

## **Lakeshore Arena Corporation - Annual General Meeting and 2021 Audited Financial Statements**

**Date:** June 27, 2021

**To:** Executive Committee

**From:** City Manager and Chief Financial Officer and Treasurer

**Wards:** All

### **SUMMARY**

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This report transmits materials submitted by the Board of Directors of Lakeshore Arena Corporation (LAC) to the City. No independent review or analysis has been performed by City staff. Representatives from the Board of Directors for LAC have confirmed all financial information was made available to the auditors for the performance of the audit.

This report recommends actions necessary to comply with the requirements of the Business Corporations Act, Ontario (OBCA) for holding the Annual General Meeting of the Shareholder of LAC, including receipt of its Annual Report and Audited Financial Statements (Statements) for 2021 and appointment of the auditor for 2022.

LAC's 2021 Statements were audited by Welch LLP and received an opinion stating that the financial statements present fairly, in all material respects, the financial position of the LAC as at December 31, 2021, and its results of operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

This report also contains recommendations for receipt of information disclosing the individual compensation of executive officers employed by LAC in 2021 at the Annual General Meeting of the Shareholder.

### **RECOMMENDATIONS**

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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 2021 Annual and Cover Report", and the "Lakeshore Arena Corporation 2021 Audited Financial Statements", forming Attachments 1 and 2 to this Report, respectively

b. appointing Welch LLP as the Auditor of Lakeshore Arena Corporation for fiscal year 2022, and authorizing the Board of Directors of Lakeshore to fix the remuneration of the Auditor; and,

c. receiving the "Lakeshore Arena Corporation Executive Compensation Disclosure 2021", forming Attachment 3 to this Report;

2. City Council direct the City Clerk to forward a copy of the "Lakeshore Arena Corporation 2021 Audited Financial Statements", forming Attachment 2 to this Report, to the Audit Committee for information.

## **FINANCIAL IMPACT**

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There are no financial implications to the City resulting from the approval of the recommendations in this report.

LAC has provided City staff with financial summary information for 2021, which is provided in this section of the report.

LAC's 2021 Statements recognize a net operating deficit of \$0.06 million (more favourable than the operating deficit of \$1.26 million from 2020), total assets of \$31.8 million (a decrease of \$0.6 million from 2020), and total liabilities of \$30.8 million (a decrease of \$0.1 million over 2020). The accumulated surplus decreased by \$0.5 million in 2021 to \$1.0 million, and the value of LAC's non-financial and capital assets decreased by \$0.9 million to \$31.1 million.

The Statements reflect \$1.15 million in emergency funding in 2021 provided by the City of Toronto. Emergency funding to City corporations forms part of the City's COVID-19 response plan. The line of credit with the City of Toronto for \$1.0 million at 3% per annum, to cover periodic operating cash flow shortfalls, was fully drawn as at December 31, 2021. The line of credit is unsecured and there are no specific terms for repayment.

At year-end, the Infrastructure Ontario (IO) capital loan was \$23.8 million. In 2021, IO provided LAC with a 6-month deferral from January to June which was repaid in July 2021. The details of the loans outstanding are found in Note 9 in the Notes to the Financial Statements.

Lakeshore contributes 50% of its net operating income before amortization to the City's Lakeshore Arena Capital Reserve Fund (XR3035), which are reflected as return of capital contributions to a limit of \$8.1 million. This reserve provides a source of funding for Parks, Forestry and Recreation through its 10-Year Capital Plan to undertake capital work in future years for LAC. As outlined in Note 11 to the financial statements, the distribution of \$964,050 is outstanding and due to the City of Toronto.

Further information on LAC's financial position and results can be found in Attachments 1 and 2.

## **DECISION HISTORY**

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On February 17, 2022, City Council adopted the 2022 Capital and Operating Budgets. Budget Briefing Note 8 provided an update on Lakeshore Arena Corporation:  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EX30.2>

On July 14, 2021, that portion of the City Council meeting where *EX25.11 Lakeshore Arena Corporation - Annual General Meeting and 2020 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=2021.EX25.11>

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>

On November 3, 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>

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>

On July 12, 2011, City Council adopted *EX7.1 Restructuring of Relationship with Lakeshore Lions Arena Incorporated* authorized a line of credit to the Corporation in an amount not to exceed \$1,000,000, with interest at the rate of 3% annually calculated monthly, for the purpose of covering periodic operating working capital cash shortfalls, to be repaid in full, and to be funded from the City's own working capital.  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX7.1>

## **ISSUE BACKGROUND**

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City Council authorized the establishment of Lakeshore Arena Corporation on July 12th, 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) requires that the Board of 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. The last annual meeting was held by City Council on July 14, 2021. Subsection 154(1) of the OBCA requires that the Shareholder receive Lakeshore audited financial statements and the Auditor's Report at the annual meeting of the Shareholder.

Section 149(2) of the OBCA requires that the Lakeshore 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.

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

## **COMMENTS**

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### **1. Appointment of Auditor**

Under the OBCA, the auditor must be appointed annually by the Shareholder at the Annual General Meeting of the corporation. The auditor so appointed holds office until the close of the next Annual General Meeting of the Shareholder, or until a successor is appointed.

The Board of Directors of Lakeshore has recommended that Welch LLP be appointed as the Auditor for Lakeshore Arena for fiscal year 2022. The Board will fix the annual remuneration of the Auditor.

### **2. Key Lakeshore Arena Corporation Achievements in 2021**

The Letter from the LAC Chair of the Board of Directors transmits the 2021 Annual and Cover Report (Attachment 1), which highlights key Lakeshore Arena Corporation achievements in 2021.

### **3. Lakeshore Arena 2021 Audited Financial Statements**

The 2021 Annual and Cover Report (Attachment 1) provides highlights of Lakeshore Arena's financial position. The 2021 Audited Financial Statements (Attachment 2) provides the auditors opinion and financial details for LAC.

The 2021 Audited Financial Statements indicate that LAC had a net debt of \$30.1M at 2021 year end and had a continued reliance on emergency funding from the City of Toronto. Although the auditor's opinion was not modified from the previous year (2020),

the auditors have noted that a material uncertainty exists that may cast some doubt on LAC's ability to remain a going concern.

As noted in the LAC Annual and Cover Report, the LAC Board of Directors continues to work on a long-term, sustainable financial plan and strategy to present to the City regarding operation of the arena and its economic future.

#### **4. 2021 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 compensation paid to the corporation's executive officers is required to be disclosed pursuant to the Province of Ontario's public disclosure of the salary and benefits paid in respect of employment in the public sector under the Public Sector Salary Disclosure Act, 1996.

#### **CONTACT**

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Karen Jones, A/Director, Intergovernmental & Agencies Relations, City Manager's Office, 416-397-4429, [Karen.Jones@toronto.ca](mailto:Karen.Jones@toronto.ca)

Michael Smith, Solicitor, Legal Services, 416-392-7245, [Michael.A.Smith@toronto.ca](mailto:Michael.A.Smith@toronto.ca)

#### **SIGNATURE**

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Heather Taylor  
Chief Financial Officer and Treasurer

Chris Murray  
City Manager

#### **ATTACHMENTS**

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Attachment 1: Lakeshore Arena Corporation 2021 Annual Report

Attachment 2: Lakeshore Arena Corporation 2021 Audited Annual Financial Statements

Attachment 3: Lakeshore Arena Corporation Executive Compensation Disclosure 2021