

EX16.9



STAFF REPORT ACTION REQUIRED

Toronto Community Housing Corporation – Annual General Meeting and 2015 Audited Financial Statements

Date:	June 14, 2016
To:	Executive Committee
From:	City Manager Deputy City Manager & Chief Financial Officer
Wards:	City-wide
Reference Number:	

SUMMARY

This report recommends the actions necessary to comply with the requirements of the Ontario *Business Corporations Act* (OBCA) for holding an Annual General Meeting of the Shareholder of Toronto Community Housing Corporation (TCHC), including receipt of TCHC's 2015 audited annual consolidated financial statements and appointment of the auditor for TCHC for 2016.

This report also contains a recommendation for consideration at the TCHC Annual General Meeting of the Shareholder related to TCHC's Strategic Plan and Business Plan, and next steps.

RECOMMENDATIONS

The City Manager and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council treat the portion of the Council meeting at which this Report is considered as the Annual General Meeting of the Shareholder for Toronto Community Housing Corporation and:
 - a. receive the Letter to the Shareholder and Annual Report from the Toronto Community Housing Corporation's Chair of the Board of Directors and Interim President and Chief Executive Officer dated April 27, 2016 and related attachments, forming Attachment 1 to this report;

- b. receive TCHC's 2015 Audited Annual Consolidated Financial Statements for the period ending December 31, 2015, and the auditor's report dated April 29, 2016, forming Attachment 2 to this report; and
 - c. reappoint PricewaterhouseCoopers LLP, Chartered Accountants, as the auditor for TCHC for fiscal year 2016 at the fee provided in the City's agreement with that firm.
2. City Council approve TCHC's proposed approach to developing its next Strategic Plan and Business Plan as outlined in the letter from the Interim President and Chief Executive Officer dated April 27, 2016, forming Attachment 1, Appendix D to this report.
 3. City Council direct the City Clerk to forward a copy of the "Toronto Community Housing Corporation Consolidated Financial Statements December 31, 2015", forming Attachment 2 to this report, to the Audit Committee for information.

Financial Impact

TCHC's 2015 financial statements indicate net income of \$27.3 million (a decrease of \$46.0 million over 2014), total assets of \$3.255 billion (an increase of \$185.7 million over 2014), and total liabilities of \$2.304 billion (an increase of \$162.4 million over 2014). Shareholder's equity increased by \$23.3 million in 2015 to \$951.0 million, and the value of TCHC's housing projects increased by \$81.0 million to \$2.608 billion.

DECISION HISTORY

TCHC's previous annual shareholder meeting, at which its 2015 financial statements were considered, was held by City Council at its meeting held on July 7, 2015 as Item EX7.13.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX7.13>

On March 31, 2015, City Council approved PricewaterhouseCoopers LLP, Chartered Accountants, as the Auditor for 2015-2019 for the City and certain City Agencies and Corporations, including Toronto Community Housing Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.20>

An Amended and Restated Shareholder Direction for TCHC was adopted by City Council at its meeting held on November 13, 14, 15 and 18, 2013 as Item EX35.5 to remove outdated references, update reporting procedures, increase transparency and improve accountability of TCHC. The Shareholder Direction sets out the shareholder's objectives, establishes governance principles for TCHC and its subsidiaries and the powers of the Board of Directors, and details the accountability and reporting requirements for TCHC to the City.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.5>

ISSUE BACKGROUND

Subsection 154 (1) of the Ontario *Business Corporations Act* (OBCA) requires that the Shareholder receive TCHC's audited annual financial statements and the report of the auditor at the annual meeting of the Shareholder. Subsection 94 (1) requires that the directors of TCHC 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 July 7, 2015.

Section 149 (2) of the OBCA requires that TCHC's Shareholder at each annual meeting appoint one or more auditors to hold office until the close of the next annual meeting, and allows the Shareholder to authorize the directors to fix the auditor's remuneration.

The City's Shareholder Direction to TCHC requires that it prepare an annual report and audited consolidated financial statements and submit them to Council through the Executive Committee. TCHC is required to report annually on the items identified on pages 14 to 19 of the attached Letter to the Shareholder (Attachment 1).

TCHC's Board of Directors approved its 2015 annual report and 2015 annual consolidated financial statements at its meeting held on April 27, 2016.

COMMENTS

1. Appointment of Auditor

The City's Auditor General, every 5-years, conducts a competitive process to select an external auditor. On March 31, 2015, City Council approved PricewaterhouseCoopers LLP, Chartered Accountants, as the Auditor for 2015-2019 for the City and certain City Agencies and Corporations, and other programs and funds as set out in AU1.20, including for the TCHC.

As a result, this report recommends that PricewaterhouseCoopers LLP be appointed as the Auditor for the TCHC for the fiscal year 2016 at the fee provided for in the City's agreement with that firm.

2. Key Toronto Community Housing Corporation Achievements in 2015

The Letter to the Shareholder from TCHC's Chair of the Board of Directors and the Interim President and Chief Executive Office, including the enclosed 2015 Annual Report, *In Every Neighbourhood* (Attachment 1), highlight key TCHC achievements in 2015, including:

a. TCHC Capital Program

- In 2015, the TCHC spent \$172 million on capital repairs, including 8,965 new or repaired household roofs; 38 new or refurbished building boilers; 1,164 upgraded balconies; 36 upgraded community elevators and 1,298 new household windows.
- In November 2015, secured \$200 million of new net financing by refinancing mortgages on 12 TCHC properties.
- Launched the ReSet program in three pilot communities, including Jane/Firgrove, Lawrence/Orton, and Queensway/Windermere, affecting 900 homes. Through the ReSet program capital repair jobs are bundled which means that all needed repair work is done at the same time, thereby minimizing disruption for residents. In 2015, local design teams made up of residents, architects and engineers selected by the residents began the planning and design work for repairs in the three communities.
- Commissioned a third party study by the Canadian Centre for Economic Analysis (CCEA) to look at the economic and social impact of TCHC's 10-year plan for capital repairs and its community revitalization program over 30 years. The Study showed the benefits of investing in capital repairs including social and environmental well-being.
- In August 2015, launched an online capital repair tracker that tracks completed, in progress and planned capital repairs across TCHC properties. Repairs include the replacement of windows, boilers, and roofs, as well as repairs to elevator, foundations, interiors and parking garages.
- Advanced revitalization activities, including:
 - In Alexandra Park, construction began for 40 rental replacement townhomes and a 241-unit market condominium building, and refurbished 135 units in an existing mid-rise building and fourplex.
 - In Regent Park, 118 units were completed and families moved into their new homes at 180 Sackville St., and 90 per cent of the construction of the new Regent Park Athletic Grounds was completed by the end of 2015.

b. Mayor's Task Force on Toronto Community Housing Corporation

- In response to the Task Force's interim report, *Improved Living at Toronto Community Housing: Priority Actions*, TCHC developed detailed actions plans to address immediate concerns identified by residents in four key areas: safety and security, building conditions, jobs and opportunities for residents, and training for staff and contractors. The actions plans included 71 projects of which 32 were completed in 2015.

c. Accountability

- Between 2011 and 2012, the City's Auditor General issued five reports to the Board of Directors of TCHC, with a total of 80 recommendations related to procurement processes. In 2015, TCHC substantially completed the remaining 3 of 80 recommendations. In the first quarter of 2016, the final 3 recommendations were fully implemented.
- In June 2013, the City of Toronto Ombudsman released her report, *Housing at Risk: An Investigation into the Toronto Community Housing Corporation's Eviction of Seniors on the Basis of Rent Arrears*, which included 30 recommendations. In July 2015, the Toronto Ombudsman confirmed that all 30 recommendations have been implemented to the Ombudsman's satisfaction and that the matter is now closed. As such TCHC will no longer be reporting on this work in 2016.
- In 2015, the Office of the Commissioner of Housing Equity (OCHE) completed its first full year of operations and the Toronto Community Housing Corporation Board of Directors approved updated terms of reference for the OCHE in December 2015.
- The Board approved an updated Accessibility Policy and a new Accessibility in the Built Environment Policy and standards in 2015.
- The Board approved a revised *Employee Code of Conduct* in December 2015. The revisions were in accordance with City Council's request that TCHC adopt policies related to conflict of interest, political activity and disclosure of wrongdoing and reprisal protection.

d. Resident Outreach and Assistance

- In 2015, TCHC held Tenant Representative Elections where 7,392 ballots were cast by residents.
- Conducted the 2015 Resident Survey to learn how residents feel about their home, building and community. A total of 3,383 surveys were completed by TCHC residents from across the city. The survey found moderate satisfaction levels and pointed to several areas for improvement.
- Through the implementation of TCHC's *Participatory Budgeting Program* about 300 community meetings were held in 2015 to engage residents in deciding how \$8 million in capital repairs monies are spent.
- In 2015, the TCHC improved community safety by: increasing community patrols through a new Community Safety Unit deployment model, installing 843 new security cameras in 21 communities, initiating a partnership with Toronto Crime Stoppers to report criminal activity anonymously, and continuing to use design of the built environment to improve safety.

- Created a new process to manage service requests to support vulnerable residents. In 2015, TCHC responded to over 2,000 new requests and connected 950 residents to services.
- In the first quarter of 2015, 200 front-line staff completed mental health awareness training developed in partnership with the Canadian Mental Health Association.
- In 2015, the TCHC supported job creation for residents by creating nearly 1,400 jobs through TCHC's community revitalization and capital repair programs, hosted a UPS job fair where 14 TCHC residents were hired, and changed TCHC procurement rules to enable TCHC to directly award a contract up to \$100,000 to a resident-led business in order to encourage entrepreneurship among residents.
- In 2015, the TCHC completed unit inspection for 99 per cent of TCHC units (conducted annually). Inspections look at essential safety elements such as window lock and smoke detectors.

3. TCHC's Strategic Plan and Business Plan

TCHC's Strategic Plan, *Homeward 2016*, ended in 2015. Toronto City Council on July 7, 2015, approved TCHC's proposed approach to develop a set of 2016 Corporate Goals that built on *Homeward 2016* and deliver a full four-year strategic plan for 2017-2020 to the TCHC Board and the City by the end of 2016.

A letter from the TCHC's Interim President and Chief Executive Office included in Attachment 1 (Appendix D), proposes an updated schedule to develop the 2017-2020 strategic plan and business plan to ensure alignment with City Council direction on the future transformation of TCHC resulting from City staff reports on the implementation of the Mayor's Task Force report, *Transformative Change for TCHC*. Toronto City staff are scheduled to report back to City Council in July 2016 with a proposed approach and guiding principles for how to move forward with the transformation of TCHC, followed by a second report in the fall of 2016 outlining an implementation plan. The letter proposed that TCHC's strategic plan and business plan be completed by mid-2017.

The development of a strategic plan and business plan are requirements of TCHC's Shareholder Direction and approval by City Council as the Shareholder is required for the proposed updated schedule. As advised by TCHC, the development of a strategic plan and business plan will meet section 10.1 of the Shareholder Direction. Given the reports that Council will consider in the summer and fall 2016 related to the implementation of the Mayor's Task Force recommendations for TCHC, the proposed schedule is reasonable and appropriate. This report recommends that City Council support TCHC's proposed approach to developing its next strategic plan and business plan.

4. Summary – Toronto Community Housing Corporation 2015 Audited Consolidated Financial Statements

2015 Audited Consolidated Financial Results

TCHC's consolidated financial statements include the assets, liabilities and results of operations of TCHC, its wholly-owned subsidiaries and proportionate interests of its joint ventures. TCHC subsidiaries and joint ventures include:

Subsidiaries

- Don Mount Court Development Corporation
- 2001064 Ontario Inc.
- Access Housing Connections Inc. (AHCI)
- Regent Park Development Corporation (RPDC)
- Toronto Community Housing Enterprises Inc. (TCHE)
- Railway Lands Development Corporation (RLDC)
- Allenbury Gardens Development Corporation (AGDC)
- Regent Park Energy Inc. (RPEI)
- Alexandra Park Development Corporation (APDC)
- Housing Services Inc. (HSI)
- Leslie Nymark Development Corporation (LNDC)

Joint Ventures

- Dundas and Parliament Development Corporation (DPDC)
- Parliament and Gerrard Development Corporation (PGDC)
- Library District Inc.
- Allenbury Gardens Revitalization General Partnership (AGP)
- Alexandra Park Phase I Partnership (APPI)
- Leslie Nymark Partnership (LNP)

Highlights of 2015 financial results

- \$27.3 million as net income compared with \$73.3 million for 2014
- \$951.0 million in shareholder's equity, an increase of \$23.3 million over 2014
- \$19.2 million contributed to the State of Good Repair Fund, established in 2011 to finance the capital repair needs of existing residential buildings

Balance Sheet

The table below summarizes TCHC's consolidated balance sheet as at December 31, 2015 with comparative figures for 2014.

Summary Consolidated Balance Sheet				
as at December 31				
	2015	2014	Increase/(Decrease)	
	(\$ million)			%
Assets				
Current assets	141.0	230.3	-89.3	-39%
Receivables and investments	506.1	312.1	194.0	62%
Housing projects and capital assets	2,607.7	2,526.8	81.0	3%
	3,254.8	3,069.1	185.7	6%
Liabilities				
Current liabilities	334.5	237.6	96.9	41%
Project financing	1,353.8	1,244.1	109.7	9%
Debenture loans	0.0	15.6	-15.6	-100%
Other liabilities	615.5	644.1	-28.6	-4%
	2,303.8	2,141.4	162.4	8%
Surplus & share capital	951.0	927.7	23.3	3%
Total liabilities, surplus and share capital	3,254.8	3,069.1	185.7	6%

Total assets were \$3,254.8 million, an increase of \$185.7 million (or 6%) compared with the previous year, resulting from:

- an \$89.3 million decrease in current assets – certain amounts held as restricted cash and investments in 2014 were recognized as long-term assets in accordance with lender requirements
- a \$194.0 million increase in long-term receivables and investments – on account of, in addition to the reclassification above, additional capital expenditure funds received from a lender and held as investments in 2015
- an \$81.0 million increase in housing projects and capital assets – due to improvements to land and buildings carried out in 2015

Total liabilities were \$2,303.8 million, an increase of \$162.4 million (or 8%) compared with the previous year, resulting from:

- a \$96.9 million increase in current liabilities – on account of a significant increase in the current portion of project financing
- a \$109.7 million increase in project financing – the net effect of refinancing mortgages on 12 properties and on-going mortgage repayments and transaction associated with
- a \$15.6 million decrease in debenture loans
- a \$28.6 million decrease in other liabilities

Statement of Operations

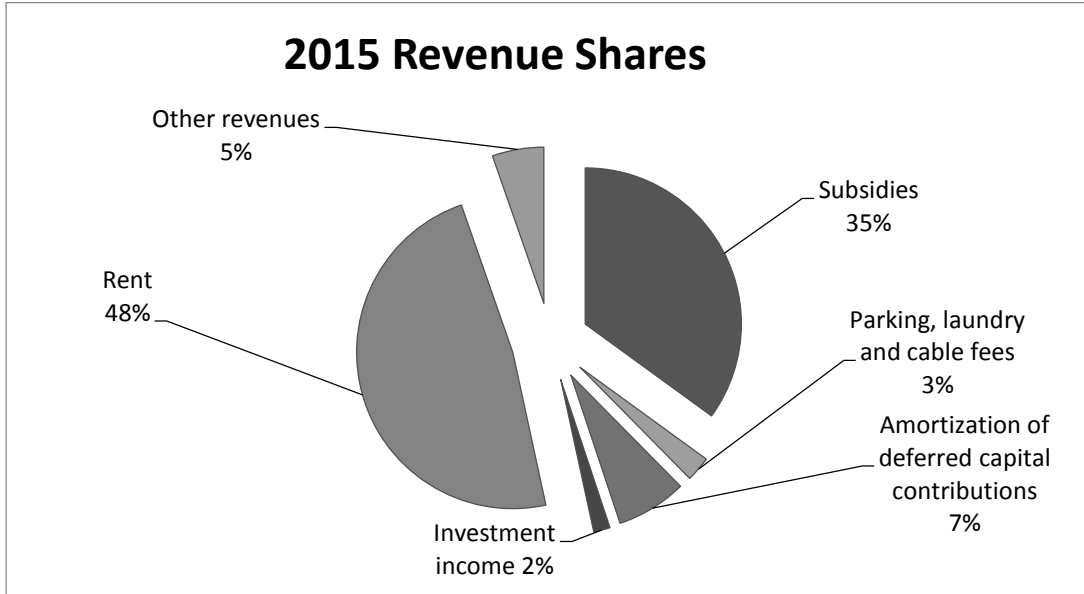
The following table summarizes TCHC's 2015 consolidated statement of operations with comparative figures for 2014.

Summary Consolidated Statement of Operations Year ended December 31		2015 v/s 2014			
		2015	2014	Increase/(Decrease)	
		(\$ million)			%
Revenue					
	Subsidies	226.0	228.8	-2.7	-1%
	Rent	310.3	302.7	7.6	3%
	Amortization of deferred capital contributions	47.1	47.2	-0.2	0%
	Parking, laundry and cable fees	16.8	16.7	0.1	1%
	Investment income	11.1	10.4	0.7	7%
	Joint venture income	20.3	31.5	-11.2	-36%
	Other revenues	14.2	37.4	-23.1	-62%
	Total revenues	645.8	674.6	-28.8	-4%
Expenses					
	Operating and maintenance	284.0	279.0	5.0	2%
	Municipal taxes	14.6	17.4	-2.7	-16%
	Depreciation	141.9	134.4	7.6	6%
	Interest	71.6	69.9	1.7	2%
	Rent supplement program	24.9	24.9	0.0	0%
	Administration & other	81.5	75.9	5.6	7%
	Total expenses before unrealized losses	618.5	601.3	17.2	3%
	Excess of revenue over expenses before unrealized losses	27.3	73.3	-46.0	-63%
	Unrealized gain/(losses)	0.0	0.0	0.0	
	Excess of revenue over expenses for the year	27.3	73.3	-46.0	-63%

Total revenues in 2015 were \$645.8 million, a decrease of \$28.8 million (or 4%) over the previous year. The major changes were a decrease of \$11.2 million in income from joint venture operations in Regent Park and the Railway Lands. Other revenues that included revenue from the sale of housing projects decreased by \$23.1 million.

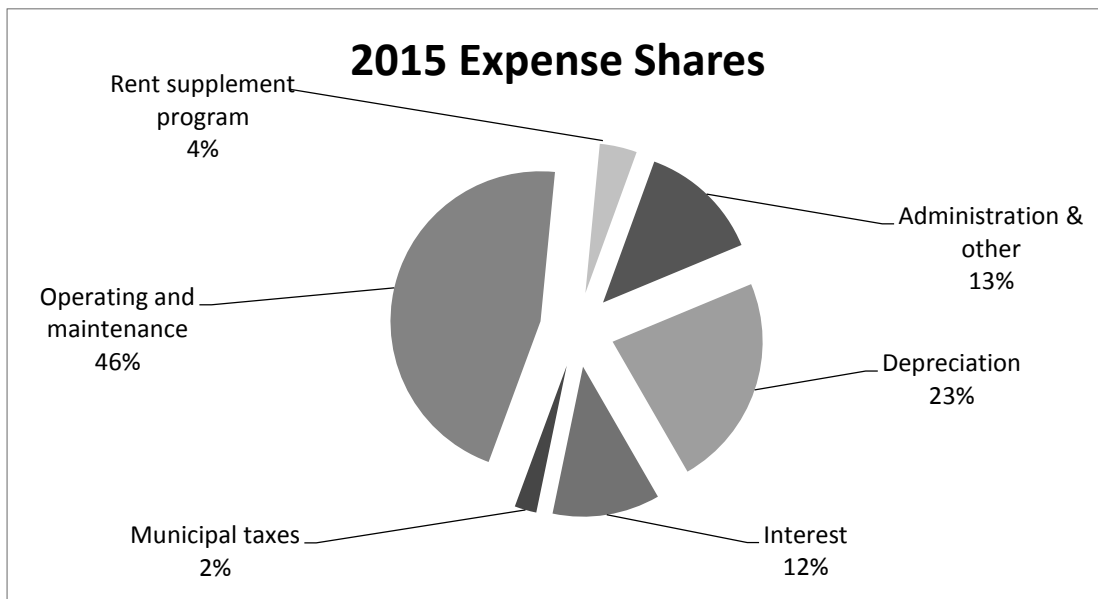
The share of revenues classified by broad categories is presented in Figure 1.

Figure 1



Total expenses in 2015 were \$618.5 million, an increase of \$17.2 million (or 3%) over the previous year. Higher total expenses resulted largely from an increase of \$5.0 million in operating and maintenance expenses, a \$7.6 million increase in depreciation allowance, and a \$5.6 million increase in administration and other expenses. The share of expenses classified by broad categories is presented in Figure 2.

Figure 2



The year ended with an excess of revenue over expenses of \$27.3 million, a decrease of \$46.0 million (or 63%) over the prior year.

5. 2014 Executive Compensation

TCHC has disclosed information in the Letter to the Shareholder (Attachment 1) regarding executive compensation for senior management as requested by City Council. TCHC has indicated that the compensation information disclosed in the Letter to the Shareholder is required to be disclosed by law under the *Public Sector Salary Disclosure Act, 1996*. TCHC has considered the privacy impacts of the disclosure under the *Municipal Freedom of Information and Protection of Privacy Act* and has provided assurances to the City that there is no unauthorized release of personal information protected under the legislation.

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SIGNATURE

Peter Wallace
City Manager

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ATTACHMENTS

1. Letter dated April 27, 2016 from TCHC's Board Chair and Interim President and Chief Executive Officer transmitting TCHC's 2015 Annual Report, including 2015 Eviction Statistics, 2015 Resident Engagement Activities, 2015 Report on Sales of Standalone Properties, Ten Year Capital Financing Plan, and Letter dated April 27, 2016 from the TCHC Interim President and Chief Executive Officer, *Proposed Approach to Strategic Plan and Business Plan*.
2. Toronto Community Housing Corporation, Consolidated Financial Statements, December, 31, 2015.