5
OUTSTANDING FINANCING LEASES FOR 2011

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated February 7, 2012, from the Commissioner of Finance.

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

In accordance with Ontario Regulation 653/05, this report identifies all financing leases that were in place as at December 31, 2011, as well as the present value of those leases compared to 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 made in accordance with the policies and goals set out in the Capital Financing and Debt Policy.

3. BACKGROUND

Provincial regulation requires an annual reporting on financing leases

The Capital Financing and Debt Policy, which was adopted by Council in June 2006, 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 on this matter.

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. 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.

Provincial regulation requires that a municipality report annually on financing leases and that all financing leases be approved by Council. In the case of a *material financing lease*, the Commissioner of Finance is required to submit a report to Council, before entering into the lease, with a recommendation based on an assessment of the costs and financial and other risks associated with the proposed lease.

The Capital Financing and Debt Policy, approved by Council in 2006, defines a *material financing lease* as one for which the annual payment for the individual lease will be more than $250,000 or, as a class exceeds one percent of the Region's net tax levy or, where the lease has a net present value greater than or equal to $2 million for the term of the lease agreement.

4. ANALYSIS AND OPTIONS

Present value of financing leases has decreased in 2011

Table 1 shows the present value of financing leases at the end of 2011 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 the previous year.

Table 1
Present Value (PV) of Financing Leases (000's)

	31-Dec-10	31-Dec-11	% Change
Real Estate	48,007	45,015	(6.23%)
YRT/Viva Terminals	4,491	4,864	8.30%
Miscellaneous Equipment	0	0	N/A
IT Equipment			
General	0	0	N/A
Police	0	0	N/A
	0	0	N/A
Total PV of Financing Leases as of Dec. 31, 2011	52,498	49,879	(4.98%)
Total Long Term Liabilities	1,401,999	1,803,950	28.67%
Financing Leases as a Proportion of total Long Term Liabilities	3.74%	2.76%	

Discount factors are based on Canada Bond rates that vary from 0.93% for 12 months to 2.49% for 20 years as of December 31, 2011

Table 1 demonstrates that the present value of financing leases has decreased by 4.98 percent from $52.5 million in 2010 to $49.9 million at December 31, 2011. The present value of financing leases as a proportion of total long-term liabilities decreased from 3.74 percent in 2010 to 2.76 percent in 2011. The YRT/Viva Terminal category had

approximately an 8 percent increase due to a new lease for the York University Rapidway in 2011. The remaining categories of financing leases are zero or decreasing.
Table 2 shows the present value of all leases at the end of 2011. The financing leases shown in Table 1 are a subset of all lease obligations.

Table 2
Present Value (PV) of All Leases (000's)

	31-Dec-10	**31-Dec-11**	**% Change**
Real Estate	54,217	53,762	(0.84%)
YRT/Viva Terminals	6,585	5,818	(11.65%)
Miscellaneous Equipment	121	149	23.20%
IT Equipment			
General	54	7	(87.04%)
Police	164	5	(96.95%)
	218	12	(94.50%)
Total PV of All Leases as of Dec. 31, 2011	61,141	59,741	(2.29%)
Total Long Term Liabilities	1,410,643	1,813,812	28.58%
Financing Leases as a Proportion of total Long Term Liabilities	4.33%	3.29%	

Discount factors are based on Canada Bond rates that vary from 0.93% for 12 months to 2.49% for 20 years as of December 31, 2011

The table shows that the present value of all leases has decreased by 2.29 percent, from $61 million in 2010 to $59.7 million at December 31, 2011.

The Real Estate category experienced some increases such as a renewal for the Police Community Resource Centre and the new Ringwell storage facility in Newmarket, which contributed a present value of $1.1 million to the Real Estate category.

All financing leases in 2011 conformed to policy guidelines

Council *Attachment* 1 provides a detailed summary of all outstanding financing leases for the Region as at December 31, 2011 and indicates that annual payments relating to those financing leases totalled $6.8 million.

During 2011 two leases, 3601 Highway 7 and 520 Cane Parkway, were new *material financing leases* that were reviewed and are compliant with the Capital Financing and Debt Policy.

All *financing leases* transacted in 2011 were, in the opinion of the Commissioner of Finance and Regional Treasurer, made in accordance with the lease policy contained in the Capital Financing and Debt Policy approved by Council.

Link to Key Council–approved Plans

By updating Council on the Region's 2011 lease obligations, the Region is able to maintain continuity of operations and the on-going delivery of programs and services that are deemed a priority in the 2011 to 2015 Strategic Plan.

5. FINANCIAL IMPLICATIONS

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

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact arising from this report.

7. CONCLUSION

This report meets statutory reporting requirements set out by the Province and incorporated in the Capital Financing and Debt Policy.

The present value of outstanding *financing* leases decreased by $2.6 million to $49.9 million as of December 31, 2011 and their proportion of outstanding long-term liabilities decreased from 3.74 percent to 2.76 percent.

Similarly, the present value of *all* leases has decreased by $1.4 million from $61 million in 2010 to $59.7 million as at December 31, 2011 and their proportion of outstanding long-term liabilities decreased from 4.33 percent to 3.29 percent.

All *material financing leases* were reviewed and are compliant with Ontario Regulation 653/05 and with the Region's Capital Financing and Debt Policy.

For more information on this report, please contact Ed Hankins, Director, Policy, Risk and Treasury at Ext. 1644.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause is attached to this report.)

Regional Municipality of York
Outstanding Financing Leases as at December 31, 2011

Category	Site Name / Description	Address	Expiry Date	Annual Cost	Present Value
Police Real Estate	Bruce's Mill	3901 Stouffville Rd	August 1, 2022	13,267	126,840
	Ringwell Storage Facility	1303 Ringwell Drive, Unit 1	October 31, 2016	87,591	411,414
Police Real Estate Total				***100,858***	***538,254***
YRT/Viva Terminals	GO Transit - Newmarket		December 31, 2020	115,046	960,737
	GO Transit Finch		December 31, 2020	293,748	2,453,067
	Vaughan Mills		November 30, 2103	35,000	1,263,056
	York University Rapid way		November 22, 2019	25,054	186,912
YRT/Viva Terminals Total				***468,848***	***4,863,771***
Real Estate Lease	Burncrest Road Parking Lot	Burncrest Road	May 31, 2016	2	9
	YRT Division 1 Operations and Maintenance	8050 Woodbine Avenue	May 31, 2016	1,426,404	6,161,717
	South Services Centre	50 High Tech Road	May 31, 2021	3,454,824	30,084,547
	Richmond Hill Early Intervention Services	13175 Yonge Street	February 28, 2017	290,855	1,457,541
	Georgina CS&H	24262 Woodbine Avenue	September 30, 2016	331,383	1,530,404
	EMS - Markham	10 Riviera Drive	April 30, 2024	35,858	393,035
	EMS - Islington	9601 Islington Avenue	December 31, 2017	37,247	215,070
	EMS Stouffville	100 Weldon Road	November 26, 2029	7,360	106,291
	EMS - Mount Albert	22A Princess Street	August 31, 2024	5	55
	Alternative Community Living Program	20 Water Street	June 30, 2020	15,380	121,796
	Liberty Square Rapid Transit	3601 Hwy 7, 12th floor	December 31, 2018	295,803	1,972,671
		3601 Hwy 7, 11th Floor	December 31, 2018	343,686	2,292,002
	EMS Thornhill	835 Clark Avenue	December 31, 2015	15,018	58,874
	Community Environmental Centre	1150 Elgin Mills Road	September 30, 2020	10,175	82,779
Real Estate Lease Total				***6,264,000***	***44,476,791***
Grand Total				**6,833,706**	**49,878,816**