

### Toronto Port Lands Company - Annual General Meeting and 2018 Audited Financial Statements

**Date:** June 19, 2019

**To:** Executive Committee

**From:** City Manager and Chief Financial Officer & Treasurer

**Wards:** All

#### SUMMARY

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This report transmits materials submitted by the Board of Directors of Toronto Port Lands Company to the City. No independent review or analysis has been performed by City staff.

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 Economic Development Corporation (TEDCO), operating as the Toronto Port Lands Company (TPLC), including receipt of its Annual Report and Audited Financial Statements for 2018 and appointment of the auditor for 2019.

#### RECOMMENDATIONS

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The City Manager and Chief Financial Officer & Treasurer 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's 2018 Annual Report, forming Attachment 1 to this Report;

b. appointing PricewaterhouseCoopers LLP, Chartered Accountants, as the Auditor of Toronto Economic Development Corporation for fiscal year 2019, and authorizing the Board of Directors of Toronto Port Lands Company to fix the remuneration of the Auditor; and,

2. City Council direct the City Clerk to forward a copy of the Toronto Port Lands Company's 2018 Audited Annual Financial Statements, forming Attachment 2 to this Report, to the Audit Committee for information.

## **FINANCIAL IMPACT**

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There are no financial implications resulting from the implementation of the recommendations in this report. TPLC paid the City dividends of \$3 million in 2018. The Chief Financial Officer & Treasurer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

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On June 26, 2018, the portion of the City Council meeting where [EX35.15 Toronto Port Lands Company-Annual General Meeting and 2017 Audited Financial Statements](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX35.15) was approved by Council, was considered the Annual General Meeting of the Shareholder for TPLC. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX35.15>

On May 22, 2018, City Council adopted [MM41.50 Remuneration for Public Directors of CreateTO, Build Toronto and the Toronto Port Lands Company](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.MM41.50), 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](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.5), 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](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.9), 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>

## **ISSUE BACKGROUND**

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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 2018 Consolidated Financial Statements for TPLC and its wholly-owned active subsidiary, Arrowhead New Toronto East Inc.

### *City-Wide Real Estate Model*

On January 1, 2018, the City launched CreateTO, a new agency to lead the City-wide real estate delivery model adopted by City Council in 2017. This new model involves the operational consolidation of both Build Toronto and TPLC through service agreements with CreateTO for specific real estate activities, including commercial development. Service agreements were also established between CreateTO and TPLC to support cost recovery for back office staff support.

TPLC no longer reports executive compensation as all executives are also officers of and paid by CreateTO. City Council on December 5, 6, 7 and 8, 2017 adopted a recommendation to amend TPLC's shareholder direction which directed that TPLC shall not hire employees, other than its CEO, without the prior consent of CreateTO. TPLC entered into a shared services agreement with CreateTO (then the Toronto Realty Agency) for the provision of those services required for the operation of TPLC as set out in the Shareholder Direction, including accounting, risk management, tax, finance, record keeping, financial statement preparation and audit support; legal services; treasury functions; regulatory compliance; information systems; executive management; and corporate and other centralized services.

## **COMMENTS**

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### **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 (2015).

As a result, PricewaterhouseCoopers LLP is to be appointed as the Auditor for TPLC for fiscal year 2019. The Board of Directors of TPLC will fix the annual remuneration of the Auditor.

### **2. Summary – TPLC 2018 Audited Financial Statements**

#### **Financial Results**

This report provides a summary of TPLC's 2018 Audited Annual Financial Statements (Attachment 2).

#### **Consolidated Income Statement**

Net Income for the year ended December 31, 2018 was \$12.3 million, as compared to the previous fiscal year's net income of \$11.0 million. The year over year increase was due primarily to a greater gain on sale of investment properties in 2018 (\$5.2 million vs 2017: \$1,937), offset by net insurance settlement proceeds received during 2017 (\$4.9 million) relating to a fire at 242 Cherry Street.

A provision for restructuring costs was estimated at \$1.2 million in 2017, and was since revised to \$95 million, resulting in an excess provision of approximately \$349,000 which was taken back into income in 2018.

Table 1

<b>Toronto Port Lands Company Consolidated Statements of Net Income and Comprehensive Income for the year ended December 31 (\$)</b>			
	<b>2018</b>	<b>2017</b>	<b>Year over year change</b>
<b>Net Revenues</b>	12,668,591	12,432,560	
Operating Expenses	5,435,319	5,089,463	
<b>Operating Profit</b>	7,233,272	7,343,097	(109,825)
Restructuring Costs	348,967	(1,200,000)	
Insurance Settlement (Net)		4,885,442	
Impairment loss due to Flood Protection Project	(432,233)		
Gain on sale- Investment Properties	5,157,543	1,937	
Total Other	5,074,277	3,687,379	1,386,898
<b>Net Income and Comprehensive Income</b>	<b>12,307,549</b>	<b>11,030,476</b>	<b>1,277,073</b>

### Consolidated Balance Sheet

As at December 31, 2018, TPLC had total assets of \$427 million, an increase over 2017 (\$398 million) primarily as a result of greater Investment Properties (2018: \$366 million vs 2017: \$336 million).

The 2018 Shareholder's equity of \$387.6 million represents an increase of \$4.3 million over fiscal 2017 as a result of increased retained earnings. The increase in retained earnings was the result of 2018 net income (\$12.3 million), less a dividend payment of \$3 million to the City, and \$5 million cost relating to remediation costs (rail relocation and improvements) as part of the sale of 675 Commissioner's Street, which was treated as an equity distribution.

Table 2

<b>Toronto Port Lands Company Consolidated Balance Sheet As at December 31 (\$)</b>			
	<b>2018</b>	<b>2017</b>	<b>Year over year change</b>
Current Assets	35,250,960	41,285,407	
Other Assets	386,553,320	356,707,267	
<b>Total Assets</b>	<b>421,804,280</b>	<b>397,992,674</b>	23,811,606
Current Liabilities	19,350,956	6,944,300	
Long Term Liabilities	14,890,323	7,792,922	
<b>Total Liabilities</b>	<b>34,241,279</b>	<b>14,737,222</b>	19,504,057
<b>Shareholder's Equity</b>	<b>387,563,001</b>	<b>383,255,452</b>	4,307,549
<b>Total Liabilities and Shareholder's Equity</b>	<b>421,804,280</b>	<b>397,992,674</b>	23,811,606

Table 3

<b>Toronto Port Lands Company Consolidated Statement of Retained Earnings for the year ended December 31 (\$)</b>		
	<b>2018</b>	<b>2017</b>
Retained Earnings, beginning of year	383,255,451	377,333,898
Net Income	12,307,549	11,030,476
Dividends	(3,000,000)	(5,108,923)
Rail relocation and improvements (675 Commissioners Street)	(5,000,000)	
Retained Earnings, end of year	387,563,000	383,255,451

## **CONTACT**

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## **SIGNATURE**

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Heather Taylor  
Chief Financial Officer & Treasurer

Chris Murray  
City Manager

## **ATTACHMENTS**

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Attachment 1: TPLC 2018 Annual Report

Attachment 2: TPLC 2018 Audited Annual Financial Statements