

# RE:EX16.8 Attachment 1



Peter Wallace  
City Manager  
City of Toronto  
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June 6, 2015

## **RE: Lakeshore Arena Corporation 2015 Audited Financial Statements and Annual Report of the Board of Directors**

Lakeshore Arena Corporation Board of Directors are excited to present the December 31, 2015 Audited Financial Statements, 2015 achievements and future plans pursuant to the requirements of the Unanimous Shareholder Declaration.

The Board is pleased to share that in the first four years of the operation, the Arena serviced its existing debt obligations and sustained its operations without any funding support from the City of Toronto.

Lakeshore Arena Corporation was incorporated on July 19, 2011 and assumed control of operations of the MasterCard Centre for Hockey Excellence, on September 15, 2011 to prevent the default of the former operator Lakeshore Lions Arena, which had a loan guarantee of \$35.5 million from the City.

The Arena, which operates as "Master Card Centre" for hockey excellence continues to be a high demand facility and the utilization rates are at an exceptional level for the industry. The Corporation has closed 2015 with a net deficiency of \$466,851 after interest and amortization, compared to a net deficiency of \$337,272 in the previous year. This is mainly due to the increase in the interest on long term debt paid to City of Toronto. In September 2014, City of Toronto discharged the 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 at a higher interest rate.

In November 2015, City Council approved an \$8.1 million shareholder capital contribution to the Arena subject to obtaining permanent financing for the balance of the short term interest only loan from the City. The share capital contribution will take effect upon securing permanent third party financing for the remainder \$11.9 million loan, which is expected to be completed in the near future.

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As a return on City's capital contribution, Lakeshore Arena Corporation will return 50% of its net operating income to the City on an annual basis. Total long term debt which was \$43.4 million at the date Lakeshore Arena Corporation was incorporated stands at \$40.1 million at the end of 2015. Debt free ownership of the facility would have returned \$6.3 million as a dividend payment to the City since inception.

In 2015, the Arena generated revenues of \$5 million and expenditures before interest and amortization of \$2.6 million resulting in earnings before interest and amortization (EBITDA) of \$2.4 million or 47% of the gross revenues. The increase in gross revenues from \$4.8 million in 2014 to \$5 million in 2015 is due to increase in ice utilization and food and beverage revenues. The expenditures of \$5.5 million in 2015 compared to \$5.1 million in 2014 reflects increase in increase in the interest on long term debt refinanced by the City subsequent to the expiry of the interest only third party debt in 2015 and inflationary increases in Utilities and other operating expenditures. Although City of Toronto has made available a \$1 million working capital loan to the Arena, there were no loan withdrawals and no outstanding balance due to strong working capital management in 2015.

In 2015, the Arena had changes to the Management and the Board. Trish Power, Executive Director of the Arena since 2011 has left her position and Graham Cocking was appointed as the Executive Director. Mr. Cocking has a strong background in managing private Ice and Sports facilities. Darryl Boynton, tenant representative in the Board, has resigned his position due to a change in his work. A new Board will be recommended by City's Nominations Committee in the spring of 2016.

In 2016, a capital project is undertaken by the City to correct the water accumulation and infiltration to the interior of the facility through the roof as a part of Parks, Forestry and Recreation Capital Budget. This will result in short term rink closures and a loss of revenues during the period of construction.

The restaurant space on the second floor remains unutilized in spite of efforts for due to the high cost of equipping a full service restaurant on the second floor. The Board will revisit the restaurant operation after the refinancing and capital needs are addressed.

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 (December 2015): Ann Ulusoy, Chair; Bruce Hetherington, Vice Chair; Mike St. Amant, Secretary-Treasurer; Josie Scioli; Louis Forbes

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