

Build Toronto - Annual General Meeting and 2021 Audited Consolidated Financial Statements

Date: June 27, 2022

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 Build Toronto (BT) to the City of Toronto (City). No independent review or analysis has been performed by City staff. Management of BT has confirmed all financial information was made available to the auditors for the performance of the audit.

This report 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 Build Toronto, including receipt of its Annual Report and Audited Consolidated Financial Statements (Statements) for 2021 and appointment of the auditor for 2022.

Build Toronto's 2021 Statements were audited by KPMG LLP and received an unqualified opinion stating that the financial statements present fairly, in all material respects, the consolidated financial position of Build Toronto as of December 31, 2021, and its consolidated financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS).

RECOMMENDATIONS

The City Manager and Chief Financial Officer and 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 Build Toronto by:

- a. receiving the "Build Toronto Inc. 2021 Annual Report" Letter to the Shareholder from CreateTO's Chief Executive Officer transmitting the "CreateTO 2021 Performance Report", the "Build Toronto 2021 Audited Consolidated Financial Statements" forming Attachments 1 and 2 to this Report; respectively, and,

b. appointing KPMG LLP as the Auditor of Build Toronto for fiscal year 2022.

2. City Council direct the City Clerk to forward a copy of the "Build Toronto 2021 Audited Consolidated Financial Statements", forming Attachment 2 to this report, to the Audit Committee for information.

FINANCIAL IMPACT

There are no financial implications to the City resulting from the approval of recommendations in this report.

Build Toronto Inc. Corporation has provided City staff with financial summary information, which is provided in this section of the report.

Build Toronto's 2021 Statements recognize a net income and comprehensive income of \$10.7 million (an increase of \$5.1 million over 2020), total assets of \$235.0 million (a decrease of \$13.7 million over 2020), and total liabilities of \$32.8 million (an increase of \$0.6 million over 2020). The value of Build Toronto's real estate inventory decreased by \$5.2 million to \$57.9 million. Shareholder's equity decreased by \$14.3 million in 2021 to \$202.1 million after net income and the \$25.0 million dividend paid to the City of Toronto.

DECISION HISTORY

On July 14, 2021, that portion of the City Council meeting where EX25.9 Build Toronto - Annual General Meeting and 2020 Audited Financial Statements and as Shareholder was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Build Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX25.9>

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>

ISSUE BACKGROUND

City Council authorized the establishment of Build Toronto in 2008 pursuant to section 148 of the City of Toronto Act, 2006, and Ontario Regulation 609/06. Build Toronto was incorporated under the Business Corporations Act (Ontario) (OBCA) on November 13 2008. The City is the sole shareholder.

Subsection 94(1) requires that the Board of Directors of Build Toronto call an annual meeting of its Shareholder by no later than fifteen months after holding the last

preceding annual meeting. The last annual meeting was held by City Council on July 14, 2021. Subsection 154(1) of the OBCA requires that the Shareholder receive the Build Toronto Statements and the Auditor's Report at the annual meeting of the Shareholder.

Section 149(2) of the OBCA requires that the Build Toronto 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 Auditor's fee for the service.

Section 6.6 of the Shareholder Direction to Build Toronto requires Build Toronto to provide an annual update to City Council, in addition to the requirement of the OBCA to hold an annual general meeting.

City-Wide Real Estate Model

On January 1, 2018, the City launched CreateTO, a new agency to lead the City-wide Real Estate Model adopted by City Council in 2017. This new model involves the operational consolidation of both Build Toronto and Toronto Economic Development Corporation (operating under the name Toronto Port Lands Company) through service agreements with CreateTO for real estate advisory services, real estate project delivery services and port lands asset management services.

As a result of the City-wide Real Estate Model, Build Toronto now supports CreateTO to fulfill its mandate. Consequently, going forward Build Toronto will not be generating revenues from its assets but rather looking for new and better ways to use those assets and deliver value to the City (e.g. through the delivery of city-building initiatives such as affordable housing, office optimization, transit-oriented developments, new park space, and supporting City service delivery).

COMMENTS

1. Appointment of Auditor

The City's Auditor General conducts a competitive process to select an external auditor. On June 29, 2020, City Council appointed KPMG LLP as the auditor licensed under the Public Accounting Act, 2004, who is responsible for annually auditing the accounts and transactions of the City and certain of its local boards and expressing an opinion on the financial statements of these bodies based on the audit, as per [AU5.7: Contract Award of Request for Proposal No. 9119-19-7141 \(Doc2038917448\)](#) to KPMG LLP for External Audit Services for the City and Certain of its Agencies and Corporations.

As a result, KPMG LLP is to be appointed as the Auditor for Build Toronto for fiscal year 2022.

2. Key Build Toronto Achievements in 2021

The Letter to the Shareholder from CreateTO's Chief Executive Officer transmits the 2021 CreateTO Performance Report (Attachment 1) which highlights key priorities and activities undertaken by Build Toronto in 2021.

3. Build Toronto 2021 Audited Financial Statements

Build Toronto Inc.'s 2021 Audited Annual Financial Statements can be found in Attachment 2 of this report.

4. 2021 Executive Compensation

In December 2017, City Council adopted a recommendation to amend Build Toronto's Shareholder Direction which directed that Build shall not hire employees, other than its CEO, without the prior consent of CreateTO. Therefore, Build Toronto no longer reports executive compensation as all executives are also officers of and paid by CreateTO.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

ATTACHMENTS

Attachment 1: "Build Toronto Inc. 2021 Annual Report" Letter from CreateTO CEO and CreateTO 2021 Performance Report

Attachment 2: Build Toronto 2021 Audited Consolidated Financial Statements