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September 12, 2007

## EXHIBITION PLACE

To: Board of Governors of Exhibition Place

From: Dianne Young  
Chief Executive Officer

Subject: **National Soccer Stadium (BMO Field) 2008 Capital Budget**

**Purpose:**

This report is being submitted to provide information on the 2008 recommended level of the Capital Expenditures Budget for the National Soccer Stadium (BMO Field) to the Board of Governors.

**Financial Implications and Impact Statement:**

The adoption of the recommendation in this report will result in the outlay of approximately \$300,000 for service improvements. There are no incremental financial implications resulting from the adoption of this report as the cost is fully funded from gross revenues and is included as an expense within the 2008 Operating Budget of the National Soccer Stadium as a payment into a Capital Reserve Fund to be held by the City. There will be sufficient funds in the Capital Reserve to pay for the expenditures.

**Recommendation:**

**It is recommended that the Board approve the proposed 2008 Capital Budget in the amount of \$300,000 for the National Soccer Stadium (BMO Field).**

**Background:**

At its meeting of October 21, 2005, the Board approved of entering into an Agreement with Maple Leaf Sports and Entertainment Limited as the Manager of the National Soccer Stadium as Agent for the Board to provide management services including operations, maintenance and marketing services for twenty years effective January 1, 2007 and expiring on December 31, 2027. A term of this agreement requires the transfer of \$400,000 from the Operating Budget to a Capital Reserve Budget to be held by the City for the benefit of the National Soccer Stadium.

**Comments:**

The 2007 fiscal year is the first year of operations and the requirement to set aside funding, therefore the expected December 31<sup>st</sup> year end balance is estimated to be at \$400,000. In 2008

there will be additional yearly contributions of \$400,000 plus interest earned. MLSEL have recommended only four (4) capital projects for 2008:

(a) Additional fixed concession stand	\$110,000
(b) Additional canopies for suites & other areas	59,000
(c) Equipment – office/radios/storage	80,000
(d) Beer Tables/servers/fryer/ice machine	<u>51,000</u>
	<b><u>300,000</u></b>

All items requested have a direct and positive relationship to revenues earned as follows:

- Item (a) Concession Stand - will help to improve fan experience and provide for additional F&B revenue as more fans can be served faster during breaks; financial payback in four years.
- Item (b) Canopies – is to assist with the weather exposure elements; in addition, if this work is not undertaken it will impact suite renewal in year three based on feedback from suite holders.
- Items (c) and (d) – are required for ongoing operational needs and service improvements

The requirements to fund capital expenditures of the Stadium are addressed and identified within the Management Agreement and the main terms and conditions are as outlined below:

- The Board shall cause a segregated interest bearing Capital Reserve Account to be established to fund Stadium Capital Expenditures.
- For the first five (5) years during the Term, the Manager shall appropriate from gross revenues an amount to the Capital Reserve Account equal to \$400,000 per year and increasing for each fiscal year commencing on the sixth fiscal year by application of the CPI Index Ratio.
- The Capital Contribution shall be subject to equitable pro-ration for partial year starting with the first fiscal year
- The Manager shall include a Facility User Fee surcharge on all tickets to the Stadium in varying amounts determined by the Manager and the Board for the purposes of Capital Repairs and Improvements all of which shall be included in gross revenues.
- All Capital Expenditures shall be set out in the Annual Capital Budget and agreed to by the Board and the Manager as being required to maintain and operate the Stadium in accordance with a Tier II level sports and entertainment facility of similar age, size, condition, design and volume and nature of use.
- All Capital Repairs and Improvements contemplated by the Manager shall be carried out by the Manager as Agent for the Board, in consultation with the Board and in accordance with the capital tendering procurement process of the Board, a copy of which was provided to the Manager prior to the commencement of the Term.
- The Board and the Manager shall be equally responsible, on a dollar for dollar basis, for making any contributions to Capital Expenditures in addition to the amount then held in the Capital Reserve Account in the event that approved capital expenditures in any fiscal year during the term are in excess of the amounts then held in the Capital Reserve Account. However, contributions to Capital Expenditures by the Manager and the Board as provided

shall be repaid (reimburse) thirdly from excess cash flow in each fiscal year after first paying the Manager's Supplementary Fee and the Manager's Incremental Fee.

- The Board will retain all funds within the Capital Reserve Account at the expiration of the term
- Capital Repairs and Improvements means any and all repairs, maintenance, additions, alterations, renovations, restorations, replacements and improvements to the Stadium that in accordance with Generally Accepted Accounting Principles are capital in nature and include equipment and systems.

Conclusion:

This report recommends that the Board of Governors adopt the proposed 2008 Capital Budget for 2008 in the amount of \$300,000 for the National Soccer Stadium

Contact:

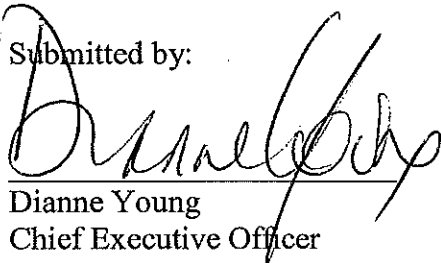
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Submitted by:



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