

Clause No. 3 in Report No. 8 of the Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on April 17, 2014.

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OUTSTANDING FINANCING LEASES FOR 2013

Committee of the Whole recommends adoption of the following recommendation contained in the report dated March 3, 2014 from the Commissioner of Finance:

1. RECOMMENDATION

It is recommended that Council receive this report for information.

2. PURPOSE

In accordance with Ontario Regulation 653/05 (the “Regulation”), this report identifies all financing leases that were in place as at December 31, 2013, and shows the present value of those leases compared to the total long-term financial obligations of the Region. It also states that in the opinion of the Commissioner of Finance and Regional Treasurer, all 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, which was adopted by Council in January 2003 and updated in December 2013, governs the administration of capital financing leases. The Policy incorporates all of the requirements of Ontario Regulation 653/05, including the need for an annual report to Council. The Regulation requires that the annual report identify all outstanding 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 lease financing agreements are in accordance with the statement of a municipality’s leasing policies and goals.

A *financing lease* is defined by provincial regulation to be a lease for the provision of municipal capital facilities for which the payments extend beyond the term of the current Council. According to provincial definition, a municipal capital facility includes works,

equipment, machinery, and an administrative facility used in carrying out the functions of a municipality. An example of a financing lease would be one that commences during one term of Council but expires during any future term of Council. Financing leases do not include those which start and expire within the same term of Council.

The Regulation also requires a municipality to differentiate between material and non-material financing leases and requires that all material leases entered into during the year be approved by Council and supported by a report prepared by the Treasurer that assesses the cost and risks of the proposed lease. The Region's Capital Financing and Debt Policy defines a *material financing lease* as one for which the annual payment for an individual lease will be more than \$250,000 or where the lease has a net present value greater than or equal to \$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 OPTIONS

The present value of financing leases decreased for 2013

Table 1 shows the present value of financing leases at the end of 2013 itemized by purpose and type, as well as the proportion of financing leases relative to the Region's total long-term financial obligations, compared to last year.

Table 1
Present Value (PV) of Financing Leases

	Amount as at 12/31/2013 (\$'000s)	Amount as at 12/31/2012 (\$'000s)	Change %
A. Real estate	44,431	48,131	(7.7%)
B. Miscellaneous Equipment	215		N/A
Total PV of Financing Leases as of Dec 31 (A+B)	<u>44,646</u>	<u>48,131</u>	(7.2%)
Total Long-Term Liabilities	<u>2,292,493</u>	<u>2,034,975</u>	12.7%
Financing Leases as a Proportion of Total Long-Term Liabilities	1.95%	2.37%	

Table 1 demonstrates that the present value of financing leases has decreased by 7.2%, from 48.1 million at December 31, 2012 to \$44.6 million at December 31, 2013. This is mainly attributable to a decrease in the remaining length of outstanding lease payments.

Two new real estate leases were entered into in 2013, with an average total lease payment of about \$145,000 each. Both leases will incur payments that extend beyond the current Council term and are therefore considered financing leases.

The present value of financing leases as a proportion of total long-term liabilities decreased from 2.37 percent in 2012 to 1.95 percent in 2013. The decrease is attributable to a material increase in the Region's net debt during 2013.

All financing leases in 2013 conformed to policy guidelines

Attachment 1 provides a detailed summary of all outstanding financing leases for the Region as at December 31, 2013 and indicates that annual payments relating to those financing leases totaled \$9.1 million.

During 2013, the new lease for 9275 Markham Road was deemed to be a *material financing lease* and was reviewed in compliance with the provincial regulation.

The Region's Capital Financing and Debt Policy requires that the following must be considered when assessing all financing leases in comparison to other forms of financing:

- 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.

Legal Services review leases before they are executed, including financing leases. They have confirmed that all of the Region's new leases in 2013 were considered for the above factors.

All financing leases transacted in 2013 were, in the opinion of the Commissioner of Finance and Regional Treasurer, in accordance with the lease policy contained in the Capital Financing and Debt Policy.

Link to Key Regional Council - Approved Plans

By updating Council on its 2013 lease obligations, the Region is maintaining financial accountability for its leasing activities and meeting its legislated operating and reporting requirements.

5. FINANCIAL IMPLICATIONS

There are no financial implications related to the recommendations in this report.

6. LOCAL MUNICIPAL IMPACT

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

7. CONCLUSION

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

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at Ext. 71644.

The Senior Management Group has reviewed this report.

Attachment (1)

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**Regional Municipality of York
Outstanding Financing Leases as at December 31, 2013**

Description	Address	Expiry Date	Average Annual Cost	Net Present Value
Police Real Estate				
Buttonville Airport	Buttonville Airport Hangar, Office, Cage, Markham	July 31, 2018	56,803	249,707
Mulock Centre Police Services	16775 Yonge Street, Suite 403, 405 & 407, Newmarket	September 30, 2015	76,563	132,181
Mulock Centre Police Services	16775 Yonge Street, Unit 6 & 7, Newmarket	September 30, 2015	126,789	218,893
Mulock Centre Police Services (VS, IDVU)	16775 Yonge Street, Suites 200 & 211, Newmarket	June 30, 2015	181,867	269,624
Ringwell Storage Facility	1303 Ringwell Dr Unit 1, Markham	October 31, 2016	85,986	238,017
Whitchurch Stouffville Substation*	111 Sandiford Drive, Stouffville	October 31, 2023	59,400	523,761
Police Real Estate Total			587,408	1,632,183
YRT and VIVA Terminal				
GO Transit Newmarket & Finch	320 Eagle Street, Newmarket	December 31, 2020	475,860	3,104,662
Ontario Realty Corp - Richmond Hill Centre	8675 Yonge Street, Richmond Hill	August 31, 2015	3,090	5,084
Promenade Bus Terminal **	1 Promenade Circle, Thornhill	December 31, 2023	1	9
TTC - Don Mills	1700 Sheppard Avenue East, Toronto	November 24, 2017	71,495	271,233
TTC - Downsview	1035 Sheppard Avenue West, Toronto	September 30, 2015	41,069	70,902
Miller O&M Facility	8050 Woodbine Avenue, Markham	May 31, 2016	1,351,312	3,201,093
Vaughan Mill Bus Terminal	1 Bass Pro Drive, Vaughan	December 1, 2103	46,350	989,711
York University Rapid way	York University, Toronto	October 1, 2016	101,780	273,633
YRT and VIVA Terminals Total			2,090,957	7,916,327
Other Real Estate Leases				
359 Enford Road- Unit 6 Facilities Storage Area	359 Enford Road - Unit #6, Richmond Hill	January 31, 2017	15,000	45,096
Alternative Community Living Program (Water Street)	20 Water Street, Markham	June 30, 2020	13,980	85,112
Burncrest Road Parking Lot **	Burncrest Road, Markham	May 31, 2016	-	-
CHS Storage- Unit 6 & 8	225 Industrial Parkway South, Unit 6 & 8, Aurora	February 28, 2015	40,861	47,232
Community Environmental Centre (Elgin Mills Road)	1200 (1150) Elgin Mills Road, Richmond Hill	September 30, 2019	40,700	222,151
Early Intervention Services	13175 Yonge Street, Richmond Hill	February 28, 2017	304,186	938,591
EMS Ballantrae-Fire Hall	15400 Hwy. 48, Markham	June 30, 2015	19,474	28,870
EMS Maple-FH	9290 Keele Street, Vaughan	December 31, 2016	16,827	49,252
EMS Markham-FH	10 Riviera Drive, Markham	April 30, 2024	35,858	326,339
EMS Mount Albert **	22A Princess Street, Mt Albert	August 31, 2018	5	22
EMS Schomberg **	15 Dillane Drive, Schomberg	April 14, 2061	1	19
EMS Thornhill-FH	835 Clark Avenue, Thornhill	December 31, 2015	16,658	32,806
EMS Unionville-FH	316 Main Street, Unionville	March 31, 2017	15,780	49,939
EMS Vaughan-FH	111 Racco Parkway, Vaughan	August 31, 2015	69,019	113,552
EMS Woodbridge	9601 Islington Avenue, Woodbridge	December 31, 2016	76,080	222,692
Georgina CS&H	24262 Woodbine Avenue, Georgina	September 30, 2016	355,221	955,005
Liberty Square Rapid Transit	3601 Highway #7, 8th Floor, Markham	February 28, 2015	161,200	186,335
Liberty Square Rapid Transit	3601 Highway #7, 12th Floor, Markham	December 31, 2018	322,947	1,543,022
Liberty Square Rapid Transit	3601 Highway #7, 11th Floor, Markham	December 31, 2018	364,825	1,743,109
Markham Early Intervention Services - Garden Basket Plaza*	9275 Markham Road, Units 15, 16 & 17, Markham	January 7, 2021	193,658	1,263,485

**Regional Municipality of York
Outstanding Financing Leases as at December 31, 2013**

Description	Address	Expiry Date	Average Annual Cost	Net Present Value
Markham Early Intervention Services - Garden Basket Plaza*	9275 Markham Road, Units 202 & 204, Markham	January 7, 2021	37,109	242,112
Mulock-Sandford Centre (ITS Depot)	140 Mulock Drive, Unit 8 & 9, Newmarket	June 30, 2015	86,644	128,453
Mulock-Sandford Centre (Legal Services)	120 Mulock Drive, Unit 3, Newmarket	August 1, 2016	34,514	87,282
Mulock-Sandford Centre (Parking Lot 130/140 Mulock Drive)	570 Sandford Drive, Newmarket	June 30, 2015	36,000	53,371
Mulock-Sandford Centre (Property Services Office)	130 Mulock Drive, Newmarket	June 30, 2015	203,646	301,912
Mulock-Sandford Centre (Property Services)	140 Mulock Drive, Unit 1, Newmarket	June 30, 2015	37,357	55,383
Property Services Operations	620 Steven Court, Units 7 & 8, Newmarket	January 31, 2018	55,200	217,150
Property Services Operations (Satellite Operators Facility)	620 Steven Court, Unit 5, Newmarket	January 31, 2015	26,792	28,775
South Services Centre	50 High Tech Road, Markham	August 1, 2021	3,573,673	25,114,685
VIVA Community Liaise Office	130 Davis Drive, Unit 4, Newmarket	September 30, 2017	37,295	135,646
VIVA Community Liaise Office - Unit 5	7800 Jane Street, Vaughan	November 30, 2017	35,814	135,869
Water & Wastewater	8 Laidlaw Blvd, Unit 4, Markham	January 31, 2016	74,155	151,837
Yonge Bayview Holdings Inc.	Access way to RHCT	September 30, 2025	37,080	377,321
Other Real Estate Lease Total			6,337,558	34,882,425
<i>Misc Equipment</i>				
Digital High Speed Printers - 1 Black and 2 Colour		October 31, 2016	50,532	143,897
Digital mailing Equipment 2000		July 31, 2016	17,237	43,591
Digital mailing Equipment 1000		July 31, 2016	10,813	27,344
Misc Equipment Total			78,582	214,833
Financing Lease Grand Total			9,094,505	44,645,768

* New leases entered into in 2013

** The landlords are area municipalities of York Region, nominal rents were charged for those leases.