

# Analyst Briefing Notes

## Budget Committee Review

(February 8, 2007)

Page

### **PART 1: CAPITAL PROGRAM**

Executive Summary.....	2
Recommendations.....	4
2006 Capital Variance Review .....	5
5-Year Capital Plan (2007 Recommended Budget, 2008-2011 Plan).....	6
5-Year Capital Plan Overview.....	7
Recommended Changes to 5-Year Plan .....	8
Total 2007 Recommended Cash Flow & Future-Year Commitments .....	12
Operating Budget Impact.....	13

### **PART II: ISSUES FOR DISCUSSION**

2007 Issues.....	14
5-Year Capital Plan Issues.....	16

### **APPENDICES**

<b>Appendix 1:</b> 2007 Rec'd Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates....	A1 to A8
<b>Appendix 2:</b> 2007 Recommended Cash Flow & Future-Year Commitments.....	A9 to A13
<b>Appendix 3:</b> 2007 Recommended Capital Projects with Financing Details .....	A14 to A16
<b>Appendix 4:</b> Reserve / Reserve Fund Review .....	N/A

**Contacts:** Judy Skinner, Manager, Financial Planning  
 Tel: (416) 397-4219

Cherryl A. Koylass, Senior Financial Planning Analyst  
 Tel: (416) 397-4532

February 1, 2007

**PART I: CAPITAL PROGRAM****Executive Summary**

- Exhibition Place spent 71% of its 2006 Approved Capital Budget of \$16.859 million as at September 30, 2006. The Program anticipates actual expenditures by year-end to be \$16.169 million, or 96% of the 2006 Approved Capital Budget, resulting in projected 2006 cash flow funding of \$0.69 million being carried forward into 2007.
- The 2007 Recommended Capital Budget, 2008 to 2011 Plan and 2012 to 2016 Estimates total \$60.855 million, of which \$25.1 million is projected for the Program's 5-Year Capital Plan, requiring debt funding of \$24.8 million or an average of \$4.96 million per year. The 5-Year Capital Plan exceeds the Council-approved debt affordability targets in each of the 5 years because of the significant and growing backlog of State of Good Repair work at Exhibition Place.
- The State of Good Repair backlog at Exhibition Place is an important issue since the buildings and structures on the site have historical significance. Consultants have completed facility audits on 4 buildings at Exhibition Place and even though the 5-Year Capital Plan will address some of the work, the accumulated backlog on the 4 buildings will increase from \$2.866 million at the end of 2006 to \$15.563 million at the end of 2011.
- Exhibition Place supports the Mayor's mandate for "A Greener City" through energy efficiency projects aimed at achieving energy self-sufficiency at Exhibition Place by the year 2010. The 10-Year Capital Program includes \$7.2 million for such projects. Exhibition Place is also the site for 3 projects within the City's Energy Retrofit Program and has secured third-party funding for other innovative energy saving initiatives.
- The 2007 Recommended Capital Budget includes no previously approved commitments requiring new 2007 cash flow but does include funding of \$0.69 million to be carried forward to complete 2006 capital projects. This brings the total 2007 Recommended Capital Budget to \$5.79 million gross. Excluding 2006 funding carried forward to complete 2006 capital projects, the 2007 Recommended Capital Budget requires \$4.8 million in new debt in 2007. This exceeds the debt affordability target by \$0.8 million. Approval of the 2007 Recommended Capital Budget will result in \$1.625 million in future-year commitments.
- The 2007 Recommended Capital Budget assists Exhibition Place to maintain in a state of good repair the buildings, structures and infrastructure on its 192-acre site, thereby preserving historically significant buildings and structures, addressing the health and safety concerns of Exhibition Place's employees and visitors and facilitating the economic viability of the events and activities on the site. 87% or \$4.45 million of the 2007 Recommended Capital Budget is for State of Good Repair projects and includes work such as the replacement of the steam heating system at the Queen Elizabeth Building (\$1.285 million) and retrofitting of the main domes of

the Music Building (\$0.3 million). 9% or \$0.45 million of the 2007 Recommended Capital Budget is for Service Improvement projects such as irrigation and landscaping in the vicinity of Stanley Barracks (\$0.25 million) and lighting controls at the Industry Building and North Extension of the Coliseum Complex (\$0.15 million). 3% or \$0.15 million is for a grounds-wide security card access and surveillance system (Health and Safety); and 1% or \$0.05 million is for waste management equipment (Legislated).

- A proposal for the establishment of a new conference facility at Exhibition Place will be before the Executive Committee for consideration in February 2007. Since this project is pending Council approval, it is not included in the 5-Year Capital Plan. However, the 2007 and 2008 cash flow requirements in the 5-Year Plan include pre-engineering work and State of Good Repair work on the Automotive Building in the amount of \$1.86 million that has been earmarked to be part of the funding toward the proposed conference facility if the project is approved.

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for Exhibition Place with a total project cost of \$6.725 million and 2007 cash flow of \$5.79 million and \$1.625 million in future-year commitments be approved. The 2007 Recommended Capital Budget consists of the following:
  - a) new cash flow funding for 30 new sub-projects with a 2007 total project cost of \$6.725 million that requires cash flow of \$5.1 million in 2007 and \$1.625 million in 2008; and
  - b) 2007 approved cash flow for 5 previously approved sub-projects with carry forward funding from 2006 into 2007 totalling \$0.69 million;
2. new debt service costs of \$0.144 million in 2007 and incremental costs of \$0.528 million in 2008 resulting from the approval of the 2007 Recommended Capital Budget, be approved for inclusion in the 2007 and future-year operating budgets;
3. the 2008-2011 Capital Plan for Exhibition Place totalling \$18.375 million in project commitments and estimates, comprised of \$3.375 million in 2008 and \$5 million in each of the 3 years in the period 2009-2011, be approved;
4. the \$1.86 million included in the 2007 Recommended Capital Budget for pre-engineering work and State of Good Repair work on the Automotive Building that is earmarked to be part of the funding for the proposed conference facility at Exhibition Place be reallocated to other State of Good Repair work on the site if the conference centre project does not proceed; and
5. Exhibition Place integrate future site development plans in its 2008 Capital Budget and 2009-2012 Capital Plan for 2008 and future years.

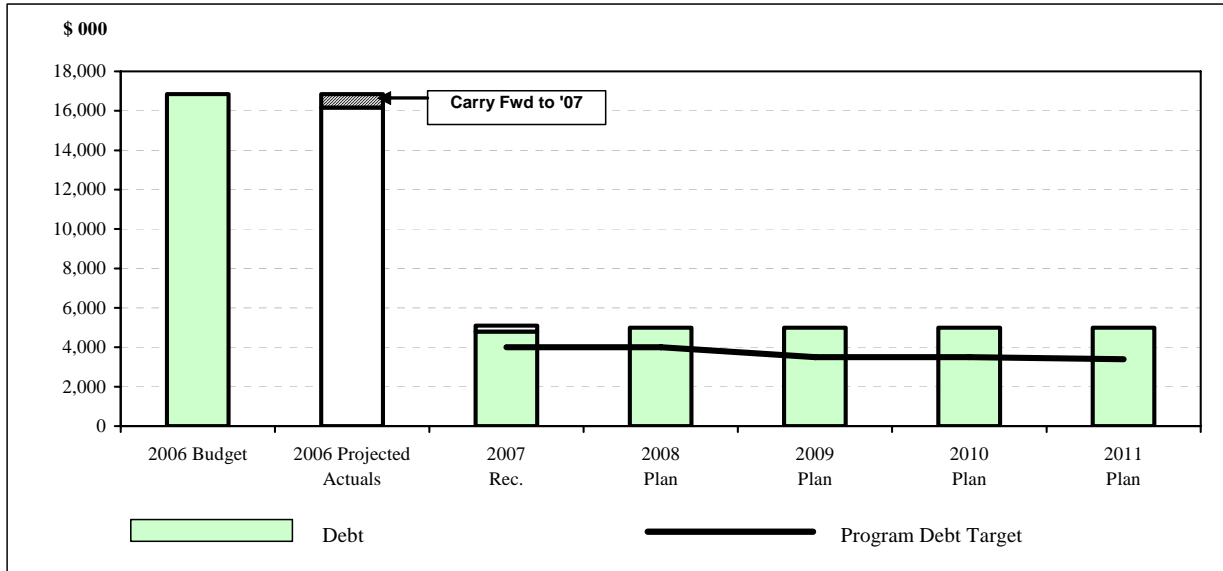
### 2006 Capital Variance Review

2006 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2006 Approved	Actuals as of Sept 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
16,859	11,927	71	16,169	96	690

#### Comments / Issues:

- As at September 30, 2006, Exhibition Place spent approximately \$11.927 million or 71% of its 2006 Approved Capital Budget of \$16.859 million.
- Exhibition Place's anticipated year-end spending rate for its 2006 approved capital projects is 96% which represents a significant improvement over the Program's 2005 spending rate of 75%. The Program experienced project planning issues in 2006 which led to the anticipated underspending of \$0.69 million.
- Exhibition Place anticipates that it will require \$0.69 million in 2006 funding to be carried forward into 2007 to complete the following 4 sub-projects:
  - Queen Elizabeth Building – Chiller Replacement Phase 2 (\$0.4 million) – Exhibition Place postponed the replacement of the chiller because tenders have been coming in much higher than budgeted.
  - Coliseum Lighting (\$0.15 million) – Exhibition Place has deferred work on this project to coordinate it with the broadened scope of the Energy Retrofit Program NTC Lighting project.
  - Direct Energy Centre – Renovation of Salons and Washrooms (\$0.05 million) – Exhibition Place delayed this project because it required additional feasibility analysis.
  - Queen Elizabeth Building – Replace Exterior Windows (\$0.5 million) – As a result of shifted capital program priorities during 2006, Exhibition Place opted to stagger this project so that they would complete only part of the work in 2006 and they would complete the remainder of the work in 2007 using unspent funding carried forward into 2007 from 2006.
  - Music Building Windows (\$0.04 million) - Exhibition Place deferred this project pending consultants' reports to determine whether leaks were originating from the windows, as initially suspected, or from the roof.

5-Year Capital Plan (2007-2011)



	2006		5-Year Plan					2007-2011
	Budget	Projected Actual	2007 Rec.	2008	2009	2010	2011	
<b>Gross Expenditures:</b>								
Capital Budget & Future Year Commitments	16,859	16,169	5,100	1,625				6,725
New Plan Estimates				3,375	5,000	5,000	5,000	18,375
1-Year Carry Forward to 2007		690						
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>16,859</b>	<b>16,859</b>	<b>5,100</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>25,100</b>
<b>Program Debt Target</b>			<b>4,000</b>	<b>4,000</b>	<b>3,500</b>	<b>3,500</b>	<b>3,400</b>	<b>18,400</b>
<b>Financing:</b>								
Recommended Debt	16,859		4,800	5,000	5,000	5,000	5,000	24,800
<b>Other Financing Sources:</b>								
Reserves/Reserve Funds								
Development Charges								
Federal								
Provincial								
Other Revenue			300					300
<b>Total Financing</b>	<b>16,859</b>		<b>5,100</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>25,100</b>
<b>By Category:</b>								
Health & Safety	187		150		150	150	150	600
Legislated	203		50		50	50	50	200
SOGR	4,805		4,450	4,450	3,875	3,850	4,200	20,825
Service Improvement	1,545		450	550	925	950	600	3,475
Growth Related	10,120							
<b>Total By Category</b>	<b>16,859</b>		<b>5,100</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>25,100</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)			4,296	1,260	7,221	4,675	2,175	19,627
Accumulated Backlog Estimate (end of year)		2,866	7,112	6,577	11,564	13,889	15,563	15,563
<b>Operating Impact on Program Costs</b>			<i>(absorbed by Exhibition Place)</i>					
<b>Debt Service Costs</b>			144	822	1,522	2,222	2,922	7,632

\* Note that the 1-Year Carry Forward is reflected in CAPTOR.

## **5-Year Capital Plan Overview**

### **Overview**

Exhibition Place's 5-Year Capital Plan consists of 13 projects and 55 sub-projects totalling \$25.1 million over the 5 years. The majority of the work is dedicated to maintaining assets in a state of good repair and is focussed on maintenance, repair or replacement of existing physical assets.

Approximately \$20.825 million or 83% of Exhibition Place's 5-Year Capital Plan consists of State of Good Repair projects. On average, the annual funding for State of Good Repair projects is \$4.165 million. Exhibition Place is using external professional resources to develop a thorough assessment of its buildings and other structures. Facility audits have been completed for 4 buildings at Exhibition Place and those needs are reflected in the State of Good Repair analysis. The remaining assessments are scheduled to be finished in 2007. Therefore, the 5-Year Capital Plan for 2007-2011 may not include all needs.

Approximately \$3.475 million or 9% of Exhibition Place's 5-Year Capital Plan consists of Service Improvement and Enhancement or Growth Related projects pertaining to retrofitting or improvements to the Food Building (\$0.4 million) and the Direct Energy Centre – formerly the National Trade Centre – (\$0.375 million), Environmental Restoration (\$0.75 million), as well as upgrades to equipment (\$1.95 million). These capital projects will enhance the Exhibition Place site and improve the economic viability of the activities on the site.

### **Multi-Year Debt Affordability Targets**

Exhibition Place's 5-Year Capital Plan for 2007-2011 exceeds the Council-approved debt affordability targets for each of the 5 years: by \$0.8 million in 2007, \$1 million in 2008, \$1.5 million in 2009, \$1.5 million in 2010 and \$1.6 million in 2011. (See discussion on Page 16.)

### **Capacity and Project Readiness**

Exhibition Place faces the ongoing challenge of having a limited window of opportunity for indoor and outdoor construction activity since there is a time conflict between the prime construction season and the show and event activity on the grounds. Major construction work on the grounds has to compete with the schedule for events such as the Molson Grand Prix, the CHIN Picnic, the Toronto Caribbean Carnival and the Canadian National Exhibition. Increasingly, the show schedule restricts and limits summer construction activities. The fall/winter/spring trade and consumer show schedule also impacts projects within the Direct Energy Centre (formerly the National Trade Centre).

Exhibition Place achieved a spending rate of only 75% in 2005 due to an extraordinarily high level of capital project activity in that year, including the preliminary engineering and planning meetings for the new soccer stadium. In the absence of those extenuating circumstances, the anticipated spending rate for 2006 is 96% and, looking ahead, Exhibition Place maintains that it is ready to proceed with the projects in its 5-Year Capital Plan and has the capacity to complete the projects as scheduled. (See discussion on page 13.)

**Recommended Changes to the 5-Year Plan**

City Council considered the 5-Year Plan (2006-2010) at its meeting of July 25, 26 and 27, 2006 and endorsed the Plan in principle.

Subsequently, there have been a number of reallocations among the projects in the Plan. Overall, there are no changes in the annual expenditure totals for 2007-2010. The summary below highlights the changes in each project.

**Pre- Engineering Program:**

- Increased by \$0.05 million in 2007 and reduced by \$0.05 million in 2008 for an overall nil change in total expenditure.
- \$0.02 million in 2007 and \$0.075 million in 2008 earmarked to be part of the funding toward proposed conference centre facility.

**Coliseum Complex:**

- Decreased by \$0.325 million in 2009 by deferring part of the phased work on the heating system to beyond 2011.
- \$0.65 million in 2008 and \$0.8 million in 2009 added for a green roof for the West Annex.
- Expenditure of \$0.35 million for the replacement of windows in the Industry Building deferred from 2008-2009 and \$0.6 million added back beyond 2011.

**Direct Energy Centre – formerly National Trade Centre:**

- Increased by \$0.1 million in 2007, reduced by \$0.275 million in 2008, increased by \$0.075 million in 2009 and reduced by \$0.1 million in 2010, for an overall reduction of \$0.2 million.
- Expenditure of \$0.1 million for emergency doors deferred from 2007 to 2008.

**Automotive Building:**

- Increased by \$0.215 million in 2007 and \$1.55 million in 2008, for an overall increase of \$1.765 million for mechanical, interior and exterior work and electrical system work.
- \$0.215 million in 2007 and \$1.55 million in 2008 earmarked to be part of the funding toward proposed conference centre facility.

**Better Living Centre:**

- Reduced by \$0.2 million in 2008, \$0.025 million in 2009 and \$0.225 million in 2010, for an overall reduction of \$0.45 million.
- 2008 expenditure for an automatic sprinkler system reduced by \$0.2 million.
- Expenditure of \$0.25 million for a green roof system deferred from 2011 and \$0.3 million added beyond 2011.
- Expenditure of \$0.6 million for the provision of a district heating system deferred from 2010 to 2011 and \$1 million added back beyond 2011.

**Environmental Restoration:**

- Decreased by \$0.1 million in 2007 and increased by \$0.1 million in 2008, for an overall nil change in total expenditure, by reallocating among 4 sub-projects to give higher priority to irrigation work and to defer some landscaping work.

**Parks, Parking Lots and Roads:**

- Decreased by \$0.2 million in 2007, increased by \$0.05 million in 2008 and \$0.025 million in 2009 and reduced by \$0.075 million in 2010, for an overall reduction of \$0.2 million.

**Horse Palace:**

- Decreased by \$0.1 million in 2007, \$0.1 million in 2008 and \$0.05 million in 2009, for an overall reduction of \$0.25 million, by deferring the replacement of exterior ornamental and decorative lighting.

**Queen Elizabeth Building:**

- Decreased by \$0.65 million in 2008 and \$0.2 million added back in 2009, by reducing expenditure on the replacement of the steam heating system and deferring the renovation of the dining room.

**Food Building:**

- Increased by \$0.15 million in 2007 and reduced by \$0.15 million in 2008, for an overall nil change in total expenditure.

**Equipment:**

- Reduced by \$0.25 million in 2007, \$0.15 million in 2008 and increased by \$0.3 million in 2010, for an overall reduction of \$0.1 million.
- Expenditure of \$0.25 million deferred from 2008 to 2009 for parking equipment and security measures and \$0.3 million added back beyond 2011.
- 2007 and 2008 expenditure for load side revenue grade meters reduced by \$0.2 million, electrical equipment for show services by \$0.35 million and the replacement of various mechanical and HVAC equipment by \$0.1 million.
- 2008 expenditure for the replacement of a plant management system reduced by \$0.05 million and waste management equipment reduced by \$0.05 million.

**Other Buildings:**

- Increased by \$0.035 million in 2007, reduced by \$0.075 million in 2008, and increased by \$0.2 million in 2009 and \$0.1 million in 2010, for an overall increase of \$0.26 million for ongoing work on the Princes' Gates architrave stabilization and for the replacement of deteriorated windows and doors.
- Expenditure of \$2.05 million for the Princes' Gates architrave stabilization deferred from 2007 to 2009 and \$0.75 million added beyond 2011.
- 2007 and 2008 expenditure for the replacement of deteriorated windows, doors and roof systems reduced by \$0.19 million.
- 2008 expenditure for a security system reduced by \$0.15 million.
- 2008 and 2009 expenditure to retrofit the main domes of the Music Building roof reduced by \$0.7 million and for the replacement of deteriorated windows, doors and roof systems reduced by \$0.11 million.

### **State of Good Repair Backlog**

Exhibition Place has completed facility audits on only 4 of the buildings on its site: Coliseum Complex, Direct Energy Centre, Automotive Building and Better Living Centre. Assessments of the other approximately 20 buildings are ongoing. As at the end of 2006, the accumulated backlog on the 4 buildings was \$2.866 million. Although Exhibition Place's 5-Year Capital Plan will address some state of good repair needs during 2007-2011, the accumulated backlog at the end of 2011 is estimated to be \$15.563 million.

The State of Good Repair backlog at Exhibition Place is an important issue since 9 buildings on the site are designated under the *Ontario Heritage Act* and a further 20 buildings and structures are listed on Heritage Toronto Inventory; therefore, the preservation of these structures has historical and cultural significance. In addition, in some cases, the outstanding work may present health and safety concerns to Exhibition Place's employees and visitors.

### **Operating Impact of the 5-Year Capital Plan**

In accordance with established practice, Exhibition Place will absorb the operating costs arising from its 5-Year Capital Plan. The operating savings from energy efficiency projects at Exhibition Place have not been quantified, except for those associated with the Energy Retrofit Program. (See discussion below.) Future-year budgets will reflect estimates of operating savings from all energy efficiency capital projects at Exhibition Place.

### **Operating Impact of Energy Retrofit Program**

The completion of 3 Energy Retrofit Program (ERP) projects at the Exhibition Place site will generate energy savings of \$0.658 million in 2007 and \$0.9 million each year for the period 2008-2017. These savings will be used for debt repayment to recover the ERP capital expenditure on these projects.

### **Pre-approvals**

City Council, on December 5 and 6, 2006, considered the report from the Deputy City Manager and Chief Financial Officer entitled "Pre-Approval of 2007 Capital Projects Commitment and Spending" and authorised capital spending (cash flow) for the period January 1 to March 31, 2007.

The pre-approved cash flow for Exhibition Place is \$0.45 million. This is comprised entirely of funding for new capital projects in 2007 and is urgently needed to replace the failing heating system in the Coliseum Complex, to inspect and overhaul electrical equipment following the serious injury of 2 workers in an accident in 2005 and to fund engineering and design work in early 2007 to facilitate the completion of 5 state-of-good-repair projects in time for the 2007 Canadian National Exhibition.

### **Mayor's Mandate**

Exhibition Place supports the Mayor's mandate for "A Greener City" through energy efficiency projects aimed at achieving energy self-sufficiency at Exhibition Place by the year 2010. The 5-Year Capital Plan contains \$2.2 million to replace the roof of the West Annex of the Coliseum Complex with a green roof, \$1.35 million to replace the roof at the Better Living Centre with a green roof and photovoltaic array, \$0.25 million to plant trees at various locations and \$0.2 million for the purchase of waste management equipment. In addition, several other projects in the plan, such as those to upgrade windows and heating systems, are aimed at reducing energy usage levels.

Exhibition Place's capital program estimates for 2012-2016 also include \$0.25 million for the installation of a bio-feed generator, \$2.5 million for the installation of green roofs at the Industry Building, the Mid-Arch and the East Annex of the Coliseum Complex and \$0.4 million to complete the green roof at the West Annex.

Innovative energy projects – such as the tri-generation plant and the photovoltaic pilot project at the Horse Palace – and retrofit projects – such as the lighting retrofit at the Direct Energy Centre and a comprehensive retrofit of 5 other buildings – are part of the City's \$20 million Energy Retrofit Program. Exhibition Place has also taken the initiative to secure third-party funding in the amount of \$.7 million to study and/or implements projects for rain water harvesting at the Better Living Centre, solar-heated water for various buildings, a ground source heat pump, a solar wall and a photovoltaic system in various buildings.

**Total 2007 Recommended Cash Flow & Future-Year Commitments  
(\$000s)**

	2005 & Prior Year Carry Forward	2007 Previously Approved Cash Flow Commitments	2007 New Cash Flow Recommended	2007 Total Cash Flow Recommended	2007 Debt Target	2006 Carry Forward	Total 2007 Cash Flow (Incl 2006 C/Fwd)	2008	2009	2010	2011	2012-2016	Total Cost
<b>Expenditures</b>													
Previously Approved						690	690						690
Change in Scope													
New			5,100	5,100			5,100	1,625					6,725
New w/Future Year													
<b>Total Expenditure</b>	<b>0</b>	<b>0</b>	<b>5,100</b>	<b>5,100</b>		<b>690</b>	<b>5,790</b>	<b>1,625</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,415</b>
<b>Financing</b>													
Debt			4,800	4,800	4,000	690	5,490	1,625					7,115
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other			300	300			300						300
Federal Grants													
Reserves/Res Funds													
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>5,100</b>	<b>5,100</b>		<b>690</b>	<b>5,790</b>	<b>1,625</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,415</b>

**Comments / Issues:**

- The 2007 Recommended Capital Budget of \$5.1 million requires new debt of \$4.8 million which exceeds the debt affordability target of \$4 million by \$0.8 million.
- Approval of the 2007 Recommended Capital Budget will result in \$1.625 million in future-year commitments.
- “Other” funding of \$0.3 million represents third-party funding toward the lighting retrofit sub-project at the Better Living Centre.

## **2007 Recommended Capital Budget**

### **2007 Recommended Capital Budget versus Debt Target**

The Exhibition Place 2007 Recommended Capital Budget of \$5.1 million requires new debt of \$4.8 million. This exceeds the debt affordability target by \$0.8 million, in recognition of the capital investment requirements to maintain in a state of good repair the 192-acre Exhibition Place site, on which there are 9 buildings that are designated under the *Ontario Heritage Act* and a further 20 buildings and structures that are listed on Heritage Toronto Inventory.

### **Category**

The 2007 Recommended Budget consists of 87% State of Good Repair projects, 9% Service Improvement projects, 3% Health and Safety projects and 1% Legislated projects. There is a strong emphasis on the maintenance, repair or replacement of existing physical assets, including 17 historically significant buildings on the Exhibition Place site.

### **Capacity and Project Readiness**

Exhibition Place maintains that it is ready to proceed with its 2007 projects and has the capacity to complete the projects as scheduled.

## **Operating Budget Impact**

### **Incremental Operating Impact Summary**

#### **Program Incremental Operating Costs**

In accordance with established practice, Exhibition Place will absorb the operating costs arising from its 2007 capital budget.

The completion of 3 Energy Retrofit Program (ERP) projects at the Exhibition Place site will generate energy savings of \$0.658 million in 2007. Exhibition Place's 2007 Operating Budget reflects these savings which will be used for debt repayment to recover the ERP capital expenditure on these projects.

**PART II: ISSUES FOR DISCUSSION****2007 Capital Budget Issues****Capital Improvement Fund**

When City Council considered the 2007-2010 Capital Plan and debt service guidelines at its meeting of July 25, 26 and 27, 2006, it recommended that “Exhibition Place explore the feasibility of adding a surcharge to user fees to establish and maintain a Capital Improvement Fund or other options to create additional sources of revenue to fund state of good repair work and report back with its 2007 Capital Budget submission.” Over time, such a measure could assist Exhibition Place in achieving a state of good repair and meeting corporate debt targets.

Exhibition Place responded in September 2006 as part of its 2007 Capital Budget submission. The Program did not recommend the addition of a surcharge to user fees. Exhibition Place identified only 3 possible user fees to which a surcharge could be applied: Canadian National Exhibition general admission, parking rates and rental rates. These rates have been increasing to offset rising operational expenses and Exhibition Place feels that any further increases would make these rates non-competitive and could lead to lost business and revenue losses.

As an alternative approach, Exhibition Place suggested a return to a former policy that allowed any annual operating surpluses over the Approved Operating Budget to be directed to Exhibition Place Stabilization Reserve Fund and, when the balance in that fund reached \$2 million, any additional operating surpluses would flow into the Exhibition Place Capital Reserve Fund. This policy was superseded by the “Policy on Management of Operating Budget Surplus” which was approved by Council at its meeting of September 28, 29, 30 and October 1, 2004 (Consolidated Clause in Report No. 7 of the Policy and Finance Committee). The current policy for the disposition of operating surpluses prescribes that “starting with fiscal 2005, for any surplus, the Chief Financial Officer and Treasurer be authorized to apply any additional (unbudgeted) surplus, in priority order to:

- (a) Capital Financing Reserve Fund (at least 75 percent of the additional surplus); and
- (b) the remainder to fund any under-funded liabilities, and/or reserves/reserve funds, as determined by the Chief Financial Officer and Treasurer.”

The Exhibition Place Capital Improvement Reserve Fund (XR1028) had an uncommitted balance of \$1.93 million as at September 30, 2006.

**Proposed Conference Facility**

A proposal for the establishment of a new conference facility at Exhibition Place will be before the Executive Committee for consideration in February 2007. The addition of a conference facility at Exhibition Place is considered essential for the growth of the trade and consumer show business at the Direct Energy Centre since it would provide much-needed meeting space. Exhibition Place has proposed the redevelopment of the Automotive Building at a total project cost of \$29 million to establish the conference centre.

Since this project is pending Council approval, it is not included in the 5-Year Capital Plan. However, the 2007 and 2008 cash flow requirements in the 5-Year Plan include pre-engineering work and State of Good Repair work on the Automotive Building in the amount of \$1.86 million that has been earmarked to be part of the funding toward the proposed \$29 million conference facility if the project is approved. If Council approves this project, there will be no impact on the debt-funded portion of the 5-Year Capital Plan but there may be changes to the gross Capital Budgets for 2007 and 2008. If the conference centre project does not proceed, the \$1.86 million included in the 2007 Recommended Capital Budget is be reallocated to other State of Good Repair work on the Exhibition Place site.

## **5-Year Capital Plan Issues**

### **Debt Affordability Targets**

The average historical funding level for Exhibition Place for the period 1999 to 2006 is \$5.4 million, excluding large, anomalous projects such as the Coliseum project in 2003 and the soccer stadium project in 2006. The Council-approved debt affordability targets established for Exhibition Place are \$4 million each for 2007 and 2008, \$3.5 million each for 2009 and 2010 and \$3.4 million for 2011, which are 26-37% below historical funding levels and represent a difficult challenge in light of the following issues:

1. On the 192-acre Exhibition Place site, there are 9 buildings that are designated under the *Ontario Heritage Act* and a further 20 buildings and structures that are listed on Heritage Toronto Inventory. Since many of these buildings were constructed before modern energy conservation, lighting and heating standards were developed, there is a constant need to assess these buildings to determine their needs; and
2. There is a significant and growing backlog of capital work to be done, including some projects with health and safety implications for Exhibition Place employees, clients and visitors.

In recognition of these factors, the 5-Year Capital Plan for Exhibition Place recommends revised Capital Plan allocations of \$4.8 million for 2007 and \$5 million each year for 2008-2011 to assist in addressing Exhibition Place's capital requirements.

### **Site Development Plan**

Exhibition Place's site development plans are not fully reflected in its 5-Year Capital Plan since the Plan does not include forecasts for new development projects, such as the proposed conference facility, which may be part of a master plan for the development the Exhibition Place site. These notes recommend that the capital implications of master plans for the development of Exhibition Place site be included in the 5-Year Capital Plan, even if they are primarily funded from sources other than debt.

Appendices not available online.