

City of Toronto

The Toronto Atmospheric Fund
2013 Requested Operating Budget

Budget Committee Member Informal Review
October 5, 2012

Agenda

- Program Overview
- Operating Budget
 - 2012 Service Performance
 - 2013 Program Issues
 - 2013 Operating Budget
- Capital Budget - none

Program Overview

TAF's Mandate

Leverage TAF's assets and partnerships to advance local solutions that reduce Toronto's greenhouse gas emissions and air pollution.

The *Toronto Atmospheric Fund Act, 2005* sets out the specific objects and obligations.

TAF's Approach and Impact

Self-funded

- Prudent investment to maintain the endowment
- External fundraising to increase revenue
- No draw on City tax base

Good governance

- Board (4 Councillors + 7 citizens)
- Investment Committee (fiduciaries)
- Grants & Programs Committee

TAF's Approach and Impact

Partnership, collaboration

- Works with City agencies, community groups, businesses and provincial/federal governments to advance low-carbon solutions

Strategic, catalytic and bold

- Focus -- highest impact opportunities for GHG reduction
- Innovation –first-mover to de-risk viable opportunities

TAF's Approach and Impact

Scale up

- Incubate, de-risk and hand-off to partners for mainstream implementation
- Eg: TRCA/solar; Canadian Urban Institute/LightSavers

Results-oriented

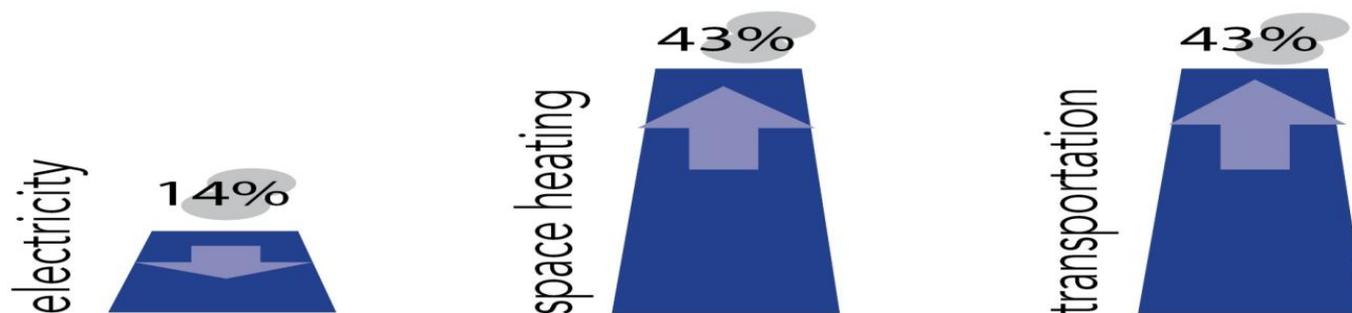
- Eg: Over \$50M invested in City & community projects
- Eg: Helped City save \$55M in energy costs
- Eg: Investment in condo efficiency helped establish stricter requirements Ontario-wide
- Eg: New financing approaches for energy efficiency + solar energy opening markets, savings

Key Service Objectives

TAF's Strategic Plan for 2011-2014: "Unleashing the Power of Efficiency"

Priority focus: Reduce emissions associated with:

- natural gas (mainly space heating)
- transportation fuels (focus on commercial traffic)



City of Toronto GHG reduction target, from 1990 baseline of 22 MT/yr:
6% by 2012 >>> 30% by 2020⁸ >>> 80% by 2050

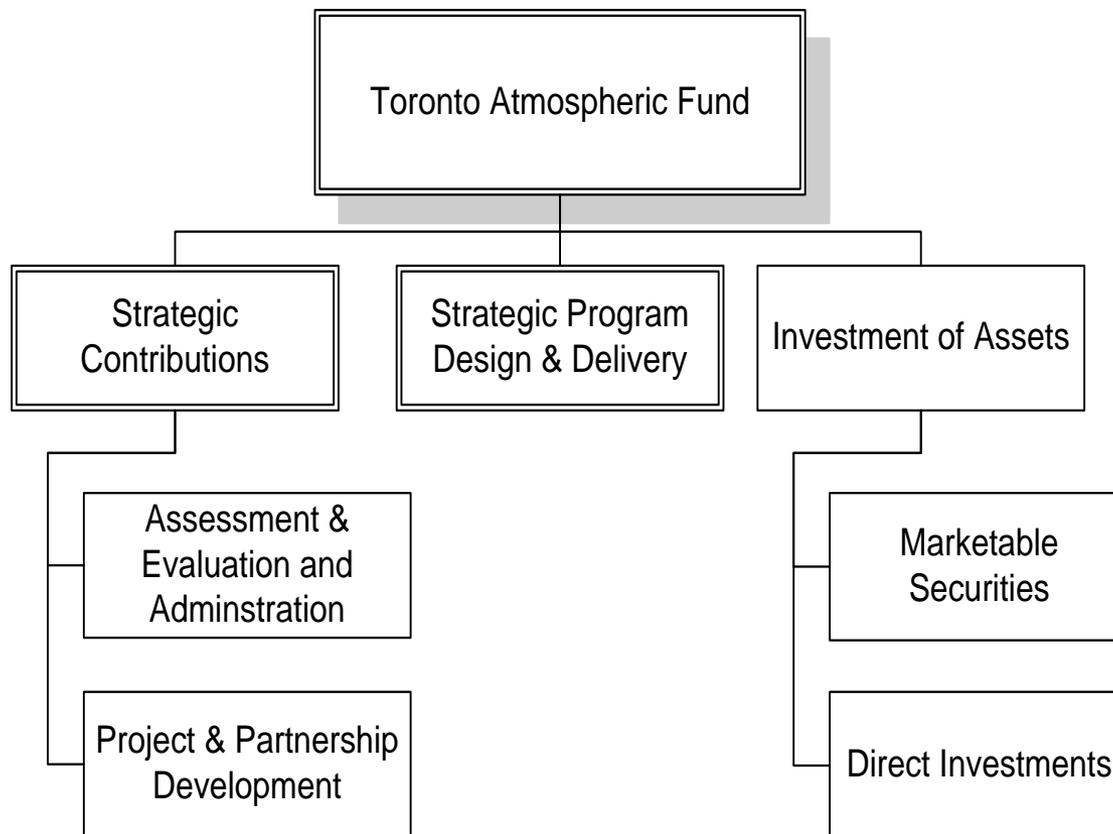
Key Service Objectives

Service 1: Incubate and advance new low-carbon approaches and technologies through pilot testing, policy changes, social engagement, and innovative financing.

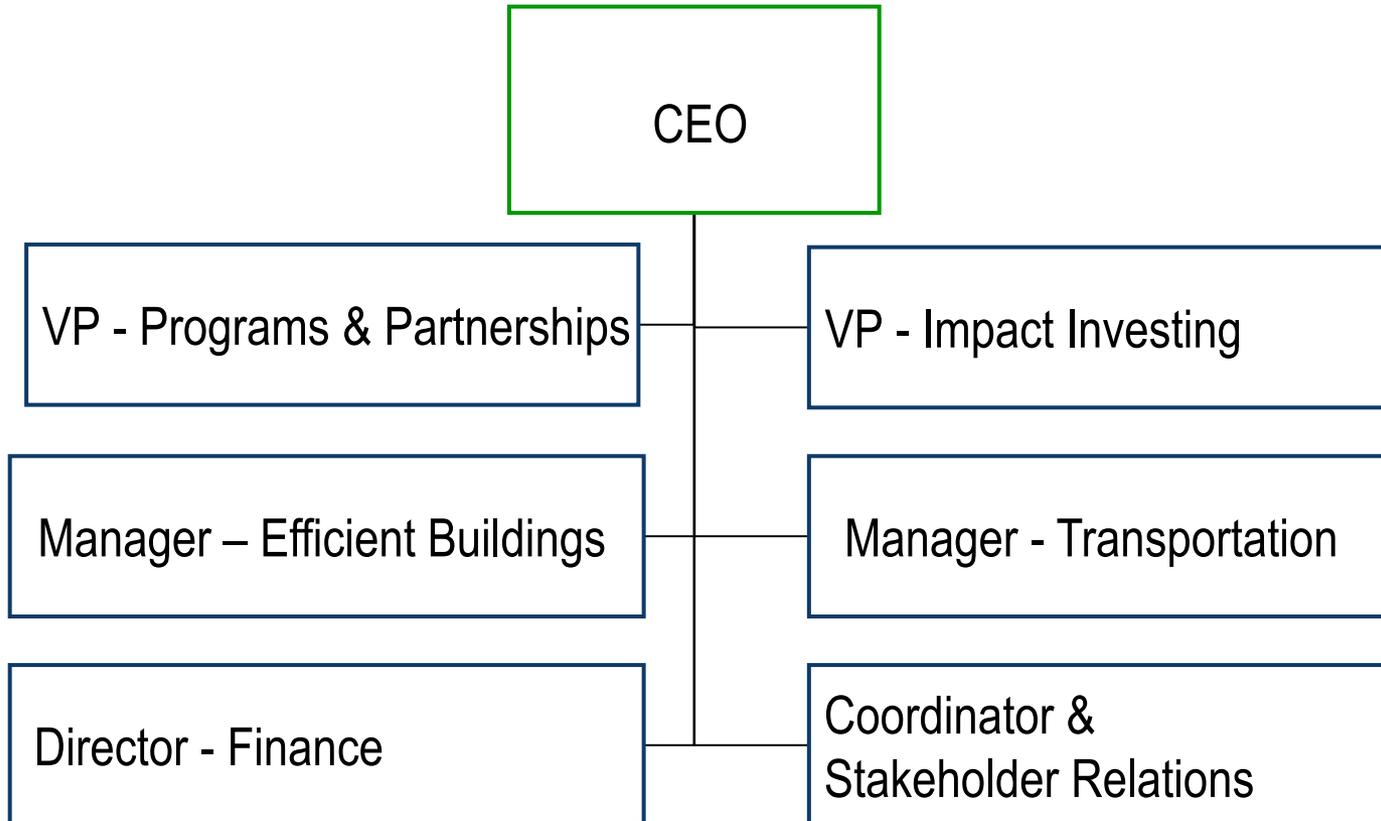
Service 2: Contribute to innovative, high-impact emission reduction projects undertaken by City of Toronto, Toronto-based non-profits, TAF and strategic partners.

Service 3: Prudently manage a diversified investment portfolio with oversight by the Board and its Investment Committee.

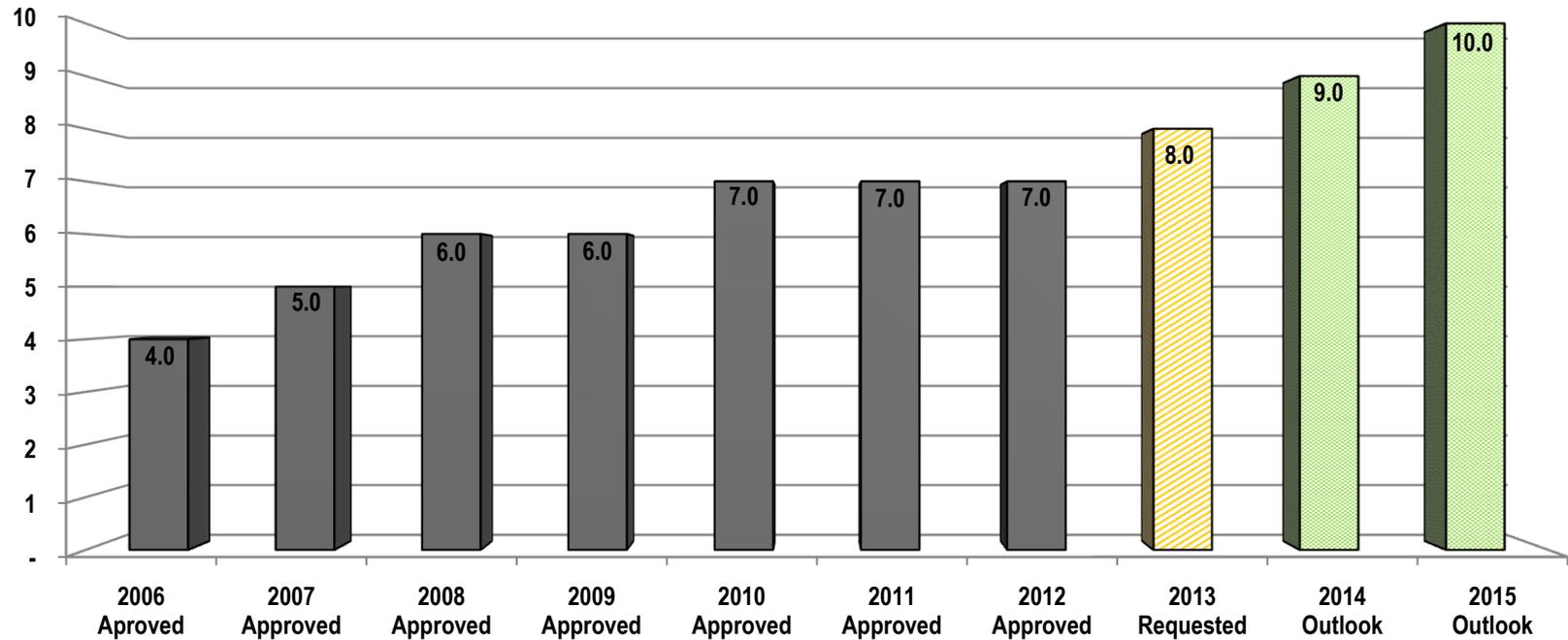
2012 Program Map



TAF - Organizational Structure



Staffing Trend (Excludes Capital Positions)



Key Points:

- No Change Since 2010

Net Operating Budget and Staff Changes: 5 Year Overview

(\$000's)	Approved Budget						Requested Base
	2007	2008	2009	2010	2011	2012	2013
Approved Budget	1,834.7	2,684.3	2,196.0	2,236.2	2,236.2	2,279.0	2,118.8
Net Change		850	(488)	40	0	43	(160)
% Change from prior Year		46.3%	(18.2%)	1.8%	0.0%	1.9%	(7.0%)
Approved Complement	4	6	6	7	7	7	8
Net Change		2	0	1	0	0	1
% Change in Staff Complement		50.0%	0.0%	16.7%	0.0%	0.0%	14.3%

Comments:

- Very little change - TAF has been on a steady course since 2009
- Aligned with Strategic Plan approved by TAF Board
- Priority on initiatives and staffing with potential to attract external revenues

Operating Budget 2012 Service Performance

2012 Key Accomplishments – Incubating Climate Solutions

GeoCities

- Assembled 16 technical and finance experts to identify natural gas saving geo-exchange opportunities for Toronto
- 2 Ryerson research projects, with \$100K Hydro One support

FleetWise EV300

- Supporting EV deployment and data collection in a dozen fleets
- Co-Chair City EV working group

Low-Carbon Buildings

- Over \$550K raised to advance energy efficiency in multi-unit buildings and charitable institutions

2012 Achievements – Mobilizing Financial Capital

Low-carbon Finance – products and services

- Developed **Energy Savings Purchase Agreement (ESPA)** supported by leading legal and accounting professionals
- Partnered with 2 brokers offering **Energy Savings Warrantee**
- 3 name-brand engineering firms pre-qualified for insurance
- Expressions of interest from private sector partners

Impact investing leadership (with triple bottom line results)

- 5 energy efficiency retrofit transactions for over 20 buildings approved; reducing GHG at each site by at least 10%; pipeline of over 100 retrofit projects
- 2 ‘purchase order financing’ transactions approved
- Hired 2 mandate-related investment managers; returns above-benchmark
- Founding member of MaRS Centre
- Over 30 media mentions as leader in this space

2012 Achievements – Mobilizing Social Capital

ClimateSpark Social Venture Challenge

- 60 contestants, 40 volunteer experts, panel of funders
- Partnered with Toronto Community Foundation, Centre for Social Innovation
- Developed licensing agreement for use of platform

Impact Granting

- 3 community grants approved
- Paused granting mid-year in order to conduct a review

Strategic Partnerships

- Working with City Planning on new green building standards
- CityWorks Lab with Evergreen
- Incubating an energy efficiency financing company with private sector investment

2012 Achievements – Outreach & Stewardship

Governance & Accountability

- 5 Board meetings
- Appointment of new Investment Committee members

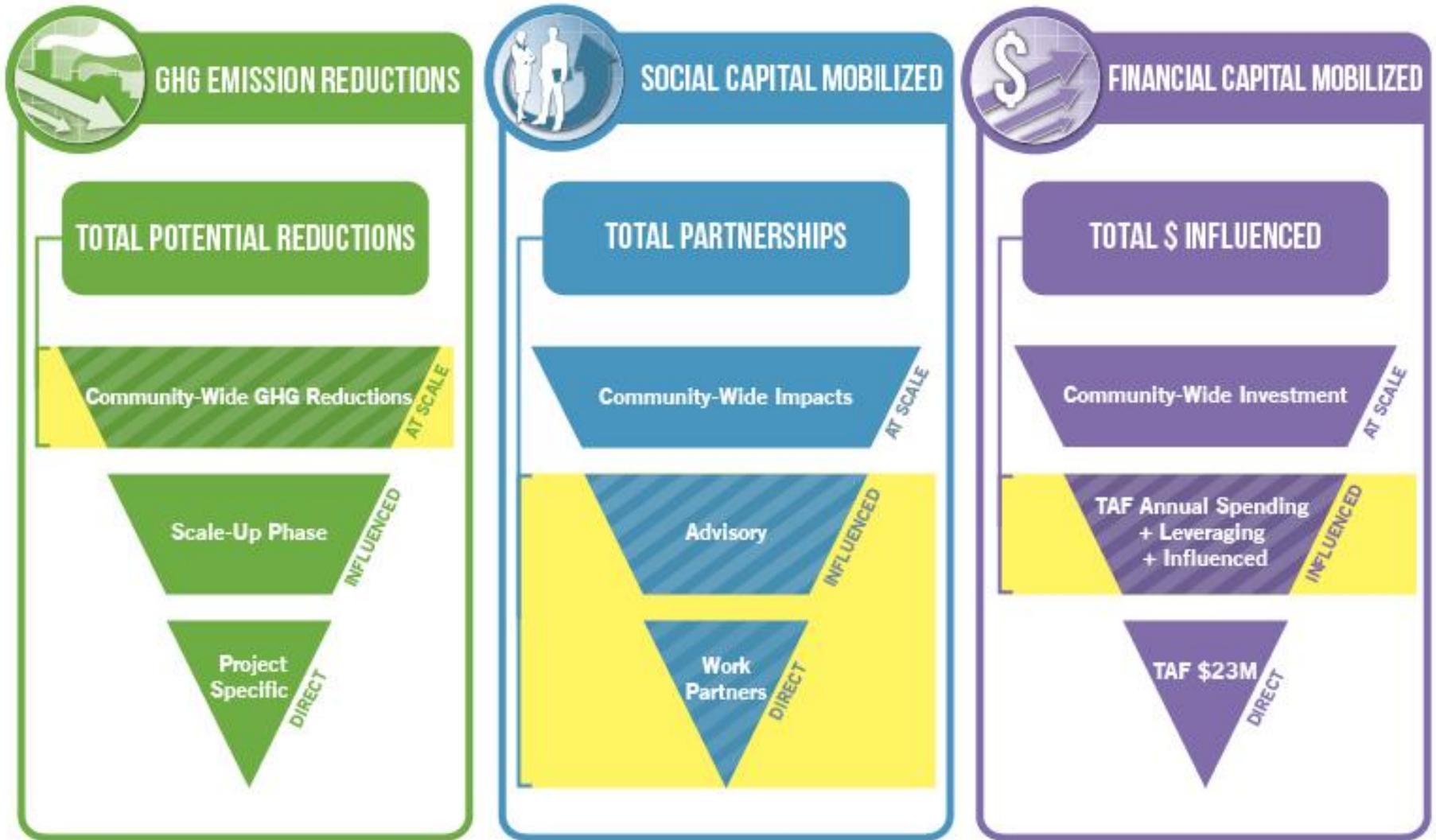
Fundraising

- Developing a comprehensive Income Diversification Strategy
- Undertaking fundraising feasibility study and established a Venture Opportunities Advisory Group
- Secured approx. \$500,000 in external revenue for 2012 activities

Finance & Operations

- KPIs established (see next slide)
- Reduced custodial costs by \$20K
- Secured \$130K in retroactive HST refund and ongoing savings of approx. \$40K

TAF'S KEY PERFORMANCE INDICATORS



2012 Budget Variance: as at June 30, 2012

	2010		2011		2012 Approved Budget	2012 June 30 YTD Actuals	2012 Projected Actuals	2012 Approved Budget vs Projected Actuals	
	Actuals	Actuals	Actuals	Actuals				\$	%
(In \$000's)	\$	\$	\$	\$	\$	\$	\$	%	
Gross Expenditure	2,461.9	2,006.2	2,279.0	906.0	2,279.0	0.0	0.0%		
Revenues	2,461.9	2,006.2	2,279.0	1,035.0	2,279.0	0.0	0.0%		
Net	0.0	0.0	0.0	(129.0)	0.0	0.0	-		
Approved Positions	7.0	7.0	7.0	6.6	6.6	(0.4)	-5.7%		

Key Points:

- Financial results driven by the performance of TAF's investment portfolio
- Since 2008 "financial meltdown" markets have been skittish -- recovery in 2009 and 2010, downturn in 2011, up-tick in 2012 to date.
- TAF has a 20 year operating history and takes a long-term view of the financial markets.
- Three professional investment managers, overseen by a blue-chip Investment Committee
- TAF is self-funded, has some capacity to adjust expenditures to reflect annual variances

Operating Budget 2013 Program Issues

Key Issues

- Environment & Energy Efficiency Study
 - Eliminating City grants – no impact since ‘paused’ in 2013 for review
 - Eliminating GTA CAC – in place
 - Re-balancing asset mix and shared investment authorities with increased emphasis on Direct Investment in mandate-related projects
- Income Diversification Strategy
 - Activity in progress to increase external revenue generation
- One new position in 2013
 - Request focused on launch and implementation of Income Diversification Program

Service Objectives and Key Priority Action

Service Objectives:

- TAF has ambitious goals to increase external revenues from \$600K (2011 actual) to at least \$850K (targeted by 2014).
- Requires implementation of Revenue Diversification & Generation plan. Leverages internally-generated revenues. Focused on priority program implementation.

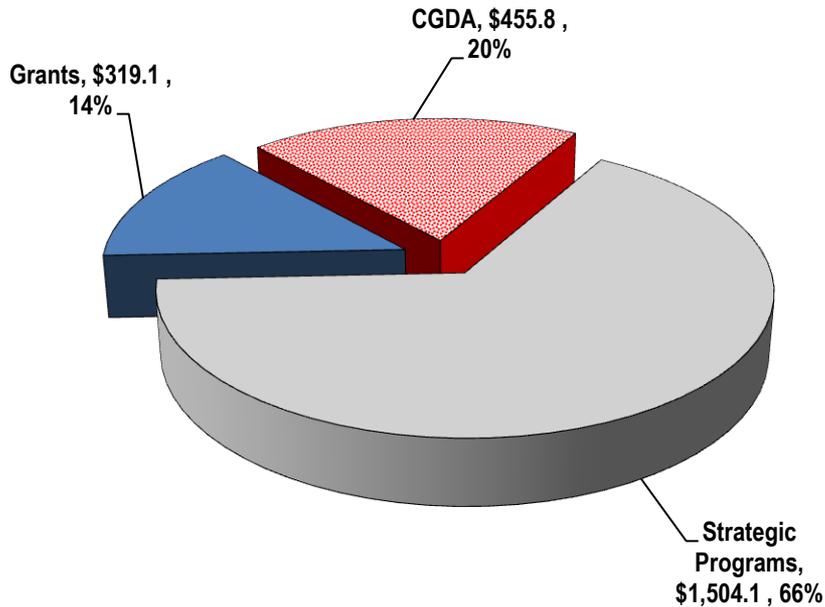
Key Priority Actions:

- Add a new position -- Manager, Revenue Diversification.
- Starting Q2 2013

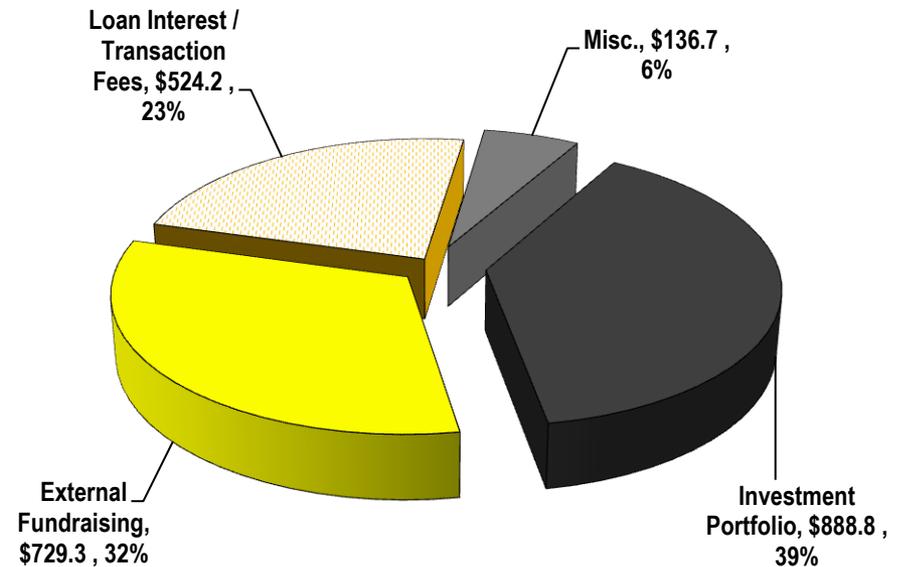
**2013 Requested
Operating Budget
No Draw on City Tax base**

2013 Gross Operating Expenditures by Service and Funding Sources

2013 Operating Budget by Service
(\$ 000s)



2013 Operating Budget by Funding Source
(\$ 000s)



2013 Operating Budget Request

- By Category and Funding Source

Category of Expense	2010	2011	2012	2012	2013	2013 Change from		2014	2015
	Actual	Actual	Budget	Projected	Base Budget	2012 Approved		Outlook	Outlook
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	695.2	760.0	755.0	755.0	801.8	46.8	6.2%	849.9	900.9
Materials and Supplies	17.6	14.1	109.0	18.0	19.6	(89.4)	(82.0%)	21.0	22.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Services & Rents	114.1	112.7	54.0	163.0	167.0	113.0	209.3%	175.0	175.0
Contributions to Capital	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contributions to Reserve/Res Funds	230.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Other Expenditures	1,405.0	1,119.4	1,361.0	1,343.0	1,130.4	(230.6)	(16.9%)	1,279.0	1,425.0
Interdivisional Charges	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
TOTAL GROSS EXPENDITURES	2,461.9	2,006.2	2,279.0	2,279.0	2,118.8	(160.2)	(7.0%)	2,324.9	2,522.9
Interdivisional Recoveries	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Provincial Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Federal Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Other Subsidies	314.7	596.7	500.0	500.0	700.0	200.0	40.0%	850.0	850.0
User Fees & Donations	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Transfers from Capital Fund	0.0	0.0	233.7	0.0	0.0	(233.7)	(100.0%)	0.0	0.0
Contribution from Reserve Funds	0.0	888.5	0.0	191.0	0.0	0.0	n/a	0.0	41.0
Other Revenues	2,147.2	521.0	1,545.3	1,588.0	1,518.0	(27.3)	(1.8%)	1,679.0	1,948.0
TOTAL REVENUE	2,461.9	2,006.2	2,279.0	2,279.0	2,218.0	(61.0)	(2.7%)	2,529.0	2,839.0
TOTAL NET EXPENDITURES	0.0	0.0	0.0	0.0	(99.2)	(99.2)	n/a	(204.1)	(316.1)
APPROVED POSITIONS	7.0	7.0	7.0	6.6	7.0	0.0	0.0%	9.0	10.0

Total Net Expenditure of (\$99.2) is based on the assumption that the Business Case for the Manager, Revenue Diversification is approved.

2013 Operating Budget Highlights

- Minimal change from 2012
- Net zero budget - no impact on City operating budget
- Request adding one staff position: Manager, Revenue Diversification
- Conservative investment revenue projections (reduced from 2012) – relies on prudent investment strategy with professional fund managers and Investment Committee oversight
- Active management of expenses, ongoing adjustment to revenues
- Growing external revenues, leveraging the TAF asset
- Stabilization fund as per endowment best practice to balance operating surpluses and deficits

2013 Requested Budget

	2012		2013 Requested Operating Budget					Change - 2013 Base Budget Submission vs. 2012 Approved Budget		FY Incremental Outlook	
	2012 Approved Budget	2012 Projected Actual	2013 Requested Base	Change - 2013 Requested Base vs. 2012 Approved Budget		2013 Service Adjustments	2013 Base Budget Submission			2014	2015
	\$	\$	\$	\$	%	\$	\$	\$	%	\$	\$
(In \$000s)											
Gross Expenditures	2,279.0	2,279.0	2,118.5	(160.5)	(7.0)	0.0	2,118.5	(160.5)	(7.0)	206.1	198.0
Revenues	2,279.0	2,279.0	2,218.0	(61.0)	(2.7)	0.0	2,218.0	(61.0)	(2.7)	311.0	310.0
Net Expenditures	0.0	0.0	(99.5)	(99.5)	NA	0.0	(99.5)	(99.5)	NA	(104.9)	(112.0)
Approved Positions	7.0	7.0	7.0	0.0	0.0	0.0	7.0	0.0	0.0	1.0	1.0

Key Points:

2013

- TAF is self funded.

2014/2015

- TAF may add programming staff IF Revenue Diversification strategy achieves objectives.

Key Issues for 2014 and Beyond

- **Service Efficiency Study** -- Additional review to determine how TAF can assist with long-range strategies to advance the City's environment and energy objectives.
- **Income Diversification Strategy** – priority on leveraging TAF's program and assets for external revenue
- **Prudent investment strategy** – consideration to asset mix re-balancing and delegated authority for investment in the context of TAF's requirement for revenue, compliance with Trustees Act, risk, liquidity and other factors
- **Incubation and innovation** – continuing to develop and deliver quality programs will continue to attract partnerships and external revenue and support City environment and energy objectives
- **Partnerships** – TAF's reputation, innovation and convening role supports City objectives

