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10.1.5

Halifax Regional Council
April 13, 2004

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in black ink, appearing to read "Dan English", written over a horizontal line.

Dan English, Acting Chief Administrative Officer

DATE: April 6, 2004

SUBJECT: **Temporary Borrowing Resolution and 2004 Spring Debenture**

ORIGIN

Capital Funding Requirements.

RECOMMENDATION

It is recommended that:

- 1) Halifax Regional Council approve a twelve month Temporary Borrowing Resolution in the amount of \$1,437,500, for refinancing of the balloon payment from the 94A1 debenture.
- 2) The Mayor and Municipal Clerk be authorized to sign the Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate confirmation, not to exceed 6.5%, to enable the Halifax Regional Municipality to issue a debenture in the amount of \$19,800,000.

BACKGROUND

The Municipal Government Act requires Municipalities in the Province of Nova Scotia to approve temporary borrowing resolutions in order to borrow money for capital purposes. This resolution must subsequently be approved by the Minister of Service Nova Scotia and Municipal Relations.

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

DISCUSSION

A Temporary Borrowing Resolution is required for refinancing the balloon payment on Debenture 94A1 in the amount of \$1,437,500.

In addition to the requirement of a 10-year debenture in the amount of \$15,612,500, a 20-year debenture is required for the financing of the Halifax Forum Expansion and the Beaver Bank Community Centre in the amount of \$2,750,000. In the case of a 20-year debenture, the amortization period is 20 years and the debenture has a 10-year term. At the end of the first 10 years, the remaining balance will come due as a balloon payment, refinanced over the final 10 years.

As stated above, the Municipal Government Act provides the legislative authority for a Council to pass a resolution that sets the parameters for a debenture issue. 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 are as follows:

Amount	\$19,800,000
Maximum average interest rate	6.5%
Terms	10 years (\$17,050,000) 20 years (\$ 2,750,000)

The following payment schedule is based on an interest rate of 6.5%, the maximum permitted per the Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate, and a debenture issue date estimated at May, 2004.

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	EFFECTIVE RATE
2004/05		\$ 643,500	\$ 643,500	
2005/06	\$ 1,842,500	\$ 1,227,100	\$ 3,069,600	6.5%
2006/07	\$ 1,842,500	\$ 1,107,400	\$ 2,949,900	6.5%
2007/08	\$ 1,842,500	\$ 987,600	\$ 2,830,100	6.5%
2008/09	\$ 1,842,500	\$ 867,800	\$ 2,710,300	6.5%
2009/10	\$ 1,842,500	\$ 748,100	\$ 2,590,600	6.5%
2001/11	\$ 1,842,500	\$ 628,300	\$ 2,470,800	6.5%
2011/12	\$ 1,842,500	\$ 508,500	\$ 2,351,000	6.5%
2012/13	\$ 1,842,500	\$ 388,800	\$ 2,231,300	6.5%
2013/14	\$ 1,842,500	\$ 269,000	\$ 2,111,500	6.5%
2014/15	\$ 3,217,500	\$ 104,600	\$ 3,322,100	6.5%
	\$19,800,000	\$7,480,700	\$27,280,700	6.5%

The suggestion for an upper limit on interest costs is an average interest rate of six and a half percent, supplied by Nova Scotia Municipal Finance. The last debenture, Fall 2003, had interest rates varying from 2.750% to 5.000%. The Spring 2003 debenture resulted in interest at the rates of 3.500% to 5.375%. It is anticipated that this debenture will have lower than the 6.5% estimated interest rate.

BUDGET IMPLICATIONS

The debenture issue will result in an expenditure of \$ 643,500 (six months interest) in 2004/05. This expenditure is included in the proposed 2004/05 operating budget. The first principal payment will be required in the 2005/06 fiscal year, as detailed in the above payment schedule. The principal payment in 2014/15 includes the regular payment of \$1,842,500, plus ½ of the \$2,750,000 (\$1,375,000) which pertains to the 20-year debenture, of which the principal has to be refinanced after 10 years.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves as well as any relevant legislation.

REGIONAL PLANNING IMPLICATIONS

No impact.

ALTERNATIVES

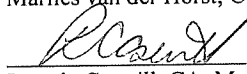
There are no alternatives

ATTACHMENTS

Temporary Borrowing Resolution \$1,437,500
Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$19,800,000

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk, at 490-4234 (TEL) or 490-4208 (FAX)

Report prepared by: Marlies van der Horst, CGA , TL Capital & Disbursements 490-4446

Report approved by: 
Pamela Caswill, CA, Manager of Accounting 490-6324

Report approved by: 
Dale MacLennan, CA, Director of Financial Services 490-6308

Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate.

WHEREAS Section 91 of the *Municipal Government Act* 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
02/03-05	Various	April 23, 2003
03/04-01	Various	September 25, 2003
04/05-	Refinancing 94 A1	Pending

AND WHEREAS clause 91(1)(b) of the *Municipal Government Act* 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 91(2) of the *Municipal Government Act* 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 91 of the *Municipal Government Act*, the Halifax Regional Municipality borrow by the issue and sale of debentures a sum or sums not exceeding \$17,050,000 for a period not to exceed 10 years and a sum or sums not exceeding \$2,750,000 for a period not to exceed 20 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 6.5%;

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

THAT this resolution remains in force for a period not exceeding twelve 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 _____ day of _____, 2004

GIVEN under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this _____ day of _____, 2004.

Mayor

Municipal Clerk

HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION

\$1,437,500

File No.04/05 -
Refinancing 94-A1

WHEREAS Section 66 of the Municipal Government Act provides that the Halifax Regional Municipality, subject to the approval of the Minister of Service Nova Scotia and Municipal Relations, may borrow to expend funds for a capital purpose authorized by statute;

AND WHEREAS clause 66(4)(b) of the Municipal Government Act authorizes the Halifax Regional Municipality to borrow funds to pay and retire debentures;

BE IT THEREFORE RESOLVED

THAT under the authority of Section 66 of the Municipal Government Act, the Municipality borrow a sum or sums not exceeding One Million, Four Hundred Thirty Seven Thousand, Five Hundred Dollars (\$1,437,500) in total for the purpose set out above, 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 Municipality to such an amount as the Council deems necessary;

THAT the issue of debentures be postponed pursuant to Section 92 of the Municipal Government Act and that the Municipality borrow from time to time a sum or sums not exceeding One Million, Four Hundred Thirty Seven Thousand, Five Hundred Dollars (\$1,437,500) in total from any chartered bank or trust company doing business in Nova Scotia;

THAT the sum be borrowed for a period not exceeding Twelve (12) months from the date of the approval of the Minister of Service Nova Scotia and Municipal Relations 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 day of 2004.

Mayor

Clerk