



STAFF REPORT ACTION REQUIRED

Increase Reserve Fund Draw for Exhibition Place

Date:	June 5, 2014
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\Acc\bc14011acc (AFS19826)

SUMMARY

The purpose of this report is to request that Council approve an increase in the draw from the Exhibition Place Conference Centre Reserve Fund (CCRF) of \$781,239, as the operating requirement to fund the construction loan payments for the Allstream Centre was higher than originally estimated in the 2013 Approved Operating Budget.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. City Council authorize the withdrawal from the Exhibition Place Conference Centre Reserve Fund for 2013 to cover the operating cash loss for the Allstream Centre be increased by \$781,239, from \$808,531 to \$1,589,770.

Financial Impact

This results in an increased draw of \$781,239 from the Exhibition Place Conference Centre Reserve Fund (CCRF). The balance in the CCRF as at December 31, 2013, after this additional withdrawal, is \$1,420,590.

DECISION HISTORY

At its meeting held on December 11 – 13, 2007, City Council established an obligatory reserve fund called the Exhibition Place Conference Centre Reserve Fund to provide a source of funding for any shortfalls in loan payments to the City from Exhibition Place for the new conference centre – subsequently called the Allstream Centre (re: EX15.1 “Budget Committee Recommended 2008 Capital Budget and 2009 – 2012

Capital Plan”, Recommendation number 128). Following is the link to the Council decision:

<http://www.toronto.ca/legdocs/mmis/2007/ex/reports/2007-11-26-ex15-cr.pdf>

At its meeting held on April 15, 2010, City Council amended the purpose of the Exhibition Place Conference Centre Reserve Fund to provide “a source of funding for any shortfalls in loan payments to the City from Exhibition Place for the new conference centre or to support Exhibition Place’s operating shortfalls between 2010 and 2012, to a maximum of \$0.900 million” (re: EX42.1 “2010 Operating Budget”, Recommendation number 62). Following is the link to the Council decision:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX42.1>

At its meeting held on November 27 – 29, 2012, City Council changed the purpose of the Exhibition Place Conference Centre Reserve Fund to provide a “source of funding, in the first instance, for any shortfalls in the loan payments to the City from Exhibition Place for the new conference centre, and this being provided for, to support any cash shortfalls with respect to capital funding required to maintain the Direct Energy Centre and the Allstream Centre in a state of good repair” (re: EX24.19 “Administrative Amendments to Reserve Fund Accounts -2012”, Recommendation number 7). Following is the link to the Council decision.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX24.19>

ISSUE BACKGROUND

The current purpose of the Exhibition Place Conference Centre Reserve Fund (CCRF), as adopted by Council in 2012 to meet the longer term needs of Exhibition Place, provides a source of funding for Exhibition Place to cover any shortfalls:

- a) in the loan payments to the City for the Allstream Centre. (The annual City loan repayment from operations is \$2,798,479.); and,
- b) with respect to capital funding required to maintain the Direct Energy Centre and the Allstream Centre in a state of good repair.

The CCRF was originally established in 2007 through EX15.1 “Budget Committee Recommended 2008 Capital Budget and 2009 – 2012 Capital Plan”, Recommendation number 128 in the amount of \$665,719 from the Direct Energy naming rights revenue received in 2007.

COMMENTS

The 2013 Approved Operating Budget for Exhibition Place included a budgeted withdrawal of \$808,531 from the CCRF to cover an estimated cash shortfall in Allstream Centre operations for the City loan repayment. However, the actual cash shortfall at the Allstream Centre for 2013 is \$1,589,770, due mainly to the following:

- 1) Rental revenue for new business was \$177,000 under budget because of the slowdown in convention and conference business;
- 2) Food and beverage concession revenue was \$527,385 under budget because of lower than budgeted corporate and new gala events; and,
- 3) Revenue from third party billings for show services was \$121,000 under budget because of the lower than budgeted corporate and new gala events.

Since the Exhibition Place took over Allstream operations in 2010, Allstream has consistently performed better than expected except for the year ended December 31, 2013 (see Table 1 below). Consequently, the required withdrawals from the CCRF over 2011-2012 have been less than budget.

TABLE 1: COMPARISON OF ALLSTREAM CENTRE OPERATING RESULTS TO BUDGET (2010 – 2013)				
	2010	2011	2012	2013
Budgeted Shortfall	369,707	1,129,829	1,080,049	808,531
Actual Shortfall	369,707	1,065,708	777,853	1,589,770
Difference	-	64,121	302,196	(781,239)

It is therefore recommended that Council approve an increase in the withdrawal from the Exhibition Place Conference Centre Reserve Fund (CCRF) of \$781,239 in 2013 to cover the operating requirements of the Allstream Centre.

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SIGNATURE

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