



Exhibition Place

Item No. 21

September 12, 2011

FOR INFORMATION

To: The Board of Governors of Exhibition Place

From: Councillor Mark Grimes, Chair

Subject: **Negotiations between the Board and CNEA for Agreement**

Summary:

This report informs the Board about the direction taken at a meeting held by representatives of the CNEA Board of Directors and the Board of Governors and the next steps in addressing issues related to negotiations about independence of the CNEA from the Board and the City.

Financial Impact:

There is no financial implication arising from this report.

Decision History

At its meeting of June 24, 2011, the Board approved of a recommendation to commence negotiations between the Board and the CNEA Board of Directors on the terms and conditions of a transition process for the CNEA to become financial and programmatically separate and independent of the Board and the City as requested by CNEA Board of Directors. At the same meeting, the CNEA President proposed that the Board establish a committee to work with the CNEA on the issue of independence.

With respect to an agreement with the CNEA Program, at its meeting of June 20, 2008, the Board approved of a 2008 MOU with the CNEA Board of Directors for 2008, 2009 and 2010 which agreement was extended on a month to month basis by the Board at its meeting of November 25, 2010.

Issue History:

Since 1998, the Board and the CNEA had MOU agreements which set out the terms and conditions of the operation of the CNE as a program of Exhibition Place. Generally, these terms and conditions were negotiated with the premise that the CNEA would become independent however, this did not happen but the form of the agreement did not change significantly since 2004 when this decision not to be independent was made by the CNEA.

In 2010 / 2011 the CNEA started re-examining the direction it should take and intended to explore its options in the negotiation of the new MOU and the 2008 MOU remained in effect pending these discussions.

Re-examining the terms and conditions of a new agreement between the Board and the CNEA would have to take into consideration the terms and obligations imposed on the Board by the Relationship Framework between the Board and the City of Toronto dated April 1, 2010, which was approved after the 2008 MOU.

Comments:

Representatives of two Boards met on September 9, 2011, and included myself and Camilla Mackenzie, Chair of the Exhibition Place Finance & Audit Committee; Jim Melvin, President of the CNEA; and Brian Ashton, Chair of the CNEA Finance Committee along with the CNEA GM and the CEO for Exhibition Place.

At this meeting it was determined that the parties would once again explore independence for the CNEA from both the Board and the City which would include financial independence and a new governance model. It was recognized by all participants at the meeting that prior to making a final determination on independence of the CNEA, there were many issues that had to be explored and determined. Some of these issues include the following:

- Year round office space
- Use of grounds for the CNE Period
- Staff issues – pensions, benefits etc.
- Legal issues
- Ownership issues related to inventory, archival artifacts, business records
- Shared services post-independence
- Insurance requirements
- Long-term agreement
- Transition period
- Reserve Fund
- Financial issues – cash flow, rent payment
- Direct services
- Governance issues

At the end of the meeting, direction was given to the CEO and the GM, CNEA to work through each of these issues with the aim of developing a financial proforma for an independent CNEA by year-end and a report to both boards early in January 2012.

Attached for your information is also the letter from Jim Melvin, President, CNEA confirming his understanding of the direction we are taking. This direction also coincides with the direction proposed by the City Manager in his report to City Council (Item #11 on the Agenda) on the City's Core Services review and included in Mr. Melvin's letter.

Submitted by:

Councillor Mark Grimes
Chair of the Board

September 14, 2011

Councillor Mark Grimes, Chair
The Board of Governors Exhibitions
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**Canadian
National
Exhibition**

Dear Mark,

Re: CNEA Independence

Following our meeting I am writing to confirm the mutual understanding and desire of the Board of Governors (BOG) and the Canadian National Exhibition Association (CNEA) to proceed toward financial and operational independence for the CNEA.

It is our mutual understanding that this initiative will conform to the recommendations of the KPMG report. As suggested in that report, a critical first step we will need to determine is the disposition of unbudgeted net revenues resulting from the 2011 CNE. As stated in the report (page 96):

“With independence the CNEA would operate its 18-day annual fair on the Exhibition Place grounds similar to the Royal Agricultural Winter Fair and have a similar relationship with the City. There would need to be a transition period and some ongoing support of the CNEA by the City, and would require a review of governance issues. An initial step could be establishing a reserve account for profits from the annual fair, to be used to fund any future deficits.”

I look forward to our continued discussion and timely resolution of the items leading to the CNEA’s program and operational independence within the grounds of Exhibition Place.

Best regards,

Jim Melvin
President, CNEA