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November 12, 2003

## EXHIBITION PLACE

To: The Board of Governors of Exhibition Place

From: Dianne Young  
General Manager & CEO

Subject: **Variance Report – Period Ending September 30, 2003**

### **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, together with the appended consolidated variance analyses (Schedules 1-7) for the nine-month period ending September 30, 2003, is the third and last of three reports that will be submitted to the Board during 2003. 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 six months of 2003. The appended schedules identify, on an individual activity/program basis, year-to-date variances by dollar value and percentage.

The year 2003 variance process normally requires 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. From September 1st until the end of the year this reporting threshold is lowered to 5% to maintain a higher level of financial control during the last few months of the year.

### **Consolidated Position for All Programs**

The consolidated financial position of Exhibition Place for the period ending September 30, 2003 reflects an unfavourable variance of \$1,985,100 as indicated on Schedule 1. This variance reflects the combined activities of the National Trade Centre, the Exhibition Place Program and the CNEA Program.

## The National Trade Centre Program

The operating results for the period ending September 30, 2003, reflects an unfavourable variance of \$994,768 or 120.89%.

The unfavourable variance is driven by a lower than had been anticipated stream of revenues during the first nine months of the year. Specifically the following types of revenue are lower than budget expectations by the amounts shown:

	<u>Negative Budget Variance</u>
Rental Income	(\$ 787,130)
Electrical Services	(\$ 145,984)
Food & Beverage	(\$ 224,966)
Third Party Billings	(\$ 575,359)

In aggregate the revenues of the National Trade Centre are below budget forecast by \$1.82 million dollars for the period ending September 30, 2003. To counteract this negative forecast, management has reduced discretionary expenditures very significantly and there is a positive variance to budget of \$828,033 for the first nine months of the year.

On November 1<sup>st</sup> the first event in the Ricoh Coliseum took place very successfully and it is anticipated that future events will bring a heightened profile for the National Trade Centre and cause a growth in ancillary revenues.

Looking at the longer-range forecast, it is hoped that 2004 will see an improvement in local business conditions and the eventual return to the level of profitability that the National Trade Centre has achieved in recent years.

## Exhibition Place Program

The budget for the period ending September 30, 2003 reflects an unfavourable variance of \$64,997 or 7.37 %.

Many of the same negative factors that have affected the financial performance of the National Trade Centre have also had an impact on parking revenues and these are \$420,395 or 16.26 % lower than the budget forecast.

Some of the trades are currently showing strong positive variances on a net basis such as the Electrical & Mechanical section (\$367,995) and the Physical Plant Maintenance section (\$322,613). Again, as in the National Trade Centre, management has in place very stringent controls on all expenditures that are not essential or required by contract.

Third party billings (to show clients and tenants) are showing a net negative variance to June 30, 2003 of \$121,522 but this situation will improve to some degree in the final quarter of the year as all events are billed to the clients. However because of the lower level of activity on the grounds third party billings will probably not make its annual income target of \$401,174.

An area of uncertainty for all of the programs at Exhibition Place concerns the billing for the year for hydro electricity. The annual 2003 budgets for the three programs for electricity is as follows:

Exhibition Place	\$ 885,996
Canadian National Exhibition	205,000
National Trade Centre	<u>1,392,394</u>
Total	\$ 2,483,390

Since May, 2002, Exhibition Place has participated with the City of Toronto in a group purchasing program from Toronto Hydro at fixed rates. While this is beneficial from a cost perspective, for various technical reasons Toronto Hydro has had difficulty calculating electrical consumption for Exhibition Place for all of 2003 and costs to date have been estimated. Staff from Exhibition Place and Toronto Hydro are placing the highest priority on getting this matter resolved before the end of this year and the finalization of the financial records.

It is anticipated that the Exhibition Place program will be very close to budget at year-end with the aggressive cost control program in place.

#### Canadian National Exhibition Association

The results for the period ending September 30, 2003 reflect an unfavourable variance of \$925,335 or 34.74%.

The hydro blackout had a very damaging effect on the financial position of the Canadian National Exhibition and the four-day delay in opening the 2003 Fair to August 19 had the following impact on forecast revenues:

Day 1 Forecast Revenues	\$ 344,794
Day 2 Forecast Revenues	574,656
Day 3 Forecast Revenues	683,587
Day 4 Forecast Revenues	<u>344,794</u>
Total	\$ 1,947,831

However to mitigate the impact of the delay, revenues for the days that the fair was opened exceeded expectations and all the major revenue streams (admissions, parking, concessions, rides, casino, building rentals) had strong performance for the fourteen days that the CNE was operating.

On the expense side, costs are still being collected and verified so the final net position for 2003 cannot be accurately estimated at this point in time. However there will be savings in variable labour costs such as cleaning, admissions, and casino personnel and these will assist the bottom-line position.

All indications are that without the hydro blackout, the 125<sup>th</sup> anniversary CNE would have achieved another financially successful year.

Conclusion:

This report provides the variance analysis for the first nine months of 2003 for the National Trade Centre, the Exhibition Place Program and the CNEA Program.

Contact:

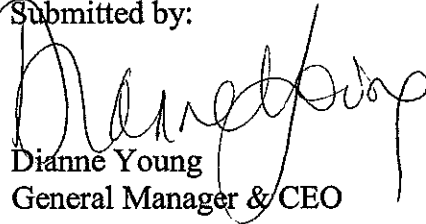
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Submitted by:



Dianne Young

General Manager & CEO

**THE BOARD OF GOVERNORS OF EXHIBITION PLACE  
CONSOLIDATED VARIANCE ANALYSIS  
FOR THE PERIOD ENDING SEPTEMBER 30, 2003**

	<u>ANNUAL BUDGET</u>	<u>YEAR TO DATE</u>		<u>VARIANCE*</u>	
		<u>BUDGET</u>	<u>ACTUAL</u>	<u>\$</u>	<u>%</u>
<b>NTC</b>					
- REVENUES	13,999,427	9,282,029	7,459,228	(1,822,801)	(19.64)
- EXPENSES	12,116,027	8,459,170	7,631,137	828,033	9.79
- SUB-TOTAL	1,883,400	822,859	(171,909)	(994,768)	(120.89)
<b>EXHIBITION PLACE</b>					
- REVENUES	16,525,975	14,460,839	13,712,406	(748,433)	(5.18)
- EXPENSES	18,305,075	15,342,854	14,659,418	683,436	4.45
- SUB-TOTAL	(1,779,100)	(882,015)	(947,012)	(64,997)	(7.37)
<b>CNEA</b>					
- REVENUES	17,111,162	16,276,575	15,048,293	(1,228,282)	(7.55)
- EXPENSES	16,965,862	13,613,213	13,310,266	302,947	2.23
- SUB-TOTAL	145,300	2,663,362	1,738,027	(925,335)	(34.74)
<b>CONSOLIDATED</b>					
- REVENUES	47,636,564	40,019,443	36,219,927	(3,799,516)	(9.49)
- EXPENSES	47,386,964	37,415,237	35,600,821	1,814,416	4.85
<b>TOTAL</b>	249,600	2,604,206	619,106	(1,985,100)	(76.23)

NOTE: \* ( ) INDICATES UNFAVOURABLE VARIANCE

**THE NATIONAL TRADE CENTRE  
VARIANCE ANALYSIS  
FOR THE PERIOD ENDING JUNE 30, 2003**

	<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	7,125,833	4,724,312	3,937,182	(787,130)	(16.66)
Electrical Services	899,168	533,542	387,558	(145,984)	(27.36)
Food & Beverage	1,384,000	973,346	748,380	(224,966)	(23.11)
Third Party Billings	3,377,111	2,176,735	1,601,376	(575,359)	(26.43)
Advertising	400,000	314,500	295,186	(19,314)	(6.14)
Other Income	120,400	88,800	98,143	9,343	10.52
Management Fee Income-CRC	137,500	90,000	0	(90,000)	(100.00)
Official Supplier & Bus.Centre	118,000	78,728	90,529	11,801	14.99
Telecommunications	437,416	302,066	300,874	(1,192)	(0.39)
<b>TOTAL</b>	<b>13,999,428</b>	<b>9,282,029</b>	<b>7,459,228</b>	<b>(1,822,801)</b>	<b>(19.64)</b>

**THE NATIONAL TRADE CENTRE  
VARIANCE ANALYSIS  
FOR THE PERIOD ENDING JUNE 30, 2003**

<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	2,558,047	1,598,858	1,217,031	381,827	23.88
Telecommunications	425,033	321,655	343,080	(21,425)	(6.66)
Advertising & Sponsorship	96,000	71,250	75,124	(3,874)	(5.44)
Direct Operating Costs/PMD	5,146,348	3,637,787	3,302,817	334,970	9.21
Operations Dept.	670,522	505,114	490,287	14,827	2.94
Event Services Dept.	1,179,049	883,175	922,976	(39,801)	(4.51)
Executive Dept.	554,965	418,034	347,074	70,960	16.97
Finance Dept.	932,730	694,859	709,014	(14,155)	(2.04)
Depreciation - Equipment	57,563	43,173	43,303	(130)	(0.30)
Marketing Dept.	792,016	594,036	429,822	164,214	27.64
Management Fees	333,333	250,002	254,377	(4,375)	(1.75)
 <u>RECOVERIES</u>					
Telecommunications	69,000	69,000	69,000	0	0.00
CNE Direct Operating Costs	(418,408)	(418,408)	(385,357)	(33,051)	0.00
Event Services Dept.	(76,000)	(56,997)	(56,999)	2	0.00
Servomation	(97,986)	(72,727)	(130,412)	57,685	79.32
Coliseum Arena Recovery	(106,185)	(79,641)	0	(79,641)	(100.00)
 <b>TOTAL</b>	 <b>12,116,027</b>	 <b>8,459,170</b>	 <b>7,631,137</b>	 <b>828,033</b>	 <b>9.79</b>

**EXHIBITION PLACE  
VARIANCE ANALYSIS  
FOR THE PERIOD ENDING SEPTEMBER 30, 2003**

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	4,295,000	2,585,590	2,165,195	(420,395)	(16.26)
	116	Accounting Revenue	1,068,440	730,101	726,668	(3,433)	(0.47)
	117	Overhead Admin. Support	801,000	801,000	801,000	0	0.00
	118	Overhead Site Prep.	1,930,000	1,930,000	1,930,000	0	0.00
	201	Sales Revenue	1,477,007	1,272,458	1,264,232	(8,226)	(0.65)
	202	Advertising/Signage	422,500	422,500	341,512	(80,988)	(19.17)
	306	Cleaning Recoveries	2,248,640	1,573,367	1,258,133	(315,234)	(20.04)
	313	Third Party	2,197,424	1,757,939	1,617,152	(140,787)	(8.01)
	316	Labour Recoveries	762,441	543,907	628,080	84,173	15.48
	320	Physical Plant Mnt. Recov.	609,378	495,152	413,401	(81,751)	(16.51)
	321	Electrical & Mech. Recov.	1,910,137	1,217,149	1,186,557	(30,592)	(2.51)
	330	Rentals/Tech.Serv. Recov.	1,535,008	1,131,675	1,380,476	248,801	21.99
		CNEA Recoveries	(2,731,000)				
<b>TOTAL</b>			<b>16,525,975</b>	<b>14,460,839</b>	<b>13,712,406</b>	<b>(748,432)</b>	<b>(5.18)</b>



**EXHIBITION PLACE  
VARIANCE ANALYSIS  
FOR THE PERIOD ENDING SEPTEMBER 30, 2003**

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	369,953	275,886	266,095	9,791	3.55
	101	Board of Governors	52,500	41,750	45,155	(3,405)	(8.16)
	103	Corporate Secretary	350,325	265,754	244,412	21,342	8.03
	104	Archives & Com. Records	133,579	99,823	98,541	1,282	1.28
	105	Corporate & Statutory Exp.	1,020,782	764,201	781,890	(17,689)	(2.31)
	106	Purchasing & Stores	161,608	126,368	109,780	16,588	13.13
	107	Human Resources	139,366	78,615	73,662	4,953	6.30
	108	Parking and Traffic	986,043	726,186	637,337	88,849	12.23
	116	Accounting	1,190,078	835,327	864,909	(29,582)	(3.54)
	160	Systems	239,044	190,184	170,648	19,536	10.27
	201	Sales Expenses	276,461	136,316	136,670	(354)	(0.26)
	301	Maintenance Administration	964,705	706,409	686,829	19,580	2.77
	302	Grounds Maintenance	65,000	34,000	32,828	1,173	3.45
	303	Health and Safety	67,754	50,216	49,388	828	1.65
	304	Sports Hall of Fame	53,200	26,600	26,605	(5)	(0.02)
	305	Utilities	857,971	549,102	513,456	35,646	6.49
	306	Cleaning Services	2,644,798	1,886,454	1,647,080	239,373	12.69
	308	Special Appropriations	332,500	21,500	28,019	(6,519)	(30.32)
	313	Third Party Billings	1,796,250	1,437,000	1,417,765	19,235	1.34
	316	Labour	1,301,224	960,131	1,060,059	(99,928)	(10.41)
	320	Plant Maintenance	1,853,695	1,576,159	1,171,795	404,364	25.66
	321	Electrical & Mechanical	3,844,570	2,797,002	2,398,415	398,587	14.25
	323	Engineering	75,152	62,795	62,074	721	1.15
	330	Rentals & Tech. Services	1,731,026	1,277,188	1,591,624	(314,436)	(24.62)
	500	Security	528,491	417,888	544,381	(126,493)	(30.27)
		CNEA Recoveries	(2,731,000)				
<b>TOTAL</b>			<b>18,305,075</b>	<b>15,342,854</b>	<b>14,659,418</b>	<b>683,436</b>	<b>4.45</b>

**CANADIAN NATIONAL EXHIBITION ASSOCIATION  
VARIANCE ANALYSIS  
FOR THE PERIOD ENDING SEPTEMBER 30, 2003**

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	6,444,412	5,746,075	4,972,016	(774,059)	(13.47)
	121	Parking	1,087,500	1,087,500	904,460	(183,040)	(16.83)
	202	Agriculture	84,000	84,000	60,468	(23,533)	(28.01)
	205	Sports	10,000	0	0	0	0.00
	208	Concessions	4,101,750	4,083,000	3,866,742	(216,258)	(5.30)
	209	Casino	2,546,000	2,546,000	2,306,492	(239,508)	(9.41)
	210	Marketing	675,000	675,000	677,000	2,000	0.30
	305	Utilities	63,500	63,500	58,200	(5,300)	(8.35)
	317	Client Services	109,000	1,500	4,408	2,908	193.86
	318	Building Rentals	1,990,000	1,990,000	2,173,264	183,264	9.21
	313	Third Party			25,244	25,244	
		<b>TOTAL</b>	<b>17,111,162</b>	<b>16,276,575</b>	<b>15,048,293</b>	<b>(1,228,282)</b>	<b>(7.55)</b>

November 14, 2003

Schedule 6

**CANADIAN NATIONAL EXHIBITION ASSOCIATION**  
**VARIANCE ANALYSIS**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2003**

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	69,000	60,860	55,417	5,443	8.94
	103	Corporate Secretary	27,300	11,640	14,018	(2,378)	(20.43)
	105	Corporate & Statutory Exp.	324,350	168,900	164,900	4,000	2.37
	107	Human Resources	29,550	29,550	25,889	3,661	12.39
	109	Grounds and Traffic	87,050	68,450	61,760	6,690	9.77
	111	Telecommunications	40,000	36,000	37,610	(1,610)	(4.47)
	112	Admission	992,143	253,365	219,932	33,433	13.20
	113	Admission Gates	369,500	354,180	340,332	13,848	3.91
	117	Overhead Admin. Support	801,000	801,000	801,000	0	0.00
	118	Overhead - Site Prep.	1,930,000	1,930,000	1,930,000	0	0.00
	121	Parking	146,500	108,000	92,698	15,302	0.00
	200	CNEA GM Office	417,918	327,572	325,728	1,844	0.56
	202	Agriculture	1,103,730	1,087,705	1,048,090	39,615	3.64
	203	Entertainment	1,032,100	885,504	874,055	11,449	1.29
	204	Attractions	562,380	468,515	462,921	5,594	1.19
	205	Sports	357,629	201,629	182,939	18,690	9.27
	206	Program Management	297,774	233,100	235,758	(2,658)	(1.14)
	208	Concessions	944,400	860,315	857,711	2,604	0.30
	209	Casino	1,743,000	1,711,245	1,621,745	89,500	5.23
	210	Marketing	1,932,850	986,005	1,016,005	(30,000)	(3.04)
	211	Air Show	415,000	415,000	415,000	0	0.00
	212	Special Features	805,000	605,000	556,133	48,867	8.08
	213	Community Heritage	123,625	109,475	106,178	3,297	3.01
	305	Utilities	290,000	290,000	260,000	30,000	10.34
	307	Cleaning Services	349,200	349,200	315,685	33,515	9.60
	310	Grounds Maintenance	275,600	275,600	281,317	(5,717)	(2.07)
	317	Client Services	321,610	198,210	192,592	5,618	2.83
	318	Building Rentals	713,400	322,940	347,940	(25,000)	(7.74)
	332	Rentals & Tech. Services	44,500	44,500	47,159	(2,659)	(5.98)
	530	NTC Operations	419,753	419,753	419,753	0	0.00
<b>TOTAL</b>			<b>16,965,862</b>	<b>13,613,213</b>	<b>13,310,266</b>	<b>302,947</b>	<b>2.23</b>

November 14, 2003

Schedule 7

