

HALDIMAND COUNTY

POLICY No. 2003-05

Subject: LEASE FINANCING POLICY

The purpose of this Policy is to establish a framework and outline the requirements for entering into leases of municipal capital facilities and for reporting such leases to Council as required under the Municipal Act, 2001, as amended and Ontario Regulation 266/02.

This Policy constitutes the statement of Haldimand County's lease financing policies and goals required under Ontario Regulation 266/02, as amended and the Municipal Act, 2001, as amended.

Definitions:

For the purposes of this Policy terms are defined as follows:

Financing Lease:

A lease for the provision of municipal capital facilities which requires payment for a period beyond the term for which the Council was elected.

Municipal Capital Facilities:

Purchase or construction of land, equipment, machinery, buildings, public works, infrastructure, etc.

Municipal Capital Facilities include:

- Facilities used by Council
- Facilities used for the general administration of the County
- Municipal roads, highways and bridges
- Municipal facilities for water, waste water, sewers, drainage and flood control
- Municipal facilities for the collection and management of waste and garbage
- Municipal facilities related to policing and by-law enforcement
- Municipal facilities related to the provision of social and health services, including homes for the aged
- Municipal housing project facilities

Material Impact:

In general, material impact is any cost or risk that would have a significant impact on the County's debt and financial obligations. For purposes of this Policy, materiality is defined as any lease that has a term in excess of 5 years or has a lease value that is in excess of \$100,000.

Policy:

Council Action Required:

All leases must be approved by Council.

Before entering into a financing lease, Council is required to:

1. Consider and assess the report of the Treasurer and Solicitor (see below).
2. Consider if the scope of the proposed transaction warrants obtaining external legal advice or external financial advice with respect to the proposed financing lease.
3. Consider and assess whether the costs of financing for the proposed financing lease are lower than other methods of financing available to the municipality and whether the risks associated with the financing lease are reasonable.

Report of the Treasurer:

The Treasurer must provide a report and recommendation for Council providing full disclosure of the terms contained in the proposed financing lease and providing an assessment of the costs and risks associated with the proposed financing lease, including:

- A schedule of all payment amounts required under the proposed financing lease and that may be required under any possible extension(s) or renewal(s) of the proposed financing lease.
- The term of the proposed financing lease and any possible extension or renewal periods provided in the proposed financing lease.
- A comparison between the costs associated with the proposed financing lease and those associated with other methods of financing.
- A comparison between the risks associated with the proposed financing lease and those associated with other methods of financing.
- A summary of the effective rate of interest for the proposed financing lease, or rates of interest if more than one rate of interest is included in the proposed financing lease.
- The ability for lease payment amounts to vary and the methods or calculations, including possible rate changes, which may be used to calculate any changes in payments.
- Any contingent payment obligations under the proposed financing lease that would result in a material impact, including lease termination provisions, equipment loss, equipment replacement options and guarantees and indemnities.

- A summary of the assumptions applicable to any possible variations in the lease payment and contingent payment obligations.

If the proposed financing lease falls within the exclusions provided below, the Report of the Treasurer must provide an opinion to Council that the proposed financing lease falls within the exclusions.

Report of the Solicitor:

The County Solicitor shall provide to Council legal advice on any proposed financing lease and, in the opinion of the solicitor, whether Council should obtain independent external legal advice with respect to the proposed financing lease.

Annual Reporting on Leases:

On an annual basis the Treasurer shall provide to Council a report detailing:

- The total of all financing leases as a proportion of the total long-term debt of the County and details of the change from the previous report.
- A statement of the Treasurer as to whether, in his/her opinion, all financing leases were made in accordance with the provisions contained in this Statement of Lease Financing Policies and Goals.

Exclusions:

Council may approve entering into a financing lease without the Report of the Treasurer containing all of the requirements under the following conditions:

- The proposed financing lease and all financing leases in total would not result in a material impact for the municipality. (See Definitions - Material Impact, above.)
- The capital asset considered for lease is not available for purchase, for example a postage meter.
- The capital asset considered for lease is equipment that the County does not want to own, for example a piece of expensive testing equipment.
- The capital asset considered for lease is equipment that has rapid obsolescence, for example a piece of specialized hi-tech equipment.
- The lease involves office space that will be leased/rented for a short period of time, for example rent of temporary office space while renovations are being done.
- The lease involves equipment that will be leased/rented for a short period of time, for example equipment leased for while the main line piece of equipment is in for repair.

In the event of an emergency the Chief Administrative Officer of the County may authorize the lease or rent of equipment. The Treasurer must provide the report required above to Council at the next earliest opportunity.

Topical Index	Administration
Policy Number	2003-05
Short Title	Lease Financing Policy
SMT Approval Date	March 27, 2003
Council in Committee	April 14, 2003 Recommendation # 9
Council Approval Date	April 22, 2003 Resolution # 108-03
Originating Department	CS-FI-11-2003
Revisions	