



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 11.1.3**  
**Halifax Regional Council**  
**April 15, 2014**

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

**SUBMITTED BY:**

Original signed by

A handwritten signature in black ink, appearing to be "R Butts", written over a horizontal line.

Richard Butts, Chief Administrative Officer

Original Signed by

A handwritten signature in black ink, appearing to be "Mike Labrecque", written over a horizontal line.

Mike Labrecque, Deputy Chief Administrative Officer, Operations

**DATE:** March 25, 2014

**SUBJECT:** 2014 Spring 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 \$21,875,000.
2. Halifax Regional Council approve a Temporary Borrowing Resolution (TBR) of \$1,375,000 for refinancing of the balloon payment from the 04A1 Debenture.

## **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**

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. However, A Temporary Borrowing Resolution is required for the refinancing of the balloon payment on the 04A1 debenture (\$1,375,000).

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 \$21,875,000 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 Fall 2013 debenture was 3.05% and the Spring 2013 debenture was 2.55%. It is anticipated that the Spring 2014 debenture will have a rate lower than the 5.0% estimated interest rate. 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 5.0%, provides a substantial "cushion" to ensure that a debenture issue can be executed even if market conditions change. 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 and 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	\$21,875,000
Maximum average interest rate	5.00%
Term	10 year

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 May 2014 is listed as follows:

2014A1 Spring Debenture (10 Year Amortization) with estimated 5% interest rate										
Yr	Fiscal	Mon	Opening Balance	Total Payment	Principal	Interest Payment	Total Interest by Fiscal Yr	Principal	Total P + I	Fiscal Yr
1	2014	15-Nov	21,875,000.00	546,875.00		546,875.00	546,875.00	0.00	546,875.00	2014/15
2	2015	15-May		2,734,375.00	2,187,500.00	546,875.00		2,187,500.00		
2	2015	15-Nov	19,687,500.00	492,187.50		492,187.50	1,039,062.50	0.00	3,226,562.50	2015/16
3	2016	15-May		2,679,687.50	2,187,500.00	492,187.50		2,187,500.00		
3	2016	15-Nov	17,500,000.00	437,500.00		437,500.00	929,687.50	0.00	3,117,187.50	2016/17
4	2017	15-May		2,625,000.00	2,187,500.00	437,500.00		2,187,500.00		
4	2017	15-Nov	15,312,500.00	382,812.50		382,812.50	820,312.50	0.00	3,007,812.50	2017/18
5	2018	15-May		2,570,312.50	2,187,500.00	382,812.50		2,187,500.00		
5	2018	15-Nov	13,125,000.00	328,125.00		328,125.00	710,937.50	0.00	2,898,437.50	2018/19
6	2019	15-May		2,515,625.00	2,187,500.00	328,125.00		2,187,500.00		
6	2019	15-Nov	10,937,500.00	273,437.50		273,437.50	601,562.50	0.00	2,789,062.50	2019/20
7	2020	15-May		2,460,937.50	2,187,500.00	273,437.50		2,187,500.00		
7	2020	15-Nov	8,750,000.00	218,750.00		218,750.00	492,187.50	0.00	2,679,687.50	2020/21
8	2021	15-May		2,406,250.00	2,187,500.00	218,750.00		2,187,500.00		
8	2021	15-Nov	6,562,500.00	164,062.50		164,062.50	382,812.50	0.00	2,570,312.50	2021/22
9	2022	15-May		2,351,562.50	2,187,500.00	164,062.50		2,187,500.00		
9	2022	15-Nov	4,375,000.00	109,375.00		109,375.00	273,437.50	0.00	2,460,937.50	2022/23
10	2023	15-May		2,296,875.00	2,187,500.00	109,375.00		2,187,500.00		
10	2023	15-Nov	2,187,500.00	54,687.50		54,687.50	164,062.50	0.00	2,351,562.50	2023/24
11	2024	15-May		2,242,187.50	2,187,500.00	54,687.50	54,687.50	2,187,500.00	2,242,187.50	2024/25
				27,890,625.00	21,875,000.00	6,015,625.00	6,015,625.00	21,875,000.00	27,890,625.00	

## **FINANCIAL IMPLICATIONS**

The interest payment on the anticipated 2014 Spring Debenture will not commence until the 2014/15 fiscal year and an estimated amount of interest has been included in the proposed 2014/15 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.

**ATTACHMENTS**

- A. Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$21,875,000
- B. Breakdown of Proposed Debenture 2014A1 by Asset Category
- C. Temporary Borrowing Resolution 2014/15-A1 - \$1,375,000
- D. Breakdown of Temporary Borrowing Resolution 2014/15-A1 by Asset Category

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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

Financial Approval by: \_\_\_\_\_  
Greg Keefe, Director of Finance & ICT/CFO, 490-6308

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ATTACHMENT 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
13/14-2	Various purposes	Nov 5, 2013

**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 Twenty One Million Eight Hundred Seventy Five Thousand Dollars (\$21,875,000) 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 15<sup>th</sup> day of April, 2014

**GIVEN** under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Mayor

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

ATTACHMENT B

Breakdown of Proposed 2014 Spring Debenture			
HALIFAX REGIONAL MUNICIPALITY			
ASSET / BUSINESS UNIT			TOTAL
<b>LAND &amp; BUILDINGS</b>			
	General Government		1,993,900
	Recreation & Cultural Services	Community and Recreation Services	1,839,900
	Transportation Services	Metro Transit Services	166,500
		Transportation & Public Works	127,300
		<b>TOTAL LAND &amp; BUILDINGS</b>	<b>\$ 4,127,600</b>
<b>EQUIPMENT &amp; FLEET</b>			
	Protective Services	Fire & Emergency Services	35,400
	Transportation Services	Metro Transit Services	2,604,400
		<b>TOTAL EQUIPMENT &amp; FLEET</b>	<b>\$ 2,639,800</b>
<b>PARKS &amp; PLAYGROUNDS</b>			
	Recreation & Cultural Services	Community and Recreation Services	173,500
		<b>TOTAL PARKS &amp; GROUNDS</b>	<b>\$ 173,500</b>
<b>STREETS &amp; SIDEWALKS</b>			
	Transportation Services	Transportation & Public Works	13,559,100
		<b>TOTAL STREETS &amp; SIDEWALKS</b>	<b>\$ 13,559,100</b>
<b>TOTAL</b>			<b>\$ 20,500,000</b>
<b>Breakdown by Temporary Borrowing Resolution:</b>			
	TBR 13/14-2		<b>\$ 20,500,000</b>
<b>Refinanced Balloon - 2004A1</b>			
	Recreation & Cultural Services	Beaver Bank Recreation Centre	500,000
		Halifax Forum Expansion	875,000
<b>TOTAL 2014 SPRING DEBENTURE AMOUNT: 10-YEAR TERM</b>			<b>\$ 21,875,000</b>

**HALIFAX REGIONAL MUNICIPALITY  
TEMPORARY BORROWING RESOLUTION**

\$ 1,375,000

File No. 14/15-1  
Refinance Balloon 04A1

**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 One Million Three Hundred Seventy Five Thousand Dollars (\$1,375,000) 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 One Million Three Hundred Seventy Five Thousand Dollars (\$1,375,000) 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 15th day of April, 2014.

**GIVEN** under the hands of the Mayor the Clerk and under the seal of the Municipality this                      day of April, 2014.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Clerk

**2014/15 TBR by Asset Type**

Refinanced Balloon 2004A1 Beaver Bank	500,000.00	Recreation & Cultural Services	Land & Building
Refinanced Balloon 2004A1 Halifax Forum	875,000.00	Recreation & Cultural Services	Land & Building
	1,375,000.00		