

Toronto Port Lands Company - 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 Port Lands Company 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 Annual General Meeting of the Shareholder of Toronto Economic Development Corporation (TEDCO), operating as the Toronto Port Lands Company (TPLC) including receipt of its Annual Report and Audited Financial Statements for 2019 and appointment of the auditor for 2020.

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 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. receiving the "CreateTO 2019 Annual Report", and the "Toronto Port Lands Company 2019 Audited Annual Financial Statements", forming Attachments 1 and 2 to this Report.

b. appointing KPMG LLP as the Auditor of Toronto Port Lands Company for fiscal year 2020 until close of the next annual general meeting, or until a successor is appointed, and authorizing the Board of Directors of Toronto Port Lands Company to fix the remuneration of the Auditor; and

2. City Council direct the City Clerk to forward a copy of the "Toronto Port Lands Company 2019 Audited Annual Financial Statements", forming Attachment 2 to this Report, to the Audit Committee for information.

3. City Council, as Shareholder, direct the Board of Toronto Port Lands Company, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to bring forward a report 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 Q1 of 2021.

FINANCIAL IMPACT

There are no financial implications resulting from the implementation of the recommendations in this report. In 2019, TPLC paid the City dividends of approximately \$9 million.

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

DECISION HISTORY

On July 16, 2019, that portion of the City Council meeting where EX7.12 "Toronto Port Lands Company - Annual General Meeting and 2018 Audited Financial Statements" was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Toronto Port Lands Company.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.12>

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>

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 94(1) of the OBCA requires that the directors of a corporation call an annual meeting of shareholders not later than fifteen months after holding the last preceding annual meeting. 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. Subsection 154(1) requires the directors to place before each annual meeting of shareholders 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.

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.

City-Wide Real Estate Model

On January 1, 2018, the City launched CreateTO, a new agency to lead the City-wide real estate delivery model adopted by City Council in 2017. This new model involves the operational consolidation of both TPLC and Build Toronto through service agreements with CreateTO for specific real estate activities, including commercial development. Service agreements were also established between CreateTO and TPLC to support cost recovery for back office staff support.

As CreateTO is the management entity, TPLC's 2019 activities are reflected in the 2019 CreateTO Annual Report (Attachment 1).

COMMENTS

1. Appointment of Auditor

The City's Auditor General conducts a competitive process to select an external auditor. On June 29, 2020, City Council appointed KPMG LLP as the auditor licensed under the Public Accounting Act, 2004 who is responsible for annually auditing the accounts and transactions of the City and certain of its local boards, and expressing an opinion on the financial statements of these bodies based on the audit, as per [AU5.7](#).

As a result, KPMG LLP is to be appointed as the Auditor for TPLC for fiscal year 2020 until close of the next TPLC annual general meeting or until a successor is appointed. The Board of Directors of TPLC will fix the annual remuneration of the Auditor.

2. Summary – TPLC 2019 Audited Financial Statements

Financial Results

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. This report provides a summary of TPLC's 2019 Audited Annual Financial Statements.

Consolidated Income Statement

Net Income and Comprehensive Income for the year ended December 31, 2019 was \$15.1 million, an increase over the previous year's \$12.3 million. The year-over-year increase was due primarily to increased net rental income as a result of slightly lower rental expenses, increased interest and investment income, and a greater gain on sale of investment properties, offset by increased expenses mainly as the result of an impairment loss relating to the Flood Protection Project of \$4.2 million in 2019 (as compared to \$432K in 2018).

Table 1

Toronto Port Lands Company Consolidated Statements of Net Income and Comprehensive Income for the year ended December 31 \$'s			
	2019	2018	Year over year change
Net Rental Income	12,900,960	11,856,927	
Interest and Investment Income	1,267,530	811,664	
	14,168,490	12,668,591	1,499,899
Amortization	(1,688,797)	(1,522,013)	
General and Administrative	(4,612,176)	(3,760,181)	
Restructuring Costs	8,606	348,967	
Impairment loss due to Flood Protection Project	(4,152,360)	(432,233)	
Non-recurring Income	1,654,592	--	
Interest Expense	(256,929)	(153,125)	
Total Other Income (Expenses)	(9,047,064)	(5,518,585)	(3,528,479)
Gain on sale - investment properties	9,994,651	5,157,543	4,837,108
Net Income and Comprehensive Income	15,116,077	12,307,549	2,808,528

Balance Sheet

Table 2 below summarizes TPLC's consolidated balance sheet as at December 31, 2019 and 2018.

As at December 31, 2019, TPLC had total assets of \$420.4 million, a slight decline over 2018 (\$421.8 million) due in part to a reduction in the total value of investment properties relating to transfer or sale, offset in part by an increase in cash and cash equivalents.

As at December 31, 2019, TPLC had total liabilities of \$26.8 million, as compared to \$34.2 million as at the previous year end. The decrease in liabilities was due to reduced short term liabilities, which related, in part, to reduced property site remediation costs, and a reduced provision for business disruption.

Table 2

Toronto Port Lands Company Consolidated Balance Sheet As at December 31			
	2019	2018	Year over year change
Current Assets	43,444,994	35,250,960	
Other Assets	376,968,652	386,553,320	
Total Assets	420,413,646	421,804,280	(1,390,634)
Current Liabilities	12,369,327	19,350,956	
Long Term Liabilities	14,402,263	14,890,323	
Total Liabilities	26,771,590	34,241,279	(7,469,689)
Shareholder's Equity	393,642,056	387,563,001	6,079,055
Total Liabilities and Shareholder's Equity	420,413,646	421,804,280	(1,390,634)

Shareholder's Equity

As at December 31, 2019, TPLC had Shareholder's equity of \$393.6 million, demonstrating an increase over 2018 (\$387.6 million) as a result of the addition of 2019 net income less dividends payable, as summarized in table 3 below.

Table 3

Toronto Port Lands Company Consolidated Statement of Retained Earnings for the year ended December 31		
	2019	2018
Shareholder's Equity, begin of year	387,563,001	383,255,452
Net Income	15,116,077	12,307,549
Dividends	(9,037,022)	(3,000,000)
Rail relocation and improvements (675 Commissioners Street)	--	(5,000,000)
Shareholder's Equity, end of year	393,642,056	387,563,001

Capital Structure:

The company's capital structure is comprised of a debt in the form of a loan from the City, and Shareholder's equity, as provided in table 4 below.

Table 4

	December 31 2019	December 31 2018
Shareholder's Equity	393,642,056	387,563,001
Loan from City	7,226,215	7,500,000
Total	400,868,271	392,063,001

3. Executive Compensation

In December 2017, City Council adopted a recommendation to amend TPLC's Shareholder Direction which directed that TPLC shall not hire employees, other than its CEO, without the prior consent of CreateTO. TPLC therefore no longer reports executive compensation as all executives are also officers of and paid by CreateTO.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

ATTACHMENTS

Attachment 1: CreateTO 2019 Annual Report
Attachment 2: Toronto Port Lands Company 2019 Audited Annual Financial Statements