



STAFF REPORT ACTION REQUIRED

Toronto Hydro Corporation - Annual General Meeting and Audited Annual Financial Statements 2011

Date:	May 29, 2012
To:	Executive Committee
From:	City Manager
Wards:	City-wide
Reference Number:	

SUMMARY

This report recommends the actions necessary to comply with the requirements of the *Business Corporations Act (Ontario)* (“OBCA”) for holding an annual general meeting of the shareholder of Toronto Hydro Corporation (“THC”) including receipt of the audited annual financial statements and appointment of the auditor.

RECOMMENDATIONS

The City Manager recommends that City Council:

1. consider the Council meeting to be the Annual General Meeting of the Shareholder for Toronto Hydro Corporation by:
 - a. adopting the recommendations of the Toronto Hydro Corporation report dated May 14, 2012 in Attachment 1 to this report in order to re-appoint KPMG LLP, Chartered Accountants, as the auditor for Toronto Hydro Corporation and to authorize the Corporation’s Board of Directors to fix the auditor's remuneration;
 - b. receiving the information report of the Deputy City Manager and Chief Financial Officer entitled “2011 Audited Consolidated Financial Statements of Toronto Hydro Corporation and Unaudited Financial Statements for the Quarter ended March 31, 2012” forming Attachment 2 to this report and receiving the financial statements forming Appendix A to that report; and

2. receive the report of the Deputy City Manager and Chief Financial Officer entitled “2011 Annual Information Form of Toronto Hydro Corporation” forming Attachment 3 to this report;
3. refer Toronto Hydro Corporation’s 2011 Audited Consolidated Annual Financial Statements to the Audit and Budget Committees for information.

FINANCIAL IMPACT

At its meeting held on March 6, 2012, the Toronto Hydro Corporation Board of Directors declared a dividend of \$23.0 million attributable to its 2011 net income. As a result, including normally scheduled 2012 quarterly dividend payments, the City now expects to receive a \$48 million in dividends from THC in 2012 compared to a budgeted amount of \$45 million.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

City Council authorized the incorporation of THC by adoption of Strategic Policies and Priorities Committee Report No. 10, Clause 1, as amended, at its meeting held on June 9, 10 and 11, 1999.

The previous annual shareholder's meeting formed part of City Council's meeting held on April 12 and 13, 2011 (Item EX4.8). At that time, Council directed that the City's shareholder direction to THC be amended to require that one member of the THC board's Compensation Committee be a City Councillor, that the City Manager to conduct a review of the shareholder direction and report to Council thereon, and requested that THC circulate its Annual Information Form, detailing senior executive compensation, to Council with its annual financial statements.

ISSUE BACKGROUND

The OBCA (Section 94(1)) requires that the directors of Toronto Hydro Corporation are required to call an annual meeting of its Shareholder by no later than fifteen months after holding the last preceding annual meeting, which was held by City Council at its meeting of April 12 and 13, 2011.

The OBCA (Section 149 (2)) requires that the corporation's Shareholder shall “at each annual meeting appoint one or more auditors to hold office until the close of the next annual meeting.”

The OBCA (Section 154 (1)) also requires that the Shareholder receive THC's audited annual financial statements and the report of the auditor thereon at the annual meeting of the shareholder, and requires that the annual meeting of the shareholder be held within fifteen (15) months from the last preceding annual meeting. The last annual shareholder meeting for THC was held by City Council at its meeting of April 12 and 13, 2011, and is reported in Executive Committee Item EX4.8.

COMMENTS

The report from THC (Attachment 1 to this report) recommends that City Council re-appoint the firm of KPMG LLP, Chartered Accountants, as auditors for THC until the next annual shareholder meeting or until a successor is appointed and authorize the THC Board of Directors to fix the auditor's remuneration.

The shareholder review of Toronto Hydro Corporation's 2011 Audited Consolidated Annual Financial Statements and the Auditor's Report thereon, as well as THC's unaudited first quarter financial statements, is set out in an information report from the Deputy City Manager and Chief Financial Officer forming Attachment 2 to this report and is to be considered as part of the Annual General Meeting agenda.

THC's Annual Information Form, including information concerning executive compensation, is publicly posted on the SEDAR web site (<http://www.sedar.com>) and has been provided to the City as directed by City Council at the previous annual shareholder's meeting held on April 12 and 13, 2011 (Item EX4.8). This information is summarized in the report of the Deputy City Manager and Chief Financial Officer forming Attachment 3 to this report.

The THC Board Chair has submitted THC's 2011 Annual Report, 2011 Corporate Responsibility Report and 2011 Annual Information Form to the City Manager to comply with the information reports required by Sections 6.2 and 6.7 of the Shareholder Direction. Those THC reports are Attachments 4, 5 and 6 to this report and are on file with the City Clerk.

The City's shareholder direction to Toronto Hydro Corporation is under review and amendments, including the requirement that one member of the Board's compensation committee be a Member of Council, are to be reported to City Council in the fall.

CONTACT

Martin Herzog, Acting Manager, Governance Structures and Corporate Performance
Tel: 416-392-5491; Fax: 416-696-3645; Email: mherzog@toronto.ca

Joe Borowiec, Strategic and Corporate Policy Division
Tel: 416-397-9110, Fax: 416-696-3645; Email: jborrowie@toronto.ca

Lorraine Searles-Kelly, Solicitor, Legal Services
Tel: (416) 392-7240 Fax: (416) 397-5624 Email: lsearles@toronto.ca

SIGNATURE

Joseph P. Pennachetti,
City Manager

ATTACHMENTS

Attachment 1: Toronto Hydro Corporation Report May 14, 2012

Appendix A: Resolution of the City of Toronto (“Sole Shareholder”) To Re-appoint the Auditor of Toronto Hydro Corporation (the “Corporation”) and to Authorize the Directors to Fix the Remuneration of the Auditor

Attachment 2: Report of Deputy City Manager and Chief Financial Officer entitled “2011 Audited Consolidated Financial Statements of Toronto Hydro Corporation and Unaudited Financial Statements for the Quarter ended March 31, 2012”

Appendix A: 2011 Audited Consolidated annual Financial Statements of Toronto Hydro Corporation

Appendix B: Unaudited Consolidated Financial Statements for the First Quarter of 2012 of Toronto Hydro Corporation

Attachment 3: Report of Deputy City Manager and Chief Financial Officer entitled “2011 Annual Information Form of Toronto Hydro Corporation”

Attachment 4: Toronto Hydro Corporation 2011 Annual Report (On File with the City Clerk)

Attachment 5: Toronto Hydro Corporation 2011 Corporate Responsibility Report (On File with the City Clerk)

Attachment 6: Toronto Hydro Corporation 2011 Annual Information Form (On File with the City Clerk)