



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5, Canada

**Item No. 11.1.5**  
**Halifax Regional Council**  
**October 27, 2009**

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

**SUBMITTED BY:**

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

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Dan English, Chief Administrative Officer

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

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

**DATE:** October 15, 2009

**SUBJECT:** Guarantee of Halifax Water Debt

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**ORIGIN**

- Wastewater/Stormwater Transfer Agreement
- Municipal Finance Corporation Guidelines

**RECOMMENDATION**

It is recommended that:

Halifax Regional Council approve the Municipality's guarantee of HW's debt related to their 2009 Fall Municipal Finance Corporation Debenture Issue in the amount of \$13,000,000.

## **BACKGROUND**

Halifax Water is responsible for final payments with respect to the Harbour Solutions Project. Debenture financing of \$13,000,000 is required by HW to fund a cash shortfall caused by timing issues associated with payments for the Harbour Solutions Project versus timing of cash inflows from Environmental Protection Charges.

According to the Municipal Finance Corporation “MFC” policies, HW can currently borrow up to \$35 million without requiring a guarantee from HRM. Any borrowing in excess of the limit, requires a guarantee from HRM. HW did have sufficient room under this “cap” to borrow the \$13 million without HRM issuing a guarantee, however this would have reduced some of their flexibility on a go forward basis. Additionally, Halifax Water is in the process of developing a debt strategy. In consultation with HRM and the MFC both the ceiling for un-guaranteed borrowing and future requirements for guarantees (including a broader “blanket guarantee”) will be examined as part of this debt strategy.

## **DISCUSSION**

Halifax Water has participated in the fall 2009 MFC Debenture Issue in the amount of \$15,250,000 which includes the \$13,000,000 for the Halifax Harbour Solutions Project. The Halifax Water Board met on September 24<sup>th</sup>, 2009 and approved the borrowing. A copy of resolution is attached to this report.

The borrowing resolution approved by the HW Board states approval for a sum or sums not exceeding \$13,000,000; amortized over 20 years with a 10 year term at an all-inclusive rate not to exceed 6.5%.

As Halifax Water is a wholly consolidated entity of the Halifax Regional Municipality; to some extent the issuance of a guarantee can be viewed as redundant. If the HW were to default on debt, creditors would eventually be able to seek recourse through legal means against the Municipality. The issuance of a guarantee just reduces risk for creditors by making the recourse process shorter.

## **BUDGET IMPLICATIONS**

To a large extent the issuance of a guarantee can be viewed as a technical issue. As Halifax Water is a wholly owned entity of HRM its debt, for all practical purposes, is already effectively guaranteed. If, hypothetically, HW were to default on debt, creditors would eventually be able to seek recourse through legal means against the municipality. The issuance of a guarantee simply provides a more formal guarantee. There is limited additional risk for HRM. In theory, however, this step reduces risk for creditors by making the recourse process shorter and more certain. It may possibly make it easier for HW to access debt funding at a better interest rate.

**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**

- Letter from HW to NSMFC requesting Debenture Funding
- HW Borrowing Resolution

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.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, Team Leader Accounting Operations 490-3696

Report Approved by:



Cathie O'Toole, CGA, Director of Finance, 490-6308



Louis de Montbrun, CA, Manager Accounting Operations 490-7222



Halifax Regional Water Commission

450 Cowle Hill Road, P.O. Box 8388 RPO CSC, Halifax, Nova Scotia B3K 5M1 phone 902 490-4820 fax 902 490-4808

September 30, 2009

Nova Scotia Municipal Finance Corporation  
P.O. Box 850, Station 'M'  
Halifax, NS  
B3J 2M2

Attn: Mark Peck, MPA (A) CEO

Dear Mark:

**Re: Fall 2009 Debenture Funding**

This will confirm our email to Bob Audoux that Halifax Water (HW) wishes to participate in the fall 2009 MFC Debenture Issue in the amount of \$15,250,000.

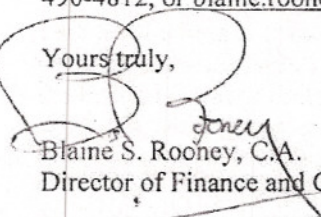
This requirement is comprised of two parts. The first is \$13,000,000 is to fulfill HW's responsibility as per the wastewater/stormwater transfer agreement between HRM and HW to the fund cash shortage for the Halifax Harbour Solutions project. This should be amortized over 20 years with a ten year term. The second is the refinancing of the balloon payment of \$2,250,000 of a 1999 issue (99-A-1) for the remaining 10 years of the amortization period.

The Commission Board met on September 24<sup>th</sup>, 2009, and approved this borrowing request. Enclosed is a certified copy of the resolution. The terms of the debenture should be ten years. The debenture should be of serial type that is equal payments of principal and interest throughout the amortization period (over 20 years for the \$13,000,000). The resolution contains an all inclusive rate cap of 6.5%.

By copy of this letter, I am advising Municipal Affairs of this request, and an application for the borrowing will be forwarded to the Nova Scotia Utility and Review Board for their information and necessary approval. We have also requested that HRM provide a guarantee for this borrowing in accordance with MFC guidelines.

I trust this to be satisfactory. If you require anything further, please do not hesitate to contact me direct at 490-4812, or [blaine.rooney@halifaxwater.ca](mailto:blaine.rooney@halifaxwater.ca).

Yours truly,

  
Blaine S. Rooney, C.A.  
Director of Finance and Customer Service

Encl.

cc: Department of Municipal Affairs  
NS Utility and Review Board  
Carl Yates, M.A.Sc., P.Eng., General Manager, HRWC  
Cathie O'Toole, Director of Finance, HRM  
Bruce Fisher, Manager, Fiscal and Tax Policy, HRM



HALIFAX REGIONAL WATER COMMISSION  
BORROWING RESOLUTION

WHEREAS the Halifax Regional Water Commission, (the Commission) is incorporated under the provisions of the *Halifax Regional Water Commission Act*, Ch. 55 of the Acts of 2007 (The Act);

AND WHEREAS the Act provides that the Commission has power to borrow such sums as may be authorized and approved by the Board of the Commission for the purposes of the Commission, subject to the approval of the Nova Scotia Utility and Review Board;

AND WHEREAS the Commission wishes to borrow for the purpose of the completion of the Halifax Harbour Solutions project, and the refinancing of a balloon payment for the remaining 10 year amortization period;

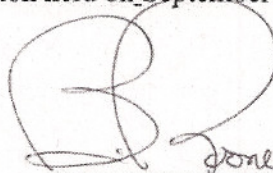
BE IT THEREFORE RESOLVED

THAT under the authority of Section 16 of the Act of the Commission borrow from the Municipal Finance Corporation, for the purpose set forth above, a sum or sums not exceeding \$ 13,000,000 amortized over 20 years with a 10 year term at an all-inclusive rate not to exceed 6.5% percent and \$2,250,000 for a 10 year term amortized over the term at an all-inclusive rate not to exceed 6.5% percent;

THAT the sum be borrowed by the issue of debentures of the Commission to such an amount at the Commission deems necessary and that the debentures be arranged with the Nova Scotia Municipal Finance Corporation, with interest to be paid semi-annually and principal payments made annually;

THAT this resolution remain in force for a period of not more than 12 months from the passing of this resolution.

I certify the above to be a true copy of a Resolution unanimously approved at a meeting of the Halifax Regional Water Commission held on September 24, 2009.



Blaine S. Rooney, C.A.  
Secretary and Treasurer