

<p>2. SINKING FUND FINANCIAL STATEMENTS 2018 ÉTATS FINANCIERS DU FONDS D'AMORTISSEMENT 2018</p>
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COMMITTEE RECOMMENDATION

That Council approve the Sinking Fund Financial Statements for 2018.

RECOMMANDATION DU COMITÉ

Que le Conseil approuve l'ébauche des états financiers du fonds d'amortissement de 2018.

DOCUMENTATION/DOCUMENTATION

1. Deputy City Treasurer's Report, Corporate Finance, dated May 20, 2019 (ACS2019-CSD-FIN-0014)

Rapport de la Trésorière municipale adjointe, Finances municipales, daté le 20 mai 2019 (ACS2019-CSD-FIN-0014)

**Report to
Rapport au:**

**Audit Committee
Comité de la vérification
29 May 2019 / 29 mai 2019**

**and Council
et au Conseil
12 June 2019 / 12 juin 2019**

**Submitted on May 20, 2019
Soumis le 20 mai 2019**

**Submitted by
Soumis par:**

**Isabelle Jasmin, Deputy City Treasurer, Corporate Finance / Trésorière
municipale adjointe, Finances municipales**

Contact Person

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2019-CSD-FIN-0014

SUBJECT: SINKING FUND FINANCIAL STATEMENTS 2018

OBJET: ÉTATS FINANCIERS DU FONDS D'AMORTISSEMENT 2018

REPORT RECOMMENDATIONS

That the Audit Committee recommends Council approve the Sinking Fund Financial Statements for 2018.

RECOMMANDATIONS DU RAPPORT

Que le Comité de la vérification recommande au Conseil d'approuver l'ébauche des états financiers du fonds d'amortissement de 2018.

BACKGROUND

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 closed and audited for the year ending December 31, 2018. The value of the Sinking Fund portfolio including cash and accrued interest as at December 31, 2018 was \$132.21 million on an amortized cost basis and the market value was \$133.55 million.

The portfolio exceeds the actuarial requirements of \$131.42 million which is the minimum amount required as at December 31, 2018, to accumulate sufficient funds to meet total sinking fund debentures at maturity. Total outstanding Sinking Fund Commitments of \$1,486.84 million mature from 2019 to 2053. No new commitment was added in 2018.

When the sinking fund balance for a specific debenture issue is estimated to be enough to pay the principal amount of the debenture issue at maturity, Council may reduce the annual levy contribution in accordance with Section 409(9) of the *Municipal Act*.

In 2018, Council approved a levy reduction for By-Law 68 of 1998 for a debenture that matured on September 14, 2018. The approval was supported by staff analysis indicating forecast earnings would exceed actuarial requirements base in existing interest rate expectations. The levy was reduced by \$1.011 million from \$1,036,501.39 to \$25,502.39.

Actual interest rates were below forecast rates in 2018 requiring a levy increase of \$160,195.75 in January 2019 to make up the difference. This amount was recorded as a receivable as at December 31, 2018.

The Audited draft Financial Statements (Document 1) are attached to this report. The Statements will be signed by the external auditor after receiving approval by Council. Document 2 is a signed communication provided by the external auditor describing the audit of the Sinking Fund Financial Statements.

RURAL IMPLICATIONS

There are no rural implications as a result of this report.

CONSULTATION

The consultation process is not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide administrative report and Councillor comments are not applicable.

ADVISORY COMMITTEE(S) COMMENTS

Not required.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

FINANCIAL IMPLICATIONS

The financial implications are detailed in the report.

ACCESSIBILITY IMPACTS

The City of Ottawa must comply with the Accessibility for Ontarians with Disability Act, 2005 ("AODA") in particular the Accessibility Standards for Customer Service, O. Reg. 429/07 as well as the Integrated Accessibility Standards, O. Reg. 191/11.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications with this report.

TERM OF COUNCIL PRIORITIES

The recommendation of this report aligns to the 2015-2018 Strategic Priority – Financial Sustainability, specifically Strategic Objective FS1 – Demonstrate sound financial management.

SUPPORTING DOCUMENTATION (*Held on file with the City Clerk*)

Document 1 – Sinking Fund 2018 Draft Financial Statement

Document 2 – Sinking Fund 2018 Audit Results

DISPOSITION

The Statements will be signed by the external auditor after receiving approval by Council.