

July 6, 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.

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.

- 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.

- 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.