
2022 BUDGET BRIEFING NOTE

Lakeshore Arena Corporation – Status Update on Loan

Issue/Background:

- On July 14, 2021, City Council approved the renewal of the capital debt loan issued by the City of Toronto on behalf of the Lakeshore Arena Corporation in the amount of \$4,047,660 (interest payments only) for a further one-year period commencing on November 1, 2021 and ending on October 31, 2022. This loan was originally scheduled to be transferred on October 31, 2020 into an existing loan with Infrastructure Ontario which is guaranteed by the City.
- City Council also directed the Chief Financial Officer and Treasurer to report through the 2022 Budget process with an update on the Lakeshore Arena Corporation loan, including a strategy to support the loan that does not impact funding or service levels for the Parks, Forestry and Recreation Division ([Item EX25.7](#)).
- The City continues to guarantee the loan held by Infrastructure Ontario. The current balance of the loan as of December 31, 2021 is \$23.794 million.
 - Lakeshore Arena Corporation negotiated two three-month deferrals of the loan with Infrastructure Ontario, from January to March 2021 and from April to June 2021. As of July 31, 2021, these deferrals were fully paid off.
- The Lakeshore Arena Board of Directors has initiated a two phase process to undertake a comprehensive review of Lakeshore Arena's finances and a Strategic Business Plan which will address opportunities and risks. Inclusive to this process, the consultant will review the Arena's operating model to identify opportunities for efficiencies or new revenue streams. These studies are anticipated to be complete in Q2 2022.

Key Points:

- Lakeshore Arena, a wholly city-owned corporation, has experienced financial challenges as a result of provincial COVID-19 restrictions since the onset of the pandemic in March 2020.
- Since the onset of COVID-19, the City has provided Lakeshore Arena Corporation (LAC) with financial assistance to ensure LAC is able to pay required

operational expenditures. In 2020, the City provided LAC with financial assistance of \$1.4 million, comprised of the line of credit in the amount of \$1.0 million that had been drawn upon and \$0.4 million in emergency funding. With these financial supports, LAC was able to pay operational expenses including their existing IO loan payments in 2020.

- Due to extended lockdowns experienced during the first six months of 2021 associated with COVID-19 which negatively impacted LAC's revenues, the City provided LAC with additional emergency funding of \$1.25 million in 2021. This was to support operational expenses, cover deferred IO loan payments, as guaranteed by the City, and to engage a third party consultant to prepare a business plan, as requested by the LAC Board.
- The corporation operates independently from the Parks, Forestry and Recreation Division notwithstanding the division's responsibility for its capital state of good repair funded by the Lakeshore Arena Capital Reserve Fund, representation on the Board of Directors, and ensuring the provision of community access to the arena facilities for programming and public use. Lakeshore Arena contributes 50% of its net operating income before amortization to the Lakeshore Arena Capital Reserve Fund to undertake required capital improvements.
- City Council received the Lakeshore Arena Corporation 2020 Audited Financial Statements on July 14, 2021 which reported \$30,547,830 in total debt ([Item EX25.11](#)). The accumulated debt largely resulted from consolidated loans that funded the initial construction of the Arena. In addition, the corporation reported a net operating deficit of \$1.3 million during 2020 when the Arena facility was largely closed to the public in alignment with public health requirements as a result of COVID-19.
- When operating at capacity, the Arena is able to meet its financial obligations. Deferred debt repayment has only been necessary to ensure the Arena could meet its overhead requirements when faced with minimal revenue as a result of extended closures. In addition, LAC has been unable to contribute to their Capital Reserve Fund.
- While the Arena management has been effective in driving efficiencies in the operation throughout the pandemic, there is continued uncertainty with respect to the financial outlook for the corporation, largely a result of the extended closures and reduced capacity and associated revenue loss. The Board of Directors has therefore initiated a two phase process to undertake a comprehensive review of the Arena's finances and business plan.
- A Financial Advisor has been retained for the first phase of work. The final report will recommend a debt servicing plan that considers financial risks, new revenue opportunities and areas for efficiency and will identify any potential debt restructuring that may require further support from the City and/or other levels of government.

- While there is no operating funding provided by the Parks, Forestry and Recreation Division, a key principle in this review is to ensure the corporation is sustainable, continues to provide community access in addition to providing access facilities for training and competitive sport and meet its obligations to tenants, sponsors and MLSE.
- The review is expected to be completed and received by the Board of Directors in February 2022.
- The Board of Directors will engage a Consultant in Q2 2022 for the second phase of work to develop a Strategic Business Plan that would conduct an industry analysis for this sector and recommend to the Board enterprise opportunities and areas of risk to guide the Corporation over the next 5 years and through the pandemic recovery period.
- Combined, these reviews will inform the Board of Directors and ultimately City Council on the strategies required to ensure the sustainability of the Lakeshore Arena, while ensuring the recommendations do not have a negative impact on the funding or service levels for City divisions including Parks, Forestry and Recreation.

Prepared by: Howie Dayton, Chair, Lakeshore Arena Board of Directors

Further information: Howie Dayton, Director, Community Recreation, 416-392-7252
howie.dayton@toronto.ca

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