

Item No. 10.1.2
Halifax Regional Council
April 5, 2011

TO: Mayor Kelly and Members of Halifax Regional Council
Original Signed by

SUBMITTED BY: _____
Mike Labrecque, Deputy Chief Administrative Officer

DATE: March 23, 2011

SUBJECT: 2011 Spring Debenture

ORIGIN

Capital Funding Requirements.

RECOMMENDATION

It is recommended that 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 \$13,250,000.

BACKGROUND

The Halifax Regional Municipality Charter provides the legislative authority for a Council to pass a resolution that sets the parameters for a debenture issue. Temporary Borrowing Resolutions for the Capital Projects for which funds are being borrowed in this report have already been approved by Council and the Minister of Service Nova Scotia and Municipal Relations.

DISCUSSION

The projects in the attached Schedule were identified for debenture funding in the budget process.

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 Nova Scotia Municipal Finance Corporation (NSMFC). It is anticipated that this debenture will have an actual interest rate substantively lower than 6.5%. For example, the “all-in cost” for the Fall 2010 Debenture was 3.25% for the 10 year term. Staff recognizes that the large difference between the interest rate contained in the Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate and the anticipated actual borrowing rate has at times been a concern. The interest rate of 6.5%, as recommended by NSMFC, provides a substantial “cushion” to ensure that a debenture issue can be executed even in adverse market conditions. If the terms of the subsequently negotiated debenture issue are within the parameters, there is no longer a need for Council to reapprove the specifics of the issue. The debenture documents can be finalized without returning to Council. The parameters set out in the attached resolution for pre-approval of debenture issuance are as follows:

Borrow	\$13,250,000
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 2011 is as follows:

DEBENTURE - 2011A-1					
May, 2011					
10 Year Amortization (Estimated Interest Rate 6.50%)					
Opening Balance	Total Payment	Principal Payment	Interest Payment	Yearly Interest Payment	Fiscal Year
13,250,000	430,625.01		430,625	430,625	2011/12
	1,755,625.01	1,325,000	430,625		
11,925,000	387,562.51		387,563	818,188	2012/13
	1,712,562.51	1,325,000	387,563		
10,600,000	344,500.01		344,500	732,063	2013/14
	1,669,500.01	1,325,000	344,500		
9,275,000	301,437.51		301,438	645,938	2014/15
	1,626,437.51	1,325,000	301,438		
7,950,000	258,375.01		258,375	559,813	2015/16
	1,583,375.01	1,325,000	258,375		
6,625,000	215,312.50		215,313	473,688	2016/17
	1,540,312.50	1,325,000	215,313		
5,300,000	172,250.00		172,250	387,563	2017/18
	1,497,250.00	1,325,000	172,250		
3,975,000	129,187.50		129,188	301,438	2018/19
	1,454,187.50	1,325,000	129,188		
2,650,000	86,125.00		86,125	215,313	2019/20
	1,411,125.00	1,325,000	86,125		
1,325,000	43,062.50		43,063	129,188	2020/21
	1,368,062.50	1,325,000	43,063	43,063	2021/22
	17,986,875.10	13,250,000	4,736,875	4,736,875	

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 Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

N/A

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 & Reporting Manual guidelines, 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. 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 \$13,250,000
Breakdown of Proposed Debenture 2011A by Asset Category

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, Accounting Controls and Reporting Manager 490-3696

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

Financial Approval by: _____
Cathie O'Toole, BA, CGA, MBA, 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
2010/11-1	Various Purposes	April 6, 2010
2010/11/2	Various Purposes	November 2, 2010

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 Thirteen Million Two Hundred Fifty Thousand Dollars (\$13,250,000) 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 5th day of April, 2011.

GIVEN under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this _____ day of _____, 2011.

Mayor

Municipal Clerk

	HALIFAX REGIONAL MUNICIPALITY	
	Breakdown of Proposed 2011 Spring Debenture 2011A1	
		TOTAL
EQUIPMENT & FLEET		
	General Government	
	Fire & Emergency Services	177,120.04
	Police Services	147,401.70
	Regional Operations	99,113.94
TOTAL EQUIPMENT & FLEET		\$ 423,635.68
LAND & BUILDINGS		
	Community Services (Recreation & Culture)	7,368,608.59
	Fire & Emergency Services	635,750.65
	General Government	171,701.86
	Regional Operations	181,953.17
TOTAL LAND & BUILDINGS		\$ 8,358,014.27
PARKS & GROUNDS		\$ 8,346.46
STREETS & SIDEWALKS		\$ 4,440,444.68
BRIDGES		\$ 19,558.91
TOTAL 2011 SPRING DEBENTURE		\$ 13,250,000.00