



December 21, 2020

City of Regina
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) 2021 Budget / Community Investment Funding

Dear Curtis

This letter is to seek the approval from Regina City Council for Operational Grant Funding of \$400,000 for 2021 for the Regina Exhibition Association Limited (REAL).

Mandate

Established in 1884 REAL is 136 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 ventures that could generate additional revenue.

Services

In a normal year, 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 AffinityPlex is 90,000 sq. ft. with a regulation indoor soccer field. The six-rink arena in The Co-operators Center, hosts tournaments almost every weekend generating considerable tourism and economic benefit. The International Trade Centre (ITC) is the home of the Canadian Western Agribition, major trade shows, conference and numerous other events. Our two-signature events, Queen City Exhibition and the Canada's Farm Show, allow us to host our community and international guests as we showcase the best Regina has to offer.

Corporate Values, Mission and Vision

At REAL our corporate values truly represent who we are and what we aspire to be. This is evident in the way we come to work every day, and it has become even more apparent in how our team has responded this past year while operating under a Public Health Order in response to the global pandemic. Our industry was one of the first to be negatively impacted, with the cancellation of large gatherings, concerts and events. This, unfortunately, had a direct impact on the majority of our staff. However, as guidelines shifted, and as REAL responded to the needs of our community and the Saskatchewan Health Authority, our team showed up every single day living our values and delivering on the necessary and required services.

We developed our Mission and Vision statements in a time when major events were on the horizon. At that time, we were focused on planning to deliver two very exciting events, such as the Garth Brooks concert and the Tim Horton's Heritage Classic. The thought of having to respond to a global pandemic never crossed our minds. Yet fast forward to today, and our Mission and Vision statements still hold as REAL responded in a manner that upheld our commitment by delivering a year of "firsts":

- **First** drive-thru mini donut event with 300 cars driving through indulging on 750 bags of donuts
- **First** Drive-In concert with Brett Kissel which sold out 3 shows and had 600 cars in attendance
- The sounds of kids laughing and playing during the **First** ever 5-day REAL Kids Camp
- Although Canada's Farm Show was cancelled, it did not stop REAL from going digital for the **First** time ever
- **First** ever drive-in fireworks show off the Brandt Centre roof with 360 cars and 1,400 attendees enjoying the spectacular event

Financial Review

REAL measures annual operating financial performance by reporting on EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) and Net Income. EBITDA is an important measure for

REAL as it highlights the Profit which is driven from sales, events and operations before the cost of Financing and Capital is accounted for.

Prior to 2020, REAL was reporting an average EBITDA of \$500,000, which is then directed towards Capital Investment and improvements. With the addition of the International Trade Centre and Mosaic Stadium, REAL made a significant Capital Investment in 2016 and 2017 resulting in accessing bank financing which in turn has had an impact on Net Income with both depreciation and interest expense increasing year over year:

	<i>Forecast</i> 2020	<i>Actual</i> 2019	<i>Actual</i> 2018	<i>Actual</i> 2017	<i>Actual</i> 2016
EBITDA	(5,482,447)	164,078	703,178	515,435	701,990
Less:					
Contributed Capital & Interest Earned	3,840,556	3,879,393	3,933,314	4,088,528	3,159,779
Depreciation	(5,988,863)	(5,960,527)	(5,980,608)	(5,609,692)	(4,407,468)
Interest Expense	(247,652)	(278,660)	(215,362)	(2,348)	(4,493)
Net Income	(7,878,406)	(2,195,716)	(1,559,478)	(1,008,077)	(550,192)

It is important to note, REAL entered into an agreement with the Province in 1997 whereby REAL receives a casino grant of \$2.6 million annually in response to the Province opening the Casino in downtown Regina and REAL giving up the rights to provide gambling activities or events on the property. This annual funding is extremely important to REAL's financial sustainability and is set to expire in 2027. Without this annual funding from the Province, REAL would be reporting an average annual EBITDA loss of \$2M prior to 2020.

In addition to the Casino Grant, prior to 2019, REAL received an annual operational grant fund payment from the City in the amount of \$400,000. The funding was used for both Capital and Operational initiatives over the years. In 2019, REAL committed to the City to reduce this annual fund requirement by 50% year over year as REAL was setting plans in motion and implementing the 2.0 strategic plan that would result in REAL becoming financially sustainable. It was REAL's goal to become self-sustainable and not require annual operational funding by the year 2023.

REAL's 2.0 Strategic Plan builds the future financial sustainability on commercial development; however, this will take time and consequently REAL is still very much reliant on our industry and ability to host major events.

The following table illustrates the importance of major events to REAL's EBITDA:

	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	2020	2019	2018	2017
EBITDA	857,242	164,078	703,178	515,435
Major Event	1,675,000	1,403,000	961,000	771,835
EBITDA net of Major Event	(817,758)	(1,238,922)	(257,822)	(256,400)

This highlights the importance of major events and the financial contribution they have on REAL's financial results year over year. It also highlights REAL's ability to deliver major events in a manner that continued to increase the financial performance of each event. By streamlining operations, generating food & beverage revenues and attracting global events such as Garth Brooks and the Tim Horton's Heritage Classic – REAL was on the path to put the City of Regina on the global map for our industry.

Then COVID-19 hit, and all things changed.....

As with any other organization in our industry, the impact of COVID-19 has had a tremendous negative impact on REAL's financial situation. Although REAL has continued to deliver events under restricted guidelines, supporting sports and recreation, catering where possible and providing an optimum site solution for the Saskatchewan Health Authority to deliver necessary medical and pandemic services for the majority of 2020, these services do not drive profit or generate cash flow. They are services that support and benefit the community in a time that our community needs it the most.

In summary, REAL is forecasting a loss of \$5.5 million dollars by year-end as a result of the pandemic and because the future is unknown, REAL is anticipating and budgeting for 2021 only to perform marginally better.

2021 Budget

One thing is certain for 2021 - there are no guarantees and there is no crystal ball. At this point, REAL is relying on experience, knowledge and guidance from industry experts on what 2021 may bring.

REAL has developed the 2021 budget with a conservative lens and accounting for a reduction in attendance, consumer spending and the fact the events or services will not return to "normal" until the latter half of the year.

Our risks are associated with the ability to re-open and whether or not our guests will have disposable income and if they will feel safe returning to events. Our business is truly reliant on the delivery of a vaccine so our community and our guests can engage in the events and activation on our site.

When budgeting for 2021, REAL referenced 2019 as the starting point. The financial performance for each of the events in 2019 was adjusted for attendance, anticipated consumer spending and increased expenditures required to meet security and cleaning protocols:

EBITDA	2020 Budget \$ (000)	2019 Actual \$ (000)	Variance \$ (000)
Operations:			
Day to Day	(10,647)	(12,653)	2,006
Stadium Ops & Maintenance	(2)	-	(2)
Total Operations	(10,649)	(12,653)	2,004
Sports, Recreation & Rentals			
COVID-19 / SHA Field Hospital	305	(209)	514
Sport and Rec Rentals	3,902	4,228	(326)
External Vendors	(10)	614	(625)
Trade Shows / Conferences & Meetings	1,117	1,719	(602)
Total Sports, Recreation & Rentals	5,315	6,353	(1,038)
Major Tenants			
CWA	749	902	(153)
Rider Games	602	1,070	(468)
Regina Pat's Hockey	101	697	(596)
Total Major Tenants	1,453	2,670	(1,217)
Events:			
Community & New Events	195	87	108
Brandt Centre Events	417	777	(360)
Total Events	612	864	(252)
REAL Signature Events:			
QCX	156	223	(67)
CFS	710	1,305	(595)
Total Signature Events	866	1,528	(662)
Major Events:			
Stadium Concerts	297	697	(400)
NHL Heritage Classic	-	705	(705)
Total Major Events	297	1,402	(1,105)
Total	(2,106)	164	(2,270)

In Closing

REAL is seeking from the City of Regina and Council a payment of \$400,000 in an operating grant for 2021. REAL commits to proactively reduce this year over year by 50%.

In closing, we would like to sincerely thank the City of Regina for their continued leadership and support as our Owner and Sole Shareholder. You, more than anyone, understand the impact COVID-19 has had on the entire City, Province and Country. You have supported us in our efforts to continue to support our community and guests in a restrictive environment, which we greatly appreciate in a time where our community needs us the most.

Sincerely,



Tim Reid

President & Chief Executive Officer
REGINA EXHIBITION ASSOCIATION LIMITED



Wayne Morsky

Acting Chair – REAL Board of Directors
REGINA EXHIBITION ASSOCIATION LIMITED

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



City of Regina Executive Committee 2021 Budget Presentation

Corporate Values

Be original. We think outside the box, constantly challenge the status quo and welcome ideas for improvement.

Be a host. We treat everyone as if they were a guest invited into our home and we do so with the highest level of hospitality.

Be inclusive. We welcome everyone and treat all others how we would like to be treated.

Be proud. We showcase how honoured we are to represent our history, our organization and to be a valued member of the Evraz Place family.

Be resilient. We willingly adapt to change and never give up.

Be smart. We strategically and thoughtfully manage our business and plan for the future.

Always own it. We hold ourselves and other accountable for delivering on promises.



Mission

“We deliver exceptional experiences and foster meaningful memories that make our community a better place.”



Vision

“To be the heart of our city and province – a place where people come to live, work and play.”





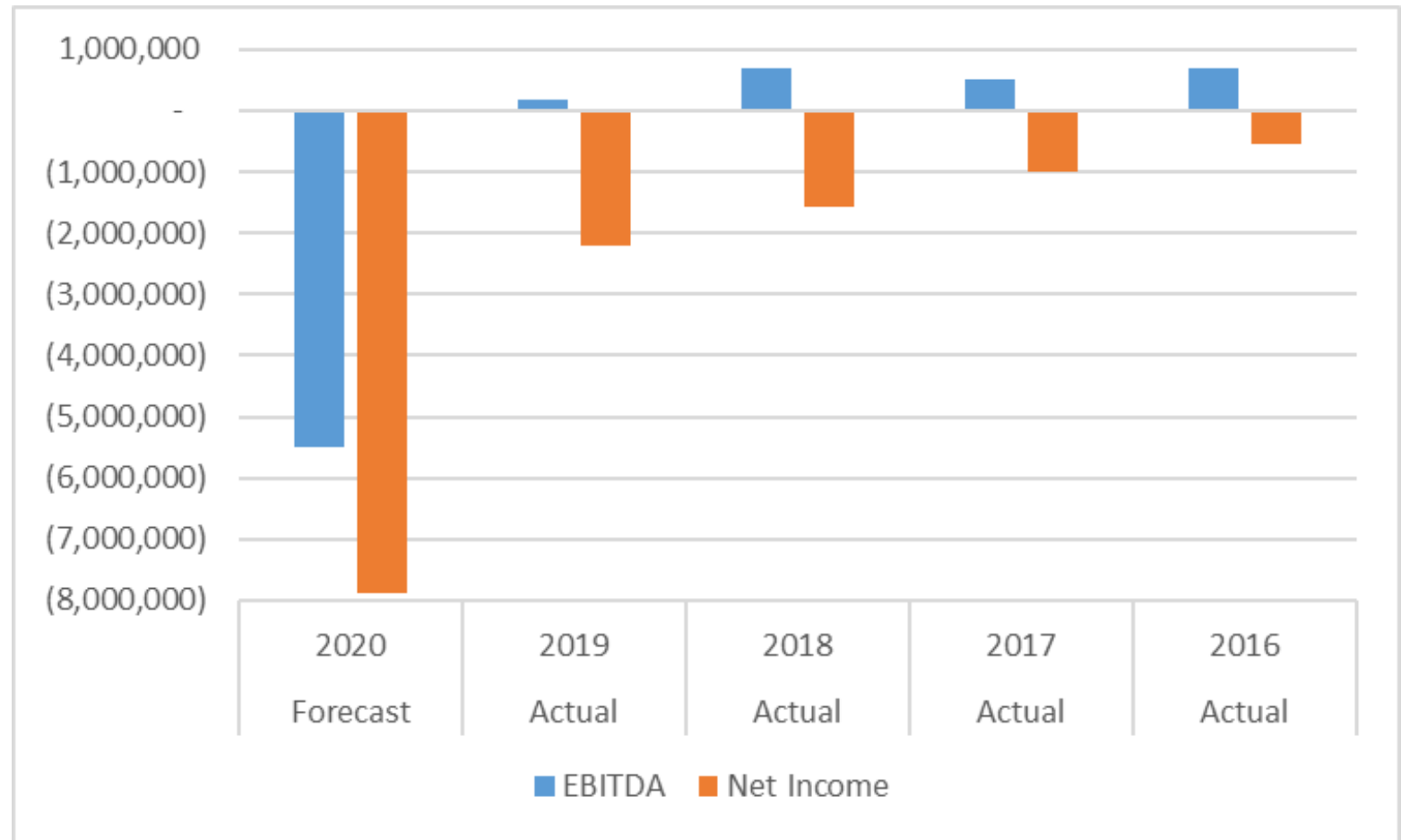
Historical Review



	<i>Forecast</i> 2020 \$	<i>Budget</i> 2020 \$	<i>Actual</i> 2019 \$	<i>Actual</i> 2018 \$	<i>Actual</i> 2017 \$	<i>Actual</i> 2016 \$
Revenues						
External funding	3,051,280	2,728,640	2,884,449	3,718,104	3,007,256	3,001,324
Event sales and recoveries	5,169,509	19,561,129	15,064,681	13,046,701	13,869,256	9,747,049
Rental and lease revenue	4,698,414	9,175,981	10,053,547	9,663,558	9,727,789	6,836,504
Sponsorship sales	319,193	3,136,200	2,524,801	2,314,417	2,231,408	1,684,469
Food and beverage	2,308,313	15,410,329	14,291,962	14,649,011	15,151,244	8,659,343
	15,546,709	50,012,279	44,819,440	43,391,791	43,986,954	29,928,689
Expenses						
Contracted labour	287,824	2,172,475	2,302,651	1,911,466	2,456,674	1,521,499
Cost of goods sold	908,339	5,510,863	5,080,927	5,330,585	5,611,569	3,308,226
Repairs & Maintenance	1,188,876	2,016,478	2,047,753	1,697,235	2,924,120	3,084,062
Administration, supplies, and services	4,164,641	15,856,688	12,543,154	10,615,067	11,993,181	6,126,967
Utilities	3,029,128	3,469,130	3,552,678	3,462,322	3,248,958	2,103,651
Wages and Employee Benefits	11,450,348	20,129,403	19,128,199	19,671,939	17,237,017	13,082,295
	21,029,156	49,155,037	44,655,362	42,688,614	43,471,519	29,226,699
EBITDA	(5,482,447)	857,242	164,078	703,177	515,435	701,990
Capital Expenditures	581,000	500,000	575,092	5,459,510	20,680,121	21,396,328
Revenue Growth	-65.31%	11.59%	3.29%	-1.35%	46.97%	-0.88%
Expense Growth	-52.91%	10.08%	4.61%	-1.80%	48.74%	2.41%
Operating Margin	-35.26%	1.71%	0.37%	1.62%	1.17%	2.35%

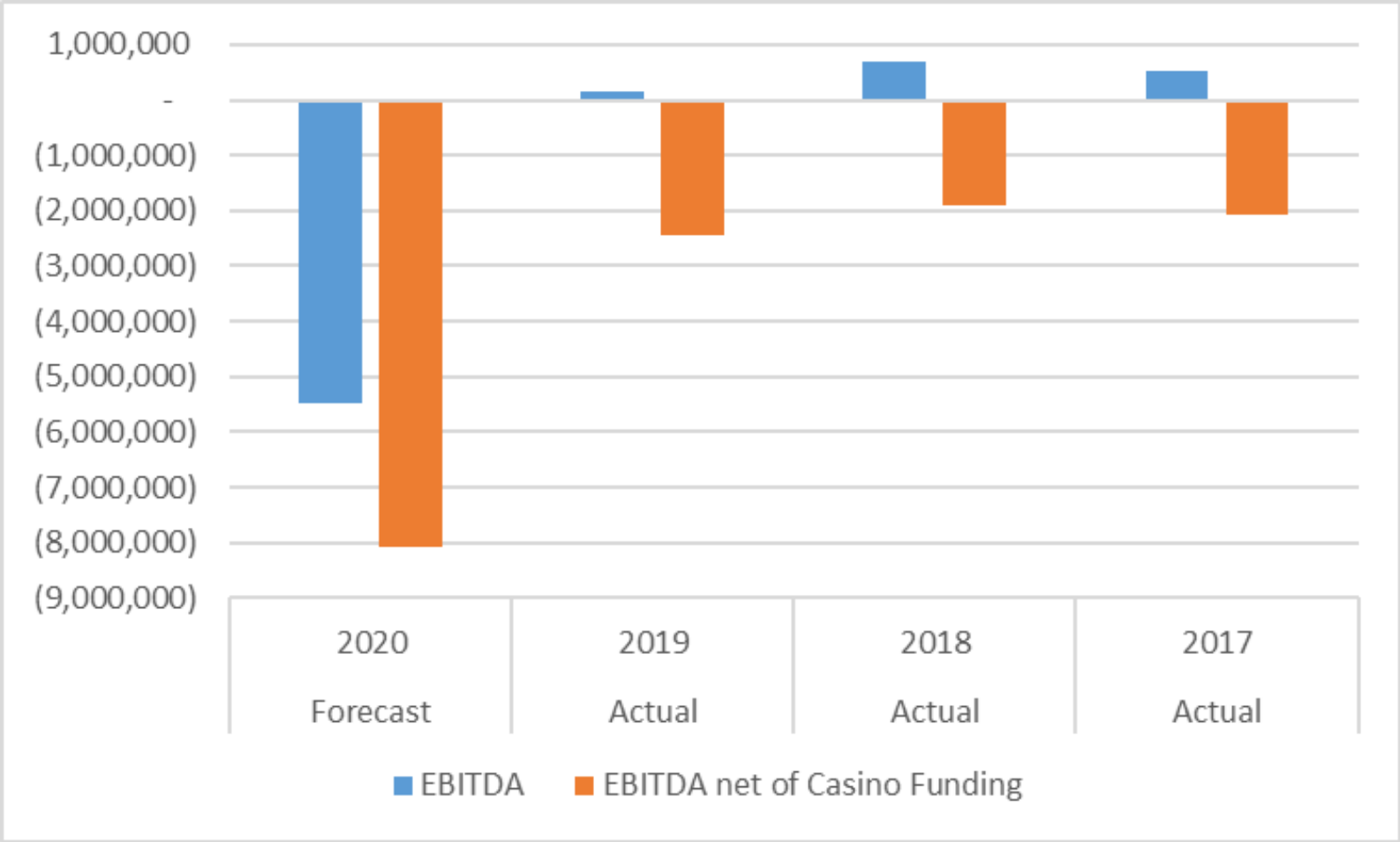
EBITDA vs Net Income

- EBITDA – earnings before interest, taxes, depreciation and amortization -is a measurement used by REAL to report on overall operational financial performance
- EBITDA highlights REAL's ability to pay interest on debt and removes the impact of capital assets – as depreciation and amortization are not included
- In 2017, REAL invested in the International Trade Centre (ITC) resulting in an increase in the non-cash expense, depreciation
- Investment in the ITC and Mosaic Stadium has had a direct impact on interest as REAL had to finance these investments



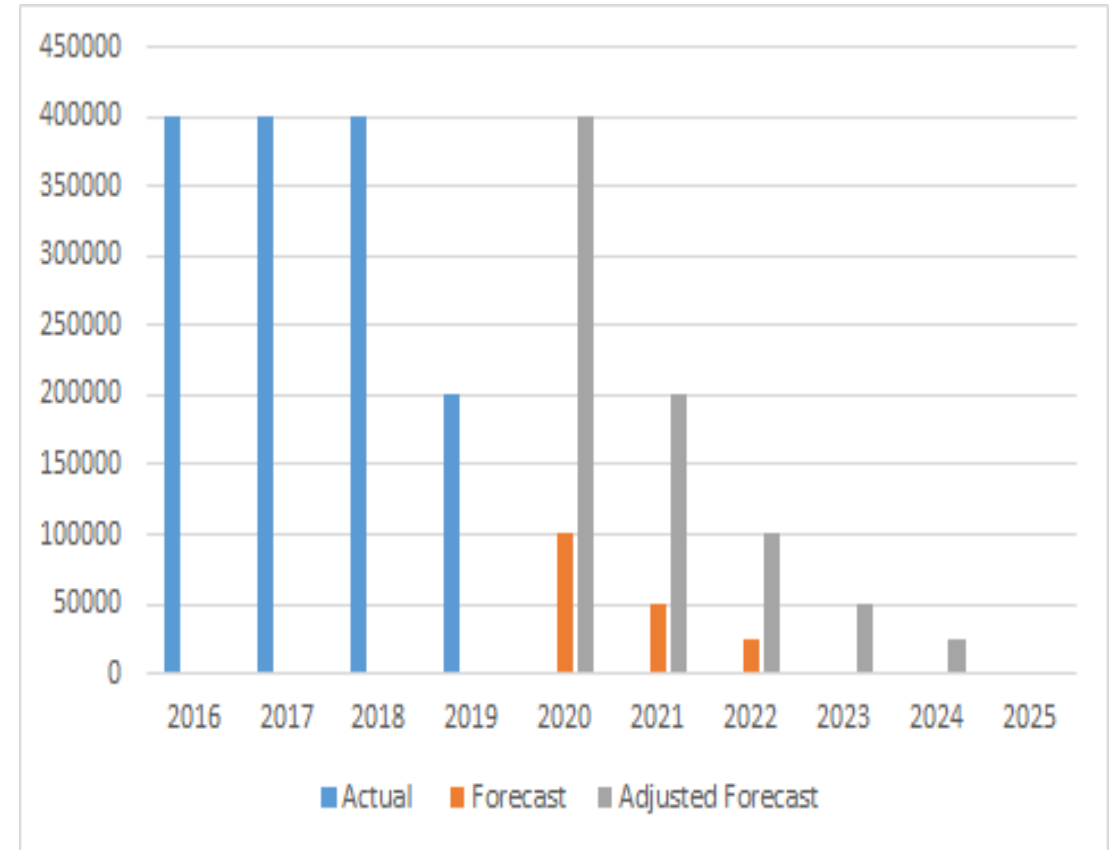
Casino Funding Impact

- REAL receives \$2.6 million annually in a Casino Grant which commenced on April 1, 1997 for a period of 30 years and will expire on April 1, 2027
- Reporting of EBITDA net of the \$2.6 million highlights the impact this funding has on the sustainability of REAL



City of Regina Operational Funding

- Pre-COVID measures were being taken to reduce the grant funding ask with the intent to bring to \$0 by 2023
- Due to COVID-19 and the financial impact it has had on REAL, the forecast has been adjusted to reflect asking for the full original value of \$400,000 in 2020 with the intent to reduce by 50% year over year for the next 4 years





COVID-19 Impact

Covid-19 Impact

- **REAL has lost \$6.39M in EBITDA** due to the loss of sports, recreation, rentals, major events & signature events

EBITDA	Forecast Full Year	Budget Full Year	Variance Full Year
Operations:			
Day to Day	(8,998,221)	(12,933,415)	3,935,194
Stadium Ops & Maintenance	735,390	24,817	710,573
Total Operations	(8,262,831)	(12,908,598)	4,645,767
Sports, Recreation & Rentals			
COVID-19 / SHA Field Hospital	(422,817)	-	(422,817)
Sport and Rec Rentals	2,858,953	3,891,890	(1,032,938)
External Vendors	37,715	700,171	(662,456)
Trade Shows / Conferences & Meetings	543,249	2,122,300	(1,579,051)
Total Sports, Recreation & Rentals	3,017,099	6,714,362	(3,697,263)
Major Tenants:			
CWA	6,768	748,574	(741,806)
Rider Games	(2,302)	906,222	(908,524)
Regina Pat's Hockey	(272,182)	1,059,461	(1,331,644)
Total Major Tenants	(267,716)	2,714,257	(2,981,973)
Events:			
Community & New Events	(31,350)	234,540	(265,890)
Brandt Centre Events	151,836	1,035,493	(883,657)
Total Events	120,486	1,270,034	(1,149,547)
Signature Events:			
QCX	(42,060)	247,904	(289,965)
CFPS	(45,756)	1,144,108	(1,189,863)
Total Signature Events	(87,816)	1,392,012	(1,479,828)
Major Events:			
Stadium Concerts	-	701,035	(701,035)
Grey Cup	(1,668)	974,142	(975,810)
Total Major Events	(1,668)	1,675,177	(1,676,845)
Total	(5,482,447)	857,242	(6,339,689)

Major Event Impacts

Our business is dependent on major event hosting – with no major events REAL barely breaks even.

For example.....





Major Events 2017





Regina Rocks

- Revenue = \$2.4M
- EBITDA = \$59K
- Operating Margin = 2.46%



International Soccer Match

- Revenue = \$321K
- EBITDA = \$151K
- Operating Margin = 47.04%

A large crowd of people is gathered in a stadium at night, illuminated by stage lights. The crowd is dense and fills the lower half of the frame. In the background, the stadium's structure and upper tiers are visible, with some lights on. The overall atmosphere is that of a major concert event.

Guns N' Roses

- Revenue = \$2.2M
- EBITDA = \$562K
- Operating Margin = 25.55%



Major Events 2018



Memorial Cup

- Revenue = \$1.1M
- EBITDA = \$130K
- Operating Margin = 11.81%





Tim Horton's Brier

- Revenue = \$2.1M
- EBITDA = \$831K
- Operating Margin = 39.57%





Major Events 2019



A photograph of Garth Brooks performing on stage at night. He is wearing a black cowboy hat, a red and white Canadian flag draped over his shoulders, and blue jeans. He is holding an acoustic guitar and looking towards the audience. The background is dark with many small, bright lights, possibly from the audience or stage lights. The text "WAGT LOUNGE" is visible in the upper background.

Thank you, Garth!

two **SOLD OUT** shows
over **79,000** tickets sold
est. **\$18M** added to the provincial economy

REAL ESTABLISHED 1884
REGINA EXHIBITION ASSOCIATION LIMITED

 EVRAZplace

A photograph of Garth Brooks from behind, wearing a large Canadian flag costume and a black beanie. He is standing in a large arena with a dark floor and a brightly lit, crowded audience in the background.

Garth Brooks

- Revenue = \$3.2M
- EBITDA = \$697K
- Operating Margin = 21.78%

Sold Out – 33,518 attendees

66 National and International Media

3,100 Editorial mentions

Advertising value of \$26.5M





Tim Horton's Heritage Classic

- Revenue = \$2.6M
- EBITDA = \$706K
- Operating Margin = 27.15%



Major Events 2020





Stadium Concerts

- Budgeted Revenue = \$6.2M
- Budgeted EBITDA = \$701K
- Operating Margin = 11.31%

Grey Cup

- Budgeted Revenue = \$2.4M
- Budgeted EBITDA = \$974K
- Operating Margin = 40.58%



2020 Impact of NO Major Events

Event	EBITDA Loss
Stadium Concerts	\$701,035
Grey Cup	974,142
Total Loss	\$1,675,177

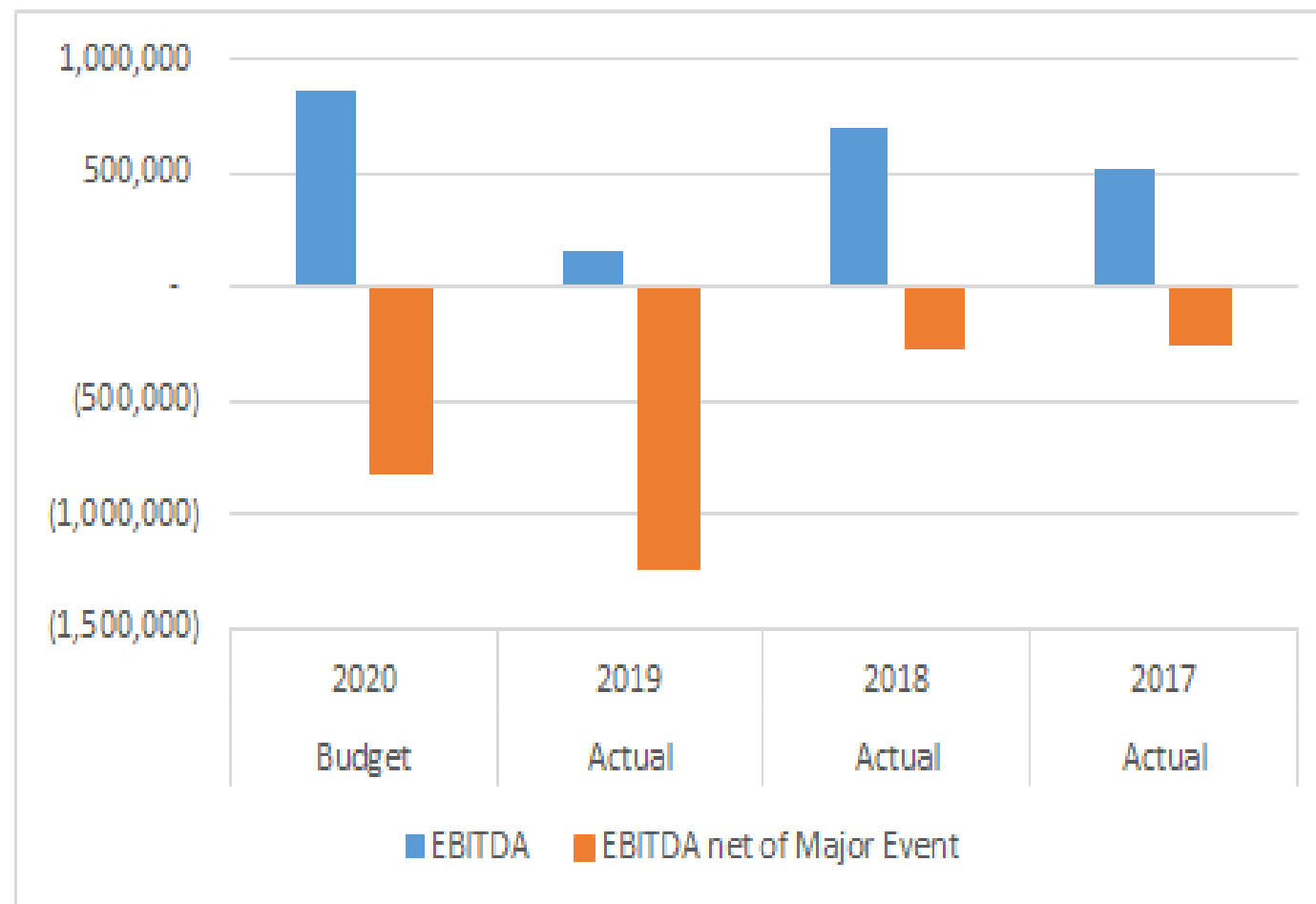
- 2021 Outlook – 50% of business to return



Major Events Impact Summary

- **2017** – Guns N’ Roses, International Soccer Match, Regina Rocks
- **2018** – Tim Horton’s Brier, Memorial Cup
- **2019** – Garth Brooks, NHL Heritage Classic
- **2020** – Grey Cup, Stadium Concerts

Major Events are key to REAL’s financial sustainability





2021 Budget

Budget Assumptions

- Budget for the market and economy to gradually rebound from COVID-19 in summer 2021
- Does not include any COVID-19 related subsidies from City, Province or Federal Government
- Custodial & Security budgeted expenditures have increased in order to maintain proper cleaning and security protocols
- Budgeted capacity restrictions for sports and recreation until summer of 2021
- Budgeted for an increase in Regina Pat's games for the period January to April 2021 to account for the cancelled games in 2020
- REAL is anticipating a slow recovery, due to guest's uncertainty and spending habits, and has budgeted a reduction in attendance and event spending for all signature and Brandt Centre events

Risks & Opportunities

Risks

- ***Phased Progression*** – When will Public Health Order restrictions be lifted, allowing REAL to resume business?
- ***Disposable Income*** – Will the public have money to spend on entertainment?
- ***Safety*** – Will the public feel safe at events?
- ***Consumer Spending Behaviour*** – Did COVID impact guests spending habits?

Opportunities

- ***Vaccines save the day*** – People are craving events and entertainment more than ever, once allowed and safe, events may be busier than ever
- ***Catered Events*** – Companies may take the opportunity to increase events and spend more to make up for the cancelled events of 2020

	<i>Budget</i> 2021 \$	<i>Forecast</i> 2020 \$	<i>Actual</i> 2019 \$	<i>Actual</i> 2018 \$	<i>Actual</i> 2017 \$	<i>Actual</i> 2016 \$
Revenues						
External funding	3,028,640	3,051,280	2,884,449	3,718,104	3,007,256	3,001,324
Event sales and recoveries	15,024,808	5,169,509	15,064,681	13,046,701	13,869,256	9,747,049
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	37,910,009	15,546,709	44,819,440	43,391,791	43,986,954	29,928,689
Expenses						
Contracted labour	1,440,510	287,824	2,302,651	1,911,466	2,456,674	1,521,499
Cost of goods sold	3,891,504	908,339	5,080,927	5,330,585	5,611,569	3,308,226
Repairs & Maintenance	1,599,570	1,188,876	2,047,753	1,697,235	2,924,120	3,084,062
Administration, supplies, and services	12,970,690	4,164,641	12,543,154	10,615,067	11,993,181	6,126,967
Utilities	3,549,860	3,029,128	3,552,678	3,462,322	3,248,958	2,103,651
Wages and Employee Benefits	16,563,785	11,450,348	19,128,199	19,671,939	17,237,017	13,082,295
	40,015,919	21,029,156	44,655,362	42,688,614	43,471,519	29,226,699
EBITDA	(2,105,910)	(5,482,447)	164,078	703,177	515,435	701,990
Capital Expenditures	-	581,000	575,092	5,459,510	20,680,121	21,396,328
Revenue Growth	143.85%	-65.31%	3.29%	-1.35%	46.97%	-0.88%
Expense Growth	90.29%	-52.91%	4.61%	-1.80%	48.74%	2.41%
Operating Margin	-5.56%	-35.26%	0.37%	1.62%	1.17%	2.35%

2021 Budget

- 2021 budget reflects a slow recovery from COVID
- **Budgeted EBITDA is a loss of \$2.1M** simply due to:
 - Reduced rentals
 - Reduced attendance to major tenant events and games
 - Reduced attendance and spending at REAL signature events
 - No major event in the foreseeable future

EBITDA	2020 Budget \$ (000)	2019 Actual \$ (000)	Variance \$ (000)
Operations:			
Day to Day	(10,647)	(12,653)	2,006
Stadium Ops & Maintenance	(2)	-	(2)
Total Operations	(10,649)	(12,653)	2,004
Sports, Recreation & Rentals			
COVID-19 / SHA Field Hospital	305	(209)	514
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Major Events:			
Stadium Concerts	297	697	(400)
NHL Heritage Classic	-	705	(705)
Total Major Events	297	1,402	(1,105)
Total	(2,106)	164	(2,270)



In Summary...

In Summary....

- **COVID-19 has had a major impact on REAL and will continue to impact REAL performance** until restrictions are fully lifted and the public feels safe and wants to attend events again
- Major Concerts and Major Events continue to deliver meaningful financial, reputational and community benefit for REAL. Prior years and 2020 has highlighted that **without these major events, it will be extremely difficult for REAL to remain sustainable.**
- **Prior to COVID, REAL was on target to ask the City of Regina for \$50,000 in an operational grant funding** as part of the commitment made in 2019 to reduce the ask year over year by 50%.

Unfortunately, due to COVID, REAL is seeking \$400,000 of operational grant funding from the City of Regina for 2021. REAL commits to proactively reduce this ask year over year by 50%.

An aerial photograph of a large, modern arena with a curved, white roof and a dark interior. The arena is surrounded by several large parking lots filled with cars. To the right of the arena, there are several large, low-rise buildings, some with red roofs. The background shows a residential area with trees and houses. The word "Questions?" is overlaid in white text on the left side of the image, with a white horizontal line underneath it.

Questions?