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January 24, 2000

To: Board of Governors of Exhibition Place

From: Dianne Young
Interim General Manager

Subject: Facility Rental Rates

Recommendations:

It is recommended that the Board:

- 1. amend its catering rental policy to allow for the waiver of room(hall) rent when the food and beverage gross revenues exceed three times the base hall rent; and,**
- 2. request staff to report back to the Board during the 2001 Operating Budget deliberations on the catering incomes earned during 2000 given the change in the catering rental policy and advise whether the amendment to this policy should continue.**

Background:

At its meeting of April 25, 1997, the Board agreed to enter into an exclusive food service contract with Servomation Inc. for the provision of catering services in the NTC and QE (Fountain Dining Room), Horticulture and BLC buildings on certain terms and conditions. The Board rental policy relating to catered events was to be followed by Servomation.

Discussion:

As the Board is aware, the 1999 projected revenues from food services will not be met. Mr. Ernest Vincent, General Manager, NTC is exploring with Servo the reasons for this underachievement in order to improve revenues in 2000. However, one area that has been raised by Servo as being very problematic is with respect to catering events. For the information of the Board, in the first full year of operation, catering revenues in the NTC reached \$1,464,530. These have dropped to \$1,359,000 in 1999. Feedback that Servo has received from event producers cite the high cost of holding catering events at Exhibition Place as the main reason for not coming here given the competitive market for this business throughout facilities/hotels in Toronto.

Presently, the Board rental policy for catering events at the NTC and within other buildings at Exhibition Place is based on "commissions" earned by the Board rather than just "gross sales" from food and beverage. This was the policy in place long before Servo became the exclusive caterer and before the construction of the NTC. This policy is as follows:

- (i) The commission to be paid to the Board from the third party F&B provider on a food and beverage event must reach or exceed 1 ½ times the published room rental in order for the room rental to be waived. For example, Heritage Court's published room rental is approximately \$3,500.00/day. In order for the client to receive the room complimentary of space rental, the client's food and beverage costs must reach \$26,250.00 in sales (based on a weighted average of 20% commission to the Board) for each day the space is utilized by the client.

Generally, all of the event spaces within the NTC and Exhibition Place require substantial set-up of lights and sound, often with the use of high reach equipment in order to stage the catering event. Accordingly, the client requires use of the room not only on the event day but also one-day prior for set up and one day after for tear down, for a total of three days. Furthermore, if a function is held on a Saturday, space may be required on both Sunday and Monday to avoid paying double time for IATSE personnel. In many cases, three days of rental are required for the one event. Based on a three-day rental, the client would need to spend \$78,750.00 in food and beverage revenue to receive a complimentary rental. With the majority of dinners ranging between 400 to 800 persons, this figure becomes difficult to achieve.

For a larger dinner taking place in Hall A, \$267,187.50 in sales is required in order to receive complimentary room rental. With an average size dinner of 2500 persons, the price per person would have to be \$106.88, which is a figure equally hard to achieve.

A majority of the catering clients are meeting planners and/or social planners. Generally, for a mid-size dinner of 500 guests, these clients generate average revenues of approximately \$32,500, while a large dinner of 2500 is approximately \$162,500.00. This works out to \$6,500.00 commission for a mid-size dinner and \$32,500.00 commission for a large dinner. Based on this level of revenue, the client generally objects to an additional room rental (even if prorated). This is especially the consensus of opinion given that most meeting planners are aware of the rates at other facilities. For example, at the Toronto Convention Centre rental rates are waived if the food and beverage revenue is three times the rental rate.

Given the foregoing, staff is recommending that the Board amend its present catering rental policy to allow for the waiver of room (hall) rent when the gross revenues from food and beverage exceed three times the base hall rent. This policy would be more in keeping with the policies in other venues; is easier to explain to a client as the client would not be involved in discussions with respect to the Board's commission on sales; and is competitive with other Toronto venues. In the Heritage Court example above, this change in policy would mean that the room rental rate of \$3,500 would be waived if the client's food and beverage costs were at least \$10,500.

Staff is also recommending that this change in policy be reviewed during the 2001 Operating Budget process based on the success of catering sales events achieved by Servo in 2000. Servo

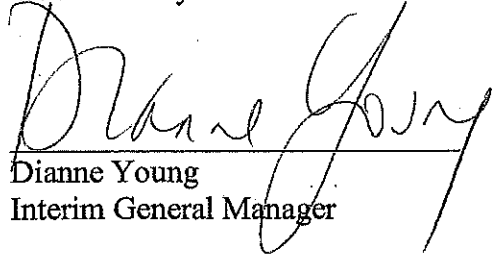
is projecting that with this more competitive catering rate it could bring 8 additional events to Exhibition Place in 2000. It is estimated that these 8 events could potentially earn an additional \$52,000.00 in catering commission for the Board.

Conclusion:

This report is recommending an amendment to the catering rental policy to allow for the waiver of room (hall) rent at a new level and the implementation of this amendment on a trial basis, subject to review in the Fall, 2000.

Mr. Ernest Vincent, General Manager has reviewed this report and concurs with the direction and recommendation with respect to the NTC.

Submitted by:



Dianne Young
Interim General Manager

