

# Council Policy



Policy Name: Loan and/or Loan Guarantee for Community Based Organizations  
Department Name: Community Services  
Policy No.: FIN-130  
Effective Date: October 14, 2003

Review Date:

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## **STATEMENT:**

The Regional Municipality of Wood Buffalo The Regional Municipality of Wood Buffalo may provide a loan and/or loan guarantee to a community based organization (CBO). Approval of the loan and/or loan guarantee is subject to the CBO meeting the established set of criteria outlined within this policy.

## **PURPOSE AND OBJECTIVE:**

To provide Council with sufficient information to determine whether or not the Municipality should approve a loan and/or loan guarantee to a community based organization.

## **PROCEDURES:**

### **1. Definitions**

- 1.1. CBO: Community Based Organization that is a not-for-profit organization incorporated as per the Societies Act of Alberta.
- 1.2. Balance Sheet: A Statement of Financial Position that shows the assets, liabilities and equity as at a given date.
- 1.3. Income Statement: A Statement of Operations that shows the revenues and expenses for a given period.

### **2. Responsibilities**

- 2.1. Council to:
  - 2.1.1. Administer Approve amendments to this Policy/Procedure as deemed appropriate from time-to-time.
  - 2.1.2. Consider recommendations on loan and/or loan guarantees from the Audit/Budget Standing Committee.
- 2.2. Audit/Budget Standing Committee to:
  - 2.2.1. Review the CBO's application.
  - 2.2.2. Provide CBO an opportunity to present its application to the Audit/Budget Standing Committee.

- 2.2.3. Provide Council with a recommendation to either approve or deny request.
- 2.3. Community Services to:
  - 2.3.1. Accept CBO's application in a form prescribed by the Chief Financial Officer.
  - 2.3.2. Provide the CBO with the necessary criteria.
  - 2.3.3. Ensure the CBO request meets criteria as set out in this policy.
  - 2.3.4. Provide a copy of the loan and/or loan guarantee application to the Corporate Services Department.
  - 2.3.5. Prepare Council report and present to Department Heads, Audit/Budget Standing Committee and Council.
  - 2.3.6. Inform the CBO of the presentation date for the Audit/Budget Standing Committee.
- 2.4. Corporate Services to:
  - 2.4.1. Review loan and/or loan guarantee application to determine if the loan and/or loan guarantee request from the CBO falls within the debt limit of the Municipality and provide Community Services with results of analysis.
  - 2.4.2. Provide clearance on the Council Report.
  - 2.4.3. Provide the CBO with a loan agreement and promissory note for signature if loan is approved.
  - 2.4.4. Follow through on loan repayment schedules with the CBO.
- 2.5. Department Heads to:
  - 2.5.1. Provide Audit/Budget Standing Committee with a recommendation to either approve or deny the loan/loan guarantee application.
- 2.6. Community Based Organization to:
  - 2.6.1. Follow criteria outlined in the policy.
  - 2.6.2. Present to the Audit/Budget Standing Committee.

### 3. Criteria For Eligibility

The following criteria must be met for the Regional Municipality of Wood Buffalo to consider providing a loan and/or loan guarantee to an eligible CBO:

- 3.1. The CBO shall be a not-for-profit organization incorporated as per the Societies Act of Alberta.
- 3.2. The majority of the CBO's products/services must either be located within the Regional Municipality of Wood Buffalo boundaries, and/or benefit the residents of the Regional Municipality of Wood Buffalo.
- 3.3. The CBO's services must be vital to the community (i.e. the services are received from a large number of residents).
- 3.4. The Regional Municipality shall serve as the last resort for any CBO in seeking a loan and/or loan guarantee.
- 3.5. The Regional Municipality shall not provide loans for CBO "start-up".
- 3.6. The CBO shall use its own assets as collateral to try to obtain a loan prior to approaching the Municipality.
- 3.7. The CBO shall submit to the Municipality, written responses from three financial institutions indicating the bank's unwillingness to provide the necessary loan or financial assistance to the organization.
- 3.8. The CBO shall provide the Municipality with financial statements that are prepared in accordance with generally accepted accounting principles as outlined by the Canadian Institute of Chartered Accountants. These financial statements, at a minimum, shall include a Statement of Financial Position (Balance Sheet), Statement of Operations (Income Statement), and notes to the financial statements, which would include disclosure on the assets, liabilities, contingencies and commitments of the CBO. The last two years of statements shall be submitted.
- 3.9. The CBO will be required to make an initial presentation to the Audit/Budget Standing Committee describing the financial situation of the CBO, the ability to repay the loan, an action plan to repay the loan, and time lines of the repayment.
- 3.10. Within the CBO's presentation to Audit/Budget Standing Committee, the CBO must provide a negative impact assessment on the community if the loan and/or loan guarantee is not provided.
- 3.11. The operations of the CBO must support the strategic direction of the Municipality as reflected in the Corporate Strategic Plan.
- 3.12. The term of loan and/or loan guarantee will be short (maximum of two years).

- 3.13. Council will not consider a loan and/or loan guarantee if the Municipality's established debt limit is exceeded.
- 3.14. For loans provided by the Municipality, interest rates shall be based on the prime lending rate established by the financial institution utilized by the Municipality to conduct its banking services.
- 3.15. For loans provided by the Municipality, the CBO will be required to sign a loan agreement and a promissory note as provided by the Municipality.
- 3.16. The CBO will be required to meet all time lines set by the Municipality to administer the loan or loan guarantee.

**APPROVAL, MANAGEMENT AND REFERENCES:**

This policy shall be reviewed in three (3) years from its effective date to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect organizational change.

Approving Authority: Regional Council  
Approval Date: October 14, 2003

Revision Approval Dates:  
Review Due:

Policy Manager: Director, Community Services  
Department Contact: Manager, Community Services

Legal References:  
Cross References: