

# 2022 Budget Notes

## Toronto Atmospheric Fund

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### Description

Toronto Atmospheric Fund (TAF) is a regional climate agency constituted as a non-share capital corporation via the Toronto Atmospheric Fund Act. TAF invests in low-carbon solutions for the Greater Toronto and Hamilton Area (GTHA) and helps scale them up for broad implementation, with no draw on the City's tax-base. We lead, support and collaborate with stakeholders in the private, public and non-profit sectors who have opportunities for reducing urban carbon emissions. We invest the endowments provided by City of Toronto (1991), Province of Ontario (2017) and Government of Canada (2020) in alignment with our mandate, and with the proceeds we provide grants to non-profit organizations, incubate and implement innovative programs and advocate for policies and programs, with particular focus achieving environmental, social and economic benefits that improve health, create local jobs, boost urban resiliency and contribute to a fair society. Based on TAF's model and track-record, six similar agencies have been endowed by the Government of Canada under the banner of Low Carbon Cities Canada (LC3).

### Why We Do It

TAF was established to operate arms-length from the City of Toronto with a mandate that is aligned to achieving mutual objectives, more specifically with the City's TransformTO and forthcoming Net-Zero Strategy and the declaration of a climate emergency. TAF's actions are focused on **advancing low-carbon solutions for the key sources of urban carbon emissions: buildings, both existing and new construction, transportation, industrial, waste and electricity**. The expansion of TAF's mandate to the GTHA recognizes that strategic regional action is needed in order for local, provincial and national climate action efforts to succeed. Our investment strategy aims to generate both financial and mandate-related impact, and to demonstrate and mobilize much more than our capital for local low-carbon solutions. With the support and good governance of the Council-appointed Board (8 citizens, 3 Councillors), TAF provides unique, data-driven, strategic support, investment and ally ship to private, public and non-profit stakeholders contributing to achieving Toronto's net-zero by 2040 goal. 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.

*The City of Toronto aims to deliver these outcomes equitably, efficiently and with excellent customer service to help improve the lives of Torontonians and work to earn their trust and confidence.*

#### Toronto Atmospheric Fund

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## What Service We Provide

### Grants

**Who We Serve:** Eligible non-profit organizations, citizen groups and community organizations, charities, academia, research institutions and municipalities in the GTHA.

**What We Deliver:** We fund high impact climate efforts to create low-carbon, equitable cities and communities in the Greater Toronto and Hamilton Area including grants for capacity-building and to projects related to deep retrofits of existing buildings, net-zero new construction, electrifying transportation, and other urban climate action priorities.

**How Much Resources (gross 2022 operating budget): \$1.7M**

### Impact Investing (Revenue Generating)

**Who We Serve:** Businesses and enterprise with low-carbon projects and activities, non-profit and for-profit institutional co-investors, the wider financial sector as interest grows in Environmental, Social and Governance (ESG).

**What We Deliver:** Prudent investment in marketable securities and in projects and companies that are aligned with TAF's mandate, generate risk-adjusted return, and mobilize financial capital for urban low-carbon solutions through financial innovation, aggregation and/or syndication. Thought-leadership and development of innovative financial structures and instruments to address barriers to capital flow into urban low-carbon solutions.

**How Much Resources (gross 2022 operating budget): \$1.46M**

### Strategic Program Implementation

**Who We Serve:** Government (Municipal, Provincial, and Federal), businesses and industry, not for profits, and other institutions promoting and delivering greenhouse gas (GHG) reduction.

**What We Deliver:** Programs, policy advocacy and engagement that demonstrate, de-risk, remove barriers and help scale solutions for existing buildings, new construction, electrification of transportation, and clean energy which will reduce carbon and deliver other (co)benefits like improved health, community resilience, reducing inequity, job creation, and economic value.

**How Much Resources (gross 2022 operating budget): \$3.47M**

### Operations and Governance

**Who We Serve:** City Council, Province of Ontario and Government of Canada (via Federation of Canadian Municipalities (FCM)), TAF Board of Directors and its Committees, and other key stakeholders including industry partners, non-profits, academia, citizens in the GTHA

**What We Deliver:** A high standard of accountability and compliance with all governance requirements and against our mission-focused KPIs, efficient and effective operations, and a diverse, learning, collaborative and mission-focused culture.

**How Much Resources (gross 2022 operating budget): \$1.4M**

## Budget at a Glance

### 2022 OPERATING BUDGET

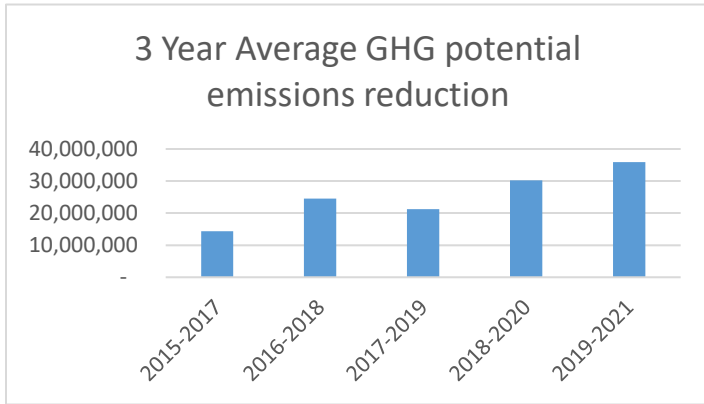
\$Million	2022	2023	2024
Revenues	\$9.0	\$8.7	\$8.9
Gross Expenditures	\$9.0	\$8.7	\$8.9
Net Expenditures	\$0.0	\$0.0	\$0.0
Approved Positions	16.0	16.0	16.0

### 2022 - 2031 10-YEAR CAPITAL PLAN

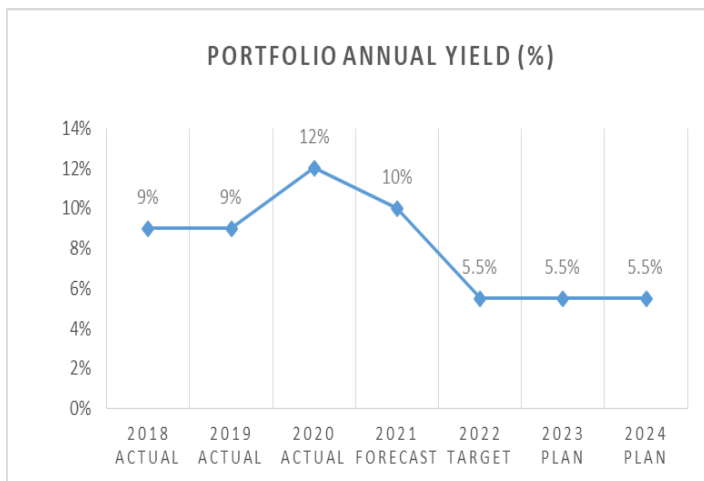
\$Million	2022	2023-2031	Total
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Toronto Atmospheric Fund has no capital budget.

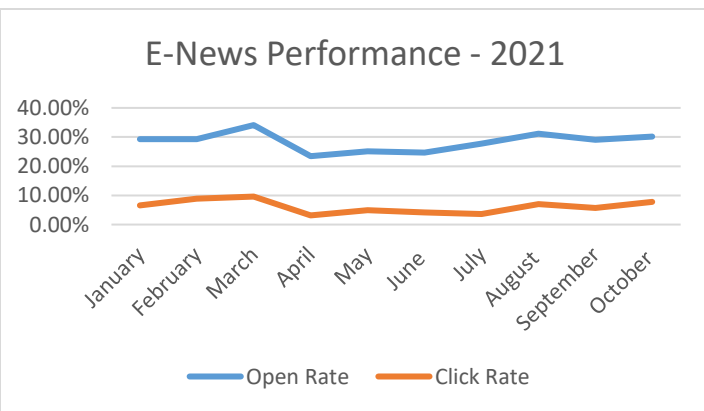
## How Well We Are Doing – Behind the Numbers



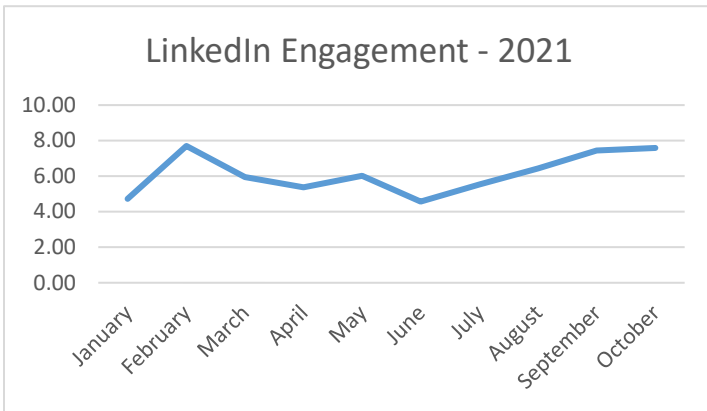
- Emission reduction potential (2021 estimate, to be updated at year-end): 54,799,177 T CO2e
- Highest cumulative GHG potential reduction to date based on combination of internal projects, 6 impact investments and 20 grants (8 unquantifiable) with almost half the reduction from grants related to Green Development Standards (estimated reduction potential based on adoption across the GTHA)
- To address year-to-year variation, a 3-year rolling average presented, which also indicates growing impact



- TAF's marketable investments portfolio had an average return of 10% over 2018 - 2021. For budgetting purposes, a very conservative estimate of 5.5% annual revenue projection is used.
- Direct Investments are being increased to reduce the portfolio's volatility, provide risk-adjusted return, and achieve mandate-related impact.
- TAF attracts external revenues (donations) for specific projects from various sources; an ambitious target has been set for 2022 given the roll-out of the federal funding programs for low-carbon solutions.
- TAF maintains a Stabilization Fund – one for each endowment -- to mitigate the impact of variability of investment earnings from year to year on operating expenses.
- To protect the asset value, TAF's total operating budget is maintained within the Payout Ratio established by the Board of between 5-6% of the Net Asset Value, on a 4-year rolling average.

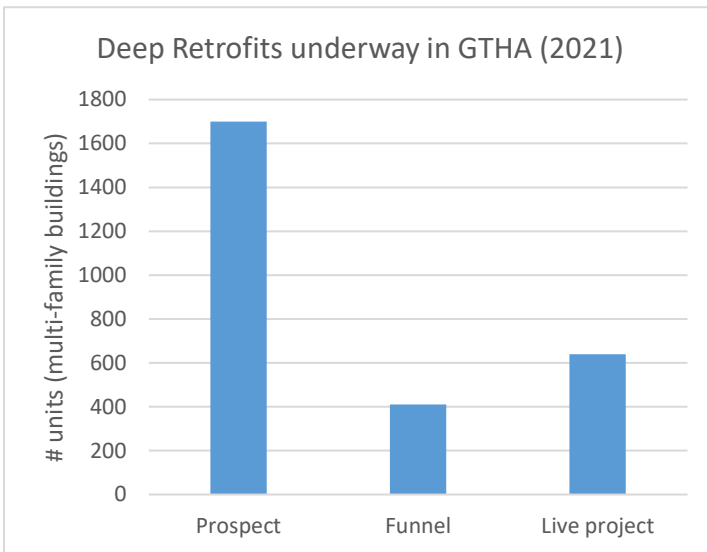


- Data to Oct 2021
- E-news audience includes GTHA municipal leaders and staff; industry and policy experts; NGOs and civil society; funders and investors; community stakeholders
- Open target is 32% (over industry standard); 2021 average open rate 28.4%
  - Click rate target: 6% and achieved 6.15%



LinkedIn is priority channel for reaching professionals with relevant, tailored content to grow in key segments

- Engagement target: 6% and achieved 6.13%
- Audience growth: 23% during 2021



TAF's supports delivery of deep retrofits in multi-family buildings in the GTHA to achieve carbon reductions, operational savings, and improved housing for residents. As of Nov 2021:

- Over 600 units in retrofit process
- Growing pipeline: over 1,700 units
- Projects achieve at least 40% carbon reductions
- Strategic partnership with Toronto Community Housing to support achieving their social, financial and carbon reduction priorities and objectives

## How Well We Are Doing

Service	Measure	2019 Actual	2020 Actual	2021 Target	2021 Projection	Status	2022 Target	2023 Target
<b>Outcome Measures</b>								
Grants	Total value of grants allocated (\$ millions)	1.2	1.2	1.62	1.57	●	1.7	1.7
Impact Investing	Total value of equity/loan investments	9051	8039	15000	10157	●	11500	13000
Strategic Programs	Carbon reductions potential (Mt Co2e)	11.27	41.80		143.18			
<b>Service Level Measures</b>								
Grants	Grants applications across GTHA	18	36	N/A	22	●	N/A	N/A
Governance	Board meetings	4	4	4	5	●	4	4

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## COVID-19 IMPACT AND RECOVERY

### 2022 Impact and Recovery

#### Operating Budget Impact

- No significant 2021 impacts or 2022 budget impacts

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#### Service Level Changes

- No service level changes expected: all services will be met through hybrid work arrangements
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## EXPERIENCES, CHALLENGES AND PRIORITIES

### Our Experience and Success

- Building on the success of the 10-year TowerWise initiative, TAF launched Retrofit Accelerator for multi-unit residential buildings in the GTHA to support scaled-up retrofit volume and deeper carbon reductions. This will help with implementation of the City's Existing Buildings strategy (part of the Net Zero plan), and achieve affordable housing, climate resilience, job creation and other community level priorities
- TAF has supported research and implementation, provided technical advice, convened industry and other stakeholders and advocated for progressive improvements to Toronto Green Standard. Toronto's leadership and our experience and support is helping to advance similar policies for new construction in municipalities across the GTHA and harmonizing standards will be a priority in 2022.
- TAF's unique contribution to electrification of transportation is a focus on scaling deployment of electric vehicle (EV) charging infrastructure including seeking out charging requirements in TGS v4 and via parking and vehicle-for-hire by-laws. TAF secured \$2M of federal funding to subsidize approximately 300 new charging stations across the GTHA, which will add supply and give us direct insights into how we achieve full scale. Federally, TAF also supported the development of the federal Clean Fuel Standard and a zero-emissions vehicle (ZEV) mandate.
- With increasing public and corporate interest in climate, including specifically impacts and solutions as well as opportunities for engagement, TAF adapted our messaging and increased our reach and influence through outreach to key journalists and media outlets, and via social media, blogs and e-newsletter.
- Our success in adopting a fully virtual workplace during the pandemic is facilitating a streamlined transition to a hybrid workplace, with benefits including a greater work-life balance and employee satisfaction without any compromise on work quality or output.

### Key Challenges and Risks

- Public awareness, political will, industry readiness and investor interest for climate action has increased significantly, both locally and globally. While promising, this comes amid range of challenges including social inequities, natural disasters and significant economic and industrial shifts which strains attention and funding available for climate action, unless undertaken in an integrated, multi-solving manner.
- The data indicate we are not achieving carbon emissions reductions in line with local or global targets. Upcoming federal budgets and municipal and provincial elections will all feature climate initiatives but implementation remains under capacity. TAF's innovative, entrepreneurial, and operational approach, measurement & evaluation expertise and commitment to knowledge transfer can help identify, incubate and support strategic climate action in the GTHA.
- We are monitoring and feeling some of the impacts of 'the great transition' on the workforce including job-switching, values re-alignment and compensation expectations, and managing one senior-level retirement/recruitment.
- With the majority of our operating revenue from investment of the three endowments, active management and diversification is required in the face of potential public market volatility, higher than average inflation, rising interest rates and currency exchange.

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## Priority Actions

- Program focus will be on accelerating deep retrofits of existing buildings via TAF's Retrofit Accelerator; net-zero new construction goals through supporting Green Development Standard adoption and implementation throughout the GTHA; and EV uptake through supporting equitable and easy access to charging infrastructure and removal of barriers. This will be supported by a focus on advancing a clean, modern, affordable electric grid.
  - In addition to TAF's core KPIs – GHG reduction potential and financial capital mobilized for low-carbon solutions – all grants, investment and programs will be evaluated for their commitment to achieving co-benefits to climate action including but not limited to affordable housing, job creation, social inclusion and equity, health and safety, community resilience, and local economic development. Rigorous quantification of carbon reduction and associated co-benefits will demonstrate the value of a multi-solving approach to climate action. TAF's capacity for innovation and continuous improvement will be supported through agile work processes, knowledge transfer, regular and developmental project evaluation and professional development.
  - The investment portfolio will be rebalanced to optimize risk/return, including defensive diversification and options to manage cash flow needs to ensure no disruption to business in the case of downside volatility. The establishment of a dedicated Direct Investment Committee will support implementation of a refreshed strategy for this asset class.
  - With guidance from TAF's Board and Committees and in collaboration with City staff, updates will be advanced for Council approval to TAF's key governance documents including the TAF/City Relationship Framework, Statement of Investment Objectives and Principles and By-Law which are critical to streamlined program implementation throughout the GTHA and for prudent investment in the current market context.
  - We will invest in team retention and culture through updates to our HR policy (to include hybrid work); compensation review focused on equity, competitiveness and professional growth); and providing learning and development on multi-solving as well as continued leadership/management training.
  - Regular knowledge exchange about successful climate action in cities across Canada, co-funding strategic grants, advancing retrofit market development across Canada, originating and participating in low-carbon investments and advancing critical urban climate policy will leverage the value of the six new Low Carbon Cities (LC3) which are networked through FCM.
  - A one-time allocation of \$213,000 from excess proceeds from the Toronto endowment Stabilization Fund is included in the budget to support enhanced carbon reduction initiatives. The Stabilization Fund was established in 2003 to enable TAF to reduce the variability in its program spending due to financial markets, which directly impact investment income. Investment income from marketable securities that exceeds the annual budget is added to the Stabilization Fund. When investment income falls below budget the shortfall may be withdrawn from the Stabilization Fund. The Stabilization Fund is capped at a maximum of 25% of net asset value, and has now reached this limit. With the 4-year portfolio average yield being 10% there are significant excess earnings not transferable to the Stabilization fund; this situation will continue in 2021. The proposed one-time allocation will not have any material impact on future returns.
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## RECOMMENDATIONS

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

1. City Council approve the 2022 Operating Budget for Toronto Atmospheric Fund of \$8.975 million gross, \$8.975 million revenue and \$0.0 million net for the following services:

**Service:**

	<b>Gross Expenditures (\$000s)</b>	<b>Revenue (\$000s)</b>	<b>Net Expenditures (\$000s)</b>
Toronto Atmospheric Fund	8,975.0	8,975.0	0.0
<b>Total Program Budget</b>	<b>8,975.0</b>	<b>8,975.0</b>	<b>0.0</b>

2. City Council approve the 2022 staff complement for Toronto Atmospheric Fund of 16.0 positions entirely comprised of operating positions.

**2022  
OPERATING BUDGET**

## 2022 OPERATING BUDGET OVERVIEW

Table 1: Operating Budget by Service

(In \$000s)	2020 Actual	2021 Budget	2021 Projection*	2022 Base Budget	2022 New / Enhanced	2022 Budget	Change v. 2021 Projection	
By Service	\$	\$	\$	\$	\$	\$	\$	%
<b>Revenues</b>								
Investment Income and External Funding	11,751.5	7,900.0	12,000.0	8,975.0		8,975.0	(3,025.0)	(25.2%)
<b>Total Revenues</b>	<b>11,751.5</b>	<b>7,900.0</b>	<b>12,000.0</b>	<b>8,975.0</b>		<b>8,975.0</b>	<b>(3,025.0)</b>	<b>(25.2%)</b>
<b>Expenditures</b>								
Program Delivery Expenses	3,311.0	4,690.0	3,490.0	5,275.0		5,275.0	1,785.0	51.1%
Administrative Expenses	276.2	660.0	550.0	820.0		820.0	270.0	49.1%
Salaries and Benefits	1,857.9	2,550.0	2,400.0	2,880.0		2,880.0	480.0	20.0%
<b>Total Gross Expenditures</b>	<b>5,445.1</b>	<b>7,900.0</b>	<b>6,440.0</b>	<b>8,975.0</b>		<b>8,975.0</b>	<b>2,535.0</b>	<b>39.4%</b>
<b>Net Expenditures</b>	<b>(6,306.4)</b>		<b>(5,560.0)</b>				<b>5,560.0</b>	<b>(100.0%)</b>
<b>Approved Positions**</b>	<b>13.0</b>	<b>15.0</b>	<b>N/A</b>	<b>16.0</b>		<b>16.0</b>	<b>1.0</b>	<b>6.7%</b>

\*2021 Projection based on Q3 Variance Report

\*\*YoY comparison based on approved positions

## COSTS TO MAINTAIN EXISTING SERVICES

**Total 2022 Base Budget** expenditures of \$8.975 million gross reflecting an increase of \$2.535 million in spending above 2021 projected year end actual results predominantly arising from:

- Grants and Programs: Additional grants and program allocations based on further rollout of federal endowment funding, and external funding of new projects.
- Financial Market Factors: Market performance is the key driver of TAF revenues; low Fixed Income/Bond yields will be mitigated by diversifying the portfolio into less interest-rate driven products and Global Equity positions will be reduced in favour of less potentially volatile Direct Investments which are also aligned with TAF's mandate.

### Other Revenue Changes:

- \$1.500 million in external funding is budgeted for specific projects.
- \$0.213 million of the revenue is from the Canada endowment operating fund. This is a \$2 million fund which will be drawn down over several years.
- \$0.212 million of the revenue is a one-time use of excess revenue from the Toronto Endowment Stabilization Fund.

## EQUITY IMPACTS OF BUDGET CHANGES

**No significant equity impacts:** The changes in Toronto Atmospheric Fund's 2022 Operating Budget do not have any significant equity impacts.

**2022 OPERATING BUDGET KEY DRIVERS**

The 2022 Operating Budget for Toronto Atmospheric Fund is \$2.535 million gross or 39.4% higher than the 2021 Projected Actuals Budget. Table 2a below summarizes the Operating Budget by revenue and expenditure category.

**Table 2a: 2022 Operating Budget by Revenue / Expenditure Category**

Category (In \$000s)	2019 Actual	2020 Actual	2021 Budget	2021 Projection*	2022 Budget	2022 Change from 2021 Projection	
	\$	\$	\$	\$	\$	\$	%
Investment Income and External Funding	8,664.0	11,751.5	7,900.0	12,000.0	8,975.0	(3,025.0)	(25.2%)
<b>Total Revenues</b>	<b>8,664.0</b>	<b>11,751.5</b>	<b>7,900.0</b>	<b>12,000.0</b>	<b>8,975.0</b>	<b>(3,025.0)</b>	<b>(25.2%)</b>
Program Delivery Expenses	<b>2,684.0</b>	<b>3,311.0</b>	<b>4,690.0</b>	<b>3,490.0</b>	<b>5,275.0</b>	<b>1,785.0</b>	
Administrative Expenses	269.0	276.2	660.0	550.0	820.0	270.0	49.1%
Salaries and Benefits	1,490.0	1,857.9	2,550.0	2,400.0	2,880.0	480.0	20.0%
<b>Total Gross Expenditures</b>	<b>4,443.0</b>	<b>5,445.1</b>	<b>7,900.0</b>	<b>6,440.0</b>	<b>8,975.0</b>	<b>2,535.0</b>	<b>39.4%</b>
<b>Net Expenditures</b>	<b>(4,221.0)</b>	<b>(6,306.4)</b>		<b>(5,560.0)</b>		<b>5,560.0</b>	<b>(100%)</b>

\*2021 Projection based on Q3 Variance Report

**Key Base Drivers:****Total Revenue Changes:**

- Portfolio revenues are budgeted at a conservative 5.5% yield due to the variability public equities market and external revenue inflows year over year. The 2021 revenue projected reflects the actual performance of the public equities the first 3 quarters of the year.

**Total Expenditure Changes:**

- Expenditures are directly correlated with the projected changes in investment revenues and from external funding; the latter will not be spent unless it is raised.
- Increase in expenditures includes one additional permanent position based on endowment capacity and additional contract positions supported by external revenues, if that is raised.

**2023 & 2024 OUTLOOKS****Table 3: 2023 and 2024 Outlooks**

<b>(\$000s)</b>	<b>2021 Projection</b>	<b>2022 Budget</b>	<b>2023 Outlook</b>	<b>2024 Outlook</b>
Revenues	12,000.0	8,975.0	8,740.0	8,915.0
Gross Expenditures	6,440.0	8,975.0	8,740.0	8,915.0
<b>Net Expenditures</b>	<b>(5,560.0)</b>			
<b>Approved Positions</b>	<b>N/A</b>	<b>16.0</b>	<b>16.0</b>	<b>17.0</b>

**Key drivers**

The 2023 Outlook with total gross expenditures of \$8.740 million reflects a slight decrease of \$0.235 million or 2.62 per cent decrease due to the uncertainty of external revenue inflows at this point in time. The 2024 Outlook expects a further increase of \$0.175 million or 2.00 per cent above gross expenditures.

# APPENDICES

## **Appendix 1**

**COVID-19 Impact and Recovery**

**N/A**

## **Appendix 2**

**2022 Balancing Actions**

**N/A**

## **Appendix 3**

**Summary of 2022 Service Changes**

**N/A**

## **Appendix 4**

**Summary of 2022 New / Enhanced Service Priorities Included in Budget**

**N/A**

## **Appendix 5**

**Summary of 2022 New / Enhanced Service Priorities Not Included in Budget**

**N/A**

## **Appendix 6**

**2022 Capital Budget;  
2023 - 2031 Capital Plan Including Carry Forward Funding**

**N/A**

## **Appendix 7**

**Reporting on Major Capital Projects: Status Update**

**N/A**

## **Appendix 8**

**Summary of Capital Needs Constraints**

**(In \$ Millions)**

**N/A**

## **Appendix 9**

**2022 User Fee Changes**

**N/A**

## **Appendix 10**

**Inflows and Outflows to/from Reserves and Reserve Funds**

**N/A**



## Appendix 11

### Glossary

**Approved Position:** Permanent or temporary positions that support the delivery of City services and service levels as approved by Council.

**Actuals:** An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

**Capacity to Spend:** Ability to spend money along with the capacity to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

**Capital Budget:** A Capital Budget is the City's plan to acquire / build assets or extend the useful life of existing assets; an example of a capital expenditure is the construction of a new community centre.

**Capital Needs Constraints:** The capital needs that cannot be accommodated within the capital plan that the Division or Agency have the capacity to deliver.

**Complement:** Positions that support the delivery of City services and service levels as approved by Council.

**Efficiencies:** Reductions in the cost of delivering a service without a reduction in service level.

**New / Enhanced:** New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

**Operating Budget:** An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provided services; an example of an operating cost would be the cost to run the TTC subways.

**Operating Impact of Completed Capital Projects:** The additional expense (or savings) and positions needed to operate or maintain a new asset; an example would be the additional expense and staff needed to operate a recently completed community centre.

**Rate Supported Budget:** Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority

**State of Good Repair (SOGR):** The cost of maintaining assets to ensure they are able to support the delivery of City services and meet service outcomes

**Tax Supported Budget:** Budget funded by property taxes.

**User Fees:** Program generated fee and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various City permits).