



Nova Scotia
**MUNICIPAL
FINANCE
CORPORATION**

quarterly newsletter

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Spring is in the air! With that I am hopeful to be able to get the motorcycle out sooner rather than later. :-)

At noon on April 20th, 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. You can read more on this on page 8 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, use of our Short-Term Loan, our new High Interest Savings Account and the Government Finance Officers Association of US and Canada as useful tools. You can read more about these various programs further in this newsletter.

If any municipality is 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



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

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 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.

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 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 and would like to access this program, please contact Paul Wills at 902-424-4590 or 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 January 18, 2018, our High Interest Savings Account earns, at a minimum, 1.85%!

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

“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 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

Enhancing Management Involvement with Internal Control

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 *Enhancing Management Involvement with Internal Control*, approved by the GFOA in 2004.

Recommendation

Financial managers should become involved in establishing internal control measures and take responsibility for enforcing such internal controls. The GFOA recommends that the internal control procedures should be documented, which could enable employees to report instances of management override of controls that could indicate fraud. In addition, financial managers should design and implement internal control policies that achieve their intended purpose and continue to function as designed. Lastly, the GFOA recommends an evaluation of internal controls that have been implemented to ensure that they are fulfilling their intended purpose. Based on the evaluation, any weaknesses should be addressed and solutions should be adopted in a timely fashion.

Purpose

Internal controls are an important component of a municipality's daily operations, and all municipalities should introduce internal controls that best suit their needs. Internal controls have the potential to reduce risk and error, while enhancing accountability. Internal controls provide a system of checks and balances, and have the potential to reduce fraud and theft. Furthermore, internal controls provide a system that can help identify an area for potential problems and errors.

Background

For an effective management of public funds, there must be adequate control procedures in place to protect the public's money and services. A framework of internal controls is necessary to create a reasonable basis for finance officers to provide legitimacy and reliability for the information that they provide.

Considerations in Policy Development

Internal controls are processes that affect municipalities' council, management, and staff. Internal controls are designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

MFC Best Practice Profile

Enhancing Management Involvement with Internal Control

Management typically has the following five objectives in designing effective internal controls:

- Maintaining reliable systems;
- Ensuring timely preparation of reliable information;
- Safeguarding assets;
- Optimizing the use of resources; and
- Preventing and detecting error and fraud.

In addition, there are certain fundamental concepts associated with internal controls that should be addressed:

- Internal controls are a process, a means to an end, and not an end in itself.
- People at every level of an organization affect internal controls.
- Internal control can be expected to provide only reasonable assurance, not absolute assurance, to a municipality's management and council.
- Internal controls are geared to the achievement of objectives in one or more separate but integrated categories:
 1. Control Environment
 2. Risk Assessment
 3. Control Activities
 4. Information and Communication
 5. Monitoring.

In order for internal controls to be successful in monitoring the financial transactions of a municipality, the controls must be assessed and evaluated. Employees and Councilors should understand the extent to which the municipality's objectives are being achieved.

Upcoming Events

Government Finance Officers Association Sponsorship

The GFOA Conference will be held in St Louis, Missouri from May 6th to May 9th. The Corporation has picked Ms. Leah d'Eon, Manager of Finance, from the District of Barrington as the candidate to sponsor to attend this years conference. Congratulations. 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 2018 debenture.

Deadline: April 20th at noon (**there will be no requests taken after April 20th**)

Pricing Date: April 24th

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 20th 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 3.19. 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.