



Nova Scotia
**MUNICIPAL
FINANCE
CORPORATION**

quarterly newsletter

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Wow how about the weather we have had over the past few months!

As we approach fall, it is time to start getting your paperwork in order if you are planning to participate in the fall debenture issue. The cutoff to participate is noon November 13th. Please refer to page 7 of this newsletter to see what is required in order for your municipal unit to participate.

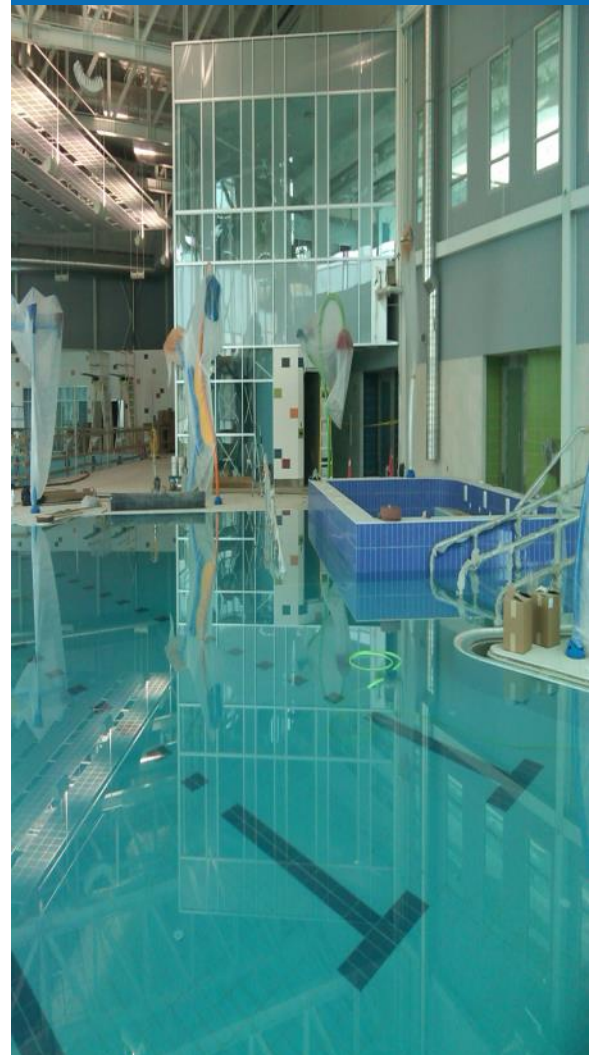
We continue to promote the use of our Best Practices, the Debt Affordability Model, use of our Short-Term Loan, our High Interest Savings Account and our Mentoring Program as useful tools. You can read more about these various programs further in this newsletter.

If you are 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, your Council and staff about any of them.

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

Paul

Paul Wills, CPA, CMA
CEO/Treasurer



Our Location

Nova Scotia Municipal Finance Corporation

Maritime Centre

1505 Barrington Street, Suite 8317

Halifax, Nova Scotia

Our Mailing Address

Nova Scotia Municipal Finance Corporation

PO Box 850, Station M

Halifax, Nova Scotia

Canada

B3J 2V2

MFC Staff

CEO/Treasurer: Paul Wills, CPA, CMA

P: (902) 424-4590

E: paul.wills@novascotia.ca

Manager of Financial Services:

Bob Audoux, CPA, CGA

P: (902) 424-7172

E: bob.audoux@novascotia.ca

Administrative Assistant:

Kathleen McCarthy

P: (902) 424-6333

E: kathleen.mccarthy@novascotia.ca

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. All municipalities, villages, and municipal enterprises must finance their external capital requirements through the Corporation through the issuance of a debenture. Fire Departments incorporated under special legislation and qualifies as a "service commission" under the *Municipal Finance Corporation Act* thereby enabling it to borrow in its own name with a municipal guarantee. To qualify the fire department must provide a municipal service and have taxing powers. 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.

High Interest Savings Account

Tired of getting low returns on your surplus funds (capital reserves, gas tax, operating reserves)?

Tired of limited options where you can invest these surplus funds?

Do you want to earn greater returns with “no” risk, “no” service or hidden fees, and “greater” flexibility?

Our High Interest Savings Account could be the option for you!

As of March 30, 2020, our High Interest Savings Account earns, at a minimum, 0.85%!

Why not give it a try?

If you are interested in accessing this new program, or wish to chat about it, please contact:

Bob Audoux
(902) 424-7172
Bob.audoux@novascotia.ca

“The MFC High Interest Savings Account (“HISA”) has helped the Town of Digby earn higher rates of interest on excess cash with minimal administrative burden. Transfers, which are relatively infrequent, to or from the HISA bank account are easily processed with a simple one line email to MFC and the posting of a GL journal entry. Currently the HISA allows the Town to earn 40 basis points (0.4%) higher interest equates to approximately \$7,500 in additional annual interest earned.”

Matthew Raymond, Director of Finance, Town of Digby



Operating Loan Program

About

A new operating loan program is being introduced to help municipalities address the loss of revenues resulting from COVID-19. The \$380 million loan program, which was developed in collaboration with the Nova Scotia Federation of Municipalities and the Association of Municipal Administrators, will be available through the Municipal Financial Corporation (MFC).

Term

- **Municipalities requesting financing assistance must do so by March 31, 2021.**
- Municipalities must decide on a repayment term of:
 - 3 years
 - 5 years or
 - 7 years
- Once a decision on a repayment term has been made, it is final and can not be changed.
- Municipalities choosing a 3-year term shall repay one third of the principal amount of the Loan to the MFC on each anniversary date of the Loan.
- Municipalities choosing a 5-year term shall repay one fifth of the principal amount of the Loan to the MFC on each anniversary date of the Loan.
- Municipalities choosing a 7-year term shall repay one seventh of the principal amount of the Loan to the MFC on each anniversary date of the Loan.
- Interest shall be paid semi-annually, with the first semi-annual payment occurring six months from the date the loan was issued, with other semi-annual Interest payments occurring on the anniversary date of the loan and continuing until the date the loan is fully repaid.

Rate

- Provincial 3-year fixed term rate of 1.1% on 3 year loan terms.
- Provincial 5-year fixed term rate of 1.3% on 5 year loan terms.
- Provincial 7-year fixed term rate of 1.7% on 7 year loan terms.

Application process

- Municipalities interested in accessing a loan will first need to determine their revenue shortfall;
- Municipal councils will be required to pass a resolution and submit it to the Department of Municipal Affairs and Housing;
- Municipalities must submit a written request to the MFC;
- The department will analyze requests and, if approved, will forward the approval to the MFC; and,
- Upon approval by the MFC's Board of Directors, the MFC will administer a loan agreement.

Debt Affordability Model

The MFC has an innovative financial tool for Nova Scotia municipalities called the Municipal Debt Affordability Model. This financial tool was developed in response to the feedback from the MFC Client Survey that was conducted during the Summer of 2004. Whether your municipality has long-term debt or not, the MFC Model will be a beneficial tool in achieving your municipal financial objectives.

The Model does much more than was originally intended. Originally, it was designed to assist municipal councils in determining the appropriate level of debt for their municipality. Now the Model can be used for multi-year budgeting, and for forecasting and analysing revenue and expenditure options.

Does your municipality have an interest in any of the following topics or questions? The MFC Model covers the following and would be a benefit to you:

- Municipal sustainability
- Proactive versus reactive approaches to emerging trends
- Reserve levels
- Stable long-term residential and commercial tax rates
- Budget tools
- How much debt is too much debt
- A plan to adjust your current level of debt
- Current and future capital infrastructure needs
- Prioritizing capital projects competing for scarce resources
- Timing of a capital project (do now, or delay)
- Financing a capital project (term, rates, sources of funds)
- Building a long-term strategic plan, capital plan, or debt management plan
- The integration of the capital budget's impact on the operating budget
- How will today's decision impact the current and future financial health of your municipality (and the municipal indicators - e.g. debt service ratio)
- Sensitivity analysis - what would be the impact of a change in revenue/expenditure on financial health and long-term outlook
- What would be the impact if a major industry closes
- What is the future impact of inflation
- Apply a user/area rate or absorb costs in the existing tax rate

The product is free for the asking. Contact the MFC for a one-on-one demonstration session at your municipal location. Training is provided to assist municipal clients in the proper use of the model.

Mentoring Program

When a new Director of Finance is hired who lacks municipal experience, MFC has a program that 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.

Mentors will meet with the new Director of Finance for up to three hours, to a maximum of four meetings.

Topics for discussion will be:

- Fund Accounting
- Council Reports
- Director of Finance Responsibilities
- Tax Sales
- Budgeting Process
- CAO/Director of Finance Relationship
- Year End Working Papers
- Non-consolidated/Consolidated Financial Statements

The mentor is paid by the Corporation and is offered free to the municipality.

To access this program please contact Paul Wills, at 902-424-4590 or email at paul.wills@novascotia.ca

Short Term Loan Program

About

NSMFC offers short term loans to clients who have completed their capital projects and are awaiting participation in the next debenture issue. Like our long term financing, the short term loan program is built on maintaining the lowest possible cost to municipalities by offering competitive interest rates.

Term

Date of completion of project to next NSMFC debenture

Rate

90 day Bankers' Acceptance plus 50 basis points calculated using CDOR

Application Process

- Written request to the NSMFC
- Temporary Borrowing Resolution (TBR) in place

<https://www.nsmfc.ca/short-term-financing.html>

To access this program please contact Bob Audoux, at 902-424-7172 or email at bob.audoux@novascotia.ca

Best Practices

The NSMFC promotes excellence in local government finance by supporting financial management capacity-building in municipalities. Our staff can work with your municipality to provide research and policy-drafting support on issues related to financial management. Contact Paul Wills at 902-424-4590 or by email at paul.wills@novascotia.ca

You can find more information on the Corporations Best Practices at:

<https://www.nsmfc.ca/best-practices.html>

Upcoming Events

Fall Debenture Issue

Just a friendly reminder about the NS Municipal Finance Corporation's fall 2020 debenture.

Deadline: Friday November 13th at noon (***there will be no requests taken after this deadline***)

Expected Pricing Date: November 16th

Expected Disbursement Date: December 4th

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 November 13th deadline.

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

- 1) **Commitment Letter**,
- 2) **Temporary Borrowing Resolution** approved by the Minister (provide a photocopy in your debenture package submission),
- 3) **Pre-Approval form**, 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.

Both the **Commitment Letter** and **Pre-Approval templates** can be found on our website at:

<https://www.nsmfc.ca/the-debenture-issue-process.html>