

Staff Report 2021-0148

Meeting Date: May 18, 2021

Subject: 2020 Lease Financing Agreement Summary

Submitted By: Heather Haire, Acting Director, Finance / Treasurer

RECOMMENDATION

That the Town's lease financing arrangements as outlined in Staff Report 2021-0148 will not result in a material impact for the municipality.

REPORT HIGHLIGHTS

- The annual cost of lease financing agreements at the Town of Caledon is \$55,452.
- The leases consist of a property lease and a lease for photocopier equipment.
- The expiry dates for current agreements range from 2021 to 2023 and the remaining balance of the payments in future years, 2021 to 2023 is \$64,155.
- The remaining balance of lease payments in future years as a percentage of the Town's combined long-term debt including leases is 0.29%.

DISCUSSION

The purpose of this report is to comply with the Treasurer's reporting requirements as set out by *Municipal Act, 2001 – Ontario Regulation 653/05*, the regulations on debt related financial instruments and financial agreements.

Lease financing agreements represent long-term commitments of the municipality beyond the Term of Council. It is a requirement pursuant to Section 11 of the *Ontario Regulation 653/05*, at least once a year, the Treasurer report to Council to ensure all lease financing agreements have been made in accordance with the Town's approved policy.

Further, Section 10 of the *Ontario Regulation 653/05* requires municipalities to undergo a detailed review of all lease financing agreements prior to approving any new agreements. The regulation is meant to deal with major lease financing agreements that have a material impact to the community as it requires the Town Treasurer and Council to review and consider a number of factors before entering into a material lease financing agreement.

The factors to be considered include:

- fixed costs, estimated costs, effective rates of financing, contingent payment obligations;
- independent legal and financial opinions;
- the costs and risks associated with the agreement;
- an assessment regarding whether the risks associated with the agreement are reasonable;
- an assessment regarding whether the cost of financing in the proposed financing agreement is lower than other methods of financing available to the municipality

As outlined in Schedule A, the active lease financing agreements that the Town had as at the end of 2021 are non-material in nature. Municipalities are not required to undergo the extensive review highlighted above, prior to entering into an agreement, if there are specific policies in place and if, in the opinion of the Town Treasurer and Council, the proposed agreement would not result in a material impact for the community after considering, costs, risks, and other existing agreements.

FINANCIAL IMPLICATIONS

The annual cost of lease financing agreements at the Town of Caledon is \$55,452 (see Schedule A). The expiry dates for current agreements range from 2021 to 2023 and the remaining balance of the payments in future years, 2020 to 2023 is \$64,155.

The following are the current leasing arrangements:

- The Town entered into a photocopier lease that commenced on February 2016 with an annual cost of \$44,979 for 34 multi-functional units, with a term of two years and an option to extend for an additional three years. In November 2018, the option to extend for three additional years was exercised and the lease expires October 31, 2021.
- The Town entered into a lease in June 2018 for OPP space located in Orangeville with an annual cost of approximately \$10,473 (inclusive of non-refundable HST). This lease commenced on June 1, 2018 and expires on May 31, 2023.

It is the opinion of the Treasurer that the lease financing agreements listed above are non-material to the Corporation and have been made in accordance with the Town's leasing policies and goals, and therefore pursuant to Schedule D of the Purchasing By-law 2019-24 staff is making the recommendation set out in this report.

The overall Town's commitment on leases decreased as a percentage of the Town's long-term debt including leases from 0.36% in 2019 to 0.29% in 2020 which is mainly the result of the Caledon Hydro Debenture being full repaid in 2019.

COUNCIL WORK PLAN

Subject matter is not relevant to the Council Workplan.

ATTACHMENTS

Schedule A: Treasurer's 2020 Lease Financing Agreements Summary