



The following report was reviewed by the Finance & Audit Committee at its meeting of November 16, 2000 and is recommended to the Board of Governors for APPROVAL.

November 10, 2000

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: **1999 Memorandum of Understanding between the Board and CNEA – Section 12 and 2001 Operating Budget**

Recommendation:

It is recommended that for 2001 the Board waive the requirements of Section 12 of the 1999 Memorandum of Understanding (“MOU”) between the Board and the CNEA and adopt the 2001 CNEA Site Cost Reimbursement and Administrative Service Fees as set out in this report.

Background:

At its meetings of October 29, 1999 and November 15, 1999, respectively, the Board and the CNEA approved of extending the 1997 MOU on the terms and conditions set out in that report for a further period of two years (the “1999 MOU”). At its meeting of June, 2000, the Board agree to waive the requirements of Section 12 of the 1999 MOU for the year 2000.

Discussion:

Section 12 of the 1999 MOU provides that the Board and CNEA on an annual basis and before the first of April of each year of the term, calculate the level of Administrative Services to be provide to the CNEA and the Administrative Fee-for-Service Cost. Furthermore, it provides that the Site Cost Reimbursement Fee also be recalculated on the basis of the buildings and grounds to be used by the CNEA and the move-in and move-out periods.

In 1998 and 1999, pursuant to the 1997 MOU, the CNEA paid the Board an Administration Fee-for-Service and a Site Cost Reimbursement Fee. The Administrative Fee was based on a calculation of the percentage of time spent by administrative staff (finance, corporate secretariate, executive offices, systems, and records/archives) on CNEA tasks. The Site Cost Reimbursement Fee was based on a percentage usage of the buildings as determined by the

CNEA needs and the annual operating costs for maintaining those buildings. These fees were set in 1998 and refined in 1999 as costs were transferred from bulk fee charges to direct CNEA costs controlled by the CNEA.

As explained in the report approved by the Board in June, 2000, the problem with the April review mechanism is that the Operating Budgets are set in December and therefore, it is difficult for the parties to then adjust their budgets with new figures in April. Accordingly, the Board waived the requirement to adjust budgets in 2000 and requested staff to review this matter during the 2001 Operating Budget deliberations.

For the information of the Board, the table below outlines the Site Cost Reimbursement and Administrative Services Fees paid by the CNEA over the last three (3) years:

(\$ Millions)				
CNEA Fees	1998 (negotiated)	1999 (recalculated)	2000 (per budget)	2000 actual (negotiated)
Site Cost Reimbursement	-----	\$1.930	\$2.120	\$1.930
Administrative Services	-----	\$0.900	\$0.881	\$0.900
Total Fee	\$4.690	\$2.830	\$3.001	\$2.830

In preparation for the 2001 Operating Budget, the Site Cost Reimbursement and Administrative Services Fees were recalculated recognizing increases in the overhead accounts resulting from program initiatives such as the expansion of the preventative maintenance program; the increase in wages resulting from cost-of-living and negotiated increases; any decrease in costs; the transfer of any direct costs; and the proposed use of buildings by the CNEA for 2001. Attached are the calculations for 2001 of the Site Cost Reimbursement (\$1.982) and Administrative Services Fees (\$0.811) as based on the proposed Operating Budget and which total approximately \$2.793 or a 1.0% decrease compared to 2000.

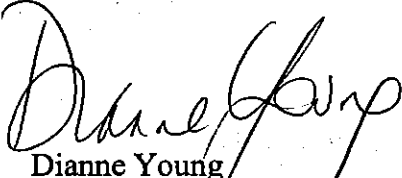
With these calculations, David Bednar and I met to review the CNEA Program budget and the financial pressures within this budget given the results for 1999 and 2000, and the ability for the CNEA to absorb these Fees. As noted above, the 2001 increase in the Site Cost Reimbursement Fee is due mainly to the Board's commitment to maintain the public buildings and assets on the grounds. While the Board's preventative maintenance program is in keeping with the City's mandate to maintain assets, on an annual basis it has little positive impact on the CNEA (or any tenant) in the matter of having more prime leaseable short-term space.

Therefore, Mr. Bednar and I discussed a revised Site Cost Reimbursement Fee which starts with the premise that this fee would remain static for 2001 at \$1.930 except to the extent it reflects deductions due to the reallocations of direct costs (\$0.10) and additions attributable to the Board approved wage increases for permanent and unionized staff (\$0.19). The recommended CNEA fees within the 2001 Operating Budget are generally in keeping with this calculation being an amount of \$1.930 for the Site Cost Reimbursement and \$0.811 for the Administrative Services

Fee. Accordingly, I recommend the Board approve of these Fees for 2001 and waive the strict requirements of section 12 of the MOU.

Conclusion:

This report recommends a waiver of section 12 of the 1999 MOU between the Board and the CNEA for the year 2001 and adoption of the CNEA Site Cost Reimbursement and Administrative Services Fees as set out above. Mr. David Bednar, GM, CNEA has agreed with this direction and presented a 2001 CNEA Program budget reflecting these fees.



Dianne Young
General Manager & CEO

**DIRECT COST ALLOCATION
PER 2001 BUDGET DRAFT 17**

SITE PREPARATION WITH PREVENTATIVE MAINTENANCE PROGRAM ALLOCATION

DEPARTMENT	TOTAL	CNE %	CNE SHARE	BOG SHARE
EXPENSES				
MAINTENANCE ADMINISTRATION	871,842	0.32	278,989	592,853
GROUNDS MAINTENANCE	65,000	0.32	20,800	44,200
HEALTH & SAFETY	56,957	0.32	18,226	38,731
SPORTS HALL OF FAME	84,750	0.32	27,120	57,630
UTILITIES	1,529,760	0.00	0	1,529,760
CLEANING SERVICES	333,700	0.32	106,784	226,916
SPECIAL APPROPRIATIONS	336,000	0.32	107,520	228,480
BENEFITS - PERMANENT SALARIES	298,367	0.32	95,477	202,890
LABOUR	513,518	0.32	164,326	349,192
PLANT MAINTENANCE	1,017,827	0.32	325,705	692,122
ELECT. & MECHANICAL MAINTENANCE	1,470,740	0.32	470,637	1,000,103
ENGINEERING	46,073	0.32	14,743	31,330
RENTAL / TECHNICAL SERVICES	98,116	0.32	31,397	66,719
SECURITY SERVICES	487,400	0.32	155,968	331,432
SUB TOTAL	7,210,050	0.25	1,817,693	5,392,357
ADD: DIRECT ALLOCATION OF PREVENTATIVE MAINTENANCE BY BUILDING				
QUEEN ELIZABETH BUILDING	74,837	0.10	7,484	67,353
HORTICULTURE	22,760	0.24	5,462	17,298
PRESS BUILDING	7,492	1.00	7,492	0
HORSE PALACE	172,764	0.09	15,549	157,215
FOOD BUILDING	78,197	1.00	78,197	0
BETTER LIVING CENTRE	110,208	0.44	48,492	61,716
BANDSHELL	8,650	0.20	1,730	6,920
OTHER BUILDINGS	72,196	0.00	0	72,196
SUB TOTAL	547,104	0.25	164,405	382,699
TOTAL EXPENSES	7,757,154	0.26	1,982,098	5,775,056

**DIRECT COST ALLOCATION
PER 2001 BUDGET - DRAFT 17
ADMINISTRATIVE SUPPORT SERVICES**

DEPARTMENT	TOTAL	CNE %	CNE SHARE	BOG SHARE
EXPENSES				
GENERAL MANAGER & CEO	283,381	0.15	42,507	240,874
BOARD OF GOVERNORS	56,500	0.25	14,125	42,375
CORPORATE SECRETARY	318,257	0.60	190,954	127,303
ARCHIVES & RECORDS	120,757	0.40	48,303	72,454
FINANCE & ADMIN. - LEGAL,AUDIT ETC.	108,590	0.00	0	108,590
FINANCE & ADMIN. - BENEFITS	350,281	0.32	112,090	238,191
PURCHASING & STORES	171,062	0.25	42,766	128,297
HUMAN RESOURCES	160,588	0.50	80,294	80,294
ACCOUNTING	578,438	0.32	185,100	393,338
SYSTEMS	190,814	0.50	95,407	95,407
TOTAL EXPENSE	2,338,668	0.35	811,546	1,527,122