

2. FINANCING LEASE AGREEMENTS 2020 CONVENTIONS DE CRÉDIT-BAIL 2020

COMMITTEE RECOMMENDATION

That Council receive this report on outstanding Lease Financing Agreements as at 31 December 2020 as required by *Ontario Regulation 653/05* and the City's Administration of Capital Financing and Debt Policy.

RECOMMANDATIONS DU COMITÉ

Que le Conseil prenne connaissance du présent rapport sur les conventions de crédit-bail en cours en date du 31 décembre 2020 comme l'exige le *Règlement de l'Ontario 653/05* et la Politique relative au financement et à la dette de la Ville.

DOCUMENTATION/DOCUMENTATION

1. Deputy City Treasurer's report, Corporate Finance, Finance Services Department, dated May 20, 2021 (ACS2021-FSD-FIN-0012)

Rapport de la Directrice générale, Services sociaux et communautaires, daté le 20 mai 2021, (ACS2021-FSD-FIN-0012)

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
1 June 2021 / 1er juin 2021**

**and Council
et au Conseil
9 June 2021 / 9 juin 2021**

**Submitted on May 20, 2021
Soumis le 20 mai 2021**

**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2021-FSD-FIN-0012

SUBJECT: FINANCING LEASE AGREEMENTS 2020

OBJET: CONVENTIONS DE CRÉDIT-BAIL 2020

REPORT RECOMMENDATION

**That Finance and Economic Development Committee and Council receive this
report on outstanding Lease Financing Agreements as at 31 December 2020 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 du développement économique et le Conseil prennent connaissance du présent rapport sur les conventions de crédit-bail en cours en date du 31 décembre 2020 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 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 financing lease agreements outstanding at year-end 2020.

Table 1: Financing Leases Outstanding as at 31 December 2020 (in thousands of dollars)

Project	Amount	Term	Rate of Interest
Office Building	36,386	23 years starting July 2003	6.0%
Paramedic Services Building	16,397	30 years starting December 2005	5.79%
Shenkman Arts Centre	32,449	30 years starting January 2009	4.99%
Total	85,232		

The total principal amount outstanding under Financing Lease Agreements is equivalent to 2.89% of the City's total net long-term debt as at December 31, 2020. For comparison purposes, as at December 31, 2019 the total principal amount outstanding under Financing Lease Agreements was equivalent to 3.56% of the total net long-term

debt. The change in this ratio results from the increase in outstanding total net long-term debt from the prior year, as new debt was issued in 2020.

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 City Treasurer during 2020.

RURAL IMPLICATIONS

There are no rural implications as a result of recommendations in this report.

CONSULTATION

The public consultation process is not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable.

ADVISORY COMMITTEE(S) COMMENTS

There are no advisory committee comments.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with this report.

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.

ACCESSIBILITY IMPACTS

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

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.