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Halifax, Nova Scotia
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Item No. 11.1.3
Halifax Regional Council
March 24, 2015

TO: Mayor Savage and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY:

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: February 27, 2015

SUBJECT: 2015 Spring Debenture

ORIGIN

Capital Funding Requirements.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, Section 83 - Power to borrow money, Section 112 - Approved borrowing requirements and Section 113 - Debenture postponement.

RECOMMENDATION

Halifax Regional Council authorizes 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 \$27,000,000.

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 Municipal Affairs.

The Charter, Section 112, further provides the legislative authority for Council to pass a resolution that sets the parameters for a debenture issue.

DISCUSSION

On November 7, 2014, the Minister of Municipal Affairs approved our latest TBR in the amount of \$125,447,524. Therefore, there is no new TBR required at this time.

Staff has analyzed our current active capital projects requiring debt funding to determine the amount required and appropriate length of debenture. The result of the analysis is to request that \$27,000,000 be financed over 10 years.

To calculate the costs of borrowing these funds, an estimated interest rate of 5.0% was used. The "all-in" costs of the Fall 2014 debenture was 2.73% and the Spring 2014 debenture was 2.82%. It is anticipated that the Spring 2015 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	\$27,000,000
Maximum "all-in" 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 2015 is listed as follows:

2015 Spring Debenture Amortization Schedule										
10 Year Amortization Schedule										
with estimated 5% interest rate										
Year	Fiscal	Month	Opening Balance	Total Payment	Principal	Interest Payment	Total Interest by Fiscal Year	Principal	Total P + I	Fiscal Year
1	2015	15-Nov	\$27,000,000	675,000		675,000	675,000	0	675,000	2015/16
2	2016	15-May		3,375,000	2,700,000	675,000		2,700,000		
2	2016	15-Nov	24,300,000	607,500		607,500	1,282,500	0	3,982,500	2016/17
3	2017	15-May		3,307,500	2,700,000	607,500		2,700,000		
3	2017	15-Nov	21,600,000	540,000		540,000	1,147,500	0	3,847,500	2017/18
4	2018	15-May		3,240,000	2,700,000	540,000		2,700,000		
4	2018	15-Nov	18,900,000	472,500		472,500	1,012,500	0	3,712,500	2018/19
5	2019	15-May		3,172,500	2,700,000	472,500		2,700,000		
5	2019	15-Nov	16,200,000	405,000		405,000	877,500	0	3,577,500	2019/20
6	2020	15-May		3,105,000	2,700,000	405,000		2,700,000		
6	2020	15-Nov	13,500,000	337,500		337,500	742,500	0	3,442,500	2020/21
7	2021	15-May		3,037,500	2,700,000	337,500		2,700,000		
7	2021	15-Nov	10,800,000	270,000		270,000	607,500	0	3,307,500	2021/22
8	2022	15-May		2,970,000	2,700,000	270,000		2,700,000		
8	2022	15-Nov	8,100,000	202,500		202,500	472,500	0	3,172,500	2022/23
9	2023	15-May		2,902,500	2,700,000	202,500		2,700,000		
9	2023	15-Nov	5,400,000	135,000		135,000	337,500	0	3,037,500	2023/24
10	2024	15-May		2,835,000	2,700,000	135,000		2,700,000		
10	2024	15-Nov	2,700,000	67,500		67,500	202,500	0	2,902,500	2024/25
11	2025	15-May		2,767,500	2,700,000	67,500	67,500	2,700,000	2,767,500	2025/26
				\$34,425,000	\$27,000,000	\$7,425,000	\$7,425,000	\$27,000,000	\$34,425,000	

FINANCIAL IMPLICATIONS

The interest payment on the anticipated 2015 Spring Debenture will not commence until the 2015/16 fiscal year and an estimated amount of interest has been included in the proposed 2015/16 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.

ATTACHMENTS

- A. Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$27,000,000
- B. Breakdown of Proposed Debenture 2015A1 by Asset Category

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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

Report Approved by: _____
Louis de Montbrun, Manager, Financial Reporting
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Report Approval by: _____
Greg Keefe, Director of Finance & ICT/CFO, 902-490-6308

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 Municipal Affairs.

AND WHEREAS the resolution of council to borrow was approved by the Minister Municipal Affairs:

Resolution number	Purpose	Ministerial Approval Date
14/15-3	Various purposes	Nov 7, 2014

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 Seven Million Dollars (\$27,000,000) for a period not to exceed 10 years subject to the approval of the Minister of Municipal Affairs;

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 24th day of March, 2015.

GIVEN under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this _____ day of _____, 2015.

Mayor

Municipal Clerk

ATTACHMENT B

	Breakdown of Proposed 2015 Spring Debenture			
	HALIFAX REGIONAL MUNICIPALITY			
	ASSET / BUSINESS UNIT			TOTAL
	LAND & BUILDINGS			
		General Government		1,634,700
		Recreation & Cultural Services	Parks and Recreation	1,985,000
		Transportation Services	Halifax Transit	172,100
			Transportation & Public Works	326,400
			TOTAL LAND & BUILDINGS	\$ 4,118,200
	EQUIPMENT & FLEET			
		Protective Services	Fire & Emergency Services	113,400
			Halifax Police Services	42,200
		Transportation Services	Halifax Transit	976,300
			Transportation & Public Works	1,450,100
			TOTAL EQUIPMENT & FLEET	\$ 2,582,000
	PARKS & PLAYGROUNDS			
		Recreation & Cultural Services	Parks and Recreation	286,600
			TOTAL PARKS & GROUNDS	\$ 286,600
	STREETS & SIDEWALKS (ROAD INFRASTRUCTURES)			
		Transportation & Public Works	Transportation & Public Works	20,013,200
			TOTAL STREETS & SIDEWALKS	\$ 20,013,200
	TOTAL 2015 SPRING DEBENTURE AMOUNT: 10-YEAR TERM			\$ 27,000,000