



Nova Scotia
**MUNICIPAL
FINANCE
CORPORATION**

quarterly newsletter

Volume 2 Issue 3

December 2016

December already. My how time flies.

Since this is our first newsletter since the October municipal elections, I'd like to take a moment and congratulate all the mayors, wardens, and councilors on a successful election.

On October 25th, the Corporation priced our fall debenture. The "all-in" costs was 2.38%, and this represents the lowest "all-in" cost in the history of the Corporation.

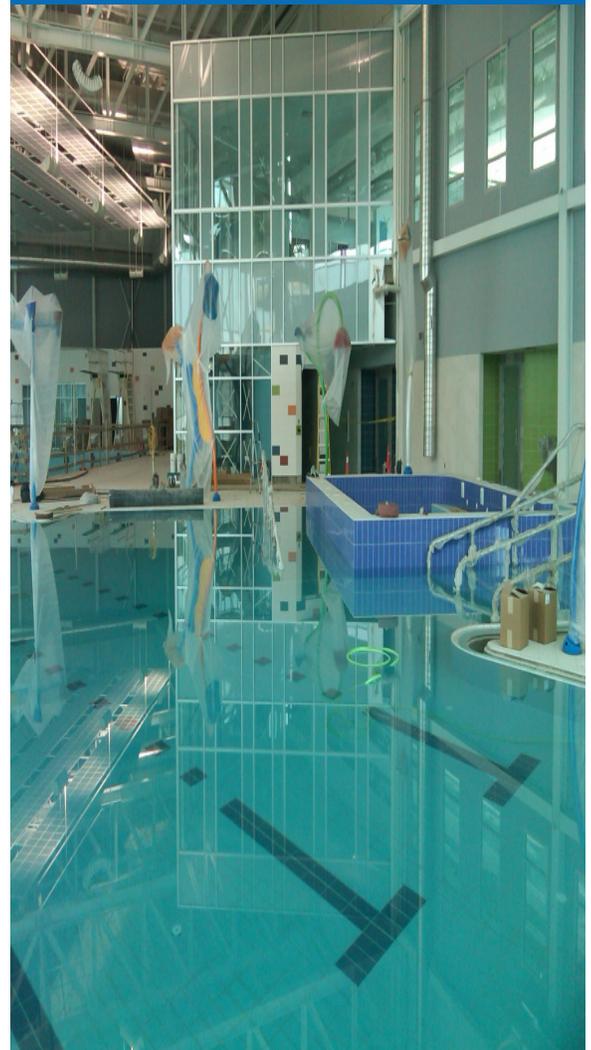
I would like to remind everyone we will be doing our biennial online client survey on our products and services in early January. I encourage everyone to fill out the survey as your feed back is critical to help form the products and services we provided.

And finally, if any municipality is interested in learning more about any of our products, (Debt Affordability Model, Best Practices, Government Finance Officers Association of US and Canada) please do not hesitate to contact us. We would be extremely happy to come and talk to you about any of them.

Thank you for taking the time to read this newsletter and I hope you all have a Merry Christmas and a Happy New Year (Joyeux Noel et Bonne Année)!

Paul

Paul Wills, CPA, CMA



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

Board of Directors

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.

As of October 3, 2016 the new Board of Directors was appointed for a term ending June 30, 2019. The new Chair is Kelliann Dean (Municipal Affairs), Vice Chair Geoff Gatien (Finance), UNSM representative Bernard Murphy (Westville), AMA representative Dawn Keiser (Bridgewater) and the member at large Neil Morley (Ellershouse). Currently the Board has a vacancy for the second UNSM representative and hopes to have this spot filled by March 2017.

2017 Client Survey

Every two years we poll our clients, both the administrators and councillors, on our products and services. The Union of Nova Scotia Municipalities is an important voice on our Board of Directors. In fact, we cannot hold a Board meeting unless a quorum is met (minimum of four directors, and one of them must be a UNSM representative). We want to ensure that our products and services are aligned with the needs of local government in Nova Scotia.

That's why your feedback is critical. Your answers will be incorporated into our business plan and accountability report and will have a direct impact on the future of programs and services offered by the Corporation. The survey only takes approximately 5 to 10 minutes to complete and if you complete the survey, you will be entered into a draw for a prize. Two years ago, it was a Province of Nova Scotia jacket.

I encourage each one of you to participate when the survey is released in early January.

MFC Best Practice Profile

Financial Forecasting in the Budget Preparation Process

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 *Financial Forecasting in the Budget Preparation Process*, approved by the Committee on Canadian Issues in 2001.

Recommendation

The GFOA recommends that governments at all levels forecast major revenues and expenditures. Following the GFOA's recommendation, the FMCBC recommends that as part of the budget process local governments forecast all major revenue and expense items.

Purpose

Forecasting of major revenue and expense items allows municipalities to predict the impacts (both short and long term) of current and proposed policies. The ability to predict impacts allows a government to plan for those events.

The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to participants in the budget process and stated in the final budget document.

Background

Municipalities should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs, and assumptions. Municipalities should develop appropriate strategies to achieve their goals. A key component in determining future options, potential problems, and opportunities is the forecast of revenues and expenditures. Revenue and expenditure forecasting can provide the following benefits:

- Provides an understanding of potential funding available;
- Evaluates financial risk;
- Assesses the likelihood that services can be sustained;
- Assesses the level at which capital investments can be made;
- Identifies future commitments and resource demands; and
- Identifies the key variables that cause change in the level of revenue.

For more information on this Best Practice, please visit our website at:

<http://www.nsmfc.ca/budgeting-and-financial-reporting.html>

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.

Upcoming Items

2017-2018 Borrowing Call Around

In early January, we will be sending an email out to the each municipality's finance officer to determine what, if any, the borrowing anticipation is for both our spring and fall debenture issues in order to get cabinet approval for our 2017-2018 Borrowing Program. We encourage anyone who is planning to borrow from the Corporation to please respond to this request when you receive it.

Paperless Debenture

The Corporation will be switching to a paperless debenture process in the spring of 2017, staff are currently compiling a list of authorized signatories for each municipal unit. Once a unit has committed to participating in the spring debenture issue, we will seek confirmation of the appropriate signatories.