



October 30, 2019

City of Regina Mayor & Council
 Attention: Curtis Smith
 Manager, Budget and Long-Term Financial Planning
 Financial Strategy & Sustainability Division
 City Hall – 2476 Victoria Avenue
 REGINA SK S4P 3C8

RE: Regina Exhibition Association Limited (REAL) 2020 Budget / Community Investment Funding

This letter is to seek the approval of the Regina City Council for Community Investment Funding of \$100,000 for 2020 for the Regina Exhibition Association Limited (REAL). REAL is requesting \$100,000 to support improvements related to safety and critical business issues which will be allocated based on the building assessment. In previous years REAL has received a grant of \$400,000 from the City of Regina on a \$41M annual budget. In 2019 REAL reduced the grant funding request to \$200,000 and in 2020 we are once again reducing the grant funding request to \$100,000. REAL delivers 99% cost recovery from annual operations and invests any surplus back into the maintenance and improvements of civic infrastructure at Evraz Place, all of which is owned by the City of Regina. At REAL each dollar made in profit is for the purpose of reinvestment to the benefit of all the community we serve, the sustainability of our facilities, and to reduce the long term deferred maintenance risk on civic assets.

REAL has governed the Evraz Place campus through transformational change over the last number of years and as we look towards the future there is even more significant change on the horizon. The International Trade Centre and Mosaic Stadium are the two latest additions to our world-class campus that programs in sport, recreation, culture, events, agriculture, conferences, conventions, and most importantly memory-making. Over the last number of years REAL has seen our business model grow by over 40% in only a few short years. This growth has been concurrent between the Revenue and Expense side of our business and like any organization experiencing rapid growth we are in the process of optimizing and improving our business efficiency. We strongly believe in the importance of communication and transparency and welcome the opportunity discuss and present our request to City Council.

Mandate

Established in 1884 REAL is 135 years old – older than the province of Saskatchewan. In January 2014 REAL moved under the *Non-Profit Corporations Act 1995 (Saskatchewan)* and the City of Regina (COR)

became Real's sole shareholder. Under the Unanimous Members Agreement (UMA) REAL became an arms-length municipally owned entity. The City of Regina owns the lands and assets of Evraz Place which REAL operates on the behalf of City Council in accordance with the UMA.

The mandate of REAL as per the UMA is as follows:

- (a) operate in the best interests of the community and enrich the quality of life for people in the community through the hosting and delivery of local, regional, national, and international events;
- (b) develop, operate and maintain City and other facilities to provide world-class hospitality for trade, agri-business, sporting, entertainment and cultural events that bring innovation, enrichment and prosperity to the community; and
- (c) operate with an entrepreneurial spirit and to pursue expanded business venture that could generate additional revenue.

Services

REAL operates a number of the communities' most activated venues with more than 3.5 Million annual visitors. Evraz Place is home to Mosaic Stadium and the Saskatchewan Roughriders. The Regina Pats have played on the property for more than 100 years and call the Brandt Centre home. The Queensbury Convention Centre boasts 42,000 sq. ft. of flexible space for conventions, conferences, weddings, trade shows, meetings, and more. Combined with the other facilities Evraz Place provides more than 300,000 sq. ft. of continuous indoor space. The recently named AffinityPlex is 90,000 sq. ft. with a regulation indoor soccer field. The six-rink hockey arena, the Co-operators Center, host tournaments almost every weekend generating considerable tourism and economic benefit. The International Trade Centre (ITC) is the new home for the Canadian Western Agribition, major trade shows, conference and other events of all shapes and sizes. Our two signature events Queen City Exhibition and the Canadian Farm Progress Show allow us to host neighbours to international guests as we showcase the best Regina has to offer.

REAL is more than just the buildings and events we operate. At REAL we bring economic impact that effects the province at \$425M GDP and Regina at \$219M GDP. REAL is the catalyst for 4,784 jobs provincially and 1 in 40 jobs in Regina. Annually our facilities caters to 2.4 million active users and hosts 3.5 million annual guests from over 50 different countries. REAL is proud of our diverse and inclusive workforce with 12% self-declared visible minorities and 15% self-declared as indigenous. Our team at REAL builds memories for our neighbours, for Regina, for Saskatchewan, for Canada, and for the world. The 100-acre campus located moments away from the downtown core is truly a hub at the heart of many of the exceptional events, memories, and experiences that happen within our City and our Province.

2019 Accomplishments and Risks

The 2019 operating year was truly a year to gain clarity, develop a deeper level of understanding, strategic planning and hosting of International events. Throughout the year, the Board of Directors had the opportunity to review the performance of the organization since the opening of the International Trade Centre and assuming the operating mandate for the new Mosaic Stadium. With enhanced activity based reporting, the Board was provided a lens into the profitability of major events which provided them a valuable operational understanding of 2019 and highlighted that REAL is in a phase of transition and heightened the need to identify ways to become sustainable.

Clarity & Understanding

In 2019 the Board of Directors commissioned a Facility and Asset Condition Review with the support of Stantec Consulting based in Regina. The results of this work highlights a sizable short term capital funding short fall and the need for the development of a long-term capital plan while concurrently reconsidering and identifying other revenue and profitability sources to support the capital needs of the organization in the future.

With an improved understanding of the operational impact to the organization with Mosaic Stadium and the International Trade Centre, the Board of Directors have recognized REAL operates under a relatively consistent revenue and expenditure model. This clarity supports the strategic position of the Board of Directors that new funding sources must be secured as earning potential from current operations is roughly \$1M annually in a successful year which is not sufficient to service the long term capital needs of the site.

Through REAL's work in 2019, it has been identified a sizable capital investment is needed to maintain the operations of the Brandt Centre and consequently, the Board of Directors and major tenants have recognized that a plan for the future operations of the Brandt Centre and indoor multi-purpose event space must be developed. This will be a planning priority in 2020.

Strategic Planning

With the current strategic plan Vision 2020 coming to a close the Board of Directors have recognized the governance responsibility of developing a new multi-year strategic approach for the future of the REAL. The Board of Directors has spent considerable time, energy and investment on the understanding of the current operations and site functionality as they work towards a new Strategic Plan. The Board of Directors will be finalizing a Strategic Plan for the consideration of Regina City Council, as the owner and sole shareholder, in Quarter 2 of 2020. This plan will include a detailed five year business plan and a strategic 15 year model. Highlights of this plan will include the following:

1. The development of a future facing plan for the Brandt Centre;

2. The proposal of a Sports, Entertainment and Recreation District within a greater Regina Revitalization Strategy and specific to the site managed by REAL;
3. The progression of Letters of Intent related to a future Hotel Opportunity, Restaurant Opportunity, and Soccer Facility towards supported, permitted and developed initiatives;
4. The re-alignment of key leases, contracts and agreements in place with the City of Regina to support the future direction of the REAL strategic plan; and
5. The coordination of a specialized tax model that will support the enhancement of the site and city assets related to future growth on the existing campus.

International Events

Once again REAL provided opportunities to showcase, highlight and celebrate the City of Regina on a global stage while concurrently bringing our community and Province together. This year REAL acquired, planned and supported unprecedented levels of Economic Development related to Tourism with the hosting of back to back Garth Brooks Stadium dates (only dates in Canada for 2019) hosting over 79,000 people in two days and played host to the Tim Horton's NHL Heritage Classic that was the first non-NHL market game in Canada and broadcast across North America. This truly was another year of outstanding events that benefited the organization, the business community and community spirit.

Risks

This year, REAL invested in sourcing and delivering on outstanding events, focusing on operational efficiencies and planning for the future. These events and work do not happen without incurring the necessary ancillary costs and as a consequence, there will be a challenge in achieving the 2019 budget. This highlights there is a significant risk in future years, should major events not occur, as 2019 was a remarkably successful major event year and considered a key revenue source for the sustainability of REAL.

2020 Opportunities and Risks

The primary risks related to REAL in 2020 are specific to Capital Infrastructure Risk and Major Event Hosting.

As highlighted in the Stantec Facility Asset Condition Review and multi-year shortfalls in Net Operating Income the gap between annual earnings generated by REAL and capital asset maintenance continues to broaden. With the sizable need for immediate investment REAL currently lacks the earnings to reinvest into community owned assets and this creates a material risk for a failure. The Board of

Directors have consistently maintained a focus on life safety and public safety items and is confident that facilities remain in strong working order but within the next 24 months there will be a need to generate new funding sources to mitigate future operational risk of a facility shut-down. Each year REAL maintains the capital budget at \$500,000 (which aligns with the available funding) however the investment required in capital maintenance continues to exceed what is available.

As identified, major events are critical to the financial success of REAL. To recap, in 2018 REAL was fortunate to host the Memorial Cup and the Curling Brier and in 2019 REAL secured a partnership for the Garth Brooks Stadium Tour and the Tim Horton's NHL Heritage Classic. These major events in 2018 and 2019 have represented roughly \$1M in positive earnings relative to the REAL annual operating budget. For 2020 REAL will work closely with the Saskatchewan RoughRiders to host the 2020 Grey Cup a truly National Event, which will mitigate some event risk, however at this point this is the only major event REAL has been able to secure. REAL is still in the process of sourcing and securing other entertainment opportunities for a major stadium event but if another major event is not secured, this will present some public and financial risk following a successful 2019.

In Closing

In closing we would like to sincerely thank the City of Regina for their continued leadership and support as our owner, sole-shareholder, and our largest partner. You more than anyone understand that the business of civic space making is one that takes time, partnership, collaboration, and contribution. You have afforded the opportunity as a not-for-profit community based organization to operate, maintain, and grow your flagship amenities at Evraz Place and for this we are appreciative of the opportunity and committed to delivering exceptional results.

Sincerely,



Tim Reid
President & Chief Executive Officer
REGINA EXHIBITION ASSOCIATION LIMITED



Sandra Masters
Board of Directors - Chair
REGINA EXHIBITION ASSOCIATION LIMITED

cc. David Sinclair, Chair, Audit & Finance Committee
Roberta Engel, Vice President Corporate Operations & Finance

4:30 p.m. – 7:30 p.m.
Wednesday, October 16, 2019
Corporate Boardroom, Administration Building
CONFIDENTIAL

Board Directors:	Sandra Masters (Chair), Marty Meloche, David Sinclair, Ken Budzak, Blain Kezama, Kathleen McCrum, Gordon Selinger, Tiffany Stephenson, Grant Wasnik (via teleconference), Sandra Bellegarde, Collin Pullar, Wayne Morsky, Chris Holden (ex-officio) and Kevin France (ex-officio).
Administration:	Tim Reid, Amanda Acorn, Gerry Fischer, and Roberta Engel.
Guests:	N / A
Regrets:	Sandra Bellegarde and Tiffany Stephenson

MOTION

To accept the proposed 2020 Operating Budget as distributed and to instruct Administration to forward to the City of Regina Council.

Moved by David Sinclair. Seconded by Wayne Morsky
All in favour. Carried.

MOTION

To accept the proposed 2020 Capital Budget as distributed and to instruct Administration to forward to the City of Regina Council.

Moved by David Sinclair. Seconded by Blain Kezama.
All in favour. Carried.

Regina Exhibition Association Limited
operating Evraz Place
All of REAL

Total Business - Annual Report Format

Statement of Income

	<i>Budget</i> 2020 \$	<i>Forecast</i> 2019 \$	<i>Actual</i> 2018 \$	<i>Actual</i> 2017 \$	<i>Actual</i> 2016 \$	<i>Actual</i> 2015 \$
Revenues						
Food & Beverage Sales	15,410,330	13,963,825	14,649,011	15,151,244	8,659,343	8,678,342
Other Sales & Rentals	28,737,108	24,459,652	22,710,259	23,597,045	16,583,553	16,736,093
Contributions & COR Capital	128,640	279,730	1,118,104	407,256	401,324	454,229
Sponsorships & Advertising	3,136,200	2,700,590	2,314,417	2,231,408	1,684,469	1,725,224
Revenue Continuance	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
	50,012,278	44,003,797	43,391,791	43,986,954	29,928,689	30,193,887
Expenses						
Cost of Goods Sold	5,510,863	5,146,007	5,330,585	5,611,569	3,308,226	3,237,849
Utilities	3,469,130	3,465,493	3,462,322	3,248,958	2,103,651	2,184,855
In-Scope Labour Costs	12,407,367	12,561,722	12,902,694	10,654,996	8,161,790	8,260,348
Out-of-Scope Labour	7,722,036	7,040,538	6,769,245	6,582,021	4,920,505	4,037,817
Contracted Labour	2,172,475	1,865,625	1,911,465	2,456,674	1,521,499	893,351
Other Non-Labour Costs	15,856,686	11,681,126	10,615,067	11,993,181	6,126,967	7,249,772
Repairs & Maintenance	2,016,478	1,823,901	1,697,235	2,924,120	3,084,062	2,675,110
	49,155,035	43,584,412	42,688,613	43,471,519	29,226,699	28,539,101
EBITDA	857,243	419,385	703,178	515,435	701,990	1,654,786

KPIs						
% of Sales:						
Cash Generation	2%	1%	2%	1%	2%	5%
Cost of Goods Sold	36%	37%	36%	37%	38%	37%
In-Scope Salaries	26%	30%	32%	26%	30%	30%
Out-of-Scope Salaries	16%	17%	17%	16%	18%	15%
Repairs & Maintenance	4%	4%	4%	7%	11%	10%
Other Non-Labour Costs	33%	28%	26%	29%	22%	26%
In-Scope : Out-of-Scope Salaries Ratio	1.61	1.78	1.91	1.62	1.66	2.05