



Nova Scotia  
**MUNICIPAL  
FINANCE  
CORPORATION**

# quarterly newsletter

Volume 5 Issue 1

June 2019 [www.nsmfc.ca](http://www.nsmfc.ca)

Summer is finally here.....I think.

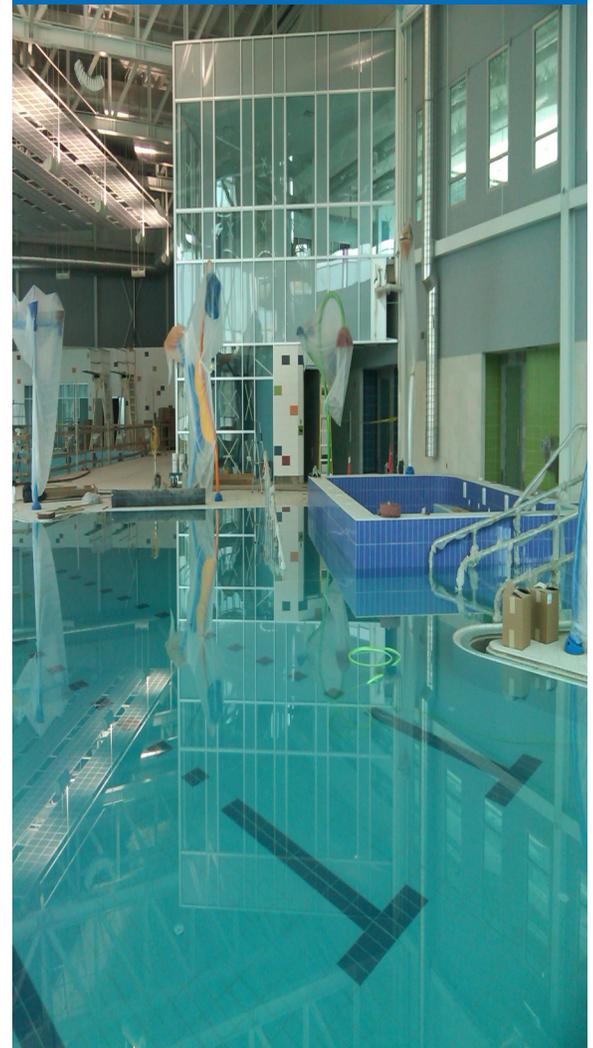
With the various spring conferences now over, we continue to strive to help improve financial management capacity in Nova Scotia's municipalities. We are always seeking, reviewing, and developing tools and programs to assist municipalities in making financial decisions. So, if you have any suggestions as to areas you think we may be able to help, please do not hesitate to contact us. We are always more than willing to assist.

As you will read within this newsletter, the Corporation provides more than low interest loans to our clients. We continue to promote the use of our Best Practices, the Debt Affordability Model, our Short-Term Loan, our High Interest Savings Account, our Mentoring Program, the Government Finance Officers Association of US and Canada and the Canadian Association of Government Finance Officers 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 and your Council 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

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## 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 are 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.

# 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 DMA and Housing

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 of DMA and Housing 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 and Housing 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 Rate 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 or [bob.audoux@novascotia.ca](mailto:bob.audoux@novascotia.ca) for information on how to access this program.

## Mentoring Program

When a new Director of Finance is hired who lacks municipal experience, we have a program to help assist the new hire. This program will assist the new municipal Director of Finance become more accustomed to municipal government by speaking with a retired Director of Finance to help 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 for up to three hours each time. Topics covered will be:

• Fund Accounting	• Director's Responsibilities	• Budget Process	• Year-end Working Papers
• Council Reports	• Tax Sales	• CAO/DOF Relationship	• Nonconsolidated/Consolidated Financial Statements

If you have recently hired a new Director of Finance, or are about to, 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).

# 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. (<https://www.nsmfc.ca/sample.html>)

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 first 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

## Relationship Between Budgetary and Financial Statement Information

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 *Relationship Between Budgetary and Financial Statement Information* approved by the GFOA in 1999.

### Recommendation

The GFOA recommends that a local government's budget document should clearly define the basis of accounting used for budgetary purposes. If the budgetary basis of accounting and the generally accepted accounting principles (GAAP) basis of accounting are the same, then this fact should be clearly stated. If the budgetary basis of accounting and the GAAP basis of accounting are different, major differences and similarities between the two bases of accounting should be noted. The description of the differences between the GAAP basis of accounting and the budgetary basis of accounting should be written in a manner that is clearly understandable to those without expertise in either accounting or budgeting.

### Purpose

By explaining the major differences found in GAAP and the Canadian public sector accounting board (PSAB) with the basis of accounting used by a municipality, stakeholders and residents better understand and interpret the numbers presented in budget documents and financial statements. By providing greater clarity to stakeholders and the public, a municipality becomes more transparent and accountable.

### Background

The basis of accounting used for the purposes of financial reporting with GAAP/PSAB is not necessarily the same basis used in preparing a local government's budget document. For example, governmental funds are required to use the modified accrual basis of accounting in GAAP/PSAB financial statements, but the cash basis of accounting may be used in those same funds for budgetary purposes. Differences between GAAP/PSAB and the budgetary basis of accounting often occur because regulations governing budgeting may differ from GAAP/PSAB.

### Considerations in Policy Development

When municipalities wish to explain the differences between their budgetary and financial statement documents, some considerations should be made. The following is a description of some components that municipalities should consider when developing a document explaining the relationship between its budgetary and financial statement documents.

- Municipalities should explain the principles of GAAP/PSAB.
- Municipalities should explain the guidelines that they have followed, if they differ.
  - \* This may involve including the Financial Reporting and Accounting Manual and legislations from the Municipal Government Act.
- A description of the differences and how they differ should be included.
  - \* They should be explained in an understandable and readable format.
  - \* If there are difficult accounting terminologies, they should be defined.

# Upcoming Events

## Canadian Association of Government Finance Officers

### 2019 NATIONAL conference: OCTOBER 2ND - 4th—Responding to disruption: Opportunities for Finance

Welcome to our 2019 National Conference. We have been holding conferences since the 1970's, originally under the banner of GFOA of Western Canada. While we have gotten bigger and better than those early days, the world has also become more challenging, technology more complex and our delegates more demanding. Similar challenges face our members in their organizations. If any of us ever get comfortable, we find ourselves Responding to Disruption. That is why in 2019, we are bringing together amazing speakers and the best technical experts from the leading companies in our field to work with our delegates so that we can all be inspired to see disruption as an Opportunity for Finance.

We are a professional development conference providing the highest quality PD for Finance Officers working in the public sector. We have the head of PSAB to deliver his annual update. Leaders in the fields of budgeting, financial reporting, asset management and Information Technology will keep you informed about the latest developments in their fields. But real professional development is more than just being able to report 17 verifiable hours to your professional association. At the conference, you will get to debate hot-topic issues with your peers and participate in interactive discussion Forums that will ensure you can apply what you learned and return being more effective in your work.

Along with expanding our technical skills and networking with our colleagues, our conference is also an opportunity to have some fun! Tuesday evening's Welcome Reception will be held at the Richmond Olympic Oval, the iconic building which hosted the speed skating events at the 2010 Winter Olympics. Delegates will get to spend the evening at the Olympic Museum where they can do virtual bobsled runs, ski jumps, and other Olympic events. The Local Committee is planning special entertainment for our Thursday night Banquet at the Sheraton. If you can extend your stay, you could a walk along the seawall, go whale watching, or shop the high-end shopping district in downtown Vancouver.

This years conference event will be held at the beautiful Sheraton Vancouver Airport Hotel. For information and updates visit the conference website at [www.cagfo.ca](http://www.cagfo.ca)

### How to Register

\$700 until July 15, 2019 (Early Bird) Note: Includes meals and socials. \$750 after July 15, 2019. There is a choice of 3 optional preconference session on October 1st at an additional cost of \$400 each. To register, please click on the link <https://cagfo.ca/2019-conference/>

### Guest Room Registration

Don't miss the opportunity to book your accommodations at our host hotel the Sheraton Vancouver Airport Hotel.

A special rate is available for CAGFO Conference. Guestrooms have been set aside for this Conference from September 30 - October 5th. Please book your guestrooms by August 29th at the latest. To book a room please click on the following link: <https://cagfo.ca/2019-conference/>