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REPORT FOR ACTION

July 14, 2008

To: The Board of Governors of Exhibition Place
From: Finance & Audit Committee
Subject: **National Soccer Stadium (BMO Field) 2009 Capital Budget**

Summary:

This report is being submitted to provide information on the 2009 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 \$399,710 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 2009 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 2009 Capital Budget in the amount of \$399,710 for the National Soccer Stadium (BMO Field).

Financial Impact:

The adoption of the recommendation in this report will result in the outlay of approximately \$399,710 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 2009 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 contribution and interest earned in the Capital Reserve to pay for the expenditures.

Decision History:

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

At its meeting of July 14, 2008 the Finance & Audit Committee considered and reviewed subject report and adopted a motion to recommend that the Board approve the recommendation.

Issue Background:

A comprehensive review of capital requirements is done annually in conjunction with the commencement of the operating budget process. At its meeting of September 24, 2007 the Board approve of the Manager (MLSEL) spending \$300,000 for capital expenditures in 2008 for service improvements all of which is expected to be spent.

Comments:

The 2008 fiscal year is the second year of operations and the contractual requirement to set aside funding and the expected December 31, 2008 year end capital reserve balance is estimated to be at \$405,000. In 2009 there will be the additional required yearly contributions of \$400,000 plus interest earned.

MLSEL have recommended only four (4) major capital projects for 2009:

(a) Equipment upgrades	\$204,710
(b) Washroom transformation	50,000
(c) Recycling Program	85,000
(d) Portable Kiosks	<u>60,000</u>
	<u>399,710</u>

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

- Item (a) Equipment Upgrades (Vending, keg storage, walk in fridge, ductless fryer, etc.) will help to improve fan experience, reduce downtime and provide for additional F&B revenue as more storage can now be accommodated and fans can also be served faster during breaks. It is estimated that the financial payback in four years.
- Item (b) Washroom Transformation is to assist with positive fan experience with the installation of additional urinals to handle large crowds and is based on feedback from fans.
- Items (c) Recycling Program is required to support new green initiatives and ongoing operational needs.
- Item (d) 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 2009 Capital Budget in the amount of \$399,710 for the National Soccer Stadium

Contact

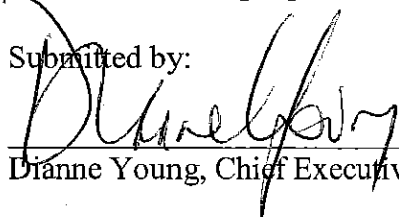
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Submitted by:



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