

Consolidated Financial Statements

The City of Ottawa

December 31, 2020

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 Finance and Economic Development 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.



Steve Kanellakos
City Manager
Ottawa, Canada



Wendy Stephanson
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, 2020, 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, 2020, 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 9, 2021

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020, with comparative information as at December 31, 2019 [dollars in thousands]

Table 1 - Consolidated statement of financial position - Financial assets

Financial assets	2020	2019
Cash and cash equivalents	\$974,811	\$665,693
Accounts receivable [note 3]	814,786	678,671
Investments [note 4]	1,174,679	1,026,571
Investment in government business enterprise [note 5]	480,224	470,297
Loan receivable [note 6 & note 24]	224,243	0
Total financial assets	3,668,743	2,841,232

Table 2 - Consolidated statement of financial position - Liabilities

Liabilities	2020	2019
Accounts payable and accrued liabilities [note 7]	946,238	900,351
Deferred revenue [note 8]	928,707	746,275
Employee future benefits and pension agreements [note 9]	706,628	692,312
Accrued interest	29,071	28,914
Landfill closure and post-closure [note 10]	38,039	34,531
Contaminated sites [note 11]	7,510	8,424
Net long-term debt [note 12 & note 24]	2,954,052	2,557,194
Mortgages payable [note 13]	277,113	276,212
Other liabilities [note 14 & note 24]	67,810	0
Capital lease obligations [note 15]	85,232	91,008
Total liabilities	6,040,400	5,335,221
Net debt	(2,371,657)	(2,493,989)

Table 3 - Consolidated statement of financial position - Non-financial assets

Non-financial assets	2020	2019
Tangible capital assets [note 16]	18,033,022	17,080,405
Inventories	51,303	36,012
Prepaid expenses	31,865	30,001
Total non-financial assets	18,116,190	17,146,418
Accumulated surplus [note 17]	\$15,744,533	\$14,652,429

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, 2020, with comparative information for the year ended December 31, 2019 [dollars in thousands]

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

Revenue	2020 Budget [note 23]	2020 Actual	2019 Actual
Taxes available for municipal purposes [note 19]	\$1,944,867	\$1,944,683	\$1,864,760
Government transfers	1,013,982	1,493,210	1,083,242
Fees and user charges	933,597	743,391	903,328
Contributed tangible capital assets	396,599	363,556	474,514
Development charges	138,986	169,683	127,164
Investment income	46,171	50,716	45,866
Fines and penalties	37,782	35,617	37,897
Other revenue	57,442	44,215	63,245
Share of earnings of government business enterprise [note 5]	30,129	34,120	32,429
Total revenue	4,599,555	4,879,191	4,632,445

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

Expenses	2020 Budget [note 23]	2020 Actual	2019 Actual
General government	113,877	103,481	108,960
Protection to persons and property	651,870	628,673	637,309
Roads, traffic and parking	453,335	415,144	433,170
Transit	755,921	737,369	697,815
Environmental services	468,251	424,270	427,317
Health services	188,271	216,679	180,945
Social and family services	561,664	535,892	537,006
Social housing	295,900	302,952	301,255
Recreation and cultural services	396,486	346,493	372,347
Planning and development	77,760	74,541	76,552
Total expenses [note 20]	3,963,335	3,785,494	3,772,676
Annual surplus	636,220	1,093,697	859,769
Accumulated surplus, beginning of the year	14,496,959	14,652,429	13,795,467
Other comprehensive loss	(1,593)	(1,593)	(2,807)
Accumulated surplus, end of the year	\$15,131,586	\$15,744,533	\$14,652,429

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, 2020, with comparative information for the year ended December 31, 2019 *[dollars in thousands]*

Table 6 - Consolidated statement of change in net debt

Consolidated statement of change in net debt	2020 Budget <i>[note 23]</i>	2020 Actual	2019 Actual
Annual surplus	\$636,220	\$1,093,697	\$859,769
Acquisition of tangible capital assets including contributed assets	(1,389,982)	(1,389,982)	(1,476,281)
Amortization of tangible capital assets	392,691	392,691	358,131
Loss on disposal of tangible capital assets	39,935	39,935	16,444
Proceeds on disposal of tangible capital assets	4,739	4,739	1,468
Supply of inventories	(15,291)	(15,291)	(2,131)
Prepaid expenses	(1,864)	(1,864)	(3,796)
Change in net debt	(333,552)	123,925	(246,396)
Net debt, beginning of the year	(2,697,271)	(2,493,989)	(2,244,786)
Other comprehensive loss	(1,593)	(1,593)	(2,807)
Net debt, end of the year	(3,032,416)	(2,371,657)	(2,493,989)

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, 2020, with comparative information for the year ended December 31, 2019 [dollars in thousands]

Table 7 - Consolidated statement of cash flows - Operating activities

OPERATING ACTIVITIES	2020	2019
Annual surplus	\$1,093,697	\$859,769
Items not affecting cash		
Share of earnings of government business enterprise	(34,120)	(32,429)
Amortization of tangible capital assets	392,691	358,131
Contributed tangible capital assets	(363,556)	(474,514)
Loss on disposal of tangible capital assets	39,935	16,444
Cash provided by operating activities, adjusted for non-cash items	1,128,647	727,401
Changes in non-cash assets and liabilities		
Increase in accounts receivable	(136,115)	(30,368)
Increase in inventories	(15,291)	(2,131)
Increase in prepaid expenses	(1,864)	(3,796)
Decrease in loan receivable [note 24]	533	0
Increase (decrease) in accounts payable and accrued liabilities	45,887	(454,873)
Increase in deferred revenue	182,432	157,568
Increase in employee future benefits and pension agreements	14,316	39,899
Increase in accrued interest	157	1,385
Increase in landfill closure and post-closure liabilities	3,508	8,841
Decrease in liabilities for contaminated sites	(914)	(209)
Increase in other liabilities	67,810	0
Cash provided by operating activities	1,289,106	443,717

Table 8 - Consolidated statement of cash flows - Capital activities

CAPITAL ACTIVITIES	2020	2019
Acquisition of tangible capital assets	(1,026,426)	(1,001,767)
Proceeds on disposal of tangible capital assets	4,739	1,468
Cash applied to capital activities	(1,021,687)	(1,000,299)

Table 9 - Consolidated statement of cash flows - Investing activities

INVESTING ACTIVITIES	2020	2019
Net (purchase) sale of investments	(148,108)	202,676
Dividends from Hydro Ottawa Holding Inc.	22,600	22,300
Cash provided by (used in) investing activities	(125,508)	224,976

THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF CASH FLOWS [CONTINUED]

For the year ended December 31, 2020, with comparative information for the year ended December 31, 2019 [dollars in thousands]

Table 10 - Consolidated statement of cash flows - Financing activities

FINANCING ACTIVITIES	2020	2019
Proceeds from new long-term debt issued	310,795	789,464
Interest earned on sinking funds	(3,511)	(4,145)
Debt principal repayments:		
Net long-term debt [note 24]	(124,459)	(120,803)
Mortgages payable	(9,842)	(9,685)
Capital lease obligations	(5,776)	(5,407)
Cash provided by financing activities	167,207	649,424

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

Change in cash and cash equivalents	2020	2019
Increase in cash and cash equivalents during the year	309,118	317,818
Cash and cash equivalents, beginning of the year	665,693	347,875
Cash and cash equivalents, end of the year	\$974,811	\$665,693

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

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[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, 2020 *[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 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, 2020 [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.

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates where reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to prior years, which were not estimable until the current year.

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, 2020 *[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.

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.

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 in accordance with the investment policy and procedures adopted by City Council.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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.

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. Investments for the Endowment Fund also include Canadian equities and corporate bonds as authorized by Provincial Regulation 438/97 and the Investment Policy approved by City 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, 2020 *[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 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 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.

[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.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

[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.

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

When all the criteria for recognition are met, the City accrues a liability for the estimated cost to remediate contaminated sites to the level necessary to allow the property to meet the environmental standards appropriate to its current or prior use.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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.

[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 life 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

Tangible capital assets received as contributions have been recorded at their fair market value at the date of receipt and are included in revenue in the year 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, 2020 *[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.

Future accounting pronouncements

Standards effective for fiscal years beginning on or after April 1, 2022 (earlier adoption is permitted)

- [i] **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.
- [ii] **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.
- [iii] **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.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

[iv] **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 de-recognition of financial liabilities.

[v] **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 re-measurement 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.

Standards effective for fiscal years beginning on or after April 1, 2023 (earlier adoption is permitted)

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.

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 OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following:

Table 13 - Accounts receivable

Accounts receivable	2020	2019
Taxes and user charges	\$185,852	\$165,218
Federal government	282,635	323,313
Provincial government	263,310	132,939
Trade	82,989	57,201
Total accounts receivable	\$814,786	\$678,671

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 - 2020 investments breakdown

Investments	2020		
	Cost	Fair market value	Carrying value
Federal government bonds	\$359,143	\$363,930	\$359,143
Provincial government bonds	218,912	226,961	218,912
Municipal government bonds	239,371	247,555	239,371
Corporate (fixed income)	152,178	153,916	152,178
Endowment	163,305	199,888	163,305
Other	41,770	52,441	41,770
Total	\$1,174,679	\$1,244,691	\$1,174,679

Table 15 - 2019 investments breakdown

Investments	2019		
	Cost	Fair market value	Carrying value
Federal government bonds	\$128,043	\$129,202	\$128,043
Provincial government bonds	202,216	205,097	202,216
Municipal government bonds	209,170	211,087	209,170
Corporate (fixed income)	289,772	290,277	289,772
Endowment	166,440	198,848	166,440
Other	30,930	40,344	30,930
Total	\$1,026,571	\$1,074,855	\$1,026,571

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4. INVESTMENTS [CONTINUED]

Included in the City's municipal government bonds portfolio are City of Ottawa debentures at coupon rates varying from 3.40% to 5.30% [2019 – 3.05% to 5.30%] with a carrying value of \$924 [2019 – \$1,781].

The holdings of the Endowment Fund are selected by professional portfolio managers engaged by the City and are in accordance with the investment policy and procedures adopted by City Council. Based upon market value, as at December 31, 2020, the Endowment Fund was distributed between cash and near cash investments (2.0%), Canadian bonds (34.9%) and Canadian equities (63.1%).

“Other” consists of externally managed guaranteed investment certificates and 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, 2020 is 1.36% [2019 – 2.26%]. Investments mature from January 7, 2021 to June 3, 2065 [2019 – January 10, 2020 to June 3, 2065].

According to the investment policy for the Endowment Fund adopted by City 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 2020, \$13,000 [2019 – \$13,411] 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]	2020	2019
Current assets	\$260,310	\$317,786
Capital assets	1,903,389	1,746,867
Other assets	127,108	97,831
Total assets	2,290,807	2,162,484

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5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE [CONTINUED]

Table 17 - Hydro Ottawa condensed financial information - Liabilities

Liabilities [As at December 31]	2020	2019
Current liabilities	428,635	373,690
Other liabilities	1,381,948	1,318,497
Total liabilities	1,810,583	1,692,187
Net assets	\$480,224	\$470,297

Table 18 - Hydro Ottawa condensed financial information - Net assets

Net assets consisting of investment in Hydro Ottawa [As at December 31]	2020	2019
Common shares [100%]	\$228,453	\$228,453
Retained earnings	250,967	239,447
Accumulated other comprehensive income	804	2,397
Net assets	\$480,224	\$470,297

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

Results of operations [For the year ended December 31]	2020	2019
Total revenue	\$1,272,593	\$1,178,394
Total expenses	1,238,473	1,145,872
Net income	\$34,120	\$32,522

The difference between the share of earnings of government business enterprise in 2019 (\$32,429) on the consolidated statement of operations and accumulated surplus and the net income on Hydro Ottawa's financial statements (\$32,522) of \$93 reflects an adjustment made to Hydro Ottawa's retained earnings due to a reclassification of a non-controlling interest on the sale of shares. 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 \$22,600 [2019 – \$22,300] were received in 2020 related to 2019 operations. Dividends totalling \$20,800 are expected to be received in 2021 related to Hydro Ottawa's 2020 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:

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5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE [CONTINUED]

Table 20 - Transactions with Hydro Ottawa

Services purchased from Hydro Ottawa by the City	2020	2019
Energy management consulting	\$8,559	\$4,585
Other services	11,354	18,647
Fees paid to the City by Hydro Ottawa	2020	2019
Property taxes, fuel, permits and other services	\$5,689	\$5,155

As at December 31, 2020, Hydro Ottawa's accounts receivable include \$19,581 [2019 – \$16,965] due in respect of the transactions above, while Hydro Ottawa's accounts payable and accrued liabilities include \$372 [2019 – \$170] due to the City and its subsidiaries.

6. LOAN RECEIVABLE

Table 21 - Loan receivable

	2020	2019
Loan receivable	\$224,243	\$ 0

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. The initial amount of the loan receivable was \$225,000 and it was previously reported on a net basis as an offset to Net long-term debt. Refer to note 24 on comparative figures for further information.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. LOAN RECEIVABLE [CONTINUED]

Table 22 - Principal payments on light rail loan receivable

Principal payments	
2021	\$5,192
2022	7,038
2023	7,382
2024	7,731
2025	7,984
2026 and thereafter	188,916
Total	\$224,243

In 2019, the City netted interest revenue received from Project Co against interest expenses paid to long-term lenders for debt servicing in the amount of \$11,008 on the consolidated statement of operations, with no resulting impact on accumulated surplus (see note 24 for information on comparative figures). In 2020, interest revenue of \$10,992 on the loan receivable has been reflected as Investment income on the consolidated statement of operations and accumulated surplus.

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	2020	2019
Trade payables and accruals	\$807,311	\$751,534
Payroll accruals and deductions	138,927	148,817
Total accounts payable and accrued liabilities	\$946,238	\$900,351

8. DEFERRED REVENUE

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

Table 24 - Deferred revenue

Deferred revenue	2020	2019
Development charges	\$684,874	\$566,477
Other government transfers	98,014	44,769
Other deferred revenue	54,930	55,740
Building code	30,473	31,196
Cash in lieu of parkland	60,416	48,093
Total deferred revenue	\$928,707	\$746,275

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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	2020	2019
Employee future benefits	\$690,392	\$677,425
City of Ottawa Superannuation Fund	0	(1,399)
City of Ottawa Superannuation Fund COLA Liability	16,236	16,286
Total	\$706,628	\$692,312

[a] Employee future benefits

Employee future benefit liabilities of the City as at December 31, 2020, with comparative information for 2019, are as follows:

Table 26 - Employee future benefits

Employee future benefits	2020	2019
Post-retirement benefits	\$229,712	\$224,439
Post-employment benefits	351,630	335,506
Workplace Safety and Insurance Board ["WSIB"]	109,050	117,480
Total	\$690,392	\$677,425

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 CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

The continuity for post-retirement, post-employment, and WSIB benefits for 2020 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	\$224,439	\$335,506	\$117,480	\$677,425
Current service costs/cost of new claims	9,317	51,676	15,734	76,727
Interest cost	5,449	8,036	3,605	17,090
Amortization of actuarial loss (gain)	(1,210)	(2,423)	731	(2,902)
Benefits paid	(8,283)	(41,165)	(28,500)	(77,948)
Balance, at the end of the year	\$229,712	\$351,630	\$109,050	\$690,392

Expenses for post-retirement and post-employment benefits and WSIB in the amount of \$90,916 [2019 – \$102,233] 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, 2020 with an extrapolation to December 31, 2020. The liability for WSIB benefits reported in these consolidated financial statements is based on a valuation as of December 31, 2018 with an extrapolation to December 31, 2020.

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 2020 actuarial loss of \$56,005 [2019 – gain of \$41,274] for post-retirement and post-employment benefits will

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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

commence in fiscal 2021. Amortization of the 2020 actuarial loss of \$41,490 [2019 – loss of \$13,663] for WSIB will commence in fiscal 2021.

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	2020	2019
Discount rate	2.60%	3.20%
Inflation rate	2.00%	2.00%
Salary increase rate	1.50% to 2.50% in 2020 1.50% to 2.50% in 2021 1.75% to 2.50% thereafter	2.00% to 2.50% in 2020 2.00% to 2.50% in 2021 2.00% to 2.50% thereafter
Health care inflation rate	5.90% grading down to 4.00% in 2040	5.90% grading down to 4.00% in 2040

An employee benefits reserve has been established to help reduce the future impact of employee future benefit obligations. As at December 31, 2020, the balance in the employee benefits reserve was \$52,579 [2019 – \$59,949] [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 2020 totalled \$133,428 [2019 – \$126,970] 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.

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 \$7,600,000 [2019 surplus – \$1,531,000] 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, 2020 totalled \$691 [2019 – \$739] and is included as an expense on the consolidated statement of operations and accumulated surplus.

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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

[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, 2020, there were no active members and 462 pension recipients. Pension payments during 2020 amounted to \$15,894 [2019 – \$16,716]. No employee or matching employer contributions to this pension plan for current service were required in 2020 or 2019. Employer contributions for past service were nil in 2020 [2019 – nil].

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are recognized in the following year. 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	2020	2019
Pension fund assets – end of the year	\$146,773	\$156,361
Accrued benefit obligation – end of the year	140,516	143,359
Plan surplus	6,257	13,002
Unamortized actuarial losses	(7,278)	(6,328)
Valuation allowance	13,535	17,931
Accrued benefit liability (asset)	\$0	\$(1,399)

Table 30 - Superannuation fund pension-related expenses (income)

Expenses	2020	2019
Amortization of actuarial losses	\$6,328	\$(10,248)
Pension interest income	(533)	(912)
Change in valuation allowance	(4,396)	9,761
Total pension-related expenses (income)	\$1,399	\$(1,399)

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. Inflation rate was estimated at 2.00% [2019 – 2.00%] and the discount rate for the plan was estimated at 3.2% [2019 – 4.10%].

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.

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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

The City of Ottawa pays for the indexation of COSF from 55% of inflation to 100% of inflation. This top up to the cost of living adjustment [“COLA”] is approved each year through the City’s budget process. The estimated pension obligation if the indexation provided by the City of Ottawa stops after January 1, 2021 is \$16,236. 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, 2019 quantified a surplus of \$6,200 [December 31, 2017 surplus – \$8,900] on a going concern basis.

The market value of the assets of the plan as at December 31, 2020 amounted to \$155,097 [2019 – \$161,289].

[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 2020 amounted to \$33,394 [2019 – \$31,781]. No employee or matching employer contributions to this pension plan for current service were required in 2020 or 2019. Employer contributions for past service during 2020 amounted to \$2 [2019 – 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 year. The reported pension asset is as follows:

Table 31 - OC Transpo Employees' pension asset

OC Transpo Employees’ Pension Plan	2020	2019
Pension fund assets – end of the year	\$663,113	\$648,645
Accrued benefit obligation – end of the year	578,507	546,849
Plan surplus	84,606	101,796
Unamortized actuarial gains (losses)	(8,609)	25,780
Valuation allowance	93,215	76,016
Reported pension asset	\$0	\$0

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

Table 32 - OC Transpo Employees' pension-related expenses

Expenses	2020	2019
Amortization of actuarial gains	\$(12,260)	\$(18,581)
Pension interest income	(4,937)	(4,848)
Change in valuation allowance	17,199	23,429
Total pension-related expenses	\$2	\$0

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

The market value of the assets of the plan as at December 31, 2020 amounted to \$720,230 [2019 – \$679,427].

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 2.00% [2019 – 2.00%], the discount rate for the plan was estimated at 4.20% [2019 – 4.85%], and long-term salary forecasts for actuarial purposes were estimated at 3.00% [2019 – 3.25%].

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, 2020 quantified a solvency surplus of \$17,321 [2019 deficit – \$7,794]. In 2020, the City contributed an amount of \$2 [2019 – nil] to the plan. With a surplus in the plan, no solvency special payments were required in 2020, and the City was able to reduce the total amount outstanding under the letter of credit for 2020 to \$79,711 [from \$88,729 in 2019] 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.

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10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES [CONTINUED]

Table 33 - Landfill closure and post-closure liabilities

Landfill closure and post-closure liabilities	2020	2019
Active sites	\$23,360	\$19,824
Inactive sites	14,679	14,707
Total	\$38,039	\$34,531

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, 2020, the remaining capacity of the Trail Road site is approximately 4,571,061 [2019 – 5,579,177] cubic metres, all of which is expected to be used by the year 2036 [2019 – 2041]. The remaining capacity at the Springhill site is approximately nil [2019 – 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.

The Springhill site is no longer accepting waste but is not closed. A third-party consultant's plan to cap stages 1 to 4 is expected soon. The City is currently engaged in discussions with the site manager and a strategy is being developed with regards to 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 1.64% [2019 – 1.74%] and discounted to current dollars using the City's average long-term borrowing rate of 2.45% [2019 – 2.78%]. This estimate amounts to \$23,360 as at December 31, 2020 [2019 – \$19,824]. 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, 2020, the balance in these reserves was \$6,125 [2019 – \$5,714] and is included with other discretionary reserves [see note 17].

Estimated total undiscounted expenses over the 25-year post-closure period amount to approximately \$37,823 [2019 – \$38,681].

Inactive sites

The City has identified 44 inactive or closed landfill sites. Of the total, 15 sites require ongoing monitoring over the next 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.

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10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES [CONTINUED]

The estimated liability for the inactive or closed landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 10-year average rate of 1.64% [2019 – 1.74%] and discounted to current dollars using the City's average long-term borrowing rate of 2.45% [2019 – 2.78%]. The estimated present value of future expenditures for post-closure care for inactive sites as at December 31, 2020 is \$14,679 [2019 – \$14,707]. Estimated total undiscounted expenses over the 25-year post-closure period amount to approximately \$15,837 [2019 – \$16,191].

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 benefit 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 for each property as well as excavation, trucking and backfilling soft costs.

The City recognized an estimated liability of \$7,510 [2019 – \$8,424] for remediation of 42 [2019 – 41] contaminated land sites based on the estimated costs of removal and replacement of contaminated soil.

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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	2020	2019
Installment and sinking fund debenture issued at various rates of interest ranging from 1.95% to 6.00%, and maturing from October 19, 2021 to July 30, 2053	\$2,533,515	\$2,309,254
Stage 1 light rail debt, including credit assignment and assumption agreement offset by loan receivable [note 24]	519,798	298,789
Bank loan agreements and interest rate exchange agreements	33,473	44,244
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	(132,734)	(95,093)
Total	\$2,954,052	\$2,557,194

[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	
2021	\$134,707
2022	124,295
2023	124,681
2024	129,864
2025	129,784
2026 and thereafter	1,634,433
Total	\$2,277,764

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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 \$676,288, which together with the amount of \$2,277,764 shown above will be used to retire the outstanding total debt of \$2,954,052.

The City has entered into interest rate swap agreements to manage the volatility of interest rates. The City converted notional floating rate debt totalling \$33,473 [2019 – \$44,244] 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 2021, 2022, 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, 2020, the City would pay the market value of \$1,417 [2019 – \$265].

The City has entered into bank swap agreements to improve budget certainty for commodity costs. As at December 31, 2020, the City had set bank swaps in place to hedge 22,000,000 litres [2019 – 38,150,000 litres] of diesel fuel for the 2021 and 2022 calendar years with expiry dates ranging from January 2021 to June 2022 [2019 – January 2020 to September 2021]. The City has assessed the relationship as effective. If the commodity swaps were cancelled as at December 31, 2020, the City would pay the swap counterparty the market value of \$2,865 [2019 – \$768].

[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, 2020 *[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. This debt was reported on a net basis with the loan receivable as an offset to Net long-term debt in previous consolidated financial statements. Refer to note 24 on comparative figures for further information.

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	
2021	\$9,221
2022	11,367
2023	12,011
2024	12,647
2025	13,271
2026 and thereafter	461,281
Total	\$519,798

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

13. MORTGAGES PAYABLE

Table 37 - Mortgages payable

Mortgages payable	2020	2019
Mortgages payable on housing properties at various rates ranging from 2.70% to 6.75% guaranteed by the Canada Mortgage and Housing Corporation with maturity dates ranging from March 1, 2021 to January 1, 2044 and debentures payable to Infrastructure Ontario maturing from 2036 to 2050 with interest rates ranging from 2.71% to 4.96%	\$273,853	\$272,952
Forgivable loans related to Canada Ontario Affordable Housing Program and Residential Rehabilitation Assistance Program	3,260	3,260
Total	\$277,113	\$276,212

[a] Public housing debentures issued by Canada Mortgage and Housing Corporation in the amount of \$5,189 [2019 – \$9,155] 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.

With respect to the debenture payable to Infrastructure Ontario of \$229,906 [2019 – \$223,691], 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 \$14,070 [2019 – \$12,948]. These payments form part of the annual subsidy provided by the City to OCHC, which is calculated based on OCHC's annual information return.

Mortgages for two OCHC properties were refinanced in 2020 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, providing \$4,984 of funding to be utilized for future capital repairs.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

13. MORTGAGES PAYABLE [CONTINUED]

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

Table 38 - Principal repayments on mortgages payable

Principal repayments	
2021	\$10,028
2022	10,166
2023	10,440
2024	10,546
2025	11,014
2026 and thereafter	224,919
Total	\$277,113

The principal payments in 2020 totaled \$9,842 [2019 – \$9,686].

14. OTHER LIABILITIES

Other liabilities comprise the following:

Table 39 – Other liabilities

Other liabilities	2020	2019
Brownfields	\$56,752	\$0
Hydro Ottawa note payable	11,058	0
Total other liabilities	\$67,810	\$0

[a] 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 CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

14. OTHER LIABILITIES [CONTINUED]

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 at December 31, 2020 is \$56,752. Estimated total undiscounted expenses for brownfields amount to approximately \$59,423. Refer to note 24 on comparative figures for further information.

Table 40 - Estimated brownfield payments by year:

Estimated brownfield payments	2020
2021	\$678
2022	2,811
2023	4,653
2024	7,264
2025	7,136
Thereafter	34,210
Total	\$56,752

[b] Hydro Ottawa note payable

The City entered into an agreement in 2016 with Hydro Ottawa for the conversion of 58,000 streetlights to LED at a guaranteed fixed price with a payback period of six years. The installation began in 2016 and is expected to be completed in 2021.

The note payable is interest bearing at a fixed rate of 3%. The City makes quarterly payments to Hydro Ottawa based on a combination of electricity savings, maintenance savings and capital expenditure savings until the note is repaid in full. The City recognized this note payable liability, and the cumulative expenses to date, in fiscal 2020. There is no restatement of prior period figures.

Table 41 - Hydro Ottawa note payable

	2020	2019
Hydro Ottawa note payable	\$11,058	\$0

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

15. CAPITAL LEASE OBLIGATIONS

The City leases the following facilities and equipment as detailed below:

Table 42 - 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 43 - 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
2021	\$4,495	\$1,805	\$729	\$858	\$971	\$1,595	\$6,195	\$4,258
2022	4,764	1,535	769	815	1,097	1,544	6,630	3,894
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
Thereafter	11,050	0	12,322	3,342	26,825	9,375	50,197	12,717
Total	\$36,386	\$6,162	\$16,397	\$7,186	\$32,449	\$16,807	\$85,232	\$30,155

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. TANGIBLE CAPITAL ASSETS FOR 2020 WITH COMPARATIVES FOR 2019

Table 44 - Tangible capital assets - cost

Cost	Buildings and improvements	Infrastructure			Land	Land improvements
		Linear roads	Linear water/wastewater	LRT		
Balance, beginning of year	\$2,286,694	\$4,190,058	\$6,493,558	\$1,701,681	\$2,886,100	\$753,110
Additions	18,889	214,445	370,921	0	22,589	2,472
Disposals	0	(4,960)	(12,248)	0	(3,647)	0
Balance, end of year	2,305,583	4,399,543	6,852,231	1,701,681	2,905,042	755,582

Table 45 - Tangible capital assets - accumulated amortization

Accumulated amortization	Buildings and improvements	Infrastructure			Land	Land improvements
		Linear roads	Linear water/wastewater	LRT		
Balance, beginning of year	992,658	1,678,590	1,579,205	9,622	0	277,987
Disposals	0	(3,001)	(4,957)	0	0	0
Amortization expense	45,253	90,739	77,937	28,868	0	16,487
Balance, end of year	1,037,911	1,766,328	1,652,185	38,490	0	294,474
Net book value, end of year	\$1,267,672	\$2,633,215	\$5,200,046	\$1,663,191	\$2,905,042	\$461,108

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

16. TANGIBLE CAPITAL ASSETS FOR 2020 WITH COMPARATIVES FOR 2019
[CONTINUED]

Table 46 - Tangible capital assets - cost (continued)

Cost	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2020	Total 2019
Balance, beginning of year	\$1,626,535	\$1,587,160	\$1,370,723	\$22,895,619	\$21,485,034
Additions	198,140	145,995	416,531	1,389,982	1,476,281
Disposals	(2,541)	(145,527)	(50)	(168,973)	(65,696)
Balance, end of year	1,822,134	1,587,628	1,787,204	24,116,628	22,895,619

Table 47 - Tangible capital assets - accumulated amortization (continued)

Accumulated amortization	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2020	Total 2019
Balance, beginning of year	664,814	612,338	0	5,815,214	5,504,867
Disposals	(1,947)	(114,394)	0	(124,299)	(47,784)
Amortization expense	46,601	86,806	0	392,691	358,131
Balance, end of year	709,468	584,750	0	6,083,606	5,815,214
Net book value, end of year	\$1,112,666	\$1,002,878	\$1,787,204	\$18,033,022	\$17,080,405

Assets under construction

During 2020, the City acquired \$1,389,982 [2019 – \$1,476,281] of assets under construction. As assets were placed into service, transfers in the amount of \$973,451 [2019 – \$3,059,544] were made from assets under construction to the respective asset classes to arrive at a net balance of \$416,531 [2019 – (\$1,583,263)] disclosed above.

Works of art and historical treasures

Ottawa City 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, 2020 *[dollars in thousands]*

16. TANGIBLE CAPITAL ASSETS FOR 2020 WITH COMPARATIVES FOR 2019
[CONTINUED]

Contributed tangible capital assets

The value of contributed tangible capital assets received during 2020 amounts to \$363,556 [2019 – \$474,514] and is included in additions disclosed above.

New asset class

In 2019, phase 1 of LRT went into service. In note 14 of the 2019 consolidated financial statements, the LRT assets were recorded in different asset categories, making it difficult to distinguish the cost of the system from the other assets. In 2020, the City has reclassified the LRT infrastructure assets to a new asset category called LRT infrastructure as shown in tables 44 and 45.

The LRT asset grouping includes all tangible capital assets associated with the infrastructure of the LRT network such as tracks, tunnels, elevated guideways, platforms, bridges, signal systems, stations, and maintenance buildings. The trains for LRT are included within the “Vehicles” asset category as they are not part of the LRT infrastructure. It should be noted that buses and existing rail assets in place prior to LRT are not included in the LRT infrastructure asset category.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

17. ACCUMULATED SURPLUS

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

Table 48 - Accumulated surplus

Accumulated surplus comprises the following:	2020	2019
Invested in tangible capital assets	\$14,905,166	\$14,128,839
Capital fund – unfinanced capital outlay	596,167	327,854
Endowment fund	157,526	161,614
Employee future benefits and pension agreements	(706,628)	(692,312)
Landfill closure and post-closure liabilities	(38,039)	(34,531)
Brownfields	(56,752)	(55,375)
Contaminated sites	(7,510)	(8,424)
Other	(99,969)	(94,607)
Total before reserves and equity in GBE	14,749,961	13,733,058
Reserves		
Restricted reserves		
Gas tax	19,432	73,764
Total restricted reserves	19,432	73,764
Discretionary reserves		
Environmental services	150,681	107,973
Transit	23,668	14,486
Housing	76,077	83,567
Employee benefits	71,237	59,949
Tax stabilization	51,455	27,615
Parking	22,427	23,753
City wide	71,151	37,272
Corporate fleet	4,348	9,574
Other	23,872	11,121
Total discretionary reserves	494,916	375,310
Total reserves	514,348	449,074
Equity in GBE		
[note 5]	480,224	470,297
Accumulated surplus	\$15,744,533	\$14,652,429

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

18. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS

[a] Through the course of its business, the City becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. A provision for these claims has been recorded in the consolidated financial statements based on management’s best estimate of the likely outcome. Should claims be settled for amounts other than established accruals, which could be material to the financial results in the year of settlement, the outstanding amounts will be offset against operations as incurred.

[b] The City has the following contractual obligations for capital works over the next five years:

Table 49 - Contractual obligations for capital works

Contractual obligations for capital works	
2021	\$3,313,500
2022	7,454
2023	1,111
2024	2,509
2025	5,282

[c] The City is committed to the following payments over the next five years under operating lease agreements for building and equipment:

Table 50 - Building and equipment lease payments

Building and equipment lease payments	
2021	\$14,520
2022	8,876
2023	6,617
2024	5,039
2025	3,342

[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 OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[dollars in thousands]*

18. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS
[CONTINUED]

The City has also committed to a series of payments for lifecycle costs, and for maintenance costs that will vary with service kilometres. The City is currently working through an invoice review to ensure that all contractual obligations under the Project Agreement are met. Reviews of the invoice period from October 2019 to April 2020, reflecting the system performance of September 2019 to March 2020, were ongoing as of December 31, 2020 and no payments were made for those months. An accrual was recorded for this period based on the City's most current estimates of the MSP and performance deductions for that period.

[e] As at December 31, 2020, Hydro Ottawa has total open commitments amounting to \$110,788 for 2021 to 2027. The commitments relate to a customer information system service agreement, construction projects, spare parts and standby equipment and overhead and underground services.

[f] The City has commitments for the purchase of ice rental time for annual amounts of \$1,553, \$7,562 and \$16,938 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. Throughout the COVID-19 pandemic in 2020, the City continued to make payments on the partnership agreement to purchase ice rental time but only while the rinks were open for operations.

[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, 2020 is \$112,135. 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, City 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 2020 [2019 – nil].

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[dollars in thousands]*

18. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS
[CONTINUED]

[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, and then OSEG Partners, and then to the City of Ottawa, with remaining cash balances to be evenly split between the City and OSEG. The original agreement was set to expire on December 31, 2044, but City Council approved a 10-year extension to the agreement, which means that it is due to expire at the end of 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 \$4.7 million from the capital life cycle fund to manage cash flow over the next three years. The temporary funding, as well as the extension of the term of the agreement by 10 years, improves the financial sustainability of the partnership.

19. TAXES AVAILABLE FOR MUNICIPAL PURPOSES

Table 51 - Taxes available for municipal purposes

Taxes available for municipal purposes	2020	2019
Property taxes	\$2,229,720	\$2,172,537
Payment in lieu of taxes	176,075	174,334
Local improvements and other charges	13,024	6,009
Less education taxes	(474,136)	(488,120)
Total taxes available for municipal purposes	\$1,944,683	\$1,864,760

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [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 52 - Expenses by object

Expenses by object	2020	2019
Salaries, wages and employee benefits	\$1,770,191	\$1,774,015
Contracted and general services	431,721	440,186
Materials, equipment and supplies	523,036	506,859
Interest charges	135,771	105,439
Rent and financial expenses	39,081	93,889
External transfers	491,219	520,405
Interfunctional	(38,150)	(42,692)
Amortization	392,691	358,131
Loss on disposal	39,934	16,444
Total expenses	\$3,785,494	\$3,772,676

Interfunctional expenses are inter-departmental transfers between operating and capital. These transfers occur at cost, with no mark-up. There has been no change in policy nor in the method of measurement. The change that did occur in 2020 is in the presentation of these expenses in the financial statements, where these expenses are now being shown in their own separate object. In prior years, these interfunctional expenses were allocated and grouped within other expense objects. Showing interfunctional separately results in all expense objects being reported more accurately at their respective values. The 2019 comparative figures have been restated to conform with the presentation adopted for the current year. This change in presentation does not impact the Total expenses.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

21. SEGMENTED INFORMATION
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2020

Table 53 - Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$1,944,683	\$0	\$0	\$0	\$0	\$0
Government transfers – provincial	11,608	32,722	9,325	368,737	18,533	133,413
Government transfers - federal	146	2,521	2,617	325,095	16,041	402
Fees and user charges	15,197	60,024	21,457	88,068	425,693	2,664
Contributed tangible capital assets	0	0	56,323	0	290,426	0
Development charges	6,015	2,154	37,450	77,505	30,120	0
Fines and penalties	20,382	13,748	0	0	0	0
Other	69,604	1,502	66	19,848	1,494	0
Total revenue	2,067,635	112,671	127,238	879,253	782,307	136,479
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	91,542	510,793	127,965	327,175	86,919	170,740
Contracts and general services	9,970	48,637	94,363	96,772	104,695	11,071
Materials, equipment and supplies	22,172	53,896	86,558	107,914	54,840	18,765
Interest charges	321	1,853	21,050	55,352	29,360	987
Rent and financial expenses	13,806	2,659	(8,745)	14,220	1,835	1,597
External transfers	(415)	11,131	(362)	(19,680)	1,012	(215)
Interfunctional	(34,917)	(13,800)	(19,913)	11,453	32,429	8,239
Amortization	1,000	12,784	113,578	113,426	106,064	5,458
Loss (gain) on disposal	2	720	650	30,737	7,116	37
Total expenses	103,481	628,673	415,144	737,369	424,270	216,679
ANNUAL SURPLUS (DEFICIT)	\$1,964,154	\$(516,002)	\$(287,906)	\$141,884	\$358,037	\$(80,200)

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

21.SEGMENTED INFORMATION [CONTINUED]

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2020

Table 54 - 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	\$1,944,683
Government transfers – provincial	391,414	94,867	17,826	1,278	1,079,723
Government transfers - federal	0	59,613	6,283	769	413,487
Fees and user charges	18,025	73,326	21,195	17,742	743,391
Contributed tangible capital assets	0	0	16,807	0	363,556
Development charges	(175)	387	2,007	14,220	169,683
Fines and penalties	0	0	1,487	0	35,617
Other	0	22,032	2,719	11,786	129,051
Total revenue	409,264	250,225	68,324	45,795	4,879,191
EXPENSES	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Salaries and benefits	167,480	49,262	200,799	37,516	1,770,191
Contracts and general services	10,301	927	43,701	11,284	431,721
Materials, equipment and supplies	23,808	85,333	61,328	8,422	523,036
Interest charges	736	11,145	12,342	2,625	135,771
Rent and financial expenses	5,096	7,428	(1,845)	3,030	39,081
External transfers	334,659	137,480	14,344	13,265	491,219
Interfunctional	(8,182)	(689)	(8,167)	(4,603)	(38,150)
Amortization	1,993	13,895	24,065	428	392,691
Loss (gain) on disposal	1	(1,829)	(74)	2,574	39,934
Total expenses	535,892	302,952	346,493	74,541	3,785,494
ANNUAL SURPLUS (DEFICIT)	\$(126,628)	\$(52,727)	\$(278,169)	\$(28,746)	\$1,093,697

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

21. SEGMENTED INFORMATION [CONTINUED]
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For the year ended December 31, 2019

Table 55 - 2019 Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$1,864,760	\$0	\$0	\$0	\$0	\$0
Government transfers – provincial	12,490	12,990	2,259	36,636	29,324	107,452
Government transfers - federal	22	2,437	6,099	348,350	19,473	1,019
Fees and user charges	16,623	76,579	33,598	190,470	392,797	2,595
Contributed tangible capital assets	0	0	75,054	2,774	375,231	0
Development charges	2,113	2,089	30,030	54,745	34,337	0
Fines and penalties	19,321	17,840	0	0	0	0
Other	75,739	570	6	31,464	1,664	0
Total revenue	1,991,068	112,505	147,046	664,439	852,826	111,066
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	82,023	511,590	136,473	352,013	101,907	138,538
Contracts and general services	11,336	49,142	102,309	99,910	103,322	11,196
Materials, equipment and supplies	20,209	51,787	80,739	99,940	53,665	14,138
Interest charges	1,240	1,352	20,680	23,846	29,568	1,028
Rent and financial expenses	15,259	6,871	6,179	37,372	8,202	3,067
External transfers	0	10,197	0	0	2,132	0
Interfunctional	(22,035)	(6,943)	(27,472)	(3,126)	20,111	7,658
Amortization	903	13,123	110,307	82,776	102,607	5,238
Loss on disposal	25	190	3,955	5,084	5,803	82
Total expenses	108,960	637,309	433,170	697,815	427,317	180,945
ANNUAL SURPLUS (DEFICIT)	\$1,882,108	\$(524,804)	\$(286,124)	\$(33,376)	\$425,509	\$(69,879)

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

21. SEGMENTED INFORMATION [CONTINUED]
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2019

Table 56 - 2019 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	\$1,864,760
Government transfers – provincial	394,778	65,433	3,035	1,332	665,729
Government transfers - federal	0	37,479	1,305	1,329	417,513
Fees and user charges	19,258	72,838	62,367	36,203	903,328
Contributed tangible capital assets	0	0	18,762	2,694	474,514
Development charges	0	9	1,683	2,158	127,164
Fines and penalties	0	0	736	0	37,897
Other	0	7,780	9,075	15,243	141,540
Total revenue	414,036	183,539	96,963	58,959	4,632,445
EXPENSES	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Salaries and benefits	151,793	46,027	218,458	35,193	1,774,015
Contracts and general services	11,342	2,659	41,672	7,300	440,186
Materials, equipment and supplies	17,506	97,050	66,735	5,090	506,859
Interest charges	1,270	11,429	12,360	2,666	105,439
Rent and financial expenses	3,330	5,651	1,020	6,938	93,889
External transfers	351,484	121,647	10,893	24,052	520,405
Interfunctional	(1,687)	172	(4,243)	(5,127)	(42,692)
Amortization	1,949	16,618	24,174	436	358,131
Loss on disposal	19	2	1,278	6	16,444
Total expenses	537,006	301,255	372,347	76,552	3,772,676
ANNUAL SURPLUS (DEFICIT)	\$(122,970)	\$(117,716)	\$(275,384)	\$(17,593)	\$859,769

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[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 of Ottawa, 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 and parks of 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.
- 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.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[dollars in thousands]*

21. SEGMENTED INFORMATION [CONTINUED]

- 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.

In 2019, there was a separate segment for Non-departmental revenue totalling \$1,977,245 of which \$1,864,760 was related to property taxes collected by the City. In 2020, the Non-departmental segment was removed and the related revenues were reallocated to other segments that best match the nature of the revenue source. The 2019 comparative figures for segmented information have been restated to conform with the presentation adopted for the current year. All \$1,977,245 of Non-departmental revenue from 2019 was reallocated to the General government segment, other than \$1,500 which went to Environmental services. This change in presentation does not impact the Total revenue reported.

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, 2020 [dollars in thousands]

23. BUDGET AMOUNTS

Budget data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets approved by Council on December 11, 2019. 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 57 - Budget reconciliation

Budget reconciliation	
Revenues	
Adopted budget operating and capital	\$4,604,229
Contributed tangible capital assets	396,599
Timing differences between capital budget and spending	239,521
Consolidated entities	187,083
Reclassification of investment income	21,842
Hydro Ottawa Holding Inc. equity pickup	10,129
Transfers from reserves	(674,759)
Proceeds of debt issued	(151,028)
Reclassifications and eliminations	(34,061)
Total budgeted revenues for financial statement purposes	\$4,599,555
Expenses	
Adopted budget operating and capital	\$4,604,229
Timing differences between capital budget and spending	674,269
Amortization	395,311
Consolidated entities	187,083
Change in other obligations to be funded in future years	40,794
Change in employee future benefits and pension agreements	22,348
Acquisition of tangible capital assets	(1,155,098)
Transfers to reserves	(626,859)
Debt principal repayments	(143,112)
Reclassifications and eliminations	(35,630)
Total budgeted expenses for financial statement purposes	\$3,963,335
Budgeted annual surplus	\$636,220

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 [dollars in thousands]

24. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with the presentation adopted for the current year, except for the following items which are required to be accounted for on a prospective basis with no restatement of the prior year figures:

- i) In 2019, the City netted a long-term receivable of \$224,776 with a long-term payable within Net long-term debt. In 2020, the related long-term receivable of \$224,243 is presented gross and is shown as a Loan receivable on the consolidated statement of financial position. Similarly, the interest earned on the loan was presented net in 2019 while it is presented on a gross basis in 2020. Had the amount been presented gross in 2019, this would have resulted in an increase of \$11,008 in Investment income and an equivalent increase in Transit expense on the consolidated statement of operations and accumulated surplus. For the consolidated statement of cash flows, a decrease in the loan receivable of \$533 is being reported as a source of cash within operating activities. This represents the amount of principal payments collected by the City on the loan receivable during 2020. The corresponding \$533 of principal repayments made by the City on the long-term payable is reported on the 2020 consolidated statement of cash flows within the net long-term debt principal repayments line item of the financing activities section.
- ii) In 2019, the Brownfields liability of \$55,375 was included in Accounts payable and accrued liabilities while in 2020, the related liability of \$56,752 is included in Other liabilities (see note 14) on the statement of financial position.

25. 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. All material related party transactions are either disclosed below or in the relevant notes. These transactions are measured at their exchange amounts.

Streetlighting LED conversion

In 2014, the City entered into an agreement with a subsidiary of Hydro Ottawa to convert 58,000 streetlights to LED at a guaranteed fixed price with a payback period of six years. The installation began in 2016 and is anticipated to be completed in 2021. Future commitments are as follows:

Table 58 - Streetlight conversion schedule

Streetlight conversion schedule	
2021 (4,944 units)	\$2,679

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[dollars in thousands]*

26. IMPACT OF COVID-19

Throughout 2020, the City tracked 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. The total net impact of COVID-19 for fiscal 2020 was \$238.5 million, which was fully recovered from provincial and federal government COVID-19 funding, including the Safe Restart Agreement ["SRA"], Social Services Relief Fund ["SSRF"], Ministry of Health, Temporary Pandemic Pay, and various other service-specific funding allocations.

Tracking of COVID-19 financial impacts will continue in 2021. 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. Further funding commitments have been made by the federal and provincial governments and the City therefore anticipates being able to recover its financial impacts of COVID-19 for fiscal 2021.

The COVID-19 related funding recorded by the City 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, 2020 *[dollars in thousands]*

APPENDIX 1 - CONDENSED SUPPLEMENTARY INFORMATION

OTTAWA PUBLIC LIBRARY BOARD

As at December 31, 2020, with comparative information for 2019 *[dollars in thousands]*

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

Table 59 - Ottawa Public Library Board - Financial position

Financial position	2020	2019
Financial assets	\$60,912	\$59,532
Liabilities	41,017	38,423
Net assets	19,895	21,109

Table 60 - Ottawa Public Library Board - Non-financial assets

Non-financial assets	2020	2019
Tangible capital assets	54,765	46,427
Prepaid expenses	0	2
Total non-financial assets	54,765	46,429
Accumulated surplus	\$74,660	\$67,538

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2020, with comparative information for 2019 *[dollars in thousands]*

Table 61 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Revenue

Revenue	2020	2019
City of Ottawa	\$52,735	\$55,160
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	430	810
Other	609	1,728
Total revenue	55,154	59,078

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 *[dollars in thousands]*

APPENDIX 1 - CONDENSED SUPPLEMENTARY INFORMATION [CONTINUED]

Table 62 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Expenses

Expenses	2020	2019
Operating expenditures	48,032	55,183
Total expenses	48,032	55,183
Annual surplus	7,122	3,895
Accumulated surplus, beginning of the year	67,538	63,643
Accumulated surplus, end of the year	\$74,660	\$67,538