



Municipality of the District of Argyle

Item: Water Supply Lending Program

Date: June 29, 2023

## 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:**

The Water Supply Lending Program began in January of 2017 as a trial until the fall of 2017. During that time a total of 5 households participated in the program with the total amount borrowed of \$36,500.60.

In September 2018, in response to drought conditions once again, council reinstated the Water Supply Lending Program adding a cap of \$240,000. An amendment to the by-law was also approved, increasing the interest rate from 3.0% to 3.5% which remains the current rate at time. Council has, since then, approved to increase the cap amount numerous times with the cap amount currently at \$500,000 which was approved August 19<sup>th</sup>, 2020.

### **Financial Consideration:**

Since 2017, the Municipality has signed 58 water supply lending agreements. Of those, 8 have been paid in full. The remaining 50 have a lending total of \$469,672.46 with an outstanding owing amount of \$331,952.35 at May 31, 2023.

Prior to covid, the average cost to drill a well was approximately \$11,000-15,000. Total cost of some were even above the \$15,000 maximum lending allowance. This included the drilling, casing and pump. Since covid costs have increased significantly, which would make it very difficult to drill a well for \$15,000. The finance department contacted a few drilling companies, and the cost of drilling has gone up \$10-15 per foot. The casing and pump costs have also increased.

### **Department of Finance Recommendation:**

Recommendation is that council increase the maximum lending allowance per household and the cap amount. It appears unlikely that Argyle can grant money to support wells in Argyle, but it can select the interest rate in support of the resident if it chooses.

The current prime interest rate is 6.7%, which means our accounts can generate 5.1% interest in internal revenues. Since the Municipality is not investing in a central well system, it could consider a low interest rate. We are recommending that the rate remain at 3.5% for a 10-year amortization period. The interest savings on a full \$22,500 loan is estimated to exceed \$2,000 over the life of the loan.

**Suggested motion:**

Move that council increase the maximum lending amount from \$15,000 to 22,500 effective July 1, 2023, and that the total amount available to lend be increased from \$500,000 to \$750,000.

There is no motion for the amortization rate and interest, as it is unchanged.