

# Analyst Briefing Notes

## Budget Committee

### (October 30, 2008)

Page

## PART I: CAPITAL PROGRAM

Executive Summary .....	2
Recommendations.....	4
2008 Capital Variance Review .....	5
5-Year Capital Plan (2009 Recommended Budget, 2010-2013 Plan).....	6
5-Year Capital Forecast (2014-2018) .....	7
10-Year Capital Plan & Forecast Overview .....	8
Recommended Changes to the 2008-2012 Capital Plan.....	11
Operating Budget Impact-10-Year Capital Plan & Forecast Plan.....	14
Total 2009 Recommended Cash Flow & Future Year Commitments.....	15

## PART II: ISSUES FOR DISCUSSION

2009 Capital Budget Issues .....	N/A
5-Year Capital Plan (2010-2013) Issues .....	17
5-Year Capital Forecast (2014-2018) Issues .....	N/A
Issues Referred to the 2009 Budget Process.....	N/A

## APPENDICES

<b>Appendix 1:</b> 2009 Rec'd Capital Budget; 2010 to 2013 Plan & 2014 to 2018 Forecast.....	18 (a) to (f)
<b>Appendix 2:</b> 2009 Recommended Cash Flow & Future Year Commitments .....	19 (a) to (d)
<b>Appendix 3:</b> 2009 Recommended Capital Projects with Financing Details .....	20 (a) to (b)
<b>Appendix 4:</b> Reserve / Reserve Fund Review .....	21

**Contacts:** Judy Skinner  
 Manager, Financial Planning  
 Tel: (416) 397-4219

Therese Chen  
 Senior Financial Planning Analyst  
 Tel: (416) 392-8095

October 29, 2008

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

- Exhibition Place spent 5.3% of its 2008 Approved Capital Budget of \$60.401 million as at June 30, 2008. The Program anticipates year-end expenditure to be \$30.861 million or 51% of the 2008 Approved Capital Budget, which represents a decline over the Program's 2007 spending rate of 69% and is largely due to the construction delays on the Conference Centre project and Green Energy projects that did not proceed in 2008. The projected year-end expenditure, excluding the Conference Centre and Green Energy projects, is 99%. The Program requires \$19.765 million in 2008 funding to be carried forward into 2009; the majority of which will be spent on the Conference Centre to complete construction.
- The 2009 Recommended Capital Budget, 2010-2013 Recommended Plan and 2014-2018 Proposed Capital Forecast assist 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 2009 Recommended Capital Budget, 2010-2013 Recommended Plan and 2014-2018 Proposed Capital Forecast of \$95.820 million requires new debt funding of \$52.0 million which meets the 10-year debt affordability target of \$52.0 million. The 5-Year Recommended Capital Plan and 5-Year Proposed Capital Forecast meet the debt affordability targets in each year.
- The 10-Year Capital Plan and Forecast consists of \$1.24 million or 1.3% on Health and Safety projects, \$12.895 million or 13.4% on Legislated projects, \$53.830 million or 56% on State of Good Repair projects, and \$8.190 million or 8.5% on Service Improvements. The mix of project categories is relatively consistent throughout the 10-Year Capital Plan and Forecast with the majority of spending focussed on state of good repair projects and service improvements.
- The accumulated state of good repair backlog on 10 buildings and structures is \$13.59 million as at December 31, 2008. Despite spending 88% of the debt-funded portion of the 10-Year Capital Plan and Forecast on state of good repair needs, the accumulated backlog is expected to increase to \$40.28 million by 2018. Debt funding limitations resulting in unmet SOGR needs of \$15.295 million and on-going maintenance requirements on aging buildings and facilities present the biggest challenge in reducing the backlog.

- The 2009-2013 Capital Plan advances Council/Mayor's strategic direction for 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 spending of \$18.09 million with an additional \$2.3 million during 2014-2018 for such green projects. Exhibition Place will secure financing for these projects, by participation in grant and loan programs. 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.
- The 2009 Recommended Capital Budget includes cash flow funding of \$13.555 million for new projects and funding of \$19.765 million to be carried forward to complete 2008 capital projects. This brings the total 2009 Recommended Capital Budget to \$33.32 million gross. Excluding 2008 funding carried forward to complete 2008 capital projects, the 2009 Recommended Capital Budget requires \$5.0 million in new debt, \$8.14 million in third-party funding, and reserve fund draws of \$0.415 million for 2009. The new debt for 2009 achieves the debt affordability target of \$5.0 million.
- The 2009 Recommended Capital Budget of \$13.555 million allocates \$0.075 million or 1% to Health & Safety projects, \$0.410 million or 3% to Legislated projects, \$12.34 million or 91% to State of Good Repair, and \$0.730 million or 5% to Service Improvement projects.
- The 2009 Recommended Capital Budget will provide funding to:
  - complete repairs to Automotive Building walls and parapet (\$2.095 million); and
  - replace the Better Living Centre's roof (\$2.480 million).
- Exhibition Place is in discussions with a hotel developer to establish a potential project proposal to be fully funded by a private sector developer. As details have not been finalized, the project has not been reflected in the 5-Year Capital Plan.

## **Recommendations**

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Capital Budget for Exhibition Place with a total project cost of \$13.555 and 2009 cash flow of \$33.320 million. The 2009 Recommended Capital Budget consists of the following:
  - a. New Cash Flow Funding for 29 new sub-projects and 1 change in scope sub-project with a 2009 total project cost of \$13.555 million that requires cash flow of \$13.555 in 2009; and
  - b. 2008 approved cash flow for 8 previously approved sub-projects with carry forward funding from 2008 into 2009 totalling \$19.765 million;
2. Council approve the new debt service costs of \$0.125 million in 2009 and incremental costs of \$0.527 million in 2010, resulting from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 and future year operating budgets;
3. Council approve the 2010-2013 Capital Plan for Exhibition Place totalling \$35.2 million in project estimates, comprised of \$14.26 million in 2010, \$8.19 million in 2011, \$7.0 million in 2012, and \$5.75 million in 2013;
4. Council approve in principle the 2014-2018 Capital Forecast for Exhibition Place totalling \$27.3 million in project estimates, comprised of \$5.75 million in 2014, \$5.8 million in 2015, \$5.75 million in 2016, \$5.0 million in 2017, and \$5.0 million in 2018, and that this forecast be used as a foundation for preparing a 2010-2019 Capital Plan and Forecast as part of the 2010 Capital Budget process; and
5. Council approve conditionally all sub-projects with third-party financing, subject to the receipt of such funding during 2009 and if such financing is not forthcoming, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs.

## PART II: CAPITAL PROGRAM

### 2008 Capital Variance Review

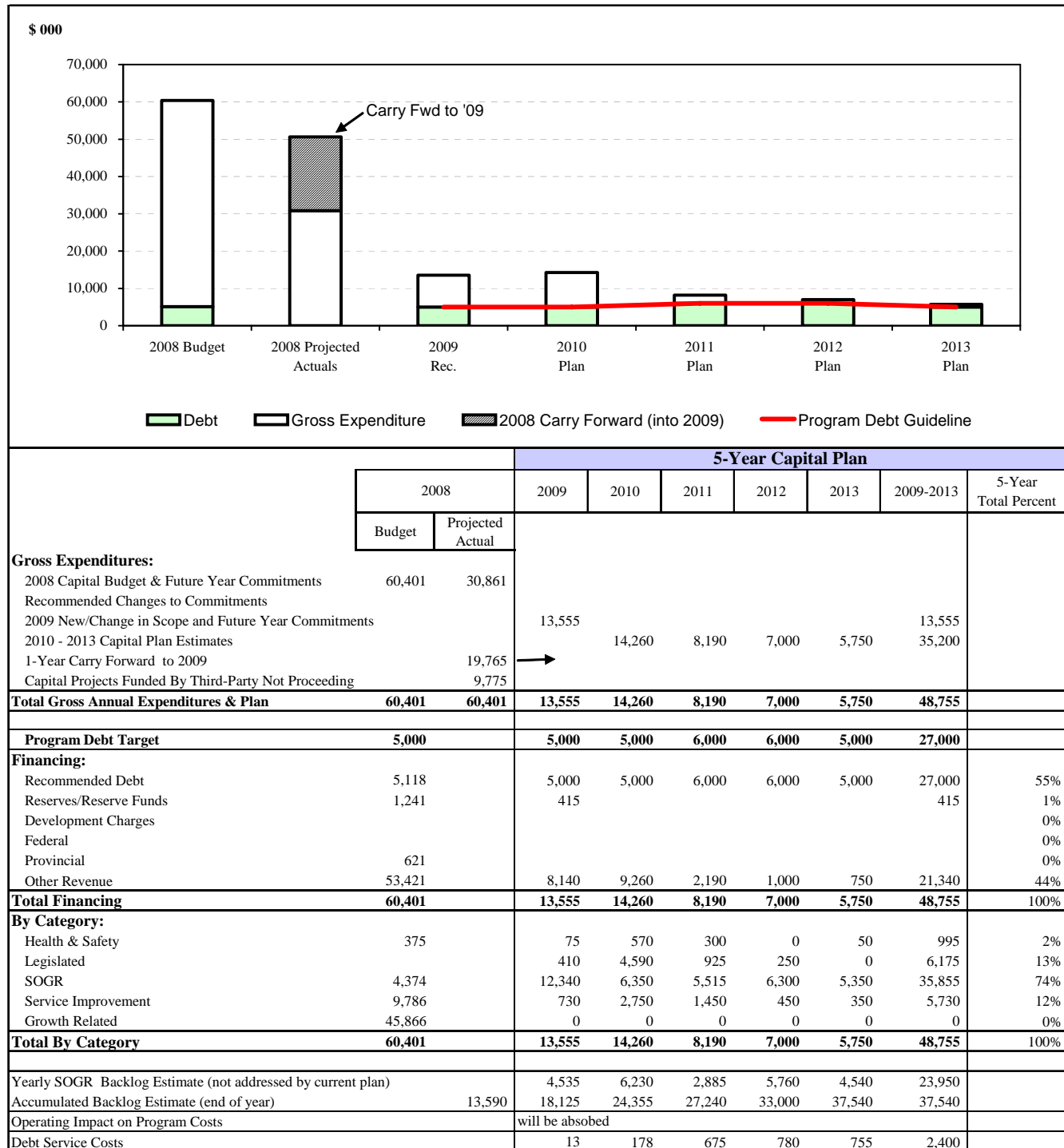
2008 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2008 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
60,401	3,174	5.3%	30,861	51%	29,540

#### Comments / Issues:

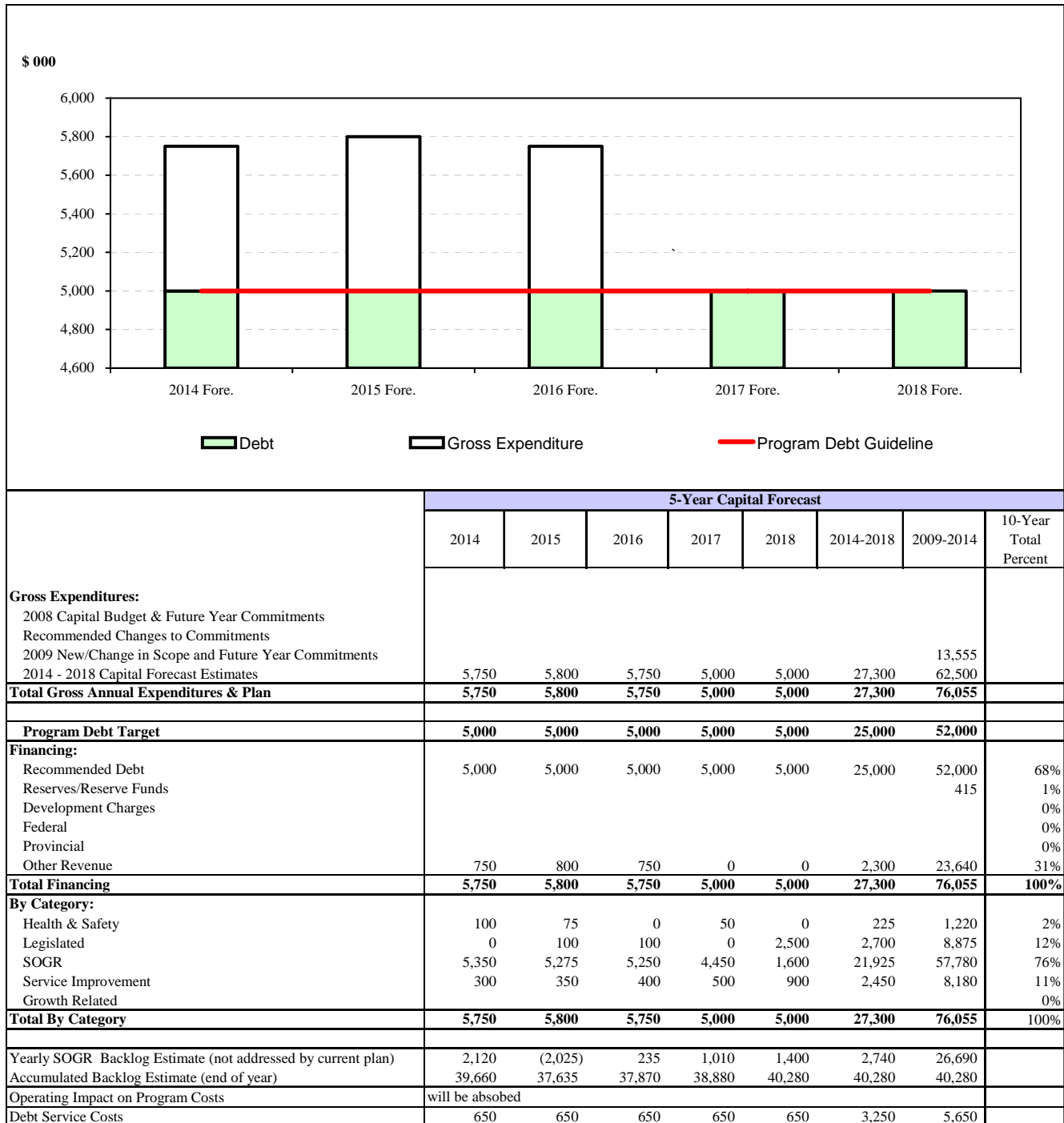
- Exhibition Place's capital expenditures for the six months ended June 30, 2008 totalled \$3.174 million or 5.3% of the 2008 Approved Budget of \$60.401 million. Under-spending is mainly due to delays in the Conference Centre and Green Energy Initiative projects.
  - As at June 30, 2008 spending on the Conference Centre is \$2.103 million or 4.6% of the 2008 Approved Budget of \$45.866 million. To date, the capital expenditure only relates to the design phase of the project.
  - Spending has not occurred on the Green Energy Initiative projects at June 30, 2008, which are funded by non-debt third-party sources. Exhibition Place has commenced discussions with possible providers but has yet to secure the third-party financing required for these capital projects.
- The year-end expenditure, excluding the Conference Centre and Green Energy Initiatives, is projected to be approximately 99%. The projected year-end spending rate including the Conference Centre and Green Energy Initiatives projects is estimated to be \$30.861 million or 51% of the total 2008 Approved Budget of \$60.401 million.
- The Conference Centre projected expenditure to year-end is anticipated to be \$26.201 million or 57% of the 2008 approved cash flow of \$45.866 million. Under-spending is the result of construction lags due to building heritage issues. Project completion date is targeted for June 2009.
- The Green Energy Initiatives, funded by non-debt third-party sources, projected expenditure to year-end is expected to be \$0 of an approved cash flow of \$9.775 million. The Program has applied to third-party organizations for capital financing, but has not secured funding yet. Once funding is secured, capital spending can commence.
- Exhibition Place requires a total of \$19.765 million in 2008 funding to be carried forward into 2009, all of which will be spent on the Conference Centre to complete construction.

## 5-Year Capital Plan

### (2009 Recommended Budget, 2010-2013 Plan)



## 5-Year Capital Forecast (2014-2018)



## **10-Year Capital Plan and Forecast Overview**

- The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast is in line with the Council-approved debt affordability targets in each year.
- The 10-Year Capital Plan and Forecast of \$95.820 million consists of \$1.24 million or 1.3% on Health and Safety projects, \$12.895 million or 13.4% on Legislated projects, \$53.830 million or 56% on State of Good Repair projects, and \$8.190 million or 8.5% on Service Improvements.
- By focussing capital spending on state of good repair and service improvement projects, the 5-Year Recommended Capital Plan and 5-Year Proposed Capital Forecast is aligned with Exhibition Place service objectives to maintain its buildings and structures, increase the number of hosted events and attendance, improve customer satisfaction, generate economic stimulation, and achieve energy efficiency.
- The 2009 Recommended Capital Budget, 2010-2013 Recommended Plan and 2014-2018 Proposed Capital Forecast relies on \$52.0 million or 68% debt, \$23.64 million or 31% third-party financing and \$0.415 million or 1% reserve fund draws. With the exception of 2009, the capital financing structure is consistently based on debt and third-party funding throughout the 10 year horizon. Third-party funding is secured through applications for grants and loans from, but not limited to, the City's Green Energy Fund and Toronto Atmospheric Fund, to fund its green energy initiative projects.
- At December 31, 2008, the accumulated state of good repair backlog on 10 buildings and structures was \$13.59 million. Despite spending 88% of the debt-funded portion of the 2009 Recommended Capital Budget, 2010-2013 Recommended Plan and 2014-2018 Proposed Capital Forecast on state of good repair needs, the accumulated backlog is expected to increase to \$40.28 million by 2018. Funding limitations resulting in unmet needs of \$16.4 million and on-going maintenance requirements on a 192-acre site present the biggest challenge in reducing the backlog.
  - As a result of flat-line debt targets throughout the 10 year budget horizon, Exhibition Place could not include all of its capital requirements within the 5-Year Recommended Capital Plan and 5-Year Proposed Capital Forecast. Debt funding limitation has resulted in unmet SOGR needs totalling \$15.185 million.
- In accordance with established practice, Exhibition Place will absorb the operating costs, consisting of debt service costs, arising from its 10-Year Capital Plan and Forecast. Operating savings from completed energy efficient projects are used for debt repayment to recover capital expenditures on these projects.



**Multi-Year Debt Affordability Targets**

The 2010-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast meets the Council-approved debt affordability targets in each of the 9 years totalling \$47.0 million.

**Project Financing**

The 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast rely on debt funding of \$52.0 million, funding from reserve funds of \$0.415 million, and funding from third-party sources of \$23.64 million totalling \$76.055 million.

The Recommended 5-Year Capital Budget and Proposed 5-Year Capital Forecast rely on third-party funding of \$23.64 million to finance Green Energy projects (\$20.39 million) and other special projects (\$3.25 million). Each year the Board adopts an Energy Efficiency Program which is aimed at the achievement of the 2010 energy self-sufficiency goal. Throughout the year, Exhibition Place staff submits funding applications for grants and loans, including the City's ERP, that allow these projects to proceed. Once secured, the loans are repaid through the energy savings generated by these initiatives. At this time, financing has not been secured for the 11 Green Energy sub-projects (\$20.39 million) in the Energy Efficiency Plan and the special project to extend the basement of the Better Living Centre (\$3.25 million). If funding is not secured, the projects will not proceed.

In 2009, the Soccer Stadium Capital Maintenance Reserve Fund finances \$0.4 million of capital projects at the National Soccer Stadium. At its meeting of October 21, 2005, the Board of Governors entered into an Agreement with Maple Leaf Sports and Entertainment Limited that makes it 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 the agreement requires the transfer of \$0.4 million from Exhibition Place's 2009 Operating Budget to the Soccer Stadium Capital Maintenance Reserve Fund to cover the capital costs for 2009. Future annual contributions to and interest earned in the Soccer Stadium Capital Maintenance Reserve Fund avoids depletion of the reserve fund and ensures adequate funding for future capital projects.

**State of Good Repair (SOGR)-Backlog and Unmet Service Needs****State of Good Repair (SOGR)**

Using external professional consultants, Exhibition Place has completed facility audits on a total of 10 buildings and structures on its site: Automotive Building, Better Living Centre, Coliseum Complex, Direct Energy Centre, Food Building, General Services Building, Horse Palace, Press Building, Queen Elizabeth Building and Prince's Gate. Assessments on Stanley Barracks and the Bandshell dressing rooms are scheduled for 2009. Exhibition Place staff also performs yearly inspections and audits to add to the changing and growing capital needs on the grounds.

At December 31, 2008, the accumulated State of Good Repair (SOGR) backlog on the 10 buildings and structures is \$13.59 million. In order to mitigate the SOGR backlog, 88% of Exhibition Place's debt-funded portion of the 2009 Recommended Capital Budget, 2010-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast is allocated to address SOGR needs. However, the City's flat-line debt targets make it increasingly difficult for Exhibition Place to reduce its accumulated

backlog. As a result, the SOGR accumulated backlog is expected to increase on average by \$2.669 million annually over the next 10 years to \$40.28 million.

In order to meet the 10-year Council-approved debt affordability targets, Exhibition Place could not include \$16.4 million of capital projects in the 10-year capital period. \$15.295 million of the total SOGR backlog unmet need include 34 state of good repair sub-projects.

The extensive SOGR needs are attributed to the many buildings and structures constructed prior to the establishment of modern energy conservation, lighting and heating standards. As a result of funding constraints and the on-going maintenance requirements, Exhibition Place continually prioritizes its capital needs for the current year's budget, while deferring other capital projects to future years.

The unmet SOGR needs consist of capital work required at: the Coliseum Complex (\$3.91 million), Stanley Barracks (\$3.05 million), Direct Energy Centre (\$2.07 million), Horse Palace (\$2.445 million), Queen Elizabeth Building (\$1.155 million), Food Building (\$1.425 million), General Services Building (\$0.92 million), and Press Building (\$0.21 million). The 34 deferred sub-projects mainly address structural, building, HVAC and plumbing, electrical, wall and ceiling deficiencies in each building.

The SOGR backlog at Exhibition Place is an important issue and represents a difficult challenge for Exhibition Place 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's Inventory. The preservation of these structures has historical and cultural significance. Many of these buildings were constructed before modern energy conservation, lighting and heating standards were developed. Therefore there is a constant need to assess these buildings to determine their condition and avoid any health and safety implications for Exhibition Place employees, clients and visitors.

#### **Unmet Service Needs**

\$1.0 million of unmet need is comprised of service improvements to the Direct Energy Centre.

### **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 CHIN picnic, Grand Prix, the Toronto Caribbean Carnival and the Canadian National Exhibition. Increasingly, the show schedule for both indoor and outdoor events 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 2008 would indicate an average yearly capacity of \$35.44 million representing an average spending rate of 70%. 2008 indicates a decline on this trend with projected spending of 51% mainly due to the construction delays on the Conference Centre project and the lack of secured third-party funding for the Green Energy Initiatives. However, it should be noted that the projected spending rate excluding the Conference Centre and Green Energy Initiatives is significantly higher at 98%. With the exception of the 11 Green Energy sub-projects which Exhibition Place is in the process of securing financing, the Program is ready to proceed with the projects in its 5-Year Capital Plan. Projects in 2009 are supported by firm cost estimates and realistic assumptions, while projects in 2010 are based on feasibility assessments

ready for design estimates. Excluding the Green Energy projects, the Program is confident that it has the means to achieve the Recommended 5-Year Capital Plan within the specified timelines and funding targets that have been set.

### **Recommended Changes to the 2008-2012 Capital Plan**

The following summarizes key changes from the 2008-2012 Approved Capital Plan:

#### **Coliseum Complex**

- The overall project costs decreased by \$0.105 million in 2009, \$0.57 million in 2010, \$0.435 million in 2011, \$0.075 million in 2012, and \$2.47 million in 2013 for an overall reduction of \$3.655 million for the 2009-2013 capital planning period.
- Reductions are achieved by deferring a safety & code sub-project in 2009, spreading out the costs to replace the industry building roof over an additional year, delaying the replacement of the industry building fibreglass windows to the year after, and decreasing the project cost of the north extension roof. Deferred expenditure on building envelope, structural, HVAC, plumbing, wall and ceiling deficiencies also help the Program meet the debt target in 2013.
- These reductions are partially offset by increased spending on 2 new sub-projects to repair the eaves troughs on the east (\$0.065 million) and west (\$0.06 million) annex of the Arena roof, which were not projected in the 2008-2012 Capital Plan.

#### **Horse Palace**

- 5-year spending decreased by \$1.47 million by deferring the replacement of the west roof in 2009 (\$0.4 million) and 2010 (\$0.51 million); and delayed spending on building, HVAC, and plumbing deficiencies in 2013 (\$0.56 million) to accommodate other priority projects and meet debt targets.

#### **Better Living Centre**

- This project has been increased by \$1.04 million in 2009 and \$0.1 million in 2013, offset by decreased spending of \$0.645 million in 2010, \$1 million in 2011 and \$0.825 million in 2012, for an overall net reduction of \$1.33 million to meet debt targets.
- The roof replacement sub-project (\$1.24 million) has been advanced from 2011-2012 and reduced by \$0.585 million.
- Spending on the auto sprinkler system (\$0.845 million) and lateral bracing and steel beams (\$0.3 million) have been deferred from 2010 to 2018 to partially offset 2 new sub-projects, to relocate an office (\$0.25 million) and storage building (\$0.25 million), to the basement of the Better Living Centre by 2010. The new sub-projects were not projected in the 2008-2012 Approved Capital Plan.

#### **Other Buildings**

- This project has been decreased by \$0.155 million in 2009 and increased by \$0.325 million in 2010, \$0.62 million in 2011, \$1.225 million in 2012 and \$1.325 million in 2013, for an overall net increase of \$3.34 million for the 5-year plan to meet the capital priorities on the sites.
- The Prince's Gate Architrave sub-project increased by \$1.16 million for ongoing work and the Automotive Building sub-project increased \$1.98 million for retrofitting the masonry wall.

**National Soccer Stadium (BMO Field)**

- This project has increased by \$0.4 million in 2009 for 4 new service improvement sub-projects such as equipment upgrades, washroom transformations, recycling program and portable kiosks, which were not included in the 2008-2012 Capital Plan.

**Green Energy Initiatives**

- Sub-projects were decreased by \$7.71 million in 2009, \$0.38 million in 2011 and \$0.25 million in 2012 and offset by an increase of \$7.95 million in 2010 for an overall net decrease of \$0.39 million for the 5-year plan.
- Green Energy Initiatives rely on third-party sources for funding and since funding has yet to be secured for the 2008 green projects, the spending cannot proceed. As a result, projects like the two photovoltaic systems (\$8 million) are deferred from 2009 to 2010.
- The project has increased by \$3.74 million for the addition of new projects such as the Horse Palace roof replacement (\$1 million), Better Living Centre roof replacement (\$1.24 million), and Direct Energy Centre absorption chiller (\$1.5 million), which were not part of the 2008-2012 Capital Plan.

**Special Projects**

- This project has increased by \$2.5 million in 2010 and \$1 million in 2011 for a basement extension at the Better Living Centre which was not a part of the 2008-2012 Capital Plan.

**Capital Projects Highlights****Green Energy Initiatives**

The 2009 Recommended Capital Budget, 2010-2013 Recommended Plan and 2014-2018 Proposed Capital Forecast directly advances the Mayor/Council strategic priority for the Climate Change Agenda through energy efficiency projects aimed at achieving self-sufficiency at Exhibition Place by 2010. Green roofs will replace old roofs at the Coliseum Complex of the Industry Building (\$1.87 million), East Annex (\$2.0 million) and Mid-Arch (\$0.88 million). Exhibition Place will also upgrade windows at the Press Building (\$0.23 million) to reduce energy usage levels.

The 2009 Recommended Capital Budget, 2010-2013 Recommended Plan and 2014-2018 Proposed Capital Forecast also includes Exhibition Place energy efficiency plans consisting of 11 sub-projects funded by third-party sources totalling \$20.39 million. The recommended capital expenditures are as

follows: \$8.14 million in 2009, \$7.01 million in 2010, \$1.19 million in 2011, \$1.0 million in 2012, \$0.75 million in each year of 2013 and 2014, \$0.8 million in 2015, and \$0.75 million in 2016.

The 11 Green Energy sub-projects will rely on funding provided by third-party grants and loans, including but not limited to, the City's Green Energy Fund and Toronto Atmospheric Fund. Exhibition Place staff will participate in funding applications throughout the year to secure financing for these projects. The loans will then be repaid through the energy savings generated by these initiatives. At this writing financing has yet to be secured for 5 sub-projects approved in 2008 totalling \$8.14 million which are scheduled to commence in 2009.

The energy efficiency plan is comprised of spending on two photovoltaic systems (\$8 million), replacement of the plant management and building automation systems (\$4.62 million), window replacements at the Better Living Centre (\$0.93 million) and Music Building (\$0.35 million), which were part of last year's 5-Year Capital Plan. However, as third-party funding was not secured in 2008, the projects could not proceed and have been deferred to 2009.

The energy efficiency plan includes the replacement of the Horse Palace roof (\$1 million) and Better Living Centre roof (\$2.04 million), and installation of an absorption chiller at the Direct Energy Centre (\$1.5 million) that were not a part of last year's 5-Year Capital Plan.

## Summary of Major Capital Initiatives

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 -2018 Forecast	2009 -2018 Total
<b>Facility Projects: State of Good Repair</b>	4,200.0	3,340.0	4,575.0	5,550.0	4,600.0	22,265.0	19,625.0	41,890.0
<b>Other Projects</b>	1,215.0	3,910.0	2,425.0	450.0	400.0	8,400.0	5,375.0	13,775.0
Sub-Total	5,415.0	7,250.0	7,000.0	6,000.0	5,000.0	30,665.0	25,000.0	55,665.0
<b>Other Major City Initiatives:</b>								
Green Energy Initiatives	8,140.0	7,010.0	1,190.0	1,000.0	750.0	18,090.0	2,300.0	20,390.0
Sub-Total	8,140.0	7,010.0	1,190.0	1,000.0	750.0	18,090.0	2,300.0	20,390.0
<b>Total</b>	<b>13,555.0</b>	<b>14,260.0</b>	<b>8,190.0</b>	<b>7,000.0</b>	<b>5,750.0</b>	<b>48,755.0</b>	<b>27,300.0</b>	<b>76,055.0</b>

Over the next 10 years, \$41.89 million or 55% of the 2009 Recommended Capital Budget, 2010-2013 Recommended Plan and 2014-2018 Proposed Capital Forecast is allocated toward the maintenance and repair of the 192-acre site with its historically and architecturally significant buildings. The expenditure attempts to address the 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 goal by 2010.

As previously discussed under the "Capital Project Highlights", Exhibition Place has also adopted an energy efficiency plan totalling \$20.39 million over the next 10 years, of which 5 un-funded sub-projects costing \$8.14 million are scheduled to commence in 2009. Financing will be secured by Exhibition Place staff through grant and loan applications which will be re-paid through energy savings generated by these sub-projects.

## Operating Budget Impact - 10-Year Capital Plan & Forecast

### Incremental Operating Impact Summary

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 - 2018 Forecast	2009-2018 Total
<b>2009 Recommended Capital Budget</b>								
Program Costs (net)								
Approved Positions								
Debt Service Costs	12.50	52.50				65.00		
<b>Recommended 2010-2013 Capital Plan</b>								
Program Costs (net)								
Approved Positions								
Debt Service Costs		125.00	675.00	780.00	755.00	2335.00		
<b>Proposed 2014-2018 Capital Forecast</b>								
Program Costs (net)								
Approved Positions								
Debt Service Costs							3250.00	
<b>Total</b>								
Program Costs (net)								
Approved Positions								
Debt Service Costs	12.50	177.50	675.00	780.00	755.00	2400.00	3250.00	5650.00
<i>Debt Service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% Year 1, and 13% for subsequent years</i>								

- In accordance with established practice, Exhibition Place will absorb the operating costs arising from its 2009 Recommended Capital Budget, 2010-2013 Recommended Plan and 2014-2018 Proposed Capital Forecast.
- 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 \$0.648 million each year in 2008 and 2009. \$0.684 million of the operating savings in 2008 and \$0.595 million of savings in 2009 will be used for debt repayment to recover the capital expenditures on these projects.

### Total 2009 Recommended Cash Flow & Future Year Commitments (\$000s)

	2007 & Prior Year Carry Forwards	2009 Previously Approved Cash Flow Commitments	2009 New Cash Flow Recommended	2009 Total Cash Flow Recommended	2009 Debt Target	2008 Carry Forwards	Total 2009 Cash Flow (Incl 2008 C/Fwd)	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total Cost
<b>Expenditures</b>																	
Previously Approved						19,765	19,765										19,765
Change in Scope			75	75			75										75
New			4,420	4,420			4,420										4,420
New w/Future Year			9,060	9,060			9,060										9,060
<b>Total Expenditure</b>	-	-	13,555	13,555	-	19,765	33,320	-	-	-	-	-	-	-	-	-	33,320
<b>Financing</b>																	
Reserves/Res Funds			415	415			415										415
Development Charges																	-
Other 1						20	20										
Other 2 (Third-Party Funds)			8,140	8,140		7,420	15,560										15,560
Debt			5,000	5,000	5,000	60	5,060										5,060
Recoverable Debt						12,265	12,265										
<b>Total Financing</b>	-	-	13,555	13,555	5,000	19,765	33,320	-	-	-	-	-	-	-	-	-	21,035

### Comments / Issues:

- The 2009 Recommended Capital Budget is \$33.320 million gross, including \$13.555 million for new/change of scope projects and \$19.765 million to fund projects carried forward from 2008 to 2009.
- The 2009 Recommended Capital Budget of \$13.555 million requires new debt of \$5.0 million, third-party funding of \$8.140 million, \$0.4 million from the National Soccer Stadium Capital Maintenance Reserve Fund and \$0.015 from the Capital Financing Reserve Fund. The new debt requirement achieves the debt affordability target of \$5.0 million.
- No future-year commitments will arise from approval of the 2009 Recommended Capital Budget.

### **2009 Recommended Capital Budget**

#### **2009 Recommended Capital Budget versus Debt Target**

The Exhibition Place 2009 Recommended Capital Budget of \$13.555 million, excluding 2008 carry forward funding, requires new debt of \$5.0 million, third-party funding of \$8.140 million, and \$0.410 million from reserve fund draws. The 2009 Recommended Capital Budget meets the Council-approved debt affordability target of \$5.0 million.

#### **Capital Budget by Project Category**

State of Good Repair projects to preserve buildings and structures throughout the grounds account for \$12.340 million or 91% of the 2009 Recommended Capital Budget of \$13.555 million. \$0.73 million or 5% of the 2009 Recommended Capital Budget supports Service Improvement and Enhancement projects, \$0.410 million or 3% is spent on Legislated projects, and \$0.075 million or 1.0% on Health & Safety projects.

By focussing the majority of the 2009 Recommended Capital Budget on state of good repair and service improvement projects, the mix of project categories is aligned with Exhibition Place service objectives to maintain the capital structures on the 192-acre site in a state of good repair, increase the number of hosted events and attendance, improve customer satisfaction, generate economic stimulation, and achieve energy efficiency.

#### **Capital Project Highlights**

The 2009 Recommended Capital Budget will provide funding to:

- complete repairs to Automotive Building walls and parapet (\$2.095 million); and
- replace the Better Living Centre's roof (\$2.480 million).

#### **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 with the show and event schedule on the grounds. With the exception of the 5 Green Energy sub-projects, the 2009 Recommended Capital Budget is ready to proceed. Projects are supported by cost estimates and realistic assumptions. Three year historical average spending including the latest projection for 2008 indicates an average yearly capacity of \$35.44 million representing an average spending rate of 70%. The Program is confident that it has the means to achieve the 2009 Recommended Capital Budget within the specified timelines and funding targets that have been set.



### PART II: ISSUES FOR DISCUSSION

#### 5-Year Capital Plan Issues

##### Proposed Hotel Project

Exhibition Place is currently in discussions with a hotel developer to establish a potential project proposal to be solely funded by a 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 new Allstream Centre conference facility and the Direct Energy Centre by offering its clients convenient on-site accommodation options. The proposed hotel project is contingent upon the expected completion of the Conference Centre in June 2009. As details surrounding the timing, costing, and funding of the project has not been finalized, the site development plans are not reflected in the 5-Year Recommended Capital Plan.

**Appendix 1**

**2009 Recommended Capital Budget;  
2010 to Plan and 2014 to 2018 Forecast**

**Appendix 2**

**2009 Recommended Cash Flow  
and Future Year Commitments**

**Appendix 3**  
**2009 Recommended Capital Projects**  
**with Financing Details**

### Appendix 4

#### Reserve / Reserve Fund Review

Reserve / Reserve Fund Name ( \$000)	Projected Balance as of December 31, 2008	Proposed Withdrawals										
		2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Fore.	2015 Fore.	2016 Fore.	2017 Fore.	2018 Fore.	2009-2018 Total
National Soccer Stadium												
Capital Maintenance Reserve Fund	444	400										400
Capital Financing Reserve Fund		15										15
<b>Total Reserve / Reserve Fund</b>	<b>444</b>	<b>415</b>										<b>415</b>