

Scotiabank Centre

2020/21 Reconstitution Business Plan

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Foreword

COVID-19 and the resulting public health measures put in place to protect Nova Scotians have had a significant impact on the events and entertainment industry and ongoing operations of Scotiabank Centre.

In March 2020, the Province of Nova Scotia announced a recommendation to restrict public gatherings over 150 people to mitigate public health risk. The number of people allowed to gather was subsequently reduced through federal and provincial recommendations. As a result, Scotiabank Centre was temporarily closed and all event activity that was planned from March to October 2020 was cancelled or postponed.

Subsequently, in July 2020, provincial gathering limits were increased within the guidelines as set out in the Health Protection Act Order by the Nova Scotia Chief Medical Officer of Health. At the time of writing, Scotiabank Centre was planning for the resumption of the Halifax Mooseheads 2020-21 hockey season and other tenant activity later in the year, within public health guidelines and required protocols. We respect that the return to large-scale events will only happen when public health restrictions related to gathering limits and travel evolve. As such, our *2020-21 Reconstitution Business Plan* is focused on a phased approach to the safe resumption of event activity and supporting our partners, community and economy through the phases of recovery.

Aligned with the Province of Nova Scotia's measured approach to safely re-opening, we are committed to working with our tenants and our shareholder, Halifax Regional Municipality (HRM), to begin to safely operate and host events in this new normal. While there are still many unknowns, we are confident in our ability to adapt our operations to achieve the safe re-opening of our venue and support the recovery of the broader events industry in Nova Scotia.

The *2020-21 Reconstitution Business Plan* provides an overview of our strategic focus areas for this year and the activities required to adapt to the COVID-19 operating environment and the impacts on our industry. This plan reflects the priorities and core outcomes to return to safe operations and mitigate the long-term impacts of COVID-19 on our business.

Recovery Planning Context

This business plan is presented for the management and operations of Scotiabank Centre. Scotiabank Centre is the largest multipurpose facility in Atlantic Canada, serving as the region's premier venue for major entertainment and sporting events and the nucleus of major event activity in Nova Scotia. It is owned by HRM and managed and operated by Events East Group. Our focus is on ensuring the professional and effective delivery of events that drive community and economic impact.

Scotiabank Centre promotes economic growth and community vibrancy by attracting and hosting events. Each year, we typically host between 450,000-500,000 attendees, resulting in average direct expenditures of approximately \$35-40M annually. Our anchor tenants include the Halifax Mooseheads, the Halifax Hurricanes, the Halifax Thunderbirds, and the Royal Nova Scotia International Tattoo. With a diverse event calendar, in 2019-20 we hosted 122 events with over 540,000 attendees, generating \$39.9M in direct expenditures.

In March 2020, under the guidance and oversight of our Board of Directors and in collaboration HRM, we implemented our Pandemic Preparedness Framework in response to COVID-19. This included the constitution of our internal Emergency Operations Group and the creation of a special ad-hoc committee of the Board to support management with the implementation of initial health and safety protocols. We also implemented a temporary remote working strategy and began developing our reconstitution plans.

In early 2020-21, the prolonged impact of COVID-19 on the events industry became evident. The

combination of physical distancing requirements, gathering limits and travel restrictions had created significant limitations for hosting sports and entertainment events that are expected to continue throughout the year and into 2021.

COVID-19 had an immediate effect on event activity originally booked for 2020-21 at Scotiabank Centre, impacting all events from March until October 2020. It is anticipated that tenant and sports activity will resume first at a reduced capacity in the fall, followed by entertainment events later in 2021.

As we reconstitute our business, our strategic focus areas are:

1. *Returning to Safe Operations*
2. *Business Retention*
3. *Community Alignment*
4. *Safe Return to Work*
5. *Responsible Management*

This includes working in close collaboration with HRM on the responsible, efficient management of our operations within the broader context of the global pandemic and resulting impacts. This plan is also focused on a multi-phased engagement strategy with our fans, partners, and community to reinforce the important role we play in creating community pride and vibrancy in the downtown core.

While the current landscape impacts our ability to host large-scale sporting and entertainment events, our focus for the year is to work with our tenants and instill confidence in event attendance while laying the foundation for a strong sports and entertainment event calendar when the time is right.

Reconstitution Priorities & Activities

Returning to Safe Operations

Returning to safe operations and event hosting is our core focus for the year. We will work to define and implement our operational standards within the parameters of new health and safety protocols to mitigate the risk of COVID-19.

With a continued focus on enhancing the fan experience, we will work in close collaboration with our tenants, event organizers, suppliers, and staff to create safe, memorable event experiences for our fans. To safely re-open and resume hosting events, we will fully adhere to public health directives and recommendations.

Actions:

- Prepare and submit a framework to public health for the safe resumption of the 2020-21 Halifax Mooseheads season.
- Design and implement operational delivery standards and processes to align with fan experience vision and new health and safety protocols.
- Work with the Halifax Mooseheads, Halifax Thunderbirds and Halifax Hurricanes to safely host events during the year.
- Work with concessions partner to modify service delivery model to meet public health requirements.

Business Retention

As we work through our temporary closure and a gradual return to event hosting, our focus remains on continuing to provide value to our corporate partners and Premium Seating clients. We will continue to foster strong, collaborative relationships to reinforce the value of Scotiabank Centre and the events we host, positioning us for future, long-term success.

Actions:

- Maintain partner and client confidence and engagement through proactive outreach and unique programming to add value.
- Retain and renew significant partnerships.
- Design and implement enhanced Premium Seating service model upon re-opening.

Community Alignment

Connection to our community is critical now more than ever. Research and customer feedback continue to reinforce that Scotiabank Centre is an important, valued asset and a great source of community pride. Recognizing that our community and neighbouring businesses have been deeply impacted by the pandemic, we will work in close collaboration with our partners to drive business and activity in the downtown core, helping to reinvigorate our community.

Actions:

- Maintain and foster fan engagement through proactive branding and communications activities that leverage the events we host.
- Support and promote community initiatives focused on resumption of business in the downtown core.
- Educate and inform fans of new safety guidelines through proactive communications.

Safe Return to Work

COVID-19 and the resulting impact on event activity has had significant implications for our staff and organizational culture. Guided by a commitment to transparent, ongoing communication, we remain focused on supporting our employees through this challenging period while preparing to re-open our facility within a new health and safety environment for our staff and guests.

Actions:

- Develop and implement a phased return to work program, based on public health guidelines.
- Conduct training for event-based roles and suppliers to host events and operate within new health and safety protocols.
- Develop resourcing strategy to support revised event calendar.
- Continued employee communication to support ongoing engagement and retention.

Responsible Management

In 2019-20, we confirmed a new long-term operating agreement with HRM for our continued management of Scotiabank Centre. We will continue to work in collaboration HRM on the effective management of Scotiabank Centre within the framework of this new operating agreement as we work to reconstitute our business and return to normal operations. Under our Pandemic Preparedness Framework, management and the Board have continued to work through contingency planning, mitigation strategies and ongoing assessment of the impact of COVID-19. As we continue to monitor and adapt to the impact of COVID-19 and the new complexities of event hosting, we will work with our shareholder to ensure ongoing alignment and appropriate governance and oversight of the facility's reconstitution.

Actions:

- Implement Pandemic Preparedness Framework including continued refinement based on learnings and ongoing impacts.
- Continued monitoring and alignment with public health directives.
- Develop and implement financial mitigation strategies.
- Implement framework and processes to support governance of our new long-term agreement with HRM.

Core Outcomes & Measures

CORE ACCOUNTABILITY MEASURES		
STRATEGIC PRIORITY	MEASURE	2020-21 TARGET
Business Retention	Revenue generation	Meet revenue target through retention of Premium Seating clients and corporate partners.
Returning to Safe Operations	Safe hosting protocols	Implement protocols and operational standards to re-open and successfully host events in 2020-21, within public health guidelines.
Safe Return to Work	Return to work program	Implement a phased return to work program based on event calendar.
Responsible Management	Financial mitigation and overall performance	Work within \$2.65M shareholder investment.

Financial Context

COVID-19 was an unforeseen public health crisis that has had a substantial impact on the planned performance of Scotiabank Centre in 2020-21. As uncertainty continues throughout the current year and into 2021, the revised budget reflects the loss of planned revenue and a low volume of event activity that does not reflect the typical event mix.

Historically, Scotiabank Centre operates at a break-even position. Prior to the impact of COVID-19, there was no requirement for shareholder investment. The revised budget reflects a shareholder investment from HRM of approximately \$2.65M for fiscal 2020-21, after cost mitigation strategies have been accounted for.

In 2020-21, Scotiabank Centre is planning to host the Halifax Mooseheads 2020-21 hockey season and other tenant activity later in the year. Budgeted revenues utilize assumptions such as the number of events to be held in the facility, concessions spend and capacity limits. Due to the reduction in event activity, Premium Seating and corporate partnership revenues have been adjusted to reflect six months of event activity within the year.

Our financial model includes both fixed and variable costs. Variable costs are associated with our operations and related to hosting events. Certain fixed costs are necessary to support operations, irrespective of event volume and attendance. A series of cost mitigation strategies have been implemented where possible to limit financial exposure.

The Shared Services and Facilities Agreement between HRM and Armco Capital, which guides operations and the allocation of costs relating to the shared plant and facilities between Scotiabank Centre and the Office Tower, is entering its third year. We continue to monitor the operations and allocation of costs to ensure accuracy and accountability of the agreement.

Operating Budget Summary

(For the year ended March 31)

	Revised Budget 2020-21	Initial Budget 2020-21	Actuals 2019-20	Budget 2019-20
Total Revenue	2,265,000	8,267,000	9,042,198	8,275,300
Event Expenses	1,215,000	3,507,000	4,575,865	3,626,900
Contribution	1,050,000	4,760,000	4,466,333	4,648,400
Indirect Expenses	2,552,000	3,024,000	2,988,402	2,915,200
Operating (Loss)/Income Before Building Costs	(1,502,000)	1,736,000	1,477,931	1,733,200
Building Costs				
Net Shared Services & Facilities	360,000	480,000	500,841	478,100
SBC Property Services	483,000	760,000	762,714	754,900
Energy	206,000	397,000	430,948	390,000
Capital Expenditures	—	—	195,316	—
Shared Spaces Fees	99,000	99,000	122,189	98,200
Net Expense to Scotiabank Centre	1,148,000	1,736,000	2,012,008	1,721,200
Operating (Loss) Income	(2,650,000)	—	(534,077)	12,000

Note 1: Scotiabank Centre is owned by HRM and operated by Events East under an operating agreement. All operating income or losses generated accrue to HRM, and all capital improvements are funded by the municipality.