

## **Leaside Memorial Community Gardens Settlement of Operating Result for the year Ended 2019**

Date: October 17, 2023  
To: Executive Committee  
From: Interim Chief Financial Officer and Treasurer  
Wards: 5, 8, 9, 13, 15, 18, 19

### **SUMMARY**

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On an annual basis, the City of Toronto receives the audited financial statements from eight Arena Boards of Management (Arenas). The audited financial statements assist the City to determine whether additional operating subsidy payments need to be provided to or clawed back from the Arenas to settle their operating deficits or surpluses. City staff report annually on the Arenas' operating surpluses and deficits once the respective Boards financial statements have been audited and approved by Council. The audited financial statements are based on the Public Sector Accounting Board (PSAB) requirements for government not-for-profit entities while the operating deficits or surpluses align with the modified cash basis of accounting.

This report recommends the settlement of Leaside Memorial Community Gardens Arena's operating surplus for 2019 based on their audited financial statements for the year ended December 31, 2019, with operating surplus payable to the City upon Council's approval.

The remainder of the seven Arena Boards' 2019 settlement results were previously approved by City Council.

At the time of preparation of this report, the 2020 and 2021 audited financial statements for Leaside Memorial Community Gardens Arena remains in progress and therefore the settlement for the outstanding years will be presented in a future report for consideration and approval purposes.

While normally the prior years' end settlement reports for both Association of Community Centres and Arena Boards are submitted together to Council in the following year, the 2019 Leaside Memorial Community Gardens Arena's settlement was delayed due to delays in completing the 2019 audit. City staff will present the 2020, 2021 and 2022 Settlement Reports at the first opportunity to the City Council for consideration and approval.

## **RECOMMENDATIONS**

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The Interim Chief Financial Officer and Treasurer recommends that:

1. City Council direct the 2019 operating net surplus of \$166,713 from Leaside Memorial Community Gardens Arena to be payable to the City of Toronto and to be allocated to the Leaside Memorial Community Gardens Arena Debt Service Reserve Fund (XR3216) as illustrated in Appendix A - 2019 Program Summary.

## **FINANCIAL IMPACT**

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The Leaside Memorial Gardens Arena final net settlement for the year 2019 requires that surplus funds of \$166,713 be paid to the City and be allocated to the Leaside Memorial Community Gardens Arena Debt Service Reserve Fund (XR3216) as per the Loan Agreement clause which requires that excess revenue be deposited into the Leaside Memorial Gardens Arena Debt Service Reserve Fund (XR3216) at year-end.

The Leaside Memorial Community Gardens' 2020 and 2021 audited financial statements were not available at the time of this report and will be included in a future report to determine whether a deficit/surplus settlement will be required to be rolled into the outstanding balance of the loan to build Leaside Arena's second pad. In accordance with the loan agreement, any annual operating deficit amounts incurred by Leaside Memorial Community Gardens shall be added to the outstanding loan balance. A revised amortization schedule to retire the amended loan balance will also be established.

## **DECISION HISTORY**

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At its meeting on July 19, 2023, City Council received the report titled "Arenas - 2019 Audited Financial Statements of Leaside Memorial Community Gardens Arena and Status of Outstanding 2022 and Prior Audited Financial Statements":

<https://secure.toronto.ca/council/agenda-item.do?item=2023.AU2.13>

At its meeting on November 9, 2021, City Council received the report titled "Arena Boards of Management 2019 Operating Surpluses / Deficits Settlement":

<https://www.toronto.ca/legdocs/mmis/2021/bu/bgrd/backgroundfile-171419.pdf>

At its meeting on December 16, 2020, City Council received the report titled "Operating Variance Report for the Year Ended December 31, 2019", including the Arena Boards of Management's Net Expenditure Variance.

<https://www.toronto.ca/legdocs/mmis/2020/ex/bgrd/backgroundfile-159000.pdf>

In December 2016, Council adopted recommendations from the Deputy City Manager &

Chief Financial Officer to amend terms of a loan with Leaside Memorial Gardens Arena Board to better facilitate early repayment terms, to consider an increase to the City guarantee of a line of credit on behalf of the Toronto Symphony Orchestra, and to provide consent to Evergreen to obtain a third party guaranteed operating line of credit. That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.16>

At its meeting on April 19-23 and 26-28, 2004, City Council adopted Policy and Finance Committee Report No. 3, Clause 2, entitled "City of Toronto 2004 Budget Advisory Committee Recommended Operating Budget", Recommendation HH(95)(g) that directed "any audited year-end net surplus in excess of the Council approved budget for the Arena Boards of Management Program be transferred to the Arena Boards of Management account in the Vehicle and Equipment Replacement Reserve (XQ1705) and applied proportionately among those Arenas who are in a surplus position and exceeded their budget target", such funds to be used to finance future ice resurfacer replacements for the Arena Boards of Management.

<http://www.toronto.ca/legdocs/2004/agendas/council/cc040419/pof3rpt/cl002.pdf>

At its meeting on March 4 - 8, 2002, City Council adopted Policy and Finance Committee Report No. 4, Clause 1, entitled "City of Toronto 2002 Recommended Operating Budget", Recommendation #134 that directed the City Auditor and Chief Financial Officer and Treasurer, beginning in 2002, report annually to the Policy and Finance Committee on the Arena Boards' annual operating surpluses and deficits once the Boards' annual financial statements have been audited, with any net payment to be funded by the City.

<http://www.toronto.ca/legdocs/2002/agendas/council/cc020304/pof4rpt/cl001.pdf>

## **COMMENTS**

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Since 2005, the Arenas' financial statements have been prepared under the Public Sector Accounting Board (PSAB) requirements for public sector entities. Accounting and reporting under PSAB require that all known liabilities, including liabilities related to post-employment benefits as well as those related to retirees, be reflected in the public sector financial statements.

Eight Arena Boards of Management operate and manage ice arenas on behalf of the City of Toronto in accordance with the former Chapter 25 of the Toronto Municipal Code for community recreation centres. Under the by-law established for each individual Arena Board of Management, the Board shall, at the end of each fiscal year, pay to the City all revenue received by the Board in excess of the money required to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises. Any operating deficit incurred by an arena will be funded by the City.

## 2019 Operating Results

A review of the audited financial statements for the year ended December 31, 2019, indicates that Leaside Memorial Gardens Arena reported a surplus of \$166,713.

The Leaside Memorial Gardens net 2019 surplus of \$166,713 has resulted in a favourable variance of \$159,462 in relation to the 2019 Council Approved Operating Budget of \$7,251 surplus as shown in Table 1.

Table 1 below summarizes the approved budget, actual operating surplus/deficit, and variance to budget for Leaside Memorial Gardens for the year 2019.

<b>Table 1</b>	2019 Operating Surplus/(Deficit)		
	Council Approved Budget	Adjusted Audited Actual	Variance Fav/(Unfav)
Arena Boards of Management	\$	\$	\$
Leaside Memorial Gardens	7,251	166,713	159,462
Total Program Net Surplus/(Deficit)	7,251	166,713	159,462

During 2019, Leaside Memorial Gardens Arena experienced a favourable variance of \$159,462 due to savings in salaries and benefits as a result of finding efficiencies in its operations. In addition, other revenues increased due to settlement of discrepancies between the City of Toronto and the Arena containing various due to / due from balances between the two parties.

### Arena Surplus/Deficit Settlement

Appendix A attached provides a summary of the 2019 operating surplus/deficit net settlement calculation for the Arena.

The surplus/deficit at Leaside Memorial Community Gardens will be added/reduced from the existing loan to the City, as discussed below.

### Leaside Memorial Gardens Arena's Operating Deficit

The report "Leaside Arena 2nd Pad Expansion Project" was adopted and approved by City Council on January 17, 2012 (BU21.1ai/EX14.1ai – 2012), including authority for the loan agreement between the City, Leaside Memorial Gardens Arena Board of Management, and Infrastructure Ontario to facilitate the construction of the second ice pad. The general terms and conditions associated with the City loan included the following:

"13. Should the Arena Board meet its repayment obligations in respect of both Loans, but incur an Operating Budget deficit in any year, the Arena Board will be deemed to be in default under the Loans, and the amount of the Operating Budget deficit will be added to the balance of the City Loan outstanding."

<http://www.toronto.ca/legdocs/mmis/2012/ex/bgrd/backgroundfile-44225.pdf>

The "Annual Report on City's Loan and Loan Guarantee Portfolios" (EX14.11) adopted and approved by City Council on May 3, 2016, included the following on the Leaside Memorial Gardens Arena's loan agreement:

"In accordance with the loan agreement any annual operating deficit amounts shall be added to the outstanding direct City loan balance and a revised amortization schedule to retire the amended loan balance be established."

(<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-91844.pdf>)

The following recommendation was approved in this report (EX14.11):

"City Council request the City Manager and Deputy City Manager & Chief Financial Officer to report out in the fall of 2016 with a revised loan amortization schedule for the Leaside Memorial Gardens Arena Board or other remedy measures to reconcile any remaining previous year end operating deficits in accordance with the loan agreement."

Through these provisions, the City will recover any deficit during the period of the loan through the ongoing repayment as part of Leaside Arena's loan balance outstanding.

In 2019, Leaside Memorial Gardens Arena generated a surplus of \$166,713 after meeting its debt obligations. Therefore, no amount will be added to the existing balance.

The "Annual Report on City's Loan and Loan Guarantee Portfolios" (EX15.9) adopted and approved by City Council on July 28, 2020, included the following on the Leaside Memorial Gardens Arena's Loan agreement:

"All loan payments are up to date with an outstanding loan balance of \$6,566,841 as of December 31, 2019. (December 31, 2018 - \$6,664,934). The payments on the IO loan, which have no recourse to the City and is not included in the City's debt amount, are also up to date, with a balance of \$759,408 as of December 31, 2019. (December 31, 2018 - \$814,860)."

(<https://www.toronto.ca/legdocs/mmis/2020/ex/bgrd/backgroundfile-149315.pdf>)

At the time of this report the 2020 and 2021 audited financial statements for Leaside Memorial Gardens Arena were not available and any deficit or surplus from the statements will be included in a future report.

## CONTACT

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## **SIGNATURE**

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Stephen Conforti  
Interim Chief Financial Officer & Treasurer

## **ATTACHMENTS**

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Appendix A – Leaside Memorial Community Gardens Arena– Summary of 2019  
Operating Surplus/  
Deficit Settlement

## Appendix A – Leaside Memorial Gardens Arena – Summary of 2019 Operating Surplus/Deficit Settlement

Arena	Budget	Adjusted Actual Operating Surplus/(Deficit)			Distribution of Operating Surplus/(Deficit)		
	2019 Council Approved Net Budget Surplus/(Deficit) \$	2019 Audited Actual Operating Net Surplus/(Deficit) \$	PSAB and Other Adjustments \$	Adjusted 2019 Actual Operating Surplus/(Deficit) \$	2019 Operating Surplus Payable to the City \$	2019 Operating (Deficit) to be funded by the City and loan repayment \$	2019 Total Payable to City/(Arena) (Debt Service Reserve Allocation) \$
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f)	(g) = (e) + (f)
Leaside Memorial Community Gardens	7,251	784,148	(617,435)	166,713	166,713	0	166,713
<b>TOTAL</b>	<u>7,251</u>	<u>784,148</u>	<u>(617,435)</u>	<u>166,713</u>	<u>166,713</u>	<u>0</u>	<u>166,713</u>

<b>2019 Program Summary:</b>		
Total Payable to City/(Arena) before Allocation	<b>A</b>	166,713
Allocation to LMCGA Debt Service Reserve Fund (XR3216)	<b>B</b>	166,713
Net Payable to City/(Arena) after Allocation	<b>C = A - B</b>	0
<b>Funding Source:</b> Approved Provision for Net Payable by City/(Arena) - 2019 Final Year-End Operating Variance Report	<b>D</b>	_____
Recommended Provision for Net Payable to City/(Arena) - 2023 Final Year-End Operating Variance Report	<b>C - D</b>	0