

## The Regina Exhibition Association Limited (REAL) 2019 Annual Report

<b>Date</b>	May 13, 2020
<b>To</b>	Executive Committee
<b>From</b>	Financial Strategy & Sustainability
<b>Service Area</b>	Financial Services
<b>Item No.</b>	EX20-14

### RECOMMENDATION

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The Executive Committee recommends that City Council:

1. Authorize the Executive Director, Financial Strategy & Sustainability, as the City's proxy, to exercise the City of Regina's voting rights at the upcoming Regina Exhibition Association Limited (REAL) Annual General meeting (AGM) as follows:
  - a) Approve the Annual Report and Audited Financial Statements for the 2019 operating year (Appendix A)
  - b) Approve the 2020 operating and capital budgets (Appendix B)
  - c) Approve the revisions to the long-term strategic plan as presented in the 15-Year Strategic Plan 2.0. (Appendix C)
  - d) Appoint MNP LLP as auditor for REAL for the 2020 financial statement year, pursuant to section 149 of *The Non-profit Corporations Act, 1995* (Saskatchewan).
2. Approve this report at its May 27, 2020 meeting.

## **ISSUE**

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REAL is governed by a Board of Directors and is a not-for-profit and municipal arms-length organization that operates the property currently known as Evraz Place. The City of Regina is the owner and sole shareholder of REAL.

As the sole voting membership holder of REAL, the City of Regina (City) must exercise its voting rights at the REAL annual general meeting to (i) appoint or waive the requirement of an auditor; (ii) approve the audited financial statements of REAL; (iii) approve the annual report; (iv) approve the budget for the following fiscal year and (v) approve repealed and amended bylaws.

Administration requires delegated authority from City Council in order to exercise the City's voting rights at REAL's annual general meeting in accordance with the direction provided by City Council.

REAL presented an updated Strategic Plan to Priorities and Planning Committee on February 19, 2020. The report was submitted for information (PPC20-3).

## **IMPACTS**

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As REAL is a municipal corporation of the City of Regina, the audited financial statements of REAL will be consolidated into the City's financial statements.

## **OTHER OPTIONS**

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None with respect to this report.

## **COMMUNICATIONS**

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None with respect to this report.

## **DISCUSSION**

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Section 6.2 of the Unanimous Membership Agreement (UMA) sets out the following annual report and annual membership meeting requirements presented in this report.

### 6.2 Annual Report and Annual Membership Meeting

- (a) within ninety (90) days after the end of year fiscal year, the Board of Directors shall prepare an annual report which shall be submitted by the corporate secretary of the Board of Directors to the City Manager, who shall bring the matter forward to the Executive Committee for Council approval. The Annual Report shall contain the following items:

- 1) any revisions to long term strategic plans or capita asset plans;

- 2) an operating and capital budget for the next fiscal year and an operating and capital budget projection for subsequent fiscal years contemplated in the current strategic or capital asset plans;
- 3) pro forma audited financial statement prepared in accordance with generally acceptable principles; and
- 4) accomplishments during the fiscal year along with explanations notes and information as is required to explain and account for any variance between the actual requests and the strategic plans or capital assets plans.

(b) In conjunction with the Annual Report, REAL shall conduct its annual general meeting which will:

- 1) elect the Board of Director's;
- 2) appoint the Auditor;
- 3) approve the financial statements; and
- 4) consider any other resolutions that may be brought forward.

### **2019 Annual Report & Audited Financial Statements**

Pursuant to the (UMA), Appendix A of this report provides the 2019 Annual Report, including audited financial statements. Administration has reviewed the audited financial statements and will consolidate the information into the City's financial statements, as is required by accounting standards. Administration found no irregularities or items of concern within the financial statements.

Highlights of the audited financial statements for the year ended December 31, 2019 prepared in accordance with Canadian Public Sector Accounting Standards include:

- A \$2.2 million loss in 2019 (\$1.6 million loss in 2018).
- An accumulated deficit of \$3.8 million compared to an accumulated deficit of \$2.8 million from the previous year.

### **2020 Budget**

REAL's operating budget for 2020 projects revenues of approximately \$50 million and expenses of \$49.2 million before interest, taxes and depreciation resulting in a 2020 Earning Before, Interest, Taxes, Depreciation and Amortization (EBITDA) of \$0.8M. The 2020 Budget for REAL was previously discussed at the November 13, 2019 Executive Committee meeting (EX19-35). The Budget detail is provided in Appendix B. COVID-19 will significantly impact actual operating results compared to budget as was noted in the Council report (CM20-8) that amended REAL's credit facilities to help it address the financial impact of COVID-19 on its operations.

### **15-Year Strategic Plan**

In accordance with the UMA, any revisions to long-term strategic plans or capital asset plans require City Council approval. Appendix C of this report provides an updated 15-Year Strategic Plan which will guide REAL's stewardship of the Evraz Place site. The new Strategic Plan was presented to Priorities and Planning Committee (PPC20-3) on February 19, 2020. Approval of the strategic plan does not constitute approval for REAL to

implement those elements of the Strategic Plan that require decisions by the City as required by the UMA, other agreements, and regulatory/bylaw requirements.

### **Appointment of Auditor**

As the sole voting member, the City must appoint or waive the requirements for an auditor for REAL pursuant to *The Non-profit Corporations Act, 1995* (Saskatchewan). The use of an auditor is best practice and required to ensure public accountability. Administration is recommending that the City and REAL use a common auditor. MNP LLP was appointed as the City's auditor for a five-year term (2017 to 2021). REAL has used MNP for 2017, 2018 and 2019 audits.

### **DECISION HISTORY**

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Effective January 1, 2014, The Regina Exhibition Association Limited ("REAL") was continued under *The Non-profit Corporations Act, 1995* (Saskatchewan) (the "Act"), with the City becoming its sole voting member. This change in structure made REAL a "municipal corporation" of the City.

REAL presented its planned 2020 Budget to Executive Committee on November 13, 2019 (EX19-35) as information into the development of the City's 2020 Budget. On December 9, 2019, City Council approved \$100,000 grant for REAL as part of the City's 2020 Budget (CM19-15).

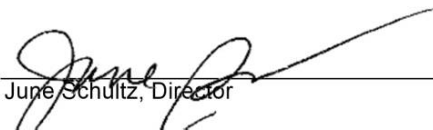
On February 19, 2020, Priorities and Planning Committee received and filed a report (PPC20-3) that discussed REAL's renewed strategic plan.

On April 15, 2020, City Council approved an amendment to the credit facilities outlined in REAL's loan with HSBC (CM20-8). The amendment did not increase the existing maximum loan amount of \$13.0 million. The outstanding balance on this loan on December 31, 2019 was \$6.2 million.

The recommendations contained in this report requires City Council approval.

Respectfully Submitted,

Respectfully Submitted,

  
June Schultz, Director

4/24/2020

  
Barry Lacey, Exec. Director, Financial Strategy & Sustainability

5/7/2020

Prepared by: Abiodun Akindele, Financial Management Analyst

### **ATTACHMENTS**

- Appendix A REAL Annual Report
- Appendix B -Budget
- Appendix C - 2.0 REAL 15 Year Strategic Plan