



## STAFF REPORT ACTION REQUIRED

### 2011 Audited Sinking Fund Financial Statements

<b>Date:</b>	June 18, 2012
<b>To:</b>	Audit Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2012\Internal Services\acc\ac12011acc (AFS14739)

#### **SUMMARY**

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The purpose of this report is to present the City of Toronto's Sinking Fund Financial Statements for the year ended December 31, 2011 to Council for approval and provide highlights of the Sinking Fund's 2011 financial performance and financial condition as of December 31, 2011.

#### **RECOMMENDATIONS**

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**The Treasurer recommends that:**

1. City Council approve the 2011 Sinking Fund Statements as attached in Appendix A.

**Financial Impact**

There are no financial implications as a result of this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

**DECISION HISTORY**

On an annual basis, the City presents the audited financial statements of the Sinking Fund to the Audit Committee. Following is the link to the 2010 Sinking Fund Statements and Council decision:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.AU3.14>

## **ISSUE BACKGROUND**

When the City of Toronto issues debentures, the *City of Toronto Act, 2006* requires that the principal repayment must be amortized over the term-to-maturity of the debenture or an annual amount be contributed to a sinking fund. Sinking funds are required and established to ensure that adequate financing is available at a debenture's maturity. Currently, the City has three separate sinking fund portfolios in support of seventeen individual debenture issues. The City contributes to the sinking funds to invest and earn income for the purpose of accumulating sufficient funds to repay the sinking fund debenture debt on maturity.

## **COMMENTS**

Sinking fund assets as at December 31, 2011 amounted to \$1.8 billion (2010 - \$1.7 billion). These assets represent amounts held to discharge sinking fund debenture debt of \$3.8 billion (2010 - \$3.4 billion) issued by the City and maturing in various years between 2012 and 2041. Additional contributions will be received during this period from the City for debentures issued for municipal purposes and the Toronto District School Board for a debenture that was issued for education purposes.

### **Unrestricted Surplus**

Unrestricted Surplus increased during the year by \$70 million to \$180 million. This surplus includes \$83 million of unrealized gains on investments and a net transfer of \$59 million from internally restricted surplus.

### **Internally Restricted Surplus**

In 2010, \$600 million was transferred to the Sinking Funds, from the Strategic Infrastructure Partnership Reserve Fund, to retire or pay down certain debentures as approved by City Council. This transfer to the Sinking Fund was enabled by the sale of the Toronto Hydro Promissory Note. The prepayment of a portion of the Sinking Fund debentures' future liabilities resulted in an increase in actuarial requirements and also created an additional surplus of \$512 million, of which \$59 million was transferred to unrestricted surplus in 2011. This surplus is designated as internally restricted as it will be used up to meet future requirements to retire those debenture issues impacted by the prepayment.

### **Revenues and Expenses**

Revenues for 2011 decreased by \$547 million to \$285 million due to the additional \$600 million in 2010 contributions, less 2010 and 2011 contributions not required for those debentures which were prepaid, and an increase in investment income of \$70 million due

to increased investments in the Fund. Expenses decreased by \$14 million to \$274 million which was due to the change in actuarial requirements.

## **CONTACT**

Martin Willschick  
Manager, Capital Markets  
Corporate Finance  
Tel: 416-392-8072  
Fax: 416-392-4555  
Email: [mwillsch@toronto.ca](mailto:mwillsch@toronto.ca)

Shairoz Murji  
Manager, Corporate Financial  
Reporting, Accounting Services  
Tel: 416-397-5829  
Fax: 416-397-0834  
Email: [smurji@toronto.ca](mailto:smurji@toronto.ca)

## **SIGNATURE**

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Giuliana Carbone  
Treasurer

## **ATTACHMENT**

Appendix A: Financial Statements City of Toronto Sinking Funds December 31, 2011