

## **Toronto Community Housing Corporation - Annual General Meeting and 2020 Audited Consolidated Financial Statements**

**Date:** June 21, 2021

**To:** Executive Committee

**From:** City Manager and Chief Financial Officer and Treasurer

**Wards:** All

### **SUMMARY**

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This report transmits materials submitted by the Board of Directors of Toronto Community Housing Corporation (TCHC) to the City and recommends 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 TCHC, including receipt of its Annual Report and Audited Consolidated Financial Statements (Statements) for 2020 and appointment of the auditor for 2021.

TCHC's 2020 Statements were audited by KPMG LLP and received an unqualified opinion stating that the financial statements present fairly, in all material respects, the financial position of the TCHC as at December 31, 2020, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards. Limited review and analysis was performed by City staff.

The report also responds to City Council's request to report the impact of COVID19 on the 2020 financial statements as well as any modifications to programs and initiatives to address the pandemic, as well as reports on individual compensation of executive officers as requested by the Shareholder.

Finally, this report provides an updated Shareholder Direction to TCHC as directed, and to reflect prior Council decisions and priorities.

### **RECOMMENDATIONS**

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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 Community Housing Corporation by:

a. receiving the Letter to the Shareholder from the Toronto Community Housing Corporation's Chair of the Board of Directors and President and Chief Executive Officer dated April 30, 2021 transmitting the "Toronto Community Housing Corporation 2020 Annual Report, "Additional Information" (including Executive Compensation Disclosure), the "2020-2021 Strategic Priorities", and the "2019-2022 Strategic Plan", forming Attachment 1 and 2 to this Report;

b. receiving the "Toronto Community Housing Corporation 2020 Audited Consolidated Financial Statements", forming Attachment 3 to this Report;

c. appointing KPMG LLP as the Auditor of Toronto Community Housing Corporation for fiscal year 2021, and authorizing the Board of Directors of Toronto Community Housing Corporation to set the fee of the Auditor; and

d. receiving the Toronto Community Housing Corporation's executive compensation disclosure included in "Additional Information" of Attachment 1 to this Report;

2. City Council receive the "Toronto Community Housing Corporation 2020 Financial Impacts of COVID-19 ", forming Attachment 4 to this Report.

3. City Council direct the City Clerk to forward a copy of the "Toronto Community Housing Corporation 2020 Audited Consolidated Financial Statements", forming Attachment 3 to this Report, to the Audit Committee for information.

4. City Council, as Shareholder, approve the shareholder direction to the Toronto Community Housing Corporation attached as Attachment 5 to this report, subject to such editorial amendments as may be required to satisfy the City Solicitor and authorize the Deputy City Manager, Community and Social Services to sign such direction on behalf of the City.

## **FINANCIAL IMPACT**

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TCHC's 2020 Statements recognize a net operating surplus of \$17.1 million (an increase of \$60.4 million over 2019), total assets of \$4.3 billion (an increase of \$241.4 million over 2019), and total liabilities of \$3.2 billion (an increase of \$222.5 million over 2019). Accumulated surplus increased by \$18.9 million in 2020 to \$1.0 billion, and the value of TCHC's housing projects and capital assets increased by \$207.9 million to \$3.7 billion.

TCHC incurred increased costs relating to COVID-19 primarily due to additional cleaning and personal protective equipment (\$24.4 million), increased utility consumption (\$3.5 million) as well as an increase in arrears and unpaid fees (\$3.5 million). These costs were partially offset by decreased spending for summer

programs (\$3.1 million) and lower salary and administrative costs (\$10.8 million). As a result, the City provided a \$9.9 million allocation from the Safe Restart Program. Details of the operational and financial impacts of COVID-19 are outlined in Attachment 4.

TCHC negotiated with Infrastructure Ontario (IO) to defer loan payments for six months between August 2020 to January 2021, which resulted in an overall deferral of \$26.3 million in principal and interest payments. The deferred payments were repaid in February 2021. TCHC is currently making regular payments to IO; no further deferrals have been requested.

The City provided operating subsidies to TCHC of \$245.0 million (an increase of \$12.5 million over 2019) excluding the \$6.0 million Regent Park principal and interest repayment subsidy. TCHC's 2021 Council approved subsidy budget of \$251.0 million including the \$6.0 million Regent Park principal and interest repayment subsidy.

The full extent of the financial impact of COVID-19 is currently undeterminable due to the evolving nature of the pandemic. Any financial impacts incurred in 2021 as a result of COVID-19 will also be considered for funding under the Safe Restart Program. The City will report the financial impacts of COVID-19 on TCHC as part of the Corporate Variance Report.

## **DECISION HISTORY**

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On February 18, 2021, City Council adopted EX21.2 Capital and Operating Budgets and requested the Board of Directors of Build Toronto, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Toronto Community Housing Corporation and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 at their 2020 Annual General Meetings.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

On September 30, 2020, that portion of the City Council meeting where EX16.17 Toronto Community Housing Corporation - Annual General Meeting and 2019 Audited Financial Statements was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Toronto Community Housing Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.17>

On July 4, 2017, City Council directed a review of the governance structure of Toronto Community Housing Corporation and prepare an amended Shareholder Direction and other program and accountability instruments as required.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.2>

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

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Subsection 154(1) of the Business Corporations Act, Ontario (OBCA) requires that the Shareholder receive the Toronto Community Housing Corporation's (TCHC) audited consolidated financial statements and the Auditor's Report at the annual meeting of the Shareholder. Subsection 94(1) requires that the directors of the TCHC call an annual meeting of its Shareholder by no later than fifteen months after holding the last preceding annual meeting. The last annual meeting was held by City Council on September 30, 2020.

Section 149(2) of the OBCA requires that the TCHC 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 Auditor's fee for the service.

The City's current Shareholder Direction to TCHC, issued in 2013, requires that it prepare an annual report and audited consolidated financial statements and submit them to City Council. In addition, the Shareholder Direction requires, or Council has directed, that TCHC report annually on a number of other items and submit its business plan (referred to in this report as TCHC's Strategic Plan) to Council.

At its meeting on April 27, 2021, TCHC's Board of Directors approved its Letter to the Shareholder (Attachment 1), its 2020 Annual Report (Attachment 2), Additional Information (including Executive Compensation Disclosure), the 2020-2021 Strategic Priorities, and the 2019-2022 Strategic Plan (Attachment 1), and 2020 Annual Consolidated Financial Statements (Attachment 3).

## COMMENTS

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### 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 to be responsible for annually auditing the accounts and transactions of the City and certain of its local boards of City agencies and corporations and expressing an opinion on the financial statements of these bodies based on the audit, as per [AU5.7:Contract Award of Request for Proposal No. 9119-19-7141 \(Doc2038917448\) to KPMG LLP for External Audit Services for the City and Certain of its Agencies and Corporations](#).

As a result, KPMG LLP is to be appointed as the Auditor for Toronto Community Housing Corporation for fiscal year 2021. The Building Investment, Finance and Audit

Committee (BIFAC) of Toronto Community Housing Corporation will approve the annual fee for the Auditor.

## **2. Key Toronto Community Housing Corporation Achievements in 2020**

The Letter to the Shareholder from TCHC's Chair of the Board of Directors and the President and Chief Executive Officer transmits the 2020 Annual Report and Additional Information (Attachment 1 and 2) which highlights key Toronto Community Housing Corporation achievements in 2020.

## **3. Summary – Toronto Community Housing Corporation 2020 Audited Financial Statements**

### **Highlights of 2020 Financial Results**

TCHC's financial results can be summarized as follows:

- Operating surplus of \$17.1 million in 2020 (compared to the 2019 operating deficit of \$43.3 million), primarily driven by increased revenues of \$120.3 million that were offset by \$59.9 million in increased operating costs resulting in a net increase of \$60.4 million over the 2019 financial results.
- The City allocated \$9.9 million for the Safe Restart Program, a federal investment to help safely restart operations during the pandemic.
- The TCHC incurred additional operating costs of \$30.4 million that were partially offset by higher RGI rent received and lower cost for a net COVID-19 impact of \$12.0 million
- Capital Asset Replacement Reserve of \$61.5 million was transferred to the sinking fund, an internally restricted reserve.
- Deferred capital contributions increase by \$310 million to \$1.1 billion which represents unamortized amount of restricted grants received for housing projects.

### **Statement of Financial Position**

The following table summarizes the Consolidated Statement of Financial Position for Toronto Community Housing Corporation as at December 31, 2020, with comparative figures for 2019:

<b>Table 1 -Toronto Community Housing Corporation</b>				
<b>Consolidated Statement of Financial Position as at December 31, 2020 (\$000s)</b>				
	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
<b>Assets</b>				
Current assets	508,446	280,055	228,391	82%
Receivables and investments	84,431	218,281	(133,850)	-61%
Capital Asset Replacement Reserve	-	60,644	(60,644)	-100%
Receivable from City – Employee Benefits	19,325	19,325	-	-
Housing Projects & Capital Assets	3,697,465	3,489,593	207,872	6%
Assets held for sale	2,790	3,069	(279)	-9%
Prepaid Lease	745	801	(56)	-7%
<b>Total Assets</b>	<b>4,313,202</b>	<b>4,071,768</b>	<b>241,434</b>	<b>6%</b>
<b>Liabilities</b>				
Current liabilities	339,733	417,419	(77,686)	-19%
Capital Asset Replacement Reserve	-	60,644	(60,644)	-100%
Deferred revenue	18,398	15,298	3,100	20%
Employee benefits	82,398	79,961	2,437	3%
Project financing and debenture loans	1,736,011	1,690,826	45,185	3%
Deferred capital contributions	1,062,088	751,952	310,136	41%
Sub-total	3,238,628	3,016,100	222,528	7%
<b>Accumulated Surplus</b>				
Share capital	1	1	-	-
Internally restricted funds	245,884	186,579	59,305	32%
Contributed surplus	5,136	5,136	-	-
Unrestricted surplus	823,553	863,952	(40,399)	-5%
Sub-total	1,074,574	1,055,668	18,906	2%
<b>Total Liabilities &amp; Accumulated Surplus</b>	<b>4,313,202</b>	<b>4,071,768</b>	<b>241,434</b>	<b>6%</b>

Total assets were \$4.3 billion, an increase of \$241.4 million (or 6%) compared with the previous year, resulting from:

- Current Assets: an increase of \$228.4 million, primarily as a result of an increase in cash balances due to the release of Infrastructure Ontario restricted funds from long term investments and an increase in investments consequent to the transfer of the externally restricted the Capital Asset Replacement Reserve to an internally restricted reserve.
- Receivables and investments: a decrease of \$133.9 million primarily due to a decrease in the restricted cash held for capital expenditures as a result of Infrastructure Ontario Omnibus Amending Agreement
- Capital Asset Replacement Reserve: a decrease of \$60.6 million due to the transfer from an externally restricted reserve to the sinking fund, an internally restricted reserve.
- Housing projects and capital assets: an increase of \$207.9 million due to significant additions, and improvements to, lands and buildings carried out in 2020.

Total liabilities were \$3.2 billion, an increase of \$222.5 million (or 7%) compared to the previous year, resulting from:

- Current liabilities: a decrease of \$77.7 million mainly due to \$69 million repayment of credit facility.
- Capital Asset Replacement Reserve: a decrease of \$60.6 million as a result of the transfer of externally restricted reserve to TCHC's internally restricted reserve.
- Project financing and debenture loans: an increase of \$45.2 million in long-term project financing consisting of mortgages, debentures and loans payable to the City, Infrastructure Ontario (IO) and other lenders.
- Other liabilities: an increase of \$315.7 million mainly due to a \$310.1 million increase in deferred capital contributions representing the unamortized amount of restricted grants received for housing projects.

Accumulated Surplus was \$1.1 billion, an increase of \$18.9 million (or 2%) mainly due to the \$17.1 million operating surplus for the year.

## Statement of Operations

The table below summarizes and compares the consolidated operating results for the year ended December 31, 2020, with comparative figures for 2019:

	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
<b>Revenues</b>				
Subsidies	244,960	232,474	12,486	5%
Rent	366,380	356,014	10,366	3%
Amortization Deferred Capital Contribution	59,849	58,321	1,528	3%
Parking, Laundry & Cable Fees	18,489	18,974	(485)	-3%
Capital asset replacement reserve transfer	61,518	-	61,518	-
Investment Income	9,308	11,472	(2,164)	-19%
Joint Venture Income	4,371	2,750	1,621	59%
City - Safe Restart Program	9,877	-	9,877	-
Gain on sale of housing projects and other capital assets	29,951	6,230	23,721	381%
Other revenues	7,840	6,023	1,817	30%
	<b>812,543</b>	<b>692,258</b>	<b>120,285</b>	<b>16%</b>
<b>Expenses</b>				
Operations and Maintenance	248,785	205,966	42,819	21%
Utilities	129,404	125,028	4,376	4%
Community Safety Services	35,086	30,676	4,410	14%
Municipal Taxes	19,339	18,489	850	5%
Depreciation	213,356	198,326	15,030	8%
Interest	78,410	78,853	(443)	-1%
Administration and Other	71,157	78,221	(7,164)	-9%
	<b>795,437</b>	<b>735,559</b>	<b>59,878</b>	<b>8%</b>

<b>Table 2 - Toronto Community Housing Corporation</b>				
<b>Consolidated Statement of Operations Year Ended December 31, 2020 (\$000s)</b>				
<b>Excess (deficiency) of revenue over expenses</b>	<b>17,106</b>	<b>(43,301)</b>	<b>60,407</b>	<b>140%</b>

Total revenues in 2020 were \$812.5 million, an increase of \$120.3 million (or 16%) from the previous year resulting from:

- One-time revenue relating to the release and redirection of Capital Asset Replacement Reserve of \$61.5 million. Funds have been transferred and repurposed from the capital reserve to internal operations, internally restricted.
  - An increase of \$23.7 million in the gain on housing projects and other capital assets.
  - An increase of \$12.5 million in subsidies from the City due to the change in funding model which provided permanent and sustainable funding for RGI units.
  - An increase of \$10.4 million in rental revenue due to the increase in market and RGI rates.
  - An increase of \$3.4 million in Joint venture and Other Revenues mainly due to increase in market units sales and higher revenue from energy subsidiary.
  - A decrease of \$2.2 million in investment income due to lower interest rates.
- Revenues also include an allocation of \$9.9 million by the City for the Safe Restart Program, a federal investment to help safely restart operations during the pandemic.

Total expenses in 2020 were \$795.4 million, an increase of \$59.9 million (or 8%) over the previous year resulting from:

- An increase of \$42.8 million in operations and maintenance mainly attributable to additional wages and personal protective equipment supplies to respond to the COVID-19 pandemic.
- An increase of \$4.4 million in utilities due to increased usage resulting from the provincial lockdown and stay-at-home orders.
- An increase of \$4.4 million in community safety services due to increased response to COVID-19 through specific wellness checks to ensure tenants had the support needed and an increase in engagement activities.
- Municipal taxes increased by \$0.9 million due to higher property value assessments.
- An increase of \$15.0 million in depreciation expense resulting from overall increased depreciable asset values
- A decrease of \$0.4 million in interest expense due to lower cost of borrowing.
- A decrease of \$7.2 million in administration and other expenses mainly due to the contributions to capital asset replacement reserve that is no longer required.

## **Subsidiaries and Joint Ventures**

The TCHC Statements include the assets, liabilities, and results of operations of TCHC and its wholly owned subsidiaries. These Statements also include TCHC's interest in joint ventures and partnerships. An overview of TCHC subsidiaries and joint ventures/partnerships is provided in Attachment 1, Appendix C.



## **4. 2020 Executive Compensation**

Toronto Community Housing Corporation has disclosed executive compensation information for senior management as requested by City Council in "Additional Information" (Section 4, page 11) of Attachment 1. The compensation paid to the corporation's executive officers is required to be disclosed pursuant to the Province of Ontario's public disclosure of the salary and benefits paid in respect of employment in the public sector under the Public Sector Salary Disclosure Act, 1996.

## **5. Impact of COVID-19**

As part of the City of Toronto 2021 Budget process, City Council requested the Board of Directors of Build Toronto, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Toronto Community Housing Corporation and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 at their 2020 Annual General Meeting. Toronto Community Housing Corporation provided this information in Attachment 4.

## **6. Additional TCHC Reporting Requirements**

TCHC is required by its Shareholder Direction and Council decisions to report annually on a number of items. A summary of additional Shareholder reporting requirements and where they are met can be found in Additional Information (Appendix B, page 16) in Attachment 1. As part of meeting these requirements, Attachment 1 contains:

- TCHC's 10 year Capital Financing Plan (Additional Information, Appendix A, page 15);
- Information on TCHC's subsidiaries (Additional Information, Appendix C, page 24); and
- Information on progress related to its 2020-2021 Strategic Priorities based on actions outlined in the 2019-2022 Strategic Plan (Strategic Priorities, page 58).

## **7. Updated Shareholder Direction**

In July 2017, Council adopted EX26.2 which directed the Deputy City Manager to review the governance structure of TCHC in the context of a new Seniors Housing and Services entity and prepare an amended Shareholder Direction and other program and accountability instruments as required, that includes a revised tenant-focused service delivery model, improved integration and accountability with the City of Toronto as Service Manager and Shareholder; and a strengthened system of tenant engagement, including tenant representation on the TCHC Board of Directors.

The Shareholder Direction to TCHC was last reviewed in 2013. Since that time, Council has also directed specific requirements of TCHC. City staff, in consultation with TCHC staff, conducted a review of the current version of the Shareholder Direction with the following objectives:

- Support tenant-focused service delivery;
- Strengthen the tenant engagement system;
- Ensure Council's authority as Shareholder;
- Enable TCHC to focus its effort and resources on core services;
- Reflect current Council priorities and codify existing Council directions to TCHC;
- Facilitate a collaborative relationship between TCHC and Toronto Seniors Housing Corporation (TSHC), CreateTO and the City; and
- Enhance clarity of language and organization of Shareholder Direction overall, and update information as needed.

The review examined the TCHC mandate, Board structure and responsibilities, Shareholder matters, direction related to the Operating Agreement with the Service Manager, tenant matters, and accountabilities and reporting requirements. Proposed changes to the Shareholder Direction were discussed with TCHC staff and Board.

The revised Shareholder Direction to TCHC contained in Attachment 5 of this report is recommended for approval by Council as Shareholder, largely as outlined and subject to such technical amendments as may be required by the City Solicitor. Key changes include:

- A revised mandate that includes eviction prevention;
- Direction on tenant centered operations and tenant engagement;
- Updating the process description regarding the appointment of tenant directors;
- Requirements for Council approval of new development projects;
- A requirement for participation in the City budget process;
- A requirement for a strategic plan (instead of a business plan);
- Rationalization of annual reporting requirements; and
- Direction to collaborate with the Toronto Seniors Housing Corporation and CreateTO.

City staff provided an overview of changes to the Shareholder Direction to the TCHC Board at their June 15, 2021 meeting. Resulting from this discussion, the Board approved a motion to request that Council consider the addition of one tenant director to the Board composition, bringing total number of TCHC Board directors from its current size of 12 to its former size of 13. A review of the composition of the Board was not within the scope of City staff's review of the Shareholder Direction, however staff do not have any concerns with the addition of a tenant director to the Board. If the Board's request is approved by Council, the City Clerk would initiate a public appointment process to recruit a new tenant director for TCHC, and staff would amend the Shareholder Direction in Attachment 5 and other relevant documents to implement the decision.

To enhance accessibility and understanding of the Shareholder Direction to TCHC tenants and the general public, City staff are developing a plain language guide to the Shareholder Direction as a companion document.

## 8. Other Information

Staff are currently exploring opportunities to streamline the reporting requirements and the annual general meetings of all City corporations in future years.

## CONTACT

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## SIGNATURE

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Heather Taylor  
Chief Financial Officer and Treasurer

Chris Murray  
City Manager

## ATTACHMENTS

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Attachment 1: Letter to the Shareholder from the Toronto Community Housing Corporation's Chair of the Board of Directors and President and Chief Executive Officer dated April 30, 2021 transmitting the Toronto Community Housing Corporation 2020 Annual Report, Additional Information (including Executive Compensation Disclosure), the TCHC 2020-2021 Strategic Priorities, and the TCHC 2019-2022 Strategic Plan.

Attachment 2: Toronto Community Housing Corporation 2020 Annual Report

Attachment 3: Toronto Community Housing Corporation 2020 Audited Annual Financial Statements

Attachment 4: Toronto Community Housing Corporation 2020 Financial Impacts of COVID-19

Attachment 5: Updated Shareholder Direction to Toronto Community Housing Corporation