Exhibition Place

REPORT FOR ACTION

2020 Operating Budget Financial Impact Update due to COVID-19

Date: November 24, 2020
To: The Board of Governors of Exhibition Place
From: Don Boyle, Chief Executive Officer
Wards: All

SUMMARY

Since March, the City of Toronto Public Health officials has made decisions to cancel programs and events due to the COVID-19 pandemic risk to public health and safety. As a result, nearly every Exhibition Place Show Organizer and Meeting Planner client has invoked their Force Majeure clause in their License Agreement to cancel or postpone their 2020 events. The same meeting and event cancellation is occurring in every convention centre across Canada and the USA. In addition to the cancellation of shows/meetings, Tenants such as Liberty Grand, QE Theatre, Aqua Dolce Resto Venue and Medieval Times have been completely closed while other tenants have opened in very limited capacity and therefore the loss of related ancillary revenue, such as Parking and Show Services result 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 the majority of events up to December 31, 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 cash shortfall requirements. Show Organizers and Meeting Planners of these cancelled events and conventions are requesting a full refund of their space rental fees due to Force Majeure. The Board approved 2020 Operating Budget is a surplus of $500,000. As at October 31, 2020 the forecasted impact from COVID-19 to the Boards 2020 Operating Budget before funding from the City is a pressure of $16.479 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.

The Board has previously received a report on the 2020 operating results updates from the impact of COVID-19 at its meeting of June 24, September 18, and now at the December 8, 2020 Board meeting. This report will be the last update for 2020 until the Board received the final 2020 audited financial statements in 2021 which will reflect actual performance.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. The Board received this report for information.

FINANCIAL IMPACT

The 2020 forecasted year end impact of COVID-19 to the Boards 2020 Operating Budget at October 31, 2020 before funding from the City is $16.479 million (Schedule A) from event rent, net show services, food and beverage, net parking, and Tenants operations. The forecasted impact of COVID-19 after funding from the City for various energy retrofit and building loans and operating cash flow shortfall is $1.786 million (Schedule A).

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 meet 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

At its meeting of June 24, 2020, the Board received an update to the 2020 Operating Budget forecasted results and directed 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 September 18, 2020 Board meeting.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EP11.16

At its meeting of September 18, 2020, the Board received an update to the 2020 Operating Budget forecasted results and directed 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 December 8, 2020 Board meeting.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EP13.8

COMMENTS

The pressure from COVID-19 on both 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.

In mid October 2020 City Financial Planning Staff confirmed that the Board could use its balance in the Conference Centre Reserve Fund (CCRF) held by the City as a source of funding for all of its City loans. The draw from the CCRF in 2020 to cover the shortfall in cash for our loan payments for the nine (9) months from April to December 2020 is $2.387 million. Our estimated net balance in our CCRF at December 31, 2020 net of these draws will be $7.306 million. The Board anticipates based on the current economic condition it will draw upon the CCRF for the first 6 months of 2021 to cover its City loan payments due to cash shortfall.

As at October 31, 2020 the year end forecasted pressure on our 2020 Operating Budget due to COVID-19 before funding from the City is a reduction of net income of $16.479 million (Schedule A below). The Board has worked closely with the City to obtain both funding from the CCRF for our loan payments and funding for general operating cash flow. After funding, the forecasted pressure from COVID-19 is a reduction of net income of $1.786 million. Both the withdrawal from the CCRF and the City general funding to cover cash shortfalls will be included and reported as revenue in the Board's financial statements as required under generally acceptable auditing reporting rules.

SCHEDULE A

Pressure from Covid-19 on Boards 2020 Operating Budget

1	Lost net profit from known shows (excluded parking)	(14,230,941)
2	Lost parking revenue (net of direct wages and rebates)	(5,156,900)
3	Operating cost savings net of DES revenue (hydro, gas, water and other non-labour cost etc…)	262,395
4	Saving from delay in hiring of non-unionized management staff due to COVID-19	1,383,020
5	Wages and benefits cost savings from temporary laid off and reduction of base building maintenance (net of recoveries)	2,004,974
6	Incremental operating cost COVID 19 related	(500,000)
7	Saving from stop contribution to CCRF, TMIF	550,000
8	Lost revenue from tenants events (participated rent, net service, admin)	(791,377)
	Total 2020 Budget Pressure before Funding	**(16,478,828)**
9	Withdrawl from Conferenced Centre Reserve Fund for loans payment	2,387,003
10	Covid-19 Operting Funding from City of Toronto	12,306,000
	Total 2020 Budget Pressure after Funding	**(1,785,825)**
	Funding is reported as revenue in the Boards books	

For events that are cancelling due to Force Majeure, they are requesting full refund now of their deposited rent monies. 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, gapping of vacant positions, 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.

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 forecasted December 30, 2020 has or will be providing bi-weekly and monthly funding to Exhibition Place in the amount of $12.306 million to cover operating cash shortfall. This funding is included in the Boards revenue.

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SIGNATURE

Don Boyle
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