Lakeshore Arena Corporation - Annual General Meeting and 2018 Audited Financial Statements

Date: June 19, 2019  
To: Executive Committee  
From: City Manager and Chief Financial Officer & Treasurer  
Wards: All

SUMMARY

This report transmits materials submitted by the Board of Directors of Lakeshore Arena Corporation to the City. No independent review or analysis has been performed by City staff.

This report contains recommendations for the actions necessary to comply with the requirements of the Business Corporations Act, Ontario (OBCA) for holding the Annual General Meeting of the Shareholder of Lakeshore Arena Corporation, including receipt of its Annual Report and Audited Financial Statements for 2018 and appointment of the auditor for 2019.

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 2018.

RECOMMENDATIONS

The City Manager and Chief Financial Officer & Treasurer recommend that:

1. City Council treat that 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:

b. reappointing Welch LLP Chartered Accountants, as the Auditor of Lakeshore Arena Corporation for fiscal year 2019, and authorizing the Board of Directors of Lakeshore Arena Corporation to fix the remuneration of the Auditor; and,

c. receiving the "Lakeshore Arena Corporation Executive Compensation Disclosure 2018", forming Attachment 3 to this Report.

2. City Council direct the City Clerk to forward a copy of the "Lakeshore Arena 2018 Audited Annual Financial Statements", forming Attachment 2 to this Report, to the Audit Committee for information.

**FINANCIAL IMPACT**

There are no financial implications resulting from the adoption of the recommendations in this report.

The 2018 Audited Annual Financial Statements showed an operating surplus of $0.140 million, better than the deficit of $0.002 million budgeted for 2018. This is the first year the Lakeshore Arena Corporation achieved an operating surplus since it was incorporated in 2011.

Included in the 2018 operating surplus was a distribution of $0.548 million made by the Lakeshore Arena Corporation to the City's Lakeshore Arena Capital Reserve Fund (XR3035), representing partial repayment of the capital contribution from the City of Toronto upon conversion of a $8.1 million debt in 2016. The annual distribution will continue until the full capital contribution is returned to the City of Toronto. The Reserve Fund account is to provide a source of funding for Parks, Forestry and Recreation to undertake capital repair projects associated with the Lakeshore Arena Corporation.

In July 2016, the Lakeshore Arena Corporation obtained a loan from the City of Toronto for the implementation of energy efficient projects under in the amount of $207,468. The loan was fully repaid during 2018.

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

**DECISION HISTORY**

On June 26, 2018, that portion of the City Council meeting where EX35.12 Lakeshore Arena Corporation - Annual General Meeting and 2017 Audited Financial Statements was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Lakeshore Arena Corporation.  

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.

On July 11, 2012, City Council adopted the requirement that Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent permitted by law of individual executive compensation as part of the annual reporting to the Shareholder and where required obtain consent from executives. City Council also required that individual variable pay remuneration (one-time lump sums) not exceed 25% of an executive's base salary.

**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.

Subsection 154(1) of the OBCA requires that the Shareholder receive Lakeshore Arena Corporation's 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.

**COMMENTS**

1. **Appointment of Auditor**
   
The Corporation has recommended Welch LLP Chartered Accountants be reappointed as the Auditor for fiscal year 2019. The Board of Directors of Lakeshore Arena Corporation will fix the annual remuneration of the Auditor.

2. **Summary – Lakeshore Arena Corporation 2018 Audited Financial Statements**
   
   This report provides a summary of Lakeshore Arena Corporation's 2018 Audited Annual Financial Statements contained in Attachment 2. Highlights of 2018 key activities are outlined by the Corporation in the Annual Report provided as Attachment 1.
Statement of Operations

For the year ended December 31, 2018, Lakeshore Arena Corporation recorded an operating surplus of $0.140 million on revenues of $5.339 million and expenses of $5.199 million. This is the first year the Corporation achieved an operating surplus since its incorporation in 2011.

The Corporation reported total 2018 revenues of $5.339 million comprised of $3.605 million of ice rentals, and other revenues such as tenant rents of $1.065 million and snack bar sales, which netted $0.050 million. Revenues were higher than budget by $0.194 million or 3.8% of the 2018 revenue budget primarily due to increased facility rentals.

Total 2018 expenditures were $5.199 million. Major 2018 expenditures included utilities of $1.108 million, interest on long term debt of $1.042 million, salaries and benefits of $0.930 million, and building and equipment maintenance totalling $0.659 million. Overall, total expenditures were on budget with a minimal variance of $0.052 million or 1.0% higher than the 2018 expenditure budget.

Statement of Financial Position

The 2018 end of year accumulated operating surplus for Lakeshore Arena Corporation was $2.818 million compared to $3.225 million in 2017. As shown in the Statement of Financial Position as at December 31, 2018, the decline in accumulated surplus is due to a $0.548 million distribution made to the City's Lakeshore Arena Capital Reserve Fund. 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. The audit report notes that as of December 31, 2018, the corporation has returned $1.004 million in capital contributions to the City since 2016.

3. 2018 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 private 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.
CONTACT

Sandra Rodriguez, Director, Corporate Intergovernmental & Agencies Relations, 416-392-3832, Sandra.Rodriguez@toronto.ca

Judy Skinner, Manager, Financial Planning, 416-397-4219, Judy.Skinner@toronto.ca

Michael Smith, Solicitor, Legal Services, 416-392-7245, Michael.A.Smith@toronto.ca

SIGNATURE

Heather Taylor  
Chief Financial Officer & Treasurer

Chris Murray  
City Manager

ATTACHMENTS

Attachment 1: Lakeshore Arena Corporation 2018 Annual Report  
Attachment 2: Lakeshore Arena Corporation 2018 Audited Annual Financial Statements  
Attachment 3: Lakeshore Arena Corporation Executive Compensation Disclosure 2018