

4

EXHIBITION PLACE

July 17, 2000

To: The Board of Governors of Exhibition Place

From: Paul Egli
Director of Finance

Subject: Variance Report – Period Ending June 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 the Exhibition Place programs for the six month period ending June 30, 2000, represent the second of the three reports to be submitted to the Board during 2000. The next variance report will be submitted to the Board for the nine month period ending 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. These procedures are consistent with standards established by the City of Toronto Finance Department and were recommended by the Metro Auditor in the 1997 Management Letter.

To assist staff in the variance analysis process the Finance Division of Exhibition Place distributes financial reports on a monthly basis to each manager and supports 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 six 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 for all Exhibition Place programs for the period ending June 30, 2000 reflects a favourable variance of \$570,313 or 119.68% as indicated on Schedule 1.

This very large percentage variance is not as significant as it appears to be. The variance is numerically large because it is expressed as a percentage of the projected net income for the first six months of the year of \$476,547. If the percentage variance were expressed as a percentage of total budgeted expenditures to date (\$13,634,127) it would only be 4.18%.

This variance reflects the combined activities of the National Trade Centre, the Canadian National Exhibition Association and Exhibition Place. The balance of this report will address the significant variances that have been experienced for each of these programs for the first six months of 2000.

The National Trade Centre

The financial results for the period ending June 30, 2000, reflects an unfavourable variance of \$18,807 or 1.06% as a result of higher than budgeted revenues and expenditures during the first six months of the year.

Direct operating costs were \$116,349 over the projected six month budget and once again increased utility costs were a significant contributing factor. Preliminary analysis indicates that natural gas rate increases impacted these higher than anticipated utility costs.

Rental income has exceeded budget forecasts because of a number of new shows and events that have been held during the first six months of the year. Food and beverage income has been lower than budget expectations and is consistent with the lower attendance in the early part of the year.

On a positive note the net operating income for the National Trade Centre for the period ending June 30, 2000 is \$133,280 more than the net operating income for the same six month period in 1999.

Exhibition Place

The financial results for the period ending June 30, 2000 reflects a favourable variance of \$258,401 or 13.06% as a result of higher than budgeted revenues and expenditures during the first six months of the year.

Negative cost pressures are being experienced because of utilities, higher than anticipated Workplace Safety and Insurance Board (WSIB) costs and Canada Pension Plan contribution rates. However the total year impact from utility rate increases may be less severe than originally thought unless very cold weather occurs for the final months of 2000.

Parking revenues are lower than the budget forecast by approximately \$319, 000 or 13.7% and this lower than expected income for the past three months is mainly attributable to the following factors:

- 17% decrease in fireworks attendance
- Ontario Place attendance down by 10%
- Economic impacts (including parking activity) for the Seventh Day Adventist's event being much lower than expectations.

However on a year to year comparative basis, parking revenues are only lower by \$58,556 or 2.5% from 1999.

As can be seen from Schedules 4 and 5, third party revenues and expenses are considerably higher than budget. These increased levels of expenditure and revenue are mainly caused by the near completion of the Horse Palace renovations which resulted in net income of over \$100,000.

Significant underexpenditures are also occurring in the plant and electrical maintenance expense accounts. The main reason for these underexpenditures is that Operations staff are occupied with third party work and have been unable to complete scheduled preventive maintenance jobs in the first half of the year. Accordingly these expenditures are projected to increase to budgeted levels as the year progresses in order to complete necessary maintenance activities..

Canadian National Exhibition

The financial results for the period ending June 30, 2000 reflects a favourable variance of \$330,719 as a result of lower than budgeted revenues and expenditures during the first six months of the year.

The Canadian National Exhibition is still in a very early phase of its operational cycle and only a small percentage of total revenues and expenditures have occurred. Revenues are near budget expectations and costs are significantly less had been anticipated for this time of the year.

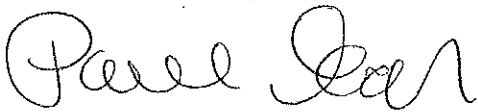
The next variance report to the end of September will be much more detailed and informative with respect to the operating results of the Canadian National Exhibition.

Conclusion:

This report provides the variance analysis for the first six months of 2000 for Exhibition Place, the National Trade Centre and the Canadian National Exhibition Association.

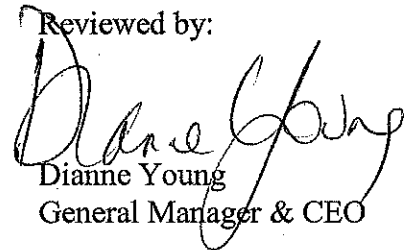
The consolidated positive variance position of \$570,313 should be regarded as an early, interim position as there will probably be additional expenditures with respect to the preventive maintenance program and also the majority of the revenues and expenditures related to the CNE have not yet occurred.

Submitted by:



Paul Egli
Director of Finance

Reviewed by:



Dianne Young
General Manager & CEO

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
CONSOLIDATED VARIANCE ANALYSIS
FOR THE PERIOD ENDING JUNE 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					
- REVENUES	13,348,380	7,686,871	8,005,984	319,113	4.15
- EXPENSES	11,274,914	5,906,698	6,244,618	(337,920)	(5.72)
- SUB-TOTAL	2,073,466	1,780,173	1,761,366	(18,807)	(1.06)
EXHIBITION PLACE					
- REVENUES	11,335,752	3,913,450	4,806,430	892,980	22.82
- EXPENSES	12,598,798	5,891,772	6,526,351	(634,579)	(10.77)
- SUB-TOTAL	(1,263,046)	(1,978,322)	(1,719,921)	258,401	13.06
CNEA					
- REVENUES	16,446,319	2,510,353	2,470,613	(39,740)	(1.58)
- EXPENSES	16,200,371	1,835,657	1,465,198	370,459	20.18
- SUB-TOTAL	245,948	674,696	1,005,415	330,719	49.02
CONSOLIDATED					
- REVENUES	41,130,451	14,110,674	15,283,027	1,172,353	8.31
- EXPENSES	40,074,083	13,634,127	14,236,167	(602,040)	(4.42)
TOTAL	1,056,368	476,547	1,046,860	570,313	119.68

NOTE: * () INDICATES UNFAVOURABLE VARIANCE

**THE NATIONAL TRADE CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING JUNE 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>REVENUES</u>					
Rental Income	6,975,440	4,100,011	4,140,960	40,949	1.00
Electrical Services	1,070,480	536,815	539,883	3,068	0.57
Food & Beverage	1,563,385	1,026,960	957,613	(69,347)	(6.75)
Third Party Billings	2,657,313	1,502,021	1,893,882	391,861	26.09
Advertising	444,387	221,319	154,682	(66,637)	(30.11)
Other Income	151,550	77,400	106,427	29,027	37.50
Official Supplier & Bus. Centre	100,040	57,043	29,621	(27,422)	(48.07)
Telecommunications	385,785	165,302	182,915	17,613	10.66
TOTAL	13,348,380	7,686,871	8,005,984	319,113	4.15

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

<u>EXPENSES</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>
Cleaning & Show Services	2,131,562	1,120,444	1,479,383	(358,939)	(32.04)
Telecommunications	338,497	188,066	202,805	(14,739)	(7.84)
Advertising & Sponsorship	145,698	72,846	6,120	66,726	91.60
Direct Operating Costs/PMD	4,823,406	2,453,661	2,570,010	(116,349)	(4.74)
Operations Dept.	667,714	333,606	334,093	(487)	(0.15)
Event Services Dept.	968,361	485,654	459,154	26,500	5.46
Executive Dept.	507,658	254,828	221,545	33,283	13.06
Finance Dept.	753,047	369,155	369,304	(149)	(0.04)
Depreciation - Equipment	0	0	24,302	(24,302)	(100.00)
Marketing Dept.	842,778	417,228	368,564	48,664	11.66
Management Fees	567,178	283,590	284,299	(709)	(0.25)
 <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)	(32,600)	(23,232)	(9,368)	0.00
Servomation	(69,485)	(39,781)	(51,728)	11,947	30.03
 TOTAL	 11,274,914	 5,906,698	 6,244,618	 (337,920)	 (5.72)

July 18, 2000

Schedule 3

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

REVENUES

<u>MAJOR</u>	<u>SUB</u>	<u>ACCOUNT</u>	<u>ANNUAL BUDGET</u>	<u>YEAR TO DATE</u>		<u>VARIANCE</u>	
				<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
654	108	Parking and Traffic Revenue	4,242,500	2,333,375	2,013,601	(319,774)	(13.70)
	116	Accounting Revenue	707,545	410,998	459,766	48,768	11.87
	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	558,877	597,406	38,529	6.89
	202	Advertising/Signage	380,000	144,400	183,544	39,144	27.11
	305	Utilities Revenue	534,800	125,000	93,360	(31,640)	(25.31)
	313	Third Party	1,420,000	340,800	1,458,754	1,117,954	328.04
TOTAL			11,335,752	3,913,450	4,806,430	892,980	22.82

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING JUNE 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	126,705	115,572	11,133	8.79
	101	Board of Governors	71,500	35,040	34,401	639	1.82
	103	Corporate Secretary	179,269	84,062	69,987	14,075	16.74
	104	Archives & Com. Records	130,659	59,311	42,910	16,401	27.65
	105	Finance & Administration	917,560	377,471	407,081	(29,610)	(7.84)
	106	Purchasing & Stores	188,771	79,148	75,353	3,795	4.79
	107	Human Resources	148,036	42,312	36,517	5,795	13.70
	108	Parking and Traffic	977,076	506,033	486,975	19,059	3.77
	110	Mail Room	45,587	20,553	13,590	6,963	33.88
	111	Telephone Services	83,925	43,567	27,282	16,285	37.38
	116	Accounting	704,156	408,715	390,626	18,088	4.43
	160	Systems	168,530	79,707	72,949	6,758	8.48
	201	Sales Expenses	352,259	168,370	172,325	(3,955)	(2.35)
	301	Maintenance Administration	693,553	306,565	299,583	6,981	2.28
	302	Grounds Maintenance	65,000	28,500	22,610	5,890	20.67
	303	Health and Safety	42,500	20,972	24,493	(3,521)	(16.79)
	304	Sports Hall of Fame	84,750	42,375	37,798	4,577	10.80
	305	Utilities	1,429,000	600,960	630,213	(29,253)	(4.87)
	306	Cleaning Services	329,600	156,652	173,544	(16,893)	(10.78)
	308	Special Appropriations	346,000	267,760	291,382	(23,622)	(8.82)
	313	Third Party Billings	1,125,000	258,750	1,242,120	(983,370)	(380.05)
	316	Labour	588,395	290,438	319,305	(28,867)	(9.94)
	320	Plant Maintenance	1,078,095	520,834	410,091	110,743	21.26
	321	Electrical & Mechanical	1,692,393	951,753	639,678	312,075	32.79
	323	Engineering	259,126	118,553	117,614	940	0.79
	330	Rentals & Tech. Services	148,158	68,990	113,948	(44,958)	(65.17)
	500	Security	480,715	227,675	258,404	(30,729)	(13.50)
TOTAL			12,598,798	5,891,772	6,526,351	(634,579)	(10.77)

July 18/2000

Schedule 5

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

REVENUES

<u>MAJOR</u>	<u>SUB</u>	<u>ACCOUNT</u>	<u>ANNUAL 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	7,500	7,500	0	0.00
	121	Offsite Parking	1,050,000	0	0	0	
	202	Agriculture	193,000	10,000	7,075	(2,925)	(29.25)
	205	Sports	5,000	3,903	4,103	200	5.12
	208	Concessions	4,186,000	785,000	849,457	64,457	8.21
	209	Casino	2,435,000	8,000	8,139	139	1.73
	210	Marketing	600,000	0	0	0	
	212	Special Features	200,000	0	0	0	
	213	International Exhibits	600,000	480,000	482,785	2,785	0.58
	305	Utilities	83,000	50,000	53,775	3,775	7.55
	317	Client Services	103,000	0	0	0	
	318	Building Rentals	1,590,000	1,165,950	1,057,780	(108,170)	(9.28)
TOTAL			16,446,319	2,510,353	2,470,613	(39,740)	(1.58)

**CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING JUNE 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>
717	102	CNEA	75,250	15,570	8,945	6,625	42.55
	103	Corporate Secretary	30,285	543	665	(122)	(22.50)
	105	Finance and Administration	275,300	82,380	91,050	(8,670)	(10.52)
	107	Human Resources	18,410	7,514	1,466	6,048	80.49
	109	Grounds and Traffic	85,950	0	0	0	
	111	Telephone	60,000	31,800	13,023	18,777	59.05
	112	Admission	804,396	0	0	0	
	113	Admission Gates	307,100	6,240	2,940	3,300	52.89
	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	457	(457)	
	200	GM CNEA	284,000	113,878	106,354	7,524	6.61
	202	Agriculture	1,149,400	100,000	72,246	27,754	27.75
	203	Entertainment	971,400	146,060	92,088	53,972	36.95
	204	Attractions	503,350	36,758	17,678	19,080	51.91
	205	Sports	416,500	26,526	354	26,172	98.67
	206	Program Management	387,658	175,013	169,296	5,717	3.27
	208	Concessions	771,757	114,839	110,781	4,058	3.53
	209	Casino	1,776,800	150,000	148,536	1,464	0.98
	210	Marketing	1,781,004	342,823	205,818	137,005	39.96
	211	CIAS	415,000	180,000	180,000	0	0.00
	212	Special Features	1,000,100	227,878	177,780	50,098	21.98
	213	International Exhibits	342,250	15,000	15,607	(607)	(4.05)
	305	Utilities	281,528	3,000	3,380	(380)	(12.66)
	307	Cleaning Services	200,000	0	0	0	
	310	Grounds Maintenance	116,000	0	0	0	
	315	Maintenance Administration	35,000	1,361	1,361	0	0.00
	317	Client Services	252,383	2,955	1,389	1,566	53.00
	318	Building Rentals	522,900	55,520	43,985	11,535	20.78
	332	Rentals & Tech. Services	32,000	0	0	0	
	530	NTC Operations	395,000	0	0	0	

TOTAL

16,200,371	1,835,657	1,465,198	370,459	20.18
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