

June 29, 2009

To: The Board of Governors of Exhibition Place

From: Finance and Audit Committee

Subject: **National Soccer Stadium (BMO Field) 2010 Capital Budget**

Summary:

This report is being submitted to provide information on the 2010 recommended level of the Capital Expenditures Budget for the National Soccer Stadium (BMO Field). The adoption of the recommendation in this report will result in the outlay of approximately \$328,333 for service improvements. All items requested have a direct and positive relationship to revenues earned and fan experience. The cost is fully funded from gross revenues earned at BMO Field and in accordance with the terms of the Management Agreement between the Board and Maple Leaf Sports & Entertainment Ltd. (MLSEL), it is included as an expense within the 2010 Operating Budget of the National Soccer Stadium as a payment into a Capital Reserve Fund to be held by the City of Toronto. Therefore, there are no incremental financial implications to the Board or the City for these capital expenditures.

Recommendation:

It is recommended that the Board approve the proposed 2010 Capital Budget in the amount of \$328,333 for the National Soccer Stadium (BMO Field).

Financial Impact:

The adoption of the recommendation in this report will result in the outlay of approximately \$328,333 for service improvements. There are no incremental financial implications resulting from the adoption of this report as the cost is fully funded from gross revenues and is included as an expense within the 2010 Operating Budget of the National Soccer Stadium as a payment into a Capital Reserve Fund to be held by the City of Toronto. There will be sufficient funds from the annual required contribution and interest earned in the Capital Reserve to pay for the expenditures.

Decision History:

At its meeting of June 29, 2009 the Finance and Audit Committee considered this report and recommends approval by the Board of Governors of the recommendations.

Issue Background:

At its meeting of October 21, 2005, the Board approved of entering into an Agreement with Maple Leaf Sports and Entertainment Limited as the Manager of the National Soccer Stadium as Agent for the Board to provide management services including operations, maintenance and marketing services for twenty years effective January 1, 2007 and expiring on December 31, 2027. A term of this agreement requires the transfer of \$400,000 from the annual Operating

Budget to a Capital Reserve Budget to be held by the City for the sole benefit of the National Soccer Stadium.

A comprehensive review of capital requirements is done annually in conjunction with the commencement of the operating budget process. The capital budget for BMO Field is consolidated within the overall 2010 Capital program for Exhibition Place.

Comments:

The 2009 fiscal year is the third year of operations and the contractual requirement to set aside funding and the expected December 31, 2009 year end Capital Reserve balance is estimated to be at \$40,000. In 2010 there will be the additional required yearly contributions of \$400,000 plus any interest earned in the Reserve Fund.

MLSEL have recommended only three (3) major capital projects for 2010:

(a) Equipment upgrades	\$148,333
(b) Building repairs/upgrades	130,000
(c) Portable Kiosks	<u>50,000</u>
	<u>328,333</u>

All items requested have a direct and positive relationship to revenues earned as follows:

- Item (a) Equipment Upgrades (Patio BBQ, POS upgrade for inventory management, F&B fixtures, radios, AV upgrade for videoboard, etc.) will help to improve fan experience, reduce downtime, improved communications and provide for additional F&B revenue as more equipment will be available and fans can also be served faster during breaks. It is estimated that the financial payback is four years.
- Item (b) Building repairs/upgrades is to assist with positive fan experience with the replacement of seating, concrete repairs, replacement of rubber matting and Grandstand repairs and is based on feedback from fans.
- Item (c) Portable Kiosks are required for service improvements to add additional food outlets and additional revenues from F&B services.

The requirements to fund capital expenditures of the Stadium are addressed and identified within the Management Agreement and the main terms and conditions are as outlined below:

- The Board shall cause a segregated interest bearing Capital Reserve Account to be established to fund Stadium Capital Expenditures.
- For the first five (5) years during the Term, the Manager shall appropriate from gross revenues an amount to the Capital Reserve Account equal to \$400,000 per year and increasing for each fiscal year commencing on the sixth fiscal year by application of the CPI Index Ratio.
- The Capital Contribution shall be subject to equitable pro-ration for partial year starting with the first fiscal year.
- The Manager shall include a Facility User Fee surcharge on all tickets to the Stadium in varying amounts determined by the Manager and the Board for the purposes of Capital Repairs and Improvements all of which shall be included in gross revenues.
- All Capital Expenditures shall be set out in the Annual Capital Budget and agreed to by the Board and the Manager as being required to maintain and operate the Stadium in accordance

with a Tier II level sports and entertainment facility of similar age, size, condition, design and volume and nature of use.

- All Capital Repairs and Improvements contemplated by the Manager shall be carried out by the Manager as Agent for the Board, in consultation with the Board and in accordance with the capital tendering procurement process of the Board, a copy of which was provided to the Manager prior to the commencement of the Term.
- The Board and the Manager shall be equally responsible, on a dollar for dollar basis, for making any contributions to Capital Expenditures in addition to the amount then held in the Capital Reserve Account in the event that approved capital expenditures in any fiscal year during the term are in excess of the amounts then held in the Capital Reserve Account. However, contributions to Capital Expenditures by the Manager and the Board as provided shall be repaid (reimburse) thirdly from excess cash flow in each fiscal year after first paying the Manager's Supplementary Fee and the Manager's Incremental Fee.
- The Board will retain all funds within the Capital Reserve Account at the expiration of the term.
- Capital Repairs and Improvements means any and all repairs, maintenance, additions, alterations, renovations, restorations, replacements and improvements to the Stadium that in accordance with Generally Accepted Accounting Principles are capital in nature and include equipment and systems.

This report recommends that the Board of Governors adopt the proposed 2010 Capital Budget in the amount of \$328,333 for the National Soccer Stadium

Contact

Hardat Persaud, Chief Financial Officer

Tel: 416-263-3031

Fax: 416-263-3690

Email: HPersaud@explace.on.ca

Submitted by:

Fatima Scagnol
Corporate Secretary