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The following report was reviewed by the Finance & Audit Committee at its meeting of May 18, 2000 and is referred to the Board of Governors for INFORMATION.

May 9, 2000

To: The Board of Governors of Exhibition Place

From: Paul Egli
Director of Finance

Subject: Variance Report – Period Ending April 30, 2000

Recommendation:

This report is submitted for the information of the Board.

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. These reports have the dual purpose of focusing management's attention on their responsibility to adhere to approved budget targets and performance levels and to inform the Board at the earliest possible time of any major variances from the approved 2000 budget so that remedial actions can be considered.

Discussion:

The appended consolidated variance analyses (Schedules 1-7) for Exhibition Place for the four month period ending April 30, 2000, are the first of three reports that will be submitted to the Board during 2000. Further consolidated variance reports will be submitted to the Board for the periods ending June 30 and September 30, 2000.

The year 2000 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 10% during the first eight months of the year. This variance will be reduced to 5% for the remainder of the year to ensure tighter financial control. This structure is consistent with standards established by the City of Toronto Finance Department and was recommended by the Metro Auditor in the 1997 Management Letter.

To assist staff in the variance analysis process the Finance Division of Exhibition Place will distribute financial reports on a monthly basis to each manager and will support analytical activities as required. In addition to the monthly reports, the majority of management staff has

on-line access to the financial system and the capability to generate periodic information as required.

The analysis put forward in this report does not deal with line by line variances but rather focuses on the major issues, programs and related financial variables during the first four months of 2000. The appended schedules identify, on an individual activity/program basis, year-to-date variances by dollar value and percentage. It must be noted that at this stage of the year what may appear to be a significant percentage variance may well become immaterial later in the year as the year-to-date budget expands. In addition, the potential for timing differences between budgeted and actual amounts is far greater given the compressed timeframe being reviewed. This has resulted in numerous minor variances throughout the accounts.

Analysis:

Consolidated Position for All Programs:

The consolidated financial position of Exhibition Place for the period ending April 30, 2000 reflects an unfavourable variance of \$56,356 or 4.07% as indicated on Schedule 1. This variance reflects the combined activities of the NTC, CNEA and Exhibition Place Programs. The balance of this report will address the significant variances that have been experienced for each of these programs for the first four months of 2000.

NTC Program

The budget for the period ending April 30, 2000, reflects an unfavourable variance of \$39,924 or 1.79% as a result of higher than budgeted expenditures and revenues of \$218,699 and \$178,775 respectively.

One of the main drivers of the negative variance has been an increase in direct operating costs compared to budget. A major factor in direct operating costs has been the higher than anticipated costs for utilities with an increase in the cost of hydro and natural gas from budget of \$39,338 and \$96,806, respectively.

Rental income is ahead of budget by \$38,386 but this favourable variance is offset by food and beverage revenues being \$31,910 below the year-to-date budget for April. While the catering business has grown in 2000, shows early in the year did not achieve budgeted concession commissions.

On a comparative year-to-year basis, net operating income for the first four months in 2000 has increased \$16,940 to \$2,186,729. A projection of the year-end position for the NTC operations will be included in the NTC management report to the Board at the May 26th meeting.

Exhibition Place Program:

The budget for the period ending April 30, 2000 reflects an unfavourable variance of \$80,526 or 8.45% as a result of lower than budgeted expenditures and revenues of \$62,999 and \$143,525, respectively.

A number of issues have arisen during the initial period, one of the most significant being the shortfall in parking revenues of \$129,123 or 6.85% of budget. One of the causes of this shortfall was the direction taken by Southex to provide free parking for the Home Show at Ontario Place. Parking revenues at the One of a Kind Craft Show were also lower than budget projections. Ms. K. Reed-Garrett and Mr. J. Gay will be meeting with all major show producers in the next few months to discuss parking issues and be reporting back to the Board on any recommended actions that need to be taken.

However, there are other positive aspects with respect to parking operations for the first four months in 2000. Parking related expenses are \$52,891 below budget and year-to-date parking revenues are approximately \$60,000 more than in 1999.

Other important revenue variances relate to advertising signage and sales revenues. Advertising signage revenues are below budget by \$135,521 due to the delay in implementation of the Gallop and Gallop contract. Sales revenues for events at Exhibition Place have exceeded budget expectations by \$105,445.

As was the case with the NTC, utility costs for Exhibition Place have exceeded budget forecasts. This is partially related to increased consumption (such as heating the Horse Palace while work is ongoing), but it also results from higher utility rates especially for natural gas. Utility expenses are \$52,370 over budget for the first four months in 2000. In the case of natural gas, costs have risen from 11.5 cents per cubic metre to a two tier rate of 16 cents (39 % increase) or 13 cents (13 % increase) per cubic metre depending on the volumes used. Staff will be making a detailed analysis of the impact of rising utility prices on all Exhibition Place operations for the year 2000 and proposing mitigating measures.

Utility revenues (recoveries from third parties) are below budget by 31% partly because the leasing arrangements for the Ontario Government Building were not finalized. In addition the Finance & Administration accounts show a negative variance of \$14,557 because accelerated payments have been made to the Canada Pension Plan and Employment Insurance because of the retroactive pay adjustments. This is not an additional cost beyond the budgeted amount and the unfavourable variance will not be present at the end of the year.

CNEA Program:

The budget for the period ending April 30, 2000 reflects a favourable variance of \$64,094 as a result of lower than budgeted expenditures and higher revenues of \$12,802 and \$51,292 respectively.

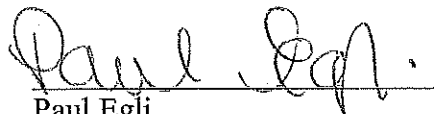
In the case of the CNEA program, it is in a programming and planning phase rather than an operational mode and less than 5% of the total budgeted expenses are forecasted to be made during the first four months.

Even though the CNEA is in a very early phase, there have been positive revenue variances for almost all types of revenue because of aggressive marketing efforts while at the same time costs have been controlled.

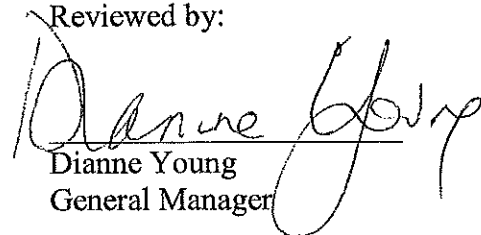
Conclusion:

This report provides the variance analysis for the first four months of 2000 for Exhibition Place, the NTC and CNEA Programs. Given the variance, staff will be undertaking measures in the next few weeks to identify savings to offset these unfavourable variances.

Submitted by:


Paul Egli
Director of Finance

Reviewed by:


Dianne Young
General Manager

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
CONSOLIDATED VARIANCE ANALYSIS
FOR THE PERIOD ENDING APRIL 30, 2000**

	<u>ANNUAL</u>	<u>YEAR TO DATE</u>		<u>VARIANCE*</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
NTC					
- EXPENSES	11,274,914	4,299,053	4,517,752	(218,699)	(5.09)
- REVENUES	13,348,380	6,525,705	6,704,480	178,775	2.74
- SUB-TOTAL	(2,073,466)	(2,226,652)	(2,186,729)	(39,924)	(1.79)
EXHIBITION PLACE					
- EXPENSES	12,598,798	3,644,047	3,581,048	62,999	1.73
- REVENUES	11,335,752	2,691,426	2,547,901	(143,525)	(5.33)
- SUB-TOTAL	1,263,046	952,621	1,033,147	(80,526)	(8.45)
CNEA					
- EXPENSES	16,200,371	631,692	618,890	12,802	2.03
- REVENUES	16,446,319	743,500	794,792	51,292	6.90
- SUB-TOTAL	(245,948)	(111,808)	(175,902)	64,094	57.33
CONSOLIDATED					
- EXPENSES	40,074,083	8,574,792	8,717,690	(142,898)	(1.67)
- REVENUES	41,130,451	9,960,631	10,047,173	86,542	0.87
TOTAL	(1,056,368)	(1,385,839)	(1,329,483)	(56,356)	(4.07)

NOTE: * () INDICATES UNFAVOURABLE VARIANCE

**THE NATIONAL TRADE CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING APRIL 30, 2000**

	<u>ANNUAL BUDGET</u>	<u>YEAR TO DATE</u>		<u>VARIANCE</u>	
		<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
<u>EXPENSES</u>					
Cleaning & Show Services	2,131,562	935,049	1,157,834	(222,785)	(23.83)
Telecommunications	338,497	122,694	126,270	(3,576)	(2.91)
Advertising & Sponsorship	145,698	48,564	120	48,444	99.75
Direct Operating Costs/PMD	4,823,406	1,818,992	1,939,303	(120,311)	(6.61)
Operations Dept.	667,714	222,204	211,482	10,722	4.83
Event Services Dept.	968,361	324,811	305,904	18,907	5.82
Executive Dept.	507,658	173,152	150,232	22,920	13.24
Finance Dept.	753,047	244,360	250,499	(6,139)	(2.51)
Depreciation - Equipment	0	0	16,015	(16,015)	(100.00)
Marketing Dept.	842,778	275,374	240,450	34,924	12.68
Management Fees	567,178	167,649	168,122	(473)	(0.28)
<u>RECOVERIES</u>					
Ex Place Tel. Profit Remittance	69,000	0	0	0	0.00
CNE Direct Operating Costs	(395,000)	0	0	0	0.00
Event Services Dept.	(75,500)	0	(10,300)	10,300	0.00
Servomation	(69,485)	(33,797)	(38,178)	4,381	12.96
TOTAL	11,274,914	4,299,053	4,517,752	(218,699)	(5.09)

May 11, 2000

Schedule 2

**THE NATIONAL TRADE CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING APRIL 30, 2000**

	ANNUAL	YEAR TO DATE		VARIANCE	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
<u>REVENUES</u>					
Rental Income	6,975,440	3,525,881	3,564,267	38,386	1.09
Electrical Services	1,070,480	446,980	455,154	8,174	1.83
Food & Beverage	1,563,385	914,443	882,533	(31,910)	(3.49)
Third Party Billings	2,657,313	1,256,009	1,465,613	209,604	16.69
Advertising	444,387	147,519	101,948	(45,571)	(30.89)
Other Income	151,550	60,600	73,667	13,067	21.56
Official Supplier & Bus.Centre	100,040	47,118	25,000	(22,118)	(46.94)
Telecommunications	385,785	127,155	136,297	9,142	7.19
TOTAL	13,348,380	6,525,705	6,704,480	178,775	2.74

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING APRIL 30, 2000**

EXPENSES

<u>MAJOR</u>	<u>SUB</u>	<u>ACCOUNT</u>	<u>ANNUAL</u>	<u>YEAR TO DATE</u>		<u>VARIANCE</u>	
			<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
754	100	General Manager	269,185	73,188	61,625	11,563	15.80
	101	Board of Governors	71,500	17,340	15,365	1,975	11.39
	103	Corporate Secretary	179,269	55,561	47,439	8,122	14.62
	104	Archives & Com. Records	130,659	32,824	27,606	5,218	15.90
	105	Finance & Administration	917,560	216,425	230,982	(14,557)	(6.73)
	106	Purchasing & Stores	188,771	50,054	45,422	4,632	9.25
	107	Human Resources	148,036	29,568	14,542	15,026	50.82
	108	Parking and Traffic	719,952	303,274	250,383	52,891	17.44
	110	Mail Room	45,587	13,707	8,536	5,171	37.73
	111	Telephone Services	83,925	20,273	12,997	7,275	35.89
	116	Accounting	704,156	301,474	290,888	10,586	3.51
	160	Systems	168,530	56,079	44,416	11,663	20.80
	201	Sales Expenses	352,259	199,306	135,594	63,712	31.97
	301	Maintenance Administration	950,677	285,894	273,591	12,303	4.30
	302	Grounds Maintenance	65,000	9,650	4,253	5,397	55.93
	303	Health and Safety	42,500	14,148	14,203	(55)	(0.39)
	304	Miscellaneous	84,750	21,188	35,999	(14,812)	(69.91)
	305	Utilities	1,429,000	447,630	500,000	(52,370)	(11.70)
	306	Cleaning Services	329,600	128,792	96,068	32,724	25.41
	308	Special Appropriations	346,000	0	8,382	(8,382)	0.00
	313	Third Party Billings	1,125,000	101,250	158,343	(57,093)	(56.39)
	316	Labour	588,395	220,693	233,512	(12,819)	(5.81)
	320	Plant Maintenance	1,078,095	301,496	278,560	22,936	7.61
	321	Electrical & Mechanical	1,692,393	453,142	450,000	3,142	0.69
	323	Engineering	259,126	79,233	78,899	334	0.42
	330	Rentals & Tech. Services	148,158	51,464	88,655	(37,191)	(72.27)
	500	Security	480,715	160,393	174,787	(14,394)	(8.97)
TOTAL			12,598,798	3,644,047	3,581,048	62,999	1.73

May 11/2000

Schedule 4

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING APRIL 30, 2000**

REVENUES

<u>MAJOR</u>	<u>SUB</u>	<u>ACCOUNT</u>	<u>ANNUAL</u>	<u>YEAR TO DATE</u>		<u>VARIANCE</u>	
			<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
654	108	Parking and Traffic Revenue	4,242,500	1,883,943	1,754,820	(129,123)	(6.85)
	116	Accounting Revenue	707,545	192,139	215,041	22,902	11.92
	117	Overhead Admin. Support	900,000	0	0	0	0.00
	118	Overhead Site Prep.	1,930,000	0	0	0	0.00
	201	Sales Revenue	1,220,907	154,302	259,747	105,445	68.34
	202	Advertising/Signage	380,000	144,400	8,879	(135,521)	(93.85)
	305	Utilities Revenue	534,800	160,442	110,000	(50,442)	(31.44)
	313	Third Party	1,420,000	156,200	199,414	43,214	27.67
TOTAL			11,335,752	2,691,426	2,547,901	(143,525)	(5.33)

CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING APRIL 30, 2000

EXPENSES

MAJOR	SUB	ACCOUNT	ANNUAL BUDGET	YEAR TO DATE		VARIANCE	
				BUDGET	ACTUAL	\$	%
717	102	CNEA	75,250	10,080	6,739	3,341	33.14
	103	Corporate Secretary	30,285	240	457	(217)	(90.36)
	105	Finance and Administration	275,300	41,235	33,424	7,811	18.94
	107	Human Resources	18,410	0	0	0	
	109	Grounds and Traffic	85,950	0	0	0	
	111	Telephone	60,000	800	912	(112)	(13.99)
	112	Admission	804,396	0	1,627	(1,627)	
	113	Admission Gates	307,100	2,080	0	2,080	100.00
	117	Overhead Admin. Support	900,000	0	0	0	
	118	Overhead - Site Prep.	1,930,000	0	0	0	
	121	Offsite Parking	79,650	0	0	0	
	200	GM CNEA	284,000	69,278	71,714	(2,436)	(3.52)
	202	Agriculture	869,400	12,000	11,386	614	5.12
	203	Entertainment	1,076,400	10,000	5,457	4,543	45.43
	204	Attractions	503,350	3,064	2,502	561	18.31
	205	Sports	416,500	965	188	777	80.53
	206	Program Management	362,658	92,310	101,361	(9,051)	(9.80)
	208	Concessions	749,757	43,321	47,498	(4,177)	(9.64)
	209	Casino	1,776,800	17,768	24,573	(6,805)	(38.30)
	210	Marketing	1,798,004	100,504	91,885	8,619	8.58
	211	CIAS	415,000	33,200	33,000	200	0.60
	212	Special Features	1,180,100	158,478	145,593	12,885	8.13
	213	International Exhibits	362,250	0	1,145	(1,145)	
	305	Utilities	281,528	0	4,566	(4,566)	
	307	Cleaning Services	200,000	0	0	0	
	310	Grounds Maintenance	116,000	0	0	0	
	315	Maintenance Administration	35,000	0	0	0	
	317	Client Services	257,383	0	0	0	
	318	Building Rentals	522,900	36,370	34,863	1,507	4.14
	332	Rentals & Tech. Services	32,000	0	0	0	
	530	NTC Operations	395,000	0	0	0	
TOTAL			16,200,371	631,692	618,890	12,802	2.03

CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING APRIL 30, 2000

REVENUES

<u>MAJOR</u>	<u>SUB</u>	<u>ACCOUNT</u>	<u>ANNUAL</u> <u>BUDGET</u>	<u>YEAR TO DATE</u>		<u>VARIANCE</u>	
				<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
617	112	Admission	5,401,319	0	0	0	
	121	Offsite Parking	1,050,000	0	0	0	
	202	Agriculture	193,000	3,500	7,075	3,575	102.14
	205	Sports	5,000	0	38,900	38,900	
	208	Concessions	4,186,000	0	0	0	
	209	Casino	2,435,000	0	0	0	
	210	Marketing	600,000	0	0	0	
	212	Special Features	200,000	0	0	0	
	213	International Exhibits	600,000	240,000	242,775	2,775	1.16
	305	Utilities	83,000	0	0	0	
	317	Client Services	103,000	0	3,595	3,595	
	318	Building Rentals	1,590,000	500,000	502,447	2,447	0.49
TOTAL			16,446,319	743,500	794,792	51,292	6.90

