



# Policy & Procedure MANUAL

<b>SECTION</b>	FINANCE AND TREASURY	<b>POLICY NUMBER</b>	3-6-1
<b>SUB-SECTION</b>	FINANCIAL PLANNING	<b>EFFECTIVE DATE</b>	May 8th, 2003
<b>SUBJECT</b>	LEASING		

**AUTHORITY** General Government Services, Item # 8 , April 24, 2003  
County Council, Item # 26, May 8, 2003

## **PURPOSE:**

1. To establish a policy on leasing in accordance with the Municipal Act, 2001, O.Reg. 46/94, O.Reg. 266/02

## **DEFINITIONS:**

2. The following definitions shall be applied when interpreting this policy:
  - a. *Lease* – An agreement allowing one party, the lessee, (the County) to use the assets of another party, the lessor, for a stated period of time.  
*Source: Third Edition, Financial Accounting, Solomon, Walther & Vargo*
  - b. *Financing Lease* – A lease allowing for the provision of municipal capital facilities if the lease may or will require payment by the County beyond the term for which Council was elected.  
*Source: O.Reg. 266/02*
  - c. *Municipal Capital Facilities* – Include land, as defined in the Assessment Act, works, equipment, machinery, buildings, and related systems and infrastructures.  
*Source: O.Reg. 266/02*
  - d. *Term of Council* – the period for which Council is elected, from December 1<sup>st</sup> of Year 1 to November 30<sup>th</sup> of Year 3.
  - e. *Material Impact* – Means costs and risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limit prescribed under O.Reg. 799/94.  
*Source: O.Reg. 266/02.*

**For the purpose of this policy, material impact is an annual lease payment of \$30,000 or more.**

## STATEMENT

### General

3. The Council of the County of Dufferin may enter into an agreement under sub-section 210.1 (2) of the Municipal Act for the provision of municipal capital facilities as outlined in O.Reg 266/02.
4. Leasing is approved as an acceptable means to acquire municipal capital facilities when one or more of the following conditions (goals) are met:
  - a. The municipal capital facility cannot be purchased;
  - b. The lease arrangement provides financially attractive interest rates over the entire life of the lease;
  - c. The risk of obsolescence on the leased asset rests with the lessor;
  - d. The leased asset is required for an emergency;
  - e. The leased asset has a high purchase value and is not required on an ongoing basis.

### Class 1 Leases

5. Class 1 Leases:
  - a. Will not require payment by the County beyond the term of Council and will not result in a material impact, or
  - b. Will not require payment beyond the term of Council, but will result in a material impact. Any lease resulting in an annual payment of \$30,000 or more requires the approval of Council in accordance with the County of Dufferin Purchasing By-law.
6. Class 1 Leases are authorized under this policy and shall be approved in accordance with the County of Dufferin Purchasing By-law.

### Class 2 Leases

7. Class 2 leases are financing leases, which may or will require payment by the County beyond the term of Council, but will not result in a material impact.
8. Class 2 Leases are authorized under this policy and shall be approved in accordance with the County of Dufferin Purchasing By-law.

### Class 3 Leases

9. Class 3 leases are financing leases, which may or will require payment by the County beyond the term of Council, and will result in material impact.
10. Class 3 leases or financing leases require the following prior to approval:
  - a. A report from the Treasurer in consultation with the Department Head, as per O.Reg. 266/02, assessing the costs and risks associated with the lease including the following, *if applicable*:
    - A comparison of costs and risks with other forms of financing,

- A statement of effective interest rates, possible rate variances, and calculations,
  - A statement and recommendations regarding contingent payments, that might be material,
  - A summary of assumptions regarding rate variances or contingent payments;
- b. Legal and financial advice independent of the Treasurer (if applicable);
- c. A detailed schedule attached to the lease outlining all fixed payment amounts required under the lease and amounts for any possible extensions or renewals of the lease;
- d. A by-law authorizing the financing lease.

#### Annual Report of the Treasurer

11. Once each fiscal year the Treasurer shall provide a report to Council listing all Class 2 and Class 3 leases (financing leases). This report shall include:
- a. The value of financing leases as a proportion of the total long term debt and a description of the change, if any since the previous year's report, and
  - b. An opinion of the Treasurer on adherence to the County's policy.