

The Board of Governors on July 10, 2009 approved the recommendations embodied in this report.

July 6, 2009

To: The Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young, CEO

Subject: **Food Services Agreement, Conference Centre – A/V Investment**

Summary:

This report seeks the Board’s approval of an addendum to the Food Services Agreement with Centerplate and National Hotel Corporation (carrying on business as Cerise Fine Catering-“Cerise”). Under the amendment Cerise will contribute up to \$250,000 to install in the conference centre ballroom, theatrical sound and lighting. The amendment is for a term of 3 years and includes the provision for Cerise to be the Official Supplier of A/V services at the Allstream Conference Centre through an industry recognized A/V Partner. While the Conference Centre budget always included built-in AV in the meeting rooms, the intent was to have an official supplier to purchase and supply AV equipment for the ballroom and provide services to events. This business model is similar to other major centers in Toronto and also on the grounds, such as Liberty Grand. Exhibition Place staff believe the Cerise in partnership with an industry recognized A/V partner will provide a competitive approach to catered events held in the ballroom which are a large part of the proforma for the Conference Centre.

Recommendation:

It is recommended that the Board approve of an addendum to the agreement with Centerplate and National Hotel Corporation carrying on business as Cerise Fine Catering on the terms and conditions set out in this report and the Confidential Attachment to this report.

Financial Impact:

Approval of the amendment to the agreement between the Board and Cerise will result in a positive income stream to the Board as discussed in the Confidential Attachment 1.

Decision History:

Board of Governors, November 3, 2006	Approval of business terms for an exclusive food services agreement between the Board and Centerplate and the National Hotel Corporation (the “FSP”) related to the provision of food and beverage services within the proposed Conference Centre in the renovated Automotive Building.
Board of Governors, December 15, 2006	Approval of the terms and conditions of the full LOI between the Board and the FSP for food services within the renovated Conference Centre and the financial proposal for the proposed Conference Centre which included a loan from the National Hotel Corporation for part of the construction costs.
City Council, March 5 & 6, 2007	Approval of LOI between the Board and the FSP for exclusive food services in the proposed Conference Centre. In addition, approval of a recommendation which deleted the need for financing from the National Hotel Corporation and replaced this financing with a City loan of \$21.2M.
Board of Governors, May 4, 2007	Approval of the engagement of NORR as the design architect on the Conference Centre project at a total fee of \$968,000 (excluding

	GST) for Phases I & II and the project schedule.
Board of Governors November 7, 2007	Approved of the increase in the overall Conference Centre capital budget from \$29.0M to \$46.88M with request to City Council to increase its loan to the Board from \$21.2M to \$35.6M with an increase in the interest rate from 4.75 to 5.0 percent and an increase in the amortization period from 20 to 25 years; and request for the depletion of the full Exhibition Place Capital Reserve.
City Council, December 10, 11, 12, 13 & 14, 2007	Approval of the Board's recommendation as noted above and in addition, increase the term of the loan from twenty to twenty-five years and establish an obligatory reserve fund, called the "Exhibition Place Conference Centre Reserve Fund" to provide a source of funding for any shortfalls in loan payments to the City from Exhibition Place for a new conference centre and direct revenues from the Direct Energy Centre and the Conference Centre naming rights agreements into the fund along with any 2007 operating surplus for Exhibition Place.
Board of Governors, December 7, 2007	NORR Management Group presented a detailed power-point presentation with respect to the proposed design of the Conference Centre, which was unanimously received for information by the Board.
Board of Governors, January 25, 2008	Update of financial details, budget requirements and provide the explanation of the increase on costs for construction and professional services; also attaching to the update was the City Council Decision of December 2007 and supporting report of the Deputy City Manager and CFO. Report deferred to next meeting of the Board on March 6, 2008.
Board of Governors March 6, 2008	Update financial details, budget requirements and explain the increase costs for construction and professional services. Approval of amendment to the NORR Architectural fees; also attaching to the update was the City Council Decision of December 2007 and supporting report of the Deputy City Manager and CFO.
Board of Governors March 19, 2008	Award of main construction contract to Vanbots Construction Corporation at a cost of \$33,450,000, excluding GST.
Board of Governors May 2, 2008	Board extended the term of the agreement with MHPM Project Managers Inc. by 7.5 months at a total cost of \$115,000 to be drawn down from the project contingency.
Board of Governors September 19, 2008	Board approval of A. Buchanan Floor Coverings Ltd. for the supply and installation of the carpet.
Board of Governors December 2008	Board approval of Allstream to provide the AV system.
Board of Governors April 17, 2009	Board approval of Renaissance Business Interior Ltd. for the supply and delivery of conference centre chairs.
Board of Governors May 29, 2009	Board approval of Davidson Furniture Specialties Ltd. for the supply and delivery of ballroom chairs.

Comments:

To be competitive in the marketplace for galas and other events it is important that the ballroom of the new conference centre have a component of preinstalled theatrical sound and lighting so that events are not incurring the costs, which can be substantial, to rent theatrical sound and lighting equipment, and also have to pay for the install and removal on an event by event basis. Other tenants at Exhibition Place, Liberty Grand and Muzik have also taken this approach in order to make their venues competitive. Cerise has agreed to make an investment of up to \$250,000 to install the audio-visual equipment required to make the ballroom competitive and allow the Board to attract both galas and conventions and meetings (the "A/V Equipment").

It is industry practice for a convention/conference centre to have an Official Supplier of A/V services, for example at the Metro Toronto Convention Centre, AVW-TElav is the Official Supplier of Audio Visual Solutions. The Official allows the venue to have necessary services such as audio/visual equipment rental, event staging services, simultaneous translation services, provision of audience response and multi-microphone discussion systems. A/V Services does not include the provision of any computer equipment, computer rentals, internet or telecommunication services.

In addition to the financial terms and condition set out in the Confidential Attachment, the substantial terms and conditions of the proposed addendum are as follows:

- a) The Term of the addendum is for three years, with amortization of the A/V investment commencing on date of the reopening of the renovated Building, or the date of installation of the A/V Equipment, whichever is later.
- b) Cerise shall provide the Board with a complete and accurate inventory of all items purchased, including copies of paid invoices, as part of the A/V Equipment and any associated warranties;
- c) Installation of the A/V Equipment shall be done by Cerise, at Cerise's expense as part of the \$250,000 A/V Investment;
- d) Cerise shall, throughout the term be responsible at its sole expense for the maintenance, repair or replacement of the A/V Equipment, unless caused by the negligence or willful misconduct of the Board, its employees, agents, contractors, licensees or invitees;
- e) Additional Investment: Cerise may change the configuration of the A/V Equipment, and may make additions to the A/V Equipment subject to the Board's prior approval. Such changes shall not interfere with the ability of a client to make alternate arrangements for A/V Services. Additions to the A/V Equipment shall be deemed an additional A/V Investment, and shall be subject to the terms and conditions of this amendment.
- f) Official Supplier of A/V Services - Cerise shall have the right to provide A/V Services at the Facility on a non-exclusive basis. Cerise shall be designated as the "Official Supplier" of A/V Services at the Facility; provided, however, that Cerise shall provide such A/V Services by and through a partnership with a third-party provider (the "A/V Partner") reasonably acceptable to the Board. Cerise agrees the name of the A/V Partner will have prominence for marketing to conferences;
- g) The terms of the supply agreement between Cerise and the A/V Partner shall not exceed a term of three (3) years and be co-terminous, if necessary, with the agreement between Cerise and the Board;
- h) Cerise agrees that any client may choose to obtain A/V Services through Cerise, as the Official Supplier, or may make separate arrangements from a supplier satisfactory to the Board; provided, however, that if the client chooses a supplier other than the Official

Supplier, such alternate supplier shall be required to contract with Cerise with respect to the use of any of the A/V Equipment.

- i) Cerise will, in consultation with the Board, recommend appropriate sound and lighting solutions for Events having regard to the construction of the Allstream Centre, and the anticipated requirements of major galas and events.
- j) Cerise and the A/V Partner shall comply with all collective agreements of the Board of Governors of Exhibition Place and especially the collective agreement for IATSE.
- k) Labour provided by the Board in respect of the provision of the A/V Services will be billed to Cerise at book rate, which is the Board's price list, which approximates cost plus 15%. Labour costs associated with providing services of the Board Equipment in the second floor meeting rooms will be at the cost of the Board.
- l) Cerise will annually prepare and submit to the Board a review of pricing for A/V services benchmarked to 5 major facilities including the Metro Toronto Convention Centre;
- m) Upon the expiry of the three-year agreement, the Board may, at its sole option:
 - I Enter into a further three-year agreement with Cerise on the same terms and conditions or such other terms and conditions as may be agreed to by the Board (provided that no subsequent agreement shall extend beyond the date of termination or expiry of the Food Services Agreement);
 - II Recommend to City Council the entering into of an agreement with Cerise for a term of longer than three years on such terms and conditions as may be agreed; or
 - III Choose to reimburse Cerise for the unamortized portion of the A/V Investment (including any additions) and undertake the provision of the A/V Services itself or by third party supplier (each, an "Alternate Provider"); provided, however, that the Board agrees that the rates for A/V Services charged by the Alternate Provider shall not, in the first year be greater than the average rates most recently charged by the Official Supplier, and, thereafter, shall not increase on a percentage basis from year to year by more than the percentage increase in the Consumer Price Index ("CPI") over the previous twelve (12) months. The CPI shall mean the average for "All Items" shown on the Consumer Price Index for All Urban Consumers (CPI-U) for the City of Toronto, Ontario Canada, 1982-84=100, as published by Statistics Canada, or if the CPI is no longer published, the index of consumer prices in Canada most closely comparable to the CPI. Notwithstanding the amount of the CPI increase described above, any price increase shall not exceed three percent (3%) of the previous year's pricing. This provision shall survive the termination or expiration of this A/V Services Agreement.
- n) The Board agrees that in the event that A/V Services are provided by an Alternate Provider, such Alternate Provider shall be obligated to provide A/V Services at up to ten (10) Events of Cerise's choosing, per year, at no charge to Cerise for the rental of the A/V Equipment; provided such events are in keeping with the size and scope of Cerise events, historically. Cerise agrees that if a client has paid an A/V rental fee to Cerise in the past for the A/V Equipment it cannot apply this waiver to this client/event.