



**STAFF REPORT
ACTION REQUIRED**

**Casa Loma Corporation – Annual General Meeting and
2015 Audited Financial Statements**

Date:	June 10, 2016
To:	Executive Committee
From:	City Manager Deputy City Manager & Chief Financial Officer
Wards:	All
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 Casa Loma Corporation including receipt of its Annual Report and Audited Financial Statements for 2015 and appointment of the auditor for 2016.

RECOMMENDATIONS

The City Manager and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council treat that portion of the City Council meeting at which this report is considered as the Annual General Meeting of the Shareholder for Casa Loma Corporation by:
 - a. Appointing Welch LLP Chartered Accountants, as the Auditor of Casa Loma Corporation for fiscal year 2016, and authorizing the Board of Directors of Casa Loma Corporation to fix the remuneration of the Auditor;
 - b. Receiving the Casa Loma Corporation 2015 Annual Report forming Attachment 1 to this report; and,

- c. Receiving the 2015 Audited Financial Statements for Casa Loma Corporation, forming Attachment 2 to this report.
2. City Council direct the City Clerk to forward a copy of the Casa Loma Corporation 2015 Audited Financial Statements, forming Attachment 2 to this report, to the Audit Committee for information.

Financial Impact

In 2014 Casa Loma Corporation successfully transferred the operations of Casa Loma to Liberty Entertainment Group (LEG). Rent payments have been received through 2015 from LEG under the terms of the 20 year management agreement and included temporary management of the North Campus as well. Net operating income for 2015 was \$1,129,466, with revenues of \$1,519,343 and expenses of \$389,877. A distribution of \$2,012,974 was made to the City of Toronto for restoration work, resulting in a final accumulated surplus at year-end of \$2,674,555.

DECISION HISTORY

On June 10, 2015, that portion of the City Council meeting where EX6.1 was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Casa Loma Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX6.1>

On November 13, 2013, City Council authorized an agreement between the City and the Liberty Entertainment Group to operate the Casa Loma Main Castle and Grounds for 20 years. The agreement became effective January 2014.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.2>

On June 14, 2011, City Council authorized that the management agreement with Kiwanis Club be terminated and a new City Services Corporation be established to manage Casa Loma until such time that a new operator could be found and the future direction of the complex established.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX6.7>

On July 11, 2012, City Council adopted the requirement 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 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>

ISSUE BACKGROUND

City Council authorized the establishment of Casa Loma Corporation on June 14, 2011 pursuant to section 148 of the *City of Toronto Act, 2006*, and Ontario Regulation 609/06. Casa Loma Corporation was incorporated under the *Business Corporations Act (Ontario)* (OBCA) on June 20, 2011. The City is the sole shareholder.

Subsection 154 (1) of the OBCA requires that the Shareholder receive Casa Loma Corporation'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 Casa Loma Corporation 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 Casa Loma Corporation'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's remuneration.

COMMENTS

1. Appointment of Auditor

The Corporation held a proposal call for audit services in 2015 to cover a three year period (2015-2017). As a result, Welch LLP Chartered Accountants is to be appointed as the Auditor for Casa Loma Corporation for fiscal year 2016. The Board of Directors of Casa Loma Corporation will fix the annual remuneration of the Auditor.

2. Key Casa Loma Corporation Achievements in 2015

The 2015 Annual Report for Casa Loma is contained in Attachment 1 of this report. In 2015 Casa Loma Corporation continued to oversee operations on the site including management of the lease agreement for the Main Campus with Liberty Entertainment Group (LEG). The lease agreement was approved by Council in November 2013.

Highlights of activity on the Casa Loma site and for the Corporation in 2015 include:

- Enhanced programming by LEG;
- Completion of Phase 8 of structural restoration (Norman Tower) by Economic Development and Culture Staff;
- Retirement of the Chief Executive Officer of the Corporation (who was also City Staff); and,
- As directed by Council, ongoing work to assess alternatives for the future of the North Campus, including a public meeting, a procurement process, and negotiations with the sole qualified bidder (LEG).

During 2015 the Corporation distributed \$2,012,974 to the City to support capital work (restoration) on the Norman Tower. This was in addition to the \$800,000 transferred from the Corporation's accumulated surplus to the City in 2014 for this work.

Revitalization of the North Campus

As noted in the Annual Report long-term lease negotiations with LEG for the North Campus began in early 2015, but have been temporarily suspended to ensure priority work at the Main Campus can be completed.

Casa Loma Corporation will focus on completing these negotiations and if successful, the Board will recommend dissolution of the Corporation with management of the site (and lease agreements) transferred to City staff. It is anticipated that a report will be submitted to Council in late 2016. City Council, as shareholder, has the ultimate authority to approve any changes to Casa Loma Corporation including proceedings for dissolution.

3. Summary – Casa Loma 2015 Audited Financial Statements

2015 was the first full year of Casa Loma operations by the Liberty Entertainment Group. Rental income for the Casa Loma Corporation in this first year was on budget at \$1,500,000, while expenses were higher than budget at \$389,977 as the Board assessed alternatives for the future of the North Campus and proceeded with a procurement process overseen by a Fairness monitor. A distribution of \$2,012,974 was made to the City to support capital work on the site. The accumulated surplus at year end was \$2,674,555 with net financial assets of \$1,095,146.

4. 2015 Executive Compensation

Casa Loma Corporation was managed by City staff whose salary disclosure is part of the Province of Ontario's salary disclosure reporting. Liberty Entertainment Group who operates Casa Loma through a management agreement with the City is not required to disclose executive compensation.

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SIGNATURE

Peter Wallace
City Manager

Roberto Rossini
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Attachment 1: Casa Loma Corporation 2015 Annual Report

Attachment 2: Casa Loma Corporation 2015 Audited Financial Statements