

2012 Operating Budget

Request for Approval

Hamilton Entertainment and
Convention Facilities Inc.



COPPS COLISEUM · HAMILTON CONVENTION CENTRE · HAMILTON PLACE · THE MOLSON CANADIAN STUDIO

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Agenda (20 Minutes)

- Areas of focus
- Budget commitment for 2012
 - Budget Landscape
 - Enablers
 - Budget summary
- Performance Trends
- Looking Forward
- Q&A

2011/12 areas of focus within our mandate

“The purpose of HECFI is to generate economic and tourism activity in the City while providing community benefits through the management of its facilities.

....may engage in any of the following activities:

- a. Maintain, operate, manage and promote the City’s assets within its mandate, including Hamilton Convention Centre, Hamilton Place, and the Copps Coliseum;
- b. Engage in partnerships to leverage key market opportunities for the City; and,
- c. Seek to reach financial self-sustainability”

2012 Budget Commitment

We will achieve a Zero increase in Municipal Contribution:

- 2009 contribution level + 'services' transfer from the City:

\$2.8M operating contribution

+ .45M (IT, Legal, HR, etc. City allocation)

= **\$3.25M Municipal Contribution**

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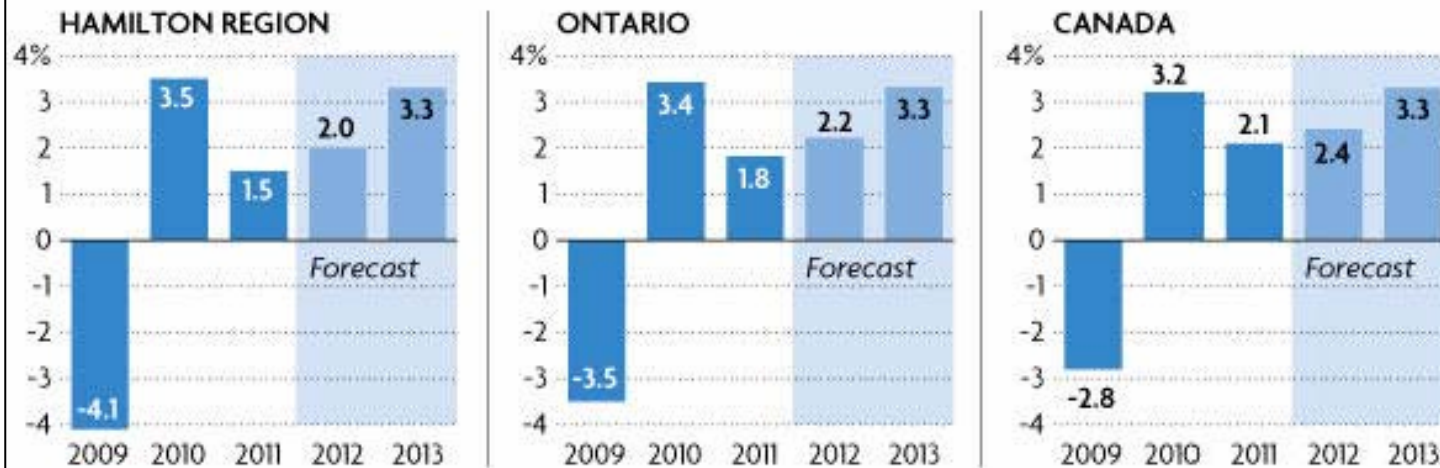
2012 HECFI Budget Landscape

- 2012 relatively flat revenues vs. 2011; positive trajectory forecasted in 2013 and beyond
- Cost containment in place, discretionary expenses minimized, and monitoring tools more refined = bottom line improvement
- Several City announcements in 2011 give cause for optimism in consumer confidence and spending as the year progresses
- RFP discussions and impacts on revenues are unknown

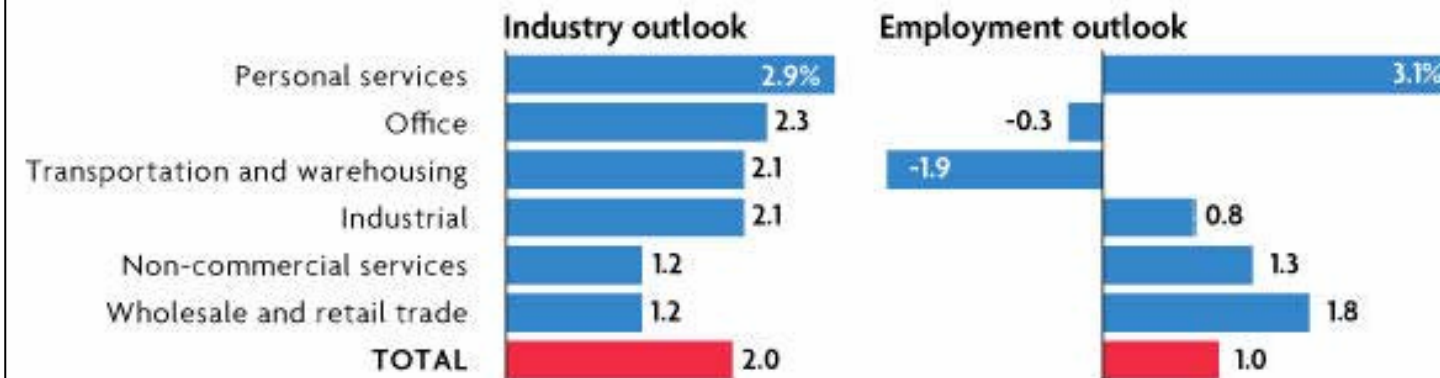
Modest expectations

The latest issue of the Conference Board of Canada's Metropolitan Outlook study calls for moderate growth of 2 per cent in the Hamilton region's economy this year. The study area includes Burlington and Grimsby.

GDP GROWTH: Percentage annual real GDP growth, 2009-2013



HOW HAMILTON REGION INDUSTRIES ARE EXPECTED TO PERFORM: Forecast 2012 annual growth rate



Source: Conference Board of Canada

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2012 Budget Enablers

Theme: Continuous Improvement - Key Changes made in 2011 will increase their positive impact in 2012 :

1. FT non-union salaries reduced from a net reduction in staff of 12;
 - by \$761K (18%) *including* Bulldogs staff,
 - by \$559K (13.6%) *excluding* Bulldogs staff
2. No COLA or merit increases in 2012 to FT non-union personnel
3. Bulldogs contract is now a Lease versus Management agreement – significant savings (i.e. \$338K over 2011)
4. Hamilton Convention Centre margin – 2011 is up by 6.4% points over 2010, and will grow by another 2.8% points more in 2012
 - Client Satisfaction has grown to 90% very good or excellent in same period & 100% said they would recommend us
5. Tighter risk management procedures are in place on all deals

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City Investment in HECFI Venues

1. The budget request is specific to the annual operating support from the Municipal Contribution
2. The related annual Return on Investment is estimated as:
 - Economic stimulation to hotels, restaurants, retail etc. = \$190 M
 - City Parking revenues = \$1+ M
 - Against an estimated cost per household of \$14 annually
 - Based on approximately 1.2 M visitors attending events HECFI events
3. The following slide also captures the utilities and capital costs to reflect the total investment in the Venues as reported in the KPMG Phase 1 review

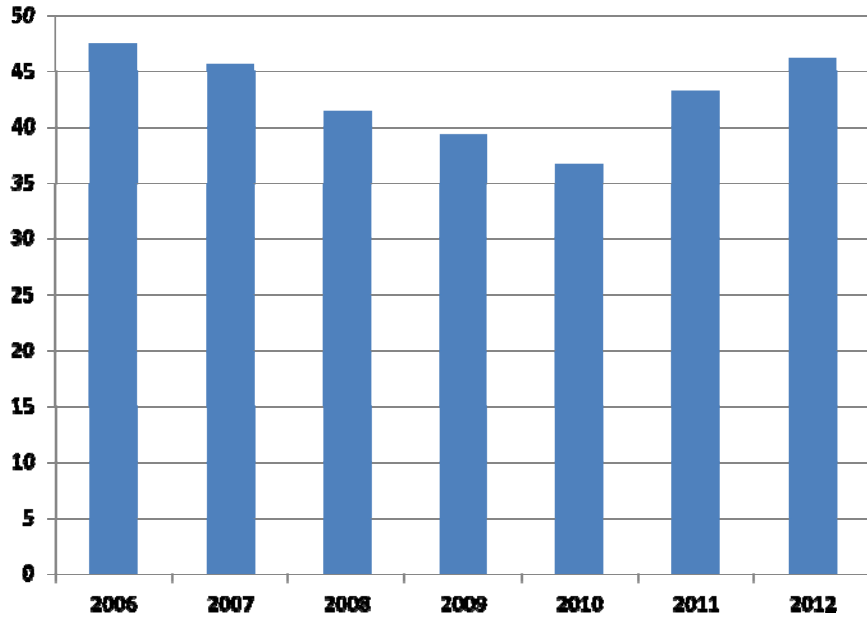
City Investment in HECFI Venues

Year ended December 31 (\$000's)	2006	2007	2008	2009	2010	2011 Budget	2012 Budget
Operating							
<i>Recorded in financial statements</i>							
Municipal contribution	2,784	2,867	2,936	2,790	2,790	3,247	3,247
Budget deficit (surplus)	(38)	(64)	(34)	293	2,008	----	0
Special Events Subsidy	100	165	100	100	100	100	0
<i>Bulldogs</i>	<i>214</i>	<i>214</i>	<i>220</i>	<i>220</i>	<i>220</i>	<i>220</i>	<i>220</i>
	3,060	3,182	3,222	3,403	5,118	3,567	3,467
Not Recorded financial statements							
City Provided Utilities and Overheads	2,470	2,430	2,240	2,260	2,311	2,623	2,530
Other city administrative costs	400	400	400	400	400	0	0
	2,870	2,830	2,640	2,660	2,711	2,623	2,530
Total Operating Investment	5,930	6,012	5,862	6,063	7,829	6,190	5,997
Capital							
Capital Exp – building (HECFI)	800	800	800	800	800	800	800
Capital Exp – mechanical (CUP)	64	0	0	* 3,850	**2648	265	932
	864	800	800	*4,650	**3,448	1,065	1,732
Total City Investment	6,730	6,812	6,662	*10,713	**11,277	7,255	7,729

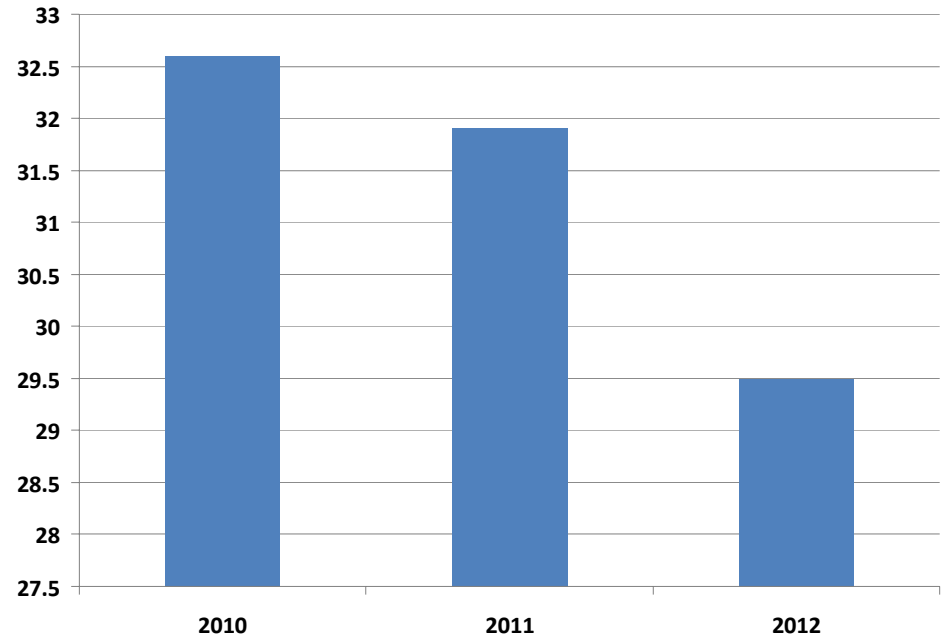
*\$3.5M Chiller
replacement

**\$1.2M Ice
Plant renewal
budget

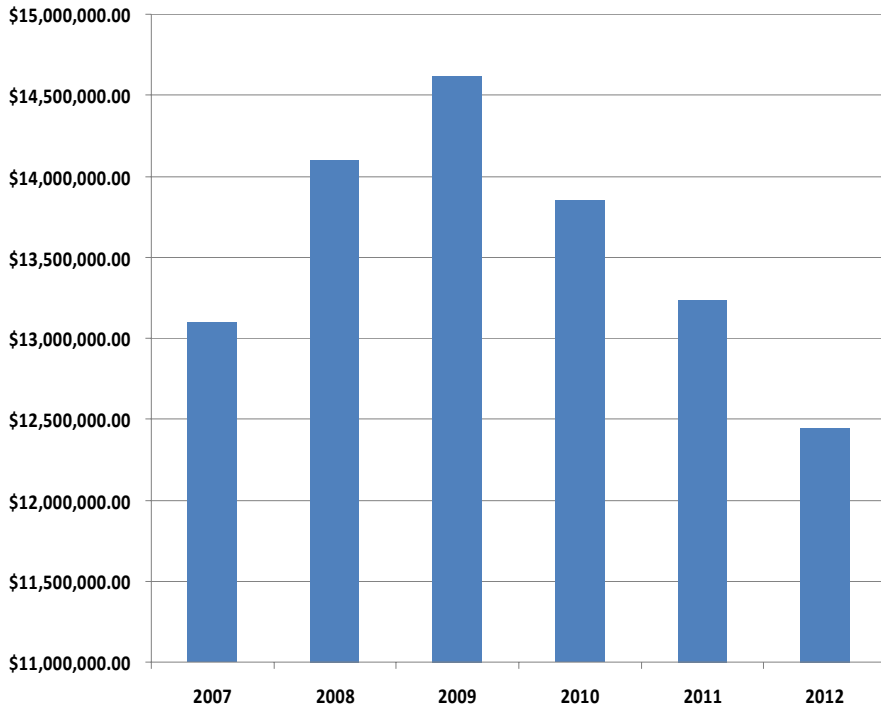
Convention Centre Gross Margin Percentage



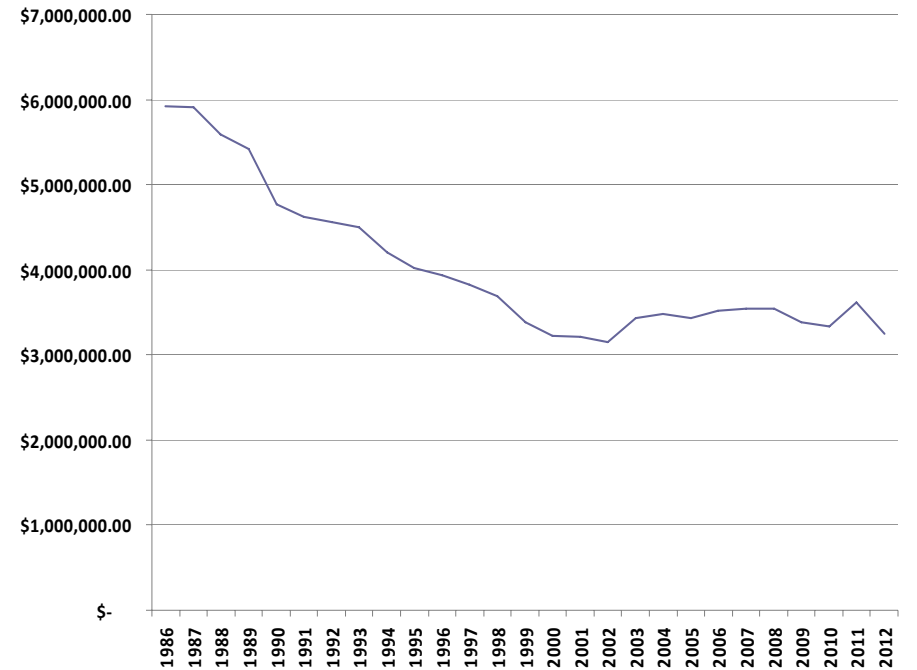
Staffing Costs As A Percentage of Revenue And Ticket Sales



Total Adjusted Expenses



Adjusted Municipal Contribution



2011 Estimated Year End

Operating results:

(\$338 K) Bulldogs Management contract
+ (\$200 K) net revenue-exp. in Entertainment & Convention Centre

= (\$538 K) total vs. (\$2 M) in 2010

One time restructuring costs:

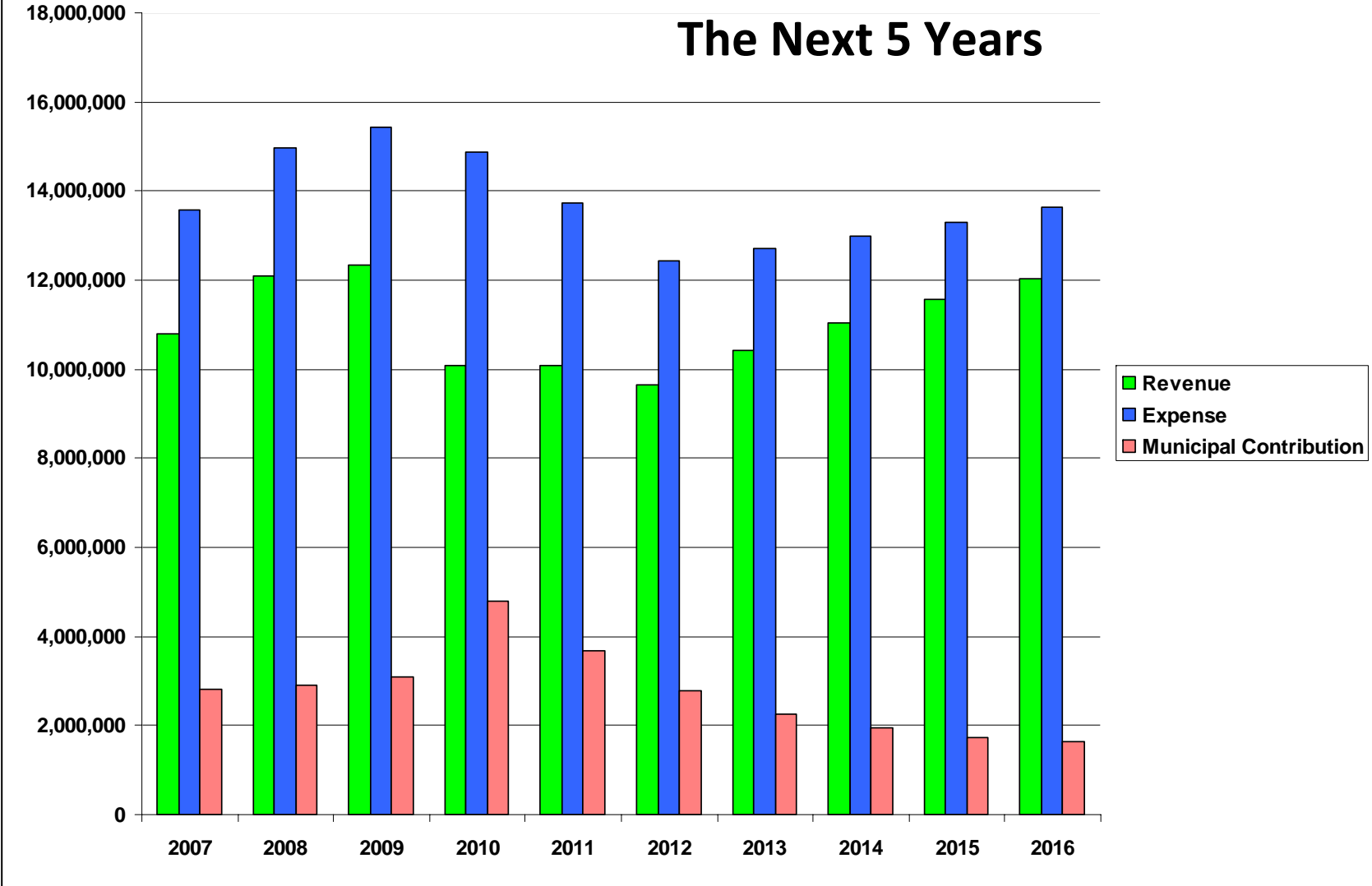
(\$462 K) unbudgeted

Total = (\$1M) – covered from Capital reserve (previously approved by Council) therefore no negative impact on taxpayers

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Revenue, Expense, Municipal Contribution Comparison 2007-2016



2012 Business Plan

Theme:

Managing Efficiently AND Effectively in Turbulent Times –
excelling at all things we can control

Areas of Focus:

1. Client Satisfaction
2. Team Motivation
3. Hitting Revenue and Expense Budgets

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