

October 12, 2000

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young, General Manager & CEO

SUBJECT: The Royal Agricultural Winter Fair, Coliseum Building

Recommendations:

It is recommended that the Board:

1. Enter an agreement with the Royal Agricultural Winter Fair ("RAWF") for use of office space in the Coliseum Building for a period of three (3) years, to December 31 2003, on the terms and conditions recommended in this report and such other terms as required by the City Solicitor; and,
2. Direct staff to report back to the Board by May, 2001, on the 2000 experience and the recommended rental and labour rates for the 2001 Fair.

Background:

At its meeting of November, 1999, the Board approved of the terms of a one-year agreement with the RAWF with respect to use of its year-round office space in the Coliseum Complex. This agreement expires on December 31, 2000.

Discussion:

The RAWF has been operating in office space located on the second level of the Coliseum Building of approximately 17,644 SF, which is comprised of approximately 10,642 SF of office space; The Agricultural Hall of Fame Offices, comprising of approximately 1,382 SF; The Trophy Room, comprising of approximately 195 SF; The President's Room, comprising of approximately 2,523 SF; The Tanbark Room, comprising of approximately 1,046 SF; The Bird Room, comprising of approximately 1,856 SF; and approximately 5,900 SF of storage space, as well as outdoor surface parking for four (4) semi-trailers.

The present lease between the Board and RAWF expires December 31, 2000 and the RAWF wish to renew their lease with the Board for a period of three (3) years upon the same terms and conditions as its present lease agreement. The substantial terms of this agreement are as follows:

- (a) Term: Three years commencing January 1, 2001.

- (b) Rent: One dollar per annum plus payment of all utility costs, any other associated occupancy costs;
- (c) Permitted Uses: Office or administrative uses connected with objects of RAWF;
- (d) Insurance: Property and liability insurance with limits of \$2 million in form satisfactory to City; and,
- (e) Use by the Board: The Board retains the right to use the Tanbark Room for its own purposes, provided that such purposes do not conflict with the use of the premises by RAWF, acting reasonably;
- (f) Use of National Trade Centre Complex space for annual fair: RAWF will enter into a standard NTC license agreement and will abide by all terms and conditions, policies, rules and regulations as set out in that License Agreement for the purpose of executing the annual Royal Agricultural Winter Fair;
- (g) RAWF to apply to the City for an annual grant: The parties agree that the RAWF shall, with the support of the Board, apply to Council of the City for an annual grant, and that the RAWF shall be solely entitled to the receipt of any grant monies awarded by the City, provided that it shall apply such monies against the payment of the license fees for the premises as identified under the NTC License Agreement. In the event that the grant awarded by the City for 2001, 2002 or 2003 is less than the grant awarded by the City in 2000 of \$600,000, the RAWF and the Board agree that they shall, prior to April of the lease year, negotiate in good faith an agreement to share the amount of any decrease.

In preparation for the 2000 Fair, NTC operational staff provided the RAWF with cost estimates based on the supply of labour and materials plus standard markup. These costs have increased substantially over the last few years because of salary increases of unionized staff and the need for additional cleaning services required to maintain the standard within the NTC.

Following the staff discussions, meetings were held with the Chair of the Board and the Chair of the RAWF. The RAWF outlined at these meetings the very difficult financial times faced by the RAWF which has resulted in operating losses in 1995 (\$216,807); 1996(\$189,740); 1997 (\$287,824); 1998 (\$260,585); and 1999(\$700,157). Further, the estimates for 2000 would increase the Fair's costs by approximately \$200,000 and if attendance stays static would result in a 2000 deficit of \$513,000. Therefore, the RAWF was requesting some financial relief from the Board.

Given these financial difficulties, staff on the request of the Chair of the Board developed scenarios to address the cost increases and at a meeting on September 21, 2000, the parties agreed to request consideration of the following pricing strategy by the Board and the RAWF Board:

- (a) Implementation of a reduced third party mark-up on applicable services provided to the RAWF from the standard rate of 40% to 20%, except for services related to electrical, telecommunications, plumbing & I.A.T.S.E., and for services requested after October 18, 2000.

- (b) Services requested after October 18, 2000 will be charged at standard third party rates as outlined within the NTC price list without exception.
- (c) Charges related to I.A.T.S.E. labour services will be based on the standard third party mark-up of 15% due to the minimal profit margin for these services.
- (d) Charges related to electrical, telecommunications & plumbing services will be charged at current standard third party rates as outlined within the NTC price list without exception.
- (e) Standard third party rental rates as outlined within the NTC price list for all Board equipment will be reduced by a 15% not-for-profit charitable discount.

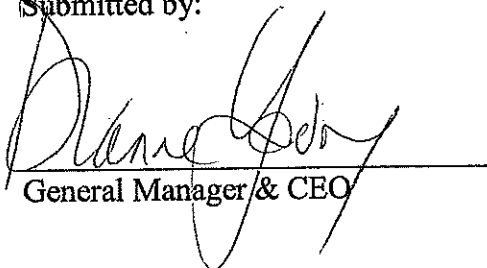
Based on the level of services provided in previous years this reduced pricing strategy should allow the RAWF to save approximately \$88,700 on services provided. In addition, staff are now discussing further measures that can be taken by the RAWF to find more cost-effective means of reducing the RAWF's costs through the changes to some program areas.

Finally, this pricing strategy is being recommended only for the 2000 Fair and staff will report back to the Board in May 2001, on the RAWF's 2000 financial experience; the level of the City 2001 grant; and the recommending pricing strategy for the 2001 Fair.

Conclusion:

This report recommends extending the current agreement with RAWF for a period of one year, to expire on December 31, 2003 on the terms and conditions set out and such other terms required by the City Solicitor and recommends a discount pricing strategy for materials and services for the 2000 Fair.

Submitted by:



General Manager & CEO

