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**RURAL MUNICIPAL TAX LOSS COMPENSATION AGREEMENT**

THIS AGREEMENT made this 6th day of October A.D. 1993.

BETWEEN:

THE GOVERNMENT OF SASKATCHEWAN

as represented by

The Minister responsible for the  
Indian and Metis Affairs Secretariat  
and The Minister of Municipal Government  
(hereinafter referred to as "Saskatchewan")

- and -

THE SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES

(hereinafter referred to as "SARM")

WHEREAS Saskatchewan entered into an Agreement with Canada on the 22nd day of September, 1992, concerning their respective obligations for payment of the anticipated costs of settling the outstanding treaty land entitlement claims of certain Indian bands in Saskatchewan (hereinafter referred to as the "Amended Cost Sharing Agreement");

AND WHEREAS Article 6 of the said Agreement provides that a Rural Municipal Compensation Fund shall be established to receive payments from Saskatchewan and Canada and to disburse payments to Rural Municipalities that lose tax revenue as a result of lands which had been situated within the municipality being set apart as reserves;

AND WHEREAS SARM is to administer the said Fund for the benefit of Rural Municipalities;

NOW THEREFORE THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. In this Agreement, the following terms shall be defined as follows:
  - (a) "Framework Agreement" means the Agreement entered into among Canada, Saskatchewan and certain Indians Bands with respect to the settlement of the outstanding Treaty Land Entitlement claims of the Indian Bands, on the 22nd day of September, 1992, and includes the Agreement entered into among Canada, Saskatchewan and Nekaneet Indian Band with respect to the settlement of the outstanding Treaty Land Entitlement claim of the Nekaneet Indian Band on the 23rd day of September, 1992.

- (b) "Municipal Taxes" means all applicable taxes levied by a Rural Municipality for municipal purposes (which, for greater certainty and without limitation, excludes school taxes and any taxes collected by a Rural Municipality not for the use and benefit of the Rural Municipality) in respect of lands, improvements and businesses, and includes business taxes levied pursuant to sections 286 and 330 of *The Rural Municipality Act, 1989*, S.S. 1989-90, c. R-26.1, grants in lieu of taxes paid to Rural Municipalities pursuant to federal or provincial government policy and taxes for municipal purposes levied by a Rural Municipality upon occupants of lands in respect of such occupation.
- (c) "Real Rate of Return" means the rate of return in excess of inflation as determined by the amount, in percentage terms, by which the average mill rate in effect in all rural municipalities in the province in the previous year exceeds the average mill rate in effect in all rural municipalities in the province in the year prior to that year or such other method as may be agreed upon by Saskatchewan and SARM.
- (d) "School Taxes" means all applicable taxes levied by a school division for education purposes (which, for greater certainty and without limitation, excludes Municipal Taxes or any taxes collected by a school division not for the use and benefit of the school division) in respect of land, improvements and businesses, and includes taxes referred to in section 291 of *The Education Act, R.S.S. 1978, (Supp.)*, c. E-0.1, grants-in-lieu of taxes paid pursuant to federal or provincial government policy or taxes for educational purposes levied by a school division upon occupants of land in respect of such occupation.

2. Saskatchewan and SARM hereby agree to establish a Trust Fund, to be known as the Rural Municipal Tax Loss Compensation Trust Fund, for the purpose of receiving the payments to be made by Canada and Saskatchewan pursuant to Article 6 of the Amended Cost Sharing Agreement and Article 12 of the Framework Agreement and to disburse payments to Rural Municipalities that lose tax revenue as a result of lands which had been situated within the municipality being set apart as reserves.

3. Saskatchewan and SARM hereby further agree that the Rural Municipal Tax Loss Compensation Trust Fund may be utilized for the purpose of receiving payments to be made by Canada and to disburse payments to Rural Municipalities that lose tax revenue as a result of lands which had been situated within the municipality being set apart as reserves otherwise than in settlement of the Treaty Land Entitlement claims referred to in the Framework Agreement and the Amended Cost Sharing Agreement.

4. Saskatchewan and SARM hereby further agree that the Municipal Tax Loss Compensation Trust Fund may be utilized for any other purpose relating to receiving payments for and disbursing payments to Rural Municipalities that lose tax revenue as a result of lands within the municipality being declared tax exempt or otherwise being removed from the municipal tax base for any reason whatsoever, upon the written agreement of Saskatchewan and SARM.

5. SARM shall be the Trustee of the Rural Municipal Tax Loss Compensation Trust Fund.
6. The Beneficiaries of the Trust Fund shall be the Rural Municipalities that lose tax revenue as a result of lands which had been situated within the municipality being set apart as reserves.
7. SARM agrees that, after it has been notified by Saskatchewan of Canada's intention to set apart certain lands as a reserve as required by section 12.09 of the Framework Agreement, it shall determine the Municipal Taxes and the School Taxes which had been levied in respect of the said lands in the calendar year immediately prior to the date upon which the lands are to be set apart as a reserve.
8. SARM further agrees to notify both Canada and Saskatchewan of the amount of the Municipal Taxes and the School Taxes which had been levied in respect of the said lands in the calendar year immediately prior to the date upon which the lands are to be set apart as a reserve and of the payments that are required to be made to the Trust Fund and the School Division Compensation Fund by Canada and Saskatchewan respectively with respect to the said lands.
9. As required by sections 12.01 and 12.02 respectively of the Framework Agreement, Canada and Saskatchewan shall pay to the Trust Fund any required payments within ninety days of the date upon which lands are set apart as a reserve.
10. The amounts payable to the Trust Fund by Canada and Saskatchewan respectively shall be subject to section 6.2 of the Amended Cost Sharing Agreement.
11. As required by section 12.07 of the Framework Agreement, if either Canada or Saskatchewan do not make a required payment to the Trust Fund on or before the date on which it is due, interest shall be payable on the payment from the date upon which the payment was due until the date that the payment is made at the rate of interest paid by Canada from time to time at the immediately preceding weekly auction for three month Canada Treasury Bills or, alternatively in the event that the basis for such rate is not ascertainable because Canada has not sold such Treasury Bills, such other reasonable substitute rate as may be agreed upon by Canada and Saskatchewan.
12. Saskatchewan agrees that it will not agree to a substitute interest rate for the purposes of section 12.07 of the Framework Agreement unless such substitute interest rate is acceptable to SARM.
13. As stipulated in section 6.2 of the Amended Cost Sharing Agreement, any payment of interest by either Canada or Saskatchewan shall not be included in the calculation of the maximum amounts payable to the Trust Fund thereunder.
14. SARM shall establish a separate Trust Account within the Rural Municipal Tax Loss Compensation Trust Fund for each Rural Municipality that has lost tax revenue as a result of lands which had been situated within the municipality being set apart as reserves.

15. Upon receipt of any payment from Canada or Saskatchewan, SARM shall credit the amount of the payment to the Trust Account of the Rural Municipality for which the payment has been made.

16. For the purposes of investment and management of the Trust Fund, SARM shall be entitled to pool all of the monies contained in the separate Trust Accounts established for the Rural Municipalities.

17. SARM may invest the said trust funds in any of the types and kinds of investments authorized by either section 9 of *An Act to Incorporate the Saskatchewan Association of Rural Municipalities*, S.S. 1932, c. 80, or section 3 of *The Trustee Act*, R.S.S. 1978, c. T-23.

18. On or before the end of each fiscal year, SARM shall credit the Trust Account of each Rural Municipality with an amount that is equal to the pro rata share of the Rural Municipality of the interest and other income earned by the Trust Fund, calculated as follows:

(a) determine the percentage that the balance contained in the Trust Account of the Rural Municipality is of the balances contained in all of the Trust Accounts at the beginning of the fiscal year;

(b) multiply this percentage by the net interest and other income earned by the Trust Fund in the fiscal year.

19. For the purposes of paragraph 18, when payments are credited to the Trust Account of a Rural Municipality other than at the beginning of a fiscal year, the payments shall be considered in the required calculation on a proportionate basis to the number of days remaining in the fiscal year at the time that the payment was credited to the Trust Account.

20. Notwithstanding paragraph 18, the amount to be credited to the Trust Account of each Rural Municipality in each fiscal year shall not exceed an amount that is equal to a real rate of return of 4% on the balance contained in its Trust Account at the beginning of the fiscal year as adjusted in accordance with paragraph 19.

21. Any interest or other income earned by the Trust Fund in any particular fiscal year that is not credited to the Trust Account of a Rural Municipality on account of the preceding paragraph shall be credited to a Contingency Fund which shall thereafter be administered on the same basis as the Trust Accounts established for the Rural Municipalities.

22. In any fiscal year in which the amount credited to the Trust Account of each Rural Municipality on account of the interest and other income earned by the Trust Fund is not equal to a real rate of return of 4% on the balance contained in the Trust Account of the Rural Municipality at the beginning of the fiscal year as adjusted in accordance with paragraph 19, SARM may, in its sole discretion, pay to the Trust Account of each Rural Municipality out of the Contingency Fund an amount that does not exceed the difference between a real rate of return of 4% on the balance contained in the Trust Account of each Rural Municipality at the beginning of the fiscal year as

adjusted in accordance with paragraph 19 and the amount actually credited to the Trust Account of each Rural Municipality on account of the interest and other income earned by the Trust Fund.

23. In the event that Canada and Saskatchewan are no longer obligated to make payments to the Rural Municipal Tax Loss Compensation Trust Fund by virtue of section 6.2 of the Amended Cost Sharing Agreement and lands within a Rural Municipality are set apart as a reserve in settlement of the Treaty Land Entitlement Claims referred to in the Framework Agreement and the Amended Cost Sharing Agreement, then SARM may, in its sole discretion, credit any amount to the Trust Account of the Rural Municipality from the Contingency Fund that does not exceed the amount that would otherwise have been paid to the Trust Fund by Canada and Saskatchewan.

24. On or before the 1st day of July in each year, SARM agrees to provide to each Rural Municipality for which a Trust Account has been established an "Application for Tax Loss Compensation" which shall specify the lands which had been situated within the Rural Municipality and for which Tax Loss Compensation has been paid by Canada or Saskatchewan.

25. Within 45 days of receiving the said application, the Rural Municipality is to advise SARM of the Municipal Taxes that would have been payable in respect of the said lands in the current year if they had not been set apart as a reserve. The Municipal Taxes that would have been payable shall be calculated on the basis of the mill rate in effect in the Rural Municipality in the current year and the assessment of the lands and improvements in the calendar year immediately prior to the date upon which the said lands were set apart as a reserve.

26. If the Rural Municipality has re-assessed all or substantially all of the land within the municipality, it shall be entitled to estimate a new assessment of the lands for the purposes of paragraph 25. The estimated assessment shall be based upon the new assessment of similar properties within the municipality and shall not take into account any improvements to the said lands that have been made since the date upon which the said lands were set apart as a reserve.

27. In the Event that SARM disagrees with the amount of the Municipal Taxes that the Rural Municipality says would have been payable in respect of the lands in the current year if they had not been set apart as a reserve, this issue may be submitted to an Arbitrator and all of the provisions of *The Arbitration Act*, R.S.S. 1978, c. A-24 shall apply.

28. On or before the 30th day of September in each year, SARM shall pay to each Rural Municipality from its Trust Account, 90% of the amount of the Municipal Taxes that would have been payable in respect of lands which had been situated within the Rural Municipality and which have been set apart as reserves.

29. SARM shall not be required to pay Municipal Tax Loss to a Rural Municipality in respect of any lands for any period of time prior to the date upon which the lands were set apart as a reserve.

30. SARM shall be entitled to deduct 5% from the payments to Rural Municipalities that are to be made pursuant to section 28 for the administrative expenses that it incurs in the operation of the Trust Fund.

31. A Rural Municipality shall no longer be entitled to payments for Municipal Tax Loss once the balance in its Trust Account reaches zero.

32. SARM shall keep a complete and accurate set of records relating to the administration of the Trust Fund including, without limitation, records of all credits and debits to the Trust Account of each Rural Municipality.

33. The records and accounts of the Trust Fund shall be audited annually in accordance with generally accepted auditing principles by an independent auditor selected by SARM. A copy of the Auditor's Report shall be provided to Saskatchewan as soon as practically possible after such report is completed which shall in all cases be not more than six months after the end of the fiscal year.

34. Within 30 days after the completion of the Auditor's Report, SARM shall provide a statement to each Rural Municipality for which a Trust Account has been established, specifying the balance contained in its Trust Account at the end of the fiscal year.

35. The fiscal year of the Trust Fund shall end on March 31.

36. SARM shall further have all of the rights, obligations and liabilities of a Trustee as provided by *The Trustee Act*, R.S.S. 1978, c. T-23 as such Act or any similar Act shall be in force from time to time, except such rights, obligations and liabilities as are necessarily inconsistent with the express terms of this Agreement.

37. Any notice or other written communication required or permitted to be given to SARM pursuant to this Agreement shall be sent to the following address:

Saskatchewan Association of Rural Municipalities  
2075 Hamilton Street,  
Regina, Saskatchewan  
S4P 2E1  
Attention: Executive Director

38. As provided by section 20.17 of the Framework Agreement, any notice or other written communication required or permitted to be given to Canada or Saskatchewan, respectively, shall be sent to the following address:

To Canada:

The Regional Director General  
Saskatchewan Regional Office

Department of Indian Affairs and Northern Development  
2110 Hamilton Street Regina, Saskatchewan  
S4P 4K4

To Saskatchewan:

Indian and Metis Affairs Secretariat  
3rd Floor, 1870 Albert Street  
Regina, Saskatchewan S4P 3V7  
Attention: Deputy Minister

39. This Agreement is made in accordance with the laws of the Province of Saskatchewan.

40. This Agreement shall bind the parties hereto and their respective administrators, successors and assigns.

IN WITNESS WHEREOF the Government of Saskatchewan as represented by the Minister responsible for the Indian and Metis Affairs Secretariat and the Saskatchewan Association of Rural Municipalities have executed this Agreement on the date and year first above written.

SIGNED AND DELIVERED  
IN THE PRESENCE OF:

THE GOVERNMENT OF SASKATCHEWAN

Original signed by Diane Tremblay  
Witness

Original signed by Robert Mitchell  
Minister responsible for the Indian and Metis  
Affairs Secretariat

Original signed by Lorraine Moffitt  
Witness

Original signed by Carol Carson  
Minister of Municipal Government

SASKATCHEWAN ASSOCIATION OF  
RURAL MUNICIPALITIES

(Corporate Seal)

Original signed by B.H. Kirwan  
President

Original signed by D. Chambers  
Executive Director