


Item No. 10.1.5
Halifax Regional Council
March 27, 20112

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Original signed by 
Richard Butts, Chief Administrative Officer

Original Signed by Director

Greg Keefe, CMA, A/Director of Finance & Information Technology/CFO

DATE: February 29, 2012

SUBJECT: 2012 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 \$14,800,000.

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 2011 Debenture was 3.03% 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%, 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	\$14,800,000
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 2012 is as follows:

DEBENTURE - 2012A-1							
May, 2012							
10 Year Amortization (Estimated Interest Rate 6.50%)							
Mth	Yr	Opening Balance	Total Payment	Principal Payment	Interest Payment	Yearly Interest Payment	Fiscal Year
Nov.	12	14,800,000	481,000		481,000	481,000	2012/13
May	13		1,961,000	1,480,000	481,000		
Nov.	13	13,320,000	432,900		432,900	913,900	2013/14
May	14		1,912,900	1,480,000	432,900		
Nov.	14	11,840,000	384,800		384,800	817,700	2014/15
May	15		1,864,800	1,480,000	384,800		
Nov.	15	10,360,000	336,700		336,700	721,500	2015/16
May	16		1,816,700	1,480,000	336,700		
Nov.	16	8,880,000	288,600		288,600	625,300	2016/17
May	17		1,768,600	1,480,000	288,600		
Nov.	17	7,400,000	240,500		240,500	529,100	2017/18
May	18		1,720,500	1,480,000	240,500		
Nov.	18	5,920,000	192,400		192,400	432,900	2018/19
May	19		1,672,400	1,480,000	192,400		
Nov.	19	4,440,000	144,300		144,300	336,700	2019/20
May	20		1,624,300	1,480,000	144,300		
Nov.	20	2,960,000	96,200		96,200	240,500	2020/21
May	21		1,576,200	1,480,000	96,200		
Nov.	21	1,480,000	48,100		48,100	144,300	2021/22
May	22		1,528,100	1,480,000	48,100	48,100	2022/23
			\$ 20,091,000	\$ 14,800,000	\$ 5,291,000	\$ 5,291,000	

BUDGET IMPLICATIONS

An estimate of the interest payments for this debenture will be included in the 2012/13 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

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
2011/12-1	Various Purposes	October 25, 2011

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 Fourteen Million Eight Hundred Thousand Dollars (\$14,800,000) 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 27th day of March, 2012.

GIVEN under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this _____ day of _____, 2012.

Mayor

Municipal Clerk

Breakdown of Proposed 2012 Spring Debenture		
HALIFAX REGIONAL MUNICIPALITY		
	Asset / Business Unit	TOTAL
BRIDGES		
	Transportation Services	1,700
TOTAL BRIDGES		\$ 1,700
LAND & BUILDINGS		
	General Government	1,603,800
	Protective Services	855,200
	Recreation & Cultural Services	4,193,100
	Transportation Services	74,100
TOTAL LAND & BUILDINGS		\$ 6,726,200
EQUIPMENT & FLEET		
	General Government	90,600
	Protective Services	1,305,000
	Transportation Services	6,500
TOTAL EQUIPMENT & FLEET		\$ 1,402,100
PARKS & PLAYGROUNDS		
	Recreation & Cultural Services	972,000
TOTAL PARKS & GROUNDS		\$ 972,000
STREETS & SIDEWALKS		
	Transportation & Public Works	5,698,000
TOTAL STREETS & SIDEWALKS		\$ 5,698,000
TOTAL 2012 SPRING DEBENTURE		\$ 14,800,000
Breakdown by Temporary Borrowing Resolution: TBR 11/12 - 1		\$ 14,800,000