

TO: Mayors/Wardens, Councillors, All Units

CC: Chief Administrative Officers/Clerk-Treasurers

RE: MUNICIPAL FINANCE CORPORATION'S NEWSLETTER—DECEMBER 2017

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



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PLEASE NOTE: If you do not want to receive communications from UNSM, please e-mail Tracy Verbeke at tverbeke@unsm.ca, and you will be removed from the mailing list.



Nova Scotia
**MUNICIPAL
FINANCE
CORPORATION**

quarterly newsletter

Volume 3 Issue 3

December 2017

Well with the UNSM Fall Conference wrapping up last month, we are entering the winter of 2017-18, and I hate to say it but I believe my motorcycling season is finally over. :-{

On October 24th, the Corporation priced its fall debenture. The “all-in” cost was 2.98%.

Recently the guidelines and applications for our high interest savings accounts program was emailed to all Directors of Finance and CAOs for your municipality to consider participate. A reminder, there are no fees for this program, so all the interest earned is yours.

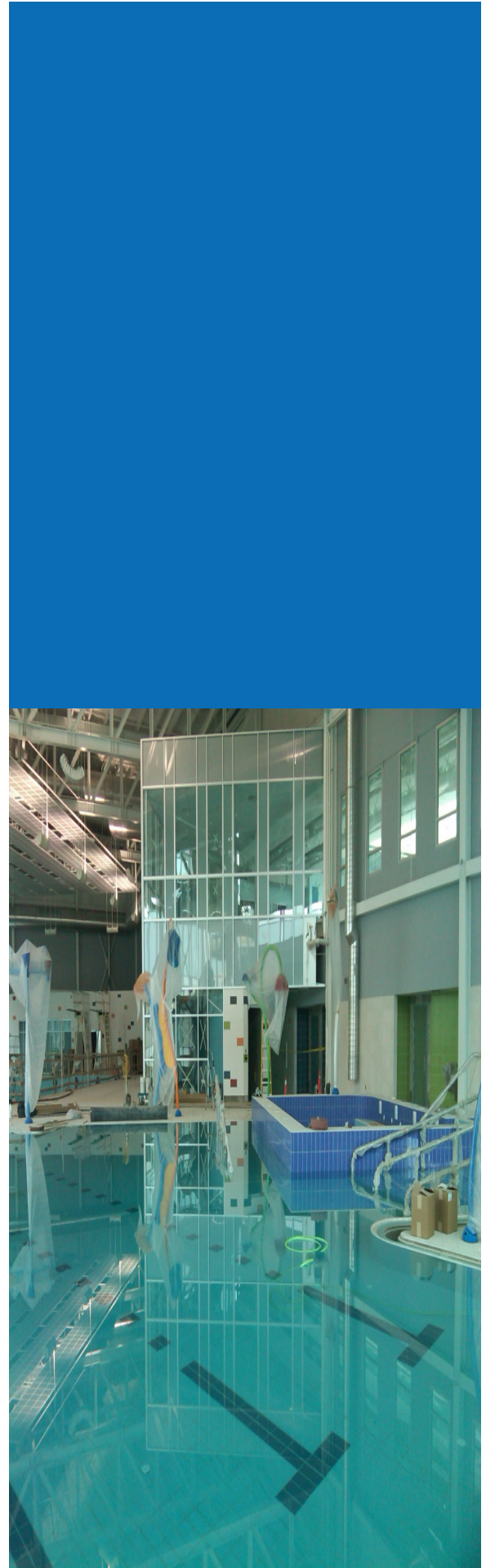
As mentioned at the conference, MFC provides more than low interest loans to our clients. We continue to promote the use of our Best Practices, the Debt Affordability Model, and the Government Finance Officers Association of US and Canada as useful tools. You can read more about these various programs further in this newsletter.

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.

Happy Holidays!

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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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 fall 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.

MFC'S Programs "At-A-Glance"

The MFC has a series of programs that you may find interesting and possibly helpful to your municipality. If you would like the MFC to come to one of your council meetings and do a presentation, please feel free to call us. MFC staff will contact you to arrange an appropriate time to present the program(s) that are of interest to you.

MFC Program	Program Description
Long-Term Financing	The main purpose of the NSMFC is to provide low-cost, long-term capital financing for municipalities. Typically debentures are issued twice a year, once in the spring and once in the fall.
Short-Term Financing	NSMFC offers short-term loans to clients who have completed their capital projects and are awaiting participation in the next debenture issue. The interest rate is based on the 90 day Bankers' Acceptance plus ½ percent calculated using CDOR (Canada Dollar Overnight Rate).
Green Municipal Funds	NSMFC is partnering with the Federation of Canadian Municipalities to administer Green Municipal Funds loans to Nova Scotia municipalities.
	"FREE" programs offered to our municipal clients!!!!
Debt Affordability Model <i>"FREE" to municipal clients</i>	The Debt Affordability Model is a long-term financial planning model that helps answer how much debt to carry, multi-year budgeting and forecasting, and analyzing revenue and expenditure options. It also takes into consideration the municipality's future revenue and expenditure growth, as well as other variables unique to your municipality.
Capacity Building Program <i>"FREE" to municipal clients</i>	To support the financial management capacity of municipalities, the NSMFC sponsors conferences and offers a suite of best practices and financial planning tools.
Best Practices <i>"FREE" to municipal clients</i>	What are best practices? 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.
Mentoring Program <i>"FREE" to municipal clients</i>	This new program is for new Directors of Finance who lacks municipal experience. It is the hope that 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 key players to be involved in this mentoring program are: the Mentors, MFC, and DMA.
High Interest Savings Account (HISA) <i>"NO" service or administration fees</i>	Intended for excess funds held by a municipality (Capital Reserves, Gas Tax, & Operating Surpluses) & not to replace your current bank arrangement. Transfers to/from municipalities existing bank account are done via EFT. Interest rates are calculated based on the cumulative pool of money, thus higher interest for smaller amounts. Accounts are held "In Trust", so no co-mingling of funds.

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

Documentation of Accounting Policies and Procedures

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 is *Documentation of Accounting Policies and Procedures*, approved by the Committee on Canadian Issues in May 2003 and an updated version was approved by the GFOA in 2007.

Recommendation

GFOA recommends that every government should document its accounting policies and procedures. The FMCBC agrees with this recommendation. Traditionally, such documentation has taken the form of an accounting policies and procedures manual. With advances in technology, more effective methods are now also available for this purpose.

Purpose

The central long-term benefit of having an updated accounting policy manual is cost savings. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff and enhance the audit process.

Background

Communication is an essential component of a comprehensive framework of internal controls. One method of communication is formal documentation of accounting policies and procedures. Municipalities in Nova Scotia follow accounting policies and procedures that are stated in the Canadian Institute of Chartered Accountants *Public Sector Accounting Handbook (CICA PSA Handbook)*. In addition to that, it is the municipalities' own responsibility to adopt policies and procedures that are considered appropriate.

Considerations in Policy Development

There are a number of considerations that should be made by a municipality when documenting and maintaining accounting policies and procedures:

1. Consider the importance of *senior management support*
2. Plan for *periodic reviews and updates*
3. *Assign an employee* to oversee the process
4. Make the policies and procedures *readily available*
5. Clarify *employees' responsibilities*
6. *Document the actual procedures*
7. Clearly *state the purpose* of the policies
8. Create and communicate a *policy approval procedure*
9. Consider the *structure* of the *policy manual* and the *policy statement*
10. Construct a *user-friendly format*

Upcoming Events

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. The GFOA conference this year 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.

AMA Financial Management Modules

The Association of Municipal Administrators will be putting on two financial management modules in the new year:

- Financial Management for Elected Officials—January 11-12, 2018
 - ⇒ This workshop is intended for elected officials, no matter what term they are in. Participants will learn to improve skills in budget review, financial decisions and communication about financial matters to important stakeholders. It will build awareness and understanding of setting budget priorities and making financial decisions.
- Financial Management—Policies, Processes and Internal Controls for Municipal Managers—January 18-19, 2018
 - ⇒ This workshop is designed for CAOs, Directors, and Managers. In this workshop participants will build awareness on administrative procedures, policies and internal controls. Negotiating strategies and administering the tax sale process, among other skills, will be examined.

The MFC is a proud sponsor of these two educational workshops.