



## STAFF REPORT ACTION REQUIRED

### 2012 Audited Sinking Funds Financial Statements

<b>Date:</b>	June 17, 2013
<b>To:</b>	Audit Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2013\Internal Services\acc\ac13009acc (AFS16924)

#### SUMMARY

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The purpose of this report is to present the City of Toronto's Sinking Funds Financial Statements for the year ended December 31, 2012 to Council for approval and provide highlights of the Sinking Funds' 2012 financial performance and financial condition as of December 31, 2012.

#### RECOMMENDATIONS

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**The Treasurer recommends that:**

1. City Council approve the 2012 Sinking Funds Statements as attached in Appendix A of this report.

**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 agree 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 Funds to the Audit Committee. Following is the link to the 2011 Sinking Funds Statements and Council decision:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU8.6>

## **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 four (4) separate sinking fund portfolios in support of twenty three (23) 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, 2012 amounted to \$2.0 billion (2011 - \$1.8 billion). These assets represent amounts held to discharge sinking fund debenture debt of \$4.4 billion (2011 - \$3.8 billion) issued by the City and maturing in various years between 2013 and 2042 (please note that the Financial Statements include a Schedule of Projection of Debenture Maturities). Additional contributions will be received during this period (2013 to 2042) 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 decreased during the year by \$35 million to \$145 million given that 2012 expenses were \$90 million higher than 2012 revenues, offset by a net transfer of \$55 million from internally restricted surplus.

## **Internally Restricted Surplus**

In 2012, \$55 million was transferred to unrestricted surplus, resulting in an internally restricted surplus at year end of \$398 million (2011 - \$453 million). This surplus initially arose in 2010 as a result of a transfer from the Strategic Infrastructure Partnership Reserve Fund to retire and pay down certain debentures as approved by City Council. This \$600 million transfer to the Sinking Fund was enabled by the sale of the Toronto Hydro Promissory Note.

The \$398 million 2012 internally restricted surplus is dedicated to meeting future funding requirements.

## **Revenues and Expenses**

Revenues for 2012 decreased by \$72 million to \$213 million, due to a decrease in investment income of \$96 million in 2012 and an increase in contributions into the

sinking funds of \$24 million. The decrease in investment income includes an unrealized loss of \$17 million in market value (which represents a decrease of \$100 million compared to 2011 which showed an unrealized gain of \$83 million). Expenses increased by \$30 million to \$304 million, due to an increase in actuarial requirements for the year.

## **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, 2012