

Toronto Pan Am Sports Centre Inc. - Annual General Meeting and 2019 Audited Financial Statements

Date: September 9, 2020

To: Executive Committee

From: City Manager and Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report transmits materials submitted by the Board of Directors of Toronto Pan Am Sports Centre Inc. (TPASC) to the City. No independent review or analysis has been performed by City staff.

This report contains recommendations for the actions necessary to comply with the requirements of the Business Corporations Act, Ontario (OBCA) for holding the 2020 Annual General Meeting of the Shareholders of TPASC, including receipt of its Annual Report and Audited Financial Statements for 2019, the report of the auditor thereon, and the re-appointment of the auditor for 2020.

This report also contains recommendations to approve the 2020 operating and capital budgets of TPASC approved by the TPASC board of directors. Section 5.05(a) of the Unanimous Shareholders' Agreement of the Corporation as of December 18, 2013 provides that the annual operating and capital budgets shall be considered and approved by the Board and subject to approval by the Shareholders of the Corporation.

The City and the Governing Council of The University of Toronto are the two Shareholders of TPASC. Rather than conducting a Shareholder meeting, the requirements of the OBCA regarding the annual general meeting and the requirements of the Unanimous Shareholders' Agreement regarding approval of the annual operating and capital budgets are being satisfied by written joint resolutions of the Shareholders, as provided in this report.

The Business Corporations Act, Ontario (OBCA) provides that a resolution in writing signed by all the Shareholders entitled to vote on that resolution at a meeting of the Shareholders is as valid as if it had been passed at a meeting of the Shareholders; and a resolution in writing dealing with all matters required by the OBCA to be dealt with at a meeting of Shareholders, and signed by all the Shareholders entitled to vote at that meeting, satisfies all the requirements of the OBCA relating to that meeting of Shareholders.

In light of the state of emergency that was declared in Ontario in response to the COVID-19 pandemic, the deadline to hold annual meetings of shareholders for OBCA corporations was temporarily extended through the addition of Part XIX to the OBCA. With the Ontario Declaration of Emergency having come to an end on July 24, 2020, the extended meeting deadlines for OBCA incorporated companies that were required to hold annual meetings on or before July 24, 2020 now have until October 22, 2020 to hold their annual meetings.

RECOMMENDATIONS

The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council, in its capacity as one of the Shareholders of Toronto Pan Am Sports Centre Inc.,

a. adopt and authorize the City Manager to sign the Resolutions of the Shareholders attached as Attachment 1 to this report on behalf of the City that:

i) Financial Statements

The "Toronto Pan Am Sports Centre Inc. 2019 Annual Report, and the "Toronto Pan Am Sports Centre Inc. 2019 Audited Annual Financial Statements", including the auditor's report dated March 17, 2020, forming Attachment 2 and 3 to this Report are received.

ii) Appointment of Auditors

Welch LLP are appointed as the Auditor of Toronto Pan Am Sports Centre Inc. for fiscal year 2020, and until the close of the next annual meeting of the Shareholders or until their successors are duly appointed, and the Board of Directors of Toronto Pan Am Sports Centre Inc. authorized to fix the remuneration of the Auditor.

iii) Confirmation of Proceedings

All by-laws, contracts, acts, proceedings, appointments, elections and payments of any director or officer of Toronto Pan Am Sports Centre Inc. that were enacted, made, done or taken since the last annual meeting of Shareholders of Toronto Pan Am Sport Centre Inc. are approved, ratified, sanctioned and confirmed.

b. adopt and authorize the City Manager to sign the Resolutions of Shareholders forming Attachment 5 to this Report,

i) Ratifying and approving the 2020 Operating and Capital Budgets of Toronto Pan Am Sports Centre Inc. attached as Schedule A to such Attachment; and

ii) Authorizing any two directors or officers to carry out the provisions of the resolutions passed by the Shareholders of Toronto Pan Am Sports Centre Inc.

2. City Council direct the City Clerk to forward a copy of the Toronto Pan Am Sports Centre Inc. 2019 Audited Annual Financial Statements, forming Attachment 3 to this Report, to the Audit Committee for information.

3. City Council, as joint Shareholder, request the Board of Pan Am Sports Centre Inc., in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to bring forward a report, as appropriate, on the impacts of COVID-19 on Corporation operating and capitals budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by the first quarter of 2021.

FINANCIAL IMPACT

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

The 2019 financial results include \$7,986 due from the City of Toronto and \$375,000 in license fees payable to the City's Parks, Forestry and Recreation Division. In addition, TPASC received \$3,923,544 for space cost and field of play recoveries from the City. All cost recoveries and fees described are included in the Council Approved 2019 Operating Budget for Parks, Forestry and Recreation, and meet the City's contributions as outlined in the Resolution of Shareholders and Attachment 5, Schedule A to this report. Further information on TPASC's financial position and results is noted in this report.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On July 17, 2019 City Council approved joint Shareholder resolutions required to satisfy the annual general meeting requirements of the OBCA and the TPASC Shareholders' agreement in lieu of a Shareholder meeting.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.11>.

ISSUE BACKGROUND

City Council authorized the establishment of Toronto Pan Am Sports Centre Inc. on October 8, 2013, pursuant to section 148 of the City of Toronto Act, 2006, and Ontario Regulation 609/06. Toronto Pan Am Sports Centre Inc. was incorporated under the

Business Corporations Act (Ontario) (OBCA) on December 18, 2013. A unanimous Shareholders' Agreement was executed on December 18, 2013, to govern the relationship of TPASC Inc. with the City of Toronto and the University of Toronto. The University of Toronto and the City of Toronto are equal Shareholders of TPASC Inc.

Subsection 94(1) of the OBCA requires that the directors of a corporation call an annual meeting of the Shareholder not later than fifteen months after holding the last preceding annual meeting. Subsection 154(1) of the OBCA requires the directors to place before each annual meeting of Shareholders, audited financial statements for the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting, and for the Shareholders to receive TPASC Inc.'s audited annual financial statements and the report of the auditor at the annual meeting of the Shareholder.

Alternatively, the requirements of holding an Annual General Meeting can be satisfied by both Shareholders signing the appropriate resolutions without holding a meeting, addressing the matters that need to be addressed at the Annual General Meeting, pursuant to Section 104 of the OBCA. The written resolutions dealing with all of the matters required by the OBCA to be dealt with at an Annual Meeting of Shareholders, and signed by the duly authorized representatives of all the Shareholders entitled to vote at that meeting, satisfies all the requirements of the OBCA relating to the 2020 Annual Meeting of Shareholders.

Section 149(2) requires Shareholders at each annual meeting to appoint one or more auditors to hold office until the close of the next annual meeting or until a successor is appointed. The Shareholders are also allowed to authorize the directors to fix the auditor's remuneration, take receipt of financial statements, give approval of Operating and Capital Budgets, take receipt of the Annual Report and confirm the corporation's proceedings.

In light of the state of emergency that was declared in Ontario in response to the COVID-19 pandemic, the deadline to hold annual meetings of Shareholders for OBCA corporations was temporarily extended through the addition of Part XIX to the OBCA. With the Ontario declaration of emergency having come to an end on July 24, 2020, the extended meeting deadlines for OBCA incorporated companies that were required to hold annual meetings on or before July 24, 2020 now have until October 22, 2020 to hold their annual meetings.

The date on which an OBCA corporation is required to hold its annual meeting of Shareholders is based upon both the meeting date described in section 94 of the OBCA (within 15 months from the corporation's last annual meeting) and the financial statements required to be placed before the meeting (i.e., for the period that began immediately after the end of the last completed financial year and ending not more than six months before the annual meeting.). For OBCA corporations with a December 31 year-end, this generally requires that a meeting be held by no later than June 30. Part XIX, temporarily extends this deadline to October 22, 2020.

Under the temporary provisions of Part XIX of the OBCA, the directors of corporations must place before annual meetings the financial statements relating to the most recently

completed annual period. The requirement that the financial information placed before an annual meeting pertain to a period ended not more than six months before the meeting is suspended. This clarifies that OBCA corporations holding their annual meetings by the extended deadline will be able to place their annual financial statements for the 2019 fiscal year before their Shareholders at their 2020 annual general meeting.

COMMENTS

1. Appointment of Auditor

Under the OBCA the auditor must be appointed annually by the Shareholders at the Annual General Meeting of the corporation. The auditor so appointed holds office until the close of the next Annual General Meeting of the Shareholders, or until a successor is appointed.

Toronto Pan Am Sports Centre Inc. undertook a Request for Quotation (RFQ) process in 2014 for an external auditor and engaged Welch LLP, Chartered Accountants, as the external auditor of Toronto Pan Am Sports Centre Inc. for a five-year period covering fiscal years 2014 to 2018. The initial appointment of Welch LLP, Chartered Accountants as auditor for Toronto Pan Am Sports Centre Inc. was approved by City Council in 2015 and renewed in 2016, 2017 and 2018.

The initial RFQ in 2014 included an option to extend the external auditor contract for a second term of five years. Welch LLP was approved by the Board of Directors for an extension of the external auditor contract for additional five-year term at the Board of Directors Meeting, March 14, 2019. The second term includes fiscal years 2019-2023. The annual re-appointment of the external auditors will continue to be brought forward to City Council for its approval as Shareholders.

2. Key Toronto Pan Am Sports Centre Inc. Achievements in 2019

The Toronto Pan Am Sports Centre is a legacy of the 2015 Toronto Pan Am and Parapan Am Games. It is operated by Toronto Pan Am Sports Centre Inc., a corporation co-owned by the City of Toronto and University of Toronto. The Toronto Pan Am Sports Centre Inc.'s 2019 Annual Report, forming Attachment 2 to this report, provides an overview of the corporation, its mission and strategy, as well as the operational highlights for the Centre in 2019.

3. Summary – Toronto Pan Am Sports Centre Inc. 2019 Audited Financial Statements

Financial Results

This report provides a summary of Toronto Pan Am Sports Centre Inc.'s 2019 Audited Annual Financial Statements (contained within the 2019 Annual Report in Attachment 3). For the year ended December 31, 2019, Toronto Pan Am Sports Centre Inc. recorded an operating deficit of \$474,350.

Toronto Pan Am Sports Centre Inc. receives "Legacy Fund" contributions from the Shareholders, for the purposes of providing support for High Performance Sport utilization of the facility, as well as a contribution to the Major Maintenance and Capital Replacement Fund. In 2019, Toronto Pan Am Sports Centre Inc. received Legacy Fund contributions of \$4.3 million (2018: \$4.25 million), which were converted to capital stock issued for the purposes of financial reporting. After considering the operating deficit and reserve fund reduction, along with the increased Shareholder contributions, the TPASC Accumulated Surplus increased to \$19.1 million as at December 31, 2019. The Auditor's report provides an unqualified opinion on these statements.

Highlights of 2019 Financial Results

Details of TPASC's financial position and 2019 operating results are noted in the tables below. TPASC's financial assets total \$19.8 million as at December 31, 2019, an increase of \$2.9 million, or 17.3%, mainly from increased portfolio investments following the Shareholder contributions to the legacy reserve fund. Financial liabilities total \$2.4 million, slightly higher than 2018 by \$106,700, or 4.7%. The increase is mainly the result of increased deferred revenues; personal training revenues are now accounted for when used, as opposed to when purchased. Non-financial assets total \$1.7 million, an increase of \$492,731 or 41.2%. The increase is the result of capitalized purchases for computers, furniture and equipment.

In fiscal 2019, Toronto Pan Am Sports Centre Inc. generated total revenues of \$12.9 million, \$0.5 million greater than in 2018, but slightly lower than budgeted expectations. Revenues for space cost and field of play recoveries from the City of Toronto of \$3.9 million (2018: \$3.8 million), and from the University of Toronto of \$2.0 million (2018: \$1.95 million) increased slightly in 2019. No other significant increases in revenue categories are noted.

In 2019, Toronto Pan Am Sports Centre Inc. had total operating expenses of \$13.3 million, slightly greater than in 2018, but slightly lower than budgeted expectations. Toronto Pan Am Sports Centre Inc. pays total annual licensing fees of \$750,000 to the Shareholders, which are included in the operating expenses. Changes in expenditure category totals are slight between 2019 and 2018, with the largest increase resulting from building operations (\$500,010 or 9.4%). This increase is the result of a combination of additional costs from new snow removal and cleaning services contracts (\$150,000); increased vendor costs for required pool chemicals (\$65,000); salaries and benefits costs for increased staffing (\$100,000); depreciation expenses (\$90,000); and small increases across multiple line items (\$95,000).

As noted above, the Toronto Pan Am Sports Centre Inc. receives "Legacy Fund" contributions from its two Shareholders. In 2019, contributions increased slightly to \$4.3 million (2018: \$4.25 million). The \$15.7 million ending balance in the reserve fund is

comprised of \$1.5 million in cash and \$14.2 million in portfolio investments made up of short term investments (\$2.1 million) and fixed income securities (\$12.1 million).

Statement of Financial Position

The following table summarizes the Statement of Financial Position for Toronto Pan Am Sports Centre Inc. for the years 2019 and 2018:

Table 1

Toronto Pan Am Sports Centre Statement of Financial Position as of December 31, 2019		
(\$)		
	2019	2018
Financial Assets		
Cash	5,281,259	5,182,566
Portfolio investments	14,187,561	11,230,185
Accounts receivable	295,171	412,835
Government remittances receivable	-	19,610
<i>Subtotal:</i>	<i>19,763,991</i>	<i>16,845,196</i>
Financial Liabilities		
Accounts payable and accrued liabilities	1,816,957	1,812,802
Deferred revenue	541,256	438,711
<i>Subtotal:</i>	<i>2,358,213</i>	<i>2,251,513</i>
Net Financial Assets	17,405,778	14,593,683
Non-Financial Assets		
Prepaid expenses	191,149	172,291
Inventory	39,348	34,601
Tangible capital assets	1,458,095	988,969
<i>Subtotal:</i>	<i>1,688,592</i>	<i>1,195,861</i>
Accumulated Surplus	19,094,370	15,789,544

Statement of Operations

The table below summarizes and compares the operating results for the years 2019 and 2018:

Table 2

Toronto Pan Am Sports Centre Inc. Audited Statement of Operations for the year ending December 31, 2019			
(\$)			
	<i>Budget (unaudited)</i>	<i>Actual</i>	
	2019	2019	2018
Revenue			
Field of play recoveries	6,691,943	6,271,648	6,091,078
Space cost recoveries	971,969	1,006,218	985,758
Rental and Fitness Centre income	3,085,000	3,236,289	3,085,425
Other revenue	2,284,335	2,353,665	2,237,682
<i>Subtotal:</i>	<i>13,033,247</i>	<i>12,867,820</i>	<i>12,399,943</i>
Expenses			
Aquatics, fitness centre	2,713,879	2,637,184	2,621,277
License fees	750,000	750,000	750,000
General and Administrative	10,104,355	9,954,986	9,494,298
<i>Subtotal:</i>	<i>13,568,234</i>	<i>13,342,170</i>	<i>12,865,575</i>
Operating surplus (deficit)	(534,987)	(474,350)	(465,632)
Capital reserve fund			
Investment income		391,597	98,353
Management fees		(46,500)	(40,552)
Major repairs and replacements		(870,381)	(902,422)
<i>Subtotal:</i>		<i>(525,284)</i>	<i>(844,621)</i>
Accumulated surplus, beginning of year		15,789,544	12,848,479
<i>Subtotal:</i>		<i>14,789,910</i>	<i>11,538,226</i>
Capital stock issued		4,304,460	4,251,318
Accumulated surplus, end of year		19,094,370	15,789,544

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

ATTACHMENTS

Attachment 1: Toronto Pan Am Sports Centre Inc. Resolutions of Shareholders - Financial Statements, Appointment of Auditors, Confirmation of Proceedings

Attachment 2: Toronto Pan Am Sports Centre Inc. 2019 Annual Report

Attachment 3: Toronto Pan Am Sports Centre Inc. 2019 Audited Annual Financial Statements

Attachment 4: Toronto Pan Am Sports Centre Inc. 2019 Operating Highlights

Attachment 5: Toronto Pan Am Sports Centre Inc. Resolutions of Shareholders - Approval of Budgets

- Schedule A - Toronto Pan Am Sports Centre Inc., 2020 Capital & Operating Budgets
- Schedule B - Toronto Pan Am Sports Centre Inc., Board Approval of 2020 Capital & Operating Budgets