



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 10.1.7

**Halifax Regional Council
March 31, 2009**

TO: Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in cursive script, appearing to read "Dan English".

SUBMITTED BY:

Dan English, Chief Administrative Officer

A handwritten signature in cursive script, appearing to read "G. L. Kaiser".

Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services
& Strategy

DATE: March 23, 2009

SUBJECT: Temporary Borrowing Resolutions and 2009 Spring Debenture

ORIGIN

Capital Funding Requirements.

RECOMMENDATION

It is recommended that:

1. 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 6.5%, to enable the Halifax Regional Municipality to issue a 10-year debenture in the amount of \$35,351,700 and a 20-year debenture in the amount of \$17,200,000 for a total of \$52,551,700.
2. Halifax Regional Council approve a Temporary Borrowing Resolution in the amount of \$7,751,700 for refinancing of the balloon payment from the 99-A1 Debenture.
3. Halifax Regional Council approve a Temporary Borrowing Resolution in the amount of \$6,318,000 for renewal of the expiring Temporary Borrowing Resolution 04/05-04.

BACKGROUND

The Halifax Regional Municipality Charter requires HRM 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 Charter further provides the legislative authority for a Council to pass a resolution that sets the parameters for a debenture issue.

DISCUSSION

Temporary Borrowing Resolutions: Temporary borrowing resolutions are required for refinancing of the balloon payment on the 99-A1 debenture in the amount of \$7,751,700 and renewal of the temporary borrowing resolution for 04/05-04 in the amount of \$6,318,000. (See attached).

Debenture Requirements and Term: Staff used a two step process in developing the debt request. Step one was to analyze our current active capital projects requiring debt funding and to determine the asset class and the useful life of the projects based on the Tangible Capital Asset guidelines. Step two was to look at the term of debt to be requested as a result of the step one review.

Step one: The projects had various useful lives ranging from 5 to 40 years; 62% of projects have useful lives of between 5 and 15 years and 38% have useful lives of between 20 and 40 years.

Step two: The debt term analysis balanced a number of considerations. The first consideration was a desire to match the term of the debt to the useful life of the asset. The second consideration was the potential for interest savings by paying for these assets over a shorter time frame. The third consideration was to preserve financial flexibility by keeping any balloon payments to a minimum while keeping the annual principal and interest payments to a manageable level within our current framework.

Results: The result of the analysis is to request that \$35,351,700 including refinancing of balloon payment of \$7,751,700 be financed over 10 years and a further \$17,200,000 be financed over 20 years.

Interest Rates: To calculate the costs of borrowing these funds, an interest rate of 6.5% was used. The 6.5% interest rate is at the upper limit of the range supplied by the Municipal Finance Corporation. HRM was able to finance the Fall 2008 debentures at interest rates varying from 3.10% to 4.095% and the Spring 2008 debenture at interest rates of 3.75% to 4.884%. It is anticipated that this debenture will have lower than the 6.5% estimated interest rate.

The current interest rate environment is worthy of some discussion in relation to HRM's borrowing cost. The Bank of Canada has lowered its administered interest rates to the lowest level in its history to help stimulate economic growth and alleviate some of the impacts of the current credit crisis. Other Central Banks around the world have taken similar interest rate actions and other measures to ease credit conditions. However, Central Banks can only indirectly influence bond market interest

rates. Bond market interest rates are generally determined by a combination of the outlook for inflation, the liquidity of the bond issue (the ease with which a bond can be re-sold in the market), the length of the term and the credit risk of the issuer.

HRM's borrowing rate is calculated by adding a risk premium over the rate charged to the Government of Canada and, with the current aversion to risk in the bond market, the premium is high. The net result is that the interest rates at which HRM can currently borrow through the Nova Scotia Municipal Finance Corporation are similar to the rates available in recent years despite the unprecedented low interest rates set by the Bank of Canada and the low rates at which the Government of Canada can borrow.

The combined amortization schedule for 10-year and 20-year term financed at the maximum rate of 6.5% and with an issue date of June 2009 is as follows:

FISCAL YEAR	Year	PRINCIPAL	INTEREST	TOTAL	EFFECTIVE RATE
2009/10			\$ 1,707,930	\$ 1,707,930	6.5%
2010/11	1	\$ 4,395,170	\$ 3,273,017	\$ 7,668,187	6.5%
2011/12	2	\$ 4,395,170	\$ 2,987,331	\$ 7,382,501	6.5%
2012/13	3	\$ 4,395,170	\$ 2,701,645	\$ 7,096,815	6.5%
2013/14	4	\$ 4,395,170	\$ 2,415,959	\$ 6,811,129	6.5%
2014/15	5	\$ 4,395,170	\$ 2,130,273	\$ 6,525,443	6.5%
2015/16	6	\$ 4,395,170	\$ 1,844,587	\$ 6,239,757	6.5%
2016/17	7	\$ 4,395,170	\$ 1,558,901	\$ 5,954,071	6.5%
2017/18	8	\$ 4,395,170	\$ 1,273,215	\$ 5,668,385	6.5%
2018/19	9	\$ 4,395,170	\$ 987,529	\$ 5,382,699	6.5%
2019/20	10	\$ 12,995,170	\$ 422,343	\$13,417,513	6.5%
Total		\$ 52,551,700	\$21,302,730	\$73,854,430	6.5%

**Temporary Borrowing Resolutions
and 2009 Spring Debenture**

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March 31, 2009

The cost for the 10-year portion only is as follows:

Amount	\$ 35,351,700
Maximum average interest rate	6.5 %
Term	10 years

FISCAL YEAR	Year	PRINCIPAL	INTEREST	TOTAL	EFFECTIVE RATE
2009/10			\$ 1,148,930	\$ 1,148,930	6.5%
2010/11	1	\$ 3,535,170	\$ 2,182,967	\$ 5,718,137	6.5%
2011/12	2	\$ 3,535,170	\$ 1,953,181	\$ 5,488,351	6.5%
2012/13	3	\$ 3,535,170	\$ 1,723,395	\$ 5,258,565	6.5%
2013/14	4	\$ 3,535,170	\$ 1,493,609	\$ 5,028,779	6.5%
2014/15	5	\$ 3,535,170	\$ 1,263,823	\$ 4,798,993	6.5%
2015/16	6	\$ 3,535,170	\$ 1,034,037	\$ 4,569,207	6.5%
2016/17	7	\$ 3,535,170	\$ 804,251	\$ 4,339,421	6.5%
2017/18	8	\$ 3,535,170	\$ 574,465	\$ 4,109,635	6.5%
2018/19	9	\$ 3,535,170	\$ 344,679	\$ 3,879,849	6.5%
2019/20	10	\$ 3,535,170	\$ 114,893	\$ 3,650,063	6.5%
Total		\$35,351,700	\$12,638,230	\$47,989,930	6.5%

The cost for the 20-year portion only is as follows:

Amount	\$ 17,200,000
Maximum average interest rate	6.5 %
Term	20 years

FISCAL YEAR	Year	PRINCIPAL	INTEREST	TOTAL	EFFECTIVE RATE
2009/10			\$ 559,000	\$ 559,000	6.5%
2010/11	1	\$ 860,000	\$1,090,050	\$1,950,050	6.5%
2011/12	2	\$ 860,000	\$1,034,150	\$1,894,150	6.5%
2012/13	3	\$ 860,000	\$ 978,250	\$1,838,250	6.5%
2013/14	4	\$ 860,000	\$ 922,350	\$1,782,350	6.5%

**Temporary Borrowing Resolutions
and 2009 Spring Debenture**

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2014/15	5	\$ 860,000	\$ 866,450	\$1,726,450	6.5%
2015/16	6	\$ 860,000	\$ 810,550	\$1,670,550	6.5%
2016/17	7	\$ 860,000	\$ 754,650	\$1,614,650	6.5%
2017/18	8	\$ 860,000	\$ 698,750	\$1,558,750	6.5%
2018/19	9	\$ 860,000	\$ 642,850	\$1,502,850	6.5%
2019/20	10	\$ 9,460,000	\$ 307,450	\$9,767,450	6.5%
Total		\$17,200,000	\$ 8,664,500	\$25,864,500	6.5%

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	\$ 35,351,700
Maximum average interest rate	6.5 %
Term	10 years

Borrow	\$ 17,200,000
Maximum average interest rate	6.5 %
Term	20 years

BUDGET IMPLICATIONS

An estimate of the interest payments for this debenture will be included in the 2009/10 operating budget.

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.

ALTERNATIVES

There are no alternatives

ATTACHMENTS

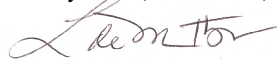
Attachment 1 - Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$52,551,700

Attachment 2 - Temporary Borrowing Resolution for 99-A1 balloon payment - \$7,751,700

Attachement 3 - Renewal of Temporary Borrowing Resolution for 04/05-04 - \$6,318,000

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: Kathy Smith, Team Lead, Accounting 490-5656



Report Approved by: Louis de Montbrun, CA, Manager Accounting Operations 490-7222



Report Reviewed by:: Catherine Sanderson, CMA, Senior Manager
Financial Services 490-1562



Report approved by: Cathie O'Toole, CGA, Director of Finance/CFO
Financial Services 490-6308

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
03/04-01	Renewal of 03/04-01	September 2008
04/05-04	Renewal of 04/05-04	Pending
05/06-02	Renewal of 05/06-02	September 2007
06/07-01	Renewal of 06/07-01	September 2008
07/08-01	Financing of 07/08 capital budget	September 2007
08/09-01	Financing of 08/09 capital budget	September 2008
08/09-02	Refinancing of 99A1 balloon payment	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 \$52,551,700 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 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 31st day of March, 2009

GIVEN under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this _____ day of _____, 2009.

Mayor

Municipal Clerk

Breakdown of Proposed Debenture 2009A1

EQUIPMENT & FLEET

Community Services	\$ 1,368,089
Fire & Emergency Services	850,880
General Government	740,213
Police Services	331,780
Regional Operations	<u>7,996,654</u>
	<u>\$ 11,287,616</u>

LAND & BUILDINGS

Community Services	\$ 6,440,399
Fire & Emergency Services	285,245
General Government	79,422
Library Services	182,450
Regional Operations	<u>387,906</u>
	<u>\$ 7,375,422</u>

SOLID WASTE **\$ 6,572,360**

STREETS & SIDEWALKS **\$19,564,602**

Refinancing of balloon payment on 99-A1 **\$ 7,751,700**

Total Debenture **\$52,551,700**

HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION

\$7,751,700

File No. 09/10
Refinancing (99-A-1)

WHEREAS Section 83 of the Halifax Regional Municipality Charter 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 83(4)(b) of the Halifax Regional Municipality Charter authorizes the Halifax Regional Municipality to borrow funds to pay and retire debentures;

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 Seven Million Seven Hundred Fifty-One Thousand Seven Hundred Dollars (\$7,751,700) 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 113 of the Halifax Regional Municipality Charter and that the Municipality borrow from time to time a sum or sums not exceeding Seven Million Seven Hundred Fifty-One Thousand Seven Hundred Dollars (\$7,751,700) 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 31st day of March, 2009.

GIVEN under the hands of the Mayor the Clerk and
under the seal of the Municipality this day of
2009.

Mayor

Clerk

**HALIFAX REGIONAL MUNICIPALITY
RENEWAL OF BORROWING RESOLUTION**

\$6,318,000

File No.09/10 -
Renewal of 04/05-04

WHEREAS the Halifax Regional Municipality is Authorized by law to borrow by the issue and sale of debentures of the Municipality a sum not exceeding Six Million Three Hundred and Eighteen Thousand Dollars (\$6,318,000) for the purposes of:

- streets, culverts, retaining walls, sidewalks, curbs and gutters;
- land and buildings required for a municipal purpose;
- wastewater facilities and stormwater systems;
- acquisition of equipment, materials, vehicles, machinery, apparatus, implements and plant for a municipal purpose;
- equipping and maintaining fire departments or emergency services providers;
- furnishing and equipping any municipal facility;

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

AND WHEREAS pursuant to resolution 04/05-4 passed by the Municipal Council on the 12th day of April, 2007. ;

AND WHEREAS the said Municipality has repaid a sum leaving a balance of Six Million Three Hundred and Eighteen Thousand Dollars (\$6,318,000) to be borrowed for the purpose set out above;

AND WHEREAS it is deemed expedient that the period of borrowing be further extended;

BE IT THEREFORE RESOLVED

THAT subject to the approval of the Minister of Service Nova Scotia and Municipal Relations the authorized period of borrowing in the amount of Six Million Three Hundred and Eighteen Thousand Dollars (\$6,318,000) be extended for a further period not exceeding twenty-four (24) months from the date of the approval of the Minister of Service Nova Scotia and Municipal Relations;

THIS IS TO CERTIFY that the foregoing is a true copy of a resolution duly passed at a duly called meeting of the Council of the Halifax Regional Municipality held on the day of 2009.

GIVEN under the hands of te Mayor and Clerk and under the seal of the Municipality on the day of 2009.

Mayor

Clerk

Renewal of Temporary Borrowing Resolution

\$6,318,000

File No. 09/10
Renewal of 04/05-04

EQUIPMENT & FLEET	
Community Services	\$ 16,000
Fire & Emergency Services	369,597
General Government	<u>274,197</u>
	<u>\$ 659,794</u>
 LAND & BUILDINGS	
Community Services	\$ 109,225
Regional Operations	<u>7,093</u>
	<u>\$ 116,318</u>
 SEWERS	
	\$ 3,000,292
 STREETS & SIDEWALKS _____	
	<u>\$ 2,541,596</u>
 Total Temporary Borrowing Resolution	
	<u><u>\$ 6,318,000</u></u>