
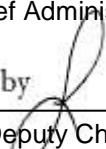




P.O. Box 1749
Halifax, Nova Scotia
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Item No. 11.1.2
Halifax Regional Council
September 23, 2014

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

DATE: August 29, 2014

SUBJECT: 2014 Fall Debenture and Temporary Borrowing Resolutions

ORIGIN

Capital Funding Requirements.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, Section 79(1)(ada) providing for, financing and installing energy-efficiency equipment on private property including, without restricting the generality of the foregoing, solar panels; Section 83, The Municipality may borrow to carry out an authority to expend funds for capital purposes conferred by this Act or another Act of the Legislature; Section 112 Where the Municipality is authorized to borrow money, subject to the approval of the Minister; and Section 113, Where the Municipality is authorized to borrow money, the Municipality may, with the approval of the Minister, postpone the issue of debentures and borrow the money on terms and conditions agreed upon with the lender.

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 5.00%, to enable the Halifax Regional Municipality to issue a 10-year debenture of \$20,280,000;
2. Approve a Temporary Borrowing Resolution of \$125,447,524 for financing of the debt funded portion of 2014/15 and previous year's capital projects, (\$115,447,524) and for re-financing of the Harbour Solutions Project (\$10,000,000); and,
3. Approve renewing a Temporary Borrowing Resolution of \$5,455,000 for financing of the Solar City Pilot Program.

BACKGROUND

The Halifax Regional Municipality Charter, Section 112, requires Municipalities in the Province of Nova Scotia to approve Temporary Borrowing Resolutions ("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 TBR's both of which have an amount available and expiry date. The expiry date needs to be coordinated in such a way that the TBR's do not expire prior to HRM exercising its authority to debenture against them. For this reason, TBR's are consolidated and merged into one TBR from time to time. The total amount of approved 2014/15 and previous year's outstanding debt funded projects is \$115,447,524, excluding the Solar City Pilot Project (see attached schedule).

In 2004, Council approved a 20 year debenture for the financing of the Harbour Solutions Project. At the end of 10 years, 2014, the 10 years remaining on the payment of that debenture, needs to be refinanced, and therefore, also requires a new TBR for the amount of refinancing which is \$10,000,000. This portion of the amount debentured is recoverable from Halifax Regional Water Commission. With these two purposes combined, the total TBR required for HRM is \$125,447,524.

The TBR for the Solar City Pilot Project was approved by Council February 19, 2013. The TBR is valid for 24 months from the date the Minister approves, and therefore, needs to be renewed for another 24 month period as it expires on March 19, 2015. We are keeping this TBR separate from our consolidation process, so that the project and funding can be easily tracked for reporting purposes.

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 \$20,280,000 be financed over 10 years.

To calculate the costs of borrowing these funds, an estimated interest rate of 5.00% was used. The "all-in" costs of the spring 2014 debenture were 2.82%. It is anticipated that the fall 2014 debenture will have a rate lower than the 5.00% 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	\$20,280,000
Maximum average interest rate	5.00%
Term	10 years

The amortization schedule for the debenture with a 10-year term financed at the maximum rate of 5.00% and with an estimated issuance date of November 2014 is listed as follows:

2014 Fall Debenture Amortization Schedule 10 Year Amortization Schedule 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 Year
1	2015	May	\$20,280,000	\$507,000		\$507,000		\$0		
1	2015	November		\$2,535,000	\$2,028,000	\$507,000	\$1,014,000	\$2,028,000	\$3,042,000	2015/16
2	2016	May	\$18,252,000	\$456,300		\$456,300		\$0		
2	2016	November		\$2,484,300	\$2,028,000	\$456,300	\$912,600	\$2,028,000	\$2,940,600	2016/17
3	2017	May	\$16,224,000	\$405,600		\$405,600		\$0		
3	2017	November		\$2,433,600	\$2,028,000	\$405,600	\$811,200	\$2,028,000	\$2,839,200	2017/18
4	2018	May	\$14,186,000	\$354,900		\$354,900		\$0		
4	2018	November		\$2,382,900	\$2,028,000	\$354,900	\$709,800	\$2,028,000	\$2,737,800	2018/19
5	2019	May	\$12,168,000	\$304,200		\$304,200		\$0		
5	2019	November		\$2,332,200	\$2,028,000	\$304,200	\$608,400	\$2,028,000	\$2,636,400	2019/20
6	2020	May	\$10,140,000	\$253,500		\$253,500		\$0		
6	2020	November		\$2,281,500	\$2,028,000	\$253,500	\$507,000	\$2,028,000	\$2,535,000	2020/21
7	2021	May	\$8,112,000	\$202,800		\$202,800		\$0		
7	2021	November		\$2,230,800	\$2,028,000	\$202,800	\$405,600	\$2,028,000	\$2,433,600	2021/22
8	2022	May	\$6,084,000	\$152,100		\$152,100		\$0		
8	2022	November		\$2,180,100	\$2,028,000	\$152,100	\$304,200	\$2,028,000	\$2,332,200	2022/23
9	2023	May	\$4,056,000	\$101,400		\$101,400		\$0		
9	2023	November		\$2,129,400	\$2,028,000	\$101,400	\$202,800	\$2,028,000	\$2,230,800	2023/24
10	2024	May	\$2,028,000	\$50,700		\$50,700		\$0		
10	2024	November		\$2,078,700	\$2,028,000	\$50,700	\$101,400	\$2,028,000	\$2,129,400	2024/25
				\$25,857,000	\$20,280,000	\$5,577,000	\$5,577,000	\$20,280,000	\$25,857,000	

FINANCIAL IMPLICATIONS

The principal and interest payments on the anticipated 2014 Fall Debenture will not commence until the 2015/16 fiscal year and will be included in that year's operating budget.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

As these projects were identified in the budget process to be funded by debt, this is the logical source of permanent funding. Subject to Tangible Capital Asset Accounting and Municipal Accounting & Reporting Manual guidelines, on the timing of the permanent financing of capital projects, Council could choose not to approve the current recommendation to finance these projects now in the hope of obtaining better interest rates at a future bond issue. Staff does not recommend this as current interest rates are reasonably attractive and the future level of interest rates is unknown. Additionally, permanent funding sources are required to be in place within a year after an asset is put into use.

Another alternative is for Council to fund these projects through the General Tax rate in one year. This may increase the Tax Rate or reduce other projects to be funded in the 2015/16 fiscal year. This is not recommended as using debt distributes the costs over a 10 year period and the costs to borrow are low.

ATTACHMENTS

- A. Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$20,280,000
- B. Breakdown of Proposed Debenture 2014B1 by Asset Category
- C. Temporary Borrowing Resolution 2014/15-2 \$125,447,524
(HRM capital projects and refinancing of Harbour Solutions Project)
- D. Temporary Borrowing Resolution 2014/15-3 \$5,455,000 (Solar City Pilot Project)
- E. Breakdown of Temporary Borrowing Resolution 2014/15-1 by Asset Category

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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 Approved by: Greg Keefe, Director of Finance & ICT/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
14/15-2	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 Twenty Million Two Hundred Eighty Thousand Dollars (\$20,280,000) 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 23rd day of September, 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

Breakdown of Proposed 2014 Fall Debenture HALIFAX REGIONAL MUNICIPALITY

ASSET / BUSINESS UNIT		TOTAL
LAND & BUILDINGS		
General Government		711,900
Recreation & Cultural Services	Community Recreation Services	1,356,100
	Halifax Public Libraries	18,900
Transportation Services	Halifax Transit	157,000
	Transportation & Public Works	525,800
TOTAL LAND & BUILDINGS		\$ 2,769,700
EQUIPMENT & FLEET		
Protective Services	Fire & Emergency Services	2,096,500
	Police Services	59,200
Transportation Services	Halifax Transit	300,900
TOTAL EQUIPMENT & FLEET		\$ 2,456,600
PARKS & PLAYGROUNDS		
Recreation & Cultural Services	Community Recreation Services	163,700
TOTAL PARKS & GROUNDS		\$ 163,700
STREETS & SIDEWALKS		
Transportation & Public Works	Transportation & Public Works	4,890,000
TOTAL STREETS & SIDEWALKS		\$ 4,890,000
TOTAL 2014 FALL DEBENTURE AMOUNT: 10-YEAR TERM		\$ 10,280,000
WATER AND SEWER		
Refinance Balloon Payment		
Harbour Solutions	Recoverable from Halifax Water	\$ 10,000,000
TOTAL 2014 FALL DEBENTURE AMOUNT: 10-YEAR TERM		\$ 20,280,000

**HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION**

\$125,447,524

File No. 14/15-1
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 One Hundred Twenty Five Million Four Hundred Forty Seven Thousand Five Hundred Twenty Four Dollars (\$125,447,524) 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 Hundred Twenty Five Million Four Hundred Forty Seven Thousand Five Hundred Twenty Four Dollars (\$125,447,524) 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 23rd day of September, 2014.

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

Mayor

Clerk

**HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION**

\$5,455,000

File No. 14/15-2
FCM Green Municipal Fund
Solar City Pilot Program

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 79(1)(ada) of the Halifax Regional Municipality Charter provides that the Halifax Regional Municipality may expend funds for the purpose of providing for, financing and installing energy-efficiency equipment on private property including solar panels;

BE IT THEREFORE RESOLVED

THAT under the authority of Section 79(1)(ada) of the Halifax Regional Municipality Charter, the Municipality may expend funds required by the Municipality for the purpose of providing for, financing and installing energy-efficiency equipment on private property including solar panels;

THAT under the authority of Section 83 of the Halifax Regional Municipality Charter, the Municipality borrow a sum or sums not exceeding Five Million Four Hundred Fifty Five Thousand Dollars (\$5,455,000) 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 Five Million Four Hundred Fifty Five Thousand Dollars (\$5,455,000) 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 23rd day of September, 2014.

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

Mayor

Clerk

**2014/15-1 Temporary Borrowing Resolution
By Asset Type**

Attachment E

Asset Type	Financial Statement Classification	Business Unit	Prior Year Debt Budget Remaining	2014/15 Approved Debt Budget (Incl. LIC's)	Total Approved Debt Budget (Including LIC's)
BRIDGES	Transportation Services	Transportation & Public Works	716,243	800,000	1,516,243
BRIDGES			716,243	800,000	1,516,243
EQUIPMENT & FLEET	General Government		115,813		115,813
	Protective Services	Fire & Emergency Services	3,722,306	0	3,722,306
	Protective Services	Halifax Regional Police	676,205		676,205
	Recreation & Cultural Services		4,928	225,000	229,928
	Transportation Services	Halifax Transit	706,476	880,000	1,586,476
	Transportation Services	Transportation & Public Works	2,600,000	1,000,000	3,600,000
EQUIPMENT & FLEET			7,825,728	2,105,000	9,930,728
LAND & BUILDINGS	Environmental Development Services		8,715,000		8,715,000
	Environmental Health Services	Solid Waste	127,538		127,538
	General Government		10,186,124	1,615,000	11,801,124
	Recreation & Cultural Services	Halifax Public Libraries	1,671,683	0	1,671,683
	Recreation & Cultural Services		6,252,369	3,868,000	10,120,369
	Transportation Services	Halifax Transit	1,266,088	550,000	1,816,088
LAND & BUILDINGS			28,218,803	6,033,000	34,251,803
PARKS & PLAYGROUNDS	Planning & Development Services		68,163		68,163
	Recreation & Cultural Services		4,849,812	2,885,000	7,734,812
PARKS & PLAYGROUNDS			4,917,975	2,885,000	7,802,975
ROADS & STREETS	Environmental Development Services	Transportation & Public Works	1,515,352	0	1,515,352
	Planning & Development Services	Transportation & Public Works	2,834,635	350,000	3,184,635
	Transportation Services	Transportation & Public Works	11,968,537	12,650,000	24,618,537
ROADS & STREETS			16,318,523	13,000,000	29,318,523
SIDEWALKS	Transportation Services	Transportation & Public Works	1,416,509	5,700,000	7,116,509
SIDEWALKS			1,416,509	5,700,000	7,116,509
	Transportation Services	Transportation & Public Works	12,710,744	12,800,000	25,510,744
TRAFFIC IMPROVEMENTS		Transportation & Public Works	12,710,744	12,800,000	25,510,744
WATER AND SEWER	Recoverable Debt	Repayable by Halifax Water			10,000,000
TOTAL TEMPORARY BORROWING RESOLUTIONS 14/15-1			\$72,124,524	\$43,323,000	\$125,447,524
EQUIPMENT & FLEET	Environmental Development Services	Solar City Pilot Project	5,455,000	0	5,455,000
EQUIPMENT & FLEET	Solar City Pilot Project		\$5,455,000	\$0	\$5,455,000
TOTAL			\$77,579,524	\$43,323,000	\$130,902,524