

March 1, 2010

To: The Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young, Chief Executive Officer

Subject: **Purchase of CNEA Cultural Artifacts**

Summary:

In the 2008 Memorandum of Understanding (MOU), the Board of Governors of Exhibition Place (BOG) and the Canadian National Exhibition Board of Directors (CNEA) agreed to a purchase and sale agreement at fair market value of three artifacts that are owned by the CNEA - the Haines Murals located within the Direct Energy Centre; the statutes of the Garden of the Greek Gods in front of the Muzik Clubs building; and the Satok Mural on the lawn in front of Medieval Times. Specifically, the MOU allowed for the BOG to purchase the Haines Murals (\$150,000) and Satok Mural (\$130,000) at a total fair market value of \$280,000 over three years. Because of the consolidated surpluses experienced in 2008 and 2009, the full purchase price has now been paid and the Haines Murals and Satok Mural and are owned by the BOG.

The last remaining artifact still owned by the CNEA is the Garden of the Greek Gods which is valued at \$500,000. This report is recommending the purchase of these artifacts over a four-year period commencing in 2010 with the annual payment of instalments of \$125,000. Again, as with the purchase of the Haines and Satok Murals, payment in any one year is completely dependent on the Board's financial ability to pay as based on the year-end consolidated actuals and would not be paid if such payment had any negative impact on the consolidated financials or the City of Toronto tax base.

Recommendation:

It is recommended that the BOG approve the purchase of the Garden of the Greek Gods statuary from the CNEA at a value of \$500,000 with the payment of equal instalments over a period of four years (2010 – 2013) provided that such purchase and sale has no negative financial impact on the consolidated operating budget for Exhibition Place as set out in this report and all payments made are made directly to the CNEA Foundation.

Financial Impact:

The financial changes proposed for 2010, 2011, 2012 and 2013 will have zero impact on the year-over-year consolidated operating budget for Exhibition Place provided to City Council on an annual basis and Exhibition Place operations will have no negative impact on the City tax base

Decision History:

At its meeting on June 20, 2008, the Board and the CNEA approved entering into a MOU on the terms and conditions set out in that report for the three year period from January 1, 2008 to December 31, 2010. At its meeting of December 2009, the Board approved a final payment to the CNEA Foundation for the purchase of the Haines and Satok Murals.

Issue Background:

Since 1983, the BOG and the CNEA have entered into successive agreements (MOU) that address the operation of the annual CNE on the grounds. Since 1997, such agreements have recognized the CNEA's ownership of three significant assets on the grounds which had been donated to the CNEA many years ago. These assets (Haines Murals within the Direct Energy Centre, Garden of the Greek Gods statuary on the south lawn in front of the Muzik Clubs building and the Satok Mural on the front lawn of Medieval Times) are major features on the grounds and have been the subject matter of agreements between the two Boards and which require that the BOG take all necessary action to maintain and preserve these assets at the BOG's sole cost. The 2008 MOU proposed terms for the sale of these assets to Exhibition Place which provided for a three-year purchase agreement commencing 2008 for the Haines and Satok Murals. The purchase and sale of the Haines and Satok Murals were completed in 2009 and an appraisal of the Garden of the Greek Gods statuary was completed in January 2010 and has been estimated to be \$500,000.

Comments:

Because of the magnitude of the purchase of the Greek Gods, the CNEA General Manager and I are recommending that purchase of these artifacts start in the fiscal year 2010 and be spread over a 4-year period to conclude in 2013, or approximately \$125,000 each year. The payment in any one year is also conditional on the following term:

If the consolidated financial results for the BOG is either:

- (a) less than zero; or
- (b) less than the consolidated budget as approved by City Council,

whichever is the greater in the real dollar figure, than there will be no payment to the CNEA Foundation for that year.

As of the end of December 2009, the CNEA Foundation had accumulated funds in the amount of \$484,947 including payments received in 2008 and 2009. The limited purpose of this Foundation according to its charter is to receive and maintain funds for use in supporting charitable projects generally serving the same purposes as the CNEA. In the past, the CNEA has included the interest earned from Foundation funds and a small contribution from the CNE Casino to fund the Foundation for its general expenses and the grants given out each year. These grants have been used to help support programs put forward by CNE departments and external charities and non-profit organizations. There are many additional programs that are offered every year at the CNE that would meet the Foundation's mandate if there were more funds available.

The purchase and sale of the Garden of the Greek Gods would, by the end of the four-year purchase agreement, result in a cash infusion of \$500,000 into the Foundation which would then total \$984,947 and at current interest rates would yield approximately \$2,500.00 annually in interest earned that could be used by the CNEA for programming as allowed by the Foundation criteria.

Agricultural associations similar to the CNEA (such as the Royal Agricultural Winter Fair) have determined the need to have at least \$2.0 million set aside as “restricted assets” - \$1.0 million to ensure a reserve for working capital for continuing operations, plus another \$1.0 million as a stabilization reserve in order to cope through “problematic” years. Mr. Bednar also suggests that infusion of these additional funds into the Foundation could serve as an impetus to make the Foundation more active to raise additional funds from the community through new events.

Contact

Hardat Persaud, CFO

Tel: 416-263-3031

Fax: 416-263-3640

Email: hpersaud@explace.on.ca