



**City of Kingston
Report to Council
Report Number 18-038**

To: Mayor and Members of Council
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Luke Follwell, Director, Recreation & Leisure Services
Date of Meeting: January 9, 2018
Subject: Rogers K-Rock Centre 2018 Annual Plan

Executive Summary:

This report is before Council to enable SMG, the operator of the Rogers K-Rock Centre, to present its 2018 Annual Operating Plan. The annual plan provides information related to the projected results of operations for 2017 and the 2018 operating budget submissions and overview including its operational, marketing and other strategies for the upcoming year.

Recommendation:

That Council receive SMG's 2018 Annual Plan and operating budget submission for the Rogers K-Rock Centre of \$597,113 in net operating income, recognizing that SMG is obligated to the \$550,000 annual financial guarantee which is reflected in the City's budget.

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Options/Discussion:**Background**

The Operators 2018 Annual Plan (Exhibit A), including its 2018 budget submission, dated September 30, 2017, was submitted to City staff on or before that date. This is 90 days prior to the end of the calendar year as required under the terms of the facility's management agreement. This timing requirement is necessary to ensure that the operators' submission coincides with and is incorporated in the City's annual budgeting process.

SMG has submitted a 2018 operating budget of \$597,113 in net operating income, including the annual capital contribution to the reserve fund. SMG is obligated to the \$550,000 annual financial guarantee and this amount has been submitted in the City's annual budget process of operating income and annual capital contributions.

2017 Projected Results

Based on results to the September 30, 2017 booked events and anticipated tickets sales as of that date, SMG was projecting that the Rogers K-Rock Centre was likely to achieve approximately \$485,398 in net income from operations for the calendar year ending December 31, 2017. For the eleven months ending November 30, 2017 the current year to date actual net operating income is \$378,194.

The overall event revenues are projected to be 16.8% lower for 2017 than budgeted, with a projected total of 104 events and projected total attendance of 206,294. This is a result of significantly fewer touring concert events available for 2017 for mid-sized venues and the rescheduling of multi-performance shows

Non-event revenues are projected to be 9.7% lower than budget as a result of lower suite and advertising revenues

Operational expenses are projected to be 11.0% lower than budget due to lower materials, supplies & service expense; general & administrative expense, repairs & maintenance expense and salaries, wages and benefits. Additional cost controls and efficiencies are being investigated internally and with Recreation & Leisure Services for further savings on a go forward basis.

2018 Marketing Plan

The Annual Plan reviews the progress on the 2017 Marketing Plan initiatives and details the 2018 Marketing Plan which continues to build on past initiatives while adding new areas of focus including: establishing a physical presence in the community by attending events such as the Taste of Kingston and Queen's sidewalk sales, highlighting industry-leading innovations within the venue, producing high-quality media content to generate valuable social engagement and celebrating the continued success of the venue specifically around the 10th anniversary of opening weekend.

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Existing Policy/By-Law:

Not applicable

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

The City's agreement with SMG contains a distribution of revenue (management financial incentive fees) when the amount of Net Income from operations exceeds \$550,000 (financial guarantee).

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Other City of Kingston Staff Consulted:

Not applicable

Exhibits Attached:

Exhibit A SMG 2018 Annual Plan

2018 ANNUAL PLAN



September 30, 2017

ROGERS K-ROCK CENTRE



2018 ANNUAL PLAN**ROGERS K-ROCK CENTRE*****Table of Contents***

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Executive Summary

Rogers K-Rock Centre is now in its tenth season, firmly established within the Kingston community for the wealth of sports and entertainment experiences fans of all ages have enjoyed throughout the years. On February 22, 2018 it will be ten years since the Kingston Frontenacs dropped the puck to open a new era for their fans. The next day was the first concert presented when The Tragically Hip played for their legions of Kingston friends and fans. Over this period the impact of Rogers K-Rock Centre on Kingston can be measured in a number of ways -- in the number of visitors greeted, economic impact on the area, engagement with the community and memorable guest experiences.

The success of Rogers K-Rock Centre continues to be recognized by the entertainment industry. In September issue trade magazine *Venues Today* named Rogers K-Rock Centre #2 on the list of 2017 Canadian "TopStops" for venues with a capacity of 5,001 to 10,000. This award is measured by number of tickets sold overall for entertainment events. To note, the seating capacity of the venue ranked #1 is 25% larger than Rogers K-Rock Centre. Awards and recognition received to date are as follows:

- 7 time winner of the Canadian Music and Broadcast Industry Award for Major Venue under 8,000 seats
- 2011 *Venues Today* Highest Grossing Venue in Canada under 10,000 seats
- 2013 *Venues Today* 19th highest grossing venue worldwide for venues seating 5,001 to 10,000 fans
- 2015 *Amplify* Standing Room Only award for Canadian must play venues
- 2016 *Pollstar* #1 in ticket sales for Canadian venues under 7,000 seats
- 2017 *Venues Today* #2 "TopStop" in Canada for venues seating 5,001 to 10,000 fans

In addition to these accolades, the statistics themselves are impressive. Through September 30, 2017 Rogers K-Rock Centre has welcomed 1,933,144 guests attending 728 events. By the end of the current season it is expected that 2,000,000 fans will have walked through the Rogers K-Rock Centre's gates. These fans have enjoyed Kingston Frontenac hockey games, family events, concerts, meetings and trade shows, gala dinners and receptions, tournaments, free community events, theatre productions, city celebrations, dance and cheerleading competitions, recreational hockey, conferences, gradations, figure skating exhibitions and competitions, charitable events, consumer shows and media events. The impact on the city is readily apparent. Kingston's hospitality and restaurant sector, always flourishing during the tourism season, now looks forward to the start of the Rogers K-Rock Centre fall season. Our local establishments look forward to the area fans sure to boost business during the slower off-season months. This enhanced business environment has attracted new establishments into the city, contributing to a vibrant year-round downtown.

The 2016-17 hockey season saw the Kingston Frontenacs make another strong run into the playoffs including a thrilling overtime victory in game 7 of the opening round. On the heels of these 2016-17 season strides, the Frontenacs are primed for another strong showing this season. The 2016-17

season also delivered a variety of other events including Jeff Dunham, Bob Dylan, newcomer Old Dominion, Brad Paisley, Blue Rodeo and Dean Brody, along with popular family shows WWE Live and the Harlem Globetrotters.

Community outreach supporting charitable organizations continued throughout the past season. These organizations included In From the Cold Shelter, Tree of Hope, Kingston Interval House, The Loving Spoonful, Partners in Mission Food Bank, Dress for Success, St. Vincent de Paul Society and Clothes for Kids. General Manager Lynn Carlotto continues to serve on boards and committees including Downtown Kingston! Board of Management (member), Downtown Kingston! Executive Committee (member), Downtown Kingston! Marketing Committee (chair) and Dress for Success (director at large). In addition, Lynn Carlotto remains an active member of the Fort Frontenac Officers' Mess, 100+ Women Kingston, Greater Kingston Chamber of Commerce and Kingston Women's Network.

SMG also enhanced community engagement by supporting and participating in various events throughout the city. Activities included a Dress for Success partnership, Queen's student orientation activities and support of military initiatives. Interacting in person with the public, outside of the Rogers K-Rock Centre, provided new opportunities for customer engagement and essential guest feedback. The Rogers K-Rock Centre social media presence continued to grow throughout 2017 with targeted new initiatives to increase public exposure. The event introduction video, changeovers, set-up and teardown videos and behind the scenes scoops were well received by the public.

A number of significant changes for the 2017-18 season have been made in food & beverage. These changes were made with a focus on buying local, connecting with many new local suppliers including a winery in Prince Edward County, a local bakery in Kingston and a local farm in Elgin. In addition, the newly remodeled Molson Canadian Brew House on the main concourse is the location for a new pre-hockey buffet. As well, Carnival Alley, a new initiative was created on the 300 level inner concourse for the fans to purchase snow cones, popcorn, cotton candy and build your own hotdogs during the hockey games. Finally, concession stands have been redesigned with entirely new menu items including Bacon on a Stick, mac and cheese, crusted chicken skewers and loaded pierogis.

Event Overview

2017 Event Highlights

The past season marked another successful year for the Kingston Frontenacs, once again returning to the second round of the Ontario Hockey League playoffs. For the second year in a row the Frontenacs were able to push past their first round opponent and give the City of Kingston an extended season, leaving fans eager for the 2017-18 season to come.

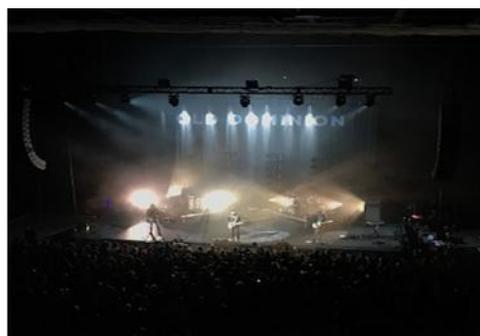
Jeff Dunham kicked off the event season at the Rogers K-Rock Centre in late January. Dunham provided a sold out crowd with an evening filled with laughter in his return to Kingston. In early February, the Rogers K-Rock Centre then hosted the Carr-Harris Cup between the Queens Golden Gaels and RMC Paladins. Other events hosted in February included Country superstar Brad Paisley and Canadian artist Blue Rodeo. The KHBA Home & Renovation show returned for the second year in a row and will continue to be held at the Rogers K-Rock Centre in subsequent years.

April and May proved to be busy months for the venue with country artist Old Dominion and Dean Brody. In May, Riverdance returned to the Rogers K-Rock Centre with the highly anticipated 20th Year Anniversary production. The Rogers K-Rock Centre also hosted Science Rendezvous welcoming more than 5,000 guests to participate in Queen's University highly successful science fair. Science Rendezvous continues to be one of the most successful community events at the Rogers K-Rock Centre and participation continues to grow year after year. It is also the largest Science Rendezvous in the country, surpassing a similar event held in Toronto each year.

Throughout the summer a variety of events were hosted including the TOPS Conference, St. Lawrence College Convocations, Shopify Conference Reception, Bob Dylan in concert, LCVI and Frontenac Graduations, WWE Live and ToyCon. The summer also included a number of community events including our annual SMG sponsored community Wednesday Roller Skating Nights. The building also teamed up with the local YMCA chapter to offer free ball hockey to all of their camp participants throughout the day on Thursdays. Through a program called NHL Street, the Rogers K-Rock Centre was able to provide all the participants with the required equipment to participate in a full game of ball hockey. With this year's partnership such a success, SMG and YMCA will work to grow the partnership and improve the program through subsequent years.

In addition to Kingston Frontenac hockey, an exciting lineup of events is offered for the fall 2017 season. The season began with the widely popular "I Love the 90's" concert featuring Salt-N-Pepa and Vanilla Ice in September. The final months of the year will bring a number of prestigious events to Rogers K-Rock Centre. October will see up-and-coming Canadian country music star Dallas Smith make his first appearance at the venue. November will include Theresa Caputo, The Arkells, STOMP and most importantly the return of Sir Elton John, the fastest concert sell-out of the season. Fans of the "Long Island Medium", Theresa Caputo, and Canadian country sensation Dallas Smith will see their stars in Kingston for the first time.

Artists performing at Rogers K-Rock Centre will now face a specially designed banner from stage honoring The Tragically Hip. This banner was unveiled prior to the first concert of the 2017-18 season.





New Events Hosted in 2017

The Rogers K-Rock Centre hosted artists that were new experiences to Kingston audiences, namely Old Dominion, the previously mentioned “I Love the 90’s” concert in September, “The Long Island Medium” Teresa Caputo and Dallas Smith. The venue’s management worked to create and attract new programming that would be capable of becoming annual events. Both the Chamber of Commerce Connect Mixer and the KHBA Home & Renovation Show continue to grow and the newly added ToyCon show adds to the variety of events hosted. ToyCon has the potential to become one of the largest comic book and toy shows in eastern Ontario and SMG will work with the promoter to build on the success achieved in this inaugural year.

LCVI also hosted their first graduation at the venue in 2017. The addition of LCVI continues build upon the booking initiative of bringing additional graduations to the Rogers K-Rock Centre.

As well, a private training camp was held for international world class figure skaters in March prior to the 2017 World Championships in Helsinki. The venue’s location in Kingston between elite coaching centers in Toronto and Montreal put it in the perfect position to host the prestigious camp. Based on the success of this initial program inquiries will be made to schedule a similar camp this upcoming season.

Looking Ahead to 2018 Events and Trends

As tradeshow explore moving to larger spaces, the venue will continue to seek out particular shows that will benefit the Kingston market. Rogers K-Rock Centre has the ability to host tradeshow exclusively in the concourse area, enabling the venue to book smaller shows. Since other meeting and trade show facilities are not capable of this, Rogers K-Rock Centre is well positioned for securing smaller tradeshow. Wherever possible, such bookings during the summer months enable Rogers K-Rock Centre’s event schedule to expand during an otherwise quieter time of year.

The booking team is currently pursuing additional schools to participate in graduation week during the spring of 2018. The ability to host multiple high school graduations throughout one day presents a unique opportunity. Work will continue with the local school boards recognizing that many schools are becoming too large to host these graduations in their gymnasiums. Many school gymnasiums also lack air conditioning which is a major concern with graduations that are increasing in size and duration. These factors mean that the venue is poised to become a host to multiple graduations each season with the potential to hold several days of ceremonies in the last week of June.

Rogers K-Rock Centre has the necessary space and amenities to provide various options for corporate events. Moving forward the staff at the Rogers K-Rock Centre will look to target this market and seek out similar business receptions and events.



Within the Events Department

The Rogers K-Rock Centre is proud to support both Queens University and St. Lawrence College. The internship programs at both educational institutions provide fantastic opportunities for students to increase their learning potential and get hands on work experience. SMG hired students from both Queens University and St. Lawrence College to assist with various departmental needs throughout 2017. In total, seven interns assisted various management staff through the event season, providing the students with an opportunity to achieve a better understanding of the day to day operations within a major facility. Students were able to obtain hands on experience and assisted with event planning, user surveys, customer service, data entry and community projects. The Rogers K-Rock Centre looks to continue to support both Queens University and St. Lawrence College in their internships programs and assist in developing their students who are interested in the events industry.

The Events team had the opportunity to attend several training sessions throughout the year. Staff members attended various training programs with KFL&A Public Health, the Kingston Police, ACGO, Kingston Fire & Rescue and Frontenac Paramedics. These training sessions provide front line staff the opportunity to learn from various organizations in order to better service guests and maintain safety. Members of the events team also participate in various city committees, including the Travel Trade Committee and Sport Tourism Committee.

Food and Beverage Overview

The Food & Beverage department motto for the 2017-18 season is to “become a food destination, not a convenience”. This will be achieved by delivering outstanding food and superior service, one guest at a time.

In order to meet this objective, several new and unique menu items have been introduced for the 2017-18 season, in addition to new improvements on the tried and true concessions favorites.

In addition to new diversity, Food & Beverage is making strides to buy local. New partnerships include a local bakery, a local farm supplying all beef and pork, and a local winery. These initiatives are the Rogers K-Rock version of farm to table”, or “farm to concessions”.

The first change that fans will notice is that the concession stands have been completely updated. Video monitors display the menu and thematic stand designs highlight the various themes and food concepts. These concepts are branded to celebrate food trends, the history of Kingston and also the local military community. In an effort to accommodate various dietary requirements vegetarian, vegan and gluten free options are offered for the enjoyment of our fans.

2017-18 Updated Concession Stands:



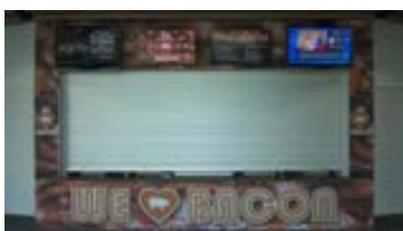
Barrack’s Grill – pays respect to the local military community, serving traditional fan favorites such as Homemade Burgers, Poutine, Gourmet Hotdogs and a new signature item -- Chicken on a Stick.



Craft Brews and BBQ – features local craft beers and BBQ including house smoked brisket and pulled pork sourced from a local farm.



The Watch Tower—this is the quick “grab and go” location. Fans have the ability to secure a cold beverage, slice of pizza or other freshly prepared items with little wait time.



We Love Bacon – this stand is dedicated to the popularity of bacon and so features a completely bacon themed menu. Items include Bacon on a Stick, Pierogies

Smothered in Bacon as well as Bacon Mac and Cheese. All bacon served is cured and smoked in house.

Carnival Alley – located inside the arena on the 300 level and designed to take you to the fair. Carnival favorites such as Cotton Candy, Snow Cones and Popcorn are available along with a Build Your Own Foot long (Hotdog) stand with over 15 toppings to choose from.

Pizza Pizza – guests will also now be able to enjoy this popular item from the franchised Pizza Pizza stand located in the arena behind section 117. Pizza Pizza has been the number one grossing pizza chain in Ontario for the past several years and is positioned become a new fan favorite.

Changes have also taken place in the restaurant areas. The previous restaurant area located behind section 108 is now the 300 level pub and will be open to Frontenacs season ticket holders prior to the games. Sit down dining has been moved to the concourse level. The previous Creemore Corner Pub (between gates 2 and 3) has been rebranded as the Molson Canadian Brew House. This renovation features a bold new look including multiple television monitors, table seating for 50 people, and a Pre-Game Buffet featuring an assortment of menu items from appetizer to dessert. The Pre Game Buffet will be available for all home evening games and will offer over 25 items, including a carving station and pasta station.

Premium guests have the ability to enjoy all new Suites menus that include share plates with a multi-cultural twist, a new pre order menu featuring fine dining options such as Prime Rib Stuffed Yorkshire Pudding, Fried Apple, Tuna Poke, Chicken Marsala, Grilled Veggie Sub, Maple Bacon Pork Tenderloin and Salted Edamame. Traditional fan favorites are also available plus vegetarian/vegan options and the popular game day menu.

The Food & Beverage menu in the Shaw Insurance Club Lounge now includes homemade buffalo chicken eggrolls and pulled pork tacos. “Vintage 10” anniversary wines have also been added to all areas of the venue. This assortment of specialty rose, red and white from Sandbanks Winery has been privately labeled to celebrate the Rogers K-Rock Centre 10th Anniversary.

Operations Overview

Throughout 2017, SMG completed a number of venue projects designed to improve tenant and guest experience as well as enhance operations. They are as follows:

Major Capital Improvements

➤ *In-Suite Renovations*

SMG determined that it was necessary to renovate the premium suites to include new carpeting and colour schemes in order to enhance premium client experiences. This was phase two of the suite level renovations which began in the summer of 2016.

The carpeting in the premium suites was replaced with a higher traffic/durability carpet tile to match the suite level hallways (completed in 2016). Aside from providing a refreshed look to the suites, the

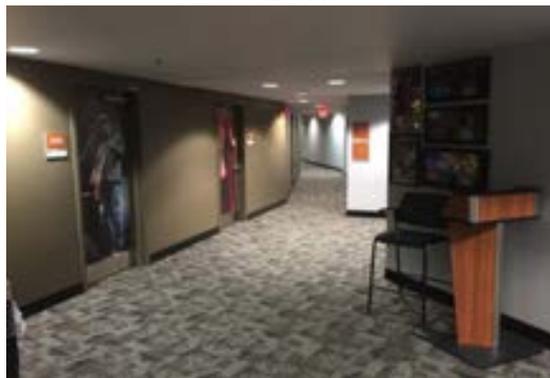
carpet tiles make for much easier on-going maintenance as only the damaged or stained tiles need to be replaced in the future.

The colour scheme of the premium suites was repainted to match the suite-level hallway (completed in 2016).

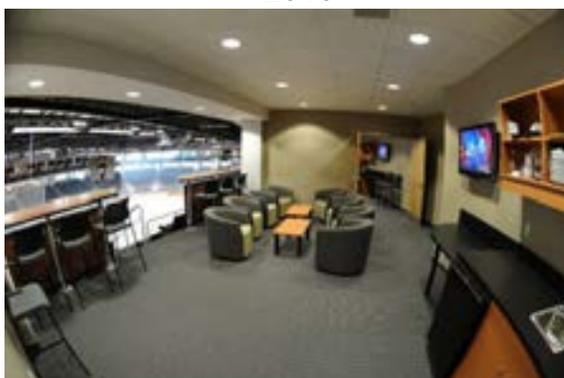
2016



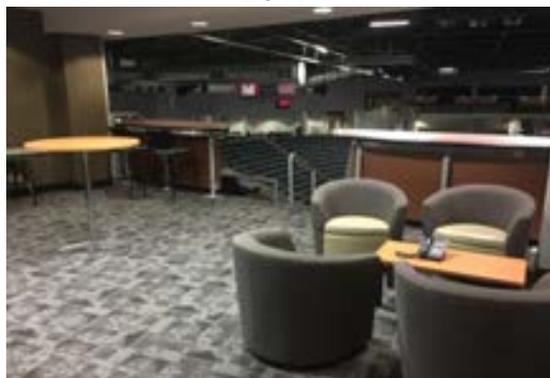
2017



2016



2017



➤ ***Rigging Fall Arrest Lifeline Expansion***

In May of 2017 the arena's fall arrest system for structural rigging (event rigging) was expanded to encompass the entire lower structural steel area. As concert production expanded the ability of Rogers K-Rock Centre to properly accommodate all equipment needed to be maximized. This technical improvement enables the venue to handle the increased production needs of today's shows.

➤ ***Replaced Generator Fuel Supply Control Panel***

It was identified in late 2016 that the control panel for the fuel supply system to the emergency generator was outdated. Due to code changes replacement of the existing control panel was

necessary. The outdated control panel was replaced with a new panel which meets the current code requirements.

➤ **Information Technology Updates - Phase Two**

As a result of a study conducted in late 2014 it was identified that numerous IT related systems were nearing end of life expectancy. In 2015 the venue's telephone system was replaced as phase one of a much larger scope designed to bring the facility up to current standards. During the summer of 2017 phase two of the project was completed. Phase two consisted of various items: Local Area Network infrastructure replacement, Internal/Administrative Wi-Fi system replacement and connection of the telecom rooms throughout the building to the venue's life safety generator.

The new systems have proven in their infancy to be working flawlessly, with many enhanced capabilities that improve operational efficiencies. Having communication systems connected to the life safety generator will also prove useful in the future for emergency situations in the event of a loss of utility power.

2018 Capital Budget Submission

The 2018 capital budget submission includes repairs to essential building systems along with items necessary to ensure customer satisfaction and safety. The ultimately necessary replacement of venue controls, fan comfort, life safety, digital media, IT and security systems are included in the 15 year capital budget. These projects include replacement of the access swipe card system and replacement of the security camera system. Also budgeted for re-development and re-commissioning is the building automation system. The total of these major capital items is \$200,000.

2018 Budgeted Expenses

Operating Expenses

Operational expenses are anticipated to increase as the building ages, it is also expected that the cost of maintaining the building will increase in order to continue to provide the highest level of guest comfort and also maintaining operational efficiency.

Minor Capital Improvements

The following minor capital items are requested by the Rogers K-Rock Centre management based on a needs assessment for the venue and fall under one of the following criteria:

- Revenue generation
- Reduction of expenses
- Improvement to service
- Operational efficiency
- Capital improvement/replacement
- Safety and security

These funds are factored into the 2018 operational budget submission.

2018	
Replacement stanchions	\$5,200
Additional stage decking supports (Z-Legs)	\$15,600
Replacement Pipe and Drape	\$1,000
Sign holders	\$1,000
Replacement Tires for Ice Resurfacers	\$3,000
Minor IT replacement fund	\$8,000
Miscellaneous/Mechanical/FFE/Building Envelope repairs	\$16,200
Total	\$50,000

15 Year Capital Plan

The items identified in the 2016-17 annual plan have been completed or are in progress. These include:

- Suite renovations-including carpeting replacement
- Humidity control modifications
- Additional fall arrest lifeline installation
- Upgraded generator fuel control panel
- LAN/WIFI/UPS replacement and emergency power connections

Items currently identified for 2018 through 2032 are identified below.

Short Term Projection	2018	2019	2020	2021	2022	(Years 1-5)
Roger's K-ROCK Centre - Facilities (0054)	200,000	190,000	265,000	410,000	315,000	1,380,000

Initiatives to include:

Security card access system replacement
 Security camera system replacement
 Domestic hot water boiler replacement
 Desiccant wheel (dehumidification) replacement
 Building Automation System replacement/upgrades
 IT/Network replacement/upgrades
 FFE (furniture) replacements
 Fleet replacement (ice resurfacer, floor scrubbers, forklift, boom lift)
 Refrigeration plant (pump replacements, cooling tower fill)
 Interior surface renovations (all areas)

Mid Term Projection	2023	2024	2025	2026	2027	(Years 6-10)
Roger's K-ROCK Centre - Facilities (0054)	180,000	265,000	180,000	145,000	1,045,000	1,815,000

Initiatives to include:

Digital signage replacement
 Heat exchanger replacement
 Interior surface renovations (suites, premium areas)
 Phone system replacement/upgrades
 Building Automation System replacement/upgrades
 IT/Network replacement/upgrades
 FFE (furniture) replacements
 Fleet replacement (ice resurfacer)

Long Term Projection	2028	2029	2030	2031	2032	(Years 11-15)
REC - Roger's K-ROCK Centre - Facilities (0054)	927,500	230,000	258,000	230,000	280,000	1,925,500

Initiatives to include:

Roof replacement
 Refrigeration plant (compressor replacement)
 Interior surface renovations (all areas)
 Desiccant wheel (dehumidification) replacement
 Security card access system replacement
 Security camera system replacement
 Fleet replacement (floor scrubbers, forklift, scissor lift, boom lift)
 Building Automation System replacement/upgrades
 IT/Network replacement/upgrades
 FFE (furniture) replacements

Financial Overview

2017 Financial Summary

The table on the next page shows the comparison of the 2017 Projections as of September 30, 2017 alongside the 2017 Budget. Annual Plan financials are based on eight months of results combined with a four month projection.

In summary:

- Event Revenues are projected to be 16.8% lower for 2017 than budgeted, with a projected total of 104 events and a projected total attendance of 206,294. This is the result of:
 - Significantly fewer touring concert events available in 2017 for mid-sized venues and the rescheduling of multi-performance shows.
- Non-Event Revenues are projected to be 9.7% lower than budget as a result of lower suite and advertising revenues.
- Operational expenses are projected to be 11.0% lower than budget due to lower Materials, Supplies & Services Expense; General & Administrative Expense; Repairs & Maintenance Expense; and Salaries, Wages and Benefits Expense. Additional cost controls and efficiencies are being investigated for further savings on a go forward basis.

	<u>2017 Projection</u>	<u>2017 Budget</u>
Number of Events	104	114
Attendance	206,294	229,688
Event Revenues		
SMG Event Revenue	\$ 607,952	\$ 845,557
Frontenacs Event Revenue	\$ 471,614	452,706
Total Event Revenues	\$ 1,079,566	\$ 1,298,263
Non-Event Revenue		
Suite Revenue	\$ 559,209	\$ 644,713
Club Seat Revenue	\$ 212,206	\$ 243,370
Advertising & Naming Rights Revenue	\$ 495,244	\$ 531,106
Ice Rental & Other Revenue	\$ 191,534	\$ 194,750
Non-Event Revenue	\$ 1,458,193	\$ 1,613,939
Total Revenues	\$ 2,537,759	\$ 2,912,202
Operational Expenses	\$ 2,052,361	\$ 2,305,145
Net Income from Operations	\$ 485,398	\$ 607,057

2017 Projected Revenue Summary

The annual \$700,000 guarantee was pre-paid by SMG as outlined in the Amendment and Extension Agreement executed April 28, 2016. As of the date of this report, the venue is projected to achieve the following results by year-end:

- **Projected Event Revenue**
 - 104 events in 2017, which is 8.8% lower than the budget and 5.5% lower than 2016's total of 110 events.
 - Attendance of 206,294, which is 10.2% lower than budget and 15.5% lower than the total attendance of 244,162 in 2016.
 - Event income is projected to be \$1.080M, which is 16.8% lower than the budgeted figure of \$1.298M.
- **Projected Non-Event Revenue**
 - **Suites**
As of the date of this report, of the 29 suites available, 25 are occupied through licensing agreements (86.2%) with additional sales efforts continuing to close the four remaining suites. Suite revenues are projected to achieve \$559,209, which is 13.3% lower than the 2017 budgeted figure of \$644,713. The breakdown of current suite licenses is as follows:

- Two (2) in the third year of a seven-year deal
- One (1) in the fourth year of a seven-year deal
- One (1) in the fifth year of a seven-year deal
- One (1) in the final year of a seven-year deal
- Two (2) in the second year of a five-year deal
- Five (5) in the final year of a five-year deal
- Two (2) in the second year of a three-year deal
- Five (5) in the final year of a three-year deal
- One (1) in the final year of a two-year deal
- Four (4) unsold suites
- Five (5) suites exist with modified deals due to different contractual obligations (Molson; Coca Cola; K-Rock Radio; Watson Bain and Taylor Auto Mall; and the Kingston Frontenacs).

Until the remaining suites are licensed, SMG will continue to rent them on an event-by-event basis.

○ **Club Seats**

As of the date of this report, there are 475 club seats occupied (or 84.2%) through licensing agreements. Club seat revenues are projected to reach \$212,206, which is 12.8% lower than the 2017 budget figure of \$243,270. The breakdown of current licenses is as follows:

- One-year terms – 227 tickets
- Three-year terms – 56 tickets
- Five-year terms – 192 tickets
- Unsold seats – 89

The projection is 2.3% lower than the 2016 result of \$217,227. There was significant interest in obtaining club seats in 2016 due to the final concert for The Tragically Hip in August 2016. Some of the patrons that obtained club seat licenses specifically for The Tragically Hip chose not to renew after the 2016-2017 season ended in August 2017

● **Ice Rentals**

As of the date of this report, the venue is projected to reach \$179,829, which is marginally lower than the 2017 budgeted figure of \$180,000. While potential areas of growth continue to be in non-prime hours, this appears to be consistent with other City facilities. An increase in event load for the building will have an adverse impact on Ice Rental Revenue due to the limitation of supply.

● **Sponsorship and Advertising**

As of the date of this report, sponsorship and advertising revenues are projected to achieve \$495,244, which is 6.8% lower than the 2017 budgeted figure of \$531,106. However, the 2017 projected revenues of \$495,244 is a 5.6% increase over the 2016 result of \$469,039.

SMG sales staff has increased advertising revenue in 2017 through the creation of new advertising opportunities for local businesses. Increasing the type of inventory available, such

as stair wraps and select wall advertising, contributed to this growth. Sponsorship has also been secured for the suite level and interior entrance door glass.

2017 Projected Expense Summary

In 2017, expenses are projected to be \$2.052M compared to the budgeted amount of \$2.305M, which is 11.0% lower.

This projected decrease in expenses is anticipated to be a result of the following factors:

- Proactive management of labor hours resulting in reduced payroll expenses
- Savings on repairs and maintenance costs due to in-house building repairs and maintenance by trained Operations staff

2018 Operating Budget Overview

The 2018 budget is based on a thorough analysis of the performance of the Rogers K-Rock Centre in past years. The key factors and trends considered in the analysis are: the average number of events; the average number of ticket buyers; trending energy costs; the increasing cost of maintaining the facility; the impact of foreign exchange rates on artist guarantees and purchasing; and sponsor/fan habits regarding investments in advertising and premium seating. These trends have also been analyzed in light of current expectations and activity to date, which will influence 2018 results.

On the basis of aggressive booking and sales, conservative expense adjustments, and the anticipation of significant sporting events occurring on a regular basis, the net incomes of budgets presented in previous years have historically been higher than the budgeted bottom line presented below for 2018. The 2018 budget is based on non-event revenues and expenses incurring within mainly predictable ranges. Taking these conditions into consideration, the 2018 budget is conservatively tailored to the financial realities of current economic conditions.

2018 Capital Budget Submission

The 2018 capital budget submission includes essential building systems along with items necessary to ensure customer satisfaction and safety. These projects include replacement of the building's security swipe and security camera systems, purchase of cleaning machinery, and replacement of the building automation system. The total of these major capital items is \$200,000 for 2018.

2018 Operating Budget Submission

The pro-forma financials contained within the 2018 Annual Plan for the Rogers K-Rock Centre projects Gross Revenues of \$2.990M and Net Income from Operations of \$597,113.

The following table reflects the 2018 budget submission yielding an increased bottom-line over the 2017 projected results, with the 2017 budget and projections provided for comparison purposes.

	<u>2018 Proposed</u>	<u>2017 Projection</u>	<u>2017 Budget</u>
Event Revenues			
SMG Event Revenue	\$ 851,824	\$ 607,952	\$ 845,557
Frontenacs Event Revenue	489,711	\$ 471,614	452,706
Total Event Revenues	\$ 1,341,535	\$ 1,079,566	\$ 1,298,263
Non-Event Revenue			
Suite Revenue	\$ 651,160	\$ 559,209	\$ 644,713
Club Seat Revenue	245,804	212,206	243,370
Advertising & Naming Rights Revenue	558,769	495,244	531,106
Ice Rental & Other Revenue	192,250	191,534	194,750
Non-Event Revenue	\$ 1,647,983	\$ 1,458,193	\$ 1,613,939
Total Revenues	\$ 2,989,518	\$ 2,537,759	\$ 2,912,202
Operational Expenses	\$ 2,392,405	\$ 2,052,361	\$ 2,305,145
Net Income from Operations	\$ 597,113	\$ 485,398	\$ 607,057

2018 Budgeted Revenue

Event Assumptions

The 2018 budget projects 102 event bookings. This is 2 events less than the projected total of 104 in 2017. The event mix changes every budget year and includes events attracting a smaller audience as well as fewer events expected to attract much larger audiences. Since the events budgeted for 2018 include larger events, the result is increased revenue despite fewer overall events

Event Bookings

Based on current inquiries regarding event booking, it is anticipated that 2018 will see a growth in the event revenues over 2017. The 2018 budget submission of \$1,341,535 for total event revenues is an increase of \$261,969 over the projected 2017 total.

- **SMG Events**

The SMG component of event revenues is projected to be \$851,824, which is \$243,872 higher than the projected 2017 total of \$607,952. Performance on concert events is expected to strengthen over the prior year and concert availability is projected to be more favorable. Concert events continue to be an important contributor to the venue's successful achievement of budgeted revenues.

- **Kingston Frontenacs Events**

The Kingston Frontenacs anticipate the continued growth of individual and group ticket sales. Further anticipation for post-season games remains strong, with the team making it to the second round of playoffs in the 2016-2017 season. Additionally, Food and Beverage sales during the events have steadily grown over the past two years; new initiatives to generate

additional sales have been implemented in the fall of 2017, such as themed concession stands, the renovation of the Molson Brew House and Carnival Alley. The team extended marketing efforts over the summer months and a season-long promotional ticket program will again be implemented to engage new fans.

- **SMG and Tourism Kingston**

SMG looks forward to collaborating with Tourism Kingston sports marketing efforts to secure sporting event in the future. As part of SMG's efforts to ensure maximum event revenue to the facility, Tourism Kingston and SMG will continue to work together to identify and secure sporting events for the building.

Non-Event Revenue

The 2018 projections represent near full capacity in the Sponsorship and Advertising, Suite and Club Seat areas. Increasing inventory through the creation of new visibility options will be developed to support budget expectations.

2018 Budgeted Expenses

Operating Expenses

Operational expenses are anticipated to increase to account for utilities increases in line with the projected increase in the number of events. Furthermore, as the building ages, it is expected that the cost of maintaining the building will increase in order to continue to provide the highest level of guest experience.

Minor Capital Improvements

The following minor capital items are requested by the Rogers K-Rock Centre management based on a needs assessment for the venue and fall under one of the following criteria:

- Revenue generation
- Reduction of expenses
- Improvement to service
- Operational efficiency
- Capital improvement/replacement
- Safety and security

These funds are factored into the 2018 operational budget submission.

2018 Marketing Plan

SMG continues to explore and seek understanding of emerging marketing, sales, and promotional opportunities to generate positive results for the building, the city and the region. In development of the annual marketing plan SMG identifies and develops strategies to guide the continued success of the facility and its stakeholders on local and regional levels. Transitioning into 2018 the focus for SMG will be on four key areas:

- Establishing a physical presence within the community
- Highlighting industry-leading innovations within the venue
- Producing high-quality media content to generate valuable social engagement
- Celebrating the continued success of the venue specifically around the 10th anniversary of opening weekend

As an industry leader the Rogers K-Rock Centre will continue to investigate new and expanded marketing possibilities throughout 2018 and onward. Several concepts will be implemented when practicable, based on budgetary constraints, and with the cooperation of industry and community entities.

Establishing a physical presence within the community

Throughout 2017 the Rogers K-Rock Centre identified the value in a physical presence outside of the traditional arena location. Being present at community events generates positive impressions with user groups outside of the venue's sphere of influence and allows for strong engagement with the local event scene.

Taste of Kingston

In the summer of 2017, the Rogers K-Rock Centre Food & Beverage team brought new and unique concession food offerings to Diabetes Canada's "Taste of Kingston" event. The event was held at Confederation Park in front of Kingston city hall. The booth was widely recognized on social media for the quality of their food and generated large amounts of positive feedback through in-person exposure. For 2018, these kinds of events will be expanded on to build on the success of the first. Additional events targeted are "HospiceFest" (formerly ChiliFest) and the "Rib and Craft Beer Festival" with other opportunities being explored constantly.

Queen's Sidewalk Sale and EngDay



Rogers K-Rock Centre attended both the 2017 Queen's ASUS Sidewalk Sale and the Queen's Engineering Society "EngDay" events on University Avenue. Both events were valuable experiences, providing the opportunity to interact face-to-face contact with thousands of new and returning Queen's University students. Through ticket giveaways, surveying, and conversations with students, we gained valuable knowledge about their spending habits, event preferences, and entertainment priorities throughout the school year. The lessons learned from these two events will be used to develop stronger connection at events in the spring during exam week, and next fall for the start of the 2018-19 school year.

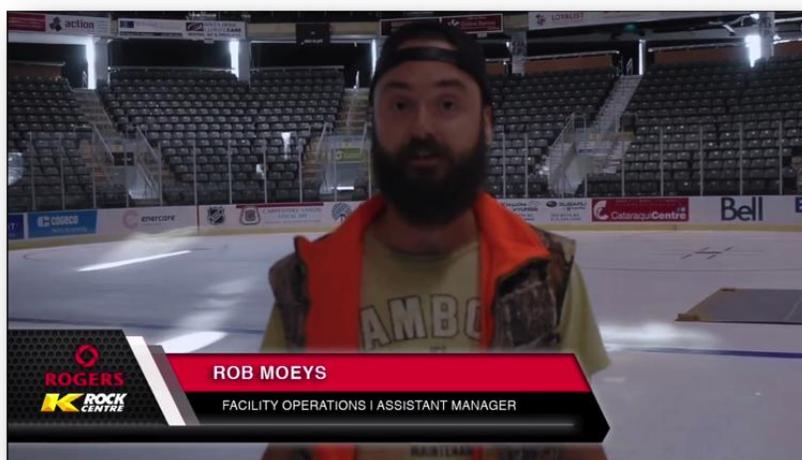
Highlighting industry-leading innovations within the venue

With the start of the 2017-18 season, Rogers K-Rock Centre is rolling out a newly designed Food & Beverage menu that establishes the venue as an innovator in the catering and concessions industry. Alongside this, our Operations team continues to maintain the highest possible standards for event preparations and venue maintenance. These are the kinds of items that resonate within the community as novel, interesting, and valuable insights when presented through both traditional and social-media channels.



Producing high-quality media content to generate valuable social engagement

The best way to highlight the innovations and successes within the venue are through the use of high-quality image and video production that can be easily shared widely on social channels while drawing traditional media attentions. The hiring of a Marketing Coordinator has enabled these kinds of items to be created on a regular basis, and will be a large focus of venue promotion throughout 2018.



Our current Social Media landscape exists as follows:

- Facebook** www.facebook.com/rogerskrockcentre
 The largest and longest-running platform, our Facebook venue page now boasts 12,888 likes and is a key portal for customers seeking information and as a avenue to provide feedback. Closer integration with Ticketmaster has allowed for event-specific Facebook events to be auto-generated and tied to our account, providing better flow for the final customers. Additionally, through 2018 we expect to devote significantly more of event marketing budgets

toward advertising through the Facebook platform, as results have been consistently strong when using this tool to generate sales.

- **Twitter** www.twitter.com/krockcentre
Local engagement with Twitter is strong, allowing us to participate in community discussions with our 9,484 followers and to consistently engage with users tied directly to Kingston and the region. This is also an ideal platform for sharing candid photos and videos from within the event environment and to engage with fans already onsite to answer inquiries and evaluate their experience.
- **Rogers K-Rock Centre** *Email Subscription list*
An important part of the life cycle for every Rogers K-Rock Centre event, the subscriber list now has 24,829 active subscribers who receive emails when a show is announced, as well as a reminder the week prior to the show date. Further marketing initiatives are implemented on an as-needed basis to provide the best value possible. The value in these emails continues to be strong, with more than 22% of emails being opened and viewed by customers who are actively interested in what we have to offer.
- **Website** www.rogersk-rockcentre.com
The new clean and modern design of our website continues our strong digital presence and maintains a high availability of information for all events to our customers. With nearly 15,000 page views monthly, the website generates the majority of its traffic in event-related capacities including show specific information, visitor questions, or FAQ's that serve our customers with up to date and valuable information.
- **Instagram** <https://www.instagram.com/rogerskrockcentre/>
Our newest and most dynamic platform, Instagram saw over 400% growth in followers for 2017, and continues to be a strong means for connecting with young audience including local student populations. By producing smaller video pieces, and event recaps, this platform continues to engage new audiences who can become ticket-buying customers.

2018 New Initiatives

10th Anniversary

On February 22nd, 2018, Rogers K-Rock Centre will celebrate 10 years of operation in downtown Kingston. Throughout 2018, this anniversary will be the jumping-off point for a series of commemorative events and at least one special item recognizing this milestone. The item fans are already able to enjoy is specially commissioned wine. Venue management collaborated with Sandbanks Winery and the Food & Beverage department to develop this collection of local red, white and rose wines. The Vintage 10 specialty wines bottled by Sandbanks Winery are being served throughout the venue during the season.



Furthermore, a series of events surrounding the tenth anniversary season are currently in the active planning stage. These activities will cater to a number of groups including our partners, private stakeholders, premium clients and the general public. The program will consist of a series of events within the mid-February window, creating a celebration designed to provide different opportunities for the venue to be spotlighted. The anniversary event schedule will be released at the start of 2018.

Venue Naming Rights

After 10 years, a name change is on the horizon for Rogers K-Rock Centre.

The exclusive renegotiation period with Rogers Broadcasting Limited expired late summer. Since this time, alternate naming rights sponsors continue to be identified, evaluated and prospected. Concurrently, Rogers has extended the current naming agreement beyond the February 2018 expiration through to June 30, 2018. Originally named in 2008 for local radio station K-Rock, Rogers Broadcast Limited later purchased the station outright, leading to the addition of the Rogers name in 2013. Throughout these years, Rogers has been a valuable partner consistently providing strong support to the venue and events presented.

Looking Ahead

The upcoming year will herald the 10th anniversary of Rogers K-Rock Centre along with a fundamental change in the branding of Kingston's flagship sports and entertainment venue. This change will bring about heightened visibility for the venue, and with it new opportunity. While discussions continue with potential sponsors aware of the power of naming this successful venue, SMG also continues to program the superb sports and entertainment events Kingston has come to expect. With Kingston firmly established in the live music industry, the continued growth of the Kingston Frontenacs club and future collaborations with newly minted Tourism Kingston the future remains bright for Kingston's much envied asset.