

Spectra Venue Management 2018 Operating Budget and Business Plan

30th September 2017

Overview:

The following is the Executive Summary for the Tribute Communities Centre. In 2016, Spectra Venue Management at the Tribute Communities Centre continued to achieve positive outcomes to budget by completing the year with an operating outcome of \$238,400 positive variance to budget. This outcome was achieved through a combination of strong live event and ancillary generated revenues bolstered by revenues from Other Income areas such as Suites. Over the past several budgets submissions, two key elements have continually been highlighted as cornerstones necessary to assist the facility in achieving financial success. In 2017, both these assets, Naming Rights and Shared Marketing; were renegotiated with successful outcomes resulting in much improved agreements significantly enhancing facility revenue streams in these two areas. The 2018 Operating Budget will reflect the full impact of the enhanced Shared Marketing and Naming Rights revenues as well as a fiscally responsible live event and expense forecast.

Primary Tenants:

The Oshawa Generals suffered a downturn in attendance during the 2016/2017 season despite having greater success on the ice that provided a playoff run into round two before losing to Mississauga in 5 games. Regular season attendance was down (163) paid patrons per game and (226) in scanned attendance per game resulting in a loss of approximately \$99,000 in revenues. As the team continues to rebuild, they should once again be competitive for the 2017/2018 season; ownership and management expects the team to advance into the second or third round of the playoffs. Home game scheduling, however; is a concern for this season as the league has assigned the team three Wednesdays (one more than last season), one Thursday (none last season), 2 Mondays (one last season), 2 less Sundays, and more importantly 1 less Friday which historically has been our strongest game days. These scheduling modifications create the potential risk of reduced ticket revenue, food and beverage sales and other ancillary income. Relations with the Team continue to be positive. The new score clock has significantly enhanced game production value and now with a year of experience and several bugs worked out of the system, the Gens game operations crew should confidently operate the system and enjoy a season of applying the full capabilities of the graphics and video possibilities provided by the unit.

Facility Maintenance:

There were a number of items which significantly negatively impacted operations this season and were either addressed through capital or absorbed into repairs and maintenance. As the venue ages, more frequent mechanical failures are expected. During 2017, a number of unbudgeted mechanical failures occurred resulting in pushing current operational repairs and maintenance lines above budgeted targets.

Capital projects this summer included replacement of all sport flooring through out the venue and removal and replacement of the south parking lot. For 2017, \$464,396 in capital was committed and allocated to the following:

- \$20,000 Contribution to fleet reserve
- \$100,000 Contribution to the parking lot project
- \$7,000 AudioFlex unit for sound control
- \$37,600 Replace compressor in ice plant
- \$13,295 Replace compressor motor in ice plant
- \$93,000 Final payment on ByPass POS system
- \$185,000 New Sport Flooring
- \$5,700 Convection oven for restaurant
- \$3,800 Back Bar Refrigerator for Prospect's Bar and Grill

For 2018, it is projected that \$400,000 in capital will be required for the proposed projects:

- Replacement of the outdoor video boards - \$48,500
- Repair of Entrance/Exit Hand Rails - \$8,000
- Replacement of 1 Ice Resurfacer - \$41,000 (\$60,000 of fleet contributions have been accumulated in the TCC Capital reserve)
- Relocation of the ammonia exhaust - \$15,000
- Partial replacement of existing event deck - \$35,000
- Replacement of the end zone safety netting (main rink) – \$7,000
- Replacement of tempered glass to meet current NHL standard and OHL standard mandated for 2020. - \$90,000 (cost of which will be offset by event revenue generation from this game)
- Replacement of 4 burner stove for main kitchen - \$3,000
- Replacement of 2 deep fryers in main kitchen - \$2,300
- Replacement of heat lamps for main kitchen - \$1,200
- Replacement of 2 door stand up fridge/freezer in concession stands 1, 2, 3, 4 & 5 and Prospect's - \$24,413
- Replacement of sandwich prep tables in concession stand 5 - \$3,000
- Replacement of Steamer in Concession 5 - \$6,341
- IT Enhancements - \$35,000
- Contribution to Red Tilson Lane parking lot - \$60,000
- Annual contribution to fleet reserve - \$20,000

2018 Budget Objectives and Assumptions:

The 2018 Tribute Communities Centre operating budget was developed with the following objectives and under the following assumptions:

- Full realization of new Shared Marketing and Naming Rights amounts totaling \$510,000
- Inclusion of projected revenues for a return engagement of Cirque du Soleil and the addition of an NHL Exhibition game scheduled for the fall
- Inclusion of the Skate Canada National Synchronized Skating Championships in February

- Arena Lacrosse was removed from the event calendar as they are in the process of relocating to a smaller facility; possibly Children's Arena
- Due to current 2017/2018 front-loaded home schedule - one less budgeted regular season Oshawa Generals hockey game to start the 2018/2019 season. Per game attendance budgeted to remain consistent with 2017 levels
- Reasonable live event mix based on current confirmed events, holds and assumptions
- Suites continuing to remain at capacity with utilization of current waiting list if necessary
- Increase in cost of goods to reflect the impact of minimum wage increases which is estimated at \$118,000 for 2018
- Increase in operational budget lines of \$85,000 primarily in utilities, and HVAC and refrigeration maintenance
- Increase of Moneris credit card charges due to current customer spending trends and reflect actual expense level
- Increase in ice sales by \$26,700 to reflect usage levels and increase in rates
- Addition of \$20,000 ice rental expense to relocate user groups and DCAHL league to Legends for the month of June to accommodate heavy event schedule which includes UOIT and Durham College convocations, Watch Tower, Maxwell Heights graduation, and Cirque du Soleil

Executive Summary:

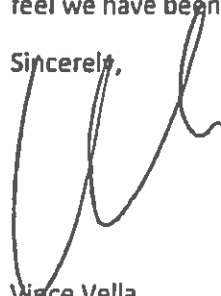
With the renegotiations of both the Shared Marketing and Naming Rights assets, this facility has truly turned a financial corner. Under the assumption that, as an established and respected sports and entertainment facility who has earned the trust of the entertainment community, we receive a reasonably consistent number of diverse live events, experience typical mechanical wear and tear occurrences, and experience somewhat consistent attendance levels and on ice performance from the Oshawa Generals; this facility can now operate towards cost neutrality.

Operational staff continue to excel in maintaining the facility and the City's commitment to invest in capital infrastructure projects compliments the day to day building operations. These actions will ensure the City's investment is protected and both the primary tenant and our guests have a first-class facility to call home and enjoy. The replacement of the south lot and the sport flooring has significantly enhanced the level of finishes and addressed previous safety issues caused by these two items. We are also fortunate to have benefited from great partnerships with Tribute Communities, Labatt's, Pizza Pizza and Coca Cola who have also contributed monetarily to upgrades or renovations to areas such as Fan Services, Prospect's Bar and Grill, Concession Stand 4 and the south suites bar.

We are also fortunate to have the unbelievable support of the numerous and highly talented members of City staff which our Spectra team have the pleasure to work along side of on a regular basis. Without

this unwavering support, I am confident that we would not enjoy the level of success we continue to achieve. Lastly, I wanted to express my sincere gratitude to Mayor Henry and Council for your leadership and support which has also been instrumental in allowing us to work towards and achieve our goals. Spectra's credo is that *"We Transform Events into Experiences"* and through a combined team effort, I feel we have been able to deliver.

Sincerely,

A handwritten signature in black ink, appearing to read 'Vince Vella', written over the word 'Sincerely,'.

Vince Vella
General Manager

**TRIBUTE COMMUNITIES CENTRE
BUDGET SUMMARY
FY2018**

	FY2016 ACTUAL	FY2017 BUDGET	FY2017 FORECAST	FY2018 BUDGET
RENTAL INCOME				
# of EVENTS	97	78	96	98
DIRECT EVENT INCOME	699,431	771,100	770,000	828,700
FACILITY AND CONVENIENCE FEES	367,003	218,800	231,000	334,900
ANCILLIARY INCOME				
CONCESSIONS	621,009	585,200	600,000	640,600
RESTAURANT	177,963	202,800	202,800	211,700
SUITES CATERING	165,173	167,800	167,800	166,000
NOVELTIES	47,990	61,500	61,500	62,600
EVENT OPERATING INCOME	2,078,569	2,007,200	2,033,100	2,244,500
Suite Revenue	504,974	404,400	400,000	453,600
Interest, Dividends & Miscellaneous	46,449	107,000	100,000	57,000
Ice & Room Rentals	920,588	897,000	906,000	923,700
Advertising (Net of Expenses)	193,671	195,500	200,000	265,500
Naming Rights	80,001	80,000	90,000	250,000
Exclusivity Rights	45,000	45,000	45,000	45,000
F&B Sales (Net of Cost of Goods Sold)	94,546	78,700	110,000	87,600
ATM Surcharge Revenue	7,484	6,000	6,000	6,000
Spectra Fulfillment Revenue	68,835	31,000	31,000	25,000
Ticket Order Charges	70,969	39,900	39,000	39,900
TOTAL OTHER INCOME	2,032,517	1,884,500	1,927,000	2,153,300
TOTAL INCOME (EVENT & OTHER)	4,111,086	3,891,700	3,960,100	4,397,800
INDIRECT EXPENSES				
Executive & Admin	203,970	248,000	243,450	260,500
Marketing & Sales	188,205	227,900	228,100	265,800
Finance	260,258	272,900	270,000	281,100
Box Office	242,822	254,800	255,430	256,900
Operations & Event Services	1,856,621	1,771,500	1,856,370	1,858,000
Food & Beverage	578,732	570,400	576,880	663,800
Ice Rentals / Leagues	262,289	290,800	281,515	312,200
Overhead	677,550	654,800	646,840	662,600
TOTAL INDIRECT EXPENSES	4,270,447	4,291,100	4,358,585	4,560,900
INCOME (LOSS) FROM OPERATIONS	(159,361)	(399,400)	(398,485)	(163,100)
EXTRAORDINARY ITEMS	83,216	30,000	15,000	0
NET OPERATING INCOME (LOSS)	(242,577)	(429,400)	(413,485)	(163,100)