

2017 Audited Sinking Funds Financial Statements

Date: June 28, 2018

To: Audit Committee

From: Treasurer

Wards: All

SUMMARY

This report presents the City of Toronto's Sinking Funds Financial Statements for the year ended December 31, 2017 to Committee and Council for approval and provides highlights of the Sinking Funds' 2017 financial performance and financial condition as of December 31, 2017.

RECOMMENDATIONS

The Treasurer recommends that:

1. City Council approve the 2017 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 Interim 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 Funds to the Audit Committee. Following is the link to the 2016 Sinking Funds Statements and Council decision:

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 debenture's maturity. Currently, the City has five (5) separate Sinking Fund portfolios in support of twenty seven (27) 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, 2017 amounted to \$1.7 billion, a decrease of \$179 million. These assets represent amounts held to discharge sinking fund debenture debt of \$6 billion (2016 - \$5.6 billion) issued by the City. City debentures, issued for municipal purposes, have maturity dates between 2018 and 2046.

Unrestricted Surplus

The unrestricted surplus results from the Fund earning amounts greater than the actuarial rate of return that was assigned to a debenture when it was issued. These funds are available to address shortfalls in earnings in future years or could be redirected by the Interim Chief Financial Officer.

Unrestricted surplus decreased during the year by \$14 million to \$30.4 million, as 2017 expenses were \$60 million higher than 2017 revenues, offset by a reduction of \$46 million in internally restricted surplus.

Internally Restricted Surplus

The internally restricted surplus resulted from the \$600 million that was deposited into the Sinking Fund in 2010. These funds have been taken into consideration by actuarial valuations and are therefore required to meet debenture retirements.

In 2017, \$30.4 million was transferred to unrestricted surplus, resulting in an internally restricted surplus at year end of \$108 million (2016 - \$154 million). The internally restricted surplus is dedicated to meeting future funding requirements.

Revenue and Expenses

Revenues for 2017 increased by \$48.6 million to \$321 million (2016 - \$272.4 million), due to an increase in investment income of \$10.3 million and an increase in contributions into the Sinking funds of \$38.3 million.

The increase in investment income of \$10.3 million in 2017 is attributable to a decrease in unrealized loss on change in market value of \$18.8 million offset by a decrease in investment and interest income by \$8.5 million. The weighted average yield for Sinking Fund investments was 3.84% (2016 - 3.97%).

Expenses increased by \$4.6 million to \$381.2 million (2016 - \$376.6 million), due to an increase in actuarial requirements for the year.

CONTACT

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SIGNATURE

Mike St. Amant
Treasurer

ATTACHMENTS

Appendix A: Financial Statements City of Toronto Sinking Funds December 31, 2017