




P.O. Box 1749
Halifax, Nova Scotia
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Item No. 11.1.3
Halifax Regional Council
September 11, 2012

TO: Mayor Kelly and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY:

Richard Butts, Chief Administrative Officer

Original Signed

Bruce Fisher, A/Director of Finance & Information Technology/CFO

DATE: August 14, 2012

SUBJECT: 2012 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 5.5%, to enable the Halifax Regional Municipality to issue a 10-year debenture of \$9,600,000.
2. Halifax Regional Council approve a Temporary Borrowing Resolution (TBR) of \$99,575,877 for financing of the debt funded portion of 2012/13 and previous years' capital projects.

BACKGROUND

The Halifax Regional Municipality Charter requires Municipalities in the Province of Nova Scotia to approve TBR's 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 TBR's both of which have an amount available and expiry date. The expiry dates need to be coordinated in a 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. The total amount of approved 2012/13 and previous years' outstanding debt funded projects is \$99,575,877.00 (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 \$9,600,000 be financed over 10 years.

To calculate the costs of borrowing these funds, an estimated interest rate of 5.5% was used. The 5.5% interest rate is at the upper limit of the range supplied by the Municipal Finance Corporation (MFC). The actual MFC rates to finance the Spring 2012 debentures were at interest rates varying from 1.636% to 3.480% and the Fall 2011 debenture at interest rates of 1.219% to 3.645%. It is anticipated that this debenture will have a rate lower than the 5.5% 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	\$9,600,000
Maximum average interest rate	5.50%
Term	10 years

The amortization schedule for the debenture with a 10-year term financed at the maximum rate of 5.5% and with an estimated issuance date of November 2012 is listed as follows:

Proposed 2012 Fall Debenture Amortization Schedule										
10 Year Amortization with Estimated Interest Rate 5.500%										
Yr	Fiscal	Month	Opening Balance	Total Payment	Principal Payment	Interest Payment	Total Interest Payment by Fiscal Yr	Principal Payment	Total P + I Payment	Fiscal Year
1	2013	May	9,600,000	264,000		264,000		0		
1	2013	Nov		1,224,000	960,000	264,000	528,000	960,000	1,488,000	2013/14
2	2014	May	8,640,000	237,600		237,600		0		
2	2014	Nov		1,197,600	960,000	237,600	475,200	960,000	1,435,200	2014/15
3	2015	May	7,680,000	211,200		211,200		0		
3	2015	Nov		1,171,200	960,000	211,200	422,400	960,000	1,382,400	2015/16
4	2016	May	6,720,000	184,800		184,800		0		
4	2016	Nov		1,144,800	960,000	184,800	369,600	960,000	1,329,600	2016/17
5	2017	May	5,760,000	158,400		158,400		0		
5	2017	Nov		1,118,400	960,000	158,400	316,800	960,000	1,276,800	2017/18
6	2018	May	4,800,000	132,000		132,000		0		
6	2018	Nov		1,092,000	960,000	132,000	264,000	960,000	1,224,000	2018/19
7	2019	May	3,840,000	105,600		105,600		0		
7	2019	Nov		1,065,600	960,000	105,600	211,200	960,000	1,171,200	2019/20
8	2020	May	2,880,000	79,200		79,200		0		
8	2020	Nov		1,039,200	960,000	79,200	158,400	960,000	1,118,400	2020/21
9	2021	May	1,920,000	52,800		52,800		0		
9	2021	Nov		1,012,800	960,000	52,800	105,600	960,000	1,065,600	2021/22
10	2022	May	960,000	26,400		26,400		0		
10	2022	Nov		986,400	960,000	26,400	52,800	960,000	1,012,800	2022/23
				\$ 12,504,000	\$ 9,600,000	\$ 2,904,000	\$ 2,904,000	\$ 9,600,000	\$ 12,504,000	

BUDGET IMPLICATIONS

The principal and interest payments on the anticipated 2012 Fall Debenture will not commence until the 2013/14 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.

ATTACHMENTS

- A. Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$9,600,000.
- B. Breakdown of Proposed Debenture 2012B by Asset Category.
- C. Temporary Borrowing Resolution 2012/13-1 - \$99,575,877.00
- D. Breakdown of Temporary Borrowing Resolution 2012/13-1 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)

Report prepared by: Nancy Harper, CMM, Manager of Accounting Controls & Reporting 490-3696

Report approved by: Louis de Montbrun, CA, Manager, Financial Reporting 490-7222

Report reviewed by: **Bruce Fisher for:** Greg Keefe, Director of Finance & Information Technology/CFO
490-4493

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
12/13-1	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 Nine Million Six Hundred Thousand Dollars (\$9,600,000) 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 5.5%;

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 11th day of September, 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

ATTACHMENT B

Breakdown of Proposed 2012 Fall Debenture HALIFAX REGIONAL MUNICIPALITY		
	Asset / Business Unit	TOTAL
	BRIDGES	
	Transportation Services	92,700
	TOTAL BRIDGES	\$ 92,700
	LAND & BUILDINGS	
	General Government	1,276,500
	Protective Services	23,400
	Recreation & Cultural Services	5,569,100
	Transportation Services	16,600
	TOTAL LAND & BUILDINGS	\$ 6,885,600
	EQUIPMENT & FLEET	
	General Government	147,600
	Protective Services	368,700
	Transportation Services	217,000
	TOTAL EQUIPMENT & FLEET	\$ 733,300
	PARKS & PLAYGROUNDS	
	Recreation & Cultural Services	309,500
	TOTAL PARKS & GROUNDS	\$ 309,500
	STREETS & SIDEWALKS	
	Transportation & Public Works	1,578,900
	TOTAL STREETS & SIDEWALKS	\$ 1,578,900
	TOTAL 2012 FALL DEBENTURE	\$ 9,600,000
	Breakdown by Temporary Borrowing Resolution:	
	TBR 12/13-1	\$ 9,600,000

**HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION**

\$ 99,575,877.00

File No. 12/13-1
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 Five Hundred Seventy Five Thousand Eight Hundred Seventy Seven Dollars (\$99,575,877) 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 Five Hundred Seventy Five Thousand Eight Hundred Seventy Seven Dollars (\$99,575,877) 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 11th day of September, 2012.

GIVEN under the hands of the Mayor the Clerk and under the seal of the Municipality this day of September, 2012

Mayor

Clerk

ATTACHMENT D

Breakdown of Temporary Borrowing Resolution						
HALIFAX REGIONAL MUNICIPALITY						
Asset / Business Unit		Prior Years Approved Debt Budget	Approved 2012-13 Budget (LIC)	Approved 2012-13 Budget (Debt)	Total Approved Debt Budget 2012-13	Total Debt Budget (TBR Required)
BRIDGES						
Transportation Services	Transportation & Public Works	\$364,308	\$0	\$430,000	\$430,000	\$794,308
TOTAL BRIDGES		\$364,308	\$0	\$430,000	\$430,000	\$794,308
LAND & BUILDINGS						
General Government		\$6,195,364	\$0	\$5,270,000	\$5,270,000	\$11,465,364
Protective Services	Fire & Emergency Services	\$509,272	\$0	\$0	\$0	\$509,272
Protective Services	Regional Police Services	\$0	\$0	\$250,000	\$250,000	\$250,000
Recreation & Cultural Services	Halifax Regional Library	\$452,837	\$0	\$1,000,000	\$1,000,000	\$1,452,837
Recreation & Cultural Services	Community & Recreation Services	\$15,073,741	\$0	\$3,850,000	\$3,850,000	\$18,923,741
Transportation Services	Metro Transit	\$4,436,628	\$0	\$150,000	\$150,000	\$4,586,628
Environmental Services	Solid Waste	\$127,538	\$0	\$0	\$0	\$127,538
TOTAL LAND & BUILDINGS		\$26,795,381	\$0	\$10,520,000	\$10,520,000	\$37,315,381
EQUIPMENT & FLEET						
General Government		\$138,212	\$0	\$0	\$0	\$138,212
Protective Services	Fire & Emergency Services	\$2,628,837	\$0	\$0	\$0	\$2,628,837
Protective Services	Police Services	\$890,389	\$0	\$0	\$0	\$890,389
Recreation & Cultural Services	Community & Recreation Services	\$0	\$0	\$60,000	\$60,000	\$60,000
Transportation Services	Metro Transit	\$2,899,504	\$0	\$3,543,000	\$3,543,000	\$6,442,504
Transportation Services	Transportation & Public Works	\$1,499,654	\$0	\$1,250,000	\$1,250,000	\$2,749,654
TOTAL EQUIPMENT & FLEET		\$8,056,596	\$0	\$4,853,000	\$4,853,000	\$12,909,596
PARKS & PLAYGROUNDS						
Planning & Development Services	Community & Recreation Services	\$257,000	\$0	\$0	\$0	\$257,000
Recreation & Cultural Services	Community & Recreation Services	\$1,628,853	\$0	\$2,387,000	\$2,387,000	\$4,015,853
TOTAL PARKS & GROUNDS		\$1,885,853	\$0	\$2,387,000	\$2,387,000	\$4,272,853
STREETS & SIDEWALKS						
Planning & Development Services	Community & Recreation Services	\$2,195,171	\$0	\$300,000	\$300,000	\$2,495,171
Transportation Services	Transportation & Public Works	\$25,790,568	\$1,638,000	\$14,360,000	\$15,998,000	\$41,788,568
TOTAL STREETS & SIDEWALKS		\$27,985,739	\$1,638,000	\$14,660,000	\$16,298,000	\$44,283,739
TOTAL TEMPORARY BORROWING RESOLUTION		\$65,087,877	\$1,638,000	\$32,850,000	\$34,488,000	\$99,575,877