



EXHIBITION PLACE

July 18, 2002

To: The Board of Governors of Exhibition Place

From: Mario Silva
Chairman

Subject: CNEA/Exhibition Place 2002 MOU Agreement

Recommendation(s):

It is recommended that the Board enter into a three-year agreement with the Canadian National Exhibition Association ("CNEA") on the terms and conditions set out in Appendix "A" of this report.

Background:

At its meetings of October 29, 1999 and November 15, 1999 respectively, the Board and the CNEA Board of Directors approved of entering into a two-year agreement which set out the terms and conditions of operation and relationship of the CNEA and the Board which agreement expired on December 31, 2001. At its meeting of January 25, 2002, the Board established a CNE MOU Negotiating Subcommittee which Subcommittee met on September 21, 2001 and April 12, 2002; jointly with the CNEA Executive Committee on May 31, 2002; and again on July 18, 2002.

Discussion:

The MOU Subcommittee is recommending that the Board enter into the three-year agreement with the CNEA attached as Appendix "A" to this report. The terms and conditions of this proposed agreement are basically the same as the previous agreement except that the 2002 agreement does not include any definitive direction that the CNEA will be independent at the end of the term. Rather, the agreement provides that during the term the parties will consider the feasibility of CNEA independence and the extent of that independence. In addition the agreement addresses the following issues:

- Specific duties and responsibilities of staff of the CNEA and Exhibition Place Programs;
- Financial obligations of the CNEA to the Board and the City; and,
- Development of the site and effect on the CNEA and the terms of the agreement.

It is the opinion of Subcommittee that the proposed 2002 MOU represents a workable framework for the next three years, at which point the CNEA will be in a better position to assess the viability of an independent CNEA, as well as any potential development changes to the site.

The CNEA Executive Committee considered the proposed Agreement at its meeting of July 18, 2002, and are recommending it to the CNEA Board of Directors at its meeting of August 7, 2002.

Conclusion:

This report presents for consideration of the Board the proposed terms and conditions of a three-year agreement between the Board and the CNEA.

A handwritten signature in cursive script, appearing to read 'Mario Silva'.

Mario Silva
Chairman

AGREEMENT
BETWEEN THE BOARD OF GOVERNORS OF EXHIBITION PLACE (the "Board")
AND THE CANADIAN NATIONAL EXHIBITION ASSOCIATION (the "CNEA")

July 31, 2002

Whereas at a joint meeting, the Board and the CNEA approved of entering into a Memorandum of Understanding dated November 25, 1997 ("1997 MOU") which articulated the objective of achieving operational and financial independence of the CNEA from the municipal government; set out the process to address the major issues to achieve this objective; and lay out the mode of operations during 1997, 1998 and 1999; and,

Whereas at its meeting of December 10 and 18, 1997, the former Metropolitan Toronto Council adopted the terms and conditions of the 1997 MOU as amended by Metro Council; and,

Whereas by virtue of the City of Toronto Act, 1997, the Metropolitan Corporation was amalgamated into the City of Toronto and its assets, rights and obligations became the assets, rights and obligations of the City of Toronto;

Whereas at the end of the term of the 1997 MOU the Board and the CNEA continued to agree that the CNEA should be self-governed and operationally and financially independent of the City of Toronto and entered into a further Memorandum of Understanding (the "1999 MOU"); and

Whereas the parties wish to enter into a further MOU for a term of three years and substantially on the same terms and conditions as the 1999 MOU and during the term the parties will reassess the possibility of operational and financial independence of the CNEA from the City of Toronto and the level and extent of such independence.

Therefore, for good and valuable consideration the sufficiency of which is hereby acknowledged, the parties hereto agree to entering into an MOU agreement for a further term of three years on the terms and conditions as follows:

1.0 Parties

The Board and the CNEA or their respective successors.

2.0 Term

The Term will be for a period of three years beginning January 1, 2002 and ending on December 31, 2004.

3.0 Principles during the Term (2002, 2003, 2004)

(a) The CNEA will continue to operate subject to existing policies and procedures of the Board and City of Toronto Council.

- (b) The operation and development of the annual CNE in an efficient and effective manner will remain a priority of the CNEA.
- (c) All employees will be treated with respect, honesty, and fairness.
- (d) The CNEA should have as much authority as possible to make its own decisions on issues which will affect its long term structure, operations, and finances.
- (e) The Board will monitor the financial performance of the CNEA Program but will not unduly withhold approval of CNEA budgetary items.
- (f) Subject to Section 15, the Board will provide the grounds, buildings and such services as the CNEA may request for the staging of the annual CNE.

4.0 Non-Unionized Staff

- 4.1 The Board and the CNEA agree that the CNEA organizational structure outlined in Schedule I be adopted.
- 4.2 Subject to the policies and procedures of the Board and City of Toronto, including any compensation plan adopted by the Board, the CNEA will be solely responsible for the hiring, performance evaluation and determination of the salary and benefits level of all staff directly assigned to the CNEA Program, including the CNEA General Manager. Without limiting the generality of the foregoing, when hiring for a particular position, the CNEA will, in addition to any external job call, post the position internally and within the City of Toronto
- 4.3 The CNEA will continue to assess its administrative and operational needs to determine the most appropriate means of service delivery which may include direct service delivery by CNEA Program staff; contracting out; using the services of the Board or other agencies; or a combination thereof. If external sources are selected as the most appropriate means of service delivery and such outsourcing results in the loss of employment for present Board employees, the Board must approve of such arrangements.
- 4.4 All staff hired by the CNEA or working directly for the CNEA Program will be employees of the Board .

5.0 Collective Agreements

The CNEA will be bound by any existing collective agreements between the Board and its unions and between the City of Toronto and its unions.

6.0 Administrative Services

6.1 The Board and the CNEA agree that during the Term the Board will provide to the CNEA, at an annual Administrative Fee-for-Service Cost calculated to be \$801,000 in 2002, the following administrative and office support services:

- (a) Accounting services
- (b) Telephone/Mail services
- (c) Records and Archival services
- (d) Information Technology services
- (e) Human Resources services
- (f) Corporate Secretariat/Executive services
- (g) Purchasing and Stores services

Attached as Schedule II to this MOU is the formula used by the parties for calculating this Administrative Fee-for Service Cost which Fee will be recalculated each year of the Term on the basis of the same formula.

6.2 Set out in Schedule III attached to this MOU is the level of each of the Administrative Services provided by the Board in consideration of the Administrative Fee-for-Service Cost.

7.0 Site Cost Reimbursement

7.1 The Board and the CNEA agree that the CNEA will pay the Board on an annual basis a Site Cost Reimbursement Fee of \$1,930,000.00 which fee is based on consideration of the buildings and area of the grounds to be used by the CNEA and the length of occupancy of both as set out in Schedule IV attached to this MOU.

7.2 In addition to the Site Reimbursement Fee, the Board and the CNEA agree that the CNEA will pay the Board an NTC Operations Fee for the use of the National Trade Centre Complex (NTC) which fee is based on consideration of the per diem operating cost for the NTC (but excluding the per diem base rent) and the square footage area occupied by the CNEA during the CNE event and during move-in and move-out of the event.

7.3 In consideration of the Site Cost Reimbursement Fee and the NTC Operations Fee, the Board will also provide the CNEA with the site services outlined on Schedule VI to this MOU.

7.4 If during the Term there is a substantial decrease or increase in the use by the CNEA of the buildings or grounds the parties will negotiate an increase or decrease in the Site Cost Reimbursement Fee and the NTC Operations Fee as the case may be taking into consideration the following factors or other factors agreed to by the parties:

- (a) Square footage of the increased or decreased space;
- (b) Actual savings achieved or the increase in actual costs incurred by the Board because of the respective decrease or increase use of space by the CNEA;
- (c) Potential loss of income or potential increase in income for the CNEA because of the respective decrease or increase use of space by the CNEA.

8.0 Direct Operational Costs

- 8.1 The parties acknowledge that during the term of the 1997 MOU, all charges from direct operational services provided to the CNEA by Board staff are included in the CNEA Program accounts and the parties will during the Term continue, where possible, to further identify any other accounts within the Site Reimbursement Fee, the NTC Operations Fee or Administrative Fee-for Service Costs that could be transferred to a direct CNEA account.
- 8.2 The Board will continue to provide or ensure the provision of operational services such as cleaning, additional event security, electrical, and other services as may be agreed upon by the parties. All staff and equipment necessary to carry out these services will remain with the Board. The Board may provide these services through a third party at the Board's discretion. The CNEA will pay the Board the direct cost of services (including staff benefits, materials, supplies, equipment and purchased services) and there will be no other allocation of costs for such operating services within the Administrative Fee-for-Service Cost or Site Reimbursement Fee.
- 8.3 During the Term the parties will determine the level of direct operational services required including staff time, equipment, supervision, etc. provided that the parties acknowledge that the Board, as landlord of Exhibition Place and all the buildings thereon, has the responsibility of maintaining certain standards for the grounds and buildings.

9.0 Equipment

Direct Operational Costs will include the cost of any equipment required for the service provided. The Board will provide the CNEA with any additional equipment requested by the CNEA that the Board may have available. The CNEA will reimburse the Board for any rental fee charged by a third party for rental of equipment, as required.

10.0 Use of NTC Space

The parties acknowledge that given the NTC Operations Fee does not include any base rental charge, it is in the interest of both parties to encourage the efficiency and minimization of move-in and move-out times of the NTC in order to maximize the profits from third party rentals of the NTC. the CNEA will make all reasonable efforts to reduce the NTC move-in and move-out periods.

11.0 Annual Review

The Board and CNEA will, on or before the first of February in each year of the Term, review the required move-in, move-out and occupancy times for each area of the grounds and each building on the grounds (including the NTC).

12.0 Financial Reports

12.1 During the Term, the CNEA shall prepare an operating budget in accordance with the requirements of the Board and the City of Toronto.

12.2 Separate accounts within the CNEA Program appropriation will be established to record all charges to the CNEA. Where the Board's costs are distributed to the CNEA, the Board will establish a revenue account and the CNEA an expenditure account that will balance. All such interdepartmental charge accounts will be identified as such to facilitate reporting and reconciliation.

13.0 Inventory/Records & Reports/Archives

13.1 The parties acknowledge that during the term of the 1997 MOU, the parties have agreed that the inventory/equipment set out in Schedule VII is used exclusively by the CNEA for the annual CNE event.

13.2 During the Term, the parties will continue to identify all assets, including all records, archival material, office equipment, and other assets in order to determine ownership of such assets.

13.3 Assets clearly belonging to the CNEA as identified in legislation will remain the property of the CNEA unless the parties agree otherwise. Where ownership is not clear, transfer of the assets must be approved by the City Council. Ownership of assets will be transferred at no cost to either party.

13.4 The CNEA may, at its own discretion, assemble and locate any assets determined to be the assets of the CNEA in a location convenient and cost effective for the CNEA that may or may not be within Exhibition Place. If any assets owned by the CNEA are moved to a location outside of Exhibition Place, the CNEA will bear the relocation cost.

13.5 The parties acknowledge that the 1997 MOU provided that any CNEA assets currently contained within either the NTC or Medieval Times will remain within these buildings for 10 years ending on December 31, 2008 with an option to extend that period further upon mutual agreement which term was approved by the former Metro Council. The 1997 MOU further provided that the Board, at its own discretion, may decide to remove such assets at any time and will deliver such assets to the CNEA at the Board's cost.

14.0 Year-Round Space

- 14.1 Subject to the limitations as to use imposed by the City of Toronto and subject to any developments of the site approved by the Board as set out in Sections 15, the CNEA will have exclusive use of the following buildings/areas on a year-round basis during the Term:
- (a) The Press Building for its permanent administrative offices;
 - (b) The Food Building for storage of some inventory and permanent exhibitor fixtures;
 - (c) One Cubicle located at 20 Manitoba Drive for the storage of inventory.
- 14.2 The parties acknowledge that all costs associated with daily and annual maintenance and repair of this Year-Round Space is included in the Site Reimbursement Fee as set out in Section 8.0 including the cost of any heat, air-conditioning, water, gas, electricity and any other utilities provided.
- 14.3 If for any reason during the Term, any or all of the Year-Round Space is not available for use by the CNEA, the Board agrees to pay all costs associated with any relocation required.

15.0 Use of the Grounds for Annual CNE

- 15.2 The Board shall close Exhibition Place for the duration of the annual CNE event which shall not be more than eighteen (18) days duration ending on Labour Day, save and except for a CNE Casino which may be 20 days. The Board, its agents, tenants and contractors have the right of access to, and the continued occupation of, Exhibition Place during the annual CNE event for the purposes of using its own administrative offices, for its agents and managers and their personnel (e.g. NTC Management personnel), tenants of buildings in Exhibition Place, for any personnel employed by the Board and other persons authorized by the Board as necessary for the Board's purposes.
- 15.3 It is understood and agreed that the Board will continue to develop agreements with other tenants for the site and such agreements will consider the CNEA's requirement for a cohesive exhibition site.
- 15.4 The Board has the right to withdraw any building, or part thereof, from the availability list for use by the CNEA provided that the Board consults with the CNEA and that the parties endeavour to allocate alternative space for any buildings taken out of use. The parties also acknowledge that the Board and City Council have approved the renovation of the Coliseum Arena for the site of an AHL franchise which proposal protects the CNEA's occupation of the Coliseum

Arena for the present CNE uses (ie horse show and Veterans Parade) during the period of the annual CNE event.

16.0 Building/Site Improvement Costs

- 16.1 The CNEA may require minor structural renovations to the buildings and/or the grounds to enhance the CNEA programming. In such cases, the Board and CNEA will determine whether the requested changes will enhance the Board's ability to generate income or otherwise benefit the Board.
- 16.2 If the CNEA's request is deemed to benefit only the CNEA, the CNEA will bear the cost of the development and any future maintenance cost. If the change will also benefit the Board, the Board may contribute to the cost of any such change and the parties will determine the share of the cost to be attributed to each party.
- 16.3 The Board will be responsible for carrying out any renovations to the buildings and the grounds. Where the CNEA bears the cost, the Board will require the authorization of the CNEA to proceed based on estimated costs and/or quotes.
- 16.4 The structural renovations referred to in this section are in addition to any capital improvements undertaken by the Board and the City of Toronto within the annual capital budget allocation.

17.0 Parking

During the annual CNE all available parking areas inside Exhibition Place will be provided to the CNEA for its use. The Board will manage all parking operations on behalf of the CNEA. The CNEA will be entitled to the net income from parking earned during the annual CNE event after deduction of any costs associated with preparation, operation, or reparation of lands used for parking. The Board supports the use by the CNEA of Gore Park, Marilyn Bell Park and Battery Park for parking during the CNE event as permitted by the City of Toronto.

18.0 Third Party Sponsorship/Advertising Agreements

- 18.1 Where agreements impact the operations of the CNEA alone or are intended to benefit the CNEA directly, then the CNEA will be entitled to the benefits derived from the agreement. Likewise, the benefits derived from any contract designated as attributed to the Board alone will accrue to the Board.
- 18.2 The CNEA and the Board will negotiate the relative share of benefits from any joint agreements.
- 18.3 The CNEA shall obtain approval of the Board before entering into any exclusive agreement which may impact the Board's ability to generate income. The CNEA

will be advised before the Board enters into any exclusive agreement that may impact the CNEA operations.

19.0 Business Plan

The parties acknowledge that the Board and the CNEA at its meetings held on April 8, 1999 and May 28, 1999 respectively, approved the CNEA Business Plan dated March 25, 1999 which plan addressed the strategic directions for the 1999 CNE event and identified steps to strengthen the CNEA's finances including a review of key service areas.

20.0 CNE Stabilization Reserve

- 20.1 The Board supports and will request City Council to establish a CNEA Stabilization Reserve Fund (the "Reserve") for the purpose of funding unplanned CNEA budget deficiencies on such terms and conditions as set out below. The Reserve shall be the property of the City of Toronto to be used for the purposes for which it is established.
- 20.2 The Reserve shall be comprised of any surplus accumulated and any other monies credited thereto including earnings from investment of balances in the Reserve.
- 20.3 The surplus or deficit of the CNEA Program will be determined after the annual financial audit. Any site/ground improvement costs as described in Section 16.0 will be included in the determination of deficits and surpluses. For the purposes of this Agreement a surplus will be defined as any net profit over zero.
- 20.4 If there is a deficit resulting from the CNEA Program in any year during the Term, such deficit shall be paid from the Reserve and any deficit remaining after the Reserve is fully depleted shall be paid by the Board and/or the City of Toronto.
- 20.5 If there is a surplus resulting from the operations of the CNEA Program in any year during the Term, 50 per cent of any such surplus shall be deposited into the Reserve.
- 20.6 The cumulative deficit incurred by the CNEA since 1998 is forgiven by the Board which cumulative deficit includes losses in 1998 and 1999 less profits earned in 2000 and 2001.

21.0 Line of Credit

- 21.1 During the Term, the Board will advance funds to the CNEA to pay liabilities incurred prior to realizing its revenue from the annual CNE provided the CNEA pays for all the costs of borrowing associated with such funding.

