



Nova Scotia
**MUNICIPAL
FINANCE
CORPORATION**

quarterly newsletter

Volume 3 Issue 1

June 2017

www.nsmfc.ca

Well summer has arrived! I personally hope it is an excellent summer for motorcycling. Just saying. :-)

In our March 2017 Newsletter, I had mentioned that we were going paperless for the Spring 2017 Debenture Issue. I'd like to update you on how that went...from our perspective... it was a huge success. The turn around time from the point when we sent the packages electronically to when we received them back only took ten business days. As we move forward and continue to monitor the turn around rates, we will look at shortening the time from pricing the debenture to when you actually get the funds in hand.

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 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.

I hope you have a productive and rewarding summer! And 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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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.

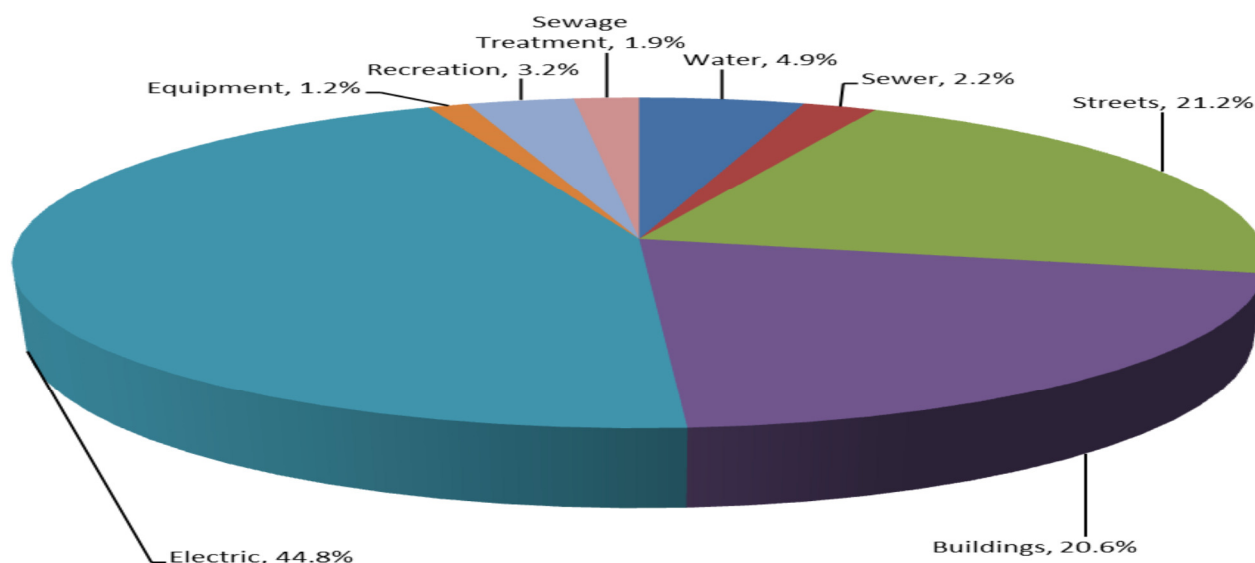
High Interest Savings Account

In our survey in January 2017, we asked the question if municipal units would be interested in an opportunity to earn a higher level of interest on their reserve funds than they would at their own financial institution. Out of 33 responses, 94% indicated they would. At the Spring Municipal Finance Officers meeting in June, our bank presented how this program would work. We will be soliciting municipal units over the summer to see if indeed they are interested in participating in such a program with an anticipated rollout date in the fall.

Spring 2017 Debenture Issue

On Tuesday April 18, 2017 the Nova Scotia Municipal Finance Corporation priced its spring debenture. Eleven municipalities and one municipal enterprise participated in the issue which totaled \$35,122,884. The debenture closed on May 9, 2017.

The loans MFC provided to municipalities helped finance the following infrastructure investments:



The interest rates for this debenture issue are:

Series Pricing

Maturity	Coupon Rate
09-May-18	1.2000%
09-May-19	1.3500%
09-May-20	1.4750%
09-May-21	1.6550%
09-May-22	1.8600%
09-May-23	2.0590%
09-May-24	2.2370%
09-May-25	2.3840%
09-May-26	2.5240%
09-May-27	2.6530%
09-May-28	2.8020%
09-May-29	2.9420%
09-May-30	3.0240%
09-May-31	3.1090%
09-May-32	3.2090%

"All-In" Costs

Term	"All-in" Cost
5 years	1.83%
10 years	2.32%
15 years	2.73%
20 years	2.93%
25 years	3.03%
30 years	3.08%
Total	2.82%
The "All-in" cost is for straight serial loans & any final year "balloon".	

MFC Best Practice Profile

Purchasing Policy

In 2013, the Financial Management Best Practice Committee (FMCBC) was reconvened to identify core financial best practices for municipalities in Nova Scotia. The Purchasing Policy was selected to be part of this group of essential best practices.

Recommendation

Municipalities should have a comprehensive and detailed purchasing policy that complies with the Public Procurement Act of the Legislature of Nova Scotia. The Association of Municipal Administrators of Nova Scotia has drafted a model purchasing policy that the Financial Management Capacity Building Committee recommends as a template for municipalities.

Background

In 2008, the Financial Management Capacity Building Committee (FMCBC), a joint committee of the Association of Municipal Administrators and the Municipal Finance Corporation, approved a Purchasing Policy best practice. The best practice was designed to be used by Nova Scotia municipalities in the development of their own procurement policies.

Since the FMCBC approved the best practice, the procurement landscape for Nova Scotia municipalities has undergone significant change. In 2008, the Atlantic Procurement Agreement was revised to include Nova Scotia municipalities and in 2011, the Public Procurement Act, which governs the procurement practices of all Nova Scotia municipalities, was passed. These changes rendered the original FMCBC Recommended Best Practice out of date.

In 2013 the FMCBC was reconvened and identified the Purchasing Policy as a core best practice. However, in light of the policy changes in the area of procurement in the last few years, both the provincial government and the Association of Municipal Administrators have prepared comprehensive resources for Nova Scotia municipalities. In recognition of this work, the FMCBC core best practice will serve as a directory for Nova Scotia municipalities who are looking for support in the preparation of their purchasing policy.