

Loans to Local Authorities Office

Lending and Security Policy

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1.1 Loan Application Requirements

All loan applications shall have the following documents attached or on file with the Province:

- (1) a completed application for the loan, in the form prescribed by the Province, signed by a duly authorized officer of the applicant;
- (2) a certified copy of the bylaw or resolution authorizing the specific particular borrowing being proposed by the applicant;
- (3) the following additional documents:
 - (A) for applicants under the *Municipal Government Act*:
 - (i) a copy of its most recent financial information return prepared pursuant and filed pursuant to and in compliance with sections 277 and 278 of the *Municipal Government Act*;
 - (ii) a copy of its most recent audited financial statements;
 - (iii) a completed debt limit worksheet, in the form prescribed by the Province, unless the applicant is a municipality with a credit rating of “A” or better in which case the applicant shall provide a copy of its most recent credit rating; and
 - iv) must have entered into a master loan agreement with the Province that is current and subsisting;
 - (B) for applicants under the Education Act, the applicant can either show evidence of the approval of the proposed borrowing by the Minister or evidence that prior approval of the Minister is not required due to the applicability of a regulation authorized under s. 180(2);
 - (C) for applicants under the *Post Secondary Learning Act*:
 - (i) evidence of the approval of the proposed borrowing by the Minister under the *Post Secondary Learning Act* section 73;

- (ii) a copy of its most recent audited financial statements; and
 - (iii) a completed debt limit worksheet, in the form prescribed by the Province illustrating a debt limit of no more than 1.5 times adjusted revenue and a debt service limit of no more than .25 times adjusted revenue calculated using the most recent audited financial statements. Adjusted revenue excludes government grants from all levels of government, deferred amortization, donations and expended capital;
- (D) for applicants under the *Regional Airports Authorities Act*.
- (i) must have entered into a credit agreement with the Province that is current and subsisting; and
 - (ii) a draw request for a loan in accordance with the provisions, if any, in the applicable credit or loan agreement;
- (E) for applicants under the *Metis Settlements Act*
- (i) a copy of its most recent audited financial statements; and
 - (ii) evidence of a regulation passed under section 239 or 240 which approves the activity, or the activity is authorized by a General Council Policy, and permitted by a settlement bylaw;
- (F) for regional service commissions under the *Municipal Government Act*
- (i) a copy of its most recent financial information return prepared pursuant and filed pursuant to and in compliance with sections 602.32 of the *Municipal Government Act*;
 - (ii) a copy of its most recent audited financial statements;
 - (iii) a completed debt limit worksheet, in the form prescribed by the Province, unless the applicant is a municipality with a credit rating of “A” or better in which case the applicant shall provide a copy of its most recent credit rating;

- (iv) must have entered into a master loan agreement with the Province that is current and subsisting; and
 - (v) evidence that its membership agreements include a “take or pay” clause in a form deemed appropriate by the Province; however, commissions established prior to January 1, 2011 are exempt from this requirement;
- (G) for health authorities, a copy of its most recent audited financial statements; and
- (4) any other information or documentation as may be required by the Province from time to time.

A separate loan application is required for each individual capital project. Regional airport authorities must make separate draw requests under any applicable credit or loan agreement.

1.2 Loan Issuances

Loans will be issued quarterly on March 15, June 15, September 15 and December 15 (or if such date is not a business day of the Province, on the following business day of the Province) subject to market conditions. Applicants will be required to commit to receiving the loan at least 10 business days in advance of the quarterly issue date.

1.3 Specific Loan Provisions

Term

The term of a loan, including the refinancing of a third party loan, shall be for up to a maximum of 40 years, but the term of the loan shall not exceed the useful life of the capital project.

Interest Rate

The rate of interest of a loan will be based on a blended rate basis, as determined by the Province, aggregated at the Province's cost of borrowing (including legal and commission costs) and its operating costs, impact of the repayment structure and the term of the loan.

Payments

Loan payments shall be made in semi-annual equal payments, inclusive of principal and interest, unless the Province approves repayment on different terms. Payments on loans made prior to December 31, 2003 will remain as established under the terms of those loans.

Repayment Obligation

Borrowers shall provide to the Province an executed debenture, or such other similar document, in the form prescribed by the Province from time to time, to evidence the borrower's obligation to repay the loan.

1.4 Standard Security

To secure the repayment of loan financing provided to borrowers, the following forms of security and covenants, as applicable, shall be provided to the Province.

1.4.1 Cities, Towns, Villages, and Other Municipal Authorities

For all cities, towns, villages and other municipal authorities, a written and subsisting master loan agreement for each transaction. The terms of the agreement must include an obligation upon the borrowing municipal authority to impose and collect taxes on all taxable property and businesses in its municipality in the event that the borrower fails to, or is in jeopardy of failing to, make payments. In the event that this should occur, the agreement must also include a term which provides that, even with the taxes being of an amount sufficient to pay to the Province all amounts in arrears, all outstanding amounts become due and payable.

1.4.2 Metis Settlements

For municipal authorities that are Metis settlements, a written and subsisting general security agreement granting to the Province a security interest in all of the borrowing Metis settlement's present and after-acquired personal property, with the Province's security interest having first priority over all other creditors of the Metis settlement.

1.4.3 Regional Airports

For regional airport authorities established under the *Regional Airports Authorities Act*, an assignment of ground leases whereby the borrowing regional airport authority agrees to assign to the Province all of its present and future ground leases, licences, tenancy agreements and rents with respect to lands applicable to the credit advanced. The assignment must have first priority over all other financial encumbrances registered against title to the lands.

1.4.4 Regional Authorities

For regional authorities, a written and subsisting loan agreement for each transaction the terms of which include an obligation upon the borrowing regional authority to impose and collect fees, charges and other levies as permitted by its governing legislation. In the event that it fails to, or is in jeopardy of failing to, make loan payments, even with the fees, charges and levies being of an amount sufficient to pay to the Province all amounts in arrears, all outstanding amounts become due and payable pursuant to the loan agreement.

1.4.5 Health Authorities

For health authorities, security will be assessed and required on a case by case basis with each transaction. Preferred security is a collateral mortgage whereby the health authority agrees to grant to the Province a mortgage over lands applicable to the credit advanced. As an alternative to mortgage security, collateral may be required in the form of an assignment of rents and leases whereby the health authority agrees to assign to the Province all of its present and future leases, licences, tenancy agreements and rents with respect to the lands (or part thereof) applicable to the credit advanced, with the assignment having first priority over all other financial encumbrances registered against title to the lands.

1.4.6 Educational Authorities

For all educational authorities, a written and subsisting general security agreement granting to the Province a security interest in all of the borrowing educational authority's present and after-acquired personal property, with the Province's security interest having first priority over all other creditors of the educational authority.

The aforementioned security interest in personal property shall not extend to a charge on property that is prohibited by legislation which applies to the educational authority, including but not limited to the restriction under paragraph 1(2)(b) of the Borrowing Regulation of the Education Act, and cash flows of the educational authority that are "restricted purpose funds". "Restricted purpose funds" shall be determined at the sole discretion of the Province and shall be understood to include, but not be limited to, grants, donations, endowment funds or research funds that are required to be used by the educational authority in a specific way or for a specific purpose pursuant to conditions imposed by the provider of the funds.

As an alternative to a general security agreement for specific transactions the borrowing educational authority may grant to the Province a mortgage over lands applicable to the credit advanced, with the mortgage having first priority over all other financial encumbrances registered against title to the lands.

As a further alternative to a general security agreement and mortgage security for specific transactions the borrowing educational authority may assign to the Province all of its present and future leases, licences, tenancy agreements and rents with respect to the lands (or part thereof) applicable to the credit advanced, with the assignment having first priority over all other financial encumbrances registered against title to the lands.

The above requirements are effective as of January 1, 2014, and do not apply to loans prior to this date, and any outstanding local authority loans prior to this date will not require retroactive collateralization. However, from January 1, 2014 any outstanding loan balances of a local authority will be taken into consideration by the Province with respect to the provision of new financing from a total liability perspective.

1.5 Other Forms of Security

Notwithstanding Section 1.4 Standard Security, the Province shall have the authority to accept forms of security from time to time which do not constitute a first in priority financial encumbrance against the collateral secured. If the value of the prior ranking financial encumbrances plus the total value of the prior credit advanced and proposed to be advanced does not exceed the current and expected future value of the collateral.

1.6 Additional Security

The Province reserves the right to require any additional or alternative security and collateral not previously mentioned herein as it may pertain to prudent lending practices of collateralizing specific loans as may be required. In particular, additional or alternative security may be required if the value of any existing and proposed security is insufficient to secure the total value of all outstanding credit advanced.

Contact Information and Useful Links

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