

**REPORT FOR ACTION****Toronto Pan Am Sports Centre Inc. – Annual General Meeting and 2016 Audited Financial Statements**

Date: May 4, 2017
To: Executive Committee
From: City Manager
Wards: All

SUMMARY

The purpose of this report is to present two shareholder resolutions for approval by City Council, on behalf of the City in its capacity as one of the two Shareholders of Toronto Pan Am Sports Centre Inc. ("TPASC Inc.").

The first resolution addresses the matters requiring Shareholder approval under the Business Corporations Act at the Annual Meeting of the Shareholders of TPASC Inc. These matters include: the confirmation of the corporation's proceedings since the last annual meeting of the shareholders, the receipt of financial statements, and the appointment of the auditor. The second resolution provides the Shareholders' approval of the annual operating and capital budgets required under the unanimous shareholders' agreement between the two Shareholders of TPASC Inc.

RECOMMENDATIONS

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

1. City Council, in its capacity as one of the Shareholders of Toronto Pan Am Sports Centre Inc., and for the purposes of satisfying the requirements of the Business Corporations Act (Ontario) to conduct the Annual General Meeting of the Shareholders of Toronto Pan Am Sports Centre Inc., adopt and authorize the City Manager to sign the Resolution of Shareholders forming Attachment 1 to this report on behalf of the City as a shareholder and receive the "Toronto Pan Am Sports Centre Inc. 2016 Annual Report", forming Attachment 2 to this Report;
2. Adopt and authorize the City Manager to sign the Resolution of Shareholders forming Attachment 3 to this report, approving the "Toronto Pan Am Sports Centre Budget for 2017" which forms Attachment 4 to this report.

3. City Council direct the City Clerk to forward a copy of the "Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2016", forming Attachment 5 to this Report, to the Audit Committee for information.

FINANCIAL IMPACT

There are no financial implications to the City resulting from the implementation of the recommendations in this report. City costs related to this facility for the City share of the space costs and field of play usage of \$3,760,818, and the City portion of license fee revenue of \$375,000, are included in the Council Approved 2017 Operating Budget for Parks, Forestry and Recreation and meet the City's contributions as outlined in the Resolution of Shareholders and Attachment 4 to this report.

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

DECISION HISTORY

On October 8, 2013, City Council approved the Toronto Pan Am Centre Governance Structure and authorized the City Manager to establish the Toronto Pan Am Sports Centre Inc. (TPASC Inc.) and execute a unanimous shareholders' agreement with the University of Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX34.8>

On April 1, 2014, City Council approved an amendment to the composition of the Board of the TPASC Inc. to replace two of the City staff Directors with two public/citizen members.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX39.1>

On July 7, 2015, that portion of the City Council meeting where EX7.14 was approved by Council was considered the first Annual Meeting of the Shareholders of TPASC Inc.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX7.14>

On June 9th, 2016, that portion of the City Council meeting where EX15.4 was approved by Council was considered the previous (and second) Annual Meeting of the Shareholders of TPASC Inc.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX15.4>

COMMENTS

1. Toronto Pan Am Sports Centre Inc. (TPASC Inc.)

TPASC Inc. was incorporated under the Ontario Business Corporations Act (OBCA) on December 18, 2013 and was subsequently operationalized in February 10, 2014 with the inaugural meeting of the Board of Directors. A unanimous shareholders' agreement was executed on December 18, 2013, to govern the relationship of TPASC Inc. with the

City of Toronto and the University of Toronto. The University and the City are equal shareholders of TPASC Inc.

Under section 94(1) of OBCA the directors of a corporation are required to call an annual meeting of shareholders not later than eighteen months after the corporation comes into existence and thereafter not later than fifteen months following the last annual general meeting. The business to be transacted at a TPASC Inc. annual shareholders meeting is the election of the directors of whose term of office has expired, the appointment of the auditor, authorization for the directors to fix the auditor's remuneration, receipt of financial statements, approval of operating and capital budgets, receipt of the annual report, and confirmation of corporation proceedings.

Alternatively, the requirements of holding an annual general meeting can be satisfied by both shareholders signing the appropriate resolutions without holding a meeting, addressing the matters that need to be addressed at the annual general meeting, pursuant to section 104 of the Business Corporations Act. The written resolutions dealing with all of the matters required by the OBCA to be dealt with at an annual meeting of shareholders, and signed by the duly authorized representatives of all the shareholders entitled to vote at that meeting, satisfies all the requirements of the OBCA relating to the 2016 annual meeting of shareholders.

2. 2016 TPASC Inc. Operating Highlights

The Toronto Pan Am Sports Centre is a legacy of the 2015 Toronto Pan Am and Parapan Am Games. It is operated by TPASC Inc., a corporation co-owned by the City of Toronto and University of Toronto. The TPASC Inc. 2016 Annual Report, forming Attachment 2 to this Report, provides an overview of the corporation, its mission and strategy as well as the operational highlights for the Centre in 2016.

2016 was the second complete year of operations for TPASC Inc. and the first full year of uninterrupted programming. There were over 1 million visits (turnstile count) to the TPASC Inc. Fields of Play in 2016, and the City of Toronto programmed over 260,000 of those visits.

TPASC Inc. is now home to the Toronto Sport Hall of Honour, and hosts many events. In 2016, it hosted the Youth Games. 14 high performance organizations train at TPASC Inc.

TPASC Inc., provides significant local employment; last year there were 257 full and part time staff employed with over 45% of employees from the local community.

3. Annual General Meeting

Under the Business Corporations Act the business to be completed at an annual general meeting of shareholders includes the election of the directors of the Corporation whose term of office has expired; the appointment of the auditor; receipt of financial statements; and confirmation of the corporation's proceedings since the last annual meeting of the shareholders. The unanimous shareholders' agreement dated December

18, 2013 also requires that the annual operating and capital budgets be approved by the shareholders at the annual general meeting.

4. Appointment of Auditor

Under the OBCA the auditor must be appointed annually by the Shareholder at the annual general meeting of the corporation. The auditor so appointed holds office until the close of the next annual general meeting of the Shareholder, or until a successor is appointed.

TPASC Inc. undertook a Request for Quotation (RFQ) process in 2014 for an external auditor and engaged Welch LLP, Chartered Accountants, as the external auditor of TPASC Inc. for a five-year period covering fiscal years 2014 to 2018. The initial appointment of Welch LLP, Chartered Accountants as auditor for TPASC Inc. was approved by City Council in 2015 and renewed in 2016.

5. Shareholder Resolutions

This report recommends that City Council, acting as Shareholder, approve the Shareholder Resolution forming Attachment 1 to this Report:

- i. To receive the "Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2016";
- ii. To approve the re-appointment of Welch LLP, Chartered Accountants, as the external auditor of Toronto Pan Am Sports Centre Inc. for 2017, and authorize the Board of Directors of Toronto Pan Am Sports Centre Inc. to set the external auditor's remuneration; and
- iii. To ratify all corporate proceedings since the last annual meeting of the shareholders.

The unanimous shareholders' agreement provides that, in addition those matters required by the Business Corporations Act, that the annual operating and capital budget approved by the Board shall be approved at each annual meeting of the Shareholders.

This report also recommends that City Council, acting as Shareholder, approve the Shareholder Resolution forming Attachment 3 to this Report approving the "Toronto Pan Am Sports Centre Budget for 2017" which forms Attachment 4 to this Report.

6. Summary – 2016 Audited Financial Statements

TPASC Inc. officials have informed the City that the Board, at its meeting on March 21, 2017, approved the "Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2016", forming Attachment 5 to this Report. Under the OBCA and provisions of the unanimous shareholders' agreement, the Shareholders must receive the annual audited financial statements at the Annual Meeting of the Shareholders.

The Auditors have expressed an unqualified opinion on these statements. When comparing the actual results to the “cash-basis” budgets, there is one technical difference. The Legacy Fund revenues are technically treated as share capital contributions, even though they are revenues for business purposes. There was \$4.076 million contributed for the year 2016, which was classified as share capital issued. The Statement of Operations (page 3 of 11) shows an Operating Deficit of (\$1,041,481), and shows Capital Stock Issued in the amount of \$4,076,293. The result for the year 2016 is a \$3 million cash surplus, which increased the accumulated surplus at the end of the year to \$9,314,828.

7. 2016 Financial Results

The Financial Statements for 2016, the first full year of operations, show an annual operating deficit of \$1,041,481, representing a budget deficit of \$906,117. The main difference between budget financials represent the treatment of the legacy funds of \$4,076,293 and contributions of \$3,940,929 to the reserve funds.

8. 2017 Budget

TPASC Inc. officials have informed the City that the Board, at its meeting on September 7, 2016, approved a 2017 combined capital and operating budget for TPASC Inc. The 2017 combined capital and operating budget forms Attachment 4 to this Report. Under provisions of the Unanimous Shareholders' Agreement, the Shareholders must approve the annual operating and capital budgets of TPASC Inc. at the Annual Meeting of the Shareholders.

The 2017 operating budget generally follows the original owner's budget with planned revenues (including legacy fund amounts) of \$15,955,066 and expenditures (including reserve contributions) of \$15,952,608 for a surplus of \$2,458, after budgeted reserve contributions of \$3,940,929. The original budget framework did not call for license fees of \$750,000 (half of which is paid to the City), which this budget covers, while still providing a minor surplus.

9. Board Composition

City of Toronto representatives to the Board include two (2) public appointments and three City staff who were all appointed in 2016 for a 2 year term. New directors will be appointed next year.

CONTACT

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SIGNATURE

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Peter Wallace
City Manager

ATTACHMENTS

Attachment 1: Toronto Pan Am Sports Centre Inc. Resolutions of the Shareholder (1)

Attachment 2: Toronto Pan Am Sports Centre Inc. 2016 Annual Report

Attachment 3: Toronto Pan Am Sports Centre Inc. Resolutions of the Shareholder (2)

Attachment 4: Schedule "A" - Toronto Pan Am Sports Centre combined capital and operating budget for the year 2017

Attachment 5: Financial Statements for Toronto Pan Am Sports Centre Inc. for year ended December 31, 2016