REPORT FOR ACTION

2022 Operating Budget Financial Impact Update due to Covid-19

Date: November 24, 2022
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 2022 on the year-end forecast from the impact of Covid-19.

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 2021, given the rise in concern over COVID-19, staff have been monitoring its cash flow from operations and continue to monitor all non-essential costs and discretionary expenditures such as travel, training, etc.

At the time of our budget submission there were certain assumptions that were used with respect to the Board 2022 Operating Budget. Some of the key assumptions are:

- The pandemic phase of Covid-19 was ending in 2022. Booking of events will be back to normal.
- Attendance will be lower than pre-pandemic levels 75%.
- With attendance being lower there will be lower ancillary revenue such as parking and show services.
- There will be additional costs and procedures associated with the delivery of food and beverage due to Covid-19, and as well due to the anticipated reduction of attendance and revenue, the associated commission the Board receives will be lower.
- Tenants will experience the same trends as the Board and as such the Board anticipates lower services revenue from tenants.
- There is still volatility associated with the economy and as such non-essential costs have been delayed/deferred, and discretionary expenditures such as travel, training, etc. has been reduced. Covid-19 costs include both ongoing day to day service costs, as well as, restart, recover, and rebuild costs.

The first forecast of the year was provided at the June 2022 Board meeting, this included actual results up to April 30, 2022, with forecast up to year-end. Staff had forecasted a net loss of ($4.900) million, which was unfavourable to our budget by ($1.600) million. The City supported Exhibition Place by funding the anticipated deficit. In April, Covid-19 was impacting business, more so than budgeted, industry insiders at the time were predicting reduced attendance for the fall and potential return of sanctions, which in turn would reduce ancillary and net parking revenue. Financial impacts and the uncertainty surrounding Covid-19 causes by its nature inherent uncertainty with budgeting and forecasting.

Since our last update, the lingering effects of Covid-19 have been reducing. Both our trade and consumer shows, conferences, conventions, socials, galas, meetings, and tenants' operations are experiencing improvements to our original budget assumptions in attendance, in rent, net show services, food and beverage, and net parking.

Staff have revised our year end forecast with a favourable variance of $0.500 million improvement against our ($3.300) million net deficit, to ($2.800) million net deficit before City funding. Exhibition Place is still forecasting to be in a net deficit position with a forecasted loss of ($2.800) million before City funding, staff continue to meet with City Financial Planning Department to discuss the impact of this deficit to our operations.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. The Board receive this report for information

FINANCIAL IMPACT

The updated impact, year end forecast from Covid-19 to the Boards operating budget September 30, 2022, is a reduction in net expenditure/favourable variance of $0.500 million primarily due to increase in attendance, in rent, net show services, food and beverage, and net parking for a forecasted net deficit before City funding ($2.800) million.

DECISION HISTORY

The Exhibition Place 2022-2026 Strategic Plan has a goal to ensure Competitively Priced Services and Sustainable Operations, so we remain committed to ensure our operations are both efficient and effective, we deliver exceptional visitor experiences, and sustain the growth of our organization.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EP24.12

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 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 September 28, 2021, the Board adopted the 2022 Operating Budget without amendment reporting a net loss of ($3.300) million.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EP19.3

On June 9, 2022, the Board adopted without amendment the impact of Covid-19 on the Boards Operating Budget. This was the first forecast reported on April 30, 2022.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EP24.14

COMMENTS

The improved cash flow is an important step in the right direction 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 and as such the City has funded the Boards forecasted net deficit. This improvement is a step in the right direction and hopes that this will continue for the remainder of the year and into 2023.

The updated forecast for the year ending December 31, 2022, reported on September 30, 2022, is a net deficit of ($2.800) million, see (Schedule A below).

Schedule A		
ExPlace Forecasted Results		
	At Sept 30	**At April 30**
	$	**$**
2022 approved budget Net Profit (Loss)	**(3,300,000)**	**(3,300,000)**
Additional savings (pressures) vs. 2022 approved budget:		
1. Loss revenue from events duirng Q1 (i.e events that were previously budgeted in Jan-Apr such as Toronto International Boat Show, Toronto Motorcycle Show, new businesses) ; and lesser ancilary revenue vs budget. Q2/Q3 - improved attendance rent, and net ancillary revenue.	(1,992,468)	(3,558,000)
2. Tenant lease and tenants event net service revenue. Q2/Q3 improved attendance increase in related revenues.	(109,611)	(206,000)
3. Parking revenue: anticipated higher revenue from Ontario Place sold out concerts, TFC games	1,442,637	(1,409,000)
4. Micellaneous recoveries (admin mark up, ABM commission etc.)	(276,408)	(298,000)
5. Utilities cost saving (hydro, gas, water)	1,139,165	1,623,000
6. Other overhead saving (assuming all department will be spending at budget level)	161,519	2,248,000
7. Lesser than budget withdrawal from reserve (sick bank)	(164,835)	-
8. Special appropriation (forecasted spending at $290,000Kvs $590,000 budget)	300,000	-
Forecasted Net Profit (Loss) before City Fundings	**(2,800,000)**	**(4,900,000)**

Since 1999, the Board has never borrowed funds from the City except for 2020, 2021 and now the current year due to the Covid-19 pandemic. In spring of 2022, after our first update, the City funded Exhibition Place $1.600 million to cover the additional forecasted cash flow loss due to the pandemic. Contrary to our current cash flow position, since 1999 and excluding the years 2020, 2021, and 2022 the Board has established internal budgetary targets aimed at maximizing net surplus paid to the City, which has totalled approximately $27.5 Million.

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 in 2022 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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