

Subject: Lease Financing Agreements 2022

File Number: ACS2023-FCS-FIN-0004

Report to Finance and Corporate Services Committee on 6 June 2023

and Council 14 June 2023

Submitted on May 15, 2023 by Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance and Corporate Services Department

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Ward: Citywide

Objet : Contrats de crédit-bail 2022

Dossier : ACS2023-FCS-FIN-0004

Rapport au Comité des finances et des services organisationnel

le 6 juin 2023

et au Conseil le 14 juin 2023

Soumis le 15 mai par Isabelle Jasmin, Trésorière municipale adjointe, Services des finances municipales, Direction générale des finances et des services organisationnels

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That Finance and Corporate Services Committee and Council receive this report on outstanding Lease Financing Agreements as of 31 December 2022 as required

by *Ontario Regulation 653/05* and the City's Administration of Capital Financing and Debt Policy.

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnel et le Conseil prennent connaissance du présent rapport sur les contrats de crédit-bail en cours en date du 31 décembre 2022 comme l'exige le *Règlement de l'Ontario 653/05* et la Politique relative au financement et à la dette de la Ville.

BACKGROUND

In accordance with *Ontario Regulation 653/05*, Council adopted a Policy on Administration of Capital Financing and Debt approved on April 11, 2007 ([ACS2007-CRS-FIN-0007](#)), last revised on March 16, 2021. The Chief Financial Officer/Treasurer is required to provide a report annually to Council on any outstanding lease financing agreements including the following information:

- Estimates of the proportion of the financing leases to the City's total long-term debt and to provide a description of any changes in that proportion to the previous year's report, if any; and
- A statement that in his or her opinion all financing leases were made in accordance with the lease policy and goals as approved by Council.

DISCUSSION

The Administration of Capital Financing and Debt Policy established objectives, standards of care, authorized financing instruments, reporting requirements and responsibilities for the prudent financing of the City's operating and infrastructure needs.

The objectives of the Policy, in order of priority, have been met by:

- Adhering to the statutory requirements;
- Ensuring long term financial flexibility and sustainability;
- Limiting the financial risk exposure;
- Minimizing long-term cost of financing, and
- Matching the term of capital financing to the useful life of the related asset.

Lease agreements may be used to finance equipment, buildings or other assets and require consideration of risks in comparison to other forms of financing. Significant or material financing lease agreements are defined as:

- A lease allowing for the provision of Municipal Capital Facilities, including those capital facilities designated by Council as Municipal Capital Facilities under Section 110 of the *Municipal Act, 2001*, that:
 - Transfer substantially all the benefits and risks incident to ownership of the property to the lessee;
 - Is entered into for the purpose of obtaining long-term financing of a capital undertaking; and
 - May or will require payment by the City beyond the current term of Council.

Table 1 summarizes the significant or material lease financing agreements outstanding at year-end 2022.

Table 1: Lease Financing Outstanding as of 31 December 2022 (in thousands of dollars)

Project	Principal Remaining	Interest Rate	Interest Remaining	Total Remaining	Term
Office Building (100 Constellation)	\$27,127	6.00%	\$2,822	\$29,949	23 years (began Jul 2003)
Paramedic Services Headquarters (2465 Don Reid)	\$14,898	5.79%	\$5,512	\$20,410	30 years (began Dec 2005)
Shenkman Arts Centre (Centrum Boulevard)	\$30,382	4.99%	\$13,667	\$44,049	30 years (began Jan 2009)
Total	\$72,407		\$22,001	\$94,408	

For all three leases combined, from 2023 onward, the City owes \$72.4 million in principal payments, plus \$22.0 million in interest, for a total repayment of \$94.4 million.

The total principal amount outstanding under Lease Financing Agreements is equivalent to 2.25 per cent of the City's total net long-term debt as of December 31, 2022. For comparison purposes, as of December 31, 2021 the total principal amount outstanding under Lease Financing Agreements was equivalent to 2.60 per cent of the total net long-debt. The slight decrease in this ratio in the current year results from the increase in outstanding total net long-term debt from the prior year, as new debt was issued in 2022.

The Administration of Capital Financing and Debt Policy provides for the Chief Financial Officer/Treasurer to approve non-material leases which are defined as a financing lease in which the annual payments will be less than \$500,000, the term of the lease does not exceed ten years, and as a class does not exceed one percent of the City's net tax levy. No non-material leases were approved by the Chief Financial Officer/Treasurer during 2022.

FINANCIAL IMPLICATIONS

It is the opinion of the Chief Financial Officer/Treasurer that the Lease Financing Agreements referred to in this report comply with the lease policy and goals as outlined in the Policy on Administration of Capital Financing and Debt, as adopted by Council. Lease payments are budgeted in the annual Operating Budget.

LEGAL IMPLICATIONS

There are no legal impediments to receiving the information in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable as this is a City-wide report.

ADVISORY COMMITTEE(S) COMMENTS

There are no advisory committee comments for this report.

CONSULTATION

No public consultation was required for this report.

ACCESSIBILITY IMPACTS

There are no accessibility impacts as a result of receiving this report for information.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications to receiving this report for information.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitment to financial sustainability and transparency.

DISPOSITION

Following consideration by the Finance and Corporate Services Committee, this report will be forwarded to Council for information.