

Arena Boards of Management Settlement of Operating Results for the year Ended 2022; and 2021 specifically for North Toronto Memorial Arena

Date: November 26, 2024

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: 5, 8, 9, 13, 15, 18, 19

SUMMARY

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 seven of the Arenas' operating surpluses and deficits based on their audited financial statements for the year ended December 31, 2022, with operating surpluses payable to the City and operating deficits funded by the City upon Council's approval.

This report also recommends the settlement of North Toronto Arena's operating surplus based on the audited financial statements for the year ended December 31, 2021, with operating surplus payable to the City upon Council's approval. When City staff prepared the Arena Boards settlement for the fiscal year ended on December 31, 2021, the 2021 audited financial statements for North Toronto were not readily available to be included as part of the settlement process.

The 2020, 2021 and 2022 audited financial statements for Leaside Memorial Community Gardens Arena will be presented in a separate report for consideration and approval in first quarter of 2025.

While normally the prior year-end settlement reports for both Association of Community Centres and Arena Boards are submitted together to City Council in the following year,

Arena Boards of Management Settlement of Operating Results for 2022 and 2021 for North Toronto Memorial Arena

the 2022 settlement report for Arena Boards was delayed due to delays in completing the 2022 audits. City staff will present the 2023 Settlement Reports for both Association of Community Centres and Arena Boards at the first opportunity to the City Council for consideration and approval once the 2023 audit is completed.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council direct that the 2021 and 2022 operating surpluses totalling \$450,458 from six Arenas (George Bell, William H. Bolton, McCormick, Forest Hill, Ted Reeve, North Toronto [2021] and North Toronto [2022]) be payable to the City of Toronto and be used, in part, to fund the operating deficit of \$115,361 for Moss Park Arena, resulting in a net operating surplus of \$335,097 prior to the contribution to the Arena Boards of Management Vehicle and Equipment Replacement Reserve (XQ1705), as illustrated in Appendix A.
2. City Council direct the excess of the actual operating net surplus balance of \$335,097 over the 2021 and 2022 budget equating to \$324,937, be allocated to the Arena Boards of Management Vehicle and Equipment Replacement Reserve (XQ1705) and the remaining \$10,160, be retained by the City as illustrated in Appendix A.

FINANCIAL IMPACT

The Arena Boards of Management final net settlement for the year 2022 for seven of the City's eight Arenas; and in 2021 specifically for North Toronto requires that surplus funds of \$450,458 be paid to the City from George Bell, William H. Bolton, Forest Hill Memorial, McCormick, Ted Reeve and North Toronto Arenas and be used to fund the operating deficit of \$115,361 for Moss Park Arena, resulting in a net operating surplus of \$335,097 of which \$324,937 represents the excess of the actual operating net surplus over the 2021 and 2022 budget and \$10,160 payable to the City after allocation to the reserve. A summary of net funding to the Arenas and surpluses payable to the City are detailed in Appendix A.

As directed by Council in April 2004, the excess of the actual operating net surplus balance of \$324,937 over the 2021 and 2022 budget will be transferred to the Arena Boards of Management Vehicle and Equipment Replacement Reserve (XQ1705) and applied proportionately among those Arenas who are in a surplus position which exceeded their budget target.

The Leaside Memorial Community Gardens Arena's 2020, 2021 and 2022 settlement will be included in a separate report including amendments to the City loan agreement with Leaside Arena 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.

DECISION HISTORY

The approval by City Council of the 2022 audited financial statements for all Arenas takes multiple phases subject to the completion of the annual audit process undertaken by external auditor. City Council received eight of the 2022 Audited Financial Statements, Management Letters (where applicable), and Independent Auditor's Reports through the following City Council meeting:

<https://www.toronto.ca/legdocs/mmis/2024/au/bgrd/backgroundfile-243007.pdf>

<https://www.toronto.ca/legdocs/mmis/2024/au/bgrd/backgroundfile-249073.pdf>

<https://www.toronto.ca/legdocs/mmis/2024/au/bgrd/backgroundfile-246918.pdf>

<https://www.toronto.ca/legdocs/mmis/2023/au/bgrd/backgroundfile-240902.pdf>

The approval by City Council of the 2021 audited financial statements for all Arenas takes multiple phases subject to the completion of the annual audit process undertaken by external auditor. City Council received eight of the 2021 Audited Financial Statements, Management Letters (where applicable), and Independent Auditor's Reports through the following City Council meeting:

<https://www.toronto.ca/legdocs/mmis/2023/au/bgrd/backgroundfile-240902.pdf>

<https://www.toronto.ca/legdocs/mmis/2023/au/bgrd/backgroundfile-234046.pdf>

<https://www.toronto.ca/legdocs/mmis/2024/au/bgrd/backgroundfile-243007.pdf>

At its meeting on July 19-20, 2023, City Council received the report titled "Operating Variance Report for the Year Ended December 31, 2022", including the Arena Boards of Management's Net Expenditure Variance.

<https://www.toronto.ca/legdocs/mmis/2023/ex/bgrd/backgroundfile-237914.pdf>

At its meeting on July 19-22, 2022, City Council received the report titled "Operating Variance Report for the Year Ended December 31, 2021", including the Arena Boards of Management's Net Expenditure Variance.

<https://www.toronto.ca/legdocs/mmis/2022/ex/bgrd/backgroundfile-228258.pdf>

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

Since 2005, the Arenas' financial statements are 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 the arena will be funded by the City.

2022 Operating Results and 2021 Results for North Toronto Memorial Arena

A review of the audited financial statements for the year ended December 31, 2022, indicates that six Arenas (George Bell, William H. Bolton, Forest Hill, McCormick, Ted Reeve and North Toronto) reported a cumulative surplus of \$376,624 and one Arena (Moss Park Arena) reported a deficit amounting to \$115,361. The audited financial statement for the year ended December 31, 2021, indicates that North Toronto reported a surplus of \$73,834. This results in an overall surplus of \$335,097.

The Arena Boards net 2021 (North Toronto) and 2022 surplus of \$335,097 has resulted in a favourable variance of \$1,725,331 in relation to the 2021 and 2022 Council Approved Operating Budget of \$1,390,234 deficit as shown in Table 1.

Table 1 below summarizes the approved budget, actual operating surplus/deficit, and variance to budget for each of the Arena Boards for the year 2022 and 2021 for North Toronto Arena:

Table 1 Arena Boards of Management	Operating Surplus/(Deficit)			
	Council Approved Budget	Adjusted Audited Actual	Actual (excluding City subsidy)	Variance Fav/(Unfav)
George Bell Arena	\$ (128,433)	\$ 90,901	\$ (37,532)	\$ 90,901
William H. Bolton Arena	(533,401)	245,711	(287,690)	245,711
Forest Hill Memorial Arena	(150,958)	22,994	(127,964)	22,994
McCormick Arena	(155,448)	5,970	(149,478)	5,970
Moss Park Arena	(285,249)	(115,361)	(400,610)	(115,361)
North Toronto Memorial Arena	(146,905)	10,849	(136,056)	10,849
Ted Reeve Arena	1,526	199	199	(1,327)
Total 2022 Program Net Surplus/(Deficit)	(1,398,868)	261,263	(1,139,131)	259,737
2021 North Toronto Arena Surplus/(Deficit)	8,634	73,834	73,834	65,200
Total Program Net Surplus/(Deficit)	(1,390,234)	335,097	(1,065,297)	324,937

Significant revenue losses were reported by Arenas collectively during 2020 and part of 2021 due to the suspension of regular operations as a result of COVID-19. During the 2022 budget process, the Arenas' budgets were adjusted to reflect the ongoing uncertainty of COVID-19; however, in 2022 the impacts of COVID-19 were easing and as a result, most Arenas generated higher than projected ice rental revenues.

In 2022, six Arenas generated higher than projected ice rental revenues resulting in a cumulative surplus of \$376,624 for George Bell, William H. Bolton, Forest Hill, McCormick, Ted Reeve, and North Toronto Arenas. Moss Park Arena generated an operating deficit of \$115,361 due to lower-than-expected program revenues from ice rentals as a result of volume changes.

In 2021, North Toronto generated an operating surplus of \$73,834 due to savings in salaries and benefits, and utilities due to COVID-19 closures.

Arena Surplus/Deficit Settlement

Appendix A attached provides a summary of the 2021 and 2022 operating surplus/deficit net settlement calculation by Arena.

For the year 2022, six Arenas (George Bell, William H. Bolton, Forest Hill, McCormick, Ted Reeve and North Toronto) and for 2021, North Toronto, reported an operating surplus totalling \$450,458 that is payable to the City and be used, in part, to fund the operating deficit of \$115,361 for Moss Park Arena, resulting in a net operating surplus of \$335,097. The excess of the actual operating net surplus balance of \$324,937 over the 2021 and 2022 budget, to be allocated to the Arena Boards of management Vehicle and Equipment Replacement Reserve (XQ1705) and the remaining \$10,160, be retained by the City as shown in Appendix A.

The 2020, 2021 and 2022 surplus/deficit at Leaside Memorial Community Gardens will be presented in a separate report as there is a loan agreement with the City, as discussed below.

Leaside Memorial Gardens Arena's Operating Surplus/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 and 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."

The Leaside Memorial Community Gardens Arena's 2020, 2021 and 2022 settlement will be included in a separate report to that recommends amendments to the City loan agreement with Leaside Arena and 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.

Allocation of Net Surpluses to the Arena Boards of Management Program's Vehicle and Equipment Replacement Reserve

In April 2004, City Council directed that any year-end net surplus, calculated using the audited financial statements, in excess of the Council approved budget for the Arena Boards of Management Program be transferred to the Arena Boards of Management Vehicle and Equipment Replacement Reserve (XQ1705) and applied proportionately among those Arenas who are in a surplus position and exceeded their budget target, Arena Boards of Management Settlement of Operating Results for 2022 and 2021 for North Toronto Memorial Arena

with funds to be used to finance future ice resurfacer replacements for the Arena Boards.

The 2021 and 2022 audited year-end results for Arena Boards of Management resulted in surpluses in excess of the Council approved budget (see Appendix A). These funds are to be allocated to the Arena Boards of Management Vehicle and Equipment Replacement Reserve (XQ1705). This Reserve is primarily funded through the annual contribution from the eight Arena Boards' operating budgets. The balance of this Reserve on December 31, 2023, was \$234,856.

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix A – Arena Boards of Management – Summary of 2021 and 2022 Operating Surplus/Deficit Settlement

Appendix A – Arena Boards of Management – Summary of 2022 and 2021 for North Toronto Operating Surplus/Deficit Settlement

	Budget	Adjusted Actual Operating Surplus/(Deficit)			Distribution of Operating Surplus/(Deficit)			Vehicle & Equipment Reserve Allocation	
Arena	Council Approved Net Budget Surplus/(Deficit) \$	Audited Actual Operating Net Surplus/(Deficit) \$	PSAB and Other Adjustments \$	Adjusted Actual Operating Surplus/(Deficit) \$	Operating Surplus Payable to the City	Operating (Deficit) to be Funded by the City	Total Payable to City/(Arena) before Reserve Allocation	Surplus In Excess of Council Approved Budget \$	Allocation of Overall Excess Surplus to Individual Arenas with Excess Surplus \$
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f)	(g) = (e) + (f)	(h) = (g) - (a)	(i)
George Bell Arena	(128,433)	119,817	(28,916)	90,901	90,901		90,901	90,901	66,883
William H. Bolton Arena	(533,401)	308,202	(62,491)	245,711	245,711		245,711	245,711	180,788
Forest Hill Memorial Arena	(150,958)	163,593	(140,599)	22,994	22,994		22,994	22,994	16,918
McCormick Arena	(155,448)	42,583	(36,613)	5,970	5,970		5,970	5,970	4,393
Moss Park Arena	(285,249)	(105,742)	(9,619)	(115,361)		115,361	(115,361)	(115,361)	N/A
Ted Reeve Arena	1,526	56,204	(56,005)	199	199		199	(1,327)	N/A
North Toronto Memorial Arena	(146,905)	26,682	(15,833)	10,849	10,849		10,849	10,849	7,982
North Toronto Memorial Arena - 2021	8,634	89,484	(15,650)	73,834	73,834		73,834	65,200	47,973
TOTAL	(1,390,234)	700,823	(365,726)	335,097	450,458	115,361	335,097	324,937	324,937

2021 & 2022 Program Summary:

Total Payable to City/(Arena) before Reserve Allocation	A	335,097
Allocation to Vehicle & Equipment Replacement Reserve (XQ1705)	B	324,937
Net Payable to City/(Arena) after Allocation to Reserve	C = A - B	10,160