



EX6.2
STAFF REPORT
ACTION REQUIRED
with Confidential Attachment

**Lakeshore Arena Corporation – Annual General Meeting
and Audited Financial Statements 2014**

Date:	May 8, 2015
To:	Executive Committee
From:	City Manager
Wards:	City-wide
Reason for Confidential Information:	This report includes information pertaining to matters about identifiable individuals employed by a City agency.
Reference Number:	

SUMMARY

This report recommends the actions necessary for Lakeshore Arena Corporation to comply with the requirements of the *Business Corporations Act* (Ontario) for the holding of the 2014 Annual General meeting of the shareholder, including receipt of the Audited Financial Statements, transmittal of the 2014 Annual Report, and confirmation of an auditor for 2015. The report also transmits the confidential disclosure of executive compensation paid by the Corporation in 2014.

RECOMMENDATIONS

The City Manager recommends:

1. City Council treat the portion of the City Council meeting at which this report is considered as the 2014 Annual General Meeting of the Shareholder for Lakeshore Arena Corporation by:
 - a. receiving the 2014 Audited Financial Statements for Lakeshore Arena Corporation attached as Attachment 1 to this report;

- b. appointing Welch LLP Chartered Accountants as the Auditor for Lakeshore Arena Corporation for the fiscal year 2015; and
 - c. receiving Lakeshore Arena Corporation's Annual Report attached as Attachment 2 to this report.
2. City Council direct the City Clerk to forward a copy of the Lakeshore Arena Corporation 2014 Audited Financial Statements, in Attachment 1 of this report, to the Audit Committee for information.
3. City Council receive the information in Confidential Attachment 3 concerning executive compensation disclosure and that it be kept confidential in its entirety after consideration of this report by City Council for reasons of personal information about identified individuals.

Financial Impact

Lakeshore Arena Corporation has operated since 2011 without any operating subsidy from the City of Toronto. The Corporation continues to reduce its long term debt which is currently at \$40.5 million. The City continues to seek ways to reduce the financial burden to the Corporation. In September 2014 the City financed the discharge of an \$18.6 million floating rate loan from a private lender, and provided a \$1 million interest only loan, which has not been used, as working capital for Lakeshore Arena Corporation. The balance of the Arena's debt, \$19.9 million at December 31, 2014, is held as a leasehold second mortgage by a commercial bank with a maturity of October 31, 2017.

At its May 2015 meeting City Council directed the Deputy City Manager and Chief Financial Officer, to report to Executive Committee in the fall of 2015 on permanent financing options for its outstanding debt, in order to reduce the cash flow requirements of debt servicing for the corporation.

It is anticipated that the proposed 2016 Parks, Forestry and Recreation Capital Budget will include two projects totalling approximately \$1.7 million to address capital maintenance issues at Lakeshore Arena.

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

DECISION HISTORY

Since its inception in 2011 the Lakeshore Arena Corporation has held two Annual General Meetings.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX32.8>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX42.12>

At its May 2015 meeting City Council adopted EX15.4 - "Annual Report on City's Loan and Loan Guarantee Portfolios" and directed that:

"... the Board of the Lakeshore Arena Corporation, in consultation with the Deputy City Manager and Chief Financial Officer, to report to Executive Committee in the fall of 2015, on options and a recommendation for permanently financing the approximately \$20 million in funds currently provided by the City to it on a short-term interest-only basis."
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX5.14>

COMMENTS

2014 Audited Financial Statements

The 2014 Audited Financial Statements for Lakeshore Arena Corporation are contained in Attachment 1 of this report. Lakeshore Arena Corporation had 2014 revenues of \$4.776 million comprising \$3.898 million of ice rentals and other revenues such as tenant rents of \$934,502 and snack bar sales of \$530,388.

Total 2014 expenditures were \$5.113 million. Major 2014 expenditures were salaries and benefits of \$942,642, interest on long term debt of \$1.520 million, utilities of \$1.117 million, and building and equipment maintenance totalling \$469,984.

The 2014 operating deficit for Lakeshore Arena Corporation was \$337,272, significantly less than the budgeted deficit of \$531,362, but more than the \$97,919 net deficiency in 2013.

The 2014 end of year accumulated operating deficit for Lakeshore Arena Corporation was \$2.908 million compared to \$2.5705 million in 2013.

2014 Annual Report

The 2014 Annual Report for Lakeshore Arena Corporation is contained in Attachment 2 of this report. The Annual Report indicates that in 2011 when the Lakeshore Arena Corporation was established the long term debt was \$43.4 million and by the end of 2014 the debt was reduced to \$40.5 million without any operating subsidy from the City. However, it is noted that during that period Lakeshore Arena Corporation would have returned net revenue to the City of \$5.1 million had the facility been debt free.

In September 2014 the City discharged a \$18.6 million private lender's floating rate loan with an interest only loan from the City, thereby reducing debt servicing charges to approximately \$2 million annually thereby assisting Lakeshore Arena's Corporation's financial sustainability.

Due to strong working capital management the Corporation did not require a draw down on a \$1 million line of credit for working capital provided by the City. For 2016 capital works for the facility include roof insulation replacement and improvement to

dehumidifier capacity for an estimated \$1.7 million. The potential fit out of a second floor restaurant space estimated to cost between \$0.9 million and \$1.6 million remains under consideration for the future.

Lakeshore Arena is well utilized and continues to grow as a premier location for a wide range of hockey activities, including practice facilities for the Toronto Maple Leafs and other visiting NHL teams.

Appointment of the Auditor

The Corporation held a proposal call for audit services for 2015 and is recommending Welch LLP Chartered Accountants.

Executive Compensation

Confidential Attachment 3 concerns the compensation disclosure of a staff member at Lakeshore Arena Corporation.

CONTACT

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SIGNATURE

Joseph P. Pennachetti
City Manager

ATTACHMENTS

Attachment 1: 2014 Audited Financial Statements
Attachment 2: 2014 Annual Report
Confidential Attachment 3: Executive Compensation Disclosure