

**THE CORPORATION OF THE CITY OF WINDSOR
POLICY**

Primary Owner:	Finance	Policy No.:	TBD
Secondary Owner:	n/a	Approval Date:	February 26, 2018
		Approved By:	CR99/2018
Subject:	LEASE FINANCING POLICY (City as “Lessee”)	Effective Date:	Immediate
		Procedure Ref.:	
Review Date:	February 2023	<i>Pages: 4</i>	Date: February 26, 2018
Prepared By:	Ari Varsa, Jocelyn De Luna		Replaces: 17/02/2003 (CR86/2003)

1. PURPOSE

- 1.1. To facilitate compliance with Ontario Regulations 653/05 and 403/02 under the *Municipal Act, 2001*, S.O. 2001, c 25 (“Regulations”).
- 1.2. To outline standardized provisions for lease financing agreements.
- 1.3. To standardize the review, analysis and approval of lease financing agreements.
- 1.4. To outline a regular and consistent reporting mechanism of lease financing agreements.

2. DEFINITION

- 2.1. “*Lease Financing Agreement*” – as described in the Ontario Regulation 653/05 means a financial agreement for the purpose of obtaining long-term financing of a capital undertaking of the municipality.

3. SCOPE

- 3.1. This policy applies to proposed lease financing agreements to be undertaken by The Corporation of the City of Windsor (the “City”) departments, agencies, boards, commissions and committees (“ABCs”) funded by the City, in whole or in part, or whose governing body contains City representation and whose financial transactions are accounted for within the City’s financial systems.

3.2. Exclusions:

- 3.2.1. Individual photocopier leases entered into, in accordance with the City’s Purchasing By-Law as approved by Council through CR218/2015.
- 3.2.2. Office equipment rental and leases, including certain mailing equipment, postage meter rentals and fax machines entered into, in accordance with the City’s Purchasing By-Law as approved by Council through CR357/2016.
- 3.2.3. Rental agreements with a term of less than six (6) months and/or a cancellation option with no penalty or financial impact to the City. This may include vehicles, equipment or furnishings used for seasonal or specific projects.
- 3.2.4. Building or land lease with a term of two (2) years or less.

4. RESPONSIBILITY

- 4.1. The **City Council** is responsible to:
 - 4.1.1. Approve all lease financing agreements prior to final signing.

- 4.1.2. Authorize the Chief Administrative Officer & City Clerk to sign all lease financing agreements subject to administrative review and approval.
- 4.2. The **Chief Administrative Officer (CAO)** is responsible to:
- 4.2.1. Sign all lease financing agreements as approved by Council.
- 4.3. The **Chief Financial Officer (CFO)/City Treasurer**, or designate, is responsible to:
- 4.3.1. Review proposed lease financing agreements to ensure compliance with legislative requirements and this policy.
- 4.3.2. Prepare a report to Council, which evaluates the financial costs and other potential risks associated with proposed lease financing agreements.
- 4.3.3. Undertake a detailed financial analysis with respect to the proposed leases, where applicable. Obtain external independent financial advice, if the threshold of the proposed transaction so warrants.
- 4.3.4. Liaise with the City Solicitor, or designate, to obtain legal advice with respect to the proposed lease financing agreement and obtain external independent legal advice, if the threshold of the proposed transaction so warrants.
- 4.3.5. If the City enters into one or more lease financing agreements within a fiscal year, prepare and present to Council within the fiscal year, or more frequent upon Council request a detailed report containing the following information as per O. Reg. 653/05, s.11 (1), subsection (2):
- A description of the estimated proportion of the total financing arrangements of the municipality that is undertaken through lease financing agreements to the total long-term debt of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
 - A statement by the treasurer as to whether, in his or her opinion, all lease financing agreements were made in accordance with the statement of lease financing policies and goals adopted by the municipality; and
 - Any other information that the Council may require or that, in the opinion of the treasurer, should be recorded.
- 4.3.6. Present all proposed lease agreements to Council for final approval.
- 4.3.7. Log and monitor lease agreements, where applicable.
- 4.3.8. Direct the review of this policy, at a minimum every five (5) years, and recommend updates as required.
- 4.4. The **City Solicitor**, or designate, is responsible to:
- 4.4.1. Provide legal advice with respect to proposed lease financing agreements, where applicable.
- 4.5. The **City Clerk**, or designate, is responsible to:
- 4.5.1. Sign all lease financing agreements as approved by Council.
- 4.5.2. Maintain lease financing agreement records accordingly.

4.6. The **Executive Directors (and ABC equivalents)** or designates are responsible to:

4.6.1. Submit, to the CFO/City Treasurer, all proposed lease financing agreements for review, to ensure compliance with the legislative requirements and this policy, and for reporting to Council.

5. **GOVERNING RULES AND REGULATIONS**

5.1. The City of Windsor strategy, with respect to lease financing (Budget Resolution B41-2002), is to generally refrain from entering into material lease financing agreements, and that where any such lease financing agreements are deemed necessary, that such lease financing agreements be limited to specific circumstances.

5.2. The following evaluation and analysis process must be performed for proposed lease agreements, and as defined by Section 4.1.1, City Council must also approve all lease agreements that are subject to this policy.

5.2.1. The sum of all payments is \$100,000 or less:

5.2.1.1. Any proposed lease financing agreement where the sum of all payments is \$100,000 or less, there is no requirement to undertake a detailed financial or legal analysis.

5.2.2. The sum of all payments is between \$100,001 to \$999,999:

5.2.2.1. Any proposed lease financing agreement where the sum of all payments is expected to be between \$100,001 to \$999,999, an internal financial and legal review must be undertaken, including a buy versus lease analysis and consideration of risks associated with the proposed lease financing agreement.

5.2.2.2. The proposed lease agreement must include a schedule of all fixed amounts of payment, if any, required under the lease and that may be required under any possible extensions or renewals of the lease.

5.2.3. The sum of all payments is \$1,000,000 or greater:

5.2.3.1. Any proposed lease financing agreement where the sum of all payments is expected to be equal to or greater than \$1,000,000, in addition to the requirements in Section 5.2.2, the need for external independent financial and legal advice shall also be considered. As external financial and legal expertise will incur a cost, each lease financing agreement will be reviewed on a case by case basis considering complexity and risk.

5.3. **All resolutions of Council approving of leases are to contain a statement that:**

“in the opinion of the CFO/ City Treasurer and the City Council the proposed lease financing agreement will not materially impact the debt and financial obligation limit of the City of Windsor, and its risks, in combination with all the other lease financing agreements of that category entered into or proposed to be entered into this year by The Corporation of the City of Windsor, will not result in a material impact for the community”.

5.4. As Council recognizes that there are inherent risks associated with lease financings, compliance with this policy will facilitate that the necessary due diligence is undertaken by administration in the review of all lease financing agreements and that Council is provided

full disclosure on the impacts of these leases prior to entering into any agreement for the provision of lease financings.

- 5.5. Funding sources (Capital or Operating) for lease financing agreement must be identified prior to entering into a lease.
- 5.6. In cases where lease financing is deemed acceptable the following must be adhered to:
 - Ontario Regulations 653/05
 - Ontario Regulations 403/02
 - The Pay As You Go Lease Reserve Fund 170 Procedure - CS.B9.05
 - The Purchasing By-Law

6. REFERENCES AND RELATED DOCUMENTS

- 6.1. Ontario Regulation 653/05 – Debt-Related Financial Instruments and Financial Agreements
- 6.2. Ontario Regulation 403/02 - Debt & Financial Obligation Limits
- 6.3. The Purchasing By-Law