

Instruction Guide for completing the Local Government Committee Borrowing Application Form LGC-2501-B

1. Overview

According to section 162(1) of *The Municipalities Act*, and section 184 (1) of *The Northern Municipalities Act*, unless the borrowing is approved by the Saskatchewan Municipal Board, no municipality shall borrow money if the borrowing:

- (a) will cause the municipality to exceed its debt limit;
- (b) is not repayable within three years after the borrowing is made; or
- (c) is to be secured by the issue of debentures of the municipality

According to section 37 of *The Conservation and Development Act*, a debt not payable within the current year requires approval from the Saskatchewan Municipal Board.

The Saskatchewan Municipal Board (SMB) issues borrowing authorizations. The funding will be provided by your local financial institutions or the Municipal Financing Corporation (MFC) depending on the type of borrowing.

Before submitting borrowing applications, the council must decide the type of borrowing (loan or debenture), the amount and the term. The council must then pass a borrowing resolution. Resolutions for borrowing by way of loan or debenture are available on the SMB's website. The SMB recommends that municipalities contact financial institutions, credit unions and the MFC to compare interest rates in the best interest of taxpayers.

Please note that the borrowing amount must not exceed the total cost of the proposed project, and the term must not exceed its lifetime.

2. Borrowing Procedures

Before submitting applications to the Local Government Committee (LGC) of the Saskatchewan Municipal Board (SMB): obtain an interest rate quotation based on the borrowing amount and term.



Application type: Loan
Contact Local Financial
Institutions or Credit Unions



Application type: Debenture
Contact Municipal Financing
Corporation at (306) 787-8150

Step One: Submit the borrowing application to the LGC:

- (a) Fill out the borrowing application form and submit it to the SMB.
- (b) All required documents and questions necessary to process the borrowing application are listed in the form. During the review process, the SMB may contact municipalities for additional information, if needed. Generally, you can expect a response from us within 21 days after we have received all required information.



Formal Approval for Loan

If all required documents have been received and the SMB has assessed the municipalities' affordability for the proposed borrowing, formal approval will be issued. The SMB will prepare a draft borrowing bylaw and send it to the municipalities, along with the authorization letter. **Once the council passes the borrowing bylaw, the bylaw must be sent to the SMB for approval before obtaining funding.**

Formal Approval for Debenture

If all required documents have been received and the SMB has assessed the municipalities' affordability for the proposed borrowing, formal approval will be issued. The SMB will prepare a draft borrowing bylaw and send it to the municipalities, along with the authorization letter. After receiving approval from the SMB, **the municipality should contact MFC and request an "Application to Sell Debentures". The Municipalities cannot finally pass the borrowing bylaw before receiving the "MFC offer to Purchase".**

Approval-in-Principle

When any required permits have not been obtained and/or applicable grants have not been approved, or where the signed grant agreement has not been received, SMB will grant Approval-in-Principle. **Formal approval will be contingent upon SMB receiving copies of the required permits and the signed grant agreement for the proposed project.**

Step Two: Submit the borrowing bylaw to the LGC for approval.

- (a) The SMB prioritizes bylaw approval, which usually takes a week. (Please note that the borrowing authorization is valid for one year period from the date of the Local Government Committee's authorization.)
- (b) For loan applications: confirm the interest rate with Financial Institutions or Credit Unions to ensure the actual interest rate is reflected in the bylaw.



For Loan: Once the bylaw is approved by the LGC, the Municipality can obtain funding.

Step Three: Applies to debenture borrowing only.

After reviewing the debenture bylaw, the LGC will prepare the debenture and mail it to the municipalities for signing and sealing. Once the debenture is signed and sealed by the municipality, it should be forwarded to the LGC for signing and sealing. In addition, the authorization fees are payable when the debenture is forwarded to the Committee for signing and sealing. The fee table is attached below.

Step Four: After receiving the signed debenture from municipalities, the LGC will sign and seal the debenture, and deliver the debenture to the Municipal Financing Corporation c/o the Ministry of Finance. The MFC will contact the municipalities for settlement.

Base Fee		+	Debenture Face Fee	+	GST	=	Total Debenture Fee
<=\$12,500	\$187.50		\$100		Face Fee x 5% (GST)		
>\$12,500 but <\$100K	1.5%						
>\$100K but <\$200K	\$1,500						
>\$200K but <\$500K	0.75%						
>\$500K but <\$1M	\$3,750						
> \$1M	0.375%						

Base Fee + Face Fee + ((Face Fee) x GST) = Total Debenture Fee (to a maximum of \$5,000)

3. Additional Information for Interim Financing

For capital projects endorsed by a government grant, where upfront funding is insufficient, the municipality can apply to the SMB for approval of the required interim financing amount. Please note that the borrowing amount must not exceed the total project cost.

The purpose of interim financing is to provide funding during the construction period. Once the project is completed, and the municipality has received the grant proceeds to pay down the interim financing account, the municipality must contact the SMB to convert the remaining amount into long-term debt, and close the interim financing account.

Sample resolution for the Interim financing:

That application be made to the Local Government Committee for permission to borrow a sum not to exceed **(amount to be borrowed)**, in **(year of borrowing to occur)**, for the purpose of interim financing of **(description of the work)**.

AND that the amount of the said debt shall be payable in monthly installments of interest only, in the year of 202X to 202X inclusive **(the construction period)**, with a variable rate of **prime, currently X.XX%**. The sources of money used to pay this will be the **<insert the grant information, for example New Building Canada Fund – Small Community Fund in the amount of \$682,357.00>**.

AND that upon completion of **(description of the work)**, an application will be made to the LGC for permission to convert the balance owing to the long-term debt.

I hereby certify that the above is a true copy of a resolution passed by the council of the **(name of municipality)** at a meeting duly held on the **(date of resolution)**.

Administrator (SEAL)

Sample resolution to convert the interim financing into a long-term loan:

That application be made to the Local Government Committee for permission to borrow by way of loan, the sum of *(amount to be converted)*, in *(year of borrowing to occur)*, for the purpose of *converting the interim financing for (description of the work) into a XX-year loan. Upon conversion, interim financing account will be closed.*

AND that the amount of the said debt shall be payable in *(total number of years of payments)* installments, in the year of 202X to 202X inclusive.

I hereby certify that the above is a true copy of a resolution passed by the council of the *(name of municipality)* at a meeting duly held on the *(date of resolution)*.

Administrator

(SEAL)

Sample resolution to convert the interim financing into a debenture

That application be made to the Local Government Committee for permission to borrow by way of debenture, the sum of *(amount to be converted)*, in *(year of borrowing to occur)* repayable over a period of *(term of the debenture)* years, for the purpose of *converting the interim financing for (description of the work) into a XX-year debenture. Upon conversion, interim financing account will be closed.*

DEBENTURE to be repayable so that the principal and interest are combined and made payable in *equal annual/semi-annual* instalments during the term of the securities interest at the rate of *(amount of interest for the term of the debenture)* per centum, per annum, payable at least annually.

I hereby certify that the above is a true copy of a resolution passed by the council/board of the *(name of local authority)* at a meeting duly held on the *(date of resolution)*

Administrator

(SEAL)

4. How to Apply

- (a) Complete the application form and prepare all required documents listed in the application.
- (b) Please submit the form electronically along with the required documents listed in Section 2 of the application form.

Your application will be considered received when the SMB has received the completed application form and all required documents. During the review process, the SMB may contact municipalities for additional information if needed. Generally, you can expect a response from us within 21 days after we have received all required information.

SECTION 1: Applicant Contact Information

The *Applicant* is the person authorized by a municipality to make an application to the Local Government Committee (LGC).

SECTION 2: Required Documents

This section outlines the documents that support the application.

Sample **resolutions** are available at [Apply to Borrow Money for a Municipality | Funding, Finances and Asset Management | Government of Saskatchewan](#) under section 6.

SECTION 3: Application Details

- (a) If you are borrowing to finance a local improvement, include the Final Assessment Schedule.
- (b) If there are other major capital projects in the next five years, provide the work, total cost, source of funding.
- (c) If required permits have not been obtained, provide the estimated timeframe of when they will be obtained.

SECTION 4: Additional Details

- A. **Financial Details:** This section asks for specific details about the debt and how it will be paid for. An **estimated interest rate** is provided by the municipality in the absence of a quoted interest rate. A **quoted interest rate** is obtained from financial institutions, credit unions or the MFC.
 - (a) The borrowing amount cannot exceed the total project cost and the borrowing term cannot exceed the lifetime of the proposed project.
 - (b) You may obtain a repayment plan from your financial institution. A repayment plan includes:
 - principal and interest amounts, interest rate, and term; and
 - source of funds for the annual debt payment
- B. **Other Details:** This section requests that any significant changes in revenues or expenses expected in the foreseeable future be outlined. This section asks for financial information not readily available from your financial documents.

SECTION 5: Addition Comments

Please provide any relevant information that you were not able to enter in other fields.

Section 6: Authorization

The *authorized* person should complete, sign and date the application form.

SECTION 7: Application Submission

Print and save a copy of your application form before submitting the application to the LGC. **Remember to attach to the submission email the Required Documents listed in Section 2 as well as any supplemental information.**