



NANAIMO EVENTS CENTRE BUSINESS PLAN OPERATING ASSUMPTIONS ANALYSIS



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Operating Assumptions Analysis

- ▶ Scope
- ▶ Sources of information
- ▶ Key risks
- ▶ Scenario analysis



Scope of analysis

- ▶ Reviewed Nanaimo Event Centre Phase 2 Study report
 - ▶ Stafford Sports Business Plan model
- ▶ Purpose was to:
 - ▶ Consider reasonableness of Business Plan assumptions
 - ▶ Stress test the Business Plan using more conservative assumptions (where appropriate)
- ▶ Detailed information underlying Stafford Sports' assumptions was not available due to its commercially confidential nature

Sources of information

- ▶ EY relied upon the following in undertaking this analysis:
 - ▶ Information provided in response to a request of BBB Architects
 - ▶ Direct discussions with major North American operators
 - ▶ EY sports and entertainment group

Key risks - Operations



Key risks

- ▶ Event numbers and event attendance
 - ▶ Promoter achieving event revenue targets, in the context of broader economic considerations
- ▶ Negotiations with operator
 - ▶ Negotiation of market-competitive commercial terms
- ▶ Advertising and luxury seating sales
 - ▶ 600 businesses with > 19 employees
 - ▶ Need local investment
- ▶ Driving synergies of management across multiple facilities
 - ▶ in order to reduce costs

Scenario Analysis



Scenario analysis

- ▶ **Base Case**

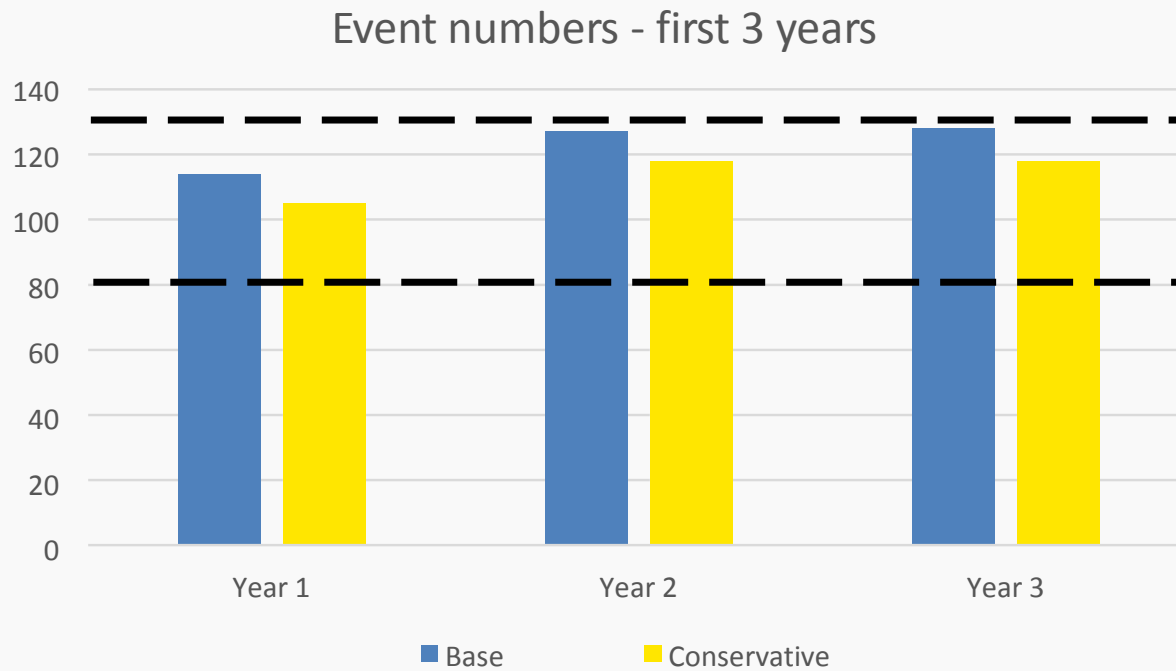
- ▶ As developed by BBB

- ▶ **'Conservative' case**

- ▶ Closer to the middle of benchmark range for key variables
 - ▶ Event numbers
 - ▶ Ancillary revenue (ice rentals)

Scenario analysis

▶ Event number scenarios





**NANAIMO EVENTS CENTRE
BUSINESS PLAN REVIEW
PROJECT FUNDING**



Contents

Project Funding

- ▶ Scope of analysis
- ▶ Funding requirements
- ▶ Funding sources
- ▶ Risks



Scope of analysis



Scope of analysis

- ▶ Consider funding requirements and sources for the Events Centre
 - ▶ **Requirements** driven by
 - ▶ Debt service based on development on 1 Port Drive site
 - ▶ Property insurance
 - ▶ **Sources** driven by
 - ▶ Operating Plan developed by BBB
 - ▶ Facility fees and operating surplus (deficit)
 - ▶ Public funding sources
- ▶ Considered extent to which requirements able to be funded

Funding requirements



Funding requirements

- ▶ 1 Port Drive capital cost of \$80m to be debt funded
 - ▶ Reflects 'Base' cost of Events Centre development
 - ▶ Construction cost of \$70m, Services costs of \$10m
- ▶ Debt funding assumptions:
 - ▶ 20 year loan from Municipal Financing Authority
 - ▶ Interest rate of 3.0% p.a.
 - ▶ Implied payment of **\$5.4m per annum**
- ▶ Property Insurance costs of \$200,000 p.a.
- ▶ **Total annual requirement of ~\$5.6m p.a.**

Funding sources



Funding sources

- ▶ Events Centre operations
 - ▶ Ticket Surcharges (Facility Fee + City Capital Reserve fee)
 - ▶ Operating surplus (if applicable)

- ▶ Public funding
 - ▶ Hotel tax
 - ▶ Strategic Infrastructure Reserve
 - ▶ General Revenue
 - ▶ Payments in lieu of taxes (PILT)

Scenario analysis

- ▶ **Base Case**

- ▶ As developed by BBB

- ▶ **'Conservative' case**

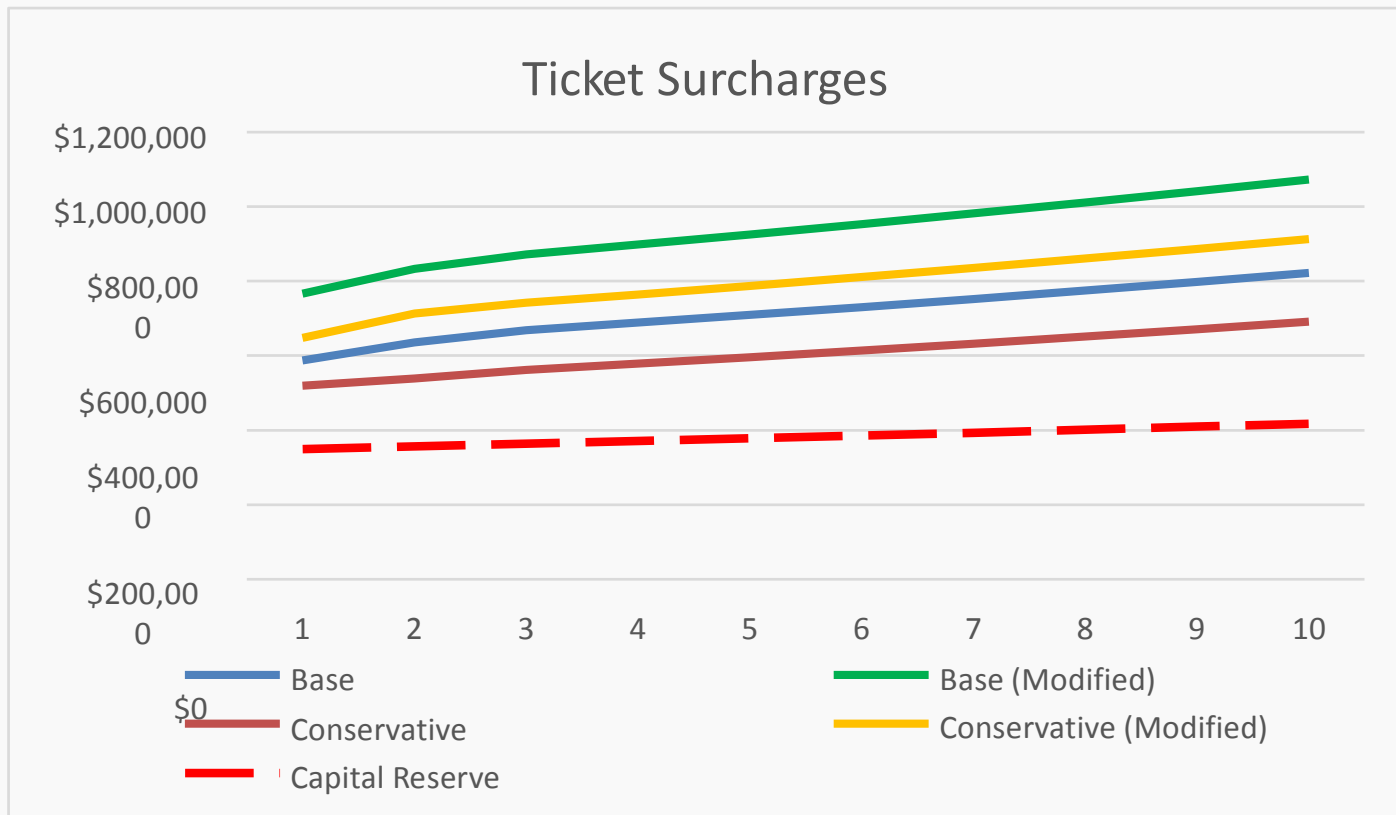
- ▶ Closer to the middle of benchmark range for key variables
 - ▶ Event numbers
 - ▶ Ancillary revenue (ice rentals)

- ▶ **Modified Base and 'Conservative' cases**

- ▶ Assumes modified ticket surcharge on high end events

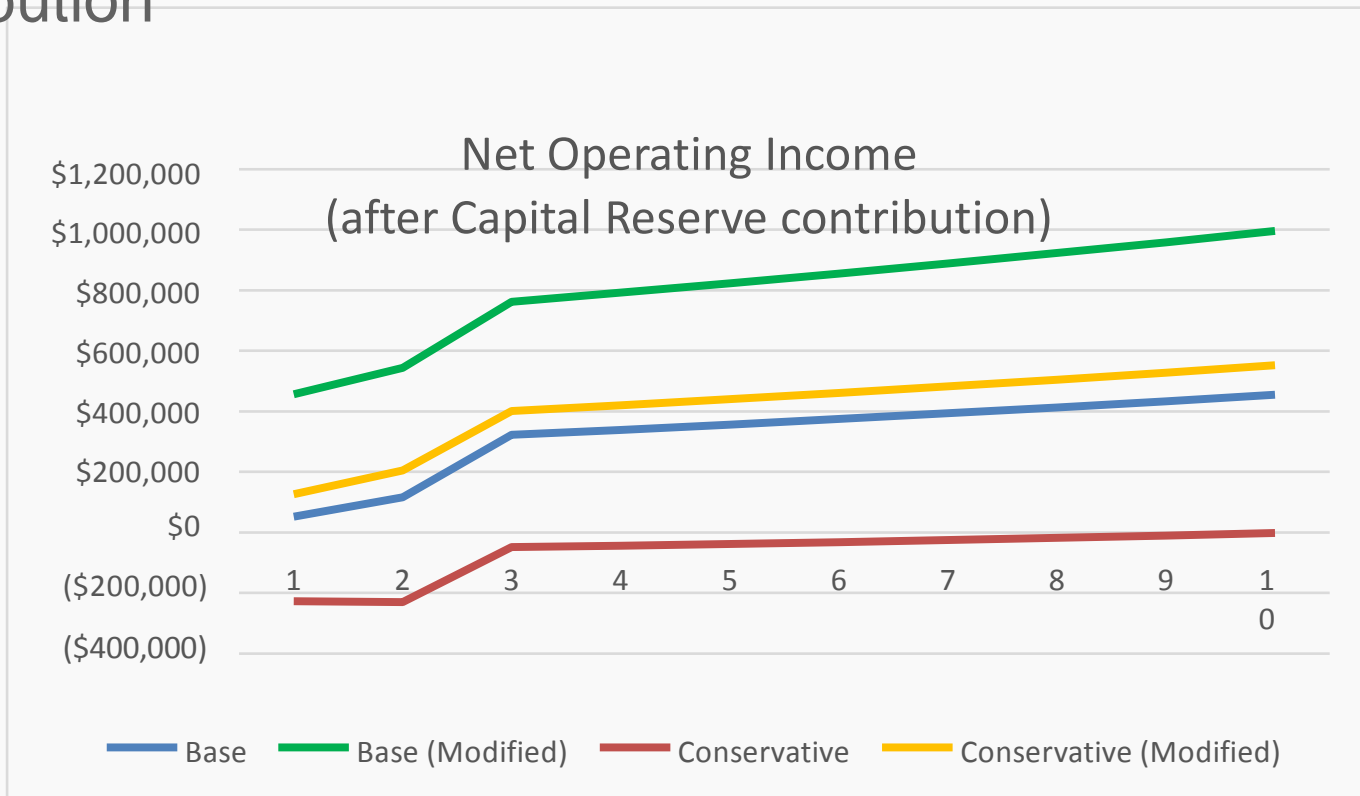
Ticket surcharges

▶ Annual Ticket Surcharges by scenario



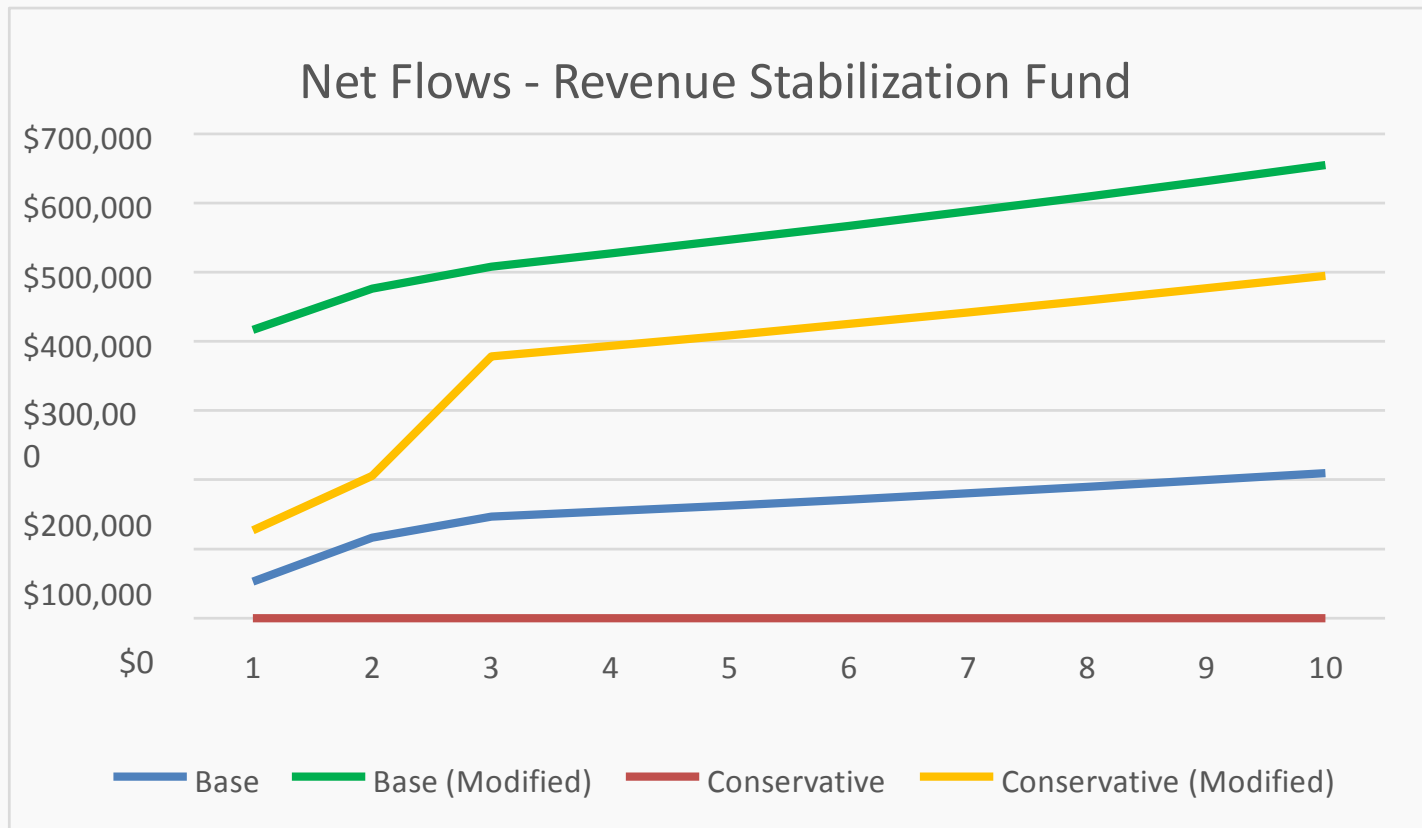
Net operating income

► Net Operating Income after Capital Reserve contribution



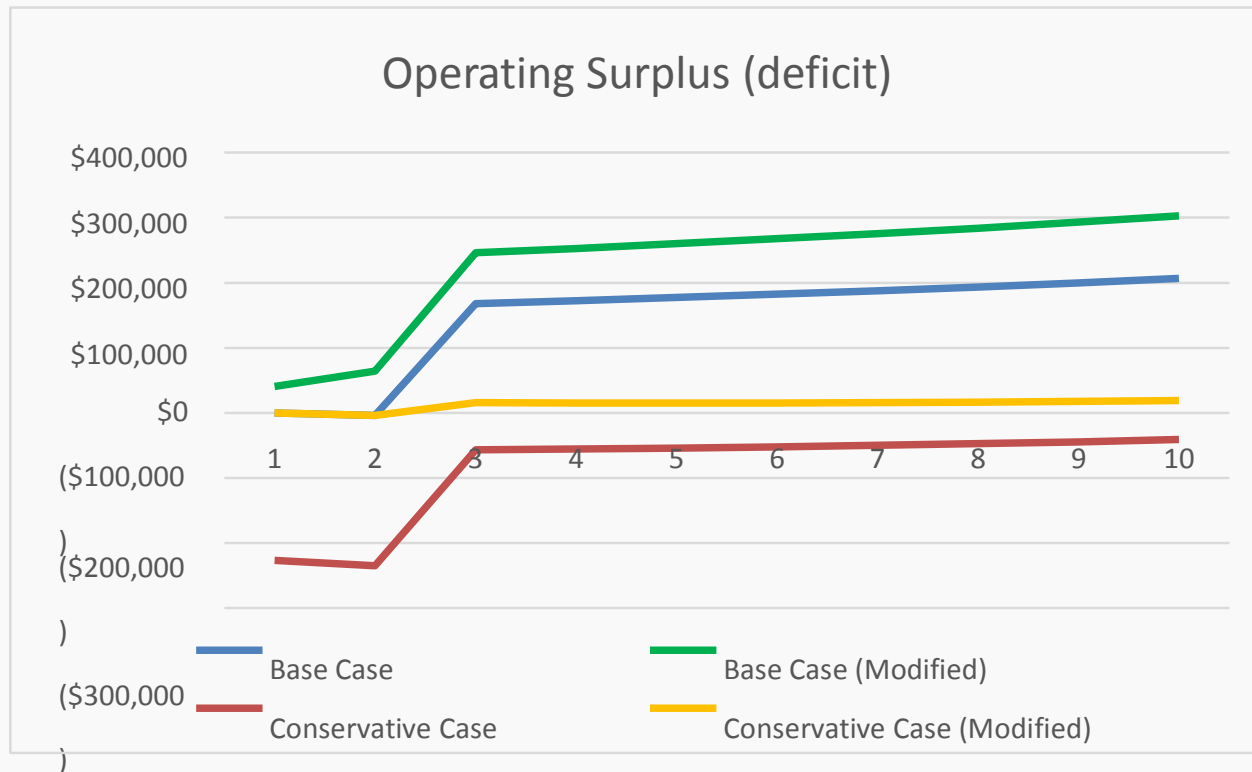
Revenue stabilization account

- ▶ Available to fund future operating deficits



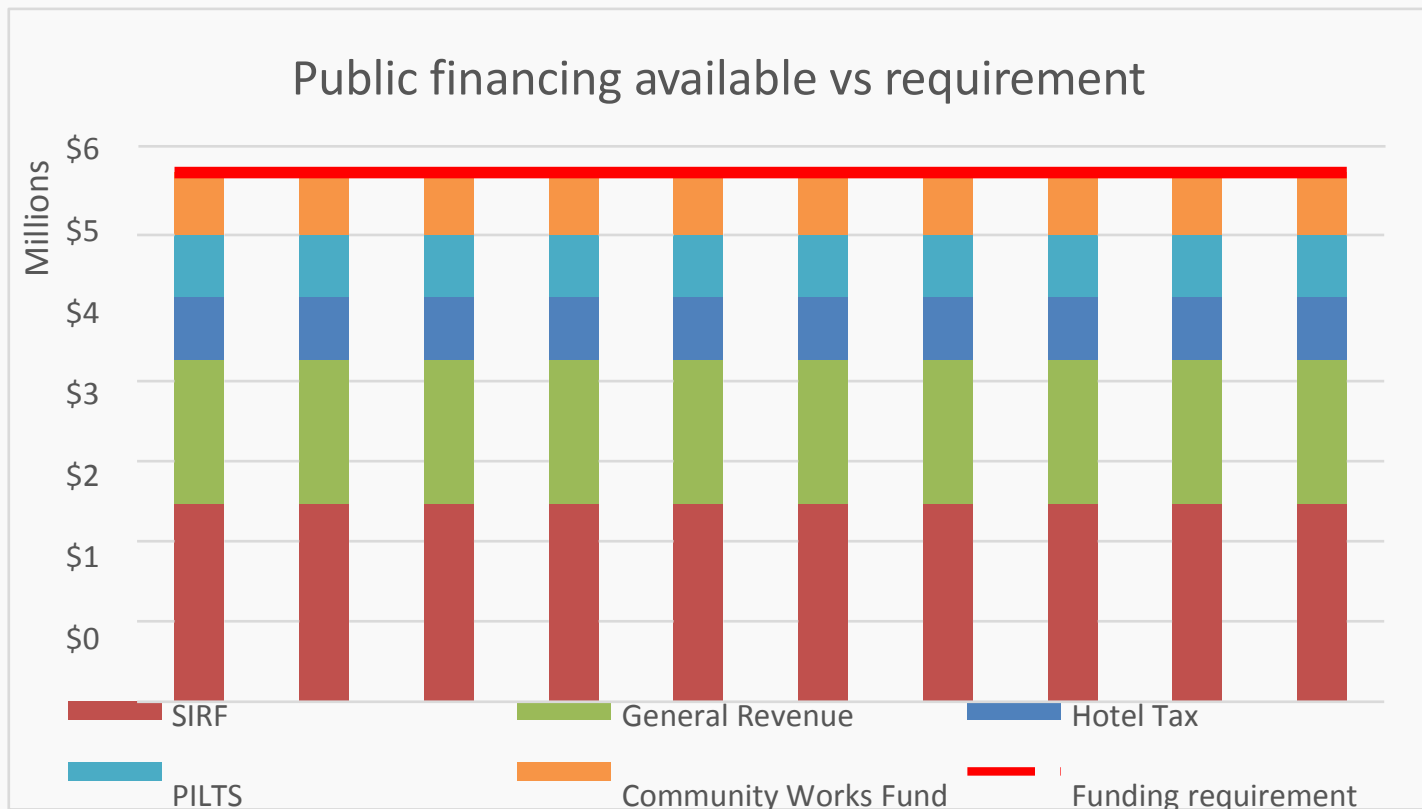
Overall surplus (deficit)

- ▶ Operating Surplus (deficit) after Capital Reserve and Revenue Stabilization Fund contributions



Public funding vs requirement

- ▶ Public Funding assumed to cover \$5.6m p.a. requirement
 - ▶ No requirement for Events Centre operations surplus to fund debt



Risks – Capital Financing



Key risks

- ▶ Risks related to 'Base Case' Net Operating Income,
 - ▶ Event numbers and attendance
 - ▶ Luxury seating and advertising
 - ▶ Negotiation with operator
- ▶ Cost of finance
- ▶ Approval / finalization of public funding sources



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