City of Toronto, Ontario

2020 ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2020

OUR YEAR, OUR STORY.

2020 impacted all of us. This is our story.

January 24: Ministry order makes COVID-19 a reportable disease

January 25: First presumptive case of COVID-19 in Toronto

March 11: WHO declares COVID-19 a pandemic

Emergency Operations Centre activated

March 23: State of Emergency declared in Toronto

Closure of non-essential businesses

April 2: Physical distancing bylaw goes into effect

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April-June: Launch of various new initiatives to support residents & businesses

July 7: Mandatory mask by-law comes into effect

August 31: COVID-19 resurgence plan presented

November 23: Start of second lockdown

December 14: First doses of COVID-19 vaccines administered to frontline employees

OUR FINANCES: MANAGEMENT DISCUSSION & ANALYSIS

Overview

- Message from our Mayor and Chief Financial Officer and Treasurer
- Our budget & how it reconciles to the financial statement
- 2020: Our year and how we did

All figures referenced in this section are stated and presented in $ millions unless stated otherwise.

MESSAGE FROM OUR MAYOR

I am happy to share with you the City of Toronto's 2020 Annual Financial Report.

In 2019, over one million people gathered in Toronto's streets to honour the World Champion Toronto Raptors. Less than a year later, our streets were empty – with Toronto residents being told to stay home, as an unknown virus would soon have us in the throes of a global pandemic.

Instead of welcoming people to the city, we were asking people to stay home, for schools to move to online learning, and non-essential businesses to close their doors temporarily. We asked our vibrant cultural communities to cancel their annual events and celebrations, to stop the spread of COVID-19.

Priority projects to assist Toronto residents were implemented quickly. For the City's vulnerable residents we provided assistance to ensure tenants wouldn't be evicted from their homes, we increased mental health supports and we expedited delivery of Phase 1 of the City of Toronto's Modular Housing Initiative – to provide stable, affordable, high quality housing and support services to individuals experiencing homelessness. We increased capacity in our shelter system and we also worked with our community and corporate partners to implement emergency food access for vulnerable residents.

To support the business community, we launched Digital Main Street – giving businesses connections to trusted digital vendors, structured online learning and a Digital Service Squad, who provide one-on-one assistance to help businesses grow and manage their operations. We launched the BusinessTO Support Centre to provide one-on-one virtual assistance to help businesses, not-for-profits and creative/culture organizations. We introduced CafèTO – allowing expanded spaces for restaurants and bars to set up larger patios, and we provided financial support to Toronto's live music venues.

We supported residents with property tax and utility relief, CampTO for kids, ActiveTO to help people get outside but safely distanced, emergency pet care, and Wi-Fi on Wheels to bring free internet to keep people connected.

These are just a few of the programs and initiatives we enacted in response to the pandemic, and they will create long-lasting change within the city.

To help preserve City services and to ensure we could continue to provide a comprehensive frontline response to the pandemic, I successfully campaigned to secure billions in emergency financial support for Toronto and municipalities across Ontario from the federal and provincial governments.

We did all of this at a time where our city, our country and our world were experiencing not only a global pandemic but racial unrest and discrimination. We have made it clear that hate and discrimination have no place in a city as diverse as Toronto.

At the close of 2020 we officially launched our mass vaccination campaign – a huge undertaking, but a big step in getting Toronto back to business.

July 14, 2021

John Tory
Mayor

MESSAGE FROM OUR CHIEF FINANCIAL OFFICER & TREASURER

2020 was anticipated to be a memorable year. With the start of the new decade, we looked forward to launching transformational initiatives, such as the Social Debenture Program and the Women4Climate Mentorship Program, pioneering sustainable financial activities and advancing productive social and environmental action.

However, 2020 became a different kind of watershed year. COVID-19 affected lives on a global scale in a short period of time. When the City announced a state of emergency, we prioritized our efforts to deliver essential services including access to clean water, transit, first responders and caring for our long term care residents. We monitored the state of our finances to determine how to carry out these essential operations with minimal interruptions to our residents and businesses.

We engaged our municipal counterparts across Canada in an unprecedented way to align our COVID-19 funding requirements and negotiated with senior levels of government to secure access to critical government grants and subsidies. In total, we received close to $1.1 billion in government funding, which was distributed as part of the Safe Restart Agreement, Social Services Relief Fund, and public health initiatives. We also reassessed how we operated our business and implemented various cost reduction and avoidance strategies to generate savings of $0.5 billion.

When compared to fiscal 2019, our revenues decreased by 3 per cent or close to $0.4 billion, to arrive at an ending balance of $14.0 billion. Although our overall revenue generating capacity lessened during the year, our prudent and conservative financial measures allowed us to continue to invest in City infrastructure, increase the level of financial support we provided to various community and social support programs, offer property tax and rent relief programs, and procure and donate personal protective equipment to our most vulnerable residents and communities in the city. Most importantly, we were able to offer assistance so that our residents and businesses could prioritize looking after their loved ones and their livelihoods. Our commitment to our city was not overshadowed by the unpredicted COVID-19 global pandemic. Despite a challenging year, Toronto maintained its reported credit ratings, which was possible due to sound governance, prudent fiscal planning, and debt affordability.

As of the time of finalizing our annual financial report, our city is continuing to combat COVID-19 through the completion of mass immunization activities, review of active case counts, and evaluation of new variants. I am enormously proud of, and extremely grateful for, all of the contributions made to date by City staff to assist one another, as well as all Torontonians.

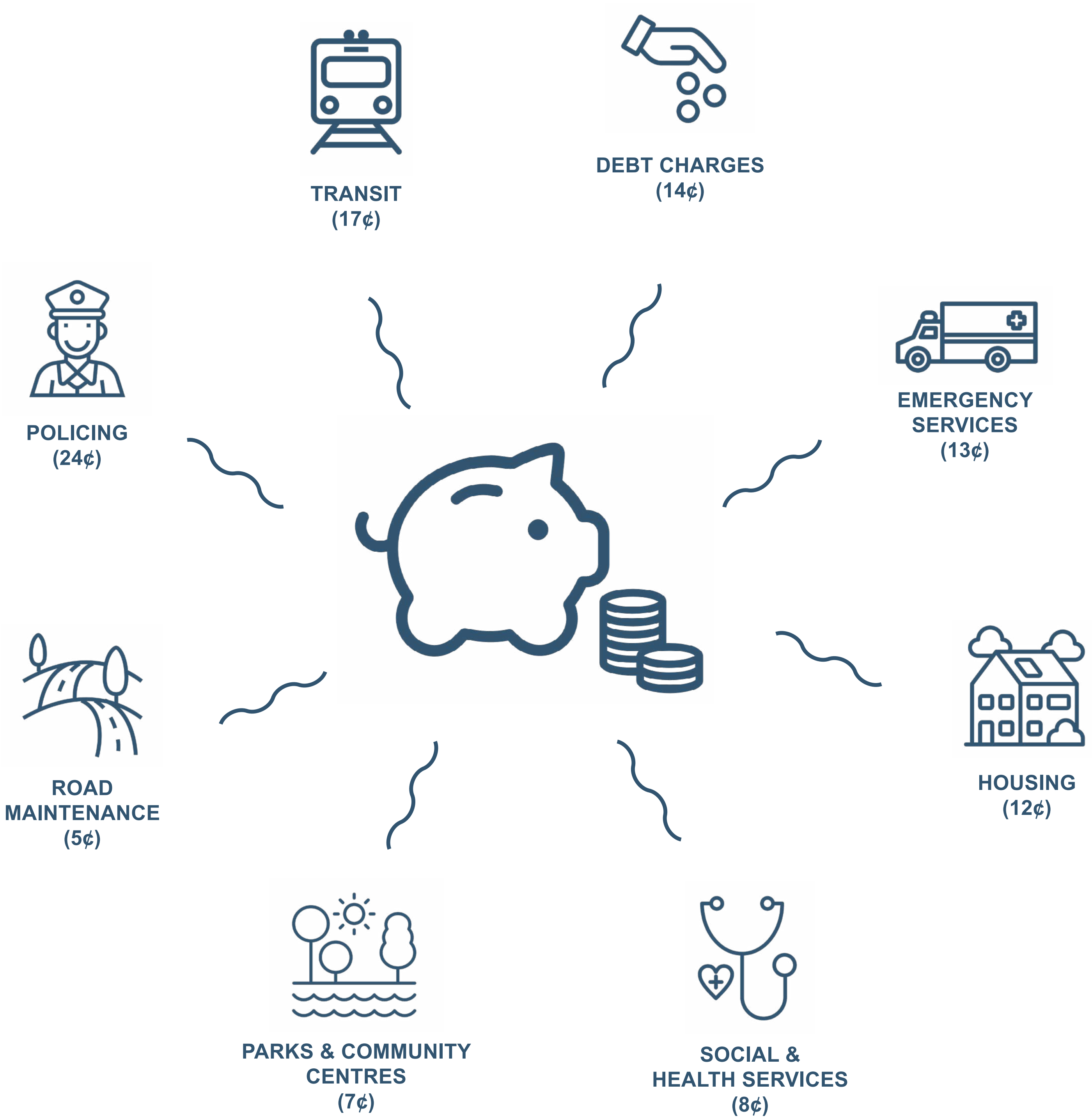
Although the future remains uncertain but optimistic, we are committed in ensuring that Torontonians continue to live in a city that they are proud to call home. Our thoughts are with the families who have been affected by the pandemic. The City is dedicated to continuing to find innovative approaches that minimize further impacts and maintain public health. We will focus on rebuilding Toronto so that we can recover from all we have experienced since March 2020. As stated by our City's Economic and Culture Recovery Advisory Group, "we will build back, and we will build back stronger."

July 14, 2021

Heather Taylor
Chief Financial Office and Treasurer

WHERE YOUR MONEY GOES

Every dollar that we spend goes to support:



RECONCILING OUR BUDGET

On an annual basis, we prepare a balanced budget, which incorporates our expectations of expenditures and sources of revenue required to provide planned services. Once prepared, we present the financial information to City Council to share details of our planned operating and capital activities, as well as receive their approval for property tax rate increases for the fiscal year.

Components of our budget consider how our future cash requirements will need to be funded. In order to support this perspective, we present our budget using a methodology known as the "**modified accrual**" basis, which allows us to recognize current year cash inflows and outflows, as well as expenditures that may need to be paid shortly after the end of our fiscal year. Specifically, our budget contains details regarding:

- **Funding sources:** collection of property taxes, receipt of provincial and federal government grants, issuance of long-term debt, or use of Council-directed reserves and reserve funds; and
- **Estimated expenditures:** recognition of amounts used to sustain daily operations, as well as support key services, such as our public health efforts to address COVID-19, investments in major infrastructure projects, as well as provision of subsidies for key community and social assistance programs, such as to prevent youth violence.

Our budget, therefore, is a key source of information that we can use to assess and monitor our overall financial performance.

Our financial statements, however, use a different presentation approach known as "**accrual accounting**" in order to comply with financial reporting requirements established by the Public Sector Accounting Board. Accrual accounting requires financial transactions to be recorded and reported when they occur, regardless of when cash is ultimately collected or paid. We are also required to consider the long-term financial impacts arising from our investments and commitments, such as how our tangible capital assets change over time, as well as what obligations will need to be settled in the future, such as our long-term debt.

Given that modified accrual and accrual accounting methodologies offer different perspectives regarding what type of, and when, transactions are recognized, we have provided a reconciliation of the revenues and expenses included in our budget and financial statements. Specifically, the below table summarizes how our balanced budget for our operating fund, capital fund, non-levy programs (i.e. services that rely on user fees versus property taxes, such as solid waste management, water and wastewater management, and parking), and our consolidated entities (i.e. Agencies and Corporations) are altered to conform with accrual accounting principles. These adjustments include the elimination of contributions to and withdrawals from our various reserves, de-recognition of proceeds received from the issuance of and principal repayments for our long-term debt, internal cost recoveries, re-classifications between revenue and expenses, as well as our recognition of tangible capital assets and the associated amortization (i.e. the reduction of an asset's value over the time it is used).

	Budgets – Originally Approved by Council					
	Operating	Capital	Non-Levy	Consolidated Entities	Adjustments	Total Adjusted Budget
Revenue:						
Property and taxation from other governments	4,702	-	-	-	(123)	4,579
Government transfers	2,492	526	-	(2)	92	3,108
User charges	2,040	1,107	1,947	(99)	(1,175)	3,820
Municipal land transfer tax	794	-	-	-	-	794
Other revenue sources	1,374	2,447	-	47	(3,137)	731
Rent and concessions	59	-	-	445	-	504
Development charges	-	385	-	-	-	385
Investment income	265	-	-	29	(13)	281
Total revenue	**11,726**	**4,465**	**1,947**	**420**	**(4,356)**	**14,202**

RECONCILING OUR BUDGET (CONTINUED)

	Budgets – Originally Approved by Council					
	Operating	Capital	Non-Levy	Consolidated Entities	Adjustments	Total Adjusted Budget
Expenses:						
Transportation	2,648	1,627	234	(18)	(742)	3,749
Social and family services	2,674	148	-	-	(136)	2,686
Protection to persons and property	1,901	135	-	-	(49)	1,987
Recreation and cultural services	954	304	-	(36)	(42)	1,180
Environmental services	173	1,319	1,719	-	(1,935)	1,276
General government	2,380	442	-	-	(1,765)	1,057
Social housing	427	271	-	328	193	385
Health services	514	17	-	-	(12)	519
Planning and development	55	202	(6)	29	12	292
Total expenses	**11,726**	**4,465**	**1,947**	**303**	**(4,476)**	**13,965**
Annual surplus	**-**	**-**	**-**	**117**	**(120)**	**237**

The Total Adjusted Budget is the value presented in our financial statements that can be compared to our actual experience and performance.

2020 – LOOKING BACK ON OUR YEAR

Since mid-March, consistent with other Canadian municipalities, we experienced significant financial impacts, both in the form of added costs and revenue losses as a direct result of the COVID-19 pandemic. From the beginning of the pandemic, we affirmed our commitment to provide responsive and effective services to our residents and to apply what we knew of the new reality and financial challenges. Throughout the year, we tracked and managed revenue losses and deferrals, increased expenditures and made difficult decisions about costs and services. With the support of other levels of government, we were able to minimize the financial impact of the pandemic on our financial results.

The following section provides a summary of key financial measures used to evaluate our financial position and condition.

BENCHMARKING OUR RESULTS

When reviewing our financial results, it is helpful to assess our annual performance in comparison to performance reported by other Canadian municipalities during the current and previous fiscal periods. As part of this year's financial review, we completed a benchmarking analysis with more than 10 municipalities that included single-tier municipalities, as well as both lower-tier and upper-tier governments of various sizes. All information used as part of our benchmarking analysis was based on publicly available information, including the annual financial statements and reports.

STATEMENT OF FINANCIAL POSITION

The table below provides highlights of our Statement of Financial Position as of December 31, 2020.

Line item	2020	2019	Change ($)	Change (%)
Financial Assets	14,113	12,310	1,803	14.6
Liabilities	22,718	20,530	2,188	10.7
Net Debt	(8,605)	(8,220)	(385)	4.7
Non-Financial Assets	37,033	35,026	2,007	5.7
Accumulated Surplus	28,428	26,806	1,622	6.1

In 2020, our overall statement of financial position reflected minimal change – the composition of our balances remained largely the same. When compared against fiscal 2019 balances, we can see that our:

- Financial assets increased by $1,803 or 14.6% to account for the receipt of our Safe Restart Agreement subsidy later in the year, provision of tax and rent deferral services, and the accumulation of various receivables balances resulting from slower collection activities during COVID-19;
- Liabilities increased by $2,188 or 10.7% mainly due to the increase in deferred development charges revenue that will be recognized into income as associated capital project costs are incurred, the issuance of long-term debt, and the timing of payments made to external organizations in the normal course of business;
- Net debt balance increased by $385 or 4.7%. This is a financial metric that is unique to the public sector and can be determined by deducting liabilities from our overall financial assets balance. When our entity reports having more liabilities than financial assets, we recognize a net debt position – this credit balance indicates that our organization may need to leverage future revenues to settle our existing obligations;
- Non-financial assets increased by $2,007 or 5.7% as a result of continued investments in our tangible capital assets for purposes of supporting and strengthening service delivery, as well as enhancing our ability to achieve various social and sustainability priorities; and
- Accumulated surplus increased by $1,622 or 6.1%, which reflected our recognition of an accounting surplus position, as well as increases in our investment in tangible capital assets.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

The table below provides highlights of our Statement of Operations and Accumulated Surplus for the year ending December 31, 2020.

Balance	**2020**	**2019**	**Change ($)**	**Change (%)**
Revenues	14,007	14,383	(376)	(2.6)
Expenses	12,385	12,751	(366)	(2.9)
Annual Surplus	1,622	1,632	(10)	(0.6)

2020 was an unexpectedly challenging fiscal year. When compared to the previous year, we saw unprecedented declines in our overall revenue generating capacity as a result of reduced economic activity resulting from COVID-19. However, we were able to sustain our operations through a series of mitigation strategies that were focused on spending and workforce restraints of $559. We also received $1,077 in government subsidies as part of the provincial and federal government's Safe Restart Agreement, Social Services Relief Fund for various housing projects, and support for public health initiatives.

These initiatives allowed us to offset cost increases in a number of our programs so that we could keep our employees safe and allow us to support our residents through the provision of various essential services, including access to public health and permanent housing options.

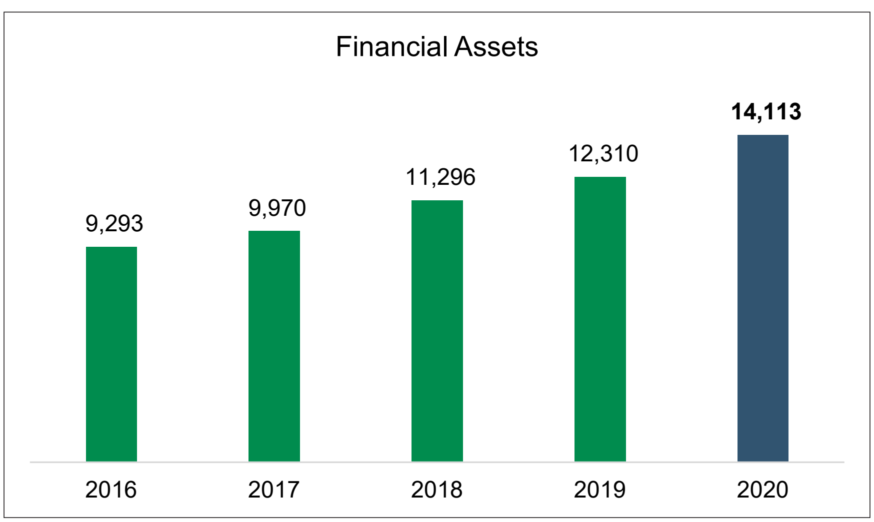
IN-DEPTH REVIEW: STATEMENT OF FINANCIAL POSITION

A. GENERAL: OUR FINANCIAL ASSETS

Our financial assets include cash and cash equivalents, amounts owed to us by third parties, the value of our investments and our proportion of ownership in government business enterprises. In 2020, financial assets increased by 15% and over the past five years, our financial assets have been growing steadily at an average annual rate of 9%.

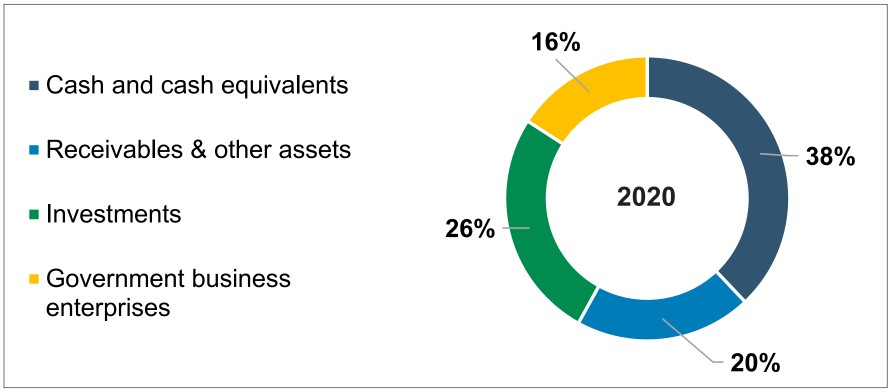
On an overall basis, the build-up of financial assets strengthens our ability to settle obligations with existing working capital (i.e. resources that are readily available to finance daily operations). Balances such as cash and cash equivalents and accounts and taxes receivable are partially affected by timing differences, external factors outside of our control (e.g. COVID-19), and the occurrence of one-time events, which may influence the extent of changes in a given year.

Our financial assets over the past five years is shown in the below graph.



2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

Line item	2020	2019	Change ($)	Change (%)
Cash and cash equivalents	5,355	4,397	958	21.8
Accounts and taxes receivable	2,598	2,109	489	23.2
Loans receivable	187	176	11	6.3
Other assets	50	179	(129)	(72.1)
Investments	3,685	3,247	438	13.5
Investments in government business enterprises	2,238	2,202	36	1.6



This chart illustrates the composition of our overall financial assets balance. On an overall basis, the proportion of our financial assets remains largely stable on annual basis. We generally re-invest our cash and cash equivalents to acquire investments that can be used to support future cash flow requirements.

IT'S RATIO TIME: FINANCIAL ASSETS AS A % OF TOTAL LIABILITIES

Financial assets can be used to discharge existing liabilities. In order to assess the health of our financial assets, they are compared to our total liabilities using the following ratio:

= **Financial assets ÷ Total liabilities**

- This ratio shows whether we have sufficient financial assets on hand to meet our obligations to external entities, as well as to finance future operations. On an overall basis, it is considered to be favourable when municipalities report having more financial assets than liabilities.
- In Canada, our municipal counterparts reported varying ratios, which ranged from 52% to 170% and averaged around 114%.

So, how did we do?

	2020	2019
Financial assets as a % of total liabilities	62.1%	60.0%

- We have less financial assets than liabilities. When compared against our 2019 results, our financial ratio experienced a small improvement of 2.1%, which reflects delayed collection of our accounts and taxes receivable resulting from COVID-19, as well as the build-up of our cash and cash equivalents balance due to the timing of cash received, for example, Safe Restart Agreement funds.
- Our City's ratio, when compared to our municipal counterparts, is on the lower end of the range due mainly to the complexity and size of our city, as well as the various financial measures that we put into place, including the re-investment of our cash and cash equivalents to support medium-term and long-term financing requirements. We are actively managing our cash balances to meet our cash flow obligations.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

B. CASH AND CASH EQUIVALENTS

Our cash and cash equivalents are key financial resources that are used to meet overall operating needs on a day-to-day basis. In 2020, our cash and cash equivalents balance increased by $958 or 21.8% as a result of various timing differences, including the receipt of provincial and federal subsidies in support of the Safe Restart Agreement, later in the year, as well as delayed payments to various external entities.

IT'S RATIO TIME: CASH AND CASH EQUIVALENTS AS A % OF TOTAL EXPENSES

In order to assess the health of this balance, the following ratio will be considered:

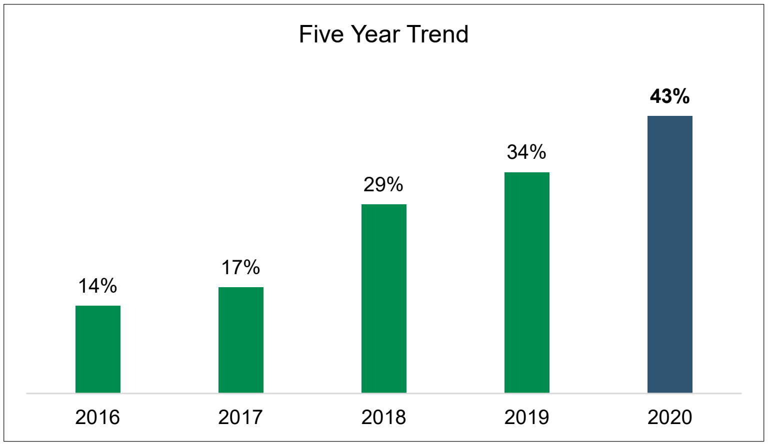
= **Cash and cash equivalents ÷ total expenses**

This ratio represents the proportion of our annual expenses that can be financed using our existing cash and cash equivalents. A higher ratio indicates that we have sufficient cash on hand to finance the majority of our operating expenses and thus, have a low risk of insolvency, as well as reduced likelihood of relying on alternate sources of financing that may be difficult to control (i.e. government subsidies).

On average, municipalities in Canada have a ratio that ranges between 7% and 70% and an average of 35%, with ratios greater than the benchmark of 10% reflecting a considerably strong liquidity position.

So, how did we do?

	2020	2019
Cash and cash equivalents as a % of total expenses	43.2%	34.5%



At 2020 year end, we maintained higher than normal cash balances as a result of the receipt of Safe Restart Agreement subsidy in the last quarter of the year, as well as payment timing differences. We hold approximately 10% of its investments in cash and cash equivalents pending longer term investment.

- Our ratio, in comparison to our benchmarking results, indicates that we have a strong cash position. However, this balance will need to be monitored over the next several years to ensure that we can continue to settle obligations to external entities in a timely fashion, as well as respond to emergency and/or unanticipated situations.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

C. ACCOUNTS AND TAXES RECEIVABLE

Accounts receivable are amounts third parties owe us, such as confirmed subsidies to be received from the provincial or federal government, user fees, and outstanding parking fines. Accounts receivable arise when customers defer their payments for services that they received from us. Taxes receivable are uncollected property taxes as of December 31; we issue interim bills in January and final bills in May. In 2020, our accounts and taxes receivable balance increased by $489 or 23.2%, when compared to the previous year.

IT'S RATIO TIME: NET TAXES RECEIVABLE AS A % OF TAXES LEVIED

In order to assess the health of this balance, the following ratio will be considered:

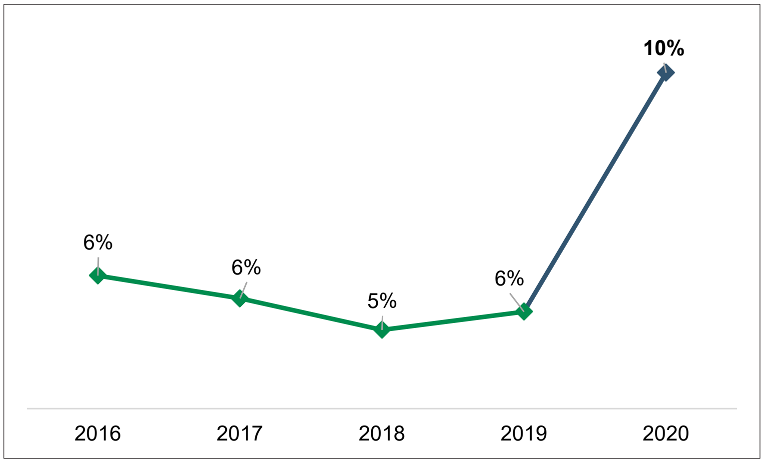
= **(Taxes receivable - allowance for uncollectible balances) ÷ property tax revenue**

This ratio represents the proportion of our annual expenses that can be financed using our existing cash and cash equivalents. A higher ratio indicates that we have sufficient cash on hand to finance the majority of our operating expenses and thus, have a low risk of insolvency, as well as reduced likelihood of relying on alternate sources of financing that may be difficult to control (i.e. government subsidies).

On average, municipalities in Canada have a ratio that ranges between 3% and 16% and an average of 7%, with ratios greater than the benchmark of 10% reflecting a considerably strong liquidity position.

So, how did we do?

	2020	2019
Net taxes receivable as a % of taxes levied	10.2%	5.8%



In 2020, consistent with many municipalities in Canada, our ratio increased in comparison to the prior year, as taxpayers were negatively impacted from COVID-19 and had difficulty paying their taxes on time, so were offered an option to defer their taxes during the year.

- Prior to 2020, our ratio exceeded the municipal benchmark of below 10%, which reflected our strong ability to collect taxes. In 2020, the trend reversed and the measure increased from 5.8% to 10.2%. As the economy recovers from the pandemic, this ratio is expected to return to its historical levels.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

D. INVESTMENTS

Our cash flow requirements are dynamic and dependent on overall daily operational activities, as well as longer term requirements. In order to accommodate daily cash needs, we maintain an investment portfolio consisting of both short and long term fund balances. In 2020, our investment balance increased by $438 or 13.5%, as a result of continuing to expand our equity investments under the new investment strategy that was implemented in 2019.

On an overall basis, our investments have been diversified to account for different financial goals and objectives. Specifically, the timing of our investments can vary to account for anticipated cash requirements, such as the timing of when we repay our long-term debt.

In 2020, our short-term investment portfolio had an average balance of $2,487, and provided an average rate of return of 1.3%. Our return was lower than in previous years due to the reduction of short-term interest rates by the Bank of Canada to account for the unfavourable economic conditions arising from COVID-19.

Our long-term investment portfolio had an average balance of $3,592, and provided an average rate of return of 4.1%. Given that the assets included as part of this portfolio are based on our cash requirements over an extended time frame (e.g. 10 year-period), our investments were not affected by the Bank of Canada's decision to lower interest rates in 2020.

We also continued to transition to a more diversified asset mix in accordance with our prudent investment standards and Council-approved investment policy. Our investment strategy expanded the types of long-term investments that we could acquire, such as mortgages, equities, and foreign corporate bonds. Our current holdings are shown in the below table.

Asset type	Previous asset mix	Current asset mix – as at Dec. 31, 2020	Target asset mix
Fixed income (including cash)	100%	70%	70%
Global equity	-	20%	20%
Real assets	-	-	10%
Cash / short-term fund	-	10%	0%

As at December 31, 2020, approximately 90% of our long-term investments were managed by external investment managers selected by the Toronto Investment Board. The remaining 10% in cash holdings are for future investment in real assets and upcoming debt repayment. Real assets consist of real estate properties and infrastructure, and are often included as part of investment portfolios due to the low-risk profile associated with these assets. Specifically, real assets do not experience significant fluctuations in valuation and provide stable, predictable sources of cash. Due to the effects of COVID-19 and the global pandemic, the Toronto Investment Board is approaching Real Assets with caution and continues to monitor developments in the overall market before committing funds to this asset class.

Our investment results are as follows:

4.1%
Long-term fund return on capital earned

1.3%
Short-term fund return on capital earned

3.0%
Total short and long-term funds return on investment earned

$180.4
Total short and long-term earned income

$39.3
Sinking fund earned income

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

E. TANGIBLE CAPITAL ASSETS

Our tangible capital assets support all of the services we provide. In 2020, our tangible capital asset balance increased by $1,964 or 5.7%, as a result of significant investment in infrastructure.

We spent $3,410 on acquisition, betterment, replacement and construction of new assets. The continued growth of our tangible capital assets is correlated with our rapid expansion – in 2020, Toronto's population increased by over 23,000 residents.

Examples of some of the significant capital investments that we made during the year included:

$829

For acquisition of subways and rolling stock, as well as the purchase of buses.

$966

For improvements to the Ashbridges Bay and Humber Treatment Plants, as well as general investments in water and wastewater infrastructure.

$481

For investments in roads, bridges, and traffic control assets, including continued construction of the Gardiner Expressway and rehabilitation of roads.

$741

For various affordable housing projects, including the construction of modular homes, as well as strategic property acquisitions and building improvements.

STATE OF OUR ASSETS

Tangible capital assets are a significant economic resource and a key component in the delivery of our services to City residents and include such diverse items as roads, bridges, buildings, vehicles, equipment, land, water and wastewater infrastructure, computer hardware and software. These assets are managed and held for use in the production or supply of goods and services, for rentals to others, for administrative purposes or for development, construction, maintenance or repair of other tangible capital assets; have economic lives that extend beyond a year; and are not for sale in the ordinary course of operations.

Each year, we measure the estimated useful life remaining on our assets and what proportion of the asset has been consumed in the delivery of services. These indicators provide the approximate age of our assets and the potential asset replacement needs. Municipalities are facing significant infrastructure challenges. Therefore, it is important to keep informed of the age and condition of our capital assets to ensure we are making timely and appropriate investments.

IT'S RATIO TIME: NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS A % OF HISTORICAL COSTS

In order to assess the age of our assets, the following ratio will be considered:

= **Net book value of tangible capital assets ÷ historical costs of tangible capital assets**

- This ratio represents the age of our tangible capital assets. A lower ratio would indicate that we own and use older assets to deliver services to residents and businesses, as well as require more ongoing investments to maintain service capacity and preserve asset condition.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

- Our municipal counterparts have ratios that ranged between 62% and 79% and averaged around 68%, with ratios greater than 75% indicating that assets are relatively new.
- We renew and replace our assets in accordance with our asset management plans and condition assessments to continue to support our residents and businesses.

So, how did we do?

	2020	2019
Net book value of tangible capital assets as a % of historical costs	64.8%	65.0%

- Our ratio has remained stable over the past five years. In 2020, our ratio is 65% and unchanged from 2019. We are continuing to acquire, develop, and build our asset base to sustain and strengthen our ability to provide services. As new infrastructure is added and assets are rehabilitated, this percentage will continue to increase.
- Our City's ratio, when compared to our municipal counterparts, is on the lower end of the range due to the delays in capital projects for transit arising from COVID-19.

IT'S RATIO TIME: TOTAL ASSETS CONSUMPTION RATIO

In order to assess how much of the asset we have consumed, the following ratio is used:

= **Accumulated depreciation ÷ historical costs of tangible capital assets**

- This ratio highlights the relative age of our overall tangible capital assets balance, that is, how much of our historical cost has been consumed. The Ministry of Municipal Affairs and Housing considers a ratio of 25% or under to be relatively new; 26% – 50% to be moderately new; 51% – 75% to be moderately old and over 75% to be old.
- On average, municipalities have a ratio between 21% and 38% and averaged around 32%.

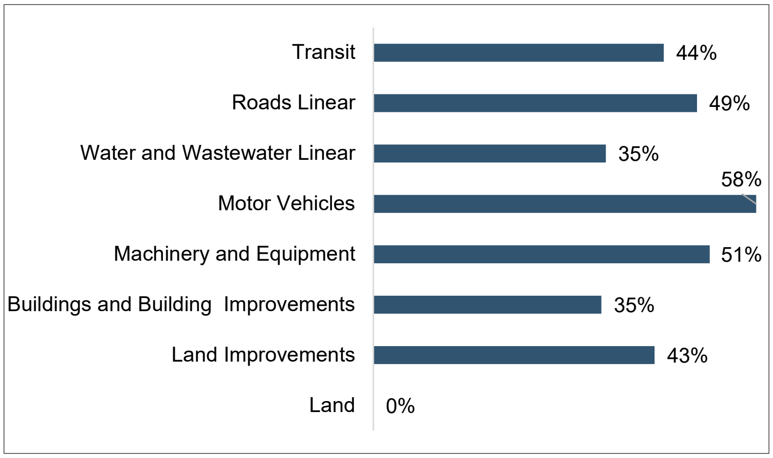
So, how did we do?

	2020	2019
Total assets consumption ratio	35.2%	35.0%

- In 2020, our total asset consumption ratio is 35.2%, and ranges from 35% to 58% amongst individual asset categories. This ratio may be considered higher than some of our municipal counterparts, but this is partly driven by the types of assets that we currently own. For instance, we own and manage one of the largest real estate portfolios in North America.

A portion of our portfolio is reserved for historical buildings, which have largely been fully depreciated, but are still kept and maintained for public use and enjoyment.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)



This graph shows the varying consumption patterns for each of our major asset categories. Consumption patterns are dependent on factors, such as how the assets are used, as well as the age of our municipality (given that some of our assets have been in service since we became a city!)

F. ASSET MANAGEMENT

In 2019, City Council adopted our Corporate Asset Management Policy that is required by the Province's Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure. Our Corporate Asset Management Policy establishes the framework and a whole of government approach to asset management for assets we own and report in our consolidated financial statements.

Asset management integrates planning, finance, engineering and operations to realize asset value, reduce risks and provide expected levels of service to the community in a socially, environmentally and economically sustainable manner. Effective asset management requires an overarching framework to establish and guide our practices so that asset management becomes central to our strategic, financial and operational decision-making at all levels of the organization. Our asset management framework is expected to be fully implemented by 2024.

STATE OF GOOD REPAIR (SOGR)

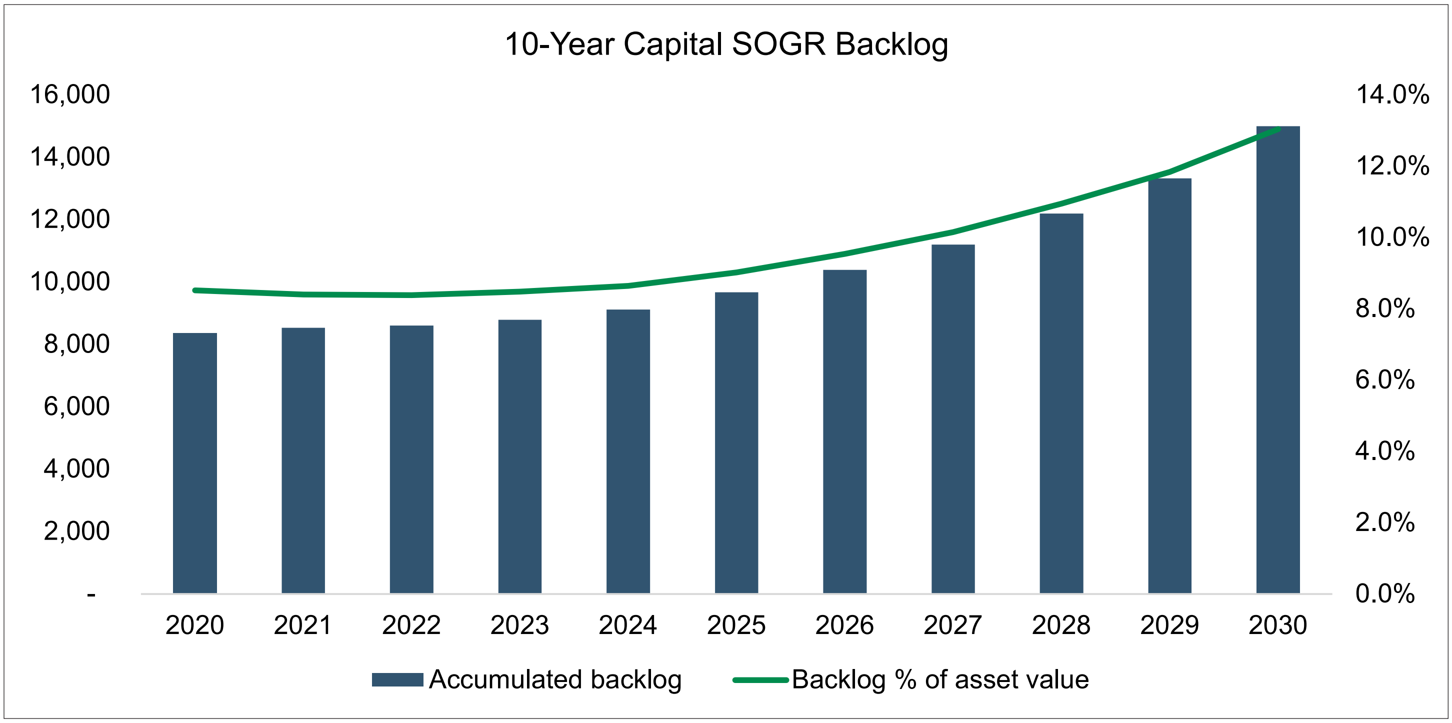
The replacement cost estimates of our infrastructure is valued at $102 billion. From transporting commuters to delivering safe and clean water to residents across the city, our infrastructure is ultimately used to provide services. It is, therefore, our priority to sustain assets in a state of good repair (SOGR), especially as poor asset conditions could result in service interruptions and reduce overall quality of life in our city. The SOGR work includes maintenance, replacement, and rehabilitations that preserve the expected life of our assets, ensuring they perform at expected service potential, or expanding the overall service capacity and/or quality of the asset.

The SOGR backlog represents the accumulated amount of required capital investments that we will need to pay for in future periods.

So how do we prioritize which of our infrastructure should be maintained on an annual basis? We determines our annual capital investment requirements through the consideration of our asset conditions, provincial legislative requirements, revenues available from our capital budget, other capital priorities (e.g. construction and/or acquisition of infrastructure to address population growth), and overall asset management strategy and framework.

Over the next 10 years, we will allocate 51% of our capital funding to meet SOGR requirements. Despite annual investments, we are estimated to have an accumulated SOGR backlog of $15 billion by 2030; the backlog as a percentage of asset value will increase from 8.5% to 13.0% as shown in the below graph. As we continue to mature our asset management best practices and better information is gathered on the condition of our infrastructure, the SOGR backlog funding pressures will continue to rise. We will need to explore sustainable long term financing strategies to address this issue on an on-going basis and establish a balance between capital projects and revenues earned to pay for them. This will be necessary to maintain our current $102 billion of assets in a state of good repair as well as improve and add assets to meet service demand and growth.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)



G. GENERAL: LIABILITIES

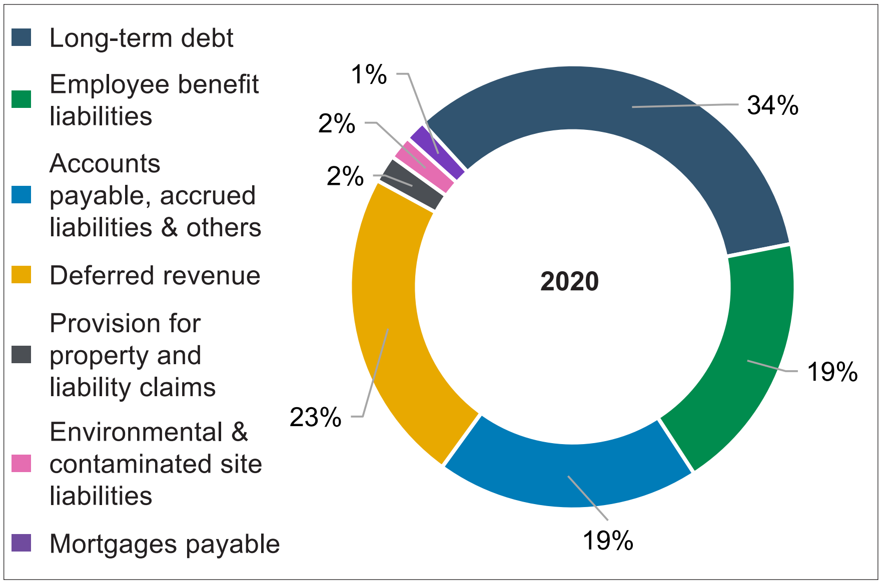
On an overall basis, our financial liabilities increased by $2,188 or 10.7% in 2020. The largest drivers of the increase in liabilities are:

- Deferred revenue: increased as a result of higher contributions received for future development and payment from the federal government for projects planned in 2022-2023.
- Long-term debt: increased due to debentures issued to finance our capital activities, including new and/or enhancements to infrastructure, strategic property acquisitions, as well as shelter and housing expansion.
- Employee benefit liabilities: increased due the use of updated actuarial assumptions, which were used to measure our obligations at the end of the year.

The following is a breakdown of our total liabilities:

Line item	2020	2019	Change ($)	Change (%)
Bank indebtedness	69	107	(38)	(35.5)
Accounts payable and accrued liabilities	4,280	3,706	574	15.5
Deferred revenue	5,216	4,217	999	23.7
Provision for property and liability claims	456	522	(66)	(12.6)
Environmental and contaminated site liabilities	393	452	(59)	(13.1)
Mortgages payable	349	289	60	20.8
Long-term debt	7,654	7,104	550	7.7
Employee benefit liabilities	4,301	4,133	168	4.1

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)



This graph illustrates the composition of our liabilities by category. On an overall basis, our long-term debt makes up the largest liability balance.

LONG-TERM DEBT

In 2020, our long term debt balance increased by $550 or 7.7%, to $7,654 mainly as a result of the issuance of additional debentures. We continued to sustain our long-term borrowing activities in order to make a series of capital investments, including projects that promote transit expansion, housing and environmental sustainability. We also use debenture proceeds towards constructing, improving, or extending the useful life of bridges, roads, libraries, fire/ambulance stations, community centres or other major assets Debt is issued conservatively, and is considered last as a source of funding.

In addition to other sources of debt, such as mortgages, we directly issued $980 in debentures, which consisted of:

- **Conventional debentures:**
  - 10-year debenture ($200);
  - 20-year debenture ($300); and
  - 30-year debenture ($250).
- **Green debentures:**
  - 20-year debenture ($130)
- **Social debentures:**
  - 10-year debenture ($100)

Despite the COVID-19 pandemic, demand for municipal bonds has remained strong, demonstrating the confidence investors have in our city and the local economy.

We have one of the largest municipal borrowing programs in Canada, having historically issued long term debt for capital purposes only. We are a regular issuer in the Canadian public debt market, with several debenture issuances each year. Debt financing matches the repayment term to the economic useful life of the assets being financed.

We are one of the first municipalities to establish a Green Debenture Program in Canada – issuing our first green bond on July 18, 2018, our second green bond on September 9, 2019, and third green bond on December 14, 2020. Our Green Debenture Program leverages our low cost of borrowing to finance capital projects that contribute to environmental sustainability.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

SOCIAL DEBENTURE PROGRAM

We are proud to be the first municipality in Canada to launch a Social Debenture Program, an important and innovative form of debt financing that demonstrates our commitment and leadership in the area of Sustainable Finance.

Our Social Debenture Program seeks to promote positive socioeconomic outcomes for target populations. Our Social Debenture Framework, under which we can issue Social Debentures, was developed in accordance with International Capital Market Association's (ICMA) 2018 Social Bond Principles. The ICMA's Social Bond Principles are widely considered to be an industry best practice.

Based on our Social Debenture Framework, the following types of projects are eligible for financing from Social Debenture proceeds:

- Social and affordable housing;
- Affordable basic infrastructure (e.g. access to clean drinking water, sewage and sanitation systems, and transit);
- Access to essential services (e.g. long-term care; senior services; and emergency shelters); and
- Socioeconomic advancement and empowerment (e.g. public libraries, and community hubs)

Socioeconomic advancement and empowerment (e.g. public libraries, and community hubs)

IT'S RATIO TIME: LONG-TERM DEBT PROCEEDS TO ASSET ACQUISITIONS

In order to measure our financial health, the following key financial ratio will be considered:

= **Proceeds from issued long-term debt ÷ acquisition of tangible capital assets**

- This ratio represents the percent of tangible capital assets funded through the use of additional long-term debt.
- The lower the ratio, the better; this means that we purchased tangible capital assets not only through the use of long-term debt, but also with its own cash and generated revenue.
- On average, municipalities have a ratio that ranges from 0% to 71% with an average of 23%. Ratios that are less than 15% indicate a stronger than average ability to effectively use own funds to pay for tangible capital assets.

IT'S RATIO TIME: DEBT SERVICE CHARGES AS A % OF TOTAL REVENUE

Debt Service is the amount of principal and interest that we must pay each year to service the debt. As debt service increases, it reduces the amount of revenue we have available to provide services. In 2020, our total servicing costs increased by $60 or 9%, for a total of $748 mainly attributable to an increase in principal repayments.

In order to assess our debt service charges, the following key financial ratio will be considered:

= **(Interest expense + principal repayments on debt) ÷ total revenue**

- This ratio represents the percentage of revenues that must be used to pay for interest and principal on our debt. We updated our methodology to account for consolidated debt issuances.
- Credit rating agencies consider that principal and interest should be below 10% of Revenues.
- On average, municipalities have a ratio that ranges from 0% to 21% with an average of 6%. Ratios that are less than 5% indicate a stronger than average ability to effectively pay down existing principal and interest on debt.

So, how did we do?

	2020	2019
Long-term debt proceeds to asset acquisitions	31.6%	29.8%
Debt service charges as a % of total revenue	5.3%	4.8%

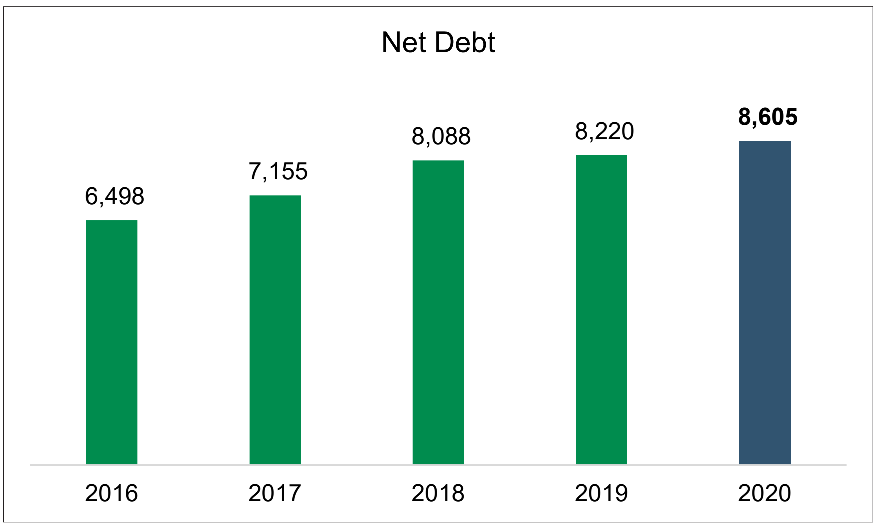
2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

- Our long term debt is driven by the significance of our asset infrastructure required to provide services. Compared to other municipalities, we have considerably more tangible capital assets of a varied nature, such as our transit system.
- On an overall basis, our long-term debt position is favourable in comparison to the benchmark for municipalities. However, we will need to continue monitoring our overall debt levels to maintain an optimal financing strategy that does not cause adverse impacts on our residents and businesses.

H. NET DEBT (NET FINANCIAL POSITION)

Net debt is a key financial measure that is unique to the public sector. The Public Sector Accounting Board defines net debt as all liabilities (both short and long-term liabilities) less financial assets; the amount represents current City obligations that may need to be settled with future revenues.

Our Net Debt as at December 31, 2020 increased by $385 or 4.7%, to $8,605.



Over the past five years, our net debt balance has been growing steadily at an average annual rate of 7%. We will need to monitor our net debt balance in order to reduce the likelihood of having to use future revenues to pay for obligations that we are recognizing today.

I. RESERVES AND RESERVE FUNDS

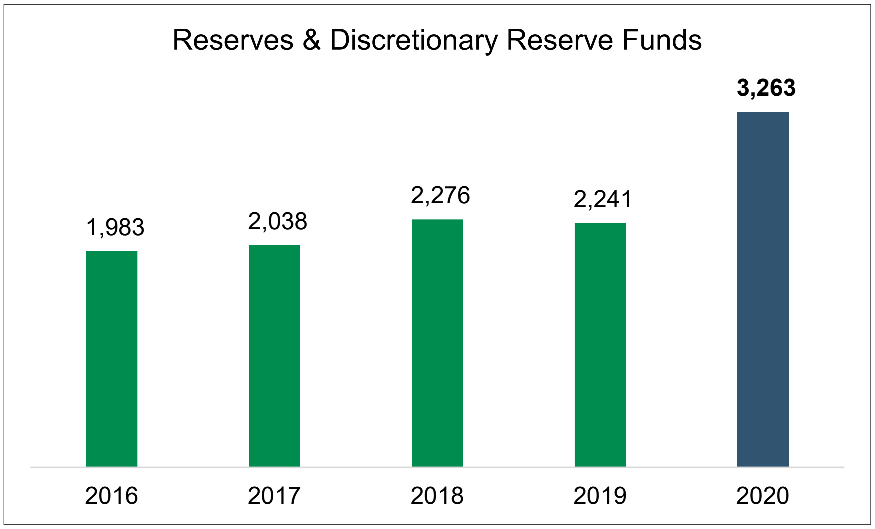
Reserves and Reserve Funds represent current or prior year surpluses, in our Accumulated Surplus balance, which were re-allocated to support various initiatives that are mandated by legislation, agreements with external entities, or City Council's decisions, as well as to respond to unanticipated events. In 2020, our reserves and reserve funds balance increased by $1,022, or 45.6%. A large proportion of the increase in this balance is attributable to the one-time contribution of $705 that we made to the Tax Rate Stabilization Reserve to prepare for potential 2021 funding requirements resulting from COVID-19. While our Council-directed/discretionary reserves and reserve fund balances appear to represent a large proportion of our accumulated surplus balance, it should be noted that the majority of these balances are committed for future capital expenditures or special purposes.

J. OBLIGATORY RESERVE FUNDS

Obligatory reserve funds consist of advance payments for goods and/or services that we have not yet provided. Use of deferred revenues are restricted to activities specified in legislation, contract, or agreement. These balances earn interest, and are reported as a liability in our consolidated financial statements. Although the cash has been received, deferred revenues are not reflected as income until the obligation has been executed. Once the obligation is complete, the deferred revenue is reduced and the same amount is recognized as revenue. In 2020, our obligatory reserve funds increased by $507, or 13.3%, representing $2,107 in advance payments received and $1,600 in revenue recognized for goods and/or services delivered.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

Over the past five years, our reserves and Council directed reserve funds have been growing:



Examples of our reserves and reserve funds are as follows:

Council Directed Reserves & Reserve Funds

Reserves

- Corporate
- Stabilization
- Donations

Reserve Funds

- Employee Benefits
- Corporate
- Community Initiatives
- State of Good Repair

Obligatory Reserve Funds

Restricted by Provincial Legislation

- Planning Act
- Development Charges
- Parkland Acquisition

Restricted by Other Agreements

- Public Transit
- Community Services
- Water & Wastewater
- Third Party Agreements
- Parking Authority
- State of Good Repair

Further information regarding our reserves and reserve funds can also be found in our annual report to City Council. You can find a copy of our report on our website.

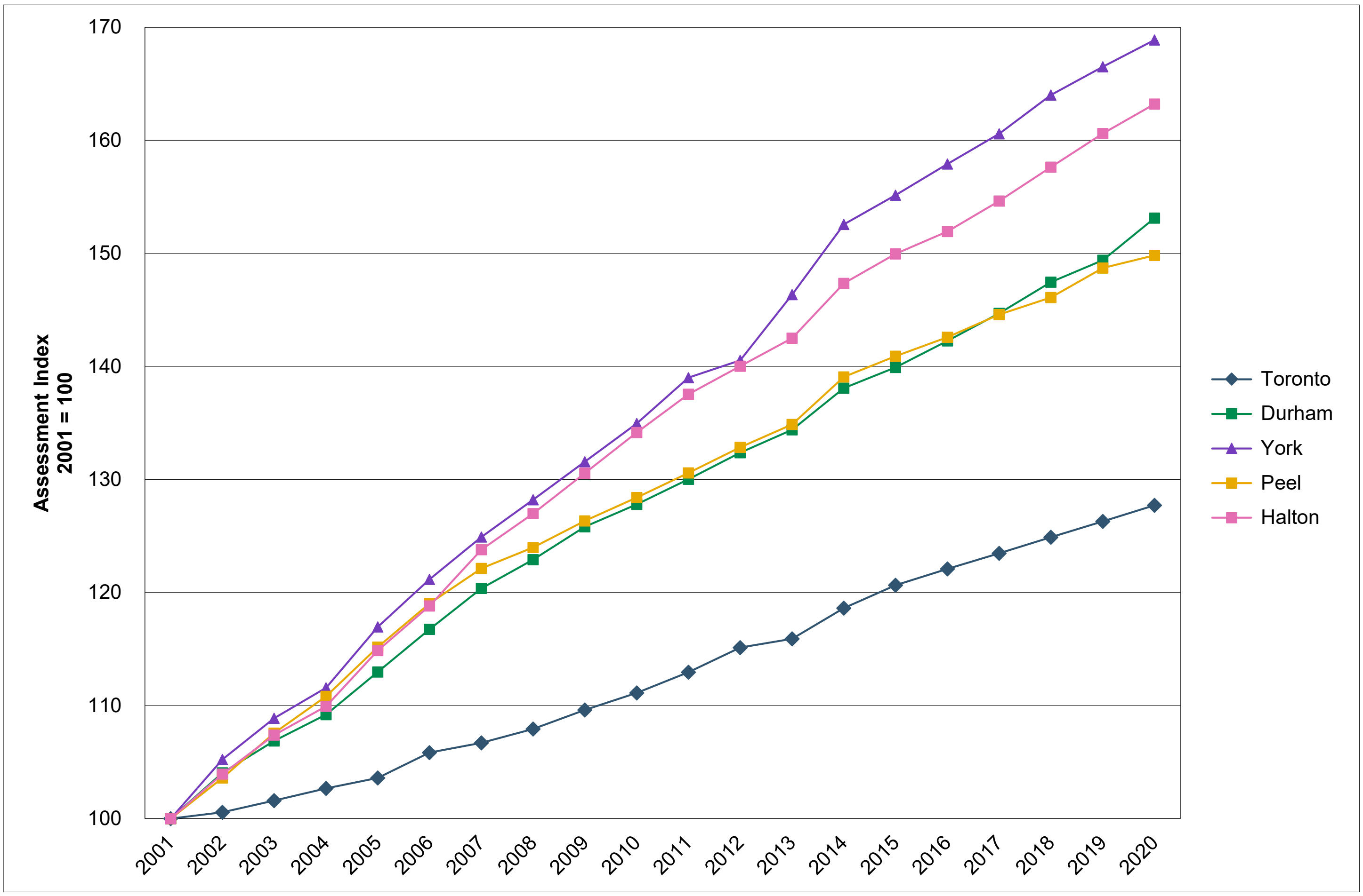
2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

IN-DEPTH REVIEW: STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

A. PROPERTY TAX

We have a diverse mix of revenue streams, which are used to provide various services and programs to Torontonians. The largest source of revenue, however, is from property taxes, which accounts for approximately 32.7% of our total revenues.

City Council continues to maintain property tax rates at or below inflation and considers and approves comprehensive tax policy intended to enhance competitiveness. The chart below shows that Toronto's property assessment was approximately 28% above its 2001 level, partly due to the conversion of certain industrial properties into residential properties. Toronto's 2020 property assessment value was $698.8 billion.



The amount of property taxes payable by a property is determined by multiplying the current value assessment of that property by the applicable tax rate for that class of property, such as residential, commercial, industrial, or multi-residential. The total tax rate for a property class consists of a municipal tax rate that we use for our operational requirements, an education tax rate required by the Province for education funding and the City Building Fund, a dedicated levy to support the expansion of transit infrastructure and affordable housing.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

In 2020, an average household in Toronto with an assessed value of $698,800 paid the following:

	2020 tax rate	2020 property rate
Municipal purposes	0.440230%	$3,076
Education purposes	0.153000%	$1,069
City Building Fund	0.006474%	$45
Total	0.599704%	$4,191

B. CITY BUILDING FUND LEVY

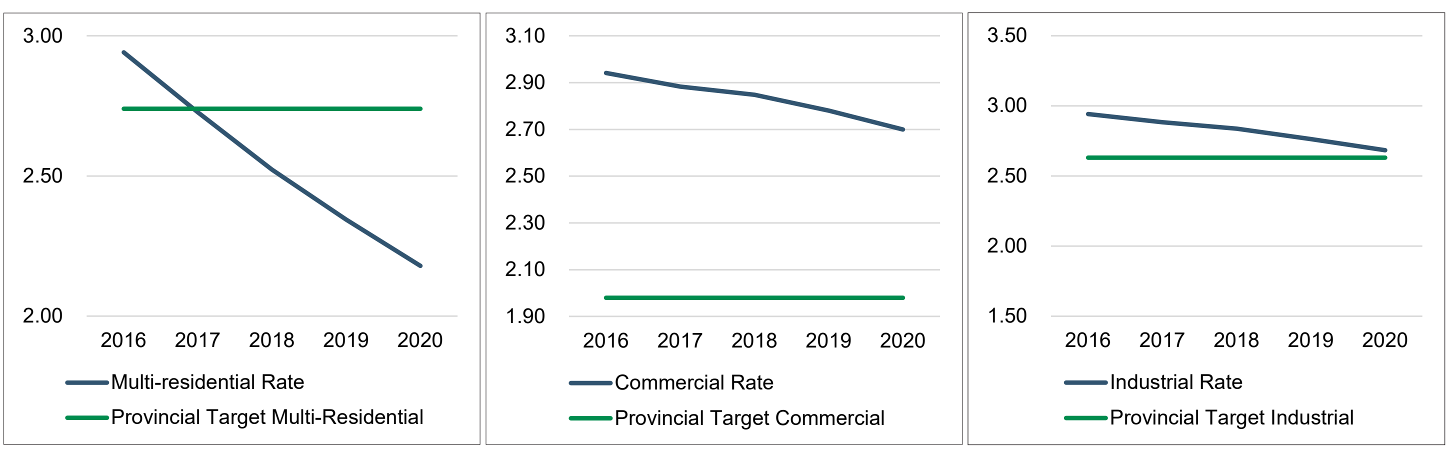
In February of 2017, Council approved a City Building Fund Levy of a 0.5% residential property tax increase in 2017, with additional 0.5% increases in each year from 2018 to 2021. In December of 2019, Council adopted an increase to the City Building Fund Levy by adding 1.0% in 2020 and 2021 to the existing 0.5% increment, and an additional 1.5% annually from 2022-2025. The City Building Fund component of our property taxes now represents the single largest revenue source in our Capital Plan, supporting transit and housing infrastructure requirements.

C. COMMERCIAL AND INDUSTRIAL TAX CLASSES

In addition, tax ratios for the commercial and industrial tax classes exceeded the provincial thresholds. However, both have shown consistent decreases over the past years demonstrating the effectiveness of our taxation policies.

	2020 taxation year	Provincial threshold ratios
Multi-residential	2.18	2.74
Commercial	2.70	1.98
Industrial	2.68	2.63

Here's how we are doing in comparison to the provincial threshold ratios:



As can be seen from the charts above, the multi-residential target is below the provincial threshold and the industrial target is almost at the provincial threshold.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

IT'S RATIO TIME: PROPERTY TAXES AS A % OF TOTAL REVENUES

In order to assess the stability of our revenue streams, the following measure is considered:

= **Property tax ÷ total revenues**

- This ratio represents the portion of our revenues that are related to property taxes, which are a fixed source of income for us
- In the Canadian cities we reviewed, this ratio ranges from 33% to 56% with an average of 45%

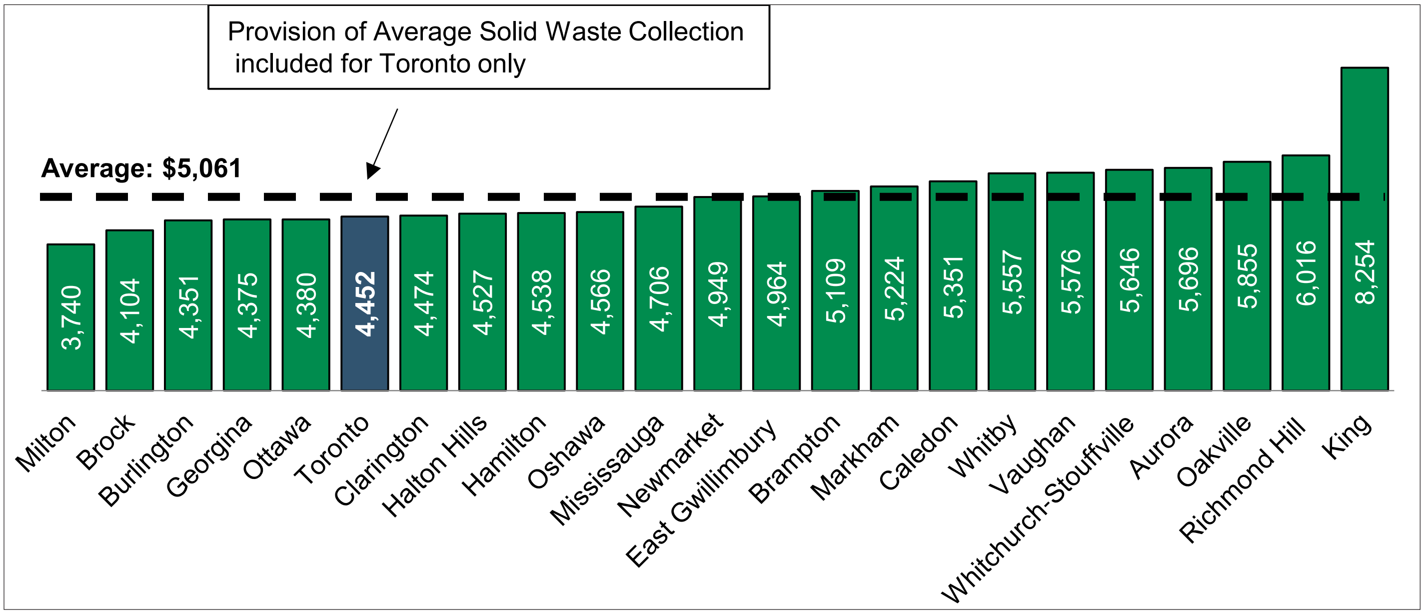
So, how did we do?

	2020	2019
Property tax as a % of total revenues	32.7%	30.7%

- Among Canadian cities, Toronto has the lowest property tax ratio. Our taxation strategies are conservative compared to other municipalities. It has been our City Council's priority to keep living in Toronto affordable and to grow other sources of revenue.
- When compared to other municipalities, we have increased flexibility for direct taxation and has introduced additional revenue tools including a land transfer tax, and a hotel tax. These taxes are used to create and enforce our public policy objectives and aid in keeping property taxes low.

D. PROPERTY TAX BENCHMARKING

Property taxes represent our largest single revenue source. In 2020, we collected of $4,582 in property taxes from residential and business property owners, including the portion collected for the City Building Fund that is incorporated in the figures provided below. Property taxes are calculated by multiplying the tax rates by the property assessment value. Municipalities with high property values, in general have lower tax rates. The challenge in comparing property taxes across various municipalities is to compare the taxes of similar properties.



Source: 2020 Municipal Study – BMA Consulting Inc.
Includes Education Property Taxes
Note: Comparison is based on the weighted average median residential assessment of seven residential property types per MPAC Municipal Status Report 1st Quarter, 2020

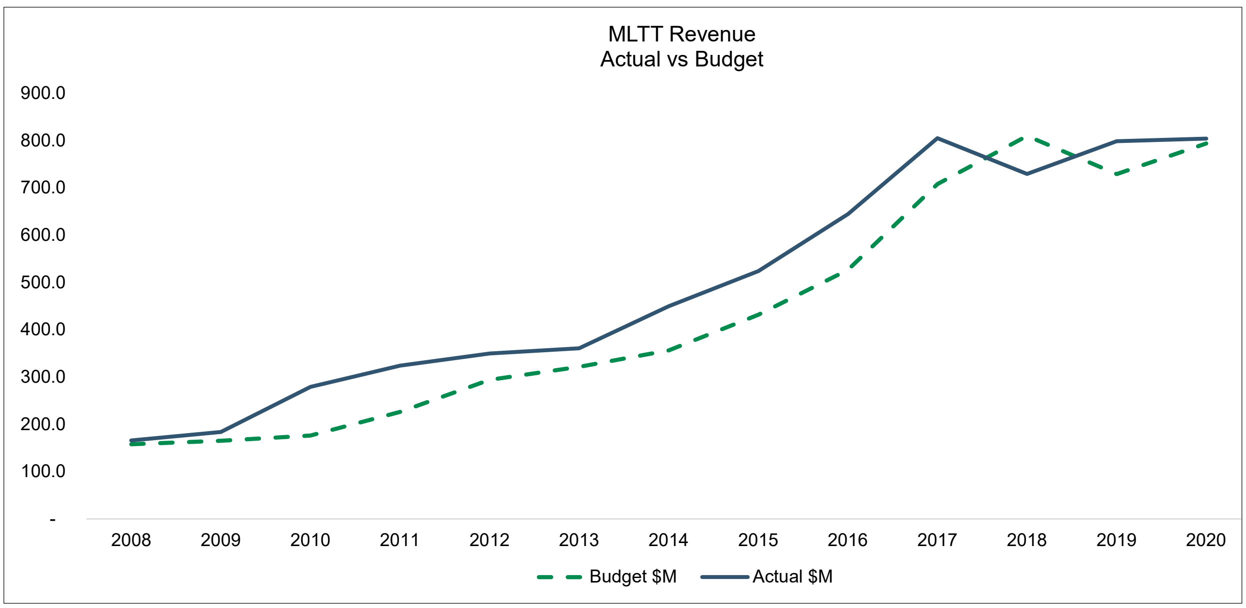
2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

In 2020, we had average property taxes of $4,452 (unrounded) when solid waste collection fees are added to the property tax amount (to provide an apples-to-apples comparison to other municipalities where solid waste collection is included in the overall property tax rate). This is below the average of $5,061 (unrounded).

E. MUNICIPAL LAND TRANSFER TAX

We are the only Ontario municipality with the legislative authority to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented in 2008 and represents one of our largest sources of revenues – in 2020, we collected $804 of municipal land transfer tax revenue. The MLTT represents 5.7% of the total revenue collected in 2020.

MLTT revenues are directly dependent on Toronto's real estate activity, which in 2020 experiences higher prices due to the low supply. Specifically, the number of home sales in Greater Toronto increased by 8.4% in 2020 to 95,151 from 2019 home sales of 87,751, and the third best year on record. As a result, 2020 actuals were $5 or 0.6%, higher than prior year's revenues.



We have benefited from increased revenues coming from the Municipal Land Transfer Tax since its inception. MLTT has allowed us to provide or expand services that our community relies on, without a burden on property taxes or other levels of government.

F. OPERATING EXPENSES

IT'S RATIO TIME: OPERATING EXPENSES AS A % OF TOTAL REVENUES

In order to assess the affordability of our expenses, the following ratio is considered:

= **Total expenses ÷ total revenues**

- This ratio evaluates whether we are generating sufficient revenues to finance our daily operations and services.
- For the Canadian cities we reviewed, this ratio ranges from 74% to 94%, with an average of 84%.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

So, how did we do?

	2020	2019
Operating expenses as a % of total revenues	88.4%	88.7%

- Based on our annual results, our expenses represent 88% of our overall revenues for both the current and previous fiscal period. This ratio is comparable to the ratios reported by our municipal counterparts.
- In order to maintain our existing service levels, as well as keep our city an appealing place to live and invest in, we monitor our overall revenue generating capacity and expenses on an ongoing basis. For instance, in 2020, despite the financial pressures that we experienced due to COVID-19, we were able to implement various cost reduction and mitigation strategies to identify $559 in cost savings without disrupting essential services.

FIVE YEAR OVERVIEW OF CONSOLIDATED REVENUES

The five year overview of revenues outlined in the table below demonstrates that property taxes continue to be one of the slowest growing revenue sources for us.

We continue to be limited by provincial legislation and Council policy from extending tax rate increases on the commercial, industrial, and multi-residential assessment base on the same basis as the residential base.

Revenues	Avg. annual increase	2020	2019	2018	2017	2016
Property and taxation from other governments	2.9%	4,582	4,410	4,350	4,198	4,051
Government transfers	7.9%	4,070	3,493	3,505	2,800	2,738
User charges	1.2%	2,864	3,526	3,255	3,028	3,073
Municipal land transfer tax	9.7%	804	799	730	805	645
Other revenue sources	(2.4%)	597	654	589	479	687
Rent and concessions	2.6%	511	534	506	469	462
Development charges	9.1%	263	398	339	314	184
Government business enterprise earnings	(9.3%)	129	234	247	236	165
Investment income	(0.7%)	187	335	219	235	197
Total	**3.1%**	**14,007**	**14,383**	**13,740**	**12,564**	**12,202**

In comparison to previous years, our total revenues decreased in 2020 by $376 or 2.6%. As noted in earlier sections of our annual financial report, our municipality, consistent with the pressures experienced across Canada and around the world, experienced an unprecedented set of challenges.

Provincial orders for the closure of establishments and non-essential businesses resulted in a significant decrease in our user fee revenue in the current year mainly due to fewer residents taking public transportation, a significant reduction of recreational programs, and closure of various City-operated facilities and Agency operations.

2020 – LOOKING BACK ON OUR YEAR (CONTINUED)

Despite the reduction in many revenue streams, we were able to mitigate financial impacts through a combination of spending restraints of $559 and supplementary funding of $1,077 that we received from the provincial and federal governments as part of the Safe Restart Agreement program, Social Services Relief Fund, and support for public health initiatives.

FIVE YEAR OVERVIEW OF CONSOLIDATED EXPENSES

The five year overview of consolidated expenses in the table below indicates that City expenditures continue to grow at a reasonable rate relative to revenue growth.

Expenses	Avg. annual increase	2020	2019	2018	2017	2016
Transportation	3.5%	3,472	3,581	3,578	3,140	3,067
Social and family services	5.4%	2,627	2,553	2,474	2,193	2,038
Protection to persons and property	1.5%	1,946	1,930	1,858	1,811	1,808
Recreation and cultural services	(0.8%)	938	1,073	1,006	1,008	1,002
Environmental services	1.5%	1,008	1,043	976	955	933
General government	0.9%	851	886	876	776	760
Social housing	2.5%	877	830	844	824	780
Health services	3.5%	536	497	490	461	450
Planning and development	11.4%	130	358	204	147	116
Total	**2.7%**	**12,385**	**12,751**	**12,306**	**11,315**	**10,954**

In 2020, expenses are lower overall due to the suspension of non-essential programs and services as a direct result of provincial orders which closed facilities and introduced physical distancing measures to limit the spread of COVID-19, offset by increased costs for additional resources to respond to the pandemic.

We also introduced mitigating strategies to offset financial pressures caused by lower revenue levels, such as workforce restraints and other discretionary spending restraints. Due to these restraints, we were able to manage our costs without impacting essential services.

CONSIDERING OUR CREDIT RATING

In order to finance our major capital investments, as well as initiatives that promote sustainability and socioeconomic equity, we issue debentures (up to a maximum of $1 billion) throughout the year. Our ability to issue these debentures is partly driven by the quality of our **credit rating.**

What's a credit rating?

A credit rating is a financial indicator that is determined by independent external organizations known as credit rating agencies. Similar to a resident's personal credit score, a credit rating reflects the ability of municipal governments to repay their investors. To increase the likelihood of obtaining the market's support for their debentures and keeping borrowing costs low, it is important for municipal governments to receive and maintain strong credit ratings.

How are credit ratings calculated?

Credit rating agencies use varying methodologies when determining credit ratings. Our city, for instance, is evaluated by S&P Global Ratings (S&P), DBRS Limited (DBRS), and Moody's Investors Service (Moody's).

Assessments conducted by these external entities consider both financial and non-financial information. For instance, our credit rating agencies examine the overall operating and economic environment, quality of governance and management strategies, financial management, budgetary performance, current year's financial performance, and future fiscal outlook.

We receive credit ratings from multiple credit rating agencies to increase the reliability of the information, as well as be consistent with our provincial government's processes.

What's our credit rating?

Credit ratings assigned consider organizations that have the lowest credit risk (e.g. AAA or Aaa) to those reserved for entities that are in a default position (e.g. C or D).

In 2020, we were successful in maintaining our credit ratings with each of our credit rating agencies: S&P and DBRS (**AA**) and Moody's (**Aa1**). These results continue to position our municipality as one of the most financially viable and robust organizations.

On an overall basis, our credit rating agencies expressed that changes to our credit ratings, despite the financial pressures caused by COVID-19, were not required due to Toronto's diversified economy, our ability to raise taxes, and the use of prudent and conservative financial measures.

OUR CITY: OUR STORY

Overview

- Our City Council & Audit Committee
- Our vision & priorities

OUR CITY: WHO WE ARE

Toronto is Canada's leading economic engine and one of the world's most diverse and livable cities. As the fourth largest city in North America, Toronto is home to more than 2.9 million residents whose diversity and experiences strengthen our great city. Toronto is an international leader in technology, finance, film, music, culture, and innovation. We consistently place at the top of international rankings due in part to investments championed by residents and businesses, and in turn led by Toronto City Council and carried out through the work of the Toronto Public Service.

Toronto's success has also resulted in a range of challenges. The city is experiencing significant population growth, which is anticipated to continue. It is increasingly difficult for many Torontonians to afford housing and the cost of living. Congestion is increasing, putting a strain on our quality of life. We are grappling with income inequality and poverty. Climate change threatens our health, economy, and infrastructure. Despite all these challenges, however, we are working to build resiliency into all of our plans, as well as continue to transform how we operate and deliver services. After all, it is vital for Toronto to continue to be a great place to live, work and play for current and future generations.

HOW WE ARE GOVERNED: CITY COUNCIL

City Council provides leadership to Torontonians and direction to staff. Council's direction and decisions about managing our results in a long-term shared strategy.

The Mayor fulfills a city-wide mandate, providing leadership to Council in strategic and financial planning, represents us to other governments and recommends appropriate policies, practices and procedures to Council to ensure accountability and transparency of our operations.

City Councillors have both a legislative role and a constituency role. In their legislative role, they are responsible for considering and establishing policies and bylaws to implement Council's decisions. In their constituency role, Councillors are responsible for responding to constituent needs as well as consulting with their constituents and ensuring their views are considered in Council's decision-making.

City Council consists of 26 members - the Mayor, who is elected city-wide, as well as 25 Councillors who are elected in each ward across the city. Our Mayor and the Councillors serve a four year term.

Want to learn more about your ward, Councillor or City Council? Visit our website!

OUR COUNCILLORS: 2018-2022 TERM


Mayor
John Tory


Ward 1
Michael Ford*


Ward 2
Stephen Holyday*


Ward 3
Mark Grimes


Ward 4
Gord Perks


Ward 5
Frances Nunziata*


Ward 6
James Pasternak


Ward 7
Anthony Perruzza


Ward 8
Mike Colle


Ward 9
Ana Bailão


Ward 10
Joe Cressy


Ward 11
Mike Layton


Ward 12
Josh Matlow*


Ward 13
Kristyn Wong-Tam


Ward 14
Paula Fletcher


Ward 15
Jaye Robinson


Ward 16
Denzil Minnan-Wong


Ward 17
Shelley Carroll


Ward 18
John Filion*


Ward 19
Brad Bradford


Ward 20
Gary Crawford


Ward 21
Michael Thompson


Ward 22
Nick Mantas


Ward 23
Cynthia Lai


Ward 24
Paul Ainslie


Ward 25
Jennifer McKelvie

* Our Audit Committee consists of Councillors Stephen Holyday (Deputy Mayor and Chair), John Filion, Michael Ford, Josh Matlow, and Frances Nunziata.

OUR AUDIT COMMITTEE

The Audit Committee is a sub-committee reporting directly to City Council. Composed of five Councillors, the Audit Committee plays an instrumental role in overseeing our financial reporting, internal controls, management of financial risks and our overall values and ethics.

The Audit Committee's mandate is to:

- Recommend the appointment of our external auditor;
- Recommend the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
- Consider and adopt the annual external audit of the financial statements of the City and its agencies and corporations;
- Consider the external audit of the Auditor General's office;
- Consider the Auditor General's reports and audit plan;
- Conduct an annual review of the Auditor General's accomplishments; and
- Make recommendations to City Council on reports the Audit Committee considers.

Did you know that you can watch live and past sessions of Audit Committee?

Visit us on our YouTube channel to see us in action, as well as view our year-end presentation!

WHAT MATTERS TO US

OUR VISION...

Toronto is a caring and friendly city.

We have opportunities to sustain and enrich our lives and reach our highest potential. Our diversity is valued and celebrated and our communities are a source of pride. We are actively involved in the social, cultural and political life of the city.

Toronto is a dynamic city.

As the nation’s leading economic engine, we are a centre of innovation and growth with a strong international presence. Our dynamic city is well positioned to succeed in the world economy.

Toronto is a clean, green and sustainable city.

We integrate environmental stewardship into our daily activities. We maintain and improve the health of the environment for present and future generations.

Toronto invests in quality of life.

We invest in quality of life – socially, economically, culturally and environmentally – to make Toronto a desirable place to live, prosper and visit.

OUR MOTTO...

Diversity our strength

Toronto is one of the most diverse cities in the world. We value the contributions made by everyone and believe that the diversity among its people has strengthened Toronto.

OUR MISSION...

To serve a great city and its people.

WHERE WE'RE HEADED: OUR STRATEGIC PLAN

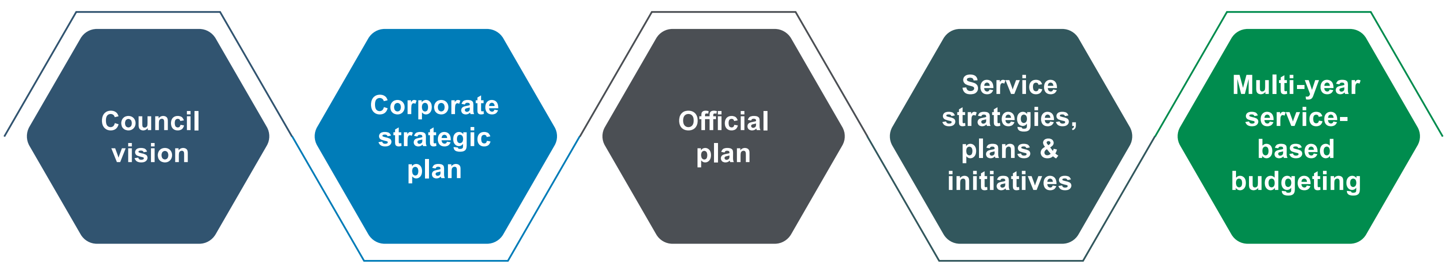
Our Corporate Strategic Plan is guided by City Council's vision, Toronto's motto and the Toronto Public Service's mission. It identifies our organization's strategic areas of focus and is grounded in our commitment to our people, partnerships, and performance. The plan identifies six key priorities for the Toronto Public Service, along with expected results, strategies, plans and initiatives that we will deliver on to meet City Council's directives.

Combined, these elements focus our leadership and guide staff on how their work fits into our overall long-term goals. The plan fosters effective decision-making and excellence in performance management. It clarifies and strengthens accountability between City Council, staff and the public.

Our Corporate Strategic Plan is one part of the strategic planning framework, which integrates City Council's vision, the Official Plan, our service-focused strategies, service plans, initiatives, emerging priorities, and multi-year budgeting.

We will regularly measure our progress towards achieving the results of the Corporate Strategic Plan to demonstrate how we're doing and where we must focus our attention.

Need more information? You can access a copy of the Corporate Strategic Plan on our website.



Long-term quality of life vision for our city.

The Toronto Public Service's commitment to people, partnerships, performance and priorities.

Ensures that we evolve, improve, and realize our potential in areas, such as transit, land use, development and the environment. The Official Plan is a requirement under the Planning Act.

Guides what we do to enhance quality of life, address challenges, serve Torontonians and achieve results.

Sets our financial foundation and puts our strategies, plans, initiatives and services into action.

WHAT GUIDES US: OUR PRIORITIES

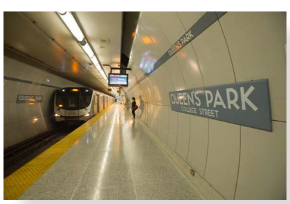
OUR CORPORATE PRIORITIES

Financial sustainability
We will work and partner to ensure value and affordability for taxpayers, adequately fund municipal services and infrastructure, make needed investments in the city, and improve our financial health. We will make informed financial decisions and effectively manage resources for Toronto's future.

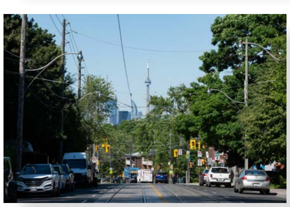
A well-run City
We will have a committed, engaged and diverse workforce. We will improve the lives of residents, businesses, and visitors by providing simple, reliable and connected services that anticipate changing customer needs. We will build trust and confidence in local government.

OUR STRATEGIC PRIORITIES

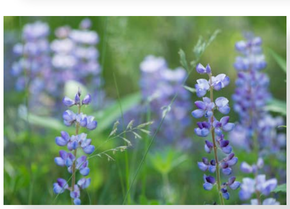
Maintain and create housing that's affordable
We are committed to a city where families and individuals live in safe, stable and affordable housing with respect and dignity.



Keep Toronto moving
We are committed to a city with safe, affordable and accessible transportation choices for people and goods.



Invest in people and neighbourhoods
We are committed to a city that protects and improves quality of life for all including safety, health, and social and economic well-being and inclusion.



Tackle climate change and build resilience
We are committed to fighting climate change and preparing our city government, our economy, our ecosystems, and our communities, especially the most vulnerable communities, for a changing climate

NAVIGATING THROUGH THE UNKNOWN

All figures referenced in this section are stated and presented in $ millions unless stated otherwise.

MESSAGE FROM OUR CITY MANAGER

I am pleased to share the City of Toronto's 2020 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements over the past year.

I am very proud that in 2020, the City has again been named one of Greater Toronto's Top Employers, Canada's Best Diversity Employers, Canada's Top 100 Employers, and Canada's Top Family-Friendly Employers. While we have made strides on our commitment to a workplace that is diverse and inclusive, we know there is a lot more we can do. That being said, I am continuously proud of our committed and talented workforce that is dedicated to a healthy and vibrant Toronto.

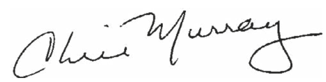
We all know what a challenge 2020 has been for Toronto and across the world. In March 2020, our world changed, and we became focused on fighting a worldwide pandemic. We had to roll up our sleeves, and set aside any plans for the year to focus on the health and safety of Toronto residents and the members of the Toronto Public Service. We quickly activated our Emergency Operations Centre, ensured our supply chain of personal protective equipment (PPE) was strong, acted to protect the health and safety of our homeless and shelter communities and pivoted to remote work where possible – all while protecting the City's ability to deliver the core services residents need and expect.

I am immensely proud of the work of our public service. They worked overtime, weekends, holidays and some isolated away from their families to put Toronto first. Employees were willingly redeployed to shelters, long-term care homes and other divisions to ensure the needs of our most vulnerable residents were met. We quickly opened emergency child care centres for essential workers, enabled free Wi-Fi access in some public parks, provided supports to small businesses and we opened the Office of Recovery and Rebuild to begin planning for a post-COVID-19 Toronto.

We know we have some tough days still ahead of us. We're living with a virus that has isolated us from our friends and family, forced the closure of schools, affected our mental health, cancelled our celebratory events and holidays – and worst of all claimed the lives of so many loved ones.

What I do know is that we will see the other side of this pandemic. We will see the resilience of Toronto, our residents and our public service. We will see the day when Union Station is bustling with people headed to work or the game, when our restaurants are full of laughing patrons, when the doors are propped open at our Main Street shops and our live music venues are echoing with music. We will be Toronto, reunited.

July 14, 2021



Chris Murray
City Manager

Coronavirus, pandemic, COVID-19, lockdown, frontline workers, physical distancing, essential, reopening, and the list goes on.

There is no word of the year to describe 2020. This was an unprecedented year that affected Canadians, as well as other communities around the world. As the public's steward, we responded to the global pandemic by mobilizing our workforce to enable and sustain essential services without interruption, protect the health and safety of the public – we did all of this while securing short-term and long-term financial support from senior levels of government for funding.

This is the story of how we came together as one team navigating through the unknown.

COMMUNICATING IN A PUBLIC HEALTH CRISIS

KEEPING TORONTO MOVING

SUPPORTING OUR COMMUNITY

UNDERSTANDING THE IMPACT OF COVID-19 ON WOMEN

REBUILDING THE ECONOMY

COVID-19 FINANCIAL IMPACTS

COMMUNICATING IN A PUBLIC HEALTH CRISIS

At the start of 2020, we were informed of emerging cases of a novel coronavirus in international locations. To determine how this new virus strain could affect our city, we monitored the situation and worked collaboratively with the federal and provincial governments.

We knew, however, the importance of keeping Torontonians informed of the virus. Starting from January, Dr. Eileen de Villa, Medical Officer of Health, provided official statements and updates.

By the end of 2020, 130 official statements were released ranging from the first confirmed case in Toronto to protective measures that were put into place to reduce the spread of the virus in the city.

During the initial shutdown of the city, our teams focused on reducing the spread of COVID-19 and ensuring the delivery of essential City services to residents and businesses. Some of our earliest efforts included:

62,171

cases of COVID-19 were reported to our Toronto Public Health unit

59,937

of these cases have been resolved. We will continue to support our residents and businesses in Toronto to ensure that we can cover and rebuild.

- **Establishing a COVID-19 Enforcement Team:**
  to monitor the implementation of various bylaw amendments that were made in support of the Province of Ontario's physical distancing requirements; and

- **Redeploying our teams to support key services:**
  to provide uninterrupted essential services, we prioritized our efforts in areas that were most affected by the pandemic. For instance, we worked in long-term care facilities to support our senior residents, responded to questions regarding the virus at our call centres, provided contact tracing, and tracked and analyzed data to better inform Torontonians about what was happening.

Throughout 2020, we expanded our services by:

Offering COVID-19 tests to seniors and vulnerable residents:
we provided 9,903 COVID-19 tests, as well as facilitated 29 pop-up testing centres and six mobile events.

Opening a COVID-19 voluntary isolation centre:
we were the first city in Canada that provided a safe, comfortable place for residents to self-isolate.

Organizing an immunization program:
since December, 2020, we have been providing residents with access to vaccinations. Our efforts focused on distributing these vaccinations to vulnerable sectors of our population, including those that reside in or work for long-term care and retirement homes, and health care workers.

KEEPING TORONTO MOVING

While the pandemic caused many to pause and stop, the city had to keep moving.

Transit continued to play a pivotal role in transporting our residents to their destinations.

During 2020, we supported 225 million passenger trips, transporting individuals to their workplaces, grocery stores, and health care facilities.

Although overall ridership figures decreased in comparison to 2019, our team at the Toronto Transit Commission (TTC) remained committed to maintaining transit services with a special focus on serving neighbourhood improvement areas. Several key changes were made, such as deploying a demand-responsive service plan to protect services to essential destinations, distributing one million non-medical masks to customers, and establishing various safety measures and protocols to keep all vehicles and stations clean and safe.

To encourage residents to stay active, we launched ActiveTO. In order to promote physical activity in a physically distanced environment, our neighbourhoods transformed to accommodate more foot traffic and cyclists through use of quiet street zones and short-term road closures on major streets, as well as the expansion of various cycling networks to connect to priority areas and mirror major transit routes.

In adapting to new realities brought about by the pandemic, our team continued to advance modernization efforts to continue to deliver services. New digital services were created, and existing services were moved online, such as our:

- **Application systems:** to allow residents and businesses to access emergency child care, request for various licenses and permits, attend court hearings, as well as register for virtual recreation programs.

Since May, our chatbot answered 25,402 questions

- **BusinessTO Support Centre:** to provide one-on-one virtual support to help businesses understand and access government funding applications, as well as find available support programs such as the Canada Emergency Wage Subsidy Program, Canada's Emergency Business Account Program, and the Ontario-Canada Emergency Rent Assistance Program.
- **Chatbot:** to assist residents and businesses to find resources, or receive information on common pandemic-related questions.

SUPPORTING OUR COMMUNITY

Residents across our city faced once-in-a-lifetime health, community, and economic upheavals that affected their lives in intimate and multifaceted ways. This was especially true for racialized communities, people with disabilities and others made vulnerable by systemic barriers (e.g. housing, homelessness, financial pressure, etc.) in their everyday lives.

Tackling Homelessness: Finding Homes for Our Residents

We have been accelerating programs to increase the number of affordable rental and supportive housing options for people experiencing homelessness. In order to alleviate the pressures faced by these vulnerable groups, we explored and implemented new solutions:

We identified and secured

42 temporary shelter sites

to support physical distancing; 31 sites were opened in the first 90 days of the pandemic, and

545 of our employees were redeployed

to operate emergency shelters.

We supported our vulnerable residents experiencing homelessness by

providing 1,121 residents

with transportation services needed to access assessment centres for COVID-19 testing

referring 1,664 residents

referrals to the isolation and recovery program

securing 364 people

with permanent housing.

We purchased and distributed over **2 million pieces** of personal protective equipment (PPE) to City shelters.

We also provided **$6.1 million** in funding to allow the sector to invest in additional PPE and maintain safe shelters for our residents.

To help people experiencing homelessness recover from COVID-19, we launched the Rapid Rehousing Initiative, in partnership with the Toronto Community Housing Corporation (TCHC), to identify and establish permanent housing options. Under Phase One, more than 300 households were moved into permanent and fully furnished housing units.

Our work with Joel:

Joel worked with our Streets to Homes (S2H) team and housing councillor Pauline to secure a permanent home. Joel's journey to homeless started when he lost his apartment six years ago. The landlord terminated the lease without a proper notice and rented the unit to a new tenant. With no place to go, Joel stayed with friends & family, in several shelters, and ended up sleeping outside in a tent. Joel was eventually offered a one-bedroom unit through the Rapid Rehousing Initiative with TCHC. He is looking forward to his own home and having his kids visit.

With many households facing economic uncertainty, eviction prevention programs were also implemented to help residents retain their current properties. Specifically, we expanded the Rent Bank program by injecting an additional investment of $2 million and changed program rules to increase maximum loans and defer loan repayments. As a result, 1,150 households were supported in rental arrears with no-interest loans of up to $4,000 to help them remain in their homes, and 638 vulnerable households facing imminent risk of eviction were also assisted through the Eviction Prevention in the Community program (EPIC).

Caring for Our Seniors

Once lockdowns were in effect, it became difficult for our residents in long-term care homes to meet their families. The suspension of all non-essential visits caused many seniors to be isolated and without their usual support systems. With 933 outbreak days in 2020 and over 2,600 residents in our 10 directly-operated long-term care homes, we recognized that we needed to find new ways of connecting our residents with their loved ones.

"

I have been so impressed and grateful for how the City and True Davison Acres (TDA) have handled this COVID crisis. From the beginning, TDA went above and beyond, without any cases for over 3 months. Each time I go in I see how you have pulled in resources and pulled together as a team. You integrated people from other City services quickly and efficiently, thus helped me reduce some of my anxiety. Everything you have done has been done with grace, kindness and good humour. I will never forget what you have done for my brother and my family.

- True Davison Acres Family Member

26,000+ virtual visits

Our long-term care homes were equipped with new devices and enhanced to offer extended Wi-Fi access so that our residents could host virtual visits with their families and access various on-line programs (e.g. card games, music, entertainment and therapy dogs).

$40 million

We also invested to implement various measures to reduce residents' exposure to COVID-19, as well as allow essential end of life and palliative visits to be facilitated.

Promoting Equity: Helping Our Communities Prosper

Health equity is established when individuals have a fair opportunity to be as healthy as possible. The COVID-19 pandemic highlighted, however, that health equity may not yet be present in all segments of our city, province, and country. Specifically, studies showed that racial and socioeconomic inequities contributed to higher rates and severity of COVID-19 infection.

Created a COVID-19 Equity Action Plan in partnership with over 400 community service providers. Our partnership allowed us to organize and deliver 33,000 food hampers and 500,000 prepared meals to households, provide 79,630 free mental health counselling sessions, provide free Wi-Fi networks for some of our most vulnerable communities, and supply hundreds of free high-quality online activities and programs for residents of all ages to “stay at home/play at home/learn at home” during lockdown.

Offered $5 million of subsidies to 38 organizations to provide community-driven and informed food security initiatives to underserved individuals and neighbourhoods as part of the TO Supports Investment Fund.

Implemented COVID-19 Equity Measures in neighbourhoods with high infection rates by providing community outreach to 12,800 residents so that they could gain access to essential services and resources, such as delivery of prescription drugs to residents and responding to more than 349,000 calls at our Human Services Integration call centre in order to provide additional support to residents accessing our income support programs.

Allocated $3 million to address youth violence and community response to violence. Our Community Crisis Response Program responded 2,260 times in communities impacted by violent and traumatic incidents by providing immediate support, mobilizing local resources and facilitating information sharing.

In support of the Black and Indigenous communities, our Community Partnership Investment Program allocated

$24 million to community agencies –

$6 million was contributed specifically to Black mandated and Indigenous-led organizations to assist with initiatives,

such as projects aimed at preventing youth violence, assisting communities that were affected by traumatic incidents and community violence, and advancing reconciliation and equity.

UNDERSTANDING THE IMPACT OF COVID-19 ON WOMEN

While many were affected by the pandemic, economists coined the term, “she-cession”, to describe the disproportionate economic impact on women. With increased family responsibilities, lack of work, and layoffs due to lockdowns and temporary business closures, women’s participation in the labour force was down to its lowest level in three decades. In December 2020, there were more than 90,000 women outside of the labour market in Canada compared to February 2020.

Based on the 2016 Census, Toronto’s population is made up of **1,417,985 females,**

making **51.9% of the total population,**

and **53% of Toronto’s low income population**

The average income of females was **$42,807** compared to **$62,667** for males.

56.8% of the senior population are female

69% are between the ages of 15 to 64

84.2% of lone parent families are female

45% speak a mother tongue other than English or French

58.5% of females commute by public transit

52.2% are visible minorities

The most recent census provides an overview of the continuing disparity we are seeing in the present. During this time, to support women accessing Ontario Works (a provincial social assistance program), we allocated $2.5 million to extend the program called Wrap Around Support Program (WRAP). Through WRAP, one-on-one or group counselling, virtual workshops, wellness checks, service navigation or referrals to other services, were provided to address life stabilization and wellness needs.

> “Once in the program, I realized that I am not alone. I am one of thousands who are in the same boat as me. I have hope for the first time since this pandemic started. It is so helpful to sit and talk, and be heard, by someone who is going through the same things you are. When you don’t have that, you feel overwhelmed and like your problems are insurmountable. I was happy to be heard, and to receive support and suggestions from my peers.
>
> *– WRAP client*

REBUILDING THE ECONOMY

With the evolving impact of the pandemic, residents and businesses were greatly affected. However, this did not stop Torontonians from giving back to their communities and inspiring us to take care of one another.

> "Building back better also means learning from the past and starting sustainable improvements that make a difference for future generations. Our recovery efforts must take a long-term view towards building the city we want for those who will call Toronto home decades from now.
>
> – Chris Murray, City Manager

To help rebuild the social and economic fabric of our city, we:

- Created a COVID-19 DonateTO portal where donations of products, services and funds were received to support our pandemic relief efforts. **By August, we received donations valued over $15 million.** Donations were directed to emergency food programs, support production of dry food packages, providing beds, household items and technology to shelters, and so much more. Every donation counts, and our team continued to connect donors to programs where their gifts make a real difference.

- Increased space for dining and pick-up opportunities through CaféTO and CurbTO. **439 curb lane closures** were installed and converted into new outdoor dining space for restaurants, including 44 public parklets. **801 restaurants** were supported while maintaining physical distancing for residents dining or picking up orders. These programs cost **$1.68 million to operate**.

- Launched ShowLoveTO, an initiative to safely connect residents and support local businesses and artists. Many programs and events were offered such as exploration guides of the city, walking tours and showcasing artists' artwork on buildings and landmarks, and **$500,000 in grants provided to community organizations.**

- Partnered with Ritual and DoorDash to provide commission-free delivery to local businesses enrolled in Open For Business.

- Committed **$1.2 million** in cultural and economic investments to confront anti-Black racism and provided **$1.7 million** in property tax relief to 45 live music venues.

COVID-19 FINANCIAL IMPACTS

Financial sustainability continues to be a challenge. Each year, we balance the budget in the face of gaps and challenges, but never to this extent. At the time of the 2020 budget approval, the impending costs of COVID-19 were completely unknown.

The financial challenges experienced in 2020 were unprecedented and unplanned for, and led to a critical assessment of what services must be delivered, in a time with fewer resources and much greater need.

To expand on this, a significant source of revenue is based on ridership of the transit system.

With a drop in ridership as a majority of residents stayed at home this year, we experienced **$756.8 million in lost revenues**.

In addition, we had to re-direct revenues received to support certain services as part of our COVID-19 response and associated additional expenditures. An example of this is our shelter system, where **$166.7 million of costs were spent on PPE, cleaning, disinfection, room rent, food, client transportation and moving costs to keep shelter clients safe during the pandemic**.

Without funding from senior levels of government, such as the Safe Restart Agreement, and cost reduction and mitigation strategies (spending and workforce restraints), we would have been considerably challenged in its ability to serve our community. It is critical these financial challenges are addressed while looking for opportunities to pursue partnerships with governments, the non-profit sector, and the private sector. This will allow us to continue to deliver consistent, reliable, and connected services that better meet resident and business requirements, while anticipating changing customer needs.

MANAGING OUR FUTURE

It remains difficult to predict the duration, prevalence, and severity of the COVID-19 pandemic in 2021. In order to reduce the likelihood of a fourth wave occurring in our city, we are encouraging all residents to receive their vaccinations as soon as possible, as well as continuing to maintain health and safety protocols and measures to reduce the risk of community spread at City facilities and public locations.

Preparations are also underway to rebuild and recover from COVID-19 based on the following “6 for the 6ix” themes:

City building & mobility:

To restore the public’s trust and confidence in public transportation, as well as promoting active transportation options for all Torontonians.

Business & economic recovery:

To support immediate and long-term economic needs of residents and businesses. In addition to our ongoing discussion with senior levels of government to continue accessing COVID-19 related funding, we are also finding new opportunities to support our communities through the provision of various financial relief & support programs, continuation of our one-on-one support and provision of digital tools and resources for business owners.

People, housing & neighbourhoods:

To support equity-deserving communities through programs that address chronic homelessness, expand free Wi-Fi, provide emergency funding and donations, and offer free and culturally appropriate counselling options.

Climate change & resilience:

To strengthen our overall resiliency, as well as reduce inequities so that communities can rebuild more efficiently and effectively even when they encounter an unanticipated event. Examples of initiatives include offering cooling centres to residents, investing in the reduction of greenhouse gas emissions to achieve net zero greenhouse gas emissions by 2050 or sooner, and investing in Toronto’s ravines to expand our green infrastructure system and tree canopy.

A well-run City & City finances:

To improve and digitize service delivery, secure intergovernmental funding commitments, prioritize resources required for COVID-19 pandemic response and recovery efforts, as well as increase resources needed to support key business decisions.

Public health & safe reopening:

To vaccinate as many residents as possible, promote vaccine equity, and support the Province’s re-opening plans.

PSST...OUR FINANCIAL STATEMENTS ARE CHANGING!

Our financial statements are prepared in accordance with the Public Sector Accounting Standards (PSAS). On a periodic basis, PSAS changes to incorporate accounting requirements for new types of financial concepts, as well as strengthen and improve existing principles, such as when and how to recognize revenues as part of our annual earnings.

Major changes to PSAS that will impact our financial results include:

Accounting standard	Description of major change(s)	Timing of change(s)
Asset retirement obligations	• Requires recognition of costs (e.g. asbestos removal), which are incurred to dispose of or retire an asset, upfront versus when the asset is no longer in use, which could lead to higher tangible capital asset and liability balances	Dec. 31, 2024
Financial instruments (and related standards)	• Requires an additional financial statement (Statement of Re-measurement Gains and Losses) to report changes in valuation of investments before they are formally sold • Tracks and monitors the market value of our investments to better disclose our financial performance	Dec. 31, 2023
Revenue	• Reinforces when revenue can be recognized into earnings	Dec. 31, 2024

For the complete list of upcoming changes to PSAS, please refer to Note 1(U) of our consolidated financial statements.

Sharing our perspectives

As stewards of public resources, we recognize and appreciate the importance of providing relevant and transparent financial information to demonstrate our accountability to the public. When changes to accounting standards are announced by the Public Sector Accounting Board (PSAB) or other regulatory bodies, we consider the anticipated financial impacts to our municipality and broader public sector, as well as share our feedback to proactively influence the development of new accounting requirements. You can find examples of recent feedback that we provided to PSAB and other regulatory bodies online:

- PSAB – Past Comments
- International Accounting Standards Board – Sustainability Reporting

DEAR TORONTO, WE'RE THANKFUL FOR...

Top Canadian city (ranked 4th global city) – for housing the best tech talent

Top 20 global city – for liveability and economic competitiveness.

Top 10 Canadian company – for employees

2020 Supplier Diversity Leader – awarded to Michael Pacholok, Chief Procurement Officer for championing innovations that advance supplier diversity

Top 30 global city – for startup potential

Ranked 4th globally – for COVID-19 innovations

Ranked 19th and 2nd – for status as global leader and growth potential, respectively

Top 10 Canadian company – for employees

"A" list city – for advancing environmental action & addressing climate change

Top 30 global city – ranked 27th for the depth and quality of green finance offerings

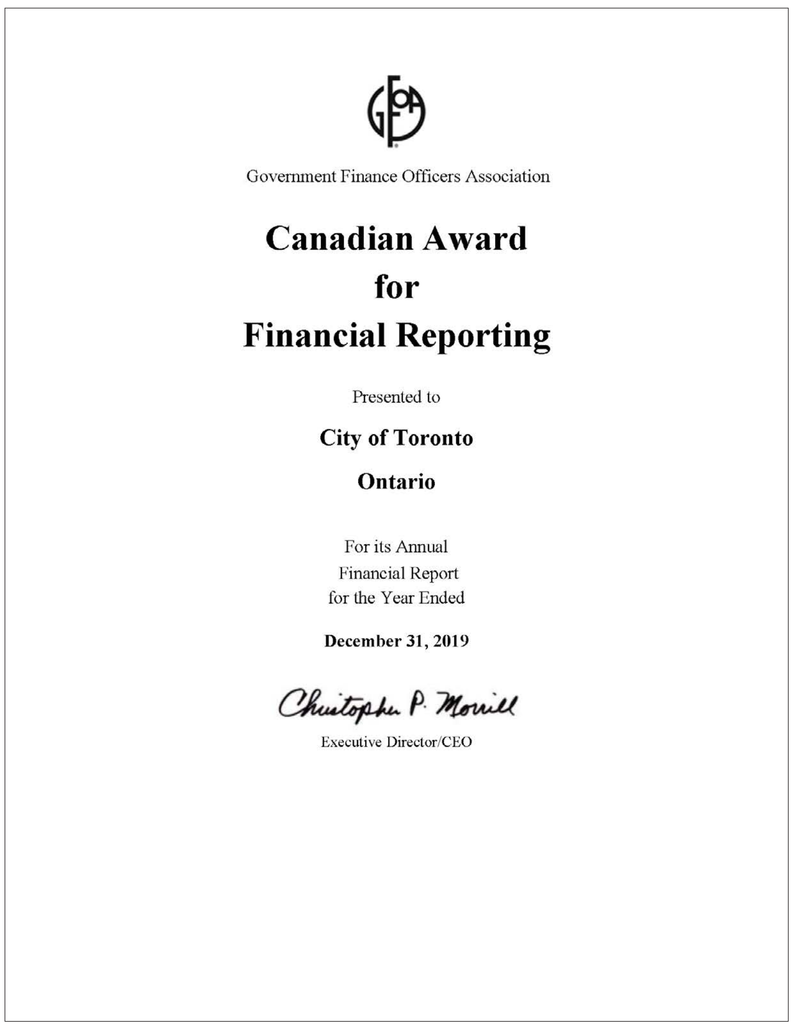
Recognized for creating a diverse workforce & inclusive environment

OUR FINANCIAL STATEMENTS WON AN AWARD!

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Canadian Award for Financial Reporting to our city for its annual financial report for the fiscal year ended December 31, 2019. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high-quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government’s financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We are continuing this standard of high-quality reporting for the submission and evaluation of the GFOA for the 2020 Award Program.


Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

City of Toronto

Ontario

For its Annual Financial Report for the Year Ended

December 31, 2019

Christopher P. Morrill

Executive Director/CEO

OUR CONSOLIDATED FINANCIAL STATEMENTS

Overview

- Message from our Controller
- Independent auditor’s report
- Financial statements and notes for the City’s consolidated results

MESSAGE FROM OUR CONTROLLER

In 2020, our City underwent profound changes that challenged our operations, service delivery models, and finances. We recognized that our residents, businesses, partners, and investors would carefully monitor how we prioritized the use of our financial resources to reduce the likelihood of unanticipated losses, as well as allow us to provide support in an efficient and effective manner.

The financial results of our City's collective efforts in responding to the COVID-19 pandemic can be found as part of our Consolidated Financial Statements, Sinking Fund Statements, and Trust Fund Statement. Each of the financial statements included in our annual financial report provide a comprehensive overview of our financial health and position, as well as how our revenues and expenses were impacted by activities, such as the receipt and recognition of $1 billion of COVID-19 related government grants that we received from the provincial and federal governments.

It is worth noting that the City's financial statements encompass the financial results of nor just the various divisions that are part of our municipal government, but also all of the Agencies, Boards, Corporations, and Enterprises that are controlled by the City, such as the Business Improvement Areas, Toronto Transit Commission, and Toronto Parking Authority.

The preparation of the Consolidated Financial Statements, the Sinking Fund Statements, the Trust Fund Statements, and all other information included in the annual financial report is the responsibility of City management. All financial statements have been prepared in accordance with Generally Accepted Accounting Principles as established by the Chartered Professional Accountants of Canada's Public Sector Accounting Board. These financial statements were also approved by Audit Committee and City Council in July 2021.

Fiscal 2020 also marked the start of our new five-year audit arrangement with KPMG LLG (KPMG), an independent registered public accounting firm appointed by City Council. As the City's external auditor, KPMG has an important role to express an independent opinion regarding the fair presentation of the City's financial position and operating results, as well as to confirm that the City's financial statements are free from material misstatement. I am pleased to report that the City's Consolidated Financial Statements, the Sinking Fund Statements, and the Trust Fund Statements have all received a clean audit opinion, and that these financial statements and all other information present fairly, in all material respects, the financial position of the City and all of its consolidated entities as at December 31, 2020.

In addition to our financial statements, we have included additional climate disclosures, which we prepared in accordance with the recommendations established by the Task Force on Climate-Related Financial Disclosures. As one of the three Canadian municipalities that have been championing these supplementary disclosures since 2018, I am happy to provide further updates on our progress in promoting climate action.

I encourage you to review how our City navigated through the unprecedented times during 2020.

July 14, 2021

Andrew Flynn
Controller

MANAGEMENT'S REPORT

The management of the City of Toronto (City) is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements. The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council (Council), reviews and approves the consolidated financial statements before they are submitted to Council. The Auditor General independently monitors the work of the external auditors performing financial statement audits. The Auditor General meets with the external auditors, reviews the external auditor's annual audit plan and year-end reports, reviews the audited financial statements, and is kept informed by the external auditor and management of all significant audit issues. The Auditor General will report to Audit Committee on any significant matters that come to her attention that are not appropriately addressed and resolved.

The 2020 consolidated financial statements have been audited by the City of Toronto's external auditors, KPMG LLP. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City of Toronto's consolidated financial statements.

Toronto, Ontario, Canada
July 14, 2021

Andrew Flynn
Controller

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the City of Toronto

Opinion

We have audited the consolidated financial statements of the City of Toronto (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 16, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughn, Canada
July 14, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2020 (in millions of dollars)

	2020	2019
FINANCIAL ASSETS		
Cash and Cash Equivalents	5,355	4,397
Accounts and Taxes Receivable (Note 2)	2,598	2,109
Loans Receivable (Note 3)	187	176
Other Assets (Note 4)	50	179
Investments (Note 5)	3,685	3,247
Investments in Government Business Enterprises (Note 6)	2,238	2,202
Total Financial Assets	**14,113**	**12,310**
LIABILITIES		
Bank Indebtedness (Note 7)	69	107
Accounts Payable and Accrued Liabilities (Note 8)	4,280	3,706
Deferred Revenue (Note 9)	5,216	4,217
Provision for Property and Liability Claims (Note 10)	456	522
Environmental and Contaminated Site Liabilities (Note 11)	393	452
Mortgages Payable (Note 12)	349	289
Long-Term Debt (Note 13)	7,654	7,104
Employee Benefit Liabilities (Note 14)	4,301	4,133
Total Liabilities	**22,718**	**20,530**
NET DEBT	**(8,605)**	**(8,220)**
NON-FINANCIAL ASSETS		
Prepaid Expenses	171	162
Inventories (Note 15)	334	300
Tangible Capital Assets (Note 16, Schedule 1)	36,528	34,564
Total Non-financial Assets	**37,033**	**35,026**
ACCUMULATED SURPLUS (Note 17)	**28,428**	**26,806**

Commitments and Contingencies (Note 18)

Subsequent Events (Note 24)

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2020 (in millions of dollars)

	2020 Budget (Note 19)	2020 Actual	2019 Actual
REVENUE			
Property and Taxation from Other Governments	4,579	4,582	4,410
Government Transfers (Note 20)	3,108	4,070	3,493
User Charges	3,820	2,864	3,526
Municipal Land Transfer Tax	794	804	799
Other Revenue Sources (Note 21)	731	597	654
Rent and Concessions	504	511	534
Development Charges	385	263	398
Government Business Enterprise Earnings (Note 6)	-	129	234
Investment Income	281	187	335
Total Revenue	**14,202**	**14,007**	**14,383**
EXPENSES			
Transportation	3,749	3,472	3,581
Social and Family Services	2,686	2,627	2,553
Protection to Persons and Property	1,987	1,946	1,930
Recreation and Cultural Services	1,180	938	1,073
Environmental Services	1,276	1,008	1,043
General Government	1,057	851	886
Social Housing	1,219	877	830
Health Services	519	536	497
Planning and Development	292	130	358
Total Expenses (Note 22)	**13,965**	**12,385**	**12,751**
ANNUAL SURPLUS	**237**	**1,622**	**1,632**
ACCUMULATED SURPLUS – BEGINNING OF YEAR	**26,806**	**26,806**	**25,174**
ACCUMULATED SURPLUS – END OF YEAR (NOTE 17)	**27,043**	**28,428**	**26,806**

Segmented Information is presented in Appendices 2 and 3.

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2020 (in millions of dollars)

	2020 Budget (Note 19)	2020 Actual	2019 Actual
ANNUAL SURPLUS	**237**	**1,622**	**1,632**
Acquisition of Tangible Capital Assets	(3,410)	(3,410)	(3,493)
Amortization of Tangible Capital Assets	1,432	1,432	1,383
(Gain) on Disposal of Tangible Capital Assets	-	(31)	(14)
Recognition of Receivable from the Province (Note 2)	-	-	239
Proceeds on Disposal of Tangible Capital Assets	-	45	38
Change due to Tangible Capital Assets	**(1,978)**	**(1,964)**	**(1,847)**
Change in Prepaid Expenses	-	(9)	55
Change in Inventories	-	(34)	28
INCREASE IN NET DEBT	**(1,741)**	**(385)**	**(132)**
NET DEBT – BEGINNING OF YEAR	**(8,220)**	**(8,220)**	**(8,088)**
NET DEBT – END OF YEAR	**(9,961)**	**(8,605)**	**(8,220)**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2020 (in millions of dollars)

	2020	2019
OPERATING ACTIVITIES		
Annual Surplus	1,622	1,632
Add (deduct) items not involving cash:		
Government Business Enterprise Income from Operations	(129)	(234)
Amortization of Tangible Capital Assets	1,432	1,383
(Gain) on Disposal of Tangible Capital Assets	(31)	(14)
Recognition of Pension surplus (Note 14(h)(iii))	-	(106)
	2,894	**2,661**
Changes in Operating Assets and Liabilities		
Accounts and Taxes Receivable	(489)	149
Accounts Payable and Accrued Liabilities	574	(132)
Deferred Revenue	999	350
Provision for Property and Liability Claims	(66)	(7)
Prepaid Expenses	(9)	55
Inventories	(34)	28
Environmental and Contaminated Sites Liabilities	(59)	211
Employee Benefit Liabilities	168	122
Cash Provided by Operating Activities	**3,978**	**3,437**
CAPITAL ACTIVITIES		
Acquisition/Construction of Tangible Capital Assets	(3,410)	(3,493)
Proceeds on Disposal of Tangible Capital Assets	45	38
Cash applied to Capital Activities	**(3,365)**	**(3,455)**
INVESTING ACTIVITIES		
Other Assets	129	3
Loans Receivable	(11)	5
Proceeds from the Sale and Maturities of Investments	3,744	6,762
Purchase of Investments	(4,182)	(6,746)
Dividends and Distributions from Government Business Enterprises	93	163
Cash (applied to) / provided by Investing Activities	**(227)**	**187**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2020 (in millions of dollars)

	2020	2019
FINANCING ACTIVITIES		
Bank Indebtedness	(38)	3
Principal Repayments on Mortgages Payable	(26)	(3)
Issuance of Long-Term Debt	1,077	1,041
Principal Repayments on Long-Term Debt	(402)	(351)
Interest Earned on Sinking Funds	(39)	(88)
Cash provided by Financing Activities	**572**	**602**
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**958**	**771**
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	**4,397**	**3,626**
CASH AND CASH EQUIVALENTS – END OF YEAR	**5,355**	**4,397**
SUPPLEMENTARY INFORMATION:		
Cash Paid for Interest on Long-Term Debt	199	334
Cash Received for Interest on Investments	182	276

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

The City of Toronto (City) is the provincial capital of Ontario and the largest city in Canada. Although the City of Toronto was originally incorporated on March 6, 1834, the 1998 amalgamation of the City of Toronto, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York resulted in the existing City. The City operates under the provisions of the City of Toronto Act, 2006.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since the first quarter of 2020, COVID-19 pandemic has impacted the global economic environment due to government-imposed lockdowns and social distancing requirements. The economic conditions and City's response to the COVID-19 pandemic had an operational and financial impact on the City. Although all 2020 COVID-19 financial impacts were managed, the full extent of the financial impact is currently indeterminable due to the evolving nature of the COVID-19 pandemic.

1. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Consolidated Financial Statements (Statements) of the City have been prepared by management in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

B. PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City, including the Toronto Police Services Board, and all organizations controlled by the City. In addition, the City proportionately consolidates two entities held in partnership. The Toronto Waterfront Revitalization Corporation is a 33.33% partnership with each of the Canadian and Ontario Governments, and the Toronto PanAm Sports Centre is a 50% partnership with the University of Toronto.

The City's 100% share of the Toronto Hydro Corporation and Toronto Parking Authority follow Government Business Enterprises (GBE) accounting, using the modified equity basis of accounting where the accounting principles of the GBEs are not adjusted to conform to the City's accounting principles and intercompany transactions and balances are not eliminated. Intercompany gains and losses are, however, eliminated on assets remaining within the government reporting entities at the reporting date.

C. CONSOLIDATED ENTITIES

i. Agencies and Corporations

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Build Toronto Inc. (BTI)
- Casa Loma Corporation
- Heritage Toronto
- Lakeshore Arena Corporation
- TOLive
- Toronto Atmospheric Fund (TAF)
- Toronto Board of Health
- Toronto Community Housing Corporation (TCHC)
- Toronto Licensing Commission
- Toronto Public Library Board
- Toronto Transit Commission (TTC)
- CreateTO
- Yonge-Dundas Square
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company (TPLC)
- Toronto Pan Am Sports Centre Inc. (TPASC) (50% proportionately)
- Toronto Waterfront Revitalization Corporation (TWRC) (33.33% proportionately)

ii. Arenas

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve
- William H. Bolton

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

iii. Community Centres

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Waterfront Neighbourhood
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

iv. Business Improvement Areas (BIAs)

- Albion Islington Square
- Baby Point Gates
- Bayview Leaside
- Bloor Annex
- Bloor By The Park
- Bloor Street
- Bloor West Village
- Bloor Yorkville
- Bloorcourt Village
- Bloordale Village
- Broadview Danforth
- Cabbagetown
- Chinatown
- Church Wellesley Village
- City Place & Fort York
- College Promenade
- College West
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- DuKe Heights
- Dupont by the Castle
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Junction Gardens
- Kennedy Road
- Kensington Market
- Korea Town
- Lakeshore Village
- Leslieville
- Liberty Village
- Little Italy
- Little Portugal on Dundas
- Long Branch
- Marketo District
- Midtown Yonge
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant Village
- Oakwood Village
- Ossington Avenue
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside District
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- shoptheQueensway.com
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Eglinton Way
- The Kingsway
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wilson Village
- Wychwood Heights
- Yonge and St. Clair
- Yonge Lawrence Village
- York Eglinton

All intercompany assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

D. TRUST FUNDS

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 23).

E. USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities, property tax assessment appeals, property, liability and accident claims provisions, landfill closure and post-closure liabilities, and environmental and contaminated sites provisions, are based on management's best information and judgment. Actual amounts, accounted for as they become known, may differ significantly from these estimates.

The pandemic has caused fluctuating markets that directly impact the discount rates used for the estimates. The full extent of the impact that COVID-19 pandemic, including government and regulatory responses to the pandemic, will have on the Canadian economy and the City's operations remains uncertain at this time.

F. ASSETS

Assets are economic resources controlled by the City as a result of past transactions or events and from which future economic benefits are expected to be obtained. For the year ended December 31, 2020, all material assets have been disclosed and reported within the City's consolidated financial statements.

G. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents includes cash on hand, deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less.

H. RECEIVABLES AND REVENUES

Loans Receivable are recorded at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in the valuation of loans receivables are recognized in the Consolidated Statement of Operations and Accumulated Surplus. Interest is accrued on loans receivable to the extent it is deemed collectable. When the terms associated with a loan are considered to be concessionary that all or a part of the loan is considered to be a grant, the City will expense the grant portion of the transaction as an expense in the Consolidated Statement of Operations and Accumulated Surplus at the time the loan is made.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Taxation revenues and associated receivables are recognized when they meet the definition of an asset, are authorized, and the taxable event occurs. Additional property tax revenue can be added throughout the year, after the return of the annual assessment roll used for billing purposes, as new properties are occupied or become subject to property tax. The City may receive supplementary assessment rolls over the course of the year from the Municipal Property Tax Assessment Corporation (MPAC) identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the City Council approved tax rate for each property class. Taxation revenues may also be impacted by reductions in assessment values resulting from assessment and/or property tax appeals performed by MPAC. An annual adjustment to account for changes in collectability of the City's taxation receivables is reflected in the City's Consolidated Statement of Operations and Accumulated Surplus.

Municipal Land Transfer tax revenues are recorded following the registration of the taxable sale.

User Charges consist of transit fees, utility charges (water, wastewater and solid waste), licensing fees, and fees associated with City programs and facilities rentals. Revenue is recognized when the activity is performed or when the services are rendered.

Government Transfers to the City are recognized as revenues in the period in which the transfer is authorized by the transferring government and all eligibility criteria are met, except if there are stipulations that creates an obligation that meets the definition of a liability. Once a liability is recognized, the transfer is recorded in revenue as the obligations related to these stipulations are met.

Development Charges are charges imposed on land development or redevelopment projects. Fees are set by City by-law, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund the growth-related portion of qualifying capital projects.

I. INVESTMENTS

Investments consist mainly of government and corporate bonds, debentures, equity and short-term instruments of various financial institutions. Investments are accounted for at amortized cost. Where there is a permanent loss in value, the investment value is written down to recognize the loss, with the corresponding write-down reflected in the Statement of Operations and Accumulated Surplus.

Investment income is reported as revenue in the period earned. Investment income earned on Deferred Revenues, which are considered to be Obligatory Reserve Funds (as they are set aside for specific purposes by legislation, regulation or agreement), is added to the respective Deferred Revenue balances.

Dividends are recognized when declared.

J. DEFERRED REVENUE

Deferred Revenues, which include advance payments for tickets, building permits and program registration fees; contributions from developers according to Section 37 of the Planning Act; and revenues set aside for specific purposes (obligatory reserve funds), represent revenues which have been collected, but for which the related services have not yet been provided. Revenue is recognized when the related activity occurs or the service is performed.

K. PROVISION FOR PROPERTY AND LIABILITY CLAIMS

Estimated costs to settle Property and Liability Claims are actuarially determined based on available loss information and projections of the present value of estimated future expenses, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, liabilities are included on the Consolidated Statement of Financial Position, with annual changes expensed as operating costs in the Consolidated Statement of Operations and Accumulated Surplus.

The TTC has a self-insurance program for Automobile and General Liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

L. ENVIRONMENTAL AND CONTAMINATED SITE LIABILITIES

Liabilities related to the remediation of contaminated sites are recorded when all of the following are met:

- Environmental standards exist;
- Contamination exceeds the standard;
- The City is directly responsible or accepts responsibility for the contamination;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the liability can be made.

The estimated amounts of future remediation costs are reviewed annually, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, liabilities are included in the Consolidated Statement of Financial Position, with annual changes expensed as operating costs in the Consolidated Statement of Operations and Accumulated Surplus.

The City also provides for the estimated costs to remediate contaminated sites that are in productive use when conditions are identified as not compliant with environmental legislation and those costs can be reasonably determined.

The Ontario Environmental Protection Act sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and for active landfill sites based on usage.

The estimated liability for the care of the active Green Lane landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate.

Post-closure care activities for inactive landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover. The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position, with annual changes expensed as operating costs in the Consolidated Statement of Operations and Accumulated Surplus.

M. DERIVATIVE FINANCIAL INSTRUMENTS

Although the City's investment policy prevents the use of derivative financial instruments for trading or speculative purposes, they are utilized in the management of its purchase of electricity and natural gas. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

A derivative financial instrument (interest rate swap) is being used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus.

N. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities include Sick Leave, Schedule 2 Employer benefits under the Workplace Safety and Insurance (WSIB) Act, Life Insurance, and Extended Health and Dental benefits for early retirees as well as post-amalgamation retirees grandparented from their former area municipality. The costs of these benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

The costs of WSIB obligations are actuarially determined and expensed in the period they occur. The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on the City's average long-term borrowing rate.

The cost of the City's multi-employer defined benefit pension plan, the Ontario Municipal Employees Retirement System (OMERS) pension, is accounted for as a defined contribution plan.

O. NON-FINANCIAL ASSETS

Non-Financial Assets are used to provide City services and are not available to discharge existing liabilities. These assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i. Tangible Capital Assets

Tangible Capital Assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the construction, development or implementation of a tangible capital asset is capitalized. The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

December 31, 2020 (in millions of dollars)

The City categories its TCA based on two major categories – general and infrastructure:

- **General capital assets** include those assets which are not part of a network. Land includes all of the City's land except land under roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by police, fire and paramedic services, as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.
- **Infrastructure assets** include those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within Infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within water and wastewater treatment plants and pumping stations. Water and wastewater infrastructure includes pipe networks delivering water and removing waste water. Road networks are inclusive of road bases, surfaces and sidewalks. Transit infrastructure includes the subway system, rolling stock, track work and power distribution assets.

Donated tangible capital assets are recorded at estimated fair market value at the date of donation, with a corresponding recognition of revenue.

Lease arrangements, which transfer substantially all of the risks and benefits that are incidental to ownership, are recognized as a leased tangible capital asset and amortized over the lease term. All other forms of lease arrangements are considered to be operating in nature. Operating lease payments are expensed as incurred as part of the City's Consolidated Statement of Operations and Accumulated Surplus.

Cloud-based software costs are assessed to determine if they meet the definitions of an asset and tangible capital asset. In the event the transactions satisfy both of the definitions, the City recognizes all costs associated with preparing the software for its intended use as part of the Assets Under Construction balance. Once the software has been fully implemented and is operational, the City will re-classify the associated costs to tangible capital assets.

The cost less expected residual value is amortized on a straight-line basis, over the estimated useful life of the assets, at the following rates:

Asset	Useful life
General assets	
Land improvements	10 – 70 years
Buildings and building improvements	10 – 100 years
Machinery and equipment	4 – 75 years
Motor vehicles	5 – 20 years
Infrastructure assets	
Water and wastewater linear	60 – 100 years
Roads linear	4 – 100 years
Transit	10 – 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services. Any impairment is accounted for as a loss in the Consolidated Statement of Operations and Accumulated Surplus.

The City manages and controls various works of art and non-operational historical cultural assets which are not recorded as tangible capital assets and are not amortized. The valuation associated with these assets is not determinable. Examples of these assets include buildings, artifacts, paintings, and sculptures located at City sites and public display areas. The City's art collection includes historical buildings, artifacts, paintings and sculptures located at City sites and public display areas. In addition, the City has numerous moveable works of art collected between the 1850s and present day which include artifacts and archaeological specimens related to Toronto's history and culture.

ii. Inventory

Inventory of materials and supplies is valued at the lower of cost and replacement cost. Inventory of land held for sale is valued at the lower of cost or net realizable value.

P. RESERVES AND RESERVE FUNDS

Reserve Funds are comprised of funds set aside for specific purposes. City Council has authorized the allocation of interest to reserve funds but not to reserves. There are two types of reserve funds:

a. Obligatory Reserve Funds are funds received and set aside for specific purposes by legislation or contractual agreements. These funds can only be used for prescribed purposes and are reported as Deferred Revenue on the Consolidated Statement of Financial Position.

b. Council Directed Reserve Funds are created by Council for specific purposes through by-law and are reported in the Accumulated Surplus balance on the Consolidated Statement of Financial Position.

Q. EXPENSES

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Interest expenses is recognized as incurred. Expenses paid in the current period attributable to future benefits received are classified as Prepaid Expenses in the City's Non-Financial Assets.

Government transfer payments to other public sector entities are recognized in the year that the transfer is authorized, and all eligibility criteria have been met by the recipient. Any transfers paid in advance are deemed to have met all eligibility criteria.

R. CONTRACTUAL RIGHTS AND OBLIGATIONS

Contractual rights reflect future rights to economic resources arising from contracts and/or agreements that will result in both an asset and revenue in future fiscal periods. For the year ended on December 31, 2020, the City is not aware of any contracts and/or agreements, which would result in contractual rights.

Contractual obligations represent obligations, which will result in liabilities upon the completion of agreed upon terms specified in contracts and/or agreements in future fiscal periods. For further details regarding the City's contractual obligations, including the nature, extent and timing of these types of transactions, please refer to Note 18.

S. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and contingent liabilities arise from circumstances when the City is uncertain whether it has an asset and/or liability on the date of the financial statements. The existence of the asset and/or liability is ultimately dependent upon the occurrence or non-occurrence of a future event that is outside of the entity's control.

For the year ended on December 31, 2020, the City is not aware of any contingent assets. However, disclosure regarding the City's contingent liabilities, including the nature, extent, and basis of estimates (if available), can be found in Note 18.

i. Loan Guarantees

The City provides loan guarantees for various cultural and community-based organizations, which are not consolidated as part of the City's consolidated financial statements. As loan guarantees represent potential financial commitments for the City, these amounts are considered as contingent liabilities and not formally recognized as liabilities until the City considers it likely for the borrower to default on its obligation. In the event a default occurs, the City will recognize a corresponding liability as part of the consolidated financial statements.

T. RELATED PARTY TRANSACTION

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties also include key management personnel, such as City Councillors and members of the Corporate Leadership Team, as well as their close family members.

PS 2200 – Related Party Disclosure requires the City to disclose circumstances in which the entity enters into transactions with its related parties at a value different from that which would have been arrived at if the parties were unrelated (i.e. not at arm's length) and these transactions are considered to have a significant financial impact on the City's consolidated financial statements. In the event qualifying transactions are identified, the City would disclose the nature of relationships with all involved parties, type of related party transaction, and amounts recognized in the consolidated financial statements.

As of December 31, 2020, the City is not aware of any material related party transactions aside from those that have already been disclosed as part of Note 6, Investments in Government Business Enterprise Earnings.

U. FUTURE ACCOUNTING PRONOUNCEMENTS

The City continues to assess the impact on its consolidated financial statements of the following upcoming changes to PSAS.

While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS 1201 – Financial Statement Presentation, PS 3450 – Financial Instruments, PS 2601 – Foreign Currency Translation and PS 3041 – Portfolio Investments must be implemented at the same time. The City has not adopted any new accounting standards for the year ended on December 31, 2020.

i. Standards applicable for fiscal years beginning on or after April 1, 2022 (in effect for the City for the year ending on December 31, 2023):

PS 1201 – Financial Statement Presentation replaces PS 1200 – Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The Standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. The new statement reports the changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value, and the government's proportionate share of other comprehensive income arising from the results of government business enterprises and partnerships.

PS 3450 – Financial instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments can be elected to be measured at cost, amortized cost or fair value. Unrealized gains and losses arising from changes in fair value are presented in the new Statement of Remeasurement Gains and Losses.

PS 2601 – Foreign Currency Translation replaces PS 2600 – Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported at fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. However, the new standard also provides an election that will allow for the continued recognition of all exchange gains and losses directly in the Statement of Operations.

PS 3041 – Portfolio Investments replaces PS 3040 – Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 – Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 – Temporary Investments will no longer apply.

PS 3280 – Asset Retirement Obligations establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. Upon adoption of this standard, PS3270 Solid Waste Landfill Closure and Post-closure Liability will no longer apply.

ii. Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the City for the year ending on December 31, 2024):

PS 3160 – Public Private Partnerships (P3s) identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

PS 3400 – Revenue establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

PSG-8 – Purchased intangibles provides guidelines on accounting and reporting for purchased intangibles. Concurrently, PS 1000 – Financial Statement Concepts has been amended to remove the prohibition against recognizing intangibles purchased in an exchange transaction in public sector financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

2. ACCOUNTS AND TAXES RECEIVABLE

	2020	2019
Federal and Provincial Government Receivables	1,309	1,047
Property Taxes Receivables	466	255
Trade and Other Receivables	823	807
	2,598	**2,109**

Included in Federal and Provincial Government receivables are:

- Safe Restart Agreement (SRA) – $355 (2019 – $nil): intended to support safe restart of the economy following the COVID-19 pandemic. $153 has been received since December 31, 2020;
- Provincial Transit Infrastructure Fund (PTIF) claims – $294 (2019 – $292): $144 has been received since December 31, 2020; and
- Provincial Gas Tax (PGT) – $139 (2019 – $136): $139 has been received since December 31, 2020.

In 2019, the Province enacted Ontario Regulation O248/19 which came into force on the day it was filed. The regulation designated the Relief Line/Ontario Line, Scarborough Subway Extension/Line 2 East Extension, Eglinton Crosstown LRT and Yonge Subway Extension as being the sole responsibility of the Province. As a result, the City and the TTC ceased to design, develop, construct or work on, or cause design, construction or work on these projects. The TTC also reassigned consultant contracts related to the three transit projects to Metrolinx. In response to this transfer, the City recognized a receivable of $239, which reflected the City's best estimate of amounts owing from the Province for reimbursement of reasonable costs incurred for these subway projects. The City is continuing to recognize this receivable as at December 31, 2020. No changes to this estimate are anticipated at this time.

3. LOANS RECEIVABLE

	2020	2019
TCHC promissory notes, loan agreements and receivables, bearing interest rates between 3.0% and 6.0% (2019 – 3.0% to 4.9%) per annum with maturity dates from 2021 to 2057 (2019 – 2020 to 2057)	72	61
BTI loan facility and vendor-take-back (VTB) mortgages, bearing interest rates between 3.3% and 5.0% (2019 – 3.3% to 5.0%) per annum with maturity dates from 2023 to 2027	32	33
Loans receivable from community housing organizations bearing interest rates between 0% and 5.0% (2019 – 0% to 5.0%) per annum, with maturity dates from 2021 to 2074 (2019 – 2020 to 2074)	47	46
Energy loans receivable from organizations to enable the implementation of green initiative projects across the City bearing interest rates between 0% and 3.7% (2019 – 0% to 3.7%) per annum, with maturity dates from 2021 to 2040 (2019 – 2020 to 2040)	25	25
Loan receivable from Maple Leaf Sports and Entertainment Ltd. for the expansion of BMO Stadium bearing an interest rate of 4.20% per annum with a maturity date of 2034	8	8
Other	3	3
	187	**176**

December 31, 2020 (in millions of dollars)

4. OTHER ASSETS

	2020	2019
TCHC equal Contribution Equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	13	15
TCHC Externally restricted assets under Loan Agreements for Capital Expenditures	6	142
Other	31	22
	50	**179**

5. INVESTMENTS

	2020		2019	
	Cost	**Market Value**	**Cost**	**Market Value**
Government bonds	1,554	1,649	1,527	1,569
Corporate bonds	1,099	1,143	961	965
Equities	740	799	241	235
Mortgages	117	124	115	115
Money market instruments	93	93	345	345
Foreign corporate bonds	11	12	27	27
Other	71	88	31	54
	3,685	**3,908**	**3,247**	**3,310**

Government bonds include bonds held in trust by the City's insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $67 (2019 – $66.8).

The weighted average yield on the cost of the bond investment portfolio during the year was 3.3% (2019 – 3.5%). Maturity dates on investments in the portfolio range from 2040 to 2046 (2019 – 2020 to 2044).

Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.15% to 4.70% (2019 – 4.15% to 4.70%) with a carrying value of $16 (2019 – $13).

The City is not aware of any significant risks or indicators which suggest that corporate bonds are permanently impaired, requiring a formal write-down of these assets. It is the City's intention to hold corporate bonds to maturity.

Changes in provincial regulations, which came into effect on January 1, 2018, allow the Toronto Investment Board to manage the funds not immediately required by the City, as well as to transition the City's investment portfolio, to a more diversified asset mix in accordance with the City's investment standards and Council-approved investment policy.

December 31, 2020 (in millions of dollars)

6. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (GBEs)

	2020	2019
Toronto Hydro Corporation	1,903	1,877
Toronto Parking Authority	335	325
	2,238	**2,202**

The book value continuity of the City's GBEs is as follows:

	2020	2019
Balance – beginning of year	2,202	2,131
Income from operations (Appendix 1)	128	233
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1	1
Dividends received (Appendix 1)	(93)	(100)
Distribution to City (Appendix 1)	-	(63)
Balance – end of year (Appendix 1)	**2,238**	**2,202**

GBE Earnings on the Consolidated Statement of Operations and Accumulated Surplus consist of the following:

	2020	2019
Income from Operations (Appendix 1)	128	233
Change in net book value of street-lighting assets on sale to Toronto Hydro Corporation (Appendix 1)	1	1
Government Business Enterprise Earnings	**129**	**234**

Condensed, audited financial results for each government business enterprise are disclosed in Appendix 1 to the Notes to these Consolidated Financial Statements.

Related party transactions between the City and its GBEs are as follows:

	2020	2019
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	305	299
Property taxes paid to the City from Toronto Parking Authority	22	22
Property taxes paid to the City from Toronto Hydro	4	4
Rent expense paid to the City from Toronto Parking Authority	2	3
	333	328

December 31, 2020 (in millions of dollars)

Principal repayments of unsecured Long-Term Debt of the City's GBEs are as follows:

	Due to others
2021	301
2022	1
2023	251
2024	1
2025	-
Thereafter	1,844
	2,398

Repayments relate to Toronto Hydro Corporation's long term debt series with interest rates ranging from 1.50% to 5.54% per annum and maturity dates ranging between 2021 to 2063 and Toronto Parking Authority debt payable of $0.6 (2019 – $0.6) relating to the purchase of equipment, bearing an effective interest rate of 2.3% per annum and maturing on June 30, 2025.

7. BANK INDEBTEDNESS

The City has an unsecured demand revolving credit facility in the amount of $100 (2019 – $100) bearing interest at the bank prime rate with an effective rate during 2020 of 2.45% (2019 – 3.95%) per annum.

TCHC has a committed revolving credit facility of $200 (2019 – $200) that is available for short-term advances and letters of credit, with standby charges of 0.25%. Short-term advances are available by way of a prime loan at the bank prime rate and bankers' acceptances (BAs) at the bank BA rate plus 1.10%. Short-term drawings of $nil (2019 – $69M) have been made in 2020. The entity is in compliance with all bank covenants.

	2020	2019
City, net outstanding cheques	69	38
TCHC	-	69
	69	**107**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade Payables and Accruals	3,659	3,142
Tax Appeal Assessments on Property Taxes Payable	397	402
Wages Payable	224	162
	4,280	**3,706**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

9. DEFERRED REVENUE

	2020	2019
Obligatory Deferred Revenues		
Restricted by Provincial legislation	2,976	2,353
Restricted by Agreements with Third Parties	1,339	1,455
Total Obligatory Deferred Revenues	**4,315**	**3,808**
Advance Payments and Contributions	**901**	**409**
Total Deferred Revenue	**5,216**	**4,217**

Deferred Revenue Continuity:

	2020		
	Obligatory Deferred Revenues	**Advance Payments Contributions**	**Total**
Balance – beginning of year	3,808	409	4,217
Amount received during the year	2,107	3,882	5,989
Amount recognized as revenue	(1,600)	(3,390)	(4,990)
Balance – end of year	**4,315**	**901**	**5,216**

	2019		
	Obligatory Deferred Revenues	**Advance Payments Contributions**	**Total**
Balance – beginning of year	3,452	415	3,867
Amount received during the year	1,949	4,430	6,379
Amount recognized as revenue	(1,593)	(4,436)	(6,029)
Balance – end of year	**3,808**	**409**	**4,217**

10. PROVISION FOR PROPERTY AND LIABILITY CLAIMS

	2020	2019
Property and Liability Claims Provision	309	381
TTC Unsettled Accident Claims	147	141
	456	**522**

The City's insurance program is administered through a combination of self-insurance and coverage with insurance carriers. The City maintains a corporate insurance reserve fund of $32 (2019 – $18) that can be used to finance payments for vehicle, property and liability insurance claim payments, as well as related legal and adjusting expenses.

December 31, 2020 (in millions of dollars)

11. ENVIRONMENTAL AND CONTAMINATED SITE LIABILITIES

	2020	2019
Inactive Landfill Sites	173	227
Contaminated Site Liabilities	170	190
Active Landfill Site (Green Lane)	26	15
Environmental Liabilities (TTC and BTI)	24	20
Total Environmental and Contaminated Sites Liabilities	**393**	**452**

Environmental and Contaminated Site liabilities are based on internal expert assessments and/or third-party engineering reports covering estimated costs of remediating sites with known contamination for which City entities are responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, such as the City's interest rate and inflation rate, actual costs may vary. The estimated amounts of future remediation costs are reviewed annually based on available information and governing legislation.

Liability for Contaminated Sites held by TPLC

TPLC owns a number of properties that are not in productive use, where contamination exceeds environmental standards. Although TPLC is responsible for each of these properties, the anticipated land use is not known at this time, therefore, no remediation efforts have been planned. However, in accordance with PS 3260, Liability for Contaminated Sites, recognizing the uncertainty of the remediation action plan until use of this land is known, management has taken a risk management approach to determine a liability of $160, which is an undiscounted balance, at December 31, 2020 (2019 – $180). While certain contaminated properties may require additional remediation once the land use is known, at this time, it has been determined that risk can be mitigated through the management or containment of the contaminants, where appropriate, through a mixture of engineered and operating measures. Management will continue to monitor this risk and update the liability when conditions change or use is known with greater certainty.

Active Landfill Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long term disposal requirements. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 2.8% (2019 – 2.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2020 is $26 (2019 – $15), based on the percentage of total approved capacity used of 59% (2019 – 56%). Undiscounted expenditures are $35 (2019 – $38) and the net present value of the total liability has been recorded in the Statement of Financial Position.

In order to help reduce the future impact of these obligations, the City has established reserve funds for the care of these sites. Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund (Note 17).

Reserve Balances	2020	2019
Green Lane Reserve Fund	7	10
Green Lane Perpetual Care Reserve Fund (GLPC)	7	6
Total	**14**	**16**

2020 contributions to the GLPC reserve of $0.67 (2019 – $0.72) are based on a contribution rate of 1.34 (2019 – 1.34) per tonne of waste disposed. This rate is updated annually.

December 31, 2020 (in millions of dollars)

Inactive Landfill Sites

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 2.8% (2019 – 2.5%). The estimated present value of future expenditures for post-closure care as at December 31, 2020 was $173 (2019 – $227).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund to satisfy the requirements of the Ministry of the Environment, Conservation and Parks. The Solid Waste Management Perpetual Care Reserve Fund is included as part of the State of Good Repair Reserve Fund (Note 17), and the Keele Valley Site Post-Closure Trust Fund is included as part of the City's various trust funds (Note 23).

	2020	2019
Solid Waste Management Perpetual Care Reserve Fund (Note 17)	25	26
Keele Valley Site Post-Closure Trust Fund (Note 23)	8	8
	33	**34**

12. MORTGAGES PAYABLE

	2020	2019
TCHC secured mortgages, collateralized by TCHC housing properties, with interest rates between 0.68% and 11% (2019 – 1.39% to 11%) per annum and maturity dates ranging from 2021 to 2032	321	260
BTI mortgage, secured by assets and corporate guarantees of Build Toronto Holdings One Inc., BTI and common shares of PT Studios, with an interest rate of 3.33% per annum, maturing on March 15, 2027	28	29
	349	**289**

Principal repayments on mortgages are due as follows:

	2020
2021	48
2022	28
2023	28
2024	25
2025	25
Thereafter	195
	349

Principal re-payments made in 2020 were $0.9 (2019 – $0.88) on the BTI mortgages and $25 (2019 – $22) on the TCHC mortgages.

December 31, 2020 (in millions of dollars)

13. LONG-TERM DEBT

	2020	2019
Unsecured debentures issued by the City, bearing interest at various rates ranging from 0.00% to 6.80% (2019 – 2.40% to 6.80%), maturing from 2021 to 2049	7,527	6,790
Unsecured green bond issued by the City, bearing interest at various rates ranging from 2.6% to 3.2% (2019 – 2.6% to 3.2%), maturing from 2039 to 2048	630	500
Unsecured social bond issued by the City, bearing interest at 1.6% (2019 – Nil), maturing in 2030	100	-
Less: sinking fund deposits bearing interest at rates between 2% and 5% (2019 – 2% to 5%)	(2,011)	(1,604)
Unsecured Debentures, Net of Sinking Fund Deposits	**6,246**	**5,686**
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 2.47% and 4.53%, subject to financial covenants, maturing in 2043 to 2049	918	925
TCHC debentures, unsecured, consisting of Series A bonds of $250 at 4.87% (maturing in 2037) and Series B bonds of $200 at 5.39% (maturing in 2040)	446	446
TCHC non-revolving, 10-year loan to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009. The loan was provided at a fixed interest rate of 3.39% with repayment beginning March 15, 2018	19	21
Lakeshore Arena Corporation credit facilities secured by a property mortgage, a general security agreement and assignments of rents and leases, from Infrastructure Ontario, bearing interest at 3.48%, with a maturity date of October 31, 2042	24	25
Others, bearing interest between 1.75% to 8.05% maturing from 2021 to 2027	1	1
Consolidated Entities Debentures	**1,408**	**1,418**
Total Net Long-Term Debt	**7,654**	**7,104**

The City's ability to issue long term debt is governed by Provincial legislation; long term debt can only be issued to finance capital expenditures.

2020 principal repayments total $402 (2019 – $351). Principal repayments are due as follows:

	2020
2021	536
2022	476
2023	486
2024	460
2025	437
Thereafter	5,259
	7,654

December 31, 2020 (in millions of dollars)

14. EMPLOYEE BENEFIT LIABILITIES

a. Description of Benefits

The City of Toronto provides post retirement benefit plans for hospital, extended healthcare, drug, dental and life insurance benefits; amounts include health care spending accounts for Toronto Firefighters and the Toronto Police Service. Post-employment benefit plans provide income benefits for employees on Long-Term Disability and the continuation of benefits (hospital, extended health care, drug, dental and life insurance) in respect thereof; accumulated sick leave benefits; and self-insured WSIB Benefits (for Schedule 2 employers).

The most recent actuarial valuation was completed for the fiscal year ending December 31, 2020, from an extrapolation of the December 31, 2018 actuarial valuation. The next actuarial valuation for post-retirement and post-employment benefits is expected to be performed as at December 31, 2021.

	2020	2019
Sick leave benefits	579	527
Worker Safety Insurance Board (WSIB) obligations	932	789
Other Employment and Post-Employment Benefits	3,195	2,806
Total Employee Accrued Benefit Obligation	4,706	4,122
Unamortized Actuarial Loss	(405)	11
Employee Benefit Liabilities	**4,301**	**4,133**

b. Reconciliation of the plan assets and accrued benefit obligation, based on the actuarial assessment, to the amounts in the Consolidated Statement of Financial Position:

	2020			
	Post-retirement and Post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h (iii))	Total
Accrued benefit obligation (Note 14(c))	4,706	3,304	164	8,174
Fair Value of Plan assets (Note 14(d))	-	3,987	352	4,339
Funding deficit (surplus)	4,706	(683)	(188)	3,835
Unamortized actuarial loss	(405)	-	-	(405)
Valuation allowance	-	683	(188)	871
Employee benefit liability (Note 14(e))	**4,301**	**-**	**-**	**4,301**

December 31, 2020 (in millions of dollars)

	2019			
	Post-retirement and Post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h (iii))	Total
Accrued benefit obligation (Note 14(c))	4,122	3,074	510	7,706
Fair Value of Plan assets (Note 14(d))	-	3,658	768	4,426
Funding deficit (surplus)	4,122	(584)	(258)	3,280
Unamortized actuarial loss	11	-	-	11
Valuation allowance	-	584	258	842
Employee benefit liability (Note 14(e))	**4,133**	**-**	**-**	**4,133**

c. Continuity of the accrued benefit obligation, in aggregate:

	2020			
	Post-retirement and Post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h (iii))	Total
Balance – beginning of year	4,122	3,074	510	7,706
Current service cost	347	91	-	438
Interest cost	111	172	8	291
Actuarial (gain) loss	408	101	83	592
Benefits paid	(283)	(186)	(95)	(564)
Transfer to OMERS	-	-	(342)	(342)
Plan amendments	1	52	-	53
Balance – end of year	**4,706**	**3,304**	**164**	**8,174**

	2019			
	Post-retirement and Post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h (iii))	Total
Balance – beginning of year	3,667	2,688	1,281	7,636
Current service cost	306	80	-	386
Interest cost	124	170	39	333
Actuarial (gain) loss	302	264	(22)	544
Benefits paid	(278)	(175)	(120)	(573)
Transfer to OMERS	-	-	(668)	(668)
Plan amendments	1	47	-	48
Balance – end of year	**4,122**	**3,074**	**510**	**7,706**

December 31, 2020 (in millions of dollars)

d. Continuity of the plan assets:

	2020			
	Post-retirement and Post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h (iii))	Total
Balance – beginning of year	-	3,658	768	4,426
Employer contributions	283	130	-	413
Actual return on assets	-	387	21	408
TTC Pension Fund administrative	-	(2)	-	(2)
Benefits paid	(283)	(186)	(95)	(564)
Transfer to OMERS	-	-	(342)	(342)
Balance – end of year	**-**	**3,987**	**352**	**4,339**

	2019			
	Post-retirement and Post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h (iii))	Total
Balance – beginning of year	-	3,268	1,467	4,735
Employer contributions	278	129	-	407
Actual return on assets	-	438	89	527
TTC Pension Fund administrative	-	(2)	-	(2)
Benefits paid	(278)	(175)	(120)	(573)
Transfer to OMERS	-	-	(668)	(668)
Balance – end of year	**-**	**3,658**	**768**	**4,426**

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2020, the balance in the Employee Benefits Reserve Fund was $396 (2019 – $234, which includes $52 (2019 – $41) for Sick Leave and $18 (2019 – $21) for WSIB.

December 31, 2020 (in millions of dollars)

e. Continuity of the City's employee benefit liabilities, in aggregate:

	2020			
	Post-retirement and Post-employment	**TTC Pension Plan (Note 14, h(ii))**	**City Pension Plans (Note 14, h (iii))**	**Total**
Balance – beginning of year	4,133	-	-	4,133
Current service cost	348	93	-	441
Interest cost (revenue)	111	(28)	(1)	82
Amortization of actuarial loss (gain)	(9)	(58)	71	4
Employer contributions	(283)	(147)	-	(430)
Plan amendments	1	52	-	53
Change in valuation allowance	-	88	(70)	18
Balance – end of year	**4,301**	**-**	**-**	**4,301**

	2019			
	Post-retirement and Post-employment	**TTC Pension Plan (Note 14, h(ii))**	**City Pension Plans (Note 14, h (iii))**	**Total**
Balance – beginning of year	4,011	-	-	4,011
Current service cost	306	82	-	388
Interest cost (revenue)	124	(32)	(11)	81
Amortization of actuarial loss (gain)	(31)	(7)	(61)	(99)
Employer contributions	(278)	(112)	-	(390)
Plan amendments	1	47	-	48
Change in valuation allowance	-	22	72	94
Balance – end of year	**4,133**	**-**	**-**	**4,133**

December 31, 2020 (in millions of dollars)

f. Total expenses related to these employee benefits include the following:

	2020			
	Post-retirement and Post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h (iii))	Total
Current service cost	348	93	-	441
Interest cost (revenue)	111	(28)	(1)	82
Amortization of actuarial loss (gain)	(9)	(58)	71	4
Plan amendments	1	52	-	53
Change in valuation allowance	-	88	(70)	18
Total expense	**451**	**147**	**-**	**598**

	2019			
	Post-retirement and Post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h (iii))	Total
Current service cost	306	82	-	388
Interest cost (revenue)	124	(32)	(11)	81
Amortization of actuarial loss (gain)	(31)	(7)	(61)	(99)
Plan amendments	1	47	-	48
Change in valuation allowance	-	22	72	94
Total expense	**400**	**112**	**-**	**512**

g. Sick leave benefits, WSIB obligations, and post-retirement and post-employment benefits:

The following is a list of actuarial assumptions:

	2020	2019
Discount rate for accrued benefit obligation:		
Post-employment	1.2%	2.4%
Post-retirement	2.0%	2.7%
Sick leave	1.5%	2.5%
WSIB	2.0%	2.7%
Rate of compensation increase	1.25% – 3.5%	0.7% – 3.5%
Health care inflation – LTD, hospital and other medical	4.5% – 6.5%	3.0% – 6.5%
Health care inflation – Dental care	3.0% – 4.0%	3.0% – 4.0%
Health care inflation – Drugs	5.5% - 7.3%	5.25% - 7.3%

December 31, 2020 (in millions of dollars)

	2020	2019
Discount rate for benefit costs:		
Post-employment	2.4%	3.1%
Post-retirement	2.7%	3.4%
Sick leave	2.5%	3.2%
WSIB	2.7%	3.4%
Rate of compensation increase	1.25% – 3.25%	1.75% – 3.25%
Health care inflation – LTD, hospital and other medical	4.0% – 5.31%	3.4% – 5.94%
Health care inflation – Dental care	3.0% – 4.0%	3.0% – 4.0%
Health care inflation – Drugs	5.5% – 10.4%	5.5% – 10.5%

For 2020 benefit costs and year end 2020 benefit obligations, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.75% by 2030.

h. Pension benefits:

i. OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan (OMERS), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the retirement benefit to be received by employees based on length of service and rates of pay. Employees and employers contribute equally to the plan.

The City does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $210 (2019 – $211) and are expensed in the Consolidated Statement of Operations and Accumulated Surplus. The City is current with all payments to OMERS. As at December 31, 2020, OMERS has a deficit of $3,211 (2019 – deficit $3,397).

The date of the most recently filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2019. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2022.

ii. TTC Pension Plan

The TTC participates in a defined benefit pension plan (TTC Pension Fund). The TTC Pension Fund is administrated by the Toronto Transit Commission Pension Fund Society (Society), a separate legal entity. The Board of Directors of the Society consists of 10 voting members, five of whom are appointed from the Toronto Transit Commission and five are appointed from the Amalgamated Transit Union Local 113 (ATU). Pursuant to the Sponsors Agreement between the ATU and the TTC, the TTC Pension Fund was registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The plan is accounted for as a joint defined benefit plan as the TTC and its employees jointly share the risk in the plan and share control of decisions related to the plan administration and to the level of benefits and contributions on an ongoing basis. The TTC is required to account for its portion of the plan (i.e. 50%) and therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and obligation.

Effective January 1, 2019, in lieu of the TTC paying the administrative expenses of the TTC Pension Fund Society directly, the TTC and the Society agreed that the

December 31, 2020 (in millions of dollars)

TTC would make a fixed contribution to the Society each January. The fixed contribution is adjusted annually based on the Toronto consumer price index. Along with the change, the former TTC employees of the Society became employees of the Society itself (as an employer). The contribution to administrative costs and the increase in the service cost are included in the consolidated values presented.

The plan covers substantially all employees of the TTC (and the Society) who have completed six months of continuous service. Under the Plan, contributions are made by the plan members and matched by the TTC (or the Society, as an employer). The contribution rates are set by the Board, subject to the funding requirements determined in the actuarial report and subject to the limitations in the Sponsors Agreements between ATU and the TTC.

The plan provides pensions to members, based on a formula that factors in the length of credited service and best four years of pensionable earnings up to a base year. A formula exists that sets a target for pensioner increases. The Board of Directors of the Society make decisions with respect to affordable pension formula updates, pension indexing and plan improvements based on the results of the most recent funding valuation and the priorities set out in the plan's by-laws and funding policy.

Effective January 1, 2020 the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2019 from December 31, 2018. In addition, the survivor benefit date was updated to January 1, 2020 (from January 1, 2019) and an ad hoc increase of up to 1.96% (December 31, 2019 – 2.16%) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the Consolidated Statement of Operations and Accumulated Surplus.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2020. The next required actuarial valuation for funding purposes will be performed as at January 1, 2023. The effective date of the most recent valuation for accounting purposes was December 31, 2020.

Actuarial assumptions for the TTC Pension Plan are as follows:

	2020	2019
Discount rate	5.5%	6.25%
Actual rate of return on plan assets	4.7%	13.90%
Expected rate of return on plan assets	5.5%	6.25%
Rate of increase in salaries	1.25% – 3.25%	1.75% – 3.25%
Inflation rate	2.0%	2.0%

iii. City Pension Plans

During 2020, the City completed the merger of the Civic, Metro, Police and York pension plans with OMERS. The City transferred the corresponding funds to OMERS on October 7, 2019, November 5, 2019, January 8, 2020 and January 8, 2019 respectively. As a result, there is a zero obligation at December 31, 2020 for these plans. OMERS has taken over responsibility to pay future benefits.

The mergers of the City's four pension plans resulted in the 2019 recognition of $106 of surplus by the City for its share of the pension plan surpluses. The Superintendent of Financial Services (now known as the CEO of the Financial Services Regulatory Authority of Ontario) approved the surplus distributions and wind-up of the York pension plan on September 8, 2020 and the Civic and Police plans on December 14th, 2020. Surpluses were distributed to members in 2020 per the terms in the surplus sharing agreements. The City received its share of the surplus funds from the Police and Civic plans on February 12, 2021, and February 23, 2021. The City received approval for the surplus distribution and windup of the Metro pension plan in 2021. Once all assets have been distributed, the plans will be deregistered consistent with regulations of the Pension Benefits Act.

December 31, 2020 (in millions of dollars)

The City continues to administer the Toronto Fire Department Superannuation and Benefit Fund, a defined benefit pension plan that provides benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plan covers a closed group of employees hired prior to July 1, 1968 and provides for pensions based on length of service and final average earnings. The overall accounting valuation for funding purposes for the City's pension plan was completed on December 31, 2020. The next required accounting valuation for funding purposes will be performed as at December 31, 2021.

As at December 31, 2020, there were 293 (2019 – 317) Fire pensioners with an average age of 83 (2019 – 82.2) and 296 (2019 – 298) survivors and beneficiaries in receipt of a pension, with an average age of 82.7 (2019 – 82.2). Pension payments during the year were $19 (2019 – $20). Given that there are no active members in the plan, there are no contributions being made into the plan.

The financial status of the City Pension Plans as at December 31, 2020 is as follows:

	2020			2019
	Pension Assets - Market Value - End of Year	**Actuarial Pension Obligation - End of Year**	**Net Actuarial Surplus**	**Net Actuarial Surplus**
Toronto Civic Employee Pension Plan	57	-	57	113
Metropolitan Toronto Pension Plan	87	-	87	87
Metropolitan Toronto Police Pension Plan	7	-	7	21
City of York Employee Pension Plan	-	-	-	<1
Toronto Firefighters Pension Plan	201	164	37	37
Total of City Pension Plans	**352**	**164**	**188**	**258**

Actuarial assumptions for the City Pension Plan:

	2020	**2019**
Discount rate	4.9%	4.5% – 4.9%
Actual rate of return on plan assets	9.2%	8.3%
Expected rate of return on plan assets	4.9%	4.5% – 4.9%
Inflation rate	2.0%	2.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

15. INVENTORIES

	2020	2019
Inventories	223	175
Properties held for resale	111	125
	334	**300**

16. TANGIBLE CAPITAL ASSETS

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
General				
Land	4,188	-	4,188	4,068
Land Improvements	1,887	805	1,082	817
Buildings and Building Improvements	12,275	4,345	7,930	7,574
Machinery and Equipment	3,244	1,797	1,447	1,338
Motor Vehicles	2,960	1,719	1,241	1,283
Total General	**24,554**	**8,666**	**15,888**	**15,080**
Infrastructure				
Land	140	-	140	140
Buildings and Building Improvements	958	230	728	617
Machinery and Equipment	3,015	1,397	1,618	1,667
Water and Wastewater Linear	7,247	2,554	4,693	4,464
Roads Linear	5,031	2,469	2,562	2,438
Transit	10,291	4,533	5,758	5,346
Total Infrastructure	**26,682**	**11,183**	**15,499**	**14,672**
Assets under Construction	**5,141**	**-**	**5,141**	**4,812**
Total	**56,377**	**19,849**	**36,528**	**34,564**

General machinery and equipment includes the net book value of City capital leases totaling $5 and from TCHC totaling $2 (2019 – $3). General building and building improvements includes capital leases totaling $1 (2019 – $nil).

Contributed tangible capital assets are recognized at fair value at the date of contribution. The value of contributed assets received during the year was $14 (2019 – $nil).

The City recognized an additional write down of $0.5 of assets under construction during the year (2019 – $4).

December 31, 2020 (in millions of dollars)

17. ACCUMULATED SURPLUS

	2020	2019
Historical Surplus	1,790	2,501
Reserves and Reserve Funds (a)	3,263	2,241
Net Investment in TCA (b)	28,132	26,719
Liabilities to be Funded from future revenues (c)	(4,757)	(4,655)
Total	**28,428**	**26,806**
(a) Reserves and Reserve Funds		
Reserves:		
Corporate	612	652
Stabilization	823	203
Water and Wastewater	166	100
Donations	2	2
Total Reserves	**1,603**	**957**
Reserve Funds:		
Employee Benefits	478	296
Corporate	693	568
Community Initiatives	209	174
State of Good Repair (Note 11)	280	246
Total Reserve Funds	**1,660**	**1,284**
Total Reserves and Reserve Funds	**3,263**	**2,241**
(b) Net Investment in TCA		
Tangible Capital Assets (Note 16)	36,528	34,564
Mortgages Payable (Note 12)	(349)	(289)
Long-Term Debt (Note 13)	(7,654)	(7,104)
Environmental and Contaminated Site Liabilities (Note 11)	(393)	(452)
Total Net Investment in TCA	**28,132**	**26,719**
(c) Liabilities to be funded from future revenues		
Employee Benefit Liabilities (Note 14)	(4,301)	(4,133)
Provision for Property and Liability Claims (Note 10)	(456)	(522)
Total Liabilities to be Funded	**(4,757)**	**(4,655)**

December 31, 2020 (in millions of dollars)

18. COMMITMENTS AND CONTINGENCIES

a. In the normal course of its operations, labour relations, and completion of capital projects, the City is subject to various litigations, arbitrations, and claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the period during which the liability is determinable. Amounts recorded in the accounts have not been disclosed in the financial statements as disclosure may adversely impact the outcome. Management's estimate is based on an analysis of specific claims and historical experience with similar claims. Any amendment to amounts accrued will be recorded once new information becomes available.

b. The City of Toronto has entered into the following commitments:

	Total Contract / Contribution	Outstanding Amount
City Council-approved contribution amount to 2025 for agreements with Province of Ontario and Metrolinx for the execution of the SmartTrack Program	1,470	1,470
Contract award to end of 2024 for the construction of Coxwell Bypass Tunnel	404	190
Contract award to end of 2021 for the rehabilitation of the F.G Gardiner Expressway	314	57
Contract award to early 2024 for the construction of New Outfall at Ashbridges Bay Treatment Plant	265	186
Contract award to end of 2030 for waste transport services for four City districts	191	191
Contract award to early 2023 for single stream recyclable materials processing and marketing services	114	83
Agreement for construction of Ashbridges Bay Treatment Plant Landform by the end of 2025	94	71

The City could be exposed to significant or material contractual cancellation penalties if any of its commenced capital projects do not continue as planned.

c. The TTC has entered into the following commitments:

	Total Contract	Outstanding Amount
Contract for 82 train sets – 82 delivered to date	1,523	47
Contract for 204 Light Rail Vehicles – 202 delivered to date	1,151	26
Contract for 1,073 Low Floor Clean Diesel Buses – 1,073 delivered to date	755	3
Contract for 140 Low Floor Wheel Trans Mini-Buses – 140 delivered to date	28	4
Contract for 60 Battery Electric Buses – 60 delivered to date	88	3
Contracts for construction and implementation of various capital projects	445	445

The TTC could be exposed to significant or material contractual cancellation penalties if any of its commenced capital projects do not continue as planned.

December 31, 2020 (in millions of dollars)

d. As at December 31, 2020, the Toronto Parking Authority has contractual commitments of $43 (2019 – $33) 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 Toronto Parking Authority currently operates parking lots.

e. As at December 31, 2020, the Toronto Hydro Corporation recognized the following future minimum payments for capital projects and other commitments:

Frequency of Payment	Capital Project and Other
Less than one year	36
Between one and five years	39
Total amount of future minimum payments	**75**

f. Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all lines of credit provided by the City under the policy for operating line of credit guarantees is limited to $10 in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to $300 in the aggregate, with individual loan guarantees being limited to a maximum of $10 unless otherwise approved by Council. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to $125 in the aggregate. At December 31, 2020 the City had provided capital loan guarantees to certain third parties amounting to $53 (2019 – $68), and operating line of credit guarantees of $6 (2019 – $6), primarily related to several cultural non-profit organizations.

Interest terms on direct City loans were generally set equivalent to the cost of City borrowing at the time the loans were made. The repayment maturity dates on these loans typically range from 20 to 30 years. For loans guaranteed by the City, third party financing rates to community organizations are closer to prime interest rates, on terms ranging from 5 to 30 years.

The City maintains priority lender status on direct City loans, and has the right to remedy any defaults on line of credit and loan guarantees. Further, the City has established a Doubtful Loan Reserve to serve as source for funding any potential losses. As at December 31, 2020, the current balance in this fund is $0.25 (2019 – $0.25).

g. At December 31, 2020, the City is committed to future minimum annual operating lease payments as follows:

	2020
2021	134
2022	49
2023	41
2024	34
2025	31
Thereafter	161
	450

December 31, 2020 (in millions of dollars)

19. BUDGET DATA

Budget data presented in these consolidated financial statements is based on the 2020 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget figures based on the full accrual basis of accounting, which includes non-cash amounts such as amortization on tangible capital assets. The following chart reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	Approved by Council					Total
				Consol.		Adjusted
	Operating	Capital	Non-levy	Entities[1]	Adjust.s[2]	Budget
Revenue:						
Property and Taxation from Other Governments	4,702	-	-	-	(123)	4,579
Government Transfers	2,492	526	-	(2)	92	3,108
User Charges	2,040	1,107	1,947	(99)	(1,175)	3,820
Municipal Land Transfer Tax	794	-	-	-	-	794
Other Revenue Sources	1,374	2,447	-	47	(3,137)	731
Rent and Concessions	59	-	-	445	-	504
Development Charges	-	385	-	-	-	385
Investment Income	265	-	-	29	(13)	281
Total Revenue	**11,726**	**4,465**	**1,947**	**420**	**(4,356)**	**14,202**
Expenses:						
Transportation	2,648	1,627	234	(18)	(742)	3,749
Social and Family Services	2,674	148	-	-	(136)	2,686
Protection to Persons and Property	1,901	135	-	-	(49)	1,987
Recreation and Cultural Services	954	304	-	(36)	(42)	1,180
Environmental Services	173	1,319	1,719	-	(1,935)	1,276
General Government	2,380	442	-	-	(1,765)	1,057
Social Housing	427	271	-	328	193	1,219
Health Services	514	17	-	-	(12)	519
Planning and Development	55	202	(6)	29	12	292
Total Expenses	**11,726**	**4,465**	**1,947**	**303**	**(4,476)**	**13,965**
Annual Surplus	**-**	**-**	**-**	**117**	**(120)**	**237**

1: Consol. Entities refer to Consolidated Entities, such as the City's Agencies and Corporations.
2: Adjust.s refer to Adjustments.

December 31, 2020 (in millions of dollars)

The following adjustments were made to revenue and expenditures to eliminate transactions that were not based on PSAS:

Revenue adjustments ($4,356):

- Contributions to the City's operating fund, capital fund & reserve and reserve funds ($2,409)
- Proceeds from the issuance of long-term debt ($1,544)
- Reclassification between revenue and expense ($400)
- Consolidated entities budgets ($65)
- Other adjustments ($62 – reduction)

Expenditure adjustments ($4,476):

- Withdrawals from City's operating fund, capital fund & reserve and reserve funds ($2,037)
- Capitalization of tangible capital assets and recognition of amortization ($1,449)
- Reclassification between revenue and expense ($400)
- Debt principal repayments ($368)
- Internal cost recoveries ($157)
- Consolidated entities budgets ($21)
- Other adjustments ($44)

20. GOVERNMENT TRANSFERS

	2020	2019
By Function:		
Social and Family Services	1,835	1,963
Transportation	163	791
Health Services	358	326
General Government	216	111
Social Housing	274	106
Protection to Persons and Property	62	64
Environmental Services	(17)	77
Planning and Development	86	41
Recreation and Cultural Services	16	14
Total – Transfers by Function	**2,993**	**3,493**
Add: COVID-19 Safe Restart Funding and Social Services Relief Funding (Shelters)	1,077	-
Total Transfers by Function	**4,070**	**3,493**

December 31, 2020 (in millions of dollars)

	2020	2019
By Source:		
Operating Transfers		
Federal	333	242
Provincial	3,438	2,369
Other	13	14
Total Operating Transfers	**3,784**	**2,625**
Capital Transfers		
Federal	107	520
Provincial	171	308
Other	8	40
Total Capital Transfers	**286**	**868**
Total Transfers by Source	**4,070**	**3,493**

On July 27, 2020, the Province of Ontario, in partnership with the Government of Canada, announced its intention to provide $4,000 in financial support for Ontario's 444 municipalities as part of the Safe Restart Agreement (Agreement). The Agreement allowed the City to qualify for government transfers, which would support municipal operating pressures and municipal transit systems, paid by the senior levels of government in various Phases.

Subsequent to this initial announcement, the City received and recognized $258 of revenues, which were ultimately used to respond to municipal operating pressures, as well as $640 of revenues, which were used to respond to municipal transit costs and lost revenues. The City also received Social Services Relief Funding for shelters ($165) and amounts allocated for Toronto Public Health's Safe Restart efforts ($14).

Further details associated with government transfers can be found in Appendix 2, Consolidated Schedule of Segment Disclosure – Service.

21. OTHER REVENUE SOURCES

	2020	2019
Other Income	417	283
Pension Surplus (Note 14(h)(iii))	-	106
Sale of recycled materials and properties	48	102
Utilities cut and other recoveries	110	95
Hotel, Lodging and Sign tax	22	68
Total Other Revenue Sources	**597**	**654**

December 31, 2020 (in millions of dollars)

22. TOTAL EXPENSES

	2020	2019
Salaries, Wages and Benefits	6,127	6,042
Contracted Services	1,584	1,910
Transfer Payments	1,533	1,721
Amortization (Schedule 1)	1,432	1,383
Materials	1,010	866
Interest on Long-Term Debt	346	337
Other	353	492
	12,385	**12,751**

Further details associated with the City's expenses can be found in Appendix 2, Consolidated Schedule of Segment Disclosure – Service.

23. TRUST FUNDS

Trust funds administered by the City amounting to $27 (2019 – $27) have not been consolidated in these financial statements.

	2020	2019
Keele Valley Site Post-Closure Trust Fund (Note 11)	8	8
Homes for the Aged Trust Fund – Residents	6	6
Community Centre Development Levy Trust Fund – Railway Lands	5	5
Toronto Police Service Board Mounted Unit	2	2
Waterpark Place Trust Fund	1	1
Contract Aftercare Trust Fund	1	1
Other Trust Funds	4	4
	27	**27**

24. SUBSEQUENT EVENTS

a. Build Toronto Dividend

On May 11, 2021, the Board of Directors of Build Toronto declared a dividend of $25 to be paid in 2021 to the City of Toronto.

b. Toronto Seniors Housing Corporation

On May 5, 2021, City Council authorized the City to establish the Toronto Seniors Housing Corporation (TSHC). The new organization will be responsible for managing 83 senior-designated buildings that are owned by TCHC. The City will be the TSHC's sole shareholder, and provide annual operating subsidy payments of approximately $30-35.

There are no known financial implications arising from the establishment of TSHC for the year ended on December 31, 2020.

25. COMPARATIVE FIGURES

Certain 2019 values have been regrouped from consolidated financial statements previously presented, to conform with the presentation adopted in 2020.

26. GREENHOUSE GAS (GHG) EMISSION REDUCTIONS (UNAUDITED)

Toronto's climate action strategy (TransformTO) lays out a set of long-term, low-carbon goals and strategies to reduce local greenhouse gas emissions, and improve our health, grow the economy, and progress social equity. Under this strategy, Toronto's targets are to reduce GHG emissions from 1990 levels by 30% by 2020, 65% by 2030 and net zero by 2050, or sooner. Toronto has released its 2018 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 37% lower in 2018 than in 1990.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

As at and for the year ended December 31, 2020 (in millions of dollars)

2020:

	Cost					Accumulated Amortization				
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortiza-tion	Disposals	Ending	Net Book Value
General										
Land	4,068	123	(3)	-	4,188	-	-	-	-	4,188
Land improvements	1,444	431	-	12	1,887	627	178	-	805	1,082
Buildings and building improvements	11,679	607	(11)	-	12,275	4,105	244	(4)	4,345	7,930
Machinery and equipment	3,040	297	(95)	2	3,244	1,702	190	(95)	1,797	1,447
Motor vehicles	2,876	171	(87)	-	2,960	1,593	213	(87)	1,719	1,241
Total General	**23,107**	**1,629**	**(196)**	**14**	**24,554**	**8,027**	**825**	**(186)**	**8,666**	**15,888**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	827	131	-	-	958	210	20	-	230	728
Machinery and equipment	2,974	42	(1)	-	3,015	1,307	91	(1)	1,397	1,618
Water and wastewater linear	6,927	326	(6)	-	7,247	2,463	95	(4)	2,554	4,693
Roads linear	4,810	225	(4)	-	5,031	2,372	101	(4)	2,469	2,562
Transit	9,589	712	(10)	-	10,291	4,243	300	(10)	4,533	5,758
Total infrastructure	**25,267**	**1,436**	**(21)**	**-**	**26,682**	**10,595**	**607**	**(19)**	**11,183**	**15,499**
Assets under construction	**4,812**	**344**	**(15)**	**-**	**5,141**	**-**	**-**	**-**	**-**	**5,141**
TOTAL	**53,186**	**3,409**	**(232)**	**14**	**56,377**	**18,622**	**1,432**	**(205)**	**19,849**	**36,528**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

As at and for the year ended December 31, 2019 (in millions of dollars)

2019:

	Cost					Accumulated Amortization				
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortiza- tion	Disposals	Ending	Net Book Value
General										
Land	4,052	39	(23)	-	4,068	-	-	-	-	4,068
Land improvements	1,057	387	-	-	1,444	470	157	-	627	817
Buildings and building improvements	11,372	319	(12)	-	11,679	3,877	231	(3)	4,105	7,574
Machinery and equipment	2,931	181	(72)	-	3,040	1,580	189	(67)	1,702	1,338
Motor vehicles	2,711	351	(186)	-	2,876	1,571	206	(184)	1,593	1,283
Total General	**22,123**	**1,277**	**(293)**	**-**	**23,107**	**7,498**	**783**	**(254)**	**8,027**	**15,080**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	810	17	-	-	827	193	17	-	210	617
Machinery and equipment	2,733	241	-	-	2,974	1,220	87	-	1,307	1,667
Water and wastewater linear	6,604	332	(9)	-	6,927	2,376	92	(5)	2,463	4,464
Roads linear	4,734	96	(20)	-	4,810	2,291	99	(18)	2,372	2,438
Transit	8,982	885	(278)	-	9,589	4,216	305	(278)	4,243	5,346
Total infrastructure	**24,003**	**1,571**	**(307)**	**-**	**25,267**	**10,296**	**600**	**(301)**	**10,595**	**14,672**
Assets under construction	**4,385**	**752**	**(325)**	**-**	**4,812**	**-**	**-**	**-**	**-**	**4,812**
TOTAL	**50,511**	**3,600**	**(925)**	**-**	**53,186**	**17,794**	**1,383**	**(555)**	**18,622**	**34,564**

CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES

APPENDIX 1

As at and for the year ended December 31, 2020 (in millions of dollars)

Condensed Financial Results	**Toronto Hydro Corporation**		**Toronto Parking Authority**		**Total**	
Fiscal Year Ended – Dec. 31	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Statement of Financial Position						
Assets						
Current	508	564	83	117	591	681
Capital	5,382	5,041	220	213	5,602	5,254
Other	184	179	67	42	251	221
Total Assets	**6,074**	**5,784**	**370**	**372**	**6,444**	**6,156**
Liabilities						
Current	951	714	27	38	978	752
Long-term	3,205	3,177	8	9	3,213	3,186
Total Liabilities	**4,156**	**3,891**	**35**	**47**	**4,191**	**3,938**
Net Equity	**1,918**	**1,893**	**335**	**325**	**2,253**	**2,218**
City's Share (Note 6)	**1,903**	**1,877**	**335**	**325**	**2,238**	**2,202**
Results of Operations						
Revenues	3,975	3,647	96	165	4,071	3,812
Expenses	3,857	3,492	85	86	3,942	3,578
Net Income (Loss)	**118**	**155**	**11**	**79**	**129**	**234**
City's Share (Note 6)	**118**	**155**	**11**	**79**	**129**	**234**
Distribution to City (Note 6)	-	-	-	63	-	63
Dividends Paid to City (Note 6)	93	100	-	-	93	100
Net Book Value of Assets Sold from the City to Toronto Hydro Corporation	15	16	-	-	15	16

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

As at and for the year ended December 31, 2020 (in millions of dollars)

2020:

	General Gov't[1]	Protection to Persons and Property	Transport.[1]	Env't.[1]	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Dev'l.[1]	Consol.[1]
Taxation[2]	5,386	-	-	-	-	-	-	-	-	5,386
User charges	75	209	670	1,717	-	58	18	74	43	2,864
Government transfers[3]	1,121	62	156	(17)	372	2,000	274	16	86	4,070
Net GBE income	129	-	-	-	-	-	-	-	-	129
Other	315	69	280	162	6	29	511	132	54	1,558
TOTAL REVENUES	**7,026**	**340**	**1,106**	**1,862**	**378**	**2,087**	**803**	**222**	**183**	**14,007**
Salaries, wages and benefits	522	1,749	1,666	288	426	672	203	546	55	6,127
Materials	79	37	354	137	20	147	128	83	25	1,010
Contracted services	79	31	419	204	35	502	117	116	81	1,584
Interest on long-term debt	17	8	197	10	1	10	79	13	11	346
Transfer payments	(59)	66	2	123	44	1,244	96	75	(58)	1,533
Other	110	10	67	26	6	49	41	32	12	353
Amortization	103	45	767	220	4	3	213	73	4	1,432
TOTAL EXPENSES	**851**	**1,946**	**3,472**	**1,008**	**536**	**2,627**	**877**	**938**	**130**	**12,385**
ANNUAL SURPLUS /(DEFICIENCY)	**6,175**	**(1,606)**	**(2,366)**	**854**	**(158)**	**(540)**	**(74)**	**(716)**	**53**	**1,622**

1. The following acronyms were used in the above schedule: General Government (General Gov't), Transportation (Transport.), Env't. (Environmental), Planning and Development (Planning and Dev'l.), and Consol. (Consolidated).
2. Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.
3. Government transfers includes $1,077 of funding received for Safe Restart and Social Services Relief.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

As at and for the year ended December 31, 2019 (in millions of dollars)

2019:

	General Gov't[1]	Protection to Persons and Property	Transport.[1]	Env't.[1]	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Dev'l.[1]	Consol.[1]
Taxation[2]	5,209	-	-	-	-	-	-	-	-	5,209
User charges	74	234	1,410	1,504	2	67	19	180	36	3,526
Government transfers	111	64	791	77	326	1,963	106	14	41	3,493
Net GBE income	234	-	-	-	-	-	-	-	-	234
Other	589	79	376	164	4	18	396	188	107	1,921
TOTAL REVENUES	**6,217**	**377**	**2,577**	**1,745**	**332**	**2,048**	**521**	**382**	**184**	**14,383**
Salaries, wages and benefits	483	1,738	1,677	284	397	633	177	597	56	6,042
Materials	101	30	179	97	19	112	139	132	57	866
Contracted services	215	32	453	347	34	539	108	150	32	1,910
Interest on long-term debt	17	10	192	11	1	5	79	12	10	337
Transfer payments	(165)	64	77	112	39	1,240	95	74	185	1,721
Other	135	17	251	(17)	3	20	34	37	12	492
Amortization	102	40	753	209	4	3	198	71	3	1,383
TOTAL EXPENSES	**888**	**1,931**	**3,582**	**1,043**	**497**	**2,552**	**830**	**1,073**	**355**	**12,751**
ANNUAL SURPLUS /(DEFICIENCY)	**5,329**	**(1,554)**	**(1,005)**	**702**	**(165)**	**(504)**	**(309)**	**(691)**	**(171)**	**1,632**

1. The following acronyms were used in the above schedule: General Government (General Gov't), Transportation (Transport.), Env't. (Environmental), Planning and Development (Planning and Dev'l.), and Consol. (Consolidated).
2. Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY

As at and for the year ended December 31, 2020 (in millions of dollars)

2020:

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation[1]	5,386	-	-	-	-	-	5,386
User charges	2,265	22	520	1	18	38	2,864
Government transfers	3,692	61	134	6	75	102	4,070
Net GBE income	129	-	-	-	-	-	129
Other	466	27	96	16	841	112	1,558
TOTAL REVENUES	**11,938**	**110**	**750**	**23**	**934**	**252**	**14,007**
Salaries, wages and benefits	3,053	1,145	1,478	150	203	98	6,127
Materials	550	20	221	5	128	86	1,010
Contracted services	1,071	21	259	33	117	83	1,584
Interest on long-term debt	258	6	-	-	78	4	346
Transfer payments	3,426	11	(1,370)	(202)	(272)	(60)	1,533
Other	216	3	62	3	41	28	353
Amortization	477	37	659	36	213	10	1,432
TOTAL EXPENSES	**9,051**	**1,243**	**1,309**	**25**	**508**	**249**	**12,385**
ANNUAL SURPLUS/ (DEFICIENCY)	**2,887**	**(1,133)**	**(559)**	**(2)**	**426**	**3**	**1,622**

1. Taxation revenues are allocated to City for presentation purposes however to fund all consolidated entities as required.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY

As at and for the year ended December 31, 2019 (in millions of dollars)

2019:

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation[1]	5,209	-	-	-	-	-	5,209
User charges	2,181	30	1,206	4	19	86	3,526
Government transfers	2,594	62	778	6	-	53	3,493
Net GBE income	234	-	-	-	-	-	234
Other	1,012	33	195	14	503	164	1,921
TOTAL REVENUES	**11,230**	**125**	**2,179**	**24**	**522**	**303**	**14,383**
Salaries, wages and benefits	2,986	1,137	1,485	151	177	106	6,042
Materials	401	10	207	4	139	105	866
Contracted services	1,356	23	350	29	108	44	1,910
Interest on long-term debt	248	8	-	-	79	2	337
Transfer payments	2,853	4	(741)	(191)	(258)	54	1,721
Other	149	6	260	3	34	40	492
Amortization	461	32	648	34	198	10	1,383
TOTAL EXPENSES	**8,454**	**1,220**	**2,209**	**30**	**477**	**361**	**12,751**
ANNUAL SURPLUS/ (DEFICIENCY)	**2,776**	**(1,095)**	**(30)**	**(6)**	**45**	**(58)**	**1,632**

1. Taxation revenues are allocated to City for presentation purposes however to fund all consolidated entities as required.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY

for the years ended December 31, 2020 and 2019 (in millions of dollars)

2020 and 2019:

	City, including Toronto Police Service	Toronto Transit Commission	Toronto Community Housing Corp.	Toronto Public Library	Other Agencies and Corporations	Total
2020						
General						
Cost	8,990	8,614	5,894	507	549	24,554
Accumulated amortization	2,663	3,315	2,380	205	103	8,666
Net Book Value	**6,327**	**5,299**	**3,514**	**302**	**446**	**15,888**
Infrastructure						
Cost	16,392	10,290	-	-	-	26,682
Accumulated amortization	6,650	4,533	-	-	-	11,183
Net Book Value	**9,742**	**5,757**	**-**	**-**	**-**	**15,499**
Assets under construction	**3,338**	**1,238**	**178**	**76**	**311**	**5,141**
TOTAL	**19,407**	**12,294**	**3,692**	**378**	**757**	**36,528**
2019						
General						
Cost	8,442	8,125	5,484	531	525	23,107
Accumulated amortization	2,497	3,068	2,136	196	130	8,027
Net Book Value	**5,945**	**5,057**	**3,348**	**335**	**395**	**15,080**
Infrastructure						
Cost	15,680	9,586	-	-	-	25,266
Accumulated amortization	6,352	4,242	-	-	-	10,594
Net Book Value	**9,328**	**5,344**	**-**	**-**	**-**	**14,672**
Assets under construction	**2,673**	**1,729**	**136**	**22**	**252**	**4,812**
TOTAL	**17,946**	**12,130**	**3,484**	**357**	**647**	**34,564**

OUR SINKING FUND FINANCIAL STATEMENTS

Overview

- Independent auditor's report
- Financial statements and notes for the City's sinking funds

INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council of the City of Toronto

Opinion

We have audited the financial statements of the City of Toronto Sinking Funds (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and changes in unrestricted surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Members of City Council to assess the financial performance of the Entity. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Members of City Council and management, in accordance with the terms of our engagement, and should not be distributed to or used by parties other than the Members of City Council and management.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 16, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting

INDEPENDENT AUDITOR'S REPORT

unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughn, Canada
July 14, 2021

CITY OF TORONTO SINKING FUNDS
STATEMENT OF FINANCIAL POSITION

as at December 31, 2020 (in thousands of dollars)

	2020	2019
FINANCIAL ASSETS		
Cash	435,303	499,935
Accounts Receivable	389	78
Investments (Note 4)	1,744,129	1,137,522
Total Financial Assets	**2,179,821**	**1,637,535**
LIABILITIES		
Accounts Payable and Accrued Liabilities	81	81
Actuarial Requirements (Note 5)	1,980,375	1,556,839
Total Liabilities	**1,980,456**	**1,556,920**
NET ASSETS		
Unrestricted Surplus (Note 6)	199,365	80,615
Total Surplus	**199,365**	**80,615**
	2,179,821	**1,637,535**

The accompanying Notes and Appendices are an integral part of these Financial Statements.

CITY OF TORONTO SINKING FUNDS
STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED SURPLUS

for the year ended December 31, 2020 (in thousands of dollars)

	2020	2019
REVENUES		
Contributions	413,398	315,499
Investment Income (Note 7)	128,888	84,369
Total Revenue	**542,286**	**399,868**
EXPENSES		
Changes in Actuarial Requirements (Note 5)	423,536	394,441
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	**118,750**	**5,427**
SURPLUS – BEGINNING OF YEAR	80,615	75,188
TOTAL SURPLUS – END OF YEAR	**199,365**	**80,615**

The accompanying Notes and Appendices are an integral part of these Financial Statements.

CITY OF TORONTO SINKING FUNDS
STATEMENT OF CASH FLOWS

for the year ended December 31, 2020 (in thousands of dollars)

	2020	2019
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	118,750	5,427
Add (deduct) items not involving cash:		
Amortized discount on investments	(9,168)	(18,661)
Increase in accrued interest	(1,473)	(1,583)
Increase in accounts receivable – accrued interest on bank	(301)	-
Increase in accounts receivable – other	(10)	(8)
Decrease in unrealized gain on investments	(89,596)	3,717
Increase in actuarial requirements	423,536	394,441
Cash provided by operating activities	**441,738**	**383,333**
INVESTING ACTIVITIES		
Purchase of investments	(776,883)	(959,295)
Proceeds from maturities of investments	14,137	816,862
Proceeds from sale of investments	256,376	390,586
Cash provided by investing activities	**(506,370)**	**(248,153)**
FINANCING ACTIVITIES		
Maturity of debenture	-	(400,000)
Cash used in financing activities	**-**	**(400,000)**
(Decrease)/Increase in cash during the year	**(64,632)**	**231,486**
Cash, beginning of year	499,935	268,449
Cash, end of year	**435,303**	**499,935**

The accompanying Notes and Appendices are an integral part of these Financial Statements.

CITY OF TORONTO SINKING FUNDS
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 (in thousands of dollars)

1. PURPOSE OF SINKING FUNDS

The City of Toronto Sinking Funds (the Sinking Funds) accumulate amounts through periodic contributions, which are calculated such that the contributions and interest earnings will be sufficient to retire the principal amount of the Sinking Fund debt when it matures. When the accumulated Sinking Fund exceeds the maturity value of the related debenture, the excess may be refunded or applied against other Sinking Fund accounts created for the same purpose.

Note 8 in these financial statements contains the schedule of projected debenture maturity amounts.

The Sinking Funds are governed under the City of Toronto Act, 2006 and are exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the Chartered Professional Accountants of Canada's Public Sector Accounting Standards, except that investments are recorded at fair value to better reflect their ability to meet debt obligations. The significant accounting policies are summarized below.

i. INVESTMENTS

Short term investments are comprised of money market instruments, such as guaranteed investment certificates and are valued based on cost plus accrued investment/ interest income.

The Sinking Funds invest in debentures issued or guaranteed by Provincial and Municipal governments and corporate bonds; the fair value of investments recorded in the financial statements is based on the latest bid prices and the change in fair value is included in the Statement of Operations and Changes in Unrestricted Surplus as Investment Income. Investment transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

The Sinking Funds' investment activities expose it to a range of financial risks, including market risk, credit risk, and liquidity risk (Note 9).

ii. REVENUE RECOGNITION

Contributions are recognized as revenue in the year receivable. Interest income is recorded when earned.

Sinking Fund debenture issues are grouped by interest rates. These rates represent the investment earnings assumptions for each of the respective funds and are used in determining the annual contributions required to retire the outstanding debt.

Investment income includes investment income and interest income, net of bank service charges, audit fees and unrealized gain (loss) on the increase/decrease in the fair value of the investments.

3. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and deficit/ surplus at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. In particular, there is significant judgment applied in determining actuarial requirements for Sinking Funds.

The Actuarial Requirements Liability of the Sinking Funds represents the amounts levied during the year as set out in the Sinking Funds debenture bylaws plus interest accrued, compounded at the Sinking Fund rates of 3.5%, 4%, or 5% per annum on debt issued in 1997 and after; and 2.0%, and 2.5% per annum on debt issued in 2015 and after. These actuarial requirement liabilities are presented at amortized cost, which approximates fair value.

The average rate of return and term to maturity relate only to fixed income securities.

CITY OF TORONTO SINKING FUNDS
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 (in thousands of dollars)

4. INVESTMENTS

Fair value represents bid price for each investment, while face value represents the original cost of the investment at the purchase date. Sinking Fund investments will be held to maturity. In addition, the Sinking Funds were not affected by indicators, which indicated that investments were permanently impaired as at December 31, 2020 and therefore, no adjustments were recognized.

	2020		2019	
	Fair value	**Face value**	**Fair value**	**Face value**
Debt investments issued or guaranteed by:				
Provincial Governments	1,076,933	1,255,426	589,046	807,441
City of Toronto	25,279	20,400	25,860	22,278
Other Canadian municipalities	64,616	53,047	82,633	73,081
Corporations	341,246	302,951	315,806	297,006
Total debt investments	**1,508,134**	**1,631,824**	**1,013,345**	**1,199,806**
Equity investments issued or guaranteed by:				
Corporations	235,995	14,551	124,177	12,182
Total equity investments	**235,995**	**14,551**	**124,177**	**12,182**
Total	**1,744,129**	**1,646,375**	**1,137,522**	**1,211,988**

	2020	**2019**
Amortized cost, including accrued interest	1,628,311	1,111,300
Weighted average rate of return	2.20%	4.86%
Average term to maturity	15.95 years	15.67 years
Excess of fair value over amortized cost	115,818	26,222

5. ACTUARIAL REQUIREMENTS

	2020	**2019**
Actuarial requirements, beginning of year	**1,556,839**	**1,562,398**
Add: change in actuarial liability requirements	423,536	394,441
	1,980,375	1,956,839
Less: value of debentures matured during the year	-	400,000
Actuarial requirements, end of year	**1,980,375**	**1,556,839**

CITY OF TORONTO SINKING FUNDS
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 (in thousands of dollars)

6. NET ASSETS

	2020	2019
City of Toronto unrestricted surplus based on amortized cost	83,547	54,393
Unrealized gain on investments	115,818	26,222
Total unrestricted surplus	199,365	80,615
Total net assets	**199,365**	**80,615**

7. INVESTMENT INCOME

	2020	2019
Investment income	32,539	76,315
Interest income	6,753	11,771
Unrealized gain (loss) on change in fair value	89,596	(3,717)
Total investment income	**128,888**	**84,369**

8. SCHEDULE OF PROJECTED DEBENTURE MATURITIES

For the year ended December 31, 2020, the following is a list of the projected maturities of the Sinking Fund debentures, held within the City of Toronto. The list only includes years when debentures are expected to mature.

	2020
2021	650,000
2023	300,000
2024	300,000
2025	300,000
2026	300,000
2027	700,000
2029	600,000
2030	100,000
2035	400,000
2036	750,000
2039	330,000
2040	906,250
2041	450,000
2042	300,000
2044	300,000
2046	500,000
2048	300,000
2049	600,000
	8,086,250

9. RISK EXPOSURE

The Sinking Funds are subject to market risk, credit risk, and interest rate risk with respect to the investment portfolio. The Sinking Funds' interest bearing investments are exposed to interest rate risk. Sinking Funds' investments are at risk due to fluctuations in market prices whether changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Sinking Funds manage risk by investing across a wide variety of asset classes and investment strategies.

The Sinking Funds hold investments in fixed income securities issued by corporations and government entities and as such have fixed income credit risk. The Sinking Funds mitigate this risk by limiting the investment portfolio to investments in BBB grade or higher.

The Sinking Funds' liquidity risk is the risk of being unable to settle or meet commitments as they come due. These commitments include payment of the funding obligations of the Sinking Funds. Liquidity risk is managed by ensuring the Sinking Funds invest in securities that are actively traded.

With the creation of the City's Investment Board and new investment policy as at January 1, 2018, through provincial regulation 610/06, sinking fund contributions can be invested in a broader range of asset classes including fixed income, equities and real estate assets.

10. CAPITAL MANAGEMENT

In managing capital, the Sinking Funds focus on liquid resources available for reinvestment. The Sinking Funds' objective is to have sufficient liquid resources to meet its debenture obligations when they mature. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2020, the Sinking Funds have met their objective of having sufficient liquid resources to meet current obligations.

OUR TRUST FUND FINANCIAL STATEMENTS

Overview

- Independent auditor's report
- Financial statements and notes for the City's trust funds

INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council of the City of Toronto

Opinion

We have audited the consolidated financial statements of the City of Toronto Trust Funds (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and changes in fund balances for the year then ended
- the consolidated statement of continuity of fund balances for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its results of operations and fund balances for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Members of City Council to assess the financial performance of the Entity. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Members of City Council and management, in accordance with the terms of our engagement, and should not be distributed to or used by parties other than the Members of City Council and management.

Our opinion is not modified in respect of this matter

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 16, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting

INDEPENDENT AUDITOR'S REPORT

unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughn, Canada
July 14, 2021

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2020 (in thousands of dollars)

	2020	2019
ASSETS		
Cash	5,932	6,789
Accounts Receivable	44	177
Due from City of Toronto (Note 4)	13,516	13,427
Investments (Note 5)	86,497	52,374
Total Assets	**105,989**	**72,767**
LIABILITIES		
Accounts Payable	172	175
Fund Balances	**105,817**	**72,592**
Total Liabilities and Fund Balances	**105,989**	**72,767**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

for the year ended December 31, 2020 (in thousands of dollars)

	2020	2019
REVENUES		
Investment Income (Note 6)	9,116	8,083
Contributions and Other Income	31,565	3,475
Total Revenue	**40,681**	**11,558**
EXPENSES		
Expenditures	7,456	9,410
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	**33,225**	**2,148**
FUND BALANCES – BEGINNING OF YEAR	72,592	70,444
FUND BALANCES – END OF YEAR	**105,817**	**72,592**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF FUND BALANCES

for the year ended December 31, 2020 (in thousands of dollars)

	Balance Jan. 1, 2020	Contributions	Investment Income	Expenditures	Balance Dec. 31, 2020
Investments held in trust for:					
Toronto Atmospheric Fund	45,929	28,383	8,463	4,365	78,410
Keele Valley Site Post-Closure	7,644	-	21	-	7,665
Homes for the Aged Residents	5,885	2,944	170	2,793	6,206
Community Centre Development Levy Trust	5,243	-	60	-	5,303
Toronto Police Services Board Mounted Unit	1,833	-	320	65	2,088
Indemnity Deposit – Waterpark Place	1,163	-	15	-	1,178
Contract Aftercare Project	1,144	-	13	-	1,157
Community Services and Facilities	814	-	8	-	822
Regent Park Legacy Trust	754	-	8	-	762
Music Garden Trust Fund	629	-	17	-	646
Queen's Quay Community Services	350	-	5	-	355
Lakeshore Pedestrian Bridge	268	-	4	-	272
Municipal Elections Candidates' Surplus	219	1	-	-	220
Children's Green House Trust	124	-	2	-	126
Green Lane Small Claims	119	-	1	-	120
Public Art Maintenance Trust	109	-	5	-	114
Toronto Police Services Board	97	237	-	222	112
Preservation Trust	56	-	-	-	56
Hugh Clydesdale	47	-	1	-	48
Michael Sansone	43	-	1	-	44
Tenant Displacement	30	-	1	-	31
90 Lisgar Street Trust	21	-	1	-	22
Other Trust Funds	71	-	-	11	60
Total	**72,592**	**31,565**	**9,116**	**7,456**	**105,817**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF FUND BALANCES

for the year ended December 31, 2020 (in thousands of dollars)

	Balance Jan. 1, 2019	Contributions	Investment Income	Expenditures	Balance Dec. 31, 2019
Investments held in trust for:					
Toronto Atmospheric Fund	43,979	-	7,630	5,680	45,929
Keele Valley Site Post-Closure	7,607	-	37	-	7,644
Homes for the Aged Residents	6,227	3,088	109	3,539	5,885
Community Centre Development Levy Trust	5,121	-	122	-	5,243
Toronto Police Services Board Mounted Unit	1,823	-	48	38	1,833
Indemnity Deposit – Waterpark Place	1,133	-	30	-	1,163
Contract Aftercare Project	1,122	-	22	-	1,144
Community Services and Facilities	795	-	19	-	814
Regent Park Legacy Trust	736	-	18	-	754
Music Garden Trust Fund	614	-	15	-	629
Queen’s Quay Community Services	342	-	8	-	350
Lakeshore Pedestrian Bridge	261	-	7	-	268
Children’s Green House Trust	1	241	4	27	219
Green Lane Small Claims	121	-	3	-	124
Public Art Maintenance Trust	116	-	3	-	119
Toronto Police Services Board	109	-	-	-	109
Preservation Trust	77	146	-	126	97
Hugh Clydesdale	56	-	-	-	56
Michael Sansone	46	-	1	-	47
Tenant Displacement	43	-	-	-	43
90 Lisgar Street Trust	29	-	1	-	30
Municipal Elections Candidates’ Surplus	21	-	-	-	21
Other Trust Funds	65	-	6	-	71
Total	**70,444**	**3,475**	**8,083**	**9,410**	**72,592**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CITY OF TORONTO TRUST FUNDS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in thousands of dollars)

1. PURPOSE OF TRUST FUNDS

The City of Toronto Consolidated Trust Funds (Trust Funds) consist of various trust funds administered by the City of Toronto. The Trust Funds are not subject to income taxes under Section 149 (1) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include trust funds administered by the City as well as those within organizations that are accountable to the City. The Trust Funds' consolidated financial statements are the representation of management and have been prepared in accordance with the Chartered Professional Accountants of Canada's Public Sector Accounting Standards, except that investments are recorded at fair value to reflect their ability to support the purpose for which they were created. The significant accounting policies are summarized below.

i. REVENUE RECOGNITION

The Trust Funds follow the restricted fund method of accounting for contributions. The City ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. For financial reporting purposes, the Trust Funds are all classified as "restricted" and are to be used only for the specific purposes as specified by each trust agreement.

Investment income includes dividends, interest and realized and unrealized gains and losses and is included in the consolidated statement of operations and changes in fund balances.

ii. FINANCIAL INSTRUMENTS AND INVESTMENT INCOME

Investments consisting of government and corporate bonds, equity funds, debentures and short-term instruments of various financial institutions are authorized investments pursuant to the provisions of the Municipal Act.

The Trust Funds' investment activities expose it to a range of financial risks, including market risk, and credit risk. The value of investments recorded in the consolidated financial statements is the fair value determined as follows:

a. Short-term investments are comprised of money market instruments, such as bankers acceptances and are valued based on cost plus accrued income, which approximates fair value.

b. Publicly traded bonds and debentures are determined based on the latest bid prices.

c. Equity Funds are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Transactions are recorded on a settlement date basis. Transaction costs are expensed as incurred.

iii. EXPENDITURES

Expenditures are recognized on an accrual basis of accounting based on the receipt of goods or services and the creation of a legal obligation to pay.

Distributions, withdrawals from, and management fees for investments held in trust for the Toronto Atmospheric Fund are recorded as expenditures in the period incurred in the Consolidated Statement of Operations and Changes in Fund Balances.

3. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and surplus at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

December 31, 2020 (in thousands of dollars)

4. DUE FROM CITY OF TORONTO

As at December 31, 2020 the Trust Funds have amounts due from the City of Toronto of $13,516 (2019 – $13,427) for investment and banking transactions, since the City maintains bank accounts or holds investments on behalf of the Trust Funds. These amounts are non-interest bearing and are due on demand.

5. INVESTMENTS

Investments consist of the following:

	2020		2019	
	Fair value	**Book value**	**Fair value**	**Book value**
Short-Term Investments	6,301	6,030	4,910	4,776
Mutual Fund Investments	80,196	62,232	47,464	24,625
Total	**86,497**	**68,262**	**52,374**	**29,401**

	2020	2019
Weighted average rate of return	2.77%	3.22%
Range of maturity dates	2021 – 2034	2020 – 2034
Excess of fair value over book value	18,235	22,973

6. INVESTMENT INCOME

	2020	2019
Investment income	6,581	6,066
Interest income	435	691
Unrealized gain (loss) on change in fair value	2,100	1,326
Total investment income	**9,116**	**8,083**

7. FINANCIAL INSTRUMENTS

The Trust Funds are subject to market risk, credit risk and interest rate risk with respect to their investment portfolio. The Trust Funds' interest bearing investments are exposed to interest rate risk. The Trust Funds' investments are at risk due to fluctuations in market prices whether changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Unrealized gains and/or losses accounting for the valuation changes between fair value and book value of investments are recognized as part of the Trust Funds' Statement of Operations and Changes in Fund Balances.

Market risks include exposure arising from holdings of foreign currency denominated investments and equity prices. The Trust Funds' reporting currency is Canadian dollars. A decrease in the relative value of the Canadian dollar as compared to the US dollar will result in an increase to the Trust Funds' US dollar investments. An increase in the relative value of the Canadian dollar as compared to the US dollar will result in a decrease to the Trust Funds' US dollar investments.

Equity price risk is the risk the fair value or future cash flows of an equity financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust Funds manage risk by investing across a wide variety of asset classes and investment strategies.

The Trust Funds hold investments in fixed income securities issued by corporations and government entities and as such have fixed income credit risk. The Trust Funds mitigate this risk by limiting the investment portfolio to investments in BBB grade or higher.

8. CAPITAL MANAGEMENT

In managing capital, the Trust Funds focus on liquid resources available for reinvestment. The Trust Funds' objective is to have sufficient liquid resources to meet payout requirements. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2020, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

9. CONSOLIDATED STATEMENT OF CASH FLOWS

A separate consolidated statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other consolidated financial statements and notes.

OUR SUPPLEMENTAL FINANCIAL & STATISTICAL INFORMATION

SUPPLEMENTAL FINANCIAL AND STATISTICAL INFORMATION

(Not subject to audit; all dollar amounts are in thousands except per capita figure. See accompanying notes and schedules to financial statements)

1. FIVE YEAR REVIEW SUMMARY

	2020	2019	2018	2017	2016
Population (Note 1)	2,988,408	2,965,173	2,956,024	2,878,589	2,822,902
Households (Note 1)	1,217,573	1,208,300	1,222,235	1,190,220	1,167,195
Areas in square kilometres	634	634	634	634	634
Full-time employees	47,657	48,684	48,801	47,209	46,609
Housing starts	20,982	18,877	22,761	15,112	19,617
Building permit values	$11,928	$11,144	$15,077	$14,845	$10,297

2. TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (Note 2)

	2020	2019	2018	2017	2016
Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$610,239	$565,886	$522,560	$480,320	$439,853
Commercial, Industrial and Pipeline	136,164	129,255	121,103	111,940	104,593
TOTAL	**$746,403**	**$695,140**	**$643,663**	**$592,260**	**$544,447**
Total per capital	**$249,766**	**$234,435**	**$217,746**	**$205,746**	**$192,868**

SUPPLEMENTAL FINANCIAL AND STATISTICAL INFORMATION

(Not subject to audit; all dollar amounts are in thousands except per capita figure. See accompanying notes and schedules to financial statements)

3. TAX RATES (URBAN AREA) (Note 2)

a. Residential, New Multi-Residential, Farmlands and Managed Forest (expressed in %, full rate only)

	2020	2019	2018	2017	2016
City purposes	0.4467040	0.4537700	0.4655054	0.4826472	0.4999731
School board purposes	0.1530000	0.1610000	0.1700000	0.1790000	0.1880000
TOTAL	**0.5997040**	**0.6147700**	**0.6355054**	**0.6616472**	**0.6879731**

b. Multi-Residential (expressed in %)

	2020	2019	2018	2017	2016
City purposes	0.9403840	1.0323420	1.1447559	1.2844065	1.4521427
School board purposes	0.1530000	0.1610000	0.1700000	0.1790000	0.1880000
TOTAL	**1.0933840**	**1.1933420**	**1.3147559**	**1.4634065**	**1.6401427**

c. Commercial (expressed in %)

	2020	2019	2018	2017	2016
City purposes	1.1918090	1.2467510	1.3138506	1.3802233	1.4598602
School board purposes	0.9800000	1.0300000	1.0900000	1.1400000	1.1800000
TOTAL	**2.1718090**	**2.2767510**	**2.4038506**	**2.5202233**	**2.6398602**

d. Industrial (expressed in %)

	2020	2019	2018	2017	2016
City purposes	1.1736660	1.2178330	1.2862662	1.3698567	1.4521427
School board purposes	1.0672200	1.1108780	1.1607730	1.2164150	1.2536020
TOTAL	**2.2408860**	**2.3287110**	**2.4470392**	**2.5862717**	**2.7057447**

e. Pipeline (expressed in %)

	2020	2019	2018	2017	2016
City purposes	0.8592620	0.8728550	0.8954295	0.9284027	0.9617302
School board purposes	1.2500000	1.2900000	1.3400000	1.3900000	1.4820840
TOTAL	**2.1092620**	**2.1628550**	**2.2354295**	**2.3184027**	**2.4438142**

SUPPLEMENTAL FINANCIAL AND STATISTICAL INFORMATION

(Not subject to audit; all dollar amounts are in thousands except per capita figure. See accompanying notes and schedules to financial statements)

4. PROPERTY TAXES RECEIVABLE, END OF THE YEAR

	2020	2019	2018	2017	2016
Amount	$466	$255	$237	$253	$261
Per Capita	$156	$86	$80	$88	$92

5. NET LONG-TERM DEBT – END OF YEAR

	2020	2019	2018	2017	2016
Amount	$7,654	$7,104	$6,502	$5,950	$5,072
Per Capita	$2,561	$2,396	$2,200	$2,067	$1,797

6. INTEREST CHARGES FOR NET LONG-TERM DEBT

	2020	2019	2018	2017	2016
Amount	$199	$334	$296	$307	$289
Per Capita	$67	$113	$100	$107	$102

7. LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES

	2020	2019	2018	2017	2016
Gross Long-Term Debt	$8,003	$7,393	$6,794	$6,266	$5,436
Net Long-Term Debt (Net of Sinking Fund deposits)	$7,654	$7,104	$6,502	$5,950	$5,072

8. LONG-TERM DEBT AND MORTGAGES CHARGES

The following includes principal repayments, interest on long-term debt and interest earned on sinking funds:

	2020	2019	2018	2017	2016
Amount	$666	$776	$705	$781	$890
Percentage of Total Consolidated Expenses	5.38%	6.09%	5.73%	6.90%	8.12%

SUPPLEMENTAL FINANCIAL AND STATISTICAL INFORMATION

(Not subject to audit; all dollar amounts are in thousands except per capita figure. See accompanying notes and schedules to financial statements)

9. LEGAL DEBT LIMIT (Note 3)

The City's debt limit represents 15% of property tax levy.

	2020	2019	2018	2017	2016
Property Tax Levy Amount	$4,491	$4,312	$4,246	$4,102	$3,939
Debt Limit	$674	$647	$637	$615	$591

10. TAXES COLLECTED

	2020	2019	2018	2017	2016
City Collection	$5,239	$5,302	$5,137	$4,988	$4,651
Taxes Transferred to the School Board	$2,229	$2,193	$2,169	$2,057	$1,980
TOTAL	**$7,468**	**$7,495**	**$7,306**	**$7,045**	**$6,632**

11. TRUST FUNDS BALANCE – END OF YEAR

	2020	2019	2018	2017	2016
Trust Funds – End of Year	**$73**	**$73**	**$70**	**$71**	**$67**

SUPPLEMENTAL FINANCIAL AND STATISTICAL INFORMATION

(Not subject to audit; all dollar amounts are in thousands except per capita figure. See accompanying notes and schedules to financial statements)

12. SUMMARY OF CONSOLIDATED REVENUES AND EXPENSES

a. Consolidated Revenues by Source

	2020	2019	2018	2017	2016
Residential and commercial property taxation	$4,491	$4,312	$4,246	$4,102	$3,939
Municipal land transfer tax	804	799	730	805	645
Taxation from other government	91	98	103	96	112
User charges	2,864	3,526	3,255	3,028	3,074
Funding transfers from other governments	4,070	3,493	3,505	2,800	2,738
Government business enterprise earnings	129	234	247	236	166
Investment income	187	335	219	235	197
Development charges	263	398	339	314	184
Rental and concessions	511	534	506	469	461
Other	597	654	589	479	686
TOTAL	**$14,007**	**$14,383**	**$13,740**	**$12,564**	**$12,202**

b. Consolidated Expenses by Function

	2020	2019	2018	2017	2016
General government	$851	$886	$876	$776	$760
Protection to persons and property	1,946	1,930	1,858	1,811	1,808
Transportation	3,472	3,581	3,578	3,140	3,067
Environment services	1,008	1,043	976	956	933
Health services	536	497	490	461	450
Social and family services	2,627	2,553	2,474	2,193	2,038
Social housing	877	830	844	824	779
Recreation and cultural services	938	1,073	1,006	1,008	1,002
Planning and development	130	358	204	147	116
TOTAL	**$12,385**	**$12,751**	**$12,306**	**$11,315**	**$10,954**

c. Annual Surplus

	2020	2019	2018	2017	2016
Annual Surplus	**$1,622**	**$1,632**	**$1,434**	**$1,249**	**$1,248**

SUPPLEMENTAL FINANCIAL AND STATISTICAL INFORMATION

(Not subject to audit; all dollar amounts are in thousands except per capita figure. See accompanying notes and schedules to financial statements)

13. ACCUMULATED SURPLUS

	2020	2019	2018	2017	2016
Financial Assets	$14,113	$12,310	$11,296	$9,970	$9,293
Liabilities	22,718	20,530	19,384	17,125	15,792
Net Debt	**(8,605)**	**(8,220)**	**(8,088)**	**(7,155)**	**(6,498)**
Non-Financial Assets	37,033	35,026	33,262	30,895	28,989
Accumulated Surplus	**$28,428**	**$26,806**	**$25,174**	**$23,740**	**$22,491**

14. CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS

	2020	2019	2018	2017	2016
Social Assistance	$925	$958	$982	$949	$898
Child Care Assistance	441	497	500	388	345
Health Services	203	179	182	175	170
Social Housing	575	382	388	334	287
Other	1,648	888	555	654	477
Government of Canada Transfer – TTC	57	504	707	163	269
Government of Canada Transfer – Capital	50	16	60	25	248
Province of Ontario Transfer – Capital	171	308	132	112	43
TOTAL	**$4,070**	**$3,732**	**$3,505**	**$2,800**	**$2,738**

15. CONSOLIDATED EXPENSES BY OBJECT

	2020	2019	2018	2017	2016
Salaries, wages and benefits	$6,127	$6,042	$5,813	$5,623	$5,618
Materials	1,010	866	1,289	1,015	1,011
Contracted Services	1,584	1,910	1,865	1,627	1,596
Interest on long-term debt & TCHC mortgage	346	337	328	320	320
Transfer payments	1,533	1,721	1,463	1,367	1,185
Amortization	1,432	1,383	1,267	1,136	974
Other	353	492	281	226	249
TOTAL	**$12,385**	**$12,751**	**$12,306**	**$11,315**	**$10,954**

SUPPLEMENTAL FINANCIAL AND STATISTICAL INFORMATION

(Not subject to audit; all dollar amounts are in thousands except per capita figure. See accompanying notes and schedules to financial statements)

16. RESERVE & RESERVE FUND BALANCE – END OF YEAR

	2020	2019	2018	2017	2016
Amount	**$3,263**	**$2,241**	**$2,276**	**$2,038**	**$1,983**

17. TANGIBLE CAPITAL ASSETS

	2020	2019	2018	2017	2016
COST					
General Assets	$24,556	$23,107	$22,123	$20,271	$17,917
Infrastructure	26,682	25,267	24,003	22,705	20,988
Assets under construction	5,139	4,812	4,385	4,371	5,579
Total – cost	**56,377**	**$53,186**	**$50,511**	**$47,347**	**$44,483**
ACCUMULATED AMORTIZATION					
General Assets	8,666	8,027	7,498	7,040	6,506
Infrastructure	11,183	10,595	10,296	9,843	9,394
Total – accumulated amortization	**19,849**	**18,622**	**17,794**	**16,883**	**15,900**
NET BOOK VALUE	**$36,528**	**$34,564**	**$32,717**	**$30,464**	**$28,583**

Note 1:
Source of population data and number of households is from the City of Toronto, City Planning Division – which uses the data from the last Annual Demographic Estimate of Statistics Canada. Year 2013 to 2017 was revised based on Statistics Canada March 2019.

Note 2:
Taxation related information reflect Current Value Assessment (CVA).

Note 3:
Debt Limit is approved by City Council as per the City of Toronto Act (COTA) effective 2007. Debt Limit shall not be greater than 15% of the property tax levy.

OUR CLIMATE-RELATED FINANCIAL DISCLOSURES

Overview

- Climate disclosures are important
- Why is the Climate Impact important?
- Our commitment to climate action
- Key disclosures for the year 2020
- Our TCFD alignment assessment

CLIMATE DISCLOSURES ARE IMPORTANT

As part of our efforts in promoting the importance of achieving environmental sustainability, we are implementing the voluntary recommendations established by the **Task Force on Climate-Related Financial Disclosures (TCFD)**. Our disclosures revolve around how we are addressing **Governance, Strategy, Risk, and Metrics and Targets** related to climate adaptation and mitigation.

The TCFD recommendations seek to guide entities in providing consistent, comparable, reliable, clear and efficient information about how climate issues are being managed by organizations.

It is essential that residents, businesses, investors, and our decision makers are provided information about how climate issues are impacting us, in order to make good decisions for a better future. This disclosure is part of our commitment to addressing the Climate Emergency and aims to provide information we know now that is most essential for that decision support[1].

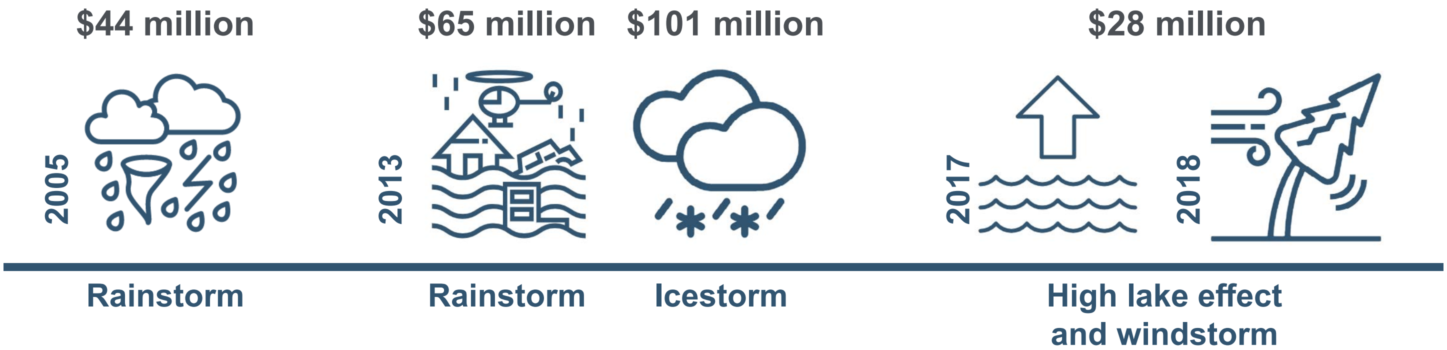
WHY IS THE CLIMATE IMPACT IMPORTANT?

Every action that we take, such as taking public transportation or changing our electricity consumption levels, affects our environment. These small impacts can accumulate over time to cause significant impacts, such as increasing our greenhouse gas emission levels, and impacting various ecosystems and our environment. Similarly, climate affects nearly everything that we do and can have profound impacts on our lives in the form of rising temperatures, shifting rainfall patterns, and other hazardous weather conditions.

People living in cities are highly reliant on various infrastructure assets, including road networks, water and wastewater pipelines, and buildings that have been designed to tolerate particular anticipated extreme weather conditions. With climate change, these tolerance thresholds are being exceeded, and municipalities, such as ours, are not yet fully ready to respond to the consequences. In the event climate-related risk factors are not addressed, municipalities can be exposed to severe ramifications. Our infrastructure systems are often interconnected and when one component fails, such as our electric grid, it can cause cascading affects that result in significant disruption, damages and costs.

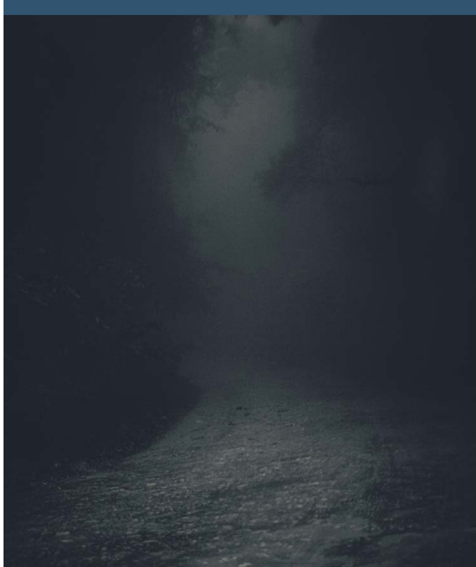
Here are some recent examples of costs associated with storms in Toronto:

Figure 1: Costs of past extreme weather events incurred by us



Toronto is just one of many municipalities that is grappling with climate change in a global context:

"**Climate change is the defining issue of our time**" with profound implications for international peace and stability (UN Security Council Press Statement, 2021) and the health and well-being of societies. There is now clear evidence of a changing climate at global, Canadian and community scales.



"The World Economic Forum Annual Global Risk Reports (WEF GRR, 2021) rank global risks across all sectors by impacts and likelihood. Climate action failure was ranked as the second most impactful and likely risk. Canada's highest court had a ruling relating to climate change: "Climate change is real. It is caused by greenhouse gas emissions resulting from human activities, and it poses a grave threat to humanity's future[2].

In March 2020, Toronto found itself as part of a global pandemic. "A decade ago, in the wake of the global financial crisis, climate-change issues faded into the background. By contrast, today's pandemic seems to have focused the public's attention on extreme global risks and the value of resilience[3]."

(Tiff Macklem, Governor, Bank of Canada)

OUR COMMITMENT TO CLIMATE ACTION

In light of the severity of risks posed by climate change, we are committed to taking action and disclosing our progress to mitigate and adapt to these emerging and anticipated trends. Some key milestones of our journey to date are as follows:

2007

City Council adopted the Climate Change, Clean Air and Sustainable Energy Action Plan. Also, we published our first greenhouse gas (GHG) emissions inventory.

2008

City Council adopted one of the world's first adaptation plans for a city.

2011

Toronto began disclosing climate information on the Carbon Disclosure Project (now CDP Platform).

2017

City Council adopted TransformTO, Toronto's ambitious climate action strategy

2018

City Council members request City staff to investigate the applicability of implementing TCFD's recommendations. This was the first year when we began reporting according to the TCFD Guidelines, as well as collaborated with CPA Canada and our municipal partners, Vancouver and Montreal, to understand how TCFD recommendations could be adapted and utilized by municipalities.

2019

City Council declared a climate emergency, which included a commitment to implement a stronger GHG reduction target for Toronto: net zero by 2050 or sooner.

KEY DISCLOSURES FOR THE YEAR 2020

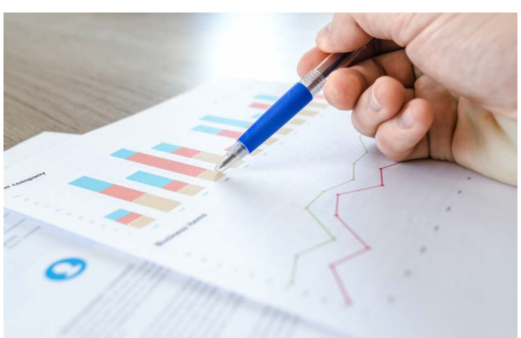
For the years 2018 and 2019, the disclosures have shown how we are progressing well in its alignment with the TCFD recommendations. However, in the context of the challenging situation caused by COVID-19, action on climate change has slowed. Consequently, there are gaps that have become more apparent and risks identified on the basis of considering the TCFD recommendations. These risks pertain to climate governance and risk management.

GOVERNANCE

The TCFD recommended disclosures include the Mayor and the City Council's oversight of, and management's role in, assessing and managing climate-related risks and opportunities.

We currently develop and maintain our own climate risk assessments and adaptation initiatives, but lack an overarching process to understand the impact of climate-related risks or opportunities from a corporate-wide perspective. As a result, it can be difficult to prioritize and manage climate-related risks that are identified as part of our various climate-related actions.

RISK MANAGEMENT



The TCFD recommended disclosures include reporting processes for identifying and assessing and managing climate-related risks, and its integration into overall risk management

Our enterprise risk management system does not yet include climate-related risks. Without a corporate-wide risk management process that considers climate change, we are not able to assess and prepare for potential consequences arising from various climate-related risks. A corporate view of risk and opportunity would allow us to strengthen how we prioritize the distribution of funds to projects or initiatives with the greatest sustainability impacts. The current gaps in our risk management program indicates that future costs of extreme weather and the cost of adapting to these events is not yet known. This increases our susceptibility to significant risks.

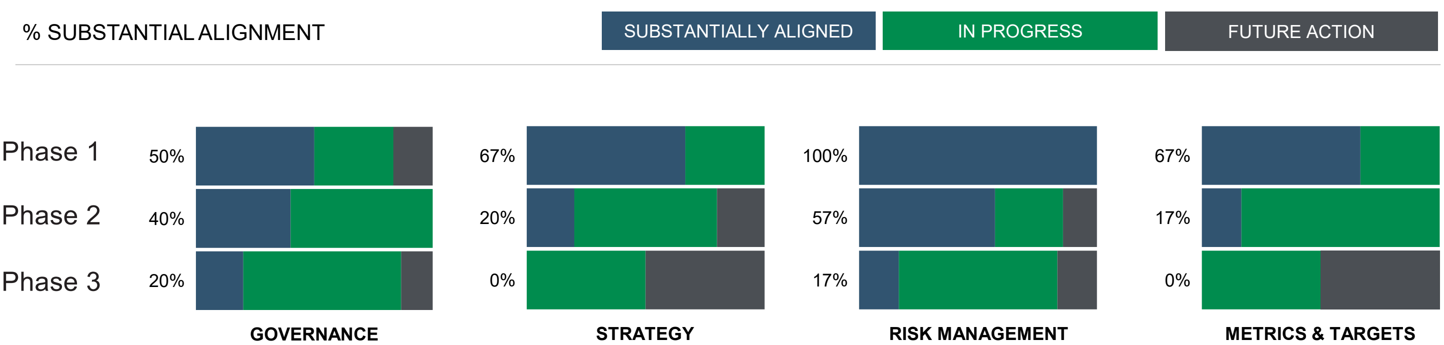
2020: TASK FORCE ON CLIMATE-RELATED DISCLOSURES (CONTINUED)

OUR TCFD ALIGNMENT ASSESSMENT

Early in 2020, we combined our efforts with the cities of Vancouver and Montreal to form a guide, which was published by CPA Canada, called Enhancing Climate-related Disclosure by Cities. The guide provides an overview of how cities can implement, benefit from, and self-assess alignment with the TCFD recommendations.

It includes a Maturity Assessment Framework composed of three phases with characteristics that typify progress, which include: aligned (phase 3), making progress towards alignment (phase 2), or will take future action towards alignment (phase 1). Figure 2 below shows our preliminary self-assessment results. Overall, we continue to be largely aligned with a phase 1 reporting city, with progress made towards phases 2 and 3.

Figure 2 – Preliminary maturity assessment of our 2020 TCFD guidelines implementation



In 2020, we strengthened our alignment to the TCFD's recommendations associated with strategy. Specifically, our GHG reduction strategy improved in comparison to previous years given that we conducted research to respond to accelerated GHG targets. Our updated strategy addresses one of our most costly physical climate risks – flooding. We also obtained City Council's approval to strengthen our Basement Flood Protection Program. Details are described in the section below on Strategy. **Table 1** presents a summary of climate related financial disclosures utilizing the Guidelines from TCFD.

TCFD recommended disclosures		**City of Toronto disclosure**
Governance		
Disclose the organization's governance around climate-related risks and opportunities.	a. Describe the board's (Mayor & Council's) oversight of climate-related risks and opportunities.	We report to City Council and its various Committees, such as the Infrastructure and Environment Committee, on an as needed basis to provide ongoing updates on how we are responding to and mitigating climate-related risks.
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	We are ultimately responsible for developing and executing various climate risk assessments and adaptation initiatives. Examples include: Toronto's Resilience Strategy (focused on physical risk), TransformTO (focused on GHG emissions), and Hazard Identification Risk Assessment (focused on hazards most likely to result in an emergency). We also started to develop a Climate Lens decision support framework as part of our Climate Emergency plans. The framework will shape how we prepare our budgets in the future – all of our capital budget requests will need to consider the cost of climate change, as well as how the proposed projects and/or initiatives will reduce GHG emissions and/or strengthen the resilience of our assets.

2020: TASK FORCE ON CLIMATE-RELATED DISCLOSURES (CONTINUED)

TCFD recommended disclosures		City of Toronto disclosure
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	The high-level impacts of climate change over the short and medium term have been identified and summarized in the 2019 TCFD disclosure[4]. We estimate that flooding caused by extreme weather patterns poses the most significant risk to our municipality at this time. Extreme weather has and will likely cause extended power disruptions with cascading disruptive impacts. Factors that have not yet been fully explored or considered in our strategies include: how to modify our infrastructure to withstand new stressors resulting from changes to our climate, extent of cost damages resulting from climate change events, and type and extent of impacts on residents and immediate environment. In the future, we plan to conduct studies on the opportunities available to us. There is a general recognition that the massive transformation of energy systems and conservation will result in employment and investment opportunities.
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	We are mandated to take into account climate risks as a normal part of our work, and develop programs that address climate risks and opportunities. The development of a Climate Lens framework will help address proposed projects and initiatives with respect to climate issues, contributing to the an enterprise view of climate risks and opportunities[5]. In Toronto, the most financially significant climate adaptation related programs are the Basement Flood Reduction Program ($121 million spent in 2020[6]), Wet Weather Flow Master Plan ($149 million[7]), programs to enhance the tree canopy and defensive initiatives to help vulnerable people during heat waves. Major initiatives are also underway to reduce GHG emissions through investments that we make to our transportation and existing and future buildings that are part of our City-wide real estate portfolio.
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	At this time, no climate-related scenarios have been modelled or assessed on a corporate-wide level. However, some actions have been taken (e.g., upgrading sewer systems to a 100-year storm capacity).

2020: TASK FORCE ON CLIMATE-RELATED DISCLOSURES (CONTINUED)

ENHANCEMENTS TO TORONTO'S BASEMENT FLOOD REDUCTION STRATEGY[8]

On November 25, 2020, City Council adopted an updated approach to our basement flood protection program with some very significant strategic improvements:

1. Increased the number of projects that can qualify to the next phase of the program (i.e. detailed design and construction).
2. Prioritize qualifying projects based on ability to achieve the greatest impact, by considering criteria associated with hazard mitigation, exposure reduction, vulnerability, and overall costs.

TCFD recommended disclosures		City of Toronto disclosure
Risk management		
Disclose how the organization identifies, assesses, and manages climate-related risks.	a. Describe the organization's processes for identifying and assessing climate-related risks.	We currently use localized risk management frameworks. In order to establish a corporate-wide approach, we started our development of a "Climate Lens" framework. Once in place, the framework will allow us to standardize capital budget decisions, as well as prioritize projects that consider GHG emissions and physical risks that may impact the longevity of our assets, such as infrastructure.
	b. Describe the organization's processes for managing climate-related risks.	We are responsible for identifying and addressing climate risks within our budgets. City Council approves actions to reduce climate related risks to an acceptable level, based on management recommendations.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Climate-related risks are managed on a case by case basis within our organization. An enterprise risk management framework is under development and will include climate change considerations.

In large cities like our own, there is a high dependency on complex interdependent infrastructure systems, which can be vulnerable to extreme weather patterns. Many of these systems are not directly controlled by our organization, which adds to the complexity of understanding and managing all of the risks that impact our residents and businesses.

As part of our ongoing work in anticipating and preparing for climate change, we are currently performing climate change vulnerability assessments of our buildings. To date, we have completed a sample-based assessment for 86 of our buildings. We estimate that the buildings included in our sample population could require climate adaptation investments of approximately $13 million over the next 15 years. When extrapolated across our portfolio, we estimate that we could require up to $384 million of adaptation-related investments. This value includes State of Good Repair costs (tangible capital asset investments and repairs and maintenance) that embed climate change. More detailed studies are required to develop specific cost estimates that can be used in the financial and capital planning processes. Significant financial investments are expected as we operate the second largest real estate portfolio in Canada, after the Government of Canada, with over 2,500 facilities[9] under our management.

2020: TASK FORCE ON CLIMATE-RELATED DISCLOSURES (CONTINUED)

TCFD recommended disclosures		City of Toronto disclosure
Metrics & targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	We identify relevant metrics for our operations for climate related risks. For instance, we are the first municipality in Canada to provide disclosure associated with our progress in achieving our greenhouse gas emission targets.
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our overall city-wide GHG inventory includes Scope 1 and 2 emissions as summarized in Figure 3 below.
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Toronto's greenhouse gas reduction targets, based on 1990 levels: • 30 per cent by 2020 • 65 per cent by 2030 • Net zero by 2050, or sooner

Subsequent to year-end, a study was done to develop a road map to achieve net zero emissions in over 2,500 of our facilities. Sustained operation of our portfolio currently requires an annual utility budget estimated at $240 million and generates approximately 260,000 tonnes of greenhouse gas emissions annually. Our net zero emissions targets can be achieved over the next 20 to 30 years through fuel switching and efficiency retrofits as the primary means to reduce facility utilities consumption and as a result, emissions reduction. The estimated cumulative investment required to achieve this would range from $2.6 billion to $4.1 billion.

We compile annual inventories of community GHG emissions. Toronto's emissions are measured according to the Global Protocol for Community-Scale Greenhouse Gas Emissions Inventories (GPC), a globally recognized GHG accounting and reporting standard that ensures consistent and transparent measurement and reporting of GHG emissions between cities. We are on track to exceed our current target of a 30 per cent reduction in GHG emission.

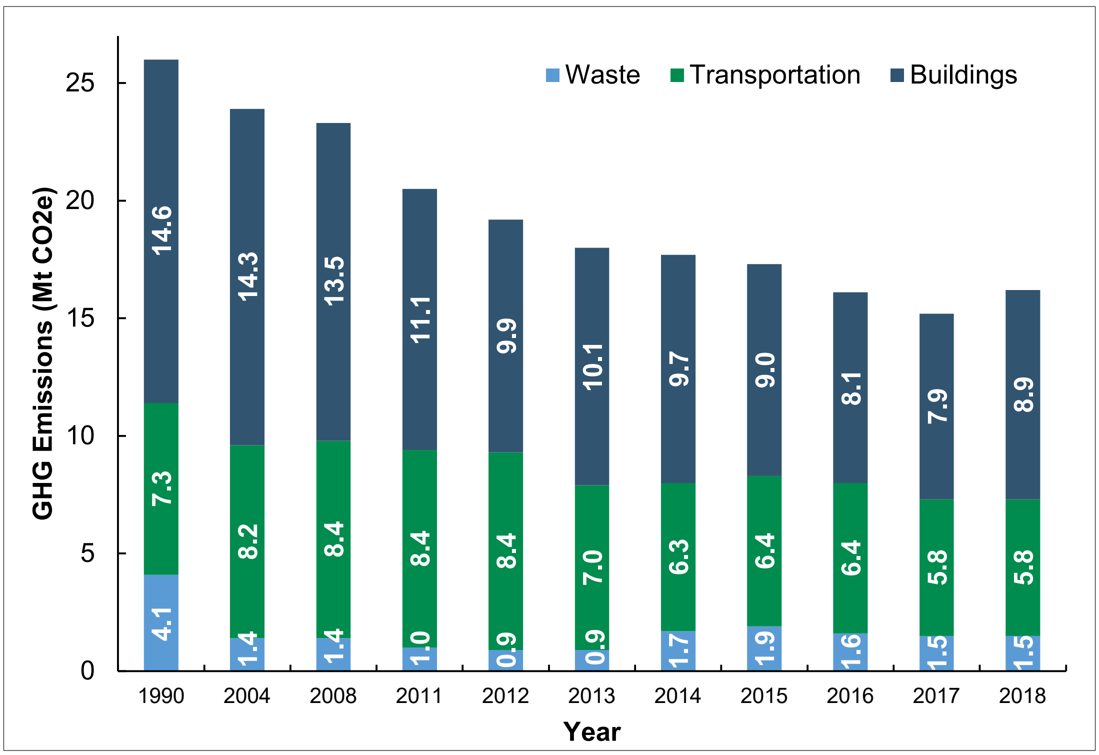
Figure 3 – GHG emissions status versus targets

GHG reduction target	2018 status	Progress
30% by 2020, from 1990 levels	37% lower than 1990 levels	On track
65% by 2030, from 1990 levels	37% lower than 1990 levels	Toronto must halve its 2018 emissions within 10 years to meet the 2030 target
Net zero by 2050	16.2 megatonnes emitted	16.2 megatonnes must be eliminated

2020: TASK FORCE ON CLIMATE-RELATED DISCLOSURES (CONTINUED)

Since the publication of its first GHG emissions inventory in 2007, we have maintained a program of regular reporting of community-wide emissions. Currently, we report according to the Global Protocol for Community-Scale Greenhouse Gas Emission Inventories (GPC), which has become the standard for cities like ours which are part of the C40 Cities Climate Leadership Group and the Global Covenant of Mayors. We have been actively disclosing this climate related information through the global reporting platform known as CDP (formerly the Carbon Disclosure Project) since 2011. Status of GHG reduction, physical risks and climate adaptation action are disclosed in detail through CDP's platform[10].

Figure 4 – GHG emissions by sector (1990 - 2018)[11]



Our CDP disclosure for fiscal 2019 resulted in an "A" rating – Leadership – for both our GHG emissions and climate adaptation disclosures, making Toronto one of only 88 cities[12] worldwide with this acknowledgment. Toronto's "A" rating helps external decision makers compare Toronto to other cities' performance addressing climate issues.

We believe cities will be at the forefront of developing policy, and planning and implementing climate mitigation and adaptation measures. Achieving GHG reduction targets and resilience of cities to future extreme weather will require transformational changes in how we live, work, build and commute. Our actions also include advocating, supporting and collaborating with other governments, cities and stakeholders to respond together on this global crisis. We are proud to work in partnership with the cities of Vancouver, Montreal and Edmonton towards formation of a "Canadian Municipal Network for TCFD", seeking to enhance professional practice and consistency in climate related financial disclosure.

2020: TASK FORCE ON CLIMATE-RELATED DISCLOSURES (CONTINUED)

1 In effort to be succinct, information already reported in the 2019 disclosure is not necessarily repeated. Readers seeking details on specific sections of this 2020 disclosure may find that detail in our 2019 Annual Financial Report.

2 March 2021, Supreme Court of Canada ruling regarding Greenhouse Gas Pollution Pricing Act

3 From COVID to climate—the importance of risk management. Remarks (delivered virtually) Tiff Macklem – Governor, The Global Risk Institute, Toronto, Ontario, October 8, 2020

4 Examples of Projected Climate Impacts on Toronto were disclosed in 2019 (page 125).

5 Examples of climate adaptation actions were disclosed in 2019 (page 127).

6 Based on Capital Variance Report (page 4) for the Twelve Months Ended December 31, 2020.

7 Based on Appendix 4 of Capital Variance Report (page 94) for the Twelve Months Ended December 31, 2020.

8 City of Toronto Staff Report: 2020 Basement Flooding Protection Program

9 City of Toronto Staff Report: Building Net Zero Emissions City Buildings: Corporate Real Estate Management's Net Zero Carbon Plan

10 References to City of Toronto's CDP disclosures:

- Toronto profile on the Global Covenant of Mayor's website
- C40 published GHG inventories reported for 2013-2016
- Full City submissions of CDP database

11 Toronto's annual GHG emissions inventories are published on a delayed reporting cycle (e.g., 2018 emissions inventory is published in 2020). This delay matches the two-year delayed publication cycle of the federal government's National Inventory Report (NIR). Toronto uses NIR emissions factors (EFs) for different fuels, specifically electricity, to calculate its inventory emissions. The NIR is Canada's formal submission to the United Nations Framework on Climate Change (UNFCC) regarding its Nationally Determined Contribution (NDCs) under the Paris Agreement and as such is highly credible and complete source of information. The alignment of federal, provincial and municipal reporting is important for accuracy, transparency and consistency.

12 Based on information available on the CDP Website as at November 18, 2020

THANK YOU FOR ALL OF YOUR SUPPORT!

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