



Municipality of the District of Argyle

Item: Temporary loan request –
Waste Park

Date: March 18, 2024

Vision statement

Argyle is the community of choice to invest, live and play.

Mission statement

Argyle invests time & talent in growth opportunities in fishing, tourism, and renewable energy sectors.

Argyle provides affordable taxation while providing safe and healthy communities and strives to engage and inform our residents on decisions that affect them most.

Argyle provides high class, accessible recreational and cultural facilities and helps celebrate its unique heritage and culture and welcomes new residents to our region.

CAO's Recommendation:

Recommend that the Council approve temporary, or bridge financing in the amount of \$400,000 to the Yarmouth County Waste Management Authority (Authority), until such time as long term debt is secured through NS Municipal Finance Corporation. This long term debt issuance should occur in May of 2024 at the earliest.

In order to speed up the loan approval process, recommend that a guarantee for its portion of the debt be approved through temporary guarantee resolution which is attached.

Suggested motion:

Move that the Municipality approve a temporary loan of \$400,000 to the Yarmouth County Waste Management Authority, at an interest rate of 6%, supported by a loan agreement between the Municipality and the Authority.

Move that Council approve its portion of the guarantee for the loan, being \$412,464

Background:

The Authority board approved the addition of another Construction and Debris facility for the location. What was initially a 2-million-dollar job hitting some major obstacles, resulting in a significantly over budgeted total of 2.9 million. While the Authority had sufficient funds to pay

for the original budgeted cost, it does not have sufficient funds for the overrun. The Municipality of the District of Yarmouth lent \$600,000 earlier this year. Argyle was requested to forward the remaining \$400,000. There was no request to the Town, as they traditionally lend operating cash if required.

The Authority shall approve a temporary borrowing resolution that enables them to secure a long term loan with the NS Municipal Finance Corporation. This loan must be guaranteed by the municipal units prior to being approved. There is low to no risk that the Authority will not be approved for a loan. It owns, debt free, major infrastructure that can be used as collateral for the loan if necessary.

MGA considerations:

MGA Section 66 allows for the loan to a municipality. Section 88 sets Ministerial Approval as a condition to borrow or guarantee money for a municipality, or a municipal corporation. The Authority is a municipal corporation, so 88 applies. Also, we confirmed with the province that the Intermunicipal Agreement states that the Authority has the right to borrow.

Finally, the NS Municipal Finance Corporation has a solid process for lending money to municipalities.

Financial considerations:

The Authority is able to generate about \$300,000 in profits a year. These profits are set aside to pay for major capital projects. A condition of the loan, should we approve it, would be that we are to be paid out of the profits over a period not exceeding 3 years, should the loan from NS MFC not be approved. In short, the risk of not being repaid is low, as this is a municipal corporation, which would be controlled by the combination of Argyle and the District of Yarmouth, and would ensure that the loan would be repaid.

The most logical turn of events is that the Authority shall receive a debenture of 1.3 million, which is what they will be requesting, and once the loan proceeds are received by the Authority, both MODY and MODA loans will be paid in full, with interest.

For the Authority to be approved for a loan, it requires Council to guarantee its portion of the loan. Our rate as per the Intermunicipal Agreement is 31.728%. Applied to a 1.3-million-dollar loan amounts to \$412,464. A guarantee is not a loan, it is a promise that if the Authority doesn't pay, that Argyle will to a maximum of \$412,464. As already established, the risk of default nears zero percent. The other two units shall pass the same promise, to ensure that the entire loan amount is covered by the owners. This is standard practice for municipalities that are securing debt under an Intermunicipal Agreement.

Seeing at the rate of interest is superior than the interest otherwise gained by leaving the money in the operating reserves, this shall result in slightly more revenue for Argyle.

Estimated time of borrowing = 3 months.

Estimated difference between interest charged to Authority and interest earned in bank. .4%
Estimated additional revenue - \$400, or negligible.

Other benefits include – local contractors get paid without delay. The Authority would then focus on budget 24-25 and future matters. The guarantee secures debt for the Authority which is the correct course of action to pay for this large investment.