

Subject: FINANCE LEASE AGREEMENTS 2021

File Number: ACS2022-FSD-FIN-0004

Report to Finance and Economic Development Committee on 7 June 2022

and Council 22 June 2022

Submitted on May 17, 2022 by Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance Services Department

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Ward: Citywide

Objet : CONVENTIONS DE CRÉDIT-BAIL 2021

Dossier : ACS2022-FSD-FIN-0004

Rapport au Comité des finances et du développement économique

le 7 juin 2022

et au Conseil le 22 juin 2022

Soumis le 17 mai par Isabelle Jasmin, Trésorière municipale adjointe, Services des finances municipales

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That Finance and Economic Development Committee and Council receive this report on outstanding Lease Financing Agreements as of 31 December 2021 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 du développement économique et le Conseil prennent connaissance du présent rapport sur les conventions de crédit-bail en cours en date du 31 décembre 2021 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 arrangements 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 lease;
 - 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 financing lease agreements outstanding at year-end 2021.

Table 1: Financing Leases Outstanding as at 31 December 2021 (in thousands of dollars)

Project	Principal Remaining	Interest Rate	Interest Remaining	Total Remaining	Term
Office Building (100 Constellation)	\$31,891	6.0%	\$4,357	\$36,248	23 years (began Jul 2003)
Paramedic Services Headquarters (2465 Don Reid)	\$15,667	5.79%	\$6,328	\$21,995	30 years (began Dec 2005)
Shenkman Arts Centre (Centrum Boulevard)	\$31,479	4.99%	\$15,211	\$46,690	30 years (began Jan 2009)
Total	\$79,037		\$25,896	\$104,933	

For all three leases combined, from 2022 onward, the City owes \$79.0 million in principal payments, plus \$25.9 million in interest, for a total repayment of \$104.9 million.

The total principal amount outstanding under Financing Lease Agreements is equivalent to 2.60% of the City's total net long-term debt as of December 31, 2021. For comparison purposes, as of December 31, 2020 the total principal amount outstanding

under Financing Lease Agreements was equivalent to 2.89% 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 2021.

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 10 years, and as a class does not exceed 1% of the City's net tax levy. No non-material leases were approved by the Chief Financial Officer/Treasurer during 2021.

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.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with this report.

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 on-going commitment to financial sustainability and transparency.

DISPOSITION

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