

Regina Exhibition Association Limited (REAL) 2020 Annual Report

Date	April 21, 2021
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	EX21-36

RECOMMENDATION

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 2020 operating year (Appendix A)
 - b) Approve the 2021 Operating Budget (Appendix B)
 - c) Appoint MNP LLP as auditor for REAL for the 2021 financial statement year, pursuant to section 149 of *The Non-profit Corporations Act, 1995* (Saskatchewan).
2. Approve this report at its April 28, 2021 meeting.

ISSUE

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of REAL; (iii) approve the annual report; (iv) approve the budget for the following fiscal year and (v) approve repealed and amended bylaws.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, scheduled for April 30, 2021, in accordance with the direction provided by City Council.

IMPACTS

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

None with respect to this report.

COMMUNICATIONS

None with respect to this report.

DISCUSSION

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 capital 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 Directors;
- 2) appoint the Auditor;
- 3) approve the financial statements; and
- 4) consider any other resolutions that may be brought forward.

2020 Annual Report & Audited Financial Statements

Pursuant to the (UMA), Appendix A of this report provides the 2020 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, 2020 prepared in accordance with Canadian Public Sector Accounting Standards include:

- A \$3.9 million loss in 2020 (\$2.2 million loss in 2019).
- An accumulated deficit of \$7.1 million compared to an accumulated deficit of \$3.8 million from the previous year.

2021 Budget

REAL's operating budget for 2021 projects revenues of approximately \$37.9 million and expenses of \$40.0 million before interest, taxes and depreciation resulting in a 2021 Earning Before, Interest, Taxes, Depreciation and Amortization (EBITDA) of a negative \$(2.1) million. In a normal year, REAL would budget capital expenditures equal to EBITDA. Due to the impact of the COVID-19 pandemic, REAL is not expecting positive EBITDA for 2021 and as such has a zero-dollar capital budget for 2021. The 2021 Budget for REAL was previously discussed at the January 6, 2021 Executive Committee meeting (EX21-3) and at Council on March 24, 2021 (CM21-3). The Budget detail is provided in Appendix B.

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, 2019 and 2020 audits.

DECISION HISTORY

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.

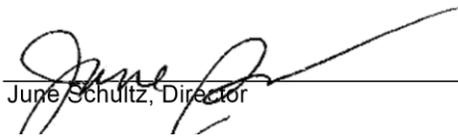
REAL presented its planned 2021 Budget to public Executive Committee on January 6, 2021 (EX21-3) and on March 24, 2021 (CM21-3) as information into the development of the

City's 2021 Budget. On March 24, 2021, City Council approved \$1,100,000 of grants for REAL as part of the City's 2021 Budget. The Budget detail is provided in Appendix G in the March 24, 2021 report."

On December 16, 2020, City Council approved an amendment to the credit facilities outlined in REAL's loan with HSBC (CR20-96). The amendment increased REAL's credit facilities to a maximum of \$21.0 million. The outstanding balance on this loan on December 31, 2020 was \$5.8 million.

Respectfully Submitted,

Respectfully Submitted,


June Schultz, Director

4/15/2021


Barry Lacey, Exec. Director, Financial Strategy & Sustainability

4/16/2021

Prepared by: Jonathan Barks, Financial Business Partner

ATTACHMENTS

- Appendix A - 2020 Annual Report
- Appendix B - 2021 Budget Summary