

CALGARY HOUSING

2023 ANNUAL REPORT TO CITY OF CALGARY AUDIT COMMITTEE

The 2023 annual report to the City of Calgary Audit Committee and supporting documents provide information on Calgary Housing's board governance, financial and performance reporting, environmental, social and governance practices, risk management, and talent and culture insights from 2023.

Calgary Housing Company (CHC) is rebranding and changing its trade name to "Calgary Housing." During the transition period both trade names CHC and CH will be valid.

Introduction

Calgary Housing is a wholly owned subsidiary of the City of Calgary (The City). Calgary Housing's mission is to Make life better for Calgarians by providing safe and affordable housing that enables positive social outcomes. Our vision is to be the leading affordable housing provider in Canada supporting individual well-being and inclusive community building. On June 19, 2023, The Shareholder approved Calgary Housing's 2023 - 2030 strategic plan supporting the organization to fulfill its mission and vision.

As the largest residential landlord in Alberta, Calgary Housing provides affordable housing to over 27,000 Calgarians. The properties managed by our organization are either owned by Calgary Housing, the City, or the Government of Alberta (GoA). Calgary Housing's Board of Directors (the Board) includes members from the community, City Administration and City Council. The Board is accountable to the sole Shareholder, which is the City, and is represented by City Council.

Financial and Performance Reporting

1. Brief summary of:
 - a) Key strategy initiatives and financial highlights for 2023:

Key strategy initiatives

Priority I: Empower applicant and resident success

- Objective 1: Improve applicant and resident experience by: a) understanding evolving needs and expectations, and; b) clearly defining, enhancing, and communicating Calgary Housing's service offerings with an emphasis on equity, inclusion and reconciliation.
- Objective 2: Engage in partnerships that connect applicants and residents to services that best meet their needs.

Calgary Housing prioritizes customer service, recognizing its essential role in providing affordable housing for individuals and families. Calgary Housing's service fosters stability, security, and dignity through safe homes, transforming the lives of those in need. Calgary

Housing staff, from property managers to finance teams and housing support specialists, contribute to maintaining and operating affordable housing.

The following activities were achieved to align with Priority I in 2023:

- **Implementing customer service standards**

In 2023, Calgary Housing focused on improving the resident and applicant experience. This included introducing customer service standards to ensure service delivery excellence through various communication channels (e.g., call center services, emails, and in-person). Online portals were enhanced to ensure accessibility of services with a focus on removing language and mobility barriers (see Priority III, Objective 3 below for more information). Service offerings were better defined via website improvements and streamlining the application process.

- **Engaging in partnerships**

Calgary Housing's Community Partnership Strategy has been recognized nationally; the Implementation Plan is under development with a target launch date in Q4 2024. The strategy will enable Calgary Housing to improve support activities offered to applicants and residents and will have direct positive impacts on housing stability and residents experience.

Priority II: Enhance asset and financial performance.

- Objective 1: Make strategic decisions that will extend the life of assets and facilitate new asset development that result in environmental sustainability and positive outcomes for residents.
- Objective 2: Transition portfolios to mixed income to result in financially sustainable operating models and vibrant inclusive communities.
- Objective 3: Pursue continuous improvement to reduce costs, and identify new opportunities for revenue, savings, and capital investment to increase housing supply, and re-invest in the organization.

Calgary Housing has made significant progress toward operational and financial sustainability through a multitude of strategic initiatives and process improvements. The following highlights illustrate the diversity of efforts underway, and the significant progress being made in our ongoing process of improvement. Investments in asset improvements contribute to reduced maintenance costs, energy savings, and extended asset life. These enhancements support financial sustainability by decreasing expenses and ensuring long-lasting, high performing assets.

In 2023 Calgary Housing Administration further streamlined processes, allowing for consistent annual unit inspections of 100% of Calgary Housing managed units, and implemented new unit turnaround standards that reduced costs while still maintaining the desired level of service. Calgary Housing is now consistently meeting unit turnaround targets of less than 30 days.

Pilot programs started in 2022 to in-source appliance repair and plumbing work have demonstrated significant cost reductions, promoting financial sustainability over the course of 2023, and have now been made into a permanent part of Calgary Housing's operations.

The following activities were achieved to align with Priority II in 2023:

- **Timely and Successful Execution of Capital Grants**

In 2023, Calgary Housing once again fully spent the annual City grant funding for capital maintenance exceeding the City of Calgary's annual investment plan average, and in alignment with the successful 100% completion achieved by Calgary Housing in 2022. The work undertaken included various roofing and building envelope replacements, renovation of nearly 900 homes, completion of an updated building envelope at Shaganappi Tower and a complete retrofit upgrade of the mechanical systems at Tuxedo Park. These improvements will have a positive impact not only on the quality of life of our residents but also on long term financial sustainability in reducing our operating costs.

- **Calgary Housing Transitioning Portfolios to Mixed Income model**

As of Dec 2023, five out of six portfolios transitioned, or are in the process of transitioning, to the mixed income model framework. In addition, a provincial site was successfully transferred from the Government of Alberta to Calgary Housing, with a feasibility analysis planned in 2024. This site is near schools, parks, grocery stores, healthcare facilities, faith centres, and public transit, making it a fantastic location for affordable housing residents to call home.

Priority III: Become a centre of excellence within the affordable housing sector.

- Objective 1: Support employee safety, wellbeing, and professional development to enable strong employee engagement.
- Objective 2: Enhance workplace culture to achieve the organization's vision.
- Objective 3: Champion best practices, and leverage data and technology to enable the organization to be agile and responsive.
- Objective 4: Work with government partners and collaborators on initiatives to advance the delivery of affordable housing.

Calgary Housing is committed to realizing organizational excellence to better serve clients in need of affordable housing. While Calgary Housing's core function is providing housing, the focus on achieving excellence ensures clients' diverse needs are met more effectively and efficiently. This effort involves fostering a healthy workplace culture, promoting professional development, and facilitating knowledge sharing within the sector. Employees play a crucial role in this endeavor, as their feeling safe, supported, and well-equipped directly translates into better service for residents.

The following activities were achieved to align with Priority III in 2023:

- **Supporting and Developing Employees**

Throughout 2023, Calgary Housing continued to advance employee safety and wellbeing with a focus on psychological safety. This was evidenced by the strong employee feedback

received and significant improvements in psychological safety shown in the 2023 Corporate Employee Survey. Additionally, Calgary Housing achieved strong results in passing the Certificate of Recognition (COR) audit. Calgary Housing also created a new role and hired a dedicated professional development coordinator to design an employee development program.

- **Anti-racism Journey**

Calgary Housing progressed anti-racism work in 2023, engaging with over 110 internal leaders and staff to advance awareness and education in anti-racism, alongside policy-review. In late 2023, Calgary Housing's anti-racism focus expanded to resident engagement. Early success of the anti-racism focus was illustrated by the Inclusive Index in the Corporate Employee Survey, where Calgary Housing's index rose (+12 to 81).

- **Leveraging data and technology**

In 2023, the technology roadmap advanced with improvements to the applicant, resident, vendor, and employee experience. This included updates to the Applicant portal to support increasing diversity, and updates to the Resident portal to support 3,300 households to self-serve and access the information whenever they want. Additionally, improvements were made to reduce transactional workload and improve work mobility within Calgary Housing.

- **Vendor Procurement and Management Audit**

In 2023, the City Auditor's Office carried out a vendor procurement and management audit to assess the effectiveness of Calgary Housing's vendor procurement and management process and controls by reviewing the design and operating effectiveness. As of Q2 2024, all recommendations identified in the report are in progress towards completion, or closed, and there are no overdue items.

Recent financial highlights

Calgary Housing reports its financial results in accordance with Canadian Public Sector Accounting Standards for local government organizations. The 2023 Audit was completed by Deloitte LLP, and an unqualified audit opinion was issued.

In 2023, Calgary Housing adopted the new Asset Retirement Obligation (ARO) accounting standard retroactively, with restatement of comparatives for the 2022 reporting period. Liabilities have been recognized in relation to the buildings and building betterments due to the identification of hazardous materials including asbestos, lead-paint, and polychlorinated biphenyls, which require retirement costs to be incurred for their disposal.

Calgary Housing's financial position continues to strengthen, with over \$32M (2022 restated - \$19M) in net financial assets and \$136M (2022 restated - \$122M) in accumulated surplus. Calgary Housing has a strong cash position, with over \$45M (2022 - \$43M) in cash on hand, of which \$5M (2022 - \$4M) is unrestricted. Calgary Housing had invested cash of \$19M in 2023 (2022 - \$16M). In 2023, Calgary Housing reported \$5M (2022 - \$2M) in additions to its Tangible Capital Assets; no disposals were recorded in 2023 and 2022.

Calgary Housing has seen strong rental results throughout 2023, with higher occupancy levels and vacancy rates below 1%, particularly in the affordable and near market segment portfolios. Rent revenue for 2023 was \$55M (2022 - \$52M). Overall revenue has increased to \$122M (2022 - \$117M) driven primarily by higher rent supplement funding resulting in \$24M in revenue (2022 - \$21M).

Overall expenses were \$110M (2022 restated - \$111M), with the main increases seen in maintenance and rent supplement (offset by rent supplement revenue referenced above).

In 2023, Calgary Housing reported a surplus of \$14M (2022 restated - \$6M) after returning \$289 thousand to the City of Calgary. Calgary Housing receives no tax supported operating funding from The City of Calgary. After the net surplus has been adjusted for grants and non-cash items, the normalized net surplus is \$6M. Reserve contributions amounted to \$8M to address emergencies, plan for strategic initiatives, and save for future capital needs.

For more information, please refer to *Attachment 2 – Calgary Housing Audited Financial Statements 2023*.

b) Disclosure controls and procedures:

Calgary Housing is committed to rigorous financial reporting and disclosures and requires its key management personnel and Board members to complete questionnaires and declarations regarding their knowledge of related party transactions, contingent liabilities, and other major disclosures required under the Public Sector Accounting Standards. Calgary Housing also inquires with leaders across the organization as to their knowledge of contracts, transactions, and other matters requiring disclosure.

Calgary Housing has also undertaken work in its adoption of new accounting standards, including the upcoming Revenue standard. Calgary Housing is currently assessing the magnitude of impact on current revenue streams and the timing of revenue recognition.

No uncorrected disclosure deficiencies were identified by Calgary Housing's external auditor in the 2023 audit.

c) Internal controls over financial reporting:

Yardi Voyager, the Enterprise System Solution utilized at Calgary Housing, has significant internal controls over financial reporting. The system includes workflows to automate approval queues for procurements, purchase orders, invoicing, journal entries, and other transaction related documents. It also facilitates segregation of duties and prevents unauthorized access through user and group level permissions.

Calgary Housing regularly reviews its internal controls using the Committee of Sponsoring Organizations (COSO) 2013 framework and completed its most recent assessment in 2022, with the next full assessment expected to be completed in 2025. A full assessment is completed every four years, and an interim update on identified improvement opportunities. For more information, please refer to *Attachment 3 – Calgary Housing Internal Controls Report 2023*.

As part of the annual financial statement audit, the auditors are required to report on any significant deficiencies in internal controls identified in the course of the audit. The auditors have not reported any internal control deficiencies in recent years.

2. The most recent management letter is included as *Attachment 4 – Calgary Housing Management Letter 2023*.

Environmental, Social & Governance Practices

3. Environmental, social factors and metrics integrated into 2024 planning, and beyond:

All Calgary Housing Board reports contain impact considerations including economic, social, and environmental implications. Social outcomes are included in the strategic priorities and performance measures developed and monitored by the Calgary Housing Board. The Calgary Housing Board continues to provide support on new capital development of affordable housing projects, targeting high energy efficiency and building resilience targets.

Additionally, Calgary Housing's environmental factors are included as part of the financial metrics (e.g., in-sourcing maintenance cost savings initiatives) and operational metrics (e.g., energy efficiency upgrades), which are embedded in the 2023 Strategic Plan. For more information, please refer to *Attachment 5 – Calgary Housing Strategic Plan 2023 – 2030*.

4. Status of climate target setting and net-zero emissions by 2050:

New capital developments of affordable housing target net-zero ready emissions code. For existing assets, energy efficiency initiatives are incorporated and completed with lifecycle maintenance upgrades where possible such as building envelope, windows, and roofs. Without significant external funding, existing assets will not be able to achieve net-zero emissions by 2050. Certain funding is becoming contingent on meeting net zero emissions.

5. Initiatives to improve the efficiency of Calgary Housing processes (e.g., sustainable operations, key performance indicators and relevance of the organization in the future):

In a bid to improve the efficiency of Calgary Housing processes, Calgary Housing implemented the following:

- Asset resiliency plumbing upgrades to decrease water use and maintenance effort. Collaboration with City Climate Office on new energy retrofit programs and using real world data of comparison sites for data driven decision making on future maintenance upgrades.
- Continued implementation of process improvements to enhance applicant and resident experience (e.g., Housing Program Service Review, Move out Process Enhancements).
- Internal process improvements to reduce the staff time and effort required to complete standard business practices, including the digitization of applicant and resident files and the Board of Directors reporting process.
- Supply Audit Recommendations which included continued training for individuals involved in procurement, regular vendor performance evaluations and reporting to the Tender Review Committee, a review of contract management system, and streamlining the lessons

learned process. Calgary Housing has also closed the gap between contract rates in contracts versus actual rates charged.

- Streamlining vendor management with Yardi Vendor Cafe, which enables vendors to upload their invoices directly, thus reducing time spent by the Calgary Housing Invoice Administration team on manual uploads.

In addition, Calgary Housing reviews success using measurement processes and criteria that have been developed internally, such as assessing and adjusting current operating measures to align with success factors related to improved customer experience and asset management, receiving feedback on organizational culture through self-reporting on the employee satisfaction survey, etc.

6. Regulatory or market changes that impacted the business approach in 2023:

Calgary Housing has undergone a pivotal transformation from a regulatory housing authority to a purpose-driven social enterprise and has now re-branded to better align with its mixed income housing service model. CH's new visual identity had a soft launch at the Annual General Meeting in June 2024. In 2023 Calgary Housing officially took on the housing development role on behalf of the City of Calgary and the related agreements are in the finalization stage. CH holds a permit to practice for engineering, enhancing its capacity to manage, maintain, and develop its properties effectively.

Calgary Housing continues to adapt to market and regulatory changes. A key development was the introduction of the new Social Housing Accommodation Regulation (SHAR) by the Government of Alberta in January 2023, impacting rent-setting and income-verification policies for residents in provincially owned properties. Calgary Housing is currently assessing the business impacts of these regulatory changes, with data expected by Q3 2024.

With Calgary's vacancy rate at 1.4% - the lowest in nearly a decade - and average rents increasing significantly, there is an acute demand for affordable housing options. In 2023, Calgary Housing received an average of 570 applications per month, more than double the typical 250. In addition, there is a growing need for rental housing for households with incomes above 65% of the median, extending up to average incomes, highlighting a shortage of supply in this segment. Calgary Housing will continue to monitor and address these market dynamics in 2024 and beyond.

Calgary Housing's direction is further shaped by The City of Calgary's "Rethink to Thrive" initiative, leading to the creation of the Future of Calgary Housing (FCH) project in partnership with the City Partnerships business unit. This collaboration has resulted in new agreements clarifying mutual services and responsibilities, reinforcing Calgary Housing's focus on delivering innovative and sustainable housing solutions for Calgary's diverse population.

7. Organizational risks and opportunities for privacy and information security:

Information assets (electronic and paper) are secured through policy and practice in alignment with the Freedom of Information and the Privacy Protection (FOIPP) Act. As well, the assets are secured through infrastructure and technology. Calgary Housing is on the City's IT infrastructure and, as a result, it is protected against security threats such as viruses and malware and other associated technology risks by City IT and City Corporate Security.

Calgary Housing's primary enterprise management software, Yardi, is independently audited for Service Organization Controls (SOC) 2 Compliance every two years. These results are sent to the City Corporate Security for review and if necessary, implement any risk mitigation. In alternate years, Calgary Housing employs City Corporate Security to perform these audits for Calgary Housing's specific implementation of Yardi and the Calgary Housing external public website.

Changes to technology or systems are thoroughly assessed through a Privacy Impact Assessment (PIA) process to ascertain risks to be addressed.

Board Governance

8. Brief outline of Calgary Housing's governance structure:

Calgary Housing is a social enterprise delivering mixed income housing and provincial housing programs. The company is governed by a Board of Directors appointed by the Shareholder, the City of Calgary with one share. The board has diverse backgrounds and skills, which provides strong and committed leadership to Calgary Housing. The Board's mandate is to provide oversight and direction to Calgary Housing in development, redevelopment, asset management, and operation of affordable housing and accommodation.

Calgary Housing's Board of Directors provides strong and committed leadership in guiding the organization to manage, maintain and develop safe, affordable housing.

- Composition and Skills Requirements:
 - Up to three, but no less than two, members of Council;
 - An individual holding the office of Director Finance/City Treasurer with the Shareholder or an individual holding a similar position with the Shareholder and having similar, relevant (and requisite, per the Calgary Housing skills matrix) skills as those the Director Finance/City Treasurer would bring;
 - An individual holding the office of the Director of Community Strategies with the Shareholder or an individual holding a similar position with the Shareholder and having similar, relevant (and requisite, per the Calgary Housing skills matrix) skills as those the Director of Community Strategies would bring; and,
 - Up to nine, but no less than six, citizen representatives.
- Officers:
 - The Chair of the Board is elected from amongst the Directors;
 - The Vice-Chair of the Board is elected from amongst the Directors;
 - The President of the Corporation shall be appointed by the Board of Directors; and,
 - The President or such person recommended by the President from time to time shall be the Corporation's Secretary.
- There are three standing Committees of the Board:
 - Audit & Risk Management;
 - Infrastructure and Asset Management; and,
 - Governance

- Election and Terms:
All Directors are elected for an initial term of up to three years, after which, at the option of the Shareholder, may be elected for further three-year terms. Directors who are not members of Council or employees of the Shareholder are eligible to serve on the Board for a maximum of nine consecutive years. The election of all Directors is by resolution at a Shareholder meeting. To the degree possible, Board member terms will be staggered to enable continuity of the Board.
- Succession and Recruitment Planning:
 - Board succession planning is an annual activity delegated to the Governance Committee of the Board per the Committee's Terms of Reference and included in the Committee's annual work plan. The Calgary Housing Board follows identified best practices in succession planning including:
 - Tracking of Board member terms and length of service as well as committee service
 - Maintaining a skills matrix identifying Board member competencies
 - Conducting annual candid discussions with Board members regarding their intentions
 - Recruitment procedure is documented and in place. Recruitment is based on the skills matrix and the pre-identification of the skills / competencies being sought for the Board.

9. Board Committees:

- a) Frequency of review of the compositions and terms of reference, and recent changes to the committees' terms of reference:

All Calgary Housing Committees review their respective Terms of Reference each year. The Terms of Reference for all Calgary Housing Committees outline the committees' membership, calendar and meetings, mandate, duties and responsibilities, resources needed, accountability, accessibility, communication, decision powers, and evaluation. The Governance Committee Terms of Reference was updated for 2023 to reflect Calgary Housing Board's new duties. The new duties and responsibilities include:

- Reviewing the role of the President of the corporation and managing associated human resource activities for this role; and
- Reviewing and monitoring Government Relations Strategy including the development of appropriate external relationships with major governmental partner of Calgary Housing.

For the complete 2023 Terms of Reference for Calgary Housing Committees, please refer to *Attachment 6 – Calgary Housing Committee Terms of Reference and Work Plan*.

- b) Frequency of assessment of Board composition:

The composition of the Calgary Housing Board is assessed annually to ensure that the Board has the requisite skills, competencies, diversity and independence required to provide oversight.

- c) The current composition of the Audit and Risk Management Committee including relevant financial experience:
Please refer to *Attachment 7 – Calgary Housing Audit and Risk Management Committee Members Experience and Qualifications*. Also, for the Audit and Risk Management Committee Work Plan, please refer to *Attachment 6 – Calgary Housing Committees Terms of Reference and Work Plan*.

Enterprise Risk Management

10. Principal Risks:

Calgary Housing's 2023 principal risks include the following, and these are analyzed further in *Attachment 8 – Calgary Housing Integrated Risk Management Analysis*:

- Capital Infrastructure Risk;
 - Provincial Portfolio
 - Calgary Housing/City of Calgary Portfolios
- Financial Sustainability Risk;
- Legal & Compliance Risk;
- Service Delivery & Operational Sustainability Risk;
- Employee Experience Risk;
- Resident & Employee Safety Risk;
- Reputation Risk; and
- Technology Risk.

11. Risk management policies and procedures:

Risk management policies and procedures are in place to manage all risks, and these mitigation strategies are analyzed in *Attachment 8 – Calgary Housing Integrated Risk Management Analysis*.

12. Principal risks oversight, tracking and monitoring:

Calgary Housing utilizes the City's Integrated Risk Management (IRM) Model to track and monitor risks. The IRM program enhances Calgary Housing's ability to proactively manage its corporate risks and assists its executive team with making well-informed decisions. Calgary Housing's Administration reviews principal corporate risks on a semi-annual basis. The risks identified using the IRM Model are integrated in the Calgary Housing risk register and presented to the Board annually.

As part of the external annual financial statement audit, the auditors assess financial risk in the organization and report their findings to the Calgary Housing Board. The Board requires prompt action from Calgary Housing Administration in addressing any recommendations and requires subsequent reporting and status updates.

Calgary Housing also performs internal controls assessment every four years, and an internal control recommendation update every other year. The findings of those assessments are reported to the Calgary Housing Board, as well as action items undertaken by Calgary Housing to address the recommendations.

13. Results of regulatory or internal/external business assessments that provide assurance on the effective management of the principal risks addressed above:

Calgary Housing's external auditors perform an annual financial statement audit, which ensures that Calgary Housing's annual financial statements are free from material misstatement. As part of that audit, the auditors also:

- Report on any internal controls deficiencies identified in the course of the audit
- Perform specified procedures on four portfolios/programs funded by the Provincial government.
- Annual grant compliance audit by Ministry of Seniors, Community and Social Services

In addition, Calgary Housing has been subject to the following assessments:

- Procurement audit conducted by the City of Calgary in 2023
- GST audit

Talent and Culture

14. Significant changes to the organization's executive leadership:

Sarah Woodgate, President and Chief Executive Officer returned from a leave of absence to full-time status in Fall 2023. There have been no other changes in the executive leadership team.

15. The Board's diversity goals included in the organization's corporate governance framework to ensure diversity is promoted for the Board, executives and organization:

The Board operates within an approved Equity, Diversity and Inclusion (EDI) policy, which is reviewed and signed annually. The executives and organization are City of Calgary employees and are bound by The City's policies and practices in these areas. Calgary Housing works closely with The City's Anti-racism team, and Calgary Housing's Anti-racism Leader and Strategist are included in The City's team and practices. Calgary Housing commenced development of an Antiracism strategy and action plan in 2023.

16. Regular reporting on the organizations' ethics and compliance of corporate policies to the Board:

Any violations of policies, including actions planned and implemented to address and mitigate potential risk in the future are reported to the Board. Board members recommit to the Code of Conduct Policy annually.

17. Mechanisms in place to support concerns of management and employees:

The City of Calgary's Respectful Workplace Policy, Code of Conduct and Whistleblower program are in place to support concerns of management and employees.

18. The Board's compensation strategy including retention and morale; pay ratios; transparency:

Board's compensation strategy is not applicable to Calgary Housing, as the Calgary Housing Board currently consists of unpaid volunteers.