

HALIFAX

P.O. Box 1749
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Item No. 14.1.5
Halifax Regional Council
October 2, 2018

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY:

Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: August 24, 2018

SUBJECT: 2018 Fall Debenture

ORIGIN

Capital Funding Requirements.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter (HRM Charter),

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;

111 (2) 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;

112 (1) Where the Municipality is authorized to borrow money, subject to the approval of the Minister

- (a) the sum shall be borrowed by the issue and sale of debentures, in one sum or by instalments, as determined by the Council;
- (b) the Council shall determine
 - (i) the amount and term of, and the rate of interest on, each debenture,
 - (ii) when the interest on a debenture is to be paid, and
 - (iii) where the principal and interest on a debenture are to be paid.

113 (1) 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 authorize the Mayor and Municipal Clerk to sign the Resolution for Pre-Approval of Debenture Issuance, subject to interest rate confirmation not to exceed 4.00%, to enable the Halifax Regional Municipality to issue a 10-year debenture of \$11,454,000.

BACKGROUND

Subsection 83 (1) of the HRM Charter allows the Municipality to borrow for capital purposes, providing the Municipality has the authority to expend funds for that capital purpose. Clause 112(1)(b) of the HRM Charter provides the legislative authority for Council to pass a resolution that sets the parameters for a debenture issue.

Subsection 111(2) of the HRM Charter states “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.” The process to fulfill this requirement is for Council 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.

DISCUSSION

The HRM Charter further provides the legislative authority for Council to pass a resolution that sets the parameters for a debenture issue. This is the Resolution for Pre-Approval Form attached.

HRM currently has one TBR (pending approval) with an available balance of \$172,673,900. HRM will be utilizing this TBR for the 2018 Fall Debenture Issuance.

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 \$11,454,000 be financed over 10 years.

To calculate the costs of borrowing these funds, an estimated interest rate of 4.0% was used. The Fall 2017 debenture; 10 - year term rate was 2.84%. Spring 2018 debenture was 3.18%. It is anticipated that the Fall 2018 debenture will have a rate lower than the 4.0% 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 4.0% 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	\$11,454,000
Maximum “all-in” interest rate	4.00%
Term	10 year

The amortization schedule for the debenture with a 10-year term financed at the maximum rate of 4.0% and with an estimated issuance date of November 2018 is listed as follows:

2018 Fall Debenture Amortization Schedule
10 Year Amortization Schedule
with estimated 4% interest rate

Yr	Fiscal	Mon	Opening Balance	Total Payment	Principal	Interest Payment	Total Interest by Fiscal Yr	Principal	Total P + I	Fiscal Year
1	2019	May	\$11,454,000	\$229,080		\$229,080		\$0		
1	2019	November		\$1,374,480	\$1,145,400	\$229,080	\$458,160	\$1,145,400	\$1,603,560	2019/20
2	2020	May	\$10,308,600	\$206,172		\$206,172		\$0		
2	2020	November		\$1,351,572	\$1,145,400	\$206,172	\$412,344	\$1,145,400	\$1,557,744	2020/21
3	2021	May	\$9,163,200	\$183,264		\$183,264		\$0		
3	2021	November		\$1,328,664	\$1,145,400	\$183,264	\$366,528	\$1,145,400	\$1,511,928	2021/22
4	2022	May	\$8,017,800	\$160,356		\$160,356		\$0		
4	2022	November		\$1,305,756	\$1,145,400	\$160,356	\$320,712	\$1,145,400	\$1,466,112	2022/23
5	2023	May	\$6,872,400	\$137,448		\$137,448		\$0		
5	2023	November		\$1,282,848	\$1,145,400	\$137,448	\$274,896	\$1,145,400	\$1,420,296	2023/24
6	2024	May	\$5,727,000	\$114,540		\$114,540		\$0		
6	2024	November		\$1,259,940	\$1,145,400	\$114,540	\$229,080	\$1,145,400	\$1,374,480	2024/25
7	2025	May	\$4,581,600	\$91,632		\$91,632		\$0		
7	2025	November		\$1,237,032	\$1,145,400	\$91,632	\$183,264	\$1,145,400	\$1,328,664	2025/26
8	2026	May	\$3,436,200	\$68,724		\$68,724		\$0		
8	2026	November		\$1,214,124	\$1,145,400	\$68,724	\$137,448	\$1,145,400	\$1,282,848	2026/27
9	2027	May	\$2,290,800	\$45,816		\$45,816		\$0		
9	2027	November		\$1,191,216	\$1,145,400	\$45,816	\$91,632	\$1,145,400	\$1,237,032	2027/28
10	2028	May	\$1,145,400	\$22,908		\$22,908		\$0		
10	2028	November		\$1,168,308	\$1,145,400	\$22,908	\$45,816	\$1,145,400	\$1,191,216	2028/29
				\$13,973,881	\$11,454,000	\$2,519,880	\$2,519,880	\$11,454,000	\$13,973,881	

For comparison purposes, if the interest rate is 3%, the cost of borrowing the \$11,454,000 would be reduced from \$2,519,880 to \$1,889,910.

FINANCIAL IMPLICATIONS

The interest payment on the anticipated 2018 Fall Debenture will not commence until the 2019/20 fiscal year and will be included in that year's operating budget.

RISK CONSIDERATION

Without debt funding to fund these projects, it could impact operating funds, which could increase tax rates or reserve withdrawals.

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 2019/20 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. Copy of TBR 18/19-1 & Schedule A outlining TBR by Asset Class (pending Council and Ministerial approval at time of this report being written)
- B. Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$11,454,000
- C. Breakdown of Proposed Debenture 2018B1 by Asset Category

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Nancy Harper, Accounting Controls & Reporting Manager, Finance & Asset Management
902.490.3696

HALIFAX REGIONAL MUNICIPALITY
TEMPORARY BORROWING RESOLUTION

Attachment A

\$172,673,900

File No. 18/19-1
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 One Hundred Seventy Two Million Six Hundred Seventy Three Thousand Nine Hundred Dollars (\$172,673,900) 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 One Hundred Seventy Two Million Six Hundred Seventy Three Thousand Nine Hundred Dollars (\$172,673,900) 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 months from the date of the approval of the Minister of Municipal Affairs 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 _____ day of _____ 2018.

GIVEN under the hands of the Mayor and the Clerk and under the seal of the Municipality this _____ day of _____ 2018.

Mayor

Clerk

For DMA Use Only

HALIFAX REGIONAL MUNICIPALITY
 TEMPORARY BORROWING RESOLUTION
 SCHEDULE 'A' TBR by Asset Class

\$ 172,673,900

File No. 18/19-1

PROJECT NO.	PROJECT DESCRIPTION	FUNCTIONAL AREA	AMOUNT
Business Tools			
CI000004	ICT Infrastructure Recapitalization	General Government Services	260,600
CI180001	Enterprise Asset Management	General Government Services	692,600
CI990004	ICT Bundle	General Government Services	588,800
CI990009	Hansen Revenue Module Replacement	General Government Services	1,000,000
CI990013	Permitting System Replacement	Planning and Development Services	2,000,000
CI180002	Computer Aided Dispatch	Protective Services	34,300
CI000005	Recreation Services Software	Recreation and Cultural Services	1,101,500
Business Tools Total			5,677,800
Community Development			
CD990005	Solar City Phase 2	Planning and Development Services	11,613,300
Community Development Total			11,613,300
Equipment and Fleet			
CE180001	Fleet Vehicle Replacement	General Government Services	1,624,200
CE010004	Fire Apparatus Fleet Expansion	Protective Services	1,200,000
CE180002	Fire Apparatus Replacement	Protective Services	2,701,300
CVU01207	Replacement Ice Resurfacers Multi Year	Recreation and Cultural Services	229,100
CM180003	Ferry Replacement	Transportation Services	4,195,000
CM180005	New Transit Technology	Transportation Services	1,707,800
CM180006	Transit Security	Transportation Services	1,840,100
CM180008	Conventional Bus Expansion	Transportation Services	2,181,200
Equipment and Fleet Total			15,678,700
Land and Buildings			
CB000047	Corporate Accommodations	General Government Services	456,800
CB000090	General Building Recapitalization	General Government Services	293,700
CB180003	Halifax City Hall & Grand Parade Restoration	General Government Services	955,000
CB180005	Roof Recapitalization	General Government Services	941,800
CBX01154	Accessibility - HRM Facilities	General Government Services	590,900
CBX01157	Alderney Gate Recapitalization	General Government Services	500,000
CBX01170	HRM Depot Upgrades	General Government Services	1,172,700
CQ000012	Industrial Land Acquisition	Planning and Development Services	3,338,800
CB000052	Fire Station 2, University Ave. Recap.	Protective Services	1,610,000
CB000079	Sambro/Harrietsfield Fire Station	Protective Services	1,500,000
CB000011	St. Andrews Community Centre Renovation	Recreation and Cultural Services	1,691,000
CB000045	Cole Harbour Place	Recreation and Cultural Services	1,270,000
CB000058	Musquodoboit Recreation Facility	Recreation and Cultural Services	220,000
CB000060	Sackville Sports Stadium	Recreation and Cultural Services	1,000,000
CB000075	Dartmouth North Community Centre Upgrade	Recreation and Cultural Services	600,000
CB000086	Central Library Replacement-Spring Garden	Recreation and Cultural Services	572,700
CB180001	Multi District Facilities Upgrades	Recreation and Cultural Services	1,649,100
CB180008	Emera Oval	Recreation and Cultural Services	317,900
CBX01165	Regional Library-Facility Upgrades	Recreation and Cultural Services	483,600
CB000017	New/Expanded Transit Centre	Transportation Services	626,800
CB000039	Halifax Ferry Terminal	Transportation Services	438,900
CBX01171	Ferry Terminal Pontoon Protection	Transportation Services	323,400
Land and Buildings Total			20,553,100
Parks and Playgrounds			
CDG00493	Shubenacadie Canal Greenway Trail	Recreation and Cultural Services	501,300
CP000006	Point Pleasant Park Upgrades	Recreation and Cultural Services	600,000
CP000011	Cornwallis Park Master Plan Phase 1	Recreation and Cultural Services	713,500
CP000012	Fort Needham Master Plan Implementation	Recreation and Cultural Services	2,163,500
CP000013	Halifax Common Upgrades	Recreation and Cultural Services	1,600,000
CP110002	Cole Harbour Artificial Turf	Recreation and Cultural Services	2,250,000
CP180001	Park Recapitalization	Recreation and Cultural Services	867,800
CP180002	Regional Water Access/Beach Upgrades	Recreation and Cultural Services	633,400
CP180003	Sport Fields/Courts-State of Good Repair	Recreation and Cultural Services	1,195,900
CP180005	Sports/Ball Fields/Courts-New	Recreation and Cultural Services	357,600
CPX01149	Park Land Acquisition	Recreation and Cultural Services	261,500
Parks and Playgrounds Total			11,144,500
Roads and Active Transportation			
CR000001	Storm Sewer Upgrades	Transportation Services	1,150,000
CR000009	Street Recapitalization	Transportation Services	24,004,100
CR180001	Active Transportation Strategic Projects	Transportation Services	10,180,400
CR180003	Bridges	Transportation Services	3,954,000
CR180004	Other Road Related Works	Transportation Services	4,149,000
CR180005	Road Operations & Construction-Repair	Transportation Services	4,000,000
CR180006	New Paving Streets-HRM Owned Roads	Transportation Services	852,000
CR180007	New Paving Subdivision Streets-Province	Transportation Services	490,000
CR990001	New Paving Subdivision St. Outside Core	Transportation Services	1,162,600
Roads and Active Transportation Total			49,942,100
Sidewalks, Curbs and Gutters			
CR180002	Sidewalk Renewals	Transportation Services	5,018,200
Sidewalks, Curbs and Gutters Total			5,018,200
Traffic Improvements			
CT000005	LED Streetlight Conversion	Transportation Services	44,110,200
CT000007	Cogswell Interchange Redevelopment	Transportation Services	500,000
CT180001	Street Lighting	Transportation Services	360,000
CT180002	Traffic Signal Rehabilitation	Transportation Services	683,200
CT180003	Traffic Signal Re-Lamping Program	Transportation Services	250,000
CT180004	Controller Cabinet & Detection Program	Transportation Services	804,400
CT180005	Intersection Improvement Program	Transportation Services	676,300
CT180007	Traffic Signal Installation	Transportation Services	297,400
CT180008	Complete Streets	Transportation Services	504,100
CTR00904	Destination Signage Program	Transportation Services	243,300
CTU00897	Road Corridor Land Acquisition	Transportation Services	622,300
CTU01006	Road Oversizing Bedford West CCC	Transportation Services	639,500
Traffic Improvements Total			49,690,700
Water Services			
CS000002	Fall River Water Service	Environmental Services	3,355,500
Water Services Total			3,355,500
Total TBR Requested			172,673,900

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
18/19-1	Various purposes	Pending

AND WHEREAS clause 112(1)(b) of the *Halifax Regional Municipality Charter* requires 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 subsection 112(2) of the *Halifax Regional Municipality Charter* requires, 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 Eleven Million Four Hundred Fifty Four Thousand Dollars (\$11,454,000) 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 4.0%;

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 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 _____, 2018.

GIVEN under the hands of the Mayor and Municipal Clerk of the Halifax Regional Municipality, this _____ day of _____, 2018.

Mayor

Municipal Clerk

HRM Proposed 2018 Fall Debenture
Breakdown of Proposed 2018 Fall Debenture
HALIFAX REGIONAL MUNICIPALITY

Asset / Business Unit / Project No.	Project Description	Proposed Amount
LAND & BUILDINGS		
General Government		
CBX01154	Accessibility - HRM Facilities (Bundled)	41,807.63
CBX01170	HRM Depot Upgrades	325,864.02
CBX01157	Alderney Gate Recapitalization	500,000.00
		867,671.65
Recreation & Cultural Services		
Parks and Recreation		
CB000058	Musquodoboit Recreation Facility	220,000.00
		220,000.00
Transportation Services		
Halifax Transit		
CBX01171	Ferry Terminal Pontoon Protection	323,385.26
		323,385.26
TOTAL LAND & BUILDINGS		\$1,411,056.91
EQUIPMENT & FLEET		
Transportation Services		
Halifax Transit		
CM180003	Ferry Replacement	4,195,000.00
		4,195,000.00
Parks and Recreation		
CVU01207	Replacement Ice Resurfacers Multi Year	79,194.12
		79,194.12
TOTAL EQUIPMENT & FLEET		\$4,274,194.12
PARKS & PLAYGROUNDS		
Parks and Recreation		
CDG00493	Shubenacadie Canal Greenway Trail	501,285.56
CP000011	Comwallis Park Master Plan Phase 1	682,240.06
CP000012	Fort Needham Master Plan Implementation	1,218,107.61
CP110002	Cole Harbour Artificial Turf	1,929,203.97
CPX01149	Parkland Acquisition	261,456.56
		4,592,293.76
TOTAL PARKS & PLAYGROUNDS		\$4,592,293.76
STREETS & SIDEWALKS (ROAD INFRASTRUCTURES)		
Roads & Active Transportation		
Transportation & Public Works		
CR000001	Storm Sewer Upgrades (Bundle)	225,185.64
TOTAL STREETS & SIDEWALKS		\$225,185.64
TRAFFIC IMPROVEMENTS		
Transportation Services		
Transportation & Public Works		
CTU00897	Road Corridor Land Acquisition	311,793.39
CTU01006	Road Oversizing Bedford West CCC	639,476.18
		\$951,269.57
TOTAL TRAFFIC IMPROVEMENTS		\$951,269.57
TOTAL 2017 FALL DEBENTURE AMOUNT: 10-YEAR TERM		\$11,454,000.00