



**STAFF REPORT
ACTION REQUIRED
With Confidential Attachment**

**Build Toronto - Annual General Meeting and Audited
Annual Financial Statements 2013**

Date:	May 12, 2014
To:	Executive Committee
From:	City Manager
Wards:	All
Reason for Confidential Information:	This report deals with personal matters about an identifiable person.
Reference Number:	

SUMMARY

This report recommends the actions necessary to comply with the requirements of the *Business Corporations Act* (Ontario) for holding the 2013 Annual General Meeting of the shareholder of Build Toronto Inc. including receipt of the 2013 Audited Financial Statements and appointment of the auditor for 2014. This report also transmits documents from Build Toronto Inc. to City Council disclosing the compensation of executive officers employed by the Corporation in 2013.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council treat that portion of the Council meeting at which this report is considered as the 2013 Annual General Meeting of the Shareholder for Build Toronto Inc. by:
 - a. Receiving the Build Toronto Financial Report to the Shareholder, which includes the 2013 Audited Financial Statements, as Attachment 1 to this report;
 - b. Re-appointing Pricewaterhouse Coopers LLP, Chartered Accountants, as the Auditor of Build Toronto Inc. for fiscal year 2014, and authorizing the Board

of Directors of Build Toronto Inc. to fix the remuneration of such Auditor;
and

- c. Receiving the report of the Deputy City Manager and Chief Financial Officer titled "Build Toronto Inc. - 2013 Audited Financial Statements," Attachment 2 to this report.
2. City Council forward a copy of the Build Toronto Financial Report to the Shareholder, which includes 2013 Audited Financial Statements, Attachment 1 to this report, to the Audit Committee for information.
3. City Council receive the information of Attachment 3 concerning executive compensation disclosed with consent in this report for information.
4. City Council receive the information in Confidential Attachment 4 to the report; and it be kept confidential in their entirety after the consideration of this report by Council for reasons of personal information about an identified individual.

Financial Impact

In 2013, Build Toronto paid an interim dividend to the City of \$10.0 million from its 2012 operations. This dividend was declared in advance of Build Toronto's 2012 Annual General Meeting, but appears in their 2013 Audited Financial Statements which is included in Attachment 1 of this report.

Build Toronto declared a net loss of \$2.1 million in 2013, compared to a \$38.8 million net profit in 2012. As of December 31, 2013, the Corporation's total assets were \$274.5 million, a 6.6% decrease compared to the previous year-end. Further, total shareholder equity was \$215.4 million at year-end 2013, a decrease of 5.8% compared to year-end 2012.

The Deputy City Manager and Chief Financial Officer has reviewed Build Toronto's 2013 financial statements and his comments are contained in Attachment 2 to this report.

DECISION HISTORY

At its meeting on July 11, 12 and 13, 2012, City Council required that the 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 the executives for such disclosure ([EX21.19: Executive Compensation 2011 for City Agencies and Corporations](#)).

At its meeting on July 16, 17, 18 and 19, 2013, City Council adopted the City Manager's report on Build Toronto's 2012 Annual General Meeting. Attached to the report were Build Toronto's Annual Report and a report from the Deputy City Manager and Chief Financial Officer on the Company's Audited Financial Statements ([EX33.8: Build Toronto - Annual General Meeting and Audited Annual Financial Statements 2012](#)).

At its meeting of on July 16, 17, 18 and 19, 2013, City Council appointed eight citizen members to the Board of Build Toronto, none of whom were incumbents ([CC37.16: Appointment of Citizens to the Board of Directors of Build Toronto Inc.](#)).

At its meeting of October 8, 9, 10 and 11, 2013, City Council received for information a report on the recruitment of Build Toronto's new Chief Executive Officer ([CC39.4: Build Toronto Chief Executive Officer Recruitment](#)).

At its meeting on November 13, 14, 15 and 18, 2013, City Council adopted a recommendation to remove two City staff positions from the Board of Build Toronto ([CC41.1: Composition of the Board of Directors of Build Toronto](#)).

ISSUE BACKGROUND

Build Toronto Inc. was incorporated under the *Business Corporations Act* (Ontario) in 2008. The City is the sole shareholder. The mandate of Build is to unlock the value of underutilized lands and use the available City and agency land base to attract targeted industries, stimulate the creation of desirable employment and regenerate neighbourhoods. This is Build Toronto Inc.'s fifth Annual Shareholder's Meeting since incorporation.

COMMENTS

In 2013, Build Toronto engaged in a variety of real estate activities to generate both financial returns and lead 'City-Build' initiatives for the City. While these activities will yield financial returns in the longer term when properties are brought to market, financial returns in the year 2013 are limited compared to prior years. Build Toronto declared a net loss of \$2.1 million in 2013, compared to \$38.8 million net profit in 2012. As highlighted in their Financial Report to the Shareholder, the Corporation attributes the loss to a lack of sale-ready sites and a slowing land market, resulting in \$1.3 million profit from sale transactions in 2013 (from bonus payments related to prior year sales) compared to \$39.6 million profit in 2012. Given that real estate development is a cyclical industry, many of the Corporation's projects take many years to bring to market, and past activities have significantly increased the shareholder's equity, City staff view the 2013 operating loss as a temporary set-back in Build Toronto's history. Further, City staff had been seeking regulatory changes to remove accounting and property tax requirements related to property transfers, and will resume this effort after the Provincial election.

Build Toronto also underwent significant change in its Board and senior management in 2013. In July, City Council appointed eight new citizen members to the Board of Directors for Build Toronto, as the previous Board term had expired. None of the appointed citizen members were incumbents. In November, Council approved a recommendation to remove two City staff positions on the Board. There was no change in 2013 to the three Build Toronto Director positions that are Members of Council and appointed by Council. These include Councillor Ford (as the Mayor's designate),

Councillor Thompson (as Chair of Council's Economic Development Committee) and Councillor Milczyn (as Chair of Council's Planning and Growth Management Committee). In addition, William (Bill) Bryck was recruited as Build Toronto's new President and Chief Executive Officer through a process reported to Council in October.

Changes in management have provided an opportunity for the organization to review its four-year history and identify changes for its future, as reported in the letter from Build Toronto's Chair and President/CEO in the Financial Report to the Shareholder, included in Attachment 1 of this report. These changes include:

- Developing a stronger relationship with City staff and Council,
- Adopting a more collaborative approach with Build Toronto's stakeholders,
- Developing an affordable housing strategy in consultation with the City's Affordable Housing Office,
- Effectively communicating Build Toronto's City-Building activities,
- Bringing more sites to market and out of the planning stage,
- Adjusting overhead and organizational structure to reflect the changing business environment, and
- Evolving in a direction that brings Build Toronto closer to the goals laid out in the 2009 Shareholder Direction.

Build Toronto is also working with the City on a dividend policy to clarify conditions and expectations related to payment of dividends to the shareholder.

The shareholders review of Build Toronto's 2013 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.

Build Toronto Inc. is disclosing information concerning executive compensation for senior staff and providing analysis in Attachment 3 of this report as per request from City Council. The protection of individual privacy is required by the *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA). Specific compensation data of individual executives is private information under MFIPPA.

Build Toronto Inc. has indicated that former and current members of the senior management team have consented to the release of the information contained in Attachment 3, unless otherwise indicated, in order to enable the City Manager to publically disclose the information on the public agenda. The Corporation has considered the privacy impacts of the disclosure under MFIPPA and has provided assurances to the City that there is no unauthorized release of personal information protected under the legislation.

One member of the Build Toronto's 2013 senior management team has since left the Corporation. That individual's consent to publically disclose compensation information was not given. As such, the compensation information for this individual is included in confidential Attachment 4 of this report.

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SIGNATURE

Joseph P. Pennachetti
City Manager

ATTACHMENTS

Attachment 1: Build Toronto Financial Report to the Shareholder (May 9, 2014)

Attachment 2: Report of the Deputy City Manager and Chief Financial Officer titled
"Build Toronto Inc. - 2013 Audited Financial Statements"

Attachment 3: Build Toronto - 2013 Executive Compensation Disclosure and Analysis
Disclosed with Consent

Confidential Attachment 4: Build Toronto – 2013 Executive Compensation Disclosure
and Analysis for Former Executive