

### Lakeshore Arena Corporation - Annual General Meeting and 2017 Audited Financial Statements

**Date:** June 5, 2018

**To:** Executive Committee

**From:** Interim City Manager and Interim 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 2017, and appointment of the auditor for 2018.

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 2017.

#### RECOMMENDATIONS

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The Interim City Manager and the Interim 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 2018, and authorizing the Board of Directors of Lakeshore Arena Corporation to fix the remuneration of the Auditor;
- b. receiving the Lakeshore Arena Corporation 2017 Annual Report forming Attachment 1 and to this report;
- c. receiving the Lakeshore Arena Corporation 2017 Audited Financial Statements, forming Attachment 2 to this report; and
- d. receiving the Lakeshore Arena Corporation - 2017 Executive Compensation Disclosure, forming Attachment 3 to this report.

2. City Council direct the City Clerk to forward a copy of the Lakeshore Arena Corporation 2017 Audited Financial Statements, forming Attachment 2 to this report, to the Audit Committee for information.

## **FINANCIAL IMPACT**

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The Audited Financial Statement attached to this report shows a deficit of \$0.301 million, slightly less than the deficit of \$0.351 million which was budgeted. Included in this result was a distribution of \$0.456 million to partially repay the \$8.1 million capital contribution made by the City in 2016 as part of debt restructuring. These funds were deposited in the City's Lakeshore Arena Capital Reserve Fund and will be applied to support capital maintenance work provided by the City.

In 2017, the Arena's third party loan from Versabank was repaid and new credit facilities with Ontario Infrastructure and Lands Corporation (Infrastructure Ontario), were put in place with the City's guarantee, to consolidate \$26.7 million of debt, representing all general financing except \$4 million held by the City and maturing in 2020.

## **DECISION HISTORY**

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On July 4, 2017, that portion of the City Council meeting where EX26.10 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=2017.EX26.10>

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 November 3, 2015 City Council authorized adjustments to City loans to Lakeshore Arena Corporation resulting in the reclassification of \$8.1 million in loans to a capital contribution and amended the Unanimous Shareholder Declaration to require that Lakeshore Arena Corporation make an annual contribution to the City equal to 50 percent of net operating costs (before amortization and depreciation), treated as a return on capital.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX9.10>

## 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.

Lakeshore Arena Corporation's Board of Directors approved its 2017 annual consolidated financial statements (Attachment 2), at its April 30, 2018 meeting.

### 2. Appointment of the Auditor

The Corporation held a proposal call for audit services for 2018 and is recommending Welch LLP Chartered Accountants be appointed as the Auditor for fiscal year 2018. The Board of Directors of Lakeshore Arena Corporation will fix the annual remuneration of the Auditor.

### 3. Key Lakeshore Arena Corporation Achievements in 2017

The 2017 Annual Report for Lakeshore Arena Corporation is Attachment 1 to this report. As outlined in the Annual Report the Arena, which operates as the "MasterCard Centre," was a high demand facility with exceptional utilization rates in 2017.

The Corporation operates as a for-profit facility and charges market rates. Its operating deficits result from the fact that the facility is 100% debt financed.

Key accomplishments for the Corporation in 2017 as outlined in the Annual Report include:

- Refinancing of long-term debt through two credit facilities from Infrastructure Ontario, totalling \$26.7 million with an interest rate of 3.4%.
- Generation of \$5 million in revenues and expenditures before interest and amortization of \$2.9 million resulting in earnings before interest and amortization or \$2.1 million or 42% of the gross revenues.

#### **4. 2017 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 2017 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 2017 revenues of \$5.05 million comprised of \$3.32 million of ice rentals and other revenues such as tenant rents of \$1.05 million and snack bar sales which netted \$0.08 million.

Total 2017 expenditures were \$5.35 million. Major 2017 expenditures were interest on long term debt of \$1.30 million, utilities of \$1.27 million, salaries and benefits of \$0.84 million, and building and equipment maintenance totalling \$0.77 million.

The Corporation closed in 2017 with an operating deficit of \$301,059 after interest and amortization, compared to a net deficiency of \$742,735 in the previous year. This is mainly due to higher revenues from ice and tenancy rentals.

The 2017 end of year accumulated operating surplus for Lakeshore Arena Corporation was \$3.225 million compared to \$3.982 million in 2016. The decline in accumulated surplus is due to the 2017 operating deficit and a \$456,061 distribution made to the City. The corporation is required to make an annual distribution to the City equal to 50% of net operating income before amortization. As approved by City Council in 2016, distributions are to continue until they reach a cumulative amount of \$8.1 million which was the amount of a City loan that was converted to a capital contribution in 2016.

## **CONTACT**

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## **SIGNATURE**

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Joe Farag  
Acting Chief Financial Officer

Giuliana Carbone  
Interim City Manager

## **ATTACHMENTS**

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Attachment 1: Lakeshore Arena Corporation 2017 Annual Report  
Attachment 2: Lakeshore Arena Corporation 2017 Audited Financial Statements  
Attachment 3: Executive Compensation Disclosure