Subject: 2024 Sinking Fund Financial Statements

File Number: ACS2025-FCS-FIN-0005

Report to Audit Committee on 6 June 2025

and Council 25 June 2025

Submitted on May 28, 2025 by Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance and Corporate Services Department

Contact Person: Miriam Mesquita, Manager, Accounting and Reporting, Corporate Finance, Finance and Corporate Services Department

613-580-2424 extension 26794, Miriam.Mesquita@ottawa.ca

Ward: Citywide

Objet : États financiers du fonds d'amortissement 2024

Numéro de dossier : ACS2025-FCS-FIN-0005

Rapport présenté au Comité de la vérification

le 6 juin 2025

et au Conseil le 25 juin 2025

Soumis le 28 mai 2025 par Isabelle Jasmin, Trésorière municipale adjointe, Services des finances municipales, Direction générale des finances et des services organisationnels

Personne ressource : Miriam Mesquita, Gestionnaire, Comptabilité et Rapports, Services des finances municipales, Direction générale des finances et des services organisationnels

613-580-2424 poste 26794, Miriam.Mesquita@ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

That the Audit Committee recommend Council approve the Sinking Fund Financial Statements for 2024.

RECOMMANDATION DU RAPPORT

Que le Comité de la vérification recommande au Conseil d'approuver les états financiers du fonds d'amortissement de 2024.

BACKGROUND

A sinking fund is an account set up by a municipality to redeem or purchase its bonds prior to maturity. A sinking fund is an investment tool that municipalities leverage to reduce its debt load over time, reduce debt risk and enforce fiscal discipline over the life of the bond. Sinking funds serve as a financial safety net for investors ensuring that an issuer can meet its long-term debt obligations.

When a sinking fund or term debenture is issued, an annual levy contribution is required to be made by the City to a sinking fund, which together with interest earnings derived from the investment of these funds, will accumulate to an amount that will be sufficient to pay the debentures principal balance owing at the maturity.

When the sinking fund balance is in excess of the principal amount of the debenture issue at the maturity date, that excess may be transferred to the City of Ottawa (City) general fund in accordance with Section 409 of the *Municipal Act, 2001*.

When the forecasted sinking fund balance, factoring in future levy contributions and expected future interest earnings, is anticipated to be in excess of the principal amount of the debenture issue due at maturity, Council may reduce the annual levy contribution in accordance with Section 409 of the *Municipal Act, 2001.*

DISCUSSION

The accounts for the sinking fund have been audited for the year ending December 31, 2024. The value of the sinking fund portfolio including cash and accrued interest as of December 31, 2024, was $461.83 million on an amortized cost basis and the market value of the investment portfolio was $421.76 million.

The calculated actuarial requirement is $407.50 million, which is the minimum amount required as of December 31, 2024, to accumulate sufficient funds to meet total sinking fund debentures at maturity. Total outstanding sinking fund commitments of $3.13 billion mature from 2030 to 2053. $225 million was added in 2024.

The audited sinking fund financial statements (Document 1) are attached to this report. The independent auditor’s report will be signed by the external auditor after the financial statements are approved by Council.

FINANCIAL IMPLICATIONS

There are no financial implications to this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendation in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This report is administrative and City wide in nature and does not require comments by Ward Councillors.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

TERM OF COUNCIL PRIORITIES

This report supports the 2023 - 2026 Term of Council Priorities as well as the City’s commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – Sinking Fund Financial Statements for the year ended December 31, 2024.

DISPOSITION

The independent auditor’s report on the 2024 sinking fund financial statements will be signed by the external auditor after the financial statements are approved by Council.