



STAFF REPORT ACTION REQUIRED

Toronto Community Housing Corporation – Annual Shareholder Meeting, Audited Financial Statements, and Related Matters

Date:	May 9, 2011
To:	Executive Committee
From:	City Manager
Wards:	All
Reference Number:	To be considered along with report from the City's Lobbyist Registrar

SUMMARY

This report recommends the actions necessary to comply with the requirements of the *Business Corporations Act (Ontario)* ("OBCA") for holding an annual shareholder meeting for Toronto Community Housing Corporation (TCHC), including receipt of the 2009 financial statements and auditor's report, and appointment of the auditor. It is intended that the appointment of the new board of directors will also be considered at the June 14 Council meeting. Reports will be forthcoming from the Striking Committee, the TCHC Nominating Committee, and from TCHC with the results of the tenant election process.

Two other matters arising from the March 9, 2011 Council meeting concerned the lobbyist registry and the shareholder direction. A separate report from the City's Lobbyist Registrar deals with Council's request for the short-term and should be considered concurrently with this report that deals with the policy issue and longer term solution. Finally, Council also requested that the City Manager review and recommend amendments to the TCHC Shareholder Direction. Staff will consult with the new Board of Directors once they are appointed before bringing the report forward to the Executive Committee and Council for approval.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council treat the part of the Council meeting at which this report is considered as the annual shareholder meeting for Toronto Community Housing Corporation (TCHC) and:
 - (a) approve the minutes of the previous annual shareholder meeting held on November 5, 2009 (Attachment 1 to this report);
 - (b) receive TCHC's 2009 Audited Annual Consolidated Financial Statements for the period ending December 31, 2009, and the auditor's report thereon dated March 19, 2010, forming Appendix A to Attachment 2 to this report and forward a copy to the City's Audit Committee for information;
 - (c) appoint PriceWaterhouseCoopers LLP, Chartered Accountants, as TCHC's auditor until the next annual shareholder meeting at the fee provided therefor in the City's agreement with that firm;
2. City Council receive the report of the Deputy City Manager and Chief Financial Officer, dated March 24, 2011 "Toronto Community Housing Corporation - Financial Statements", forming Attachment 2 to this report;
3. City Council authorize the City Manager to discuss with the provincial government legislative changes to allow the City to require the registration and public disclosure of lobbying activity with corporations owned by the City or corporations owned by the TTC, and with any wholly-owned subsidiary corporations of these corporations.

Financial Impact

There will be no financial impacts to the City or TCHC as a result of adoption of the recommendations in this report.

Once legislation is in place to provide authority for the City to enforce lobbyist registration for communications with all of the City's and TTC's corporations, there will be costs associated with updating the system as well as staffing implications. These will be addressed in a future report, once the legislation is in place.

The Deputy City Manager and Chief Financial Officer has reviewed TCHC's 2009 financial statements and his summary and comments are contained in Attachment 2 to this report.

Equity Impact Statement

There are no equity considerations in conducting the annual shareholder meeting.

ISSUE BACKGROUND

Council Decision of March 9, 2011

At its meeting of March 9, 2011 (Item CC6.1), City Council adopted a number of recommendations concerning the governance of TCHC, including:

- (a) removal of the previous Board of Directors, appointment of an interim Managing Director, and direction to recruit new board members for appointment by Council in June 2011.
- (b) review of the Shareholder's Direction to TCHC to ensure that adequate accountability mechanisms are in place;
- (c) that TCHC be requested to immediately post on its web site all expense records of all TCHC board members and staff whose salaries exceed \$100,000;
- (d) that TCHC be requested to immediately review its procurement policies and practices and, during the period of review, any and all purchases greater than \$1,000 require Board approval;
- (e) that TCHC be requested to post on its web site any and all meetings between the Director of the interim board and lobbyists; and
- (f) that the City's Lobbyist Registrar report to the Executive Committee, in consultation with the City Solicitor, on the ability to implement a Lobbyist Registry at TCHC.

Annual Shareholders' Meeting

On November 3, 2010, TCHC submitted the 2009 audited financial statements for the annual general meeting of the shareholder. The 2010 audited financial statements have not yet been received.

COMMENTS

2009 Annual Shareholders' Meeting

The OBCA requires that a corporation's annual shareholder meeting be held not later than 15 months after the date of the last preceding annual meeting. TCHC's previous annual shareholder meeting, at which its 2008 financial statements were considered, was held on November 5, 2009. Attachment 1 to this report consists of the minutes of that meeting, which took place as a separate event rather than at a Council meeting.

TCHC's Board of Directors approved its 2009 Audited Annual Consolidated Financial Statements at its meeting held on June 29, 2010 and submitted them to the City on November 3, 2010. TCHC's 2009 Annual Report to the Shareholder has not been provided. The Deputy City Manager and Chief Financial Officer has reviewed TCHC's

2009 financial statements and the associated auditor's report from Ernst & Young, and his summary and comments are contained in Attachment 2 to this report.

Following the City's Request for Proposals 9171-09-7137 for external audit services for itself and its major agencies, boards and commissions, including TCHC, City Council on February 22 and 23, 2010, (Item AU15.3) authorized the engagement of PriceWaterhouseCoopers LLP for external audit services for fiscal years 2010 through 2014 inclusive for TCHC.

Appointment of Replacement Board of Directors

Advertising for the seven citizen vacancies on the Toronto Community Housing Corporation Board of Directors took place on March 29 in the Globe and Mail, on the City's web site, on the Maytree Foundation DiverseCity onBoard program web site and with distribution to over two dozen agencies, groups, associations and networks by staff in the City Manager's and the Equity, Diversity and Human Rights Offices. The application period closed on April 15, with 330 applications received. A Corporations Nominating Panel has been appointed and will be shortlisting candidates and holding interviews to recommend a slate of seven citizens including a Chair, as well as two alternates.

The TCHC Board includes two tenant representatives elected by TCHC's tenants pursuant to a process developed by the tenants and approved by City Council. This process was approved by City Council as Clause 23, Policy and Finance Committee Report No. 2, at its meeting held on March 1, 2 and 3, 2004. At the conclusion of the tenant election process, the two tenants with the most votes received from TCHC tenant representatives will be nominated for appointment by Council to the TCHC Board. The tenant candidates receiving the third and fourth most votes will be nominated as alternates to be considered by Council in the event of tenant vacancies on the Board. This process is expected to be completed at the end of May.

The Striking Committee will be meeting on May 31 to consider the appointment of Councillors to the TCHC Board.

The nominations from all of the above three processes are to be considered together by Council at its meeting to be held on June 14 and 15, 2011.

Lobbyist Registration

The *City of Toronto Act, 2006* sets out a scheme for the regulation of lobbying by requiring persons who lobby public office holders to register and disclose information to the public regarding their lobbying activities. Public office holders are defined in the *Act*, and include Council members and City employees, as well as board members and employees of City agencies subject to some restrictions.

The *Act* does allow the City to also designate as public office holders the members it appoints to the boards of City corporations such as TCHC. However, staff are employees

of the corporations, not the City, and the City lacks the legislative authority to designate employees of these corporations as public office holders. Shareholder Directions are used to provide direction to the City's corporations and they cannot be used to regulate persons who lobby public office holders.

From a policy perspective, a consistent approach should be taken with respect to all City corporations, such that TCHC and all other City-owned corporations, TTC corporations, and the wholly-owned subsidiaries of any of these corporations, are treated the same way in terms of lobbying registration requirements.

From an administrative perspective, most purchasing and business activity takes place at the staff level. Designating only board members as public office holders would have only a minor impact and not really address the broader issue. It may also be difficult for the public and the lobbying community to draw that distinction.

Changes to provincial legislation would resolve issues around legislative authority and allow for a more consistent and comprehensive approach. It is proposed that the City Manager discuss with the provincial government the legislative changes necessary.

Other Matters Arising From Council's Decisions of March 9, 2011

A revised Shareholder Direction to TCHC is being drafted by City staff. It is intended that this document be discussed with TCHC staff and the new Board of Directors following their appointment and reported to Executive Committee following that dialogue. While TCHC's concurrence is not required for changes to this document, consultation on the matter will serve as an orientation for the new board and will result in directions that are workable within the TCHC operating environment.

TCHC has begun posting employee and Board expense reports and receipts on a monthly basis effective March 2011 on its web site at <http://www.torontohousing.ca/expenses>. This page also includes links to TCHC's new Employee Expense Guidelines (approved March 15, 2011), Employee Code of Conduct (approved July 2002 and effective September 1, 2003), Board Reimbursement Policy (approved October 2007) and Board Code of Conduct (approved March 2003).

City Council requested the TCHC Board to immediately review its procurement policies and practices and, that during the period of review, any and all purchases greater than \$1,000 require Board approval. TCHC staff had estimated that over 5,000 separate purchases would occur during the three months the interim board is to be in place that would require Board approval. The Managing Director has instituted a practice of a weekly review of expenditures of \$5,000 or more with the Interim Chief Executive Officer.

City Council also requested that TCHC post on its website information concerning any and all meetings between the Managing Director and lobbyists. It was determined after discussion with the City that TCHC would not be able to use the City's Lobbyist Registry but would need to build its own process instead. The Toronto Community Housing

Lobbyist Registry is web-based and can be found at http://www.torontohousing.ca/lobbyist_registry. The site launched on April 20th and the first report was published on May 5th.

Several aspects of the process and documentation for the TCHC Lobbyist Registry are aligned with that of the City, including the definition of "lobbyist", Code of Conduct, and legal disclaimers. When an individual requests a meeting with the Managing Director, and that individual is determined to be a lobbyist, they are directed to the site to download a registration package. Lobbyists must complete and return the signed package before meeting with the Managing Director. A simple report that outlines all meetings between lobbyists and the Managing Director is then posted on the TCHC Lobbyist Registry website. The report is updated as new information becomes available.

CONTACT

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SIGNATURE

Joseph P. Pennachetti, City Manager

ATTACHMENTS

Attachment 1: Minutes of Annual Shareholder's Meeting held on November 5, 2009

Attachment 2: Report of the Deputy City Manager and Chief Financial Officer dated March 24, 2011 entitled "Toronto Community Housing Corporation – Financial Statements"

Appendix A: 2009 TCHC Audited Annual Consolidated Annual
Financial Statements and Auditor's Report