

Consolidated Financial Statements

The City of Ottawa

December 31, 2022

MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management of the City of Ottawa [the "City"].

The consolidated financial statements are prepared by management, in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The consolidated financial statements necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the consolidated financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for the preparation of consolidated financial statements.

The Auditor General's office reports directly to City Council ["Council"] and, on an ongoing basis, carries out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

Council fulfils its responsibility for financial reporting through its Audit Committee and the Finance and Corporate Services Committee.

Ernst & Young LLP, Chartered Professional Accountants, have been appointed by Council to express an opinion on the City's consolidated financial statements. Their report follows.



Wendy Stephanson
Acting Interim City Manager
Ottawa, Canada



Cyril Rogers
Acting Interim Chief Financial Officer
Ottawa, Canada

Independent auditor's report

To the Mayor and Members of Council

Opinion

We have audited the consolidated financial statements of the **City of Ottawa** [the "City"], which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of operations and accumulated surplus, the consolidated statement of change in net debt and 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and its consolidated financial performance 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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Ottawa, Canada
June 15, 2023

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

THE CITY OF OTTAWA

Consolidated statement of financial position

As at December 31, 2022, with comparative information as at December 31, 2021 [dollars in thousands]

Table 1 - Consolidated statement of financial position - Financial assets

Financial assets	2022	2021
Cash and cash equivalents	\$782,034	\$709,280
Accounts receivable [note 3]	1,176,999	995,943
Investments [note 4]	1,796,577	1,711,196
Investment in government business enterprise [note 5]	526,944	507,295
Loan receivable [note 6]	212,012	219,051
Total financial assets	4,494,566	4,142,765

Table 2 - Consolidated statement of financial position - Liabilities

Liabilities	2022	2021
Accounts payable and accrued liabilities [note 7]	1,631,603	1,437,383
Deferred revenue [note 8]	1,147,279	1,011,774
Employee future benefits and pension agreements [note 9]	732,484	728,210
Accrued interest	30,557	29,091
Landfill closure and post-closure [note 10]	38,838	36,800
Contaminated sites [note 11]	6,769	6,784
Net long-term debt [note 12]	3,211,582	3,039,703
Mortgages payable [note 13]	313,877	313,500
Other liabilities [note 14]	58,902	55,784
Capital lease obligations [note 15]	72,407	79,037
Total liabilities	7,244,298	6,738,066

Net debt	(2,749,732)	(2,595,301)
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Table 3 - Consolidated statement of financial position - Non-financial assets

Non-financial assets	2022	2021
Tangible capital assets [note 16]	20,903,977	19,636,263
Inventories	57,664	52,109
Prepaid expenses	40,465	39,416
Total non-financial assets	21,002,106	19,727,788
Accumulated surplus [note 17]	\$18,252,374	\$17,132,487

Contingencies, commitments and contractual rights [note 18]

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

THE CITY OF OTTAWA

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2022, with comparative information for the year ended December 31, 2021 [dollars in thousands]

Table 4 - Consolidated statement of operations and accumulated surplus - Revenue

Revenue	2022 Budget [note 23]	2022 Actual	2021 Actual
Taxes available for municipal purposes [note 19]	\$2,131,221	\$2,137,217	\$2,022,302
Government transfers	1,506,625	1,569,569	1,622,478
Fees and user charges	915,634	873,192	772,857
Contributed tangible capital assets	393,947	469,303	532,071
Development charges	150,043	168,419	208,393
Investment income	54,479	74,237	61,257
Fines and penalties	55,675	46,791	41,073
Other revenue	43,503	84,875	23,067
Share of earnings of government business enterprise [note 5]	33,800	39,674	47,356
Total revenue	5,284,927	5,463,277	5,330,854

Table 5 - Consolidated statement of operations and accumulated surplus - Expenses

Expenses	2022 Budget [note 23]	2022 Actual	2021 Actual
General government	112,946	122,466	108,433
Protection to persons and property	682,710	709,318	663,964
Roads, traffic and parking	494,424	445,752	421,652
Transit	893,716	765,326	719,757
Environmental services	537,976	486,398	451,934
Health services	273,148	283,287	294,234
Social and family services	591,099	608,730	502,889
Social housing	305,636	457,705	354,510
Recreation and cultural services	395,877	372,844	346,481
Planning and development	102,719	95,239	79,561
Total expenses [note 20]	4,390,251	4,347,065	3,943,415
Annual surplus	894,676	1,116,212	1,387,439
Accumulated surplus, beginning of the year	16,078,100	17,132,487	15,744,533
Other comprehensive income	3,675	3,675	515
Accumulated surplus, end of the year	\$16,976,451	\$18,252,374	\$17,132,487

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

THE CITY OF OTTAWA

Consolidated statement of change in net debt

For the year ended December 31, 2022, with comparative information for the year ended December 31, 2021 *[dollars in thousands]*

Table 6 - Consolidated statement of change in net debt

Consolidated statement of change in net debt	2022 Budget [note 23]	2022 Actual	2021 Actual
Annual surplus	\$894,676	\$1,116,212	\$1,387,439
Acquisition of tangible capital assets including contributed assets	(1,688,570)	(1,688,570)	(2,047,060)
Amortization of tangible capital assets	400,276	400,276	392,726
Loss on disposal of tangible capital assets	19,147	19,147	47,862
Proceeds on disposal of tangible capital assets	1,433	1,433	3,231
Supply of inventories	(5,555)	(5,555)	(806)
Prepaid expenses	(1,049)	(1,049)	(7,551)
Change in net debt	(379,642)	(158,106)	(224,159)
Net debt, beginning of the year	(3,668,551)	(2,595,301)	(2,371,657)
Other comprehensive income	3,675	3,675	515
Net debt, end of the year	\$(4,044,518)	\$(2,749,732)	\$(2,595,301)

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

THE CITY OF OTTAWA

Consolidated statement of cash flows

For the year ended December 31, 2022, with comparative information for the year ended December 31, 2021 [dollars in thousands]

Table 7 - Consolidated statement of cash flows - Operating activities

Operating activities	2022	2021
Annual surplus	\$1,116,212	\$1,387,439
Items not affecting cash		
Share of earnings of government business enterprise	(39,674)	(47,356)
Amortization of tangible capital assets	400,276	392,726
Contributed tangible capital assets	(469,303)	(532,071)
Loss on disposal of tangible capital assets	19,147	47,862
	1,026,658	1,248,600
Changes in assets and liabilities		
Increase in accounts receivable	(181,056)	(181,157)
Increase in inventories	(5,555)	(806)
Increase in prepaid expenses	(1,049)	(7,551)
Decrease in loan receivable	7,039	5,192
Increase in accounts payable and accrued liabilities	194,220	491,145
Increase in deferred revenue	135,505	83,067
Increase in employee future benefits and pension agreements	4,274	21,582
Increase in accrued interest	1,466	20
Increase (decrease) in landfill closure and post-closure liabilities	2,038	(1,239)
Decrease in liabilities for contaminated sites	(15)	(726)
Increase (decrease) in other liabilities	3,118	(12,026)
Cash provided by operating activities	1,186,643	1,646,101

Table 8 - Consolidated statement of cash flows - Capital activities

Capital activities	2022	2021
Acquisition of tangible capital assets	(1,219,267)	(1,514,989)
Proceeds on disposal of tangible capital assets	1,433	3,231
Cash applied to capital activities	(1,217,834)	(1,511,758)

Table 9 - Consolidated statement of cash flows - Investing activities

Investing activities	2022	2021
Net purchase of investments	(85,381)	(536,517)
Dividends from Hydro Ottawa Holding Inc.	23,700	20,800
Cash applied to investing activities	(61,681)	(515,717)

THE CITY OF OTTAWA

Consolidated statement of cash flows [continued]

For the year ended December 31, 2022, with comparative information for the year ended December 31, 2021 [dollars in thousands]

Table 10 - Consolidated statement of cash flows - Financing activities

Financing activities	2022	2021
Proceeds from new long-term debt issued	319,273	271,369
Interest earned on sinking funds	(7,002)	(4,639)
Debt principal repayments:		
Net long-term debt	(129,766)	(134,711)
Mortgages payable	(10,249)	(9,981)
Capital lease obligations	(6,630)	(6,195)
Cash provided by financing activities	165,626	115,843

Table 11 - Consolidated statement of cash flows - Change in cash and cash equivalents

Change in cash and cash equivalents	2022	2021
Increase (decrease) in cash and cash equivalents during the year	72,754	(265,531)
Cash and cash equivalents, beginning of the year	709,280	974,811
Cash and cash equivalents, end of the year	\$782,034	\$709,280

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

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2022 *[dollars in thousands]*

1. Nature of business

The City of Ottawa [the “City”] was created through provincial legislation on December 20, 1999 and commenced operations on January 1, 2001.

The City is responsible for providing municipal services such as employment and financial assistance; long-term care; community services and libraries; emergency and protective services including police, fire and ambulance; and transportation, utilities and public works, including roads, sewers and wastewater, drinking water, waste collection and disposal.

As sole shareholder of Hydro Ottawa Holding Inc. [“Hydro Ottawa”] and the Ottawa Community Housing Corporation [“OCHC”], the City also provides hydro and housing services to the residents of Ottawa. In 2009, the Ottawa Community Lands Development and the Manotick Mill Quarter Community Development Corporations were created for the purpose of promoting and undertaking community improvements in the City by managing real property.

2. Significant accounting policies

Basis of accounting

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board [“PSAB”] of the Chartered Professional Accountants of Canada.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

2. Significant accounting policies [continued]

Basis of consolidation

The consolidated financial statements of the City reflect the assets, liabilities, revenue and expenses for the activities of all committees of City Council ["Council"] and the following boards, Business Improvement Areas ["BIAs"] and entities:

The Police Services Board	The Carp Road Corridor BIA
The Ottawa Public Library Board	The Carp Village BIA
The Ottawa Board of Health	The Vanier BIA
The Ottawa Community Housing Corporation	The Manotick BIA
Manotick Mill Quarter Community Development Corporation	The Sparks Street Mall Authority
Ottawa Community Lands Development Corporation	The Somerset Village BIA
The Bank Street BIA	The Preston Street BIA
The Westboro Village BIA	The Byward Market BIA
The Sparks Street BIA	The Downtown Rideau BIA
The Somerset Street Chinatown BIA	The Barrhaven BIA
The Glebe BIA	The Wellington West BIA
The Heart of Orleans BIA	The Kanata North BIA
	The Bells Corners BIA
	The Kanata Central BIA

All interfund assets, liabilities, revenue and expenses have been eliminated.

Condensed supplementary information for the Ottawa Public Library Board is provided in Appendix 1.

Hydro Ottawa and its subsidiaries are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises [see note 5]. These corporations follow International Financial Reporting Standards ["IFRS"]. Under the modified equity basis, the business enterprise's accounting policies are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income or loss of the enterprise is recorded directly to the City's accumulated surplus and net debt.

School boards

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements as school boards are separate entities and the City does not control or have any involvement in the operations of school boards.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

2. Significant accounting policies [continued]

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions on such areas as employee benefits liabilities, property tax assessment appeals, legal claims provisions, landfill closure and post-closure liabilities, liabilities for contaminated sites, and contributed tangible capital assets. These estimates and assumptions are based on the City's best information and judgment and actual amounts may differ significantly from these estimates.

Revenue and expenses

Revenue and expenses are reported on the accrual basis of accounting, which recognizes revenue as it is earned and measurable; expenses are recognized as they are incurred and measurable, as a result of receipt of goods or services.

Tax revenue

Annually, the City bills and collects property tax revenue for municipal purposes, provincial education taxes on behalf of the Province of Ontario [the "Province"], payment in lieu of taxes, local improvements and other charges [see note 19]. The authority to levy and collect property taxes is established under the *Municipal Act, 2001*, the *Assessment Act*, the *Education Act*, and other legislation.

Property tax revenue and associated receivables are recognized when they meet the definition of an asset and a revenue; the tax is authorized; and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction. Government transfers are recognized in the fiscal years during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

In addition, the City provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

2. Significant accounting policies [continued]

Fees and user charges

Fees and user charges relate to transit fares; utility charges; water, wastewater, and solid waste; licensing fees; fees for use of various programming; and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Development charges

Development charges are one-time fees levied by the City on new residential and non-residential properties to help fund a portion of the growth-related capital infrastructure. The authority to introduce development charges is provided by provincial legislation, and the operational details and schedule of charges are outlined in the City's by-law. Development charges are determined and accounted for by type of service component. The amount of charges varies by dwelling type and by location within the City reflecting different actual costs of establishing and providing the service. The underlying intent of development charges is that growth pays for growth and that the financing of capital costs required to service new growth does not place a burden on existing taxpayers.

Actual funding transfers to capital projects are made in accordance with regulations that stipulate that development charges may only be applied to projects when costs are incurred. Growth-related spending authority is approved annually as part of the City's budgeting process, with only those capital projects included in the current Development Charges Background Study being eligible for funding. Development charge fund balances are monitored annually through the capital budget approval process to ensure they are in compliance with the overall policies adopted by Council. Development charges are recognized as revenue when the related expenses are incurred.

Investment income

Investment income is recorded as revenue in the period in which it is earned. Investment income also includes income for the City's Endowment Fund and is invested in accordance with the investment policy and procedures adopted by Council.

Other revenue

Other revenue includes revenue from land sales, cash in lieu of parkland, and other miscellaneous revenue. Amounts received relating to revenue that will be earned in a subsequent year are deferred and reported as deferred revenue.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

2. Significant accounting policies [continued]

Financial instruments

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loan receivable, accounts payable and accrued liabilities, accrued interest, net long-term debt, mortgages payable and other liabilities.

The City uses derivative financial instruments consisting of bank swaps to reduce its exposure to interest rate risk related to its debt. The City does not use financial instruments for trading or speculative purposes.

The City uses bank swaps to manage commodity price fluctuations. These bank swaps are used to set a fixed price for a specific quantity over a defined term and settle on specific dates commensurate with the defined term. Swaps result in a payment or receipt of funds to or from the counterparty to the transaction. Gains (receipts) or losses (payments) are recognized in the same period as the delivery of the underlying commodity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of 90 days or less from the date when the securities are purchased.

Investments

Investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the *Municipal Act* and comprise financial instruments issued by the Canadian government and Schedule I, II, and III banks, as well as asset-backed securities and eligible commercial paper. Included within investments are specific investments for the endowment fund consisting of Canadian equities and corporate bonds as authorized by Provincial Regulation 438/97. All investments are in accordance with the Investment Policy approved by Council. Investments with original maturity dates of more than 90 days are classified as investments on the consolidated statement of financial position.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

2. Significant accounting policies [continued]

Loan receivable

A loan receivable is recognized by the City on its consolidated statement of financial position when the City has the contractual right to receive cash from the borrower. The loan receivable is initially recorded at cost. If circumstances warrant the revaluation of a loan, the City will report the loan receivable net of any related valuation allowance/write-down. Changes in valuation allowances, if applicable, will be recognized in expenses in the consolidated statement of operations and accumulated surplus. Interest revenue on a loan receivable is recognized when earned and is reflected in the consolidated statement of operations and accumulated surplus.

Deferred revenue

Certain amounts are received in advance pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected in advance for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year during which the related expenses are incurred provided eligibility criteria and stipulations have been met.

Employee benefit plans

The City has adopted the following policies with respect to employee benefit plans:

- [a] The costs of post-employment benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.
- [b] The costs of post-retirement benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs, and plan investment performance.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

2. Significant accounting policies [continued]

- [c] Past service costs for plan amendments related to prior-period employee services are accounted for in the period of the plan amendment. The effects of gain or loss from settlements or curtailments are expensed in the period during which they occur. Net actuarial gains and losses related to employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefits are discounted using current interest rates on City-issued long-term bonds.
- [d] The costs of workplace safety and insurance obligations are recognized as a liability when the event that obligates the City occurs. The liability is actuarially determined and is based upon an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees.
- [e] 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.

Pension agreements

The City has adopted the following policies with respect to pension agreements:

- [a] The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.
- [b] The actuarial valuation is determined using the projected unit credit method prorated on credited service. It is also based on management's best estimates and assumptions that include assumptions for employee retirement ages, salary escalation, and plan investment performance, which are used for discounting benefits. Plan assets are valued using a market-related value, determined over a three-year period.

Legal claims and contingencies

Estimated costs to settle legal claims and possible legal claims are determined based on available information. Where the costs are deemed to be likely and can be reasonably estimated, claims are reported as an expense on the consolidated statement of operations and accumulated surplus and a liability on the consolidated statement of financial position. Where costs are deemed not to be determinable, no liability is reported on the consolidated statement of financial position.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

2. Significant accounting policies [continued]

Landfill closure and post-closure liabilities

The estimated costs to close and maintain solid waste landfill sites are based on future expenses for 25 years, adjusted for inflation and discounted to current dollars. These costs are reported as a liability on the consolidated statement of financial position.

Contaminated sites

Criteria to recognize a liability for contaminated sites are as follows:

- [i] An environmental standard exists;
- [ii] Contamination exceeds the standard;
- [iii] The City is directly responsible or accepts responsibility for the contamination;
- [iv] It is expected that future economic benefits will be given up; and
- [v] A reasonable estimate of the amount can be made.

When all the criteria for recognition are met, the City accrues a liability for the estimated amount of future remediation costs of contaminated sites no longer in productive use.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives beyond the current year and are not intended for sale in the ordinary course of operations.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

2. Significant accounting policies [continued]

[a] Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives, as follows:

Table 12 - Useful lives of tangible capital assets

Asset - Useful life - Years	Minimum	Maximum
Buildings and improvements	20	100
Linear roads	50	75
Linear water/wastewater	50	100
Linear Light Rail Transit ["LRT"]	30	100
Land improvements	50	200
Machinery, plant and equipment	5	50
Vehicles	5	30

Assets under construction are not amortized. All assets start amortization in the month following the in-service date.

[b] Contributed tangible capital assets

Contributed tangible capital assets represent assets that are donated or contributed to the City by developers and are recognized as revenue in the year the assets are contributed based on fair market value at the date of contribution.

[c] Intangible assets

Intangible assets and natural resources are not recognized as assets in the consolidated financial statements.

[d] Interest capitalization

The City's tangible capital asset policy does not allow for the capitalization of interest costs incurred by the City associated with the acquisition or construction of a tangible capital asset.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

2. Significant accounting policies [continued]

[e] Leases

Leases are classified as operating or capital leases. Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and recorded as a liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

[f] Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Reserves

Reserves comprise funds set aside for specific purposes by Council *[see note 17]*. Reserves set aside by legislation, regulation, or agreement are reported as deferred revenue on the consolidated statement of financial position.

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 further details regarding the City's contractual rights for long-term property leases, please see note 18(m).

Contractual obligations represent obligations that 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 see note 18.

Future accounting pronouncements

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

PS 1201 Financial Statement Presentation ("PS 1201") replaces PS 1200 to conform to PS 3450 Financial Instruments ("PS 3450"), and requires a new statement of remeasurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

2. Significant accounting policies [continued]

PS 3041 Portfolio Investments (“PS 3041”) replaces PS 3040 and has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS 3450 and now includes pooled investments in its scope. Upon adoption of PS 3450 and PS 3041, PS 3030 Temporary Investments (“PS 3030”) will no longer apply.

PS 2601 Foreign Currency Translation (“PS 2601”) replaces PS 2600 and requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Unrealized gains and losses are to be presented in the statement of remeasurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item.

PS 3450 Financial Instruments (“PS 3450”) establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of remeasurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the derecognition of financial liabilities.

PS 3280 Asset Retirement Obligations (“PS 3280”) requires entities to record asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset. Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner. Asset retirement costs associated with an asset no longer in productive use are expensed. Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset or an expense, depending on the nature of the remeasurement and whether the asset remains in productive use. Upon adoption of PS 3280, landfill closure and post-closure liabilities will fall under this new standard and PS 3270 Solid Waste Landfill Closure and Post-Closure Liability (“PS 3270”) will no longer apply.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

2. Significant accounting policies [continued]

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

PS 3400 Revenue (“PS 3400”) proposes a framework that includes two categories of revenue – exchange transactions or unilateral transactions. Revenue from an exchange transaction is recognized when the public sector entity has satisfied the performance obligation(s). If no performance obligation is present, it would be unilateral revenues. Unilateral revenues are recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim on economic resources.

PS 3160 Public Private Partnerships (“P3s”) (“PS 3160”) 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.

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.

The City continues to assess the impacts of the above standards. While the timing of standards adoption may vary, certain standards must be adopted concurrently. The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 must be implemented at the same time.

The City has not adopted any new accounting standards for the fiscal year ended on December 31, 2022.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

3. Accounts receivable

Accounts receivable comprise the following:

Table 13 - Accounts receivable

Accounts receivable	2022	2021
Taxes and user charges	\$191,850	\$173,191
Federal government	395,332	317,562
Provincial government	447,449	397,625
Trade	142,368	107,565
Total accounts receivable	\$1,176,999	\$995,943

4. Investments

Fair market values for City investments are based on pricing sources that gather data on a daily basis from secondary market trading activity. Investments comprise the following:

Table 14 - 2022 investments breakdown

Investments	2022		
	Cost	Fair market value	Carrying value
Federal government bonds	\$770,110	\$719,719	\$770,110
Provincial government bonds	448,879	420,783	448,879
Municipal government bonds	333,822	311,066	333,822
Corporate (fixed income)	18,533	18,261	18,533
Externally managed endowment fund	159,690	191,348	159,690
Other	65,543	70,009	65,543
Total	\$1,796,577	\$1,731,186	\$1,796,577

Table 15 - 2021 investments breakdown

Investments	2021		
	Cost	Fair market value	Carrying value
Federal government bonds	\$553,712	\$548,218	\$553,712
Provincial government bonds	517,955	516,245	517,955
Municipal government bonds	278,383	278,563	278,383
Corporate (fixed income)	142,365	142,179	142,365
Externally managed endowment fund	154,229	202,488	154,229
Other	64,552	78,196	64,552
Total	\$1,711,196	\$1,765,889	\$1,711,196

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

4. Investments [continued]

Included in the City's municipal government bonds portfolio are City of Ottawa debentures at coupon rates varying from 4.60% to 5.30% [2021 – 4.60% to 5.30%] with a carrying value of \$56 [2021 – \$56].

The holdings of the endowment fund are managed by external portfolio managers engaged by the City and are in accordance with the investment policy and procedures adopted by Council. Based upon market value, as at December 31, 2022, the endowment fund was distributed between cash and treasury bills (3.2%) [2021 – 2.4%], fixed income (47.2%) [2021 – 34.1%] and equities (49.6%) [2021 – 63.5%].

“Other” consists of units of the One Investment Program equity portfolio operated by a subsidiary of the Municipal Finance Officers' Association of Ontario.

The average yield on investments held as at December 31, 2022 is 1.39% [2021 – 1.18%]. Investments mature from January 27, 2023 to December 1, 2048 [2021 – March 3, 2022 to December 1, 2048].

According to the investment policy for the endowment fund adopted by Council, investment earnings are paid to the City at the lesser of 6.5% and the actual earnings of the endowment fund, provided that the market value of the fund is not reduced below the original \$200,000 investment. In 2022, \$6,200 [2021 – \$29,675] was distributed from the endowment fund to the City.

5. Investment in government business enterprise

Investment [100% owned] in Hydro Ottawa

The following table provides condensed supplementary financial information for Hydro Ottawa under IFRS:

Table 16 - Hydro Ottawa condensed financial information - Assets

Assets [As at December 31]	2022	2021
Current assets	\$207,253	\$207,465
Capital assets	2,105,237	2,013,433
Other assets	171,514	141,512
Total assets	2,484,004	2,362,410

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

5. Investment in government business enterprise [continued]

Table 17 - Hydro Ottawa condensed financial information - Liabilities

Liabilities [As at December 31]	2022	2021
Current liabilities	480,211	413,365
Other liabilities	1,476,849	1,441,750
Total liabilities	1,957,060	1,855,115
Net assets	\$526,944	\$507,295

Table 18 - Hydro Ottawa condensed financial information - Net assets

Net assets consisting of investment in Hydro Ottawa [As at December 31]	2022	2021
Common shares [100%]	\$228,453	\$228,453
Retained earnings	293,497	277,523
Accumulated other comprehensive income	4,994	1,319
Net assets	\$526,944	\$507,295

Table 19 - Hydro Ottawa condensed financial information - Results of operations

Results of operations [For the year ended December 31]	2022	2021
Total revenue	\$1,169,649	\$1,164,577
Total expenses	1,129,975	1,117,221
Net income	\$39,674	\$47,356

The City, as holder of common shares in Hydro Ottawa, is entitled to receive dividends as declared by Hydro Ottawa's Board of Directors. Dividends in the amount of \$23,700 [2021 – \$20,800] were received in 2022 related to 2021 operations. Dividends totalling \$20,000 have been declared and are to be received in 2023 related to Hydro Ottawa's 2022 operations. During the year, the City purchased electricity from Hydro Ottawa at prices and terms approved by the Ontario Energy Board. In addition, the following transactions took place during the year:

Table 20 - Transactions with Hydro Ottawa

Services purchased from Hydro Ottawa by the City	2022	2021
Energy management consulting	\$ 6,041	\$4,809
Other services	18,700	16,602
Fees paid to the City by Hydro Ottawa	2022	2021
Property taxes, fuel, permits and other services	\$5,844	\$4,484

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

5. Investment in government business enterprise [continued]

As at December 31, 2022, Hydro Ottawa's accounts receivable include \$15,857 [2021 – \$10,550] due in respect of the transactions above, while Hydro Ottawa's accounts payable and accrued liabilities include \$259 [2021 – \$456] due to the City and its subsidiaries.

6. Loan receivable

Table 21 - Loan receivable

	2022	2021
Loan receivable	\$212,012	\$219,051

In 2017, the City executed an Assignment and Assumption Agreement with the long-term lenders for Stage 1 of the light rail project. With this agreement, the long-term lenders transferred all their rights and obligations under the existing credit agreement with Project Co (borrower) to the City (assignee). The loan receivable was issued at an interest rate of 4.89% and matures on June 30, 2047. Loan repayments, consisting of principal and interest, are received on a quarterly basis. With each payment, the principal amount of the loan is reduced and the interest portion of the payment is recorded by the City as interest revenue.

Table 22 - Principal payments on light rail loan receivable

Principal payments	
2023	\$7,382
2024	7,731
2025	7,984
2026	7,928
2027	8,696
2028 and thereafter	172,291
Total	\$212,012

In 2022, interest revenue of \$10,593 [2021 – \$10,908] on the loan receivable has been reflected as investment income on the consolidated statement of operations and accumulated surplus.

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Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

Table 23 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities	2022	2021
Trade payables and accruals	\$1,487,311	\$1,257,611
Payroll accruals and deductions	144,292	179,772
Total accounts payable and accrued liabilities	\$1,631,603	\$1,437,383

8. Deferred revenue

Deferred revenue, set aside for specific purposes by legislation, regulation or agreement, comprises the following.

Table 24 - Deferred revenue

Deferred revenue	2022	2021
Development charges	\$794,366	\$724,301
Other government transfers	123,984	103,932
Other deferred revenue	110,488	75,378
Building code	31,987	33,691
Cash in lieu of parkland	86,454	74,472
Total deferred revenue	\$1,147,279	\$1,011,774

9. Employee future benefits and pension agreements

Employee future benefits and pension agreements liabilities comprise the following:

Table 25 - Employee future benefits and pension agreements

Employee future benefits and pension agreements	2022	2021
Employee future benefits	\$714,194	\$710,950
City of Ottawa Superannuation Fund cost of living adjustment liability	18,290	17,260
Total employee future benefits and pension agreements	\$732,484	\$728,210

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

[a] Employee future benefits

Employee future benefit liabilities of the City as at December 31, 2022, with comparative information for 2021, are as follows:

Table 26 - Employee future benefits

Employee future benefits	2022	2021
Post-retirement benefits	\$245,281	\$238,168
Post-employment benefits	383,286	370,928
Workplace Safety and Insurance Board ["WSIB"]	85,627	101,854
Total employee future benefits	\$714,194	\$710,950

The defined benefit plans relating to post-retirement and post-employment provide a variety of benefits to retirees and active and long-term disabled employees, including income, medical, dental, and life insurance; workers' compensation; and sick leave benefits.

The City is a Schedule 2 employer under the *Workplace Safety and Insurance Act* and, as such, assumes full responsibility for financing its workplace safety insurance costs. The accrued obligation represents the present value of future benefits on existing claims.

The continuity for post-retirement, post-employment, and WSIB benefits for 2022 is as follows:

Table 27 - Employee future benefits continuity

Employee future benefits continuity	Post-retirement	Post-employment	WSIB	Total
Balance, at the beginning of the year	\$238,168	\$370,928	\$101,854	\$710,950
Current service costs/cost of new claims	11,130	50,225	17,611	78,966
Interest cost	5,300	7,532	3,327	16,159
Amortization of actuarial loss (gain)	11	(3,172)	3,516	355
Benefits paid	(9,328)	(42,227)	(40,681)	(92,236)
Balance, at the end of the year	\$245,281	\$383,286	\$85,627	\$714,194

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

9. Employee future benefits and pension agreements [continued]

Expenses for post-retirement and post-employment benefits and WSIB in the amount of \$95,480 [2021 – \$102,721] are recorded on the consolidated statement of operations and accumulated surplus.

The liability for post-retirement and post-employment benefits is calculated based on an estimate of future outlays required under contractual agreements with various City employee bargaining units. These estimates are based on a number of assumptions regarding the expected costs of benefits, which are dependent on the demographic makeup of the various groups, future interest rates, and inflation rates. The liability for WSIB is calculated based on an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees. The City engages the services of an actuarial consulting firm to provide a determination of the City's obligation for post-retirement and post-employment benefits, as well as for WSIB benefits.

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The liabilities for post-retirement and post-employment benefits reported in these consolidated financial statements are based on a valuation as of September 30, 2022 with an extrapolation to December 31, 2022. The liability for WSIB benefits reported in these consolidated financial statements is based on a valuation as of December 31, 2021 with an extrapolation to December 31, 2022.

Gains or losses are generated each year due to changes in assumptions and corrections or clarifications to the plan design previously provided by the City. These gains or losses are amortized over the expected average remaining service life of the related employee groups beginning in the year following the gain or loss. Amortization of the 2022 actuarial gain of \$85,205 [2021 – gain of \$47,394] for post-retirement and post-employment benefits will commence in fiscal 2023. Amortization of the 2022 actuarial loss of \$127,740 [2021 – loss of \$40,431] for WSIB will commence in fiscal 2023.

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Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit cost for post-retirement, post-employment benefits and WSIB are as follows:

Table 28 - Actuarial assumptions

Actuarial assumptions	Accrued Benefit Obligation		Benefit Expense	
	2022	2021	2022	2021
Non-pension post employment/post retirement				
Discount rate	4.10%	2.20%	2.20%	1.60%
Initial weighted average health care trend rate	4.75%	4.68%	4.68%	4.72%
Ultimate weighted average health care trend rate	4.00%	4.00%	4.00%	4.00%
Year ultimate rate reached	2040	2040	2040	2040
WSIB				
Discount rate	4.10%	2.20%	2.20%	1.60%
Inflation (CPI)	6.50%	2.00%	2.00%	2.00%
Health care	6.00%	4.00%	4.00%	4.00%

An employee benefits reserve has been established to help reduce the future impact of employee future benefit obligations. As at December 31, 2022, the balance in the employee benefits reserve was \$85,511 [2021 – \$81,379] [see note 17].

[b] Pension agreements

[i] Ontario Municipal Employees' Retirement Fund

The City makes contributions to the Ontario Municipal Employees Retirement System ["OMERS"], which is a multi-employer pension plan, on behalf of most of its employees.

The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. The City's contribution to the OMERS plan for 2022 totalled \$136,790 [2021 – \$127,444] for current services and is included as an expense on the consolidated statement of operations and accumulated surplus. These contributions were matched with identical employee contributions for both years.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

As OMERS is a multi-employer pension plan, the City does not recognize in its consolidated financial statements any share of the pension plan deficit of \$6,100,000 [2021 deficit – \$69,000] as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed for past service to OMERS for the year ended December 31, 2022 totalled \$1,054 [2021 – \$532] and is included as an expense on the consolidated statement of operations and accumulated surplus.

[ii] City of Ottawa Superannuation Fund

The City sponsors the City of Ottawa Superannuation Fund [“COSF”], a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. With the introduction of OMERS, the COSF became a closed group in 1965. As at December 31, 2022, there were no active members and 415 pension recipients [2021 – 442 pension recipients]. Pension payments during 2022 amounted to \$14,619 [2021 – \$16,930]. No employee or matching employer contributions to this pension plan for current service were required in 2022 or 2021. Employer contributions for past service were nil in 2022 [2021 – nil].

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are partially recognized in the year in which they are incurred, and the remainder are recognized in the following two years. The reported accrued benefit liability (asset) is as follows:

Table 29 - City of Ottawa Superannuation Fund pension accrued benefit liability (asset)

City of Ottawa Superannuation Fund	2022	2021
Pension fund assets – end of the year	\$126,731	\$142,762
Accrued benefit obligation – end of the year	108,089	123,435
Plan surplus	18,642	19,327
Unamortized actuarial gains (losses)	(1,381)	12,870
Valuation allowance	20,023	6,457
Accrued benefit liability (asset)	\$0	\$0

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

Table 30 – City of Ottawa Superannuation Fund pension-related expenses (income)

Expenses	2022	2021
Amortization of actuarial (gains) losses	\$(12,870)	\$7,278
Pension interest income	(695)	(200)
Change in valuation allowance	13,565	(7,078)
Total pension-related expenses	\$0	\$0

There is no remaining service life in this plan.

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 3.00% per year for two years and 2.00% thereafter [2021 – 3.00% per year for two years and 2.00% thereafter] and the discount rate for the plan was estimated at 4.90% per year [2021 – 3.60% per year].

The accrued benefit obligations and benefit cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

The City pays for the indexation of COSF from 55% of inflation to 100% of inflation. This top-up to the cost of living adjustment is approved each year through the City's budget process. The estimated pension obligation if the indexation provided by the City stops after January 1, 2023 is \$18,290 [January 1, 2022 - \$17,260]. This amount is included in the total employee future benefits and pension agreements liabilities on the consolidated statement of financial position.

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated December 31, 2021 quantified a surplus of \$13,656 [December 31, 2020 surplus – \$6,900] on a going concern basis.

The market value of the assets of the plan as at December 31, 2022 amounted to \$115,210 [2021 – \$147,192].

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

[iii] Ottawa-Carleton Regional Transit Commission Employees' Pension Plan

The City sponsors the Ottawa-Carleton Regional Transit Commission ["OC Transpo"] Employees' Pension Plan, a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. Effective January 1, 1999, OC Transpo adopted the OMERS pension plan for all employees and new hires to accrue future benefits. Members retiring with both pre-1999 and post-1998 service will receive pension incomes under both plans. Net pension payments during 2022 amounted to \$33,570 [2021 – \$33,493]. No employee or matching employer contributions to this pension plan for current service were required in 2022 or 2021. Employer contributions for past service were nil in 2022 [2021 – nil].

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are partially recognized in the year in which they are incurred, and the remainder are recognized in the following two years. The reported pension asset is as follows:

Table 31 - OC Transpo Employees' pension asset

OC Transpo Employees' Pension Plan	2022	2021
Pension fund assets – end of the year	\$633,027	\$703,370
Accrued benefit obligation – end of the year	491,949	545,901
Plan surplus	141,078	157,469
Unamortized actuarial gains	18,038	57,131
Valuation allowance	123,040	100,338
Reported pension asset	\$0	\$0

Table 32 - OC Transpo Employees' pension-related expenses

Expenses	2022	2021
Amortization of actuarial gains	\$(15,458)	\$(3,570)
Pension interest income	(7,244)	(3,553)
Change in valuation allowance	22,702	7,123
Total pension-related expenses	\$0	\$0

The expected average remaining service life of this plan is two years.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

The market value of the assets of the plan as at December 31, 2022 amounted to \$575,479 [2021 – \$730,237].

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 3.00% per year for two years and 2.00% thereafter [2021 – 3.00% per year for two years and 2.00% thereafter], the discount rate for the plan was estimated at 5.55% per year [2021 – 4.60% per year], and long-term salary forecasts for actuarial purposes were estimated at 2.25% per year for 2023 and 2024 and 3.00% thereafter [2021 – 3.00% per year].

The accrued benefit obligations and benefits cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated January 1, 2022 quantified a solvency surplus of \$56,866 [2021 surplus – \$24,112]. In 2022, the City contributed an amount of nil [2021 – nil] to the plan. With a surplus in the plan, no solvency special payments were required in 2022, and the City was able to reduce the total amount outstanding under the letter of credit by \$59,314 for 2022, bringing the balance down to \$13,075 [from \$72,389 in 2021] as allowed under the applicable legislation.

10. Landfill closure and post-closure liabilities

The *Environmental Protection Act* (Ontario) sets out the regulatory requirements for the closure and maintenance of landfill sites. Under this 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 included in operating expenses over the estimated remaining life of the landfill sites based on usage. The liability for closure and post-closure active and inactive sites is reported on the consolidated statement of financial position.

Table 33 - Landfill closure and post-closure liabilities

Landfill closure and post-closure liabilities	2022	2021
Active sites	\$24,276	\$22,471
Inactive sites	14,562	14,329
Total	\$38,838	\$36,800

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

10. Landfill closure and post-closure liabilities [continued]

Active sites

The City has two active landfill sites, Trail Road Landfill and Springhill. The City has responsibilities for all costs relating to closure and post-closure care for these active landfill sites. As at December 31, 2022, the remaining capacity of the Trail Road site is approximately 3,397,688 [2021 – 4,222,640] cubic metres, all of which is expected to be used by the year 2036 [2021 – used by 2036]. The remaining capacity at the Springhill site is approximately nil [2021 – nil] cubic metres.

Closure of the Trail Road Landfill and Springhill sites will involve covering the sites, implementing drainage control, and installing groundwater monitoring wells and gas recovery facilities. Post-closure care activities for these sites are expected to occur for approximately 25 years from the date of site closure.

The Springhill site is no longer accepting waste but is not closed. The City is currently engaged in discussions with the site manager and the Ministry of Environment Conservation and Parks regarding the next steps to be taken.

The estimated liability for the landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 10-year average rate of 2.21% [2021 – 1.68%] and discounted to current dollars using the City's average long-term borrowing rate of 4.23% [2021 – 2.83%]. This estimate amounts to \$24,276 as at December 31, 2022 [2021 – \$22,471]. In order to help reduce the future impact of these obligations, the City has established reserves for the care of these sites. As at December 31, 2022, the balance in these reserves was \$6,990 [2021 – \$6,539] and is included within other discretionary reserves [see note 17].

Estimated total undiscounted expenses over the 25-year post-closure period amount to approximately \$43,658 [2021 – \$37,823].

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Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

10. Landfill closure and post-closure liabilities [continued]

Inactive sites

The City has identified 44 inactive or closed landfill sites. Of the total, 15 sites require ongoing monitoring over the post-closure period of 25 years. Post-closure care activities for landfill sites will involve surface and groundwater monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the inactive or closed landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 3-year average rate of 4.10% [2021 – 2.57%] and discounted to current dollars using the City's average long-term borrowing rate of 4.23% [2021 – 2.83%]. The estimated present value of future expenditures for post-closure care for inactive sites as at December 31, 2022 is \$14,562 [2021 – \$14,329]. Estimated total undiscounted expenses over the post-closure period amount to approximately \$14,621 [2021 – \$15,052].

11. Contaminated sites

Contaminated sites are a result of a contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environment standard. The liability relates to sites that are not in productive use and for which the City is responsible or has accepted responsibility for remediation, future economic benefits will be given up, and costs can be reasonably estimated.

Liabilities are recorded for the estimated costs related to the management and remediation of contaminated sites where the City is likely to be obligated to incur costs. The liability estimate includes costs that are directly attributable to remediation activities and reflects the costs required to bring the site up to the current environmental standard for its use prior to contamination. The assumptions used in estimating the liability include a unique assessment of the depth of soil to be removed and disposed of for each property as well as excavation, trucking and backfilling soft costs.

The City recognized an estimated liability of \$6,769 [2021 – \$6,784] for remediation of 34 [2021 – 36] contaminated land sites based on the estimated costs of removal and replacement of contaminated soil.

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Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

12. Net long-term debt

- [a] Net long-term debt reported on the consolidated statement of financial position comprises the following:

Table 34 - Net long-term debt

Net long-term debt	2022	2021
Installment and sinking fund debentures issued at various rates of interest ranging from 0% to 6.00%, and maturing from October 22, 2023 to July 30, 2053	\$2,943,734	\$2,693,640
Stage 1 light rail private debt, including credit assignment and assumption agreement offset by loan receivable	499,210	510,577
Bank loan agreements and interest rate exchange agreements	17,233	22,408
Total value of sinking fund deposits, which have accumulated to the end of the year to retire sinking fund debentures included in the above amount	(248,595)	(186,922)
Total	\$3,211,582	\$3,039,703

- [b] Principal payments in future years, net of interest to be earned on sinking funds, are as follows:

Table 35 - Principal payments on net long-term debt

Principal payments	
2023	\$134,427
2024	143,666
2025	141,569
2026	127,071
2027	111,732
2028 and thereafter	1,712,978
Total	\$2,371,443

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

12. Net long-term debt [continued]

Principal payments will be funded from tax and rate-supported operations. It is estimated that interest to be earned by the sinking fund will amount to approximately \$840,139, which together with the amount of \$2,371,443 shown above will be used to retire the outstanding total debt of \$3,211,582.

The City has entered into interest rate swap agreements to manage the volatility of interest rates. The City converted notional floating rate debt totalling \$17,233 [2021 – \$22,408] to fixed rate debt with interest rates ranging from 1.705% to 5.92%. The related derivative agreements are in place until the maturity of the debts in 2025 and 2031.

These interest rate swaps qualify, and have been designated by the City, as cash flow hedging items against the floating rate long-term debt. The City has assessed the hedging relationship as effective. If the interest rate swaps were cancelled as at December 31, 2022, the City would receive the market value of \$1,062 [2021 – City would pay the market value of \$327].

The City has entered into bank swap agreements to improve budget certainty for commodity costs. As at December 31, 2022, the City had set bank swaps in place to hedge 30,000,000 litres [2021 – 30,100,000 litres] of diesel fuel for the 2023 and 2024 calendar years with expiry dates ranging from June 2023 to January 2024 [2021 – January 2022 to December 2023]. The City has assessed the relationship as effective. If the commodity swaps were cancelled as at December 31, 2022, the City would receive from the swap counterparty the market value of \$4,276 [2021 – \$2,355].

- [c] As part of the public-private partnership arrangement, the Rideau Transit Group ["RTG"] had obtained \$225,000 of debt financing and \$75,000 of equity financing to pay for the construction of the light rail project. At the revenue service availability date, the City started to repay the total of \$300,000 to RTG as part of the capital annual service payments and substantial completion payments over the life of the light rail. This long-term debt is at an interest rate of 6.47% and will mature on May 24, 2048.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

12. Net long-term debt [continued]

[d] In 2017, the City executed an Assignment and Assumption Agreement with the long-term lenders for Stage 1 of the light rail project. With this agreement, the long-term lenders transferred all their rights and obligations under the existing credit agreement with Project Co (borrower) to the City (assignee), and in exchange, the City issued debentures in the equivalent principal amount with the equivalent repayment profile and interest rate to the long-term lenders. The debentures issued by the City were at an interest rate of 4.89% and mature on June 30, 2047.

Principal payments in future years for the combined amount of Stage 1 light rail debt, including the assignment and assumption agreement noted above, are as follows:

Table 36 - Principal payments on Stage 1 light rail debt

Principal payments	
2023	\$12,011
2024	12,647
2025	13,271
2026	13,548
2027	14,683
2028 and thereafter	433,050
Total	\$499,210

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

12. Net long-term debt [continued]

- [e] The City has launched the Better Homes Loan Program ["BHL Program"] to help homeowners finance home energy improvements which will help the City achieve its greenhouse gas emissions reduction targets. The program participants repay the City for their project costs over time through a local improvement charge which is added to their property tax bills.

An initial loan amount of \$2,028 was received on August 3, 2022 from the Federation of Canadian Municipalities as part of the Green Municipal Fund. That loan is repayable over 25 years at zero interest rate. The entire amount of the loan has been disbursed to the first round of program participants at zero interest rate during 2022, and it has been recognized as accounts receivable as at December 31, 2022, which will be collected via residents' property tax bills over the next 20 years.

As part of the BHL Program, the City also has loans from Vancity Community Investment Bank ["Vancity"]. The first tranche was received on April 13, 2022 in the amount of \$3,887 and is for a 20-year term at an interest rate of 3.25%. A second tranche from Vancity was received on June 30, 2022 in the amount of \$15,000 and is for a 20-year term at an interest rate of 4.33%. A portion of the two tranches from Vancity have been disbursed to the program participants at their respective interest rates, and the amounts disbursed have been recognized as accounts receivable as at December 31, 2022.

13. Mortgages payable

Table 37 - Mortgages payable

Mortgages payable	2022	2021
Mortgages payable on housing properties at various rates ranging from 1.70% to 6.75% guaranteed by the Canada Mortgage and Housing Corporation with maturity dates ranging from 2023 to 2071 and debentures payable to Infrastructure Ontario maturing from 2036 to 2051 with interest rates ranging from 2.71% to 4.96%	\$313,877	\$310,240
Forgivable loans related to Canada Ontario Affordable Housing Program and Residential Rehabilitation Assistance Program	-	3,260
Total	\$313,877	\$313,500

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

13. Mortgages payable [continued]

- [a] Public housing debentures issued by Canada Mortgage and Housing Corporation in the amount of \$1,409 [2021 – \$2,656] related to OCHC have not been included in these consolidated financial statements as they are the responsibility of the Province.

Mortgages and forgivable loans on housing properties are governed by operating agreements with the Province and/or Canada Mortgage and Housing Corporation and involve no direct or indirect obligation to the City. In 2022, OCHC applied changes to the Forgivable Loans accounting practice, which resulted in bringing down the account balances to nil for the year ended December 31, 2022. With respect to the debenture payable to Infrastructure Ontario of \$239,425 [2021 – \$246,425], per OCHC's direction, the City has transferred directly to Infrastructure Ontario amounts equivalent to the annual principal and interest payments owing on the debentures of \$15,472 [2021 – \$14,904]. These payments form part of the annual subsidy provided by the City to OCHC, which is calculated based on OCHC's annual information return.

No mortgages of OCHC properties were refinanced in 2022. In 2021, five OCHC properties were refinanced after detailed appraisals were conducted. The revised appraisals allowed OCHC to borrow additional funds while maintaining the same annual payments on the debt for the refinanced properties. The 2021 refinancing provided \$20,583 of funding to be utilized for future capital repairs.

- [b] Principal repayments in future years are as follows:

Table 38 - Principal repayments on mortgages payable

Principal repayments	
2023	\$10,526
2024	11,251
2025	11,723
2026	12,216
2027	12,569
2028 and thereafter	255,592
Total	\$313,877

The principal payments in 2022 totalled \$10,249 [2021 – \$9,981].

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2022 [dollars in thousands]

14. Other liabilities

Other liabilities comprise the following:

Table 39 - Other liabilities

Other liabilities	2022	2021
Brownfields	\$58,902	\$55,784
Total other liabilities	\$58,902	\$55,784

Brownfields

Brownfields are abandoned, vacant or underutilized properties where past actions have resulted in actual or perceived environmental contamination and/or derelict or deteriorated buildings. They are usually, but not exclusively, former industrial or commercial properties.

The Ottawa Brownfields Community Improvement Program is a framework that promotes brownfield development within the City. The program contains financial incentives that encourage the remediation, rehabilitation and adaptive reuse of brownfield properties in Ottawa. The brownfields program is a grant equivalent to 100% of the incremental municipal property tax increase for up to 10 years based on a percentage of eligible costs. The applicants will initially pay for the entire cost of rehabilitation. When the City receives the incremental property taxes that result from the rehabilitation project, the City will reimburse the applicant in the form of an annual grant based on the executed legal agreement and the parameters of the applicable program.

The liability of brownfields is estimated by calculating the present value stream of the relevant incremental property tax for up to 10 years for each property site. The incremental tax is the difference between the projected property tax and the current property tax for each property site.

The estimated present value of future expenditures for brownfields as at December 31, 2022 is \$58,902 [2021 – \$55,784]. Estimated total undiscounted expenses for brownfields amount to approximately \$67,981 [2021 – \$59,656].

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

14. Other liabilities [continued]

Table 40 - Estimated brownfield payments by year

Estimated brownfield payments	
2023	\$901
2024	720
2025	8,608
2026	7,508
2027	5,401
2028 and thereafter	35,764
Total	\$58,902

15. Capital lease obligations

The City leases the following facilities as detailed below:

Table 41 - Capital lease obligations

Capital lease obligations	Office building	Paramedic services building	Shenkman Arts Centre
Total lease term	24 years	30 years	30 years
Lease term end date	February 2026	December 2035	January 2039
Interest rate	6.00%	5.79%	4.99%
Purchase option	\$10,000	nil	nil

Future minimum payments for the above capital leases are as follows:

Table 42 - Future minimum payments on capital leases

Future payments	Office building		Paramedic services building		Shenkman Arts Centre		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$5,050	\$1,250	\$813	\$772	\$1,115	\$1,488	\$6,978	\$3,510
2024	5,353	947	858	724	1,161	1,433	7,372	3,104
2025	5,674	625	906	675	1,280	1,372	7,860	2,672
2026	11,050	0	956	622	1,502	1,304	13,508	1,926
2027	0	0	1,010	567	1,683	1,224	2,693	1,791
Thereafter	0	0	10,355	2,152	23,641	6,846	33,996	8,998
Total	\$27,127	\$2,822	\$14,898	\$5,512	\$30,382	\$13,667	\$72,407	\$22,001

The \$11,050 of principal repayments for the office building in 2026 includes the \$10,000 purchase option.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

16. Tangible capital assets

Table 43 - Tangible capital assets - cost

Cost	Buildings and improvements	Infrastructure			Land	Land improvements
		Linear roads	Linear water/wastewater	LRT		
Balance, beginning of year	\$2,339,050	\$4,542,725	\$7,350,338	\$1,702,017	\$2,941,191	\$777,861
Additions	49,273	175,395	479,807	7,348	40,224	9,441
Disposals	0	(19,875)	(10,664)	(1,044)	(17)	0
Balance, end of year	2,388,323	4,698,245	7,819,481	1,708,321	2,981,398	787,302

Table 44 - Tangible capital assets - accumulated amortization

Accumulated amortization	Buildings and improvements	Infrastructure			Land	Land improvements
		Linear roads	Linear water/wastewater	LRT		
Balance, beginning of year	1,074,618	1,844,323	1,728,474	67,368	0	307,887
Disposals	0	(12,920)	(3,708)	(25)	0	0
Amortization expense	43,562	96,151	87,471	29,002	0	15,303
Balance, end of year	1,118,180	1,927,554	1,812,237	96,345	0	323,190
Net book value, end of year	\$1,270,143	\$2,770,691	\$6,007,244	\$1,611,976	\$2,981,398	\$464,112

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

16. Tangible capital assets [continued]

Table 45 - Tangible capital assets - cost (continued)

Cost	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2022	Total 2021
Balance, beginning of year	\$1,855,671	\$1,550,541	\$2,924,430	\$25,983,824	\$24,116,628
Additions	24,323	74,741	828,018	1,688,570	2,047,060
Disposals	(3,339)	(14,635)	(4,030)	(53,604)	(179,864)
Balance, end of year	1,876,655	1,610,647	3,748,418	27,618,790	25,983,824

Table 46 - Tangible capital assets - accumulated amortization (continued)

Accumulated amortization	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2022	Total 2021
Balance, beginning of year	744,145	580,746	0	6,347,561	6,083,606
Disposals	(2,919)	(13,452)	0	(33,024)	(128,771)
Amortization expense	45,650	83,137	0	400,276	392,726
Balance, end of year	786,876	650,431	0	6,714,813	6,347,561
Net book value, end of year	\$1,089,779	\$960,216	\$3,748,418	\$20,903,977	\$19,636,263

Assets under construction

During 2022, the City acquired \$1,688,570 [2021 – \$2,047,060] of assets under construction. As assets were placed into service, transfers in the amount of \$860,552 [2021 – \$900,227] were made from assets under construction to the respective asset classes to arrive at a net balance of \$828,018 [2021 – \$1,146,833] disclosed above.

Works of art and historical treasures

Council approved a Public Art Program [“PAP”] in 1985 to maintain and circulate the City’s corporate art collection. The City’s PAP collection includes over 1,700 works of art. The City also owns the Firestone Art Collection, consisting of 1,605 historical Canadian works of art produced from 1900 to 1980, which is housed and managed by the Ottawa Art Gallery. Works of art are not recorded in the City’s consolidated financial statements.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

16. Tangible capital assets [continued]

Contributed tangible capital assets

The value of contributed tangible capital assets received during 2022 amounts to \$469,303 [2021 – \$532,071] and is included in additions disclosed above.

17. Accumulated surplus

Accumulated surplus consists of individual fund surpluses, reserves, and equity in government business enterprise ["GBE"].

Table 47 - Accumulated surplus

Accumulated surplus comprises the following:	2022	2021
Invested in tangible capital assets	\$17,494,364	\$16,387,689
Capital fund – unfinanced capital outlay	277,921	353,118
Endowment fund	153,751	148,788
Employee future benefits and pension agreements	(732,484)	(728,210)
Landfill closure and post-closure liabilities	(38,838)	(36,800)
Brownfields	(58,902)	(55,784)
Contaminated sites	(6,769)	(6,784)
Other	(105,484)	(116,674)
Total before reserves and equity in GBE	16,983,559	15,945,343
Reserves		
Restricted reserves		
Gas tax	120,400	96,422
Total restricted reserves	120,400	96,422
Discretionary reserves		
Environmental services	177,919	157,599
Transit	39,586	51,979
Housing	103,619	72,081
Employee benefits	85,511	81,379
Tax stabilization	72,518	76,488
Parking	19,838	23,845
City wide	99,400	98,692
Corporate fleet	3	5,813
Other	23,077	15,551
Total discretionary reserves	621,471	583,427
Total reserves	741,871	679,849
Equity in GBE [note 5]	526,944	507,295
Accumulated surplus	\$18,252,374	\$17,132,487

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

18. Contingencies, commitments and contractual rights

[a] Through the course of its normal operations, the City becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is difficult to predict. A provision for these claims has been recorded in the consolidated financial statements based on management's best estimate, based upon an analysis of specific claims and historical experience with similar claims. Any amendment to amounts accrued will be recorded once new information becomes available. 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. If the outcome of a claim is undeterminable, then no liability accrual is recorded, and any additional losses related to these undeterminable claims will be recorded in the period during which the liability becomes determinable. Amounts recorded in the accounts have not been separately disclosed in the consolidated financial statements as disclosure may adversely impact the outcome.

[b] The City has the following future contractual obligations for capital works:

Table 48 - Contractual obligations for capital works

Contractual obligations for capital works	
2023	\$1,799,405
2024	40,242
2025	232,484
2026	4,394
2027	51,478
2028 and thereafter	347

[c] The City is committed to the following future payments under operating lease agreements for buildings and equipment:

Table 49 - Buildings and equipment lease payments

Buildings and equipment lease payments	
2023	\$18,796
2024	14,720
2025	11,383
2026	8,403
2027	5,777
2028 and thereafter	18,257

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

18. Contingencies, commitments and contractual rights [continued]

- [d] On August 30, 2019, Stage 1 of the O-Train Confederation Line achieved Revenue Service Availability ["RSA"] and the maintenance contract became effective on that date. The City has committed to making a series of monthly service payments during the 28-year maintenance and service term ending May 2048. Commitments for Monthly Service Payments ["MSP"] for capital construction costs deferred beyond the construction period, as well as for maintenance costs associated with the light rail system and vehicles, began on the RSA date. Annual payments will be adjusted as service levels change, and a portion will be adjusted for inflation, in accordance with the project agreement. The City has also committed to a series of payments for life-cycle costs, and for maintenance costs that will vary with service kilometres. The City reviews all invoices to ensure that all contractual obligations under the Project Agreement are met by the vendor. Invoices from October 2019 to April 2020, reflecting the system performance of September 2019 to March 2020, were still in dispute as of December 31, 2022, and no payments were made for those months. MSP payments were made for the invoice period from May 2020 to August 2021, taking into account performance deductions related to system performance of April 2020 to July 2021. An additional accrual for performance deductions was made in fiscal 2022 for the months of October to December of 2022. Accruals are recorded for the disputed periods based on the City's most current estimates of the MSP and performance deductions for those periods. Amounts recorded in the accounts have not been separately disclosed in the consolidated financial statements as disclosure may adversely impact the outcome of the disputed items.
- [e] As at December 31, 2022, Hydro Ottawa had total open commitments amounting to \$107,939 for the period from 2023 to 2029. The commitments relate to a call centre services agreement, distribution-related construction projects, overhead and underground services, and other services related to Hydro Ottawa's operations.
- [f] The City has commitments for the purchase of ice rental time for annual amounts of \$1,158, \$6,663 and \$15,813, which are paid in two installments in accordance with three public-private partnership agreements. These commitments are set to expire in 2027, 2034 and 2043, respectively.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

18. Contingencies, commitments and contractual rights [continued]

- [g] The City has entered into guarantees of loans amounting to \$132,720 arranged to provide financing for the development of ice rinks, the construction of a paramedic headquarters facility, the development of an arts centre, and Lansdowne Park roof replacement under public-private partnerships. The City's guarantees for ice rinks, the paramedic facility and Lansdowne roof replacement also cover the borrowers' obligations under interest rate derivative agreements to manage the volatility of interest rates. The total amount outstanding under guarantees as of December 31, 2022 is \$104,804. The City has converted floating rate debt in the amount of \$98,830 for fixed rate debt ranging from 2.849% to 6.49% on four guarantees. The related derivative agreements are in place until the maturity of the debts in 2044. The City's guarantee of the loan in connection with the arts centre facility does not involve interest rate derivative agreements since the loans are on a fixed interest rate basis.
- [h] On June 28, 2010, Council authorized a payment covenant guarantee that may require the City to make annual payments of up to \$1,463 in respect of a loan in the amount of \$20,700 for the construction and operation of a trade and exhibition centre. The covenant agreement was signed by the City on April 15, 2011 and expires on April 15, 2041. No payments have been made on this guarantee in 2022 [2021 – nil].
- [i] On October 12, 2012, the City entered into an agreement with Ottawa Sports and Entertainment Group ["OSEG"] to revitalize Lansdowne Park. The Master Limited Partnership agreement was established to manage the construction and future net positive cash flows that will be distributed based on a waterfall of priorities as set out in the agreement. The net positive cash flows will be distributed with priority to life-cycle reserves, then OSEG Partners return on and of contributed equity, and then to the City for return on deemed equity, with any remaining cash balances to be evenly split between the City and OSEG. In 2020, Council approved a ten-year extension to the agreement to December 31, 2054. Due to COVID-19, Lansdowne Park experienced a significant decrease in revenues due to events not being held. OSEG put measures in place to reduce costs and requested a transfer of \$4,653 from the capital life-cycle fund to manage cash flows over the three-year period from 2020 to 2022 inclusive. In fiscal 2023, OSEG will be required to replenish the capital life-cycle fund.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

18. Contingencies, commitments and contractual rights [continued]

- [j] In 2017, Council and the Ottawa Public Library Board approved partnering with Library and Archives Canada to build a new joint facility that brings together the creative services of a public library and the public services of a national library and archives. The final design plans of the joint facility were approved in April 2021 and the City's Supply Services branch, in May 2021, released the tender for the construction of the joint facility. As at the end of 2022, construction of the new facility was ongoing. Construction is planned to continue until late 2025, with the official opening taking place in 2026. The Library and Archives Canada portion of the building is funded by the federal government. For the City's portion of the building, capital costs incurred up to December 31, 2022 were \$44,953. Future commitments for the City portion of the building amount to \$138,007 for 2023 to 2026 inclusive.
- [k] On August 10, 2022, the City entered into a credit agreement with the Canada Infrastructure Bank of up to \$380,000 in order to finance the Zero Emission Buses ("ZEB") Program over the next five years. The credit facility bears 1% interest per annum, and it is to be repaid over the useful life of the ZEBs (15 years) beginning the first anniversary of the first operation of the ZEBs (expected 2024). As of December 31, 2022, the City has borrowed \$1,693 related to this credit agreement.
- [l] In March 2019, the City entered into agreements with private partners for the two extensions of the Stage 2 LRT Projects: Trillium Line Extension ("TLE") and Confederation Line Extension ("CLE"). The CLE project further consists of two phases, the extension of the LRT line to the east ("CLE East"), and the extension of the line to the west ("CLE West"). The TLE extension project is being delivered as a design, build, finance and maintain project, while the CLE extensions are being delivered as a design, build, and finance project, and the maintenance component of the extended line will be delivered by the current contractor for the existing Confederation Line.

For the TLE extension, the City has outstanding commitments totalling \$82,496 related to the ongoing construction costs. Upon substantial completion, the City must repay \$25,918 related to the construction costs that were funded by the private partner and \$136,126 plus interest will be paid over the 27-year maintenance period. During the maintenance period, the City is also committed to a series of monthly payments to cover the maintenance and life-cycle requirements, as well as insurance, administrative, and legal/accounting costs.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

18. Contingencies, commitments and contractual rights [continued]

For the CLE extension, the City has outstanding commitments totalling \$1,129,989 related to the ongoing construction costs. Upon substantial completion of the CLE East extension, the City must repay \$80,000 related to the construction costs that were funded by the private partner. Upon substantial completion of the CLE West extension, the City must repay \$176,446 related to the construction costs that were funded by the private partner. During the combined 30-year maintenance term, the City is also committed to a series of payments to cover the maintenance and life-cycle requirements for the combined Stage 1 and Stage 2, as well as insurance, administrative and legal/accounting costs.

[m] Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City's contractual rights arise out of contracts entered into for long-term property leases and rental arrangements where the City is the lessor. Contractual rights are not recognized in the consolidated financial statements until revenues or assets are received. The estimated amount of contractual rights is \$13,098 over the next five-year period, assuming no lease renewals or counterparty default.

19. Taxes available for municipal purposes

Table 50 - Taxes available for municipal purposes

Taxes available for municipal purposes	2022	2021
Property taxes	\$2,384,994	\$2,282,421
Payment in lieu of taxes	168,400	164,374
Local improvements and other charges	23,629	15,300
Less: education taxes	(439,806)	(439,793)
Total taxes available for municipal purposes	\$2,137,217	\$2,022,302

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Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

20. Expenses by object

The consolidated statement of operations and accumulated surplus represents the expenses by function; the following classifies those same expenses by object:

Table 51 - Expenses by object

Expenses by object	2022	2021
Salaries, wages and employee benefits	\$1,951,824	\$1,912,549
Contracted and general services	490,301	416,319
Materials, equipment and supplies	665,117	533,847
Interest charges	145,220	135,812
Rent and financial expenses	90,655	56,045
External transfers	624,564	485,040
Interfunctional	(40,039)	(36,785)
Amortization	400,276	392,726
Loss on disposal	19,147	47,862
Total expenses	\$4,347,065	\$3,943,415

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

21. Segmented information

Consolidated schedule of segment disclosure

For the year ended December 31, 2022

Table 52 – 2022 Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$2,137,217	\$0	\$0	\$0	\$0	\$0
Government transfers – provincial	24,014	16,381	2,496	404,231	8,214	189,579
Government transfers – federal	1,074	54,740	5,882	231,608	694	2,347
Fees and user charges	20,820	74,202	30,900	108,412	470,407	2,270
Contributed tangible capital assets	0	0	86,081	0	363,618	66
Development charges	4,966	1,383	28,536	104,904	20,943	0
Fines and penalties	21,836	22,891	0	2,000	0	0
Other	125,254	2,642	297	5,935	6,517	196
Total revenue	2,335,181	172,239	154,192	857,090	870,393	194,458
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	104,933	544,816	137,444	335,178	92,634	229,452
Contracts and general services	11,202	80,273	85,122	92,141	124,669	16,586
Materials, equipment and supplies	29,142	63,662	89,459	119,374	63,033	20,720
Interest charges	343	1,557	19,396	67,113	29,680	882
Rent and financial expenses	16,033	8,863	9,967	21,926	6,877	3,654
External transfers	(716)	11,921	(319)	(1,851)	5,035	(290)
Interfunctional	(39,492)	(15,675)	(18,824)	21,302	37,408	7,263
Amortization	1,021	13,497	117,892	106,442	117,537	5,037
Loss (gain) on disposal	0	404	5,615	3,701	9,525	(17)
Total expenses	122,466	709,318	445,752	765,326	486,398	283,287
ANNUAL SURPLUS (DEFICIT)	\$2,212,715	\$(537,079)	\$(291,560)	\$91,764	\$383,995	\$(88,829)

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

21. Segmented information [continued]

Consolidated schedule of segment disclosure

For the year ended December 31, 2022

Table 53 – 2022 Consolidated schedule of segment disclosure (continued)

REVENUE	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Taxes	\$0	\$0	\$0	\$0	\$2,137,217
Government transfers – provincial	439,980	127,357	5,419	609	1,218,280
Government transfers – federal	155	29,925	24,465	399	351,289
Fees and user charges	17,094	84,109	46,489	18,489	873,192
Contributed tangible capital assets	65	0	18,202	1,271	469,303
Development charges	263	3,464	2,074	1,886	168,419
Fines and penalties	0	0	64	0	46,791
Other	118	35,260	14,647	7,920	198,786
Total revenue	457,675	280,115	111,360	30,574	5,463,277
EXPENSES	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Salaries and benefits	180,169	61,567	215,179	50,452	1,951,824
Contracts and general services	19,026	7,713	46,279	7,290	490,301
Materials, equipment and supplies	25,680	171,531	71,029	11,487	665,117
Interest charges	521	11,180	11,606	2,942	145,220
Rent and financial expenses	379	7,100	4,013	11,843	90,655
External transfers	391,632	186,582	10,941	21,629	624,564
Interfunctional	(10,811)	(630)	(9,611)	(10,969)	(40,039)
Amortization	2,093	12,662	23,399	696	400,276
Loss (gain) on disposal	41	0	9	(131)	19,147
Total expenses	608,730	457,705	372,844	95,239	4,347,065
ANNUAL SURPLUS (DEFICIT)	\$(151,055)	\$(177,590)	\$(261,484)	\$(64,665)	\$1,116,212

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

21. Segmented information [continued]

Consolidated schedule of segment disclosure

For the year ended December 31, 2021

Table 54 - 2021 Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$2,022,302	\$0	\$0	\$0	\$0	\$0
Government transfers – provincial	19,398	36,502	6,855	470,401	10,392	203,216
Government transfers – federal	332	1,146	2,260	349,441	4,100	3,911
Fees and user charges	19,780	69,589	23,850	64,241	458,980	2,043
Contributed tangible capital assets	0	0	76,307	0	426,951	0
Development charges	4,307	1,724	35,687	121,453	38,699	0
Fines and penalties	20,828	18,143	0	2,000	0	0
Other	107,557	1,755	305	3,220	178	0
Total revenue	2,194,504	128,859	145,264	1,010,756	939,300	209,170
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	97,056	546,173	132,156	336,727	92,281	237,004
Contracts and general services	6,329	40,282	82,816	90,518	107,935	16,243
Materials, equipment and supplies	25,948	53,673	84,870	112,597	58,834	23,362
Interest charges	326	1,664	19,543	57,637	29,422	931
Rent and financial expenses	13,799	9,879	(516)	13,712	5,190	3,168
External transfers	(626)	11,661	(38)	(29,303)	345	(358)
Interfunctional	(35,532)	(12,475)	(20,092)	12,812	33,736	8,766
Amortization	1,115	12,753	114,383	107,894	111,945	5,051
Loss (gain) on disposal	18	354	8,530	17,163	12,246	67
Total expenses	108,433	663,964	421,652	719,757	451,934	294,234
ANNUAL SURPLUS (DEFICIT)	\$2,086,071	\$(535,105)	\$(276,388)	\$290,999	\$487,366	\$(85,064)

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

21. Segmented information [continued]

Consolidated schedule of segment disclosure

For the year ended December 31, 2021

Table 55 - 2021 Consolidated schedule of segment disclosure (continued)

REVENUE	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Taxes	\$0	\$0	\$0	\$0	\$2,022,302
Government transfers – provincial	347,470	112,507	13,053	29	1,219,823
Government transfers – federal	29	39,500	1,922	14	402,655
Fees and user charges	16,616	71,594	25,567	20,597	772,857
Contributed tangible capital assets	0	0	20,188	8,625	532,071
Development charges	1,114	422	911	4,076	208,393
Fines and penalties	0	0	102	0	41,073
Other	0	7,049	6,218	5,398	131,680
Total revenue	365,229	231,072	67,961	38,739	5,330,854
EXPENSES	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Salaries and benefits	175,348	54,358	200,130	41,316	1,912,549
Contracts and general services	15,221	3,268	40,740	12,967	416,319
Materials, equipment and supplies	20,453	79,624	64,241	10,245	533,847
Interest charges	630	10,970	12,156	2,533	135,812
Rent and financial expenses	(8,385)	13,385	1,150	4,663	56,045
External transfers	305,898	170,815	11,812	14,834	485,040
Interfunctional	(8,403)	337	(8,642)	(7,292)	(36,785)
Amortization	2,103	13,123	23,976	383	392,726
Loss (gain) on disposal	24	8,630	918	(88)	47,862
Total expenses	502,889	354,510	346,481	79,561	3,943,415
ANNUAL SURPLUS (DEFICIT)	\$(137,660)	\$(123,438)	\$(278,520)	\$(40,822)	\$1,387,439

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

21. Segmented information [continued]

The City is responsible for providing a wide range of services to its citizens, including police, fire, ambulance, public transit and water.

The City reports on functional areas and programs in its consolidated financial statements similar to the reporting reflected as part of the Ontario Financial Information Return.

These functional areas represent segments for the City, and expanded disclosure by object has been reflected in the above consolidated schedules of segmented disclosure.

A brief description of each segment follows:

- General government consists of Council, administration, and Ontario Property Assessment.
- Protection consists of police, fire and other protective services. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, by maintaining law enforcement, and preserving peace and good order.
- Roads, traffic and parking include parking, signs and signals, streetlights and the maintenance of roads within the City.
- Transit services provide local public transportation for citizens. They also include other transportation services such as planning and development.
- Environmental services include water supply and distribution, wastewater treatment, storm sewer systems and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- Health services include paramedic and health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- Social and family services include social assistance, long-term care and childcare services. Social assistance services determine, issue and monitor clients' eligibility for financial, social and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Childcare services provide subsidized childcare spaces and provide funding for wage subsidy, pay equity, and special needs.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

21. Segmented information [continued]

- Social housing, with the partnership of 120 community-based agencies, provides a range of services, including housing, emergency shelters, outreach, search and stabilization to people in the community.
- Recreation and cultural services include parks and recreation, culture and libraries. Parks and recreation services develop and deliver high-quality recreational programs and develop and maintain recreation facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Culture services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile virtual and telephone services.
- Planning and development services manage urban development for residential and business interests, as well as infrastructure and parks.

Program support costs for expenses have been allocated to other functions using guidelines and methodologies reflected in the Ontario Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

22. Public liability insurance

The City self-insures for public liability claims up to a specific amount, and outside coverage is in place for claims in excess of these limits.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

23. Budget amounts

Budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council on December 8, 2021. Council-approved budgets are prepared on a modified accrual basis, which differs from budget amounts reported on the consolidated statement of operations and accumulated surplus, which are prepared in accordance with Canadian public sector accounting standards. The table below reconciles the approved budget with the budget figures reported in these consolidated financial statements using the accrual basis of accounting.

Table 56 - Budget reconciliation

Budget reconciliation	
Revenues	
Adopted budget operating and capital	\$5,131,970
Contributed tangible capital assets	393,947
Timing differences between capital budget and spending	540,363
Consolidated entities	211,553
Reclassification of investment income	27,407
Hydro Ottawa Holding Inc. equity pickup	13,800
Transfers from reserves	(725,477)
Proceeds of debt issued	(263,875)
Reclassifications and eliminations	(44,761)
Total budgeted revenues for financial statement purposes	\$5,284,927
Expenses	
Adopted budget operating and capital	\$5,131,970
Timing differences between capital budget and spending	639,918
Amortization	519,672
Consolidated entities	211,553
Change in other obligations to be funded in future years	15,665
Change in employee future benefits and pension agreements	23,831
Acquisition of tangible capital assets	(1,237,600)
Transfers to reserves	(727,058)
Debt principal repayments	(141,483)
Reclassifications and eliminations	(46,217)
Total budgeted expenses for financial statement purposes	\$4,390,251
Budgeted annual surplus	\$894,676

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]*

24. Related party transactions

The City enters into transactions with its subsidiary corporations in the normal course of business, under terms and conditions similar to those that apply to unrelated parties. Related party transactions with Hydro Ottawa are disclosed in note 5 and related party transactions with OCHC are disclosed in note 13. These transactions are measured at their exchange amounts.

25. Impact of COVID-19

Throughout 2022, the City continued to track all COVID-19 financial impacts, including increases in expenses responding to the pandemic, cost savings due to temporary closure of facilities and reduced service levels, and revenue reductions primarily for transit and recreational services. Revenue of \$187,544 [2021 – \$325,283] was recognized during the fiscal year to offset COVID-19 related increased expenditures and lost revenues. This funding was received from provincial and federal government funding programs such as the Safe Restart Agreement, Social Services Relief Fund, Ministry of Health, Temporary Pandemic Pay, and various other service-specific funding allocations.

Tracking of COVID-19 financial impacts will continue in 2023. The upper levels of government have shown a continued commitment to provide funding to offset the financial impacts that COVID-19 has had on municipalities. It is not possible to reliably estimate the length and severity of the pandemic and its impact on the financial position and financial results of the City in future periods.

The COVID-19 related funding recorded by the City, as noted above, is shown as government transfers on the consolidated statement of operations and accumulated surplus.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 [dollars in thousands]

Appendix 1 - Condensed supplementary information

Ottawa public library board

As at December 31, 2022, with comparative information for 2021 [dollars in thousands]

The Ottawa Public Library Board is consolidated with the City. The following table provides condensed supplementary information for the Ottawa Public Library Board.

Table 57 - Ottawa Public Library Board - Financial position

Financial position	2022	2021
Financial assets	\$45,300	\$63,702
Liabilities	47,332	45,098
Net assets (debt)	(2,032)	18,604

Table 58 - Ottawa Public Library Board - Non-financial assets

Non-financial assets	2022	2021
Tangible capital assets	103,382	61,546
Total non-financial assets	103,382	61,546
Accumulated surplus	\$101,350	\$80,150

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2022, with comparative information for 2021 [dollars in thousands]

Table 59 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Revenue

Revenue	2022	2021
City of Ottawa	\$58,280	\$56,192
Federal Grants	16,253	0
Province of Ontario - Ministry of Tourism, Culture and Sport		
Operating funding (Public Library Operating Grant)	1,210	1,210
Pay equity funding (Public Library Operating Grant)	170	170
Development charges	123	(467)
Other	813	1,870
Total revenue	76,849	58,975

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2022 *[dollars in thousands]***Appendix 1 - Condensed supplementary information [continued]**

Table 60 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Expenses

Expenses	2022	2021
Operating expenditures	55,649	53,485
Total expenses	55,649	53,485
Annual surplus	21,200	5,490
Accumulated surplus, beginning of the year	80,150	74,660
Accumulated surplus, end of the year	\$101,350	\$80,150