

EXHIBITION PLACE

October 15, 2002

To: The Board of Governors of Exhibition Place
From: Dianne Young
General Manager & CEO
Subject: Variance Report – Period Ending September 30, 2002

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, including the appended Schedules 1-7, provides details on the operating results for the three Exhibition Place programs for the nine-month period ending September 30, 2002. It is the third of three reports that have been submitted to the Board during 2002. The year 2002 variance process requires staff responsible for the management of activities and related budget funding to report to the General Manager & CEO on a monthly basis for any variances in excess of 10% during the first eight months of the year. This variance reporting threshold has been reduced to 5% for the remainder of this year to ensure tighter financial control.

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 nine months of 2002. The appended schedules identify, on an individual activity/program basis, year-to-date variances by dollar value and percentage. The comments and analysis in this report will identify the activities of Exhibition Place that are showing significant variance from the anticipated level of income and expenditure to this point in 2002 and outline the factors that are causing the variance.

Consolidated Position for All Programs

As was the case in each of the variance reports for 2002, the consolidated financial position of Exhibition Place for the period ending September 30, 2002 indicates a positive variance. The combined activities of the National Trade Centre Program, Exhibition Place Program and the CNEA Program are exceeding the budget forecast by \$1,017,216 as indicated on Schedule 1.

The National Trade Centre Program

The operating results for the period ending September 30, 2002 reflects a favourable variance of \$77,042 or 10.10% as a result of lower than budgeted expenditures and revenues. As was the case at the six-month variance position, this positive result is being driven by expenditure reductions (\$391,053) as aggregate revenues are lower than had been anticipated.

The following specific revenues are lower than forecast by the percentages indicated:

	<u>Variance from Budget</u>
Rental Income	(4.87 %)
Electrical Services	(24.78 %)
Food & Beverage	(10.38 %)

The National Trade Centre program, as well as the other programs at Exhibition Place, have received their hydro billing for the months of May and June. At the present time these costs are on budget or slightly lower than anticipated for the National Trade Centre. The National Trade Centre and Exhibition Place are parties to a three-year pricing contract with Toronto Hydro Electric Services Inc. Given the high level of energy consumption during July and August, it is still possible that electric supply costs could increase the cost base.

An important event for the National Trade Centre is the upcoming Royal Agricultural Winter Fair. At the present time various cost pressures are associated with this event and it could have a negative impact on the fourth quarter performance for the National Trade Centre.

In summary, overall profitability is being maintained by the National Trade Centre in the face of competitive market conditions and lower than forecast event revenues.

Exhibition Place Program

The financial results for the period ending September 30, 2002 reflects a favourable variance of \$417,122 or 11.33% as a result of higher than budgeted expenditures and revenues.

Parking revenues continued to exceed budget forecasts throughout the third quarter and by September 30th total revenues equaled \$2,943,284 which was \$308,698 or 11.72% over budget. On a year-to-year comparative basis, parking revenues for the first nine months of 2002 exceeded 2001 results for the same time period by \$613,922 or, expressed as a percentage, 15.06 % higher than the total 2001 parking revenue budget.

The positive parking results during the summer are due to the higher than planned for attendance by Ontario Place visitors for the Dragon Boat Races and the In-Line Boat Show and the uplift from the Cirque de Soleil attendees.

Third party revenues and expenses are both exceeding budget forecasts as the impact of the World Youth Day event is now reflected in the financial accounts. The net billing to the World

Youth Day is \$1,345,354 and this amount has been formally invoiced. As of the date of this report, the initial deposit of \$221,464 has been received.

The electrical and mechanical services is having a positive impact on the net position for Exhibition Place with a favourable variance of \$461,266. This variance is accounted for by the workforce being involved in many revenue generating activities for the first nine months of the year. As the priority for the electrical and mechanical services shifts to planned preventative maintenance of the buildings in the last quarter of 2002, this positive variance should decrease.

Rentals and technical services provide IATSE services across the grounds. Because of the level of activity for the World Youth Day, Liberty Grand managed events and other shows, the revenue and expenditures for these services are being recorded at over 70% higher than budget forecasts.

The Finance and Administration accounts are showing an over-expenditure of \$79,640 as of September 30th, 2002. This variance is due to two factors:

- Hospital and group insurance premiums overbudget by \$43,000
- CPP and EI premiums are overbudget by \$30,000 but this situation should correct itself by year end

Canadian National Exhibition Association

As of September 30, 2002 the operating results for the Canadian National Exhibition are showing a positive variance of \$523,052 or 10.04 % compared to the budget projection.

The revenues received during the 2002 Fair exceeded budget for all of the following categories:

- Admissions
- Parking
- Concessions (including rides)
- CNE Casino

At this point in time, expenditures are tracking budget expectations and, on an aggregate basis, are showing a positive variance of \$27,387.

Staff are identifying and verifying all outstanding accounts and finalizing other matters, such as group sales, so that the settlement positions with Conklin, Ontario Place, GO transit and other organizations can be finalized. As soon as these tasks are completed, preliminary unaudited results for the 2002 Canadian National Exhibition can be prepared. However on the strength of the revenues received for 2002, it would be anticipated that the final operating profit for the 2002 Canadian National Exhibition will meet or exceed the \$241,065 of income recorded in 2001.

Conclusion:

This report provides the variance analysis for the first nine months of 2002 for the National Trade Centre Program, Exhibition Place Program and the CNEA Program.

Contact:

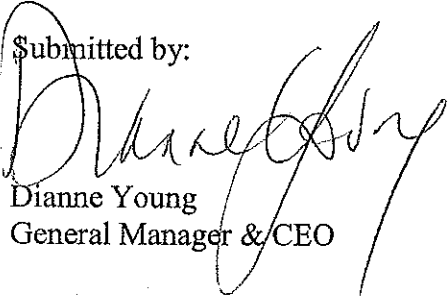
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Submitted by:



Dianne Young

General Manager & CEO

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE
CONSOLIDATED VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2002**

	<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	13,382,655	8,828,439	8,514,428	(314,011)	(3.56)
- EXPENSES	11,516,968	8,065,736	7,674,683	391,053	4.85
- SUB-TOTAL	1,865,687	762,703	839,745	77,042	10.10
EXHIBITION PLACE					
- REVENUES	17,849,097	12,242,107	14,801,007	2,558,900	20.90
- EXPENSES	19,102,579	15,924,948	18,066,726	(2,141,778)	(13.45)
- SUB-TOTAL	(1,253,482)	(3,682,841)	(3,265,719)	417,122	11.33
CNEA					
- REVENUES	16,090,044	15,829,029	16,324,694	495,665	3.13
- EXPENSES	16,084,308	10,621,103	10,593,716	27,387	0.26
- SUB-TOTAL	5,736	5,207,926	5,730,978	523,052	(10.04)
CONSOLIDATED					
- REVENUES	47,321,796	36,899,575	39,640,129	2,740,554	7.43
- EXPENSES	46,703,855	34,611,787	36,335,125	(1,723,338)	(4.98)
TOTAL	617,941	2,287,788	3,305,004	1,017,216	44.46

NOTE: * () INDICATES UNFAVOURABLE VARIANCE

THE NATIONAL TRADE CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2002

	<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	7,290,000	4,756,496	4,524,711	(231,785)	(4.87)
Electrical Services	898,909	544,489	409,567	(134,922)	(24.78)
Food & Beverage	1,379,000	980,108	878,353	(101,755)	(10.38)
Third Party Billings	2,776,420	1,804,961	1,915,312	110,351	6.11
Advertising	344,228	253,589	290,146	36,557	14.42
Other Income	148,600	96,702	149,214	52,512	54.30
Official Supplier & Bus. Centre	80,000	71,325	73,932	2,607	3.66
Telecommunications	465,498	320,769	273,193	(47,576)	(14.83)
TOTAL	13,382,655	8,828,439	8,514,428	(314,011)	(3.56)

THE NATIONAL TRADE CENTRE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2002

<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	2,182,754	1,386,186	1,438,722	(52,536)	(3.79)
Telecommunications	367,794	264,633	306,831	(42,198)	(15.95)
Advertising & Sponsorship	64,210	48,159	53,122	(4,963)	(10.31)
Direct Operating Costs/PMD	5,183,176	3,651,490	3,399,687	251,803	6.90
Operations Dept.	627,300	471,972	442,961	29,011	6.15
Event Services Dept.	1,092,189	823,548	806,360	17,188	2.09
Executive Dept.	528,036	396,255	342,161	54,094	13.65
Finance Dept.	810,392	598,880	591,460	7,420	1.24
Depreciation - Equipment	55,000	41,247	44,362	(3,115)	(7.55)
Marketing Dept.	749,704	562,284	455,837	106,447	18.93
Management Fees	418,592	313,944	288,335	25,609	8.16
 <u>RECOVERIES</u>					
Telecommunications	69,000	69,000	69,000	0	0.00
CNE Direct Operating Costs	(383,613)	(383,613)	(383,613)	0	0.00
Event Services Dept.	(154,306)	(109,683)	(109,681)	(2)	(0.00)
Servomation	(93,260)	(68,566)	(70,861)	2,295	3.35
 TOTAL	 11,516,968	 8,065,736	 7,674,683	 391,053	 4.85

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Schedule 3

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2002**

REVENUES

<u>MAJOR</u>	<u>SUB</u>	<u>ACCOUNT</u>	<u>ANNUAL BUDGET</u>	<u>YEAR TO DATE BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE \$</u>	<u>%</u>
654	108	Parking and Traffic Revenue	4,127,813	2,634,586	2,943,284	308,698	11.72
	116	Accounting Revenue	816,924	639,024	602,856	(36,168)	(5.66)
	117	Overhead Admin. Support	811,000	0	0	0	0.00
	118	Overhead Site Prep.	1,930,000	0	0	0	0.00
	201	Sales Revenue	1,402,112	1,211,768	1,351,587	139,819	11.54
	202	Advertising/Signage	527,575	395,681	347,433	(48,248)	(12.19)
	305	Utilities Revenue	652,000	375,370	363,083	(12,287)	(3.27)
	306	Offset - Cleaning Services	2,033,632	1,440,537	1,666,158	225,621	15.66
	313	Third Party	3,224,080	2,321,338	2,485,989	164,651	7.09
	316	Offset - Labour	799,733	571,277	721,023	149,746	26.21
	320	Offset - Physical Plant Mnt.	638,889	438,277	584,072	145,795	33.27
	321	Offset - Electrical & Mech.	1,985,477	1,007,194	1,655,022	647,828	64.32
	330	Offset - Rentals/Tech.Serv.	1,640,862	1,207,055	2,080,501	873,446	72.36
		CNEA Recoveries	(2,741,000)				
TOTAL			17,849,097	12,242,107	14,801,007	2,558,900	20.90

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Schedule 4

**EXHIBITION PLACE
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2002**

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	286,179	215,880	188,370	27,510	12.74
	101	Board of Governors	51,500	48,050	23,306	24,744	51.50
	103	Corporate Secretary	314,991	231,543	205,966	25,578	11.05
	104	Archives & Com. Records	122,652	91,335	89,417	1,918	2.10
	105	Finance & Administration	792,290	604,795	684,435	(79,640)	(13.17)
	106	Purchasing & Stores	160,691	123,290	122,896	394	0.32
	107	Human Resources	162,208	95,548	90,254	5,294	5.54
	108	Parking and Traffic	864,506	595,911	660,747	(64,836)	(10.88)
	116	Accounting	913,717	699,078	746,664	(47,587)	(6.81)
	160	Systems	190,467	153,235	147,800	5,435	3.55
	201	Sales Expenses	352,478	196,904	250,326	(53,422)	(27.13)
	301	Maintenance Administration	808,081	598,840	585,787	13,052	2.18
	302	Grounds Maintenance	65,000	63,000	85,160	(22,160)	(35.17)
	303	Health and Safety	56,948	42,430	41,998	431	1.02
	304	Sports Hall of Fame	53,200	39,900	40,895	(995)	(2.49)
	305	Utilities	1,719,000	1,403,075	1,458,965	(55,890)	(3.98)
	306	Cleaning Services	2,388,790	1,703,880	1,973,741	(269,861)	(15.84)
	308	Special Appropriations	316,000	7,000	6,505	495	7.07
	313	Third Party Billings	2,758,000	2,178,820	2,412,324	(233,504)	(10.72)
	316	Labour	1,340,314	974,976	1,177,785	(202,809)	(20.80)
	320	Plant Maintenance	1,710,444	1,315,616	1,470,803	(155,187)	(11.80)
	321	Electrical & Mechanical	4,101,639	2,742,233	2,928,795	(186,562)	(6.80)
	323	Engineering	63,467	105,509	89,947	15,562	14.75
	330	Rentals & Tech. Services	1,751,982	1,289,598	2,223,539	(933,941)	(72.42)
	500	Security	499,035	404,504	360,300	44,203	10.93
		CNEA Recoveries	(2,741,000)				

TOTAL	19,102,579	15,924,948	18,066,726	(2,141,778)	(13.45)
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Schedule 5

CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2002

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	5,820,090	5,820,090	5,915,320	95,230	1.64
	121	Parking	967,500	967,500	1,082,036	114,536	11.84
	202	Agriculture	84,000	81,000	120,080	39,080	48.25
	205	Sports	5,000	5,000	10,000	5,000	100.00
	208	Concessions	4,026,954	3,783,204	3,823,991	40,787	1.08
	209	Casino	2,568,000	2,568,000	2,776,200	208,200	8.11
	210	Marketing	475,500	461,235	473,113	11,878	2.58
	305	Utilities	70,000	70,000	57,834	(12,166)	(17.38)
	317	Client Services	83,000	83,000	91,325	8,325	10.03
	318	Building Rentals	1,990,000	1,990,000	1,974,796	(15,204)	(0.76)
TOTAL			16,090,044	15,829,029	16,324,694	495,665	3.13

CANADIAN NATIONAL EXHIBITION ASSOCIATION
VARIANCE ANALYSIS
FOR THE PERIOD ENDING SEPTEMBER 30, 2002

EXPENSES

<u>MAJOR</u>	<u>SUB</u>	<u>ACCOUNT</u>	<u>ANNUAL</u> <u>BUDGET</u>	<u>YEAR TO DATE</u>		<u>VARIANCE</u>	
				<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
717	102	CNEA	69,000	56,800	44,961	11,839	20.84
	103	Corporate Secretary	27,300	11,624	9,281	2,343	20.16
	105	Finance and Administration	306,875	217,343	209,581	7,762	3.57
	107	Human Resources	33,900	33,800	20,016	13,784	40.78
	109	Grounds and Traffic	72,950	58,000	74,578	(16,578)	(28.58)
	111	Telecommunications	40,000	4,400	3,005	1,395	31.69
	112	Admission	874,645	208,600	218,465	(9,865)	(4.73)
	113	Admission Gates	375,750	361,670	361,021	649	0.18
	117	Overhead Admin. Support	811,000	0	0	0	0.00
	118	Overhead - Site Prep.	1,930,000	0	0	0	0.00
	121	Parking	117,500	97,500	90,018	7,482	0.00
	200	CNEA GM Office	381,076	298,886	304,655	(5,769)	(1.93)
	202	Agriculture	1,017,700	996,200	996,611	(411)	(0.04)
	203	Entertainment	924,300	841,240	858,718	(17,478)	(2.08)
	204	Attractions	524,100	512,850	513,227	(377)	(0.07)
	205	Sports	345,670	345,670	344,438	1,232	0.36
	206	Program Management	266,250	206,457	192,802	13,655	6.61
	208	Concessions	897,909	489,222	467,907	21,315	4.36
	209	Casino	1,839,500	1,713,040	1,681,778	31,262	1.82
	210	Marketing	1,755,500	1,146,390	1,150,052	(3,662)	(0.32)
	211	Air Show	415,000	415,000	415,000	0	0.00
	212	Special Features	575,000	575,000	612,459	(37,459)	(6.51)
	213	Community Heritage	118,450	94,538	94,399	139	0.15
	305	Utilities	305,100	305,100	305,100	0	0.00
	307	Cleaning Services	306,000	306,000	331,727	(25,727)	(8.41)
	310	Grounds Maintenance	293,000	217,000	214,179	2,821	1.30
	317	Client Services	318,333	203,133	203,223	(90)	(0.04)
	318	Building Rentals	704,500	467,640	460,952	6,688	1.43
	332	Rentals & Tech. Services	33,000	33,000	31,950	1,050	3.18
	530	NTC Operations	405,000	405,000	383,613	21,387	0.00
TOTAL			16,084,308	10,621,103	10,593,716	27,386	0.26

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Schedule 7

