

## **Toronto Port Lands Company - Annual General Meeting and 2017 Audited Financial Statements**

**Date:** June 5, 2018

**To:** Executive Committee

**From:** Interim City Manager and Interim Chief Financial Officer

**Wards:** All

### **SUMMARY**

---

This report contains recommendations for the actions necessary to comply with the requirements of the Business Corporations Act, Ontario (OBCA) for holding the Annual General Meeting of the Shareholder of Toronto Port Lands Company, including receipt of its Annual Report and Audited Financial Statements for 2017 and appointment of the auditor for 2018.

This report also contains recommendations for receipt at the Annual General Meeting of the Shareholder of information disclosing the individual compensation of executive officers employed by Toronto Port Lands Company in 2017.

### **RECOMMENDATIONS**

---

The Interim City Manager and Interim Chief Financial Officer recommend that:

1. City Council treat that portion of the City Council meeting at which this Report is considered as the Annual General Meeting of the Shareholder for Toronto Port Lands Company by:

- a. receiving the "Toronto Port Lands Company 2017 Annual Report", forming Attachment 1 to this Report;
- b. appointing PricewaterhouseCoopers LLP, Chartered Accountants, as the Auditor of Toronto Port Lands Company for fiscal year 2018, and authorizing the Board of Directors of Toronto Port Lands Company to fix the remuneration of the Auditor; and,
- c. receiving the "Toronto Port Lands Company Executive Compensation Disclosure 2017", forming Attachment 2 to this Report.

2. City Council direct the City Clerk to forward a copy of the "Toronto Port Lands Company 2017 Audited Annual Financial Statements", forming Attachment 3 to this Report, to the Audit Committee for information.

## **FINANCIAL IMPACT**

---

There are no financial implications resulting from the implementation of the recommendations in this report. TPLC paid the City dividends of \$3.2 million in 2017.

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

## **DECISION HISTORY**

---

On May 22, 2018, City Council adopted MM41.50 Remuneration for Public Directors of CreateTO, Build Toronto and the Toronto Port Lands Company, to amend Shareholder Directions for Build Toronto and TPLC so that public members of the CreateTO, Build Toronto and TPLC Boards are compensated for attendance at all three Boards up to the maximum retainer established by City Council, retroactive to January 1, 2018.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.MM41.50>

On December 5, 6, 7 and 8, 2017, City Council adopted EX29.5 City-Wide Real Estate - Amendments to Municipal Code Chapter and Shareholder Directions, which amended Shareholder Directions for Build Toronto and the Toronto Port Lands Company in order to establish appropriate authority for the Toronto Realty Agency ("CreateTO") over Build Toronto and TPLC and their respective holding subsidiaries and activities, and to effectively implement the new real estate model approved by City Council in May 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.5>

On July 4, 2017, that portion of the City Council meeting where EX26.13 Toronto Port Lands Company - Annual General Meeting and 2016 Audited Statements was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Toronto Port Lands Company.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.13>

On May 24, 25 and 26, 2017, City Council adopted EX25.9 City-Wide Real Estate Transformation, which set out a new real estate service delivery model for City government that centralizes all real estate activities City-wide.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.9>

On March 31, 2015, City Council approved PricewaterhouseCoopers LLP, Chartered Accountants, as the Auditor for 2015-2019 for the City and certain City agencies, corporations and other programs and funds.

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

On July 11, 2012, City Council approved a requirement that Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent permitted by law of individual executive compensation as part of the annual reporting to the Shareholder and where required obtain consent from executives.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.19>

On August 5, 2009, City Council requested the TEDCO Board to re-brand the corporation to reflect its role as a Port Lands leasing company.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.1>

On July 11, 2012, City Council adopted the requirement that Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent permitted by law of individual executive compensation as part of the annual reporting to the Shareholder and where required obtain consent from executives. City Council also required that individual variable pay remuneration (one-time lump sums) not exceed 25% of an executive's base salary.

[\(EX21.19: Executive Compensation 2011 for Agencies and Corporations\).](#)

## **ISSUE BACKGROUND**

---

The City of Toronto Economic Development Corporation (TEDCO) was incorporated in 1986 under the Business Corporations Act (Ontario) (OBCA), and has operated with a revised mandate under the business name Toronto Port Lands Company (TPLC) since 2009. The City is the sole shareholder.

Subsection 154 (1) of the OBCA requires that the Shareholder receive TPLC'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 TPLC call an annual meeting of its Shareholder by no later than fifteen months after holding the last preceding annual meeting.

Section 149 (2) of the OBCA requires that the TPLC 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.

Section 6.2 of the Shareholder Direction requires TPLC to deliver its audited consolidated annual financial statements to the Shareholder within 120 days of its fiscal year end which is December 31. These documents are filed with the City Clerk's Office. This report provides a summary of the 2017 Consolidated Financial Statements for TPLC and its wholly-owned active subsidiary, Arrowhead New Toronto East Inc.

## COMMENTS

---

### 1. Appointment of Auditor

The City's Auditor General from time-to-time 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, Corporations, and other programs and funds as set out in AU1.20.

As a result, PricewaterhouseCoopers LLP is to be appointed as the Auditor for TPLC for fiscal year 2018. The Board of Directors of TPLC will fix the annual remuneration of the Auditor.

### 2. Key TPLC Achievements in 2017

The TPLC is a self-financing corporation, incorporated in 1986 to manage real estate assets and to promote employment revitalization in the City of Toronto.

As of January 1, 2018, TPLC employees have become employees of CreateTO (Toronto Realty Agency). The TPLC will continue as a Corporation, with the City of Toronto as its sole shareholder, and support CreateTO in implementing the City's real estate strategy.

According to the TPLC Annual Report 2017, TPLC is the largest property owner in the Port Lands, with roughly 400 acres in its portfolio. This includes owning and operating 6.4 kilometres of rail line that traverses the Keating Rail Yard on Lakeshore Boulevard and stretches to the Ports Toronto lands on Cherry Street. TPLC is also the largest owner of dockwall (4.8 kilometres) that needs maintaining and some of it is leased to bulk commodity users.

Along with day to day activities of managing and leasing its properties, TPLC works closely with a wide range of partners and stakeholders while continuing to prepare for future redevelopment of the Port Lands. This includes:

- Preparing lands for development for Pinewood Toronto Studios.
- Managing the relocation and consolidation of the concrete and aggregate companies to the east side of the Port Lands.

TPLC also sold 3.32 acres of its investment property at 260 Eight Street for \$2.4 million, resulting in a financial gain of \$1,937.

### 3. Summary – TPLC 2017 Audited Financial Statements

#### Financial Results

This report provides a summary of TPLC's 2017 Audited Annual Financial Statements (Attachment 3).

## Consolidated Income Statement

Net Income for the year ended December 31, 2017 was \$11.1 million, as compared to the previous fiscal year's net income of \$14.27 million. The year over year decrease was due primarily to a lesser gain on sale of investment properties (2017: \$1,937 vs 2016: \$10.4 million), offset by net insurance settlement proceeds received during 2017 (\$4.9 million) relating to a fire at 242 Cherry Street. In addition, while in 2016, TPLC provided a grant to Invest Toronto \$2 million, none was provided in 2017.

Table 1

<b>TPLC - Consolidated Income Statement for the year ended December 31, 2017</b>			
	<b>2017</b>	<b>2016</b>	<b>Change 2017 vs 2016</b>
Net property Income	12,048,275	11,435,806	
Other Income	635,853	566,146	
	<b>12,684,128</b>	<b>12,001,952</b>	682,176
Operating Expenses	3,908,701	4,629,893	
Amortization	1,432,330	1,433,998	
Total Expenses	5,341,031	6,063,891	(722,860)
Invest Toronto grant		(2,025,000)	
Restructuring costs	(1,086,000)		
Net proceeds from Insurance settlement	4,885,442		
Gain on sale of Investment properties	1,937	10,359,365	
<b>Net and Comprehensive Income</b>	<b>11,144,476</b>	<b>14,272,426</b>	<b>(3,127,950)</b>

## Consolidated Balance Sheet

Total assets of \$398 million were greater than 2016 (\$391.4 million), primarily relating to greater current assets (including a fire insurance settlement receivable), net of a reduced value of investment properties.

Shareholder's equity of \$383.4 as at December 31, 2017, increased by \$6 million over fiscal 2016, as a result of increased retained earnings. Retained earnings increased as a result of the TPLC 2017 net income (\$11.1 million), less the payment of dividends of \$3.2 million to the City as Shareholder, and \$1.92 million to the City's Incubator Program.

Table 2

<b>Consolidated Balance Sheet As at December 31, 2017</b>			
	<b>2017</b>	<b>2016</b>	<b>Change 2017 vs 2016</b>
<b>Assets</b>			
Current Assets	41,285,407	32,357,392	
Investment properties	336,362,379	340,195,847	
Other non-current assets	20,344,888	18,864,457	
<b>Total Assets</b>	<b>397,992,674</b>	<b>391,417,696</b>	<b>6,574,978</b>
<b>Liabilities &amp; Shareholder's Equity</b>			
Total liabilities	14,623,222	14,083,797	539,425
Shareholder's equity	383,369,452	377,333,899	6,035,553
<b>Total liabilities &amp; shareholder's Equity</b>	<b>397,992,674</b>	<b>391,417,696</b>	

Table 3

<b>Consolidated Statement of Retained Earnings for the year ended December 31, 2017</b>			
	<b>2017</b>	<b>2016</b>	<b>Change 2017 vs 2016</b>
Retained Earnings- beginning of year	377,333,898	369,951,765	
Net Income	11,144,476	14,272,426	
Dividend to Shareholder	(3,180,824)	(5,000,000)	
Dividend to Incubator Program	(1,928,099)	(1,890,293)	
Retained Earnings- end of year	383,369,451	377,333,898	6,035,553

#### **4. 2017 Executive Compensation**

TPLC has disclosed executive compensation information for senior management as requested by City Council in Attachment 2 to this Report. The protection of individual privacy is required by the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA). Specific compensation data of individual employees is private information under MFIPPA.

TPLC has indicated that senior management have consented to the public disclosure of individual compensation information contained in Attachment 2 and assured the City that there is no unauthorized release of personal information.

#### **CONTACT**

---

Meg Shields, A/Director, Corporate Policy, Strategic & Corporate Policy, 416-392-0523,  
[meg.shields@toronto.ca](mailto:meg.shields@toronto.ca)

Karyn Spiegelman, Senior Financial Analyst, Corporate Finance,  
[karyn.Spiegelman@toronto.ca](mailto:karyn.Spiegelman@toronto.ca), 416-392-8894

Michael Smith, Solicitor, Legal Services, [Michael.A.Smith@toronto.ca](mailto:Michael.A.Smith@toronto.ca), 416-392-7245

## **SIGNATURE**

---

Joe Farag  
Interim Chief Financial Officer

Giuliana Carbone  
Interim City Manager

## **ATTACHMENTS**

---

Attachment 1: TPLC Annual Report 2017  
Attachment 2: TPLC Executive Compensation Disclosure 2017  
Attachment 3: TPLC 2017 Audited Annual Financial Statements