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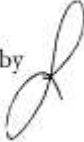
**Item No. 11.1.2**  
**Halifax Regional Council**  
**October 1, 2013**

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

**SUBMITTED BY:**

Original signed by 

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer, Operations

**DATE:** August 28, 2013

**SUBJECT:** 2013 Fall Debenture and Temporary Borrowing Resolution

**ORIGIN**

Capital Funding Requirements.

**LEGISLATIVE AUTHORITY**

Sections 83, 112 and 113 of the Halifax Regional Municipality Charter.

**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 5.0%, to enable the Halifax Regional Municipality to issue a 10-year debenture of \$3,670,000; and
2. Halifax Regional Council approve a Temporary Borrowing Resolution (TBR) of \$97,630,153 for financing of the debt funded portion of 2013/14 and previous years' capital projects.

## **BACKGROUND**

The Halifax Regional Municipality Charter, Section 112, 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 2013/14 and previous years' outstanding debt funded projects is \$97,630,153.00, excluding the Solar City Pilot Project (See attached schedule). The TBR for the Solar City Pilot Project was approved by Council last year in the amount of \$5,455,000 and will not be consolidated into the new TBR requested within this report.

Staff analysed 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 \$3,670,000 be financed over 10 years.

To calculate the costs of borrowing these funds, an estimated interest rate of 5.0% was used. The upper limit on interest rate suggested by the Municipal Finance Corporation (MFC) was at 5.5%. The "all-in" costs of the Spring 2013 debenture was 2.55% and the Fall 2012 debenture was 2.76%. It is anticipated that the Fall 2013 debenture will have a rate lower than the 5.0% 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	\$3,670,000
Maximum average interest rate	5.00%
Term	10 years

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The amortization schedule for the debenture with a 10-year term financed at the maximum rate of 5.0% and with an estimated issuance date of November 2013 is listed as follows:

Proposed 2013 Fall Debenture Amortization Schedule 10 Year Amortization with Estimated Interest Rate 5.000%										
Yr.	Fiscal	Mon	Opening Balance	Total Payment	Principal Payment	Interest Payment	Total Interest Payment by Fiscal Yr.	Principal Payment	Total P + I Payment	Fiscal Year
1	2014	May	3,670,000	91,750		91,750		0		
1	2014	Nov		458,750	367,000	91,750	183,500	367,000	550,500	2014/15
2	2015	May	3,303,000	82,575		82,575		0		
2	2015	Nov		449,575	367,000	82,575	165,150	367,000	532,150	2015/16
3	2016	May	2,936,000	73,400		73,400		0		
3	2016	Nov		440,400	367,000	73,400	146,800	367,000	513,800	2016/17
4	2017	May	2,569,000	64,225		64,225		0		
4	2017	Nov		431,225	367,000	64,225	128,450	367,000	495,450	2017/18
5	2018	May	2,202,000	55,050		55,050		0		
5	2018	Nov		422,050	367,000	55,050	110,100	367,000	477,100	2018/19
6	2019	May	1,835,000	45,875		45,875		0		
6	2019	Nov		412,875	367,000	45,875	91,750	367,000	458,750	2019/20
7	2020	May	1,468,000	36,700		36,700		0		
7	2020	Nov		403,700	367,000	36,700	73,400	367,000	440,400	2020/21
8	2021	May	1,101,000	27,525		27,525		0		
8	2021	Nov		394,525	367,000	27,525	55,050	367,000	422,050	2021/22
9	2022	May	734,000	18,350		18,350		0		
9	2022	Nov		385,350	367,000	18,350	36,700	367,000	403,700	2022/23
10	2023	May	367,000	9,175		9,175		0		
10	2023	Nov		376,175	367,000	9,175	18,350	367,000	385,350	2023/24
				\$ 4,679,250	\$ 3,670,000	\$ 1,009,250	\$ 1,009,250	\$ 3,670,000	\$ 4,679,250	

## **FINANCIAL IMPLICATIONS**

The principal and interest payments on the anticipated 2013 Fall Debenture will not commence until the 2014/15 fiscal year and will be included in that year's operating budget.

## **COMMUNITY ENGAGEMENT**

N/A

## **ENVIRONMENTAL IMPLICATIONS**

N/A

## **ALTERNATIVES**

Regional Council could choose not to approve the recommendations 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.

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**ATTACHMENTS**

- A. Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$3,670,000.
- B. Breakdown of Proposed Debenture 2013B1 by Asset Category.
- C. Temporary Borrowing Resolution 2013/14-1 - \$97,630,153.00
- D. Breakdown of Temporary Borrowing Resolution 2013/43-1 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: Greg Keefe, Director, Finance and Information, Communication and Technology/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
13/14-1	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 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 Three Million Six Hundred Seventy Thousand Dollars (\$3,670,000) 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 5.0%;

**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 1<sup>st</sup> day of October, 2013

**GIVEN** under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Municipal Clerk

ATTACHMENT B

Breakdown of Proposed 2013 Fall Debenture				
HALIFAX REGIONAL MUNICIPALITY				
ASSET / BUSINESS UNIT				TOTAL
<b>LAND &amp; BUILDINGS</b>				
	General Government			691,400
	Recreation & Cultural Services	Community Recreation Services		123,700
<b>TOTAL LAND &amp; BUILDINGS</b>				<b>\$815,100</b>
<b>EQUIPMENT &amp; FLEET</b>				
	Transportation Services	Metro Transit		695,000
	Transportation Services	Transportation & Public Works		69,200
<b>TOTAL EQUIPMENT &amp; FLEET</b>				<b>\$764,200</b>
<b>PARKS &amp; PLAYGROUNDS</b>				
	Recreation & Cultural Services	Community Recreation Services		264,200
<b>TOTAL PARKS &amp; GROUNDS</b>				<b>\$264,200</b>
<b>STREETS &amp; SIDEWALKS</b>				
	Transportation & Public Works	Transportation & Public Works		1,826,500
<b>TOTAL STREETS &amp; SIDEWALKS</b>				<b>\$1,826,500</b>
<b>TOTAL 2013 FALL DEBENTURE AMOUNT: 10-YEAR TERM</b>				<b>\$3,670,000</b>
<b>Breakdown by Temporary Borrowing Resolution:</b>				
<b>TBR 13/14 - 1</b>				<b>\$3,670,000</b>

ATTACHMENT C

**HALIFAX REGIONAL MUNICIPALITY  
TEMPORARY BORROWING RESOLUTION**

\$ 97,630,153.00

File No. 13/14-1  
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 Seven Million Six Hundred Thirty Thousand One Hundred Fifty Three Dollars (\$97,630,153) 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 Seven Million Six Hundred Thirty Thousand One Hundred Fifty Three Dollars (\$97,630,153) 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 1<sup>st</sup> day of October, 2013.

**GIVEN** under the hands of the Mayor the Clerk and under the seal of the Municipality this                      day of October, 2013.

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Mayor

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Clerk

2013/14-1 Temporary Borrowing Resolution					
By Asset Type					
Asset Type	Financial Statement Classification	Business Unit	Prior Years Debt Budget Remaining	2013/14 Approved Debt Budget	Total Approved Debt Budget
<b>BRIDGES</b>	<b>Transportation Services</b>	<b>Transportation &amp; Public Works</b>	<b>591,000</b>	<b>1,000,000</b>	<b>1,591,000</b>
<b>EQUIPMENT &amp; FLEET</b>	General Government		115,813		115,813
	Protective Services	Fire & Emergency Services	2,454,275	1,100,000	3,554,275
	Protective Services	Regional Police	676,205		676,205
	Recreation & Cultural Services	Community & Recreation Services	4,928		4,928
	Transportation Services	Metro Transit	4,174,894	425,300	4,600,194
	Transportation Services	Transportation & Public Works	2,462,168	800,000	3,262,168
<b>EQUIPMENT &amp; FLEET</b>			<b>9,888,282</b>	<b>2,325,300</b>	<b>12,213,582</b>
<b>LAND &amp; BUILDINGS</b>	Environmental Development Services		0	8,715,000	8,715,000
	Environmental Health Services	Solid Waste	127,538		127,538
	General Government		7,894,869	4,950,000	12,844,869
	Protective Services	Regional Police	250,000	600,000	850,000
	Recreation & Cultural Services	Community & Recreation Services	5,558,176	3,000,000	8,558,176
	Recreation & Cultural Services	Halifax Regional Library	1,611,683	60,000	1,671,683
	Transportation Services	Metro Transit	1,843,046	0	1,843,046
<b>LAND &amp; BUILDINGS</b>			<b>17,285,313</b>	<b>17,325,000</b>	<b>34,610,313</b>
<b>PARKS &amp; PLAYGROUNDS</b>	Planning & Development Services		69,001		69,001
	Recreation & Cultural Services		2,856,295	3,150,000	6,006,295
<b>PARKS &amp; PLAYGROUNDS</b>			<b>2,925,296</b>	<b>3,150,000</b>	<b>6,075,296</b>
<b>STREETS &amp; SIDEWALKS</b>	Environmental Development Services		1,572,663	0	1,572,663
	Planning & Development Services		2,471,684	400,000	2,871,684
	Transportation Services	Transportation & Public Works	21,240,614	17,455,000	38,695,614
<b>STREETS &amp; SIDEWALKS</b>			<b>25,284,962</b>	<b>17,855,000</b>	<b>43,139,962</b>
<b>Total TBR 13/14-1</b>			<b>55,974,853</b>	<b>41,655,300</b>	<b>97,630,153</b>