

HALIFAX

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

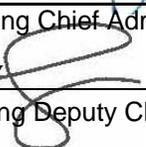
Item No. 14.1.2
Halifax Regional Council
March 22, 2016

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY:

John Traves, Acting Chief Administrative Officer

Original Signed by 

Jane Fraser, Acting Deputy Chief Administrative Officer

DATE: February 22, 2016

SUBJECT: 2016 Spring Debenture

ORIGIN

Capital Funding Requirements.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, Section 83 - Power to borrow money, Section 111 Ministerial Approval, 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 \$19,500,000.

BACKGROUND

The Halifax Regional Municipality Charter, Section 83 (1) 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 111(2) requires Municipalities in the Province of "Nova Scotia to approve Temporary Borrowing Resolutions (TBR's) in order to borrow money for capital purposes. No money may be borrowed by the Municipality or a committee created by an inter-municipal services agreement pursuant to the provisions of this Act or another Act of the Legislature until the proposed borrowing has been approved by the Minister. Section 112, Approved borrowing requirements, is the authorization to borrow money, approved by the Minister is section 111(2).

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 TBR 14/15-3 in the amount of \$125,447,524, and expires November 7th 2016. A second TBR, 15/16-1 in the amount of \$32,036,500 was approved by the Minister of Municipal Affairs on October 23, 2015 and expires on October 23, 2017 (attachments C & D). 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 \$19,500,000 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” cost of the fall 2015 debenture was 2.43% and the spring 2015 debenture was 2.38%. It is anticipated that the spring 2016 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	\$19,500,000
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 2016 is listed as follows:

2016 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	2016	15-Nov	\$19,500,000	487,500		487,500	487,500	0	487,500	2016/17
2	2017	15-May		2,437,500	1,950,000	487,500		1,950,000		
2	2017	15-Nov	17,550,000	438,750		438,750	926,250	0	2,876,250	2017/18
3	2018	15-May		2,388,750	1,950,000	438,750		1,950,000		
3	2018	15-Nov	15,600,000	390,000		390,000	828,750	0	2,778,750	2018/19
4	2019	15-May		2,340,000	1,950,000	390,000		1,950,000		
4	2019	15-Nov	13,650,000	341,250		341,250	731,250	0	2,681,250	2019/20
5	2020	15-May		2,291,250	1,950,000	341,250		1,950,000		
5	2020	15-Nov	11,700,000	292,500		292,500	633,750	0	2,583,750	2020/21
6	2021	15-May		2,242,500	1,950,000	292,500		1,950,000		
6	2021	15-Nov	9,750,000	243,750		243,750	536,250	0	2,486,250	2021/22
7	2022	15-May		2,193,750	1,950,000	243,750		1,950,000		
7	2022	15-Nov	7,800,000	195,000		195,000	438,750	0	2,388,750	2022/23
8	2023	15-May		2,145,000	1,950,000	195,000		1,950,000		
8	2023	15-Nov	5,850,000	146,250		146,250	341,250	0	2,291,250	2023/24
9	2024	15-May		2,096,250	1,950,000	146,250		1,950,000		
9	2024	15-Nov	3,900,000	97,500		97,500	243,750	0	2,193,750	2024/25
10	2025	15-May		2,047,500	1,950,000	97,500		1,950,000		
10	2025	15-Nov	1,950,000	48,750		48,750	146,250	0	2,096,250	2025/26
11	2026	15-May		1,998,750	1,950,000	48,750		1,950,000	1,998,750	2026/27
				\$24,862,500	\$19,500,000	\$5,362,500	\$5,362,500	\$19,500,000	\$24,862,500	

For comparison purposes, if the interest rate is 3%, the cost of borrowing the \$19,500,000 would be reduced from \$5,362,500 to \$3,217,500.

FINANCIAL IMPLICATIONS

The interest payment on the anticipated 2016 Spring Debenture will not commence until the 2016/17 fiscal year and an estimated amount of interest has been included in the proposed 2016/17 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 the Financial Reporting and Accounting Manual ("FRAM") 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 alternative as current interest rates are low 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

Attachment A - Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$19,500,000
Attachment B - Breakdown of Proposed Debenture 2016A1 by Asset Category
Attachment C - Copy of TBR 15/16-1
Attachment D - Copy of TBR 14/15-3

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 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, 902-476-0585

Report Approval by: _____
Amanda Whitewood, 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	November 7, 2014
15/16-1	Various purposes	October 23, 2015

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 Nineteen Million Five Hundred Thousand Dollars (\$19,500,000) 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 22nd 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 _____, 2016.

Mayor

Municipal Clerk

ATTACHMENT B

HRM Proposed 2016 Spring Debenture Breakdown of Proposed 2016 Spring Debenture HALIFAX REGIONAL MUNICIPALITY		
Asset / Business Unit / Project No.	Project Description	Proposed Amount
LAND & BUILDINGS		
General Government		
YBX01046	HFX City Hall & Grand Parade Restoration	166,552.82
YBX01169	HRM Admin. Buildings - Upgrades (Bundle)	5,422.87
YBX01269	Mechanical (Category 6)	216,831.87
YBX01271	Site Work (Category 1)	227,671.72
YBX01272	Roof (Category 3)	952,782.35
YBX01274	Architecture-Exterior (Category 2)	8,771.23
		1,578,032.86
Recreation & Cultural Services		
Parks and Recreation		
YB000002	Major Facilities Upgrades	530,408.31
YB000029	Oakwood House Recapitalization	10,965.78
YBX01168	HRM Heritage Buildings Upgrades (Bundle)	24,146.17
YBX01281	BEAVERBANK COMMUNITY CENTRE	43,938.51
YBX01344	Emera Oval	2,209,710.55
		2,819,169.32
Library		
YBW00978	Central Liby Replacemnt-Spring Garden Rd	257,423.05
		257,423.05
Transportation Services		
Halifax Transit		
YB000013	Lacewood Terminal Replacement	42,463.96
YB200428	Transit Terminal Upgrade & Expansion	140.00
YBX01164	Transit Facilities Upgrades (Bundle)	61,230.12
		103,834.08
Transportation and Public Works		
YB000032	Power House Recapitalization	137,228.97
		137,228.97
TOTAL LAND & BUILDINGS		\$4,895,688.28
EQUIPMENT & FLEET		
General Government		
YIN00200	Enterprise Resource System	49,181.08
		49,181.08
Protective Services		
YE010001	Fire Equipment Replacement	464,657.09
YIP00763	Computer Aided Dispatch(CAD)	17,657.95
		482,315.04
TOTAL EQUIPMENT & FLEET		\$531,496.12
PARKS & PLAYGROUNDS		
Parks and Recreation		
YP000003	Sport Fields/Courts-State of Good Repair	148,457.58
YP000004	Parks,Sports Courts/Fields-Service Impr.	112,711.82
YP110001	Mainland Common Artificial Turf Recapita	941,933.87
YPX01196	Regional Trails Active Transportation	344,267.34
YPX01330	Playgrounds Upgrades & Replacement	114,600.24
YPX01331	Regional Water Access/Beach Upgrades	474,685.71
		2,136,656.56
TOTAL PARKS & PLAYGROUNDS		\$2,136,656.56
STREETS & SIDEWALKS (ROAD INFRASTRUCTURES)		
Transportation Services		
Transportation & Public Works		
YDV00734	Streetscaping in Center Hubs/Corridors	30,633.12
YDX01182	Downtown Streetscapes	75,665.07
YKU01084	Sidewalk Renewals	1,936,880.55
YQ300748	Washmill Underpass & Extension	119,450.00
YR000003	New Sidewalks	1,459,053.85
YR000005	Street Recapitalization	4,572,991.12
YRU01079	Other Related Roadworks (D&C)	619,155.15
YT000001	North Park Corridor Improvements	1,633,520.04
YT000004	Contoller Cabinet/Replacement Program	153,022.20
YTR00908	Transportation Demand Management Program	108,203.38
YTU00419	Traffic Signal Rehabilitation	661,269.09
YTU01006	Road Oversizing Bedford West CCC	566,315.47
		11,936,159.04
TOTAL STREETS & SIDEWALKS		\$11,936,159.04
TOTAL 2016 SPRING DEBENTURE AMOUNT: 10-YEAR TERM		\$19,500,000.00

HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION

Approved as to Form
and Authority
Original Signed

\$32,036,500

File No. 15/16-1
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 Municipal Affairs, may borrow to expend funds for a capital purpose authorized by statute;

AND WHEREAS clause 79 of the Halifax Regional Municipality Charter authorizes the Halifax Regional Municipality to expend funds for the capital purposes of :

- streets, culverts, retaining walls, sidewalks, curbs and gutters;
- land and buildings required for a municipal purpose;
- equipping and maintaining fire departments or emergency services providers;
- playgrounds, trails, including trails developed, operated or maintained pursuant to an agreement made under clause 73 (c), bicycle paths, swimming pools, ice arenas and other recreational facilities;
- public grounds, squares, halls, museums, parks, tourist information centres and community centres;
- acquisition of equipment, materials, vehicles, machinery, apparatus, implements and plant for a municipal purpose;

AND WHEREAS the specific amounts and descriptions of the projects are contained in Schedule "A" (attached);

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 Thirty-Two Million Thirty-Six Thousand Five Hundred Dollars (\$32,036,500) in total for the purpose set out above, subject to the approval of the Minister of Municipal Affairs;

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 Thirty-Two Million Thirty-Six Thousand Five Hundred Dollars (\$32,036,500) in total from any chartered bank or trust company doing business in Nova Scotia;

APPROVED AS TO ACCOUNTS **THAT** the sum be borrowed for a period not exceeding Twenty Four months from the date of the approval of the Minister of Municipal Affairs of this resolution.

Original Signed **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.

Department of Municipal Affairs
Original Signed
Deputy Minister
APPROVED this 23 rd day of October 20 15
Original Signed
Minister of Department of Municipal Affairs
For DMA Use Only

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 22nd day of September 2015.

GIVEN under the hands of the Mayor and the Clerk and under the seal of the Municipality this 28th day of September 2015.

Original Signed

Original Signed

Clerk

HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION

Original Signed

\$125,447,524

File No. 14/15-~~2~~3
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.

APPROVED
AS TO FORM

Original Signed

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 23rd day of September, 2014.

Original Signed

Mayor

Original Signed

Clerk

Department of Municipal Affairs
Recommended for approval of the Minister
Original Signed
APPROVED this 23 rd day
Original Signed
Original Signed
Minister of Department of Municipal Affairs