

Toronto Pan Am Sports Centre - Annual General Meeting and 2020 Audited Financial Statements

Date: June 21, 2021

To: Executive Committee

From: City Manager and Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report transmits materials submitted by the Board of Directors of the Toronto Pan Am Sports Centre (TPASC) to the City and recommends 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 Pan Am Sports Centre Inc., including receipt of its Annual Report and Audited Financial Statements (Statements) for 2020 and appointment of the auditor for 2021. Limited review and analysis was performed by City staff.

This report contains recommendations to approve the 2021 operating and capital budgets of TPASC approved by the TPASC board of directors. Section 5.05(a) of the Unanimous Shareholders' Agreement of the Corporation as of December 18, 2013 provides that the annual operating and capital budgets shall be considered and approved by the Board and subject to approval by the Shareholders of the Corporation. The City and the Governing Council of The University of Toronto are the two Shareholders of TPASC.

The requirements of the OBCA regarding the annual general meeting and the requirements of the Unanimous Shareholders' Agreement regarding approval of the annual operating and capital budgets are being satisfied by written joint resolutions of the Shareholders, as provided in this report.

The OBCA provides that a resolution in writing signed by all the Shareholders entitled to vote on that resolution at a meeting of the Shareholders is as valid as if it had been passed at a meeting of the Shareholders; and a resolution in writing dealing with all matters required by the OBCA to be dealt with at an annual meeting of Shareholders, and signed by all the Shareholders entitled to vote at that meeting, satisfies all the requirements of the OBCA relating to that meeting of Shareholders.

TPASC's 2020 Statements were audited by Welch LPP and received an unqualified opinion stating that the financial statements present fairly, in all material respects, the

financial position of the TCHC as at December 31, 2020, and its results of operations, for the year then ended, in accordance with Canadian public sector accounting standards.

The report also responds to City Council's request to report the impact of COVID-19 on the 2020 financial statements as well as any modifications to programs and initiatives to address the pandemic.

RECOMMENDATIONS

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

1. City Council, in its capacity as one of the Shareholders of Toronto Pan Am Sports Centre Inc. adopt and authorize the City Manager to sign the Resolutions of the Shareholders attached as Attachment 1 to this report on behalf of the City that:

a) Financial Statements

The "Toronto Pan Am Sports Centre Inc. 2020 Annual Report, and the "Toronto Pan Am Sports Centre Inc. 2020 Audited Annual Financial Statements", including the auditor's report dated March 26, 2021, forming Attachment 2 and 3 to this Report are received.

b) Appointment of Auditors

Welch LLP are appointed as the Auditor of Toronto Pan Am Sports Centre Inc. for fiscal year 2021, and until the close of the next annual meeting of the Shareholders or until their successors are duly appointed, and the Board of Directors of Toronto Pan Am Sports Centre Inc. authorized to fix the remuneration of the Auditor.

c) Confirmation of Proceedings

All by-laws, contracts, acts, proceedings, appointments, elections and payments of any director or officer of Toronto Pan Am Sports Centre Inc. that were enacted, made, done or taken since the last annual meeting of Shareholders of Toronto Pan Am Sport Centre Inc. are approved, ratified, sanctioned and confirmed.

2. City Council adopt and authorize the City Manager to sign the Resolutions of Shareholders forming Attachment 4 to this Report,

a) Ratifying and approving the 2021 Operating and Capital Budgets of Toronto Pan Am Sports Centre Inc. attached as Schedule A and B to Attachment 4; and

b) Authorizing any two directors or officers to carry out the provisions of the resolutions passed by the Shareholders of Toronto Pan Am Sports Centre.

4. City Council receive the "Toronto Pan Am Sports Centre 2020 Financial Impacts of COVID-19 ", forming Attachment 5 to this Report.

5. City Council direct the City Clerk to forward a copy of the "Toronto Pan Am Sports Centre 2020 Audited Annual Financial Statements", forming Attachment 3 to this Report, to the Audit Committee for information.

FINANCIAL IMPACT

TPASC is a partner corporation and is equally owned with the University of Toronto. TPASC Inc. retains the revenues it generates from the Sports Centre and is responsible for all operating and capital costs associated with the Sports Centre, with the exception of those that are the responsibility of other users pursuant to user agreements or other applicable agreements.

TPASC's 2020 Statements recognize a net operating deficit of \$1.4 million (a decrease of \$0.9 million over 2019), total assets of \$24.0 million (an increase of \$2.6 million over 2019), and total liabilities of \$2.4 million (an increase of \$0.1 million over 2019). The accumulated surplus increased by \$2.5 million in 2020 to \$21.6 million.

In 2020, TPASC received \$1.7 million in government assistance as part of the wage subsidy program. This support flowed directly to TPASC, meeting the program eligibility requirements. TPASC did not require any emergency funding from the City in 2020. Although the COVID-19 pandemic impacted program and facility operations, as detailed in Attachment 5, it is anticipated that revenues will resume once the facility can be safely re-opened.

The 2020 financial results include \$375,000 in license fees payable to Parks, Forestry and Recreation Division (PFR). In addition, TPASC received \$3,022,824 for space cost and field of play recoveries from the City. These amounts were included in the PFR 2020 Council Approved Operating Budget.

All cost recoveries and fees described are included in the Council Approved 2021 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. Further information on TPASC's financial position and results is noted in this report.

DECISION HISTORY

On February 18, 2021, City Council adopted EX21.2 Capital and Operating Budgets and requested the Board of Directors of Build Toronto, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Toronto Community Housing Corporation and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 at their 2020 Annual General Meetings.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

On September 30, 2020, the written resolutions adopted and the receipt of the audited financial statements and reports by City Council by item EX16.19 Toronto Pan Am Sports Centre - Annual General Meeting and 2019 Audited Financial Statements was approved by Council, satisfied the requirements for the previous Annual General Meeting of the Shareholders of Toronto Pan Am Sports Centre.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.19>

ISSUE BACKGROUND

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. (TPASC) 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 94(1) of the OBCA requires that the directors of TPASC call an annual meeting of the Shareholder not later than fifteen months after holding the last preceding annual meeting. The last annual meeting was held by City Council on September 30, 2020. Subsection 154(1) of the OBCA requires the directors to place before each annual meeting of Shareholders, audited Statements for the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting, and for the Shareholders to receive TPASC Inc.'s audited Statements and the report of the auditor at the annual meeting of the Shareholder.

Section 149(2) of the OBCA, requires that the TPASC 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.

Under section 104 of the OBCA, a resolution in writing dealing with all matters required by the OBCA to be dealt with at an annual meeting of shareholders, and signed by all the shareholders, satisfies all the requirements of the OBCA relating to that meeting of shareholders.

Section 38 of the Toronto Pan Am Sports Centre Governance Agreement requires Toronto Pan Am Sports Centre to provide an annual update to City Council, in addition to the requirement of the OBCA to hold an annual general meeting.

COMMENTS

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.

Welch LLP is to be appointed as the Auditor for Toronto Pan Am Sports Centre for fiscal year 2021. The Board of Directors of Toronto Pan Am Sports Centre will fix the annual remuneration of the Auditor.

2. Key Toronto Pan Am Sports Centre Achievements in 2020

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. Both owners have prioritized maintaining the legacy and historical significance of the facility. The Toronto Pan Am Sports Centre Inc.'s 2020 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 2020.

3. Summary – Toronto Pan Am Sports Centre 2020 Audited Financial Statements

Financial Results

This report provides a summary of Toronto Pan Am Sports Centre's 2020 Audited Statements (Attachment 3). For the year ended December 31, 2020, Toronto Pan Am Sports Centre recorded an operating deficit of \$1.409 million.

Highlights of 2020 Financial Results

TPASC's financial results can be summarized as follows:

- Operating deficit driven primarily by the closure of the Centre for the majority of the year due to the provincial closure orders, resulting in decreased revenue streams and increased sanitization costs.
- TPASC received \$1.7 million in government assistance as part of the wage subsidy program.
- TPASC invested \$0.1 million in personal protective equipment for staff.
- Legacy Fund revenues are treated as share capital. In 2020, 10,404 common shares were issued for the proceeds of \$4.3 million.

Statement of Financial Position

The following table summarizes the Statement of Financial Position for Toronto Pan Am Sports Centre as at December 31, 2020, with comparative figures for 2019:

	2020	2019	Increase/ (Decrease)	%
Financial Assets				
Cash	6,205,528	5,281,259	924,269	18%
Portfolio Investments	15,533,074	14,187,561	1,345,513	9%
Accounts Receivable	232,569	295,171	(62,602)	(21%)
Government remittances receivable	33,815	-	33,815	n/a
Total Financial Assets	22,004,986	19,763,991	2,240,995	11%
Liabilities				
Accounts Payable and Accrued Liabilities	1,935,834	1,811,982	123,852	7%
Government Remittances payable	-	4,975	(4,975)	(100%)
Deferred Revenue	508,368	541,256	(32,888)	6%
Total Liabilities	2,444,202	2,358,213	85,989	4%
Net Financial Assets	19,560,784	17,405,778	2,155,006	12%
Non-Financial Assets				
Prepaid Expenses	167,927	191,149	(23,222)	(12%)
Inventory	35,024	39,348	(4,324)	(11%)
Tangible capital assets	1,799,405	1,458,095	341,310	23%
Sub-total	2,002,386	1,688,592	313,764	19%
Accumulated Surplus	21,563,140	19,094,370	2,468,770	13%

Total assets were \$24.0 million, an increase of \$2.6 million (or 12%) compared with the previous year, resulting from:

- Cash: an increase of \$0.9 million due to timing of payments.
- Portfolio Investments: an increase of \$1.3 million due to the annual capital contribution.

Total liabilities were \$2.4 million, an increase of \$0.09 million (or 4%) compared with the previous year, primarily due to timing.

Non-Financial Assets were \$2.0 million, an increase of \$0.3 million (or 19%) compared with the previous year, primarily as a result of \$0.7 million in major capital repairs (betterments) offset by an increase of \$0.3 million in amortization related to prior year additions.

Accumulated Surplus was \$21.6 million, an increase of \$2.5 million (or 13%) resulting from the increase of capital stock issued of \$4.3 million offset by the 2020 net deficit and the net movements in the capital reserve fund.

Statement of Operations

The table below summarizes and compares the operating results for the year ended December 31, 2020, with comparative figures for 2019:

	2020	2019	Increase/ (Decrease)	%
Revenues				
Field of play recoveries	4,700,142	6,271,648	(1,571,506)	-25%
Space Cost recoveries	999,775	1,006,218	(6,443)	-1%
Rental income	885,095	1,465,567	(580,472)	-40%
Fitness centre	546,467	1,770,722	(1,224,255)	-69%
Food and beverage	411,821	1,574,728	(1,162,907)	-74%
Other revenue	381,229	778,937	(397,708)	-51%
Government assistance - wage subsidies	1,723,232	-	1,723,232	n/a
Sub-total	9,647,761	12,867,820	3,220,059	-25%
Expenses				
Facility Operations	8,946,787	10,624,564	(1,677,777)	-16%
Food and beverage	675,899	1,388,464	(712,565)	-51%
License fees	750,000	750,000	-	0%
Amortization	348,397	250,486	97,911	39%
Insurance	216,534	188,708	27,826	15%
Office & Telecommunications	118,866	139,948	(21,082)	-15%
Sub-total	11,056,483	13,342,170	(2,285,687)	-17%
Operating deficit	(1,408,722)	(474,350)	(934,372)	-197%
Capital Reserve Fund				
Investment Income	465,229	391,597	73,632	19%
Management Fees	(50,215)	(46,500)	(3,715)	8%
Major repairs and replacements	(885,027)	(870,381)	(14,646)	2%
Sub-total	(470,013)	(525,284)	55,271	-11%
Accumulated Surplus, beginning of year	19,094,370	15,789,544	3,304,826	
Subtotal	17,215,635	14,789,910	2,425,725	16%
Capital Stock Issued	4,347,505	4,304,460	43,045	1%
Accumulated, surplus end of year	21,563,140	19,094,370	2,468,770	13%

Total revenues in 2020 were \$9.6 million, a decrease of \$3.2 million (or 25%) from the previous year resulting from:

- Field of Play Recoveries: a decrease of \$1.6 million due to no second quarter payments/programming from the City of Toronto or the University of Toronto.
- Rental Income: a decrease of \$0.6 million due to the facility closures and limited access to the Centre.

- Fitness Centre: a decrease of \$1.2 million due to the facility closures and limited access to the Centre. Members were permitted to put their memberships on hold until July 2021 and 40% of members took advantage of this.
- Food and Beverage: a decrease of \$1.2 million due to facility closures and limited programming. This was partially offset by offering curbside pick-up
- Government Assistance: TPASC received \$1.7 million from the federal government for wage subsidies to retain all full-time staff on the payroll.

Total expenses in 2020 were \$11.1 million, a decrease of \$2.3 million (or 17%) over the previous year.

- Facility Operations: a decrease of \$1.7 million primarily due to reduction in part-time staff and lower operating costs as a result of the facility closure.
- Food & Beverage: a decrease of \$0.7 million due to reduced part-time staff and inventory costs from the significantly lower customer volume.
- Amortization: an increase of \$0.1 million due to the full year amortization of prior year asset additions.

TPASC receives "Legacy Fund" contributions from the Shareholders, for the purposes 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 2020, Toronto Pan Am Sports Centre Inc. received Legacy Fund contributions of \$4.3 million (2019 - \$4.3 million), which were converted to capital stock issued for the purposes of financial reporting.

After considering the operating deficit and reserve fund reduction, along with the increased Shareholder contributions, the TPASC Accumulated Surplus increased by \$2.5 million to \$21.6 million as at December 31, 2020.

4. Impact of COVID-19

As part of the City of Toronto 2021 Budget process, City Council requested the Board of Directors of Build Toronto, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Toronto Community Housing Corporation and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 at their 2020 Annual General Meeting.

Toronto Pan Am Sports Centre provided this information in Attachment 5. Management has provided additional commentary on the impact of COVID-19 in Note 11, in the Notes to the Financial Statements Attachment 3.

5. Other Information

Staff are currently exploring opportunities to streamline the reporting requirements and the annual general meetings of all City corporations in future years.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

ATTACHMENTS

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

Attachment 2: Toronto Pan Am Sports Centre Inc. 2020 Annual Report

Attachment 3: Toronto Pan Am Sports Centre Inc. 2020 Audited Annual Financial Statements

Attachment 4: Toronto Pan Am Sports Centre Inc. Resolutions of Shareholders - Approval of Budgets

- Schedule A - Toronto Pan Am Sports Centre Inc., 2021 Operating Budget
- Schedule B - Toronto Pan Am Sports Centre Inc., 2021 Capital Budget

Attachment 5: Toronto Pan Am Sports Centre 2020 Financial Impacts of COVID-19