



STAFF REPORT ACTION REQUIRED

Toronto Port Lands Company – Annual General Meeting and 2014 Audited Financial Statements

Date:	May 8, 2015
To:	Executive Committee
From:	City Manager and Deputy City Manager & Chief Financial Officer
Wards:	City-Wide
Reference Number:	

SUMMARY

This report contains recommendations for 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 as Toronto Port Lands Company (TPLC), including receipt of its Annual Report for 2014 and audited Consolidated Financial Statements December 31, 2014, and appointment of the Auditor for 2015.

This report also contains recommendations for receipt at the Annual General Meeting of the Shareholder of information disclosing the individual compensation of executive officers employed by TPLC in 2014.

RECOMMENDATIONS

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 by:
 - a. Appointing Pricewaterhouse Coopers LLP, Chartered Accountants, as the Auditor of Toronto Port Lands Company for fiscal year 2015, and authorizing the Board of Directors of Toronto Port Lands Company to fix the Auditor's remuneration;

- b. Receiving the "City of Toronto Economic Development Corporation, Operating as Toronto Port Lands Company (TPLC), 2014 Annual Report: Achievements and Results", forming Attachment 1 to this Report;
 - c. Receiving the 2014 audited financial statements, titled "City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company, Consolidated Financial Statements December 31, 2014", forming Attachment 2 to this Report; and
 - d. Receiving the information concerning "Toronto Port Lands Company: Executive Compensation Disclosure 2014", forming Attachment 3 to this Report.
2. City Council direct the City Clerk to forward a copy of "City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company, Consolidated Financial Statements December 31, 2014", forming Attachment 2 to this Report, to the Audit Committee for information.

FINANCIAL IMPACT

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

DECISION HISTORY

At its meeting on July 11-13, 2012, City Council in EX21.19 required 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. City Council in EX21.19 also required that individual variable pay remuneration (one-time lump sums) not exceed 25% of an executive's base salary.

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

That portion of the City Council meeting on June 10-13, 2014, where EX42.11, was approved by Council, was considered the previous Annual General Meeting of the Shareholder for TPLC and the 2013 Consolidated Financial Statements were received.

[TPLC – Previous Annual General Meeting of the Shareholder](#)

ISSUE BACKGROUND

The City of Toronto Economic Development Corporation (TEDCO) was incorporated in 1986 under the *Business Corporations Act* (Ontario) (OBCA), and operates with a revised mandate under the business name Toronto Port Lands Company (TPLC), as

directed by City Council at its meeting on August 5 and 6, 2009. The City is the sole shareholder.

Subsection 154 (1) of the OBCA requires that the Shareholder receive TPLC's audited annual financial statements and the report of the auditor at the annual meeting of the Shareholder. Subsection 94 (1) requires that the directors of TPLC call an annual meeting of its Shareholder by no later than fifteen months after holding the last preceding annual meeting.

Section 149 (2) of the OBCA requires that TPLC's 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 directors to fix the auditor remuneration.

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 2014 Consolidated Financial Statements for TPLC and its wholly-owned active subsidiary, Arrowhead New Toronto East Inc.

COMMENTS

1. APPOINTMENT OF AUDITOR

The City's Auditor General from time-to-time conducts a competitive process to select an external auditor. At its meeting on March 31-April 2, 2015, City Council in AU1.20 approved Pricewaterhouse Coopers LLP, Chartered Accountants, as the Auditor for 2015-2019 for the City and certain City Agencies, Corporations, and other programs and funds as set out in AU1.20.

As a result, Pricewaterhouse Coopers LLP is to be appointed as the Auditor for TPLC for fiscal year 2015. The Board of Directors of TPLC will fix the annual remuneration of the Auditor.

2. KEY TPLC ACHIEVEMENTS IN 2014

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 supporter of the revitalization of the Port Lands along with the City of Toronto, Waterfront Toronto and the Toronto Region Conservation Authority.

In 2014, 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 TPLC's 2014 Annual Report (Attachment 1 to this Report). Highlights for 2014 include the following:

TO 2015 Pan Am Games: TPLC commenced negotiations with TO2015 to lease approximately 20 acres in the Port Lands for a bus and vehicle logistics facility to support Pan Am Games facilities. The City also contributed funding towards site preparations. (TPLC's financial statements indicate that the City will reimburse up to \$450,000.)

Pinewood Studios Expansion: TPLC completed a long-term lease agreement with tenant Pinewood Toronto Studios to permit Pinewood's expansion. The terms of agreement provided for a contribution of \$800,000 by TPLC towards extraordinary foundation costs to promote higher use developments on the sites.

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, and Essroc has scheduled an official opening in the Fall of 2015.

Infrastructure Investment: As part of its strategy to ensure infrastructure capacity in the Port Lands, TPLC held initial planning discussions with City staff regarding the City's Works Yard Consolidation/Relocation strategy and potential sites in the Port Lands. The TPLC Board of Directors in 2014 also approved funding as directed by City Council to declare a special dividend of \$3 million payable to the Shareholder towards the rehabilitation of the dockwall, for the most part owned by the City, adjacent to the Canada Malting lands.

3. SUMMARY – TPLC 2014 AUDITED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL RESULTS

Highlights of 2014 Financial Results

- Net income was \$1.18 million, a decrease of \$0.7 million (or -38%) compared with the previous year. The difference is almost entirely related to a nearly \$1.0 million reduction in non-recurring income related to settlement of claims for damages against a vendor for breach of contract.
- Financial support totalling \$4.0 million, an increase of \$0.2 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, 2014, with comparative figures for 2013.

Consolidated Balance Sheet

	As at December 31		2014 v/s 2013 Increase/(Decrease)
	2014	2013	
	(\$ million)		
Assets:			
Current assets	24.677	31.890	(7.213)
Non-current / asset held for sale	359.281	351.366	7.915
Total assets	383.957	383.255	0.702
Liabilities:			
Current liabilities	7.525	7.845	(0.320)
Non-current / liabilities related to asset held for sale	8.291	8.363	(0.072)
Total liabilities	15.817	16.209	(0.392)
Shareholder's equity	368.141	367.046	1.095
Total liabilities & shareholder's equity	383.957	383.255	0.702

Total assets were virtually unchanged at \$384.0 million; although current assets declined by \$7.2 million, non-current assets and assets held for sale increased by a net \$8.0 million.

Total liabilities were also virtually unchanged, declining by \$0.4 million.

Shareholder's equity was \$368.1 million, an increase of \$1.1 million as a result of the above changes.

Statement of Net and Comprehensive Income

The table below summarizes the results for the year 2014 with comparative figures for 2013:

Summary Statement of Net and Comprehensive Income (Loss)

	For year ended December 31		2014 v/s 2013
	2014	2013	Increase/(Decrease)
	(\$ millions)		
Revenue from investment properties	16.551	15.968	0.583
Investment property operating expense	6.777	6.857	(0.079)
Net property income	9.774	9.112	0.662
Expenses			
General & administrative, environmental	3.800	3.560	0.240
Amortization	1.592	1.573	0.019
Operating expenses	5.392	5.134	0.259
Income before the following	4.382	3.978	0.404
Other income/(expenses)			
Non-recurring income	0.092	1.076	(0.984)
Incubator program funding	(1.377)	(1.355)	(0.022)
Invest Toronto Inc. grant	(2.672)	(2.525)	(0.148)
Interest, net	0.670	0.618	0.052
Gain on sale of investment properties	0.086	0.121	(0.036)
Net income & comprehensive income	1.180	1.913	(0.733)
Retained earnings – beginning of year	367.046	365.254	1.792
Reserve for future transfer of assets to BTI*	(0.086)	(0.121)	0.036
Retained earnings – end of the year	368.141	367.046	1.95

* BTI – Build Toronto Inc.

TPLC operations in 2014 continued at an even pace as compared to 2013. For the year ended December 31, 2014

- Net property income was \$9.8 million as compared to \$9.1 million in 2013.
- Operating expenses were \$4.4 million as compared to \$4.0 million in 2013.
- Non-recurring income was \$0.09 million, received as a settlement of claims for damages upon breach of contract by a vendor; in 2013 the receipt of \$1.1 million represented lost rent upon termination of a lease by a tenant.
- Net income for the year was \$1.2 million, a decrease of \$0.7 million over 2013.

Subsequent Events

TPLC entered into a Proud Sponsor Agreement with the Toronto Organizing Committee for TO2015 with a value of \$500,000 and a related licence agreement to provide the use of up to 20 acres of land between March and October 2015 for the Pan Am Games. The City will reimburse TPLC for costs up to \$450,000 for site preparation works.

4. EXECUTIVE COMPENSATION

TPLC has disclosed executive compensation information for senior management in Attachment 3 to this Report as requested by 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 employees is private information under MFIPPA.

TPLC has indicated that senior management have consented to the public disclosure of individual compensation information contained in Attachment 3 and assured the City that there is no unauthorized release of personal information.

CONTACT

Peter Notaro, Strategic and Corporate Policy Division
Tel: 416-392-8066; Fax: 416-696-3645; Email: pnotaro@toronto.ca

Rob Hatton, Director, Strategic Initiatives & Intergovernmental Finance
Tel: 416-392-9149; Fax: 416-397-4555; Email: rhatton@toronto.ca

Michael Smith, Solicitor, Legal Services Division,
Tel: 416-392-7245; Fax: 416-392-1017; Email: msmith10@toronto.ca

SIGNATURE

Joseph P. Pennachetti
City Manager

Roberto Rossini
Deputy City Manager & Chief Financial Officer

ATTACHMENTS

- Attachment 1: City of Toronto Economic Development Corporation, Operating as Toronto Port Lands Company (TPLC), 2014 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, 2014
- Attachment 3: Toronto Port Lands Company: Executive Compensation Disclosure 2014