

Item No. 11.1.1

**Halifax Regional Council
September 15, 2009**

TO: Mayor Kelly and Members of Halifax Regional Council



SUBMITTED BY:

Dan English, Chief Administrative Officer



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

DATE: September 8, 2009

SUBJECT: Temporary Borrowing Resolutions and 2009 Fall 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 \$6,500,000.
2. Halifax Regional Council approve a Temporary Borrowing Resolution in the amount of \$38,865,045 for financing of the debt funded portion of the Approved 2009/10 Capital Budget.
3. Halifax Regional Council approve a Temporary Borrowing Resolution in the amount of \$6,364,000 for renewal of the expiring Temporary Borrowing Resolution 2005/06-02.
4. Halifax Regional Council approve a Temporary Borrowing Resolution in the amount of \$13,543,000 for renewal of the expiring Temporary Borrowing Resolution 2007/08-01.

BACKGROUND

The Halifax Regional Municipality Charter 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 Charter 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 financing of the approved debt funded portion of the 2009/10 Capital budget in the amount of \$38,865,045. Previous temporary borrowing resolutions are due to expire and therefore, renewals of those temporary borrowing resolutions are required for the remaining balances. Required renewals are TBR 05/06-02 in the amount of \$6,364,000 and TBR 07/08-01 in the amount of \$13,543,000. (See attached schedules).

Staff analysed our current active capital projects requiring debt funding. We considered preserving financial flexibility, keeping any balloon payments to a minimum and keeping the annual principal and interest payments to a manageable level within our current framework. The result of the analysis is to request that \$6,500,000 be financed over 10 years.

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 2009 debenture at interest rates of 1.0% to 5.644%. It is anticipated that this debenture will have lower than the 6.5% 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	\$ 6,500,000
Maximum average interest rate	6.5 %
Term	10 years

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

FISCAL	Year	PRINCIPAL	INTEREST	TOTAL	EFFECTIVE
2010/11	1	\$ 650,000	\$422,500	\$ 1,072,500	6.5%
2011/12	2	\$ 650,000	\$ 380,250	\$1,030,250	6.5%
2012/13	3	\$ 650,000	\$ 338,000	\$ 988,000	6.5%
2013/14	4	\$ 650,000	\$295,750	\$ 945,750	6.5%
2014/15	5	\$ 650,000	\$ 253,500	\$903,500	6.5%
2015/16	6	\$ 650,000	\$211,250	\$861,250	6.5%
2016/17	7	\$ 650,000	\$169,000	\$ 819,000	6.5%
2017/18	8	\$ 650,000	\$ 126,750	\$ 776,750	6.5%
2018/19	9	\$ 650,000	\$ 84,500	\$ 734,500	6.5%
2019/20	10	\$650,000	\$ 42,250	\$692,250	6.5%
Total		\$6,500,000	\$2,323,750	\$8,823,750	6.5%

BUDGET IMPLICATIONS

An estimate of the interest payments for this debenture will be included in the 2010/11 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

As these projects were identified in the budget process to be funded by debt this is the logical source of permanent funding. Subject to TCA, Municipal Accounting Manual guidelines, etc. 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.

ATTACHMENTS

Attachment 1 - Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$6,500,000

Attachment 2 - Breakdown of Proposed Debenture 2009B1 by Asset Category

Attachment 3 - Temporary Borrowing Resolution 2009/10 - \$38,865,045

Attachment 4 - Renewal of Temporary Borrowing Resolution for 05/06-02 - \$6,364,000

Attachment 5 - Renewal of Temporary Borrowing Resolution for 07/08-01 - \$13,543,000

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: Nancy Harper, Team Lead, Accounting 490-3696



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



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

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
03/04-01	Renewal of 03/04-01	September 2008
05/06-02	Renewal of 05/06-02	Pending
07/08-01	Renewal of 07/08 -01	Pending
08/09-01	08/09 capital budget	September 2008
09/10-	09/10 capital budget	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 Six Million Five Hundred Thousand Dollars (\$6,500,000) for a period not to exceed 10 years subject to the approval of the Minister of Service Nova Scotia and Municipal Relations; and

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 15th day of September, 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 2009B1
HALIFAX REGIONAL MUNICIPALITY**

	TOTAL
EQUIPMENT & FLEET	
Community Services	\$801,802.63
Fire & Emergency Services	76,836.22
General Government	516.15
Police Services	33,715.86
Regional Operations	<u>295,486.37</u>
TOTAL EQUIPMENT & FLEET	<u>1,208,357.23</u>
 LAND & BUILDING	
Community Services	150,624.83
Fire & Emergency Services	160,251.73
General Government	135,666.78
Library	148,247.78
Regional Operations	<u>7,867.35</u>
TOTAL LAND & BUILDING	<u>602,658.47</u>
 PARKS & PLAYGROUNDS	 152,605.53
 SOLID WASTE	 109,912.34
 STREETS & SIDEWALKS	 <u>4,426,466.43</u>
 TOTAL DEBENTURE	 <u><u>\$6,500,000.00</u></u>

Breakdown By Temporary Borrowing Resolutions:

TBR 03/04 and Prior	\$ 140,134.67
TBR 05/06 (Renewal Pending)	18,044.58
TBR 07/08 (Renewal Pending)	555,682.19
TBR 08/09	4,501,535.89
TBR 09/10 (Pending)	<u>1,284,602.67</u>
 TOTAL DEBENTURE	 <u><u>\$6,500,000.00</u></u>

**HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION**

\$38,865,045

File No. 09/10-
2009/10 Capital Budget

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 Thirty Eight Million Eight Hundred Sixty Five Thousand Forty Five Dollars (\$38,865,045) 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 Thirty Eight Million Eight Hundred Sixty Five Thousand Forty Five Dollars (\$38,865,045) in total from any chartered bank or trust company doing business in Nova Scotia;

THAT the sum be borrowed for a period not exceeding Twenty Four (24) 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 15th day of September, 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

\$6,364,000

File No. 09/10-
Renewal of 05/06-02

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 Sixty Four Thousand Dollars (\$6,364,000) 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 05/06-02 passed by the Municipal Council on the 6th day of September, 2005;

AND WHEREAS the said Municipality has repaid a sum leaving a balance of Six Million Three Hundred Sixty Four Thousand Dollars (\$6,364,000) 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 Sixty Four Thousand Dollars (\$6,364,000) 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 15th day of September 2009.

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

_____ Mayor

_____ Clerk

HALIFAX REGIONAL MUNICIPALITY
RENEWAL OF BORROWING RESOLUTION

\$13,543,000

File No.09/10 -
Renewal of 07/08-01

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 Thirteen Million Five Hundred Forty Three Thousand Dollars (\$13,543,000) 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 07/08-01 passed by the Municipal Council on the day of 18th day of September, 2007;

AND WHEREAS the said Municipality has repaid a sum leaving a balance of Thirteen Million Five Hundred Forty Three Thousand Dollars (\$13,543,000) 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 Thirteen Million Five Hundred Forty Three Thousand Dollars (\$13,543,000) 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 15 day of September 2009.

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

Mayor

Clerk

**RENEWAL OF TEMPORARY BORROWING RESOLUTION 05/06-02
SCHEDULE "A"**

EQUIPMENT & FLEET	
General Government	\$ 696,887.95
Police Services	1,207,500.00
Regional Operations	<u>982,459.11</u>
Total Equipment & Fleet	<u>2,886,847.06</u>
LAND & BUILDINGS	
Community Services	12,915.57
General Government	10,138.38
Police Services	4,509.46
Regional Operations	<u>73,362.79</u>
Total Land & Buildings	<u>100,926.20</u>
PARKS & PLAYGROUNDS	191,600.00
SEWERS	1,046,343.76
STREETS & SIDEWALKS	<u>2,138,282.98</u>
	<u>\$6,364,000.00</u>

**RENEWAL OF TEMPORARY BORROWING RESOLUTION 07/0801
SCHEDULE "A"**

EQUIPMENT & FLEET	
General Government	\$ 112,967.89
Regional Operations	<u>2,243,731.74</u>
Total Equipment & Fleet	<u>2,356,699.63</u>
LAND & BUILDINGS	
Community Services	791,172.93
Fire & Emergency Services	1,539,169.03
Library	52,837.18
Regional Operations	<u>296,000.00</u>
Total Land & Buildings	<u>2,679,179.14</u>
PARKS & PLAYGROUNDS	41,824.88
SEWERS	1,338,696.00
STREETS & SIDEWALKS	<u>7,126,600.35</u>
	<u>\$13,543,000.00</u>

**TEMPORARY BORROWING RESOLUTION 2009/10-
SCHEDULE "A"**

EQUIPMENT & FLEET	
Regional Operations	\$ 4,350,000.00
Fire & Emergency Services	<u>2,400,000.00</u>
Total Equipment & Fleet	<u>6,750,000.00</u>
LAND & BUILDINGS	
Community Services	3,075,000.00
Fire & Emergency Services	825,000.00
General Government	990,000.00
Library	200,000.00
Regional Operations	<u>10,402,045.00</u>
Total Land & Buildings	15,492,045.00
PARKS & PLAYGROUNDS	650,000.00
STREETS & SIDEWALKS	<u>15,973,000.00</u>
	<u>\$38,865,045.00</u>