




P.O. Box 1749  
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**Item No. 11.1.3**  
**Halifax Regional Council**  
**April 9, 2013**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original signed by 

**SUBMITTED BY:**

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

**DATE:** March 15, 2013

**SUBJECT:** 2013 Spring Debenture

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**ORIGIN**

Capital Funding Requirements.

**LEGISLATIVE AUTHORITY**

The Halifax Regional Municipality Charter, Section 83 - Power to borrow money.  
The Halifax Regional Municipality Charter, Section 112 – Approved borrowing requirements.

**RECOMMENDATION**

It is recommended that:

Halifax Regional Council authorize the Mayor and Municipal Clerk to sign the Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate confirmation not to exceed 5.0% to enable the Halifax Regional Municipality to issue a 10-year debenture in the amount of \$23,600,000.

## **BACKGROUND**

The Halifax Regional Municipality Charter provides the legislative authority for a Council to pass a resolution that sets the parameters for a debenture issue. The Temporary Borrowing Resolutions for the Capital Projects, for which funds are being borrowed in this report, have already been approved by Council and the Minister of Service Nova Scotia and Municipal Relations.

## **DISCUSSION**

The projects in the attached Schedule were identified for debenture funding in the budget process.

To calculate the costs of borrowing these funds, an estimated interest rate of 5.0% was used. It is anticipated that this debenture will have an actual interest rate substantively lower than 5.0%. For example, the “all-in cost” for the Fall 2012 Debenture was 2.76% for the 10 year term. Staff recognizes that the large difference between the interest rate contained in the Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate and the anticipated actual borrowing rate has at times been a concern. The interest rate of 5.0%, provides a substantial “cushion” to ensure that a debenture issue can be executed even if market conditions change. If the terms of the subsequently negotiated debenture issue are within the parameters, there is no longer a need for Council to reapprove the specifics of the issue and the debenture documents can be finalized without returning to Council.

The parameters set out in the attached resolution for pre-approval of debenture issuance are as follows:

Borrow	\$23,600,000
Maximum average interest rate	5.0 %
Term	10 years

The amortization schedule for 10-year term financed at the maximum rate of 5.0% and with an issue date of May 2013 is as follows:

DEBENTURE - 2013A-1							
May, 2013							
10 Year Amortization (Estimated Interest Rate 5.00%)							
Mth	Yr	Opening Balance	Total Payment	Principal Payment	Interest Payment	Yearly Interest Payment	Fiscal Year
Nov.	13	23,600,000	590,000		590,000	590,000	2013/14
May	14		2,950,000	2,360,000	590,000		
Nov.	14	21,240,000	531,000		531,000	1,121,000	2014/15
May	15		2,891,000	2,360,000	531,000		
Nov.	15	18,880,000	472,000		472,000	1,003,000	2015/16
May	16		2,832,000	2,360,000	472,000		
Nov.	16	16,520,000	413,000		413,000	885,000	2016/17
May	17		2,773,000	2,360,000	413,000		
Nov.	17	14,160,000	354,000		354,000	767,000	2017/18
May	18		2,714,000	2,360,000	354,000		
Nov.	18	11,800,000	295,000		295,000	649,000	2018/19
May	19		2,655,000	2,360,000	295,000		
Nov.	19	9,440,000	236,000		236,000	531,000	2019/20
May	20		2,596,000	2,360,000	236,000		
Nov.	20	7,080,000	177,000		177,000	413,000	2020/21
May	21		2,537,000	2,360,000	177,000		
Nov.	21	4,720,000	118,000		118,000	295,000	2021/22
May	22		2,478,000	2,360,000	118,000		
Nov.	22	2,360,000	59,000		59,000	177,000	2022/23
May	23		2,419,000	2,360,000	59,000	59,000	2023/24
			\$ 30,090,000	\$ 23,600,000	\$ 6,490,000	\$ 6,490,000	

## **FINANCIAL IMPLICATIONS**

The interest payment on the anticipated 2013 Spring Debenture will not commence until the 2013/14 fiscal year and an estimated amount of interest has been included in the proposed 2013/14 operating budget.

## **COMMUNITY ENGAGEMENT**

N/A

## **ALTERNATIVES**

As these projects were identified in the budget process to be funded by debt this is the logical source of permanent funding. Subject to Tangible Capital Asset Accounting and Municipal Accounting & Reporting Manual guidelines, on the timing of the permanent financing of capital projects, Council could choose not to approve the current recommendation to finance these projects now in the hope of obtaining better interest rates at a future bond issue. This is not recommended as current interest rates

are reasonably attractive and the future level of interest rates is unknown. Additionally, permanent funding sources are required to be in place within a year after an asset is put into use.

Another alternative is for Council to fund these projects through the General Tax rate in one year. This may increase the Tax Rate or reduce other projects to be funded in the 2013/14 fiscal year. This is not recommended as using debt distributes the costs over a 10 year period and the costs to borrow are low.

## ATTACHMENTS

Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$23,600,000  
Breakdown of Proposed Debenture 2013A by Asset Category

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Nancy Harper, CMM, Accounting Controls and Reporting Manager 490-3696

Report Approved by: Louis de Montbrun, CA, Financial Reporting Manager 490-7222

Financial Approval by: \_\_\_\_\_  
Greg Keefe, Director, Finance, and ICT/CFO 490-6308

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**HALIFAX REGIONAL MUNICIPALITY**  
**Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate.**

**WHEREAS** Section 112 of the *Halifax Regional Municipality Charter* provides that a municipality is authorized to borrow money, subject to the approval of the Minister of Service Nova Scotia and Municipal Relations;

**AND WHEREAS** the resolution of Council to borrow was approved by the Minister of Service Nova Scotia and Municipal Relations as follows:

Resolution Number	Purpose	Ministerial Approval Date
2012/13-1	Various Purposes	October 1, 2012

**AND WHEREAS** clause 112(1)(b) of the *Halifax Regional Municipality Charter* authorizes the Council to determine the amount and term of, and the rate of interest on, each debenture, when the interest on a debenture is to be paid, and where the principal and interest on a debenture are to be paid;

**AND WHEREAS** clause 112(2) of the *Halifax Regional Municipality Charter* states, that in accordance with the *Municipal Finance Corporation Act*, the Mayor and Clerk or the person designated by the Council, by policy, shall sell and deliver the debentures on behalf of the municipality at the price, in the sums and in the manner deemed proper;

**BE IT THEREFORE RESOLVED**

**THAT** under the authority of Section 112 of the *Halifax Regional Municipality Charter*, the Halifax Regional Municipality borrow by the issue and sale of debentures a sum or sums not exceeding Twenty Three Million Six Hundred Thousand Dollars (\$23,600,000) for a period not to exceed 10 years subject to the approval of the Minister of Service Nova Scotia and Municipal Relations;

**THAT** the sum be borrowed by the issue and sale of debentures of the Halifax Regional Municipality in the amount that the Mayor and Clerk or the person designated by the Council deems proper, provided the average interest rate of the debenture does not exceed the rate of 5.0%;

**THAT** the debenture be arranged with the Nova Scotia Municipal Finance Corporation with interest to be paid semi-annually and principal payments made annually; and,

**THAT** this resolution remains in force for a period not exceeding twenty four months from the passing of this resolution.

**THIS IS TO CERTIFY** that the foregoing is a true copy of a resolution duly passed at a meeting of the Municipal Council of the Halifax Regional Municipality held on the 9<sup>th</sup> day of April, 2013.

**GIVEN** under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this \_\_\_\_\_ day of April, 2013.

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Mayor

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Municipal Clerk

Breakdown of Proposed 2013 Spring Debenture HALIFAX REGIONAL MUNICIPALITY			
ASSET / BUSINESS UNIT			TOTAL
<b>LAND &amp; BUILDINGS</b>			
General Government			2,411,500
Recreation & Cultural Services	Community and Recreation Services		1,701,600
Transportation Services	Metro Transit Services		2,678,700
<b>TOTAL LAND &amp; BUILDINGS</b>			<b>\$ 6,791,800</b>
<b>EQUIPMENT &amp; FLEET</b>			
General Government			139,900
Protective Services	Fire & Emergency Services		2,400
Protective Services	Halifax Regional Police		17,600
Recreation & Cultural Services	Community and Recreation Services		55,100
Transportation Services	Metro Transit Services		1,330,300
<b>TOTAL EQUIPMENT &amp; FLEET</b>			<b>\$ 1,545,300</b>
<b>PARKS &amp; PLAYGROUNDS</b>			
Recreation & Cultural Services	Community and Recreation Services		842,700
<b>TOTAL PARKS &amp; GROUNDS</b>			<b>\$ 842,700</b>
<b>STREETS &amp; SIDEWALKS</b>			
Transportation Services	Transportation & Public Works		14,420,200
<b>TOTAL STREETS &amp; SIDEWALKS</b>			<b>\$ 14,420,200</b>
<b>TOTAL 2013 SPRING DEBENTURE AMOUNT: 10-YEAR TERM</b>			<b>\$ 23,600,000</b>
<b>Breakdown by Temporary Borrowing Resolution:</b>			
<b>TBR 12/13-1</b>			<b>\$ 23,600,000</b>