



## STAFF REPORT ACTION REQUIRED

### Toronto Port Lands Company – Annual General Meeting and Audited Annual Financial Statements 2013

<b>Date:</b>	May 12, 2014
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager
<b>Wards:</b>	City-Wide
<b>Reference Number:</b>	

#### SUMMARY

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This report recommends the actions necessary to comply with the requirements of the Business Corporations Act (Ontario) for holding the Annual General Meeting of the Shareholder of City of Toronto Economic Development Corporation operating under the name of Toronto Port Lands Company (TPLC), including receipt of its Annual Report and Audited Annual Financial Statements for 2013, and appointment of the Auditor.

This report also transmits information from TPLC to City Council disclosing the individual compensation of executive officers employed by the corporation in 2013.

#### RECOMMENDATIONS

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**The City Manager recommends that:**

1. City Council treat that portion of the Council meeting at which this report is considered as the Annual General Meeting of the Shareholder for Toronto Port Lands Company (TPLC) by:
  - a. Receiving TPLC's annual report titled "City of Toronto Economic Development Corporation, Operating as Toronto Port Lands Company (TPLC) 2013 Annual Report: Achievements and Results", set out in Attachment 1 to this report;

- b. Appointing Pricewaterhouse Coopers LLP, Chartered Accountants, as the Auditor of TPLC for fiscal year 2014, and authorizing the Board of Directors of TPLC to fix the remuneration of such Auditor;
  - c. Receiving the Board's 2013 audited financial statements, titled "City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company Consolidated Financial Statements December 31, 2013", set out in Attachment 2 to this report.
2. City Council forward a copy of "City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company Consolidated Financial Statements December 31, 2013", Attachment 2 to this report, to the Audit Committees for information.
3. City Council receive for information the information concerning TPLC executive compensation disclosure, set out in Attachment 3 to this report.

## **Financial Impact**

There is no financial impact from the adoption of the recommendations of this report.

For the year ended December 31, 2013, TPLC recorded a net income of \$1.9 million. TPLC also saw a \$1.8 million increase in the shareholder's equity which stood at \$367.0 million at the end of 2013. A summary and analysis of TPLC's 2013 Audited Financial Statements is provided in the Comments section of this Report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact statement.

## **DECISION HISTORY**

The current Shareholder Direction to the City of Toronto Economic Development Corporation is dated November 13, 2008. The Shareholder Direction reflects amendments authorized by City Council at its meeting on October 29 and 30, 2008 in EX24.1. A link to the Shareholder Direction is on the City's TPLC web site.

[TEDCO \(TPLC\) Shareholder Direction](#)

At its meeting on July 11, 12 and 13, 2012, City Council in EX21.19 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.

[Executive Compensation 2011 for Agencies and Corporations](#)

At its meeting on June 11, 12 and 13, 2013, City Council in EX 32.6 adopted the City Manager's report on Toronto Port Lands Company's Annual General Meeting. Attached to the report were Toronto Port Lands Company's Annual Report and a report from the Deputy City Manager and Chief Financial Officer on the Company's Audited Financial Statements.

[TPLC AGM and Audited Financial Statements 2012](#)

## **ISSUE BACKGROUND**

The City of Toronto Economic Development Corporation (TEDCO) was incorporated in 1986 under the Business Corporations Act (Ontario), operating under the business name of the Toronto Port Lands Company (TPLC) as directed by City Council's in August 2009. An annual meeting of the shareholder is a requirement of the Act. City Council is the sole shareholder.

The mandate of TPLC is to hold, lease, manage and maximise revenues from Port Lands properties awaiting future development by Waterfront Toronto. TPLC is a key player in the revitalization of the Port Lands along with the City of Toronto, Waterfront Toronto and the Toronto Region Conservation Authority (TRCA).

Section 6.2 of the Shareholder Direction requires TPLC to deliver its audited consolidated annual financial statements to the Shareholder within 120 days of its fiscal year end which is December 31. These documents are filed with the City Clerk's Office. This report provides a summary of the 2013 Consolidated Financial Statements for TPLC and its wholly-owned active subsidiary, Arrowhead New Toronto East Inc.

In addition, TPLC has complied with City Council's request to agencies and corporations to provide individual executive compensation information as permitted by law along with the submission of its Annual Report and Audited Annual Financial Statements.

## **COMMENTS**

### **1. SUMMARY – TPLC 2013 AUDITED FINANCIAL STATEMENTS**

#### **CONSOLIDATED FINANCIAL RESULTS**

##### **Highlights of 2013 Financial Results**

- Net income was \$1.91 million, a decrease of \$39.0 million (or -95%) compared with last year. The difference is almost entirely related to the 2012 non-recurring \$38.7 million gain on the sale of the Corus Quay building.
- Financial support totalling \$3.9 million was provided to Invest Toronto Inc. and the Incubator Program at the City's Economic Development and Culture Division.

## Balance Sheet

The following table summarises TPLC's Consolidated Balance Sheet as at December 31, 2013, with comparative figures for 2012.

### Consolidated Balance Sheet

	As at December 31		2013 v/s 2012
	2013	2012	Increase/(Decrease)
<b>Assets:</b> Current assets Non-current / asset held for sale <b>Total assets</b>	(\$ million)		
	31.890	44.677	(12.787)
	351.366	337.584	13.782
	<b>383.255</b>	<b>382.261</b>	0.994
	<b>Liabilities:</b> Current liabilities Non-current / liabilities related to asset held for sale <b>Total liabilities</b> <b>Shareholder's equity</b> <b>Total liabilities &amp; shareholder's equity</b>	7.845	8.468
8.363		8.538	(0.175)
<b>16.209</b>		<b>17.006</b>	(0.798)
<b>367.046</b>		<b>365.254</b>	1.792
<b>383.255</b>		<b>382.261</b>	0.994

Total assets were virtually unchanged at \$383.3 million; although current assets declined, non-current assets increased by \$5.8 million and assets held for sale increased by \$8.0 million – pursuant to Council direction, a property designated for transfer to Build Toronto was reclassified as asset held for sale by TPLC management.

Total liabilities were also virtually unchanged.

Shareholder's equity was \$367.0 million, an increase of \$1.8 million as a result of the above changes.

## Statement of Net and Comprehensive Income

The table below summarizes the results for the year 2013 with comparative figures for 2012.

### Summary Statement of Net and Comprehensive Income (Loss)

	For year ended December 31		2013 v/s 2012
	2013	2012	Increase/(Decrease)
	(\$ millions)		
Revenue from investment properties	15.968	19.021	(3.053)
Investment property operating expense	6.857	8.123	(1.267)
<b>Net property income</b>	<b>9.112</b>	<b>10.898</b>	<b>(1.786)</b>
<b>Expenses</b>			
General & administrative, environmental	3.560	3.751	(0.190)
Amortization	1.573	1.580	(0.006)
<b>Operating expenses</b>	<b>5.134</b>	<b>5.331</b>	<b>(0.197)</b>
<b>Income before the following</b>	<b>3.978</b>	<b>5.567</b>	<b>(1.589)</b>
<b>Other income/(expenses)</b>			
Non-recurring income	1.076	0.000	1.076
Incubator program funding	(1.355)	(1.346)	(0.009)
Invest Toronto Inc. grant	(2.525)	(2.472)	(0.053)
Interest, net	0.618	(0.508)	1.127
Gain on sale of investment properties	0.121	39.632	(39.510)
<b>Net income &amp; comprehensive income</b>	<b>1.913</b>	<b>40.873</b>	<b>(38.959)</b>
Retained earnings – beginning of year	365.254	368.186	(2.931)
Contributed Surplus	0.000	0.000	0.000
Distribution to Shareholder	0.000	(40.000)	40.000
Transfer of assets to Build Toronto Inc. (BTI)	0.000	(2.904)	2.904
Reserve for future transfer of assets to BTI	(0.121)	(0.900)	0.779
<b>Retained earnings – end of the year</b>	<b>367.046</b>	<b>365.254</b>	<b>1.792</b>

The sale in 2012 of the property at 25 Dockside Drive (Corus Quay) had a significant impact on TPLC's income and expenses in 2013.

In summary:

- Net property income was \$9.1 million in 2013 as compared to \$10.9 million in 2012. Excluding the net property income associated with Corus Quay in 2012, net income marginally increased in 2013.
- The \$1.1 million improvement in net interest income in 2013 was a result of a decrease in interest expenses associated with the Corus Quay operations.
- The gain on sale of investment properties was \$0.1 million as compared to a gain of \$39.6 million in 2012 from the sale of Corus Quay (\$38.7 million) and additional proceeds (\$0.9 million) from the sale of the Midland and St. Clair property (originally sold in 2008).
- In addition, \$1.1 million (non-recurring income) was received in 2013 upon early termination of a lease.
- Net income for 2013 was \$1.9 million, a decrease of \$39.0 million over 2012. For comparative purposes, net income in 2012 was \$1.1 million excluding income related to the Corus Quay operation.

## SUBSEQUENT EVENTS

TPLC agreed to terminate a portion of an agreement that had granted Rose Corporation Option Inc. the option to develop certain lands within TPLC properties. The termination provides TPLC the ability to develop the land at its discretion and realize associated benefits. The transaction closed on February 5, 2014, and TPLC paid \$8.0 million for the termination.

## 2. KEY TPLC INITIATIVES IN 2013

In 2013, TPLC continued to manage its Port Lands assets and initiatives through more than 70 tenants and hundreds of short term licenses, as set out in the 2013 Annual Report: Achievements and Results (Attachment 1). Highlights include:

**TO 2015 Pan Am Games:** In 2013, TPLC concluded agreements for utilities and services for the Pan Am Games facilities and is currently working on a memorandum of understanding with respect to property needs and venues.

**Pinewood Studios Expansion:** In 2013, Pinewood Toronto Studios announced a 30,000 square foot addition of three new state-of-the-art sound stages to its complex just south of Commissioners Street on adjacent Option lands. TPLC completed a long-term lease agreement with tenant Pinewood Toronto Studios to permit Pinewood's expansion.

**Essroc Relocation:** As part of the consolidation strategy to relocate concrete and aggregate companies to the eastern Port Lands, TPLC has been working with Essroc as well as the Toronto Port Authority and Waterfront Toronto, to move the cement producer from its current Cherry Street location to a new site just north of the Ship Channel alongside other like companies. Construction commenced in 2013.

**Property Acquisition:** During the year, the Corporation acquired an investment property at 450 Commissioners Street, Toronto, Ontario from Toronto Hydro for \$234,779 as a strategic investment. This surplus property has been added to the Corporation's portfolio of income-producing properties.

**Infrastructure Investment:** As part of its strategy to ensure infrastructure capacity in the Port Lands, the corporation negotiated complex cost-sharing and operating agreements with CN, the City of Toronto, and Toronto Port Authority in 2013 to provide and oversee rail service in the Port Lands.

### **3. EXECUTIVE COMPENSATION**

Toronto Port Lands Company is disclosing information concerning executive compensation for senior staff as requested by City Council. Executive compensation information for 2013 and 2012 is provided in Attachment 3 of this report.

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.

Toronto Port Lands Company has indicated that current members of the senior management team have consented to the release of the information contained in Attachment 3 in order to enable the City Manager to publicly disclose the information in reporting to City Council as the Shareholder. 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.

### **CONTACT**

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## **SIGNATURE**

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Joseph P. Pennachetti  
City Manager

## **ATTACHMENTS**

- Attachment 1: "City of Toronto Economic Development Corporation, Operating as Toronto Port Lands Company (TPLC) 2013 Annual Report: Achievements and Results"
- Attachment 2: "City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company Consolidated Financial Statements December 31, 2013"
- Attachment 3: Toronto Port Lands Company: Executive Compensation Disclosure