

Subject: Authorization of Tile Drainage Loan

Report to: Corporate Services Committee

Report date: Wednesday, October 11, 2023

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 49-2023 as Appendix 1, **BE LEVIED** to the Town of Niagara-on-the-Lake; and
2. That the necessary by-law **BE PREPARED** and **PRESENTED** to Council for consideration.

Key Facts

- The purpose of this report is to authorize \$37,300 Tile Drainage Loan to the Town of Niagara-on-the-Lake
- 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 Niagara-on-the-Lake has received an application for a Tile Loan and has completed inspection of the drainage system
- The Council of the Town of Niagara-on-the-Lake has passed Rating By-law 5537-23, September 26, 2023, 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
- Niagara-on-the-Lake has current outstanding debt of \$5.8M as of June 30, 2023
- Regional staff have updated the estimated ARL for the Town of Niagara-on-the-Lake to be 2.18%, which falls within the statutory limit of The Town’s ARL of 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 Niagara-on-the-Lake. 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 Niagara-on-the-Lake 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 Niagara-on-the-Lake 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 Niagara-on-the-Lake has been made for a tile loan in the amount of \$37,300 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 5537-23. 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 \$37,300 will be settled with Niagara Region and the funds will then be forwarded to the Town of Niagara-on-the-Lake who will settle the loan with the landowner.

On an annual basis, through either invoice or taxation, the Town will collect \$5,067.87 from the landowner. OMAFRA will invoice Niagara Region annually from 2024-2033 in the amount of \$5,067.87, and Niagara Region will invoice the Town for the same amount.

Per their 2022 Financial Information Return, the Town of Niagara-on-the-Lake has net debt charges of \$0.8M or annual repayments of 2.18 per cent of own source revenues, which represents the ARL. Including the Infrastructure Ontario debenture issuance that settled October 3, 2023, the estimated ARL of the Town of Niagara-on-the-Lake would

increase to 2.28 per cent which still falls within the statutory limit of The Town's Annual Repayment Limit (ARL) of 25 per cent.

Alternatives Reviewed

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

Relationship to Council Strategic Priorities

The recommendation in this report aligns with the following Council Strategic Priority:

- Prosperous Region

Other Pertinent Reports

N/A

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This report was prepared in consultation with Beth Brens, Associate Director, Budget Planning & Strategy and reviewed by Helen Furtado, 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 \$
1182 Concession 2 Road, Virgil, ON, Town of Niagara- on-the-Lake Roll No. 262702002000800	November 1, 2023	\$37,300.00	\$5,067.87
TOTAL PRINCIPAL OF DEBENTURE AND TOTAL SUM SHOWN ON BY-LAW		\$37,300.00	\$5,067.87