

Risk Analysis Related to 2019 July Budget Reductions

The City's 2019 budget reductions, presented to Council at its Combined Meeting on 2019 July 22 (C2019-0901), have associated risks. Using a bottom-up and top-down process, this document describes the impact that the reductions are expected to have on The City's top strategic risks, the Principal Corporate Risks. Further, it provides a summary of the risk information collected, specific to the reduction packages.

Risk Impacts on The City's Principal Corporate Risks

The City of Calgary will continue to monitor its broad, long-term, strategic risks associated with the 2019 reductions. The Principal Corporate Risks (PCRs) will be monitored and assessed to determine the impact resulting from the accumulation of the approved reductions alongside previous budget saving efforts and upcoming, ongoing efforts to ensure The City operates efficiently and effectively. A full list of the Principal Corporate Risks is included in the Appendix. Below are the five PCRs The City is most closely watching related to the 2019 reductions (in alphabetical order).

Capacity for Change Risk

This risk is under pressure due to a high degree of uncertainty in this area, and a lack of flexibility that reductions will impose on certain services. The City will monitor closely to determine if new strategies are required to address this risk.

Financial Risk

This risk is currently well managed through existing processes and controls aimed at delivering on Council's directives within budget. Many reduction packages outline the tension between reducing costs for service while continuing to maintain service levels.

Growth Risk

This risk could see impacts on medium to long-term modelling and strategic planning related to growth. Calgary is still experiencing the effects of a slowdown in the economy, yet it is also undergoing growth in population and demands for services. The City will continue to coordinate the management of large projects, service delivery to the city's communities, and plan strategically.

Infrastructure Management Risk

This risk is expected to become more challenging to address when implementing reductions. The City will continue to actively manage assets through lifecycle maintenance and replacement in capital infrastructure investment programs.

Reputation Risk

This risk has received a lot of attention, and is referenced most frequently throughout the reduction packages. Lower service levels could impact citizens' satisfaction, trust, and confidence in The City. In relation to the reductions, this risk is being monitored and managed in conjunction with the financial risk, as one can impact the other.

Summary of Risk Information in the Reduction Packages

Risks associated with a proposed reduction or efficiency were identified by service owners and

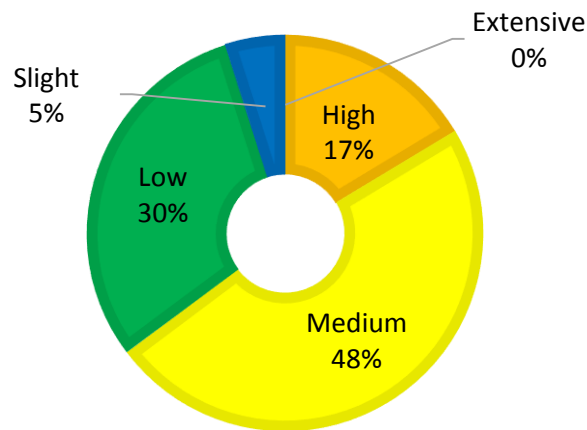
were rated to determine potential impacts on The City’s ability to achieve its results. Risks were rated based on a scale of likelihood and impact to determine the risk’s overall ‘risk rating’ (Slight, Low, Medium, High, or Extensive) based on The City’s risk assessment matrix. This information was used to determine the impact of the reduction packages on The City’s Principal Corporate Risks.

In terms of connections to The City’s Principal Corporate Risks, the following five PCR’s were mentioned most frequently in the reduction package submissions:

- Reputation Risk
- Financial Risk
- Capacity for Change Risk
- Operations, Process Risk
- Economic and Social Impact Risk

An assessment of the risks in the reduction packages shows that some did not identify any associated risks. Of those that did, most of the risks associated with reduction packages are rated “Medium.”

PROPOSED REDUCTION PACKAGES' RISKS



APPENDIX: THE CITY OF CALGARY'S PRINCIPAL CORPORATE RISKS (ALPHABETICAL ORDER)

Note: When the information for the proposed reductions was collected in 2019 June, the separation of the Economic and Social Impact Risk into two separate risks had not been implemented. The Administrative Leadership Team (ALT) provided direction at the 2018 December 18 ALT meeting to split the Economic and Social Impact Risk into the Economic Risk and the Social Impact Risk. The two distinct risks were approved by ALT on 2019 June 18 (ALT2019-0355).

1. **Business Continuity Risk:** An interruption to an essential service provided to Calgarians caused by a vulnerability being exposed to a natural, technological, or human hazard.
2. **Capacity for Change Risk:** Increasing velocity, pace and quantity of change in the natural, social, economic and political environment, combined with limited flexibility in the organization to respond contributes to reduced capacity, preparation and experience required to implement new initiatives and adapt to changing priorities.
3. **Economic Risk:** Citizens and the business community face ongoing pressure due to the volatility of local and regional economies. This risk can impact demands for municipal services (including social supports), municipal revenue, and The City's priorities.
4. **Environmental Risk:** Potential increase in severe weather and climatic changes may cause disruptions to operations and service delivery. Corporate and community-wide greenhouse gas (GHG) emissions may not meet reduction targets for 2020.
5. **Financial Risk:** Lower general revenues and/or higher expenses than budgeted negatively impacts current and future operating budgets, service delivery, tax rates and our ability to adapt to growth and increases The City's reliance on debt.
6. **Growth Risk:** While growth carries many economic and social benefits, it is also a significant risk for The City because many services and infrastructure need to be in place prior to or timed with demand. This means The City must anticipate both the level and spatial pattern of growth. These risks can impact The City's capacity to deliver and provide infrastructure and services that meet city-wide demands.
7. **Health & Safety Risk:** Potential harm to City employees and contractors. This may result from non-compliance with health and safety regulations or an incident that could impact City employees/contractors and/or citizens and expose the organization to potential financial and reputational risks.
8. **Infrastructure Management Risk:** The City owns and operates public infrastructure systems including water service, storm and sanitary sewers, roads, sidewalks, pathways, bridges and other structures and buildings. Ensuring that assets are in good, reliable condition is essential to keeping the city safe. The City is exposed to the risk of assets failing, particularly from inadequate lifecycle maintenance.

9. **Legal & Compliance Risk:** Law provides legal, governance, risk management, and issues management advice with respect to federal and provincial laws and bylaws. Advice is not always sought in sufficient time to allow a strategy to be developed or action to be taken on a proactive basis, resulting in the corporation having to react to issues or lawsuits. This can impair the corporation's ability to complete projects and conclude transactions on time, on budget and within scope, and may result in financial losses or unnecessary business, legal, financial or reputational risk for The City.
10. **Operations, Process Risk:** Failure to ensure appropriate processes are in place to manage the complexity of operations.
11. **Partnership Risk (Civic Partners):** Counterparty risk arising from City partners unable to deliver services.
12. **Political Risk:** Changing priorities or actions of municipal, regional, or other orders of government paired with rapid changes in the natural, social or economic environment could result in funding challenges that may adversely impact The City's ability to deliver on citizen expectations.
13. **Reputation Risk:** Reputation risk is damage to the image of The City or negative perceptions by citizens or stakeholders as a result of actions of elected officials or City employees. This risk can threaten The City's ability to maintain positive and productive relationships with citizens, businesses, partners and the ability to achieve its corporate objectives.
14. **Security Risk:** A violent attack on or in City space could result in loss of life, serious injury as well as halting critical service delivery.
15. **Social Impact Risk:** Changes in demographics, economics, and expectations upon the municipal government may put pressure on, and could result in, an inability to respond to the needs of customers who rely on City social programs.
16. **Talent Management & Workforce Planning Vulnerability Risk:** Inability to attract, develop, engage and retain key talent and knowledge in order to meet current and future business needs.
17. **Technology Risk:** There is a risk to business disruption due to vulnerability or failure of applications. Rapid pace of emerging threats such as cyber-attacks (willful attack on public infrastructure, public safety, transportation, water treatment, system access, intentional damage, privacy breach, distributed denial-of-service attacks, etc.). Potential impacts include breaches of confidential information, and disruption to the availability of critical systems and applications, and the integrity of those systems.