



Province of Ontario Presentation

November 5, 2020

Ontario Financing Authority
www.ofina.on.ca

Overview

- Released in the early stages of the pandemic, *Ontario's Action Plan: Responding to COVID-19* outlined the government's initial response to the first wave of the global pandemic. *Through the 2020–21 First Quarter Finances*, the government updated *Ontario's Action Plan: Responding to COVID-19*, bringing the Province's total COVID-19 response to a projected \$30 billion.
- The government is introducing the next phase of *Ontario's Action Plan: Protect, Support, Recover*. The fall *2020 Budget* includes a multi-year fiscal plan to ensure the people of Ontario are informed by the most up-to-date information available, while also increasing total support to \$45 billion, despite the unprecedented uncertainty caused by COVID-19.
- The fall *2020 Budget* represents the government's budget and mid-year review for 2020–21. This is in keeping with the government's commitment to provide regular updates on Ontario's finances, even amidst this uncertain economic period.
- Acknowledging the continued uncertainty of the global pandemic, the government plans to table a path to balance in the *2021 Budget*.

Ontario's Action Plan: Protect, Support, Recover

Ontario's Action Plan: PROTECT, SUPPORT, RECOVER



Protect — Urgent COVID-19 Response

\$15.2 Billion



Support — Support for People and Jobs

\$13.5 Billion



Recover — Creating the Conditions for Growth

\$4.8 Billion

Total Direct Support

\$33.4 Billion



Improving Cash Flow for People and Businesses

\$11.3 Billion

\$45 Billion in Total Supports over Three Years

Ontario's Fiscal Plan

- As a result of the response to the COVID-19 outbreak, the government is projecting a \$38.5 billion deficit in 2020–21. Over the medium term, the government projects steadily declining deficits of \$33.1 billion in 2021–22, and \$28.2 billion in 2022–23.
- Over the medium term, revenue is forecast to increase from \$156.1 billion in 2019–20 to \$160.2 billion in 2022–23, while total expense is projected to increase from \$164.8 billion to \$186.3 billion over the same period.
- The reserve has been set at \$2.5 billion in 2020–21 and \$2.0 billion in 2021–22 and 2022–23.

Fiscal Summary (\$ Billions)	Actual	Current Outlook ¹	Medium-Term Outlook	
	2019–20	2020–21	2021–22	2022–23
Revenue	156.1	151.1	152.3	160.2
Expense				
Programs	152.3	174.6	170.2	172.4
Interest on Debt	12.5	12.5	13.2	13.9
Total Expense	164.8	187.0	183.4	186.3
Surplus/(Deficit) Before Reserve	(8.7)	(36.0)	(31.1)	(26.2)
Reserve	–	2.5	2.0	2.0
Surplus/(Deficit)	(8.7)	(38.5)	(33.1)	(28.2)

¹ For the purposes of the legislated requirements for a budget and mid-year review in the *Fiscal Sustainability, Transparency, and Accountability Act, 2019*, the 2020–21 current outlook represents the plan year of the Budget as well as the current fiscal year of the mid-year review.

Note: Numbers may not add due to rounding.

Sources: Ontario Treasury Board Secretariat and Ministry of Finance.

Ontario's Economic Planning Projection

- The *2020 Budget* was based on a real GDP planning scenario with a decrease of 6.5 per cent in 2020 and growth of 4.9 per cent in 2021, both slightly below the private-sector average forecast at the time of the *2020 Budget* to incorporate prudence.

2020 Budget (Per Cent Change)	2019	2020p	2021p	2022p	2023p
Real GDP Growth	1.7	(6.5)	4.9	3.5	2.0
Nominal GDP Growth	3.9	(5.0)	6.6	5.7	4.2
Compensation of Employees	4.2	(2.5)	5.3	5.1	4.6
Net Operating Surplus – Corporations	2.6	(16.0)	10.0	10.3	2.7
Nominal Household Consumption	3.6	(6.0)	7.4	6.0	4.2
Employment Growth	2.9	(5.4)	5.0	2.5	1.9

Source: Ontario Ministry of Finance.

a = actual; p = Ontario Ministry of Finance planning projection.

Extraordinary Contingencies and Time Limited Pandemic Response

Extraordinary Contingencies and Time-Limited Pandemic Response

(\$ Millions)

	Current	Medium-Term Outlook	
	Outlook ¹ 2020–21	2021–22	2022–23
Time-limited Funding and Contingencies			
One-time COVID-19 Health Sector Expense	3,052	–	–
COVID-19 Health Contingency Fund	5,294	–	–
Pandemic Fund	–	4,000	2,000
Subtotal: COVID-19 Response Including Pandemic Fund	8,346	4,000	2,000
Support for People and Jobs Fund	4,966	1,000	800
Total Time-limited Funding and Contingencies	13,312	5,000	2,800
Remaining Balances²			
COVID-19 Health Contingency Fund Net of New Projected Drawdowns in the 2020 Budget ³	598	–	–
Pandemic Fund	–	4,000	2,000
Subtotal: COVID-19 Response Including Pandemic Fund	598	4,000	2,000
Support for People and Jobs Fund	2,050	1,000	800
Total Remaining Balances	2,648	5,000	2,800

¹ For the purposes of the legislated requirements for a budget and mid-year review in the *Fiscal Sustainability, Transparency, and Accountability Act, 2019*, the 2020–21 current outlook represents the plan year of the Budget as well as the current fiscal year of the mid-year review.

² As at October 13, 2020

³ The COVID-19 Health Contingency Fund remaining balance is net of projected new spending drawn from the fund since 2020–21 First Quarter Finances. See Table 3.4 for details.

Note: Numbers may not add due to rounding.

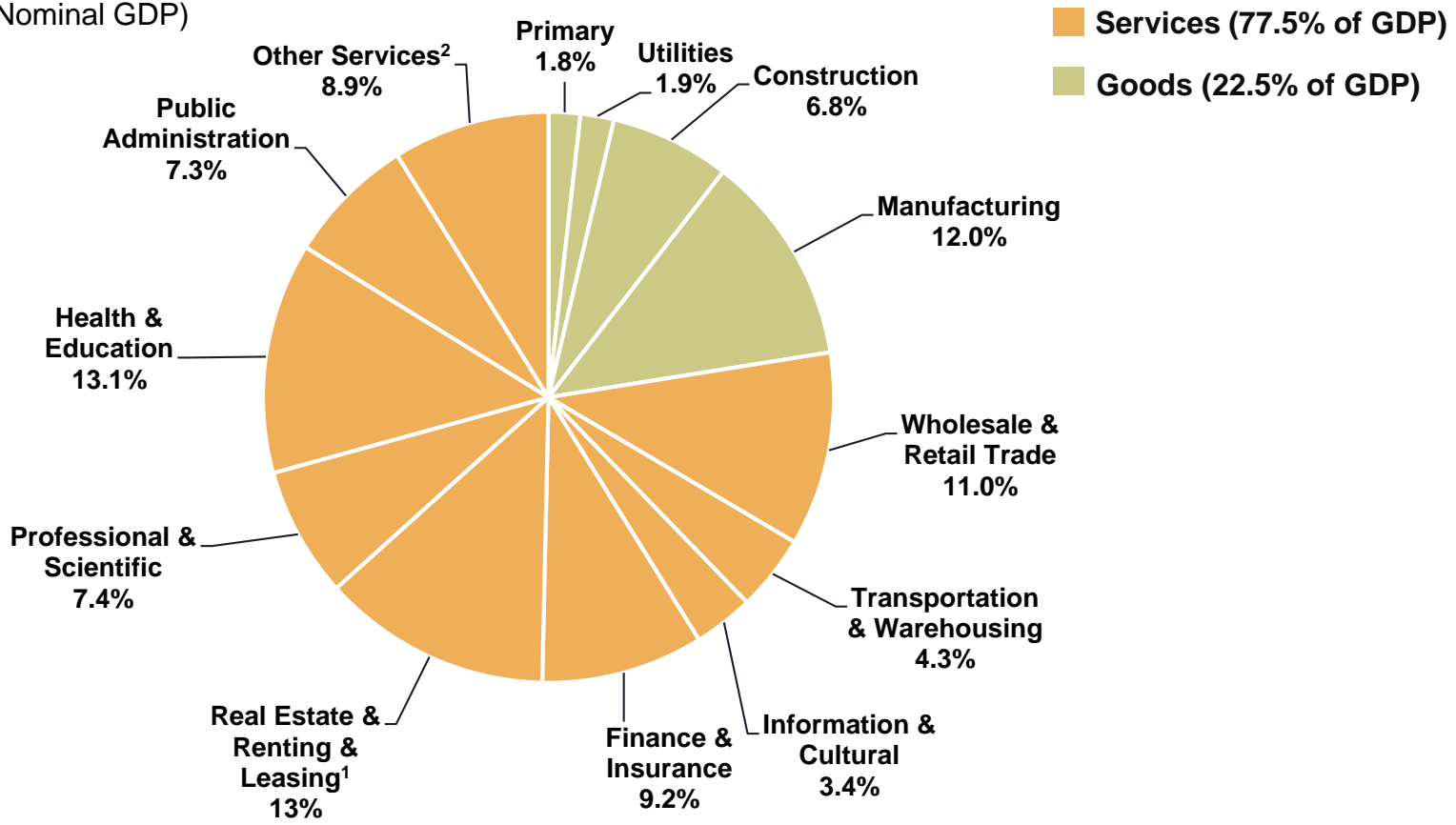
Sources: Ontario Treasury Board Secretariat and Ministry of Finance.

Ontario's Diverse Economy

- Ontario has a diverse economy, with extensive financial and business services, manufacturing and a smaller primary sector compared to the rest of Canada.

Structure of the Ontario Economy, 2019

(Per Cent Share of Nominal GDP)



¹ Includes estimate of imputed rental income from owner occupied dwellings.

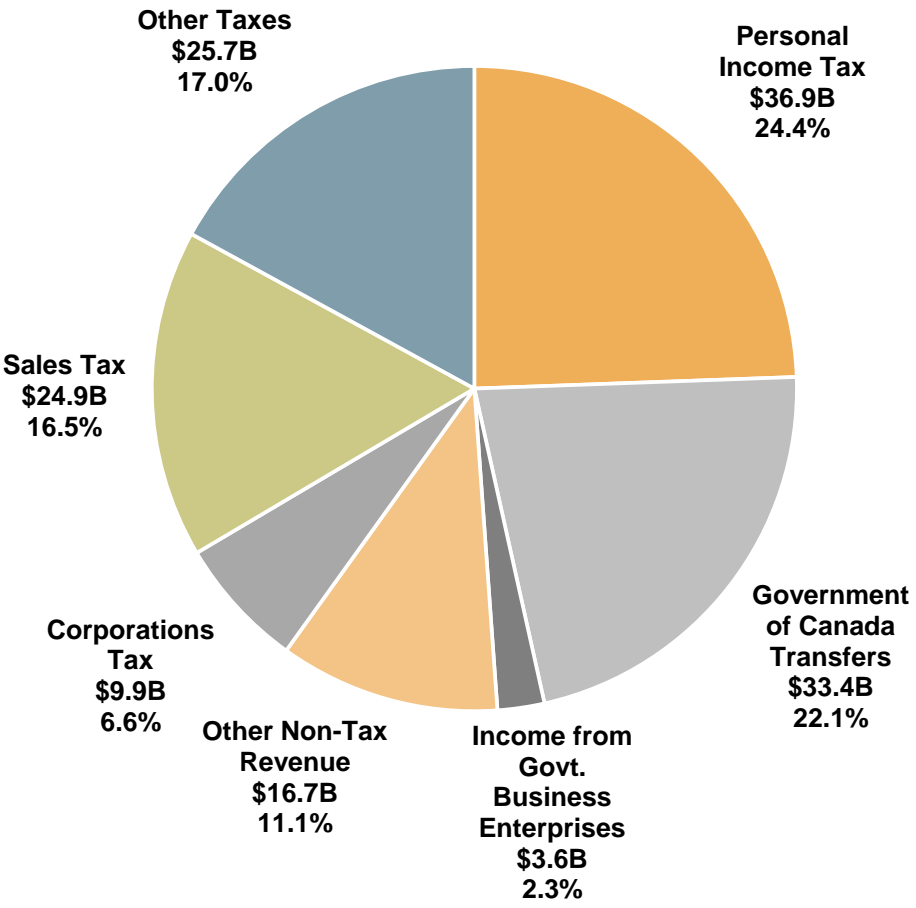
² Other services include: management of companies and enterprises; administrative and support, waste management and remediation services; arts, entertainment and recreation; accommodation and food services; and other services.

Source: Statistics Canada.

Note: Numbers may not add due to rounding.

Composition of Revenue 2020–21

Revenue \$151.1 Billion

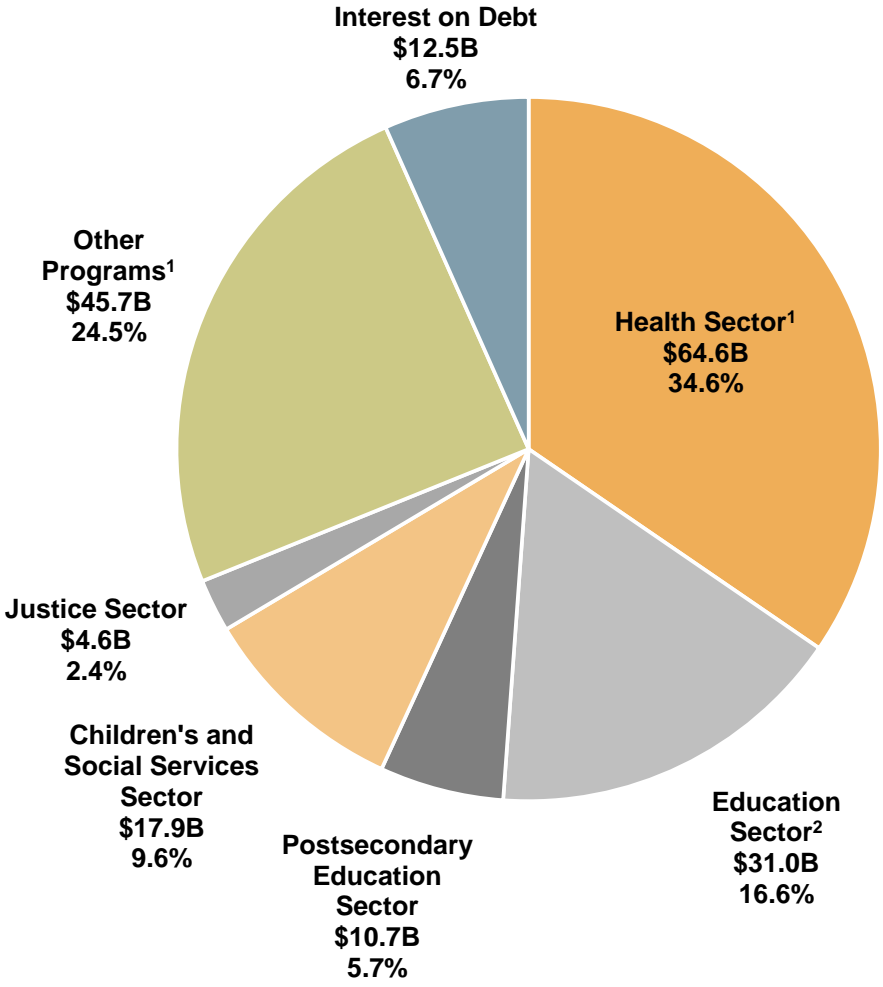


- Revenue sources are diversified.
- Taxation revenues account for 64.5 per cent of total revenues.
- Government of Canada transfers including the Canada Health Transfer and Canada Social Transfer account for 22.1 per cent of total revenues.
- Net Income from Government Business Enterprises (Liquor Control Board of Ontario, Ontario Lottery and Gaming Corporation, Hydro One Ltd, Ontario Power Generation Inc. and Ontario Cannabis Store) accounts for 2.3 per cent of total revenues.
- Other Non-Tax Revenues such as Fees, Donations and Other Revenues from the broader public sector, Vehicle and Driver Registration fees, and Sales and Rentals, account for 11.1 per cent of total revenues.

Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

Composition of Total Expense 2020–21

Total Expense \$187.0 Billion



- The largest expense is the Health Sector at \$64.6 billion, accounting for about 35 per cent of total expense.
- Interest on Debt, included as part of total expense, is \$12.5 billion, or 6.7 per cent of total expense.

¹ For presentation purposes in the *2020 Budget*, all one-time COVID-19 related spending has been included within the Other Programs sector instead of the Health Sector. This funding includes one-time COVID-19 Health Sector expense of \$3.1 billion and COVID-19 Health Contingency Fund of \$5.3 billion in 2020–21, as well as a Pandemic Fund of \$4.0 billion in 2021–22 and \$2.0 billion in 2022–23.

² Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.

Note: Numbers may not add due to rounding.
Sources: Ontario Treasury Board Secretariat and Ministry of Finance.

Ontario Bonds

- **Bond Offerings**

- Wide range of offerings provide extensive investment and trading opportunities across the yield curve.

- **Liquid**

- Strong liquidity in secondary markets and large benchmark issues.

- **Attractive Spreads**

- Ontario spreads give investors opportunities to enhance their returns.

- **Safe**

- A diverse economy with direct taxation powers and normally stable growth.

- **Borrowing Program**

- Diverse program investor base continues to develop in size and diversification.

Ontario's Borrowing Outlook

(\$ Billions)	2019–20	2020–21				Medium-Term Outlook	
		March 2020 Update	First Quarter Finances	Change from First Quarter Finances	Current Outlook ¹	2021–22	2022–23
Deficit/(Surplus)	8.7	20.5	38.5	–	38.5	33.1	28.2
Investment in Capital Assets	9.7	10.4	10.4	0.2	10.6	11.5	12.0
Non-Cash Adjustments	(6.0)	(9.2)	(9.2)	–	(9.2)	(8.8)	(8.9)
Loans to Infrastructure Ontario	0.2	0.3	–	–	–	0.1	(0.4)
Other Net Loans/Investments	0.3	1.2	0.5	0.1	0.6	(0.5)	(0.3)
Debt Maturities/ Redemptions	27.4	26.6	26.6	0.1	26.7	25.1	30.6
Total Funding Requirement	40.3	49.7	66.7	0.4	67.0	60.6	61.3
Decrease/(Increase) in Short-Term Borrowing	(3.0)	(2.0)	(7.0)	1.3	(5.7)	(2.0)	(2.0)
Increase/(Decrease) in Cash and Cash Equivalents	(5.4)	–	–	(1.4)	(1.4)	–	–
Pre-Borrowing from 2019–20	7.6	(4.1)	(7.6)	–	(7.6)	–	–
Total Long-Term Public Borrowing	39.5	43.6	52.1	0.2	52.3	58.6	59.3

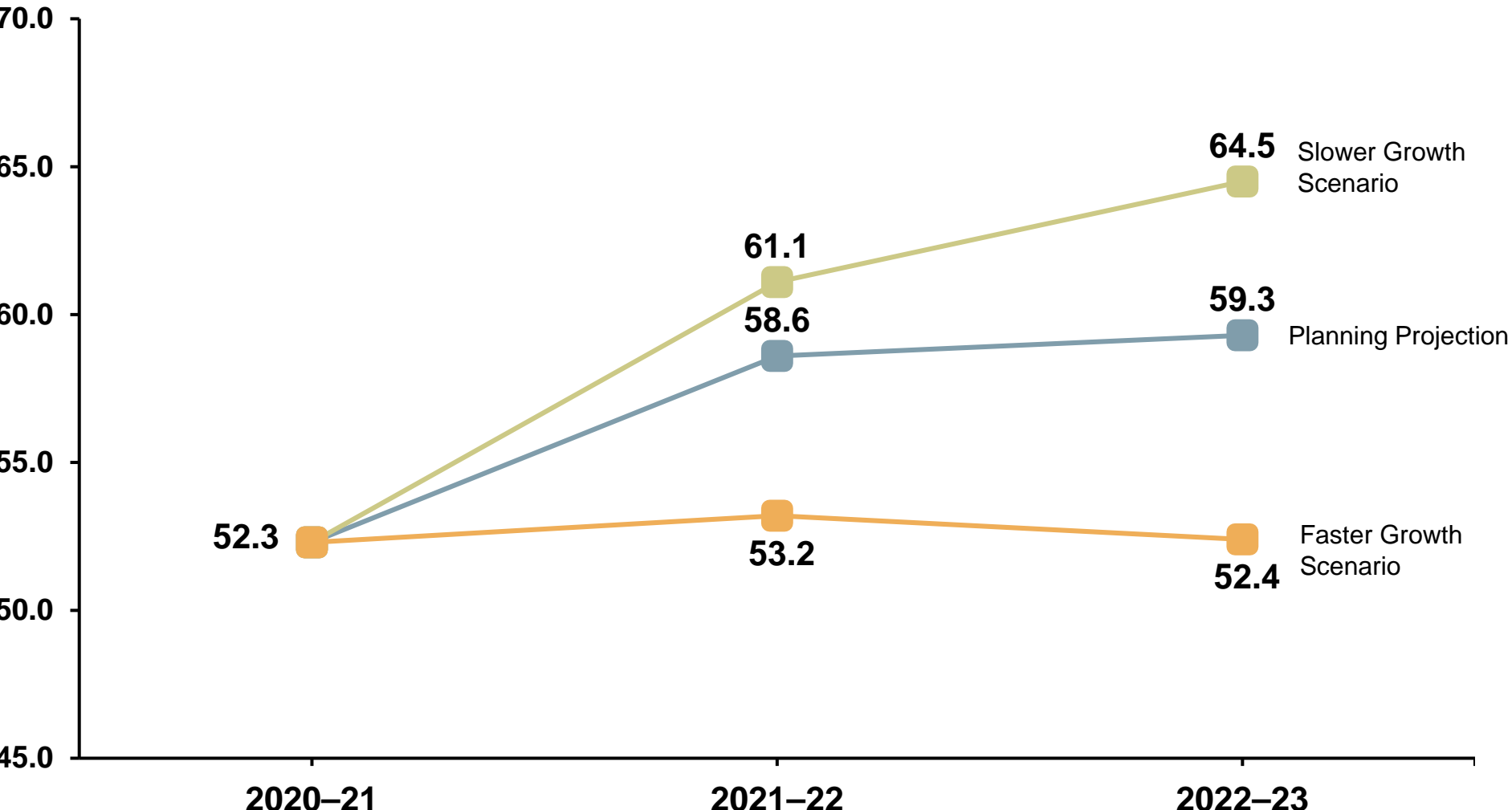
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Source: Ontario Financing Authority.

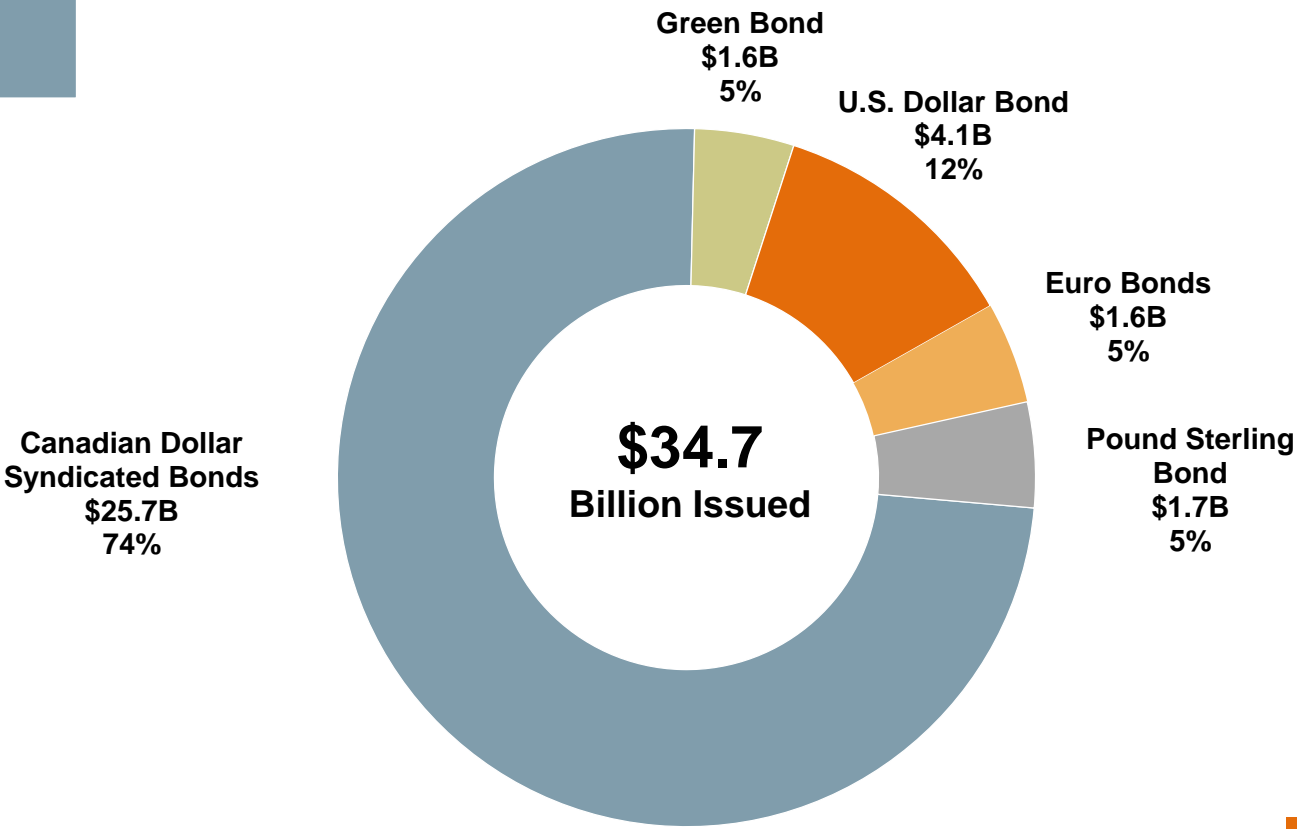
Range of Long-Term Borrowing Outlook Scenarios

Total Long-Term Borrowing
(\$ Billions)



2020–21 Borrowing Program

Canadian Dollar
\$27.3B
79%



Foreign Currencies
\$7.4B
21%

Notes: Green Bond proceeds were \$1.6 billion from a re-opening of an issue maturing in February 2027, with a \$1.5 billion face value, a coupon of 1.85 per cent, and priced at 105.8. As of November 5, 2020. Numbers may not add due to rounding.

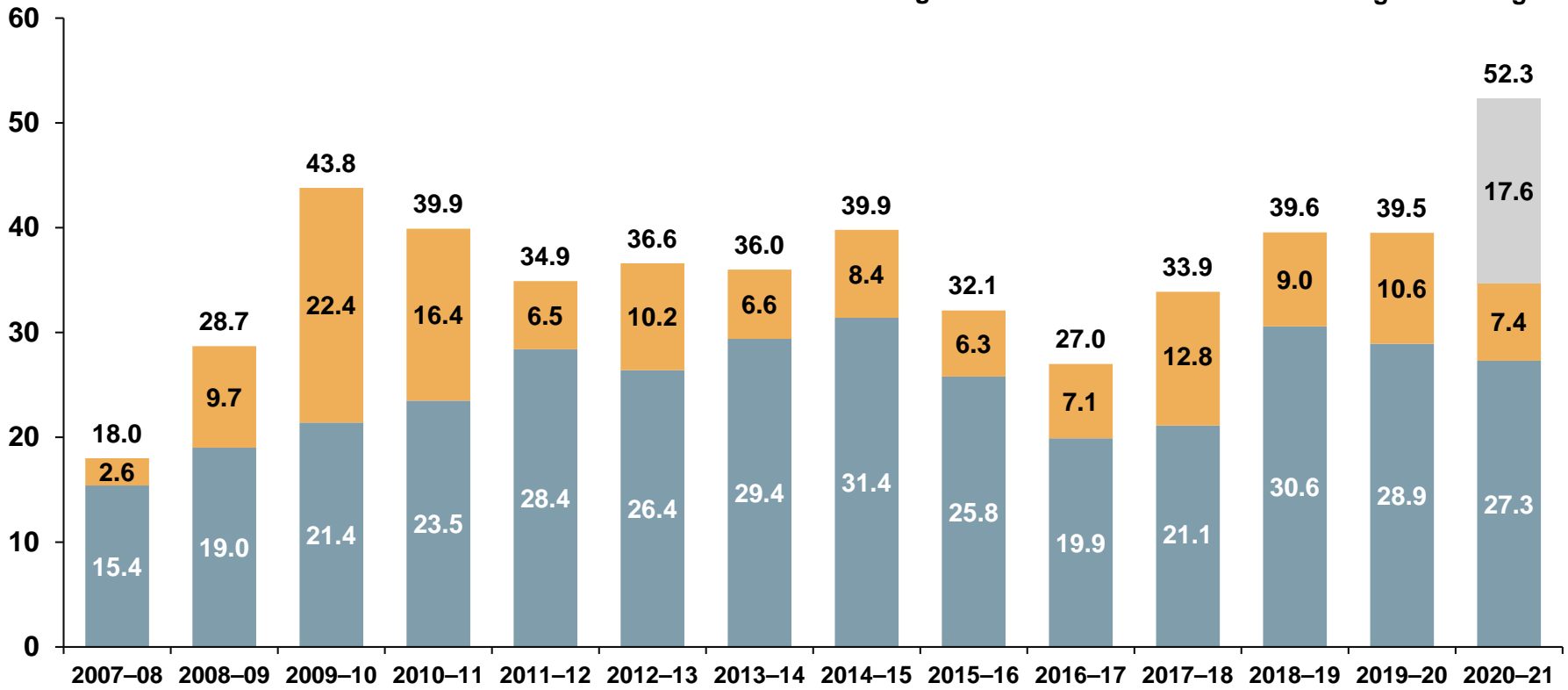
Domestic and International Borrowing

As of November 5, 2020

Total Long-Term Borrowing

(\$ Billions)

■ Canadian Dollar ■ Foreign Currencies ■ 2020–21 Borrowing Remaining



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	21%
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	79%
Weighted-Average Term	12.1	8.6	8.1	12.8	13.0	12.4	13.6	14.1	14.2	13.9	12.1	12.9	14.5	11.9

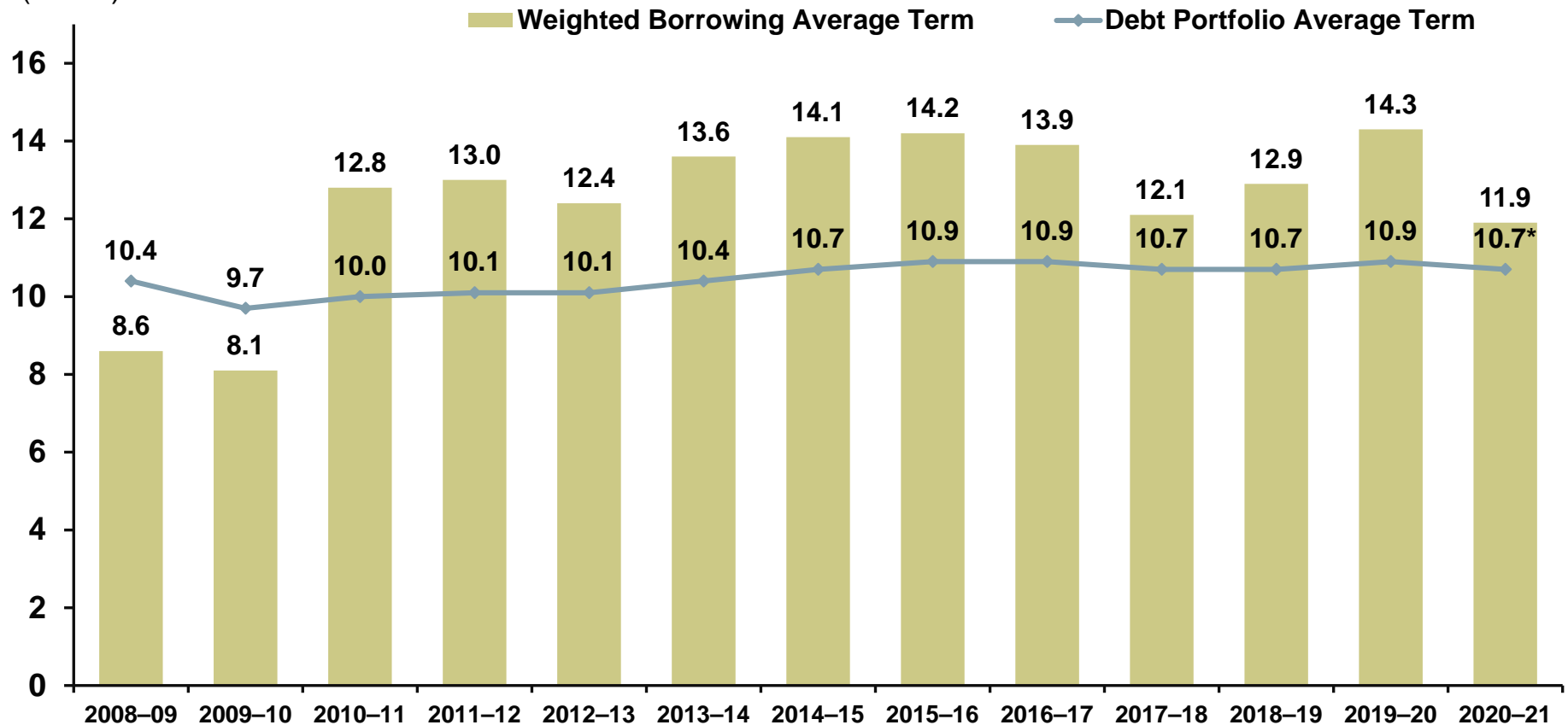
Note: Numbers may not add due to rounding.

Weighted-Average Term of Borrowings

- Going back to the beginning of fiscal 2010–11, Ontario has issued \$99.0 billion of bonds 30 years or longer to lock in low interest rates.

As of November 5, 2020

Average Term
(Years)



Domestic Borrowing Program

- Ontario bonds accounted for 67.2 per cent of Canadian provincial bond trading in 2019.¹
- Ontario accounts for 14.6 per cent of the FTSE TMX Universe Bond Index, 16.5 per cent of the FTSE TMX Mid Bond Index and 20.6 per cent of the FTSE TMX Long Bond Index.²
- Large and diverse domestic underwriting syndicate of 12 dealers make active markets in Ontario bonds.
- Regular issuance of 5-year, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size.
- Large Order Procedure (carve-outs) to accommodate large investors (11 issues totalling \$5.2 billion so far in 2020–21).

Canadian dollar Benchmark Bonds

(As of November 5, 2020)

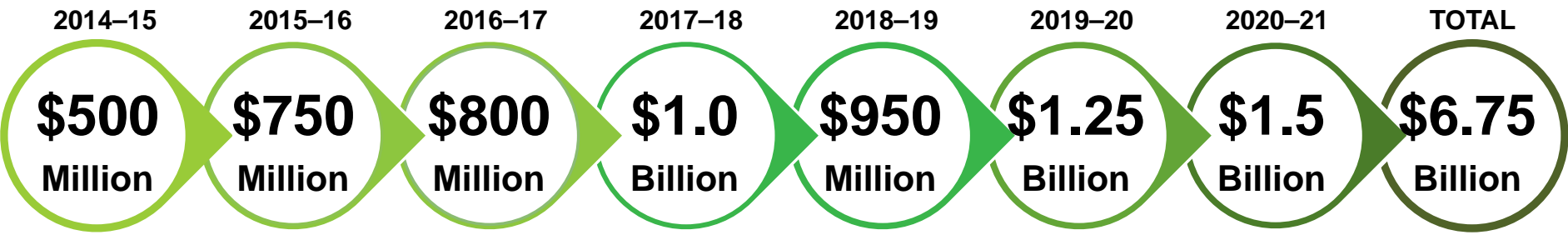
Term	Ontario		Canada	
5 yr (old)	2.30% September 8, 2024	\$2.75B	1.25% March 1, 2025	\$17.30B
5 yr (new)	1.75% September 8, 2025	\$9.05B	0.50% September 1, 2025	\$47.50B
7 yr	1.05% September 8, 2027	\$2.00B	1.00% June 1, 2027	\$15.00B
10 yr (old)	2.70% June 2, 2029	\$9.325B	2.25% June 1, 2029	\$12.30B
10 yr (new)	2.05% June 2, 2030	\$11.65B	1.25% June 1, 2030	\$44.20B
Long (old)	2.65% December 2, 2050	\$14.10B	2.75% December 1, 2048	\$14.90B
Long (new)	1.90% December 2, 2051	\$2.70B	2.00% December 1, 2051	\$30.82B

¹ Investment Industry Regulatory Organization of Canada (IIROC) Market Trade Reporting System - Provincial Bond Total Trading.

² PC Bond, as of December 31, 2019.

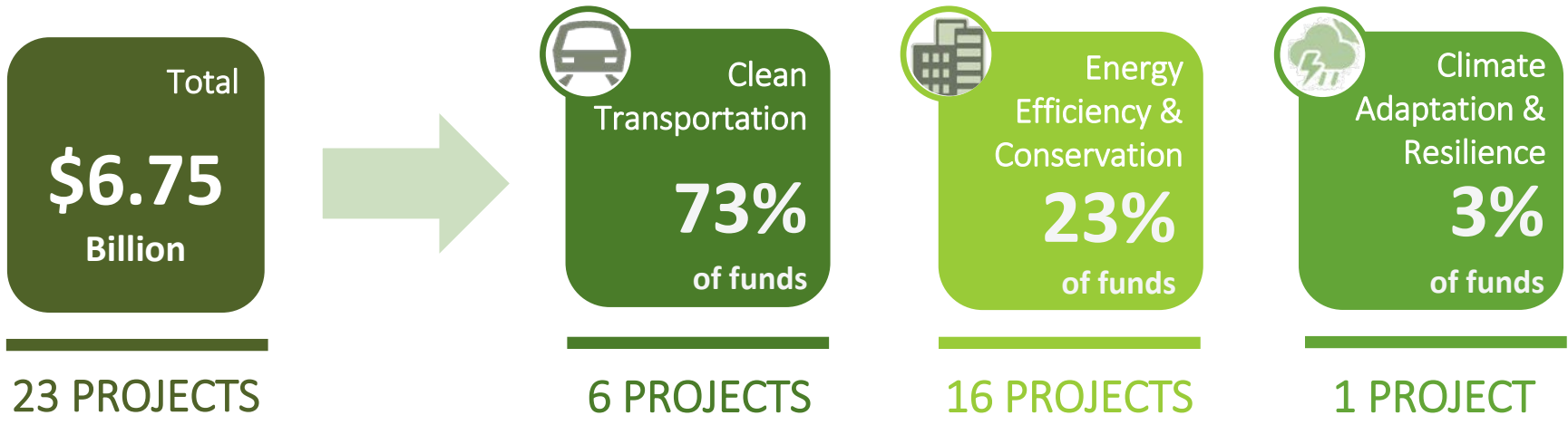
Ontario's Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds:



- Green Bonds serve as an important tool to help Ontario finance public transit initiatives, extreme weather-resistant infrastructure, and energy efficiency and conservation projects.

Overall Allocation By Framework Category



Note: Figures include the Hamilton LRT project. The Province announced the cancellation of the procurement for the Hamilton LRT project as of December 16, 2019.

Ontario's Green Bonds

- Ontario's issues under the Green Bond program carry the full faith and credit of the Province of Ontario with no project risk.

Green Bond Awards

Ontario's Green Bond program has been recognized with the following awards in recent years:

- **Environmental Finance Bond Awards 2019**
Green Bond of the Year — Local/Municipality (2018 Green Bond issue)
- **Climate Bonds Initiative 5th Green Bond Pioneer Awards**
Largest Subnational Green Bond Issuer Over the Past 10 Years

Assurances

- Ontario's Green Bond Framework has been developed in consultation with the Center for International Climate and Environmental Research — Oslo (CICERO).
- An assurance audit is performed by the Auditor General of Ontario verifying amounts allocated to selected projects and tracking the amount of Green Bond proceeds.
- Ontario's Green Bond program aligns with the Green Bond Principles maintained by the International Capital Market Association.

- Ontario remains committed to the Green Bond market, and expects to continue issuing Green Bonds in the coming years.

U.S. Dollar Borrowing

- Fixed Global Bonds in 3, 5, 7 and 10 years, with benchmark size of U.S.\$1.0B plus.
- Total U.S. denominated bonds of C\$44.2B outstanding as of March 31, 2020.
- U.S. commercial paper (1-270 days), with about C\$0.2B outstanding as of October 30, 2020.
- Global Bonds are offered in SEC-registered format.
- Ontario bonds are included in a number of bond market indices and sub-indices including BofA Merrill Lynch, Citi, and Barclays Capital.

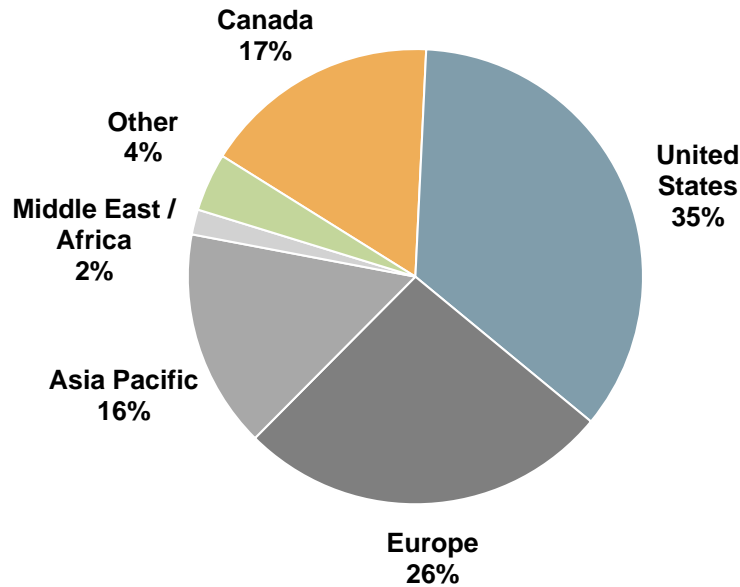
Recently Issued U.S. Dollar Bonds

Term	Issue Date	Amount (U.S.\$)	Coupon
10 year	September 29, 2020	1.25 billion	1.13%
7 year	May 14, 2020	1.75 billion	1.05%
3 year	January 16, 2020	3.00 billion	1.75%
10 year	September 25, 2019	1.25 billion	2.00%
7 years	June 13, 2019	1.75 billion	2.30%
3 years	April 17, 2019	1.75 billion	2.55%
5 years	January 29, 2019	2.50 billion	3.05%
5 years	October 10, 2018	2.50 billion	3.40%
3 years	February 6, 2018	3.00 billion	2.55%
5 years	September 26, 2017	2.00 billion	2.20%

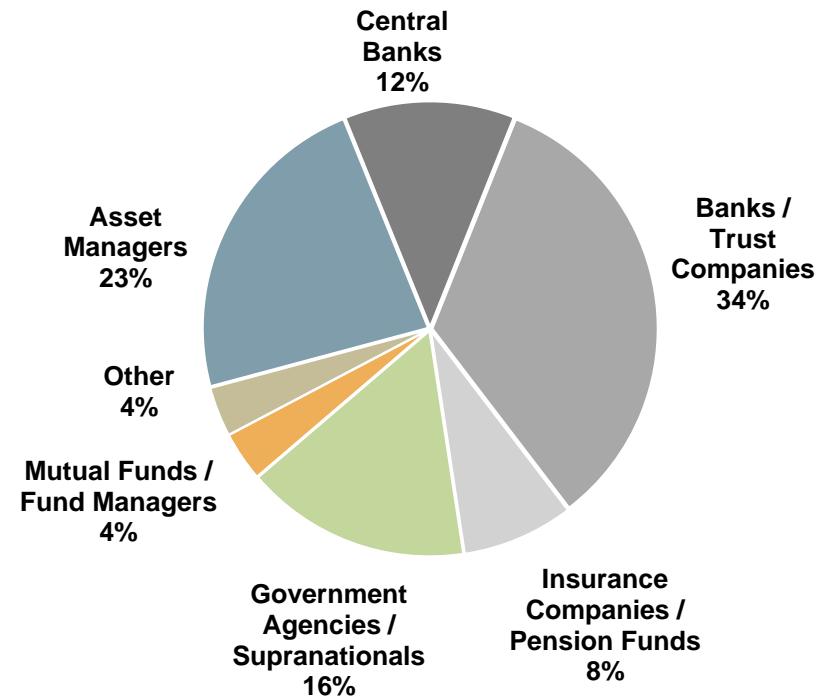
U.S. Dollar Market

- Core market with annual issuance since 1991.
- Right-sized bond issues to meet demand.
- U.S. dollar investors diversified both geographically and by type.

USD by Geography



USD by Investor Type



Note: Data for USD by Geography and Investor Type since 2010.

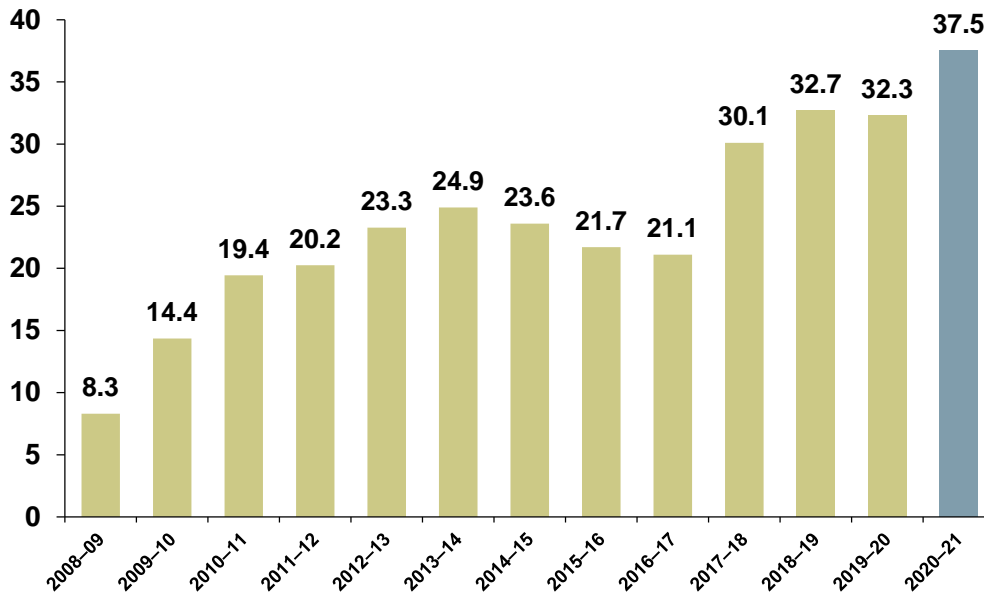
Source: Ontario Financing Authority.

Liquidity and Short-Term Borrowing Capacity

- The Province has large liquid reserve levels to withstand periods of financial market volatility, such as currently being experienced.
- Ontario treasury bills and U.S. commercial paper are very well received in the money markets and provide additional borrowing capacity if required.
- Large capacity for short term borrowing: \$61.0 billion authorized, \$25.7 billion outstanding, and \$35.3 billion available.
- As of November 4, 2020, liquid reserve levels were \$45.3 billion.

Average Unrestricted Liquid Reserve Levels

(\$ Billions)



Note: 2020-21 liquid reserves are on a forecast basis to fiscal year end as of September 30, 2020.

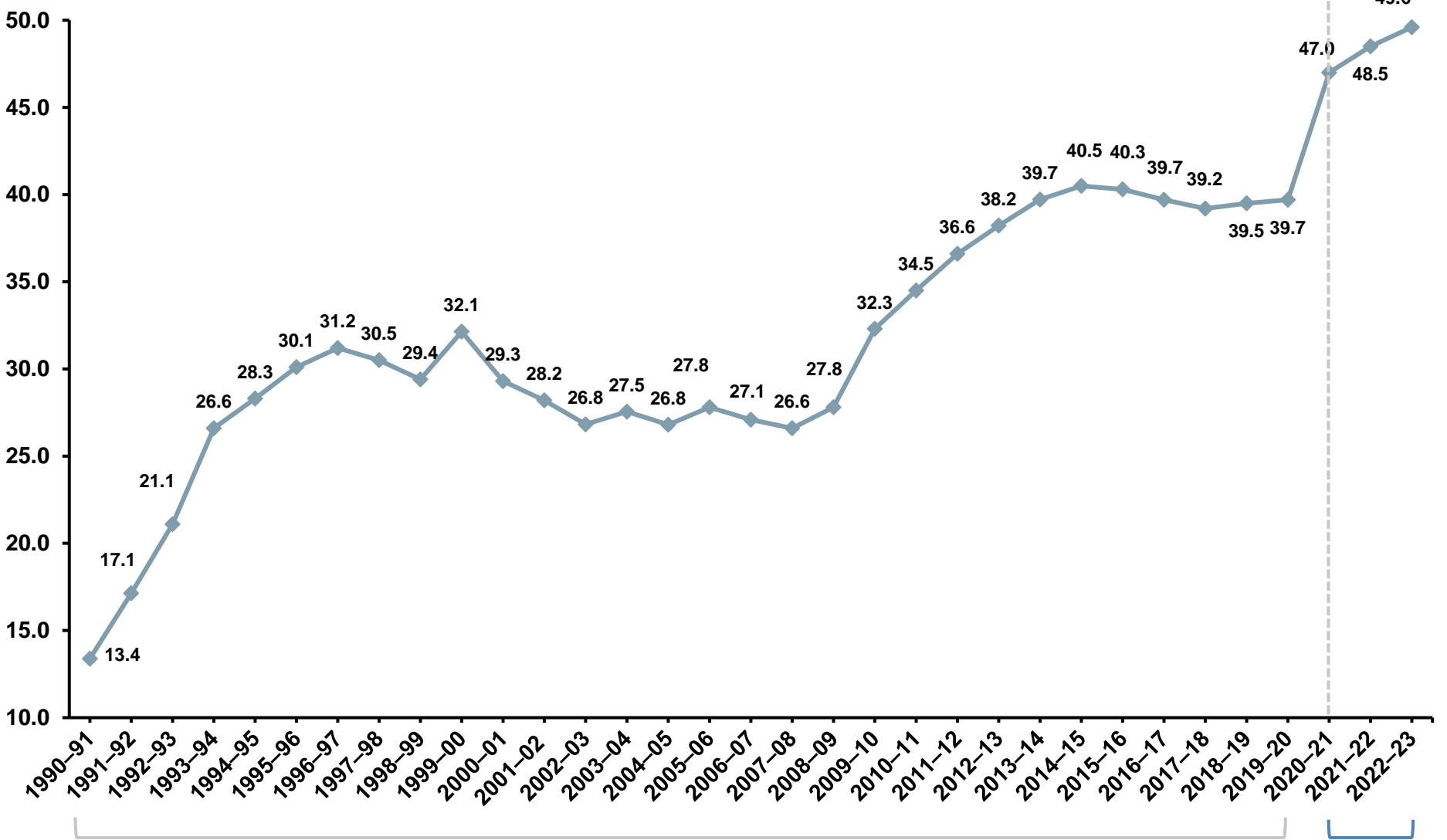
(\$ Billions)	C\$ T-Bill Program	U.S.\$ Commercial Paper Program	Total
Currency	Canadian Dollars	U.S. Dollars	–
Maturity	1 day-3 years*	1-270 day(s)	–
Authorized	C\$46.0	C\$15.0	C\$61.0
Outstanding	C\$25.5	C\$0.2	C\$25.7
Available	C\$20.5	C\$14.8	C\$35.3

*Regular issuance of 3M, 6M and 1Y T-Bills

Note: As of October 30, 2020. Numbers may not add due to rounding.

Net Debt-to-GDP

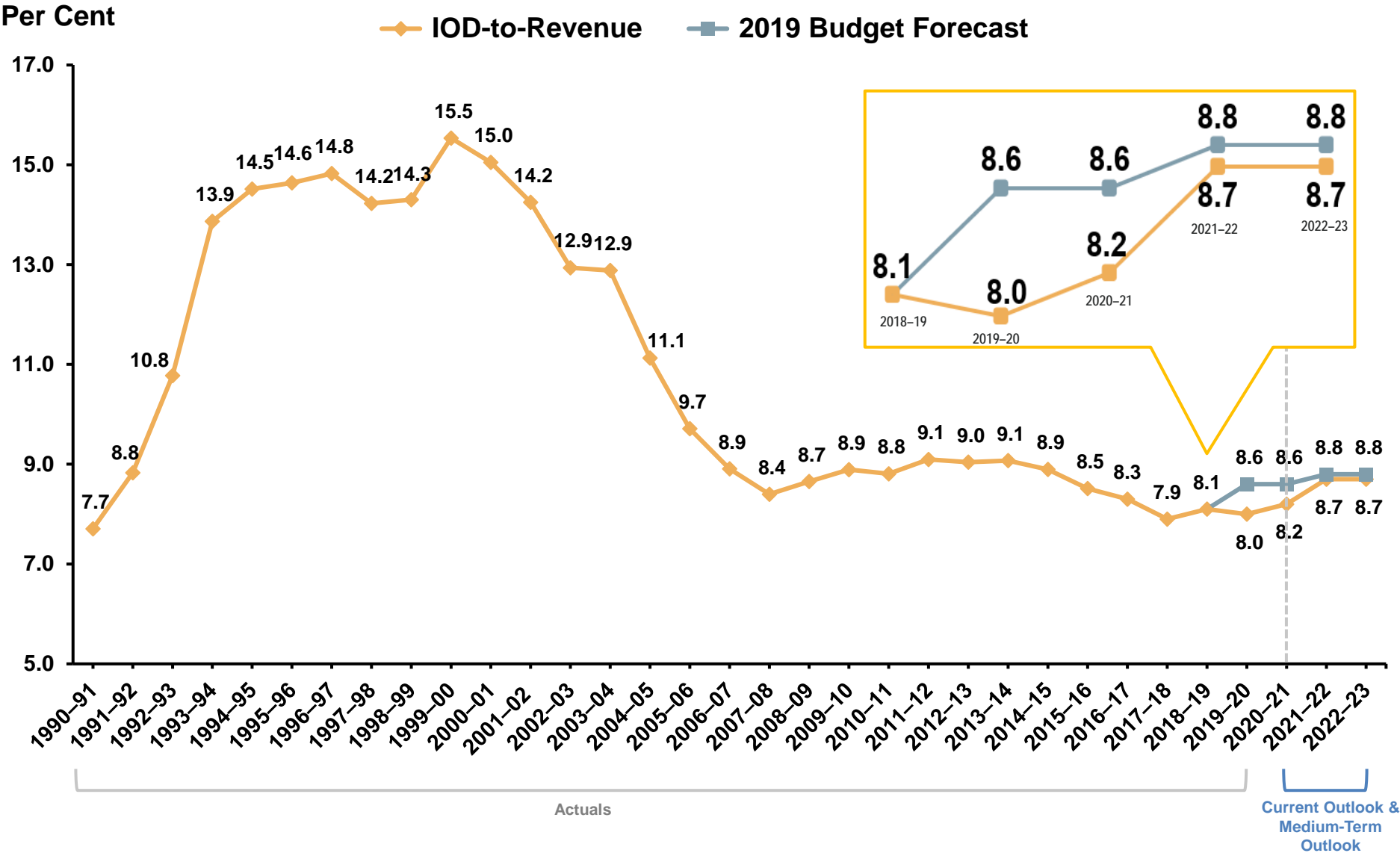
Per Cent



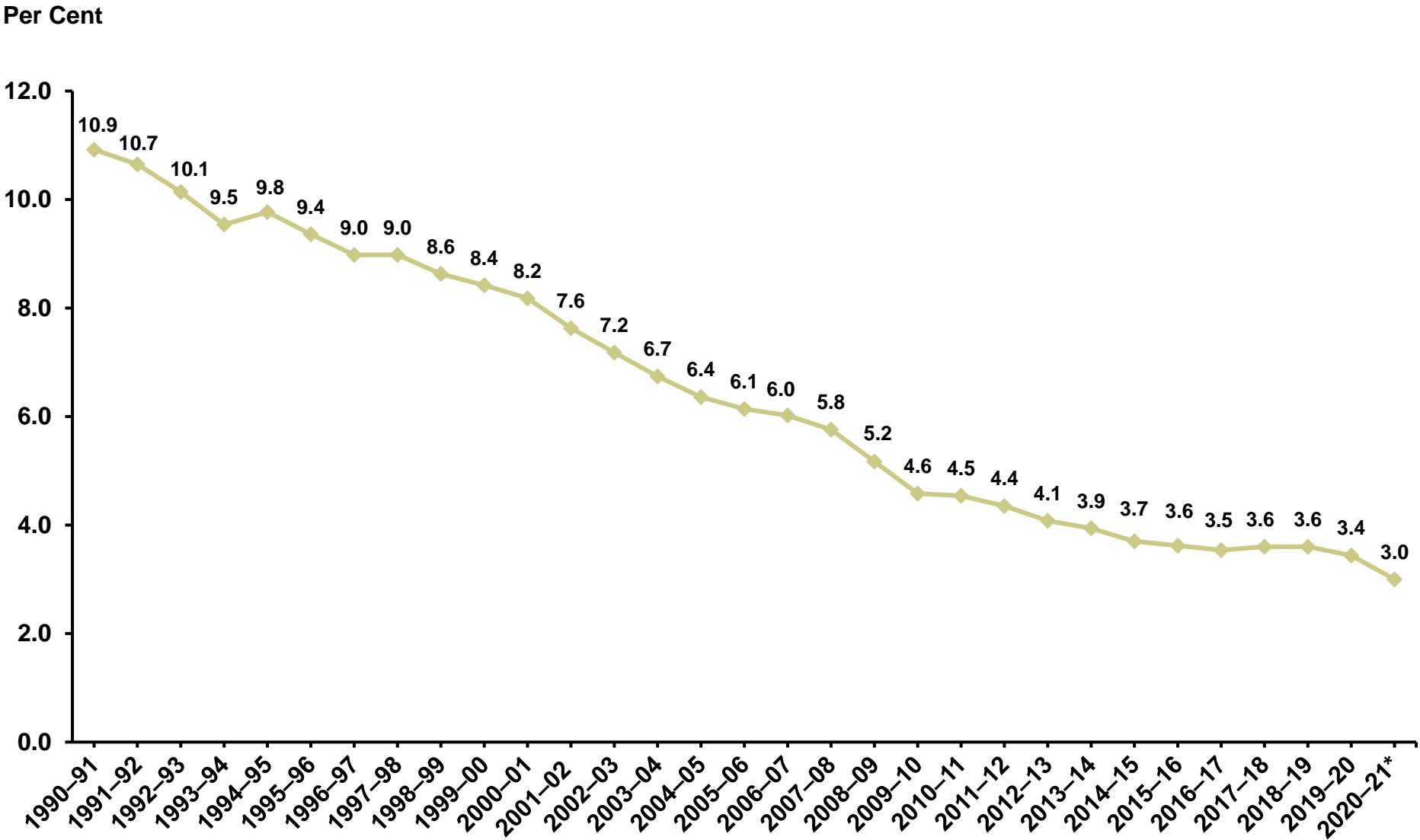
Actuals

Current Outlook & Medium-Term Outlook

IOD-to-Revenue

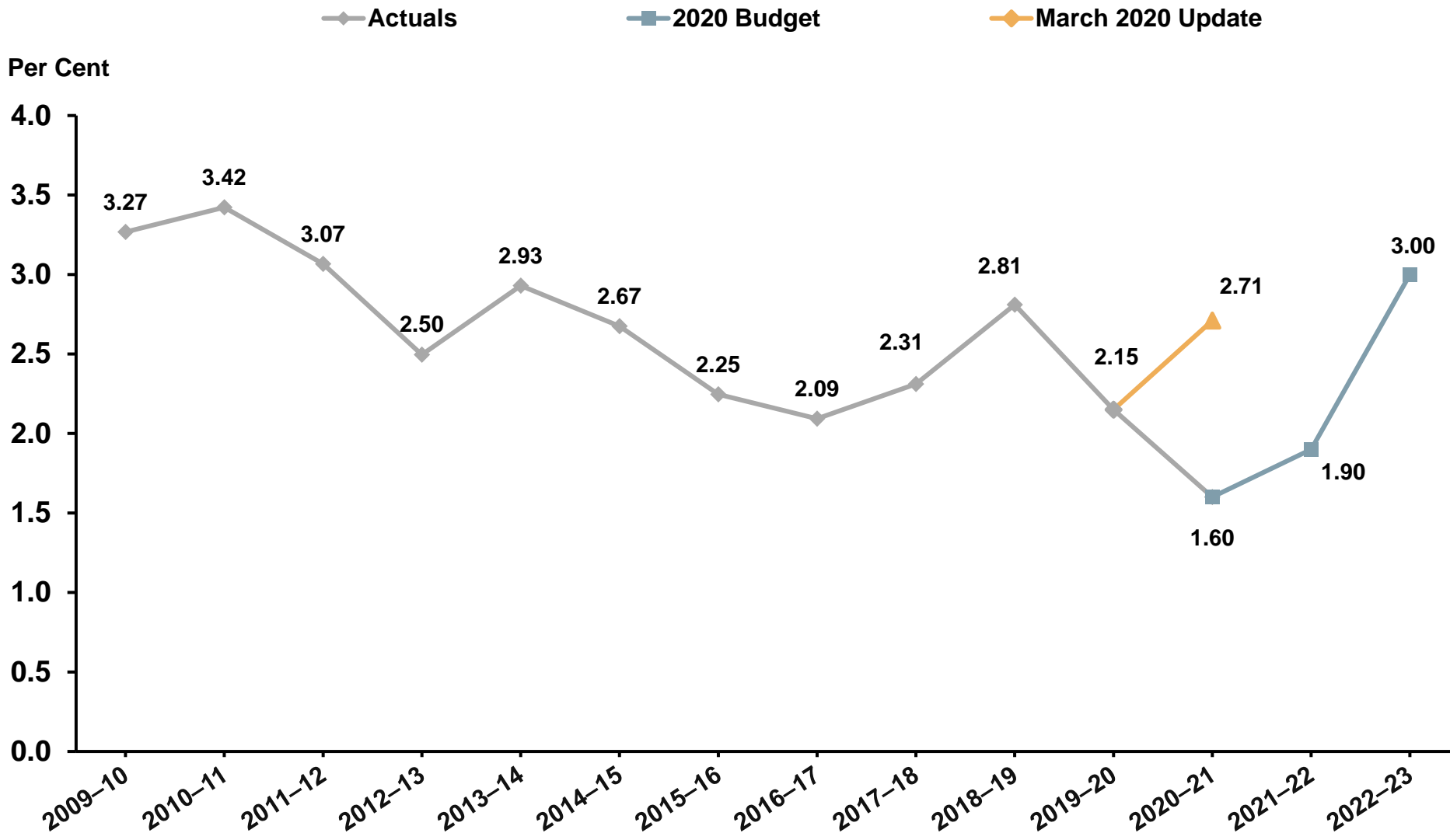


Effective Interest Rate (Weighted Average) on Total Debt



* As of September 30, 2020.
Sources: *Public Accounts of Ontario* (1990-91 to 2019-20), and Ontario Financing Authority.

Average Annual Ontario Borrowing Rates







Risk Management

- Monitor and manage debt maturity profile to limit refinancing risk.
- Maintain a high level of liquid reserves and short term borrowing capacity.
- Enforce strict credit limits for financial and investment counterparties.
- Have collateralized swap agreements in place for most swap counterparties.

	Exposure	Policy Limit
Foreign Exchange	0.2%	3.0%
Net Interest Rate Resetting	8.0%	35.0%

Of outstanding debt, interim as of October 30, 2020.

Credit Ratings

Rating Agencies	Long-term Rating	Short-term Rating	Outlook
	Aa3	P-1	stable
	AA-	F1+	stable
	AA (low)	R-1 (mid)	stable
	A+	A-1	stable



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