



EXHIBITION PLACE

June 10, 2011

To: The Board of Governors of Exhibition Place

From: Finance & Audit Committee

ACTION REQUIRED

Subject: **2012 CAPITAL WORKS BUDGET AS PART
OF THE TEN-YEAR (2012-2021) PROGRAM SUBMISSION**

Summary:

This report outlines, in details, the proposed 2012 Capital Works Program as part of a ten-year program submission to the City of Toronto. The City practice is to set budget targets for 10 year cycle although detailed review is done on an annual basis and specific project details can be adjusted each year. This procedure allows the Board to adjust their current program each year based on changing needs and priorities. Due to changes in the submission schedule mandated by the City, this proposed program had been submitted to the City Financial Planning Department on May 9, 2011 with the understanding that the Board reserves the right to make changes to its content.

The proposed program for 2012 totals \$3.435 Million, a target set by the City which includes the Project Management Cost of \$0.443M.

Recommendation(s):

It is recommended that the Board approve the 2012 Capital Works Budget as part of the ten-year (2012-2021) proposed program submission to the City of Toronto and recommend the budget, with any revisions, to the Board for approval.

Financial Implications:

The proposed 2012 Capital Works Program totals \$3.435 Million as a base budget to be funded by the City and no additional funding is requested for Green Energy Initiatives and Special Projects which will need to be funded outside the City base budget through grants or other government programs. In addition, the funding of \$0.625M for the BMO Field 2012 Capital is through the BMO Field Capital Reserve Fund held by the City.

Decision History:

At its meeting of June 10, 2011, the Finance & Audit Committee reviewed subject report and recommended it to the Board for approval.

On an annual basis the Board has approved the Capital ten-year budget prior to its submittal to the City. This year, due to the scheduling requirements of the City Council, the Board was requested to submit its budget by early May, three months ahead of its regular schedule.

Issue Background

Preparation of the annual Capital budget typically begins each year in May and a recommended program is submitted to the Board for its consideration in July. The current proposed Capital Works program report which is formulated based on a ten-year program was prepared in April and submitted to City Financial Planning Department on May 9, 2011 for consideration as part of the City's capital budget review and approval by Council scheduled for the month of December 2011. However, City budget staff was notified that because of the timing, the Board reserves the right to make changes to the details of the budget.

Comments:

In prior years, the City Manager, Deputy City Manager and Chief Financial Officer, Exhibition Place had set the capital works target for Exhibition Place of \$5.0M for 2009 to 2018, with the target for year 2011 and 2012 increased to \$6.0M. However, because of the ISF program of \$27.37M which was started in August 2009, projects slated to the latter nine (9) years were moved forward to 2009 to 2011 based on the 2009 ten year plan submission. By doing so, the capital budget targets for the years 2010 to 2018, were decreased substantially to a point that the project management cost became an issue for those years that have minimum Capital Works funding. In discussion with City staff about this issue, new targets were given to Exhibition Place, ranging from a maximum of \$4.213 Million in 2021 to a minimum of \$3.400 Million in 2013 as shown on the summary page Section B in Appendix "A" of this report. All targets are still subject to Council deliberation and possible reductions as the City review process continues.

In order to formulate the Capital Program and as required by the City CFO, building assessments were carried out for all the non-tenanted buildings during 2005 to 2007. The results of these assessments are either included in the ten-year capital program or shown as the "Building Assessment Backlog" if they have not been accommodated within the annual budget targets.

For information only, at the bottom of each building project spread sheet as well as on the summary sheet there is a separate table showing, the state-of-good-repair (SOGR) Building Assessment Backlog, the annual SOGR requirement, the SOGR submission for that year and the net SOGR backlog remaining for that same year, which is above and beyond the allowable net program funding.

As indicated in Appendix "A", the estimated backlog for the year 2018 in this submission is \$26.352M as shown in the summary page. In this same year (10th) in the 2009 submission, on which the City based the assessment for the ISF program, the backlog was estimated at \$40.26M. As a result of ISF, there is a decrease of \$13.91M.

Attached as Appendix "A" is the proposed Ten-Year (2012-2021) Capital Works Program for Exhibition Place. The current year 2012 Capital Works Program totalling \$3.435 Million is

budgeted in accordance with the guidelines, policies and the five categories as established by the City Finance Department:

- i. Health and Safety (6.0% for 2012) – A capital project having an urgent requirement for repairs due to concerns of a health and safety hazard.
- ii. Legislated/City Policy (1.5% for 2012) – Capital expenditure required by the Provincial or Federal legislation or compliance with City Policy.
- iii. State of Good Repair (86.6% for 2012) – A capital project that allows for the maintenance, repair or replacement of existing assets including asset rehabilitation required to meet health and safety issues or extend the useful life of the asset by 10 or more years.
- iv. Service Improvement (5.8% for 2012) – Any capital project that improves service delivery above the current Council-approved standard or provides for the introduction of new services.
- v. Growth Related (none for 2012) – Any capital project that supports growth and development across the City.

Outlined below is a summary showing the capital budgets approved by City Council for the previous 5 years and the respective actual expenditures for the Capital Works Program.

Year	Approved Budget	Expenditure
2006	\$5.325M	\$5.200M
2007	\$4.800M	\$4.710M
2008	\$5.000M	\$4.985M
2009	\$5.015M	\$5.000M
2010	\$2.670M	\$2.670M

Due to budget constraint with the given target at \$3.435M for 2012, this capital budget is not going to address all concerns arising from the nine (9) state-of-good-repair building assessments completed in the last four years

The following is an outline of the seven (7) main projects within the 2012 Capital Works (Net) Program in order of priority and no project to be funded by other sources. All budgets include estimated costs for engineering, construction, in-house work, project management, disbursements, and administrative charges where applicable but exclude the H.S.T.

1. Pre-Engineering Program (\$0.100M)

This program supports all necessary pre-engineering services for the study, investigation, design and engineering to ensure successful planning and execution of the Ten-Year Capital Works Program and is vital to the success of the annual budget. City Council in 2005 directed that assessments be undertaken on all City buildings. So far a total of nine (9) buildings were completed at Exhibition Place. Exhibition Place intends to complete one (1) more assessment (Bandshell Dressing Rooms) in 2012. This line item also targets the required work and budget preparation for the 2011 and 2012 projects; along with any unexpected concerns that arise during a given year and need to be assessed.

Parks, Parking Lots, Roads (\$0.725M)

(a) Sidewalks, Pathways, Roads and Lots: With the pending developments of the Hotel, and possible expansion of BMO Field by Maple Leaf Sports & Entertainment, parking for the trade and consumer show clients and for BMO Field will be at a minimum. The large parcel of land south of the BMO Field and Princes' Blvd, approximately 723,000 sq. ft. (16.5 acres), is now used as both a parking lot and event space, is in extremely poor conditions and has not been upgraded at all since the Exhibition Place Stadium was torn down in 2000. The Board engaged Urban Strategies Ltd. to undertake a design of this area to improve and increase parking stalls and to provide services to allow the City to attract major events serving 100,000 to 200,000 attendees (similar to the World Youth Day event in 2001). A line program of \$0.550M is proposed for the 2012 budget. It is estimated that for parking alone this will accommodate 600 additional vehicles which would result in net parking revenues of \$650,000.

(d) Street & Parking Lot Lighting Retrofit: This project aims at the replacement of all existing end-of-life and deteriorated light standards with new light standards as well as a division of parking lot lighting from street lighting to allow the parking lot lights to be turned off or dimmed especially in the upgraded parking area noted above which has very minimal lighting. Exhibition Place has approximately 150 cobra pole street lights which were installed over 20 years ago. These poles and the lighting fixtures are past their rated life and are deteriorated to the point where routine patch welding is insufficient. All existing replacement stock has been depleted and some posts have been determined to be approaching catastrophic failure. With a proposed budget of \$0.175M in 2012, prioritized replacement will be implemented.

2. Equipment (\$1.350M)

(a) Building Automation System: The operation of Exhibition Place involves managing its many older buildings. At present, there is a mixture of systems on the grounds some of which are not functioning properly. Technology in this area has also changed drastically in recent years. Substantial energy efficiencies and savings can be achieved through a modern consolidated plant management and building automation system to monitor and control energy usage, deal with power load shedding, and monitor plant and building equipment and the environment. Exhibition Place is exploring other funding options or partnerships to help finance this program and is also working with City officials in the Energy Efficiency Office who are also upgrading the City systems. This line program, with a proposed budget of \$0.500M in 2012, was created as a state of good repair program to start this long-term project which is predicted to result in substantial energy savings.

(b) Various Electrical Infrastructure & PBX/IT for Show Services: Established in 2000, this program upgrades and replaces electrical and PBX/IT equipment that are needed to provide a service to our clients with profitable revenue (average of \$1.2M annually). Telecom and IT investment is also a profit centre for the Board. The current PBX equipment is well over 12 years old. In order to continue providing a profitable service for shows and exhibitors, inventory upgrades and replacements must be maintained and a budget of \$0.200M in 2012 is proposed.

(c) Transformers, Switchgears, Circuit Breakers and Feeders (61 Sets in 38 Locations) Replacement in all Substations. As an established exhibition centre, many of the electrical installations in all substations (38) share much of the history of its designated historic buildings. Electrical equipments are old and outdated; generally over 70 years old. Safety to the public and staff who work in these substations is a concern. This line program, with a budget of \$0.200M proposed for 2012, maintains the needed replacement of the high and low voltages power equipments. Unplanned outages or failure of the substation equipment could cause shows or events to be shut down for days as replacements are sought. More importantly, this program is to maintain electrical equipment safety standard for staff for which they have to work on in a routine manner as required by the show schedule. CEB replacement for Bandshell substation is proposed in 2012.

(d) Fire Alarm System Panel Replacements in Various Buildings: The existing fire alarm systems in the older buildings are the products of Pyrotronics System 3, a single stage and non-addressable system. It is recommended that this system be changed over from MXL to XLS addressable fire alarm system and connected to the Network Control Centre (NCC) at the General Services Building. Buildings which still have this older system include General Services Building and Horse Palace. It is proposed that the budget for this line program be \$0.100M for 2012. The Ontario Building Code also required that any replacement of a fire alarm control panel be accompanied by an upgrade of the complete fire alarm system under the Ontario Building Code. This normally involves a complete audit of the fire alarm system by a third party who will prepare drawings and specifications and submit them to the Toronto Fire Department for review and approval. Any deficiencies such as fan shut down with fire alarm, sprinkler valves not supervised shall be upgraded to the present Code. This line program for gradual replacement is created for this purpose.

(e) Building Waste Management System: This line program of \$0.050M provides funding for purchasing of equipment to adapt to the City's policy of 80% reduction by 2010. With the Allstream Centre completed in 2009, the waste stream from it will impact the goal of 80% without the purchase of more equipment (recycling bins and containers, cardboard bailers and ground recycling) to handle the added load. Equipment required is for sorting waste prior to collection and disposal. Last year due to this program, Exhibition Place exceeded the City of Toronto objective for waste diversion rate of 80% by 5%.

(f) Parking Equipment & Kiosks at Direct Energy Centre: This line program of \$0.150 Million includes the upgrade of existing parking kiosks at the Direct Energy Centre with new automated card access for efficient operation and the upgrade of the security and revenue tracking infrastructure to optimize parking returns. Parking revenue at the DEC with over 1,200 parking spots provides a major source of income for Exhibition Place. With many large shows in the building and heavy show schedule, the usage of the underground parking has increased. Inefficient operation negatively impacts customer service and revenues.

(g) Replacement of Fibre Optic Cable: Exhibition Place's fibre optic cable system installed in the early 1990s was sized to meet Exhibition grounds needs at the time. Since then Exhibition Place communication systems have changed and the existing fibre optic cables have been maximized and do not meet the customer demands and the existing cable has limited capacity

due to old technology. By replacing and upgrading the cable, capacity will be improved dramatically. This proposed project at \$0.150M for 2012 includes replacement of fibre optic cable system in a systematic way for full replacement and upgrade. In addition, a break down of the original fibre optic cable system due to the age would result in lost communication which could cause Exhibition Place to lose the monitoring of fire alarm systems and building automated systems. Therefore, replacement and upgrades to our existing fibre optic cable to meet today and future needs is recommended.

3. Direct Energy Centre (\$0.700M)

(a) Damaged Sections of Movable Huffcore Wall: This proposed project, with a budget of \$0.150M, includes replacement of the sectional movable huffcore walls that are damaged. Huffcore walls in the DEC are essential for the operation of multiple shows at one time. Many huffcore wall panels are damaged between halls and in meeting rooms and need to be replaced under this program. If damaged panels malfunction, they will no longer be able to separate the halls for different events. This replacement of wall sections is capital in nature and cannot afford to be funded from operating budget. Without the ability to convert the large meeting rooms and halls into smaller rooms, our ability to satisfy show market is reduced, thus resulting in loss of show revenue.

(b) Retrofit Salons and Equipment (Rooms 101, 103 & 110): This proposed program includes replacing and upgrading of electrical and AV equipment and interior restoration. The 2006 Building Assessment and staff recommendation for the use and functional aspect of the DEC salons indicated a need to replace and/or upgrade the high demand meeting rooms with new electrical and AV equipment. Meeting rooms of all sizes suitable for varying number of people are in high demand for trade and consumer shows. A budget of \$0.150M for 2012 is proposed for this multi-year project.

(c) Washrooms Renovation: It is important to maintain washrooms in any first class trade show facility. The washrooms in Direct Energy Centre have not been renovated since it first opened in 1997 and according to the 2006 Building Assessment should be started. Not upgraded the washrooms will negatively affect our customer services and will increase maintenance expenses. This proposed multi-year project with a budget of \$0.400M for 2012 will restore all washrooms in the facility. Work will include: changing partitions to ceiling hung to facilitate easy cleaning; replacing individual sinks to group trough sinks to minimize the need for frequent mopping and cleaning; and replacing faucets, toilets and urinals with energy efficient fixtures to conserve energy and water.

4. Other Buildings (\$0.085M)

(a) Various Buildings & Grounds Wide Security Surveillance System/Card Access/CCTV: This established line program continues to manage risk and minimize liability for the organization. Security surveillance system/card access is recommended for this vital health and safety program to provide public security to buildings and grounds. By providing the required security surveillance system, buildings will be protected from any unforeseen events such as vandalism and controlling the accessibility of the buildings. It will include new CCTV for ground and

buildings monitoring, with colour monitors and wireless / hard wired digital cameras. Card access and system control will be provided for authorized personnel for access to buildings. In 2012, this program, with a proposed budget of \$0.085M, will concentrate on security and proper card access for the management and event services offices and meeting rooms at the Direct Energy Centre.

5. Food Building (\$0.125M)

(a) Fire Protection System Code Retrofit: This proposed project for \$0.125M is to install the fire panel components which will allow for the replacement of all other existing initiating devices with addressable devices and connecting them to the new network command centre at the General Services Building including fibre optic interfacing modules. The 2007 Building Assessment recommended upgrade of the existing fire alarm system motherboard to extend the life of the existing fire alarm system. This project line includes retrofit of the fire protection system; upgrading the main motherboard to the latest version to stay current with the new fire alarm system technologies and to comply with ever changing codes and standards. The fire panel is to be upgraded from the outdated MXL model to the latest model, XLS.

6. Better Living Centre (\$0.350M)

(a) Interior Lead Encapsulation Retrofit: This project aims at the encapsulating the lead coatings on the interior ceiling, walls and column surfaces of the Better Living Centre. Audits of the facility identified lead in the surface coating, which is peeling from surfaces. Based on this known element of risk and any potential claim will be significant in the future if not addressed. \$0.225M is proposed for this work in 2012.

(b) Electrical/IT Infrastructure: This project includes all electrical deficiencies necessary for state of good repair. Based on the audit report, 5 substations under the Better Living Centre have moisture problems. Air moisture is corroding the switchgear and grounding copper for ground fault protection. This corrosion endangers anyone working in the substation or operating the switchgears. Measures to control moisture are required to ensure the safety of the substations. \$0.125M is proposed for this work in 2012.

7. Queen Elizabeth Building – No project in 2012

8. Horse Palace – No project in 2012

9. Coliseum Complex – No project in 2012

10. Press Building – No project in 2012

11. General Services Building – No project in 2012

12. Allstream Centre – No project in 2012

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