



## STAFF REPORT ACTION REQUIRED

### Toronto Port Lands Company – Annual General Meeting and 2015 Audited Financial Statements

<b>Date:</b>	May 6, 2016
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager Deputy City Manager & Chief Financial Officer
<b>Wards:</b>	City-Wide
<b>Reference Number:</b>	

#### SUMMARY

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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 (TEDCO) operating as Toronto Port Lands Company (TPLC), including receipt of its Annual Report for 2015 and audited Consolidated Financial Statements December 31, 2015, and appointment of the Auditor for 2016.

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 2015.

#### RECOMMENDATIONS

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**The City Manager and the Deputy City Manager & Chief Financial Officer recommend 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 2016, and

authorizing the Board of Directors of Toronto Port Lands Company to fix the Auditor's remuneration;

- b. Receiving the "Toronto Port Lands Company (TPLC), Annual Report 2015: Achievements and Results since 1986 (which includes Consolidated Financial Statements December 31, 2015)", forming Attachment 1 to this Report; and
  - c. Receiving the information concerning "Toronto Port Lands Company: Executive Compensation Disclosure 2014 and 2015", forming Attachment 2 to this Report.
2. City Council direct the City Clerk to forward a copy of "Toronto Port Lands Company (TPLC), Annual Report 2015: Achievements and Results since 1986 (which includes Consolidated Financial Statements December 31, 2015)", forming Attachment 1 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 March 31-April 2, 2015, City Council 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: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.20> .

That portion of the City Council meeting on June 10-13, 2015, where EX6.5 was approved by Council, was considered the previous Annual General Meeting of the Shareholder for TPLC and the 2014 Consolidated Financial Statements were received: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX6.5> .

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: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.19> .

At its meeting on August 5 and 6, 2009, City Council in EX33.1 requested the TEDCO Board to re-brand the corporation to reflect its role as a Port Lands leasing company: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.1> .

## **ISSUE BACKGROUND**

The City of Toronto Economic Development Corporation (TEDCO) was incorporated in 1986 under the *Business Corporations Act* (Ontario) (OBCA), and has operated with a revised mandate under the business name Toronto Port Lands Company (TPLC) since 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 2015 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. The last process was conducted in 2015, and Pricewaterhouse Coopers LLP was the successful proponent for external audit services for TPLC, the City and other City agencies and corporations for 2015 to 2019. This report recommends appointing Pricewaterhouse Coopers LLP as the auditor of TPLC for the fiscal year 2016, and authorizing the Board of Directors to fix the auditor's remuneration.

### **2. KEY TPLC ACHIEVEMENTS IN 2015**

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 2015, 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 2015 Annual Report (Attachment 1 to this Report).

To better understand the current employment status and to identify emerging trends within the Port Lands, TPLC conducted an employment survey in the Port Lands in 2015. The survey confirmed there are almost 6,600 jobs in the Port Area, and almost 4,000 jobs are directly related to TPLC tenancies or 71% of the total jobs. The total number of jobs have increased by 15% from 2014, and 92% of the jobs are full-time positions.

Key achievements for 2015 include the following:

- **Pinewood Studios Expansion:** In 2014, TPLC completed a long-term lease agreement with tenant Pinewood Toronto Studios to permit Pinewood to expand its complex by 30,000 square feet through construction of three new state-of-the-art sound stages. In 2015, TPLC paid the tenant approximately \$800,000 to be applied towards extraordinary foundation costs to promote higher use developments on the sites.
- **TO 2015 Pan Am Games:** In 2015, TPLC leased approximately 20 acres in the Port Lands for a bus and vehicle logistics facility to support Pan Am Games facilities. TPLC and TO 2015 entered into a Proud Supporter Agreement in sponsorship of the Pan Am Games and assisted in the land preparation of the site for the bus and vehicle logistics facility.
- **Ship Channel Bridge Refurbishment:** TPLC, in partnership with the Port Lands Toronto, have jointly agreed to carry out necessary infrastructure repairs to the Ship Channel Bridge to allow for two-way traffic to once again be allowed on the bridge.
- **LCBO Lands Sale:** In conjunction with the LCBO in bringing their property on Queen's Quay Boulevard to market, TPLC has negotiated an option agreement to sell 0.5 acres of former rail land that runs through the LCBO site. The consolidated property is under contract for sale to be developed into a new mixed development.
- **Keating Rail Yard:** TPLC owns the Keating Rail Yard on Lakeshore Boulevard, and is negotiating certain rights in the rail yard for First Gulf's planned mixed use project on its adjacent property.
- **Incubator Funding:** Since 2009, TPLC has provided funding for the City's incubator program delivered through EDC. Past grant recipients include the Toronto Business Development Centre, the Toronto Fashion Incubator, the Toronto Food Business Incubator, the Toronto Kitchen Incubator and Artscape.
- **Infrastructure, Rail Operations and Dock Maintenance:** As part of its strategy to ensure infrastructure capacity in the Port Lands, TPLC invested in water, sewer and road work, as well as maintenance of rail and dock walls in 2015.
- **Works Yard Consolidation:** TPLC continued planning discussions in 2015 with City staff regarding the City's Works Yard Consolidation/Relocation strategy regarding potential sites in the Port Lands. Consolidation may increase efficiency of public service delivery and free up strategic lands for other purposes.

## SUMMARY – TPLC 2015 AUDITED FINANCIAL STATEMENTS

### CONSOLIDATED FINANCIAL RESULTS

#### Highlights of 2015 Financial Results

- Net income was \$2.0 million, an increase of \$0.8 million (or 68%) compared with the previous year. The improved results in 2015 are attributable to improved net property income, lower amortization expenses, and an increase in non-recurring income.
- Financial support totalling \$4.3 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 summarizes TPLC's Consolidated Balance Sheet as at December 31, 2015, with comparative figures for 2014.

**Consolidated Balance Sheet**

	As at December 31		2015 v/s 2014
	2015	2014	Increase/(Decrease)
	(\$ million)		
<b>Assets:</b>			
Current assets	27.020	24.677	2.344
Non-current / asset held for sale	359.067	359.281	(0.214)
<b>Total assets</b>	<b>386.087</b>	<b>383.957</b>	2.130
<b>Liabilities:</b>			
Current liabilities	8.004	7.525	0.479
Non-current / liabilities related to asset held for sale	8.131	8.291	(0.160)
<b>Total liabilities</b>	<b>16.135</b>	<b>15.817</b>	0.319
<b>Shareholder's equity</b>	<b>369.952</b>	<b>368.141</b>	1.811
<b>Total liabilities &amp; shareholder's equity</b>	<b>386.087</b>	<b>383.957</b>	2.130

Total assets were marginally higher at \$386.1 million, an increase of \$2.1 million compared to the previous year as a result of a \$2.3 million increase in current assets.

Total liabilities were virtually unchanged, increasing by \$0.3 million. Shareholder's equity was \$370.0 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 2015 with comparative figures for 2014:

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

	For year ended December 31		2015 v/s 2014 Increase/(Decrease)
	2015	2014	
	(\$ millions)		
Revenue from investment properties	17.917	16.551	1.365
Investment property operating expense	7.304	6.777	0.527
<b>Net property income</b>	<b>10.612</b>	<b>9.774</b>	<b>0.838</b>
<b>Expenses</b>			
General & administrative, environmental	4.087	3.800	0.287
Amortization	1.372	1.592	(0.220)
<b>Operating expenses</b>	<b>5.459</b>	<b>5.392</b>	<b>0.067</b>
<b>Income before the following</b>	<b>5.153</b>	<b>4.382</b>	<b>0.772</b>
<b>Other income/(expenses)</b>			
Non-recurring income	0.382	0.092	0.290
Incubator program funding	(1.907)	(1.377)	(0.530)
Invest Toronto Inc. grant	(2.381)	(2.672)	0.292
Interest, net	0.563	0.670	(0.107)
Gain on sale of investment properties	0.174	0.086	0.089
<b>Net income &amp; comprehensive income</b>	<b>1.985</b>	<b>1.180</b>	<b>0.805</b>
Retained earnings – beginning of year	368.141	367.046	1.095
Reserve for future transfer of assets to BTI*	(0.174)	(0.086)	(0.089)
<b>Retained earnings – end of the year</b>	<b>369.952</b>	<b>368.141</b>	<b>1.811</b>

\* Build Toronto Inc.

For the year ended December 31, 2015

- Net property income was \$10.6 million as compared to \$9.8 million in 2014.
- Net operating income was \$5.2 million as compared to \$4.4 million in 2014.
- Non-recurring income was \$0.4 million, received from the City for performance of paving work for the PanAm/Para PanAm Games bus parking facility; in 2014 the receipt of \$0.1 million was as a settlement of claims for damages upon breach of contract by a vendor.
- Net income for the year was \$2.0 million, an increase of \$0.8 million over 2014.

### 3. EXECUTIVE COMPENSATION

TPLC has disclosed 2014 and 2015 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**

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## **SIGNATURE**

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Peter Wallace  
City Manager

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Roberto Rossini  
Deputy City Manager & Chief Financial Officer

## **ATTACHMENTS**

- Attachment 1: Toronto Port Lands Company (TPLC), Annual Report 2015: Achievements and Results since 1986 (which includes Consolidated Financial Statements December 31, 2015).
- Attachment 2: Toronto Port Lands Company:  
Executive Compensation Disclosure 2014 and 2015