

CITY OF CALGARY
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IN COUNCIL CHAMBER
JUL 22 2019
ITEM: 14.2.1 C2019-0964
Distribution

Risk Identified	Risk Rating		Mitigation Strategies	Risk Rating
	2019 July	2019 July		
Financial Risks				
1 High level assumptions used in current model for due diligence	High		<ul style="list-style-type: none"> Research, sensitivity analysis and best professional judgement used Continuing due diligence will be undertaken 	Medium
2 Continuing thorough and comprehensive due diligence review within tight timeframes	High		<ul style="list-style-type: none"> Continue to monitor and update as definitive agreements are negotiated Assign resources for continued due diligence Administration has relied on the due diligence completed by others. 	Medium
3 Validate the accuracy of cost estimate based on the defined project scope.	High		<ul style="list-style-type: none"> Design and budget of the Event Centre will be a gated process in which the mutual agreement of both The City and CSEC will be required for each stage of the process 	Medium
4 Working Capital	High		<ul style="list-style-type: none"> Terms for the provision of adequate and timely working capital, to be shared by both parties, to be included in definitive agreements. 	Low
5 Long-term forecast of facility fee on the main bowl and secondary facility, naming rights, and indirect CRL uplift are subject to estimation risk and return may not be achieved.	High		<ul style="list-style-type: none"> Administration relied on due diligence completed by others. Additional monitoring, clarification and information are required to forecast what The City's return is. 	Medium
6 Adequate return on investment (ROI) for Calgarians including direct and indirect returns for economic, social and environmental return	High		<ul style="list-style-type: none"> Fundamental economic terms are in alignment with Negotiating Mandate Administration to seek Council approval 	Medium
7 Incremental impact on The City's capital (undefined infrastructure costs) and operating budgets (essential services costs – Transit, Police, Fire, Roads, etc.)	High		<ul style="list-style-type: none"> CMLC /The City need to define the type of incremental infrastructure servicing that CMLC/The City will be responsible for, and how it crosses with other projects and identify funding sources Administration will engage across business units to confirm a cost estimate of any additional long-term incremental City essential services over and above those incurred for Saddledome operations. 	Low
8 Impact of any potential City investment for the Event Centre on The City's liquidity. A portion of The City's base project contribution is based on sources of funding that are timed with the 3-year construction period.	Medium		<ul style="list-style-type: none"> The City has identified and approved sources for its share of funding contribution. Timing of the availability of cash contribution will be dependent on construction outlays. 	Low

9	A mechanism and funding source are required for cost over-runs for both parties as there is a \$275M cap for both parties	High	<ul style="list-style-type: none"> Develop an agreement and mechanism on how to avoid cost overruns. Retaining CMLC as a project manager and implementing stage gating for the design and construction will help mitigate the risk. The definition of "Major Structural Repairs" and design and budget stage gates to be defined in the definitive agreements. 	Medium
10	Lifecycle & Major Rehabilitation - Major Structural Repair risk is defined as The City's	High	<ul style="list-style-type: none"> To be considered when drafting a definitive agreement. 	Low
11	Community Sports Payments - Operating budgets of various Calgary sports organizations are dependent on this funding.	Medium	<ul style="list-style-type: none"> Currently unknown potential appraisal differences between the lands to be exchanged (i.e. City owned lands under the Saddledome to be exchanged with Stampede owned lands where the Event Centre is to be located). Appraisals will be commissioned The parties have agreed terms on how any differential will be actioned Administration has obtained rough estimates of flood mitigation and insurance related costs Flood protection also provided by flood mitigation projects not in Rivers District 	Low
12	Land Exchange differential	High	<ul style="list-style-type: none"> The approval of the Event Centre further catalyzes the Rivers District and provides incremental CRL returns, thereby reducing the risk that future CRL payments are not adequate to repay the project internal loan Restricted direct returns from the Event Centre in the Major Capital Projects Reserve available to mitigate CRL shortfall 	Medium
13	Unknown incremental flood mitigation costs	High	<ul style="list-style-type: none"> Parties have agreed to try to conclude all agreements by November 30, 2019 	Medium
14	Security for BMO Centre Expansion Loan	High	<ul style="list-style-type: none"> Parties have agreed to try to conclude all agreements by November 30, 2019 	Medium
15	Event Centre does not proceed to final definitive agreements which will impact the BMO Centre expansion as a packaged deal	High	<ul style="list-style-type: none"> Parties have agreed to try to conclude all agreements by November 30, 2019 	Medium
Legal Risk				
16	Short timeframe within which to negotiate definitive agreements	High	<ul style="list-style-type: none"> Prioritize the definitive agreements that can be completed in the specified timelines Use external legal resources in addition to internal legal resources. . Parties can mutually agree to extend the time frame. 	High
17	Dependencies between the various arrangements	High	<ul style="list-style-type: none"> Conditions precedent, contingencies, and default and termination provisions will be built into the definitive agreements 	Low

Willing to accept and monitor these risks since they have low likelihood of occurrence however with minor consequences.

Recognizes these risks will probably occur and will have moderate consequences. Management will monitor and manage risks by implementing contingency plans to reduce the likelihood and impact of their occurrence

Recognizes these risks are top priorities of critical importance to the organization. Management is spending more effort to manage and monitor these risks by implementing risk mitigation strategies to reduce the likelihood and impact of their occurrence

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3	Validate the accuracy of cost estimate based on the defined project scope.	High	<ul style="list-style-type: none"> Design and budget of the Event Centre will be a gated process in which the mutual agreement of both The City and CSEC will be required for each stage of the process 	Medium	Medium
4	Working Capital	High	<ul style="list-style-type: none"> Terms for the provision of adequate and timely working capital, to be shared by both parties, to be included in definitive agreements. 	Low	Low
5	Long-term forecast of facility fee on the main bowl and secondary facility, naming rights, and indirect CRL uplift are subject to estimation risk and return may not be achieved.	High	<ul style="list-style-type: none"> Administration relied on due diligence completed by others. Additional monitoring, clarification and information are required to forecast what The City's return is. 	Medium	Medium
6	Adequate return on investment (ROI) for Calgarians including direct and indirect returns for economic, social and environmental return	High	<ul style="list-style-type: none"> Fundamental economic terms are in alignment with Negotiating Mandate Administration to seek Council approval 	Medium	Medium
7	Incremental impact on The City's capital (undefined infrastructure costs) and operating budgets (essential services costs – Transit, Police, Fire, Roads, etc.)	High	<ul style="list-style-type: none"> CMLC /The City need to define the type of incremental infrastructure servicing that CMLC/The City will be responsible for, and how it crosses with other projects and identify funding sources Administration will engage across business units to confirm a cost estimate of any additional long-term incremental City essential services over and above those incurred for Saddledome operations. 	Low	Low
8	Impact of any potential City investment for the Event Centre on The City's liquidity. A portion of The City's base project contribution is based on sources of funding that are timed with the 3-year construction period.	Medium	<ul style="list-style-type: none"> The City has identified and approved sources for its share of funding contribution. Timing of the availability of cash contribution will be dependent on construction outlays. 	Low	Low

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9	A mechanism and funding source are required for cost over-runs for both parties as there is a \$275M cap for both parties	High	<ul style="list-style-type: none"> Develop an agreement and mechanism on how to avoid cost overruns. Retaining CMLC as a project manager and implementing stage gating for the design and construction will help mitigate the risk. The definition of "Major Structural Repairs" and design and budget stage gates to be defined in the definitive agreements. 	Medium
10	Lifecycle & Major Rehabilitation - Major Structural Repair risk is defined as The City's	High	<ul style="list-style-type: none"> To be considered when drafting a definitive agreement. 	Low
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17	Dependencies between the various arrangements	High	<ul style="list-style-type: none"> Conditions precedent, contingencies, and default and termination provisions will be built into the definitive agreements 	Low

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