

Year-End 2023: Planning for the Future

Presentation to Audit Committee

July 5, 2024

Summary: What happened in fiscal 2023

Highlights of major factors that impacted the City's financial statements are as follows:



The City is continuing to invest in its infrastructure (i.e., tangible capital assets). As the City's continues to age, more capital investments will be required.



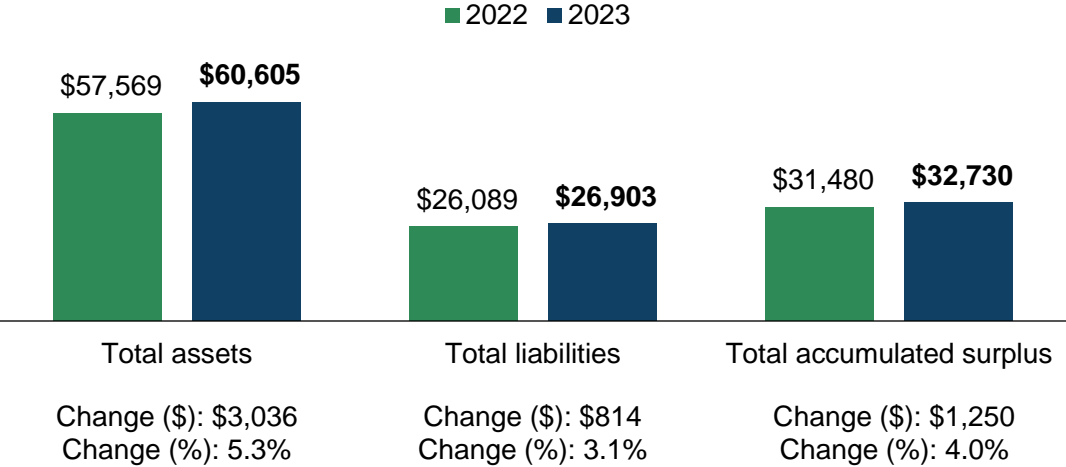
Demand for the City's services is continuing to increase, which is driving the growth of our expenses.



The City completed the implementation of two major accounting standards – financial instruments and asset retirement obligations.

Financial position: Where we are

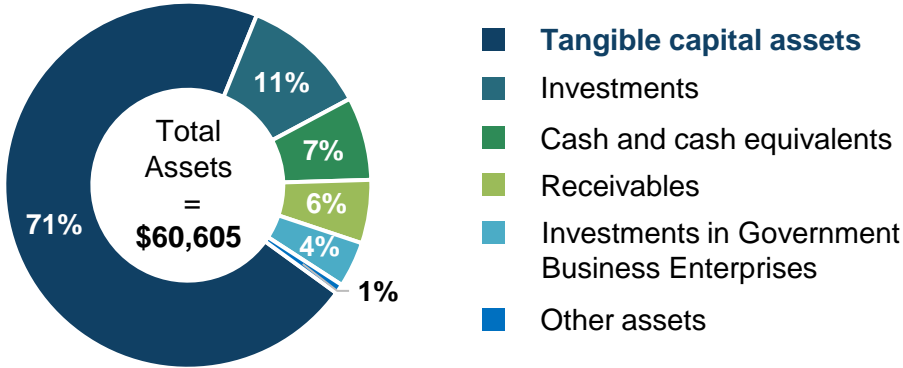
Balance Sheet: How are we doing?
(\$ Millions)



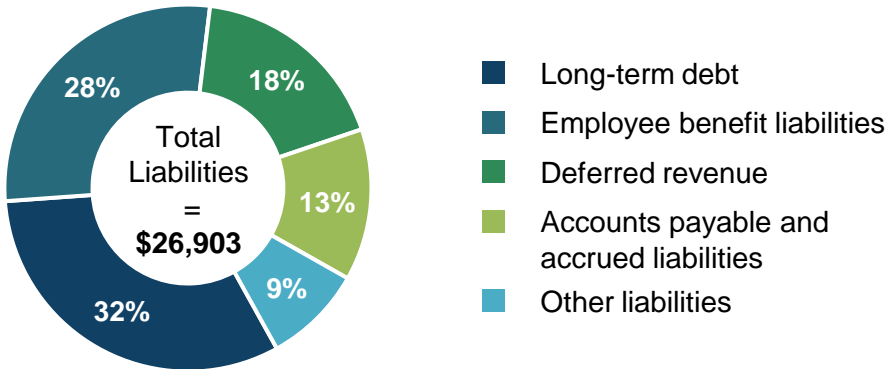
In fiscal 2023, the City continued to invest in its tangible capital assets.

It is important to note that most of the accumulated surplus balance reflects both the current and historical investments that the City has made towards its key infrastructure, such as recreation centres, light rail vehicles, and roads. This balance excludes accumulated re-measurement gains and losses.

Asset Composition: What makes up the City's assets?

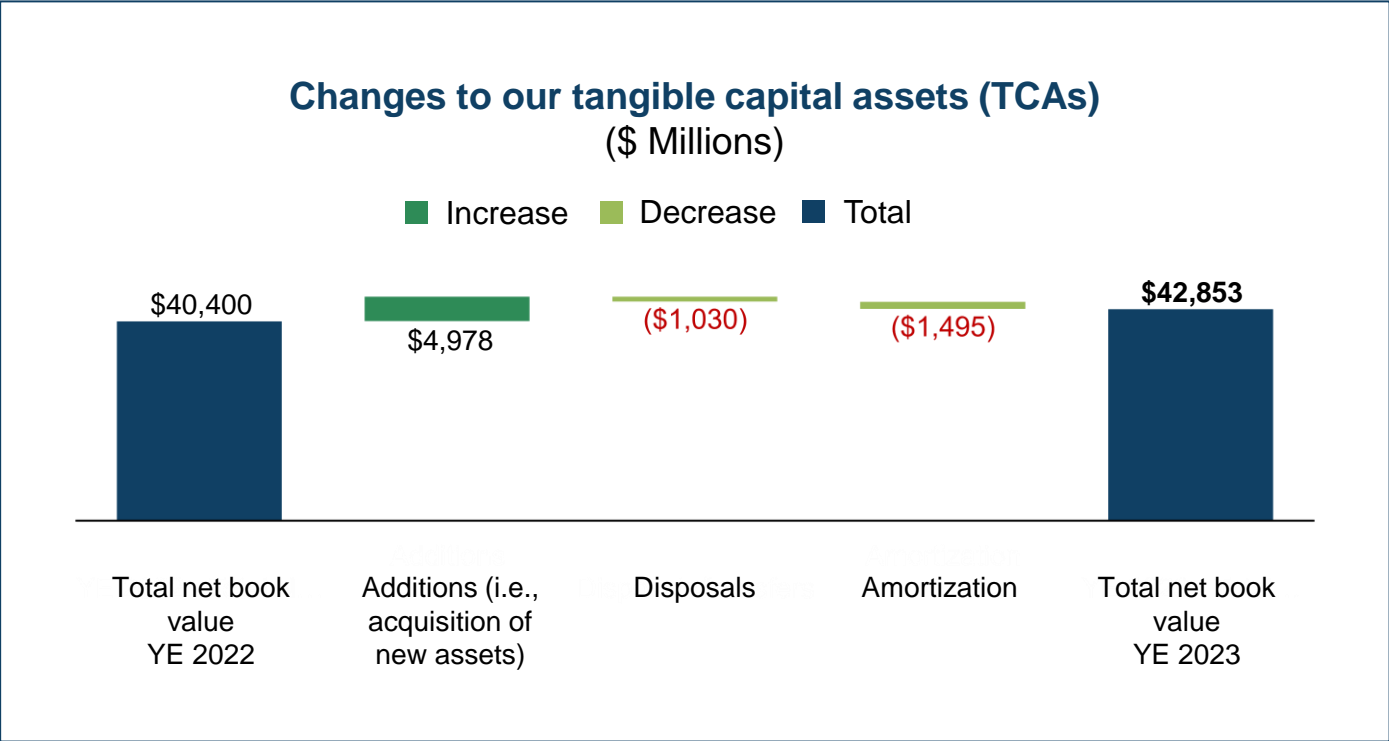


Liability Composition: What makes up the City's liabilities?



Financial position: Financing our tangible capital assets

The City’s infrastructure (i.e., tangible capital assets or TCAs) are a key resource that the City uses to deliver its services. These assets represent 71% of the City’s total assets balance, as well as close to 99% of the accumulated surplus balance.



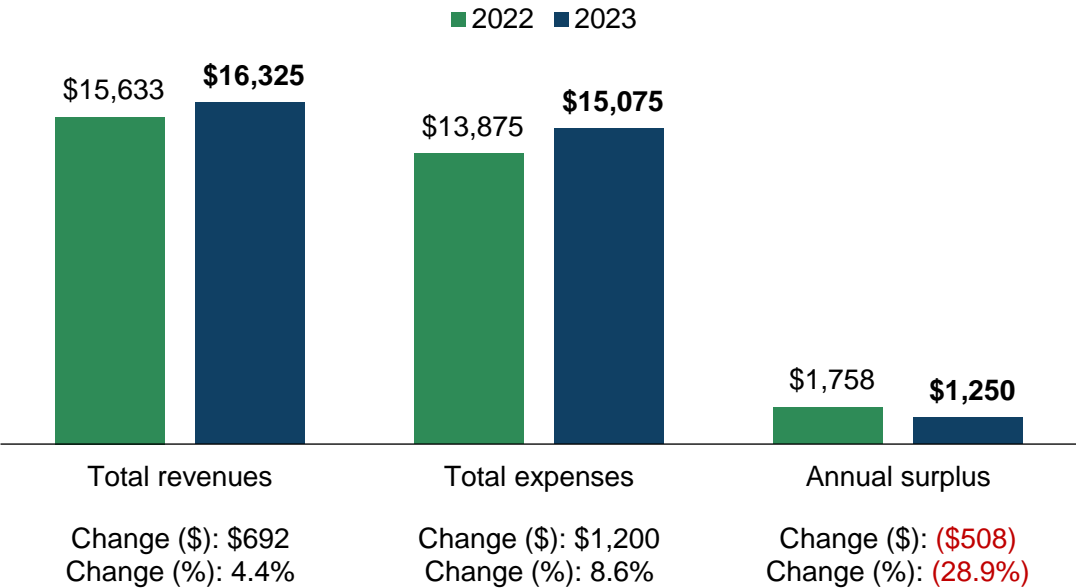
TCAs and their relationship with debt

To help finance critical capital projects, the City issued **\$1.0 billion** of debentures (including social and green bonds) in fiscal 2023.

- Council-directed debt servicing limit: 15.0%
- City’s actual debt servicing ratio: 14.2%
- Proportion of debt servicing costs to total revenues: 5.8%
- Sinking fund as at December 31, 2023 (used for debt repayment): \$2.5 billion

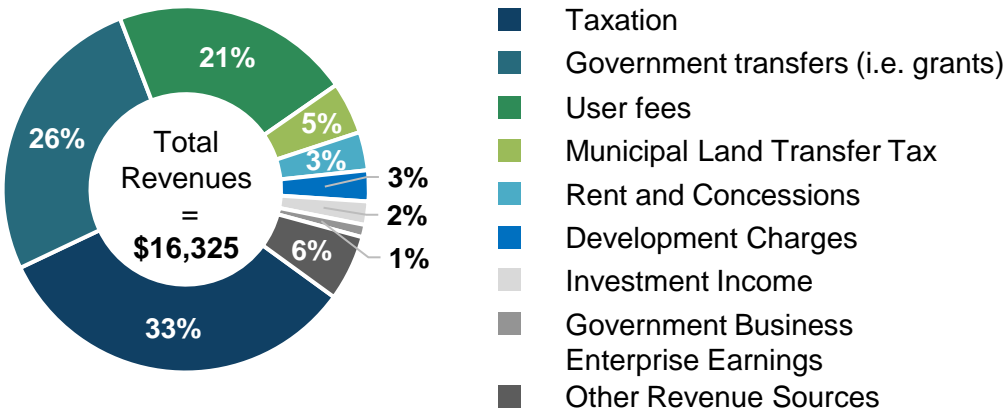
Financial performance: How we operated

Income Statement: How did we perform?
(\$ Millions)

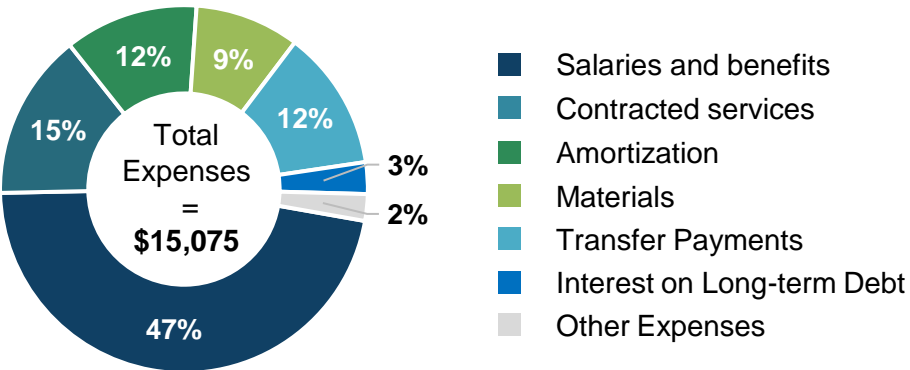


Although the City’s performance is consistent with prior year’s results, growth of expenses (8.6%) continues to outpace the growth of revenues (4.4%).

Revenue Composition: What makes up the City’s revenues?

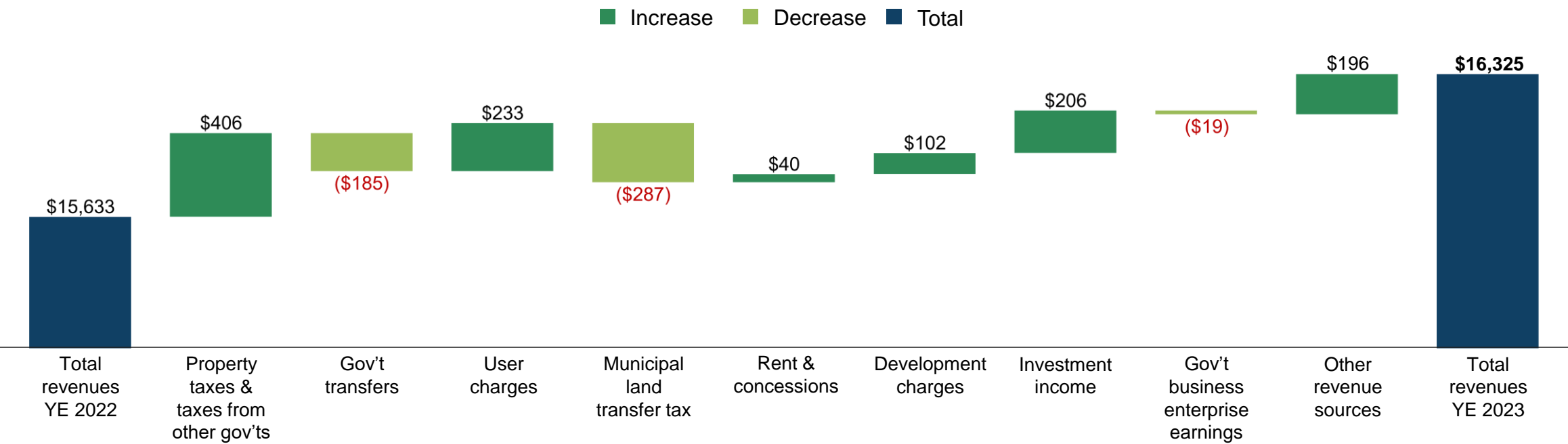


Expense Composition: What makes up the City’s expenses?



Financial performance: Our sources of revenues

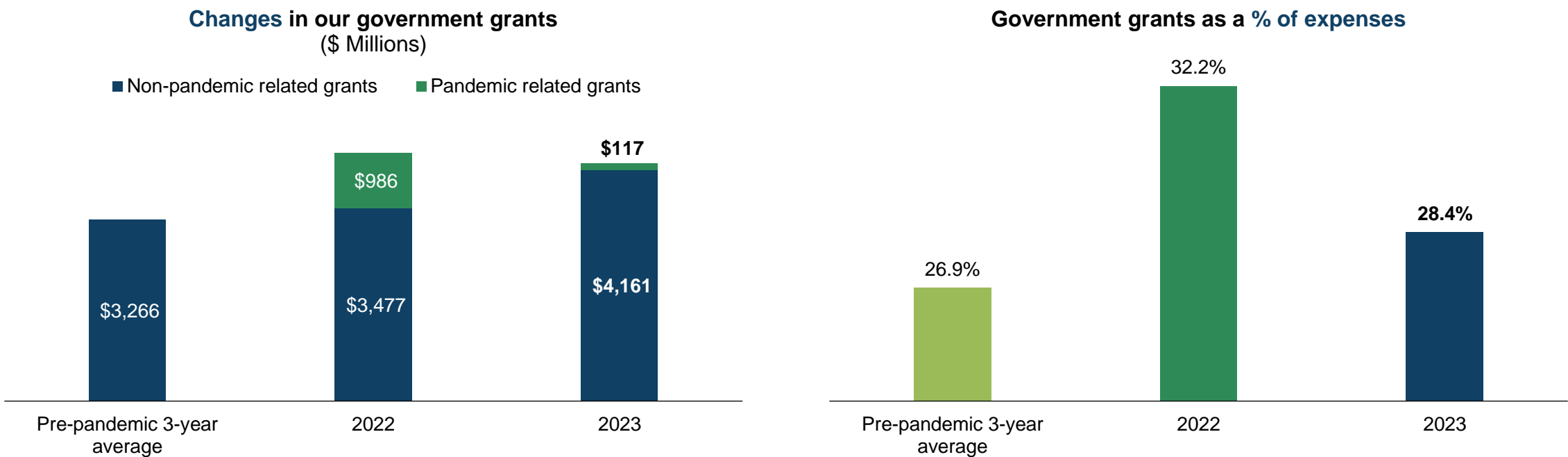
Total revenues: How did our revenues change from the previous year?
(\$ Millions)



In fiscal 2023, the City’s total revenues increased by \$692 largely due to increases in overall property tax rates and user fees. However, government transfers continued to decrease due to the discontinuation of the federal and provincial governments’ support of the City’s pandemic-related activities.

Financial performance: A closer review of our government transfers

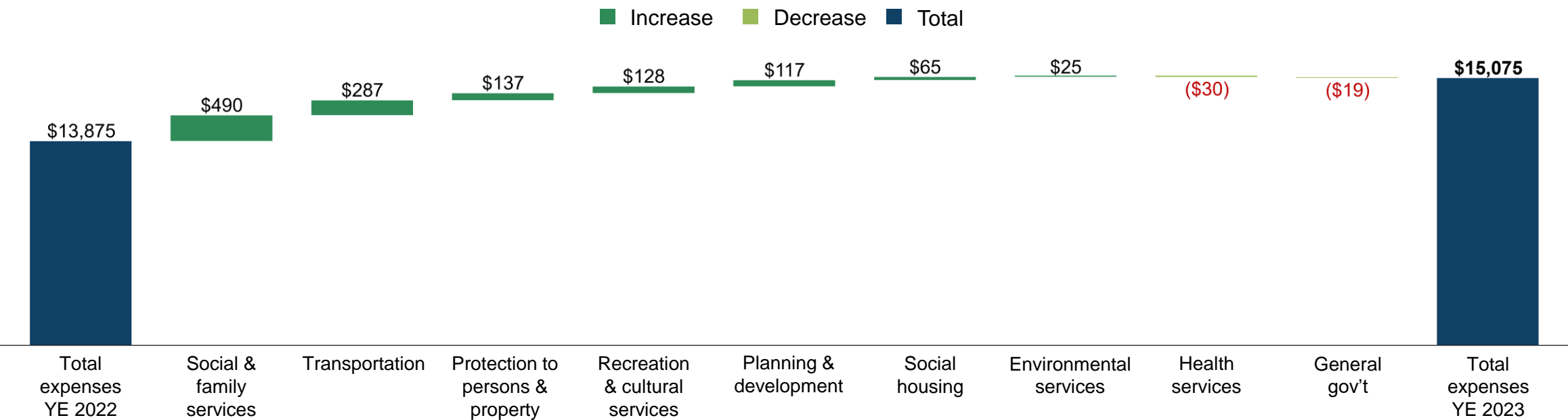
Government transfers (i.e., grants) represent a key revenue source for the City to support our ongoing service delivery. In contrast to the pandemic years, however, the overall amount of financial support provided by senior levels of government is decreasing, which may be problematic for future years.



Note: Pre-pandemic average uses information for fiscal years 2017-2019 (inclusive).

Financial performance: Overview of our expenses

Total expenses: Why did our costs go up in comparison to 2022?
(\$ Millions)



In fiscal 2023, the City’s total expenses increased by \$1,200, which was largely due to overall increases in services levels to support essential areas, which include social services, public transit, and emergency shelters.

Area to highlight: Implementation of new accounting standards

On January 1, 2023, the City adopted several new accounting standards – the most significant changes that have been reflected in the City’s 2023 Consolidated Financial Statements are as follows:

	Financial instruments	Asset retirement obligations (AROs)
What is it?	Assets and liabilities, such as investments and long-term debt.	A liability, which represents legal obligations that are associated with the retirement of a tangible capital asset. Example: asbestos remediation in facilities
What is new?	<p>The City measures investments and long-term debt using fair market value versus cost.</p> <p>Changes in fair market value are captured and tracked in a new financial statement (Statement of Remeasurement Gains and Losses).</p>	The City recognizes a liability for its retirement costs upfront (i.e., when the tangible capital asset is acquired) versus when the retirement costs are incurred.

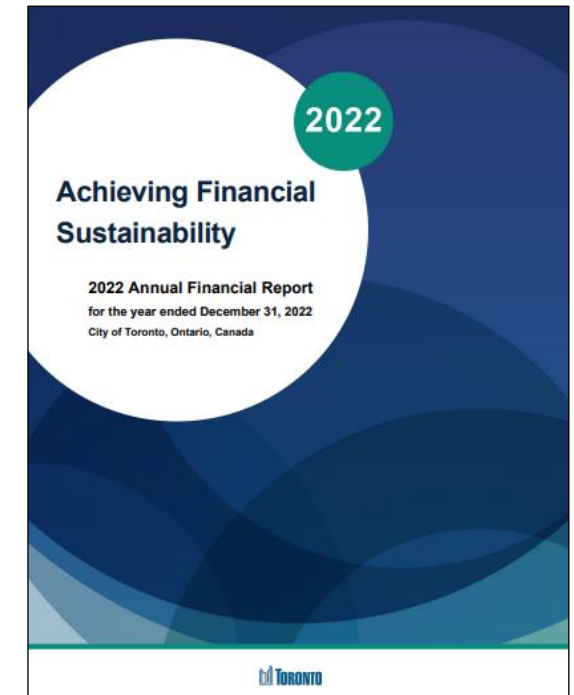
Concluding steps: Our annual financial report

As part of its concluding steps, the City prepares and publishes a copy of the annual financial report, which provides an overview of:

- Key financial ratios and other financial information;
- City Council and Audit Committee; and
- Climate-related risks and opportunities, and our financial statements (consolidated, sinking funds, and consolidated trust funds).

2023's annual financial report will be available in the fall on the City's website:

- [Annual Financial Report – City of Toronto](#)



Thank you