

Title: Financing for New Generation Co-operatives	Policy: CP 011
Section: Corporate	

ACCOUNTABILITY TO VISION STATEMENT

Flagstaff County recognizes the importance of Economic Development Initiatives to enhance investment and retention to the region. Flagstaff County has a thriving agricultural economic base which provides for ample opportunities for services and processing. The diversification of agriculture and the development of value-added processing and marketing is critical to the viability and continued growth of the regional economy.

POLICY STATEMENT

Section 264(1) of the Municipal Government Act (MGA) provides that a municipality is permitted to guarantee re-payment between a lender and a non-profit organization, or lend money to a non-profit organization, if the municipal council considers that such will be used for a purpose that will benefit the municipality.

The definition of a “non-profit organization” in the MGA, is defined in Section 241 (f) as a society, credit union or co-operative established under a law of Canada or Alberta.

A New Generation Co-operative is a type of co-operative that uses a system of delivery rights and obligations to encourage business loyalty and provide a form of vertical integration. New Generation Co-operatives can contribute towards rural development when participants are interested in seeking community support and fostering local economic growth to provide value added agricultural processing and marketing.

In order to encourage economic development initiatives within the region, Flagstaff County will consider offering debt financing through the Alberta Capital Finance Authority to New Generation Co-operatives located within Flagstaff County.

Consideration will be given to ensure that access to low finance rates shall not be considered as a subsidization to an agricultural service or commodity, but an investment in the region. This policy will enable New Generation Co-operatives access to low rate financing which lowers their financial risk and increases the success of a new or existing business. They in turn can undertake a venture that will attract new customers, increase employment and enhance or innovate service and receive value added returns. Flagstaff County will be incurring indebtedness by providing a loan to New Generation Co-operatives.

GUIDELINES

- The applicant must submit a letter of request along with a business plan prior to commencing the project. The business plan will demonstrate how the proposed development and access to debt financing from the County will benefit the region. As part of the business plan, the following information is required: current financial statement; projected financial capacity for repayments; project costs and a complete description of the project; share offerings to raise capital and collateral available to guarantee the loan.

GUIDELINES CONTINUED

- The applicant must first demonstrate options for financing from a major financial institution, Farm Credit Canada or Agricultural Financial Services Corporation, before their request will be considered.
- The maximum amount that Flagstaff County will borrow at any time to lend to a New Generation Co-operative will be fifteen percent (15%) of our current debt limit at the time of application.
- The applicant is required to secure a minimum of fifty percent (50%) of the capital costs of the project.
- There shall be no payment of patronage dividends until the loan is fully paid.
- All surplus funds from operations must be directed to a reserve account or towards debt servicing.
- Financing must be used for capital costs only (not operating).
- The applicant must enter into a Financial Loan Agreement with Flagstaff County which shall be governed and construed in accordance with the Laws of the Province of Alberta.
- The applicant will be responsible for all legal and administration costs associated with the development and execution of the loan agreement.
- The maximum limit of amortization shall be ten (10) years.
- The loan to the New Generation Co-operative is subject to compliance with the MGA and the Alberta Capital Finance Authority borrowing procedures.

Council Approved: June 27, 2018	Resolution #: FC20180627.1005
Reference: Municipal Government Act, Alberta Capital Finance Authority borrowing procedures	

<i>Administrative Responsibility:</i>	<i>Review Cycle:</i>	<i>Next Review Date:</i>
Chief Administrative Officer	Every 3 years	2021