

www.pwc.com/ca

London Convention Centre

Revenue & Growth Opportunities

January 23, 2014

pwc

Rating Scale – Opportunities for Improvement

- Satisfactory

Controls are present to mitigate process/business risk, however an opportunity exists for improvement.

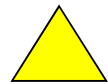
Satisfactory



- Needs Improvement

Existing controls may not mitigate process/business risk and management should consider implementing a stronger control structure.

Needs
Improvement



- Unsatisfactory

Control weaknesses are significant and the overall exposure to risk is unacceptable. Immediate attention and oversight from management is required.

Unsatisfactory



Summary of Risks & Scope

London Convention Centre – Revenue & Growth Opportunities

Scope

- A review of the London Convention Centre (“LCC”) revenue sources and fee structures, with the objective of:
 - Understanding and evaluating controls over LCC’s revenue and collections processes, including controls addressing the risk of revenue slippage;
 - Exploring opportunities to increase LCC’s existing revenue streams; and
 - Identifying new potential revenue streams for LCC.
- Some specific areas for investigation included:
 - Advertising revenues;
 - Optimizing revenue in lower utilization time periods;
 - Cost/benefit analysis of increasing the capacity of LCC to attract more business; and
 - Optimizing revenue for LCC and minimizing costs for the City and other Boards and Commissions through provision of services that are part of LCC’s core business.

Potential Risks

- LCC may not be realizing its full revenue-generating potential due to under-utilization
- Revenue to which LCC is entitled may not be realized (i.e. revenue slippage)
- LCC may be missing out on opportunities to generate additional revenues through advertising
- Future capital investments may not be supported by adequate data
- Surplus cash may not be generating optimal returns
- Revenue strategies may not be aligned with strategic goals
- LCC may be missing out on the opportunity to generate additional revenues through the provision of services to the City and/or other Boards and Commissions

Processes Operating Effectively

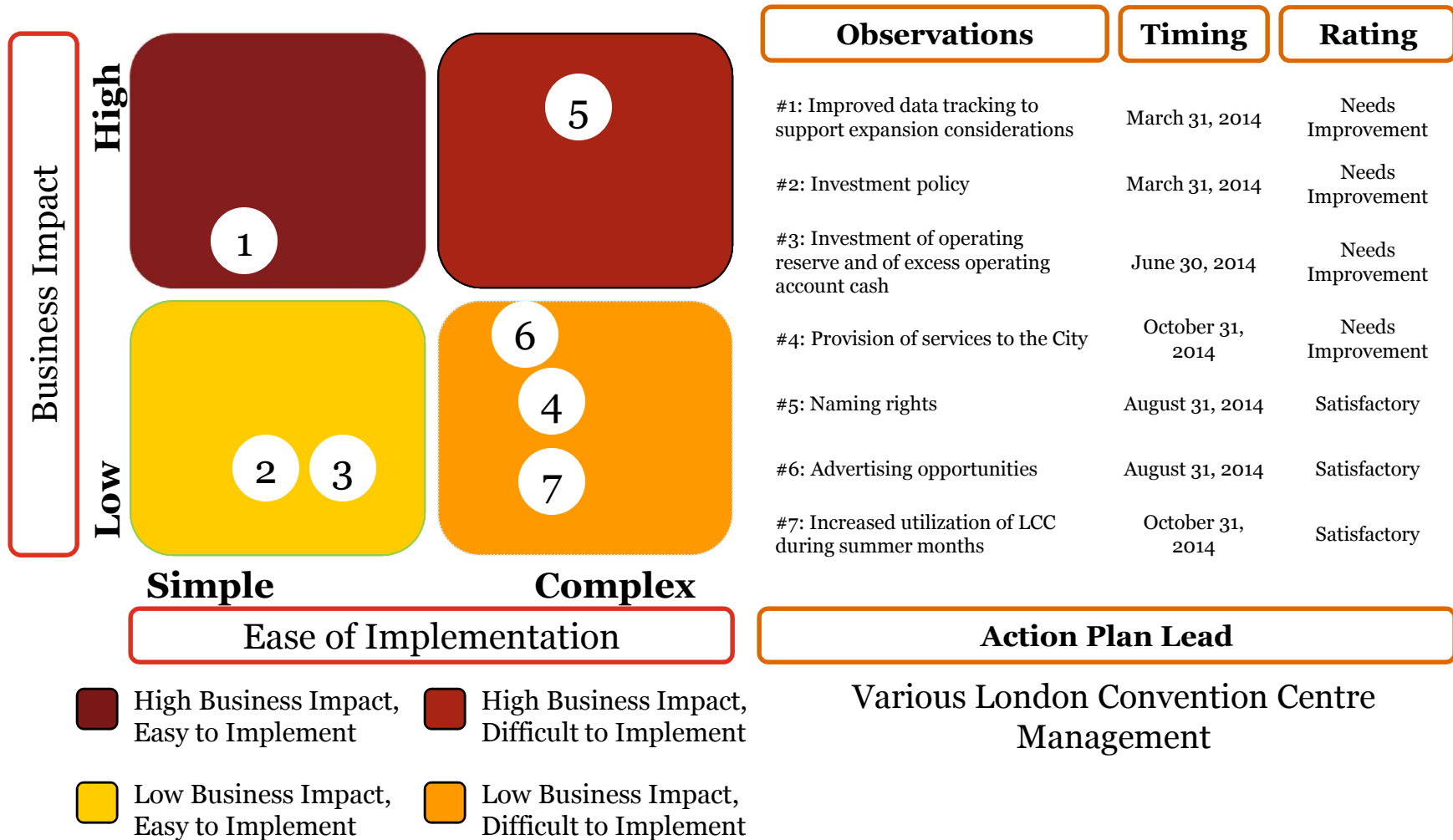
- LCC has developed signage /advertising policies and standards and has identified additional locations within the building for potential advertising
- LCC has designed appropriate cash handling controls to mitigate against the risk of theft
- LCC has designed appropriate cash collection policies to mitigate against the risk of bad debts
- LCC tracks utilization of its building and rooms and the number of delegates that use LCC’s facilities
- LCC effectively uses Ungerboeck to manage client relations and develop relationships

Value-for-Money Considerations

- LCC could generate between \$150k - \$1.25m annually by selling the naming rights to its building and all of its rooms and theatre.
- Assuming advertising space is sold in all locations identified by management, conservative pricing estimates show that LCC could generate an additional \$50k - \$255k in revenues through increased advertising within and outside of its building.
- Through a more balanced investment of its excess funds, LCC, could generate \$20k in additional annual investment income.
- In investigating any of the above opportunities, LCC should consider the associated cost of implementation and ensure there is no impact on the core services and mandate of LCC.

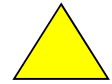
Action Plan Summary & Business Impact

London Convention Centre – Revenue & Growth Opportunities



Observations & Action Plans -#1

Needs
Improvement



London Convention Centre – Revenue & Growth Opportunities

Observation

Improved data tracking to support expansion considerations

The current tracking of cancelled business at LCC may not provide optimal data to support future potential expansion decisions as it does not track the lost/cancelled business at a sufficiently disaggregated level to explain why potential clients chose other venues/cities. Furthermore, the data obtained from an assessment of conventions held in Canada has not been used to ascertain the conventions LCC could potentially attract if expansion occurred to accommodate the additional delegates.

Business Impact

A potential risk exists that LCC is lacking quantifiable data to support a business case for expansion. As a result, LCC may miss out on opportunities that justify expansion, or, may pursue expansion when it is not warranted.

Action Plan

It is recommended that management develop a more detailed tracking system that explains the specific reason(s) for any lost or cancelled business. Quantifiable measures should be tracked such as the amount and type of space that would have been required to retain the business. Additionally, LCC should analyze the data obtained on larger conventions in Canada to estimate the additional conventions it could potentially attract following an expansion of its facilities. The information obtained from these analyses should be used to support any business case for future facility expansion. Furthermore, any expansion possibilities should take into consideration the capacity for nearby hotels to accommodate additional guests as this has proven to be a barrier for attracting larger conventions in the past.

Action Plan Lead

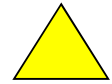
Director of Business Development

Timing

March 31, 2014

Observations & Action Plans -#2

**Needs
Improvement**



London Convention Centre – Revenue & Growth Opportunities

Observation

Investment policy

Currently there are no formal investment policies or procedures in place at LCC to guide the investment decisions of funds that are held within the operating reserve or are held in excess of current operational needs.

Business Impact

A potential risk exists that in the absence of a formal investment policy the current funds held by LCC are not earning optimal investment returns. Additionally there is the potential risk that the funds may not be invested in line with the strategic objectives of LCC.

Action Plan

It is recommended that LCC formalize an investment policy over the existing cash held that is deemed available for investment. The investment policy should clearly indicate (i) the investment objectives of the invested funds; (ii) the exposure to risk that LCC is willing to tolerate; (iii) the liquidity of the chosen investments in accordance with LCC's cash requirements; and (iv) the desired asset mix of the invested funds.

Action Plan Lead

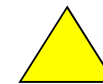
Director of Corporate Services

Timing

March 31, 2014

Observations & Action Plans -#3

**Needs
Improvement**



London Convention Centre – Revenue & Growth Opportunities

Observation

Investment of operating reserve and of excess operating account cash

LCC currently holds all cash within an operating account that earns nominal interest based on the average monthly balance of the account. LCC's average cash balance during 2013 was \$1.2 m, \$500k of which belonged to the operating reserve.

Business Impact

A potential risk exists that LCC is earning sub-optimal returns on the cash currently invested through financial institutions.

Action Plan

It is recommended that LCC perform a comprehensive review of the cash balance throughout the year to determine the operational monthly cash requirements. Additionally, it is recommended that LCC invest their current idle cash, including the operating reserve, in longer term investments that mirror the projected operational need for the funds. Based on current cash flows, a conservative portfolio including a mix of short and longer term investments could generate an estimated additional \$20k in annual investment income.

Action Plan Lead

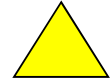
Director of Corporate Services

Timing

June 30, 2014

Observations & Action Plans -#4

**Needs
Improvement**



London Convention Centre – Revenue & Growth Opportunities

Observation

Provision of services to the City

LCC currently provides minimal catering services to the City of London. LCC does not provide food and beverage management services or event planning services to the City or its Boards and Commissions.

Business Impact

There is a potential risk that LCC is missing out on opportunities to create synergies through the provision of food and beverage management and/or event planning services to the City and its Boards and Commissions. Such opportunities are independent of arrangements which would negatively impact LCC's core business or damage partner/public relations.

Action Plan

It is recommended that LCC collaborate with the City and its Boards and Commissions to identify opportunities for LCC to provide consultative work for the City surrounding event planning (eg: weddings at golf courses) and food and beverage management (eg: for the golf courses, cafeteria, etc.). In investigating any collaborations, LCC and the City should consider existing labour agreements.

Action Plan Lead

CEO and General Manager

Timing

October 31, 2014

Observations & Action Plans -#5

Satisfactory



London Convention Centre – Revenue & Growth Opportunities

Observation

Naming rights

LCC does not have a naming rights policy to guide the sale of naming rights over its building and various rooms. Accordingly, LCC has not sold any naming rights. Furthermore, while the City recently undertook a naming rights review of its facilities, Boards and Commissions such as LCC were not included in this review.

Business Impact

There is a risk that LCC is missing out on opportunities to generate naming rights revenues.

Action Plan

It is recommended that LCC seek the Board's directive for development of a naming rights policy. Such a policy should consider the following:

- The types of organizations that will be targeted (ensuring alignment with LCC's overall strategy and ethical standards)
- The duration of naming rights contract terms for the building and its various rooms
- Payment terms (i.e.: payable either in a lump sum or over a contract term)
- Approximate values for its building and various rooms
- Removing naming rights and future demolition or renovation of the building

Once drafted, LCC should obtain Board approval of the policy and market available naming rights opportunities to interested third parties. Sale of naming rights should be considered in conjunction with any planned future capital renovations.

Based on market data for naming rights agreements in Canada, it has been identified that LCC could generate between \$150k - \$1.25m annually by selling the naming rights to its building, theatre and all of its rooms. Market data was obtained from a wide variety of facilities, and the upper end of this range is likely unattainable for LCC. The amount of revenue that LCC could potentially generate may vary depending on whether existing facilities or future renovated/expanded facilities are named.

Action Plan Lead

CEO and General Manager

Timing

August 31, 2014

Observations & Action Plans -#6

Satisfactory



London Convention Centre – Revenue & Growth Opportunities

Observation

Advertising opportunities

Management has identified several locations within LCC's building and inside the pedestrian walkway to the Hilton Hotel where banner, poster, and digital advertisements could be displayed. Management has also identified the types of organizations to which it would provide advertising opportunities (partners with LCC, groups that book space at LCC, etc.). However, to date, a strategy has not been developed to fully explore these options.

Business Impact

There is a risk that LCC is missing out on opportunities to generate additional advertising revenues within its building and inside the pedestrian walkway. Additionally, there is a risk that LCC is under-charging for its existing advertising contracts.

Action Plan

It is recommended that management develop an advertising strategy that supports LCC's organizational mandate of improving the economic prosperity of London. An environmental scan should be conducted to ascertain interest of potential advertisers that would contribute to this goal. LCC should consider offering bundled advertising packages that integrate banner, poster, and/or digital advertisements with social media to capture the attention and interest of delegates. It is recommended that LCC hire an advertising firm to assist with the process of valuing and soliciting its advertising space.

Assuming advertising space is sold in all locations identified by management, conservative pricing estimates show that LCC could generate an additional \$50k - \$255k in annual revenues through increased advertising within and outside of its building.

Action Plan Lead

CEO and General Manager

Timing

August 31, 2014

Observations & Action Plans -#7

Satisfactory



London Convention Centre – Revenue & Growth Opportunities

Observation

Increased utilization of LCC during the summer months

Historically, LCC has experienced lower utilization of its facilities in July – August (these 2 months account for approximately 2.5% - 3.5% of total annual revenues). This cyclical trend is common in the convention industry. LCC is limited in its ability to solicit business during these months as its goal is not to steer revenues away from the private sector.

Business Impact

There is a potential risk that LCC is missing out on opportunities to increase the utilization and exposure of its facilities during the summer months. As low utilization results in staffing fluctuations, there is also a potential risk that LCC may lose key staff during the summer months. This could result in loss of employee knowledge and translate into higher recruiting costs in the future.

Action Plan

It is recommended that LCC collaborate with the City and its Boards and Commissions to identify opportunities to run programs and host events at LCC during the summer months. This could include running day camps at LCC (drama camps, culinary camps, etc.), hosting banquets after large golf tournaments, and/or assisting with event planning. Some options explored with the City may not contribute to net revenue generation, however, at a minimum, should increase the utilization and public exposure of its facilities without resulting in significant incremental cost.

It is further recommended that LCC explore options to host ‘test kitchens’ or run cooking classes in its facilities during the summer.

Action Plan Lead

CEO and General Manager

Timing

October 31, 2014

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2013 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.