



REPORT FOR ACTION

Toronto Community Housing Corporation – Annual General Meeting and 2018 Audited Consolidated Financial Statements

Date: June 19, 2019

To: Executive Committee

From: City Manager and Chief Financial Officer & Treasurer

Wards: All

SUMMARY

This report transmits materials submitted by the Board of Directors of Toronto Community Housing Corporation to the City. No independent review or analysis has been performed by City staff.

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 2018 Audited Consolidated Financial Statements and appointment of the auditor for TCHC for 2019.

This report also recommends that Council receive for information TCHC's 2019-2022 Strategic Plan.

RECOMMENDATIONS

The City Manager and the Chief Financial Officer and Treasurer recommend that:

1. City Council treat the portion of the City 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 from the Toronto Community Housing Corporation's Vice-Chair of the Board of Directors and President and Chief Executive Officer dated April 30, 2019 transmitting the Toronto Community Housing Corporation 2018 Annual Report and additional information, forming Attachment 1 to this report;

b. receive Toronto Community Housing Corporation's 2018 Audited Consolidated Financial Statements for the period ending December 31, 2018, including the auditor's report dated April 30, 2019, forming Attachment 2 to this report;

c. re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as the auditor for Toronto Community Housing Corporation for fiscal year 2019 at the fee provided in the City's agreement with that firm; and

d. receive the Toronto Community Housing executive compensation disclosure for 2018, included in section 4.1.1 of additional information in Attachment 1 to this report.

2. City Council, as Shareholder, receive Toronto Community Housing Corporation's 2019-2022 Strategic Plan and budget summary forming Attachment 3 to this report.

3. City Council direct the City Clerk to forward a copy of Toronto Community Housing Corporation's 2018 Audited Consolidated Financial Statements December 31, 2018, forming Attachment 2 to this report, to the Audit Committee for information.

FINANCIAL IMPACT

TCHC's 2018 audited financial statements indicate net income of \$48.9 million (a decline of \$11.5 million over 2017), total assets of \$3.889 billion (an increase of \$278.3 million over 2017), and total liabilities of \$2.793 billion (an increase of \$233.1 million over 2017). Shareholder's equity increased by \$45.2 million in 2018 to \$1.096 billion, and the value of TCHC's housing projects and capital assets increased by \$234.3 million to \$3.205 billion.

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

DECISION HISTORY

TCHC's previous annual shareholder meeting, at which its 2017 annual report and audited financial statements were considered, took place at the City Council meeting of June 26, 2018.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX35.13>

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>

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 4, 2017.

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 City Council. In addition, the Shareholder Direction requires, or Council has directed, that TCHC report annually on a number of other items and submit its business plan (referred to in this report as TCHC's strategic plan) to Council.

TCHC's Board of Directors approved its 2018 Letter to the Shareholder, Annual Report and additional information (Attachment 1), and 2018 annual consolidated financial statements (Attachment 2), at its meeting on April 29, 2019. TCHC's Board approved its 2019-2022 Strategic Plan at its meeting on July 31, 2018 (Attachment 3).

COMMENTS

1. Appointment of Auditor

Every five years, the City's Auditor General 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, certain City agencies and corporations (including for the TCHC), and other programs and funds.

As a result, this report recommends that PricewaterhouseCoopers LLP be appointed as the Auditor for the TCHC for the fiscal year 2019 at the fee provided for in the City's agreement with that firm.

2. Key Achievements in 2018

The Letter to the Shareholder from TCHC's Chair of the Board of Directors and the President and Chief Executive Officer transmits the 2018 Annual Review and additional information (Attachment 1), which highlights key TCHC achievements in 2018.

3. Summary – 2018 Audited Consolidated Financial Statements

The 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 (DMCDC)
- 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)
- 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 2018 Financial Results

- \$48.9 million as net income compared with \$60.4 million for 2017 - revenue growth continued to lag expenditure growth.
- \$1.096 billion in shareholder's equity, an increase of \$45.2 million over 2017.
- \$10.1 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, 2018 with comparative figures for 2017.

Summary Consolidated Balance Sheet as at December 31	2018	2017	Increase/(Decrease)	
	(\$ million)			%
Assets				
Current assets	401.5	350.7	50.8	14%
Receivables and investments	282.8	289.6	-6.8	-2%
Housing projects and capital assets	3,204.6	2,970.3	234.3	8%
	3,888.9	3,610.6	278.3	8%
Liabilities				
Current liabilities	365.8	337.7	28.1	8%
Project financing	1,601.3	1,601.8	-0.5	0%
Other liabilities	825.4	619.9	205.5	33%
	2,792.5	2,559.4	233.1	9%
Surplus & share capital	1,096.4	1,051.2	45.2	4%
Total liabilities, surplus and share capital	3,888.9	3,610.6	278.3	8%

Total assets were \$3,888.9 million, an increase of \$278.3 million (or 8%) compared with the previous year resulting from:

- An increase in current assets of \$50.8 million, primarily as a result of increases in accounts and grants receivable and offset somewhat by a reduction in cash.
- An increase of \$234.3 million in housing projects and capital assets, due largely to improvements to land and buildings carried out in 2018.
- A reduction in receivables and investments of \$6.8 million.

Total liabilities were \$2,792.5 million, an increase of \$233.1 million (or 9%) compared with the previous year, resulting from:

- A \$28.1 million increase in current liabilities, due to a \$46.3 million short-term bank loan and offset somewhat by a decline in the current portion of project financing.
- A \$0.5 million reduction in long-term project financing consisting of mortgages, debentures and loans payable to the City, Infrastructure Ontario (IO) and others.
- A \$205.5 million increase in other liabilities, including a \$204.9 million increase in deferred capital contributions representing the unamortized amount of restricted grants received for the purchase of capital assets.

Statement of Operations

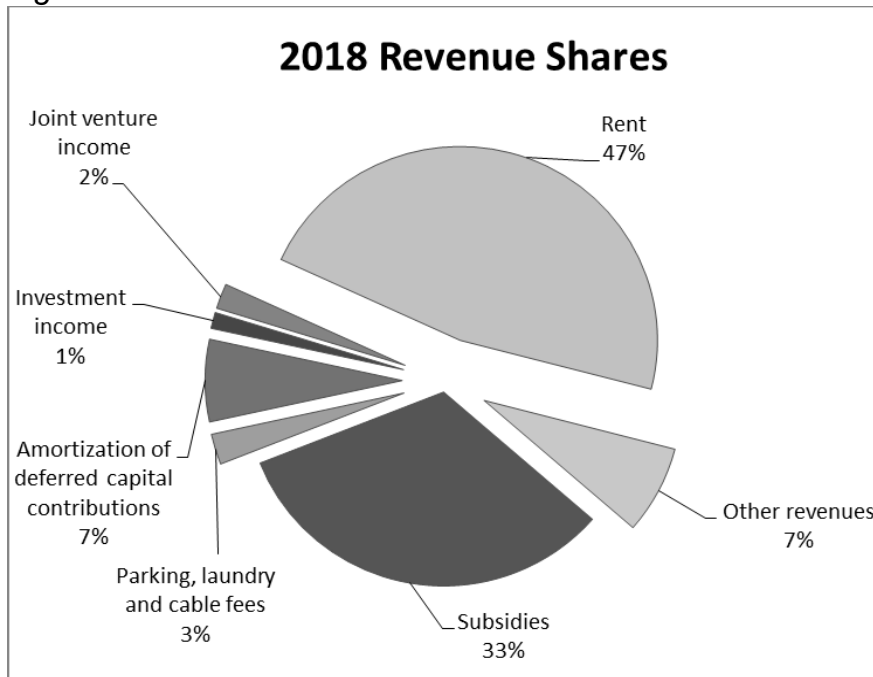
The following table summarizes TCHC's 2018 consolidated statement of operations with comparative figures for 2017.

Summary Consolidated Statement of Operations Year ended December 31		2018	2017	Increase/ (Decrease)	
		(\$ million)			%
Revenue					
	Subsidies	235.3	234.5	0.8	0%
	Rent	340.3	326.0	14.3	4%
	Amortization of deferred capital contributions	49.4	45.3	4.1	9%
	Parking, laundry and cable fees	18.4	17.8	0.6	3%
	Investment income	9.6	6.5	3.1	48%
	Joint venture income	15.1	19.2	-4.1	-21%
	Other revenues	52.9	56.8	-3.9	-7%
	Total revenues	721.0	706.1	14.9	2%
Expenses					
	Operating and maintenance	318.4	322.4	-4.0	-1%
	Municipal taxes	18.8	17.2	1.6	9%
	Depreciation	178.4	163.0	15.4	9%
	Interest	77.6	75.8	1.8	2%
	Administration & other	78.9	67.3	11.6	17%
	Total expenses before unrealized losses	672.1	645.7	26.4	4%
Excess of revenue over expenses before unrealized losses		48.9	60.4	-11.5	-19%
	Unrealized gain/(losses)	0.0	0.0		
Excess of revenue over expenses for the year		48.9	60.4		-19%

Total revenues in 2018 were \$721.0 million, an increase of \$14.9 million (or 2%) over the previous year. Rental revenue growth of \$14.3 million was the main source of year-over-year growth. In addition, small increases in subsidy revenues, investment income, amortization of deferred capital contributions and parking, laundry and cable fees were largely offset by small declines in joint venture income and other revenues.

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

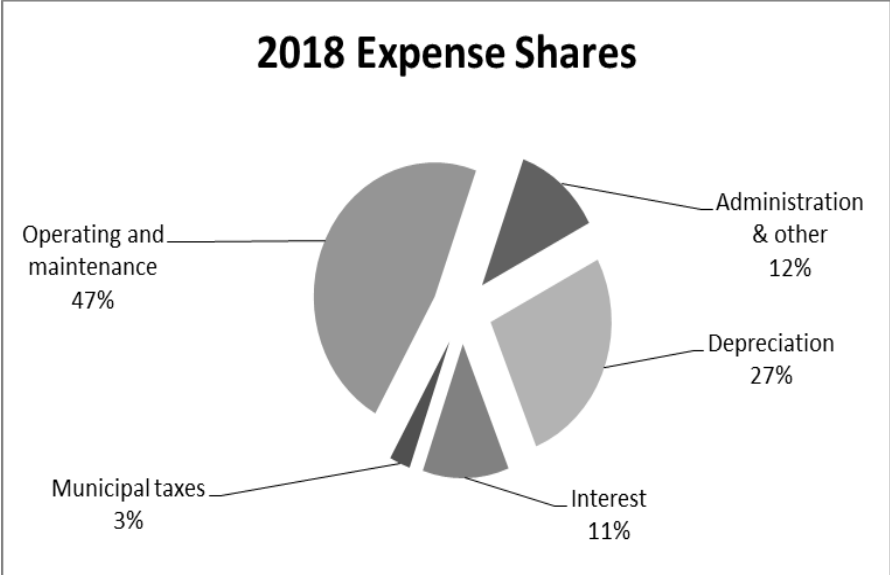
Figure 1



Total expenses in 2018 were \$672.1 million, an increase of \$26.4 million (or 4%) over the previous year. Higher total expenses resulted largely from an increase of \$15.4 million (or 9%) in depreciation allowance and an \$11.6 million increase (or 17%) in administration and other expenses. Operating and maintenance expenses declined by \$4.0 million over 2017, however the decline was largely offset by higher municipal taxes and interest expenses. TCHC continued to process the rent supplements as a pass-through transaction. Consequently, the related subsidy amounts are no longer reflected in TCHC financials.

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 \$48.8 million, a decrease of \$11.5 million (or 19%) over the prior year.

4. Additional Reporting Requirements

TCHC is required by its Shareholder Direction and Council decisions to report annually on a number of items, including executive compensation. These items are listed in Attachment 1 of this report (Additional Information, Section 4.1.1).

TCHC has also submitted its 2019-2022 Strategic Plan and budget summary to the City, which is considered the Corporation's business plan, in compliance with section 10.1 of its Shareholder Direction (Attachment 3). The Strategic Plan was considered by staff in the development of the Tenant's First report, also before Council at the same meeting.

CONTACT

Sandra Rodriguez, Director, Corporate Intergovernmental & Agency Relations, Strategic & Corporate Policy, 416-392-3832, Sandra.Rodriguez@toronto.ca

Rob Hatton, Director, Strategic & Intergovernmental Initiatives, Corporate Finance Division, 416-392-9149, Robert.Hatton@toronto.ca

Michael Smith, Solicitor, Legal Services, 416-392-7245, Michael.A.Smith@toronto.ca

SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

ATTACHMENTS

Attachment 1: Letter to the Shareholder, dated April 30, 2019, TCHC's 2018 Annual Report and Additional Information

Attachment 2: Toronto Community Housing Corporation, 2018 Audited Consolidated Financial Statements, for the period ending December 31, 2018

Attachment 3: Toronto Community Housing Corporation, 2019-2022 Strategic Plan and 2019 Budget Detailed Summary