



EXHIBITION PLACE

October 15, 2001

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Variance Report – Period Ending September 30, 2001

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 of Governors.

Discussion:

This report and the appended consolidated variance analyses (Schedules 1-7) for the nine-month period ending September 30, 2001, is the third and last of these reports that will be submitted to the Board during 2001. The year 2001 variance process 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 is reduced to 5% for the remainder of the year to ensure tighter financial control.

The appended schedules identify, on an individual activity/program basis, year-to-date variances by dollar value and percentage. Significant variances and indicative trends that have emerged for the three programs at Exhibition Place are outlined below.

Consolidated Position for All Programs

The consolidated financial position of Exhibition Place for the period ending September 30, 2001 reflects an unfavourable variance of \$139,332 as indicated on Schedule 1. This variance reflects the combined activities of the National Trade Centre, Exhibition Place and the Canadian National Exhibition Association Programs.

The National Trade Centre Program

The net financial performance for the period ending September 30, 2001 reflects an unfavourable variance of \$242,907 or 24.30% as a result of lower than budgeted expenditures and revenues.

The most important factor of this unfavourable variance is the loss of rental income for trade and consumer shows and a shortfall from budget of \$896,049 or 18.21% is shown in Schedule 2. As a comparison, at this point last year, the National Trade Centre Program was showing rental income of \$4,973,313 whereas for 2001 the rental income to date is \$4,025,649 or 19.05 % less. The other revenue streams are show dependent and have also been adversely affected in 2001 with electrical services down by \$249,767 and food and beverage revenue down by \$245,880.

The management of the National Trade Centre is responding to this lack of operating revenue by reducing controllable expenditures to the greatest degree possible. On an aggregate basis the nine-month expenditures have been decreased by \$916,442 or 11.18% compared to budget. This is a significant reduction in expenses and offsets a large part of the revenue losses.

The last three months of the year represent an important income earning period for the National Trade Centre (about 32% of the rental income budget) and unfortunately, economic and other broadly based factors may continue to have a negative impact on the operating income of the NTC. Again, expenditure controls will continue in place to offset revenue shortfalls.

Exhibition Place Program

The combined revenue and expense position for the period ending September 30, 2001 reflects a favourable variance of \$71,881 or 8.78%. Both revenues and expenditures are higher than budget projections.

To a significant degree parking revenues at Exhibition Place are impacted by the level of trade and consumer show activity at the National Trade Centre. For the first nine months of 2001 parking revenues show this dependence and are below budget projections by \$424,597 or 15.42% (see Schedule 4). There is an expectation that the level of activity at the Liberty Grand will have a positive impact on parking revenues for the final three months of the year although this positive impact will only lessen the negative impact of the losses from the trade show business but will not reverse it completely.

These unfavourable business activity trends however are being balanced by three positive factors:

- Broadly based expenditure reductions have been realized for most operating areas in the Exhibition Place Program (except utilities and recoverable trades);
- Third party revenues are favourable to budget by \$171,644 and represent the income for trades work (electrical, labour, painting, IATSE etc); and,
- The electrical and mechanical areas in the Operations Division is showing a favourable budget variance of \$294,135. This mainly attributable to the fact that staff in this section are working on larger percentage of recoverable work (capital projects, Liberty Grand, etc.) than had been projected in the 2001 budget.

The cost of utilities (hydro, natural gas, water) is showing a negative variance of \$91,425 mainly due to natural gas expenditures for the first nine months of the year. However the current lower

market price for natural gas could help to reverse this negative variance for the final three months of the year.

Canadian National Exhibition Association Program

For the period ending September 30, 2001, the CNEA program is showing a favorable combined variance for revenues and expenditures of \$31,694.

Admission revenues were particularly strong and are indicating a positive variance of \$675,936 on Schedule 6 mainly because of the one dollar increase in gate admission prices. Revenue from rides and concessions was lower than budget by about \$258,000 (6.0%). Conklin reported to the CNEA management that this result is consistent with their experience at other fairs in 2001 across North America.

Although Casino revenues exceeded budget projections at the 2001 CNE, the overall combined revenue and expenditure position showed an unfavourable variance of \$147,212 compared to budget. This resulted from a combination of factors such as the costs associated with the new location at the Better Living Centre building, increased operating costs, and a lower win percentage on certain games than had been experienced in previous years.

Marketing revenues exceeded the budget target by \$67,130 as a number of new sponsorship contracts were finalized with companies such as McCains and Gillette.

As of September 30, 2001 there are a number of major items still to be concluded such as the settlements with Ontario Place and Conklin, internal work order charges and the reconciliation of the group sales accounts. However based on the available information it appears that the 2001 CNE will be exceeding the 2001 budget project of a profit of \$3,576.

Conclusion:

This report provides the variance analysis for the first nine months of 2001 for the National Trade Centre, Exhibition Place and the Canadian National Exhibition Association Programs.

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Submitted by:



Dianne Young

General Manager & CEO

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**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
CONSOLIDATED VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2001**

	<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	13,704,834	9,199,733	8,040,384	(1,159,349)	(12.60)
- EXPENSES	11,683,436	8,200,220	7,283,778	916,442	11.18
- SUB-TOTAL	2,021,398	999,513	756,606	(242,907)	(24.30)
EXHIBITION PLACE					
- REVENUES	15,556,157	10,649,302	12,389,556	1,740,254	16.34
- EXPENSES	16,807,745	11,468,452	13,136,825	(1,668,373)	(14.55)
- SUB-TOTAL	(1,251,588)	(819,150)	(747,269)	71,881	8.78
CNEA					
- REVENUES	15,664,049	14,831,095	15,255,963	424,868	2.86
- EXPENSES	15,660,473	14,678,512	15,071,686	(393,174)	(2.68)
- SUB-TOTAL	3,576	152,583	184,277	31,694	20.77
CONSOLIDATED					
- REVENUES	44,925,040	34,680,130	35,685,903	1,005,773	2.90
- EXPENSES	44,151,654	34,347,184	35,492,289	(1,145,105)	(3.33)
TOTAL	773,386	332,946	193,614	(139,332)	(41.85)

NOTE: * () INDICATES UNFAVOURABLE VARIANCE

**THE NATIONAL TRADE CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2001**

	<u>ANNUAL</u>	<u>YEAR TO DATE</u>		<u>VARIANCE</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
<u>REVENUES</u>					
Rental Income	7,280,621	4,921,698	4,025,649	(896,049)	(18.21)
Electrical Services	1,017,043	729,883	480,116	(249,767)	(34.22)
Food & Beverage	1,600,000	1,140,651	894,771	(245,880)	(21.56)
Third Party Billings	2,729,243	1,626,874	1,935,004	308,130	18.94
Advertising	344,228	253,589	201,100	(52,489)	(20.70)
Other Income	197,116	144,751	166,020	21,269	14.69
Official Supplier & Bus.Centre	80,000	55,015	63,085	8,070	14.67
Telecommunications	456,583	327,272	274,639	(52,633)	(16.08)
TOTAL	<u>13,704,834</u>	<u>9,199,733</u>	<u>8,040,384</u>	<u>(1,159,349)</u>	<u>(12.60)</u>

**THE NATIONAL TRADE CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2001**

<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	2,231,812	1,317,611	1,414,539	(96,928)	(7.36)
Telecommunications	351,197	253,689	299,073	(45,384)	(17.89)
Advertising & Sponsorship	64,210	48,159	26,545	21,614	44.88
Direct Operating Costs/PMD	5,202,087	3,815,152	3,209,704	605,448	15.87
Operations Dept.	672,998	506,869	418,569	88,300	17.42
Event Services Dept.	1,098,204	828,057	781,107	46,950	5.67
Executive Dept.	508,852	380,364	325,186	55,178	14.51
Finance Dept.	815,559	603,237	577,225	26,012	4.31
Depreciation - Equipment	0	0	34,776	(34,776)	(100.00)
Marketing Dept.	759,609	569,709	369,145	200,564	35.20
Management Fees	493,393	370,040	299,083	70,957	19.18
 <u>RECOVERIES</u>					
Telecommunications	69,000	69,000	69,000	0	0.00
CNE Direct Operating Costs	(410,000)	(410,000)	(385,000)	(25,000)	(6.10)
Event Services Dept.	(84,000)	(84,000)	(84,000)	0	0.00
Servomation	(89,485)	(67,667)	(71,174)	3,507	5.18
 TOTAL	 11,683,436	 8,200,220	 7,283,778	 916,442	 11.18

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2001**

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	4,074,000	2,753,959	2,329,362	(424,597)	(15.42)
	116	Accounting Revenue	785,496	656,791	597,892	(58,899)	(8.97)
	117	Overhead Admin. Support	811,000	811,000	811,000	0	0.00
	118	Overhead Site Prep.	1,930,000	1,930,000	1,930,000	0	0.00
	201	Sales Revenue	1,313,666	1,162,102	1,240,303	78,201	6.73
	202	Advertising/Signage	475,000	260,000	259,584	(416)	(0.16)
	305	Utilities Revenue	531,563	298,242	293,476	(4,766)	(1.60)
	306	Offset - Cleaning Services	2,101,481	1,484,050	1,309,563	(174,487)	(11.76)
	313	Third Party	1,595,000	1,148,400	1,898,215	749,815	65.29
	316	Offset - Labour	980,903	716,606	1,184,634	468,027	65.31
	320	Offset - Physical Plant Mnt.	647,369	407,234	649,773	242,539	59.56
	321	Offset - Electrical & Mech.	1,734,813	761,100	1,314,176	553,076	72.67
	330	Offset - Rentals/Tech.Serv.	1,316,866	1,000,818	1,312,578	311,759	31.15
		CNEA Recoveries	(2,741,000)	(2,741,000)	(2,741,000)		
TOTAL			15,556,157	10,649,302	12,389,556	1,740,253	16.34

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2001**

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	283,381	213,850	194,462	19,388	9.07
	101	Board of Governors	56,500	53,230	27,986	25,244	47.42
	103	Corporate Secretary	308,257	234,377	198,429	35,948	15.34
	104	Archives & Com. Records	120,757	90,733	87,032	3,701	4.08
	105	Finance & Administration	757,238	625,356	597,157	28,199	4.51
	106	Purchasing & Stores	171,062	134,142	130,705	3,437	2.56
	107	Human Resources	160,588	85,350	79,355	5,995	7.02
	108	Parking and Traffic	864,626	567,039	552,553	14,486	2.55
	116	Accounting	893,913	725,533	717,399	8,134	1.12
	160	Systems	190,814	150,709	140,215	10,494	6.96
	201	Sales Expenses	325,458	222,951	224,649	(1,697)	(0.76)
	301	Maintenance Administration	802,774	594,177	555,603	38,573	6.49
	302	Grounds Maintenance	65,000	65,000	36,242	28,759	44.24
	303	Health and Safety	56,957	43,028	39,886	3,141	7.30
	304	Sports Hall of Fame	84,750	63,563	63,224	338	0.53
	305	Utilities	1,529,760	1,094,575	1,186,000	(91,425)	(8.35)
	306	Cleaning Services	2,435,181	1,731,009	1,600,425	130,584	7.54
	308	Special Appropriations	316,000	307,900	281,507	26,393	8.57
	313	Third Party Billings	1,265,000	999,350	1,577,521	(578,171)	(57.85)
	316	Labour	1,494,421	1,100,819	1,548,694	(447,875)	(40.69)
	320	Plant Maintenance	1,665,196	1,225,814	1,458,031	(232,217)	(18.94)
	321	Electrical & Mechanical	3,752,657	2,443,434	2,702,376	(258,941)	(10.60)
	323	Engineering	46,073	34,479	59,538	(25,059)	(72.68)
	330	Rentals & Tech. Services	1,414,982	1,047,966	1,433,203	(385,238)	(36.76)
	500	Security	487,400	355,070	385,633	(30,563)	(8.61)
		CNEA Recoveries	(2,741,000)	(2,741,000)	(2,741,000)		
TOTAL			16,807,745	11,468,452	13,136,825	(1,668,373)	(14.55)

**CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2001**

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>
617	112	Admission	5,317,949	4,487,995	5,163,931	675,936	15.06
	121	Parking	983,500	983,500	934,040	(49,460)	(5.03)
	202	Agriculture	95,000	92,000	106,784	14,784	16.07
	205	Sports	5,000	5,000	6,141	1,141	22.82
	208	Concessions	4,241,600	4,241,600	3,983,371	(258,229)	(6.09)
	209	Casino	2,430,000	2,430,000	2,580,206	150,206	6.18
	210	Marketing	450,000	450,000	517,130	67,130	14.92
	305	Utilities	75,000	75,000	60,921	(14,079)	(18.77)
	317	Client Services	91,000	91,000	70,585	(20,415)	(22.43)
	318	Building Rentals	1,975,000	1,975,000	1,831,771	(143,229)	(7.25)
	105	G.M.Finance & Admin.			1,085	1,085	
TOTAL			15,664,049	14,831,095	15,255,963	424,868	2.86

October 12, 2001

Schedule 6

**CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2001**

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	72,500	57,250	56,358	892	1.56
	103	Corporate Secretary	28,100	11,940	11,129	811	6.79
	105	Finance and Administration	303,175	221,305	201,159	20,146	9.10
	107	Human Resources	22,600	22,500	23,283	(783)	(3.48)
	109	Grounds and Traffic	74,500	74,500	65,659	8,841	0.00
	111	Telecommunications	40,000	32,000	25,000	7,000	21.88
	112	Admission	782,066	266,563	248,994	17,569	6.59
	113	Admission Gates	326,320	322,720	328,045	(5,325)	(1.65)
	117	Overhead Admin. Support	811,000	811,000	811,000	0	0.00
	118	Overhead - Site Prep.	1,930,000	1,930,000	1,930,000	0	0.00
	121	Parking	103,000	103,000	120,226	(17,226)	(16.72)
	200	CNEA GM Office	357,890	264,839	271,858	(7,019)	(2.65)
	202	Agriculture	927,150	907,585	960,471	(52,886)	(5.83)
	203	Entertainment	1,067,000	1,003,810	1,000,103	3,707	0.37
	204	Attractions	508,500	484,075	501,766	(17,691)	(3.65)
	205	Sports	368,000	367,900	369,603	(1,703)	(0.46)
	206	Program Management	333,763	276,067	259,928	16,138	5.85
	208	Concessions	894,226	894,226	885,606	8,620	0.96
	209	Casino	1,740,000	1,676,950	1,974,368	(297,418)	(17.74)
	210	Marketing	1,764,550	1,764,550	1,770,000	(5,450)	(0.31)
	211	Air Show	415,000	415,000	415,000	0	0.00
	212	Special Features	496,000	496,000	575,008	(79,008)	(15.93)
	213	International Exhibits	110,000	110,000	116,500	(6,500)	(5.91)
	305	Utilities	305,100	297,000	297,000	0	0.00
	307	Cleaning Services	208,000	208,000	238,000	(30,000)	(14.42)
	310	Grounds Maintenance	270,000	270,000	265,826	4,174	1.55
	315	Maintenance Administration	15,000	15,000	8,047	6,953	46.36
	317	Client Services	248,133	235,833	223,420	12,413	5.26
	318	Building Rentals	706,900	706,900	681,328	25,572	3.62
	332	Rentals & Tech. Services	32,000	32,000	37,000	(5,000)	(15.63)
	530	NTC Operations	400,000	400,000	400,000	0	0.00
TOTAL			15,660,473	14,678,512	15,071,686	(393,174)	(2.68)

October 12, 2001

Schedule 7