



Nova Scotia
**MUNICIPAL
FINANCE
CORPORATION**

quarterly newsletter

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Spring is in the air! The other day I saw the first sign of spring on my bus ride home...someone had a window open!

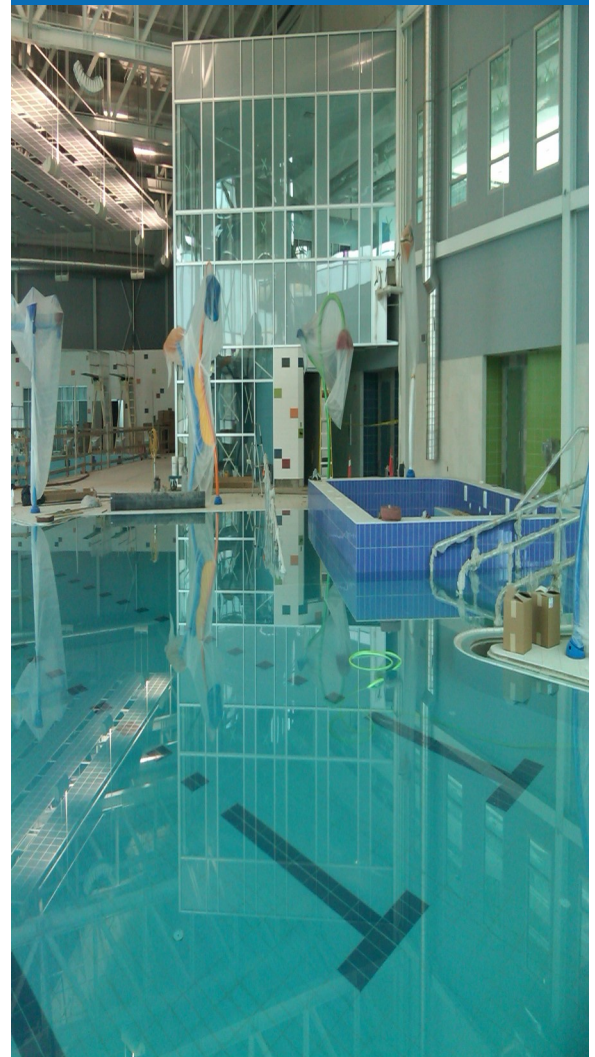
At noon on April 18th, submissions for our Spring Debenture will be closing in order for us to move forward in setting the interest rates. We encourage all of our clients who plan to participate in this issue to ensure you have all the required paperwork to us by this cutoff time and date. DMA's cutoff for TBR's is April 5th. You can read more on this on page 6 of this newsletter.

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 new High Interest Savings Account, our Mentoring Program, the Government Finance Officers Association of US and Canada and the Canadian Association of Government 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

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

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.

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 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 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 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.

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

MFC Best Practice Profile

Setting of Government Charges and Fees

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 *Setting of Government Charges and Fees*, approved by the GFOA in 1996.

Recommendation

The GFOA supports the use of charges and fees as a method of financing governmental goods and services. The GFOA offers four suggestions for local governments to adopt when implementing a system of charges and fees:

1. A formal policy regarding charges and fees should be adopted.
2. The full cost of providing a service should be calculated in order to provide a basis for setting the charge or fee.
3. Charges and fees should be reviewed and updated periodically.
4. Information on charges and fees should be available to the public.

Purpose

A municipality may want to implement charges and fees for varying reasons. Charges are voluntary payments that can be used to finance traditional governmental services. Conversely, fees may be imposed to regulate the public's activities. Whether establishing a charge or fee to a municipal service, municipalities can extract revenues to fund these particular services.

Background

Since charges are typically associated with voluntary payments, they have often been associated with government services such as water, sewage, and transit. Conversely, fees have been associated with providing a degree of regulation when placed on a government product or service. Often, fees are established with regards to health, safety, or other protective purposes. Fees result in the purchase of a privilege or authorization and are applied to various activities, such as restaurant inspections, landfill use, and building permits. Municipalities should take into consideration the method of pricing when establishing charges and fees. Resources can be used efficiently if the price of the product or service is set at a level that is related to the cost of producing the product or service. Some municipalities will set some charges and fees to recover 100 percent of the cost, while other municipalities will set charges and fees at levels above or below cost for various reasons.

Considerations in Policy Development

In order to establish a comprehensive system of setting charges and fees in a municipality, some factors need to be considered. Municipalities in Nova Scotia need to consider the applicable legislation. In addition to following legislation, municipalities should also consider some of the implications surrounding charges and fees. Upon examining all of these different components, municipalities should consider establishing standard implementation guidelines for charges and fees.

Upcoming Events

Government Finance Officers Association Sponsorship

The GFOA Conference will be held in Los Angeles, California from May 19th to May 22nd. The Corporation has picked Mr. Matthew Raymond, Director of Finance, from the Town of Digby as the candidate to sponsor to attend this years conference. Congratulations Matthew. For all those who were not successful we urge you to continue to apply in the future.

Spring Debenture Issue

Just a friendly reminder about the NS Municipal Finance Corporation's spring 2019 debenture.

Deadline: April 18th at noon (***there will be no requests taken after April 18th***)

DMA's TBR Deadline: April 5th

Expected Pricing Date: April 23rd

Expected Disbursement Date: May 9th

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 April 18th 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>

During each debenture process the Corporation receives numerous calls with respect to the useful life of various capital assets. Clients are advised the useful life table can be found in the Financial Reporting and Accounting Manual at: **<https://novascotia.ca/dma/pdf/mun-fram-3-specific-accounting-policies.pdf>**, section 3.4(c)(vi). Water Utility Assets useful life can be found in the Utility and Review Board' Water and Utility Accounting Handbook at: **<https://nsuarb.novascotia.ca/mandates/water/>** under section 3042. If you are unsure or have question on the useful life of your asset in question, please contact your Advisor.

Upcoming Events



The **Canadian Association of Government Finance Officers (CAGFO)** started in Western Canada over 40 years ago and since then have been holding annual conferences on the issues facing Government Finance Officers. We have updated our vision, our constitution and our name to make ourselves more relevant to government finance officers across the country.

We offer monthly updates, a quarterly newsletter and an annual conference as means of keeping our members in touch with the issues affecting us all. Our job posting service lists government finance officer positions across the country. We work closely with all the other associations that also serve Government Finance Officers in the public service. We complement rather than compete with them.

Membership is open to anyone who works in or who has an interest in Canadian Government Finance and it's "free". You are eligible to join the Canadian Association of Government Finance Officers. Simply email sam@cagfo.ca or me at Paul.wills@novascotia.ca and say: "I wish to join".

Canadian Association of Government Finance Officers Annual Conference October 2nd—October 4th

The theme for our national conference is "Responding to Disruption: Opportunities for Finance". As finance officers we seem to be subject to increasing amounts of disruption in our environment: business, technical, political to name a few. Uber, AirBnB, legal cannabis, etc. are changing the way we need to regulate and tax businesses. Digital payments, social media and transparency demands are changing the way we relate to citizens. New politicians who want to operate differently are demanding change in our methods. How will we respond – that is the challenge. At our national conference in October, in addition to our regular conference features, we will host several sessions specifically addressing disruption and how we can respond, so that it is transformed from a threat to an opportunity. You will want to be in Vancouver in October.

For those of you who have professional development requirements, this conference can provide you with up to **20 PD hours**.

AMA Spring Conference

The Annual Spring Conference will be at Summer Street Industries, in New Glasgow from June 12th to 14th, 2019. For full details on accommodations and facilities please visit our website: <https://amans.ca/2019-conferences.html>. Room blocks are available for booking.

2019 NSFPM Spring Workshop

The Annual Spring workshop will be at Holiday Inn Truro, in Truro from May 8th to May 10th, 2019. Registration information will be sent out in early April.