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REPORT ON OUTSTANDING FINANCING LEASES FOR 2010

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated March 1, 2011, 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, 2010 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, all financing leases were made in accordance with the leasing policies and goals in the Capital Finance and Debt Policy adopted by Council.

3. BACKGROUND

Provincial regulation requires an annual reporting on financing leases

The Capital Financing and Debt Policy, which was adopted by Regional Council in June 2006, governs the administration of capital financing leases. This 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. As such, 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 material financing lease, with a recommendation assessing the costs and financial and other risks associated with the proposed material financing 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 2010

Table 1 shows the present value of financing leases at the end of 2010 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

	31-Dec-09	31-Dec-10	% Change
Real Estate	67,888,864	48,006,732	(29.28%)
YRT Terminal	4,881,847	4,490,611	(8.01%)
Miscellaneous Equipment	243,887	0	N/A
IT Equipment			
General	168,420	0	N/A
Police	100,351	0	N/A
	268,771	0	N/A
Total PV of Financing Leases as of Dec. 31, 2010	73,283,369	52,497,343	(28.36%)
Total Long Term Liabilities	1,313,605,146	1,401,998,814	6.72%
Financing Leases as a Proportion of total Long Term Liabilities	5.57%	3.74%	

Table 1 shows that the present value of financing leases has decreased by 28.36 percent from $73 million in 2009 to $52.5 million at December 31, 2010. The present value of financing leases as a proportion of total long-term liabilities decreased from 5.57 percent in 2009 to 3.74 percent in 2010. This was a result of fewer financing leases reported that are extending beyond the term of current Council. In comparison, the prior year's report to Council would have included a greater number of leases extending beyond the past Council term.

In addition, for information to Council, Table 2 below shows the present value of all leases at the end of 2010 of which the financing leases represent a subset of all lease obligations in 2010.

Table 2
Present Value (PV) of All Leases

	31-Dec-09	31-Dec-10	% Change
Real Estate	70,186,684	54,216,641	(22.75%)
YRT Terminal	4,927,800	6,585,102	33.63%
Miscellaneous Equipment	243,887	120,996	(101.56%)
IT Equipment			
General	617,977	54,294	(91.21%)
Police	220,629	164,130	(25.60%)
	838,606	218,424	(73.95%)
Total PV of All Leases as of Dec. 31, 2010	76,196,977	61,141,163	(19.75%)
Total Long Term Liabilities	1,316,518,754	1,410,642,634	7.14%
Financing Leases as a Proportion of total Long Term Liabilities	5.78%	4.33%	

The table shows that the present value of all leases has decreased by 19.75 percent from $76 million in 2009 to $61 million at December 31, 2010.

While it is expected that the overall present value of leases should decrease relative to the new term of Council, the YRT terminal category experienced an increase from the 2009 total, this was largely due to a new 2010 lease obligation for Veolia Bus and Maintenance Facility.

All financing leases in 2010 conformed to policy guidelines

Appendix 1 provides a detailed summary of all outstanding financing leases for the Region as at December 31, 2010 and indicates that annual payments relating to those financing leases totalled $6.8 million.

All financing leases transacted in 2010 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.

5. FINANCIAL IMPLICATIONS

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

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact to 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 $20.8 million to $52.5 million as of December 31, 2010, but their proportion decreased from 5.57 percent to 3.74 percent relative to total outstanding long-term liabilities for this period.

Similarly, the present value of *all* leases has decreased by $15 million from $76 million in 2009 to $61 million as at December 31, 2010, but their proportion decreased from 5.78 percent to 4.33 percent relative to total outstanding long-term liabilities for this period.

This report provides for the annual leases that the Region is obligated to for 2010 moreover it also highlights any new financing agreements that have to meet the rigour of the Capital Financing and Debt Policy. The Policy requires that all material financing leases were assessed for its costs, financial viability and risks with the proposed material financing lease in accordance with Ontario Regulation 653/05. In 2010, there were no new financing arrangements.

For more information on this report, please contact Clayton Pereira, Tax Policy Specialist at Ext. 1679.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the April 7, 2011 Committee meeting.)

Regional Municipality of York *Appendix 1*

Outstanding Financing Leases as at December 31, 2010

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	128,831
Police Real Estate Total				***13,267***	***128,831***
YRT Terminals	GO Transit - Newmarket		December 31, 2020	115,046	991,912
	GO Transit Finch		December 31, 2020	293,748	2,532,668
	Vaughan Mills		December 1, 2103	35,000	966,031
YRT Terminals Total				***443,794***	***4,490,611***
Real Estate Lease	Burncrest Road Parking Lot	Burncrest Road	May 31, 2016	0	0
	YRT Division 1 Operations and Maintenance	8050 Woodbine Avenue	May 31, 2016	1,425,060	7,272,566
	South Services Centre	50 High Tech Road	May 31, 2021	3,688,032	32,925,868
	Breedon Manor - Kitchen (ACL)	40 Roselena Drive	December 31, 2028	4,080	60,754
	Genesis Place (ACL)	39 Crosby Avenue, Unit 104	December 31, 2028	4,764	63,657
	Richmond Hill Early Intervention Services	13175 Yonge Street	February 28, 2017	290,855	1,664,632
	Georgina CS&H	24262 Woodbine Avenue	September 30, 2016	326,217	1,749,447
	EMS - Markham	10 Riviera Drive	April 30, 2024	42,738	459,930
	EMS - Richmond Hill	171 Major Mackenzie Drive	December 31, 2028	7,205	96,274
	EMS Vaughan	835 Clark Avenue	December 31, 2015	15,018	71,064
	EMS - Islington	9601 Islington Avenue	December 31, 2016	37,268	207,937
	EMS - Mount Albert	22A Princess Street	December 31, 2028	0	0
	Liberty Square Rapid Transit	3601 Hwy 7, 12th floor	December 31, 2018	285,352	2,051,035
		3601 Hwy 7, 11th Floor	December 31, 2018	174,566	1,254,736
Real Estate Lease Total				***6,301,153***	***47,877,901***
Grand Total				**6,758,214**	**52,497,343**