



Municipality of the District of Argyle

Item: Water lending – status update and decision request

Date: July 28, 2020

VISION

We see Argyle as home to a healthy and thriving rural population. Our municipality promotes and supports economic and social opportunities for the region and engages in the active expression of our unique Acadian heritage. We are a place of choice for rural living and are widely recognized for our warm hospitality and joie de vivre. Surrounded by fresh air and cool ocean breezes, we work and play in the great outdoors. People choose to live in Argyle because of our commitment to each other, to our community and to our neighbors. Argyle is a place we are proud to call home.

Background:

Attached is an updated list of water loans currently outstanding, or ready for lending. The Department of Finance has prepared this document, as the Council set ceiling of \$240,000 for total water loans is creeping closer. We are \$30,000 away from the ceiling, with more applications expected as the dry summer unfolds.

A copy of the policy can be found here <https://www.munargyle.com/en/bylaws.html> ; but in short, we are lending up to \$15,000 for a period not exceeding 10 years at a current interest rate of 3.5%. The loan is considered a lien on the property same as property taxes if the taxpayer does not pay the loan in accordance with the payment plan.

Currently the \$240,000 threshold does not pose considerable cash flow issues. The decision to allow loans more than \$240,000 is a decision of council. Loans have typically been as low as \$5,000 and as high as \$15,000. The last nine loans issued were for an average of \$8,000.

From an administrative standpoint, we support the application of the water lending program, but we cannot issue unlimited funds for that purpose. Our cashflow for other services must be protected.

Keeping in mind that these loans are paid monthly for 10 years, the return of cash to Argyle is happening, but not quickly.

Council should consider the following three options:

Do nothing – this would cap the applications at \$240,000. This decision will risk us refusing applications this year. At some point, at this rate, we may have to refuse applications unless we are intending to borrow to finance the program. Refusal of applications is a normal administrative process on many other programs issued by municipal or other levels of government. Under this scenario, we would likely accept 2-4 more applications before saying no.

Extend a small cap limit to \$275,000– Small would be defined as allowing a bit more room this year to extend loans, with the understanding that Council is likely to be asked to reconsider earlier rather than later to either leave the cap as is, or extend again. This option takes into account our cash flow patterns and needs. A small increase would be an increase from \$240,000 to \$275,000. This increase would allow an additional 2-4 applications on average.

Extend to the recommended maximum cap limit of \$350,000 – This would represent the outer cap of loans that administration would be comfortable lending. When looking at cash flow patterns at our lowest point (which is end of May), this amount would not require us to borrow from reserves or elsewhere but is significant enough to raise administrative concern. If Argyle was to lend up to that threshold, staff would recommend an operating loan, either internally or externally, to ensure ongoing operations has sufficient cash.

Combined with the uncertainty of COVID-19 and its long-term impact on cashflow, CAO and Director of Finance recommend caution. Council is absolutely entitled to select other thresholds, the options above are to guide you in your decision.

MGA considerations:

Water loans are specifically allowable under Section 81A of the Act, allowing equipment charges that includes the storage and preservation of water.

CAO's Recommendation:

The provision of water through these loans has been a popular service option for our residents. Seeing as the droughts are likely a more regular occurrence, solving the issue long term, through a lending program appears to be a Council and resident supported policy.

Recommend that Council increase the amount from \$240,000 and not surpass \$350,000.

Suggested motion:

Move that the threshold for water loans be increased from \$240,000 to _____