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**Subject:** Authorization of Tile Drainage Loan

**Report to:** Corporate Services Committee

**Report date:** Wednesday, April 14, 2021

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## Recommendations

1. That an amount sufficient for the payment of the principal and interest costs of the debenture for tile drainage listed in Schedule “A” attached to Report CSD 18-2021, **BE LEVIED** to the Town of Lincoln.

## Key Facts

- By-law no. 5988-90 authorizes the Region to borrow an amount not exceeding \$4,657,000 and to issue debentures payable to the Treasurer of Ontario pursuant to The Tile Drainage Act, 1971, upon application of an Area Municipality from time to time
- The Town of Lincoln has received an application for a Tile Loan and has completed inspection of the drainage system
- The Council of the Town of Lincoln has passed Rating By-law 2021-16, March 8, 2021 imposing a special annual drainage rate upon land in respect of which money is borrowed under the *Tile Drainage Act*
- Through the Tile Loan Program offered by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), landowners can access loan funding through their local municipality for the installation of tile drainage systems on their agricultural land
- Tile loans continue to be available at a 6 per cent interest rate for a ten-year term and a maximum amount of loan available to an individual farmer in one year has been maintained at \$50,000
- Town of Lincoln has current outstanding debt of \$7,816,897 at the end of 2020.
- Town of Lincoln estimated Annual Repayment Limit (ARL) as per the most recent Financial Information Return (FIR) is 2.59 per cent of own source revenues, which falls within the statutory limit of The Town’s ARL of \$5,419,857, or 25 per cent.

## Financial Considerations

This debt will show on Niagara Region’s financial statements as a liability on the financial statement (long-term liabilities) and as an asset on the financial statement (debt recoverable from Local Area Municipality). All debt servicing costs associated

with the tile loan will be recovered from the Town of Lincoln. Although there is some administration involved with the Tile Drainage Program, there is no net financial implication for Niagara Region.

## **Analysis**

In accordance with the Municipal Act, the authority to sell debentures to raise funds is granted solely to Regional government. The Town of Lincoln and The Ministry of Agriculture, Food and Rural Affairs will work together with Niagara Region to settle the tile loan to the landowner and collect the annual principal and interest payments. The landowner in the Town of Lincoln is ultimately the recipient of the tile loan from The Ministry. Funds borrowed through the Tile Drainage Program are used to install tile drainage systems on the landowner's agricultural land.

Application to the Town of Lincoln has been made for a tile loan in the amount of \$50,000 at a rate of 6 per cent for 10 years. The Town has completed their inspection of the drainage work that has been done on the land, and has passed Rating By-law 2021-16. Staff from OMAFRA have reviewed the application, inspection certificate, all invoices and documentation, loan amount and repayment calculations, and by-laws/authorization.

To facilitate the loan to the farmer as per the Tile Drainage Program, Niagara Region will sell the Tile Drainage Debenture to the Minister of Finance. The loan amount of \$50,000 will be settled with Niagara Region and the funds will then be forwarded to the Town of Lincoln who will settle the loan with the landowner.

On an annual basis, through either invoice or taxation, the Town will collect \$6,793.40 from the landowner. OMAFRA will invoice Niagara Region annually from 2022-2031 in the amount of \$6,793.40, and Niagara Region will invoice the Town for the same amount.

Per their 2018 Financial Information Return, the Town of Lincoln has net debt charges of \$625,093 or annual repayments of 2.59 per cent of own source revenues, which falls within the statutory limit of The Town's Annual Repayment Limit (ARL) of \$5,419,857 or 25 per cent. The ARL represents debt charges as a percentage of municipal source revenues. After this debenture issuance, the Town's net debt charges will increase but still be well below the ARL limit.

## **Alternatives Reviewed**

No alternatives were considered as this is a loan program is provided by The Ministry of Agriculture, Food and Rural Affairs.

## **Relationship to Council Strategic Priorities**

Supporting our Local Area Municipalities in programs such as the Tile Drainage Loan program promotes Sustainable and Engaging Government.

## **Other Pertinent Reports**

N/A

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### **Prepared by:**

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Strategy  
Corporate Services

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### **Recommended by:**

Todd Harrison, CPA, CMA  
Commissioner, Corporate Services,  
Treasurer

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### **Submitted by:**

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

*This report was prepared by Margaret Murphy, Associate Director, Budget Planning & Strategy and reviewed by Helen Chamberlain, Director, Financial Management & Planning.*

## **Appendices**

Appendix 1

Schedule A

Schedule A

Description of Land Drained	Proposed Date of Loan	Sum to be Loaned \$	Annual Rate to be Imposed \$
Concession 2, Lot 6, Town of Lincoln  Roll No.  2622044000405600.0000	May 3, 2021	\$50,000.00	\$6,793.40
TOTAL PRINCIPAL OF DEBENTURE  AND TOTAL SUM SHOWN ON BY-LAW		\$50,000.00	\$6,793.40