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Halifax, Nova Scotia
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Item No. 11.1.6
Halifax Regional Council
September 14, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY:

Wayne Anstey, Acting Chief Administrative Officer

Original Signed by Acting DCAO

Cathie O'Toole, Acting Deputy Chief Administrative Officer

DATE: September 10, 2010

SUBJECT: 2010 Fall 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 \$26,725,000.
2. Halifax Regional Council approve a Temporary Borrowing Resolution (TBR) in the amount of \$38,160,900 for financing of the debt funded portion of 2010/11 Project Budget and to refinance a balloon payment for Debenture 2000B1.

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. Additional information on the debenture process can be found at <http://www.gov.ns.ca/nsmfc/debenture.htm>.

DISCUSSION

The TBR amount of \$38,160,900 is based on debt funding included in the 2010/11 budget, plus any refinancing, and represents the maximum borrowing we may require. The amount required to finance the 2010/11 debt funded portion of approved projects is \$35,935,900. Also a balloon payment, in the amount of \$2,225,000 on debt issue 2000B1, is also required to be refinanced, and therefore is to be added to our new TBR request.

The Debenture amount of \$26,725,000 is the actual cash we will receive to pay for the costs we have incurred on current, active capital projects.

To calculate the debenture amount, we analysed current active capital projects requiring debt funding to determine the amount required and the length of time the debenture should be repaid over. The result of the analysis is that \$26,725,000 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 substantially lower than 6.5%. For example, the average interest rate on the spring 2010 debenture was 3.38%.

If the terms of the subsequently negotiated debenture issue are within the parameters, there is no 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	\$26,725,000
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 November 2010 is as follows:

FISCAL YEAR	Year	PRINCIPAL	INTEREST	TOTAL PAYMENTS	EFFECTIVE RATE
2010/11		-	-	-	-
2011/12	1	\$2,672,500	\$1,737,125	\$4,409,625	6.5%
2012/13	2	\$2,672,500	\$1,563,413	\$4,235,913	6.5%
2013/14	3	\$2,672,500	\$1,389,700	\$4,062,200	6.5%
2014/15	4	\$2,672,500	\$1,215,988	\$3,888,488	6.5%
2015/16	5	\$2,672,500	\$1,042,275	\$3,714,775	6.5%
2016/17	6	\$2,672,500	\$868,563	\$3,541,063	6.5%
2017/18	7	\$2,672,500	\$ 694,850	\$3,367,350	6.5%
2018/19	8	\$2,672,500	\$521,138	\$3,193,638	6.5%
2019/20	9	\$2,672,500	\$347,425	\$3,019,925	6.5%
2020/21	10	\$2,672,500	\$173,713	\$2,846,213	6.5%
Total		\$26,725,000	\$9,554,188	\$36,279,188	6.5%

BUDGET IMPLICATIONS

An estimate of the interest payments for this debenture will be included in the 2011/12 operating budget.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality’s Multi-year Financial Strategy, the approved Operating, Project 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. 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. 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 \$26,725,000
Breakdown of Proposed Debenture 2010B by Asset Category
Temporary Borrowing Resolution 10/11-2 - \$38,160,900
Breakdown of Temporary Borrowing Resolution 10/11-2 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)

Report prepared by: Nancy Harper, CMM, Team Lead of Accounting 490-3696

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

Report reviewed by: _____ 490-6308
Cathie O'Toole, CGA, MBA Director of Finance/CFO

Original Signed

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	April 6, 2010
10/11-2	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 Six Million Seven Hundred Twenty Five Thousand Dollars (\$26,725,000) for a period not to exceed 10 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; and,

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 14th day of September, 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 2010B1
HALIFAX REGIONAL MUNICIPALITY**

	TOTAL
EQUIPMENT & FLEET	
Fire & Emergency Services	\$ 3,188,400
Police Services	\$ 13,216
Regional Operations	<u>\$ 39,170</u>
Total Equipment & Fleet	<u>\$ 3,240,786</u>
LAND & BUILDING	
Community Development	\$ 12,912,406
Fire & Emergency Services	\$ 237,388
General Government	\$ 482,181
Library	\$ 1,322,361
Regional Operations	<u>\$ 4,636,058</u>
Total Land & Buildings	<u>\$ 19,590,394</u>
PARKS & PLAYGROUNDS	<u>\$ 51,474</u>
STREETS & SIDEWALKS	<u>\$ 1,617,346</u>
Total Debenture for Current Active Capital Projects	\$ 24,500,000
Refinance Balloon 2000B1	<u>\$ 2,225,000</u>
TOTAL DEBENTURE	<u>\$26,725,000</u>

Breakdown By Temporary Borrowing Resolutions:

TBR 10/11-1	\$24,500,000
TBR 10/11-2	\$ 2,225,000

**HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION**

\$38,160,900

File No. 10/11-2
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 Thirty Eight Million One Hundred Sixty Thousand Nine Hundred Dollars (\$38,160,900) 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 One Hundred Sixty Thousand Nine Hundred Dollars (\$38,160,900) 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 14th day of September, 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 10/11-2
HALIFAX REGIONAL MUNICIPALITY

	TOTAL
EQUIPMENT & FLEET	
Fire & Emergency Services	\$ 1,822,200
Regional Operations	<u>\$ 3,775,300</u>
<u>Total Equipment & Fleet</u>	<u>\$ 5,597,500</u>
LAND & BUILDING	
Community Development	\$15,368,400
Fire & Emergency Services	\$ 1,216,700
General Government	\$ 1,663,300
Regional Operations	<u>\$ 1,289,000</u>
Total Land & Buildings	<u>\$19,537,400</u>
PARKS & PLAYGROUNDS	<u>\$ 2,115,000</u>
STREETS & SIDEWALKS	<u>\$ 8,686,000</u>
Total TBR for 2010/11 Approved Debt Budget	\$35,935,900
Refinance Balloon 2000B1	<u>\$ 2,225,000</u>
TOTAL	<u>\$38,160,900</u>