



## STAFF REPORT ACTION REQUIRED

### 2010 Audited Sinking Fund Financial Statements

<b>Date:</b>	June 20, 2011
<b>To:</b>	Audit Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2011\Internal Services\Acc\ac11015acc (AFS 11718)

#### 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, 2010 to Council for approval and provide highlights of the Sinking Fund's 2010 financial performance and financial condition as of December 31, 2010.

#### RECOMMENDATIONS

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**The Treasurer recommends that:**

1. The 2010 Sinking Fund Statements as attached in Appendix A be approved.

**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.

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#### DECISION HISTORY

On an annual basis, the City presents the audited financial statements of the Sinking Fund to the Audit Committee.

## **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, 2010 amounted to \$1.7 billion (2009 - \$1.1 billion). These assets represent amounts held to discharge sinking fund debenture debt of \$3.4 billion (2009 - \$2.8 billion) issued by the City and maturing in various years between 2010 and 2040. 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 \$22 million to \$110 million. This surplus includes \$78 million of unrealized gains on investments, an increase of \$28 million from 2009.

## **Internally Restricted Surplus**

In 2010, \$600 million was transferred to the Sinking Funds from the Strategic Infrastructure Partnership Reserve Fund which was enabled by the sale of the Toronto Hydro note for proceeds of \$528 million. This 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. 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 2010 increased by \$579 million to \$832 million due to the additional \$600 million in contributions, less 2010 contributions not required for those debentures which were prepaid, and an increase in investment income of \$39 million due to increased

investments in the Fund. Expenses increased by \$39 million to \$288 million which was due to the change in actuarial requirements.

## **CONTACT**

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## **SIGNATURE**

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Giuliana Carbone  
Treasurer

## **ATTACHMENTS**

Appendix A: Financial Statements City of Toronto Sinking Funds December 31, 2010  
Appendix B: PwC Audit Sinking Fund Required Communications