

10

40

<b>TO:</b>	<b>CHAIR AND MEMBERS BOARD OF CONTROL</b>
<b>FROM:</b>	<b>V. A. COTÉ ACTING GENERAL MANAGER OF FINANCE &amp; CORPORATE SERVICES</b>
<b>SUBJECT:</b>	<b>MEETING ON JANUARY 14, 2004  JOHN LABATT CENTRE – FINANCIAL SUMMARY – JULY 2002 – JUNE 2003</b>

**RECOMMENDATION**

That, on the recommendation of the Acting General Manager of Finance and Corporate Services, this report be received for information purposes.

**BACKGROUND**

Attached is a financial summary for the John Labatt Centre (JLC) for the period June 2002 to June 2003. The JLC opened on October 11, 2002, therefore the financial summary reports less than nine months of operation.

The financial summary shows a positive balance of \$377,234 from the JLC for the nine months of operation of which the City's share is \$75,447. The agreements with LCC (LP), our partners on this project, calls for a split in net available cash flow as follows:

years 1 – 5	-	20% City, 80% LCC (LP)
years 6 – 10	-	45% City, 55% LCC (LP)
years 11 – 50	-	70% City, 30% LCC (LP)

Included in this report is the pro forma for the JLC which were the estimates of revenues and expenses which were used as a guideline to agreements with LCC (LP) prior to finalizing the agreements for the JLC. These pro formas were prepared by Lauridon, the initial operating partner for the project. These pro formas were based on Lauridon's experience in managing the Sarnia Sports and Entertainment Centre. Global Spectrum who replaced Lauridon prepared their own operating budget for 2002-2003 prior to opening, which reflected costs closer to the actuals. These are also included in the attachments.

The highlights of the first 9 months of operation include:

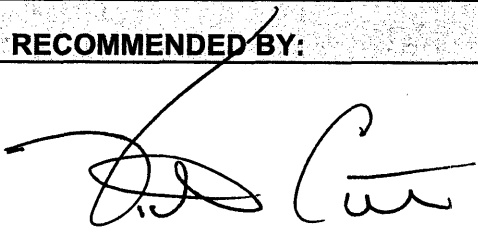
- gross revenue of \$5.8 million for the period October 11, 2002 to June 30, 2003, which exceed the full year revenue in the pro formas in year 1 of \$5.2 million. On a pro rata basis, taking into account a slower summer season, the full year revenue of the JLC would have been \$7.4 million, or about 40% higher than the original pro formas.
- operating expenses for the period July 1, 2002 to June 30, 2003 were \$5.2 million. These expenses exceeded the operating expenses in the pro forma of \$4.2 million, which on a full year is equivalent to \$6.2 million. The JLC is operated and managed at an equivalent standard to the Air Canada Centre, the Corel Centre and other big city facilities. This has generated much of its success but has caused facility expenses to rise. The facility expenses also includes \$600,000 of one time start up costs. While there may be some opportunity to lower expenses, a significant change is not anticipated in 2004.
- the City's share of available cash flow is \$75,447 which is in line with the pro forma estimate of \$114,461. Despite high revenue, available cash flow was affected by start up costs, higher expenses for energy and facility expenses.

10

41

- a total of 85 events were held in the first 9 months of operation with a total attendance of 466,979. The pro formas were based upon 80 events per year and an annual attendance of about 350,000. The first year has greatly exceeded these expectations and in October 2003 Global announced the first full year attendance at 575,000 people. The events included some of the largest touring shows in North America, a Broadway series, an exhibition NHL game, and major ice skating shows. The same quality of production and range of shows are anticipated in 2004.

The period July 1, 2003 to June 30, 2004 will represent the first full year for the operation of the JLC. Based on Global's 2004 budget, it is anticipated that the City's share of 2004 net revenue will be approximately \$100,000. In year six and eleven, the City's share of favourable cash flow will go up considerably.

<b>RECOMMENDED BY:</b>

<b>V. A. COTÉ ACTING GENERAL MANAGER OF FINANCE AND CORPORATE SERVICES</b>

Att.

January 7, 2004  
/bs

10

42

**JOHN LABATT CENTRE**  
**Comparison: Actual vs. Original Pro Forma**  
**FY 2003 (June 30, 2003)**  
**(9 months)**

<u>REVENUE TO FACILITY</u>	Pro Forma	FY03
1 Gate	960,255	2,375,291
2 Food Service	1,922,410	677,274
3 Novelty & Interactive	212,018	102,587
4 Seating & Advertising	1,800,000	2,413,032
5 Ice Rentals	168,345	10,761
6 Retail	42,042	5,498
7 Ice Activities	164,200	0
8 Facility Rent	82,500	0
9 Miscellaneous	0	50,474
10 <b>TOTAL GROSS REVENUES *</b>	5,351,770	5,634,917
<u>CONTRIBUTION MARGIN</u>		
11 Gate	485,380	962,428
12 Food Service	378,384	513,491
13 Novelty & Interactive	47,659	102,587
14 Seating & Advertising	1,457,500	1,485,049
15 Ice Rentals	168,345	10,761
16 Retail	8,408	5,498
17 Ice Activities	103,615	0
18 Facility Rent	82,500	0
19 Miscellaneous		50,474
20 <b>TOTAL CONTRIBUTION MARGINS</b>	2,731,791	3,130,288
<u>EXPENSES</u>		
21 Facility Expenses	735,120	2,030,701
22 Energy & Utilities	325,005	389,624
23 Management Fees	294,347	311,804
24 Debt Principal Repayments	133,747	0
25 Interest Expense	613,172	203,778
26 Capital Reserve	0	0
27 Capital Taxes	117,757	0
28 Federal Large Corporation Tax	65,818	0
29 Income Tax Expense	0	0
30 <b>TOTAL EXPENSES</b>	2,284,966	2,935,907
31 <b>NET CASH FLOW</b>	446,825	194,381
32 Event Ticket Surcharge (*)	243,125	182,853
33 <b>DISTRIBUTABLE INCOME</b>	689,950	377,234
<u>ALLOCATION OF FUNDS</u>		
34 City of London	137,990	75,447
35 LCC	551,960	301,787

10

43

JOHN LABATT CENTRE  
FY03  
Comparisons: Budget/Pro Formas/Actuals

	BUDGET FY03	ACTUAL FY03	BUDGET/ACTUAL VARIANCE FAV/(UNFAV)
<b># OF EVENTS</b>	90	85	5
<b>ATTENDANCE - PAID</b>	395,519	458,860	63,341
<b>ATTENDANCE - DROP</b>	395,356	455,269	59,913
<b>F&amp;B PER CAPS</b>	\$4.80	\$5.65	\$0.85
<b>NOVELTY PER CAPS</b>	\$1.11	\$1.25	\$0.14
<b>EVENT INCOME</b>			
DIRECT NET EVENT INCOME	\$881,681	\$880,967	(\$714)
SURCHARGE	\$232,302	\$182,854	(\$49,448)
<b>TOTAL NET EVENT INCOME</b>	<b>\$1,113,983</b>	<b>\$1,063,821</b>	<b>(\$50,162)</b>
<b>ANCILLARY INCOME</b>			
FOOD & BEVERAGE	\$488,072	\$510,655	\$22,583
NOVELTY INCOME	\$88,365	\$102,586	\$14,221
<b>TOTAL ANCILLARY INCOME</b>	<b>\$576,437</b>	<b>\$613,241</b>	<b>\$36,804</b>
<b>EVENT OPERATING INCOME</b>	<b>\$1,690,420</b>	<b>\$1,677,062</b>	<b>(\$13,358)</b>
<b>OTHER INCOME</b>			
PREMIUM SEATING	\$1,218,150	\$1,220,060	\$1,910
SPONSORSHIPS/SALES	\$576,750	\$532,515	(\$44,235)
COMMISSIONS	(\$105,012)	(\$119,421)	(\$14,409)
RENTALS (SUITES/ETC)	\$33,102	\$27,630	(\$5,472)
ICE RENTALS	\$0	\$10,761	\$10,761
INTEREST INCOME	\$9,999	\$45,926	\$35,927
OTHER INCOME	\$42,957	\$94,345	\$51,388
<b>TOTAL OTHER INCOME</b>	<b>\$1,775,946</b>	<b>\$1,811,816</b>	<b>\$35,870</b>
<b>TOTAL INCOME (EVENT &amp; OTHER)</b>	<b>\$3,466,366</b>	<b>\$3,488,878</b>	<b>\$22,512</b>
<b>INDIRECT EXPENSES</b>			
EXECUTIVE	\$192,837	\$203,474	(\$10,637)
MARKETING	\$148,072	\$201,513	(\$53,441)
CORPORATE SALES	\$227,035	\$245,116	(\$18,081)
FINANCE	\$85,803	\$73,164	\$12,639
BOX OFFICE	\$106,585	\$83,516	\$23,069
GROUP SALES	\$33,405	(\$43,002)	\$76,407
OPERATIONS	\$976,467	\$989,122	(\$12,655)
OVERHEAD	\$842,500	\$1,154,960	(\$312,460)
<b>TOTAL INDIRECT EXPENSES</b>	<b>\$2,612,704</b>	<b>\$2,907,863</b>	<b>(\$295,159)</b>
<b>NET INCOME FROM OPERATIONS</b>	<b>\$853,662</b>	<b>\$581,015</b>	<b>(\$272,647)</b>
DEPRECIATION	\$0	\$27,835	(\$27,835)
DEBT SERVICE (RENT)	\$487,820	\$203,778	\$284,042
<b>NET INCOME</b>	<b>\$365,842</b>	<b>\$349,402</b>	<b>(\$16,440)</b>
<b>ADJUSTMENTS FOR CASHFLOW</b>			
DEPRECIATION	\$0	\$27,835	(\$27,835)
<b>OPERATING CASH FLOW</b>	<b>\$365,842</b>	<b>\$377,237</b>	<b>\$11,395</b>
<b>Cash Distribution</b>			
Distribution Year 1			
City of London {b}	\$73,168	\$75,447	\$2,279
Available for LCCLP	\$292,674	\$301,790	\$9,116
	<b>\$365,842</b>	<b>\$377,237</b>	<b>\$11,395</b>