




P.O. Box 1749  
Halifax, Nova Scotia  
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**Item No. 11.1.2**  
**Halifax Regional Council**  
**September 13, 2011**

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

Original signed by 

**SUBMITTED BY:**

Richard Butts, Chief Administrative Officer

Original Signed by Acting Director

Bruce Fisher, MPA, CMA, A/Director of Finance/CFO

**DATE:** August 17, 2011

**SUBJECT:** 2011 Fall Debenture and Temporary Borrowing Resolution

**ORIGIN**

Capital Funding Requirements.

**RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. 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 of \$11,016,000; and
2. Approve a Temporary Borrowing Resolution of \$99,138,700 for financing of the debt funded portion of 2011/12 and previous years' capital projects.

**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 debt funded portion of the approved capital projects. HRM currently has two open Temporary Borrowing Resolutions (TBR's) both of which have an amount available and expiry date. The expiry dates need to be coordinated in such a way 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 approved 2011/12 and previous years' outstanding debt funded projects is \$99,138,700. (See attached schedule.)

Staff analyzed our current active capital projects requiring debt funding to determine amounts required and appropriate length of debenture. The result of the analysis is to request that \$11,016,000 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 (MFC). The effective borrowing rates for the Spring 2011 and Fall 2010 debentures in the 10 year term were 3.68% and 3.25% respectively. It is anticipated that this debenture will have a rate substantially 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	\$11,016,000
Maximum average interest rate	6.50%
Term	10 years

The amortization schedule for the debenture with a 10-year term financed at the maximum rate of 6.5% and with an estimated issuance date of November 2011 is listed as follows:

Fiscal Year	Year	Principal	Interest	Total	Effective Rate
2012/13	1	\$1,101,600	\$716,040	\$1,817,640	6.50%
2013/14	2	\$1,101,600	\$644,436	\$1,746,036	6.50%
2014/15	3	\$1,101,600	\$572,832	\$1,674,432	6.50%
2015/16	4	\$1,101,600	\$501,228	\$1,602,828	6.50%
2016/17	5	\$1,101,600	\$429,624	\$1,531,224	6.50%
2017/18	6	\$1,101,600	\$358,020	\$1,459,620	6.50%
2018/19	7	\$1,101,600	\$286,416	\$1,388,016	6.50%
2019/20	8	\$1,101,600	\$214,812	\$1,316,412	6.50%
2020/21	9	\$1,101,600	\$143,208	\$1,244,808	6.50%
2021/22	10	\$1,101,600	\$71,604	\$1,173,204	6.50%
Total		\$11,016,000	\$3,938,220	\$14,954,220	6.50%

**BUDGET IMPLICATIONS**

The principal and interest payments on the anticipated 2011 Fall Debenture will not commence until the 2012/13 fiscal year and will be included in that year's 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 Capital and Operating reserves as well as any relevant legislation.

**ALTERNATIVES**

Regional Council could choose not to approve the recommendation of this report or seek to amend the amounts to be borrowed. Staff does not recommend these as current interest rates are reasonably attractive and the future level of interest rates is unknown, therefore, there are no alternatives.



**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
11/12-1	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 on a debenture is 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 Eleven Million Sixteen Thousand Dollars (\$11,016,000) 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 13th day of September, 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

<b>Breakdown of Proposed 2011 Fall Debenture</b>		
<b>HALIFAX REGIONAL MUNICIPALITY</b>		
	<b>Asset / Business Unit</b>	<b>TOTAL</b>
<b>BRIDGES</b>		
	Transportation Services	245,400
<b>TOTAL BRIDGES</b>		<b>\$ 245,400</b>
<b>LAND &amp; BUILDINGS</b>		
	General Government	973,400
	Protective Services	1,496,200
	Recreation & Cultural Services	1,591,800
	Transportation Services	370,200
<b>TOTAL LAND &amp; BUILDINGS</b>		<b>\$ 4,431,600</b>
<b>EQUIPMENT &amp; FLEET</b>		
	Protective Services	1,473,500
	Transportation Services	3,320,000
<b>TOTAL EQUIPMENT &amp; FLEET</b>		<b>\$ 4,793,500</b>
<b>PARKS &amp; PLAYGROUNDS</b>		
	Recreation & Cultural Services	1,521,000
<b>TOTAL PARKS &amp; GROUNDS</b>		<b>\$ 1,521,000</b>
<b>STREETS &amp; SIDEWALKS</b>		
	Planning & Development Services	12,200
	Transportation & Public Works	12,300
<b>TOTAL STREETS &amp; SIDEWALKS</b>		<b>\$ 24,500</b>
<b>TOTAL 2011 FALL DEBENTURE</b>		<b>\$11,016,000</b>
<b>Breakdown by Temporary Borrowing Resolution:</b>		
<b>TBR 11/12 - 1</b>		<b>\$11,016,000</b>

ATTACHMENT C

**HALIFAX REGIONAL MUNICIPALITY  
TEMPORARY BORROWING RESOLUTION**

\$ 99,138,700

File No. 11/12-1  
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 Nine Million One Hundred Thirty Eight Thousand Seven Hundred Dollars (\$99,138,700) 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 Nine Million One Hundred Thirty Eight Thousand Seven Hundred Dollars (\$99,138,700) 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 13<sup>th</sup> day of September, 2011.

**GIVEN** under the hands of the Mayor the Clerk and under the seal of the Municipality this                      day of September, 2011

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Clerk

<b>Temporary Borrowing Resolution 2011/12-1</b>		
<b>Halifax Regional Municipality</b>		
	<b>Asset / Business Unit</b>	<b>TOTAL</b>
<b>BRIDGES</b>		
	Transportation Services	611,400
<b>TOTAL BRIDGES</b>		<b>\$611,400</b>
<b>LAND &amp; BUILDINGS</b>		
	General Government	8,572,700
	Protective Services	2,860,700
	Recreation & Cultural Services	22,531,000
	Transportation Services	4,034,200
	Environmental Services	127,500
<b>TOTAL LAND &amp; BUILDINGS</b>		<b>\$38,126,100</b>
<b>EQUIPMENT &amp; FLEET</b>		
	General Government	228,800
	Protective Services	6,326,900
	Transportation Services	7,874,300
<b>TOTAL EQUIPMENT &amp; FLEET</b>		<b>\$14,430,000</b>
<b>PARKS &amp; PLAYGROUNDS</b>		
	Planning & Development	257,000
	Recreation & Cultural Services	4,414,100
<b>TOTAL PARKS &amp; GROUNDS</b>		<b>\$4,671,100</b>
<b>SEWERS &amp; STORMWATER</b>		
	Environmental Services	6,984,300
<b>TOTAL SEWERS &amp; STORMWATER</b>		<b>\$6,984,300</b>
<b>STREETS &amp; SIDEWALKS</b>		
	Planning & Development Services	2,207,330
	Transportation & Public Works	32,108,470
<b>TOTAL STREETS &amp; SIDEWALKS</b>		<b>\$34,315,800</b>
<b>TOTAL</b>		<b>\$99,138,700</b>