

Clause 8 in Report No. 7 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on April 19, 2018.

8

Financing Leases for 2017

Committee of the Whole recommends adoption of the following recommendation contained in the report dated March 5, 2018 from the Commissioner of Finance:

1. Council receive this report for information.
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Report dated March 5, 2018 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that Council receive this report for information.

2. Purpose

In accordance with Ontario Regulation 653/05 (the “Regulation”) under the Municipal Act, 2001, the Region reports all financing leases that were in place at December 31, 2017. This report also includes the net present value of those leases compared to the total long-term financial obligations of the Region. It also verifies that, in the opinion of the Commissioner of Finance and Treasurer, all the financing leases were entered into in accordance with the policies and goals set out in the Capital Financing and Debt Policy.

3. Background

Provincial regulation requires annual reporting on financing leases

The Capital Financing and Debt Policy governs the administration of capital financing leases. This policy incorporates all of the requirements of Ontario Regulation 653/05, including the need to provide an annual report to Council. The Regulation states that the annual report must identify all financing leases, estimate the proportion of financing leases to the total long-term financial obligations of the municipality, and contain a statement by the Treasurer that all

of the lease financing agreements were made in accordance with the municipality's policies and goals.

A financing lease extends beyond the term of Council

A financing lease is a lease for the provision of municipal capital facilities for which the payments extend beyond the current term of Council. According to the provincial definition, a municipal capital facility includes works, equipment, machinery, and administrative facilities used to carry out the functions of a municipality. An example of a financing lease is one that commences during one term, but expires during any future term of Council. Financing leases do not include leases that start and expire within the same term of Council.

Material financing leases with annual payments more than \$250,000 or a net present value of \$2 million or more must be approved by Council

The Regulation also requires that a municipality differentiate between material and non-material financing leases. All material leases entered into during the year must be approved by Council and be supported by a formal Treasurer's report. The Treasurer's report not only assesses the costs and risk associated with the proposed lease but also considers other forms of financing. The Capital Financing and Debt Policy defines a material financing lease to be one for which the annual payment is more than \$250,000 or where the lease has a net present value equal to or greater than \$2 million for the term of the lease agreement, including possible extensions or renewals for which approval to extend or renew has been delegated to an officer of the Corporation.

#### 4. Analysis and Implications

Council approved four material lease agreements that commenced in 2017

Council approved four material lease agreements comprised of eight individual leases that commenced in 2017 as listed in Table 1.

**Table 1**  
**Council approved material leases that commenced in 2017**

Description	Address
1 EMS Vaughan	7690 Martingrove Road, Vaughan
2 Liberty Square Rapid Transit	3601 Highway 7 East, 8th floor, Markham
3 Liberty Square Rapid Transit	3601 Highway 7 East, 11th floor, Markham
4 Liberty Square Rapid Transit	3601 Highway 7 East, 12th floor, Markham
5 Highway 407 Station	7332 Jane Street, Vaughan
6 Mulock Campus	130 Mulock Drive, Newmarket
7 Mulock Campus	140 Mulock Drive, Newmarket
8 Mulock Campus	570 Sandford Street, Newmarket

The aggregate leases for Liberty Square Rapid Transit and Mulock Campus were deemed to be material financing leases as those two lease agreements were negotiated for locations with multiple units or suites.

These leases were reviewed in compliance with provincial regulation and in accordance with the Capital Financing and Debt Policy.

The net present value of financing leases increased by \$5.9 million in 2017

Table 2 shows the net present value of all financing leases at the end of 2017, itemized by type, as well as the proportion of financing leases relative to the Region's total long-term financial obligations in comparison to last year.

**Table 2**  
**Net Present Value (NPV) of Financing Leases**

Type	Amount as at Dec. 31, 2017 (\$ Millions)	Amount as at Dec. 31, 2016 (\$ Millions)	Change (\$ Millions)
<b>A.</b> Real estate	76.8	71.2	5.6
<b>B.</b> Miscellaneous Equipment	0.3	<0.1	0.3
<b>C.</b> Total NPV of Financing Leases as of Dec 31 ( = <b>A</b> + <b>B</b> )	77.1	71.2	5.9
<b>D.</b> Total Net Long-Term Liabilities* plus NPV of financing leases	2,921.8	2,793.9	127.9
Total NPV of Financing Leases as a Proportion of Total Net Long-Term Liabilities plus NPV of financing leases ( = <b>C</b> / <b>D</b> )	2.64%	2.55%	

\*Total net long-term liabilities is the debt incurred by the Region and outstanding at the end of the year, offset by the value of the sinking fund set aside to repay the sinking fund debt.

The net present value of the financing leases increased by \$5.9 million from prior year

Table 2 shows that the net present value of the financing leases increased by \$5.9 million from \$71.2 million in 2016 to \$77.1 million in 2017.

The net present value of the leases increased mainly as a result of the following factors:

- A new lease for 7690 Martingrove Road for approximately 49 years from June 1, 2017 to January 31, 2066 (+\$3.9 million);
- The lease for 3601 Highway 7 East, 8<sup>th</sup> floor was extended for approximately five years from March 1, 2017 to December 31, 2021 and the 11<sup>th</sup> and 12<sup>th</sup> floors were extended for 3 years from January 1, 2019 to December 31, 2021 (+\$3.4 million);
- A new lease for 7332 Jane Street (Highway 407 Station) commenced on December 17, 2017 as an ongoing operating agreement with Metrolinx (+\$3.3 million);
- The lease for 13175 Yonge Street was renewed for five years from March 1, 2017 to February 28, 2022 (+1.2 million);

## Financing Leases for 2017

- The lease for 140 Mulock Drive, 130 Mulock Drive and 570 Sandford Street was extended for five years from July 1, 2015 to June 30, 2020 (+\$0.7 million);
- The lease for 9601 Islington Avenue was renewed for ten years from January 1, 2017 to December 31, 2026 (+\$0.7 million); and
- Other factors, including other lease extensions (+\$1.0 million).

Partially offsetting this increase was a reduction in net present value for the remaining life of outstanding lease payments (-\$8.3 million).

All financing leases in 2017 conformed to policy guidelines

Attachment 1 details all 64 financing leases for the Region as at December 31, 2017 and shows \$11.6 million in annual payments related to those financing leases.

The Capital Financing and Debt Policy requires that the following cost and risk factors be considered when assessing all financing leases:

- The ability for lease payments to vary, if based on an underlying benchmark debt instrument, or if based on changes in the assumed residual value of the asset
- Uncertainty over leasing costs if the contract needs to be extended or renewed
- Financial strength of the leasing company.

Corporate Services, York Regional Police and Transportation Services negotiate the leases. Legal Services also reviews all lease agreements prior to their execution and has confirmed that material leases entered into by the Region in 2017 were considered for material contingent obligations.

All financing leases transacted in 2017 were made, in the opinion of the Commissioner of Finance and Treasurer, in accordance with the lease provisions contained in the Capital Financing and Debt Policy.

## 5. Financial Considerations

There are no new financial implications associated with this report.

The report identifies that the Region made approximately \$11.6 million in financing lease payments in 2017 (Attachment 1). Furthermore, the net present

value of financing leases at the end of 2017 was \$77.1 million, which represents the Region's financial obligation for the remaining term of the leases.

The net present value of the financing leases increased by \$5.9 million from \$71.2 million in 2016 to \$77.1 million in 2017. The increase was primarily the result of new leases for 7690 Martingrove Road and 7332 Jane Street (Highway 407 Station) and lease extensions for Liberty Square Rapid Transit, 13175 Yonge Street, Mulock Campus and 9601 Islington Avenue. Partially offsetting this increase was a reduction in net present value for the remaining life of outstanding lease payments.

York Region Rapid Transit Corporation substantially recovers the lease costs at Liberty Square Rapid Transit from Metrolinx.

## 6. Local Municipal Impact

There is no direct impact from these recommendations on local municipalities.

## 7. Conclusion

This report meets the reporting requirements set out by the Regulation, which have been incorporated in the Capital Financing and Debt Policy.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at 1-877-464-9675 ext. 71644.

The Senior Management Group has reviewed this report.

March 5, 2018

Attachment (1)

eDOCS # 8294117

Accessible formats or communication supports are available upon request.

**Regional Municipality of York  
Financing Leases as at December 31, 2017**

Description	Address	Term of Lease (Years)	Expiry Date	Annual Cost (\$)	Net Present Value (\$)
<b>Police Real Estate</b>					
2768 Davis Drive	2768 Davis Drive, East Gwillimbury	5	May 15, 2021	43,500	140,330
Bruce's Mill (Community Safety Village)	3291 Stouffville Road, Whitchurch-Stouffville	20	July 18, 2022	14,512	63,374
Community Resource Centre Police Services	10720 Yonge Street, Unit 112, Richmond Hill	8	March 14, 2023	269,104	1,316,881
Mulock Centre Police Services <sup>3</sup>	16775 Yonge Street, Suite 403, 405 & 407, Newmarket	5	September 30, 2020	78,774	210,821
Mulock Centre Police Services <sup>3</sup>	16775 Yonge Street, Storage 4E and 5E, Newmarket	4	February 28, 2020	2,952	6,259
Mulock Centre Police Services (Crts Mgmt) <sup>3</sup>	16775 Yonge Street, NW Corner 2nd Underground, Newmarket	3	February 28, 2019	4,800	5,539
Whitchurch-Stouffville Substation	111 Sandiford Drive, Whitchurch-Stouffville	10	October 31, 2023	66,067	362,535
<b>Police Real Estate Total</b>				<b>479,709</b>	<b>2,105,739</b>
<b>YRT and VIVA Terminal</b>					
404/Davis Park and Ride GO Facility	Davis and 404 Car Pool Lot, Newmarket	5	November 29, 2020	43,700	123,844
GO Transit Newmarket & Finch	320 Eagle Street, Newmarket	15	January 1, 2020	636,336	1,249,595
Highway 407 Station - Metrolinx Subway Station <sup>4,5</sup>	7332 Jane Street (407 Station), Vaughan	Note 5	None	120,000	3,337,041
Miller Operations and Maintenance Facility	8050 Woodbine Avenue, Markham	7	October 2, 2023	1,447,662	7,837,135
Promenade Bus Terminal <sup>1</sup>	1 Promenade Circle, Vaughan	10	December 31, 2023	2	11
Richmond Hill Terminal	8675 Yonge Street, Richmond Hill	10	August 31, 2025	3,157	22,228
TTC - Downsview	1035 Sheppard Avenue West, Toronto	5	September 30, 2020	41,408	110,819
Yonge Bayview Holdings Inc.	Access way to Richmond Hill Centre Terminal, Richmond Hill	20	September 30, 2025	20,000	142,241
Vaughan Mill Bus Terminal	1 Bass Pro Drive, Vaughan	99	December 1, 2103	44,564	1,230,941
<b>YRT and VIVA Terminals Total</b>				<b>2,356,829</b>	<b>14,053,855</b>
<b>Other Real Estate Lease</b>					
Community & Health Services Storage	225 Industrial Parkway South, Unit 6 & 8, Aurora	4	February 28, 2019	44,840	51,742
Community Environmental Centre (Elgin Mills Road)	1200 (1150) Elgin Mills Road, Richmond Hill	10	September 30, 2020	85,588	229,058
Early Intervention Services <sup>3</sup>	13175 Yonge Street, Richmond Hill	5	February 28, 2022	310,079	1,236,334
EMS Aurora-Fire Hall	220 Edward Street, Aurora	5	December 31, 2019	25,609	50,289
EMS Ballantrae-Fire Hall	15400 Hwy. 48, Whitchurch-Stouffville	5	June 30, 2020	18,543	45,223
EMS Maple-Fire Hall <sup>3</sup>	9290 Keele Street, Vaughan	4	December 31, 2020	17,636	51,367
EMS Markham-Fire Hall	10 Riviera Drive, Markham	20	April 30, 2024	42,871	253,017
EMS Mount Albert <sup>1</sup>	22A Princess Street, East Gwillimbury	20	August 31, 2024	2,155	13,342
EMS Newmarket	520 Cane Parkway, Newmarket	5	December 31, 2020	418,500	1,218,930
EMS Schomberg <sup>1,6</sup>	15 Dillane Drive, King	50	April 14, 2061	1	22
EMS Stouffville	100 Weldon Road, Whitchurch-Stouffville	20	November 26, 2029	10,747	110,834

**Regional Municipality of York  
Financing Leases as at December 31, 2017**

<b>Description</b>	<b>Address</b>	<b>Term of Lease (Years)</b>	<b>Expiry Date</b>	<b>Annual Cost (\$)</b>	<b>Net Present Value (\$)</b>
EMS Thornhill-Fire Hall	835 Clark Avenue, Vaughan	5	December 31, 2020	19,814	57,710
EMS Unionville-Fire Hall <sup>3</sup>	316 Main Street, Markham	5	March 31, 2022	29,289	119,013
EMS Vaughan-Fire Hall <sup>4</sup>	7690 Martingrove Road	49	January 31, 2066	76,700	3,903,462
EMS Vaughan-Fire Hall	111 Racco Parkway, Vaughan	10	August 31, 2025	82,078	577,987
EMS Woodbridge <sup>3</sup>	9601 Islington Avenue, Vaughan	10	December 31, 2026	81,552	660,849
Environmental Storage <sup>3</sup>	225 Industrial Parkway South, Unit 30, Aurora	1	February 28, 2019	26,533	30,617
Gates of York Plaza (Community & Health Services) <sup>2</sup>	17310 Yonge Street, Unit 2A (3), Newmarket	5	December 31, 2019	57,628	113,165
Gates of York Plaza (Community & Health Services) <sup>2</sup>	17310 Yonge Street, Unit 5, Newmarket	5	December 31, 2019	168,358	330,610
Gates of York Plaza (Community & Health Services) <sup>2</sup>	17310 Yonge Street, Unit 9, Newmarket	5	December 31, 2019	152,856	300,169
Georgina Community & Health Services	24262 Woodbine Avenue, Georgina	10	September 30, 2026	316,763	2,502,645
Liberty Square Rapid Transit <sup>2,3</sup>	3601 Highway #7 East, 8th Floor	5	December 31, 2021	175,928	676,739
Liberty Square Rapid Transit <sup>2,3</sup>	3601 Highway #7 East, 11th Floor, Markham	8	December 31, 2021	379,930	1,461,470
Liberty Square Rapid Transit <sup>2,3</sup>	3601 Highway #7 East, 12th Floor, Markham	8	December 31, 2021	336,301	1,293,640
Markham Early Intervention Services - Garden Basket Plaza <sup>2</sup>	9275 Markham Road, Units 15, 16 & 17, Markham	8	January 7, 2022	204,102	785,115
Markham Early Intervention Services - Garden Basket Plaza <sup>2</sup>	9275 Markham Road, Units 202 & 204, Markham	8	January 7, 2022	40,197	154,626
Markham Health Services	4261 Hwy #7E, Suites B4-B9, Suite C-1, Markham	5	November 30, 2019	343,395	646,711
Markham Household Hazardous Waste Depot <sup>3</sup>	555 Miller Avenue, Markham	10	September 30, 2022	31,377	141,769
Mulock-Sandford Centre (Community & Health Services) <sup>2,3</sup>	130 Mulock Drive, Newmarket	5	June 30, 2020	211,166	514,990
Mulock-Sandford Centre (Community & Health Services) <sup>2,3</sup>	140 Mulock Drive, Unit 1, Newmarket	5	June 30, 2020	37,951	92,554
Mulock-Sandford Centre (Parking Lot 130/140 Mulock Drive) <sup>2,3</sup>	570 Sandford Street, Newmarket	5	June 30, 2020	36,000	87,797
Richmond Hill Storage Facility	359 Enford Road, Units 6 and 7, Richmond Hill	2	January 31, 2019	33,583	36,011
South Services Centre	50 High Tech Road, Richmond Hill	30	December 31, 2031	3,345,214	39,257,003
Tannery (Public Health Business Admin Offices) <sup>2</sup>	465 Davis Drive, Suites 129-131, 221, 227-242, Newmarket	5	June 30, 2020	281,196	685,778
Tannery (Courtrooms & Admin Offices) <sup>2</sup>	465 Davis Drive, Suite 200, Newmarket	5	June 30, 2020	216,550	528,121
Tannery (Court Admin) <sup>2</sup>	465 Davis Drive, Suite 206 and 207, Newmarket	5	June 30, 2020	28,968	70,647
Tannery (Court Admin Office) <sup>2</sup>	465 Davis Drive, Suite 218, Newmarket	5	June 30, 2020	16,703	40,735
Tannery (Court Admin Office) <sup>2</sup>	465 Davis Drive, Suite 224, Newmarket	5	June 30, 2020	49,576	120,905



**Regional Municipality of York  
Financing Leases as at December 31, 2017**

Description	Address	Term of Lease (Years)	Expiry Date	Annual Cost (\$)	Net Present Value (\$)
Tannery (Prosecutor's Office) <sup>2</sup>	465 Davis Drive, Suite 226, Newmarket	5	June 30, 2020	56,871	138,697
Tannery (Courtroom) <sup>2</sup>	465 Davis Drive, Suites 303-305, Newmarket	5	June 30, 2020	23,909	58,310
Tannery (Courtroom & Community and Health Services) <sup>2</sup>	465 Davis Drive, Suites 318,319,320, Newmarket	5	June 30, 2020	200,486	488,945
Tannery (Information Technology Services) <sup>2</sup>	465 Davis Drive, Suites 300A & 400A, Newmarket	5	June 30, 2020	621,380	1,515,419
<b>Other Real Estate Lease Total</b>				<b>8,658,923</b>	<b>60,652,367</b>
<b>Miscellaneous Equipment Total</b>					
Printer G346FB01165 (colour) - RICOH	17250 Yonge Street, Print Shop, Newmarket	5	December 22, 2021	23,805	91,569
Printer G346FA01060 (colour) - RICOH	17250 Yonge Street, Print Shop, Newmarket	5	December 22, 2021	23,582	90,714
Printer C456CA00046 (black and white) - RICOH	17250 Yonge Street, Print Shop, Newmarket	5	December 22, 2021	16,222	62,403
Other Equipment - printer controller, steam punch, colour controller - RICOH	17250 Yonge Street, Print Shop, Newmarket	5	December 22, 2021	2,004	7,709
Mail equipment - Pitney Bowes	17250 Yonge Street, Print Shop, Newmarket	5	July 31, 2021	3,759	13,004
Mail equipment - Pitney Bowes	50 High Tech Road, Richmond Hill	5	July 31, 2021	3,291	11,387
<b>Miscellaneous Equipment Total</b>				<b>72,663</b>	<b>276,786</b>
<b>Financing Lease Grand Total</b>				<b>11,568,124</b>	<b>77,088,747</b>

<sup>1</sup> The landlords are area municipalities of York Region; nominal rents were charged for those leases.

<sup>2</sup> Considered material financing leases as the lease agreement was negotiated for the location with multiple units or suites.

<sup>3</sup> Lease extended in 2017.

<sup>4</sup> New lease entered in 2017.

<sup>5</sup> Continuing licence operating agreement for an indefinite amount of time.

<sup>6</sup> Land was donated to the Regional Municipality of York.