



REPORT FOR ACTION

Toronto Port Lands Company - Annual General Meeting and 2016 Audited Financial Statements

Date: June 2, 2017

To: Executive Committee

From: City Manager and Deputy City Manager & Chief Financial Officer

Wards: All

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 (TEDCO) operating as Toronto Port Lands Company (TPLC), including receipt of its Annual Report for 2016 and audited Consolidated Financial Statements dated December 31, 2016, and appointment of the Auditor for 2017.

This report also contains recommendations for the receipt of information disclosing the individual compensation of executive officers employed by TPLC in 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 Toronto Port Lands Company by:

a. Appointing Pricewaterhouse Coopers LLP, Chartered Accountants, as the Auditor of Toronto Port Lands Company for fiscal year 2017, and authorizing the Board of Directors of Toronto Port Lands Company to fix the Auditor's remuneration; and

b. Receiving the "Toronto Port Lands Company (TPLC), Annual Report 2016: Achievements and Results since 1986 (which includes Consolidated Financial Statements December 31, 2016)", forming Attachment 1 to this report.

2. City Council receive the information concerning "Toronto Port Lands Company: Executive Compensation Disclosure for 2016", forming Attachment 2 to this Report.

3. City Council direct the City Clerk to forward a copy of "Toronto Port Lands Company (TPLC), Annual Report 2016: Achievements and Results since 1986 (which includes Consolidated Financial Statements December 31, 2016)", forming Attachment 1 to this report, to the Audit Committee for information.

FINANCIAL IMPACT

There are no financial implications to the City resulting from the implementation of the recommendations in this report.

DECISION HISTORY

On June 7, 2016, City Council, where EX15.5 was approved by City Council, was the previous Annual General Meeting of the Shareholder for TPLC and the 2015 Consolidated Financial Statements were received.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX15.5>

On March 31, 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.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.20>

On July 11, 2012, City Council approved a 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.

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

On August 5, 2009, City Council 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 2016 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 and 2019. This report recommends appointing Pricewaterhouse Coopers LLP as the auditor of TPLC for this fiscal year 2017, and authorizing the Board of Directors to fix the auditor's remuneration.

2. Key TPLC Achievements in 2016

The mandate of TPLC is to hold, lease, manage and maximize revenues from Port Lands properties awaiting future development. TPLC is a supporter of the revitalization of the Port Lands along with the City of Toronto, Waterfront Toronto and the Toronto Regional Conservation Authority.

2016 marked TPLC's 30th anniversary, with the Corporation continuing to manage its Port Lands assets and initiatives through more than 70 tenants and hundreds of short term licenses. Details are set out in the TPLC's 2016 Annual Report (Attachment 1).

Key achievements for 2016 included the following:

- Pinewood Studios Expansion - In 2016, TPLC completed a long-term lease agreement with tenant Pinewood Toronto Studios to permit further expansion. The film studios continue to attract and retain jobs in the film and entertainment production industry.
- LCBO Lands Sale - In conjunction with the LCBO bringing their property on Queens Quay to market, TPLC executed an option agreement to sell former rail spurs that runs through the site. The sale of properties at 15 Freeland Street and 15 Cooper Street resulting in a financial gain of \$10.4 million. LCBO has entered into an agreement with a developer to redevelop the site.
- Ship Channel Bridge Refurbishment - TPLC and the Toronto Port Authority jointly agreed to carry out necessary repairs to the Ship Channel Bridge to allow for two-way traffic to be allowed on the bridge.

- East Harbour Development - TPLC and First Gulf have had discussions regarding the Keating Rail Yard on Lakeshore Boulevard and how to incorporate lands as part of a new mixed use project.
- Tenant Relocation - TPLC has ongoing discussions with an existing tenant to relocate to a new development in the film studio district.
- Successful Events - TPLC helped to host another successful season of events at the Port Lands including NXNE (North by North East) Festival, Cirque du Soleil and Luminato.

3. Summary - TPLC 2016 Audited Financial Statements, Consolidated Financial Results

Consolidated Income Statement

Net Income for the year ended December 31, 2016 was \$14.27 million, as compared to the prior fiscal year's net income of \$1.98 million. The increase in 2016 net income was primarily due to a \$10.4 million gain on sale of investment properties, and the result of having treated Incubator Program funding from an accounting standpoint as an expense in 2015 (\$1.9 million), but as a dividend in 2016 (\$1.89 million). Net operating income for 2016, at \$5.9 million, was almost at the same level as in fiscal 2015 (\$6.1 million).

TPLC provided the following funding in 2016:

- \$1.89 million to the City of Toronto's Incubator Program; and
- \$2.025 million to Invest Toronto Inc.

Additionally, at its meeting of November 25, 2016, the TPLC Board declared a special dividend in support of the City of Toronto's budget in the amount of \$5.0 million

Table 1 - Consolidated Statement of Net and Comprehensive Income for the year ended December 31, 2016

	2016	2015	2016 vs 2015
	(\$000s)		
Net Property Income	11,436	10,612	
Other Income	566	945	
Operating Expenses			
General & Administrative	4,493	3,962	
Environmental Monitoring	137	125	
Amortization	1,444	1,372	
General & Administrative	4,493	3,962	
<i>Operating Income</i>	<i>5,938</i>	<i>6,099</i>	<i>(161)</i>
Other			
Invest Toronto Grant	(2,025)	(2,381)	
Incubator Program Funding	--	1,907	
Net Income before gain on sale	3,913	1,811	2,102
Gain on sale of investment properties	10,359	174	
Net income & comprehensive income	14,272	1,985	12,288

Table 2 - Consolidated Statement of Retained Earnings for the year ended December 31, 2016

	2016	2015	2016 vs 2015
	(\$000s)		
Retained earnings – beginning of year	369,952	368,141	
Net Income	14,272	1,984	
Reserve for future transfer of assets to Build Toronto	-	(174)	
Dividend to Incubator Program	(1,890)	--	
Dividend to Shareholder	(5,000)	--	
Retained earnings – end of the year	377,334	369,952	7,382

Consolidated Balance Sheet

Total assets of \$391 million were greater than 2015 (\$386.1 million), primarily relating to a net increase in current assets of \$5.3 million. Shareholder's equity of \$377.3 as at December 31, 2016, demonstrated an increase of \$7.4 million over the 2015 level of \$370 million, as a result of increased retained earnings as summarized above.

Table 3 - Consolidated Balance Sheet as at December 31, 2016

	2016	2015	2016 vs 2015
	(\$000s)		
Assets			
Current assets	32,257	27,020	
Investment properties	340,196	341,503	
Other non-current assets	18,865	17,564	
<i>Total assets</i>	<i>391,418</i>	<i>386,087</i>	<i>5,337</i>
Liabilities and Shareholder's Equity			
Total liabilities	14,084	16,135	
Shareholder's equity	377,334	369,952	
<i>Total liabilities & shareholder's equity</i>	<i>391,418</i>	<i>386,087</i>	<i>5,337</i>

4. 2016 Executive Compensation

TPLC has disclosed 2016 executive compensation information for senior management in Attachment 2 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 2 and assured the City that there is no unauthorized release of personal information.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Toronto Port Lands Company (TPLC), Annual Report 2016: Achievements and Results since 1986 (which includes Consolidated Financial Statements December 31, 2016).

Attachment 2: Toronto Port Lands Company: Executive Compensation Disclosure for 2016