



Nova Scotia  
**MUNICIPAL  
FINANCE  
CORPORATION**

# quarterly newsletter

Volume 4 Issue 3

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With the NSFM Fall Conference wrapping up last month, we are entering the winter of 2018-19, and with that my motorcycling season is finally over. :-)

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 programs in this newsletter.

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 feedback helps form the products and services we provide.

If you are interested in learning more about, or would like a presentation on any of our products, please contact us. We would be more than happy to come and talk to you, your Council and staff about 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  
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 Nova Scotia Federation of 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

1505 Barrington Street, Suite 1501

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: Margo Horne

P: (902) 424-6333

E: margo.horne@novascotia.ca

# Nova Scotia Municipal Finance Corporation

As a Crown Corporation, MFC's powers and responsibilities are set out in the *Municipal Finance Corporation Act (1979)* and the Corporation is accountable to the Nova Scotia legislature through the Minister of Municipal Affairs.

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 NSFM, 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 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 Municipal Affairs 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 rates 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

## Mentoring Program

When a new Director of Finance is hired who lacks municipal experience, we have a program that helps the individual become accustomed to municipal government. The new director can speak with a retired Director of Finance to better 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, up to three hours each time.

Topics covered include: Fund Accounting, Director's Responsibilities, Budget Process, Year-end Working Papers, Council Reports, Tax Sales, CAO/DOF Relationship, Non-consolidated/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](mailto:paul.wills@novascotia.ca).

# 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 October 25, 2018, our High Interest Savings Account earns, at a minimum, 2.35%.

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](mailto:Bob.audoux@novascotia.ca)

“We have taken advantage of the High Interest Savings Account (HISA) offered by MFC.

My calculations are that we will earn virtually double the rate of interest we are now receiving.

I look forward to working with MFC, your assistance, so readily given and insightful, is very much appreciated.”

Jim Davis  
Chief Administrative Officer  
Town of Mulgrave



# 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 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](mailto:Paul.Wills@novascotia.ca)

# MFC Best Practice Profile

## Using Websites to Improve Access to Budget Documents and Financial Reports

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 *Using Websites to Improve Access to Budget Documents and Financial Reports*, approved by the GFOA in 2003.

### Recommendation

The GFOA recommends that every government publish its budget documents and financial reports on the government's website, and the FMCBC supports the recommendation.

### Purpose

The purpose of the recommendation is to create public awareness and understanding of the budget process, to educate the public about the financial position of the municipality, and to encourage their participation in the financial decision making of the municipality.

Public accountability is rooted in the belief that the public has the right to know and the right to be provided with reliable financial information. It is this sharing of information that opens the dialogue between citizens and elected representatives.

### Background

Technology significantly impacts the way in which information is communicated and, in some cases, has fundamentally changed the way that business is conducted. Using the Internet for disclosure provides the conditions for an effective exchange of information between the public and politicians.

Specific benefits of including the budget and financial reports on a website include the following:

- Awareness of the existence of these sources of financial data is increased.
- Usage of financial information by citizens is increased.
- The application of analytic tools to find, extract, and analyze the data found in these reports is simplified in the electronic format.
- It requires less effort to disseminate the information to the public.
- It is a cheaper and more efficient way to reach a broad number of constituents.

Currently in Nova Scotia, the possibilities opened by the Internet have not been adequately utilized. This best practice is intended to make the process of web disclosure more understandable and simplify the process for Nova Scotia municipalities.

# MFC Best Practice Profile

## Audit Postings on Websites

### Considerations in Policy Development

The Government Finance Officers Association (GFOA) recommends that governments comply with the following guidelines when presenting financial documents on their websites.

- 1) The electronic budget documents, including the concise summary of the budget and the annual financial report, should be identical to the printed version of these documents.
- 2) The website should prominently notify users whether the budget document presented represents the preliminary budget or the approved budget.
- 3) If a government elects to present the budget documents and the annual financial reports of prior years, the website should clearly separate them from current information. A library or archive section of the website is recommended for this purpose.
- 4) The security of the website should be evaluated to protect it from manipulation by external or unauthorized persons.
- 5) A documented process for reviewing and approving any information posted on the website should be required to ensure the accuracy, consistency, and completeness of the information. Statements indicating the most recent date the information has been updated should be posted.
- 6) It should be remembered that the primary audience is the public. Care should be taken to ensure that the organization, selection of information, and technology used to create the website will maximize its usefulness. The website should be user friendly. A website should also have a contact person, with a direct phone number provided, to answer questions or provide users with assistance.
- 7) Governments should develop a system of internal controls to ensure the accuracy, completeness, consistency, and freshness of information posted on the website.
- 8) Terms or conditions of use should be included on the website so that prior to accessing the information users are aware of, or preferably required to acknowledge, limits on how the website may be used and what obligations a government is undertaking by disclosing information on its website.
- 9) Governments should not use hyperlinks to other websites. Information on external websites may be inaccurate or incomplete. If hyperlinks are used there should be an accompanying warning.

# Upcoming Events

## Upcoming Board Vacancies

Our current board terms will be expiring June 30, 2019. As mentioned previously in this newsletter, our board is comprised of six members, with two representatives from the Nova Scotia Federation of Municipalities and one representative from the Association of Nova Scotia Administrators. If you have an interest in serving on our board, please put your name and resume forward to your organization for consideration.

## Biennial Online Client Survey

Every two years we poll our clients, both administrators and councillors, on our products and services. The Nova Scotia Federation of Municipalities and the Association of Municipal Administrators are important voices 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 NSFM representative). We want to ensure that our products and services are aligned with the needs of local government in Nova Scotia.

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 takes approximately 5 to 10 minutes to complete and you will be entered into a draw for a prize (one for administrators and one for the elected).

**I encourage you to participate when the survey is released in early January.....your voice matters!**

## 2019-2020 Borrowing Call Around

In early January, we will be sending an email out to each municipality's finance officer to determine what, if any, borrowing is anticipated for our 2019 spring and fall debenture issues. We do this to get Cabinet approval for our 2019-2020 Borrowing Program. We encourage anyone who is planning to borrow from the Corporation to respond to this request when you receive it.

## 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 attendance at the Government Finance Officers Association (GFOA) annual conference. The GFOA conference is being held in Los Angeles, California from May 19 – 22, 2019 and the Corporation provides up to \$2,500 to offset some of the cost for the sponsored individual. Feedback from previous sponsored individuals is that they took away a great deal of knowledge by attending the conference. We encourage all directors of finance who have never been sponsored by the Corporation to attend one of these conferences, to consider applying for this sponsorship when we advertise in January 2019.