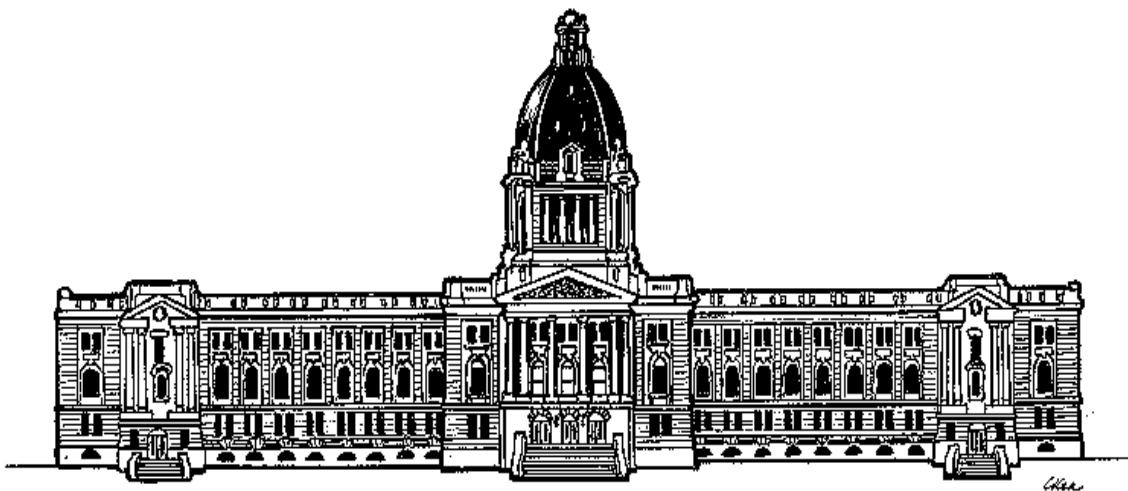




# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

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## STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Tim McMillan, Chair  
Lloydminster

Mr. Buckley Belanger, Deputy Chair  
Athabasca

Mr. Denis Allchurch  
Rosthern-Shellbrook

Mr. Fred Bradshaw  
Carrot River Valley

Mr. Dan D'Autremont  
Cannington

Mr. Warren McCall  
Regina Elphinstone-Centre

Mr. Randy Weekes  
Biggar

[The committee met at 21:22.]

**The Chair:** — I'd like to welcome everyone to tonight's meeting of the Crown and Central Agencies Committee. I'm the committee Chair, Tim McMillan. I'd like to introduce the other members of the committee. We have Mr. Allchurch, Mr. Bradshaw, Mr. Weekes, and Mr. D'Autremont. Joining us also are Mr. Chisholm, Mr. Michelson. We also have on the opposition side members Mr. Belanger and joining him is Mr. Vermette, Mr. Taylor, Ms. Higgins, Mr. Wotherspoon, and Mr. Yates.

Before we get to the business before us, we have several items that should be tabled, Crown Central Agencies document 302 through 309. The members have all been distributed copies of them, and they will now be considered tabled.

**Bill No. 98 — *The Municipal Financing Corporation Amendment Act, 2009***

**Clause 1**

**The Chair:** — Before the committee this evening we have Bill No. 98, *The Municipal Financing Corporation Amendment Act, 2009*. This Bill will be considered tonight. With us we have Minister Gantefer and his officials. Mr. Gantefer would like to introduce his officials. We will proceed with the Bill. We will have general questions on clause 1, and then we will move on to approving the rest of the clause. With that, Mr. Gantefer.

**Hon. Mr. Gantefer:** — Thank you very much, Mr. Chair. Joining us this evening from Finance is Rae Haverstock, on my right, who is the general manager of the Municipal Financing Corporation. On my far left is Jim Fallows who is the treasurer of the Municipal Financing Corporation. On my immediate left is Doug Matthies, the deputy minister of Finance, and seated behind the bar is Dick Carter, my chief of staff. Mr. Chair, I will forgo making any opening statements and make ourselves available to the committee members for questions.

**The Chair:** — Thank you. Mr. Belanger has some questions.

**Mr. Belanger:** — Yes. I just wanted to clarify, Mr. Chair, in relation to your comment you made in terms of tabling documents, just to clarify for the record, you indicated three documents. Could you point out what the documents were just for our own purposes, please.

**The Chair:** — Sure. We have document 302, Saskatchewan Transportation Company annual report. We have 303, SGI [Saskatchewan Government Insurance] Canada annual report; 304, Saskatchewan Auto Fund annual report; 304, Saskatchewan Auto Fund annual report; 305, Saskatchewan Government Insurance superannuation plan annual report; 306, Coachman Insurance Company annual report; 307, Insurance Company of Prince Edward Island annual report; 308, SGI Canada Insurance Services Ltd. annual report; and 309, SaskWater annual report.

**Mr. Belanger:** — I believe my colleague has some questions. Thank you.

**The Chair:** — Ms. Higgins has some questions.

**Ms. Higgins:** — Thank you very much, Mr. Chair. Mr. Minister, I guess basically what this Bill does is increase the borrowing limit for the Municipal Financing Corporation. So you're looking to increase it by \$100 million. What are you at now? And what do you see as the demands in the next year?

**Hon. Mr. Gantefer:** — Thank you, member. As an example in 2007, December 31st, 2007, the municipal finance corporation had loans out of \$26 million. And March 31st, 2010, that had grown to \$97.7 million. And so there has been increased activity of providing loans by the Municipal Financing Corporation. A significant amount of that is for the SIGI [Saskatchewan infrastructure growth initiative] program. That is a program that allows municipalities to invest in infrastructure and obtain a loan that for five years has the interest forgiven and reimbursed through Municipal Affairs. And so we wanted to make sure that there was the sufficient capacity in Municipal Financing Corporation to potentially accommodate increased demand.

Last year was a bit unusual for us in that the city of Regina applied for and was eligible for a loan, I believe, of 43-odd million dollars. And so we are not wary, but we are aware that perhaps the larger municipalities might be interested in Municipal Financing Corporation for some of their infrastructure projects. So we were simply trying to make sure that the capacity was there for Municipal Financing Corporation if the need arises.

**Ms. Higgins:** — So how much would be lent? Like can you split it up a bit? What would be against the SIGI program at this point in time?

**Hon. Mr. Gantefer:** — The total is \$97.7 million with SIGI and everything else. SIGI alone is 69.3 million.

**Ms. Higgins:** — So, Mr. Minister, then the additional \$100 million that you're looking at to move the limits up to 350 million, what are your expectations for this year? Do you have requests coming in, proposals actually in place, or are we just hedging our bets a little here?

**Hon. Mr. Gantefer:** — Thank you. I'm made aware of the budget that we budgeted for this year is \$20 million, and that's similar to what has been the traditional pattern prior to the city of Regina getting engaged. And last year I think that was a \$43 million loan which came about in a very short period of time. And certainly those kinds of loans from the major municipalities potentially can stretch our limits very quickly, and there would be no recourse to deal with that eventuality or possibility without having the limit extended. So this is very much legislation that is, you know, creates the opportunity for the corporation to be of assistance to the major municipalities, and that's difficult to budget for because it was unanticipated last year.

[21:30]

**Ms. Higgins:** — Last November we went into supplementary estimates, and your original estimate for last year had been 30

million. So that was over and above what you're saying the average of 20 a million a year is. Plus in November, you added an additional, basically 31 million. Was that money utilized?

**Hon. Mr. Gantefer:** — The total for last year was \$58.6 million, and that's part of the \$97 million total.

The SIGI program has a possibility of \$75 million a year. That could all come to the Municipal Financing Corporation, but there is the option for communities and municipalities to actually engage at an interest rate with their local lender and so that that is a possibility for local municipalities. But we don't know that. And so potentially SIGI could have impact of \$75 million a year in the next two years, each year.

**Ms. Higgins:** — Each year. SIGI is also interest free, is it not? Is that the one where the government covers the interest rate?

**Hon. Mr. Gantefer:** — I believe the methodology is the Municipal Financing Corporation assesses a rate, and then the Municipal Affairs reimburses that rate over five years to take it down to zero or a similar rate from a private lending institution.

**Ms. Higgins:** — It's pretty straightforward, the information that's in Bill 98. But I was doing a little bit of research today, and I have a tendency when I have some spare time to kind of wander through *Hansard* looking at just a variety of old speeches and comments that were made. And I came across one that one of your colleagues made in the House, and it had to do with Municipal Financing Corporation amendments that were being made in 2006, and it really made some unusual comments in that.

I'll read you a couple of them, that what they do is "create a separate Crown corporation and they create that Crown corporation solely for the purpose of having money sitting in there so that they can lend it back to themselves and finance things over a period of time." Also, it goes on to say "Why they wouldn't have showed it on their books and why they wouldn't have said this is going to be a five-year commitment . . ." or whatever the commitment is, so that (a) so they don't have a long-term commitment, (b) so they don't have to show the real liability? And the ones that showed the liability over, I mean, could have been municipalities or school divisions, but the comments went on to say that Municipal Financing Corporation, that there have been:

. . . a number of newspaper commentators referred to it as Enron-type accounting where these off-balance-sheet entities were created. And that frankly, Madam Deputy Speaker, is what the Municipal Financing Corporation does. It moves things off the balance sheet of the municipality or off of the school board, as this amendment that's in here is intended to deal with.

So I guess I would ask . . . I was a little surprised by the comments. I guess I shouldn't have been. But do you feel that that's the intent of the Municipal Financing Corporation, just to move numbers off the balance sheet so the government isn't held accountable for them?

**Hon. Mr. Gantefer:** — There have been no change in the accounting policies from our administration to the previous one,

so that is, you know, the methodology is intact and in place from what existed previously. It shows up on the Public Accounts statement on page 65 of the '08-09 Public Accounts, for example. It shows up there as a separate line item showing the liabilities of the Municipal Financing Corporation so there's nothing hidden. It's accounted for as it should be.

And, you know, I think that the Municipal Financing Corporation provides a useful vehicle for municipalities to be able to finance at virtually the government rate. We pass on to the municipalities the borrowing power of the province, if you like, to get more attractive rates. There's a quarter of 1 per cent above markup that Municipal Financing Corporation levies in order to cover some of its operating costs. But that still is very attractive rates to either apply directly to municipal or school board or hospital board borrowings, or it makes a very significant leverage for them to engage in one of their local institution at very attractive rates.

So I think the Municipal Financing Corporation fulfills a very useful and an important role in terms of the relationship with the provincial government and its municipalities and other agencies.

**Ms. Higgins:** — So, Mr. Minister, not that there was no changes in accounting or processes, just maybe a change in attitude by some members . . . [inaudible] . . . That's neither here nor there.

A question that I do have though is, do you feel that the effect of not following through with your government's promise to realize the revenue-sharing commitment of moving revenue sharing to the full 1 per cent of PST [provincial sales tax] or not even keeping it to a current accounting year that it should have been calculated on would have given municipalities, even at 90 per cent of 1 per cent, would have given them a small increase that I think would have been a goodwill gesture. But that was a decision that was made by you and your colleagues.

Do you feel that not following through on this commitment will cause additional pressure, and you may see in fact more borrowing through the Municipal Financing Corporation?

**Hon. Mr. Gantefer:** — I think one of the things we did in the budget that was important is to make sure that we made the dollars available that were needed in order to take advantage of all the federal stimulus dollars that were there. And so the federal-provincial-municipal projects that had been approved are all being funded, so those were largely infrastructure. And many communities did water and sewer projects and things of that nature. So that's funded, and it didn't have any impact on the revenue-sharing bit.

Certainly next year we anticipate and in rough terms are expecting that the municipal revenue sharing will go up in dollars, something in the \$58 to \$59 million range, and that is extra money that municipalities will have next year. And certainly that's going to be a benefit for their programming. And at the same time that happens, the federal infrastructure — at least the stimulus portion — is going to end, and so this will fit in very nicely to help municipal financing going forward. But we don't anticipate particularly extra demand on Municipal Financing Corporation this year because of the fact we were

unable to realize the full 1 per cent of the PST.

**Ms. Higgins:** — I don't know any of the municipal infrastructure projects or the stimulus projects or whatever list they come from that is a 50/50 split between the province and the feds. All of them that I'm aware of have been a one-third, one-third, one-third. So it's still . . . yes it's got the three parts to it, so I mean still there's pressure on municipalities to put up their one-third-plus to continue to provide services on the ground to people and communities that have had a fair bit of stress over the last little while — good stress in many cases, but it's still stress and still causes concerns at that level.

Mr. Minister, I think I will hand it over to my colleague now and let him ask questions. And thank you very much.

**The Chair:** — Mr. Wotherspoon.

**Mr. Wotherspoon:** — I think many of the questions were covered off by our Deputy Leader there. It's good as well to hear that the current Attorney General has hopefully a new position on the new Municipal Financing Corporation as the Deputy Leader highlighted the statements there because we do see it as an important instrument and vehicle to borrowing to municipalities.

I cite just the comments when the Bill was introduced in the House, the minister's statement as it relates to the \$160 million of eligible dollars as it relates to SIGI dollars. And I'm just wondering specifically . . . and I assume that that's where you're wanting to make sure that the capacity exists to be able to meet those potential obligations. What's the minister's expectations as it relates to the uptake of those \$160 million, and what sort of a schedule or timeline are we looking at those being borrowed?

**Hon. Mr. Gantefoer:** — The SIGI program was \$300 million over four years, so that we're about at that \$150 million remaining, and we budgeted \$20 million this year. It's really difficult to know because if one of the major municipalities decides to turn to the Municipal Financing Corporation to use as a vehicle for funding their portion or projects of that nature, it can go up in a hurry because the cost of developing new neighbourhoods and doing subdivisions and things of that nature have certainly not gone down particularly in price, and there's a lot of demand in our major centres to build that kind of infrastructure that are a result of growth.

So we think that . . . For this year, we're budgeting that \$20 million will be borrowed from Municipal Financing Corporation. But last year, the one project in Regina was 43 on its own, so it can change pretty dramatically if the bigger municipalities get involved.

**Mr. Wotherspoon:** — But just so we understand, there's about 98 million that's been borrowed right now, that actually there's \$150 million of the SIGI projects that are there, so that's around the \$250 million mark which is the current threshold to borrowing. And so you're here at this point in the event that there was full uptake on those SIGI dollars, and then of course there's other projects that apply that aren't SIGI projects. Is that . . .

**Hon. Mr. Gantefoer:** — That's right.

**Mr. Wotherspoon:** — But the reality or the likelihood is that you're projecting that the 98 million will likely only grow by \$20 million this year and that we'd be closer to the \$120 million of borrowing by year end, the fiscal year end?

**Hon. Mr. Gantefoer:** — For this year, that — we think — is what may happen. We got surprised last year with Regina's project.

What we're really intending to do here is to be ahead of the game instead of trying to catch up behind, where we hit the borrowing limit and all of a sudden we're turning down municipalities for projects that are important to them. So we're trying to anticipate what the need may be. We're in a growth cycle again. The economy of the world, of Canada and Saskatchewan is improving, and that's going to increase the likelihood of some pressures on municipalities to provide that kind of infrastructure growth going forward.

And certainly there may be increased pressure as the federal infrastructure funding is diminishing. There may end up being more pressures on municipal and provincial jurisdictions in order to provide the kind of infrastructure that municipalities are going to need.

**Mr. Wotherspoon:** — I think the request appears to make sense with what's put forward. You know, certainly there's some caution and apprehension we have as the opposition as it relates to this specific entity. It wasn't too long ago that we sat in this very Chamber and discussed some of the processes and, I guess, lack of awareness of the ministry as it related to the borrowing within this.

So this is something that we're going need to continue to watch. Any time that we're watching borrowing increasing, at the same time when it's the entities that are borrowing those dollars, also have agreements that have been broken by a government that directly impact their balance sheets, we need to make sure we understand why this borrowing's occurring. And certainly it's going to be something that we'll continue to observe and have further opportunities through estimates or at other committee times.

But given the justification with the SIGI dollars that haven't yet been applied or haven't yet been borrowed for the projects that exist there and then the other potential projects, we too want to make sure that this mechanism can play the valuable role that it has. And so I think at this point in time I don't have any other further questions. I see the wise member from Athabasca has one here.

[21:45]

**The Chair:** — Mr. Belanger.

**Mr. Belanger:** — Thank you so much. Just to point out that, just to clarify that the SIGI dollars that you made reference to, when the municipality borrows the money, the Municipal Affairs department pays them back the interest of that particular loan. Is that correct?

**Hon. Mr. Gantefoer:** — That's correct, for five years.

**Mr. Belanger:** — For five years. And that's regardless of whether the money comes from a private lender or from the actual finance corp.

**Hon. Mr. Gantefoer:** — If it's from a private lender, it's to the rate that would be in a place by the Municipal Financing Corporation. So if they pay more from a private lender than what the rate would be from the Municipal Finance Corporation, we'll only subsidize to the level, the lower level.

**Mr. Belanger:** — In relation to that question, obviously it lends the credence to the other question. As a Minister Responsible for the Municipal Financing Corporation, if you're not certain, as you've experienced last year with the jump up from the cities, the major centres, in terms of asking for 40 million . . . obviously the corresponding reaction from the Municipal Affairs department saying, well we have a \$40 million increase in lending. So they obviously have to have the \$40 million interest payment to the municipality that's borrowing. How do they react to that unanticipated payment of interest, if you will, if we're not certain? Is there a special fund? Is there the ability to react? Those are some of the corresponding questions I have in relation to the action and reaction of the Municipal Financing Corporation.

**Hon. Mr. Gantefoer:** — The SIGI program has a budgeted limit of \$75 million a year. And so that the Municipal Affairs would include in their budget the potential interest subsidy for up to that level of loans which would be over in Municipal Affairs and isn't in Finance . . . so there is some limits in terms of what's available. Over the four years of the program, \$300 million is available, and there's two years left. So that's \$150 million that potentially could be brought to bear on Municipal Financing Corporation if all of the activity was financed this way.

**Mr. Belanger:** — I assume that that would happen. In relation to the northern municipalities, I asked you earlier in some committee meetings whether the northern municipalities were eligible for this particular financing option. And I believe the response you gave me at that time was, yes, and correct me if I'm wrong. Because I know a lot of northern municipalities may not look at the program itself as an option and perhaps they should. But does the program itself go retroactive? Because I'll give you a good example. My own home community of Ile-a-la-Crosse, they borrowed money to develop a subdivision, and they had to pay interest. I think they borrowed from the northern revenue sharing trust account. And I'm not sure what the interest might be. Now would they be eligible for any kind of retroactive interest repayment from Municipal Affairs if it fits the criteria of SIGI, or is that a totally different process?

**Hon. Mr. Gantefoer:** — On that level of technical detail, member, I'm not sure. It would be Municipal Affairs that actually goes through the scrutiny process and the application of the process, and then it is an approved request that comes to Municipal Financing Corporation.

We don't do any of the due diligence over the Municipal Financing Corporation. That's done at Municipal Affairs. So in terms of there's an eligibility for retroactivity, I would suggest

that that would be more likely to get a detailed answer from Municipal Affairs.

**Mr. Belanger:** — The other point I would make is that other ministers cannot make commitments from the Municipal Financing Corporation on behalf of any other northern or southern municipal body. Is that correct? The municipal body themselves have to apply. It can't be a request from, say, from a different ministry to your department.

**Hon. Mr. Gantefoer:** — It has to be an application that's made to Municipal Affairs. It's then adjudicated there to ensure that it's an appropriate project and that the debt to equity ratio of the community is appropriate and all of those sorts of things. And then it comes as an approved project from Municipal Affairs to the Municipal Financing Corporation, and then the loan is disbursed.

**Mr. Belanger:** — So again just to clarify, if a minister came to you and said look, as the minister responsible for the Municipal Financing Corporation, I need 4 or \$5 million for community A, could you make sure they have it? Obviously you'd say well, no, that's not my role, and no minister can make allocations or decisions on the allocations of the Municipal Financing Corporation without the lead of the municipality themselves.

**Hon. Mr. Gantefoer:** — That's correct.

**Mr. Belanger:** — All right. That's all the questions I have.

**The Chair:** — Are there any other questions or comments from the committee? Seeing none, we will proceed to vote on the clauses. Clause 1, short title, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried.

[Clause 1 agreed to.]

[Clauses 2 and 3 agreed to.]

**The Chair:** — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 98, *The Municipal Financing Corporation Amendment Act, 2009*. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I would like to ask a member to move that we report Bill No. 98, *The Municipal Financing Corporation Amendment Act, 2009* without amendment. It has been moved by Mr. Allchurch. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I'd like to thank the minister and his officials for answering our questions here today. Did you want to say anything? No. Okay. And with that, I would entertain an adjournment motion. Mr. Bradshaw has made an adjournment motion. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. This committee stands adjourned, and thank you.

[The committee adjourned at 21:53.]