

**Subject: Lease Financing Agreements 2023**

**File Number: ACS2024-FCS-FIN-0004**

**Report to Finance and Corporate Services Committee on 4 June 2024**

**and Council 12 June 2024**

**Submitted on May 24, 2024 by Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance and Corporate Services Department**

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**Ward: Citywide**

**Objet : Contrats de crédit-bail 2023**

**Numéro de dossier : ACS2024-FCS-FIN-0004**

**Rapport au Comité des finances et des services organisationnels le 4 juin 2024**

**et au Conseil le 12 juin 2024**

**Soumis le 24 mai 2024 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**

**That Finance and Corporate Services Committee and Council receive this report on outstanding Lease Financing Agreements as of 31 December 2023 as required by *Ontario Regulation 653/05* and the City's Administration of Capital Financing and Debt Policy.**

## RECOMMANDATION DU RAPPORT

**Que le Comité des finances et des services organisationnels et le Conseil prennent connaissance du présent rapport sur les contrats de crédit-bail en cours en date du 31 décembre 2023 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 2023.

**Table 1: Lease Financing Outstanding as of 31 December 2023 (in thousands of dollars)**

| Project   | Principal Remaining | Interest Rate | Interest Remaining | Total Remaining | Term                                |
|---|---------------------|---------------|--------------------|-----------------|-------------------------------------|
| <b>Office Building</b><br>(100 Constellation)             | \$22,077            | 6.00%         | \$1,572            | <b>\$23,649</b> | <b>23 years</b><br>(began Jul 2003) |
| <b>Paramedic Services Headquarters</b><br>(2465 Don Reid) | \$14,085            | 5.79%         | \$4,740            | <b>\$18,825</b> | <b>30 years</b><br>(began Dec 2005) |
| <b>Shenkman Arts Centre</b><br>(Centrum Boulevard)        | \$29,267            | 4.99%         | \$12,179           | <b>\$41,446</b> | <b>30 years</b><br>(began Jan 2009) |
| <b>Total</b>  | <b>\$65,429</b>     |               | <b>\$18,491</b>    | <b>\$83,920</b> |                                     |

For all three leases combined, from 2024 onward, the City owes \$65.4 million in principal payments, plus \$18.5 million in interest, for a total repayment of \$83.9 million.

The total principal amount outstanding under Lease Financing Agreements is equivalent to 1.98 per cent of the City's total net long-term debt as of December 31, 2023. For comparison purposes, as of December 31, 2022, the total principal amount outstanding under Lease Financing Agreements was equivalent to 2.25 per cent of the total net long-term 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 2023.

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 per cent of the City's net tax levy. No non-material leases were approved by the Chief Financial Officer/Treasurer during 2023.

### **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)**

This is a citywide report.

### **CONSULTATION**

No public consultation was required for this report.

### **ACCESSIBILITY IMPACTS**

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

### **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.