

Toronto Port Lands Company - Annual General Meeting and 2020 Audited Financial Statements

Date: June 21, 2021

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 the Toronto Port Lands Company (TPLC) to the City and recommends 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 Consolidated Financial Statements (Statements) for 2020 and appointment of the auditor for 2021.

TPLC'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 consolidated financial position of TPLC as at December 31, 2020, and its consolidated financial performance for the year then ended in accordance with International Financial Reporting Standards, (IFRS). Limited review and analysis was performed by City staff.

The report also responds to City Council's request to report the impact of COVID-19 on the 2020 financial statements as well as any modifications to programs and initiatives to address the pandemic.

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 2020 Highlights Report", and the "Toronto Port Lands 2020 Audited Consolidated Financial Statements", forming Attachment 1 and 2 to this Report; and

b. appointing KPMG LLP as the Auditor of Toronto Economic Development Corporation (operating under the name Toronto Port Lands Company) for fiscal year 2021.

2. City Council receive the "Toronto Port Lands Company 2020 Financial Impacts of COVID-19 ", forming Attachment 3 to this Report.

3. City Council direct the City Clerk to forward a copy of the "TPLC's 2020 Audited Consolidated Financial Statements", forming Attachment 2 to this Report, to the Audit Committee for information.

FINANCIAL IMPACT

TPLC's 2020 Statements recognize a net income and comprehensive income of \$3.2 million (a decrease of \$11.9 million over 2019), total assets of \$417.6 million (a decrease of \$2.8 million over 2019), and total liabilities of \$27.3 million (an increase of \$0.6 million over 2019). TPLC investment properties increased by \$1.6 million to \$355.4 million.

Per TPLC's shareholder direction, the annual dividend payment is specified by the City and can be changed from time to time. The City has set the annual dividend at \$4.2 million, however, additional amounts paid to the City to fund capital expenditures have been reported as dividends in the financial statements. As an example, in 2020, an additional special dividend of \$2.4 million was paid in accordance with a 2014 Council decision to fund completed repairs to the Western Channel dock wall structure. As a result, the total 2020 dividend paid was \$6.6 million.

DECISION HISTORY

On February 18, 2021, City Council adopted EX21.2 Capital and Operating Budgets and requested the Board of Directors of Toronto Community Housing Corporation, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Build Toronto 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 EX16.20 Toronto Port Lands Company - Annual General Meeting and 2019 Audited Financial Statements and as Shareholder 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=2020.EX16.20>

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>

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 the TPLC call an annual meeting of its Shareholders not later than fifteen months after holding the last preceding annual meeting. The last annual meeting was held by City Council on September 30, 2020. Subsection 154(1) of the OBCA requires that the Shareholder receive the TPLC Statements and the Auditor's Report at the annual meeting of the Shareholder.

Section 149(2) of the OBCA requires that the TPLC 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.

Section 6.8 of the Shareholder Direction requires TPLC to provide an annual update to City Council.

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 Build Toronto and Toronto Economic Development Corporation (operating under the name Toronto Port Lands Company) through service agreements with CreateTO for specific real estate and management activities. The Corporation is managed by CreateTO.

TPLC manages real estate assets and continues to advance the long-term vision for a sustainable new community in the port lands and supports the ongoing flood protection work by Waterfront Toronto. TPLC's primary assets consist of investment properties, which include land, office and other commercial properties held to earn rental income or for capital appreciation.

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 to be 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: 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 TPLC for fiscal year 2021.

2. Key TPLC Achievements in 2020

The Letter to the Shareholder from CreateTO's Chair of the Board of Directors and the President and Chief Executive Officer transmits the 2020 CreateTO Highlights (Attachment 1) which highlights key activities in the port lands in 2020.

3. Summary – TPLC's 2020 Audited Financial Statements

Highlights of 2020 Financial Results

TPLC's net income and comprehensive income of \$3.2 million was not significantly impacted by COVID-19 but was significantly reduced in 2020 because of the one-time gain in 2019.

Statement of Financial Position

The following table summarizes the consolidated financial position for TPLC as at December 31, 2020, with comparative figures for 2019:

	2020	2019	Increase/ (Decrease)	%
Assets				
Current Assets	37,986,162	43,444,994	(5,458,832)	-13%
Restricted cash and investments	17,217,128	16,771,473	445,655	3%
Investment properties	355,351,264	353,798,922	1,552,342	0%
Other non-current assets	7,036,398	6,398,257	638,141	10%
Total Assets	417,590,952	420,413,646	(2,822,694)	-1%

Liabilities				
Current Liabilities	13,413,532	12,369,327	1,044,205	8%
City of Toronto Loan	6,649,305	6,942,764	(293,459)	-4%
Tenant's deposits and prepaid rents	7,280,933	7,459,499	(178,556)	-2%
Total Liabilities	27,343,770	26,771,590	572,180	2%
Shareholder's Equity	390,247,182	393,642,056	(3,394,874)	-1%
Total Liabilities & Shareholder Equity	417,590,952	420,413,646	(2,822,694)	-1%

Total assets were \$417.6 million, a decrease of \$2.8 million (or 1%) compared with the previous year, resulting from:

- Current assets: a decrease of \$5.5 million, primarily due to a decrease in cash and cash equivalents of \$11.1 million due to the increased capital expenditures and the payment of the City of Toronto dividend, offset by an increase in receivables of \$5.9 million, mainly expropriation proceeds of \$3.2 million, related party receivables of \$1.7 million and tenant rent receivables including deferred rent due to COVID of \$1.4 million, offset by an increase in the allowance for doubtful accounts of \$0.4 million.
- Investments properties: an increase of \$1.5 million due to the capitalization of capital expenditures, offset by disposals, amortization, and the impairment loss due to the flood protection project.
- Other non-current assets: an increase of \$0.6 million primarily due to a straight-line rent receivable adjustment.

Total liabilities were \$27.3 million, an increase of \$0.6 million (or 2%) compared with the previous year, resulting from:

- Current liabilities: an increase of \$1.0 million primarily due to an increase in accrued liabilities for the landlord's share of expansion costs at Pinewood Studios.

Shareholder's Equity

As at December 31, 2020, TPLC had total Shareholder's Equity of \$390.2 million, a decrease of \$3.4 million over 2019 (\$393.6 million), as a result of a dividend paid to the Shareholder of \$6.6 million, exceeding 2020 net income of \$3.2 million. The changes to Shareholder Equity are summarized in table 3 below:

	2020	2019	Increase/ (Decrease)	%
Shareholder's Equity Beginning of the Year	393,642,056	387,563,001	6,079,055	2%
Net Income	3,223,637	15,116,077	(11,892,440)	-79%
Dividends Paid	(6,618,511)	(9,037,022)	2,418,511	-27%
Shareholder's Equity End of the Year	390,247,182	393,642,056	(3,394,874)	-1%

Statement of Operations

The table below summarizes the consolidated financial performance for the year ended December 31, 2020, with comparative figures for 2019:

	2020	2019	Increase/ (Decrease)	%
Revenues:				
Rental Revenue	15,801,674	18,225,203	(2,423,529)	-13%
Rental Expense	(5,241,326)	(5,324,243)	82,917	-2%
Net Rental Income	10,560,348	12,900,960	(2,340,612)	-18%
Other Income (expenses):				
Interest and Investment Income	819,993	1,267,530	(447,537)	-35%
Interest expense	(247,154)	(256,929)	9,775	-4%
Amortization	(1,427,863)	(1,688,797)	260,934	-15%
Impairment loss due to Flood Protection Project	(3,024,950)	(4,152,360)	1,127,410	-27%
General and Administrative expense	(4,394,454)	(4,612,176)	217,722	-5%
Restructuring costs		8,606	(8,606)	-100%
Non-recurring income		1,654,592	(1,654,592)	-100%
Total Other Income	(8,274,428)	(7,779,534)	(494,894)	6%
Income before gain on sale or expropriation of investment properties	2,285,920	5,121,426	(2,835,506)	-55%
Gain on sale or expropriation of investment properties	937,717	9,994,651	(9,056,934)	-91%
Net Income and comprehensive Income	3,223,637	15,116,077	11,892,440	-79%

The 2020 net income and comprehensive income was \$3.2 million, a decrease of \$11.9 million (or 91%) from the previous year resulting from:

- lower net rental income as a result lower rental revenue from leases, licences, due to the flood protection project, and higher bad debt expense provision in 2020.
- lower interest and investment income due to lower cash balances and interest rates.
- lower gain on sale of investment properties due to different asset sales; in 2019 an investment property was sold, whereas in 2020 an investment property was expropriated.

These decreases were offset by lower impairment loss relating to the flood protection project.

Subsidiaries and Joint Ventures

The TPLC Statements include the assets, liabilities, and results of operations of TPLC and its wholly owned subsidiaries. An overview of TPLC subsidiaries is provided in page 6 of the 2020 Statements.

4. 2020 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. Therefore, TPLC no longer reports executive compensation as all executives are also officers of and paid by CreateTO.

5. Impact of COVID-19

As part of the City of Toronto 2021 Budget process, City Council requested the Board of Directors of Toronto Community Housing Corporation, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Build Toronto 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. TPLC provided this information in Attachment 3.

6. Other Information

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

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SIGNATURE

Heather Taylor
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Chris Murray
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ATTACHMENTS

Attachment 1: CreateTO 2020 Highlights

Attachment 2: Toronto Port Lands Company 2020 Audited Annual Financial Statements

Attachment 3: Toronto Port Lands Company 2020 Financial Impacts of COVID-19