



# Toronto Atmospheric Fund

## What We Do

Toronto Atmospheric Fund (TAF) assists in slowing global climate change and improving air quality in collaboration with non-government organizations, governments, corporations, official committees, neighbourhood organizations, universities, public and private schools, investors and other stakeholders to demonstrate, de-risk, and help advance social, financial, policy and technological innovations that reduce air pollution and greenhouse gas emissions.

## Why We Do It

TAF's ultimate goal is to reduce carbon emissions by 80 per cent by 2050 in the Greater Toronto and Hamilton Area. This target isn't simply another milestone. It's a vision for a climate-smart urban region that functions within its environmental means and is a leader among climate-friendly urban centres around the world.

| Our Experience & Success  | Key Challenges  | Priority Actions   |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Over the past 27 years, TAF has provided over \$60 million in grants and financing to support the City of Toronto and its residents and businesses in reducing air pollution and GHG emissions.</li> <li>• TAF co-developed TransformTO, a plan approved by City Council for how the City can achieve its GHG reduction targets of 30% by 2020 and 80% by 2050.</li> <li>• Through prudent and mandate-aligned investing, TAF has covered all its operating expenses with no draw on the City or Provincial taxbase</li> </ul> | <ul style="list-style-type: none"> <li>• Climate solutions require long-term commitments and are challenging to advance in short-term political and market cycles.</li> <li>• Public market volatility can impair investment returns and TAF's aim of increasing Direct Investments takes time.</li> <li>• Balancing demands and capacity in order to maintain TAF's reputation for excellence and staff retention</li> </ul> | <ul style="list-style-type: none"> <li>• Increase profile and recognition, leveraging TAF's and the City of Toronto's accomplishments</li> <li>• Support and accelerate high-impact projects and capacity-building throughout the GTHA</li> <li>• Emphasize the multiple benefits of climate action -- economic, social and environmental -- to build robust collaborations and programs</li> <li>• Share TAF's model, insights and expertise</li> <li>• Attract additional resources to enhance impact</li> </ul> |

**Budget At A Glance**

| <b>STAFF RECOMMENDED OPERATING BUDGET</b> |             |             |             |
|---|-------------|-------------|-------------|
| <b>\$Million</b>                          | <b>2019</b> | <b>2020</b> | <b>2021</b> |
| Gross Expenditures                        | \$4.7       | \$4.8       | \$4.9       |
| Revenues                                  | \$4.7       | \$4.8       | \$4.9       |
| Net Expenditures                          | \$0.0       | \$0.0       | \$0.0       |
| Approved Positions                        | 10.0        | 10.0        | 10.0        |

**Key Service Deliverables**

Design, develop and implement the Business Plan throughout the Greater Toronto and Hamilton Area (GTHA)

Provide funding and support to non-profit organizations to develop and implement projects related to energy efficiency, sustainable transportation, waste management and renewable energy

Administer/manage a prudent and diversified investment portfolio with oversight by TAF's Board and Investment Committee

Generate substantive ideas, stimulate collaborations and engage more stakeholders to envision and implement low-carbon solutions in Toronto

Support TAF's Board and Committees who provide good governance and accountability to the City of Toronto, Province of Ontario and other supporters

**Who We Serve**

**Strategic Contributions**

- Public Sector Institutions
- City & Agency Staff

*Beneficiaries*

- Businesses
- Institutions and non-profit organizations
- Residents

**Strategic Program Design & Delivery**

- High Rise Property Management
- Non-Profit Organizations
- Large Event Attendees
- City & Agency Staff

*Beneficiaries*

- Businesses
- Institutions and non-profit organizations
- Residents

**Investment of Assets**

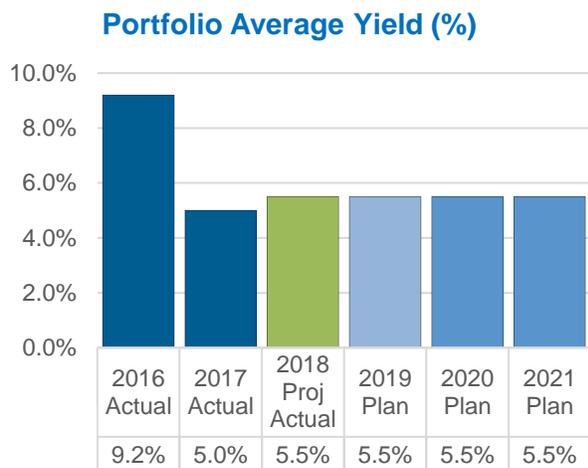
- Businesses with low-Carbon projects
- Chief Financial Officer
- Investment Management Firms
- Provincial & Federal Governments.
- City Staff

*Beneficiaries*

- Businesses
- Residents
- Institutions and non-profits

## How Well We Are Doing

### Performance Measures



### Behind the Numbers

- TAF's marketable investments portfolio had an average return of 11.4%% over 2015 - 2018. The annual revenue projection is based on a 5.5% return to be conservative.
- TAF continues to attract external revenues for specific projects from various external sources including Federation of Canadian Municipalities Green Municipal Fund, Natural Resources Canada and Ontario's Integrated Electricity Systems Operator.
- TAF maintains a Stabilization Fund to mitigate exposure to the variability of investment earnings from year to year; one for each endowment. Direct investments are being increased to reduce the portfolio's volatility.

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## RECOMMENDATIONS

### 2019 STAFF RECOMMENDED OPERATING BUDGET

### 2019 - 2028 STAFF RECOMMENDED CAPITAL BUDGET & PLAN

## ISSUES FOR DISCUSSION

## APPENDICES

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2. 2019 Operating Budget by Service
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5. Summary of 2019 Recommended New & Enhanced Service Priorities
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8. 2019 Cash Flow & Future Year Commitments
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10. Reserve and Reserve Fund Review



## RECOMMENDATIONS

## RECOMMENDATIONS

The City Manager and Chief Financial Officer & Treasurer recommend that:

1. City Council approve the 2019 Staff Recommended Operating Budget for Toronto Atmospheric Fund of \$4.665 million gross, \$0.0 million net for the following services:

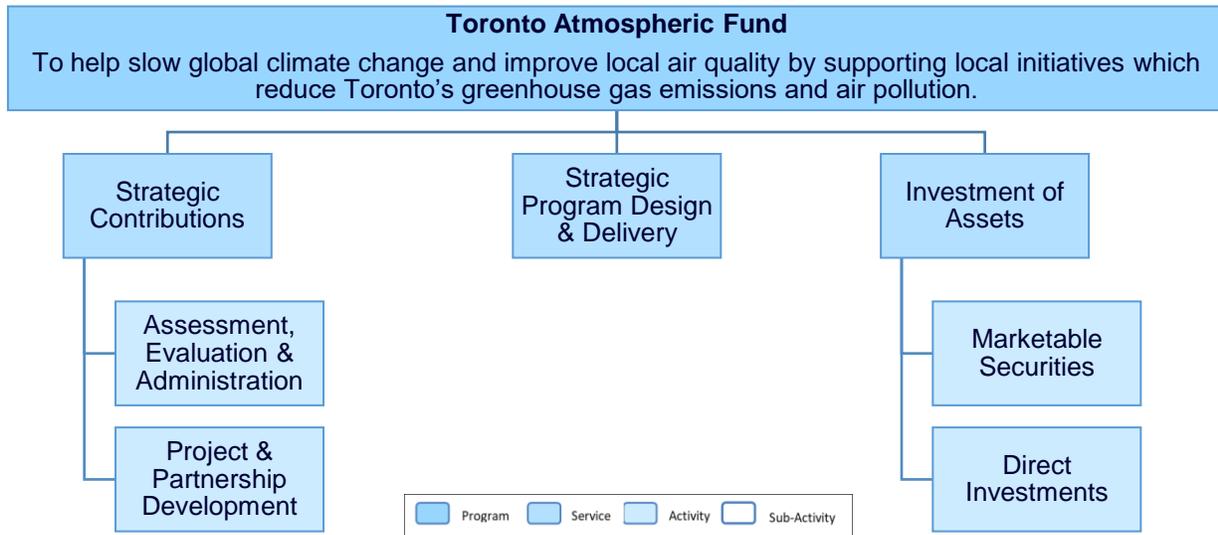
| Service:                 | Gross<br>(\$000s) | Net<br>(\$000s) |
|--------------------------|-------------------|-----------------|
| Toronto Atmospheric Fund | 4,665.0           | 0.0             |
| Total Program Budget     | 4,665.0           | 0.0             |

2. City Council approve the 2019 Staff Recommended Operating Budget for Toronto Atmospheric Fund and associated staff complement of 10.0 positions, entirely comprised of operating service delivery positions.



# 2019 STAFF RECOMMENDED OPERATING BUDGET

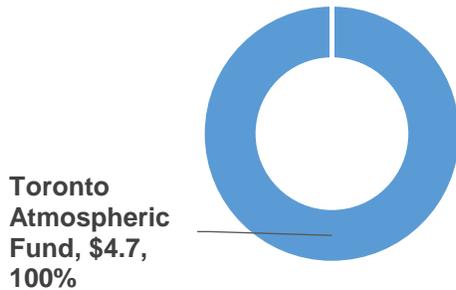
**PROGRAM MAP**



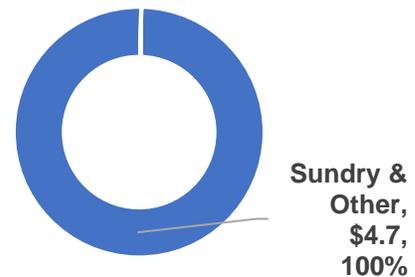
**2019 OPERATING BUDGET HIGHLIGHTS**

**2019 Staff Recommended Operating Budget \$4.7M**

**By Service**



**By Funding Source**



- **6.02%** Gross Operating Budget increase over the 2018 Approved Gross Operating Budget to maintain existing service levels and meet additional service demands.
- **2020/2021** Increases primarily for known inflationary adjustments for salaries, benefits and contracts funded by investment income earned from its endowment funds, Stabilization Fund and external fundraising.
- **TAF's** Operating Budget is not funded from the City's tax base.

## 2019 OPERATING BUDGET OVERVIEW

**Table 1: 2019 Staff Recommended Operating Budget and Plan by Service**

| (In \$000s)                     | 2018    |                   | 2019    |                |                                | Changes |      | Incremental Change |           |
|---------------------------------|---------|-------------------|---------|----------------|--------------------------------|---------|------|--------------------|-----------|
|                                 | Budget  | Projected Actual* | Base    | New / Enhanced | Total Staff Recommended Budget |         |      | 2020 Plan          | 2021 Plan |
| By Service                      | \$      | \$                | \$      | \$             | \$                             | \$      | %    | \$                 | \$        |
| <b>Toronto Atmospheric Fund</b> |         |                   |         |                |                                |         |      |                    |           |
| Gross Expenditures              | 4,400.0 | 4,052.5           | 4,665.0 | 0.0            | 4,665.0                        | 265.0   | 6.0% | 124.9              | 128.9     |
| Revenue                         | 4,400.0 | 4,852.0           | 4,665.0 | 0.0            | 4,665.0                        | 265.0   | 6.0% | 124.9              | 128.9     |
| <b>Net Expenditures</b>         | 0.0     | (799.5)           | 0.0     | 0.0            | 0.0                            | 0.0     | -    | 0.0                | 0.0       |
| <b>Total</b>                    |         |                   |         |                |                                |         |      |                    |           |
| Gross Expenditures              | 4,400.0 | 4,052.5           | 4,665.0 | 0.0            | 4,665.0                        | 265.0   | 6.0% | 124.9              | 128.9     |
| Revenue                         | 4,400.0 | 4,852.0           | 4,665.0 | 0.0            | 4,665.0                        | 265.0   | 6.0% | 124.9              | 128.9     |
| <b>Total Net Expenditures</b>   | 0.0     | (799.5)           | 0.0     | 0.0            | 0.0                            | 0.0     | -    | 0.0                | 0.0       |
| <b>Approved Positions</b>       | 10.0    | 10.0              | 10.0    | 0.0            | 10.0                           | 0.0     | -    | 10.0               | 10.0      |

\* Year-End Projection Based on Q3 2018 Variance Report

### Base Changes

(\$0.265M Gross, \$0 Net)

- Inflationary increases in Salaries & Benefits
- Increased investment income from marketable securities and other external sources

### Future Year Plan

- Inflationary increases in Salaries & Benefits.

## 2019 Staff Recommended Operating Budget Changes by Service

The 2019 Staff Recommended Operating Budget for Toronto Atmospheric Fund is \$0.265 million gross or 6.02% higher than the 2018 Council Approved Operating Budget. Table 2 below summarizes the key cost and revenue drivers to maintain current service levels.

**Table 2: 2019 Staff Recommended Operating Budget Changes by Service**

| (In \$000s)  | Toronto Atmospheric Fund | Total        |             |
|--|--------------------------|--------------|-------------|
|  | \$                       | \$           | Positions   |
| <b>2018 Council Approved Operating Budget (Net)</b>        | <b>0.0</b>               | <b>0.0</b>   | <b>10.0</b> |
| <b>Base Expenditure Changes</b>                            |                          |              |             |
| <b>Salaries and Benefits</b>                               |                          |              |             |
| Inflationary Increases in Salaries and Benefits            | 53.0                     | 53.0         |             |
| <b>Other Base Expenditure Changes</b>                      |                          |              |             |
| Program Delivery Expenditures                              | 212.0                    | 212.0        |             |
| <b>Sub-Total Base Expenditure Changes</b>                  | <b>265.0</b>             | <b>265.0</b> |             |
| <b>Base Revenue Changes</b>                                |                          |              |             |
| Investment Income and External Fundraising                 | 265.0                    | 265.0        |             |
| <b>Sub-Total Base Revenue Changes</b>                      | <b>265.0</b>             | <b>265.0</b> |             |
| <b>Total 2019 Staff Recommended Operating Budget (Net)</b> | <b>0.0</b>               | <b>0.0</b>   | <b>10.0</b> |

## 2018 OPERATING PERFORMANCE

### 2018 Service Performance

#### Key Service Accomplishments:

- Retrofits of seven Toronto Community Housing buildings financed and implemented by TAF reduced utility costs by over \$500K and carbon emissions by 892 tonnes in the first full year of operation, with cost savings exceeding projections by 20%. Lessons and data have been shared widely including a white paper on TAF's ground-breaking demonstration of Gas Absorption Heat Pump technology, presentations at conferences (CaGBC's Building Lasting Change, The Buildings Show, ACEEE's inaugural Environment, Energy and Health Conference) and blogs.
- Launched the next phase of TowerWise with two "deep" retrofits focused on demonstrating the technical and financial viability achieving >40% carbon reductions using cold-climate air-source heat pumps and innovative window retrofit technology along with other measures. Secured \$6.9 million to date including a \$5M loan and \$750K grant from the Federation of Canadian Municipalities.
- Responded to 17 climate-related consultations including analysis and recommendations on the Federal Clean Fuels Standard and Zero Emission Vehicle policy, the Ontario Building Code and Ontario's new Climate Change Plan, and Toronto's Sustainable Energy Plan Financing Program Enhancement and Home Energy Loan Program.
- TAF's CEO appointed to the multi-stakeholder Generation Energy Council which provides the Minister of Natural Resources with an ambitious low-carbon roadmap for the energy sector including tripling the rate of energy efficiency improvement throughout the economy, accelerating clean electricity production and use, amplifying production, and use of biofuels where electricity is not viable.
- Streamlined and scaled up potential for retrofit financing via Efficiency Capital Corp. and advanced financing for one new project.
- TAF's low-carbon impact investing expertise and leadership was in great demand from public and private sectors. Advice for how public funds can leverage private capital advanced via Efficiency Canada's pre-Budget submission, and TAF's "Money on the Table" report documented capital market failures/barriers to investing in this space.
- Under the banner of Low-Carbon Cities Canada, TAF coordinated development of a proposal, submitted via Federal Budget process, to capitalize TAF and six other centres modelled on TAF.
- Published the first-ever Greater Toronto & Hamilton Area GHG inventory, participated in approximately 30 climate-related events throughout the GTHA, and continued building relationships with regional stakeholders.
- Provided 16 organizations with grants totalling \$1,072,164, supporting a range of projects which aim to divert industrial waste heat towards low-carbon energy applications, accelerate the adoption of renewable natural gas, and build industry capacity to construct zero-emissions buildings. Earmarked \$100K to a Low-Carbon Neighbourhoods granting stream to support and engage under-represented communities in local climate action.
- Collaborating with City and community partners to develop metrics/methods for quantifying the co-benefits – job creation, health protection, improved mobility and local economic development – of climate actions. With Canada Green Building Council, convened key stakeholder to initiate the 'green buildings workforce' campaign approved by Council.
- TAF's VP accredited by the international Partnership Brokering Association, trained 31 community leaders and established a community of practice. TAF staff (and some Board and Committee members) undertook Indigenous Cultural Competency training.
- TAF's thought-leadership and value proposition was conveyed through over 60,000 visits to TAF.ca (a 78% increase from last year), over two dozen media articles, 42 blogs, and the "Faces of Climate Action" brochure featuring the diverse voices of our collaborators.

## 2018 Financial Performance

Table 3: Budget vs. Actual by Category of Expenditures and Revenues

| Category<br>(In \$000s)                    | 2017<br>Actual   | 2018<br>Budget | 2018<br>Projected<br>Actual * | 2019 Total Staff<br>Recommended<br>Budget | 2019 Change from<br>2018 Approved<br>Budget |             |
|--|------------------|----------------|-------------------------------|---|---|-------------|
|  | \$               | \$             | \$                            | \$  | \$  | %           |
| Salaries and Benefits                      | 1,391.8          | 1,140.0        | 1,511.5                       | 1,193.0                                   | 53.0  | 4.7%        |
| Program Delivery Expenditures              | 2,519.7          | 3,260.0        | 2,541.0                       | 3,472.0                                   | 212.0                                       | 6.5%        |
| <b>Total Gross Expenditures</b>            | <b>3,911.5</b>   | <b>4,400.0</b> | <b>4,052.5</b>                | <b>4,665.0</b>                            | <b>265.0</b>                                | <b>6.0%</b> |
| Investment Income and External Fundraising | 6,927.2          | 4,400.0        | 4,852.0                       | 4,665.0                                   | 265.0                                       | 6.0%        |
| <b>Total Revenues</b>                      | <b>6,927.2</b>   | <b>4,400.0</b> | <b>4,852.0</b>                | <b>4,665.0</b>                            | <b>265.0</b>                                | <b>6.0%</b> |
| <b>Total Net Expenditures</b>              | <b>(3,015.7)</b> | <b>-</b>       | <b>(799.5)</b>                | <b>-</b>                                  | <b>-</b>                                    | <b>-</b>    |
| <b>Approved Positions</b>                  | <b>10.0</b>      | <b>10.0</b>    |                               | <b>10.0</b>                               | <b>-</b>                                    | <b>-</b>    |

\* Year-End Projection Based on Q3 2018 Variance Report

TAF is projecting to be underspent by \$0.799 million at year-end, primarily due to strong performance of the investment portfolio.

For additional information regarding the 2018 Q3 operating variances and year-end projections, please refer to the attached link for the report entitled "Operating Variance Report for the Nine-Month Period Ended September 30, 2018", adopted by City Council at its meeting on December 13, 2018.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC1.7>

## Impact of 2018 Operating Variance on the 2019 Staff Recommended Operating Budget

- The 2018 Year-End is projected to be favourable over budget by \$0.799 million due to higher investment income and is anticipated to continue into 2019.



## ISSUES FOR DISCUSSION

**ISSUES IMPACTING THE 2019 BUDGET****2019 Budget Overview****Operating:**

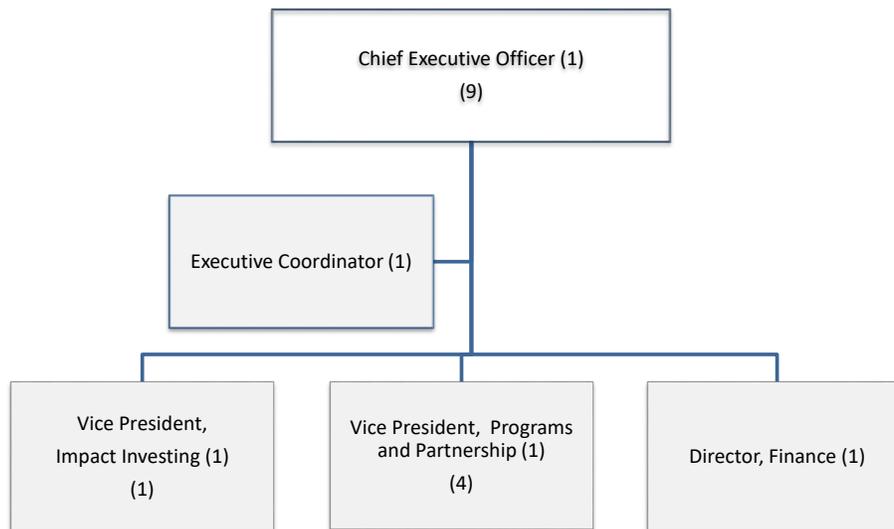
- Toronto Atmospheric Fund's gross budget was increased in 2018 to reflect the expansion of their mandate to advance urban climate solutions for the Greater Toronto and Hamilton Area (GTHA) through the:
  - Federal Clean Fuels Standard and Zero Emission Vehicle policy
  - Ontario Building Code
  - Ontario's new Climate Change Plan
  - Toronto's Sustainable Energy Plan Financing Program Enhancement and
  - Home Energy Loan Program
- Their 2019 Operating Budget is further increased by \$0.265 million over 2018, to \$4.665 million, in gross expenditures to fund merit increases in salaries and benefits and office renovations. These expenditures will be fully offset by the incremental revenues from external fundraising initiatives and investment income which will be derived from TAF's endowment fund.



# APPENDICES

## Appendix 1

### 2019 Organization Chart



The 2019 total staff complement includes the Chief Executive Officer and staff for a total of 10.0 operating positions as summarized in the table below.

### 2019 Total Complement

|                    | Category               | Senior Management | Management with Direct Reports | Management without Direct Reports/Exempt Professional & Clerical | Union | Total       |
|--------------------|------------------------|-------------------|--------------------------------|--|-------|-------------|
| Operating          | Permanent              | 4.0               |                                | 6.0  |       | 10.0        |
|                    | Temporary              |                   |                                |  |       |             |
|                    | <b>Total Operating</b> | 4.0               |                                | 6.0  |       | 10.0        |
| Capital            | Permanent              |                   |                                |  |       |             |
|                    | Temporary              |                   |                                |  |       |             |
|                    | <b>Total Capital</b>   |                   |                                |  |       |             |
| <b>Grand Total</b> |                        | <b>4.0</b>        |                                | <b>6.0</b>   |       | <b>10.0</b> |