



Policy Manual

Policy Number: FINANCE-006

Subject: LEASE FINANCING POLICY

Policy Statement:

Purpose / Objective

The purpose of this policy is to adopt a statement of the City of Brantford's ("the City") policies and goals relating to the use of Lease Financing Agreements. Section 9(1) of O.Reg.653/05, as amended, requires the adoption of such a statement before a municipality passes a by-law authorizing a Lease Financing Agreement.

Additional objectives of this policy include the identification of Non-Material Leases, and outline the requirements of the City before entering into a Material Lease.

This policy is to be interpreted and applied in accordance with the requirements of the Municipal Act, 2001 (the "Act") and any Regulations passed thereunder (the "Regulations"). Terms used in this policy have the meanings applicable to those terms in the corresponding sections of the Act and Regulations.

Related Policy Guidelines

1.0 Definitions

- a. Lease Financing Agreement – A financial agreement for the purposes of obtaining long-term financing of a capital undertaking of the municipality.
- b. Material Impact - The costs or risks that significantly affect, or would reasonable be expected to have a significant effect, on the City's debt and financial obligation limit as determined by O. Reg. 403/02.
- c. Material Lease - A Lease Financing Agreement that is not a Non-Material Lease.
- d. Non-Material Lease - A Lease Financing Agreement that will not result in a Material Impact on the finances of the City and includes items identified in Section 3 of this policy (Non-Material Financing Leases).

2.0 Statement of Goals and Objectives

The following goals and objectives will be used in the consideration and evaluation of all Lease Financing Agreements:

- a. The City shall only consider Lease Financing Agreements that align with the City of Brantford's priorities, goals and/or policies;

- b. Lease Financing Agreements shall be entered into with care and prudence, applying experience and professional judgment to each agreement reviewed, with the best interest of the City's taxpayers and ratepayers in mind;
- c. All lease financing activities shall adhere to statutory requirements as governed by the Act as well as other Council approved policies;
- d. Consideration will be given to its impact on future taxpayers and ratepayers in order to achieve an appropriate balance between lease financing and other forms of funding; and
- e. The City shall manage exposure to financial risk and the financial impact the Lease Financing Agreements will have on current and future fiscal years.

Without limitation, the City may enter into Lease Financing Agreements:

- f. For the purpose of obtaining long-term financing of a capital undertaking;
- g. To finance equipment, buildings, land or other assets that the City does not have a long-term interest in or may not be able to acquire through other means; or
- h. Where a lease provides material and measurable benefits compared with other forms of financing.

It is the opinion of the Council and the City Treasurer or designate that the category of Lease Financing Agreements defined as Non-Material Leases in Section 3 of this policy will not result in a Material Impact for the City.

3.0 Non-Material Financing Leases

The following types of Lease Financing Agreements, in the opinion of the City Treasurer, will not result in a Material Impact for the City and are therefore Non-Material Leases:

- a. Leases for photocopiers which have been entered into pursuant to the City's Purchasing Policy;
- b. Leases of real property where the lease is for nominal or token consideration;
- c. Vehicle leases, including leases for cars, vans and pickup trucks, where such vehicles will be subject to extensive usage (mileage and/or hours) over a short lease period;
- d. Short-term rentals for vehicles, equipment and furnishing used in seasonal or project specific activities;
- e. Golf Cart leases where replacement reserve funding is unavailable for such equipment;
- f. Cardio Fitness Equipment leases where the equipment is subject to high usage and high annual maintenance costs; and
- g. Any leases in place at the time of Council approval of this policy.

4.0 Requirements for Material Leases

In accordance with O. Reg. 653/05, before the City enters into a Material Lease financing agreement, the City shall provide the following advice to Council:

- a. Have the Treasurer prepare a report with a recommendation, assessing, in the opinion of the treasurer, the costs and financial and other risks associated with the proposed agreement, including:
 - i. A comparison between the fixed and estimated costs and the risks associated with the proposed agreement and those associated with other methods of financing,
 - ii. A statement summarizing, as may be applicable, the effective rate or rates of financing for the agreement, the ability for agreement payment amounts to vary, and the methods of calculations, including possible financing rate changes, that may be used to establish that variance under the agreement,
 - iii. A statement summarizing any contingent payment obligations under the agreement that in the opinion of the Treasurer would result in a material impact on the City, including agreement termination provisions, equipment loss, equipment replacement options and guarantees and indemnities,
 - iv. A summary of the assumptions applicable to any possible variations in the agreement payment and contingent payment obligations, and
 - v. Any other matters the Treasurer or Council considers advisable.
- b. Obtain legal advice and financial advice with respect to the proposed agreement;
- c. Consider if the scope of the proposed transaction warrants obtaining legal advice or financial advice with respect to the proposed agreement that is from a source independent of the source of the advice mentioned in clause (b); and
- d. Consider and give its assessment of the report prepared under clause (a), including whether, in its opinion, the costs of financing for the proposed agreement are lower than other methods of financing available to the City, and whether the risks associated with the proposed agreement are reasonable.

<p>Date of Enactment: March 10, 2003</p>	<p>Related by By-law Number/ Staff Report Number: 70-2010 (consolidation)</p>
<p>Review Date: 2009</p> <p>Amendment Dates: September 13, 2023</p>	<p>Department Responsible for Review: Finance</p>
<p>Date of Next Review: September 13, 2027</p>	<p>Applicable Legislation/ Legislative Authority: Municipal Act, 2001</p>