



Tribute Communities Centre

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Spectra Venue Management 2022 Operating Budget and Business Plan

4th October 2021

Overview:

As we stand poised to enter 2022, there still exists a great amount of uncertainty as to what the future will bring. At this time, we have no clear direction as to what course the pandemic will take. There have been times when it seems like we are emerging from its grip, and then the conditions change, and there is again uncertainty as to whether or not there is an end in sight. Currently, we are operating at 50% of true capacity and are eagerly awaiting the green light by the province to move to full capacity. The ability to function at full capacity is a first and critical step in the process of returning to hosting events at their true revenue generating capacity. At its base level, the hosting of every event is simply a math problem. Regardless of whether it is an Oshawa Generals hockey game or a concert, capacity levels impact sales and profitability, and if there is a risk of profitably then the likelihood of an event occurring is reduced or eliminated altogether. When there is reduced or no content, ancillary revenue generating areas such as food and beverage sales, suites, and sponsorships are greatly eroded. This troubling condition has been contemplated in the 2022 budget as it is anticipated that it will take time for events to resume at their normal capacities and frequencies, and as such revenues in many areas will need time to recover.

Currently, even at 50% capacity, we are eagerly anticipating the start to the OHL and Oshawa Generals regular season which will be the first true sign of a return to normal. As we await word on moving to full capacity, unfortunately, all live events which had been confirmed or were holding dates in 2021 have now either cancelled or shifted to 2022. As such, Spectra is recommending an extremely conservative operating budget for 2022. The budget is predicated on an anticipated cautious and slow start to 2022 where events will be small in stature and few in number. It is also anticipated that it will take the majority of 2022 to truly emerge from the pandemic and for the public to feel safe and secure enough to return in large numbers to live events. We do believe that by fall 2022 both content and consumer confidence should have been restored and the road to rebuilding can begin in earnest.

Primary Tenants:

The Oshawa Generals have also experienced great difficulties during the pandemic and have also lost a number of personnel over the 18 months. Of the staff from the 2020/21 season, only 4 key full-time positions remain in place. Critical to the team's success will be the ability for the ticket sales team to restore consumer confidence for the 2021/22 season in the casual fan, and re-building a portion of the season ticket holder fan base who have chosen not to return this season. Also, critical will be the ability for sponsorship and marketing to rebound as this element forms a key revenue stream for both the team and the venue. The hockey team is expected to be competitive this season which could renew fan base excitement and potentially a playoff run. Relationships between Spectra and the team have been supportive and positive as we enter a

season where we have shared similar hardships and challenges and are committed to helping each other move to more promising times ahead.

Facility Maintenance:

A positive outcome of the pandemic has been the ability to have uninterrupted time to focus on repairs and maintenance. The venue has received a significant makeover in the form of painting of walls and concourses, and several mechanical areas such as the emergency generator, refrigeration plant, HVAC units, main roof membrane, and IT infrastructure have had lingering issues addressed. During the shutdown, operational and curtailment measures were put in place to assist in offsetting the loss of revenue generating activity.

As the facility continues to age and is now in its 15th year of operation, the focus shifts clearly to addressing the end of life cycles for key mechanical components such as HVAC units, elevators, and other big-ticket mechanical items.

Capital Investments:

Capital investments are made annually to ensure the facility can continue to reflect its top in class status and mechanically operate effectively and efficiently.

Below are the projects completed via the Capital Plan for 2021:

- Annual \$20,000 contribution to fleet reserve
- Annual payment towards New LED Lights
- Annual payment towards New Sound System
- Annual payment towards Point of Sale System Purchase
- Annual Payment and purchases towards IT, Servers and Telecommunications
- Emergency Generator (brought up to current code)
- Dog Lock installation for score clock winch to enhance longevity and security of winch system
- Redesign and development of TCC website to meet current AODA code
- Replacement of remaining original refrigeration compressor
- Various IT upgrades including main network switches
- Replacement switch for sound room to redundant layer of operation
- Replacement of several POS terminals

Major Capital Investments targeted for 2022:

- Annual \$20,000 contribution to fleet reserve
- Annual payment towards New LED Lights
- Annual payment towards New Sound System
- Repair of Gate 1 courtyard drain system
- Replace outdoor video boards
- Replacement of lighting computer and other IT upgrades

2022 Budget Objectives and Assumptions:

The 2022 Tribute Communities Centre operating budget was again challenging given COVID-19 current conditions and future uncertainty with capacity levels, event projections and returning consumer confidence.

The following assumptions were considered when developing the 2022 operating budget:

- Although at this time the 2021/22 OHL Oshawa Generals season will occur, it is still uncertain where capacities will land as well as what consumer comfort and confidence will be returning to a group environment. As such, Oshawa Generals Hockey games have been budgeted for 34 regular season and two playoff games at 75% capacity which directly impact multiple revenue lines such as rent and ancillaries.
- As suite contracts run September 1st to August 31st annually, suites revenue has been reduced to 50% due to having no live event content scheduled for Q3 and 4 in 2021. Also, additional suite lease vacancies were created during the pandemic which will need time to replenish.
- Sponsorship revenue is reduced by 50% of annual amounts to reflect eroded values due to lower than usual annual venue attendance. Sponsorship contracts are typically tied to number of impressions/advertising exposure as well as product sales volumes. This condition will impact both shared marketing and title sponsorship areas.
- Soft touring schedule for Q1 and 2 of 2022 followed by a reasonable return to activity beginning in fall 2022.
- Durham Central Adult Hockey League and ad hoc ice rentals continuing to operate at near normal capacity.

Executive Summary:

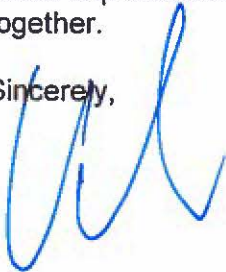
These continue to be trying and certain times and it is challenging to construct a budget with confidence when there continues to be more questions than answers. Many of the questions put forward during the 2021 budget and business plan still exist:

- When will we be in a position to resume events at full capacity and without physical distancing restrictions?
- How long will it take for the entertainment world to bounce back to its normal levels.
- How will the pandemic affect consumer confidence and when will people be comfortable returning to large gathering events again?
- For those returning to events, how will the pandemic impact consumer spending in relation to ancillary spending on food and beverage and/or merchandising while attending events?
- How long will it take to rebuild areas such as suites and sponsorships to the levels that existed pre-pandemic?

Given the current landscape, Spectra believes it would be prudent to budget for 2022 with an abundance of caution and a conservative approach. There are a number of positives that can be taken away from 2021 and into 2022. As mentioned, the pandemic hiatus has provided time to significantly invest into R & M and despite entering its 15th year of operation the venue has never looked better. It is also hoped that the constraints of the pandemic and the absence of sports and entertainment should also fuel a burning desire to return to these events when it is safe to do so to be with friends again and enjoy life.

Like many employers, we have also undergone a dramatic change in personnel as a result of the pandemic which has resulted in replacing seven full time members of our team. Change should never be feared but embraced and I am fully confident that our new team members will bring new energy and prospective to our team, which should strengthen our ability to rebound as quickly as possible. I want to thank the City for its continued support as we navigate through these unprecedented times and my team and I look forward to rebuilding and recovering together.

Sincerely,



Vince Vella
General Manager

**TRIBUTE COMMUNITIES CENTRE
BUDGET SUMMARY
FY2022**

	FY2019 ACTUAL	FY2020 ACTUAL	FY2021 BUDGET	FY2021 FORECAST	FY2022 BUDGET
RENTAL INCOME					
# of EVENTS	105	28	38	33	87
DIRECT EVENT INCOME	736,737	218,584	239,200	184,600	618,800
FACILITY AND CONVENIENCE FEES	494,688	65,323	108,200	108,200	274,000
ANCILLIARY INCOME					
CONCESSIONS	752,886	230,780	216,700	216,000	496,500
SUITES CATERING	167,148	46,044	46,500	46,500	95,900
RESTAURANT	269,930	54,940	60,000	53,000	171,000
NOVELTIES	43,720	4,393	8,600	8,600	28,400
EVENT OPERATING INCOME	2,465,109	620,064	679,200	616,900	1,684,600
Suite Revenue	446,332	361,152	157,750	157,750	316,100
Interest, Dividends & Miscellaneous	62,865	50,198	50,800	50,800	45,500
Ice & Room Rentals	906,690	685,068	1,373,000	926,000	1,471,200
Advertising (Net of Expenses)	270,735	130,134	130,000	130,000	214,000
Naming Rights	202,000	202,000	202,000	202,000	202,000
Exclusivity Rights	50,000	32,500	11,250	11,250	33,500
F&B Sales (Net of Cost of Goods Sold)	33,032	(123,650)	10,900	10,900	25,700
ATM Surcharge Revenue	4,792	2,055	1,200	1,200	1,200
Spectra Fulfillment Revenue	5,590	764	1,400	1,400	1,400
Ticket Order Charges	100,625	6,518	25,100	25,100	38,000
TOTAL OTHER INCOME	2,082,660	1,346,739	1,963,400	1,516,400	2,348,600
TOTAL INCOME (EVENT & OTHER)	4,547,769	1,966,803	2,642,600	2,133,300	4,033,200
INDIRECT EXPENSES					
Executive & Admin	247,475	258,792	243,100	227,000	299,400
Finance	292,241	278,710	263,300	215,000	302,800
Marketing & Sales	258,636	252,113	219,500	195,415	283,300
Events & Ice Programming	260,550	101,689	195,400	159,800	542,800
Operations	1,996,737	1,891,771	2,084,100	1,798,900	1,866,400
Food & Beverage	619,643	430,069	356,100	338,185	695,500
Box Office	248,900	203,512	178,200	168,800	246,000
Overhead	786,816	478,662	533,900	531,200	585,600
TOTAL INDIRECT EXPENSES	4,710,999	3,895,318	4,073,600	3,634,300	4,821,800
NET OPERATING INCOME (LOSS)	(163,230)	(1,928,516)	(1,431,000)	(1,501,000)	(788,600)

**2022
City of Oshawa
Operating Budget by Branch**

Branch: Tribute Communities Centre

	2021 Projected Actuals	2021 Approved Budget	2022 Base Budget	Service Level/ Additional Pressures	Volume/Price Reallocation PY Actuals	Efficiencies	One-Time Adjustment	2022 Proposed Budget	2022 - 2021 Variance \$s	2022 - 2021 Variance %
Tribute Communities Centre										
118 Tribute Communities Centre	1,531,000	1,431,000	1,431,000		(642,400)			788,600	(642,400)	(44.9)
Total Tribute Communities Centre	1,531,000	1,431,000	1,431,000		(642,400)			788,600	(642,400)	(44.9)