

**Calgary Economic Development Report to
Audit Committee
2019 October 24**

**ISC: UNRESTRICTED
AC2019-0625**

Calgary Economic Development Audit Committee Annual Report

EXECUTIVE SUMMARY

This report is the annual report to The City of Calgary's Audit Committee from Calgary Economic Development.

CALGARY ECONOMIC DEVELOPMENT RECOMMENDATION:

That the Audit Committee receives the presentation for information.

PREVIOUS COUNCIL DIRECTION / POLICY

The City of Calgary Audit Committee Bylaw 48M2012, states that the Audit Committee is responsible for:

“overseeing its governance responsibility with audit committees of The City’s major autonomous civic entities.”

Section 4(1)(i)

BACKGROUND

A letter dated 2019 May 6 was provided to the President and Chief Executive Officer of Calgary Economic Development from the City of Calgary Audit Committee Chair requesting a report and presentation on its 2018 Annual Report, risk management processes and the Audit and Finance Committee terms of reference.

The letter outlined the items to be provided in their annual report to The City’s Audit Committee, as follows:

- 1. Brief summary on governance structure, succession planning and recruitment process, recent financial highlights and key 2019 initiatives/strategy;**

1.1 Governance Structure

(a) Calgary Economic Development

CED was incorporated as Promoting Calgary Inc. under the Business Corporations Act in the province of Alberta in July 1999. It was reconstituted and changed its name to Calgary Economic Development Ltd. on January 1, 2003. CED is a government non-profit organization under the Income Tax Act of Canada and accordingly is exempt from income taxes under section 149(1)(e) or (l). CED is a controlled not-for-profit (NFP) organization of The City of Calgary with 100 shares issued.

CED’s mission is we collaborate to advance opportunities in achieving economic success, embracing shared prosperity and building a strong community for Calgary. CED’s purpose is to work with business, government and community partners to position Calgary as the location of choice for the purpose of attracting business investment, fostering trade and growing Calgary’s workforce.

As a wholly owned subsidiary of The City of Calgary, CED is governed by an independent Board of Directors (the “Board”) is currently made up of 18 directors with varied industry

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experience. The Board oversees the organization's overall strategic direction while management develops strategy and manages and conducts the day-to-day business.

The Board approves the mission, the 4-year corporate strategy, the annual business plan, and the annual budget. It monitors risk and compliance with fiduciary and legal requirements of the organization. It delegates to management the achievement of strategic, financial and other plans. CED's responsibilities to its multiple stakeholders are paramount in conducting its business. The overriding objective for the Board is the maximize the value of the work of CED.

The Board is supported by four board committees, which includes the Corporate Governance and Effectiveness Committee, the Audit Committee, the Performance and Compensation Committee, and the Economic Strategy Committee. Alongside CED's Board and board committees, CED manages the Board of Directors and board committees for Calgary Film Centre Ltd. ("CFCL") and Opportunity Calgary Investment Fund Ltd. ("OCIF").

In addition to the various boards and board committees, in 2018 there were sector specific Advisory Committees and several ad-hoc committees that supported CED's work in a specific sector and the implementation of the economic strategy for Calgary. These committees included:

- 1) Agribusiness;
- 2) Renewable Energy;
- 3) Energy Services;
- 4) Transportation and Logistics;
- 5) Workforce; and
- 6) Real Estate.
- 7) Life Sciences
- 8) Marketing and Brand

The Calgary Executive Roundtable was created in December 2017 to receive direct input on the updated economic strategy for Calgary and was disbanded in June 2018 following the completion and unanimous approval by City Council of *Calgary in the New Economy*. As the stewards of the *Calgary in the New Economy*, in 2018 CED also coordinated Talent, Innovation, Business Friendliness and Place Committees, as well as an overarching Leadership Implementation Team, which draws representation from the entire strategy. All orders of government, education, and industry are well represented at each of these committees to oversee the strategy's implementation. CED also sits on the City of Calgary's Downtown Strategy Committee and Business Advisory Committee.

CED has been receiving contributions from The City of Calgary since incorporation to sustain its operations. In 2018, CED received an operating grant of \$5,808,765 (2017 - \$5,584,179). The base grant contributed 48% (2017 - 45%) of CED's revenue in 2018. Additional revenue sources in 2018 included revenue recognition on The City of Calgary Economic Resiliency funds \$2.5 million (2017 - \$2.4M), private sector revenue of \$1.3 million (2017 - \$1.7M), and revenue recognition on funding from other orders of government \$1.5M (2017 - \$2.3M).

(b) Calgary Film Centre Ltd.

CFCL was incorporated as The Alberta Creative Hub under the Companies Act in the province of Alberta in on December 17, 2009. It was reconstituted and changed its name to Calgary Film Centre Ltd. on June 23, 2014. CFCL is a government non-profit organization under the Income

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Tax Act of Canada and accordingly is exempt from income taxes under section 149(1)(e) or (l). CFCL is a wholly owned subsidiary of CED.

CFCL is governed by an independent Board of Directors that reports to the CED Board of Directors and CED Audit Committee. In 2018, the Board of Directors had six Directors, which included one Director from the CED Board and the President and CEO of CED. On August 13, 2018 the Board was reduced to five directors as President and CEO of CED resigned from the CFCL Board coinciding with her leave of absence from CED to lead the 2026 Olympic Bid (July 2018 – January 2019). At the Annual General Meeting held on April 18, 2018 the slate of Directors agreed to continue serving on the CFCL Board until the sale of the facility to The City of Calgary was finalized. Following the sale of the facility in October 2018, the Board of Directors was reconstituted when four of the six Directors stepped down and were replaced by one CED board representative and one City Council representative from The City of Calgary. As of December 31, 2018, the CFCL Board of Directors is made up of four Directors including an independent Board Chair, Patricia McLeod, Councillor Jeff Davison as The City of Calgary's representative, and two representatives from the CED Board in Quincy Smith and Debra Deane. In May 2019, Debra Deane resigned from both the CED and CFCL Board and it was determined a three (3) person CFCL Board was sufficient given the current composition with independent, CED and City representatives.

CFCL's Board of Directors was supported by a CED and CFCL Joint Sub-Committee. The CED and CFCL Joint Sub-Committee was created in November 2017 to monitor debt and cash flow of the Calgary Film Centre and was disbanded in September 2018 due to the sale of the facility to The City of Calgary. Given that there are no committees of the CFCL Board, the CFCL financial and board reports are monitored by the CED Audit Committee and tabled at the CED Board of Directors meetings on a quarterly basis.

1.2 Succession Planning and Recruitment Process

CED has a succession plan for each of the senior management team members and a development plan for high potential management within the organization. The succession plan is reviewed and updated by the organization annually. In 2018, there were seven senior management roles in place. Management completed a succession plan for those key positions. The senior management team and key leaders were supported with one on one executive coaching and are undertake a management test called Success Finder as part of their ongoing developmental journey. CED supports ongoing training and development for all leaders and employees.

The organization has also commenced succession planning for the Board Chair. The term of the current Board Chair expires in May 2020 and as such in late 2018 CED began to engage with local recruitment firms to begin the succession and recruitment process, which resulted in five (5) Board appointments at the AGM on June 24, 2019 and a new Board Chair in Q4 2019.

The Board Manual includes a Board Recruitment Policy that sets out the steps and requirements for board recruitment and the nomination of new Directors. Under the Board Recruitment Policy, the Board reviews and approves the recruitment procedure for new directors on an annual basis, including utilization of an open and transparent process. Under the policy the Board delegates the execution of the recruitment to the Corporate Governance and

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Effectiveness Committee. CED board recruitment is a public process open to the whole community and key stakeholders are notified of any vacancies on the Board. Action Calgary (now Team Calgary) Partners and CED's Advisory Committee are viewed as a pathway for industry leaders to learn more about the organization to qualify for open Board positions.

The Board is carefully composed of Directors from legal, financial and key sector backgrounds. A Skills Matrix of the Board is consolidated and reviewed by the Corporate Governance and Effectiveness Committee on an annual basis evaluating skills, diversity, and experience of individual Board members. Consideration of applicants is based on areas of industry representation and experience that are identified by the Skills Matrix and Corporate Governance and Effectiveness Committee as underrepresented by the current makeup of the Board.

Board Directors for CED are appointed at the annual general meeting of the shareholder for one or two years terms and are eligible for re-election to a maximum of six consecutive years. A Director who has served a maximum term on the CED Board may be re-appointed after an absence of at least one year.

In 2019, the CED Board of Directors decreased in size by five members – Jeff Fielding, Kevin Zimmer, Tom Hodson, Hannes Kovac and Debra Deane. City Council appointed Glenda Cole to the CED Board of Directors effective March 29, 2019 to replace Jeff Fielding as the interim City Manager. Glenda Cole was subsequently replaced on September 24, 2019 when the City Council appointed a new City Manager, David Duckworth. In 2020, the size of the Board will be decreased further with the exit of four further members – Steve Allan, Brad Pierce, Quincy Smith, and Leontine Atkins. On June 14, 2019, the CED Board of Directors appointed five new Directors (Charles Duncan, Katherine Emberly, Christine Gillespie, Andrea Whyte, and Robert Hayes) identified in the recruitment process with the goal of achieving a Board size of fourteen to fifteen Directors by June 2020. The demographic of the CED board currently includes 50% male to female representation. In Q4 2019, Steve Allan will be stepping down as the CED Board Chair and Joe Loughheed will be appointed as the new Chair of the Board.

See Attachment 13.0 for List of CED Board Directors

1.3 Recent Financial Highlights

(a) Calgary Economic Development Ltd.

CED's December 31, 2018 financial statement audit was approved by the Board and completed on March 29, 2019. The December 31, 2018 audited financial statements and auditor's year end communications are attached to this report. *See Attachments 1.0 and 2.0.*

MNP provided an audit opinion that the financial statements present fairly, in all material respects, the financial position of CED as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-For-Profit Organizations. CED uses deferral method of accounting for contributions such that restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

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CED has received core funding from the City of Calgary since inception to sustain its operations. In 2018, the Company received an operating grant of \$5,808,765 (2017 - \$5,584,179). The base grant contributed 48% of CED's revenue in 2018 (2017 - 45%). Additional revenue and funding sources in 2018 include a onetime grant: from the City of Calgary Economic Resiliency funds of \$2.7 million (2017 - \$2.4M), from other orders of government of \$1.5M (2017- \$2.3M). Other revenue sources include private sector revenue of \$1.3 million (2017 - \$1.7M).

The December 31, 2018 accumulated surplus was \$1,044,596. CED has maintained this level of surplus due to uncertainty of cash flow with short term funding, potential decrease in core funding and to support CFCL's cash position, which at one point had a loan of \$900,000 from CED. In turn look for additional support from the private sector and other orders of government which are unpredictable sources that could fluctuate annually. The surplus is expected to be reduced over the next three to five years, as CFCL no longer has debt and it's not anticipated to have cashflow shortfalls. CED's cash position at yearend is relatively strong.

The restricted cash and deferred contributions are both down significantly year-over-year, which is related to use of one-time grant funding received in 2018 from the City of Calgary's Resiliency Fund, Government of Canada's Western Diversification and Government of Alberta.

During 2018 CED, continued to execute on the initiatives to expand CED's out of market and local marketing campaigns, further develop Calgary as an inland port, expand agribusiness and renewables initiatives, and focus on real estate/head office strategy for Calgary. The result was an increase in the number of jobs and companies created and/or retained. See *Attachment 6.0* for CED's Balanced Score Card and Key Performance Indicators.

(b) Calgary Film Centre Ltd.

CFCL's December 31, 2018 financial statement audit was approved by the CFCL Board and completed on March 20, 2019. The December 31, 2018 audited financial statements and auditor's year end communications are attached to this report. See *Attachments 3.0 and 4.0*.

MNP provided an audit opinion that the financial statements present fairly, in all material respects, the financial position of CFCL as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-For-Profit Organizations. CFCL uses the deferral method of accounting for contributions such that restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

CFCL earned \$1,031,314 in rental revenue in 2018 (2017 - \$941,809). CFCL received a grant from the Government of Alberta in 2018 for \$315,000 to support programming related activities. Deferred revenue recognized by CFCL was \$503,145 (2017 - \$315,910).

On October 19, 2018 CFCL sold the land, buildings and its related fixtures to The City for proceeds of \$12,679,332. The total proceeds from the sale were used to settle the outstanding debt of CFCL including the loan of \$900,000 from CED. This has allowed CFCL to focus on sales and marketing. The has proved to be a successful undertaking as in 2019 CFCL is forecasting a 77% occupancy level and will breakeven for the fiscal year.

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Key 2019 Initiatives/Strategy

CED's major initiatives are led by the economic strategy and the four pillars contained therein. CED has been reorganized in order to better align with *the* New Economic Strategy, including new 4-year Corporate Strategy and Annual Business Plan. The 2019 Business Plan was adapted with four new strategic objectives to measure the organization's success – (1) high performing and engaged team, (2) exceptional client service, (3) global recognition as a place to learn, live and do business, and (4) accelerate sector development and diversification.

See Attachments 5.0 and 6.0.

2. Report on the organization's key operating and strategic risks including trends and risk management plans and processes;

CED and CFCL create and regularly update an Enterprise Risk Matrix to identify and manage risks and identify mitigating strategies (see *Attachments 7.0 and 8.0*). Risks are identified using four broad categories:

- 1) Financial;
- 2) Reputational and Relevance;
- 3) Safety and Security; and
- 4) Sustainability and Operational.

Within each category identified risks are assigned as low, medium or high probability of occurrence. Mitigating strategies are outlined for every risk identified in the Enterprise Risk Matrix (See *Attachment 7.0*), which is reviewed and updated by the Audit Committee, the Performance and Compensation Committee, and the Board of Directors on a quarterly basis.

3. Analysis of the top three financial and/or operational risks that in our opinion would impact the City of Calgary and be of concern to the City's Audit Committee;

As of December 31, 2018, CED's top three operating and strategic risks are:

- 1) Financial Risk: Reliance on various sources of public and private sector revenue and the financial support of the Calgary Film Centre. High probability with a potentially high impact.
- 2) Reputational Risk: Opportunity Calgary Investment Fund Ltd. ("OCIF"). High probability with a potentially high impact.
- 3) Sustainability and Operational: Human Resources. High probability with a potentially high impact due to no salary increases in 5 years and high attrition.

CED is actively focused on mitigating strategies to minimize the financial and reputational risks of the top three risks noted above.

Financial Risk: Reduction in Revenue

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In 2018, CED had multiple sources of short-term funding from all orders of government and is becoming increasingly reliant on private sector revenue to help sustain the organization's marketing and promotional projects. As the profile of the organization increases in the community, CED is asked by government, civic partners, and industry to take on more initiatives. As a result, the organization has had to look to the private sector to secure additional revenue to be able continue to play a key role in the community. However, CED's 67 industry partners are susceptible to decrease in revenue because of the downturn, which in turn affects CED's ability to secure private funding.

In June 2019, CED received a notice from The City that its 2019 core funding would be reduced by \$269K as part of the One Calgary budget reductions. Furthermore, 2020 core funding by The City could be reduced also be reduced between \$148K to \$294K with a potential for further reductions. To ensure continued revenue from the private sector the organization has developed a new Action Calgary strategy rebranded as Team Calgary, which was approved by the Board in 2019. While private sector revenue is more volatile than other sources, the revenue targets for the Team Calgary program continue to be increased to offset the One Calgary budget reductions.

On September 24, 2019 the CED Board of Directors approved a reduction of the retained earnings balance going forward in the context of this challenge, to help address Human Resource needs, and the additional surplus is no longer required to support the Calgary Film Centre financially.

Reputational Risk: Calgary Film Centre Ltd.

CFCL, a wholly owned subsidiary of CED, has acted to mitigate financial risk by selling the facility to The City of Calgary in 2018 and eliminating all third-party and inter-company debt. CFCL continues to manage and operate the facility and tenants under a Head Lease with The City of Calgary. In 2017, CED and CFCL engaged third-party consultants to provide a third-party situation assessment and viable business plan for the Calgary Film Centre. Following the third-party consultation, CED worked with CFCL to develop a new 2018 and 4-year strategy for the Calgary Film Centre. The new strategy aims to diversify the range of clients by refocusing the mix of marketing and sales efforts to new markets, increasing lead generation and conversion rates. Due to an uncompetitive incentive program, there is still a financial risk as we try to compete with other Canadian jurisdictions with strong incentives.

CFCL creates a reputational risk for CED, as the long-term financial viability and occupancy of CFCL is largely dependent on the Alberta Media Fund incentive program and related policy change with the Government of Alberta. Both CED and CFCL have engaged with government to discuss the Alberta Media Fund and its impact on both the industry in Alberta and the Calgary Film Centre and is actively working to change the incentive.

Reputational Risk: Opportunity Calgary Investment Fund Ltd.

Another reputational risk for CED is OCIF, which is the risk attached to a government grant program and the public's perception on who qualifies versus who does not. There is also the additional risk of the program's overall reputation and in turn CED's reputation regarding the

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success of applicants that do receive funding as there is no guarantee of their success. It is CED's responsibility via the Management Services agreement, and as Manager of OCIF, to make sure that we are administering, communicating, servicing and redirecting applicants. CED and OCIF teams have been working with the OCIF Board of Directors to ensure a strong intake process, due diligence, milestone-based contribution agreements, and strategic direction that aligns with the strategy outlined in the new economic strategy. Calgary in the New Economy. The OCIF Board of Directors was elected in May 2018, which includes Mayor Naheed Nenshi, Councillor Jeff Davison, the CED Board Chair, and seven independent directors. As the stewards of OCIF, CED has worked with the OCIF Board and the board committees to ensure that governance best practices are implemented, and that third-party due diligence is used to review business cases prior to investment.

Sustainable and Operational: Human Resources

CED's main operational risk is the human resource risks due to heavy workloads, recent increased attrition, salary freezes, and succession planning in a small, not for profit corporation. CED is currently managing three organizations with OCIF and CFCL and given the number of important initiatives the organization is involved with, the employees continue to experience a heavy workload. Additionally, given that CED is a lean organization, management has identified succession planning as a priority for the organization and to continue to work on skills that will be required for the future. To mitigate any future risks within human resources, CED completes an Annual Talent Review and Succession Plan, which identifies key individuals in the organization for future growth opportunities. CED engaged third-party consultants to provide key leadership with skills development and coaching. CED also engaged a firm to do a HR review, including hiring and onboarding practices. During the President and CEO's leave of absence in 2018, the Senior Management Team took on additional responsibilities and gained valuable experience to support the succession planning process.

4. Report on internal controls including information technology and systems;

CED has implemented several controls as part of its fraud prevention activities, including appropriate segregation of duties and regular reviews of financial results. Approval processes and procedures are in place and reviewed regularly. As part of the audit, CED has an annual fraud risk assessment with the audit committee.

CED has outsourced its IT Services to Northern Backup and adopted a cloud strategy by leveraging Microsoft's Office 365 platform. Northern Backup provides technology services, helpdesk and technical support. CED has also expanded its IT team using third parties to include Office 365 security and deployment experts.

In 2018 and 2019, the following services were relocated to the OCIF 365: Email, Telephone, Instant Messaging and File Storage and Sharing. This migration was completed in a controlled manner ensuring that service interruptions were kept to a minimum and that data was protected from risks during the move. As part of CED's data loss prevention strategies, the Corporation has implemented the following:

- Adopted an IT strategy with cloud first initiative in mind.
- Updated Data Retention and Destruction Policy

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- All workstations and servers are regularly patched as well as monitored for any problems; and
- Redundant backup systems are in place protecting CED information.

CED, in conjunction with its IT provider, has a fully hosted computing on cloud-based solution and a business continuity plan.

5. Most recent management letter including management responses as appropriate; and

MNP LLP, auditors for both CED and CFCL, attended the March meetings of the CED Audit Committee, CED Board of Directors, and the CFCL Board of Directors to present their reports for both CED and CFCL for the year ended December 31, 2018.

See Attachments 1.0 and 3.0.

6. Audit Committee 2019 Work Plan

See Attachment 9.0.

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As requested in the letter, presenters of the report will be prepared to answer the following questions:

1. What is the frequency of review and are there any recent changes to the Audit Committee Charter or Terms of Reference?

The Audit Committee meets quarterly to review financial and risk reporting and reports to the Board of Directors based on information reviewed at those sessions. The Audit Committee is responsible for stewardship of the Corporation's finances. The Audit Committee has oversight responsibility and makes recommendations to the Board on financial and risk matters.

The Audit Committee shall review its terms of reference at minimum on an annual basis, or more often so as required, and recommend changes as necessary.

The Audit Committee Terms of Reference were last revised at the Audit Committee meeting held on May 31, 2018 (*See Attachment 10.0*). The Audit Committee Terms of Reference were reviewed at the Audit Committee meeting held on September 19, 2019. The CFCL Board met 8 times in 2019 and updated the Board Manual on February 21, 2019.

2. What is the current composition of the Audit Committee and what is their relevant financial experience?

(a) Calgary Economic Development Ltd.

2018

Leontine Atkins, Committee Chair – CED Board Director

Steve Allan – CED Board Chair (*to be replaced by Joe Loughheed in Q4*)

Lori Caltagirone – CED Board Director

Tom Hodson – CED Board Director

Mary Moran – President & CEO Calgary Economic Development

Tom Hodson's six-year term with the CED Board of Directors expired at the Annual General and Special Meeting of the Shareholder on June 24, 2019 and Leontine Atkin's term is set to expire June 2020. As such, during the 2019 board recruitment process the Corporate Governance and Effectiveness Committee identified financial experience as key recruitment priority.

2019

Leontine Atkins, Committee Chair – CED Board Director

Steve Allan – CED Board Chair

Lori Caltagirone – CED Board Director

Robert Hayes – CED Board Director

Trent Edwards – CED Board Director

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Christie Gillespie – CED Board Director

Mary Moran – President & CEO Calgary Economic Development

See Attachment 11.0 for Bio's of Audit committee.

(b) Calgary Film Centre Ltd.

2018

The CFCL Board does not have a separate Audit Committee. The CFCL Board has instead been carefully composed of Directors with financial, operating and film industry experience to provide the necessary strategic direction to CFCL. Financial reporting on CFCL funnels through the CED Audit Committee as a wholly owned subsidiary of CED. Below are the board members for CFCL.

Patricia McLeod, QC, Board Chair – Former CED Board Director

Debra Deane – CED Board Director

Quincy Smith CED Board Director

Jeff Davison – CED Board Director

Debra Deane stepped down from the CFCL and CED Board of Directors effective June 24, 2019. As such, she will no longer serve on CFCL Board. As part of CED's board recruitment process, the CED Corporate Governance and Effectiveness Committee determined the CFCL Board composition was appropriate to continue as a three (3) person Board.

See Attachment 12.0 for Bios of CFCL board.

3. Have there been any significant changes to organizational leadership?

Mary Moran, the President and CEO of the Corporation, took a leave of absence from CED from August 13, 2018 until December 31, 2018 to take on the role of CEO for Calgary 2026 Olympic Bid Corporation. During the leave of absence, the Board Chair stepped into the role of Executive Chair to take on additional responsibilities. The Executive Chair and the Senior Management Team managed without replacing the President and CEO on a temporary basis until the bid process was completed. A contingency plan was created if Calgary's bid for the 2026 Olympic and Paralympic Winter Games was successful. In addition, there were changes to the Board as previously discussed.

4. Are there any regulatory or market changes that may impact the current business approach and would they be relevant to share publicly with the Audit Committee?

(a) Calgary Economic Development Ltd.

CED is focused on the new economic strategy, *Calgary in the New Economy*, as well as the city's changing economic environment from oil and gas through to talent, which effects the Corporations' business activities on daily basis. CED's business approach has been adjusted accordingly to focus on the four pillars of the economic strategy and to mitigate the economic impacts from the decline in the oil and gas sector.

(b) Calgary Film Centre Ltd.

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CFCL is exposed to risk based on funding provided by the Government of Alberta to support the film industry, which impacts lease revenue of CFCL. The current film tax credit in Alberta directly inhibits the ability to attract new tenants to the Film Centre. In October 2018, CFCL assets were transferred to The City of Calgary and debt has been eliminated, which will increase ability of management and CFCL Board to focus on the strategic marketing and occupancy of the film centre rather than debt and interest obligations.

5. Are there any results of any regulatory or internal/external business assessments that provide assurance on the effective management of risks as addressed in your presentation?

Both CED and CFCL have created an Enterprise Risk Matrix (see *Attachments 7.0 and 8.0*) to identify the top risks to their strategic goals and identify mitigating strategies. The Enterprise Risk Matrixes are reviewed by the Audit Committee and the CED and CFCL Board of Directors on a quarterly basis.

CED has developed a Balanced Scorecard and individual performance metrics to help focus efforts and measure impacts. CFCL produces pipeline reports for monitoring opportunities.

6. What initiatives are currently in progress to improve the efficiency of your processes? (e.g. sustainable operations, key performance indicators and relevance of the organization in the future)

(a) Calgary Economic Development Ltd.

CED has prepared a 4-year Budget and 4-year Corporate Strategy for 2019-2022, which include alignment to the four pillars of the economic strategy – Talent, Innovation, Place and Business Environment. The four pillars are address through High-performing and engaged team (Talent), exception client services (Innovation), Global recognition as a place to learn, live and do business (Place), and sector development and diversification (Business Environment). All of the organization's major initiatives, including the Calgary Film Centre, Opportunity Calgary Investment Fund Ltd., Startup Calgary, and the Trade Accelerator Program, address and align with the objectives of the economic strategy. Key performance indicators focus on jobs, companies, and commercial industrial space absorption.

CED has restructured its customer segmentation approach to maximize time spent on high value, star, and development clients, which will have the greatest impact. In addition, CED is placing a high focus on attracting new companies in new industries to promote diversity in the Calgary economy. CED is focused on growing talent pipeline in Calgary by **Retaining** post secondary graduates in fast scaling tech companies, **Retraining** Calgary talent to futureproof Calgary's workforce for most in demand tech skills, and **Recruiting** top talent to Calgary by developing recruitment strategies national and globally.

The organization continues to monitor the structure of the organization to ensure alignment with these strategies.

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(b) Calgary Film Centre Ltd.

In 2018 the CFCL management team and the Board of Directors developed a new strategy for the Company, which is focused on new markets and innovative ways to fill the facility and maximise occupancy, including revisiting market rates and actively work with government to change incentive program.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This report responds to The City of Calgary Audit Committee's reporting requirements of the CED Board and is intended to be an ongoing dialogue between The City of Calgary and the CED Board. It is anticipated the annual report from the CED Board will continue to evolve over time to meet The City of Calgary Audit Committee's information requirements in discharging its governance responsibilities.

Stakeholder Engagement, Research and Communication

No implications for this report.

Strategic Alignment

No implications for this report.

Social, Environmental, Economic (External)

No implications for this report.

Financial Capacity

Current and Future Operating Budget:

There are no budget implications for this report.

Current and Future Capital Budget:

There are no budget implications for this report.

Risk Assessment

CED reviews risks on an ongoing basis. Risk reporting is one of the main topics in the report.

REASON(S) FOR RECOMMENDATION(S):

The City of Calgary Audit Committee oversees its governance responsibility with audit committees of The City's major autonomous civic entities and an annual report is requested each year.

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ATTACHMENTS

1. MNP Report to the CED Board of Directors for the year ended December 31, 2018
2. Calgary Economic Development Ltd. Audited Financial Statements for the Year Ended December 31, 2018
3. MNP Report to the CFCL Board of Directors for the year ended December 31, 2018
4. Calgary Film Centre Ltd. Audited Financial Statements for the Year Ended December 31, 2018
5. CED 2019 Business Plan
6. CED Balanced Scorecard and KPIs
7. CED Enterprise Risk Matrix
8. CFCL Enterprise Risk Matrix
9. Audit Committee 2019 Work Plan
10. Audit Committee Terms of Reference
11. CED Audit Committee Biographies
12. 2019-2020 CFCL Board of Directors Biographies
13. CED Board of Directors List