

## **2026 Consolidated Operating Budget**

**Date:** November 6, 2025  
**To:** Board of Directors of the Toronto Atmospheric Fund  
**From:** Director of Finance

### **SUMMARY**

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TAF's 2026 Operating Budget is presented for Board consideration and approval. This is a balanced and self-financed budget, with zero impact on the City's budget. Revenue is based on a projected annual return on the marketable securities portfolio which the Investment Committee considers appropriate; the expected returns on the current book of direct investments; an estimate of return on new direct investments advanced during the course of the year; and committed external funding. Expenditures are based on the projected revenues including investment proceeds and external funding, with attention to the minimum grant and maximum administrative expense requirements and compliance with the Payout Ratio established to protect the endowments. The 2026 Annual Plan that details the objectives and activities for advancing climate solutions for the Greater Toronto and Hamilton Area (GTHA) will be crafted in keeping with the approved 2026 Operating Budget and presented to the Board at the first meeting of 2026.

### **RECOMMENDATIONS**

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The Director of Finance recommends that the Board of Directors of the Toronto Atmospheric Fund:

1. Approve the 2026 Consolidated Operating Budget as presented in Attachment 1.

### **FINANCIAL IMPACT**

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There is no financial impact to the City resulting from the adoption of the recommendations in this report. A draft budget has been submitted to the City of Toronto for consideration and approval in its budget reflecting "net zero" impact on the City's Operating and Capital budgets.

## DECISION HISTORY

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TAF's 2025 Consolidated Operating Budget was approved by the Board at its meeting November 21, 2024. (<https://secure.toronto.ca/council/agenda-item.do?item=2023.TA4.4>)

## COMMENTS

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The proposed 2026 Consolidated Operating Budget (the Budget) is presented for Board approval as set out in Attachment 1. Notable features are highlighted below.

- The proposed budget includes Revenues of \$11.7 million (Line 7) and Expenses of \$11.7 million (Line 26) with a net zero balance. This is -4% decrease from 2025 as there is \$1.4M of external funding that is being capitalized to retrofit assets.
- The 2025 year-end NAV is projected to be approximately \$101million (\$96 million in 2024) which has significant bearing on investment returns which is the key portion of the projected revenues. Projected realized and un-realized gains from TAF's marketable securities portfolio totalling \$4.6 million (Line 2) accounts for 39% of revenues (40% in 2025) and is based on a long-term annual return of 5.5% as advised by the Investment Committee. Portfolio Assets will continue to be redeemed to finance direct investments.
- Direct Investment revenues of \$1.7 million (Line 3) are based on TAF's current book of investments (including ESPAs, loans and other instruments). In 2025, there were 3 completed transactions and 3 investments pending. Year to date Capital funding was made to 10 of our investees for over \$5.2 million Canadian and \$521,000 US dollars. For 2026, TAF is budgeting for 2 to 4 new transactions totally \$4 million and deploying almost \$5 million for existing investment commitments. These investments are funded from re-deploying capital from marketable securities in the portfolio. We note that \$1.2 million in sub-debt loans with Efficiency Capital are expected to be repaid in November 2025 and the Sparroway loan receivable of \$2.8 million will be re-financed through a loan to TAF from FCM sometime early in 2026. During the year, the Ontario and Canada endowments participation in new investments increased within the prescribed limits of the endowment agreements.
- External funding of \$4.9 million is budgeted (Line 4); this is committed from governments and foundations for programs including Retrofit Accelerator, EV-Ready MURBs, Home Solar Accelerator, and development of a Public EV Charging plan for Toronto. The 13% drop from 2025 reflects fluctuation of programs and that \$1.4M for the EV-Ready MURB program is being capitalized against the cost of installed assets that TAF will own. Funding from multi-year agreements is only recognized as project expenditures are incurred. External funding is allocated to and disbursed from the three funds proportionately according to project participation. Staff are confident that additional external revenue can be secured, which will be presented as variances.

- The contribution from the Government of Canada received in 2020 included a \$2 million operating fund which can be spent down and which also serves as a 'buffer' to the nominal value of the endowment in its early years. The remaining balance as of December 2024 was \$633 thousand, and to date there has not been a need for a draw in 2025. A \$450,000 draw has been budgeted to support expenses in 2026, which will only be used if needed.
- Total Program Expenses (excluding Amortization) are budgeted at \$7.1million (\$9M in 2025) a -21% decrease commensurate with the external funding being diverted to capital assets. Of this, non-labour program expenses of \$1.12 million are funded from endowment proceeds (Line10) and \$1.4M million from external funding (Line 11). Breaking out the source of funds for expenses helps ensure that external funds are only spent if raised.
- The Grants budget (Line 8) bundles grants made from two sources of funds: grants from Endowment proceeds of \$1.4 million and grants from external revenue of \$1.3 million. The former meets the target at 20% of endowment revenue and the latter is a new approach which reflects that fact that TAF is providing significant support to the community with external revenue, especially for retrofit projects and installation of EV charging. Grants can be rescinded by TAF if the original granting conditions have not or cannot be met, or when the recipient no longer needs the grant; such situations may create budget variances.
- Salaries and Benefits dedicated to Programs (Line 16) and Administration (Line 21) total \$4.6 million and \$989,000, respectively. This represents a 6.5% increase from 2025 driven by two main factors: (1) 3% adjustment for cost-of-living, and (2) 3.5new roles (3 roles funded by external revenue.). Overall, 64% of staffing costs are covered by endowment proceeds and the balance by external revenues.
- In keeping with not-for-profit best practice and compliance with the Ontario and Canada agreements, TAF's endowment-funded administrative costs (including salaries and direct expenses (e.g.: IT, governance functions, audit services, corporate communications, certain professional development, etc.) are maintained within 20% of the endowment operating budget (Line 25). In 2026, the endowment administrative costs are 16% of endowment spending (revenue).
- Amortization of \$608,000 (Line 17) pertains to the ESPA-financed retrofit assets (Toronto fund only) that contribute Direct Investment revenue (Line 3); this is a non-cash expense.
- Endowments typically establish a Payout ratio policy -- where the numerator represents annual operating expenses, and the denominator is the Net Asset Value (NAV) -- to preserve capital by constraining the expenses. The numerator excludes externally funded expenses (which do not draw on the endowment), amortization (a non-cash expense) or use of the Canada operating fund (which is not part of the Canada endowment). TAF's Board established a Payout policy of 5 – 6 percent of the NAV based on a four-year rolling average. Actual 2024 payout was 7.3% (4.7% in 2023). with a four-year rolling average of 5.7%. The 2025 forecast payout is estimated at 5.7% with a four-year rolling average payout of 5.4%. The projected 2026 payout is 6.1% and the estimated four-year moving average based upon forecast of expenses is 5.5%.

- Also, in keeping with endowment best practice, TAF maintains a Stabilization Fund for each of the endowments to enable TAF to mitigate variability in its program spending due to fluctuating financial markets which can affect investment income. In years where the actual exceeds the projected investment income, the excess may be contributed to the Stabilization Fund; in accounting terms, contributions are transferred from the externally restricted to internally restricted funds. The Stabilization Fund balance is limited to 25% of NAV. In years where investment income shortfalls occur the Board can authorize a transfer from the Stabilization Fund back to the externally restricted fund which can be used for budgeted expenses. Contributions to the Stabilization Funds in 2025 and 2026 year-ends are not contemplated at this point.

## **CONTACT**

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## **SIGNATURE**

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Robert Wotten  
Director of Finance

## **ATTACHMENTS**

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1. 2026 Consolidated Operating Budget