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REPORT ON OUTSTANDING FINANCING LEASES FOR 2008

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated August 17, 2009, from the Commissioner of Finance.

1. RECOMMENDATION

It is recommended that:

1. 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, 2008 as well as the present value of these 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

Statutory Requirements

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 has been 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 (eg. March 2008), but expires during any future term of Council (eg. February 2011). As such, financing leases do not include those which start and expire within the same term of Council.

Provincial regulation requires a municipality to differentiate between material and non-material financing leases and requires that all material leases be approved by Council. In the case of a material lease, the Commissioner of Finance is required to submit to Council a report, before entering into the financing lease, with a recommendation assessing the costs and financial and other risks associated with the proposed financing lease. The Capital Financing and Debt Policy currently defines a material lease as a class of financing leases in which the annual payment for individual leases 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 Decreased by a Small Percentage

Table 1 shows the present value of all financing leases at the end of 2008 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-07	31-Dec-08	% Change
Real Estate	69,603,766	65,577,958	-5.78%
YRT Terminal	4,994,857	5,409,734	8.31%
IT Equipment			
General	405,833	221,812	-45.34%
Police	218,926	164,990	-24.64%
	624,759	286,802	-38.09%
Total PV of Financing Leases as of Dec. 31, 2008	75,223,383	71,374,495	-5.12%
Total Long Term Liabilities	1,092,859,439	1,009,586,705	-7.60%
Financing Leases as a Proportion of total Long Term Liabilities	6.88%	7.07%	

The table shows that the present value of financing leases has decreased by 5.12 percent from $75 million in 2007 to $71 million at December 31, 2008.

The present value of *all* leases at the end of 2008 including those that expire within the current term of Council and are therefore not considered as financing leases, was $76 million, representing a 13.12 percent decrease over the previous year.

The present value of financing leases as a proportion of total long-term liabilities increased slightly from 6.88 percent in 2007 to 7.07 percent in 2008. This was a result of the diminishing composition of total financing leases in relation to the timing of Council's term, combined with the effect of a decrease in debt of 7.7 percent (from $1.02 billion as of December 31, 2007 to $938 million as of December 31, 2008).

The main changes to the nominal value of outstanding financing leases from December 31, 2007 to December 31, 2008 were the result of the following:
Real estate leases decreased by $4.1 million, partially due to timing of lease agreement expiry dates.

All Financing Leases in 2008 Conformed to Policy Guidelines

Appendix 1 provides a detailed summary of all outstanding financing leases for the Region as at December 31, 2008, and indicates that annual payments relating to all financing leases total $7.5 million. There is no municipal standard or guideline set by the Province relating to the amount or proportion of outstanding financing leases undertaken by a municipality.

A lease extension for a property at 520 Cane Parkway, Newmarket was the only financing lease transacted in 2008.

	Annual Payment	Present Value
520 Cane Parkway, Newmarket EMS (Operations Centre)	$ 284,580	$ 588,839

This was the only material lease transacted in 2008 and was the subject of a report to Council on April 23, 2009.

All financing leases transacted in 2008 were, in the opinion of the Commissioner of Finance and 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 as all lease charges are included in the Annual Budget.

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 $4 million to $71 million as of December 31, 2008, but their proportion increased from 6.88% to 7.07% relative to total outstanding long-term liabilities for this period.

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

For more information on this report, please contact David Williams at Ext. 1620.

The Senior Management Group has reviewed this report.

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

Council Attachment 1

APPENDIX 1

DETAILS OF FINANCING LEASES AS OF December 31st, 2008

DESCRIPTION		Expiry	Total Annual Lease Cost	Present Value of Outstanding Rent as of December 31st, 2008
Real Estate				
Transit 1	Yonge Street and Hwy #7,(Parts 19 & 2	August 31, 2015	841	4,891
Transit 2	Yonge Street and Hwy #7,(Part 15 of F	August 31, 2015	1,763	10,261
Breedon Manor - Kitchen (ACL)	40 Roselena Drive	December 31, 2028	4,080	55,478
Genesis Place (ACL)	39 Crosby Avenue, Unit 104	December 31, 2028	4,764	64,779
EMS - Pefferlaw	319 Pefferlaw Road	December 31, 2012	11,116	40,921
EMS - Unionville	316 Main Street	March 31, 2012	15,765	47,870
Property Services (Satellite Operators Facility)	620 Steven Court, Unit 5	January 31, 2012	21,072	88,771
EMS - Markham	10 Riviera Drive	April 30, 2024	29,828	338,413
EMS - Richmond Hill	171 Major Mackenzie Drive	December 31, 2028	37,242	506,403
EMS - Racco Parkway	111 Racco Parkway	September 1, 2015	37,268	216,860
EMS - Islington	9601 Islington Avenue	December 31, 2016	37,268	253,527
Markham Early Intervention Services 2	144 Main Street, 10, 11 and part of 12	September 30, 2013	45,917	197,737
Water and Waste Water	8 Laidlaw Boulevard	January 31, 2014	63,273	384,846
Markham Early Intervention Services 1	144 Main Street, 201, 202 and 203	September 30, 2013	73,356	315,899
Vaughan Early Intervention Services	3901 Hwy. #7 West (2nd fl.)	September 30, 2013	122,480	552,037
Vaughan Social Services	3901 Hwy. #7 West (5th fl.)	September 30, 2013	202,488	912,649
EMS (Operations Centre)	520 Cane Parkway	February 28, 2011	284,580	588,839
Richmond Hill Early Intervention Services	13175 Yonge Street	February 28, 2017	308,779	2,632,542
Georgina CS&H	24262 Woodbine Avenue	September 30, 2016	329,212	2,803,341
YRT Division 1 Operations and Maintenance	8050 Woodbine Avenue	May 31, 2016	1,172,400	7,478,752
South Services Centre	50 High Tech Road	May 31, 2021	3,417,264	46,098,886
		Subtotal	**6,220,755**	**63,593,701**
IT Equipment				
HP 21A (Thin Client)		March 31, 2011	831	3,913
HP 42 (Printer)		September 30, 2011	1,990	16,614
HP 37 (Thin Client)		March 31, 2012	2,066	26,537
HP 33 (Thin Client)		December 31, 2011	3,618	21,466
HP 43 (Thin Client)		September 30, 2012	3,893	55,042
HP 42-2 (Printer)		September 30, 2011	4,915	18,091
HP 21 (Thin Client)		March 31, 2011	6,476	1,346
HP 40 (Thin Client)		June 30, 2012	7,310	35,860
HP 29 (Thin Client)		September 30, 2011	8,451	10,489
HP 25 (Thin Client)		June 30, 2011	11,976	9,663
HP 39 (Printer)		June 30, 2011	14,805	10,289
HP 36 (Printer)		March 31, 2011	22,141	4,766
HP 35 (Network)		March 31, 2011	33,985	7,736
		Subtotal	**122,458**	**221,812**
Police Real Estate				
Radio Tower	Egypt Tower	August 31, 2013	6,500	29,152
Air Support Hanger	Buttonville Airport Hanger	July 31, 2013	48,943	215,669
Recruitment, Community Services, Diversity	16775 Yonge Street	June 30, 2011	509,800	1,739,436
		Subtotal	**565,243**	**1,984,257**
Police Copiers and Fax Machines				
de lage landen	Canon Imagerunner 3030	January 31, 2011	3,110	6,408
de lage landen	Canon Imagerunner IR 3380i	January 31, 2011	3,335	6,871
de lage landen	Canon Imagerunner C4080i	January 31, 2011	4,830	9,951
IOS Financial Services	Canon Copier IR3045	January 31, 2011	6,156	12,683
IOS Financial Services	Canon LC310 Fax	December 31, 2011	9,757	28,731
IOS Financial Services	Ikon Accessory ZCMIS	June 30, 2011	12,727	31,319
IOS Financial Services	Ikon Accessory Z3MIS	January 31, 2011	34,862	69,026
		Subtotal	**74,778**	**164,990**
YRT Terminals				
Ontario Realty Corp - Richmond Hill Centre		August 31, 2015	1,800	11,079
Vaughan Mills		December 1, 2013	35,000	949,561
TTC - Don Mills		November 24, 2012	118,674	448,750
GO Transit - Newmarket		December 31, 2020	129,260	1,262,101
GO Transit - Finch		December 31, 2020	280,441	2,738,243
		Subtotal	**565,175**	**5,409,734**
		GRAND TOTAL	**7,548,408**	**71,374,495**

* The present value of a continuous lease is calculated based on the assumption that the lease will expire on December 31, 2028