

## **Toronto Pan Am Sports Centre Inc. - 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 Pan Am Sports Centre Inc. 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 Shareholders of Toronto Pan Am Sports Centre Inc. ("TPASC Inc."), including receipt of its Annual Report and Audited Financial Statements for 2018 and appointment of the auditor for 2019.

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 TPASC Inc.

### **RECOMMENDATIONS**

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

1. City Council, in its capacity as one of the Shareholders of Toronto Pan Am Sports Centre Inc., (the "Corporation"):

a. adopt and authorize the City Manager to sign the Resolutions of Shareholders attached as Attachment 1 to this report on behalf of the City so that:

1) Financial Statements

City Council receive the audited financial statements of the Corporation for the financial year ended December 31, 2018, including the auditor's report dated March 14, 2019, forming Attachment 4 to this report are received.

2) Appointment of Auditors

(a) Welch LLP are reappointed as the auditors of the Corporation until the close of the next annual meeting of the shareholders or until their successors are duly appointed.

(b) The remuneration of the auditors will be fixed by the directors who are hereby authorized to fix that remuneration.

3) Confirmation of Proceedings

All by-laws, contracts, acts, proceedings, appointments, elections, and payments of any director or officer of the Corporation that were enacted, made, done, or taken since the last annual meeting of the shareholders of the Corporation are approved, ratified, sanctioned, and confirmed.

b. adopt and authorize the City Manager to sign the Resolution of Shareholders forming Attachment 5 to this report:

1) Ratifying and approving the Operating and Capital Budgets of the Corporation attached as Schedule A to such Attachment; and

2) Authorizing any two directors or officers to carry out the provisions of the resolutions passed by the shareholders of the Corporation.

2. City Council direct the City Clerk to forward a copy of the "Toronto Pan Am Sports Centre Inc. 2018 Audited Annual Financial Statements", forming Attachment 4 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. City costs related to this facility for the City share of the space costs and field of play usage of \$3,924,268, and the City portion of license fee revenue of \$375,000, are included in the Council Approved 2019 Operating Budget for Parks, Forestry and Recreation and meet the City's contributions as outlined in the Resolution of Shareholders and Attachment 5, Schedule A to this report.

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

## **DECISION HISTORY**

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On May 22, 2018, that portion of the City Council meeting where EX32.12 Toronto Pan Am Sports Centre Inc. - Annual General Meeting and 2017 Audited Financial Statements was approved by Council, was considered the previous Annual General Meeting of the Shareholders for TPASC Inc.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX34.12>

## **ISSUE BACKGROUND**

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City Council authorized the establishment of Toronto Pan Am Sports Centre Inc. on October 8, 2013 pursuant to section 148 of the City of Toronto Act, 2006, and Ontario Regulation 609/06. Toronto Pan Am Sports Centre Inc. was incorporated under the Business Corporations Act (Ontario) (OBCA) on December 18, 2013. 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 of Toronto and the City of Toronto are equal Shareholders of TPASC Inc.

Subsection 154 (1) of the OBCA requires that the Shareholder receive TPASC Inc. audited annual financial statements and the report of the auditor at the annual meeting of the Shareholders. Subsection 94 (1) requires that the directors of TPASC Inc. call an annual meeting of its Shareholders by no later than fifteen months after holding the last preceding annual meeting.

Section 149 (2) of the OBCA requires that at each general meeting TPASC Inc. Shareholders appoint one or more auditors to hold office until the close of the next annual meeting. The Shareholders are also allowed to authorize the directors to fix the auditor's remuneration, and should take receipt of financial statements, give approval of Operating and Capital Budgets, take receipt of the Annual Report, and confirm 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 OBCA. 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 2019 Annual Meeting of Shareholders.

## **COMMENTS**

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### **1. Appointment of Auditor**

Under the OBCA the auditor must be appointed annually by the Shareholders 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 Shareholders, or until a successor is appointed.

Toronto Pan Am Sports Centre 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 Toronto Pan Am Sports Centre Inc. for a five-year period covering fiscal years 2014 to 2018. The initial appointment of Welch LLP, Chartered

Accountants as auditor for Toronto Pan Am Sports Centre Inc. was approved by City Council in 2015 and renewed in 2016, 2017 and 2018.

The initial RFQ in 2014 included an option to extend the external auditor contract for a second term of five years. Welch LLP was approved by the Board of Directors for an extension of the external auditor contract for additional five-year term at the Board of Directors Meeting, March 14, 2019. The second term includes fiscal years 2019-2023. The annual re-appointment of the external auditors will continue to be brought forward to City Council for their approval as Shareholders.

## **2. Key Toronto Pan Am Sports Centre Inc. Achievements in 2018**

The Toronto Pan Am Sports Centre is a legacy of the 2015 Toronto Pan Am and Parapan Am Games. It is operated by Toronto Pan Am Sports Centre Inc., a corporation co-owned by the City of Toronto and University of Toronto. The Toronto Pan Am Sports Centre Inc.'s 2018 Annual Report, forming Attachment 3 to this report, provides an overview of the corporation, its mission and strategy, as well as the operational highlights for the Centre in 2018.

## **3. Summary – Toronto Pan Am Sports Centre Inc. 2018 Audited Financial Statements**

### **Financial Results**

This report provides a summary of TPASC Inc.'s 2018 Audited Annual Financial Statements (contained within the 2018 Annual Report in Attachment 3). The Auditors report provides an unqualified opinion on these statements.

TPASC officials have informed the City of Toronto that its Board, at its meeting on March 14, 2019, approved the TPASC Audited Financial Statements for year ended December 31, 2018. Under the OBCA and provisions of the Unanimous Shareholders' Agreement, the Shareholders (City of Toronto and University of Toronto) must receive the annual Audited Financial Statements.

### **Statement of Operations**

The table below provides and compares the operating results for fiscal 2018 with the 2018 budget, and with the results for fiscal 2017.

<b>TPASC Audited Statement of Operations for the year ended December 31 (\$)</b>			
	<i>Budget (unaudited)</i>	<i>Actual</i>	
	<b>2018</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>			
Space cost recoveries	955,175	985,758	984,814
Field of play recoveries	6,543,962	6,091,078	6,084,118
Rental and Fitness Centre income	3,036,004	3,085,425	2,980,707
Other revenue	2,168,235	2,237,682	2,087,692
<i>Subtotal:</i>	<i>12,703,376</i>	<i>12,399,943</i>	<i>2,137,331</i>
<b>Expenses</b>			
Aquatics, fitness centre	2,734,481	2,621,277	2,649,102
License fees	750,000	750,000	750,000
General and Administrative	9,513,811	9,494,298	8,971,492
<i>Subtotal:</i>	<i>12,998,292</i>	<i>12,865,575</i>	<i>12,370,594</i>
<b>Operating surplus (deficit)</b>	<b>\$ (294,916)</b>	<b>(465,632)</b>	<b>(233,263)</b>
<b>Capital reserve fund</b>			
Investment income		98,353	187,330
Management fees		(40,552)	(36,079)
Major repairs and replacements		(902,422)	(562,537)
<i>Subtotal:</i>		<i>(844,621)</i>	<i>(411,286)</i>
<b>Accumulated surplus, beginning of year</b>		12,848,479	9,314,828
<i>Subtotal:</i>		<i>11,538,226</i>	<i>8,670,279</i>
<b>Capital stock issued</b>		4,251,318	4,178,200
<b>Accumulated surplus, end of year</b>		15,789,544	2,848,479

In fiscal 2018, TPASC generated total revenues of \$12.4 million, slightly greater than in 2017, but slightly lower than budgeted expectations. Revenues include space cost and field of play revenues from the City of Toronto of \$3.8 million in both 2018 and 2017, and from the University of Toronto of \$1.9 million in each of these years.

In 2018, TPASC had total operating expenses of \$12.9 million, slightly greater than in 2017. TPASC pays annual licencing fees of \$750,000 to the Shareholders, which are included in the operating expenses.

The Statement of Operations demonstrates an Operating Deficit of (\$465,632) in 2018, a slight increase over fiscal 2017, and slightly greater than budgeted expectations.

TPASC receives "Legacy Fund" contributions from the Shareholders, for the purpose of providing support for High Performance Sport utilization of the facility as well as a contribution to the Major Maintenance and Capital Replacement fund. In 2018, TPASC received Legacy Fund contributions of \$4.3 million (2017: \$4.2 million). Giving consideration to the shareholder contributions, TPASC's Accumulated Surplus increased to \$15.8 million as at December 31, 2018.

### Statement of Financial Position

The following table summarizes the Statement of Financial Position for TPASC Inc. for the years 2018 and 2017.

<b>TPASC Statement of Financial Position as at December 31 (\$'s)</b>		
	<b>2018</b>	<b>2017</b>
Financial Assets		
Cash	5,182,566	4,533,668
Portfolio investments	11,230,185	9,387,641
Accounts receivable	412,835	239,194
Government remittances receivable	19,610	18,766
Subtotal:	16,845,196	14,179,269
Financial Liabilities		
Accounts payable and accrued liabilities	1,812,802	1,848,492
Deferred revenue	438,711	528,393
Subtotal:	2,251,513	2,376,885
<b>Net Financial Assets</b>	<b>14,593,683</b>	<b>11,802,384</b>
Non-Financial Assets		
Prepaid expenses	172,291	205,982
Inventory	34,601	22,964
Tangible capital assets	988,969	817,149
Subtotal:	1,195,861	1,046,095
<b>Accumulated Surplus</b>	<b>15,789,544</b>	<b>12,848,479</b>

## CONTACT

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## SIGNATURE

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Heather Taylor  
Chief Financial Officer and Treasurer

Chris Murray  
City Manager

## ATTACHMENTS

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Attachment 1: Toronto Pan Am Sports Centre Inc., Resolutions of the Shareholders – Financial Statements, Appointment of Auditors, Confirmation of Proceedings

Attachment 2: Toronto Pan Am Sports Centre Inc., 2018 Highlights

Attachment 3: Toronto Pan Am Sports Centre Inc., 2018 Annual Report

Attachment 4: Toronto Pan Am Sports Centre Inc., Audited Financial Statements for year ended December 31, 2018

Attachment 5: Toronto Pan Am Sports Centre Inc., Resolutions of the Shareholders – Approval of Budget

- Schedule A - Toronto Pan Am Sports Centre Inc., 2019 Capital & Operating Budgets
- Schedule B - Toronto Pan Am Sports Centre Inc., Board Approval of 2019 Capital & Operating Budgets