

# Analyst Briefing Notes

## Budget Committee Review

### (October 29, 2007)

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October 29, 2007

**PART I: CAPITAL PROGRAM****Executive Summary**

- Exhibition Place spent 66% of its 2007 Approved Capital Budget of \$86.814 million as at September 30, 2007. The Program anticipates actual expenditures by year-end to be \$61.407 million, or 71% of the 2007 Approved Capital Budget, resulting in projected 2007 cash flow funding of \$25.107 million being carried forward into 2008. This projected year-end spending rate represents a significant decline over the Program's 2006 spending rate of 96% and is largely due to the deferred spending for the Conference Centre to 2008 when construction will commence. The program expects to spend by year-end \$2.335 million or 8.5% of its \$27.375 million approved budget for the Conference Centre and \$59.072 million or 99% of its \$59.439 million funding for its other projects.
- The Recommended 5-Year Capital Plan assists Exhibition Place to maintain in a state of good repair the buildings, structures and infrastructures on its 192-acre site, thereby preserving historically significant buildings and structures, facilitating the economic viability of the events and activities on the site, and addressing the health and safety concerns of Exhibition Place's employees and visitors.
- The 2008 Recommended Capital Budget, 2009-2012 Plan and 2013 to 2017 Estimates total \$120.062 million, of which \$81.312 million is projected for the Program's 5-Year Capital Plan with cash flow of \$41.582 million in 2008, \$19.160 million in 2009, \$6.070 million in 2010, \$7.250 million in 2011 and \$7.250 million in 2012, requiring debt funding of \$27 million or an average of \$5.4 million per year. The 5-Year Capital Plan exceeds the Council-approved debt affordability targets of \$5 million in 2011 and 2012 by \$1 million in each year in recognition of the significant and growing backlog of State of Good Repair work at Exhibition Place.
- Excluding 2007 funding carried forward to complete 2007 capital projects, 31% or \$5.13 million of the 2007 Recommended Capital Budget is for State of Good Repair projects and includes the replacement of the HVAC system and lighting at the Coliseum Complex and General Services Building (\$1.1 million), the Coliseum Complex's West Annex Roof with a green roof (\$0.8 million), and plant management and building automation systems equipment (\$0.5 million). 57% or \$9.345 million of the 2008 Recommended Capital Budget is for Service Improvement projects such as the photovoltaic systems at the Horse Palace and Better Living Centre (\$8.25 million), lighting retrofits at various buildings (\$0.445 million), and irrigation and landscaping in the vicinity of Stanley Barracks (\$0.25 million). 10% or \$1.625 million for the Conference Centre is growth related; and 2% or \$0.375 million is for Health and Safety projects like grounds-wide security card access and surveillance systems and safety and code issues at the Press Building.

- The State of Good Repair backlog at Exhibition Place is an important issue since the buildings and structures on the site have historical significance. Consultants have completed facility audits on 10 buildings and structures on the site and even though the 5-Year Capital Plan will address some of the work, the accumulated backlog will increase from \$7.112 million at the end of 2007 to \$44.727 at the end of 2012.
- The 2008 Recommended Capital Budget includes cash flow funding for projects previously approved of \$2.025 million, \$14.425 million for new projects and funding of \$25.107 million to be carried forward to complete 2007 capital projects. This brings the total 2008 Recommended Capital Budget to \$41.582 million gross. Excluding 2007 funding carried forward to complete 2007 capital projects, the 2008 Recommended Capital Budget requires \$5 million in new debt and \$11.475 million in other funding for 2008. The new debt is in line with the debt affordability target.
- Exhibition Place supports “A Greener City” through energy efficiency projects aimed at achieving energy self-sufficiency at Exhibition Place by the year 2010. The 5-Year Capital Plan includes \$29.205 million with an additional \$2.25 million for the 2013-2017 forecast period for such projects. Exhibition Place is in the process of securing grants and loans for these projects, by participating in funding applications through various organizations including, but not limited to, the City’s Green Energy Fund, Toronto Atmospheric Fund, and private sector organizations. The loans are to be repaid through the energy savings generated by these initiatives. If funding is delayed, the green energy projects will be deferred.
- During the planning phase of the Conference Centre project, Exhibition Place indicated a likelihood of a requirement for additional funding that would increase the total project cost. A proposal is currently in development and is expected to come forward prior to the finalization of the 2008 Capital Budget by Council. If the request for increased funding for the Conference Centre is approved, changes to the gross Capital Budget for 2008 and possible adjustments to the timing of the cash flow may be required. If the additional funding request is not approved, the Conference Centre project will not proceed and the \$1.625 million previously approved in the 2007 Recommended Capital Budget for spending on the Conference Centre in 2008 will be reallocated to State of Good Repair work on the site.

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for Exhibition Place with a total project cost of \$14.425 million and 2008 cash flow of \$41.582 million be approved. The 2008 Recommended Capital Budget consists of the following:
  - a. New Cash Flow Funding for:
    - i. 26 new sub-projects with a total 2008 project cost of \$14.425 million that requires cash flow of \$16.475 in 2008;
    - ii. 2 previously approved sub-projects with a 2008 cash flow of \$2.050 million;
  - b. 2007 approved cash flow for 8 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$25.107 million;
2. new debt service costs of \$0.150 million in 2008 and incremental costs of \$0.7 million in 2009, resulting from the approval of the 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets;
3. all sub-projects with third-party financing be approved conditionally, subject to the receipt of such funding during 2008 and if such financing is not forthcoming, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs;
4. the 2009-2012 Capital Plan for Exhibition Place totalling \$39.730 million in project estimates, comprised of \$19.160 million in 2009, \$6.070 million in 2010, and \$7.250 million in each of 2011 to 2012, be approved; and
5. Exhibition Place report back regarding the impact of the increased funding request for the Conference Centre on the 2007 Approved Capital Budget and Recommended 5-Year Capital Plan once a decision has been made.

## 2007 Capital Variance Review

2007 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2007 Approved	Actuals as of September 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
86,814	56,981	66	61,407	71	25,407

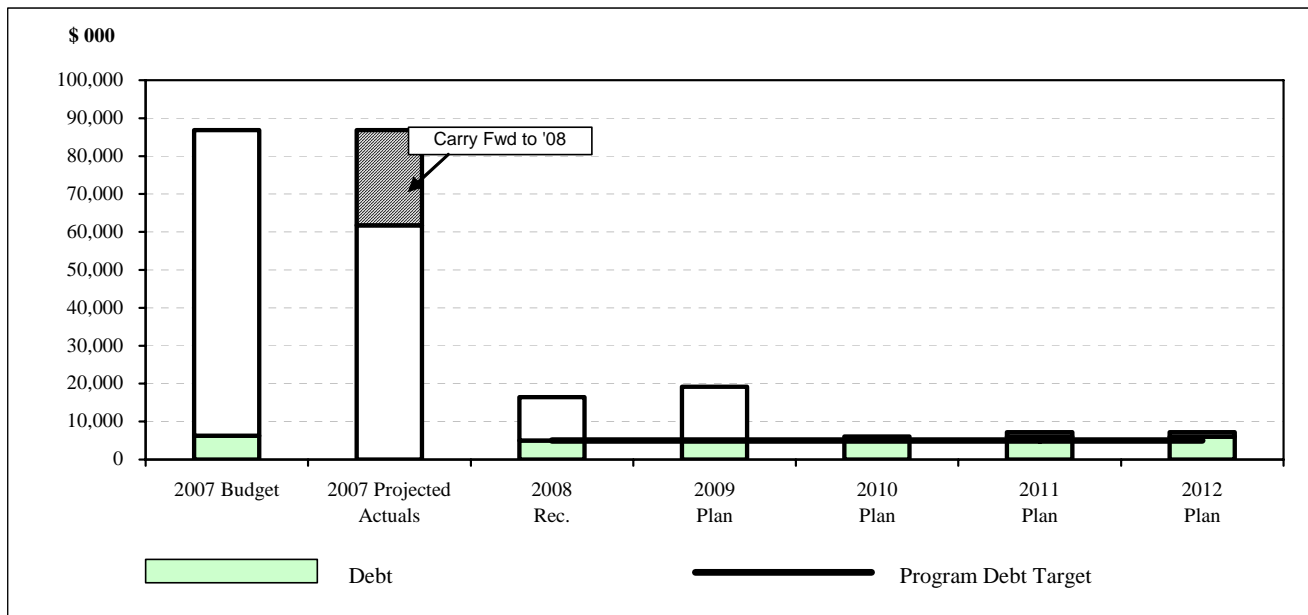
## Comments / Issues:

- As at the end of September 30, 2007, Exhibition Place spent \$56.981 million or 66% of its 2007 Approved Capital Budget of \$86.814 million. Under spending is mainly due to the Conference Centre project with a spending rate of 1.1% of its 2007 approved cash flow of \$27.375 million. Most of the spending for this project will occur in 2008 when construction will begin; timing of its cash flow was not known at the time of project approval.
- Exhibition Place's projected year-end spending for 2007 approved projects is \$61.407 million or 71% as reported in its September 30, 2007 Variance Report. This projected year-end spending rate represents a significant decline over the Program's 2006 spending rate of 96% and is largely due to the deferred spending for the Conference Centre to 2008 when construction will commence. The program expects to spend by year-end \$2.335 million or 8.5% of its \$27.375 million approved budget for the Conference Centre and \$59.072 million or 99% of its \$59.439 million funding for its other projects.
- \$25.107 million in 2007 funding is recommended to be carried forward into the 2008 Capital Budget to complete the following sub-projects:
  - Conference Centre – Because the timing of this project's cash flow was not known at project approval, \$25.04 million will be carried forward into 2008 to complete construction of the Conference facility.
  - Coliseum Complex West Annex Roof and Green Roof Replacement (\$0.010 million) – A delay in obtaining price quotes from the contractor pushed out project activities to 2008.
  - The Environmental Restoration Tree Planting project (\$0.002 million) was delayed due to conflicts with scheduled shows and events.
  - The Parks, Parking Lots and Roads projects (\$0.010 million) were deferred due to limited time available for outdoor construction activity.
  - A lag in the pricing process has delayed the overhaul and repair of the transformers (\$0.010 million), the Food Building Exterior Wall and Building Envelope project (\$0.010 million), and the Geothermal System project (\$0.025 million).

**Cost Containment Impact**

Exhibition Place did not defer any capital projects in 2007 for the purposes of cost containment, as all capital projects had either commenced or commitments had been made to contractors and vendors and therefore could not be cancelled or deferred.

## 5-Year Capital Plan (2008-2012)



			5-Year Plan					
2007			2008	2009	2010	2011	2012	2008-2012
Budget	Projected Actual							
<b>Gross Expenditures:</b>								
2007 Capital Budget & Future Year Commitments	86,814	61,707	2,050					2,050
Recommended Changes to Commitments								
2008 New/Change in Scope and Future Year Commitments			14,425					14,425
2009 - 2012 Plan Estimates				19,160	6,070	7,250	7,250	39,730
1-Year Carry Forward to 2008		25,107	➡					
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>86,814</b>	<b>86,814</b>	<b>16,475</b>	<b>19,160</b>	<b>6,070</b>	<b>7,250</b>	<b>7,250</b>	<b>56,205</b>
<b>Program Debt Target</b>	<b>4,000</b>		<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>25,000</b>
<b>Financing:</b>								
Recommended Debt	6,274		5,000	5,000	5,000	6,000	6,000	27,000
<b>Other Financing Sources:</b>								
Reserves/Reserve Funds	1,940							
Development Charges								
Federal	27,000							
Provincial	8,000							
Other Revenue	43,600		11,475	14,160	1,070	1,250	1,250	29,205
<b>Total Financing</b>	<b>86,814</b>		<b>16,475</b>	<b>19,160</b>	<b>6,070</b>	<b>7,250</b>	<b>7,250</b>	<b>56,205</b>
<b>By Category:</b>								
Health & Safety	166		375	190			75	640
Legislated	100			250	895	50	50	1,245
SOGR	5,166		5,130	5,805	4,500	5,765	5,550	26,750
Service Improvement	674		9,345	12,915	675	1,435	1,575	25,945
Growth Related	80,708		1,625					1,625
<b>Total By Category</b>	<b>86,814</b>		<b>16,475</b>	<b>19,160</b>	<b>6,070</b>	<b>7,250</b>	<b>7,250</b>	<b>56,205</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)			8,470	6,665	6,760	5,375	10,345	37,615
Accumulated Backlog Estimate (end of year)			15,582	22,247	29,007	34,382	44,727	44,727
<b>Operating Impact on Program Costs</b>			0	0	0	0	0	0
<b>Debt Service Costs</b>			150	700	700	730	840	3,120

\* Based on the 2007 3rd Quarter Capital Variance Report.

## **5-Year Capital Plan Overview**

### **Overview**

- Exhibition Place's 5-Year Capital Plan consists of 13 projects and 64 sub-projects totalling \$56.205 million in funding, excluding one-year carry forward funding, over the next five years with cash flow of \$16.475 million in 2008; \$19.160 million in 2009; \$6.070 million in 2010; \$7.250 million in 2011 and \$7.250 million in 2012. The 2008 Recommended Capital Budget and 2009-2012 Capital Plan requires new debt of \$27.0 million and \$29.205 million in third-party funding over the next five years. The majority of the projects are dedicated to maintaining existing physical assets in a state of good repair and providing service improvements to clients and patrons.
- The 2008-2012 Recommended Capital Plan meets the Council-approved debt affordability target for Exhibition Place of \$5 million in 2008-2010, but does not meet the debt target of \$5 million for 2011 and 2012. The target represents a difficult challenge to Exhibition Place, as the 192-acre site is home to 9 buildings designated under the *Ontario Heritage Act* and a further 20 buildings and structures listed on Heritage Toronto Inventory. Since many of these buildings were constructed before modern energy conservation, lighting and heating standards were developed, there is a constant need to assess these buildings to determine their needs. The significant and growing backlog of capital work to be done, including projects with health and safety implications for Exhibition Place employees, clients and visitors are also challenges in meeting the debt target. In recognition of these factors, the 5-Year Capital Plan for Exhibition Place recommends revised debt funding of \$5 million each year for 2008-2010 and \$6 million each year for 2011-2012.
- An energy efficiency program has been recommended as part of the 5-Year Capital Plan, comprised of 10 sub-projects totalling \$29.205 million over five years. To achieve their goal of Energy and Self-Sufficiency by 2010, the planned capital expenditures on green energy projects are as follows: \$11.475 million in 2008, \$14.160 million in 2009, \$1.070 million in 2010, and \$1.250 million in both 2011 and 2012. Exhibition Place is in the process of securing grants and loans for these projects, by participating in funding applications through various organizations including but not limited to, the City's Green Energy Fund, Toronto Atmospheric Fund, and private sector organizations. The loans will then be repaid through the energy savings generated by these initiatives.
- Approximately \$26.750 million or 48% of Exhibition Place's Recommended 5-Year Capital Plan consists of State of Good repair projects. On average, the annual funding for State of Good Repair projects is \$5.350 million. Exhibition Place uses external professional resources to develop thorough assessments of its buildings and structures. Facility audits have been completed for 10 buildings at Exhibition Place and those needs are reflected in the State of Good Repair analysis. The remaining assessments for Stanley Barracks, Bandshell Dressing Rooms, Dufferin Gates and Washrooms, and Centennial Buildings Phase I and II are scheduled for audits in 2008 or thereafter. Therefore, the Recommended 5-Year Capital Plan for 2008-2012 includes funding to address a significant component, but not all, of its SOGR needs.
- Approximately \$27.570 million or 49% of Exhibition Place's 5-Year Capital Plan is allocated to Service Improvement and Growth Related projects. The largest contributor to the Service Improvements category totalling \$22.195 million includes various green energy projects such as the photovoltaic systems (\$20.250 million), solar wall project (\$1.000 million), rain water harvesting project (\$0.500 million) and lighting retrofit (\$0.445 million). Other projects like improvements to Parks and Parking Lots of \$0.940 million, upgrades to equipment of \$1.685



million, environmental restorations of \$0.725 million and repairs to the Direct Energy Centre wall and lighting of \$0.400 million make up the remaining \$3.750 million in Service Improvement projects. The one Growth Related project is the construction of the Conference Centre with cash flows of \$1.625 million for 2008. These capital projects will enhance the Exhibition Place site and improve the economic viability of the activities on the site.

- Exhibition Place's inventory of hard assets is valued at more than \$622 million. Due to past funding limitations, the Program has accumulated a known SOGR backlog of approximately \$7.112 million as at December 31, 2007. By 2012 the 5-year accumulated backlog will increase to \$44.727 million and \$46.557 million in ten years. To address this deferred maintenance, 73% of the debt-funded portion of the Recommended 5-Year Capital Plan will be dedicated to maintaining these assets in a State of Good Repair.

### **Multi-Year Debt Affordability Target**

The 2008-2012 Recommended Capital Plan meets the Council-approved debt affordability target of \$5 million in 2008-2010, but does not meet the debt target of \$5 million for 2011 and 2012. The target represents a difficult challenge in light of the following issues:

1. On the 192-acre Exhibition Place site, there are 9 buildings that are designated under the *Ontario Heritage Act* and a further 20 buildings and structures that are listed on Heritage Toronto Inventory. Since many of these buildings were constructed before modern energy conservation, lighting and heating standards were developed, there is a constant need to assess these buildings to determine their needs; and
2. There is a significant and growing backlog of capital work to be done, including some projects with health and safety implications for Exhibition Place employees, clients and visitors.

In recognition of these factors, the 5-Year Capital Plan for Exhibition Place recommends revised debt funding of \$5 million each year for 2008-2010 and \$6 million each year for 2011-2012 to assist in addressing Exhibition Place's State of Good Repair backlog.

### **Recommended Changes to the 2007 – 2011 Capital Plan**

There are no changes to the 2007-2011 Approved Capital Plan debt targets of \$5 million each year for 2008-2010. In recognition of the challenges in meeting the debt affordability target and addressing the State of Good Repair backlog, the recommended debt funding is increased by \$1 million to \$6 million for each year in 2011 and 2012. The following summary reflects the changes in each project that has either been delayed or advanced in order to meet the debt targets:

#### **Coliseum Complex:**

- Decreased by \$0.25 million in 2008, \$0.525 million in 2009, and \$0.55 million in 2012. Increased by \$0.37 million in 2010 and \$1.6 million in 2011 for an overall net increase of \$0.645 million over the 2008-2012 time frame.

- Decreased expenditure of \$0.8 million on the heating system for the 5 year period was offset by an increase spending of \$0.8 million on the north extension roof for an overall nil change.
- Increased spending of \$1.7 million over 5 years on the Industry Building Green Roof is partially offset by deferring \$0.84 million on the West Annex Green Roof, \$0.4 million on repairs to interior walls and ceiling, and \$0.25 million in 2012 for the East Annex Green Roof.
- Increased by \$0.14 million in 2009 for Life Safety & Code Issues and \$0.32 million to replace fibreglass windows for the industry building.

**Stanley Barracks:**

- Decreased by \$0.2 million in 2011 and \$0.7 million in 2012 for the replacement of single glaze windows and the metal roof systems to meet debt affordability targets. Presented as part of the Green Energy Initiative projects that will be funded through third-party sources.

**Direct Energy Centre:**

- Overall, decreased spending of \$0.695 million over the 5 years by delaying repairs to the underground roll up doors, parking garage ramp, renovations to the meeting rooms, replacement of LED signs and installation of network control panel for fire protection and emergency doors.
- Decreased expenditure on the Huffcore Wall of the Service Corridor of \$0.1 million in 2012 is offset by increased spending of \$0.1 million in 2012 on the Huffcore Wall of the Heritage Court, for an overall nil change.
- Spending in 2009-2010 totalling \$0.1 million on the Huffcore Wall of the exhibit halls was deferred to 2011-2012 for a net zero change.

**Automotive Building/Conference Centre:**

- Decreased expenditure of \$1.55 million in 2008, \$0.7 million in 2011 and \$1.995 million in 2012 totalling \$4.245 million for various State of Good Repairs. Increased spending of \$1.625 million in 2008 is earmarked for the Conference Centre construction.

**Better Living Building:**

- Decreased 5-year spending by \$4.77 million by delaying work on the green roof (\$1.325 million), district heating system (\$2.5 million), retrofitting of electrical, HVAC, building and structural deficiencies (\$0.64 million), sprinkler system (\$0.205 million) and walls (\$0.25 million).
- Increased by \$0.15 million in 2008 for the addition of lateral bracing and steel beams.

**Environmental Restoration:**

- Increased by \$0.025 million in 2008 and 2009 for tree planting and \$0.175 million for landscaping at the Automotive building and repairs to the lake water irrigation in 2010.

- Decreased by \$0.175 million in 2011 by deferring repairs to the lake water irrigation and landscaping at Gore lot, partially offset by increases in landscaping at the Automotive building. Further decrease of \$0.125 million for deferrals to the retrofitting of the McGillivray fountain.

**Parks, Parking Lots & Roads:**

- Decreased by \$0.01 million for the 5-year spending. A new project not included in the previous 5-year plan costing \$0.55 million for the installation of utilities infrastructure at the new CNE midway is offset by delays in the installation of utilities at lots E & F (\$0.3 million), deferring the repaving of Lot J beyond 2012 (\$0.05 million), and deferring repairs to the sidewalks and pathways (\$0.2 million). Also, by deferring the pedestrian walkway - West Bailey Bridge - over Lakeshore Blvd. to 2016 (\$0.1 million) outdoor equipment and furnishings could be replaced (\$0.1 million) for a net zero impact.

**Horse Palace:**

- Increased by \$0.45 million in 2009 and \$0.51 million in 2010 to replace the west roof.
- Decreased spending by \$0.95 million in 2011 and \$2.5 million in 2012 achieved by delaying expenditures on the following projects: replacement of the roof system and skylight (\$2.5 million), external neon lighting (\$0.3 million), north east ramp and horse stalls (\$0.3 million), and external décor lighting (\$0.25 million).

**Queen Elizabeth Building:**

- Decreased spending on the replacement of the old steam heating system in 2008 of \$0.125 million due to project management efficiencies.
- Decreased by \$0.4 million in 2012 on the renovation of the dining room and kitchen and exhibit floors.

**Food Building:**

- Decreased by \$0.05 million in 2008, \$0.2 million in 2009 and 2010, and \$0.1 million in 2012 by deferring the relocation of the second floor washrooms to 2014 and repairs to the building envelope to 2015.

**Equipment:**

- Decreased by \$0.125 million in 2008, \$0.32 million in 2009, \$0.6 million in 2010, \$0.43 million in 2011 and \$0.55 million in 2012 totally \$2.025 million. This is largely due to the delay in replacing the Plant Management System (\$1.3 million), HV feeder cables (\$0.45 million) and reduced expenditure on the purchase and installation of parking equipment (\$0.6 million).
- Increased 5 year spending of \$0.45 million for purchase of a new financial system (\$0.35 million) and replacement of the street cobra pole lighting (\$0.1 million), which were not part of last year's five year plan.

**Other Buildings:**

- Increased by \$0.5 million in 2008, \$1.55 million in 2009, \$0.625 million in 2010 and \$0.63 million in 2011 totalling \$3.305 million.
- Increased by \$2.455 million for retrofitting masonry and re-pointing the automotive building and \$0.385 million for addressing envelop deficiencies with the Press Building, which were not a part of last year's 5-year plan.
- Increased by \$0.71 million in 2009, \$0.165 million in 2010 and \$0.315 million in 2011 totalling \$1.19 million for ongoing work on the Princes' Gate Architrave Stabilization project.

**Green Initiatives:**

- Increased by \$11.475 million for 2008, \$14.16 million in 2009, \$1.07 million in 2010, and \$1.25 million in each 2011 and 2012 for a total spending of \$29.205 million which were not a part of last year's 5 year plan.
- Increase due to the proposed installation of two Photovoltaic Systems (\$20.25 million), replacement of the Plant Management system (\$2.75 million), replacement of the HVAC and lighting at the Coliseum Complex and General Services Building (\$1.1 million), the Better Living Building Clerestory windows and large side lights (\$0.93 million), the installation of solar walls for various buildings (\$1.0 million) and other various projects totalling \$3.175 million.

**Program Capacity and Readiness to Proceed**

Exhibition Place faces the ongoing challenge of having a limited window of opportunity for indoor and outdoor construction activity due to a conflict of scheduling between the prime construction season and the show and event activities on the grounds. Major construction work on the grounds has to compete with the schedule for events such as the Molson Grand Prix, the CHIN Picnic, the Toronto Caribbean Carnival and the Canadian National Exhibition. Increasingly, the show schedule restricts and limits summer construction activities.

Cash flows set out in the Recommended 5-Year Capital Plan are consistent with historical spending rates. Three year historical average spending including the latest projection for 2007 would indicate an average yearly capacity of \$27.348 million representing an average spending rate of 80%. 2007 indicates a decline on this trend with projected spending of 71% mainly due to the phasing of the cash flow for the Conference Centre project. However, it should be noted that the spending rate excluding the Conference Centre is significantly higher at 99%. With the exception of the 10 Green Energy projects which Exhibition Place is in the process of securing, the Program is ready to proceed with the projects in its 5-Year Capital Plan and has the capacity to complete the projects within the specified timelines and funding targets that have been set.

**Backlog of Projects – Unmet Needs**

Using external professional resources, Exhibition Place has completed facility audits on a total of 10 buildings and structures on its site: Automotive Building, Better Living Centre, Direct Energy Centre, Coliseum Complex, General Services Building, Queen Elizabeth Building, Press Building, Horse Palace, Food Building and Prince's Gate. Assessments on 4 other buildings are scheduled for 2008 or

beyond. As at December 31, 2007, the accumulated SOGR backlog on the 10 buildings was \$7.112 million. However, by 2012 the estimated backlog will increase to \$44.727 million or \$46.557 million in ten years.

In order to mitigate the state of good repair accumulated backlog, 73% of Exhibition Place's debt-funded portion of the Recommended 5-Year Capital Plan will address state of good repair needs. However, the City's diminished debt target has made it increasingly difficult for Exhibition Place to reduce the accumulated backlog. In response, Exhibition Place has prioritized its capital projects for the 2008 budget and deferred other projects beyond 2012. As well, an additional \$1.0 million in debt funding is recommended for 2011 and 2012 as a "lift" in funding, in recognition of the State of Good Repair backlog.

The State of Good Repair backlog at Exhibition Place is an important issue since 9 buildings on the site are designated under the Ontario Heritage Act and a further 20 buildings and structures are listed on Heritage Toronto Inventory; therefore, the preservation of these structures has historical and cultural significance. In addition, in some cases, the outstanding work may present health and safety concerns to Exhibition Place's employees and visitors.

## **Capital Project Highlights**

### **Strategic Priorities**

The Recommended 5-Year Capital Plan advances the following strategic priorities:

The 5-Year Capital Plan supports the strategic objective for "A Greener City" through energy efficiency projects aimed at achieving energy self-sufficiency at Exhibition Place by the year 2010. \$5.655 million or 21% of the \$27.0 million debt-funded portion of the 5-Year Capital Plan will be dedicated to green energy projects. Green roofs will replace old roofs at the Coliseum Complex of the West Annex (\$1.410 million), the Industry Building (\$2.200 million), and the Mid-Arch (\$0.200 million). Exhibition Place will upgrade windows (\$0.77 million) and heating systems (\$0.5 million) aimed at reducing energy usage levels. In addition, \$0.375 million will be spent on tree planting and landscaping (\$0.200 million) at various locations.

### **Green Energy Initiatives Funded by Third Party:**

Exhibition Place has also adopted a proposed 5-Year energy efficiency plan of 10 sub-projects funded by non-debt sources totalling \$29.205 million or 52% of the total recommended funding of \$56.205 million for the 5-Year Capital Plan. The planned capital expenditures for these projects is as follows: \$11.475 million in 2008, \$14.160 million in 2009, \$1.070 million in 2010, and \$1.250 million in both 2011 and 2012.

The 5-Year Recommended Capital Plan provides for green energy spending on two photovoltaic systems (\$20.250 million), replacement of plant management and building automation systems (\$2.750 million), replacement of the HVAC system and lighting at the Coliseum Complex and General Services Building (\$1.100 million), solar walls at various buildings (\$1.0 million), and replacement of existing windows and large panel side lights with energy efficient glazing and tempered proof glass windows at the Better Living Centre (\$0.93 million). The Capital Plan also includes a geothermal system and lighting retrofit at the Press Building (\$0.600 million), replacement of the metal roof at Stanley Barracks (\$0.55 million), rain water harvesting projects (\$0.500 million), lighting retrofit at

various buildings (\$0.445 million), and the replacement of single-glazed windows and doors at Stanley Barracks (\$0.4 million) and Music Building (\$0.35 million).

The funding for these projects will be provided by grants and loans from, but not limited to, the City's Green Energy Fund and Toronto Atmospheric Fund, as well as private sector organizations. Exhibition Place staff is currently in the process of completing funding applications to secure financing for these projects and will proceed when fundraising is secured. The loans will then be repaid through the energy savings generated by these initiatives. If funding is delayed, the green energy projects will be deferred.

## Summary of Major Capital Initiatives

	\$000s						
	2008 Rec. Budget	2009 Plan	2010 Plan	2011 Plan	2012 Plan	Total 2008 -2012	Total 2013 -2017
<b>Facilities Projects: State of Good Repair</b>							
Conference Centre	2,350	3,645	3,680	5,265	4,800	19,740	31,655
Service Improvements	1,625					1,625	
All Others	650	915	425	685	1,075	3,750	4,475
<b>Total</b>	375	440	895	50	125	1,885	370
<b>Other Major City Initiatives:</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>6,000</b>	<b>6,000</b>	<b>27,000</b>	<b>36,500</b>
<b>Green Energy Initiatives</b>							
Total	11,475	14,160	1,070	1,250	1,250	29,205	2,250
	<b>11,475</b>	<b>14,160</b>	<b>1,070</b>	<b>1,250</b>	<b>1,250</b>	<b>29,205</b>	<b>2,250</b>

Over the next five years, \$19.740 million is allocated toward the maintenance and repair of the 192 acre site with its 9 buildings designated under the *Ontario Heritage Act* and a further 20 more historically significant buildings and structures. The expenditure attempts to address the significant accumulated state of good repair backlog. Many of these repairs are made with energy efficient replacements in order to achieve Exhibition Place's energy self-sufficiency goals by 2010.

In 2008, \$1.625 million is recommended to be cash flowed for the redevelopment of the Automotive Building to establish the new Conference Centre. Approved in-year in 2007, the \$29 million conference centre project is scheduled to be completed by 2008. Of the \$29 million, \$21.2 million is funded by City loan, and \$7.8 million from food and beverage services provider contribution towards fixtures and equipment and Exhibition Place's Capital Improvement Reserve Fund. The addition of a conference facility at Exhibition Place is considered essential for the growth of the trade and consumer show business since it will provide much needed meeting space.

As part of the 5-Year Capital Plan funded by debt, \$3.75 million is allocated to service improvement projects involving parks and parking lots, equipment upgrades, addressing building envelope deficiencies and replacing damaged walls at the Direct Energy Centre.

As previously discussed above, a proposed 5-year energy efficiency plan of \$29.205 million is recommended as part of Exhibition Place's 5-Year Capital Plan. The green plan consists of 10 various sub-projects ranging from photovoltaic systems to the replacement of windows and doors at various buildings, aimed at reducing energy usage levels. Funding, in the form of grants and loans, will be provided by the City's Green Energy Fund and Toronto Atmospheric Fund and third-party sources. Exhibition Place is currently in the process of securing funding for these projects. If funding is delayed, the green initiative projects will be deferred.

### Operating Budget Impact – 5-Year Plan Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
<b>2008 Recommended Capital Budget</b>					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)	150	700			
<b>Recommended 2009-2012 Capital Plan</b>					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)		150	700	730	840
<b>Total</b>					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)	150	850	700	730	840
<i>Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years.</i>					

### Program Operating Impacts

In accordance with established practice, Exhibition Place will absorb the operating costs arising from its 5-Year Capital Plan. The projected operating savings from completed energy efficient projects such as the Direct Energy Centre lighting retrofit, Tri-Generation Plant, 5 Building Retrofit program, and the Horse Palace photovoltaic system are estimated to be \$0.322 million and \$0.978 million in 2007 and 2008, respectively. \$0.157 million of the operating savings in 2007 and \$0.833 million of savings in 2008 will be used for debt repayment to recover the capital expenditures on these projects.

**Total 2008 Recommended Cash Flow & Future Year Commitments  
(\$000s)**

	2008 Previously Approved Cash Flow Commitments	2008 New Cash Flow Recommended	2008 Total Cash Flow Recommended	2008 Debt Target	2007 Carry Forwards	Total 2008 Cash Flow (Incl 2007 C/Fwd)	2009	2010	2011	2012	2013-2017	Total Cost
<b>Expenditures</b>												
Previously Approved	2,050		2,050		25,107	27,157						27,157
Change in Scope		400	400									
New		14,025	14,025			14,025						14,025
New w/Future Year												
<b>Total Expenditure</b>	<b>2,050</b>	<b>14,425</b>	<b>16,475</b>		<b>25,107</b>	<b>41,582</b>						<b>41,582</b>
<b>Financing</b>												
Debt	1,625	3,375	5,000	<b>5,000</b>	42	5,042						5,042
Subsidy (SCPI)												
Prov. Subsidy/Grant												
Development Charges												
Other	425	11,050	11,475		25,065	36,540						36,540
Federal Grants												
Reserves/Res Funds												
<b>Total Financing</b>	<b>2,050</b>	<b>14,425</b>	<b>16,475</b>		<b>25,107</b>	<b>41,582</b>						<b>41,582</b>

**Comments / Issues:**

- The 2008 Recommended Capital Budget of \$41.582 million requires new debt of \$5.0 million and \$36.582 million from other funding sources. The new debt requirement is in line with the debt affordability target of \$5.0 million.
- The 2008 Recommended Capital Budget is comprised of previously approved funding of \$2.05 million, new cash flow of \$14.425 million and carry forward funding of \$25.107 million.
- Other funding of \$11.475 million represents the Green Energy Fund, Toronto Atmospheric Fund, and third-party funding for Green Initiative projects.
- There are no future-year commitments in the 2008 Recommended Capital Budget.



## **2008 Recommended Capital Budget**

### **2008 Recommended Capital Budget versus Debt Target**

The 2008 Recommended Capital Budget of \$16.475 million, excluding 2007 carry forward funding, requires new debt of \$5 million and other funding of \$11.475 million which will not impact the 2008 debt affordability target of \$5 million. The 2008 Recommended Capital Budget accommodates the Agency's highest priority needs to address the capital investment requirement to maintain in a state of good repair the 192-acre site, on which there are 9 buildings that are designated under the *Ontario Heritage Act* and a further 20 buildings and structures that are listed on Heritage Toronto Inventory.

The 2008 Recommended Capital Budget includes 10 green energy sub-projects totalling \$11.475 million funded by grants and loans from the Green Energy Fund, Toronto Atmospheric Fund and third-party sources, which do not impact the debt affordability target of \$5.0 million. Exhibition Place is currently in the process of completing funding applications to secure financing for these projects. The loans will then be repaid through the energy savings generated by these initiatives. If funding is delayed, the green initiative projects will be deferred.

### **Recommended Capital Budget by Category**

Service Improvement sub-projects represent \$9.345 million or 57% of the 2008 Recommended Capital Budget of \$16.475 million. The largest Service Improvement project, the two photovoltaic systems at the Horse Palace and Better Living Centre, will require \$8.25 million from third-party funding in 2008.

State of Good Repair sub-projects represent \$5.130 million or 31% of the 2008 Recommended Capital Budget. State of Good Repair audits have been completed on 10 buildings and structures and future assessments could increase the SOGR backlog. The 2008 debt target is insufficient to fund the 2008 SOGR requirement of \$8.47 million.

There is one Growth Related project, the Conference Centre, which requires cash flows of \$1.625 million debt funding or 10% of the 2008 Recommended Capital Budget. The addition of a conference facility at Exhibition Place is considered essential for the growth of the trade and consumer show business since it will provide much needed meeting space.

**PART II: ISSUES FOR DISCUSSION****5-Year Capital Plan Issues****Debt Target**

As a result of increasing capital requirements and state of good repair backlog, the 2011 and 2012 Recommended Capital Plan estimates exceed the Council approved debt of \$5.0 million by \$1 million in each year. The target represents a difficult challenge in light of the following issues:

1. The 192-acre Exhibition Site is comprised of 9 buildings designated under the Ontario Heritage Act and 20 buildings and structures that are listed on Heritage Toronto Inventory. Many of these buildings were constructed before modern energy conservation, lighting and heating standards were developed, resulting in a constant need to assess these buildings to determine their capital requirements; and
2. There is a significant and growing backlog of capital work to be done, including some projects with health and safety implications for Exhibition Place employees, clients and visitors.

In light of these factors, the 5-Year Capital Plan for Exhibition Place reflects revised debt funding allocations of \$5 million each year for 2008-2010 and \$6 million each year for 2011-2012 for a total 5-Year Capital Plan of \$27 million.

**Conference Centre**

On March 5, 6, 7 & 8, 2007, City Council approved the establishment of a new conference facility at Exhibition Place through the redevelopment of the Automotive Building. The cost of construction, furniture and fixtures estimated at \$29 million was incorporated into the 2007 Capital Budget for Exhibition Place as follows:

1. Funding from the City of Toronto in the form of a City loan totalling \$21.2 million to be repaid over a 20 year term with interest at a rate of 4.75%;
2. Debt funding through reallocations within the Exhibition Place Capital Budget for 2007 and 2008 of \$0.235 million and \$1.625 million respectively, for a total of \$1.86 million;
3. Capital Reserve Fund contributions of \$1.94 million; and
4. Food and Beverage Services Provider contributions of \$4 million.

Recent developments in the planning phase and visioning exercise with potential users of the Conference Centre project indicate the likelihood of a requirement for increased funding. The cost increase is due to changes in the renovation requirements to the Automotive Building in meeting the conditions for a Conference Centre. The revised proposal for the Conference Centre is currently in development and is expected to come forward prior to finalization of the 2008 Capital Budget by Council.

If Council approves the project cost increase, the debt-funded portion of the 5-Year Capital Plan will not be impacted, however adjustments to the 2008 gross capital budget and cash flow, may be required. If the increased funding request is not approved, the Conference Centre project will not proceed. The \$1.625 million previously approved in the 2007 Recommended Capital Budget for spending in 2008 will be reallocated to State of Good Repair work on the Exhibition Place site.

### **Proposed Hotel Project**

Exhibition Place is currently in discussions with one hotel developer to establish a potential hotel project proposal to be solely funded by the private sector developer on its 192-acre site. The hotel is part of a master plan for the development of the Exhibition Place site and is expected to complement the services provided by the conference facility and the Direct Energy Centre by offering its clients convenient on site accommodation options. The proposed hotel project is contingent upon the successful completion of the Conference Centre. As details surrounding the timing, costing, and funding of the project has not been finalized, the site development plans are not reflected in its 5-Year Capital Plan.

## **Issues Referred to the Budget Process**

### **Issues Referred to 2008 Capital Budget Process**

There are no issues referred to the 2008 Capital Budget process.

### **Outstanding Issues from Prior Years**

There are no outstanding issues from prior years.

**Appendix 1**

**2008 Recommended Capital Budget;**  
**2009 to 2012 Plan and 2013 to 2017 Estimates**

**Appendix 2**

**2008 Recommended Cash Flow  
& Future Year Commitments**

**Appendix 3**  
**2008 Recommended Capital Projects**  
**with Financing Details**

## Appendix 4

### Reserve / Reserve Fund Review (\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31, 2007	Proposed Withdrawals				
			2008	2009	2010	2011	2012
XR1028 Capital Improvement Reserve Fund	Beginning Balance	\$1,966,347	\$1,966,347	\$66,347	\$66,347	\$66,347	\$66,347
	EXH907207-05 Conference Centre - Construction, Furniture & Fixtures		(\$1,900,000)				
	Total Proposed Withdrawals		(\$1,900,000)				
<b>TOTAL RESERVE FUND BALANCE AT YEAR-END</b>		<b>\$1,966,347</b>	<b>\$66,347</b>	<b>\$66,347</b>	<b>\$66,347</b>	<b>\$66,347</b>	<b>\$66,347</b>