



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 2006 Year End Review and 2007 Operating and
Capital Budgets

RECOMMENDATION

THAT Council receive the report for information.

CITY MANAGER'S COMMENTS

The Pacific National Exhibition (PNE) completed its third year under the ownership of the City of Vancouver in 2006. During the year, the PNE continued to develop closer ties to the community with its Community Out Reach Program including awarding an athletic bursary every month, hosting the Terry Fox National School Day Run at Hastings Park for neighborhood schools, and donating hundreds of tickets in support of fundraising events for non-profit groups across British Columbia, and other initiatives related to the operation of all activities.

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 Park 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 2006 the Fair, Playland and year round activities generated sufficient revenue to fully cover the cost of the overhead, administration, park development, operations, and site maintenance. In addition, these activities contributed significantly to an on site capital program. The budget for 2007 anticipates the same positive financial performance in 2007.

COUNCIL POLICY

There is no applicable Council Policy.

SUMMARY

There were several changes in 2006 as it marked the third year of ownership by the City of Vancouver. This also marked the second full year the PNE had tenure on site due to the decision by City Council in June of 2004 to allow the continuation of the traditional operations of the annual summer Fair, Playland Amusement Park and year round venue rentals. Despite the fact that there is still much detail to be determined about the specifics of future operations through the Hastings Park Master Planning Process, this tenure allowed the PNE to plan for the future and make strategic investment into the site and operations.

The PNE once again had an exceptional year financially. It posted one of its best years in its history and its second straight year of exceeding its net revenue budget. For 2006 the net revenue budget was exceeded by \$855,000. This was a result of all activity streams performing well, with the Fair performing exceptionally well. This trend toward sustained financial viability will assist the PNE in its role to act on behalf of the City of Vancouver as stewards for a portion of this public park. For more information, revenue, expense and attendance numbers for each activity stream are detailed throughout this report where applicable.

The 2007 operating budget for the PNE is anticipating net revenue of \$1,245,212. The objective will be achieved with attendance in line with historical averages, expected at the Fair. This will also be supported through a strong year anticipated for Year Round Events and Playland.

PURPOSE

The purpose of this report is to present to Council information on the operating results of the PNE for the year 2006 and information on the operating plans for 2007.

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 in the northeast sector of the City. 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. 2006 Annual Review

(a) Operations

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

- Overhead and Administration
- The Fair at the PNE
- Playland and Fright Nights
- Year Round Events, and
- 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.

With a strong future in place at Hastings Park, the PNE is committed to positively impacting the immediate, citywide, and provincial community.

In 2006, the PNE's community outreach activities included awarding a \$500 athlete bursary every month; hosting the Terry Fox National School Day Run at Hastings Park for neighbourhood schools; donating hundreds of tickets in support of the fundraising events of non-profit groups across British Columbia; and much more.

The PNE helped several charities raise funds and/or awareness through seasonal, year-round, or employee giving partnerships. Notably, the PNE donated over 1,600 event tickets, including 500 Playland Bar-B-Q passes, to Kids Up Front Vancouver for distribution to underserved children and their families.

In 2006, the PNE put considerable effort into fostering its relationship with its neighbours. As part of its efforts to increase communication and enhance its relations with its neighbours, the PNE continued to dedicate a phone line and e-mail address for neighbours' comments. In addition, the PNE expanded the geographical boundaries for the distribution of its neighbourhood newsletter four blocks south and three blocks west to include a total of 2,500 neighbours.

The same boundary expansion was implemented for the Neighbourhood Fair Ticket Program, through which 2,500 households were given complimentary Fair passes. The PNE also launched two new neighbourhood ticket programs in 2006, through which 275 households were offered complimentary Playland One-Day PlayPasses and Fright Nights FrightPasses.

The PNE also expanded two programs launched in 2005. The Neighbourhood Clean-Up Crew teams picked up garbage and the Neighbourhood Bike Patrol teams patrolled the streets around the PNE during both the Fair and Fright Nights on a regular basis.

The PNE also continued the Hastings Park (HP) Pass program it launched in 2005. A limited number of passes (25) were offered to residents in the Hastings-Sunrise area which allowed the pass holder to enter Hastings Park or to pass through the Park (i.e. walking or jogging through) during the operating hours of the Fair.

The PNE successfully launched a Neighbourhood School Outreach Program to support the initiatives of 15 schools surrounding Hastings Park. A highlight of the program's components includes the proactive donations of a total of 1,830 tickets. The PNE also provided special support to a variety of neighbourhood projects, including Our Community Story, and groups, including the Hastings Community Little League.

The PNE is committed to expanding its existing community outreach programs and implementing new initiatives in the future.

The Fair at the PNE

Background:

The Fair is a 17-day tradition and Vancouver's signature summer event consisting of live shows, exhibits and demonstrations, rides, games, food and a vast array of family entertainment. Based on attendance, the Fair at the PNE is the second largest Fair in Canada, and the fourteenth largest in North America. Over 65 million guests have attended the Fair since it first began in 1910.

The 2006 Fair:

The 2006 Fair marked the largest quantity of new programs in PNE history. In addition, the Fair was honored by being named Best in Canada for Family Entertainment by a United States television series *Today's Family*. To celebrate the 96th year, the PNE Fair started with an Opening Day celebration containing many promotional events including a free gate promotion for the first three hours of the day. This resulted in the second largest opening day on record with a total attendance of 92,247. The remaining days were filled with many great shows and attractions with a large expansion of the Concert Series and ride package. As well the Fair saw very good weather throughout further bolstering attendance numbers.

Programming:

New shows and attractions for 2006:

- Opening Day - Free admission for the first three hours of the day
- Sport Town Hero's On-site Parade - 2 times daily
- Rollin' Thunder - Nightly Finale
- Hi-5 Children's Entertainment Group
- Illusions and Beyond - Magic Show
- Summer Night Concert Series - Expanded by booking of headliner acts
- Ride Expansion - an increase of 11 rides for the Fair bringing the total to 51
- Home Depot's Home Improvement Showcase
- The Top Cop Academy High Dive Show
- Splendid Lanterns of Taiwan Display
- Expanded Sand Sculpture Competition
- Pacific Spirit Horse Show
- Art Cars at Festival Square
- Canadian Forces Demonstrations
- Art of the Street chalk murals

In addition, there were hundreds of free shows and attractions including traditional favourites such as the PNE Prize Home, Superdogs, 4-H festival, and the Neighbourhood Showcase at Festival Square.

Attendance:

In total, 958,781 visitors enjoyed the 2006 Fair, an increase of 6.1% from 2005 and an increase of 3.7% versus budget. Weather played a positive role on almost all days, save and except two nights that lightly rained. Another aspect that helped to increase the attendance for this year's Fair was the further expansion of the retail ticket program. Specifically, a new gift card ticket program was launched with retail partners resulting in off site ticket sales growth of 25.7% over 2005. This is in addition to a 48.7% growth in online ticket sales.

Charities:

The PNE was once again involved with many efforts to raise money for the following charities: Variety - The Children's Charity, Raise a Reader, CANstruction (in support of the Greater Vancouver Food Bank), and Salvation Army recycling program, CKNW Orphans Fund, and BC Youth in Agriculture.

Community and Culture:

In 2006, over 370,000 Fair admission tickets were given to eligible students enrolled in participating schools across BC through the Report Card Fair Ticket Program. During the 2006 Fair, Vancouver student Rebecca Loong redeemed the 3 millionth program ticket and was pronounced PNE President for the day.

The *Festival Square Community Stage* featured 102 different multicultural shows and more than 3,500 community participants throughout the Fair. Located in the Pacific Coliseum, the *Splendid Lanterns of Taiwan* showcased for the first time at the Fair with a total of 30 lanterns. *Art Cars at Festival Square* was a public art project that invited guests to paint and transform three different cars. *Canstruction* also created several visual displays using canned food supporting the food bank. The agriculture community focused on the *4-H Festival*, *Farm Country*, and the *Pacific Spirit Horse Show*.

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

Background:

Playland became a division of the Pacific National Exhibition in 1993. Starting out as Happyland in 1926, there has been a permanent amusement park operating at Hastings Park for over 80 years. Playland has been operating at its current 15 acre location since 1958, and currently consists of 32 rides and attractions including 12 rides for children in KidsPlayce, a zone for 3 to 10 year olds. The amusement park is recognized as one of the premier entertainment destinations in the Lower Mainland and a summer tradition for many youth and families.

The 2006 Playland Season:

Playland was open from April 23 to October 2 for the 2006 operating year and once again had relatively good weather throughout the year. As with last year, 2006 saw Labour Day occurring later in the first week of September giving Playland an extra operating week in August. There were no new ride investments for 2006.

Attendance: Playland's 2006 attendance was .5% ahead of budget at 301,341 versus a budget of 300,000. As with the Fair, Playland had an increased focus on retail sales through implementation of a new gift card ticket program in one select retail chain resulting in 4% growth in Playland off site tickets sales over 2005. The gift card program was launched conservatively during the Playland season and was launched in full scale for the 2006 Fair. Retail ticket growth is in addition to 37% growth in online ticket sales for Playland.

Charity: 2006 marked the 34th year of the *Orphan's Fund Picnic* at Playland where more than 3,000 kids came to experience all that Playland has to offer. The *Kids Up Front Charity* celebrated their two-year anniversary in 2006 by a fund raising event that Playland once again supported through ticket donations.

Education: The *Science of Fun* and *Science of Physics Days* in Playland have a 19-year history and 2006 was another busy year, with more than 20,000 students from across the Lower Mainland taking part in these educational programs. An addition this year saw the start of the BC's Brightest Minds Competition created by the PNE and supported by UBC. This event saw pairs of physics students from more than 25 different high schools throughout the Lower Mainland competing to solve a variety of physics questions pertaining to the rides at Playland. This event will take place annually at Playland and add to our strong support for the physics curriculum in BC schools.

Fright Nights

Background:

Located in a portion of the Playland Amusement Park footprint, this themed Halloween event was established in 2003. Fright Nights specifically targets guests over 12 years of age and typically runs for 18 to 20 days ending near or on Halloween. The event is made up of several

amusement rides in Playland as well as several haunted house attractions that are professionally designed by an external contractor. In addition, there are a variety of food and beverage and merchandise booths located throughout the grounds.

Fright Nights for 2006:

The *Fright Nights at Playland* event took place from October 13 to October 31 having a compressed schedule running for 19 consecutive days for 2006. As in 2005, this schedule allowed for a clearer marketing message as well as assisted in streamlining overall operations. The Halloween event expanded to include two additional attractions as well as an increase to overall themeing and programming. Ticket prices and types changed for 2006 with the aim of flattening the busy weekend nights and pushing guests to the less busy weekday nights. Specifically, tickets valid for Sunday to Thursday were \$20.00 with Friday and Saturday tickets \$25.00. There was a parking charge to this event to ensure appropriate resources were in place to provide safety of guests and vehicles. The adjusted price point and staffing resources helped to mitigate the neighbourhood concerns expressed in 2005. Future programs will endeavour to mitigate these concerns further.

Attendance: Although inclement weather occurred on several of the operating days, attendance was again strong. This was helped by the second year of tickets being available at our off-site retail partners. Attendance finished at 61,348 versus a budget of 55,700, resulting in an overall increase of 10.1% ahead of budget for 2006.

Year Round Events

Background:

In addition to the other activity streams, the PNE also rents out the on-site venues throughout the year to a number of community organizations, sporting associations and event producers. These venues include the six buildings that the organization manages on the Hastings Park site: the Pacific Coliseum, Rollerland, Garden Auditorium, Forum, Agrodome and the Livestock building. Together, the facilities add up to 267,644 square feet of available and useable space. The PNE had another exceptional year with an estimated 1,500 plus event days in 2006.

Concerts: With the continued rising Canadian dollar, the number of concerts for 2006 was quite strong. 2006 exceeded the forecast of 60,000 visits for a total of just over 101,000 guests.

Vancouver Giants: Due to the WHL hockey schedule, the Vancouver Giants hockey season overlaps the PNE's fiscal year with the PNE's 2006 fiscal year containing the last half of the Vancouver Giants 2005/2006 season and first half of the 2006/2007 season.

- 2005/2006 Season: The Vancouver Giants made it to the playoffs and were victorious winning the Presidents Trophy by taking first place in their league. They attended the Memorial Cup in 2006 where they finished in third place.
- 2006/2007 Season: Coming off a successful year this season started well for the Vancouver Giants. Overall the Vancouver Giants had a strong average attendance of 6,523.

IIHF 2006 World Junior Hockey Championships: Beginning on December 26, 2005, the IIHF 2006 World Junior Hockey Championships played ten games in the Pacific Coliseum in 2005 and four games in 2006.

Community Events:

CirKids: As a year round tenant in the Garden Auditorium (excluding Fair time), this circus school serves more than 215 children in their core program, 300 in their summer camps, and 50 adults in another program. As a community initiative, the PNE continues to subsidize the CirKids program, charging the school for only the costs to operate the building. The PNE also contributed \$1,000 towards the CirKids bursary fund for the second year in a row.

Community Ice at the Agrodome: As a community initiative, the PNE subsidizes the community ice programming of the Agrodome in order to provide an additional ice surface for local hockey and skating associations.

Cultural Events:

Chinese New Year: The Chinese Federation of Commerce of Canada's New Years Festival was once again held at the Pacific Coliseum in late January. As the largest attended event of its kind in BC, the festival attracted more than 28,000 people over 4 days.

Macabbi Games: The 2006 Macabbi Games held its opening ceremony at the Pacific Coliseum in August with over 3500 in attendance. In conjunction with this the PNE also hosted over 1900 people at Playland for an evening event for all participants.

Indo Canadian Concerts: The PNE once again hosted two Indo Canadian concerts in 2006 including Vaisakhi Mela, a religious festival that combines with parades around the Lower Mainland. This has been an increasing market over the past several years and is trending to do the same in the future. 2007 will see the return of Gurdas Mann in August, an artist that will draw a crowd of over 12,000.

Religious Events:

2006 saw five Ismaili events. In addition, there was an Islamic Prayer in October with over 1500 at the Forum Building.

Park Operations and Site Maintenance

Background:

In 1889 Hastings Park was granted to the City of Vancouver by the province of British Columbia for use by the public. In 1910 the Pacific National Exhibition (then called the Vancouver Exhibition Association) had its first Fair on this historic site. Since then, the PNE has been the main stewards for a significant portion of this Public Park responsible for its care and operations of the grounds and facilities excluding the traditional boundaries of the Hastings Race Course which has an independent operating agreement with the City of Vancouver, and the Empire Field and its perimeter that is now maintained by the Vancouver Park Board.

Gardens and Restored Park Areas:

The Park has several distinct areas and gardens that are accessible to the immediate and city-wide community to enjoy year round.

Momiji Gardens: Completed in 1993, these gardens were constructed at Hastings Park because of the site's history in the Japanese-Canadian internment process during World War II. This garden is accessible from several areas of the site including the entrance to the Park

on the corner of Renfrew Street and Hastings Street, by Hastings Street just East of Renfrew Street, and from the South West corner of the Sanctuary. Care and maintenance of this area includes removal of invasive plants, pruning and shaping of the traditional Japanese trees and plants, cutting the flat grass area, maintaining the shape of the crushed limestone pathways, and cleaning the interior of the reflection pool in the centre of the garden. The PNE continues to work in consultation with local Japanese gardeners to ensure the gardens are maintained appropriately.

Italian Gardens: This 2.5 hectare section officially opened in 2000 and has several unique design aspects including fountains, statues, several planted gardens, a children's play area, and a skateboard park. In addition, a basketball court and a general sport court was also built along side this area. This area can be accessed from Renfrew Street at Triumph Street which is located about midway in the block between Hastings and McGill Streets. The PNE continues to care and maintain these gardens year round by removing graffiti on the cement areas, repairing parts of the children's play area and regular weeding and pruning of the planted areas.

Sanctuary: The Sanctuary, completed in 1999 was designed as a natural landscape surrounded with two ponds of water, one large and one small. This area is in its seventh year of development and growth and has progressed well and the PNE staff continues to maintain it in its originally intended "natural" state. The Sanctuary continues to be part of the Fair footprint and in 2006 the PNE once again offered nature tours of the area, touring more than 1,800 visitors through the Sanctuary.

Park Events:

In addition to the care and maintenance of Hastings Park, the PNE remains an active community participant in operating events and assisting with events that bring people to Hastings Park. This takes place in two ways; through the traditional operations of the PNE such as the annual summer Fair, Playland Amusement Park and Fright Nights, and our year round events; and through the PNE investing time and resources with various non-profit organizations to host events at Hastings Park, including events such as the Light Water Drums Festival, neighbourhood Easter Egg Hunt, Explore Hastings Park Day and the Terry Fox Foundation Run to mention a few. Together these large and small events and activities draw more than 2.8 million people to Hastings Park each year, making this a very busy public urban park one of the busiest in Canada.

Park Operations:

Each year, the PNE allocates over 3 million dollars from revenue to ensure that 114 acres of public urban park remains well taken care of for the local and city-wide community to enjoy year round. Due to significant inclement weather at various times late in 2006, the park maintenance budget was exceeded by approximately \$500,000 the most significant cause for this variance was wind damage related the Pacific Coliseum roof. Besides the care and operations of the above mentioned park areas and buildings, the PNE actively maintains the rest of the site including general gardening and maintenance of the grounds, graffiti removal, and garbage pick-up.

In addition to non structural maintenance of the grounds and gardens, the PNE has continued to proactively initiate improvements to buildings and facilities while also continuing to build and improve partnerships with community organizations ensuring the long term sustainability of Hastings Park.

Over the past three years the PNE has enhanced the site through initiatives including removal of all non-required fencing, removal of all excess parking barricades and bumper blocks and the implementation of a weekly site look management program to draw management attention to any and all park issues that require repair, maintenance or attention thereby keeping the grounds safe, well kept and beautiful for all to enjoy.

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 ensure up-to-date information 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 2006 are summarized below.

Table 1 - Consolidated Financial Results

	2006 Budget (\$000's)	2006 Actual (\$000's)	Variance (\$000's)	
Revenues	\$39,339	\$46,185	\$6,846	17.4%
Direct Expenses	\$23,346	\$28,106	(\$4,760)	-20.4%
GROSS CONTRIBUTION	\$15,993	\$18,079	\$2,086	13.0%
Gross Contribution %	40.7%	39.1%		-1.6%
Maintenance	\$4,993	\$5,565	(\$571)	-11.4%
General & Administration	\$10,039	\$10,669	(\$630)	-6.3%
Total Operating Expenses	\$15,033	\$16,234	(\$1,201)	-8.0%
NET REVENUE	\$960	\$1,845	\$885	92.2%
Net Revenue %	2.4%	4.0%		1.6%

The following table shows the actual net revenue of the individual lines of business for 2006 compared to the budgeted net revenue for 2006.

Table 2 - Net Revenue (Loss) of Activity Streams

	2006 Budget (\$000's)	2006 Actual (\$000's)	Variance (\$000's)	Variance %
Overhead and Administration	(\$8,778)	(\$8,905)	(\$127)	-1.5%
The Fair at the PNE	\$6,675	\$7,481	\$806	12.1%
Playland and Fright Nights	\$3,609	\$3,791	\$182	5.1%
Year Round Events	\$2,271	\$2,805	\$533	23.5%
Park Maintenance	(\$2,817)	(\$3,327)	(\$510)	-18.1%
Total	\$960	\$1,845	\$885	92.2%

Notes Table 1 and 2:

- (a) Overhead and Administration
 - (i) A one time GST refund and the settlement of a legal case saw non-operational gross revenues exceed budget by \$447,000.
 - (ii) Increased Information Technology (IT) costs contributed to an unfavourable net revenue variance of \$127,000 in this area. The increased costs were the result of unanticipated maintenance on the core IT infrastructure.
- (b) The Fair at the PNE
 - (i) In total, 958,781 visitors enjoyed the 2006 Fair, an increase of 6.1% from 2005 and an increase of 3.7% versus budget. Weather played a positive role on almost all days, save and except two nights that lightly rained.
 - (ii) The increase in attendance in 2006 translated to an overall total revenue of \$25.2 million, which represents a surplus compared to budget of \$2,955,000. Overall, the Fair generated net revenue of \$7.5 million compared to a budget of \$6.7 million resulting in a net revenue surplus of \$800,000 or 12.1%.
- (c) Playland and Fright Nights
 - (i) Playland's attendance finished .5% greater than expectations. Fright Nights had an attendance increase of 10.1% from 2005. The increased attendance boosted gross revenues. The gross revenues exceed budget by \$950,000 or 9.8% for Playland and Fright Nights and combined to exceed the overall net revenue budget by 5.1% and \$183,000.
- (d) Year Round Events
 - (i) Gross Revenues for Year Round Events were \$9,575,000 exceeding budget by \$2,494,000 or 35.2%. The increased gross revenue was the result of higher than budgeted revenues related to the Vancouver Giants reaching the playoffs, increased filming in the Park, and better than anticipated results from increased miscellaneous shows and events.
 - (ii) Despite the affect of the rising Canadian dollar on the film market in Canada, filming net revenues exceeded budget by \$84,000 in 2006.
 - (iii) There were a significant number of concerts in 2006 that resulted in net revenue of \$856,000 however the results were \$136,000 or 14% below budget due to slightly lower attendance at these events.
 - (iv) Revenues related to the Vancouver Giants hockey games were significantly over budget. With the Giants reaching the playoffs and winning the Western Hockey League Championship for the 2005-2006 season, net revenues surpassed budget by \$490,000.
 - (v) Remaining miscellaneous shows and events were strong in 2006 and combined to exceed the net revenue budget by \$95,000.
- (e) Park Operations and Site Maintenance
 - (i) The non-event related maintenance of the site and buildings is funded by the PNE in excess of \$3,300,000 annually and exceeded budget by \$510,000 or 18.1%. The major attribute for the \$510,000 variance was this year's inclement weather which directly resulted in additional maintenance for snow removal, rain damage and wind damage (e.g., Pacific Coliseum Roof).

2. 2007 Operating Plan

(a) Operations

The PNE is poised to build on initiatives undertaken in 2006 and work toward a clear future at Hastings Park. Closer ties to the community will continue to be a priority with the goal for 2007 being to build positive relationships with all external stakeholders to the PNE in the immediate and citywide communities.

The 2007 Fair will build on the success of the 2006 Fair, including a twice daily on-site parade, along with many Fair favorites. Overall the Fair will feature over 100 different performances and more than 3,000 community participants, with each day ending with a special night time performance. To celebrate the 97th Fair, the PNE will commence with an Opening Day celebration containing many promotional events and special shows to add to the mix of the daily entertainment at the Fair.

Playland will be open from April 21st to September 30th for the 2007 operating year. Fright Nights at Playland will be open from October 12 to October 31, 2005 and will have a compressed schedule, running for 19 consecutive days.

Financial

The management of PNE has prepared operating and capital budgets for 2007, which have been approved by the Board of Directors and are summarized as follows.

Table 3 - 2007 Consolidated Budget

	2006 Budget (\$000's)	2006 Actual (\$000's)	2007 Budget (\$000's)	2007 Budget to 2006 Actual Variance (\$000's)	Variance %
Revenues	\$39,339	\$46,185	\$44,036	(\$2,149)	-5.0 %
Direct Expenses	\$23,346	\$28,106	\$26,466	\$1,640	6.0%
GROSS CONTRIBUTION	\$15,993	\$18,079	\$17,570	(\$509)	-3.0%
Gross Contribution %	40.7%	39.1%	39.9%		.8%
Maintenance	\$4,993	\$5,565	\$5,642	(\$77)	-1%
General & Administration	\$10,039	\$10,669	\$10,683	(\$14)	-0.1%
Total Operating Expenses	\$15,033	\$16,234	\$16,325	(\$91)	-0.6%
NET REVENUE (LOSS)	\$960	\$1,845	\$1,245	(\$600)	-32.5%
Net Revenue %	2.4%	4.0%	2.8%		-1.2%

Gross Revenue

The PNE is projecting a 5% decrease in budgeted revenue compared to 2006 actual. The \$2,149,000 unfavourable variance is due to:

- The projected attendance for the Fair in 2007 is 935,000 compared to actual attendance of 958,781 in 2006. The lower attendance projection is forecast to align with historic averages.
- Playland budgeted gross revenues of \$10,476,000 are anticipated to remain relatively flat to 2006 actual \$10,629,000 a difference of \$153,000.
- Year round Events gross revenues of \$8,519,000 budgeted for 2007 are projected to be \$1,055,000 less than 2006 actual results due to anticipated decreases in filming in the Park in 2007 and the one-time revenue from the Vancouver Giant's Playoff run in 2006 not included in the 2007 budget.
- Overhead and Administrative Gross Revenues from recurring non-operational sources are anticipated to be relatively flat in 2007 with a budget of \$268,000 but are significantly less than 2006 actual by \$518,000 due to one time settlements received in 2006.

Gross Contribution

Gross contribution is down by \$509,000 (3%) from 2006 but gross contribution percentage is up 0.8% from 2006 as a result of operational efficiencies.

Net Revenue

Despite holding operating expenses to a small percentage increase of 0.6%, net revenue in 2007 is expected to decrease by 1.2% over 2006 actual. This decrease is primarily due to a projected unfavourable variance of \$2,149,000 (5%) in revenue compared to 2006 actual. This unfavourable variance is attributed to lower budgeted Fair attendance, a projected decline in filming activities and due to uncertainty of Vancouver Giant playoffs from season to season the PNE does not budget for Playoff revenue even though the Vancouver Giants were successful in making the Playoffs in 2006.

3. 2006 and 2007 Capital

The 2006 capital budget was approved for \$1,268,000. On November 8, 2006 the Board of Directors approved a \$289,350 increase in the capital budget to \$1,557,350 for the implementation of a new corporate software system that will replace a number of aging software systems. The total budget for the new software is \$414,350 of which \$246,335 was spent in 2006 with the balance of the spending and completion of the project in early 2007. Excluding this ongoing project the 2006 capital budget was \$43,242 under budget.

All capital work is financed or supported by the operating revenue of the PNE. The following is a summary of the projects for 2006 and 2007:

Department	2006 Actual	2007 Capital Budget
Site Care & Maintenance	\$441,275	\$453,250
Information Services & Corporate Services	\$407,119	\$60,000
Food & Beverage	\$148,456	\$270,000
Playland & Gaming	\$349,243	\$ 505,000
Contingency		\$50,000
Total	\$1,346,093	\$1,338,250

Note: Major expenditures in 2007 include a new stage, upper bowl curtains for the Pacific Coliseum, ride refurbishments, and replacement of selected food stands.

FINANCIAL IMPLICATIONS

There are no negative financial implications, because the PNE generated net revenue of \$1,844,657 in 2006 and is anticipating a budget surplus of \$1,245,000 in 2007.

CONCLUSION

The PNE completed its 3rd full year under the ownership of the City of Vancouver in 2006 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 all of these traditions that the people of Vancouver have enjoyed over the 97-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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