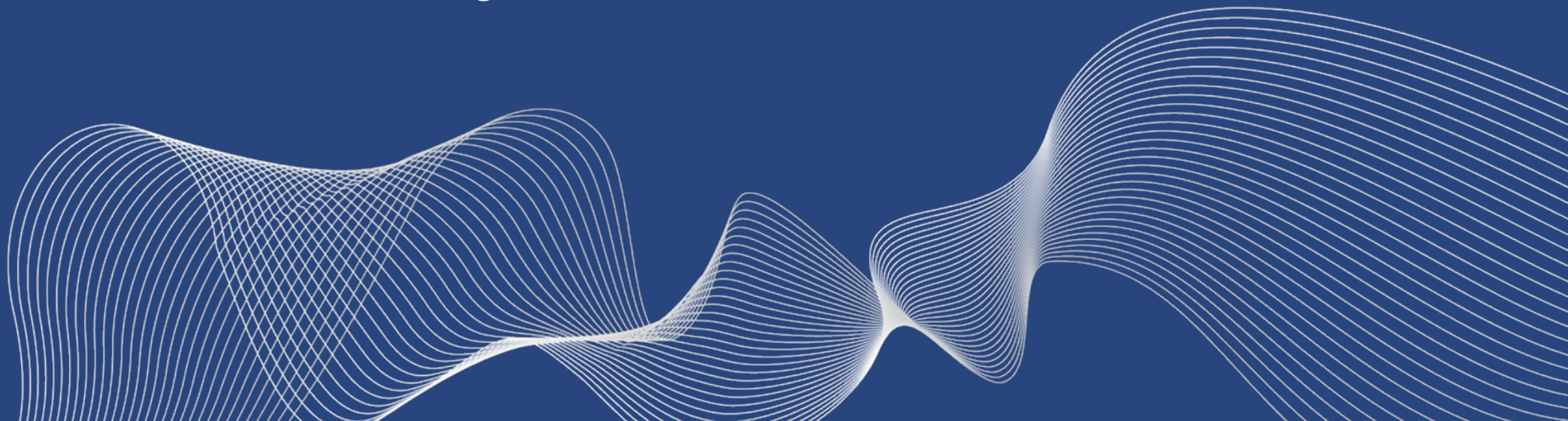


November 26, 2024

# City of Lethbridge

Agri-Food Hub & Trade Centre Council Briefing



# Objective

**To brief Council on the findings and recommendations from our third-party review of Lethbridge & District Exhibition.**

City Administration retained Deloitte LLP to complete a third-party review of Lethbridge & District Exhibition (“LDE”) Agri-Food Hub & Trade Centre.

We completed the following procedures between May and September 2024:

- Conducting interviews with Lethbridge & District Exhibition, City Administration, and certain third-party vendors;
- Attending site visits to understand the function, use and condition of the facilities;
- Reviewing background documentation and support, including strategic plans, budgets, policies, procedures, meeting minutes, correspondence, and other documentation;
- Considering leading and common practices based on the governance and operations of comparator organizations;
- Evaluating the design and implementation of certain internal controls that relate to budgeting, procurement, and financial reporting; and
- Validating findings and prioritizing recommended improvement opportunities.

We appreciate the current members of City Administration and LDE Management for their cooperation and openness throughout this process.

Today, we are providing a briefing to Council on the findings from the procedures completed between May and September 2024:

## SECTION ONE: RETROSPECTIVE REVIEW

*Understanding what caused the current situation and what Council and Administration could have done differently.*

## SECTION TWO: CURRENT STATE ASSESSMENT

*Understanding what is working and what needs to improve for LDE to become sustainable.*

## PHASE THREE: FUTURE RECOMMENDATIONS

*Understanding what the City and LDE can do differently in the future to enhance financial sustainability.*

We will continue to be available to Council and City Administration as needed to discuss our findings in more detail.

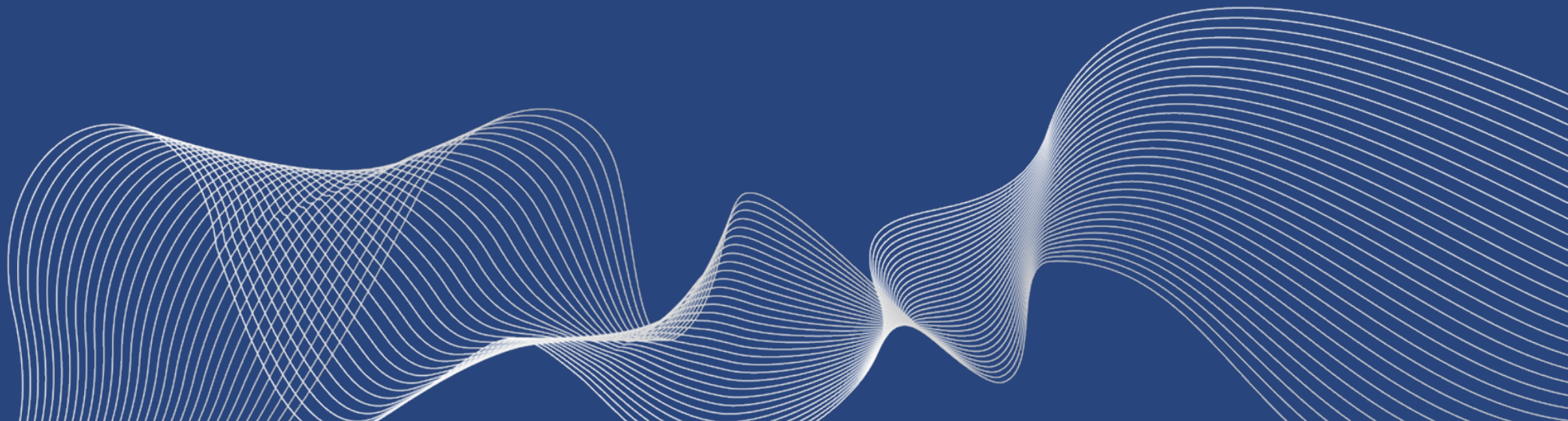
# Scope & Limitations

**Our scope included reviewing actions undertaken to date and identifying opportunities to improve financial sustainability.**

---

- Our procedures were focused on the development and operations of the new Agri-Food Hub & Trade Centre. The City is currently analyzing options with respect to the legacy facilities. Where available we have incorporated and relied on information from those studies to consider the overall financial impact.
- Our assessment against common and leading practices is grounded in our understanding of the governance and operations of similar not-for-profit organizations across Canada.
- We appreciate the cooperation of current members of LDE management and City administration, however some of our findings were limited by challenges and restrictions, including:
  - Access to third-party personnel: While we interviewed certain former vendors, we did not engage directly with many former employees or shareholders;
  - Availability of documentation: We observed many instances where decisions were not documented, or documents were not retained. Where documentation could not be provided, our understanding and comments have been based on verbal discussions and interviews, which have been corroborated to the extent possible.
  - Reliance on third-party information: Where we have referenced publicly accessible data, we have not taken steps to verify the completeness or accuracy of that data.
- Our report has been prepared at the request of the City and is not intended to be used by any other person or entity.
- No item in this report shall be changed by anyone other than Deloitte and Deloitte shall have no responsibility for unauthorized changes.
- This report cannot be circulated, published, or reproduced, including originating publicity, news releases, public statements or announcements, without our written permission. We are not responsible for any losses from unauthorized use.
- No other person or entity should rely, in any manner, or for any purpose, on this report.

# Background

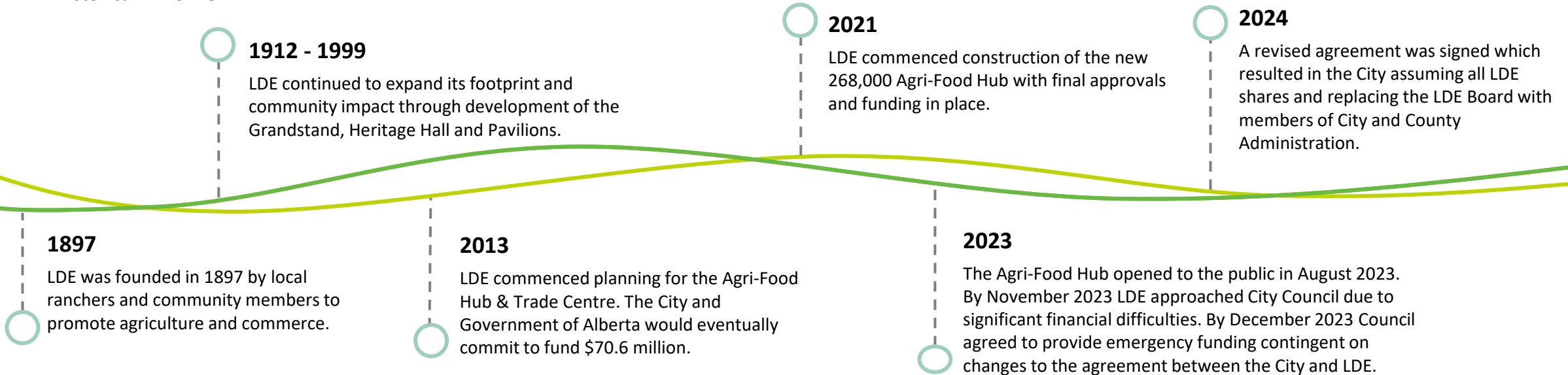


# Background on Lethbridge & District Exhibition

**Lethbridge & District Exhibition, a long-standing pillar within the Lethbridge community, is now in a dire financial position.**

Lethbridge & District Exhibition (“LDE”) has long contributed to the agricultural community in Lethbridge by organizing signature events such as Ag Expo, Lethbridge & District Pro Rodeo, and Whoop-Up Days. LDE has operated for more than 127 years as a non-profit agricultural society governed by elected community members. LDE has experienced significant financial difficulties in 2023 which have necessitated the City of Lethbridge (the “City”) assuming governance and control.

## LDE Historical Timeline:



As the sole shareholder of LDE, the City has assumed responsibility for stabilizing the governance, operations, and finances of LDE. City Administration has since appointed Deloitte LLP to perform a third-party review as one of several active initiatives to evaluate the current state of LDE, understand what actions and decisions led to the current situation, identify improvement opportunities, and provide recommendations for the City’s consideration as they seek to enhance the future financial sustainability of LDE.

# Background on Lethbridge & District Exhibition

**LDE is a non-profit organization that creates opportunities for the agricultural industry and regional economy to grow.**

---

## The Structure of LDE

- LDE is a not-for-profit Agricultural Society incorporated under the Agricultural Societies Act in Alberta.
- According to the Agricultural Societies Act of the Province of Alberta, Agricultural Societies encourage improvement in agriculture and quality of life through programs, events, services, and facilities that meet community needs.
- These societies are defined by their focus on the agricultural community and the need to demonstrate that a sufficient portion of shareholders are actively involved in the sector.
- LDE is considered a Regional Agricultural Society by Government of Alberta.
- Regional Agricultural Societies that comply with the Agricultural Societies Act and Regulation receive \$400,000 in annual funding from Alberta Ministry of Agriculture & Irrigation.

## The Governance of LDE

- Agricultural Societies are governed by a Board of Directors elected by shareholders.
- Prior to the new Memorandum of Understanding, the Board of LDE was intended to be comprised of the Past President, 9 elected directors, 1 member appointed by the City, 1 member appointed by Lethbridge County, and not more than 2 shareholders appointed at large.
- Following the new Memorandum of Understanding, as of November 2024, the Board consisted of 5 representatives from the City and 2 representatives from Lethbridge County.

## The Vision, Mission and Role of LDE

- According to the LDE 2021-2022 Annual Report, the Vision of LDE is to be welcoming and impactful hosts that deliver vibrant opportunities and best-in-class results.
- According to the LDE 2021-2022 Annual Report, The Mission of LDE is to be the premiere destination excelling in the experience of bringing people together from all over the world and accelerating economic opportunity through the delivery of memorable experiences.
- LDE is known for hosting signature community events, including Ag Expo, Lethbridge & District Pro Rodeo, Lethbridge Farmers' Market, and Whoop-Up Days.
- To deliver on this vision and mission the Board and Administration of LDE effectively fulfill three functions: i) event attractor; ii) event manager; and iii) facility manager.



# Background on Lethbridge & District Exhibition

**LDE currently operates and maintains one of the largest usable event-hosting spaces outside of Calgary and Edmonton.**

## Agri-Food Hub & Trade Centre

- The Agri-Food Hub commenced construction in 2021 and opened to the public in 2023.
- The Agri-Food Hub is a new, purpose-built facility which is designed to host events of all sizes, from intimate meetings to large-scale conventions and trade shows.
- This beautiful, premium-outfitted facility is designed to be a premiere destination in Southern Alberta, which can compete with any venue in Alberta for events.

## Legacy Facilities

- LDE continues to maintain several older buildings constructed between 1912 and 1999.
- These buildings are not maintained in good condition and are not actively marketed to host events.
- LDE spends ~\$500,000 per annum to maintain these legacy buildings on an ongoing basis.

## Facility Management

- The facilities are managed by the team from LDE. As LDE does not have all the internal capabilities needed to manage and maintain these facilities, they rely on a small number of staff supported by many third-party service providers.

Facility	Venue	Square Feet	Max Capacity	Typical Events
Agri-Food Hub	Trade Hall A	26,000	1,686	Conferences, Conventions, and Trade Shows
	Trade Hall B	26,000	1,686	Conferences, Conventions, and Trade Shows
	Trade Hall C	26,000	1,686	Conferences, Conventions, and Trade Shows
	Trade Hall D	26,000	1,686	Conferences, Conventions, and Trade Shows
	Lakeview Salon	5,931	350	Galas and Banquets
	Salon A	4,500	350	Banquets, Conferences, Speaker Series, and Breakout Sessions
	Salon B	4,500	350	Banquets, Conferences, Speaker Series, and Breakout Sessions
	Salon C	4,500	350	Banquets, Conferences, Speaker Series, and Breakout Sessions
	Patio	1,900	50	Pre-Function Space
	Lounge	1,050	45	Pre-Function Space
	Meeting Room A	1,014	138	Small Meetings, Training Sessions, and Breakout Sessions
	Meeting Room B	1,014	138	Small Meetings, Training Sessions, and Breakout Sessions
	Meeting Room C	1,014	138	Small Meetings, Training Sessions, and Breakout Sessions
	Meeting Room D	1,036	138	Small Meetings, Training Sessions, and Breakout Sessions
<b>Total Venue Square Footage</b>		<b>130,459</b>		
<b>Total Square Footage</b>		<b>262,865</b>		
Legacy Facilities	Saddle Room	2,608	100	-
	Heritage Hall	6,533	200	-
	Main Pavilion	30,394	550	-
	South Pavilion	32,000	865	-
	North Pavilion	34,500	1,200	-
	West Pavilion	17,057	500	-
<b>Total Venue Square Footage</b>		<b>123,092</b>		
<b>Combined</b>	<b>Total Square Footage</b>	<b>385,957</b>		

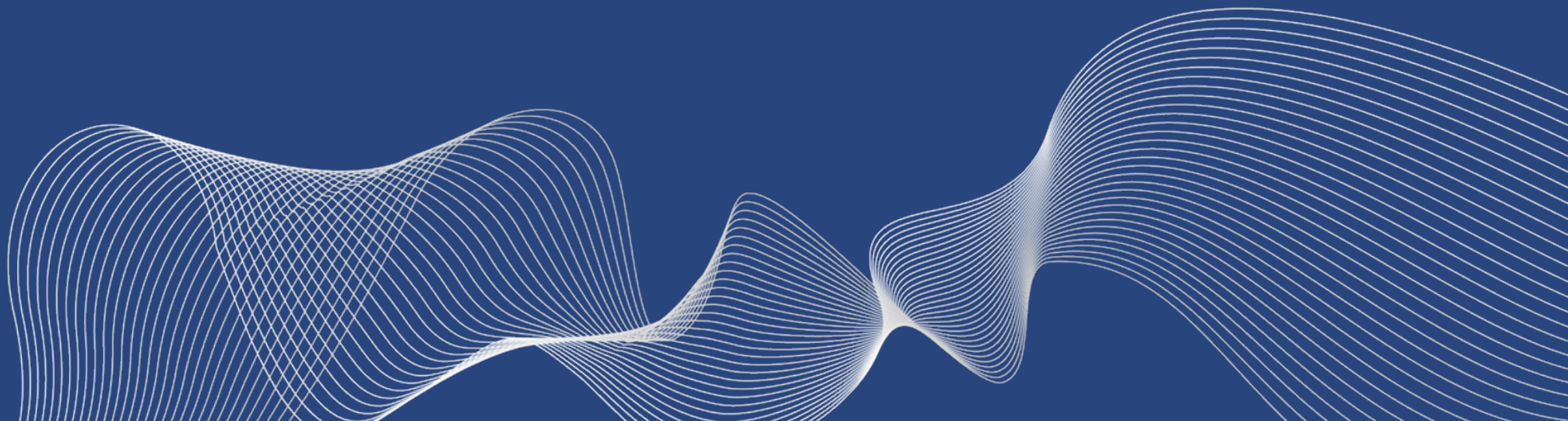
# Background on Lethbridge & District Exhibition

**LDE is one of the largest Agricultural Societies in Alberta, along with Calgary Stampede and Westerner Exhibition Association.**

Regional Society	Ownership & Governance	Typical Events	Facilities	Indoor Square Footage
<b>Lethbridge &amp; District Exhibition</b>	<ul style="list-style-type: none"> <li>Agricultural Society</li> <li>City and County appointed Board with 7 members</li> </ul>	<ul style="list-style-type: none"> <li>Agricultural shows</li> <li>Conventions and trade shows</li> <li>Farmers' market</li> <li>Festivals</li> </ul>	<ul style="list-style-type: none"> <li>Agri-Food Hub</li> <li>Saddle Room</li> <li>Heritage Hall</li> <li>Pavilions</li> </ul>	385,957*
<b>Westerner Exhibition Association</b>	<ul style="list-style-type: none"> <li>Agricultural Society</li> <li>Volunteer Board of 15</li> </ul>	<ul style="list-style-type: none"> <li>Sporting events including hockey</li> <li>Concerts</li> <li>Livestock</li> <li>Conventions and trade shows</li> </ul>	<ul style="list-style-type: none"> <li>Peavey Mart Centrum</li> <li>Neeralta &amp; Parkland Pavilion</li> <li>Exhibition Hall</li> <li>Racetrack</li> </ul>	296,627
<b>Olds Regional Exhibition</b>	<ul style="list-style-type: none"> <li>Agricultural Society</li> <li>Volunteer Board of 9</li> </ul>	<ul style="list-style-type: none"> <li>Weddings and banquets</li> <li>Livestock</li> <li>Farmers' markets</li> <li>Concerts</li> </ul>	<ul style="list-style-type: none"> <li>Cow Palace Event Centre</li> <li>Pavilion</li> <li>Megadome</li> <li>Infield &amp; Rodeo Grounds</li> </ul>	140,550
<b>Grande Prairie Regional Agricultural &amp; Exhibition Society</b>	<ul style="list-style-type: none"> <li>Agricultural Society</li> <li>Volunteer Board of 8</li> </ul>	<ul style="list-style-type: none"> <li>Concerts</li> <li>Livestock</li> <li>Trade shows</li> <li>Weddings and banquets</li> </ul>	<ul style="list-style-type: none"> <li>TARA Centre</li> <li>Gordon Badger Stadium</li> <li>J.D.A Raceway</li> <li>Clarkson Hall</li> </ul>	115,000
<b>Lloydminster Agricultural Exhibition Association</b>	<ul style="list-style-type: none"> <li>Agricultural Society</li> <li>Volunteer Board of 20</li> </ul>	<ul style="list-style-type: none"> <li>Conference and conventions</li> <li>Trade shows</li> <li>Weddings and banquets</li> <li>Livestock</li> </ul>	<ul style="list-style-type: none"> <li>Culligan Water Building</li> <li>Ag Dealers Building</li> <li>WLS Convention Centre</li> </ul>	93,570
<b>Medicine Hat Exhibition &amp; Stampede</b>	<ul style="list-style-type: none"> <li>Agricultural Society</li> <li>Volunteer Board of 9</li> </ul>	<ul style="list-style-type: none"> <li>Trade shows and conferences</li> <li>Sporting events</li> <li>Livestock</li> </ul>	<ul style="list-style-type: none"> <li>Fieldhouse &amp; Arena</li> <li>Auditorium</li> <li>Wild Rose Room</li> </ul>	84,800
<b>Camrose Regional Exhibition &amp; Agricultural Society</b>	<ul style="list-style-type: none"> <li>Agricultural Society</li> <li>Volunteer Board of 9</li> </ul>	<ul style="list-style-type: none"> <li>Trade shows</li> <li>Livestock</li> <li>Concerts</li> <li>Festivals</li> </ul>	<ul style="list-style-type: none"> <li>Main Arena</li> <li>Kinsmen, Hirsch, and Elliot Halls</li> <li>Open Air Pavilion</li> <li>Barn B</li> </ul>	65,169



# Retrospective Review



# Summary Findings

**We found that strategic planning activities undertaken were not robust enough to support the major investment in LDE.**

## Strategy & Planning

The success of a major capital project and business expansion depends on thorough planning activities. These planning activities include development of business plans that outline long-term goals and objectives, identify the actions required to achieve them, and acknowledge the measures used to evaluate performance. These plans should be refined throughout the project lifecycle to reflect new information and decisions. This ensures that the project team and key stakeholders have aligned expectations on objectives, requirements, and next steps. This also ensures that capital investment dollars are allocated to projects that have been demonstrated to be both feasible and value-for-money. Based on our findings, LDE management did not sufficiently plan for all aspects of the Agri-Food Hub or take appropriate steps to consider changes throughout the project lifecycle.

### 1.1 Strategic Planning

- 1.1.1: Strategic plan targets used to support the funding of the Agri-Food Hub project were not aligned with historical results of LDE, comparable organizations, or other reasonable support.
- 1.1.2: Strategic plan targets contemplated by LDE were not supported by actionable operational plans.
- 1.1.3: There were instances where strategic plan targets were contradictory or inconsistent throughout the documentation obtained.
- 1.1.4: Strategic plans were not updated as circumstances changed, despite significant changes such as the impact of the COVID-19 pandemic.
- 1.1.5: Revenue streams included in strategic plans were never realized.

### 1.2 Facilities Planning

- 1.2.1: Facility maintenance records and logs were not retained for the Agri-Food Hub or the existing LDE buildings and pavilions.
- 1.2.2: Facility maintenance practices were not sufficient to maximize useful life and address health and safety concerns for older facilities.
- 1.2.3: Lack of capital reserve funds to address future maintenance needs.

### 1.3 Operations Planning

- 1.3.1: Expected increases in future operating costs associated with the Agri-Food Hub were not fully incorporated into the financial forecasts used to assess feasibility.

# Summary Findings

**We found that the capital project delivery and execution did not align with common practice for a project of this size.**

## Project Delivery and Execution

The successful delivery and execution of a large-scale capital project depends on effective design and construction management processes. These processes should be aligned with established project plans, documented policies and procedures, and common practices that we would expect in similar organizations. These practices ensure that projects are delivered on time, on budget, and with reduced risk for the end customer. Based on our findings, the project delivery and execution to construct the Agri-Food Hub was in many instances not aligned with the policies, procedures, and practices that we would expect LDE management to follow.

<b>2.1 Project Initiation</b>	2.1.1: Project Charter not prepared or approved.
<b>2.2 Contracting</b>	2.2.1: Alternative construction delivery mechanisms were not considered. 2.2.2: Construction delivery mechanism selected not preferable to manage risk of cost and schedule overruns.
<b>2.3 Procurement</b>	2.3.1: Procurement policies were not sufficiently detailed and consistently implemented to achieve desired results. 2.3.2: Lack of formal procurement processes surrounding the Architect/Designer and Project Manager, which were procured through sole-source contracts dating back to as early as 2013. 2.3.3: Procurement processes set out for the Construction Manager were not aligned with common practice and were not followed in all cases, including undisclosed changes to the evaluation criteria that potentially disadvantaged higher-ranking proponents.
<b>2.4 Scope Management</b>	2.4.1: Project budgets and forecasts were inconsistent and lacking in detail. 2.4.2: Initial estimates for parking lot refurbishment and pavilion demolition costs were not supported by third-party quotes or appropriate diligence. 2.4.3: Change orders lacked detail or included missing or delayed approvals. 2.4.4: Functionality changed significantly compared to initial development plan without appropriate analysis or consideration.

# Summary Findings

**We found that effective governance structures were not in place to provide oversight throughout this development.**

## Governance

Successful organizations have effective governance structures to provide oversight of and create accountability surrounding key organizational activities and risks. Key elements that should be in place include a clear organizational structure with defined roles and responsibilities, a robust system of policies and procedures covering areas such as financial management and compliance, and a strong governing body to provide strategic direction and oversight. Based on our findings, there were instances where the Board did not provide effective oversight to identify and resolve potential issues with this development. Our findings also include instances of non-compliance of internal LDE polices by the Board of Directors, the Audit Committee, and the CEO.

<b>3.1 Board Oversight</b>	3.1.1: Gaps in Board composition hampered oversight. 3.1.2: Board recruitment processes did not always achieve desired result. 3.1.3: City representative withdrew from LDE Board during critical period for Agri-Food Hub, reducing transparency and accountability. 3.1.4: Lack of documented approval of functional design changes.
<b>3.2 Reimbursables</b>	3.2.1: CEO expenses were submitted without the appropriate forms, supporting evidence, or appropriate approvals. 3.2.2: Board expenses were not supported in accordance with policy. 3.2.3: CEO salary and benefits paid agreed to employment contract and total compensation similar to peer organizations. 3.2.4: Expenses for grant-funded advocacy trip not supported by appropriate documentation or assessment of return on investment.
<b>3.3 Policy Compliance</b>	3.3.1: Gaps in the Board's compliance with key policies including evaluation of CEO compensation, monitoring CEO performance and annual evaluation of CEO performance. 3.3.2: Gaps in Audit Committee's compliance with policies to monitor CEO expenses, and CEO compliance with financial policies. 3.3.3: Gaps in CEO's compliance with policies for capital and operational financial planning, financial reporting and decisions, asset protection and communication and reporting obligations.

# Summary Findings

**We found that LDE incurred expenses that were not allowable under policies or good value.**

## Use of Funds

Those charged with governance and management of non-profit organizations such as LDE need to maintain financial discipline to ensure long-term financial sustainability. This is critical to going reliance that organizations like LDE have on grant and donation funding from governments and private citizens. Strong financial management practices are necessary to maintain trust. Based on our findings, there were many instances where spending did not comply with internal LDE policies or common practices. These instances included examples where policies were not followed, expenses were not allowable, or appropriate documentation was not submitted and retained. These instances also included examples where expenses would be considered lavish or poor value by a reasonable person. Further, there were clear gaps in the processes to monitor expenses which contributed to this pattern of spending.

### 4.1 Expense Compliance

- 4.1.1: We tested 35 CEO expense samples which included purchases such as alcohol at private events, car washes, and televisions. Of 35 (\$32,270), 35 (\$32,270) were identified as non-compliant with LDE policies.
- 4.1.2 We tested 12 Board expense samples which included purchases such as alcohol at private events, catering, and rodeo tickets. Of 12 (\$60,778), 6 (\$15,895) were identified as non-compliant with LDE policies.
- 4.1.3 More than \$81,000 spent on a grant-funded trade mission without appropriate support for return on investment, including more than \$21,000 on gifts and more than \$18,000 on luxury hotels.

### 4.2 Scope Changes

- 4.2.1: We tested 14 change orders for appropriateness. Of 14 (\$1,021,065), 5 (\$298,479) were found to be non-compliant with LDE policies, including examples where change orders were not signed or were not signed in a timely manner.
- 4.2.2: At least \$657,568 in cost overruns related to design issues/changes.

### 4.3 Construction Costs

- 4.3.1: While the overall construction cost per square foot was reasonable, we identified instances of avoidable cost overruns such as:
  - More than \$331,568 on reclaimed wood furniture and fixtures, made using trees cleared from the LDE site.
  - More than \$296,000 to close-off a space intended for a quick-serve restaurant due to design issues.
  - More than \$30,000 to address ventilation issues with server rooms.

# Summary Findings

**We identified instances where the presentation of project plans and budgets to City Council was not clear and consistent.**

## Council Communications

LDE leadership presented to City Council on several occasions prior to receiving approval for \$25 million in funding for the Agri-Food Hub. Based on a thorough review of Council minutes and transcripts, we have identified gaps and inconsistencies in the communication of key information to Council throughout this process. These sessions were intended to validate the business plan, financial forecast, and other supporting rationale for this project to ensure that it would be an efficient and effective use of public funds.

### 5.1 Feasibility Studies

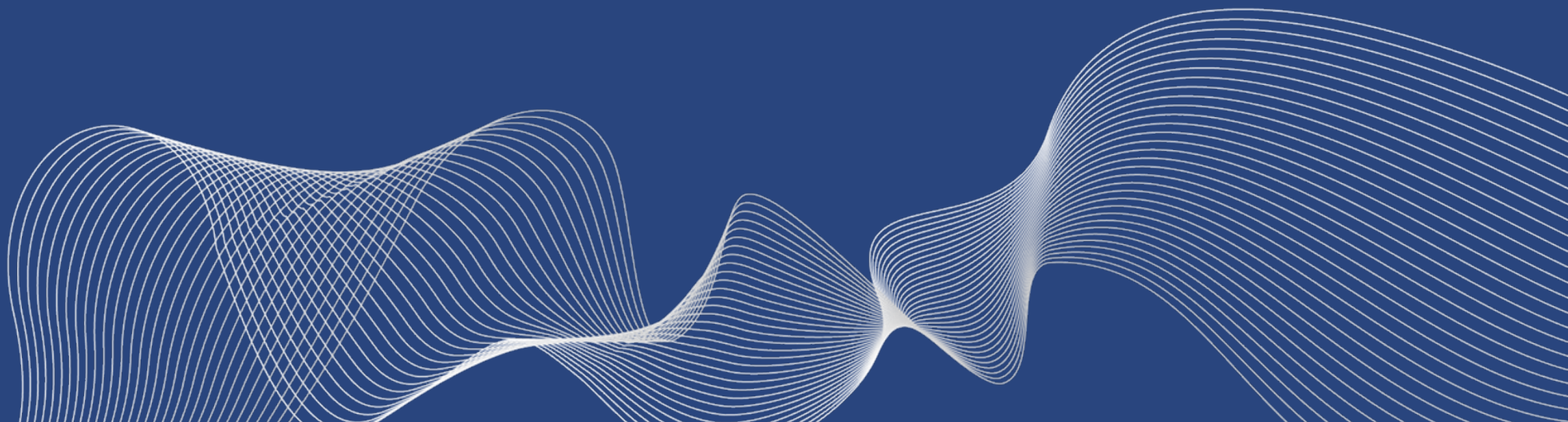
- 5.1.1: On numerous occasions LDE Management referenced the work of a third-party without providing critical context on the scope, assumptions, and restrictions on use of that work.
- 5.1.2: We could not verify that City Council or Administration received supporting analysis requested prior to making a decision to approve funding.
- 5.1.3: We could not validate that LDE Management at the time had appropriate qualifications or undertook sufficient steps to review and take ownership of the work of the third-party.
- 5.1.4: We could not validate that City Council or Administration at the time undertook sufficient due diligence procedures to validate the work undertaken by LDE.

### 5.2 Budget Changes

- 5.2.1: There were inconsistencies in the format and structure of financial information communicated to Council which contributed to confusion around the overall project scope and cost.
- 5.2.2: While not included in the scope of the original CIP submissions, LDE did not proactively communicate more than \$27 million in additional costs (\$11.3 million for demolition and \$15.7 million for parking refurbishment) that were uncovered by the City despite the significant impact these unanticipated costs would have on LDE's financial sustainability.
- 5.2.3: There are indications that initial project budgets significantly underestimated the costs of pavilion demolition and parking lot refurbishment due to a lack of due diligence.



# Current State Assessment



# Current State Assessment

**Our holistic assessment of LDE’s governance and operations considered all relevant aspects of a successful Agricultural Society.**

Our view of what makes similar organizations successful is based on extensive leading practice research considering Alberta’s agricultural societies and a cross-section of leading convention and trade show organizations:

Evaluation Criteria	Criteria Description
<b>Revenue &amp; Profitability</b>	<i>Sustainable organizations regularly set, measure and monitor targets for facility utilization to inform decisions around capital investment and event attraction.</i>
<b>Cost Management</b>	<i>Effective organizations have strong policies and processes, including procurement and vendor management.</i>
<b>Financial Management</b>	<i>Effective organizations have strong policies and processes, including budgeting and financial reporting.</i>
<b>Facilities &amp; Site Management</b>	<i>Efficient organizations are proactive around coordination or consolidation of functions with other regional organizations that have the same or similar mandates, including facility management.</i>
<b>Sales &amp; Marketing</b>	<i>Strong, consistent messaging across multiple channels are key to marketing and sales.</i>
<b>Governance</b>	<i>Effective governance and management teams bring deep expertise across all relevant domains including event attraction, event management, financial discipline and facility management.</i>
<b>Strategy</b>	<i>Effective organizations have well-defined strategies with clear mandates, plans, and targets in the areas of event attraction, event management and facility management.</i>
<b>Community &amp; Regional Impact</b>	<i>Meaningful community and culture goals are aligned with regional mandates and goals.</i>
<b>People &amp; Culture</b>	<i>Effective organizations have employees and volunteers who are engaged and motivated.</i>

We considered relevant findings in the context of leading practice research to assess a rating between 1 and 4.

This rating is intended to provide readers with a snapshot of the current maturity of LDE functions compared to leading organizations. The rating criteria applied to each function is described further on the right.











Rating	Description
☐	Function mildly enables achievement of LDE objectives
◐	Function moderately enables achievement of LDE objectives
◑	Function strongly enables achievement of LDE objectives
●	Function fully enables achievement of LDE objectives

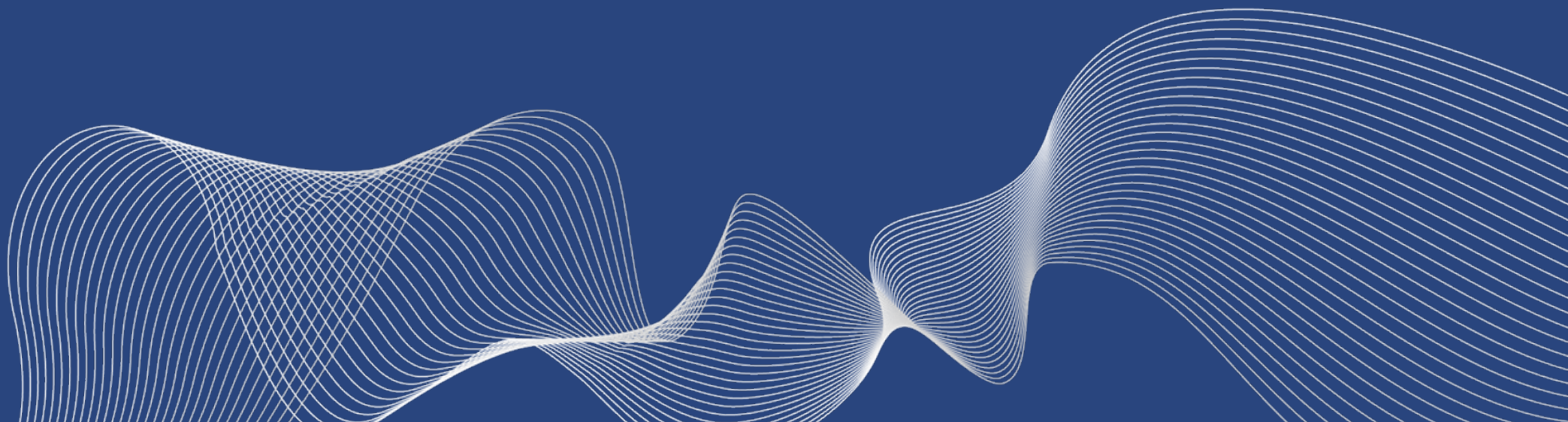
# Current State Assessment

**Overall, there is a need to strengthen LDE practices to match the ambition that the new Agri-Food Hub represents.**

Overall, our findings indicate that the governance and operational practices employed by LDE are immature compared to similar and leading organizations. Put simply, there are many opportunities to increase the financial sustainability of LDE by enhancing governance and operational policies, procedures, and systems.

Evaluation Criteria	Rating	Select Findings
<b>Revenue &amp; Profitability</b>		<ul style="list-style-type: none"> <li>Generates lower external revenue per square foot when compared to peer organizations (~\$11/sqft compared to ~\$44/sqft for peer organizations).</li> <li>Relies increasingly on government grants and contributions compared to external revenue sources (cumulative annual growth of 39% compared to -6%).</li> <li>Basic processes in place to monitor space utilization and event profitability, limiting the ability to make more deliberate decisions around event attraction and mix.</li> </ul>
<b>Financial &amp; Cost Management</b>		<ul style="list-style-type: none"> <li>Operating expenditures have grown approximately 10% per annum over the last five years.</li> <li>Procurement and vendor management policies are not sufficiently detailed to help employees achieve value-for-money.</li> <li>Planning, budgeting and reporting processes are insufficiently detailed and inconsistently applied year-over-year; as a result, there is insufficient accountability around value-for-money.</li> </ul>
<b>Facilities &amp; Site Management</b>		<ul style="list-style-type: none"> <li>Heavily reliant on third-party service providers due to the diverse expertise and skills needed to maintain such complex facilities.</li> <li>Lack of documentation such as facility maintenance records and logs for both new and existing structures.</li> <li>No capital reserve fund in place to plan for future capital requirements, for either the Agri-Food Hub or the existing pavilions, which have significant deferred maintenance that the previous LDE Administration acknowledged to Council in June 2023.</li> </ul>
<b>Sales &amp; Marketing</b>		<ul style="list-style-type: none"> <li>Prior to the change in governance and leadership, the sales and marketing function had not scaled up to be able to support the 110% increase in available square footage.</li> <li>Prior to the change in governance and leadership, there was not a sufficiently detailed sales plan or other supporting infrastructure to support a proactive business development strategy.</li> <li>There is no formally defined strategy to provide clarity around the nature and size of events that LDE looks to attract and host.</li> </ul>
<b>Governance</b>		<ul style="list-style-type: none"> <li>Prior to the change in governance, the Board of Directors did not have sufficient experience with the core functions of LDE, including event attraction and event management.</li> <li>The historical process to elect Directors from the shareholder pool has created challenges over time due to the inconsistency in the qualification of candidates year-over-year.</li> <li>Without returning to the historical member-based governance structure LDE may be at risk of losing provincial funding.</li> </ul>
<b>Strategy</b>		<ul style="list-style-type: none"> <li>While LDE management is in the process of preparing one, the organization has not developed a new strategic plan since 2020, prior to COVID and construction of the Agri-Food Hub.</li> <li>While LDE has partnerships with many organizations in the community, there is no formal policy or process to consistently manage partnerships and stakeholder engagement.</li> <li>There is functional overlap with several organizations in the Lethbridge community, which represents an opportunity to partner to deliver better services at a lower cost.</li> </ul>
<b>Community &amp; Regional Impact</b>		<ul style="list-style-type: none"> <li>LDE is a longstanding contributor to the City of Lethbridge that hosts several notable community events, including Whoop-Up Day and the LDE Lotteries.</li> <li>Many of the LDE activities and events do not align with the mandate of an agricultural society, and in some cases overlap with municipal priorities and services.</li> <li>While management intends to develop one in the future, currently the organization does not have a formal strategy with respect to community engagement.</li> </ul>
<b>People &amp; Culture</b>		<ul style="list-style-type: none"> <li>The organization employs more than 35 full-time employees and benefited from more than 3,000 volunteer hours in the most recently tracked year.</li> <li>While recent years have been challenging from an employee perspective, including temporary layoffs due to COVID-19, management is actively working to improve the employee experience.</li> <li>Management does not currently have mechanisms to measure volunteer satisfaction or capture volunteer feedback.</li> </ul>

# Future State Recommendations



# Key Strategic Decisions

**There are key structural decisions that will need to be explored to stabilize LDE and achieve financial sustainability.**

---

## Current Situation

While our work focused on the decisions and actions made prior to the City assuming control of LDE that contributed to the current financial position, we did observe through our procedures that the current LDE Board and Management have made positive progress on numerous issues identified. In some cases LDE Management has planned, completed, or is actively working on initiatives that are in line with our recommendations. Some of these initiatives were commenced prior to our discussions on the matter. Examples of positive progress include, but are not limited to:

1. Addressing staffing and operational gaps to stabilize the organization;
2. Renegotiating and/or terminating problematic vendor contracts;
3. Enhancing service in areas such as food and beverage;
4. Obtaining new quotations to better understand the future cost of deferred maintenance and other capital projects such as the parking lot refurbishment; and
5. Advancing initiatives to better utilized and monetize revenue-generating spaces in LDE facilities.

This is encouraging as the cumulative impact of these initiatives will contribute to a more stable, compliance, and sustainable organization. However, the financial condition of LDE is dire, and more structural changes will be needed to achieve financial sustainability.

The following slides analyze alternative options to address the following key strategic decisions:

1. Should LDE continue to operate as an agricultural society or acknowledge a broader mandate?
2. What should be the operating model for event attraction?
3. What should be the operating model for event management?
4. What should be the operating model for facility management?
5. What should be the governance model?

# Key Strategic Decisions

## Strategic Decision - Should LDE continue to operate as an agricultural society or acknowledge a broader mandate?

Currently, LDE attracts and manages a wide-variety of events. These events include some that align with the intended purpose of an agricultural society as well as many that are community events that attract broader community interests. There is a question as to whether LDE is doing enough to maintain good standing as an agricultural society. There is also a question as to whether the broader focus overlaps with other organizations in the Lethbridge area.

**Status Quo:** *LDE continues to prioritize agricultural events and activities*

**Option 2:** *LDE adopts broader mandate to focus on community events*

- + LDE maintains historical role as agricultural society.
- + Focus on agriculture-oriented events is differentiated from other organizations.
- + Maintain connection with broader regional community.
- + Differentiates LDE from event managers in major urban centers.
- + Continue to receive provincial funding to support agricultural programming.
- + Aligns organization with intended purpose to showcase agriculture industry.
- Many of the agriculture-oriented events have been less profitable historically.

- + Allow LDE to prioritize events that best align with community demand.
- + Allow LDE to prioritize the events that will be most financially sustainable.
- LDE would likely lose access to provincial funding for agricultural societies.
- Weaken connection between LDE and the broader regional economy.
- Weaken connection between LDE and the agricultural sector.
- Historical role of LDE reduced.

LEGEND	+	Positive implication	-	Negative implication
--------	---	-------------------------	---	-------------------------

**Recommendation:**

**Status Quo:** LDE continues to prioritize agricultural events and activities. LDE should continue to prioritize maintaining good standing as an agricultural society.



# Key Strategic Decisions

## Strategic Decision – What should be the operating model for event attraction?

Currently, LDE is responsible for event attraction to utilize the facilities on their grounds, including the new Agri-Food Hub Trade & Convention Centre. There is some overlap between this function within LDE and capabilities that exist within the City (to attract events for the VisitLethbridge.Com Arena) and Tourism Lethbridge, among others. There is a question as to whether it makes sense for LDE to continue to operate a standalone event attraction function.

**Status Quo:** LDE continues to attract all events that will leverage the LDE facilities

- + LDE maintains historical role in event attraction.
- + Maintain focus on utilization of LDE facilities.
- + Protect regional emphasis in marketing vision.
- + Protect emphasis on agricultural sector.
- No economies of scale.
- Duplication of effort and resources across City.
- Competition with other City venues.
- Mismatch between facility demand and booking.

**Option 2:** City assumes event attraction for the LDE facilities

- + Some economies of scale with City marketing.
- + Better matching of event demand with facilities.
- + Optimize overall use of City-funded facilities.
- Increase to City budget and headcount.
- Competing priorities may hamper LDE impact.

**Option 3:** City consolidates event attraction for LDE and other organizations in MCC or similar

- + Achieve greatest economies of scale.
- + Maximize return on marketing investment.
- + Better matching of event demand with facilities.
- + Increase overall community impact through attraction of greater number of large events.
- + Optimize overall use of City-funded facilities.
- Historical role of LDE reduced to specific events.

**LEGEND**

+

Positive  
implication

-

Negative  
implication

**Recommendation:**

**Option 3:** The City establishes a new subsidiary to consolidate event attraction activities across Lethbridge. This would include, at minimum, the event attraction capabilities currently within LDE and City departments. The City should consider what other capabilities could be consolidated from organizations such as Tourism Lethbridge.

# Key Strategic Decisions

## Strategic Decision – What should be the operating model for event management?

Currently, LDE coordinates and manages all events held within their facilities. There is some overlap between LDE’s event management functions and those of other organizations, including the City. LDE’s event management capabilities are distinguished by their history, community engagement, regional emphasis, and role in notable Lethbridge events. There is a question as to whether it makes sense for LDE to continue to manage events.

**Status Quo:** LDE and Agricultural Society continue to manage all events hosted within LDE facilities

- + LDE maintains historical role as event manager.
- + LDE’s connection to the community creates a differentiated sense of ownership and pride that drives participation and volunteerism.
- + LDE can meet specific community needs and preferences, including regional considerations.
- + Maintain connection to agriculture sector and community stakeholders.
- Managing major events involves significant risk, including financial, legal, and safety concerns

**Option 2:** Agricultural Society continues to manage all agricultural events hosted within LDE facilities

- + LDE maintains connection to agricultural and regional community that creates differentiated sense of ownership and volunteerism.
- + City brings consolidation and optimization of resources to other events.
- Introduce competing priorities across venues.
- Historical role of LDE reduced.

**Option 3:** City assumes all event management in LDE facilities including agricultural events

- + Consolidation of procurement across facilities.
- + Optimization of utilization of event planning resources across facilities can drive cost savings.
- Concentration of planning resources on individual resources can improve customer experience.
- Risk of reducing connection to stakeholders from outside of the City of Lethbridge.
- Introduce competing priorities across venues.
- Historical role of LDE reduced.
- Increase City budget and headcount.

<b>LEGEND</b>	<b>+</b>	<b>Positive implication</b>	<b>-</b>	<b>Negative implication</b>
---------------	----------	-----------------------------	----------	-----------------------------

**Recommendation:**

**Option 2:** LDE continues to manage all signature agricultural events and City assumes responsibility for community-focused events. This will allow the City to bring economies of scale while maintaining the unique connection LDE has with the broader regional stakeholders and agricultural sector.

# Key Strategic Decisions

## Strategic Decision – What should be the operating model for facilities management?

Currently, LDE maintains the facilities on their grounds with the exception of the Rocky Mountain Turf Club. LDE is responsible for these facilities without the people, processes, and systems needed to effectively maintain them. This makes LDE dependent on third-party vendors that are costly to leverage. There is a question as to whether LDE is situated to operate and maintain these facilities on a long-term basis.

**Status Quo:** LDE continues to own and maintain all LDE facilities

- + LDE maintains historical role as asset owner.
- + Maintain focus of Board on LDE assets.
- LDE lacks the people and resources to maintain.
- LDE Board lacks the expertise to oversee.
- LDE lacks the financial capacity to deal with deferred maintenance.

**Option 2:** LDE continues to own LDE facilities but City assumes maintenance on cost-recovery basis

- + LDE maintains historical role as asset owner.
- + Access existing City resources to maintain assets.
- + Reduce need for LDE Board and Management to have facilities management expertise.
- LDE Board lacks the expertise to oversee.
- LDE lacks the financial capacity to deal with deferred maintenance.

**Option 3:** LDE transfers ownership of LDE facilities to the City and City assumes all maintenance

- + Access existing City resources to maintain assets.
- + Reduce need for LDE Board and Management to have facilities management expertise.
- + Maximize lifespan and availability of facilities.
- + City control over function and use of assets in the event that demand is not sufficient.
- Reduce historical role of LDE.
- Increase to City budget and headcount, with the latter partially mitigated due to synergies gained from the City’s existing facility management team.

<b>LEGEND</b>	<b>+</b>	<b>Positive implication</b>	<b>-</b>	<b>Negative implication</b>
---------------	----------	-----------------------------	----------	-----------------------------

**Recommendation:**

**Option 3:** LDE transfers ownership of facilities to the City and City assumes all maintenance responsibilities. This is in the best interest of the City due to the significant financial liability that the facilities represent if not properly maintained. By assuming control, the City can ensure these assets are maintained and used for the highest and best use. LDE should maintain ownership of the facilities until 2027 at minimum to comply with the terms of provincial funding agreements.

# Key Strategic Decisions

## Strategic Decision – What should be the governance model for LDE?

Historically, LDE was governed by a volunteer board elected by community-based shareholders. Currently, LDE is governed by an appointed board that consists of representatives from City of Lethbridge and Lethbridge County administration. There is a question as to what the best governance model for LDE will be going forward.

### *Status Quo: City continues to govern LDE long-term*

- + Provide stability and financial support that will ensure that signature community events continue.
- + Ensure that LDE can continue to provide signature community benefits that align with City priorities.
- Risk losing community connection.
- Risk losing regional and agricultural emphasis.
- High risk to LDE remaining as agricultural society.
- Reduce historical role of LDE.
- Increase financial cost for City permanently.

### *Option 2: City returns LDE governance to shareholders immediately*

- + Reduce immediate financial cost for City.
- + Preserve community and regional focus.
- Extreme risk of insolvency.
- High risk of events and venues discontinuing.
- High likelihood that City incurs future costs after assuming control of insolvent organization.

### *Option 3: City returns LDE governance to shareholders once it is financially stable*

- + Provide stability and financial support that will ensure that signature community events continue.
- + Ensure that LDE can continue to provide signature community benefits that align with City priorities.
- + Preserve community and regional focus.
- Some risk to LDE standing as agricultural society.
- Increase financial cost for City temporarily during the period where the City assumes full responsibility for governance.

**LEGEND**

+

Positive  
implication

-

Negative  
implication

**Recommendation:**

**Option 3:** The City should only return LDE governance to shareholders once the organization is financially sustainable. At present, without another viable financing source, LDE will become insolvent and need to cease operations in the short-term without support from the City.

# Key Strategic Decisions

**Under the recommended approach the City will govern LDE for 3-5 years until the organization is financially stable.**

Under the proposed future state model:

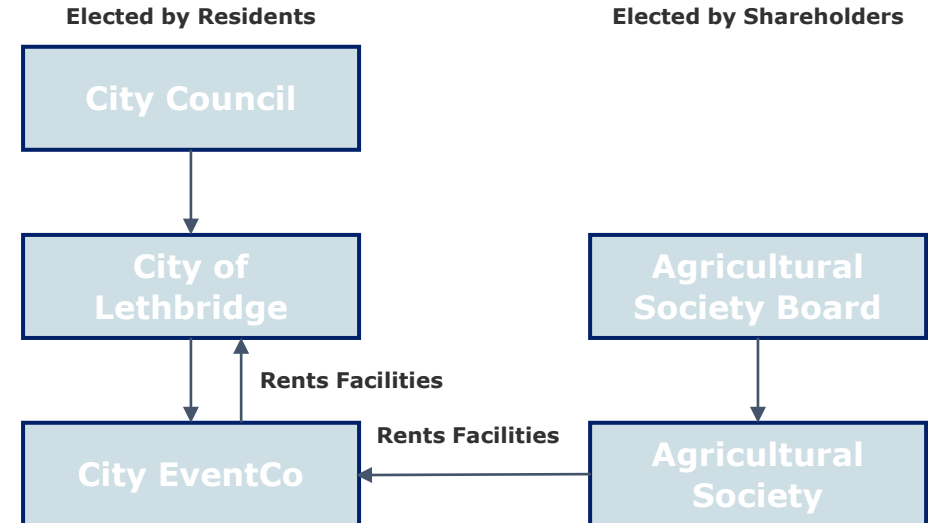
1. LDE will operate as an agricultural society that exclusively focuses on events that promote agriculture
2. The City will launch a new event attraction agency to drive community activities
3. The City will assume responsibility for the LDE facilities and provide ongoing maintenance
4. The City will return governance of the Agricultural society to the community once it is sustainable
5. The Agricultural Society will be a key tenant of the new event attraction agency

The proposed model will provide the following benefits:

1. Ensure that the events LDE is known for continue to benefit Lethbridge area residents
2. Allow LDE shareholders to focus on strengths in community engagement
3. Maximize the lifespan, availability, and use of the new Agri-Food Hub facility
4. Ensure that LDE will continue to survive and contribute to Lethbridge for another 127 year

We recommend that Administration undertake further analysis of the business case and implementation plan for this model before bringing a final recommendation to Council.

## Future State Structure



# Other Recommendations

**We have outlined 36 proposed recommendations to strengthen LDE governance and operations to enhance sustainability.**

Based on our findings and research, we have outlined various recommendations which have been ranked and prioritized using the following criteria:

Category	Financial Impact	Implementation Cost	Implementation Complexity	Implementation Timeline	Community Benefit	Reputational Risk
High	\$500,000+	\$500,000+	High Complexity / Likely Issues	12+ months	Direct Improvement	High Risk
Medium	\$100,000 - \$500,000	\$100,000 - \$500,000	Moderate Complexity / Potential Issues	6 – 12 months	Indirect Improvement	Moderate Risk
Low	\$0 - \$100,000	\$0 - \$100,000	Low Complexity / Minimal Issues	0 – 6 months	Marginal Impact	Low Risk

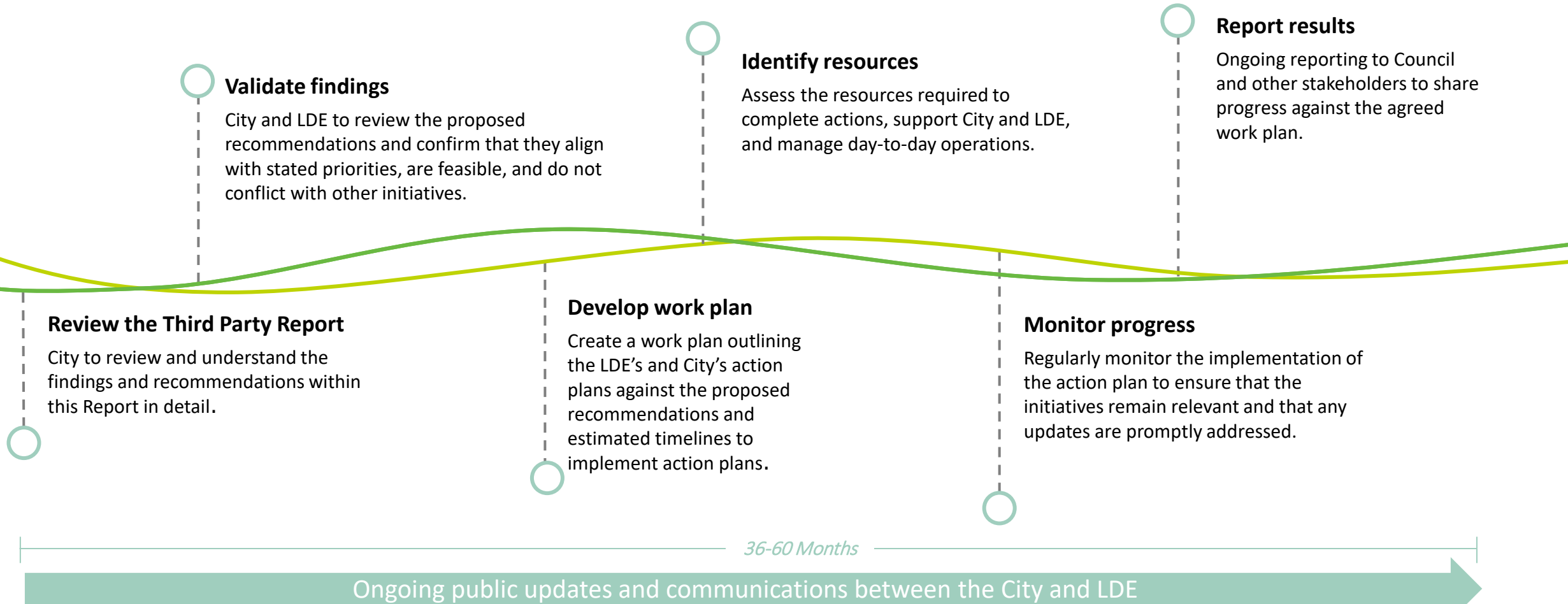
The recommendations apply to the following evaluation criteria are expected to be addressable on the following timeline:

Evaluation Area	Short-term (0 – 6 months)	Medium-term (6 – 12 months)	Long-term (12+ months)	Total
Revenue & Profitability	2	1	-	3
Cost Management	-	2	1	3
Facilities Management	-	3	1	4
Financial Management	1	3	1	5
Sales and Marketing	3	2	-	5
Governance	4	2	1	7
Strategy	3	1	-	4
Community & Regional Impact	-	1	1	2
People & Culture	2	-	1	3
	15	15	6	36

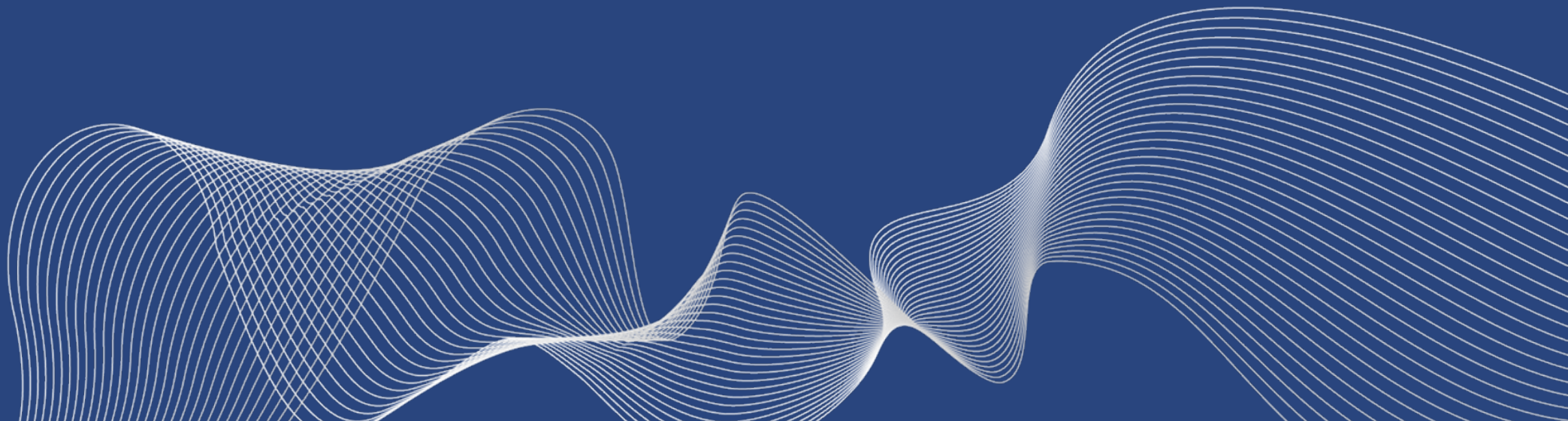


# Other Recommendations

Based on the recommendations, the City and LDE should consider the following actionable next steps.



# Appendix – Detailed Recommendations



# Recommendations - LDE

**Select recommendations for LDE have been outlined below.**

---

*These recommendations should be considered in conjunction with the key strategic decisions the City will make around LDE's future operating and governance model.*

## Revenue & Profitability

1. Enhance management reporting to, at minimum, include allocations of indirect costs and overhead to better understand event profitability.
2. Design and implement better processes, including exploring system requirements, to monitor capacity and utilization of venue spaces.
3. Streamline facility footprint through demolition of the legacy pavilions to reduce ongoing maintenance cost and enhance focus on event attraction for the new facilities.

## Cost Management

4. Enhance procurement policies and processes.
5. Develop vendor management policies and processes.
6. Review current vendor and partner contracts to ensure terms align with LDE objectives.
7. Review current personnel requirements to bring in line with other comparators in Alberta.

## Facilities Management

8. Design and implement a new process to track and maintain facility logs and other key maintenance records needed to ensure buildings are in good repair.
9. Design and implement a cross-function records retention policy to maintain key documentation from processes such as maintenance records.
10. Allocate funds to a capital reserve fund to restrict revenues for future investment to maintain, replace or upgrade facilities.

## Financial Management

11. Develop a clear planning and budgeting process to remove uncertainty surrounding process, timing, and accountability.
12. Standardize and enhance management reporting presented to the Board of Directors during quarterly meetings.
13. Develop compliance "peer review" process to increase accountability for proper and timely execution of these new controls.
14. Redesign planning and budgeting process to have more clear accountabilities around oversight and review procedures, including the role of the Board of Directors.
15. Design and implement new policies and procedures to govern how LDE engages with third-party specialists, including the procedures needed to take ownership of work.

## Sales & Marketing

16. Reevaluate the size and composition of the Sales & Marketing function to ensure sufficient resources are allocated to growth priorities.
17. On an annual basis develop a sales and communication plan to inform sales and marketing efforts that align with strategic priorities.
18. Reevaluate offerings including considering more active marketing for large banquets such as weddings that can provide incremental revenue around convention dates.
19. Develop a more structured process to proactively identify, qualify, and develop opportunities for conventions and trade shows.
20. Explore simplifying the Agri-Food Hub & Trade Centre name to more intuitively align with the organization's highest priority opportunities.

# Recommendations - LDE

**Select recommendations for LDE have been outlined below.**

---

*These recommendations should be considered in conjunction with the key strategic decisions the City will make around LDE's future operating and governance model.*

## Governance

21. Request an exemption from the AGI on the regulations of being an agriculture society until LDE is financially set-up to own and operate their own facilities again.
22. Explore launching a charitable arm to provide alternative funding for certain community initiatives and capital investments.
23. Consider changing the Board composition to include more independent directors, as well as changing the Board recruitment process to include more targeted skills.
24. Maintain requirement for the Board composition to have City and County representation, with a focus on specific members of Administration with relevant expertise and specific requirements to report back to Council.
25. Review policies and procedures across the organization to provide more clear expectations, guidance, and responsibilities to employees.
26. Enhance the structure, frequency, and precision of reporting to the Board of Directors to provide more transparency.
27. Design and implement new risk management policies and processes to proactively monitor potential risks to the viability of the organization.

## Strategy

28. Develop an annual strategic planning process to provide clarity around long-term goals and objectives, priorities, and action items.
29. Explore opportunities to reengage with former shareholders and other key community stakeholders.

## Community & Regional Impact

30. Develop a community engagement plan to identify priorities and tangible actions to manage engagement with key stakeholders.

## People & Culture

31. Develop an employer satisfaction strategy to ensure that there are clear objectives, processes, and accountabilities to maintain employee engagement over time.
32. Develop succession plans for the CEO and other key members of management, including plans to support future leaders in developing into those roles.
33. Develop a volunteer engagement strategy to ensure that there are clear objectives, processes, and accountabilities to maintain volunteer engagement.

# Recommendations – City of Lethbridge

Select recommendations for the City have been outlined below.

---

*These recommendations should be considered in conjunction with the key strategic decisions the City will make around LDE's future operating and governance model.*

## Governance

1. Consider options for the City to assume ownership of LDE facilities to reduce long-term risk and ensure availability of venues.
2. Develop new policies and processes to define requirements for due diligence procedures when considering grant funding or loans of different sizes.

## Strategy

3. Explore models for LDE to partner more effectively with Tourism Lethbridge, Lethbridge's Destination Management Organization, and others in event attraction.

## Community & Regional Impact

4. Explore additional partnerships with community art, education and sport organizations to leverage unutilized space in a way that maximizes community benefit.



## **About Deloitte**

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights and service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 264,000 professionals—9,400 of whom are based in Canada—make an impact that matters, please connect with us on [LinkedIn](#), [Twitter](#) or [Facebook](#).

Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private companies limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte LLP and affiliated entities.