. Wotherspoon: — Thank you, Mr. Chair. Just to return to the margin that exists just at the set rate that provides a quarter of one per cent of borrowed dollars to be returned back from municipalities and to be retained by the corporation. Now my initial discussion was, what does the Municipal Financing Corporation plan to net as a result of the actual costs it incurs through administration and otherwise? And I believe the target was around the million dollars was what the answer that was provided. But I guess, could the minister verify that, if that's correct?

Hon. Mr. Gantefer: — [Inaudible] . . . the profit generated from the margin over and above the commercial rate of the quarter of a point, plus the possibility of extra margin in the difference between longer term rates that are quoted to the municipalities — because they're borrowing this money over 5, 10, 15, or 20 years — and the actual short-term interest rate that the Municipal Financing Corporation can actually get in the short term. All of those revenues, potential revenue sources are estimated to be just slightly in excess of \$1 million in this budget year.

Mr. Wotherspoon: — So then right now there's a significant benefit that's netted. And I hate calling it profit because it's public money. It's Saskatchewan's . . .

Hon. Mr. Gantefer: — Well it's a profit to this particular corporation.

Mr. Wotherspoon: — Right. To the corporation. But when we're looking at those dollars, there's a significant larger amount of those dollars that flow while we're in the current

circumstance — where we're borrowing internally and we have the benefit of that low interest rate. As we end up securing it in a large way through pooling those dollars and actually securing those loans, that benefit won't be the same on that front.

So I guess my question might go back to whether we're looking . . . And I don't know the timeline as to when you're looking to have those loans all secured or all sourced for the long term. That might be my first question. Actually I'll leave that as my first question: at what point does the current financing that's currently borrowed internally, at what point will that be secured long term through long-term instruments?

Mr. Fallows: — I can speak to . . . I know you mentioned quite a few points here. I want to get back to your first point about the value or the profit or whatever you'd like to call it associated with the quarter per cent. A good way to estimate that would be to look at . . . We mentioned earlier that we've got roughly \$100 million of loans outstanding. So if you took a quarter per cent times \$100 million that leaves you with about \$250,000. That would be the value of that.

Now where the \$1 million comes from is where, is the fact that we have equity in the corporation. We haven't borrowed \$100 million. We've borrowed something less than that. So that's how you get to \$1 million. So the value of the quarter million would be . . . [inaudible interjection] . . . Yes. Just the value of that margin would be about \$250,000 per year.

Then the second part was . . . [inaudible interjection] . . . Right. So right now we have collectively approximately \$15 million at the very short-term rate. So your question was, when will that be fixed? I can say that it's something that is examined every single day, and it's something that's taken very seriously. There's no timeline for trying to do that other than we know that it's something that we want to do. It's a goal. It's an objective. And hopefully it's something that will be done in the next few months, but there's no definitive date for that.

It depends on our ability to have an opportunity to go out into the market and borrow a certain amount of money, which to a certain extent depends on the timing of other government transactions. So for example, if another Crown was going out to borrow, we might piggyback on that transaction. So it's not entirely in our control.

Then you also mentioned a point about how the profit might be affected once we did lock that amount in. You can estimate that as well. So right now that money is being borrowed at close to nothing. You know, call it a quarter of one per cent. When we come to lock that in, we'll have to pay, say 3 or 4 per cent more. So 3 or 4 per cent times the \$15 million that's being floated is 50 or \$60,000 a year. So the million dollar a year profit would be affected by that much. So it's not an enormous amount.

Mr. Wotherspoon: — Let's assume all dollars were placed and secured in long-term instruments and we have 100 million on the books. We use that number because it then allows us to use the \$250,000 that is received in revenues back to the Municipal Financing Corporation. The question would then be, what would be the cost of administering all costs associated with the Ministry of Finance, as it relates to administration and

management of the Municipal Financing Corporation, to then be able to isolate what the actual net back on those dollars would be?

Mr. Fallows: — The corporation pays an administration fee to the General Revenue Fund, and the administration fee is about \$20,000 a year. It's an estimate, but it's intended to try to capture the value of the time of the individuals who spend time working on MFC.

Mr. Wotherspoon: — Could the minister share with us the allocation of time with resources within his ministry, and I guess the dollar value of that throughout the given year?

Mr. Fallows: — Yes. There would be two people who would work on it as a very small part of their job. Collectively the \$20,000 charge would be fairly close. Like it might be, you know, a quarter of a person in total, with two people spending maybe a tenth of their time on it, and a couple of others spending, you know, a lesser amount.

Mr. Wotherspoon: — To be honest, I think the opposition would be satisfied to see one extra meeting occur there back around the quarterly report to let the minister know that we were skyrocketing well beyond the targets from the . . . We think those would be well-spent dollars whether we would, you know, allocate that at 100 or 200 or \$300. It would be well-spent dollars to make sure we had an informed Assembly and an informed minister as it relates to the doubling of this borrowing in this calendar year — the increase of \$31 million.

Mr. Nilson, do you have any other questions at this time?

The Chair: — It now being 10:30, it is the regular time of adjournment for the committee. This committee now stands adjourned. I would like to thank the minister and his official for taking questions here tonight. I apologize, Mr. Wotherspoon.

Mr. Wotherspoon: — I just would like to thank the minister and the official here tonight. That was a rigorous workout. Thank you.

The Chair: — This committee now stands adjourned.

[The committee adjourned at 22:30.]