

**Item No. 11.1.3**

**Halifax Regional Council  
March 9, 2010**

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



**SUBMITTED BY:**

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Dan English, Chief Administrative Officer



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Mike Labrecque, Deputy Chief Administrative Officer - Corporate Services  
& Strategy

**DATE:** March 5, 2010

**SUBJECT:** 2010 Spring Debenture and Temporary Borrowing Resolution

**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 \$20,400,000.
2. Halifax Regional Council approve a Temporary Borrowing Resolution in the amount of \$93,666,000 for financing of the debt funded portion of 2009/10 and previous years' capital projects.

## **BACKGROUND**

The Halifax Regional Municipality Council is required 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 capital projects. HRM currently has seven open Temporary Borrowing Resolutions (TBR) which have various amounts available for debenture with varying expiry dates. The expiry dates need to be coordinated such that the TBR does not expire prior to HRM exercising its authority to debenture against them. For this reason, TBR's are consolidated from time to time and merged into one TBR Resolution. The total amount of 2009/10 and previous years' outstanding debt funded projects is in the amount of \$93,666,000. (See attached schedule)

Staff analysed our current active capital projects requiring debt funding to determine amounts and length of debenture. The result of the analysis is to request that \$20,400,000 be financed over 10 years.

To calculate the costs of borrowing these funds, an estimated 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. It is anticipated that this debenture will have an interest rate substantively lower than 6.5%. For example, the average interest rate on the Fall 2009 debenture was 3.67%.

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	\$20,400,000
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 May 2010 is as follows:

<b>FISCAL YEAR</b>	<b>Year</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL PAYMENTS</b>	<b>EFFECTIVE RATE</b>
2010/11			\$ 663,000	\$ 663,000	6.5%
2011/12	1	\$2,040,000	\$1,259,700	\$3,299,700	6.5%
2012/13	2	\$2,040,000	\$1,127,100	\$3,167,100	6.5%
2013/14	3	\$2,040,000	\$ 994,500	\$3,034,500	6.5%
2014/15	4	\$2,040,000	\$ 861,900	\$2,901,900	6.5%
2015/16	5	\$2,040,000	\$ 729,300	\$2,769,300	6.5%
2016/17	6	\$2,040,000	\$ 596,700	\$2,636,700	6.5%
2017/18	7	\$2,040,000	\$ 464,100	\$2,504,100	6.5%
2018/19	8	\$2,040,000	\$ 331,500	\$2,371,500	6.5%
2019/20	9	\$2,040,000	\$ 198,900	\$2,238,900	6.5%
2020/21	10	\$2,040,000	\$ 66,300	\$2,106,300	6.5%
Total		\$20,400,000	\$7,293,000	\$27,693,000	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 Tangible Capital Asset Accounting and 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

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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. Additionally, permanent funding sources are required to be in place within a year after an asset is put into use.

**ATTACHMENTS**

Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$20,400,000  
Breakdown of Proposed Debenture 2010A by Asset Category  
Temporary Borrowing Resolution 2010/11-1 - 93,666,000  
Breakdown of Temporary Borrowing Resolution 2010/11-1 by Asset Category

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)

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Report approved by:



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Report reviewed by:

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Cathie O'Toole, CGA, Director of Finance/CFO

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
10/11-1	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 Twenty Million Four Hundred Thousand Dollars (\$20,400,000) 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 9<sup>th</sup> day of March, 2010

**GIVEN** under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Municipal Clerk

**Breakdown of Proposed Debenture 2010A1  
HALIFAX REGIONAL MUNICIPALITY**

	<b>TOTAL</b>
<b>EQUIPMENT &amp; FLEET</b>	
General Government	\$ 121,000
Police Services	\$ 100,400
Regional Operations	<u>\$ 1,343,000</u>
_____ Total Equipment & Fleet	<u>\$ 1,564,400</u>
 <b>LAND &amp; BUILDING</b>	
Community Services	\$ 5,188,400
Fire & Emergency Services	\$ 190,400
General Government	\$ 22,700
Library	\$ 43,400
Regional Operations	<u>\$ 1,255,000</u>
Total Land & Buildings	<u>\$ 6,699,900</u>
 <b>PARKS &amp; PLAYGROUNDS</b>	 \$ 1,110,000
 <b>STREETS &amp; SIDEWALKS</b>	 \$11,025,700
 <b>TOTAL DEBENTURE</b>	 <u><u>\$20,400,000</u></u>

**Breakdown By Temporary Borrowing Resolutions:**

**TBR 10/11-1                      \$20,400,000**

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**HALIFAX REGIONAL MUNICIPALITY  
TEMPORARY BORROWING RESOLUTION**

\$93,666,000

File No. 10/11-1  
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 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 Ninety Three Million Six Hundred Sixty Six Thousand Dollars (\$93,666,000) 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 Ninety Three Million Six Hundred Sixty Six Thousand Dollars (\$93,666,000) 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 9th day of March, 2010.

GIVEN under the hands of the Mayor the Clerk and under the seal of the Municipality this \_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Clerk

**Temporary Borrowing Resolution 2010/11-1  
HALIFAX REGIONAL MUNICIPALITY**

	<b>TOTAL</b>
<b>EQUIPMENT &amp; FLEET</b>	
Community Services	\$ 8,700
Fire & Emergency Services	4,070,500
General Government	686,500
Police Services	1,950,700
Regional Operations	<u>4,294,400</u>
<b>Total Equipment &amp; Fleet</b>	<b>\$11,010,800</b>
<b>LAND &amp; BUILDING</b>	
Community Services	22,652,200
Fire & Emergency Services	2,407,500
General Government	4,196,000
Library	2,010,100
Regional Operations	<u>9,883,300</u>
<b>Total Land &amp; Buildings</b>	<b>\$42,149,100</b>
<b>PARKS &amp; PLAYGROUNDS</b>	<b>\$ 1,927,600</b>
<b>SEWERS &amp; STORMWATER</b>	<b>\$ 8,448,600</b>
<b>PARKS &amp; PLAYGROUNDS</b>	<b>\$ 1,069,300</b>
<b>STREETS &amp; SIDEWALKS</b>	<b>\$29,060,600</b>
<b>TOTAL</b>	<b><u>\$93,666,000</u></b>