

Crown Corporation Business Plans 2016–2017

Nova Scotia Municipal
Finance Corporation



Contents

- Message from the Minister and the Chair 5
- Mission 7
- Alignment with Government's Priorities 7
- Core Business Areas9
- Budget Context 11
- Outcomes and Performance Measures 13

Message from the Minister and the Chair

The Nova Scotia Municipal Finance Corporation (NSMFC) is a Crown corporation of the Province of Nova Scotia. The MFC was established by the Municipal Finance Corporation Act in 1979 and began business in January 1980. The Minister of Municipal Affairs is responsible for the corporation.

NSMFC's purpose is to provide financing at the lowest cost possible to its clients, including municipalities, municipal enterprises, school boards, and health authorities. In accordance with the Municipal Finance Corporation Act, all municipalities and municipal enterprises must finance their external capital requirements through the corporation. Currently, most school board and hospital capital expenditures are financed directly by the province.

In addition to its core mandate, NSMFC works directly with clients to support the sound financial management of Nova Scotia municipalities. Staff provides advice on the debenture process and securing temporary borrowing resolutions. The corporation has also developed tools, such as the Debt Affordability Model and Financial Management Best Practices, to help municipalities improve their financial planning and capacity. Finally, by using its biennial client surveys to measure the success of its programs and services, the corporation is able to identify and respond to ongoing client needs. As throughout its 36-year history, NSMFC remains committed to fostering a client-focused approach.

The NSMFC is forecasting to have over \$818.9 million in debentures outstanding at March 31, 2016. New debenture issues in 2016–2017 are estimated to be approximately \$136.1 million, which will be balanced against debenture retirements of \$106 million.

The corporation is governed by a board of directors appointed by the Governor in Council. Legislation requires that two of the board members be appointed on the recommendation of the Union of Nova Scotia Municipalities. An additional member of the board is appointed on the recommendation of the Association of Municipal Administrators of Nova Scotia (AMA). These appointments provide municipalities with an important voice on the MFC board. Three full-time staff members of the corporation are supported through staff and resources from the provincial Departments of Finance and Treasury Board, Justice, and Municipal Affairs.

The Honourable Zach Churchill
Minister

Dan McDougall
Chair, NSMFC

Mission

The purpose of the Nova Scotia Municipal Finance Corporation (NSMFC) is to provide the lowest cost of financing available to its clients, which include municipalities, municipal enterprises, school boards, and health authorities. In accordance with the Municipal Finance Corporation Act, all municipalities and municipal enterprises must finance their external capital requirements through the corporation. Currently, most school board and hospital capital expenditures are financed directly by the province.

In addition to its core mandate, NSMFC works directly with clients to support the sound financial management of Nova Scotia municipalities. Staff provides advice on the debenture process and securing temporary borrowing resolutions. The corporation has also developed tools, such as the Debt Affordability Model (DAM) and Financial Management Best Practices, to help municipalities improve their financial planning and capacity. Finally, by using its biennial client surveys to measure the success of its programs and services — the results of which are reported in this business plan — the corporation is able to identify and respond to ongoing client needs. As throughout its 36-year history, NSMFC remains committed to fostering a client-focused approach.

Alignment with Government's Priorities

People

NSMFC continues to be able to borrow under the Province of Nova Scotia's provincial guarantee, which provides greater borrowing predictability and stability. The province's General Revenue Fund has purchased all NSMFC debt issues since 1998 and is expected to continue to do so in the future.

Outcome to be achieved: Building and maintaining infrastructure creates jobs; allows local businesses to transport goods to market; connects Nova Scotians to vital services, employment, and education; and leads visitors to every corner of the province.

Goals:

- Provide capital infrastructure financing to clients at the lowest available cost, within acceptable risk parameters, and provide financial management advice and assistance to clients.

Actions:

To achieve success, NSMFC will

- continue to borrow under the Province of Nova Scotia's provincial guarantee, generating the lowest possible costs for our clients

Performance measures:

- 95% client satisfaction rate with the timing of debenture issues
- 95% client satisfaction rate with the debenture terms and structure flexibility

- Regular review of loan procedures
- Maintaining credit enhancement through access to the provincial guarantee

Innovation

Using the new \$50 million line of credit from the Department of Finance and Treasury Board to fund the short-term loan program will allow for greater capacity to help fund the cash flow requirements of municipalities between the completion of capital projects and the issuance of debentures.

Outcome to be achieved: Provide short-term borrowings to clients, at the lowest available cost, between the completion of capital projects and the issuance of debentures.

Goals:

- Enhance the financial health of communities in Nova Scotia.

Actions:

To achieve success, NSMFC will

- continue to promote the improved short-term loan program as a means to assist clients' lower interest costs between the completion of capital projects and the issuance of debentures

Performance measures:

- 10% of clients accessing the short-term loan program

Education

Opportunities exist to work with local governments to achieve North American standards in municipal financial management capacity through the adoption of recommended best practices.

Outcome to be achieved: Healthy vibrant communities.

Goals:

- Support good governance by promoting accountability, transparency, value for money, and risk management.

Actions:

To achieve success, NSMFC will

- continue to promote the development and implementation of best practices

Performance measures:

- 40% of clients using the Financial Management Best Practices

Continue to promote the municipal use of the Debt Affordability Model (DAM), and provide technical support for municipal administrators. The model can also be used by municipalities for multi-year budgeting and forecasting and analyzing revenue and expenditure options.

Outcome to be achieved: Healthy vibrant financially sustainable communities.

Goals:

- Improve support in the budgeting process.
- Enhance the health of communities in Nova Scotia.

Actions:

To achieve success, NSMFC will

- continue to promote the use of the DAM as a tool that benefits multi-year budgeting and forecasting
- continue to provide technical support to municipal administrators who use the model

Performance measures:

- 60% of clients using the DAM

Sponsor and assist in planning training workshops aimed at enhancing the overall knowledge of municipal finance and budgeting for municipal staff and councillors.

Outcome to be achieved: Knowledgeable municipal staff and councillors in the area of municipal finance and budgeting to assist in making financial decisions creating healthy, vibrant, financially sustainable communities.

Goals:

- Improve support in the budgeting process.
- Enhance the health of communities in Nova Scotia.

Actions:

To achieve success, NSMFC will

- continue to support the Municipal Finance Officers spring and fall workshops
- participate in preparing the agenda for each workshop
- continue to support the Union of Nova Scotia Municipalities fall conference
- continue to sponsor a municipal finance officer to attend the Government Finance Officers of America conference

Performance measures:

- 80% of capacity attendance at workshops

Core Business Areas

1. Providing Flexible Financing Options at the Lowest Available Cost

- Provide financing for clients' approved funding requirements by using pooled debenture issues and short-term loans.
- Facilitate and participate in loans to municipalities from financing sources such as the Federation of Canadian Municipalities Green Municipal Fund, where funding is available for projects meeting established criteria at below-market rates.

2. Ensuring Access to Capital Markets

- Ensure that appropriate processes are in place for evaluating the credit-worthiness of the loans made by the corporation.
- Ensure that the corporation's assets and liabilities are closely matched in both amount and maturity.
- Administer the corporation's financial resources prudently to ensure that the corporation's administrative expenses and reserve balances are within approved policies.

3. Helping Build Financial Management and Knowledge

- Partner with municipal clients, the Department of Municipal Affairs, and the Association of Municipal Administrators on the topic of capital planning and finance.

- Develop programs and services geared toward enhancing our clients' knowledge of capital planning and financing.
- Maintain links with the investment community, public sector finance practitioners, and academics, and carry out research as required to enable the corporation to respond to changing client needs.

Budget Context

Nova Scotia Municipal Finance Corporation Administration Budget

	Estimate 2015-16 (\$ 000)	Forecast 2015-16 (\$ 000)	Estimate 2016-17 (\$ 000)
Total program expenses (gross current)	572.2	459.2	475.0
Net program expenses (net of recoveries)*	0.0	0.0	0.0
Salaries and benefits	387.7	314.9	297.8
Funded staff (gross FTEs)	4	3	3

* The NSMFC is completely self-funded. The costs of administration are covered through an administrative fee that is levied on all municipal loans and from interest revenue earned on investments.

NSMFC Statement of Financial Position, March 31, 2015

Financial assets	(\$)
Cash and cash equivalents	7,308,963
Accrued interest receivable	9,824,171
HST receivable	674
Accounts receivable	5,594
Loans to municipal units	815,314,249
Total assets	832,453,651
Financial liabilities	
Accounts payable	39,865
Accrued interest payable	9,816,706
Employee obligations	80,477
Short-term loan due to PNS	660,000
Debentures	815,280,085
Total liabilities and equity	825,877,133
Net financial assets	6,576,518
Accumulated surplus	6,576,518

NSMFC Statement of Operations, year ended March 31, 2015

	Estimate 2015 (\$)	Actual 2015 (\$)
Revenue		
Interest on loans to units	31,661,915	30,916,294
Interest on short-term investments	68,526	73,575
Recovery of issue cost	422,000	364,971
Administration fee	501,820	462,513
Total revenue	32,654,261	31,817,353
Expenses		
Interest on debenture debt and short-term loans	31,660,039	30,916,968
Debenture issue expense	404,140	367,409
Administrative expense	581,491	544,217
Total expenses	32,645,670	31,828,594
Annual operating surplus (deficiency)	8,591	(11,241)
Accumulated surplus, beginning of year	6,587,759	6,587,759
Accumulated surplus, end of year	6,596,350	6,576,518

Outcomes and Performance Measures

Core Business Area 1 *Providing Capital Financing at the Lowest Available Cost*

Outcome	Measure	Data	Target: 2016-17	Target: 2017-18	Strategies to Achieve Target
Provision of lowest available cost of financing to clients in a timely manner	Percentage of clients that are satisfied with the timing of debenture issues	96% (2015 client survey results)	97%	95%	Align debenture issues with the construction completion schedule and capital budgeting process. Improve application process by working with clients to ensure quick processing of debenture documents.
	Percentage of clients that agree the debenture terms and structure are flexible enough to meet their needs (client survey)	88% (2015 client survey results)	95%	95%	Promote short-term financing program. Work with clients on financing options (payments and terms). Communicate financing options more effectively (e.g., through the website and consultations). Communicate NSMFC rates and products more effectively with clients (e.g., through the AMA list server and consultations).
Quality of credit loans	Procedures ensure creditworthiness of loans		Regular review of loan procedures	Regular review of loan procedures	Maintain quality of portfolio.
	Pricing received from lead managers in relationship to the Province of Nova Scotia's cost of funds	Provincial guarantee allows the NSMFC to price off the Province of Nova Scotia spread	Maintain access to the provincial guarantee	Maintain access to the provincial guarantee	Promote profile of NSMFC credit quality to maintain a strong relationship with government to ensure its support of the provincial guarantee.

Core Business Area 2 *Ensuring Access to Capital Markets*

Outcome	Measure	Data	Target: 2016-17	Target: 2017-18	Strategies to Achieve Target
A sustainable source of funding is available from clients to ensure the operational viability of the corporation	Client default rate	0%	0%	0%	Ensure that all loans are creditworthy. Promote the Debt Affordability Model. Monitor loan payment process.
	Matching assets and liabilities Matching of aggregate amounts, terms, and timing of debentures and loans	Assets are closely matched to term and timing	Maintain matching strategy	Maintain matching strategy	Match the term and timing of NSMFC debentures and loans to clients.

Core Business Area 3 *Helping Build Financial Management Knowledge*

Outcome	Measure	Data	Target: 2016-17	Target: 2017-18	Strategies to Achieve Target
NSMFC client use of the Debt Affordability Model	Percentage of municipal clients that have used the Debt Affordability Model	50% (2015 client survey results)	60%	60%	Work with clients to help them implement the Debt Affordability Model. Tailor Debt Affordability Model to better suit the needs of clients.
NSMFC client use of the Financial Management Best Practices	Percentage of municipal clients that have used the Financial Management Best Practices	29% (2015 client survey results)	40%	40%	Work with clients to help them implement best practices of their choice. Implement Core Best Practices in Town of Middleton. Promote pilot.
Increased overall municipal finance knowledge among municipalities	Attendance at NSMFC-sponsored Municipal Finance Workshops	65% (percentage of municipalities represented at workshops)	80%	80%	Assist in planning the agenda of the workshops. Promote the workshops more effectively to municipal staff and council members. Maintain the no-fee structure to attend the workshop.
Increased knowledge of NSMFC programs and services	Percentage of municipal clients that are aware of NSMFC programs and services	85% (2015 client survey results)	95%	95%	Update and revitalize website. Develop web-based programs, such as webinars. Use email to communicate with Directors of Finance to keep them informed about NSMFC's programs and services. Obtain greater exposure to municipal councils to promote programs and services.

