EP11.16

Exhibition Place

REPORT FOR ACTION

2020 Operating Budget Financial Impact Update due to COVID-19

Date: June 10, 2020
To: The Board of Governors of Exhibition Place
From: Don Boyle, Chief Executive Officer
Wards: All

SUMMARY

The City of Toronto and the Provincial Public Health Officials made a decision in March to cancel all programs and events up to June 30, 2020 due to COVID-19 pandemic risk to public health and safety. Since then, a number of Exhibition Place Show Organizers has invoked their Force Majeure clause in their License Agreement to cancel or postpone their 2020 events. In addition to the cancellation of shows/events, Tenants operations across the grounds has also been impacted and therefore the loss of related ancillary revenue, such as Parking and Show Services from their closure.

The Boards operations are highly dependent on the cash flow and net income from our trade and consumer shows, conferences, conventions, socials, galas, meetings and tenants operations. Since early in March, given the rise in concern over COVID-19, staff has been monitoring its cash flow from operations on a daily basis and have put a hold on all non-essential costs and discretionary expenditures such as travel, training, etc.

Given the cancellation / postponement of all events up to June 30, 2020 Exhibition Place staff has been in constant communications with the City Managers Office and the City Financial Planning Department regarding financing opportunities to cover the Boards next 3-5 month cash shortfall requirements. Show Organizers of these cancelled events are requesting full refund of their space rental fees due to Force Majeure. The Board approved 2020 operating budget is a surplus of $500,000. The estimated impact from COVID-19 to the Boards operating budget as at May 31, 2020 is a reduction of net income/surplus of $14.497 million (Schedule A).

The loss of net income and resultant cash flow is a concern not only to Exhibition Place, but also to the City of Toronto as the Board operates, manages and maintains Exhibition Place on behalf of the City, and the City is entitled to any surplus resulting from the Board’s activities, and is responsible for any deficit the Board incurs.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. The Board direct the Chief Executive Officer to submit another update to the 2020 operating budget impact due to COVID-19 and the projected 2020 results at the next Board meeting.

FINANCIAL IMPACT

The impact of COVID-19 to the Boards operating budget as at May 31, 2020 is a reduction of net income of $14.497 million (Schedule A) from event rent, net show services, food and beverage, and net parking.

DECISION HISTORY

The Exhibition Place 2017 – 2019 Strategic Plan had a Financial Goal to achieve positive financial performance across Exhibition Place and all of its business, and deliver operating results that met or show positive revenue surplus and / or positive under expenditure to budget.

At its meeting of March 5, 6, 7, and 8, 2007 Council adopted the report entitled "Financial Assessment of Proposed Conference Centre Development at Exhibition Place" which included the recommendation that the Board be directed to place the revenues from the Enercare Centre naming rights agreement and any revenues from any future naming rights agreement for the new conference centre into a single-purpose interest bearing City reserve account from which any shortfalls in the City loan payments can be directly funded.
http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-6995.pdf

At its meeting of November 5, 2012, City Council approved of a recommendation to expand the purpose of the Exhibition Place Conference Centre Reserve Fund to provide a source of funding for both Beanfield Centre loan repayments, and also for maintaining Enercare Centre and Beanfield Centre in a state of good repair.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX24.19

At its meeting on September 9, 2013 City Council recommended that Exhibition Place use its funds from the Conference Centre reserve to fund the cost for the disposal of pre-existing contaminated soil dating from the early 1900’s which expenditures are keeping with the terms of the lease agreement between Exhibition Place and Princes Gates Hotel LLP.
http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-61392.pdf

On December 13, 14, and 15, 2016 City Council adopted the extension of the repayment term of the capital loan to Exhibition Place for the conference centre, by an additional five years, with a revised amortization period ending in 2040 for the full loan balance amount.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.16

On June 13, 2019 the Board adopted the 2020 Operating Budget without amendment showing a surplus of $175,000.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP3.5

On December 19, 2019 the Board adopted the revised 2020 Operating Budget without amendment showing a surplus of $500,000.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP8.8

COMMENTS

The reduction of net income and cash flow is a concern not only to Exhibition Place, but also to the City as a whole; as the Board operates, manages and maintains Exhibition Place on behalf of the City of Toronto. The City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs.

The reduction of net income due to COVID-19 as at May 31, 2020 is $14.497 million (Schedule A below):

SCHEDULE A	
1. Net profit loss from shows cancellation March - December 2020	$ 13,767,000
2. Incremental operating cost - March to May	356,000
3. Lost net parking revenue from tenants/Coca Cola Coliseum/ BMO - March to May	572,000
4. Operating cost saving (hydro, gas, water etc…) March to May	(374,000)
5. Miscellaneous recoveries (admin mark up, ABM commission) March to May	176,000
Total 2020 budget pressure	**$ 14,497,000**

For events that are cancelling due to Force Majeure, they are requesting full refund now of their deposited rent monies that totals $2.985 million. Since 1999 the Board has never borrowed funds from the City. Contrary to our current cash flow position, over the past 13 years the Board has established internal budgetary targets aimed at maximizing net surplus paid to the City, which has totalled approximately $27.5 Million.

Management has put in place cost mitigation measures across all departments, reducing staffing levels, cancellation of all business travel, training, and other measures including the cancellation of all discretionary expenditures. As well, management is working closely with the City on all operations including trade payables and receivables and on financing options.

Options for Financing through the City

On April 6, 2020, the City Executive Director of Financial Planning sent out guidelines for an assessment of all Agencies, Boards, and Commissions ("ABC's") regarding short-term liquidity and required assistance from the City. Staff continue to work with the City on financing options for Exhibition Place given the monies that the City has comes from the same pool of general operational cash flow that all ABC's can access. The City do want to support all ABC's with their liquidity challenges and City Financial Planning to May 31, 2020 has provided weekly funding to Exhibition Place in the amount of $3.862 million to cover cash shortfall.

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SIGNATURE

Don Boyle
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