

Policy

Title: LOANS AND LOAN GUARANTEES		Number: 0171
Reference: Administrative Committee - August 18, 2021 Corporate Services Committee - August 24, 2021	Adopted by City Council: September 7, 2021	
	City Clerk	Chief Administrative Officer
Supersedes: Policy 0105		
Prepared by: FINANCE DEPARTMENT		

STATEMENT

THE CITY OF MEDICINE HAT MAY ASSIST COMMUNITY ORGANIZATIONS BY PROVIDING A LOAN OR LOAN GUARANTEE IN RESPECT OF A PROPOSED DEVELOPMENT THAT WILL ACHIEVE A MUNICIPAL BENEFIT IN ACCORDANCE WITH ALL APPLICABLE LAW INCLUDING, WITHOUT LIMITATION, THE *MUNICIPAL GOVERNMENT ACT* (ALBERTA), THIS POLICY, THE PROCEDURES AND ALL OTHER APPLICABLE BYLAWS, POLICIES AND PROCEDURES OF THE CITY OF MEDICINE HAT.

PRINCIPLES

1. Adherence to Requirements: Every Loan or Loan Guarantee shall be undertaken and administered in accordance with all applicable law including, without limitation, the Act, this Policy, the Procedures and all other applicable bylaws, policies and procedures of the City.
2. Municipal Benefit: Every Loan or Loan Guarantee shall align with and materially advance the strategic vision of City Council.
3. Equity: Every Loan or Loan Guarantee, and every application therefore, shall be dealt with in a fair, equitable and financially-accountable manner.
4. Ability to Pay: Before providing a Loan or Loan Guarantee, pertinent risks associated with same shall be adequately assessed and all necessary precautions shall be taken to ensure the Borrower or Obligee is able to repay the Loan, or the debt to which the Loan Guarantee applies, together with any and all interest applicable thereto, on time and at regular intervals without default.

ROLE OF CITY COUNCIL

1. To receive, review and adopt this Policy and any recommended amendments thereto;
2. To receive, review and, at its sole discretion, approve every bylaw required in relation to a Loan or Loan Guarantee, in accordance with the Act.

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1. DEFINITIONS

- 1.01 Act means the *Municipal Government Act* (Alberta), as amended;
- 1.02 Borrower means a Community Organization to which a Loan has been provided;
- 1.03 City means the municipal corporation of the City of Medicine Hat, or the municipal boundary of the City of Medicine Hat, as the context requires;
- 1.04 Community Organization means a duly incorporated and registered non-profit organization in good standing within the Province of Alberta, or within another Canadian jurisdiction, which is dedicated to the enhancement of the social, environmental and/or economic wellbeing of individuals including the residents and/or visitors of the City;
- 1.05 Creditworthiness means the extent to which a prospective Borrower, or a prospective Obligee, is, in the opinion of the Finance Department, suitable to receive a Loan or Loan Guarantee in relation to the risk of default in respect thereof;
- 1.06 Development means a Development as defined under Section 616(b)(ii) of the Act, or any portion thereof.
- 1.07 Finance Department means the Finance Department of the City;
- 1.08 Lending Institution means a reputable lending institution, as determined by the Finance Department;
- 1.09 Loan means any funds extended, by repayable loan, by the City to a Borrower for the purpose of a Development in accordance with the terms and conditions of a Loan Agreement, which terms and conditions shall include the amount, term, interest rate, expenditure, reporting and repayment provisions;
- 1.10 Loan Agreement means a written contract entered into by the City and a Borrower, containing terms and conditions to the satisfaction of the City Solicitor and City Manager, and wherein the City has extended funds, by repayable loan, to the Borrower for the purpose of a Development and the Borrower is obligated, among other things, to repay the Loan amount, together with interest, in accordance with the term and repayment provisions therein;
- 1.11 Loan Guarantee means a written contract entered into by the City and a Lending Institution, containing terms and conditions to the satisfaction of the City Solicitor and City Manager, and wherein the City agrees to assume a debt owed by an Obligee to the Lending Institution if the Obligee defaults in respect thereof, subject to the terms and conditions of such written contract;
- 1.12 Municipal Benefit means a benefit provided to the City through the carrying out of a Development that aligns with, and materially advances, the strategic vision of City Council;
- 1.13 Obligee means a Community Organization obligated to repay a debt in respect of which a Loan Guarantee is provided;
- 1.14 Operating Department means any named department within the organizational structure of the City, excepting the Finance Department and excepting any other department within the Corporate Services Division.

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2. RESPONSIBILITIES

2.01 Administrative Committee:

- (a) shall review and recommend changes to this Policy to City Council;
- (b) shall approve the Procedures, and any amendments thereto, related to this Policy;
- (c) shall ensure that compliance with this Policy and the Procedures has been achieved;
- (d) shall receive and review every proposed Loan or Loan Guarantee and, where following such review the Administrative Committee is in support of any such proposed Loan or Loan Guarantee, then the Administrative Committee may submit a recommendation that Council, at its sole discretion, approve the proposed Loan or Loan Guarantee; and
- (e) except where City Council approval is expressly required herein, may approve exceptions to the Procedures on a case-by-case basis.

2.02 Operating Departments

- (a) shall receive and review applications from Community Organizations for proposed Loans and Loan Guarantees;
- (b) shall work with the Finance Department to develop recommended terms and conditions applicable to every proposed Loan or Loan Guarantee received or advocated by such Operating Department, including the amount, term, interest rate and repayment provisions of same; and
- (c) shall, in coordination with the Finance Department, develop and submit to Administrative Committee recommendations regarding whether to provide, or refuse to provide, each proposed Loan or Loan Guarantee, including all relevant particulars related thereto.

2.03 Finance Department:

- (a) shall receive and review requests for every proposed Loan or Loan Guarantee;
- (b) shall conduct a review of every prospective Borrower and every prospective Obligor to determine the Creditworthiness of same;
- (c) shall, in coordination with the applicable Operating Department (if any), develop and submit to Administrative Committee recommendations regarding whether to provide, or refuse to provide, each proposed Loan or Loan Guarantee, including all relevant particulars related thereto.
- (d) shall develop and submit to Administrative Committee recommendations regarding appropriate terms and conditions for each proposed Loan or Loan Guarantee, including the amount, term, interest rate, reporting requirements, expenditure requirements, and repayment provisions thereof;
- (e) shall complete the necessary journal entries in relation to every Loan or Loan Guarantee as per generally accepted accounting principles (Canada);
- (f) shall monitor and report on every Loan or Loan Guarantee and shall provide periodic updates to the Administrative Committee and City Council, as requested; and
- (g) shall ensure that Loans or Loan Guarantees do not, individually or in combination, cause the City to exceed its debt limit in accordance with applicable law, including the Act, and applicable City bylaws, policies and procedures.

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2.04 The City Solicitor's Office:

- (a) may develop and make available to the Finance Department contract templates to be used in connection with Loans and Loan Guarantees, and shall assist regarding any questions concerning same;
- (b) shall, at the request of the Finance Department, the applicable Operating Department (if any), the City Manager or City Council, review any written contract drafted by any third party regarding a Loan or Loan Guarantee; and
- (c) shall, at the request of the Finance Department, the applicable Operating Department (if any), the City Manager or City Council, ensure that such liens, instruments or other encumbrances are registered with the appropriate governmental authority in connection with a Loan or Loan Guarantee, as appropriate.

3. RESCIND

3.01 Policy No. 0105, Loans to Organizations for Community Projects is hereby rescinded.

4. INTEREST

4.01 City Council may, at its sole discretion, by bylaw or resolution, forgive the interest payable on a Loan, provided that the Loan interest costs are reported by the Finance Department as per generally accepted accounting principles (Canada).

5. PROCEDURES

5.01 A Loan or Loan Guarantee shall not be provided except in accordance with all the following requirements:

- (a) The proposed Loan or Loan Guarantee is in accordance with all applicable law, including the Act, this Policy, the Procedures and all other applicable City bylaws, policies and procedures;
- (b) The proposed Loan or Loan Guarantee has been approved by the Administrative Committee;
- (c) City Council has passed a bylaw authorizing the Loan, or Loan Guarantee, in accordance with the Act;
- (d) Unless otherwise directed by City Council, if the City does not own the land on which the Development is situated, the Community Organization shall provide as security such collateral, and in such amount, as considered necessary or appropriate by the Finance Department;
- (e) The prospective Borrower or prospective Obligee is a Community Organization;
- (f) The prospective Borrower or prospective Obligee maintains an office located within the municipal boundary of the City;
- (g) Unless otherwise authorized by City Council, the amount of the Loan or Loan Guarantee is included in one or more City budgets, as appropriate;
- (h) The purpose of the Loan or Loan Guarantee is to carry out a Development that is rationally connected with, and reasonably anticipated to result in, a Municipal Benefit;
- (i) All costs associated, directly or indirectly, with providing the Loan or Loan Guarantee have been presented to, and considered by, the Administrative

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Committee, as appropriate, and the Administrative Committee has determined that the Loan or Loan Guarantee should be provided;

- (j) Providing the Loan or Loan Guarantee will not cause the City to exceed its debt limit as per the Act and applicable City bylaws, policies and procedures, and will not significantly impact City service levels;
- (k) The Development associated with the Loan or Loan Guarantee is in compliance with all applicable law, including the Act, and all applicable City bylaws, policies, procedures, plans and planning documents;
- (l) In the case of a Loan:
 - (1) The prospective Borrower has submitted a Loan application, supporting business case, multi-year cash flow, together with all other documentation deemed by the Finance Department to be necessary or appropriate to facilitate the evaluation of the Creditworthiness of the prospective Borrower in relation to the proposed Loan (collectively, the “Prospective Borrower’s Application”);
 - (2) Upon review of the Prospective Borrower’s Application, the Finance Department has determined that the prospective Borrower is of sufficient Creditworthiness to be provided with the Loan, and that the prospective Borrower has on deposit the difference between the total cost of the Development to which the Loan applies and the Loan amount;
 - (3) The City and the prospective Borrower have entered into a Loan Agreement in respect of the Loan;
 - (4) The term or duration of the Loan is the lesser of: (1) the expected useful life of the Development following the provision of the Loan Agreement, less five (5) years; and (2) twenty (20) years following the provision of the Loan Agreement;
 - (5) The repayment provisions of the Loan Agreement stipulate either: (1) equal annual payments, being a blend of accrued interest and principal, due on the annual anniversary date of the Loan advance and continuing until such time as the Loan, together with all accrued interest, is paid in full; or (2) equal monthly payments, being a blend of accrued interest and principal, due on the first of each month following the month of the Loan advance and continuing until such time as the Loan, together with all accrued interest, is paid in full;
 - (6) The interest provisions of the Loan Agreement indicate that interest shall be calculated based on the most current interest rates posted by the Alberta Treasury Board and Finance plus ONE-POINT-ZERO PERCENT (1.0%);
 - (7) A Loan has not already been provided in respect of the same Development as that to which the prospective Loan applies; and
 - (8) A Loan Guarantee has not already been provided in respect of the same Development as that to which the prospective Loan applies.
- (m) In the case of a Loan Guarantee:
 - (1) The prospective Obligee is indebted under written contract to a creditor that is, in the opinion of the Finance Department, a reputable lending institution (the “Lending Institution”);
 - (2) The Lending Institution maintains an office located within the municipal boundary of the City;

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- (3) The prospective Obligee has submitted a Loan Guarantee application, supporting business case, multi-year cash flow, together with all other documentation deemed by the Finance Department to be necessary or appropriate to facilitate the evaluation of the Creditworthiness of the prospective Obligee in relation to the proposed Loan Guarantee (collectively, the "Prospective Obligee's Application");
- (4) Upon review of the Prospective Obligee's Application, the Finance Department has determined that the prospective Obligee is of sufficient Creditworthiness to be provided with the Loan Guarantee, and that the prospective Obligee has on deposit the difference between the total cost of the Development to which the Loan Guarantee applies and the amount owed by the prospective Obligee to the Lending Institution;
- (5) The written contract by which the prospective Obligee is indebted to the Lending Institution contains such terms and conditions as are deemed necessary or appropriate by the City Solicitor's Office, in consultation with the Finance Department;
- (6) Such other written contracts in connection with the Loan Guarantee are executed by the City, the Obligee and/or the Lending Institution, as are deemed necessary or appropriate by the City Solicitor's Office, in consultation with the Finance Department;
- (7) A Loan Guarantee has not already been provided in respect of the same Development as that to which the prospective Loan Guarantee applies;
- (8) A Loan has not already been provided in respect of the same Development as that to which the prospective Loan Guarantee applies; and
- (9) The term or duration of the Loan Guarantee is the lesser of: (1) the expected useful life of the Development following the provision of the Loan Guarantee, less five (5) years; and (2) twenty (20) years following the provision of the Loan Guarantee.

5.02 Not less than once annually, the Finance Department shall make such inquiries as the Finance Department, at its sole discretion, deems necessary or appropriate to ensure that:

- (a) a Borrower:
 - (1) is complying with the terms and conditions of their Loan; and
 - (2) retains a level of Creditworthiness that the Finance Department, at its sole discretion, deems satisfactory with respect to such Loan; and
- (b) an Obligee:
 - (1) is not in default, or at material risk of being in default, in respect of a debt to which their Loan Guarantee applies; and
 - (2) retains a level of Creditworthiness that the Finance Department, at its sole discretion, deems satisfactory with respect to such Loan Guarantee.

6. APPENDICES

NONE