

Arena Boards of Management 2012 Operating Surpluses/Deficits Settlement

Date:	March 10, 2014
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	11, 16, 18, 20, 26, 27, 32
Reference Number:	P:\2014\Internal Services\Fp\Bc14006Fp

SUMMARY

This report recommends settlements with the eight Arena Boards of Management (Arenas) of their 2012 operating surpluses and deficits based on audited financial results for the years ended December 31, 2012, with operating surpluses payable to the City and operating deficits funded by the City upon Council's approval.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. The 2012 operating surpluses totalling \$10,245 from four Arenas (George Bell; Larry Grossman Forest Hill Memorial; North Toronto; Ted Reeve) be paid to the City of Toronto and be used to partially fund payment of the cumulative operating deficit of \$136,059 for four Arenas (William H. Bolton, Leaside Memorial Community Gardens, McCormick, Moss Park), resulting in an operating net deficit of \$125,814 to be funded by the City, as detailed in Appendix A, column (d), of the report; and
2. A funding provision for the 2012 net deficit of \$11,314 be made through the 2013 Final Year-End Operating Variance Report, as calculated in the attached Appendix A.

Financial Impact

The Arena Boards of Management final net settlement for the year 2012 requires that surplus funds of \$10,245 be paid to the City from four arenas and be used to partially fund the payments of the operating deficit of \$136,059 to the remaining four arenas, resulting in a net funding requirement from the City of \$125,814. A summary of net funding to the Arena Boards or surpluses payable to the City are detailed in Appendix A.

In addition, \$119 of the 2011 settlement was funded from the 2012 Operating Budget, resulting in a total 2012 settlement funding requirement of \$125,933.

Of this total funding requirement of \$125,933, \$114,619 was provided through the 2012 Final Year-End Operating Variance Report, leaving a balance of \$11,314 to be funded through the 2013 Final Year-End Operating Variance Report.

ISSUE BACKGROUND

Eight Arena Boards of Management operate and manage ice arenas on behalf of the City of Toronto in accordance with the former Chapter 25 of the Toronto Municipal Code for community and recreation centres. Under the by-law established for each individual Arena Board of Management, the Board shall, at the end of each fiscal year, pay to the City all revenue received by the Board in excess of the money required to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises. Any operating deficit incurred by the arena will be funded by the City.

At its meeting on March 4 - 8, 2002, City Council adopted Policy and Finance Committee Report No. 4, Clause 1, entitled "City of Toronto 2002 Recommended Operating Budget", Recommendation #134 that directed the City Auditor and Chief Financial Officer and Treasurer, beginning in 2002, report annually to the Policy and Finance Committee on the Arena Boards' annual operating surpluses and deficits once the Boards' annual financial statements have been audited, with any net payment to be funded by the City.

<http://www.toronto.ca/legdocs/2002/agendas/council/cc020304/pof4rpt/cl001.pdf>

At its meeting on April 19-23 and 26-28, 2004, City Council adopted Policy and Finance Committee Report No. 3, Clause 2, entitled "City of Toronto 2004 Budget Advisory Committee Recommended Operating Budget", Recommendation HH(95)(g) that directed "any audited year-end net surplus in excess of the Council approved budget for the Arena Boards of Management Program be transferred to the Arena Boards of Management account in the Vehicle and Equipment Replacement Reserve (XQ1705) and applied proportionately among those Arenas who are in a surplus position and exceeded their budget target", such funds to be used to finance future ice resurfacer replacements for the Arena Boards of Management.

<http://www.toronto.ca/legdocs/2004/agendas/council/cc040419/pof3rpt/cl002.pdf>

At its meeting on July 16, 2013, City Council received the report titled “Operating Variance Report for the Year Ended December 31, 2012”, including the Arena Boards of Management’s Net Expenditure Variance.

<http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-59478.pdf>

Since 2005, the Arenas’ financial statements are prepared under the Public Sector Accounting Board (PSAB) requirements for public sector entities. Accounting and reporting under PSAB require that all known liabilities, including liabilities related to post employment benefits as well as those related to retirees, be reflected in the public sector financial statements.

COMMENTS

2012 Operating Results:

A review of the audited financial statements for the year ended December 31, 2012 indicates that four Arenas (George Bell; Larry Grossman Forest Hill Memorial; North Toronto; Ted Reeve) reported surpluses amounting to \$10,245 and the remaining four Arenas (William H. Bolton, Leaside Memorial Community Gardens, McCormick, Moss Park) reported deficits amounting to \$136,059 as shown in Appendix A, column (d). Overall, the consolidated 2012 operating results of the eight Arena Boards add up to a net deficit of \$125,814 which is \$133,274 below the 2012 approved budgeted surplus of \$7,460 as shown in Table 1.

Table 1 below summarizes the approved budget, actual operating surplus/deficit, and variance to budget for each of the Arena Boards for the year 2012.

Table 1. Arena	2012 Operating (Surplus)/Deficit		
	Council Approved Budget	Adjusted Actual	Variance (Fav)/Unfav
	\$	\$	\$
George Bell Arena	0	(3,957)	(3,957)
William H. Bolton Arena	(3,685)	22,231	25,916
Forest Hill Memorial Arena	(1,986)	(3,996)	(2,010)
Leaside Gardens	(99)	92,518	92,617
McCormick Arena	(213)	17,589	17,802
Moss Park Arena	(412)	3,721	4,133
North Toronto Memorial Arena	(478)	(1,117)	(639)
Ted Reeve Arena	(587)	(1,175)	(588)
Total Program Net (Surplus)/Deficit	(7,460)	125,814	133,274

Explanation of Major Variances to 2012 Approved Budgets:

George Bell Arena's favourable variance of \$3,957 was the result of cancelled plans to purchase a score clock, as the Arena received one as a donation instead.

William H. Bolton Arena's unfavourable variance of \$25,916 resulted mostly from minor maintenance and repairs to its ice-resurfacers and building. Some of the unfavourable variance was also the result of salary costs arising from part-time staff covering for staff that were away, and benefits costs being higher than budgeted for. Some of these variances will have ongoing impacts and have been considered in the 2014 Council-Approved Operating Budget from Bolton Arena.

Forest Hill Arena's favourable variance of \$2,010 resulted mostly from actual utility costs being realized at lower than budgeted levels.

Leaside Gardens Arena's unfavourable variance of \$92,617 resulted from an unexpected refrigeration equipment replacement, as well as revenues losses from banquet hall rentals due to the construction of the new ice pad. The arena also received lower than budgeted ice rental income due to loss of some rentals in the Spring and Summer (Spring Ice and Ball Hockey) as uncertainties around construction disruptions resulted in the arena being unable to fill its ice ahead of time. Snack bar and vending revenues were also lower than budgeted due to lower than anticipated general demand, and a shift in demand away from bottled pop at the snack bar.

McCormick Arena's unfavourable variance of \$17,802 resulted mostly from lower ongoing levels of actual ice rental revenues than provided for in the budget (the 2013 Council Approved Operating Budget reflects a decreased revenue budget for ice rentals). The arena also incurred more overtime staffing costs than expected, driven by ice repainting costs resulting from a hydro failure that caused ice to melt, and higher than anticipated holiday coverage needs.

Moss Park Arena's unfavourable variance of \$4,133 resulted from a retroactive adjustment required as a result of the external Auditor's 2012 review, for the purchase of a sound system in 2007 not accounted for correctly.

Arena Surplus/Deficit Settlement:

Appendix A attached provides a summary of the 2012 operating surplus/deficit net settlement calculation by Arena.

For the year 2012, four Arenas (George Bell; Larry Grossman Forest Hill Memorial; North Toronto; Ted Reeve) have operating surpluses totalling \$10,245 that is payable to the City. These surpluses will be used to partially fund the operating deficits of the remaining four arenas (William H. Bolton, Leaside Memorial Community Gardens, McCormick, Moss Park) that total \$136,059, resulting in a net deficit to the City of \$125,814 as detailed in Appendix A.

The 2012 overall operating net deficit of \$125,814, plus the 2011 net settlement funded out of the 2012 Operating Budget of \$119, totals \$125,933.

Funding Provision:

Through the 2012 Year-End Operating Variance Report, an overall Arena Board deficit of \$114,619 was provided for based on pre-audited statements at that time. It is recommended that the remaining \$11,314 be funded from the 2013 Final Year-End Operating Surplus through the Final Year-End 2013 Operating Variance Report.

Allocation of Net Surpluses to the Arena Boards of Management Program's Vehicle and Equipment Replacement Reserve:

In April 2004, City Council directed that any audited year-end net surplus in excess of the Council approved budget for the Arena Boards of Management Program be transferred to the Arena Boards of Management Vehicle and Equipment Replacement Reserve (XQ1705) and applied proportionately among those Arenas who are in a surplus position and exceeded their budget target, such funds to be used to finance future ice resurfacer replacements for the Arena Boards.

As the 2012 audited year-end results for the Arena Boards of Management Program as a whole did not show a surplus in excess of the Council approved budget (see Table 1), no funds can be allocated to the Arena Boards' Vehicle and Equipment and Replacement Reserve for the year. The balance of this Reserve at 31 December 2013 was \$58,663.

CONTACT

Josie La Vita, Director
Financial Planning Division
Tel: 416-397-4229; Fax: 416-397-4465
e-mail: jlavita@toronto.ca

Mike St. Amant
Director, Accounting Services
Tel: 416-397-4438; Fax: 416-392-8003
e-mail: mstaman@toronto.ca

SIGNATURE

Roberto Rossini
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Appendix A – Arena Boards of Management – Summary of 2012 Operating Surplus/
Deficit Settlement

APPENDIX A							
ARENA BOARDS OF MANAGEMENT							
SUMMARY OF 2012 OPERATING SURPLUS / DEFICIT SETTLEMENT							
Arena	2012 Council Approved Net Budget (Surplus)/Deficit	2012 Audited Actual Operating Net (Surplus)/Deficit	PSAB and Other Adjustments	Adjusted 2012 Actual Operating (Surplus)/Deficit	Settlement of 2012 Operating Results		
	\$	\$	\$	\$	2012 Operating (Surplus) Payable to the City	2012 Operating Deficit to be funded by the City	Total Net Payable to (City)/Arena
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f)	(g)
George Bell Arena	0	(3,957)	0	(3,957)	(3,957)		(3,957)
William H. Bolton Arena	(3,685)	22,231	0	22,231		22,231	22,231
Larry Grossman Forest Hill Memorial	(1,986)	(3,996)	0	(3,996)	(3,996)		(3,996)
Leaside Gardens	(99)	92,518	0	92,518		92,518	92,518
McCormick Arena	(213)	17,589	0	17,589		17,589	17,589
Moss Park Arena	(412)	3,721	0	3,721		3,721	3,721
North Toronto Memorial Arena	(478)	(1,117)	0	(1,117)	(1,117)		(1,117)
Ted Reeve Arena	(587)	(1,175)	0	(1,175)	(1,175)		(1,175)
TOTAL	(7,460)	125,814	0	125,814	(10,245)	136,059	125,814
2011 Program Summary:							
Total Operating (Surpluses)				(10,245)	(10,245)		(10,245)
Total Operating Deficits				136,059		136,059	136,059
Program Net (Surplus)/Deficit				125,814	(10,245)	136,059	125,814
Funding Requirement:				Funding Source:			
Arena Boards of Management Program 2012 Operating Net Deficit				\$125,814	Approved provision from the 2012 Operating Budget		\$114,619
Plus: 2011 settlement funded out of 2012 Operating Budget				\$119			
Total Funding Requirement				\$125,933			
Recommendation:							
A funding provision be made through the 2013 Final Year-End Operating Variance				\$11,314			