


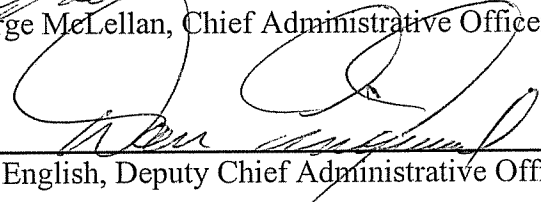
10.1.5



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Halifax Regional Council
September 23, 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
George McLellan, Chief Administrative Officer

Dan English, Deputy Chief Administrative Officer

DATE: September 16, 2003

SUBJECT: **Temporary Borrowing Resolution - Harbour Solutions Project**
Permanent Financing

ORIGIN

Municipal Government Act requirement for a Temporary Borrowing Resolution to put in place permanent financing of approximately \$180,000,000 for the Harbour Solutions Project.

RECOMMENDATION

It is recommended that:

- 1) Halifax Regional Council approve a twenty-four month Temporary Borrowing Resolution in the amount of \$180,000,000 to provide for the permanent financing of the Halifax Harbour Solutions Project.

BACKGROUND

The Municipal Government Act requires Municipalities in the Province of Nova Scotia to approve Temporary Borrowing Resolutions in order to borrow money for capital purposes. This resolution must subsequently be approved by the Minister of Service Nova Scotia and Municipal Relations.

DISCUSSION

A Temporary Borrowing Resolution is required based on the budget for the Harbour Solutions Project which anticipates long term financing of approximately \$180,000,000. It is the usual practice of staff to submit to Council a request for approval of a Temporary Borrowing Resolution based on the anticipated debt requirements of approved Capital Projects.

However in the case of the Harbour Solutions long term financing there are two additional factors which staff would like to bring to Council's attention.

One is the Harbour Solutions Financing Act which permits HRM to borrow money by the issue and sale of debentures to persons other than the Municipal Finance Corporation (MFC), the Federal, Provincial and Municipal Governments, etc. Based on this legislation staff have issued an Expression of Interest (EOI) for the permanent financing of the Harbour Solutions Project. The progress of this EOI is the subject of a separate report to Council.

The second point pertains to the possibility of issuing the debt required in advance of the actual expenditures on the Project. It is anticipated that the repayment of the debt incurred for the Harbour Solutions Project will be fully covered by the Environmental Protection Levy component of the Pollution Control Charge (EPL). At current interest rate levels and with anticipated future increases in the EPL rates as previously communicated to Council, the current levy for the Harbour Solutions Project can fund the total debt obligation. By locking in the cost of funds now Council can be assured that future changes in borrowing costs will not negatively impact on the EPL rates. However, should borrowing costs decline in the future any positive impact on EPL rates would be lost.

Borrowing in advance of requirements will impose an additional cost as in all likelihood returns available for the investment of these funds will be less than what must be paid to borrow these long term funds. Staff are investigating if hedging products may reduce this cost.

Staff wish to emphasize that the rationale for locking in the cost of funds is not to speculate on the future course of interest rates but rather to ensure that the financing costs for the Project do not negatively impact the EPL rates in the future.

**Temporary Borrowing Resolution
Harbour Solutions Project
Permanent Financing
Council Report**

-3-

September 23, 2003

Staff will be returning to Council in the future with a recommendation on the timing of the issue of debt required for the Harbour Solutions Project including the final results of the EOI. Approval of the recommendation in this report, the approval of the Temporary Borrowing Resolution, does not commit Council to the option described above involving borrowing in advance of cash requirements.

BUDGET IMPLICATIONS

There are no Budget Implications at this time.

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.

Temporary Borrowing Resolution
Harbour Solutions Project
Permanent Financing
Council Report

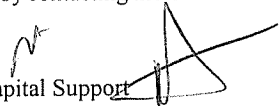

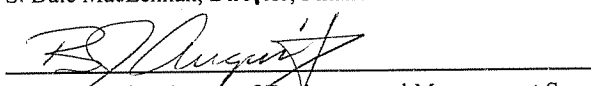
September 23, 2003

ALTERNATIVES

Council could instruct staff to borrow only when funds are required at the then prevailing interest rates. Staff do not recommend this alternative as it would expose the Project Financing and the EPL rates to future borrowing cost risks that would not now be quantifiable.

ATTACHMENTS

Temporary Borrowing Resolution

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.		
Report Prepared by:	Derek Tynski CMA, Investment Analyst Reg Ridgley CGA, Manager of Strategic Capital Support	
Report Approved by:	 S. Dale MacLennan, Director, Financial Services	490-6308
	 Brad Anguish, Director of Environmental Management Services	490-4825

HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION
SCHEDULE 'A'

\$180,000,000

File No.
Harbour Solutions

(a) the design, planning, engineering, procurement, construction, and commissioning of the Sewage Collection Systems, Roads and Outfalls and Diffusers forming part of the Halifax Harbour Solutions Project in each of Halifax, Dartmouth and Herring Cove; and

(b) the procurement, construction and commissioning of the Mengoni Avenue Site Expansion

(c) treatment plants