



MEDIA RELEASE

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RE: Town of Amherst waives interest fees on overdue accounts as it faces its own financial risks

AMHERST, Nova Scotia – The Town of Amherst, in response to the COVID-19 pandemic, is waiving the interest fees on overdue tax and miscellaneous accounts for the months of March, April, and May.

Interest is also being waived for March, April, May and June for outstanding water and sewer accounts.

While interim tax bills are still due on May 31, no interest will be charged for the month of June as long as the account is paid in full by June 30. First-quarter water bills are still due on June 30 but no interest will be charged for the month of July as long as the account is paid in full by July 31.

Council approved the waivers during a special council session, held online, on April 20, 2020, despite the fact the town, like all other municipalities, is facing financial risks of its own.

“We have made the decision to waive the interest fees because we recognize that people are hurting today because of the COVID-19 pandemic,” Mayor David Kogon said. “We fully recognize that many people have lost their jobs because of the pandemic and that many businesses have been forced to close their doors.

“However, the town is a business and like any business we need a steady cash flow to ensure the services we provide, like policing, water and sewer services and fire protection, can be maintained. So, we are asking, if you are able to pay your taxes, your water/sewer bills before or on their due date, please do so.”

The impact caused by waiving the fees on the general operating budget is estimated to be between \$20,000 and \$30,000 in forgone arrears interest revenue.



The impact on the water utility's operating budget is estimated to be less than \$5,000 in forgone interest charges.

CAO Greg Herrett said the town, like all other municipal units in the country, is facing significant uncertainty as a result of the pandemic.

"Beyond the obvious health risks that our front-line employees face every day and the risks to the town's ability to provide essential services due to potential employee sickness, municipalities face financial risks as well," Herrett said.

The town, he said, is facing three main financial risks at the present time. The first is the "absolute lost revenue" from items like the deed transfer tax, program fees, investment income, facility rentals and forgone interest revenue.

"Very preliminary estimates place this lost revenue in the \$400,000 range for this year," Herrett said. "While our recent announcement regarding the decision not to hire students or recall seasonal staff was mostly about a shortage of work for those employees, the savings from not filling those seasonal positions will largely offset these estimated revenue losses for this year."

The second risk to the town is a cash flow issue due to the decreased capacity of some businesses and residents to pay the current year's tax bills.

"This amount is very difficult to estimate," the CAO said. "It does not represent an item that hits the bottom line and creates a deficit. It is simply the availability of cash to pay our suppliers and employees.

"There is no question our tax receivables will grow significantly."

The receivables for these taxes will continue to exist on the town's books until they are paid, and they are back-stopped, as a last resort, by the tax sale process, he added.

The town is looking to see how the cash flow can be maintained, Herrett said. This could be done through a combination of borrowing from reserves, a potential increase in a line of credit or, perhaps, through some sort of provincial government program.

The Nova Scotia Federation of Municipalities and the Association of Municipal Administrators of Nova Scotia have been discussing the possibility of a provincial program with the province for a few weeks, but as yet there is no indication the province will institute such a program, he said.

The impact on the cash flow cannot be estimated with any level of confidence until the due date for the interim tax bill passes and staff are able to analyze what's been paid, Herrett said.

"With a total operating budget of about \$18 million, the town requires approximately \$1.5 million per month to maintain services," the CAO said.

Property taxes represent about 71 per cent of the town's total revenues, so "in order to maintain services, it is critical that this risk be appropriately addressed," the CAO added.



The third financial risk is the potential impact on next year's property tax assessments, particularly commercial assessments, as a result of the virtual shutdown of the economy.

"With many commercial assessments based on an income approach, this impact could potentially be very significant," Herrett said. "However, the amount of this is unknown at this point."

Addressing this risk will require a longer-term discussion about the services to be provided in the future, to what level they will be provided and by whom, he added.

While many have experienced layoffs and many businesses have been shut down, there are still several businesses that remain open and residents who are still receiving their normal sources of income.

As a result, the CAO said it is "imperative that those who can pay be asked to pay their bills by the due date."

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