**THIS LETTER OF INTENT** made this 5th day of February, 2016,

**BETWEEN:**

**HER MAJESTY THE QUEEN**, in right of the Province of Nova Scotia, as represented by the Minister of the Department of Municipal Affairs (hereinafter referred to as the "Province");

and

**MUNICIPALITY OF THE COUNTY OF PICTOU and the TOWNS OF NEW GLASGOW, PICTOU, and STELLARTON** (hereinafter referred to as the "Municipalities").

**WHEREAS** on August 27, 2015, the Municipalities applied to the Nova Scotia Utility and Review Board (NSUARB) pursuant to Section 358 of the Municipal Government Act to amalgamate;

**AND WHEREAS** the Province of Nova Scotia is supportive of municipal governments that demonstrate leadership for long-term, transformational change, restructuring their governance arrangements to improve efficiency and effectiveness;

**AND WHEREAS** in the best interests of the Province and the Municipalities (hereinafter referred to as the "Parties") in moving the amalgamation process forward, the Parties have come to an agreement with respect to post-amalgamation financial matters prior to the hearing on the merits;

**NOW THEREFORE** in consideration of the mutual covenants and agreements contained in this Letter of Intent, the Parties agree as follows:

## 1.0 FUNDING ASSISTANCE

1.1 The Province will provide the following:

(a) Equalization funding shall be paid to the Amalgamated Municipal Unit (i.e., the new municipality formed by combining the Municipalities as a result of the NSUARB order) over five (5) fiscal years (i.e. 2017/18 to 2021/22, inclusive). The amount of Equalization funding to be paid to the combined municipal unit shall be no less than the amounts received by the Municipalities in the 2016/17 fiscal year (the Municipality of the County of Pictou total equalization funding received in 2016/17: $270,601, the Town of New Glasgow total equalization funding received in 2016/17: $1,055,434 the Town of Pictou total equalization funding received in 2016/17: $545,521 , and the Town of Stellarton total equalization funding received in 2016/17: $ 500,684.) The total amount to be paid over the next five (5) fiscal year period shall not be less than $ 11,861,200 to be paid in amounts of $2,372,240. At the expiry of this period, the equalization allocation for the Amalgamated Municipal Unit will revert to the applicable provincial formula in effect at that time.

(b) Special capital funding of $7,967,334 for infrastructure improvements within the Municipalities; $3,483,334 of which is to be used for water treatment and $4,484,000 of which is to be used for capital purposes as identified in the Capital Investment Plan as filed by the Applicants. Water treatment funding is contingent on the completion of a water utility study and will be paid to the Amalgamated Municipal Unit over five fiscal years beginning in 2018/19 (i.e., 2018/19 to 2022/23, inclusive). The remaining capital funding of $4,484,000 will be paid to the Amalgamated Municipal Unit over five fiscal years beginning in 2017/18 (i.e. 2017/18 to 2021/22, inclusive). Funding can be used to secure additional financial assistance from other programs that are not already part of this Letter of Intent as outlined in the rules and criteria for each program. Moreover, this provision will not be interpreted, employed, or otherwise exploited, to preclude the Amalgamated Municipal Unit from applying for other funding for its own projects under these programs.

(c) Roads funding of $5,693,000; $4,487,000 of which is to be used for capital investments and $1,206,000 for operating. Operating funding will be paid in annual installments of $241,200 over five (5) fiscal years beginning in 2017/18 (i.e. 2017/18 to 2021/22, inclusive). Capital funding will be paid in annual installments of $897,400 per year over five (5) fiscal years beginning in 2018/19 (i.e., 2018/19 to 2022/23, inclusive).

(d) Funding for post-transitional expenses according to criteria agreed to by the Province, and subject to provincial approval, of up to $300,000 annually for a total provincial commitment by the Province over the next five (5) fiscal years (i.e. 2017/18 to 2021/22, inclusive) of $1,500,000. This funding is for incremental amalgamation costs, subject to the reporting requirements outlined under section 5.0 of this Letter of Intent, and not to be used to replace normal operating expenses that would be incurred without amalgamation.

(e) Work with other provincial government departments to request that no present funding programs available to the Municipalities (e.g., the MPAL program available through the Nova Scotia Department of Health and Wellness), are reduced below current funding levels for the next five (5) fiscal years, where any such reductions are based solely on the amalgamation of the Municipalities. This provision does not apply to program or funding changes that are made for reasons other than the amalgamation of the Municipalities.

1.2 The Municipalities acknowledge that $100,000 has already been paid by the Province to the Municipalities in pre-amalgamation funding and up to an additional $600,000 will be requisitioned by the Municipalities prior to October 31, 2016, as required.

## 2.0 OTHER ASSISTANCE

2.1 The Province will work cooperatively with the Municipalities to identify funding sources and programs that will assist the Municipalities with future program and infrastructure costs as the need arises and upon request of the Municipalities.

2.2 The Province recognizes that schools constructed prior to 1982 in the Municipalities may revert back to municipal ownership if deemed surplus by the Chignecto-Central Regional School Board. This may result in significant costs for the Amalgamated Municipal Unit. If this were to happen prior to March 31, 2022, the Province will work cooperatively with the Amalgamated Municipal Unit to identify funding sources for schools that are transferred back to the Amalgamated Municipal Unit.

2.3 The Province will work cooperatively with the Government of Canada to secure New Building Canada Fund infrastructure funding for the MacLellan's Brook sanitary project if it is identified as a municipal priority by the Council of the Amalgamated Municipal Unit. The Amalgamated Municipal Unit is responsible for the municipal contribution to the project as outlined in the rules and criteria for the program.

2.4 The Province will work with the Amalgamated Municipal Unit to address changes to legislation that may be required as a result of the amalgamation.

## 3.0 MUNICIPAL STREETS

3.1 The Amalgamated Municipal Unit will take over responsibility for all streets, roads, lanes, etc., within what will become the former Towns of New Glasgow, Pictou and Stellarton and those roads currently owned by the Municipality of the County of Pictou. In consideration of same, the Province shall provide the Municipalities with funding as outlined in Section 1.1(c).

## 4.0 SALE OF MUNICIPALLY-OWNED ASSETS

4.1 The Municipalities agree that the proceeds from the sale of any Tangible Capital Asset during the next five (5) years, owned by any of the Municipalities and exceeding $ 100,000 in value, will be held in a special reserve and can be used only for purposes associated with the municipal unit that formerly owned the asset and its respective capital debts.

## 5.0 REPORTING REQUIREMENTS

5.1 The Amalgamated Municipal Unit will provide the following:

(a) An overall budget detailing the manner in which funds disbursed pursuant to this Letter of Intent will be expended by the Amalgamated Municipal Unit.

(b) For the first fiscal year following amalgamation, a quarterly forecast update including supporting invoices, detailing the manner in which funds disbursed pursuant to this Letter of Intent have been expended by the Amalgamated Municipal Unit. This forecast shall be made in a form mandated by the Province.

(c) For each fiscal year thereafter, an annual forecast update including supporting invoices, detailing the manner in which funds disbursed pursuant to this Letter of Intent have been expended by the Amalgamated Municipal Unit. These reports will be provided within sixty (60) days of the end of each fiscal year, and shall be made in a form mandated by the Province.

(d) Electronic copies of any and all of the following documents relating to expenditures made from funding disbursed pursuant to this Letter of Intent:

i. Requests for Proposals
ii. Applicants' submissions to Requests for Proposals
iii. Monthly bank reconciliations
iv. Any other records or reports relating to funding provided pursuant to this Letter of Intent as requested by the Province

5.2 The Amalgamated Municipal Unit will provide any records and reports requested by the Province pursuant to this Letter of Intent at the Province's request, and within thirty (30) days of any such request.

## 6.0 FISCAL AUDITING

6.1 The Province may, at the cost of the Province, conduct an audit with respect to the use of the funding received for the purposes of this Letter of Intent.

6.2 For the purposes of any audit undertaken by the Province, the Amalgamated Municipal Unit will provide, upon request and in a timely manner, to the Province or anyone acting on behalf of the Province:

(a) All books, accounts, and financial records held by the Amalgamated Municipal Unit, or by third parties under a contract with the Amalgamated Municipal Unit, relating to this Letter of Intent and the use of funding pursuant to this Letter of Intent.

(b) Such further information and/or clarification that the Province or anyone acting on behalf of the Province may request relating to this Letter of Intent or to the use of funds pursuant to this Letter of Intent.

6.3 The Amalgamated Municipal Unit shall, at all times, ensure that third parties are obligated to provide to the Province or its authorized representative the books, accounts, records, and other information that are in the third party's possession and that relate to this Letter of Intent or the use of funds pursuant to this Letter of Intent.

## 7.0 RESPONSIBILITIES OF THE AMALGAMATED MUNICIPAL UNIT

7.1 The Participating Municipal Unit will:

(a) Work expediently and in good faith with all involved municipal units and the Province to implement the Order of the NSUARB amalgamating the Municipalities.

(b) Cooperate with the all involved municipal units and the Province to ensure that the best interests of the residents of the Municipalities are given equal and serious consideration in the delivery of municipal services.

7.2 The parties agree to expend the funding disbursed pursuant to this Letter of Intent directly and solely for the purposes outlined in this Letter of Intent, and may not use such funding for any other expenses, expenditures, or purpose whatsoever.

**8.0 DEFAULT OF OBLIGATIONS**

8.1 In the event that any funding provided pursuant to this Letter of Intent has been used for purposes other than those dictated hereunder, any and all funding provided pursuant hereto is subject to repayment by the Amalgamated Municipal Unit at the sole discretion and on such terms and conditions set by the Province, and any future funding dictated by the terms of this Letter of Intent may also be terminated by the Province at its sole discretion.

**9.0 MISCELLANEOUS PROVISIONS**

9.1 This Letter of Intent is not intended to create legally enforceable obligations under statute, common law, equity, or otherwise until an Order for Amalgamation incorporating this Letter of Intent is granted by the Board.

9.2 Other than specified within this Letter of Intent, the Province assumes no further financial responsibility for the amalgamation of the Municipalities.

9.3 The provisions of this agreement become effective only upon an order by the NSUARB to amalgamate the Municipalities within the twelve (12) months following the execution of this Letter of Intent. Should this period expire without the Municipalities amalgamating, this Letter of Intent will be null and void.

9.4 Should any of the Municipalities withdraw from the amalgamation application submitted to the NSUARB on August 27, 2015, they will be responsible for reimbursing the Province for their prorated share of any money expended pursuant to section 1.2 of this Letter of Intent.

**10.0 NON-LIABILITY AND INDEMNITY**

10.1 The Province shall not be liable for any claims, actions, suits, damages, costs or expenses arising from:

(a) Any injury, death, or damage to property resulting from or arising out of any act or omission of the Amalgamated Municipal Unit, their servants, agents, or contractors, in carrying out any work made possible through the funding provided for in this Letter of Intent.

(b) Any loans or any other contractual commitments entered into by the Amalgamated Municipal Unit with any other party or non-party in connection with work made possible through the funding provided for in this Letter of Intent.

10.2 The Amalgamated Municipal Unit agrees that they shall at all times indemnify and save harmless the Province, its Ministers, officers, employees, agents, or assigns from and against all claims, demands, losses, costs, damages, actions, suits or other proceedings of any kind based upon injury, including death, to any person, or damage to or loss of property, arising from any willful or negligent act, omission or delay on the part of the Amalgamated Municipal Unit, its servants, agents, or contractors, in carrying out any work made possible through the funding provided for in this Letter of Intent.

10.3 The Amalgamated Municipal Unit agrees that they have no authority to bind the Province to any other agreement and the Amalgamated Municipal Unit agrees that they will not hold themselves out as having any authority, express or implied, or on behalf of, the Province.

10.4 The Amalgamated Municipal Unit agrees that they have no authority to assign, transfer, or delegate to third parties, any of their obligations or responsibilities set out in this Letter of Intent unless approved by the Province.

## 11.0 NOTICE

11.1 All notices and communications pursuant to this Letter of Intent shall be deemed duly given upon being delivered by hand, or three (3) days after posting or sent by registered mail, to a Party at the following addresses:

For the Province:
Deputy Minister
Department of Municipal Affairs
Maritime Centre, 14 North
1505 Barrington Street
Halifax, NS B3J 2M4

For the Amalgamated Municipal Unit:
Chief Administrative Officer

## 12.0 ENTIRE AGREEMENT

12.1 This Letter of Intent constitutes the whole agreement between the Parties unless duly modified by the Parties by agreement in writing. Any representation or statement not expressly contained herein shall not be binding upon the Parties.

**IN WITNESS WHEREOF** the Parties hereto have executed this Letter of Intent at the Town of Pictou, in the County of Pictou, Province of Nova Scotia, Canada on this 5th day of February, 2016.

**SIGNED, SEALED AND DELIVERED**

Witness

Witness

Witness

Witness

Witness

**HER MAJESTY THE QUEEN, in right of the Province of Nova Scotia, as represented by the Minister of Municipal Affairs**

Honourable Zach Churchill

Warden
**Municipality of the County of Pictou**

Clerk
**Municipality of the County of Pictou**

Mayor
**Town of New Glasgow**

Clerk
**Town of New Glasgow**

Witness

Witness

Witness

Witness

Mayor
**Town of Pictou**

Clerk
**Town of Pictou**

Mayor
**Town of Stellarton**

Clerk
**Town of Stellarton**