

June 30, 2010

**ACTION REQUIRED**

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **National Soccer Stadium (BMO Field) 2011 Capital Budget**

Summary:

This report provides information on the 2011 recommended level of the Capital Expenditures Budget for the National Soccer Stadium (BMO Field). The recommendation in this report will result in the outlay of approximately \$316,633 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 2011 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 2011 Capital Budget in the amount of \$316,633 for the National Soccer Stadium (BMO Field).**

Financial Impact:

As noted with the summary, the recommendation in this report will result in the outlay of approximately \$316,633 for service improvements. There are no incremental financial implications resulting from the adoption of the recommendation as the cost is fully funded from gross revenues and is included as an expense within the 2011 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 \$400,000 required contribution and interest earned in the Capital Reserve to pay for the expenditures.

Decision History:

Due to scheduling commitments, a formal meeting of the Finance Committee was not scheduled, however, a briefing by staff was completed with the Chair of the Board, an ex-officio member to the Finance Committee, on June 22nd, and with the Chair of the Finance Committee, John

Weatherup, and Committee member and Vice-Chair of the Board, Gloria Lindsay Luby, on June 30th. All were in agreement with the recommendation outlined in this report.

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.

Issue Background:

A comprehensive review of capital requirements is completely annually in conjunction with the commencement of the operating budget process. At its meeting of July 10, 2009, the Board approved the Manager (MLSEL) spending \$328,333 for capital expenditures in 2010 for service improvements, all of which is expected to be spent.

Comments:

The 2010 fiscal year is the fourth year of operations and the contractual requirement to set aside funding and the expected December 31, 2010 year end Capital Reserve balance is estimated to be at \$112,000. In 2011 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 2011:

<b>Project</b>	<b>Cost</b>
Equipment Upgrades	157,333
Building Repairs/Upgrades	98,300
Portable Kiosks	61,000
<b>Total</b>	<b>316,633</b>

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

- Equipment Upgrades (Cooking equipment, radios, POS upgrade for inventory management, Software upgrade for accounting and reporting system, F&B fixtures, Electrical service upgrades, AV upgrade for videoboard including bulkhead installation, etc.) will help to improve fan experience, reduce downtime, improved communications and provide for additional food and beverage 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.
- Building Repairs/Upgrades is to assist with positive fan experience with the replacement of ticket scanners which will help to reduce lines and cover additional new entry locations,

seating, replacement of broken concrete; wooden stairs with galvanized; carpet in the dressing rooms; Grandstand seating and is based on feedback from fans.

- Portable Kiosks (draught units, north patio BBQ, hand wash sinks for safety, freezers) 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:

1. The Board shall cause a segregated interest bearing Capital Reserve Account to be established to fund Stadium Capital Expenditures.
2. 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.
3. The Capital Contribution shall be subject to equitable pro-ration for partial year starting with the first fiscal year
4. 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.
5. 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.
6. 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.
7. 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.
8. The Board will retain all funds within the Capital Reserve Account at the expiration of the term
9. 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.

Contact

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Submitted by:

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