



## STAFF REPORT INFORMATION ONLY

### Toronto Atmospheric Fund Revenue Variance

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| <b>Date:</b>  | September 5, 2008   |
| <b>To:</b>    | City of Toronto Budget Committee                                    |
| <b>From:</b>  | Mary Pickering, Acting Executive Director, Toronto Atmospheric Fund |
| <b>Wards:</b> | All   |

#### **SUMMARY**

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This report provides the Budget Committee with information regarding the 1<sup>st</sup> and 2<sup>nd</sup> Quarter revenue variance from the Toronto Atmospheric Fund 2008 Approved Budget.

#### **FINANCIAL IMPACT**

There are no financial implications arising from this report.

#### **DECISION HISTORY**

At its meeting of March 31, 2008, City Council adopted the report titled “2008 Budget Committee Recommended Operating Budget.” The report recommended that the Toronto Atmospheric Fund monitor its investment income and fundraising revenue and report to Budget Committee on a quarterly basis.

#### **ISSUE BACKGROUND**

Council approved the 2008 Recommended Operating Budget for the Toronto Atmospheric Fund (TAF) of \$2.684 million gross and \$0 million net and two new temporary positions that were to be funded conditionally upon the continued success of TAF’s fundraising activities. TAF was also requested to provide a quarterly variance report, through 2008, to monitor the investment income and fundraising revenue.

#### Quarterly Revenue Variance

For the quarter ending March 31, 2008, revenues were under-budget by \$0.483 million or 72.0% of the 2008 Approved Operating Budget. For the second quarter TAF was under-budget in revenues by \$1.268 million or 94.6 %.

As of June 30, 2008 TAF has exceeded its annual fundraising targets by \$0.1 million or 16.7% due to successful promotion of its new program areas. However TAF has experienced losses on its investment portfolio due to adverse market conditions.

TAF is closely monitoring revenue generation and has taken proactive steps to manage through prudent changes to endowment management, increased fundraising, and reduced spending. In particular, TAF has reduced its grant and special projects funding for the year from \$1.350 million to a maximum of \$0.560 million.

### Long Term vs Short Term

In June 2007 Toronto City Council reviewed and approved TAF's "Statement of Investment Objectives and Principles" outlining the intention of TAF to undertake market-based investments within an extended time frame. Specifically, the approved principles state that: "the investment horizon is long-term, meaning at least 20 years. Asset management decisions should seek to maximize risk-adjusted return over the long term, not over the short-term."

TAF's average investment returns on an annual basis (after deducting fees) to June 30, 2008 are 4.1% over the last five years, and 6.2% since inception (June of 2002). The City's average return, for the comparable period, was approximately 5.1%. This represents additional earnings achieved by TAF exceeding \$2 million.

Should revenue from investments not improve over the balance of the year, TAF may offset the budget variance from its "stabilization fund". This fund received earnings from previous years where revenue from investments outperformed the budget. Resources currently available in this fund are \$413,564.

### **COMMENTS**

The TAF Board and its Finance Committee, comprised of financial professionals in the investment field and representatives managing other large endowment resources, keeps a close watch on investment performance. In addition, City of Toronto Finance Staff along with a professional investment manager engaged by TAF oversee investment management.

### **CONTACT**

Mary Pickering, Associate Director, Toronto Atmospheric Fund  
Tel: (416) 392-1217; Email: mpickering@tafund.org

### **SIGNATURE**

Mary Pickering