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EXHIBITION PLACE

September 19, 2003

To: The Board of Governors of Exhibition Place

From: Finance & Audit Committee

Subject: 2004 CNEA Operating Budget

Recommendation:

The Finance and Audit Committee are referring the report dated September 11, 2003 from the Corporate Secretary entitled "2004 CNEA Operating Budget" without recommendation.

(Report dated September 11, 2003 addressed to the Finance & Audit Committee from the Corporate Secretary)

Recommendation: The Board of Directors of the CNEA recommends the adoption of the report dated July 29, 2003 from the General Manager of the CNEA entitled "2004 Operating Budget" with the following amendments:

(1) Under "Critical Dependencies" include that:

(a) the Food Building not be demolished because of the \$800,000 revenue it provides; and

(b) the Queen Elizabeth Exhibit Hall not be leased Toronto China Mart;

(2) Request that this report be forwarded to the Board of Governors.

(Report dated July 29, 2003 addressed to the Board of Directors from the General Manager/CNEA)

Recommendation:

This report and proposed 2004 CNEA Operating Budget (attached as Appendix A) are submitted for the approval of the Board of Directors. This budget will then be included in the Board of Governors Budget and forwarded to the City of Toronto.

Background:

At its meeting of May 27, 2003 the Finance Committee reviewed a first draft of the 2004 CNEA Operating Budget and requested that staff make major revisions to the budget for review at its June meeting:

- 1) increase the Special Feature budget line to \$600,000
- 2) increase the 2004 Revenue to \$200,000
- 3) increase the Exhibition Place Overhead by \$24,000
- 4) increase tonnage located in the cleaning budget by 30%

At its meeting of June 24, 2003, the Finance Committee reviewed a second draft of the 2004 CNEA Operating Budget and requested that staff reduce the 2004 Operating Budget income line to \$150,000, with a final review at its July meeting.

At its meeting of July 29, 2003 the Finance Committee reviewed a third draft of the 2004 CNEA Operating Budget and requested that staff increase the 2004 Operating Budget surplus to \$650,000 by increasing revenues and decreasing overall expenses as required.

Discussion:

As indicated by the lengthy background section above, the 2004 CNEA Operating Budget has received considerable attention at numerous meetings of the Finance Committee and has been examined in some detail. The goal of the committee was to maintain an excellent presentation while absorbing expense pressures due to factors mostly beyond our control. The attached budget is the product to date of these discussions and a request from the Exhibition Place (see below). As compared to the 2003 operating budget, the resulting 2004 budget shows an increase of \$814,646 in projected revenues, increased expenditures totaling \$309,946, and a surplus of \$650,000. Except as noted below with regard to admissions, these increases, both revenue and expense, are general and "across the board" in nature. As such, they establish a guideline for our direction in 2004 to the Board of Governors and the City. As has been the case in previous years, it is understood that many of the revenue and expense budgets may change between now and next Spring. It would be expected that the bottom-line surplus of \$650K would not change, but future transfers will take into account the financial performance of the 2003 CNE and evolving program plans for the 2004 CNE.

At the July 29th meeting, the Finance Committee received comments and a request from Dianne Young on behalf of the Board of Governors of Exhibition Place (BOG). It was noted that due to SARS and other industry challenges, the National Trade Centre was unable to match previously expected revenues and that some increasing expenses, such as insurance and OMERS contributions, are not within the control of the BOG. Therefore, she requested that the 2004 CNE Operating Budget help offset these shortfalls by increasing the net surplus from \$150k to \$650k. Given that the 2004 CNEA Operating Budget is based on actual results of the 2002 CNE, as opposed to 2003 results, and further given that the 2002 CNE generated a surplus of \$1.5 million, the increased surplus of \$650k for 2004 should be reasonably achievable.

The committee debated the matter for some time, recognizing that a projected surplus of \$650,000 would represent a fundamental shift in budget policy for the CNEA. The committee did finally agree to recommend the increased budget surplus to the Board of the CNEA, in the spirit of cooperation with the BOG. However, the committee also noted its reluctance based on the increased risk. The committee specifically pointed to two critical factors necessary for the accomplishment of this new objective: the first being ideal weather throughout the fair, and the second being that no further reductions be made on building availability.

Critical Dependencies:

- 1) Attendance will remain the same as in 2001 (1.4 million).
- 2) Admission prices will remain at \$10 (general admission) and \$7 (senior and child) and the full effect of the \$1.00 per ticket increase be assumed in the 2004 admissions revenue budget.
- 3) Continue to have a Special Feature program.
- 4) No further reductions in building availability (Food Building, QE Hall or others).
- 5) Ideal weather conditions for the term of the CNE.
- 6) Casino, Concession and Parking revenues will show a modest increase.
- 7) 6% COLA increase for cleaning, labour and trades (approximately 3% for 2003 and 3% for 2004).
- 8) 3% increase allowed for eligible permanent and part-time salaries, subject to direction from City Council.
- 9) \$650,000 surplus, as requested by BOG.
- 10) \$89,000 increase in Exhibition Place Administrative Support costs.
- 11) No use of Horticultural Building and QE Theatre. Decrease in site cost to BOG (\$46,000)
- 12) Increases in Cash Office PMD & armed guard recommended per 2002 City of Toronto Security Review.
- 13) One contract position for Archives specialist to clear records backlog.

Conclusion:

This report presents the 2004 CNE Operating Budget to the Board of Directors for submission to the Board of Governors and the City of Toronto.

Contact:

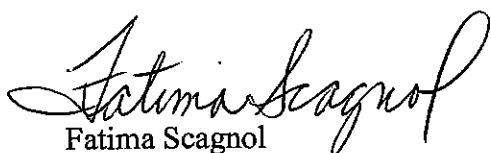
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Fatima Scagnol
Corporate Secretary

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Appendix A

THE BOARD OF GOVERNORS OF EXHIBITION PLACE
CANADIAN NATIONAL EXHIBITION ASSOCIATION

2004 BUDGET

PAGE	DEPARTMENT	2002 BUDGET	2002 ACTUAL	2003 BUDGET	2004 BUDGET
	<u>CNEA</u>				
3	REVENUE	16,090,044	17,329,027	17,111,162	17,925,808
2	DIRECT EXPENSES	12,938,308	12,689,020	13,815,109	14,069,308
35	EP OVERH'D. - ADMIN.SUPPORT	811,000	811,000	801,000	890,000
35	EP OVERH'D. - SITE PREPARATION	1,930,000	1,930,000	1,930,000	1,884,000
55	NTC COSTS-CNE PERIOD	405,000	396,060	419,753	432,500
	INCOME	5,736	1,502,947	145,300	650,000

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
CANADIAN NATIONAL EXHIBITION ASSOCIATION**

EXPENSE SUMMARY

PAGE	DEPARTMENT	2002 BUDGET	2002 ACTUAL	2003 BUDGET	2004 BUDGET
4	CNEA	69,000	60,559	69,000	71,000
5	CORPORATE SECRETARY	27,300	20,239	27,300	67,300
6	FINANCE AND ADMIN.	306,875	228,561	324,350	344,800
7	HUMAN RESOURCES	33,900	19,931	29,550	26,550
8	GROUNDS TRAFFIC CONTROL	72,950	85,329	87,050	92,480
9	TELECOMMUNICATIONS	40,000	41,113	40,000	42,000
10	ADMISSIONS	874,645	880,524	992,143	1,024,878
11	ADMISSIONS / GATES	375,750	368,441	369,500	426,000
12	PARKING	117,500	146,600	146,500	156,600
13	GENERAL OFFICE EXPENSES	381,076	391,160	417,918	430,021
14	AGRICULTURE	1,017,700	1,050,589	1,103,730	1,084,680
15	ENTERTAINMENT	924,300	860,130	1,032,100	1,005,700
16	ATTRACTIONS	524,100	500,660	562,380	569,705
17	SPORTS	345,670	327,974	357,629	364,350
18	PROGRAM MANAGEMENT	266,250	268,649	297,774	304,658
19	CONCESSIONS	897,909	901,017	944,400	1,000,134
20	CASINO	1,839,500	1,733,847	1,743,000	1,768,000
21	MARKETING	1,755,500	1,730,172	1,932,850	1,925,390
22	AIR SHOW	415,000	415,000	415,000	415,000
23	SPECIAL FEATURE	575,000	636,224	805,000	616,750
24	INTERNATIONAL EXHIBITS	118,450	110,263	123,625	126,450
25	UTILITIES	305,100	271,096	290,000	307,250
26	GROUNDS MAINTENANCE	293,000	241,000	275,600	325,000
26	CLEANING	306,000	338,860	349,200	404,400
27	CLIENT SERVICES	318,333	298,049	321,610	325,860
28	BUILDING RENTALS	704,500	722,323	713,400	798,202
29	RENTALS/TECH. SRVCS	33,000	40,709	44,500	46,150
	TOTAL EXPENSE	12,938,308	12,689,020	13,815,109	14,069,308

THE BOARD OF GOVERNORS OF EXHIBITION PLACE
CANADIAN NATIONAL EXHIBITION ASSOCIATION

REVENUE SUMMARY

PAGE	DEPARTMENT	2002 BUDGET	2002 ACTUAL	2003 BUDGET	2004 BUDGET
	10 ADMISSIONS	5,820,090	6,106,445	6,444,412	6,794,115
	12 PARKING	967,500	1,208,095	1,087,500	1,141,893
	14 AGRICULTURE	84,000	131,751	84,000	86,300
	17 SPORTS	5,000	10,000	10,000	10,000
	19 CONCESSIONS	4,026,954	4,409,780	4,101,750	4,300,000
	20 CASINO	2,568,000	2,776,698	2,546,000	2,606,000
	21 MARKETING	475,500	500,913	675,000	700,000
	25 UTILITIES	70,000	61,216	63,500	63,500
	27 CLIENT SERVICES	83,000	114,322	109,000	109,000
	28 BUILDING RENTALS	1,990,000	2,009,808	1,990,000	2,115,000
	TOTAL DIRECT REVENUE	16,090,044	17,329,027	17,111,162	17,925,808
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