Ottawa

2022 Annual Report

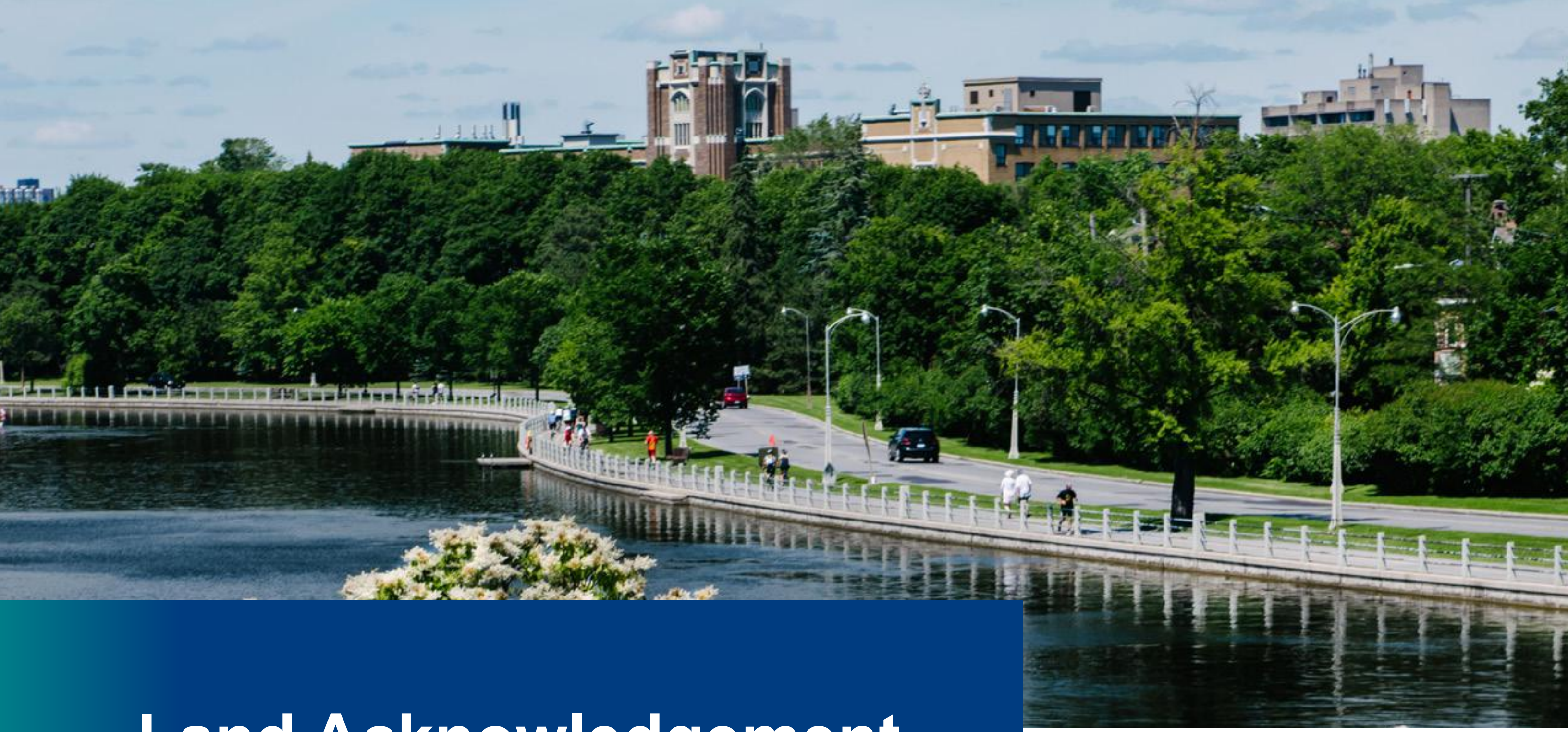
2023-025

City of Ottawa

Ontario, Canada

For the year ended December 31, 2022

Prepared by the Finance and Corporate Services Department



Land Acknowledgement

We acknowledge that Ottawa is built on unceded Anishinabe Algonquin territory. The peoples of the Anishinabe Algonquin Nation have lived on this territory for millennia. Their culture and presence have nurtured and continue to nurture this land. The City of Ottawa honours the peoples and land of the Anishinabe Algonquin Nation, and honours all First Nations, Inuit and Métis peoples and their valuable past and present contributions to this land.

The City of Ottawa is committed to a renewed focus on Indigenous Rights and reconciliation, and to building reciprocal relationships with the Anishinabe Algonquin Host Nation, Urban Indigenous First Nations, Inuit, and Métis communities.

On February 28, 2018, Ottawa City Council approved the adoption of a Reconciliation Action Plan, which was developed to align with the spirit and intent of the Truth and Reconciliation Commission (TRC) Calls to Action. By March 2022, all 14 actions established in the 2018 Reconciliation Action Plan were completed or ongoing.

As a municipality, we have a responsibility to implement policy decisions in a manner that is consistent with the recognition of constitutionally protected Aboriginal and Treaty Rights. We are continuing to learn how to apply principles of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), Indigenous sovereignty, self-determination, and reciprocity.

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About the City

2022 Annual Report

Message from the Mayor

Investing in our people and communities is the best way to thrive as a city. We have all gone through a lot over the past few years, but we've turned a corner in Ottawa. I see evidence of this every day as I meet residents and have discussions with local business owners. The buzz is back. And we need to keep the momentum going.

As your mayor, one key area of focus for me has been infrastructure investment. I firmly believe that investing in our city's core infrastructure is crucial to supporting Ottawa's economy. Allocating resources to develop and enhance our infrastructure generates more opportunities for development, employment, and investment in our city. These investments not only provide a boost to our local economy, but they also establish a solid foundation to support our retail and service industries and strengthen our overall community.

The returns from infrastructure investments go beyond mere financial gains. They contribute to the overall well-being and prosperity of the residents in Ottawa. By creating a vibrant and resilient city and an environment where businesses can thrive, jobs can flourish, and residents can enjoy an enhanced quality of life – we all win.

As you delve into this annual report, I invite you to explore the achievements, milestones, and strategies that have driven our city's progress over the past year.

Mark Sutcliffe

Mark Sutcliffe
Mayor
Ottawa, Canada

2022 Annual Report

Message from the City Manager and City Treasurer

I am pleased to present the 2022 Annual Report for the City of Ottawa, which continues to reflect the City's history of sound financial management and strong fiscal performance. The City started to recover from the impacts of the pandemic in 2022, in all areas except for Transit. Transit's return to pre-pandemic ridership levels has been steady but slow, particularly with Federal government workers continuing remote work and who make up a significant portion of Ottawa's transit riders. For all other services, we have seen a return to near normal operations. By the end of 2022 most community and recreational centre operations were back up and running, although participation, registration and rental levels had not returned to pre-pandemic levels. There were exceptions where a few facilities continued to be used for social distancing shelters throughout the year as the City continued to support the needs of our community.

Ottawa's economy also continued to improve. Unemployment rates were lower than the National and Provincial averages and housing starts increased from the previous year. The most significant impact on the City's finances has been the increase in borrowing rates for the issuance of any new debt and inflation. Two of the City's most significant projects were already contracted and underway in 2022, Stage 2 of the Light Rail Transit system and our new central library – Ādisōke. Stage 2 of our expanding LRT system is one of many major infrastructure projects that will help keep our economy and future job market moving forward.

The City of Ottawa has always prided itself on its strong fiscal framework. Tax increases have remained low compared to other municipalities, staff implemented mitigation measures throughout the pandemic and into 2022 to minimize discretionary spending, defer non-critical capital projects, leverage COVID-19 funding support from senior levels of government and reduce operations where required to better align with need.

S&P upgraded the City's rating from AA to AA+ on June 1, 2022 and, as reported by Moody's, "The City of Ottawa's Aaa debt rating and stable outlook reflect a track record of

positive Fiscal outcomes, a manageable debt burden, strong liquidity and a stable economic base."

The City was also successful in securing funding from the Federal government to support our conversion of 350 diesel buses to new zero-emission electric buses over the next four years. We also had an eventful year with two large scale national demonstrations that took place in Ottawa and the May 2022 Derecho. The costs incurred by the City from that storm were the highest of all natural disasters experienced to date. As part of this year's annual report, I am proud to introduce a new section: Task Force on Climate-Related Financial Disclosures (TCFD).

The TCFD summarizes the City's climate-related actions, strategies, and financial impacts to help stakeholders and decision-makers understand how the City is responding to climate-related risks and opportunities.

I am very proud of the changes we have made to our annual report this year and I hope the readers of this report find it informative.

WStephanson

Wendy Stephanson
City Manager
and City Treasurer
Ottawa, Canada

At a Glance

2,796 sq kms
City of Ottawa geographic size (area)

6,043 kms
Total kilometres of roads

1,017,435
Population, 2021

Source: Statistics Canada, 2021 Census, City of Ottawa (ON)

1,067,310
Population, 2022

Source: City of Ottawa, Current population and household estimates

Talent

44% Bilingual rate

A young, entrepreneurial workforce, with a bilingual rate of 44%, and more engineers, scientists, and PhDs per capita than any other city in Canada.

Source: City of Ottawa (2016)

Employment by Industry

December 2022, 3-month moving average, unadjusted for seasonality

10.8%
% of Goods Producing Sector

89.2%
% of Service Producing Sector

Source: Statistics Canada, Employment by Industry

Unemployment Rate

4.2%
Ottawa

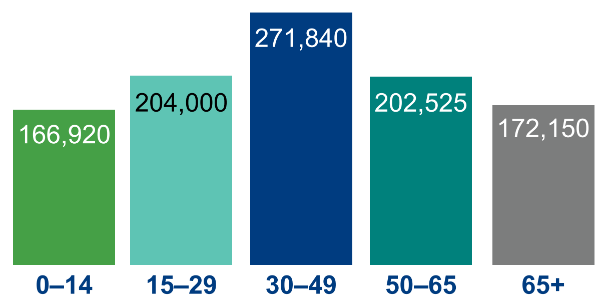
5.3%
Canada

Seasonally adjusted, monthly average by year, in 2022

Source: Statistics Canada, Labor Force Characteristics

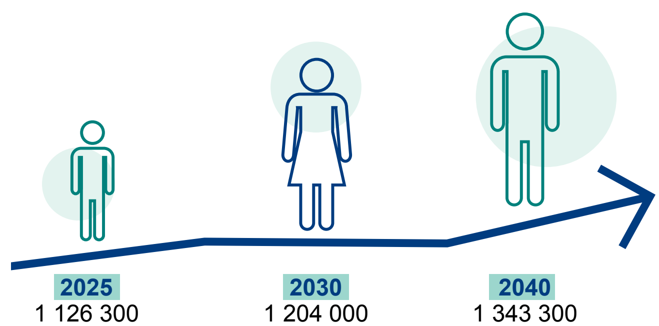
Population by Age (actual)

In years



Source: Statistics Canada, 2021 Census, City of Ottawa (ON)

Population (Projections)



Source: City of Ottawa Estimates

Median household income

$102,000
Total income

Source: Statistics Canada, 2021 Census Profile, City of Ottawa

Affordable housing units

2,510

Total number of affordable housing units in inventory

64

Number of affordable units completed in 2022

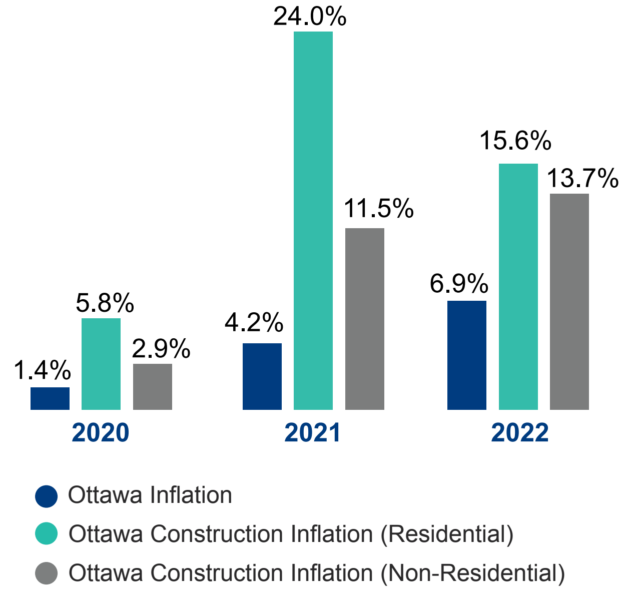
1,863

Number of units currently under construction or in pre-development stage

Source: City of Ottawa, Housing Branch, Community and Social Services Department, December 2022

Average Inflation Rate

In %

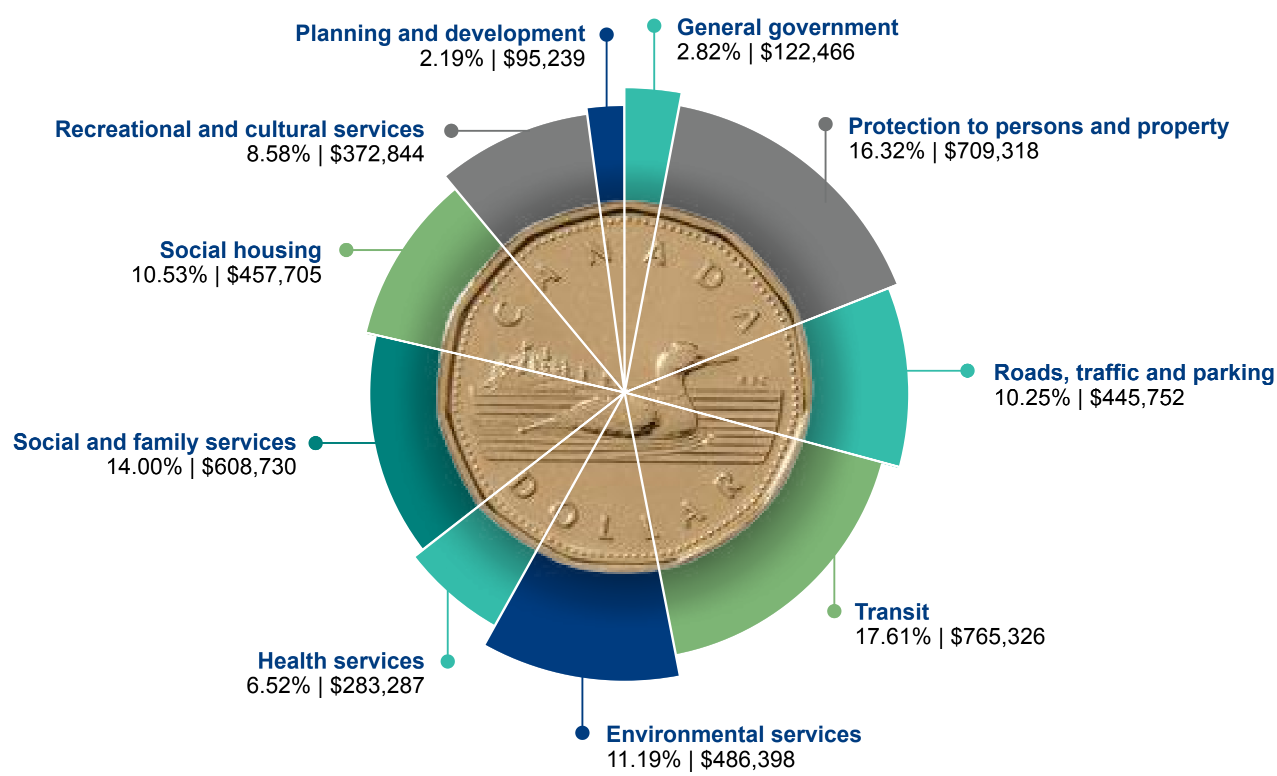


Source: Statistics Canada, Ottawa-Gatineau CMA (Ontario part)

Where your dollars go

2022 Expenses

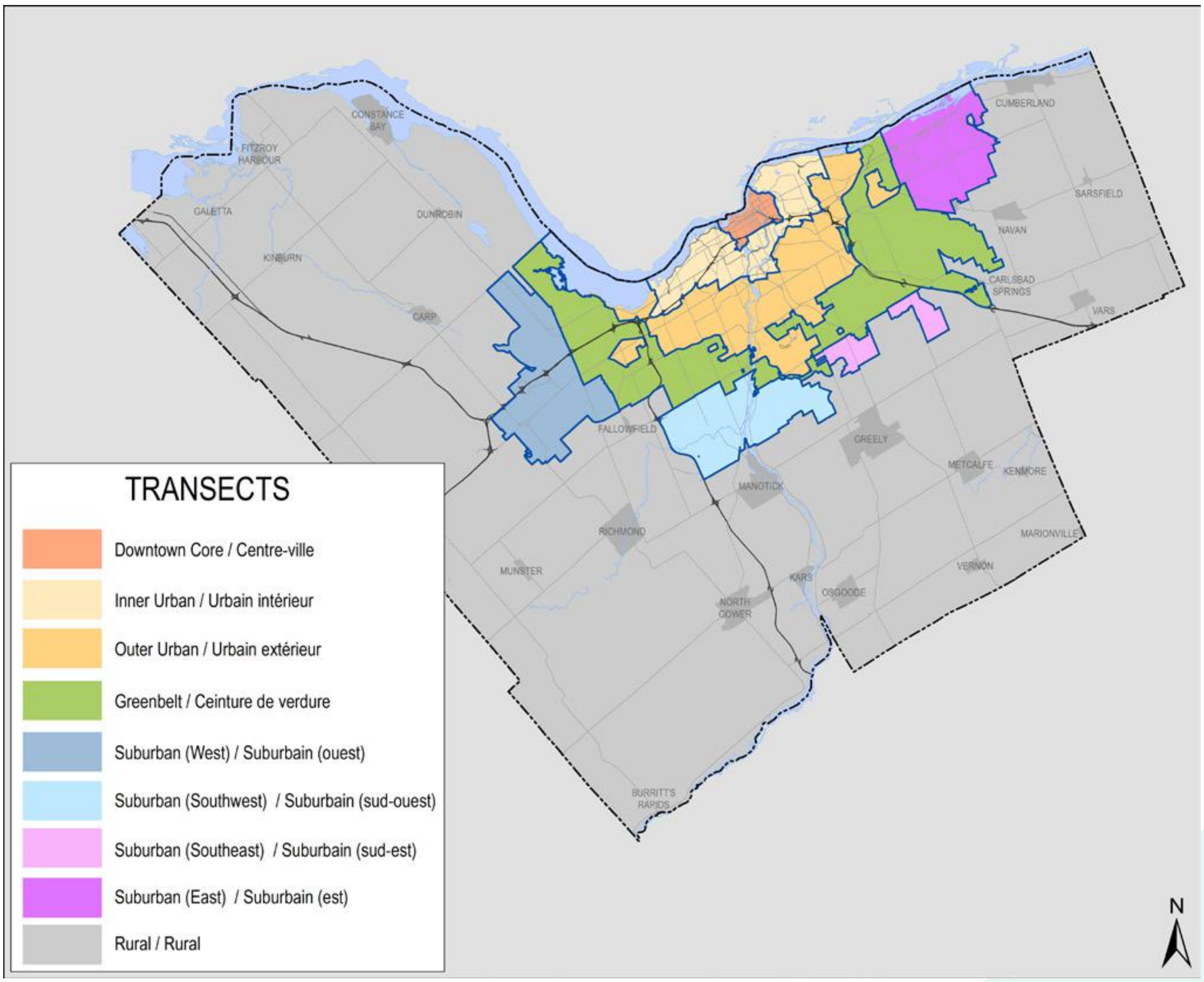
Total expenses – $4,347,065
**dollars are in thousands*



Our City

The City of Ottawa is Canada's capital. Located in eastern Ontario, Ottawa is the fourth largest urban region in Canada and is home to 1 million people. Although Ottawa is recognized for being the epicenter of the federal government and bustling downtown core, it is also known for its beautiful countryside, and other rural attractions. The City of Ottawa spans across 2,796 km², which is larger than the cities of Calgary, Edmonton, Toronto, Vancouver, and Montreal combined, and is a blend of urban, suburban and rural communities.

Figure 1: Map of Ottawa



Mayor and City Council

The City of Ottawa is governed by an elected 25-member City Council with the Mayor, representing the city as a whole, and 24 Councillors that represent individual wards. A municipal election was held on October 24, 2022, and the new Mayor and City Council were sworn in for a four-year term on November 15, 2022. Council sets the direction, policies and budgets for delivering services to our community.

The governance structure consists of several different but related deliberative bodies, namely City Council, Standing Committees, and Advisory Committees, as well as arm's-length agencies, boards and commissions.

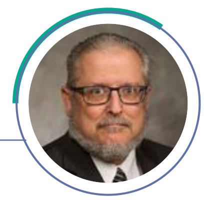
City of Ottawa Organizational Structure

The City of Ottawa's organizational structure is comprised of City Council, the City Manager, the City Manager's Office, Office of the City Clerk, and eight Departmental General Managers.

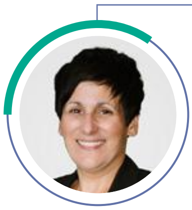
The City Manager serves as Council's chief administrator leading the organization to deliver services across more than 100 distinct lines of business through 8 departments and over 17,000 employees. The Consolidated Financial Statements provide information on the City departments, Ottawa Police Services, Ottawa Public Library, Ottawa Public Health, Business Improvement Areas, Ottawa Hydro and Ottawa Community Housing.

Wendy Stephanson
City Manager

City Manager's Office
Steve Box
Director



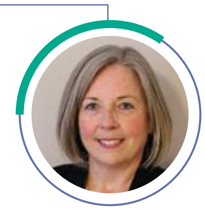
Office of the City Clerk
Rick O'Connor
City Clerk



Community and Social Services
Clara Freire
General Manager

Emergency and Protective Services
Kim Ayotte
General Manager

Finance and Corporate Services
Cyril Rogers
Acting General Manager and Chief Financial Officer



Infrastructure and Water Services
Tammy Rose
General Manager

Planning, Real Estate and Economic Development
Don Herweyer
Interim General Manager

Public Works
Alain Gonthier
General Manager

Recreation, Cultural and Facility Services
Dan Chenier
General Manager

Transit Services
Renée Amilcar
General Manager

Yes, We are a Great Employer

The City of Ottawa has been recognized time and time again as a top employer. We are honoured to be identified as one of Canada's best diversity employers.

2022 Financial Statement Discussion and Analysis

Introduction

The City of Ottawa's 2022 Annual Report contains the audited consolidated financial statements prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ['PSAB'] of the Chartered Professional Accountants of Canada ["CPA Canada"], as required by the Ontario Municipal Act.

The City of Ottawa administration is responsible for preparing the following financial statement discussion and analysis (FSD&A). It should be read in conjunction with the audited consolidated financial statements and the financial and statistical schedules.

The FSD&A reports to stakeholders on how the financial resources entrusted to the City are being managed to provide municipal infrastructure and services. It presents significant activities that affected 2022 results or that may have an impact on future results.

Economic Performance

As indicated in the statistics provided below, the City experienced an increase in residential housing starts in comparison to the previous year. The City's unemployment rate of 4.2% remained below the provincial 2022 rate of 5.7%. Unemployment rates in 2022 decreased compared to 2021 and is more comparable to the pre-COVID-19 pandemic unemployment rates.

As of December 31, 2022, with comparative information for 2021.

Table 1: Economic performance

Economic environment	2022	2021	% Change
Residential housing starts[1]	11,032	10,221	7.9%
Value of building permits issued (in millions)	3,350	3,857	(13.1)%
Inflation, CPI annual increases[2] (%)	6.9	4.0	2.9%
Unemployment rate[3] (%)	4.2	6.2	(2.0)%

1 *Canada Mortgage and Housing Corporation (CMHC)*

2 *Statistics Canada*

3 *Statistics Canada*

Consolidated Statement of Financial Position

The statement of financial position reports the financial and non-financial assets, including tangible capital assets (TCA), available to the City. It also lists the City's obligations in the form of liabilities, including debt. As the City's total assets are greater than its liabilities, the statement shows an accumulated surplus.

As of December 31, 2022, with comparative information for 2021

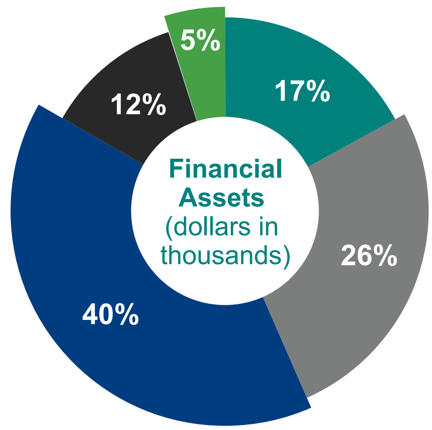
Table 2: Consolidated statement of financial position

Consolidated Statement of Financial Position				
(dollars in thousands)	**2022 Actual**	**2021 Actual**	**Variance**	**% Change**
Financial assets	$ 4,494,566	$ 4,142,765	$ 351,801	8.49%
Liabilities	7,244,298	6,738,066	506,232	7.51%
Net debt	**(2,749,732)**	**(2,595,301)**	**(154,431)**	**5.95%**
Tangible capital assets	20,903,977	19,636,263	1,267,714	6.46%
Other non-financial assets	98,129	91,525	6,604	7.22%
Accumulated surplus	**$ 18,252,374**	**$ 17,132,487**	**$ 1,119,887**	**6.54%**

Financial assets

Financial assets are comprised of cash or items that can be turned into cash to discharge existing liabilities or finance future operations. The City's financial assets includes cash and cash equivalents, accounts receivable, investments, investment in government business enterprise [GBE] and loan receivable.

Figure 2: Financial Assets



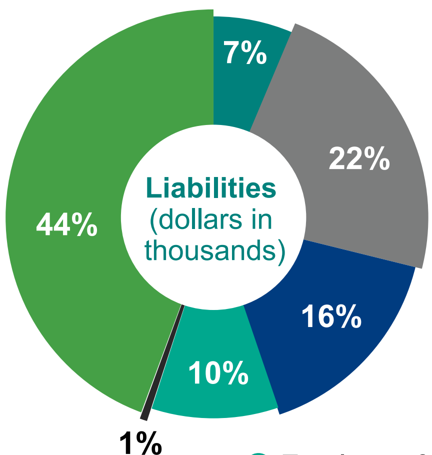
- Cash and cash equivalents $782,034 (17%)
- Accounts Receivable $1,176,999 (26%)
- Investments $1,796,577 (40%)
- Investment in GBE $526,944 (12%)
- Loan Receivable $212,012 (5%)

Financial assets totaled $4.49 billion at the end of 2022, increasing by $351.8 million (8.49%) from the previous year. The major changes were increases to cash and cash equivalents ($72.8 million), accounts receivable ($181.1 million) and investments ($85.4 million). The increase to cash and cash equivalents and investments were due to the use of promissory notes to cover cash outflows as compared to the previous year, as well as capital deferrals and other discretionary spending savings which allowed more funds to be held as investments. Accounts receivable increased mainly due to cost recoveries for policing due to two major downtown demonstrations, Transit Safe Restart funding for the recovery of 2022 expenditures and lost revenues due to COVID-19, as well as 2022 COVID vaccine funding.

Liabilities

Liabilities represent obligations that must be paid over the short and long term. The City's liabilities include accounts payable and accrued liabilities, deferred revenue, employee future benefits and pension agreements, environmental liabilities, net long-term debt and other liabilities.

Figure 3: Liabilities



- Other liabilities $475,743 (7%)
- Accounts payable and accrued liabilities $1,631,603 (22%)
- Deferred revenue $1,147,279 (16%)
- Employee future benefits and pension agreements $732,484 (10%)
- Environmental liabilities $45,607 (1%)
- Net long-term debt $3,211,582 (44%)

These liabilities totaled $7.24 billion at the end of 2022, an increase of $506.2 million (7.51%) from the previous year. The major changes were increases to accounts payable and accrued liabilities ($194.2 million), deferred revenue ($135.5 million), and net long-term debt ($171.9 million). The increase to accounts payable and accrued liabilities related primarily to a short-term promissory note that was issued in 2022 and was due to mature in 2023, as well as for childcare, where the 2022 revised funding was received late in the year and resulted in amounts not yet paid out to childcare providers. Deferred revenue increased due to higher development charges revenues, as well as government funding that was received in 2022 but not yet recognized as revenue. Net long-term debt increased due to $308.7 million of new debt issues and loans, which was offset by $136.8 million of debt principal repayment.

Net debt

Net debt is comprised of the difference between financial liabilities and the City's financial assets. It is a measure of future revenues required to pay for past transactions. Net debt increased by $154.4 million during 2022.

Non-financial assets

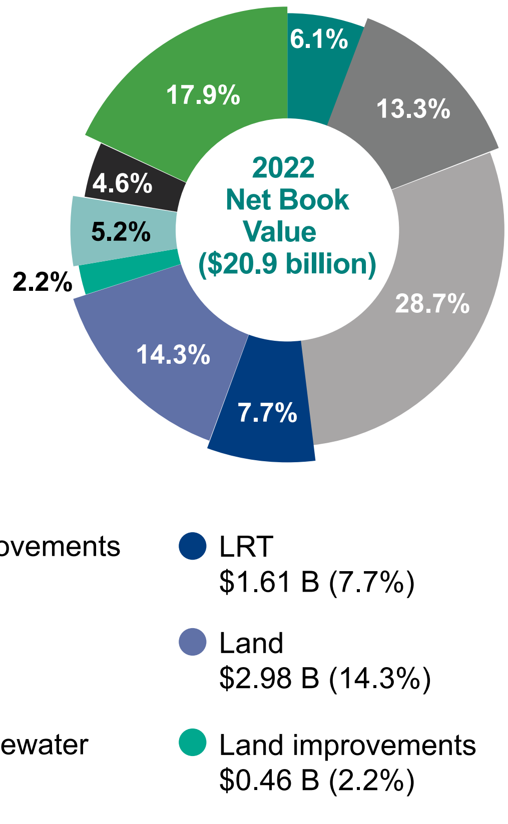
Non-financial assets are comprised primarily of tangible capital assets which represents the largest item on the City's consolidated statement of financial position. As tangible capital assets do not provide liquidity, and are generally used to deliver government services, they are reported separately along with inventories and prepaid expenses, as non-financial assets.

Tangible Capital Assets

Tangible capital assets represent a significant investment for the City and the related information is vital for stewardship, accountability, costing and the development of asset management plans. Assets are valued at their historical cost on the date of purchase or construction and are amortized over their useful lives. The residual net book value (NBV) of these assets represents the value of the assets available to serve future generations.

The City's tangible capital assets consist primarily of water and wastewater infrastructure, roads, land, light rail transit (LRT), buildings, and machinery, plant and equipment. Costs associated with construction of Stage 2 of LRT are included in assets under construction until it is put into service.

Figure 4: 2022 Net book value



The net book value of the City's tangible capital assets at December 31, 2022 was $20.9 billion and increased by 6.5% compared to the 2021 balance of $19.63 billion. The net increase of $1.27 billion is a result of acquisition of tangible capital assets of $1.22 billion and contributions of tangible capital assets of $469 million.

This increase was partially offset by annual amortization of $400 million and disposals of assets with a net book value of $21 million. Significant projects that contributed to the increase of tangible capital assets included Stage 2 of LRT ($710 million), road related projects ($182 million) and water/wastewater infrastructure ($456 million).

Accumulated surplus

Accumulated surplus is the primary indicator of the financial resources the municipality has available to provide future services. It represents the net of all the City's assets (financial and non-financial) and liabilities. Accumulated surplus increased by $1.120 billion and is made up of increases in the city's investment in tangible capital assets of $1.031 billion, increases in reserves of $62 million, increases in the City's investment in Hydro Ottawa of $20 million, decreases in unfunded liabilities of $2 million and a $5 million increase in the City's Endowment fund on a cost basis.

Consolidated Statement of Operations

The Consolidated Statement of Operations reports on revenues and expenses to summarize what transactions have impacted the accumulated surplus during the year.

The budget presentation shown below for revenues and expenses follows the requirements of Ontario Regulation 284/09 of the *Municipal Act*. The Municipal Act requires that municipalities prepare balanced budgets, which include estimates of all sums required during the year for the purposes of the municipality. This means that municipalities need to have or raise sufficient funds each year, through the setting of tax rates, water rates and user fees, to cover the operating and capital spending requirements for the year. The City of Ottawa, like other municipalities, continues to prepare its annual budgets on a modified accrual basis, with no anticipated surplus or deficit. Modified accrual treats certain cash items, including borrowings, the initial cost of assets, and debt repayments, as revenues and expenses. However, it accrues these and other transactions by recognizing them at the time they happen, not when the cash is received or paid.

Financial Statement reporting at year-end is done on a different basis. The province requires municipalities to follow the accounting standards set by the Public Sector Accounting Board (PSAB) for governments in Canada. PSAB recommends that financial statements be prepared on a full accrual basis. Under full accrual, an organization recognizes revenues as they are earned, even if the cash has not been received, and expenses are reported when they are incurred, even if the invoice has not yet been paid. It includes additional amounts related to consolidated entities, amortization, post employment benefits, future liabilities, contributed assets, acquisition of assets and transfers to/from reserves.

Note 23 of the financial statements reconciles the approved budget with the budget figures reported in this Annual Report and the consolidated financial statements using the accrual basis of accounting.

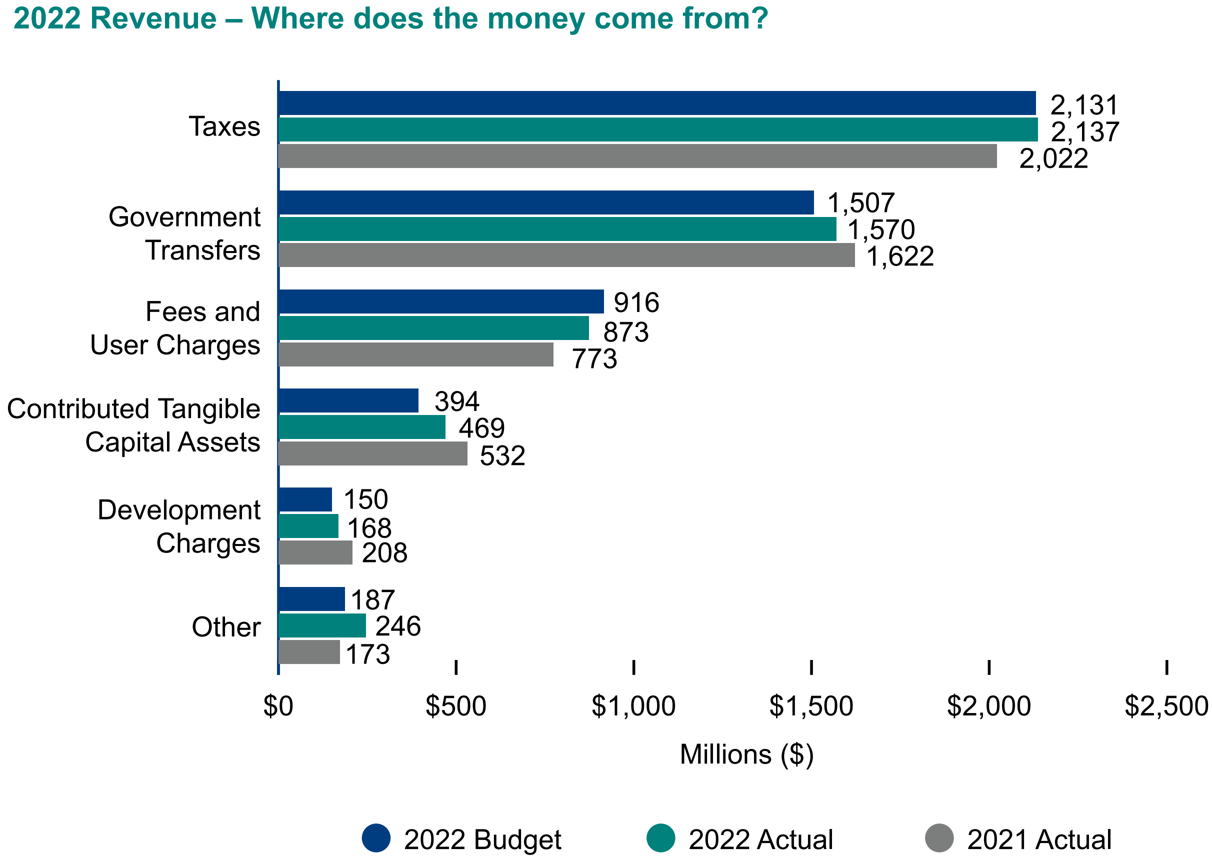
Revenues

Table 3 and Figure 5 below provide revenue information for the 2022 budget, 2022 actuals, and 2021 actuals. Table 3 also provides actuals to budget variances and year over year actual variances.

Table 3: Revenue comparison

Revenue					
(dollars in thousands)	**2022 Budget**	**2022 Actuals**	**2021 Actuals**	**Actuals to Budget Variance**	**Year over Year Actuals Variance**
Taxes available for municipal purposes	$ 2,131,221	**$ 2,137,217**	$ 2,022,302	$ 5,996	$ 114,915
Government transfers	1,506,625	**1,569,569**	1,622,478	62,944	(52,909)
Fees and user charges	915,634	**873,192**	772,857	(42,442)	100,335
Contributed tangible capital assets	393,947	**469,303**	532,071	75,356	(62,768)
Development charges	150,043	**168,419**	208,393	18,376	(39,974)
Investment income	54,479	**74,237**	61,257	19,758	12,980
Fines and penalties	55,675	**46,791**	41,073	(8,884)	5,718
Other revenue	43,503	**84,875**	23,067	41,372	61,808
Equity in earnings of government business enterprises	33,800	**39,674**	47,356	5,874	(7,682)
Total revenue	$ 5,284,927	**$ 5,463,277**	$ 5,330,854	$ 178,350	$ 132,423

Figure 5: 2022 Revenue sources



Comparison to Budget

Revenues were higher than budget by $178.3 million mainly due to higher government transfers, contributed tangible capital assets, and other revenue.

Government transfers were higher than budget by $62.9 million mainly related to cost recoveries for the National Capital Extraordinary Policing Costs Program that covers unique large-scale events. In 2022, that included two major demonstrations that were unforeseen events and not budgeted for.

Contributed tangible capital assets represent assets that are donated or contributed to the City by developers. As the timing of the development work varies, it is difficult to precisely budget the amount that will be contributed to the City.

Other revenue was higher than budget by $41.4 million due to the Better Homes Loan Program, increase in funds received for water and wastewater projects, more cash-in-lieu projects, land sales and a change in accounting policy for social housing.

Comparison to Prior Year

Revenues were higher by $132.4 million when compared to the prior year mainly due to increases in taxes available for municipal purposes, fees and user charges, and other revenue. This is partially offset by lower government transfers, contributed tangible capital assets and development charges.

Taxes available for municipal purposes increased by $114.9 million mainly due to the 3% tax levy increase, an increase in the assessment base due to new properties, as well as an increase in hotel tax as hotel accommodations started to return to pre-COVID-19 levels.

Fees and user charges increased by $100.3 million. Transit fare revenue increased as residents physically returned back to work ($42.1 million), water and sewer revenue increased due to rate increases ($13.8 million) and recreation revenue increased as facilities and programs started to return to normal operations after COVID-19 ($20.9 million).

Other revenue increased by $61.8 million due to the Better Homes Loan Program, an increase in the number of cash-in-lieu projects, increases in the sale of surplus land, increase in the amount received for water and wastewater projects, increase in BIA grants and corporate sponsorship, as well as a change in accounting policy for social housing.

Government transfers decreased by $52.9 million which was mainly made up of decreases in COVID-19 related funding ($137.7 million) such as the Safe Restart and vaccination programs, one-time payment for federal gas tax funding that was received in 2021 but not in 2022 ($57.0 million) as well as decreases in capital funding for various programs ($25.8 million) such as Light Rail cost recovery funding for Stage 2 and Federal Public Transit Infrastructure Funding (PTIF). These were offset by increases in the National Capital Extraordinary Policing Costs Program ($52.2 million), new childcare programs for Canada Wide Early Learning and Child Care System including one time funding initiatives ($71.2 million), social services funding related to increased caseloads ($18.4 million) and an accounting policy change for OCHC which records forgivable loans as government grants ($25.8 million).

Contributed tangible capital assets. In 2022, contributed tangible capital assets decreased by $62.8 million. The amounts vary from year-to-year based on the timing of development work.

Development Charges decreased by $40.0 million. Development charges revenue is not recognized until the funds are spent for their intended purposes, so revenue recognized each year can fluctuate.

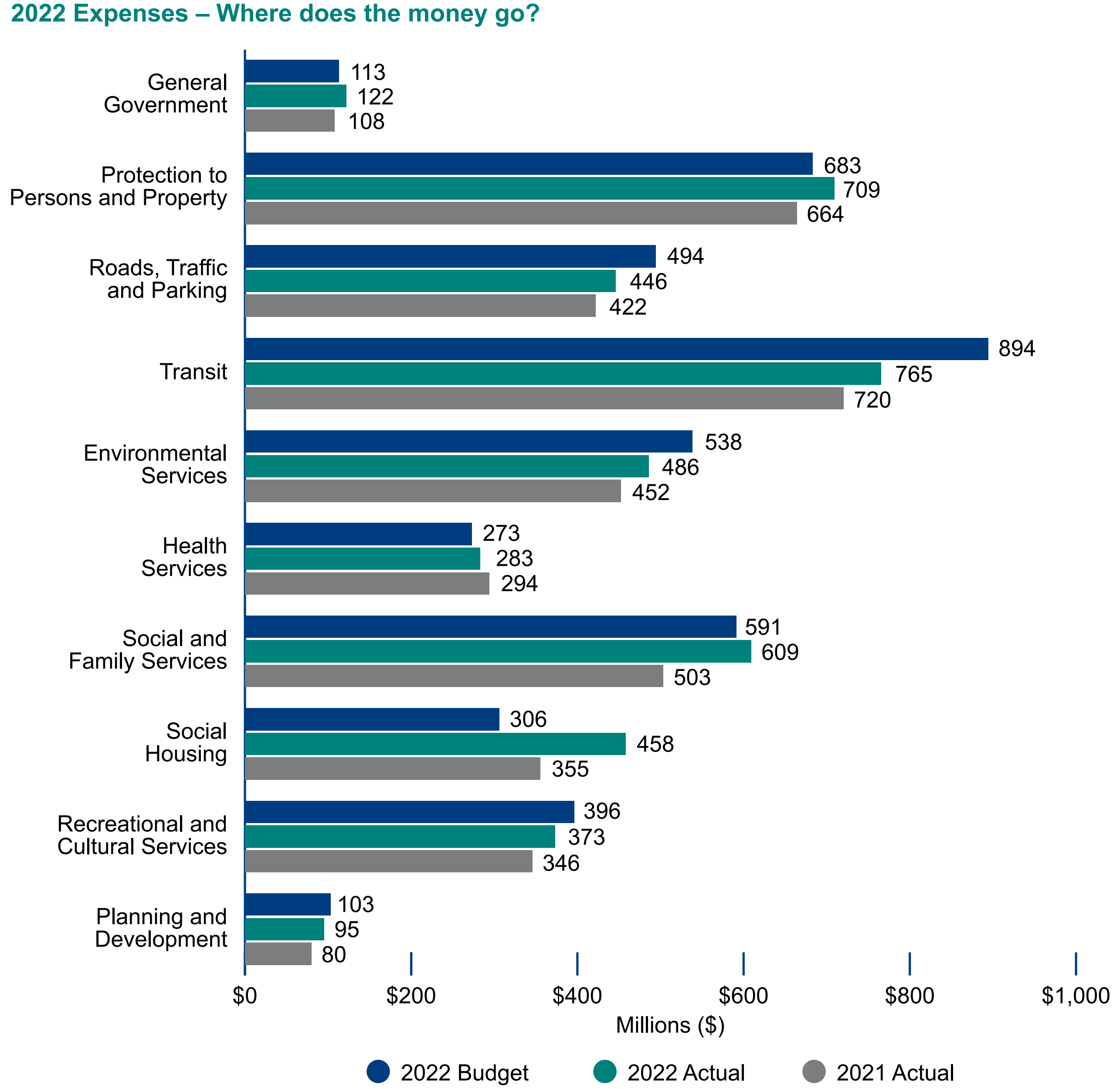
Expenses

Table 4 and Figure 6 below provide expense information for the 2022 budget, 2022 actuals, and 2021 actuals. Table 4 also provides actuals to budget variances and year over year actual variances.

Table 4: Expenses

Expenses					
(dollars in thousands)	**2022 Budget**	**2022 Actuals**	**2021 Actuals**	**Actuals to Budget Variance**	**Year over Year Actuals Variance**
General government	$ 112,946	**$ 122,466**	$ 108,433	$ 9,520	$ 14,033
Protection to persons and property	682,710	**709,318**	663,964	26,608	45,354
Roads, traffic and parking	494,424	**445,752**	421,652	(48,672)	24,100
Transit	893,716	**765,326**	719,757	(128,390)	45,569
Environmental services	537,976	**486,398**	451,934	(51,578)	34,464
Health services	273,148	**283,287**	294,234	10,139	(10,947)
Social and family services	591,099	**608,730**	502,889	17,631	105,841
Social housing	305,636	**457,705**	354,510	152,069	103,195
Recreation and cultural services	395,877	**372,844**	346,481	(23,033)	26,363
Planning and development	102,719	**95,239**	79,561	(7,480)	15,678
Total expenses	$ 4,390,251	**$ 4,347,065**	$ 3,943,415	($ 43,186)	$ 403,650

Figure 6: 2022 Expenses



Comparison to Budget

Roads, traffic and parking expenses were lower than budgeted mainly due to lower than anticipated maintenance costs and lower amortization costs.

Transit expenses were lower than budgeted due to reduced expenditures mainly attributable to staffing vacancies, reduced amortization as well as lower maintenance costs.

Environmental services expenses were lower than budgeted due to savings related to staffing vacancies and fewer emergency repairs.

Comparison to Prior Year

Protection to persons and property increased by $45 million in 2022 to $709 million mainly due to additional policing costs that were incurred for the two downtown demonstrations.

Roads, traffic and parking increased by $24 million in 2022 to $446 million mainly due to the cleanup costs for the derecho that occurred in May 2022, as well as higher winter maintenance and fleet costs.

Transit increased by $45 million in 2022 to $765 million due to additional costs related to COVID-19, as well as additional costs related to the downtown demonstrations which caused disruptions to the transit routes.

Environmental services increased by $34 million in 2022 to $486 million due to increases in repairs and maintenance expenditures and higher amortization expenses.

Social and family services increased by $106 million in 2022 to $609 million due to higher number of caseloads and benefits, and higher childcare expenditures due to the introduction of the Canada Wide Early Learning and Child Care System.

Social housing increased by $103 million in 2022 to $458 million due to higher program costs and increased costs associated with affordable rental housing, including increased operating and capital expenditures related to the Ottawa Community Housing Corporation.

Recreation and cultural services increased by $26 million in 2022 to $373 million mainly due to the lifting of COVID-19 restrictions that saw more facilities and programs return to normal operations.

Reserves

Reserves are an essential tool for municipalities to finance capital projects, mitigate financial risks and maintain essential services. The management of reserves is an important factor in the City's overall financial position as they influence financial sustainability and financial flexibility. Reserves are established by Council through by-laws, which outline the purpose, operation, and eligible expenditures of a specific reserve. Reserves represent prior year or current year surpluses that are to be used for purposes that are mandated by the Council approved by-laws. The balance of the reserves is included in the City's accumulated surplus and is the largest component of the accumulated surplus after the City's $17.5B invested in tangible capital assets.

The City of Ottawa uses a portfolio-based approach to manage reserves. Combining reserves used for similar purposes reduces the overall risk by providing much greater flexibility to manage fluctuations or respond to unexpected events. The three portfolios of discretionary reserves are: Operating, Capital, and Combined Operating and Capital.

Operating Reserves are generally used to stabilize or mitigate the impact of one-time expenditures, deficits and unexpected or emergency events, or to accumulate funds for future liabilities. Capital Reserves are generally used to fund capital works. When a project is approved, the funds are put aside and can be invested by the City until spent. Combined operating and capital reserves allow the flexibility to manage volatility of operations as well as fund capital works.

In addition to the three portfolios of discretionary reserve funds, the City also maintains a portfolio of restricted reserve funds, which includes Federal and Provincial Gas Tax. These reserves are required by provincial statues or contractual agreements and can only be used for their intended purpose.

Reserves are a critical component of the City's long term financial plan. To provide flexibility, liquidity, remain sustainable, and mitigate against extraordinary measures, the City has target minimum and maximum balances that are maintained to ensure the City's financial strength.

As at December 31, 2022, the City's reserves increased by $62 million (from $680 million in 2021 to $742 million in 2022), which represents an increase of 9.1 per cent.

Table 5: Status of reserves

Reserves ***(dollars in thousands)***	**2022**	**2021**	**Increase**
Operating Reserves	$158,029	$157,867	$162
Capital Reserves	242,608	228,565	14,043
Combined Operating/Capital	220,834	196,995	23,839
Subtotal discretionary reserves	**621,471**	**583,427**	**38,044**
Total restricted reserves	120,400	96,422	23,978
Total Reserves	**$741,871**	**$679,849**	**$62,022**

Net Long-term Debt

Use of Debt

Long-term debt is an important source of capital financing for the City to be able to grow and maintain its assets in a state of good repair. Provincial legislation limits the use of long-term debt to financing the construction or acquisition of capital assets that have been approved by Council in the Capital Budget. Using long-term debt conservatively in this way has three main benefits:

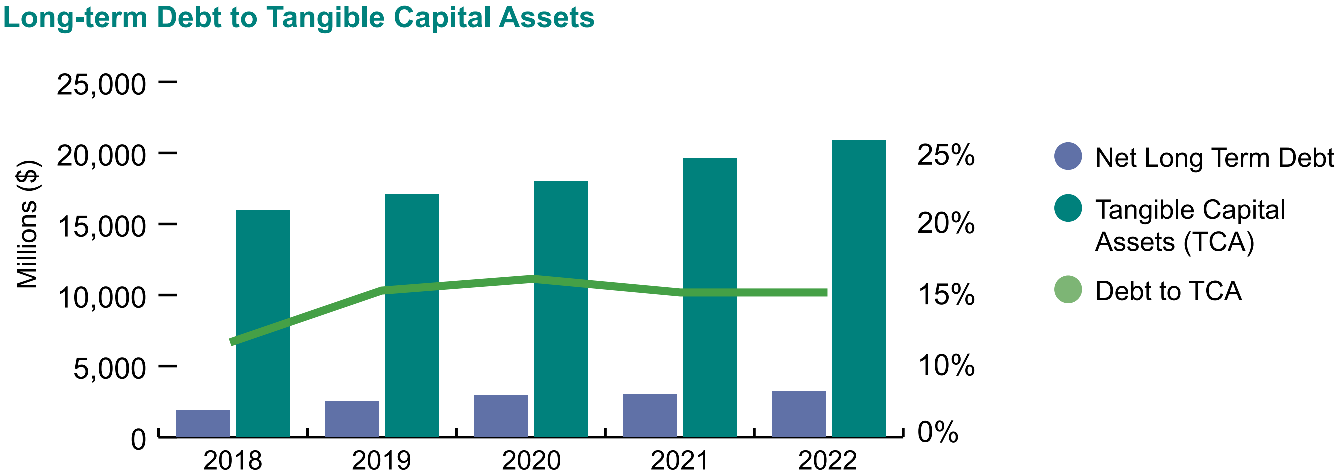
1. The upfront cost of capital projects is aligned with the useful life of the assets. This improves intergenerational equity by enabling future taxpayers to pay for assets that they benefit from.
2. It can advance the timing of capital projects that are needed to maintain or enhance municipal service delivery when internal or external funding is limited.
3. Municipalities have access to debenture financing with fixed interest rates for the entire term of the debt. When interest rates are lower than the rate of construction inflation, it actually costs less on a net present value basis to fund a capital project with debt and spend sooner to avoid a higher cost later due to inflation and other risk factors.

As at December 31, 2022, the City had $3.21 billion in net long-term debt, which was an increase of $172 million from the prior year. The City issued $308.7 million in new long-term debt in 2022 to finance various capital projects and programs including a $200 million Green Bond to fund LRT Phase 2, $20 million for other transit projects, $23.7 million for roads and bridges, $39.7 million for sanitary and storm sewers, and $2.6 million for environmental services. The City also entered into new loan agreements to finance the Better Homes Loan Program and Zero Emission Buses and received $22.7 million in loan draws.

Net long-term debt outstanding represents 15% of the City's tangible capital assets that total $20.90 billion (based upon net book value). From a homeowner perspective, this is the equivalent of having a $90 thousand mortgage on a $600 thousand home.

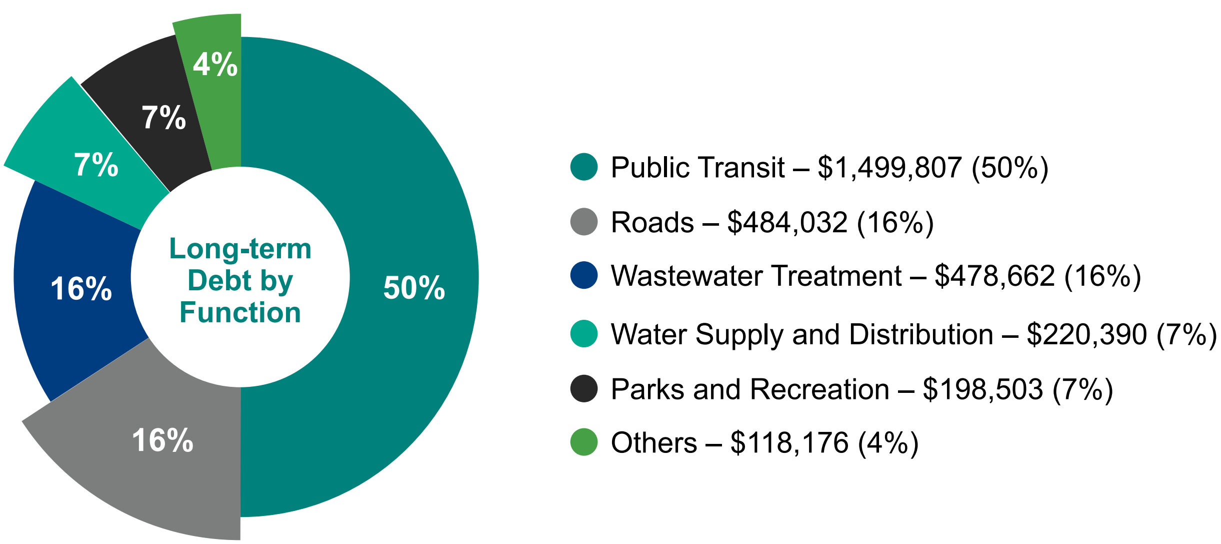
As shown in Figure 7, the City's net long-term debt has grown in proportion to the growth of the City's tangible capital asset base. But most of the City's capital needs are funded through other sources, such as cash reserves, development charges, grants, and other capital revenues.

Figure 7: Long-term debt to tangible capital assets



Long-term debt is used to finance many types of projects. It is used most often to finance projects that have long asset lives, including public transit, roads, water, and wastewater projects. Figure 8 illustrates the proportion of long-term debt outstanding by function[4].

Figure 8: Long-term debt by function



4 Other functions include Planning and development, Police, Environmental Remediation, Fire, Social and Family Services, Waste and Recycling Services, Libraries, Protective Inspection, General Government, Health. $212M of recoverable debt excluded in Transit to better reflect proportions of net debt by function.

The City of Ottawa Green Bond Program

The City of Ottawa was the first municipality in Canada to issue a Green Bond. Green Bonds are an innovative form of debt financing that demonstrates the City's commitment to climate change. Proceeds are used to finance capital projects that promote environmental sustainability by adapting to the effects of climate change or by reducing greenhouse gas (GHG) emissions. To date the City has issued five Green Bonds totalling over $1 billion to finance LRT projects. As of 2022, the City was the second largest municipal issuer and fourth largest government issuer of Green Bonds in Canada.

Debt Levels

Debt levels are carefully monitored through the City's Long-Range Financial Plans to ensure the ongoing financial well-being of the City is maintained in accordance with its fiscal framework principles. Conservative debt servicing ratio targets are set by Council for both tax and rate-supported programs. The ratio represents the share of own-source revenues that can be used to pay principal and interest payments on issued debt.

Rate-supported programs include water, wastewater, and stormwater services. Own-source revenues include those collected through the water bill. Tax-supported programs include those funded primarily from property taxes such as transportation, transit, recreation, library, and police services. Own-source revenues for tax programs include property taxes, payment in lieu of taxes and user fees. Debt that is repaid with either development charges or gas taxes are not included in tax or rate-supported programs but are included in the City's consolidated debt servicing ratio that is regulated by the Provincial Repayment Limit. Government transfers, contributed tangible capital assets and development charge revenues are excluded from all calculations.

As demonstrated in Table 6, the City is well below each of the limits. The ratios decreased from the prior year due to the continued growth in own-source revenues and by taking advantage of historically low interest rates seen in the past couple of years. The ratios indicate the City's strong ability to meet its debt obligations while also being able to meet on-going service mandates.

Table 6: Debt servicing ratios

Debt Servicing Ratios	Allowed Limits	2022	2021
Tax-supported	7.5%	4.1%	4.7%
Rate-supported	15%	11.4%	13.2%
Tax and Rate Combined	8.5%	5.0%	5.9%
Provincial Annual Repayment Limit	25%	8.4%	9.1%

Sinking Fund

Another distinguishing characteristic of the City's debt is the use of a sinking fund, which is required by Provincial legislation.

The City makes annual contributions to the Sinking Fund where it is then invested in line with its Investment Policy approved by Council. The duration of the sinking fund investments align with the repayment period of the long-term debt allowing the City to better manage interest rate risk associated with the portfolio. The contributions and the investment income are used to settle the various debt obligations at their maturity.

This year the Sinking Fund generated $7 million in investment income (2021 – $4.6 million). The weighted average yield to maturity on the par value of investments held at December 31, 2022 is 3.560% (2021 – 3.199%). The City's Sinking Fund Financial Statements show a surplus fund balance of $1.1 million (2021 – $0.45 million), which means the City is on track to settle long term debt obligations as they come due. The financial assets of the Sinking Fund total $265.8 million (2021 – $186.9 million) and are consolidated into the City's Financial Statements and are shown as an offset to the City's long-term debt obligation.

Credit Rating

The City of Ottawa is rated by two international credit rating agencies: Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P). They use varying methodologies and analyze both financial and non-financial information to provide a neutral third-party assessment of the City's ability to meet its financial obligations.

A credit rating plays an important role in enabling the City to issue debt and affects the interest rate on borrowing. Generally, a municipality with a higher credit rating will pay a lower interest rate, so it is important for a municipality to obtain and maintain strong credit ratings.

In 2022, Moody's affirmed the City's Aaa rating, which is the highest possible ranking, that the City has maintained since 1975. S&P upgraded the City's very strong rating in 2022 from AA to AA+, based on its strong financial management, stable revenue generation, strong budgetary performance, and exceptional liquidity.

Consolidated Financial Statements (Audited)

MANAGEMENT'S REPORT

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

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

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

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

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

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

Wendy Stephanson
Acting Interim City Manager
Ottawa, Canada

Cyril Rogers
Acting Interim Chief Financial Officer
Ottawa, Canada

Independent auditor's report

To the Mayor and Members of Council

Opinion

We have audited the consolidated financial statements of the **City of Ottawa** [the "City"], which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of operations and accumulated surplus, the consolidated statement of change in net debt and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
June 15, 2023

THE CITY OF OTTAWA

Consolidated statement of financial position

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

Table 1 - Consolidated statement of financial position - Financial assets

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

Table 2 - Consolidated statement of financial position - Liabilities

Liabilities	2022	2021
Accounts payable and accrued liabilities *[note 7]*	**1,631,603**	1,437,383
Deferred revenue *[note 8]*	**1,147,279**	1,011,774
Employee future benefits and pension agreements *[note 9]*	**732,484**	728,210
Accrued interest	**30,557**	29,091
Landfill closure and post-closure *[note 10]*	**38,838**	36,800
Contaminated sites *[note 11]*	**6,769**	6,784
Net long-term debt *[note 12]*	**3,211,582**	3,039,703
Mortgages payable *[note 13]*	**313,877**	313,500
Other liabilities *[note 14]*	**58,902**	55,784
Capital lease obligations *[note 15]*	**72,407**	79,037
Total liabilities	**7,244,298**	6,738,066
Net debt	**(2,749,732)**	(2,595,301)

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

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

Contingencies, commitments and contractual rights *[note 18]*

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

THE CITY OF OTTAWA

Consolidated statement of operations and accumulated surplus

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

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

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

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

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

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

THE CITY OF OTTAWA

Consolidated statement of change in net debt

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

Table 6 - Consolidated statement of change in net debt

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

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

THE CITY OF OTTAWA

Consolidated statement of cash flows

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

Table 7 - Consolidated statement of cash flows - Operating activities

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

Table 8 - Consolidated statement of cash flows - Capital activities

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

Table 9 - Consolidated statement of cash flows - Investing activities

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

THE CITY OF OTTAWA

Consolidated statement of cash flows [continued]

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

Table 10 - Consolidated statement of cash flows - Financing activities

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

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

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

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

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.

2. Significant accounting policies [continued]

Basis of consolidation

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

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

2. Significant accounting policies [continued]

Use of estimates and measurement uncertainty

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

Revenue and expenses

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

Tax revenue

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

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

Government transfers

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

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

2. Significant accounting policies [continued]

Fees and user charges

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

Development charges

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

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

Investment income

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

Other revenue

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

2. Significant accounting policies [continued]

Financial instruments

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

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

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

Cash and cash equivalents

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

Investments

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

2. Significant accounting policies [continued]

Loan receivable

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

Deferred revenue

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

Employee benefit plans

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

[a] The costs of post-employment benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

[b] The costs of post-retirement benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs, and plan investment performance.

2. Significant accounting policies [continued]

[c] Past service costs for plan amendments related to prior-period employee services are accounted for in the period of the plan amendment. The effects of gain or loss from settlements or curtailments are expensed in the period during which they occur. Net actuarial gains and losses related to employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefits are discounted using current interest rates on City-issued long-term bonds.

[d] The costs of workplace safety and insurance obligations are recognized as a liability when the event that obligates the City occurs. The liability is actuarially determined and is based upon an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees.

[e] The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

Pension agreements

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

[a] The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

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

Legal claims and contingencies

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

2. Significant accounting policies [continued]

Landfill closure and post-closure liabilities

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

Contaminated sites

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

[i] An environmental standard exists;

[ii] Contamination exceeds the standard;

[iii] The City is directly responsible or accepts responsibility for the contamination;

[iv] It is expected that future economic benefits will be given up; and

[v] A reasonable estimate of the amount can be made.

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

Non-financial assets

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

December 31, 2022 [dollars in thousands]

2. Significant accounting policies [continued]

[a] Tangible capital assets

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

Table 12 - Useful lives of tangible capital assets

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

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

[b] Contributed tangible capital assets

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

[c] Intangible assets

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

[d] Interest capitalization

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

2. Significant accounting policies [continued]

[e] Leases

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

[f] Inventories

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

Reserves

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

Contractual rights and obligations

Contractual rights reflect future rights to economic resources arising from contracts and/or agreements that will result in both an asset and revenue in future fiscal periods. For further details regarding the City's contractual rights for long-term property leases, please see note 18(m).

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

Future accounting pronouncements

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

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

2. Significant accounting policies [continued]

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

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

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

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

2. Significant accounting policies [continued]

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

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

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

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

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

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

December 31, 2022 [dollars in thousands]

3. Accounts receivable

Accounts receivable comprise the following:

Table 13 - Accounts receivable

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

4. Investments

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

Table 14 - 2022 investments breakdown

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

Table 15 - 2021 investments breakdown

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

December 31, 2022 [dollars in thousands]

4. Investments [continued]

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

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

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

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

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

5. Investment in government business enterprise

Investment [100% owned] in Hydro Ottawa

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

Table 16 - Hydro Ottawa condensed financial information - Assets

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

December 31, 2022 [dollars in thousands]

5. Investment in government business enterprise [continued]

Table 17 - Hydro Ottawa condensed financial information - Liabilities

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

Table 18 - Hydro Ottawa condensed financial information - Net assets

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

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

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

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

Table 20 - Transactions with Hydro Ottawa

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

December 31, 2022 [dollars in thousands]

5. Investment in government business enterprise [continued]

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

6. Loan receivable

Table 21 - Loan receivable

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

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

Table 22 - Principal payments on light rail loan receivable

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

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

December 31, 2022 [dollars in thousands]

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

Table 23 - Accounts payable and accrued liabilities

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

8. Deferred revenue

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

Table 24 - Deferred revenue

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

9. Employee future benefits and pension agreements

Employee future benefits and pension agreements liabilities comprise the following:

Table 25 - Employee future benefits and pension agreements

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

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

[a] Employee future benefits

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

Table 26 - Employee future benefits

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

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

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

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

Table 27 - Employee future benefits continuity

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

9. Employee future benefits and pension agreements [continued]

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

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

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

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

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

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

Table 28 - Actuarial assumptions

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

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

[b] Pension agreements

[i] Ontario Municipal Employees' Retirement Fund

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

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

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

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

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

[ii] City of Ottawa Superannuation Fund

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

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

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

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

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

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

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

There is no remaining service life in this plan.

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

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

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

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

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

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

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

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

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

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

Table 31 - OC Transpo Employees' pension asset

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

Table 32 - OC Transpo Employees' pension-related expenses

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

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

December 31, 2022 [dollars in thousands]

9. Employee future benefits and pension agreements [continued]

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

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

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

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

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

10. Landfill closure and post-closure liabilities

The *Environmental Protection Act* (Ontario) sets out the regulatory requirements for the closure and maintenance of landfill sites. Under this Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are included in operating expenses over the estimated remaining life of the landfill sites based on usage. The liability for closure and post-closure active and inactive sites is reported on the consolidated statement of financial position.

Table 33 - Landfill closure and post-closure liabilities

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

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

Active sites

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

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

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

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

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

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

Inactive sites

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

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

11. Contaminated sites

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

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

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

December 31, 2022 [dollars in thousands]

12. Net long-term debt

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

Table 34 - Net long-term debt

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

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

Table 35 - Principal payments on net long-term debt

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

12. Net long-term debt [continued]

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

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

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

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

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

December 31, 2022 [dollars in thousands]

12. Net long-term debt [continued]

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

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

Table 36 - Principal payments on Stage 1 light rail debt

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

December 31, 2022 [dollars in thousands]

12. Net long-term debt [continued]

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

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

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

13. Mortgages payable

Table 37 - Mortgages payable

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

December 31, 2022 [dollars in thousands]

13. Mortgages payable [continued]

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

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

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

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

Table 38 - Principal repayments on mortgages payable

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

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

December 31, 2022 [dollars in thousands]

14. Other liabilities

Other liabilities comprise the following:

Table 39 - Other liabilities

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

Brownfields

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

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

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

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

December 31, 2022 [dollars in thousands]

14. Other liabilities [continued]

Table 40 - Estimated brownfield payments by year

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

15. Capital lease obligations

The City leases the following facilities as detailed below:

Table 41 - Capital lease obligations

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

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

Table 42 - Future minimum payments on capital leases

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

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

December 31, 2022 [dollars in thousands]

16. Tangible capital assets

Table 43 - Tangible capital assets - cost

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

Table 44 - Tangible capital assets - accumulated amortization

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

December 31, 2022 [dollars in thousands]

16. Tangible capital assets [continued]

Table 45 - Tangible capital assets - cost (continued)

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

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

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

Assets under construction

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

Works of art and historical treasures

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

December 31, 2022 [dollars in thousands]

16. Tangible capital assets [continued]

Contributed tangible capital assets

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

17. Accumulated surplus

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

Table 47 - Accumulated surplus

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

December 31, 2022 [dollars in thousands]

18. Contingencies, commitments and contractual rights

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

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

Table 48 - Contractual obligations for capital works

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

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

Table 49 - Buildings and equipment lease payments

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

18. Contingencies, commitments and contractual rights [continued]

[d] On August 30, 2019, Stage 1 of the O-Train Confederation Line achieved Revenue Service Availability [“RSA”] and the maintenance contract became effective on that date. The City has committed to making a series of monthly service payments during the 28-year maintenance and service term ending May 2048. Commitments for Monthly Service Payments [“MSP”] for capital construction costs deferred beyond the construction period, as well as for maintenance costs associated with the light rail system and vehicles, began on the RSA date. Annual payments will be adjusted as service levels change, and a portion will be adjusted for inflation, in accordance with the project agreement. The City has also committed to a series of payments for life-cycle costs, and for maintenance costs that will vary with service kilometres. The City reviews all invoices to ensure that all contractual obligations under the Project Agreement are met by the vendor. Invoices from October 2019 to April 2020, reflecting the system performance of September 2019 to March 2020, were still in dispute as of December 31, 2022, and no payments were made for those months. MSP payments were made for the invoice period from May 2020 to August 2021, taking into account performance deductions related to system performance of April 2020 to July 2021. An additional accrual for performance deductions was made in fiscal 2022 for the months of October to December of 2022. Accruals are recorded for the disputed periods based on the City’s most current estimates of the MSP and performance deductions for those periods. Amounts recorded in the accounts have not been separately disclosed in the consolidated financial statements as disclosure may adversely impact the outcome of the disputed items.

[e] As at December 31, 2022, Hydro Ottawa had total open commitments amounting to $107,939 for the period from 2023 to 2029. The commitments relate to a call centre services agreement, distribution-related construction projects, overhead and underground services, and other services related to Hydro Ottawa’s operations.

[f] The City has commitments for the purchase of ice rental time for annual amounts of $1,158, $6,663 and $15,813, which are paid in two installments in accordance with three public-private partnership agreements. These commitments are set to expire in 2027, 2034 and 2043, respectively.

18. Contingencies, commitments and contractual rights [continued]

[g] The City has entered into guarantees of loans amounting to $132,720 arranged to provide financing for the development of ice rinks, the construction of a paramedic headquarters facility, the development of an arts centre, and Lansdowne Park roof replacement under public-private partnerships. The City's guarantees for ice rinks, the paramedic facility and Lansdowne roof replacement also cover the borrowers' obligations under interest rate derivative agreements to manage the volatility of interest rates. The total amount outstanding under guarantees as of December 31, 2022 is $104,804. The City has converted floating rate debt in the amount of $98,830 for fixed rate debt ranging from 2.849% to 6.49% on four guarantees. The related derivative agreements are in place until the maturity of the debts in 2044. The City's guarantee of the loan in connection with the arts centre facility does not involve interest rate derivative agreements since the loans are on a fixed interest rate basis.

[h] On June 28, 2010, Council authorized a payment covenant guarantee that may require the City to make annual payments of up to $1,463 in respect of a loan in the amount of $20,700 for the construction and operation of a trade and exhibition centre. The covenant agreement was signed by the City on April 15, 2011 and expires on April 15, 2041. No payments have been made on this guarantee in 2022 [2021 – nil].

[i] On October 12, 2012, the City entered into an agreement with Ottawa Sports and Entertainment Group ["OSEG"] to revitalize Lansdowne Park. The Master Limited Partnership agreement was established to manage the construction and future net positive cash flows that will be distributed based on a waterfall of priorities as set out in the agreement. The net positive cash flows will be distributed with priority to life-cycle reserves, then OSEG Partners return on and of contributed equity, and then to the City for return on deemed equity, with any remaining cash balances to be evenly split between the City and OSEG.
In 2020, Council approved a ten-year extension to the agreement to December 31, 2054. Due to COVID-19, Lansdowne Park experienced a significant decrease in revenues due to events not being held. OSEG put measures in place to reduce costs and requested a transfer of $4,653 from the capital life-cycle fund to manage cash flows over the three-year period from 2020 to 2022 inclusive. In fiscal 2023, OSEG will be required to replenish the capital life-cycle fund.

18. Contingencies, commitments and contractual rights [continued]

[j] In 2017, Council and the Ottawa Public Library Board approved partnering with Library and Archives Canada to build a new joint facility that brings together the creative services of a public library and the public services of a national library and archives. The final design plans of the joint facility were approved in April 2021 and the City's Supply Services branch, in May 2021, released the tender for the construction of the joint facility. As at the end of 2022, construction of the new facility was ongoing. Construction is planned to continue until late 2025, with the official opening taking place in 2026. The Library and Archives Canada portion of the building is funded by the federal government. For the City's portion of the building, capital costs incurred up to December 31, 2022 were $44,953. Future commitments for the City portion of the building amount to $138,007 for 2023 to 2026 inclusive.

[k] On August 10, 2022, the City entered into a credit agreement with the Canada Infrastructure Bank of up to $380,000 in order to finance the Zero Emission Buses ("ZEB") Program over the next five years. The credit facility bears 1% interest per annum, and it is to be repaid over the useful life of the ZEBs (15 years) beginning the first anniversary of the first operation of the ZEBs (expected 2024). As of December 31, 2022, the City has borrowed $1,693 related to this credit agreement.

[l] In March 2019, the City entered into agreements with private partners for the two extensions of the Stage 2 LRT Projects: Trillium Line Extension ("TLE") and Confederation Line Extension ("CLE"). The CLE project further consists of two phases, the extension of the LRT line to the east ("CLE East"), and the extension of the line to the west ("CLE West"). The TLE extension project is being delivered as a design, build, finance and maintain project, while the CLE extensions are being delivered as a design, build, and finance project, and the maintenance component of the extended line will be delivered by the current contractor for the existing Confederation Line.

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

December 31, 2022 [dollars in thousands]

18. Contingencies, commitments and contractual rights [continued]

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

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

19. Taxes available for municipal purposes

Table 50 - Taxes available for municipal purposes

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

December 31, 2022 [dollars in thousands]

20. Expenses by object

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

Table 51 - Expenses by object

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

December 31, 2022 [dollars in thousands]

21. Segmented information

Consolidated schedule of segment disclosure

For the year ended December 31, 2022

Table 52 – 2022 Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	$2,137,217	$0	$0	$0	$0	$0
Government transfers – provincial	24,014	16,381	2,496	404,231	8,214	189,579
Government transfers – federal	1,074	54,740	5,882	231,608	694	2,347
Fees and user charges	20,820	74,202	30,900	108,412	470,407	2,270
Contributed tangible capital assets	0	0	86,081	0	363,618	66
Development charges	4,966	1,383	28,536	104,904	20,943	0
Fines and penalties	21,836	22,891	0	2,000	0	0
Other	125,254	2,642	297	5,935	6,517	196
Total revenue	**2,335,181**	**172,239**	**154,192**	**857,090**	**870,393**	**194,458**

EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	104,933	544,816	137,444	335,178	92,634	229,452
Contracts and general services	11,202	80,273	85,122	92,141	124,669	16,586
Materials, equipment and supplies	29,142	63,662	89,459	119,374	63,033	20,720
Interest charges	343	1,557	19,396	67,113	29,680	882
Rent and financial expenses	16,033	8,863	9,967	21,926	6,877	3,654
External transfers	(716)	11,921	(319)	(1,851)	5,035	(290)
Interfunctional	(39,492)	(15,675)	(18,824)	21,302	37,408	7,263
Amortization	1,021	13,497	117,892	106,442	117,537	5,037
Loss (gain) on disposal	0	404	5,615	3,701	9,525	(17)
Total expenses	**122,466**	**709,318**	**445,752**	**765,326**	**486,398**	**283,287**
ANNUAL SURPLUS (DEFICIT)	**$2,212,715**	**$(537,079)**	**$(291,560)**	**$91,764**	**$383,995**	**$(88,829)**

December 31, 2022 [dollars in thousands]

21. Segmented information [continued]

Consolidated schedule of segment disclosure

For the year ended December 31, 2022

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

REVENUE	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Taxes	$0	$0	$0	$0	**$2,137,217**
Government transfers – provincial	439,980	127,357	5,419	609	**1,218,280**
Government transfers – federal	155	29,925	24,465	399	**351,289**
Fees and user charges	17,094	84,109	46,489	18,489	**873,192**
Contributed tangible capital assets	65	0	18,202	1,271	**469,303**
Development charges	263	3,464	2,074	1,886	**168,419**
Fines and penalties	0	0	64	0	**46,791**
Other	118	35,260	14,647	7,920	**198,786**
Total revenue	**457,675**	**280,115**	**111,360**	**30,574**	**5,463,277**

EXPENSES	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Salaries and benefits	180,169	61,567	215,179	50,452	**1,951,824**
Contracts and general services	19,026	7,713	46,279	7,290	**490,301**
Materials, equipment and supplies	25,680	171,531	71,029	11,487	**665,117**
Interest charges	521	11,180	11,606	2,942	**145,220**
Rent and financial expenses	379	7,100	4,013	11,843	**90,655**
External transfers	391,632	186,582	10,941	21,629	**624,564**
Interfunctional	(10,811)	(630)	(9,611)	(10,969)	**(40,039)**
Amortization	2,093	12,662	23,399	696	**400,276**
Loss (gain) on disposal	41	0	9	(131)	**19,147**
Total expenses	**608,730**	**457,705**	**372,844**	**95,239**	**4,347,065**
ANNUAL SURPLUS (DEFICIT)	**$(151,055)**	**$(177,590)**	**$(261,484)**	**$(64,665)**	**$1,116,212**

December 31, 2022 [dollars in thousands]

21. Segmented information [continued]

Consolidated schedule of segment disclosure
For the year ended December 31, 2021
Table 54 - 2021 Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	$2,022,302	$0	$0	$0	$0	$0
Government transfers – provincial	19,398	36,502	6,855	470,401	10,392	203,216
Government transfers – federal	332	1,146	2,260	349,441	4,100	3,911
Fees and user charges	19,780	69,589	23,850	64,241	458,980	2,043
Contributed tangible capital assets	0	0	76,307	0	426,951	0
Development charges	4,307	1,724	35,687	121,453	38,699	0
Fines and penalties	20,828	18,143	0	2,000	0	0
Other	107,557	1,755	305	3,220	178	0
Total revenue	**2,194,504**	**128,859**	**145,264**	**1,010,756**	**939,300**	**209,170**

EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	97,056	546,173	132,156	336,727	92,281	237,004
Contracts and general services	6,329	40,282	82,816	90,518	107,935	16,243
Materials, equipment and supplies	25,948	53,673	84,870	112,597	58,834	23,362
Interest charges	326	1,664	19,543	57,637	29,422	931
Rent and financial expenses	13,799	9,879	(516)	13,712	5,190	3,168
External transfers	(626)	11,661	(38)	(29,303)	345	(358)
Interfunctional	(35,532)	(12,475)	(20,092)	12,812	33,736	8,766
Amortization	1,115	12,753	114,383	107,894	111,945	5,051
Loss (gain) on disposal	18	354	8,530	17,163	12,246	67
Total expenses	**108,433**	**663,964**	**421,652**	**719,757**	**451,934**	**294,234**
ANNUAL SURPLUS (DEFICIT)	**$2,086,071**	**$(535,105)**	**$(276,388)**	**$290,999**	**$487,366**	**$(85,064)**

December 31, 2022 [dollars in thousands]

21. Segmented information [continued]

Consolidated schedule of segment disclosure

For the year ended December 31, 2021

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

REVENUE	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Taxes	$0	$0	$0	$0	**$2,022,302**
Government transfers – provincial	347,470	112,507	13,053	29	**1,219,823**
Government transfers – federal	29	39,500	1,922	14	**402,655**
Fees and user charges	16,616	71,594	25,567	20,597	**772,857**
Contributed tangible capital assets	0	0	20,188	8,625	**532,071**
Development charges	1,114	422	911	4,076	**208,393**
Fines and penalties	0	0	102	0	**41,073**
Other	0	7,049	6,218	5,398	**131,680**
Total revenue	**365,229**	**231,072**	**67,961**	**38,739**	**5,330,854**

EXPENSES	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Salaries and benefits	175,348	54,358	200,130	41,316	**1,912,549**
Contracts and general services	15,221	3,268	40,740	12,967	**416,319**
Materials, equipment and supplies	20,453	79,624	64,241	10,245	**533,847**
Interest charges	630	10,970	12,156	2,533	**135,812**
Rent and financial expenses	(8,385)	13,385	1,150	4,663	**56,045**
External transfers	305,898	170,815	11,812	14,834	**485,040**
Interfunctional	(8,403)	337	(8,642)	(7,292)	**(36,785)**
Amortization	2,103	13,123	23,976	383	**392,726**
Loss (gain) on disposal	24	8,630	918	(88)	**47,862**
Total expenses	**502,889**	**354,510**	**346,481**	**79,561**	**3,943,415**
ANNUAL SURPLUS (DEFICIT)	**$(137,660)**	**$(123,438)**	**$(278,520)**	**$(40,822)**	**$1,387,439**

21. Segmented information [continued]

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

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

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

A brief description of each segment follows:

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

21. Segmented information [continued]

- Social housing, with the partnership of 120 community-based agencies, provides a range of services, including housing, emergency shelters, outreach, search and stabilization to people in the community.

- Recreation and cultural services include parks and recreation, culture and libraries. Parks and recreation services develop and deliver high-quality recreational programs and develop and maintain recreation facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Culture services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile virtual and telephone services.

- Planning and development services manage urban development for residential and business interests, as well as infrastructure and parks.

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

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

22. Public liability insurance

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

December 31, 2022 [dollars in thousands]

23. Budget amounts

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

Table 56 - Budget reconciliation

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

24. Related party transactions

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

25. Impact of COVID-19

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

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

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

Appendix 1 - Condensed supplementary information

Ottawa public library board

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

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

Table 57 - Ottawa Public Library Board - Financial position

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

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

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

Consolidated statement of operations and accumulated surplus

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

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

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

December 31, 2022 [dollars in thousands]

Appendix 1 - Condensed supplementary information [continued]

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

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


OTTAWA

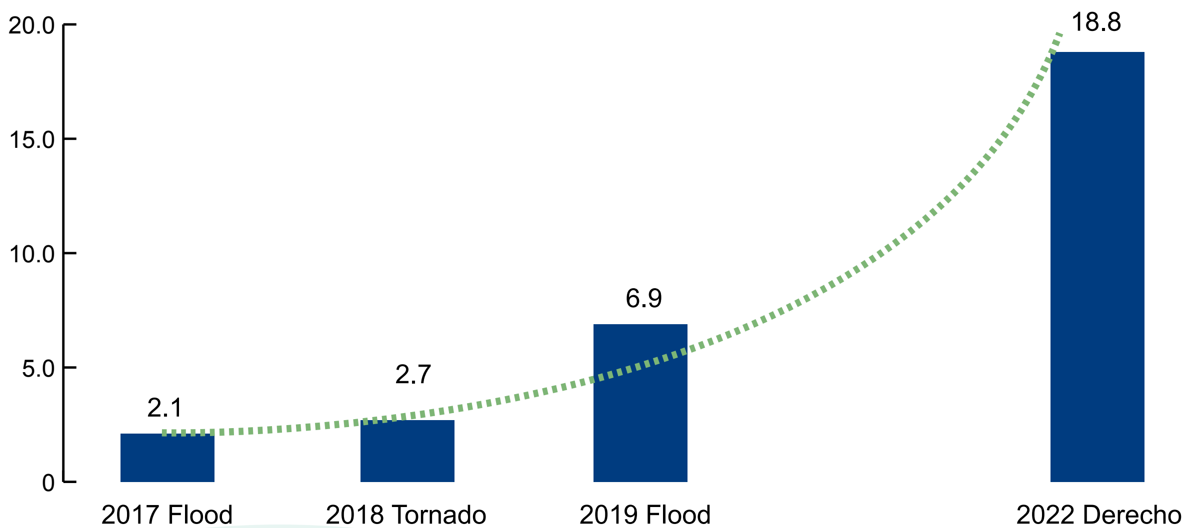
Task Force on Climate-Related Financial Disclosures (Unaudited)

Introduction

Cities are increasingly dealing with the financial impacts from climate change, whether it be responding to extreme weather events and gradual changes in climate or working to transition to a low-carbon economy. Ottawa is not immune to the impacts of a changing climate and is already experiencing warmer, wetter, and more unpredictable weather which impacts our health and safety, infrastructure, the economy and the environment.

Ottawa has experienced a number of extreme weather events in recent years which had a significant financial impact to residents and businesses. The incremental cost for the City to respond to these events has exceeded $30 million in the last five years (Figure 9). Notably, the May 2022 derecho storm recovery effort cost the City $18.8 million, which included emergency response aimed at keeping residents safe, city tree and debris removal, waste disposal, repairs to traffic lights, cleaning up parks, running community support centres, and repairing damaged City buildings.

Figure 9: City of Ottawa's incremental costs to respond to severe weather events (in $ millions)



The City of Ottawa is committed to reducing greenhouse gas (GHG) emissions and building climate resiliency over the short and long-term and declared a climate emergency in 2019. Understanding the financial risks and opportunities related to climate change is critical to the City's financial sustainability.

About the Task Force on Climate-Related Disclosures (TCFD)

The TCFD was released in 2017 by the Financial Stability Board after years of collaborative consultation with global stakeholders. It established best practices for the consistent reporting of an organizations' climate-related risks and opportunities.

The voluntary disclosures enhance the reliability and transparency of climate information and are structured around four areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets.

Figure 10: Recommendations of the Task Force on Climate-related Financial Disclosures

Core Elements of Recommended Climate-Related Financial Disclosures

Governance
The organization's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

The following disclosures summarize the City's climate-related actions, strategies, and financial impacts to help stakeholders and decision-makers understand how the City is responding to climate-related risks and opportunities. The disclosures also explain how the City incorporates climate-related information into strategic, capital, and financial planning processes.

The Chartered Professional Accountants of Canada published guidance on how Canadian cities can incorporate TCFD recommendations within their annual financial reports. The City of Ottawa applied this guidance in producing its first set of climate-related financial disclosures. The City will adopt TCFD recommendations with a phased approach acknowledging that it will take several years for the City to reach full maturity and that the field of sustainability reporting is early in its evolution.

Table 7 summarizes the City's progress to date on climate-related disclosures.

Table 7: Summary of City of Ottawa's TCFD Disclosures

TCFD Recommended Disclosures	Summary of City of Ottawa Disclosure	Link to section
Governance		
Describe mayor and Council's oversight of climate-related risks and opportunities.	Mayor and City Council is responsible for setting climate and environmental policy and direction to manage climate risks and opportunities.	Mayor and Council's Role
Describe management's role in assessing and managing climate-related risks and opportunities.	Management is responsible for implementing City Council's policy and direction, developing climate risk assessments, and executing mitigation and adaptation initiatives.	Management's Role

TCFD Recommended Disclosures	Summary of City of Ottawa Disclosure	Link to section
Strategy		
Describe the climate-related risks and opportunities the city has identified over the short-, medium-, and long-term.	The Climate Change Master Plan identifies the high-level risk and opportunities related to climate change mitigation and adaptation over the coming decades. Energy Evolution identifies risks and opportunities to accelerate action and investment to achieving short-, mid- and long-term GHG reduction targets, while the Climate Vulnerability and Risk Assessment identifies climate-related risks for City infrastructure and services and for the community.	Climate Change Master Plan Energy Evolution: Ottawa's Community Energy Transition Strategy Climate Resiliency Strategy
Describe the impact of climate-related risks and opportunities on the strategy and financial planning of the city's businesses.	Climate considerations were applied to the new Official Plan, Comprehensive Asset Management Policy, and Budget 2023, and will be considered as part of the 2023–2026 update of the City Strategic Plan.	Integrating Climate Strategy into Key Planning Processes
Describe the resilience of the city's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The City modelled moderate to high emission scenarios to project future changes in temperature, precipitation, wind and extreme weather. Projections are available for 178 climate indices and three time horizons. Using two plausible scenarios and multiple timelines provide flexibility in assessing climate risks.	Climate Resiliency Strategy

TCFD Recommended Disclosures	Summary of City of Ottawa Disclosure	Link to section
Risk Management		
Describe the city's processes for identifying and assessing climate-related risks.	Climate-related risks were identified and assessed through the Climate Vulnerability and Risk Assessment as well as the Energy Evolution strategy.	Risk Management
Describe the city's processes for managing climate-related risks.	Climate-related risks related to meeting GHG reduction targets, responding to extreme weather events and adapting to the changing climate are incorporated into the City's Enterprise Risk Management program as part of the Corporate Risk Register. The Climate Resiliency Strategy is currently being developed to address the top climate risks and will identify specific capital projects to adapt infrastructure to better withstand the effects of climate change. Energy Evolution identified capital projects to meet GHG emission targets. Strategies for mitigation and adaptation are also exploring opportunities to embed climate risk reduction considerations in City plans, policies and programs.	Integrating Climate Risks into Enterprise Risk Management
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the city's overall risk management.	The Enterprise Risk Management program has processes in place for the City to identify, assess, mitigate, monitor and report on risks. Climate-related risks are tracked as they arise.	Integrating Climate Risks into Enterprise Risk Management

TCFD Recommended Disclosures	Summary of City of Ottawa Disclosure	Link to section
Metrics and Targets		
Disclose the metrics used by the city to assess climate-related risks and opportunities in line with its strategy and risk management process.	Targets (such as the GHG emission reduction targets) and key performance indicators were developed where data was available to track progress. The number of indicators will continue to grow in the coming years as projects, programs, and plans move from the development phase into the implementation phase, such as the Climate Resiliency Strategy.	Metrics and Targets Greenhouse Gas Emission Reduction Targets
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	The City discloses and reports on Scope 1 and Scope 2 GHG emissions through its annual community and corporate GHG emissions inventories.	Greenhouse Gas Emissions Inventories
Describe the metrics used by the city to manage climate-related risks and opportunities as well as performance against targets.	The City completes an annual Climate Change Master Plan status report that details progress towards achieving the vision and priorities of the Plan, challenges experienced, and risk mitigation strategies. It also includes the latest GHG inventories, an assessment on how the City and the community are tracking towards achieving the GHG targets, and progress on key performance indicators.	Metrics and Targets

Governance

Transitioning Ottawa to a clean, renewable, and resilient city will require broad and deep participation in mitigation and adaptation efforts. A climate change internal governance structure has been established to support decision makers in accelerating action and investment towards reducing emissions and building climate resiliency. A refresh of the internal governance structure, as well as an external governance structure, will be completed in 2023 to align with the most recent organizational changes.

Mayor and Council's Role

Mayor and City Council set climate and environmental policy and direction to manage climate risks and opportunities. They receive regular updates and reporting from management directly and through various committees, such as the Environment and Climate Change committee. In 2019, Mayor and City Council declared a Climate Emergency for the purposes of naming, framing, and deepening our commitment to protecting our economy, our eco systems, and our community from climate change.

A Climate Change Council Sponsors Group consisting of six members of Council was created for the 2018-2022 term of Council. Members of the Sponsors Group received updates from City management on initiatives related to climate change, advised on how climate change risks and opportunities would intersect with Committee and Council priorities and were responsible for championing climate change initiatives to Council. A Climate Change Council Sponsors Group will be re-established in 2023 for the 2022-2026 Term of Council.

Management's Role

Management is responsible for implementing City Council's policy and direction, conducting climate risk assessments and executing mitigation and adaptation initiatives.

A Climate Change Tiger Team was created consisting of the Chief Financial Officer, Medical Officer of Health, departmental General Managers, and a representative from the City Manager's Office. Members of the Tiger Team are responsible for championing climate change initiatives within their own department and to Council, advising on how climate change risks and opportunities will intersect with Council and departmental priorities, and advise on how climate considerations will be incorporated into the City's key planning processes. As well, various directors and managers were identified as key advisors to champion climate change initiatives and provide updates to senior leadership where risks and opportunities arise.

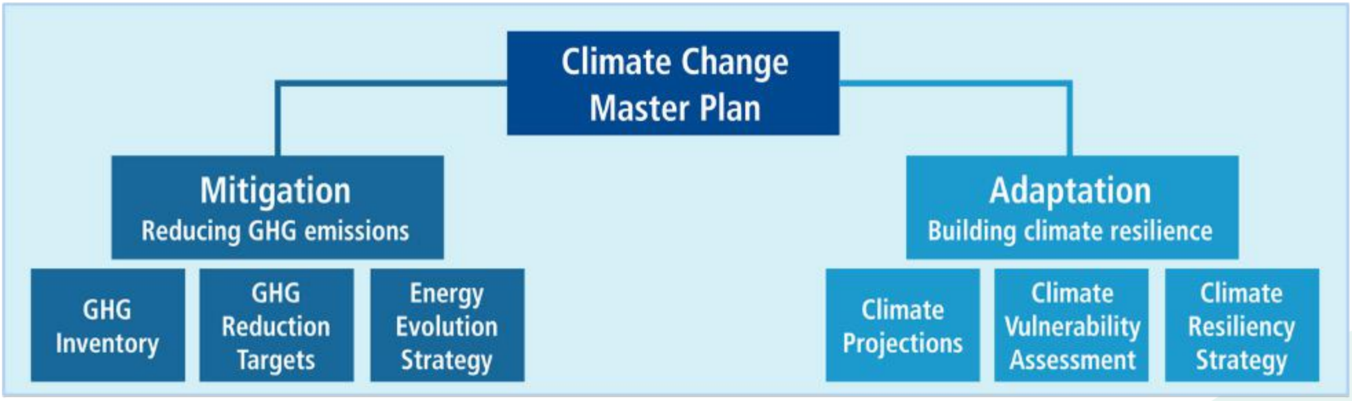
Strategy

Climate Change Master Plan

In January 2020, City Council approved the Climate Change Master Plan, the overarching framework to reduce GHG emissions and respond to current and future effects of climate change in Ottawa. The Plan's vision is to take unprecedented collective action to transition Ottawa into a clean, renewable and resilient city by 2050. As part of the Plan, Council approved short-, mid- and long-term GHG emission reduction targets and eight priorities to be undertaken in the short-term.

Priorities include implementing Energy Evolution: Ottawa's Community Energy Transition Strategy, developing a Climate Resiliency Strategy, applying a climate lens to the new Official Plan and asset management plans, establishing a carbon budget and accounting framework, and developing a governance framework.

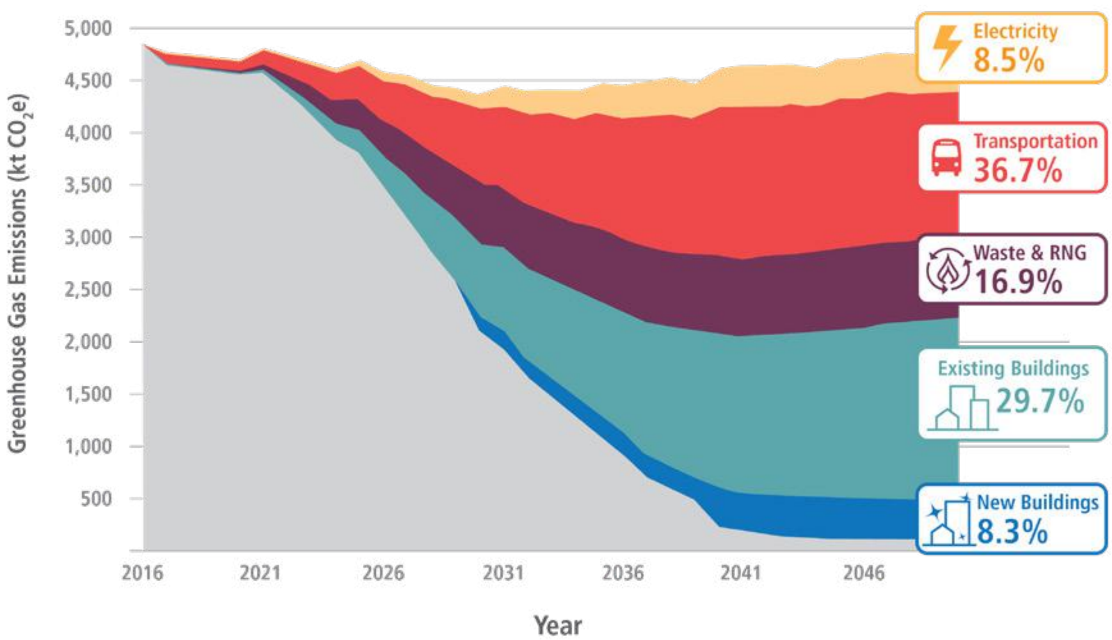
Figure 11: Climate Change Framework



Energy Evolution: Ottawa's Community Energy Transition Strategy

In October 2020, Council approved Energy Evolution, which sets the framework for what it will take for Ottawa to meet the Council approved long-term targets to reduce community GHG emissions by 100 per cent by 2050 and corporate GHG emissions by 100 per cent by 2040. Its vision is to transform Ottawa into a thriving city powered by clean, renewable energy. An integrated energy, emissions and financial model was used to identify what it will take to achieve these targets in five key sectors: Land Use and Growth Management, Buildings, Transportation, Waste and Renewable Natural Gas (RNG), and Electricity. Energy Evolution identified 20 priority projects to be undertaken by 2025 to accelerate action and investment towards achieving the GHG emission reduction targets.

Figure 12: Total projected community-wide greenhouse gas emission reductions required to achieve the long-term targets



Cost of Climate Mitigation

Energy Evolution analyzed the financial impacts to the entire community (municipality, residents, business, institutions, and organizations) in order to achieve the targets in the five key sectors. For the City's assets and operations, it is estimated that roughly $687 million (in 2020 dollars) per year is required for electrifying transit and municipal fleets, new active transportation infrastructure, retrofitting municipal buildings, waste diversion, and sewer heat capture. Included in this estimate is $65 million per year for the City to incentivize the community into taking action.

Energy Evolution also developed projected community-wide cumulative investment needs from 2020 to 2050, roughly estimated to total $57.5 billion (in 2020 dollars). It is projected that community-wide capital costs are higher up front, but that there is a net financial benefit to society starting after 2030 when the net annual savings and revenues exceed the annual investments. If investments were made to reach the long-term target to reduce emissions by 100 per cent by 2050, the community-wide net return is forecasted at $12.4 billion (in 2020 dollars).

Although there is a level of uncertainty in the financial estimates, the financial model serves as a starting point to understand the capital costs required to meet the Council-approved GHG emission reduction targets by 2050 and the potential return on investments. It is recognized that the City alone will not be able to accomplish the scale of investment required. Funding commitments by the City combined with new revenue streams, private capital sources, and funding from senior levels of government will ultimately influence the City's success in achieving emissions reductions.

Climate Resiliency Strategy

The development of the Climate Resiliency Strategy is split into three phases. The first phase was the completion of the Climate Projections for the National Capital Region which was received by Council in June 2021. Using climate science and modelling for moderate[5] to high[6] emission scenarios to predict future changes in temperature, precipitation, wind and extreme weather, it identified that Ottawa is experiencing warmer, wetter, and more unpredictable weather and that these trends will continue into the next decades. Projections are available for 178 climate indices and three time horizons (2030s, 2050s, 2080s). Using two plausible scenarios and multiple timelines provides flexibility in assessing climate risks for different purposes. Localized climate projections will be revisited following significant advances in global climate models.

5 Representative Concentration Pathway (RCP) 4.5

6 Representative Concentration Pathway (RCP) 8.5

Figure 13: Summary of Future Climate in Canada's Capital Region (based on high carbon emission scenario RCP 8.5)

	What to expect*	2030s	2050s	2080s
Temperature	Average temperature	↑ 1.8°C	↑ 3.2°C	↑ 5.3°C
	Very hot days (above 30°C)	2.5 times more	4 times more	6.5 times more
	Very cold days (below -10°C)	20% less	35% less	63% less
Seasons	Winters shorter by	4 weeks	5 weeks	8 weeks
	Springs earlier by	2 weeks	2 weeks	4 weeks
	Winter freeze-thaw	↑ 13%	↑ 33%	↑ 54%
Precipitation	Fall-winter-spring precipitation	↑ 5%	↑ 8%	↑ 12%
	Intense precipitation	↑ 5%	↑ 14%	↑ 19%
	Snowfall	↓ 10%	↓ 20%	↓ 44%
Extreme events	Possible increases in freezing rain			
	Warming favours conditions conducive to storms, wildfires			

More certainty → Less certainty

* For a high carbon emission scenario (RCP 8.5)

In June 2022, Council received the [Climate Vulnerability and Risk Assessment](), the second phase of the development of the Climate Resiliency Strategy. The Climate Vulnerability and Risk Assessment used the Building Adaptive and Resiliency Communities (BARC) methodology to assess close to 150 potential climate impacts, including impacts on health, community well-being, infrastructure, natural environment, and the economy, to determine how vulnerable Ottawa is to changing climate conditions and prioritize where action is needed most. Separate climate risk assessments were completed for the two drinking water purification plants, wastewater treatment plant and water services using the Public Infrastructure Engineering Vulnerability Committee (PIEVC) methodology. Of these potential climate impacts, 40 priority risks were identified that require action in the next one to three years. These include risks related to higher temperatures and more precipitation, as well as more extreme weather like flooding, tornadoes, and heat waves.

The Climate Resiliency Strategy is currently in its last phase of development and by early 2024 will identify actions to mitigate the priority risks identified in the Climate Vulnerability and Risk Assessment.

Cost of Climate Adaptation

Established in 2013, the Financial Accountability Office (FAO) of Ontario provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario. The FAO launched its Costing Climate Change Impacts to Public Infrastructure project (CIPI) to analyze the long-term costs that climate change impacts could impose on Ontario's provincial and municipal infrastructure. The City provided the FAO with asset inventory and condition data which was incorporated into their provincial-wide analysis. FAO recently published reports assessing the composition and state of repair of provincial and municipal infrastructure in Ontario and costed the impact of select climate hazards to linear storm and wastewater infrastructure, public buildings, and transportation infrastructure including roads, bridges, large structural culverts, and rail tracks.

The FAO research identified the operating and capital costs that are necessary to maintain existing public infrastructure in a state of good repair to the end of the century in the absence of adaptation measures under a medium emissions scenario will increase by 37%[7], 8%[8] and 17%[9] relative to a stable climate scenario for linear storm and wastewater infrastructure, public buildings, and transportation infrastructure, respectively. This increases to 61%, 15% and 32% respectively under a high emissions scenario. The median cost projections reflect that selected climate hazards will generally result in higher spending on operations and maintenance, accelerate asset deterioration and shorten the useful service life of some infrastructure, which will then require more frequent and additional rehabilitations.

Although there is a level of uncertainty in the FAO's estimates, and Ottawa's climate, portfolio of assets, and condition of assets differ slightly than Ontario averages, the FAO's research serves as a starting point to understand the relationship between climate change and the cost to maintain public infrastructure in a state of good repair. City staff are leveraging this research to advance the assessment of financial impacts on the City's assets. As well, the third phase of the City's Climate Resiliency Strategy will look to identify, prioritize and cost projects needed to adapt infrastructure to better withstand the effects of climate change.

7 Financial Accountability Office of Ontario. "Costing Climate Change Impacts to Public Infrastructure: Linear Storm and Wastewater - Assessing the financial impacts of extreme rainfall on public linear storm and wastewater infrastructure in Ontario" (2022).

8 Financial Accountability Office of Ontario. "Costing Climate Change Impacts to Public Infrastructure: Buildings – Assessing the financial impacts of extreme rainfall, extreme heat and freeze-thaw cycles on public buildings in Ontario" (2021).

9 Financial Accountability Office of Ontario. "Costing Climate Change Impacts to Public Infrastructure: Transportation – Assessing the financial impacts of extreme rainfall, extreme heat and freeze-thaw cycles on transportation infrastructure in Ontario" (2022).

Integrating Climate Strategy into Key Planning Processes

The City's climate goals can only be advanced by integrating climate strategy into key planning processes such as official planning, strategic planning, capital planning, long range financial planning, corporate policies, and annual budgeting.

The Official Plan (OP) provides a vision for the future growth of the city and a policy framework to guide the city's physical development and is an essential tool to meet climate change objectives through land use planning, urban design, regulatory practice, building design and environmental protection. The new OP that came into effect in November 2022 embedded environmental, climate and health resiliency, and energy into the framework of its planning policies. The OP's supporting Master Plans will also integrate climate mitigation and adaptation policies, programs and projects.

The City's Strategic Plan is the key corporate planning document that defines what Council plans to accomplish over its four-year term and serves as the City's roadmap to success. Environmental stewardship was a key priority in the 2019–2022 City Strategic Plan, including objectives for the City to reduce its GHG output and embed climate change considerations across all operations. The 2023-2026 City Strategic Plan is currently in development and is informed by Master Plans including the Climate Change Master Plan.

The City's capital planning process for renewing existing assets is managed by the Comprehensive Asset Management (CAM) Policy. CAM is an integrated approach to infrastructure management that aims to maximize benefits, reduce risk and provide safe and reliable levels of service. Climate change considerations have been embedded into the CAM Policy and will be embedded into the management of existing assets in order to meet provincial regulation. The regulation requires Ontario municipalities to consider climate change in asset management planning.

The 2023 Budget was the first year that a climate lens was applied to all new capital budget requests. This systematic approach identified how new investments contribute to climate goals and where future opportunities might exist. Overall, the budget identified $52 million of new investments with moderate or major climate contributions to reducing emissions and building climate resiliency.

The City will continue to integrate climate-related risks and opportunities into financial planning processes. Embedding climate considerations into key planning processes better positions the City to integrate climate considerations into annual budgeting and long-range financial planning processes. Future TCFD reporting will measure the actual capital expenditures spent in the fiscal year measured against amounts previously budgeted and the target level of investments identified for climate mitigation and climate adaptation.

Risk Management

Climate-related risks were identified, assessed and prioritized through the Climate Vulnerability and Risk Assessment and Energy Evolution. The City works to mitigate and monitor those risks through its governance framework and its strategies (including the Climate Resiliency Strategy and implementation of the Energy Evolution projects).

Integrating Climate Risks into Enterprise Risk Management

The City has an Enterprise Risk Management (ERM) program, which is directed by a Council approved Policy and Framework. The ERM program has annual processes in place, where departments identify, assess, mitigate, monitor and report on risks. These risks are reviewed and evaluated for cross-departmental trends. Risks are also escalated corporately if they require the attention or action of senior leadership.

The Corporate Risk Register often includes strategic corporate risks and may also include selected departmental and/or horizontal risks that met escalation guidelines and/or exceeded corporate risk tolerance levels. Climate-related risks related to meeting GHG reduction targets, responding to extreme weather events and adapting to the changing climate are incorporated into the City's ERM program as part of the Corporate Risk Register.

Metrics and Targets

Metrics and targets include the key metrics to monitor climate-related risks and report on progress toward climate-related goals. As part of the approved Climate Change Master Plan, the city committed to providing an annual update on the climate change framework that includes the latest GHG emission inventories, an assessment of how Ottawa is tracking towards community and corporate targets, and a progress update on achieving the Climate Change Master Plan's eight priorities. The most recent status update report was received by Council in April 2023 and included key performance indicators where data was available to track progress. The number of indicators will continue to grow in the coming years as projects, programs, and plans move from the development phase into the implementation phase.

Greenhouse Gas Emission Reduction Targets

As part of the Climate Change Master Plan, Council approved short-, mid- and long-term targets to reduce community emissions by 100 per cent by 2050 and corporate emissions by 100 per cent by 2040 (based on a 2012 baseline). These targets align with the Intergovernmental Panel on Climate Change's target to limit global warming increases to 1.5 degrees Celsius.

Figure 14: Short, Mid and Long-term Community Targets to Reach 100% by 2050 Target

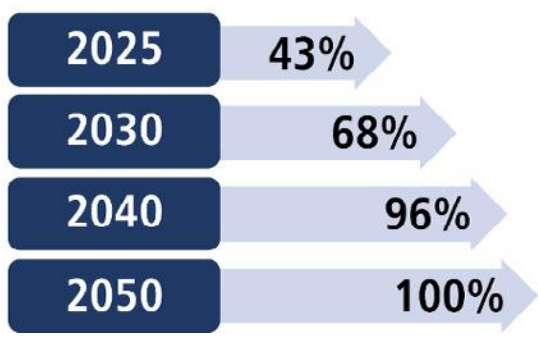
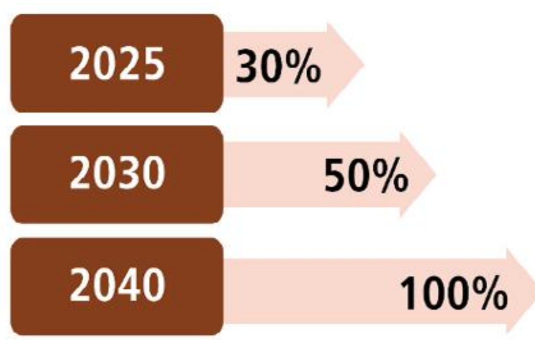


Figure 15: Short, Mid and Long-term Corporate Targets to Reach 100% by 2040 Target



Greenhouse Gas Emissions Inventories

GHG emission inventories provide a snapshot of energy use and associated emissions over a given period within the buildings, transportation, waste, and agriculture sectors. The City undertakes two types of GHG inventories: community inventories, which track emissions from activities within the geographic boundary of Ottawa, and corporate inventories, which track emissions under municipal operational control. The latest inventory results are for the 2020 calendar year.

Between 2012 and 2020, community emissions decreased by 15 per cent. To meet the mid-term target to reduce emissions by 68 per cent by 2030, emissions will need to decrease by six to seven per cent per year, requiring a significant increase in action and investment to meet the aggressive timelines. Over the same period, corporate emissions decreased by 43 per cent, putting the corporation ahead of its short-term target to reduce emissions by 30 per cent by 2025 and on track to meet its 2030 target.

The City is undertaking a third-party review of its inventory methodologies, data sources, and assumptions to confirm accuracy, consistency and alignment with best reporting practices. The 2021 and 2022 GHG inventories will be completed later in 2023 following the completion of the third-party review.

Financial and Statistical Schedules (Unaudited)

Revenues by Source – 5-year review [unaudited] *[dollars in thousands]*

Revenue by Source[1]	2018	2019	2020	2021	2022
Taxes available for municipal purposes	$1,776,722	$1,864,760	$1,944,683	$2,022,302	**$2,137,217**

Fees and user charges	2018	2019	2020	2021	2022
General administration	13,752	14,503	13,696	18,122	18,597
Paramedic services	1,418	1,230	1,278	2,043	2,270
Other protective services	64,124	76,579	60,024	69,589	74,202
Roads, traffic and parking	25,404	33,598	21,457	23,850	30,900
Public transit	183,955	190,470	88,068	64,241	108,413
Water and sewer	341,883	348,201	372,913	392,357	404,133
Waste and recycling services	44,454	44,596	52,781	66,623	66,274
Social housing	69,324	72,838	73,326	71,594	84,109
Parks and recreation	60,371	62,367	21,195	25,567	46,489
Planning and development	29,466	36,203	17,742	20,597	18,489
Long term care	18,085	18,323	17,526	15,920	17,315
Other	5,559	4,420	3,385	2,354	2,001
Total fees and user charges	857,795	903,328	743,391	772,857	**873,192**

Revenue by Source	2018	2019	2020	2021	2022
Government transfers	957,513	1,083,242	1,493,210	1,622,478	1,569,569
Contributed tangible capital assets	318,684	474,514	363,556	532,071	469,303
Development charges	80,032	127,164	169,683	208,393	168,419
Investment income	48,550	45,866	50,716	61,257	74,237
Fines and penalties	35,439	37,897	35,617	41,073	46,791
Other revenue	43,513	63,245	44,215	23,067	84,875
Equity in earnings of government business enterprises	42,138	32,429	34,120	47,356	39,674
Revenues	1,525,869	1,864,357	2,191,117	2,535,695	**2,452,868**
Total Revenues	$4,160,386	$4,632,445	$4,879,191	$5,330,854	**$5,463,277**

[1] Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Expenses by Function – 5-year review [unaudited] *[dollars in thousands]*

Expenses by Function	2018	2019	2020	2021	2022
General government[1]	$113,541	$108,960	$103,481	$108,433	$122,466
Protection to persons and property	601,818	637,309	628,673	663,964	709,318
Roads, traffic, and parking	412,620	433,170	415,144	421,652	445,752
Transit	582,903	697,815	737,369	719,757	765,326
Environmental services	388,684	427,317	424,270	451,934	486,398
Health services	175,583	180,945	216,679	294,234	283,287
Social and family services	552,559	537,006	535,892	502,889	608,730
Social housing	290,699	301,255	302,952	354,510	457,705
Recreation and cultural services	331,752	372,347	346,493	346,481	372,844
Planning and development	101,134	76,552	74,541	79,561	95,239
Total expenses	$3,551,293	$3,772,676	$3,785,494	$3,943,415	**$4,347,065**

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

Consolidated Reserves– 5-year review [unaudited] ***[dollars in thousands]***

Reserves	2018	2019	2020	2021	2022
Restricted reserves					
Gas tax	$102,752	$73,764	$19,432	$96,422	$120,400
Total restricted reserves	102,752	73,764	19,432	96,422	**120,400**
Discretionary reserves					
Transit	59,946	14,486	23,668	51,979	39,586
Housing	76,765	83,567	76,077	72,081	103,619
Employee Benefits	57,567	59,949	71,237	81,379	85,511
Tax Stabilization	31,249	27,615	51,455	76,488	72,518
Parking	27,605	23,753	22,427	23,845	19,838
City Wide	18,780	37,272	71,151	98,692	99,400
Corporate Fleet	7,280	9,574	4,348	5,813	3
Environmental Services / Other	144,229	119,094	174,553	173,150	200,996
Total discretionary reserves	423,421	375,310	494,916	583,427	**621,471**
Total reserves	$526,173	$449,074	$514,348	$679,849	**$741,871**

Taxation and Assessments – 5-year review [unaudited]

Residential (Urban)	2018	2019	2020	2021	2022
Municipal city-wide	0.496991%	0.509381%	0.515820%	0.529126%	0.545494%
Municipal fire	0.083364%	0.082854%	0.082390%	0.083982%	0.085193%
Municipal police	0.148305%	0.150216%	0.151781%	0.156362%	0.159197%
Municipal transit	0.163405%	0.166460%	0.175651%	0.186419%	0.194605%
Municipal conservation area	0.006345%	0.006758%	0.006766%	0.007324%	0.007076%
Education	0.170000%	0.161000%	0.153000%	0.153000%	0.153000%
Total residential tax rates	1.068410%	1.076669%	1.085408%	1.116213%	**1.144565%**

Non-residential (Commercial Urban)	2018	2019	2020	2021	2022
Municipal city-wide	0.930676%	0.929563%	0.931752%	0.971096%	1.023682%
Municipal fire	0.156109%	0.151200%	0.148826%	0.154131%	0.159873%
Municipal police	0.277719%	0.274127%	0.274171%	0.286968%	0.298752%
Municipal transit	0.305996%	0.303771%	0.317287%	0.342132%	0.365198%
Municipal conservation area	0.011882%	0.012332%	0.012221%	0.013441%	0.013280%
Education	1.090000%	1.030000%	0.980000%	0.880000%	0.880000%
Total non-residential tax rates	2.772382%	2.700993%	2.664257%	2.647768%	**2.740785%**

Assessed Values [Dollars in Millions]	2018	2019	2020	2021	2022
Residential	$122,231	$128,506	$133,047	$135,671	$138,893
Percentage of total	72.2%	79.1%	79.0%	79.4%	79.8%
Non-residential	47,104	33,933	35,452	35,146	35,071
Percentage of total	27.8%	20.9%	21.0%	20.6%	20.2%
Total assessment	$169,336	$162,439	$168,499	$170,817	**$173,964**

Taxation and Assessments – 5-year review [unaudited] *[dollars in thousands]*

Taxes Receivable	2018	2019	2020	2021	2022
Taxes receivable at the beginning of the year	$107,933	$106,826	$113,542	$114,173	$102,765
Property taxes levied	2,131,472	2,240,242	2,337,422	2,338,305	2,446,365
Non-tax items added for collection	35,618	54,359	5,469	43,088	56,143
Penalties and interest	16,329	16,731	16,171	17,965	18,707
In-year tax adjustments	(36,085)	(23,445)	(54,224)	(46,866)	(51,525)
Subtotal	$2,255,267	$2,394,713	$2,418,380	$2,466,665	**$2,572,455**

Collections	2018	2019	2020	2021	2022
Current	$(2,051,853)	$(2,203,938)	$(2,223,564)	$(2,337,954)	$(2,433,007)
Arrears	(96,587)	(77,233)	(80,642)	(25,946)	(25,068)
Tax collections	$(2,148,440)	$(2,281,171)	$(2,304,206)	$(2,363,900)	**$(2,458,075)**

Net Taxes Receivable	2018	2019	2020	2021	2022
Taxes receivable at the end of the year	$106,826	$113,542	$114,173	$102,765	$114,380
Allowance for doubtful accounts	(4,404)	(4,811)	(5,204)	(5,633)	(6,308)
Net taxes receivable at the end of the year	$102,422	$108,731	$108,969	$97,132	**$108,072**
Percentage of current taxes collected	96.3%	98.4%	95.1%	100%	99.5%
Taxes outstanding as a percentage of the current year levy	4.8%	4.9%	4.7%	4.2%	4.4%

Investments – at amortized cost – 5-year review [unaudited] *[dollars in thousands]*

Investments	2018	2019	2020	2021	2022
Federal government bonds	$203,340	$128,043	$359,143	$553,712	$770,110
Provincial government bonds	249,391	202,216	218,912	517,955	448,879
Municipal government bonds	185,900	209,170	239,371	278,383	333,822
Corporate (fixed income)	389,027	289,772	152,178	142,365	18,533
Endowment fund	171,413	166,440	163,305	154,229	159,690
Other	30,176	30,930	41,770	64,552	65,543
Totals	$1,229,247	$1,026,571	$1,174,679	$1,711,196	**$1,796,577**

Net Long-Term Debt – 5-year review [unaudited] *[dollars in thousands]*

Net Long-Term Debt	2018	2019	2020	2021	2022
Instalment and sinking fund debentures issued	$1,989,564	$2,309,254	$2,533,515	$2,693,640	$2,943,734
Stage 1 light rail debt	0	298,789	519,798	510,577	499,210
Bank loan agreements and interest rate exchange agreements	54,727	44,244	33,473	22,408	17,233
The 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	(132,206)	(95,093)	(132,734)	(186,922)	(248,595)
Total net long-term debt	$1,912,085	$2,557,194	$2,954,052	$3,039,703	**$3,211,582**

Net Long-Term Debt by Function – 5-year review [unaudited] *[dollars in thousands]*

Net Long-Term Debt by Function	2018	2019	2020	2021	2022
General Government	$3,396	$1,773	$494	$243	$200
Fire	5,177	10,202	9,755	9,292	8,873
Police	19,619	29,543	25,513	23,013	21,165
Protective inspection	3,147	2,660	2,378	2,173	1,959
Roads	423,747	583,564	537,882	497,538	484,032
Public transit	401,988	875,171	1,363,706	1,542,452	1,711,819
Wastewater treatment	406,741	491,417	474,640	454,865	478,662
Water supply and distribution	341,052	258,827	247,241	232,845	220,390
Waste and recycling services	4,855	4,508	4,155	3,795	3,428
Environmental Remediation	12,540	13,937	13,345	12,712	14,694
Parks and recreation	220,829	221,489	214,884	206,717	198,503
Libraries	3,389	3,085	2,712	2,320	1,908
Planning and development	51,533	48,862	46,900	43,128	59,778
Social and family services	13,799	11,960	10,331	8,574	6,171
Health	273	196	116	36	0
Total net long-term debt	$1,912,085	$2,557,194	$2,954,052	$3,039,703	**$3,211,582**

Demographics and Other Information – 5-year review [unaudited]

Demographics	2018	2019	2020	2021	2022
Population	991,429	1,006,210	1,018,001	1,046,440	1,067,310
Households	422,327	429,080	434,013	447,210	457,070

Budgeted municipal full-time equivalent positions	2018	2019	2020	2021	2022
Budgeted Full-time equivalent positions	15,088	15,312	15,603	15,798	15,921
Budgeted Full-time equivalent positions per 1,000 population	15.2	15.2	15.3	15.1	14.7

Inflation, CPI annual increases (%)[1]	2018	2019	2020	2021	2022
Ottawa	2.5	2.0	1.4	4.0	6.9
Ontario	2.3	1.8	0.7	3.4	6.3
Canada	2.2	1.9	0.7	3.2	6.3

Unemployment rate (%)[1]	2018	2019	2020	2021	2022
Ottawa	4.6	4.7	7.4	6.2	4.2
Ontario	5.6	5.6	9.6	8.0	5.7
Canada	5.8	5.7	9.5	7.5	5.3

Housing information	2018	2019	2020	2021	2022
Housing starts[2]	7,539	7,782	9,950	10,221	11,032
Change from prior year (%)	1.1	3.2	27.9	2.7	7.9
Single family	2,718	2,607	2,867	3,276	2,559
Change from prior year (%)	19.1	(4.1)	9.97	14.27	(21.89)
Housing prices ($000)[3]	407	465	530	720	692
Change from prior year (%)	3.9	14.3	14.0	35.8	(3.9)
New housing price inflation (%)[1]	5.2	7.2	14.9	21.2	6.6
Value of building permits issued (in millions)	$2,976	$3,262	$3,740	$3,857	$3,350
Change from prior year (%)	10.0	9.6	14.7	3.1	(13.1)

[1] Statistics Canada
[2] Canada Mortgage and Housing Corporation (CMHC)
[3] Ottawa Real Estate Board

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