



# Attachment 2

Joseph Pennachetti,  
City Manager  
City of Toronto  
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M5H 2N2

April 10, 2015

**RE: Lakeshore Arena Corporation 2014 Audited Financial Statements and Annual Report of the Board of Directors**

Lakeshore Arena Corporation Board of Directors are excited to share the December 31, 2014 Audited Financial Statements, 2014 achievements and future plans pursuant to the requirements of the Unanimous Shareholder Declaration.

2014 is the third full year of operations for Lakeshore Arena Corporation, which was incorporated on July 19, 2011 and assumed control of operations of the MasterCard Centre for Hockey Excellence, on September 15, 2011.

The facility was originally constructed by Lakeshore Lions Club at a cost of \$44 million with 100% third party debt financing, a 50 year land lease from the Toronto District School Board and \$35.5 million City of Toronto Capital Loan Guarantees. The facility, which opened in September 2009, was operated by Lakeshore Lions Arena Inc. under the governance of the Lakeshore Lions Club between 2009-2011. After the first two years of operations, it became clear that the Lakeshore Lions Arena Inc. would not be able to meet its operating and debt service obligations and City Council approved establishing Lakeshore Arena Corporation, a City service corporation, to protect the City's interests and avoid the loss that would arise from the default of Lakeshore Lions Arena Inc. A skills based Board was established to stabilize and manage the Arena.

The facility is fully debt financed and there has been no share capital contribution by the City of Toronto. Total long term debt which was \$43.4 million at the date Lakeshore Arena Corporation was incorporated stands at \$40.5 million at the end of 2014. Since September 2011, the

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Corporation was able to service its debt from revenues and have not required any additional funding from the City. Debt free ownership of the facility would have returned \$5.1 million as a dividend payment to the City since inception.

The Arena, which operates as "Master Card Centre" for hockey excellence continues to be a high demand facility and the utilization rates that have been increasing over the past three years is at an exceptional level. 2014 has been a very good year for Lakeshore Arena Corporation, which is reflected in the financial results for the year ending December 31, 2014. The Corporation has closed 2014 with a net deficiency of \$337,272 after interest and amortization, compared to a net deficiency of \$97,919 in the previous year.

In 2014, the Corporation generated revenues of \$4.8 million and expenditures before interest and amortization of \$2.7 million resulting in earnings before interest and amortization (EBITDA) of \$2.1 million or 44% of the gross revenues. The decrease in gross revenues from \$5.1 million in 2013 to \$4.8 million in 2014 is mainly the result of CBC's cancellation of the Battle of the Blades TV show which was held at the Master Card Centre, offset by additional rental revenues generated from the second floor. The expenditures of \$5.1 million in 2014 is in line with the \$5.2 million in 2013. Although City of Toronto has made available a \$ 1 million working capital loan to the Corporation, there were no loan withdrawals and no outstanding balance due to strong working capital management in 2014.

In September 2014, City of Toronto discharged the \$18.6 million balance of private lender's three floating rate and interest only facilities which matured and replaced it with a short term interest only loan from the City. Given the current low interest environment and the Corporations ability to service over \$ 2 million in debt on an annual basis, the Board of Lakeshore Arena Corporation, in consultation with the Deputy City Manager and Chief Financial Officer, will report back to Executive Committee on options and a recommendation for permanently financing the City of Toronto loans.

The facility has two emerging Capital requirements which will be addressed in the future years:

In 2014, Board of Directors identified water accumulation and infiltration to the interior of the facility. The Board obtained a structural review of the facility which required the existing roof insulation to be replaced for health, structural integrity and energy performance reasons and dehumidifier capacity to be addressed in the large rink. A plan is in place which will be addressed as a part of Parks, Forestry and Recreation Capital Budget starting 2016.

The restaurant space on the second floor remains unutilized in spite of Board's efforts for securing a restaurant tenant for the remainder of the second floor through two Requests for Proposals and contacts with commercial real estate brokers. The Board has in house restaurant and food services expertise through the successful snack bar and catering facility, however, the cost of equipping a full service restaurant on the second floor was in the range of \$0.9 million to \$1.6 million. The Board will revisit the restaurant operation after the refinancing and capital needs are addressed.

The Executive Director Trish Power and the Arena staff worked hard to maintain the arena as a highly desirable hockey destination which continues to be favored by visiting NHL teams, World Juniors hockey tournament teams, as well as the flagship tenant MLSE, the local teams and City and TDSB use. The Board thanks Trish Power who will be leaving in May 2015 for a position at City of Toronto. An executive search is nearing completion for a new Executive Director.

The Board, which is established in 2011 on a skill based governance model has been a hands on board that has worked very hard to provide strong governance through their professional expertise and business backgrounds in governing the Corporation. The three external Board members, Bruce Hetherington, Louis Forbes and Darryl Boynton, and the internal board appointees Josie Scioli, Mike St. Amant and myself are very pleased with the progress in past three years in the very challenging task the City Council asked the Board to achieve.

The Board of Directors would like to thank the shareholder for its ongoing support and look forward to continuing to deliver exceptional value to the community and the City.



Ann Ulusoy, Chair

Members of the Board:

Ann Ulusoy, Chair  
Mike St. Amant, Secretary-Treasurer  
Louis Forbes

Bruce Hetherington, Vice Chair  
Josie Scioli  
Darryl Boynton