

TO: Mayors/Wardens, Councillors, All Units

CC: Chief Administrative Officers/Clerk-Treasurers, All Units

**RE: MUNICIPAL FINANCE CORPORATION'S NEWSLETTER—SEPTEMBER
2017**

We thought the Municipal Finance Corporation's September 2017 newsletter (attached) would be of interest to our members.



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Nova Scotia
**MUNICIPAL
FINANCE
CORPORATION**

quarterly newsletter

Volume 3 Issue 2

September 2017

I hope everyone has had a great summer and that the upcoming fall is just as great!

As part of our January 2017 survey, we had asked participants if they would be interested in a program that would earn a higher interest rate than they typically are receiving from their own financial institutions. Ninety Four percent of the participants of the survey indicated they would. Over the summer, we contacted the majority of our clients to firm up the interest in such a program. The results was an overwhelming yes. Included in this newsletter is more details on how the program is being set up.

We continue to promote the use of our Best Practices, the Debt Affordability Model, and the Government Finance Officers Association of US and Canada as useful tools. If any municipality is interested in learning more about or would like a presentation on any of our products, please do not hesitate to contact us. We would be more than happy to come and talk to you and your Council about any of them.

As always, thank you for taking the time to read this newsletter.

Paul
Paul Wills, CPA, CMA
CEO/Treasurer



Nova Scotia Municipal Finance Corporation

Mission Statement:

To provide capital infrastructure financing at the lowest available cost, within acceptable risk parameters, and to provide financial management advice and assistance to clients.

This mission is achieved through the issuance of debentures. The Corporation pools municipal borrowing requirements which eliminates the need for individual municipalities to negotiate and administer their own debenture issues. Under this arrangement, the debt issuance function remains in the public sector domain.

Why the Municipal Finance Corporation?

The Nova Scotia Municipal Finance Corporation (MFC) was established by an Act of the Legislature of the Province of Nova Scotia in 1979 (*Municipal Finance Corporation Act, Chapter 301*). The MFC concept is widely used in Canadian provinces and American states as a cost effective, efficient means of raising long-term debenture funds to finance municipal capital projects. Studies have shown that smaller municipalities with lower credit ratings receive the greatest interest savings from MFC participation and that all municipalities can benefit from savings in the cost of administration on outstanding debenture issues. In addition, two of the five members of the board of directors are appointed based on the recommendation of the Union of Nova Scotia Municipalities, which ensures strong municipal representation.

Who must finance capital projects through the MFC?

The objective of the Corporation is to provide financial assistance to its clients, including municipalities, villages, municipal enterprises, school boards, and hospitals (*MFC Act, S7*). All municipalities, villages, and municipal enterprises must finance their external capital requirements through the Corporation through the issuance of a debenture (*MFC Act, S16(1) and S16(2)*). The MFC uses credit enhancement and debt-pooling techniques to meet clients' approved funding requirements at the lowest possible cost.

Long-Term Loans For Capital Infrastructure

Pooled debenture issues are the most used product that the MFC offers its clients. The MFC regularly goes to market with two debenture issues each fiscal year, in the spring and fall.

Our Location

Nova Scotia Municipal Finance Corporation

Maritime Centre

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High Interest Savings Account (HISA)

How Does it Work?

Once a contract is signed between the municipality and MFC, the Corporation will set up an “In Trust” account in the municipality’s name under the MFC umbrella with CIBC. This is done to keep the funds of each municipal unit segregated and on its own. The design of the program is not to replace your daily bank account but rather provide a place to park your Capital Reserves, Gas Tax, and Operating Surpluses. Transfers to and from your existing bank account is done via EFT. There is no term limits....you can put funds in one day and pull them out the next, unlike typical GIC’s. There is limited administration on your part, just an email, as MFC will be doing the bulk of the administration. And finally, MFC has decided it will not be charging any administration fees for this service. No additional resources are required thus our regular revenue stream provides us with the funding we require to operate. You will receive all the interest you are entitled to.

Interest is calculated on the total pooled fund balance and not the individual “In Trust” account balances, thus entitling each unit to receive greater interest than what they receive from their current financial institution.

If you would like to have us do a presentation to your Council to help explain how the program would work, we would be more than happy to do so. To set up a presentation please contact either Paul Wills at 902-424-4590 or paul.wills@novascotia.ca or Bob Audoux at 902-424-7172 or bob.audoux@novascotia.ca.

CIBC approved HISA tiers for MFC municipal clients

<i>Balanced Tiers</i>	<i>Annual Interest Rate*</i>
\$0 to < \$24.9 Million	Prime less 1.60% (1.35%)
\$25 to \$74.9 Million	Prime less 1.55% (1.40%)
Over \$75 Million	Prime less 1.50% (1.45%)

**Prime is 2.95%, effective July 13, 2017.*

Nova Scotia Municipal Finance Corporation

As a Crown Corporation, MFC's powers and responsibility are set out in the Municipal Finance Corporation Act (1979) and the Corporation is accountable to the Nova Scotia legislature through the Minister of DMA.

A Board of Directors appointed by the Governor-in-Council governs the Corporation. The Board is comprised of six directors: two members are senior provincial public servants, two members are appointed upon the recommendation of the UNSM, one member is appointed upon the recommendation of the AMA, and one member is appointed from the community at large.

The Corporation is completely self-funded. The Minister of DMA is required by legislation to approve the annual administration budget. The Corporation levies fees on loans made to its clients to help offset its administrative expenses.

Support staff and resources from the provincial Departments of Finance and Treasury Board and DMA have been provided to the Corporation. The Corporation also contracts with the Department of Justice for the provision of legal services. The advice and assistance given by all three provincial departments is a valuable contribution to the operations of the Corporation.

Short Term Loan Program

In 2014, the Corporation secured a \$50-million line of credit from the Nova Scotia Department of Finance and Treasury Board to facilitate requests from municipalities. Previously, the Corporation's reserve fund was used to provide short-term loans to clients that had completed capital projects and were awaiting participation in the next debenture issue. This change creates an opportunity for the municipal client to access even lower interest than before, and for the Corporation to invest and earn more interest on its reserve fund. Interest is charged at 90-day Bankers' Acceptance plus 50 basis points (1/2%) calculated using the Canadian Dollar Offered Rate.

If you have a completed capital project but missed the spring debenture offering, contact Bob Audoux at (902)-424-7172 or bob.audoux@novascotia.ca for information on how to access this program.

Mentoring Program

When a new Director of Finance is hired who lacks municipal experience, MFC has a program to help assist the new hire. This program will assist the new municipal Director of Finance become more accustomed to municipal government by speaking with a retired former Director of Finance to help understand the way municipalities function and operate. The Corporation will pay the mentor to meet with the newly hired Director of Finance for four sessions for up to three hours each time. Topics covered will be:

• Fund Accounting	• Director's Responsibilities	• Budget Process	• Year-end Working Papers
• Council Reports	• Tax Sales	• CAO/DOF Relationship	• Nonconsolidated/Consolidated Financial Statements

If you have recently hired a new Director of Finance and would like to access this program, please contact Paul Wills at 902-424-4590 or paul.wills@novascotia.ca.

What are the MFC best practices?

In 2003, MFC and the Association of Municipal Administrators of Nova Scotia (AMA) formed a joint committee to develop financial management best practices for municipalities in Nova Scotia. The Committee used practices developed by the Government Finance Officers Association (GFOA) and adapted them to fit Nova Scotia's legislation and practices. Overall, 32 best practices were created to help support the financial health of municipalities in Nova Scotia.

The committee was re-established again in the summer of 2013 to revisit the best practices to determine which could be considered "core" or high priority. Of the 32 best practices, seven were determined to be core or high priority.

Best practices are proven and reliable techniques or methodologies. They can be simple or complex, but overall they are meant to be effective and efficient strategies for accomplishing a task. MFC's best practices are designed to support good governance by promoting accountability, transparency, value for money, and risk management. A typical best practice includes background information about why it is considered important, suggested resources from other organizations, and step-by-step guides for implementation.

They are not generic templates to download, take to Council and get approved. Some work must be done first to tailor them to your municipality's needs and context. MFC can work directly with your staff to adapt any of the best practices into policies to suit your needs, from the research and writing involved in drafting policies, to making presentations to council.

To find out how we can work with you contact Paul Wills at (902) 424-4590 or email:
Paul.Wills@novascotia.ca

MFC Best Practice Profile

Debt Management Policy

The original recommended practice was developed by the Government Finance Officers Association (GFOA). Some aspects of the practice have been revised by the Financial Management Capacity Building Committee (FMCBC) for use by Nova Scotia municipal governments. The original GFOA recommended practice, *Analysing Debt Capacity and Establishing Debt Limits* (approved in June 2000), was replaced by the *Debt Management Policy* in 2003.

Recommendation

The GFOA recommends that municipalities should adopt comprehensive written debt management policies. The GFOA also recommends that municipalities should undertake an analysis of their debt capacity and establish realistic debt limits. Following the GFOA recommendation, the FMCBC recommends that prior to requesting financing from the Nova Scotia Municipal Finance Corporation (MFC), a municipality should carry out an analysis of its debt capacity.

Purpose

Municipalities should have their strategy and processes of how they choose to manage their debt and capital costs as a fixed document that can be accessed by all members of the municipality (staff, Councillors, and residents). Furthermore, municipalities should conduct a comprehensive and routine analysis of debt capacity to provide assurance that the amount of debt acquired by a municipality is affordable and cost effective. A debt management policy, routinely analysing debt capacity, and establishing appropriate limits on debt issuance can help municipalities to keep their debt at affordable levels.

Background

When municipalities require capital financing, they enter into a long-term commitment with the MFC that requires them to make timely principal and interest payments over the life of the debt. Municipalities should ensure that:

- Future debt-service payments to the MFC can be made in full and on time, without jeopardizing the provision of essential services.
- An acceptable degree of flexibility, including sufficient revenues, to meet unanticipated expenditures and accommodate revenue fluctuations is preserved.
- Outstanding debt obligation will not threaten long-term financial stability.
- The amount of outstanding debt will not place undue burden on residents and businesses.

Upcoming Events

Fall Debenture Issue

Just a friendly reminder about the NS Municipal Finance Corporation's fall 2017 debenture.

Deadline: October 19th at noon (**there will be no requests taken after October 19th**)

Pricing Date: October 23rd

No participant will be on the debenture list if their package is incomplete.

So, if you have not requested a TBR from your municipal advisor, it is strongly suggested you do so today, as the TBR could determine whether you are on the list at the October 19th deadline.

The following documentation is required in order to be put on the MFC debenture list:

- 1) Commitment Letter (a sample can be found in the Local Government Resource Handbook),
- 2) Temporary Borrowing Resolution approved by the Minister (provide a photocopy in your debenture package submission),
- 3) Pre-Approval form (if your TBR is waiting to be signed, send in the Pre-Approval anyway), and
- 4) Villages & Municipal Enterprises require a Municipal Guarantee (contact your Advisor).

Only a completed package, submitted by email in a PDF file format, will get you on the debenture list.

Municipal Finance Officers Session

The Corporation is a proud sponsor of the Municipal Finance Officers session that will be held at the AMA Fall Conference on September 26th beginning at 11:00 am.

Union of Nova Scotia Municipalities Conference

Once again we are a proud sponsor for the annual conference happening November 8th, 9th, and 10th. We will have a booth with pamphlets on our various programs as well as a sign up sheet for any municipality who may want us to come to their Council and do a presentation. Please stop by and have your conference exhibitor card stamped and say hi to Bob and/or Margo.

Government Finance Officers Association Sponsorship

As part of the Municipal Finance Corporation's mandate of supporting and promoting municipal client training, every year the Corporation sponsors a municipal director of finance to attend the Government Finance Officers Association (GFOA) annual conference. This year's GFOA conference is being held in St Louis, Missouri from May 6-9, 2018, and the Corporation provides up to \$2,500 to offset some of the cost for the sponsored individual. Feedback from prior sponsored individuals is that they took away a great deal of knowledge through attending the conference. We encourage all directors of finance to start to consider applying for this sponsorship when we advertise in January 2018.