



## REPORT FOR ACTION

# Lakeshore Arena Corporation - Annual General Meeting and 2016 Audited Financial Statements

**Date:** June 1, 2017

**To:** Executive Committee

**From:** City Manager and Deputy City Manager & Chief Financial Officer

**Wards:** All

## SUMMARY

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This report recommends the actions necessary to comply with the requirements of the Business Corporations Act (Ontario) for the holding of the Annual General Meeting of the Shareholder of the Lakeshore Arena Corporation, including receipt of its Annual Report and Audited Financial Statements for 2016, and appointment of the auditor for 2017.

This report also contains recommendations for receipt at the Annual General Meeting of the Shareholder of information disclosing the individual compensation of executive officers employed by Lakeshore Arena Corporation in 2016.

## RECOMMENDATIONS

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The City Manager and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council treat the portion of the City Council meeting at which this report is considered as the Annual General Meeting of the Shareholder for Lakeshore Arena Corporation by:
  - a. Appointing Welch LLP Chartered Accountants as the Auditor for Lakeshore Arena Corporation for the fiscal year 2017, and authorizing the Board of Directors of Lakeshore Arena Corporation to fix the remuneration of the Auditor;
  - b. Receiving the Lakeshore Arena Corporation 2016 Annual Report forming Attachment 1 to this report; and
  - c. Receiving the Lakeshore Arena Corporation 2016 Audited Financial Statements, forming Attachment 2 to this report.

2. City Council receive the "Lakeshore Arena Corporation - 2016 Executive Compensation Disclosure" forming Attachment 3 to this report.
3. City Council direct the City Clerk to forward a copy of the Lakeshore Arena Corporation 2016 Audited Financial Statements, forming Attachment 2 to this report, to the Audit Committee for information.

## **FINANCIAL IMPACT**

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The Lakeshore Arena Corporation had debt to a third party lender of \$19.6 million and the City of \$19.9 million at the end of 2015. In November of 2015, City Council had approved a \$8.1 million write-down to a portion of the direct City loan (reducing it to \$11.8 million at the end of 2016) and directed the LAC Board to seek third party financing, with a City guarantee, for the remaining portion of the city loan of approximately \$11.8 million. Lakeshore Arena Corporation has negotiated a replacement loan with Infrastructure Ontario for both the City loan and the third party loan (Versa Bank), which had a renewal date of October 31, 2017. To support this, Council consented (EX24.12, April 26, 2017) to the transfer of its guarantee on the third party loan to Infrastructure Ontario, for the balance to be remaining on this fixed rate loan - to be \$19.1 million as of its maturity date on October 31, 2017.

The Audited Financial Statement attached to this report shows a deficit of \$ 0.742 million, greater than the budgeted deficit of \$0.392 million, largely arising from a summer closure for roof maintenance work.

## **DECISION HISTORY**

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On April 26, 2017, City Council consented to the transfer of an existing capital loan guarantee issued by the City on behalf of the Lakeshore Arena Corporation to its lender in an amount not to exceed \$19,067,966 (inclusive of all interest payable by Lakeshore Arena Corporation), from Versa Bank (formerly PW Bank) to Infrastructure Ontario commencing on November 1, 2017 and ending October 21, 2042.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX24.12>

On July 12, 2016, that portion of the City Council meeting where EX16.8 was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Lakeshore Arena Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.8>

## COMMENTS

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### 1. Issue Background

City Council authorized the establishment of Lakeshore Arena Corporation on July 12, 2011 pursuant to section 148 of the *City of Toronto Act, 2006*, and Ontario Regulation 609/06. Lakeshore Arena Corporation was incorporated under the *Business Corporations Act (Ontario)* (OBCA) on July 19, 2011. The City is the sole shareholder.

Subsection 154(1) of the OBCA requires that the Shareholder receive Lakeshore Arena Corporations, audited annual financial statements and the report of the auditor at the annual meeting of the Shareholder. Subsection 94(1) requires that the directors of Lakeshore Arena Corporation call an annual meeting of its Shareholder by no later than fifteen months after holding the last preceding annual meeting.

Section 149(2) of the OBCA requires that Lakeshore Arena Corporation's Shareholder at each annual meeting appoint one or more auditors to hold office until the close of the next annual meeting, and allows the Shareholder to authorize the directors to fix the auditor's remuneration.

### 2. Appointment of the Auditor

The Corporation held a proposal call for audit services for 2017 and is recommending Welch LLP Chartered Accountants be appointed as the Auditor for fiscal year 2017. The Board of Directors of Lakeshore Arena Corporation will fix the annual remuneration of the Auditor.

### 3. Key Lakeshore Arena Corporation Achievements in 2016

The 2016 Annual Report for Lakeshore Arena Corporation is Attachment 1 to this report. The Corporation, which operates as the "Master Card Centre" continues to be a high demand facility and, according to the Annual Report, has utilization rates that are at an exceptional level for the industry.

The Corporation closed in 2016 with a net deficiency of \$742,735 after interest and amortization, compared to a net deficiency of \$466,851 in the previous year. This is mainly due to the rink closures during the summer months for capital maintenance of the facility roof.

The Corporation operates as a for-profit facility and charges market rates. Its operating deficits result from the fact that the facility was 100% debt financed. Debt free ownership of the facility would have generated dividends of \$0.625 million in 2016 and \$7.0 million to the City since it was formed.

Key accomplishments for the Corporation in 2016 include:

- Generation of \$4.8 million in revenues and expenditures before interest and amortization of \$3.2 million resulting in earnings before interest and amortization or \$1.6 million or 33% of the gross revenues.

- Appointment of two new Directors.

In 2016, the building underwent capital maintenance to address the state of good repair backlog, mainly in the roof. The work, which was completed in an accelerated manner with minimum disruption to services, was completed by September 2016, in time for the Fall season.

#### **4. 2016 Executive Compensation**

Lakeshore Arena Corporation has disclosed executive compensation information for senior management in Attachment 3 to this report as requested by City Council.

The protection of individual privacy is required by the *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA). Specific compensation data of individual employees is protected personal information under MFIPPA.

Lakeshore Arena has indicated that senior management have consented to the public disclosure of individual compensation information contained in Attachment 3 and assured the City that there is no unauthorized release of personal information.

#### **5. Summary - Lakeshore Arena Corporation 2016 Audited Financial Statements**

This report provides a summary of Lakeshore Arena Corporation's Audited Financial Statements contained in Attachment 2 of this report. Lakeshore Arena Corporation had 2016 revenues of \$4.834 million comprised of \$3.048 million of ice rentals and other revenues such as tenant rents of \$0.965 million and snack bar sales of \$0.263 million.

Total 2016 expenditures were \$5.576 million. Major 2016 expenditures were salaries and benefits of \$1.043 million, interest on long term debt of \$1.368 million, utilities of \$1.333 million, and building and equipment maintenance totalling \$0.621 million.

The 2016 operating deficit for Lakeshore Arena Corporation was \$0.742 million, higher than the budgeted deficit of \$0.392 million.

The 2016 end of year accumulated operating deficit for Lakeshore Arena Corporation was \$3.374 million compared to \$2.907 million in 2015.

#### **CONTACT**

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## **SIGNATURE**

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Roberto Rossini  
Deputy City Manager & Chief Financial Officer

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Peter Wallace  
City Manager

## **ATTACHMENTS**

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Attachment 1: Lakeshore Arena Corporation 2016 Annual Report  
Attachment 2: Lakeshore Arena Corporation 2016 Audited Financial Statements  
Attachment 3: Executive Compensation Disclosure