

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON JUNE 12, 2017</b>
<b>FROM:</b>	<b>MARTIN HAYWARD CITY MANAGER</b>
<b>SUBJECT:</b>	<b>HOUSING DEVELOPMENT CORPORATION, LONDON 2016 ANNUAL MEETING OF THE SHAREHOLDER ANNUAL RESOLUTIONS</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the City Manager, the attached by-law (Appendix "A") BE INTRODUCED at the Municipal Council meeting to be held June 13, 2017 to:

- a) ratify and confirm the Annual Resolutions of the Shareholder of the Housing Development Corporation, London attached as Schedule "A" to the by-law; and
- b) authorize the Mayor and the City Clerk to execute the Annual Resolutions of the Shareholder of the Housing Development Corporation, London attached as Schedule "A" to the by-law.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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June 9, 2016 – Strategic Priorities and Policy Committee – Agenda Item #4  
 July 25, 2016 – Strategic Priorities and Policy Committee – Agenda Items #5 and #6  
 May 15, 2017 – Strategic Priorities and Policy Committee – Agenda Item #8

<b>BACKGROUND</b>
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At its meeting held May 16, 2017, Municipal Council resolved:

"That the following actions be taken with respect to the 2016 Annual General Meeting of the Shareholder for the Housing Development Corporation:

- a) the 2016 Annual General Meeting of the Shareholder for Housing Development Corporation BE HELD at a meeting of the Strategic Priorities and Policy Committee on June 12, 2017, for the purpose of receiving the report from the Board of Directors of the Housing Development Corporation in accordance with the Shareholder Declaration and the Business Corporations Act, R.S.O. 1990, c. B.16; and
- b) the City Clerk BE DIRECTED to provide notice of the 2016 Annual Meeting to the Board of Directors for the Housing Development Corporation and to invite the Chair of the Board and the Chief Executive Officer of Housing Development Corporation to attend at the Annual Meeting and present the report of the Board in accordance with the Shareholder Declaration;

it being noted that the Strategic Priorities and Policy Committee received a communication dated May 24, 2017, from S. Giustizia, Chief Executive Officer, Housing Development Corporation, with respect to this matter."

**2016 Annual General Meeting**

The Housing Development Corporation, London is a corporation with share capital incorporated under the *Business Corporations Act*, R.S.O. 1990 c. B.16. The Housing Development Corporation, London is managed by a Board of Directors appointed by The Corporation of the City of London as the sole shareholder.

The attached (Schedule "A") Annual Resolutions of the Shareholder of the Housing Development Corporation, London addresses the following matters that are required to be dealt with at an Annual Meeting as required by the Shareholder's Declaration and the *Business Corporations Act*:

- a) receipt of the 2016 audited financial statements;
- b) appointment of the Auditors; and
- c) election of the directors.

The election of the third class of director is required. The attached resolution of the shareholder elects Vivian Lui as a director for the third class to hold office for a three-year term ending at the close of the annual meeting of the shareholder to be held in 2020. This resolution is in accordance with the resolution of Municipal Council of March 2017.

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>CATHY SAUNDERS CITY CLERK</b>	<b>MARTIN HAYWARD CITY MANAGER</b>

**APPENDIX “A”**

Bill No.  
2017

By-law No. A.-

A by-law to ratify and confirm the Annual Resolutions of the Shareholder of the Housing Development Corporation, London.

WHEREAS the Housing Development Corporation, London is a corporation incorporated under the *Business Corporations Act* R.S.O. 1990, c.B.16;

AND WHEREAS subsection 104(1)(b) of the *Business Corporations Act* provides that a resolution in writing dealing with all matters required by this Act to be dealt with at a meeting of shareholders, and signed by all the shareholders or their attorney authorized in writing entitled to vote at the meeting, satisfies all the requirements of this Act relating to that meeting of shareholders;

AND WHEREAS The Corporation of the City of London is the sole shareholder of Housing Development Corporation, London;

AND WHEREAS Subsection 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS Subsection 5(3) of the *Municipal Act, 2001* provides that a municipal power shall be exercised by by-law;

NOW THEREFORE The Municipal Council of The Corporation of the City of London enacts as follows:

1. The Annual Resolutions of the Shareholder of Housing Development Corporation, London for the fiscal year ended December 31, 2016, attached as Schedule “A” are ratified and confirmed.
2. The Mayor and the City Clerk are authorized to execute the Annual Resolutions of the Shareholder ratified and confirmed under section 1 of this by-law.
3. This by-law comes into force on the day it is passed.

PASSED in Open Council on the        day of        , 2017.

Matt Brown  
Mayor

Catharine Saunders  
City Clerk

First Reading -  
Second Reading -  
Third Reading -

## SCHEDULE "A"

### HOUSING DEVELOPMENT CORPORATION, LONDON (the "Corporation")

WHEREAS subsection 104(1)(b) of the *Business Corporations Act* (Ontario) (the "Act") provides that a resolution in writing dealing with all matters required by the Act to be dealt with at a meeting of shareholders, and signed by all the shareholders or their attorney authorized in writing entitled to vote at the meeting, satisfies all the requirements of the Act relating to that meeting of shareholders;

The following resolutions, signed by the sole shareholder of the Corporation entitled to vote thereon, are hereby passed pursuant to the provisions of the Act:

#### **FINANCIAL STATEMENTS**

It is hereby acknowledged that the balance sheet of the Corporation as at December 31, 2016, and the other audited financial statements, together with Auditors' Report, of the Corporation for the financial year ended on such date have been received by the undersigned shareholder of the Corporation.

#### **ELECTION OF DIRECTORS**

WHEREAS pursuant to the Shareholder Declaration the board of directors for the Corporation shall consist of five (5) Directors;

AND WHEREAS the term of the director that is a member of the third class expires at the annual meeting of shareholders held in 2017 pursuant to paragraph 4.4 of the Shareholder Declaration;

NOW THEREFORE BE IT RESOLVED THAT:

1. Each of the following persons, being directors that are members of the third class pursuant to paragraph 4.4 of the Shareholder Declaration, is hereby **elected** as a director of the Corporation to hold office for a term with the expiry as set out below, provided that when a successor is not duly elected at the close of the annual meeting described below, such director shall hold office until his or her successor is elected:

<b><u>Class</u></b>	<b><u>Name of Director</u></b>	<b><u>Term</u></b>
Third	Vivian Lui	the close of the annual meeting of shareholders to be held in 2020 for the financial year ending December 31, 2019

**CONFIRMATION OF CONTINUING TERMS**

2. Each of the following persons, being directors that are members of the first, and second class, as provided for below, pursuant to paragraph 4.4 of the Shareholder Declaration, are hereby confirmed as having a term continuing until the expiry as set out below, provided that when a successor is not duly elected at the close of the annual meeting described below, such director shall hold office until his or her successor is elected:

<b><u>Class</u></b>	<b><u>Name of Director</u></b>	<b><u>Term</u></b>
First	Louise Stevens	the close of the annual meeting of shareholders to be held in 2019 for the financial year ending December 31, 2018
First	Dick Brouwer	the close of the annual meeting of shareholders to be held in 2019 for the financial year ending December 31, 2018
Second	Daniel Ross	the close of the annual meeting of shareholders to be held in 2018 for the financial year ending December 31, 2017
Second	Larry Hazel	the close of the annual meeting of shareholders to be held in 2018 for the financial year ending December 31, 2017

**APPOINTMENT OF AUDITORS**

RESOLVED THAT:

KPMG LLP are hereby appointed auditors of the Corporation to hold office until the close of the next annual meeting of the shareholders or until a successor is appointed by the shareholder at such remuneration as may be fixed by the directors and the directors are hereby authorized to fix such remuneration.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

**The Corporation of the City of London**

By: \_\_\_\_\_  
Name: Matt Brown  
Title: Mayor

By: \_\_\_\_\_  
Name: Catharine Saunders  
Title: City Clerk

Financial Statements of

**HOUSING DEVELOPMENT CORPORATION,  
LONDON**

Fifteen-month period ended December 31, 2016



KPMG LLP  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada  
Tel 519 672-4800  
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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Housing Development Corporation, London

We have audited the accompanying financial statements of Housing Development Corporation, London, which comprise the statement of financial position as at December 31, 2016, the statements of operations, change in net financial assets and cash flows for the period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Housing Development Corporation, London as at December 31, 2016, and its results of operations, its changes in net financial assets, and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

April 20, 2017

London, Canada



**HOUSING DEVELOPMENT CORPORATION, LONDON**

## Statement of Financial Position

As at December 31, 2016

	<b>2016</b>
<b>Financial assets</b>	
Due from the Corporation of the City of London (note 3)	\$ 2,306,000
Trade and other receivables	3,049
<b>Total financial assets</b>	<b>2,309,049</b>
<b>Financial liabilities</b>	
Accounts payable and accrued liabilities	21,700
<b>Total financial liabilities</b>	<b>21,700</b>
<b>Net financial assets</b>	<b>2,287,349</b>
<b>Non-financial assets</b>	
Tangible capital assets (note 4)	1,731
Prepaid expenses	3,942
<b>Total non-financial assets</b>	<b>5,673</b>
<b>Accumulated surplus (note 5)</b>	<b>\$ 2,293,022</b>

The accompanying notes are an integral part of these financial statements.

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
Statement of Operations  
For the fifteen-month period ended December 31, 2016

	Budget	2016
<b>Revenues</b>		
Interest income	\$ -	\$ 13,140
Transfer payment - the Corporation of the City of London	2,811,502	2,691,502
<b>Total revenues</b>	<b>2,811,502</b>	<b>2,704,642</b>
<b>Expenses</b>		
Salaries, wages and benefits	351,789	232,363
Materials and supplies	108,220	11,804
Contracted services	351,493	167,361
Amortization of tangible capital assets (note 4)	-	192
<b>Total expenses</b>	<b>811,502</b>	<b>411,720</b>
<b>Annual surplus</b>	<b>2,000,000</b>	<b>2,292,922</b>
<b>Accumulated surplus, beginning of period (note 5)</b>	<b>-</b>	<b>-</b>
<b>Issuance of share capital (note 7)</b>	<b>-</b>	<b>100</b>
<b>Accumulated surplus, end of period (note 5)</b>	<b>\$ 2,000,000</b>	<b>\$ 2,293,022</b>

The accompanying notes are an integral part of these financial statements.

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
Statement of Net Financial Assets  
For the fifteen-month period ended December 31, 2016

	<b>Budget</b>	<b>2016</b>
Annual surplus	2,000,000	2,292,922
Acquisition of tangible capital assets	(17,220)	(1,923)
Amortization of tangible capital assets	-	192
	1,982,780	2,291,191
<b>Change in prepaid expenses</b>	-	<b>(3,942)</b>
Change in net financial assets	1,982,780	2,287,249
Net financial assets, beginning of period	-	-
Issuance of share capital (note 7)	-	100
<b>Net financial assets, end of period</b>	<b>1,982,780</b>	<b>2,287,349</b>

The accompanying notes are an integral part of these financial statements.

HOUSING DEVELOPMENT CORPORATION, LONDON  
Statement of Cash Flows  
For the fifteen-month period ended December 31, 2016

	2016
<b>Cash provided by:</b>	
<b>Operating activities:</b>	
Annual surplus	2,292,922
<b>Items not involving cash:</b>	
Amortization of tangible capital assets	192
<b>Change in non-cash assets and liabilities:</b>	
Due from the Corporation of the City of London	(2,306,000)
Prepaid expenses	(3,942)
Trade and other receivables	(3,049)
Accounts payable and accrued liabilities	21,700
<b>Net change in cash from operating activities</b>	<b>1,823</b>
<b>Capital activities:</b>	
Purchase of tangible capital assets	(1,923)
<b>Cash used in capital activities</b>	<b>(1,923)</b>
<b>Financing activities:</b>	
Issuance of share capital	100
<b>Cash provided by financing activities</b>	<b>100</b>
<b>Net change in cash flows and cash, end of period</b>	<b>-</b>

The accompanying notes are an integral part of these financial statements.

# HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements

Fifteen-month period ended December 31, 2016

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## 1. Nature of reporting entity

Housing Development Corporation, London (the "Corporation") is a municipal services corporation with share capital incorporated under the *Business Corporations Act*, R.S.O. 1990, c.B.16 on October 26, 2015.

The Corporation is a wholly owned subsidiary company of the Corporation of the City of London (the "City") and is managed by a Board of Directors appointed by the City, as the sole shareholder.

## 2. Significant accounting policies

The financial statements of the Corporation are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants (CPA) of Canada Public Sector Handbook – Accounting.

Significant accounting policies are as follows.

### (a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

### (b) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Office equipment and furniture	5

Annual amortization is charged in the year of acquisition and in the year of disposal using the half year rule. Assets under construction are not amortized until the asset is available for productive use.

### (c) Government transfers

Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

**2. Significant accounting policies (continued)**

**(d) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

**(e) Budget figures**

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

**3. Due from the Corporation of the City of London**

In accordance with the City of London Council's direction of September 2, 2014, the Corporation has been extended shared services support from the City. The City's support services include office space, information technology, risk management, facility, finance, payroll, purchasing, legal and other administrative services to ensure operational efficiency. The Corporation incurred a charge of \$25,000 for these services and this expense has been included in the Statement of Operations.

The City maintains a separate general ledger on behalf of the Corporation. All funds are paid and received through the City's bank account and are held for use by the Corporation. Interest is paid on cash balances based on the variable rate earned by the City.

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
Notes to Financial Statements  
Fifteen-month period ended December 31, 2016

**4. Tangible capital assets**

Cost	Balance at October 26, 2015	Additions	Disposals	Balance at December 31, 2016
Office equipment and furniture	\$ -	\$ 1,923	\$ -	\$ 1,923
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,923</b>	<b>\$ -</b>	<b>\$ 1,923</b>

Accumulated Amortization	Balance at October 26, 2015	Amortization Expense	Disposals	Balance at December 31, 2016
Office equipment and furniture	\$ -	\$ 192	\$ -	\$ 192
<b>Total</b>	<b>\$ -</b>	<b>\$ 192</b>	<b>\$ -</b>	<b>\$ 192</b>

	Net book value October 26, 2015	Net book value December 31, 2016
Office equipment and furniture	\$ -	\$ 1,731
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,731</b>

**5. Accumulated surplus**

Accumulated surplus consists of individual fund surplus, reserve funds and share capital as follows:

	2016
<b>Surplus:</b>	
Invested in tangible capital assets	\$ 1,731
<b>Total surplus</b>	<b>1,731</b>
<b>Reserve funds set aside for specific purpose by the Board:</b>	
Affordable Housing future operations	2,291,191
<b>Total reserve funds (note 6)</b>	<b>2,291,191</b>
<b>Share capital:</b>	
100 Class A common shares (note 7)	100
<b>Total share capital</b>	<b>100</b>
	<b>\$ 2,293,022</b>

**HOUSING DEVELOPMENT CORPORATION, LONDON**  
Notes to Financial Statements  
Fifteen-month period ended December 31, 2016

**6. Reserve fund**

	2016
<b>Affordable Housing reserve fund:</b>	
Balance, beginning of period	\$ -
Interest earned	13,140
Contributions from current operations - annual	2,000,000
Contributions from current operations - current period surplus	278,051
<b>Balance, end of period</b>	<b>\$ 2,291,191</b>

**7. Share capital**

	2016
<b>Authorized:</b>	
An unlimited number of Class A common shares	
An unlimited number of Class B common shares	
An unlimited number of Class C common shares	
An unlimited number of non-cumulative, redeemable, voting Class A Special shares	
An unlimited number of non-cumulative, redeemable, voting Class B Special shares	
An unlimited number of non-cumulative, redeemable, voting Class C Special shares	
An unlimited number of non-cumulative, redeemable, voting Class D Special shares	
An unlimited number of non-cumulative, redeemable, voting Class E Special shares	
<b>Issued:</b>	
100 Class A common shares	\$ 100



**HOUSING DEVELOPMENT CORPORATION, LONDON**

Notes to Financial Statements

Fifteen-month period ended December 31, 2016

**8. Budget data**

Budget data presented in these financial statements are based upon the 2016 operating budget approved by the City and interim Board and then transferred to the Corporation. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

	<b>Budget</b>
<b>Revenue:</b>	
Municipal revenue – the Corporation of the City of London	\$ 813,812
<b>Total revenue</b>	<b>813,812</b>
<b>Expenses:</b>	
Personnel costs	168,021
Administrative expenses	87,100
Purchased services	553,891
Materials and supplies	2,300
Furniture and equipment	2,500
<b>Total expenses</b>	<b>813,812</b>
<b>Net surplus as per Approved Budget</b>	<b>-</b>
<b>Public Sector Accounting Board (PSAB) Reporting Requirements and Budget adjustments:</b>	
Increase in municipal revenue	1,997,690
Increase in personnel costs and materials	(223,588)
Decrease in purchased services	225,898
<b>Net PSAB Budget Surplus as per Financial Statements</b>	<b>\$ 2,000,000</b>

**9. Current figures**

Current figures presented in the Statement of Financial Position represent the closing balances as at December 31, 2016.

Current year figures presented in the Statement of Operations are for the fifteen-month period from October 26, 2015 to December 31, 2016. This represents the first period of operations of the Corporation and as a result no comparative figures are shown in the Statement of Operations, Statement of Net Financial Assets or Statement of Cash Flows.