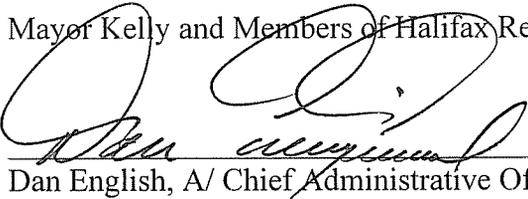


Halifax Regional Council
March 5, 2002

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Dan English, A/ Chief Administrative Officer

DATE: February 26, 2002

SUBJECT: **Renewal of Temporary Borrowing Resolutions and Spring Debenture Issue**

ORIGIN

Capital Funding Requirements.

RECOMMENDATION

It is recommended that:

- 1) Halifax Regional Council renew the balances available on Temporary Borrowing Resolution 00/01-05 in the amount of \$196,470 and Temporary Borrowing Resolution 00/01-08 in the amount of \$46,218,060 as they will be required for the 2002 Spring Debenture.
- 2) The Mayor and Municipal Clerk be authorized to sign the Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate confirmation, not to exceed 7%, to enable the Halifax Regional Municipality to issue a debenture in the amount of \$24,438,000.

BACKGROUND

The Municipal Government Act provides the legislative authority for a Council to pass a resolution that sets the parameters for a debenture issue.

**Renewal of Temporary Borrowing Resolutions
& 2002 Spring Debenture Issue**

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DISCUSSION

The spring debenture issue of \$24,438,000 was included in the projection of debenture debt previously submitted to Council.

As stated above, the Municipal Government Act provides the legislative authority for a Council to pass a resolution that sets the parameters for a debenture issue. 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 are as follows:

Amount	\$24,438,000
Maximum average interest rate	7%
Terms	10 years

The following payment schedule is based on an interest rate of 7%, the maximum permitted per the Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate, and a debenture issue date estimated at May 2002.

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	EFFECTIVE RATE
2002/2003		\$855,330	\$855,330	7.0%
2003/04	\$2,443,000	\$1,625,127	\$4,068,927	7.0%
2004/05	\$2,443,000	\$1,454,061	\$3,897,861	7.0%
2005/06	\$2,443,000	\$1,282,995	\$3,726,795	7.0%
2006/07	\$2,443,000	\$1,111,929	\$3,555,729	7.0%
2007/08	\$2,443,000	\$940,863	\$3,384,663	7.0%
2008/09	\$2,443,000	\$769,797	\$3,213,597	7.0%
2009/10	\$2,443,000	\$598,731	\$3,042,531	7.0%
2010/11	\$2,443,000	\$427,665	\$2,871,465	7.0%
2011/12	\$2,443,000	\$256,599	\$2,700,399	7.0%
2012/13	\$2,443,000	\$85,533	\$2,528,533	7.0%
	<u>\$24,430,000</u>	<u>\$9,408,630</u>	<u>\$33,846,630</u>	<u>7.0%</u>

**Renewal of Temporary Borrowing Resolutions
& 2002 Spring Debenture Issue**

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The suggestion for an upper limit on interest costs is an average interest rate of seven percent, supplied by Nova Scotia Municipal Finance. The last debenture, Fall 2001, had interest rates varying from 3.125% to 6.0%. The Spring 2001 debenture resulted in interest at the rates of 4.375% to 6.250% and previously, Fall 2000, the interest on the debenture varied from, 5.875% to 6.375%. Therefore, it is anticipated that this debenture will have lower than the 7% estimated interest rate.

BUDGET IMPLICATIONS

Based on the Fall 2001 Interest Rates of 3.125% - 6.0%, the debenture issue would result in an expenditure of \$600,258 (Six months interest) in 2002/03. The original proposed 2002/03 operating budget included \$488,000 for this debenture. This change of an additional \$112,000 from the original proposed budget to the revised amount has been reviewed with council and is incorporated in the final version of the proposed budget reviewed earlier today.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

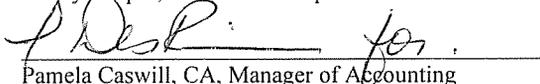
This report complies with the Municipality's Multi-year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves as well as any relevant legislation.

ALTERNATIVES

There are no alternatives

ATTACHMENTS

Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate

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, Team Leader Special Funds	490-6527
Report approved by:	 Pamela Caswill, CA, Manager of Accounting	490-6324
Report approved by:	 Dale MacLennan, CA, Director, Financial Services	490-6308

Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate.

WHEREAS Section 91 of the *Municipal Government Act* provides that a municipality is authorized to borrow money, subject to the approval of the Minister of Housing and Municipal Affairs;

AND WHEREAS the resolution of council to borrow was approved by the Minister of Housing and Municipal Affairs as follows:

Resolution Number	Purpose	Ministerial Approval Date
2000/01-05	Metro Centre	May 28, 2001
2000/01-08	General Purpose	May 17, 2001
2001/02-01	General Purpose 2001/02 Budget	Pending
2001/02-03	General Purpose 2001/02 Budget	Pending

AND WHEREAS clause 91(1)(b) of the *Municipal Government Act* 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 91(2) of the *Municipal Government Act* 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 91 of the *Municipal Government Act*, the Halifax Regional Municipality borrow by the issue and sale of debentures a sum or sums not exceeding \$24,438,000 for a period not to exceed 10 years, subject to the approval of the Minister of Housing and 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 7%;

THAT the debenture be arranged with the Nova Scotia Municipal Finance Corporation with interest to be paid semi annually and principal payments made annually;

THAT this resolution remains in force for a period not exceeding twelve 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 day of _____, 2002

GIVEN under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this _____ day of _____, 2002.

Mayor

Municipal Clerk