Toronto Community Housing Corporation – Annual General Meeting and 2016 Audited Financial Statements

Date: May 31, 2017
To: Executive Committee
From: City Manager and Deputy City Manager & Chief Financial Officer
Wards: All Wards

SUMMARY

This report recommends the actions necessary to comply with the requirements of the Ontario Business Corporations Act (OBCA) for holding an Annual General Meeting of the Shareholder of Toronto Community Housing Corporation (TCHC), including receipt of TCHC’s 2016 audited annual consolidated financial statements and appointment of the auditor for TCHC for 2017.

This report also contains a recommendation that TCHC delay the development of its next strategic plan until after City Council has decided on the implementation of the recommendations in the Tenants First report.

RECOMMENDATIONS

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

1. City Council treat the portion of the City Council meeting at which this Report is considered as the Annual General Meeting of the Shareholder for Toronto Community Housing Corporation, and:

   a) receive the Letter to the Shareholder and Annual Review from the Toronto Community Housing Corporation’s Chair of the Board of Directors and Interim President and Chief Executive Officer dated April 25, 2017 and related attachments, forming Attachment 1 to this report;

   b) receive TCHC's 2016 Audited Annual Consolidated Financial Statements for the period ending December 31, 2016, and the auditor's report dated April 26, 2017, forming Attachment 2 to this report; and
c) re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as the auditor for TCHC for fiscal year 2017 at the fee provided in the City's agreement with that firm.

2. City Council, as shareholder, approve a delay to the development of TCHC's next strategic plan until after City Council has decided on the implementation of the recommendations in the Tenants First report.

3. City Council direct the City Clerk to forward a copy of the "Toronto Community Housing Corporation Consolidated Financial Statements December 31, 2016", forming Attachment 2 to this report, to the Audit Committee for information.

FINANCIAL IMPACT

TCHC's 2016 financial statements indicate net income of $41.4 million (an increase of $14.2 million over 2015), total assets of $3.247 billion (a decrease of $8.0 million over 2015), and total liabilities of $2.257 billion (a decrease of $46.8 million over 2015). Shareholder's equity increased by $38.8 million in 2016 to $989.9 million, and the value of TCHC's housing projects increased by $160.6 million to $2.768 billion.

DECISION HISTORY

TCHC's previous annual shareholder meeting, at which its 2015 financial statements were considered, was held by City Council at its meeting held on July 12, 2016 as Item EX7.13.

On March 31, 2015, City Council approved PricewaterhouseCoopers LLP, Chartered Accountants, as the Auditor for 2015-2019 for the City and certain City Agencies and Corporations, including Toronto Community Housing Corporation.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.20

An Amended and Restated Shareholder Direction for TCHC was adopted by City Council at its meeting held on November 13, 14, 15 and 18, 2013 as Item EX35.5 to remove outdated references, update reporting procedures, increase transparency and improve accountability of TCHC. The Shareholder Direction sets out the shareholder's objectives, establishes governance principles for TCHC and its subsidiaries and the powers of the Board of Directors, and details the accountability and reporting requirements for TCHC to the City.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.5
1. Background

Subsection 154 (1) of the Ontario Business Corporations Act (OBCA) requires that the Shareholder receive TCHC’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 TCHC call an annual meeting of its Shareholder by no later than fifteen months after holding the last preceding annual meeting, which was held by City Council at its meeting of July 12, 2016.

Section 149 (2) of the OBCA requires that TCHC’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.

The City’s Shareholder Direction to TCHC requires that it prepare an annual report and audited consolidated financial statements and submit them to City Council through the Executive Committee. TCHC is required to report annually on the items identified in Attachment 1 in the section entitled Additional Information Reported by TCHC to the Shareholder Annually which follows the TCHC 2016 Annual Review.

TCHC’s Board of Directors approved its 2016 annual report and 2016 annual consolidated financial statements at its meeting held on April 25, 2017.

2. Appointment of Auditor

The City’s Auditor General, every 5 years, conducts a competitive process to select an external auditor. On March 31, 2015, City Council approved PricewaterhouseCoopers LLP, Chartered Accountants, as the Auditor for 2015-2019 for the City and certain City Agencies and Corporations, and other programs and funds as set out in AU1.20, including for the TCHC.

As a result, this report recommends that PricewaterhouseCoopers LLP be appointed as the Auditor for the TCHC for the fiscal year 2017 at the fee provided for in the City’s agreement with that firm.

3. Key Achievements in 2016

The Letter to the Shareholder from TCHC’s Chair of the Board of Directors and the Interim President and Chief Executive Officer include the enclosed 2016 Annual Review (Attachment 1) which highlights key TCHC achievements in 2016.
4. Strategic Plan and Business Plan

In 2016, TCHC proposed to develop a new strategic plan to be delivered in 2017, as required under Shareholder Direction. In the Letter to the Shareholder, TCHC is requesting a delay to the development of this strategic plan until after City Council has decided on the implementation of the recommendations in the Tenants First report, which may amend its mandate and future direction.

5. Summary – 2016 Audited Consolidated Financial Statements

2016 Audited Consolidated Financial Results

The consolidated financial statements include the assets, liabilities and results of operations of TCHC, its wholly-owned subsidiaries and proportionate interests of its joint ventures. TCHC subsidiaries and joint ventures include:

Subsidiaries:
- Don Mount Court Development Corporation (DMCDC)
- 2001064 Ontario Inc.
- Access Housing Connections Inc. (AHCI)
- Regent Park Development Corporation (RPDC)
- Toronto Community Housing Enterprises Inc. (TCHE)
- Railway Lands Development Corporation (RLDC)
- Allenby Gardens Development Corporation (AGDC)
- Regent Park Energy Inc. (RPEI)
- Alexandra Park Development Corporation (APDC)
- Housing Services Inc. (HSI)
- Leslie Nymark Development Corporation (LNDC)

Joint Ventures:
- Dundas and Parliament Development Corporation (DPDC)
- Parliament and Gerrard Development Corporation (PGDC)
- Library District Inc.
- Allenby Gardens Revitalization General Partnership (AGP)
- Alexandra Park Phase I Partnership (APPI)
- Leslie Nymark Partnership (LNP)

Highlights of 2016 financial results

- $41.4 million as net income compared with $27.3 million for 2015
- $989.9 million in shareholder's equity, an increase of $38.8 million over 2015
- $26.1 million contributed to the State of Good Repair Fund, established in 2011 to finance the capital repair needs of existing residential buildings
Balance Sheet

The table below summarizes TCHC’s consolidated balance sheet as at December 31, 2016 with comparative figures for 2015.

<table>
<thead>
<tr>
<th>Table 1: Summary Consolidated Balance Sheet as at December 31</th>
<th>2016</th>
<th>2015</th>
<th>Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ million)</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>302.8</td>
<td>294.2</td>
<td>8.6</td>
</tr>
<tr>
<td>Receivables and investments</td>
<td>175.7</td>
<td>352.9</td>
<td>-177.2</td>
</tr>
<tr>
<td>Housing projects and capital assets</td>
<td>2,768.3</td>
<td>2,607.7</td>
<td>160.6</td>
</tr>
<tr>
<td>Total Assets</td>
<td>3,246.8</td>
<td>3,254.8</td>
<td>-8.0</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>326.1</td>
<td>331.5</td>
<td>-5.4</td>
</tr>
<tr>
<td>Project financing</td>
<td>1,332.5</td>
<td>1,353.8</td>
<td>-21.3</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>598.4</td>
<td>618.5</td>
<td>-20.1</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>2,256.9</td>
<td>2,303.8</td>
<td>-46.8</td>
</tr>
<tr>
<td>Surplus &amp; share capital</td>
<td>989.9</td>
<td>951.0</td>
<td>38.8</td>
</tr>
<tr>
<td>Total liabilities, surplus and share capital</td>
<td>3,246.8</td>
<td>3,254.8</td>
<td>-8.0</td>
</tr>
</tbody>
</table>

Total assets were relatively unchanged at $3,246.8 million, a decrease of $8.0 million (or <1%) compared with the previous year resulting from:

- a reduction of $177 million in receivables and investments with a corresponding increase of $161 million in housing projects and capital assets – due to improvements to land and buildings carried out in 2016
- an increase in current assets by $9 million primarily as a result of a reclassification of certain internally restricted investments from long-term assets to current assets

Total liabilities were $2,256.9 million, a decrease of $46.8 million (or 2%) compared with the previous year, resulting from:

- a $21.3 million decrease in project financing – the net effect of new project financing and on-going mortgage and loan repayments
- a $20.1 million decrease in other liabilities primarily from a $10.9 million increase in deferred revenue from land sales, offset by a $34.2 million decrease in deferred capital contributions
Statement of Operations

The following table summarizes TCHC’s 2016 consolidated statement of operations with comparative figures for 2015.

<table>
<thead>
<tr>
<th>Table 2: Summary Consolidated Statement of Operations</th>
<th>2016</th>
<th>2015</th>
<th>Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ million)</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies</td>
<td>227.4</td>
<td>226.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Rent</td>
<td>316.0</td>
<td>310.3</td>
<td>5.7</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>46.4</td>
<td>47.1</td>
<td>-0.6</td>
</tr>
<tr>
<td>Parking, laundry and cable fees</td>
<td>17.4</td>
<td>16.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Investment income</td>
<td>10.4</td>
<td>11.1</td>
<td>-0.7</td>
</tr>
<tr>
<td>Joint venture income</td>
<td>-0.5</td>
<td>20.3</td>
<td>-20.8</td>
</tr>
<tr>
<td>Other revenues</td>
<td>49.3</td>
<td>14.2</td>
<td>35.1</td>
</tr>
<tr>
<td>Total revenues</td>
<td>666.5</td>
<td>645.8</td>
<td>20.7</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating and maintenance</td>
<td>297.5</td>
<td>309.1</td>
<td>-11.6</td>
</tr>
<tr>
<td>Municipal taxes</td>
<td>16.5</td>
<td>14.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Depreciation</td>
<td>152.4</td>
<td>141.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Interest</td>
<td>74.1</td>
<td>71.6</td>
<td>2.5</td>
</tr>
<tr>
<td>Rent supplement program</td>
<td>25.7</td>
<td>24.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Administration &amp; other</td>
<td>58.9</td>
<td>56.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Total expenses before unrealized losses</td>
<td>625.1</td>
<td>618.5</td>
<td>6.6</td>
</tr>
<tr>
<td>Excess of revenue over expenses before unrealized losses</td>
<td>41.4</td>
<td>27.3</td>
<td>14.2</td>
</tr>
<tr>
<td>Unrealized gain/(losses)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Excess of revenue over expenses for the year</td>
<td>41.4</td>
<td>27.3</td>
<td>14.2</td>
</tr>
</tbody>
</table>

Total revenues in 2016 were $666.5 million, an increase of $20.7 million (or 3%) over the previous year. Other revenues that included revenue from the sale of housing projects increased by $35.1 million. This increase was offset by a decrease of $20.8 million in income from joint venture operations due to fewer closings of market units.
The share of revenues classified by broad categories is presented in Figure 1.

![2016 Revenue Shares](image)

Total expenses in 2016 were $625.1 million, an increase of $6.6 million (or 1%) over the previous year. Lower utility costs on account of one-time water credits and Ontario Clean Energy Benefits led to an $11.5 million decrease in operating and maintenance expenses, which was offset by a cumulative increase of $18.1 million in all other expense categories.

The share of expenses classified by broad categories is presented in Figure 2.

![2016 Expense Shares](image)

The year ended with an excess of revenue over expenses of $41.4 million, an increase of $14.2 million (or 52%) over the prior year.
CONTACT

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SIGNATURE

_____________________________________
Roberto Rossini
Deputy City Manager & Chief Financial Officer

_____________________________________
Peter Wallace
City Manager

ATTACHMENTS

Attachment 1 – Letter to the Shareholder, dated April 25, 2017, from TCHC’s Board Chair and Interim President and Chief Executive Officer transmitting TCHC’s 2016 Annual Review and Additional Information Reported by TCHC to the Shareholder Annually

Attachment 2 – Toronto Community Housing Corporation, 2016 Consolidated Financial Statements, December 31, 2016