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Toronto Parking Authority

Financial Statements
December 31, 2019

Toronto Parking Authority

Statement of Financial Position

As at December 31, 2019

(all dollar amounts are in thousands)

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents		109,321	76,495
Investments	5	9,933	19,814
Accounts receivable		781	2,137
Prepaid expenses and other assets		824	822
		120,859	99,268
Finance lease receivable	6	5,980	5,981
Investment in garages and car parks	7	32,000	33,001
Property and equipment	7	213,323	205,627
		372,162	343,877
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		15,900	11,683
Deferred revenue		10,016	7,802
Due to related parties	8	10,854	11,627
Lease liabilities	9	862	-
Debt payable	10	568	539
		38,200	31,651
Lease liabilities	9	6,120	-
Debt payable	10	2,931	3,499
		47,251	35,150
Equity	11	324,911	308,727
		372,162	343,877
Commitments and contingent liabilities	19		

Approved on Behalf of the Board of Directors

_______________________ Chairman _______________________ President

The accompanying notes are an integral part of these financial statements.

Toronto Parking Authority

Statement of Income and Comprehensive Income
For the year ended December 31, 2019

(all dollar amounts are in thousands)

	Note	2019 $	2018 $
Parking revenue	12	152,707	150,528
Operating	21	(44,958)	(47,574)
Administration		(11,483)	(12,571)
Municipal property tax		(21,124)	(22,377)
Amortization of property and equipment	7	(8,383)	(6,605)
Other income	14	9,492	3,594
Operating income		76,251	64,995
Income earned on financial instruments	14	2,936	2,080
Finance interest paid on lease liabilities		(333)	-
Finance interest paid on debt	10	(87)	(100)
Finance income		2,516	1,980
Net income and comprehensive income for the year		78,767	66,975

The accompanying notes are an integral part of these financial statements.

Toronto Parking Authority

Statement of Changes in Equity

For the year ended December 31, 2019

(all dollar amounts are in thousands)

	Note	2019 $	2018 $
Balance – Beginning of year		308,727	304,076
Net income and comprehensive income for the year		78,767	66,975
		387,494	371,051
Special distribution to City of Toronto	16	-	(5,420)
Proceeds from sale of property paid directly to the City of Toronto		-	(1,180)
Annual distribution to City of Toronto	16	(62,583)	(55,724)
Balance – End of year		324,911	308,727

The accompanying notes are an integral part of these financial statements.

Toronto Parking Authority

Statement of Cash Flows

For the year ended December 31, 2019

(all dollar amounts are in thousands)

	Note	2019 $	2018 $
Cash flows from operating activities			
Net income and comprehensive income for the year		78,767	66,975
Add (deduct) non-cash items			
Amortization of property and equipment	7	8,383	6,605
Gain on sale of property and equipment	14	(7,082)	(936)
Net realized gain on sale of investments	14	(11)	(7)
Interest/finance income and finance charges		(2,160)	(1,963)
Unrealized gain on investments	14	(178)	(9)
		77,719	70,665
Net change in non-cash working capital balances related to operating activities	20	8,039	2,167
Net cash flow from operating activities		85,758	72,832
Cash flows from investing activities			
Interest received from investments	14	2,238	1,551
Payments received for finance lease	6	520	520
Proceeds from sale of property and equipment		10,331	1,176
Purchase of property and equipment	7	(17,591)	(13,552)
Capital funding for Bike Share	22	7,001	5,208
Proceeds from sale of investments		9,892	20,055
Net cash flow from investing activities		12,391	14,958
Cash flows used in financing activities			
Distributions to City of Toronto		(63,610)	(55,646)
Lease liabilities repayment		(754)	-
Finance interest paid on lease liabilities		(333)	-
Long-term debt to finance purchase of property and equipment			
Repayments	10	(539)	(512)
Finance charges paid on long-term debt	10	(87)	(100)
Net cash flows used in financing activities		(65,323)	(56,258)
Increase in cash and cash equivalents during the year		32,826	31,532
Cash and cash equivalents – Beginning of year		76,495	44,963
Cash and cash equivalents – End of year		109,321	76,495
Non-cash transactions			
Transfer of investment in garages and car parks to property and equipment		1,001	-

The accompanying notes are an integral part of these financial statements.

(all dollar amounts are in thousands)

1 Nature of operations and relationship to the City of Toronto

Toronto Parking Authority (the Authority) is a local board of the City of Toronto (the City), established under the City of Toronto Act, 2006, with a mandate to operate, manage and maintain the City's public bike share program and municipal off-street parking facilities and on-street meter operations on behalf of the City in support of local business areas.

The address of the Authority's registered office is 33 Queen Street East, Toronto, Ontario.

The City is considered the ultimate controlling entity of the Authority. In its relationship with the City, the Authority has an agreement on income-sharing, which is described in note 16.

By virtue of Section 149(1) of the Income Tax Act (Canada), the Authority is not subject to income taxes.

2 Significant accounting policies

Statement of compliance

The financial statements of the Authority have been prepared on a going concern basis and comply with all the requirements of International Financial Reporting Standards (IFRS).

The financial statements were authorized for issuance by the Authority's Board of Directors on June 3, 2020.

Basis of preparation

The Authority is a public sector entity and meets the definition of a Government Business Enterprise (GBE) as set out in the Introduction to Public Sector Accounting Standards. GBEs are deemed to be publicly accountable enterprises and are required to apply IFRS as set out in the Chartered Professional Accountants of Canada Handbook – Accounting.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets to fair value as explained in the accounting policies below.

Government funding

The Authority receives government funding from the City of Toronto and other levels of government or government agencies with respect to the City's public bike share program, for capital asset acquisitions and operating deficits. Government funding related to assets is recognized as a deduction of the carrying amount of the assets, and government funding related to operations is recognized as a deduction of the related expenses.

(all dollar amounts are in thousands)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

- **Classification and measurement of financial instruments**

  The Authority classifies its financial instruments into one of the following categories based on the Authority's business model for managing financial instruments and their contractual cash flow characteristics. The Authority's accounting policy for measurement of each category is as follows:

Financial instrument	Category	Subsequent measurement
Cash and cash equivalents	amortized cost	amortized cost
Investments	fair value through profit or loss	fair value through profit or loss
Accounts receivable	amortized cost	amortized cost
Finance lease receivable	amortized cost	amortized cost
Accounts payable and accrued liabilities	other financial liabilities	amortized cost
Due to related parties	other financial liabilities	amortized cost
Lease liabilities	other financial liabilities	amortized cost
Debt payable	other financial liabilities	amortized cost

  All financial instruments are measured initially at fair value, which is generally the transaction price.

- **Method of determining fair value**

  Fair value is determined:

  - on the basis of quoted prices in an active market, or if an active market does not exist; and

  - using accepted valuation techniques or parameters derived from a combination of active markets or from statistical estimates or other quantitative methods.

  Other categories of financial instruments that are measured subsequently at amortized cost do not trade on an active market.

  For assets measured at fair value, changes in fair value are recognized in profit or loss as an unrealized gain or loss.

- **Cash and cash equivalents**

  Cash and cash equivalents comprise cash on hand and deposits held on call with major financial institutions.

(all dollar amounts are in thousands)

- **Investments**

  Investments consist of fixed income corporate and government securities as prescribed in the financial activities regulation of the City of Toronto Act, 2006.

  Investments have been classified as fair value through profit or loss and measured at fair value based on quoted market prices, which is considered to be the closing market bid price at the year-end. Investments are recognized and derecognized on the trade date. Investments are classified as fair value through profit or loss as they are held within a business model whose objective is not to collect the contractual cash flows and the cash flows are not solely payments of principal and interest.

  Investment income includes interest and realized and unrealized gains or losses on investments. Investment income is classified under profit or loss and is recorded as finance income on the statement of income and comprehensive income.

  Investments classified as current assets have varying maturity dates with some greater than one year from the date of the financial statements. However, all are capable of prompt liquidation and have been classified as current assets. When investments are not capable of liquidation within one year of the date of the financial statements, they would be classified as long-term investments.

- **Accounts receivable**

  Accounts receivable are primarily trade receivables recorded at amortized cost, less a loss allowance for expected credit loss, which involves annual testing to assess and estimate uncollectible amounts. Measurement of an expected credit loss is based on various scenarios weighted by the probability of that default occurring. Adjustments to the amortized cost are included in profit or loss. The amortized cost of accounts receivable approximates their fair value due to their short-term nature.

- **Finance lease receivable**

  The finance lease receivable represents the present value of minimum lease payments due to the Authority as lessor under a finance lease.

- **Accounts payable and accrued liabilities**

  Accounts payable and accrued liabilities are primarily trade payables, pension remittances and liabilities to government for sales and payroll related taxes measured at their amortized cost, which approximates their fair value due to their short-term nature. Changes to the amortized cost are included in profit or loss.

(all dollar amounts are in thousands)

- **Impairment of financial assets**

  As at each statement of financial position date, the Authority assesses whether the assets carried at amortized cost are impaired. An impairment equal to the expected credit loss, which is based on various scenarios weighted by the probability of that default occurring, is recognized by bringing the value to a recoverable amount on the statement of financial position and recognizing an expense in the statement of income and comprehensive income. The 12-month expected loss is recognized, unless there is a significant increase in credit risk of the financial assets, by when the lifetime expected loss is recognized. When previous impairment losses reverse, they are recognized up to the extent of the impairment amount originally recognized.

Property and equipment

- **Measurement basis**

  The Authority measures property and equipment using the cost model. The cost model provides that property and equipment be recorded at their cost at the time of recognition.

  Any costs incurred subsequent to initial recognition, which enhance the service capacity (an improvement), are capitalized as property and equipment and are amortized over the remaining useful life of the asset or the improvement, whichever is shorter.

- **Component accounting**

  Components of an item of property and equipment that have different useful lives and have a significant cost in relation to the total cost of the item have been classified and amortized to profit or loss separately. Parking garage structures are currently the only item of property and equipment identified as having components with differing useful lives that have significant costs in relation to the cost of the entire item.

- **Amortization**

  The amount subject to amortization is the cost of the asset less any residual value. Amortization expense is recognized in profit or loss and is calculated from the date the assets are available for use on a straight-line basis over their estimated useful lives as follows:

Parking garages – concrete structure	25 to 40 years
Surface car parks and other parking garage components	25 years
Buildings	25 years
Equipment and furnishings	5 to 10 years

  Projects to build garages or surface car parks, which are in process, are included in property and equipment as acquired and are amortized once the asset is placed into service. Improvements to facilities that meet the recognition criteria are added to the asset and amortized over a period of up to 25 years.

  Land is not amortized, as it is considered to have an indefinite life.

Right-of-use assets are amortized over the shorter of the estimated useful life of the asset and the lease term.

The useful lives of property and equipment are reviewed at each statement of financial position date and are estimated by management based on historical analysis and other available information. The residual values of property and equipment are reviewed at each statement of financial position date and are based on the assessment of useful lives and other available information.

- **Impairment of non-financial assets**

  Property and equipment are reviewed annually for indications of impairment or when circumstances indicate the carrying amount may not be recoverable.

  If an asset is determined to be impaired, it is written down to its recoverable amount, which is the higher of fair value less costs to sell and value in use. In the absence of a reliable estimate of fair value for an asset that is clearly impaired, the value in use may be applied. If there is an indication that a previously impaired asset has experienced an increase in fair value or value in use, the previous impairment is reversed but only to the extent of the carrying amount had no impairments been recognized.

  Impairment losses or reversals are recorded in profit or loss.

Revenue and other income recognition

Revenue is measured at the fair value of the consideration the Authority is entitled to, net of any discounts or rebates. Revenue includes parking fee revenue. Other income includes income from investment, management fees, rental and advertising activities. The timing of revenue recognition for the Authority's significant sources of revenue is as follows:

- parking fee revenue as the service is performed;
- management fee as the management service is provided to the property owner;
- interest and finance income on a time proportion basis with reference to the principal amount and effective interest rate;
- gains or losses when the transaction occurs;
- rental income on a straight-line basis over the term of the lease;
- advertising income in accordance with the substance of the agreement, which may be recognized as the service is performed or on a straight-line basis over the term; and
- other income as the service is performed or as the Authority has a legal or constructive right to receive a future economic benefit.

(all dollar amounts are in thousands)

Deferred revenue consists primarily of deposits for parking made through the GreenP app, which are to be earned and recognized in future periods.

Multi-employer pension plan

The Authority makes contributions to Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of substantially all of its employees. The plan is a contributory defined benefit pension plan funded by equal contributions from participating employers and employees as well as by investment earnings of the plan. The plan specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay.

Contributions received from all OMERS employers are co-mingled and used to jointly purchase investments to support the pension obligations. OMERS does not track its investments by employer. In addition, OMERS engages an independent actuary to determine the funded status of the plan with actuarial assumptions developed based on the entire plan membership, not by employer. Although the plan has defined benefit plan characteristics, there is insufficient information available to account for the plan as a defined benefit plan. Defined benefit plan accounting would require the recording of the discounted amount of the future benefit obligations offset against the fair value of plan assets. In this situation, International Accounting Standard (IAS) 19, Employee Benefits, requires that defined contribution accounting and disclosure be applied.

According to OMERS' 2019 annual report, the plan was in a deficit position of $3.4 billion at the end of 2019, a decrease from a deficit of $4.2 billion in 2018. OMERS is funding this deficit through a combination of contribution increases, temporary benefit calculation and investment strategy changes. The Authority's 2019 share of the deficit position is not determinable.

Leases

The Authority enters into leases for parking facilities as lessee and leases for commercial and residential rental units as lessor in the normal course of business. Lease contracts are typically made for fixed periods but may include purchase, renewal or termination options. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions.

- **Leases as lessee**

  The Authority adopted IFRS 16, Leases (IFRS 16) effective January 1, 2019 using the modified retrospective approach (note 3). The Authority assesses whether a contract is or contains a lease at inception of the contract. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Lease liabilities with corresponding right-of-use assets for all lease agreements are recognized, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term. Consideration in a contract is allocated to lease and non-lease components on a relative stand-alone value basis. The Authority generally accounts for lease components and any associated non-lease components as a single lease component.

(all dollar amounts are in thousands)

The Authority recognizes a right-of-use asset and a lease liability at the lease commencement date. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using our incremental borrowing rate, unless the rate implicit in the lease is readily determinable. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate; and
- payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. Lease liabilities are remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate or, when the Authority changes assessment of whether purchase, renewal or termination options will be exercised.

Right-of-use assets are classified as property and equipment and measured at cost, which is comprised of the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs. They are subsequently amortized to the earlier of the end of the useful life of the underlying asset or the lease term using the straight-line method and reduced by impairment losses, if any. The lease term includes periods covered by an option to extend if the Authority is reasonably certain to exercise that option. Right-of-use assets may also be adjusted to reflect the remeasurement of related lease liabilities.

Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are expensed in operating costs in the period in which the event or condition that triggers those payments occurs.

- **Leases as lessor**

Finance leases

Assets leased under arrangements that transfer substantially all the risks and rewards of ownership, with or without ultimate transfer of title, are classified as finance leases. A finance lease receivable is recorded at the inception of the lease at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments plus any unguaranteed residual value.

- Lease payments received are allocated between a reduction of the receivable and finance income on an amortized basis to produce a constant rate of interest on the remaining balance of the receivable.
- Finance income is recorded as finance income.
- When assets are recognized under a finance lease for the first time, there is a concurrent derecognition of the asset as property and equipment (as if effectively disposed of).

Operating leases

Assets leased under arrangements that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Assets are classified within property and equipment on the Authority's statement of financial position and amortization is provided for in a systematic manner consistent with the Authority's amortization policy for similar property and equipment.

- Lease income is recognized on a straight-line basis over the term of the lease.
- If a lease incentive is provided, it is accounted for as a reduction to rental income.

3 Adoption of new accounting standard

The Authority adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach, and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17, Leases (IAS 17). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease. IFRS 16 provides a single lessee accounting model, requiring lessees to (a) recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) amortize lease assets separately from interest on lease liabilities in the statement of income and comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently. The Authority elected to apply the practical expedient to not recognize right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

4 Critical accounting judgments and estimates

In applying the Authority's accounting policies as described in note 2, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

The estimates and judgments management made in applying the Authority's accounting policies relate to:

- **Finance lease receivable**

  The present value of the lease receivable is based on management's estimate of future minimum lease payments, which include an estimation of future fair value and residual value of the property.

- **Property and equipment**

  Management judgment is applied in determining amortization rates and useful lives of assets.

(all dollar amounts are in thousands)

- **Lease liabilities**

  Management judgment is applied in determining discount rate.

5 Investments

Investments are comprised of fixed income securities with a weighted average yield to maturity of 1.88% (2018 – 2.29%) and a weighted average duration of 2.13 years (2018 – 1.67 years). Investments include interest receivable of $43 (2018 – $91).

Investments reported in the statement of financial position at a fair value of $9,890 (2018 – $19,723), excluding interest receivable, have a cost of $9,836 (2018 – $19,853).

6 Finance lease receivable

The present value of the minimum lease payments receivable and the payments due is detailed in the following schedule:

Lease receivable – payments due	Gross investment in lease receivable $	Future finance income $	Present value of minimum lease payments $
Not more than 1 year	520	520	-
Over 1 year but not more than 5 years	2,080	2,079	1
Over 5 years	37,963	31,984	5,979
	40,563	34,583	5,980

There is an estimated residual value of $4,856 recognized at the end of the 99-year term of the lease, at which time the Authority legally retains title to the land. Total contingent rent recognized as income during the year is $288 (2018 – $429).

(all dollar amounts are in thousands)

7 Property and equipment

							2019	2018
	Land and building $	Parking garages – concrete structures $	Parking garages – other components $	Surface car parks $	Right-of-use assets $	Equipment and furnishings $	Total $	Total $
Cost at January 1	99,186	55,788	84,862	26,718	-	71,163	337,717	330,670
Acquisitions	81	-	3,498	3,778	-	10,246	17,603	13,552
Adoption of IFRS16	-	-	-	-	7,736	-	7,736	-
Transfer from Prepaid Facilities	-	-	-	988	-	-	988	-
Capital funding for Bike Share (note 22)	-	-	-	-	-	(7,001)	(7,001)	(5,208)
Disposals	(2,733)	-	(93)	(498)	-	(307)	(3,631)	(1,297)
Cost at December 31	96,534	55,788	88,267	30,986	7,736	74,101	353,412	337,717
Accumulated amortization at January 1	59	27,449	31,970	10,540	-	62,072	132,090	126,543
Amortization	124	884	2,842	999	1,013	2,521	8,383	6,605
Disposals	-	-	(33)	(44)	-	(307)	(384)	(1,058)
Accumulated amortization at December 31	183	28,333	34,779	11,495	1,013	64,286	140,089	132,090
Net book value at December 31	96,351	27,455	53,488	19,491	6,723	9,815	213,323	205,627

Title to all land purchased by the Authority is held in the name of the City, but the Authority controls the property.

Investment in garages and car parks comprises one car park that will be constructed in the future.

(all dollar amounts are in thousands)

8 Related party transactions and balances

a) Related party transactions and balances

The Authority carries out transactions in the normal course of operations and on commercial terms with a number of departments and agencies of its ultimate parent, the City of Toronto.

The City funded the operating deficit for the bike share program in the amount of $2,418 (2018 – $2,585).

During the year, the Authority paid rent expenses to, and received car park management fees and government funding from, related parties. The table below summarizes the transactions, receivable and payable balances:

	2019			2018		
	Management fees $	Rent expense $	(Payable) Receivable $	Management fees $	Rent expense $	(Payable) Receivable $
Parent	-	3,116	(10,652)	-	3,071	(11,679)
Agencies and corporations of the Parent	654	262	(202)	574	507	52
	654	3,378	(10,854)	574	3,578	(11,627)

b) Reserve funds

The City holds the following reserve funds for use by the Authority in funding capital projects. These funds are administered by the City and are not included in the Authority's financial statements. Trust fund balances as at December 31 are as follows:

	2019 $	2018 $
Parking Authority Shopping Mall Rented Properties Reserve Fund	1,422	1,537
Parking Payment in Lieu Reserve Fund	2,531	2,490
Bike Share Reserve Fund	154	324
	4,107	4,351

c) Compensation of directors and key management

Compensation to the key managers, including directors, with responsibility to plan, direct and control the operations of the Authority is $1,258 (2018 – $2,079) and consists of salaries and short-term benefits.

(all dollar amounts are in thousands)

9 Lease liabilities

Upon adoption of IFRS 16 on January 1, 2019, the Authority recognized lease liabilities of $7,736 and the same amount of right-of-use assets within property and equipment, with no net impact on retained earnings. When measuring lease liabilities, the Authority discounted lease payments using its incremental borrowing rate at January 1, 2019 of 4.5%. Interest expense on lease liabilities for the year ended December 31, 2019 was $333. The expense relating to variable lease payments not included in the measurement of lease liabilities was $71. Expenses relating to short-term leases were $716. Total cash outflow for leases was $1,158, including $754 of principal payments on lease obligations.

10 Debt payable

Debt payable relates to the purchase of equipment upgrades and is classified as long-term with $568 (2018 – $539) included in current liabilities. The debt matures on June 30, 2025 and bears an effective interest rate of 2.298%. Interest paid during the year was $87 (2018 – $100).

The debt payable will be repaid as follows:

	$
2020	568
2021	597
2022	627
2023	659
2024	692
Thereafter	356
	3,499

11 Equity

Equity of the Authority represents the accumulated retained net income and comprehensive income of the Authority, less distributions to the City. Equity of the Authority is retained to fund the purchase and maintenance of major property and equipment. The Authority is without share capital, with the City holding a 100% beneficial interest in the Authority's equity.

(all dollar amounts are in thousands)

12 Parking revenue

Parking revenue is made up of the following components:

	2019			2018
	On-street $	Off-street $	Total $	Total $
Short-term parking	60,704	87,647	148,351	145,945
Monthly permit parking	-	4,356	4,356	4,583
	60,704	92,003	152,707	150,528

13 Employee benefits

Salaries, wages and benefits included in direct expenses – operating consist of:

	2019			2018
	On-street $	Off-street $	Total $	Total $
Salaries and wages	2,227	11,991	14,218	13,422
Benefits	411	2,358	2,769	3,295
OMERS pension plan contributions	214	1,037	1,251	1,274
	2,852	15,386	18,238	17,991

Salaries, wages and benefits included in administration expense consist of:

	2019 $	2018 $
Salaries and wages	6,324	7,067
Benefits	895	843
OMERS pension plan contributions	694	620
	7,913	8,530

The estimated 2020 employer's OMERS pension plan contribution is $2,000.

(all dollar amounts are in thousands)

14 Income earned on financial instruments and other income

These amounts consist of the following:

	2019 $	2018 $
Interest earned on cash balances	2,032	1,173
Interest earned on investments (note 5)	195	371
Realized gain on sale of investments (note 5)	11	7
Investment income from cash and investments	2,238	1,551
Unrealized gain on investments – net (note 5)	178	9
Interest earned and net effective change in lease receivable (note 6)	520	520
	2,936	2,080
Other income		
Gain on sale of property and equipment	7,082	936
Miscellaneous other income	2,410	2,658
	9,492	3,594
	12,428	5,674

15 Operating leases

The Authority is the lessor in a number of operating leases for building properties. The future minimum lease payments receivable under non-cancellable operating leases for these properties are:

	2019 $	2018 $
Not more than 1 year	762	777
Over 1 year but not more than 5 years	1,847	2,029
Over 5 years	659	789
	3,268	3,595

These operating leases do not provide for contingent rental payments.

16 City's share of net income

The City and the Authority's income-sharing arrangement, effective for the three-year period from 2017 – 2019, requires the Authority to contribute 85% (2018 – 85%) of the Authority's net income and comprehensive income earned, with a minimum annual distribution payment to the City of $38,000 (2018 – $38,000). During fiscal 2019, distribution from standard operations of $62,583 (2018 – $55,724) was determined to be payable to the City.

(all dollar amounts are in thousands)

17 Financial instruments

IFRS 7, Financial Instruments – Disclosures requires disclosure of a three-level hierarchy for fair value measurement that reflects the significance of the inputs used in valuing an asset or liability measured at fair value. The three levels are defined as follows:

- Level 1 – fair value is based on quoted market prices in active markets for identical assets or liabilities that can be accessed at the measurement date. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.
- Level 2 – fair value is based on observable inputs, other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes private equity investments and securities that have liquidity restrictions.

The fair value of the Authority's investments was determined using quoted market prices in active markets under Level 1 of the hierarchy.

Measurement categories

As explained in note 2, financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in profit or loss, or comprehensive income. Those categories that are applicable to the Authority are amortized cost measurement category and fair value through profit or loss measurement category. The following table shows the carrying amounts of financial assets and financial liabilities for each of these categories:

	2019 $	2018 $
Financial assets		
Amortized cost		
Cash and cash equivalents	109,321	76,493
Accounts receivable	781	2,137
Finance lease receivable – including current portion	5,980	5,981
Fair value through profit or loss		
Investments	9,933	19,814
Total	126,015	104,425

(all dollar amounts are in thousands)

	2019 $	2018 $
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	15,900	11,683
Due to related parties	10,854	11,627
Lease liabilities (including current portion)	6,982	-
Debt payable (including current portion)	3,499	4,038
Total	37,235	27,348

Nature and extent of risks arising from financial instruments

The Authority's investment activities expose it to certain financial risks. These risks include market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Authority manages these financial risks in accordance with its policy on investments, which restricts investments to investment grade instruments prescribed for municipalities under Ontario Regulation 610/06 (Financial Activities) of the City of Toronto Act, 2006.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority manages market risk by investing in a range of maturity terms with diverse issuers. Market risk comprises the following:

- Foreign currency risk

  The Authority has no material exposure to foreign currency risk.

- Interest rate risk

  Interest rate risk refers to the effect on the fair value or future cash flows of an investment or debt obligations due to fluctuations in interest rates. Historically, as opportunities arise, the Authority has sold investments when interest rates have been declining in order to realize the resulting profits. The Authority is not exposed to significant interest rate risk on its monetary current assets and current liabilities due to their short-term maturities. The Authority's long-term debt has a fixed rate of interest and is therefore not subject to fair value changes as a result of interest rate changes.

- Price risk

  Price risk is the risk the fair value of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk). The Authority has no material exposure to price risk.

(all dollar amounts are in thousands)

Credit risk

Credit risk is the risk the Authority will be unable to redeem investments or collect accounts receivable or other debts due to it. The Authority collects revenue primarily in cash and does not extend a significant amount of trade credit. The Authority controls credit risk on its investments through its investment policy. Maximum credit risk exposure is equal to the total carrying amount of financial assets. Credit risk is considered low.

Liquidity risk

Liquidity risk is the risk the Authority will be unable to settle or meet commitments as they come due. The Authority's commitments are largely in the form of short-term liabilities, which are met out of cash flows generated by operating activities. Varying maturities of investments are purchased to ensure the Authority can fund its capital program as needs arise. Long-term liabilities are not considered material and repayment is scheduled to allow settlement from cash flows generated from operating activities. The effect is a stable cash flow from operations, which acts to reduce liquidity risk.

The following table is a maturity analysis of the Authority's financial liabilities:

	Up to 1 month $	More than 1 month up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	15,900	-	-	-	15,900
Due to related parties	10,854	-	-	-	10,854
Lease liabilities, principal	67	795	3,213	2,907	6,982
Debt payable, principal	46	522	2,575	356	3,499
	26,867	1,317	5,788	3,263	37,235

18 Capital management

The Authority returns 85% (2018 – 85%) of its annual net income and comprehensive income to the City and retains 15% to fund its long-term, multi-year capital budget plan. As such, the majority of the Authority's capital is invested in property and equipment and the majority of funding for the multi-year capital plan is derived from future income still to be earned. The Authority attempts to maintain capital on hand at a level sufficient to fund one to two years of capital investment and holds this capital in a combination of cash and fixed income securities to balance the dual goals of maximizing returns while maintaining sufficient liquidity to allow the Authority to react to capital investment opportunities as they arise.

(all dollar amounts are in thousands)

19 Commitments and contingent liabilities

Commitments

As at December 31, 2019, the Authority has contractual commitments of $32,814 (2018 – $32,100) relating to the development of an enterprise resource planning system, and the purchase of above grade and/or substrata title to parking structures as part of a development sale of above grade strata title to air rights over land on which the Authority currently operates parking lots.

Contingent liabilities

The Authority has contingent liabilities in respect of legal claims arising in the ordinary course of business. At present, the outcome of these cases are not determinable. The Authority believes these claims are without merit and will vigorously defend itself in each of these actions. It is not anticipated that any material liabilities will arise from the contingent liabilities.

20 Statement of cash flows – net change in non-cash working capital balances related to operating activities

The net change in non-cash working capital balances related to operating activities consists of the following:

	2019 $	2018 $
Restricted cash	-	1,089
Accounts receivable	1,356	(891)
Prepaid expenses	(2)	184
Accounts payable and accrued liabilities	4,217	(457)
Deferred revenue	2,214	2,228
Due to related parties	254	14
	8,039	2,167

(all dollar amounts are in thousands)

21 Direct expenses – operating

	2019			2018
	On-street $	Off-street $	Total $	Total $
Salaries, wages and benefits (note 13)	2,852	15,387	18,239	17,991
Maintenance of facilities and equipment	2,023	3,721	5,744	5,777
Rent	-	7,451	7,451	9,703
Utilities	6	2,766	2,772	2,864
Parking systems	2,615	545	3,160	3,223
Payment processing	2,305	2,244	4,549	4,225
Security and monitoring	-	1,372	1,372	1,876
Other	86	1,585	1,671	1,915
	9,887	35,071	44,958	47,574

22 Government funding for Bike Share

Capital funding for the year ended December 31 is as follows:

	2019 $	2018 $
Ontario Municipal Commuter Cycling Program	5,601	-
Planning Act Reserve Funds (Section 37 and 45)	1,400	
Metrolinx	-	977
Public Transit Infrastructure Fund	-	2,093
Public Realm Reserve Fund	-	2,000
TPA Capital Expenditure Reserve Fund	-	138
	7,001	5,208

Planning Act Reserve Funds, Public Realm Reserve Fund and TPA Capital Expenditure Reserve Fund are contributions from the City of Toronto. Ontario Municipal Commuter Cycling Program is contributed by the Provincial government and flows through the City. Public Transit Infrastructure Fund is contributed by the Federal government and flows through the City.

23 Subsequent event

Since December 31, 2019, the outbreak of the coronavirus pandemic has resulted in governments worldwide enacting emergency measures to control the spread of the virus. As a result, the Authority has continued only essential operations with reduced staff and scaled back non-essential activities. These events may have a material impact on the Authority's revenues earned in fiscal 2020 as well as its workforce. As the situation continues to evolve rapidly, the Authority is unable to quantify the potential impact this pandemic may have on its financial statements.

(all dollar amounts are in thousands)

In addition, the developer of the parking garage classified as Investment in Garages and Car Parks on the Statement of Financial Position has filed for insolvency subsequent to year end. The Authority has a performance bond in place that matches the carrying value of the asset and therefore no impairment has been recorded.

24 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation. Specifically, the funding for Bike Share has been separately disclosed in the statement of cash flows under financing activities and therefore purchases of property and equipment increased by $5,208.