



STAFF REPORT ACTION REQUIRED

Build Toronto - Annual General Meeting and Audited Annual Financial Statements

Date:	July 30, 2010
To:	Executive Committee
From:	City Manager
Wards:	All
Reference Number:	

SUMMARY

This report recommends the actions necessary to comply with the requirements of the *Business Corporations Act* (Ontario) for holding the 2009 annual general meeting of the shareholder of Build Toronto Inc. including receipt of audited financial statements and appointment of the auditor. This report also recommends that the City Treasurer be authorized to execute a letter of guarantee to assist Build Toronto Inc. to secure continuing participation in the Ontario Municipal Employees Retirement System (OMERS).

RECOMMENDATIONS

The City Manager recommends that City Council:

1. treat the Council meeting at which this report is considered as the 2009 Annual General Meeting of the Shareholder for Build Toronto Inc. by:
 - a. receiving the annual report of Build Toronto Inc., forming Attachment 1 to this report;
 - b. appointing Pricewaterhouse Coopers LLP, Chartered Accountants, as the auditor of Build Toronto Inc. for fiscal year 2010, and authorizing the Board of Directors of Build Toronto to fix the remuneration of such auditor; and
 - c. receiving the report of the Deputy City Manager and Chief Financial Officer, dated July 30th, 2010 "Build Toronto Inc. 2009 Audited Financial Statements", forming Attachment 2 to this report and receiving Build Toronto's 2009 Annual Audited Financial Statements forming Appendix A to that report;

2. forward a copy of Build Toronto's 2009 Audited Annual Financial Statements forming Appendix A to Attachment 2 to this report to the Audit Committee for information; and
3. authorize the Treasurer to execute a letter of guarantee on behalf of the City satisfactory in form to the City Solicitor in favour of OMERS Administration Corporation with respect to a maximum of four consecutive months of obligations owing by Build Toronto arising from its duty to pay employer and employee OMERS contributions during the period ending December 31, 2015.

FINANCIAL IMPACT

The Guarantee by the City can be accommodated from our existing Corporate Guarantee limit, as a result there is no financial implications that would result from the adoption of this report. Should Build Toronto default on the required payments to OMERS, the City would fund up to four months worth of related costs.

DECISION HISTORY

Build Toronto Inc. was incorporated under the Ontario *Business Corporations Act* (OBCA). The City is the sole shareholder. In August 2009, Council approved a Shareholder Direction to Build Toronto which, among other things, sets out the City's objectives relating to Build Toronto, and establishes governance principles and accountability and reporting requirements for Build Toronto Inc.

Implementation Report #2: New Model to Enhance Toronto's Economic Competitiveness (<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-21479.pdf>)

Appendix A - Build Toronto Shareholder Direction (<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-21480.pdf>)

Technical amendment to Shareholder Direction for Build Toronto - Report from the City Manager (EX33.1a) (<http://www.toronto.ca/legdocs/mmis/2009/cc/bgrd/backgroundfile-22587.pdf>)

ISSUE BACKGROUND

This report deals with Build Toronto Inc.'s first annual shareholder's meeting since incorporation in November 2008, and assistance to Build Toronto through the provision of a letter of guarantee until the end of 2015 to satisfy OMERS's request for security with respect to four (4) months of employer/employee contributions.

COMMENTS

The shareholder's review of Build Toronto's 2009 Annual Audited Financial Statements is set out in the report of the Deputy City Manager and Chief Financial Officer, which is attached to this report as Attachment 2 and which should be considered part of the agenda of the Annual General Meeting.

OMERS Letter of Guarantee

Since November 1, 2009, Build Toronto has participated in OMERS as an associated employer under paragraph 6(1)1 of the *OMERS Act, 2006*. As such, Build Toronto is responsible for fulfilling all of the employer duties under the Act which includes remitting employer and employee contributions before the last day of the month following the month to which the contributions are attributable. The OMERS Administration Corporation requires all associated employers, including Build Toronto, to furnish financial security equal to four months of projected employer and employee contributions through an annual letter of credit. However, in place of a letter of credit, OMERS will accept a letter of guarantee from the City of Toronto.

Until such time as Build Toronto develops its asset base and income flow, and given the costs required to furnish an annual letter of credit, a letter of guarantee provided by the City for an initial five-year period (*i.e.*, to December, 2015) is a viable option for Build Toronto. The required letter of guarantee would cover up to four months of projected employer and employee contributions for Build Toronto which are estimated to be in the range of \$200,000. Essentially, through the letter of guarantee, the City of Toronto would be guaranteeing that in the unlikely event that Build Toronto fails to remit its required contributions, the City of Toronto would make a payment equal to four months of contributions due to OMERS, within 10 business days of a request from OMERS.

Regulation Changes

Within Build Toronto's annual report, there is mention of a number of Provincial regulation changes needed to ensure that Build Toronto can operate effectively. In February 2010, the Mayor formally asked the Premier of Ontario for a number of such changes. One such change is to amend *Ontario Regulation 609/06* under the *City of Toronto Act* to exempt lands transferred from the City to Build Toronto, and its subsidiary corporations, from taxation and assessment until after development is completed. Under the current regulation, properties currently held by the City that are not taxable, would become taxable once title is transferred to Build Toronto. This is a significant barrier to realizing the potential on these lands. The City Manager's Office is working with Provincial staff to resolve all of the matter mentioned in the Build Toronto report.

Loan Guarantees

Build Toronto has requested that the City provide loan guarantees. This is the subject of a separate report from the Deputy City Manager and Chief Financial Officer on the same agenda.

CONTACTS

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SIGNATURE

Joseph P. Pennachetti
City Manager

ATTACHMENTS

Attachment 1: Build Toronto 2009 Annual Report

Attachment 2: Report of Deputy City Manager and Chief Financial Officer dated July 30th, 2010, "Build Toronto Inc. 2009 Audited Financial Statements"

Appendix A 2009 Audited Annual Financial Statements of Build Toronto