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ANNUAL REPORT  
of the  
BUSINESS LOANS AND GUARANTEES FUND  
for the  
FISCAL YEAR 1985/86

PRESENTED  
to the  
LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

by

THE HONOURABLE TAGAK CURLEY  
MINISTER  
ECONOMIC DEVELOPMENT AND TOURISM



Northwest  
Territories Minister of Economic Development and Tourism

FEB - 6 1987

THE HONOURABLE DON STEWART  
SPEAKER

Dear Mr. Speaker:

I am pleased to present to the Legislative Assembly the annual report on the operations and activities of the Business Loans and Guarantees Fund for the fiscal year 1985/86.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Tagak Curley', written in a cursive style.

Tagak Curley

## Introduction

The Business Loans and Guarantees Fund was created in 1970 by Indian and Northern Affairs Canada to provide business financing to those unable to obtain commercial debt financing from conventional lenders at reasonable terms and conditions.

Since its transfer to the Government of the Northwest Territories in 1977, the Fund has undergone several changes in scope and funding levels. In terms of scope, the provision for loan guarantees was added in 1977. The loan and guarantee limits have increased from an aggregate \$50,000. to \$500,000. In a 1982 amendment to the Business Loans and Guarantees Act, the word "small" was deleted, thereby opening the fund to all eligible business enterprises in the N.W.T. Previously, businesses whose gross revenues exceeded \$1 million in the fiscal period in which they applied were ineligible. As well, in 1985, monies were committed from the Fund to provide contract security to businesses unable to obtain the necessary bonding requirements to bid on Northwest Territories Housing Corporation construction projects. No change in legislation was required.

Loans and guarantees may be made to finance the purchase, installation, renovation, improvement or expansion of equipment, inventory or premises used or to be used in the course of carrying on a business enterprise. In addition, loans and guarantees may be made to provide working capital for the acquisition of current assets and as security in lieu of bonding for specified construction projects.

In terms of funding, a 1982 amendment to the Act authorized increasing the Fund capitalization to \$10 million in 1986. The maximum funds which may be outstanding for 1985/86 are \$10,000,000.

## Fiscal year 1985/86

During 1985-86, a new Business Loans and Guarantees Act came into effect. In addition to maintaining the Territorial Business Loan Board, the Act created six Regional Business Loan Boards. Members of the Territorial Loan Board, all of which are business community members, represent the geographic and cultural diversity of the Northwest Territories. Members of the Regional Loan Boards represent the geographic and cultural diversity of the communities within the prescribed regional area. A list of the Boards and their respective members is attached as Appendix A to this report.

The Business Loan Boards considered 70 applications totalling \$5.8 million. Of these, 55 loans were approved with an aggregate value of \$4.7 million. In 1985-86, 77% more loans were approved compared to the previous year. As a result, the value of approved loans increased by 127%. As a percentage of loan applications, 78% of applications were approved in 1985-86 compared to 74% in 1984-85. The average value of applications decreased by 13% to \$85,000. from \$98,000. However, the average value of approved loans increased 27% to \$84,000. from \$66,000. Comparative details are set out in Table 1 of Appendix B.

Tables 2 and 3 of Appendix A display the distribution of funds by region and ranges. In 1985-86, there was an 18% increase in the number of issues compared to the previous year. The increase of \$1.5 million in issues represents a 67% increase compared to the previous year. Of particular significance is the 20% increase in the number of issues and the 113% increase in value of issues in the \$50,000 and under range. This increase may be attributed to the establishment of the six Regional Loan Boards. Regional Boards are authorized to approve loans up to \$50,000.

To assist the reader, a reconciliation of approved loans and distributed funds for fiscal year 1985/86 is included as Table 4 in Appendix B.

### **Financial Statements**

The financial statements for the 1985-86 fiscal year are attached as Appendix C.

### **Outlook for 1986-87**

The impact of the creation of Regional Loan Boards in terms of facilitating more efficient access to the Fund in 1985-86 is readily apparent. This trend is expected to continue in 1986-87. It is also anticipated that regional staff will have on-line access to Loan Accounting System information in 1986-87. This will facilitate improved monitoring of accounts and increase the efficiency of Fund accounting operations.

In short, 1985-86 was a year of implementing a revised Business Loans and Guarantees Act and related Regulations. Fiscal year 1986-87 will be a year of consolidation whereby the new statutory regime will be evaluated and new processes developed as administration of the Fund continues to evolve and mature.

With this solid foundation in place, our success in adapting to constantly changing economic circumstances will be judged by the people the Fund serves:

"The Business Community of the Northwest Territories".

Territorial Loan Board Members 1985-86

Members:	A. Chang	Yellowknife
	G. Hinchey	Yellowknife
	J. Villeneuve	Fort Smith
	D. Webb	Fort Smith
	R. Hardy	Fort Norman
	E. Lennie	Inuvik
	H. Geary	Cambridge Bay
	J. Maksagok	Cambridge Bay
	R. Leonard	Eskimo Point
	A. Tautu	Chesterfield Inlet
	S. Peter	Frobisher Bay
	G. Sidla	Frobisher Bay
Chairman:	M. Stilwell,	Deputy Minister Department of Economic Development & Tourism

Regional Loans Boards Members 1985/86

North Slave

Members: A. Chang Yellowknife  
G. Hinchey Yellowknife  
T.B. Zoe Rae-Edzo

Chairman: R. Trudeau Chief, Business Development Division  
Department of Economic Development & Tourism

Fort Smith

Members: C.B. Davidge Hay River  
D. Webb Fort Smith  
J. Villeneuve Fort Smith

Chairman: R. Snyder Regional Superintendent,  
Department of Economic Development & Tourism

Inuvik

Members: C.L. Lennie Inuvik  
R. Newmark Tuktoyaktuk  
A.R. Hardy Fort Norman

Chairman: F. Koe Regional Superintendent,  
Department of Economic Development & Tourism

Baffin

Members: M. Kilabuk Panguitung  
S. Peter Frobisher Bay  
G. Sidla Frobisher Bay

Chairman: K. Trumper Regional Superintendent,  
Department of Economic Development & Tourism

Keewatin

Members: N.W. Ford, Jr. Rankin Inlet  
R.K. Leonard Eskimo Point  
A. Tautu Chesterfield Inlet

Chairman: L. Griffore Regional Superintendent,  
Department of Economic Development & Tourism

Kitikmeot

Members: J. Maksagok Cambridge Bay  
I. Ipakahoak Coppermine  
H.W. Geary Cambridge Bay

Chairman: P. Scott Regional Superintendent,  
Department of Economic Development & Tourism

Table 1

Loans Submitted and Approved by Region

	<u>Submitted</u>				<u>Approved</u>			
	1985-86		1984-85		1985-86		1984-85	
	No. of Loans	\$000 's	No. of Loans	\$000 's	No. of Loans	\$000 's	No. of Loans	\$000 's
Baffin	13	1,853	6	343	11	1,679	6	343
Fort Smith	22	1,921	13	1,448	14	1,508	10	680
Inuvik	19	1,272	7	1,207	14	647	4	585
Keewatin	9	411	8	934	9	411	5	409
Kitikmeot	7	431	8	203	7	427	6	38
	<u>70</u>	<u>5,888</u>	<u>42</u>	<u>4,135</u>	<u>55</u>	<u>4,672</u>	<u>31</u>	<u>2,055</u>
 <u>Fort Smith Region</u>								
a) North Slave	8	872	4	771	6	760	2	403
b) Fort Smith	14	1,049	9	677	8	748	8	277
	<u>22</u>	<u>1,921</u>	<u>13</u>	<u>1,448</u>	<u>14</u>	<u>1,508</u>	<u>10</u>	<u>680</u>

Table 2

Loan Funds Distributed by Region

	<u>1985/86</u>		<u>1984/85</u>	
	No. of Issues	\$000 's	No. of Issues	\$000 's
Baffin	10	1,676	7	388
Fort Smith	14	1,208	17	743
Inuvik	8	340	8	650
Keewatin	6	298	5	409
Kitikmeot	7	155	1	13
	<u>45</u>	<u>3,677</u>	<u>38</u>	<u>2,203</u>
 <u>Fort Smith Region</u>				
North Slave	6	536	7	439
Fort Smith	8	672	10	304
	<u>14</u>	<u>1,208</u>	<u>17</u>	<u>743</u>

Table 3

Range \$000's	<u>1985/86</u>		<u>1984/85</u>	
	No. of Issues	\$000's	No. of Issues	\$000's
0 - 10	8	43	14	43
11 - 25	7	122	5	90
26 - 50	15	607	6	229
51 - 100	6	492	5	325
100 - 250	5	717	6	882
250+	<u>4</u>	<u>1,696</u>	<u>2</u>	<u>634</u>
	<u>45</u>	<u>3,677</u>	<u>38</u>	<u>2,203</u>

Table 4

Reconciliation of Approvals and Distribution of Funds

	<u>1985-86</u>		<u>1984-85</u>	
	No. of Loans	\$000's	No. of Loans	\$000's
Loans approved during year	55	4,672	31	2,055
Loans approved, not fully issued	(19)	(1,438)	(9)	(583)
Net Loans approved and fully distributed in period <sup>1</sup>	36	3,234	22	1,472
Loans partially distributed	2	100	--	--
Loans approved in prior period, distributed in subsequent period	4	289	6	715
Third party payments	<u>3</u>	<u>54</u>	<u>10</u>	<u>16</u>
	<u>45</u>	<u>3,677</u>	<u>38</u>	<u>2,203</u>

<sup>1</sup> Includes 5 Contract Security loans distributed totalling \$259,000. While not a cash outlay from the Fund, an Irrevocable Letter of Loan Assignment is issued to the Northwest Territories Housing Corporation on behalf of the contractor. Public Works and Highways projects are also eligible for this program. The funds are committed until the security is released.






February 3, 1987

MINISTER  
ECONOMIC DEVELOPMENT AND TOURISM

The financial statements attached as Schedules I to III are provided to you for inclusion in your annual report to the Legislative Assembly on the operations of the Business Loans and Guarantees Fund.

I believe these statements and accompanying notes accurately and adequately disclose the pertinent information concerning the financial transactions of the Fund during the 1985/86 fiscal year. Furthermore, the reporting of information for this year is consistent with that reported for 1984/85.

  
W.H. Graham, CMA  
Chief  
Finance and Administration

Attachments

Government of the Northwest Territories  
Business Loans and Guarantees Fund

Statement of Assets  
March 31, 1986

	<u>1986</u>	<u>1985</u>
	\$000's	\$000's
Cash	1,823	2,776
Loans Receivable	7,843	6,136
Loans Guaranteed <sup>1</sup>	75	88
Contract Security <sup>2</sup>	<u>259</u>	<u>--</u>
Authorized Limited <sup>3</sup>	<u>10,000</u>	<u>9,000</u>

- 1 Guarantees made to financial institutions become payable if the borrower defaults. However, they are not liabilities in the true sense. Such guarantees when paid out are converted to loans receivable and the clients become indebted to the fund. These bear interest at the prevailing rate when the guarantee is paid. The amount stated is the current amount guaranteed.
- 2 On April 1, 1985, a Contract Security Pilot Project was introduced for a two year period. The program provides contract security to contractors bidding on Northwest Territories Housing Corporation and Government of the Northwest Territories building contracts who are unable to obtain construction contracts because they cannot meet bonding or security requirements. Contract Securities become payable to the Owner if there is a breach of contract by the Contractor. Such contract securities, if paid, are subject to recovery from the Contractor by the initiation of legal action based on securities held for the contract.
- 3 The Business Loans and Guarantees Act establishes the maximum of principal amounts outstanding in respect of loans, guarantees and contract securities per fiscal year.

1985/86	10,000,000.
1986/87	11,000,000.

**Government of the Northwest Territories  
Business Loans and Guarantees Fund**

Statement of Operations<sup>1</sup>  
for the Year Ended March 31, 1986

	<u>1986</u>	<u>1985</u>
	\$000's	\$000's
Loans Receivable April 1	6,136	6,527
Add: Loans Granted During the Year	3,363	2,187
Third Party Payments <sup>2</sup>	<u>54</u>	<u>16</u>
	9,553	8,730
Less: Loan Repayments	<u>1,710</u>	<u>2,594</u>
Loans Receivable March 31 <sup>3</sup>	<u><u>7,843</u></u>	<u><u>6,136</u></u>

1 Includes only the principal portion of Loan operations. Contract security commitments are not included.

2 Payments made on behalf of loan clients in order to protect the security position of the Commissioner. Such payments are generally made for legal fees and insurance.

These payments are established as loans at the time of payment and bear interest at the prevailing rate. Those found not to be collectible are submitted for write-off in the normal manner.

3 During the year, the Department reviewed all loans and increased the principal portion of its allowance for doubtful accounts by \$511,000. to \$1,932,000. Increases to this allowance are an accrued expense to the Consolidated Revenue Fund during the fiscal year in which accounts are identified as doubtful. Bad debts, when approved for write off, are charged to the allowance.

**Government of the Northwest Territories  
Business Loans and Guarantees Fund**

Effect of the Business Loans and Guarantees Fund  
on the  
Government of the Northwest Territories' Operations  
for the Period Ended March 31, 1986

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	<u>1986</u>	<u>1985</u>
	\$000's	\$000's
Interest Earned and Credited to the General Fund	902	775
Allowance for Doubtful Accounts <sup>1</sup>	<u>(687)</u>	<u>      </u>
Operating Gain (Loss) for the Year <sup>2</sup>	<u>215</u>	<u>775</u>

1 During the year, the allowance for doubtful accounts was increased by \$687,000. The allowance is an estimated accrued expense, charged against the Consolidated Revenue Fund during the fiscal year in which accounts are identified as doubtful.

2 No costs have been included for the management and administration of the fund.