

Lakeshore Arena Corporation - Annual General Meeting and 2019 Audited Financial Statements

Date: September 9, 2020

To: Executive Committee

From: City Manager and Chief Financial Officer and 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 2019 and appointment of the auditor for 2020.

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 2019.

In light of the state of emergency that was declared in Ontario in response to the COVID-19 pandemic, the deadline to hold annual meetings of shareholders for OBCA corporations was temporarily extended through the addition of Part XIX to the OBCA. With the Ontario declaration of emergency having come to an end on July 24, 2020, the extended meeting deadlines for OBCA incorporated companies that were required to hold annual meetings on or before July 24, 2020 now have until October 22, 2020 to hold their annual meetings.

RECOMMENDATIONS

The City Manager and Chief Financial Officer and 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:

a. receiving the "Lakeshore Arena Corporation 2019 Annual Report", and the "Lakeshore Arena Corporation 2019 Audited Annual Financial Statements", forming Attachment 1 and 2 to this Report.

b. appointing Welch LLP Chartered Accountants as the Auditor of Lakeshore Arena Corporation for fiscal year 2020, 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 2019", forming Attachment 3 to this Report.

2. City Council direct the City Clerk to forward a copy of the "Lakeshore Arena Corporation 2019 Audited Annual Financial Statements", forming Attachment 2 to this Report, to the Audit Committee for information.

3. City Council, as Shareholder, direct the Board of Lakeshore Arena Corporation, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to bring forward a report on the impacts of COVID-19 on Corporation operating and capitals budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by Q1 of 2021.

FINANCIAL IMPACT

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

Included in the 2019 operating surplus was a distribution of \$0.5 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.

In 2019 there was also a draw on the Reserve Fund in the amount of \$0.4 million. 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.

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

DECISION HISTORY

On July 16, 2019, that portion of the City Council meeting where EX7.8 Lakeshore Arena Corporation - Annual General Meeting and 2018 Audited Financial Statements

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=2019.EX7.8>

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 income (before amortization and depreciation), treated as a return on capital.

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

On July 11, 2012, City Council approved a 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.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.19>

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 94(1) of the OBCA requires that the directors of a corporation call an annual meeting of shareholders not later than fifteen months after holding the last preceding annual meeting. Section 149(2) requires shareholders at each annual meeting to appoint one or more auditors to hold office until the close of the next annual meeting. Subsection 154(1) requires the directors to place before each annual meeting of shareholders financial statements for the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting.

Section 5 of the Shareholder Declaration to Lakeshore Arena Corporation requires Lakeshore Arena Corporation provide an annual report on its progress to City Council, in addition to the requirement of the OBCA to hold an annual general meeting.

In light of the state of emergency that was declared in Ontario in response to the COVID-19 pandemic, the deadline to hold annual meetings of shareholders for OBCA corporations was temporarily extended through the addition of Part XIX to the OBCA. With the Ontario declaration of emergency having come to an end on July 24, 2020, the extended meeting deadlines for OBCA incorporated companies that were required to hold annual meetings on or before July 24, 2020 now have until October 22, 2020 to hold their annual meetings.

The date on which an OBCA corporation is required to hold its annual meeting of shareholders is based upon both the meeting date described in section 94 of the OBCA

(within 15 months from the corporation's last annual meeting) and the financial statements required to be placed before the meeting (i.e., for the period that began immediately after the end of the last completed financial year and ending not more than six months before the annual meeting.). For OBCA corporations with a December 31 year-end, this generally requires that a meeting be held by no later than June 30. Part XIX, temporarily extends this deadline to October 22, 2020.

Under the temporary provisions of Part XIX of the OBCA, the directors of corporations must place before annual meetings the financial statements relating to the most recently completed annual period. The requirement that the financial information placed before an annual meeting pertain to a period ended not more than six months before the meeting is suspended. This clarifies that OBCA corporations holding their annual meetings by the extended deadline will be able to place their annual financial statements for the 2019 fiscal year before their shareholders at their 2020 annual general meeting.

COMMENTS

1. Appointment of Auditor

Lakeshore Arena Corporation has recommended Welch LLP Chartered Accountants be reappointed as the auditor for fiscal year 2020. The Board of Directors of Lakeshore Arena Corporation will fix the annual remuneration of the Auditor.

2. Key Lakeshore Arena Corporation Achievements in 2019

The Letter to the Shareholder from Lakeshore Arena Corporation, Chair of the Board of Directors transmits the 2019 Annual Report (Attachment 1), which highlights key Lakeshore Arena Corporation achievements in 2019.

3. Summary – Lakeshore Arena Corporation 2019 Audited Financial Statements

Highlights of 2019 Financial Results

Lakeshore Arena Corporation's financial results can be summarized as follows:

- Operating surplus: remained consistent to prior year's operating surplus of \$0.1 million;
- Draw from capital reserve fund: receipt of contributions of \$0.4 million from the City of Toronto's capital reserve fund to account for various capital repair projects; and
- Distribution to City of Toronto: provision of \$0.5 million as part of the entity's annual contribution to the City, which represents 50% of net operating income before amortization of tangible capital assets.

Statement of Financial Position

The following table summarizes the Statement of Financial Position for Lakeshore Arena Corporation as at December 31, 2019 with comparative figures for 2018.

Table 1

Lakeshore Arena Corporation Statement of Financial Position as of December 31, 2019 (\$)		
	2019	2018
Financial assets		
Cash	502,125	381,141
Accounts receivable	113,566	304,038
Accrued revenue	75,434	-
<i>Sub-total</i>	<i>691,125</i>	<i>685,179</i>
Financial liabilities		
Accounts payable and accrued liabilities	302,531	357,939
HST payable	32,220	40,038
Deferred revenue	105,554	79,996
Loans payable	29,537,804	30,279,507
Due to City of Toronto	711,448	547,594
Obligations under capital lease	238,272	-
<i>Sub-total</i>	<i>30,927,829</i>	<i>31,305,074</i>
Net debt	(30,236,704)	(30,619,895)
Non-financial assets		
Tangible capital assets	32,971,949	33,422,849
Inventory	13,953	15,053
Prepaid expense	8,375	-
<i>Sub-total</i>	<i>32,994,277</i>	<i>33,437,902</i>
Accumulated surplus	2,757,573	2,818,007

Lakeshore Arena Corporation's total assets remained stable when compared to the prior year. The entity's total assets decreased by \$0.4 million from \$34.1 million to \$33.7 million, which resulted mainly from changes to:

- Tangible capital assets: decreased by \$0.5 million, which reflected the declining value of the entity's assets in proportion to its usage pattern (\$0.7 million) that was offset by an increase in leased assets (\$0.2 million).

The entity's total liabilities decreased by \$0.4 million from \$31.3 million to \$30.9 million, which resulted mainly from changes to:

- Loans payable: decreased by \$0.7 million largely due to the Lakeshore Arena Corporation's repayment of its loan with Infrastructure Ontario; and
- Obligations under capital lease: increased by \$0.2 million as a result of two Zambonis, which were acquired in 2019.

Statement of Operations

The table below summarizes and compares the operating results for the years ended December 31, 2019 and 2018. On an overall basis, Lakeshore Arena Corporation's revenue and expenses remained largely consistent with trends noted in the previous year.

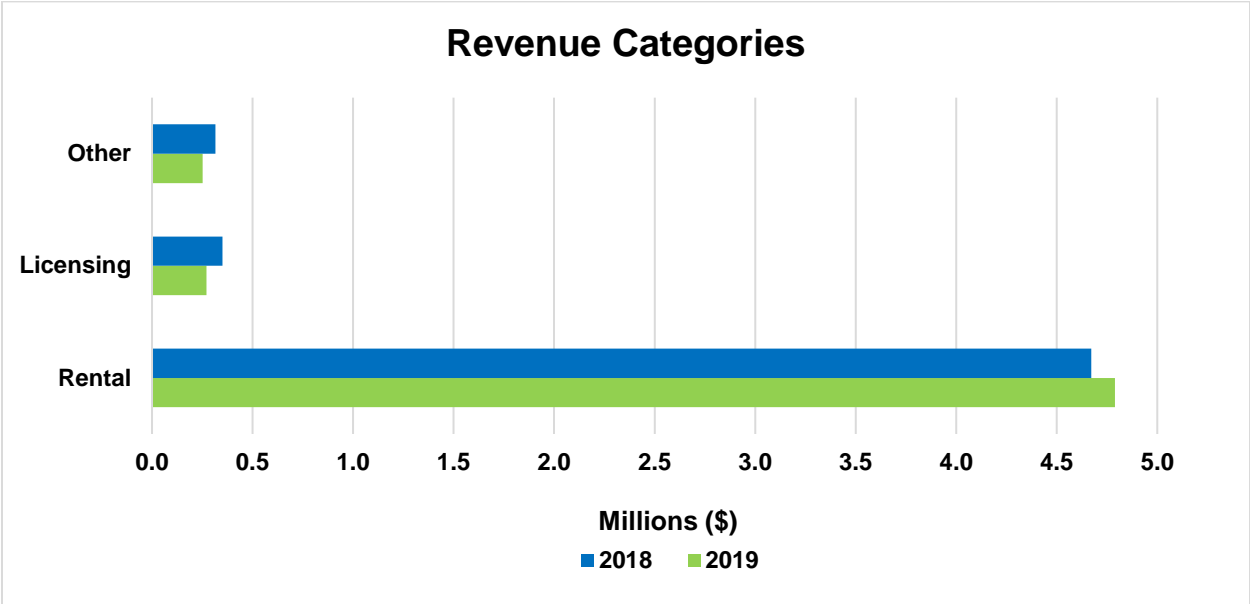
Table 2

Lakeshore Arena Corporation Statement of Operations and Accumulated Surplus for the Year Ended December 31, 2019 (\$)		
	2019	2018
Revenue		
Ice rentals	3,681,578	3,605,009
Tenancy rentals	1,108,640	1,067,452
Licensing	271,086	351,053
Utility recovery	194,646	197,980
Snack bar (net)	19,861	50,003
Other	36,814	67,831
<i>Sub-total</i>	<i>5,312,625</i>	<i>5,339,328</i>
Expenses		
Utilities	1,130,614	1,107,640
Salaries and benefits	1,051,250	930,147
Interest	1,020,321	1,042,253
	2019	2018

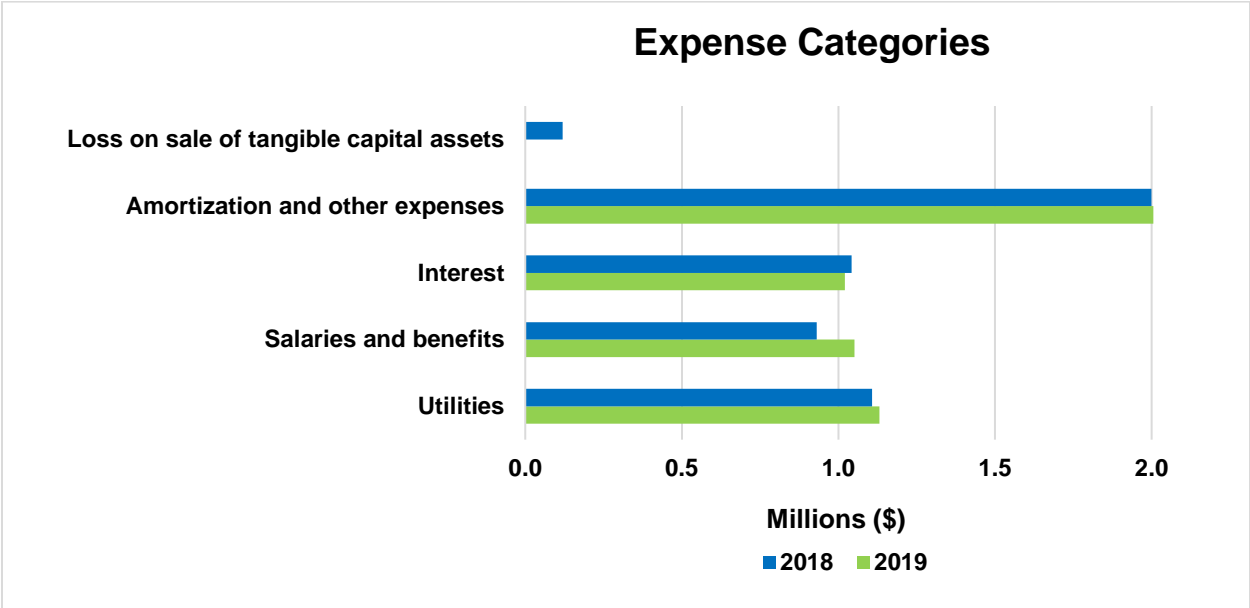
Lakeshore Arena Corporation
Statement of Operations and Accumulated Surplus for the Year Ended
December 31, 2019 (\$)

Expenses (continued)		
Amortization of tangible capital assets	954,804	955,010
Building and equipment maintenance	631,425	658,861
Office and cleaning	210,093	212,558
Bank and credit card charges	61,492	49,646
Insurance	55,519	54,041
Legal and audit	36,693	30,090
Marketing and promotions	24,392	3,660
Telephone	15,398	14,368
Other	13,677	11,669
Amortization of loan transaction cost	3,328	3,328
Bad debts	199	6,534
Loss on tangible capital assets	-	119,345
<i>Sub-total</i>	<i>5,209,205</i>	<i>5,199,150</i>
Operating surplus	103,420	140,178
Accumulated surplus, beginning of year	2,818,007	3,225,423
Draw from City of Toronto capital reserve fund	365,259	-
Distribution to City of Toronto	(529,113)	(547,594)
Accumulated surplus, end of year	2,757,573	2,818,007

The following figure provides the major revenue categories for the years ended December 31, 2019 and 2018.



The following figure provides the major expense categories for the years ended December 31, 2019 and 2018.



4. 2019 Executive Compensation

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

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

ATTACHMENTS

Attachment 1: Lakeshore Arena Corporation 2019 Annual Report
Attachment 2: Lakeshore Arena Corporation 2019 Audited Annual Financial Statements
Attachment 3: Lakeshore Arena Corporation Executive Compensation Disclosure 2019