



Municipality of the District of Argyle

Item: Temporary Borrowing  
Resolution – Operational Grant –  
COVID cash flow support

Date: June 8, 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:**

With the policy in place to allow a COVID tax payment plan, we are now in the position to request a low interest loan from the Province of NS. Approximately \$380 million was secured in loans for municipal governments as they anticipate slower payments due to COVID related closures and unemployment,

Our initial estimates approximately 3 months ago were far more dire than our current projection. At first, we presumed 30% of residents would be significantly impacted, and may require more time to pay their taxes, and 38% of commercial taxpayers would require the assistance.

We have since reduced our estimates to adjust for what we know today. There was far more uncertainty in the economy 3 months ago. Furthermore, we were not aware of the many programs that the Federal and Provincial Governments would announce to assist businesses and individuals.

We have since adjusted our estimates down from 2,300,000 to 1,640,000. The actual impact cannot be measured until we put out the program and see who qualifies. We are comfortable enough to set the residential impact at 20% (which we still consider to be high, but we want to be covered).

Commercial rates are still held over 30%, as there are many businesses that were left behind with few options to bring themselves back financially.

The interest rate on the TBR is 1.1%, and we will be charging 1.3% to the eligible recipients. Should we not require the entire amount requested, repayments may be made in an accelerated fashion. Currently, the loan is to be repaid over 36 months.

Financial considerations:

The funds will be collected, and the clock on the interest payable will begin before we significantly collect from applicants. For 5 months, we are collecting a tiny amount, but the interest on the loan outstanding is at the full. This cost will be offset by revenues from the

interest on bank balances, and if that is not sufficient, we are charging 1.3% to the applicants. Furthermore, if our usage is not high, we can repay the loan quicker with no penalty, and avoiding the interest over the life of the loan.

Based on the amount we are borrowing we are not anticipating a need for more funds. If that is the case, we could go back to the Province of NS to ask for more, or alternatively, simply finance the amount internally.

The risk of loss due to interest cost is managed, and extremely low, due to the affordable interest rate provided by the Province.

**MGA considerations:**

---

Borrowing is below 50% of the total tax levy, and therefore is allowable under MGA regulations. The TBR will be reviewed by the Department of Municipal Affairs and Housing for appropriateness.

**CAO's Recommendation:**

---

Approve the Temporary Borrowing Resolution attached.

**Suggested motion:**

---

See resolution attached.