

EXHIBITION PLACE

October 20, 2006

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: **Variance Report – Period Ending September 30, 2006**

Purpose:

This report is being submitted for the consideration of the Board of Governors.

Financial Implications and Impact Statement:

The variance to September 30, 2006 is showing a negative variance of \$502,034 which reflects for the first time a negative variance from budget for the CNEA Program of \$1,022,725. Cost reduction measures are being instituted across all program areas to try to address this variance.

Recommendation:

It is recommended that:

- 1) **This report be received for information; and**
- 2) **Staff be requested to report to the next meeting of the Board on December 15, 2006 with an update on the year-end outlook.**

Background:

In accordance with the Financial Management By-law No. 2-99 consolidated variance analysis reports are prepared three times each year for presentation to the Board of Governors.

Comments:

This report, together with the appended consolidated variance analyses (Schedules 1-7) for the nine-month period ending September 30, 2006, is the third and last of the three reports that are submitted to the Board during 2006.

The year 2006 variance process will require staff responsible for the management of activities and related budget funding to report to the General Manager on a monthly basis for any variances in excess of 5 % during the last quarter of the year.

Consolidated Position for All Programs

The consolidated financial position of Exhibition Place for the period ending September 30, 2006 reflects an unfavourable variance of \$555,012 as indicated on Schedule 1. This variance reflects the combined activities of the Direct Energy Centre Program, Exhibition Place Program and the CNEA Program.

The Direct Energy Centre Program

The operating results for the period ending September 30, 2006, reflect a favourable variance of \$108,214.

Rental and Electrical income is unfavourable to budget by \$147,302 due to timing of new business. Food and Beverage concessions are unfavourable to budget by \$74,320 as the budget for corporate events has not been achieved and staff has reviewed this shortfall with Centerplate; however, it will be difficult to totally make up this shortfall.

Telecommunications, which encompasses selling telephone, computer and internet services to show clients, is exceeding the budget by \$22,000 due to higher demand for internet services from shows and reselling of phone services to Ricoh Coliseum and the new Soccer Stadium.

Expenses such as Cleaning and other Show Services are higher than the budget projection (40.97%) but this is a positive indicator for the Direct Energy Centre as these services are sold to clients and is offset by the higher revenue generation from Third Party Billings as seen on Schedule 2.

Direct and indirect operating costs are favourable to budget by \$137,460 as a result of savings from staff vacancy in the Finance area and the timing of expenditures in the Sales and Marketing Department.

The Direct Energy Centre is looking forward to a number of important events in the months ahead such as the Royal Agricultural Winter Fair, One of a Kind Xmas show, Print World and the expectation is that the annual budget target for net income will be achieved.

Exhibition Place Program

The Exhibition Place program has a nine-month results that are indicating a favourable budget variance of \$359,498.

Parking revenues are tracking below the budget target on a year to date basis, but as can be seen on Schedule 4, there was a positive variance to budget of \$106,000 for the month of September. This was caused by greater parking revenues than expected from the IDEX event, from a movie shoot, and spillover parking revenue from the Chinese Lantern Festival at Ontario Place.

To compensate for the anticipated year end shortfall in parking income, aggressive cost control measures have been implemented broadly across the Exhibition Place program and the following expenditure savings to September 30, 2006 can be seen in Schedule 5:

Administrative Savings – in Total	\$ 162,045
Operational Savings – in Total	\$ 602,356

There are two other areas that are showing significant positive financial results. The accounting revenue category is showing a positive budget variance of \$144,632 mainly caused by higher than anticipated revenue for overhead recovery from Direct Energy Centre events and Ricoh Coliseum events. Additionally the utilities account is showing a year to date budget underexpenditure of \$121,435 (Schedule 5). This is largely caused by natural gas savings from a relatively mild winter and also provincial rebates received through our electrical supply contract.

In terms of negative variances, there are two areas that should be commented on.

Firstly, rental and services revenue are showing a year to date negative budget variance of \$112,459. This negative budget variance will probably persist to some degree to year end and is reflective of the fact that electrical show services revenue for the Direct Energy Centre events is lower than forecast. (The Exhibition Place program receives 50% of the gross electrical revenue from DEC events). Also the sale of skilled trade services to the two new permanent tenants has been lower than had been anticipated.

The second area which is showing a significant budget variance is Sales Revenue which on a year to date basis is \$130,922 below anticipated budget. The main driver for this budget variance is that when this budget was developed in the fall of 2005 it was expected that the LCBO annual meeting would be held at Exhibition Place and that Aerophile tethered balloon attraction would return to the grounds in 2007. Neither one of these two budget plans occurred.

It is expected that the budget savings noted above will be able to offset at year end the anticipated shortfall from parking revenues and sales.

Canadian National Exhibition Association

The operating results for the period ending September 30, 2006 reflect an unfavourable variance of \$1,022,725. Revenue performance for the 2006 CNE was affected by the poor weather especially on the Labour day weekend. Admission and concession revenues (including rides) were particularly reduced by this factor.

Because of the difficulties with the revenues, diligent efforts are being undertaken to reduce expenditures to the extent possible. At the present time the expenditures to date (3rd quarter) are under the budget forecast by approximately \$269,000. It is still early to know with certainty all of the CNE related expenditures but there should be some additional savings in several areas from items such as work-order charges and the payment to Ontario Place (for the sharing of

admission revenue). Also there was an unexpected rebate for Hydro power this year and that resulted in a saving for utilities.

As happens every year, there are a number of steps that have to be taken before the final results of the 2006 CNE are known. Settlements with Ontario Place, GO Transit and the North American Midway Entertainment (NAME) need to be concluded. Other areas where additional information is needed include advance and group sales revenues and the costs of services provided by external parties and on internal work orders.

Once all of these factors have been finalized a more accurate estimate of the final position for the 2006 CNE can be produced.

Conclusion:

This report provides the variance analysis for the first nine months of 2006 for the Direct Energy Centre Program, the Exhibition Place Program and the CNEA Program.

Contact:

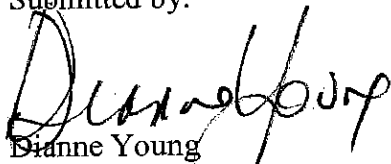
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Submitted by:



Dianne Young
General Manager & CEO

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
CONSOLIDATED VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2006**

	<u>ANNUAL BUDGET</u>	<u>CURRENT MONTH</u>		<u>VARIANCE \$</u>	<u>YEAR TO DATE</u>		<u>VARIANCE*</u>	
		<u>BUDGET</u>	<u>ACTUAL</u>		<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
DEC								
- REVENUES	11,041,809	711,495	743,600	32,105	8,327,112	8,829,146	502,034	6.03
- EXPENSES	10,149,835	937,219	916,604	20,615	8,388,967	8,782,787	(393,820)	(4.69)
- SUB-TOTAL	891,974	(225,724)	(173,004)	52,720	(61,855)	46,359	108,214	174.95
EXHIBITION PLACE								
- REVENUES	12,071,969	961,491	894,137	(67,354)	9,141,373	8,493,341	(648,032)	(7.09)
- EXPENSES	13,815,160	2,116,812	1,854,086	262,726	11,025,652	10,018,122	1,007,530	9.14
- SUB-TOTAL	(1,743,191)	(1,155,321)	(959,949)	195,372	(1,884,279)	(1,524,781)	359,498	19.08
CNEA								
- REVENUES	21,820,706	9,379,096	8,650,390	(728,706)	20,043,324	18,751,019	(1,292,305)	(6.45)
- EXPENSES	21,022,904	7,724,620	7,675,081	49,539	16,882,875	16,613,295	269,580	1.60
- SUB-TOTAL	797,802	1,654,476	975,309	(679,167)	3,160,449	2,137,724	(1,022,725)	(32.36)
CONSOLIDATED								
- REVENUES	44,934,484	11,052,082	10,288,127	(763,955)	37,511,808	36,073,506	(1,438,302)	(3.83)
- EXPENSES	44,987,899	10,778,651	10,445,771	332,880	36,297,494	35,414,204	883,290	2.43
TOTAL	(53,415)	273,431	(157,644)	(431,075)	1,214,314	659,302	(555,012)	(45.71)

NOTE: * () INDICATES UNFAVOURABLE VARIANCE

DIRECT ENERGY CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2006

	<u>ANNUAL BUDGET</u> (1)	<u>CURRENT MONTH BUDGET</u> (2)	<u>CURRENT MONTH ACTUAL</u> (3)	<u>CUR. MNTH. VARIANCE \$</u> (4)	<u>YEAR TO DATE BUDGET</u> (5)	<u>YEAR TO DATE ACTUAL</u> (6)	<u>VARIANCE \$</u> (7)	<u>VARIANCE %</u> (8)	<u>ANNUAL BUDGET REMAINING %</u> (9) =100-(6)/(1)
REVENUES									
Rental Income	6,736,163	328,243	309,377	(18,866)	4,489,457	4,374,713	(114,744)	(2.56)	35.06
Electrical Services	715,955	53,522	46,965	(6,557)	434,211	401,653	(32,558)	(7.50)	43.90
Food & Beverage	1,300,492	67,338	45,721	(21,617)	901,038	826,718	(74,320)	(8.25)	36.43
Third Party Billings	947,859	168,987	237,782	68,795	1,622,200	2,239,561	617,361	38.06	(136.28)
Advertising	237,197	19,575	17,666	(1,909)	178,469	165,588	(12,881)	(7.22)	30.19
Other Income	234,348	8,693	15,809	7,116	84,405	198,357	113,952	135.01	15.36
Official Supplier & Bus.Centre	81,378	14,322	13,095	(1,227)	127,139	113,457	(13,682)	(10.76)	(39.42)
Telecommunications	432,442	21,150	27,945	6,795	223,208	245,939	22,731	10.18	43.13
Ricoh/MLSE - Grounds Lease	355,975	29,665	29,240	(425)	266,985	263,160	(3,825)	(1.43)	26.07
TOTAL	11,041,809	711,495	743,600	32,105	8,327,112	8,829,146	502,034	6.03	20.04

Schedule 2

October 19, 2006

DIRECT ENERGY CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2006

	<u>ANNUAL BUDGET</u> (1)	<u>CURRENT MONTH BUDGET</u> (2)	<u>CURRENT MONTH ACTUAL</u> (3)	<u>CUR. MNTH. VARIANCE \$</u> (4)	<u>YEAR TO DATE BUDGET</u> (5)	<u>YEAR TO DATE ACTUAL</u> (6)	<u>VARIANCE \$</u> (7)	<u>VARIANCE %</u> (8)	<u>ANNUAL BUDGET REMAINING %</u> (9) =100-(6)/(1)
EXPENSES									
Cleaning & Show Services	1,737,016	119,501	158,143	(38,642)	1,170,516	1,650,050	(479,534)	(40.97)	5.01
Telecommunications	434,988	36,995	39,740	(2,745)	327,005	363,903	(36,898)	(11.28)	16.34
Advertising & Sponsorship	83,188	6,016	8,366	(2,350)	64,144	64,725	(581)	(0.91)	22.19
Direct Operating Costs/PMID	3,846,628	398,190	352,403	45,787	3,988,043	4,052,459	(64,416)	(1.62)	(5.35)
Operations Dept.	700,464	57,572	28,813	28,759	525,650	512,097	13,553	2.58	26.89
Event Services Dept.	1,346,216	112,051	92,229	19,822	1,011,059	984,267	26,792	2.65	26.89
Executive Dept.	577,485	47,478	44,429	3,049	435,552	433,366	2,186	0.50	24.96
Finance Dept.	1,022,853	86,700	58,127	28,573	760,831	632,793	128,038	16.83	38.13
Depreciation - Equipment	15,600	1,300	1,400	(100)	11,700	9,923	1,777	15.19	36.39
Marketing Dept.	847,175	70,598	68,610	1,988	635,382	480,060	155,322	24.45	43.33
Management Fees	358,333	29,861	29,931	(70)	268,749	269,375	(626)	(0.23)	24.83
RECOVERIES									
Telecommunications	75,000	0	0	0	0	0	0	0.00	100.00
CNE Direct Operating Costs	(522,963)	0	47,167	(47,167)	(522,963)	(475,796)	(47,167)	0.00	9.02
MLSE Recovery	(96,026)	(8,002)	(5,606)	(2,396)	(72,018)	(69,622)	(2,396)	3.33	27.50
Utility Recovery	(35,000)	0	0	0	(35,000)	(33,398)	(1,602)	0.00	4.58
Gapping	(90,067)	(7,506)	0	(7,506)	(67,554)	0	(67,554)	0.00	100.00
Event Services Dept.	(36,000)	(3,000)	(3,000)	0	(27,000)	(27,000)	0	0.00	25.00
Servomation	(115,055)	(10,535)	(4,148)	(6,387)	(85,129)	(64,415)	(20,714)	(24.33)	44.01
TOTAL	10,149,835	937,219	916,604	20,615	8,388,967	8,782,787	(393,820)	(4.69)	13.47

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2006**

REVENUES ENTITY CODE	ACCOUNT	ANNUAL BUDGET		CURRENT MONTH		CUR MNTH VARIANCE		YEAR TO DATE		YTD VARIANCE		ANNUAL BUDGET TO BE ACHVD. % (9) = (9)/(1)
		(1)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
50- 108	Parking and Traffic Revenue	5,389,200	251,000	357,482	106,482	3,509,200	2,960,137	(549,063)	(15.65)	45.07		
116	Accounting Revenue	1,772,862	236,365	236,654	289	1,642,780	1,787,412	144,632	8.80	(0.82)		
117	Overhead Admin. Support	1,164,130	1,164,130	1,164,130	0	1,164,130	1,164,130	0	0.00	0.00		
118	Overhead Site Prep.	1,984,315	1,984,315	1,984,315	0	1,984,315	1,984,315	0	0.00	0.00		
201	Sales Revenue	1,944,878	186,671	174,126	(12,545)	1,622,870	1,491,948	(130,922)	(8.07)	23.29		
306	Cleaning Recoveries	15,000	300	360	60	6,500	6,280	(220)	(3.38)	58.13		
313	Rentals & Services	2,950,029	287,155	125,515	(161,640)	2,360,023	2,247,564	(112,459)	(4.77)	23.81		
	CNEA Recoveries	(3,148,445)	(3,148,445)	(3,148,445)		(3,148,445)	(3,148,445)	0	0.00			
	TOTAL	12,071,969	961,491	894,137	(67,354)	9,141,373	8,493,341	(648,032)	(7.09)	29.64		

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2006**

EXPENSES	ENTITY CODE	ACCOUNT	CURRENT MONTH		CUR MINTH VARIANCE	YEAR TO DATE		YTD		ANNUAL BUDGET REMAINING
			BUDGET (2)	ACTUAL (3)		BUDGET (5)	ACTUAL (6)	\$ (7)	% (8)	
										= (6)/(1)
50- 100		General Manager	31,917	21,485	10,432	234,059	208,876	25,183	10.76	39.59
101		Board of Governors	2,000	1,998	2	49,000	48,948	52	0.11	17.04
103		Corporate Secretary	30,746	27,760	2,986	263,985	233,580	30,405	11.52	35.89
104		Archives & Com. Records	14,647	9,793	4,855	104,359	99,057	5,303	5.08	27.67
105		Corporate & Statutory Exp.	596,606	603,445	(6,839)	1,827,169	1,894,201	(67,032)	(3.67)	(33.76)
106		Purchasing & Stores	23,002	11,010	11,992	130,748	112,776	17,972	13.75	33.83
107		Human Resources	29,350	33,460	(4,110)	276,353	291,398	(15,045)	(5.44)	19.78
108		Parking and Traffic	108,100	79,279	28,821	1,098,528	986,246	112,282	10.22	38.83
116		Accounting	55,219	45,186	10,033	1,731,651	1,730,521	1,130	0.07	8.26
160		Information & Technology	52,036	49,083	2,953	174,294	166,955	7,339	4.21	26.28
201		Sales Expenses	55,510	15,031	40,479	230,863	141,105	89,758	38.88	52.71
301		Operations Administration	103,916	96,546	7,370	907,001	818,273	88,728	9.78	34.63
302		Grounds Maintenance	5,000	3,025	1,975	61,750	54,131	7,619	12.34	48.45
305		Utilities	122,930	105,100	17,830	744,923	623,488	121,435	16.30	23.10
306		Cleaning Services	22,519	22,777	(258)	402,021	428,113	(26,092)	(6.49)	16.38
308		Special Appropriations	270,000	256,139	13,861	336,000	301,138	34,862	10.38	11.69
313		Rentals & Services	168,893	169,533	(640)	1,845,602	1,825,825	19,777	1.07	18.88
316		Labour	42,576	46,405	(3,829)	400,268	418,254	(17,986)	(4.49)	23.00
321		Electrical Maintenance	72,017	33,328	38,689	752,452	623,827	128,625	17.09	32.26
323		Engineering	2,000	951	1,049	28,425	22,933	5,492	19.32	25.18
324		Welding	4,040	7,133	(3,093)	46,071	56,352	(10,281)	(22.31)	15.29
325		Carpentry	40,290	22,607	17,683	355,360	310,219	45,141	12.70	34.27
326		Painting	15,437	12,102	3,335	218,382	216,884	1,498	0.69	19.67
327		Mechanic & Garage	42,788	36,041	6,747	350,778	324,575	26,203	7.47	27.63
328		Plumbing	71,535	52,262	19,273	450,822	287,687	163,135	36.19	50.79
329		HVAC	54,952	27,524	27,428	452,155	281,641	170,514	37.71	50.59
330		IATSE	13,471	6,514	6,957	135,861	122,748	13,113	9.65	28.43
334		Creative Serv. & Sign Shop	3,703	2,364	1,339	36,510	24,371	12,139	33.25	46.93
500		Security	61,612	56,205	5,407	528,707	512,446	16,261	3.08	25.67
		CNEA Recoveries				(3,148,445)	(3,148,445)	0	0.00	
		TOTAL	2,116,812	1,854,086	262,726	11,025,652	10,018,122	1,007,530	9.14	27.48

CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2006

REVENUES

ENTITY CODE	ACCOUNT	ANNUAL BUDGET		CURRENT MONTH		CUR MNTH VARIANCE	YEAR TO DATE		VARIANCE		ANNUAL BUDGET TO BE ACHVD. % (9)=(6)/(1)
		(1)	(2)	BUDGET	ACTUAL		(3)	(4)	(5)	(6)	
10- 112	Admission	6,286,397	1,953,522	1,499,852	(453,670)	5,810,519	4,691,938	(1,118,581)	(19.25)	25.36	
121	Parking	1,261,109	420,000	350,000	(70,000)	1,261,109	1,100,000	(161,109)	(12.78)	12.78	
202	Agriculture	137,017	40,000	32,273	(7,727)	137,017	86,210	(50,807)	(37.08)	37.08	
205	Sports	7,000	7,000	15,406	8,406	7,000	15,406	8,406	120.09	(120.09)	
208	Concessions	4,532,464	3,360,295	3,027,597	(332,698)	4,246,018	3,813,651	(432,367)	(10.18)	15.86	
209	Casino	5,029,482	3,200,000	3,308,250	108,250	5,029,482	5,322,451	292,969	5.83	(5.83)	
210	Marketing	2,132,342	387,279	403,948	16,669	1,187,279	1,187,962	683	0.06	44.29	
305	Utilities	68,495	1,000	769	(231)	65,000	62,651	(2,349)	(3.61)	8.53	
317	Client Services	66,500	0	0	0	0	0	0	0.00	100.00	
318	Building Rentals	2,299,900	10,000	12,294	2,294	2,299,900	2,470,749	170,849	7.43	(7.43)	
TOTAL		21,820,706	9,379,096	8,650,390	(728,706)	20,043,324	18,751,019	(1,292,305)	(6.45)	14.07	

CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2006

EXPENSES

ENTITY CODE	ACCOUNT	ANNUAL BUDGET		CURRENT MONTH		CUR. MNTH		YEAR TO DATE		VARIANCE		ANNUAL BUDGET REMAINING % (9)=(6)/(1)
		(1)	(2)	BUDGET	ACTUAL	VARIANCE \$	(4)	BUDGET	ACTUAL	\$	%	
				(3)	(3)	(4)	(4)	(5)	(6)	(7)	(8)	
10- 102	CNEA	80,225	51,375	52,373	(998)	69,975	73,158	(3,183)	(4.55)	8.81		
103	Corporate Secretary	69,548	4,793	3,574	1,219	44,020	39,258	4,762	10.82	43.55		
105	Corporate & Statutory Exp.	705,952	30,000	29,730	270	273,965	272,990	975	0.36	61.33		
107	Human Resources	25,239	3,194	2,749	445	25,239	20,894	4,345	17.21	17.21		
111	Telecommunications	58,000	1,000	600	400	18,000	17,757	243	1.35	69.38		
112	Admission	1,847,136	330,083	329,817	266	922,604	916,243	6,361	0.69	50.40		
117	Overhead Admin. Support	1,164,130	1,164,130	1,164,130	0	1,164,130	1,164,130	0	0.00	0.00		
118	Overhead - Site Prep.	1,984,315	1,984,315	1,984,315	0	1,984,315	1,984,315	0	0.00	0.00		
121	Parking	190,624	59,825	59,410	415	128,624	122,864	5,760	4.48	35.55		
200	CNEA GM Office	403,090	40,975	32,557	8,418	275,081	239,804	35,277	12.82	40.51		
202	Agriculture	1,462,350	431,605	427,982	3,623	1,284,146	1,275,390	8,756	0.68	12.78		
203	Entertainment	1,106,725	231,037	226,561	4,476	953,360	938,524	14,836	1.56	15.20		
204	Attractions	417,767	121,000	116,335	4,665	334,000	310,608	23,392	7.00	25.65		
205	Sports	542,320	183,100	182,934	166	474,850	453,835	21,015	4.43	16.32		
206	Program Management	362,399	49,352	41,028	8,324	298,538	273,332	25,206	8.44	24.58		
208	Concessions	1,183,624	183,592	114,731	68,861	691,711	634,903	56,808	8.21	46.36		
209	Casino	2,661,000	253,690	261,985	(8,295)	2,453,545	2,484,605	(31,060)	(1.27)	6.63		
210	Marketing	2,190,261	880,872	874,887	5,985	1,976,787	1,862,549	114,238	5.78	14.96		
211	Air Show	425,000	190,000	197,042	(7,042)	425,000	453,684	(28,684)	(6.75)	(6.75)		
212	Special Features	967,240	307,160	299,026	8,134	917,240	884,665	32,575	3.55	8.54		
213	International/Com.Heritage	170,806	49,076	49,177	(101)	160,476	190,406	(29,930)	(18.65)	(11.47)		
305	Utilities	458,829	0	0	0	0	(28,495)	28,495	0.00	106.21		
307	Cleaning Services	411,661	353,834	348,678	5,156	373,861	351,054	22,807	6.10	14.72		
310	Grounds Maintenance	389,841	147,312	144,977	2,335	343,722	336,841	6,881	2.00	13.60		
317	Client Services	334,417	92,429	85,614	6,815	291,417	254,410	37,007	12.70	23.92		
318	Building Rentals	887,442	105,075	75,303	29,772	475,306	387,063	88,243	18.57	56.38		
530	DEC Operations	522,963	475,796	509,271	(33,475)	522,963	475,796	47,167	9.02	9.02		
170	Unallocated Work Order			60,293	(60,293)		222,713	(222,713)				
	TOTAL	21,022,904	7,724,620	7,675,081	49,539	16,882,875	16,613,295	269,580	1.60	20.98		

