

COVID-19 Financial Impacts on Corporations of the City of Toronto

Date: February 2, 2021

To: Budget Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

At its meeting on September 30, 2020, City Council, as Shareholder, received the 2019 Audited Financial Statements of City corporations and partnered corporations and directed their Boards of Directors, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to report on the impacts of COVID-19 on corporation Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 by the first quarter of 2021.

This report responds to Council's direction above and is being provided at this time to inform the 2021 Budget process. It provides an overview of COVID-19 impacts on the operations of Build Toronto, Toronto Port Lands Company, Casa Loma, Lakeshore Arena Corporation and Toronto Pan Am Sports Centre. Toronto Hydro Corporation has also committed to providing a separate report by the first quarter of 2021 as directed. The COVID-19 impacts on the Toronto Community Housing Corporation have been noted in City variance reporting and are included in their 2021 Budget Notes submitted to Budget Committee on January 14th, 2021.

Similar to City Programs and Agencies, City corporations have experienced disruptions to their operations resulting in significant financial impacts as a result of COVID-19. The provincial orders for the closure of establishments and non-essential businesses resulted in facility closures, decreased revenue streams, and an increase in bad debts on commercial rents. On January 11, 2021, the province of Ontario declared a second State of Emergency in response to fast-rising rates of COVID-19 among residents, imposing new public health restrictions including a mandatory "stay-at-home" order. Facilities remain closed to the general public or alternatively, are operating under limited capacity. The challenges faced in 2020 continue to persist as provincial orders remain in place.

The City has provided emergency funding, and in some cases loan deferrals for a three month period to City corporations that have experienced cash flow shortages in 2020. These supports will continue as needed in 2021 until operations resume and become

sustainable through their normal revenue streams. Emergency funding to City corporations forms part of the City's COVID-19 response plan. The City will continue to monitor the status of any outstanding loans and guarantees and bring forward any necessary actions for Council consideration that may arise from any future loan servicing deficiencies.

The impacts of COVID-19 will continue into the 2021 fiscal year. As a result, a high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that corporations' operations will be impacted. Consequently, the full effect that the abrupt decline in economic activity will have on corporations' operations, assets, liabilities, revenues and expenses is not yet known.

In responding to Council's direction to report on COVID-19 impacts on their Operating and Capital Budgets and their operations, City corporations have faced challenges in assessing impacts prior to the completion of their year-end statements, and consideration by their respective Boards. As such, some of the information contained in this report is limited.

This report recommends that City corporations report back to Council with additional information on the impact of COVID-19 on their 2020 budgets and operations at their respective 2020 Annual General Meetings, which typically take place in the second quarter of 2021.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. Budget Committee, direct the Board of Directors of Build Toronto, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Toronto Community Housing Corporation and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 at their 2020 Annual General Meeting.

FINANCIAL IMPACT

There is no financial impact resulting from the adoption of the recommendation in this report.

Since mid-March, the City corporations, consistent with City of Toronto Programs and Agencies have experienced significant financial impacts in the form of added costs, revenue losses and increase in bad debt expenses as a direct result of the COVID-19 pandemic.

Any operating surplus or deficit incurred by the corporations in the 2020 Fiscal Year will be reported and captured as part of the accumulated surplus at year end and will form part of the City of Toronto's 2020 Consolidated Financial Statements.

Lakeshore Arena contributes 50% of its net operating income before amortization to a reserve fund set up for Lakeshore Arena's Capital needs - Lakeshore Arena Capital Reserve Fund. Lakeshore Arena is projecting a \$1.7 million deficit in 2020. City of Toronto has also provided Lakeshore Arena Corporation with \$1.4 million in emergency funding as of December 31, 2020 and has deferred loan payments of \$0.061 million due in 2020 for three months.

Casa Loma does not pay dividends to the City of Toronto. In lieu of dividends, contributions are made to the Casa Loma Capital Maintenance Reserve Fund, held by the City of Toronto. Casa Loma is projecting a \$0.262 million surplus in 2020. A contribution to the reserve is not projected.

The Toronto Pan Am Sports Centre (TPASC), as a partnered corporation, does not pay dividends or make contributions to the City of Toronto. TPASC is projecting a 2020 Operating Surplus of \$2.6 million before the contribution to the capital reserve fund. With the standard capital contribution of \$3.9 million, the net operating results are projected to be a \$1.3 million deficit.

Financial impacts to the Corporation capital budgets were not provided.

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

EQUITY STATEMENT

It is well documented that the economic pressures of the COVID-19 pandemic disproportionately affect vulnerable communities, particularly Indigenous and equity seeking communities.

Closure of the Lakeshore Arena and the Toronto Pan Am Sports Centre has directly impacted the recreational activities for the community as programming was not available to the public. Services provided for low-income families and other equity seeking groups were significantly reduced.

Tenants in Toronto Community Housing Corporation (TCHC) buildings reflect the rich diversity of the City of Toronto, encompassing intersections of ethno-racial diversity, language, ability, gender, sexual identity, gender identity and gender expression and socio economic status. Many of TCHC's tenants do not have access to the supports they need to maintain their tenancies. While TCHC has stated there are no major anticipated service level changes as a result of COVID-19, it has had to suspend two programs, including its summer employment program for youth, as well as pest control and environmental health work in tenants' units, pending improvements in COVID-19 numbers.

DECISION HISTORY

Toronto Community Housing Corporation: At its special meeting on January 14th, 2021, Budget Committee received BU21.2 - 2021 Capital and Operating Budgets which included the 2021 Budget Notes for Toronto Community Housing Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.BU22.2>

<https://www.toronto.ca/city-government/budget-finance/city-budget/>

Toronto Community Housing Corporation: At its meeting on September 30, 2020, City Council adopted report titled: EX16.17 Toronto Community Housing Corporation - Annual General Meeting and 2019 Audited Financial Statements, and as Shareholder, directed the Board of Toronto Community Housing 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 Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by the first quarter of 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.17>

Build Toronto: At its meeting on September 30, 2020, City Council adopted report titled: EX16.14 Build Toronto - Annual General Meeting and 2019 Audited Financial Statements, and as Shareholder, directed the Board of Build Toronto 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 Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by the first quarter of 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.14>

Casa Loma Corporation: At its meeting on September 30, 2020, City Council adopted report titled: EX16.15 Casa Loma Corporation - Annual General Meeting and 2019 Audited Financial Statements, and as Shareholder, directed the Board of Casa Loma 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 Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by the first quarter of 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.15>

Lakeshore Arena Corporation: At its meeting on September 30, 2020, City Council adopted report titled: EX16.16 Lakeshore Arena Corporation - Annual General Meeting and 2019 Audited Financial Statements, and as Shareholder, directed 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 Capital budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by the first quarter of 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.16>

Lakeshore Arena Corporation: At its meeting on July 28, 2020, City Council approved the renewal of the capital loan issued by the City on behalf of the Lakeshore Arena Corporation in the amount of \$4,047,660 (interest payments only) be renewed for a one-year period commencing on November 1, 2020 and ending October 31, 2021.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX15.9>

In November 2015, Council adopted recommendations to partially write-down a loan to an arena (Lakeshore Arena Corporation), as recovery of the loans was considered unlikely and further, to set those entities on a more sustainable footing for future operations. That report can be viewed at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX9.10>

Toronto Hydro: At its meeting on September 30, 2020, City Council adopted report titled EX16.18 Toronto Hydro Corporation - Annual General Meeting and 2019 Audited Financial Statements, and as Shareholder, directed the Board of Toronto Hydro 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 Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by the first quarter of 2021.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.18>

Toronto Pan Am Sports Centre Inc: At its meeting on September 30, 2020, City Council adopted report titled: EX16.19 Toronto Pan Am Sports Centre Inc. - Annual General Meeting and 2019 Audited Financial Statements, and as joint Shareholder, requested the Board of Pan Am Sports Centre Inc., in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to bring forward a report, as appropriate, on the impacts of COVID-19 on Corporation Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by the first quarter of 2021.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.19>

Toronto Port Lands Company: At its meeting on September 30, 2020, City Council adopted report titled: EX16.20 Toronto Port Lands Company - Annual General Meeting and 2019 Audited Financial Statements and as Shareholder, direct the Board of Toronto Port Lands Company, 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 Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19, to City Council through Executive Committee, by the first quarter of 2021.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.20>

COMMENTS

City corporations are wholly-owned by the City of Toronto (sole shareholder). They are established by City Council under the Business Corporations Act (Ontario) under the authority of the City of Toronto Act, 2006 or other legislation. City corporations own assets and manage assets for the City, operate independently from the City

administration and approve their own budgets and positions. City corporations are required to submit annual audited financial statements and reports to City Council as shareholder at their Annual General Meeting, but Council does not approve their budgets. Partnered corporations are corporations whose governance, ownership and funding are shared between the City and other levels of government or organizations.

At its meeting on September 30, 2020, City Council, as Shareholder, received the 2019 Audited Financial Statements of City corporations and partnered corporations and directed their Boards of Directors, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to report on the impacts of COVID-19 on corporation Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 by the first quarter of 2021.

As part of the 2021 Budget process, City Programs and Agencies provided the financial impact of COVID-19 on their Operating and Capital Budgets as part of the 2021 Budget Notes. This report is being brought forward now to provide the equivalent information for City corporations to inform the 2021 Budget process. Gathering the information at this time proved challenging for most Corporations were in the midst of year-end procedures and Board of Directors have not yet considered year-end statements.

In response to this request, corporations provided preliminary estimates of the 2020 financial impacts based on the 2020 year-end projections. This report also highlights major variances from their 2020 Operating and Capital Budgets as approved by their Boards of Directors, high level impacts to their operations as well as any mitigating strategies. The 2020 projections represent management's best estimate of year-end operations.

Corporations are currently finalizing their 2020 Fiscal Year in preparation for their Auditors. All corporations are expected to have their "2020 Audited Financial Statements" by the end of April 2021. These statements will be approved by corporation boards, and received by City Council as shareholder at their Annual General Meeting, typically held in Q2.

Consistent with Programs and Agencies, the financial impacts of COVID-19 for Toronto Community Housing Corporation have been noted in City variance reporting and are included in their 2021 Budget Notes. Toronto Hydro Corporation has also committed to report back to Executive Committee in the first quarter of 2021 as directed.

Corporations continue to face significant pressures in 2021. On January 11, 2021, the province of Ontario declared a second State of Emergency in response to fast-rising rates of COVID-19 among residents, imposing new public health restrictions including a mandatory "stay-at-home" order. Some facilities remain closed to the general public in response to this order.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the corporations' operations will be impacted. Consequently, the effect that the abrupt decline in economic activity will have on the corporations' operations, assets, liabilities, revenues and expenses is not yet known.

The following section provides an overview of COVID-19 impacts specific to each corporation:

BUILD TORONTO

Background:

Build Toronto is a City corporation that developed underutilized City real estate assets to unlock their value, stimulate employment and regenerate neighbourhoods. Today, Build Toronto is a part of the City-wide real estate service delivery model adopted by City Council in 2017 to centralize real estate activities and ensure the effective use of the City's real estate assets. The Corporation is managed by CreateTO. CreateTO leverages its real estate expertise to lead a City-wide real estate strategy, identify opportunities to modernize and harmonize operations, drive service delivery for programs, and maximize real estate value in the pursuit of social, economic, environmental, and program benefits.

Build Toronto's activities include supporting CreateTO in fulfilling its City Building mandate and managing surplus land transactions that were in place prior to the launch of CreateTO, the last of which will be completed in 2021.

Impact on the Operating Budget

Transactions that pre-date the launch of CreateTO represent the 2020 operating income for Build Toronto. While the transactions were delayed, it is difficult to determine if these delays were the result of the pandemic or general business conditions.

Impact on the Capital Budget

The 2020 Capital Budget was not impacted by COVID-19. It was altered due to the reprioritization of projects and associated resources. Through CreateTO, staff efforts were focused on key city initiatives such as Housing Now, Modular Housing and ModernTO.

TORONTO PORT LANDS CORPORATION (TPLC)

Background:

TPLC manages real estate assets and continues to advance the long-term vision for a sustainable new community in the port lands. TPLC is a responsible steward of City assets in the port lands and supports the ongoing flood protection work by Waterfront Toronto. TPLC's primary assets consist of investment properties. Investment properties include land, office and other commercial properties held to earn rental income or for capital appreciation. The Corporation is managed by CreateTO. CreateTO leverages its real estate expertise to lead a City-wide real estate strategy, identify opportunities to

modernize and harmonize operations, drive service delivery for programs, and maximize real estate value in the pursuit of social, economic, environmental, and program benefits.

Impact on the Operating Budget

Management estimates that COVID-19 will have an impact on the Toronto Port Lands operating results, resulting in reduced rental revenue of 2.8% in 2020 and 2.3% in 2021. The pandemic closures have impacted the operations of some of the tenants. Under current guidelines, tenants cannot be terminated for nonpayment of rent. Some tenants are attempting to access the available financial supports and TPLC is currently negotiating rent deferral arrangements. Due to the second wave lockdown, and uncertainty, the finalization of these arrangements have been delayed.

Impact on the Capital Budget

The capital budget for 2020 has not been significantly affected by COVID-19. The flood-proofing activity by Waterfront Toronto has proceeded as expected, and although there have been some delays, these are not expected to have a financial impact on the City.

CASA LOMA CORPORATION

Background:

Casa Loma, a designated heritage property, is a City-owned tourism and event facility that includes a historic main house and grounds, stable, hunting lodge and other buildings. It is a well-known historical landmark and popular tourist attraction in Toronto.

Casa Loma Corporation was established by City Council in 2011 to manage the day-to-day operations of Casa Loma and ensure operations were stabilized so a future direction for Casa Loma could be established effectively by the City.

In 2013, the City entered into a 20-year lease agreement with Liberty Entertainment Group to operate the Casa Loma main house and grounds as a heritage attraction and special events venue. Casa Loma Corporation provides oversight of the lease agreement while the Economic Development and Culture Division is responsible for capital upgrades.

Day-to-day management of the ongoing programmatic and capital repair relationship with Liberty Entertainment Group continues to be the responsibility of the Board, in coordination with Economic Development and Culture and the lease responsibility is part of the Corporate Real Estate Management portfolio.

Impact on the Operating Budget

The table below summarizes and compares the 2020 projected operating results to the Casa Loma 2020 Operating Budget.

Table 1 - Casa Loma Abbreviated 2020 Statement of Operations (Projected)

	2020 Budget	2020 Projected Actual	2020 Variance Under / (Over)
Revenue			
Rental Income	2,000,000	2,000,000	0
Interest and Other Income	40,620	25,277	15,043
Subtotal:	2,040,620	2,025,577	15,043
Expenses			
Bad Debt Expense		1,500,000	(1,500,000)
Operating Costs	261,000	255,866	5,667
Subtotal:	261,000	1,755,866	(1,494,866)
Operating surplus (deficit)	1,741,080	261,711	1,471,369

Due to the facility closure in March 2020, Liberty Entertainment Group has paid \$0.5 million of the \$2.0 million annual basic rent for 2020. At its January Board meeting, a motion was passed to allow the recognition of a bad debt expenses for the outstanding rent payments in 2020. It is unforeseeable that Liberty Entertainment Group can make outstanding payments due to their businesses being heavily impacted by COVID-19. This amount will be adjusted if there are any amounts deemed collectible before the 2020 financial statements are finalized. Casa Loma Corporation will be looking for any rent relief grants from other levels of government to be applied to the bad debt.

Impact on the Capital Budget

Casa Loma's capital maintenance needs are addressed through the Economic Development and Culture (EDC) Capital Budget. Casa Loma distributes a portion of its accumulated surplus to the City of Toronto for site rehabilitation projects. The accumulated surplus provides a source of funding for Economic Development and Culture to undertake ongoing capital maintenance and repair projects.

Casa Loma has 10 Year Restoration Plan including the next phase of capital restoration at Casa Loma, Phase 11, which will be significant work on the west garden retaining wall and structural repair to the parking garage. Due to the uncertainty of the rental revenue in 2020 and in an effort to continue with the 10-year capital restoration plan, EDC will include the Phase 11 project with its application for federal infrastructure funding. If this grant is not awarded, Phase 11 will be suspended until rent revenues replenish the capital reserve or alternate funding is identified.

Modifications to Programs & Initiatives

As a result of COVID 19, Liberty Entertainment Group suspended all operations at Casa Loma in mid-March including all special events, tourist and local visitors and the restaurant. Subsequently when the Province permitted take-out and delivery, the restaurant initiated limited service and has also contributed meals for front line workers. Rent was abated for April and has been suspended since then. Liberty Entertainment Group has continued to maintain the building and pay all related costs.

LAKESHORE ARENA CORPORATION

Background:

The Lakeshore Arena Corporation (LAC) is a City corporation that manages the Lakeshore Arena (operating as the Ford Performance Centre), a marquee four-pad ice arena in the South Etobicoke area of Toronto. The Lakeshore Arena offers ice rentals, leagues, public skating, drop-in programs, tournaments and special events to the local community. The Corporation mandate includes:

- Assuming the leasehold interest for the Lakeshore Arena (previously held by the Lakeshore Lions Club)
- Managing the Arena's operations including marketing, sales, catering, parking, security, caretaking and cleaning, financial administration, property management and general administration
- Managing the Arena's capital debt

Impact on the Operating Budget

The table below summarizes and compares the Lakeshore Arena 2020 projected operating results to the Lakeshore Arena 2020 Operating Budget.

Table 2 - Lakeshore Arena - Abbreviated 2020 Statement of Operations (Projected)

	2020 Budget	2020 Projected Actual	2020 Variance Under / (Over)
Revenue			
Facility Income	4,328,788	1,903,915	2,424,873
Rental Income	1,426,430	1,088,207	338,222
Subtotal:	5,755,217	2,992,122	2,763,095
Expenses			
Arena Expenses	3,751,152	2,891,580	859,573
Other Expenses	1,879,197	1,806,343	72,854
Subtotal:	5,630,349	4,697,923	932,426
Operating surplus (deficit)	124,868	(1,705,801)	(1,830,669)

LAC initially closed its ice rinks on March 14, 2020 at the start of the pandemic. It opened to host limited sporting events. The National Hockey League (NHL) hosted the Eastern Conference playoffs from July 26 through September 4, 2020 at the arena as part of the NHL bubble. From September 7th through November 22nd, 2020 the Arena operated ice rentals with COVID safety protocols in place. The arena closed to the public on November 23rd, 2020 and remains closed. Currently only the Maple Leafs and a few other NHL players are training at the arena. The Corporation has reduced a total of 12 staff due to the pandemic and pays benefit coverages for staff that have been laid off.

LAC also rents space to third parties. Currently, two medical clinics remain open. The Hockey Hall of Fame and Prosharp Inc. are operating on a limited basis. All other tenants are closed or open by appointment only.

The Corporation accepted Canada Emergency Commercial Rent Assistance (CECRA) loans as part of the rent subsidy from CMHC and the Canadian government that total \$113,428.40 and are in full compliance with all regulations to date.

Impact on the Capital Budget

LAC's capital maintenance needs are addressed through Parks, Forestry and Recreation (PFR) Capital Budget. In order to minimize the pressure to the PFR capital budget, Lakeshore Arena contributes 50% of its net Operating Income before amortization to a Reserve Fund set up for Lakeshore Arena's Capital needs - Lakeshore Arena Capital Reserve Fund. In 2020, LAC was expected to contribute \$529,113 to the reserve fund. These payments, together with other loan payments, have been deferred for a period of three months.

Modifications to Programs & Initiatives

As a result of COVID 19, the Arena facility remains closed to the public. LAC continues to host the Maple Leafs for on ice training. The building is open for the two tenants that operate medical clinics. All ice rentals to the public are closed at this time. The concession stands have since been loaned to the chefs at Maple Leaf Sports and Entertainment (MLSE) for meal preparation for players with the goal of securing this as a long-term kitchen and preparation area and an expansion of their current lease.

LAC does not currently have a scheduled reopening date to resume the public component of the business.

TORONTO PAN AM SPORTS CENTRE (TPASC)

Background

Toronto Pan Am Sports Centre Incorporated (TPASC), a partnered corporation, operates and maintains the Toronto Pan Am Sports Centre (the Sports Centre) which is jointly owned by the City of Toronto and the Governing Council of the University of Toronto.

The Sports Centre includes an aquatic centre and field house developed for the 2015 Pan American and Parapan American Games. Since 2015, the Sports Centre has been used by the City, the University of Toronto, sports organizations and other users for recreational, fitness and sports training activities.

City programs offered by Parks Forestry and Recreation Division at the Sports Centre include sports and recreation activities, health and wellness programs, group fitness classes, private training and adventure camps. The Sports Centre facilities are also used for recreational, fitness and sport training activities provided by the University of Toronto Scarborough, community use, and High Performance Sport. Operating funding contributions to TPASC are based on the proportional use of the Sports Centre by the City, the University, High Performance Sport and TPASC.

TPASC Inc. retains the revenues it generates from the Sports Centre and is responsible for all operating and capital costs associated with the Sports Centre, with the exception of those that are the responsibility of other users pursuant to user agreements or other applicable agreements.

Impact on the Operating Budget

Statement of Operations

The table below summarizes and compares the TPASC 2020 forecasted operating results to the TPASC 2020 Operating Budget.

Table 3 - TPASC Abbreviated 2020 Statement of Operations (Projected)

	2020 Budget	2020 Projected Actual	2020 Variance Under / (Over)
Revenue			
Field of play recoveries	11,233,569	9,054,026	(2,179,543)
Space cost recoveries	1,025,399	1,006,110	(19,289)
Rental and Fitness Centre Income	3,334,351	1,544,641	(1,789,710)
Food & Beverage	1,665,000	392,497	(1,272,502)
Other revenue	886,886	1,760,666	873,780
Subtotal:	18,145,204	13,757,941	(4,387,264)
Expenses			
Facility Operations	12,589,803	10,214,846	(2,374,957)
Food & Beverage	752,119	189,593	(562,526)
License fees	750,000	750,000	0
Subtotal:	14,091,922	11,154,439	(2,937,483)
Operating surplus (deficit) Before Facility Reserves	4,053,282	2,603,501	(1,449,781)

The 2020 projected operating surplus \$2.6 million before the contribution to the capital reserve fund. With the standard capital contribution of \$3.9 million, the net operating results are projected to be a \$1.3 million deficit.

Explanation of projected revenues as compared to budget are as follows:

- 18% decrease or \$1.299 million in Field of Play & Space recoveries due to no Q2 payments from the City of Toronto or the University of Toronto. Legacy fund payments for high performance sport of \$1.4 million were received in full.
- 54% decrease or \$1.790 million in Rental & Fitness Centre Income and 77% decrease or \$1.273 million in Food and Beverage due to programming restrictions.
- Members were permitted to put their memberships on hold until July 2021 and 40% of members took advantage of this.
- 98% increase or \$0.874 million in Other Revenue primarily due to the receipt of Canadian Emergency Wage Subsidy funding of \$1.4M from the federal government.

Explanation of major projected expenses as compared to budget are as follows:

- 21% decrease or \$1.675 million in salaries, wages, and benefits. This is due to no part-time staff during closed periods, elimination of salary increases for 2020, elimination of eligible bonuses for 2020, and a reduction of salary to 75% for some full-time staff members during spring closure.

- 20% decrease or \$0.250 million in non-salary operational expenses. This is primarily due to savings in transaction fees for membership payments and at food and beverage, as well as a reduction in repairs and maintenance as there has been less wear and tear on equipment.
- 16% decrease or \$0.254 million in utility costs. This is in part due to implementing operational strategies such as draining all three pools in the spring and running on reduced hydro during three-month closure in the spring.
- 75% reduction or \$0.563 million in food and beverage expenses which is related to the reduction in revenue mentioned above.
- 13% reduction or \$0.194 million in contracted services primarily due to the reduction in cleaning over the past nine months.

Management through adjusting its program offerings, implementing additional revenue streams, and the close monitoring expenses, was successful in minimizing the impact of COVID-19 to its operating budget.

Impact on the Capital Budget

TPASC annually funds its major maintenance and capital expenditures from its capital reserve - Major Maintenance and Capital Replacement Fund.

The capital budget for 2020 was approved by the Board of Directors at \$2.98 million. This is consistent with the TPASC 50-year capital model. TPASC has been able to take advantage of shut down periods, by completing some of its major capital projects which will minimize impact to future programming.

Modifications to Programs & Initiatives

TPASC management worked in collaboration with national and provincial sport organizations to create a "safe return to train" plan that complied with Toronto Public Health and other government regulations, sport organizations protocols as well as TPASC facility protocols. TPASC management reviewed and approved all "safe return to train" plans to ensure compliance with aforementioned standards.

High Performance Sport returned to the facility in June, 2020 and continues to train with these protocols in place. These protocols and sport packages also enabled aquatics and field house clubs to return to training from July to October, 2020, in a safe manner. In addition to this, TPASC modified its in-house program offerings to comply with these revised protocols.

Upon closure in March, TPASC began implementation of an online video library for its group fitness classes. To date, there are over 380 classes available. TPASC has also designed and implemented its proprietary fitness app that the community can purchase at a competitive rate in order to streamline access to the online classes and track their individual fitness progress.

TPASC food and beverage has seen a significant reduction in revenue but has been able to generate revenue by offering curbside pickup and implementing relationships with food delivery services.

Conclusion

The City has provided emergency funding and loan deferrals to City corporations that have experienced cash flow shortages in 2020 and these supports will continue as needed in 2021 until operations resume and become sustainable through their normal revenue streams. Emergency funding to City corporations forms part of the City's COVID-19 response plan. The City will continue to monitor the status of any outstanding loans and guarantees and bring forward any necessary actions for Council consideration that may arise from any future loan servicing deficiencies.

CONTACT

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