



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

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TO: Vancouver City Council

FROM: Interim Board of Directors of the Pacific National Exhibition

SUBJECT: Pacific National Exhibition 2004 Yearend Review and 2005 Operating and Capital Budgets

RECOMMENDATION

THAT Council receive the report for information.

CITY MANAGER'S COMMENTS

The Pacific National Exhibition (PNE) completed its first year under the ownership of the City of Vancouver in 2004. During the year, the PNE developed closer ties to the community with the implementation of an Interim Public Advisory Committee, participation in the Hastings Park visioning process and other initiatives related to the operation of the Fair and the park.

The PNE is in a period of transition, as issues related to the future development of the park, preparation as a venue for the 2010 Olympics, the evolution of the Fair and the governance of the PNE will be considered and decided in the coming years. Throughout this time, the PNE will continue to contribute to the social landscape of Vancouver, providing opportunities for entertainment, community events, city festivals and support to the arts and diversity of Vancouver, all within the setting of a developing urban park.

In 2004 the Fair, Playland and year round activities generated sufficient revenue to fully cover the cost of the overhead, administration, park development and site maintenance, as well as support the on site capital program. The budget for 2005 anticipates that the same will be true in 2005.

COUNCIL POLICY

There is no applicable Council Policy.

SUMMARY

The Fair at the PNE had a challenging year in 2004, facing rain on 13 of the 17 days of the Fair. Playland on the other hand had a very successful year, in part due to the strategic replacement of two older rides. The site also experienced exceptional usage for Year Round Events, including concerts, filming activity, hockey, festivals and religious events. Public access to the site was improved with the removal of several fences and the opening of restroom facilities to support year round use of the park.

From a financial perspective, the PNE was self-sustaining as the operations provided net revenue of \$589,000 for 2004. This was below the budgeted projection as result of reduced attendance at the Fair caused by the inclement weather. This resulted in significantly lower net revenue for the Fair than was projected. However, better than anticipated results in other activity streams helped offset the shortfall in net revenue from the Fair.

Several new programming initiatives are planned for the Fair in 2005, including a special opening day celebration, twice daily on-site parades, new shows and expanded use of Miller Drive. Playland will again benefit from the replacement of an additional two rides. Along with other year round events, the PNE will host several games for the 2006 World Junior Hockey Championships. Garden maintenance is being bolstered with the addition of \$125,000 to labour budget for this activity.

The 2005 operating budget for the PNE is anticipating net revenue of \$1,078,000, compared to the actual net revenue of \$589,000 in 2004. The projected increase (83%) will be achieved with increased attendance, more in line with historical averages, expected at the Fair. This increase will be partially offset by lower anticipated revenues related to Year Round Events and increased expenditures for site maintenance.

PURPOSE

The purpose of this report is to present to Council information on the operating results of the PNE for the year 2004 and information on the operating plans for 2005.

BACKGROUND

On January 1, 2004, ownership of the PNE was transferred to the City of Vancouver after decades of operating as a Provincial Crown Corporation. An Interim Board of Directors, consisting of the Deputy City Manager and the General Managers of Corporate Services, Park Board and Human Resource Services was appointed by Council. The Board of Directors has the authority to enact bylaws for the regulation and management of the PNE, including approval of annual operating plans and budgets.

The PNE operates in Hastings Park, which is the largest park site on the Vancouver Eastside. In recognition of the importance of both Hastings Park and the PNE to the City of Vancouver, an extensive public consultation process was undertaken in 2004 to help guide the future development of the park including the operation of the PNE. Results of the Hastings Park visioning process and the public consultations confirmed an ongoing role for the PNE at Hastings Park. The Hastings Park Implementation Plan has been reported previously and work continues on plans to realize the recommendations of that process.

DISCUSSION

1. 2004 Annual Review

Operations

The PNE has five distinct activity streams, each contributing to the viability of the organization and operation of Hastings Park. They are:

1. Overhead and Administration
2. The Fair
3. Playland and Fright Nights
4. Year Round Events, and
5. Park Operations and Site Maintenance.

Overhead and Administration

Administration refers to those activities that are not directly related to other activity streams. This includes the office of the President, financial services, overhead, human resource services, public safety and parking and some maintenance activities.

In total, the PNE employs over 3,600 staff consisting of 2,500 Fairtime, 300 Playland, 600 part-time, 150 full-time and 60 exempt employees. More than 50% of the employees who work at the PNE live in the City of Vancouver. The PNE is also the largest employer of youth in the Province with more than 2,600 youth employees.

The PNE was also a sponsor of the *Hastings Little League World Series*, held at the Hastings Diamond across from the Playland site. In addition to involvement in local sporting events, the PNE commemorated the 50th anniversary of the 1954 Miracle Mile by establishing the Miracle Mile Bursary Fund to provide scholarship dollars for amateur athletes in British Columbia.

The Fair at the PNE

In all, 767,481 visitors enjoyed the seventeen day Fair at the PNE in 2004. The 2004 Fair will be recorded as having the worst weather in the organization's 94-year history. In total, rain fell on 13 out of the 17 Fair days, with an average daily temperature of 16 degrees Celsius.

The promotional campaign, *Rediscover the Fair*, which involved sending one ticket to every household in the City of Vancouver to invite residents to experience the Fair, was very successful as it saw a more than 12% redemption rate. As well, elementary schools around the province received more than 440,000 report card tickets from the PNE. This program, which dates back many decades, is one of the PNE's most recognizable undertakings.

The PNE celebrated several milestones during the 2004 Fair. Opening day of the Fair marked 90 years of 4-H in British Columbia; Rock'n Roll was celebrated with a tribute concert that commemorated the 40th anniversary of the Beatles playing at the PNE; and the 2004 Fair also marked the 65th consecutive year of Dal Richards playing at the PNE.

New programming to the Fair in 2004 included *City Rhythm - A Vancouver Celebration*, *Urban Metal Derby*, and the *Urban Change Pavilion* featuring the Sustainable Condo Project. The PNE also retired two shows in 2004, *Equestriana* and *Cirque Pop*, after a two-year and a

three-year run respectively. In addition, there were hundreds of free shows and attractions including traditional favourites like the PNE Prize Home, Superdogs, Music on the Bandstand and the night time finale of *Bring on the Night*.

2004 marked a year of increased focus on charities with events that helped raise money for *Variety - the Children's Charity*, *Cops for Cancer*, *Raise a Reader*, and *Youth in Agriculture*. In addition to the money raised, the charities gained exposure to more than three quarters of a million people for their initiatives.

The *Fairchild Chinese Day* event was once again held at the Fair, attracting many guests from the Chinese community. The *Festival Square Community Stage*, featuring six different multicultural shows each day, was expanded to more than 100 groups and 3,000 community participants. In addition to the diverse entertainment, the PNE offered a wide selection of foods from around the world and a shopping marketplace with vendors from across Canada, the United States, Africa, Peru and Asia.

Playland and Fright Nights

Playland runs from April to September and Fright Nights occur in October. During the year, two older attractions were replaced with two new attractions; the *Crazy Beach Party* and the themed *Kettle Creek Mine Coaster*. The children's *Pirate Adventure* - soft play area was also installed.

2004 marked the 32nd year of the *Orphan's Fund Picnic* at Playland where more than 3,000 children experienced all that Playland has to offer. The *Kids Up Front Charity* launched their BC campaign at Playland this year as well. *Kids Up Front* aims to provide disadvantaged children and families with unused tickets to events throughout the Province.

The *Science of Fun* and *Science of Physics Days* in Playland have a 16-year history and 2004 marked a special milestone as the program became part of an international study by the Department of Curriculum Studies at the University of British Columbia and Iwate University in Japan.

Year Round Events

The PNE had another exceptional year with an estimated 1,800 plus event days for 2004, up from 1652 in 2003. Year round events include filming and concerts, such as Shania Twain, Hillary Duff, George Strait, Sum 41, Good Charlotte and three Indo-Canadian concerts in 2004, attracting more than 21,000 people in total. The Vancouver Giants hockey team had a successful year at the Pacific Coliseum, reaching the second round of the playoffs in the 2003 / 2004 season.

The site is also used for several larger community, cultural and religious events.

CityFest, a free festival celebrating Vancouver's colourful cultural mosaic, was held at Hastings Park for the first time in 2004. The PNE team worked with the CityFest organizers, providing expertise and guidance for the event. The successful event had an estimated 8,000 attendees.

The Canada Day at Hastings Park Celebration was held for the third time in 2004. This event is presented with the support of several local community associations, was attended by over

4,000 people. To help support this event, the PNE has continued to provide subsidies in excess of \$10,000.

CirKids is a circus school that serves more than 300 children and is a permanent year round tenant in the Garden Auditorium (excluding Fair time). As a community initiative, the PNE continues to subsidize the CirKids program, charging the school for only the costs to operate the building.

Another community initiative sees the PNE supporting community programming in the Agrodome providing an ice surface for local hockey and skating associations.

Hastings Park is the site of a number of year-round community celebrations and events including the Chinese Federation of Commerce of Canada New Year's Festival held at the Pacific Coliseum in late January. As the largest event of its kind in BC, the festival attracts more than 30,000 people over 5 days.

Two special events involving the Dalai Lama and Bishop Desmond Tutu saw these two individuals speak at two separate events throughout one day at the Pacific Coliseum and drew more than 27,000 people. Ismaili Festivals, an Aga Khan religious celebration, are also held on site. Yearly the Ismaili Council of BC holds three special calendar events totalling an attendance of approximately 18,000 people.

Park Operations and Site Maintenance

The PNE has undertaken several initiatives to facilitate public access to Hastings Park. The permanent fencing along Hastings Street, between Playland and Renfrew Street was removed, as was fencing along the entrance pathway to the park at the corner of Renfrew and Hastings Streets. In addition, ticket booths located at the entrance area were moved to allow greater access to the park. To help support increased public usage of the site, the PNE retrofitted the restrooms at the northeast end of the Sanctuary and opened them to the public on a year round basis beginning July 1, 2004.

The PNE is responsible for the ongoing care of the site, excluding the traditional boundaries of the Hastings Race Course, as well as Empire Field, which is now under the care of the Vancouver Park Board. The PNE maintains all buildings on site as well as the general grounds, including the Sanctuary, Momiji Gardens and Italian Gardens. In addition, the PNE maintains the skateboard park, basketball courts and multi-purpose sport court.

To maintain and care for the site, buildings and park activity areas, the PNE works in consultation with a variety of groups, including the Vancouver Park Board, Hastings Park Conservancy, as well as groups from the Japanese and Italian communities, to receive input about the care of all areas of the park.

Financial

In general terms, the net revenues from the Fair, Playland and Year Round Events are used to support the administration and park operations, including site maintenance. Any excess revenues are then available to assist with the funding of capital expenditures on the site.

The overall financial results of the PNE for 2004 are summarized below.

Table 1 - Consolidated Financial Results

	2004 Budget	2004 Actual	Variance	
	(\$000's)	(\$000's)	(\$000's)	
Revenues	36,372	35,532	(840)	(2.3%)
Direct Expenses	20,910	21,022	(112)	(0.5%)
GROSS CONTRIBUTION	15,462	14,510	(952)	(6.2%)
Gross Contribution %	42.5%	40.8%		(1.7%)
Maintenance	5,153	4,614	539	10.5%
General & Administration	9,349	9,307	42	0.4%
Total Operating Expenses	14,502	13,921	581	4.0%
NET REVENUE	960	589	(371)	(38.7%)
Net Revenue %	2.6%	1.7%		(1.0%)

The most significant challenge for the PNE during 2004 was the inclement weather during the Fair at the PNE. With rain on 13 out of the 17 days of the Fair, attendance was down by approximately 15% from 2003. While steps were taken to mitigate the impact of the lower attendance, many costs in presenting the Fair are essentially fixed once the event commences. The lower than projected revenue had a negative impact on the gross contribution percentage and ultimately the net revenue percentage. Better than expected performance in the other activity streams helped offset the shortfall in net revenue from the Fair.

The following table shows the actual net revenue of the individual lines of business for 2004 compared to the budgeted net revenue for 2004.

Table 2 - Net Revenue (Loss) of Activity Streams

	2004 Budget	2004 Actual	Variance	Variance
	(\$000's)	(\$000's)	(\$000's)	%
Overhead and Administration	(8,237)	(7,997)	240	2.9%
The Fair at the PNE	7,436	4,704	(2,732)	(36.7%)
Playland and Fright Nights	2,545	3,193	648	25.4%
Year Round Events **	(784)	689	1,473	187.9%
Total	960	589	(371)	(38.6%)

** includes Park Operations and Site Maintenance in 2004

While the Fair had a lower than budgeted net revenue, Playland and the Year Round Events performed better than budget. Playland benefited from increased attendance, while Year Round Events included a higher than expected number of concerts and increased attendance at the Vancouver Giants' Hockey games.

Overhead and Administration

An unexpected GST refund and savings in administration expenses contributed to a favourable variance of \$240,000 in this area.

The Fair at the PNE

In all, 767,481 visitors enjoyed the seventeen day Fair at the PNE in 2004 marking a decrease of 15% from the 2003 Fair, which saw sixteen days of sunshine.

The decrease in attendance in 2004 translated to an overall total revenue of \$18 million, which represents a shortfall compared to budget of \$3.8 million. Faced with the weather challenges and decreased attendance, the PNE executed mitigating actions early in the Fair reducing expenses by \$1.1 million compared to the budgeted expenses. Overall, the Fair generated net revenue of \$4.7 million.

While some expenses, such as the food costs and some staffing costs, can be reduced on a discretionary basis during downturns in Fair attendance, many other expenses cannot be reduced. These would include a basic level of staff, entertainment costs and equipment rentals. The result of this was that the net profit percentage was only 26% compared to a budgeted 34%.

Playland and Fright Nights

The new attractions mentioned above contributed to increased revenues and ultimately net revenue that was \$648,000 ahead of budget.

Playland's attendance finished 10.4% greater than expectations, resulting in net revenue being \$504,000 ahead of budget. Due to inclement weather on the first two weekends of the event, *Fright Nights* had an attendance of 40,517, a decrease of 3,224 people from 2003. However, an increase in the gate price (from \$15 to \$20) helped the event finish 115% or \$144,000 ahead of the budgeted net revenue.

Year Round Events

The rising Canadian dollar affects events on the site in different ways. There was a negative impact on filming activity, but a positive impact on concerts. The increased number of concerts had a significant impact on improving the net revenue for this activity stream.

Revenues related to the Vancouver Giants hockey games were significantly over budget. With the Giants reaching the playoffs for the 2003 / 2004 season, revenues surpassed budget by \$143,000. The first half of the 2004 / 2005 hockey season for the Giants was also better than projected, mainly because of increased attendance resulting from the NHL lockout. This resulted in an additional \$260,000 in revenue.

Park Operations and Site Maintenance

In 2004, the park operations and site maintenance costs were included with the year round events. The non-event related maintenance of the site and buildings is funded by the PNE in excess of \$2.8 million annually.

2. 2005 Operating Plan

Operations

The PNE is poised to build on initiatives undertaken in 2004 and work toward a clear future at Hastings Park. Closer ties to the community will be a priority with the creation of a new Community Relations Group, whose primary goals for 2005 will be to build positive relationships with all external stakeholders to the PNE in the immediate and citywide communities.

The 2005 Fair will mark the largest number of new programs in PNE history, including a twice daily on-site parade, along with many Fair favourites. Overall the Fair will feature 102 different performances and more than 3,000 community participants, with each day ending with a special night time performance. To celebrate the 95th Fair, the PNE will commence with an Opening Day celebration containing many promotional events and specials shows to add to the mix of the daily entertainment at the Fair. The remainder of the Fair will see other special events, including the celebration of the 20th Anniversary of Vancouver and Guangzhou, China as sister cities.

Playland will be open from April 23 to October 2 for the 2005 operating year, and will see the addition of two replacement attractions for 2005; the *Gladiator* and the *Breakdance*, replacing the Tilt-a-whirl and the Octopus. *Fright Nights at Playland* will be open from October 14 to October 31, 2005 and will have a compressed schedule, running for 18 consecutive days.

Commencing in December of 2005, the IIHF 2006 World Junior Hockey Championships will play ten games in the Pacific Coliseum in 2005 and four games in 2006. In preparation for these games the PNE, City of Vancouver, and VANOC have worked together to accelerate one of the 2010 Olympic upgrades with the installation of new seating into the Pacific Coliseum.

The PNE has increased efforts to maintain the various garden areas of the site by adding an additional \$125,000 to the existing labour budget for gardening. In addition, PNE managers take part in small group inspections throughout the entire park. These inspections run twice per week and target short and long term improvements at the park. As in previous years, the skateboard park and basketball courts will remain accessible to the general public during the Fair.

Financial

The management of PNE has prepared operating and capital budgets for 2005, which have been approved by the Board of Directors and are summarized as follows.

Table 3 - 2005 Consolidated Budget

	2004 Budget (000's)	2004 Actual (\$000's)	2005 Budget (\$000's)	05 Budget to 04 Actual Variance (\$000's)	Variance %
Revenues	36,372	35,532	39,868	4,336	12.2%
Direct Expenses	20,910	21,022	23,773	(2,751)	(13.1%)
GROSS CONTRIBUTION	15,462	14,510	16,095	1,585	9.2%
Gross Contribution %	42.5%	40.8%	40.4%		(0.4%)
Maintenance	5,153	4,614	4,991	(377)	(8.2%)
General & Administration	9,349	9,307	10,026	(719)	(7.7%)
Total Operating Expenses	14,502	13,921	15,017	(1,096)	(7.9%)
NET REVENUE (LOSS)	960	589	1,078	489	83.0%
Net Revenue %	2.6%	1.7%	2.7%		1.0%

The PNE is projecting a significant increase in revenue for 2005, based on an anticipated increase in attendance at the Fair. The projected attendance for 2005 is 950,000 people, compared to the 767,000 patrons in 2004. This projection is in line with the average attendance over the past several years, provided the weather cooperates. There will be several new attractions and an expanded network of off-site retailers for tickets. All of these enhancements are expected to generate an additional \$5 million in revenue for the Fair.

The gross contribution percentage is expected to decline slightly (40.8% actually experienced in 2004 to 40.4% expected in 2005) for two reasons. First, higher costs associated with the PNE are expected, as a result of some of the new events, including the daily on-site parades. Second, there is expected to be a decline in the amount of filming on site, which is a higher gross profit activity. This will drive the gross profit contribution percentage for year round events down from 45.7% in 2004 to 37.2% in 2005.

Despite the slight decrease in the gross contribution margin discussed above, the net revenue percentage is expected to increase from 1.7% in 2004 to 2.7% in 2005. The increase can be attributed to the smaller anticipated increase in maintenance and general and administration expenses (7.9%) compared to the increase anticipated in overall revenues (12.2%).

3. 2004 and 2005 Capital

2004 saw the replacement of two major rides with the *Crazy Beach Party*, a new adult ride, and the *Kettle Creek Coaster*, a children's ride. 2005 will see the replacement of a further two rides that have reached the end of their serviceable lives (the *Octopus* and the *Tilt-A-*

Whirl), with one adult ride (*Break Dance*) and a "teens'" ride (*Gladiator*). This will help keep the mix of rides fresh and maintain the appeal of Playland.

All capital work is financed or supported by the operating revenue of the PNE. The following is a summary of the projects for 2004 and 2005.

	2004 Actual	2005 Capital Budget
Department		
Site Care & Maintenance	\$303,823	\$289,300
Information Services	117,758	97,500
Food & Beverage	96,670	519,000
Playland & Gaming	150,202	121,900
Corporate Operations	229,541	4,000
Replacement Rides		
Crazy Beach Party	1,243,293	
Kettle Creek Coaster	301,352	
Breakdance		763,330
Gladiator		362,175
Deferred to 2005		
Corporate Operations - Storage Units		50,000
Information Services - Wireless Site Wide		70,000
Cancelled Projects		
Forum Roof Replacement	0	
Information Services	16,475	
Total	<u>\$2,459,114</u>	<u>\$2,277,205</u>

FINANCIAL IMPLICATIONS

There are no negative financial implications, because the PNE generated net revenue of \$589,000 in 2004.

CONCLUSION

The PNE completed its first year under the ownership of the City of Vancouver in 2004 and continues to contribute to the fabric of Vancouver's landscape, supporting educational programs, charities, community events, arts and culture, and city celebrations that all create social capital. The PNE will continue to play a vital role in the all of these traditions that the people of Vancouver have enjoyed over the 95-year history of the PNE. The Pacific National Exhibition remains committed to enriching the quality of life at Hastings Park by providing quality entertainment for all ages, inviting our guests to celebrate Vancouver's heritage, culture and communities in this vibrant urban park.

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