

2025 Operating Budget

Date: October 4, 2024
To: The Board of Governors of Exhibition Place
From: Don Boyle, Chief Executive Officer
Wards: All

SUMMARY

Toronto is North America's 4th largest City and is home to Exhibition Place. Our site currently hosts 1,761 events with approximately 5.5 million visitors per year for exhibitions, conventions, events, and entertainment, and we are moving towards becoming a 365-day destination for an impressive range of activities.

Exhibition Place's vision is to become Canada's premier destination for conventions, exhibitions, events, and entertainment. We are a unique site in North America, and our goal is to transform Exhibition Place into an intimate space that facilitates unimpeded movement of people.

2025 Budget

On August 1, 2024, the City's Executive Director, Financial Planning Division provided supplementary instructions for all City Divisions and Agencies for 2025 budget request. City Financial Planning directed ABC's to build their operating and capital budget requests with a focus on fiscal prudence and a review of affordability, sustainability, timing, and prioritization.

As shown in Schedule A below, the 2024 year-end forecasted is a deficit of (\$0.300) million which is favourable by \$0.500 million to the 2024 approved budget deficit of (\$0.800) million based on all booked and anticipated future events for the remainder of this year.

With respects to the Exhibition Place Conference Centre Reserve Fund, the balance at the end of 2024 is forecasted to be \$6.033 million. This reserve is a source of funding for both state of good repair, as well as, for the loan repayment of the Beanfield Centre.

Despite all the challenges from bouncing back after the pandemic, our operation is progressing very well, our events revenue, optimistically continues to grow, following same trends as other businesses in the exhibition industry.

The latest findings from the Global Exhibition Barometer research concluded in July 2024 by UFI, the Global Association of the Exhibition Industry, show that the exhibition industry will achieve record revenues globally in 2024, growing beyond post pandemic recovery that was achieved at the end of 2023. In 2024 North America revenue expect to grow by 13% and global revenue expect to grow 17% from 2023. State of the economy in home market is the most pressing issue for most, followed by global economic development. The latest results also show Globally, there is an overwhelming consensus that AI will affect the industry, with 90% of companies stating this. <https://www.ufi.org/wp-content/uploads/2024/08/33rd-Barometer.pdf>

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. The Board approve the 2025 Operating Budget attached as Appendix 'A'.
2. The Board direct the Chief Executive Officer to submit the 2025 Operating Budget to the City Financial Planning Division as part of the 2025 Budget Process.

FINANCIAL IMPACT

Schedule A

The proposed 2025 Operating Budget will result in a deficit of (\$0.450) million.

| Operating Budget | | | | | | | | |
|-------------------------|--------------------|--------------|----------------------|--------------|-------------------------|-----------------|------------------|----------------|
| \$ Thousands | 2023 Actual *** | 2024 Budget | 2024 Projection * | 2025 Budget | Change from 2024 Budget | | OUTLOOK | |
| | | | | | \$ | % | 2026 | 2027 |
| Revenues | \$64,418 | \$65,665 | \$66,662 | \$67,413 | \$1,747 | 2.7% | \$79,388 | \$72,430 |
| Gross Expenditures | \$62,601 | \$66,465 | \$66,962 | \$67,863 | \$1,397 | 2.1% | \$77,188 | \$72,280 |
| Net Expenditures | (\$1,817) | \$800 | \$300 | \$450 | (\$350) | (43.75%) | (\$2,200) | (\$150) |
| Approved Positions** | 344.0 | 356.0 | 356.0 | 356.0 | 0.0 | 0.0% | 356.0 | 356.0 |

*Projection based on 6 Month Variance

**YOY comparison based on approved positions

***2023 actual net expenditures exclude \$2.2 millions funding support from City due to COVID 19 pandemic

The 2025 Operating Budget submission for Exhibition Place is in alignment with 2024 projected experiences. The financial impact (net expenditures) for 2024 projection as of June 30, 2024, will result in an operating deficit of (\$0.300) million that has been fully covered from the City and will be included as revenue in the year end operating results.

Based on year-to-date experience as of June 30, 2024, and anticipated future events for the remaining of the year, Exhibition Place is projecting a favourable net variance of \$0.500 million at year-end as illustrated in the chart above.

Every effort has been made to eliminate or reduce 2025 incremental base budget pressures while maintaining the current service levels and achieving the strategic goals. This includes full application of expected revenues including fee increases and volume base adjustments.

DECISION HISTORY

The Exhibition Place 2022 – 2026 Strategic Plan has goals to ensure competitively priced services and sustainable operations and to invest in our people and culture and strive to be recognized as an employer of choice, attracting top talent within the industry.

<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 the 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>

COMMENTS

Exhibition Place staff have worked closely with City Financial Planning Division and researched with industry benchmarking metrics in preparing our 2025 Operating Budget. Our main assumptions used in preparing the 2025 Operating Budget are:

- Sustainability and prioritization are prudent to our organization post pandemic and limited financial resource must be prioritized to implement Exhibition Place's strategic goals as well as catching up with ground repair and maintenance that was backlogged during the pandemic years.
- The working environments have been changed significantly post pandemic, therefore require significant costs increase for IT hardware and software supports from 3rd party suppliers to maintain systems security and reliability for, Office 365, servers support, switch supports anti spam, cloud-based data solutions and storage.
- COLA increase for unionized staff will be per collective agreements and is estimated at approximately 2.75% for budget purposes; pay increase for non-unionized staff is estimated at 1.75% COLA and a combined total of approximately 3.9% of 2024 approved budget for step increase to help staff progressing through their respective salary ranges (minimum salary to maximum salary), and lump sum financial reward for staff who are at maximum of salary ranges.
- Although the number of events are back to pre-pandemic levels consumer spending behaviour has not, being at approximately 90% - 95% of pre-pandemic levels. As such this will lead to lower ancillary revenue such as parking, food and beverage, and show services. Tenants will experience the same trends as the Board and as therefore the Board anticipates lower services revenue from tenants. This is consistent with industry in general.
- Customers spending behaviour and expectation have changed. There will be additional costs for the delivery of service by Exhibition Place staff to meet customers' expectations.
- Major construction projects result in further lost of already short supply parking inventory; create traffic congestion thus encourage events attendees to choose alternate modes of transportation other than driving cars. As the result, parking revenue will decrease and costs for traffic management will increase.

Next Steps for 2025

2025 will create many opportunities for us to develop even stronger alliances with our venue partners within the industry. Specifically, as relating to the meetings business at the Beanfield Centre, as we design a series of meeting formats, equipment packages, and recommendations that will address how to reduce risk, increase confidence, and promote health within the meeting space. Meeting design, room layout, traffic flow, technology considerations, and enhanced hygiene measures are at the heart of this offering with the goal to make the meetings and events industry strong and healthier than ever.

A. Prior Year's Results and 2025 Issues

Although the trade, consumer show & conferences industry is heavily dependent on global and home economy and consumers spending behaviours and expectation that had been changed after the pandemic, staff have confidence to follow the same trends of other businesses in the same industry in North America and the globe to estimate our 2025 event revenue. Staff prepared our preliminary 2025 operating budgets on a "budget-to-budget" basis so that it will not create additional financial pressure to the taxpayers of the City of Toronto. The future growth of the Convention & Trade Show Organizers is influenced by internal and external factors. Internal factors include structure and competition within the industry, market demand, and innovative and disruptive factors. External factors include the state of the economy and cyclical patterns. For the trade and consumer show business, industry research on future directions of the economy is published in Trade Show Executive.

Since 1998, the Board established budgetary targets aimed at maximizing net income paid to the City. This has been a very positive, albeit challenging endeavour, and has required management on an annual basis to aggressively pursue service review processes, cost containment, constraint in discretionary spending, operational efficiencies, and new business opportunities to meet budget expectations. Since 2007 the Board has contributed a surplus of \$29.243 million to the City.

B. 2025 Operating Budget by Program Area

The following section provides information on the proposed level for 2025 operating budget revenues and expenditures for each of Exhibition Place programs: Exhibition Place and Enercare Centre, and the Beanfield Centre programs.

2025 budget deficit is \$(0.450) million which is an improvement of \$0.350 million over 2024 approved budget deficit of \$(0.800) million. The \$0.350 million improvement is primarily due to the following as summarized in the chart below:

- 1) Increase \$1.770 million events net profit which is primarily increase in volume compared to 2024 budget
- (2) Increase \$(0.262) million salary and benefits cost from providing budget estimated at 2.75% COLA increase for unionized staff; 1.75% COLA increase for non-unionized staff and providing step increase to help staff progressing through their respective salary ranges (minimum salary to maximum salary) or lump sum financial reward for management staff who are at maximum of salary ranges, for a combined total of approximately 3.9% of 2024 approved budget; cost increase in retirees and LTD benefits premium cost, volume adjustment of direct wages and benefits based on anticipated clients demand in 2025.
- (3) Increase \$1.448 million departmental overhead expenses (non-labour) from general inflation adjustment, incremental costs for cloud database service subscriptions and maintenance service agreements for computer system security and reliability, management fees paid to Toronto Parking Authority, traffic management costs, City Corporate Real Estate Management service etc.
- (4) Increase \$0.774 million net revenue from inflationary adjustment and increase participation rent from billboards, parking revenue, and interest revenue.

(5) Increase \$0.504 million costs for initiatives as part of Exhibition Place’s strategic goals.

| 2025 BUDGET - MAJOR FINANCIAL PRESSURES | | |
|--|--|---|
| | DESCRIPTIONS | TOTAL PRESSURE POSITIVE (NEGATIVE) |
| 1 | PRESSURE FROM SHOWS | 1,790,366 |
| 2 | SALARY AND BENEFITS | |
| 2.1 | SALARY AND BENEFITS FOR NON-UNIONIZED STAFF - @ 1.75% COLA, APPROXIMATELY 3.9% STEP INCREASE AND FINANCIAL REWARD, VOLUME ADJUSTMENT | (538,652) |
| 2.2 | WAGES INCREASE FOR UNIONIZED/CASUAL STAFF - BUDGET ESTIMATED AT 2.75% COLA INCREASE | (325,016) |
| 2.3 | DIRECT WAGES VOLUME CHANGES - 2025 VS 2024 | 601,766 |
| | SUBTOTAL - WAGES AND BENEFITS | (261,902) |
| 3 | DEPARTMENTAL OVEHEAD EXPENSES (NON-LABOUR) | |
| 3.1 | OTHER OVERHEAD EXPENDITURES - GENERAL INFLATION ADJUSTMENT, UTILITIES VOLUME/RATES CHANGE, WSIB, ADP PAYROLL PROCESSING COST | (809,922) |
| 3.2 | TRAFFIC MANAGEMENT COSTS INCREASE - FEES PAID TO TPA INCREASE PER NEW AGREEMENT, SECURITY PAID TO TORONTO POLICE & 3RD PARTY | (224,394) |
| 3.3 | IT SOFTWARE/HARDWARES MAINTENANCE AGREEMENTS FOR SYSTEM SECURITY AND RELIABILITY | (314,000) |
| 3.4 | CITY REAL ESTATE MANAGEMENT SERVICE COST | (100,000) |
| | SUBTOTAL - NON-LABOUR OVERHEAD EXPENSES | (1,448,316) |
| 4 | INCREMENTAL REVENUE | |
| 4.1 | CPI INCREASE, HIGHER INTEREST RATES EARNED FOR TERM DEPOSIT, BUDGET RIGHTSIDE FOR TENANT LEASE AND PARKING REVENUE | 169,409 |
| 4.2 | ADDITIONAL BILLBOARD ADVERTISING REVENUE (YOY BUDGET) | 604,813 |
| | SUBTOTAL - INCREMENTAL REVENUE | 774,222 |
| 5 | OTHER INITIATIVES | |
| 5.1 | SITE IMPROVEMENT, LANDSCAPING, TREE CARE, GROUND SEASONAL CONVERSION | (442,000) |
| 5.2 | INDIGENOUS FEATURE WALL MAINTENANCE, THE BENTWAY ACTIVATION PARTNERSHIP | (62,370) |
| | SUBTOTAL - OTHERS | (504,370) |
| | TOTAL PRESSURE COMPARED TO 2024 APPROVED BUDGET - (NEGATIVE) POSITIVE | 350,000 |

Exhibition Place and Enercare Centre Program

This program includes the service areas of Exhibition and Events, Asset Management, and Parking Access. These programs provide a focus for public celebrations and events, such as the Collision, SIAL, Honda Indy Toronto, Toronto’s Caribbean Carnival, CNE, Royal Agricultural Winter Fair, Toronto International Boat Show, National Home Show, and One-of-a-Kind Shows to name a few, while preserving the architecturally and historically significant structures on the ground. The Enercare Centre is the largest trade and consumer show facility in Canada, and the sixth (6th) largest in North America with over 1.1 million square feet of contiguous space. It is also a leader and a world-class site for advanced “green” energy technology.

The Exhibition Place Program area carries most of the costs associated with the 192-acre grounds as a “public park” including:

- Maintaining the grounds, parks, historic buildings, structures, roadways, and physical services of Exhibition Place.

- Providing parking services and various skilled trades to support the many shows and events on the grounds.

The budgetary objective for this Program is to stabilize or decrease the net loss year-over-year for the care and maintenance of the 192-acre park site. One direction has been the redevelopment and rental of the underutilized buildings and other business opportunities, and each year this objective is actively being pursued to offset the annual non-controllable budget pressures. The year 2025 will be the 10th year of increased seating at BMO Field which continues to have a positive effect on parking revenues with the success of TFC, as well as being home to Toronto Argonauts. While 2025 is the eleven (11) full year that Hotel X pays contractual base rent, it will be the seven (7) full year that Hotel X is fully operational.

Exhibition Place and Enercare Centre is not only operating in a very competitive market in Toronto and the GTA, but also continues to strive to generate new business and to maximize profitability. The 2025 Exhibition Place and Enercare Centre operating budget for a total net deficit of (\$1.050) million (2024 - \$1.400 million deficit) represents an increase net profit from the 2024 approved budget of \$0.350M or 25% increase.

Beanfield Centre Program

This program includes the service areas of Conventions, Conferences, and Meetings. The Conference Centre opened in October 2009 and the proforma supporting the construction of this project were completed by Horwath in 2006. The 2012 to 2016 budget for this program were based on this 2006 Study. In 2015, Horwath was retained to complete an updated Market Analysis and Revenue Projection. The updated 2015 proforma has been used for the 2018, 2019 operating budgets and then it is adjusted for specific revenue and expenditure items from the 2019 - 2024 operations history.

Beanfield Centre is a LEED Silver certified conference facility in the renovated historic Automotive Building. The facility compliments the event activities at Enercare Centre by attracting more international conferences, consumer and trade shows, exhibits, festivals, and conventions to Toronto. It is further enhanced now that the 404-room Hotel X is operational, and the Beanfield Centre elevated bridge connecting Beanfield Centre and the Hotel X which allow guests ease of use between the two facilities without having to go outdoors.

Corporate bookings for the Beanfield Centre continue to be short-term from 2 weeks to 3 months and are seldom booked, unlike trade shows, many months or years in advance. However, since the opening of the hotel Exhibition Place has been able to bid for future self-contained conferences to our site.

The 2025 Operating Budget for Beanfield Centre before interest, amortization, and transfers is \$1.996 million profit (\$1.996 million in 2024).

Related to the renovation of the Beanfield Centre in 2009, the Board has two (2) loans. There was a loan with City of \$38.675 million with the City at a 5% interest rate, which is

amortized over 30 years (including the interest on the advance payments during construction).

In addition to the City loan, as approved at the Board at its meeting held July 10, 2009, the Federation of Canadian Municipalities (FCM) provided a \$2.0 million loan for energy upgrades and LEED certification at a 2.375% interest rate amortized over 20 years.

Annually, the cost of these loans (principal and interest) to the Beanfield Centre Operating Budget is \$2.454 million. By the end of 2024, Exhibition Place would have paid total principal of \$14.225 million and \$22.707 million cash interest for both loans and have the remaining balance owing of \$26.450 million to both the City (\$25.803 million) and FCM (\$0.647million).

C. Other Issues

City Conference Centre Reserve Fund (CCRF) for the Benefit of Exhibition Place

As noted in the Decision History, the City and the Board agreed on the establishment of an obligatory interest-bearing reserve fund to be called the “Exhibition Place Conference Centre Reserve Fund” (CCRF). Since the establishment of the CCRF in 2007, the Board has contributed a surplus of \$29.243 million to the City. The balance in the Conference Centre Reserve Fund at the end of 2024 is forecasted to be \$6.033 million. This reserve is a source of funding for both state of good repair, as well as, for the loan repayment of the Beanfield Centre.

Some of the significant directions taken with respect to the annual surplus for Exhibition Place and contribution and/or withdrawals from the CCRF are as follows:

- 2007 – year end surplus of \$3.1 million was not added to this Reserve but used by the City for general operating purposes.
- 2008 – the surplus of \$2.4 million was allocated for Allstream Centre masonry restoration.
- 2009 – \$1.4 million of the CCRF was allocated to fund the Horse Palace roofing in addition to ISF Funding from the operating surplus of \$2.0 million.
- 2011 / 2012 – the surplus of \$1.854 million (2012) and \$1.320 million (2011) for a total of \$3.174 million was transferred to the CNEA per City Council directive as part of the independence of the CNEA from Exhibition Place.
- 2014 – \$.474 million as budgeted was withdrawn for the renovation of the Enercare Centre washrooms.
- In the years 2013 (\$1.633 million), 2014 (\$.621 million) and 2015 (\$.345 million) amounts totaling \$2.6 million were withdrawn to fund for the disposal of pre-existing contaminated soil on the Phase 1 hotel lands in accordance with the lease agreement.
- In 2020 \$2.346 million were withdrawn to pay City loans due to cash flow constraints caused by the pandemic
- In 2021 staff withdraw \$3.600 million to pay City loans due to cash flow constraints caused by the pandemic

Greening and Energy Projects

One of the Board's strategic directives is to ensure advanced sustainable and green practices are built into our infrastructure and processes to service the grounds in a responsible way and continue to establish new commitments for the sustainability target. To fund these environmental projects the Board has agreements with the City of Toronto, Toronto Atmospheric Fund (TAF), and the Federation of Canadian Municipalities (FCM) for repayable loans and accordingly, all savings/incentives generated from these environmental initiatives are used to fund current and future debt payment.

The following savings and incentives revenue are reported on the 2025 operating budget:

- Enercare Centre LED lighting retrofit for Halls A, B, C, D, and Heritage Court was completed in 2015, and provides annual savings of \$120,000.
- The five-building retrofit project (Queen Elizabeth, General Services, East Annex, Horse Palace, and Better Living Centre) completed early in 2008 and was providing annual savings of approximately \$195,000. The City loan was fully paid in 2018, and capitalized building improvement costs were fully amortized in 2023.
- Press Building Geothermal project completed in 2008 provides an annual savings of \$20,000.
- Underground Lighting Control Retrofit for Enercare Centre underground parking was completed in 2008 and provides an annual savings of \$40,000.
- LED Pathway lighting project completed in 2011 with an annual savings of \$2,000.
- Installation of the east Horse Palace photovoltaic (PV) system (100Kwh) realizes annual electricity savings of \$10,000 annually, in addition, to \$45,000 FIT incentives.
- The East Annex PV Roofing (150Kwh), West Horse Palace PV Roofing (100Kwh), and other smaller energy projects were completed in 2011 with annual savings of \$40,000, and FIT incentives of \$180,000. The loan was fully paid in 2022.
- The PV - Better Living Centre will generate \$6,000 in rent and royalties annually from Toronto Hydro; and,
- District Energy System – City Council approved a \$4.5M capital expenditure from recoverable debt to redesign and connect existing energy generation assets at Exhibition Place to supply heating, cooling, and water heating to Hotel X, Enercare Centre Complex, and Coca-Cola Coliseum. Hotel X opened in March of 2018. It is budgeted this will generate capacity charge revenue of \$428,000 and \$930,560 net profit before loan principal repayment in 2025.

The total loan advance received by the Board to-date for all the above energy projects is \$14.948 million. By the end of 2024 Exhibition Place would have paid \$15.728 million in interest and principal. The remaining interest and principal balances at the end of 2024 for the above energy projects is \$3.912 million.

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SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Appendix A - 2025 Operating Budget