

Debenture Process Policy

Policy Statement

The mission of the Corporation is to provide capital infrastructure financing to clients at the lowest available cost, within acceptable risk parameters, and to provide financial management advice and assistance to clients.

The purpose of this policy is to provide Nova Scotia municipalities and their municipal enterprises with the proper steps and information required to secure long-term capital financing.

Definitions

COMMITMENT LETTER

Interested clients are requested to provide a written letter of commitment to be included in the upcoming debenture issue. **This letter is considered a binding agreement between the Corporation and the municipal organization, with respect to the amount and term.**

PRE-APPROVAL FORM

The "Pre-Approval of debenture subject to interest rate" form states an upper interest rate limit to give the Corporation flexibility for movements in the bond market. The "Pre-Approval of debenture subject to interest rate" form is not an interest rate quote for monies borrowed.

SYNDICATE

An underwriting group of investment bankers and broker-dealers who wish to purchase a new issue of securities from an issuer to distribute the issue to investors at a profit. The underwriting group shares the risk and aids in the successful distribution of the new securities issue once the issuance goes public.

Policy Objective

- To provide capital funding to municipalities at the lowest possible cost

Policy Principles

- Maintain the lowest possible cost of loans to municipalities
- Ensure risk is minimized
- The Corporation was incorporated to save the municipalities of Nova Scotia, and their municipal enterprises, interest and issue costs when issuing debentures for capital projects.
- The Corporation has achieved this by pricing its debentures from the creditworthiness of the Government of Canada bonds, and not prime which is a floating rate that is subject to change daily.
- The rates of a debenture issue carry lower interest rates that in the early years are generally lower than the stated prime interest rate at the municipality's financial institution.

Application

- The Corporation sends out letters in mid-January and mid-July asking municipal units to confirm that they will be participating in the upcoming debenture issue.
- These letters are binding and those who respond with a Commitment Letter must have the authority to confirm the municipality's/municipal enterprise's intent to borrow.
- The required Commitment Letter shall be in the form found in Appendix A. No variations of this form will be accepted.
- Included with the Commitment Letter is a Pre-Approval Form.
- The Pre-Approval Form requires a resolution of council, and it establishes the parameters that council is willing to participate.
- The Pre-Approval Form must be limited to a single maximum term as the overall amount of the issue and what the final cashflow amounts are for each 1-15 year tranche are required for the our syndicate to know what the final cashflows are and the total amount of the issue so that they can get their approvals in place prior to the pricing.
- The required Pre-Approval Form shall be in the form found in Appendix B. No variations of this form will be accepted.
- Both the Commitment Letter and the Pre-Approval Form must be received by the Corporation by the noon deadline established for each debenture issue for submissions.
- Failure to submit the required documentation in the required form will result in the submission being excluded in the Corporations debenture issue.
- Once the Corporation has priced the debenture issue, each client is sent loan documents for signature and a repayment schedule.
- Provided that all the necessary loan documents are returned by the closing date, the funds are transferred to the client's bank account.

Policy History

Approved: February 4, 2021

Appendix A – Commitment Letter

(On official letterhead)

Date xx, 2020.

Paul Wills, Chief Executive Officer/Treasurer,
 Nova Scotia Municipal Finance Corporation,
 Suite 8317, Maritime Centre
 1505 Barrington Street,
 P.O. Box 850, Station “M”,
 Halifax, N.S. B3J 2V2

Re: 2020 Spring/Fall Debenture Funding

Please accept this letter as a firm commitment by the **Council or Board** of the **Municipality of/Town of/Village of _____** to participate in the NSMFC Spring/Fall 20XX Debenture Issue.

We request long-term funding for the following **completed** municipal **capital** project(s) for the following amount(s) and term(s):

Purpose:	Loan Amount	Loan Term	Loan Amort *	TBR #	Project Completion Date dd/mm/yyyy	Federal and/or Provincial Funding?
Project XYZ	\$0.00	X Years	Y Years	18/19-XX	DD/MM/YYYY	[] Yes [] No

Total

Debenture Requirement **\$0.00**

Also, please find enclosed the “Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate” which has been duly passed by Council.

Respectfully yours,

Authorized senior staff member

Appendix B – Pre-Approval Form

Name of Unit: _____

Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate

WHEREAS Section 91 of the *Municipal Government Act* provides that a municipality is authorized to borrow money, subject to the approval of the Minister of Municipal Affairs (hereinafter “the Minister”);

AND WHEREAS the resolution of council to borrow for _____
was approved by the municipal council on _____;
(council’s TBR approval date)

AND WHEREAS clause 91(1)(b) of the *Municipal Government Act* 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 91(2) of the *Municipal Government Act* states, that in accordance with the *Municipal Finance Corporation Act*, the mayor or warden 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 91 of the *Municipal Government Act*, the

(Name of Unit)

borrow by the issue and sale of debentures a sum or sums not exceeding \$ _____, for a period not to exceed _____ years, subject to the approval of the Minister;

THAT the sum be borrowed by the issue and sale of debentures of the

(Name of Unit)

in the amount that the mayor or warden 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 **5.5%**;

THAT the debenture be arranged with the Nova Scotia Municipal Finance Corporation with interest to be paid semi-annually and principal payments made annually;

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 Council of the

(Name of Unit)

held on the _____ day of _____ 20____

GIVEN under the hands of the Mayor/Warden and the Clerk of the

(Name of Unit)

this _____ day of _____ 20____

Mayor/Warden

Clerk

For MFC use only:

TBR #:

Minister signed: