



April 8, 2020

City of Regina Council
Attention: Chris Holden
City Manager
City of Regina
14th Floor – 2476 Victoria Avenue
Regina SK S4P 3C8

**RE: Amendment to Bylaw 2015-25 Limited Borrowing and Guarantee Bylaw
Regina Exhibition Association Limited (REAL)**

Good Afternoon Your Worship, Members of Council and City Administration,

I wanted to begin with an expression of appreciation and gratitude for your leadership as a City Council, the leadership and support we have been receiving from your Administration, and for your tireless dedication to the health of our community and everyone who calls Regina home. Your professionalism and steadfast leadership in the management of the COVID-19 pandemic is deeply appreciated. On behalf of the entire REAL Team, we would like to extend a sincere thank you and warm and well wishes to the entire City of Regina Team.

With the recent Public Health Order that legally prevents the Regina Exhibition Association Limited (REAL) from performing the core duties and responsibilities of the organization, our business model has fundamentally changed for an indefinite period of time. As an organization, our business depends on the revenue from events, rentals, and public gatherings to support the fundamental sustainability of operations. With the Public Health Order and our corporate dedication to the highest level of compliance and support, we have seen our business change overnight. As a municipally-owned Not-For-Profit organization, this has had an immediate and material impact on the sustainability of our operations.

The impact of a global pandemic will never be favorable for any business, and we recognize and appreciate we are not alone in the management of troubling economic conditions. As such, we empathize with the many other organizations trying to find a path forward towards sustainability. Still, as it relates to the operational cycle for REAL, the timing we face, the impact on our business truly could not be more unfortunate. Our business traditionally and historically operates at a loss between January and May of each operating year. The business then depends on strong mid-late year

performance, primarily related to events, to deliver modest annual earnings that we annually reinvest into the City-owned assets on Evraz Place. We find ourselves in a position of elevated financial risk with COVID-19 hitting our company in our down business cycle and with the need to prepare for the recovery of our business at potentially the highest demand for our operational abilities. We find ourselves faced with compounding pressures of managing our business to the current operational revenue loss while trying to balance our current and potential needs for operational readiness and business continuity.

REAL has been meeting with City Administration on a weekly basis providing details of the current cash flow situation and reviewing a cash model that has been forecasted out to the end of the year. REAL has developed staffing models to address the ever-changing needs to manage this pandemic at the same time as maintaining the facilities and delivery on community programming, such as the REACH lunch program. REAL has also been extremely diligent in managing accounts payable, collecting on outstanding accounts receivable as well as applying for all government funding programs our organization may be eligible for. With the impact, our business has seen on revenues, and the timing and eligibility to access funding programs, our organization finds itself with a need to access available financial facilities to support business continuity. We recognize that we will need your support as our owners in this request, we are not asking for increased borrowing thresholds at this time, but we are asking for your support in accessing the existing credit facilities to support day to day operations.

REAL's current credit facilities include an operating line and term loans for capital purchases that total \$13M, which have been guaranteed by the City. Existing credit facilities provide REAL access to \$3M in an operating line, \$9M in capital term loans, and \$1M for an exchange swap facility and corporate credit card limit.

REAL's cash flow model is built on a conservative approach – meaning we are looking at worst-case scenarios. We have accounted for modest operational costs, developed plans to manage staffing costs carefully, accounted for refunds on the cancellation of events, and taken advantage of Federal, Provincial, and Municipal relief programs. Based on these plans and models, current, short term cash flow projections indicate REAL is fast approaching the current operating line to be maxed at \$3M by the week of April 26, 2020.

REAL has worked closely with City Administration to develop an approach to address the short term cash needs and to assist with the long term cash requirements to the end of 2020. This approach reallocates the current amount of the available capital term loan value and the exchange swap (\$3.8M) to the operating line, thus making it accessible for REAL and meeting REAL's long term forecasted cash requirements until the end of 2020.

It is important to reiterate the current cash flow model does take a worst-case scenario approach, which means that REAL has not accounted for any payments received from outstanding accounts or potential revenue that may be generated by the reactivation of our site or the provision of other services that may be required to support the state of emergency we find ourselves in. This delegation

is certainly not one that we as an organization issue without sensitivity and disappointment; however, in accordance with the Public Health Order issued by the Province of Saskatchewan and the directives issued by the City of Regina, our business, until further notice is simply not sustainable.

We trust you can appreciate, the cash flow risk is deeply concerning to an organization and a volunteer Board of Directors who operate on behalf of the City of Regina, and we can appreciate that as a City, there are far greater priorities than the coordination of the finances of REAL during a time of global crisis; however, in alignment with the Unanimous Members Agreement (UMA) and current funding agreements we do require formal approval, from Council, to make the required changes to our credit facilities in order to sustain our operations for the foreseeable future.

As our owner, sole-shareholder, and partner, we truly look forward to returning to our once-prosperous events, entertainment, recreation, sport, and cultural business, but until those times return we are in search of approval from Council to amend By-Law #2015-25 to provide REAL access to the remaining credit facilities included in the guarantee of \$13M.

We can appreciate that this request is delivered at a time of crisis for the City of Regina and if there were viable alternatives that would certainly have been our preference that said, this is the reality we face.

Your attention and response will be greatly appreciated and will support our Team and the Board of Directors in advancing the corporate direction with the endorsement and consent of our owner and sole-shareholder. As always, we remain committed to working alongside the City of Regina Team and towards the greater interests of our community, should you have alternative suggestions we would be delighted to consider all options available at this time.

Sincerely,



Tim Reid
President & Chief Executive Officer
REGINA EXHIBITION ASSOCIATION LIMITED