



P.O. Box 1749
Halifax, Nova Scotia
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Item No. 11.1.4

**Halifax Regional Council
September 22, 2015**

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original signed by 
Richard Butts, Chief Administrative Officer
Original Signed
Jane Fraser, Acting Deputy Chief Administrative Officer

DATE: August 14, 2015

SUBJECT: 2015 Fall Debenture and Temporary Borrowing Resolution

ORIGIN

Capital Funding Requirements.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, Section 83, The Municipality may borrow to carry out an authority to expend funds for capital purposes conferred by this Act or another Act of the Legislature; Section 111(2), No money may be borrowed by the Municipality or a committee created by an inter-municipal services agreement pursuant to the provisions of this Act or another Act of the Legislature until the proposed borrowing has been approved by the Minister; Section 112, Where the Municipality is authorized to borrow money, subject to the approval of the Minister; and Section 113, Where the Municipality is authorized to borrow money, the Municipality may, with the approval of the Minister, postpone the issue of debentures and borrow the money on terms and conditions agreed upon with the lender.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Authorize the Mayor and Municipal Clerk to sign the Resolution for Pre-Approval of Debenture Issuance, subject to interest rate confirmation not to exceed 5.00%, to enable the Halifax Regional Municipality to issue a 10-year debenture of \$10,132,250; and
2. Approve a Temporary Borrowing Resolution of \$32,036,500 for financing of the debt funded portion of 2015/16 capital projects.

BACKGROUND

The Halifax Regional Municipality Charter, Section 111(2), states "No money may be borrowed by the Municipality or a committee created by an inter-municipal services agreement pursuant to the provisions of this Act or another Act of the Legislature until the proposed borrowing has been approved by the Minister." This process to fulfill this requirement is for Council to approve Temporary Borrowing Resolutions ("TBR's") in order to borrow money for capital purposes. This resolution must subsequently be approved by the Minister of Municipal Affairs.

The Charter further provides the legislative authority for Council to pass a resolution that sets the parameters for a debenture issue.

DISCUSSION

A temporary borrowing resolution is required for financing of the debt funded portion of the approved capital projects. HRM currently has a TBR for 2014 and previous years' capital projects. (TBR # 14/15-3) A new TBR is required in the amount of \$32,036,500 to fund the approved 2015/16 debt funded projects.

Staff analyzed our current active capital projects requiring debt funding to determine amounts required and appropriate length of debenture. The result of the analysis is to request that \$10,132,250 be financed over 10 years.

To calculate the costs of borrowing these funds, an estimated interest rate of 5.00% was used. The "all-in" costs of the spring 2015 debenture were 2.38%. It is anticipated that the fall 2015 debenture will have a rate lower than the 5.00% estimated interest rate.

If the terms of the subsequently negotiated debenture issue are within the parameters, there is no longer a need for Council to approve the specifics of the issue and therefore, the debenture documents can be finalized in less time. The parameters set out in the attached resolution for pre-approval of debenture issuance are as follows:

Borrow	\$10,132,250
Maximum average interest rate	5.00%
Term	10 years

The amortization schedule for the debenture with a 10-year term financed at the maximum rate of 5.00% and with an estimated issuance date of November 2015 is listed as follows:

2015 Fall Debenture Amortization Schedule										
10 Year Amortization Schedule										
with estimated 5% interest rate										
Yr	Fiscal	Mon	Opening Balance	Total Payment	Principal	Interest Payment	Total Interest by Fiscal Yr	Principal	Total P + I	Fiscal Year
1	2016	May	\$10,132,250	\$253,310		\$253,310		\$0		
1	2016	November		\$1,266,535	\$1,013,225	\$253,310	\$506,620	\$1,013,225	\$1,519,845	2016/17
2	2017	May	\$9,119,025	\$227,979		\$227,979		\$0		
2	2017	November		\$1,241,204	\$1,013,225	\$227,979	\$455,958	\$1,013,225	\$1,469,183	2017/18
3	2018	May	\$8,105,800	\$202,648		\$202,648		\$0		
3	2018	November		\$1,215,873	\$1,013,225	\$202,648	\$405,296	\$1,013,225	\$1,418,521	2018/19
4	2019	May	\$7,092,575	\$177,317		\$177,317		\$0		
4	2019	November		\$1,190,542	\$1,013,225	\$177,317	\$354,634	\$1,013,225	\$1,367,859	2019/20
5	2020	May	\$6,079,350	\$151,986		\$151,986		\$0		
5	2020	November		\$1,165,211	\$1,013,225	\$151,986	\$303,972	\$1,013,225	\$1,317,197	2020/21
6	2021	May	\$5,066,125	\$126,655		\$126,655		\$0		
6	2021	November		\$1,139,880	\$1,013,225	\$126,655	\$253,310	\$1,013,225	\$1,266,535	2021/22
7	2022	May	\$4,052,900	\$101,324		\$101,324		\$0		
7	2022	November		\$1,114,549	\$1,013,225	\$101,324	\$202,648	\$1,013,225	\$1,215,873	2022/23
8	2023	May	\$3,039,675	\$75,993		\$75,993		\$0		
8	2023	November		\$1,089,218	\$1,013,225	\$75,993	\$151,986	\$1,013,225	\$1,165,211	2023/24
9	2024	May	\$2,026,450	\$50,662		\$50,662		\$0		
9	2024	November		\$1,063,887	\$1,013,225	\$50,662	\$101,324	\$1,013,225	\$1,114,549	2024/25
10	2025	May	\$1,013,225	\$25,331		\$25,331		\$0		
10	2025	November		\$1,038,556	\$1,013,225	\$25,331	\$50,662	\$1,013,225	\$1,063,887	2025/26
				\$12,918,661	\$10,132,250	\$2,786,410	\$2,786,410	\$10,132,250	\$12,918,661	

FINANCIAL IMPLICATIONS

The principal and interest payments on the anticipated 2015 Fall Debenture will not commence until the 2016/17 fiscal year and will be included in that year's operating budget.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

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 the Financial Reporting and Accounting Manual ("FRAM") 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. Staff does not recommend this alternative as current interest rates are low 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 2015/16 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

1. Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$10,132,250
2. Breakdown of Proposed Debenture 2015B1 by Asset Category
3. Temporary Borrowing Resolution 2015/16-1 \$32,036,500
Schedule A. Temporary Borrowing Resolution 2015/16-1 by Asset Category

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.php> 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, Manager of Accounting Controls & Reporting 490-3696

Report Approved by: Louis de Montbrun, CPA, CA, Manager of Financial Reporting 476-0585

Report Approved by: Amanda Whitewood, Director of Finance & ICT/CFO 490-6308

Attachment 1

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 Municipal Affairs;

AND WHEREAS the resolution of council to borrow was approved by the Minister of Municipal Affairs as follows:

<u>Resolution number</u>	<u>Purpose</u>	<u>Ministerial Approval Date</u>
14/15-3	Various purposes	Nov 7, 2014
15/16-1	Various purposes	Pending

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 Ten Million One Hundred Thirty Two Thousand Two Hundred Fifty Dollars (\$10,132,250) for a period not to exceed 10 years subject to the approval of the Minister of Municipal Affairs;

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 22nd day of September, 2015.

GIVEN under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this _____ day of _____, 2015.

Mayor

Municipal Clerk

Breakdown of Proposed 2015 Fall Debenture HALIFAX REGIONAL MUNICIPALITY			
ASSET / BUSINESS UNIT			TOTAL
LAND & BUILDINGS			
	Recreation & Cultural Services	Parks and Recreation	1,718,500
	Transportation Services	Halifax Transit	292,500
		Transportation & Public Works	303,500
		TOTAL LAND & BUILDINGS	\$ 2,314,500
EQUIPMENT & FLEET			
	Protective Services	Halifax Police Services	359,800
	Recreation & Cultural Services	Parks and Recreation	75,900
		TOTAL EQUIPMENT & FLEET	\$ 435,700
PARKS & PLAYGROUNDS			
	Recreation & Cultural Services	Parks and Recreation	469,100
		TOTAL PARKS & PLAYGROUNDS	\$ 469,100
STREETS & SIDEWALKS (ROAD INFRASTRUCTURES)			
	Transportation Services	Transportation & Public Works	4,780,700
		TOTAL STREETS & SIDEWALKS	\$ 4,780,700
			\$ 8,000,000
Refinance Balloon Payment:			
PARKS & PLAYGROUNDS			
	Recreation & Cultural Services	Beaverbank Recreation Centre	250,000
		St. Margarets Bay Arena	1,882,250
		TOTAL PARKS & PLAYGROUNDS	\$ 2,132,250
TOTAL 2015 FALL DEBENTURE AMOUNT: 10-YEAR TERM			\$ 10,132,250

Attachment 3

HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION

\$32,036,500

File No. 15/16-1
Various Purposes

WHEREAS Section 83 of the Halifax Regional Municipality Charter provides that the Halifax Regional Municipality, subject to the approval of the Minister of Municipal Affairs, may borrow to expend funds for a capital purpose authorized by statute;

AND WHEREAS clause 79 of the Halifax Regional Municipality Charter authorizes the Halifax Regional Municipality to expend funds for the capital purposes of :

- aa) streets, culverts, retaining walls, sidewalks, curbs and gutters;
- x) land and buildings required for a municipal purpose;
- g) equipping and maintaining fire departments or emergency services providers;
- ah) playgrounds, trails, including trails developed, operated or maintained pursuant to an agreement made under clause 73(c), bicycle paths, swimming pools, ice arenas and other recreational facilities;
- ai) public grounds, squares, halls, museums, parks, tourist information centres and community centres;
- z) acquisition of equipment, materials, vehicles, machinery, apparatus, implements and plant for a municipal purpose;

AND WHEREAS the specific amounts and descriptions of the projects are contained in Schedule "A" (attached);

BE IT THEREFORE RESOLVED

THAT under the authority of Section 83 of the Halifax Regional Municipality Charter, the Municipality borrow a sum or sums not exceeding Thirty-Two Million Thirty-Six Thousand Five Hundred Dollars (\$32,036,500) in total for the purposes set out above, subject to the approval of the Minister of Municipal Affairs;

THAT the sum be borrowed by the issue and sale of debentures of the Municipality to such an amount as the Council deems necessary;

THAT the issue of debentures be postponed pursuant to Section 113 of the Halifax Regional Municipality Charter and that the Municipality borrow from time to time a sum or sums not exceeding Thirty-Two Million Thirty-Six Thousand Five Hundred Dollars (\$32,036,500) in total on terms and conditions agreed upon with the lender;

THAT the sum be borrowed for a period not exceeding Twenty Four months from the date of the approval of the Minister of Municipal Affairs of this resolution.

THAT the interest payable on the borrowing be paid at a rate to be agreed upon; and

THAT the amount borrowed be repaid from the proceeds of the debentures when sold.

THIS IS TO CERTIFY that the foregoing is a true copy of a resolution duly passed at a meeting of the Council of the Halifax Regional Municipality held on the 22nd day of September, 2015.

GIVEN under the hands of the Mayor and the Clerk and under the seal of the Municipality this day of 2015.

Mayor

Clerk

For DMA Use Only

\$ 32,036,500

HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION
SCHEDULE 'A'

File No 15/16-1

List of projects, by asset category, to be funded by debenture:

Buildings

CB000002	Multi District Facilities-Upgrades (Bundle)	250,000
CB000023	Captain William Spry Renovations	150,000
CB000045	Cole Harbour Place	570,000
CB000050	East Preston Recreation Centre	120,000
CB000051	Evergreen House	50,000
CB000052	Fire Station 2, University Ave Recapitalization	110,000
CB000053	Fire Station 20, Lawrencetown Recapitalization	50,000
CB000054	Fire Station 14, Woodlawn Recapitalization	100,000
CB000056	Fire Station 16, Eastern Passage Recapitalization	100,000
CB000058	Musquodoboit Recreation Facility	50,000
CB000059	North Woodside Community Centre Recapitalization	150,000
CB000060	Sackville Sports Stadium	1,000,000
CB000061	Upper Sackville Recreation Centre Facility	55,000
CB000063	Carroll's Corner Community Centre	100,000
CBX01046	Halifax City Hall and Grand Parade Restoration	1,200,000
CBX01154	Accessibility - HRM Facilities	600,000
CBX01157	Alderney Gate Recapitalization(Bundle)	500,000
CBX01170	HRM Depot Upgrades	100,000
CBX01270	Structural (Category 4)	50,000
CBX01271	Site Work (Category 1)	450,000
CBX01272	Roof (Category 3)	1,000,000
CBX01344	Emera Oval	780,000
CP000010	Cole Harbour Outdoor Pool & Tennis Court	100,000
Buildings Total		7,635,000

Community & Property Development

CDG00493	Shubenacadie Canal Greenway Trail	600,000
Community & Property Development Total		600,000

Equipment & Fleet

CVJ01088	Fire Apparatus Replacement	1,335,000
CE010001	Fire Services Equipment Replacement	440,000
CVU01207	Ice Resurfacers Replacement	75,000
Equipment & Fleet Total		1,850,000

Halifax Transit

CM000001	Ferry Replacement	895,000
Halifax Transit Total		895,000

Parks & Playgrounds

CP110002	Cole Harbour Turf	50,000
CP000011	Cornwallis Park Master Plan Implementation Phase 1	63,500
CP000012	Fort Needham Master Plan Implementation	63,500
CP000013	Halifax Common Master Plan & Implementation	100,000
CP110001	Mainland Common Artificial Turf Renewal	1,000,000
CPX01196	Regional Trails Active Transportation	500,000
CPX01331	Regional Water Access/ Beach Upgrades	50,000
CP000003	Sports Fields/Courts - State of Good Repair	450,000
Parks & Playgrounds Total		2,277,000

Road & Streets

CRU01077	Bridges	1,500,000
CR000002	New Paving Streets - HRM Owned Roads	125,000
CRU01079	Other Road Related Works	1,000,000
CR000001	Storm Sewer Upgrades	250,000
CR000005	Street Recapitalization	6,507,000
Road & Streets Total		9,382,000

Sidewalks, Curbs & Gutters

CR000003	New Sidewalks	2,000,000
CR990001	New Paving Subdivision St's Provincial	250,000
CRU01079	Other Road Related Works	137,500
CKU01084	Sidewalk Renewals	2,100,000
Sidewalks, Curbs & Gutters Total		4,487,500

Traffic Improvements

CTU00420	Active Transportation - Strategic Projects	500,000
CT000004	Controller Cabinet and Detection Program	100,000
CTX01116	Herring Cove Road Widening	100,000
CTU01086	Intersection Improvement Program	500,000
CT000001	North Park Corridor Improvements	3,050,000
CTU00419	Traffic Signal Rehabilitation	360,000
CT140001	Traffic Signal System Integration	300,000
Traffic Improvements Total		4,910,000

Grand Total	\$32,036,500
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Funding Source for Debenture:

Tax Supported Debt	31,649,000
Local Improvement Charges	387,500
Total Debt Funding	\$32,036,500