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<b>TO:</b>	<b>CHAIR AND MEMBERS BOARD OF CONTROL MEETING ON DECEMBER 14, 2005</b>
<b>FROM:</b>	<b>V. A. COTÉ GENERAL MANAGER OF FINANCE AND CORPORATE SERVICES</b>
<b>SUBJECT</b>	<b>2005 ANNUAL UPDATE ON THE JOHN LABATT CENTRE</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the General Manager of Finance and Corporate Services, this report be received for information purposes.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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John Labatt Centre – 6 Month Performance Update – February 3, 2004

John Labatt Centre - 2004 Annual Update – March 23, 2005

<b>BACKGROUND</b>
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The John Labatt Centre operates as a public private partnership and is designated as a municipal capital facility under the Municipal Act. The Centre completed its first full year of operation in June 2004 and is now in its fourth year. The London Civic Centre Corporation (LP) is the City's partner on this project having provided \$9.5 million in private sector funding. The City's contribution towards the building was \$32 million, plus the land valued at \$10 million, of which approximately one third serves as a municipally operated public parking lot. The Administration reports annually on the John Labatt Centre following receipt of the audited financial statements. This report is for the third year of operation July 2004 to June 2005.

#### **The Financial Statements for July 2004 to June 2005**

Appendix "A" (attached) provides a summary of the 2005 audited financial statements for the John Labatt Centre showing gross revenue, operating expenses and available cash flow. Gross Revenue in 2005 totaled \$13.8 million and operating expenses \$12.5 million. Available cash flow totaled \$755,412 of which the City's share in the first five years is 20% and in 2005 totaled \$151,000. The facility hosted 139 events in 2005 with a total paid attendance of 772,201.

#### **The Financial Pro Forma for the John Labatt Centre**

City Council asked the Civic Administration and Global Spectrum to revise the pro forma for the John Labatt Centre using the higher revenues and expenditures experience of the first few years of operation. Appendix "B" (attached) shows the revised pro forma including the ticket surcharge revenue. The pro forma reflects the City's share of the net proceeds which varies over the life of the lease. In years one to five the City's share is 20%, years six to ten 45%, and years eleven to fifty 70%. The City's ticket surcharge is over and above this amount. The City's share with the ticket surcharge is expected to average \$333,000 per year over the next two years, rising to \$452,000 in years six to ten, \$530,000 in years eleven to twenty and \$985,000 per year in years twenty to fifty.

#### **2005 Events**

The Memorial Cup, the Canadian Figure Skating Championships and several major concerts and events boosted 2005 attendance to 772,000 people. A total of 139 events were held in the third year of operation. Attendance figures are double what were anticipated prior to the building being

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built and the number of events is about 50% higher. A Pollstar survey of world concert venues ranked the John Labatt Centre 21<sup>st</sup> in attendance compared to all concert venues in the world. Some of the major concerts in 2005 included Cher, Sting, Green Day, Sarah McLachlan, Backstreet Boys, Avril Lavigne and Pearl Jam.

### **Ticket Surcharge**

The City's ticket surcharge of \$1 per ticket on all tickets over \$20 excluding family shows and events held by non-profit groups for tickets sold through the internet and over the phone came into effect in September 2005. The revenue from the surcharge over the first three months has been \$30,000.

Council asked Global Spectrum to examine alternatives for the ticket surcharge to maximize City revenue. The attached letter (Appendix "C") from Global Spectrum suggests changing the surcharge to apply to a broader base to include box office sales and reducing the amount to \$.50. Global estimates that this would increase City revenues by about 45% over the current arrangement.

### **Debt Repayment for the JLC**

In the past, Members of Council have asked for the debt repayment schedule for the John Labatt Centre. The City debentured \$32 million for the building over twenty years and \$10 million over ten years for the land which includes the City owned parking lot and Jubilee Square. Table 1 (attached as Appendix "D") provides the debt repayment for the land and building. In 2005 the principle and interest payments totaled \$4.19 million, which will be reduced to \$2.764 million in 2010 when the debenture on the land is repaid.

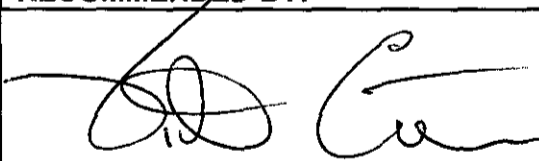
### **The Community Suite**

The City continues to make available a suite to local non-profit groups through a draw system. Last year 47 groups used the suite. A list of the groups is attached as Appendix "E". The suite is made available to non-profit groups in the City of London.

### **City of London Days**

The agreements with the London Civic Centre Corporation and the City provide for community days which are for major community events which are primarily for not for profit. In the past year community events were held for the following events:

- Skate Canada: Skate with the Stars
- Opening Ceremonies for the World Transplant Games.

<b>RECOMMENDED BY:</b>

<b>V. A. COTÉ GENERAL MANAGER OF FINANCE &amp; CORPORATE SERVICES</b>

Att.

December 8, 2005  
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## APPENDIX "A"

**JOHN LABATT CENTRE**  
**FY 2005**  
**Comparison: Budget v. Actual**  
**Occupancy Lease Format**  
**June 30, 2005**

	Pro Forma (Year 3)	FY2005 Budget	FY2005 Actual	Variance Fav/(Unfav)
<b>GROSS REVENUE</b>				
Gate	1,181,875	3,083,164	3,952,977	869,813
Food Service	2,317,105	3,655,575	5,431,610	1,776,035
Novelty & Interactive	267,324	522,616	882,081	359,465
Seating & Advertising	1,800,000	2,847,177	2,926,729	79,552
Ice Rentals	162,245	22,577	27,180	4,603
Retail	50,510	0	0	0
Ice Activities (Leagues, camps, training)	250,002	0	0	0
Facility Rent (Fitness Centre/Talbot St.)	85,833	0	0	0
Event Ticket Surcharge	296,876	264,646	352,256	87,610
Miscellaneous (Interest, etc)		191,939	259,761	67,822
<b>TOTAL GROSS REVENUES</b>	<b>6,411,770</b>	<b>10,587,694</b>	<b>13,832,594</b>	<b>3,244,900</b>
<b>OPERATING EXPENSES</b>				
Gate	593,245	1,732,694	2,529,557	796,863
Food Service	1,860,568	3,031,649	4,492,454	1,460,805
Novelty & Interactive	207,790	435,222	745,633	310,411
Seating & Advertising - All Costs	344,520	900,887	872,733	(28,154)
Ice Rentals		0	0	0
Retail	40,408	0	0	0
Ice Activities (Leagues, camps, training)	83,775	0	0	0
Facility Expenses	1,147,018	3,251,182	3,217,470	(33,712)
Management Fees	320,000	348,499	499,441	150,942
Minimum Base Rent	125,000	0	125,000	125,000
Trustee Fees & Disbursements	22,050	0	12,500	12,500
Income Tax	258,216	0	0	0
Miscellaneous (Interest, etc)		0	0	0
<b>EXPENSES</b>	<b>5,002,590</b>	<b>9,700,133</b>	<b>12,494,788</b>	<b>2,794,655</b>
<b>AVAILABLE CASH FLOW (ACF)</b>				
Division of Available Cash Flow	1,409,180	887,561	1,337,806	450,245
Senior Loan Payment	746,910	582,313	582,313	0
Landlord's Min. Annual Payment	50,000	0	50,000	50,000
Landlord's Share of ACF	82,462	61,050	101,099	40,049
<b>Remaining Balance to Tenant</b>	<b>529,808</b>	<b>244,198</b>	<b>604,394</b>	<b>360,196</b>
	-8	0	0	

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## APPENDIX "B"

JOHN LABATT CENTRE  
Average Year (Years 4 - 50)  
Global Spectrum Format  
June 30, 2005

	Average Years 4 - 5	Average Years 6 - 10	Average Years 11 - 20	Average Years 21 - 50
# OF EVENTS	131	131	131	131
ATTENDANCE - PAID	593,022	593,022	593,022	593,022
ATTENDANCE - DROP	592,669	592,669	592,669	592,669
F&B PER CAPS	\$6.89	\$6.89	\$6.89	\$6.89
NOVELTY PER CAPS	\$0.96	\$0.96	\$0.96	\$0.96
<b>EVENT INCOME</b>				
DIRECT NET EVENT INCOME	\$1,276,563	\$1,276,563	\$1,276,563	\$1,276,563
SURCHARGE	\$337,470	\$393,715	\$393,715	\$393,715
TOTAL NET EVENT INCOME	\$1,614,033	\$1,670,278	\$1,670,278	\$1,670,278
<b>ANCILLARY INCOME</b>				
FOOD & BEVERAGE	\$722,595	\$722,595	\$722,595	\$722,595
NOVELTY INCOME	\$94,871	\$94,871	\$94,871	\$94,871
TOTAL ANCILLARY INCOME	\$817,466	\$817,466	\$817,466	\$817,466
EVENT OPERATING INCOME	\$2,431,499	\$2,487,744	\$2,487,744	\$2,487,744
<b>OTHER INCOME</b>				
PREMIUM SEATING	\$1,439,217	\$1,439,217	\$1,439,217	\$1,439,217
SPONSORSHIPS/SALES	\$790,152	\$790,152	\$790,152	\$790,152
COMMISSIONS	(\$142,266)	(\$142,266)	(\$142,266)	(\$142,266)
RENTALS (SUITES/ETC)	\$42,900	\$42,900	\$42,900	\$42,900
ICE RENTALS	\$23,532	\$23,532	\$23,532	\$23,532
INTEREST INCOME	\$67,650	\$67,650	\$67,650	\$67,650
TICKETING SYSTEM	\$341,568	\$326,568	\$326,568	\$326,568
OTHER INCOME	\$43,242	\$43,242	\$43,242	\$43,242
TOTAL OTHER INCOME	\$2,605,995	\$2,590,995	\$2,590,995	\$2,590,995
TOTAL INCOME (EVENT & OTHER)	\$5,037,494	\$5,078,739	\$5,078,739	\$5,078,739
<b>INDIRECT EXPENSES</b>				
ADMIN/FINANCE	\$684,258	\$684,258	\$684,258	\$684,258
MARKETING	\$157,099	\$157,099	\$157,099	\$157,099
SALES	\$338,982	\$338,982	\$338,982	\$338,982
OPERATIONS	\$1,779,360	\$1,779,360	\$1,779,360	\$1,779,360
OVERHEAD	\$936,531	\$936,531	\$936,531	\$936,531
RENT (Sr. Loan Payment)	\$582,313	\$582,313	\$582,313	\$0
TOTAL INDIRECT EXPENSES	\$4,478,543	\$4,478,543	\$4,478,543	\$3,896,230
<b>LONDON PAYMENTS</b>				
MINIMUM BASE RENT (CRF) (Adjusted for CPI)	\$130,681	\$145,036	\$181,514	\$337,475
MINIMUM ANNUAL PAYMENT	\$50,000	\$50,000	\$50,000	\$50,000
SURCHARGE/FACILITY FEE	\$146,245	\$187,490	\$187,490	\$187,490
POSITIVE BALANCE (CASH DISTRIBUTION)	\$6,405	\$70,451	\$111,835	\$410,281
TOTAL PAYMENTS TO CITY	\$333,331	\$452,978	\$530,838	\$985,246
NET INCOME FROM OPERATIONS	\$225,620	\$147,218	\$89,358	\$197,263
DEPRECIATION	\$109,985	\$109,985	\$109,985	\$109,985
NET INCOME	\$115,635	\$37,233	(\$40,627)	\$87,278

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## APPENDIX "C"

# *John Labatt*

CENTRE

December 7, 2005

Vic Cote  
General Manager of Finance and Corporate Services  
City of London  
300 Dufferin Avenue  
PO Box 5035  
London, ON N6A 4L9

Dear Vic:

As I had mentioned to you previously, I would like to propose a modification of the City's directive of adding \$1.00 to our ticketing convenience fee on Internet and telephone orders for tickets over \$20.00. I believe my proposed modification will be less controversial to the entertainment industry and the public. In addition, it will provide more revenue to the city than the current directive.

I would suggest we reduce the City portion of the convenience fee to \$.50 on tickets over \$20.00 through the Internet and Telephone sales and include \$.50 from the Facility Fee on all tickets over \$20.00. The Facility Fee is on all tickets sold, including those sold at the John Labatt Centre Box Office. Using a model of 300,000 tickets sold (over \$20.00) this should generate 45% more revenue than the current arrangement.

We would remit these funds to the city twice a year – January 31 for the first six months and July 31 for the second six months of our operating year. These funds would be remitted directly to the city as opposed to through the Trustee.

Hopefully, this proposal makes sense. If you have any questions please feel free to give me a call.

Sincerely,

Brian E. Ohi  
General Manager

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## APPENDIX "D"

<b><u>Costs Including Land</u></b>	<b>Total Debt Service</b>	<b>Interest Only</b>
2001	\$1,426,073	\$605,755
2002	\$3,126,140	\$ 1,691,772
2003	\$3,851,818	\$ 2,059,642
2004	\$4,190,327	\$ 2,173,986
2005	\$4,190,327	\$ 2,054,998
2006	\$4,190,327	\$ 1,928,943
2007	\$4,190,327	\$ 1,795,400
2008	\$4,190,327	\$ 1,653,921
2009	\$4,190,327	\$ 1,504,032
2010	\$2,764,254	\$ 1,345,230
2011	\$2,764,254	\$ 1,267,351
2012	\$2,764,254	\$ 1,185,187
2013	\$2,764,254	\$ 1,098,503
2014	\$2,764,254	\$ 1,007,047
2015	\$2,764,254	\$ 910,558
2016	\$2,764,254	\$ 808,758
2017	\$2,764,254	\$ 701,353
2018	\$2,764,254	\$ 588,034
2019	\$2,764,254	\$ 468,475
2020	\$2,764,254	\$ 342,331
2021	\$2,764,254	\$ 209,239
2022	\$1,064,187	\$ 68,815
2023	\$338,509	\$ 17,389

## APPENDIX "E"

## 2005 Community Suite Users

#9 Royal Canadian Army Cadet  
 Arthritis Society  
 Audio Tactile Network  
 Big Brothers Of London  
 Business Club of London  
 Canadian Liver Foundation  
 Community Living London  
 Cornerstone Clubhouse  
 Craigwood Youth Services  
 Epilepsy London & Area  
 Homes Unlimited  
 Hospice of London Inc  
 Hutton House  
 Investing in Children  
 Junior Achievement of London  
 Kidney Foundation  
 Knights of Columbus  
 Lambeth Community Harvest Fest  
 Lambeth Oldtimers  
 London & District Distress Centre  
 London Abused Women's  
 London Beefeater Football  
 London Children's Connection Inc  
 London Distress Centre  
 London East Community Mental Health  
 London Health Science Centre  
 London Health Science Foundation  
 London Jr Knights  
 Make A Wish Foundation  
 Meals on Wheels  
 Minor Hockey Assoc of Lambeth  
 NoKee Kwe  
 Nor/West Optimist Club  
 North London Soccer Club  
 North London Sports Association  
 Nor'West Optimist Soccer  
 Original Kids Theatre  
 Participaction House  
 Regional Mental Health Care  
 River East Optimist Club  
 Rotary Club of London South  
 Royal Astronomical Society  
 Special Ability Riding Institute  
 Street Connection  
 Sunshine Foundation of Canada  
 VON  
 Western Area Youth Services