



City Council Meeting Agenda

Wednesday, July 8, 2020 – Council Chambers, City Hall

Call to Order: 1:30 PM
Recess: 5:00 PM to 6:00 PM

1. In Camera (to last approximately 1.5 hours)

1.1. Motion to In Camera

1.1.a. Westerner Financials – FOIP 17(1) Disclosure harmful to personal privacy, FOIP 24(1)(a) Advice from officials, FOIP 25(1)(c) Disclosure harmful to economic and other interests of a public body and FOIP 27(1) Privileged information

1.2. Motion to Revert to Open

2. Reports

2.1. Westerner Exhibition Association 2020/2021 Budget

(Pages 2 – 26)

3. Adjournment



July 8, 2020

Westerner Exhibition Association: 2020/21 Budget & Sustainability

Prepared by: Allan Seabrooke, City Manager

Department: City Manager

Report Summary & Recommendation

Since 1891, Westerner Exhibition Association (WEA) has been a place for Central Albertans to gather and celebrate community events. The WEA is both an agricultural society and registered not-for-profit, investing all its earnings back into its buildings, grounds, and amenities.

In late 2019 the WEA formally advised The City of Red Deer (City) of financial challenges resulting in a request for assistance from The City. This led to The City taking a financial oversight interest in the WEA operations and the requirement for The City to approve the WEA's annual budget. Further intensifying the financial challenges was the onset of the COVID-19 pandemic, which for the most part dried up WEA revenue streams.

On May 6, 2020, the WEA Board of Directors approved their budget for the fiscal year of April 1, 2020 to March 31, 2021. Submission of the budget to Council was delayed to provide the WEA the opportunity to analyze sustainability options and determine if additional support is required by the City.

Based on the information provided including the positive impact to the community of the WEA continuing operations, it is recommended that Council approves:

1. The WEA budget as submitted, and
2. An operating grant of up to \$2,000,000 subject to an agreement satisfactory to the City Manager.

Proposed Resolutions

Resolved that Council of the City of Red Deer having considered the report from the City Manager dated July 8, 2020, hereby approves the Westerner Exhibition Association budget for the fiscal year of April 1, 2020 to March 31, 2021 as submitted to Council on July 8, 2020.

Resolved that Council of the City of Red Deer having considered the report from the City Manager dated July 8, 2020, hereby approves a one-time operating grant to the Westerner Exhibition Association of up to \$2,000,000 subject to an agreement satisfactory to the City Manager and funded by the Operating Reserve – Tax Supported.



Background

The WEA is both an agricultural society and registered not-for-profit and normally their budget does not require approval by The City. Membership of the Board of the Society includes up to twelve directors elected by the shareholders, two City Council members, and one County Council member. The Society leases the land they are located on from The City expiring on May 31, 2059; however, the Society owns the buildings situated on that land. The lease agreement may be terminated by The City should the WEA fail to operate the Westerner site. All buildings and structures would then become the property of The City.

In December of 2019, the WEA asked for The City's financial assistance due to sustainability issues. This resulted in the WEA Board agreeing to provide The City with financial oversight in the WEA operations including the approval of their budget by Council.

Earlier this year, on recommendation from administration, City Council approved a one-time emergency operating grant of \$1 million for Westerner Park. This was dealt with in camera, at that time, due to legal considerations. This grant was necessary to help maintain some stability at Westerner Park until The City could investigate and assess the financial situation. This grant was provided for short term operations of Westerner Park in their 2019/2020 budget cycle. The City applied terms and conditions for the use of this grant, including financial oversight for when Westerner Park utilized any of the funds.

In March, the WEA's situation became more complex due to COVID-19 causing the cancellations or imminent cancellations of all major events and further stretching cash flow.

Analysis

Budget

The WEA's budget provides information on two scenarios. The first relates to the impact on the Westerner's ability to hold any event if the COVID-19 pandemic had not happened. The second relates to the impact of the COVID 19 pandemic through August 31, 2020.

As part of the oversight provisions, City Administration has been in discussions with the WEA as they work to stabilize the operations of Westerner Park. The WEA's situation is fluid and many unknowns still exist. Variances in the budget will be provided to the City as more information becomes available such as the cancellation of the Canadian Finals Rodeo and decisions on upcoming 2020 planned major events.

Sustainability

The WEA financial situation was impacted initially by past business decisions and subsequently, the COVID-19 pandemic. As noted in their report, the Westerner Board of Directors understand the magnitude of the circumstances they are currently in. With the hiring of a new Chief Executive Officer in November of 2019, the Board has been working to relaunch the Agricultural Society with a renewed focus on sustainability. This includes implementing updated



business practices and Board oversight to prevent this type of situation from occurring in the future.

Based on the current cash flow projection, the WEA can continue operations until mid-August 2020. The WEA's expectation is major events will begin in November, and to maintain operations to that point and beyond, financial assistance is required. A grant of \$2 million will provide stability into the first quarter of 2021.

If The City doesn't provide financial assistance to Westerner Park and no other form of financial assistance is found, Westerner Park will need to evaluate options, which may include moving to receivership and discontinuing operations of Westerner Park, Alternatively, The City would need to take over Westerner Park operations.

Financial

Should Council approve additional funding to the WEA, it is recommended the source be the Operating Reserve – Tax Supported. The funding would be subject to an agreement satisfactory to the City Manager outlining any conditions that would apply. The \$2 million operating grant to the Westerner will be put in place and drawn on only as required based on continued oversight of cash flow and other financial payment requirements by the City.

The City of Red Deer has contracted a third party to commence a forensic audit and financial sustainability project regarding Westerner Park's financial situation. These are currently in progress.

A forensic audit is the examination of specific transactions and/or to determine any misappropriation. The purpose of this forensic audit is to:

- Examine the decisions related to the construction and financing of Exhibition Hall as well as the decision to host the Canadian Finals Rodeo to determine the existence and scope of any misrepresentation.
- Review the 2018-2019 financial records to determine the existence and scope of any misrepresentation.

The purpose of the financial sustainability project is to provide an assessment of the current and future Westerner Park financial capabilities as well as to provide recommendations for the future state of Westerner Park.

The results of the forensic audit and financial sustainability project are expected later this summer.



Options

Option 1

Council agrees that the WEA operations should continue, and cash flow funding be provided.

This would require approval of the WEA budget and an operating grant. Even with the approval of the budget, there will be continued efforts by the WEA to reduce the projected variance.

Administration recommends a grant of up to \$2,000,000 be provided to allow the WEA to operate into the New Year. Should additional funding be required beyond the approved amount, then the WEA would need to submit a future request to Council.

Option 2

In this scenario, based on current cash flow projections, the Westerner would not be able to continue operations beyond mid-August 2020. The City would need to assume operations or the Westerner proceeds to receivership.



**Westerner Exposition Association
Report to Red Deer City Council July 2020**

Date: July 8th, 2020

RE: Westerner Exposition Association Presentation of its 2020-21 Budget & Request for Operating Support

The Westerner Exposition Association (WEA) appreciates the opportunity to present to Red Deer City Council. Attached within this presentation will be our Fiscal 2021 budget package as well as a report and plan for our sustainability into the future.

Operating Budget

As part of The City of Red Deer's Financial oversight of the WEA, approval of the Budget is required by City Council. The Fiscal 2021 budget as approved on May 6, 2020 by the WEA Board, is attached.

As you will note the budget provides comparison figures for what our "normalized" budget would have been and what a projected outlook for the impacts of the COVID pandemic through August, 2020. The budget varies from a modest surplus to a deficit projection as a result of our loss of earning potential from COVID. The Budget is a prediction based on the best information at the point in time it was produced. For example, the postponement of the Canadian Finals Rodeo until 2021 was not made until after the preparation of this budget. Therefore, this will further reduce the projected deficit. Further impacts of COVID and the timing of changes to physical distancing are likely to occur which will need to be considered in the ongoing financial forecasting by WEA management.

Request for Operating Support

The WEA has been an important part of Red Deer and Central Alberta for over 125 years. We have identified the need for the Westerner Exposition Association to relaunch our Non-Profit Agricultural Society with a renewed focus and purpose. A synopsis of this plan and what is required for operating support to move forward is outlined in the attached "Westerner Exposition Association Sustainability" report. Much work has already been done to mitigate our shortfalls and we will provide a strong basis for moving forward with the relaunch strategy. As outlined in the report, the WEA is asking for the City's support to ensure that Westerner Park continues to be a place for Central Alberta to gather and celebrate well into the future.

Thank you for your consideration.

Submitted respectfully,

Mike Olesen & Janice Wing
CEO Board Chair

**Westerner Park FY 21 Budget Report
 Fiscal Year April 1, 2020 – March 31, 2021**

At the Westerner Exposition Association Board meeting of May 6, 2020 the Westerner Park Board passed a motion recommending to Red Deer City Council its fiscal 2021 budget as presented. The following presentation outlines this for City Council’s consideration.

Considering the factors of the COVID Pandemic, Management is presenting this budget in two formats. First is a normalized budget that would have been should the limitations of “social distancing” had not materially impacted Westerner Park’s ability to hold any events. Second is an amended budget that considers the potential that social distancing may exist through August 31, 2020.

For City Council’s information, management has added discussion to this report on the potential ways that the deficit, caused by the COVID interruption to Westerner Park’s operations, can be reduced. These factors will be important as the changes to the social distancing limitations evolve, compared against our estimated timelines of our events reopening by September.

For context, the FY21 Budget has been redesigned by Management to better reflect the core event operations of Westerner Park. This is in contrast to a budget that is based by venue. This achieves a perspective and analysis by event type which is conducive to ensuring that the net income from major events such as CFR, World Juniors and Westerner Days are clearly represented versus being spread amongst multiple budget areas. This has also facilitated a needed redesign of our GL/Chart of Accounts which now reconciles to the budget which will increase the efficiency and accuracy of our financial reporting. The challenge this creates in the following presentation is comparing the actuals from FY 20 to the FY 21 budget. Nevertheless, management has made its best effort to reassign the unaudited financials in the new format to have a reasonable comparison to the proposed budget. Thank you for your consideration.

Mike Olesen, CEO

Contents

Operating Budget Summary – Pre COVID 192

Operating Budget Summary – Post COVID 192

Management Commentary & Assumptions.....2

 Deficit Reduction Opportunities2

 Priorities, Initiatives & Approach4

 Budget Plan Risks.....6

 Human Resources Summary8

Detailed Operating Budget – Pre COVID9

Event Stream Gross Income Summary – Pre COVID10

Detailed Operating Budget – Post COVID11

Event Stream Gross Income Summary – Post COVID12

Capital Budget Summary13

Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021

Operating Budget Summary – Pre COVID 19

	FY 20 Actuals (*Unaudited)	FY 21 Budget	Variance
Total Revenue	\$16,648,350	\$16,565,414	(\$82,936)
Total Event Expense	\$7,594,064	\$8,960,682	\$1,366,618
Total Non-Event Expense	\$10,348,250	\$7,579,670	(\$2,768,580)
Net Income	(\$1,293,964)	\$25,062	

Operating Budget Summary – Post COVID 19

	FY 21 Budget	FY 21 Post COVID Budget	Variance
Total Revenue	\$16,565,414	\$12,556,834	(\$4,008,580)
Total Event Expense	\$8,960,682	\$7,595,822	(\$1,364,860)
Total Non-Event Expense	\$7,579,670	\$6,148,745	(\$1,430,925)
Net Income	\$25,062	(\$1,187,733)	

Management Commentary & Assumptions

Deficit Reduction Opportunities

- Although the “Post COVID” budget is representing a deficit of (\$1,187,733), it is also a conservative picture of Westerner Park’s operations, assuming operations begin to pursue normality in September of 2020.
- The following discussion provides insight into the possible areas of adjustment and opportunity that may come to fruition and subsequently lower the expected deficit. These amounts are organized into four standard risk categories and have an estimated total impact as follows:
 - **Certain:** \$192,292
 - **Likely:** \$632,637
 - **Possible:** \$826,826
 - **Unlikely:** \$3,000,000 (*Note: If the Business Interruption insurance coverage was received the Provincial “bailout” would not be possible in Managements opinion. This is why this is listed as \$3M and not \$6M)
- If one considers the certain and likely categories coming to fruition, the deficit gap would close to (\$362,804). Although this reforecasts the potential deficit, there is the risk that the COVID limitations have a material impact on major events beyond our estimated timelines which puts further pressure on Westerner Park’s operations beyond the amounts estimated today.
- The following provides more detail on the potential deficit reduction opportunities outlined above:

**Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021**

DEFICIT REDUCTION OPPORTUNITIES	
Description/Scope	Potential Budget Impact & Likelihood (Certain, Likely, Possible, Unlikely)
<p>Wage Subsidy Program: The Post COVID budget assumes a benefit of \$180K. Management has determined this is a conservative estimate and the program is signaling to be extended.</p>	<ul style="list-style-type: none"> • \$13,000 – Certain: This would be the balance of eligible wage subsidy leading into the transition from current temporary layoffs to June 6th. • \$38,413/Month – Possible: The Federal Government is signaling that that Wage Subsidy program will be extended past June. We would earn a benefit of \$38,413/month. Reasonable to estimate this would last another 2 months totaling a benefit of \$76,826.
<p>Federal Workshare Program: At the time of this report Management is filing for a Workshare agreement. This is reducing every remaining staff member that is possible by 40%.</p>	<ul style="list-style-type: none"> • \$22,446/Month – Likely: Starting June 1 the program will begin. It is estimated to extend through July and potentially into August saving \$67,338
<p>Human Resource: The planned restructuring assumed implementation in July. Given COVID issues these can be delayed. Employee LTD claim may end.</p>	<ul style="list-style-type: none"> • \$36,892: Certain • \$42,000: Likely – This represents the unlikely return of an employee that has been on LTD for the full cycle that our benefits will cover.
<p>Nominal Revenue & Cost Reductions: There are some COVID compliant rentals that are bringing in some nominal revenue and the potential for cost savings in various non-event budgets are available.</p>	<ul style="list-style-type: none"> • \$142,400: Certain Expense Savings • \$20,000: Likely Revenues • \$30,000: Likely Expense savings
<p>CFR 47 Postponement: In all likelihood the 2020 version of the CFR will be postponed. The main factors are qualifying rodeos being cancelled this season due to COVID. Other factors include forgiveness from the Canadian Pro Rodeo Association as they recognize the economic pressures that will exist in the balance of this year.</p>	<ul style="list-style-type: none"> • \$473,299: Likely – The post COVID budget assumed a significant drop in sponsorship, ticketing, food and beverage which would have had the event at another loss. This change would be a net-positive impact to the FY 21 Budget.
<p>Naming Rights Sponsorship: Both the Centrum & Exhibition</p>	<ul style="list-style-type: none"> • \$250,000: Possible – This is the current valuation that Westerner Park has assessed the Centrum at. Corporations are trending away from building naming rights it appears.

**Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021**

<p>Hall are available for naming rights sponsorship</p>	<ul style="list-style-type: none"> • \$100,000: Possible – This is the current valuation that Westerner Park has assessed the Exhibition Hall at. Corporations are trending away from building naming rights it appears.
<p>Alberta AG Society Association: The provincial body that advocates on behalf of the various AG Societies in Alberta.</p>	<ul style="list-style-type: none"> • \$400,000: Possible – Current lobbying efforts aimed at doubling our AG Grant in order to assist with lost revenues. • \$3,000,000: Unlikely – This would represent the approximate lost revenues from the COVID restrictions through August. Lobbying efforts to receive a Provincial bailout are in process.
<p>Business Interruption Insurance:</p>	<ul style="list-style-type: none"> • \$3,000,000: Unlikely – This would represent the approximate lost revenues from the COVID restrictions through August. We are in the process of a claim against these losses but it is likely that COVID will be considered an exclusion.
<p>Westerner Park Foundation: Strategies are in the works to develop a Foundation brand that utilizes Westerner Park’s AG Society Charitable status. Discussions with various private funders are ongoing. Represents a new stream of event types that could be facilitated by the Westerner Park operation and event center.</p>	<ul style="list-style-type: none"> • Indeterminable at this time.

Priorities, Initiatives & Approach

- Management’s budget process has put a prioritization on rigor in revenue/event planning. Therefore, each specific event has its own profits and loss statement that is based on average attendance, per capita spending, and costing of our various event categories. The budget and Westerner Park’s coding structure has been redesigned to be more reflective of this model and will contribute well to our future forecasting efforts.
- The overall budget goal was to demonstrate a break-even budget that also included a contribution to our Major Maintenance Fund. As noted, the normalized budget achieved this with a contribution of \$50,000 into the MMF and has also been maintained in the Post COVID version.
- The Post COVID budget has been presented with the assumption that events through August 31st will not be allowed to operate and assumes no revenue earned during this period for any events.
- A priority focus for Westerner Park will be the reprioritization of Sales and Marketing. An early initiative that is already in the works is to restructure this division and their efforts to be more focused on increasing net-new events to Westerner Park. This will also align with the priority focus for our Marketing team to ensure that our promotional efforts are in line with the Sales Strategy of the organization.

Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021

- One of our key strategies is to stabilize the operations of Westerner Park. As previous losses would demonstrate, our expenses have not been in control and not properly reflective of the potential revenues we can earn. Therefore, management has put a priority and focus on reducing our expenses, pursuing strategies that create variability in our expense where possible, and to ensure that we put more rigor into understanding our revenues. Examples of this are:
 - Reductions in Human Resource over the final months of FY20 have now taken full effect and will roll over into FY21.
 - Pursuing and implementing a strategy where parking is no longer a paid service. Where instead users are assessed a facility fee which offsets the lost revenues and allows Westerner Park to better manage its costs by removing the administration of this service.
 - Redesigning the budget to isolate fixed costs and to organize our budgets by the variable expense and revenues of our core business, major events.
- This budget represents the change in catering partners. In our pre-COVID budget we assumed a modest commission return of \$100K. Considering our partner will bring their entire operations on site to Westerner Park and we will earn commissions on both direct Westerner Park sales as well as on sales they execute on outside of our facilities we feel this estimate is conservative. The change caused by the COVID interruption will have a significant impact to this number and we feel that a 50% decrease in estimated commissions can still be attained. There is an overall decrease in gross revenues as a result of this catering strategy change as we are no longer directly selling catering services to our customers.

Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021

Budget Plan Risks

Revenue Risks: Management utilizes 5 Risk Categories to assess the likelihood of earning its planned revenue. For the FY 21 Budget, both pre and post COVID, this assessment is as follows:

Revenue Risk Category	FY 21 Pre-COVID	Examples	FY 21 Post – COVID	Examples
Level 1: Contractually Committed Revenue	\$2,987,000	Grants, portions of sponsorship, World JR Rent, GST Collected	\$1,734,000	Grants, fewer portions of sponsorship, World JR Rent, GST Collected
Level 2: Events/Initiatives are contracted. However, revenue is variable to attendance or performance.	\$12,625,414	Commissions, sponsorship, Ag Events, CFR, Westerner Days, World Juniors, Rebels Hockey, Tradeshows	\$8,500,000	Portion 1: Commissions, sponsorship, Ag Events, CFR, World Juniors, Rebels Hockey, Tradeshows.
Level 3: Events/Initiatives that are not yet contracted however are usually expected in a given year.	\$953,000	Entertainment / Concerts, Dairy Showcase	\$1,369,834	Portion 2: Commissions, sponsorship, Ag Events, CFR, World Juniors, Rebels Hockey, Tradeshows
Level 4: Events/Initiatives that we are in discussions with that have a realistic chance of coming to fruition.	\$0	There are initiatives we are working on however none we feel comfortable yet, based on Management's tolerance for risk, to move up to level 3.	\$953,000	Entertainment / Concerts, Dairy Showcase
Level 5: Events/Initiatives that are a "potential lead" or a concept we are pursuing.	\$0	There are nearly a hundred leads that we are pursuing.	\$0	

Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021

Level 2 Key Events Analysis:

- **Red Deer Rebels Hockey:** We have conservatively estimated season ticket sales this season as the trend has been decreasing. (2,500 versus 2,800). However, our average attendance estimations remain static as we feel that the Rebels will be more competitive this season, and the Centrum improvements will generate a level of excitement, that should mitigate the decreased season ticket sales.
- **Canadian Finals Rodeo:** The current proforma for CFR is based on our trends in Food & Beverage Sales, attendance, and sponsorship. Further, it includes the planned expense reductions that we have identified and the offer of support from the CPRA through expense reductions that they dictate. Post COVID this event becomes a significant risk area for Westerner Park and our Joint Venture partners as we feel sponsorship will be severely impacted and the likelihood of ticket sales decreasing is possible as well.
- **AG Events/Tradeshows Post COVID:** This is a key risk area for us as we feel there is a great deal of enthusiasm for these events to continue in the future, but the economic conditions are going to have an adverse effect on our event hosts that they may not be anticipating to the same degree that we are.

Level 3 Revenue Discussion:

- Our entertainment events are traditionally not booked this far in advance and the uncertainty of COVID has impacted artists touring and plans. We have estimated a conservative number of entertainment events that we would normally host in a year so feel confident that we will still meet this target.

Post COVID Analysis: The basis of Management's post COVID plan is to primarily not budget for any events that have not directly communicated their intent to reschedule, have cancelled and/or rescheduled into the next fiscal year. Given the uncertainty of the economic conditions coming out of the social distancing limitations we remain guarded about events that have committed to only postponing their events into the near future. Therefore, we have shored up our risk assessment and classified our revenues accordingly. Some specific adjustments we have made are to reduce our sponsorship targets by over 50% and to nominally reduce our overall Food, Beverage and Ticket Gate revenue by 10%.

Expense Risks:

- The Marketing and Advertising budget is minimal considering the size and scope of our organization and the reliance on sales for meeting revenue targets. This creates limitations on our external exposure. However, our plans are to maximize what resources we have and utilize less expensive channels. Fortunately, a great deal of our marketing efforts are through physical

**Westerner Park FY 21 Budget Report
 Fiscal Year April 1, 2020 – March 31, 2021**

connection and human resources are our largest resource, so this further mitigates the challenges of a lower budget on marketing spend.

- The FY21 Budget has minimized our maintenance efforts in the coming year. We feel confident in the facility’s condition for the next year that this will not diminish our operations. However, we do have options within the Major Maintenance Fund to allocate resources to priority areas (e.g. Various roof repairs that are usually done on an annual basis)
- Westerner Park has had, and continues to have a lack of investment in technology. A number of our systems (e.g Accounting, Point of Sale, hardware, etc) are antiquated and insufficient for our desired progress and growth. This will need to be prioritized in the near future in order for our operations to succeed in the future.

Human Resources Summary

FY 21 Budget	FY 20 Actual
<ul style="list-style-type: none"> • 52 FTE's • *1 FTE Potential return from leave • Approximately 340 Casual/Part-Time <p>*Overall reduction in FTE's as a result of previous efforts in reducing operations to manage expense. Includes that 2 have retired but are replaced after restructuring.</p> <p>*Casual Part/Time reduction result of operational changes such as Parking & Rebels Hockey Usher program being changed.</p>	<ul style="list-style-type: none"> • 67 FTE's • *2 FTE on leave • Approximately 400 Casual/Part-Time

Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021

Detailed Operating Budget – Pre COVID

OVERALL REVENUE				
Description	FY 20 Actuals	FY 21 Budget	Variance	Notes
Food & Beverage	4,237,197	4,098,950	-138,247	No catering but World Juniors
Commissions	802,675	503,883	-298,793	Coding chg with rentals
Gate/Admissions/Parking	4,038,407	4,105,079	66,672	World Junior increase
Sponsorship: Cash/GIK	1,969,460	2,236,699	267,239	Tracking GIK Enhancements
Rental	2,440,010	3,476,320	1,036,310	Addition: World Jr, Cowboy Kicks
Grants	1,968,434	910,533	-1,057,901	
Joint Venture	751,283	848,000	96,717	Improved CFR Performance
Misc	440,884	385,950	-54,934	
Total Revenue	16,648,350	16,565,414	-82,936	Notable change in catering prog.
EVENT EXPENSE				
Description	FY 20 Actuals	FY 21 Budget	Variance	Notes
Food & Beverage	1,363,072	1,213,771	-149,302	Relative to revenue
Marketing	828,645	281,554	-547,091	GIK Coded separately
Volunteers	0	141,560	141,560	Not collectively coded previously
Event Wages	0	1,245,337	1,245,337	Coded collectively previously
Contractual Services/Equipment	2,516,856	1,503,062	-1,013,794	GIK Coded separately
Sponsorship GIK Offset	0	1,172,222	1,172,222	Coded within specific codes previously
AG Supplies	36,024	155,234	119,210	Sponsor change
Entertainment Promoter Fees	580,184	342,500	-237,684	Change in event types
Contract Settlements	1,936,084	1,933,855	-2,229	Nominal
Misc	333,199	971,588	638,389	Rebels suites settlement, GST exp, Janitorial
Total Event Expense	7,594,064	8,960,682	1,366,618	Majority is wage coding difference.
NON EVENT EXPENSE				
Description	FY 20 Actuals	FY 21 Budget	Variance	Notes
Salaries & Benefits	6,467,429	4,365,969	-2,101,460	Coding change and previous adjust
Operations/Maintenance/Admin	1,360,040	957,306	-402,734	Efficiency
Interest Expense	654,784	660,000	5,216	Loan Interest
Member Dues	29,823	101,325	71,502	Consolidating all previous codes
Supplies & Services	419,544	223,113	-196,431	Efficiency
IT	243,018	223,978	-19,040	Efficiency
Utilities	755,014	844,650	89,636	Increased usage/Events
Volunteer General	39,336	0	-39,336	Coding
General Sponsorship GIK Offset	0	58,250	58,250	Coding
Travel, Training & Awards	379,262	95,485	-283,777	Efficiency
Marketing	0	49,594	49,594	Coding
Total Non Event Expense	10,348,250	7,579,670	-2,768,580	
	FY 20 Actuals	FY 21 Budget	Variance	
Overall Revenue	16,648,350	16,565,414	-82,936	
Event Expense	7,594,064	8,960,682	1,366,618	
Non Event Expense	10,348,250	7,579,670	-2,768,580	
Net Income	-1,293,964	25,062	1,319,026	

**Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021**

Event Stream Gross Income Summary – Pre COVID

Operating Budget - PRE COVID															
OVERALL REVENUE BY EVENT STREAM															
Description	FY 21 COVID Budget	Agriculture	CFR	Cowboy Kicks/ Westerner Park Foundation	Entertainment	World Juniors	Other	Outdoor	Rebels	Sport	Trade Show & Conferences	Wedding Banquet & Special Events	Westerner Days	Dairy Show Case	Non - Event Revenue
Food & Beverage	4,098,950	104,750	856,250	4,500	318,000	926,500			1,247,000	12,500	378,200	104,350	142,700	4,200	
Commissions	503,883	0	19,000		3,160	7,200			13,800	880	21,474	1,008	37,665	1,400	398,296
Gate/Admissions/Parking	4,105,079	43,400	2,588,152	80,000	175,737	182,000	750		86,145	3,130	375,175	2,460	557,630	10,500	
Sponsorship: Cash/GIK	2,236,699	36,858	1,241,461	151,000							52,598		483,804	44,000	226,978
Rental	3,476,320	394,240	199,830		271,030	308,950		24,325	1,069,540	173,425	757,680	133,600	131,000	12,700	
Grants	910,533		275,000										145,000	10,500	480,033
Joint Venture	848,000		98,000											0	750,000
Misc	385,950		63,000	60,000		54,000			38,000					950	170,000
Total Revenue	16,565,414	579,248	5,340,693	295,500	767,927	1,478,650	750	24,325	2,454,485	189,935	1,585,127	241,418	1,497,799	84,250	2,025,307
OVERALL EXPENSE BY EVENT STREAM															
Description	FY 21 COVID Budget	Agriculture	CFR	Cowboy Kicks/ Westerner Park Foundation	Entertainment	World Juniors	Other	Outdoor	Rebels	Sport	Trade Show & Conferences	Wedding Banquet & Special Events	Westerner Days	Dairy Show Case	Non - Event Revenue
Food & Beverage	1,237,720	31,114	249,672	1,305	91,460	266,559			369,896	3,680	113,518	30,121	43,227	13,218	23,950
Marketing	331,053		179,569	17,000							10,505		73,730	750	49,499
Volunteers	141,560		98,460	2,000	5,000	13,000			14,400		200		8,500		
Event Wages	5,653,856	45,714	319,633	21,100	86,502	281,384	96		296,253	3,700	133,341	21,323	24,041	12,250	4,408,519
Contractual Services/Equipment	1,584,258		1,236,806	19,750	31,500	5,000			34,875		43,206		121,750	10,175	81,196
Sponsorship GIK Offset	1,230,472	36,858	691,361	31,000							49,098		363,905		58,250
AG Supplies	155,234	39,079	89,155										21,000	6,000	
Entertainment Promoter Fees	342,500		141,500	24,500	12,300								164,200		
Contract Settlements	1,933,855		1,865,500	34,300	480						600		2,475	30,500	
Misc	3,929,844	12,876	141,425	64,500	32,825	42,180			630,188	640	17,375	930	25,449	3,200	2,958,256
Total Event Expense	16,540,352	165,641	5,013,081	215,455	260,067	608,123	96	0	1,345,612	8,020	367,843	52,374	848,277	76,093	7,579,670
Overall Revenue	16,565,414	579,248	5,340,693	295,500	767,927	1,478,650	750	24,325	2,454,485	189,935	1,585,127	241,418	1,497,799	84,250	2,025,307
Event Expense	16,540,352	165,641	5,013,081	215,455	260,067	608,123	96	0	1,345,612	8,020	367,843	52,374	848,277	76,093	7,579,670
Net Income	25,062	413,607	327,612	80,045	507,860	870,527	654	24,325	1,108,873	181,915	1,217,284	189,044	649,522	8,157	

Westerner Park FY 21 Budget Report Fiscal Year April 1, 2020 – March 31, 2021

Detailed Operating Budget – Post COVID

OVERALL REVENUE					
Description	FY 20 Actuals	FY 21 Pre-Covid	FY 21 Post COVID Budget	Variance	Notes
Food & Beverage	4,237,197	4,098,950	3,208,523	(890,427.50)	
Commissions	802,675	503,883	390,315	(113,568.00)	
Gate/Admissions/Parking	4,038,407	4,105,079	2,896,436	(1,208,643.23)	
Sponsorship: Cash/GIK	1,969,460	2,236,699	1,221,487	(1,015,212.00)	
Rental	2,440,010	3,476,320	2,780,308	(696,012.00)	
Grants	1,968,434	910,533	943,208	32,675.00	
Joint Venture	751,283	848,000	848,000	-	
Misc	440,884	385,950	268,558	(117,392.50)	
Total Revenue	16,648,350	16,565,414	12,556,834	(4,008,580.23)	
EVENT EXPENSE					
Description	FY 20 Actuals	FY 21 Pre-Covid	FY 21 Post COVID Budget	Variance	Notes
Food & Beverage	1,363,072	1,213,771	1,083,301	-130,470	
Marketing	828,645	281,554	190,824	-90,730	
Volunteers	0	141,560	129,210	-12,350	
Event Wages	0	1,245,337	1,097,656	-147,681	
Contractual Services/Equipment	2,516,856	1,503,062	1,352,162	-150,900	
Sponsorship GIK Offset	0	1,172,222	740,459	-431,763	
AG Supplies	36,024	155,234	103,293	-51,942	
Entertainment Promoter Fees	580,184	342,500	148,300	-194,200	
Contract Settlements	1,936,084	1,933,855	1,897,000	-36,855	
Misc	333,199	971,588	853,618	-117,970	
Total Event Expense	7,594,064	8,960,682	7,595,822	-1,364,860	
NON EVENT EXPENSE					
Description	FY 20 Actuals	FY 21 Pre-Covid	FY 21 Post COVID Budget	Variance	Notes
Salaries & Benefits	6,467,429	4,365,969	3,334,669	-1,031,300	
Operations/Maintenance/Admin	1,360,040	957,306	816,527	-140,779	
Interest Expense	654,784	660,000	660,000	0	
Member Dues	29,823	101,325	97,200	-4,125	
Supplies & Services	419,544	223,113	126,180	-96,933	
IT	243,018	223,978	197,674	-26,304	
Utilities	755,014	844,650	746,688	-97,962	
Volunteer General	39,336	0	0	0	
General Sponsorship GIK Offset	0	58,250	58,250	0	
Travel, Training & Awards	379,262	95,485	65,675	-29,810	
Marketing	0	49,499	45,883	-3,616	
Total Non Event Expense	10,348,250	7,579,575	6,148,745	-1,430,830	
SUMMARY					
	FY 20 Actuals	FY 21 Pre-Covid	FY 21 Post COVID Budget	Variance	
Overall Revenue	16,648,350	16,565,414	12,556,834	-4,008,580	
Event Expense	7,594,064	8,960,682	7,595,822	-1,364,860	
Non Event Expense	10,348,250	7,579,575	6,148,745	-1,430,830	
Net Income	-1,293,964	25,157	-1,187,734	106,230	

**Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021**

Event Stream Gross Income Summary – Post COVID

Operating Budget - Post COVID 19															
OVERALL REVENUE BY EVENT STREAM															
Description	FY 21 COVID Budget	Agriculture	CFR	Cowboy Kicks/ Westerner Park Foundation	Entertainment	World Juniors	Other	Outdoor	Rebels	Sport	Trade Show & Conferences	Wedding Banquet & Special Events	Westerner Days	Dairy Show Case	Non - Event Revenue
Food & Beverage	3,208,524	14,068	743,563		200,850	816,753			1,107,740		286,620	35,360		3,570	0
Commissions	390,313		19,000		1,440	7,200			13,800		21,354			1,190	326,329
Gate/Admissions/Parking	2,896,436	6,000	2,199,929		96,284	182,000			86,145		315,368	1,785		8,925	0
Sponsorship: Cash/GIK	1,221,487		941,461								52,598			18,700	208,728
Rental	2,780,308	163,573	199,830		135,300	308,950		12,275	1,069,540	163,025	674,605	42,415		10,795	0
Grants	943,208		275,000											8,925	659,283
Joint Venture	848,000		98,000												750,000
Misc	268,558		63,000			54,000			38,000					808	112,750
Total Revenue	12,556,834	183,641	4,539,783	0	433,874	1,368,903	0	12,275	2,315,225	163,025	1,350,545	79,560	0	52,913	2,057,090
OVERALL EXPENSE BY EVENT STREAM															
Description	FY 21 COVID Budget	Agriculture	CFR	Cowboy Kicks/ Westerner Park Foundation	Entertainment	World Juniors	Other	Outdoor	Rebels	Sport	Trade Show & Conferences	Wedding Banquet & Special Events	Westerner Days	Dairy Show Case	Non - Event Expense
Food & Beverage	1,104,902	4,940	249,673		66,120	266,559			369,896		101,248	11,648		13,218	21,600
Marketing	236,707		179,569								10,505			750	45,883
Volunteers	138,935		98,460		3,150	13,000			14,400		200	9,725			
Event Wages	4,446,093	22,550	319,633		45,760	281,384			296,253		110,101			12,250	3,358,162
Contractual Services/Equipment	1,413,662		1,236,806		22,500	5,000			34,875		42,806			10,175	61,500
Sponsorship GIK Offset	806,847	8,138	691,361								49,098				58,250
AG Supplies	95,155		89,155											6,000	
Entertainment Promoter Fees	148,300		141,500		6,800										
Contract Settlements	2,527,188		1,865,500		400				630,188		600			30,500	
Misc	2,826,779	4,760	141,425		14,490	42,180					17,375			3,200	2,603,349
Total Event Expense	13,744,568	40,388	5,013,082	0	159,220	608,123	0	0	1,345,612	0	331,933	21,373	0	76,093	6,148,744
Overall Revenue	12,556,834	183,641	4,539,783	0	433,874	1,368,903	0	12,275	2,315,225	163,025	1,350,545	79,560	0	52,913	2,057,090
Event Expense	13,744,568	40,388	5,013,082	0	159,220	608,123	0	0	1,345,612	0	331,933	21,373	0	76,093	6,148,744
Gross Income	1,187,734	143,253	473,299	0	274,654	760,780	0	12,275	969,613	163,025	1,018,612	58,187	0	23,180	

Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021

Capital Budget Summary

The following summarizes the Westerner Park Capital project plans and the corresponding funds that may be utilized to pursue their completion. Some key points for consideration:

- Within the proposed FY21 Operating budget (Both Pre & Post COVID) there is a \$50,000 contribution planned to the Major Maintenance Fund. This brings the fund's total up to \$105,296.
- Other contributions include the contracted Capital Contribution of \$3M by the City of Red Deer and the forecasted opportunities of \$1M from the major CFEP grant and \$1M other potential grants.
- All proposed projects are contingent on their funds and the scope of each project may change depending on the funds available to support them.
- Beyond the Centrium improvements, no other capital projects have been planned for FY 21. Basic maintenance has been planned in operating to ensure our facility health.
- The future stated projects are all identified as "desired improvements" at this point and none that are identified as operational imperatives. However, as time goes on the condition of the facilities can obviously change.

CAPITAL CONTRIBUTIONS BUDGET SUMMARY		
Funds & Contributions	Amounts	Notes
Current Major Maintenance Fund Balance	\$55,296	Conditionally restricted
FY 21 Budget Contribution	\$50,000	Conditionally restricted. Contribution from operations in FY 21
City Capital Grant	\$3,000,000	Grant agreement in place for Centrium upgrades
CFEP Grant	\$1,000,000	In application – Restricted to Centrium Project
Other Capital Grant	\$1,000,000	In application – Restricted to Centrium Project
Total Potential Capital Available	\$5,105,296	

CAPITAL PROJECT PLAN SUMMARY			
FY 21 Projects		FY22 Projects	FY23 Projects
Project Items	Costs		
Centrium:		Centrium:	• Stockman's Upgrade: \$500,000
• Painting & Fixtures	• \$175,000	• Pillar/Concession Tiling: \$230,000	• Tent A/B Upgrade: \$400,000
• Dressing Room	• \$75,000	• Painting: \$75,000	• Prairie Flooring: \$150,000
	• \$120,000	• Washrooms: \$325,000	• Reseal Upper Decks: \$80,000
	• \$1,000,000	• Food Carts: \$40,000	
		• Wayfinding: \$50,000	
		• Concourse Modernization: \$1,500,000	

**Westerner Park FY 21 Budget Report
Fiscal Year April 1, 2020 – March 31, 2021**

<ul style="list-style-type: none"> • Standing Room Infrastructure • Score Clock & LED Signs • Seating • Wayfinding • Contingency / Unbudgeted 	<ul style="list-style-type: none"> • \$1,350,000 • \$50,000 • \$230,000 	<p>General</p> <ul style="list-style-type: none"> • Paving: \$460,000 • Operable Wall Prairie: \$280,000 • Lengthen Turning Lane: \$280,000 • PA Systems Pavilions: \$160,000 • Vehicles: \$100,000 • Keyless Entry: \$100,000 • Radios \$100,000 • Parking Lot Power: \$50,000 • Electric Hand Dryers: \$50,000 • Compactor: \$30,000 • Indoor Ticket Booths \$30,000 • Stockman's Doors: \$12,000 • Sander: \$11,000 • Decorative Lighting: \$10,000 	
<p>FY 21 Total Spend: \$3,000,000</p>	<p>FY 22 Potential \$3,893,000</p>	<p>FY 23 Potential \$1,130,000</p>	

Westerner Exposition Association Sustainability Report Red Deer City Council July 2020

Westerner Park

This point in time is about relaunching our Non-Profit Agricultural Society with a renewed focus and purpose. We own and are accountable to the circumstances we are currently in; but the challenges we have faced do not define us. Westerners are proud and passionate about our purpose and these circumstances are only a small part of our over 125-year existence that we will grow and improve from. We have gained control over our issues and have begun to stabilize our operations. Nevertheless, we will need additional help. We acknowledge the significance of this ask and especially so considering the challenges that are currently impacting most everyone in our community. However, considering the economic impact we create, the service we provide so many other important organizations, and the contribution we make to our community's quality of life and culture, the return on this investment is exponential.

The Benefits to Red Deer and Central Alberta -

- In an average year the WEA directly generates an economic impact of over \$100MM (one-hundred million) for Central Alberta. This does not include the additional economic benefits created by the events and organizations that we host. As an example, Agri-Trade alone has been measured to generate nearly \$200MM in sales and economic activity on a regular basis.
- Our self-produced events that we facilitate improves our culture as a community by connecting urban and rural communities through the promotion of the westerner way of life, and by creating unique experiences through major arts, agricultural and sporting events.
- Westerner Park is an employer of over 500 people (both part-time and full-time) annually.
- Our association engages with our community through volunteerism as over 2,000 volunteers support our cause on an annual basis.

Our Need for Operating Capital – The impacts of COVID have certainly been felt throughout our entire community. Westerners have seen a particularly adverse impact as the pandemic has limited the ability of our industry to earn the revenue we require to cover our costs. As a result, we require an operating grant in order to survive and to continue to bring the community the benefits they need. The following outlines the scope of this need and the mitigating factors affecting its range and timing.

- **Westerner Park requires an operating grant in the range of \$1MM - \$3.5MM**
 - Currently WEA's minimal operating expense averages \$300K per month. These are fixed costs to maintain facilities and to be viable from a legal and insurance perspective. Based on our latest cash-flow projections we will need additional support by approximately August 15, 2020.
 - The minimum of a \$1MM operating grant assumes that the launch of Phase 3 by the Alberta Government will allow for major events (at an assumed 50% capacity) to begin at some point in November. This allows events such as Agri-Trade, Rebels Hockey, World Juniors, etc. to operate with an attendance level that does not operate at a loss for Westerner Park.
 - The extent of a \$3.5MM operating grant assumes that the limitations of COVID will materially impact WEA's earning potential for another year. However, it also assumes we will still host smaller events and our AG Grants are continued at current levels for that same period of time.

Our Way Forward –

- **Additional Sources of Working Capital:** We are committed to doing everything possible, versus solely relying on public support. One particular effort will be to establish a Westerner Foundation that leverages our charitable status raising funds and awareness for our cause. A campaign will be established and launched to educate and create awareness in Central Alberta for why the success of our non-profit Exposition and Charitable Ag-Society directly translates to the greater success of our community.
- **Renegotiation of Key Contracts:** Continuing our relentless effort at managing our expense will be key to our future success. We are currently renegotiating key contracts to ensure each is as reasonable as possible.

Westerner Exposition Association Sustainability Report Red Deer City Council July 2020

Westerner Park

- **Pricing Models:** We are currently re-evaluating all pricing models to ensure we are priced appropriately to create maximum value for our clients and guests. This is a strategy that is based on generating a greater volume of events and rentals that is more reflective of Westerner Park's potential.
- **Catering Partner:** We are ready to announce our new catering partner. The strategy of outsourcing this service to a partner with a solid reputation will bring back clients to Westerner Park, contributing greatly to our strategy of ensuring value.
- **Red Deer Rebels:** We recently agreed to terms to host the Rebels contract for an additional 7 years. This locks in the commitment to Central Alberta to have Major Junior hockey continue strongly into the future.
- **Engaging the Community in a Meaningful Way:** We have not been good enough in this area. The Westerner's success will come from the support of its community. At the forefront of this group are our shareholders. This is our lead group of stakeholders and our key to engaging with the community. We will be refocusing with our shareholders as a priority.
- **Stabilizing our Operations:** We have made significant strides in the last 6 months in repairing and stabilizing our operations. The following changes and improvements will contribute greatly to our future success:
 - Fixed expense has been reduced by approximately 30%. We are now focusing effort on creating as much flexibility in our operating expense so that it is less sensitive to the fluctuations that are normal in the event industry.
 - Incorporating technology: We have moved forward our event management software project so that we have better control and insight into our overall event schedule and event-delivery management. This will facilitate our efficiency but also provide insight into where we have room to grow and recruit new events to our normally busy contingent.
 - Our organizational structure has been reorganized to put priority on key areas of our purpose including having leadership resources assigned to Client Services, Event Management, and Workforce (both Volunteers & Staff).
 - The "silver-lining" of COVID to our organization is it has allowed for the opportunity to investigate what has lead us to this point and to subsequently repair it. Our accounting operations and subsequent redesigned policies will contribute greatly to a more solid and sustainable future.

Conclusion

The Westerner Exposition Association appreciates the support and guidance provided to us by the City of Red Deer as we navigate this challenging period in our history. Although the contribution of additional funds to the degree that we have asked is of significant levels, we assure you that this would be an investment that will pay dividends well into the future. Considering our annual economic impact of over \$100MM, the fullest extent of this operating grant request would provide a return over thirty times greater in only a years' time. Further, if one imagines Red Deer and Central Alberta without Westerner Park where would we be? So many other organizations rely on us and our facilities to ensure they have their own opportunities to raise money, to generate trade, and to win bids at major events. We as Westerners take this responsibility very seriously and we truly desire to be back in a solid position to serve our community. We have learnt from the past and your support will be the boost we need to take our relaunch to a sustainable level.

Thank you for your consideration.

Submitted respectfully,

Mike Olesen & Janice Wing
Chief Executive Officer Board Chair



NEWS RELEASE

July 3, 2020

To continue operations, Westerner Park requests financial support from The City of Red Deer

On July 8, 2020, City Council will review two requests related to the Westerner Exposition Association:

1. Westerner Park's request of an operating grant of between \$1 and 3.5 million. City of Red Deer administration is recommending an operating grant of up to \$2 million subject to an agreement satisfactory to the City Manager. These funds would only be accessed by Westerner Park, if required, based on continued oversight of cash flow.
2. On May 6, 2020, Westerner Park submitted its budget for the fiscal year of April 1, 2020 to March 31, 2021 to The City of Red Deer. As part of The City's financial oversight, City Council needs to approve the Westerner Park budget.

These requests come following financial challenges at Westerner Park, which resulted in a request for support in late 2019 with The City of Red Deer assuming temporary financial oversight of Westerner Park in an effort to ensure the short, medium and long-term success of the organization.

1. Who is Westerner Park?

Since 1891, Westerner Park has been a place for Central Albertans to gather and celebrate community events. Westerner Park is a community minded non-profit organization and agriculture society that plays host to an estimated 1.5 million visitors annually. From weddings to banquets to hockey games and agriculture shows, Westerner Park is a community hub in Red Deer and central Alberta run by a Board of Directors.

2. Who runs Westerner Park?

Westerner Park is led by a Board of Directors who continues to provide overall direction to Westerner Park with support and oversight from The City of Red Deer as it relates to financial decisions and approval of Westerner Park's annual budget.

3. Why is Westerner Park asking The City for financial support?

A number of factors ultimately led to the financial instability at Westerner Park, including the decision to expand the facility, major event contract negotiations and the current economic reality, to name a few. The additional impacts of COVID-19 are placing greater financial pressures on Westerner Park with no ability to host events or generate revenue throughout the COVID-19 pandemic.

Based on Westerner Park's current cash flow projection, operations can continue as they currently are until mid-August 2020 until there is no more money to operate. The expectation is that major events will begin again in November 2020, and, to maintain operations after mid-August, financial assistance is required.

4. How much financial support is Westerner Park requesting of The City?

Westerner Park is requesting an operating grant in the range of \$1 to 3.5 million.

The request for a \$1 million operating grant assumes phase three of the Province of Alberta's relaunch strategy will begin in at least November. The \$3.5 million operating grant request assumes the effects of COVID-19 will last for another year.

Westerner Park's current minimum operating expenses average three hundred thousand per month.

5. Has The City of Red Deer previously provided any funding to Westerner Park?

Earlier this year, on recommendation from administration, City Council approved a one-time operating grant of \$1 million for Westerner Park. This was dealt with in camera, at that time, due to legal considerations. This grant was necessary to help maintain some stability at Westerner Park until The City could investigate and assess the financial situation. This grant was provided for short term operations of Westerner Park in their 2019/2020 budget cycle. The City applied terms and conditions for the use of this grant, including financial oversight for when Westerner Park utilized any of the funds.

6. What will happen if The City doesn't provide any financial support to Westerner Park?

If The City doesn't provide financial assistance to Westerner Park and no other form of financial assistance is found, Westerner Park will need to evaluate options, which may include moving to receivership and discontinuing operations of Westerner Park. Alternatively, The City would need to take over Westerner Park operations.



NEWS RELEASE

7. Why doesn't the City just take over Westerner Park?

This is certainly one of the options, however, The City would also have to assume all of WP debts and liabilities.

8. Why is City administration recommending a \$2 million dollar operating grant?

City administration is recommending a \$2 million dollar operating grant to provide time for Westerner Park to fully understand the impacts of COVID-19 on their operations. These funds would only be accessed by Westerner Park, if required, based on continued oversight of cash flow.

9. How can The City afford to financially support Westerner Park, especially given the impacts of COVID-19?

The City's goal is to continue to support strong economic activity in the city and region. Westerner Park has an annual impact of \$150 million on the economy and is an important part of the region's economic recovery. While The City is also experiencing financial impacts from the economic climate and COVID-19, it is important to look long term for economic resilience.

10. Will the City's financial support for Westerner Park have a tax impact?

Neither the \$1 million grant nor the \$2 million grant recommended by administration, if approved by Council, has an impact on the tax rate as they are one-time grants. At this time, we do not know whether any future financial support, if required, will have tax impacts or not. The City and Westerner Park are still working to fully understand the financial situation.

11. How much is the overall Westerner Park 2020/2021 budget?

In recent years, Westerner Park has had an average annual budget of approximately \$14 to 15 million. The 2020/2021 plan shows a decreased budget of \$12.5 million. With the financial challenges and instability at Westerner Park, the projected 2020/21 plan has a budgeted deficit of \$1,187,733. This budget considers impacted operations through the COVID-19 pandemic to the end of August 2020.

Since the development of this budget, the 2020 Canadian Finals Rodeo has been cancelled for 2020. This will reduce the budgeted deficit as shown in the 2020/2021 plan. As well, if a grant is received from The City of Red Deer, the deficit will be further reduced.

12. Why is a deficit budget projected?

A number of factors ultimately led to the financial instability at Westerner Park, including the decision to expand the facility, major event contract negotiations and the current economic reality, to name a few. The additional impacts of COVID-19 are placing greater financial pressures on Westerner Park with no ability to host events or generate revenue throughout the COVID-19 pandemic.

The basis of Westerner Park's post COVID plan is to primarily not budget for any events that have not directly communicated their intent to reschedule, have already been cancelled and/or have been rescheduled into the next fiscal year. Given the uncertainty of the economic conditions coming out of the social distancing limitations, Westerner Park remains guarded about events that have committed to only postponing their events into the near future. This budgeting practice has resulted in the deficit budget.

13. How will the deficit be funded?

With a focus on sales, marketing, revenue/event planning, Westerner Park hopes to minimize the deficit. As well, a grant from The City, if approved, would further reduce the deficit. As the full impacts of COVID-19 are not yet known, it is not known if a deficit will remain.

14. What is Westerner Park doing to minimize the deficit?

Stabilizing operations at Westerner Park is a priority for both Westerner Park and The City. As previous losses would demonstrate, Westerner Park expenses do not currently reflect the potential revenues they typically earn. Therefore, Westerner Park has put a priority and focus on reducing its expenses, pursuing strategies that create variability in its expenses where possible, and ensuring more rigor into understanding its revenues. Examples of this are:

- Reductions in staffing in the first three months of 2020; the 2020/2021 budget is impacted by these reductions.
- Pursuing and implementing a strategy where parking is no longer a paid service and replacing it with a user fee to offset lost revenues without the cost of parking administration.



NEWS RELEASE

- Redesigning the budget to isolate fixed costs and organize budgets by the variable expense and revenues of core business, major events.
- Changing catering partners.

15. How long has Westerner Park known about the financial instability?

Westerner Park has only recently come to fully understand the complexity of the financial issues of the organization. However Westerner Park has been implementing cost adjusting measures since November 2019 and reached out to The City of Red Deer for assistance in December 2019.

16. What is The City of Red Deer's role in this situation?

The City of Red Deer has assumed temporary financial oversight for Westerner Park to help navigate the current challenges. In addition, The City owns the land at Westerner Park, which it rents to Westerner Park under a 50 year lease.

Our shared goal is financial and operating stability with Westerner Park continuing to serve as our community hub for events that are pivotal to our community life and economic development in our city.

17. How long will The City assume financial oversight?

The City will continue to maintain oversight until it is certain of financial stability.

18. What steps have been taken regarding the continued operation of Westerner Park?

Through its financial oversight, City Administration has been working with Westerner Park administration in providing financial direction and operational support to stabilize operations and allow time for the consideration of longer term options.

Between December 2019 and July 2020, the following occurred:

- In December 2019, Westerner Park informed The City of its fiscal challenges and reached out to The City for assistance.
- In January 2020, City Council provided direction (in camera) to City Administration to manage and stabilize Westerner Park. This resulted in The City assuming temporary financial oversight of Westerner Park.
- In January 2020, The City held a joint media conference with Westerner Park to communicate the financial situation at Westerner Park and that The City was assuming financial oversight of Westerner Park.
- In February 2020, City Council approved one-time emergency operating grant of \$1 million to support the continued short-term operation of Westerner Park. This was dealt with in camera, at that time, due to legal considerations. The City applied terms and conditions for the use of this grant, including financial oversight for when Westerner Park utilized any of the funds.
- In February 2020, The City temporarily removed Council representation from the Westerner Board; however, maintains representation through an Administrative liaison.
- In June 2020, a third party contracted by The City, commenced a forensic audit and financial sustainability project regarding Westerner Park's financial situation.
- Since January, City Council has received numerous legal briefings on the situation at Westerner Park. The content of these remain confidential under FOIP.
- The City has held numerous meetings with stakeholders regarding the financial situation at Westerner Park. Examples include the Alberta Government Minister of Agriculture, the Alberta Government Minister of Culture and Tourism, Red Deer Rebels, Hockey Canada, Central Alberta Mayors, Westerner Park's Past Presidents, Red Deer County and Red Deer and District Chamber of Commerce.

19. What are the forensic audit and financial sustainability project The City has commissioned?

The City of Red Deer has contracted a third party to commence a forensic audit and financial sustainability project regarding Westerner Park's financial situation. These are currently in progress.

A forensic audit is the examination of specific transactions and/or to determine any misappropriation. The purpose of this forensic audit is to:

- Examine the decisions related to the construction and financing of Exhibition Hall as well as the decision to host the Canadian Finals Rodeo to determine the existence and scope of any misrepresentation.



NEWS RELEASE

- Review the 2018-2019 financial records to determine the existence and scope of any misrepresentation.

The purpose of the financial sustainability project is to provide an assessment of the current and future Westerner Park financial capabilities as well as to provide recommendations for the future state of Westerner Park.

The results of the forensic audit and financial sustainability project are expected later this summer.

20. What decisions does The City need to make in the next few months?

The City and Westerner Park will need to make more decisions related to Westerner Park's financial and operational matters as well as the legal relationship between the two organizations. The results of the forensic audit and financial sustainability project will provide information to help guide this decision making.

21. Is Westerner Park eligible for any of the Federal and Provincial financial relief programs related to COVID-19?

Westerner Park has applied for and has been approved for financial support through Federal Wage Subsidy and the Canada Work-Sharing programs.

22. What does the current staffing look like at Westerner Park?

Westerner Park had originally adjusted staffing in January related to their financial position and has had to further adjust staffing as a result of COVID-19. Currently, 16 employees, many with reduced hours, are working at Westerner Park.

23. Has there been any inappropriate conduct at the Westerner that has led to this situation?

At this time, The City of Red Deer and Westerner Park are not aware of any. However, in an effort to be fully diligent and transparent, The City of Red Deer has commissioned a third party to complete a forensic audit and financial sustainability project. The results of this audit are expected later this summer.

DATE: July 10, 2020
TO: Allan Seabrooke, City Manager
FROM: Frieda McDougall, Legislative Services Manager
SUBJECT: Westerner Exhibition Association 2020/2021 Budget and Sustainability

Reference Report:

City Manager, dated July 8, 2020.

Resolution:

At the Wednesday, July 8, 2020 Regular Council Meeting, Council passed the following resolution:

Resolved that Council of The City of Red Deer, having considered Westerner Financials hereby endorses the recommendations as presented In Camera and agrees that the contents of the report will remain confidential as protected under the Freedom of Information and Protection of Privacy Act, section 17(1) Disclosure harmful to personal privacy, section 24(1)(a) Advice from officials, section 25(1)(c) Disclosure harmful to economic and other interests of a public body and section 27(1) Privileged information. And further, that Council strongly request the Westerner give immediate notice in accordance with their bylaws to advance the Annual General Meeting as their Financial Reports have been completed

Resolved that Council of the City of Red Deer having considered the report from the City Manager dated July 8, 2020, re: Westerner Exhibition Association 2020/2021 Budget and Sustainability hereby approves the Westerner Exhibition Association budget for the fiscal year of April 1, 2020 to March 31, 2021, subject to the Westerner removing anticipated revenues and expenses related to the Canadian Finals Rodeo.

Resolved that Council of the City of Red Deer having considered the report from the City Manager dated July 8, 2020, re: Westerner Exhibition Association 2020/2021 Budget and Sustainability, hereby approves a one-time operating grant to the Westerner Exhibition Association of up to \$2,000,000 subject to an agreement satisfactory to the City Manager and funded by the Operating Reserve – Tax Supported.

Report back to Council:

No.

Comments/Further Action:

None.

“Frieda McDougall”

Frieda McDougall
Manager

c. Director of Development Services