Exhibition Place

REPORT FOR ACTION

2021 Operating Budget Financial Impact Update due to COVID-19

Date: September 14, 2021
To: The Board of Governors of Exhibition Place
From: Don Boyle, Chief Executive Officer
Wards: All

SUMMARY

This report provides a further update since June 2021 on the year-end forecast from the impact of COVID-19.

Since our June 2021 update, there have been additional cancellations / postponements of events except for film shoots. In addition to cost cutting measures, the Board has experienced additional operational savings, and staff have worked collectively with Toronto Hydro to obtain a one-time hydro rebate for 2018 and 2019. Exhibition Place staff have been in constant communications with the City Manager's Office and the City Financial Planning Department regarding financing opportunities to cover the Board's cash shortfall requirements.

The Board's 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 2021, 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.

The Board approved 2021 operating budget is a Budget Loss of ($7.577) million. The estimated impact from COVID-19 to the Boards operating budget as at August 31, 2021 is an additional pressure of ($5.087) million for an overall forecasted net loss of ($12.664) million before City funding. The Board's approved 2021 Budget prepared in August 2020 included the assumption that events, as well as, tenants operations would become normal starting to reopen in April 2021, which did not occur.

The continued pressure from lost business on the Board's operations and resultant cash flow is a continued 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 2021 operating budget impact due to COVID-19 at the December 2021 Board meeting.

FINANCIAL IMPACT

The impact of COVID-19 to the Board's operating budget as at August 31, 2021 is an additional pressure of ($5.087) million from loss of rent, net show services, food and beverage, and net parking to a forecasted net loss of ($12.664) million before City funding.

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 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 of 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

At its meeting of October 26, 2020, the Board adopted the 2021 Operating Budget without amendment reporting a net loss of ($8.000) million.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EP14.2

At its meeting of June 16, 2021, the Board received an update on the Operating Budget for 2021 and directed the Chief Executive Officer, Exhibition Place to submit another update to the 2021 Operating Budget impact due to COVID-19 at the September 28, 2021 Board meeting.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EP18.6

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 forecast for the year ending December 31, 2021 was prepared as at August 31, 2021 showing an increase in forecasted net loss due to COVID-19 of ($5.087) million for an overall forecasted net loss of ($12.664) million, see Schedule A.

Overall, since June 2021, the Boards previously forecasted net loss has decreased by $1.231 million from $13.895 million. This is primarily due to an increase in operational savings, hydro rebate for 2018 and 2019 offset by additional cancelled events since we last reported.

SCHEDULE A		
2021 approved budget Net Profit (Loss)		(7,576,791)
Additional savings (pressures) vs. 2021 approved budget as of August 31, 2021:		
1. Loss revenue from events (events that were previously budgeted April to November 2021; such as CNE fair, Honda Indy, SIAL, RAWF, meetings and conventions at Beanfield Centre, tenants' events; offset by incremental profit from various film shoots)	$(8,442,798)	
2. Lost net parking revenue	(206,485)	
3. Micellaneous recoveries (admin mark up, ABM commission, % rent)	(434,357)	
4. Utilities cost saving (hydro, gas, water) including net hydro rebate	1,566,591	
5. Operating cost savings (wages, benefits and non-essential expenditures)	2,429,507	
Total additional 2021 budget pressures		**(5,087,542)**
2021 total forecasted Net Profit (Loss) before City Fundings		**$(12,664,333)**

Since 1999, the Board has never borrowed funds from the City except for 2020 and now the current year. Contrary to our current cash flow position, since 1999 and excluding the years 2020 and 2021 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 continued to 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.

Financing through the City

The City continues to finance the Boards loan payments for Beanfield Centre to the City using the Conference Centre Reserve Fund (CCRF) held by the City. The forecasted balance of the CCRF as at December 31, 2021 is $3.916 million. 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.

CONTACT

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SIGNATURE

Don Boyle
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