
2010 BUDGET BRIEFING NOTE

The City of Toronto's 2009 – 2019 Debt Forecast

Issue/Background:

- The annual Capital Budget contains debt financing requirements for projects. These requirements are met when the City issues bonds in the capital market.
- Under provincial legislation, the City must make annual principal and interest payments on its debt which form part of the annual operating budget. The City cannot borrow for operating purposes since it must balance its operating budget every year.

Key Points:

- The City makes principal payments from each year's operating budget to its own account, known as the Sinking Fund, and invests the funds in a manner so that 100% of the funds owing to investors will be available when the debt matures, i.e. in 10, 20 or 30 years.

Historical and Forecasted Debt

- As of December 31, 2008, the City's audited financial statements showed that the tax-supported net debt was \$2.203 billion after adjusting for debt issued on behalf of the Toronto District School Board and Toronto Community Housing Corporation debt that is consolidated in the City's financial statements.

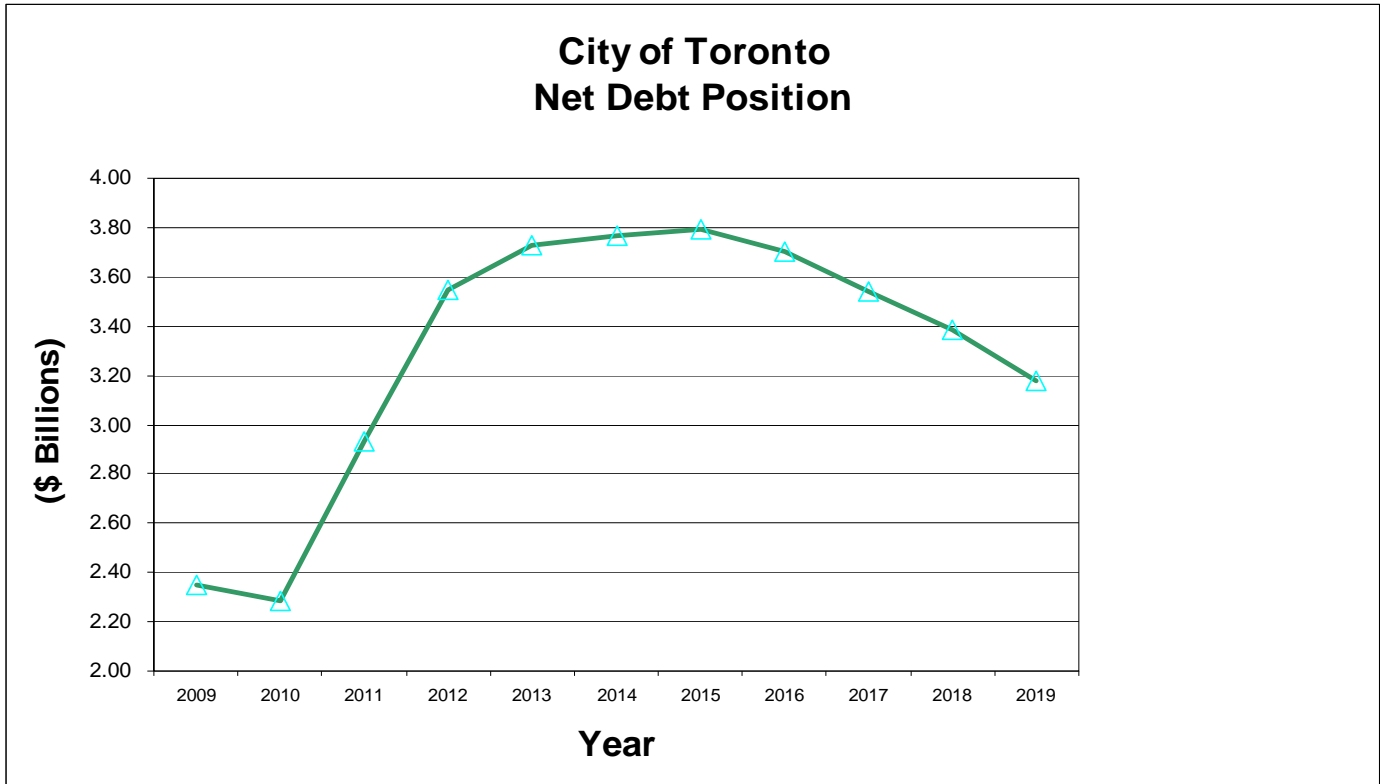
Gross Debt as of December 31, 2008	\$2.984 Billion
Less: Sinking Fund	(0.781)
Net Debt as of December 31, 2008	\$2.203 Billion

- With the debt issuance of \$400 million during 2009 and the forecasted balance in the City's Sinking Fund increasing by \$172 million due to increased contributions and interest earnings during 2009, net debt as of December 31, 2009 is forecasted to be \$2.439 billion.

Gross Debt as of December 31, 2009	\$3.392 Billion
Less: Sinking Fund	(0.953)
Net Debt as of December 31, 2009	\$2.439 Billion

- The following is a breakdown of the City’s projected net debt as of December 31, 2009 and 2019, based upon the proposed 2010 to 2019 Capital Budget and Plan.

Net Debt as of December 31, 2009	\$2.4 Billion
Plus: Debt Issued from Proposed 2010-2019 Capital Budget and Plan	4.7
Less: Debt Paid Down from Annual Operating Budget Payments and the Toronto Hydro Promissory Note, and Other Net Requirements	(3.9)
2019 Projected Net Debt	\$3.2 Billion



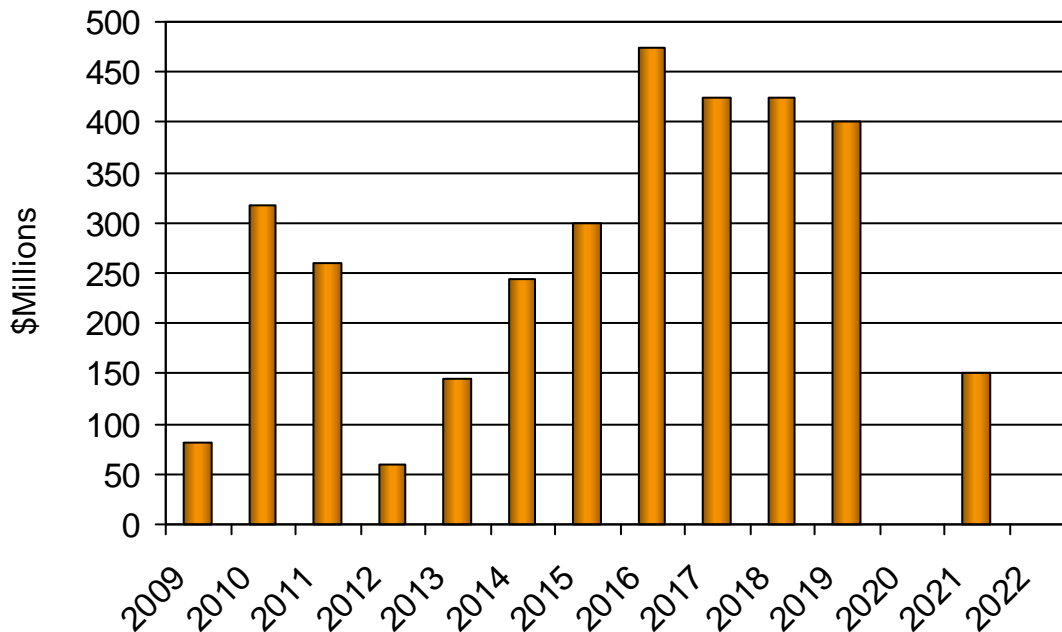
Debt Charges in the Operating Budget

- The recommended debt restructuring strategy would reduce the 2010 budgeted tax supported debt charges by a net of \$67 million compared with the traditional strategy using 10 year debt financing. Debt charges would have increased by a projected \$28

million over the 2009 budget and they are now projected to be net \$39 million below the 2009 budgeted level as a result of the recommended strategy.

Debt Maturities from Existing Debt

- The following graph shows the amounts of existing debt that will mature in each year. Since the City has issued tax-supported debt with mostly 10 year or shorter maturities after amalgamation, its current debt portfolio will almost fully mature by the end of 2019, with the exception of \$150 million of 20 year debt issued for the portion of the Sheppard Subway.
- The debt shown in the chart will be retired through a combination of funds currently held in the City's sinking funds (i.e. \$953 million projected at the end of 2009 as shown above), along with future contributions to the Sinking Fund from the annual operating budgets and the recommended transfer of proceeds from the Toronto Hydro promissory note, and accumulated interest earnings in the fund..



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